

Tip of the Iced Mocha

By Reg P. Wydeven
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When I was five, my sister and I slept over at my grandparents' house when my folks had to go out of town for the weekend. I awoke on Saturday morning to the smell of the pot of coffee my grandma was brewing. My parents never drank coffee, so I never smelled this intoxicating aroma before.

I begged my grandma for a drink of her magic elixir. She happily obliged, and I proceeded to take a huge gulp and spit it all out over her kitchen table. I couldn't believe that something could smell so great but taste so terrible. When my grandma explained that coffee comes from running water through ground up beans, that certainly didn't make it any more appetizing.

Apparently, I'm the exception to the rule. Unlike me, America loves its coffee. We have six pots constantly percolating at our office each day. While I'm chugging my Mountain Dew, my colleagues are matching me cup for can with their java.

Coffee isn't just a beverage, it's a lifestyle. The TV show 'Friends' depicted a hip group of New York 20-somethings hanging out in a trendy coffee shop called Central Perk. Coffee houses have sprung up all over and are popular hangouts to socialize with a cup of joe.

Seattle-based Starbucks, the nation's largest coffee house chain, has enjoyed tremendous success because of our coffee addiction. Recently, however, the chain's meteoric rise has ground to a halt.

First, Starbucks' sales have dipped due to a slumping economy and rising energy and dairy costs. Also, competitors such as McDonalds and Dunkin' Donuts have jumped on the bandwagon by peddling gourmet coffee at lower prices.

During its 2007 fiscal year that ended on September 30, Starbucks generated more than \$672 million on revenue of \$9.4 billion. However, since the end of 2006, Starbucks' stock has plummeted by over 50 percent, going from close to \$40 a share to trading for less than \$18 a share today. Adding insult to injury, Starbucks just lost a \$100 million lawsuit, to its own employees, no less.

The lawsuit was filed in October 2004 by former barista Jou Chou who claimed that shift supervisors were sharing in employee tips. In 2006, the suit was granted class-action status, allowing as many as 100,000 former and current baristas in the coffee chain's California stores to piggyback on the case. Of the 11,000 Starbucks locations nationwide, almost 2,500 of them are located in California. The company employs more than 135,000 baristas in the U.S.

San Diego Superior Court Judge Patricia Cowett recently ordered the chain to pay its California baristas \$87 million in back tips, plus interest of \$19 million, that the company paid to shift supervisors. Citing that state law prohibits managers and supervisors from sharing in employee gratuities, she also issued an injunction that prevents Starbucks' shift supervisors from sharing in future tips.

Chou whole-heartedly agrees with the ruling. He believes the company should pay its supervisors more, but let the baristas, who have lower wages, keep all the tips. Starbucks intends to immediately appeal the decision. The company plans to request the court to stay the ruling while the appeal is pending.

Thirty years ago, I remember telling my grandma her coffee tasted like mud. She replied, "Well, it was *ground* this morning."