



## SPILLING THE BEANS ON CASH APPLICATION AUTOMATION

# Wake Up and Smell the Coffee

Learn how Starbucks achieved zero-touch, straight-through cash posting for 2 million payment line items annually to support growing business needs

*HighRadius has been with us in every step. The numbers processing through HighRadius is good, and we get the best updated information*

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Senior Accounting Manager A/R, Starbucks

### Solution Deployed



Cash Application Cloud

### A Complicated Cash Application Process

#### Multiple payment types – checks, ACH and Wire

- Cash for e-payments applied as is with most payments going unidentified and unapplied in the absence of any remittance information
- Analyst manually looks up email remittances and customer portals to enter remittance data and clear invoices

#### Multiple banking partners

- Bank of America (5 lockbox accounts), Bank of Nova Scotia (2 lockbox accounts), US Bank and Wells Fargo Bank

#### Manual interfacing with the Oracle ERP for cash posting

- Daily load of bank payment files to Oracle staging tables using automated jobs
- Analyst reviews each payment and corrects any hand key-in error by reviewing actual check images on the bank portal

### About Starbucks

Starbucks, the premier roaster and retailer of specialty coffee in the world, is headquartered in Seattle, Washington, US. The company clocked a revenue of \$21B in FY16. The company has 300,000+ employees globally and more than 25,000 retail stores in 75 countries with a reach of more than 1 million points of distribution across the globe. The channel businesses consist of three segments – consumer packaged goods (CPG), food service and licensed stores. The coffee giant observed a 16% revenue CAGR over the last 5 years while clocking an 11% payments volume CAGR over the same time period.

### Receivables Landscape

The receivables operations work on a shared services model.

- Pricing & Billing team supports ERP (Oracle) functions in North America and EMEA.
- AR team, which includes cash application, accounting and solutions & services teams, oversees financial efficiency of receivables processes across the different business groups.
- Credit & Collections team is divided to support the 3 different business channels of CPG, food services and licensed stores

Starbucks receivables have grown to the size of \$800 B with an annual growth rate of 15%. More than 3 million invoices are generated every year and the receivables teams handle 164,000 payments for processing annually.



## Challenges in cash application

### 1. Operational challenges:

- Labor intensive, manual process
- Inefficient capturing of remittance detail
  - Remittance attached to checks
  - Emailed separately from the payment
  - Detail provided on a web portal
  - EDI data sent to Starbucks
- Not scalable to support global business process
- Incomplete or missing remittance information

### 2. Challenges in A/R processes

- Customers set up by business, creating multiple accounts for one customer account
- Cumbersome, multiple touch deduction process
- Overpayments occurring due to timing of credit memo and deduction processing
- Frequent movement of cash from one business entity to another to ensure cash is applied in the right account

## Successful Outcomes



### 77%+ Straight-through Processing

For all payment formats



### 72%+ Remittance Line Items

Processed with zero manual intervention

## About the Solution

### Custom configurations to meet business requirements

The solution enables customizations to handle specific business needs using artificial intelligences based algorithms. Complex cash application scenarios such as remittance with non-invoice reference numbers or truncated invoice numbers, payments made by alternate payers, cross ERP cash postings, payments made by parent company for multiple child business units, buyer group payments, etc. can be automated by custom configurations.

### Ease of use and scalability of SaaS solution

The cloud-based SaaS solution integrates seamlessly with the system and works on a plug-and-play model with minimal intervention with the existing process and near-zero dependence on internal IT team. Users can scale the services to fit their needs and enjoy a subscription-based service that's kind to their cash flow since pay-as-you-go models allow businesses to pay for only what they are using and not pay heavily on un-used licensing.

### Automated deductions coding

The cash application solution identifies and auto-creates deductions, captures deduction information such as claim number, reason codes and maps customer reason codes to ERP specific reason codes. It eliminates the time and resource lost to manual identification and coding of short payments and helps in faster and more accurate resolution of deductions.