



Improving Profitability and Performance at Citizens Bank with Cash Management 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 profitability of financial institutions, the outsourcing of the Cash Management Services (CMS) function has taken root in the US. 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.



With cost reductions related to property, equipment, staffing, training, and risk management, the bank realized a 29% overall reduction in costs, with no significant impact on service levels or processing capabilities.

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 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 proactively 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.

CITIZENS BANK

Citizens Bank is headquartered in Providence, Rhode Island, with \$137.3 billion in assets as of June 30, 2015 and 1,200 branches in 11 states. Citizens Bank offers retail and commercial banking products and services to individuals, small businesses, middle-market companies, large corporations and institutions.

Cost Reductions Through Outsourcing

Jeff LeBlanc, Senior Vice President and Head of Consumer and Regional Operations at Citizens Bank, has partnered with Loomis for five years, and was involved with the migration of its New Hampshire cash room to Loomis. With cost reductions related to property, equipment, staffing, training, and risk management, the bank realized a 29% overall reduction in costs, with no significant impact on service levels or processing capabilities. In addition, future costs were avoided, as the facility would have required significant investments in the future, including security and equipment improvements.

The critical component for Citizens Bank was the shift from a fixed cost model to a variable cost model, which LeBlanc considers more efficient.

"With a company like Loomis, they're going to be more agile and they're going to have a more efficient cost basis to offer, with price structures and service capabilities that we were just never going to be able to replicate internally," LeBlanc stated.



Establishing a Principal Strategic Partner

In the Spring of 2015, Citizens Bank reached out to Loomis to support a transition of cash handling services from an exiting vendor. The vendor was responsible for Cash-in-Transit, ATM, cash processing and vault services throughout the New England, New York, and Pennsylvania area. “Loomis played a critical role in helping us through the transition of the business,” LeBlanc explained. “With their capabilities and their presence of mind, they were able to help us understand how to best solve problems related to the transition. They were extraordinary throughout the process.”

The importance of a strong partnership can not be overstated. It is helpful to identify a vendor who clearly defines best practices in their industry.

“For Citizens Bank, it was especially important to identify a provider that has an almost nationwide type of reach,” LeBlanc said. “This was another advantage that Loomis brought to the table for us.”

THE PARTNERSHIP

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

Loomis US and Citizens Bank

Loomis US partnered with Citizens Bank to migrate their New Hampshire Cash Room in 2010, and realized cost reductions with minimal impact to operations. Loomis also onboarded Citizens Bank’s Cash-in-Transit, ATM, and vault services following a change in the bank’s previous vendor. Citizens Bank praised Loomis’ critical role in the successful transition.

CONCLUSION

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

- A need for substantial cost reductions, including:
 - Eliminating cash vault infrastructure investments and other 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 clear cost reductions, reliable footprint expansion, and quality performance driven by a strong partnership with a vendor that can enhance the profitability and performance of the financial institution.

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