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Time to expand RDC

Few banks actively promote the service to small business. They may want to reconsider that in the face of nonbank forays BY LISA VALENTINE, CONTRIBUTING EDITOR



In the eight years since the Check Clearing for the 21st Century Act (Check 21) took effect, industry estimates are that more than half of all banks offer remote-deposit capture (RDC) to their business customers. In stark contrast, those same estimates put the number of business customers actually using bank-provided RDC at a dismal 5%.

Why do so many banks offer RDC, yet only a scant few customers use it?

There are several reasons for the dichotomy. First, many banks launched commercial

RDC as a defensive response to customers who threatened to move their accounts to a bank with RDC. Another reason is that customers—upwards of 25%, according to Celent—are using RDC from non-bank providers, such as PayPal. “Banks, take notice,” warns Bob Meara, Celent Banking Group senior analyst.

Gary Brand, director of source capture solutions at Fiserv, says banks should be wary of other non-banks as well, including Intuit. “If Intuit ever got their act together, they would be a formidable competitor for any bank due to

their captive QuickBooks audience,” predicts Brand.

It may be time to get serious about business RDC, especially since lower-cost single scanners and mobile have removed the hardware cost barrier. Banks already offering RDC can increase penetration by marketing the service to new markets, such as small and micro-businesses, and by rethinking pricing.

Notes John Leekley, founder and CEO of RemoteDepositCapture.com: “Nine out of ten banks are not proactive and don’t market RDC aggressively. It’s the bank that views RDC as a critical and strategic customer service and growth initiative that will win customers, especially small-business customers.”

Smartphone impact

The good news for banks already offering RDC? Customers will likely gravitate to RDC even without marketing from their bank—thanks to advertisements from megabanks, such as Citibank and JPMorgan Chase, which have increased awareness of mobile RDC, says Bill Phillips, group president of ProfitStars’ Enterprise Payment Solutions. “Consumers see the value of mobile

RDC and will want it for their businesses as well,” says Phillips.

A handful of solutions, including Chase’s QuickDeposit RDC, already provide mobile remote deposit to business customers. “Mobile has ignited interest across the board,” notes Meara.

NewDominion Bank, a \$325 million-assets institution based in Charlotte, N.C., plans to expand the success of its consumer mobile RDC to business customers in 2013, says Chris Block, senior vice-president of Treasury Services. Since launching consumer mobile RDC in March 2012, adoption is at 20% and the number of new account openings is up 45%. Block isn’t projecting such impressive adoption rates for business customers, believing that most businesses will prefer scanner-based RDC. He does see a market, however, for micro-businesses and those with field employees, such as HVAC technicians and beer distributors.

Right under your nose

For banks looking to expand their geographic footprint, RDC is attractive since far-flung customers don’t need to travel to a branch. But, as Enterprise Bank in Lowell, Mass., discovered, RDC has appeal to business customers literally right next door. “We have RDC customers in the same building as one of our branches. It made us change our marketing strategy,” says Brian Collins, eBanking and payment services director and senior vice-president of the \$2.1 billion-assets bank.

When businesses are located far from a branch, Enterprise Bank has found a way to make it seem like they are as close as next door as well. Rather than spend upwards of four hours, including travel time, to install RDC at a customer site, the bank ships the scanner to the customer and Collins remotely installs

the needed software using WebEX. “With site visits, I was only able to do two or three installs per week. Now I can do several per day,” he says. The bank also developed a customer-operations user manual that describes RDC and includes frequently asked questions and other helpful information.

It’s challenging for banks to move into the small-business market due to the sheer number of potential customers, notes Sam Golbach, senior vice-president, Integrated Receivables Financials, Wausau Financial Systems. A large bank with 500,000 business customers that decides to offer RDC to 10% of those customers means onboarding and supporting 50,000 customers. “The operational plan to manage this volume is overwhelming,” says Golbach.

Build it, but they won’t come

Although the advent of mobile RDC for consumers has raised awareness of the service overall, the consensus is that it must still be sold to businesses.

“RDC is a product that must be sold and marketed,” says Jeff Mack, president and CEO of Cachet Financial. “But banks, particularly smaller institutions, may not have the sales and marketing infrastructure they need.”

Gary Brand concurs that banks do a less-than-stellar job marketing RDC, even to existing customers. “There are only a few banks that have done an outstanding job of marketing RDC aggressively,” he says, noting that Fiserv has been asked by corporate customers to recommend a bank offering RDC. “Most of the time,” says Brand, “the bank already offers RDC, but the customer didn’t know about it.”

Tom Berdan, vice-president, product management at Harland Financial, agrees that banks must

Time is ticking

Is RDC a viable strategy given that check volumes are decreasing? Absolutely, says Aite Group’s Christine Barry. “There is still a lot of potential.”

Says Celent’s Bob Meara, “There is at least a two-fold opportunity remaining with small-business RDC. If you include micro-businesses, the opportunity is much more.”

Adds Sam Golbach of Wausau Financial Systems: “The challenge is to get the ball rolling, internally.”

sell RDC if they want adoption to increase. “Those banks that are most successful are the ones out talking to small businesses at Chamber of Commerce meetings and social functions, and have marketing materials in the branches. It takes traditional marketing to really generate a large number of customers.”

BankFIRST, Winter Garden, Fla., began offering RDC to business customers in 2006. The \$700 million-assets bank with 12 branches targets both small and mid-sized businesses as well as entrepreneurs and sole proprietors. “We had a targeted campaign to our existing customers that included talking with them one-on-one,” explains Sabrina Collins, vice-president and business-solutions manager. The goal, says Collins, is to deliver an innovative solution, but with a community-bank feel. “We provide a very high-touch service, including onsite training and support for both RDC and the physical scanners.”

In addition to Collins and her group, the bank also relies on its network of branch managers and lenders. It’s those employees who understand which customers could benefit from RDC and have a favorable risk assessment.

Alpine Bank also relies on its branch employees to sell RDC to the appropriate business customers. The bank, with \$2.2 billion in assets and 39 branches in western Colorado, provides training classes to bankers twice a year to keep them up-to-date on all electronic-banking products, including RDC, says Gidget Hill, electronic-banking product manager. “We rely on our locations to sell RDC, since they know their customers.”

Pricing is a challenge

RDC pricing varies from bank to bank, but Tammy Wilson, product manager at bank-technology pro-



Remote deposit capture isn't only about serving far-flung clients. **“We have RDC customers in the same building as one of our branches. That made us change our marketing strategy”**

—Brian Collins, Enterprise Bank

vider CSI, says she sees most banks bundling RDC into a cash management product set. Christine Barry, Aite Group Research Director, agrees that bundling is a strategy that works for most banks, noting that while some banks charge on a per-item basis, an Aite survey found that the majority of businesses prefer bundled or fixed pricing.

But before pricing RDC, banks must first determine whether they are offering RDC to increase fee revenue, spur deposit growth, or reduce branch costs. “Until banks get more aggressive with pricing, selling RDC to small businesses will remain challenging, and the small-business market may remain elusive,” says Meara.

BankFIRST has experimented with several pricing schemes, including per-item pricing, but Collins says the bank has been most successful keeping pricing as simple as possible.

When asked how Horizon Bank in Austin, Texas, prices business RDC, Gregg Bennett gives a simple answer, “It’s free.” Bennett, executive vice-president of operations and CEO of the \$350 million-assets bank, reasons that offering RDC is less expensive than opening another

branch. The no-cost offering allows the bank to unabashedly “steal business customers from our competitors,” says Bennett. Although the price of RDC may initially attract customers, Bennett points out that the bank retains those customers with its service.

In addition to scanner-based RDC, Horizon Bank accepts checks however the customer wants to present them, including fax and email. Bennett admits that it’s cumbersome for the bank, but customers appreciate the convenience. “To be successful, you have to be innovative and make it easy for customers to bank with you at their fingertips,” he says. The bank plans to market mobile RDC to these customers with emails, banner ads on the website, and even phone calls.

Enterprise Bank reinvents its RDC pricing every two years “to keep it fresh,” says Collins. The bank took a different pricing tactic compared to the large financial institutions in its neighborhood. Rather than charge upwards of \$1,500 for a scanner, Enterprise Bank elected to provide the devices for free and charge a monthly fee.

Low-cost scanner technology has enabled Enterprise Bank to go

after new markets, including micro-businesses that would be overkill for a traditional high-speed scanner. Seven out of ten new customers elect to receive a low-cost, single-item scanner for a monthly fee of \$10, reports Collins.

Enterprise Bank considers commercial RDC a success. "One out of every five checks we clear with the Federal Reserve has already been scanned via RDC," states Collins. "Our customer-retention rate with RDC is 90%."

Risk overblown

When RDC was first offered, tools to manage risk were either nonexistent or less than adequate, explains Steve Nagalo, general manager

and vice-president of payments and mobility for NCR. Today's RDC solutions include the ability to establish business rules based on type of customer and historical activity, including thresholds for check value and volume, historical behavior, and customer risk assessments. Vendors, including NCR, support multi-channel risk management of RDC through a single platform to apply these business rules across all channels in real time.

As a result, losses due to RDC have been remarkably few. In a recent survey, Celent found that 89% of banks offering business RDC suffered no losses.

Also, banks concerned about risk should remember that they can con-

trol who has access to RDC—and who doesn't. Adds Mack. "There's less instance of RDC fraud than from someone walking into a bank."

NewDominion Bank screens business customers using transactional-risk underwriting similar to what they use for ACH approval, says Block. This includes reviewing two months of bank statements to understand the types of deposits the business has made to facilitate setting limits.

Block, who reports that the vast majority of the bank's business customers use RDC, advises banks to be diligent with compliance site visits and to focus on physical security and retention of the imaged checks at the client site. ■



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