

Want to give your customers a fast,
convenient and secure way to deposit
checks while on the move?

YES



Mobile Remote Deposit Capture (RDC)

An NCR White Paper



Experience a new world of interaction

Introduction

The 2010 Federal Reserve Payments Study reported that despite growth in remote deposit capture, 87 percent of checks were deposited physically. With an estimated 23 billion checks being written annually, there remain huge cost saving opportunities for financial institutions to convert physical deposits into electronic deposits.

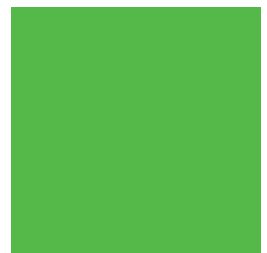
These opportunities are accentuated when a financial institution can drive the deposit to a lower cost channel. TowerGroup reports that the average cost of processing a transaction at a branch is \$3.75. When moved to a self-service transaction at an ATM the equivalent cost is \$0.60, but the mobile channel is the most cost-effective. Using this channel, the cost is just \$0.14.

With such a compelling business case, there is huge momentum among banks to offer a check deposit via mobile phone service to their customers.

Annual surveys of financial institutions carried out by Celent in August 2009 and September 2010 showed that the number of financial institutions planning or considering the adoption of mobile remote deposit capture has doubled (from 26 percent of those surveyed in 2009 to 51 percent just thirteen months later). As more banks roll out the service, Mercatus predicts that check volume migration to mobile RDC could exceed 1.5 billion checks from the branch.

Who will use mobile remote deposit capture? And, what are the issues that financial institutions should consider?

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Convenience and choice

Mobile remote deposit capture is another example of how banks can use a familiar channel as an integral part of the service offer, providing increased convenience and choice as well as quicker availability of funds for an overall improved customer experience.

To put this in context, J.D. Power and Associates 2009 Retail Banking Index Model ranked “transaction methods” as the largest source of retail banking satisfaction (comprising 46 percent of the index). A further 13 percent of the index was attributed to “convenience.”

Using a mobile phone to capture the check image, rather than a scanner, makes remote deposit capture transportable—available wherever it is required. Customers can make deposits as soon as they receive checks rather than storing the paper instruments in drawers and potentially forgetting or losing them. This is especially important for small and entrepreneurial business clients who depend on consistency in their cash flow to manage their business.



Mobile remote deposit capture provides a service that is “always on,” easy to use, convenient and with an extended deposit window for customers who are not located near a branch or at home or in the office.

Reducing the need for branch visits to make check deposits means that clients are not removed from their businesses and do not spend time standing in line. It gives them back time in their busy daily lives.

A growing customer base

Factors influencing the potential market for this solution include the ubiquitous nature of the mobile phone and the increasing use of smartphones. More than half of U.S. adults already use their mobile phone to take pictures. Though smartphones are today only owned by around 18 percent of adults, Javelin believes this will grow to 52 percent by 2014.

Javelin also believes that, in the long term, adoption of mobile remote deposit capture will be skewed toward younger adults. This is confirmed by research from Celent, which reveals that 40 percent of younger customers say mobile services would be a factor in their bank choice.

Not only are consumers the target for this product offering, small business and corporate segments are an opportunity for banks to target, with checks still being used for seventy-four percent of business transactions. It is easy to see how this service will be particularly attractive to small, service-based businesses such as landscaping, insurance agencies and home renovation companies who receive low volumes of checks while working at a buyer’s location. Rather than having to make a trip to the branch, or even to the office, they can deposit the check immediately, leaving them free to move on to the next job.

Also, for businesses with relatively small numbers of checks on a daily or weekly basis, mobile remote capture is now more convenient and accessible than other available RDC channels, as customers leverage already-owned technology that they are comfortable with using.

Creating “stickiness”

Mobile RDC protects your customer base and encourages loyalty by providing your customers with more choices as to how they make check deposits. It can also protect and grow deposits by expanding the bank’s market reach.

The adoption of Mobile RDC might impact customer retention, for example, where the bank does not have a large number of branches, in sparsely populated areas or regions with severe weather conditions. Limiting the importance of access to a branch could also influence the 33 percent of “switchers” who change banks because they have moved to another area where their bank does not have a branch.

Early adopters

As explained above, it has been suggested that this technology will be particularly attractive to smaller banks and credit unions that do not have a large branch network in that it will improve their competitiveness. However, given the significant numbers of consumers and small businesses that have already indicated that they would use this service, it is also likely that institutions that are early adopters would obtain a significant competitive advantage. We should not forget that by 2014 Javelin is forecasting that between 32.7 and 49.6 million U.S. adults “will desire remote mobile capture—which would translate into adoption.” That’s quite a significant “niche” market.

Link to mobile banking?

The mobile remote deposit capture service is unique in that though it is complementary to mobile banking it can be a stand-alone service used by customers who do not choose to use mobile or online banking.

TowerGroup estimates that mobile banking usage will grow from 10 million active users in 2009 to over 53 million active users in 2013. Mobile deposit introduces an important feature with a proven business case to mobile banking capabilities.

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As customers become more comfortable in using the phone for financial transactions through mobile banking they are more likely to use the phone for RDC.

Part of a multi-channel strategy

Smartphones enable check deposits with mobile RDC, breaking down the technology barrier that existed with legacy phones. The time is now. Financial institutions need to consider an integrated multi-channel delivery strategy combining mobile RDC as well as all other consumer and commercial RDC channels, mobile and online banking, image ATM and branch imaging onto a common platform that will drive both customer and operational efficiencies across their enterprises.

Revenue Generation

Some deployers of RDC have chosen a direct method of generating revenue by introducing a transactional charge for using RDC. Alternatively, mobile RDC could also be offered as a component of a premium account package driving additional value for the customer and driving adoption.



Risk/fraud prevention

The banking industry is recovering slowly from one of the worst economic environments since the Great Depression. In the current climate, moving away from a system of physically presenting checks at the branch does give rise to new opportunities for potential fraud. Growing regulation in the U.S. financial market makes it essential that financial institutions focus on due diligence to manage their compliance consistently. Following Federal Financial Institution Examination Council (FFIEC) guidelines to limit risk exposure is one means by which financial institutions can mitigate risk and fraud while preparing for auditor visits.

It is essential that any bank introducing mobile remote deposit capture take steps to minimize the potential threat of multiple presentments. There may have been no deliberate attempt to defraud the bank, but the result could be embarrassing and indeed damaging to the bank's reputation, as they have not protected their customers against this occurrence. What is needed is a cross-channel duplicate protection solution that scans all channels and is available 24x7.

The FI should manage their exposure to risk by controlling system access tailored to a customer risk profile. This provides flexibility for the FI to control the amount their customers can deposit for set periods of time, by customer segment.

The check can be encrypted on the phone memory for data security and a solution with multi-channel duplicate detection can be deployed, as well as back-office processing of all check deposit channels with the ability to leverage one platform to catch duplicates can be deployed.

Early stages

Banks will need to evaluate how best to roll out the solution where customers do not have a long history with the bank. They may lower risk tolerance or impose deposit limits for these newer customers. It's also important to determine your eligibility rules for offering mobile RDC. Customer education also has an important role.



A ready market and the right solution

Today's consumers are more time-starved and expect more from service providers than ever before.

Given the potential for improved customer satisfaction, early deployers of mobile remote deposit capture could be at an advantage in attracting and retaining customers, particularly younger adults and small to medium enterprises (SMEs).

Research shows that one in two SMEs is likely to change banks for what are perceived as better products/services. Similarly, as we have already noted, Celent reports that 40 percent of younger customers say that mobile services would be a factor in bank choice.

The introduction of this solution involves limited investment on the part of both the bank and the client in comparison with ATM deposit respectively and it enables you to provide a deposit service – anytime, anywhere.

Mobile remote deposit capture can address the demand for an improved customer experience by enhancing existing mobile banking services or introducing customers to mobile banking while at the same time reducing transaction-processing costs.

Though the total volume of checks continues to decline, there remains a significant business case for reducing the cost of processing these items. Indeed, some industry analysts are now forecasting that the rollout of mobile remote deposit capture will have a positive impact on check usage, helping to stall decline. The implications are that this solution will have longevity as well as revenue-generating potential.



Conclusion

Mobile remote deposit capture provides consumers and small businesses with:

- increased convenience and choice
- an easy-to-use, intuitive and “always on” solution
- improved availability on deposited funds
- a secure and trusted channel
- avoidance of risks associated with paper such as loss of checks
- consistency of service

Mobile RDC provides financial institutions with:

- a cost-effective means of depositing checks
- improved customer satisfaction and “stickiness”
- a low cost means of reaching more customers
- avoidance of risks and costs associated with paper payments
- more efficient branches with greater sales opportunities
- enhanced mobile banking services
- competitive advantage to early adopters
- a solution with longevity and revenue-generating potential



Why NCR?

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