



# MAKING A CASE FOR BRANCH IMAGE CAPTURE AT THE TELLER LINE

You may be ready to move forward with branch image capture, but is a solution integrated with your teller system really best, or is branch back counter good enough? This white paper discusses the benefits available to financial institutions through the deployment of branch image capture at the teller line.

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## Introduction

According to a recent Celent Report\*, 11% of all financial institutions who had adopted branch image capture as of the middle of 2008 selected a branch front counter solution (a branch image capture solution deployed at the teller line). This represents a significant number of the more than 10,000 financial institutions (approximately 1,100) that had reportedly adopted branch image capture overall.

Why did these financial institutions choose a branch front counter solution rather than a branch back counter solution? Are they simply ahead of the adoption curve? Will branch front counter ultimately make sense for all financial institutions?

*“Up to half of U.S. financial institutions may adopt branch front counter long-term.”*

*– Celent, Imaging in the Retail Channel 2008*

Industry analysts and Goldleaf agree that the current levels of branch front counter adoption in the United States represent the tip of the iceberg for what is to come. Having completed over one thousand branch image capture deployments to date, including some of the largest branch front counter deployments worldwide, Goldleaf is seeing branch front counter as the only way for financial institutions to maximize ROI from branch image capture initiatives and achieve the biggest benefits in:

- Cost reductions
- Branch efficiency gains
- Increased revenues
- Improved customer satisfaction
- Risk mitigation

This white paper discusses these benefits and the business case for branch image capture at the teller line. The paper also highlights the incremental benefits of branch front counter in relation to branch back counter. Future white papers in this series will provide more details on automating transaction processes in the branch through branch front counter, the value of integrated front and back counter solutions and the financial results that can be achieved through branch front counter.

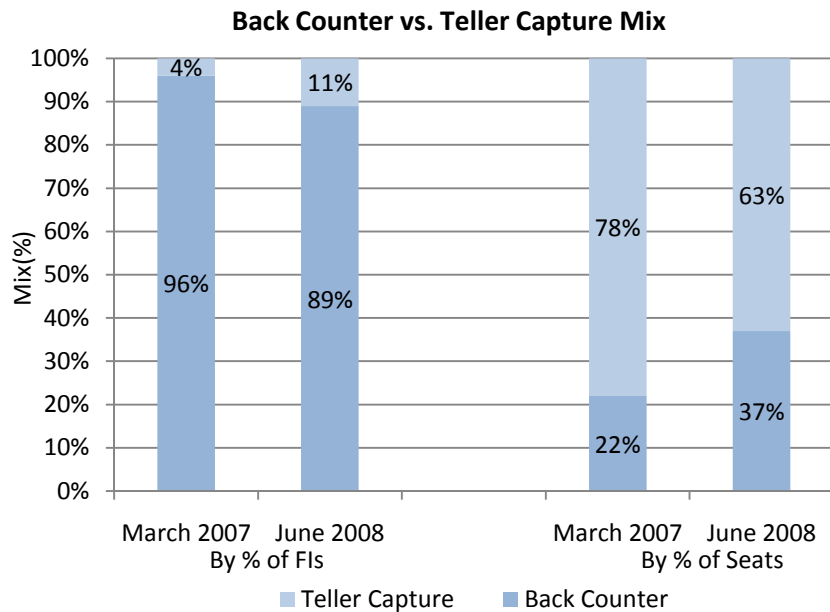
\*Celent, Imaging in the Retail Channel 2008

### Evidence for the Business Case

Before embarking on the creation of a business case for branch front counter, one might review the evidence in the industry for moving in this direction in the first place.

As stated above, Celent recently reported that approximately 11% of financial institutions (approximately 1,100 financial institutions) who had adopted branch image capture as of the middle of 2008 selected a branch front counter solution. This number is noteworthy for financial institutions considering branch front counter as it demonstrates a significant precedent and highlights the use of branch front counter by financial institutions of all sizes. If branch front counter were only the bailiwick of large financial institutions, the percentage would be much smaller.

Also of interest, is the relative number of seats that have been licensed by financial institutions to support branch front counter vs. branch back counter initiatives. Celent reported that as of the middle of 2008, 63% of branch image capture licenses purchased by financial institutions were for branch front counter, only 37% were for branch back counter.



Source: Celent, Imaging in the Retail Channel 2008

The high percentage of seats licensed for branch front counter underscores the success financial institutions have had moving forward with branch front counter and rolling it out across their branch networks. This includes several large financial institution deployments with high numbers of branches and seats per branch.

The percentages also back up observations that financial institutions choosing branch back counter commonly narrow deployments to select branches or regions. Were this not so, the percentages would be more in balance (even given the higher number of seats per branch with branch front counter). This indicates that financial institutions selecting branch front counter have an opportunity to more fully realize the benefits of branch image capture overall vs. branch back counter. This is due to the more strategic view of branch image capture and enterprise wide deployment approach that typically accompany the selection of branch front counter.

Additional data points from Goldleaf's experience that may be of interest to financial institutions considering branch front counter include:

*Teller system upgrades* – Goldleaf has seen many financial institutions rationalize spending on major teller system upgrades based largely on the addition of branch front counter in the upgraded system. This is an interesting phenomenon that sometimes slows progress toward the deployment of the integrated solution, but certainly emphasizes the strength of the business case for branch front counter. In fact, in today's economic environment, it is hard to imagine a major teller system upgrade being justified without the inclusion of branch front counter to automate transaction workflows, reduce keystrokes and improve the customer experience.

*Pre-truncation branch front counter* – Interestingly, many of the large financial institutions Goldleaf serves initially moved forward with branch front counter before the benefits of check truncation were available. This attests to the strength of the business case for branch front counter even outside of transportation savings and image exchange benefits. These financial institutions initially justified branch front counter primarily through branch efficiency gains, reduced error rates, customer service improvements and back office POD savings.

## Benefits of Branch Image Capture

Branch front counter provides financial institutions the opportunity to more fully realize the benefits of branch image capture overall vs. branch back counter. This is due to the more strategic view of branch image capture and enterprise wide deployment approach that typically accompany the selection of branch front counter.

The overall benefits of branch image capture are those benefits that can be achieved through branch front counter but may also be achievable through branch back counter (in whole or in part) depending on the rollout strategy of the financial institution. Overall benefits include transportation savings, facilities and equipment savings, easier geographic expansion and improved disaster recovery.

*Transportation savings* – Most institutions have two or more daily transportation runs per branch depending on branch needs, branch image capture can reduce this to one or less per day.

*Facilities and equipment savings* – Many financial institutions are able to significantly reduce back office infrastructure and maintenance costs with the introduction of branch image capture; often closing processing centers, jettisoning “big iron” equipment and consolidating vendor relationships.

*Easier geographic expansion* – Branch image capture facilitates cost reductions especially in outlier regions with higher transportation and servicing costs. This makes it easier to support branch network expansion and acquisitions outside the financial institution’s traditional footprint.

*Improved disaster recovery* – As long as communication lines are up, the ability to receive and process transactions from the branch is no longer hindered by foul weather or constrained by natural disasters.

Branch front counter also affords the financial institution unique benefits that are not available through branch back counter. The benefits unique to branch front counter are things like branch efficiency gains and improvements to the customer experience that can’t be achieved through branch back counter given its separation from where customer interaction occurs. Another category of benefits

are those that can be partially achieved through branch back counter but are enhanced through the implementation of branch front counter. The chart below summarizes the primary benefits that should be considered in the business case for branch front counter.

Benefits of Branch Image Capture	Overall BIC Benefits	Enhanced Through Branch Front Counter	Unique to Branch Front Counter
<b>“Hard” Dollar Benefits</b>			
Reduced Day 1 Staffing		X	
Reduced Back Office Facilities & Equipment	X		
Reduced Transportation	X		
Accelerated Clearing		X	
Branch Research Efficiency			X
Reduced Research and Adjustments Volume			X
Reduced Paper Ticket Costs			X
Reduced OTC Fraud Loss			X
Reduced Branch Servicing Costs			X
<b>“Soft” Dollar Benefits</b>			
Improved Customer Experience			X
Cross-sell and Referral Revenue Opportunities			X
Increased Teller “Heads-Up” Time			X
Improved Employee Experience			X
Improved Self-Service Capabilities			X
Easier Geographic Expansion	X		
Improved Disaster Recovery	X		

*“Celent expects branch front counter to slowly gain on back counter implementations over time as more capture/teller system integrations become certified and as FIs slowly migrate from interim to end-game solutions.”*

*– Celent, Imaging in the Retail Channel 2008*

In creating the business case for branch front counter, the financial institution will need to consider the level at which it is already achieving the overall benefits of branch image capture through any existing branch back counter solution. Then, it will need to consider all of the incremental benefits it can achieve through branch front counter. This analysis will be unique for each financial institution.

The following case study provides an example:

A large financial institution deployed branch back counter to roughly 15% of its branches. The financial institution’s end game has always been to deploy branch front counter in order to achieve its unique benefits. However, in an effort to quickly reduce costs, the financial institution was initially forced to deploy branch back counter in two of its outlier regions. It is now considering the best course of action for the remaining branches. This financial institution can approach its business case and its deployment of branch front counter in one of two ways:

1. Deploy branch front counter now in the remaining branches.

In this case all of the overall benefits of branch image capture related to these branches would be fully attributable to the branch front counter business case along with the unique benefits afforded through branch front counter.

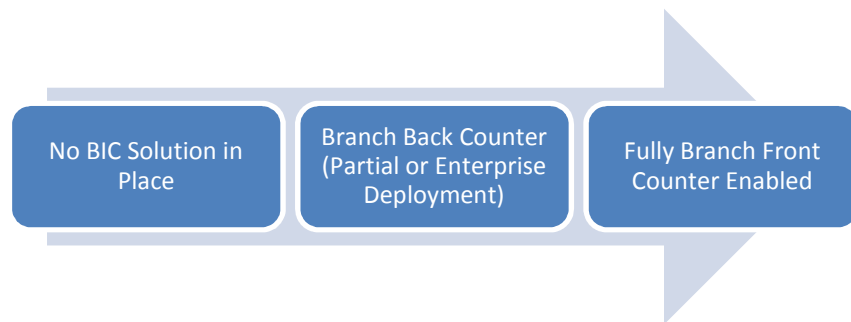
2. Further the deployment of branch back counter first in the remaining branches (where justified based on the nature of transactions received in each branch) and then deploy branch front counter.

In this case, the overall benefits of branch image capture would be fully or partially attributable to the branch back counter business case depending on the extent of the broader deployment. The branch front counter business case would then take into account any remaining overall benefits, but focus on the unique benefits afforded through branch front counter.

The situation of this financial institution is not uncommon and financial institutions may find themselves at any point along a continuum of deploying branch image capture when considering deploying or migrating to branch front counter. As such, it is important for financial institutions to appropriately account for the overall benefits of branch image capture especially when they are realistically only made possible through branch front counter as well as the unique benefits afforded through branch front counter.

*“We tested doing back counter; I know that’s a debate that a lot of folks are having. It was through that that we easily made the decision that at least for us and for our business we were doing front counter.”*

*– Steve Hughes, First Vice President, Retail Process and Automation, JPMorgan Chase at BAI Retail Delivery 2004*



Just because some or all of the overall benefits of branch image capture may be achievable through branch back counter doesn't mean that branch back counter is the right approach. The reason for this is that branch back counter comes at a cost to branch efficiency and does not allow the realization of the benefits unique to front counter described below.

## Benefits Unique to Branch Front Counter

As shown above, there are a host of branch image capture benefits that can only be realized through a branch front counter deployment given the separation of branch back counter from where customer interaction occurs. There are also certain benefits that can be partially achieved through branch back counter but are enhanced through the implementation of branch front counter. These benefits might be more easily considered as they relate to:

- Cost reductions
- Branch efficiency gains
- Increased revenues
- Improved customer satisfaction
- Risk mitigation

### Cost Reductions

In addition to reduced transportation and back office facilities and equipment savings outlined above, significant additional cost savings are available to the financial institution through the implementation of branch front counter. In fact, based on ROI analyses performed by Goldleaf, up to 68% of available cost savings through branch image capture are unique to branch front counter.

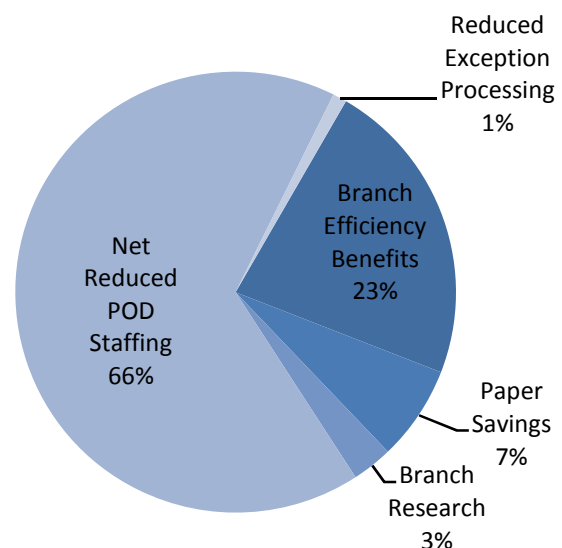
*“Leading banks have already proven that branch capture can significantly reduce expenses, increase processing efficiencies, extend cutoff deadlines, improve availability, and provide a better experience for both bank personnel and customers alike. With over 90,000 bank branches in the US, branch deposit automation can unlock billions in value for both banks and their clients.”*

*– John Leekley, founder and CEO of RemoteDeposit Capture.com*

The biggest remaining savings include the net reduction of POD staff and the achievement of branch efficiency gains.

One could argue that POD staffing can also be reduced through the use of branch back counter. However, what we are speaking

**The Unique Benefits of Branch Front Counter ("Hard" Dollar Considerations)**



about here is the net reduction of staffing costs associated with POD activities across the financial institution. Simply moving POD functions from the back office to the branch does not provide a net benefit to the financial institution and can eliminate the economies of scale found in traditional item processing operations. Even modest incremental staffing requirements in the branch to accommodate branch back counter can offset some or all POD gains in the back office and the incremental workload can cause severe resistance on the part of the branch to branch image capture initiatives. Moreover, in a capture only branch back counter environment where image capture is performed in the branch, but correction and balancing are kept in the back office, POD staffing costs can increase.

In contrast, branch front counter can provide a net reduction in POD staffing across the financial institution as it eliminates redundant processes between what is done in the teller system and what is performed in the POD operation. It ensures that all of the data associated with processing paper based transactions is entered once in the teller system and flows directly through to the back office. As such, where branch back counter tends to move the same work around the financial institution, branch front counter eliminates the need for that work to be performed in the first place.

*"When we rollout our new system, our first full year of deployment, we will have eliminated 300 million cash in, cash out tickets and general ledger tickets."*

*– Steve Hughes, First Vice President, Retail Process and Automation, JPMorgan Chase at BAI Retail Delivery 2004*

Other cost savings that are available through the use of branch front counter include:

*Reduced paper ticket costs* – Most financial institutions and their customers create and insert multiple paper tickets with check deposits (ex: cash in/out tickets and counter deposit slips). Branch front counter eliminates this requirement by automatically inserting “electronic tickets” in the transaction. The savings will vary based on transaction volume, the number of paper items eliminated and the cost of those paper items.

*Reduced exceptions, adjustments, error notification and postage costs* – Since deposit automation detects and corrects errors at the point of presentment, with the customer present, financial institutions experience reduced exception items and require fewer adjustments. This simultaneously reduces after-the-fact notifications required to go to the customer and write-off expenses.

*General processing efficiencies* – As transactions can be received and routed to the item processing center throughout the day, ready for processing, clearing and settlement, financial institutions can take advantage of less costly staffing models and lower processing and settlement costs through more cost effective clearing options.

### **Branch Efficiency Gains**

Next to reduced POD staffing, the second biggest benefit branch front counter delivers to the financial institution comes in the form of branch efficiency gains. Branch efficiency gains could, of course, be translated to staff reductions and included in the business case for branch front counter as a cost savings benefit. However, the gains are more commonly redirected by financial institutions to support other activities in the branch such as customer satisfaction and sales initiatives.

*“We took some transactions that literally could have as many as 78 keystrokes down to transactions that could have as few as 5.”*

*– Steve Hughes, First Vice President, Retail Process and Automation, JPMorgan Chase at BAI Retail Delivery 2004*

The bottom line with branch efficiencies is less work, faster transactions and fewer errors. Branch back counter ultimately creates more work for the branch (10-20% by some reports) as scanning and any correction and balancing functions are decoupled from and incremental to what is already performed by the teller. In contrast, branch front counter automates transaction workflows in the teller system itself and is fully integrated with item processing in the back office. So, data previously created manually in the teller system or written out by hand is automatically created through branch front counter then passed through seamlessly to the back office. Goldleaf implementation studies have shown a reduction in keystrokes from 75-80% related to processing paper based transactions through the use of branch front capture at the same time POD work in the back office is eliminated.

Branch efficiencies are also achieved through reduced cash differences and other errors as well as reduced holdover deposits and branch research requirements.

Similar to the rollout of other major teller system upgrades, during the initial rollout period branch front counter will increase teller training requirements. However, the more straightforward, streamlined transaction workflows afforded by branch front counter will ultimately reduce training requirements. Certain training modules can ultimately

be removed as functions financial institutions previously relied on tellers to perform are now performed automatically by the software (recognizing various items, applying funds availability rules, entering transaction codes, identifying unacceptable items and so forth). As such, branch front counter reduces the ramp up time required to get new tellers fully productive. Reduced training and ramp up time are key benefits given industry experience with teller turnover rates.

### **Increased Revenues**

Increased revenues can be achieved through branch front counter in two ways. First, because branch front counter naturally provides a near real-time transaction processing environment, transactions can be received and routed to the item processing center throughout the day, ready for processing, clearing and settlement. As stated above, this allows financial institutions to take advantage of less costly staffing models and lower processing and settlement costs through more cost effective clearing options. Moreover, this also helps financial institutions improve float and achieve earlier funds availability which is especially important for branches in Western regions of the United States and branches that receive significant volumes of high-value non-local checks each day.

Second, as outlined above one of the major benefits of branch front counter comes in the form of branch efficiency gains. These efficiency gains translate into lower keystrokes required for transaction processing and maximize teller heads-up time. The result is a change of focus of branch personnel from the transaction to the customer, making it easier to meet sales and referral objectives.

### **Improved Customer Satisfaction**

One of the most appealing aspects of the branch front counter business case is the fact that it not only cuts costs and drives efficiencies within the financial institution, but does so in a way that provides tangible benefits for the customer. Branch front counter helps improve the customer experience in the branch across all of the most fundamental parameters by which financial institutions are judged by their clientele. Through branch front counter, financial institution customers receive:

- Faster, more attentive service through increased teller “heads up” time

- Later deposit deadlines
- Reduced errors through reduced keying and system detection of addition and transposition errors
- Confirmed transaction receipts

Customers also benefit through earlier access to data and more efficient branch research capabilities.

*[Branch front counter] “provides an important competitive advantage for us to reduce unit costs while improving our customer experience. Our ability to reduce data entry at the teller station and focus on our customers gives us that opportunity.”*

*– Kade Peterson,  
Senior Vice President  
and Banking Support  
Director at Sterling  
Savings Bank*

There are different ways a financial institution might consider these benefits in its business case. Financial institutions can target improvements to customer satisfaction scores overall and/or consider the impact to the customer through shorter lines and transaction times. Or, these benefits might be considered gravy to an already strong business case.

Regardless, the financial institution will need to take into account the impact to customer satisfaction as it relates to when and where branch front counter is rolled out, be it throughout the branch network or only to select branches based on geography or transaction mix. Deployment throughout the financial institution footprint will help ensure consistency in the customer experience and improve tellers’ ability to move from branch to branch as necessary without requiring new training or incurring teller performance penalties.

### **Risk Mitigation**

One of the limitations of branch back counter is its inability to contribute to risk mitigation initiatives. With branch back counter, the customer has already left the branch before the transaction is processed. In contrast, with branch front counter, the financial institution is able to unlock the information contained on paper immediately upon its presentment, while the customer is still in the branch, and use that information for duplicate detection and fraud prevention efforts.

Branch front counter business rules can be used to automatically detect problem situations in real-time and appropriately alert the teller as to the appropriate course of action. Branch front counter can also enforce key processes like signature verification and track teller changes and activities for audit purposes.

## Costs of Branch Front Counter

*At Sterling Savings Bank, branch front counter was reportedly about 40% more expensive than branch back counter, "We were able to justify it through improved workflow."*

*– Kade Peterson, Senior Vice President and Banking Support Director at Sterling Savings Bank*

While the benefits of branch front counter described above are substantial, there are additional costs compared to a branch back counter implementation that need to be taken into account in the branch front counter business case. At a high level the additional costs of branch front counter come in the form of hardware, software, implementation, support and training expenses.

From a hardware perspective, the financial institution must consider the cost of supporting multiple branch front counter workstations instead of 1-2 branch back counter workstations per branch. One nice thing that factors into the equation is that branch front counter on a per seat basis is much less expensive than branch back counter and deployment across all teller workstations in a branch provides built in redundancy if a single scanner or workstation goes down.

From a trend perspective, the general retooling of the branch environment that occurs naturally over time has put many financial institutions in a situation where appropriate PC hardware required to support branch front counter is already in place. For these financial institutions, the only additional hardware cost would be the actual scanners and scanner prices have come down dramatically in the last few years, especially for lower throughput devices required for branch front counter. So, the hardware cost differential overtime will become less and less a consideration compared to the benefits of branch front counter.

Other cost considerations include the additional software license and support costs for the branch front counter software as well as teller system upgrade costs and any incremental implementation, rollout and training costs that come into play depending on how the rollout is staged in relation to any existing plans for branch back counter, teller system upgrades, etc.

## Conclusion

As stated in the beginning, this white paper was created to discuss the benefits available to financial institutions through the deployment of branch image capture at the teller line and the business case for such a solution. The paper also highlights the incremental benefits of branch front counter in relation to branch back counter. We hope this discussion has been valuable. Future white papers in this series will provide more details on automating transaction processes in the branch through branch front counter, the value of integrated front and back counter solutions and the financial results that can be achieved through branch front counter.

Goldleaf believes that branch front counter provides the only way for financial institutions to maximize ROI from branch image capture initiatives and that the current levels of branch front counter adoption in the United States represent the tip of the iceberg for what is to come.

That said, while the promised benefits of branch front counter are great, not all branch front counter solutions are created equal. As such Goldleaf recommends that each financial institution fully complete its due diligence before moving forward with any branch front counter solution under consideration. Some of the characteristics the financial institution should consider in a potential branch front counter provider are outlined below.

## Integration Experience

One of the first questions a financial institution should ask a potential branch front counter provider is whether or not it provides certified interoperability with the bank's teller system and whether or not the combined solution is live at a customer site.

Goldleaf's branch front counter solution has been integrated with most of the major teller systems on the market and is the "special sauce" behind their branch front counter solutions. Moreover, the breadth and strength of our integration experience is unmatched in the market today.

*"Goldleaf's Sierra Xpedite has a very significant lead of greater than 25,000 deployed branches over other branch and teller capture solutions."*  
– Aite Group, LLC

*“If a branch front counter approach is under consideration, financial institutions are encouraged to embrace branch front counter as an end-to-end work process redesign, not a simple ‘bolt-on’ operation to existing procedures.”*  
– Celent, *Imaging in the Retail Channel 2008*

## Process Automation

Goldleaf strongly believes that the strength of branch front counter is its ability to simplify and streamline teller transaction workflows. Transaction process automation allows the financial institution to achieve all of the benefits of branch front counter without a negative impact to branch servicing.

Goldleaf automates transaction processing through the use of the latest in image-based processing technologies. This ensures real-time transaction accuracy and integrity, conformance with image quality standards and reduces service times and keystrokes. Image-enabled transaction workflows reduce the need for manual keying of customer data, item details and amounts and can be used to automatically recognize funds availability rules, transaction codes, unacceptable items and so forth.

## Multi-Channel Solutions

Finally, Goldleaf recommends that the financial institution consider the implementation of branch front counter within the context of its enterprise-wide initiatives to move to efficient, electronic image-based transaction processing solutions. A potential branch front counter provider that supports branch front counter, branch back counter and other key points of presentment should be of most interest.

Goldleaf’s branch front counter solution is fully integrated with not only our branch back counter solution, but also our other proven solutions spanning self-service and commercial areas of a financial institution as well as back office image processing. This provides financial institutions with synergies and efficiencies across servicing applications including branch front counter, branch back counter, remote deposit, ATM, kiosk, lockbox, cash vault and correspondent banking applications. The vast majority of financial institutions that partner with Goldleaf have deployed more than one of our market-leading solutions.

## Goldleaf ROI Simulator

The creation of a business case for branch image capture is inherently very personal to each financial institution and needs to take into account the financial institution's current operating environment, strategic intent for branch image capture initiatives and short and long-term goals and objectives for branch image capture.

One of the most important tools Goldleaf uses to help financial institutions create a branch image capture business case is the Goldleaf ROI Simulator which was created and refined by Goldleaf utilizing Global Concepts thorough industry knowledge and consultation, Rockwell's Arena simulation software and consultation and development from simulation specialists at The Georgia Institute of Technology.

The Goldleaf ROI Simulator allows financial institutions to work with Goldleaf to map out and simulate the projected results of various branch image capture initiatives based on an in depth review of bank specific parameters such as processing volumes, workflows, labor and equipment utilization and relevant financial data (discount rates, transportation costs, equipment costs, tax rates). The simulator also allows the creation of multiple scenarios for performing trend analyses and what-if calculations and contains arrival tables in order to accurately assess work completion.

**For a limited time, qualified financial institutions can receive a Free ROI Assessment from Goldleaf utilizing the Goldleaf ROI Simulator. The ROI assessment is normally provided at a cost between \$10,000 and \$25,000. Please contact us now to see if you qualify.**

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