BUSINESS PARTNER EVALUATION

CORPORATE RESPONSIBILITY CRITERIA:a demonstrated commitment to...

(1) Environmental Sustainability

Must meet at least one:

Sustainable sourcing, resource efficiency, energy efficiency, sustainable packaging, waste management, sustainable transportation, business environmental certification, certified products (organic)

(2) Health

Promotes food safety & has diverse offering of healthy beverages that comply with UCB Food & Beverage Choices Policy

(3) Just Labor Practices

Has non-discrimination policy & must meet at least one: Fair trade certified, promotes gender equality, diversity & inclusion in hiring practices, promotes worker safety/health, livable compensation & benefits, democratic governance

ADDITIONAL CRITERIA:

Fair Pricing: bevs affordable to UCB & consumers (promotes equity)

Appropriate Offerings: bev options fulfill consumer preferences (promotes inclusivity)

HEALTH INSURER SPONSOR CRITERIA:

Promotes health equity: **Supports community health initiatives** & **Increases access to care**

FINANCIAL MODEL*

**Complete model attached*

Under Current Pepsi System:

Bev expenses *balance out* bev revenues

Admin costs (not tangible): $240k/yr

Overall Revenue: $1.55 M/yr

Under Proposed System:

Bev expenses *balance out* bev revenues

Admin costs (not tangible): $480k/yr

Cost of 2 new staff: $120k/yr

Cost of equipment: $150k one-time fee

Overall Revenue: $1.535 M/yr

COST BENEFIT ANALYSIS*

**Complete analysis attached*

We considered health, environmental, & financial costs & benefits

Under Current Pepsi System:

COSTS outweigh benefits by $460B/yr

Under Proposed System:

BENEFITS outweigh costs by $356M/yr

REFERENCES

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(3) Nestle, M. (2015). *Soda Politics.*

(4) Madsen, K. (2018). Soda Tax Preemption. *Berkeley Food Institute.*

(5) Bole, K. (2015). UCSF Launches Healthy Beverage Initiative. *UCSF Patient Care.*

(6) Fink Huehnergarth, N. (2015). SFSU Pouring Rights Contract Fizzles After Student Protests. *Forbes.*

(7) Office of Sustainability (n.d.). *University of Vermont.*

PROPOSAL:

Values-based beverage system at UC Berkeley

A no-contract approach

UCB'S PEPSI CONTRACT

- Expires January 31, 2021
- Pepsi has exclusive right to sell/promote beverages
- Pepsi provides $1.3M in sponsorship each year
- Pepsi does NOT reflect our campus values of **health** *(see Food/Bev Choices Policy)*, **sustainability** *(see Zero Waste 2020)*, **equity/inclusivity** *(see Principles of Community)*, & **corporate responsibility** *(see UPP Guiding Principles)*

KEY FINDINGS

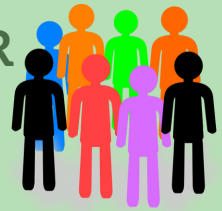
(Literature Review)

- SSBs --> obesity, diabetes (1)
- Big Soda manipulates studies (2), targets marketing at minorities (3), preempts soda taxes (4), & uses unsustainable sugar production (3)
- UCSF, SFSU, & U of Vermont have no-contract models (5,6,7)

RISK ASSESSMENT

Must ensure that a limited SSB model is what consumers really want

STAKEHOLDER ENGAGEMENT



STUDENTS: 93% want SSBs in FEWER places on campus *(see Spring 2019 Campus Beverage Student Survey)* --> addresses risk assessment

STAFF: Multiple distributor model --> more flexibility, better prices, more admin

FACULTY: Pepsi contract sends message that Cal supports SSB consumption. Ideal to eliminate SSB marketing across campus & increase tap water marketing.

PROBLEM STATEMENT

HOW DO WE DESIGN A CAMPUS BEVERAGE SYSTEM THAT:

(1) does NOT rely on a contract w/ Big Soda;
(2) aligns w/ campus values; and
(3) replaces Pepsi sponsorship to ensure UCB's financial stability?

Innovation Brief

A Healthy, Sustainable, Equitable, Inclusive, & Financially Feasible Beverage System for UC Berkeley

Fulfilling campus values through a No-Contract approach

IMPLEMENTATION PLAN attached

1 End Exclusive Pouring Rights Contract with Pepsi

Big Soda does not align with UCB & student values
- Unsustainable sugar production does not align w/ **sustainability** value; SSB promotion, study manipulation, targeted marketing, & soda tax preemption do not align w/ **health** & **equity** values
- Pepsi therefore does not align w/ corporate responsibility value

2 Procure beverages from existing Cal Dining Distributors & a new Vending Machine company

- More procurement flexibility, lower wholesale prices
- Partners must align w/ **Business Partner Eval Criteria** (promotes **corporate responsibility,** sets example for other colleges)

3 Promote healthier beverages → Aligns w/ UC **Healthy Beverage Initiative (HBI)**

- Tap **water** signage; No marketing for other beverages
- No SSBs in dinings halls (aligns w/ student desires & saves $)
- Retail, concessions, vending machines limit SSBs in line w/ **Food & Bev Choices Policy**; begin SSB phase-out in Yr 3
- Reduce SSB intake → reduce disease → reduce healthcare costs

4 Promote more sustainable beverages

- Procure bevs w/ sustainable packaging, encourage use of reusable bottles, promote tap **water** (aligns w/ **Zero Waste 2020**)
- Procure bevs from distributors & a vending machine co. that demonstrate commitment to sustainability criteria

5 Promote equity & inclusivity

Procure variety of bevs from distributors/vending machine co. that carry many brands, have lower wholesale prices, & meet just labor criteria → **Affordable** bevs on campus that meet **diverse preferences** & were made in a just envrnmnt

6 Replace Pepsi Sponsorship $ → Our proposed sponsor better aligns w/ **UPP Guiding Principles**

Partner with a CA health insurer to sponsor UCB's HBI
- Sponsor gets exclusive marketing rights across campus; sponsor must provide marketing funds
- Sponsor criteria: must promote health equity
- **Financial stability** of ASUC, RSSP, Athletics, Rec Sports

Attachments

PROPOSAL: Values-Based Beverage System at UC Berkeley

A no-contract approach

Financial Model: Current PepsiCo Contract

Estimated Annual Expenditures & Revenue: Current Pepsi Contract

Category	Notes	Expenditures	Revenue
Sponsorship	Sponsor: Pepsi		+$1.3 million
Sustainability Funds	E.g. to purchase recycling bins		+$15,000
Product Donations *(in-kind)*	--		($40,000)
Marketing Funds	To fund promotion of Pepsi		+$235,000
Beverages *(Bottles/Cans in Retail & Vending Machines, Fountain Drinks in Dining Halls)*	UCB essentially breaks even; Pepsi prices are likely higher than distributors' b/c Pepsi wants to recover sponsorship	*SUM to about $0. Very variable yr. to yr. How much we procure & sell depends on consumers. Generally though, beverage expenditures & revenues balance out.*	
Equipment *(vending machines, retail, concessions, fountain dispensers/coolers)*	Provided by Pepsi	$0	$0
Equipment Maintenance	Provided by Pepsi	$0	$0
Staff to place beverages	2 staff provided by Pepsi	$0	$0
Transaction Costs *(admin)*	~$80 of labor per invoice, 6-10 Pepsi invoices per day → 80*10*300 days = ~$240,000 per year	-$240,000 *(hidden labor costs)*	
Estimated Totals	--	-$240,000	+$1,550,000

Financial Model: No-Contract System

Estimated Annual Expenditures & Revenue: No-Contract System

Category	Notes	Expenditures	Revenue
Sponsorship	Sponsor: CA health insurer		+$1.3 million
Sustainability Funds & Product Donations *(in-kind)*	Not likely when working with distributors	--	--
Marketing Funds	New sponsor funds their ads. HBI funds water promotion.		+$235,000
Beverages *(Bottles/Cans in Retail & Vending Machines, no fountain drinks in dining halls)*	We'll likely get better prices b/c distributors won't need to recover sponsorship *(could mean lower retail prices)*; **we may save ~$200k/yr.** by not offering SSBs in dining halls *(could help pay for new costs)*	*SUM to about $0. May save ~$200k/yr. Variable. How much we procure & sell depends on consumers. Beverage expenditures & revenues will still likely balance out.*	
Equipment *(vending machines, retail coolers, concessions, no SSB fountain dispensers/coolers)*	New SSB fountain equipment costs ~$800k. Vending machines cost ~$3-5k each. We save this $ by not offering SSBs in dining halls & by using existing Canteen snack vending machines. Replacing retail beverage coolers & concessions bev equipment will cost ~$150k.	-$150,000 (one-time fee)	
Equipment Maintenance	UCB in-house maintenance can repair retail coolers if needed *(variable cost each year)*. Vending machine maintenance would be part of existing Canteen agreement.	Cost will vary yr to yr	
Staff to place beverages	UCB will need to hire 2 staff: ~ $120k/year	-$120,000	
Transaction Costs *(admin)*	Multiple distributors → more invoices (potentially double)	-$480,000 *(hidden labor costs)*	
Estimated Totals	Tangible expenses: $120k/yr + equipment maintenance + $150k one-time fee. $480k in hidden labor costs are likely intangible.	-$750,000 *(+ maintenance)*	+$1,535,000 *(+ $200k in savings)*

Cost Benefit Analysis	Current Pepsi Contract		No-Contract System	
	COSTS*	BENEFITS	COSTS	BENEFITS**
Health Care (indirect)	- SSBs → obesity, diabetes[1] - Diabetes costs the U.S. **$237B/yr**[2] - Obesity costs the U.S. **147B/yr**[3]	- **$0/yr** because Pepsi's plethora of SSB products do NOT help to reduce health care costs	- **$0/yr** because limiting SSB sales and promoting tap water will NOT yield added healthcare costs	- Limit SSBs → reduce obesity & diabetes prevalence[1] → **reduce health care costs (SAVE $86.9M/yr)** for UCB faculty, staff, & students ***Obesity Calculations:*** *93M U.S. adults are obese[8] → obesity costs $147B/yr[3] or $1,580 per person/yr → 40%[8] of U.S. adults are obese & UCB's total population is about 55k → 55k X 40% = ~ 22k are obese at UCB → 22k X $1,580 = obesity costs $34.76M/yr at UCB.* ***Diabetes Calculations:*** *30M U.S. adults are diabetic[9] → diabetes costs $237B/yr[2] or $7,900 per person/yr → 12%[9] of U.S. adults are diabetic & UCB's total population is about 55k → 55k X 12% = ~ 6.6k are diabetic at UCB → 6.6k X $7,900 = diabetes costs $52.14M/yr at UCB.* ***Total Savings*** *if NO obesity/diabetes on campus = $86.9M/yr*
Environmental (indirect)	- Pepsi's carbon footprint is 5.5M metric tons CO2e/yr[4] X social cost of $50/ton[5] = **$275M/yr** - Pepsi uses 2.3M tons plastic packaging/yr[6] X plastic waste in oceans costs $33k/ton[7] = **$75.9B/yr**	- Pepsi provides sustainability funds (noted below), which supports UCB in purchasing recycling bins to promote waste reduction *(hard to quantify)*	- **$0/yr** because we will still be able to promote waste reduction using existing recycling bins	- **Reduce carbon footprint & packaging waste** by partnering w/ distributors who meet sustainability criteria *(e.g. distributor UNFI's carbon footprint is 45.5k metric tons CO2e/yr[10] X 3 to account for at least 1 other distributor and a vending machine company X social cost of $50/ton[5] = $6.825M/yr →* ***SAVES $268.2M/yr*** *in CO2 emissions compared to Pepsi)*
Financial (direct)	- **$240k/yr** admin costs - Pepsi likely increases product prices to recover sponsorship	- **$1.3M** sponsorship/yr - **$235k** marketing/yr - **$15k** sustainability/yr - **$40k** product donations/yr	- **$480k/yr** admin costs - **$120k/yr** added staff - **$150k** one-time fee to replace equipment - **$15k/yr** lost in sustainability funds	- **$1.3M** sponsorship/yr - **$235k** marketing/yr - No SSBs in dining halls **SAVES $200k/yr** - Better product prices
Totals	**$460,175,240,000/yr**	**$1,590,000/yr**	**$765,000/yr**	**$356,835,000/yr**
Results	**COSTS outweigh benefits by $460,173,650,000/yr**		**BENEFITS outweigh costs by $356,070,000/yr**	

*The indirect costs under the Pepsi contract are based on costs to society, not on costs to our individual campus community.
**We acknowledge that the indirect health benefits under our proposed no-contract system are very rough estimates, and are not necessarily representative of the health status of individual members of our campus community.

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