Starbucks® Rewards saw 3X revenue lift from offers using Dynamic Offer Optimization

The #1 coffeehouse chain delivered 1:1 individualized offers to 18.9M members 10X faster with Formation’s Offer Optimization Platform

THE GOAL

Become the most personalized brand in the world to 18.9M+ loyalty members

Starbucks Corporation – the largest coffeehouse chain with more than 31,000 stores around the globe – had an ambitious goal: to become the most personalized brand in the world.

To achieve this goal, the loyalty marketing team sought to deliver individualized offers to more than 18.9 million active members of the Starbucks® Rewards loyalty program.

THE BUSINESS CHALLENGE

Leverage existing MarTech stack to scale loyalty offer distribution beyond traditional segmentation

Starbucks wanted to grow revenue from its loyalty program through individualized offers. Their aspiration was to move beyond traditional segmentation all the way to individualized targeting.

However, the company’s existing tools and systems were not able to support 1:1 individualized offers at scale or the speed of the end-to-end marketing process the loyalty marketing team desired.

Results

100,000x
Increase in the number of offer variations

3x
Increase in personalized marketing sales lift

10x
Reduction in the time it takes to develop and launch offers
Transformed offer optimization: from insight activation to seamless 1:1 reward fulfillment

To achieve their goals, Starbucks used the Formation Offer Optimization Platform to power millions of individualized offers to members of My Starbucks® Rewards.

The platform enabled Starbucks to combine their disparate data sources – including transaction, product, loyalty and store information – to construct, deliver and manage individual offers, resulting in significant sales lift for the company’s personalized marketing campaigns.

The coffeehouse chain personalized and optimized offers for each My Starbucks® Rewards member in numerous ways using dynamic actions and dynamic rewards; by specific categories, sub-categories or products; and by the amount and type of rewards.

Starbucks was then able to automate offer assembly, offer deployment, reward fulfillment and KPI measurement and tracking using Formation. This made deploying offers faster and increased efficiency across the entire offer cycle.

10X
Reduction in the time it takes to develop and launch offers

3X
Increase in personalized revenue lift per offer vs segmented

15M
Automated 1:1 offers per week
THE OUTCOMES

Dynamic Offer Optimization produced 3X more revenue lift per offer than the segmented approach

After integrating Formation’s Offer Optimization Platform with the company’s data sources and marketing channels, Starbucks was able to:

- **Create individualized offers at enterprise scale**: Starbucks created millions of offers each week across multiple offer types. Each type of offer was constructed with dynamic actions and rewards to improve certain customer behaviors including frequency, category exploration, cross-sell and upsell.

- **Continuous learning and optimization over time**: Machine learning was applied to Starbucks’s customer data and the customer’s interaction patterns (or lack thereof) to optimize offer individualization and offer selection.

- **Synchronize cross-channel experiences**: Starbucks deployed individualized offers across channels including email, mobile app and push notifications.

- **Improve customer experience**: My Starbucks® Rewards members could see their progress in real-time, with their unique offers and status reflected in the mobile app.

- **Dramatically increase execution speed and reduce manual work**: Starbucks automated many facets of the offer process using the Formation platform, including development and measurement. This led to dramatically faster operations and improved operational efficiency.

- **Conduct advanced experiments**: The coffeehouse chain safely, incrementally and reliably tested initiatives in the market using Formation’s rapid experimentation capability.

- **Measure impact**: Starbucks tracked and measured offer results with Formation’s platform to provide detailed attribution reporting against key performance indicators (KPIs).

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10x

Increase in marketing operations execution speed

3x

Revenue lift per offer vs segmented

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Collect 30 Bonus Stars

Pick up 30 Bonus Stars this weekend when you order any Latte 2 times.

December 20 - December 22

Purchase any Latte

1 TIMES & COLLECT 10★ BONUS STARS

2 TIMES & COLLECT 30★ BONUS STARS

Join the dash