

PERSPECTIVES

RETAIL INDUSTRY | NOVEMBER 2015

Retail Cash Management: The Paradox of Cash

TRANSFORMING THE RETAIL CASH CHAIN: CASH MATTERS

The end of cash has been debated for years. Due to media stories surrounding electronic payment vehicles such as Apple Pay or Google Wallet, one could believe that the use of cash has diminished or even disappeared. Electronic payments after all are cool, hip, and instant. Cash is, well, cash. This may be why cash chain management is often overlooked by retailers.

CONSIDER THESE FACTS:

- Cash is the leading payment instrument across all age groups.ⁱ
- Cash makes up 40% of consumer transactions and usage is on the rise.ⁱⁱ In categories like food and personal care, cash usage is at 51% of transactions.ⁱⁱⁱ
- Cash especially plays a dominant role in small-value transactions and quick trips which make up the largest percentage of retail trips.^{iv}
- Cash is universal, simple, anonymous, and direct.
- Cash is immune to data breaches. Citing post 2014 holiday data breaches, 32% of shoppers indicated they are using cash more frequently.^v
- Cash is the preferred method of payment among millennials 18 to 24 years old.^{vi}
- Two thirds of consumers used cash on a daily basis.^{vii}

The road to new payment technology adoption will be a long one. Citing research from a variety of sources — including PYMNTS and InfoScout's report about Apple Pay adoption — the conclusion seems to be that Apple Pay is used for just 1 percent of retail transactions. An Aite analyst suggests it's going to be a slow burn over the next few years. Additionally, the Money 20/20 conference in October 2015, elicited this information: When it comes to convenience, cash and credit rule. Despite all the talk of mobile payments, consumers are still sticking with their more traditional forms of payment.^{viii}

WHAT THIS MEANS FOR RETAILERS.

While cash is King, the downside is the cost of handling in retail operations. Obvious issues are theft (employee or other), counting errors, fraud, and transaction time while employees count and re-count. We have found other less obvious problems including 'idle cash'. Not knowing where cash exists in your "cash chain", or having cash sit idle in a safe, costs retailers' money.

Retailers should take the time to map out their cash chain processes. Where are you at risk? What is it costing you in labor and expense? Where are mistakes made? Where do you have cash sitting idle? We have surprised a number of retailers by the amount of cash we have been able to free by automating their cash chain. In some cases, we have helped them free idle cash by 25%. The result is like finding significant amounts of working capital for your stores! Additionally, it is possible to partner cash automation systems with bank providers to enable instant credit of cash that is still in your store.

Glory Global Solutions has a proven investment analysis to help retailers 1) map their current cash related processes 2) identify opportunities for improvement specific to each retail environment and 3) implement recommendations for change including a detailed financial analysis.

With slim margins in the retail industry, you can't afford to have leakage in the cash chain. Make sure yours is secure.

CONTACT GLORY TO HELP US MAP YOUR CASH PROCESS.

Customers count on Glory Global Solutions every day to transform their business. Glory is a world-wide recognized leader of cash technologies that manage and control cash, reduce costs, and increase revenues for retailers and 9 of the top 10 US financial institutions. GLORY is a pioneer in the development and manufacture of money handling, cash management, and vending and automatic service equipment.

ⁱ Federal Reserve May 2014 The Financial Brand

ⁱⁱ Federal Reserve CPO Reports, Trends in Retail Cash Automation, February 2014 and Cash Continues to Play a Key Role in Consumer Spending, April 2014

ⁱⁱⁱ Consumer Cash Usage: A Cross-Country Comparison with Payment Diary Survey Data. Federal Reserve Bank of Boston, May 2014

^{iv} Balance Innovations Consumer Poll, August 2014

^v PYMNTS July 2014: Security Matters: American on EMV Chip Cards

^{vi} Diary of Consumer Payment Choice (DCPC), conducted in October 2012 by the Boston, Richmond, and San Francisco Federal Reserve Banks

^{vii} Yahoo Finance, Consumer Growth Lagging as Mobile Payments Battle Rages on, October 2015

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