Karen Lapsley, ABC Chief Scientific Officer
Product Innovation at Starbucks

Mary Wagner, Ph.D
Mary K. Wagner, Ph.D  
SVP, Global R&D/Quality, Food Safety & Regulatory

- Joined Starbucks in April 2010
- 35+ years in research, development, quality, regulatory, and general management across a broad range of retail and consumer product companies, including Mars Inc., E&J Gallo Winery, YUM, and General Mills, Inc.
- Ph.D. in Food Science & Nutrition from the University of Minnesota; M.S. and B.S. from Iowa State University; PMD from Harvard
- Favorite drink is a Grande Americano with an extra shot
Today’s Agenda

• Review key consumer and innovation trends
  – Innovating Beyond the Product
  – Better Food…Better for Me
  – Premiumization of Convenience

• Discuss implications of trends on Starbucks’ Product Innovation & Quality / Food Safety
Innovating Beyond the Product

Product innovation today goes well beyond what was traditionally focused on the product itself.

Target’s Designer Collaborations

Target partners with renowned fashion designers to differentiate itself.

Black Box Wines’ Packaging & Branding

Black Box Wines tapped into its packaging as a way to have a distinguished product in market.

Tesla Motors’ E-Commerce Platform

Tesla Motors was the first in its industry to set up a E-Commerce business, revolutionizing the car buying customer experience.

Nike’s Incorporation of Digital into Products

Nike integrated digital technology into its athletic apparel / gear to create a completely different workout experience.
Better Food…Better for Me

Consumer demand for healthier, locally sourced options continues to grow

Demand for Local, Fresh, Healthy Options

Farm to Fork

Consumers are demanding healthy foods. Global sales of healthy food options are estimated to reach $1 trillion by 2017

Commitments to “Free From” Ingredients

Antibiotic free meats

No Artificial Ingredients

Government Intervention

Governments globally are intervening to help consumers make more informed decisions as well as passing regulation to prompt change:

- Added sugar guidelines
- FDA’s revised Nutrition Facts Label
- Focus on sodium content
Premiumization of Convenience

On-demand Food Delivery

Fresh Grab & Go

Made-to-Order Healthy Fast Food

GRUBHUB

POSTMATES

Sweetgreen
Product Innovation at Starbucks
Starbucks’ Mission

Mission:
To inspire and nurture the human spirit-one person, one cup, and one neighborhood at a time.
The foundation - sustaining successful innovation has to be rooted in strong corporate culture

“Risk more than others think safe. Dream more than others think practical. Expect more than others think possible.”
Store Design: A successful innovation culture will permeate an organization
Digital: A successful innovation culture will permeate an organization
Partner (employees): A successful innovation culture will permeate an organization

- Medical Insurance
- Bean Stock
- Veterans Commitments
- Opportunity Youth Commitments
- Education
Platforms & Products: A successful innovation culture will permeate an organization

Core

Food

Equipment, Packaging, and Technology

Innovating Beyond the Product

Better Food...Better for Me

Premiumization of Convenience
Starbucks Product Innovation

Innovating Beyond the Product
Better Food…Better for Me
Premiumization of Convenience

Experience-based

Emotional Connection

Co-creation

The mechanics
Enablers of Innovation at Starbucks

Who We Are

We create consumer experiences

G.O.O.D. THINGS HAPPEN

We are an emotional brand

Personalization is a brand differentiator

Our Innovation Approach

Experience-based, not product-based

Grounded in consumer emotions

Co-created with partners & consumers

Innovating Beyond the Product
Better Food…Better for Me
Premiumization of Convenience
Grounding innovation in the emotion of holiday

Themes
- Nostalgia
- Good will to great will
- Sparkle & Glitter

Immersion

Premiumization of Convenience

Innovating Beyond the Product

Better Food...Better for Me
New experience differentiators

Coffee Passion

Ingredient Quality/Stories

Mastery and Craft

Simplicity

Credibility Cues
The Starbucks Roastery is the pinnacle of the coffee experience
Roastery Signature Beverages

- Shakerato bianco
- Sparkling espresso with mint
- Americano con crema
Recently launched innovations that address customer demand for healthy options

... and let’s not forget
Starbucks now serving Almondmilk!

Cold Brew (incl. Nitro)  Flat White  Vanilla Sweet Cream Cold Brew
At Starbucks, we emphasize the importance of convenient, premium products to meet our customers’ needs

Bistro Boxes

Ready to Drink Products

Evolution Fresh Juices & Yogurt Parfaits

Innovating Beyond the Product
Better Food...Better for Me
Premiumization of Convenience
We strive to create the best customer experience by delivering safe, compliant, and high-quality products.
Starbucks’ FoodShare: Leading a Nationwide Effort to Donate Food

Food Safety & Quality was critical in ensuring a successful launch of Starbucks’ FoodShare program
Summary

• Culture is paramount

• Innovate for an emotional experience, not a product

• Engage your greatest assets – people and customers in the co-creation process

• Leverage and customize processes to help bridge the gap between art and science
Questions?