executives, their chief concern with fair trade coffee was finding top-quality beans from cooperatives that had not demonstrated an ability to produce quality beans to Starbucks standards. From earlier cupping analyses, Starbucks had little evidence that fair trade coffee met its quality standards. Starbucks was beginning to move toward purchasing more of its coffee through direct relationships with exporters or farmers and negotiated a price based on quality. The company was willing to pay higher prices for great-quality beans and had developed long-term contracts with many of its suppliers.

Mary Williams, senior vice president (VP) of the coffee department, was known throughout the coffee industry as a "tough cupper" who would not settle for anything less than top-quality beans and explained, "the relationships I have with farmers were built over the last 20 years. It's taken some of them years before I would use their beans consistently and pay them $US 1.26 or more. Now I was being asked to use another farmer who I didn't know and pay him the same price without the same quality standards?"[3] On average, farmers sent samples and met with Starbucks coffee buyers at their farms for at least 2 years before Starbucks accepted their beans. In weighing the fair trade coffee issue, Williams had secondary concerns with how the farmers she worked with would react when they discovered that other farmers received the same price without being held to the Starbucks quality standards. This was not a trivial issue because it was more expensive to grow high-quality beans. Further, she feared that the smaller cooperatives would not be able to guarantee that they could take back a low-quality shipment and replace it based on Starbucks' volume and quality needs.

Starbucks was also concerned about its brand exposure if the quality of fair trade coffee turned out to be very different from the rest of its 30 whole bean coffee line. Coffee quality was a critical component of the Starbucks brand, and if it was compromised the value of the brand could be seriously diminished. "Honestly, we didn't want to put our brand at risk," said Tom Ehlers, VP of the Whole Bean department. "This was an uncharted category and as marketers, we were concerned about endorsing a product that didn't meet our quality standards."[4] The Whole Bean department would face several challenges in introducing fair trade coffee to 3,200 stores in the United States. First, it would have to come up with a good story for fair trade coffee. "A lot of our business is about the romance of coffee—where it comes from and how to make it come alive for the customer. We weren't really sure where fair trade beans would be coming from because of the quality," explained Tim Kern, Whole Bean product manager.[5]

And how would fair trade coffee be priced? Starbucks coffee was a high-margin business, but if the company were to charge a premium for fair trade, how would customers perceive this? Although pricing was a secondary issue to consider, it was not a reason for Starbucks to abandon fair trade coffee. Orin Smith recalled, "In fact, a number of people believed that the sale of low quality Fair Trade coffee undermined their entire business proposition with customers: Starbucks and other specialty coffee companies had persuaded customers to pay high prices for quality coffee. This enabled roasters to pay the highest prices in the industry to coffee sellers." If quality was reduced, specialty coffee would be no different than mass market coffee and the consumer would be unwilling to pay premium prices. This would destroy the industry's ability to pay price premiums to producers.

THE STARBUCKS CULTURE

In 1990, Starbucks' senior executive team drafted a mission statement laying out the guiding principles behind the company. The

[3] Mary Williams, Starbucks SVP Coffee Department, July 24, 2002.

[4] Tom Ehlers, personal interview, Starbucks VP Whole Bean, July 25, 2002.

[5] Tim Kern, personal interview, Starbucks Whole Bean product manager, July 25, 2002.