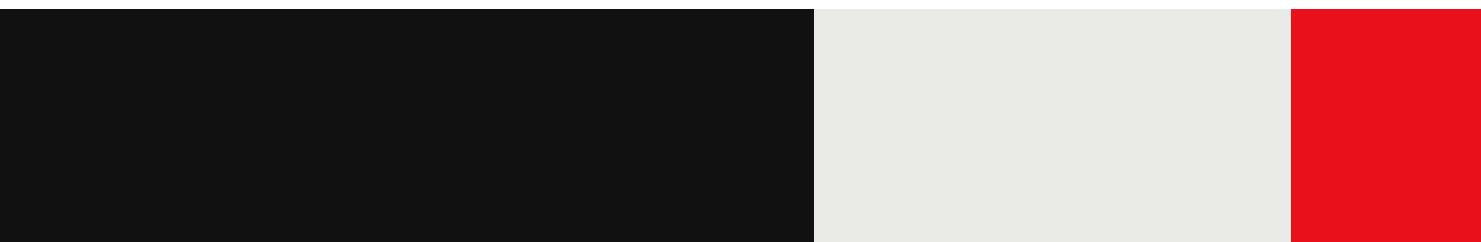


# Starbucks bids the mall goodbye, leans into drive-thru and frictionless CX

Article



**The news:** Starbucks is fleeing malls to focus on drive-thrus, and it's not alone in making investments in more efficient, frictionless customer experiences.

**The timeline:** While we've previously reported many malls are not exactly dying, many are far from thriving. This is making players like Starbucks tilt away from mall locations.

- The pandemic afforded Starbucks the opportunity to rethink its store strategy, particularly in urban markets with more expensive real estate costs.
- **What's changed:** The company now says it is emphasizing “convenience-led formats,” such as drive-thrus, pickup locations and other such experiences.
- In addition, Starbucks is investing in video ordering and providing baristas with tablets to take orders.
- On-the-go orders made up 80% of Starbucks transactions pre-pandemic. This increased another 10% over pre-pandemic levels in Q1 2021, per Starbucks.
- The results have paid off with its stock up 14.1% year to date and up 102.7% since its March 2020 low.

**What other brands are doing:** Fast food service innovation has become a priority.

**Taco Bell:** The Tex-Mex-inspired fast food chain is experimenting with a new dining experience called **Taco Bell Defy**, a two-story, 3,000 square-foot structure with a kitchen on the top floor.

- It will include four drive-thru lanes with three of those lanes focused on mobile orders and pick-up.
- The order experience will be contactless: Customers will scan in their orders with a QR code and receive their food from the “bell-elevator,” a lift between the kitchen on the second floor and the drive-thru.

**Chipotle:** Chipotle’s recent Q2 earnings call focused on **Chipotlanes**, its digital order drive-thru pickup lanes. Of the company’s 200 new restaurants in 2021, 70% will have Chipotlanes.

- During Q2 itself, 45 of its 56 new restaurants included a Chipotlane, and the company’s Q2 digital sales increased 10.5% versus last year, accounting for 48.5% of all sales.
- Chipotle launched its first **Digital Kitchen** last year, offering pickup and delivery exclusively—the prototype has no dining room or front service line.

**What this means:** The investment in on-the-go and frictionless experiences makes sense given the decline of many malls. A record 12,200 stores closed in the US in 2020. Many of those were in pivotal mall locations, hastening the demise of those malls.

- These moves are another indicator that major industry players believe frictionless and contactless service are worth spending on.