



# Bringing RDC to Market

*As remote deposit capture catches on, new opportunities open to ISOs who stay on top of advances*

By Julie Ritzer Ross

**R**emote deposit capture (RDC) ranks among new methods of automating the check deposit process that have proliferated since the Check Clearing Act for the 21st Century went into effect. While many have questioned whether it will truly catch on among small- to medium-size businesses (SMBs), ISOs should be poised to take advantage of its opportunities.

The increasing availability of RDC solutions geared toward SMBs—and vendors' heightened interest in selling these systems through channels other than financial institutions—makes distributed capture a course ISOs would do well to chart, according to John Leekley, CEO of RemoteDepositCapture.com, an independent, Web-based authority on RDC.

have gone live with RDC, as have 45 percent of all banks with less than \$10 million in deposits and 4 percent of all U.S. credit unions, according to Boston-based research firm Aite Group. Nearly 75 percent of the 30 largest banks offer remote deposit to their small-business customers.

Moreover, two thirds of all U.S. banks and 40 percent of all U.S. financial institutions were predicted to have deployed RDC by year-end 2008, according to estimates by Celent, a financial research and consulting firm headquartered in Boston.

## Identifying Market Potential

“We believe the RDC market is still relatively untapped, with as many as 5 million RDC capture points by 2014,” says Bob Meara, a senior analyst with Celent's Banking Group. Collectively, U.S. banks and financial institutions should have deployed an estimated 140,000 RDC devices (scanners) in 2008 alone—a compound annual growth rate of 65 percent, he adds. An additional 30,000 scanners were expected to have been installed by end users as part of initiatives undertaken by other entities, including ISOs and value-added resellers (VARs).

“The SMB sector will definitely demonstrate RDC acceptance going forward, partially because banks will make offering it a priority in their move to maintain a competitive edge when serving commercial customers of all sizes,” Meara says. “What is now clear, however, is that realization of the market opportunity will take longer than originally thought, particularly considering the tumultuous conditions of the U.S. financial services industry.”

Of the 303 U.S. small businesses recently surveyed by Aite, 16 percent currently utilize RDC, a figure expected to rise to 25 percent by year-end 2009, says Aite Research Director Christine Barry. The firm defines SMBs as those businesses generating less than \$10 million in annual revenue.

## How It Works

Contrary to what some SMBs—and ISOs—may assume, RDC is not a particularly complex process. It begins with the receipt of checks at the point-of-sale (POS) or, in instances where customers maintain accounts with a particular retailer, by mail. Instead of counting checks received daily, calculating their value, preparing the requisite bank deposit documents, and depositing them at the bank, merchants scan both deposit tickets and checks using a desktop scanner.

Once the check images have been captured, an ACH file (for eligible items) and/or an image-based deposit is prepared. The file or deposit is electronically transmitted to the bank, which posts it to the account for which it is intended and assigns funds based on an agreed-upon availability schedule. After the transmitted data has been validated as received by the bank, the original paper checks may be shredded.

Today, approximately 83 of the nation's 100 largest banks

## Building the Infrastructure

Still, many puzzle pieces must fall into place if RDC is to reach its market potential and remain a viable option for SMBs. Notably, banks and financial institutions will need to find a way to provide clients with the necessary scanning technology at a fair price. When, in November 2007, Aite queried SMBs that had not implemented RDC about what would motivate them to do so, obtaining free scanners topped the list.

“Many SMBs either don't have the funds to implement the equipment needed to perform RDC, or the caliber of their existing POS and ancillary equipment is such that it makes no sense for them to scrap it to migrate to an RDC platform,” says Mark Wallin, general manager of TeleCheck and ACH services for First Data Corp.

New solutions hitting the market may make it easier for banks to accommodate SMB customers' demand for free or

low-cost RDC technology, while simultaneously protecting their own balance sheets. Several vendors reportedly are rolling out inexpensive flatbed scanners or adopting existing solutions for use in RDC environments.

Meanwhile, imaging giant Kodak of Rochester, New York, recently launched Rapid Capture Solutions, a turnkey RDC service for transmitting checks for deposit. Financial institutions that become member banks for Rapid Capture Solutions will be selected by depositing companies. At press time, Kodak was poised to begin promoting the service to attract subscribers; member banks will maintain control over selecting depositors. Participating businesses will receive Kodak's Remote Deposit Capture platform, which consists of a KODAK i6015 Check Scanner, t6000 Client Software, and service/support. They can then use the system to scan and transmit check images to a hosted service provided by CFC Technology, a provider of image capture and RDC software services headquartered in Plymouth, Minnesota. Funds will then be transferred to the appropriate member bank for processing into customer accounts.

"Member banks of Rapid Capture Solutions will have an opportunity to increase deposits and cultivate new customer relationships throughout their regional market and, potentially, on a national scale," says Bill Ristvedt, president of CFC Technology. "This service extends check processing capabilities to smaller businesses and lowers the banks' IT investment to do so."

In a similar move, VSoft Corp., an Atlanta-based provider of process improvement solutions for financial institutions, recently unveiled Agile Home/Office, a browser-based application intended to facilitate RDC for small offices and individual consumers. Once users log on to the system, a small scanner captures images and data from deposit documents. As items are captured, they are automatically validated against rules put into place by the merchant's (or consumer's) financial institution. Built-in recognition technology reduces data entry and operator intervention by reading the amount, account number, and other information scanned from the documents. VSoft's IRIS automated image repair technology prevents image quality return items, and duplicate item detection ensures that individual checks are deposited just once.

After documents have been scanned, captured check images and data are transmitted to the appropriate financial institution through a secure transmission line. Merchants immediately receive a receipt and, once the deposit is received at the financial institution, a confirmation that contains a fund availability schedule.

"Even as most U.S. financial institutions have invested in commercial RDC solutions, few have made the leap to offer such capability to micro business and consumer segments, but that is changing," Meara says. "We expect that targeted adoption of this kind will be common in 2009."

The completion of infrastructure work also should spark movement into RDC by SMB players. "There's a lot to be done here on the banks' part," Meara observes, pointing to research that found only 50 percent of financial institutions with less than \$5 billion in assets that are employing RDC were fully equipped to capture check images, and less than 40 percent of those with

assets exceeding \$5 billion claimed to be entirely image enabled (2007 Celent survey).

## Tapping the Opportunities

Despite these advancements, experts don't expect RDC to attain mainstream status in the SMB sector until banks do a better job of marketing the concept to potential end users and educating them on its benefits, such as faster fund availability, reduced transaction processing costs, and later daily deadlines for posting deposits.

ISOs can play a part in this scenario and should consider adding the hardware and software necessary for performing RDC to their own lines, experts observe. Alternatively—or as an adjunct to this equipment—ISOs might promote add-on applications that enhance image capture capabilities, such as character amount and legal amount recognition software. They should also consider arranging end-user training on scanner operations and software applications, handling device repair services, and providing implementation assistance.

Merchants obviously are looking to reduce expenses and better manage payments, and implementing RDC represents a viable opportunity for them to do both—as well as a chance for ISOs to diversify their focus while positioning themselves for growth. **TT**

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