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THE TRUE COSTS OF MANUAL CASH MANAGEMENT

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How a Cash Management Solution Saves Businesses Time and Money

There are certain recurring expenses that every business owner or manager expects, like the costs associated with inventory, payroll, and utility bills. But hidden costs can negatively impact businesses' cash flows and bottom lines. The costs of managing cash manually, for example, can quickly add up. Here's a breakdown of just how much cash management costs businesses without an automated solution, and how much those costs could change with smart safe solutions.

What is the cost of cash management?

That depends on several factors, like the size of a business and how much cash it takes in. But due to costs associated with time and labor, businesses of all sizes that rely on their employees to count cash, bundle it, drop it off at the bank, and later reconcile it spend more time and money than they might realize. For example, data compiled by a leading cash management company shows that on average, businesses that take in low volumes of cash ($10,000 a month or lower) and don't use a cash pickup service spends nearly 6% of their monthly cash intake on costs of managing and handling cash. For businesses with medium volumes of cash ($20,000 a month), that number is 3.09%, and for businesses with high volumes of cash, ($30,000 a month) it's 3.26%.[1]

Is there a way to lower the costs of cash management?

Savings can begin with smart safe solution, a single, end-to-end solution that includes the hardware, software, and

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> FOR BUSINESSES THAT TAKE IN LOW AMOUNTS OF CASH AND MANAGE IT MANUALLY, EMPLOYEES SPEND AN AVERAGE OF 15 HOURS ON CASH MANAGEMENT AND CASH-RELATED TASKS.

Employees typically handle numerous tasks during a shift. Manual handling of cash takes up valuable time which could be spent on other crucial tasks.

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service merchants need to reduce the hassles and costs of managing cash. It allows employees to drop cash into an in-store smart safe instead of having to deposit cash at the bank. Once the cash is secured inside the device, the business gets next-business-day advance credit to the bank account of their choice without spending additional money on traditional bank deposit fees. With smart safe solution implementation, it will reduce the time employees spend handling cash and provides detailed insights into the business's cash activity (via a customer portal). Additionally, businesses can order change with this solution and have it delivered right to their stores.

While these benefits are great, it's the numbers that say it all and bring the true value of cash automation implementation into focus. With this solution, a business with low volumes of cash can lower its monthly spend on cash management and handling by as much as 22%.[2] For businesses with medium and large cash intakes, that number increases to as much as 29% and 49%, respectively.[3]

A look at labor costs

Counting cash, bundling it, and hauling it to the bank to be deposited requires a lot of labor. Those costs add up, especially given the fact that labor costs are on the rise: in the U.S., for example, labor costs increased 5.1% from June 2021 to June 2022,[4] and in the European Union, hourly wages and salaries went up by 4.5% from 2021 to 2022.[5] In Canada, hourly wages rose 5.3% from the second quarter of 2021 to 2022.[6]

Merchants that don't use an automated cash management solution and transport cash deposits to the bank on their own are spending quite a bit on labor. For these merchants that take in low volumes of cash, an estimated 5.37% of their monthly cash intake, on average, is spent on labor associated with preparing and taking

Businesses spend increasingly more on labor, especially that which is associated with cash-handling.

deposits to the bank.[7] For businesses with medium volumes of cash, that number is an estimated 2.67%, and for businesses with high volumes of cash, it's 1.87%.[8]

With smart safe cash automation, however, merchants with low volumes of cash can lower the labor costs involved with cash management and handling by as much as 16% so that cash-related labor costs make up just 2.11% of cash taken in each month.[9] For merchants that take in medium amounts of cash, these costs can be reduced by as much as 31%, on average, so that cash-related labor costs are 0.66% of cash taken in per month. And for merchants that take in large amounts of cash, these costs can be cut by as much as 52%, meaning cash-related labor costs represent 0.35% of monthly cash intake.[10]

True costs of cash: hours spent

No matter what kind of business they work for, employees are usually in charge of multiple tasks during any given shift. These may include ringing up customers, stocking shelves, ordering inventory, serving customers, and fielding customer questions and complaints. Duties like these are important and time-consuming, but so is handling cash, which eats into employees' valuable time on the clock when done manually.

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For businesses that take in low amounts of cash and manage it manually, employees spend an average of 15 hours on cash management and cash-related tasks.[11] For businesses with medium and high cash volumes, employees spend about 30 hours and 48 hours on cash-related tasks, respectively.[12] Smart safe cash automation can help reduce those hours by as much as 61% for businesses with low cash volumes, 75% for businesses with medium cash volumes, and 85% with high cash volumes..[13] By reducing the amount of time spent on cash, employees could spend time prioritizing their other responsibilities.

How do you manage cash?

If your business is currently managing cash without an automated solution, consider smart safe solutions and how much time and money it could help you save. It doesn't get better than eliminating unnecessary bank trips and possibly reducing traditional bank deposit fees, dropping cash into an in-store smart safe, getting next-day advance credit for that cash, and getting valuable cash insights to help you make business decisions.

Reference:

1-3, 7-10, 13. All calculations are estimates based on Brink's research and customer data and may vary.

4. US Bureau of Labor Statistics (2023). Employment Cost Index Summary. [online]. Available at: https://www.bls.gov/news.release/eci.nr0.htm
5. Eurostat (2022). Second quarter of 2022 Annual increase in labour costs at 4.0% in euro area. [online]. Available at: https://ec.europa.eu/eurostat/documents/2995521/14698153/3-15092022-BP-EN.pdf/d5da5db3-aca7-a087-07ba-4393501ccd22
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THE COIN SHORTAGE PUZZLE: UNRAVELLING THE CAUSES AND SOLUTIONS

KARA THAM | GLORY

The Coin Shortage Puzzle: Unravelling the Causes and Solutions

In an era dominated by digital payments and contactless transactions, one might assume that coins have taken a backseat in the world of currency. However, a closer look reveals a different reality — a reality where coins present challenges for many players within the cash management industry. These challenges are multifaceted, with the shortage of coins being a significant issue that affects various entities, including central banks responsible for managing the money supply, Cash-in-Transit (CIT) companies that face logistical obstacles, and vendors who are striving to innovate in this complex landscape.

Reasons for coin shortages

1. COVID-19 and cash stockpile

The COVID-19 pandemic changed how people think about and use cash. Some people hoarded essentials like canned goods, while others began stashing cash, including coins, at home. While the transition to cashless payments was accelerated during lockdowns, the unexpected demand for physical currency reflected a crisis-induced mistrust in institutions, causing people to turn to tangible cash. **In Australia**, the rush for coins caught the Royal Australian Mint off-guard as households stockpiled coins as staff at the mint worked double shifts to meet the surge in demand. Similarly, the United Kingdom (UK) witnessed an estimated £50 million hoarded in loose change while residents have been holding onto cash three times longer than before, according to figures from **UK Finance** in September 2021. The **U.S. Mint**, which decreased the production of coins due to social distancing measures, also saw a temporary pushback from rural banks and their business customers.

Some individuals may melt down coins to extract precious metals which posses a greater value than the coin's face value.

2. Collectors and coin melters

Additionally, the slowdown in circulation is also partly due to collectors and coin melters. It's possible that some types of coins are less available to the general public due to collectors' quest for rare and valuable coins that hold historical significance and intrinsic value. In extremely infrequent cases, some individuals may choose to melt down coins to extract their metal content. This is typically only done with coins made of precious metals, such as gold or silver, when the value of the metal is greater than the face value of the coin. Notably, there are legal considerations tied to these actions, but there have been instances where melting them down and selling the metal has proven profitable.

3. Coins forgotten

Picture this: coins sitting in piggy banks, drawers, and vaults, instead of actively participating in the economy. In the grand theatre of financial transactions, some coins find themselves overshadowed and forgotten. Many people tend to overlook low-value coins, considering them insignificant; and toss them into jars at home, where they remain unused for an extended period of time. As such, this has led to a gradual reduction in the circulation of coins, as they accumulate outside of the economic cycle.

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People tend to put coins away instead of using them, resulting in fewer and fewer coins being circulated in the economic cycle.

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There are bigger issues at play

Coin hoarding isn't merely an individual quirk; it actually has a ripple effect across economies. When coins don't move around as much, it causes problems.

- **Coins become scarce.** When people hoard coins, they take them out of circulation. Fewer coins are available for businesses to use as change, making it difficult for people to pay for goods and services.
- **Consumers feel the crunch.** Businesses may resort to rounding up or downing prices to avoid giving too much change, which can be confusing and frustrating for customers. This will most likely directly impact individuals who heavily depend on coins and cash for their everyday transactions. This includes people with lower incomes, as well as those who lack easy access to digital payment methods, such as the elderly and migrant communities, who might find navigating digital systems challenging.
- **Consumer spending and confidence declines.** If the shortage of coins is prolonged and people can't easily pay for goods and services, they may lose trust in the currency.
- **Coining new currency comes at a cost.** When coins are scarce, it can lead to difficulties in obtaining coins for use in transactions and may require the minting of additional coins to meet demand. In some cases, coins cost more to make than their actual value in metal content and production costs.
- **Challenging to track and oversee.** Hoarding coins can make it easier for some individuals to avoid taxes or engage in illegal activities, given that cash transactions are difficult to monitor and trace.

Addressing the challenges

- **Legislative ban**

Consequently, governments might implement fresh regulations, including reducing the limits for cash transactions, to counter the misuse of money for unauthorised intents.

The Philippines has witnessed discussions among lawmakers in recent times regarding the potential implementation of laws aimed at curbing coin hoarding. The proposal aims to address an ongoing coin shortage issue that dates back to 2004. While these laws have yet to materialise, the Bangko Sentral ng Pilipinas (BSP), the country's central bank, has consistently advocated for the criminalization of coin hoarding.

In October 2021, the authorities in **the Philippines** raided a warehouse and seized 50 million one-peso coins. The raid received massive media attention, and the BSP once

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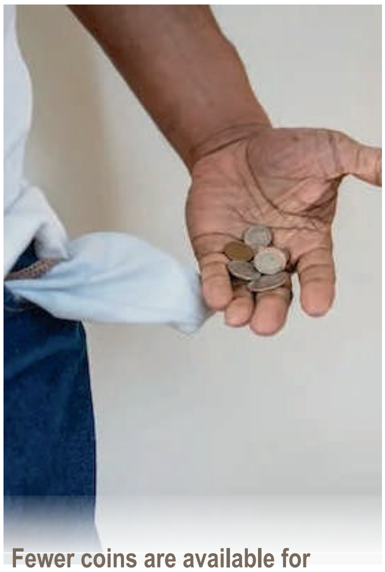

Fewer coins are available for businesses to use as change, making it difficult for people to pay for goods and services.

"IF THE SHORTAGE OF COINS IS PROLONGED AND PEOPLE CAN'T EASILY PAY FOR GOODS AND SERVICES, THEY MAY LOSE TRUST IN THE CURRENCY."

Rounding of prices is likely to happen for most goods and services in order to reduce the need for change.

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again renewed its calls to ban the hoarding of "extremely large" volumes of coins - highlighting the BSP's unwavering stance and their commitment to finding a solution to this challenge.

The placement of automated Coin Deposit Machines in major retail outlets is a move to encourage recirculation of coins among consumers.

- **Promoting circulation**

Without a specific law in place, the BSP has taken proactive measures through its **Coin Recirculation Program** as a means to discourage the public from unnecessarily amassing coins. In a move to counter coin hoarding and promote circulation, the BSP unveiled a pioneering Coin Deposit Machine (CoDM) Project. These automated machines were strategically placed in the retail giants SM Mall of Asia, Robinsons, and Festival Supermall, marking the start of an innovative initiative.

The CoDMs offer consumers a convenient method to deposit coins and receive their value in the form of vouchers or rewards card points from partner retailers — incentivising the return of coins. There's also the possibility of directly transferring funds to bank accounts or electronic wallets. BSP Governor Felipe M. Medalla sees this project as a remedy for challenges encountered by businesses, financial institutions, and the public.

Coins as catalysts of change

The issue of coin hoarding is more complicated than it may seem at first glance. A comprehensive understanding and collaboration among cash management industry players is crucial for the development of successful strategies. By addressing the core issues, embracing technological innovations, and promoting regulatory changes, the industry can not only mitigate coin shortages but also enhance the resilience and efficiency of the broader financial ecosystem.

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THE NEW ERA OF CASH LOGISTICS WITH SOFT SKIN VEHICLES
OBERTHUR CASH PROTECTION

Despite the pressures on cash, all evidence shows it has a long-term future. Equally clear is that cash must remain competitive, available at the desired points of delivery as cost effectively as possible. This will mean constant reviews of the whole cash supply chain.

Reducing the losses and risks from the increasingly frequent physical attacks across the cash supply chain is critical. Intelligent Banknote Neutralisation Systems, IBNS, are globally proven as the most effective deterrent to all these physical attacks.

Criminals are wary of stained notes losing their value, thus rendering attacks not worth the risk.

Criminals know that any attack will without fail result in all the banknotes, paper or plastic, being indelibly stained, reducing their value so much that it is not worth the risk of the attack.

The new era of replacing traditional armour vehicles with the smaller, lighter, IBNS protected soft-skinned vehicles brings numerous benefits.

Increasingly environmentally friendly, with lower operating costs, coupled with the ability to reach those locations that traditional vehicles cannot results in greater flexibility in journey planning. The most outstanding benefit from introducing IBNS protection - in the vehicle, across the pavement and in the ATM makes it possible to introduce single operator vehicles.

Additional information: www.oberthurcp.com.

PATHWAYS TO AN OPTIMIZED, SUSTAINABLE CASH CYCLE
G+D

Players across the cash cycle are under pressure to bring both lower costs and greater environmental sustainability to their processes for transporting, exchanging, and storing banknotes. How can standardization help deliver on these goals?

It's a paradox of cash that continues to surprise. Despite the rapid evolution of payment markets and the further acceleration of digital commerce during the COVID-19 pandemic, demand for banknotes has increased substantially in recent years.[1] While cash is being used less for purchases – at least in some economies – its role as a store of value has been reinforced.

Those changing dynamics are putting pressure on organizations across the cash cycle to bring higher levels of efficiency, automation, and performance to the transportation, exchange, and storage of cash. At the same time, all participants are responding to the need to reduce the carbon footprint of the cash cycle at multiple points.

A key focus for those twin goals of optimization and sustainability is the standardization of cash logistics and, in particular, the diverse – and often incompatible – transport formats used to handle cash.

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1. Giesecke + Devrient. (2022). Pathways to an Optimised, Sustainable Cash Cycle. [online]. Availabe at: https://www.gi-de.com/en/spotlight/payment/pathways-to-an-optimized-sustainable-cash-cycle#c73256

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