

Top 20 Issues Facing Starbucks in Late 2025

1. Leadership Shake-Up and Turnaround Plan

Starbucks underwent a major leadership change in 2024 when CEO Laxman Narasimhan stepped down after only 18 months, amid investor dissatisfaction over lagging performance ¹. The board brought in Brian Niccol – famed for turning around Chipotle – to execute a new “Back to Starbucks” turnaround strategy ² ³. This shake-up was cheered by investors (the stock jumped 24% on Niccol’s appointment) and signaled a shift toward fast, hands-on fixes to revive growth ¹ ⁴.

2. Activist Investor Pressure and Strategic Overhaul

Activist hedge fund Elliott Management took a significant stake in Starbucks and pushed for *fundamental changes* in 2024, including new leadership and a board shake-up ⁵ ⁶. Facing two quarters of declining same-store sales and customer experience issues, Starbucks’ management lost credibility with investors ⁷ ⁸. Elliott’s pressure paved the way for the CEO transition and a comprehensive business review, underscoring how investor activism forced Starbucks to urgently overhaul its strategy and governance ⁵ ⁶.

3. Slumping Sales and Traffic Declines

In the lead-up to late 2025, Starbucks saw an alarming slide in sales and customer traffic. By mid-2024, global same-store sales had fallen for six consecutive quarters ⁹ ¹⁰. Customer visits dropped (down 2% globally in early 2025) even as the average ticket rose slightly ⁹ ¹¹. The U.S. market experienced a ~2% decline in comps with fewer transactions ¹², and China – Starbucks’ second-largest market – even saw double-digit sales declines in 2024 ⁷ ¹³. This sustained downturn rattled investors (the stock sagged over 20% from its highs) and raised serious concerns that Starbucks had “lost its rhythm” with consumers ¹⁴.

4. Early Signs of Recovery – But at a Cost

By late 2025 there were tentative signs the bleeding had stopped: in the latest quarter, Starbucks eked out a **1% increase in global same-store sales**, its first positive comp in nearly two years ¹⁵. Revenue has begun growing again (up ~5% year-on-year to \$9.6 billion) ¹⁵, driven by new menu promotions and a slight uptick in traffic. However, profitability remains thin – net earnings plunged almost 50% year-on-year by Q2 2025 ⁹. Restructuring charges for store closures and corporate layoffs hit the bottom line ¹⁵ ¹⁶, and operating margins have been squeezed by heavy investment in labor and turnaround initiatives ¹⁷ ¹⁸. In short, Starbucks has *halted* its sales slide, but restoring healthy profits is still an uphill battle.

5. Revamping the In-Store “Third Place” Experience

Starbucks is doubling down on improving its store environment after years of pandemic-era changes. CEO Brian Niccol has emphasized bringing back the cozy “third place” coffeehouse feel – adding **warmth, texture, and seating** that had been removed in recent years ¹⁹ ²⁰ . The company plans to refresh at least 1,000 North American stores by 2026, reintroducing comfortable chairs and café ambiance ¹⁹ ²⁰ . It is even piloting new store formats, like a “coffee house of the future” with a drive-thru plus 32 seats, to blend speed with a social space ²¹ ²² . This push acknowledges that Starbucks’ reputation as a welcoming hangout had faded, and it aims to recapture that community vibe even as much of its business shifted to grab-and-go. Competitor chains like Costa Coffee have faced similar struggles sustaining the café-first model in an era of convenience ²³ ²⁴ .

6. Mobile Ordering Overload and Operational Strain

The explosive popularity of Starbucks’ mobile order-and-pay app has become a double-edged sword. Digital orders now flood stores faster than customers can pick them up, leading to crowded pickup counters and barista stress ²⁵ . Baristas often rush to churn out mobile drinks, sometimes at the expense of in-café hospitality ²⁵ ²⁶ . Starbucks’ new CEO has flagged this “bottleneck” repeatedly, since the hustle of handling app orders clashes with providing personal touches ²⁷ . In response, the company is piloting an AI-powered sequencing system to throttle and time mobile orders, rather than a pure first-come-first-served queue ²⁸ . By smoothing out digital order bursts, Starbucks hopes to reduce wait times and restore some personal connection for in-store customers, an area where it admits the experience had suffered.

7. Drive-Thru Dominance vs. In-Café Tradition

Consumer habits have shifted heavily toward drive-thru coffee, pressuring Starbucks to adapt its store formats. A record **59% of U.S. coffee purchases now happen at drive-thrus**, up from 55% a year prior ²⁹ ³⁰ . Rivals built for speed – like Dutch Bros, 7 Brew, and Scooter’s – are expanding rapidly with tiny, no-seating drive-thru kiosks, some promising 90-second service ³¹ ³² . Starbucks, once the champion of café culture, has acknowledged the trend by stating that **90% of new Starbucks locations will include drive-thru service** ²³ . In practice, it has shuttered hundreds of traditional cafes (even some iconic city stores) and shifted growth to more drive-thru and pickup-oriented formats ²³ . This helps throughput but poses a dilemma: how to retain the brand’s coffeehouse atmosphere as more customers prefer to grab their latte from a car window. (Notably, even the UK’s Costa Coffee has struggled with this balance, facing similar pressures to add drive-thrus at the expense of sit-down cafés ²³ .)

8. Third-Wave Coffee Competition and “Craft” Credibility

In the era of third-wave coffee – with artisanal roasters and indie cafés emphasizing quality and authenticity – Starbucks faces a relevance challenge. Coffee aficionados and many Gen Z consumers gravitate toward smaller boutique chains (like Blue Bottle or Intelligentsia) or local shops that offer single-origin brews and meticulous craftsmanship. Starbucks, by contrast, is a massive chain often associated with flavored drinks and automation, which can make it feel less “authentic” to this segment. An analyst noted that Starbucks has “**drifted away from the emotional core**” that built its following; efficiency and digital convenience have come at the cost of the soulful café experience ¹¹ ³³ . While Starbucks tries to straddle both worlds – even opening a few high-end Reserve Roasteries for premium craft appeal – it must work to convince discerning

coffee lovers that it's more than just a fast-food version of coffee. Competitors like Peet's and boutique coffee bars capitalize on this gap by highlighting artisanal roasting and a slower, community-centric vibe that Starbucks is striving to rediscover.

9. China Market Challenges and Local Rivals

Starbucks' growth engine in China has sputtered amid fierce competition and changing consumer behavior. After a sharp pandemic downturn, **China sales remained flat into 2025** and even saw double-digit drops at points in 2024 ⁷ ¹³. Homegrown rivals Luckin Coffee and startup Cotti Coffee are expanding at breakneck speed, offering lower prices and menu items tailored to Chinese tastes ³³ ³⁴. Luckin now operates *far* more stores in China than Starbucks (22,000 vs. ~7,700) after growing 37% in a year ³⁴. These competitors undercut Starbucks on price and convenience – Luckin popularized app-based pickup and delivery, while Starbucks initially bet on premium branding. In response, Starbucks had to **cut prices on some drinks in China** in mid-2025 ³⁵ and is exploring strategic local partnerships to shore up its position ³⁶. It even replaced its China CEO and acknowledged that its once high-flying Chinese unit (which had an ambitious 9,000 store goal) needs a reboot ³⁴ ³⁶. Navigating this landscape is critical for Starbucks, as China was meant to be a key growth pillar but is now a turnaround project in its own right.

10. Pricing and Value Perception in an Inflationary Era

Starbucks has walked a fine line on pricing, and lately it's feeling the squeeze. The company implemented multiple price hikes in recent years, positioning its coffee as an affordable little luxury – but with inflation biting, many consumers now view Starbucks as *too expensive* for daily routines ³⁷. Analysts warn that Starbucks' higher prices have turned what used to be an everyday habit into an indulgence that people cut back on when budgets tighten ³⁷. Meanwhile, competitors like **Dunkin'** and **Tim Hortons** emphasize value deals (and convenience stores like 7-Eleven sell dollar coffees), siphoning off cost-conscious customers. Starbucks has tried occasional promotions and loyalty rewards to offer value, but its core image is "premium," which can be a liability when traffic is down and grocery store coffee or rival chains offer a cheaper caffeine fix. The challenge for late 2025: maintain profit margins without alienating customers who now have more lower-cost coffee options than ever.

11. Blurring Menu Boundaries and Innovation Overload

Constant menu innovation is a double-edged sword for Starbucks. On one hand, the chain drives excitement and social media buzz with seasonal drinks (pumpkin spice everything), limited-edition Frappuccinos, and even oddball experiments like the **Oleato** olive-oil-infused coffee line. These new items can spark short-term traffic or press coverage, but they also add operational complexity. Baristas have voiced that the ever-growing array of custom ingredients and elaborate recipes (cold foams, infusions, special toppings) makes peak hours even more hectic ³⁸. For example, the Oleato line introduced in 2023 drew curiosity (and some customer digestive complaints) but had polarizing reception and was quietly pulled from US stores by late 2024. Starbucks is trying to balance innovation with simplification: Niccol has advocated for a *simpler menu* and actually trimmed some offerings in 2025 ³⁹. Still, the company must keep inventing to stay relevant – especially as competitors like Dunkin' roll out their own new flavors – so the pressure is on to launch new drinks (or foods) at a steady cadence without overwhelming stores or confusing customers.

12. Limited-Edition Merchandise Frenzy

Starbucks has stumbled into bona fide hype-beast territory with its branded merchandise, exemplified by the viral chaos around its “**Bearista**” cup. In November 2025, a \$29.95 glass cold cup shaped like a teddy bear in a green Starbucks beanie sparked a stampede: fans camped out overnight, some stores got only a handful of cups, and fights broke out in lines ⁴⁰ ⁴¹. The item sold out within hours of launch, prompting *accusations that employees snagged cups* before customers could ⁴². Within days, the \$30 Bearista cups were reselling online for \$150 to over \$1,000 ⁴³. Starbucks even issued an apology as the frenzy made national news ⁴⁰ ⁴⁴. While these collectible launches (including seasonal *Red Cup Day* giveaways and coveted tumblers) generate buzz and free advertising, they also create operational headaches – from managing unruly crowds to frustrating loyal customers who leave empty-handed.

13. Hype Culture vs. Brand Identity

The virality of Starbucks’ merchandise and seasonal “drops” has raised questions about the direction of the brand. Starbucks built its name on consistency and a relaxing coffeehouse vibe, but the *Bearista Cup fiasco* showed how far it has leaned into hype-driven marketing ⁴⁵. Critics argue that Starbucks is now feeding a **scarcity culture** – rolling out ultra-limited items that fuel social media frenzies – at the expense of its traditional café experience ⁴⁵ ⁴⁶. The company acknowledged demand “exceeded expectations” for merch and promised more stock, yet the episode left some fans feeling alienated ⁴⁴ ⁴⁶. This balancing act between cultivating steady, long-term brand loyalty versus chasing viral moments is a real issue. Starbucks risks diluting its “*third place*” ethos if customers come to see it as a trendy merchandiser or a pop-culture fad. The challenge ahead is to harness the positive aspects of these viral events (brand heat and younger customer interest) without undermining the reliable, welcoming image that sets Starbucks apart from a mere fast-food chain.

14. New Partnerships and Channels (e.g. Target Exclusives)

To spark growth, Starbucks is exploring creative partnerships and new distribution channels beyond its own stores. One recent example is an exclusive beverage launched inside **Target** stores – a “Frozen Peppermint Hot Chocolate” available only at Starbucks cafés located in Target locations ⁴⁷. This is the first time Starbucks created a drink solely for a partner retailer, aiming to draw shoppers and create a unique in-store experience at Target ⁴⁷. Such collaborations help Starbucks reach customers where they already shop and differentiate from competitors. (By contrast, Dunkin’ has focused on drive-thru expansion and packaged coffee deals, while Starbucks is leveraging retail tie-ins for a boost.) Additionally, Starbucks continues to grow its presence in grocery aisles and convenience stores with ready-to-drink beverages and coffee beans – an area where it often partners (like its long-standing deal with PepsiCo for bottled Frappuccinos). These multi-channel strategies indicate Starbucks is trying to find growth in new ways, especially as foot traffic in some standalone cafés remains soft.

15. Footprint Optimization: Store Closures and Formats

As part of its turnaround, Starbucks has been pruning its store portfolio and reshaping store formats to improve performance. The company **closed 627 locations in a single quarter** of 2025 ¹⁶ – targeting underperforming stores, including some in high-cost urban areas and a few with persistent safety or staffing issues. It has also scaled back the ambitious expansion plans of prior years; for instance, Starbucks

fell short of its 2025 China store-count target and is re-evaluating growth pace in saturated markets ³⁴ . Many closures have hit older cafés lacking drive-thrus or those in downtown districts where foot traffic hasn't fully recovered. In parallel, Starbucks is rolling out more small-format stores (like pickup-only shops in city centers) and investing in drive-thru-centric locations in suburbs ²¹ ⁴⁸ . The underlying issue is efficiency – every store needs to justify itself in the current climate. While necessary for profitability, these moves can dent Starbucks' ubiquity advantage and have caused some community backlash (especially when beloved neighborhood stores shut their doors). Competitors like Dunkin' have also trimmed some units but Starbucks' retrenchment is particularly notable after decades of relentless expansion.

16. Unionization Wave and Labor Disputes

Starbucks is grappling with one of the most high-profile unionization drives in the U.S. retail sector. Since late 2021, more than **12,000 baristas at nearly 650 Starbucks stores** have unionized, an unprecedented campaign in modern food service ⁴⁹ . This has led to tense standoffs: the company has faced hundreds of allegations of union-busting and unfair labor practices, and it even shut down some unionized locations (including the first unionized Seattle store) citing “underperformance” ⁵⁰ ⁵¹ . Negotiations for a first union contract have largely stalled. Under CEO Niccol, Starbucks promised to bargain in good faith, but union leaders say talks went *backwards* in the past year ⁵² ⁵³ . Frustration boiled over into strikes – thousands of workers staged the largest strike in company history in December 2024 when Starbucks was seen backtracking on tentative agreements ⁵⁴ . In November 2025, over 1,000 unionized baristas at 65 stores launched an indefinite **“Red Cup Rebellion”** strike on one of Starbucks' busiest promotional days, demanding better pay and staffing levels ⁵⁵ ⁵⁶ . The ongoing union conflict poses reputational and operational challenges, as Starbucks must balance a hardline stance (to avoid higher labor costs and set a precedent for rivals like Dunkin') with the risk of prolonged disruption and negative PR if it's seen as mistreating its workers.

17. Staffing Shortages and Barista Morale

A consistent pain point for Starbucks has been maintaining adequate staffing and morale in stores. Baristas have frequently reported that stores are **chronically understaffed** – in one survey, 91% of Starbucks workers said their store had insufficient staffing in recent months ⁵⁷ . This leads to exhaustion, long customer wait times, and lower service quality. Frontline employees also criticize that new corporate initiatives (for example, requiring *personalized handwritten messages* on cups to charm customers) only add to their workload without any extra support or pay ⁵⁸ ⁵⁹ . Turnover remains high as well – many new hires quit within months, which only compounds the staffing crunch and training burden. Starbucks has announced investments in labor (adding **half a billion dollars in additional labor hours** to stores over a year) ⁶⁰ ¹⁷ , and says it's seeing some improvement in “*shift completion*” rates and lower attrition. But for many baristas, morale is low: they feel corporate leaders are out of touch, especially when CEO Niccol's total compensation for 2024 topped \$95 million ⁶¹ ⁶² . The disconnect between record executive pay and hourly workers fighting for a few more dollars an hour has fueled resentment. Starbucks' challenge is to genuinely improve the day-to-day realities for its “partners” (employees) through better staffing, training, and wages, or risk further erosion of its famously strong company culture.

18. Social Media Backlash and Boycotts (Middle East Conflict)

Global events have unexpectedly entangled Starbucks in controversy. In late 2023, during the Israel–Hamas war, a social media post by the Starbucks Workers United union expressing solidarity with Palestine led to a **firestorm of misinformation** linking Starbucks to one side of the conflict ⁶³. Starbucks Corp quickly disavowed the union's post, but the damage was done: in parts of the Middle East, activists called for boycotts of Starbucks as a proxy for voicing anger at U.S. policy ⁶⁴ ⁶⁵. The company's stores in some Arab countries saw sharp sales declines, and its regional franchisee had to lay off staff due to the downturn ⁶⁶. Starbucks' CEO noted that *"misperception around its brand"* during the Gaza conflict was one factor hurting global results in late 2023, as net income fell 15% that quarter ⁶⁶. This episode highlighted a modern risk: Starbucks, as a global brand, can be swept into geopolitical currents via social media, no matter how much it tries to stay apolitical. The company has since taken steps to counter false narratives (even filing a lawsuit against the union over misuse of its logo in that post ⁶⁶), but periodic flare-ups of boycotts abroad underscore the fragile intersection of social issues, brand image, and consumer sentiment in 2025.

19. The "Third Place" Narrative vs. Convenience Culture

Starbucks' foundational concept of being the welcoming "third place" – a communal spot between home and work – is under existential pressure. On one hand, Starbucks' leaders still **extol community and human connection** as core to the brand. On the other, modern consumer behavior is all about speed and convenience: more people opt for drive-thrus or mobile pickup, and café visits in the U.S. are down over 20% compared to pre-pandemic patterns ⁶⁷ ⁶⁸. This cultural shift means fewer customers linger with a latte and more treat Starbucks as a quick pit-stop. Starbucks is attempting to reconcile this by re-focusing on hospitality (e.g. bringing back real mugs and cozy seating in some stores) ²⁷ ²⁰, even as it redesigns other locations to be smaller and faster. The company openly acknowledges the tension: Niccol has said the chain needs to provide **"moments of connection"** despite the digital/order-ahead reality ⁶¹. Striking the right balance is crucial. If Starbucks leans too far into being a fast-service brand, it could lose the atmosphere that made it a lifestyle destination. Yet if it ignores the convenience-driven expectations of today's customers, it risks ceding ground to rivals. Maintaining the third-place magic in a world that prizes quick, contactless transactions is an ongoing challenge for Starbucks' relevance.

20. Labor Training and Service Consistency

Ensuring a consistently good customer experience across thousands of stores is an ever-present issue – one that ties back to training and labor investment. Starbucks built its reputation on friendly, personalized service (the barista who knows your name/order) and quality drinks. However, in recent years, inconsistent service and drink quality have been common customer complaints ³⁸, partly due to high turnover and the strain on remaining staff. The company has introduced new training programs and tools to help baristas work more efficiently and accurately (for example, improved espresso machines, better workflow systems, and expanded training hours for new hires). Starbucks also touts opportunities for employee development – from its Coffee Master program to tuition coverage for online college – to attract and retain talent. Despite these efforts, execution at the store level can falter during rush times, and newer baristas sometimes struggle with the complex menu. Starbucks' *"Back to Starbucks"* plan explicitly recognizes the need to recenter on **coffee and connection** fundamentals ⁶⁹. Achieving consistency in service is not just about technology or process, but also about rebuilding employee engagement. As competitors like Chick-fil-A (in QSR) or smaller coffee chains often outperform in customer service ratings, Starbucks knows that re-

investing in its people – through better training, clearer career paths, and support – is vital to maintaining its brand promise in every cup served.

Sources: The analysis draws on reporting and data from 2024–2025 business press and industry observers, including Reuters ³⁹ ²⁷, Quartz ⁴⁰ ¹⁵, the Guardian ⁵⁷ ⁵⁴, Coffee Intelligence ¹⁰ ²³, and Starbucks' own disclosures, to ensure factual accuracy and a current perspective on Starbucks' challenges.

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