

# Trent Fleming

## CONSULTING

*Late Spring 2015*

*Germantown, Tennessee*

### ***Revisiting Teller Capture***

---

#### *Optimizing Branch Transactions*

*This issue, which is appropriately titled “Late Spring” edition, offers you some thoughts on a subject I first visited a couple of years ago, Teller Capture. By completely processing transactions at their source, you can improve customer service and internal efficiency - a difficult combo to pull off. Please feel free to call on me if you would like to explore this technology for your bank.*

You may know that my early introduction to the banking industry involved check processing, specifically feeding checks through an IBM 1419. In the early 1980s, we still had branch couriers, centralized proof operations, and big electro-mechanical reader sorters that helped us sort checks so that they could be transported and cleared. In today's world of electronic payments, I'm concerned that we tend to overlook check processing. We've made great progress since 2004 when the Check 21 Act allowed us to begin using substitute documents, yet there are still lots of checks being processed. Innovations, ranging from improved fraud detection to mobile capture, still deserve our attention. No doubt, 45 billion checks reduced to under 20 billion checks is a big drop, but the next 20 billion will not be as easy. The low hanging fruit is largely gone, and it will take work on the part of bankers to achieve additional dramatic reductions in check volume. Thus, in addition to efforts to influence customers' behavior away from writing checks, we need to address opportunities to improve check processing, and reduce costs, including fraud losses.

Teller capture has been an on-again, off-again technology for a number of years. I believe it is increasingly viable. Declining check volumes, along with a focus on faster, more accurate transaction processing, are contributing to renewed interest. The opportunity to reduce costs on the bank side is important as well.

Remember that the ultimate goal of all distributed item capture is to process the item as close to the source as possible, reducing errors, and eliminating secondary handling costs. I don't necessarily believe that every bank should move to teller capture. I simply want to point out some potential advantages, and give you a few key considerations for your own evaluation of this technology.

First, let's define it: by Teller Capture, I mean the process of completing the transaction while the customer is at the window: capturing the image and MICR data, balancing the transaction, submitting it for processing, and providing the customer with a final receipt.

Properly done, teller capture can be a great improvement to a bank's workflow and productivity. It also provides us with opportunities to extend a variety of fraud and security tools to the teller line, stopping questionable checks from coming into the system rather than handling them later as an exception.

Since I last wrote about this topic, there has been more implementations at banks of all sizes, yet there is still no real standard. Each bank ends up with a slightly customized version of the solution, depending on their intended application, and the extent to which they want to modify policies and procedures to take advantage of teller capture.

***The primary reasons, in my estimation, to consider teller capture, are as follows:***

- 1) Improve efficiency and accuracy of teller transactions. The transaction is completed while the customer is in the branch, thus errors are resolved before final posting. An accurate receipt is provided to the customer, so their records are complete as well. Most, if not all, transaction errors are corrected before the customer leaves the bank. Your back office processes for same day transaction processing, and subsequent day reconciliation efforts, should greatly diminish.
- 2) Reduce costs through use of virtual tickets. Most internal bank documents can be created as electronic images from information the teller provides about the transaction. Only those pre-printed documents (primarily checks and loan payment coupons) provided by a customer need be physically processed. The reduction in cost for pre-printed internal documents can be significant. I suggest you look into what those tickets cost you today.
- 3) Provide the necessary tools for use by "universal associates" in your alternate branch environments, including those that allow the associate to handle virtually all customer needs, when complemented by a cash recycler device and support for loan and deposit platform activities.

***Here's a short list of things to consider before making a decision to move to Teller Capture:***

**1) Policies and Procedures**

A willingness to change how your staff operates, and how you interact with customers, is a critical part of the success of Teller Capture. Training and education for your staff will go a long way toward alleviating their fears, and such training should include what to say - and what NOT to say – to customers about the change. In addition, if you choose to implement fraud tools that call for decisioning at the point of customer contact, more training, and management support, will be necessary.

**2) Current Practices**

Often, your tried and true practices (“that's the way we've always done it”) will be called into question. The idea of having a customer sign a deposit ticket when requesting cash back, for example. What if there is no longer a deposit ticket? Options including implementing dollar limits, using technology like PIN or signature pads to provide the authorization, or just eliminating the practice. Be prepared to challenge many current practices in order to fully benefit from this new technology.

**3) Higher Volume Deposits**

Deposits with more than 50 items are not generally suitable for teller capture. Ideally, you will move these customers to their own Remote Deposit Capture solution prior to implementing teller capture. You will benefit from reduced branch deposit volume, and the customer will benefit from an improved deposit process, and extended deadlines for same day availability. Our failure, as an industry, to widely promote and implement desktop RDC now becomes a stumbling block to effective Teller Capture implementation.

**4) Teller System Issues**

If you already have a teller system in place, you ideally would find a Teller Capture solution that integrates to it. If no such system is available, or if you currently don't have a teller platform system, then evaluating a complete solution makes more sense. You should evaluate your core vendor's offerings, your IP vendor's offerings (if separate), and one or two “third party vendors” to get a sense of what is available in your environment. There does not yet seem to be a “one size fits all” solution, so look carefully.

*Now you know enough to begin considering Teller Capture as a part of your overall item processing strategy. That's the real key. As transaction activity is changing, be sure that you have a strategy for dealing with old and new transaction types, and that you are actively managing risks and cost. As always, I stand ready to advise you.*

## *Upcoming Speaking Engagements*

### **July 10**

State Banking Associations: Vendor Management Webinar

### **July 15**

Pennsylvania Bankers: *Advanced Banking School, State University, PA*

### **July 17**

Texas Bankers Association: *Senior Management Summit, Lost Pines*

### **August 27**

Florida Bankers Association: *Cyber Security Seminar, Miami*

### **September 16**

Wisconsin Bankers Association: Management Conference, Wisconsin Dells

*Trent's Comments* is published six times each year and provides insight into strategic topics facing financial institution executives. Please feel free to share this with your staff and colleagues. For further information, contact Trent directly: [trent@trentfleming.com](mailto:trent@trentfleming.com)