



Guarding Greenbacks

Shrink, inefficiencies and other cash concerns continue to challenge c-stores

By Erik J. Martin

Cash may be king, but it can also be a king-sized pain in the posterior for the convenience industry. Quick transactions involving copious amounts of currency occur around the clock, inevitably leading to challenges involving the managing, handling, validating and safe keeping of dollars and cents.

For a proper perspective on this problem, Jim Poteet, senior vice president of business solutions for Brink's Inc., Dallas, suggested examining the history of how transactions are paid for.

"First, there was a barter system, then we swapped in goods and precious metals, then actual notes of currency were introduced, and wire transfers and debit and

credit cards were added," says Poteet. "We keep advancing in these different areas."

But the one area that hasn't significantly changed or improved is the way we handle cash, he says: "For c-stores, that's not their core competency. They're trying to run their store, sell merchandise and provide customers service. Handling cash is something they have to do; it isn't neces-



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sarily something they're trained to do."

Indeed, inefficient cash handling—involving counting, recounting, resolving discrepancies and making bank deposits—remains a top concern among c-store retailers, as evidenced by its repeated high ranking among respondents to CSP's second-annual cash-management survey. (A similar survey was conducted in spring 2011.)

And for the second straight year, Corporate Safe Specialists/FireKing Security Group commissioned the CSP 2012 study on cash management, which was conducted this past February and garnered 161 responses from c-store operators across the country as well as those who make or influence decisions related to cash flow, banking and/or cash management in their c-stores. Most respondents operated one store (54%), followed by two to nine stores (25%); 10% operated 10 to 49 locations, and 11% ran 50 or

more outlets. (Respondents to the 2012 survey may differ from those who participated in the 2011 survey.)

Among the study's key findings:

► Cash handling and shrinkage problems persist. The two most serious cash handling/management issues c-stores struggle with remain cash shrinkage from internal theft and inefficient cash handling: 64% and 63%, respectively, in 2012, compared to 64% and 69% in 2011.

► Serious issue No. 3 is counterfeit currency. While it garnered only 31%, this was chosen as the area that has spiked the most in severity over the past year in both the 2012 and 2011 studies, according to four in 10 respondents.

► Low cash in registers, secure business-rated safes and manual drop safes are the top three cash-management devices, tools or processes currently in place.

► Smart safes: Nearly 20% of respon-

dents have smart safes, with another 17% saying they planned to implement them in the next year. Of these respondents, 88% rated smart safes a "very effective cash-management tool," an increase of 10 points from 2011.

► POS integrated with safes is regarded as a very effective cash-handling/management device by 56% of respondents who currently or plan to have it in place, a 25-point drop from 2011. "This really comes down to the level of sophistication in your back office. Is the juice worth the squeeze? It's not worth [integrating POS with safes] unless you have a large number of stores and a fairly sophisticated back-office treasury function," says Poteet.

► More multi-store than single-store operators selected cash shrinkage (74% vs. 56%) and inefficient cash handling (69% vs. 58%) as the most serious cash handling/management concern. Multi-

► Most Serious Cash-Handling and Management Issues

	Total Responding
Cash shrinkage (internal theft)	64%
Inefficient cash handling (employee productivity loss—counting, recounting, reconciling discrepancies, making bank deposits)	63%
Counterfeit currency	31%
Robberies and/or burglaries	24%
Bank deposit discrepancies (fees, time and effort resolving)	20%
Lack of information for cash forecasting	20%
Cash exposure (cash not held in a business-rated safe)	18%
Lack of detailed safe transaction data to resolve cash discrepancies	14%
Inability to track cash flow between POS and safe	13%
Inability to transfer data between safe and back-office systems	8%
Safe not linked to bank allowing for provisional credit	6%

	1 store	2 or more stores
Cash shrinkage (internal theft)	56%	74%
Inefficient cash handling (employee productivity loss—counting, recounting, reconciling discrepancies, making bank deposits)	58%	69%
Counterfeit currency	35%	26%
Robberies and/or burglaries	22%	26%
Bank deposit discrepancies (fees, time and effort resolving)	17%	23%
Lack of information for cash forecasting	28%	11%
Cash exposure (cash not held in a business-rated safe)	24%	11%
Lack of detailed safe transaction data to resolve cash discrepancies	8%	20%
Inability to track cash flow between POS and safe	15%	11%
Inability to transfer data between safe and back-office systems	6%	11%
Safe not linked to bank allowing for provisional credit	6%	7%

Source: CSP, Corporate Safe Specialists/FireKing Security Group 2012 study on cash management

ops also outpace single-store operations in deploying secure business-rated safes (93% vs. 75%), manual drop safes (86% vs. 70%), and time delays/time lockouts (68% vs. 34%).

► Networked cash management (NCM) is used by 47% of respondents. Most of this group use NCM via Ethernet (59%), followed by a wireless connection (32%) or dial-up (20%); 83% of those who lack NCM reported no plans to add it in the next 12 months.

Major Money Matters

The seriousness of cash shrinkage has

“No exposed cash means no shortages or armed robberies.”

increased in the past year, according to 28% of 2012 respondents compared to 31% in 2011. Likewise, 30% of this year’s respondents said inefficient cash handling has increased in seriousness, up from 25% in last year’s study.

Bruce Kayal, vice president and co-head of sales for Garda Cash Logistics, Boca Raton, Fla., says such are the risks inherent within the c-store environ-

ment, “which is typically high-volume and low-value.”

“There are a significant number of cash transactions with a low dollar amount,” Kayal says. “This translates into a greater opportunity for shrinkage as well as increased time required to reconcile daily cash positions.”

There are several factors contributing to shrink and cash-handling inefficiencies: greater demand for money orders, larger sales for high-jackpot lotteries, increased turnover of employees and climbing gas prices.

“An increase in the price of gas causes a greater number of notes presented during a transaction. These notes have to be processed through the c-store’s legacy cash-management system, which may have been designed when the price of gas was \$2 a gallon,” says Edward J. McGunn, president of Corporate Safe Specialists/FireKing Security Group, Posen, Ill. “The result is an increase in cash that is exposed more often or that needs to be manually counted more often.”

Adding to the cash-handling complexity is that many c-stores operate overnight, a time when you “rarely have a manager on staff,” says Paul Blachowicz, marketing strategy leader at Brink’s. “Often, there’s just a clerk present. This process is a bit dated vs. other types of establishments where you have multiple management folks involved.”

The good news is that inefficient cash handling may be declining as a serious issue. Though respondents this year may differ from last, the survey total showed that cash handling decreased as a serious issue by 6 percentage points this year vs. last year, and 13% of 2012 respondents indicated that the seriousness decreased in the past year vs. 9% in the 2011 study.

➤ Cash-Management Devices, Tools, Processes/Currently Have in Place

Low cash in registers	91%
Secure business-rated safe	84%
Drop safes: manual	77%
Separate coin/bill storage and access	61%
Detailed transaction reporting of deposits, drops, door openings and pickups	57%
Remote visibility/monitoring of cash positions	54%
Time delays—time lockouts	50%
Remote visibility/monitoring of safe activity	47%
Central repository of cash handling information	47%
Automated alerts—door open, safe withdrawals	28%
Consolidated cash reporting across multiple locations	28%
Provisional credit—recognize cash in safe as deposit	22%
Smart safes: automated bill acceptors	19%
POS integrated with safes	16%
Automated coin ordering	9%

Cash-Management Devices, Tools, Processes/Percent Rated Very Effective (Base: those responding who currently have/plan to implement)

Smart safes: automated bill acceptors	88%
Secure business-rated safe	74%
Low cash in registers	70%
Remote visibility/monitoring of safe activity	69%
Remote visibility/monitoring of cash positions	68%
Detailed transaction reporting of deposits, drops, door openings and pickups	67%
Time delays—time lockouts	64%
Automated alerts—door open, safe withdrawals	64%
Drop safes: manual	63%
Provisional credit—recognize cash in safe as deposit	62%
Automated coin ordering	62%
Central repository of cash handling information	60%
Consolidated cash reporting across multiple locations	60%
Separate coin/bill storage and access	60%
POS integrated with safes	56%

Source: CSP, Corporate Safe Specialists/FireKing Security Group 2012 study on cash management

Fearing Phonies and Thieves

Counterfeit currency is another continuing concern, and it's on the rise primarily due to improved technology, lower counterfeiting costs and the current state of the economy, with many cash-poor and out of work, according to Jonathan Ketchum, senior vice president of retail for Odessa, Texas-based Alon Brands, the largest U.S.

licensee of 7-Eleven stores. To combat the problem, Ketchum says each of the 300 c-stores his company operates across five metropolitan areas is equipped with a bill reader device that scans any note larger than \$20.

"This is one of the areas where [quick-service restaurants] have a step up," says Kaya. "They've actually deployed bill

validation capabilities through their safe program. They're detecting the counterfeit prior to their clientele leaving their store location, whereas in a c-store, they're accepting the bill as a form of payment, which goes into a till. The individual leaves the establishment, but the counterfeit isn't detected until later or when it goes back into a bank's vaults."

In addition to shrinkage, counterfeit and inefficient cash handling, robberies/burglaries is an issue that at least 80% of study respondents said has increased or remained the same over the past year. While following strategies such as keeping low cash in the drawer and employing smart safes may help, crooks aren't going away anytime soon, Ketchum acknowledges. "We've seen an uptick in burglaries and robberies in our local market, a lot of which is drug-related," he says. "A lot of times two or more involve the same perpetrator, who gets \$50 to \$100 out of a store and then moves down the line."

Less Critical Worries

Some issues, frankly, didn't register much with retailers. In this year's survey, the two least serious cash-handling/management matters tied to safe interfacing. Specifically, 8% of the respondents cited the inability to transfer data between the safe and back-office systems, and 6% cited the safe not linked to the bank allowing for provisional credit.

"As a percentage of sales," Kaya says, "cash may be a smaller revenue component compared to credit, debit or prepaid card transactions. While the volume of cash may be high, the overall value is low, so the work effort or incremental cost of integrating [data transfer between the safe and back-office system] probably doesn't yield the appropriate return on investment."

Likewise, linking a safe to the bank

is a measurable best practice. However, McGunn says, “it’s just not used by the majority of store owners yet.”

Tools of the Trade

The top cash-management device, tool or process currently in place, as identified by respondents in 2011 and 2012, is low cash in registers (91% and 90%, respectively). This process was chosen as “very effective” for cash handling in stores by 70% in 2012 and 73% in 2011.

“Carrying low cash is a high-reward, low-expense way to deter theft,” says Ketchum.

The second and third most popular cash-management tools/devices used by c-store respondents are secure business rated safes (84%) and manual drop safes (77%). Among those who currently have

the former or plan to add them in the next year (9%), 74% identified them as a very effective cash handling/managing device. Of those who have or plan to add (8%) manual drop safes, 63% regard them as very effective cash-handling/

Smart safes are considered very effective by 88% of those who currently or plan to use them.

managing devices. These results mimic those of last year’s study.

“It doesn’t take a scientist to say, ‘Skim your drawer every few hours and put it in the drop safe,’” Poteet says. “It’s a pretty easy, low-cost practice.”

Alon’s Ketchum says smart safes offer

several advantages, including the fact that cash handling is taken away from the manager; an armored car is responsible for transporting the money to the bank; and built-in money-counting technology ensures that you’re not over or short, and that you’ll receive provisional credit from the bank.

However, a traditional smart safe can often cost four times more than a manual safe, with standard models starting around \$5,500; more cost-effective models specifically designed for c-stores are available, Kayal says. Operators have to pay monthly armored-car premiums. Additional bank fees are typically applicable only if the client is looking for provisional credit.

More Stores, Interesting Results

As in the 2011 study, more multi-unit operators than single-store operators selected cash shrinkage (74% vs. 56%) and inefficient cash handling (69% vs. 58%) as two of the most serious cash handling/management concerns.

“A single-unit operator is only worried about one site, while a multi-unit operator has the same issues extended across several locations. They’re dealing with more employee turnover and a more transient work force,” Kayal says.

Single-store owners are “closer to the problem,” says McGunn. “They can go more often and make a bank deposit, buy a bigger safe and react appropriately to change cash-handling needs to fit the situation quickly. In bigger organizations, it’s a process that many people may need to sign off approval on before anything is changed.”

Lack of detailed safe transactions data to resolve cash discrepancies was also considered a more serious concern among multi-store operators (20%) than

single-store operators (8%). However, fewer multi-unit operators regarded lack of information for cash forecasting and cash exposure (11% for each) as serious cash-management issues than single-unit operators (28% and 24%, respectively).

In many cases, a greater number of operators in two or more stores vs. single stores are currently using cash-management devices/tools, including: secure business-rated safes (93% vs. 75%); manual drop safes (86% vs. 70%); time delays/time lockouts (68% vs. 34%); consolidated cash reporting across multiple locations (42% vs. 15%); and smart safes (31% vs. 9%). The latter three were also reported in the 2011 study as currently being in place in a significantly higher number of multi-unit operations than single-store operations.

“In larger companies,” says McGunn, “they are more often able to afford a soup-to-nuts cash-management system, including a loss-prevention department that mandates these best practices.”

Looking Ahead

McGunn predicts that within the next 10 years, c-store cashiers won't have to handle customer cash the way they do today.

“[The money] will be deposited directly by the customers in kiosks placed inside the c-store,” McGunn says. “These kiosks will make the cash transaction process very easy and deposit the money directly into a smart safe inside the kiosk. No exposed cash means no shortages or armed robberies.”

Ketchum, however, isn't so optimistic. “I'm afraid that [cash handling/management concerns] are here for the long-term,” he says. “Somebody always finds a way to scam the system. If you invent the next mousetrap, somebody will find a way to beat it.”

Nevertheless, there are ways to

decrease the opportunities for miscounting, shrinkage, theft and other dollar dilemmas in c-stores, he says: “You have to hold people accountable, provide

training programs, have a field management presence in the stores, conduct cash audits and attract and retain a stable workforce of quality employees.” ■