



## Driving Branch Efficiency Through Branch Front Counter



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Branch image capture at the teller line (branch front counter) has proven its ability to not only maximize the cost savings available to financial institutions through branch capture initiatives, but do so in a way that creates less work, faster transactions and fewer errors for the branch.

This white paper discusses how branch front counter makes it possible to drive improvements to branch efficiency through deposit automation. In addition, the white paper presents a list of the specific steps in branch transaction processes that can be automated through branch front counter.

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## Introduction

In a recent white paper “Making a Case for Branch Image Capture at the Teller Line,” ProfitStars discussed the benefits available to financial institutions through the implementation of a branch front counter image capture solution (a branch image capture solution deployed at the teller line) and outlined how branch front counter enables financial institutions to maximize ROI from branch capture initiatives.

In order to achieve success with branch front counter, however, additional coordination and effort is required compared to a branch back counter solution. Technology, operations and the retail side of the bank must work closely together in order to produce desired results. Of utmost importance, all sides must possess a shared vision of what is to be accomplished, understand how each organization will benefit and commit to taking a cooperative, inclusive approach to implementation.

The retail side of the bank in particular needs to possess a detailed understanding of how branch front counter will drive branch efficiency at the teller line through deposit automation, the automation of cumbersome transaction processes in the branch. This results in less work, faster transactions and fewer errors. These improvements also unlock the financial institution’s ability to maximize the cost savings available through branch image capture and enable risk mitigation, customer experience improvements and greater sales effectiveness in the branch.

*“Deposit automation actually reduces work in our branches, allowing staff to focus on meeting customer needs.”*

*Jo Palmer, Projects Director, Group Operations, Lloyds TSB Group*

With this in mind, this white paper discusses how branch front counter makes it possible to drive improvements to branch efficiency through deposit automation. In addition, the white paper presents a list of the specific steps in branch transaction processes that can be automated through branch front counter.

## Deposit Automation

Deposit automation is central to branch front counter's ability to drive improvements to branch efficiency as well as enable process improvement across the financial institution enterprise. Branch deposit automation is an approach to branch capture that is focused beyond basic image capture on simplifying and streamlining transaction processes in the branch beginning at the teller line. Branch front counter, through the use of deposit automation, enables the financial institution to implement branch image capture in a way that fully benefits the back office, as well as each and every branch and teller across the financial institution enterprise.

### Moving Image Capture Forward

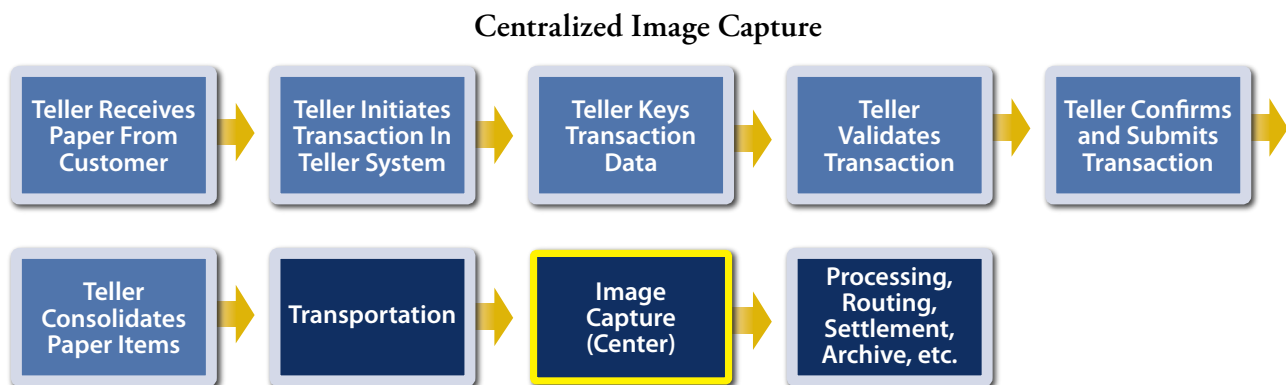
Branch front counter is uniquely positioned to streamline branch transaction processing. Through its integration with the teller system and the use of advanced image recognition and image quality analysis technologies, branch front counter enables the financial institution to reduce the amount of keying and manual effort it takes for tellers to complete transactions, improving end-to-end business processes and eliminating redundant efforts or "waste" associated with these transactions. Most importantly, due to its close proximity to where customer interaction occurs, branch front counter can improve the customer experience and significantly reduce adjustments in the back office through real-time error detection and handling at the point of presentment.

*"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*

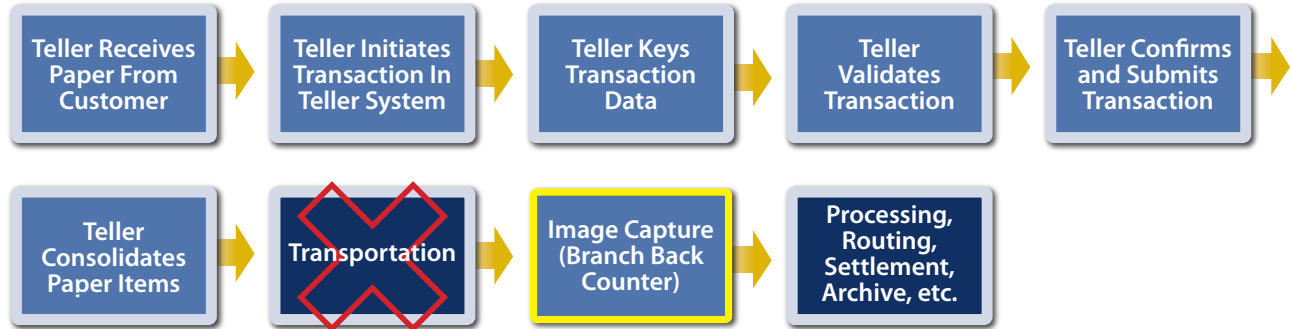
Along the spectrum of branch image capture alternatives, other solutions simply do not have the opportunity to benefit the financial institution as broadly as branch front counter. Their effectiveness is limited to improving individual steps within existing transaction processes, rather than helping to reengineer the processes themselves. Unfortunately, the side effect of this limited focus is frequently additional work for the branch.

**Centralized Image Capture** – For example, consider centralized image capture. The following graphic depicts a very high level branch transaction process with image capture performed in the center (branch responsibilities are in light blue).



**Branch Back Counter** – With branch back counter in place, the transaction process remains in the same order. However, to eliminate the requirement for transportation, image capture activities are moved to the branch at the end of the existing process. This results in incremental work for branch personnel. No branch efficiency improvements are achieved, as all previous branch responsibilities remain the same as before.

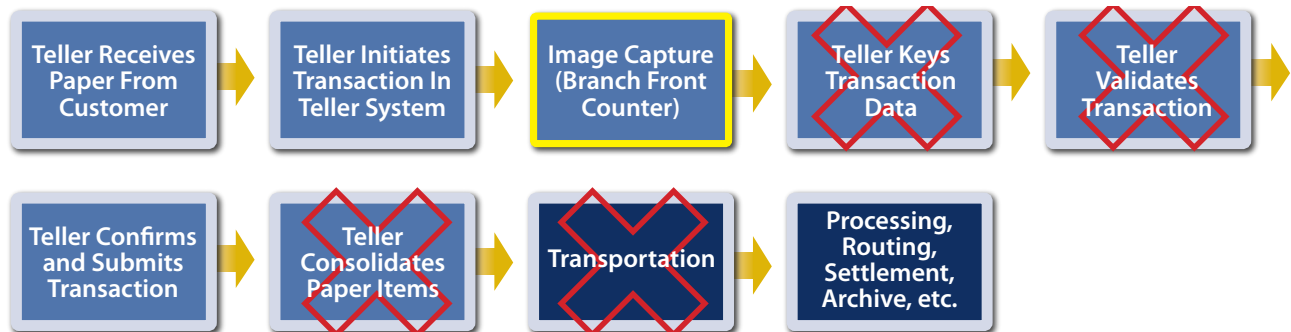
### Branch Back Counter



**Branch Front Counter** – In contrast, branch front counter leverages image capture as a value-added activity that “unlocks” transaction data previously held on paper documents and positions it as early as possible in the transaction process for the maximum benefit of the financial institution. By moving image capture to the front end of the transaction process, branch front counter is able to eliminate work that previously had to be completed manually by human tellers, dramatically reducing required keystrokes. This improves transaction quality and eliminates redundant work across the financial institution by removing multiple reads, interpretations and keying of data that existed in the previous process. Branch front counter uses technology to automate what used to be tedious, manual processes.

The following graphic depicts how the branch transaction process changes with image capture performed through branch front counter (branch responsibilities are in light blue). Note: This depicts the flow for the majority of transactions—limited data entry and validation will still be required for some transactions in a capture, correct and balance configuration.

### Branch Front Counter



## Teller System Considerations

The optimal branch front counter solution is one that is integrated with the teller system. In fact, 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.

The retail side of the bank will be much more amenable to branch image capture knowing that it will complement and improve upon its existing system. Teller system integration allows branch front counter to streamline teller transaction workflows and facilitates research tasks by image-enabling the electronic journal. Best of breed solutions also handle all of the business logic and processing requirements for integration with back office check processing so as to not require a major upgrade of the teller system itself.

*“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 result is that data previously created manually in the teller system and/or written out by hand is automatically captured through the branch front counter solution, then passed through seamlessly to the teller system and to the back office. ProfitStars implementation studies have shown a reduction in keystrokes from 75–80% related to processing paper based transactions through the use of branch front counter.

## Enterprise Considerations

Of course, branch front counter has the potential to bring about improvements to transaction processing not only within the branch but across the financial institution enterprise. By moving image capture to the front end of branch transaction processes, and in turn submitting transactions to the back office electronically throughout the day, batch processing requirements are eliminated and the financial institution is no longer restricted by courier schedules.

This allows for straight-through processing of transactions across the enterprise, which enables maximum business process improvements and cost savings. As such, while financial institutions are encouraged to approach the implementation of branch front counter with a particular emphasis on how it will benefit the branch, a mind to overall business process improvement across the enterprise is ultimately required to get the most from the solution.

One financial institution, for example, prior to implementing branch front counter had already started applying “Lean” process improvement tools and principles throughout its organization to generate meaningful process improvement. It was actually through the use of Lean principles, well known as a key contributor to Toyota's success in manufacturing, that it determined that branch front counter would provide the best way to accept and process transactions from customers throughout its distributed branch network. Branch front counter was selected due to its ability to both improve teller transaction workflows and create a real-time flow of transactions from the branch to center allowing a more optimized process, end-to-end.

With branch front counter, the financial institution overhauled its entire transaction process environment to improve branch efficiency and provide maximum cost reductions in check processing. Cost reductions included closing multiple item processing centers, the implementation of less costly staffing models, more cost-effective and accelerated clearing through the Federal Reserve and reduced paper ticket costs. Its original business case projected an 18-month ROI for the effort, but it now believes it will break even months earlier and realize a multi-million dollar annual cost savings thereafter.

## Automation Opportunities

As discussed above, branch front counter presents a unique opportunity for financial institutions to drive branch efficiency through deposit automation. So what are the specific steps in branch transaction processing that can be automated through branch front counter? While not meant to be a comprehensive list, the following should provide a good idea of the opportunities that are available to the financial institution. Taking advantage of these opportunities drives the majority of benefits of branch image capture to the retail side of the bank.

1. ***MICR Code Line Entry and Conversion*** – Branch front counter can automatically read, validate and populate MICR code line data, including account types, as well as handwritten account numbers on counter credits in the teller system. In addition, conversions of account information in the code line can be handled automatically as required for bank acquisitions and accounts that are not “repapered.”
2. ***Amount Recognition and Entry*** – Branch front counter can read and populate amounts in the teller system. This includes check amounts as well as deposit tickets and payment coupons.
3. ***Transaction Balancing*** – Branch front counter can automatically balance most transactions and bring any out-of-balance conditions to the attention of the teller who can resolve them while the customer is still present, ensuring the integrity and accuracy of the transaction and eliminating the requirement for downstream adjustments.
4. ***Item Validation*** – Branch front counter can use the code line and other item data for automated, real-time validation of items during transaction processing. This can include verifying the presence of signatures and endorsements as well as simple and complex business rules for processing a variety of items including credits, debits, GL transactions and loans. This can include host system callouts for account statuses, account information, stop payment suspects and so forth. Branch front counter can also detect high-value items, ineligible items and non-conforming images and bring them to the attention of the teller noting required actions.
5. ***Cash In and Cash Out Handling*** – In addition to reading item total amounts, branch front counter can read and populate cash in and cash out line item amounts in the teller system and automatically insert virtual cash tickets in the transaction, eliminating the need for the completion of physical cash tickets.
6. ***Cash Counter Integration*** – Branch front counter can be fully integrated with the teller system cash counter, invoking the cash counter automatically when cash amounts are detected. Cash counter amounts are reconciled in real time during transaction processing, resulting in fewer errors and out-of-balance conditions and simplifying the end-of-day cash balancing process.

7. ***Application of Funds Availability Rules*** – Branch front counter can be used to automatically recognize on-us vs. transit items and consistently apply business rules for float management / availability of funds ensuring proper posting and application of holds.
8. ***Splits / Multiple Transactions*** – Branch front counter can be integrated with the teller system in a way that simplifies the processing of split and other complicated deposits through business rules.
9. ***Counter Tickets*** – In addition to eliminating the need for physical cash tickets, branch front counter can reduce or eliminate the need for other counter tickets and internal paper documents such as counter deposit tickets, counter payment coupons and GL tickets through the use of substitute images or virtual documents. This saves the teller from having to complete these tickets manually and provides significant cost savings in paper.
10. ***Foreign Items*** – Branch front counter can automatically detect foreign items presented in deposits and can be integrated with the teller system so that foreign currency transactions can be conducted in their native currency. Substitute images or virtual documents can be inserted in the transaction to represent some or all of the transaction components. In addition, branch front counter can capture the images of the foreign items for research and reconciliation purposes.
11. ***Bonds*** – Branch front counter can automatically detect and calculate the face value of bonds presented in deposits and other transactions. In addition, through integration with the teller system, the redemption value of the bonds can be used to replace the face value of the bond.
12. ***Payments*** – Branch front counter can be used to process payments at the teller line as well and can read and populate payment coupon data in the teller system. Address change requests noted on payment coupons can also be automatically detected and flagged in the payment stream.

### **Additional Benefits**

In addition to the direct benefits of deposit automation described above, including reduced keystrokes, faster transaction processing and fewer errors, deposit automation provides several additional benefits to the retail side of the bank.

1. ***Reduced Transportation*** – Branch front counter eliminates the requirement to cut and prepare work for transportation by a courier, often multiple times in a day. Transactions are automatically transmitted to the operations center throughout the day, resulting in a streamlined, faster and more efficient clearing process.
2. ***Audit Trail*** – Branch front counter provides a comprehensive audit trail for teller management, compliance and fraud detection purposes. This includes maintaining a record of each transaction and each item from beginning to end, any teller overrides performed and the controls that were executed by the solution.
3. ***Reduced Adjustments*** – Branch front counter significantly reduces adjustments in the back office and improves the customer experience through real-time error detection and handling at the point of presentment. This includes catching addition and other customer errors while the customer is still present in the branch, allowing the financial institution to provide confirmed transaction receipts.
4. ***Reduced Training Costs*** – The simplified transaction workflows provided by branch front counter help tellers get up to speed more quickly, reducing training costs, and may improve employee retention.

5. **Increased Customer Interaction** – Branch front counter increases the time available for tellers to engage in dialog with customers. This change of focus from the transaction to the customer makes it easier for tellers to promote products more effectively, meet sales objectives and improve customer satisfaction.
6. **Improved Research Capabilities** – Branch front counter provides improved research capabilities and reduces the time to resolution on customer issues through real-time capture of both image exchange and ineligible items as soon as they are presented.
7. **Deferred Transactions** – For larger transactions exceeding financial institution defined thresholds (as much as 100 items or larger), branch front counter supports deferred transaction processing permitting tellers to mark these transactions to be processed later through branch front counter, branch back counter or a central or regional processing site and move on to the next customer in line.
8. **Flexible Workflows** – Branch front counter can support flexible workflows including regional-specific business rules to accommodate complexities in legacy systems, policies, processing considerations and so forth. This allows the financial institution to simplify workflows, limit variables and apply region-by-region basis if needed.
9. **Fraud Prevention** – Branch front counter can help prevent fraud through real-time item validation and duplicate detection and can provide automated, real-time access to other fraud prevention policies and services at the teller line which can reduce losses and may offer opportunities in day zero to prevent fraud.
10. **Compliance** – Branch front counter can also provide automated, real-time access to compliance policies for transactions at the teller line, reducing exposure and providing opportunities in day zero to address compliance obligations (versus day two and fax back measures, etc.).
11. **Business Intelligence** – Branch front counter also provides opportunities to collect significant amounts of data from the items and transactions being processed. While this can result in a minor increase in effort by the teller, the amount of data collected increases exponentially. This creates significant business intelligence reporting opportunities for the financial institution, far beyond those offered by traditional item processing or branch back counter solutions.

## Conclusion

Although success with branch front counter does require additional coordination and effort compared to a branch back counter solution, the results are well worth the extra effort. Branch front counter has proven its ability to not only maximize the cost savings available to financial institutions through branch capture initiatives, but do so in a way that creates less work, faster transactions and fewer errors for the branch. Branch front counter is, in fact, a prerequisite to maximizing success and ROI from branch capture initiatives. The complete benefits of branch image capture are simply not available through alternative solutions, as they are too far removed from where customer interaction occurs.

The power of branch front counter comes from its ability to automate transaction processes in the branch. Due to its close proximity to the customer and integration with the teller system, branch front counter is able to leverage advanced image reconciliation and image quality analysis technologies to streamline transaction workflows and reduce the amount of keying and manual effort it takes for tellers to complete transactions. This significantly reduces adjustments in the back office and enables improvements in end-to-end business processes and the elimination of redundant efforts across the financial institution enterprise associated with these transactions.

A detailed understanding of these benefits and the specific steps in branch transaction processes that will be automated, will help ensure that all sides of the financial institution possess a shared vision of what is to be accomplished, understand how each organization will benefit and will help drive commitment to and success of branch front counter initiatives.

For more information on branch front counter, the opportunities that are available to the financial institution to drive branch efficiency through deposit automation as well as image capture solutions for other key points of presentment, please contact us at [sales@profitstars.com](mailto:sales@profitstars.com).

*“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*

## SPECIAL OFFER: ProfitStars ROI Assessment

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 capture initiatives and short- and long-term goals and objectives for branch image capture.

One of the most important tools ProfitStars uses to help financial institutions create a branch image capture business case is the ProfitStars ROI Simulator which was created and refined by ProfitStars 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 ProfitStars ROI Simulator allows financial institutions to work with ProfitStars to map out and simulate the projected results of various branch 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 and 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 utilizing the ProfitStars 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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### About ProfitStars

ProfitStars, a division of Jack Henry & Associates, Inc., provides best-of-breed solutions that improve the performance of financial institutions of all asset sizes and charters, and diverse corporate entities. These solutions facilitate revenue and growth, risk mitigation and control, and cost control; and complement virtually any core information processing platform. Additional information is available at [www.profitstars.com](http://www.profitstars.com).

ProfitStars is a leading provider of remote deposit capture solutions, ranked No. 1 in end-user deployments by Celent, a prominent global research firm. ProfitStars helps financial institutions of all sizes succeed with in-house, ASP, browser-based, commercial and retail remote deposit applications. Visit the company's RDC Resource Center at <http://discover.profitstars.com/remotedepositexpert>, or contact us at [www.sales@profitstars.com](mailto:www.sales@profitstars.com).