**Starbucks Caffeinates Square Mobile Payments Business**

By [Patrick Seitz](http://www.investors.com/search/searchresults.aspx?source=filterSearch&Ntt=Patrick+Seitz&Nr=OR(Author%3aPatrick+Seitz%2cAuthor%3aPatrick+Seitz)), INVESTOR'S BUSINESS DAILY

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Coffee shop chain **Starbucks** ([SBUX](javascript:;)) is throwing its weight behind smartphone payments through a deal with mobile payments startup Square.

Seattle-based Starbucks late Tuesday [announced](http://news.starbucks.com/article_display.cfm?article_id=687) a wide-ranging partnership with San Francisco-based Square, which was co-founded in 2009 by Twitter inventor Jack Dorsey.

Starbucks will use Square's mobile payment application at its roughly 7,000 U.S. stores this fall. Square also will process Starbucks' U.S. credit and debit card transactions, giving the Square platform needed scale. Plus, customers will be able to find nearby Starbucks locations within the Square directory of businesses.

AP [View Enlarged Image](http://news.investors.com/photopopup.aspx?path=sbucks-web-it17-080912-ap.jpg&docId=621429&xmpSource=&width=600&height=400&caption=AP)

Starbucks is the first national chain to let customers pay with Square's mobile payment application.

Starbucks will invest $25 million in Square and Starbucks CEO Howard Schultz will join Square's board. The investment values Square at $3.25 billion, the New York Times [reported](http://www.nytimes.com/2012/08/08/technology/starbucks-and-square-to-team-up.html).

"More than 2 million individuals and businesses can already use Square," said Square CEO Dorsey. "This partnership will accelerate our ability to provide them with the tools they need to grow their business and thrive in today's economy."

The Pay with Square application is available for **Apple** ([AAPL](javascript:;)) iPhone and **Google** ([GOOG](javascript:;)) Android-based smartphones.

Apple, Google, **Intuit** ([INTU](javascript:;)) and **eBay**'s ([EBAY](javascript:;)) PayPal are among the companies also pursuing, or expected to pursue, the digital wallet business.

Meanwhile, shares of **VeriFone Systems** ([PAY](javascript:;)), a maker of retail point-of-sale terminals, fell 10% in early afternoon trading Wednesday after UBS downgraded the stock to neutral from a buy rating.

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