

RDC Version 1.0

Where Are All the Users?

May 2011



Summary

In November 2010, Cachet Financial Solutions set out to survey financial institutions regarding the prevalence and customer usage of remote deposit capture (RDC). An 18-question electronic survey was developed and published on the company's Website (www.cachetfinancial.com). The survey, which was open for four months, was also made available to visitors to Cachet's exhibitor's booth at a number of national tradeshow events it attended in 2010 and 2011.

In all, 150 financial institutions of all sizes and geographies took part in the survey. The survey responses were completely anonymous and no follow-up questions or solicitations took place as a result of a financial institution's participation. Drawings and prizes were used as promotional incentives for respondents to complete the survey.

Data was collected independently via Survey Monkey, an independent company that offers survey services to companies of all sizes. The BrandBank, a Minneapolis independent marketing consulting company, collected and analyzed the data and has helped produce the final data contained within this report.

In summary, there are several interesting items that we can bring to light that would interest the financial services community, particularly banks, credit unions and other financial institutions. Below is a question-by-question breakdown along with some analysis.

Question 1

Do you currently offer remote deposit capture to business clients?		
Answer Options	Response Percent	Response Count
Yes	51.4%	75
No	48.6%	71
<i>answered question</i>		146
<i>skipped question</i>		5

Half of the respondents already offer some type of RDC solution to business customers. This number is probably slightly higher than expected but perhaps the industry averages are creeping up there now.

Question 2

Do you plan on offering remote deposit capture in the future?		
Answer Options	Response Percent	Response Count
Yes	58.1%	43
No	41.9%	31
	<i>answered question</i>	74
	<i>skipped question</i>	77

For those who answered “No” to Question 1, this shows that more than half are planning on offering RDC in the future. Combined with the respondents who answered “Yes” from above, that’s 78% who either offer it now or plan to offer RDC in the future. So that’s 8 out of 10 financial institutions that say they offer it now or will soon.

Question 3

What has prevented you from offering remote deposit to your customers? (Check all that apply)		
Answer Options	Response Percent	Response Count
Cost prohibitive to implement	15.4%	10
Security/fraud concerns	32.3%	21
Lack of interest from customers	18.5%	12
Shortage of internal resources	30.8%	20
Not the right time for us right now	36.9%	24
<i>answered question</i>		65
<i>skipped question</i>		86

This is for those who answered “No” to Question 1 (those who have not rolled out RDC yet). The top three answers are of no surprise; they’ve got other things on their minds (Not the right time), they haven’t figured out how to protect the bank (Security/fraud concerns) or they lack the personnel to execute on their own (Shortage of internal resources). What is more telling, however, are the bottom responses. Clearly, cost has not really been the driving issue behind their inability to implement. And it’s not for a lack of demand or interest from the customers. In short, they want to execute, their customers want it and cost is not the deciding factor; however, internal resources are scarce and they have to have a secure solution from an outside expert (we don’t have it in house).

Question 4

Which remote deposit capture application do you plan on offering? (Check all that apply)		
Answer Options	Response Percent	Response Count
Business/Commercial	40.3%	27
Consumer/Individual via mobile application	25.4%	17
Don't know yet	20.9%	14
We're not looking into remote deposit now	26.9%	18
	<i>answered question</i>	67
	<i>skipped question</i>	84

Again, this is for those who answered “No” to Question 1. This question ends up being less relevant because the questions was not as specific as perhaps it needed to be. However, only 25% are not considering RDC now and at least 65% plan on offering business and consumer solutions (or both) in the near future.

Question 5

When do you plan on offering remote deposit capture to your customers?		
Answer Options	Response Percent	Response Count
In the next 6 months	16.7%	8
Within the next 12 months	39.6%	19
Sometime in the next 2 years	14.6%	7
Don't know	29.2%	14
	<i>answered question</i>	48
	<i>skipped question</i>	103

More than half (56.3%) of bank respondents that do not currently offer RDC in any form are planning to roll it out in the next 12 months.

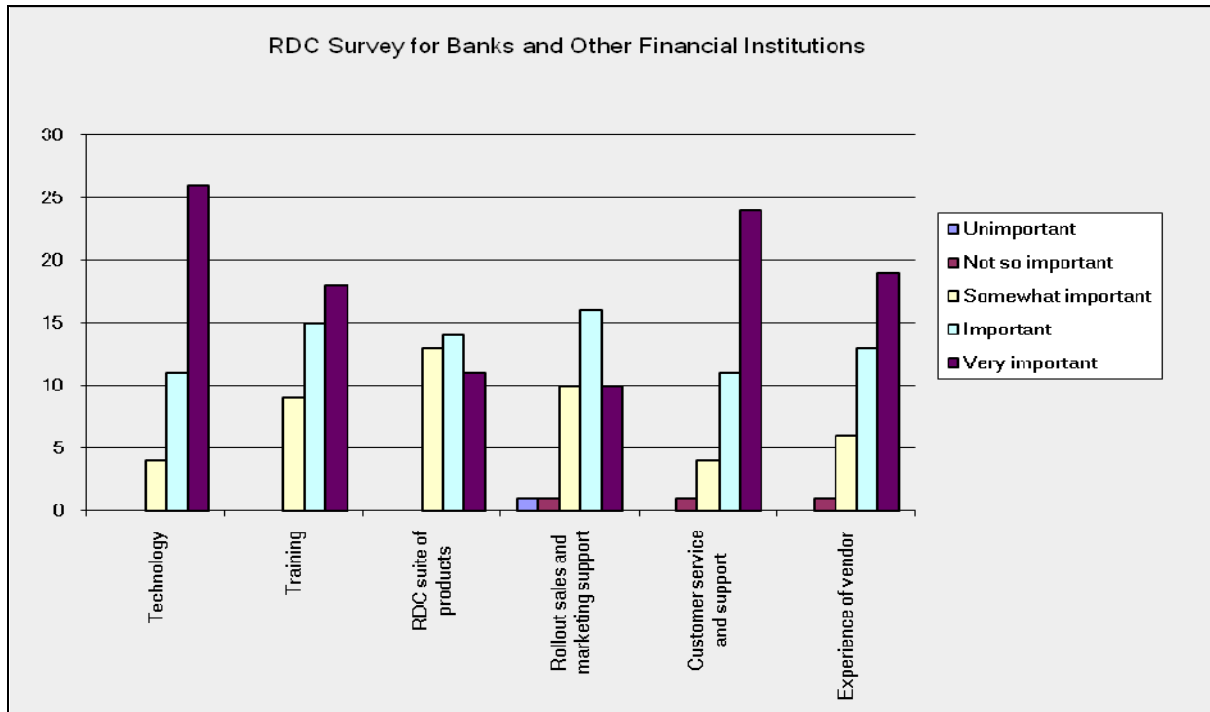
Question 6

Will/Are you looking to an outside vendor to implement your remote deposit program?		
Answer Options	Response Percent	Response Count
Yes, we will use outside providers exclusively	31.3%	15
It will be a mix of internal and external resources	16.7%	8
No, we will do it all internally with our resources	6.3%	3
Don't know yet	45.8%	22
	<i>answered question</i>	48
	<i>skipped question</i>	103

Only 6.3% of bank respondents who are looking at implementing an RDC solution will exclusively look internally to develop their programs. More than 48% of financial institutions said they will use outside providers to develop their RDC solution. A whopping 45% didn't know yet – which means they are probably still in the due diligence phase of determining what they need and who can deliver it.

Question 7

Which criteria are the most important when deciding on an external remote deposit capture provider?						
Answer Options	Very important	Important	Somewhat important	Not so important	Unimportant	Response Count
Technology	26	11	4	0	0	41
Training	18	15	9	0	0	42
RDC suite of products	11	14	13	0	0	38
Rollout sales and marketing support	10	16	10	1	1	38
Customer service and support	24	11	4	1	0	40
Experience of vendor	19	13	6	1	0	39
<i>answered question</i>						42
<i>skipped question</i>						109



Of the six most important categories that banks look to when choosing an outside vendor for delivering an RDC solution, the two top criteria are Technology (does it work) and Customer Service and Support (can you manage it).

Question 8

What percentage of your business clients are currently using remote deposit (estimate is okay)?		
Answer Options	Response Percent	Response Count
Between 0 - 1%	30.7%	23
Between 1 - 5%	32.0%	24
Between 5 - 10%	14.7%	11
More than 10%	9.3%	7
Don't know	13.3%	10
<i>answered question</i>		75
<i>skipped question</i>		76

According to the survey, 62.7% of respondents said that only 5% or less of their business customers are currently utilizing RDC. If half of the financial institutions said RDC is offered currently, that would signify an incredibly low utilization rate to date for these institutions. This could be the result of a number of factors, including a poor technology solution, lack of promotion and enthusiasm internally, lack of an incentive program for relationship managers or the cost to the customer, to name a few. This statistic shows that even though a financial institution might currently offer RDC, it is likely falling well-below expectations.

Question 9

Do you currently offer remote deposit capture to consumer clients?		
Answer Options	Response Percent	Response Count
Yes	24.3%	18
No	74.3%	55
Not sure	1.4%	1
<i>answered question</i>		74
<i>skipped question</i>		77

We see a resounding answer on this question. Three out of four do not offer mobile or an RDC solution to their consumer clients. While they might have implemented a business solution, a large majority have not taken that to their retail space.

Question 10

What percentage of your consumer clients are using remote deposit?		
Answer Options	Response Percent	Response Count
Less than 1%	33.3%	6
Between 1 and 5%	11.1%	2
Between 5 and 10%	5.6%	1
More than 10%	27.8%	5
Don't know	22.2%	4
<i>answered question</i>		18
<i>skipped question</i>		133

Of those financial institutions that do offer mobile RDC to consumers, nearly 44% of those respondents say that less than 5% of their consumer clients are using it. It does look like that there has been some success in rolling out a retail program, at least in some cases. 27.8% report that more than 10% of their consumer clients are using an RDC solution (in some form).

Question 11

How long have you offered your remote deposit capture program?		
Answer Options	Response Percent	Response Count
Less than 1 year	20.5%	15
1 - 3 years	46.6%	34
More than 3 years	27.4%	20
Don't know	5.5%	4
	<i>answered question</i>	73
	<i>skipped question</i>	78

More than 66% of all respondents say they have been offering RDC for three years or less, showing that this industry is still in its infancy. They are still wrapping their arms around the technology, the security issues and the customer needs.

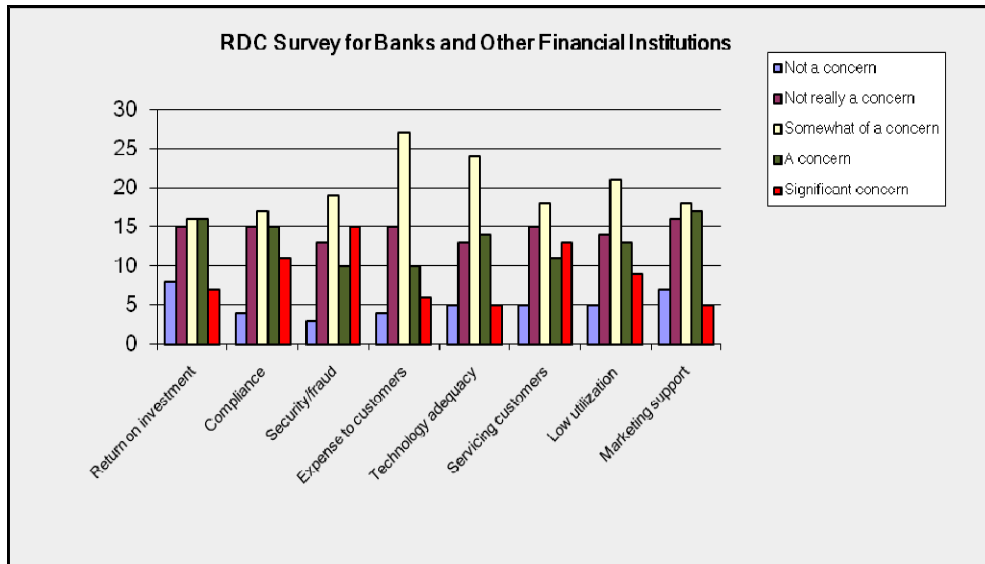
Question 12

Overall, your remote deposit program has been:		
Answer Options	Response Percent	Response Count
Extremely successful	11.3%	8
Successful	29.6%	21
Somewhat successful	39.4%	28
Somewhat unsuccessful	11.3%	8
Unsuccessful	7.0%	5
Extremely unsuccessful	1.4%	1
	<i>answered question</i>	71
	<i>skipped question</i>	80

Only about 40% call their RDC program “Successful or Extremely Successful” to date while more than 59% rate their RDC program between only “Somewhat Successful” and “Extremely unsuccessful”. This shows that there is either a bad feeling about RDC or that the first stab at this program did not meet their expectations for a variety of reasons. This would account for some push back as to why banks with existing RDC solutions don’t want to revisit or upgrade – they had such a bad experience that they feel the investment isn’t worth the money.

Question 13

How would you rate the following issues regarding your remote deposit program?						
Answer Options	Significant concern	A concern	Somewhat of a concern	Not really a concern	Not a concern	Response Count
Return on investment	7	16	16	15	8	62
Compliance	11	15	17	15	4	62
Security/fraud	15	10	19	13	3	60
Expense to customers	6	10	27	15	4	62
Technology adequacy	5	14	24	13	5	61
Servicing customers	13	11	18	15	5	62
Low utilization	9	13	21	14	5	62
Marketing support	5	17	18	16	7	62
answered question						62
skipped question						89



No surprise here. The two issues on their minds the most when it come to RDC are Security/Fraud and Compliance. Every other issue came in a distant second in terms of severity. Expense to the customers finished third as the most important issue concerning RDC to them.

Question 14

In your opinion, how aggressively are bank personnel trying to market RDC to your customers?		
Answer Options	Response Percent	Response Count
Very aggressively	4.2%	3
Aggressively	7.0%	5
Somewhat aggressively	35.2%	25
Not aggressively	40.8%	29
Not at all	4.2%	3
Don't know	8.5%	6
	<i>answered question</i>	71
	<i>skipped question</i>	80

It has widely been assumed that the RDC solution has never really been marketed effectively at financial institutions. Now, we have proof. Only 11.2% of financial institutions with RDC say that they are either Aggressively or Very Aggressively marketing the solution. While we can't establish a direct correlation between low utilization rates to the marketing activities of the bank personnel (because of other variables inherent to the solution), we can anecdotally conclude that utilization can at least be linked to their marketing efforts – or lackthereof.

Question 15

Are bank employees incentivized to offer remote deposit to customers?		
Answer Options	Response Percent	Response Count
Yes	20.8%	15
No	55.6%	40
Don't know	23.6%	17
<i>answered question</i>		72
<i>skipped question</i>		79

These responses, though not directly connected to the previous question, go hand in hand with the earlier results. Only 20% of financial institutions are incentivizing their employees to promote RDC. There's an old saying in HR: Compensate well for what you want sold. If financial institutions are not paying for RDC results, they simply won't get them.

Question 16

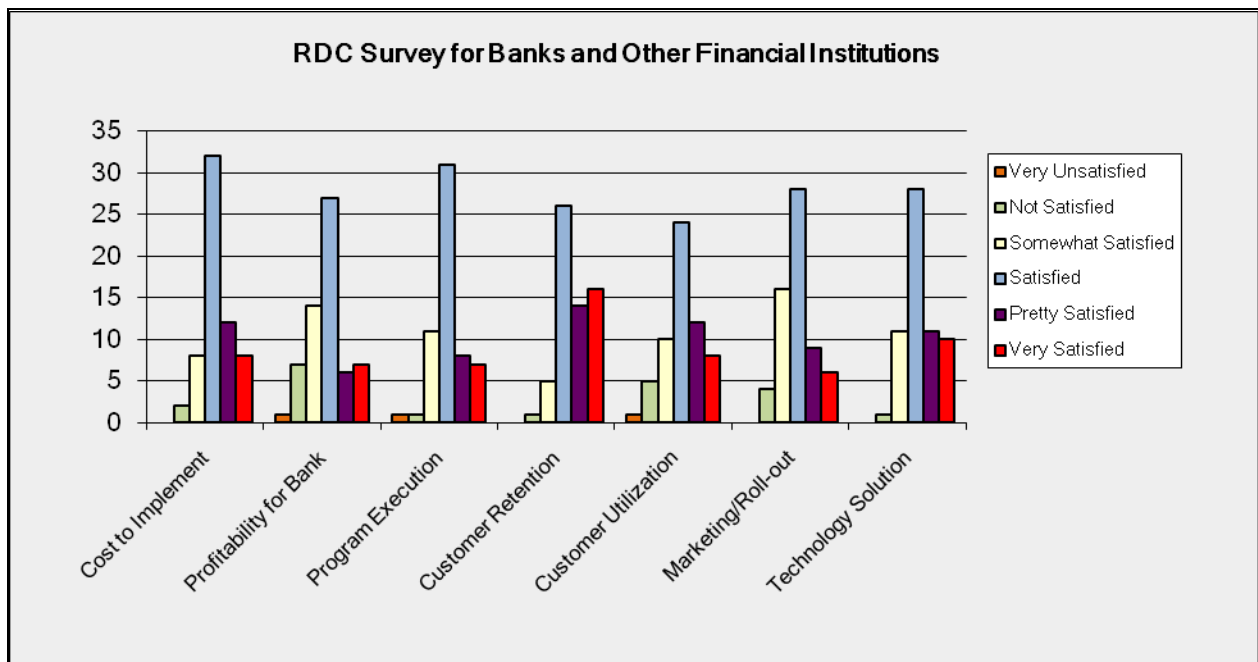
Do you ever receive remote deposit inquiries from customers on a Mac platform?		
Answer Options	Response Percent	Response Count
Yes	20.8%	15
No	36.1%	26
Don't know	43.1%	31
<i>answered question</i>		72
<i>skipped question</i>		79

It seems that most financial institutions really aren't getting feedback from their customers on what they really want from them in terms of operating platforms.

Question 18

Please rate your satisfaction regarding your remote deposit capture program in terms of:

Answer Options	Very Satisfied	Pretty Satisfied	Satisfied	Somewhat Satisfied	Not Satisfied	Very Unsatisfied	Response Count
Cost to Implement	8	12	32	8	2	0	62
Profitability for Bank	7	6	27	14	7	1	61
Program Execution	7	8	31	11	1	1	59
Customer Retention	16	14	26	5	1	0	62
Customer Utilization	8	12	24	10	5	1	60
Marketing/Roll-out	6	9	28	16	4	0	62
Technology Solution	10	11	28	11	1	0	61
<i>answered question</i>							63
<i>skipped question</i>							88



Nothing jumps out other than the most satisfying element to their existing RDC programs is the Customer Retention aspect of it. Technology Solution was the next highest element in terms of satisfaction. Cost to Implement and Customer Utilization were the least satisfying aspect of their RDC programs to date.

Conclusion

Despite the enormous popularity and demand for self-service banking applications like RDC and mobile deposit, it appears that fewer financial institutions have developed the right offerings for their consumer and business customers than previously believed. Industry studies have long anticipated and projected enormous adoption rates for such technology solutions; but, to date, it appears that those assumptions were premature.

Since the passing of the Check 21 legislation in 2004/2005, the industry has had a full six years of planning, development and execution to roll out these new services. Our survey seems to indicate that not only have fewer organizations officially rolled out successful solutions yet but that even those that have do not see the amount of adoption or usage they had hoped to see.

Without question, technology advances within the financial services industry will become part of the fabric of the available offerings for consumers and businesses. The genie is out of the bottle and it's not a matter of *if* but *when* they do deliver these solutions. Right now, however, it appears that many organizations are still grappling with major technology and security issues. Until bank owners and their major stakeholders—including regulators, risk managers and compliance officers—are able to provide safe, secure solutions in a cost-effective way, adoption rates could remain below initial expectations for some time. Conversely, if more and more organizations are able to deliver effective solutions in the near term, these lagging organizations simply will have to catch up and implement quickly or watch their customer base dwindle in rapid succession.