



## **SMALL CHANGE LEADS TO BIG SHRINK DOLLARS**

### **Shrink the Opportunity by Keeping the Cash Drawer Closed**

*A White Paper on Loss Prevention*



---

Crane Payment Solutions · Telequip  
5 Industrial Way · Salem, NH · 03079  
Phone (800) 225-0580 · [www.telequip.com](http://www.telequip.com)

# SMALL CHANGE LEADS TO BIG SHRINK DOLLARS:

## Shrink the Opportunity by Keeping the Cash Drawer Closed

**By Alan Burt, Vice President of Finance for Crane Payment Solutions**

Shrink, loss, theft, call it what you will. The bottom line is that employees are helping themselves to your company's cash at an alarming rate, creating a negative impact on profitability. The statistics tell a rather grim tale:

*Industry studies show that more than 40 percent of shrink is from internal theft, and half of that comes from employee fraud right at the register.*

*According to U.S. News and World Report, 34 percent of all employees aged 18-29 believe it is justifiable to steal from their employer.*

*Department of Justice numbers show that employee theft increases by about 15 percent each year.*

The restaurant industry is a particularly attractive target for this type of crime. In fact, employee theft amounts to 4 percent of food sales at a cost of \$8.5 billion annually, according to the National Restaurant Association. The Quick Serve Restaurant (QSR), like other retail industries, is especially susceptible to employee-related theft. Despite the fact that most employees are reliable and trustworthy, some may be less than honest, while others may be challenged by difficult socioeconomic circumstances.

What's truly amazing about this dilemma is how small an amount is typically removed in each instance – perhaps 25 or 50 cents at a time. Such small numbers provide an indication of how often these occurrences must take place to add up to the eye-popping numbers cited earlier.

Shrink in the QSR segment falls into two distinct categories: unintentional (cashier error) and intentional (theft). It may occur in a number of ways, depending on your point of sale (POS) system and the security mechanisms in place. Unintentional, or accidental, shrink is a byproduct of errors that result from employees making mistakes during the processing of a transaction.

There are a variety of reasons accidental shrink can occur, including employees who may be frazzled by long lines at the checkout, distraction, limited math skills, intentional deception by a customer or even because bills and coins are placed in the wrong section of the cash drawer. Regardless of the root cause, the end result is basically the same: counting out change incorrectly, giving the customer back too much or not enough.

Then there's intentional shrink, a far more insidious and hard-to-pinpoint dilemma. It is primarily achieved through the practice of under-ringing, i.e., an employee accepts more cash for a sale than he/she has entered into the POS system. For example, in a coffee shop, employees may quickly learn that the

difference between a large cup of coffee and a medium cup of coffee is 50 cents. During a morning shift, a dishonest employee may continuously ring in a medium cup of coffee when a large is ordered. Knowing the difference between the cost of each, he/she adds the difference to the price, accepts the higher amount from the customer, and pockets the difference.

Some employees may even resort to using a separate storage area in the cash drawer or devising a means to keep track of the number of times they commit the under-ringing. At the end of the day, they simply remove the money from the cash drawer prior to closing out their shift.



*“There are a variety of reasons accidental shrink can occur, including cashiers who may be frazzled by long lines at the checkout, distraction, limited math skills, intentional deception by a customer or even because bills and coins are placed in the wrong section of the cash drawer.”*

Documented examples have occurred in coffee shops where employees maintained a separate tip jar in which they kept the money from shortchanging customers. The crime was consummated when the culprits handed the tip jar out of the drive-thru window to their friend.

*The reasons behind intentional shrink are diverse but not overly complicated.*

Revenge for real or perceived slights by managers, greed, need (particularly in a down economy), or pure thrills provide powerful catalysts for this all-too-prevalent crime. In the end, the enterprising employee who has motivation and opportunity will devise a method of accomplishing their underhanded objective.

There are effective ways to combat both intentional and accidental shrink, but the process must begin with recognition of the problem. QSR owners are understandably sensitive about this issue. Often, there is a sense of denial; owners not only can't believe

that someone would actually *want* to steal from them, they refuse to acknowledge that they're being duped and they aren't savvy enough to catch it. They should understand, however, that shrink is no reflection of their managerial or ownership skills. What's more, shrink is simply one of the unavoidable costs of doing business, and good retailers look for ways to reduce shrink as cost.

Once the predicament has been identified, both varieties of shrink can be remedied. On the unintentional side, sound employee hiring practices may be the single most effective tactic. Ensuring up front that prospective employees have the requisite math and communication skills is a must. Proper training can also have a significant impact. Make sure that employees are not thrown "into the fire" before they are fully prepared. If possible, schedule newer employees for slower shifts to reduce potential stress.

Intentional shrink must be approached differently. When it comes to fraudulent activity, an individual must have means, motive and opportunity. The fact that your business accepts cash and stores inventory provides employees

with the means to steal; that part is essentially unavoidable. Motive is outside the control of owners and managers. Opportunity is the only element that is ultimately in the owner's direct control. By eliminating or at least reducing an employee's opportunity to steal, shrink can be reduced.

There are a few simple ways to reduce employee theft in a QSR establishment or, for that matter, any cash-based retail business as summed up by Missouri Small Business

Development Centers:

1. **Perform** thorough employee background checks.
2. **Don't assume** that well-paid employees won't steal.
3. **Remove** the chances to steal.
4. **Create** a non-threatening environment with employee empowerment and bonuses.
5. **Avoid** "double standards" and favoring certain employees.
6. Have employees **discourage** theft among each other.
7. **Be a role model.**

Besides these sound business practices, there are technological advances to diminish opportunity. Choices range in complexity and cost,

from sophisticated surveillance systems to tighter cash-processing procedures and controls. One of the most effective solutions can be a digital video recorder (DVR)-based surveillance camera system, which records all in-store activities, including the POS activity. It is capable of producing an exact digital replica of every sales receipt in order to track transactions. Further, while the cost can be steep, the return on investment (ROI) may be achieved in as little as six months.

Several POS peripherals are available on in the market today that assist the store owner in combating cash-related shrink by eliminating opportunity and increasing accuracy. Order confirmation boards eliminate the opportunity to short-ring and/or under-ring a sale. Customers can see their orders on screen, including the total due, prior to approaching the payment window. Credit/debit card readers reduce the amount of cash handled by your cashier, eliminating opportunity and ensuring accuracy. While credit and debit card transactions have increased, cash continues to be a popular payment method – to the tune of over 50

billion cash transactions in the United States every year.

A tried and true solution that has proven successful in reducing shrink is the coin dispenser. This unobtrusive and relatively inexpensive device has been in existence for over 30 years. Automated coin dispensers increase accuracy and help to eliminate specific opportunities in the cash flow transaction process.



*The T-Flex™ Coin Dispenser, offered by Telequip, is ideal for increased productivity and profit. With a sleek design that integrates seamlessly into any business environment, the T-Flex reduces loss and accelerates speed of service in Quick Serve Restaurants.*

An automated coin dispenser requires the cashier to ring in the customer's order on the POS system in order to execute the transaction and dispense the correct change. The better brands integrate with most popular POS systems via a Universal Serial Bus (USB) port. In many cases, they can also tie into the financial reporting system.

The impact of a coin dispenser on a QSR's shrink problem should not be underestimated. With the coin cup facing the customer, the cashier does not handle the coin going to the customer, making it difficult for the cashier to substitute a different amount of change in an attempt to short-ring an order. If a cashier intentionally overcharged five customers 50 cents a day, that adds up to almost a \$1000 a year. The coin dispenser also frees up the cashier to concentrate on bills, eliminating potential mistakes making change, particularly in stressful, time-constrained situations. Thus, it is a powerful tool in curbing unintentional shrink as well as the intentional variety.

Consider the real-life example of a major sandwich chain and one location that installed just one of these automated

devices. The increased transaction speed (an average of 5 to 10 seconds shaved off each transaction) has allowed the establishment to handle 20 more customers per day - five extra customers per peak hour. This translated to an increase in revenue per day of \$118, and just over \$3500 per month.

Impressive figures, to be sure. Even more impressive is the fact that the product paid for itself in well under a month. So, in addition to speeding up the service of a QSR that thrives on speed, as well as putting – and keeping – more money in the store’s proverbial pocket, the cost of the dispenser was negated almost immediately.

Despite improved hiring practices, technological aids, and increased vigilance by QSR owners, shrink will not be completely eliminated. But the theft of actual cash, which represents such an overwhelming obstacle to the QSR segment, can be addressed through a myriad of avenues, many without the need to invest significant time or money. And once store owners bring that problem under control, they can concentrate a little more on serving their customers.

---

---

### **About the Author**

Alan Burt is the VP of Finance for Crane Payment Solutions and Site Leader for Telequip. In this position, Alan is responsible for driving financial rigor and process improvement across all of Payment Solutions. Alan joined Telequip in 2001 as Vice President and CFO and played a significant role in determining and implementing the strategic direction of the company. Alan has a Masters of Science Degree in Accounting from Bentley College and a BS in Business Administration from Salem State College.

### **About Crane Payment Solutions**

Crane Payment Solutions delivers a full suite of automated money handling solutions, including bill and coin validators, bill and coin recycling, and coin dispensing equipment aimed at the broad retail, self-service, transportation, gaming and vending markets. Crane Payment Solutions now offers the widest range of components for integrated payment systems available today, including Telequip branded products. Designed to provide years of trouble-free operation, the Telequip brand of coin dispensing products is synonymous with quality, reliability, and longevity, delivering products that are second to none.

For more information on Telequip’s innovative products and solutions, please visit [www.telequip.com](http://www.telequip.com), or call (800) 225-0580.

###

