

# Starbucks First-Ever China Investor Conference Highlights Accelerated Store Growth in its Fastest Growing Market, Doubling to 6,000 Stores by End of FY2022

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- Starbucks accelerates net new store growth to 600 per year, expanding to approximately 100 new cities to reach 230 cities across Mainland China by end of FY2022
- Expects to more than triple revenue and more than double operating income in China over the next 5 years, relative to FY2017
- Announces the launch of new Starbucks® chilled cups this June as part of plans to expand Ready-to-Drink premium points of distribution to 125,000 in 400 cities
- Nestlé Global Coffee Alliance to further extend Starbucks reach and scale throughout China
- Purpose-driven Starbucks China and The Starbucks Foundation reaffirm \$20 million USD (RMB 132 million) five-year commitment to social impact programs

SHANGHAI--(BUSINESS WIRE)-- Today, Starbucks Corporation (NASDAQ: SBUX) presented the company's key drivers that will fuel China's market growth over the next five years at its first-ever China Investor Conference. Through the company's purpose-driven growth agenda in China, Starbucks is focused on enhancing its immersive, coffee-forward approach to elevating the third place, building deeper customer relationships in digital and extending the Starbucks Experience to the on-the-go and at-home consumers. Supported by these initiatives, the company announced plans to build 600 net new stores annually over the next five years in Mainland China – a goal that will double the market's store count from the end of FY2017 to 6,000 across 230 cities. The company also announced plans to more than triple revenue and more than double operating income in China by the end of FY2022, relative to FY2017 levels.

This press release features multimedia. View the full release here:

<https://www.businesswire.com/news/home/20180515006821/en/>

Through the company's purpose-driven growth agenda in China, Starbucks is focused on

“The power of our brand in

enhancing its immersive, coffee-forward approach to elevating the third place with plans to double store count to 6,000 across 230 cities by end of FY2022.(Photo: Business Wire)

China, the strength and momentum in our business, and the world-class Chinese

leadership team give me great confidence in our ability to capture the enormous growth opportunities ahead in this dynamic market,” said Kevin Johnson, Starbucks president and chief executive officer. “No Western company or brand is better positioned to evolve with the rapidly expanding Chinese middle class – and we continue to mindfully evolve a coffee culture in China where the reward will be healthy, long-term, profitable growth for decades to come. We are committed to long-term investment in China.”

“Starbucks is committed to playing the long game in China and is proud to be an integral part of the local community for nearly 20 years. Our company has a strong, healthy, responsible business with purpose-driven values that celebrates our incredible 47 years of coffee expertise in sourcing, roasting, blending and handcrafting some of the world’s finest coffees,” said Belinda Wong, Starbucks China chief executive officer. “The strong trusted relationships between our partners and customers give me great confidence in our ability to deliver our long-term growth while continuing to make investments in China, for China.”

## Disciplined growth in China

Today, Starbucks operates approximately 3,300 stores in 141 cities in China and employs 45,000 partners (employees). With a new store opening every 15 hours, Starbucks China’s steadfast commitment to disciplined growth, from real estate selection to partner training and operational excellence, has resulted in a store portfolio that has some of the company’s most innovative, efficient and profitable stores. Starbucks newest class of stores in China are delivering the highest average unit volumes, return on investment and profitability of any of the market’s prior store classes in its history – a clear demonstration that customers in China continue to embrace the Starbucks brand.

## Enhancing our multi-sensory approach to building the third place

Starbucks has created a brand roadmap to deepen coffee knowledge and human connection – creating a Starbucks Discovery Journey that manifests itself into a unique store development process and respect for local heritage specific to China. This journey starts with locally curated core store experiences. In 2014, Starbucks built its first Starbucks Reserve™ Bar to deepen customer coffee engagement and provide immersive experiences. With more than 150 locations currently, the company plans to reach 200 Reserve™ Bar stores by the end of FY2018.

Since opening the Starbucks Reserve™ Roastery in Shanghai nearly six months ago, it has become recognized as a highly dynamic and immersive coffee-forward retail experience, delivering premiumization to the coffee category and fueling the next wave of transformation that is elevating the Starbucks Experience in China.

Next month, the company will open its newest multi-level flagship format – the Beijing Fun flagship store. Located inside the high-traffic Beijing Fun shopping area, this will be the largest store globally, aside from the Roasteries. It will deliver the immersive experience found at the Roasteries through three distinct craft bar experiences: Starbucks Reserve™ coffees, Teavana™ teas, and mixology.

## Building deeper digital customer relationships further extending the experience of the third place

Starbucks digital flywheel in China is the foundation that will help elevate the experience in stores and drive customer loyalty. It will enable the company to unlock many new features, such as personalization, Mobile Order and Pay (MOP) and delivery service.

With the number of active past 90-day loyalty members nearly tripling over the past four years to almost 7 million, and 90 percent of members actively engaging via the Starbucks app, Starbucks China offers the most innovative mobile ecosystem of the Starbucks portfolio globally. Having pioneered “Say it with Starbucks,” a social gifting feature on WeChat less than 18 months ago, Starbucks today, announced “Say it with Starbucks” is now also available on the Alibaba platform, solidifying its leadership position as an experiential brand in China.

Building on the first augmented reality experience at the Shanghai Roastery, Starbucks tested this technology in its core stores this past February during Chinese New Year. The company sees great opportunities to enhance the partner and customer connection through this digital feature.

Among Starbucks global portfolio, China is leading in terms of digital payment, with greater than 60-percent digital tender mix, and 80-percent cashless, greatly improving the partner and customer experience alike.

## Extending the Starbucks Experience to the on-the-go and at-home consumer

Over the next five years, the Starbucks Ready-to-Drink (RTD) business in China is expected to expand to more than 400 major Chinese cities across more than 125,000 premium points of distribution in partnership with Tingyi, a leader in China’s RTD beverage category.

On June 12, the company will introduce the Starbucks® chilled cup platform with four flavors, introducing a new Starbucks category to the Chinese consumer. This beverage platform is expected to quickly become a preferred on-the-go format for coffee and tea in China. The chilled cup platform builds on the success of Starbucks Doubleshot™ RTD beverages which were introduced last month.

In addition, Starbucks will look to leverage the recently announced global coffee alliance with Nestlé to provide even more at-home options to the Chinese consumer in the future. The alliance will enable Starbucks Channel Development to grow its reach and scale in the single-serve and foodservice businesses, leveraging Nestlé's reach to expand Starbucks Consumer Packaged Goods (CPG) presence from 28 countries to nearly 190 countries around the world. The alliance will also bring Starbucks Coffee to both the Nespresso and Nescafé Dolce Gusto machine platforms around the world.

## A purpose driven growth agenda with partners, social impact at the core

Starbucks purpose-driven growth agenda in China is rooted in the belief that a company must do well to do good to make a bigger impact in the community. Core to this agenda is the company's focus on its partners and social impact.

### Partner experience elevation

Continuing to elevate the partner experience is foundational to driving long-term growth in China. The company holistically invests in benefits that are locally-relevant. This includes Bean Stock and comprehensive health insurance for all eligible Starbucks China partners and their families. In addition, Starbucks China partners receive housing allowance subsidies to help young retail partners overcome their financial challenges of living outside their hometowns. The importance of family values in Chinese culture is also embedded in the benefits eligible Starbucks China partners receive, as evidenced by the pioneering of critical illness coverage for more than 14,000 parents of Chinese partners. Collectively, these actions continue to yield results for the company with significantly lower partner turnover relative to industry benchmarks as well as increased labor productivity experienced over the past five years.

### Responsibility and commitment to the country's future

Starbucks is committed to using its scale and success to give back to communities as the company continues to grow in China. Undertaking a series of commitments, The Starbucks Foundation and Starbucks China are contributing meaningful and enduring social impact through poverty alleviation by creating opportunities for groups facing barriers, strengthening partner-driven and locally relevant community engagement, and improving the lives of Yunnan coffee farmers and their families through a \$20 million USD (RMB 132 million) five-year commitment.

"As a purpose-driven company, we have a strong responsibility to the future of China – this vision fuels our passion each day and drives us to exceed the expectations of our partners and customers," said Wong. "These initiatives reaffirm the strategic role of the China market and highlight Starbucks ongoing aspiration to elevate our partners,

customers and communities to create an environment where everyone can thrive.”

## Webcast Details

The event webcast, including closed captioning, can be accessed on the company’s website:

<http://investor.starbucks.com>. A replay of the webcast and slides shown during the presentations will be available on the company’s website. The webcast will remain available for replay through June 15, 2018.

## About Starbucks

Since 1971, Starbucks Coffee Company has been committed to ethically sourcing and roasting high-quality arabica coffee. Today, with stores around the globe, 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 [news.starbucks.com](http://news.starbucks.com) or [www.starbucks.com](http://www.starbucks.com).

## Forward Looking Statement

Certain statements contained herein are “forward-looking statements” within the meaning of the applicable securities laws and regulations. Generally, these statements can be identified by the use of words such as “anticipate,” “expect,” “believe,” “could,” “estimate,” “feel,” “forecast,” “intend,” “may,” “plan,” “potential,” “project,” “should,” “will,” “would,” and similar expressions intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These statements are based upon information available to Starbucks as of the date hereof, and Starbucks actual results or performance could differ materially from those stated or implied due to risks and uncertainties associated with its business. These risks and uncertainties include, but are not limited to, fluctuations in U.S. and international economies and currencies, our ability to preserve, grow and leverage our brands, potential negative effects of incidents involving food or beverage-borne illnesses, tampering, adulteration, contamination or mislabeling, potential negative effects of material breaches of our information technology systems to the extent we experience a material breach, material failures of our information technology systems, costs associated with, and the successful execution of, the company’s initiatives and plans, the acceptance of the company’s products by our customers, the impact of competition, coffee, dairy and other raw materials prices and availability, the effect of legal proceedings, and other risks detailed in the company filings with the Securities and Exchange Commission, including the “Risk Factors” section of the Starbucks Annual Report on Form 10-K for the fiscal year ended October 1, 2017. The company assumes no obligation to update any of these forward-looking statements.

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