Costs of Cash Management across different Retail Functions

Good day and thank you for reading. Our last article provided an overview of the ways retail organizations manage their cash business using traditional methods. We reviewed retail store policies governing the amount of cash in the cashier's till at any given time. We also discussed two ways that retail organizations follow this policy – the till sweep method and envelope drop method.

In this article, we will spend time discussing the different functional groups within a retail organization and the costs they face when managing cash using such methods. For this discussion, we'll break this out into Operations, Treasury/Finance, and Loss Prevention.

Operations

If using the ***envelope drop process***, Operations can incur the following labor costs:

- The cashier prepares each envelope. This typically takes 30 seconds for each envelope, and frequently 80 to 100 envelopes per business day. Envelopes with larger amounts of cash will take longer to prepare, although there may be fewer of them.
- The cashier and manager balance the end of the cashier's shift. This can typically consume a couple of minutes for each cashier and the manager together.
- The store manager prepares the deposit. For the envelope drop process, this can easily take 30 to 45 minutes, depending on the number and amount of envelope drops, amount in each envelope, discrepancies found, etc.

If using the ***till sweep process***, Operations can incur the following labor costs:

- The cashier and manager together count out an amount of cash to be swept from the till. This typically takes 45 to 60 seconds per till sweep. This is done for each cashier several times per shift. The frequency varies greatly by retailer, but each sweep requires labor from both the cashier and manager.
- The cashier and manager balance the end of the cashier's shift. This typically consumes a couple of minutes for each cashier and the manager.
- At shift change, the manager leaving and the manager coming on duty balance the safe together – both the deposit amount from the sweeps and the change fund amount in the safe. Alternatively, if each shift manager is responsible for their own deposit, there will still be a balancing of the change fund in the safe to sign over from one manager to the next. Either way, this may take about 4 to 5 minutes of a manager's time.
- The manager prepares the deposit, which takes anywhere from 10 to 15 minutes to accomplish. As previously mentioned, this may be one deposit for the day, or each shift may make its own deposit.

If the ***manager takes the deposit to the bank***, Operations has the following costs:

- The labor for the manager to drive to the bank, wait in line, perhaps wait for the deposit to be processed, and secure additional change to replenish the store's change fund. As described in the previous article, depending on the retailer, a second person may be required to go to the bank with the manager. This may be another manager or a cashier. The bank trip may take 30 to 60 minutes.

- Since the manager is driving their own car to the bank, many retailers compensate the manager for each bank trip. A night drop may not be paid as it is assumed the manager makes the drop on their way home.

If ***using a CIT service***, Operations has the following additional labor and other costs:

- The manager must interface with the CIT representative to sign over the deposit. This should typically only take 3 or 4 minutes of the manager's time for each pickup.

- Each deposit is placed in a tamper evident bag, which typically costs the retailer about $.25.

Treasury/Finance

The Treasury/Finance function will incur the following costs:

- The cost to have a bank account. If using multiple banks, each store typically has a monthly fee of about $35 to have an account. Multiple stores banking at different branches of the same bank may be subaccounts of a master account and may only incur a single fee for all stores on the account.

- Deposit fees, whether charged by CIT or the bank. This may be a flat fee, regardless of the size of the deposit, or a deposit fee (about $2 if deposited at a bank branch, $1 if deposited via CIT) plus a fee per $100 or $1000 processed. The deposit ticket may also incur a fee, perhaps $.50 each.

- Change fund fees. As discussed previously, if the manager makes the deposit at a bank branch, this is often waived. However, if it is not, or if CIT delivers the change, fees may apply for each change order placed ($1), per roll of coin ($.50), and per strap or half strap ($1) of currency notes ordered. For simplicity, these can be boiled down to a single number representative of an average change order. The fee may not apply with every bank deposit or CIT pickup as the manager may not need change at every instance.

- Sweep fees. If a bank account must be swept to a consolidation account, there is a sweep fee of about $.30 for each sweep.

- NSF fees. As discussed in the previous article, if a bank account must be swept to a consolidation account and the deposit was not made before the cut off time, the bank receiving the deposit will charge a non-sufficient fund (NSF) fee for an attempt to sweep money that isn't in the account (typically $35).

- Reconciliation costs. Depending on the number of locations/stores that must be reconciled each day and the number of banks that must be reconciled to the concentration account, a variable amount of labor is spent at the retailer's headquarters to balance deposits against the POS sales and bank sweeps against the concentration account. The number of full time equivalent (FTE) employees doing so depends on the retailer's procedures and automated systems supporting this function. The labor and benefits costs of these FTEs can be significant.

Loss Prevention

The costs of losses incurred in handling cash include the following:

- Monthly cash discrepancies, which is the difference between the reported monthly POS cash sales and the cash deposits actually made. Frequently, the retailer will know their total monthly losses including cash and merchandise. They may not know the breakdown between cash and merchandise losses. If they do, it is frequently expressed as a percentage of total sales (not just cash sales, but total sales). In the US, retail cash losses of around 0.1% of sales are common.

- Robberies. Many stores are never robbed, while others may have repeated robberies. Managers may also be robbed during their trip to the bank.

- Counterfeits. The Treasury/Finance function will likely know the total amount of deposit adjustments due to counterfeits made by the bank(s) for the year.

- Losses that require investigation. This normally requires that store managers be interviewed (or conduct the interviews), and that cashiers also be interviewed, both of which take away labor from the normal store operations. If a loss prevention person from a headquarters function is involved, they will have travel costs in addition to the store's labor costs. These costs can be significant.

Other costs

- When losses solely due to internal discrepancies occur, the retailer may elect to terminate the cashier(s) and/or manager(s) involved. Replacing them and training a new cashier or manager takes time and money. The Human Resources or Operations department will likely have an idea as to what it costs to replace a cashier or manager.

- When robberies occur, it is not uncommon for some employees, distressed by the event, to resign, or for the retailer to provide a counseling service to help employees cope with the trauma. Both events come at a cost to the retailer.

Now that we've covered the cost of cash management across different functional groups *within* a retail organization, these concerns can vary *across* different types of retailers.

We'll examine that more thoroughly in the next article. Thank you for reading.