

Yesterday's Pastry

The Atlantic bakery, owned by Manuel Trigo, makes a variety of pastries to serve the Mayagüez, Puerto Rico community. The product is good, and Trigo's business has grown rapidly. He is justly proud of the quality of his products and their fair prices.

But success has its own problems. Trigo finds it increasingly difficult to handle both the financial aspects of the business and the bakery operation. He has decided to concentrate on baking and delegate the financial responsibilities to José Chavito, a recent graduate from the College of Business Administration at a local university.

José joined the Atlantic bakery with great expectations of improving the business operation and increasing its profitability. Upon setting up a paper accounting system, he found that the profitability of the operation was not very good and somewhat erratic. Part of the problem stemmed from increasing competition. But Atlantic also lost money because of the large amounts of left over pastries that were simply thrown away.

José decided to solve this problem by mixing the left over pastries with fresh ones and then selling the whole lot at a slightly reduced price. While this eliminated the waste and also benefited the customer by lowering the overall price, it also lowered the quality because some of the items bought by the customer were not as fresh as the others. Still, José reasoned that the lower prices would attract new customers while eliminating the profit draining waste.

Questions:

1. Is there an ethical problem here? What is it?
2. Should José recommend that Atlantic tell its customers that some of its product is not fresh? Why or why not? If they should, how would they advertise the change without driving customers away?
3. Assume Manuel rejects José's proposal. What should José recommend to deal with the waste problem?