

# CASH MANAGEMENT SOLUTIONS

## The Emerging Opportunity for POS Dealers

### Introduction

If you think credit and debit cards are about to displace cash for retail transactions, think again. Legal tender accounts for as much as 40 percent of transactions overall and up to two-thirds of purchases under \$10. So while plastic and electronic payments often have been pegged as the currency of the future, the oft-predicted cashless society is nowhere in sight.

Cash still rules, especially at convenience stores and small retail shops that process many small transactions. Fifty-five percent of U.S. small businesses don't even accept credit cards, according to a

2012 Intuit study. But cash poses challenges for businesses because bills and coins have to be secured, counted, and transported to a bank.

Sometimes cash leads to mistakes and mischief. Handlers can miscount bills, give customers the wrong change, or fall into the temptation of pocketing money meant for a POS cash drawer. Collectively, thieving employees cost the retail industry 7 percent of its revenue, or \$50 billion, consulting firm Jack L. Hayes International Inc. reported in June 2014.

Still, cash isn't going away, so businesses need effective, affordable cash management solutions. This opens opportunities to POS dealers looking to boost revenue and add value beyond installing and servicing POS systems. As POS technology evolves from heavy, complex equipment to lighter,



mobile solutions, dealers need ways to stay relevant. Intelligent cash management solutions with smart safes, cash recyclers, and weigh-based bill counters help clients surpass cash challenges and allow dealers to cement their trusted IT advisor roles.

### The State of Cash

Despite the popularity of payment and credit cards, cash is still widely used for transactions. It accounts for less than 20 percent of transactions of more than \$50, but is used in 58 percent of transactions under \$25, and 66 percent of purchases under \$10, according to a June 2014 report by Shaun O'Brien, a policy analyst for the Federal Reserve Bank of San Francisco.

An April 2014 report by the Federal Reserve System estimates cash is used in 40 percent of overall transactions, with debit cards accounting for 25 percent, and credit cards, 17 percent. Text and mobile payments amount to less than half of a percent, according to the report. By value, cash accounts for 14 percent of overall consumer transactions. "Cash is used quite often, but primarily for low-value transactions. In fact, the average value of a cash transaction is only \$21, compared with \$168 for checks and \$44 for debit cards," the report said.

Most people carry small amounts of cash. A May 2014 Bankrate Security Index Report revealed 40 percent of consumers carry less than \$20 in their pockets, while 29 percent carry \$20 to \$50, and 12 percent between \$50 and \$100. A mere five percent said they carry \$100 to \$250, while nine percent go cashless.

Sixty percent of consumers buy food with cash, while 52 percent use credit and 47 percent, debit cards, according to a June 2014 report

by the Federal Reserve Bank of San Francisco. Cash is used infrequently for bigger-ticket items such as auto-related expenses, entertainment, transportation, housing-related transactions, medical bills, and financial services.

Where cash still rules, the reasons are well understood. Cash is accepted just about anywhere. It's fast, simple, direct, and lets buyers remain anonymous, which is not possible with credit or electronic payments. Cash delivers undeniable negotiating power. Even larger stores prefer cash to avoid merchant fees associated with payment cards. It's no wonder U.S. currency in circulation amounts to \$1.28 trillion as of May 2014, according to the Federal Reserve.

### Cash Challenges

Theft is the biggest issue retailers face in handling cash. In 2013, 23 major retailers caught more than 1 million shoplifters and dishonest employees. Jack L. Hayes International reported in September 2012 that employees steal 55 percent more than shoplifters and 75 percent of employees have stolen from their employers at least once. Even worse, consider this startling statistic: Employee theft causes one-third of bankruptcies.



Businesses contend with various types of theft, including overcharging customers to pocket the balance and “sweethearting,” which happens when employees undercharge friends for purchases or don’t charge at all. Honest mistakes also happen, often as a result of manual counting.



Counting bills and coins leads to other problems. Cashiers spend at least two minutes during a standard cash transaction counting and handling cash, forcing them to look down rather than focus on customers, according to an ARCA April 2014 report. Currency is counted numerous times, not only in front of customers but also at the end of each shift when cashiers remove their tills, in the backroom in front of managers, and before cash is moved from a safe to an armored vehicle. Retailers report cash is counted 15 to 22 times before it goes to the bank.

With that much handling of cash, errors are inevitable. Besides, the process is time-consuming, inefficient and, expensive. Though hand-counting may seem inexpensive, time and errors make it costly.

### **Mechanical Counters**

Handling cash manually is anything but desirable, which is why some retailers, banks, grocery stores, and restaurants turn to mechanical devices such

as friction counters and coin counters. These machines have limitations and can be expensive.

Take friction counters. While they are accurate and fast, completing a bill count in a fraction of the time it takes a human to do it, they age quickly. As with anything mechanical, friction counters have a lifespan: the more they are used, the more they tend to break. In high-volume settings, friction counters last as little as 12 months and have the added shortcoming of counting only bills.

And that means businesses also need coin counters, which, though inexpensive, suffer from the same shortcomings as friction counters. They are mechanical and require frequent replacements.

### **Cash Management Solutions**

Fortunately for cash-handling businesses, in the Digital Age a more efficient alternative to mechanical processes is usually available. Modern cash management solutions eschew manual and mechanical counting in favor of cash drawers with weighted compartments,

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cash recyclers requiring no handling by POS employees, smart safes, and backroom software-based counters.

Weighted coin cups and bill compartments in tills rely on electronics as opposed to mechanics to deliver accurate counts. The absence of moving

parts gives weight-based currency counters longer lifecycles of up to 10 years. Be it pennies, nickels, dimes, quarters, or bills of any denomination, as soon as currency is placed in the till, a built-in electronic scale automatically gets a precise count.

Smart safes are a sort of reverse ATM that accepts, counts, and validates bills. Smart safes typically link to backroom counting software that tracks transactions and amounts, and may also connect directly to a bank that remotely monitors the activity.

Cash recyclers are sophisticated devices that require no cash handling by cashiers. Customers drop money into a slot in the recycler, which counts it and makes change. Recyclers record total amounts inside the machine, thereby eliminating end-of-shift and backroom cash counts. Recyclers save businesses up to four hours daily in cash handling.

Recyclers, smart safes, and weight-based tills make it difficult for cashiers to pocket money, overcharge customers, or give friends free items. Recyclers accelerate transactions by eliminating manual handling and freeing employees to spend more time with customers on the sales floor. Cash management solutions also save money by eliminating manual counts and reducing armored vehicle pickups.

### Dealer Benefits

The emergence of intelligent cash management solutions creates new revenue sources and value-add opportunities for POS dealers. They get dealers thinking beyond the traditional point-of-sale implementation to address one of their customers' most significant challenges — cash management.

While some customers may think manual



processes and mechanical counters are good enough, dealers can show them a better way. Cash-handling businesses collectively lose millions of dollars each year to theft and human error, and POS dealers can make a compelling case that cash management technology addresses these issues. The solutions deliver accuracy, cost-effectiveness, and return on investment by addressing problems such as employee theft, miscounting, and the inefficient, time-consuming process of manual cash management.

By offering cash management technology and services, POS dealers get a new reason to call on customers instead of waiting for the next POS refresh, which could take five years or more. In doing so, dealers can deliver the kind of value that helps them become trusted IT advisors, which in turn improves customers loyalty. Those who seize cash management opportunities early also get to stand out from the competition.

Of course, there is money to be made with cash management. With solutions priced at \$9,000 to \$16,000, and margins of 20 percent, dealers stand to make a tidy profit from helping customers with a serious issue.

In short, dealers that offer cash management solutions can realize multiple benefits:

- Build new revenue streams
- Add value for customers
- Increase their relevance as trusted IT advisors
- Build customers' loyalty and satisfaction
- Win new business

### **APG Cash Drawer**

Already a leader in cash drawer solutions, APG Cash Drawer LLC is evolving into a cash management solutions provider, with cash recycling solutions to complement its comprehensive portfolio of cash drawers and related POS products. APG offers a wide range of configurable drawers for various industries, including retail, food services, hospitality, and convenience stores. The vendor's

soon-to-be-introduced cash recycling offerings will help customers save money and boost productivity while providing dealers with new opportunities to deliver value.

### **Conclusion**

As cash-handling industries such as retail and hospitality continue to evolve, the need to manage cash efficiently and cost-effectively is as important as storing cash, if not more so. The traditional mechanical and manual methods of cash management can no longer adequately support businesses, as evidenced by the \$50 billion of retail revenue lost yearly to theft. POS dealers that deliver intelligent cash management solutions to address these challenges not only help their clients' businesses but also improve their own chances at long-term success.



### **About APG Cash Drawer, LLC**

APG manufactures highly durable and dependable cash drawers. APG has built a reputation as the supplier of choice for retail, hospitality and mobile cash drawer solutions for thousands of customers throughout the world. To learn more about APG's products, visit <http://www.cashdrawer.com> or call 763-571-5000. Follow us on Twitter at @apgcashdrawer and on Facebook.