

Starbucks, Alibaba partner to transform the coffee industry in China

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Starbucks Coffee Company and Alibaba Group Holding Ltd. has announced a deep, strategic “New Retail” partnership that will enable a seamless Starbucks Experience and transform the coffee industry in China. Collaborating across key businesses within the Alibaba ecosystem, including Ele.me, Hema, Tmall, Taobao and Alipay, Starbucks announced plans to pilot delivery services beginning September 2018, establish “Starbucks Delivery Kitchens” for delivery order fulfillment and integrate multiple platforms to co-create an unprecedented virtual Starbucks store – an unparalleled and even more personalized online Starbucks Experience for Chinese customers.



At a press conference in Shanghai, Starbucks and Alibaba Group unveiled details of a strategic partnership that will enable a seamless Starbucks Experience and transform the coffee industry in China. Collaborating across key businesses, including Ele.me, Hema, Tmall, Taobao and Alipay, Starbucks will pilot delivery services beginning September 2018, establish “Starbucks Delivery Kitchens” in Hema and integrate multiple platforms to co-create an unprecedented virtual Starbucks store. The partnership promises to give an even more personalized online Starbucks Experience for Chinese customers.

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The announcement marks a historic moment as two iconic, global companies build on their distinct retail and technology strengths to revolutionize the customer experience. Leveraging the Alibaba ecosystem and New Retail infrastructure, Starbucks will be able to further unify a seamless *Starbucks Experience* between its stores and online for customers.

"Thanks to the elevated customer experience delivered by our over 45,000 partners, Starbucks is growing and innovating faster in China than anywhere else in the world," said Kevin Johnson, president and chief executive officer, Starbucks Coffee Company. "Our transformational partnership with Alibaba will reshape modern retail, and represents a significant milestone in our efforts to exceed the expectations of Chinese consumers. Starbucks China is one to watch, and I have full confidence in the team that will bring the new innovation behind the *Starbucks Experience* to life."

Daniel Zhang, Chief Executive Officer of the Alibaba Group, said, "Starbucks is more than a destination for premium coffee and we share the same vision to pioneer a new coffee culture and lifestyle through innovation and technology. Alibaba is thrilled to expand our existing partnership with Starbucks by leveraging our cutting-edge New Retail infrastructure and digital power to enable an unprecedented experience for consumers. This partnership is again a testament to the success of our New Retail strategy."

The strategic partnership is part of Alibaba's broader New Retail push, which aims to transform how commerce is conducted by merging online and offline experiences. New Retail was introduced by Alibaba in 2016 and has since become a hallmark strategy of the retail industry.

Creating an Unparalleled Order and Delivery Experience Powered by the Alibaba Ecosystem

Best-in-class coffee delivery service through Ele.me

Working with Ele.me, China's leading on-demand food delivery platform with 3 million registered delivery riders, Starbucks will pilot delivery this September in 150 stores located in key trade zones in Beijing and Shanghai with plans to accelerate and expand its delivery program to more than 2,000 Starbucks stores across 30 cities by the end of calendar year 2018.

Both Starbucks and Ele.me collaborated to develop a unique, customized delivery infrastructure that has been meticulously determined each step along the way, including dedicated Ele.me delivery riders, precise delivery time, and custom carriers. Both companies have created a tailored order-to-delivery Starbucks program that upholds the unparalleled experience and quality that customers have come to expect in Starbucks retail stores. Through this delivery partnership, Starbucks and Ele.me have pioneered a best-in-class coffee delivery service standard for Chinese customers.

"Ele.me has a robust infrastructure for on-demand delivery in China. We are pleased to partner with Starbucks to launch these reliable and trusted delivery services to satisfy customers' needs and capitalize on the delivery sector's great potential. It is an important milestone for Ele.me to deepen our collaboration with retail chains and further expand our penetration in the food delivery sector," said Wang Lei, Chief Executive Officer of Ele.me.

Distinct Fulfillment and Delivery Capabilities through Hema Supermarkets

In addition, Starbucks will partner with Hema supermarkets to be the first retail brand to establish dedicated "Starbucks Delivery Kitchens" within their locations. The "Starbucks Delivery Kitchens" will utilize Hema's distinct fulfillment and delivery capabilities to complement the delivery of handcrafted Starbucks coffee and tea beverages offered through existing Starbucks stores. Starbucks will also leverage Hema's highly effective consumer insights and unique fulfillment expertise to further penetrate and better serve the needs of individuals and families in communities across China.

This intentional strategy will inform the future network planning for new Starbucks stores, combined with "Starbucks Delivery Kitchen" locations, to further expand the scale and reach of Starbucks delivery services, while enabling our partners (employees) to continue to elevate the third-place experience for the customer. Starbucks will open "Starbucks Delivery Kitchens" in selected Hema supermarkets in Shanghai and Hangzhou as soon as September 2018, with plans to expand its presence to other cities over time.

"Our Chinese customers have a high expectation of their *Starbucks Experience* and we are proud to introduce a premium delivery experience that reflects the same service and quality they've come to love and expect from us in our stores – we will never compromise," said Belinda Wong, chief executive officer, Starbucks China. "More significantly, through our partnership with Alibaba, we are breaking the physical and virtual barriers between the home, office, in-store and digital space, making China the first Starbucks market to deliver a seamless *Starbucks Experience* across all facets of our customers' lives and further reflecting the uniqueness and strategic importance of the market."

Digital Innovations Transforming the Retail Industry

A key strategic initiative under the partnership is the development of a pioneering, first-of-its-kind virtual Starbucks store in China. This digital partnership will see Alibaba develop a centralized online management hub, with the unique capabilities to integrate and deliver a consistent *Starbucks Experience* across multiple digital platforms. This innovation will transcend the

traditional limitations of a single-app visit by providing the consumer an elevated, and even more personalized Starbucks digital experience across the Starbucks app and Alibaba's customer-facing mobile apps, including Taobao, Alipay, Tmall and Koubei.

This latest innovation will revolutionize the traditional offline-to-online model by effectively extending the reach of the *Starbucks Experience* into the everyday lifestyle ritual of the Chinese consumer, regardless of time or place. Whether it is at home or in the office, within a Starbucks store or online, Starbucks customers will be able to access and enjoy a one-stop *Starbucks Experience* when purchasing merchandise online, buying a Starbucks handcrafted beverage to be delivered to a friend or sending a Starbucks gift of love on the "Say it with Starbucks" social gifting platform. Starbucks will progressively integrate its Starbucks Rewards (SR) membership platform onto the centralized system to leverage its consumer insights to deliver a truly personalized experience to its customers, while establishing a strong foundation for the future development of Starbucks digital experiences in China.

Starbucks and Alibaba are trusted business partners who share common values in the spirit of innovation and the unrelenting pursuit of product and service excellence. This deepened partnership is a significant step as both companies partner together to elevate the customer experience across China.