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Revving Up Your Working Capital: How AutoZone Evaluated Smart Safes to Streamline Operations

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Today's Agenda

- Smart Safes – Then and Now
- Driving Efficiencies through Remote Cash Capture Technology
- Overview of AutoZone
- The Challenges of Managing Cash Across Many Locations
- Starting our Engines
- Our Course for Success
 - Removing Roadblocks
 - Selecting the Right Partner
 - Optimizing Our Working Capital
 - Positive Impacts to Our Locations & Treasury
- Where We Are Today
- Lessons Learned & Tips to Share

Smart Safes – Then and Now

Technology originally developed in the mid 90's

New and improved smart safes developed in 2006/2007

Remote Cash Capture is born and the growth of smart safes is fueled by select banks providing daily provisional credit

- Loss Prevention initiative
- Adversely affected other areas within the organization
- Slow adoption rate

- Communication to central point revolutionized the program
- Value proposition improved significantly for Retailers
- Win for all stakeholders involved

- Improves access to cash and working capital
- Expedites and increases the accuracy of reconciliation
- Streamlines banking relationships and fees
- Reduced need for daily armored car pickups & expense while maintaining daily cash flow.

Driving Efficiencies with Remote Cash Capture (RCC) Technology

- AutoZone originally tested smart safe technology in 2003
- Currently leveraging RCC in proof of concept stores
- New technology allowed AutoZone to maximize its benefits:
 - Daily provisional credit of cash
 - Automated dollar validation & counterfeit detection
 - Software for online reporting of store receipts by store location

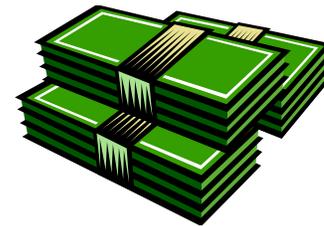
Overview of AutoZone

- Leading national retailer & distributor of auto replacement parts & accessories
- Over 4,500 locations in the US, Puerto Rico & Mexico
 - Average store size is approximately 6,500 square feet
- Rich culture of customer service and recognition
- Strong financial disciplines with emphasis on working capital management



The Challenges of Managing Cash Across Multiple Locations

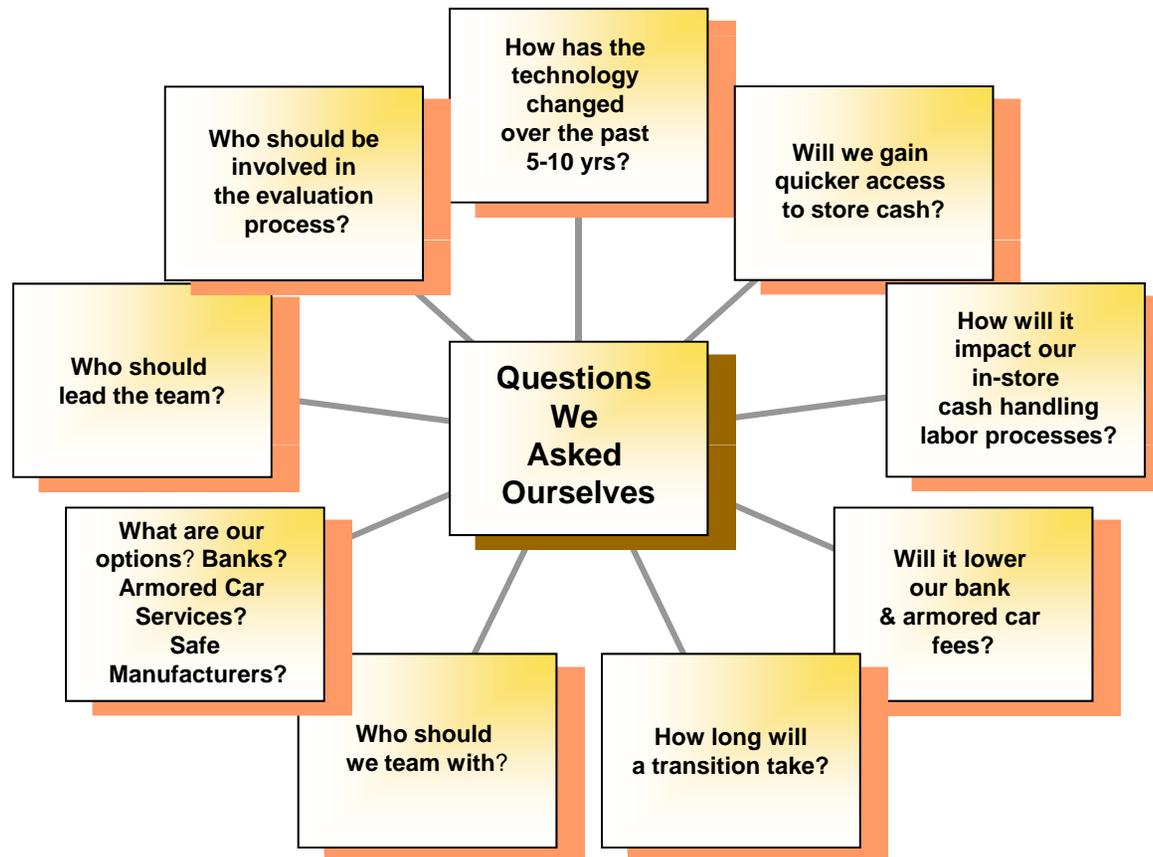
- Timely access to cash sales



AND

- Efficient management and control over costs associated with getting cash to the bank
 - In-store deposit preparation and cash handling
 - Armored courier pick-up expense
 - Deposit errors, cash shortages & miscellaneous supplies

Starting Our Engines

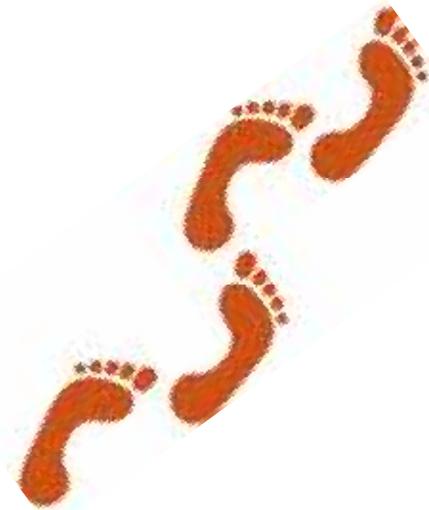


Sourcing RCC Partners- Know the Market

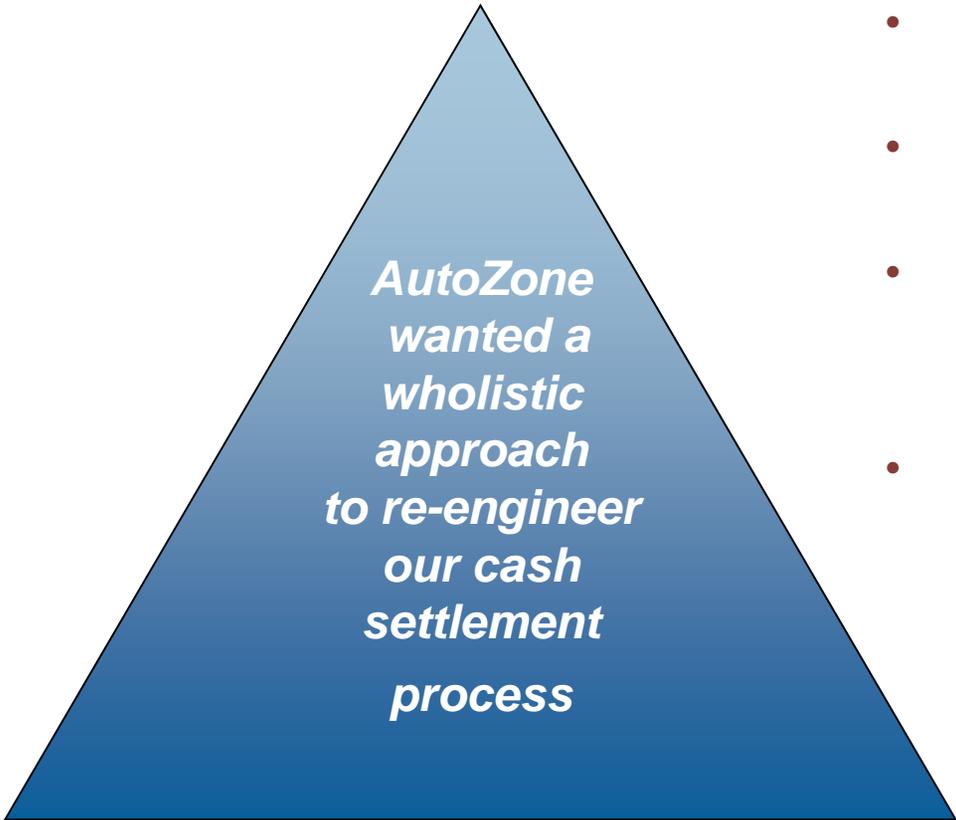
- Variety of distribution channels & partners
 - Limited number of Banks offering provisional credit
 - Banks team up with armored carriers
 - Armored Car Companies
 - Some have exclusive arrangements with Safe Manufacturers
 - Safe Manufacturers
 - Safes may not communicate with another armored carrier's information system
 - Propriety software
- Dynamic market place
- Bundled vs. Unbundled

Taking the First Steps

- Form an internal team to evaluate merits of RCC/smart safe technology
- Pilot RCC in select locations
- Establish KPIs to measure benefits
- Re-evaluate in-store cash handling procedures given program features
- Gain “champions” within the pilot stores and seek their feedback
- Evaluate all market providers



Our Course for Success-Removing Roadblocks

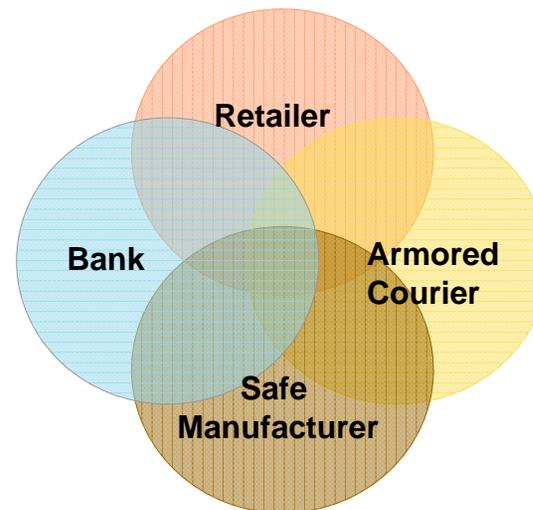


*AutoZone
wanted a
wholistic
approach
to re-engineer
our cash
settlement
process*

- Establish a model to measure costs and benefits
- Gain executive team support through periodic updates
- Ensure a collaborative effort between stakeholders such as Treasury, Loss Prevention, Bank Reconciliation, and Store Operations
- Establish consistent cash handling procedures for stores
 - Hard to change store behavior across numerous locations
 - Re-engineer all cash handling processes at same time

Our Course for Success-Selecting the Right Partner

- Single source safe provider
 - Ensures consistency across all stores
 - Multiple bank and armored carriers
- Partner with providers who have strong commitment to the business
 - Premier Infrastructure & Operations
 - Software, infrastructure & IT are the foundation of the solution, not the safes
 - Ongoing investment and enhancements to offering
- Seamless project management & expert leadership skills across the project team

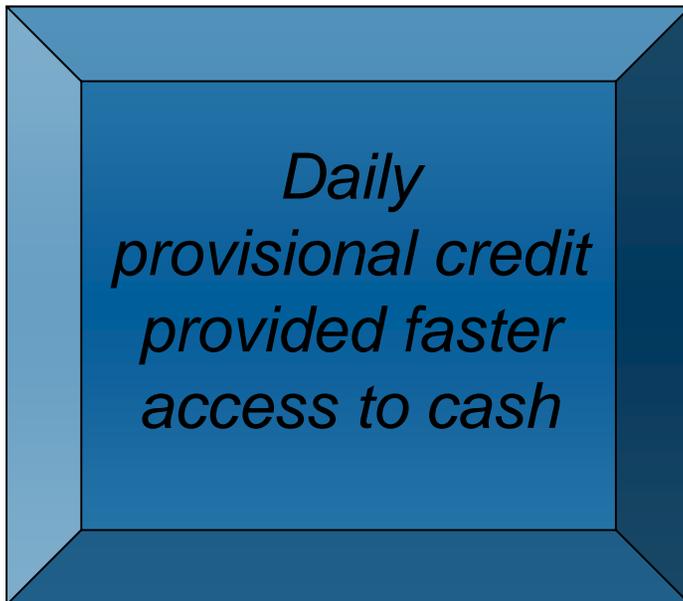


Our Course for Success - Selecting the Right Partner to Pilot RCC

Fifth Third delivered a specialized team with individual discipline and expertise

- Conducted store observations, analysis, ROI construction
 - Able to provide guidance for re-engineering processes
 - Benefited from an Industrial Engineer who was on-site in our locations
 - Industry expert - non banker background
 - Provided extensive guidance and operational expertise
 - Retooled policies and procedures
 - Coordinated store & treasury training
 - Dedicated ongoing support for reconciliation training
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Our Course for Success- Optimizing Working Capital



- Received provisional credit while cash was still in safe
 - Balances are validated by the safe and transmitted at the end of the day to the armored carrier
 - Armored carrier consolidates information and electronically forwards information to the bank
- Seamless to implement
- Improved working capital/decreased cash in transit
- Reduces ROIC by 20 bps

Our Course for Success- Positive Impacts to our Store Locations

Drove down costs



- Reduced the number of armored carrier pick-ups
 - AutoZone adopted a 1 day pick-up schedule for most pilot locations
- Decreased operating expenses associated with deposit tickets, plastic & paper envelopes, deposit bags, etc.

Gained process efficiencies



- Significant time savings in tasks associated with preparing and managing cash deposits
- Cash no longer double or triple counted
 - Validated directly by Smart Safe

Our Course for Success- Positive Impacts to our Store Locations

Tighter controls over cash



- Less exposure to cash reduced errors, shortages, missing deposits, theft
- Helps mitigate the risk of fraud

Enhanced reconciliation



- Helped eliminate deposit adjustments
- Challenges remain with dropped checks and cash

Our Course for Success- Positive Impacts to Treasury

- Improved working capital by expediting access to cash in stores
- Better decision making with more accurate & timely information on daily cash sales
- Optimized treasury structure with flexible account hierarchies
- Enhanced store deposit audit trail

Where We are Today

- Testing in a full Region
- Continue to evaluate partnership options and costs
- Evaluating POS integration opportunities with smart safes
- Finding ways to streamline reconciliation process
- Buy, Rent or Lease
- Evaluate which store profiles are best fit for a RCC



Lessons Learned & Tips to Share

- Sourcing the right partners is key
 - Bank
 - Armored Carrier
 - Safe Manufacturer
- Ensure depth of knowledge of banking partner to allow you to leverage industry expertise
- Need internal champions to drive benefits of the program
 - Store Operations Managers & Finance Managers
- Understand the alternatives to allow you to design the optimal solution
 - Bundled vs. unbundled
- Execute a phased-in implementation approach
 - Clearly identify test parameters, success criteria and procedures
- Understand the implications of buying, renting or leasing
- Get IT involved sooner, not later

Questions and Comments Welcomed

Thank you for your participation today!

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