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ORIGINAL → ESSENTIAL → UNBIASED → **INFORMATION**

Leveraging Technology to Manage Starbucks' Cash Cycle

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Background - Starbucks

- **Starbucks is a coffee company headquartered in Seattle**
- **Since 2001 average 400 new stores per year**
- **7,000 Company Owned locations in the US**
- **Store & HQ processes designed around a branch banking solution**

Background - Why Consider Courier?

- **Relatively large retail bank group**
- **Diminishing Bank branch footprint**
- **Wide Starbucks store geographic footprint**
- **Safety & Security**
- **Trip to Bank is a non-value add store activity**

Background – How Was Courier Justified?

- **Not Easily....**
 - Cost-Benefit not particularly compelling
 - Not 100% aligned across support functions
 - Retail Ops initiative driven by Treasury

But we were prepared when the Business was ready to make a

- **Philosophical Decision**

Background – Initial Testing & Findings

- **Phase I - 4 WA stores**
 - Traditional store managed VRU change orders is not test well
- **Phase II - 40 stores in So Cal**
 - Treasury established standing change orders did not test well
- **Phase III – 150 stores AZ, NV, DC**
 - Larger rollout highlighted new issues
 - Change order reconciliation challenge
 - Store facing P&L impact
 - Tracking & reporting weakness

Back to the Drawing Board

- **For this initiative to be successful what do we need to solve for?**
 - Early pilots indicate solution is not scalable without significant HQ staff impact
 - Audit process labor intensive
 - Potential P&L impact
 - Significant duplicative effort
 - Limited transparency into transaction activity/life cycle
 - Disparate information from various sites
 - Store visibility
 - Perceived store control

Needs Identification

- Scalability
- Enhanced Change Order Solution
- Vendor neutral
- Single point of visibility
- Integrated Change Order Payment tool
- Transaction identification system that creates “uniqueness” across all transaction types
- “Unique” numbering system can be used to track transactions from store creation, to bank, thru to BAI file
- Delivered with limited store impact

Solution

- **Collaborative effort between Starbucks, IFS and Banks to develop solutions**
 - *Cannot overstate the value of committed partners*
- **Brainstorming effort was an iterative process**
- **Initially created & implemented pseudo standing change order**
- **The most exciting, challenging & transformational idea to move from concept to reality has been the unique ID concept; a unique number that follows the lifecycle of each DTS transaction**

DTS “Unique ID”

- We build 10 digit number for each major transaction type
 - Deposit
 - Change Order
 - Change Order Payment


Deposit Serial Number Formatting

Serial Edited: 1, + 4 serial + 5 store

| Space | Entry |
|----------|-------------------------|
| Space 1 | 1 |
| Space 2 | Start Serial |
| Space 3 | Continue Serial |
| Space 4 | Continue Serial |
| Space 5 | End Serial |
| Space 6 | Start Location |
| Space 7 | Continue Location |
| Space 8 | Continue Location |
| Space 9 | Continue Location |
| Space 10 | End Location |
| Name | 1, + 4 serial + 5 store |

- ID follows a transaction to the bank, associates with bank adjustments and presents in the daily BAI file
- DTS System provides transactional data to our bank partners in pre-determined formats
- Physical documents follow normal chain of custody/cash cycle
- Bank partners receive DTS data, process transactions extract DTS unique ID, along with other information, and place in BAI file
- Audit/Recon group use data to match all transactions

Cash Processing Trends

- **Migration from store to cash vault is a common trend**
 - Safety and security a key driver
 - Efficiency of processing/price
 - Allowing employees to focus on value add activities is key
- **Variety of ways to get to a cash vault solution**
 - Solutions do not come in all shapes and sizes
 - **How you do it makes a difference; plain vanilla is not enough**
 - Cash Vault is the building block
 - Safe Solutions
 - Cash Vault +  = exponential value

Technology and Information Adoption

- Increased requests for integration/technology based approaches to help streamline
 - Yesterday it was about locations number in reports; tomorrow is about true integration
- Common themes:
 - More data about depository transactions
 - Access to on the fly/adhoc reporting/exception data
 - Integration of GL or other customer data into processing stream
 - Cash order transmissions
 - Adoption of internet ordering; de-centralized individual orders as well as batch orders from corporate HQ/divisions

Technology

- Banking is a technology business; access to transaction data to streamline process is imperative
- No one size fits all solution