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Starbucks Corp. (SBUX)

Business Update Call
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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon. My name is Hector and I will be your conference operator today. I would like to welcome everyone to today’s Starbucks Coffee Company Conference Call. All lines have been placed on mute to prevent any background noise. After a brief introduction, we will go directly to a question-and-answer session.

I will now turn the call over to Tom Shaw, Vice President, Investor Relations. Mr. Shaw, you may begin your conference.

Tom Shaw  
Vice President-Investor Relations, Starbucks Corp.

Good evening, everyone, and thanks for joining us. Following this afternoon's presentation at the Oppenheimer Consumer Conference here in Boston, we wanted to provide an opportunity to further discuss our strategic priorities and operational initiatives, as well as our updated guidance. These details are outlined in our press release and the corresponding slide deck has been posted on our website at investor.starbucks.com.

To maximize our time, we will forego any formal opening remarks and dive into Q&A with our President and CEO, Kevin Johnson; Group President, Americas and Chief Operating Officer, Roz Brewer; and CFO, Scott Maw.

Before turning the call over to the operator, I'd like to remind you that this conference will include forward-looking statements which are subject to various risks and uncertainties that could cause our actual results to differ materially from these statements. Any such statements should be considered in conjunction with cautionary statements in our earnings release and risk factor discussions in our filings with the SEC, including our last Annual Report on form 10-K. Starbucks assumes no obligation to update any of these forward looking statements or information.

Please refer to our website to find the reconciliation of non-GAAP financial measures referenced in today's call with the corresponding GAAP measures. This conference call is being webcast and a replay of the webcast will be available on our website within the next few hours and will be available through July 25, 2018.

I will now turn the call back over to the operator to begin the Q&A.
QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from the line of Jeffrey Bernstein with Barclays Capital. Please proceed with your question.

Jeffrey Bernstein
Analyst, Barclays Capital, Inc.

Great. Thank you very much. Maybe a two-part question just on the comps. The first was just similarly looking back to late April, it seemed like you guys were fairly confident in a 3% comp for fiscal 3Q, so you must have been doing okay in April. And then, in June, it seems like you're back to approaching a 3% again. So I'm wondering kind of, in your view, what drove the seemingly sharp May decline, whether or not you'd really attribute all of it to the Philadelphia incident or maybe this is just a new level of volatility that we should expect to continue month-to-month?

Which kind of just points to my second question, which, if this is really the new kind of long-term volatility we're going to be seeing, with comps now low-single digit in the U.S. and flat to negative in China, I mean, both of them have been declining for multiple quarters, I'm just wondering whether the conversation comes up internally to consider lowering that long-term target further from the 3% to 5%, which just seems like a stretch and something that a company – no, that's not growth, it's scale – would seem like just a tougher thing to beat or more often than not exceed. Thank you.

Kevin Johnson
President, Chief Executive Officer & Director, Starbucks Corp.

Yeah, this is Kevin. Let me answer the first part of the – or I'll answer both questions, and then, Scott and Roz are here with me, they can chime in. First of all, I think in the mid-April, as this incident was unfolding in Philadelphia, we paused launching our afternoon made marketing campaign, the TV ad campaign that you see running right now. We paused it for two weeks. We didn't think it was appropriate to launch that campaign in the middle of dealing with the situation in Philadelphia and all that came with that.

By delaying it, the – it stalled the momentum, then coming into early May, and I think that was a significant driver. Since launching it two weeks later and as it's now kicked in and we got through a lot of the noise in May from the Philadelphia situation and the racial bias training that we did on May 29. Following May 29, we're now comping U.S. trending back at a 3%.

Now, longer term, the solution to this is we've got to expand the number of digital relationships and that is exactly what we are doing. By expanding the number of digital relationships, it allows us now to communicate directly with a wider range of customers in a way that's relevant to them and will help us continue to, not only raise awareness of new beverages or new offerings that we have, but really start to drive a more personal engagement with them that we know leads to transaction comp as we've seen in the Rewards program. And that's why we're so focused on growing the number of registered customers.

The fact that we got 5 million new registered customers in the last 90 days, and that number is going to just continue to grow. The opportunity, which we haven't tapped in yet, is to now use the personalization engine to start to do a better job of marketing and communicating with those digitally registered customers. In doing that, my view is that allows us to continue to drive toward and deliver on the long-term guidance that we set a year ago.
Tom Shaw  
*Vice President-Investor Relations, Starbucks Corp.*

Operator, next question, please.

**Operator:** Our next question comes from the line of John Glass with Morgan Stanley. Please proceed with your question.

John Glass  
*Analyst, Morgan Stanley & Co. LLC*

Thanks very much. First, Kevin, can you just maybe talk through what's happening in China. To go from 8% to zero in a couple of quarters is a fairly dramatic shift in the business. And I understand the goal is to grow share through unit growth, but that doesn't happen usually in a vacuum. So maybe you can just walk through were there missed opportunities in promotions or something else competitive, whatever else that you see that may have led to that? I think that was probably more surprising than U.S. comps.

And just on the U.S. comps, what gets back light users? I understand digital relations are important. But when you ask them why they're not coming, is it more than that? Is it price? Is it some other element that you haven't latched onto that you think you need to focus on to get them back in the stores?

Kevin Johnson  
*President, Chief Executive Officer & Director, Starbucks Corp.*

Yeah. Let me take the first question. And Roz Brewer is here with me. I'll have Roz talk a little bit about the work she's done and what she's driving specifically around the afternoon daypart and creating the kind of experience that we think will attract customers, both in terms of product and experience in the afternoon. But let me let me start with China.

In China, I think there's two key factors. Number one — well, I'll say three key factors. Number one, there were some shifts in holiday that's not going to affect the timing within the quarter. But we did have some of the holiday items that we sell in the quarter that did not perform as well as they had in the past. That's number one.

Number two, delivery is now becoming the hot thing in China. And prior leading into this quarter, there were some third-party services that were allowing customers to order from them and they'd go into the Starbucks stores in China and purchase the item and deliver it to the customer. That experience was not a great experience, and there was some — I think it was driven by the government to want to stop having third parties do that because it was creating annoyances in those — not just us, but with others in the stores.

And so, the fact that we haven't lit up our mobile order and delivery, I think, is most likely the number one driver of that. So the delivery went away this quarter. That was being done by a third party, and that's why Belinda and team are actively engaged with a large tech company on a delivery partnership. And we expect to have that at a place where it can be implemented here by the end of the calendar year. We'd expect to hear more about that on the July call. I think that is the biggest driver.

And then, the third, which you always look to, is as we've accelerated store growth, we look at the cannibalization effect of those new stores as we're building out capacity, and I think that was a minor contributor. I think the big one has to do with delivery. And that's why we have a priority in China to light up delivery from Starbucks to customers.
Rosalind G. Brewer  
Group President, Chief Operating Officer & Director, Starbucks Corp.

So let me address the issues around U.S. comp and afternoon daypart. So as Kevin mentioned earlier that we've had a weak blended sales and also the most pronounced in the afternoon daypart. We embarked upon a marketing campaign that should have begun right at the time of the Philadelphia incident happened, and we delayed that by two weeks. And because it was facing our iced beverages and a certain afternoon daypart and it was the season transition to spring/summer, there's a very significant gap there in that two-week period of miss. We have seen that come back as we've run the campaign.

We're getting a lot more experience in terms of matching the campaign with our intention to focus directly on product. We saw it work very well with our Blonde Espresso when we introduced it. We stayed with the marketing campaign over an extended period of time and we saw blended continue to grow. And actually, that was a major part of the comp focused in Q2 was the work we did around the Blonde Espresso introduction. We learned from that and we're putting that same methodology behind our afternoon daypart to really gain some traction there in the afternoon.

Operator: Our next question comes from the line of David Tarantino with Robert W. Baird. Please proceed with your question.

David E. Tarantino  
Analyst, Robert W. Baird & Co., Inc.

Hi, good afternoon. Scott, my question is on the G&A savings that you've outlined. And one, I just wanted to confirm that your comment that you mentioned there could be a point of opportunity. Was that a point of system sales or maybe a point of revenues? So could you just clarify what you meant by that and sort of, so we can kind of gauge roughly the magnitude in dollars.

And then, my second question is with that target, and I assume that would likely be a multi-year plan, does that change the algorithm on the earnings outlook relative to the sales outlook versus what you shared previously as your long-run target? Said differently, are you going to be able to deliver stronger earnings growth at the same revenue levels given that G&A reduction plan? Thanks.

Scott Maw  
Executive Vice President & Chief Financial Officer, Starbucks Corp.

Yeah. First thing I'd say, David, is it is a point of system sales and we're thinking it's around that amount. We have some work to do to really get that framed up and it will be multi-year. It will take, as I said during the conference, my feeling is no more than a quarter or two to start getting some of that into the run rate. But it's probably a two to three-year window that that savings comes in, and again, we'll look to accelerate as much of that as we can into 2019.

And as far as the longer term algorithm, obviously, this is helpful. What I would say is we'll come back as we get close to guidance in 2019 or for 2019 and take a look at what we think this means to overall earnings growth in 2019. I'd reiterate what Kevin said, which is we remain comfortable with our long-term guidance and clearly going after G&A, some of the things that we just announced on capital, some of the things that we're talking about around accelerating comp growth, that all gives us additional confidence in that long-term guidance.
John William Ivankoe  
Analyst, JPMorgan Securities LLC

Hi, thank you. The question is also on G&A. I mean, to go from 4.5% to 3.5% whether on revenue or system sales, I mean, we're obviously talking about big numbers. I mean, can that be in isolation without revenue growth? And I guess in hindsight, when you look at the organization and you look at efficiency and effectiveness, are there any big buckets at this point that you could have us think about of areas where you could cut and actually get bigger and more nimble as an organization? And obviously, I kind of think about the 2008-2009 timeframe as you're able to accomplish some fairly significant G&A reductions and actually benefit from such a change.

Kevin Johnson  
President, Chief Executive Officer & Director, Starbucks Corp.

Yeah, John, this is Kevin. I'll comment. I have Roz chime in a bit, too, because we're really partnering and focused on this. Number one, I think there are a number of areas in our business where we are under-automated. The technology to run some of our back office processes and things is just not in place. We've underinvested in some things that, I think, one big unlock is to utilize technology to help make our partners more effective, more efficient and help make – improve their experience at Starbucks as well. That is part of the unlock.

The second piece, you touched upon. Oftentimes, as I commented earlier today, scale and complexity gets in the way of speed. And I think there are a number of areas where I think we’ve got either too many different organizations or too many layers or too many people working on things when we can adopt a much more agile approach to how we do innovation.

And maybe I'll let Roz talk a little bit more about that and some of the things she's driving.

Rosalind G. Brewer  
Group President, Chief Operating Officer & Director, Starbucks Corp.

Right. So, let me start by saying that we are taking a very detailed look at the routine that our partners conduct in the stores. We're doing that for twofold. One is we grow the afternoon daypart. We know we need to spread out the work across the day and make sure that it's evenly dispersed. So, we have time for the customer as well as preparing for the next shift in the business cycle.

The second piece I would tell you is that there are some complicated work that the partners have to conduct. And we think that there are some routines that we can eliminate as we look at the Internet of Things and getting the work that they do automated. It gives us the opportunity to eliminate some work hours in the building. So, that just gives you some idea of the ways we can improve the way we work and improve the operation effectiveness.

Operator: Your next question comes from the line of Sara Senatore with Bernstein. Please proceed with your question.

Sara Harkavy Senatore  
Analyst, Sanford C. Bernstein & Co. LLC

Yeah, thank you very much. Just one question and I do have a follow-up on the afternoon daypart, just a clarification. But the question is more about the digital relationships. Right now, you're very enthusiastic about that
and that's going to be a big driver in your view of an acceleration comp. But I guess we've seen MSR membership grow pretty healthily over the last few quarters, and yet the traffic hasn't grown in sort of a corresponding rate.

So I know you don't want to show your cards in terms of exactly what you're going to do, but I guess where is the confidence that what you're doing now will be different from some of the initiatives. We've heard you talk about over the last few quarters and the impact of growing those relationships will really start to come to fruition?

And then, just my follow-up on the afternoon, health and wellness isn't really a new trend in the sense of you haven't seen the Frappuccino business fall off so quickly. Is it possible there's just a lot of competition in the afternoon daypart, because a lot of restaurants are going after that? Thanks.

Kevin Johnson  
President, Chief Executive Officer & Director, Starbucks Corp.

Yeah. Let me take the first part of your question, Sara. And then, Roz and I can comment on the second part. The first part of your question is, keep in mind that our active rewards members is a much smaller percentage of total customers that we serve. The majority of customers we serve are more occasional customers or, I'll call them, non-rewards members.

And so, the fact that much of the comp we've been driving rewards members have been – it's been a function of personalization and our Rewards members. So the fact that we're opening the aperture and we have 5 million of these registered customers now that we're engaging with, and we've got to continue to drive that number up. We've got to continue to grow the number of digital registered customers that we communicate with.

The early sign that's giving us confidence and a proof point is just the response that we've gotten to our reimaged Happy Hour, and that is all driven out of those registered customers plus active rewards. But registered customers are signing up, they're getting the digital coupon and they're engaging with us. So there's a lot of great proof points that continuing to apply the technology platform and digital flywheel to as many customers as we can will yield results.

In terms of afternoon daypart, before I hand over to Roz, I'll just comment that the entire category of slushy coffee, which is what blended Frappuccino falls in, has been on the decline. It's also true that competitors have also come to market with that beverage. A personal view is we are less differentiated on that beverage than we are on our core beverages around coffee, espresso and tea. So the category is declining. There's more entrants in there.

And as you point out, health and wellness is not a new trend, but I think it's a contributing factor to why the category is declining, not just for us, but for everybody. And it is why I think we have an opportunity to be more agile innovators and do much more around healthier, better for you beverages in our core beverages that allow us to further differentiate from the competition, and that's what we intend to do.

Roz, you want to add to that?

Rosalind G. Brewer  
Group President, Chief Operating Officer & Director, Starbucks Corp.

Yeah. So, Sara, good afternoon. The one thing I would mention is that as we learn more about our customers on how they like to spend their time in our stores, the afternoon tends to be a moment of refreshment and kind of a renewal. That's why we see teas and our refreshers doing so well. They tend to trend stronger in the afternoon. Morning tends to be a hot espresso occasion. So we're looking at those occasions very carefully.
And as we move towards teas, it is naturally a healthier for you concept and gives us a chance to do some things with less sugar. It's definitely an opportunity for our iced beverages as well, which are doing very well. So we're taking advantage of the trend and making sure that we're on trend with where the customer is choosing their beverage in the afternoon.

Operator: Your next question comes from the line of Matthew DiFrisco with Guggenheim. Please proceed with your question.

Matthew DiFrisco  
Analyst, Guggenheim Securities LLC

Thank you. I'm just curious about sort of the litmus test for the 150 store closures that you upped the number from 50 originally. Will those be necessarily replaced more so by – make room for some of the better located, but newer stores to those markets or are these markets that, in general, are lower return overall markets rather than lower-return stores?

Kevin Johnson  
President, Chief Executive Officer & Director, Starbucks Corp.

Yeah, this is Kevin. First of all, the criteria looked at was negative comp and negative total contribution margin. So these are probably not stores that get relocated or replaced. You close on – and there's other stores in the proximity and the traffic goes to those other stores. So I think, in our estimate, the majority of that traffic and transactions gets backfilled by other Starbucks in the location, which raises the comp, it raises the operating income, and it raises the return on invested capital in that trading area. That's the intent.

Operator: Your next question comes from the line of Karen Holthouse with Goldman Sachs. Please proceed with your question.

Karen Holthouse  
Analyst, Goldman Sachs & Co. LLC

Hi. So, I'm trying to bridge the gap on the $0.10 EPS revision. And if you sort of reverse engineer it from – and historically, you've talked about sort of a 3% comp range, gets you to just 5% EPS growth range or point of comp instead of about $0.03 in EPS. You lose $0.02 from the moving pieces you talked about in the third quarter, which, for me, is another $0.08 of reduction. Are you trying to apply that there's actually like a – it's a multi-point reduction embedded in the annual comp outlook or is there yet another headwind that that math isn't accounting for?

Scott Maw  
Executive Vice President & Chief Financial Officer, Starbucks Corp.

Yeah, I think, Karen, it's obviously multi-point in this quarter, which is along with the impact of the anti-bias training and the compensation changes, the biggest part of the impact. And then, the deleverage on the transaction piece that I mentioned at the end of the conference, that is also adding to the pressure. So, it's the mix of comps and the absolute level. But the vast majority of the delta that we're talking about is driven by the comps' slowdown and it's mostly in the U.S. There's a little bit of China in there, but frankly, it's not really changing our outlook on profitability or revenue growth in China. And we still see 20%-plus revenue growth in China this year because of the new stores. So, it's mostly the overall level of comps and then the mix where we're not quite seeing the transactions we'd hoped.
Question:
Hey, Hey, Kevin, can you talk a little bit about the – maybe help us understand the magnitude of the incremental market streamlining you're talking about. And then, as you – I think you used the word other appropriate markets, what markets are you looking at? And is the U.S. part of that analysis?

Answer:
Yeah, the U.S. is not part of that. Clearly, the U.S. and China are markets that are better. We create more shareholder value by having those markets be company operated than licensed markets. Clearly, we have channel license partners in the U.S., channel license partners will continue, but I'm not referring to the U.S. and I'm not referring to China.

If you look at other markets around the world, there are not many other company-operated, but certainly, if I looked at U.S., Canada, Japan and China, I think those are all appropriate company-operated. And without going into detail, I think others are ones that might be appropriate.

Question:
Great, thank you. So just another one on the digitally-registered customer opportunity, certainly 1 to 2 points of incremental U.S. comp. Next year, it is significant. Anything more you could share on kind of what goes into that estimate? How significantly the users could ramp in 2019? If you have any sense for what the potential pool of customers could be relative to your 70 million customers. And then, sorry if I missed it, but just how long before you kind of gain information about those customers and then can effectively target them? I mean, is the targeted Happy Hour a proof that it can happen pretty quickly? Thanks.

Answer:
Yeah, let me take the back half of your question, then I'll let Scott talk a little bit about the comp calculation. Right now, the key thing that we have to get done to allow the personalization engine to do its work is we have to now make the connection from tokenized credit card transactions back to an e-mail ID registered customer. And by doing that association, that allows us then to use the body of software, which is our real-time personalization engine, to tee up the right offers, make them aware of the right products and start to dial into things that are relevant to each of those customers individually.

And we've got line of sight to that, we've lit that up. It's probably another 90 days over this next quarter to get that in place. And then, we'll light up the personalization engine. So, we'll probably have another 90 days of tech work and that connection to be made before we can really start effectively using the personalization engine.

When we do use the personalization engine, though, I would say we have that – the personalization software that has been built in that engine, in my opinion, is an industry-leading asset that has been created and that we're leveraging. And so, I have high degree of confidence that once we map the tokenized credit card transactions to
an individual registered customer, it will be as effective as what we do in terms of personalized offers to our rewards customers.

Now, we don't assume that they're going to be spending at the same level of Rewards customers. We feel like as we deepen that engagement, this will be a funnel to have them join the Rewards program. Because once you get a certain amount of spending and engagement, there's enough benefits for those customers to join Rewards. So not only will this increase the body of customers that we have a digital relationship with, it will create a feeder pool to our active Rewards members.

So, right now, we are doing sort of general one-to-many marketing to those digital customers. It's one-to-many e-mails to join us for a Happy Hour. We haven't even started doing the personalization. And even at a one-to-many, it's exceeding our response rates and our forecast for the reimagined Happy Hour. And so, that gives us confidence.

Now, that 5 million new registered customers, that number, we're going to start to disclose to you every quarter and I would expect that number goes up and up and up. Certainly, over the next two years, I think we've got a long runway to continue to do customer acquisition of, as you pointed out, the 75 million or so customers that visit our stores on a regular basis.

Scott, you want to talk about the comp?

Scott Maw
Executive Vice President & Chief Financial Officer, Starbucks Corp.

Yeah, let me just talk a little bit about the profile of that growth and I'll try to thread what Kevin just said back through, I think, both of your questions, Dennis, and the question that Sara asked. So just to put the numbers on it, about 40% of our customers today pay or transact with some form of the card, the vast majority of that being Starbucks Rewards members. Those are our digital relationships, okay? If you go back 90 days, that was all of our digital relationships.

What we're building now is the other 60% of our customers. And by the way, that 40% of the customers is driving all of the comp growth. We've talked about that. So the other 60% of our customers, as we've mentioned, is obviously in decline. And so, the opportunity is how quickly can we get that 60% to start going into the 40% digital relationship base, start hitting it with the personalization engine that Kevin talked about, making one-to-one offers that are highly relevant and timely and driving costs. We know it's working. We're not guessing it. As we know when we can get those digital relationships, we can build that capability over time.

So that 40% will start to grow beyond Starbucks Rewards to include today non-Rewards customers that are going to have a digital relationship. And from my chair, it's the single biggest comp growth opportunity we have over the medium term. And what I mean over the medium term is we'll see that start to build and add to revenue this year somewhat. But as you look to that comp growth in that 1% to 2%, it will start to be a meaningful part of that 1% to 2% as we get through the end of next year. As the personal engine builds, that 5 million starts to get much bigger.

And then, as we tip over into 2020, it doesn't stop. I think the comp opportunity actually has the potential to accelerate. As that 40% starts to get towards 45% and 50%, we know it's going to grow faster than the rest of the non-relationship base. And so, to me, this is a multi-year comp driver that will start to manifest itself very clearly as we move towards the end of next year and then gain momentum as we move into 2020.
Operator: Your next question comes from David Palmer with RBC Capital Markets. Please proceed with your question.

David Palmer  
Analyst, RBC Capital Markets LLC

Thanks. I'm really struggling with what that 3% in June means about your momentum and how you think that your comps might be next quarter. And you mentioned some of the things that happened this quarter, the Philadelphia store issue, the delay in your cold beverage marketing campaign and the training itself. Last year, you had the easy comparisons late in fiscal 3Q because the Frappuccino Happy Hour happened and you've had a little bit of a hangover from that. So I'm wondering if, going into this quarter, you thought that 3% might have been a 5% and we should be cautious about how we think about the exit rate going into this next quarter. Any help on that would be helpful. Thank you.

Scott Maw  
Executive Vice President & Chief Financial Officer, Starbucks Corp.

So I'll give a little specifics here, Dave, without getting too much into the details. So one of the ways to normalize for some of the compares is obviously to look at the two years. And so, what we talked about in the last earnings call, just to thread all of this through, because I hope it'll be helpful, when we look at Q2 results, what we saw is comps accelerated obviously on a one-year basis, but they also accelerated on a two-year basis.

In April, through the earnings call, we saw two years holding right at the level we saw in March. So that adjusted obviously for Unicorn Frappuccino and all the things we expected there. Then, we saw deceleration both in one year and two years in May. And in June, both one year and two years have come back, not all the way to where we had forecasted, but we are seeing pretty strong momentum versus with what we saw in May. So that's how we think about it.

So we've taken down, and I think I've said this in the conference, but let me say it again, we have adjusted our 4Q expectations down slightly given what we're seeing from a momentum standpoint. But it's real momentum on both a one-year and two-year basis. And given all the things that Kevin and Roz have talked about, we think we can build on that as we move through the quarter.

Operator: Your next question comes from Matt McGinley with Evercore ISI. Please proceed with your question.

Matthew Robert McGinley  
Analyst, Evercore ISI

Thank you. Why did it take until now for you to shift the growth rates to the more underpenetrated markets? And when you show the return of the new units in the past, there's been some decline in the U.S. over the past few years. But was there a more profound shift in those more developed markets where the returns were materially worse than what we saw in aggregate? And I'm curious if that could have a longer tail effect on some of your more developed markets where the returns were lower than we thought and just kind of a longer tail because it was just...

Kevin Johnson  
President, Chief Executive Officer & Director, Starbucks Corp.

Yeah. Look, I'll kick it off and I'll let Scott add to it. But we've used these analytics and a data-driven approach. This is not a new thing. We've been doing this for some time. And so, the focus on most of our store growth going throughout Middle America and in the South has been in place now for at least the last year to two years. And so,
I don't see that as a significant shift. We're just reinforcing what we've been already been doing this last fiscal year. Scott?

Scott Maw  
Executive Vice President & Chief Financial Officer, Starbucks Corp.

I think the only thing I would add is we saw only in the most recent vintage a slight tick down in overall profitability. And when I was in Boston actually in February, we did highlight that that downturn was mostly in those higher density markets, and that the 80% that were drive-thrus were actually holding right in that same very high level of profitability.

Operator: That was our last question today. I will now turn the call over to Mr. Shaw for closing remarks.

Tom Shaw  
Vice President-Investor Relations, Starbucks Corp.

All right. Thanks, again, everyone. And just a quick reminder that our third quarter 2018 conference call has been tentatively scheduled for Thursday, July 26. Have a great evening.

Operator: This concludes Starbucks Coffee Company's Conference Call. You may now disconnect.