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 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

- 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 predetermined 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