

Streamline Receivables with Latest Remote Capture Technology (Virtual Remit)

By Craig Vaream

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Debbie: Hello, and thank you for joining us today. You're listening to a J.P.Morgan podcast discussing the latest lockbox remote capture technology. My name is Debbie Hartley, and I'll be serving as moderator. I'm joined today by Craig Vaream, managing director and receivables product executive. Welcome, Craig.

Craig: Good afternoon.

Debbie: Craig, there is a growing popularity in remote capture solution. What factors are driving this?

Craig: There are several factors that we're seeing in the marketplace that are driving increased usage and adoption of remote capture. Technologies became available allowing checks to be imaged, but also to be imaged in a high-quality manner. So the ability to read the information off the courtesy and legal amounts off the check automatically by software and not having someone encode that information in a system were the initial steps to help progress this capability to a point where many institutions, both financial, as well as nonfinancial, are using them in the marketplace today in their own organizations.

The technology has continued to become even more reliable as well as improve quality associated with that. In fact, here at J.P.Morgan Chase, in our Chase branches, we use teller capabilities where our tellers actually scan the checks at the teller window that are deposited at our bank. And the next logical step, which is what we're going to be discussing today, is the ability to leverage these remote deposit and check scanning capabilities around creating images and capturing images in a lockbox environment that can be done from a client's location as opposed to the actual lockbox of the financial institution.

Debbie: Tell us about efficiencies that can be gained by incorporating your remote capture solution into one's accounts receivable processes.

Craig: Well, I think the initial generation of scanners that went out to the marketplace had benefits that are applicable both today on the check side, as well as lockbox capabilities. But the check scanners allow for the elimination of transportation risks, so you no longer have to transport the checks, be it ship them, or walk them, or drive them to a branch as an example. So many clients receive checks in a lockbox environment, items into their shop, but they don't ship until later that day or the next morning they get processed. The ability to scan those items and collect those funds, sooner rather than later, helps improve the availability in working capital for our clients.

So I think those are the two biggest drivers that we've seen initially. And they both hold true in the ability to scan items from a lockbox perspective. The one difference from a lockbox perspective is the cost associated with overnight shipping of items that you may be receiving into your home office that should be directed to your lockbox PO address. As you receive those items, you typically get the check — the remittance stub — and perhaps other information with

that envelope that you're opening. As a result, today you're [unintelligible] sending overnight packages to get these items in as quickly as possible. The ability to scan them the same day and submit those electronically reduce a significant cost to many clients in light of the fact that these envelopes and these items are typically, not necessarily as simple as just a plain check. So the costs associated with the weight of that package can be significant.

Debbie: For organizations that have been hesitant to adopt a remote capture solution, what technology has emerged to provide them a better return on their investment?

Craig: I think the best way to consider the concerns organizations have had are really twofold. One, initially it was around the economics, does the scanner actually generate value? I have to train someone. I have to monitor their activities. I have to buy a scanner, what does that translate into cost? The widespread adoption of scanning and imaging and remote deposit within the industry definitely has ramped up over the past few years. So the cost savings is certainly there — the ability to get the funds faster, it eliminates transportation costs — are huge.

I think the last kind of obstacle that clients have confronted over recent years, is around the ability to mitigate risk. What if I scan the item multiple times and deposit into the bank, hence I'm depositing the same item twice, how do I mitigate that? certainly opportunities and scenarios exist where there may be a shift change and someone doesn't know what the last item was, or someone could be scanning and get interrupted, come back, gee, did I scan it or not, so in the effort of being complete in their work, they may scan the same item multiple times. Virtual remit here at J.P.Morgan, allows the technology to say, hey, you've already scanned that, are you sure you want to do that, helps to mitigate some of the risk associated with multiple deposits of the same item.

I also think the quality and the ability, particularly in the Virtual Remit solution to scan all items, any size document, is helpful in terms of providing straight through processing and one-stop shopping for the client. Be it a check, a remittance document, an envelope, a letter. Prior scanners that have been out on the market scan the check and maybe the remittance document. This offers a client the ability to scan even more so it really is the ability to have online images — all that information associated — so if a client calls in and says, hey, I made my payment, a representative from the corporate and the client's organization can look and say, yes, it was received on X date, because you can see not only one receipt, but you can have the copy and the image of the envelope to know when it was postmarked, if there's a dispute around timing or any of those items. So I think the ability to scan more than just checks and remittance documents really provides the end-to-end solution from a lockbox perspective that many clients require.

Debbie: What is Virtual Remit and how does it fit into J.P.Morgan's receivables offering?

Craig: Virtual Remit is J.P.Morgan's newest remote capture solution. If you think of a continuum with all paper on the left-hand side and all electronic on the right, clients continue to want to move from left to right to progress to collect payments as well as the ability to make payments. Virtual Remit, which is a collections vehicle that's part of our lockbox solution and suite of products, helps move a client away from paper. This solution creates the ability for clients to scan checks, remittance documents, envelopes — any other paper associated with that deposit that's received — scan these items through Receivables Edge, which is the J.P.Morgan receivables web browser, which our clients already use today. A client basically scans the item, submits it for deposit through their form, and those items go into the deposit stream as soon as the client submits that file. As a result, clients, A, are getting the items in the collections stream sooner, B, they're reducing the transportation costs associated with overnight packages, and C, they're eliminating any risk associated with transporting items that may be lost as a result of things being shipped to various locations. It really just continues the paper to electronic migration we've seen in the industry over the most recent years, and continues to move clients to an electronic environment, which is a better place for both our clients and for banks.

Debbie: And how is Virtual Remit different from other solutions that are already in the marketplace?

Craig: Virtual Remit is unique in several aspects. One is it's integrated into our web browser. Our clients today use Receivables Edge to view images, to the [unintelligible] items and the like, and this is basically another module within that same web page, so clients don't have to go to any other web page, click on any other browsers. It's one-stop shopping, so in that regards, it's definitely unique compared to any other solutions in the marketplace.

The ability for Edge to also report not only the paper lockbox receivables information and items, but also information on check, wire and ACH as well as Virtual Remit really provides a complete collections view for our clients in

understanding where items are in the payment collection process and what their [unintelligible] of work is in terms of how they're collecting information and collecting payments from their clients.

In addition, there's no need to purchase any software applications. It's all web based, and it comes through the Receivables Edge browser

The last thing that makes is a unique offering is when clients scan the items and they get submitted for processing, the process to, receive those images and clear those items from the U.S. payment system is the same infrastructure that's leveraged across the entire J.P.Morgan bank. It's the same infrastructure that supports our tellers that are scanning the checks that are received at a teller window for deposit by our retail clients. It's the same infrastructure that supports the clearing of the items as a bank would receive as we clear items and collect on our behalf, so clients are able to leverage what is a scale base solution that's best in class that has been invested in and will continue to be invested in by our institution.

Debbie: And how have clients responded to Virtual Remit?

Craig: The client interest has been phenomenal to date. Certainly clients continue to look for solutions for what, in many cases, is a small portion of their total volume that's being misdirected to a headquarters or a branch office as opposed to directly to our lockbox. But the cost and the pain associated with that low volume is pretty significant on a relative basis, so clients are certainly interested in leveraging technology to become more efficient, and just as importantly, especially in these economic times, the ability to get funds faster and collect them faster, get them into the pay stream a day sooner. It's critical from a client perspective to manage and optimize the working capital of their organization, so we've definitely seen a lot of interest in our clients around the Virtual Remit solution, and certainly expect this to be a significantly used product by our lockbox clients to continue to move them from all paper to all electronic. And this is just one step farther in that direction.

Debbie: Craig, our clients are looking for ways to take advantage of opportunities to maximize straight-through processing. How does a remote capture solution, like Virtual Remit, streamline STP?

Craig: Once they scan the item, right from that point on, there's no other manual intervention in the process. The items are being processed as electronic payments until funds are provided and available in our client's account. So it definitely moves us from a process where there are fewer manual steps than what traditionally exists today, and I think the ability to become more efficient and mitigate that risk is critical. J.P.Morgan continues to seek solutions that help provide the efficiencies and leverage technologies available in today's marketplace, so this fits right into our goal of driving towards more electronification of payments for our clients.

Debbie: Can you tell us how Virtual Remit improves cash flow and liquidity, helps prevent bad debt, and increases productivity?

Craig: So Virtual Remit, as a remote deposit capture solution really provides, the ability to scan the things when they're received, so you don't have to send an overnight package, which wouldn't get processed until the next day, but you get a day's availability perhaps sooner in terms of the working capital that a client would have, so that would improve their cash flow. In terms of mitigating risk, the ability to know whether these checks are good a day sooner could help mitigate risks from a return item perspective, so they'll be notified in that regard a little bit quicker. And lastly from an efficiency perspective, well, it's more efficient to process these items in this manner, so I think that further enhances not only the experience for our clients, but their clients as well. As an example, someone mails in a payment to one of our clients who's using Virtual Remit. In this new environment, if that client that mailed the item in calls the home office or customer service and says, hey, did you get my payment, the likelihood of them getting it by putting it into the stream a day sooner, and having an image online with all the postmark and the envelope and any written correspondence is valuable to our clients, especially in an era where, keeping clients happy and client satisfaction is critical to the success of any industry in the United States today.

Debbie: Lots of good information there. Thanks for joining us today, Craig. We appreciate your thoughts and insights on Lockbox Remote Capture. This concludes our J.P.Morgan podcast presentation.

This concludes our podcast on the MT 202 COV. Thank you for your time. J.P. Morgan is pleased to have brought you

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