Good day and thank you for reading. Our last article provided a general overview of cash management in the retail sector, including cash as a share of payment transactions, and various costs of cash that retailers face daily.

In this article, we will address key drivers for retail owners and specific pain points they face when managing cash. It is always our goal to help readers gain a better understanding of cash management and how it affects their business and day to day activities. After reading, please feel free to leave comments below, so we can all learn and grow together.

**Key Drivers for Retailers**

**Efficiency**
Retail organizations typically have a net operating income in the single digits. Wal-Mart, for example, posted a net operating income of 5.7% in the 12 months ending January 31\(^{st}\), 2014. Kroger announced a 2.81% operating margin in its most recent quarter. Razor-thin operating margins place an enormous amount of pressure on retailers to maximize efficiencies in store operations. This could involve a number of factors – including merchandising, store personnel, training, customer service, technology, inventory turns, just to name a few. Retailers are in a constant battle to maximize efficiencies and minimize unnecessary costs whenever and wherever possible.

**Reduction of Overhead**
Retail store overhead can constitute between 40% and 50% of sales. According to this article, the largest component of this is usually staffing, followed by real estate expenses, marketing and advertising, credit card fees, and other admin costs. It’s no secret that the growing presence of self-checkout kiosks in large retailers such as Kroger, Home Depot, and Wal-Mart is designed to reduce store overhead and increase net operating income. The growth of self-service kiosks will only continue as stores work out the kinks and scale the availability of these solutions.

**Spending more time in the store**
Nothing is more frustrating to a customer than trying to get help and no store employees are around. Many times, employees are in the back of the store tending to operational issues, such as checking till drawers in and out, and counting cash at the end of a shift. Since these duties are typically assigned to a store manager or shift manager, these critical resources are not where they should be – in the store, training employees, providing customer service, managing inventory, merchandising, managing vendors, or proactively looking at ways to maximize store efficiencies and build their brand. Too often the need for these resources to be in the back of the store outweighs the above activities, to the detriment of overall store performance.
Now that we’ve touched on a few key drivers for retail organizations, let’s address how handling cash can present challenges to some of these areas. To set the appropriate context, let’s review, at a high level, how organizations handle cash in the store at the start and end of a shift.

**Start of Shift**

In a typical store environment, each cashier starts his or her shift with a starting till. This represents money made up of a certain amount of notes of varying denominations and a certain amount of coin. Throughout the day, the cashier will make sales that are registered by the POS system. Many stores have policies around the amount of cash kept in a till at any given time, and this amount may also vary by time of day. If at any point during the shift the amount of cash exceeds the store policy, excess cash is typically deposited into a traditional safe.

**End of Shift**

At the end of the shift, the amount of cash left in the till, plus the amount of cash deposited to a traditional safe throughout the shift, should match what was measured as a cash sale by the POS system. If not, the cashier will be out of balance.

The checking out of a till at the beginning of a shift, and the checking in of a till at the close of a shift, as well as any reconciliation required – is typically handled by a senior-level store employee, such as a shift manager or store manager.

**Challenges in Handling Cash**

**Reduced Efficiencies**

The time a manager takes managing cash on a daily basis is substantial. The time needed to check out a till to a cashier, check it back in at the end of a shift, conduct till sweeps (which will be detailed in a later article), count the cash in the till, and balance the cash against a POS sales report at shift close takes critical time away from the store. Depending on the store size and sales volume, a store manager many spend up to 2 hours per day handling these tasks, taking her away from more productive activities.

**Increased Risk**

Any time humans handle cash, there is an inherent risk of loss. Such loss can be simply due to human error – i.e, the cash balance in the till at the end of the shift does not match POS sales and cannot be reconciled. Other losses can be attributed to theft, both from internal sources (employee theft) and external sources (robberies). Transporting cash to a bank also imposes a risk to those assigned to such a task. Retail organizations spend significant amounts of time and resources mitigating these risks, but they cannot be eliminated in their entirety. The key for a retailer is to find the right balance between the investments required to minimize the risks associated with handling cash.
Lack of Cash Visibility

When facing single digit operating margins, it becomes critically important for a retailer to have constant visibility to their cash, ideally from one centralized location. In addition, retailers need to ensure their bank receives cash deposits in a timely manner to avoid disruptions to their business – they simply cannot afford any delays in depositing their cash to their accounts. This is often not the case, however, particularly when a retailer is utilizing traditional means to manage their cash.

We will examine more of this in the next article. Thank you for reading.