

Risky business

The journey made by a coin or banknote from a customer's pocket to a retailer's bank account, via an EPoS, the cash office, and often, a third-party 'cash-in-transit' courier, is fraught with risk. As Jessica Twentyman reports, along the way, money might be miscounted, mislaid or, in some cases, stolen

Consider the case of a £20 note handed to a supermarket cashier by a customer buying a bottle of wine. The cashier will place the £20 note in the till drawer. A few hours later, a manager skins the till, removing that banknote along with other high-denomination cash for storage in a back office safe. Before the manager leaves for the day, he counts the cash in the safe, essentially touching the £20 note again. The night manager may also count the cash again – a fourth pair of hands. Next, the cash-in-transit driver retrieves the cash to drive it to the bank. Finally, a bank employee accepts the cash, counts it again and secures it in the vault.



It only takes one slip – or one pair of dishonest hands – for that banknote to go missing. And with every pair of hands that touches, it the likelihood of shrinkage, theft and handling error increases. For that reason, at numerous points in this cash supply chain, most retailers continue to

perform painstaking reconciliation processes – and where these processes are manual, that journey can be unnecessarily arduous, observes Dingle Heywood, retail finance consultant at systems integrator Morse.

As a result, he says, many retailers are now looking to automate reconciliation as much as possible, “especially if they have large numbers of PoS systems and numerous PoS reconciliations to perform.” For many, the answer lies in implementing some kind of cash management system. That kind of system can encompass a wide variety of technologies but generally has one purpose at heart: to automate and control all activities related to processing in-store takings. In particular, it should feed details of cash that are preferably counted just the one time directly into back-office systems for totalling, reconciliation and reporting.

Take, for example, Makro UK, part of 24 billion retailer Makro Cash and Carry, where technology has been used to ensure that cash enjoys a far swifter and safer trip to the bank, regardless of where it is collected in the company's network of 33 stores. That's important for the company, because cash takings account for around 40 per cent of its revenues and must be collected each day from between 20 and 36 PoS systems per store. And not just once a day, either – in total, each UK-based Makro store performs anywhere between 40 and 100 PoS counts daily.

Automated cash counting plays a big part in Makro's improved cash management processes: the company uses cash handling equipment from

specialist provider Tellermate to count coins and banknotes in a fraction of the time it would take a human to perform the same task. These machines can also handle non-cash items such as cheques, credit/debit card slips and gift vouchers.

But it's automatic data input directly from the Tellermate devices into Makro's centralised, Oracle-based back-office system that really makes the difference in terms of streamlining the cash management process. This means that in-store reports can be generated at the end of each day, detailing any till discrepancies. And because the Tellermate hardware is connected to the company's main computer network, cash officers at head office can access all data stored via a web browser as well as update the software used by each of the store-based devices in one go.

Like Macro, other retailers are attempting to achieve closer integration between the coin and note counters in their cash offices and their EPoS and back office systems. By simplifying and automating cash processing operations, they hope to improve speed and reduce costs. A key benefit for most retailers is that integrated cash management systems free up staff for more customer-oriented work and free up management to focus on retailing, rather than cash handling processes.

Helping hand

Fortunately, there's plenty of software to help. Some of it is sold by the counting hardware manufacturers like Tellermate, Cashmaster and De La Rue to complement their own counting devices. Other products, however, are available from independent software houses such as UK-based BCP, which offers a dedicated cash management system or CMS.

"A good CMS will give improved security and control over the cash management process," says Adrian Hogarth, commercial director at BCP. "Many provide a full audit trail for total traceability of transactions. They also help to reduce shrinkage from staff theft, mistakes at the till or cash office and counterfeit currency." And multiple till lifts and floats should not be a problem, he says, since most cash management systems are flexible enough to handle an infinite number of till lifts from an infinite number of payment points.

"The software you select needs to be able to work with both the counting hardware you choose and with your

own till system. It must also be flexible enough to reflect the way that your organisation processes takings and to handle all your requirements in terms of multi-site operation, head office

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functionality and so on," he says. A good system should also allow full reconciliation with data from your in-store system, including reconciliation at cashier, till and department level.

Larger retailers who have already invested in EPoS systems from vendors such as SAP, Oracle, JDA and Microsoft may already have these kinds of applications at their disposal, adds Robert Garf, an analyst with IT market research company AMR Research. The latest versions of these all-encompassing suites typically include "functions for maintaining coin levels and safe count, cashier auditing, check processing, preparing bank deposits, generating electronic journal and flash sales, and reprinting of receipts," he says. He defines these as essential functions in what he calls aPOS, or advanced PoS systems – a new class of retailing software that is now emerging.

But one day, the cash office itself could be a thing of the past. In September 2007, the Jan Linders supermarket chain in the Netherlands began a pilot programme, in collaboration with its IT provider Torex, of an inventive closed cash management system, by which transactions are credited to its bank account directly from the PoS. This system ensures that cash payments only come into contact with the customer and the bank. The days of hands-on cash management, it seems, may be coming to a close, marking an end to all those points of reconciliation and the shrinkage they bring with them.