FIS

SO YOUR BANK IS MOVING TO TELLER CAPTURE?

The need to become more efficient has never been greater

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So, your bank wants to move to teller capture?

In order for banks and credit unions to stay competitive in an ever-changing banking environment, the need to become more efficient, and exceed customer expectations, has never been greater. Technology and regulatory changes have created a world where the expected life of a product, service or system is much shorter than it has been historically, thus creating the need for a quicker return on investment (ROI). Add in the growing rate of fraud and identity theft and anyone in banking can easily become overwhelmed.

Has your financial institution (FI) decided to make the investment in new technology in order to move away from centralized capture of checks, or replace your current branch capture system you put in place several years ago? We will help separate fact from fiction, by sharing the journey of other banks who have already made the move to teller capture, and provide a checklist to help guide you through the decision-making process.
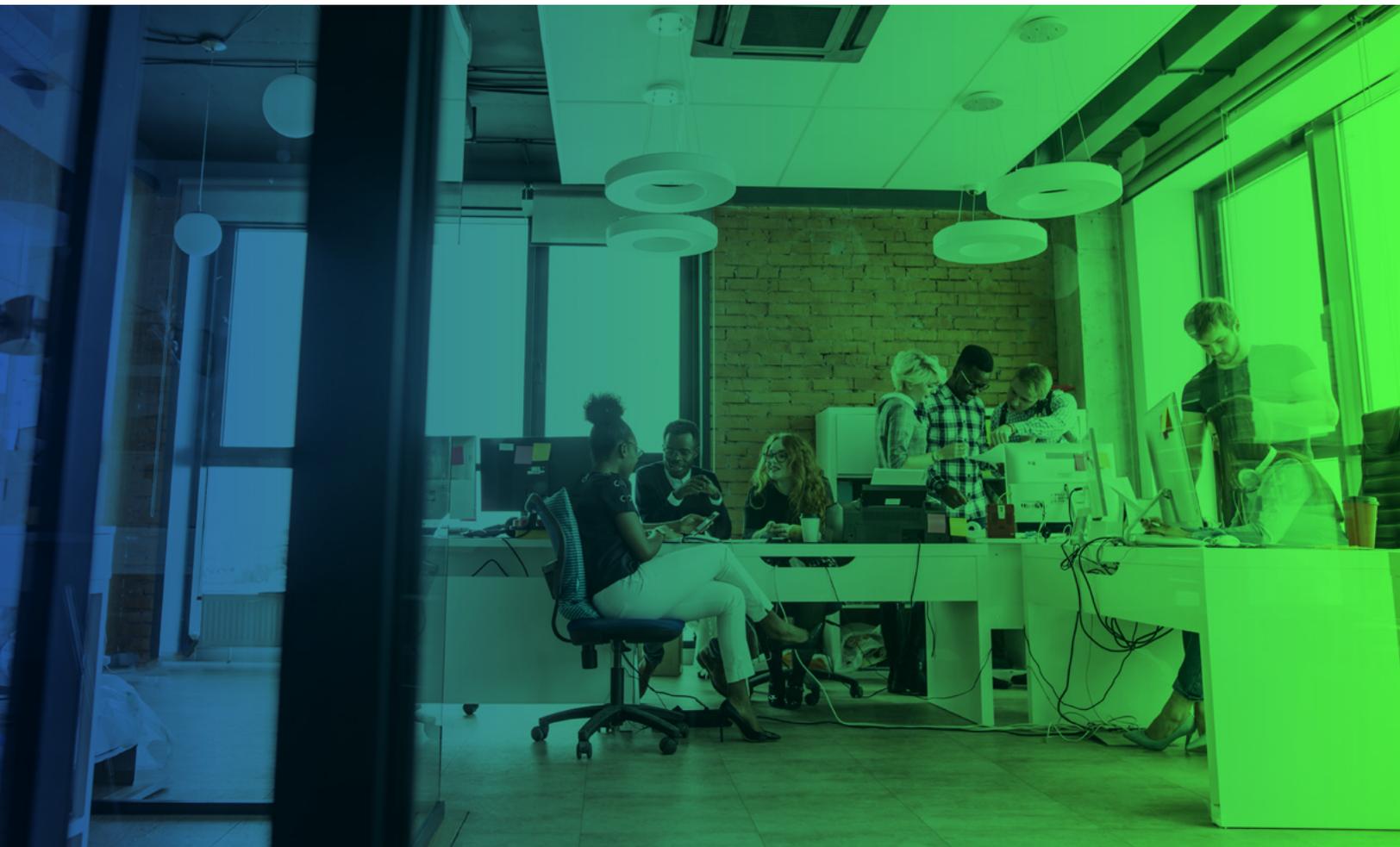
The basics

Today most banks and credit unions fall into one of three deposit processing models:

- **Traditional centralized capture:** Deposits are taken over the counter, then placed in a secure bag and sent via courier to a large consolidated site for capture and processing each evening.

- **Branch/back counter capture:** Teller process is like the traditional model, but checks are scanned within the branch on back counter or other room within the branch, removing the need for immediate courier transportation.

- **Teller capture:** Tellers capture and balance the majority of deposits in front of the customer, eliminating transportation and moving the capture process to point of receipt, expediting the posting and clearing of deposited items.

But how do you address the fear and pain of transforming the core to realize tangible benefits of change?

Each model has its own strengths and weaknesses. Determining which one best fits your particular situation requires careful analysis of many variables.

Real-world experience and product reviews are something we look for in our daily lives to help with the decision-making process, whether looking for a new restaurant to enjoy or buying a new TV for your home. We surveyed five banks of various sizes: a small 15-branch mid-western bank, several large regionals and a large top-25 bank, sharing their experience of implementing teller capture. Despite the drastic differences in the size of the FIs surveyed, their experiences and end results are nearly identical!

Common misconceptions

We will dive deeper into the survey results, but let's cover some common misconceptions of teller capture and the impact it will have on your typical FI:

- **Checks are going away, so why would we invest heavily in the branch channel?**
  The latest FED payments study actually shows checks declined at less than 5 percent last year. Conversely the value of checks processed has increased 7.5 percent. At the current runoff rate of less than 5 percent, checks will be a here for a long time. (Annual US check volume is in excess of 15 billion items).

- **Customers are embracing other channels like ATM and mobile. Shouldn't we invest in those channels instead?**
  While mobile deposit is a growing channel, and the latest alternative to making a deposit directly with a teller, it has pulled most of its volume from the ATM channel. Deposit-taking ATMs are nothing new, and those customers wishing to deposit at an ATM vs. Teller have already switched.

- **We don't want to create a negative customer experience.**
  Many business customers prefer to wait for the capture and balancing of their deposit at the teller window. They can walk out of the bank and settle their books for the day, without the fear of receiving a deposit correction notice a few days later, creating additional work for them.

Reduced deposit corrections equals reduced costs for all parties. This is a win-win for the bank and its customers.

One bank surveyed mentioned many customers liked the effort in eliminating wasteful paper forms and reduced fuel consumption through reduced courier runs; customers are seeing teller capture as a green initiative.

- **Transaction time will be longer than the current process in place, creating long lines in the branch.**
  The majority of deposits take the same time or less to complete. Teller capture will automate many steps that are currently completed manually by tellers, speeding up the process. Where the option exists, using a PIN pad or other devices to bring the customer into session more quickly than the traditional, manual search methods, this time can be cut even more.

- **Too much risk is created in disaster recovery scenarios.**
  Many of the same risks exist today – power outages, loss of network connectivity, system disruptions, etc. These events have proven to be infrequent. Since transactions are balanced and perfected at presentment, many teller capture banks are reducing retention and shredding checks on-site, further reducing the risk of lost or stolen checks.

- **Technology costs like hardware and software make it too costly of a project.**
  Hardware costs have fallen greatly over the past few years, and teller capture software is now mature, with increased reliability and reduced need for internal support.

The annual maintenance and energy costs of large sorters carry a huge overhead that can be reduced or eliminated with much cheaper, distributed devices. Revisiting a prior business case would be prudent given the change in many cost drivers.

- **Interest rates continue to be at historic lows, making bank float less important than it once was, reducing the advantage of faster check clearing.**
  True, interest rates continue to be lower than historical averages, but the cost of clearing checks through the Fed or other correspondents can be much cheaper depending on when you present items.

The Fed price for earlier cash letter delivery is discounted almost 50 percent versus later windows.

The opportunity to receive same-day credit for items is an additional incentive for those banks with large transit check deposit volume.

- **We put in branch capture a few years ago, so we already reaped many of the benefits teller capture provides.**
  Yes, branch capture and teller capture share many of the same cost saving advantages, but there is additional opportunity for savings, like reduced adjustments, less fraud and more efficient workflow just to name a few. All five of the surveyed banks moved from branch capture to teller capture, some as quickly as two years after completing their branch capture project. There are many additional cost saves with teller capture that support the business case as well as improve the customer experience.

- **Adding responsibility for check capture would overwhelm tellers, many of whom are unlikely to embrace a major change in their daily work.**
  The majority of the banks we surveyed actually listed "teller acceptance of their new system" as the one item that went easier than expected during implementation. Most tellers welcome the new tools that ensure that transactions were accurate when first presented. Many suggest transaction processing is easier and faster with teller capture beyond the initial learning curve.

- **With high teller staff attrition rates, we can't afford to have another level of training on top of the hundreds of things a new teller must learn already.**
  Many manual tasks and decision points have become automated, reducing some training steps. Some suggest that the new teller training is much faster when teller capture is included that when separate branch capture procedures must be trained.

Teller capture systems are intuitive and provide logic to prevent common mistakes, such as using a commercial loan payment slip for a retail mortgage payment.

Key takeaways

- **How long have you been on teller capture, and what was capture model prior to Teller?**

  All five banks moved from branch capture to teller capture. Their timeframe for conversion ranged from six years to as little as two.

- **Moving from a small team of proof operators to having each teller in the bank adopt many of the same role responsibilities is challenging. How has your bank's experience been with this?**

  The main takeaway was that more hands-on learning and practice capturing deposits would have made the transition easier.

  One bank has an experienced teller assigned to each branch to aid with on-the-spot support for both the tellers and customers.

- **Customer transaction time is a concern many have with teller capture. How much time has the move to teller capture added, compared to traditional methods of transactions at the teller window?**

  Initially transactions took longer, but quickly improved and took the same time or less.

  Transactions became simpler with the use of virtual tickets. One of the respondents reduced paper tickets in use from 20 down to just three.

- **Do you force balancing at the teller line, or does your bank "scan and submit," requiring IP to balance and correct? If so, how do you handle rescan of items, etc.?**

  All banks responded that every transaction must be balanced before submitting.

  Rescans are very infrequent, but typically done the following day.

- **Regarding field-level edits and MICR line corrections, do you force many rules at teller capture, or simply RT and Amount? Do you have different rules for Transit vs. on-us?**

  There was a large variance between the respondents, showing there is flexibility in how you chose to configure the system to best meet your needs.

  Some keyed only amount and RT, while others had multiple edits for on-us items.

  All eliminated the majority of their paper tickets to help gain efficiency and reduce errors.

- **Teller and branch capture requires a practical DR plan when capture is not possible. How does your bank handle situations like power outages, loss of network connectivity, etc.?**

  All respondents have manual paper logs or paper tickets to address power outages or extended system downtime.

  Many have in their plan to manually log transactions, and then go to a nearby branch to capture and upload the work for the day.

- **What is the maximum size deposit you capture while a customer is present, versus delayed capture later in the day when time allows?**

  There was a large variance on this response, with some leaving it up to the teller and branch to make the decision based on current branch traffic and time of day.

  One bank delayed capture of all deposits over 100 items, while another delayed all over 200 items.

  Two customers said they scan all deposits at time of receipt, regardless of size, stating that customers don't mind waiting for an exact deposit amount, versus receiving a correct the following day.

- **How do you keep branches accountable for timely completion and transmission of completed work, and reconcile to make sure all work was processed from beginning to end?**

  Some respondents do not reconcile until the following morning, then follow up with branch on discrepancies.

  One of the respondents receives email with totals from each branch when they are completed.

  Customized reports were written by one bank to help with automated reconciliation.

- **Has the shift to teller capture enabled the reductions in IP staffing that was originally forecast?**

  Most respondents said they met or exceeded their original targets for cost reduction.

  Most banks redeployed IP staff to other functions where their processing expertise still added value.

- **What was easier than expected?**

  All felt overall the project was easier than expected.

  Employee acceptance of change exceeded expectations.

  Several said customer acceptance was great, and amazed at how the process worked.

- **What would you do differently next time?**

  Majority of respondents said more hands-on training with the system, especially scanning and reconciling of work.

  Better communication to customers and employees across the financial institution about the change in process, and how it would impact them.

  Deploy those with teller capture experience from the early branches in the rollout to help support branches as they roll out.

Checklist for successful approval and implementation

1. Have several **reference calls with existing customers** of the software solution you are considering to find out what went well, and what didn't.

2. **Educate yourself on the options available**, and how they align with your existing interfacing systems, such as DDA, day-1, fraud, etc.

3. **Include all impacted parties**: Branch operations, item processing, deposit operations, IT support, accounting, facilities, training team and audit, as well as any outsourcing vendors supporting your day-1 and day-2 operations.

4. **Identify and rank automation opportunities**, and the cost benefit of each. This is especially true with paper tickets and automating loan payments.

5. **Be mindful of the customer experience** and include customer education in your project.

6. **Build a solid business case.** (One of the most important items on this list!)

- **Obtain accurate cost numbers** on branch transportation and Item Processing costs, and put in realistic reductions. Don't forget reduced deposit corrections, paper items and related costs.

- If currently on branch capture, **review old business case** for desired cost savings versus reality.

7. **Set reasonable training and rollout schedules.** Consider having a small pilot and then a bi-weekly rollout schedule. This gives the core team time to address newly identified defects and provide "wiggle room" for fixes without disrupting the entire schedule.

8. **Use the buddy system in your rollout plan**, by assigning an experienced staff member to each branch at start of training through first week after go-live to help support tellers and customers.

9. **Plan for your pilot branch** to stay long enough to identify and correct any balancing issue or GL differences. Some banks create new branch and settlement GLs to separate converted branches and easily identify settlement difference.

10. **Have a dedicated test environment for your Item Processing system**, in addition to a test environment for your new teller capture system. This will help identify accuracy of teller capture work when additional edit rules in IP are applied against it. It is important to maintain the complete test environment, to use as a sandbox for training additional tellers during rollout and beyond.
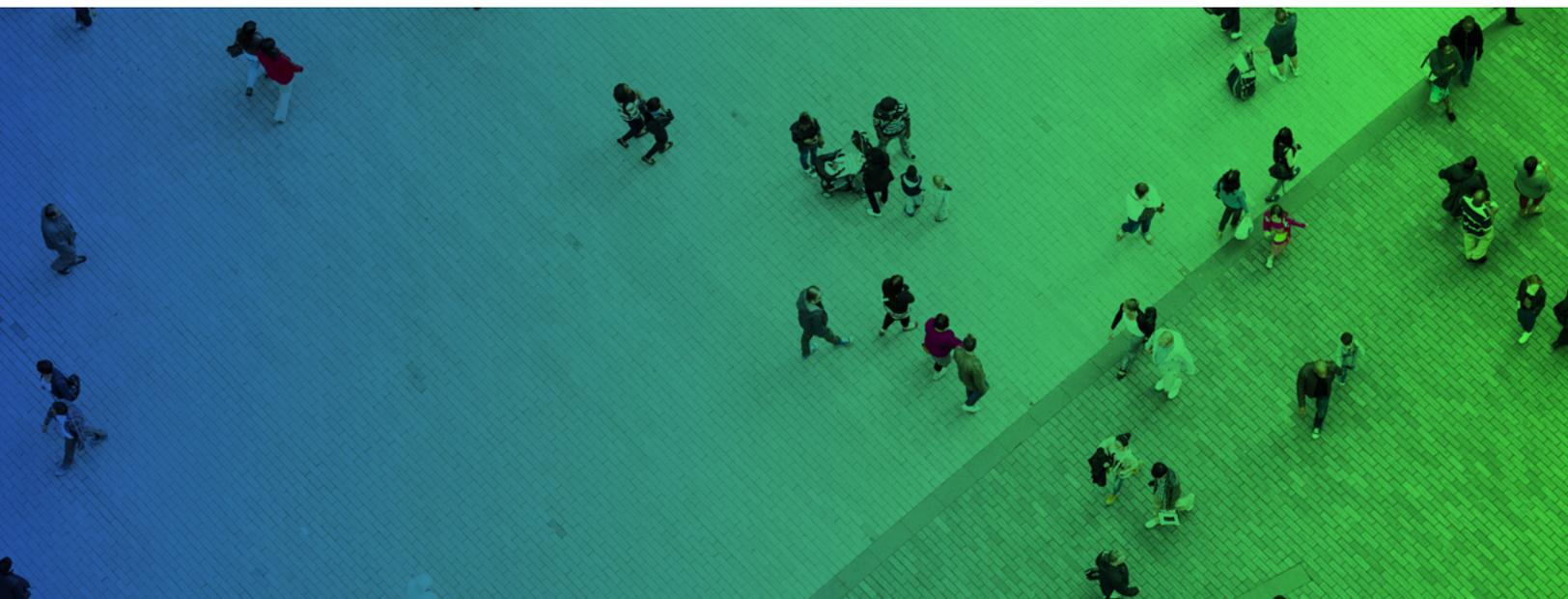
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