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Interview with Adam Brotman and Curt Garner (Starbucks)

How Starbucks Has Gone Digital

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Two Starbucks executives — chief digital officer Adam Brotman and CIO Curt Garner — explain how they work closely together to deliver the giant coffee company's customer-centered approach to technology.

ADAM BROTMAN AND CURT GARNER, INTERVIEWED BY MICHAEL FITZGERALD

Starbucks Coffee Company has become almost as well known for its free Wi-Fi as for its coffee. The \$13.3 billion company provides a model of melding a physical retail operation with digital channels. It has more than 34 million Facebook likes and more than 3.6 million Twitter followers, and does well at using social media and mobile technology to build better relationships with its customers. It is also in the vanguard of companies with a chief digital officer, having named Adam Brotman (@adambrotman) to that post in March 2012. Brotman, 43, had joined Starbucks in 2009 as vice president of digital ventures and now has a team of 110 under him. He works closely with Curt Garner, 43, a 15-year company veteran who became CIO in March 2012, running a department of 760. Brotman and Garner spoke with *MIT Sloan Management Review* contributing editor Michael Fitzgerald about their relationship and how they've helped remake Starbucks into a digital company.

The two of you were promoted to CDO and CIO in March 2012. What have been your main projects since then?

ADAM BROTMAN: We've made a lot of payment-related improvements to the customer experience — mobile payments, payments beyond our own app — and expanded that globally. We've made some changes to our loyalty system and loyalty programs, had a lot of technology work behind those changes, as well as customer-facing programmatic benefits and changes. We are working together on some internal employee portal improvements and changes; that's a project that's been high on the list. We've done loyalty card and mobile integration with some acquisitions that you've probably heard about, both on the tea side as well as on the fruit and juice side. We've continued to roll out our global Web and mobile platforms, generally. We're in 62 [international] markets now, and not every single one of them has a global and mobile platform available to them, although we're getting there.



Curt Garner, Starbucks CIO

CURT GARNER: We currently have 100 projects active in IT, and 35 of them are customer- or partner-facing, including that portal project Adam talked about. As a high-growth company, we have a lot of opportunity to increase efficiency [and] productivity and create cost leverage across the organization. I would say another 35 to 40 [IT projects] rest within that efficiency and productivity part of the portfolio. The final leg of our strategy, where we've got another 35 or so projects going, is a broad portfolio around what I call resilience, security and productivity. Technology cycles being what they are, we're constantly trying to catch up to the opportunities that present themselves across the business. We completed 37 projects in 2011, 59 in 2012, and we're aiming for 100 in 2013. We're repositioning ourselves to get more done in quicker cycles, rather than the large multi-year big-bang deliveries.

How much of what you work on is — or should be — transformative?

BROTMAN: We don't think about it that way. We tend to look at what are the needs of our customers, what's the strategy of our business, what are all the different digital touch points that are already in place versus ones we need to put in place, and then we'll roadmap out how we want to prioritize our time and effort against that backdrop. Depending on your definition of transformative, I'd say maybe one third of it ends up being in that space. Another third is probably really good improvements and iterations and advancements on what we already have going on. The other third — really important — is that we continue to shore up the platforms and reliability and speed and security of what we're up to.

GARNER: I would amplify what Adam said. The big change we've made in the last year is repositioning technology and digital to be much more consumer- and store partner- focused than it historically was. [Editor's Note: Starbucks calls its employees "partners."] I'll give you an example of something that would historically not be transformative, but by taking a look at what it meant in terms of partners and customers we were able to make a pretty dramatic change. We replaced the



Adam Brotman, Starbucks CDO

point-of-sale system in our stores, a fairly routine thing that a retailer would do. After spending a bunch of time videotaping and talking to partners, we made a couple of changes to the point-of-sale system to make it easier to ring transactions and decrease the time it takes to do an electronic transaction. We were able to save 10 seconds a swipe for any kind of Starbucks card, mobile payment, credit card or debit card transaction. That ended up saving us 900,000 hours of line time a year.

Starbucks has developed a reputation for doing things that have proven transformative with emerging technologies like social media and mobile. Do you guys actually sit around and think about "What can we do that will be transformative?"

BROTMAN: Yeah, we do. The topic is rarely, "Okay, let's sit around and talk about how we're going to transform something." We will take an area like payment or ordering or our ability to engage and connect with customers through mobile and social platforms, and we'll look at what we think are some of the most innovative things that are out there and just really get ourselves warmed up around what's possible. We're sort of brainstorming at the edges of what we think is possible, and then we'll come back to, for us, what is the most magical or innovative thing we can do?

GARNER: We have a digital scrum that Adam and I chair between our teams, where we think through and whiteboard what are our next opportunities to create that magical experience for customers and for partners. Some of the great ideas we have come from outside our digital scrums. Adam and I had a chance to connect with a bunch of store managers recently, and talk with them about the type of interaction they're having with customers and they're having with partners and where they believe technology could reduce friction. Certainly we get a lot of benefit from the creative thinking of Howard [Schultz, Starbucks chairman, CEO and president] and the [company's] senior leadership team. Our entire leadership team is very engaged and animated around digital and tech and what it can mean for the company. It's part of the shared goals we have as a leadership team to continue to lead in terms of innovation and consumer-facing technology.

How often do you have these scrums?

BROTMAN: Once a quarter officially, and unofficially once a month — at least once a month we get pulled, usually by Howard Schultz, into a situation where we need our team members to get involved in a discussion about future trends in one area or another, because we're going to go take advantage of something we're really excited about. So we have to sort of fold in a digital scrum, or innovation or trend conversation, so we can quickly make some decisions about some other stuff.

GARNER: Adam and I talk every day. We get our teams together to review the entire road map every other week. There's a lot that comes in between those quarters that we react to as near-term opportunities.

Adam, one publication billed your new title as a profound shift for Starbucks. It noted that all of Starbucks' digital projects — Web, mobile, social media, digital marketing, loyalty programs and e-commerce, Wi-Fi, Starbucks' digital network and emerging store technologies — became your province. How big a shift was it to become chief digital officer versus

your previous title, senior vice president of digital ventures?

BROTMAN: Before the chief digital officer position was created, my job was everything you just described, except it wasn't global digital marketing, it wasn't card [Starbucks Cards and mobile payments], and it wasn't loyalty. Those were in three different groups separately in the organization. We realized those were all one thing, they all work best together and if you listed the vision for where we wanted to go with digital, it was encompassing all those things. What was significant and transformative was the mental shift to, "Wait a minute now, you've just rounded out and rethought about how all those things fit together."

You mentioned that in the last year you and Curt realigned how you work together. Talk to me about that process and what you've done.

GARNER: Some of that has been process, some of it has been structural, and parts of it have also been seeking out and realigning new types of talent. From a structural perspective, we used to have digital technology delivery through separate centers of excellence, if you will: one group led project management, another group did development, [and] we had another group doing QA. We would waterfall work through various teams of specialties to get out a product. That was similar through the digital team and the tech team. We've changed it to be a lot more collaborative and innovative. We have tiger teams or SWAT teams that are assigned to specific projects and goals. We've been able to knock a lot of time and cycles off the work by having the thought leaders for digital and technology and their teams all together and working towards the same objective. Everything from the inception and brainstorming through the delivery is a jointly owned, team-focused and very collaborative environment — something you might find more in terms of a smaller startup and how they would approach the work than a multibillion-dollar multinational.

BROTMAN: Prior to that reorganization [the formation of a chief digital officer with card, loyalty and

digital marketing as part of his purview], IT was really a great partner, but probably wasn't collaborating and set up strategically with digital the way it is now. In the consumer-facing digital realm, whether it's the design experience, strategy and implementation, you have two people — me and Curt — that actually are discussing the strategy with our teams: how we're going to build it and how we're going to prioritize and why. Knowing that the decision-making authority rests with just the two of us and we're aligned puts everybody on the same page strategically. It's made us much more effective as an organization.

Adam, what was it like coming in to an established management team in a job, vice president of digital ventures, that probably had to be defined for people?

BROTMAN: First of all, there was a real openness from our CEO Howard Schultz to the idea of what digital could mean for Starbucks. He gave [former CIO] Stephen Gillett a lot of leeway to help define that, but it was based on an instinct that turned out to be 100% correct, even back in 2009, that digital for Starbucks was not just about a website or a point-of-sale system, but about an ability to connect with customers and transform their experience and drive the company.

When I came in, my purview consisted of e-commerce and Wi-Fi, but with an understanding that I was going to be looking to create a digital vision that was going to be much bigger. The whole organization — we walked before we ran. We had this attitude of "Let's not go too fast in terms of making organizational changes." We came up with the first big idea, free Wi-Fi, and built a dynamic, interesting Wi-Fi landing page called the Starbucks Digital Network, with all sorts of digital media assets. We were not just doing something smart around Wi-Fi, but we were doing something innovative around how we were connecting with customers.

We didn't have all the answers, but as we started thinking about other things we could do, the next things we took on in my group was mobile and then Web in terms of strategy. That got me working

closely with IT and Curt's team around thinking about the roadmap ... I think it worked to not go too far, too fast, but to keep a vision in mind and keep building along successes along the way.

Retailers in general struggle with how to create consistency across their stores and their digital efforts. How do you manage that?

GARNER: We're not perfect. We continue to learn every day what it means to be a global company, as well as one that is tremendously sensitive to the local environment and respectful of the local environments where we operate. There's always complexity there — of trying to figure out where you get the great leverage in terms of an experience and where it might not be as relevant in the market. That's certainly true for payment. We are in some places where cash is still the predominant form of payment. And mobile payment certainly hasn't had the adoption everywhere that it has in the U.S. and some other places around the world.

Adam, is centralizing across channels something you've had to spend a lot of time on?

BROTMAN: We've had to spend a lot of time on that question. First of all, in the middle of all the stuff we're talking about, Starbucks has also had other smart reorganizations around how we best conform our structure to fit our "Blueprint for Growth" strategy — so we've established regional presidents as well as presidents of channel development and emerging brands. Thinking how digital engagement and storytelling and marketing and loyalty work across all of those regions and channels is an evolving process. The good news is, I think, that the organization at large has seen the vision that Curt and I have for how this can work between our two groups and particularly across the U.S. business.

There are more than 17,000 Starbucks stores — headed towards 18,000 — in 62 countries, and that's not counting Teavana [a chain of tea stores Starbucks acquired in 2012]. What's it like trying to bring

transformation to bear across that far-flung kind of operation?

BROTMAN: We'll find out. This is pretty new for us. The framework and philosophy Curt and I have brought is, okay, over the last 15 years we've figured out how to scale globally. We've taken best practices and a framework for how we scale our thought, our vision and our team's work across geographies and said "Okay, how do we do that across emerging brands and channels?" It's not perfect, but we have an ability to scale geographically, and those muscles have helped us as we've added new brands and added new channels.

Are you able to use the baristas to spread some of your digital messages?

BROTMAN: Yes, but not as much as we'd like to, and we're not doing as good of a job as we should at bringing them along so they can help us with that. Those baristas and store partners are on the front line and are the most important communication vehicle for both espousing and explaining what it is we're up to digitally. We have not done a good job giving them tools and bringing them along around those digital programs. The reason why is because we are incredibly strong and fast-moving when it comes to putting various coffee-related or food-related or tea-related promotions into the stores, and we ask a lot of our partners in terms of all the different things they've got to keep track of and think about. But when we do it right, they are better than any other medium or channel or capability for telling our digital story or helping us launch new digital features to our customers.

Sheer coincidence, but I was in an airport not long ago and there was a massive line stacked up at the Starbucks. One of the baristas came out and — no joke — started writing orders down on a napkin. What can you do to transform that over 17,000 stores?

BROTMAN: I'm really passionate about the topic. Curt and I are working on a couple of things. Curt's team has already put in place a pilot program for

mobile point-of-sale. So we actually have this in dozens of our stores, where there's a full-fledged handheld POS, much like you see in the Apple Store. People ring you up, take your payment and even process your entire order while you are in line. We are taking mobile payments and we're going to be extending into mobile ordering so you can save your favorite order or whatnot in the future — a year or so down the road. You'll start to see us have a lot of different ways that you can have a more efficient time without taking away from the engagement with the barista and the romance and the theater of being able to select the food you want and see what's happening at the counter.

You've had four years now of transformation to a digital Starbucks. What advice would you have for people who don't have Howard Schultz as their boss in terms of trying to manage some of the expectations that can come up around this much-hyped idea of digital transformation?

GARNER: What we've all had to realize is that IT and digital ... [are] pervasive in people's lives now. So the advice I would give somebody starting it now is, think of yourself like a consumer technology company. A consumer tech company needs to have quick release cycles and bring new products to market that need to be relevant [and] secure. Maybe they're not going to have all the functionality you'd have if you'd waited for two years, but two years is a lifetime. Many companies started making that transition when dot-com first became a bubble, and to be legitimate as a business, you had to have a website. Now people are more likely to look at a review on Yelp of a company than go to its website, depending on what kind of company it is. That's the true transformation in thinking that needs to occur. It's a huge skill shift for technology organizations that have historically been very inwardly focused.

Michael Fitzgerald is the contributing editor for MIT Sloan Management Review on the topic of digital transformation.

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