

Cashing in on Cash Management: The Low-Risk High-Value Approach



“... I remember how it was before we had an automated cash control system and the time we spent counting money – I don’t want to go back there”
–Fast Food Franchise

Cash control systems are an effective means to managing your financial risk and increasing the productivity of your operations. The impact can be significant and go directly to the bottom line.

Understanding the benefits you can achieve, having a clear roadmap to realize the benefits and knowing the right questions to ask before you get started makes all the difference. Armed with this information you can take your operations to the next level with a proven process that can evolve in step with your business needs.



TRENDS IN CASH MANAGEMENT

As any retail store owner or franchisee knows, time is money. And the amount of time spent managing, securing and auditing the money that flows through the till each day can have a significant impact on the bottom line. When the business involves multiple locations, the challenge is multiplied.

Also, competition for the consumer is fierce in a world transformed by web-based businesses. There is heightened pressure on the “brick and mortar” store operator to attract consumers and serve them efficiently – and the time involved to process transactions and secure cash is a critical part of retail business success.

Increasingly, franchisees and business owners are turning to technology to help them speed operations, lower costs, minimize risk and maximize revenue. By making the right choices, the transition can occur smoothly, and grow in line with evolving business needs. There are modular, easy-to-use cash control alternatives beyond the basic on-site safe that offer a new dimension of business and financial benefit. Better yet, there’s a human element involved in this trend. By evolving to the right cash control process, managers and employees are more productive, customers are better served – and more time is available to sell more product. In short, with the right cash management approach, everyone wins.

CASH MANAGEMENT – THE HEARTBEAT OF STORE OPERATIONS

Cash management is at the center of operational success and failing to adopt a secure, efficient approach to cash management can pose a real stumbling block to business progress.

The financial risks associated with running a store-based business are well documented. “Inventory shrinkage”, defined as a combination of employee theft, shoplifting, vendor fraud, administrative error, and check/cash/charge loss, is a challenge faced by all retailers and franchisees. According to the 2003 National Retail Security Survey report, 47% of retail loss (or 15.8 billion dollars) is the result of employee theft. No other larceny annually costs American citizens more money than employee theft – a sobering statistic.

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A critical part of controlling inventory shrinkage is cash management, and there is both significant risk – and considerable opportunity - associated with the handling of cash. The “pain points” are in fact a blend of straight-forward costs associated with the handling and processing of money (e.g., bank fees, armored car fees, etc.) – and the more intangible labor-related costs associated with the time your employees spend handling money – time that could be better spent serving customers, generating revenue - or simply “clocking out” earlier at the end of the day.

THE CONSIDERABLE COST OF CASH MANAGEMENT

The daily risks and associated costs of handling, managing and auditing cash flow can be significant – and without proper security and accuracy safeguards in place, those costs can quickly escalate. Here’s a look at the pain points all store owners, managers and employees face daily. They can be categorized into two main areas: Financial Risk and Productivity Impact.

Financial Risk

Cash control is a risky activity. Handling money automatically entails risk, and in a busy store setting or a business with multiple locations, financial exposure is magnified. In addition, businesses must contend with the ongoing fees and charges associated with cash management. If the cash control process and safeguards are insufficient, the following issues can have serious financial impact:





- **Robbery or Employee Theft:**

Prevailing wisdom says that a store manager should minimize the amount of cash on hand and employees should frequently drop cash. But handling the ebb and flow of cash efficiently can be a challenge for a busy staff. And since statistics show that a majority of thefts are perpetrated by those who have worked for the store, know someone who have worked there, or are currently employed, business rules and procedures alone are not enough to deter the act nor do they usually provide the information required to investigate what happened after the event. Finally, if robbery or theft occurs, the impact may be felt in other important areas such as insurance premium increases, human injury, or store down time due to loss of employee, damage to the premises or sealing the scene during investigation of the crime.

- **Fraud:**

Counterfeit bills still flow through the system, and can reach the register intentionally or via the unsuspecting consumer. These bills not only reduce cash flow, but can result in increased bank processing fees.

- **Banking fees:**

Banks don't miss a beat when it comes to charging fees. Deposit fees, charges for opening envelopes and counting money, as well as loose change and bill charges can be a significant ongoing expense to the business.

- **Banking Penalties:**

If errors have occurred in the store's cash counting, if counterfeit bills have been passed, associated bank penalties for inaccurate deposits are another direct cost to the business.

- **Armored car service fees:**

If the store operation is large enough, armored car pickups may be a regular part of the cash management process. And since armored car services charge not only for the pickup, but in some cases for the number of currency bags involved, ongoing service fees can mount.

- **Purchased material:**

It's the little things that count. When assessing overall cost of handling money, don't forget the material used to store and carry currency. The cost of plastic and paper envelopes can add up significantly over time.

- **Human error:**

There's no getting around it – left to our own devices, we all make mistakes. The cash loss associated with inaccurate currency counts can be significant. There's an indirect cost as well – the time employees and managers spend counting cash, auditing the money trail and reconciling errors is time taken from serving customers and generating revenue. Also, salary costs can increase if hourly workers are forced to spend extended hours on cash management tasks.

One fast food franchise group reported an 80% reduction in the amount of time managers and car-hops spend reconciling deposits, a 50% reduction in bank reconciliation fees and a Payback Period of under 8 months





Productivity Impact

There are a number of cash management activities that can take place in a typical business day. While most of these may seem simple, straightforward tasks, they can significantly impact employee and management productivity. – and increase financial risk.

Here’s a simple example – change disbursement. Cash is running low at a register and a clerk decides to temporarily close the till, walk to the back office and obtain more currency and change. This straightforward task can impact the business in a variety of ways:

- The employee’s time spent serving customers and processing transactions is interrupted
- Customers may be left waiting, or may even decide to leave without completing their purchase
- Those same customers may decide to busy themselves by lifting an item or two!
- If store policy dictates that a manager is present with the teller when the safe is opened, the productivity of two staff members is affected
- If store policy allows employees to have the combination to the safe, the exposure of an open safe and the risk of employee theft is heightened

From a productivity perspective, if the cash control process is inefficient, any or all of these activities can take more time than they should. And time = money. Decreased productivity can lead to increased costs (such as salary expense for additional hours,) decreased customer service, increased financial risk and reduced sales.

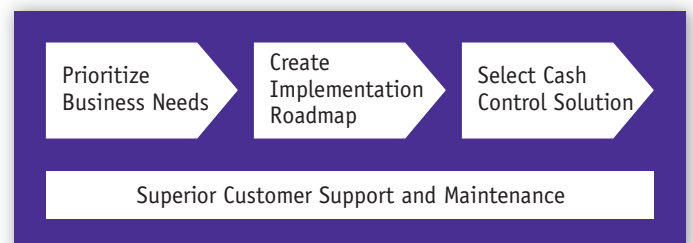
Now, here’s the good news: there are cash control alternatives available today that can help lessen or overcome all of the pain points described above. Better yet, these systems not only lessen financial risk and improve efficiency – they also provide business owners and franchisees with valuable cash flow auditing, planning and reporting capabilities. Additionally, today’s cash control systems address the “human element” inherent in any successful business – namely, motivating employees while better serving the customers who are the life-blood of business.

The following sections provide practical tips and techniques that can help businesses take a low-risk, high-value approach to selecting the right cash control system for their business needs.

MEETING THE CHALLENGE: PLANNING FOR A CASH CONTROL SYSTEM

All of these pain points – whether financial risks, ongoing fees and charges or employee/manager productivity drags - can be significantly lessened by examining specific business needs and choosing the right cash control system.

There are a variety of cash control systems available, each with its own benefits and associated costs. As with any major business investment, the key is to understand current and evolving business needs, then carefully weigh and match the solutions available.



By taking an ordered approach, businesses can minimize risk and maximize their chances of selecting just the right system for their current and evolving business needs.



- 1 First Things First:** Consider/prioritize the business challenges and issues that need immediate attention and the system features required to meet those needs.
- 2 Look to the Future:** Growing businesses evolve, and cash control needs evolve with the business. Consider the future and create an implementation roadmap for the journey. Lastly, ensure that the cash control system selected can smoothly evolve to meet future as well as current needs.
- 3 Plan for the Change:** Select a cash management system based on standard technology that provides a proven platform, makes installation very simple – and can be tailored to meet specific business needs. Look for a system that is easy to use, so that staff training is a breeze and employees are excited about the change. And look for a vendor that will behave as a partner every step of the way. Bottom line, the implementation plan should ensure minimal disruption to the business and a cash control system that is a positive asset from Day One.
- 4 Ensure Ongoing Support:** No matter how proven the system, questions and issues will arise after installation. Check out each vendor's reputation for ongoing maintenance and upgrades, and select a system supplier known for industry expertise and a focus on customer service. Insist on speaking with existing customers to get their take on the vendor's service as well as capability of the cash control system they offer.

CASH CONTROL SYSTEM SELECTION: THE LOW-RISK, HIGH-VALUE APPROACH

Armed with the right questions and an informed understanding of the cash control system capabilities available on the market, selecting the right vendor and system can be low-pain, high-gain process. The following section contains "quick-reference" material designed to help businesses in this consideration and selection process.

What Questions to Ask: Businesses considering a new cash control system should review the following questions during the planning and consideration process – and ask any and all questions of potential vendors. The questions can provide a "checklist" against which to measure each vendor and cash control alternative on the selection short-list.

- Does the system offer features that speak to your prioritized list of business challenges and issues?
- Does the system provide benefits that can be concretely measured? Can you quantify how the system will allow you to

- increase revenue?
- reduce operating costs?
- Reduce payroll expenses (by reducing the time employees spend handling/counting money "on the clock")
- What strategic business benefits does the system provide? Will it allow you to significantly lessen the pain points associated with your current cash management process? Does use of the system offer your business the potential to:
 - Increase ability to predict and track cash flow across all store operations (thereby enabling better business decisions)?
 - Eliminate manual counting errors?
 - Improve employee satisfaction and morale by giving them the tools needed to do their jobs more efficiently and securely?
 - Increase employee productivity and accountability?
 - Increase customer satisfaction in multiple ways, e.g.,
- Decrease customer wait time at the register or on the floor
- Increase face-time staff can spend responding to customers; thereby enriching the customer experience?
 - Increase time/resource available to sell product?
- Does the system match your current and evolving business needs?
 - Can it be smoothly integrated with existing technology?
 - Can it be tailored to meet specific business requirements?
 - How easy is it to use? How much training will be required to bring your staff up to speed?
 - Is it modular? Will it evolve in line with your business needs? If you plan to grow your business beyond existing locations, can the system be networked to accommodate future growth?
- Is the vendor:
 - Experienced in your industry?
 - Known for utilizing standards-based technology to best advantage?
 - Willing to act as a partner from the planning stage, through implantation, to ongoing service and support?
 - Highly regarded by existing customers?
 - Willing and eager to answer any questions you have?



CASH CONTROL REQUIREMENTS

Any solid cash-control system should offer the following features that reap the associated benefits. Businesses should consider these capabilities and determine which ones best fit current and future business needs:

FEATURE/CAPABILITY	BENEFIT
Coin Vending – automated coin monitoring and disbursal, including audit trail	<ul style="list-style-type: none"> • No open safe – reduced pilferage • Increased accuracy – reduced shrinkage • Clear visibility of exact change usage over time • Optimize change levels required for operations • Reduce Change Fund on hand • Improved employee productivity & morale
Bill Validation – automated bill handling/monitoring, including audit trail	<ul style="list-style-type: none"> • Detects counterfeits • Greater cash handling accuracy = less shrinkage • Reduces errors and time spent auditing/reconciling • Reduces bank penalties for counterfeit bills and inaccurate deposits • Less time counting money = increased time for sales/customer service
Loss Prevention Software – security management tool, including event monitoring, time delay, audit trail, remote access, user editing. Should be fully programmable.	<ul style="list-style-type: none"> • Reduce shrinkage through increased cash management accuracy • Threat prevention • Reduce reconciliation time • Enables better financial management/planning • Flexibility to changing business needs (easily tailored)
Remote Monitoring/Access – allows for remote reporting and event monitoring – including remote monitoring of business rule violation – e.g. safe door left open too long	<ul style="list-style-type: none"> • Increase security – monitor safe anytime, from anywhere • Saves management time/more productive • Increase ability to track and plan financials
POS and Back Office Interface – uses industry-standard technology and easily connects to a wide variety of existing front and back office systems/software	<ul style="list-style-type: none"> • Reduce implementation cost • Reduce data entry errors • Improve cash forecasting
Video Event Monitoring – provides capability for live video feed and pre-event monitoring of areas where cash handling takes place	<ul style="list-style-type: none"> • Increase security and reduce theft • Improve employee productivity and morale

TAKING THE NEXT STEP – EXAMINING THE ROI

Streamlining business operations through effective cash management can make the difference between a business that simply survives, and one that thrives and grows. The impact cash management has – on customers, employees, and the bottom line – can't be understated.

With the array of cash management systems available, it's critical for business owners and franchisees to determine their business needs, then measure the value that a technology-driven cash control system could provide.

Some benefits are quantifiable, and there are ROI tools available to help weigh the cost of implementing a cash control system against the benefits gained.

To find out more about the alternatives available, modeling the potential benefit impact and ROI for your organization and how you can take the next step toward effective cash management, contact a Corporate Safe Specialists representative at 1-800-342-3033. Also, please visit our website for further information at www.corporatesafe.com/accs/.

