



CONTENTS MAY BE HOT

Riding early success with its mobile app, Starbucks doubles down on extracting dollars from devices. *By Leena Rao*

LONG BEFORE Apple and Google introduced their own mobile payment services, Starbucks had it figured out. In 2011 the retailer spent more than \$1 million to gain the ability to accept payment (via QR code) from smartphone-toting customers. The gamble paid off: Today millions of people use the company's mobile application to pay for their lattes and frappuccinos, and one in four of its transactions originates with a mobile device. Shockingly, one of the most successful mobile wallets comes from a coffee purveyor.

The dramatic shift in its customers' habits is changing the way Starbucks thinks about its operations and enticing it to gild the lily with additional mobile services.

Take Order & Pay, for example. In late 2014, Starbucks rolled out the feature, which lets customers use the mobile app to place and pay for an order before reaching the store, allowing them to pick up goods without waiting in line. Encouraged by adoption in its home market—today 4% of all Starbucks transactions are made in advance, with some U.S. stores reporting figures

as high as 10%—the company has begun to extend the service to the rest of the world. This year Starbucks will offer the feature in China, where it also plans to open hundreds of new stores. (The move is part of Starbucks' bid to secure a market that CEO Howard Schultz hopes will exceed its U.S. business by 2019.)

Starbucks also wants to increase engagement and boost sales among customers who already use its app. The company plans to add personalization elements that allow the app to recall your favorite order (half-caf iced venti no-whip white mocha, please), suggest what might pair well with it (how about some chocolate biscotti?), and guess where you'd like to pick it up (the one at the Macy's on State Street). Customers in New York City and San Francisco can also opt for home delivery courtesy of a new pilot program.

Chief digital officer Adam Brotman says Starbucks knows it runs the risk of adding too many bells and whistles to a tool meant for convenience. "You don't want the app to become too much of a Swiss Army knife," he acknowledges.

But Forrester Research analyst Sucharita Mulpuru says it's been smooth sailing for the company thus far.

"Starbucks has been very smart," she says. "It has continued to innovate." ■



54%

Millennials who plan to purchase connected lighting in the next 12 months
ICONTROL

76%

U.S. smartphone owners who turn off notifications because of frequency or relevance
FORRESTER RESEARCH