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More companies move toward digital-only business transactions

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By Skyler Frazer

If the mantra “cash is king” still stands, it might not for long.

Companies are increasingly going cashless for business transactions, instead turning to cards or digital payment methods for customers.

In April, Bristol amusement park Lake Compounce announced it was moving to cashless payment systems for its 2022 season. The park now only accepts credit or debit cards and secure mobile payment systems like Apple Pay and Google Pay.

Customers can also use in-park kiosks to convert cash into prepaid cards for free; leftover card funds can be used outside the park like any other charge card.

Lake Compounce officials said the transition has been successful so far.

“It has been really smooth,” said Lake Compounce Marketing Director Lynsey Winters. “Overall, it seems like people haven’t had issues — it’s been super easy for them.”



Patrick O'Reilly

Business finance experts said going cashless has been a growing trend in recent years, especially in live event and entertainment spaces.

For example, in Boston, Fenway Park and TD Garden have gone cashless, according to Patrick O'Reilly, a principal in accounting and consulting firm Marcum's financial accounting and advisory services practice.

"I think the cashless idea kind of took hold during COVID with companies saying, 'okay, we're only taking credit cards,' " O'Reilly said. "Now they're realizing that this might actually be a sound business decision because maybe they don't have to keep a safe, or have a lot of money in the safe, or have employees counting, getting deposits ready at the end of the day."

Cashless benefits

Joel Johnson, CEO of investment and retirement planning firm Johnson Brunetti, said cashless systems have been around for years as a "more convenient" option than paying with cash. The COVID-19 pandemic accelerated their use as more companies opted to offer contactless services.

Some companies, like airlines for example, may continue to go cashless for services like in-flight food and beverage transactions.

"They'll probably never go back to taking cash because not only is it a cleaner transaction, and they get the money right away because it's done electronically, but it's just less of a hassle," Johnson said.

Lake Compounce is working with Minnesota-based Ready Credit for its cashless system. The company's conversion machines mirror ATMs but work in reverse — cash is put in and converted into a prepaid card.

The exchange comes at no initial cost to users, but Ready Credit charges the card a fee if the money isn't used after 90 days.

Winters said going cashless has helped reduce wait times at food stands, gift shops and ticket booths — improving customer satisfaction.

“The lines just move so much faster,” Winters said. “The guests don't have to count change, the retail and food team members don't have to count change, so it's just been easier overall.”

In addition to speeding up transactions, cash-based businesses may convert for safety reasons, O'Reilly said. Employees handling large amounts of money and bringing it to a bank is “somewhat dangerous or risky from a staff perspective,” he said.

Going cashless also makes bookkeeping easier.

A 2019 analysis by the Federal Reserve Bank of San Francisco found similar benefits. The study concluded that cashless transactions are faster and lessen the potential for theft.

It also allows small- and medium-sized businesses to save on the tens of billions of dollars they spend annually on cash-handling expenses.

But there are some challenges.

For example, cashless businesses become more vulnerable to credit card company's interchange fees that can amount to 2% to 4% of a transaction.

In 2021, credit, debit and prepaid cards issued in the United States generated \$9.4 trillion in purchase volume, up 23.2% from 2020, according to the Nilson Report, an industry tracker. U.S. merchants that accepted those cards as payment for goods and services paid \$137.83 billion in processing fees, an increase of 24.3% from the prior year, the report found.

“At some point in time, it’s going to become such a huge part of your overall operational cash flow that you probably are going to have to implement some type of a price increase to compensate for that,” O’Reilly said.

Credit Union League of Connecticut President and CEO Bruce Adams said these interchange fees help cover the cost of fraud prevention and cybersecurity. As more large companies move to cashless models, they’ve been lobbying the government to push those interchange fees onto banking institutions, he said. “Retailers are trying to offload their responsibility for covering cyber fraud,” Adams said.

It’s much harder for smaller retailers or establishments to go cashless because of these fees, Adams said. Businesses with slim margins, like bars and restaurants, will have to grapple with that reality as they consider cashless models.

“If you’re going from maybe half of your customers paying in cash and half paying with some other credit method that’s going to have a fee on it, to 90% or 100% of your customers paying with a credit card, that really shifts that cost dramatically,” O’Reilly said.

The “unbanked” provide another challenge for cashless businesses. Not everyone has, or wants, a bank account or debit and credit card.

“You have quite a few people in this country that don’t have bank[s.]”