KING-CASEY

Insights & Trends in Food Service Merchandising & Design

REPORT



A Look Back at Starbucks Success at the Drive-Thru



A Roadmap for Becoming #1 at the Drive-Thru

There's been a lot written about Starbucks' drive-thrus. That's not too surprising. After all, in less than a decade Starbucks' drive-thru rapidly morphed from a run-of-the-mill, vanilla customer experience, to a finely tuned, high quality, brand-proprietary drive-thru that has generated many hundreds of million dollars for the brand. Clearly they are doing many things right. You might even say they have earned a #1 status at the drive-thru.

But none of the previous articles have spelled out all of the things that came together to realize these enviable results. So, in this article we reveal the "secrets" of their success. And in doing so, we share with you, a roadmap to kick-start your brand's drive-thru.

A Look Back at Starbucks Success at the Drive-Thru

Winding Back the Clock

Let's first go back to 2009. Starbucks knew their drive-thru was below best-practice. They recognized that they had not looked at the drive-thru experience through the lens of the customer.

In contrast, Starbucks' in-store experience relies heavily on having multiple "touch points" along the customer's path to purchase. There is suggest sell messaging prior to the order point, plus there's a seductive pastry case beckoning trial. On top of this the interior experience includes face-to-face interaction with the barista, music, décor and aromas. However, at the drive-thru, these customer touch points were virtually nonexistent.

By 2010 Starbucks management started to take a hard look at the drive-thru. At the time, there were over 2400 stores with drive-thru, which represented 40% of their portfolio. And they were driving more than half of the brand's cash contribution. The prospect of growing this side of the business was enticing.

A cross-functional improvement team (including marketing, technology, operations, store design and development) was organized to start thinking about how to continue to grow the drive-thru business and make it even more profitable.

Opportunities and Obstacles

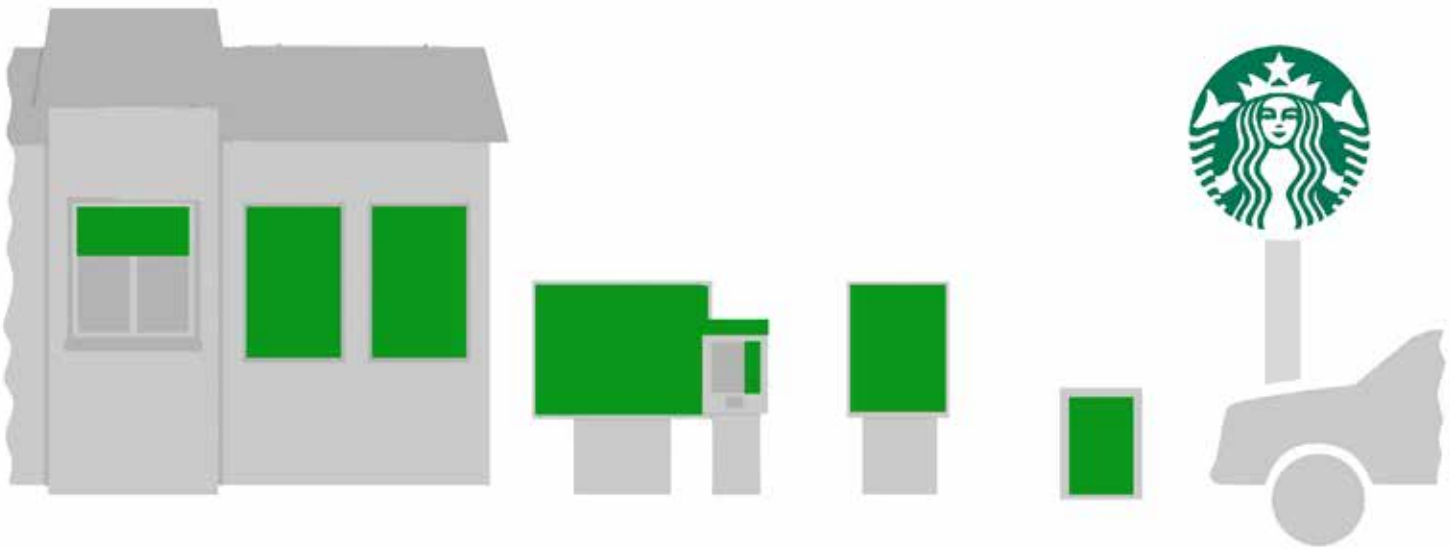
The team knew there were immediate improvement opportunities just waiting to be addressed. Any improvements that would get them closer to best practices seemed certain to result in beneficial business improvement. If they could then go beyond just catching up to best practices, the team felt confident this would be a significant growth strategy for the company.
But there was a very big obstacle in the way of making meaningful progress.

The C-suite was not yet very interested in the drive-thru. The feeling was that the drive-thru projected an image of fast food, and "that's not Starbucks" (even though the brand is fast casual). So there was a cultural barrier that stood squarely in the way of investing in significant improvements.

This obstacle led to a critical opportunity in the team's roadmap to success. In order to gain the support and financial backing needed from top management, the improvement team had to clearly and convincingly demonstrate that the drive-thru was important to the growth of the brand. The plan was to make initial improvements at some existing drive-thru locations to bring them up to best practice. The team would track and measure the results, and convey the outcomes and establish "proof of the need" by using "the language of top management" – which is the language of money.

What Starbucks Did

Looking back over the timeline, we can identify those critical steps that contributed significantly to Starbucks ability to transform their drive-thru from ordinary to extraordinary. Collectively, these create a roadmap that other brands can follow as they revolutionize their drive-thrus. Interestingly, these same steps can be equally applied to improving a brand's in-store sales and customer experience.



A pivotal moment was when Starbucks embraced to the idea that the drive-thru was a collection of seven different "customer zones", each requiring a communication strategy that would be unique to that zone. Each zone was treated as an individual improvement project (what are its strengths and weaknesses, and what can we do to make it better for the customer and better for the desired business outcomes? From right to left: Entry Zone; Pre-pre Order Zone; Pre-Order Zone; Order Placement & Verification Zone; Menuboard Zone, Post Order Zone; and Pay/Pickup Zone.

Thinking in Terms of "Customer Zones"

In 2010 Starbucks invited King-Casey to audit and evaluate a half dozen of their drive-thrus, accompanied by a small team of Starbucks managers. The audits pointed out that the drive-thru consists of many different customer zones. Each of the zones (Entry Zone; Pre-pre Order Zone; Pre-Order Zone; Order Placement & Verification Zone; Menuboard Zone, Post Order Zone; and Pay/Pickup Zone) represent unique customer touch points. Starbucks needed to understand customer needs and behaviors in each zone, and establish specific business goals and communications objectives for each. For the first time, the drive-thru was assessed "through the lens of the customer". Was Starbucks providing the right message in each of these zones? Actually, they were not.

These audits turned out to be a catalyst moment. By the third site visit, the Starbucks team was driving the audit, pointing out how little consideration was being given to the customer at the drive-thru, e.g. "there aren't any signs to designate that the store even has a drive-thru; there are no messages prior to the order point to make the ordering process easier for the customer".

The audit provided the first "Aha" moment for Starbucks – instead of thinking of the drive-thru as nothing more than an order and delivery point, they dissected the drive-thru into key customer zones and touch points. Deficits were identified in each zone. They started thinking through many different zone-specific improvement opportunities. For each zone they created a plan. New strategies were developed for the different customer zones. Messages were now cognizant of customer needs, attitudes and behaviors, and were tailored to meet specific, zone-appropriate business objectives. The drive-thru became an opportunity to influence strategic sales growth, improve the customer experience, while replicating some of the customer touch points found inside the store.

Optimizing Menu Communications

The most critical communication at the drive-thru is the menuboard itself. Starbucks systematically assessed the strengths and weaknesses of their current board, identifying improvement opportunities that would improve ease-of-navigation, speed throughput, increase food attachment, prioritize categories and steer customers to high-priority products (see sidebar "More Aha Moments" for what Starbucks learned about adding images to the menuboard). Food and beverage categories and products were prioritized, based on their relative contribution to strategic and financial business objectives. Starbucks

developed numerous menuboard layouts that were put into quantitative research to evaluate a dozen different tactics, including strategic placement of key items, the use of larger visuals, adding popular in-café items to the drive-thru, pairing food and beverage item to increase attach, establishing a 60/40% food to beverage space allocation, etc.

Attention was also given to the off-menuboard communications at the drive-thru. Strategic opportunities were identified for each of the customer zones, with priority given to the communications that would lead to growing sales, increasing profits, and enhancing the customer experience.

Getting Operations Involved

Any drive-thru is only as good as the operations supporting it. Too often brands don't invest the same amount of thought and planning for the drive-thru operations, as they do for in-store operations. Starbucks created an Operations Innovation Team to address opportunities for the optimization of drive-thru operations, such as:

- Adopt best practices from industry leaders
- Establish food and beverage equipment standards
- Optimize drive-thru technology (headsets; cup labelers; timers; order confirmation; payment technology; digital menus)

Testing and Validating Improvements & Innovations

The improvements and innovations demonstrated beneficial outcomes. They were growing the business while delighting customers. Such results allowed Starbucks to get a green light from the C-suite to really get the drive-thru effort going at an accelerated rate. Starbucks established a group of Rapid Test Stores. Here a new methodology, strategy, design innovation, or new food and beverage products would be quickly and cost-effectively put into an actual store test. Management would get rapid customer feedback, rapid impact on operations, rapid validation of business potential, and a quick determination of "go or no-go". If an idea was going to fail, it would fail fast and fail cheap.

Stretch Goals and Continuous Improvement

The early results of these initial improvements opened the purse strings from executive management. A program (called Drive-Thru Evolved) was established with the following mission: Create a personal connection, deliver high quality hand-crafted beverages and anticipate customer needs by continuously improving store operations and leveraging technology that differentiates the drive-thru experience.

A mission like this is only realized by tackling a myriad of improvement projects, each focusing on very specific problems and opportunities. Going back to the drive-thru's different "customer zones", each of the zones became improvement projects that would focus on that zone. What are we doing poorly in this zone? What are we doing well? How can we help the customer in this zone? How can technology help? In short, what are the improvements we can make in this zone to differentiate our drive-thru experience, and delight the customer?

The program would establish, oversee the long and short term improvements and the stretch goals Starbucks established. Examples included:

- Be viewed as #1 in the Drive-Thru for Customer Experience
- Unlock full potential of Digital



Starbucks designed a proprietary look making the drive-thru unique and proprietary

in the Drive Thru
- Leverage Customer Insights to exceed Customer Expectations
- Drive Incremental Profit of $500M

Leveraging Technology

Innovation is a key mantra for Starbucks. They are continually identifying innovative uses for technology for the drive-thru and in-store.

A key element in making the drive-thru experience more experiential and less transactional was the addition of a 46 inch digital order confirmation screen. In addition to visually confirming the order, customers can interact live via a 2-way video with the baristas taking the order. The innovative digital screen also promotes (in real time) available bakery items and suggest-sell promotions to increase ticket and incidence of food attach to beverage orders. This "digital barista" offers a benefit that may not be obvious. It capitalizes on Starbuck's greatest asset -- its people and their relationship to customers. It brings an element of the interior's Third Place experience to the drive-thru.

Starbucks is now firmly established as the leader in mobile customer service. Their Mobile Rewards, Order & Pay technology is the stellar result of more than a decade of continuous improvement. Starbucks' mobile app allows customers to order and pay using their smartphones and then pick-up their order either inside stores, at curbside, or at the drive-thru. Today, with over 30-million active users, the Mobile Rewards, Order & Pay app accounts for 30% to 50% of all orders placed.



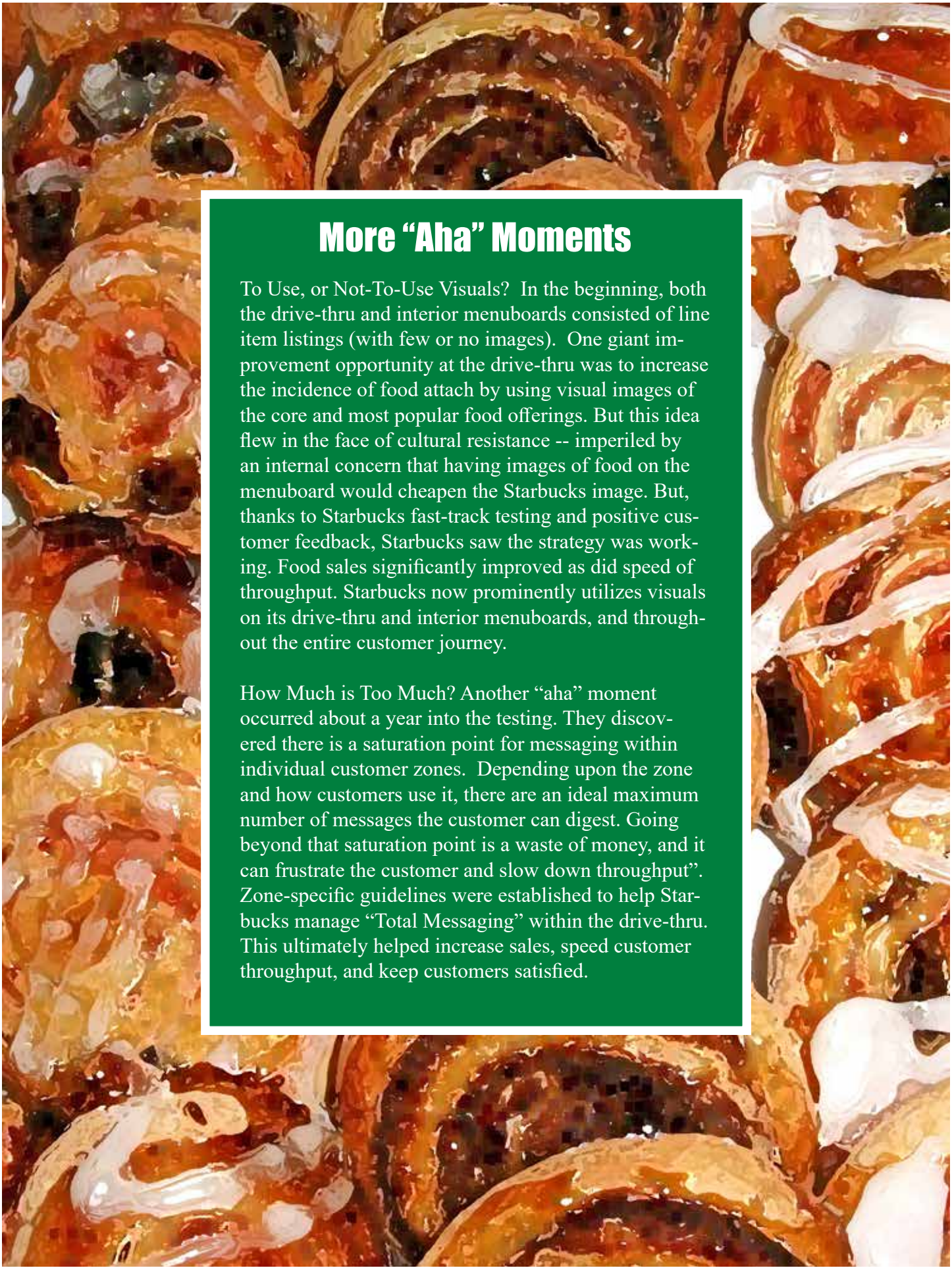
The Order and Verification Zone includes a live two-way video feed with the team member taking your order, bringing the personalized "inside" experience to the drive-thru. This digital board can also suggest-sell food items, limited time offers and day-part relevant offerings.

Investing Big To Make It Happen

The ROI resulting from the drive-thru improvements were quickly evident to the C-suite. Their stores with drive-thru do 50% more business than those without. Now the drive-thru was top of mind, initiating the largest capital expenditure in Starbucks history – an investment to ensure an aggressive expansion of the number of Starbucks locations with the new drive-thrus.

Continuous improvement is a way of life at Starbucks. The company's goal is to continually improve the experience anticipating that drive-thru sales will continue to account for the majority of their business.

If you'd like to discuss how King-Casey can help your team create or enhance your drive-thru business, please email Tom Cook at: tcook@king-casey.com, or call Tom at: (203) 571-1776



More “Aha” Moments

To Use, or Not-To-Use Visuals? In the beginning, both the drive-thru and interior menuboards consisted of line item listings (with few or no images). One giant improvement opportunity at the drive-thru was to increase the incidence of food attach by using visual images of the core and most popular food offerings. But this idea flew in the face of cultural resistance -- imperiled by an internal concern that having images of food on the menuboard would cheapen the Starbucks image. But, thanks to Starbucks fast-track testing and positive customer feedback, Starbucks saw the strategy was working. Food sales significantly improved as did speed of throughput. Starbucks now prominently utilizes visuals on its drive-thru and interior menuboards, and throughout the entire customer journey.

How Much is Too Much? Another “aha” moment occurred about a year into the testing. They discovered there is a saturation point for messaging within individual customer zones. Depending upon the zone and how customers use it, there are an ideal maximum number of messages the customer can digest. Going beyond that saturation point is a waste of money, and it can frustrate the customer and slow down throughput”. Zone-specific guidelines were established to help Starbucks manage “Total Messaging” within the drive-thru. This ultimately helped increase sales, speed customer throughput, and keep customers satisfied.

KING-CASEY IS THE FIRM THAT THE WORLD'S LEADING RESTAURANT AND FOODSERVICE BRANDS COME TO WHEN THEY WANT RESULTS

King-Casey provides practical, analytics-driven insights and research-validated solutions for restaurant and foodservice brands. We are renowned as the leader in providing comprehensive, turn-key Menu Optimization Services that increase sales and profitability.

Collectively, our services provide advanced solutions that enable our clients to unlock the full potential of their menu, and achieve significant, measurable business results. No other firm provides such comprehensive menu optimization analytics and solutions.

Our Suite of Services Include

- Consumer insights analytics
- Attitude and usage research
- TURF analysis
- Menu performance analysis
- Menu operations analysis
- Menu reengineering
- Menu strategy
- Menu communications (web, mobile app, menuboards)
- Total store communications (path-to-purchase)

The Benefits Are Immediate and Meaningful

- Increased sales and profitability
- Improved customer experience
- Totally integrated solutions
- No loss or dilution of insights and data due to their transfer from one consulting resource to the next
- Cost and timing savings resulting from combining the full suite of services under one umbrella



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