



Hard to Handle

Effectively controlling cash top concern for retailers in study

By Erik J. Martin

“**M**oney can’t buy me love,” The Beatles sang. But a little TLC when it comes to cash management can buy you more peace of mind. And strategies to curtail worries such as miscounted moola, sticky fingers in the till and funny-money flim-flam artists can carry a lot of currency among retailers, many of whom are vexed by these and other woes that occur along the money trail that begins at the register and ends at the bank.

To identify these legal-tender troubles, CSP recently conducted its fourth annual cash-management study, which generated input from 200 c-store respondents who operate and/or influence decisions related to cash flow/banking/cash management. Corporate Safe Specialists/FireKing Security Group commissioned the study, which was completed in February. Most of those polled operate a single store (44%), followed by two to nine stores (29%); 10 to 49 locations (13%); and, finally, 50 or more outlets (14%). (Participants in the 2014 survey may vary from respondents to the 2013 survey.)

Among the findings from the study:

► Mishandled money and internal theft continue to plague operators. For the fourth consecutive year, the two most serious cash handling/management problems facing c-stores are:

• Inefficient cash handling, which includes counting, recounting, reconciling discrepancies and making bank deposits. Seventy percent indicated it was a serious

issue, up from 62% in 2013; 30% say it has increased in seriousness;

• Cash shrinkage. This year, 55% called it a serious issue, down from 64% in 2011; 28% said its seriousness has increased.

► Counterfeit currency placed third as the most serious concern (31%). That’s up 5 percentage points from 2013; 40% say the seriousness of this issue has increased over the past year.

► Bank-deposit discrepancies involving fees, time and effort to resolve rose from the No. 7 most serious issue in 2013 (20%) to No. 4 this year (25%, up 7 percentage points from 2011), with 19% indicating its seriousness has risen over

“Being a **small independent operation is an advantage** in this situation. We can **keep a closer eye on things.**”

the past year.

► Burglaries and robberies decreased this year (ranking No. 5 vs. No. 3 in 2013, at 24% vs. 27%, respectively), especially among single-store operators (a most serious issue for 18% vs. 28% last year).

► Only 15% of respondents chose lack of information for cash forecasting as a serious issue, down from 25% in 2013; also, this issue dropped in seriousness among multi-unit operators (10%, a 13-percentage-point decrease from last year).

► In a reversal from last year, more

multi-unit operators selected inefficient cash handling as a top issue than operators with one store (73% vs. 65%, respectively, in 2014 compared to 59% vs. 65% in 2013).

► At least 75% of all respondents, across all four years of the study, indicated that the seriousness of each cash-handling management issue identified has increased or remained the same each year compared to the prior year.

► The top five cash-management devices, tools or processes that respondents have in place are low cash in registers; secure business-rated safes; manual drop safes; separate coin/bill storage and access; and remote visibility and/or monitoring of safe activity. The latter ranked No. 7 in 2013, but the first four have ranked in the same order four years in a row.

Cash-Handling Woes

For the second consecutive year, inefficient cash handling topped the survey list as the most serious cash handling/management issue for c-stores.

John Rhoads, senior vice president of product channel development for FireKing Security Group, the New Albany, Ind.-based parent company of Corporate Safe Specialists, says inefficient cash handling often has a lot to do with the high cost of labor today.

“Maintaining and hiring employees is costly,” he says. “Often, for cash-handling procedures, a c-store manager has to pull someone off the floor to be able to count or manage money in the back room, and that can be expensive over time.”

“So anytime you can replace manual processes with data, it’s a good idea.”

Toward that end, Bruce Kayal, vice president and head of sales for Garda World Cash Services, Boca Raton, Fla., encourages operators to adopt technology solutions such as smart safes that “take a lot of the day-to-day manual requirements out of the equation.”

Rob Razowsky, president and CEO of Rmarts LLC in Deerfield, Ill., which operates five c-stores in the Chicago area, says his stores use a smart safe/cash service system inaccessible to employees that involves currency being picked up twice weekly. “We have a pretty good system with our bank that allows our managers to drop off deposits for same-day credit, subject to count,” he says.

Some cash-handling inefficiencies can be attributed to a lack of proper oversight and bookkeeping, according to Lee Erickson, president of VRX Co., Inc., a Maryville, Tenn.-based provider of loss-prevention solutions.

“Many operations may still be using simple paper-based bookkeeping and accounting systems such as end-of-day reports and end-of-month reports printed

on paper tape,” Erickson says. “These store owners may not be asking questions of their accountants about how they can get reports transferred electronically so that humans and paper are not used for such transfers.”

Another factor is concern among operators of automated equipment, because coin-counting safes, change dispensers and bill validators break down, says Tim Lindblom, vice president of Gulfcoast Software Solutions LLC, a Clearwater, Fla.-based manufacturer of cash-management software.

“There is a perception by some convenience retailers that the advanced safes are unreliable and expensive to maintain. Initial capital expense plus ongoing cost of ownership concerns drive down deployment in the market,” Lindblom says.

Disappearing Dollars

For the second consecutive year, internal theft of cash placed second on the survey’s list of most serious cash handling/management issues.

To combat internal theft, Kevin Bahnam, president of USA 2 Go, a four-store operator based in Wixom, Mich., says he

employs old-school tactics that remain effective. His employees log in every transaction on a chart that is checked against register receipts. The accounting paperwork is turned over to the next clerk during a shift change. Store managers spend extra time weekly reconciling all of these reports with a bookkeeper who scrutinizes every ledger line carefully.

“We’re not a big chain with ample resources and capital to invest in the latest (cash management) technologies,” Bahnam says. “But being a small independent operation is actually an advantage in this situation because we only have a handful of stores. That means we can keep a closer eye on things.”

Even if you’re a small independent operator, Bahnam says, there are steps you can take to limit shrinkage. “Run background checks on every employee you hire, and try assigning designated registers to particular clerks so that you can more easily track their activity at one set location,” he says. “Also, create customized shift sheet logs that require employees to document every transaction.”

Bob Ivey, director of loss prevention for the 291-store E-Z Mart Stores Inc., Texar-

Cash-Handling and Management Issues

Most Serious

Inefficient cash handling (employee productivity loss: counting, recounting, reconciling discrepancies, making bank deposits)	70%
Cash shrinkage (internal theft)	55%
Counterfeit currency	31%
Bank deposit discrepancies (fees, time and effort resolving)	25%
Robberies and/or burglaries	24%
Inability to track cash flow between POS and safe	18%
Cash exposure (cash not held in a business-rated safe)	16%
Inability to transfer data between safe and back-office systems	15%
Lack of information for cash forecasting	15%
Lack of detailed safe transaction data to resolve cash discrepancies	11%
Safe not linked to bank allowing for provisional credit	10%

Source: CSP/Corporate Safe Specialists/FireKing Security Group 2014 cash management study

kana, Texas, says internal theft remains a concern. To curtail this threat, the chain requires extensive shift reporting involving careful online spreadsheet logging of departmental sales; every clerk's sales are weighed against that of another clerk on a similar shift to spot any negative trends or major discrepancies.

"Our company is really big on accountability," says Ivey. "We think it's important to let our employees know what we know and to adopt a proactive vs. reactive approach."

Looking closer at the survey data, Rhoads sees a silver lining in the fact that cash shrinkage has dropped in seriousness among respondents by 9 percentage points from 2013. "However, there's always going to be an opportunity for employees to steal, and shrinkage will always likely be high on this list," he says, "so it's time for new innovations and approaches to combat this problem."

Counterfeit currency was selected by more respondents this year than last year as a serious issue (31% in 2014 vs. 26% in 2013), placing it at No. 3 on the survey.

Bahnam isn't surprised, linking counterfeit currency's rise to the economy: "While the U.S. economy is rebounding, there are still many people out there trying to get ahead of technology and develop new ways to cheat the system. We typically see more issues with attempt to pass phony bills at our stores around the holidays. But we always check \$50s and \$100s with an [invisible ink] pen."

To fight counterfeiting, Kayal recommends multiple procedures, including limiting the amount of cash in the till and ensuring locations are properly under camera. He also recommends "deploying counterfeit technology and having a policy on the bill denominations you need to check."

External Theft

Burglaries and robberies are always a fear among convenience-store operators, but this issue has dropped from No. 3 to No. 5 on the list of most serious cash handling/management concerns over the past year.

This, Kayal says, is because "individual owners and operators have started to

deploy policies and procedures in their own shops that have helped deter robberies and burglaries, coupled with new safe technology solutions."

Improvements in safe durability and integrity may also have something to do with decreased concern over robberies and burglaries, Rhoads says. "The physical nature of the equipment is getting better, plus the actual number of retail break-ins reported appears to be on a downward trend. Remember, too, that burglaries and robberies cyclically follow the economy, which is in recovery right now," he says.

Also, video surveillance equipment has come down significantly in price over the past five years, says Lindblom.

Growing Gap

Single-store operators are logically going to have different challenges and concerns than those with multiple stores. Hence, it's not shocking to observe wide disparities in survey responses from the latter compared to the former. The cash-handling issues with the largest percentage-point spreads

Cash-Handling and Management Issues

Most Serious (1 Store vs. 2 or More Stores)

Inefficient cash handling (employee productivity loss: counting, recounting, reconciling discrepancies, making bank deposits)	65% vs. 73%
Cash shrinkage (internal theft)	49% vs. 59%
Counterfeit currency	30% vs. 31%
Inability to track cash flow between POS and safe	26% vs. 12%
Lack of information for cash forecasting	22% vs. 10%
Bank deposit discrepancies (fees, time and effort resolving)	18% vs. 30%
Robberies and/or burglaries	18% vs. 28%
Cash exposure (cash not held in a business-rated safe)	16% vs. 15%
Inability to transfer data between safe and back-office systems	16% vs. 14%
Lack of detailed safe transaction data to resolve cash discrepancies	10% vs. 11%
Safe not linked to bank allowing for provisional credit	8% vs. 12%

Source: CSP/Corporate Safe Specialists/FireKing Security Group 2014 cash management study

in terms of being considered serious by single-store and multi-store operators are inability to track cash flow between point of sale (POS) and the safe (26% of one-store operators vs. 12% of operators of two or more stores—a 14-percentage-point spread); bank-deposit discrepancies (18% vs. 30%); and lack of information for cash forecasting (22% vs. 10%).

Kayal says multi-unit operations typically do a better job of recognizing the need for efficiency in their processes and are quicker to adopt the latest cash-management technologies, which helps explain why operators with more than one store ranked inability to track cash flow and lack of info for forecasting as less serious.

“The capital required to deploy these

solutions is more available to multi-store operators than those with one store,” Kayal says.

Multi-unit operations also generally have a greater ability to monitor and measure cash than stand-alone stores because the former have a distinct division of labor, Rhoads says. “They have it down to a system and a support structure involving employees with assigned jobs, such as counting the money,” he says. “Many multi-store companies have systems in place to help them in these efforts. If there’s a bank discrepancy, for instance, they have more leverage to fight the issue with the bank because they can afford to, whereas a single-store operator may have to take the bank’s word for it because they

don’t have much leverage.”

Studying the Playbook

Survey respondents continue to turn to the same tried-and-true cash-management devices, tools and processes to handle and manage cash, including—in order—low cash in registers, secure business-rated safes, manual drop safes, separate coin/bill storage and access, and remote visibility and/or monitoring of safe activity.

Rhoads says he is encouraged by the survey finding that 52% have remote visibility/monitoring of safe activity in place vs. 42% last year, as is Kayal.

“The fact that you see a year-over-year uptick in usage of remote visibility/monitoring of safe activity is a good sign because it means retailers are recognizing the value in understanding whether or not a safe is active and online and available to process a transaction,” Kayal says. “This knowledge reduces the risk of cash straying outside of its predetermined path and reduces the opportunity for shrinkage.”

But Kayal is amazed that remote visibility/monitoring of safe activity wasn’t ranked higher than No. 5. “I think that will be ranked higher in future years because that’s what will help drive efficiencies and help you make day-to-day management decisions about forecasting,” he says.

Interestingly, there are four cash management devices/tools/processes that registered at least a 10-percentage-point change this year compared to last year for currently having that device/tool/process in place: separate coin/bill storage and access (58% in 2014, down from 72% in 2013); remote visibility/monitoring of safe activity (58% vs. 38%); remote visibility/monitoring of cash positions (51% vs. 40%); and smart safes (30% vs. 42%).

Cash-Management Devices, Tools, Processes

(Respondents who currently have in place)

Low cash in registers	86%
Secure business rated safe	80%
Drop safes: manual	75%
Separate coin/bill storage and access	53%
Remote visibility/monitoring of cash positions	52%
Remote visibility/monitoring of safe activity	52%
Time delays: time lockouts	52%
Safe and POS integrated with video surveillance	47%
Detailed transaction reporting of deposits, drops, door openings and pickups	46%
Central repository of cash handling information	32%
Automated alerts - door open, safe withdrawals	27%
Consolidated cash reporting across multiple locations	25%
Smart safes: automated bill acceptors	22%
Provisional credit—recognize cash in safe as deposit	21%
POS integrated with safes	16%
Automated coin ordering	7%

Source: CSP/Corporate Safe Specialists/FireKing Security Group 2014 cash management study

Promise, Price of Better Tech

The marketplace continues to roll out new and improved technologies and innovations that can provide effective solutions for many of these cash concerns.

One of the biggest things that has happened over the past 12 months, Kayal says, is the deployment of dashboard technology, online tools and real-time reporting. "Stores now have better access to real-time information, helping them make better decisions," says Kayal.

Ivey hopes to use these new tools soon. E-Z Mart is testing an audit service that tracks exceptions based off the POS video and special software that proactively alerts managers in real time via text of a suspicious transaction.

The latter is one of several high-tech

Cash-Handling Business Intelligence Improvements

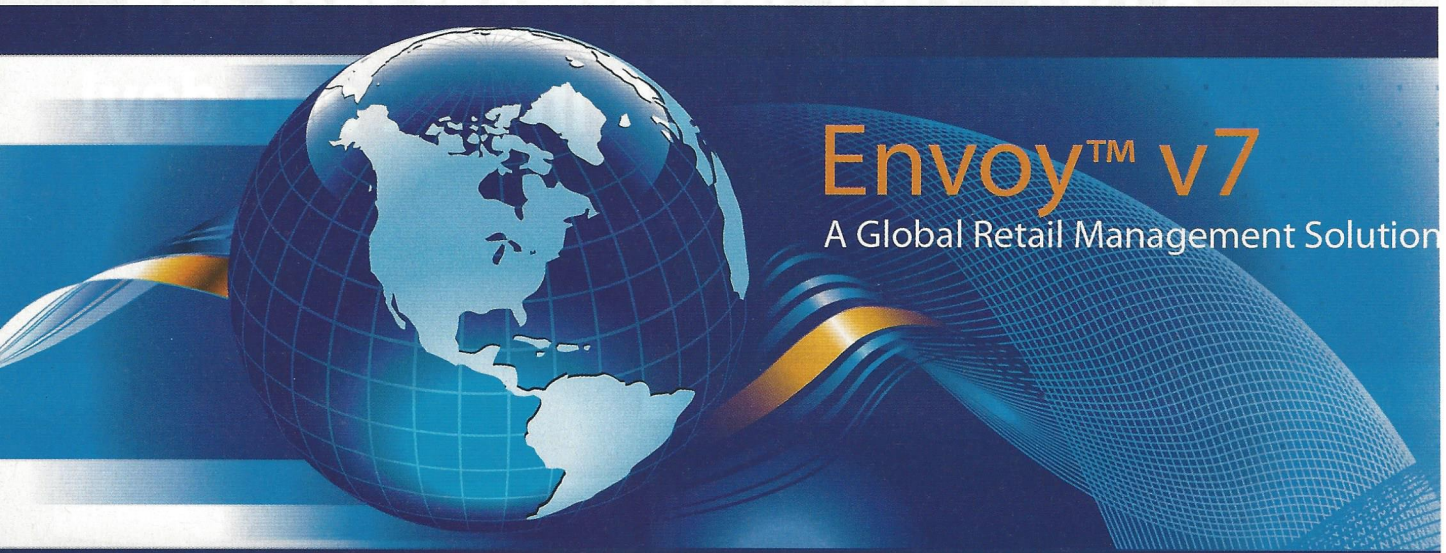
(Respondents who plan to focus on improvement in any of these areas in the next 12 months, 1 store vs. 2 or more stores)

Proactive alerting of out-of-compliance cash handling behavior	35% vs. 36%
Trend analysis capabilities to prioritize business rule improvements	10% vs. 18%
Cloud-based central repository of cash-handling information	7% vs. 9%
Expanded leverage of centralized information across operations, finance, LP and HR	6% vs. 13%
Do not plan to focus on improvement in any of these areas	51% vs. 42%

Source: CSP/Corporate Safe Specialists/FireKing Security Group 2014 cash management study

cash-handling business intelligence capabilities that continue to interest survey respondents, including proactive alerting of out-of-compliance cash-handling behavior; trend analysis capabilities to prioritize business rule improvements; expanded leverage of centralized information across operations, finance, loss

prevention and human resources; and cloud-based central repository of cash-handling information. Overall, 54% of those polled in the survey plan to create or enhance at least one of these capabilities in the next 12 months, with more multi-unit operators indicating they plan to do so for trend analysis (18% of multi-unit vs. 10%



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of single-store operators) and leverage of centralized information (13% vs. 6%).

Lindblom is particularly a big fan of proactive alerting, which he says can

be more cost-effective than high-tech options such as smart safes. "Often, the products offered to retailers are bundled solutions that require selecting and

committing to a smart safe, bank and an armored service that they're locked into," he says. "Smart safes cost as much as \$10,000; then add in the cost of the

armored service, and it can be very difficult to demonstrate the ROI."

Many are not aware that there are lesser-cost technologies available nowadays, he says, such as "virtual retail management software solutions that interface with your existing devices, including video surveillance, and send you real-time alerts and warnings via email and text."

Reading the Cabbage Leaves

Retailers can likely expect the same cash-handling and management concerns to reappear in future years, Rhoads says.

"Anytime you have a cash-intensive business, there's always going to be an interest in stealing money, whether it's robbery, internal theft or burglary," says Rhoads. "The good news is that cash-management solutions providers are doing a better job of providing products and accessing key data and putting it out there in better ways that customers can use to run their operations."

Kayal agrees. "Technology drives efficiencies in the cash supply chain, and smart safes, recyclers and cash-management systems will continue to play a larger role in the c-store's and retailer's footprint," he says. "The economic benefits vs. cultural acceptance will always be part of the equation; however, the overall risk-mitigation factors these solutions provide should be the cornerstone for the decision criteria."

Lastly, whether you're a small operation or a larger chain, "you should also think about implementing or beefing up a loss-prevention department responsible for tracking and deterring internal and external theft," says Ivey. ■

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