



IFA's 46th Annual International Franchise Convention

February 25-28, 2006 • Palm Springs Convention Center & Wyndham Hotel

Palm Springs, CA



Creating Strategic Relationships for New Franchisee Growth

46th Annual International
Franchise Convention
Palms Springs, CA
February 28, 2006

The Starbucks Licensing Program

The Starbucks
Licensing Program
was launched in
1991 with one basic
principle:
“Everything
Matters”.



Everything Matters: Starbucks approach to Licensing

- Everything that touches our logo leaves its mark. It amplifies our brand promise. Or conflicts with it. It reinforces the principles we stand for. Or devalues them.
- Maintaining our brand integrity and unity of purpose across ever-expanding marketing channels and delivery platforms requires constant vigilance, keen sensitivity, and sound judgment.



Licensed Stores Vision

- Enhance the Starbucks/SBC brand
- Create legendary and uplifting experiences
- Strive for and celebrate excellence
- Cultivate a portfolio of distinct and emerging brands
- Evolve relationships to explore and create new opportunities
- Deliver value to our licensees
- Optimize enterprise profitability



How did we get here?

2,592 Licensed
Stores
In the United States

1,881 Licensed
Stores
Internationally



Exemption Based Licensing

Starbucks does not maintain a UFOC and only grants licenses to “exempt” licensees. These licensees are exempt because the government has determined that certain types of sophisticated investors do not need the protection of the FTC Rule or other state franchising statutes.

The Fractional Franchise Exemption

On a federal level, Starbucks uses the “Fractional Franchise exemption” for all non-registration states. A “fractional franchise” is the addition of a new product or service to an established business, such as inside a hotel, grocery store, university, hospital or convention center. Some States require additional Exemptions. Exemptions enable Starbucks to license without going through the registration and disclosure process.

The Fractional Franchise Exemption

In order to qualify for the Fractional Franchise exemption:

- 1) The franchisee or any of its directors must have more than two years management experience in the business represented by the franchisee; and
- 2) The franchise relationship represents no more than 20% of the franchisee's projected gross sales over a 12 month period.

The Future of Exemptions and Starbucks Licensing

If the FTC Rule is amended to add exemptions for franchises that require large investments or sophisticated franchisees then Starbucks may explore other opportunities that go beyond in-line units.

