



## **Are you Putting Your Customer Relationships at Risk?**

### ***Remote Deposit Capture: A Strategic Direction***

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Every financial service provider today faces challenges to increase revenue, improve the brand image, improve quality of the consumer touch points, manage risk, and improve delivery and availability. Many of these challenges have been fostered by the change in the payments system. In the evolution of Check 21, taking advantage of the technology plays a codified role in the strategic initiatives of the financial institution's overall market penetration. Remote deposit capture has now become a must-have in every financial institution's strategic product portfolio.

*"Everything that can be invented has been invented."*

Charles H. Duell, commissioner, US Office of Patents, 1899

Just a few short years ago it was not in the plans for most financial institutions to roll out a product or service where a business could make a deposit remotely and have that deposit sent electronically to the financial institution for processing. Check 21 became the catalyst for remote deposit capture, branch/teller capture and consumer capture. Unlike branch/teller capture, remote deposit capture (merchant capture) has a different set of objectives. Instead of traditional cost savings, it is a strategic investment for the financial institution to gain and retain its current portfolio of business accounts.

### **Business drivers for RDC**

- Out of town competition is targeting the market you have owned for years.
- Your chairman is on a quest for new deposit growth in business accounts.
- You need to retain key accounts that were once secure only months ago.
- It's part of your competition's product portfolio.
- Your goal is to improve financial institution earnings rate, while decreasing operating overhead

### **Innovation in the check processing payment system**

Changing from a paper-based clearing model to a fully electronic-based system has been the goal of many in the industry over the last decade. The system has seen a tremendous change in a short period of time - starting off with the exchange of electronic MICR information to now incorporating images and data as well. Check 21, although not a mandate to do image exchange, has become a catalyst for the change in the industry to move beyond the exchange of MICR information to the exchange of images and data.

The exchange of both images and data in standard formats (X9.37/x9.37.180) across institutions and the Federal Reserve has enabled financial institutions to put major focus on their infrastructure with one common goal of moving images out of the institution rather than paper.

As the implementation of image exchange has spread across the country so has the opportunity to increase the efficiency of the system. New opportunities have created the demand for more intuitive software platforms to take a departmentalized solution to the greater market of a financial institution. Regulation and compliance have also made a play into the daily activities of financial institutions.

<u>Previous Drawbacks</u>	<u>New Drawbacks</u>
Piggy-backs	Duplicates
Misreads	Availability of Funds
Operator Errors	Image Quality Issues
Amount Read Errors	Endorsement Issues
MICR Read Errors	Product definition
Physical Transportation	Check 21 warranties
Clearing Costs	Clearing Costs
Bad Quality Checks	NCI adjustments
	Administrative Returns
	Control of truncated paper

### **Value of Remote Deposit Capture**

Even though most financial institutions will take a cost conscious approach with remote deposit capture, the demand on the financial institution will grow as there will be a renewed focus on commercial and retail customers. The value proposition for the commercial and retail customers of simply getting more items to the financial institution more quickly will fuel this market segment to look for alternate channels for its financial needs.

- Location of the financial institution becomes immaterial when selecting a depository for checks.
- The merchant can consolidate accounts into one preferred financial institution.

### **Future of Remote Deposit Capture**

As the industry matures and remote deposit capture continues to grow, the need to strengthen current and future revenue streams for the financial institution will increase. The next generation of remote deposit capture will continue to reduce costs and provide greater market segmentation. The applications and processes will converge; payment streams will merge (ACH and paper), and remote deposit capture will be a standard banking service.

The use of technology to spearhead this payment automation will certainly help mitigate the new risks presented to the industry. With the adaptation of image data mining, risk management will have a new toolset to equip the financial institution to better protect itself against fraudulent activities.

### **Are you deploying remote deposit capture proactively or defensively?**

With the adoption of remote deposit capture most merchants have everything to gain by cutting personnel costs, automatically consolidating funds from multiple offices to one, and earning additional interest income.

The merchant can also expedite funds availability and reduce their exposure by accelerating the collection process of their customers' payments. This is a valuable asset to both the merchant and financial institution.

Financial institutions are at risk of losing current revenue streams if they have not put a remote deposit strategy in place. Competition is adopting a program to move them forward in capturing these business accounts.

Not only have financial institutions been able to adopt this technology but third party vendors now have the capability to offer this directly to merchants.

Remote deposit capture offers a unique opportunity to reach businesses that have grown outside the local market and attract new clients.

Adding remote deposit capture can also help grow current business account relationships' by enabling account holders to deposit with the institution regardless of their geographic location. Accelerating collections and improving overall funds availability with remote deposit capture is emerging as a driving force behind much of the corporate and merchant businesses today.

At VSoft, we not only recognize these challenges at a business level, but have provided cutting edge solutions that meet these challenges for today and tomorrow. Our seasoned team of business and product management professionals has extensive financial industry experience, and our solutions leverage both this internal experience as well as that of our most valuable asset, our customers. Call your VSoft representative today for a solution that will put you ahead of your competition and take you into tomorrow's world of remote deposit capture TODAY.

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