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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



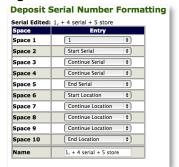
Solution

- 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



- 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

