

Union Bank, N.A.

Highlights

UBNA's investment in Lexmark products, solutions and services will generate a 142% return on investment (ROI) in the first three years. Additionally, UBNA will achieve a positive net benefit in year one, with total benefits of \$5.4 million over three years.

Annual financial benefits

- ▶ \$276K savings due to consumables usage optimization
- ▶ \$926K CAPEX optimization
- ▶ \$205K incident cost avoidance
- ▶ \$248K resource expense optimization

Operational benefits:

- ▶ 50% reduction in number of output devices
- ▶ 33% improvement in service level agreement performance
- ▶ 31% reduction in resubmitted documents

Benefits summary

Mainstay found that UBNA's investment has significantly reduced output-related costs, optimized business workflows, and improved customer service. From a financial perspective, UBNA's investment in Lexmark products, solutions and services will yield a 142% ROI in the first three years. UBNA will realize positive net benefits in year one, and achieve total benefits of \$5.4 million over three years.

"Lexmark's approach was very different. They focused more on business needs, not just our technology needs ... Lexmark wanted to help us print less, move document images electronically, manage the process and wring costs out of our operations."

Deanna Zendejas

Vice President of Retail Automation
Union Bank, N.A.



About Union Bank, N.A.

Background: Union Bank, N.A. (UBNA) is one of the 25 largest banks in the United States, with more than 300 banking offices in California, Oregon and Washington. UBNA serves individual consumers and commercial clients in the communications, media, entertainment, energy, public utilities and retail industries.

Total assets: \$51.2 billion

Headquarters: San Francisco

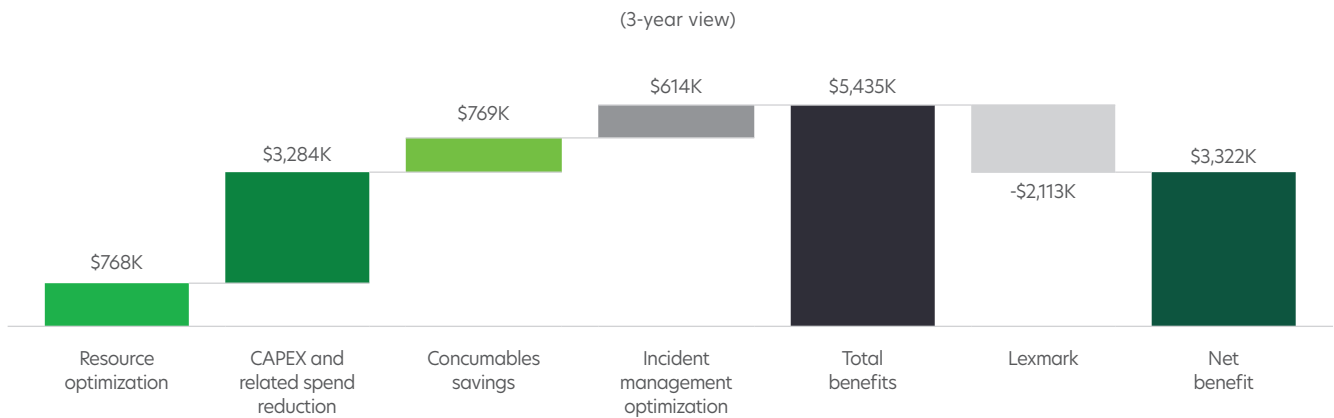
Executive summary

In an effort to reduce costs, improve efficiencies and improve customer service, UBNA launched a company wide initiative to boost the efficiency of its output devices throughout its retail branch locations. Over time, UBNA had accumulated an unwieldy mix of output device types, models and brands. The resulting “fleet” of output devices consisted of too many units overall, keeping capital costs high, and making maintenance and management a costly and time-consuming proposition.

Like many banks, UBNA generated enormous amounts of paper in connection with setting up new accounts. The paper-intensive process was inherently slow: Each day, branch offices were required to mail (or courier) applications for new accounts to the bank’s headquarters for review and processing. The manual process added days to the approval cycle. The lengthy process was also prone to additional delays, if documents were incomplete or if supporting information was missing. Meanwhile, the bank faced high costs associated with running its fleet of printers, copiers, scanners and fax machines.

UBNA found a solution to its device, paper and process predicaments by investing in a new fleet of Lexmark multifunction products (MFPs) along with Lexmark’s Managed Print Services (MPS). The more efficient MFPs helped UBNA consolidate its output operations on fewer device types and models, while streamlining its document-management process. Today, rather than printing and mailing account applications, branches rely on the MFPs to scan and electronically route these time-sensitive documents. Moreover, the bank relies on Lexmark’s MPS to monitor and maintain UBNA’s entire fleet of devices, freeing employees to focus on their core business responsibilities.

Figure 1
Total cost and benefits by category



Challenge

Although information technology has brought sweeping changes to the banking industry—making possible everything from ATMs to home banking—a significant part of the business today remains stubbornly paper-based. Most banks, for example, still use paper forms for routine tasks like opening a checking account or applying for a loan or mortgage. And banks still ask customers to sign “signature cards” that provide ultimate proof of identity.

As a result, banks are still stuck with moving a great deal of paper around, which raises the likelihood of bottlenecks, errors and delays. UBNA was no different. Each business day, the San Francisco-based company faced the formidable challenge of transferring thousands of customer documents from outlying branches to its central processing facility in a fast, secure manner. For branch offices, sending paper through inter-office mail took up to two days, slowing customer service and raising security risks.

“Delays, even small ones, are not acceptable,” says Deanna Zendejas, UBNA’s vice president of retail automation. Even worse are those occasions when applications lacked key information, requiring the customer to return to the bank to fill out paperwork again, causing further delays. With customer satisfaction and loyalty at stake, UBNA made it a strategic priority to minimize paper handling as much as possible in an effort to speed service and reduce the potential for errors. The bank also grappled with another cost of its paper-intensive environment: the proliferation of output devices including printers,

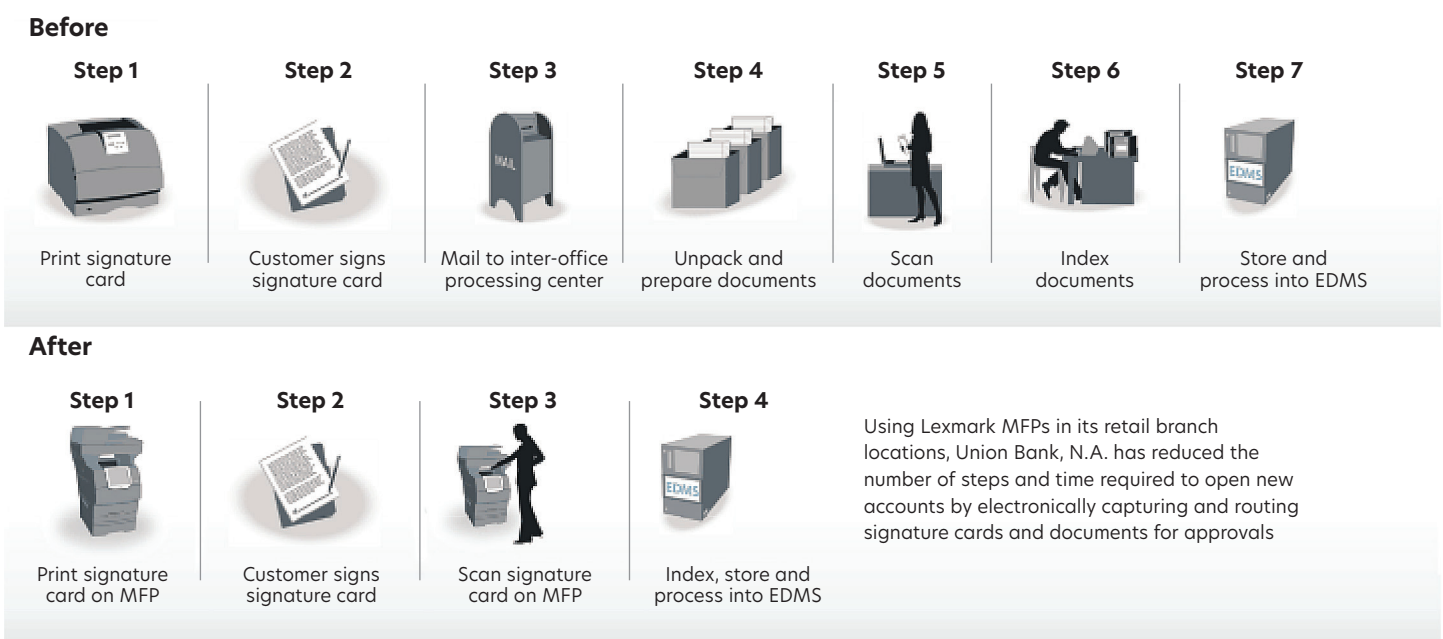
copiers, fax machines and scanners. UBNA had gradually accumulated a mix of machine types, brands and models scattered over more than 300 branches. The resulting “fleet” of output devices consisted of too many units overall, keeping capital costs high, and posing tough operational challenges. All these devices meant differing warranties, maintenance requirements, operator panels, supply items and support processes.

UBNA’s device fleet needed constant maintenance, putting a strain on technicians, who spent time on printers instead of on other core business projects. Meanwhile, the bank’s high paper volumes were consuming vast quantities of toner and ink, along with reams of paper products. Not surprisingly, branches frequently overordered to ensure supplies never ran out, a costly inefficiency.

After adding up the capital and operating costs, UBNA realized it was paying too much for its paper intensive document management system. Moreover, the built-in delays and security risks of moving around huge amounts of paper severely limited the bank’s ability to boost customer service and loyalty. A standardized approach was needed. In 2007, UBNA launched an initiative to modernize its document-management environment with the goal of speeding customer service and cutting costs. The initiative would replace the bank’s patchwork collection of devices

Figure 2

New account processing: Before and after



with a new fleet of MFPs, and drive paper out of the process by sending the majority of documents electronically rather than through inter-office mail. But a complete solution didn't stop at the devices. UBNA executives knew that the solution it needed was comprehensive in nature and would include services that would outsource the management and maintenance of all the output devices to a partner so that branch personnel could focus on serving customers, not on the devices.

Approach

UBNA's first step was to find a technology partner that could deliver the right products and also ensure that the devices were highly available and operational—especially since the branches would now rely on the machines to transmit critical documents. "It was essential to find a company that could deliver a technology solution tailored for our unique needs, but it was also vital that the vendor be able to proactively monitor, manage and service the devices in the branches, so we could concentrate on other core business projects," said Zendejas.

UBNA evaluated a range of vendors, but found few that proposed a comprehensive solution. "Many companies approached us from the hardware perspective, but couldn't offer a strategy to make our business operations more efficient and improve customer service levels," Zendejas said.

Lexmark's proposal focused on consolidating and standardizing the entire fleet, using those devices to optimize branch workflow processes and providing a service to UBNA whereby Lexmark would manage and maintain the entire output environment, including consumables, on UBNA's behalf.

"Lexmark's approach was very different," Zendejas said. "They focused more on business needs, not just our technology needs. They rolled up their sleeves and jumped in the trenches, insisting on understanding every step of our business process. Lexmark wanted to help us print less, move document images electronically, manage the process and wring costs out of our operations."

"The project management related to the roll out of the devices in all of our branch locations was exceptional. The team listened to our requirements and executed effectively against a well-built plan."

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As part of the discovery process, Lexmark sent a team of its banking industry experts to several branches and the bank's central processing facility to understand each step of the document creation and handling process. The team spent two weeks documenting bank operations and following individual documents from their point of origin in the branch to the processing center and to the end of the paper trail. "Lexmark already understood retail banking," Zendejas said, "but they wanted to study our particular business processes and to learn how our branches operate."

Based on its proposal, technology, services, solutions, pricing and partnership philosophy, UBNA chose Lexmark.

Solution

On the basis of the findings, UBNA worked with Lexmark to develop a detailed implementation plan. The solution included consolidating and standardizing output devices throughout UBNA's retail branches, using the installed MFPs to route bank documents electronically to cut document delivery time from days to minutes and outsourcing all fleet management and maintenance to Lexmark to keep the performance of the fleet at optimal levels. All facets of Lexmark's strategy were aimed at reducing costs and improving customer service.

Reduce output costs with standardized, consolidated fleet of MFPs

At the core of UBNA's document management solution system is a new fleet of Lexmark MFPs and monochrome laser printers, which largely replaced its multi-vendor assortment of printers, copiers, scanners and fax machines. By consolidating the four functions into one unit, the Lexmark MFPs allowed UBNA to deploy fewer devices overall and save on capital and operating costs. UBNA contracted with Lexmark to install two MFPs and monochrome laser printers in each branch. The installation at UBNA's 300+ branches involved unique situations requiring careful execution. For example, the limited space at those branches housed within grocery stores required precise delivery timeframes and logistics. "The project management related to the roll out of the devices in all of our branch locations was exceptional," said Zendejas. "The team listened to our requirements and executed effectively against a well-built plan."

Accelerate processing of new accounts

Using the Lexmark MFP’s sophisticated scanning and routing technology, UBNA could now send documents electronically to be processed. The result: the bank can process signature cards and other essential documents, in a couple of hours, rather than several days (Figure 2).

Intelligence embedded in the Lexmark system helps employees accurately scan, transmit and route each document. The touch screen on the Lexmark MFP, for example, features icons for common bank functions, such as scanning and routing documents for processing. As each document is scanned, the software immediately determines if it is complete or not. Branch personnel are notified right on screen if information is missing so they can fix any errors with the customer while he or she is still at the branch. Lexmark’s Document Distributor software charts the course of each document type and ensures that each one follows a specific path and completes necessary steps along the way. The sophisticated tracking and routing function is reducing incidences of misplaced and resubmitted documentation, helping save time and raising customer satisfaction. Faster turnaround is expected to speed customer service and help drive satisfaction and loyalty.

Figure 3

Average number of output devices

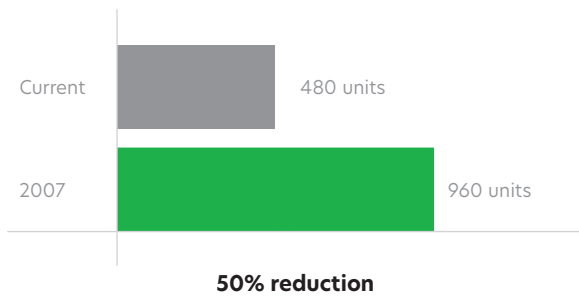


Figure 4

Percentage of output devices tracked



Figure 5

Percentage of output devices tracked



Fleet management service streamlines operations

With the fleet of Lexmark devices forming the core of its new electronic document-management system, UBNA wanted to be sure the machines stayed running continuously at optimal levels. Consequently, UBNA invested in a comprehensive day-to-day management and support program through Lexmark’s MPS. “Once we committed to electronic document capture for these critical documents, it became clear that we needed our hardware to be highly available,” said Zendejas. “We couldn’t let the hardware be at risk of slowing bank operations.”

Lexmark’s fleet management services continuously and proactively monitor every device at UBNA’s retail branches. If there’s an issue with a machine, the device itself transmits a service alert to the Lexmark operations center, where engineers initiate remote diagnostic procedures to resolve it before it can impact productivity. If an issue can’t be resolved remotely, the MPS service center initiates a trouble ticket with UBNA’s help desk. And if further intervention is needed, Lexmark dispatches service engineers to the site.

Lexmark’s system plots the physical location of every device, captures device usage information and monitors each device’s status. With this information, UBNA can make informed decisions about redeploying output devices to better match demand with capacity or when to retire a device that has reached its end of life.

“The managed print services program allowed us to get out of the printer maintenance business and refocus our resources on projects directly related to our core banking business. We know with Lexmark our output fleet is in good hands.”

UBNA also takes advantage of Lexmark’s consumables management service covering toner cartridges and related supplies. Under the service, new cartridges are ordered automatically in response to a “toner low” signal from the MFP or printing device. The cartridge arrives at the branch just in time, eliminating the need to stock toner and other consumables. More importantly, it relieves bank staff from the job processing toner-cartridge orders and managing stocks.

Figure 6

New account turn-around time

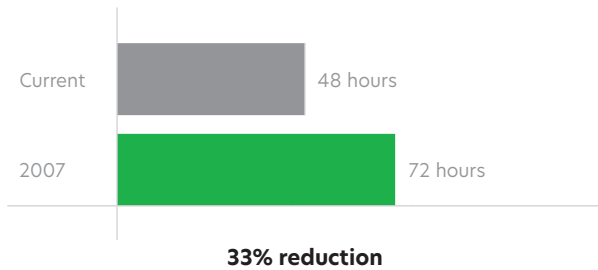


Figure 7

New account error rates

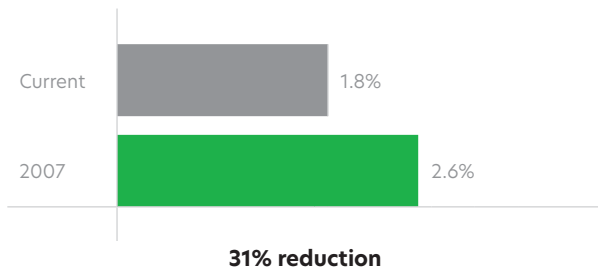
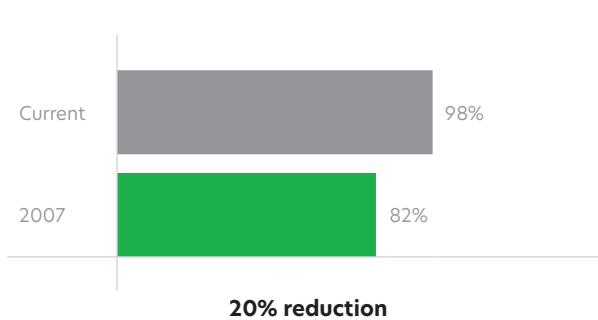


Figure 8

Service level agreement performance



Results

According to a study by Mainstay, UBNA’s investment in the Lexmark distributed fleet management solution is expected to generate net cost savings and operational benefits totaling an estimated \$5.4 million over three years. UBNA will earn a 142% return on its investment in three years and achieve positive net return in the first year.

Optimized output fleet

As UBNA replaced its mix of standalone output devices at its branches with Lexmark MFPs and laser printers, the company cut the total number of machines it deploys by 50%—from 960 to 480 (Figure 3). UBNA has one Lexmark MFP for every three to four users compared to one printer for ever two users previously—a 100% improvement. With fewer devices deployed at its branches, UBNA finds it easier to monitor and account for these assets. Today, UBNA tracks every device in its output fleet, compared to only 85% of the devices previously (Figure 4).

Better utilization of central processing resources

The switch to scanning documents at branch offices using Lexmark MFPs is expected to save UBNA an estimated \$248K in labor costs at the bank’s central processing facility, which used to handle the document scanning process. The savings more than offset the cost of the extra three minutes it takes for branch employees to scan a typical set of documents. Today, UBNA continues to have a redundant process of scanning and mailing documents to the processing center which adds time at the branch. In the future, the branches will discontinue mailing all together, thereby reducing the three-minute impact.

Faster, more accurate account processing

The branch-based document scanning system reduced new account turnaround time by a third—from 72 to 48 hours on average (Figure 6). Similarly, the bank is helping accelerate approvals by scanning documents right at the branch and electronically routing the papers to the central facility for approval. Today, UBNA is reporting 31% lower error rates during its bank-account setup process, as the branch-based scanning and routing system minimizes manual handling and misplaced documents, and speeds the approval workflow. Lexmark MFPs automatically and immediately verify that documents are complete and alert bank staff to any missing or incomplete information (Figure 7).

Device support savings

Lexmark continuously monitors UBNA's output device fleet, alerts engineers when it detects problems, and dispatches technicians when issues can't be resolved remotely. The comprehensive coverage has removed the device-maintenance burden from UBNA's own technicians, who had been frequently called upon to fix balky machines. UBNA estimates that the Lexmark services save \$205,000 in avoided support costs annually, while freeing the bank's technicians to support other projects. Moreover, the service has improved device uptime, driving a 20% increase in service-level performance (Figure 8).

Paper savings

As it begins scanning more documents—and printing less—UBNA is expected to significantly reduce paper consumption. UBNA estimates that it will save almost one million pieces of paper by discontinuing the practice of couriering new account opening documents to headquarters for scanning.

Capital and operating savings

- ▶ \$926K in annual hardware cost avoidance (with a future potential savings of \$1.2M). UBNA retired its fleet of single-function printers, copiers, scanners and fax machines, replacing them with a smaller fleet of Lexmark MFPs. The new MFPs consolidate the four functions into one unit, enabling significant hardware cost savings.
- ▶ \$276K in annual consumables savings. UBNA's investment in Lexmark's consumables management service is expected to generate significant savings by optimizing toner usage and relieving bank staff from the job of ordering and stocking toner cartridges. The automated ordering system also reduces toner waste due to double ordering and ensures the purchase of high-yield toner cartridges that lower per-page printing costs.

Future benefits

With solid savings from these output initiatives, UBNA and Lexmark continue to strengthen their partnership and look for additional ways to reduce costs and improve customer service. The next initiative is focused on refreshing existing MICR printers from Lexmark in the branches. Future initiatives may include color print-on-demand to reduce the costs and waste of off-set printing of bank collateral and signage.

About this ROI and business benefits assessment

Research and analysis for this business impact study was conducted by Mainstay, an independent consulting firm and was based on interviews with officials at Union Bank and Lexmark and searches of industry literature. ROI calculations use industry-standard assumptions regarding the time value of money.

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