Cash - retailers’ behaviour and perception

Outcome of DNB study into retailers’ behaviour and perception with regard to cash, conducted jointly with Panteia

Retailers are an important key in the efficient and safe chain of payments. They deal with cash on a daily basis - they receive, check, count and deposit it. A recent DNB survey shows that retailers have mixed feelings about cash. While cash means business, it also brings with it costs and perceived unsafety.

The use of cash

1.1 Acceptance

Figure 1: Acceptance of payment instruments

Cash is the only payment instrument that is accepted by virtually all retailers. In fact, the survey, which was held among 1,340 retailers, shows that all respondents accept cash. Debit card payments are almost fully accepted, with bars, restaurants and hotels, and street vending lagging behind. Credit cards are accepted by nearly all petrol stations, whereas their acceptance in street vending is virtually nil.

Respondents do not accept all coins and banknotes. Coins of one and two euro cents and 500 euro banknotes are accepted by around 40%. Acceptance of 100 and 200 euro banknotes is 94% and 63%, respectively. There are no notable differences between sectors in their acceptance of the various coins and notes.
1.2 Preferences

While all respondents accept cash, they prefer to receive debit card payments. They rate, in particular, the safety of cash low compared with debit and credit cards. Even so, cash has significant advantages, one of which is that it is the most important alternative to debit cards, should these not work.

The survey shows that 81% of respondents do not actively discourage customers from making cash payments, arguing that customer preferences should be accommodated.

Of all respondents, 59% say they experienced one or more payment terminal malfunctions during the previous six months, whereas a mere 18% never faced a malfunction. Of all petrol station operators surveyed, 96% experienced a payment terminal malfunction in the previous six months.

Respondents in petrol stations, in particular, ask customers to pay by credit card (20%) or by granting authorisation for direct debiting (23%), whereas these alternative payment instruments are seldom used in the other sectors.

In case of malfunction, 58% of respondents ask their customer to pay in cash. Of those in bars, restaurants and hotels, 32% ask their customers to come back and pay later.

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1.3 Share of cash payment transactions

Figure 3: Share of cash payment transactions, daily average

Of all respondents, 31% say they settle more than half of their daily transactions in cash. This is true especially in street vending (70%) and bars, restaurants and hotels (50%). In the petrol station and retail sectors, most respondents receive only a minority of their payments in cash.

Quality of euro notes and coins

Figures 4a and 4b: Perceived quality of euro notes and coins

The majority of respondents are happy with the size and quality of euro notes and coins. Most comments were made about the size of the five euro note, which 21% of respondents find too small. There were virtually no comments about dirty notes or coins. Of all respondents, 61% said they had never refused a banknote for reasons of insufficient quality. Of the remaining 39%, over half refused it because their authentication device rejected it. Part of a banknote may be missing, or banknotes may have various tears, which are also frequently cited reasons for refusal.
Counterfeits

Figure 5: Respondents who believe they can detect a counterfeit euro banknote

DNB recommends that retailers perform a visible and thorough check of banknotes. Nearly three-quarters of all respondents believe they would detect a counterfeit euro note. The large majority (78%) say an in-house policy on checking banknotes is in place, particularly those in the sectors with high transaction volumes, i.e. petrol stations and large retailers. The lowest percentage (61%) of respondents with an in-house policy was found in street vending.

Respondents distinguish between notes they do and do not check. A majority check notes of 50 euro (75%) and up (86%). 80% use authentication device, 70% of whom have an automatic checking device. Devices are least used in street vending, although 55% of respondents in this sector do use them. Those without a device perform manual checks, looking at watermarks (77%) and the hologram foil (62%) in particular.

Half of all respondents have dealt with counterfeit money at some point in time; a quarter have in the previous six months.

DNB recommends that retailers refuse suspicious banknotes. Of all respondents, 70% say they have done so, while 14% also informed other retailers. In case of suspected deliberate intent, it is also recommended that retailers report the case to the police. One in five respondents say they have done so.
Dealings at the till

Figure 7: Where do retailers get their small change?

Of all respondents, 70% say they have regular shortages of coins and notes, mostly one euro coins (68%), two euro coins (65%) and five euro notes (56%).

58% of respondents facilitate cash-back on debit card transactions. Cash-back is allowed more widely among retailers with high cash volumes, such as large retailers (70%) and petrol stations (90%), than among small retailers, street vending and bars, restaurants and hotels. The large majority use cash from the till to pay others. Among large retailers and petrol stations, 75% of respondents do so, while 85% of small retailers and in street vending and bars, restaurants and hotels say they do. Most payments are for business purchases.

Of all respondents in bars, restaurants and hotels, 60% pay suppliers from the till. Among small retailers and in street vending, the majority of respondents pay consumptions and lunches from the till.

Cash-backs to customers and till payments to suppliers reduce the cash volume for bank depositing and, hence, the costs involved.

The survey shows that retailers are resourceful in avoiding the cost of depositing or obtaining small change.

Across all sectors, customers are the main source for obtaining small change. In addition, retailers with high cash volumes – large retailers and petrol stations – also cite cash transport companies as an important source. Remarkably, one-fifth of those in street vending obtain their small change from co-workers. Respondents still go to the bank desk.

Figure 8: Types of payment made from the till with some frequency to get small change.

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Depositing cash

Table 1: Where do retailers deposit their cash?

<table>
<thead>
<tr>
<th></th>
<th>bank desk</th>
<th>sealbag machine</th>
<th>banknote deposit machine</th>
<th>cash transport</th>
<th>closed cash system</th>
<th>coin deposit machine</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entertainment</td>
<td>6%</td>
<td>61%</td>
<td>13%</td>
<td>33%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Petrol stations</td>
<td>2%</td>
<td>48%</td>
<td>12%</td>
<td>45%</td>
<td>10%</td>
<td>1%</td>
</tr>
<tr>
<td>Bars, restaurants</td>
<td>4%</td>
<td>65%</td>
<td>36%</td>
<td>3%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Street vending</td>
<td>6%</td>
<td>59%</td>
<td>44%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Small retailers</td>
<td>5%</td>
<td>62%</td>
<td>31%</td>
<td>11%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Large retailers</td>
<td>3%</td>
<td>51%</td>
<td>11%</td>
<td>40%</td>
<td>1%</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>4%</td>
<td>58%</td>
<td>25%</td>
<td>20%</td>
<td>2%</td>
<td>1%</td>
</tr>
</tbody>
</table>

At 58%, the sealbag machine is the most widely used method for depositing cash across all sectors. In addition, many retailers will high cash volumes also use the services of cash transport companies. Of the petrol station operators surveyed, 10% use a closed cash system, which eliminates the need for manual till emptying, cash counting and cash depositing. Whereas 10% of all respondents go to a bank desk to obtain small change (see Figure 7), only 4% deposit their cash there.

Costs and safety

Of all cash handling activities, cashing up the till and other administrative duties clearly stand out in terms of the cost and time. This applies to respondents in almost all sectors, except in street vending, where depositing cash at the bank is perceived as more costly and time-consuming.
75% of the respondents feel unsafe in one or more situations during cash handling. Situations most frequently cited are taking cash to the deposit point (36%) and depositing the cash (50%). The share of respondents who do not feel unsafe is higher among those using the services of a cash transport company (30%) than among those who do not (24%).

Looking ahead

Respondents expect cash and debit cards to be the most frequently used payment instruments for point-of-sale transactions in five years’ time. At the same time, three-quarters believe the number of cash payments will decline, and some respondents believe they will not accept cash in five years’ time. This is the case especially for bars, restaurants and hotels, and for small retailers. Of the respondents in these sectors, 7% and 8%, respectively, expect they will no longer accept cash in five years’ time. Another notable outcome is the high expectations respondents have of contactless payments, with expected acceptance surging from 8% currently to 60% in five years’ time.
Survey characteristics

DNB commissioned market research firm Panteia to survey entrepreneurs in six sectors that involve point-of-sale payments about their behaviour and experience with regard to cash handling.

Survey themes

DNB defined four core themes for the survey:
1. The logistical flows of cash needed to enable point-of-sale payments
2. Safety, accessibility, efficiency and continuity of the use of cash
3. User requirements and authenticity checks
4. Bottlenecks which entrepreneurs perceive in handling their cash

DNB used these themes as a basis for formulating its survey questions.

Survey method

- A net sample survey was held among 1,340 respondents.
- Retailers in six sectors were surveyed and sub-groups within the sectors defined, based on their payment behaviour.
- The number of respondents in each sector and sub-group was sufficiently large to allow pronouncements to be made about the sectors.
- The survey was held by means of an on-line questionnaire, making sure, through recruitment by telephone, that respondents were sufficiently aware of the various aspects of cash handling. This process was not used for bars, hotels and restaurants, which were approached by e-mail.

Other relevant information

The study comprised a qualitative part and a quantitative part. The qualitative part involved interviewing entrepreneurs in focus groups about their behaviour in relation to cash. The results of this part were used as input for the on-line questionnaire. Furthermore, interviews were held with representatives from department stores and several transport firms, due to the specific way in which these organisations have set up their cash handling processes. The quantitative part involved the on-line questionnaire, whose results are presented in the fact sheets. Focus group sessions and interviews were held mainly to gain a better insight into retailers’ experience and behaviour with regard to cash.