

Going Green with the Green

Duty-free retailer implements innovative cash management system

by LAURI GIESEN

As the provider of duty-free shops located primarily in airports, World Duty Free Group handles a lot of cash. Indeed, about 50 percent of its sales are in cash.

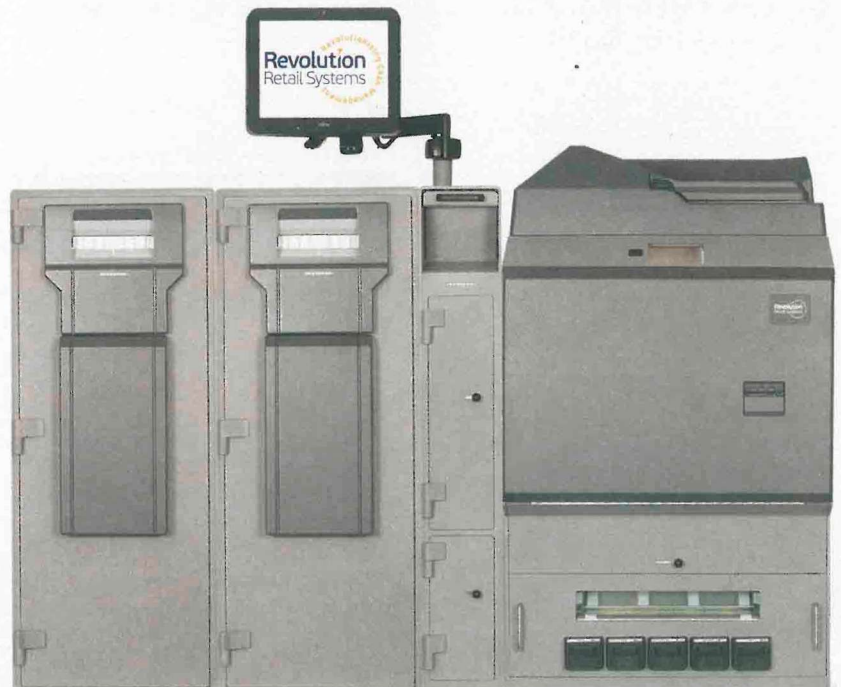
So almost a year ago when a contract ended with a third-party cash room service that had counted and handled the cash for World Duty Free Group North America, the company had to count, bundle and arrange for transportation to cash vaults by itself. And, explains Juliet Wright-Green, treasurer and risk manager for World Duty Free Group North America, that arrangement was not working out well for their larger locations.

“We had migrated from the cash room service to a manual cash handling process and this proved very inefficient and costly for our larger locations,” she says.

There were high error rates and a lot of employee time was spent counting and handling cash.

One possible solution to the cash management problem was a cash recycling system, Cash360 from Bank of America Merrill Lynch and retail security firm G4S.

“One of our field controllers had heard of the Cash360 solution and we approached the bank for more information, and decided to pilot the solution,” says Wright-Green. The pilot ran in three locations and saw positive results: the elimination of errors, better cash management, faster



funds availability and less opportunity for theft and robbery.

The chain hopes to roll out the system to other locations.

“After training, our employees absolutely loved the actual solution. And besides that, there were certainly lots of benefits to us, especially with our reconciliation,” Wright-Green says.

SAME-DAY CREDIT

Retailers using the Cash360 system receive a cash recycling device and necessary software, as well as customer service, maintenance and transportation services. In the stores, an authorized store employee feeds bills and coins received through transactions directly into the on-site recyclers. Cash



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can also be obtained from the recycler.

The recycler software communicates cash activity throughout the day and the net sales amount at scheduled times. A transaction report on each recycler is provided daily. The software also communicates deposits, withdrawals or net totals to Bank of America daily.

The bank then provides same-day or next-day credit to the retailers' account for deposited cash, even while it still resides in the store.

One of the most notable benefits that World Duty Free noticed was an improvement in accuracy. There are almost no errors in counting the cash, compared with about a 3 percent error rate before.

World Duty Free also likes the cash management reports it receives. "We get 10 reports a day that you can drill down" into, she says. "You can slice and dice the data so that you know exactly how much cash each cashier is handling."

Those reports have turned out to be quite valuable. "It stores an incredible amount of data that is able to tell you about your usage of coins and currency. It gives you the best combination based on your usage so you

know how many nickels you're using, how many dimes, and it can build an optimal float for you across your business or a particular location," Wright-Green says.

The recycler solution also assists with the security of cash, as deposits can be made throughout the day to secure excess cash. This helps mitigate the risk of loss.

And having quick credit for the funds is a big savings. "Because it's on a bank-owned cash model, it frees up the cash that we would have normally put in those registers to run the stores. And we're getting provisional credit. That's a big thing when at 2 a.m. we are able to get credit for our day of sales from the day before," she says.

Only managers and supervisors make the cash drops. Managers receive a four-day training course before utilizing the solution.

There is also a considerable labor savings by not having to require employees count and handle the cash manually. "Counting and handling cash is costly and time consuming," Wright-Green says.

CHECK INTEGRATION

World Duty Free receives minimal

checks at its stores so it did not need to take advantage of a Cash360 feature that integrates cash management with check processing for reconciliation. Other retailers that receive a lot of checks have found that feature to be useful, says John Van Slingerland, vice president of business development for G4S Retail Solutions.

A wide range of retailers can benefit from a cash recycling system, according to Joan Brancaccio, Bank of America product management executive. "Anyone who touches cash can benefit from this system," she says.

While early cash recycling systems were developed for large retail chains, newer products with scaled-down features are often used by smaller retailers. "In the past, big-box retailers were a natural fit," Van Slingerland says. "But we've been able to open up the market by moving downstream into mid-size grocery chains, casinos, entertainment companies and other retailers."

The benefits these retailers gain from such a system can vary, Brancaccio explains. "Different retailers are motivated by different things. For some, it is the efficiency of not having to count and handle cash. For some, it is the enhanced security of being able to track where the cash is and who touched it. And for some, it is being able to free up working capital and having cash available rather than have it sitting in a truck or cash register," she says.

Preventing theft is one big consideration. "This provides an internal tracking of every transaction so that the storeowner can monitor how much cash comes in and out, and knows precisely who touched it," Brancaccio says.

PREDICTIVE CAPABILITIES

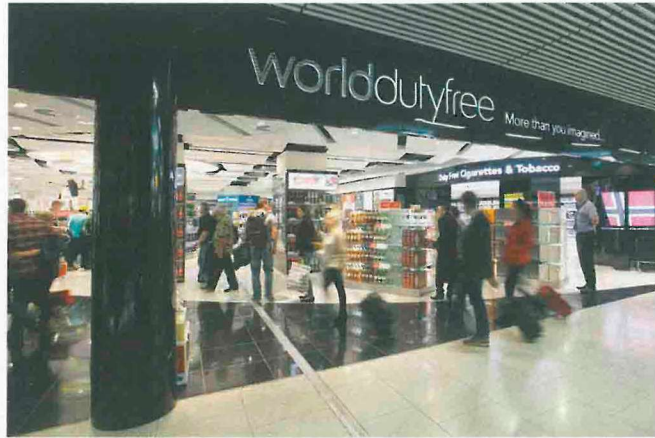
Other retailers benefit the most from the software's ability to capture data

and cash flow to predict how much cash needs to be kept on hand for making change and providing cash back.

“We can make sure the retailer has enough money on site, but not too much,” Van Slingerland says.

In order to do that, the system analyzes past sales data in order to see how much cash — and what denominations and coins — are needed on a given day. The system takes into consideration if the retailer has a sale going on a given day. It also considers geographic issues for each store outlet.

“It can take into consideration, for example, that a storm is coming to Florida and know that sales of certain products will be especially high just before the storm hits, and make ad-



justments to its cash-related forecasts for stores in the storm’s track,” Van Slingerland says.

The cost of operating these systems vary depending on the retailer’s size and needs. “There are a lot of cost models and we have the ability to right-size the technology to fit a specific retailer’s needs. In the past, it was more of a fixed cost model, but today prices are more in line with the return

on investment model for the retailer,” Van Slingerland says.

Typically those retailer costs come in two fees that retailers pay monthly. The fees include hardware and service costs.

As costs models have changed, so have ROI models. “Three years ago, we were selling this

primarily based on loss prevention. But the evolution of cash automation has changed as the 360 allows us to move up the value chain by showing the ability to forecast cash needs and reconciliation,” Van Slingerland says.

STORES

Lauri Giesen is a Libertyville, Ill.-based business writer with extensive experience in covering payment and finance issues.