# Why banks and credit unions should outsource their ATM back-office

**ATM program management is costly and complicated, yet it isn't a core business for financial institutions that deploy ATMs as part of their customer satisfaction strategy. Banks and credit unions can achieve significant savings and efficiencies by outsourcing their ATM back-office activities.**

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## Goals of outsourcing

- ☑ Mitigate risk
- ☑ Increase profitability
- ☑ Improve efficiency
- ☑ Leverage expertise
- ☑ Enhance flexibility
- ☑ Concentrate on core competencies
- ☑ Augment customer-facing activities
- ☑ Eliminate ATM downtime

**Banks and credit unions need to reduce costs, focus on what they do best, and outsource the rest.**

With physical attacks on ATMs occurring on a regular basis in the US, ATMs and mobile devices are becoming increasingly important banking channels, leading to a decreased need for consumers to visit branches and interact with live tellers. With increased deployment, managing costs of the ATM distribution channel is much more critical for overall profitability.

For financial institutions, managing the logistics of an ATM program is an expensive and complicated exercise in an area that isn't necessarily part of their core business. As current economic conditions place increasing pressure on margins, financial institutions need to improve productivity and efficiency, thereby improving profitability. Outsourcing the back-office components of the ATM program offers an avenue to achieve these goals.

### ATM Managed Services

"Outsourcing ATM back-office functions reduces the costs of ATM network management for banks and credit unions," says Mary Kay Eisel, Vice President at Newark, Del.-based Cash Connect, whose ATM Managed Services program combines highly competitive, below-market armored courier rates, state-of-the-art cash forecasting and settlement tools. Savings and benefits are passed on to clients.

"ATM Managed Services is a turnkey service that includes managing vault cash, optimizing load amounts and schedules, managing armored couriers and maintenance providers, as well as providing industry-leading insurance coverage. Outsourcing these functions enables a financial institution to focus on core competencies instead of spending lots of time administering their

**Cost-savings from outsourcing ATM cash management**

**Organization managing its own armored courier relationship**
- Off-premise ATMs: 100
- Average loads per month: 1.5
- Est. average courier cost: $75/load
- Full-time employee (vendor management/forecasting/invoice reconcilement): 1
- Salary and benefits: $50,000
- Total operating expense: $185,000

**Organization using ATM Managed Services**
- Off-premise ATMs: 100
- Average loads per month: 1.5
- Average courier cost: $65/load
- Cash forecasting fee: $10/order
- Total operating expense: $135,000
- Annual savings: $50,000

ATM program," Eisel says. "Properly managing the back office of an ATM program is critical, but it's labor-intensive and doesn't generate revenue for an FI."

Cash Connect offers financial institutions the expertise of its back-office staff, who are dedicated to reducing costs for the company's clients. When clients sign up for ATM Managed Services, they are assigned a dedicated project manager at Cash Connect to ensure their conversion goes smoothly and who acts as a single point of contact throughout the relationship.

## Vault cash

While most financial institutions utilize their own cash to fill ATMs, there may be situations where it is not desirable or practical to do so. In these instances, Cash Connect can provide vault cash to the bank or credit union. This frees the financial institution to use its cash for other more profitable activities.

## Risk mitigation

Outsourcing cash services can play a key role in reducing theft and fraud risk exposure and in cutting insurance costs. Vault cash providers pay less for insurance because of their cash-handling expertise and the sheer volume of cash they are insuring.



Losses from internal theft hurt the ATM industry more than most other types of ATM-related fraud. When employees become disgruntled or hit hard times, it can be tempting for them to skim cash, especially when cash monitoring is not a priority. To prevent internal theft, Cash Connect leverages ATM Managed Services' remote monitoring and predictive cash management tools. These tools work to optimize the amount of cash needed to load ATMs given usage history as well as to reconcile the amount of cash loaded and dispensed.

**Increasing efficiencies and mitigating risk while improving profit margins associated with ATM network management can be challenging. There is one clear way to do this: outsource.**

Because Cash Connect reconciles each cash order down to the transaction level, the company quickly identifies any discrepancies and takes the required steps to mitigate potential losses.

To reduce the risk of theft by armored courier staff, Cash Connect requires that cash cassettes are swapped out every 30 days. This ensures that any theft by armored courier personnel is detected quickly. When losses do occur, having the appropriate insurance is critical. Many policies specifically exclude certain types of theft from coverage, but Cash Connect has an industry-leading policy that ensures maximum coverage throughout the transit cycle of the cash.

### ERM Audit Requirements

"The Cash Connect ATM Managed Services program gives financial institutions a leg-up when it comes to establishing their risk mitigation procedures and controls around their ATM programs for Enterprise Risk Management," according to Tom Stevenson, President of Cash Connect. "Given the strict and ever-increasing requirements from the regulators, financial institutions can partner with a company like Cash Connect that not only understands what regulators require for controls, but provides the control while saving money for the institution."

### Armored Couriers

Cash Connect has enviable nationwide relationships with armored couriers like Loomis, Brinks and Garda, as well as with major regional couriers and maintenance providers like Pendum and Bancsource. "Because of our buying power, we are able to negotiate volume discounts with these service providers," says Stevenson. "Individual banks and credit unions can find it difficult, if not impossible, to negotiate such good rates for these types of services. These reduced rates are passed along to our clients."

**ATM Program Management features and benefits, include:**

☑ Armored courier and service management with access to multiple armored couriers and maintenance providers through one contract and one contact point

☑ Best-in-class pricing through Cash Connect volume discounts that are passed along to bank and credit union clients

☑ Insurance through industry-leading Lloyd's of London

☑ Financial penalties for courier load errors or missed loads

☑ Accurate, timely, consolidated, and reconciled billing

☑ Dispute management by Cash Connect for courier-related cash differences

☑ Proactive verification of every load

Online and mobile ticketing system with automated integration to service vendors

☑ 24x7 availability through the on-line ticketing system; help desk agents 9a 8p Monday through Friday and 8a-5p Saturday and Sunday with an industry-leading four-hour response time

**Cash forecasting services include:**

☑ Predictive cash forecasting to optimize load amounts

☑ Cash level monitoring

☑ Load frequency optimization

☑ Lower cash costs as a result of lower residuals

☑ Placing cash orders according to courier schedule so clients don't miss a load and don't have to track load schedules and lead times themselves

Some smaller local and regional financial institutions may even task employees with transporting cash and loading ATMs, significantly increasing risk of theft or loss and potential harm to the employee.

For larger financial institutions using multiple armored couriers or other service providers, managing relationships with these companies is challenging. Learning the various load schedules, chasing down reports, and filing claims can be a real burden on the financial institution's back office. By signing up for ATM Managed Services, financial institutions gain a single point of contact for their cash delivery needs and armored courier service.

Through ATM Managed Services, Cash Connect manages every aspect of the courier relationship on behalf of its clients. Benefits include financial penalties for missed service levels due to load errors or missed loads; consolidated and reconciled billing; dispute management for courier-related cash differences; and proactive verification of every load through their web and mobile ticketing service.

"Every service performed is logged and, at the end of the month, the courier invoice is generated from our system," says Stevenson. "This allows us to compare the correct charges to the invoice from the courier and quickly identify billing errors. As many as 60% of the invoices couriers send their customers contain errors, which can cost clients a lot of money. We only send our clients their courier invoice after we have cleaned it up, saving significant time and effort." In November 2013 alone, Cash Connect successfully disputed over $30,000 in incorrect billings with just one major armored courier company.

Cash Connect has a web and mobile ticketing service that allows clients to open service requests to armored couriers or maintenance providers directly through the CashTrack web portal. When a request is received, the ticket is opened with the service provider via a live data feed. Being able to open tickets, get updates, and keep track of everything through one site makes life easier for Cash Connect financial institution clients.

The live feeds allow seamless handoff from the client to the technician, speeding resolution and improving ATM uptime. The ticketing system helps to improve record-keeping accuracy, resulting in more exact invoices and ensuring that clients receive the promised benefits of service level agreements.

## Cash forecasting

Predictive cash management – finding a balance between the cash actually needed versus having too much or too little – is more complicated than it seems. Also, predictive cash management software can be expensive and difficult to implement, particularly for smaller ATM programs and networks.

As part of ATM Managed Services, Cash Connect accurately and efficiently forecasts ATM cash-load requirements, optimizing the load amount and transportation schedule with the cost of cash for each ATM. The remote monitoring and predictive cash forecasting system uses recent transaction history and year-over-year trends to predict the optimal amount of cash for each load.

The system monitors cash run-out dates each day and identifies ATMs at risk of depleting their cash before the next scheduled load. Low cash notices are sent directly to clients with options that help the client determine the best course of action. According to Cash Connect, proper forecasting can lower cash inventories by 20 to 40 percent while simultaneously reducing cash out-ages.

*About the sponsor: Newark, Delaware-based Cash Connect is the leading provider of ATM vault cash, armored courier management, and cash forecasting solutions to the ATM industry. Since 1998, financial institutions across the U.S. have trusted Cash Connect to manage their ATM programs, allowing them the freedom and flexibility to focus their on growing and managing their financial institutions.*

*Cash Connect provides approximately $10 billion annually in ATM vault cash to 15,000 ATMs in all 50 states. The Company has been recognized by the ATM Industry Association (ATMIA) and ATM Marketplace.com with the prestigious ATM Industry Award for Excellence. For more information, visit http://www.cash-connect.com/.*