

## Customer boycotts leave bitter taste for Starbucks and McDonald's

World's largest coffee chain and fast-food group have been hit by global protests since the start of the Israel-Hamas conflict.

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"Pour the cold milk on top, followed by vanilla syrup, ice and two shots of coffee", instructs food blogger Walla Abu-Eid in a viral recipe video viewed by almost 130,000 people on her TikTok channel.

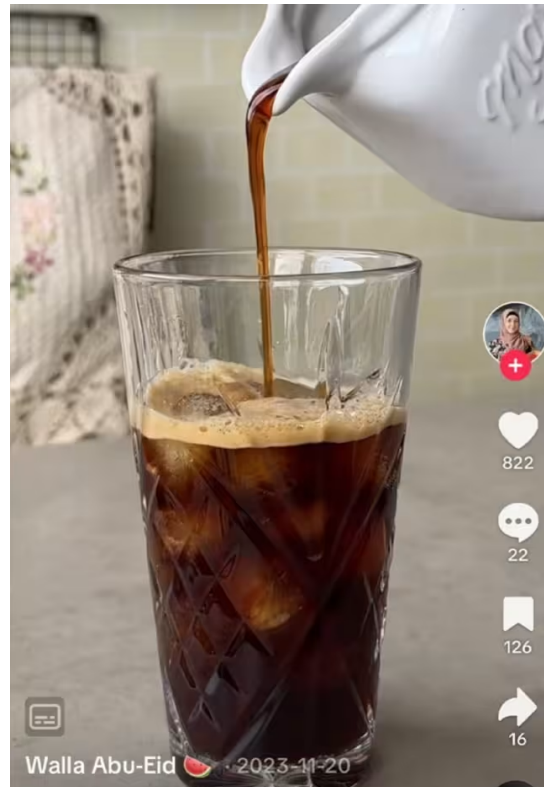
"Let's keep the boycott going," the Sydney-based blogger signs off, asking "which Starbucks drink should I make next?"

Suggestions for homemade Starbucks alternatives have proliferated across social media after the world's largest coffee chain was hit by global protests and grassroots boycott campaigns since the start of Israel's military offensive in Gaza. McDonald's has [also been affected](#), warning this week that its most recent quarterly sales were hurt by boycotts related to the war.

Activist calls to shun Starbucks' products spread after the company sued its workers' union over a social media post last October. The chain alleged that Workers United violated its trademark by using the company name and logo when expressing solidarity with Palestinians in a post on X, formerly known as Twitter. Workers United responded with its own court filing, alleging Starbucks defamed it by implying that the union supports terrorism and violence.

The disagreement left Starbucks in the crosshairs of both pro-Palestine and pro-Israel protests. In an open letter published at the end of last year, the company's chief executive Laxman Narasimhan said Starbucks stores "have experienced incidents of vandalism" in cities around the world, including the US.

In a separate statement, the company said it had "no political agenda" and rejected rumours on social media that it was using its profits to fund "any government or military operations anywhere".



Food blogger Walla Abu-Eid is among those suggesting homemade alternatives to Starbucks' recipes © @walla\_abueid/TikTok

Set against a backdrop of [poor US consumer sentiment](#) and weakening sales growth, analysts are wondering whether boycotts have the power to inflict real financial pain on the industry giant.

While the specific impact of boycotts is “very hard to verify or quantify . . . it is definitely something that investors are thinking about these days”, said Danilo Gargiulo, senior research analyst at AB Bernstein.

Starbucks missed analysts' expectations when it announced first-quarter results last week. Global same-store sales rose 5 per cent year-on-year in the three months to January, short of consensus forecasts of a 6.4 per cent rise. The company also downgraded its guidance, saying it now expected full-year global same-store sales to rise between 4 per cent and 6 per cent in 2024, down from previous estimates of 5 per cent to 7 per cent growth.

“We saw negative impact to our business in the Middle East”, Narasimhan said on an earnings call. The chain's US sales have also lagged since mid-November, driven in part by “misperceptions” about its position on the conflict, he added. Same-store sales in North America grew 5 per cent in the first quarter of 2024, missing the 5.5 per cent growth consensus forecast.



Anti-Starbucks stickers in Turkey highlight widespread protests against the coffee chain © Murat Kocabas/Middle East Images/AFP via Getty Images

In the week of “Red Cup Day” — an annual winter holiday promotion in mid-November in which Starbucks offers visitors a complimentary reusable cup — the chain recorded a 31.7 per cent increase in US footfall compared with the daily average during the preceding five weeks, well below the 81 per cent increase registered in 2022, according to third-party traffic data by Placer.ai.

Companies around the world are [scrambling to adapt](#) to political flashpoints whose fallout has the potential to alienate customers.

“Typically, [boycotts] are fairly limited in terms of geographical reach and duration,” said Gargiulo. “But I will put a caveat here, because we are living in a different day and age today compared to even a few years ago, given the rising geopolitical tension we are seeing worldwide.”

McDonald’s has experienced this first hand, with the burger chain reporting that same-store sales in its international licensed division — which covers more than 80 markets where [McDonald’s](#) has licensed its franchising rights — sharply missed analyst expectations in the three months to the end of December. The company blamed the slowdown primarily on the drop in demand at its restaurants in the Middle East as well as those in predominantly Muslim countries such as Indonesia and Malaysia.

The pro-Palestinian Boycott, Divestment, Sanctions movement (BDS) backed the boycott of the burger giant last year, after the McDonald's Israel franchise said on its social media account it had given thousands of free meals to Israel Defense Forces personnel.

McDonald's chief executive Chris Kempczinski said in a LinkedIn post last month that "several markets in the Middle East and some outside the region are experiencing a meaningful business impact due to the war".

"We are dismayed by the disinformation and inaccurate reports regarding our position in response to the conflict in the Middle East. McDonald's Corporation is not funding or supporting any governments involved in this conflict," McDonald's said, adding that "any actions" from local licensee partners "were made independently without McDonald's consent or approval".

Gargiulo noted: "If boycotts were a concern for McDonald's chief executive, investors are basically asking, why shouldn't they be a concern for Starbucks?"

Ice cream maker Ben & Jerry's is one of the few companies to have [publicly called for a permanent ceasefire](#) in Gaza.

It did so at the risk of reigniting a long-running dispute with its parent company Unilever, which sold the Israeli arm of the brand to a local licensee in 2022, after Ben & Jerry's attempted to stop selling its products in occupied Palestinian territories.

However some analysts attribute the sales slowdown at Starbucks as symptomatic of a broader decline in sentiment among US consumers, as well as the stalled economic recovery in China — the company's second-largest market, where it has about 6,500 outlets. Others noticed it coincided with the launch of a new winter menu, which could have underwhelmed customers.

"Our ability to tie the [slowdown] to any potential boycotts is very, very challenging, although the company acknowledged their impact," said Matthew Goodman, senior analyst at data research firm M Science.

Starbucks is no stranger to customer ire. Over the past two decades, some have criticised it for supporting same-sex marriage, while others have disliked its [stance on unionisation efforts](#) by its employees. Despite this, the company continued to grow.

“This kind of stuff goes on regularly and generally has no lasting impact on companies — sentiment can change very quickly,” said Michael Barnett, professor of management and global business with a focus on corporate social responsibility, at Rutgers Business School.

But he warned that while most boycotts ended in customers returning to their old routines, they had the potential to bring lasting consequences if they went on for “long enough to cause people to shift their buying patterns”.

“You might switch to something else that you find is a good substitute — it might be cheaper or something that you enjoy more, and you just establish a new habit.”

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