

STRATEGY

Starbucks is getting the Chipotle treatment — with a twist

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Starbucks CEO Brian Niccol is trying to give the coffee chain a much-needed jolt.

He's been here before. Niccol turned Chipotle around after an E. coli scandal in 2015.

Starbucks is a much bigger beast, but Niccol is reviving his old playbook and assembling a squad of loyal execs.

Starbucks is undergoing surgery. It's one CEO Brian Niccol has performed before.

On Thursday, the company announced its second round of corporate layoffs this year and a swath of store closures across North America in service of Niccol's "Back to Starbucks" initiative. The move takes a page from his previous turnaround playbook, which he enacted as CEO of Chipotle from 2018 to 2024.

Chipotle's turnaround was widely seen as a success. Under Niccol's tenure, sales skyrocketed, and the company's share price soared more than eightfold, trading at around \$6 a share when he became CEO to around \$56 each by the time he left for Starbucks.

Now he's leading the coffee giant's turnaround, where investors showed early enthusiasm for Niccol to implement a similar strategy. But executing the same game plan is a bigger undertaking, given the company's global footprint and business challenges — and it hasn't paid off just yet.

Enacting the Chipotle playbook

While at the helm of the fast-casual Mexican chain, Niccol also conducted corporate restructuring, then at Chipotle's Denver offices, laying off nearly 400 staff members before relocating the company's headquarters to Newport Beach, California. He also shuttered more than 50 Chipotle locations identified as low performers.

Chipotle's turnaround included streamlining operations, emphasizing customer experience, and using digital tech to improve efficiency. Niccol had been tasked with reinvigorating the brand after it was rocked by an E. coli scandal in 2015 that saw shares drop more than 60% from their peak in August 2015 to November 2017.

In addition to Thursday's restructuring moves, Niccol has also begun to tackle Starbucks' operational and customer service issues, including long waits, a glitchy app, and staffing problems. (At least he hasn't had to deal with a rat-infestation incident, like at Chipotle.)

Since September 2024, Niccol has announced the elimination of 30% of the menu and introduced a new mobile ordering system with a goal of cutting wait times to four minutes or less.

He's also brought back ceramic mugs in store for hot drinks, reintroduced the self-serve condiment bar and refills of brewed coffee, and mandated that baristas write personalized notes on to-go cups to improve the customer experience.

At Chipotle, much of Niccol's success was attributed to beefed-up food safety procedures, improved training for employees, and the rollout of "Chipotlanes," dedicated drive-thru lanes for picking up online orders at thousands of stores.

Leadership continuity

While the exact moves aren't identical, some of Niccol's staff executing the plays at Starbucks are.

At least half a dozen executives who've worked with Niccol on his prior turnaround campaigns at Chipotle — and his stint as Taco Bell's chief executive before that — have joined the coffee giant with a vice president role or higher, Business Insider has found through conducting an analysis of Starbucks announcements and LinkedIn records.

Tressie Lieberman became Starbucks' EVP and global chief brand officer after holding senior marketing roles under Niccol at both Taco Bell and Chipotle. Former Taco Bell COO Mike Grams came out of retirement to take the same role at Starbucks, and Meredith Sandland, Taco Bell's onetime chief development officer during Niccol's tenure, also joined as EVP of coffeehouse design and development.

Michael Kotick, former Chipotle brand marketing director, joined as VP of marketing and was followed by Candice Beck, a fellow Chipotle alum, who became VP of brand engagement.

Niccol is not directly responsible for every new hire at Starbucks. He has also retained long-time Starbucks executives like Chief Partner Officer Sara Kelly, and recruited new external hires who didn't share his career experience, like CFO Cathy Smith.

However, CEOs generally make final staffing decisions for strategic, high-impact roles above the VP level, and the shared history among many of Niccol's top lieutenants makes Starbucks' turnaround effort more than just a borrowed playbook. It's members of the same team, running the same plays, and attempting to deliver a repeat performance on a much larger scale.

What's different about Starbucks

So far, change has been slow. Business Insider previously reported that Wall Street was thrilled when Niccol was named CEO, sending Starbucks shares surging 25% on the day of the announcement, but the enthusiasm hasn't lasted.

Since he started the job, the stock has fallen more than 10%, trailing the S&P 500.

With more than 40,000 global retail stores, revitalizing the customer experience and making cultural changes at Starbucks will take longer than at Chipotle or Taco Bell, which have just a fraction of Starbucks' footprint. The sheer scale of the coffee chain's operations poses a leadership challenge, which Niccol acknowledged earlier this month while speaking at the Fast Company Innovation Festival.

Even making what he called a "simple" change, like bringing back the self-serve condiment bar, became complicated due to the challenge of sourcing the milk carafes at such a massive scale, Niccol said.

"One thing I had to get comfortable with at Starbucks is, you know, I want to do it faster," Niccol said.

It's not just a question of Starbucks' massive scale. Jake Dollarhide, Longbow Asset Management cofounder and CEO, told Business Insider that the "lowest points" Niccol dealt with at Chipotle were "one-time challenges," such as the rat-infestation or E. Coli breakout.

In comparison, Dollarhide said that Starbucks tends to be dealing with more long-term issues, and now it's also grappling with "stiff" competition from new entrants like Chinese-based Luckin Coffee.

What comes next

Bill George, executive education fellow at Harvard Business School and former chairman and CEO of Medtronic, told Business Insider that Niccol must make decisions based on what's best for the company's future — even if they're painful now.

Former CEO Howard Schultz's romantic vision of a coffeehouse may not match what customers desire in 2025, George said.

Niccol is "moving very slowly and cautiously," with regard to layoffs and store closures, George said. He says he has heard from "good sources" that Schultz is "largely pleased" with Niccol's leadership so far. "But it's time for Howard to move on and to let Niccol do the job."

Joseph Michelli, an organizational consultant who has written two books on Starbucks and previously worked as a consultant for the company, told Business Insider that "the biggest challenge" will be company morale inside the corporate office.

There has already been a "sizeable round of reductions," Michelli said, referencing over 1,000 cuts in February. Business Insider has previously reported that both corporate and retail staff have objected to some of the changes, including in-office demonstrations against the company's return-to-office mandate and a barista strike over the new dress-code rollout.

The Starbucks exec needs to "just keep beating the drum that 'we are responsible for the future of the brand, not just the present of the brand,'" Michelli said.

Niccol is the "steward of the future," Michelli said — and that requires making hard decisions.



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