

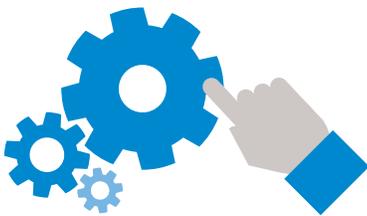
Making the Case for Insourcing in Financial Services

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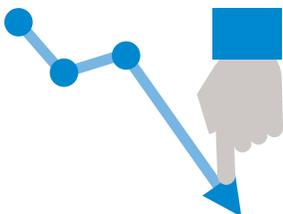
Benefits of Insourcing



Improved customer service



Greater control over business processes



Reductions in operating costs

Many industries, most notably IT and manufacturing, have begun re-examining the need for outsourcing and are shifting to an insourced approach.¹ The benefits of insourcing include improved customer service, greater control over business processes and actual reductions in operating costs. As part of their branch transformation strategy to reduce costs and increase productivity, many financial institutions (FIs) are following suit and examining current outsourcing strategies. One such area that is ripe for insourcing is the processing of commercial and ATM deposits.

The Downside of Outsourcing

In the late 1990s and early 2000s, financial services was one of many industries to adopt outsourcing as a way of standardizing business processes, leveraging outside expertise and achieving cost savings of as much as 40 percent.² Processing deposits from ATMs and commercial accounts was one of the core functions outsourced by the financial services industry over the past two decades. To ease real estate and employee costs, companies began to rely on armored carriers to pick up and take money away to process it off-site.

Unfortunately, the expected cost reductions often didn't materialize due to some or all of the following factors:

- 1 With the armored transport market dominated by a few key companies and demand increasing, prices are projected to increase even more over the next several years.³
- 2 Sending cash off-site to be processed also creates an inventory need at the branch and makes it necessary to order more cash to utilize in ATMs and for transactions. In addition, when funds are tied up in cash in transport, they're unavailable, so financial institutions need to borrow money from other banks to continue with other operations, including loans.
- 3 With interest rates on the rise and high cash-order and transportation fees imposed, the substantial cost of this service has led some banks and credit unions to begin exploring more cost-effective and efficient options.

Keeping Your Money In-house

When making the decision to insource, FIs must consider if the task is strategically important and/or has a significant impact on operational performance.⁴ Processing ATMs and commercial deposits is a critical task that contributes to the overall performance of the branch. It is also one that, with the right equipment in place, can be retained in-house simply and affordably.

In-house currency processing:

- ✓ Avoid paying high transportation and processing fees
- ✓ Eliminate cash-order fees and unnecessary borrowing of funds for other operations
- ✓ Reduce the time and costs to complete routine currency processing tasks



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Cummins Allison is a global leader in developing solutions that quickly and efficiently count, sort and authenticate currency, checks and coin. We also offer a complete line of full-function automated teller machines (ATMs). Our leadership in technology and product innovation spans more than 125 years. Cummins Allison serves the majority of financial institutions worldwide, as well as leading organizations in retail, gaming, law enforcement and government. Ninety-seven percent of our customers would recommend our products and services.

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By bringing currency processing back in-house, FIs can avoid paying high transportation and processing fees and negate the need to issue cash orders to make up for cash being processed off-site. With processing done on-site, deposits can be quickly processed and paid out as change orders or used to replenish ATMs, avoiding the lag time associated with currency pickup, transport and processing and eliminating the need to borrow additional funds for other operations.

The initial technology investment of currency processing machines is recuperated over the course of months, not years, in the form of eliminated armored transport service costs and minimized processing time. An institution with five or six ATMs at a single branch location, for example, might typically rely on armored transport service for daily trips (or multiple trips per day). By switching to in-house processing, they can eliminate high transportation and processing fees, improve inventory management and get a return on investment in a short amount of time. In fact, an FI could reduce the number of cash orders by approximately 50-67%.

Getting the Right Equipment is Crucial

Once the decision to insource currency processing has been made, the next step is to determine the right technology. Advances in today's currency processing equipment include multi-pocket currency scanners and sorters that are faster, easier to use and more customizable than ever before. Those that offer a future-ready design make it possible for FIs to scale up or down as their processing needs change.

Utilizing in-house currency processing equipment can dramatically decrease the time it takes for branch personnel to complete routine tasks, such as ATM processing. Today's most advanced technology has been shown to reduce the processing time of each ATM from 45 to 5 minutes. Consider the substantial time and labor savings that could be achieved if this strategy were implemented across multiple ATMs and branches—including reallocating employees to higher-value, customer-focused tasks or eliminating the need for additional full-time employees across multiple branch locations.

Your Partner Matters

Key to achieving optimal ROI is a vendor partner to help tailor the equipment investment and configuration to best suit the needs of a given branch. A vendor with the proper expertise and the most advanced technology can work with branch personnel to determine the proper number, footprint and configuration of machines to ensure optimal efficiency. When fully and properly implemented, this insourced approach can have a measurable and positive impact on an institution's day-to-day operations and be a boon to any branch's bottom line.

In today's age of branch transformation, identifying opportunities for cost savings and productivity gains is top-of-mind. Insourcing currency processing can open the door to keeping cash—and profits—inside your institution's walls. With the right equipment, you can save on the costly transportation, processing and cash-order fees associated with cash-in-transit services, avoid borrowing additional funds, and reduce the time and costs necessary to complete routine currency processing tasks.

See how financial institutions can easily bring commercial and ATM deposit processing back into the branch easily and affordably. Visit cumminsallison.com/insourcing

Sources:

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³ IBISWorld, "Armored Transport Services Procurement Category Market Research Report from IBISWorld Has Been Updated" <http://www.prweb.com/releases/2015/04/prweb12650938.htm>

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