



## Winning at the Value Delivery Game:

What every bank needs to know about Remote Cash Capture and how third party managed programs are driving client loyalty, strengthening brands, and growing revenue for banks





*"... banks are looking at Remote Cash Capture as a tool to support their high cash volume customers in a whole new light. Gone are the days of banks wanting to relinquish their customer base to be handled by historic CiT Smart Safe providers."*

## Introduction

**Remote Cash Capture (RCC) is transforming relationships between commercial banks and their clients.**

With approximately 100,000 Smart Safes installed in the U.S. alone, the Remote Cash Capture industry is expected to grow steadily through 2020. And with cash continuing to dominate in retail, the U.S. market is estimated to reach 1.2 million safes in total.

Much of the attention around Remote Cash Capture programs as a solution has been placed on the retailer that manages high volumes of cash and is looking to optimize internal efficiencies and reduce risk.

However, banks are increasingly looking at Remote Cash Capture as a tool to support their high cash volume customers in a whole new light. Gone are the days of banks wanting to relinquish their customer base to be handled by historic CiT Smart Safe providers.

Banking leaders are asking better questions related to the dilemma they have observed since the inception of Remote Cash Capture ten years ago: How can we leverage Remote Cash Capture as a bank-owned product offering to extend the client relationships within the bank and not outside of it without the burden of managing all of the logistics in-house?

In the past, banks have relied on armored couriers, or Cash in Transit services (CiT), to deliver cash deposits to their banks. When Remote Cash Capture came onto the scene, the CiTs were the ones with the infrastructure to add Smart Safes as a product line, taking the bank's clients, their deposit fees, and their loyalty right along with them.



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Until recently, most banks have had no choice but to refer clients to the CiT providers for Smart Safes.

Now, with the arrival of open systems and fully managed solutions assembled by third parties based on the specific needs or requirements of individual banks, a new set of opportunities lie ahead for banks who are forward-thinking and ready to act.

Bank-led RCC programs offer a path for banks to increase revenue and control the entire cash transit business model. Banks become single source, trusted advisors for treasury management services.



## What's Changing in Cash Management? The Retail Perspective

Traditionally, retail employees manually counted and processed cash in stores. Armored couriers securely transport currency in labeled bags to banks or vaults. Once the money arrives at the bank, deposits are re-counted and credited to the bank customer's account.

In smaller businesses, managers or other store personnel often left the storefront multiple times per day to drive deposits to a local bank branch. Then, once the cash arrived, there could be a lag time before a credit would post.

Remote Cash Capture has changed the way retailers do business. Smart Safes securely and accurately collect, count, and store coins and bills in a closed system. Integrated solutions allow businesses to receive provisional credit for cash held in store.

*"Businesses save time and improve security with reduced employee touch points and accurate, automated cash-handling"*

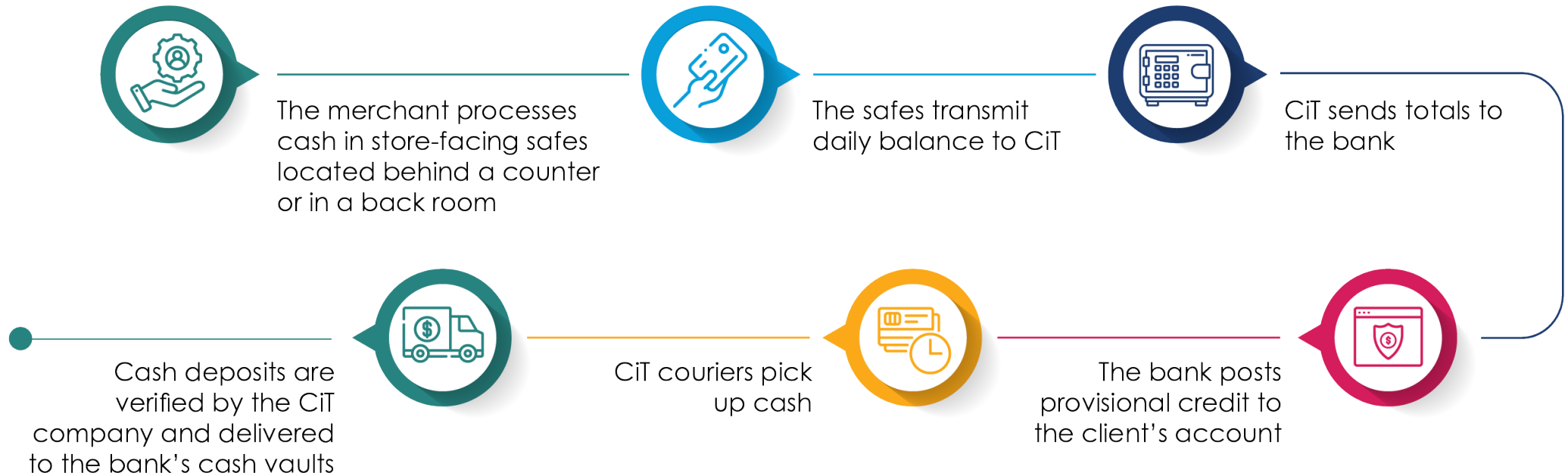
In-store Smart Safes have been available since 1995 and financial institutions have offered RCC since 2005. However, until recently, the cost of entry has limited its use primarily to larger retail chains.

With the development of compact, business-facing models, Smart Safes have become more affordable, allowing convenience stores, restaurants, and other cash-heavy businesses to gain access without it being cost prohibitive to start. Smaller units can be placed behind service counters or in back rooms. And authorized users can access records of online transactions. Reports may include current safe holdings, end of shift summaries, user shift summaries, end of day reports, and shift reports.



# How Traditional Remote Cash Capture Works

In the traditional model, the Cash in Transit company is in control:



## When You Win, Your Merchant Wins:

### 8 Ways Your Customers Benefit When You Offer RCC

1. Reduced employee and armored courier bank trips
2. Efficient cash handling workflow and reduced employee hours counting cash
3. More time for managers to spend with customers, train employees, and run the business
4. One bank can serve multiple business locations even outside of the bank's footprint
5. Improved safety of your client's employees and funds with increased on-site security
6. Improved funds availability – cash flow no longer depends on daily CiT transportation
7. Increased transparency – always know where your cash is with online monitoring of hardware and account balances
8. Reduced risk of shrinkage from errors and employee theft with reduced cash handling and increased reporting accuracy\*



\*CFEs who participated in a 2016 survey by the Association of Certified Fraud Examiners estimated that the typical organization loses 5% of revenues in each year due to employee fraud (ACFE, 2016)

## Are CiT Contracts Shrinking Your Role in the Client Relationship?

For many banks, the armored Smart Safe courier program has squeezed them out of their long-term client relationships. When the armored courier runs your RCC program, your role shrinks and your ability to build a strong client relationship declines.

It is the CiT provider that holds the contract directly with your customer. Their standard 5-year contract not only includes armored services, but also equipment, servicing and support, and a portion of the money processing services.

This reduces the bank's role to only provisional credit, and gives room for the CiT's to suggest your clients move from your bank to another.

And what happens in the event of hardware or software failure? The bank has little visibility into the status of the hardware. Your hands are tied when it comes to ensuring accurate balances and safety. Banks must rely on customer escalations to know the status of their client experience and product support.

Your opportunity for sustained, long-term contractual relationships with clients diminishes; however, you are still tied to managing incoming calls on failures that your bank doesn't see. Under the historic model, the courier brand dominates and controls the client's behavior and retention not the bank.

## How Banks Lose with Traditional Remote Cash Capture:

Armored Carrier (CiT)	You The Bank
80-90% of revenue	10-20% of revenue
One size fits all	No competitive advantage in the market in the eyes of your client
Client signs 5-year contract with CiT	Client not contractually obligated to the bank
CiT controls the pricing and sales process	Bank lacks control over client experience and onboarding
Limited network and device monitoring	No visibility to safes going offline
CiT brand dominates	Limited bank branding opportunity





*“With approximately 100,000 Smart Safes installed in the US at the start of 2018 in what is estimated to be about a 1.2 million safe market ... banks adopting RCC technology will have the opportunity to stand out among their peers.”*

## How one bank effectively took control of their own RCC Program.

Andrea Smiddy-Schlagel, Treasury Services Division Head at 1st Source Bank, was approached by a client who previously had a bad experience with a Smart Safe provider but knew that the Smart Safe technology had promising potential for internal operational efficiencies.

Andrea's client wanted to work directly with 1st Source Bank and not with an armored car company to put a Smart Safe program in place in its three South Bend, Indiana retail stores.

In this case, the client had a previous contract with an armored courier that wasn't working and was about to end. The client, who no longer wished to continue doing business with the CiT service, asked the bank about providing its own solution. Within three months, 1st Source Bank, in partnership with Superior's Managed Service Program, stood up its process. The bank handled the cash processing and oversight for this client manually until the automation was fully in place, meeting the client's tight deadline.

Today, 1st Source Bank's Remote Cash Capture program provides comprehensive treasury management services customized to the needs of each client.



# How Bank-deployed Remote Cash Capture Works

In a fully managed bank-deployed RCC program the model changes:



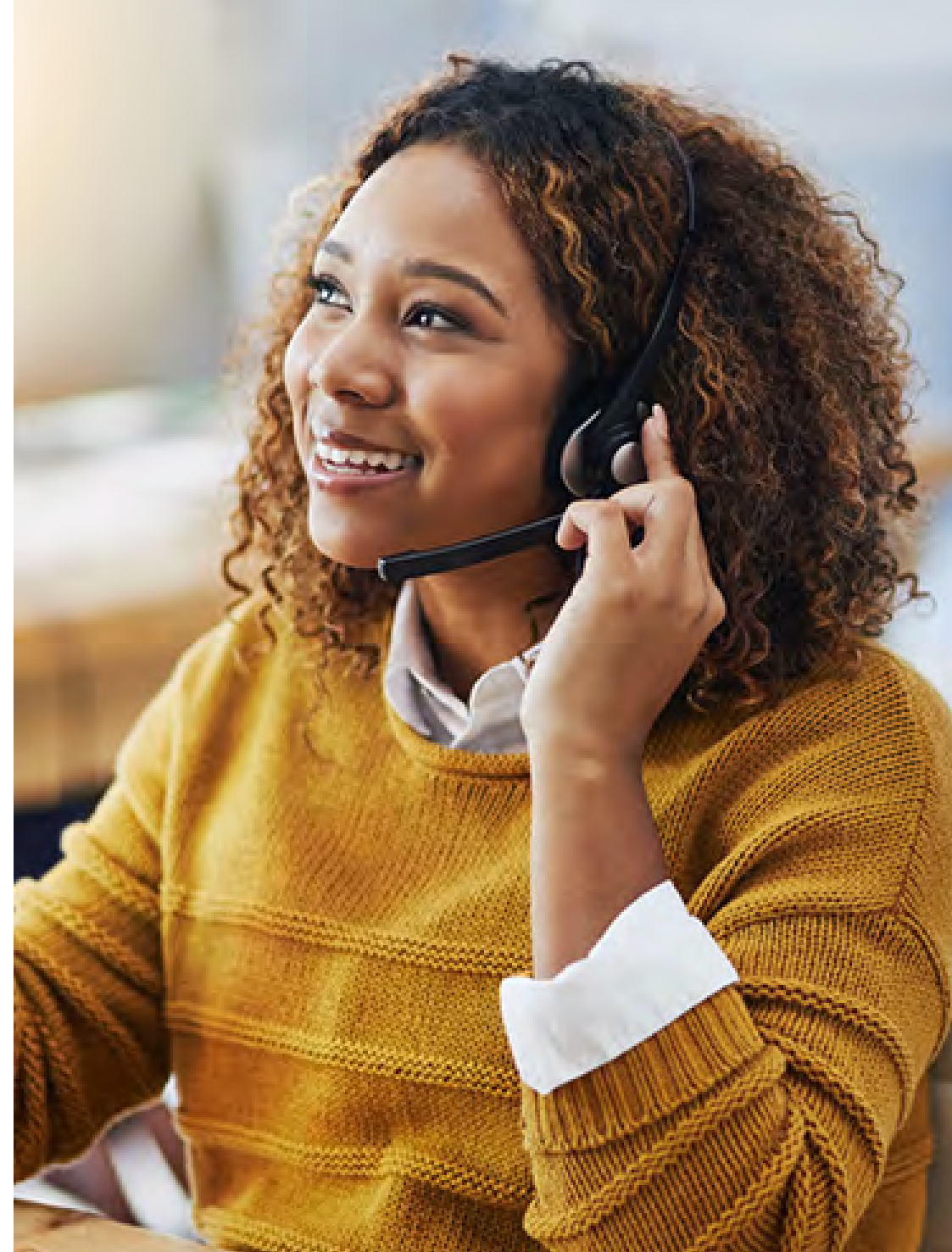
## Managed Services Solution Approach

With all the benefits of offering an in-house solution, why haven't more banks implemented their own Remote Cash Capture programs? Banks have been slow to adopt RCC because the scope of putting together a comprehensive program. Building a bank-led offering requires coordinating software and hardware suppliers, servicing provided to the customer, installation, tech support monitoring, and more.

With a customized, managed RCC solution supported by a trusted third party-managed service company, banks benefit by serving their customers throughout the entire cash cycle in 4 primary opportunities:

1. Choice and selection in all aspects of the programs, including hardware and fees to grow your treasury revenue
2. Relationship Managers are able to grow client relationships as consultants and trusted advisors for cash management programs
3. The banks control and enhance the customer experience, implementation and support
4. Bank can brand its services to differentiate their products and services to be more competitive in the market

With US retail merchant utilization of just 10%, these opportunities to serve businesses of all sizes are largely untapped in this expanding market.





## 4 Opportunities for Banks Using Remote Cash Capture

### Opportunity 1: Increase Treasury Revenue

Cash in Transit companies receive an estimated 90% of the overall revenue from Remote Cash Capture programs, with banks capturing only 10% in provisional credit file fees, according to Bob Meara, a Senior Analyst at Celent, a research and advisory firm serving financial institutions.

In contrast, banks offering their own product agreements directly control revenue growth potential of their program.

#### These may include:

- Product agreement fees
- Sale or leasing of hardware
- Financing of equipment loan
- Cash change orders
- Maintenance and warranty fees
- Software and seat license
- Processing and administrative costs
- Training and customer support
- Provisional credit fees
- Legal contracts
- Systems integration

A bank-run program limits the CiT's role to transportation only. As a result, banks adopting their own programs may see increased revenues of up to \$200-\$1000 per location per month.

In bank-led programs, the financial institution becomes a single solution, streamlining client purchases and payments. 1st Source Bank's clients, for example, can buy and lease hardware directly from the bank. Financing is worked into the product monthly fee, so there's only one charge to the client's account.

Banks enjoy the flexibility to design how their program will work. They decide not only what to charge, but also how and when to charge. "Because there are so many different components, there's not a fixed fee to this," says Smiddy-Schlagel. Each program depends on the hardware, add-ons, courier needs, leasing, and financing. Banks are free to reward premium bank customers with fees that make balances part of the pricing foundation.

Through RCC programs, banks have also increased opportunities to raise deposits by capturing currency flowing into branches close to remote business locations. "In the past, retail clients with store operations outside our local footprint had to find another local bank in that area," says Smiddy-Schlagel. "Now, our bank's Remote Cash Capture program allows us to be their first choice with our clients. If they have a Smart Safe, they can open that account with us and not have to worry about it."

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## Opportunity 2: Build Strong Client Relationships

*How can banks build deeper client relationships and open up new service opportunities?*

While CiT services typically require customers to sign contracts with the courier only, bank-led solutions reverse the process.

The bank can now offer a five-year, product contract, retaining better control over the relationship. The client gains the flexibility to change couriers so they can serve their own best interests when it comes to transportation pricing, schedules, and service to specific geographical areas.

Courier deployed services are “bank-agnostic – they can go anywhere,” says Smiddy-Schlagel. “When we deploy Smart Safes, it allows us to lock customers closer to the bank ... and we bankers like sticky products.”

One such retailer, Goodwill of Michiana Inc., moved its business away from one bank who did not meet its needs in providing a high level of service and project management for their Smart Safe program.

Goodwill challenged a competing bank to help them implement a new solution within a short 3-month timeframe. The bank would be required to “provide everything and deal with the armored car company.” The bank delivered, providing one central point of contact, handling the CiT relationship, and interacting directly with Superior, the bank’s third party managed service provider.

Today, the strength of that relationship is clear, with the bank managing all of the retailer’s stores within that region. A concern of some banks has been knowing they can find an armored car company that will work with their bank-led program.

Colin Holden of Superior found that regional, independent couriers are ready to fill in the gaps where the larger couriers don’t participate. The service areas of larger companies are often limited geographically. “With the advent of this RCC program and the flexibility that it brings, independent couriers are coming into the program and are able to provide better service where they couldn’t play before... interest in participating and augmenting national service couriers is high.”

*When we deploy Smart Safes, it allows us to lock customers in further to the bank ... and we bankers like sticky products.”*

- Andrea Smiddy-Schlagel, 1st Source Bank



## Opportunity 3: Delight Clients with Customized Solutions

Managed Service Remote Cash Capture programs allow banks to control and enhance the customer experience. Banks and clients enjoy greater transparency throughout the cash cycle with online access to a full view of cash positions and whether funds are held in safes, in transit, or in the bank's vault.

1st Source Bank developed its program in response to customer feedback. When clients came to 1st Source Bank to find out what kinds of options were available, they wanted to deal directly with the bank without having multiple vendor relationships to manage.

Smiddy-Schlagel recounts:

*“They wanted one-stop-shopping. That’s why we did this – to give them one place to go – the bank. That’s who they’re comfortable with. And it’s probably easier for us to manage it than the customer having to call multiple contacts within that workflow... That speaks volumes to the relationship we have with our customers.”*

Fiserv panel discussion, New Orleans, Oct 23, 2017 Q&A)

To accommodate specific client needs and contracts, 1st Source Bank designed its program to be à la carte. “We ask the clients to tell us what they already have and what they’re comfortable with,” says Smiddy-Schlagel. “If someone wanted to use our Smart Safe program and already had a contract with

an existing armored car courier and wanted to honor that contract, then we’re more than happy to do that and adjust the pricing, as long as the armored service is willing to assist us with our safe.”

1st Source Bank can now build the best program for each client’s needs. As a result, the bank treasury sales representatives and team managers promoting the programs are rewarded in the longer term with contracts and greater loyalty. “Treasury services has been very excited to have something where they can say: I put the time and effort into working this product, and I know the customer will be with us for the [extent of the] contract,” says Smiddy-Schlagel.

In-house programs allow banks flexibility in hardware choice and program design. And by offering their own solutions, banks can proactively determine the exact price their customers want to pay and whether to sell directly or lease and finance.

Finally, bank-led programs provide greater transparency in the cash cycle. When a client makes a deposit, it triggers alerts and transaction reports for activity happening within the safes. And when a client asks the bank, “Where’s my money?” the bank now has the internal support to monitor what’s going on, but even better the capability to let the client see for themselves. The bank gains visibility and strengthens its own brand.

*“The bank gains visibility and strengthens its own brand.”*



## Opportunity 4: Stand Out Among Competitors

How can banks differentiate themselves in the market when they are limited to provisional credit files? In the old CiT model, the customer is not contractually obligated to continue a relationship with the financial institution. Banks have little to no control over the client onboarding experience for Smart Safe services.

Managed RCC programs give banks the advantage. Banks can brand brochures, educational material, supportive documents, and online portals with their own names and images. The courier is no longer the dominant name in the relationship.

Furthermore, with banking automation continually increasing, personal contact with clients is decreasing. Banks providing their own RCC services differentiate themselves as they become trusted providers and advisors in every step of the process.

When a customer with existing safes wants to buy an additional unit, the bank can customize the contract, so all safes are due at the same time. It forms a stronger relationship, says Smiddy-Schlagel. “We feel like part of our responsibility is to educate our clients about Smart Safes, and we become consultants in the process.”

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– Andrea Smiddy-Schlagel, 1st Source Bank



## The Cost of Customer Retention vs. Customer Acquisition

When banks take on an advisory role with their own cash management products, they profit because of deeper relationships and strengthened loyalty.

While past marketing trends have focused on attracting new customers, there has been a growing emphasis on building and nurturing long-term relationships, cross-selling additional products, and gaining wallet share from them.

Strong customer relationships and long-term retention are good for the bottom line. "The relative costs of customer acquisition and customer retention have resulted in a growing interest in issues surrounding the building and maintenance of long-term customer relationships as a key to improved profitability," according to researchers Christine T. Ennew and Martin R. Binks.

Their study, "The Impact of Service Quality and Service Characteristics on Customer Retention: Small Businesses and their Banks in the UK", explores connections between service quality, customer relationships, and customer loyalty and retention. Conclusions are based on data showing how banks are serving their business customers. (British Journal Management, Vol. 7, 219-230 [1996])

**Customer perception of service quality was traced to three factors:**

- Knowledge and advice offered
- Personalization in the service delivery process, and
- General product characteristics

The study found that trust has the greatest impact on retention in the banking relationship, followed by general product features, knowledge, and the degree to which bank policies constrain a business.

*"The relative costs of customer acquisition and customer retention have resulted in a growing interest in issues surrounding the building and maintenance of long-term customer relationships as a key to improved profitability," - Christine T. Ennew, Martin R. Binks.*

**In addition to opening new streams of revenue and providing greater control over funds, managed RCC programs provide new opportunities to enhance relationships and build trust.**

Banks expand their roles as advisors and educators. They provide customized programs and hardware options for each customer's physical space, workflow, and budget. Finally, while bank-controlled contracts formalize short-term loyalty, financial institutions delivering comprehensive service as primary providers will deepen and extend client relationships long into the future.

1st Source Bank worked with Superior to develop bank-led RCC managed services. The programs were created in response to the needs and requests of existing clients.

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## About Superior

Trusted by financial institutions since 1931, **Superior** combines financial industry expertise with state-of-the-art financial printing capabilities to service the valuable commercial clients of the nation's top banks. Superior specializes in providing complete, personalized treasury management solutions including check printing, financial forms, cash vault supplies, treasury supply call centers, check and cash hardware, asset fulfillment, warranty and repair support.

Superior offers banks the opportunity to serve clients their own branded end-to-end **Remote Cash Capture** programs without the risks of financial loss or high costs of doing it yourself.

### Services available:

- Provide overall program and system management
- Design and implement the hardware and software configuration
- Onboard and manage all customer setup and ongoing maintenance
- Hardware setup, training, support, maintenance, and servicing
- Offer provisional credit on Smart Safe cash deposits to the bank's account processing platform
- and more...

**Our Remote Cash Capture managed services programs are designed specifically for financial institutions.**

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## Contact Superior

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