

## Managing Coin and Currency

Taking stock of the growing array of deposit solutions



If there's been one constant in the history of business, it's cash.

Despite the continued emergence of cards and digital payment options, cash remains a staple in many businesses. What has changed, however, in concert with digital transformation and the evolution of banking, is the growing number of options organizations that accept cash now have to make deposits and manage their daily cash position.

Today's technology allows for less direct interaction with tellers in bank branches, and thus far greater efficiency. Below we'll look at the role still played by traditional cash vault services, as well as why many retailers and other cash-intensive businesses are turning to alternative deposit methods, such as new non-armored carrier solutions, remote cash deposit with smart safes, and cash recyclers that, in some cases, dispense both coin and currency.

### **CASH'S POPULARITY AND RELATED CHALLENGES**

The evidence suggests cash isn't going away any time soon. According to a recent Federal Reserve study<sup>1</sup>, cash continues to be the most frequently used consumer payment instrument, representing 30% of all transactions and 55% of transactions under \$10. The study also notes:

- More than three-quarters of payments are made in-person, and cash accounts for 39% of the related volume.
- Cash remains a particularly popular means of payment among consumers 18 to 25 years old and those over 45.

The continuing predominance of cash presents businesses and their treasury managers with many challenges. One is improving staff productivity. They want to see time spent securing cash and preparing and making bank deposits used more productively. Many businesses benefit greatly when their employees are able to spend less time handling cash and more time providing customer service and actively selling.

In addition, businesses face security issues created by cash and are looking for ways to prevent losses related to theft and robbery. When store managers or other employees transport cash deposits to local bank branches, businesses face the added challenge of keeping those team members safe.

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Since traditional cash vault services generally require multiple trips a week by armored couriers to meet deposit and cash order needs, another treasury goal is to reduce transportation costs.

What's more, treasury managers understand they can achieve a number of working capital objectives by more effectively managing cash. When cash sits in tills and in cash rooms, it is unavailable for investment, debt repayment, or generation of interest. Reducing trapped cash, therefore, is an important working capital goal, along with minimizing days sales outstanding (DSO) through efficient and safe collections. Treasury managers also want faster access to funds and to achieve greater self-sufficiency by accessing daily cash positions information online for all of their locations.

With these goals in mind, let's look at traditional and new banking solutions available for managing cash and making deposits.

## **TRADITIONAL DEPOSIT SOLUTIONS**

If we were to construct a spectrum of cash deposit solutions, where the more traditional and manual solutions were on the left, and the newer and more technically innovative solutions were on the right, at far left would be traditional teller deposits.

Some retailers and other businesses that accept cash continue to have employees physically transport daily receipts to a local bank branch. Unfortunately, this time-worn approach fails to address a number of the challenges we've noted. Not only does it take up valuable time employees could be using to serve customers and generate sales, but it also creates additional risk related to potential robbery and employee injury. Furthermore, with many bank branch networks being streamlined today, depositing cash at a branch will become increasingly inconvenient and expensive.

One deposit solution that still requires employees to travel to branches but reduces their time commitment is the use of automated teller machines (ATMs) and kiosks. Employees can eliminate time spent in teller lines by traveling to the local bank branch lobby and making their deposits into these machines. In addition, some banks offer a price break on deposit processing to businesses that deposit into machines rather than with tellers.

ATMs and kiosks don't accept or dispense coins, but new technology developments have made them smarter in ways that reduce deposit preparation time. Some are now capable of counting cash, as well as reading the MICR data of a limited number of checks when deposits are mixed, to calculate a business's total deposit amount. As a result, employees don't have to count and calculate a deposit before they head to the bank.

Meanwhile, businesses looking to eliminate trips to the bank can use traditional cash vault services, where they contract with armored carriers to transport their cash for deposit. The use of armored carriers on a regular basis can be expensive and disruptive, but it does increase employee safety and productivity.

## **NON-ARMORED CARRIER SOLUTIONS**

While traditional cash vault services still meet the needs of many businesses, users can get frustrated by inconsistencies in the on-time service performance of armored carriers. Delays in scheduled stops can occur for a variety of reasons, such as heavy traffic or road closures, resulting in businesses having to store cash and go without change orders for extended periods of time.

In response to their clients' desire for greater control over the deposit process and reduced transportation fees, several banks have begun partnering with traditional mail and package delivery couriers — such as the U.S. Postal Service, FedEx® and United Parcel Service (UPS) — to provide "non-armored carrier" deposit solutions. These involve government and commercial non-armored carriers expanding their traditional services to include delivering cash deposits to bank branches on behalf of businesses.

Businesses contract directly with the traditional mail and courier services to execute their regular cash deposit deliveries. Businesses go online to schedule cash pickups, print out packing slips and mailing labels, and track their cash deliveries. Users of these services can also transmit cash orders for coin and currency to be delivered to them by the couriers. Cash orders are limited by weight and value.

Information entered about cash deposits and orders into the service platform is routed to the business's bank so it can debit or credit the company's account, as appropriate.

These new non-armored carrier solutions typically establish dollar amount limits for cash deliveries and insure each delivery up to a designated dollar amount. Where insurance isn't available through the carrier, or a higher coverage amount is desired, the user can seek coverage through a third-party insurance provider.

## **REMOTE CASH DEPOSIT (SMART SAFES)**

Another alternative to traditional cash vault processing that banks have been offering for several years — one that further reduces employee cash handling and offers significant cash management benefits — is remote cash deposit using a smart safe.

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With a remote cash deposit service, typically a business contracts directly with an armored carrier to rent, lease or purchase a deposit-only electronic safe. During the business day, employees feed bills into the safe, and the bills are no longer accessible to them.

The safe is smart because it can count the bills, provide a deposit receipt, and communicate the cash totals to the armored carrier at a scheduled time each day. The carrier creates a transaction report for the business and communicates its deposit totals to the business's bank.

The bank provides provisional credit for the safe deposits — usually same-day if deposits are made before a nightly cutoff time — while the cash remains at the business. The armored carrier picks up the cash and delivers it to the bank on a less-than-daily schedule, minimizing armored carrier fees and disruptions.

Smart safes can improve store and employee safety, minimize cash-handling risk, reduce deposit adjustments and exceptions, boost staff productivity, and accelerate credit for cash deposits. One limitation: They don't accept coins for deposit.

## **CASH RECYCLERS**

A newer solution that is a better fit for large retailers, grocery stores, and department store chains is the cash recycler.

A cash recycler is a much larger piece of hardware that contains a smart safe. It allows retailers to deposit currency and to make withdrawals for change, all at the business location. A typical recycler is approximately 2 feet wide and 4-5 feet high and deep, can weigh over 1,000 pounds, and costs between \$30,000 and \$40,000, not including annual maintenance fees.

Cashiers can access the recycler at the beginning of a shift to replenish their registers. When they deposit cash into the machine during the day, the recycler locks down large bills (i.e., \$50s and \$100s) and loads smaller bills into a recycling cassette.

Just as we described for the smart safe earlier, at the end of the day, or more often in some cases, the recycler communicates deposit and withdrawal totals to the armored courier, which transmits that information to the bank. The bank provides same- or next-day credit on the net end-of-day position.

Some of the smaller bills are kept in the recycler for use as change the next day. In addition, some recyclers can accept and dispense coins. Thus, when the armored carrier picks up the deposited cash from the recycler during the week, it can drop off more coin as well as currency, based on the change needs communicated to it by the recycler.

## **EVALUATING THE ALTERNATIVES**

Some banks offer a wide variety of cash deposit solutions, ranging from traditional branch and cash vault services, to new non-armored carrier services, to smart safe and cash recycler technology. So which solution is right for your business? Is it time for you to move up to one of the newer, technology-based solutions?

The answer depends on a number of factors, including the type of your business (e.g., retailer, restaurant, government agency, university, or utility), the number of your stores or locations, the amount of cash you handle daily, your cash order needs, and your cash management, cost-reduction, security and other goals.

A recent trend has seen some large banks discontinue their cash vault services. When considering different ways to manage and deposit cash, seek out expert assistance from a bank that offers a full range of cash deposit services. Your banker at such an institution can work with you to understand your situation and goals, pinpoint the right solution, and introduce you to other parties, such as armored and non-armored carriers, that you will need to support that solution.

<sup>1</sup> 2018 Report on the Diary of Consumer Payment Choice, Cash Product Office, Federal Reserve System, Nov. 1, 2018. <https://www.frbsf.org/cash/publications/fed-notes/2018/november/2018-findings-from-the-diary-of-consumer-payment-choice/>