
Starbucks's Loyalty Reigns

Howard D. Schultz, chief executive of the Starbucks Corporation, recognized early, in 2013, that “We are witnessing a seismic change in consumer behavior. That change is being brought about by technology and the access people have to information.”¹ At that point, his company had a market capitalization of approximately \$43 billion. He attributed this record-high stock price to not simply the store experience across 66 countries,² nor the consistent flavors delivered in white cups that had customers’ first names scribbled in black marker just under the white tops, but also to the digital experience.

Starbucks (NASDAQ: SBUX) was no stranger to loyalty. The Starbucks Rewards program, formerly named My Starbucks Rewards (MSR), existed first as a swipeable points system on what looked like a store credit card. As mobile applications (known as apps) began to grow in popularity, Starbucks launched its app in 2011 and quickly determined that it could drive its loyal customers to increase their purchase frequency and average order size.

By July 2015, 20% of Starbucks’s payments in the United States came through its mobile app; according to the company, the app was not only driving loyalty but also introducing new customers to the brand. Customer traffic had increased on the scale of 23 million new transactions compared to the same quarter the prior year, and company profits had passed \$627 million.³ (See **Exhibit 1**.) The app was no longer a novel tool for the most caffeine-addicted followers, but had become an essential part of the company’s operations. Starbucks would need to keep innovating to maintain the enthusiasm and growth. But how much could an app really do?

Accustomed to Innovation

Starbucks had benefited from Schultz’s vision since he acquired the company in 1987. From the beginning, Schultz promised to deliver a sustainable economic model by being a leader in sourcing beans ethically and minimizing the environmental impact of the organization.⁴ He said, “I think the private sector simply has to take a larger role than they have in the past. Our responsibility goes beyond the P&L and our

¹ Bruce Horowitz, “Starbucks CEO Schultz on Digital Innovation,” USA Today, April 25, 2013, <http://www.usatoday.com/story/money/business/2013/04/24/starbucks-howard-schultz-innovators/2047655/> (accessed Jan. 15, 2016).

² Jim Tierney, “My Starbucks Rewards Loyalty Program Membership Jumps Nearly 30%,” Loyalty 360, July 27, 2015, <http://loyalty360.org/resources/article/my-starbucks-rewards-loyalty-program-membership> (accessed Jan. 15, 2016).

³ Stephanie Strom, “Starbucks Profit Jumps 22%; Chief Cites Increase in Customer Traffic,” *New York Times*, July 23, 2015, <http://www.nytimes.com/2015/07/24/business/starbucks-profit-jumps-22-chief-cites-increase-in-customer-traffic.html> (accessed Jan. 15, 2016).

⁴ Julia Hanna, “Starbucks, Reinvented: A Seven-Year Study on Schultz, Strategy and Reinventing a Brilliant Brand,” *Forbes*, August 25, 2014, <http://www.forbes.com/sites/hbsworkingknowledge/2014/08/25/starbucks-reinvented/> (accessed Jan. 15, 2016).

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stock price.”⁵ Early in the 1990s, Starbucks was a growth darling recognized for creating a positive work culture. Schultz defined benefits-eligible employees as those working 20 hours per week—not 40—and employees could get 401(k) matching funds, bonuses, and health coverage.⁶ In 2015, he introduced four years of tuition coverage for a spouse or child of benefits-eligible employees who were U.S. veterans.⁷ Schultz explained his rationale in this investment in his book, *Onward*, “[Employees] are the true ambassadors of our brand...Give them reasons to believe in their work and that they’re part of a larger mission...they’ll in turn personally elevate the experience for each customer—something you can hardly accomplish with a billboard or a 30-second spot.”⁸

Customers also benefited from Schultz’s commitment to innovation. Starbucks offered Wi-Fi in stores beginning in 2002 and partnered with Apple in 2007 to provide free access to iTunes Music. Sales followed, so the company continued to expand its technology focus to include more content, loyalty rewards, and eventually payments.⁹

Starbucks was a \$20 billion company with more than 23,000 locations by November 2015.¹⁰ CFO Scott Maw was committed to both “strategic and frankly aggressive” cost cutting—by at least 15%—and sales growth—by 10%. A 2015 introduction that helped this a great deal was what Starbucks called “Mobile Order & Pay.” Customers who had the loyalty app could receive a constant stream of incentives and marketing communications, and could also order through the app and conduct their transaction through it. Customers placed an order and paid for it without speaking to a Starbucks employee, and they were placing up to 7 million orders per week within three months.¹¹ According to Maw, the company not only tried to identify revenue drivers, but then invest in them quickly, and reinvest in initiatives with high return on investment expediently.¹² This had enabled an organization of such size to remain nimble.

Star Loyalty

The Starbucks app offered a range of features, such as a store locator and payment management. Users set up Mobile Order & Pay by linking their app to a credit card or PayPal account and loaded money onto the tool so it worked like a debit card. There was an optional feature to automatically re-fund the tool if the balance dipped too low, and users could tip via the app as well.¹³ A message center allowed Starbucks to push user communications ranging from usability tips to new menu offerings. And the Gift tab enabled users to

⁵ “Howard Schultz Has a Radical Plan for Starbucks—and America,” *TIME*, February 5, 2015, <http://time.com/3696580/howard-schultz-starbucks-america/> (accessed Jan. 15, 2016).

⁶ “Working at Starbucks,” Starbucks website, <http://www.starbucks.com/careers/working-at-starbucks> (accessed Jan. 15, 2016).

⁷ Micah Solomon, “Starbucks Offers All Veteran Employees Free College for Their Spouse or Child,” *Forbes*, November 9, 2015, <http://www.forbes.com/sites/micahsolomon/2015/11/09/starbucks-to-veterans-well-send-your-spouse-or-child-and-you-to-college-100-free/> (accessed Jan. 15, 2016).

⁸ Gianluigi Cuccureddu, “Starbucks CEO Howard Schultz: ‘Employees Are The True Ambassadors of Our Brand,’” *Damarque*, October 22, 2012, <http://www.damarque.com/blog/gianluigi-cuccureddu/starbucks-ceo-howard-schultz-employees-are-true-ambassadors-our-brand>; tinageisel, “Social Media and Employee Engagement: The Starbucks Example,” *Social Media for Business Performance*, February 1, 2015, <http://smbp.uwaterloo.ca/2015/02/social-media-and-employee-engagement-the-starbucks-example/>; Sally Ann Moyer, “4 Tips for Increasing Employee Engagement from Starbucks,” *Profiles International*, October 26, 2012, <http://info.profilesinternational.com/profiles-employee-assessment-blog/bid/110465/4-Tips-for-Increasing-Employee-Engagement-from-Starbucks>; Paul J. Roberts, “Developing a Customer Led Business and Experience,” *Roberts Sports*, <http://roberts-sports.com/customer-led-business/> (all accessed Jan. 15, 2016).

⁹ Davey Alba, “Starbucks’ Grande Plan: Selling Coffee via Apps,” *Wired*, November 3, 2015, <http://www.wired.com/2015/11/no-one-is-killing-it-with-retail-store-apps-like-starbucks/> (accessed Jan. 15, 2016).

¹⁰ Kathryn Dill, “The 10 Happiest Retailers to Work for This Year,” *Forbes*, November 17, 2015, <http://www.forbes.com/sites/kathryndill/2015/11/17/the-10-happiest-retailers-to-work-for-this-year/> (accessed Jan. 15, 2016).

¹¹ Jose Pagliery, “Hackers are Draining Bank Accounts via the Starbucks App,” *CNN Money*, May 14, 2015, <http://money.cnn.com/2015/05/13/technology/hackers-starbucks-app/> (accessed Jan. 15, 2016).

¹² Asit Sharma, “The Well-Placed Aggression of Starbucks Corporation,” *The Motley Fool*, December 6, 2015, <http://www.fool.com/investing/general/2015/12/06/starbucks-well-placed-aggression.aspx> (accessed Jan. 15, 2016).

¹³ “Why Is the Starbucks App the Most Successful Mobile Payment System in the US?,” *Go Find It News* (blog), September 25, 2014, <http://gofindit.tumblr.com/post/98390529619/why-is-the-starbucks-app-the-most-successful> (accessed Jan. 15, 2016).

select from various artwork—featuring themes from Happy Birthday to Thank You—and then send a digital Starbucks card to any e-mail address with just a few taps on a mobile device.

The Rewards screen tracked how many “Stars” the user had earned and how many more Stars he or she needed to achieve the next rewards level. Most activity took place at Starbucks stores and shops within larger stores—such as a Starbucks inside a Target store—but users could also earn Stars by purchasing tea or coffee products at the Starbucks online store, by purchasing some specially marked Starbucks products from grocery stores, and by shopping at La Boulange. The app’s history tool tracked purchases, Stars earned on each purchase, and card reloads. The rewards themselves were most commonly drinks and food from a Starbucks outlet, but Starbucks took advantage of this audience by sending custom offers to e-mail subscribers and also giving app users glimpses at new products before customers who did not use Starbucks Rewards saw them in stores.¹⁴ Via a partnership with iTunes, a Starbucks Pick of the Week was a free app or piece of digital content that was downloadable in stores only and required use of the app.¹⁵ The company continually tested additional content as app content perks, such as in-store access to *New York Times* articles.¹⁶

There were two reward levels: Green and Gold. At the Green level, users got such privileges as birthday perks and free in-store brewed coffee and tea refills. To reach the Gold level, shoppers collected enough stars every 12 months, earning a free personalized Gold Card and more opportunities for free food and drinks.¹⁷

Enabled by Mobile

Starbucks capitalized on mobile device adoption rates worldwide. The first edition of its mobile app in 2011 was essentially a digital version of the Starbucks Card. The adoption rate was so encouraging that the company continued to invest in the app.

In 2012, Starbucks had made a big bet on Square by investing \$25 million in the payments start-up.¹⁸ This investment streamlined the store experience and eventually enabled the Mobile Order & Pay feature of the app. Starbucks earned the title of 2012 mobile marketer of the year, after also having won it in 2010, for its innovations in creating two-way communications with customers via SMS and for its strategic use of QR codes. The company drove opt-ins with special offers and encouraged users to text specific codes to receive discounts.¹⁹

By 2013, customers could access the app by shaking their mobile device and also tip baristas via the tool.²⁰ The company served mobile ads using Mobile Rich Media Ad Interface Definitions (MRAID), and the geolocation tracking incentivized users to visit the nearest shop.²¹

¹⁴ “My Starbucks Rewards,” Starbucks website, <https://www.starbucks.com/card/rewards>; “Starbucks,” iTunes app store, <https://itunes.apple.com/us/app/starbucks/id331177714?mt=8> (all accessed Jan. 15, 2016).

¹⁵ Nick Summers, “Goodbye, Printed Cards: Starbucks Now Offers Free ‘Pick of the Week’ Apps and Books from Its iOS App,” *The Next Web*, April 9, 2013, <http://thenextweb.com/insider/2013/04/09/starbucks-to-offer-pick-of-the-week-app-and-book-downloads-from-inside-its-own-app/#gref> (accessed Jan. 15, 2016).

¹⁶ Joe Pino, “Loyalty Lessons from Starbucks’ *New York Times* Reward,” *Clutch*, August 26, 2015, <https://www.clutch.com/loyalty-lessons-from-starbucks-new-york-times-rewards/> (accessed Jan. 15, 2016).

¹⁷ <https://www.starbucks.com/card/rewards>; and “The New Starbucks Rewards,” Starbucks website, <http://morestars.starbucks.com/> (accessed Mar. 1, 2016).

¹⁸ Marcus Wohlsen, “Square Launches at Starbucks—You Think You Won’t Use It, But You Will,” *Wired*, November 8, 2012, <http://www.wired.com/2012/11/square-launches-at-starbucks/> (accessed Jan. 15, 2016).

¹⁹ Rimma Kats, “Starbucks Is 2012 Mobile Marketer of the Year,” *Mobile Marketer*, December 31, 2012, <http://www.mobilemarketer.com/cms/resources/mobilelegends-awards/14499.html> (accessed Jan. 15, 2016).

²⁰ Christine Champagne and Teresa Iezzi, “Dunkin’ Donuts and Starbucks: A Tale of Two Coffee Marketing Giants,” *Fast Company*, August 21, 2014, <http://www.fastcreate.com/3034572/coffee-week/dunkin-donuts-and-starbucks-a-tale-of-two-coffee-marketing-giants> (accessed Jan. 15, 2016).

²¹ Soo Jin Oh, “From Coffee to Mobile King: How Starbucks Serves Up Its Mobile Strategy,” *Marketing Land*, September 11, 2014, <http://marketingland.com/coffee-mobile-king-starbucks-serves-mobile-strategy-98823> (accessed Jan. 15, 2016).

The company was truly benefiting from these efforts by the end of 2015, as more than 9 million of 45 million total customers were paying via their mobile devices each week.²² Active mobile users grew by 32% in the third quarter of 2015 compared to the same quarter in 2014, and those mobile payments accounted for up to 21% of all in-store transactions in many U.S. locations. Those transactions were more profitable for Starbucks because the fees on traditional credit card transactions were higher.²³ Mobile Order & Pay was available throughout the United States and Canada by the 2015 winter holidays, and enabled dynamic suggestive selling, which pushed food items available in each store based on the customers' purchase history. Mobile users grew 32% between the third and fourth quarters of 2015.²⁴ Howard Schultz disclosed that the transactions on Mobile Order & Pay were growing "by the hour."²⁵

Food delivery was hot in 2015, a trend to which Starbucks wasn't immune. The company partnered with Postmates for a Seattle, Washington, pilot late in the year for coffee delivery in less than one hour.²⁶

Marketing Smarts

From its origin, Starbucks based its brand on the experience. The artisanal coffee market grew as consumers' palettes began to demand craft-brewed beer, locally sourced grass-fed beef, and non-GMO vegetables. By 2012, specialty coffee accounted for 37% of the cups of coffee sold by volume share—but specialty coffee made up fully 50% of the value share.²⁷ This phenomenon continued. Companies such as Blue Bottle were attracting venture funding of more than \$70 million, and as a result, coffee prices rose 40% in 2014.²⁸ An international coffee brand could never compete on these attributes. Instead, Starbucks chose to focus on the things it could control: consistency across stores, service, and a seamless experience. Social media became a huge source of power for the brand. With more than 35 million Facebook fans and 11 million Twitter followers, Starbucks capitalized upon experiential marketing by tapping into the passion of its customers.²⁹ With that large social media audience, classified by TruLens as "college age, early adopters, music enthusiasts," the brand was required to keep all those social media followers thinking positively about Starbucks.³⁰ Customers were loyal to more than the flavor of their coffee. They loved the fact that they could get exactly the same drink in the Charlotte, North Carolina, airport that they could on the King's Road in London, in the same cup, with the same delightful name, and be rewarded for doing so.

The company empowered customers with a voice beginning in 2008 when it launched the My Starbucks Idea website, on which customers could suggest anything from product ideas to store experience recommendations. And Starbucks followed through; implementations ranged from a tree-planting program suggested by a customer³¹ to drink recipe changes.³² The website allowed subscribers to vote ideas up and

²² <http://www.wired.com/2015/11/no-one-is-killing-it-with-retail-store-apps-like-starbucks/>.

²³ Sandy Stachowiak, "Starbucks and Postmates Delivery Service Launches in Seattle," App Advice, December 2, 2015, <http://appadvice.com/appnn/2015/12/starbucks-and-postmates-delivery-service-launches-in-seattle> (accessed Jan. 15, 2016).

²⁴ "Starbucks Meets Expectations, Mobile Percolates," PYMNTS, October 30, 2015, <http://www.pymnts.com/news/2015/starbucks-meets-expectations-mobile-percolates/> (accessed Jan. 28, 2016).

²⁵ <http://www.fool.com/investing/general/2015/12/06/starbucks-well-placed-aggression.aspx>.

²⁶ <http://appadvice.com/appnn/2015/12/starbucks-and-postmates-delivery-service-launches-in-seattle>.

²⁷ "Specialty Coffee Facts & Figures," Specialty Coffee Association of America, March 2012, <https://www.scaa.org/PDF/resources/facts-and-figures.pdf> (accessed Jan. 15, 2016).

²⁸ Joel Stein, "Blue Bottle Coffee and the Next Wave of Artisanal Coffee Shops," Bloomberg Business, May 1, 2014, <http://www.bloomberg.com/bw/articles/2014-05-01/blue-bottle-coffee-and-the-next-wave-of-artisanal-coffee-shops#p1>; Danielle Sacks, "The Multimillion Dollar Quest to Brew the Perfect Cup of Coffee," Fast Company, August 18, 2014, <http://www.fastcompany.com/3033306/coffee-week/the-multimillion-dollar-quest-to-brew-the-perfect-cup-of-coffee>; Katie Kramer, "Craft Coffee Is Brewing Up Market Share," CNBC, July 18, 2014, <http://www.cnbc.com/2014/07/18/craft-coffee-is-brewing-up-market-share.html> (all accessed Jan. 15, 2016).

²⁹ Starbucks's Facebook page, <https://www.facebook.com/Starbucks/>; Starbucks's Twitter page, <https://twitter.com/Starbucks> (both accessed Jan. 15, 2016).

³⁰ <http://www.fastcreate.com/3034572/coffee-week/dunkin-donuts-and-starbucks-a-tale-of-two-coffee-marketing-giants>.

³¹ <http://www.fastcreate.com/3034572/coffee-week/dunkin-donuts-and-starbucks-a-tale-of-two-coffee-marketing-giants>.

down; and the Ideas In Action section of the website published recommendations that had launched and also tracked those currently under review.³³

Starbucks was also one of the first companies to successfully use social media to amplify a paid media campaign. In 2009, it launched outdoor marketing in six major U.S. cities and incentivized Twitter followers with a chance to win \$20 gift cards for Tweeting photos of the ads.³⁴ By 2014, its Twitter strategy was more complex. Anyone who had a Twitter account linked to their Starbucks card could buy coffee for anyone else on Twitter by tweeting at the handle @tweetacoffee and including the Twitter handle of the person they wanted to buy for in the tweet.³⁵ As a result of efforts like these, the brand dominated the coffee space on social media. Ninety-four percent of Facebook users were either fans of Starbucks or friends with someone who was.³⁶

Starbucks Rewards proved to be the most successful, with more than 20 million members worldwide by the end of 2015.³⁷ During the 2015 holiday season, the company ran a Merry Mondays program in which it offered perks such as a free bakery item for any Rewards member who paid with the Starbucks app. This drove enrollment in the Rewards program, app downloads, and sales.³⁸

As a result of these efforts, the mature company was able to continue growing its income. Starbucks increased earnings from \$2.1 billion in fiscal year 2014 to \$2.8 billion in fiscal year 2015.³⁹ Its net income growth in the third quarter of 2015 beat the S&P 500 compared to the same quarter the prior year. Starbucks net income grew from \$587.80 million to \$652.50 million, an increase of 11.0%, while revenues rose by 17.6% in the same quarter.⁴⁰ See **Exhibit 2** through **Exhibit 4** for earnings and operating results in 2015, which can be compared to 2012 earnings.

The Future

As 2016 began, Starbucks was sitting on the most ubiquitous mobile payment app in the United States—one that boasted greater usage than Paypal and ApplePay.⁴¹ Howard Schultz and Scott Maw were considering integrating their loyalty program with other kinds of businesses.⁴² This way, customers wouldn't simply earn rewards by using their Starbucks app to buy coffee, but also for simply using their phones to purchase a range of things.

³² Carolyn K., "Simplifying A Favorite—New Green Tea Latte Recipe," My Starbucks Idea website, January 7, 2016, <http://blogs.starbucks.com/blogs/customer/archive/2016/01/07/simplifying-a-favorite-new-green-tea-latte-recipe.aspx> (accessed Jan. 15, 2016).

³³ My Starbucks Idea website, <http://blogs.starbucks.com/blogs/Customer/default.aspx> (accessed Jan. 15, 2016).

³⁴ Tom McNamara and Asha Moore-Mangin, "Starbucks and Social Media: It's About More Than Just Coffee," EContent, August 3, 2015, <http://www.econtentmag.com/Articles/Editorial/Commentary/Starbucks-and-Social-Media-Its-About-More-than-Just-Coffee-103823.htm> (accessed Jan. 15, 2016).

³⁵ <http://www.fastcocreate.com/3034572/coffee-week/dunkin-donuts-and-starbucks-a-tale-of-two-coffee-marketing-giants>.

³⁶ Kate Taylor, "How Starbucks Went Digital—And Why You Should, Too," *Entrepreneur*, October 14, 2013, <http://www.entrepreneur.com/article/229299> (accessed Jan. 15, 2016).

³⁷ <http://www.wired.com/2015/11/no-one-is-killing-it-with-retail-store-apps-like-starbucks/>.

³⁸ Tamara Walsh, "3 Ways Starbucks Plans to Dominate the 2015 Holiday Season," The Motley Fool, November 23, 2015, <http://www.fool.com/investing/general/2015/11/23/3-ways-starbucks-plans-to-dominate-the-2015-holiday-season.aspx> (accessed Jan. 15, 2016).

³⁹ Bradley Seth McNew, "Is It Time to Buy Starbucks Stock for 2016?," The Motley Fool, January 6, 2016, <http://www.fool.com/investing/general/2016/01/06/is-it-time-to-buy-starbucks-stock-in-this-recent-d.aspx> (accessed Jan. 15, 2016).

⁴⁰ U-Jin Lee, "Starbucks (SBUX) Stock Up After Price Target Increase, New Coffee Drink," TheStreet, January 6, 2016, <http://www.thestreet.com/story/13413218/1/starbucks-sbux-stock-up-after-price-target-increase-new-coffee-drink.html> (accessed Jan. 15, 2016).

⁴¹ <http://www.econtentmag.com/Articles/Editorial/Commentary/Starbucks-and-Social-Media-Its-About-More-than-Just-Coffee-103823.htm>; Tim Bruggen, "Apple Pay 1 Year Later: Boom or Bust," The Motley Fool, December 8, 2015, <http://www.fool.com/investing/general/2015/12/08/apple-pay-1-year-later-boom-or-bust.aspx> (all accessed Jan. 15, 2016).

⁴² <http://www.wired.com/2015/11/no-one-is-killing-it-with-retail-store-apps-like-starbucks/>.

In the third-quarter 2015 earnings call, Schultz said, “MSR continues to be our most important business driver as new members contribute not only short-term increases in revenue and profit, but also to long-term loyalty for years to come.” He continued by saying that he planned to use the Starbucks brand along with its mobile and digital assets as “the foundation of a much broader external mobile digital and loyalty platform.” He planned to “extend to purchases and experiences outside of the four walls of the Starbucks store.”⁴³

In January 2016, the company introduced the Starbucks Digital Passport, which was the digital version of a learning tool that employees had utilized since the early 1990s.⁴⁴ Aficionados could track the types of coffee they tried, learn about brewing techniques and bean origins, and record notes and photos within the app.⁴⁵

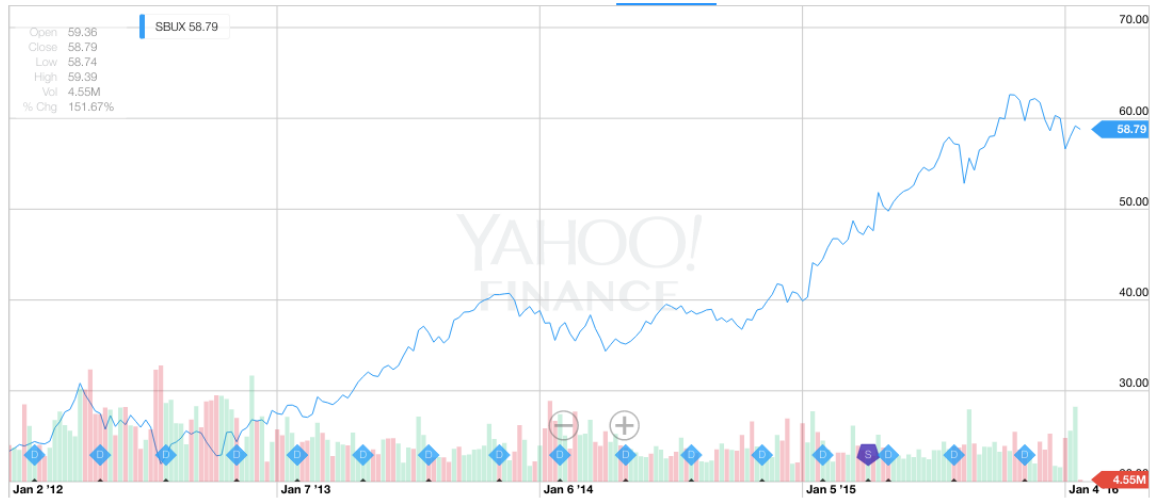
Schultz, in fact, was relying upon technology as Starbucks’s key business driver. The company had become addicted to mobile-device shoppers who utilized social media to validate their purchase experiences. But by doing so, the company may have been overlooking other business drivers and risks that carried just as much long-term impact.

⁴³ <http://loyalty360.org/resources/article/my-starbucks-rewards-loyalty-program-membership>.

⁴⁴ “For the First Time, Starbucks Coffee Passport Is Available to Customers,” Starbucks Newsroom, January 5, 2016, <https://news.starbucks.com/news/starbucks-digital-coffee-passport> (accessed Jan. 15, 2016).

⁴⁵ “Introducing the Starbucks Digital Coffee Passport,” YouTube video, 0:56, posted by “Starbucks Coffee,” January 4, 2016, <https://youtu.be/8T892yCD6is> (accessed Jan. 15, 2016).

Exhibit 1
Starbucks's Loyalty Reigns
Starbucks Stock Price



Source: Yahoo! Finance.

Exhibit 2
Starbucks's Loyalty Reigns
 Fourth Quarter 2015

Fourth Quarter Fiscal 2015 Summary

<i>Comparable Store Sales(1)</i>	Quarter Ended Sep 27, 2015		
	Sales Growth	Change in Transactions	Change in Ticket
Consolidated	8%	4%	4%
Americas	8%	4%	5%
CAP	6%	6%	0%
EMEA	5%	3%	3%

(1) Includes only Starbucks company-operated stores open 13 months or longer.

<i>Operating Results</i>	Quarter Ended		
	Sep 27, 2015	Sep 28, 2014	Change
<i>(\$ in millions, except per share amounts)</i>			
Net New Stores	524	503	21
Revenues	\$4,914.8	\$4,180.8	18%
Operating Income	\$969.4	\$854.9	13%
Operating Margin	19.7%	20.4%	(70)bps
EPS	\$0.43	\$0.39	10%

Source: "Starbucks Reports Record Fourth Quarter and Record Fiscal Year 2015 Results," Starbucks financial release, October 29, 2015, <http://investor.starbucks.com/phoenix.zhtml?c=99518&p=irol-newsArticle&ID=2104341> (accessed Jan. 19, 2016).

Exhibit 3
Starbucks's Loyalty Reigns
 Earnings: Fiscal Year-End 2014

STARBUCKS CORPORATION
 CONSOLIDATED STATEMENTS OF EARNINGS
 (unaudited, in millions, except per share data)

	Quarter Ended			Quarter Ended	
	Dec 28,	Dec 29,	%	Dec 28,	Dec 29,
	2014	2013	Change	2014	2013
	As a % of total net revenues				
Net revenues:					
Company-operated stores	\$3,772.8	\$3,343.8	12.8%	78.5%	78.9%
Licensed stores	483.9	401.8	20.4	10.1	9.5
CPG, foodservice and other	546.5	494.0	10.6	11.4	11.7
Total net revenues	4,803.2	4,239.6	13.3	100.0	100.0
Cost of sales including occupancy costs	1,991.2	1,795.1	10.9	41.5	42.3
Store operating expenses	1,315.5	1,175.1	11.9	27.4	27.7
Other operating expenses	129.4	114.9	12.6	2.7	2.7
Depreciation and amortization expenses	206.0	169.7	21.4	4.3	4.0
General and administrative expenses	298.4	242.6	23.0	6.2	5.7
Litigation credit	—	(20.2)	(100.0)	—	(0.5)
Total operating expenses	3,940.5	3,477.2	13.3	82.0	82.0
Income from equity investees	52.8	51.1	3.3	1.1	1.2
Operating income	915.5	813.5	12.5	19.1	19.2
Gain resulting from acquisition of joint venture	390.6	—	nm	8.1	—
Interest income and other, net	9.7	19.8	(51.0)	0.2	0.5
Interest expense	(16.3)	(14.5)	12.4	(0.3)	(0.3)
Earnings before income taxes	1,299.5	818.8	58.7	27.1	19.3
Income taxes	315.0	278.1	13.3	6.6	6.6
Net earnings including noncontrolling interests	984.5	540.7	82.1	20.5	12.8
Net earnings/(loss) attributable to noncontrolling interests	1.4	—	nm	—	—
Net earnings attributable to Starbucks	\$ 983.1	\$ 540.7	81.8	20.5%	12.8%
Net earnings per common share - diluted	\$ 1.30	\$ 0.71	83.1%		
Weighted avg. shares outstanding - diluted	758.4	766.2			
Cash dividends declared per share	\$ 0.32	\$ 0.26			
Supplemental Ratios:					
Store operating expenses as a percentage of company-operated store revenues				34.9%	35.1%
Effective tax rate including noncontrolling interests				24.2%	34.0%

Source: "Starbucks Delivers Record Q1 Revenue and EPS," Starbucks financial report, January 22, 2015, <http://investor.starbucks.com/phoenix.zhtml?c=99518&p=irol-newsArticle&ID=2009791> (accessed Jan. 19, 2016).

Exhibit 4
Starbucks's Loyalty Reigns
 2012 Earnings

STARBUCKS CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS
 (unaudited, in millions, except per share data)

<u>Fiscal Year Ended</u>	<u>Quarter Ended</u>			<u>Quarter Ended</u>	
	<u>Dec 30,</u>	<u>Jan 1,</u>	<u>%</u>	<u>Dec 30,</u>	<u>Jan 1,</u>
	<u>2012</u>	<u>2012</u>	<u>Change</u>	<u>2012</u>	<u>2012</u>
				<u>As a % of total</u>	
				<u>net revenues</u>	
Net revenues:					
Company-operated stores	\$2,989.6	\$2,731.8	9.4%	78.7%	79.5%
Licensed stores	350.2	306.6	14.2	9.2	8.9
CPG, foodservice and other	459.8	397.5	15.7	12.1	11.6
Total net revenues	3,799.6	3,435.9	10.6	100.0	100.0
Cost of sales including occupancy costs	1,620.7	1,496.1	8.3	42.7	43.5
Store operating expenses	1,089.5	995.7	9.4	28.7	29.0
Other operating expenses	132.5	106.7	24.2	3.5	3.1
Depreciation and amortization expenses	148.9	134.8	10.5	3.9	3.9
General and administrative expenses	231.9	191.5	21.1	6.1	5.6
Total Operating Expenses	3,223.5	2,924.8	10.2	84.8	85.1
Income from equity investees	54.5	44.9	21.4	1.4	1.3
Operating income	630.6	556.0	13.4	16.6	16.2
Interest income and other, net	(2.9)	23.2	nm	(0.1)	0.7
Interest expense	(6.6)	(8.6)	(23.3)	(0.2)	(0.3)
Earnings before income taxes	621.1	570.6	8.9	16.3	16.6
Income taxes	188.7	188.4	0.2	5.0	5.5
Net earnings including noncontrolling interest	432.4	382.2	13.1	11.4	11.1
Net earnings attributable to noncontrolling interest	0.2	0.1	100.0	—	—
Net earnings attributable to Starbucks	\$ 432.2	\$ 382.1	13.1%	11.4%	11.1%
Net earnings per common share - diluted	\$ 0.57	\$ 0.50	14.0%		
Weighted avg. shares outstanding - diluted	761.3	768.5			
Cash dividends declared per share	\$ 0.21	\$ 0.17			
Supplemental Ratios:					
Store operating expenses as a percentage of company-operated stores revenue				36.4%	36.4%
Effective tax rate including noncontrolling interest				30.4%	33.0%

Source: "Starbucks Reports Record First Quarter Fiscal 2013 Results," Starbucks financial report, January 24, 2013, <http://investor.starbucks.com/phoenix.zhtml?c=99518&p=irol-newsArticle&ID=1777829> (accessed Jan. 19, 2016).