

Starbucks Announces Triple Shot Reinvention Strategy with Multiple Paths for Long-Term Growth

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Triple Shot Reinvention will focus on three priorities: elevating the Starbucks brand; strengthening the company's digital capabilities; and becoming truly global; customized with "two pumps" unlocking efficiency and reinvigorating partner culture. This includes:

- Elevating the brand through better run stores, growing the portfolio with more purpose-defined stores and accelerated renovations, and driving further product innovation.
- Strengthen and scale digital by doubling its 75M global Starbucks Rewards Members within five years and expanding digital and technology collaborations to elevate the partner and customer experience.
- Become more global by accelerating store expansion to 55,000 globally by 2030.
- Unlock efficiency to generate \$3B in savings over three years – with \$2B outside the store – to deliver returns to shareholders through margin expansion and earnings growth.
- Reinvigorate the partner culture through the rollout of the mission, promises and values and through continued investments in the partner value proposition across the partner experience.

SEATTLE--(BUSINESS WIRE)-- Starbucks Coffee Company (NASDAQ: SBUX) today announced its long-term growth strategy, Triple Shot Reinvention with Two Pumps, to elevate the brand, strengthen and scale digital, further expand globally, identify opportunities within and outside the store for efficiencies, and reinvigorate the partner (employee) culture. The strategy builds on the significant business momentum from the past year, while laying out a roadmap for how the company will deliver long-term, sustainable growth and outsized returns to partners, customers, and shareholders.

"I am immensely proud of the work we have done so far in reinventing and re-founding the company for its next phase of growth. I am excited about our multiple paths to revenue growth and earnings, which should give you confidence in our ability to meet our goals," said Laxman Narasimhan, chief executive officer of Starbucks as part of the company's presentation to investors in New York City. "I am honored to be leading this talented group of over 450,000 green apron partners, including this executive leadership team, to deliver human connection more broadly around the world for the benefit of us all."

Starbucks plans for Reinvention were first introduced by founder Howard Schultz at the company's Investor Day in September 2022, resetting the business to elevate the in-store experience for partners and for customers and is seeing strong early momentum on every key metric.

With an updated mission and an evolved set of promises and values, the Triple Shot Reinvention with Two Pumps is the next step in the re-founding of the company. Starbucks will deliver significant value to partners, customers and shareholders by:

- Elevating the brand
- Strengthening and scaling digital
- Becoming truly global

These strategies are customized with two enabling “pumps” which will:

- Unlock efficiency, and
- Reinvigorate the partner culture

Elevating the Brand Through Better Run Purpose-Defined Stores and Continued Product Innovation

With the U.S. store count slated to reach more than 16,300 – with a 4 percent net new store growth planned in FY24 and an aspiration to reach 20,000 over the long term – the company will leverage the vast channels available to meet the evolving needs of customers and further elevate the brand. Starbucks will focus on running better stores through a stronger operating foundation.

The company will grow the portfolio with more purpose-defined stores and accelerated renovations. “We see an opportunity to better leverage our footprint to serve the evolving needs of our customers. Innovation in our store formats, to purpose defined stores like pick-up, drive-thru only, double-sided drive-thru, and delivery-only allows us to better meet our customers where they are at through differentiated experiences,” said Sara Trilling, executive vice president and president of Starbucks North America. “To capture that demand we will build more new stores – with new formats, in new cities and cities we’re already in. To be clear, Starbucks has not saturated the U.S. market.”

Additionally, the brand will be elevated through further product innovation. The company will continue to grow coffee and its core menu through customization and personalized marketing – adding popular beverage innovations to the core line up – which now accounts for 85 percent of net beverage sales. The company will also drive innovation through two specific areas of focus: targeted dayparts and growing food attach with all-day breakfast and all-day snacks.

Strengthen and Scale Digital Capabilities

Starbucks also unveiled a new phase in the acceleration of its digital flywheel. Strengthening its digital leadership with a strategy aimed to:

- Double global Starbucks Rewards with another 75 million members – the company's most frequent customers – within the next five years.
- Building on its highly successful program with Delta Airlines, the company also intends to extend the benefits that Starbucks Rewards provides to existing and new customers with additional 'Rewards Together' partnerships – with a financial institution and a hospitality partner – within the next 6 months.

"Starbucks has direct, digital relationships with hundreds of millions of customers," said Brady Brewer, executive vice president and chief marketing officer. "Our ambition is to know every customer, personalize their experience and make Starbucks effortless. We have a clear and compelling roadmap, the acceleration has already started, and we will extend our digital leadership globally."

In addition to extending its digital and tech leadership through personalization and customization, the company is resetting its tech architecture, accelerating the introduction of new features, building on its distinctive Deep Brew platform capabilities.

Starbucks also announced three new technology collaborations it intends to execute in order to enhance the customer and partner experience:

- The partnership with Microsoft will extend through collaboration in its innovation lab to marry industry leading generative AI capabilities to take product development and personalization to the next level.
- Collaborating with Apple products in our first Green Apron Innovation store to experiment and refine technology to assist partners across the globe.
- Reimagining the customer in-store experience with Amazon One and Just Walk Out technology.

Becoming Truly Global

The company also announced a plan to expand its global store footprint to 55,000 by 2030 – an average of 8 new stores a day and bolstered by further expansion of digital platforms across all licensed partners globally.

"Over the past five years, we have opened 9,000 stores – 7,000 of which were outside of the U.S.," said Michael Conway, group president, International and Channel Development. "We will become truly global as we create the surround sound of omni-channel strategies in the 86 markets where we sell Starbucks Coffee."

Starbucks China is uniquely positioned to support the growth opportunities the market presents. The business will continue driving comps in existing stores through global and locally relevant innovation across dayparts and across channels in beverages and food. Additionally, Starbucks will continue to invest in the expansion of Starbucks Rewards. The company also believes there is significant headroom in new store expansions with attractive returns, including continuing to infill existing cities with purpose-defined store formats, while entering more new county cities. Finally, Starbucks will continue to invest in digitalization across supply chain and store operations that fuel productivity and efficiency, while driving innovation with customers, partners, coffee and sustainability.

“We just concluded a watershed year in China, where we put the pandemic behind us, and built growth momentum for the future,” said Belinda Wong, chairwoman and co-ceo of Starbucks China. In commenting on the overall international business, Wong noted that the omni-channel strategy “gives us great confidence and high ambition for our international business, fueling nearly 1/3 of the earnings growth potential of Starbucks over the long-term.”

Unlocking Efficiency

The company continues to experience the in-store benefits of its Reinvention strategy. Starbucks further announced the implementation of a \$3 billion efficiency program – \$2 billion outside the store in cost of goods sold – to both reinvest in the business and to deliver returns to shareholders through progressive margin expansion and earnings growth.

“We are very confident in our ability to create a more resilient, durable business for the long-term,” said Rachel Ruggeri, executive vice president and chief financial officer. “While our opportunity is clear, we know that our success, everything we do, is dependent on the differentiated experience our partners create for our customers. After all, our partners are our superpower.”

Reinvigorate Partner Culture

Paramount to Starbucks partner promise of bridging to a better future, is creating opportunities for partners to grow. The company is committed to furthering its mission, promises and values while investing in the partner experience around the world.

“To remain the retail industry employer of choice, we must continue to create a uniquely Starbucks experience that uplifts, inspires, and engages our partners,” said Sara Kelly, executive vice president and chief partner officer. “We will also continue to listen to their evolving needs and best support them in their job, on their team and in their life.”

The company continues to invest in all aspects of the partner experience, while benefitting from lower attrition and

higher tenure in US stores. By the end of FY25, the company in the US expects to double hourly income versus FY20, through more hours and higher wages. Next week, the company will share details on a new bundle of partner experience enhancements in the US, solidifying its status in providing the best portfolio of benefits across the industry for hourly retail work.

Starbucks Arts Prize

Starbucks also announced it will soon unveil a new Starbucks Art Prize – which aims to celebrate art as a catalyst of human connection – focusing on an inspiring artist who represents joy, courage, craft, and belonging. Each year, Starbucks will select one visual artist with a new voice to sponsor with \$1 million and display their art in our stores around the world. Additionally, Starbucks will pick five emerging architects to design five stores each year across the network.

“Our cafes often represent the beauty of the local communities we serve,” said Narasimhan. “Whether I’m walking down one of the halls of our Support Center or visiting a store, it’s very clear to me that art, music, architecture and culture serve as inspiration for Starbucks to dream bigger. The walls inside our 38,000 stores and the walls outside our 38,000 stores are essentially galleries - featuring art in service of human connection.” Starbucks will announce the approach to the selection at the company’s Annual Meeting of Shareholders.

Earlier today, the company set guidance for FY24. Global comps between 5-7 percent, with revenue growth at the low end of the 10-12 percent range and earnings growth of 15-20 percent, reflecting the multiple paths to deliver double digit revenue and earnings growth. The Starbucks business has great momentum, with significant headroom and strength in the brand, confidence in its ability to further grow and invest in our partners and the business while delivering consistency in shareholder returns. The company sees multiple paths to the shape of the long-term algorithm of comp growth of 5 percent or greater, revenue growth of 10 percent or greater, and EPS growth of 15 percent or greater.

Webcast

A replay of the webcast and slides shown during the event’s presentations will be available on the Events & Presentations section of the company’s website until end of day, Friday, April 26, 2024. The event will be webcast and can be accessed on the company’s website at: <https://investor.starbucks.com/ir-home/default.aspx>.

About Starbucks

Since 1971, Starbucks Coffee Company has been committed to ethically sourcing and roasting high-quality arabica coffee. Today, with more than 38,000 stores worldwide, the company is the premier roaster and

retailer of specialty coffee in the world. Through our unwavering commitment to excellence and our guiding principles, we bring the unique Starbucks Experience to life for every customer through every cup. To share in the experience, please visit us in our stores or online at <https://stories.starbucks.com> or www.starbucks.com.

Forward-Looking Statements

Certain statements contained herein are “forward-looking” statements within the meaning of applicable securities laws and regulations. Generally, these statements can be identified by the use of words such as “aim,” “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “feel,” “forecast,” “intend,” “may,” “outlook,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “will,” “would,” and similar expressions intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. By their nature, forward-looking statements involve risks, uncertainties, and other factors (many beyond our control) that could cause our actual results to differ materially from our historical experience or from our current expectations or projections. Our forward-looking statements, and the risks and uncertainties related thereto, include, but are not limited to, those described under the “Risk Factors” and “Management's Discussion and Analysis of Financial Condition and Results of Operations” sections of the company's most recently filed periodic reports on Form 10-K and Form 10-Q and subsequent filings with the SEC, as well as:

- our ability to preserve, grow and leverage our brands;
- the acceptance of the company's products and changes in consumer preferences, consumption, or spending behavior and our ability to anticipate or react to them; shifts in demographic or health and wellness trends; or unfavorable consumer reaction to new products, platforms, reformulations, or other innovations;
- the costs associated with, and the successful execution and effects of, our existing and any future business opportunities, expansions, initiatives, strategies, investments and plans, including our Reinvention Plan;
- the impacts of partner investments and changes in the availability and cost of labor including any union organizing efforts and our responses to such efforts;
- the ability of our business partners, suppliers and third-party providers to fulfill their responsibilities and commitments;
- higher costs, lower quality, or unavailability of coffee, dairy, energy, water, raw materials, or product ingredients;
- the impact of significant increases in logistics costs;
- unfavorable global or regional economic conditions and related economic slowdowns or recessions, low consumer confidence, high unemployment, weak credit or capital markets, budget deficits, burdensome government debt, austerity measures, higher interest rates, higher taxes, political instability, higher inflation, or deflation;
- inherent risks of operating a global business including geopolitical instability;

- failure to attract or retain key executive or partner talent or successfully transition executives;
- the potential negative effects of incidents involving food or beverage-borne illnesses, tampering, adulteration, contamination or mislabeling;
- negative publicity related to our company, products, brands, marketing, executive leadership, partners, board of directors, founder, operations, business performance, or prospects;
- potential negative effects of a material breach, failure, or corruption of our information technology systems or those of our direct and indirect business partners, suppliers or third-party providers, or failure to comply with personal data protection laws;
- our environmental, social and governance (“ESG”) efforts and any reaction related thereto such as the rise in opposition to ESG and inclusion and diversity efforts;
- risks associated with acquisitions, dispositions, business partnerships, or investments – such as acquisition integration, termination difficulties or costs or impairment in recorded value;
- the impact of foreign currency translation, particularly a stronger U.S. dollar;
- the impact of substantial competition from new entrants, consolidations by competitors, and other competitive activities, such as pricing actions (including price reductions, promotions, discounting, couponing, or free goods), marketing, category expansion, product introductions, or entry or expansion in our geographic markets;
- the impact of changes in U.S. tax law and related guidance and regulations that may be implemented, including on tax rates and the Inflation Reduction Act of 2022;
- the impact of health epidemics, pandemics or other public health events on our business and financial results, and the risk of negative economic impacts and related regulatory measures or voluntary actions that may be put in place, including restrictions on business operations or social distancing requirements, and the duration and efficacy of such restrictions;
- failure to comply with anti-corruption laws, trade sanctions and restrictions or similar laws or regulations; and
- the impact of significant legal disputes and proceedings, or government investigations.

A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. You should not place undue reliance on the forward-looking statements, which speak only as of the date of this report. We are under no obligation to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

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