

FISERV PERSPECTIVE

Cashing in on Remote Cash Capture



Louis Layton
Fiserv

By Louis Layton, Cash Treasury & Logistic Solutions, Fiserv

Since the mid-1990s, merchants have used smart safes to improve store operations and reduce exposure to financial losses. These safes are usually placed near the point-of-sale (POS), allowing the merchant to quickly and securely store excess cash inventories, thereby reducing exposure to theft. During the last decade, banks, fostered by the armoured car industry, began offering provisional credit to merchants with smart safe technology, creating what has become known as Remote Cash Capture (RCC). The RCC process is simple, yet it provides substantial benefits for banks and retailers.

How does Remote Cash Capture work?

Merchants place their cash into note acceptors located on the smart safe. The acceptor captures the denomination and amount of each note, while simultaneously checking its authenticity. The financial totals are then transmitted, via a secure network connection, to the bank for provisional credit posting. By receiving credit for their funds placed into the remote smart safes, merchants are no longer required to make daily trips to the bank, which saves on armoured carrier expenses. Conversely, the bank is able to increase fee income through a provisional credit service fee.

Still in its infancy, RCC is poised for substantial growth. Fiserv estimates that less than 1% of merchants have deployed an RCC solution. With cash usage on the rise globally, consumer use of cash at retail has remained strong. In the USA, 62% of all merchant transactions are in physical cash, 60% in the United Kingdom are cash, and that figure rises to 80% in parts of mainland Europe. Banks that deploy RCC solutions are uniquely poised to deepen their

relationships with existing merchant customers and capture new ones.

Is there really a need to invest in RCC? Aren't we moving to a cashless society?

With intense media focus given to emerging technologies, such as mobile, internet banking and other digital payment methods, it is easy to assume the death of cash as a payment form is imminent. However, quite the opposite is true. The US Federal Reserve, Bank of England and European Central Bank have all reported an increase of cash in circulation of between 8% and 10%. In a recent Aite Group survey, consumers ranked cash as their number one choice for retail payments. Cash continues to rival debit cards in the USA – the two payment forms are about equal in numbers of transactions processed by merchants.

Moreover, government leaders and regulators have voiced concern over interchange fees that govern credit and debit card transactions. Changes to these interchange fees may increase the attractiveness of cash use for both consumers and retailers alike.

What is the best approach to Remote Cash Capture adoption?

A solid business case explaining the benefits of RCC to merchants is the best way to increase adoption. When constructing the business case models, banks should consider both the benefits of the provisional credit service as well as operational efficiencies gained from deploying smart safes. In order to establish the business case, banks need to be aware of the amount of time managers spend preparing deposits, the impact of counterfeits

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bills to their business, existing reconciliation challenges, actual transportation expenses and the costs incurred from multiple and distributed banking relationships. By taking stock of the costs of cash management in terms of time, loss and expense, banks can easily prove the business case for RCC implementation.

RCC results in increased managerial efficiency and hard costs savings related to the reduction of counterfeit bills and transportation expenses. And, perhaps most advantageous for merchants and banks alike, RCC enables the centralisation of banking relationships since merchants no longer need to select banks based on proximity to stores.

In addition to a solid business case, RCC adoption will grow with the unbundling of service offerings. Today, most RCC solutions are bundled as part of the armoured

transportation service. The smart safe selection, software interface and transportation service are generally offered as all-or-nothing, causing large merchants to have disparate safes and software interfaces in different parts of the country or across multiple countries. Armoured carriers rarely operate in exactly the same geographical footprint as the merchant, and each carrier offers

a different make/model of safe and deploys a proprietary software interface, which complicates management's analysis of the cash supply chain.

This mandated bundling of service offerings is slowing the adoption of RCC. Instead, banks and merchants are better served by a more independent approach that provides the flexibility to choose their preferred hardware, software and transportation service.



How does the reduction in service trips affect Change Fund management?

Combined with provisional credit, one of the key benefits of RCC is a reduction in armoured carrier services and their associated costs. With armoured transport being required less frequently, merchants must be more exact when ordering their change funds since the cash must last a greater number of business days. New tools are available to help merchants dynamically forecast their change funds. These tools better ensure that merchants will have the correct amounts and denominations available to properly serve their customers.

Is reconciliation and tracking difficult with several days' activity in a deposit?

The tracking and reconciliation of deposits can be effectively managed through the software that accompanies most RCC solutions. Bar

code and RFID technology can be integrated into smart safes to give full chain-of-custody visibility into deposits as they move through the cash supply chain. Software solutions can also link the activity from multiple business days and match all of the transactions to a single deposit. This enables an easy and accurate reconciliation process.

Who will cash in on Remote Cash Capture?

RCC is poised to become one of the largest historical changes to cash handling processes. By updating business models and fine tuning business strategy, all players in the cash supply chain can capitalise on the promise of RCC. Banks, merchants or armoured carriers... indeed, who will be the first to cash in on remote cash capture? ■

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