

THE
ECONOMIC
CLUB OF
CHICAGO

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The Club was delighted to host Starbucks Chief Operations Officer Roz Brewer on January 14 for a fireside chat moderated by Club Ex-Officio Mellody Hobson, who serves as vice chair of the Starbucks board of directors.

Below are excerpts from the conversation:

On how her college major of chemistry led her to retail...

“When you're in STEM, it's all about the analytics and having that analytic mind. I think that's what really led me to be able to operate. There's a lot of planning and visionary work that has to be done, but it all starts with analytics and there's math in retail. I started off as an organic chemist, and so I did that for five years for Kimberly-Clark and through bench chemistry. Really boring thing. I would only recommend it to a few. I realized that I wanted to be able to have a broader discussion than just what's happening behind the chemistry bench. [...] After a while I knew that working as an individual contributor wasn't interesting to me. As a chemist or a scientist, sometimes you find yourself in that space and that wasn't working for me; I was having flashbacks of me acting out in the third grade. I didn't want that to happen. So, I convinced leadership at Kimberly-Clark to consider me in a sales or technical sales field, and it eventually worked out after a period of time.”

On a pivotal moment in her career...

“When I was at Kimberly-Clark, we were trying to transform ourselves from a paper company to a consumer products company. I got thrown on the M&A team to evaluate all of the intellectual property that we were looking at in these companies and it was the most grueling work that I had ever done. It was 24/7, it went on for months on end. I'm sitting with all the financial team and I didn't have a financial background, didn't have an MBA – a lot of the strategy and development folks did – but I didn't realize that I was learning all that time. So, I'm valuing the IT. They're telling me what we can afford. We're looking at branding, we're looking at culture of the two companies, and we're talking about if they've invested in this kind of technology, ‘Well, what kind of company are they?’ I was just growing through all this and never really realized it. It was a pivotal moment because at the end of that assignment, which went on for about two years, I actually got to run one of the entities. It was an absolute game changer for me because it's solidified that I wasn't just a research scientist, that I could exist on the business side, and I did. I never looked back, never went back to research and development again.”

On why she joined the Starbucks executive team after becoming a board member...

“Starbucks is a different kind of company. [...] When I was going through my board immersion and they gave me my financial package I looked at it. The first thing you do when you're operator is look at all the expenses, and I'm looking at all the expenses and I see all of this spending on partners – we call our employees partners – and I'm like, ‘This is extravagant.’ Here's an opportunity for me to lean in and say, ‘Why are we doing all this spending?’ Then I realized, after I began to go further into my immersion, what kind of company this is, that it is absolutely partner first. If Starbucks has a dollar, the majority of that dollar is going to the partner investment. I had a eureka, light-on moment when that happened,

because I had read everything about Starbucks. But then to see the deep confidential financials and see that they actually live up to what they actually state in their social impact, and what they're trying to drive is real, it really changed my life. So it became a non-discussion. I was on board overnight and joined the company in October of 2017.”

On her experience working on the board of Amazon...

“In February I will celebrate a full year on the board of Amazon. I'm so glad that I'm in Seattle and I can get over to that office, because it's like drinking from a fire hose just trying to learn everything that they're doing. I know Jeff has a very similar vision in life to really change the world, and he is, in fact, doing that. It is a fascinating discussion. The thing that I love the most about Amazon is, what happens in that boardroom is that Jeff is just a fanatic about asking your opinion, he wants to hear from you. You cannot go to a board meeting with Jeff Bezos and sit there and say, ‘Well, I read the materials and I was thinking about... ‘ He's like, ‘You don't come here to think about, you come here to talk to us.’ So, that's really different, because sometimes you have a board seat and they want you to endorse and sign. Jeff's not going to tolerate that.”

On what retail is going to look like in 25 years...

“I think that retail is all about who's going to win in the middle. I think that there will always be physical retail and then there will be digital retail. The winner is going to be who wins in the middle of that. Because some of the recent numbers we're learning is that GenZ'ers want the experience of being physically in front of something that they're interested in. What that means is retail is going to change because if you're not creating an experience for them once they're in that physical building, you lose. This is why I feel so strong about a Starbucks and an Amazon, because they're rethinking about what happens when you do walk into that building. When you walk into an Amazon Go store you feel like you've stolen something. I don't know if you all have been in an Amazon Go. You walk in there, you put everything in your bag, and you walk out. Now just think about that, years ago you'd be arrested right? Now there's digital ways to do that. [...] Just think about how busy our lives are. I commend companies like Amazon that make it easier for me to shop when I want to shop and then give me access to goods. Then there's other retailers. I love to walk through old department stores. I love walking Bloomingdale's and Saks Fifth Avenue just to see the theater of how they've set up for Christmas. That to me is so interesting because you know they've thought through, ‘How am I going to merchandise? What's going to attract the eye? What is the color trend?’ You learn. I just think that it's going to be the experience in the physical that really keeps people engaged in both parts of this.”

On the closing of iconic retailers and what current retailers can consider...

“Part of the winning piece of this is what's happening in supply chain and logistics – efficiently getting goods to stores in and out, and how you actually train and develop your employee base. I think there is a stronger cost position that these companies can take, but it is the investment in tech that enables more efficiency, things like the supply chain and the way you manage labor in your stores. Those kinds of investments sort of free up so that you can invest in the experience. What we've seen is that some companies haven't done their best job of getting their cost position together. I would just encourage those in retail to really look at true cost and think about self-funding yourself to say, ‘If I can pull any, if I can pull a dime out of my business,’ then you have to reinvest it back [into the company]. If you're publicly traded, you have to tell that story to the street to say, ‘Look, I'm investing for the long haul.’ In retail, if you don't look at it as the long haul and invest along the way on those things that are game changers, you lose. You have to have the right conversations internally to set the vision and you have to do that externally with your institutional shareholder so they can understand you're on a journey. If you're not

investing in tech or in people, you lose. The more [retailers] that get that story and can create that productivity loop, they're the ones that are going to win.”

On carrying the responsibilities of diversity and inclusion...

“I take it on because I think it's important. When I walk in rooms and I see young women; I was at the Aspen Institute, I think a few people were there, and this young woman just stood up and she looked at me and she just burst into tears and I was like, ‘Wow, she needs me to be there for her,’ because she hadn't seen a woman of color in a role like mine. That responsibility to me is significant, and if I'm going to make a difference, if I have that chance to make a difference, I'm going to try my hardest to do that. [...] I always look at when I'm in a room with all men, I think it's a teachable moment, what can I bestow upon them even if they're interested to learn more about what is it like to be a black woman, I want to help them understand because a lot of this is ignorance, it really is. A lot of it is ignorance.”

On her response to the Philadelphia Starbucks incident where a man was arrested waiting for another customer...

“When that happened I had just joined the company, I was with the company in my operating role for about six months. When it happened, it was picked up very prominently on black social media so it hit me a little quicker than it hit the company. My son was the same exact age as those two gentlemen and on a given Saturday, he actually dressed everything like those two guys. My son was living in Brooklyn at the time, and so it was deeply personal to me that these two young black males could get arrested because I knew right away that could be my son and then it didn't help that my son who's all into social media is texting me saying, ‘Mom, what the heck? What are you going to do about this?’

I instantly knew it was bad. I didn't need to see the video of the two gentlemen being marched out of the store. I didn't need to see any of that, I knew it was bad from the very beginning. My heart sank, and I was in San Francisco, I immediately began to get myself back to the East Coast and I made it to Philadelphia as soon as I could. I knew that this could be a defining moment and I knew that this happened under my leadership, this was one of my stores in Philadelphia, and I knew at this point everything that I had uniquely been engaged in over my career, this was when I was going to be truly tested and had to bring it to bear. I had to reach down deep in everything I had. I had to hold back the tears because just seeing those two gentlemen in that way was not an image I wanted plastered anywhere for my community. I was worried of what could happen to those two young men, I felt very maternal, I felt very corporate, I felt very black, I felt very everything all at one time, and I had to, through that whole experience, I had to keep turning on and off channels, right? Get in front of the media, talk about what's right, get in front of the partners of Starbucks and say, ‘We're committed to you.’ And then get back to my son and say, ‘Son, I think I got it. Thanks for giving mom a swift kick.’”

On lessons taken away from that incident...

“If you're going to welcome the society into your stores, well, what about the society? What's happening outside is going to come inside. Have we trained our partners for that? Absolutely they were not prepared. Why we had a young woman from Lima, Ohio, running a store at Spruce & 18th in Philadelphia, that was a recipe for disaster, and we should know better than that. I imagine that the customers would have liked to have seen themselves reflected in that store, and we didn't have that reflection in that store. So I think there are some things that I was able to inform and move pretty quickly on that I think assisted the company in doing a fantastic job.”

On how to move discussions on diversity to action...

“So peer accountability is an interesting thing. Leaning over to your peer in a meeting and say, ‘Did you really mean to say that?’ or ‘Can you explain to me?’” and they're surprised that you would even ask them. ‘Oh, did I say something wrong?’ or ‘What's wrong with my thought process?’ And it's interesting. Every time, and I call it elbowing, every time I have to elbow my peer and say, ‘Rethink that statement you just made,’ it changes the conversation and they know that someone's watching, right? ‘Well, here comes Roz again,’ and I'm okay with that. [...] It's not contentious. I don't try to come off to be abrasive, but I'll say, ‘Can you rethink that?’ and ‘Let me help you rethink that.’ I'll tell you, to be honest, nine times out of 10, people say, ‘Well, can you help me, because I don't really understand that. Was that wrong?’ I was like, ‘Yeah, it was wrong.’ ‘Why is it wrong?’ People really do want to learn. That's why I'll say it's ignorance.”

On what she still hopes to accomplish...

“For those of us who are parents in the room, you never stop parenting, and so I just think about my two, my son and daughter. I'm not finished yet, and I don't think I'll ever be finished there. I think the other piece is, at some point I want to just put my bags up on this corporate thing and I really think I want to teach. I think I want to do that at the higher ed level, can't do the little ones, but I could do the big ones. [...] I would really love to be sort of a visiting lecturer on ethics. I think that personal integrity is lost right now, and I'd love to think about a chance for me to be in a big forum and lift the thinking amongst people. I think about that a lot lately, that's burning inside me.”