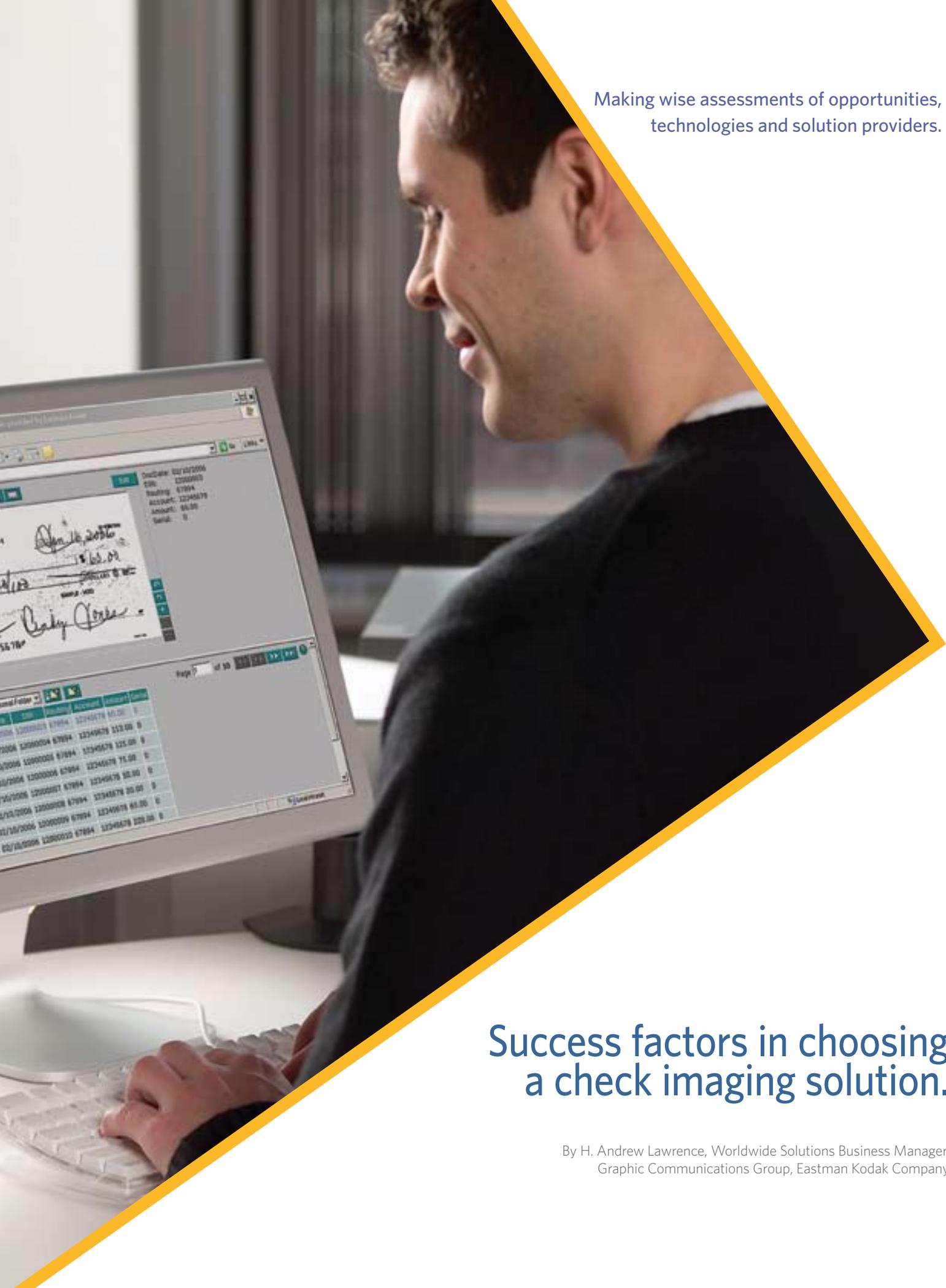Making wise assessments of opportunities, technologies and solution providers.

Success factors in choosing a check imaging solution.

By H. Andrew Lawrence, Worldwide Solutions Business Manager, Graphic Communications Group, Eastman Kodak Company

Success factors in choosing a check imaging solution.

Strategic decisions about a core business process require serious thought. The processing of checks that are received every day as deposits or payments merits careful consideration, since it affects two things that are the lifeblood of your business — cash flow and operational efficiency.

On the upside, automating the process with digital technology can enable you to shorten time to money and improve your overall cash management strategies. These benefits can deliver competitive advantages for all kinds of businesses. Banks can also improve operations and offer services that strengthen customer relationships.

On the downside, a single error could have a crippling effect on your assets and your credibility.

Moving ahead with a check imaging solution is good business. But that "go" decision should come only after acquiring a sound understanding of your options. By considering the success factors reviewed in this position paper, you can reduce risk and maximize return when implementing a check imaging solution.

Background

When Congress passed the Check Clearing for the 21st Century Act (Check 21) in 2004, it removed the barriers to electronic check processing. The stage was set for checks to clear — and assets to be transferred — in a matter of hours rather than days.

Check imaging technology will do for checks what e-mail did for personal correspondence. It will replace the physical movement of paper checks (cash letters) with the electronic routing of check images captured by scanners. Just as e-mail accelerated the pace of personal and business communications, check imaging can greatly accelerate cash flow among banks, businesses, and government entities.

## Opportunities for Business and Government

A business or government must present checks they receive for payment by taking them to a bank. Preparing the deposit and physically transporting it to the local branch consumes time *and* money. This problem is compounded when payments are received in multiple locations. With a check imaging solution like Kodak's, businesses can scan checks as soon as they are received in the mailroom, or at a service or retail counter. Data and images of checks are then transmitted electronically to the bank for processing and settlement on the day of receipt. This can deliver substantial improvements in cash flow.

There are also operational benefits to a check imaging solution. A company with multiple locations can consolidate cash management relationships to one central service bank instead of dealing with a myriad of local banks. It simply installs check imaging solution client systems at all offices. Freed from geographic constraints, the company has far more leverage in how it negotiates financial services. The company can use the check data to more quickly update its own centralized accounts-receivable systems.

Key Points

Check imaging:

- Converts paper checks to digital images
- Routes cash letters and ACH transactions electronically
- Removes time and cost from the clearing process
- Improves time to money
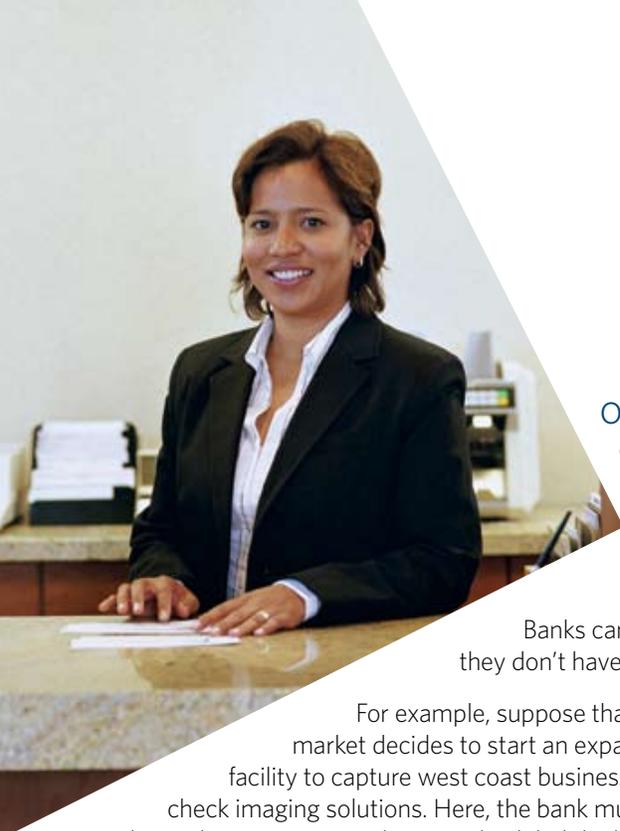
Opportunities for Banks

Check imaging offers benefits for banks too, such as accelerated availability of funds. This allows the bank to take advantage of holding more assets in float before releasing availability to customers. Alternatively, brokerages and banks can offer "electronic deposit" services to their cash management accounts. This provides a service differentiator and a marketing advantage.

Banks can also leverage check imaging to broaden their service areas to include cities in which they don't have a physical presence.

For example, suppose that a large corporate customer with headquarters in Manhattan and an east coast market decides to start an expansion plan with San Francisco as its center. Instead of investing in a brick-and-mortar facility to capture west coast business, the bank can retain the client relationship by offering a remote capture service using check imaging solutions. Here, the bank must choose the right solution provider that will align a complete technology offering and sales and support against large-scale global deployment to assist the bank in winning new business. This is a much more risk-free and cost-effective way to grow any bank's commercial business.

Technology

At the highest level, a check imaging solution must do the following:

• Capture and optimize images with full fidelity, regardless of colored or graphic backgrounds and variations in the inks used to fill out and endorse the check

• Manage the images for the various processing steps and audit capability

• Extract data from the check images

• Control the creation and submission of cash letters and ACH transactions to processing centers in industry-standard formats

The technology to support each of the steps above needs to be tightly integrated into the solution.

Key Points

Check imaging can:

• Enter transactions into the clearing process from virtually any location

• Free financial relationships from the constraints of local presence

Solution Provider

Your selection of a solution provider is essential to mitigating the risk involved in switching to electronic check clearing. Your cash flow is at stake. Here, a single provider offers distinct advantages. When the clock is ticking, do you really want to be responsible for orchestrating a team of hardware, software, and integration providers? Better to partner with an organization that can provide all the essential ingredients — hardware, software, service and support, plus a range of professional services.

Success Factors

Today banks, utilities, retailers and other organizations that receive payment via checks can obtain strategic advantages by adopting electronic check routing. The technology has been proven in mainstream implementations. Clearly, check imaging presents a great opportunity. However, before embracing any solution, you and the solution provider must provide satisfactory answers to several checklist questions to assure successful implementation and operations.

A checklist for check imaging success.

Consider these questions when looking for best-process product characteristics.

Will this solution reduce operational expenses and risks?

Will it give my organization more freedom and flexibility to anticipate and adapt to a rapidly changing financial marketplace?

Will I be able to scale up my solution based on the investment I make today?

Does the solution offer the advantages of client/server and Internet architecture?

Is it a complete solution? Are all of the "hard" and "soft" pieces accounted for, from image capture devices to help desk support?

Does the solution provide a robust feature set and ease of use?

Is the solution easy to implement and integrate? Will it provide a rapid time to market once the strategic decision to image checks is made?

Do the financials for the solution support your business case? What is the projected ROI time?

Will the solution provider company provide future product enhancements and hardware/software refreshes that will keep you competitive?

Consider these questions when looking for best-practice solution provider characteristics.

Is the provider knowledgeable about your business application and market space?

Does the provider play in adjacent market spaces? How will their related experience and innovation feed into future solutions?

Is the provider an industry leader backed by a stable company with financial staying power?

How does the organization score for customer satisfaction? How do their scores compare to industry benchmarks?

Does the provider demonstrate a solution-delivery capability that's truly robust — from planning to production?

How flexible and responsive are the available service options? Can you match a plan to your business priorities?

Are service levels consistent across your organization's geographic footprint?

Can you count on 24/7, multilingual help desk support?

How easy will it be to do business with this solution provider? Can you rely on the convenience of a single point of contact?

Recommendations

Now is the time to capitalize on the cash flow and cost-savings potential of electronic check clearing. All of the technology pieces are available. And solution providers like Kodak are available to make the process turnkey for you. Early adopters are seeing an immediate return, measured in months. Kodak's research indicates that check imaging will quickly become the standard process because of the low cost of implementation, and major cash flow and operational benefits.

Key Points

For best results when evaluating solutions and solution providers, check for:

• Achievable benefits

• A strong business case

• A trustworthy partner

• A complete solution

• Global support

• Robust delivery capability

• Demonstrated customer satisfaction

Searching for a check imaging solution provider? Consider Kodak's approach.

Kodak has leveraged its imaging experience and continued R&D to provide outstanding imaging. Rather than using off-the-shelf hardware and software, the company developed and integrated solution-specific technology that can make check imaging as easy as 1-2-3 for your organization.

The product model from Kodak.

Kodak's solution uses compact, easy-to-use scanners to capture images and MICR data. A standard USB 2.0 interface provides easy integration to existing workstations and networks. Inkjet printing can add document control numbers or other custom information on the fly. Check images are output in formats that support ANSI X9B image quality standards.

Kodak's solution also uses capture and transmission software in a client/server architecture to manage the creation and transmission of electronic cash letters and ACH transactions. A convenient archive capability is also available. The client transaction application software runs on your existing PC infrastructure and can be deployed inexpensively at front- and back-office workstations in all kinds of businesses. The software reads check images and automatically populates data fields in the client application. It's "smart" enough to perform automatic balancing for a single item or multiple transactions.

The transaction center server software can support thousands of distributed transaction clients. This software has been developed to meet the stringent requirements of bank central processing facilities, along with corporate and merchant applications. It offers a set of checks and balances, reviewing each submission for complete, accurate image and data capture. It sorts and routes criteria based on business rules, such as ABA routing numbers, for further processing, storage and routing for clearing mechanisms.

Kodak provides all of the necessary product elements, and orchestrates them to work together seamlessly.

Printed using Kodak technologies.

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Key Steps in the Check Imaging Process

- Checks are scanned
- Images are managed
- Data is extracted from images
- Cash letters and ACH transactions are prepared and transmitted

The service model from Kodak.

Before bringing our check imaging solution to market, we evaluated ways to deliver a 360-degree circle of technology and service from concept to production. A sole provider strategy makes the most sense, and Kodak is uniquely positioned to deliver it.

Kodak offers all the professional and technical services necessary through **Kodak** Service & Support. Why overburden your IT group when this one organization offers:

- Consulting
  - Project planning and system design
  - Project management

- Implementation
  - Network design and accreditation
  - Site accreditation and inspection
  - Hardware and software installation and training

- Software customization and integration services

- Software and hardware support
  - Help desk
  - Global logistics infrastructure

For customer satisfaction after implementation, Kodak leverages its award-winning Service & Support organization. Our service organization provides single-call access to help desk service 24/7. Over 3,300 highly trained and certified field engineers are available for on-site service. With this depth of knowledge and resources, and Kodak's proven service responsiveness, it's easy to put a strong safety net under your check processing system.

With the Kodak model, customers can spend more time on important business matters rather than struggling to determine whether they have a hardware, software, or network issue. Instead of making multiple calls to different vendors to push for an escalation, issues can be addressed efficiently to provide maximum uptime.

And since this is a remote capture application — deployable virtually anywhere in the world via the Internet — Kodak offers a truly global solution.

We invite you to put Kodak to the test. Challenge us to account for the best-process and best-practice characteristics of a complete and robust check imaging solution.

Key Points

A solution provider must align to your organization's requirements for:

- Total project ownership
- Operational availability
- Geographic distribution
- Training and support

To learn more about check imaging solutions from Kodak, visit www.kodak.com/go/checkimaging or call us at 1-800-944-6171.

Kodak