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LOYALTY & REWARDS

Starbucks Claims 90 Percent Mobile Payments Market Share



By **PYMNTS**

Posted on October 31, 2014



Although Starbucks CEO Howard Schultz said his coffee company has already found the recipe to capture a loyal base of mobile customers, he said the launch of Starbucks' mobile order and pay app in December will be

the single-most important technology innovation introduced by the company this year.

Schultz reported during the company's third-quarter earnings call on Thursday (Oct. 30) that Starbucks is close to hitting an average of 7 million mobile transactions a week. Due to its early entry to the market with its mobile version of its payment card, Starbucks was able to capture 90 percent of mobile purchases made over mobile devices in 2013.

"While that figure has been growing almost 50 percent a year, the real growth is yet to come," Schultz said. "Starbucks Coffee has cracked the code to trying mobile payment to loyalty."

Schultz emphasized that Starbucks' success has much to do with its ability to leverage what he called "the intersection of three powerful mobile trends." Those trends he said consist of a shift in consumer behavior to people spending less time in brick and mortar stores and more time online, the long-term trend of people eating out of the home more and the growth on online activity from mobile devices.

"Allowing consumers to conveniently conduct their lives and complete commerce from wherever they have to be was actually occurring as a cultural shift in time allocation away from retail experiences. Starbucks is uniquely well positioned to benefit from this convergence as a destination experience," he said, and called Starbucks "an uncontested leader in mobile."

That uncontested model, he said will be exhibited by the launch of Starbucks' mobile order and pay app in December in the Portland market that allows consumers to place an order ahead of time via Starbucks' mobile app and pick up in the selected store without waiting in line.

"Starbucks mobile order and pay is a totally unique technology," Shultz said. "It seamlessly integrates mobile ordering and our proprietary mobile program with point of sale and store operations that enables us to enhance our customer experience, exceed our customers expectations and extend customer loyalty. As you will see in a few weeks, no company offers any technology remotely like Starbucks mobile order and pay."

What also gives Starbucks an edge is having a growing number of cafes that will continue to expand this year, which includes adding more drive-up options to stores. Starbucks is also gearing up to launch its food and beverage delivery services in select markets in the second half of 2015. This also connects Starbucks' model of merging its vision for the brick-and-mortar side of its business with mobile and online ordering.

"That's our version of E-commerce on steroids," Schultz said. He pointed out that this addition will also connect more consumers to its loyalty program and mobile card payment options. Starbucks currently has 8 million active rewards members, which experienced a 28 percent growth from last year's third quarter. Starbucks' combination of rewards programs, mobile payment option and expanded in-store options has set it up to adapt to consumer demand, Shultz said.

“Starbucks is the only local, national or global business of any kind to succeed in crossing both the most difficult and the most critical case in standing between mobile payment and transforming consumer behavior,” he said. “I can assure you Starbucks will have a major role to play both inside and outside our stores as the recent mobile payment industry evolves. We are playing offense here. We understand that there is a macro issue in the consumer shift. We are playing offense and we began that last year right after the holidays and come this holiday come 2015 we are going to be in a position to win.”

As for specific earnings figures for Starbucks, it produced another strong quarter, bringing in a record \$4.2 billion in net revenue, a 10 percent increase, year over year. It also had a non-GAAP operating income of \$857.3 million, a 28 percent year over year growth. Overall, global comparable store sales increase 5 percent, which was the 19th straight quarter of comparable growth at that rate. Starbucks opened 503 new stores in the quarter, ending the fiscal year 2013 with 21,366 stores in 65 countries. Starbucks also reported capital expenditures of approximately \$1.4 billion driven primarily by store investments, which include new stores, mobile order and pay and the evenings program.