

The coffee company is employing USA Technologies' RFID-based payment terminals in one-cup brewing machines designed for use in business offices.

By Beth Bacheldor

Mar. 20, 2009—[Starbucks Coffee Co.](#) is joining a number of firms turning to contactless technology to better serve their customers. The coffee company is adding cashless payment terminals from [USA Technologies](#) (USAT) to its branded, single-cup coffee-brewing machines designed for use in business offices.

"What we are offering to Starbucks is a very clean way for consumers to make their purchases," says Stephen Herbert, USAT's president and COO. "There's no need for coins, no need for bills. It is purely cashless."

Starbucks Brews Up Coffee Machines With Contactless Payment Technology

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The Starbucks Interactive Cup brewing machine will accept RFID-enabled payment cards, as well as magnetic-stripe cards.

Starbucks, which declined a request for an interview, is purchasing USAT's terminals and having them embedded in brewing machines manufactured by [Cafection Enterprises](#). The terminals will accept both traditional magnetic-stripe payment cards and contactless payment cards complying with the ISO 14443 air-interface standard for tags operating at 13.56 MHz. Customers can use any currently available RFID-enabled debit or credit cards, including those featuring MasterCard's [PayPass](#), Visa's [PayWave](#), American Express' [Express Pay](#) and Discover Network's [Zip](#) contactless payment capability. RFID-enabled vending machines have sprouted up across the United States in recent years (see [Philly to Get RFID-enabled Vending Machines](#)) and [Vending Machines Accept RFID Cards](#)).

Initially, over the next few months, Starbucks plans to distribute approximately 500 of the machines, known as Starbucks Interactive Cup cashless brewers, to office coffee distributors and vending service companies throughout the United States and Canada. The machines contain the latest version of USAT's cashless terminals, the ePort G8, which was unveiled in late 2008 and made commercially available in January 2009. The ePort G8 includes a security protocol that fully encrypts account data as it is transmitted between a customer's payment card and the RFID interrogator built into the payment terminal.

The terminal is 65 percent smaller than the previous version, Herbert says, making it easier to install and able to work in a wider variety of unattended point-of-sale (POS) devices. The ePort G8 also enables USAT to update its software over-the-air (OTA) via a GSM mobile phone network. "If there are parameter changes, protocol changes in terms of the types of contactless cards accepted, or if there are even changes that need to be made to the operating system—all this can be done over the air," Herbert states. "No one has to physically go to the terminal to make these changes." Since introducing the capability, for instance, USA Technologies was able to add support for Discover's Zip contactless payment cards to 15,000 POS terminals in a matter of minutes.

The Starbucks-branded machine is the coffee company's first single-cup brewer designed exclusively for the office coffee industry. That industry, according to [Automatic Merchandiser](#), a magazine covering the coffee and vending industry, is worth more than \$4 billion in sales.

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The cashless brewer will make coffee in the same way barristers brew beverages in Starbucks' shops, explains Mike Lawlor, USAT's VP of business development. By being able to check daily sales via electronic data provided by USAT, he says, the coffee company will also gain a level of visibility into the cashless brewers' transactions similar to what it has for its own in-store sales. The cashless brewers transmit their sales information periodically via the ePort G8 terminal's cellular connection.

Distributors and vending companies that sell and manage Starbucks' cashless brewers will be able to access transaction and sales details at any time, by logging onto a secure Web site maintained by USAT. "The data is very detailed," Lawlor says. "They want to see what is happening with the customers, to see how much people are buying, at what time of day and what type of product." In addition, USAT will provide Starbucks with daily updates, made possible via an agreement the coffee purveyor has worked out with the distributors and vending companies.

"Starbucks will get to see the kinds of sales data that they see in the store," Lawlor says. "That was important, because unattended coffee machines are very different than their traditional brick-and-mortar operations."