

# Treasury Management Challenges in a Remote Image Capture World

By John Kincade

Many treasury management organizations are faced with a dizzying choice on how to review and optimize the various remittance processing methods for their corporations. One intriguing area that is certainly a catalyst for change is the rapid industry adoption of remote image capture and the associated clearing options that this solution can afford companies today.

Treasury management departments have some key questions that need to be addressed and answered during the evaluation process that will provide specific opportunities for improving their cash flow:

- Does the business have a distributed payment model?
- What payment clearing channels are most appropriate?
- What does the business case look like?
- Will my operations and IT teams become engaged in the process?
- In devising a solution, should the corporation work with banks, third party software vendors, remote image capture vendors, or all three?

## Distributed Payment Model

The first task is to evaluate how your payments are received today and whether you have adopted or should adopt remote image capture technology. Remote image capture allows you to present checks at the first point of presentment, thus reducing handling errors and accelerating the clearing of checks. Many payments have a high dollar value and the cost to process them is greater due to lockbox fees, transportation costs, loss of float, increased Days Sales Outstanding (DSO), and high paper check clearing costs.

## What Clearing Channels?

The second component to be evaluated is how your payments are cleared. Treasury management personnel must become experts in the rules associated with processing ACH and Check 21 transactions. These rules have a profound effect on which clearing channels should be selected, not just for the inherent financial reasons but more importantly, for the associated operational and customer impact that could occur.

Rules examples include requirements in the case of Back Office Conversion (BOC) for signage at point of capture, receipts for the consumer, and destruction of checks, all of which impact the operation and customer.

## Business Case

Software and services providers review the various remote capture possibilities and develop a business case model for corporations. Currently remote image capture, has many methods to complete the business case and they can vary greatly in complexity and diversity depending on business type. Factors such as bank fees, float, DSO's, total number of existing banking relationships, transportation costs, average dollar amount of

checks, current cost of processing checks, and remote image capture project costs both internal and external, are all important in the pre- and post-implementation costs of processing payments.

This iterative process typically produces less than a one year pay back on investment in the remote capture solution. The burning question is, if implementing a remote capture solution is so lucrative, why haven't more organizations implemented the solution?

## Will Operations and IT Get Engaged in the Process?

Depending on the DNA of operation management and IT, this question can vary. There is no doubt that implementation of a remote image capture solution will have a changing effect on the payment processing operation. However, when the business case is compelling for the corporation then change is worth it. Treasury management professionals need to assume a leadership role and drive the collaboration process with all stakeholders in the corporation to make sure that these benefits are clearly understood and fully describe the positive impact that they will have to the corporation.

## Work with Banks, Third Party Vendors, or Both?

Many treasury management groups initially go to financial institutions for payment processing solutions. They have worked with these organizations in the past and as a result, have created and maintained many positive business dealings. The issue is that remote image capture is not always something a bank can easily deliver.

For example, in the remote image capture world, corporate customers often choose to clear checks with multiple banks because geographic obstacles go away in an electronic environment. If the corporate customer has multiple clearing channels it is not practical to deploy multiple bank products for remote image capture. This is when the third party vendor becomes relevant.

Another important trend is that corporations no longer just want to clear checks, but, also deal with other data coming in from associated documents such as invoices, correspondence, and new account applications among other full page documents. This requires solutions to be able to utilize intelligent document recognition and the remote image platform to process this work as well.

In many cases both banks and third parties will be involved. All parties in the transaction must work closely together to provide treasury management with a sound solution.

*John Kincade is vice president, business development & sales. He can be reached at 215-641-1500 or johnki@jbssoftware.com.*