Investor Day

Company Participants

- Durga Doraisamy, Vice President, Investor Relations
- John Culver, Group President, International, Channel Development and Global Coffee, Tea and Cocoa
- Kevin Johnson, President & Chief Executive Officer
- Michael Conway, Executive Vice President & President, International Licensed Markets
- Patrick Grismer, Executive Vice President & Chief Financial Officer
- Roz Brewer, Chief Operating Officer & Group President, Americas

Other Participants

- Andrew Charles, Analyst, Cowen and Company
- Brian Bittner, Analyst, Oppenheimer & Company
- Chris O'Cull, Analyst, Stifel
- David Palmer, Analyst, Evercore ISI
- David Tarantino, Analyst, Robert W. Baird
- Fred Wightman, Analyst, Wolfe
- Gregory Francfort, Analyst, Bank of America
- Jeffrey Bernstein, Analyst, Barclays
- John Glass, Analyst, Morgan Stanley
- John Ivankoe, Analyst, JPMorgan
- Lauren Silberman, Credit Suisse
- Sharon Zackfia, Analyst, William Blair

Presentation

Durga Doraisamy {BIO 19851420 <GO>}

Good afternoon, everyone. I'm Durga Doraisamy, Vice President of Investor Relations. And I'd like to welcome you to Starbucks 2020 Investor Day.

A couple of housekeeping items before we get started. First, I would like to assure you that Starbucks has followed all applicable safety requirements set forth by the Center for Disease Control and state and local authorities to help ensure the health of our partners and production crews, who have contributed to the production of today's event. Secondly, please take a moment to review the slides shown here as we will be making a number of forward-looking statements, throughout today's event. We'd also like to remind you that the webcast replay of this event will be available on our website by the end of day tomorrow.

With that, I'd like to introduce, our President and Chief Executive Officer, Kevin Johnson. Kevin?

Kevin Johnson {BIO 3773960 <GO>}

Good afternoon from Seattle, Washington, and thank you all for joining us today.

It is my pleasure to welcome you to Starbucks 2020 Investor Day. Now I'm speaking with you today from our Starbucks Reserve store located on the ground floor of the Starbucks Support Center here in Seattle. And as we did two years ago with this event in New York, Michelle Burns, our Head of Global Coffee, will kick off today's meeting with a coffee tasting. Sharing coffee together is a ritual for us, a ritual that is just as powerful during these times as we all long for human connection and shared experiences. As part of the virtual leadership experience here at Starbucks, Michelle recently connected over coffee with many of our partners from the hillside of a beautiful volcano, surrounded by coffee trees at Hacienda Alsacia in Costa Rica. Take a look.

(Video Presentation)

We host an Investor Day every two years. And a lot has happened since 2018 when we outlined our growth at scale agenda. Today, we look to update you on how our strategy is working and our belief that Starbucks is stronger and more resilient than ever. Over the past two years, we have further streamlined the company, sharpened our focus on the two lead growth markets of the US and China, expanded our global reach through the global coffee alliance with Nestle, enhanced our digital platform and delivery capabilities and fundamentally transformed the way we drive innovation. And we adapt as we build and strengthen the Starbucks Coffee Company. As a result, we've created significant value for all stakeholders, and we remain committed to doing so as we look to the future.

Now from the first day I stepped into the CEO role at Starbucks, I have held a strong belief that the leadership team and I share an important responsibility. The responsibility to have the wisdom, to know what to honor and preserve from the past, while at the same time boldly re-imagining the future. If we fail to honor and preserve the purpose-driven nature of Starbucks, the culture that built this great company or our passion for coffee and the central role it plays in what we stand for, we will lose our way. Likewise, if we fail to re-imagine our business and constantly adapt in ways that are relevant to our customers' inspiring to our partners and meaningful to our business, we will lose our competitive edge.

Recent events have only accelerated the pace at which these changes are happening. Our customers are increasingly looking for options that prioritize health and well-being, as well as effortless experiences. Experiences delivered how customers want them, whether that be in our stores, conveniently on-the-go or delivered to wherever they are. So we will continue to evolve to remain relevant, innovating and adapting are not optional. And as stakeholders, you should all feel a great sense of comfort in knowing that we understand this balance and that is how we run our business each and every day. And since our last Investor Day in December 2018, Starbucks has delivered 50% in total shareholder returns, and we have seen an increase in our equity market cap of roughly $30 billion.

I am proud of Starbucks partners and how they have worked together to deliver these results. Together, over the past two years, we have taken the company to a new level of capability and performance across almost every dimension, I can think of. What is even more amazing is that we accomplished all of this, while navigating a pandemic that has affected every part of the world in the past year. And it's important to recognize that at Starbucks creating value begins with our partners and that is why we continue to invest in them through increased wages, new benefits, enhanced technology and the unprecedented COVID-19 relief support we provided earlier this year. And I'm proud of my Starbucks partners as we are now seeing partner customer connection at higher levels than prior years. I don't think today should be overly focused on the pandemic. After all, we have many accomplishments and long-term plans to discuss that will outlast this public health challenge.

And so there are three takeaways for today I'd like you to keep in mind. First, over the past two years, our growth at scale agenda has sharpened our focus, enabled disciplined execution, enhanced our ability to allocate capital to its highest and best uses and unleashed a growth mindset throughout Starbucks. Our growth at scale agenda is working. Second, we've rapidly adapted to a changing environment. And as a result, we have achieved a new level of resilience at Starbucks and strengthened our competitive position. And third, we already have line of sight to an innovation agenda that positions Starbucks for the next phase of growth. We are well positioned for the future.

And today, you will hear from several of our leaders, joining from different Starbucks locations, including Roz Brewer, John Culver, Michael Conway, and Pat Grismer, who will proudly share our strategies and vision for the future. We will then open the session to take your questions.

So with that, let me begin by framing the size of the opportunity and establishing some foundational principles of our strategy. The coffee market remains a very attractive category. It is large and growing, and we're focused on growing category share. Euromonitor sized the coffee addressable market at roughly $360 billion of revenue globally in 2019. And they expect that to grow at a CAGR of 5% to 6% through 2023. Now that would place the coffee addressable market at roughly $450 billion of revenue globally in 2023. Now the global pandemic certainly created disruption in 2020, but based on our view of the overall market recovery and our outlook, we agree with the expectation that the coffee market will reach this level over the next three years.

We also believe businesses like ours that adapt rapidly to changing consumer preferences and behaviors will grow much faster than the market. As a premium and highly differentiated brand, our ability to grow share in this large and growing coffee market is at the core of our unwavering optimism about the future of Starbucks.

Now this image illustrates how we think about the coffee addressable market. Internally, we refer to it as the honeycomb slide. For each of the outer cells at this honeycomb, we have clarity on where we stand in terms of revenue and share, Starbucks' role in the ecosystem and where our growth will come from in the future. We also have a clear strategy for each element of this model. The most important of which is specialty coffee retail. Not only does it have the largest addressable market, but strategically it is where we both establish and build the Starbucks brand. With nearly 33,000 stores globally serving over 100 million customer occasions a week pre-pandemic, we bring unparalleled scale to create a differentiated premium experience for our customers. And that experience reinforces the Starbucks brand and none of our competitors are able to match it.

Now, two years ago, we defined a very clear brand promise that we use internally to empower innovation in ways that elevate the customer experience, drive new and relevant beverage platforms and expand digital customer relationships. That formula has proven to drive growth over the past two years and is also enabling our recovery. Our proven ability to adapt quickly, leaves us even more confident than ever that we can continue to create value for all stakeholders over the long term no matter what form the economic recovery takes. We then leverage flagship retail to amplify the brand, the six flagship roasteries, all located in iconic cities around the world serve that purpose. They are brand amplifiers and hubs of innovation.

The rest of the outer cells on the honeycomb mainly focus on at home and at office coffee. Through relationships with world-class companies like Nestle and PepsiCo, our strategy is to grow our category share in these channels, while amplifying the brand globally. The global coffee alliance with Nestle has been a powerful partnership that expanded our reach to 62 markets over the past 24 months. In addition, bringing Starbucks onto the Nespresso platform has created a win-win opportunity for both Starbucks and Nestle as we continue to see growth in single-serve coffee experiences at home and in the office.

So when you think about the coffee addressable market, remember this, it is a large and growing market that Euromonitor predicts to grow about 25% by 2024 and to capitalize on this opportunity, Starbucks will continue to build the brand in specialty coffee retail, amplify the brand through flagship retail and expand to more markets and more channels as we grow category share.

Now as we look to the future, it's important to understand how the recent disruption of the pandemic has accelerated certain changes in consumer behavior and how Starbucks is well positioned to further differentiate the Starbucks experience and better serve our customers. We believe many of these changes are here to stay, and we will continue to adapt our business accordingly to ensure we are meeting our customers how and where they want to engage with Starbucks. Through the relationships we have with our customers around the world, we are focusing on five shifts in consumer behavior to guide us as we adapt in ways that we expect will extend our market leadership position globally.

First, customers will continue to have a fundamental need to be seen and experience a feeling of connection to others, human connection. This feeling has long been the bedrock of community. While deep strong connections can be formed through digital relationships, there is a distinct and natural ease to in-person experiences that are important, even among our younger generation of customers.

A Starbucks partner saying hello and offering a smile to a customer as they pick up a mobile order that was personally handcrafted just for them. It provides that small, but powerful human interaction we all crave. In fact, former US Surgeon General, Vivek Murthy, recently described the pandemic as creating a social recession, supporting our prediction that people will seek out these community connection experiences as a vaccine is distributed. And I believe Starbucks will be a top destination to facilitate social healing through human connection.

Second, customers will continue to seek experiences that effortlessly fit their lifestyle. In many ways, that means more convenient on demand experiences with curated options. And Starbucks is focused on meeting customers where they are. That might mean choosing a favorite order on your mobile app as you pass through a Starbucks pickup store or having your barista, greet you by name with your customer order at the drive through or curbside. Customers are looking for more effortless experiences both in store as well as digitally, and we will provide innovation to offer experiences personally designed to meet customers where they are, both geographically and emotionally.

Third, customers will continue to look for consistent experiences. Starbucks has long been a leader on this dimension. We are key part of people's everyday life in a way that few companies are at a global scale. We will elevate our attention on being that dependable third place that offers a consistent, familiar and premium experience in each and every store around the world.

Fourth, customers are seeking high quality and sustainable products that support the well-being of people and the planet. Customers want the best tasting, highest quality arabica coffee, but that's not enough. They want to know that their coffee is ethically sourced and supports the betterment of people and the planet. So in addition to continuing to source the finest beans from skilled farmers around the world and innovating around beverage platforms, both hot and cold, we will further elevate plant based beverage and food options that resonate with our customers.

Finally, we know now more than ever customers are increasingly loyal to brands with strong values. People around the world are increasingly taking into account what a brand stands for when they buy a product. What is its purpose? What is the culture? And how does that guide them in their purchasing decisions? For Starbucks, we will continue to be purpose driven, guided by our mission and values in how we show up for all stakeholders on issues important to our communities. These five consumer behaviors are not new, but they are emerging stronger and are amplified in the current environment. And Starbucks is uniquely positioned to lean into and benefit from these changes in customer behavior. And we see a clear path to modernize and sharpen our approach in ways that strengthen our leadership advantage. And we will continue to meet customers on their terms, as Roz and John will describe here in a minute.

Now, the past two years have made Starbucks an even better company, and I believe that is in large part because we have stayed true to our mission and values. This has served us well. Starbucks is stronger and more resilient than ever as we approach our 50th anniversary, a milestone that will provide a natural opportunity to reflect on our history and look to the future. Since the very beginning, we've been a company focused on caring for our partners, creating uplifting experiences for our customers and playing a positive role in our communities and throughout society.

This year has taught us that moving forward we can and will elevate our commitment to serve all stakeholders. In January of this year, we evolved our sustainability agenda to play a more central role in our company strategy, we call this planet positive. Not only did we conduct comprehensive audits of our carbon, water and waste impacts in order to establish targets for 2030 to reduce them by 50%, we articulated an aspiration to become a resource positive company, meaning that we aspire to give back more than we take from the planet. Planet positive strategies and initiatives align with our core business and it all starts with how we source the finest arabica coffee beans from around the world.

As we shift to more plant-based offerings and find solutions for more sustainable dairy, we are directly addressing customer preferences. And over the coming years, you will see us doing even more, like making deeper investments in renewable energy, reducing water consumption through new coffee processing techniques, increasing our support of more environmentally responsible dairy and further adding to our plant-based menu. Our planet positive agenda is a multi-decade aspiration. And we are doing this in a very intentional, transparent and accountable way.

In addition to our planet positive agenda, we have sharpened our focus in support of our people positive agenda. That means making a positive difference for partners, customers and society around three core areas; inclusion, opportunity and community. When it comes to inclusion, we aim to lead by example and embrace a set of actions that don't just create a warm welcoming experience for all who visit our stores, but also a more inclusive, diverse and equitable work experience at every level within Starbucks. And I'm proud that over the past three years, we have achieved and maintained pay equity for both gender and race in the US. And we're going beyond that by establishing inclusion and diversity commitments and goals and linking them directly to executive compensation.

I'm also proud of how we've created opportunity through programs, such as Starbucks College Achievement Plan in partnership with Arizona State University, where we now have over 17,000 Starbucks partners participating in ASU's online college degree program and nearly 5,000 graduates, we have hired over 30,000 military veterans and spouses, and we are on a run rate of hiring 5,000 each year going forward. And yet, we can do more to put these kinds of initiatives front and center at Starbucks.

In support of coffee farmers, we've provided nearly 50 million coffee trees that are resistant to coffee rust diseases. We are expanding our network for farmer support centers to 10 around the world. We are supporting coffee farmers through an additional $50 million investment in the Global Farmer Fund, providing access to capital so farmers can strengthen their farms through coffee tree renovation and infrastructure improvements. And we are leveraging our agronomy research to help farmers around the world improve both the quality and yield of coffee from their farms. By doing this, we also improve the economic prosperity of these farming families.

And finally, our focus on community is reinforced by our continued work on national priorities, such as food and security. While the Starbucks Foundation is also making micro grants to nonprofits at the store level, where our store partners are actively engaged in community service. Like many companies, we are aggressively positioning our business for growth at scale. But unlike others, we also extend that same sense of purpose to being both planet and people positive. This approach acknowledges our aspiration as a publicly traded for-profit business to have a positive social impact for all stakeholders. And as Pat will share with you later today, we will do all of this while in pursuit of profitable growth and creating even more value for our shareholders.

So when you put this all together, Starbucks is stronger and more resilient than ever. We have a long runway of healthy growth ahead and are well positioned to invest in the right areas to strengthen our competitive advantage and drive consistent, sustainable growth for many years to come. And we do all of this, staying true to the mission and values that built this great company. With Starbucks partners at the core, we've embraced an agenda of people, planet and profit that we believe will create significant value for all stakeholders.

And I want to thank you for joining us today. But before I close, I want to comment on today's announcement that our Starbucks Board Chair, Mike Ullman, who has served on our Board for the past 18 years, will retire from this post effective March 2021. Mike will be succeeded by Mellody Hobson, who has served our Starbucks Board of Directors since 2005 and is currently our Vice Chair. We are very fortunate to have a world-class board, and I want to take a moment just to acknowledge Mike and thank him for all he has contributed in support of Starbucks, our Board and the leadership team. He has been a great partner to me, and I'm very grateful for his service.

I also want to congratulate Mellody on her appointment to Board Chair. She is a very talented leader and a great supporter of Starbucks. We are fortunate to have her step into this new role. And I'm excited about my partnership with Mellody and the entire board as together, we look to the future. This transition will officially take place at the Annual Meeting of Shareholders in March, where we can appropriately recognize both Mike and Mellody.

And with that, I'm now happy to hand it over to Roz Brewer, our Chief Operating Officer and Group President for the Americas, who joins us from a beautiful Starbucks store in Atlanta. Roz?

Roz Brewer {BIO 15034309 <GO>}

(Video Presentation)

Thank you, Kevin, and welcome, everyone.

Wow, when I look back at that footage from our Chicago leadership experience a year ago, bringing together 12,000 of our US and Canada retail leaders, I don't think any of us could have imagined how much our business and our world would change. And while 2020 has been defined by uncertainty, what remains constant, what you see and feel from that short video is the pie and the passion so deeply innate in our Starbucks partners. It makes me think about the amazing legacy of our founder, Howard Schultz and how he set the tempo for humble partners, serving customers in the absolute best way possible. It's just so human and so necessary in today's world.

Now, here is something very special about the Starbucks experience, it's about the connection we have with our customers, a connection that's a little bit comfort, sprinkled with a little bit of stardust. Our business will always evolve and shift. There is no doubt about that. But we remain committed to the core of who we are and what drives our success and that's our partners.

Starbucks has a proven track record of growth. But if there is one thing I hope you take away today, it's opportunity. The enormous opportunity we have with our customers as we feel the next era of growth for Starbucks, an era powered by the relationships we have today. And those will deepen and create as we continue to differentiate through expanded digital connections, innovative beverage offerings and elevated customer experiences. For nearly 50 years, coffee and connection have been at the core of our brand, the strength of which is reflected in our relationships with our customers and the products we offer.

In normal times, our daily routine comforts us. In uncertain times, we crave the predictability the rituals and routines provide us. Think about it. Most of us slip on the same shoe first every day. We don't even have to think about it in the morning. Our daily routine is comforting. As a company, we made a deliberate choice to pause service when the pandemic began. Quarantine restrictions disrupted the routines of so many of our customers and our partners, but pausing was the right choice. A choice rooted in prioritizing the health and well-being of our partners and customers. And now that we've resumed operations, our customers and our partners are real to be together again, perhaps even more so now that connection has become increasingly limited and, therefore, so much more pressures in our everyday lives.

So rather through our app or in person is the connections we form with our customers that keeps them coming back. Just look at these comments, they remind me every single day of the importance of Starbucks in our customers' lives. We never take that for granted and the results are clear. Customer connection scores continue to trend well above prior year, which we believe leads to comp growth. This is a win-win for both our customers and our business and for that, we are extremely proud is that connection, that ability to deepen existing relationships, while creating new ones we see is our greatest opportunity for growth.

At the end of Q4, Starbucks had 19.3 million 90-day active members in its digital ecosystem. And it's these customers who drive nearly 50% of our revenue with close to one in every four transactions coming from mobile order and pay. Yet our addressable customer base those customers who already know our brand and visit us is closer to approximately 75 million. That kind of opportunity is seductive and rightfully, we have high ambitions for growth in our Rewards program. We're already seeing strong new membership, resulting from our stars for everyone enhancements that gives members more ways to pay and earn stars, building on the outstanding momentum we have with our digital flywheel. As more customers adopt our app and reap the rewards, we fully expect higher levels of engagement going forward. This makes us incredibly optimistic about member growth for fiscal 2021 and beyond.

Now let me demonstrate how we are going beyond our app to bring value to customers. You see here, when I pull up to the drive through, our proprietary AI engine serves up production suggestions specific to the store, to the weather, to the time of day and available inventory.

(Video Presentation)

Starbucks knows what customers like me at this store, in this moment will most likely order. And we're just getting started. In the future, customers will receive even more suggestions like how to make their drinks perfect for them and recommendations that help us manage inventory and improve speed of service, leaving more time for our baristas to do what they do best, connect with customers. There is my dream, ready and leaving, just the way I like it. This is where art and science come together so perfectly. Using the stores information allows us to tailor what's shown to the customer in the moment, increasing the likelihood of purchase, making their perfect order just one tap, gesture or freeze away and driving growth in the way that only Starbucks can authentically deliver.

So the more we leverage AI and deepen our digital relationships, the more we can drive frequency. And as we bring more customers into our digital ecosystem, leveraging that base of approximately $75 million, who know and frequent us today, we have a golden opportunity to architect experiences to surprise and delight our customers, existing and new. Just imagine our opportunity ahead. The experiential aspect of our brand also extends to beverage, another key point of differentiation.

As new trends come into play in customers' attitudes and behaviors evolve, AI has helped to deepen our connection with them, allowing exploration of new beverages, particularly with our cold platform. Cold has grown by nearly 45% the past four years. So for Starbucks, cold is hot. Likewise, as customers redefine health and wellness, we're continuing to innovate with non-dairy options. We started blending lattes with soymilk more than 20 years ago, adding coconut milk, almond milk and oat milk options regionally along the way.

And by simply changing the dairy option, asking for sugar-free serves, or removing whip cream, customers can decide the ingredient and calorie content of their favorite beverages. At the same time, we're testing delicious low and no sugar platforms, along with the ability to completely customize beverages, allowing the level of sweetness that fits every customer's individual taste. Of course, beverages also drive routine and that routine drives loyalty. Our 90-day active reward members in fiscal 2020 grew more than 10% year-over-year. So the program is attracting more occasional customers, which creates significant opportunity because we know when customers join the Starbucks Rewards program, there is a meaningful uptick in their total spend.

Here is a sneak peek at one of our newest innovations launching nationally this spring, shaken iced espresso. Inspired by our roastery menu, we combined our high quality espresso, brown sugar, oat milk and shake into a smooth beverage finish. It speaks to how we're meeting the generational shift in customers taste, while addressing the needs of the health conscious. A segment representing 26% of customers and climate. Millennials and Gen Zers under 30 are 2 times more likely to drink cold coffee, that's pretty news as cold beverages had driven more than $1 billion in sales over the past three years. And just like the rest of our cold platform, we believe this new drink will resonate all year across all dayparts, next to working behind the bar with our partners. Beverage innovation is one of the best parts of my job, because I get enough close seat to yet another way we're bringing art and science together to delight customers. And I have to say it's just a lot of fun. Thank you.. This one's mine, but you can get yours in the spring.

Now as customers' routines continue to evolve, our ability to have the right store in the right place at the right time is yet another a central aspect of deepening and developing relationships. And as this dynamic behavior that drives innovation in our continued development of new stores, there is no better way to meet our customers where they are, than through our impressive store growth strategy. We expect our US stores will expand by nearly 800 gross new stores each year, supporting our long-term growth model. Though we are growing off a large base, there is ample room to expand in regions, where the Starbucks brand is less penetrated with particular focus on high-volume, high margin, suburban drive throughs.

With the brand and customer always up the center, we will evolve and strengthen our portfolio as we accelerate new formats like pickup and curbside to improve profitability and increase convenience. We refer to this as trade area transformation and it's a critical component of our new store strategy. We expect that pickup and other new formats combined with proven successful formats like drive through will expand to nearly 45% of our US portfolio by 2023, up almost 10% from fiscal 2020.

As we continue to evolve our portfolio, store growth remains as important as ever. Pre-COVID, roughly 80% of our sales were to go. Since opening our first Starbucks pickup just over a year ago, we're accelerating this format in others focused on convenience across the US. We know the same Starbucks customer has different experiences, depending on where they are in their day, and we're supplementing our traditional cafes to offer a range of formats, the best cater to their needs.

For example, a lot of professionals who work in cities also live in cities, and we may benefit with the location closer to their home than their office in a commercial district. We're also seeing suburban drive throughs cater to people working from home who visit us for a break in their day. As we introduce more efficient formats, we're reducing the long lines that can sometimes occur in metro locations, unlocking more sales. And since these are smaller stores without seating areas, this enhances our fits house profile, which further contributes to improved margin.

Based on how customers respond to these new formats in terms of visitation and frequency, we'll harness our extraordinary data analytics to rapidly learn and adapt as we go. As we elevate convenience and connection, we must also optimize the operating system within our stores and continue reducing complexity to make it easier for partners to serve customers. Work is under way to accelerate throughput in our stores, specifically drive throughs and enhance our service experience by simplifying product builds and investing in equipment like new warming events, freeing up partners to focus on customers.

We also continue to push the envelope of innovation in coffee leadership with examples like our award winning Phantom brewer. The Phantom defines what's possible, while adding to the theater of experience. It presents a choice of four espresso offerings and removes the barrier of a large box, allowing customers to enjoy the brewing process with their barista. As we radically shift the burden of the administrative and production tasks to machine learning and technology will unlock a more productive and meaningful use of labor. This is a win far our partners, our customers and our business. Some might call it hitting a triple.

So here's what I hope you take away. Starbucks has incredible opportunity, an enviable lot of assets that we are building upon, we have passionate, talented and loyal partners, partners who've been with the company on average of nearly three years, a lifetime in retail industry put the company on the cusp of celebrating its 50th anniversary. They believe this company is great can be even greater and want to be part of this next era of growth. Our technology is proven within this industry and across the world, our brand is known. We have a huge addressable market that has yet to be tapped. And we're moving very fast. Of course, there's still a lot of work ahead, but the vision is clear. And our path forward is filled with opportunity. Our customers are relying on us to be there for them whenever, however, because we provide a simple uplifting and seamless experience this shows we know them. That's our super power.

And I can state unequivocally with passion and heartfelt commitment the best is yet to come.

John Culver {BIO 15817924 <GO>}

Thank you, Roz, and good afternoon to everyone who is joining us on the call.

Today, in international, we operate more than 15,000 stores across 81 different markets. And our expansion around the world continues to accelerate and nowhere is that more evident than in China. Let me begin there and share our plans for this strategic market. First, I want to start by recognizing the resilience we've demonstrated in China. Guided by our mission and values, the China leadership team prioritize partners as the pandemic emerged, putting their health and safety first and foremost. The decisions that they made during this time represent the values of this company in action front and center. Our partners continue to play an active role and inspiring each other and creating safe and familiar experiences for our customers. Our partners truly are the heartbeat of Starbucks, and we would not be where we are today without their passion, their pride and their commitment to what the green apron represents. This past year has taught us a lot and it's pushed us to become even more agile as we move to China speed to make decisions and adapt to our changing customer needs.

Let me share a little bit about what life in China looks like today and how Starbucks has responded. First, China has recovered quickly driven by holistic and calibrated measures, which were led by local health authorities. China's economy has seen a strong recovery, as consumer behaviors have returned to pre-pandemic levels and retail sales has steadily grown since August. Recently, the Double Eleven, Singles' Day event saw record-breaking engagement for participating brands, including Starbucks.

Beyond consumer spending, China is returning to a normalized way of life. This was clear from this year's National Day, when more than 600 million people chose to travel domestically. For Starbucks, we remain the leader in the specialty coffee industry and our Q4 results demonstrate the resiliency and the relevance of our brand. Customers have returned to our stores, longing for the connection to the third place and the Shanghai roastery is once again a top destination for our customers. It's that connection and the response we are seeing that further strengthens our confidence that China will soon be fully recovered.

This past year has also helped us evolve and get smarter about how we will grow for the future. What we have learned is that the core of the third place is an environment, physical or digital, out of store or at home, where all people can feel uplifted. It's a feeling that invites people in, is familiar yet fresh and makes them feel comfortable to be themselves. Now, since we've reopened our stores, we've adapted the third place to continue to deliver the Starbucks experience in increasingly relevant and meaningful ways.

We previously shared with all of you our China purpose-driven growth agenda. Today, I want to share the next phase of that agenda. Let me first reaffirm that our stores will continue to be a meaningful growth engine for us going forward. Despite a brief pause and development earlier this year, we've re-accelerated and opened a record 259 new stores in Q4. This fiscal year, we're committed to opening 600 new stores, which is consistent with the guidance we have previously provided.

Now as we grow, we will stay disciplined to ensure that the experience is relevant and that our new stores are generating the appropriate returns. We have a strong core presence in Tier 1 and Tier 2 cities and our plan is to continue to go deeper in these cities by adding new innovative formats to include Reserve stores and Starbucks Now concepts. Focusing on the opportunity we see with Starbucks Now, over 10% of new stores this fiscal year will be this store format. Now beyond our new concepts and our core cities, we will continue to expand into new cities, leveraging what we have learned from within our existing store base. Combined, all of this gives us great confidence that we are on track to reach our goal to have 6,000 stores across 230 cities by the end of fiscal year 2022.

Pivoting to digital, we've adapted and integrated the physical third place with the digital space. Starbucks was one of the very first retailers in China to implement an elevated in-store and out-of-store experience, built on contactless payment, mobile order and pay and delivery offerings to meet the evolving needs of customers. And yes, our customers have responded with overwhelming enthusiasm to the moves we've made.

At the end of Q3, we had 10 million 90-day active members, and by the end of Q4, we have reached a record 13.5 million active members across our 4,700 stores. Our team in China has moved with speed and agility to grow and strengthen our digital engagement. And the work they have done has enabled us to increase our digital sales mix to 26% in the most recent quarter, more than double the prior year.

Equally, we are moving with speed to develop greater personalization capabilities to meet our customers' evolving needs. Our strategy is very clear. And that is to work with the very best companies in China to build the digital ecosystem. That is why we work with powerhouses like Alibaba, Tencent and Sequoia Capital's portfolio of companies to help us accelerate and transform for the future.

Now Starbucks has always been in the people business serving coffee and our investments in digital will enable us to connect with more customers in deeper and more meaningful ways. Our aspiration is very clear and that is to be the leading human-centered retailer, powered by technology across this strategic market. Now more than ever, our success in China has been enabled by our ability to focus our efforts and rapidly innovate. A few examples of our innovation strength include our plant-based GOOD GOOD menu, the very first of its kind to scale in the market, our tea cloud platform, a modern twist on the local tea culture and digital social gifting, allowing customers connect through the gift of Starbucks.

Product innovation will continue to play a meaningful role in defining our success as we look to the future. Now we've operated in China for more than two decades. And by investing in our partners and the communities we serve, we've been able to build one of the most admired and respected companies. Throughout our history, we're focused on building a healthy and sustainable specialty coffee industry, one that creates jobs and contributes to China's growing coffee culture. Earlier this year, we announced plans to invest $150 million to build the Starbucks Coffee Innovation Park. Once completed, the Innovation Park will set the standard for our roasting and manufacturing network and allow us to take a big step toward achieving our company's planet positive goals.

And as we continue to invest in China, I'm pleased to announce that we've established the Starbucks China Foundation in Beijing to transform lives and uplift local communities. This further demonstrates our long-term commitment to China as we build a different type of company, one that makes a positive impact for others, while using our scale for good.

Looking ahead, there is no other company better positioned than Starbucks to capture additional market share and accelerate our growth over the long term. Accelerated store growth, world-class digital experiences, sustainable innovation and a company making a positive difference all of this is the China purpose-driven growth agenda evolved.

Now we have truly been humbled by our success in China, and we understand that success must be earned every day. And that it is defined by the personal connection our partners have with their customers and the passion and pride they demonstrate in bringing the Starbucks experience to life. Our partners have been and will continue to be what sets Starbucks apart and it is because of them that we have never been more confident and more optimistic of the opportunity we have during this next chapter of our China journey.

With that, I leave you with a very special message from our partners in China.

(Video Presentation)

Now beyond China, an incredible opportunity remains for Starbucks across our international markets. I'd like to introduce Michael Conway, a seven-year partner and a member of my team, who oversees the growth and development of our nearly 10,000 international licensed stores. Michael, over to you.

Michael Conway {BIO 18036959 <GO>}

Thank you, John.

The past 4 years since leading channel development has given me the opportunity to see first-hand how licensing work for Starbucks and to experience the passion of our partners and their commitment to coffee in connection. And now, in my current role, I'm using the unparallel power of our brand to drive and accelerate the growth of Starbucks around the world. We are a global leader in licensing and are committed to being world-class at providing holistic support for our licensed business partners to drive growth in their markets.

Today, Starbucks serves customers in 83 markets across the globe. And what you may not realize is that over 90% of those are operated as licensed markets. With our business partners, we collectively operate nearly 10,000 stores and employ more than 120,000 Starbucks partners who proudly wear the green apron. This means that almost one in three Starbucks stores is an international licensed store and one in four partners is employed by our licensees.

In nearly every region of the world, our business partners enable us to further extend the global reach of the brand and deliver their premium Starbucks experience in a consistent locally relevant way. This is possible because Starbucks worked with like-minded business partners to expand the brand around the world. In fact, our top 10 international licensees represent over 90% of our stores and many of these relationships span nearly 20 years. They have deep local knowledge of their customers and they know how to navigate their marketplace. Importantly, they know and are aligned with the Starbucks brand, our mission and our values. These relationships remain strong and resilient today and will be an important contributor to our continued success.

Our streamlined approach to international licensing has been key to focusing and reinforcing our growth at scale agenda. This had allowed us to accelerate store growth, extend our global reach and direct resources to our lead markets, the US and China. This has also created an efficient capital model with relatively higher margins and return on invested capital. At the same time, there remains incredible room for additional store growth in both existing and new markets as we work to extend our brand presence and reach more customers around the world. We will unlock this opportunity by focusing on our licensee economics and ensuring that the Starbucks key success drivers are executed globally.

We recognize that for long-term success and investment in store growth, we must continue to ensure that our economics are attractive to our business partners. Today, we are in a strong position where our business model and retail proposition is one that encourages our licensees to invest in critical growth enablers, like technology and beautifully designed stores like the ones shown here.

With many other businesses are scaling down, our licensees are continuing to invest in the Starbucks brand on the belief that Starbucks offers one of the best opportunities to profitably grow their business. Importantly, these investments by our licensees are amplified when directed towards Starbucks proven success drivers. It starts with innovative beverage platforms that are tailored to the local market.

Success is also driven by the rollout of our digital flywheel to create customer loyalty through Starbucks Rewards and mobile ordering.

Today, we offer the Starbucks Rewards program in nearly half of our international markets and have more than 8 million members and counting. We plan to extend our digital engagement even further through mobile payments and the ability to order ahead using the Starbucks app. With mobile order and pay in only eight international markets, including recent launches in India and Brazil, there remain significant room for expansion of this important platform to drive growth.

Finally, this all comes together in an elevated customer and store experience, supported by driving clear global standards and operational excellence to deliver a consistent Starbucks experience. As we look to the future, we expect the pace of international licensed store development to return to our long-term growth trajectory in fiscal 2022. And by 2023, we are poised to add nearly 2,000 additional licensed stores to our global portfolio.

International licensing has unlocked tremendous success for Starbucks, and we're extremely excited to continue building on a strong foundation in the years ahead. United by common mission and vision, together with our licensees, we are committed to delivering a premium experience to customers and taking a holistic view of how we work together to grow the brand globally. This is growth at scale at Starbucks.

With that, I'd like to hand it back to John.

John Culver {BIO 15817924 <GO>}

Thank you, Michael.

Whether it's China, Japan or our licensed markets, these are the very early days of our growth across our international business. Now let me shift to channel development and the opportunity we see for growth beyond our retail stores. Let me first start with Nestle, where it has now been over two years since we came together to form the Global Coffee Alliance. As I highlighted with all of you in New York, three significant opportunities exist with this partnership and the progress we have made in a very short period of time has been extraordinary.

First, we quickly established the Starbucks brand on the Nespresso and Dolce Gusto systems and now have 12 different rows in cafe inspired flavors, widely available across these platforms. In North America, we further strengthened our leadership position as the number one brand in the at-home coffee market, increasing our share and growing our business 13% this past year. Internationally, we've expanded into 62 markets, and we continue to see opportunity for future growth. Our partnership with Nestle has been a huge springboard for Starbucks and what we have seen has been the strength of two great companies coming together to rapidly increase the presence of Starbucks around the world.

Now let me shift to our ready-to-drink business. As many of you are aware, we've had a strong partnership with PepsiCo that has spanned 25 years. And together, we've built Starbucks as the market leader for RTD coffee. Together, we've accelerated our innovation pipeline and capitalized on the consumer trends we are seeing with iced coffee. Our innovations include nitro and triple shot and have enabled us to further expand our leadership position to become the number one RTD coffee brand globally. This success has been driven by the growth we are seeing in the US business and our expansion internationally.

In China, we established Starbucks as the premium segment leader with over 36% volume growth in the last year. And in the EMEA region, we've grown our volume nearly 25% over the past year. Given the success we are seeing across our entire RTD portfolio, we will continue to invest in our partnerships and innovate as we look to grow this business going forward.

Broadly, it's apparent that our customers have embraced the opportunity to engage with Starbucks outside of our retail stores and as Kevin highlighted earlier, channel development is the brand amplifier, which will enable us to further strengthen our leadership position and grow our overall share of the addressable coffee market.

In closing, over the last 50 years, our partners and our coffee have been at the center of our success. By combining the strength of 400,000 passionate partners, our nearly 33,000 retail stores and now more than 800,000 points of presence outside of our stores, you are seeing the power and the relevance of Starbucks come to life. Today, we are stronger, were bolder and our future has never ever been brighter.

Thank you. With that, we will take a brief five minute break and when we return, we will be joined by Pat Grismer.

Patrick Grismer {BIO 15965217 <GO>}

Good afternoon, and thank you for joining us for the balance of our session today.

At our Investor Conference two years ago, I'd recently joined the company and shared what had drawn me to Starbucks at the time, an iconic consumer brand. The clear leader in an attractive growth category and even with its massive global reach, a business with enormous growth potential. Today, as my fellow Starbucks partners have shared, our growth at scale agenda is as compelling today as it was then. We are increasingly differentiating Starbucks by catering to consumers in ways that they prefer, providing a safe, familiar, effortless and premium experience in our stores in our drive through lanes, on-the-go or deliver to them wherever they are. And in that context, I'm as optimistic as ever about our ongoing double-digit non-GAAP EPS growth model with a stronger path over the next couple of years, as I'll explain later.

But first, I want to highlight that even though we've already achieved significant global scale with nearly 33,000 stores across more than 80 markets, we've a long runway of growth remaining. As the leader in premium coffee, we believe that we will reach approximately 55,000 stores across 100 markets by the year 2030, a level that is currently unmatched by any other single food and beverage retail concept fueled by unparalleled brand appeal globally and strong unit level economics.

Two years ago, we articulated our double-digit growth model as at least 10% annual growth of non-GAAP EPS. Today, we are updating our guidance to a range of 10% to 12% annual growth of non-GAAP EPS. Why? Because setting aside the impacts of COVID-19, we've established a track record of executing our growth at scale agenda with more consistent overall results, demonstrating sales growth and margin improvement, and we're now in a position to guide to a more explicit range of non-GAAP EPS growth with confidence. When you add to this the approximately 2% dividend yield we continue to project, this implies an annual total shareholder return of approximately 12% to 14%, assuming a constant PE multiple, which, we believe, represents a highly attractive investment opportunity for long-term growth oriented investors.

The building blocks of our ongoing non-GAAP EPS growth model are unchanged from what we introduced two years ago, comp growth for our company-operated stores, unit growth and margin improvement, all underpinned by disciplined capital allocation. As I share our expected ongoing growth rates, I want to clarify that these growth rates generally apply to fiscal years 2023 and 2024, effectively two and three years beyond our current fiscal year. We've already guided to a significant rebound for fiscal 2021, as we lap the extreme impacts of COIVD-19 that we experienced in fiscal 2020. And as I mentioned earlier and as I'll explain later, growth in fiscal 2022 will be outsized for certain metrics relative to our ongoing expectations as we lap this year's recovery curve.

Let's start with comp growth. We're now expecting global comp growth of 4% to 5% in fiscal 2023 and 2024. This represents a 1 percentage point improvement from our previous growth model. Why? Because we are making significant incremental investments in our brand, principally to support our people positive and planet positive agendas, as well as our industry-leading digital platforms. And we expect an incremental return from these investments, supporting a higher ongoing level of comp growth. This is led by our US business at 4% to 5% annual comp growth, a 1 percentage point increase from our previous model. For China, we also expect a 1 percentage point improvement in our outlook for annual comp growth with a new range of 2% to 4%, reflecting our confidence in delivering consistent results, while continuing to open new stores at a rapid pace in our fastest growing market.

And speaking of store development, we are targeting global net store growth of approximately 6% annually from fiscal 2022 to fiscal 2024. This is down slightly from our previous range of 6% to 7%, reflecting our larger store base. For the US, we now expect approximately 3% net unit growth annually, down slightly from our previous range of 3% to 4% with the exception of fiscal 2021, which is only slightly positive due to the impact of our trade area transformation initiatives. And for China, we expect continued robust store development with a net unit growth rate in the low teens, down modestly from our previous outlook of mid-teens growth, acknowledging a rapidly expanding base of stores in our second lead growth market.

Combining comp growth with unit growth, we expect enterprise revenue growth of 8% to 10% annually, up 1 percentage point from what we communicated two years ago, driven by the additional comp growth that I outlined earlier. This includes 8% to 10% revenue growth of our retail business and 5% to 6% revenue growth of our channel development business. Our outlook for channel development revenue growth is 1 point higher on the low end compared to what we communicated in 2018, given the expected ramp up of our international business and the construct of our global agreement with Nestle.

Moving on to non-GAAP operating margin. We continue to expect a modest amount of margin expansion each year, which moves our outlook from our previous range of 17% to 18% to a new range of 18% to 19% beyond fiscal 2021. Given our overall state of recovery this year, we've guided fiscal 2021 to a range of 16% to 17%. The modest annual margin expansion we're expecting will yield an incremental percentage point of non-GAAP operating income growth, thereby translating top line growth of 8% to 10% to bottom line growth of 9% to 11% on a stabilized basis.

As before, our margin equation is a function of pluses and minuses, netting to an improvement in margin each year. On the plus side of that equation, we expect benefits from sales leverage, supply chain savings, store productivity improvements and G&A efficiency. On the other side of that equation, we anticipate annual inflation as well as ongoing strategic investments, primarily in the areas of partner wages and benefits, technology and environmental sustainability. These investments are strategic and necessary to build our brand and drive top line growth over the long term, reinforcing key points of competitive advantage.

Let's move on to capital allocation. Our capital allocation model inclusive of proceeds from new debt issuances consistent with our long-term leverage target will continue to shift to a slightly lower percentage allocated to capital expenditures, yielding continued improvements in the conversion of net income to free cash flow. Additionally, the expected EPS impact of capital allocation has changed slightly.

First, we continue to prioritize high return growth oriented investments and thus expect annual CapEx to range from $1.9 billion to $2 billion over the next three years, building our brand, but growing at a rate that is below our expected earnings growth and led by investments in new stores, technology, global supply chain and environmental sustainability, all strategic drivers of growth.

Second, we are committed to sustaining an attractive dividend, targeting an earnings payout ratio of approximately 50% on a stabilized basis, which equates to an estimated yield of about 2%.

And third, share repurchases. We continue to expect our financial leverage to return to our long-term target of three times lease adjusted EBITDA towards the latter part of fiscal 2021 consistent with an investment grade credit rating of BBB+ or BAA-1. Subsequently, we anticipate a healthy and relatively steady return of shareholder capital to resume in fiscal 2022 through ongoing share repurchases. However, given our greatly enhanced valuation compared to where we were two years ago, we expect this will yield an EPS benefit of about 1% net of incremental interest expense as we maintain our long-term leverage target. This is down from an EPS growth contribution of about 2% previously.

On the subject of capital allocation, I do want to spend a minute on new store returns, which continue to be very robust. Our new store development is heavily concentrated in our two lead growth markets, the US and China. And as you can see, the estimated year one pro forma returns remain very compelling at approximately 50% in the US and 70% in China for fiscal 2021 age-class stores.

These high returns are supported by two factors. Number one, a high sales to investment ratio as our stores unlike other food and beverage retail concepts don't have capital intensive kitchens. And number two, high cash margins, considering that our stores unlike other F&B retail concepts are high margin beverage forward operations and don't require nearly as much advertising support, given the prominence of our brand and the strength of our digital customer engagement platforms. When you consider that our weighted cost of capital is in the high single digits, it's easy to see how these high returning capital investments create substantial value for our shareholders, while also growing our business.

So when you add up all the various pieces, revenue growth of 8% to 10% converts to a non-GAAP operating income growth of 9% to 11%, which then converts to non-GAAP EPS growth of 10% to 12%. This enduring equation delivers double-digit growth at scale with an overall higher quality growth compared to what we outlined two years ago.

I'd like to emphasize that this is an ongoing model that we expect will sustain through fiscal 2024. However, as I indicated earlier, the impact of the pandemic will modify the shape of this model over the next couple of years. For fiscal 2021, we are reaffirming non-GAAP EPS ranging from $2.70 to $2.90 on a 53-week basis, representing a very dramatic rebound of fiscal 2020 EPS, which was heavily impacted by the effects of COVID-19. For fiscal 2022, we're expecting a year of outsized EPS growth, even though we'll be lapping the 53rd week from fiscal 2021 because we'll also be lapping significant recovery impacts from fiscal 2021, yielding non-GAAP EPS growth of at least 20%

And for fiscal 2023, we expect to stabilize our ongoing non-GAAP EPS growth algorithm of 10% to 12%. Of course, all of these growth estimates presume no new material business disruptions, whether from the pandemic or the broader economy comparable to what we experienced in fiscal 2020 in part because we believe we've established through our rapid innovation and the accelerated transformation of dense metropolitan trade areas in the US and Canada, a new level of resilience for the future. These scenarios also assume stable foreign exchange rates over our three-year planning horizon.

I would like to emphasize that these estimates collectively represent what we call our baseline scenario. There is another scenario that could materialize as we explore strategic options to further streamline our company, including the licensing of certain markets outside the US and China. These potential licensing opportunities could enable us to further enhance the overall financial profile of our company.

Assuming we licensed these additional markets and redeploy the capital, non-GAAP EPS growth will remain at least 10%, non-GAAP operating margin will approach 20% and ROIC will approach 30%. This of course is predicated on our ability to identify the right operating partners for these markets to transact at commercially reasonable terms and to deploy the capital in an accretive manner. In each case, our overriding goal is to ensure that the Starbucks brand is growing and thriving in every market, where we are present. In any event, we expect this opportunity to materialize no earlier than fiscal 2023, given the length of time required to explore and consider potential strategic options.

On the subject of ROIC, I'd like to highlight how our baseline expectations will enhance Starbucks enterprise ROIC in the years ahead. In recent years, enterprise ROIC had declined from about 25% to 20%. We expect to reverse that trend and restore ROIC above 25% in fiscal 2024 with the potential for additional upside to nearly 30%, assuming further streamlining.

To conclude, I remain very excited about our long-term growth potential and the plans and initiatives that we have to unlock the full potential of the Starbucks brand and continue to drive double-digit earnings growth. Our growth at scale agenda has provided the focus and discipline to deliver more consistent operating results. And while the pandemic temporarily disrupted our business, it has served as a catalyst for more rapid innovation and transformation to position Starbucks for an even brighter future, giving our customers ever-increasing opportunities to enjoy a premium experience whenever and wherever they are.

Thank you for your attention. And I look forward to being joined by other members of our leadership team to take your questions.

Questions And Answers

A - Kevin Johnson {BIO 3773960 <GO>}

We look forward to spending some time taking your questions. And so to facilitate this Q&A, I'm going to hand it over to our moderator, Hector, to help keep us on track. So, Hector?

Operator

Good afternoon, my name is. Hector. And I will be your conference operator today. (Operator Instructions) Your first question comes from Andrew Charles with Cowen and Company. Andrew Charles, your line is open.

Q - Andrew Charles {BIO 16591426 <GO>}

Great. Thank you all for the very comprehensive presentation. Pat, I appreciate the potential upside of the model in 2023 for potential franchises and I think Michael's presentation definitely showcased the appealing attributes of the company's licensed markets and most international markets. But if I put it all together, is the intention to attach development agreements to these deals to help accelerate development in these markets that perhaps we could see 30,000 plus stores as we get to 2030?

A - Kevin Johnson {BIO 3773960 <GO>}

Why don't I let you start and then maybe, John, you can add a bit to Michael. Go ahead Pat.

A - Patrick Grismer {BIO 15965217 <GO>}

Certainly. Thank you, Andrew. It's part of our standard practice when we do enter into licensing agreements for any of our markets to establish development targets. So with the prospect of additional market licensing, we would absolutely look at the market potential and work with prospective license partners to determine what is an appropriate pace of future development for those markets. John?

A - John Culver {BIO 15817924 <GO>}

Yeah. And I would just emphasize the point that we work very closely with our licensed partners on those development agreements. And in particular, how we map the market and really what are the portfolio stores that we wanted to put in place. In addition to the stores, it's how do they continue to invest in the business, invest in the people, build out the digital flywheel, the product innovation pipeline and accelerate the growth. Clearly, the returns from a Starbucks store is very attractive to licensees. And based on those returns, they want to grow new units. So it's a great partnership for us.

A - Kevin Johnson {BIO 3773960 <GO>}

And Michael, you've been very close to our licensed partners this last year. You want to add a little bit of perspective on that?

A - Michael Conway {BIO 18036959 <GO>}

Yes. I would add that our focus is on two things, one is ensuring that the economic model is attractive to our licensees. And then secondly, we want to apply the key models of success that we know work in our lead markets to our international licensed markets and digital flywheel is a huge opportunity for us to do that. And so we see a huge opportunity, both in our existing markets as well as ultimately getting into new markets as well.

Operator

Your next question comes from the line of David Tarantino with Robert W. Baird.

Q - David Tarantino {BIO 15144105 <GO>}

Hi, good afternoon. My question is for Pat. Pat, just wanted to get more perspective on your guidance for 2022 and it sounds like you're looking at margins -- operating margins were turning to 18% to 19% by that year and if you can confirm that I heard that correctly. And then what are the factors that are going to drive that margins so much higher where it was in 2019? And then that's question number one. And then the second part of the question is, if you could give us some perspective on what revenue you're assuming for 2022 in your guidance?

A - Patrick Grismer {BIO 15965217 <GO>}

Thank you, David. So with respect to fiscal '22 and why we're anticipating that it will be a year of outsized growth relative to our updated long-term growth algorithm, it's because we continue to expect fiscal '21 to be a year of recovery. And focusing on our two lead growth markets, we are anticipating that our comparable store sales in the U.S. will be fully recovered by the end of our second fiscal quarter and comparable store sales in our China market will be fully recovered by the end of our first fiscal quarter. So that gives us some shape to the overall year. We've also communicated that we expect margin recovery this fiscal year to trail sales recovery by a couple of quarters. So with fiscal '21 being a year of recovery as we lap that recovery year in fiscal '22 that is what is contributing to the outsized growth from both a sales perspective as well as a margin expansion perspective. So it would be -- the cumulative effect of the recovery this year with the margin improvements that we've even seen this year as we've rebuilt sales based on the overall shape or composition of our sales combined with the growth that we expect across fiscal '22 that would land us in that range of 18% to 19%.

Now, as I said, we are anticipating that our ongoing growth model is going to deliver incremental or marginal improvements in margin each year. So with the target range of 18% to 19% for the next three years, we would anticipate that fiscal '22 would be toward the lower end of that range and fiscal '24 would be toward the higher end of that range, allowing us to continue to deliver those annual improvements in operating margin. But I'm not going to guide the specific revenue associated with the margin performance we're expecting for fiscal '22.

Operator

Your next question comes from the line of Jeffrey Bernstein with Barclays. Please proceed with your question.

Q - Jeffrey Bernstein {BIO 7208345 <GO>}

Great. Thank you very much. Good to see everyone. Just a question specific to China. Actually two part question. The first, I think you mentioned you opened more than 250 stores in the fiscal fourth quarter, obviously, there were some units pushback from earlier quarters, but it just shows that you could saw inclined to a thousand plus units in the fiscal year. I think you guided to 600 in fiscal '21 which would be 12% growth and you mentioned that being down from 15% prior. So hoping you could talk broadly on the gating factor so faster growth whether it's just a larger base or the real estate is lacking or partners need to be ramped or may be consumer demand isn't that strong. Just trying to get a sense for the ability to or why not be able to accelerate that?

And then separately the MSR number you mentioned, I think you mentioned in China that $13.5 million today that's up, I think, it's a 35% from just a quarter earlier. Seems like it's quickly catching up to the U.S. number. Just wondering what drive that China growth and maybe what could be shared with the U.S. to accelerate the U.S. numbers? Thank you.

A - Kevin Johnson {BIO 3773960 <GO>}

John, why don't you take the China question, then I'll add a little bit of perspective.

A - John Culver {BIO 15817924 <GO>}

Okay, great. Jeffrey, thanks for the question. First off, let me just be clear on store growth as it relates to China. We will continue to grow and accelerate the net new stores over the course of the next three years. And make no doubt about it, there is a huge runway for growth in China as it relates to new stores. New stores drive roughly 70% of our top line revenue growth and we want to continue to accelerate that. What you are seeing is the fact of what you mentioned Jeffrey that as we continue to grow, we get to a larger base, so we've brought down slightly to the low-teens our growth rate going forward. But make no doubt about it, we see a tremendous runway for growth. What you saw in the fourth quarter was the re-acceleration impact from the delay that we went through last year as it relates to COVID. And you'll see this year that our growth from new stores will be much more evenly based quarter to quarter as we look to this year.

Now when you look at digital, digital was a huge uptick for us with this past fiscal year. And if there is one silver lining coming out of COVID was the fact that as we introduced contactless payment in our stores or contact -- the contactless experience in our stores, customers went to our digital app and digital orders increased, actually digital orders now account for 26% of transactions. And as I shared that was more than double than where we were last year at this time. Mobile Order & Pay, mobile order and delivery, each of those account for about 13% of the transaction levels as it relates to digital transactions. So what we've been able to do is we've been able to up level our Starbucks Rewards program. We've been able to increase the relevancy of our app and the accessibility. We've built the app across multiple platforms in China now, where customers can get to it a lot easier and we're seeing the benefits of that where customers are digitally engaging with us and really driving incremental growth for us as a company. So we're very optimistic that the digital flywheel is enhancing the third place and enhancing the overall experience for Starbucks, and it's what the customers want.

A - Kevin Johnson {BIO 3773960 <GO>}

Thanks, John. Let me just set some context on why we believe this net new store growth is possible and so important. And then Roz I'll hand it over to you to take the second part of his question on U.S. digital flywheel. As I mentioned in the opening, the coffee addressable market is projected to grow at roughly a 5% to 6% CAGR over the next several years to $450 billion addressable market. Now within that addressable market, there is also a mixed shift going from mainstream Robusta coffee to premium Arabica coffee. So the combination of the growing addressable market, the mix shift to premium coffee and the fact that we establish and build the Starbucks brand store by store and the experience that we create in those stores around the world. So you look at that growing addressable market, you look at that mix shift to premium Arabica coffee, that's why we see net new store growth in every market. John spoke about it in China, Roz spoke about in the U.S., Michael talked about it with our international markets around the world and Pat even summarized by 2030, this view that we would be at 55,000 Starbucks stores. And so what we are seeing as we come out of the pandemic, there is a little bit of a pause in the net new store development while markets are dealing with the pandemic, and as soon as that gets under control a bit and what we've seen certainly in China and we're seeing it now happening in the U.S. and other markets is that net new store development starts to take off.

So we're very optimistic about the future of our ability to grow our net new store count. I do believe that this growing addressable market for coffee will continue. I do believe that the focus we have on the customer experience, on beverage innovation, on digital customer relationships and the investments we have made in Starbucks partners is going to fuel our ability to continue to grow our stores around the world.

And so with that, Roz, I'll let you comment on the second part of his question which had to do with digital flywheel in the U.S.

A - Roz Brewer {BIO 15034309 <GO>}

Sure. Thank you, Kevin. So a couple of things to think about as we stated as we were exiting in Q4 that we expect comp growth to be between 17% and 22% as we get through fiscal year 21. It's going to come in two forms both efficiency and in new demand. And from an efficiency standpoint, we're seeing growth in our most productive models like drive through. We're also seeing growth in the application of options from our digital flywheel. For instance, mobile order and pay, we have one -- four transactions right now coming from mobile order and pay. We also have growth in our new SFE that was just announced and that starts for everyone that was announced in September. And as we grow new members, we know that that grows the business overall. Also two, we're also seeing great improvement in our new platforms and so new platforms in the form of curbside and delivery. And those are two new platforms that we were already working on prior to COVID and are now accelerating as we've gotten through this time frame.

We're also expecting a repositioning of our store portfolio in the U.S. through our trade area transformation work and that significant work for us. We talked about the 800 store closures, but in those closures is repositioning from everything from a convenience model to the range to our full service reserve stores. And so we will be creating a portfolio of stores that really meets the customer where they want to address their coffee needs. And so we're excited about that, it's continued growth for us and it keeps us on the trajectory to meet the numbers that Pat disclosed earlier.

Operator

Your next question comes from the line of John Glass with Morgan Stanley. Please proceed with your question.

Q - John Glass {BIO 2450459 <GO>}

Hi, thanks very much. (inaudible), you mentioned a few times in your talk about using AI Artificial Intelligence, I think you talked about it using the drive through I think in your earlier call -- in your fourth quarter call, you talked about using that also to sort of help zoom in on individual store and consumer behaviors. Can you just amplify or expand maybe on the AI sort of capabilities that you have and specific to the U.S. stores, digital pickup or mobile with the pickup through the drive (Technical Difficulty) digital pickup or mobile order pickup through the drive (Technical Difficulty)

A - Roz Brewer {BIO 15034309 <GO>}

(Technical Difficulty) As best we can and then applying that to either their preference for ordering or how we develop beverages or how we create new stores. So you'll see it in the form of the efficiency of our drive throughs. So you'll see handheld POS, which we have in a number of stores and it's growing throughout the year. You will also see us do some work that's more deliberate around the design of our drive throughs too that will have us -- allow us to do a two-lane drive through and the technology behind that. It will also enable some of the efficiencies in the store. So understanding preventive maintenance on our equipment. So our espresso machine, so that we can reduce downtime in the stores and provide an opportunity for our partners to really interact with our customers, and we know when we grow customer connection it grows the business. So we will use AI in so many different ways in our store to enable either efficiency or either to improve productivity for the different aspects that are coming on in the new platforms.

Operator

Your next question comes from the line of John Ivankoe with JPMorgan. Please proceed with your question.

Q - John Ivankoe {BIO 1556651 <GO>}

Hi. Great. The first a near-term one and the second maybe a little bit more medium term. First on the near term, I do know the Starbucks Card has been a very important gift across the United States for many years, I don't know, 20 now. Could you kind of -- especially as it relates to kind of be pulling March quarter sales and obviously converts many people on to a digital program, what have you? Could you comment on what the initiatives are in December 2020 for you to have a good month relative to previous years is the first question? And then if there is any risk that in fact we don't have a good month?

And then secondly, as it relates to closures of relevant competitors whether in center cities or suburbs or some of the fourth wave concepts that have kind of common how much effective supply that really maybe on the margin in hindsight took some of the Starbucks its customer base is actually going to close that you could potentially get benefit from as we come out of the other end of this? Thank you.

A - Kevin Johnson {BIO 3773960 <GO>}

Roz, do you want to take the first part of his question on holiday strategies in the U.S. and maybe John, you do the same on China.

A - Roz Brewer {BIO 15034309 <GO>}

Sure. So let's start with the holiday strategy. So we've been fortunate to use our app to remind our Starbucks Rewards customers of gift cards and we have seen a nice performance of our gift card so far throughout the season. Great displays in stores where you can still walk into stores and then also through their digital menu boards as you go through drive throughs. So through our app performance, we're able to really put the gift card back in front of customers and then have them walk into stores that are available for walk-in, and we have a considerable number of our stores available for walk-in as well as drive through, so gift cards are on well display. I'll also mention that it's been really exciting to see how customers when they are in the stores and I was working store last Friday and groups coming in buying family gift card. So we feel pretty confident about gift card sales this season in the U.S.

A - John Culver {BIO 15817924 <GO>}

Yeah, John for China, obviously we look at the holiday is a critical time period for us across the entire business. Gift cards in China aren't nearly as relevant as they are in the U.S. And what we see in China is the digital gifting. And so you're seeing a lot of digital gifting take place, which is great to see and all indications are that we're having a strong performance for the holiday season. And then more importantly in China is the merchandise, we sell a lot more merchandise in China and in Asia overall than we do in the U.S. and generally it's must have merchandise for customers. And so we're continuing to sell that in addition to the trio of holiday beverages that we normally offer. So all in all, we are setting up what we feel is going to be a great holiday season for us in China.

A - Kevin Johnson {BIO 3773960 <GO>}

And John let me take your question on competition. Look, we have always had a lot of competitors in this particular space, and we always will. Our focus has been on doing what we believe define Starbucks and what is uniquely differentiators of the experience that we create for our customers. So our focus on investing and creating a great experience for our partners because we know they create a great experience for our customers. The investments and the focus that we have on customer experience, beverage innovation and digital customer relationships are all focused on those five consumer shifting trends that I described sort of in the opening, and we believe that by doing that and doing that well we earn those customer visits and we do it each and every day.

Now I'm pretty optimistic that as vaccines rollout and as the pandemic begins to shift into a different phase that certainly as we started opening limited seating in our stores with very limited seating it was immediate, customers were there, they want to be a part of a community, it was sort of that first consumer trend that I described. This social recession has affected everyone on this planet and Starbucks is and will become destination number one for community, in my opinion. And so we are positioned to do that and do that well, and by doing that, we earn every one of those customer occasions by delivering a great experience.

Now I'll also comment that there are many people that are really hurting right now. There is many people in this country around the world who are unemployed, there's many small businesses that are hurting and this is where, in the United States, we need Congress to take action and we've been very clear and supportive of a relief bill that helps all small businesses including independent coffee shops. And so I want to separate sort of the pain that small businesses and many people in this country and around the world are going through from sort of -- this is not a competition, we are grounded in humanity and we want to do what we can to create a great experience for our customers and it starts by how we take care of our partners, and we believe we're every step of the way, we have prioritized the three principles that have guided us throughout this pandemic and I think that will serve us well as we come out of this.

Operator

Your next question comes from the line of David Palmer with Evercore ISI. Please proceed with your question.

Q - David Palmer {BIO 6061984 <GO>}

Thanks. A question maybe for Pat, but you could broaden it to everybody including Roz, I'm thinking about the U.S. here, when you're thinking about the sales and profit per store in '22 sort of the post-COVID time and you're comparing that to the pre-COVID year of fiscal '19, what sort of stacked growth, what sort of comparative growth would you be thinking about for that year. And I'm sure, there's a tremendous number of factors you were thinking about and it's tough to guide, but clearly, you had great momentum at the beginning of this fiscal year to pre-COVID and there's going to be some lingering weakness in places like urban centers and travel, but there is pent-up demand and you're doing a lot of great stuff on cold beverage. So how should we think about that multiyear growth as you're thinking about it? Thanks.

A - Patrick Grismer {BIO 15965217 <GO>}

David, very good question in terms of the progression of our profitability, particularly coming out of the COVID pandemic. And as you know, we announced back in June, the acceleration of our trade area transformation initiative, capitalizing on the opportunity to transform the phase of our retail business here in the U.S. and that is contributing to sales and margin improvements this year that will extend then into the following year and will be a fundamental part of how we are able to land the long-term growth model that I described both in terms of the improved same-store sales or comp sales growth, range of 4% to 5% as well as helping us land in that new range of margin of 18% to 19%.

Now how you think about fiscal '22 versus fiscal '19, I would actually suggest that you monitor our business this year, that is fiscal '21 in relation to fiscal '19, as we begin to lap the impacts of COVID from last year, because as we begin to do that in the U.S. toward the end of March and in China in the month of February, what you're going to see a one-year comps that someone might describe as monster comps, because they're lapping significant negative comps from the year before. It's not as simple as doing the addition and looking at a two-year stack, given the magnitude of these individual comps, both positive and negative. You have to look at a compound annual two-year growth rate and that's what we're going to be monitoring. We would expect that as we begin to lap those impacts from last year, we will see a two-year compound annual growth rate that will reflect healthy growth, that will then normalize to this range of 4% to 5% as we move into fiscal '22.

Coinciding with that, we would expect to see very significant improvements in unit level profitability both as a consequence of the sales recovery and capitalizing on the improvements we've made in store productivity even through the pandemic coupled with the incremental impacts of the trade area of transformation which through a change in the composition of our store base will read out lower performing stores, will introduce more high volume, high margin stores like drive throughs and collectively those will transform the face of our retail business, our company-owned retail business here in the U.S. So it's really a collection of those factors that would contribute to the improvements in sales and margin. But as you're thinking about how best to assess the progress we're making, I would point you to, two-year comps on a multiplicative not additive basis as we begin to lap the effects of COVID from last year and that's -- we're going to be focusing on and will draw investor attention to when we reach that point with our businesses.

A - Kevin Johnson {BIO 3773960 <GO>}

Roz anything else you want to add?

A - Roz Brewer {BIO 15034309 <GO>}

No, I think Pat you summarized it extremely well. Thank you.

Operator

Your next question comes from the line of Sharon Zackfia with William Blair. Please proceed with your question.

Q - Sharon Zackfia {BIO 4804954 <GO>}

Hi, good afternoon. I guess given the focus in the U.S. on the drive through format, I'd be curious to know kind of where your drive through format is trending today in terms of throughput and how that compares relative to the year ago. And frankly, how fast do you envision the drive through could potentially be and how do you get there?

A - Kevin Johnson {BIO 3773960 <GO>}

Roz you can take that and maybe talk about some of the initiatives you guys have been doing to improve throughput

A - Roz Brewer {BIO 15034309 <GO>}

Sure. So first of all, as I mentioned, drive through is one of our most productive units that we have in the entire fleet. And we continue to build those through our portfolio. And so the tactics that we have range from actually looking at our current standing operating procedures and optimizing those and that's things like making sure that we have equipment placed really close in line where the Barista can really have great movement and very efficient movement. So that's current standing operating principles that we have on the current model.

And then secondly, we're looking at model shifts. And in that model shift, what we're looking at are things as significant as a side-by-side lane drive through. And also the handheld POS that we have that are coming into the stores right now and we're seeing great improvement in terms of out the window times as we really create an opportunity to rush that line through. I would also add in that is that we're looking at other things to simplify inside the store, so reducing complexity in the model of things as simple as what are the beverage preparations and food preparations looking at ovens and with faster speed times, and the AI that we're applying to our equipment in the stores, all of that will lead to improvement in efficiency and the drive through as we go through a process of looking at where we are right now with the current units that we have and then creating new formats that really optimize that convenience work that we're doing. So that's the really totality of the work that we're doing around drive through to improve out the window times.

Operator

Your next question comes from the line of Brian Bittner with Oppenheimer & Company. Please proceed with your question.

Q - Brian Bittner {BIO 17258322 <GO>}

Thanks. Wishing everyone a very safe and very happy holiday season. My question is for Pat and it's a follow-up on the company's enterprise level EBIT margins, you obviously had the previous target in that 17% to 18% range and you did raise that to 18% to 19% today. And the question is how much of this margin change versus the old guidance is directly related to the changes in your business mix that are accretive to the enterprise such as the upcoming closing of the underperforming stores and the channel development margin structure change versus how much of the change in guidance is really related to just fundamentally better profit profile of the company related to drivers on the operating side of the equation?

A - Patrick Grismer {BIO 15965217 <GO>}

Yes, Brian Very good question as we've communicated previously the impact of trade area transformation this year is quite meaningful from a margin perspective given the cadence of store closures and new store openings with new store openings very heavily weighted toward the high volume, high margin drive throughs. So it changes the overall composition of our retail business, our company-owned retail business, and we expect that that will deliver around a 40 basis point margin improvement for fiscal '21 and so that provides us a good foundation to build on through then the inner workings of our growth model as it relates to how we leverage sales growth, benefit from productivity improvements, additional G&A efficiency and supply chain savings to help further pay for the very significant investments we're looking to make in our people positive agenda and our planet positive agenda in the interest of strengthening our brand, which is fundamental to our ability to achieve the higher level of ongoing comp sales growth. So the two are interrelated.

And it is then the interplay of the tailwinds that I mentioned to help pay for the headwinds in terms of the investments and how those tend to weigh on operating margin, that lands us in a place where we're able to achieve those incremental annual improvements in non-GAAP operating margin that initially land us toward the bottom end of that 18% to 19% range and at the end of the three-year planning timeframe get us to the high end of that 18% to 19% range. So we do get a lift, a boost, if you will, from trade area transformation, but then it is the way that we've designed our ongoing growth model with the pacing and sequencing of investments to drive top line growth to yield the incremental annual margin improvement that sustains operating margin in that new range of 18% to 19%.

Operator

Your next question comes from the line of Gregory Francfort with Bank of America. Please proceed with your question.

Q - Gregory Francfort {BIO 22252878 <GO>}

Hey. (inaudible) question and thanks for all the detail. My question is in terms of looking at the margins after the pandemic versus before and this stepped up guys date in the 90%, how much of that is driven by a greater assumption in terms of the digital mix and I don't know the way to answer it is by what the difference in margin between a digital transaction and a non-digital transaction is. But can you maybe frame up how much that might be benefiting the multiyear margin benefit? Thanks.

A - Kevin Johnson {BIO 3773960 <GO>}

Well, let me just comment and then maybe I'll let Pat add some numerical perspective. Certainly when a customer orders on the mobile app, that is a bit more efficient. Today you think customers want safe familiar convenient experience is, it is the most convenient safest way and its personalized, it's very familiar. And so certainly ordering on that mobile app is the most efficient way to order. But that's just one piece of it. I don't think we've quantified in terms of how much -- what the impact is on margin from that. But one thing I do expect, I do expect we are going to have more and more digital customer relationships. Those relationships will lead to deeper interactions and more frequency as we always see and so much of the digital relationship is more about complementing the in-store experience that we create with a digital customer relationships so we can drive deeper intimacy and a personalized relationship with the customer. Most of it is really about driving customer relationships less about driving efficiency.

A - Patrick Grismer {BIO 15965217 <GO>}

That's exactly right. And while it is true that we do see some incremental efficiencies associated with the higher mix of digital sales contributing to our total sales growth, that provides us the leverage to achieve higher levels of operating margin. It's also true that with our digital platform, we're expanding our Starbucks Rewards membership which means that we're granting more rewards. And there is a cost associated with that to provide the outstanding value that customers have come to expect from our rewards program. So that tends to be a bit of an offset to some of the other efficiencies that we might gain from an operating perspective as a consequence of a higher mix of digital orders when we're looking at the total sales.

A - Kevin Johnson {BIO 3773960 <GO>}

Roz anything else you want to add on that one, Roz.

A - Roz Brewer {BIO 15034309 <GO>}

The only thing I would say is that it's the addition of stars for everyone also gives us the ability to grow our Starbucks Reward members. And so as you think about this to think about how there is new demand coming on top of this through stars for everyone. So not only the equation of what's more efficient, what cost more, just think about where our growth is coming from and we're seeing growth in that area and we'll continue as we improve our digital flywheel.

Operator

Your next question comes from the line of Chris O'Cull with Stifel. Please proceed with your question.

Q - Chris O'Cull

Thanks and good afternoon. My question relates to the planet positive agenda, the company is clearly investing heavily to address its environmental responsibility. So I was hoping you could provide some of the consumer research the company's conducted related to this effort? And specifically how large is the opportunity to address the customers who would increase their usage of Starbucks if it did more to address environmental issues? And then just second part of my question is how significant are plant based beverage options today and what's your sense as to where that mix could go over the next few years?

A - Kevin Johnson {BIO 3773960 <GO>}

Yeah, let me start by sort of framing a macro view of what we're doing on planet positive and maybe Roz, I'll hand over to you to talk a little bit about sort of some of the specific things we see in the U.S. on that and maybe John, you can comment on China as well.

First of all on the research that we've done. This is something that resonates with our Starbucks partners and it resonates with our customers. In fact it was two years ago --

a little over two years ago that we announced that we were going to eliminate plastic straws as the default in our cold beverages and shift to our straw-less lids. We still have straws for those customers that request them, there are certain customers with disabilities that need those straws. But we were shifting to paper straws to compostable sorts of straws. The day we announced that move to eliminate those plastic straws is the default by 2020.

The volume of positive customer feedback that we got was phenomenal, I mean, it was billions of people around the planet sharing this on. And so we know through the research that we've done that this is something that resonates with our partners, it resonates with our customers. And candidly, it's something that I believe businesses, citizens and government leaders have to unite on, if we're going to make a difference on this.

Now we did a full audit of our carbon footprint, our waste footprint as well as our water usage, and we published that information in January when we launched this initiative and we set certain targets to reduce our carbon footprint by 50%, reduce our waste by 50% and reduce the amount of water that we are consuming as we process green coffee by 50% by the year 2030. And so if you think about where this really starts to have intersection with the things that show up in our stores, the two biggest contributors to our carbon footprint are coffee and dairy. And part of this is that we can help coffee farmers around the world improve the yield on their crops and continue to grow high quality of Arabica but improve the yield. We can meet the growing demand for coffee without additional deforestation, that is a key priority we have and Michelle in our Coffee team they're on it. They've got some great things that they're launching, in fact, our agronomy research at (inaudible) has figured out how to improve the yield of a coffee an Arabica coffee by something like 5 times to 10 times and it has to do with good agronomy practices and soil sampling and we're going to reach out and help teach farmers how to do that.

Now by doing that we not only help reduce the carbon footprint, but we also help those farming families that are managing those farms improve their economic prosperity, and we can continue to get high quality Arabica coffee to meet demand. So we look at initiatives like that. When you think about plant based now certainly Roz, I hand over to you to comment a little bit about what we're seeing on beverage for plant based milks and also some of the plant based food offerings and then, John, you talked about good, good.

A - Roz Brewer {BIO 15034309 <GO>}

Sure. So in our fourth quarter numbers we talked about the growing attachment of food to our ticket. Primarily that was coming from our breakfast platform with the introduction of our new plant-based breakfast sandwiches both in the U.S. and Canada and so we've seen some improvement there. The way we look at this is not as the number of vegans and number of vegetarians, we look at this in terms of the number of flexitarians, because we also notice that people like to indulge in one part of the day and then be healthy at the other part of the day. So we're seeing that one, our breakfast platform is very attractive to our customer base throughout the day.

Secondly, they do want to balance the health of their diet and they're doing so through plant-based, and we're seeing that improvement in our food attach. And then also with beverage, when we think about our beverage innovation going from soya to almond to milk to oak milk which we have regional and it's going national. We're seeing higher demand and we're also seeing that there is ways to flex the amount of sugar added to beverages, which is also interesting as we look at different plant-based milk solutions for our beverages. So those are continuing to grow from us for us. And also two, I will tell you that the work that we're doing in terms of knowing our customer better and their preferences is allowing us to look at how fast we can grow and what their demands are, and as they look at the day of the profile of the day or their preference for either something that's healthier in their diet. And so we're learning from the customer moving in their stead and then applying what we learn around our breakfast platform and our beverage innovation.

A - John Culver {BIO 15817924 <GO>}

And for China, we continue to see good uptick on our GOOD GOOD campaign and GOOD GOOD initiative. We've launched across the entire market beyond meat plant-based menu and it is going very well for us, we're very pleased and we're going to continue to innovate in that space. We're the first retailer of our size and scale to bring this into the market and we're effectively educating the consumers in China on this plant-based alternative. In addition, what we're seeing which is really encouraging is the uptick of oat milk and we've launched that across the entire portfolio, we're seeing very strong momentum with that and we're going to continue to innovate on the GOOD GOOD campaign and the GOOD GOOD opportunity that we see.

Operator

Your next question comes from the line of Lauren Silberman with Credit Suisse. Please proceed with your question.

Q - Lauren Silberman {BIO 19805519 <GO>}

Thank you. Kevin, you highlighted earlier that Starbucks is one of the few companies that are key to people's daily lives. Starbucks seems to have one of the most frequent customer bases in restaurants in part because of the habitual nature of coffee and breakfast, but also just a high level brand affinity. Can you quantify the level of frequency of the Starbucks Reward customers? So how many times they come to Starbucks per month or whatever time period relative to a non-Rewards member? And then just high level to what extent do you expect Rewards customers to contribute to year fortified U.S. comp target over the next few years relative to the contribution over the prior few years?

A - Kevin Johnson {BIO 3773960 <GO>}

Yeah, let me just -- the high level number without -- I don't have the exact frequency, but I do know it's roughly 4 times the first year that a non-Rewards customer becomes a rewards customer. It's 4 times the amount of annual spend with Starbucks in as a Rewards member versus before being a Rewards member and much of that is increased customer visits, increased customer occasions and certainly some of it is increased ticket, but 4x is the number as we convert those. Now certainly I think we've got a big opportunity to continue to expand the number of Rewards customers and the number of active Rewards customers that we have in the program. And I think Roz highlighted a great step forward that was launched earlier this year and starts for everyone, which made it easy for customers to use whatever payment vehicle they wanted to join rewards and we have a number of other things that we will focus on as we innovate to expand digital customer relationships. But certainly we -- this is a world of hyper personalization and to deliver hyper personalization having that first party known customer data and then building that customer relationship as part of the future of modern day retail and I think Starbucks has taken a leadership position. But candidly, there is so much more that we can and will do and we're going to continue to push the envelope on this because it's important and it allows us to really build that customer loyalty, it allows us to elevate the experience we deliver to them and it allows us to do it in a very personalized way.

A - Patrick Grismer {BIO 15965217 <GO>}

Kevin if I can just interject at this stage. The 4 times is relative to some of the less frequent or more occasional customers. I think when we look at the total population of Starbucks Rewards to non-Starbucks Rewards upon conversion it's closer to about a 3 times, but the 4 times versus the...

A - Kevin Johnson {BIO 3773960 <GO>}

4 times for occasional and 3 times for someone who is more frequent, right. So that will give you a sense of how that really does deepen the relationship.

Operator

The last question comes from Fred Wightman with Wolfe. Please proceed with your question.

Q - Fred Wightman {BIO 20893264 <GO>}

Perfect. Thanks guys. It was really helpful to get the update on the ROIs that you're seeing in the U.S. store base. But can you talk about how that might evolve as you shift some of the development away from the cafe type units towards more of a drive through in some of the newer pickup formats?

A - Kevin Johnson {BIO 3773960 <GO>}

Let me -- I'll hand over to Pat to give you some of the numbers, but just keep in mind, those drive through formats also have the cafe seating area, the vast majority of them do, they're not just driver throughs. It's a combination cafe drive through and those are some of our highest volume stores and some of our most profitable stores. So, Pat...

A - Patrick Grismer {BIO 15965217 <GO>}

Yes. So the 50% average return on investment is a portfolio average but as our new store portfolio is dominated by drive throughs which make up more than 80% of our new store development currently that is more reflective of what we see with drive through locations. It is true that we do see slightly lower returns at our traditional cafes and when we're looking at some of the newer formats whether the pickup format or the curbside format as a stand-alone store, we also see slightly lower returns, but nonetheless, well above our cost of capital. And therefore with all of these store types as we embark upon store development, we're creating significant shareholder value.

Well, I want to -- first of all, thank you all for the questions and this wraps up the time that we have here today for the Q&A as this part of the conference. So we really look forward to sharing more with you in the New Year. I think our January -- our Q1 earnings call is tentatively scheduled for January 26th. And on behalf of Starbucks and the Starbucks leadership team, we want to thank you all for your time, your attention, your questions and your interest in Starbucks. And we want to wish all of you the very best for the coming holidays and for this new year and we'll look forward to speaking with you again in January.

Thank you, everyone.