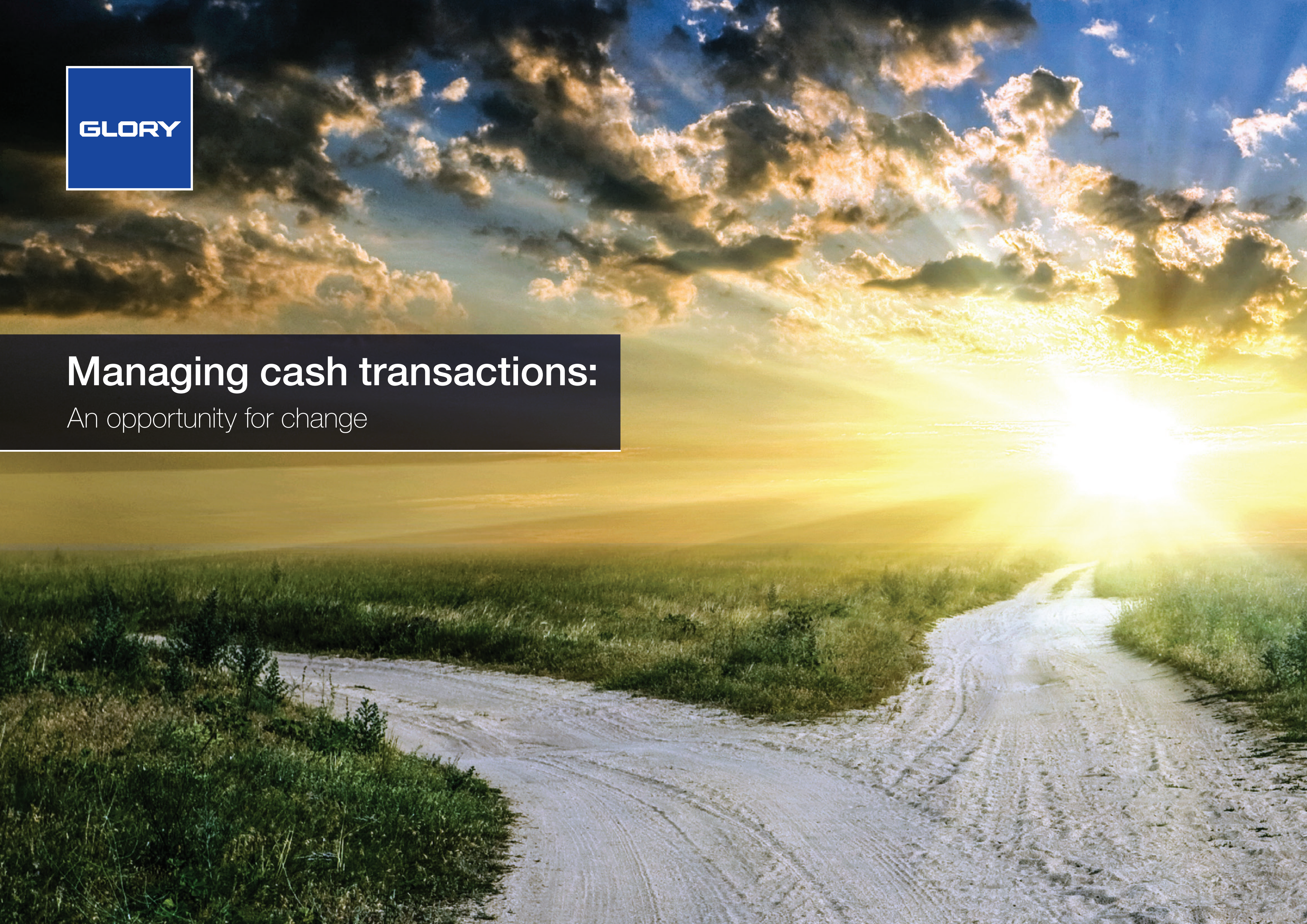

Managing cash transactions:

An opportunity for change

HOW CASH INFLUENCES YOUR BOTTOMLINE – AND WILL CONTINUE TO DO SO

Whatever the payment method used, the cost of processing transactions impacts a retailer's bottom line. Large numbers of transactions still involve the use of cash and the costs attached to this method of payment include storage and transport, security, accounting and of course transaction costs at the point of sale.

New technologies can impact on each of these areas, lessening the amount of cash a retailer needs to hold, reducing the number of cash in transit visits, preventing theft and fraud and reducing labour costs attached to counting notes and coin. In a fast developing retail market can you afford to ignore the chance to optimise the costs associated with such a high proportion of your transactions? The correct deployment of technology can lower costs, enable enhanced service levels and improve the bottom line.

A recent MasterCard study stated that "cash accounts for about 85 percent of global consumer transactions." It went on to state that "In most countries the cashless journey has only just begun." Even in developed markets such as the UK, cash still accounts for over a half (53 percent) of retail transactions according to the British Retail Consortium.

Governments and financial innovators may influence the way we pay, but ultimately it is consumers who will decide if and when there is a cashless society. And as yet they show little inclination to do so. Whether it's convenience, custom or habit, its physical nature or control over finances, large numbers of people continue to prefer cash. It's also acceptable everywhere and anonymous.

Cash will be around for some time and effective cash management can have an important impact on retailer profitability.

LABOUR-INTENSIVE PAYMENTS
ADD TO RETAILER COSTS

Compared with other payment mechanisms, the physical nature of cash presents retailers with specific challenges including:

- the handling, storage and transport of cash – both within the store and to and from the bank
- protecting the means of payment against theft and counterfeiting
- the need for accounting services to ensure the right amounts have been paid at each point of sale
- the staff resources required to cash up at the start and end of day as well as every shift change

So what does all this cost and how can the situation be improved?

A recent study from the Blond Group estimates the global ‘cost of cash’ to be around $360 billion globally with $65 billion in the US and almost $90 billion across Europe.

Meanwhile, a study published in July 2014 by Sage Pay found that cash payments cost UK retailers £17.8 billion a year in ‘accountancy errors, counterfeit notes and theft’ with a further report finding that cash theft alone in the US costs retailers $40 billion a year. That’s 1 percent of revenue and the costs of securing cash against theft are equivalent to half the current losses.

A 2014 study from Aite claimed that the true costs of cash payments are frequently understated in that many retailers have failed to monitor and include “shrinkage” in their cost factors for accepting cash, where shrinkage includes inventory losses, cash losses from miscounts, employee “skimming” and robberies. According to Aite figures an average $39.26 cash transaction costs a retailer 74 cents to process.

What is evident is that while cash remains key, optimised cash management will have a central role to play in determining store profitability though secure cost effective processing of cash that deters fraud and theft, reduces labour charges, minimises cash in transit fees and lowers accounting costs.

AUTOMATED CASH HANDLING
– A NEW WAY OF DOING THINGS

What do we mean by automated cash handling and how can it improve security, free up resources, enable speedier transactions and lower costs? Primary drivers for the introduction of cash handling solutions in different countries have been either a response to heightened security needs or a desire to improve customer satisfaction in retail outlets.

The introduction and enhancement of recycling technology that redistributes previously accepted notes and coin, opens up the possibility of eliminating the manual handling of cash.

Research shows that in-store, such manual processes, including:

- reconciling cash with reported sales, and
- removal of excess cash from tills during the day via envelope drops or till sweeps can add up to between 30 and 90 minutes per checkout lane per day.

AUTOMATED CASH HANDLING
– A NEW WAY OF DOING THINGS
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Other features, such as high level authentication and identification of counterfeit notes and coin, make transactions more secure and provide the retailer with improved levels of confidence in preventing such fraud.

While there are clear benefits to be achieved by automating the front office, for larger retailers extending automation to the cash office will eliminate a significant amount of manual work.

Cash office functions include providing cashiers with change, collecting surplus money from the tills, counting and storing the money and facilitating collection by the cash in transit operator. With cash recyclers eliminating most of the daily routines, their deployment can achieve savings of between 40-60% of the baseline cost.

In France the major chain Leclerc has implemented Glory's CASHINFINITY™ solution in nine hypermarkets. Cash recyclers operate at the stores' checkout lanes and service points. "Notes are collected in special interface cassettes which automatically feed into cash recyclers in the back office, completely eliminating exposure of the money to staff. Surplus coins at the registers are collected in overflow trays and filled into the back office recycler in mixed denominations."

A SUMMARY OF BENEFITS –
LOWERING THE COST OF DOING BUSINESS

Improved efficiency and lower labour costs

As well as eliminating manual errors, using the new recycling technology significantly reduces the time and money spent on checking balances before and after each shift and whenever you need to open a new cashier position. This is particularly important for large retailers wishing to open or close units dependent on traffic flow throughout the day. “For each shift, the efforts related to cash retrieval and disposal can add up to 30 minutes per checkout lane. We have already alluded to the fact that, depending on store type, revenue and opening hours, eliminating this process through automation could save labour costs of 30 to 90 minutes per day per checkout lane”. Of course, it also enables more flexible deployment of personnel during peak periods as no preparation is required prior to opening a lane.

Improved management in the holding and transport of cash

The amount of cash a retailer needs to hold in-store and the number of trips to and from the bank to pay in and replenish cash stocks will be impacted by the more efficient use of cash enabled by recycling. The benefits of a reduction in cash in transit costs and bank charges (due to a reduction in visits and number of bank transactions) are obvious, while the importance of reduced cash holdings will become even more obvious as interest rates increase in the medium term.

Job satisfaction and improved customer experience

But it’s not just about an opportunity to lower costs, it’s also about ‘soft benefits’ such as improved customer service and efficiency. In the past cash handling has been labour intensive and has involved risks. Automation technologies not only lessen risks but by improving processes enable the retailer to ‘close the in-store cash cycle’, eliminating manual handling of cash. This frees up resources enabling a redistribution and / or reduction in labour costs and where resources are redistributed it provides greater opportunities for staff to interact with customers.

A SUMMARY OF BENEFITS – IMPROVED SECURITY WIDENS MARGINS

Preventing theft and fraud

According to the Centre for Retail Research in the UK, in 2012-13, retail shrinkage (loss caused by crime, waste and error) accounted for 1.32% of sales. The same report highlighted consumer theft levels of £2.2 billion and employee theft of nearly £1.7 billion.

The most recent global available figures from the 2011 Global Retail Theft Barometer found that over $76 billion was lost in the previous year alone due to shrinkage, an average of 1.45 percent of global retail sales. 35 percent of this was attributed to employee theft and 16.2 percent was caused by genuine human error at the point of sale.

Automated cash handling systems take away opportunities for theft and enable retail outlets to eliminate human error at the point of sale. By limiting access to cash to authorised personnel they lower the potential for theft and significantly impact on shrinkage levels.

IN 2012-13, RETAIL SHRINKAGE ACCOUNTED FOR 1.32% OF SALES. THE SAME REPORT HIGHLIGHTED CONSUMER THEFT LEVELS OF £2.2 BILLION AND EMPLOYEE THEFT OF NEARLY £1.7 BILLION.

Centre for Retail Research in the UK

A SUMMARY OF BENEFITS –
IMPROVED SECURITY WIDENS MARGINS
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Combating Counterfeiting

Counterfeiting remains a major issue. Such notes are worthless and in many countries the central bank mandates that they must be taken out of circulation. Every counterfeit note a retailer accepts damages its margin, but how easy is it for retail staff to identify counterfeits using only the naked eye especially in periods when new currency designs are being released? According to the Royal Mint, as of May 2014, 3.03 percent of UK £1 coins in circulation were counterfeit. Meanwhile, the Bank of England says that around 680,000 counterfeit notes were taken out of circulation in 2013. While this may be set against a total of 3 billion notes in circulation, there remains the potential for significant impact on individual retailers. The use of specialist equipment to identify counterfeits minimizes another threat to a retailer's profitability.

Meanwhile, 353,000 euro bank notes were withdrawn from circulation "in the second semester of 2013" and the EU estimates that "since its introduction in 2002, counterfeiting of the euro has led to financial damage amounting to at least €500 million".

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A SUMMARY OF BENEFITS –
PROFITING FROM CASH

Worldwide cash remains an important means of payment, with 1.2 trillion cash payments a year! In some cases this may be due to factors such as low levels of financial inclusion or an undeveloped cashless infrastructure, but in many instances high cash usage is simply down to the fact that people prefer to use it. To take one example, Germany and the Netherlands are at a similar advanced stage of financial development, but MasterCard data shows that German consumers are twice as likely to use cash in a retail environment.

Even in advanced markets the acceptance of cash payments remains an essential part of doing business. Indeed, in Europe 90 percent of retail payments under €20 are made using cash. As with all payment mechanisms, accepting cash payments has costs attached. What is different is that the payment process has traditionally been defined by the physical nature of cash and the need to check, count, store and transport notes and coin. Using technology rather than manual labour to perform these tasks means that cash payments can be performed more easily, securely and at lower cost.

Research from the British Retail consortium concluded that in the UK, cash accounts for 53% of total transactions but for 9% of the costs. New technologies ensure that while customers continue to choose cash retailers are able to minimise the cost of such transactions while enhancing the overall security and 'customer-friendly' nature of their stores.

But the opportunities don't end there. At a time of declining numbers of bank branches, the provision of localised banking services (cash withdrawals, deposits, balance checks) is another way in which retailers in some countries have used the new technology to generate revenues. Coupled with even lower CIT costs, the provision of such services will further enhance the return on investment.

Automating cash payments with recycling technology enables you to lower costs, generate new revenues, widen margins and redefine the business model. Using the example of a US hypermarket with 22 points of sale, implementing recycling technology at the check outs and back office gave an ROI of less than 16 months.

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