

Starbucks breakdown shows how registers have evolved

April 27 2015, byCandice Choi



A Starbucks store closes Friday, April 24, 2015, in Phoenix because of computer issues. Starbucks says a sales register computer glitch has disrupted sales at company-operated stores in the United States and Canada. The company apologized to customers for the inconvenience late Friday and said it was working to resolve the outage. Customers found some stores closed and others offering free coffee. (AP Photo/Traci Carl)

A glitch that disabled registers at thousands of Starbucks stores Friday was a reminder of the invisible systems restaurants rely on to run increasingly sophisticated operations.

Registers that once merely rang up tabs and stored cash have evolved into hubs that can collect enormous volumes of data and carry out many tasks.

They process credit cards, send orders to computer screens in kitchens and help run loyalty programs. In the industry, they're called point-of-sale, or POS, systems, and vary greatly in what they can do.

The register malfunction that forced Starbucks to close stores last week was surprisingly large; it affected all company-owned stores in the U.S. and Canada, or more than 60 percent of roughly 13,500 locations.

"I have never heard of anything on a national scale like this," said Blaine Hurst, chief transformation and growth officer at Panera Bread Co.

Starbucks said the outage was the result of an "internal failure during a daily system refresh," and declined to provide further details.

Regardless of the shutdown's cause, modern-day registers have become an essential tool for helping restaurants with:

DATA MINING

The transactions recorded through registers can give companies insight on everything from how many chicken wings were sold in a particular week to whether a new iced coffee is faring well in warmer regions of the country.

"Data is the holy grail of retail," said Craig Bahner, former chief

marketing officer for Wendy's. "We always thought of the POS system as a tool to be able to get to know your customer."

Bahner noted that loyalty programs can provide another level of data by connecting purchases to specific individuals. That allows companies to better tailor promotions and offers.

Beyond helping companies understand customer tastes, sales data can help chains run tighter ships. It can let managers better predict how many beef patties they'll need in the coming week, or plan how many workers they'll need to schedule.

It's one of the reasons that Sonic Corp. began asking franchisees to convert to one of two new POS systems last year. Claudia San Pedro, chief financial officer for the chain of drive-in restaurants, said the systems can use sales data to help manage supplies and worker schedules, with the aim of boosting the bottom line.

"We believe that we will get some meaningful (profit) margin improvement," she said.

MENU UPDATES

Restaurant chains are always shaking up their menus or dangling limited-time offers to attract customers; think of the McRib at McDonald's or the Pumpkin Spice Latte at Starbucks. That means chains need to regularly update their menus, and may have to adjust registers as well.

Earlier this month, for instance, Boston Market offered a "Buy One, Get One" promotion for Tax Day that required a special button to be programmed into registers.

Given the chaos that could ensue if registers were to malfunction, Boston

Market has an "IT Lab" where it tests upgrades on about a dozen machines, said Gregory Uhing, the chain's chief financial officer, who also oversees technology.

"We try to see if we can break it," Uhing said.

When things go wrong with the chain's POS systems, Uhing said it's often because of minor, unrelated snafus related to the multiple services interacting together in one machine.

The technology that companies use to program their registers varies.

For instance, Panera's Hurst said he previously reviewed a program by Micros called Symphony that updates menus and prices on registers by loading the information into a cloud. If the data in the cloud were to be wiped out for whatever reason, that would theoretically leave registers unable to function, Hurst said.

A representative for Micros, which announced Starbucks as a client for its POS system in 2011, was not available for comment.

BASIC TRANSACTIONS

Registers are usually hooked up to Internet connections for a variety of reason, including making sure credit cards are authorized before accepting them as payment. At Panera cafes, there are backup cellular lines in case the Internet connection goes down.

Even if Internet and backup lines failed, the registers would be able to accept a credit card payment, Hurst said.

"It's a processing device that's designed to operate independently," he said.

The company would simply take the relatively minor risk that some cards might be invalid, rather than inconvenience everyone by refusing to accept credit cards, he said.

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