

Sanford C Bernstein Strategic Decisions Conference

Company Participants

- Howard Schultz, Chairman, President. And CEO
- Troy Alstead, CFO

Other Participants

- Unidentified Participant, Analyst, Unknown

Presentation

Unidentified Participant

Good morning, everybody. I'm very delighted to welcome Howard Schultz, Chairman, President. And CEO of the Starbucks Corporation; and Troy Alstead, CFO of the Company, to the stage. Mr. Schultz has been Chairman since the Company's inception in 1985 and reassumed the role of president and CEO in 2008. Mr. Alstead has also been with the company for over 20 years.

Starbucks has been driving global growth with a focus on China. The Company is also building its consumer products segment, whereby coffee and other products are sold through retail outlets at home and overseas. I'm going to hand it over to Howard to tell a little bit more about the outlook for the Company. Thank you, Howard.

Howard Schultz {BIO 1432255 <GO>}

Thank you very much. Good morning, everyone. I was reminded about a week ago that I was here last -- three years ago in June of 2010. Really hard for me to believe that three years have passed. So I went back and looked at June in 2010. And the market cap for Starbucks was approximately \$19 billion with a stock price hovering around \$25. At that point, in June of 2010, I would say we were at the midpoint of the transformation of the Company.

Some of you were in the room then. Maybe some of you believed. And perhaps many of you didn't, because there was a lot of questions at that point whether or not Starbucks' best days were behind them. In 2011 and in 2012 Starbucks had record years, record revenue. And record profit. At the end of 2012, we declared internally that the transformation agenda that we began in 2008 was complete. And we were now looking towards the future in a different way. And that's how I'd like to spend my time with you this morning.

Let me begin with the aspirations that the Company has today. And what I'm about to say is not hyperbole; it's something we believe very strongly. And that is that we believe as a management team that we have the capability and the wherewithal to become the most admired, respected. And trusted brand in the world. And with 19,000 stores in 62 countries, serving approximately 70 million customers a week, employing over 200,000 people, we certainly have crossed the chasm of where we were in 2010.

That aspiration is now linked to a number of priorities we have at the Company. Let me take you through a few of them that I think will provide you with the texture and understanding of why we have the confidence to move forward in this way.

Let's begin with our core business. In 2008. And even in 2010 when I was here last, there was great questions and I think great doubt about the core business. And I'm talking specifically, first, about the US business.

The US business was under attack. And we did many, many things, specifically around operational excellence and true innovation. And it's not an accident that the stores that we have opened in the US this past year and in the last 24 months are the best performing stores -- or some of the best performing stores that we've opened in a decade. And the comp store sales reflect that.

We now believe strongly that any concern that anyone has had about the subject of saturation in the US alone is absolutely a nonstarter for all of us at Starbucks, that we have cracked the code of understanding with great data and diagnostics -- the understanding of where our stores should be located. And we've cracked the code on multiple formats. And integrating real estate design and different configurations and ways in which we can intercept traffic, become highly relevant to our customers. And demonstrate incrementality and continue with the sales to investment ratio that has been at the hallmark of Starbucks, which is no less than two to one. So US core business is healthier today than perhaps any time in the last decade. And we're going to be extremely aggressive in the US.

Continuing on the core business, let's move to China. Every company that you're going to listen to and every company that you follow is going to talk about the opportunity in China. And the gold rush mentality that we've seen is going to be filled with great peril, because there's going to be a lot of failures. There have been already.

Starbucks has been in China now for almost 15 years. We will hit 1,000 stores in the mainland this fiscal year. Our business is healthy. But most importantly, what's happened over the last year or two is the relevancy of the Starbucks brand and the experience in China that literally is second to none, not only in our category. But in anyone in the retail restaurant space. And that could be seen firsthand by visiting China and seeing how the locals are using Starbucks stores.

What's most encouraging to us is what's happened to Starbucks in secondary and tertiary cities. The response, without a dollar of advertising and marketing -- the line's out the door, almost as a rite of passage for those cities, elected officials, mayors, to get a Starbucks into their town or province. The growth in China over the next five, 10 years will be obviously quite significant. And the foundation that we have built is as strong as anywhere in the world in terms of the skill base, the team, the expertise. And the learning curve that we've gone through over the last 15 years.

In addition to that, the stores that we've opened this past year in India and Vietnam also give us great optimism for the future. We've opened 12 stores in India in a partnership with Tata. We are 12 for 12 in terms of meeting and exceeding expectations. And our first store in Vietnam was one of the strongest openings in the history of the Company.

Rounding out Asia Pac -- just in the past four weeks, I've been to Jakarta, the Philippines, Thailand. And Japan, where I've seen firsthand the velocity of our brand, the relevancy. And the opportunities that we have. Asia Pac will continue to be a strength of the Company going forward.

In Latin America, places like Mexico, where we have almost 400 stores and double-digit comps, we see that part of the world continuing to be a great opportunity for the Company. Then, lastly, I'd say that the experience and the challenge that we've had in Western Europe will continue for quite some time. But we are seeing the beginning of leveraging the learning we had in our own transformational agenda in the US onto the platform of Europe. And we are seeing incremental benefits to that strategy and improvements in terms of the operating margin.

Troy can speak specifically to that. But our expectations are that over time Western Europe will hold its own. And we are still deeply committed to making sure that that market is profitable over the long-term. So the core business within the US, China, Asia Pac, Latin America. And Western Europe on a go-forward basis should give you great comfort that we believe that we can continue to maintain the kind of performance that we've had over the last two years in terms of sales to investment ratio and our comp-store sales.

Now, what did not exist when I was here in 2010 was the leveraging of our CPG business and integrating that into the retail business, something we called our blueprint for growth. Let me explain it to you.

Now, a few years ago when I was here, it was the introduction of Starbucks Via. That was a \$50 billion category that we identified that had not had any innovation for 50-plus years, dominated by one company, a great company, Nestle. And we felt that we could bring true innovation. And it was ripe for innovation.

We introduced that first in our stores. And we were there for almost a year with the intent from day one that we would bring Via into the grocery channel and create almost 100,000 points of distribution for Via alongside our roast and ground coffee

business. Via has been a homerun for the Company and over time will be a billion-dollar business.

But beyond the revenue and the profit of Via, what it did is it galvanized us internally to truly understand that we were sitting on a treasure chest of assets that could give us the ability to do something that perhaps no retail or restaurant consumer brand has ever done before. And let me try and explain that to you.

Starbucks is sitting with a national footprint in North America of 10,000-plus stores, primarily Company-owned, because we are not a franchise system. If we can introduce products like Frappuccino, Via. And other products into our stores, brand them, create loyalty, create frequency and attachment with our customers. And then within a year or so draft off to the success we have inside our stores by leveraging the capability, the infrastructure, that we have built over the last two years within CPG, we believe that over time we can build a business outside of our stores that will rival the size, the scale. And ultimately the profitability of our retail business.

And over the last two years, when Starbucks took the business back from Kraft, we have been building that business. And that business has given rise to things like single-serve. And K-cups. And Verismo. And things of that nature. And is well over \$1 billion in revenue today as an overall standalone business. Going forward, you will see us introduce new categories into our retail stores, like we did this past year with Evolution Juice. And other categories that we believe make sense in our stores, leverage that with the trade. And create profitability onto the grocery channel.

Now, in addition to having multiple channels of distribution and leveraging the store base to introduce new products, this month we are doing something that has not been done before. And that is leveraging the unique assets of Starbucks social digital card loyalty and mobile platform. And taking that into the grocery channel. This is also something that, for most of us that have done the work and looked at the research, has not been done before.

So basically, over this past year and a half, we've noticed a seismic change in consumer behavior. And that seismic change primarily is due to social/digital media and the rising tide of mobile phones replacing desktop computers. As a result of that, the mining of information, diagnostics. And the emotional engagement and attachment that we've been able to create through a best-of-class relationship with Facebook and Twitter -- and leveraging the Starbucks card, which is now a multibillion-dollar business, onto the Starbucks mobile platform, in which today we are now processing roughly 4.5 million mobile transactions a week -- far greater than anyone in the world in our space.

And that mobile platform is giving us a greater speed of service, higher attachment, higher ticket. And higher reload. The question was, if Starbucks products were sitting on the grocery shelf, what could we do that leverages the loyalty system of Starbucks?

So beginning in the month of June, Starbucks roast and ground coffee sitting on thousands -- tens of thousands of grocery shelves across the country will have a tag affixed to the bag. And that customer buys the coffee bag. And they will be able to achieve loyalty or stars the same way our customers do in our stores.

The initial read on this demonstrates that we will be able to create a higher level of velocity and loyalty with grocery customers as a result of their core relationship that they have inside our stores. And as a result of that, we will have a competitive advantage versus anyone who is selling coffee against us in the grocery channel. This is just the beginning of integrating card loyalty, social and mobile, in multiple channels of distribution.

In addition to that, what we've done in North America with approximately 100,000 points of distribution within CPG is just the beginning. The long-term aspirations of the Company is anywhere we have size, scale. And maturity of the brand, we will create on a parallel basis a CPG business.

So those markets that have north of 500, 600 stores will begin to see the formation of a CPG business. And as I mentioned -- or Troy and I mentioned on the conference call last quarter, we are beginning to do the initial work to bring our CPG business to China, where the equity of the brand and the aspiration of Starbucks as an iconic brand is very, very high. And the demand for our products outside of our stores is quite significant.

The last 18 months or so has also seen Starbucks make three acquisitions. Let me explain each one of them -- why they are strategic; why they are going to add shareholder value; and most importantly, why they are going to enhance the customer experience. We bought Evolution Juice for a couple of reasons. We've done a lot of work over the last couple of years in the category of health and wellness and believe strongly that this is not a trend that's going to go away. It's not a fad. This is real. And the momentum of this is quite significant.

The demography of Starbucks customers is linked directly to living a healthier life. And we believe that Starbucks -- the brand, the store. And the position we occupy across the country, is we have license to participate in this health and wellness category. And we are going to do so.

The acquisition of Evolution Juice is we identified a relatively small company. We acquired it for \$30 million. They had a piece of technology called high pressure pasteurization, which literally produces the highest quality juice in the world. We are in the process of rolling out to every Starbucks store in the United States about 4 to 8 SKUs, depending on the store, of Evolution Juice in every Starbucks store.

On the West Coast, where Evolution Juice is now in place, we are seeing great take rates in terms of attachment and sales velocity. It will be in New York and the East Coast before the end of the calendar year.

In addition to that, on a parallel track, which is consistent with our CPG strategy and what I have just explained, you will see Evolution Juice primarily in every high-end grocery store in the country over the next 12 to 18 months. We are already in 3,000 grocery stores on the West Coast. So the opportunity to create impressions, loyalty. And attachment of Evolution Juice inside Starbucks stores and then see it on the grocery shelf. And the cross-promotion and the cross-loyalties I've just described that we are doing with coffee, will be applicable to Evolution Juice.

The second acquisition was La Boulange. And I think, candidly, for years we have struggled with the Achilles' heel of the fact that we have never been and do not want to be a typical restaurant. And that means we didn't want to cook food in our stores. We have been hunting and searching for the kind of artisan bakery and capability that could significantly bring talent into the Company and give us the core capability that we did not have ourselves.

We found it in an artisan French baker named Pascal Rigo. We bought La Boulange for \$100 million. They have 19 cafes or bakeries of their own. But the big idea, which is well on its way, is to significantly transform the food in every Starbucks store across the country.

We've now done that in the state of California. It rolls out in the Northwest this month. And within the next 18 months from today, it will be nationwide in every Starbucks store as we have completed the infrastructure and the distribution network required to do so. We are seeing significant customer response. And all I can tell you is for the first time in many, many years, we are as proud of our food as we have been for 42 years of our coffee.

We believe that this food is going to give us an opportunity to create incrementality in multiple dayparts and also create different opportunities to satisfy need states with food that we do not have today. This is a big, big opportunity to leverage the comprehensive daypart of a Starbucks store, where we have fixed costs in terms of labor. And be able to do something we have not done before.

The third acquisition was Teavana for approximately \$600 million. Why did we buy Teavana? Coffee, not unlike tea, is a global category. And many in the world believe that tea has more opportunities than coffee on a worldwide global basis. It's a \$40 billion global opportunity, growing at double digits in places outside of North America. We've always been in the tea business. But it's been dwarfed by the coffee-ness of a Starbucks store and represents less than one half of 1% in a Starbucks store.

We love Teavana for a number of reasons. With 300 mall-based stores in their portfolio and a sales-to-investment ratio -- very attractive and very attractive unit economics, we felt we could do three separate things with Teavana. First off, we believed that Starbucks' capability to acquire real estate in urban parts of the country that would be complementary to their mall-based stores would be a no-brainer for us. And so you will see hundreds of new Teavana stores over the next few years in

street-level, urban locations that are analogous to the Starbucks locations we have today.

Secondarily, if you look at a Starbucks store today, one of the hallmarks of Starbucks is the ability to create traffic frequency and attachment through the romance of theater and the delivery of customized beverages. We strongly believe that we are going to be able to do for tea beverages what we've done for coffee beverages in a Starbucks store. And we are in the process of designing and building the first street-level location of a Teavana store, which will be in the city of New York sometime in the Fall with a very high-end tea bar that will serve hot and cold tea customized beverages and create a new level of frequency and incrementality for Teavana.

Once we crack the code on that -- and we know we will -- we will go back into the 300 mall-based stores. And over the next year or two remodel all those stores to put in place a tea bar that does not exist in those mall stores today, which will create higher traffic, incrementality. And more profitability for Teavana. And lastly, the opportunity exists to do two things -- potentially bring Teavana beverages and loose tea into Starbucks stores, which will obviously create a halo on the brand; and at some point decide that we can bring Teavana into the CPG channel, leveraging the capability and the infrastructure that we've built over the last two years.

All three of those acquisitions were highly strategic, done so through the lens of our core business. And done so through the lens of our capabilities as a management team. La Boulange will enhance Starbucks' food in our stores. Evolution takes us into the health and wellness business and improves our juice business, gives us a CPG opportunity. And Teavana is another leg to the growth of the retail stool and leverages the existing infrastructure with no added expense of Starbucks's real estate acquisition design and retail operations. Teavana already has been folded into the infrastructure of the US Starbucks retail business.

Now, I touched on social and digital media. And I just want to spend a few minutes on that. I mentioned that there has been. And we are witness to, a seismic change in consumer behavior. And any company that is in the retail business, consumer business -- it really doesn't matter; you can be in the insurance business -- that ignores this unbelievable tidal wave of change is going to be facing a collision course with time.

In 2009 we began to see these trends. And even though we were going through our own transition, we began to make significant investments in capability, resources to really understand not only how we could be relevant to millennials and how we can create a co-authored strategy with people like Facebook and Twitter -- anyone can do that. The real question was -- how can we do this in a way that will add significant value to our customer's relationship with Starbucks. And ultimately drive frequency, attachment. And incrementality into our Company?

If you look at the US business, specifically. And look at the fact that we are driving, in the last two fiscal quarters alone, 7% comp-store sales on the base of our stores, that

is a remarkable number, especially when you look at our peer group. I can tell you that some of that is happening as a result of the diagnostics and the understanding that we have of how to use and leverage the tools of social and digital media, our loyalty program. And mobile to create opportunities to drive incremental traffic into our stores.

And the information and the data we have, coupled with the expertise that we have in-house, is perhaps one of the most exciting opportunities we have in the future. And what you will see in the future is us be able to do this in a way that is seamless to the customer -- very respectful. But give them more and more reasons to come to Starbucks and leverage the science, the technology, the data in ways that I don't think anyone in our space is even getting close to.

Now, I talked earlier when I started about the aspirations we have as a company. And when I look at the original Dow 30 from 1928 and the fact that only one company remains. And that is GE, it is damn hard to create an enduring, sustainable business of the type that we have built. It requires unbelievable strategic thinking and discipline. And at the same time, a level of aspiration that goes beyond the status quo.

What we've done in the last couple of years in transforming Starbucks -- as we sit here today with a \$48 billion market cap and a record stock price, it would be easy for us to convey to you that we are satisfied. Let me tell you something. We are just getting started. We are not satisfied.

And if you were sitting with me and Troy in our leadership team meeting on Tuesday morning. And you didn't know what the stock price was. And you didn't know what happened in the last five years -- you say to yourself, man, this Company is in trouble. Because we are damn self-critical.

We are not satisfied with the status quo. We want to continue to push for self-renewal and reinvention. And we are deeply, deeply committed to growing the Company in a way that balances profitability with a social conscience. And we aspire to become the most admired, respected. And trusted brand in the world.

That is what we are going to do. And we're going to do it with great thoughtfulness and great discipline. And do it in a way that made our people proud to work for the Company and makes our customers proud to visit and support Starbucks -- not only for its products, service. And experience. But its values and its deep sense of humanity.

Over the last two years, what we've done on the management side I think is important. We have built the strongest senior leadership team in the 42.5-year history of the Company. We have recruited significant talent into the Company that come to Starbucks with a skill base and experience far beyond the size and scale of the Company. And we have recruited these people because in addition to their skill base and experience, they have like-minded values.

The alignment that we have with each other and our Board to do the things I've just outlined, to not embrace the status quo and push for reinvention and self-renewal; to understand that innovation is not a line extension. But innovation is something that is disruptive; and that Starbucks is in a unique position to disrupt the marketplace, because we have built over the last 42.5 years. And especially over the last five, a deep, deep level of trust with our customers and our people to continue to do the right thing.

Whether you believe in 2010 or not, I hope that you will believe in 2013 that we are just getting started. That we are going to be the kind of Company that makes many, many people proud to be associated with Starbucks. And along the way make shareholders very proud of the shareholder value that we have created. Thank you very much.

Questions And Answers

Q - Unidentified Participant

Thank you very much, Howard. So I have a few questions here. And a few of my own, just to get things started. If you have questions from the audience, feel free to write them down. And we will collect them and bring them up here.

So one question on the single-serve coffee format. There's been some changes in there recently. What are your long-term expectations for the single-serve format? How do you view the different technologies that are addressing the market demand -- Verismo, K-cups, et cetera?

A - Howard Schultz {BIO 1432255 <GO>}

Well I'll start. Maybe Troy can jump in as well. I would say that because of how we have constructed the relationship with Green Mountain and Keurig. And the experience we have with Verismo. And the innovation that's behind the scenes, that we are sitting with the winning hand. We are sitting with the winning hand because the more Keurig machines that are installed in households across America, the more K-cups we are going to sell. We have already shipped approximately 900 million K-cups since the formation of that agreement. And the velocity of that continues.

But the relationship we have with Green Mountain and Keurig allows us to be agnostic and participate in other formats, which gives us great flexibility, domestically and around the world. I do believe that single-serve is here to stay, that Green Mountain has done an excellent job. And that we benefit from each other. And I want them to sell as many machines as they possibly can, because every time they sell a machine I know that K-cups are going to follow with Starbucks.

A - Troy Alstead {BIO 5724238 <GO>}

Yes, I would like to just add -- we have over the years built and now maintain the premium leadership position in packaged coffee in the US marketplace. And I think that's been from leveraging the assets we have with the power of the brand, the

consumer relationship we have. And the system of our stores that allows us to build the equities of that brand and create those experiences for customers.

In a very short period of time, we have similarly built a leadership position in premium single-cup in the US. We believe we are nowhere near the top of that market in terms of how big that market grows over time and our ability to create a greater market share in the expanding market that we have today. And that's in the US. There's a tremendous opportunity as we leverage this further outside of the US over time as well.

Q - Unidentified Participant

Can you maybe comment a little bit on Europe and how the turnaround is going there relative to your expectations? What have been the big changes. And what opportunities still remain?

A - Howard Schultz {BIO 1432255 <GO>}

Do you want to do Europe?

A - Troy Alstead {BIO 5724238 <GO>}

I will. I was just in Europe last week with the team and had a chance to meet with investors. But also spend time with our team and see firsthand, once again, what we are doing in Europe. Europe, for us, is not unlike what the US was in 2007, 2008. And 2009, when we architected and then executed on a significant transformation of the business.

We are going through much of the same in Europe. It's a longer road. Much of it will take longer and be a bit slower to execute in Europe, given the complexities of the challenges we face. But we have as great of an optimism in our ability over time to progress Europe toward a healthy, margin-growing, profitable part of the Company.

We have articulated a plan to move Europe from low single-digit margins to the midteens -- to mid to high teens over time. I would expect that would come over a handful of years, with margin expansion every year from here forward, by restructuring the store portfolio, bringing it to health, just as we did in the US; by relicensing and in some cases franchising appropriately where it's better to let somebody else deploy capital and manage the business and operate for us; by doing significant work around consumer engagement by introducing things such as our loyalty program, which is fairly new in Europe -- we've had such power with that here; we have great confidence in our ability to leverage that further in Europe -- and through significant cost work around the middle of the P&L, labor deployment, waste management, supply-chain. And G&A structure, all of which give us components of improvement in that business and a transformation, again, not unlike what we navigated in the US.

It was helpful for me to see it firsthand again last week. We are well on that path. And I'm quite confident in our ability to move to that place.

Q - Unidentified Participant

Does all innovation and new ideas need to start in the US and then be taken out to other markets, or are you beginning to learn bring learnings from other markets back to the US?

A - Howard Schultz {BIO 1432255 <GO>}

That's a very good question. I think -- honestly, I think five years ago people in Seattle in our offices would have thought that they knew best in terms of what the Chinese or the Japanese or the Indonesian consumer wanted. And most things were invented in Seattle. That was a mistake.

Over the last few years, what we've done is created a completely decentralized level of decision-making, especially on consumer-facing initiatives that relate to food and beverage. So the autonomy and the flexibility that these markets have to create their own beverages and food are in place. And in fact, Green Tea Frappuccino is one example of a product that was invented in Asia that came to the US.

Q - Unidentified Participant

Maybe a question more on the financial side. What's the margin on introducing new products when you think about Evolution Juice versus the core coffee offering? How do you manage margins over time?

A - Howard Schultz {BIO 1432255 <GO>}

I tend not to speak publicly about margins. I don't know if Troy does or not.

A - Troy Alstead {BIO 5724238 <GO>}

I sometimes do. (Laughter) We are very deliberate in how we manage the margin structure of everything coming into the core Starbucks store, as well as how we think about our progression down the aisle.

Everything you see us doing, we have every anticipation of being accretive to that profitability structure over time. Even food, which at the gross margin level is moderately lower than beverage -- we build food to a much more prominent part of the Starbucks store over time, we meet and exceed our customers' expectations; we create a higher attach rate; and we use food as a traffic driver through other day parts; that will be accretive to the bottom line of the store as we are able to leverage that existing asset we have.

So similar with Evolution Fresh, similar with single-serve down the aisle. All of that we expect to at least sustain and/or drive margin accretion over time.

A - Howard Schultz {BIO 1432255 <GO>}

Can I add one thing? I think, unlike a traditional retailer or traditional restaurant, the amount of times a Starbucks customer visits a Starbucks store during the week or the

month demands that we as operators and managers understand that it is incumbent upon us to create a sense of discovery in our stores and levels of innovation. And that is why it's so critical that we continue not to embrace the status quo, even when we are putting up these kinds of numbers.

Q - Unidentified Participant

How do you think about capital allocation? And this may be another question for Troy. How would you order the Company's priorities?

A - Troy Alstead {BIO 5724238 <GO>}

First and foremost, not unlike, I'm sure, what you hear from everybody else, is to invest back into our business. We have a phenomenal growth engine within the Company. We want to ensure as long as we can continue to elevate profitability, drive the top line. And grow return capital, that we will invest appropriately back into that. That includes investing in our people, in our store, geographically. And all the capabilities that support that.

We are fortunate to have built a business over time that generates very healthy cash flow in excess of all that it takes to invest back in the business. And as a result of that, we have been growing our dividends and anticipate continuing to grow our dividend over time, not only as earnings grow. But also looking closely at that payout ratio. We have a cash flow structure in our Company that allows us to pay out higher than where we are today. And that is certainly something we are looking closely at. And repurchases will always be in the mix of that return to shareholders, as well.

Q - Unidentified Participant

How do you think about the sustainable rate of comp growth, which clearly re-accelerated again since the recession on an ongoing basis? And how does it split between price mix and channel development?

A - Howard Schultz {BIO 1432255 <GO>}

I wouldn't be satisfied over the next year or two if we can't maintain mid-single digits. I don't know if we've even given guidance like that or not. If we didn't, I just did.

A - Troy Alstead {BIO 5724238 <GO>}

I guess I haven't. (Laughter) Same thing I said.

You know, I think what we are seeing in the last couple of years is probably the best of both worlds. And that is we are driving incremental traffic into the stores. And we've seen the average ticket grow. We've also benefited significantly from what we've been able to do, not only by opening drive-throughs. But the kind of experience people are having in the drive-through window. And how we've been able to use technology.

Then I wouldn't dismiss how valuable the card has been. And how -- the integration of the card into the mobile platform. That has given us significant incremental value well beyond, I think, what people really understand.

Q - Unidentified Participant

What are the greatest unmet consumer needs that Starbucks can address?

A - Howard Schultz {BIO 1432255 <GO>}

Well we are testing lots of different things. We've said publicly that we've had a beer and wine test now for about a year and a half. I think it's promising. We are certainly seeing that. We have an opportunity in the evening daypart to create an experience for our customers that's good for them and profitable. We haven't decided what we are going to do with that yet.

I think the health and wellness area that I spoke about in my remarks is going to broaden. And I think the Evolution brand can be relevant across other products and other platforms. And obviously, we're going to make a big push into tea and the medicinal nature of tea in the health and wellness category, I think all of which is going to give us great dividends.

I also think that -- and this goes to what I said about the seismic change in consumer behavior -- is that I think we recognized very early on and more so now than ever before that relevancy for anyone that is in the bricks and mortar business has to apply to where people are experiencing their life outside of their stores. And so the Starbucks brand is succeeding today because of its unique emotional level of attachment and relevancy in the digital world, in the mobile world. And the investments that we are going to make in those areas going forward are going to create a flywheel effect that is going to create more traffic into our stores because of the relevancy we have in people's lives outside of the four walls of Starbucks.

Q - Unidentified Participant

We are coming into the final few minutes here. What is your vision for food as a percentage of total sales. And what are the priorities in that?

A - Howard Schultz {BIO 1432255 <GO>}

It should be more than it is today.

Q - Unidentified Participant

Okay.

A - Howard Schultz {BIO 1432255 <GO>}

I don't know what you have given, Troy, about that.

A - Troy Alstead {BIO 5724238 <GO>}

Well we haven't put a specific target out there. We have -- our global mix of food and in the US is the same number -- that's 19%. But there's a huge range around that, from low double digits in some markets around the world to 30% or higher in other markets around the world. We know that there is a model where that mix of food works beautifully in our stores. And can be operated well. And is very accretive to the proposition.

So I anticipate and have an aspiration that we can drive that 19% well into upper 20% over time. And we have two thirds of our transactions in our US system today that do not have food on them. That represents the opportunity. Many of those customers want food. We've already acquired that customer. They are in the stores. They are fans of Starbucks and are ready to give us their money.

Our opportunity here is to provide food that is at a quality that meets their expectations; that drives them into the midday; that provides an alternative for them to going somewhere else for that lunch occasion; or in the afternoon; or in the evening, as Howard mentioned. So we have every opportunity to drive food as a significant, growing part of the business.

Q - Unidentified Participant

Could we focus a little bit on the UK market, where some of the competitors have been quite innovative recently? How do you think about the UK market and what the challenges are going forward?

A - Howard Schultz {BIO 1432255 <GO>}

The UK is probably the most ferocious market in the world in terms of high quality food and beverage on every high street. And I think Pret a Manger has done a very good job. And we have a very strong local competitor there called Costa Coffee. Having said that, our transactions in the UK in terms of number of transactions per store, if you compare it to the US, are very comparable.

The problem we have there is that the cost structure is very high. And I don't think that's going to change anytime soon, coupled with the macroeconomics of the euro zone. So what I would say is that we are pushing very aggressively to do a number of new things in the UK. We are seeing the beginning of incrementality in terms of traffic. And it's just early signs -- enough to give us the hope that we are on the right track. And we are applying every lesson we learned during the US transformation onto the UK business.

Q - Unidentified Participant

Great. Then in the last couple of minutes, as a CEO, you returned after leaving. What is your personal goal and motivation now and for the future of Starbucks?

A - Howard Schultz {BIO 1432255 <GO>}

That's a pretty easy answer. You know, I have told the Board that I'm here for quite some time. It's been five years since I've come back. People ask me all the time --

why did you come back? And the word I use, which is not a word generally used in rooms like this, is love. Love and responsibility for the Company, our people. And their families. And I think what we've accomplished the last two years is a great indication of what we think is possible for the future. And I meant what I said in my remarks. We are just getting started.

Q - Unidentified Participant

Great. Thank you very much. We appreciate that, Howard.

A - Howard Schultz {BIO 1432255 <GO>}

Thank you.

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