

# THE COMMUNITY BANKER

THE VOICE FOR CALIFORNIA'S INDEPENDENT BANKERS

## Financial Reform

### We're Not Fighting for Status Quo



**Sticking Together in  
Challenging Times** pg 5



**Remote Deposit Capture—The  
Kingpin For Pursuing “Big” Small  
Business Dollars** pg 10



**Ride That Yield Curve!** pg 12



THIS NOTE IS LEGAL TENDER  
FOR ALL DEBTS, PUBLIC AND PRIVATE

*Anne Escobedo*  
Treasurer of the United States

CALIFORNIA  
INDEPENDENT  
BANKERS

# Remote Deposit Capture

the kingpin for pursuing “big” small business dollars

Andy Grinstead, Sr. Vice President, Bank Intelligence Solutions from Fiserv [andrew.grinstead@Fiserv.com](mailto:andrew.grinstead@Fiserv.com)

“...poorly executed remote deposit capture promotion is costing the financial services industry more than \$700 million...”

Source: Aite Group, 2009

Is your bank missing a golden opportunity to tap into a more predictable source of funding? Possibly, if it's not aggressively targeting small businesses. Are you willing to take that chance? There's never been a better time to revisit the bank's strategy for securing its share of this lucrative business market—and providing must-have services like remote deposit capture are crucial to reaching that goal.

## Why target small businesses?

For one, the competition for consumer deposits is fierce; it's only going to intensify with the online channel dominating retail deposits today. On the other hand, the small business segment is not being well serviced by larger financial institutions. Community banks are much better positioned to provide these businesses with attractive terms and tailored services, yet the market remains relatively untapped. There are approximately 29 million small businesses operating today in the U.S. and 34% of them bank with the top five institutions. However, many of these businesses state that they are more ready than ever to move from the national players—they just need to be asked.

In the past six to nine months, many banks have actually seen an increase in retail deposits that's helped their bottom lines. But how sticky are those funds? What's the probability they will grow? Pose the same questions about commercial deposits and the answers would likely be more definite and more appealing. Small businesses have a critical need for deposit accounts, prioritize a stable banking relationship and are much more likely than a consumer to take advantage of concierge and other personalized services. Businesses, such as medical practices, professional services and non-profits, also carry higher balances (recent analysis shows that 70 to 90% of small businesses' receivables are paid in the form of a check) and are 2.5 times more profitable than consumers. However, taking the time required to deposit receivables at branches or ATMs often poses a challenge for them. As a result, small businesses may opt to delay making deposit trips in order to spend time on production or customer service—but, postponing the deposit can impede their operations. They depend on steady cash flow to fund their own salaries, make payroll for their employees and pay suppliers to keep their business going.

So, small businesses need a way to make deposits without causing a disruption to their activities and they need a way to make sure deposited funds are readily accessible. Remote deposit capture satisfies both of those needs.

## Are you maximizing remote deposit capture?

As you likely know, remote deposit capture enables small businesses to deposit checks into a bank account without having to physically deliver the check to the bank; remote deposit capture is possible using connections and devices typically found in a home office. Using a specialized check scanner or even a consumer-grade flatbed scanner, personal computer and Internet connection or even a cellular phone with a built-in camera, small businesses can capture and transmit check images for secure deposit into their accounts. Easy to deploy and use, remote deposit capture eliminates the time and costs required for small businesses to transport paper checks to a branch or ATM, reducing time away from work and accelerating cash flow.

You may already be offering the service, but what level of adoption have you experienced

among small businesses in your footprint? Is it being well received? Studies have shown that small business' adoption of remote deposit capture has been hampered across the country by a lack of communication from their financial institutions. For example, according to Aite, 47 percent of small businesses do not know what remote deposit is and 45 percent of the small businesses that have heard of remote deposit first learned about it from their peers. The report estimates that poorly executed remote deposit capture promotion is costing the financial services industry more than \$700 million per year in lost small business revenue.

### How important is remote deposit capture to your bank?

Today, an institution really can't compete for small business deposits without offering the convenience and efficiency of this service. First and foremost, you must determine the ideal client profile and quantify the potential impact pursuing a particular small business segment(s) will have on your bank's bottom line. Do your homework—evaluate the markets in the bank's existing footprint, and analyze the demographics of the surrounding communities the institution can serve. Further define the parameters of the businesses the bank will target (i.e. medical practices with annual revenues between \$1 million and \$5 million) and size the number of businesses you can target.

### Where to start

With a profile defined, the next step is to develop banking products

and tailored services for the bank's targeted small business markets (i.e. remote deposit capture, credit and debit card products, mobile banking and payroll tax services, etc.). Remote deposit capture is an attractive place to start because it offers quantifiable benefits to small businesses and it broadens the bank's footprint, since customers do not have to physically come to the banking center to make deposits. Again, look to the industry analysts, like Aite Group, who rank top remote capture products to see the leading solutions.

Of course, how well the bank markets its small business services will make the difference between success and failure. So it's crucial to formulate specific campaigns that will appeal to the different professions and business sizes that are most likely to maintain higher balances and be receptive to other bank products—then educate, educate, educate. Finally, be absolutely certain that your employees are well versed on remote deposit capture and the value it provides new and existing customers.

Hard to believe that many community banks are not taking full advantage of this real growth opportunity in their marketplace, isn't it? Don't let yours be one of them. Fine tune a small business strategy that incorporates critical services like remote deposit capture, promote and execute them well and you will improve the bank's profitability and build long-term franchise value. ▀

## Clarity in Times of Uncertainty



We take pride in helping our community bank clients understand the myriad of accounting and tax issues that arise especially when times get challenging. Hutchinson and Bloodgood LLP has been providing audit, accounting, tax and business advisory services to community banks since 1957. Our engagements are staffed with professionals who focus on community banks. We provide local decision-making, and our high ratio of partners to professionals means more partner involvement in engagements.

We tailor our services to meet your specific needs, with a focus on efficient and timely delivery.

Find out more at:

[www.hblp.com](http://www.hblp.com)

- Assurance
- Accounting
- Tax
- Business Advisory
- IT Audits



101 N. Brand Boulevard, Suite 1600 Glendale, CA 91203 818.637.5000