



FedForward[®], FedReceipt[®] FedReceipt Plus, FedReturn[®] Case Study

Commerce Bank

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“The expanded services we have been able to offer as a result of implementing Federal Reserve Check 21 solutions have enabled our operation areas to support the new store openings and the continued growth of 55+ stores per year.”

—Marilyn Faust
Commerce Bank NA

Customer Profile

Established in 1973, Commerce Bank is a \$45 billion east coast retail banking organization with more than 400 locations (stores) from Connecticut to Florida. Commerce Bank employs more than 14,000 individuals and is headquartered in New Jersey. The organization moved to image POD in 2005, implemented FedReturn service in November of that year, and FedForward and FedReceipt in January 2006.

Business Challenge

“As Commerce Bank’s footprint continued to grow up and down the east coast, the distance between our stores and processing center expanded as well,” explains Marilyn Faust, vice president. With that distance came increased transportation costs as growth in each marketplace segment grew. “But the bigger challenge came in meeting the deposit deadlines for funds availability while keeping our stores open until 6 p.m. for same day ledger credit (8 p.m. in Florida). Internal deadlines existed that required us to meet an 11:30 p.m. posting deadline to meet the demands of our customer base.” Commerce had been processing more than 1.1 million items a day for its customers who were interested in their balances in the early morning hours.

“We employed the Federal Reserve’s best mix of paper deposit products...Mixed Cash Letters, Group Sorts and Fine Sorts...to maximize our funds availability for our customers,” Greg Snell, director of transaction services, explains. “And we did some selective Same Day Settlement sends. But our availability rate still only averaged a little better than 72%.” Commerce knew that something had to be done differently if they were to continue to grow their business according to plan. And they were aware that the Federal Reserve was beginning to close some of the local clearing offices within their organization’s footprint potentially affecting availability.

Solution

Although Commerce moved to an image capture platform in November of 2000, they continued conventional proof processing until May 2005. “It wasn’t cost efficient to move to all image until we could exchange image items,” explains Faust. “But we had an image plan well in mind before we moved into the Florida market, the furthest from our home base. We immediately got a lot of bang for our buck when we implemented FedReturn service in November 2005.” FedForward and FedReceipt/FedReceipt Plus were implemented to coincide with the opening of Commerce Banks in Florida just two months later.

“Getting buy-in throughout an organization as large as ours to move to Check 21-enabled services could have eaten up a lot of time,” Faust admits. “But we went about getting that early so by the time we wanted to begin implementation, we had formed partnerships with our accounting and treasury folks in addition to the check operations areas. These relationships served us well so that we really could all work as one toward implementation.” Working closely with the Federal Reserve Bank of Philadelphia and their tools such as the Check 21 Business Value Calculator, Faust created a business case and a detailed implementation game plan matrix which enabled Commerce to implement the entire Check 21 product suite as quickly as they did. It detailed how to get there and when, step by step. Today, attention to detail such as that enables Commerce

Case Study at a Glance

Customer Profile

Commerce Bank, headquartered in New Jersey, is a \$45 billion organization with more than 400 locations.

Business Challenge

Seeking to grow its footprint according to plan without increased processing costs. Wishing to improve availability.

Solution

Implementation of FedReturn followed by FedForward, FedReceipt and FedReceipt Plus services.

Benefits

Continued to grow organization according to plan while maintaining or reducing staffing levels.
Freed up staff time for other tasks.
Improved fraud prevention approaches.
Reduced external transportation costs by 35%.

Bank to maintain an excellent control environment. Once an electronic item has been transmitted, it is tagged to prevent any opportunity for re-transmission. "And we've also built an automated query into the process that looks for potential duplicate items coming in," adds Faust. Commerce credits the strong relationship with the staff at the Philadelphia Reserve Bank and with their vendor AFS (now Metavante Image Solutions) for keeping the implementation process moving along on track. Metavante provided xVision software to convert Commerce files into files acceptable by the Federal Reserve. The software interfaces with Commerce's image capture system and produces the industry standard x9.37 file. As their exchange volume grew, they moved to a direct connect option using Sterling Commerce® Connect:Direct® Secure+ Software which accelerated the movement of their transactions across the network.

"Commerce was already using the Federal Reserve's check clearing services, so it was a natural migration to move to the Check 21-enabled products once we justified and purchased the necessary software," Faust explains. "Overall we had a smooth and non-eventful conversion. Knowing about the Federal Reserve's plan to move their East Rutherford check processing services further away from some of our stores was also instrumental in our decision to move to electronic services."

"Check 21-enabled products have allowed us to effectively compete and expand our market share in various regions."

*Greg Snell
Director of Transaction Services
Commerce Bank*

Benefits to the Organization and its Customers

Commerce employs the features of FedReceipt Plus in their West Palm Beach and metropolitan Washington D.C. markets to mitigate issues arising from the distance of these stores from their processing office in New Jersey as well as to offset potential transportation issues that could get in the way of moving paper. The remainder of their offices are on FedReceipt. "We intend to move the remainder of our stores from FedReceipt to FedReceipt Plus in the near future," Snell reports. "Doing so will allow us to reallocate equipment, redeploy staff to more dayshift job opportunities, and improve the products we offer our customers. Before implementing FedReceipt and FedReceipt Plus, we had four full-time employees doing exception item pulls at night. This work now occupies only one hour, which allowed us to redeploy those employees to other opportunities." Commerce executes an outsort during prime pass allowing them to know which items have to be presented to customers and which ones need image replacement documents.

"Having access to electronic information allows us to offer Commerce On-Line account information to our customers as early as 4 a.m. This balance information lets them make payment decisions very early in the day, in some cases before they even arrive at their offices," Snell continues. "Best of all, our immediate availability improved to 99.7%"

Transportation Savings

By leveraging both an internal and external courier network, Commerce transportation expenses have decreased as volume and number of stores increases. Reports Snell, "In 2006, we reduced external transportation costs by more than 35% over 2005 costs while increasing the number of Commerce stores by 55."

Organizational Opportunities

Snell continues, "While increasing the number of new stores, we've maintained or reduced current staffing levels, resulting in a decrease in the processing cost per item. As processes change, we're positioned with a world class university to offer training for new job opportunities which allow our employees to continue their career paths with Commerce Bank." Commerce is reinvesting the savings from FedForward Image Cash Letter to support their continued growth in the marketplace with the opportunity to expand services and convenience.

Implementation of FedForward services has provided Commerce Bank with significant improvements in their fraud area as well. "We've avoided losses from bad or fraudulent checks through accelerated clearing afforded by FedForward," reports Faust. Image files are encrypted and transmitted over a network that is designed to be secure. File confirmations are also received thus validating the presentment of deposit. "T3 lines move the files extremely quickly!" she boasts.

Positioned for the Future

Snell concludes, "These electronic products strategically position Commerce Bank well to provide our customers with the services they require. Internally, implementation has provided us with an extremely timely information flow which in turn has allowed us to extend our store hours and reach into outlying areas without any service degradation whatsoever."

For More Information

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