

Effective Cash Management with Smart Safes

Incorporating a smart safe/provisional credit business model can help merchants reduce costs and control their cash.

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The Check Clearing for the 21st Century Act, or Check 21, paved the way for banks to use image processing technology to convert paper checks into electronic images. The technology, known as remote check capture, allowed merchants to process checks faster and reduce the number of trips they had to make to the bank.

That same technology is being applied to cash through the use of smart safes. Smart safes, combined with a bank service known as provisional credit or same-day credit, allow merchants to receive credit for the cash they've taken in even before that cash has been deposited in the bank.

“What this really amounts to is remote cash capturing,” said Mark Smith, business development manager with Long Beach, Miss.-based ATM manufacturer Triton. Triton offers a smart safe known as the VersaSafe.

The VersaSafe is geared toward Tier-2 and Tier-3 merchants, such as mid-level retailer and restaurant chains.

Until a few years ago, merchant safes were typically reinforced boxes. Although the lock may have incorporated timers, elec-



Old-fashioned safes, like the one seen above, did not allow a merchant to know how much cash was in place at any one time. A smart safe, however, combines a bill validator with the ability to communicate electronically with the merchant's bank.

tronic keypads or other high-tech features, the only way to know what was inside the safe was to open it and physically count the contents.

A smart safe, on the other hand, combines a bill validator with the ability to communicate electronically with the merchant's

bank, typically via servers owned by a cash-in-transit (CIT) company. The validator keeps track of the amount of money deposited into the safe and communicates that information to the bank, the merchant and the CIT.

“It’s much like an ATM but in reverse. Rather than dispensing money, the machine is taking it in,” Smith said. “The bank knows what has gone into the bill validator, and they can credit the merchant within one to two business days for that cash.”

Reducing pick-up costs

One of the largest expenses a merchant faces when it comes to managing its cash program is the cost of a CIT company. Merchants typically pay \$50 or more each time an armored car stops at its location to pick up cash destined for the bank.

Five-day-a-week cash pick-ups easily can cost a merchant \$300 or more. And for remote locations, that figure can increase dramatically.

“How can a merchant reduce armored expense when they still need the cash to be transported to the financial institution?” asked Christi Mejer, chief financial officer of Irvine, Calif.-based payment solutions provider FEDChex. Mejer made her comments in the white paper “RDC with Remote Cash Capture — A Perfect Solution in a Perfect World.”

“If the merchant is able to reduce the number of days that the armored carrier picks up their deposits, then they can reduce their expense, but the merchants still want access to the cash for cash flow,” Mejer said. “This is possible with provisional credit while the money is still in the safe.”

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So instead of requiring an armored car to visit a location every day, merchants can reduce pick-ups to once a week or even less while still receiving credit for the cash they’ve taken in.

In most smart safe/provisional credit business models, the safe is owned by the CIT company rather than the merchant. And in many cases, the cost of adopting a smart safe/provisional credit business model can be less than that of a week’s worth of armored car pick-ups.

“Many CIT companies offer this as a complete outsourced service,” Smith said. “They own the vault, they do all the monitoring and pick-up and they arrange everything with the bank. Because they are liable for the cash and liable for the amounts that they claim are in the safe, the onus is on them to manage it correctly.”

Benefits not just for the merchant

Hatboro, Penn.-based Fox Chase Bank has partnered with Hunt Valley, Md.-based Dunbar Armored Inc. to offer a smart safe/provisional credit service at a quick-service restaurant franchise that operates more than 75 restaurants throughout Pennsylvania and New Jersey. According to Fox Chase Bank officials, operating processes at the restaurants have dramatically improved through much faster, more accurate and simpler shift-change and cashier-closing procedures.

Fox officials cited a scenario where a \$12-an-hour employee spends two hours a day balancing cash, preparing deposits and taking them to the bank. Add to that an average \$5-per-day cash shortage from employee error and the acceptance of counterfeit bills, and those costs can top \$29 a day, \$870 a month and more than \$10,000 a year.

By employing smart safes, those costs can be completely eliminated. Shift close-out takes minutes instead of hours, and eliminating the need to expose cash during reconciliation results in increased security for the establishment. Instead of spending time in the back office counting cash, managers can spend that time taking care of customers and supervising employees.

The benefits extend not only to the merchant but to the partner bank and the CIT company as well.

Recent economic turmoil and the wave of bank mergers have left financial services customers less loyal than ever before. Some industry estimates peg customer churn, or the rate at which those customers move their business to another bank, to be as high as 20 percent. Providing a service such as smart safes and provisional credit can be a valuable customer retention tool.

“If a merchant is enjoying the savings from the reduced number of services they have to purchase, they are certainly not going to want to leave that relationship,” Smith said. “And this is really a boon to the CITs because now they can support remote areas where previously they couldn’t because a daily pick-up just wasn’t feasible.”

And the safes themselves also can provide an additional marketing channel for banks



By implementing smart safe/provisional credit service at a restaurant franchise, Fox Chase Bank has made shift-change and cashier-closing procedures faster and more accurate.

and CIT companies, either by displaying marketing messages on the safe screen or graphics on the front and sides of the safe.

Despite the economic and operational advantages of the smart safe/provisional credit business model, adoption rates are still fairly low. That is expected to change, however.

“Our market research shows that only about 10 percent of the market utilizes provisional credit today,” Smith said. “We’ve identified approximately 200,000 merchant locations in the United States that are prime candidates for smart safe transaction capability. It just hasn’t been brought to them yet.”

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