



MWAA
MidWest Acquirers Association

The ABC's of RDC

EPSON
EXCEED YOUR VISION

TASQ[®]
TECHNOLOGY

W
WAUSAU
FINANCIAL SYSTEMS

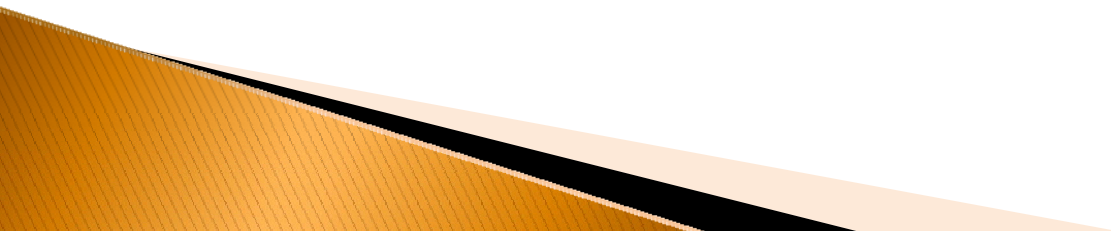
RDC
Corporation

Agenda

- ▶ Landscape of the marketplace
 - Stacia Smith, Epson America
- ▶ ISO Case Study
 - Caroline Marino, RDM
- ▶ Merchant Case Studies
 - Mary Winingham, Wausau Financial Services
- ▶ Software and hardware considerations
 - Kathleen Houseman, TASQ



The Landscape Of Remote Deposit Capture (RDC)

- ▶ 24 million merchants operating in the United States today (Source: Hoovers)
 - ▶ 14.5 million merchants are prime candidates for RDC (Source: Celent, LLC)
 - ▶ Recent forecasts suggest that 3.2 million merchants will adopt RDC by 2012 (Source: Celent, LLC)
- 

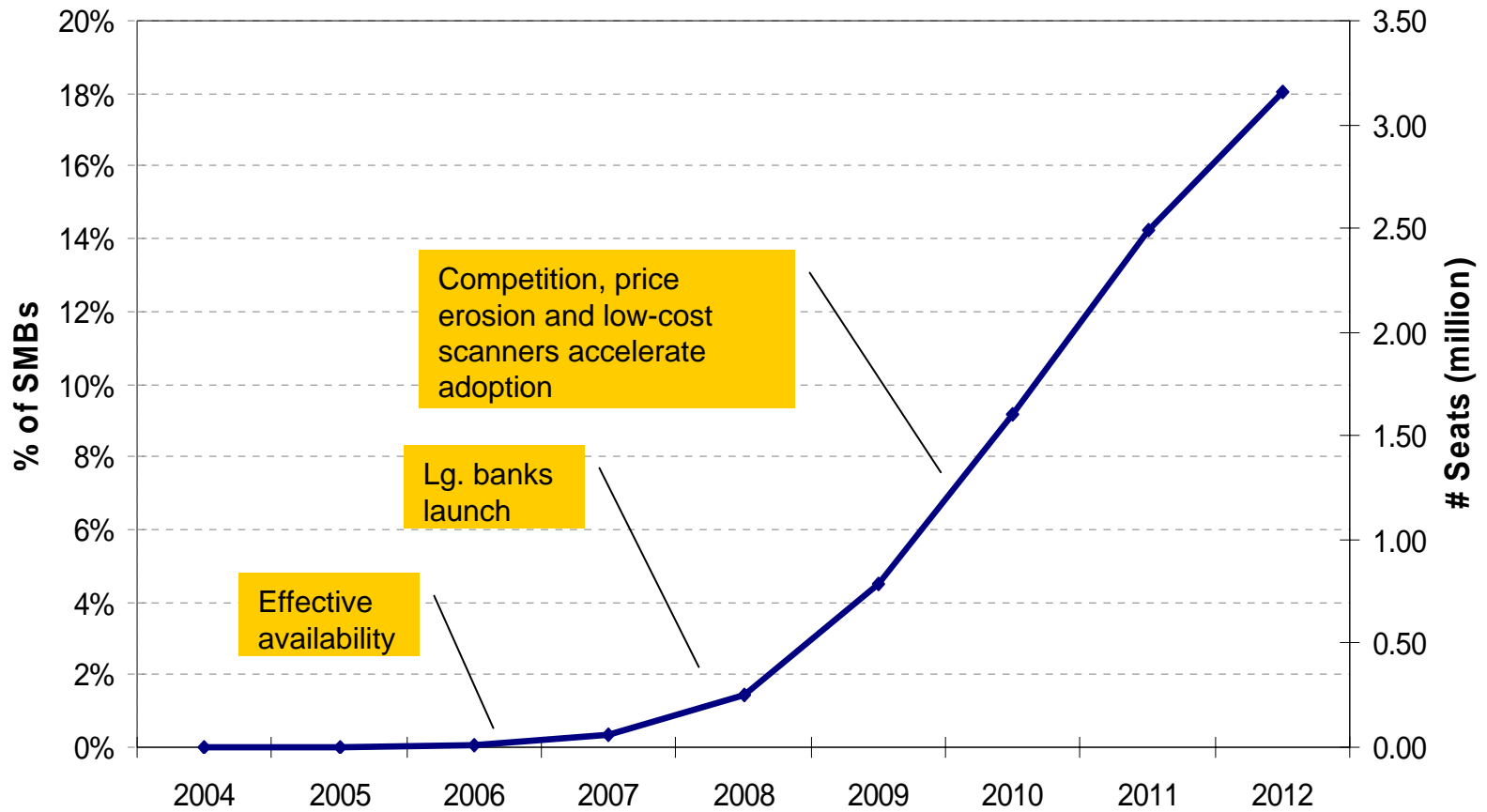
Paper Check Processing Fees Continue to Increase

- ▶ Federal Reserve to hike paper check processing fees 41% in 2009
 - Movement to encourage migration to electronic payment
- ▶ Federal Reserve will only increase electronic payments by 2%

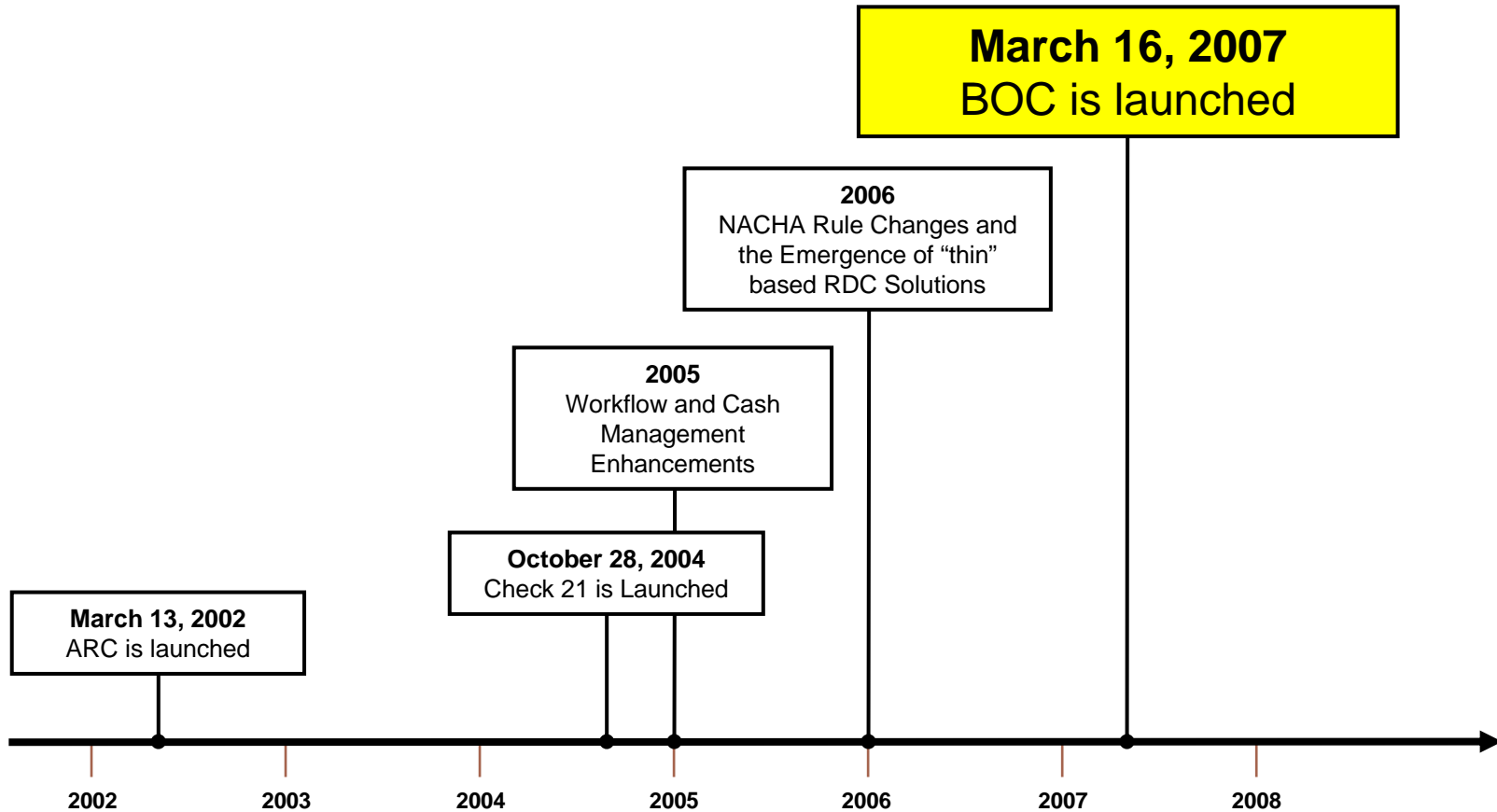
▶ Source: Finextra, October 2008

The Growth will be Rapid

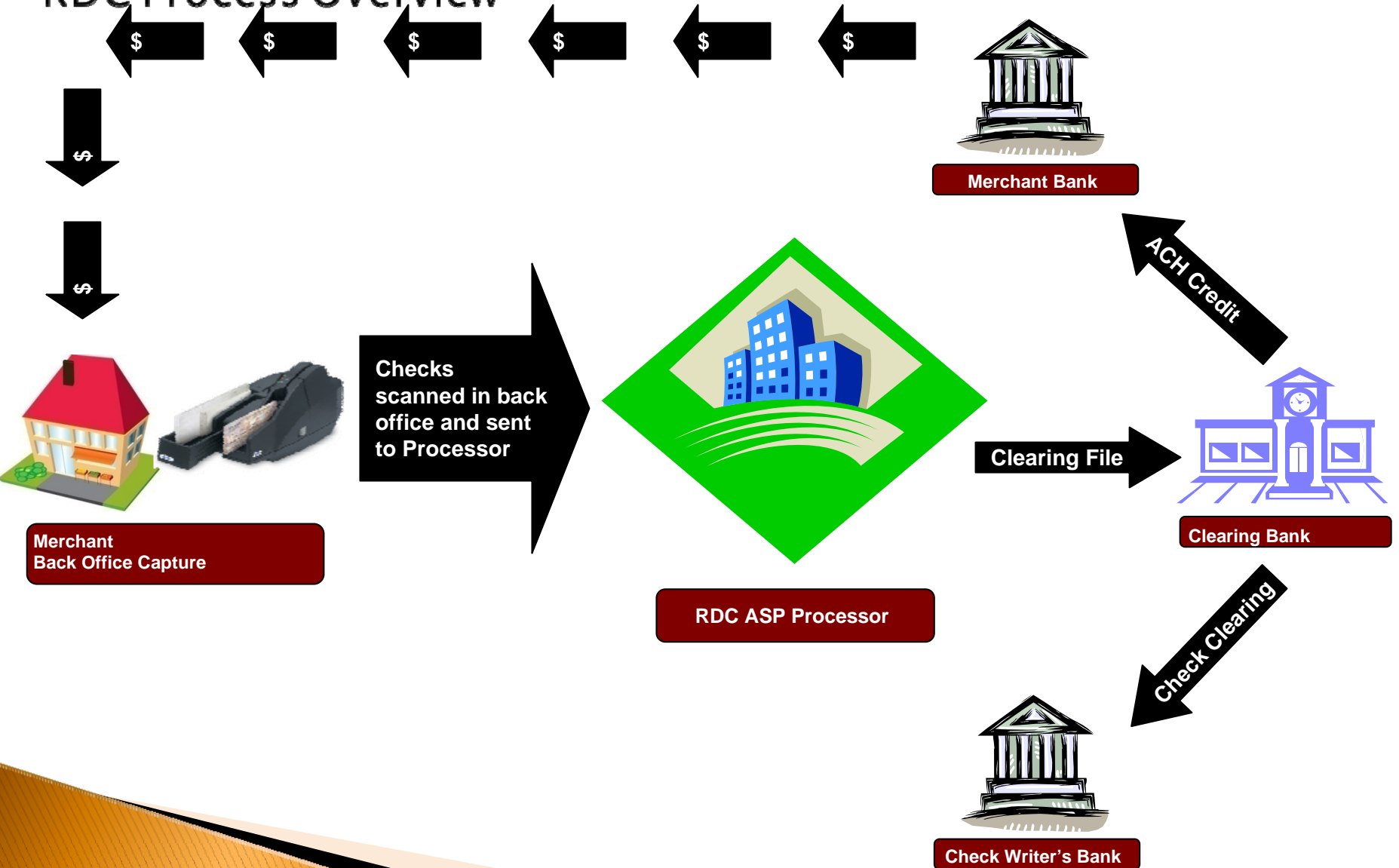
Forecasted Small Business RDC Adoption



Industry Milestones



RDC Process Overview



“RDC is The Next Frontier of Cash Management”

Celent, LLC

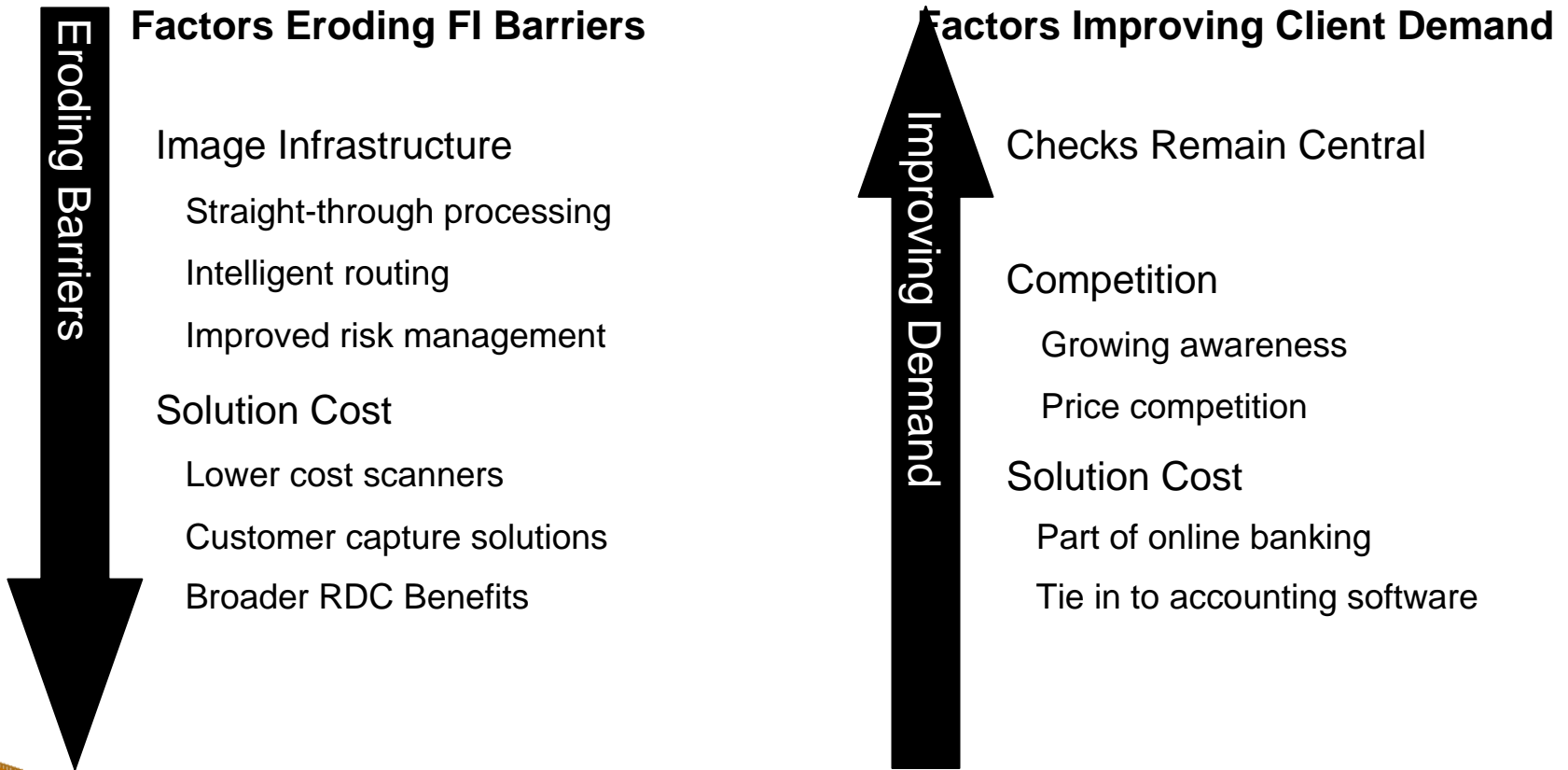
- Checks are central to small business finances and will remain so for the foreseeable future
 - Breaking geographical boundaries
 - Reduction of barriers to entry
 - \$150m - \$200m a month in commercial deposits will change hands in the next 12 months to institutions that offer of RDC

Furthermore, McKinsey & Co predicts:

- Check volume to drop to 26 billion items in 2009 from 32 billion items in 2005

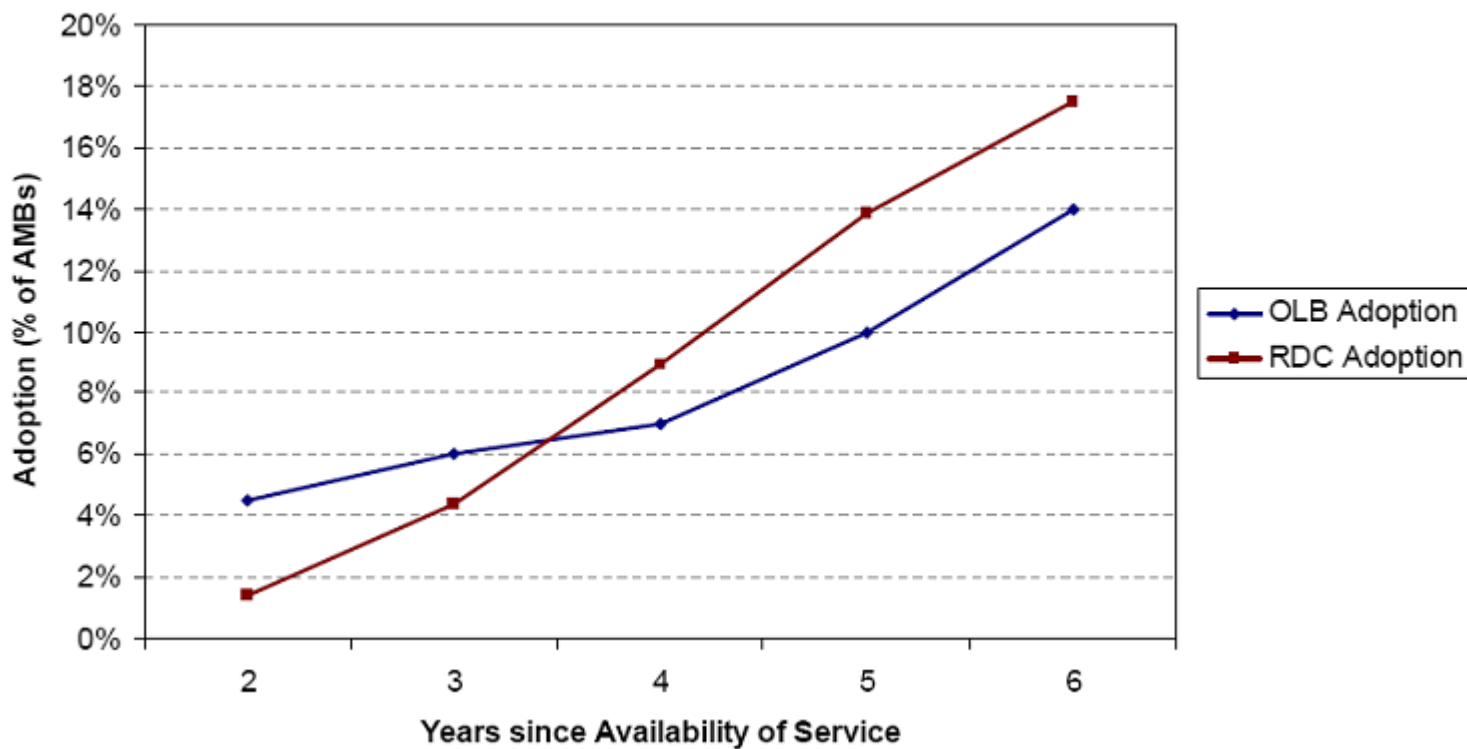
Why RDC now?

Multiple Factors Point to Growing Small Business RDC Adoption



Will SMBs Sign on?

SMB Adoption Comparison



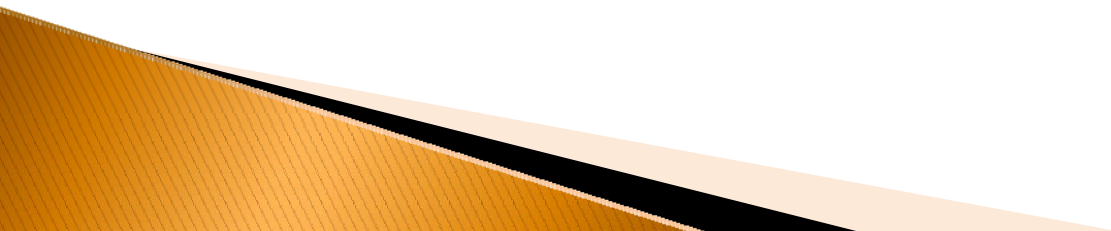
Source: Celent

Electronic Payment Mix


Not all electronic payments cost the same. For tickets of \$40 or greater the hierarchy from most expensive to least expensive is generally:

1. Bankcards & American Express
2. Offline (signature) debit cards
3. Online (PIN-based) debit cards
4. Point-of-purchase check conversion (to electronic payment)
5. ACH transactions
6. Check acceptance using Remote Deposit Capture (RDC)

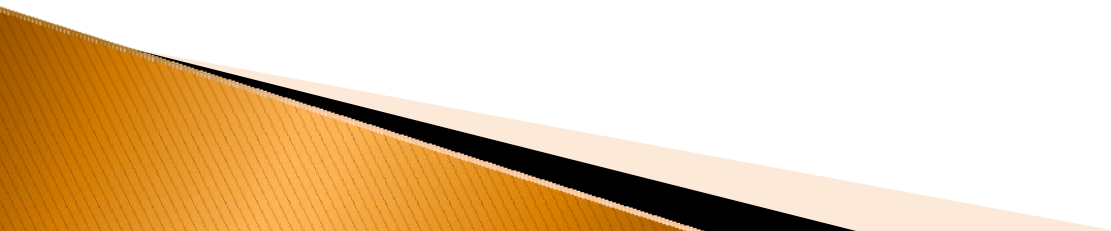
Source: Ken Boekhaus, Business to Business, September 4, 2008



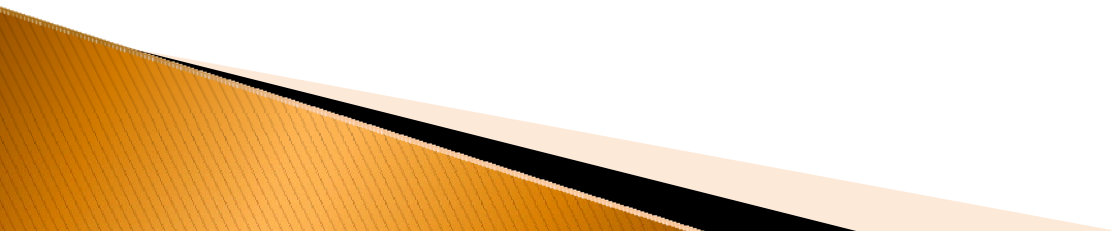
Merchant Target Market

- ▶ Property Management
 - ▶ Municipalities
 - ▶ Insurance Companies
 - ▶ Healthcare – Dental and Doctor Offices, Clinics, Hospitals, Surgery Centers
 - ▶ Education – Universities, schools, daycare
 - ▶ Wholesale
 - ▶ Churches, charities, non profit organizations
 - ▶ Contractors
 - ▶ Professional Offices (Law firms, CPA firms)
- 

Merchant Benefits

- ▶ Extended deposit deadlines
 - ▶ Decreased banking relationships
 - ▶ Decreased transportation costs
 - Transportation of checks to corporate office via USPS or overnight carrier is eliminated
 - Personnel no longer has to drive checks to the bank each day
- 

ISO / Agent Benefits

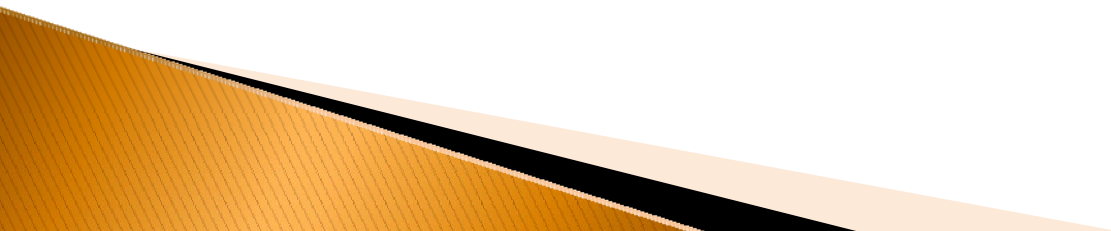
- ▶ Provides new revenue opportunities
 - ▶ Provides access into verticals not traditionally penetrated
 - ▶ Provides organic growth and client “stickiness” thus reducing account attrition
- 

ISO Case Studies

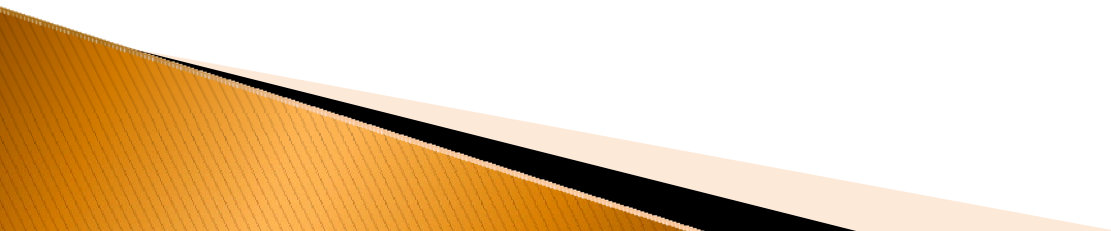
- ▶ Caroline Marino
 - ▶ RDM Corp.



ISO Case Study Example “A”

- ▶ 100,000 credit card locations
 - ▶ 100's of ISO's/agents
 - ▶ \$11 billion in card processing annually
 - ▶ Target small to mid-size retail, government
 - ▶ Privately held
- 

ISO “A” continued....

- ▶ Desire to be a “one stop shop”
 - ▶ Sees RDC as the future of check processing
 - ▶ Untapped market opportunity
 - ▶ New revenue and residual stream for ISO and agents
- 

ISO “A” Strategy

- ▶ Training, training, training
 - Refocus reps
 - New market approach
 - Incentives

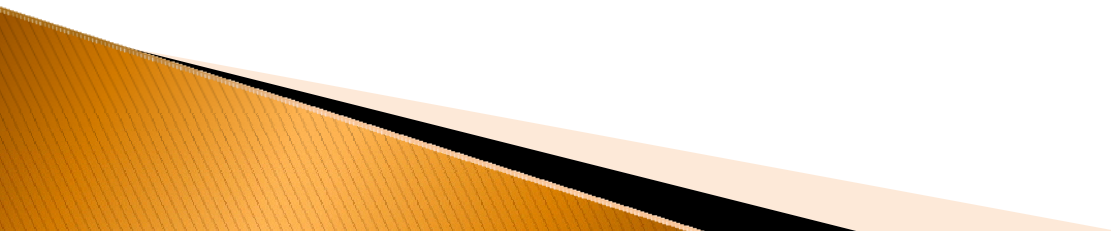
- ▶ Select target market approach:
 - Government
 - Medical
 - Property Managers

ISO “A” Resource

- ▶ Dedicated product manager and champion
- ▶ Sales buy-in and training (webinars)
- ▶ Product marketing materials
 - Scripts, sales sheets, Objection handling, pricing
- ▶ Definition of internal process
 - App flow
 - Reports
 - Residual payout to reps

Sales Launch

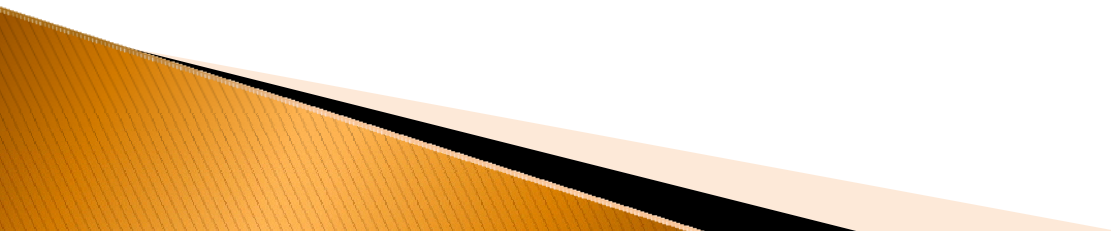
- ▶ Promos
 - Signing bonus
 - Free equipment for every 10 sold
 - Cross sell mailers/telemarketing

 - ▶ Changing sales mentality
 - Retraining to sell RDC
 - Fear of the unknown
 - Uncertainty about “how to”
 - Targeting correct markets
- 

ISO Case Study Example “B”

- ▶ Top tier payments organization
- ▶ 300 Banking relationship
- ▶ 100 Associations
- ▶ 900 Market Partners
- ▶ Wide range of product solutions:
 - Bankcard
 - Check
 - Gift card
 - Prepaid
 - ATM

ISO “B” continued.....

- ▶ Base consists of a range of merchants
 - Mom and Pop retail
 - Large corporate clients
 - ▶ Offer a proprietary card issuing program as well
 - ▶ Have an existing check conversion product
- 

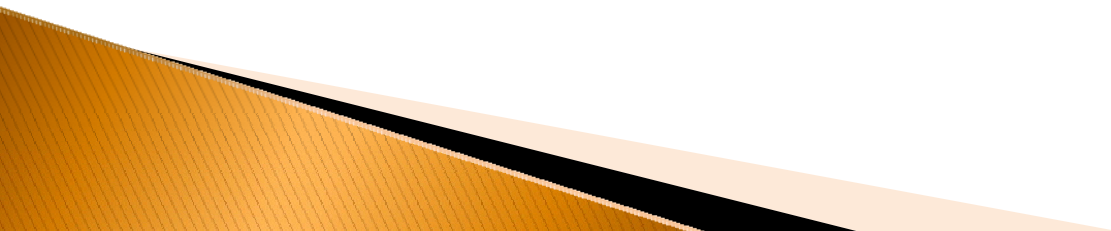
ISO “B” Strategy

- ▶ Check automation volume is ripe opportunity
- ▶ Feel the need to offer their clients all solutions
- ▶ Solidifies client relationships
- ▶ Fill a need with association relationships
- ▶ Bank partnerships are a perfect fit for RDC
 - ISO provides feet on the street
 - New revenue stream
- ▶ Bank neutral product offer benefit to merchant with multiple banking relationships

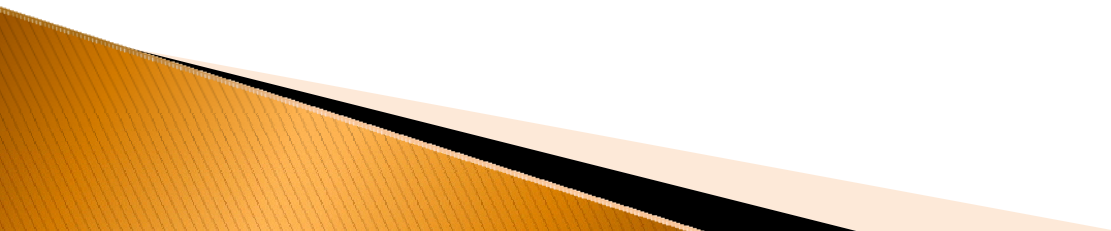
ISO “B” Strategy

- ▶ Targeting medical market first
- ▶ Telesales to medical association partner list
- ▶ Banks are key target
- ▶ Property management
- ▶ Starting with small beta test
- ▶ Scrubbing SIC codes for correct targets
 - 90 day test to understand process, reporting, etc.

ISO “B” Resource

- ▶ Product manager assigned
 - ▶ SIC code targets identified in existing base
 - ▶ 90 day beta test
 - ▶ Use vendor materials for marketing
 - ▶ In-House sales trainer to conduct training via webinars
- 

ISO “B” Success markers

- ▶ Well positioned by target correct markets
 - ▶ Association relationships
 - ▶ Bank relationships
 - ▶ Ongoing in-house sales training
 - ▶ TARGET MARKETING!
- 

Revenue Expectations

- ▶ Calculate net revenue per merchant
 - Assume \$100–\$200 in hardware revenue
 - \$15 – \$50 in software revenue
- ▶ Example of Annual Revenue for 100 Merchants:
 - Low end: \$10,000 in hardware revenue
\$18,000 in recurring software revenue
 - High End: \$20,000 in hardware revenue
\$60,000 in recurring software revenue

Revenue Expectations

- ▶ Example of 500 merchants
 - Same calculator on net profit
 - \$100 – \$200 on hardware
 - \$15 – \$50 on software
- ▶ Low End Annual Revenue
 - Hardware \$50,000
 - Software \$90,000 (recurring)
- ▶ High End Monthly Revenue
 - Hardware \$100,000
 - Software \$ 300,000 (recurring)

Merchant Case Study

- ▶ Mary Winingham
 - ▶ Wausau Financial Systems

EPSON
EXCEED YOUR VISION

TASQ[®]
TECHNOLOGY

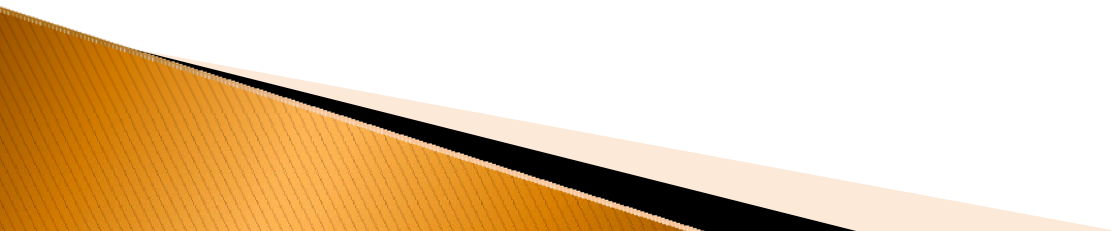
W
WAUSAU
FINANCIAL SYSTEMS

RIDM[™]
Corporation

Merchant Case Study #1

- ▶ Merchant: Property Management
- ▶ Pain Points:
 - 110 HOAs
 - 17 settlement FIs
 - Driving to each to deposit checks
 - Depositing only once a week because of the drive time
 - 110 spreadsheets to manage
 - 1200 plus checks a week on average
- ▶ Merchant sought out a solution to address their issues

Merchant Case Study #1

- ▶ Due Diligence:
 - Understand how they process now
 - Document touch points
 - Document each manual process
 - ▶ Solution:
 - RDC deposit solution with Tenant database and Quickbooks Extract
 - ▶ Implementation:
 - Review with merchant how it works now
 - Review and ensure buy-in on how it will work in the future
 - Set specific targets for deliverables, including beta and gradual implementation of product offering
- 

Merchant Case Study #1

▶ Net Result:

- Saves company a minimum of *12 – 16 hours per week* in manual processes
- Offers improved cash flow by depositing checks every day instead of once a week
- Reduces errors caused by manual input of each check into account receivables databases
 - Automated process does not address all of their issues, but vastly improves current process
- Happy merchant – even happier clients who now see improved efficiencies and cash flow
- Company can expand services and add new clients with improved efficiencies
- Cross-selling of credit card services to client!

Merchant Case Study #2

- ▶ Merchant: Website and online registration company
- ▶ Pain Points:
 - Bank 20 miles from business
 - Cash flow
 - Copies of checks

Merchant approached their bank for a solution



Merchant Case Study #2

- ▶ Due Diligence:
 - Understand how they process now
 - Document touch points
 - Document each manual process
- ▶ Solution
 - Installation of the basic RDCPlus product
- ▶ Implementation:
 - Review with merchant how it works now
 - Review and ensure buy-in on how it will work in the future

Merchant Case Study #2

- ▶ Net Result:
 - *Just listen*

Other considerations

- ▶ Kathleen Houseman
 - TASQ



Software Considerations

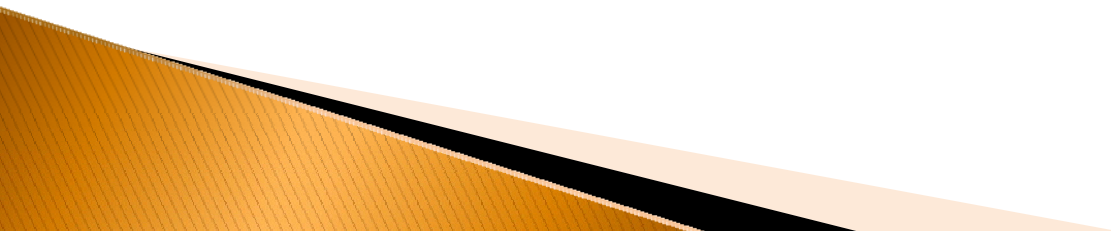
- ▶ Web based “thin client” software application
- ▶ Seek “Best of Breed” – over 100 software providers in the market
- ▶ Fully underwritten and bank agnostic solution
- ▶ Simple set up and deployment
- ▶ Online web based training
- ▶ Central admin features
- ▶ Controls to ensure deposit integrity
- ▶ Remittance payments and deposits
- ▶ AR Integration (i.e. Quickbooks, Peachtree)

Hardware Considerations

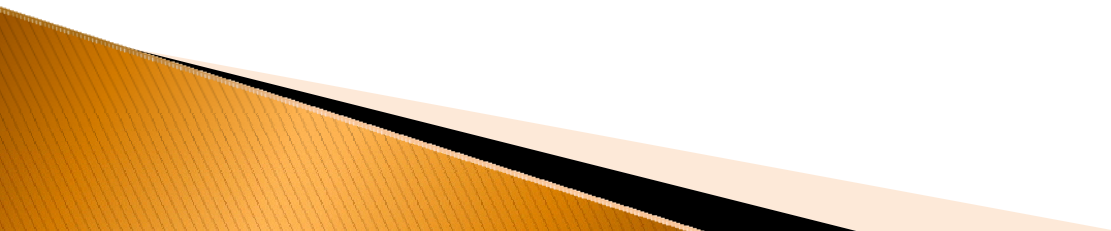
- ▶ Must be certified on software solution
- ▶ Batch vs. Single Feed – choose the right scanner
- ▶ Ink Jet vs. Franker
- ▶ Ability to scan other documents
- ▶ Seek high quality & accuracy
- ▶ Leading Hardware Providers
 - Epson
 - RDM
 - Digital Check
 - Panini
 - Kodak
 - Canon
 - Unisys
 - Magtek
 - Pertech

Pricing Components

Very similar to merchant pricing without Interchange/discount rate

- ▶ Installation/Set-up/Application Fee
 - ▶ Scanner – Purchase, Lease or Rent Options
 - ▶ Software Services – Monthly
 - ▶ Support – Separate or bundled into software/hardware
 - ▶ Other Fees – Check items, returns, other
- 

Best Practices

- ▶ **Offer one-stop-shop** – Go with partners who support entire scanner/software lifecycle.
 - ▶ **Fully Bundled solutions** – Underwriting and clearing.
 - ▶ **Payment Options** – Just-In-Time saves upfront investment and offer purchase, rental or lease options.
 - ▶ **Support for large client roll-outs** – Seek out scale and capacity to handle large opportunity for continued growth.
 - ▶ **East/West Coast Facilities** – Reduced shipping, redundancy as well as disaster recovery.
 - ▶ **Service small and large deployers** – Proven service to RDC customers, ISO's and banks of all sizes.
 - ▶ **Broad-based training** – Training services that are tailored to meet ever-changing industry and market needs.
 - ▶ **Proven success** – Seek out partners who understand the bank and ISO markets.
- 

Best Practices

- ▶ **Scanner Hardware** – Purchase, Lease or Rent
- ▶ **Scanner Replacement/Repair** – Standard Warranty, AUE, Monthly or Per Incident
- ▶ **Software Services**
 - Hardware/Software Help Desk Support
- ▶ **Support Service**
 - Deployment/Install
 - Teletraining
 - Hardware/Software Help Desk Support
 - Repairs/Scanner Call Tag/Retrieval
- ▶ **Other**
 - Scanner Supply Program (ink cartridges, cleaning cards)

Been there, done it...

TASQ expects the RDC market to mirror the merchant business within banks when they transitioned to outsourcing and ISO sales channel.

“Banks are not giving out the sales and marketing effort,” said Bob Meara, a senior analyst at the Boston market research company Celent.

“One factor holding back banks is the complex logistics of remote capture, which can discourage banks from aggressively selling the product to small businesses,”

Chris Costanzo, American Banker, July 2, 2009



Summary

- ▶ There is a rich marketplace for RDC – especially if you learn to identify the high-value merchants
- ▶ ISOs are making it work
- ▶ Merchants are demanding it
- ▶ Multiple vendors and partners who can service your needs
- ▶ Educate yourself and start making money!



Thank You!

- ▶ Questions

