

WHITE PAPER

# SMALL BUSINESS RDC: TAKING TRANSACTIONS OUT OF THE BRANCH

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## EXECUTIVE SUMMARY

Two-thirds of the nation's checks are written to businesses, and these are a major contributor to traffic at bank branches. Migrating these transactions to digital channels is a top priority for financial institutions. Unfortunately, the growth rates for historic approaches to distributed check capture have hit a ceiling. This has financial institutions taking a hard look at the way they serve small businesses, the most frequent visitors to branches and heavy users of counter deposits.

Migrating small businesses to digital channels can reduce the average number of teller transactions by up to 40 percent, according to research and advisory firm Celent. Past attempts to move small businesses to remote deposit capture (RDC) have largely fallen flat. Desktop RDC is too expensive and complicated for these customers, but repackaged consumer RDC solutions lack key functionality. **To truly increase small business adoption of RDC, financial institutions must offer a single, flexible platform that solves the three small business use-cases: mobile-only, scanner-only, and scanner with mobile.** With the appropriate product approach and promotion, financial institutions can kick-off the next wave of RDC adoption and take transactions out of the branch.

# SMALL BUSINESS RDC: TAKING TRANSACTIONS OUT OF THE BRANCH

## COMMERCIAL RDC GROWTH HAS STALLED

Financial institutions can no longer count on historic approaches for distributed capture to significantly reduce branch traffic. For instance, commercial RDC adoption among U.S. financial institutions has stalled in recent years, after achieving steady early growth. Since 2010, commercial RDC has been stuck at approximately 40 percent adoption among U.S. financial institutions, representing approximately 7,000 financial institutions that have adopted the technology, according to research from Celent.

What's more, Celent's research found that commercial desktop RDC end-user growth rates have declined in recent years, from 16 percent growth in 2012 to 10 percent growth in 2013 to 8 percent growth in 2014. Worse, **Celent warns that commercial desktop RDC's growth prospects appear to be limited since most market segments (with the notable exception of small businesses) are well-developed.** In all, there are more than 1 million commercial desktop RDC capture points in the United States.

## Teller Capture is Not the Answer

Meantime, growth in the number of financial institutions capturing images at the teller line and at automated teller machines (ATMs) is slow. Less than 10 percent of financial institutions in the United States currently capture checks images at the teller line or at ATMs, Celent's research found.

While end-user adoption of teller capture continues to grow, the growth rate is puny and is being driven largely by small financial institutions, which also are working to reduce overall staff, Celent reports. There are approximately 200,000 teller capture points across all U.S. financial institutions.

Growth in the number of check images captured at the ATM also is hard to come by as the technology is expensive for small financial institutions. While capture of images at the ATM reduces impact on the bank branch, it still requires small business customers to make an avoidable trip to physically deposit their checks.

## REDIRECTING LOW-VALUE BRANCH TRANSACTIONS IS A PRIORITY

The sputtering growth of historic approaches to distributed capture comes at a time when financial institutions are increasingly focused on redirecting branch transactions to digital channels.

Migrating transactions out of the branch has emerged as the top branch channel priority for financial institutions of all sizes.

Next to maximizing sales and service effectiveness, migrating transactions out of the branch has emerged as the top branch channel priority for financial institutions of all sizes, Celent reports. Seventy percent of institutions surveyed by Celent identified increasing customer adoption of digital channel capability as an "important" short-term branch channel priority, while 24 percent of those surveyed indicated that it was an "extremely important" short-term branch channel priority.

Reducing the number of in-person check deposits by small businesses will go a long way towards taking transactions out of the branch. Nearly all small businesses accept checks, Celent reports. In fact, **small businesses prefer to receive checks in-person and at brick and mortar locations because small businesses perceive checks as being less expensive than electronic payments.** It is only for online transactions that small businesses prefer another payment type: PayPal or credit cards. As a result, small businesses will receive paper checks (albeit, in declining numbers) for a long time, Celent predicts.

Therein lies the problem for financial institutions trying to take transactions out of the branch: small business check deposits produce a lot of branch visits. In fact, 70 percent of small business branch visits are tied to counter deposits, resulting in small businesses making more branch visits than consumers, according to research from Celent. Out of the 16 percent of small businesses with more than \$250,000 in annual revenue, one third of deposit at a branch two or three times per week and the other two-thirds deposit at a branch four to five times per week.

Smaller businesses are also an issue. Thirty-eight percent of businesses with revenues between \$100,000 and \$250,000 deposit checks at a branch two or three business days each week, and 9 percent of businesses in that range make branch deposits four or five business days each week, Celent found.

#### **TRADITIONAL RDC PRODUCTS ARE NOT A FIT FOR SMALL BUSINESS**

Against this backdrop, RDC would seem to be a “no brainer” for small businesses.

In fact, for many financial institutions, migrating branch transactions to self-service channels is the primary motivation for increasing client adoption of small business RDC. Fifty-four percent of financial institutions with more than \$50 billion in assets and 38 percent of financial institutions with less than \$50 billion in assets identified migrating branch transactions to self-service channels as the primary motivator for increasing client adoption of small business RDC, according to Celent.

The root of the problem is that most financial institutions do not offer an RDC solution tailored to the unique requirements of small businesses.

But financial institutions have not been effective in selling RDC to small businesses.

The root of the problem is that most financial institutions do not offer an RDC solution tailored to the unique requirements of small businesses. Sixty-four percent of financial institutions with less than \$1 billion in assets offer small businesses the same RDC solution that they offer to commercial and corporate clients, Celent reports. Half of all financial institutions with between \$1 billion and \$50 billion in assets offer small businesses and commercial and corporate clients the same RDC solution. Large financial institutions are more likely to offer small businesses a separate RDC solution. But, in many cases, large institutions simply bundle hardware and software differently for small businesses. Only 18 percent of large financial institutions, 4 percent of mid-tier financial institutions, and 5 percent of small institutions offer small businesses a separate RDC solution.

Offering the RDC products used by large companies to small businesses creates four barriers:

- 1. Traditional desktop RDC solutions are too costly:** Until recently, financial institutions were more focused on generating additional fee income from small businesses than on migrating transactions from branches. As a result, most desktop RDC solutions were too expensive for small businesses. For instance, 39 percent of all financial institutions that offer desktop RDC to small businesses require the customer to pay for the scanner upfront, according to Celent. Thirty-one percent of financial institutions bundle the cost of the scanner into the monthly service fee for their RDC solution. In either case, the upfront or monthly cost of the scanner exceeds what small businesses are typically willing to pay. Moreover, efforts by financial institutions to use inexpensive flatbed scanners and multi-function peripherals (MFPs) to capture check images have fallen flat.
- 2. Eligibility and onboarding are too complex:** Small business owners cannot spare the time for the eligibility and onboarding process required for traditional desktop RDC solutions.
- 3. Small business is not a focus for many financial institutions:** Most financial institutions focus their business banking services on companies with more than \$1 million in annual revenues. These “high end” businesses have historically been viewed as being more lucrative. The 84 percent of businesses that generate less than \$1 million in annual revenues are served through branches.
- 4. Existing RDC offerings are overkill for small businesses:** Consider that most small business deposits contain just a few items. Fifty-one percent of the deposits by small businesses with more than \$250,000 in annual revenues contain five or less checks, Celent reports. More than two-thirds of the deposits by businesses with between \$100,000 and \$250,000 in annual revenues contain five or less checks, and 80 percent of the deposits by small businesses with less than \$100,000 in annual revenues contain five or less checks. Only 28 percent of the deposits by small businesses with more than \$250,000 in annual revenues contain more than 10 checks. What’s more, traditional desktop RDC products are too complex to be easily demonstrated in the branch, the most likely place for staff to engage small business owners face-to-face.

#### **MOBILE RDC LACKS FEATURES SMALL BUSINESS CUSTOMERS NEED**

Many financial institutions assumed that providing small businesses with a mobile RDC (mRDC) product free-of-charge would address these challenges. Some financial institutions have repackaged the mRDC product they offer to consumers with higher deposit limits and support for multi-check deposits.

While repackaging consumer mRDC for small businesses is expedient, the approach does not:

- Meet the needs of small businesses who are best served by check scanners
- Allow the small business to capture more than just checks, i.e. remittance/payment items, i.e. invoices
- Provide the small business with reporting, research or account receivable exports that they need
- Offer small business with a simple upgrade path to accommodate higher check volumes
- Provide enough differentiation to command a pricing premium versus consumer mRDC

## THE RIGHT MOBILE RDC SOLUTION FOR YOUR CUSTOMERS

FEATURE	SOLUTION		VALUE
	CONSUMER MOBILE	BUSINESS MOBILE	
Use Cases	Home use, very limited small business use	Small to medium business, flexible volumes, capture lockbox payments plus delivery and in-person payments	
Capture deposits via smartphone or tablet	○	○	Expands potential market for RDC sales
Same risk management capabilities as desktop RDC	○	○	Single solution to manage all RDC related risks
Common admin layer for desktop and mRDC	○	○	Single solution to manage all RDC offerings
Capture both payments and associated documentation		○	Meet business needs, grow fee revenue
Capture multiple payments and deposits in a single transaction		○	Key business requirement
Integration to A/R systems		○	Meet business and market needs
Highly configurable		○	Configurable interface for unique needs of each customer
Separation of duties		○	Restrict access and data visibility to certain users
Configurable deposit limits		○	Set limits specific to each business customer

WAUSAU's Business Mobile RDC is a highly configurable platform for businesses to capture deposits, payments and associated documentation such as invoices or agreements. The platform features the same risk monitoring solution and administrative layer as WAUSAU's desktop RDC solution and includes:

- Configurable deposit limits
- Lockbox workflow integration
- Capture-only mode
- Full-page document support
- Enhanced image analytics
- Accounts Receivable integration
- And more!

Financial institutions offer our solution to expand their market for RDC sales, get to market quickly, offer segment-specific RDC deployment variations, reduce small business customer roll-off, and meet client demand for RDC without the need for a desktop scanner.



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### THE SOLUTION

To successfully take small business transactions out of the branch, financial institutions must offer these customers a single, flexible RDC platform that solves three critical use-cases:

- 1. Desktop-only:** Businesses of all sizes are looking for ways to accelerate cash application and reduce costly exceptions. A desktop RDC solution enables small businesses to achieve these objectives by combining simple cash application and payment document image capture including full-page items. Desktop RDC should also allow for standalone payment capture that doesn't require the financial institution to have a full-blown lockbox offering. A small business desktop RDC solution is especially appealing to companies that receive payments through the mail and do not have a mobile use-case. Financial institutions will benefit from a new revenue stream.
- 2. Mobile-only:** While historic approaches to distributed capture are losing steam, mRDC has been on a roll. Hundreds of financial institutions are deploying mRDC each quarter, with growth limited only by vendor implementation capacity, Celent reports. Nearly 20 percent of financial institutions now offer the technology, primarily targeted to consumers. By the end of 2016, Celent anticipates that nearly 5,000 financial institutions will offer mRDC, serving more than 60 million consumers. But financial institutions should not limit their mRDC initiatives to consumers. Price-sensitive small businesses with low check volumes (with or without a mobile use-case) and in virtually all types of industries are ideal candidates for mRDC. **Unlike consumer mRDC solutions, small business mRDC must provide support for multi-item deposits as**

**well as remittance and separation of duties.** Small businesses benefit from low-cost convenience while financial institutions take another step towards right-sizing their branch channel through the migration of transactions to digital channels. It is for these reasons that 78 percent of institutions surveyed by RemoteDepositCapture.com said they plan to offer a mRDC solution to their small business customers.

**3. Desktop and Mobile:** Small businesses such as plumbers and heating and cooling services providers need to deposit checks both through the mail and in-person. Combining mRDC and desktop RDC in a single platform enables small businesses to reduce costs, accelerate funds availability and have an upgrade path to accommodate higher check volumes. Financial institutions benefit from fewer branch transactions and a new revenue stream.

### **SEVERAL KEY FEATURES TO MEET THE NEEDS OF FINANCIAL INSTITUTIONS**

Financial institutions surveyed by Celent identify several critical capabilities in a desktop and mobile solution, including: consistent risk management capabilities across the institution's mobile and desktop products; configurable deposit limits; one administrative layer across the institution's mobile and desktop products; lockbox workflow integration; an optional capture-only mode where work is performed in a back-office; support for full-page document image capture; and enhanced image analytics.

### **ENABLE SMALL BUSINESS CUSTOMERS TO CAPTURE WITH EXISTING EQUIPMENT**

It is critical that solutions geared towards small business customers enable capture of payments and remittance data with the hardware they already have: smartphones, tablets, and multifunction devices.

As check volumes decline, mobile will become increasingly important in all of these use-cases.

Increasing small business adoption of RDC can go a long way to taking transactions out of the branch. Achieving 50 percent RDC adoption among small businesses would result in a 15 percent reduction in the average number of teller transactions per branch, or 750 fewer transactions per month, Celent estimates. Ninety percent adoption of RDC among small businesses would reduce the average number of teller transactions per branch by more than one-third, or 2,000 fewer transactions each month.

Moreover, successfully marketing a new RDC platform to the 27 million small businesses in the United States opens the door to a largely untapped revenue stream for financial institutions.

### **CONCLUSION**

Taking transactions out of the branch is high on the agenda of financial institutions. But redirecting branch transactions to digital channels will require financial institutions to address the needs of small businesses, the most frequent visitors to branches. While RDC is a "no-brainer" for small businesses, traditional desktop RDC products may be too costly and too complex for all small businesses, and repackaged consumer mRDC solutions fall short of meeting small business requirements. "At present, only a small minority of banks offer commercial mobile RDC, and many of those that do are simply using consumer mobile RDC platforms with higher deposit limits as a stop-gap measure awaiting more adequate vendor solutions," said Bob Meara, senior analyst, Celent. "Two-thirds of large banks and half of small banks cite definitive plans for launching commercial mobile capabilities for business customers." What small businesses need is a single, flexible RDC platform that

addresses three critical use-cases: desktop-only, mobile-only, and desktop and mobile. With the right small business product approach and promotion, financial institutions can significantly reduce their number of teller transactions.

#### **ARRANGE FOR A PRIVATE CONSULTATION WITH WAUSAU**

WAUSAU's Business Mobile RDC provides the convenience of on-the-go mobile use, with a highly configurable platform that allows businesses to capture deposits and payments along with associated documentation such as invoices or agreements through their mobile devices. The platform features the same risk monitoring solution and administrative layer as WAUSAU's desktop RDC solution, configurable deposit limits, lockbox workflow integration, a capture-only mode, full-page document support, and enhanced image analytics.

These features permit businesses to efficiently streamline their processes, and integrate to their accounts receivables for easy updating. Financial institutions benefit from an expanded market for RDC sales, faster time-to-market, segment-specific RDC deployment variations, less small business customer roll-off, and the ability to fulfill client demand for RDC without the need for a desktop scanner.

For more information or to arrange for a private consultation and overview of WAUSAU's Business Mobile RDC solution, please call (800) 937-0017 or contact your WAUSAU sales representative.

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#### **ABOUT WAUSAU FINANCIAL SYSTEMS**

WAUSAU, a business unit of Deluxe Corporation, is a catalyst for results. Partnering with industry-leading corporations and financial institutions to reduce cost and strengthen their competitive market position, WAUSAU is recognized for consistently delivering best-of-breed financial technology, services and solutions that integrate receivables, accelerate deposits and payments, and eliminate paper. To meet clients' needs, WAUSAU offers flexible delivery options— whether installed in-house, outsourced, co-sourced or in the cloud. Because of WAUSAU's deep domain knowledge and experience, the company understands customers' challenges and tailors its solutions and services to ensure they have a competitive edge. That's why thousands of leading organizations depend on WAUSAU. Because results matter.

