

Safe Deposit



Smart safes, new provider tactics usher in daily credit for cash

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Traditional cash management at convenience stores is a security nightmare.

Sorting hundreds, often thousands of dollars in the back room is still the norm for many independently operated stores and even larger chains, with the added risk of managers having to run all that cash to the bank.

But a number of trends related to technology and the business of cash handling have paved the way for what bankers call “provisional credit,” essentially allowing them to credit retailers for cash deposited into store safes.

“If **[in a recession]**, the opportunity to grow business is not there, you certainly want to protect the business you have.”

“The bank is treating [the store safe] like it’s an extension of its own vault,” says Michael Robinson, executive vice president of Armor Safe Technologies LLC, Colony, Texas. He cites how electronic communications can allow banks to know exactly how much money is in the store safe at any given time: “They become mini-bank vaults.”

Joe Stocker, director of information systems for Weigel’s Stores Inc., a 53-store chain based in Powell, Tenn., believes it’s the direction in which his chain may eventually go, but he sees the step further down the road. He’s been focused on bill-reader accuracy and electronically linking his safes to the back office and eventually all the way to corporate.

“Anytime you can remove data entry, you take away the possibility of someone making an error,” he says.

The idea of provisional credit is not new. Relationships between banks, armored-car services and retailers, along with the necessary technology, have been available at least since the mid-2000s. What’s different today is a combination of science and strategy that has changed the climate around provisional credit, offering traction to a process that will dramatically improve store-level security and cash management.

Among those developments are:

▶ **Changing tactics.** Led mainly by armored-car services, a new business model is emerging that streamlines the cash-handling process and offers benefits for all parties.

▶ **Growing affordability.** Fee structures have gone down because of the efficiencies provisional credit brings.

▶ **Device integration.** Point-of-sale (POS) upgrades mandated by Visa and the other credit-card companies this year, as well as work done by industry standards groups, have opened the door to integration of in-store devices. Such integration leads to greater efficiencies at the store level and makes a compelling case for intelligent safes, a key component for provisional credit to work.

Provisional credit has the potential of transforming store-level operations. “It takes an employee, sometimes two, an hour or more a day in the back room with significant amounts of cash spread everywhere,” Robinson says. “And then they have to jump in a car and drive to a different place to deposit the money.

“On a fundamental level, the industry standard is dangerous.”

NOT QUITE INSTANT

Banks use the term “provisional” as a caveat to having to eventually accept and count the cash from the store, says

Paul Blachowicz, senior director of product development for CompuSafe, a product of Brink’s Inc., Coppell, Texas. “The funds in the safe are still subject to verification,” he says. “While the retailer got credit . . . someone can [steal] a safe.”

So a bank may take back its credit if something like the theft of the safe occurs. And while the transaction may not be instantaneous, the bank and retailer agree when and how often amounts in the safe are credited to the retailer’s account.

Here’s where the formula starts reaping benefits. For the retailer, maintaining cash flow is paramount; as a result, there’s a constant cycle of getting the cash generated at the store to the bank and into the company account. For a retailer employing an armored-car service, that typically means several pickups during the week, potentially a trip a day depending on the store’s volume.

With provisional credit, a retailer can allow the safe to fill up while still getting credit for cash that builds as “deposits” in the safe. At the same time, the multiple armored-car visits can fall to as few as one a week.

“They get credit each day, there’s less armored-car service frequency and there’s handling-cost savings,” Blachowicz says. “It’s an attractive proposition.”

The reduction in trips has also taken



Cash-Management Trends

- ▶ **Provisional credit.** Retailers can electronically link banks to the safe in the store, which can mean daily credit for “deposited” cash.
- ▶ **Smart safes.** Upgrades to point-of-sale (POS) registers as mandated by Visa also allow integration of safes, allowing for remote data collection.
- ▶ **Coin management.** Some safes now allow for bagged coins vs. the more cumbersome tube system.
- ▶ **Modularity.** Some safe manufacturers have created modular units, which gives retailers the option to add or reduce features.
- ▶ **Bundled services.** Technology is allowing for the bundling of services such as providing cash reports, shift-change reports and notification if employees go beyond set parameters.

Safety in Numbers

According to various suppliers, the c-store industry has yet to fully take advantage of the "provisional credit" trend. Here are a few related statistics:

60%

Estimate of how many c-stores have some type of intelligent safe

20%

Estimate of how many c-stores with intelligent safes use provisional credit

30%

Estimate of percentage of transactions still handled with cash, a figure that has remained stable for the past several years

\$100-\$110
PER DAY

Cost estimate of handling cash

\$20-\$30
PER DAY

Cost estimate of an armored-car service

\$4,000-\$5,800

Price range for a typical c-store safe

Sources: Various suppliers



SAFE MODE: One of the latest developments in safes is modular designs, allowing for more cash-management options.

costs out for banks and armored-car services, so much so that the armored-car companies have begun to offer the intelligent safes for free as a part of their monthly service. Though some may argue that the safe lease is actually built into the monthly fee, the new paradigm allows for "one-stop shopping."

The armored-car companies benefit in their own way, says Ed Grondahl, executive vice president of global sales for Tidel Engineering LP, Carrollton, Texas. Armored-car service is essentially a commodity, he explains, so clients can simply switch providers if one becomes cheaper than the other.

"[Price wars] went on for a number of years," Grondahl says. "Now with additional services like online change orders and website features, they're able to lock in longer contracts of about five years. And if the customer wanted to

change car services, the safe will have to be pulled out—that's a major hassle."

BUILDING MOMENTUM

Just how pervasive the practice of provisional credit is may be difficult to assess, but most observers believe the movement is in its infancy. Ed McGunn, president of Corporate Safe Specialists (CSS), Posen, Ill., estimates that about 60% of the c-store industry has some kind of "smart" safe—ranging from those that simply dispense coins to ones with bill counters and high-tech communication systems. Smart safes are necessary to carry out provisional credit; of those smart safes, he estimates that only 20% have provisional-credit relationships.

Brink's, one of if not the first armored-car company to create the necessary banking ties to offer provi-



BILL BUNDLES: Provisional credit allows for the storage of more cash, leading to the need for more vault space and, in higher-volume stores, more bill acceptors.

sional credit, started offering the service about four years ago. The technology essentially dialed into the safe and converted the data into a format the bank could use, and the bank then would provide the provisional, daily credit.

Major oil companies were the first to adopt the technology, Blachowicz says. Colin Holden, vice president of retail solutions for Brink's, says acceptance by the industry was always steady growth, "but it wasn't nice and neat."

What has occurred over time is a building of momentum. More banks became involved, as did more safe manufacturers and car companies. In 2009, Grondahl says, no more than 20 major and regional banks were into provisional credit. In 2010, 20 to 40 additional banks are launching efforts.

Banks are critical in that many chains use several different banks across their networks. So to have provisional credit, the retailer would either have to

reduce the number of banks it worked with or the service provider would have to link multiple banks. A little of both is going on, say suppliers.

Evidence of the building momentum comes with safe sales, with Grondahl saying business for Tidel's products is up 80%. Brink's says safe sales doubled since it started offering the service.

"We've been selling [an intelligent safe] for 15 years," Blachowicz says. "The first 11 we had a certain level of sales. In the last four years, sales have doubled, which coincides with the daily credit functionality."

Still, provisional credit may not be for all retailers. Robinson of Armor Safe Technologies says intelligent safes in general are for businesses handling \$2,000 or more a day in cash. If a retailer handles less, "you're adding a layer of cost you may not need," he says. "But what you get for it is assistance and better visibility with your cash flow."

For Stocker of Weigel's, the concern about employees counting cash is already a thing of the past. Improved bill counters have eliminated the need to open the cash cassette and visually verify the amounts. Today, employees handle a locked compartment, which the company takes to the bank via an in-house process.

To handle provisional credit, Stocker believes he'll have to move to multi-reader safes with larger storage capacities. "We've looked at [provisional credit] and we may end up there," he says. "But we would have to change out safes in some of the stores."

SMARTER AND BETTER

Beyond provisional credit, the configuration and capability of safes is quickly evolving. Everything from bill validation to shift reporting has become standard with many models.

In newer devices, bill validation,

counterfeit identification and foreign-currency acceptance are all part of the mix, according to suppliers. And not only cash, but also check verification is a new feature in some models.

Part of the next-generation evolution has to do with data. McGunn of CSS says monitoring deposits and flagging business-rule violations are important to retailers. Violations such as removing a deposit from the safe at an unapproved time, or closing a shift before the scheduled hour, can now be registered at the back office.

Of course, much of the data collection has been made more efficient by device integration. McGunn says work with NACS and its PCATS standards entity has aided in both the actual integration of safes to other devices as well as in the development process of future products.

Data retrieval will only grow in importance going forward, but suppliers warn retailers not to lose sight of the day-to-day, meaning the actual dispensing of cash as shifts begin, replenishment during the day and at shift close. Blachowicz of Brink's says the company's newest safe offers a modular design, one that adds on capabilities depending on how much a retailer wants done. Separate compartments within the safe gives access to specific employees or to the armored-car company. "There's a compartment accessible to Brink's; below that, there's room for the till; and then you can bolt on compartments for strips of bills, lottery or coins," he says. "It's like Legos."

A manufacturer of ATMs is also

addressing an on-site concern, that of safe vulnerability. Burton Hillman, vice president of business development for Triton Systems LLC, Long Beach, Miss., says Triton's product, designed with thicker walls, will be available in the fourth quarter. "If [in a recession], the opportunity to grow business is not there, you certainly want to protect the business you have," Hillman says.

Other advances involve coins. Grondhal of Tidel says newer technologies allow stores to use bags of coins vs. rolls. Banks handle coins in bags already

and typically have to take the time to count and roll coins. Skipping that step gives retailers a significant cost savings.

Additional, high-tech advances are entering the field.

Robinson of Armor Safe Technologies says they have introduced radio frequency identification (RFID) into their system, allowing for tracking of the cassettes that hold bills. Grondahl says his company has developed a cellular technology that allows for safes to communicate without the need for an actual phone line—a method that bypasses data-security concerns.

For all the different advances, cash management will continue to be a challenge for retailers. "The use of cash has remained stable at about 30% for the last several years," says Holden of Brink's. "Different stores, different operators have a wildly different mix of cash-to-credit sales, so you want the solution to fit the need. Some stores may be 15% cash, some 80%—it depends on the geography and demographics." ■

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