

The Starbucks Cup Dilemma

By: Anya Kamenetz | November 1, 2010

"What are you going to do about this damn cup?" A story of Starbucks and the limits of corporate sustainability.

"When I take people out here in the winter, sometimes we just lie down on it," says Susan Thoman. She's gesturing to a mound of rich black organic matter the length and height of a warehouse at the Cedar Grove composting plant, a

sprawling complex an hour north of Seattle. Sealed under Gore-Tex fabric and "blimped" with fans, the giant piles reach a toasty internal temperature of 130 degrees thanks to beneficial bacteria. They steam in the foggy air, which is scented miraculously with bark mulch, not rot, like the floor of the thicket for which the place is named. Thoman, a nonsense blonde who is Cedar Grove's business development manager, says the company's two plants, which accept everything from cardboard to grass clippings to half-eaten enchiladas, and even Starbucks napkins and crumbs, regularly receive visitors from around the U.S. "We're a recycler, manufacturer, wholesaler, and retailer," selling bagged compost to home gardeners and the Department of Transportation, she says. "We get paid when it comes in, and paid when it goes out." This is a place not of burial, but transformation.



Photograph by Geoff Kern

The rich aroma of waste alchemized into resources is one that Cedar Grove client Starbucks Coffee has been trying mightily to capture, but its recipe has mostly eluded it. Cedar Grove is a best-case answer to the question of what happens when waste leaves your hand. This question has been obsessing Seattle's second-largest company because of an object that's sitting at the corner of my desk (and millions of others) right now, in a sweaty puddle of guilt: a single-use paper cup. Eighty percent of drinks walk out of Starbucks's stores; an astonishing 3 billion of the nation's 200 billion-plus paper cups thrown into dumps each year bear that familiar green logo.

The company arguably has other priorities besides keeping its cups out of landfills. After its stock dipped to a multiyear low in 2008, analysts finally rate it a "buy" again, but at about \$25 a share, the stock has a long way to go to regain its high of \$40 in the spring of 2006. Third-quarter profits were up 37%, but there's been a hint of flailing in Starbucks's upswing. (Instant coffee! No, premium coffee! Canned energy drinks! No more hot egg sandwiches! Hot egg sandwiches! Free Wi-Fi!)

Environmentally, too, Starbucks has bigger concerns than disposable cups. Its 8,832 company-owned stores and its international supply chain both affect resource use and climate change more than cups in the trash. Accordingly, the company is pursuing more LEED certifications and working toward a goal of purchasing 100% fair-trade and Coffee and Farmer Equity-certified coffee by 2015.

Yet the cup, which sits precisely at the intersection of brand and sustainability, looms above all. "From our customers' standpoint, the cup is our No. 1 environmental liability," says Jim Hanna, the company's director of environmental impact. "Cups are our icon, our billboard, part of the ethos of the company. Customers have this great experience of interacting with store partners and the beverage. Then, when they're finished, they say, 'Now what do I do with my cup?'"

Hanna has called on organizational guru Peter Senge and his team at MIT to help answer this question, which has bedeviled Starbucks for more than two decades. With Senge's help, Starbucks has moved from solo redesign efforts to enlisting paper mills, NGOs, municipal governments, and even competitors such as McDonald's and Dunkin' Donuts to help. Starbucks is putting major marketing muscle behind the effort, too, betting that despite the economic downturn

customers will be drawn to the green halo of its so-called Shared Planet initiative.

But casting the company as an innovative, dedicated leader in sustainability has its risks. Getting more cups out of the waste stream and into places like Cedar Grove has proven to be a lot more complicated than anyone at Starbucks had expected, and some environmentalists are actively questioning the company's approach. They argue that the answer is actually incredibly simple, but the company is afraid to imperil its turnaround momentum. The saga of the Starbucks cup may represent the last stand for the era of the corporate-led sustainability initiative. Think about it: What would it take for you to never throw away another cup?

Starbucks introduced paper cups in 1984, when it had just seven stores, as part of its transition from an artisanal roaster to the world's biggest specialty-coffee chain. It has taken various steps over the years to mitigate the environmental impact of its packaging. In 1997 (1,270 stores), Starbucks introduced the recycled cardboard-brown hot-beverage sleeve to cut down on double cupping. It fought the FDA for more than two years to get approval for the first hot-beverage packaging featuring 10% postconsumer recycled content. That cup, introduced in 2006 (12,440 stores), won the National Recycling Coalition's annual award. In 2008 (16,680 stores), Starbucks switched its plastic cups from polyethylene (No. 1) to polypropylene (No. 5), which uses 45% less greenhouse gases.

As the company has grown, its cup-disposal problem "got to be a bee in the bonnet of [CEO] Howard Schultz," says Senge, the MIT business professor whose management philosophy book, *The Fifth Discipline*, is a worldwide best seller that popularized the concepts "learning organization" and "systems thinking." Senge originally got to know Starbucks through his work with the Sustainable Food Lab, a global network of NGOs and companies that work on international supply-chain-management practices around products like fair-trade coffee and cocoa. "These are the best NGOs and the best people in business around sourcing and food systems," he says. "They regard Starbucks as being as good as anybody in coffee."

Senge's initial introduction to the company became a relationship when Hanna, who had joined Starbucks in 2005 from a job as sustainability director at Yellowstone National Park's main concessionaire, contacted Senge a year or so later. According to Senge, Hanna told him, "We really want to do something about the cups."

"At many annual meetings," Senge continues, "people would stand up and say, 'What are you going to do about this goddamned cup?' Howard's an off-the-cuff kind of guy, so he basically ordered his team, 'We've got to get rid of this disposable cup. Go solve the problem.' " In October 2008, the company held its annual leadership meeting in the New Orleans Convention Center beside the Mississippi River. Schultz and 10,000 employees spent the weekend doing community service in the city. Bono showed up to announce a new partnership with the AIDS Product Red campaign. A fired-up Schultz pledged to the assembled throng that 100% of Starbucks cups would be recyclable by 2012. "I have never been so proud to be your partner," Schultz wrote in an ebullient open letter after the meeting.

It was a laudable goal. But Starbucks's first problem was defining the term *recyclable*. "Early in the process, we all had a belief that there was going to be some silver-bullet material out there we could magically change our cups to, and it would be recyclable or compostable," says Hanna, 41, a Washington State native who cuts a rugged figure with a crop of reddish curls and a cleft chin, and who spends his vacations hiking in places like Alberta's Banff National Park. Senge calls this the "happy cup" fallacy. "Everybody gets so excited holding a cup that says *biodegradable* or *compostable*," he says, "when the fact is, you're going to dump it in a trash can, and then it goes in a landfill sealed in an airtight bag. That cup will never break down."

Hanna notes that for the FTC, which regulates environmental marketing claims, to consider a material worthy of being branded with those famous triple chasing arrows, the majority of the public has to actually have access to recycling facilities. "Once we started understanding the full system, we realized that what our cups are made of is the least important factor."

Through suppliers, Hanna learned that most U.S. recycling processors currently don't take paper coffee cups, because they are lined with a tiny amount of plastic or wax to make them watertight. "The recycling industry is already estab-

lished for paper, plastic, and glass, and sorting out cups is not economically feasible," says Eric Lombardi, a zero-waste pioneer who runs Eco-Cycle, the nation's largest not-for-profit recycling company, in Boulder, Colorado. "It doesn't go with newspaper or cardboard or office paper. I have to stand there and handpick it off a conveyor belt." Paper mills, in turn, can't be sure of getting a volume of cups cheaply enough to make it worth their while to invest in the pulpers that can handle them. It's a chicken-and-egg problem.

Lombardi says composting might be a better option, but most plastic, unless plant-derived, is a no-no for composting as well. Cedar Grove, for example, has been able to certify its own line of paper and bioplastic food containers by putting them through its eight-week compost process, but currently they can accept only napkins and food waste from Starbucks. "We're playing with the idea of separating out waste streams to take more restaurant packaging," Thoman says, "but we have to build the volume to do it."

"Four different cups were pulped using a modified Waring blender ... all four tests passed the protocol's requirements." A round of applause swelled in the main auditorium at Starbucks's headquarters in Seattle. The blond, ruddy-faced Joel Kendrick of Western Michigan University's Pilot Plants recycling labs was presenting a blurry slide of blots of white paper pulp -- clinical, bench-test evidence that existing Starbucks paper cups could indeed be recycled at the same grade as old corrugated cardboard.

For Kendrick's audience of cup, paper, and coating manufacturers such as Solo; recyclers; waste managers; and academics, his talk about "bursting strength" and "water-drop penetration" had all the drama of a Sherlock Holmes tale. The date was May 11, 2009. Hanna's team had invited 30 people to participate in a full-day "Cup Summit." The major intent of the meeting, says Hanna, was to widen the scope beyond cup design, to get everybody in a room and demonstrate to paper companies -- over many, many cups of coffee -- that not only were cups recyclable but also that retailers wanted to recycle them. "That was a great catalyst," he says. "We had paper mills approaching us saying, 'We'd love to test it out.' "

Still, that's a long way from Schultz's pledge of 100% recyclable cups by 2012, and at year's end, the company still rated itself "needs improvement" on recycling in its 2009 sustainability report, admitting, "We realize there is no quick fix for this problem; we still have much to learn."

As You Sow, an organization that pursues corporate environmental and social responsibility through shareholder activism and legal action, agreed. In fact, it filed a shareholder resolution at the company's annual meeting in March 2010 asking Starbucks to get more aggressive. "We saw a fuzzy, flawed commitment on cup recovery," says **Conrad MacKerron**, **As You Sow's senior program director**. The group wanted Starbucks to include specific targets for numbers of cups recycled and expand its recycling commitment to its Ethos brand of bottled water and its convenience-store line of bottled and canned drinks (which are bottled and sold by PepsiCo). Starbucks countered in a letter to shareholders that its existing commitments were good enough, and that it was better to focus on access to recycling rather than to set a goal for numbers of cups actually recovered.

"We have no way of quantifying that," says Hanna. "It's a customer's choice whether or not to recycle." That's a pretty profound, startling admission of powerlessness. All of Starbucks's efforts can collapse in the single second it takes to shove a paper cup into the wrong can.

Despite Starbucks's vigorous opposition, **As You Sow's** resolution scored 11% approval at the annual meeting. The organization, pleased with the initial response, is debating whether to raise the resolution again in 2011. "After the vote, I noticed a change -- a sense of renewed commitment and seriousness," **MacKerron** says. Hanna denies that the shareholder resolution had any such effect, beyond offering "a great pulse check on what the NGO community is thinking."

Starbucks held a second two-day Cup Summit at the MIT Media Lab over Earth Day, in April. This time, nearly 100 attendees, three-fourths from outside Starbucks, went into small breakout sessions, organized by paper, plastic, and retail recycling, and covered whiteboards with real plans. "What was really exciting for me was that we invited our competitors into the room: Tim Hortons, Dunkin' Donuts, Green Mountain, and McDonald's suppliers," says Hanna.

"Building a volume is going to be key to finding success," says Carol Patterson, manager of environmental affairs at Tim Hortons, the Canada-based doughnut-and-coffee chain with 3,300 locations. "If we all work toward a common goal, it certainly is for the better good."

At the summit, Starbucks and paper company Georgia Pacific hatched a pilot project, which gets under way this fall: Cups from Chicago stores will head to Green Bay, Wisconsin, where a Georgia Pacific paper mill will turn them into Starbucks napkins. "We've got Starbucks, waste haulers, sorters, brokers," says John Mulcahy, a VP in Georgia Pacific's food-service business. "The idea is to show that we can get cups from stores to mills at a cost that's competitive with other sources of fiber." Adds Hanna, "It's closing the loop -- that's exciting."

Hanna is careful to portray the company's progress toward its cup goal not as small and halting but as slow and steady. Although 2012 is still the deadline for 100% recyclability, the company has shifted toward emphasizing a more complicated set of goals with a little more time to achieve them. By 2015, Starbucks wants to have front-of-store recycling in all company-owned stores (that excludes Barnes & Noble and airport stores), serve at least one-quarter of beverages in reusable cups, and make sure at least three-quarters of U.S. customers have easy access to recycling Starbucks cups in the cities where they live. "It's always been 2015," says Hanna, adding, somewhat confusingly, "We want to put in place the mechanisms to achieve recyclability by 2012, but by 2015 is when we expect to accomplish it."

Talking with Hanna and the rest of the leadership at Starbucks about the cup initiative, you get a sense of a company that is bloodied but unbowed in its march toward a complete sustainable solution. The battle has opened up on more fronts than expected, but the brave Shared Planet defenders will not rest until their mission is accomplished. Senge, asked whether the 2015 goal, which he had previously called "impossible," is achievable, responds with the gnomic, "It's not what your vision is. It's what your vision does." And Hanna freely admits, "When we first entered this cup initiative, we thought the solutions would be easier." But, he says, Starbucks's commitment to a better destiny for its cups will extend beyond any arbitrary deadline. "We were talking about it in the '80s and we're still talking about it 30 years later. The complexity is what it is."

Back in Starbucks's Seattle hometown, in the Victorian neighborhood of Queen Anne, fleece-clad patrons pause on their way out the door of Starbucks, which has been completely refurbished to reflect the chain's more sustainable aesthetic, with a reclaimed wood table, soft LED lighting, Shared Planet murals, and a coveted Clover drip coffee machine. They're steeling themselves for the slashing rain and pondering their options on the black cans at the door: trash, recycle, or compost? (The correct answer is [1] spoons, [2] cups, and [3] napkins and panini crusts.)

For more than 40 years, the city of Seattle has charged residents and businesses for garbage pickup, based on how much they throw away. Since 1990, it has provided curbside compost pickup, too. In July 2010, Seattle became the first city in the country to mandate that all fast-food restaurants and coffee shops provide storefront recycling and compost. Gina Mendoza, the cherubic manager of the Queen Anne Starbucks (store No. 314), takes me behind the store to show me that the big and small Dumpsters have been switched. "We crossed out *trash* on the big one and put *recycling*," she says. "Less than one-third of our trash is actually trash!"

The complexity dissipates, apparently, when you have the law on your side. Only 5% of Starbucks stores currently recycle cups, and that's mainly in places like Seattle, San Francisco, and Ontario, where it's required by law. Tim Hortons recycles paper packaging in 600 stores in Ontario due to legislation passed in 2002. It was the law, not corporate initiatives, that enabled Cedar Grove's state-of-the-art, profitable (and expanding) composting facilities, the largest in the nation. "The interim goal is that by 2012, 60% of all our solid waste generated will be recycled or composted," explains Timothy Croll, Seattle's solid-waste director. "Our ultimate aim is to pursue zero waste. In 2009, we were at 51.1%."

As the leader of an organization making direct, measurable progress toward its goals, Croll offers weak praise for Starbucks's approach. "We're all for Starbucks coming up with a national system -- it's a 'you go, girl' type thing, the girl being the mermaid of course. But our eyes are focused close to home."

Could the solution to Starbucks's long-standing cup conundrum actually be legislative change? Look at the recycling

rates of soft-drink cans and bottles. "Our national recycling rate for bottles and cans is only 34%," says As You Sow's MacKerron. "It was over 50% just 20 years ago." Part of the reason for the decline, he says, is that Coke and Pepsi have lobbied aggressively against mandatory take-back laws. In the 11 states that do have these deposit laws, more than 80% of cans and bottles get recycled.

The solution for the paper coffee cup may lie not with building coalitions and markets -- or with corporate social responsibility at all. "Landfills in Europe charge an average of \$250 a ton. In America, it's \$40," says Eco-Cycle's Lombardi. "Ireland created a compost industry overnight by doubling landfill fees and creating a zero-interest loan for any composting business." Economical technology exists today for 80% to 90% resource recovery through recycling and composting (including harvesting of methane for energy). There's a lot of money to be made from an essentially zero-waste economy, but only if the right incentives are in place. "I think Starbucks supports this," Lombardi adds. "Its vision and words are exactly what we want to see top global companies doing. But it can't do it alone."

I ask Hanna why the Shared Planet goal doesn't simply read "We will advocate and lobby for mandatory recycling laws wherever Starbucks stores are located." He pauses and chuckles, uncharacteristically at a loss for words. "That's a tough question," he says, before specifying that Starbucks supports recycling laws "where cities work with the business community, so there's a level playing field. Laws are written differently from community to community. That's why I can't say that Starbucks supports laws in every community."

Starbucks's true strategy might be best stated as doing the most that can be done for the environment both voluntarily and at a profit. "Our goal is to prove that there's a market value for our cup stock, and for the recycling community and paper manufacturers to see monetary value in that," says Hanna. "We need to balance business with environmental performance." That may be the most we can expect from any corporation.

I am on my way to work in New York, waiting in line at my local Starbucks. I'm clutching an insulated tumbler that Ben Packard, Starbucks's Shared Planet chief, gave me in Seattle. "Grande latte," I say. "Can you put it in this?" The woman ahead of me, clutching her own stainless-steel mug, nods in approval. You, dear dissatisfied coffee customer, have a simple solution to the cup conundrum: Bring your own damn cup.

Starbucks, to its credit, has made reusables part of its strategy; it sells tumblers and offers a 10-cent rebate for customers who bring in their own. Yet a paltry 1.5% of drinks are actually served in reusables. Senge laughs when I ask him if his work on the Cup Summits has changed his behavior. "I've been kind of fanatic about this stuff for 30 years," he says. "The reusable tumbler on my desk right now was designed by some Boston schoolkids we work with who are learning to do [environmental] footprint analysis. Kids today should grow up thinking that the stupidest thing in the whole world is to throw something away."