

# THE CLEAR VIEW

*Leading Industry Perspectives*



## *Capacity Analysis of Check Processing Centers*

While consumers enjoy the increased convenience of electronic payments instead of check writing, behind the scenes institutions with check and lockbox processing centers are faced with the consequences of profitably managing this transformation.

Like a snowball effect, the Check 21 Act, ARC, Image technologies, and POP transactions are the driving force for declining check volumes. All these external elements present a challenge to maintain effective productivity levels and therefore maintain per-item processing costs.

**So, how do banks maintain productivity levels and decrease costs while check volumes continue to decline?** This is a tough task for banks to undertake, since the annual decline rate in check volumes is currently estimated at 8.5% for 2006. Success requires modeling and capacity planning tools specially developed to handle the unique demands of deadline-driven check processing environments. These modeling tools allow banks to forecast required staff, equipment, occupancy, and transportation to process new modified check volumes and meet deadlines.

As the industry continues to evolve and paper check volumes continue to be replaced by electronic payments, banks must adapt and embrace modeling and capacity planning tools to remain competitive. Furthermore, banks must be vigilant in managing capacity and exploring how best to utilize their current and/or future resources.

### ***ADS FINANCIAL SERVICES SOLUTIONS***

**ADS Financial Services Solutions (ADS)** and **Meta Software Corporation (Meta)** offer a unique modeling and analysis toolset supported by a proven proprietary delivery method designed to proactively manage capacity levels required throughout the check processing enterprise.

A unique combination of reusable and tested check simulation models that are embedded in a "what-if" analysis environment allows us to address the capacity impact of different change states, such as:

*How will volume changes affect future capacity needs and staff schedules?  
Given future volume forecasts, how many reader sorters should be image-enabled?  
How many processing centers will I need to process forecasted check volumes?*

Our solution allows clients to conduct rigorous capacity analysis and workforce management to:

- **Evaluate** opportunities to match capacity to forecasted volumes at all check processing centers
- **Right-size** enterprise-wide operations to leverage investment in image exchange for optimal efficiency and improve customer services
- **Identify** the impact of various "what if" scenarios
- **Retire** excess equipment and consolidate facilities and/or reassign staff

### **HOW WE CAN HELP**

ADS and Meta will work closely with key stakeholders of the bank to clearly define project requirements prior to the commencement of a modeling and capacity planning analysis engagement. We have developed a tailored four-step approach to deploy such projects:

- 1) Gather operational data with assistance from local site management on volumes, work arrival patterns, productivity rates, and equipment.
- 2) Review and validate the proposed model with the bank's management team to ensure the model accurately reflects the proposed operations.
- 3) Use the validated model to generate optimized equipment and staff requirements based on the forecasted period.
- 4) Propose new staff schedules, with reduced paid hours, based on forecasted equipment and staff requirements.

# Capacity Analysis of Check Processing Centers

## Our Approach

ADS and Meta work jointly with our clients to ensure that modeling and capacity analysis is completed in a timely manner with the desired results.

Our four phase approach is summarized below and is typical of the activities that will be completed during an engagement.

- 1 Gather Operational Data
- 2 Review and Validate Proposed Model
- 3 Generate New Equipment and FTE
- 4 Propose New Staff Schedules

***Our four-step review process is completed in approximately 8 to 12 weeks by experienced ADS and Meta professionals.***

## WHAT YOU CAN ACHIEVE

Clients have historically earned at least a 100% return on investment within 12 months of implementation, and 3 to 1 return over three years.

Furthermore, as a result of a modeling and capacity analysis engagement, clients will benefit from reliable data that will allow them to make critical decisions such as:

- **Reduce variable cost** – Optimize the utilization of staff and equipment at various processing centers.
- **Improve efficiency** – Analyze the impact of streamlined workflow on operational throughput.
- **Reduce fixed costs** – Reconfigure the processing enterprise through reduction in occupancy and transportation.
- **Additional analysis** – Review current operational environment including outsourcing options, cost and benefits of off shoring and other forward-looking alternatives.

Organizations with a proactive modeling approach will reduce capacity in-line with the check volume decline through a quantitative analysis of their resources. However, reactive firms will be in a quandary, trying to determine the optimal time to reduce capacity – *take it out too soon and there will be substantial operational issues, wait too long and they will incur additional costs thus reducing profitability.* As a result, modeling has become a necessity for banks in their quest for increased efficiency.

## ABOUT META SOFTWARE CORPORATION

For more than ten years, Meta Software has provided capacity analysis, workforce management, and enterprise modeling solutions to the banking industry through the delivery of commercial software that deploys client-tested and reusable simulation models of payment operations.

Meta clients have, on average, generated a better than 3 to 1 return on their Meta investment, and have achieved strategic advantage through the ongoing capability to conduct site and enterprise capacity analysis.

## ABOUT ADS FINANCIAL SERVICES SOLUTIONS

For more than 25 years, ADS has delivered hundreds of complex projects for leading financial institutions nationwide, ranging from operational consulting and systems integration to business alignment services.

Every ADS solution takes full advantage of our capabilities and expertise in the financial services industry. Financial institutions turn to ADS for our industry insight and leading-edge technology experience. Our team is recognized by our clients for consistently delivering innovative, practical, and effective solutions, on-time and within budget.