

Spectrum Stores, Inc. rings the register with 100% direct deposit program

Snapshot

Client: Spectrum Stores, Inc., West Point, Georgia. Operates 94 convenience stores in Alabama and Georgia.

Employees: 900

Problems: -Costly distribution of weekly paychecks to employees at stores throughout a large geographic area.

-How to achieve 100% direct deposit participation.

Solution: Implement new 100% direct deposit policy using payroll accounts from Skylight Financial for employees without bank accounts.

Benefits: -Estimated savings: \$25,000+ per year by eliminating overnight delivery charges and check stock costs.

-Fewer interruptions for store managers on paydays to cash checks and answer phone calls from employees.

-Better security.

Gain with no pain

With tight margins squeezing profitability, companies constantly seek innovative ways to save money. Sometimes significant savings can be achieved with minor procedural changes involving little or no “pain.” Spectrum Stores, for example, found substantial savings by going to a 100% direct deposit system.

Spectrum Stores has about 900 employees working at 94 convenience stores in cities throughout Alabama and west Georgia, including Mobile, Birmingham, Montgomery, Macon and Columbus. Before implementing its direct deposit policy, the company printed checks on expensive stock every Wednesday at its headquarters in West Point, Georgia, and turned the checks over to overnight delivery services on Thursday for Friday delivery.

Spectrum's mantra: Hire the best. Pay them well. Pay them frequently.

The company estimates that it was spending about \$25,000 to \$30,000 annually on check printing and distribution costs. Going to a biweekly payday could have erased half of this cost. That was never considered, however, because management did not want to take away the benefit of weekly paydays.

According to Lyn Colasono, Spectrum's director of training, Spectrum Stores places high emphasis on fast and friendly customer service. To achieve it, the company believes in hiring "the best," providing plenty of training, and paying employees well—and frequently. Every employee is eligible to earn various bonuses and incentives.

The chain also prides itself on operating attractive stores with superior merchandise. At any given time, a hefty percentage of the company's stores are being remodeled. Some stores have been completely leveled and rebuilt.

"Delivering those checks to all the stores in a timely manner was getting to be cost prohibitive," said Colasono. "Senior management made the decision to go to a direct-deposit-only system. The only way anyone would be paid would be through direct deposit. Since some employees, for whatever reasons, do not have their own bank account, we needed to have an alternative. That's how Skylight came into the picture."

"Have the checks come yet?"

Formerly a store manager, Colasono knows from experience that the benefits of direct deposit extend well beyond the hard-dollar savings. She points out safety and security problems with distributing paper checks. For example, some stores would cash checks for employees, undermining best practices that limit how much money a manager can access.

The old system caused productivity and customer service issues, too. On paydays, on-duty managers had frequent interruptions to take calls from off-duty employees asking if checks had arrived yet.

The launch team

Colasono managed the smooth, uneventful launch of the direct deposit system in August of 2004. A Skylight representative met with Colasono and her staff of orientation coordinators and explained how to complete enrollment forms. Colasono announced the program by e-mails followed by a meeting with district managers, who were instructed to have all

employees signed up on some type of direct deposit within a specified period.

Current employees with bank accounts could sign up at their store. New employees and employees without bank account accounts were enrolled at weekly district orientation meetings.

Of the company's 900 employees, 218 opted to open Skylight accounts. The absence of complaints from employees, Colasono feels, is testimony of the program's success. The orientation coordinators are careful to explain to new Skylight cardholders how they can minimize ATM fees. "One person stopped his Skylight account to open a regular bank account, and then signed up with Skylight again because his bank fees were too high."

The company has eliminated manual distribution of check stubs, too. Store managers can securely download and print stubs at the stores.

Colasono is pleased with all aspects of Skylight's participation in the direct deposit program. "The training materials for our orientation coordinators are very well done and easy to understand," she said. "The enrollment packets are easy to use, too. And Skylight is extremely responsive to any questions or requests that we have. Skylight has earned a great reputation with management and with the employees who have Skylight accounts."