



Retail Cash Loss

Addressing the Problem with Intelligent Technology





Cash loss is one of the major shrink-related issues faced by retailers.

Any business that accepts cash for transactions has come to expect that some percentage of it will vanish as a result of fraud, administrative errors and employee misdeeds. Inventory shrink, which includes cash loss, costs retailers an estimated \$47 billion annually. It is so prevalent that retailers have a line item for it in their P&L statement.

Retailers can no longer simply shrug off cash loss, even if it has reached the “cost of doing business” status. Like any cost, it has to be addressed and – if possible – reduced. Individual retailers tend to downplay shrink for fear it creates a negative image, but the industry makes a concerted effort to measure shrink and address cash loss by trying to reduce internal theft. Since a majority of a retailer’s cash handling takes place at the point of sale (POS) or service desk, naturally, the effort to stop employee theft largely focuses on the checkout areas.

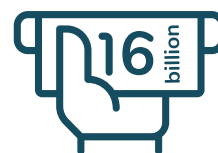
Indeed, retailers can substantially eliminate their cash loss with the right technology at the checkout. For instance, intelligent cash management solutions provide an affordable approach to prevent loss. Solutions that keep track of transactions, cashiers and cash amounts in real time and reconcile each transaction make it hard to steal at the POS – and easy to quickly correct unintentional cash-handling

mistakes. When linked to analytics systems, intelligent cash management solutions can provide key data points to improve cash management accuracy.

Using technology to tackle theft and mistakes at the POS will not totally eradicate shrink for retailers, considering administrative errors and inventory shrink caused by fraudulent actions also contribute to the problem. However, technology that makes cash handling transparent and more accurate is instrumental in reducing cash loss, as much as 90%.

Cash Loss at the Till

According to the National Retail Federation, retailers lose \$47 billion annually in “inventory shrink” as a result of employee theft, administrative errors, fraud, shoplifting and other harder-to-track reasons. Much of the cash loss caused by employee theft occurs at the point of sale. Dishonest employees have no shortage of methods and schemes to steal cash, but honest mistakes also occur.



One third of retailer shrink (33%) – roughly \$16 billion – is caused by employee theft.



Employee Theft

One method of employee theft, known as “banking,” consists of building a pile of paper clips or “spare change” indicating cash in the till from shortchanging customers. Each instance adds some amount to the “overage” in the till and at the end of the shift the cashier keeps the extra money. This can work by hiding prices from trusting customers who may be in too much of a hurry to notice anything or not providing receipts for purchases. Even when customers know the price, they may not pay enough attention to the change or do the math to figure out how much change they are due.

POS Voids

Cashiers can manipulate the POS by voiding legitimate sales to steal money; one telltale sign is if higher-than-average transaction voids start to appear during a specific employee's shift.

Skimming

Skimming is another contributor to cash loss. Knowing that managers tend to overlook small discrepancies, an employee will skim amounts off the top just low enough to avoid suspicion.

Sometimes, the cashier isn't the direct beneficiary of theft at checkout. “Sweethearting” consists of giving too much change to friends and family, not charging for certain items or charging a lower amount for a complete transaction.



“Banking,” consists of building a pile of paper clips or “spare change” indicating cash in the till from shortchanging customers. Each instance adds some amount to the “overage” in the till and at the end of the shift the cashier removes and keeps the money.

Honest Mistakes

While employee misdeeds are a big problem, honest mistakes account for some cash loss. Common mistakes include miscounting change, missing an item and failing to charge for it, entering the wrong price, and coupon-related errors. Repeated mistakes may indicate a need for additional training – something managers should keep an eye on and try to address. Even honest mistakes can look like an attempt to cheat, from a customer's perspective, or at the very least be considered incompetence, which reflects poorly on the business and customer satisfaction.

Scamming Customers

Dishonest customers also contribute to cash loss at the checkout. Quick-change scammers are very adept at knowing how to confuse cashiers into giving them the wrong change. A common scenario goes like this: A customer pays for a purchase and as soon as the cashier closes the drawer, the customer claims they received the wrong change. Perhaps the scammer gave the cashier a \$5 bill and claims it was a \$10 or a \$20. A cashier wanting to correct a supposed mistake might fall for the scheme and give change for the higher bill. Alternatively, a customer may pay for a small priced item with a large bill (\$50 or \$100). Before the cashier can give back the change, the suspect will engage the cashier in a speedy series of money exchanges creating confusion. In the chaos, the suspect will tell the cashier how much money to give back, thus short changing the cashier and till. This ploy may go on for several iterations or visits leading to a substantial loss in cash.

Why Employees Steal

Most employees are honest, but those who steal do so for a number of reasons. A common reason is opportunity. Presented with the opportunity to take what is not theirs, some people are willing to risk the consequences if they believe the likelihood of getting caught is minimal or non-existent.

But available opportunity is only one motivation. Some employees steal out of need. Perhaps they are financially strapped themselves or are looking to help a friend or family member experiencing a hardship. In some cases, stealing feeds a drug or alcohol addiction.

Disgruntlement also plays a role. An employee who feels undervalued, underpaid or just outright disrespected may give in to the temptation to steal from his or her employer. They use common rationalizations to justify the crime.



Common Rationalizations to Justify Stealing

"The company doesn't care about me."

"The company won't miss money from small thefts."

"Retailers expect some shrink/cash loss, anyway."

"I work hard but they're not paying me for my efforts."

Loss Prevention

Addressing cash loss can be a huge challenge without the proper tools. While lane accountability helps manage the labor associated with multiple cashiers and shifts it does expose the retailer to managing untraceable cash loss. Imagine searching through 12 hours of CCTV video to find a 50 or 100 dollar shortage. It's like looking for a needle in a haystack.

Therefore, preventing cash loss at the POS comes down to a combination of people and systems. A retailer needs honest cashiers, attentive managers and systems that keep everyone honest who is involved in cash handling.

CCTV systems help but they can be cumbersome, requiring sifting through hours of footage to spot a particular incident. To help with shrink – and cash handling in general – retailers also can take advantage of computerized cash management systems, but these can get expensive and out of reach for smaller merchants. For many, intelligent cash management solutions provide an affordable solution to theft and cash discrepancies at checkout.

The Cash Management Loss Prevention Evolution

Simple cash management is as old as cash itself. From a pants' pockets, to wooden drawers to WiFi-enabled solutions, the loss prevention features of cash drawers have come a long way.



WOODEN BOX + BELL

In the early days of wooden cash drawers, a bell rang when the drawer opened, alerting the storeowner to turn their head as they were typically on the shop floor assisting customers.



CUSTOM SOLUTIONS

Cash drawers built for a unique application or environment can feature skimmers for high-value notes dropped to a safe storage facility or ultraviolet lights for detecting counterfeit currency.



INTELLIGENT CASH DRAWER

A revolution in cash management technology, the **SMARTtill®** Cash Management solution enables reconciliation of cash transaction movements to the POS transaction amount, enabling retailers to reduce cash losses and the cost of cash handling while improving in-store productivity.



GENERAL APPLICATION SOLUTIONS

From economical to standard to performance solutions, many cash drawer offerings come with options to help prevent cash shrink. Durable steel construction, locking till covers and under-counter mounting brackets serve as a theft deterrent at the POS.



WIFI-ENABLED SOLUTIONS

Ethernet-enabled cash drawers offer security camera activation and mobile exception alerts over a secure LAN network. These solutions communicate with retailers' mobile POS devices for cash drawer control, supplying the information necessary to identify security issues, transaction anomalies and the need for cashier training.

5 Best Practices: Preventing Shrink

1. No Sale Transactions

Require manager approval for transactions that don't change amounts in the till, such as when a customer asks for change for a large bill.

2. Drawer Placement

Using Under Counter Mounting Brackets (UCMB's) for cash drawers adds discretion and security by placing drawers out of sight of would-be robbers.

3. Key Keepers

For drawers that require keys for locking, put managers in charge of the key.

4. Reduce Your Bank

Reduce the amount of cash held in tills and pay attention to drawer value.

5. Install CCTV

Use CCTV cameras with at least six frames per second. When paired with intelligent technology, time and date stamped footage helps identify what transpired during theft.



The SMARTtill® Solution Approach

APG Cash Management's **SMARTtill®** Cash Management Solution helps minimize cash loss with their advanced cash-counting, analytics and security capabilities. The **SMARTtill®** Solution calculates an accurate cash count following every transaction including coin and note denomination and overall total. The drawer reconciles the cash in the till with the cash amount from the POS transaction and determines if there is a discrepancy. This data can be fed into existing exception reporting applications or analytics systems to improve the accuracy and time spent managing cash.

The **SMARTtill®** Solution records each transaction with a time stamp, dollar amount, lane number and cashier ID. When compared with the transactional data from the POS, the **SMARTtill®** Solution is able to identify suspicious transactions. Highlighting a short list of suspect transactions, it's easier to pinpoint CCTV footage to resolve disputes and address suspicious transactions. Thanks to these capabilities, The **SMARTtill®** Solution resolves these issues:

Discrepancies. Alerts can be set up and displayed on the POS User Interface if the wrong change is given or some other transaction error occurs.

Customer disputes. A transaction audit trail allows retailers to swiftly and accurately resolve disputes at the lane.

Accountability. Each transaction is traceable to an individual cashier, even with a lane accountability model.

Policy implementation. The system tracks whether employees adhere to policies regarding cash totals allowed in drawers and top-ups, especially critical for late-night or 24-hour stores, which helps with oversight for safety and security.



Cash reconciliation and accurate counts reduce manual labor and human error in counting cash and matching expected amounts in the safe.

The **SMARTtill®** Solution minimizes cash loss with intelligent technology. Retailers using the **SMARTtill®** Solution have seen cash loss reductions of up to 90%. Use of the technology has a positive side effect for cashiers: Because they know transactions and activities are being tracked, they won't try to steal or be falsely accused of stealing if their till is short.

Cash loss is a major problem for retailers. One way to address it is by preventing employee theft, which retailers can accomplish cost-effectively through the use of intelligent cash drawers. Cash management solutions, such as WiFi-enabled cash drawers and custom solutions with advanced features such as hidden drop safes help retailers reduce cash loss. The **SMARTtill®** Cash Management Solution helps substantially reduce shrink while improving accountability at the till. By investing in the technology, companies can enjoy the benefit of reduced shrink – an improvement to the bottom line.

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APG has built a reputation as the supplier of choice for cash management solutions for retail, grocery, hospitality, and quick serve for thousands of customers throughout the world. Our products and brand are differentiated by our ability to deliver innovative technologies that globally enhance efficiency and security at the point of sale. To learn more about our products, visit www.apgcashmanagement.com.