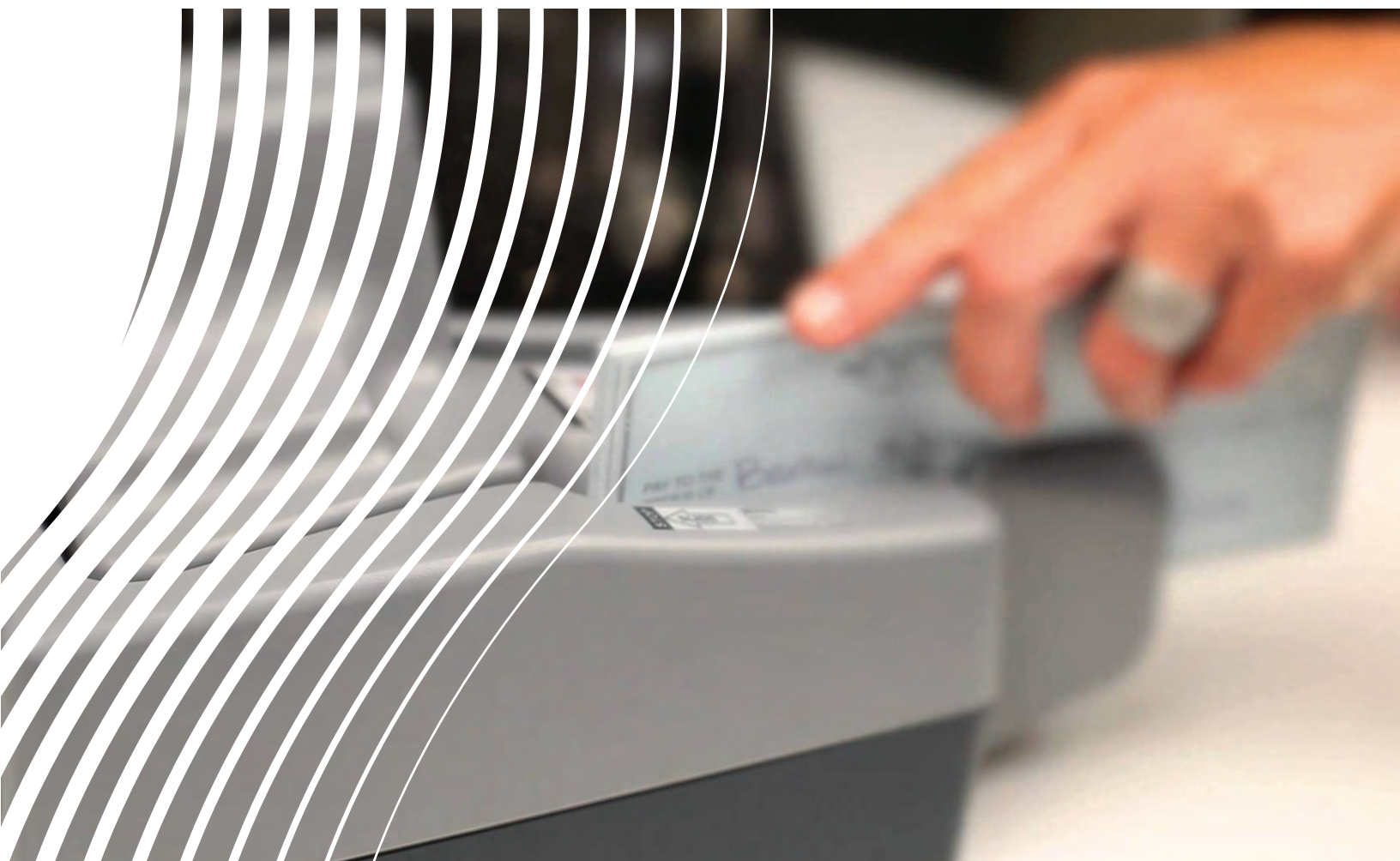





Exceptions: *Disrupting the Customer Experience*

A Check Scanner White Paper



By Michael Reagan



“Customers are not so much shopping in the branch as they are looking to successfully complete their transactions of choice ...”

MAINTAINING CUSTOMER RELATIONSHIPS

Banks, and branch banking in particular, are constantly faced with a balancing act. On one side of the tight wire they are assessed and reassessed on how to staff branches as efficiently and as cost effectively as possible. On the other side they are charged with improving the customer experience and, by extension, expanding the customer’s relationship with the bank. Through the years branch banking has deployed personnel in different ways trying to walk this line. They have had platform personnel serve as “concierge” to make the customers stay in the branch more enjoyable. They have asked their tellers to offer other products based on customized screen prompts or their latest offerings. They have called themselves stores rather than branches. But what are branch banking customers shopping for?

Before we answer the question we need to ask, do branch banking customers see themselves as shopping in the branch? A Gallup survey of how US customers prefer to interact with their bank showed that almost 2/3 of banking customers prefer to make deposits in the branch while less than 40% prefer to learn about products in the branch. The survey also showed that when customers cannot use their preferred channel they are less satisfied with their banking experience and more disengaged with their bank as a whole than those who use their preferred channel for bank transactions. Such survey results suggest that customers are not so much shopping in the branch as they are looking to successfully complete their transactions of choice when they go there.



From the customer’s perspective, the new wave of taking deposits may seem more complicated and time consuming, and maybe even more convoluted. Before imaging, the customer walked into the branch with checks and a deposit slip, handed the items to the teller who stamped the receipt, returned it to the customer and the customer walked out satisfied that their money was safely in the bank. And if the branch was crowded when they arrived often times a “concierge” would handle the deposit while they waited in line, provided there was no cash in the deposit. If there was any mistake – and there rarely was – the customer would be notified of it the following day.

With image based processing, the customer walks into the bank as they always have but from that point forward things have probably changed. For those banks that use back counter teller capture, the customer experience in the branch is largely unchanged. However, if their bank uses teller capture then it is a very different customer experience. If everything goes well, it can, and should, be a more pleasant experience. If the deposit transaction process is less than optimal, then the experience is much less so. A deposit that is composed of many checks will now take longer than it did previously but it is an opportunity for the teller to engage the customer. However, if everything does not go well, the teller is occupied correcting the problems that are causing the delays, and the added time could become a source of annoyance to the customer and those waiting in line.



From the customer's point of view then, what does this instruct the banks to do? The message seems clear: the banks should prioritize processing deposits as quickly and correctly as possible. To accomplish that they must eliminate any and all things in the deposit process that might not go well.

There are many reasons why processing a deposit transaction is halted or fails. They can be categorized into two groups: mechanical/technical problems and human/operator problems. The former category consists of things like feeder and track jams, read errors, poor quality images which preclude good information from being passed to the system. The latter category consists of things such as addition and input errors, missing or extra items in the deposit, etc. Of the two, most problems that require teller intervention are of the mechanical or technical nature – feeder jams, piggybacks, unreadable MICR characters, uncertain item amounts, etc. In a recent spot check of teller deposit processing, 85% of the deposits required some teller intervention to complete. Of these, 80% of the non-track errors (i.e., jams and piggybacks) only required amount entry or character correction by the teller. And they occur while the customer is with the teller so these need to be addressed if we are to ensure that the customer has a good experience while conducting his business in the branch.

The technical snags that delay the teller completing the deposit are fairly straightforward. If we think about what happens at the teller station, it is easy to identify where the snags occur. Once a teller receives a deposit from the customer they start the transaction on their workstation and then place the items in the scanner. From there the scanner should be doing all the work. The scanner feeds each item into the track, reads the MICR line and captures the image of the check (front and back) and then parses that information to be certain that the system has everything it needs to successfully complete the



deposit. That means reading all the required MICR characters on the check and capturing a quality image so it can recognize the amount of the check. Once that is done for each item in the deposit, the system will perform the simple arithmetic to assure that the deposit is balanced (see Figure 1).

BASIC DEPOSIT PROCESS

STEP	PROCESS
1	Feed all items (deposit tickets & checks) into scanner
2	System reads amounts and MICR and passes values to teller capture application
3	Application examines transaction to assure all items have values
4	Application examines transaction to assure all items have required MICR characters
5	Teller capture application will strike proof to ensure all debit amounts (checks) equal credit amounts (deposit tickets)
6	If debits equal credits, the transaction is complete

Figure 1

Yet, more times than not, the process does not go well. In fact, in speaking with experienced tellers in a large commercial bank, I learned that the number of deposits that require no teller intervention is "maybe 6 or 7 out of 100, if you don't count the real small deposits". That means that the system was not able to read all the required characters on the MICR line or was not able to confidently lift the amount of the item from the image of the item. Or worse, lifted the wrong amount from the image so the deposit did not add up correctly when the system tried to balance the deposit. Possibly the item physically jammed in the feeder or on the track and the teller had to intervene to get it to move smoothly along through the scanner. All the while the customer is standing and idly watching the busy teller smooth items, page through the screen to find the offending item or just doing data entry for the missing, but necessary, information (see Figure 2). This is a far different experience than the pre-image process when the teller would smile, take the items in deposit, stamp and return the receipt to the customer with a smile and a wish for them to have a nice day.

COMMON DEPOSIT PROBLEMS THAT CAUSE DELAYS

STEP	PROCESS
1	Feed all items (deposit tickets & checks) into scanner <i>If any jams or piggybacks occur, clear track and rescan unread items</i>
2	System reads amounts and MICR and passes values to teller capture application
3	Application examines transaction to assure all items have values <i>If not, teller will be prompted to enter any missing or unreadable amounts</i>
4	Application examines transaction to assure all items have required MICR characters <i>If not, teller will be prompted to enter required MICR characters</i>
5	Teller capture application will strike proof to ensure all debit amounts (checks) equal credit amounts (deposit tickets) <i>If not, teller will page through the items to identify incorrect amounts in the application As they are found and corrected by the teller, the check capture application will "strike proof"</i>
6	If debits equal credits, the transaction is complete

Figure 2

The good news is that there are ways to address these seemingly simple problems that do not require specialized skills or significant capital outlay. Regularly scheduled maintenance can significantly reduce these errors. Feeder and track jams, piggybacks, unreadable MICR and poor quality images are often the direct result of dirty scanners:

In a small, controlled pilot at 20 branches of a Top 10 US bank, branches were divided into a group that adhered to a regular cleaning schedule and those that did not. The capture system then measured the effectiveness of reading the required fields of each individual item that was processed in the branch. The early results showed that the branches that adhered to the cleaning schedule were able to reduce teller intervention by 42%

Seeing that a regularly adhered to cleaning schedule can reduce these interruptions, the branch's customers will spend less time waiting for the deposit to finish and the tellers can spend more time with the customers while they are in the branch.

Furthermore, scanner suppliers and fulfillment companies have said that as many as 70% of scanners sent for replacement and/or repair only needed to be properly cleaned. In support of that, pilot results showed that the machines that were the worst performers prior to the pilot were the machines that benefitted the most. So a proper cleaning regimen will improve performance of equipment in the branches and maximize the availability of that equipment to ensure the

customer's time in the branch is time well spent.

It has been demonstrated time and again that banks do not maintain a rigorous cleaning regimen throughout their branch network. Ironically, such a cleaning regimen requires only a few moments and a few dollars a week. And it can be done before the customers enter the branch, completely out of view of the customer. The customer will only see the upside – a smooth deposit process and a pleasant dialogue with the teller. In short, a good branch banking experience.

ABOUT THE AUTHOR

Michael Reagan has over 35 years experience in transaction processing. Mike has been a leading voice in working with leading banks in North America to provide leadership in their transition of legacy processes into state-of-the-art, secured, electronic and digital solutions that enhance their competitive positioning and customer value. Recognized for engaging clients in the pursuit of improving the efficiency and profitability, Mike has been a consultant to a number of major banks to refine the requirements for image based payment processing environments, as well as review the process redesign of the image processing support systems, and create, or execute the business and rollout plan for reengineered branch process in order to optimize client interactions, improve sales, streamline processes and reduce risk.

Mike has been a presenter at various industry events including BAI, TAWPI, AFP, NACHA, and State Bankers Associations and is an author for White Papers, Trade Journals, and Banking Publications.

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800.818.1932 tel

207.514.7030 tel

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