

CREATING SHARED VALUE IN SUPPORT OF COFFEE

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ABSTRACT

This study offers a comprehensive analysis of Nescafe's Corporate Social Responsibility (CSR) strategy within the context of Indonesia. Employing a literature review methodology, the research draws on an extensive range of sources, including prior journal articles and official Nescafe company reports, to unravel the intricacies of Nescafe's CSR approach. The focal point of this examination is the globally recognized multinational coffee producer, Nescafe. The research involved an exhaustive review of eight selected journal articles that delve into Nescafe's CSR initiatives and sustainability reports. The outcomes of this analysis unveil a holistic perspective on Nescafe's sustainability strategy in Indonesia. A central facet of this strategy is dedicated to addressing pressing environmental concerns, chiefly marked by the ambitious objective of reducing greenhouse gas (GHG) emissions by an impressive 35% per metric ton of soluble coffee. This reduction is meticulously monitored through regular assessments encompassing critical factors such as water resources, soil quality, and biodiversity. Notably, the paramount goal of Nescafe's CSR program in Indonesia is to support local coffee farmers, enabling the distribution of Nescafe coffee products throughout the country. In a symbiotic relationship, Nescafe leverages the strengths of local farmers to source raw materials while simultaneously imparting advanced production technologies, ultimately enhancing the quality of the products. The depth of Nescafe's commitment to CSR is manifest through a plethora of documented programs and activities, all thoughtfully disseminated via the company's official website. This study provides a valuable lens through which to understand Nescafe's strategic CSR and sustainability efforts, underscoring the company's role in fostering environmental sustainability, uplifting local communities, and elevating product quality in Indonesia.

Keywords: *corporate social responsibility, creating shared value, sustainability coffee industry*

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INTRODUCTION

A company needs a lot of help from various parties to maintain its existence. The relationship between companies and society cannot be separated because they need each other in the context of certain needs or can be called a checks and balances mechanism. Companies as parties that offer certain products and services to the community have an interest in showing a good reputation for the community, so there is a need for CSR (Corporate Social Responsibility) behavior. So CSR becomes a benchmark for a company's reputation, in other words, the better the level of CSR provided by the company, the better the company's reputation (Sugianto & Soediantono, 2022). The CSR in question includes the company's responsibility in the economic sector for society, especially to create a better standard of living in line with prioritizing the profitability obtained by the company (Mehmood, 2022).

Corporate Social Responsibility or CSR is a form of corporate responsibility in the social sector, namely being able to influence the community who are involved in purchasing shares in the company. With a lot of information related to CSR or corporate social responsibility, the company has more value for potential share buyers or in other words the public. Companies have branding that not only prioritizes profits but also has an interest in helping society for mutual progress (Susila & Prena, 2019). According to Srivastava et al (2019), CSR can influence the brand image, brand reputation, and stakeholder relationships of companies

throughout the world. However, the desires or expectations of stakeholders are not the same from time to time, so companies must evaluate their CSR communication patterns periodically.

In Indonesia itself, CSR is regulated in Law No. 40 of 2007, which recommends business behavior that is closely related to natural resources be obliged to implement CSR (Haq et al., 2021). The CSR that a company must have also depends on the type of company and the products/services offered by the company. If CSR and the products/services offered are appropriate, the company will have a better reputation among the public. One industry that is quite widely known and has great interest globally is the coffee industry.

The coffee industry has quite a wide range of enthusiasts, not only locally but also internationally. In various parts of the world, there are different characteristics of coffee products. Even though there are cultural differences in various countries, almost all countries have the existence of a coffee industry. This is shown by data released by Statista (2023) which shows a graph of coffee consumption throughout the world from 2012-2020. The following graph is presented:

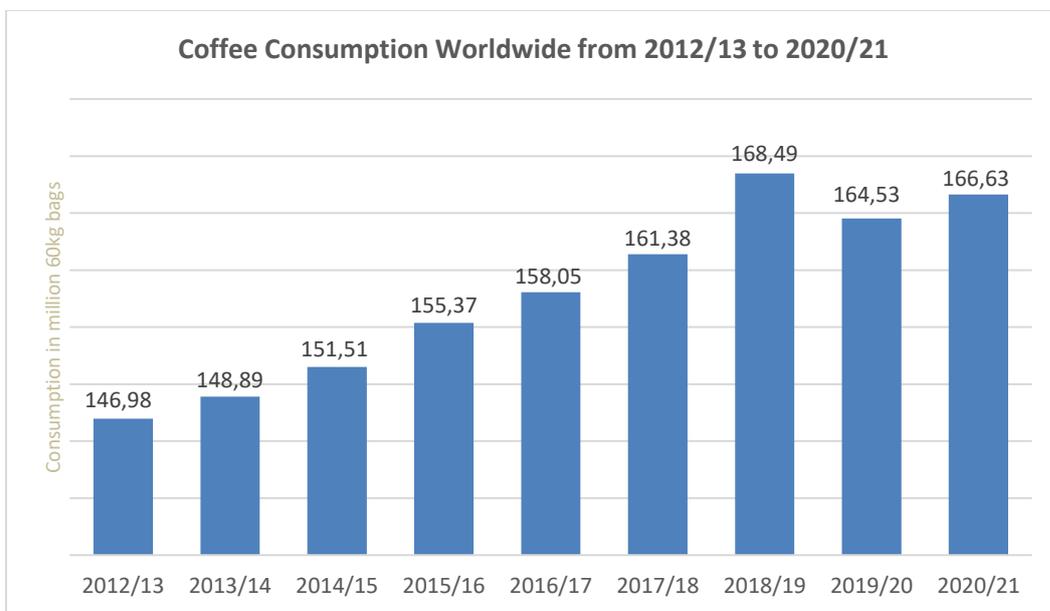


Figure 1. World Coffee Consumption 2012-2020

Source: Statista (2023)

From the graph above, it can be seen that world coffee consumption tends to increase every year and the value is quite high. In 2020/2021, world coffee consumption reached 166.63 million 60-kilogram bags of coffee consumed worldwide. This figure shows an increase of 164 million bags compared to the previous year. Thus, it can be interpreted that coffee consumption throughout the world is very high and promising for coffee business players throughout the world. However, in the future, the coffee industry will begin to be threatened due to several factors. According to Bianco (2020), the existence of the global coffee industry is under threat due to climate change. In the next 50 years, the climate is predicted to experience an increase in average temperatures, droughts, and bad weather patterns. With climate change, most coffee-producing areas will experience damage, making it difficult to produce coffee.

This threat to the coffee industry means that companies operating in the coffee sector must make efforts to maintain their existence, especially for multinational business players. This is because businesses on a multinational scale have greater responsibilities and a larger business scale. Thus, the threat of climate change will ultimately become a serious problem that will determine the future existence of companies in various countries. One example of a multinational company operating in the coffee industry is Nescafe which is produced by Nestle.

Nestle is one of the largest multinational companies that own the Nescafe brand, where the brand focuses on coffee products and comes from Switzerland. The company has opened branches in various parts of the world, including in Indonesia. In Indonesia itself, Nestle has been operating since 1873 with several employees reaching 3,700 employees. There are more than 20 brands of products distributed in Indonesia with a total of 3 factories, a total of 6 distribution centers, and there are also 12 sales offices in 12 provinces. Initially, Nestle did not focus on coffee products but on baby porridge products. The goal to be achieved in releasing this product is to save the life of one child. Apart from that, Nestle since releasing its corporate branding has been committed to creating a better and healthier world. Therefore, since its inception, Nestle has implemented CSR principles.

The results of the author's review of literature related to CSR, especially those discussing the Nestle company, found 8 international journals that specifically discussed this matter. All journals related to CSR show the use of various methods ranging from qualitative, literature studies, to the use of mixed methods. However, most research uses literature study methods in examining company CSR programs, especially using company reports. Analysis activities using literature studies can be implemented if the company being researched transparently explains the CSR program being carried out so that researchers can examine further the company's CSR.

In a journal released (Bianco, 2020) by applying the theory of Corporate Social Responsibility and Climate Change adoption, five types of companies related to CSR were analyzed. The results of the analysis show that the five companies studied have good CSR programs, but none of them transparently publish and explain climate adaptation in detail. From this statement, it can be interpreted that in examining a company's CSR there needs to be transparency from the company being studied so that. In this research, the Nescafe company which is part of Nestle was used, and the data shows that the company has carried out transparency regarding its CSR activities as stated in the research results (Hamann et al., 2014). In this research, the results show that Nestlé-Nespresso and Starbucks have almost similar CSR-related activities and there is transparency regarding these activities. But no one focuses on solving the waste problem. From these results, it can be stated that Nestle is carrying out transparency. However, there is an important point in it, namely that the CSR carried out has not paid attention to environmental elements because there has been no resolution regarding waste.

Based on the background of the existing problems, the author is interested in examining further CSR, especially in multinational companies such as Nescafe facing threats with the title "Creating Shared Value in Supporting Coffee".

METHOD

The method used in this research is the literature review method (literature study). A literature review is defined as a type of research method using literature reviews and utilizing previous research to answer the research problem formulation. Literature studies examine existing secondary data, namely scientific articles, books, and other sources relevant to a particular research field. The review must be able to describe, summarize, evaluate objectively, and clarify a theory. Apart from that, a literature study must also provide a theoretical foundation (Snyder, 2019).

The sample in this research is a multinational company called Nescafe. The data sources obtained in this research were journal articles, books, and company reports. The journal articles and books reviewed were searched online using the keywords CSR, Corporate Social Responsibility, Nescafe, and other related keywords. Meanwhile, the Nescafe company report is taken from the company's official history. Next, data analysis was carried out by describing the results of previous research in the form of a table containing the number, author's name and year of publication, research title, research method, theory used, and research results.

RESULTS AND DISCUSSION

CSR in each company exists because of the initiative of the company itself. The results of research conducted by Kolk (2005) showed that all the companies studied, of them had CSR initiatives, especially regarding codes of ethics. However, this initiative is still too general and not specific. CSR activities mostly lead to improving the quality of coffee sold. Starbucks and P&G have a strategy of buying fair-trade coffee in relatively small quantities. Meanwhile, Kraft and SLDE started buying certified coffee, paying extra for certification activities and higher quality. Furthermore, the Nestle company, which has production factories in developing countries, can obtain coffee costs from farmers at much higher prices with good quality. From this research, it can be seen that Nestle has its strategy in improving coffee quality but is still in line with the CSR program created.

A market approach to sustainable coffee production requires a parallel commitment from governments and donor agencies to achieve equitable social participation and environmental conservation. As companies increase their investment in sustainability through procurement policies and technical programs, there should continue to be a strong role for community organizations. The government still plays an important role in promoting social inclusion, improving infrastructure, and facilitating producers' access to services (Millard, 2017). This statement has been implemented by Nescafe by producing a company report containing plans for sustainable coffee production, which functions as the company's commitment to CSR in the future.

Nescafe as a brand that has certain branding in society needs to maintain its good image as much as possible. This is because branding is important and is remembered and recognized by the wider community. This strengthening of branding is explained in the results of proprietary research (Richards & Phillipson, 2017). In this study, a research sample consisting of parents and children showed unsolicited recognition of CSR activities when shown the McDonald's and Coca-Cola brand logos, showing a strong level. Association between brands and activities targeting children's settings. When discussing CSR strategies, some parents and most children see value in activities as acts of service or value. For some parents and children, the company's

CSR activities are seen as a reflection of the company's morals, and attributes, which align with their own charitable and health values. Another opinion states that CSR strategies conflict with the company's core business.

The goals that companies have in carrying out CSR vary depending on the company's goals. For example, research by Richards et al (2015) shows that Big Food companies use CSR activities to 1) build brand image through initiatives related to the environment and responsibility to consumers; 2) target parents and children through community activities; and 3) align themselves with respected organizations and events to transfer their positive image attributes to their brand. Research conducted by Richter et al (2021) shows that from the three cases studied, there are instrumental and political CSR characterized by different sense-making processes. In addition, there is evidence to suggest that there are overlapping processes between instrumental and political CSR. In the continuing interest in instrumental CSR along with a move toward political CSR. However, there are obstacles for companies to balance these two approaches based on their past practices and stances related to their business operations and CSR. In addition, supply chains are socially responsible in emerging markets and can create value for society at large and for companies, and can even influence public policy (Tang, 2018). This result can be in line with Nestle's system which appoints developing countries in marketing its products.

From the results of the author's analysis of the literature sources above, 3 important points are discussed in the research, namely related to the CSR that Nescafe has implemented, Nestle's main goal in carrying out CSR-related activities, and Nescafe's sustainability strategy in facing climate threats. Based on previous research, Nescafe has transparently demonstrated its CSR-related programs through its official website. This program concentrates on three areas, namely quality, sustainability, and production. To improve these three areas, Nescafe promises close collaboration with local suppliers with the help of the AAA program farmer database. This allows companies to trace each coffee bean to each plantation and monitor it in terms of sustainable and ecological production (Hamann et al., 2014). In Indonesia itself, Nescafe on its official website explains a program called CSV (Creating Shared Value) to contribute to people's lives and the company's success in the long term (Peterson, 2022).

Nestle's main objective in carrying out activities that emphasize the interests of society to demonstrate the company's CSR is to increase assistance to the community which is in line with being able to increase the company's profitability. Since 1960, Nescafe began helping farmers adopt best practices with the creation of the Agricultural Services team to improve farmer livelihoods through better agricultural productivity and efficiency. Nestle is directly able to help the lives of local farmers to get maximum profits and provide knowledge regarding the production of the best quality coffee. For the company, this program can make Nescafe produce the best quality coffee products with maximum profits.

In the company's strategy report for the next 10 years, Nescafe has outlined the form of corporate CSR with various possible threats in the future. Nescafe will specifically carry out regular KPI analysis for various fields to ensure that Nescafe will continue to survive while still paying attention to CSR elements. In the economic field, Nescafe will periodically measure farmer incomes and the earning power of coffee and other crops. In the social sector, Nestle will measure the company's impact on farmer and worker families. Most importantly, in the environmental sector, Nestle will periodically measure water, soil, and biodiversity. In

addition, in facing climate change in the future, Nescafe has a strategy to reduce GHG emissions by 35% per metric ton of soluble coffee.

Nescafe has transparently presented company reports, CSR-related activities, and plans for the next 10 years in facing existential threats. Nescafe's main goal in implementing CSR is to help local coffee-producing farmers which simultaneously increases the company's profitability and the quality of the products it sells. Nescafe's sustainability strategy in Indonesia in facing environmental problems is to reduce GHG emissions by 35% per metric ton of soluble coffee by regularly measuring water, soil, and biodiversity.

CONCLUSION

Nescafe, as demonstrated in its company reports and CSR initiatives, has consistently maintained transparency in its efforts to address existential threats. The company's multifaceted approach to Corporate Social Responsibility (CSR) is geared towards supporting local coffee-producing farmers. This dual-purpose strategy not only aids in improving the livelihoods of farmers but also enhances the company's profitability and the overall quality of its products.

Nescafe's commitment to sustainability extends to its operations in Indonesia, where environmental challenges pose significant concerns. A core element of their sustainability strategy in this region involves a dedicated effort to reduce greenhouse gas (GHG) emissions. The company's goal is to achieve a 35% reduction in GHG emissions per metric ton of soluble coffee. This objective is pursued through regular monitoring and measurement of key environmental factors, including water resources, soil quality, and biodiversity.

In essence, Nescafe's approach to CSR and sustainability is underpinned by a holistic commitment to not only mitigate existential threats but also to foster positive outcomes for local communities and the environment. By aligning economic success with social and environmental responsibility, Nescafe demonstrates its dedication to creating a more sustainable and resilient future.

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