

Evaluating the Cost of an In-House Image Archive

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GLOBAL CONCEPTS
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Overview

Growing Importance of Image Archives

- Provides common foundation for back-office, customer service and product delivery
- Self-service customer access can eliminate need for bank staff handling many routine requests
- Allows institutions to quickly and more cost effectively resolve customer complaints
- Image Statements are good alternative to bulky, costly envelope of checks
- Commercial customers like the ease of using images delivered via CD-ROM instead of digging through cancelled checks

Image archives are a cornerstone for image exchange

- Image archives allow for full realization of benefits from Check 21 legislation

Elemental Cost Factors

Basic Units

- Software Licenses
- Servers
- Storage Devices

Staff

- Internal
- Vendor
- Third-Party

Other Costs

- Disaster Recovery
- Data Security
- Support Systems
- Communication Networks
- Technology refresh within three years

Case Studies- Community and Mid-sized

Community Bank

- A 20-branch financial institution that processes an average of 100,000 items per day in its check processing operation
- The archive system in this illustration is based on client server architecture and CD-ROM jukeboxes for long-term storage

Mid-Sized Bank

- A 120-branch retail bank that processes 500,000 items per day in a single check processing center
- The archive system in this illustration is based on an enterprise class client-server architecture and uses high-density tape in automated libraries for long-term storage

Case Studies- Regional Banks

Regional Bank/Client Server

- A 250-branch bank that processes 1 million items per day in one main check processing center and one satellite location.
- The archive system in this illustration is based on an enterprise class client-server architecture and uses high-density tape in automated libraries for long-term storage

Regional Bank/Mainframe

- A 250-branch bank that processes 1 million items per day in one main check processing center and one satellite location.
- The archive system in this illustration is based on mainframe systems architecture and uses high-density tape in automated libraries for long-term storage

Factors Common to All Case Studies

Costs are projected for a five-year period

Includes both initial expenditures and ongoing costs

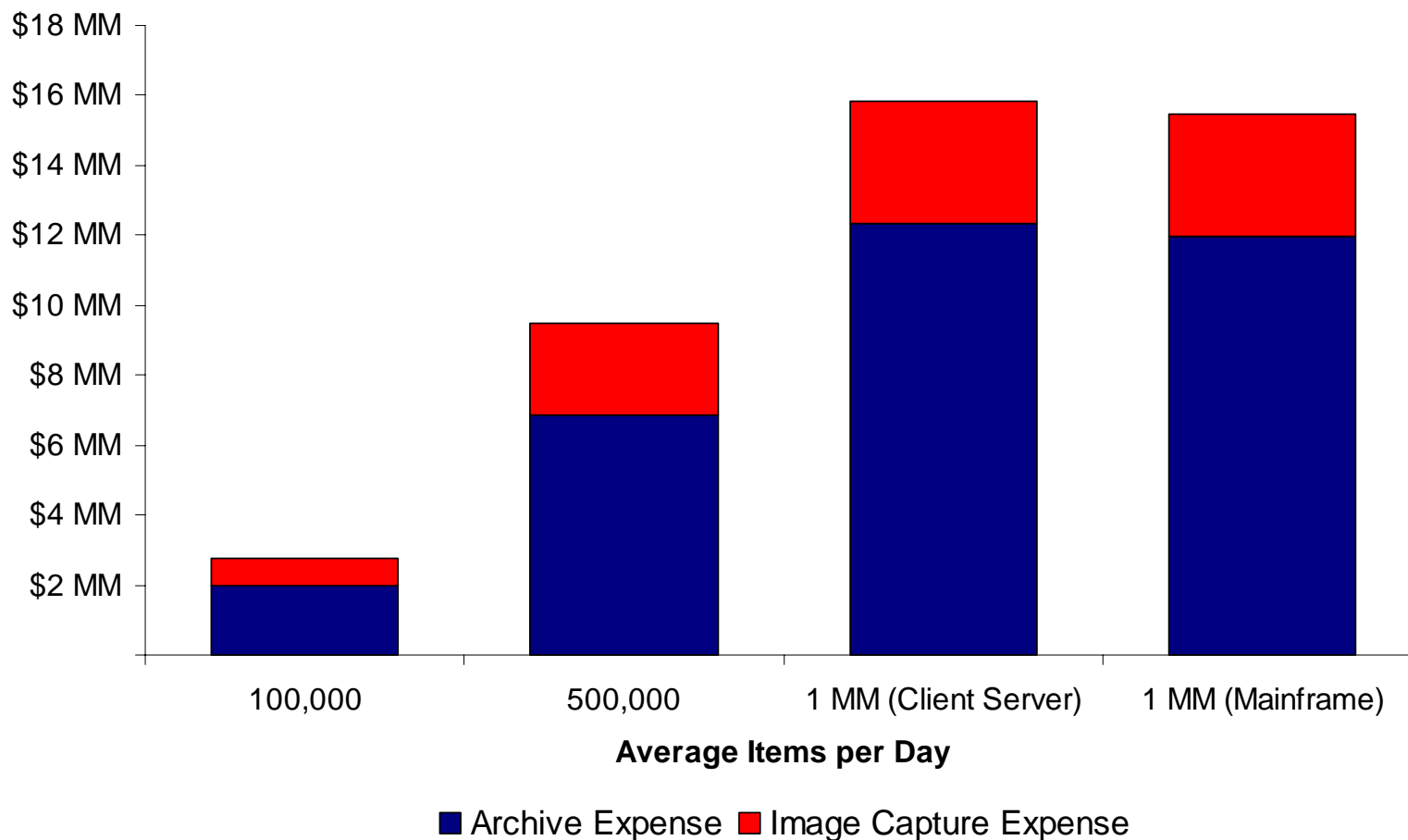
Calculates average annual costs

Calculates average cost per item

- Useful for comparing costs at different-sized institutions
- Useful for comparing costs of in-house and outsourced options

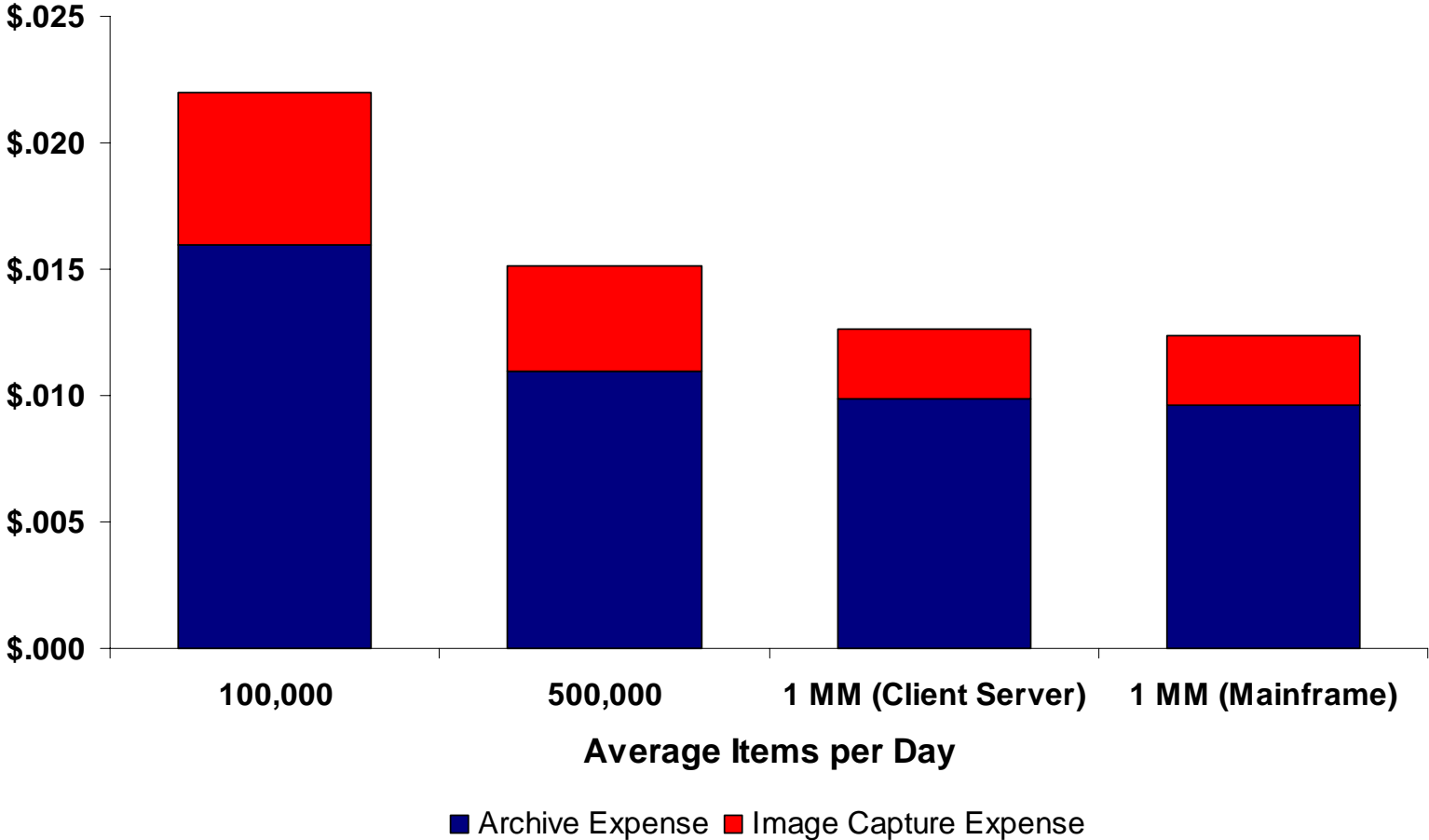
Check Image Expenses

5-Year Total Cost



Check Image Expenses

Average Cost per Item



Cost Component Breakdown

Explicit costs are only roughly half of total costs

- Servers, disk storage, long-term storage and software licensing

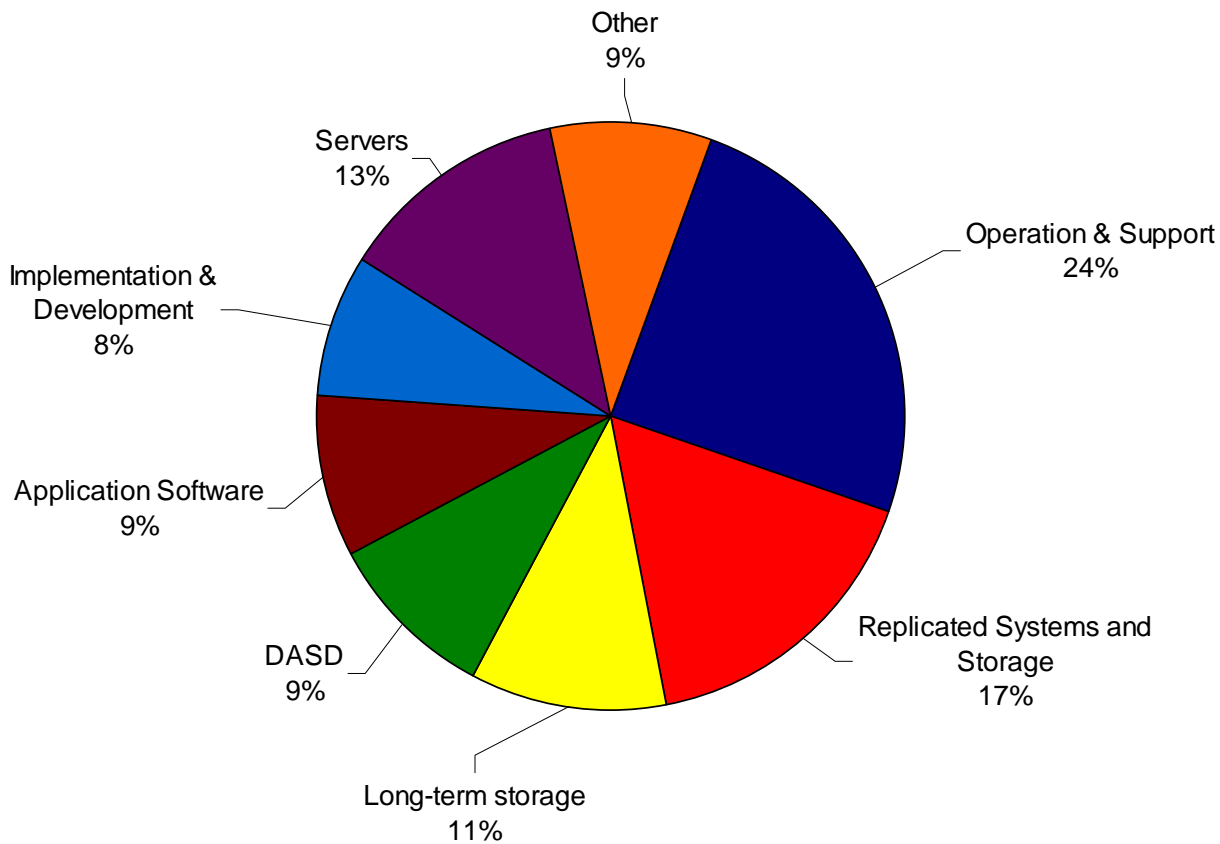
Major costs are sometimes overlooked

- Staff makes up over 20% of total costs in all of the case studies
- Replicated systems account for 15% or more of total costs
- Implementation and development is roughly 10% of total costs

Community Bank

Archive Cost Component Breakdown

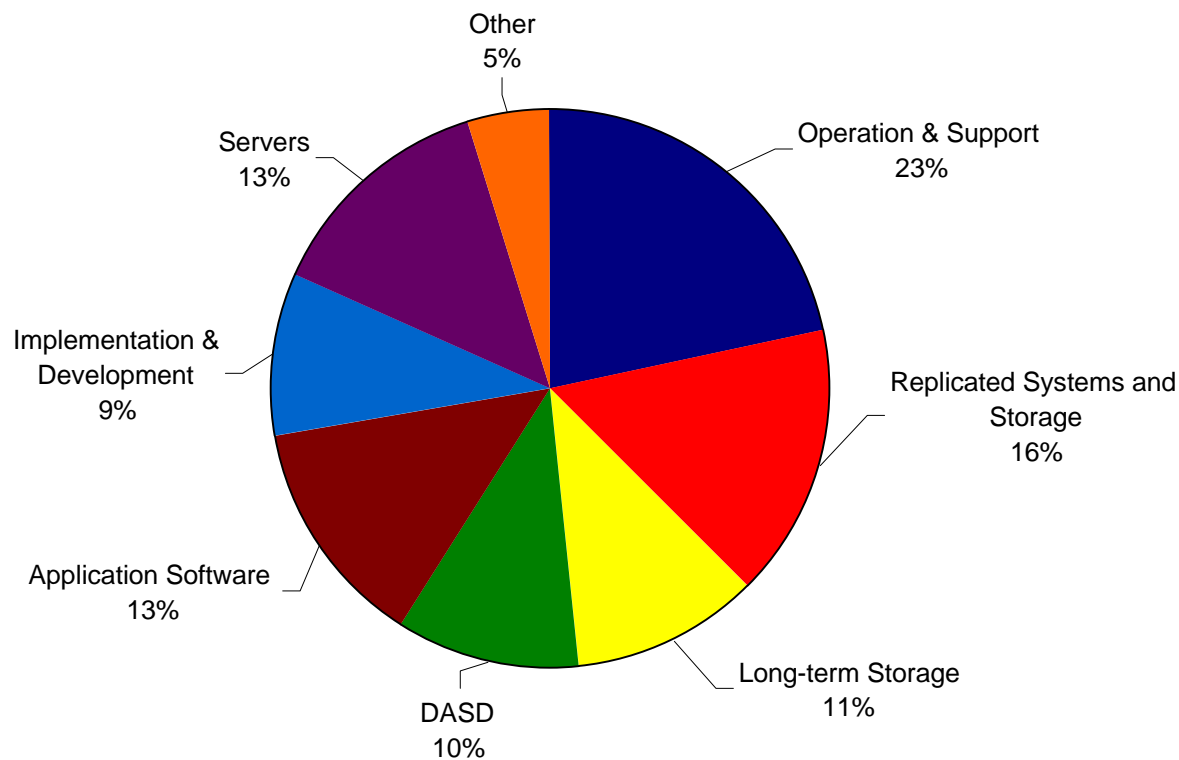
100,000 items per day Image Archive



Mid-Sized Bank

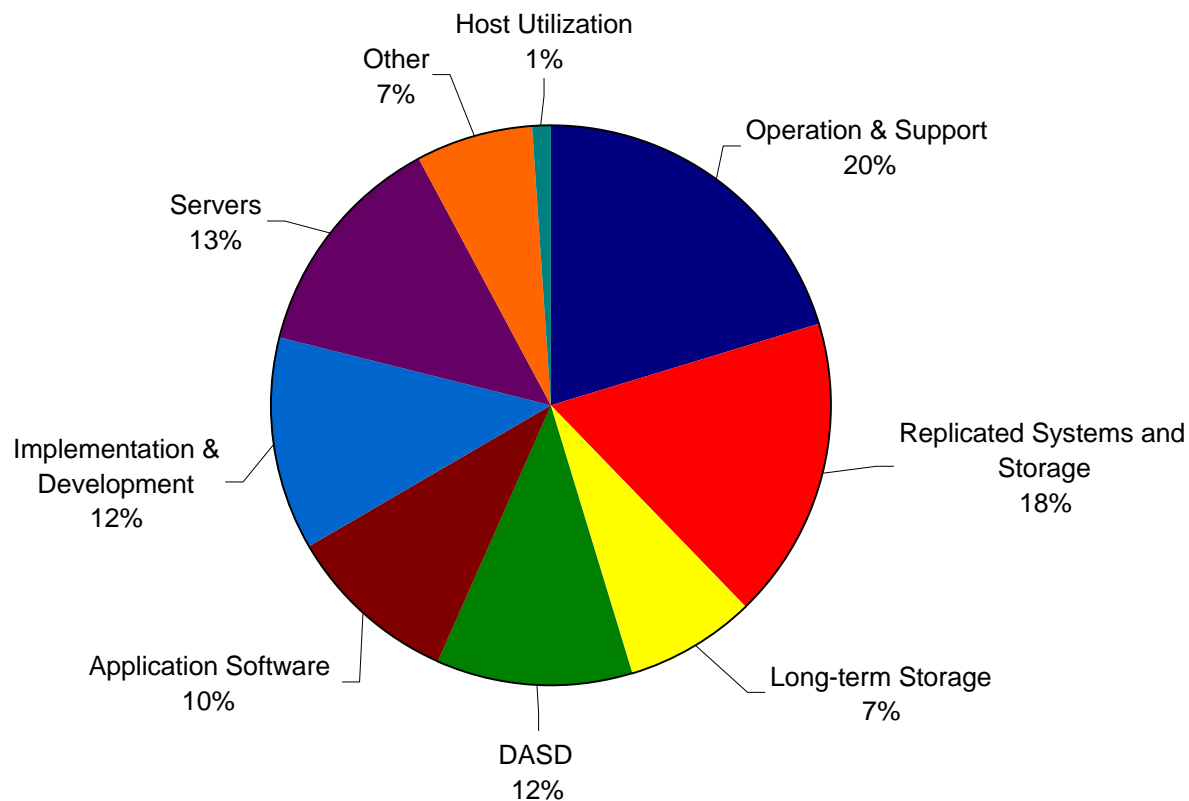
Archive Cost Component Breakdown

500,000 items per day Image Archive



Regional Bank/Client Server

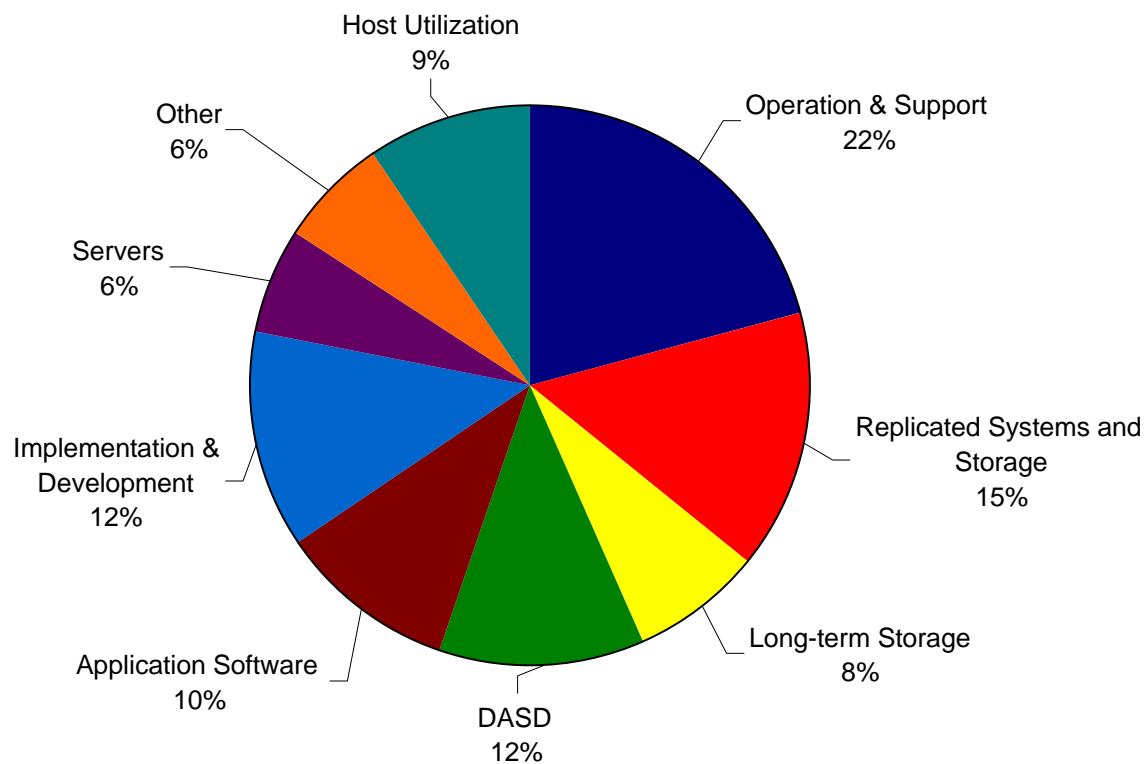
Archive Cost Component Breakdown
1 MM items per day Server-based Image Archive



Regional Bank/Mainframe

Archive Cost Component Breakdown

1 MM items per day Mainframe-based Image Archive



Conclusions

Check imaging is an essential capability

- Financial institutions that do not embrace imaging will find their ability to deliver competitive check products and services is severely diminished

There is no cheap way to become image capable

- Cutting costs up front is risky in the long-term

Avoid surprises and unrealistic expectations

- Perform a comprehensive analysis of the entire lifecycle cost of the archive
- Solid implementation and development avoids shortsighted goals and achieves smoother transitions