

Specification topic: Business ethics and CSR

Case Study: CSR and Ethics 'The Chocolate Factory'

The Chocolate Factory is a British retailer of luxury organic chocolate products. Organic chocolate represents one of the fastest growing sectors in the global chocolate industry. All products are made in its eco-friendly plant in Bath using the highest quality organic ingredients. The Chocolate Factory openly shares the ingredient information of all its products believing customers have a right to know exactly what goes into the products they buy. The products it sells are premium priced, with a 90g bar of chocolate selling for £7. Its first store was opened in Leicester Square, London in 1994, with five additional stores opening by 2000. The popularity of the brand and the interest in organic, fair-trade chocolate has grown significantly in recent years, with the business now owning 45 stores throughout the UK. The products can also be bought in 500 other outlets in the UK such as John Lewis, Waitrose, and M&S. A recent market research report has shown that an increasing number of consumers prefer to buy products from businesses who are deemed to be 'socially responsible' and will often pay more for the privilege.

Acting in a socially responsible and ethical manner has always been at the heart of the organisation. It constantly strives to improve the lives of its stakeholders, supporting activities such as organic farming, sustainable wild harvesting, and fair-trade programs, as well as guaranteeing its chocolate products are natural and do not contain high levels of sugar or artificial colourings. The chocolate industry is very competitive and only 5% of all chocolate bars made are produced organically and through fair trade programs. The main issue the company have found is that paying Fair Trade chocolate drives up their unit costs significantly because of paying farmers more for the raw materials which ultimately increases their price per unit. This then needs to be passed onto the consumer to maintain their profit margin. The company directors are concerned that this could eventually have a negative effect on sales, even though they are seen as a premium chocolate producer. There is a concern that with 'normal' chocolate bars being priced much cheaper and the rise of discount stores such as Aldi and Lidl providing chocolate-based products at a significantly reduced price that this could start to persuade consumers to look at cheaper alternatives.

However not all chocolate is produced in an ethical way. The chocolate industry has seen many unethical issues arise in recent years. In Western Africa, cocoa is a commodity crop grown primarily for export; 60% of the Ivory Coast's export revenue comes from its cocoa. As the industry has grown, so has the demand for cheap cocoa. Cocoa farmers earn less than \$2 per day, an income well below the poverty line. As a result, they often resort to the use of child labour to keep their prices competitive. In addition, Nestle have been targeted by Greenpeace for the use of Palm Oil in their Kit Kat products, which has seen suppliers destroy vast forests to get this ingredient, which has resulted in the near extinction of the Orangutan. Pressure groups such as Green Peace and consumer groups are consistently applying pressure on businesses and industries in today's society to act ethically and responsibly. This action can seriously damage the businesses they consider to be unethical, by tarnishing their reputation in the media, resulting in negative publicity leading to a significant drop in sales. The chocolate industry is one where these groups have focused their attention.