

Starbucks Eyes Soda and Lunch as U.S. Sales Climb

NEW YORK (AP) — Starbucks keeps finding ways to squeeze more money out of people.

The Seattle-based chain reported a stronger quarterly profit Thursday as global sales at established locations rose 6 percent, including in its flagship U.S. market. Operating margin improved as a result of lower costs for ingredients, and the company raised its profit outlook for the year.

[Starbucks Corp.](#) [1] has continued to report healthy sales gains, even as others in the fast-food sector have struggled. Its strategies have included price hikes, getting people to sign up for its loyalty program and the rollout of an array of new items, including breakfast sandwiches, salads and bottled juices. Later this year, it plans to introduce its made-to-order Fizzio soda offerings at 3,000 U.S. locations.

After seeing through the rollout of its new La Boulange baked goods this year, Chief Operating Officer Troy Alstead said in a phone interview that Starbucks will move on to refining its lunch options, with some items already being tested. That would help convince customers to spend even more when they visit, or go to Starbucks during hours they normally wouldn't.

The company noted that Starbucks delivered stronger sales in the quarter despite severe weather, which has been cited by companies including Dunkin' Brands and McDonald's Corp. for weak sales. Alstead downplayed a recent hiccup in its rollout of La Boulange baked goods, when the company [brought back pumpkin and lemon loaves](#) [2] after customers complained.

"Oh, tweaks are always happening," Alstead explained.

In a conference call with analysts and investors, CEO Howard Schultz also noted that there's plenty of runway for the company to open more stores, even in the U.S. where it has more than 11,000 cafes.

"We are significantly under-stored in many markets, including North America," Schultz said, pointing out that drive-thru locations offered particular promise. This year, Starbucks plans to add another 1,500 locations, including 600 in the Americas.

Executives also noted another potential source of additional revenue in its popular mobile platform. Schultz said Starbucks has been approached by technology companies and national retailers that want to license the technology used in Starbucks' app.

"We have not made the decision as to what we will do," he said.

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During the quarter, sales at established locations also rose 6 percent in the unit encompassing Europe, the Middle East and Africa, where Starbucks has struggled to compete against local cafes. The figure rose 7 percent in Asia.

For the quarter, Starbucks earned \$427 million, or 56 cents per share, in line with expectations. A year ago, it earned \$390.4 million, or 51 cents per share.

Revenue rose to \$3.87 billion, but was short of the \$3.96 billion analysts expected.

The company, which has more than 20,000 locations globally, stood by its outlook for sales in established cafes to be up mid-single digits for the year. It now expects to earn between \$2.62 and \$2.68 per share, up from its previous guidance of \$2.59 and \$2.67 per share.

Its stock rose \$1.18 to \$72.27 in aftermarket trading.

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Links:

[1] <https://twitter.com/Starbucks>

[2] <http://www.foodmanufacturing.com/news/2014/04/starbucks-reintroduces-cake-popular-demand>