

WHITE PAPER

# Save time, money and streamline operations: Process payments faster with electronic deposit

## Executive Summary

Tedious and time-consuming, the burden of manually preparing paper check deposits costs your organization money and resources. Retailers, payment processors, utilities, municipal agencies and other check-intensive businesses are looking for ways to cut costs and save time.

They should start by re-evaluating their payment processing methods. Checks remain a viable and frequently used form of payment, and must be handled as efficiently as possible.

Electronic check deposit solutions such as Remote Deposit Capture (RDC) were made possible by Check 21,<sup>1</sup> but many organizations have been reluctant to adopt them. Perhaps typical check scanners are too slow for their volume, or the organization receives both cash and checks and would prefer one machine that manages both.

Would RDC holdouts welcome a solution that processes, assists in preparing, and transmits the entire deposit?

Such a solution would substantially reduce processing times, allow staff to prepare deposits at two to three times the speed of traditional check scanning, and eliminate the need for armored carrier transport of checks to the financial institution (FI).

Using a single, multi-function machine to do all of this would streamline and automate check and deposit processing – saving time, labor and resources.



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<sup>1</sup> Check Clearing for the 21st Century Act

## Billions of checks still used widely

Despite a gradual decline in usage, checks are still very much a vehicle for payment in the U.S., with over 27 billion checks still written annually. Payroll checks are still used by many employers, and reimbursement checks for employee business expenses are still quite commonplace. According to an AFP survey,<sup>2</sup> of all organizations responding:

- 96% receive payments by check from major customers
- 71% receive checks as the primary form of payment from their “other” B2B customers
- 64% use checks as their primary method of payment to other suppliers

Even as new payment methods are adopted, checks remain a popular choice for consumers when paying bills. A Fiserv study found that 59% of consumers surveyed had paid a bill by check in the preceding month – the second most popular form of payment (Figure 1).<sup>3</sup>

Personal checks are also used frequently when a physical transaction record is

desired, such as settling a debt or when money is exchanged between individuals.

Recently, a federal court settlement decided that merchants are permitted to charge more for credit card purchases<sup>4</sup> – making checks the lowest-cost form of payment after cash. Surcharges for credit card use could even slow down or reverse the trend of checks declining as a payment method.

If you have written checks off prematurely, you may need to rethink your strategy. Checks remain one of multiple preferred payment options, and savvy organizations are looking for new and more efficient ways to handle them.

## Evaluate your current process

Typically, a business handling checks manually uses a 10-key calculator to total their checks, whether balancing a cash drawer, totaling the day’s remittances or preparing a deposit. Because mistakes are easily made and repeated, totals are checked and even rechecked by a second person, often a manager, then documented on some variation of a paper form.

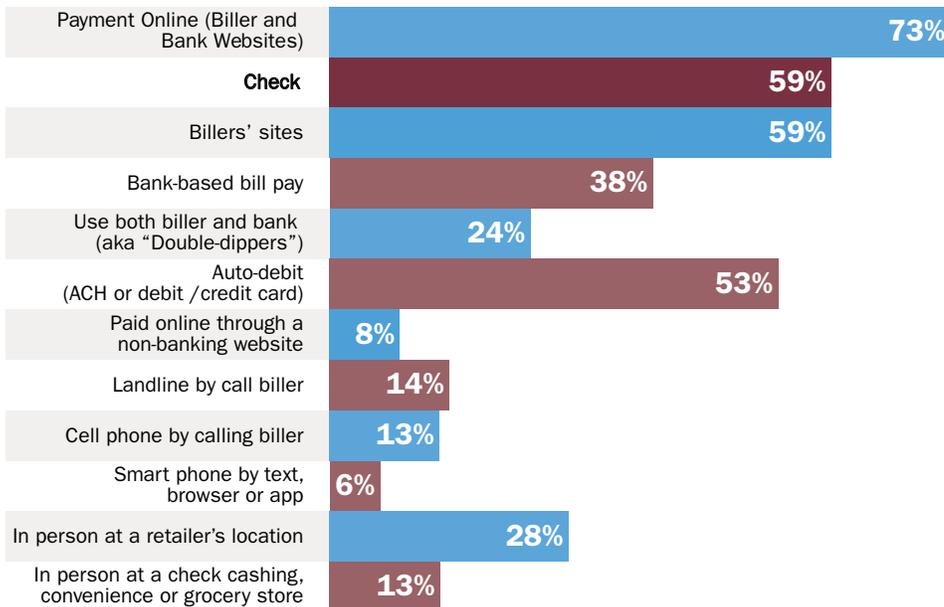
Even as new payment methods are adopted, checks remain a popular choice for consumers when paying bills.

This is time-consuming and takes employees away from other tasks and assisting customers. Worse yet, inaccuracies in drawer balances and deposit totals still occur with troubling regularity. A typical end-of-day scenario for a retailer’s cash office counting down tills looks something like this:

- The employee responsible must read each check, enter the amount on a calculator, then total the checks for each cash drawer. Or, they may enter the amounts into a spreadsheet. Either method involves manual entry and leaves too much room for error.
- If the employee makes a mistake, or something doesn’t balance, they must start over and repeat until it balances.
- A typical same-day deposit credit cutoff could be as early as 5 p.m. Late nights, overtime, and/or a “mad scramble” to make the deposit deadline are common.
- Today’s deposit may even be intentionally held overnight – well after the FI’s paper deposit deadline – to allow their staff enough time to wrap up the balancing process.

Cash room staff, remittance processors and others who prepare deposits spend hours verifying totals and preparing deposits using inadequate tools. A better solution would enable them to spend that time and effort adding value to the business.

Figure 1 – Bill payment methods used to pay a bill in the past month<sup>3</sup>



<sup>2</sup> 2010 Association of Financial Professionals (AFP) Electronic Payments Survey

<sup>3</sup> 2011 Fiserv Research: Paper Billing Household Survey

<sup>4</sup> United States District Court, Eastern District of New York 05-MD-1720 (JG) (JO)

## Don't forget related costs

Current trends indicate that the high cost of processing paper checks will continue to rise. It costs, on average, \$1.22 in manpower and incidental expenses to process a paper check. Processing that check electronically can cost as little as 55 cents.<sup>5</sup>

FIs must pass the growing cost of handling paper checks on to their customers who are not yet using electronic methods. Deposit and higher per-item fees on commercial deposits are increasingly employed to cover the additional costs associated with paper check processing.

You may also be physically transporting those checks to your FI via an employee, courier, or armored carrier. This related cost is eliminated when you begin processing checks as images and submitting deposits electronically.

Commercial depositors such as retailers, municipalities and utilities that manage all, or some, of the balancing and deposit preparation process manually must take steps now to keep these escalating costs from chipping away at profits or creating a budgeting shortfall. Organizations that receive even a moderate volume of checks and have not yet automated their check



handling are missing a prime opportunity to cut costs in their operations.

Taking your process from manual and time-intensive to automated and electronic reduces labor expense, transportation expense and greatly diminishes the potential for error. Taking paper checks out of the picture as early in the process as possible is win-win: both your organization and your FI benefit from significantly reduced effort and expense.

### Check 21: the impetus for today's solutions

The Check 21 Act allows banks to exchange digital images of checks

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between institutions. Congress passed the legislation to make check clearing faster and more efficient.

Transmitting check images electronically is also a safeguard for depositors. Circumstances that inhibit moving checks physically before they can be cleared – such as a national emergency – no longer threaten U.S. economic stability.

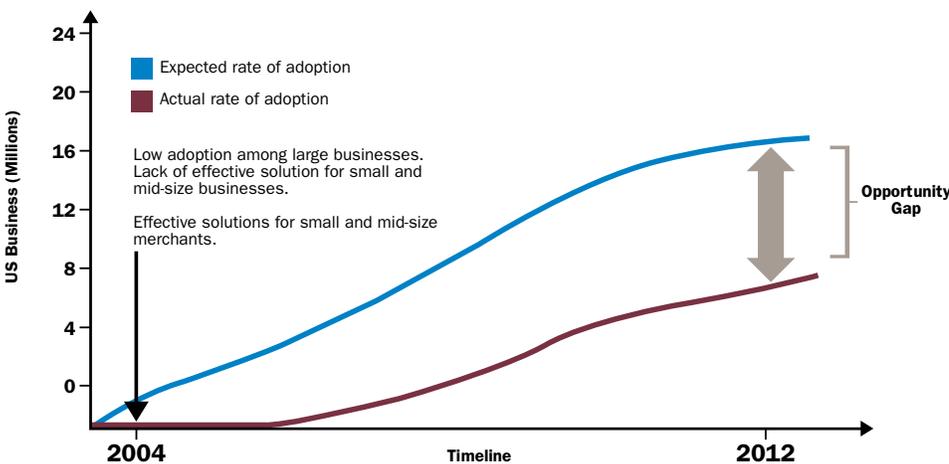
Ideally, checks would be converted to digital images at the point of sale, cash office or remittance desk. But until recently, the tools and processes that enable businesses to go electronic with checks were not as sophisticated, fast, efficient or affordable as they needed to be.

### RDC adoption lower than expected

Remote Deposit Capture (RDC), a method of capturing and transmitting check images, is a service frequently offered to larger commercial depositors by their FI. Typically, the FI provides the depositor with a check scanner and access to an online RDC application. The depositor then scans their checks and transmits the images to the FI for deposit via the Internet.

According to research firm Markets and Markets, among the top 180 commercial banks,<sup>6</sup> 78% offered merchant RDC by 2007, but only 25,000 of 24 million merchants in the U.S. were using the service. Figure 2 shows the rates of RDC adoption. The "Opportunity Gap" between the expected rate and actual rate indicates that the industry is failing to provide a solution that meets all depositors' needs.<sup>7</sup>

Figure 2 – Expected and Actual Rates of RDC Adoption<sup>7</sup>



<sup>5</sup> Jordan, Sarah. Never Go To The Bank Again: How Businesses Save Time and Money with Electronic Check Processing

<sup>6</sup> Calculated by asset size in 2009

<sup>7</sup> Markets & Markets: A New Look at Merchant Remote Deposit Capture

## Fears, limitations and inadequate equipment

Market and Markets' research found that merchant RDC adoption was low in part due to fears of fraud and operational risks associated with its use.

The report states, "The solutions offered by most banks facilitates single account check deposit, whereas businesses demand a product with multiple account deposit facility." The research also suggested that businesses whose check volumes vary could be offered scanners with different speeds and check scanning capacities by their banks and ISOs.<sup>8</sup>

## A solution that meets all depositors' needs would help fill the "Opportunity Gap."

But the scanners usually provided are limited in this regard. Even the fastest of these scanners operates at a relatively sluggish pace. Their speed and capacity is simply not adequate for high-volume users, who remark on equipment jams, inaccurate results via unreadable images or duplicates, and frequent service needs.

They say the units must be sent out for repairs, and this is very inconvenient. Problems with the equipment thus deters many depositors who might otherwise be happy to use check imaging and electronic deposits in place of their current methods.

Depositors who handle large numbers of checks require an electronic deposit solution that handles large volumes quickly, efficiently and accurately. So, although RDC may well be a viable product for low-volume users, higher-volume users who continue to be RDC-resistant or dissatisfied with their results need another option.

## The ICL alternative

Image cash letter, or ICL, is another means for transmitting check images for electronic deposit. A single ICL file contains all of the check images and information needed to transact a deposit. Check image ICLs are already being exchanged between FIs for clearing and settlement or sent by the FIs through a clearinghouse or the Federal Reserve. This may help to allay any residual apprehensions about the inherent risk in using the ICL method.

Due to the rules and specifications set out by Check 21, ICL structure and content tends to be fairly consistent throughout the industry. Thus, configuration – even for different FIs – is generally very straightforward. The depositor can generate an ICL offline and hold it until they are ready to transmit the information. Depositors can also create ICLs for multiple accounts, at different institutions, putting another concern to rest.

ICLs have proven to be a more efficient method for sending large deposits. Since ICLs are created and transmitted faster and more easily, ICL is the logical choice for businesses that are unhappy with their FI's RDC product, have not had access to RDC, or have been reluctant to try it for any reason.

## ICLs have proven to be a more efficient method for sending large deposits.



## We also deposit cash

Many businesses deposit large amounts of cash along with their checks. A cash-counting machine may be critical to their deposit preparation. To make their deposits electronically, these depositors must often buy and maintain two pieces of equipment – one to count cash and another to scan and image checks.

Two machines add to upfront equipment costs and training, increase maintenance costs and demand additional counter space. And, because the devices perform as separate entities, their counts and totals must be independently tracked and recorded when summing to a known amount.

A depositor could save a significant amount of money by processing all deposit-related items with one machine. Upfront equipment costs and maintenance expense are both reduced. One piece of equipment requires less time to learn and simplifies the process, so fewer mistakes are made. One vendor rather than two means there is only one call to make if service is needed.

The question remains, is there a machine that does all this? One mid-size retail grocery chain found the answer.

<sup>8</sup> Markets & Markets: A New Look at Merchant Remote Deposit Capture

## Multiple media, one device

This organization has medium- to high-volume check- and cash-processing needs. Each store takes in a large daily volume of both checks and cash that must be counted and balanced quickly to get the deposit ready for the armored carrier pickup on the following day.

Using currency counters for their cash and manually totaling checks on a 10-key calculator, their deposit totals were highly prone to error. When a drawer or the checks did not balance, the process had to be repeated from the beginning, doubling the time spent on the task. Overtime was common.

Managers wanted their cashiers helping customers, not balancing drawers or verifying balances. Due to the large daily volume of cash and checks, a solution that processed both – and balanced the deposit as well – succeeded in getting their attention. The stores replaced their cash-counting machines and calculators with JetScan iFX® check and currency scanners, and never looked back.



Preparers can create, view, save or print a deposit report from the DBM application. DBM creates the ICL and transmits the check portion of the deposit electronically.

## Cummins Allison has the solution

JetScan iFX with Deposit Balancing Manager (DBM) offers depositors a solution that, until recently, did not exist. Cummins Allison's multi-function device scans checks, deposit documents and cash all on the same machine.

JetScan iFX scanners capture the check image, amount and MICR data far faster than any other small footprint check scanner in the industry. But the same machine also scans and denominates

currency at industry-leading speeds. Then DBM software brings it all together.

The JetScan iFX and DBM solution greatly facilitates your deposit preparation and virtually eliminates the potential for errors. Hardware and software gather check and cash amounts, calculate totals, balance the deposit, and alert you to any missing, unreadable or inconsistent information. Check corrections are made on the spot to minimize adjustment charges from FIs.

It has never been easier to prepare large deposits and image and deposit checks electronically. Preparers can create, view, save or print a deposit report from the DBM application. When the depositor is ready, DBM creates the ICL and transmits the check portion of the deposit electronically, complete with check images, to their FI.

Organizations receive check funds faster and lower their per-deposit and per-check processing fees.

Run checks through JetScan iFX and DBM

Make necessary corrections to check data

Run cash and balance

View, save or print a report

Upload ICL to financial institution

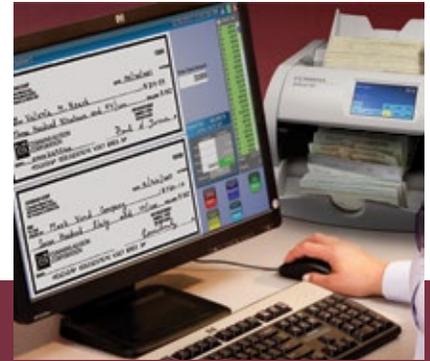
JetScan iFX with DBM substantially reduces processing times and allows staff to prepare deposits at two to three times the speed of traditional check scanning.

Finally, a solution that enables all commercial depositors to take advantage of the speed and efficiency that Check 21 legislation promised. Reduce your costs and save time processing all of your check deposits – the larger the deposit, the greater the savings.

JetScan iFX check and currency scanners with DBM are part of a truly unique product platform. No other machine is its equal in capabilities, speed and innovation. This is the check and currency processing solution that FIs are moving up to – and now you can have it, too.

- 400 checks per minute
- 1,600 bills per minute

The ability to process checks and cash on one device is offered exclusively by Cummins Allison's JetScan iFX. With accuracy of 99.99+% for currency and equal or better rates than the fastest check scanners – and at far greater processing speeds – it is the best available solution for depositors of medium to high volumes.



**To learn more about JetScan iFX with Deposit Balancing Manager – or set up a free demonstration to start saving time and money right away – visit [cumminsallison.com/checks](http://cumminsallison.com/checks)**



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## Generations of Vision and Excellence

Cummins Allison sets the standard for accuracy and dependability.

Cummins Allison is a global leader in developing solutions that quickly and efficiently count, sort and authenticate currency, checks and coin. With a heritage of leadership in technology and product innovation spanning more than 125 years, Cummins Allison serves the majority of financial institutions worldwide, as well as leading organizations in retail, gaming, law enforcement and government. Ninety-seven percent of our customers recommend our products and services.

CA holds more than 350 U.S. patents and invests double the industry average in R&D. Our world-class sales and service network includes hundreds of local representatives in more than 50 offices in North America, 4 wholly-owned subsidiaries in Europe and is represented in more than 70 countries around the world.