Drivers of growth

PARTNERS

PRODUCTS

STORE PORTFOLIOS

DIGITAL
Components of Starbucks Digital Flywheel

Rewards
The most compelling rewards program with everyday relevance

Payment
The easiest, most sensible ways to pay at Starbucks and beyond

Personalization
Offers, communications and service tailored to individual customers

Ordering
The fastest, and most convenient way to order
Opportunity for much more growth via digital

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**Digital Flywheel U.S. Customers**
Past 30 Days, as of October 2016

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Customers</td>
<td></td>
</tr>
<tr>
<td>Mobile Order &amp; Pay Members</td>
<td>2.5M</td>
</tr>
<tr>
<td>Mobile Paying Members</td>
<td>8M</td>
</tr>
<tr>
<td>Starbucks Rewards Active Members</td>
<td>12M</td>
</tr>
<tr>
<td>All Customers</td>
<td>75M</td>
</tr>
<tr>
<td><strong>Total Addressable Away from Home Coffee/Tea Market</strong></td>
<td>~150M</td>
</tr>
</tbody>
</table>
Incrementality by customer type

NUMBER OF ACTIVE U.S. MEMBERS BY SPEND LEVEL (%)

<table>
<thead>
<tr>
<th></th>
<th>FY13</th>
<th>FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOWER-SPEND MEMBERS</td>
<td>100%</td>
<td>&gt;70%</td>
</tr>
<tr>
<td>MEDIUM-SPEND</td>
<td>&gt;20%</td>
<td>&gt;30%</td>
</tr>
<tr>
<td>HIGH-SPEND</td>
<td>&gt;30%</td>
<td>&gt;20%</td>
</tr>
</tbody>
</table>

SPEND LIFT AFTER JOINING REWARDS

Source: 2016 Argus Credit / Debit card analysis
Focus on driving acquisition and activation

Opportunity in increasing awareness

Making sign-up available in store

Real-time actions to drive adding balance and first transaction

~60% CURRENT AWARENESS

In-store REGISTRATION

Dynamic & actionable ON-BOARDING

40% OPPORTUNITY
Benefits of a spend based program

Customers
Fairer based on spend
Rewards for bigger purchases

Starbucks
Encourages transaction AND ticket
Enables “Stars Everywhere” partnerships
Creates greater marketing flexibility
Stopped transaction splitting
A successful and complete program transition

94%
Retention rate even stronger than before

~7M
MINUTES REDIRECTED

Program resulted in order consolidation, converting two points of transaction comp to ticket

Spend remained consistent even within “low ticket” cohort
Star earnings

Spend-based rewards can enable star-earning events

Stars can be adjusted into personalized incentives
Star redemption

We will create multiple tiers of redemption

Redemption levels can be personalized to incentivize desired behavior

Today only, redeem your rewards for 100 stars only
Stars can now be earned on additional CPG items

Stars can be leveraged by partners to create “Stars Everywhere” earning opportunities
## Accelerating feature velocity following Rewards launch

<table>
<thead>
<tr>
<th>Month</th>
<th>Feature</th>
</tr>
</thead>
<tbody>
<tr>
<td>January, 2016</td>
<td>2-week lag spreadsheet driven</td>
</tr>
<tr>
<td></td>
<td>Handcrafted email, 30 variants/week</td>
</tr>
<tr>
<td>June, 2016</td>
<td>Real-time Personalization Engine</td>
</tr>
<tr>
<td></td>
<td>Hyper-personalized email</td>
</tr>
<tr>
<td></td>
<td>400,000 variants/week</td>
</tr>
<tr>
<td>October, 2016</td>
<td>Favorite items and stores</td>
</tr>
<tr>
<td></td>
<td>1:1 Real-time personalized offers</td>
</tr>
<tr>
<td>Late 2016</td>
<td>1:1 Personalized suggested selling and recommendations</td>
</tr>
</tbody>
</table>

**LAUNCH OF SPEND-BASED REWARDS**

- **x30**
- **x400,000**
Each customer’s digital experience is personalized “just for them”
Sofia

A frequent Starbucks Rewards member who loves using the app.

OBJECTIVE
We’d like to Surprise & Delight her with offers for new products.
Jonathan

A loyal Starbucks Rewards member and purchases afternoon iced coffee a few times a week through Mobile Order & Pay.

OBJECTIVE
We’d like him to try new drinks or add food to his order.
A Starbucks Rewards member, but only visits on occasion.

OBJECTIVE
We want to get her to come more frequently.
Always learning from our customer’s data

Personalized offers and experience

Anticipate customer behavior

Drive transaction and ticket

Real-time Personalization Engine

Account Info

Customer Preferences

Purchase History

3rd Party Data

Contextual Data

Starbucks App Usage

Weather/Daypart/Location
We have only just begun to see the benefits of personalization.

~3x improvement in campaign results run rate

2x EMAIL REDEMPTION
app channel response high

3x+ incremental revenue per redeemer per year
The future of personalization

Extending personalization capability to drive all customer engagement

1. All marketing becomes more targeted
2. Any screen becomes a personal screen
3. Starbucks gets even better at delivering personalized customer service in person
Our payment business is foundational to Digital Flywheel ecosystem

Customer purchase/receive gift card

Customers register their gift card to join my Starbucks Rewards

Customer link the gift card into the app for mobile convenience
A very large payment business

1 in 4 transaction on mobile

1/3 transaction cost of credit/debit

$6B / 38% of revenue on pre-paid

1 in 6 U.S. ADULTS receives Starbucks gift card during Holiday

Note: As of FY16
## Value of Chase and Visa partnerships

<table>
<thead>
<tr>
<th>Reduction in cost of payment</th>
<th>Leverage scale of partner to reach new customers</th>
<th>Innovating new payment products</th>
</tr>
</thead>
</table>
| 10% annual savings in swipe fees | 1 in 2 household are Chase customers  
~60% of global transaction on Visa | Unique, reloadable and rewarding general purpose prepaid card  
Accepted at ~70M merchants worldwide, everywhere Visa is accepted |
| Chase Pay integrated across Starbucks channels:  
Customer Acquisition  
Loyalty Integration | | |
Growth of mobile ordering

MOBILE ORDER & PAY AS % OF TRANSACTIONS

NUMBER OF STORES WITH MOBILE ORDER & PAY AT >10% OF PEAK TRAFFIC

Q1 FY16: 485
Q2 FY16: 1,459
Q3 FY16: 2,423
Q4 FY16: 3,337
Q1 FY17 (QTD): 3,917

NUMBER OF STORES WITH MOBILE ORDER & PAY AT >20% OF PEAK TRAFFIC

Q1 FY16: 13
Q2 FY16: 51
Q3 FY16: 201
Q4 FY16: 602
Q1 FY17 (QTD): 1,032
Mobile ordering incrementality and operational impact

~100M MINUTES REDIRECTED
Frees up labor for more value-added activities

MANY MORE
visits per customer

UP TO 5 POINTS
higher customer satisfaction scores

>20 INCREASE
Higher overall transactions at high adoption stores during peak
Near-term levers to grow Mobile Order & Pay

Current order conversion rate

Improved user experience

FROM

Current order conversion rate

TO

30% higher
Near-term levers to grow Mobile Order & Pay

Recommendation

FROM

23% LESS attach than average transaction

TO

MORE attach than average transaction
Near-term levers to grow Mobile Order & Pay

~1,000 STORES with more than 20% peak transactions in Mobile Order & Pay

TO 2,000+ STORES

Operational improvement
Long-term growth drivers for Mobile Order & Pay

Curbside in the U.S. and delivery in China

Second service

Mobile Order & Pay for all customers

Accepts all cards
Elevate customer experience with a seamless digital experience
Total $2.87

Apply 125 Stars for a Reward

Ready...go!

Star Dash
We picked something delicious for you (and paired it with a Bonus).

$1.32
To extend globally, we will move into the cloud and unify experience

Ownership
model agnostic

Unified localized experience

Deliver holistic
Digital Flywheel

Rewards program

Mobile payment

Mobile
Order & Pay

Personalization
Global experience: Mobile Order & Pay App

Cloud-based

Ownership model agnostic

Global loyalty and personalization

Digital Flywheel expansion

Unified Commerce Platform

Americas

EMEA

CAP

Company Operated Stores
Product, price, inventory
Location hours etc.

Licensed/Franchise Stores
Product, price, inventory
Location hours etc.

Unified Starbucks Global Loyalty
Customers and Personalized Engine

United Flywheel Expansion

Americas

EMEA

CAP

Company Operated Stores
Product, price, inventory
Location hours etc.

Licensed/Franchise Stores
Product, price, inventory
Location hours etc.

Unified Starbucks Global Loyalty
Customers and Personalized Engine
Global experience: Mobile Order & Pay App

Cloud-based

Ownership model agnostic

Global loyalty and personalization

Japan
First company operated market

Germany
First international licensed market
Global experience:
Mobile Order & Pay App

Cloud-based

Ownership model agnostic

Global loyalty and personalization

By the end of FY19, 80% of worldwide stores will have access to the Digital Flywheel.
Starbucks Digital Flywheel

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Revenue contribution of Digital Flywheel

INCREMENTAL REVENUE CONTRIBUTION BY DIGITAL FLYWHEEL, GLOBALLY, FY17-FY21
$ MILLIONS

>2x THAN FY16