

Financial Institutions Must Rethink Their Remote Deposit Capture Support Models

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Introduction

In the highly competitive financial industry, where being first to market with new customer services for the lowest possible cost can make a significant impact on the bottom line, remote deposit capture (RDC) has emerged as one of the most important technology developments for financial institutions (FIs) since Internet banking. Made possible by the passage of the Check 21 legislation in 2003, RDC allows banks to clear checks based upon images of the original items accepted at bank branches or merchant points-of-sale (POS) instead of taking delivery of the physical checks. Remote deposit capture solutions have been widely implemented by financial institutions of all sizes over the past three years, and according to Celent's 2008 State of RDC report, two-thirds of all U.S. banks will have adopted the technology by the end of 2008.

In addition to deploying RDC at their own branches, offering RDC solutions to commercial clients is now critical for financial organizations looking to improve customer retention rates, generate fee revenue and reduce operating expenses. Recognizing RDC's strategic potential, some banks are waiving RDC setup fees and subsidizing RDC hardware costs for customers in an effort to lure new-business deposits. However, financial institution-driven deployment of RDC solutions to commercial clients, while up 72 percent in 2008, has been slower than initially forecast by industry analysts. Many FIs that rushed to market with RDC solutions soon realized that widespread deployment to their small and mid-sized client base (SMBs) required significant platform and process preparation. In fact, only six of the top 20 RDC-deploying FIs have launched SMB programs, with the rest still concentrating efforts on larger commercial clients. Specialized customer service, end-user training and equipment deployment models to support large volumes are just a few of the obstacles FIs face before

What is remote deposit capture?

RDC allows a user to scan checks and transmit the scanned images and/or ACH data to an FI for posting and clearing. The basic requirements for an RDC service currently include a PC, an Internet connection, a check scanner and a service provider. Checks received at a location are scanned to create a digital deposit. This digital deposit is then transmitted to the RDC financial institution, which then posts the deposit to an account and assigns availability of the funds.

Source: RemoteDepositCapture.com

they can efficiently promote mass penetration of RDC to SMB clients. In addition, rapidly declining processing costs and a new generation of low-cost equipment solutions have now cleared the way for mass deployment. Client adoption of RDC solutions reached 382,000 capture points in 2008 and is expected to continue growing rapidly, according to Celent, reaching five million by 2014.

With the market poised for explosive RDC growth, FIs are evaluating their customer-support models and, increasingly, partnering with third-party vendors to more efficiently manage RDC deployment. Thirty percent of FIs have either adopted or are in the process of evaluating third-party partnerships as part of their SMB deployment strategy. Similar to the challenges FIs face when offering merchant processing solutions, RDC equipment deployment, activation, training, financing and repair are not core FI competencies. Celent acknowledges this growing outsourcing trend in its 2008 State of RDC report, declaring that third-party experts "in efficient hardware deployment and support have emerged with RDC-focused solutions so banks don't have to be in the hardware business."

By migrating from in-house to outsourced RDC equipment solutions provided by experienced partners, FIs eliminate the single largest obstacle for widespread SMB deployment of RDC. Those who act first are now discovering a significant advantage over their competitors both in terms of customer retention and attracting new business. However, choosing the right outsourcing partner is as important as choosing the right RDC application. To achieve the true benefits of lower costs and improved service, FIs need to evaluate RDC equipment partners on a wide variety of factors, including cost, training options, quality of service, experience, product breadth and geographic coverage.

To help FIs better understand the RDC hardware solutions landscape and the role of equipment outsourcing, this paper discusses the challenges associated with in-house RDC equipment deployment and management, and highlights the benefits of outsourcing this business function to a turnkey equipment provider. It also discusses several best practices for evaluating potential RDC equipment outsourcing partners.

Challenges of Managing Client RDC Equipment Deployments In-House

Unlike some technology applications where benefits are difficult to realize, RDC offers a winning solution for financial institutions and their business customers. From cash-flow acceleration and gains in efficiency to substantial cost reductions, the business case for RDC deployed at client sites is compelling. However, while the benefits of RDC are impressive, the challenges for FIs that attempt to manage the deployment of RDC hardware to client sites are significant, and these challenges become amplified as FIs begin scaling their client RDC focus to the SMB and even home-based business markets. In-house hardware deployment requires that FIs supply devices (such as scanners) to customers, as well as ensure proper maintenance and support of those scanners. These institutions must also be prepared to handle training, equipment repair, business continuity, disaster recovery and other technology-related issues associated with the total RDC equipment solution. For many organizations, this requires large capital and organizational investments that represent a considerable challenge to both productivity and cost-efficiency. Additionally, FIs must maintain appropriate equipment inventory levels and must manage sales-tax collection, payment remittance and delivery logistics for all devices sold.

In addition to the time and resource investments associated with developing and supporting an infrastructure to deploy RDC equipment to customers, FIs typically must sign multiple sourcing contracts for the various types of check scanners required to service different clients and application types. Accounts receivable, merchant point-of-sale, merchant back office and home-business applications all have different equipment requirements driven by volume and application parameters, and often an FI is required to attain volume commitments with each equipment vendor.

Advantages of Outsourcing RDC Equipment to a Turnkey Provider

While over two-thirds of all financial institution RDC applications are outsourced and managed via an application service provider (ASP) model, outsourcing of equipment deployment has been slower to gain adoption. This phenomenon is part of the overall delay in mass-market client penetration of RDC. Now that both processing and equipment costs have declined dramatically many FIs are readying their SMB launch plans both as a tools for customer retention and as a way to acquire new depositors. Outsourcing client RDC equipment deployment offers a cost-effective solution to addressing the requirements of a mass-market launch by removing the burden of the inventory management, logistics, maintenance, training, services and support from financial institutions. One of the advantages of using an equipment outsourcing partner is the offloading of provisions for scanner malfunction, repair and replacement, and contingency plans for scanner failure. A turnkey equipment provider has the ability to provide next-day replacement of the equipment, should there be malfunction or damage—reducing potential disruptions and extra expenses for both the FI and its clients.

Other advantages of outsourcing RDC include the option to lease hardware to clients instead of selling the equipment outright. This flexibility can save FIs and their clients upfront capital investments in RDC equipment, mitigates the risk of hardware obsolescence and provides an easy upgrade path for users.

Yet another key benefit of outsourcing is that it reduces the cost of troubleshooting, training and customer support of complex RDC technology—which is especially important for commercial clients that experience high employee turnover. For example, banks that have deployed outsourced RDC equipment solutions to their clients have experienced success with comprehensive new-client training and ongoing support via both traditional methods and Web-based multimedia applications.

In addition to the advantages mentioned above, qualified RDC equipment outsourcing partners are delivering many other important benefits to FIs, including:

- **Consolidated sourcing**—Delivering hardware directly from manufacturers on behalf of FIs, passing along significant savings
- **Vendor neutrality**—Providing flexibility and service continuity in the event of a hardware change or if new clients already own scanners from different vendors
- **Reduced time-to-market**—Facilitating immediate launch of a comprehensive client RDC program

To understand the significant advantages of outsourcing RDC, the table below compares in-house with outsourced deployment:

Table 1. Comparison of In-House Deployment and Outsourced Deployment

In-House Deployment	Outsourced Deployment
FI must develop, support infrastructure to deploy RDC	Outsource partner manages deployment with no infrastructure development required by FI
FI must sign multiple sourcing contracts	Single outsource partner provides all RDC equipment and services for FI
FI must manage logistics and incur freight costs associated with deployment of RDC equipment to clients	Outsource partner manages process and pass on significant freight cost savings
FI must maintain volume purchase commitments	Outsource partner offers purchase, rent, lease and just-in-time inventory options—FI makes no volume commitments
FI must allocate resources to purchase, inspect, inventory, deploy, maintain and service check scanners	Outsource partner manages inventory, inspection, deployment, maintains and services equipment eliminating internal expense for FI
FI program must be scalable, allowing for development and support technology requirements when RDC demand grows to five million or more small-business endpoints	Partner enables rapid scalability to meet fluctuating demands and grow with FI's business requirements
FI must develop or forgo business continuity and disaster-recovery plans, including development of redundant facilities	Outsource partner provides business continuity and disaster-recovery services, including reliance on the partner's redundant facilities
FI must provide training and support for end-users	Outsource partner provides training call center support

Compared to the challenges that in-house equipment deployment creates for FIs that seek to offer RDC solutions to their clients, outsourced RDC hardware providers can deliver the service, support, maintenance, scalability and other needs associated with in-house deployment but without the cost or management encumbrance. Outsourced RDC equipment partners truly offer the flexibility and innovation to meet an FI's changing business needs.

Outsourced RDC Case Studies

An examination of real-world examples of outsourced RDC deployments can provide a better understanding of their advantages over in-house deployment.

Case #1

Problem: A top-10 financial institution implemented a client RDC pilot using internal resources for equipment deployment. The pilot revealed that significant additional internal resources would be required to manage the non-core function of RDC equipment deployment in a full-scale rollout. Not wanting to sustain resources for this function, the bank evaluated outsourcing options.

Solution: The FI realized that it did not want to be involved in the RDC equipment procurement chain at all. Instead, it found a national outsourcing partner who could provide an end-user facing Web site where bank customers could order scanners themselves, removing the bank and its valuable resources from administering this ancillary service. This Web site enables end-users of RDC technology to purchase, rent or lease scanners, choose scanner replacement and service programs, and place swap-orders in the event an equipment failure should occur. The result was that this FI is now able to provide better service to its clients and can still profit from the scanner sale by participating in the revenue-share program offered by the RDC hardware deployment outsourcer.

Case #2

Problem: A large FI wanted to outsource all aspects of its RDC deployment and maintenance to a full-service provider of scanner deployment and services rather than build this capability internally to support its mass-market launch of RDC.

Solution: The FI partnered with an outsourcer who could provide full purchasing, inspection, inventory, deployment, custom kitting, swap/replacement service and repairs. This RDC outsourcer now provides two additional critical functions on behalf of the FI. First, it customized telephone trainings for end-users. When the FI signs a new customer, the RDC outsourcer deploys the scanner and then contacts the end-user on behalf of the bank to schedule a time to train the user on how to install and use the software and scanner. The FI and the RDC outsourcer together developed a customized training program that enables the bank to target the most crucial training items to guarantee end-user success. Rather than simply e-mail a welcome kit to new customers, this FI now accelerates new deposits by ensuring new customers are depositing checks the first day the scanner arrives. Secondly, the outsourcer provides Level One and Two help desk support, which means that it handles calls from both the bank and the bank's end-user customers, and successfully resolves hardware, software, technical and business-related issues pertaining to the complete RDC solution. The result for this financial institution is full-service, top-tier support, zero upfront capital investment and rapid time-to-market, allowing it to continue to enjoy an early-mover advantage.

Best Practices for Evaluating an RDC Equipment Outsourcing Partner

Although outsourcing RDC equipment deployment and management to a reliable and experienced provider offers multiple benefits compared to administering this function internally, not all vendors are equipped to provide a full, end-to-end outsourcing solution. Here are a number of best practices that can help FIs determine the best choice for their needs:

1. Choose a large, national outsourcing provider.

In considering an outsourced RDC equipment deployment partner, it's useful to review the differences between regional and national providers. Most national providers are accustomed to managing large numbers of deployments across a wide variety of customer types and can create support models with appropriate cost structures, whether servicing corporate sites, top retailers or individual small-business locations. A national outsource provider also possesses economies of scale that allow it to offer lower prices on hardware, freight and services.

2. Select a provider with a broad range of inventory and payment support.

Leading national RDC hardware providers offer check-scanning equipment via purchase, rental and lease options, as well as just-in-time inventory services that allow companies to avoid upfront inventory investment, volume forecasting and equipment management. In addition, national outsource partners have a more expansive inventory selection, providing FIs with the ability to order from multiple check-scanner manufacturers. Some offer a variety of programs including equipment and start-up kit delivery, asset and warranty management, equipment retrieval, repair and revenue sharing.

3. Find a partner with a proven reliability, scalability and service quality track record.

In addition to the clear advantages of working with a large national RDC outsource partner, there are several core attributes to consider when assessing partner quality:

- **Consolidated forecasting:** Reporting and analytics capabilities that allow organizations to identify trends and opportunities by monitoring RDC performance for all customers
- **International quality standards:** Adherence to established international standards such as ISO 9000 and Six Sigma for quality management systems and superior performance
- **Self-fulfillment options:** eCommerce capabilities that enable end-users to place orders directly from the outsource partner's Web site or through a customized private-label site managed by the partner
- **Business continuity and disaster recovery:** Multiple deployment facilities ensure greater security and seamless fulfillment services in the event of a disaster
- **Consistent uptime:** Service Level Agreements that ensure superior uptime and reliability
- **Ensured scalability:** Ability to handle rapid deployment growth and volume fluctuations
- **Service small and large FIs:** Exceptional service to RDC-deploying banks of all sizes
- **Conversion support:** Conversion programs for changes in business processes or transitions between independent software vendor (ISV) platforms
- **Broad-based training:** Training services that are tailored to meet ever-changing industry and market needs
- **Proven success:** An experienced RDC outsource provider should have proven experience serving millions of customers across a wide variety of markets

4. Get the best call center support.

For FIs without an extensive IT support department or where managing customer support is not a core competency, full-service call center services are essential to success. Only qualified RDC outsourcers can deliver top-tier call center services that include configuration and installation, telephone training, technical help desk support and software host setup. Financial institutions should look for a vendor that can deliver call center support that blends seamlessly into current support systems.

5. Select a vendor with program development experience.

When evaluating an outsourcing vendor, it's essential to choose the RDC equipment partner with the experience and flexibility to design a customized program to meet the needs of your specific institution. Whether you want a complete end-to-end solution for deployment, payment, training, customer service and replacement or just specific components, an experienced partner will be able to design the program that's right for you. By working with an experienced national RDC hardware deployer, small and mid-sized FIs have access to the same turnkey RDC solutions as larger institutions, effectively leveling the RDC service's playing field, and allowing FIs of all sizes to concentrate on core business functions instead of managing RDC equipment issues.

By becoming acquainted with these best practices, FIs are well equipped to begin their search for the ideal national RDC outsourcing partner to meet their unique needs. These practices can be used to guide internal plans and serve as discussion points with prospective outsourcing partners.

Conclusion

Remote deposit capture has become one of the most important technological advances for FIs and merchants in U.S. banking history. Escalating FI competition, the emergence of alternative RDC distribution channels, rising paper processing costs and declining check volumes continue to drive client RDC adoption rates, as FIs look to increase customer retention, fee-equivalent revenue and business deposits.

While the benefits of client RDC are clear, the greatest implementation challenges for FIs are the large capital and organizational investments required for RDC deployment, as well as the logistics, maintenance and support activities associated with RDC hardware. For FIs of all sizes, outsourcing RDC hardware deployment to a qualified, experienced national provider can solve these challenges by allowing them to focus on their core competencies—and leave the hardware to someone else.

Among the leading national RDC outsource providers, TASQ Technology offers a full-service solution that enables financial institutions to painlessly deploy a powerful RDC solution with a proven record of success.

A premier national RDC outsource provider

TASQ Technology, a division of First Data, is one of the largest providers of outsourced check scanner and support services in North America. Over the past decade, thousands of business customers, financial institutions, ISOs and resellers have come to TASQ Technology for payment transaction equipment and support so they can focus on operating and growing their core business. In fact, each day TASQ dispatches 9,000 equipment and supply shipments across the United States and internationally.

TASQ offers RDC equipment outsource solutions that provide customers with everything required for successful deployment. For example, TASQ adheres to ISO 9000 and Six Sigma standards for quality, ensuring superior performance and 99 percent uptime for RDC-deploying institutions of all sizes—from community banks to multinational FIs. With redundant facilities on the East and West coasts of the U.S., TASQ Technology also provides the scalability to handle volume fluctuations and the steadfast reliability necessary for successful RDC deployment.

The TASQWebSM merchant management system offers all-inclusive reporting, real-time order history, tracking information and enables financial institutions to make queries and identify trends and opportunities by monitoring RDC performance for all customers. When changes in business processes or new-customer acquisitions result in moving from one RDC software platform to another, TASQ Technology enables seamless conversions and conversion support.

TASQ Technology also offers complete telephone training services and has created a full-service call center to meet the ever-evolving needs facing RDC clients. With current volume exceeding one million calls per year, TASQ Technology offers proven experience to financial institutions without an IT department or where the technology of RDC solutions is not a core competency.

The Global Leader in Electronic Commerce

First Data powers the global economy by making it easy, fast and secure for people and businesses around the world to buy goods and services using virtually any form of payment. Serving millions of merchant locations and thousands of card issuers, we have the expertise and insight to help you accelerate your business. Put our intelligence to work for you.

About the Authors

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Before joining MicroBilt, Kathleen was Vice President of Corporate Marketing for Caredata.com, a health care information technology company. Prior to that, she worked as Senior Vice President at Unified Merchant Services, a joint venture between First Data Corporation and NationsBank where she held management positions in sales, business development and marketing.

As Director of Product Development, **Mark Nevle** oversees product and business development efforts for TASQ. He has over 15 years experience in product and business development in a variety of markets. Before joining TASQ, he managed product development efforts for several money transfer products at Western Union, the world's leading money transfer provider.

Prior to Western Union, Mark successfully developed several new products and markets in the telecom industry. He served in a variety of roles including national sales, channel sales, sales engineering and product design engineering.

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