Starbucks to shutter hundreds more cafes in latest turnaround move

Seattle-based coffee giant pares stores amid broader overhaul



Starbucks said it plans to close about 250 stores, equal to 1% of its coffeehouses in North America. (Getty Images)

By Randyl Drummer
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Starbucks will close about 250 cafes across North America this week, the latest move by the coffee giant to trim costs and improve profitability.

The closures represent roughly 1% of Starbucks' more than 18,000 company operated North American stores, according to a message to employees from Mike Grams, the company's chief operating officer.

The move comes a year after Seattle-based Starbucks said it would shutter 250 cafes across the U.S. and Canada, including its iconic Seattle roastery, and follows a broader restructuring that includes relocating supply chain operations to a new corporate hub in Nashville.

Last month, Starbucks disclosed plans to lay off 224 corporate workers in Seattle, including technology and design employees who declined to relocate, according to a state Worker Adjustment and Retraining Notification, or WARN, notice.

The closures come amid a rebound in U.S. retail space occupancy in the most recent quarter, with data showing that a significant portion of recently vacated retail space is quickly being back filled by other retailers, particularly in markets and shopping centers,

according to Brandon Svec, CoStar's national director of U.S. retail analytics.

Like the previous round, the latest closures include prominent urban locations. A barista at Starbucks' cafe in the Nordstrom building at 1700 Seventh Ave. in downtown Seattle confirmed Thursday that Sunday will be the store's final day.

Starbucks' online store locator lists the location as permanently closed beginning Monday.

A review of Starbucks' online store locator by CoStar News also identified cafes slated to close in Whitestone, New York; Lafayette, California; and Upland, California.

The company did not respond to a request for a list of confirmed closures in the U.S. and Canada.

Underperforming cafes

The latest closures underscore the scale of Starbucks' ongoing overhaul under its "Back to Starbucks" strategy, which has combined store investment, workforce reductions and operational changes as the company works to reverse slowing sales and improve profitability.

In the message to employees, Grams said Starbucks reviewed its North American portfolio and identified locations where the company could not consistently deliver its desired customer experience or achieve acceptable financial performance.

Grams said the closures come as Starbucks' North American business returns to growth. The company raised its annual sales and profit forecasts for a second time this year during its July earnings call.

Starbucks had renovated more than 1,000 stores across North America as of July 29 and planned to complete another 500 by the end of its fiscal year, CEO Brian Niccol said at the time.

The company also opened 175 stores globally during its most recent quarter. The U.S. accounted for 16,933 locations, or about 41% of Starbucks' worldwide portfolio.

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Improvements in service, store conditions and operating performance have given Starbucks a clearer picture of individual store results, Grams said. While most locations are benefiting from the company's "Back to Starbucks" strategy, some continue to underperform.

Starbucks plans to offer transfer opportunities to affected workers where possible. Employees who cannot be placed at another store will receive severance support, according to Grams.

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