Marketing Doctor

Marketing Check-up

Starbucks

As of August 27, 2024

Condition: Under treatment

Fewer visits, fading third place

Howard Schultz built Starbucks as a “third place” between work and home: a calm spot worth paying extra for. In 2024 fewer people came through the door. Mobile orders crowded the counters, prices kept rising and occasional customers drifted away, while loyal members kept coming. This check-up looks at the marketing promise, how the experience drifted from it and what the new chief executive inherits.

Key takeaways

- U.S. transactions fell 7% and then 6% in two quarters of 2024, while the average ticket rose 4%. Fewer people came, and each paid more.
- Mobile orders reached 31% of U.S. transactions. Stores struggled with the morning rush, and a mid-teens percent of mobile orders were started and never completed.
- Loyal members stayed: active U.S. Starbucks Rewards members grew 7% to 33.8 million. Occasional customers did not.
- In China, Starbucks chose not to match cheaper rivals like Luckin Coffee on price, protecting the brand at the cost of visits.

Marketing health check

Area	Finding
Experience	Strained. Crowded pickup counters and long waits at peak.
Positioning	Eroding. The third place became a pickup counter.
Pricing	Stretched. Cups over $6 push occasional customers away.
Loyalty	Strong. Rewards members up 7%.
China	Under pressure from much cheaper rivals.

Timeline

When	What happened
Fiscal 2023	Record revenue of $36.0 billion.
2023	Luckin Coffee passes Starbucks in annual sales in China.
Quarter to Mar 2024	Global comparable sales fall 4%. U.S. transactions fall 7%.
Apr 2024	Mobile orders reach 31% of U.S. transactions. The CEO admits a challenge meeting peak morning demand.
May 2024	Howard Schultz says U.S. operations are the “primary reason for the company’s fall from grace.”
Quarter to Jun 2024	Global comparable sales fall 3%. U.S. transactions fall 6%.
Jul to Aug 2024	Activist investors Elliott and Starboard take stakes.
Aug 13, 2024	Chipotle’s Brian Niccol is named chairman and CEO.

What happened: the third place became a pickup counter

Starbucks promised a calm place worth paying extra for. Mobile ordering changed what a visit felt like. In April 2024 chief executive Laxman Narasimhan said Mobile Order & Pay reached 31% of U.S. transactions and that “we currently have a challenge meeting our peak morning demand.” A mid-teens percent of mobile orders were started and never completed, with long waits and unavailable products among the reasons.

The Wall Street Journal reported that cafes that once averaged 1,200 orders a day were often trying to make 1,500, and one customer said each cup now cost him more than $6. Of a busy Chicago store, Howard Schultz said: "Everyone shows up, and all of a sudden we got a mosh pit, and that's not Starbucks."

The diagnosis: a growth channel wore down the brand

- **The promise broke at the busiest hour.** A brand's positioning is a promise customers test on every visit. A crowded counter breaks a promise of calm.
- **Price rose faster than the experience.** Paying more than $6 for a cup feels different when you wait in a crush to collect it.
- **Revenue hid falling visits.** Higher tickets kept sales looking steady while fewer people came.
- **A premium brand in a price war.** In China, Luckin often sold lattes for 9.9 yuan with a coupon, against 33 yuan at Starbucks. Narasimhan said: "We're choosing not to participate in that."

The treatment: a new leader, an old question

In May 2024 Schultz wrote that U.S. operations were the "primary reason for the company's fall from grace." Activist investors took stakes that summer, and on August 13 Starbucks named Brian Niccol, Chipotle's chief executive, as chairman and CEO.

A new leader buys time. Discounts and app offers can lift visits for a quarter, but they do not rebuild the reasons people chose Starbucks. Deciding what a visit should feel like, and protecting it at the busiest hour, is the strategy. The balance between brand building and sales activation will decide the next year.

The result: loyal members stayed, everyone else came less

In the quarter to March 2024, global comparable store sales fell 4% and U.S. transactions fell 7%. The quarter to June brought more of the same: transactions down 6%, average ticket up 4%. In China, comparable sales fell 11% and then 14%.

The loyal core held: active U.S. Starbucks Rewards members grew 7% to 33.8 million. Narasimhan said occasional customers were "clearly making choices based on the economic pressures they face." When a premium brand loses the occasional customer, it loses the people who decide whether it is worth the price.

Lessons for your marketing

1. Watch how your growth channels change the experience. The app filled the stores, and the stores stopped feeling like Starbucks.
2. Track visits and customer types next to revenue. Price increases can hide falling traffic for a long time.
3. Protect your promise at peak times, when the most customers test it.
4. Separate strategy from tactics: a new offer is a tactic, deciding what a visit should feel like is strategy.
5. If you won't compete on price, make the reason to pay more obvious every time.

The doctor will see you now.

Book a free marketing check-up at marketingdoctor.ca/contact. We'll examine your marketing, show you what's holding growth back and prescribe what to fix first.

Sources

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