

Enhancing Profitability Through a Cash Management System

A white paper by Ed Grondahl Q4/08

Technology's impact on business operations continues to transform managerial controls and measurement while providing for profitability enhancement opportunities. Technology in the retail environment has predominantly focused on point of sale systems (POS) that integrate everything from transaction accounting to inventory management. The most recent area of opportunity retailers and POS system companies are targeting is the integration of cash handling with the POS system.

Some of the most progressive retail operators have already replaced traditional drop safes with cash management systems (CMS). A cash management system incorporates traditional benefits of a safe, such as robbery prevention and time delay change funds, but also employs bill and coin handling technology, as well as its own operating system. Today's cash management systems connect to corporate networks to facilitate data exchange and remote management of the system.

Profitability Enhancement - The cost of a CMS is very quickly recovered through the recurring savings garnered by the system itself. What initially may appear to be a "cost" quickly becomes a "profit generator" that produces annualized cash and non-cash savings. Typical systems pay for themselves within 6-9 months yet continue to produce savings indefinitely.

Retailers have found recurring cash savings in many areas. Specifically, internal theft is dramatically reduced (cash received but not deposited into the safe); detection and rejection of counterfeit currency; and reduced armored car requirements. The latest and most exciting area of cash savings is now being gained through the retailer receiving "provisional credit" for funds in the CMS and not yet deposited in the bank. Non-cash savings include a drastic reduction of management time previously required to reconcile the transaction log with cash and preparation of bank deposits, as well as instant accounting and deposit preparation.

Deployment - Deploying a cash management system involves support and coordination among multiple departments including Finance, Operations, IT, Security and Loss Prevention. Picking the right CMS provider who can

coordinate the physical and technological installation of the system can significantly expedite and smooth the process. Each department should carefully consider features and functionality that will be required for a successful deployment and utilization of a CMS. Below is a list, by corporate function of features and functionality that should be considered or required.

FINANCE

- Instant access to all information pertaining to cash in the safe
- Tools to access 1 or more stores data and place it in a spreadsheet
- Guaranteed deposit by CIT – what the safe says is what's deposited
- Provisional credit by your bank – money deposited in your account regardless if it's picked up or still in the safe in the store
- Cut down on armored pickups since credit is given by the bank
- Automated cash reconciliation – no manual counting, ever
- Eliminate cash shrinkage by linking the safe and the POS
- Lower the cost of buying coins and notes by recycling both
- Lower the cost of coins by not buying coin rolls; use bulk bags
- Eliminate cash counting at beginning of shift
- Where cash rooms exist, eliminate 90% of the labor
- Cost of annual software maintenance (get a 5 year quote)
- Cost of annual hardware maintenance (get a 5 year quote)
- ROI for any investment should be less than 1 year

OPERATIONS

- Eliminate cash shrinkage by linking the safe and POS
- Balance every transaction between the safe and the POS
- Easy to use and easy computer based training (CBT) provided
- Operate in the native language of each cashier to eliminate errors and make the system easier to learn and utilize
- Dispense flat notes that are easy to handle instead of rolled up notes
- Auto dispense each till (no cash room counting of money) at start-of-shift
- Auto bank-out of each till (no cash room counting of money) to end shift
- Speed time for cashiers to clock in and be on the lane
- Quick access to cash to replenish tills with coins and flat notes
- Eliminate counterfeit notes immediately while customer is still there
- New notes are validated the day they come out by updating the note validators over the network – no delay waiting for updates
- Totally eliminate cash counting and get deposit guarantees from CIT

- On-site service call by next business day at a minimum
- Help desk diagnostic tools to help solve technical issues
- Highly qualified service organization capable of analyzing the network

INFORMATION TECHNOLOGY

- Must run industry standard OS such as Windows, and use XML
- Must be plug and play over the store's Ethernet network
- Tools included for data collection over the network
- Report writer tool for creating /changing reports
- Modern hardware architecture, easily told by integration (1 power cord)
- Must interface with POS at transaction level to stay in balance
- No programming required to create a total CMS environment
- Update CMS application over the network for new releases
- Update Note Validators over the network when new notes are released
- System diagnostics for Help Desk to support store personnel
- Supplier has 24/7 help desk to support customer help desk or store directly as required
- Basically hassle free system that will not take IT resources to manage

SECURITY

- Must interface to store alarm systems
- Must interface to store camera systems
- Must support a transaction log for up to 90 days so events can be analyzed and then utilized to search camera videos
- No chance of the entire safe getting stolen

LOSS PREVENTION

- Balance every transaction with POS, so no chance of cash shrinkage
- Automated cash reconciliation (no cash counting)
- Cashiers check in/out tills with no management assistance
- Time delayed access to all vaults
- Additional vault for storage of change or high dollar items
- Instant access to note validators for CIT guards
- Audit trail to balance every penny of every cashier
- Audit trail for all transactions for past 90 days
- Eliminate counterfeit notes
- Updated note validators over network when new notes are released by the local government

- Guaranteed deposit by CIT company
- On-site repair service by next business day

ADDITIONAL CONSIDERATIONS

- Dispensing loose coins and flat notes for applications such as check cashing, vendor payouts, debit-card cash-back, lottery payouts, etc.
- High speed coin and note recyclers for high cash volume operations
- Special locking mechanisms for unique requirements
- Concerns for multi-national companies are service, support, parts, operational language, and currency handling for each country.
- Volume of note and coin storage
- Size of extra storage vault to handle reserve change and high value items
- Number of power outlets or clean power requirements

Summary

Implementing a CMS solution is a decision that will impact your company from top to bottom. Each department's needs must be considered early in the process. When evaluating potential CMS suppliers and their systems, you should prepare a checklist that addresses all of their unique needs. Use this checklist during your information gathering and quote process so that you can choose a solution that satisfies all of your company requirements.

The decision will be obvious when you have an organized set of information and clear pricing for all of your costs. It's best to do a cost of ownership over a five year, or even a 10 year period. This is a team decision now that you have met the requirements of Finance, Operations, IT, Security and Loss Prevention.

For comments or questions:

Ed Grondahl, EVP Sales and Marketing
Tidel Engineering, L.P.
469-521-2511

Email sales@tidel.com or visit www.tidel.com for product information on Tidel's Cash Management Solutions