

# Starbucks Hit by Move to Online Shopping

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NEW YORK (AP) — For marathon shoppers, stopping in at Starbucks is often a quick way to refuel. So where does that leave the cafes as more people decide to shop online from their couches?

The Seattle-based company apparently felt the impact this holiday season. On Thursday, Starbucks blamed its slower sales growth in the final three months of the year partly on the "seismic shift" toward online shopping that was underway.

"The impact to us is that there are fewer people out and about in the weeks leading up to Christmas," said Troy Alstead, the company's chief financial officer.

Starbucks says sales at established U.S. cafes rose 5 percent in the period ending Dec. 29, compared with growth of 7 percent a year ago. In the previous two quarters, it had climbed 8 percent and 9 percent.

Data from ShopperTrak, which tracks data at 40,000 stores in the U.S., backs up Starbucks' claim. The firm said there were fewer people in stores this holiday season, with the number of visits in November and December down by nearly 15 percent to 17.6 billion.

Online sales during the holiday season rose 9.3 percent, according to the National Retail Federation. That's much stronger than the 3.8 percent rise for overall holiday retail sales, which include online sales.

Still, Starbucks executives were quick to downplay any potential repercussions. In a call with analysts, CEO Howard Schultz stressed that the company was uniquely positioned to handle — and even benefit from — the growing migration to the Web.

To start, Schultz noted that the "Starbucks experience" can't be replicated. He also pointed out that the company has aggressively expanded its loyalty program, which gets customers to visit more often. The company has also expanded its gift cards business, which helps bring in new customers.

Schultz even suggested all that time spent online will make Starbucks cafes even more important because they provide a "deep sense of community and human connection." As evidence, he pointed to the company's 4 percent increase in customer visits during the period, despite the weakness many other retailers experienced.

Still, Starbucks did have to dangle some extra incentives to get people to come out; Schultz noted that the company was "a little bit more promotional" during December after realizing there weren't as many people milling about at malls and stores.

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Published on Food Manufacturing (<http://www.foodmanufacturing.com>)

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As a result, that average amount spent per visit likely went down a bit, he said.

Investors didn't seem too concerned. Starbucks' shares are up \$2.42, more than 3 percent, to \$75.81. in midday trading.

**Source URL (retrieved on 04/25/2015 - 12:28pm):**

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