

Mid-Tier Bank Takes on the Megabanks with ibml Outsourcing Service

Case Study

Bank lockbox processors must be flexible to keep up with ever-increasing customer demands and new technologies. The advanced software and hardware used by ibml's outsourcing service provides the bank with the flexibility to process virtually any document on behalf of its customers, including envelopes and full-page documents.

One mid-tier bank, a relatively new entrant to the commercial banking space, is proving to be a formidable foe to the megabanks against which it competes. This fast-growing bank owes its success in part to the lockbox services it offers its customers through a relationship with ibml.

Based in the southeast, the mid-tier bank has more than \$6.5 billion in assets and serves customers in Alabama, Tennessee, Florida, South Carolina, and Georgia. The bank's strategy is to target middle-market businesses that are underserved by the megabanks by offering a full suite of treasury management products. The mid-tier bank doesn't consider community banks to be its competition.

The Challenge

The bank initially relied on two full-time equivalents (FTEs) in its item processing group to process lockbox transactions on behalf of a couple of its clients. The bank uploaded remittance data to a web site that enabled corporate clients to print a PDF with transaction data for manual posting.

Unfortunately, the bank's lockbox system could only scan checks and coupon-sized remittance documents. The system provided clients with little functionality for managing remittance data, and the solution was not suited to property management firms, a key market segment for the bank. Complicating matters, the remittance coupons used by one of the bank's early lockbox clients did not contain a scanline that could be read by the system, adding to the bank's manual-processing burden.

The bank quickly discovered that it lacked expertise in lockbox processing and that it did not have the necessary staff or equipment. The bank's goal is to do anything it can to match or exceed the services offered by the megabanks to become a leader. It wants to have the best remote deposit capture service, the best online service, and the best customer response times. But the bank recognized that it could not compete with its in-house lockbox processing system. Matters came to a head after the mid-tier bank achieved fast success with its remote deposit capture service in 2006.

Keeping with its strategy to run a lean back-office, the bank outsourced its lockbox processing in 2006. The problem was that the outsourcing provider required the bank's corporate clients be directed to a specific out of state Post Office box. This did not go over well with the bank's clients. With two large corporate clients on the brink of leaving the bank, the mid-tier bank discovered ibml's outsourcing service, based in Birmingham, AL.

The willingness of the team at ibml's outsourcing service to partner with the bank, and ibml's track record of success in providing solutions to bank lockbox operations all appealed to the bank. In 2009, the bank migrated its lockbox processing clients to ibml's outsourcing service, starting with the bank's largest-volume customer.

Today, the bank serves 55 lockbox clients in Alabama and Tennessee.

The same-day posting of lockbox transactions, online access to remittance information, instant access to seven years of archived information, and ibml's outsourced back-file conversion services are all selling points to the bank's clients. Compared to the bank's old outsourcing services provider, ibml has fewer encoding errors, which reduces the number of calls to the bank from upset clients.

Most of the transactions that the bank processes on behalf of its clients are wholesale lockbox or whole-tail lockbox transactions, such as insurance payments and patient payments. ibml's outsourcing service also provides healthcare revenue cycle management services on behalf of two of the mid-tier bank's clients.

Lockbox processing now is one of the bank's most important commercial banking products. As an example, ibml's outsourcing service helped the bank win the business of a worker's compensation fund that unsuccessfully tried to process the "high volume of payments it receives each month" in-house. The lockbox processing service was instrumental in winning the business of a Chapter 13 bankruptcy services provider that is among the mid-tier bank's largest depositors.

The accelerated turnaround time and improved quality provided by ibml better positions the bank to meet its Service Level Agreements.

The Benefits

ibml's outsourcing service has made the bank more competitive in multiple ways:

1. **Revenues:** The bank has won treasury management clients and upsold customers on lockbox processing in part because of ibml's outsourcing service; these clients are typically large depositors. The bank is also receiving more inquiries regarding lockbox processing. ibml's outsourcing service strengthens the bank's relationships with its existing treasury management clients. And ibml's outsourcing service is competitively priced.
2. **Time savings:** Partnering with ibml's outsourcing service enables the bank to implement most wholesale lockbox clients in less than 30 days, with little impact on the bank's staff. What's more, ibml's outsourcing service sets up a Post Office box and engages a courier for the bank's new lockbox customers, saving the fast-growing bank considerable time.
3. **Flexibility:** Bank lockbox processors must be flexible to keep up with ever-increasing customer demands and new technologies. The advanced software and hardware used by ibml's outsourcing service provides the bank with the flexibility to process virtually any document on behalf of its customers, including envelopes and full-page documents. Before partnering with ibml's outsourcing service, the bank only scanned checks and coupon-sized remittance documents. ibml's intelligent data capture software creates opportunities for the bank to capture structured and unstructured data from documents not typically associated with a bank lockbox, or to automate the classification of different documents. ibml also customizes reports to meet customer requirements.
4. **Service:** The accelerated turnaround time and improved quality provided by ibml better positions the bank to meet its Service Level Agreements (SLAs).
5. **Ease-of-use:** The service requires very little ongoing support. Not surprisingly, the bank has not heard any negative feedback from the first customers to migrate to the ibml outsourcing service. When necessary, ibml provides the bank with technical expertise.

6. **Scalability:** Partnering with ibml's outsourcing service helps ensure that the bank can quickly scale to meet customer demand. ibml's outsourcing service has ready access to the company's scanning solutions, and ibml is committed to adding processing shifts, more space in its Birmingham operations, or new lockbox processing sites elsewhere, based on demand.

Together, these benefits position the bank for success against its large competitors.

Conclusion

Many bankers mistakenly believe that lockbox processing is a dying product. However, the growth this mid-tier bank has achieved with ibml's outsourcing service may change your mind. For instance, the bank is cross-selling lockbox processing to its base of remote deposit capture users. The bank also sees "big potential to upsell clients on EOB processing." And it is exploring the possibility of offering a specialized lockbox processing service for property management companies that are prevalent in the Tampa, FL, market the bank recently entered. The bank is excited about the future.

If businesses accept checks, there will be demand for lockbox services. The bank's partnership with ibml's outsourcing service helps ensure that the bank can take advantage of these opportunities.

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