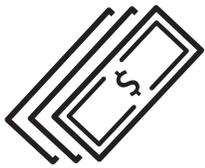


## Enhancing Profitability and Performance of Financial Institutions through Cash Management Services Outsourcing



*As financial institutions seek to reduce costs and expand their footprint through strategic partnerships with cash handling vendors, successful outcomes will be determined by the strength of these partnerships.*

### ■ INTRODUCTION

As a method for increasing the performance and profitability of financial institutions, the outsourcing of the Cash Management Services (CMS) function has taken root in the U.S. By outsourcing CMS functions such as cash vaulting and cash processing, financial institutions, both large and small, are able to take advantage of the economies of scale and strategic market expansion that an experienced cash handling company can provide.

#### *The Benefits of CMS Outsourcing*

Outsourcing a financial institution's CMS function to a cash handling company with a robust national network reduces costs by eliminating investments associated with maintaining a cash vault infrastructure. In addition, it also allows for the expansion of the institution's service network to accommodate clients beyond their branch network's reach.

CMS outsourcing has proven to be a successful choice for financial institutions in Europe, Australia, and Canada. In the US, where acceptance initially lagged, the top financial institutions now employ a mix of internal and outsourced cash vaults or are completely outsourcing their vault services.

A key turning point for CMS outsourcing in the US occurred in late 2013, when the second largest US bank reached an agreement to divest many of their cash vaults to a Canadian-based cash handling company. The significance of this event was not lost on many in the banking and financial sector.

Six months later, Bank of America awarded a sizable contract to Loomis US to manage its cash processing and check imaging services. The contract was the largest CMS contract signed by Loomis US, and serves as an indication of the increased acceptance of outsourcing CMS services. As these examples suggest, finding the right cash handling company with a breadth and depth of understanding is critical for a successful outcome for the financial institution.

### ■ LOOMIS US

To establish itself as a major player in providing CMS outsourcing, Loomis US has strengthened its national infrastructure over the past decade, resulting in Loomis managing a third of the US CMS market. By building a national network of modern CMS facilities leveraged with a stringent quality control program, Loomis has positioned itself for scalable growth where financial institutions require their services.

To improve the customer experience, Loomis

is driving a commitment to customer service through the ranks of its branches and corporate offices. Customers can also now manage their accounts online with Loomis Direct, which features robust reporting and account management tools.

With this focus on developing mutually beneficial and strategic partnerships with customers, Loomis demonstrates a commitment to service and leadership in the marketplace.

The national network, comprehensive customer service, and long-term relationship building are all designed to enhance the profitability and the performance of financial institutions by defining and delivering quality services at an appropriate price.

#### *Defining and Delivering Quality Performance*

Loomis continues to invest in the standardization of CMS processes and the delivery of quality performance as it builds and updates new CMS facilities throughout the US. At the center of quality CMS performance is the Loomis 'GoGreen' program.

The program measures and monitors individual job performance at every level of the Loomis CMS operation. With 'GoGreen,' performance is tracked both locally at the Loomis Branch and

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*“... if you don’t trust your partner, you don’t have the right partner.”*

*Dominic Cugini, Director & Senior Vice President  
of Payment & Deposit Operations at KeyBank*

nationally at the corporate headquarters. Results are benchmarked to drive performance, and problem identification is automated to trigger employee performance improvement. To keep standards appropriately high, Loomis employees are focused on staying at or above the ‘green’ benchmark level of 99.98%.

Loomis understands that quality performance is critical to any successful CMS operation, and service levels need to be consistently high from day one. Performance issues are pro actively identified and quickly escalated for rapid resolution. By managing employees to this benchmark, Loomis guarantees that its customers receive the highest possible quality of performance.

The Loomis ‘GoGreen’ program also maintains quality performance by ensuring that CMS services are fully scalable. New business acquired at a Loomis CMS operation is added into the existing workflow with zero impact on both new and existing customers.

By defining and delivering quality performance nationwide, Loomis is able to provide profitable experiences for financial institutions.

## ■ KEYBANK

The process of outsourcing CMS provides financial institutions the opportunity to focus on their core business by shifting resources away from managing cash vaults and cash processing. Leveraging Lean Six Sigma Methodologies, KeyBank saw an opportunity to expand its national footprint with a variable cost model. Significant efficiencies can be realized by reducing the variable costs associated with

labor and eliminating the fixed costs associated with infrastructure and equipment.

For these reasons, KeyBank decided to outsource their cash vaults to Loomis US. Cleveland-based KeyBank is one of the largest regional banks in the U.S. providing deposit, lending, cash management and investment services to individuals, small and medium-sized businesses.

### **Expanding the Network and Improving Efficiencies**

When KeyBank found they were getting client Request for Proposals (RFPs) for areas where they lacked presence, they struggled to compete with other bids. While partnerships with cash handling companies to set up satellite sites for certain clients were a stopgap solution, the results were problematic. Low volume made their costs high, and made it difficult to be competitive. KeyBank needed a competitive way to deliver a client oriented solution model.

“We were trying to source certain sites based on proposals, but we couldn’t get the economies of scale, and we struggled with inconsistent cost models,” noted Dominic Cugini, Director & Senior Vice President of Payment & Deposit Operations at KeyBank. The solution: partnering with Loomis to outsource their cash vaults, using Loomis’ national vault network to deliver a competitive variable cost solution, and standardizing the pricing of customer services through the reduction of pricing variables to a ‘per click’ basis.

Outsourcing to Loomis provided the basis for KeyBank to deliver a competitive, national solution to their client base from a price and

a delivery model standpoint to RFPs.

KeyBank was also able to realize efficiencies through the consolidation of office space to offset additional costs. “We were able to offload a 53,000 square foot building and to better leverage a 23,000 square foot building,” Cugini explained. This gave KeyBank a favorable internal rate of return with less than a two-year return on investment.

The partnership with Loomis also allowed KeyBank to variabilize expenses related to staffing, training, and security, but not without making some difficult decisions. While no company wants to release top performing, long-time employees, Loomis was able to mitigate these circumstances by offering KeyBank employees the opportunity to interview for positions at Loomis in their cash vaults. “Sixty percent of our staff transitioned into new roles, and many are with Loomis,” noted Cugini.

Outsourcing CMS also removed risk management liability from under the financial institution’s umbrella. Costs associated with risk management, such as theft, loss, shortages, risk of robbery, and counterfeit detection were shifted to Loomis.

With a shared vision of Lean Six Sigma, KeyBank and Loomis were able to successfully transition the CMS function. KeyBank praised Loomis’ dedication to standardizing their sites with solid processing systems and responsive IT solutions; when KeyBank identified a technology ‘gap,’ Loomis was quick to fill it. KeyBank singled out Loomis’ eagerness to solve problems, improve processes, and inspire confidence in their abilities.



*For financial institutions seeking to outsource CMS, finding a compatible vendor is important. For KeyBank, the relationship with Loomis was critical.*

"KeyBank feels Loomis is a great partner in the vault and transportation space focusing on the client experience," Cugini stated, "and if you don't trust your partner, you don't have the right partner."

In 2014, KeyBank outsourced 60% of their vault operations to Loomis US.

**THE PARTNERSHIP**

For financial institutions seeking to outsource CMS, finding a compatible vendor is important. For KeyBank, the relationship with Loomis was critical.

**LOOMIS US AND KEYBANK**

Loomis US partnered with KeyBank to outsource cash vaults, expand their footprint, and improve consistency in the client experience. Through this partnership, KeyBank was able to standardize pricing structures by taking advantage of the variable cost model Loomis provided. KeyBank identified Loomis as the ideal partner on the vault side and with Cash-in-Transit.

**CONCLUSION**

As financial institutions embrace outsourcing CMS to expand their footprint at competitive pricing and mitigate risk, the positive trend will continue. The factors that will drive greater acceptance of outsourcing CMS will continue to be:

- ❑ A need for competitive pricing and consistent client experience, including:
  - Eliminating cash vault infrastructure investments
  - Variabilizing human capital costs
  - Shifting from fixed cost to a variable cost model
- ❑ A need to expand national footprint without investing in infrastructure.
- ❑ Greater confidence in the ability of cash handling companies to provide quality service.

While these factors drive CMS outsourcing, a strategic partnership of financial institutions and cash handling companies such as Loomis will determine the level of outsourcing success.

The successful outcome will depend on a reliable footprint expansion, quality performance, and improved efficiencies driven by a strong partnership with a vendor that can enhance the performance of the financial institution.

For CMS outsourcing, Loomis US is proving to be the right partner for financial institutions. ■

Contact us at [cms@us.loomis.com](mailto:cms@us.loomis.com) or (713) 435-6700 for more information on how Loomis Cash Management and Vault Services can benefit your financial institution.