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Starbucks to roll out innovations in mobile platform

Company says new mobile features could be "holy grail" of throughput

Mar 13, 2014 [Lisa Jennings](#)



Starbucks mobile moves are part of a larger effort to lead in the use of new technologies.

Starbucks is poised to unveil innovations within its mobile platform that will include ordering ahead and new payment features that the company has called a potential "holy grail" for throughput.

In interviews this week, Howard Schultz, Starbucks chair and chief executive, along with chief digital officer Adam Brotman, offered a few hints of what's coming, though more details are likely to be revealed at the Seattle-based company's shareholder meeting, scheduled for March 19. That day, Starbucks plans to update its iPhone app to allow a new shake-to-pay function designed to speed the payment process, as well as the ability to tip digitally for the first time.

The ability to order ahead using a smartphone will also be a key addition to Starbucks' mobile offerings, said Wall Street analyst Sharon Zackfia of William Blair & Company LLC, in a report this week. After meeting with Starbucks management, Zackfia wrote that the company is planning a significant test of mobile ordering soon in an unnamed U.S. market with the goal of rolling out the order-ahead feature in 2015.

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The moves are part of a larger effort to build on the company's strength as a leader in the use of new technologies to enhance the customer experience. Schultz said in January that he would step away from day-to-day operations to focus more on the company's investment in "all things digital."

Management referred to mobile ordering as the potential "holy grail" of throughput, saying one key to success will be estimating the customers' time of arrival, which will be done with help of algorithms, to ensure beverages are hot and freshly prepared. Other chains rolling out mobile ordering, like Taco Bell, for example, are using GPS locators to recognize when a customer is on the property, giving the kitchen the signal to prepare the food.

Zackfia said Starbucks also noted the key challenge of incorporating mobile orders into Starbucks' "already-intense" morning operations without slowing down lines.

"We believe the speed and ease of the new schematic could not only yield faster throughput during capacity-constrained morning hours but also dramatically increase the number of enrolled Starbucks Rewards members," which now represent more than 25 percent of transactions, she wrote.

The more Rewards members, she noted, the more information Starbucks will have about its customers, their preferences and frequency.



Starbucks' app will let customers locate a store, pay their bill and leave a tip.

"Starbucks remains in the early innings of mining data to create individualized offers, which began in earnest in the fall and is one of the key focuses of the company's new chief strategy officer," Matt

Ryan, who joined Starbucks in April from The Walt Disney Company, she wrote.

The new-and-improved app, to be launched next week, will be available first for iPhone users, but later also for Android customers, said Brotman in a blog column explaining the new options.

The shake-to-pay feature will help customers use their phones to pay more quickly. With the app open, the customer will be able to shake their phone from any screen to pull up the barcode of their Starbucks card and make a payment, rather than scrolling through various screens to find the barcode.

In addition, the new-and-improved app will allow digital tipping for the first time. Guests will be able to add a tip of 50 cents, \$1 or \$2 to their bill — or change their tip amount — within two hours of a transaction. Currently guests must pay tips in cash.

Coming soon: Digital receipts and the ability to see customer transaction history to print out or digitally file for expense reports.

Starbucks is ahead of the industry in the adoption of mobile payment. Nearly 10 million customers are using the mobile pay app and paying for more than 5 million transactions per week using smartphones. In an interview with Bloomberg News this week, [Brotman said 11 percent of the company's domestic transactions are handled with a mobile device](#), and he predicts that number will double within a year.

And in an interview with Fox Business Network this week, [Schultz hinted that mobile payment would extend beyond the company's coffeehouses](#).

"We believe that there is an opportunity to extend the mobile payments that we experience inside Starbucks stores to other places within the marketplace — you'll have to stay tuned on that," he said. "But we are in a unique position. We have had discussions with the leading tech companies who all want access to something that we have been able to do" as the leader in mobile payment.

"The issue is relevancy," said Schultz. "You're going to have to integrate your business in a way that people are living their lives."