



Controlling Interchange Fees with Smart Safes

Interchange fees can wipe out the profits on a small transaction. There is a way, however, to minimize those expenses.

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For high-end restaurants, accepting credit cards is a necessary part of doing business. After all, most customers don't carry enough cash to cover a \$100-plus dinner tab.

For smaller players, though, the fees associated with accepting credit cards often outweigh the benefits.

"Interchange fees are often restaurants' third-greatest operating expense, behind labor and food costs," said Scott DeFife, executive vice president for policy and government affairs for the National Restaurant Association. "Merchants pay about \$48 billion in interchange fees every year."

On average, restaurant operators pay 44 cents per transaction in interchange fees. For a business with a \$10 check average, that can virtually wipe out any profits it might have made on the transaction.

"We recently attended the International Pizza Expo in Las Vegas, and we were very surprised to see how many restaurant owners were saying, 'I'm sick of paying high interchange fees for the person who

comes in and buys two Cokes or a small pizza and is spending less than \$5 or so," said Mark Smith, business development manager with Long Beach, Miss.-based safe and ATM manufacturer Triton.

After hearing operators' concerns about rising interchange fees, Triton officials came to a realization. By combining in-store ATMs and smart-safe technology, operators could minimize, if not completely eliminate, their interchange fee expenses.

"Those fees continue to rise and customers are encouraged to use debit cards more often," Smith said. "There are a great number of small restaurants and other types of operations that still are spending more on interchange fees than they need to be. People are looking for a way to put an end to this."

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The benefits of smart safes

Until a few years ago, safes in a restaurant or other business were typically reinforced boxes. Although the lock may have incorporated timers, electronic keypads or other high-tech features, the only way to know what was inside the safe was to open it and physically count the contents.

The Check Clearing for the 21st Century Act, a federal law enacted in 2003, paved the way for banks to use image processing technology to convert paper checks into electronic images. The technology, known as remote check capture, allowed merchants to process checks faster and reduce the number of trips they had to make to the bank.

That same technology is being applied to cash through the use of smart safes.

“What this really amounts to is remote cash capturing,” Smith said. “The operator simply inserts bills into the validator and the amounts are automatically recorded.”

Triton offers a smart safe known as the VersaSafe.

Smart safes offer a number of benefits aside from security. Because the safes keep a record of how much was inserted into the bill validator, managers no longer have to spend time counting that cash at the end of the day. And because that cash isn't being handled by multiple cashiers, internal theft decreases dramatically.

Information about the contents of the safe can be sent to a smartphone, a laptop or any other Web-enabled device, so operators can always know their cash position even if they are not at the physical location of the safe.



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Because the safe can communicate information about its contents to the operator's bank, under a program known as provisional credit, merchants can receive credit for the cash they've taken in even before that cash has been deposited in the bank. Daily armored car pickups can be cut back to every other day or even once a week, reducing costs for cash-in-transit companies.

"It's much like an ATM but in reverse. Rather than dispensing money, the machine is taking it in," Smith said. "The bank knows what has gone into the bill validator, and they can credit the merchant daily for that cash."

Smart safes reduce interchange fees

So how can smart-safe technology help business operators reduce the amount they pay in interchange fees? The answer is simple.

It's not uncommon, for example, to see business operators set a minimum \$5 purchase to accept debit cards. A \$5 debit or credit card transaction still is a losing proposition for most business operators.

By setting that threshold at a more realistic level, such as \$50, customers will have to use cash for smaller purchases, decreasing fees for the merchants.

Reducing interchange fees

Smart safes allow merchants to:

- Increase the minimum purchase amount for credit or debit cards
- Recycle more cash
- Use a provisional credit program, allowing faster access to funds
- Direct customers to an on-site ATM

"Because they are taking in more cash, they can recycle that cash in their facility, further reducing the number of trips an operator needs to make to the bank," Smith said. "And by using a provisional credit program, those operators can have faster access to their funds because it is so quickly credited to their account."

In addition, if merchants have an in-store ATM, they can direct customers who might not have enough cash on hand to the ATM, increasing revenue.

***About the sponsor:** Triton Systems of Delaware LLC is based in Long Beach, Miss., and has more than 200,000 installations in more than 24 countries. It is the largest provider of off-premise ATMs and ATM-management software in North America.*