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Starbucks' mobile order and pay sees hot start, aided by integration

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Starbucks logo.

Starbucks' rising mobile payments transaction volume is tied to its nascent order and pay system and stems from the company's tying together of loyalty, a mobile application and its in-store point-of-sale system to create a commerce ecosystem.

In a conference call to discuss the coffee giant's fiscal second-quarter financial results, Starbucks, based in Seattle, WA, said it is on track to roll out mobile order and pay nationwide this calendar year after the service drove an increase in transactions in Starbucks stores and markets where it was launched. The feature, which will be expanded to more than 600 stores in the Pacific Northwest following its introduction to 150 Portland, OR stores in December, shows how mobile has created the need for a service that that makes checkout quicker and smoother, as the mobile mind shift increases customers' impatience with lines and long wait times.

"This supports the trend of mobile growth, and specifically importance of in-app inventory (as opposed to mobile web)," said Chris Hansen, president of Netmining. "It's a safe bet that Starbucks' mobile app payments will trend upward over time._

"A brand like Starbucks can leverage geo-targeting strategies around regions/users and drive to brick and mortar locations for even more targeted and personalized consumer engagements," he said. "Not just targeting on mobile devices, but using real-time and historical mobile location data in campaigns.

"We can assume that this will result in more revenue and customer loyalty through the ease of exchange (using the app) plus personalization (with mobile data)."

Warm welcome

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The conference call was told that mobile order and pay has received a warm welcome from Starbucks customers by allowing them to pre-order and pay for drinks before they arrive in stores.



Mobile Order and Pay.

In addition to avoiding lines and waiting for orders to be filled, they benefit from more efficient in-store operations and execution and enjoy an elevated Starbucks experience, the conference call was told.

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Kevin Johnson, Starbucks' president and COO, said the company is seeing the benefits of having a mobile commerce platform that integrates loyalty, a mobile application, a loyalty card program and in-store point of sale system.

Its mobile ecosystem is accelerating as the brand sees surging numbers of active My Starbucks Rewards club members and growing mobile traffic.

"It's into that momentum that we've launched mobile order and pay," Mr. Johnson said "This is not a bolt-on, this gets to leverage that existing ecosystem. And I think that's why, frankly, our customers are loving it.

"They don't have to download a new app, they don't have to learn something new. This is just seamless for the customers."

Starbucks' view of mobile as the future of retail, not just marketing, has earned it both users' trust and the freedom to test new features.

Mastering payments on smartphones with unrivaled panache and penetration, the coffee retailer's mobile application now averages more than 6 million weekly transactions and is used by more than 120 million customers, making it one of the most-used mobile apps in America.

Starbucks' successful diffusion of its brand has ensured that customers are receptive to new initiatives, boosting its prospects for the future and the rollout of Order and Pay even as critics say the retailer's innovative edge has gone missing the past few years.

Meeting opportunity

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Blazing its own trail, the coffee giant has excelled in both payments and marketing on mobile.



Popular rewards program.

"It shows that there is a market for mobile order and pay as long as the opportunity presents itself," Mr. Hansen said. "Regardless of region, as long as consumers use mobile devices, they will utilize mobile functionalities for payment and ease of transaction.

"Seems like an indication to roll this out to other markets, he said."

Final Take Michael Barris is staff reporter on Mobile Commerce Daily, New York



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