



## Cash Management Concerns across Different Retail Segments

Good day and thank you for reading. Our last article addressed the various functional groups within a retail organization and the various costs they face when managing cash. We identified operations, treasury/finance, and loss prevention as key groups that face a myriad of cash management costs on a daily basis.

In this article, we will spend time discussing different types of retailers and the unique cash management challenges each of them face. For this discussion, we'll break this out into Big Box, Quick Serve Restaurants, and Convenience Stores

### **Big Box Retail**

Large retail stores, those comprising more than 50,000 square feet per location, are typically referred to as "big box retailers." Examples of these store types are Home Depot, Best Buy, Wal-Mart, and Ikea. From a cash management perspective, these stores are usually characterized by:

- Multiple cash registers. In some locations, this number can exceed 30 registers per store
- Self-service checkout kiosks
- Significantly high cash volume (up to \$30,000 per day in cash sales)
- Significant Cash Float – or money required to make change at the beginning of a day or shift
- A "cash room" – usually in the back of the store, which serves as a secure processing and storage center for the store's cash, staffed by dedicated personnel.

Let's dive into a few of these in a bit more detail.

### **Multiple Cash Registers**

Some of the well-known big box retailers have numerous cash registers throughout their store. This goes hand-in hand with the size of the store. The bigger the store, the more merchandise it can carry, and the more consumer foot traffic it handles on a daily basis, which in turn requires more cash register lines to process the sales volume. When stores have a large amount of cash registers, till sweep activity increases. In Article 3, we reviewed in detail how the till sweep process works and why stores require it. In addition to the need to conduct till sweeps, each cashier starts and ends their shift at varying times. This typically occurs in the "cash room," where the cashier can check out their starting till at the beginning of their shift, and turn in their till at the end of their shift.

## **Cash Room**

As previously stated, a cash room is used to manage the store's cash operations and is usually located in the back of the store, has restricted access, and is managed and run by dedicated store personnel. In this room, cashiers check out their till drawers at the start of their shift, check them back in at the end of their shift, and work with the cash attendant to sign off on their transactions and address any discrepancies. The cash room attendants reconcile the deposited cash against point of sale reports, prepare the cash for depositing to their bank, and place the cash in a drop safe to prepare for the armored car service, which will pick up the cash and transport it to the bank or cash processing center on the store's behalf.

## **Cash Float**

Cash float refers to the amount of cash placed in registers at the beginning of a shift or workday. Float enables cashiers to make change for customers in the day or shift, before a sufficient number of cash sales accrue to make change from the day's sales.

## **Cash Management Concerns for Big Box retailers**

Now that we have reviewed a few characteristics of big box retailers, let's address some areas of concerns for them related to how they manage their cash.

### **Cash Office Overhead**

Dedicated personnel in a cash room represent a significant overhead expense that directly impacts the store's bottom line. Given the responsibility involved with this role, often the cash room assignment is relegated to more experienced (and therefore higher paid) store personnel.

A store would derive greater benefit if such personnel were deployed out in the store, helping with sales and customer service related activities or training employees.

### **Frequent Armored Car Pickup**

Earlier, we mentioned that high daily cash volume is a key characteristic of a Big Box retailer. For business and security reasons, this cash needs to be transported to their bank in an expedient and secure manner. In a Big Box retailer, typically an Armored Car company provides this service, and for a fee. The higher the frequency of pickups, the higher residual costs the store will face. In addition, Armored Car companies may process a change order, on behalf of the store, and this is also done for a fee.

Reducing the frequency of Armored Car pickups, and the need for ordering a change fund, can directly benefit the store's bottom line.

## Significant Float Holding

The greater number of cash registers in a store directly correlates to the amount of start of shift funds, or cash float, needed to run the store. This in turn increases costs, and risks, to the store. Reducing the float will have a direct benefit to the store.

## **Quick Serve Restaurants**

### Managing the store's cash

Running a business with very low operating margins, which is characteristic of a quick serve restaurant, necessitates a stringent management of how the QSR manages their cash.

In a quick serve restaurant, responsibility for managing the store's cash is usually relegated to the store manager or owner. In typical environments, the QSR will have a number of cash registers at the front of the store, one or two at the drive through, and a drop safe in the manager's office.

At the start of a shift, the manager will check out a starting till to a cashier. At the end of the cashier's shift, the cashier will turn in her till and she and the manager will balance the till balance against POS data. Throughout a shift, the manager may go through this process for each cashier.

To adhere to store policies, the manager will also conduct till sweeps, removing the excess cash from the cashier's till and placing it in the drop safe. At the end of the cashier's shift, the cash from till sweeps will be combined with the cash remaining in the till (subtracting the starting balance) and compared with POS sales. If everything balances, the cashier can end her shift. If discrepancies occur, both the cashier and manager will need to investigate.

Once things are reconciled with all cashiers, the manager will usually take the deposited cash prior to the bank's cutoff time for commercial deposits. If it arrives too late, it will not show up on the store's bank statement until the next day. This will cause a deposit discrepancy.

### Transferring cash to the bank

The manager typically places the deposit in a tamper evident bag or zippered, lockable canvas bag along with a deposit ticket specifying the amount of the deposit by denomination. The manager will then typically drive to the bank to make the deposit.

While at the bank, the manager may wait in line at the commercial deposit window as other managers from other businesses are also trying to make the bank cutoff time.

While at the bank, the store manager may request and pay for change funds. As mentioned in a previous article, banks typically charge fees for change fund orders.

These activities take valuable time for the manager away from the store.

## **Cash Management Concerns for Quick Serve Restaurants**

Given the aforementioned scenario, here are a few key areas of concern for QSR's as they relate to managing cash:

### Store Manager Time

As discussed in the last section, QSR managers spend an exorbitant amount of time managing the store's cash, both on and off store premises. This takes away from their time needed to hire and train employees (in the QSR industry, turnover rate is [well over 100%](#)) engage in customer service, and optimize the performance of the business.

### Cash Flow

Particularly for small chains or single store owners that operate under extremely low net margins, cash flow becomes critical. Ensuring collected cash is deposited in time for their bank account to be credited is a daily task that cannot be missed. Mistakes can be costly and can be disruptive to their business.

### Fee Reduction

Bank fees, as discussed earlier, can be levied on a QSR when making a deposit, ordering change, and managing their commercial account. It is not uncommon for a QSR to make multiple deposits in a day, one per shift. This can multiply the amount of fees charged to a QSR for their cash business. Reducing such fees will directly benefit the QSR's bottom line.

## **Convenience Stores**

Convenience stores share many of the same characteristics as quick serve restaurants – very low operating margins, high employee turnover, and the need for a laser-type focus on their cash business. Although all retail organizations are susceptible to robbery, convenience stores face higher exposure due to many of them being open 24 hrs.

As it relates to cash management, let's address a few key concerns for this retail segment:

### **Cash Management Concerns for Convenience Stores**

#### Store Manager Time

Very similar to quick serve restaurants, managers in convenience stores spend a significant amount of time managing the store's cash business. This entails closing a cashier's shift, managing till balances against POS sales, handling discrepancies, and preparing deposits. Most convenience stores utilize a drop safe, which is typically located in the manager's office and is used to store cash before it gets transported to the bank for deposit.

If not using an armored car service, the manager is usually responsible for taking the cash to the bank, taking time away from the store. Similar to quick serve restaurants, the manager will also spend time at the bank procuring a change order or securing change in exchange for deposited cash.

To reduce risk of theft, convenience stores limit the amount of cash in a till at any given time. The envelope drop process (as discussed in a prior article) is used more frequently in a convenience store environment than the till sweep process, which is more prevalent in a quick serve restaurant environment.

#### Fee Reduction

Much like with a QSR, bank fees are levied on a convenience store when making a deposit, ordering change, and for managing their commercial account. These fees directly affect their net operating margin, which is already operating in single digits. Reducing such fees will have a direct impact on the convenience store's bottom line.

#### Security and Cash of Employees

Due to many being open 24 hours, convenience stores are susceptible to armed robberies. This imposes security risks for both store employees and the cash currently on their premises.

Reducing these risks is a constant and evolving effort. Retail organizations have adopted technologies to reduce the risk of robberies, and to enable a more automated method to handle their cash.

One of these technologies is a smart safe.

We'll discuss this in more detail in the next article. Thank you for reading.