

Commerce Bank:

Growing quickly to better serve customers up and down the East Coast

Commerce Bank entered 2006 with a mission: To grow efficiently and cost effectively while maintaining its high level of customer service. Commerce accomplished this by opening 55 new locations while it reaped the benefits of its newly implemented Check 21 solutions. “The expanded services we have been able to offer as a result of implementing Federal Reserve Check 21 solutions have enabled our operations areas to support the continued growth of 55-plus stores per year,” said Commerce Bank vice president, Marilyn Faust. As a result, Commerce looks forward to continuing its growth spurt in 2007 and beyond—and it looks forward to more happy customers.

“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

Business challenge

“As Commerce Bank’s footprint continued to grow up and down the East Coast, the distance between our stores and our processing centers expanded, as well,” explained Faust, which led to 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. ET for same-day ledger credit (8 p.m. ET in Florida). Internal deadlines existed that required us to meet an 11:30 p.m. ET posting deadline to meet the demands of our customer base,” she continued. Commerce had been processing more than 1.1 million items a day for customers who were interested in access to 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, explained. “And we did some selective same day settlement sends. But our availability rate still only averaged a little better than 72 percent,” he added. Commerce knew that something had to be done differently if it was to continue to grow according to plan. And it was aware that the Federal Reserve Banks were beginning to close some of the local clearing offices within Commerce’s footprint, which could potentially affect availability.

Solution

Although Commerce moved to an image capture platform in November 2000, it continued conventional proof processing until May 2005. “It wasn’t cost efficient to move to all image until we could exchange image items,” Faust reasoned. “But we had an image plan well in mind before we moved into the Florida market—the farthest point from our home base. We immediately got a lot of bang for our buck when we implemented FedReturn Services in November 2005,” she said.

“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 buy-in 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,” she added.

Working closely with the Federal Reserve Banks, and using the Check 21 Business Value Calculator, Faust created a business case and a detailed implementation strategy enabling Commerce to implement the entire Check 21-enabled product suite quickly. Today, the same attention to detail enables Commerce 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,” added Faust.

Commerce credits the strong relationship with the staff at the Federal Reserve Bank of Philadelphia and with its vendor, Metavante Image Solutions (formerly AFS), for keeping the implementation process moving along on track. Faust explained, “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. Overall we had a smooth and non-eventful conversion. Knowing about the Federal Reserve’s plan to move the East Rutherford check processing services further away from some of our stores was also instrumental in our decision to move to electronic services.”

Benefits to the organization and its customers

Commerce Bank decided to use a mix of FedReceipt and FedReceipt Plus Services to mitigate issues arising from the distance between the bank’s New Jersey-based processing centers and its stores. The more distant locations in West Palm Beach and metropolitan Washington D.C. converted to FedReceipt Plus to offset potential transportation issues that could get in the way of moving paper. All other Commerce offices use the FedReceipt Service.

“We intend to move the remainder of our stores from FedReceipt to FedReceipt Plus in the near future,” Snell reported. “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,” he added.

“Having access to electronic information allows us to offer online account information to our customers as early as 4 a.m. ET. This balance information lets them make payment decisions very

Customer Profile

Established in 1973, and headquartered in New Jersey, Commerce Bank is a \$47 billion East Coast retail banking organization with more than 400 locations and more than 14,000 employees.

Business Challenges

- Sought growth without increased processing costs
- Hoped to improve availability

Solution

- 2005: Moved to image proof of deposit (POD) and implemented FedReturn Service
- 2006: Coinciding with the store openings in Florida, implemented FedForward, FedReceipt and FedReceipt Plus Services
- Metavante Image Solutions provided Commerce with xVision software to convert files to the x9.37 industry standard
- As exchange volume grew, Sterling Commerce® provided its Connect:Direct® Secure+ software to accelerate the movement of transactions across the network

Benefits

- Improved availability from a little more than 72 percent to 99.7 percent
- Reduced external transportation costs by 35 percent at the same time 55 new stores were added
- Continued to grow organization according to plan while maintaining or reducing staffing levels
- Freed up staff time for other responsibilities
- Improved fraud prevention approaches

early in the day, in some cases before they even arrive at their offices,” Snell continued. “Best of all, our immediate availability improved to 99.7 percent.”

Organizational opportunities

Snell recapped, “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 garnered from the FedForward Service to support its continued growth in the marketplace, while looking at opportunities to expand services and provide added convenience to customers.

Implementation of the FedForward Service has provided Commerce Bank with significant improvements in its fraud area, as well. 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. “We’ve avoided losses from bad or fraudulent checks through accelerated clearing afforded by FedForward,” reported Faust.

Positioned for the future

Snell concluded, “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.”

To learn more

For more information about the Federal Reserve Banks’ Check 21 product suite, visit www.frbsservices.org or contact your Account Executive.