

Starbucks Faces Renewed Boycott Calls Over Ties to Israel

Starbucks, the global coffeehouse juggernaut, has faced no shortage of controversies in recent years, from racial profiling incidents to ongoing unionization efforts.

However, the company is now facing renewed backlash and calls for a boycott over its ties to Israel amid rising tensions in the region.

Pro-Palestinian activists have taken aim at Starbucks, accusing it of actively supporting Israel's occupation of Palestinian territories.

The boycott campaign went viral on social media this week under the hashtag #BoycottStarbucks, with activists calling on consumers to stop buying from the brand in protest as Starbucks is supporting Israel.

Boycott efforts have long targeted Starbucks due to a perception that it actively backs Israel politically and financially.

The roots of the boycott trace back to November 2022, when Starbucks found itself embroiled in a geopolitical furor after Starbucks Workers United, the union representing Starbucks employees, tweeted in support of Palestine.

This immediately prompted backlash from pro-Israel voices. It also spurred calls for a boycott from prominent figures like Senator Rick Scott (R-FL), who urged Americans to stop buying Starbucks coffee until the company clarified its stance.

Since the initial tweet, the boycott movement has steadily gained steam, fueled by outrage on social media. The efforts target Starbucks over perceptions that it supports Israel amid ongoing tensions related to the occupation of Palestinian territories in Gaza and the West Bank.

This builds on prior activism like the pro-Palestinian Boycott, Divestment and Sanctions (BDS) campaign, which has pushed brands like McDonald's, KFC and Zara on similar issues.

For Starbucks's leadership, the timing couldn't be worse. The Starbucks share price has tumbled around 9 per cent since mid-November, amounting to an eye-popping loss of around \$11 billion in market.

The coffee giant's shares have continued their downward trajectory in the aftermath of what some media outlets have deemed the "Starbucks Red Cup Controversy. This decline over a span of 19 trading days marks the longest losing streak for Starbucks stock since its IPO in 1992.

Analysts See Uncertain Impacts From Boycott

Analysts say the boycott campaign poses a serious public relations challenge for Starbucks at a sensitive time. It also highlights growing public support for the Palestinian cause as Israel continues expanding settlements seen as illegal under international law.

"This really taps into shifting public opinion on Israel's occupation and human rights record," said Omar Barghouti of the Palestinian BDS movement. "People increasingly want brands like Starbucks to stop enabling Israel's apartheid policies for Hamas. That poses risks to their image and sales."

Financial analysts note that while the boycott calls come during Starbucks' stock slump, it remains challenging to disentangle the actual impacts given wider economic conditions.

"The boycotts are coming at a time when investors are already worried about slowing sales trends in China... There's a lot going on with Starbucks right now, not just the boycott," said Bank of America analyst Sara Senatore.

Senatore explained that teasing out the specific financial effects requires examining regional sales data that Starbucks has not yet disclosed. She cautioned that boycotts can prove ephemeral, especially on a global scale for multinational companies.

"It's hard to get true read-through on the impact for the business overall because you would have to look country by country," she said. "Boycotts tend to be short-lived. They come and go."

Likewise, Nick Setyan, an analyst at Wedbush Securities, voiced scepticism about attributing Starbucks' stock decline directly to the boycott.

"The stock is down because fundamentals have been weak, and investors have been worried about slowing sales trends heading into 2023," Setyan said. "How much of that weakness is directly related to the boycott? That's very hard to quantify."

So far, Starbucks has acknowledged "some pressure" on sales tied to boycotts in certain markets in the Middle East. However, the company maintains an optimistic outlook about its diversified global footprint.

Starbucks attempted to defuse the boycott calls in 2021 by stressing its aim to be apolitical. But critics argue the company cannot claim neutrality given its close Israel ties, including operating in settlements widely considered a violation of international law.

CEO Projects Strong 2024 Despite Headwinds

Speaking at the 2022 Wells Fargo TMT Summit in early December, Starbucks CEO Laxman Narasimhan expressed confidence about the company's trajectory, forecasting robust performance in 2024 after navigating present challenges.

"The reality is, boycotts come and go, but Starbucks has always focused on building great experiences for our partners and our customers," Narasimhan said. "We feel good about our

ability to engage authentically with customers despite the macroeconomic forces shaping consumer spending."

Narasimhan listed inflationary pressures, rising energy costs, and fluctuating currency exchange rates among variables affecting Starbucks in the near term. But he believes the company's pricing power, premium brand cachet, and loyalty program will enable it to emerge strongly on the other side.

"There are short-term headwinds, but we have a resilient model and see growth accelerating again in 2024," he stated.

Disputes With Workers Union Intensify Amid Boycott

Beyond grappling with the boycott fallout, Starbucks faces ongoing tensions with Starbucks Workers United, the union pushing to organize employees. These disputes have taken on greater urgency against the backdrop of sliding stock prices and sales projections.

The union's controversial tweet in November denouncing "Israel's human rights abuses" and promoting Palestine solidarity catalyzed the initial boycott calls. Starbucks instantly accused the union of violating policies against making political statements on its behalf. Starbucks Workers United defended its right to voice opinions independently.

Since then, the tweet has become a flashpoint in the simmering battle over unionization efforts within Starbucks stores. The company has aggressively challenged new unionization petitions, claiming Workers United oversteps in trying to speak for employees.

"Starbucks has no desire to engage in a Twitter war with the union," said Starbucks representative Reggie Borges. "We remain committed to constructive engagement with partners, guided by our Mission and Values."

Union President Lynne Fox asserted that Workers United will continue advocating for causes aligned with employees' beliefs, including humanitarian issues like Palestine liberation.

"Starbucks can try to silence us, but workers will always speak out against injustice," Fox said. "From supporting Palestine to calling out racism, our voice is our power."

According to Workers United, about 9,000 employees across 360 stores have voted to unionize under its banner since late 2021. But negotiations on an initial labour contract have stalled as Starbucks seeks to curb the union's influence. In November 2023, thousands of Starbucks baristas nationwide went on strike on Red Cup Day, one of the coffee giant's biggest sales days of the year, to demand better working conditions.

With boycotts compounding revenue pressures, experts expect continued turbulence in Starbucks' relationship with its newly unionized workforce.

Regional Impacts and Financial Losses

Thus far, the boycott's effects appear concentrated in select international regions, especially the Middle East. Some analysts estimate Starbucks faces millions in lost sales from Arab and Muslim nations where the Palestinian cause resonates widely.

For example, media reports indicate that Starbucks locations in Egypt suffered financially from regional boycotts, with some stores apparently laying off staff to cut costs in late November. Starbucks has not confirmed job losses in Egypt, stating that staffing decisions occur at the local level based on store performance.

A representative from the Egyptian Initiative for Personal Rights, an independent organization, said the boycott gained widespread popularity after circulating on social media. They report seeing Starbucks outlets deserted for days at shopping malls in Cairo and Alexandria as patrons took their business elsewhere.

"Egyptians empathize with the everyday oppression Palestinians face," said Ahmed Balah, a project coordinator with the organization. "Boycotting brands like Starbucks is seen as a way to stand up against Israel's abuses."

According to Balah, popular hashtags translating to #BoycottStarbucks trended heavily on platforms like Twitter, Facebook and TikTok as activists urged the public to withhold business from Starbucks and other targeted brands. Some protesters shared images of dumping out Starbucks products to dramatize their outrage.

It remains unclear how much the financial damages will amount to for Starbucks across impacted regions. However, the progressive advocacy group Code Pink estimates that an effective mass boycott could cost Starbucks upwards of \$120 million in lost annual revenue. They argue Starbucks faces substantial risk by being perceived to tacitly enable Israel's occupation of Palestinian land and discriminatory actions.

No Easy Choices for Starbucks Leadership

Starbucks now finds itself trapped between poles of bitter conflict, buffeted by larger political crosscurrents. With public opinion polarized on both sides, any course of action risks alienating key demographics.

Taking an overtly pro-Israel stance to appease critics will likely only inflame the boycott movement. But remaining excessively neutral risks continued backlash from pro-Israel advocates.

Navigating this dilemma requires strategic messaging and outreach to clarify Starbucks' position without inflaming tensions. But Starbucks Workers United has already staked strong stances in solidarity with Palestine, vowing not to capitulate.

With union-company relations strained, Starbucks may have limited space to manoeuvre. The path ahead will challenge leaders to deftly communicate shared values while dissociating the brand from geopolitical disputes.

Starbucks maintains that it aims to provide an uplifting experience welcoming to all without taking sides in conflicts. But such positions grow harder to hold amid rising demands to pick a team as ideological divides sharpen globally.

Boycotts Seen As Test Of Brand Values

Experts note that while boycotts can damage sales, they also serve as a crucible revealing brand values during times of strife. Maintaining integrity and transparency around principles matters more than short-term profits to build lasting trust and loyalty.

"In today's fractured political climate, companies face tough trade-offs between sticking to their morals versus maximizing revenue," explained Joseph Giampetroni, a marketing professor at NYU's Stern School of Business.

"But brand image depends enormously on upholding stated values consistently, instead of wavering when controversy strikes," Giampetroni said. "Leadership comes down to communicating core purpose and bridging divides even when it invites backlash."

Starbucks faces turbulence in navigating its ideals, but Giampetroni believes such tests ultimately strengthen character. The company's foundational commitments to diversity, inclusion and uplifting humanity will be measured against real-world actions. But living up to aspirations proves more beneficial in the long run than chasing fickle transactional gains.

"Boycotts force hard reflection, but that's how brands evolve," Giampetroni said. "Staying grounded in ethical vision guides the path forward."

Uncertain Times Ahead

With swirling pressures and polarizing politics unlikely to abate soon, Starbucks remains on shaky footing amid the ongoing boycott controversy. The company projects a return to robust performance by 2024, but global macroeconomic headwinds could upend recovery.

In the meantime, fraught battles with an emboldened unionized workforce continue simmering as contract negotiations stall. Starbucks stands at a crossroads, needing to heal internal divides with employees to present a unified front to customers.

And the boycott calls shine a harsh spotlight on Starbucks' stance toward contentious issues like Palestine liberation. Despite aiming for broad inclusion, Starbucks now faces deep scrutiny of its values in practice during times of upheaval.

The path ahead remains filled with risks if Starbucks fails to find common ground addressing interconnected challenges. But the company retains opportunities to emerge wiser and more cohesive if it responds with empathy, nuance and principle.

With nimble leadership and proactive communication, Starbucks may rediscover its heart as a people-centred brand devoted to community and compassion. But easy fixes remain elusive as

Starbucks sits embroiled within clashing currents of nationalism and social justice roiling societies worldwide.

For better or worse, the future will be shaped by how Starbucks takes a stand on issues bigger than coffee. In times defined by fracture and polarization, bridging chasms matter more than ever, even at a cost. The price of principle can be steep, but integrity proves priceless in the end.