Starbucks: Ethical or unethical

Name of Student

Name of Institution

Evaluating Unethical Behavior at Starbucks

**Introduction**

Starbucks, as we all know isn’t just another coffee shop. They aim to give an experience and clearly state that their “...stores are a neighborhood gathering place for meeting friends and family.” Starting in 1971 with just one storefront in Pike Place Market in Seattle, as of June 2019, Starbucks has over 30,000 stores across the globe; reaching from Seattle, Washington to Sydney, Australia to Cairo, Egypt. According to Allegra World Coffee Portal, the Coffee shop industry in the US alone results in about 45 Billion USD in annual sales (Starbucks, 2019). With an industry this large, one may be intrigued to ask if Starbucks is actually reeling in most of the annual sales for the coffee shop industry, but after a closer analysis, you’ll come to conclude that Starbucks has some pretty strong competition coming to take the crown from the Starbucks’ Siren on their logo. Competition for Starbucks includes other coffee shops such as but not limited to Dunkin’, Gregory’s Coffee Shop, and McDonald’s who, according to Investopedia, entered the coffee battle in the mid-2000s (Hawley, 2019).

There have been a large number of ethical allegations faced by the company affecting many stakeholders. The farmers from the third world country have been exploited by the company and the paw cup issue detailed later in this paper. The major concerns have been raised by the environmentalists who claim that paw cups will badly affect the environment because these cups are not recyclable (Bergman, 2018). The organizations directing fair trade have also cursed the practices undertaken by the company especially in Ethiopia where the company did not allow the registration of a trademark (Organization, 2010).

**Ethical Issue Identification**

**Issue 1**

In the spring of 2019, Starbucks launched a limited-edition cup in the Chinese market which is called paw cup. Its unique shape and bright colors make it a popular product before it hits the market. The product has been heavily promoted through social platforms and some of the consumers were so enthusiastic about this cup that they were ready to snap it up a day before it went on sale. The official price of the cup is around 30 dollars. However, because of the excessive demand, some people realized that it is profitable to snap up multiple cups and sell them for over 10 times higher than the official price on a third-party sales platform. To people’s surprise, shortly after the launch, it was revealed that some Starbucks employees were secretly purchasing the cups at the original price and sold them at a higher price because when a consumer hurrying rushed to buy a cup, the clerk told her that it had been sold out even though there were still some samples of this kind of cup available. Starbucks was accused of engaging in malicious hunger marketing to reap greater profits, so the company suffered to incorporate ethical problems. The major challenge posed by this situation was the loss of reputation for the company.

Therefore, in response to these allegations, Starbucks made an apology to the public “sorry we can’t make everyone have a cup, but this is not a hunger marketing” (Price, 2019). The company explained the “Paw Cup” was a marketing plan for the company as any of their new products that are sold, there were no other intentions for the product. It is evident to the public that it was a limited-edition product. They stated “we tried our best to develop an additional 4000 stock plan” this way the company tried to give every customer the possibility to retrieve one by buying it. The company’s representative explained “do not have any form of in-app purchase, and we specially choose a more open and transparent third-party online retail platform” (Price, 2019) denying the malicious actions. The company expressed such unethical deeds were not done at the company since they didn’t “encourage or participate in any online speculation” (Drive House, 9). Furthermore, in response to the incident, Starbucks China fired some of the employees involved in raising prices and strengthened its staff of ethics training. It emphasizes that the employees were asked to treat every consumer equally to avoid similar incidents happening again. Thus, the company has taken enough steps to make sure that such happening does not come up again. The employees will be told that the company will not bear any unethical practice and some of the employees were also dismissed. In general, employees must be asked to refer to the ethical guidelines regarding any confusing matter.

**Issue 2**

         While Starbucks is well known for is C.A.F.E. (Coffee and Farmer Equity) practices by their marketing statements through the company’s website on their Corporate Responsibility, there is a conclusion that this is not as true as they portray it to be to the public.  In July 2018, Brazilian labor inspectors discovered some employees in a coffee-making farm working in a horrible condition similar to slavery. These coffee making farms were suppliers to Starbucks. Starbucks had this supplier’s quality certified by C.A.F.E. But they were unaware of the slavery-like working conditions. The “employees had to work over 17 hours per day” (Camargos, 2019). Adding to this, they were provided with unhygienic living conditions. However, this farm is listed in the "dirty list" by the government of Brazil, due to “labor inspectors have found 19 more workers in slavery-like conditions” (Camargos, 2019). This was not the first time that people found Starbucks purchase coffee from illegal suppliers. Starbucks also has illegal suppliers in countries like Mexico and Columbia. Starbucks had more than one certification at their coffee plantations, yet they failed to meet standards, due to huge inequities and buying at their goods at low prices which lead to farmer exploitation. The major challenge posed to the company by this situation was the imposition of various bans on the company regarding the supply of coffee. The respective government could have banned the company from purchasing unless it took necessary steps to improve the conditions of these farmers. The company resolved the issue by agreeing with the Ethiopian government. This agreement settled all the issues related to the distribution, marketing and licensing of coffee in the country.

**Issue 3**

         In 2010, the company reported 8% of its coffee was Fair Trade Certified and was purchasing 86% of coffee from certified farms. With “22,000 farms in Nariño” (Timmerman), Colombia, it was discovered that most farms that were certified had no idea of their work for Starbucks, “I would point to the Starbucks C.A.F.E. Practices sign on the farmers' homes and find that many of them had never heard of Starbucks” (timmerman, 2013) meaning that the majority of farms were not receiving aid or benefits for working under the corporation, as Starbucks was stating on their website. When learning about these cases, it shows that the company is using this certification as a key to profit from a “good” image they put up. For the allegations on Slavery in Brazilian plantations, Starbucks responded, saying "it will look into the incident and that it has suspended the farm from its supplier list because of the charges” (Camargos, 5) They further went on to say, they only did business with these farms because they were quality certified sealed by C.A.F.E and followed ethical and sustainable standards. However, in the case of Narino, Colombia although not as harsh as Brazil, there has been no mention of it from the company’s officials, Timmerman states that she has reached out to the company on their farms and certifications, but “still haven’t received a response. The silence... Does little to enlighten consumers about the reality of coffee farmers’ lives” (timmerman, 2013). The company has to care about fair trade because many countries depend on this crop for their economic survival. The agreement made between Starbucks and the Ethiopian government also includes the determination of a higher price paid to the coffee growers. The employees have to make sure that they are aware of the minimum price that has to be charged to the suppliers. The company should also make sure that the fair-trade price is followed without compromising quality of product (Haight, 2011).

**Issue 4**

         During the coffee brewing process which turns the coffee bean into the dark roasted bean with the wonderful aroma, we all associate coffee which comes with a price. While the brewing process takes place, “That cooking process creates byproducts. One of the chemicals formed when coffee is roasted is acrylamide, a substance discovered in 2002 by Swedish scientists” (Loria, 2018). The chemical created during the brewing process creates a carcinogen which is also found in other common foods such as French fries, potato chips and toast. The ethical dilemma is the company was not disclosing to consumers what they are consuming and the potential negative health risks they take by drinking Starbucks coffee. Although the chemical created is in such small amounts in the coffee that getting cancer would not be possible. The chemical causes cancer when it is present one thousand to a hundred thousand more times and breathing in intense construction air with the chemical present. Regardless of how minuscule the chances of getting cancer are through this chemical, Starbucks should impart on displaying more information. The company should take the necessary actions to make sure that these toxic chemicals do not affect the general public. Another consideration is that the company should print the cancer warning on its cups. The employees will have to play an important role in this regard. The company will have to train them so that they know how to dispose of the cups off and what measures must be added to the production process so that chemicals extracted are minimized and appropriately drained.

Starbucks was involved in a lawsuit based in California which forced the company to label cups with a cancer warning due to carcinogens found in the coffee. A response from Starbucks in the United States could not be found, although Starbucks Korea issued a response, “A senior staff member from Starbucks Korea was quoted by foreign media as saying, “The ruling aroused concern among company employees.” However, he added that the judge’s rule is not a final decision, and that “This matter is affecting the whole coffee industry, not just Starbucks” (Thu, 2018). The final ruling regarding putting cancer labels was made in October that the process of creating coffee does not pose a significant risk of cancer. Regardless of the scenario, Starbucks was involved in they could have approached this issue more ethically by providing more information to the public and being more transparent with consumers.

         Furthermore, Starbucks has had a dilemma in the past by acting unethically towards customers. The disclosure of ingredient information to the public should be mandatory although Starbucks was unwilling to disclose the ingredients of their coffee which may enclose company secrets, but more importantly, the chemicals which create popular drinks like the Pumpkin Spice Latte. A Starbucks spokesperson stated, “There are more than 170,000 ways to customize Starbucks beverages, so listing ingredients in every case can be very complex. But, she notes, "we're working on listing core beverage recipes online via Starbucks.com and hope to have an update soon" (Horovitz, 2014).  Although the ingredient list is complex and there are many ways to make coffee. Regardless of the ingredients Starbucks should have been more ethical in picking which ingredients they allow consumers to consume. Although in 2014 and back Starbucks was reluctant to show their list of ingredients, by 2016 the expressed their transparency by publishing all their drink ingredients online for the public to see when needed.

**General Evaluation**

Once constructing enough evidence of the actions taken to try to solve these allegations, it is evident that Starbucks like many companies, for instance, Amazon, has failed to realize their mistake. Although there are some minor instances the corporation has decided to take action throughout the years to try to fix what they have done, they mostly keep silent on corporate information. The way the company responds to its ethical problems is evaluated as strong, but it is weak. For instance, when Starbucks was confronted online by the blogger, Food Babe, on how it is unethical to not disclose the ingredients being used to create the beverages their clients are ingesting into their bodies. Starbucks rather than taking it as an assault took it as feedback to improve their company’s customer service and obligations as a business to ensure their clients have what they need. It is shown that core value is to create an environment in which everyone feels welcome. In 2016 Starbucks published the ingredients taken to create each beverage on their official website, in order for their customers to be informed on what they are intaking. In a sense, they are appealing to the customer’s needs. However, as for the maltreatment of their employees in third world countries they have represented weakness in their response to their unethical treatment of their workers. While Starbucks is well known for its great benefits for their employees who work for their Starbucks branches around the world, they offer to pay their employees tuition also. However, when accused of slave labor in Brazil, harsh treatment in the farms of Colombia and Mexico they just replied by simply expressing they had no part in it while also not being aware of the incident. In this case, the company is showing themselves as not in control of their company/ resources/ partners. It is a weak response to such strong claims. Although they show to have strong corporate responsibility through their programs such as C.A.F.E. to protect and help their farmworkers, they are not truly fighting for the program if they have not taken action to retreat business with such countries. A business should follow the beliefs of utilitarianism, in which the company does what's best for the majority. They have failed to show protection to workers and making a change. Due to their weakness of responding to allegations of mistreatment and exploitation of farmworkers, it debilitates their claim of ethics to their consumers.

There are some ways where they can improve on their ethical practices at work. One of the many issues faced by Starbucks is the limited edition of Paw cups in China. The consumer demand for such quirky limited products is more than usual. If a company wants to create an opportunity for such products, it should be able to adjust to its very rapid consumer demand especially when selling such a product in a country with a population as grand as China’s at about 1.43 billion people. Due to its high demand, the employees were found buying their own products and selling them outside work at a higher price making profit of their own.

As far as the rating is concerned, the company will be given a very low rank on the ethical front because almost all the stakeholders have been negatively affected by the actions of the company and there have not been enough steps taken by the company to cater all the concerns.

**Recommendations**

Firstly, Starbucks should start with ethical employee screening for job applicants during their interview process. Ethical screening is the process of checking the applicants’ moral standards and discarding the ones who do not conform. The interview should have a questionnaire containing a series of questions which reflects the applicant’s past experience in any ethical issues faced and how they solved the issue. This reflects their work ethic attitude and how they can prevent from being a bad influence on the company’s work environment. Moreover, Starbucks can organize training programs or workshops for all employees and implement their ethics code. During the company’s orientation, Starbucks can expose its employees and lay more emphasis on its code of ethics and code of conduct. Employees should be acknowledged for their ethical behavior at work through performance appraisals. Equally, there should be punishment for those misbehaving unethically. This could motivate the employees in creating an ethical work environment.

The dissecting of Pumpkin Spice Latte went viral, which focused on the toxic ingredients used in Starbucks. Starbucks was also accused of not disclosing its product ingredient information on the website, unlike other coffee shops. Starbucks should provide its consumers with FDA approved ingredients and be honest about how they make their drinks. Being a part of the food industry, the company should keep up with FDA standards. This will gain the trust of their consumers in their products again. After the incident, Starbucks has been successful in providing genuine information to the consumer and keeping up with FDA standards.

Starbucks openly commits to being socially responsible. The program of Business Ethics and Compliance at Starbucks provides support to protect their culture and reputation. It emphasizes on providing employees with global human rights, equal employment opportunity and healthcare. Starbucks was accused of the slave trade for its Brazilian coffee suppliers. Although the farms were C.A.F.E certified seal which follows with ethical and sustainable standards. They were caught under the act of the slave trade. Starbucks originally decided to suspend this supplier because of the charges. Starbucks should further look into this by carrying out a quarterly inspection of these farms to meet the certification criteria and in the welfare of the farm employees. The farm employees should be provided with minimum basic facilities like sustainable housing and a hygienic living environment. There should be an annual evaluation done by farm employees of their experience being a part of Starbucks, which helps the company to know about the dos and don’ts of the facilities provided and to maintain the employees living conditions and a safe work environment.

An important recommendation is that the company should study the complete profile of the country from where its major suppliers come. This will help the company to know what would benefit the particular county in general and the suppliers in particular. The portion pertaining to the social responsibility should be revised so that there is no difference between the actions of the company and the things which are stated in the annual statements.

Employee training should include a separate part which deals with the handling and resolving ethical issues. The conviction for any malpractices should be very strict. The company should consider the impact of its operations on all the stakeholders over a period of time so that any issues can be resolved in a timely manner.

**Conclusion**

Through deep analyzation of these ethical dilemmas, the conclusions have been drawn that Starbucks should start with ethical employee screening for job applicants throughout the interview process and there should an annual evaluation done by farm employees to maintain their living conditions. Furthermore, the farm employees should be provided with at least the minimum basic facilities such as sustainable housing and a hygienic living environment. An ethical screening questionnaire would essentially serve as a reflection of the applicant's work ethic and what to expect from them, which would ultimately limit actions such as flipping high demand products. A regular evaluation for farm employees would go a long way in ensuring that farmers meet the basic requirements and are not working in inhumane conditions. It is through these recommendations that Starbucks could circumvent some of the ethical dilemmas that plague companies like themselves and others in that nature. The company has not taken any concrete steps to improve the situation of the farmers who are still exploited by a low-priced purchase of their produce. The protection of customers has improved but that too due to a large number of organizations working for their rights on a global level.

# **References**

Bergman, S. (2018, September 1). *https://www.independent.co.uk/voices/starbucks-pumpkin-spiced-latte-environment-autumn-millennials-instagram-a8515706.html.* Retrieved from https://www.independent.co.uk: https://www.independent.co.uk/voices/starbucks-pumpkin-spiced-latte-environment-autumn-millennials-instagram-a8515706.html

Camargos, D. (2019, May 3). *https://news.mongabay.com/2019/05/slave-labor-found-at-second-starbucks-certified-brazilian-coffee-farm/.* Retrieved from https://news.mongabay.com: https://news.mongabay.com/2019/05/slave-labor-found-at-second-starbucks-certified-brazilian-coffee-farm/

Firstresearch. (2019, October 14). *http://www.firstresearch.com/Industry-Research/Coffee-Shops.html.* Retrieved from http://www.firstresearch.com: http://www.firstresearch.com/Industry-Research/Coffee-Shops.html

Haight, C. (2011). The Problem With Fair Trade Coffee. *Stanford Social Innovation Review*.

Hawley, J. (2019, April 3). *https://www.investopedia.com/articles/markets/101315/who-are-starbucks-main-competitors.asp.* Retrieved from https://www.investopedia.com: https://www.investopedia.com/articles/markets/101315/who-are-starbucks-main-competitors.asp

Horovitz, B. (2014, August 25). *https://www.usatoday.com/story/money/business/2014/08/25/starbucks-pumpkin-spice-latte-food-babe-nutritionist/14578839/.* Retrieved from https://www.usatoday.com/story/money/business/2014/08/25/starbucks-pumpkin-spice-latte-food-babe-nutritionist/14578839/: https://www.usatoday.com/story/money/business/2014/08/25/starbucks-pumpkin-spice-latte-food-babe-nutritionist/14578839/

Loria, K. (2018, March 30). *https://www.businessinsider.sg/acrylamide-in-coffee-does-it-cause-cancer-2018-3/.* Retrieved from https://www.businessinsider.sg: https://www.businessinsider.sg/acrylamide-in-coffee-does-it-cause-cancer-2018-3/

Loria, K. (2018, March 30). *https://www.businessinsider.sg/acrylamide-in-coffee-does-it-cause-cancer-2018-3/.* Retrieved from https://www.businessinsider.sg: https://www.businessinsider.sg/acrylamide-in-coffee-does-it-cause-cancer-2018-3/

Organization, W. I. (2010, September 3). *https://www.wipo.int/ipadvantage/en/details.jsp?id=2621.* Retrieved from https://www.wipo.int/ipadvantage/en/details.jsp?id=2621: https://www.wipo.int/ipadvantage/en/details.jsp?id=2621

Price, E. (2019, March 1). *https://fortune.com/2019/03/01/starbucks-cat-paw-cup-china/.* Retrieved from https://fortune.com/2019/03/01/starbucks-cat-paw-cup-china/: https://fortune.com/2019/03/01/starbucks-cat-paw-cup-china/

Starbucks. (2019, November 1). *https://www.starbucks.com/about-us/company-information/starbucks-company-profile.* Retrieved from https://www.starbucks.com: https://www.starbucks.com/about-us/company-information/starbucks-company-profile

Thu, P. (2018). Coffee crisis about carcinogen content. *Vietnam Investment Review*.

timmerman, K. (2013, July 21). *https://www.csmonitor.com/World/Global-Issues/2013/0721/Follow-your-labels-Starbucks-coffee-farmers-who-never-heard-of-Starbucks.* Retrieved from https://www.csmonitor.com: https://www.csmonitor.com/World/Global-Issues/2013/0721/Follow-your-labels-Starbucks-coffee-farmers-who-never-heard-of-Starbucks