

Starbucks Charts an Express Route to Reach More Customers

By Rakesh Sharma | 04/30/15 - 03:54 PM EDT

NEW YORK ([TheStreet.com](#)) – With less space, a shorter menu and quicker lines, coffee giant Starbucks ([SBUX - Get Report](#)) is banking on a new "express store" format becoming a big success with customers.

The [first store](#) in the new format opened Thursday on New York City's Wall Street, right across from the New York Stock Exchange. At just 538 square feet, the express store is an "espresso shot" version of its typical venues, Starbucks says. No blended drinks are for sale and menu boards are found on the wall next to cash registers instead of behind them so as to speed up customers' orders. Starbucks plans to launch four similar stores by the year's end. *Jim Cramer's charitable trust [Action Alerts PLUS](#) owns Starbucks and recently [reaffirmed](#) his faith in the stock.*

According to R.J. Hottovy, an analyst at Morningstar Research, the new store is an example of Starbucks' creative real estate strategy of late. He also pointed to the company's recent [food-truck tests](#) at college campuses.

"There is an overwhelming demand for Starbucks products at peak times," Hottovy said, citing the format as a "better utilization of restaurant assets."

TheStreet's Jim Cramer called the smaller stores a "[gigantic urban opportunity](#)" and said Starbucks could open thousands of them all over the country.

For some time now the Seattle-based company has been retooling its delivery systems to reach more customers. Its mobile app, launched six years ago, now accounts for about 15% of the store's total transactions. Last year the company piloted a program in Portland, Ore., which let customers place [mobile orders](#) through the app. In addition, the company has inked a [partnership](#) with Postmates, which provides a delivery-service app, to [broaden its products' reach](#).



"Starbucks seems to be shifting their brand ... to providing a coffee experience however, wherever, whenever you like," said Denise Lee Yohn, a branding expert. "As long as they maintain the rest of the core brand attributes," such as quality products, friendly service, customization and convenient transactions, "this change will only strengthen the brand's position," she added.

Lee Yohn placed Starbucks' moves within an industrywide trend toward the "Uberification" of everything. "We're seeing big-box retailers experiment with smaller footprints and multi-channel service."

Plus, restaurants are [experimenting](#) with "different service modes," such as fast-casual adaptations of the casual dining trend, she said, referencing the unveiling of "tons of technology-enabled delivery services," all in the name of meeting customers' changing and varied needs.

The launch of concept stores helps Starbucks seem like a nimble entrepreneurial player as an increasing number of independent startups, such as [Blue Bottle](#), encroach on its value proposition. RBC Capital Markets' analyst David Palmer, who initiated coverage of the company in November, wrote about this last month in a note about Starbucks.

"We believe each of the company's initiatives (Wage hikes; Starbucks Reserve) are helping to fight off the 'big brand' image facing many large companies today," Palmer wrote. He also singled out the company's technology initiatives, saying, "We are excited about Mobile Order & Pay, as we believe the initiative will be incremental to transactions and check by alleviating capacity constraints and encouraging new users to join Rewards."

On the back of excellent earnings and positive analyst coverage, the company's stock price has risen by approximately 25% this year. Share of Starbucks were down around 2% in afternoon trading on Thursday. The price of shares was \$49.58 at the market's close.

Must Read: [Jim Cramer -- Starbucks' Newest Compact Stores Will Be Big](#)

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