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Wendy's

Cashing In on Innovation

Chris Manning, Director of Loss Prevention and Security for Wendy's, Outlines How He Helped Update the Fast Food Giant's Cash Handling System

In the Quick Service Restaurant (QSR) industry, where 99-cent menus drive billion-dollar revenues, every penny counts. But QSRs are fraught with inefficiencies. Think about it: each unused napkin or catsup packet that ends up in the trash, each bathroom break that takes an employee away from the cash register or fry station, or a snowstorm that keeps customers tucked in at home despite your “Open Late” guarantee. And each of those inefficiencies hits the

funds. Armored car service translates into increased manager presence, fewer accident claims, reduced risk of theft, less attrition, and of course, significantly higher fees — the cost of securing your cash.

But experience demonstrates that it is not uncommon for deposits to be shorted; by the time the deposit has been transported, sorted, counted and placed at the bank, any discrepancies are difficult to rectify and resolve. In some cases, this is due to banking errors, but more com-

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By Chris Manning

bottom line through higher cost of goods, lost productivity or greater operating expenses.

For those responsible for managing the safety of each 99-cent transaction, there’s no room for inefficiency. Yet despite innovations in product development and service delivery, cash handling models remain antiquated and labor intensive.

Chances are, your cash management system operates on one of two models: (1) the store manager is going to the bank at least once a day, (in most cases, twice) to make a deposit; or (2) you have armored car pick-up service. These options have been around forever despite persistent short-comings.

When shift managers are responsible for cash deposits, it requires a “field trip” to the bank, meaning time away from the shop and increased opportunity for theft or robberies both en-route and at the unsupervised store. There’s also the temptation to add in a few personal errands on the way, and risk of injury that results in workers’ compensation claims. Add to that the potential for reduced levels of customer service during manager absence, and the support for this model is weak, other than the fact that it is cheap (if you don’t account for related loss, workers compensation or lost productivity).

In comparison, traditional armored car service has long been recognized as a better option to secure a store’s

monly, deposit shortages are due to internal theft. The time that supervisors spend investigating these shortages can be frustrating, and they often end without a satisfactory resolution.

Innovation was long overdue.

Identifying the Problem

As director of loss prevention and security for Wendy’s International, it was my job to work with the Wendy’s operations team to analyze and improve the existing cash management system. Because the Wendy’s team was looking for ways to reduce margins and extract labor from stores, it was an ideal time to explore new options.

Traditional armored car programs were not viable because they didn’t deliver the ROI, they simply added an operating expense on the store’s profit and loss (P&L), which operators did not want.

A labor study revealed that Wendy’s managers were spending more than 27 hours per week on cash-related activities, which included counting and verifying the store’s till at least three times a day. In most cases, this involved a time-consuming count of all bills and coins, with cash registers being recounted. While cash counters are used within the Wendy’s system, the time that managers spent on this process was not only a waste of a valuable resource, but also stressful and often involved recounting due to errors.

Restaurant managers specialize in providing great food and great service, and they perform this function exceptionally well; however, many of them are just not comfortable handling cash and find this task one of their most difficult. What solutions exist where we could eliminate much of the stress related to the cash handling process within our stores? Streamlining this process was long overdue, we decided.

Wendy's key objective for a new cash handling program was to find an easier, more cost-effective solution to shrinkage, theft, robbery-reduction and a life-safety enhancer.

If the industry could simplify existing cash handling programs and reduce the time that store managers spent on this process, what would the solution look like? Would it reduce risk and provide quantifiable savings?

Crafting a New Solution

As the Wendy's operations team and I explored the existing technologies provided by armored car and safe companies, it became apparent that the solution we were looking for did not yet exist. The existing technologies and programs fell short because they presented several opportunities for loss during each transition: store to safe, safe to armored car, armored car to cash vault or bank, and bank to enterprise. These inefficiencies necessitated a new way of thinking about cash handling. There's no point in investing in a new system if it just replaces old problems with new ones.

In an ideal world, I think a cash handling system should provide closed-loop accounting — a system in which managers or cashiers can count, deposit, secure and validate the monies with a deposit guarantee. We took this challenge to industry vendors, seeking partners that would work with Wendy's to achieve the vision.

It was clear that while technology had moved forward at a rapid pace, handling cash in today's restaurant environment remained a manual process that needed to be refined and improved. Closed-loop accountability became the goal, and in order to achieve it, there would need to be a synergy between the safe providers, armored cars and the respective banks.

The Solution: Innovative Safes

Corporate Safe Specialists (CSS) of Chicago accepted the challenge. The company's existing safe did not fit Wendy's specifications and needed to be re-engineered, but the company was motivated to find a solution that would service Wendy's specific needs. Through a collaborative process, I helped guide a software and hardware redesign with the company, and CSS was able to introduce a prototype model within 45 days and have it beta tested within 60. Five safes were successfully tested in the Columbus, Ohio, market, and roll-out began within 100 days of the initial meeting. CSS's responsiveness and willingness to expedite the design and testing process, ensured that they became an approved vendor partner for both company and franchise operations.

Another vendor, Armor Safe Technologies came up with an intriguing cash management platform, its Bill Validator Safes, which are operated in partnership with the armored car service that, in turn, had a strong banking partner. This provided the plat-



“I think a cash handling system should provide closed-loop accounting — a system in which managers or cashiers can count, deposit, secure and validate the monies with a deposit guarantee,” Manning says.

Photo courtesy of Sabrina Bently

form on which to build a closed-loop cash handling model.

At the core of the program is the bill validator safe, which was built to Wendy's specifications. Within the confines of the 13-inch space allocated in close proximity to the cash handling activity, Armor's safe features casino-quality bill validators that detect and reject counterfeit bills, thus eliminating the need for additional counterfeit protection at the stores. The safes contain two canisters that automatically count cash as it is deposited and can only be accessed by both the store managers and the armored car service — reducing the possibility of internal theft. The safes provide "anytime reporting" that documents the details of each deposit and provides all necessary data for accountability audits.

Data is polled from the safe each night by the armored car service and the amount in the safe is guaranteed. The car service also provides change fund services typically set up as a standing order. The armored car then transports the money to the cash vault, where it is recounted. This redundant count provides an additional layer of security by duplicating the safe's count. The next day, provisional credit is provided to Wendy's bank of choice.

The Banking Relationship

Innovative safes are a crucial component to a closed-loop cash handling model, but successful implementation is achieved through seamless relationships among the safe companies, armored car companies and their banking partners. The banking relationship is crucial to this operation. The elimination of local banks significantly reduces transaction fees. Centralized processing with a single bank enables the customer to negotiate with a single bank that is processing all transactions. The banks are able to leverage its relationships with its customers as well as its armored car business partner, resulting in more efficient and streamlined relationships.

Before Wendy's rolled out the cash management program across the enterprise, the program was piloted in a district test of five stores to work out the bugs and make refinements. This was followed market test of

30 stores, which validated the program's efficiencies and yielded quantifiable benefits.

Through testing, the Wendy's team and I concluded that we were able to achieve significant savings in bank fees and labor, and we reduced our labor model by two hours per day of crew time. Those combined savings added up to more than \$3 million annually of controllable costs.

Savings from loss through theft and robbery will continue to be measured regularly to comparable time periods from the previous year to account for loss-reduction from uncontrolled sources.

Mass Implementation

The test results were sufficient to gain buy-in throughout the company and with franchisee stakeholders. Wendy's was compelled to migrate all company stores to the new program. To maintain optionality for their franchisees they sought to avoid a single-source provider, which resulted in other business partners being established. To be approved, all vendors had to deliver a program that fit Wendy's specifications and enabled the closed-loop accountability model. The feedback from restaurant managers has been overwhelmingly positive, and the quality of life within their roles of responsibility has been enhanced significantly.

Of course, the success of any program requires the buy-in of numerous departments. Being able to implement a program of this size is due to the flexibility of not only

our business partners, but also the different departments within the Wendy's organization that support the program. Introducing a program of this size is never going to be flawless and without error; however, having the right business partners that are able to respond and find solutions to issues is critical to the program's execution.

There has finally been a recognition that existing cash handling models are outdated and that technology must exist that will be able to move us forward. Up until now, it seemed that the safe manufacturers, the armored car providers and the banks have been working in isolation — limited by their own scope. By working together, we were able to evaluate the entire model and reverse engineer a solution to best meet our needs as a customer.

In the fast food world of 99-cent menus...that's fresh thinking. **ST&D**

Chris Manning is director of loss prevention and security for Wendy's International.



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**For more information,
please contact:**

James Currey
National Sales Manager
(708) 280-7806
curreyj@corporatesafe.com

Kevin McKnight
National Account Manager - ACCS & Kiosk
(708) 280-9749
mcknightk@corporatesafe.com

Corporate Safe Specialists, Inc.
14800 S. McKinley Ave.
Posen, IL 60469
Fax: (708) 371-3326
Web: www.corporatesafe.com
Phone: (800) 342-3033 x137



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