

# Starbucks ceo Kevin Johnson Unveils Innovation Strategy to Propel the Company's Next Decade of Growth at Starbucks 2018 Annual Meeting of Shareholders

3/21/2018

- Company reflects on past five years of performance that saw a doubling in market value and topline revenue growth from \$14 billion to \$23 billion.
- Starbucks reiterates 12 percent or greater non-GAAP EPS growth target and commitment to return \$15 billion to shareholders through the next three years.
- Company details three innovation growth drivers in Digital, China and Starbucks Reserve.
- Starbucks announces new standard for global pay equity, and achieves 100 percent pay equity both for gender and for people of all races in the U.S.
- Starbucks reaffirms commitment to employing and empowering the very best talent, with more than 50,000 Opportunity Youth and 15,000 veterans and military spouses hired to date in the U.S., and more than 10,000 partners (employees) participating in the Starbucks College Achievement Plan with Arizona State University.
- Starbucks reveals new commitments to sustainability, including a \$10 million investment in the "NextGen Cup Challenge" in partnership with the Closed Loop Foundation, and in a coffee traceability pilot program to assure transparency and trust and to give coffee farmers even greater financial empowerment.

SEATTLE--(BUSINESS WIRE)-- Starbucks Corporation (NASDAQ: SBUX) today hosted its 26th Annual Meeting of Shareholders, with more than 3,500 shareholders, partners (employees), invited guests and board members in attendance. Key presenters at the meeting included Kevin Johnson, president and chief executive officer of Starbucks; Roz Brewer, group president and chief operating officer; Lucy Helm, executive vice president and chief partner officer; and Belinda Wong, chief executive officer of Starbucks China.

Johnson began the meeting highlighting the trajectory of the business over the past five years and the foundation that has been laid to accelerate the company's next wave of growth. In his remarks, he offered tribute to the heritage of the founder-inspired company and highlighted both the power of the iconic brand and the strategic

vision set to fuel the company's future.

"No retailer is better positioned to meet the changing needs of today's consumer, as expectations of convenience and community redefine what it takes to be a successful and relevant brand," said Johnson. "The story of our growth over the past five years is grounded in key innovation investments we have been making for our future, and this continued focus will ensure we build upon our leadership position in this rapidly changing retail environment."

Johnson highlighted three unique and core assets of the company: increasing digital engagement, growing relevancy in China and celebrating the Starbucks Reserve brand as the company's innovation lab for the future.

## Expanding Digital Relationships

Building on the innovations of the Starbucks® App, Johnson shared details of a strategy aimed to grow digital relationships with the more than 60 million current U.S. customers per month who are not yet members of Starbucks Rewards.

In addition to opening the App's Mobile-Order-and-Pay capabilities to non-Starbucks Rewards members this month, Starbucks will unveil a series of campaigns – inside and outside stores – designed to build personalized digital relationships with customers that create new revenue opportunities.

"When it comes to how a retailer focuses on the customer, we see too many examples of businesses choosing between an experience that solely focuses on convenience or one that simply highlights community," said Johnson. "But we don't believe there needs to be this type of a tradeoff, and our third place can and will continue to unite both experiences."

## Starbucks China Looks to the Future

The number of stores in China has grown from 800 to 3,200 in the past five years, with an average of one new store opening every 15 hours. Customers and partners connect with Starbucks in unprecedented ways in China, in Starbucks stores as well as through social impact in the community.

"We are humbled by how customers have embraced our third place experience, while the core of our success in China has been our partners, who deliver the unique moments of connections with our customers each day," said Wong. "As a key growth engine for Starbucks, we are excited to continue to scale and imagine what is possible for Starbucks in China."

Starbucks remains on track to open more than 5,000 stores in China by 2021 and will continue to drive market-leading and locally relevant innovation in coffee, store design and digital engagement to meet the lifestyle aspirations of its Chinese customers while contributing positively to the communities it serves.

## Premium Category Serves as a Halo to the Core Business

Since the 2014 opening of the Starbucks Reserve® Roastery in Seattle, the company continues to invest in the expansion of its premium Reserve brand, centered around its small-lot coffee, immersive retail experiences and Italian artisan food by Princi.

This includes the opening of its first international Roastery in Shanghai, launch of the first Princi location in the United States inside its Seattle Reserve Roastery and the opening of dozens of Starbucks Reserve bar locations around the world. Most recently, the company opened its first Starbucks Reserve store location at its Seattle headquarters and already the store is seeing significant customer engagement across all dayparts.

The company also has plans to bring standalone Princi stores to Seattle, Chicago, New York and Shanghai and will open Roasteries in Milan and New York later this year, in addition to Tokyo and Chicago in 2019. Over time, Starbucks premium store segmentation will include more Starbucks Reserve Roasteries and up to 1,000 Reserve stores, and 20 percent of the Starbucks store portfolio will become Starbucks Reserve bar locations. These three formats provide opportunities for the company to innovate in customer experience and product pipeline, which will then be infused in the broader store portfolio.

“The Starbucks Reserve brand represents the pinnacle of coffee theater and passion, serving as inspiration to the entire organization,” said Johnson. “As these store innovations become refined, customers can expect to see an evolution of our innovation through our broader store portfolio, elevating the entire premium experience for Starbucks and the coffee industry.”

Chief operating officer, Roz Brewer expanded on upcoming innovations and described what customers can expect from a pipeline of food and beverage, with coffee at its core, giving a nod to the favorable customer response to the newly introduced Starbucks® Blonde Espresso Roast, and a platform of cold beverages.

“There is so much work going into our store designs and locations, how our partners show up for our customers and how we extend the in-store Starbucks Experience to a meaningful digital engagement,” said Brewer. “With our partners and coffee passion at the center of it all, the opportunity to build a reimaged Starbucks Experience is real. And we have the right strategy and people making it happen.”

## Creating Global Social Impact

For Starbucks, the power of the brand is fueled by both an elevated customer experience and relentless efforts to create meaningful impact in the communities it serves. On the heels of its **announcement** earlier this week to create a “greener cup” and a \$10 million investment in the “NextGen Cup Challenge” in partnership with the Closed Loop Foundation, the Starbucks leadership team laid out additional bold commitments to growing the company’s global social impact.

## Starbucks Commits to 100 Percent Gender Pay Equity Globally and Achieves 100 Percent Pay Equity in the U.S.

From the beginning, Starbucks has made it a priority to put partners first. From recent investments including parental leave to a comprehensive Family and Partner Sick Time Benefit, Starbucks has listened to its partners and invested in ways that promote equality and career development. Now, that investment includes both gender and race pay equity.

Announced **today**, Starbucks has committed to achieving and maintaining 100 percent gender pay equity for partners in all company-operated markets globally, setting a new bar for multinational companies. This is an effort supported by equal rights champion Billie Jean King and her Leadership Initiative (BJKLI) and leading national women’s organizations, the National Partnership for Women & Families and the American Association of University Women.

Further, Starbucks announced it has achieved 100 percent pay equity for women and men, and for people of all races, performing similar work in the United States.

“This milestone is the result of years of work and commitment, and we believe it is important, as a company of our scale, to help bring more attention to this critical issue,” said Helm. “Starbucks has consistently outperformed our industry in terms of pay equity, but it is incumbent upon us to do more.”

Starbucks has also formulated Pay Equity Principles that led to the successful closure of the pay gap at Starbucks in the United States. Recognizing the importance of this issue for women all around the world, Starbucks is sharing these principles so other companies can follow suit, and address known systemic barriers to global pay equity.

## Building a Strong, Purpose-Driven Pipeline of Talent

One year after its commitment to hire 100,000 Opportunity Youth – the 1 in 8 Americans ages 16 - 24 who aren’t in school or working – Starbucks announced today it has reached 50,000 hires and is on track to meet its goal by 2020.

Statistics show that Opportunity Youth partners are, on average, staying with the company longer, receiving

promotions, and signing up for the Starbucks College Achievement Program at rates equal to their fellow partners. Once enrolled in Starbucks College Achievement Plan, Opportunity Youth hires are one-and-a-half times more likely to stay with the company and are promoted at two times the rate of the rest of the U.S. barista population. The value this population brings to Starbucks is proving to be a model for others to follow.

To further reach and elevate the opportunity for these young people, beginning this summer Starbucks will join forces with LinkedIn, MENTOR: The National Mentoring Partnership and organizations like Big Brothers Big Sisters, YMCA of the U.S.A., City Year, and YearUp, to launch a nationwide pilot connecting more than 10,000 mentors and mentees across the United States. Starbucks is also combining forces with the Schultz Family Foundation, MENTOR and other values-aligned organizations to bring mentor training to scale to support even more young people as they launch their careers.

In addition to the work with Opportunity Youth, Starbucks remains committed to creating opportunity for:

- **Veterans and Military Spouses:** With 15,000 hires to date, Starbucks is on track to meet its goal of 25,000 hires by 2025. The company will also unveil technology for the Starbucks® mobile app that offers active duty service members, reservists, guardsmen, veterans and military spouses additional Starbucks Rewards benefits.
- **Partners in Pursuit of a Higher Education:** The Starbucks College Achievement Plan – a model for access to higher education for employees in partnership with Arizona State University – now has more than 10,000 participants and more than 1,200 graduates since its launch in 2014. Through the Starbucks College Achievement Plan, partners earn a bachelor's degree with tuition costs covered, without a further commitment to Starbucks. The program's goal is 25,000 graduates by 2025.

## Piloting Coffee Traceability Program to Further Empower Coffee Farmers

Starbucks prides itself on establishing personal relationships with farmers who produce the highest-quality arabica coffee for our customers. The company's commitments to these farmers have extended to key investments in:

- Open-source agronomy advances that help train farmers through nine farmer support centers around the world
- \$50 million in low interest loans to farmers
- Donating 100 million rust resistant coffee trees to those most impacted by climate change

More than three years after announcing an industry milestone of 99 percent ethically sourced coffee, Starbucks **announced today** the launch of a pilot program with select coffee farmers in Costa Rica, Colombia and Rwanda, to develop and utilize an integrated data platform that will create real-time transparency between coffee farmers and

customers in Starbucks stores.

The pilot allows Starbucks to explore the viability of scaling this traceability technology to its more than 380,000 farmers.

“Achieving sustainability means we have to assure trust and transparency from bean to cup,” said Johnson.

“Starbucks is one of only a few coffee companies that can trace our coffee to specific farms, helping to ensure a viable livelihood for the farmers. And we are unique in that we want to leverage an open-source approach to share what we learn with the rest of the world.”

Starbucks Annual Meeting of Shareholders began at 10 a.m. PT today and will be webcast and can be accessed at <http://investor.starbucks.com>. A replay of the webcast will be available on the company's website until Friday, Sept. 21, 2018. Please visit <http://news.starbucks.com> to find images, b-roll and live updates of the Annual Meeting of Shareholders.

## Forward Looking Statements

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, including the recently completed purchase of the remaining 50% ownership of our East China joint venture and our continuing growth in China, the acceptance of the company's products by our customers, our ability to obtain financing on acceptable terms, the impact of competition, coffee, dairy and other raw materials prices and availability, the effect of legal proceedings, the effects of the U.S. Tax Cuts and Jobs Act and related guidance and regulations that may be promulgated, 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.

## About Starbucks

Since 1971, Starbucks Coffee Company has been committed to ethically sourcing and roasting high-quality arabica coffee. Today, with more than 28,000 stores around the globe, Starbucks 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 our stores or online at [news.starbucks.com](https://news.starbucks.com) and [Starbucks.com](https://starbucks.com).

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