

Mitek Enables Cell Phones to Expedite Deposits, Results in Convenience, Faster Funds

Mitek's ImageNet Mobile Deposit provides the "last mile" for mobile workers and consumers who want a quick and easy way to expedite their deposits without going to the bank. It provides unprecedented capabilities to millions of customers who use cell phones every day. Easy to deploy, banks benefit from the low cost of implementation and can profitably sell new fee-based check deposit services to the SMB segment or add it to their mobile banking platform. Merchants and consumers alike benefit from faster funds availability and greater convenience, a service for which they are willing to pay.

Clayton Christensen of the Harvard Business School is famous for touting *disruptive innovation* when markets and technologies converge. Technology convergence often results in new products that improve productivity and drive higher profits. It's benefited industries as far flung as steel to home entertainment. The benefits of convergence also accrue to financial institutions that are quick to offer new services enabled by innovation.

But what happens when advances in wireless data, Check 21 payments and popular culture collide? The shift away from branch processing to mobile banking is one sign that the game is changing yet again, meaning the future of payments will be very different. Baby boomers and businesses alike have demonstrated a willingness to pay for simplified ways to deposit their money and make payments without the added step of visiting the bank.

Case in point is the adoption of Remote Deposit Capture, the Check 21-enabled ability to transmit a check image remotely for clearing. Reported to be one of the most rapidly adopted technologies in banking history, its success is only encumbered by the cost of implementation using pricey, specialized scanners.

However, marry RDC with the advent of low cost cell phone cameras, and you have an indispensable, hand held scanner in your hand with millions of low cost capture devices already deployed. Mitek's ImageNet Mobile Deposit using cell phone cameras is a *disruptive innovation* that allows banks to embrace new opportunities to extend their RDC footprint and drive margin growth with new revenue models.

By using Mobile Deposit available in thick or thin client applications, bank customers can now turn a cell phone camera into a distributed capture device that can photograph and transmit the image of a check for deposit or to pay a bill. Advanced imaging algorithms compensate for the "pitch and yaw" of handheld scanning, and shadows caused by outdoor lighting conditions. The application automatically crops, deskews, and binarizes the check image to meet optimal FSTC quality standards for processing accuracy.

Dubbed *Mobile Merchant Capture*, mobile check deposit is ideally suited for mobile workers who collect checks as immediate payment for deliveries or services. Useful in Business-to-Business or Business-to-Consumer transactions, merchants and mobile professionals alike can speed funds availability, verify checks on the spot, and reduce the risk of check losses.

Convenience and ease of use are the key market drivers for the adoption of MobileDeposit. Cell phone devices that are “always on, and always with you” are predicted by many bankers to drive the biggest shift in banking habits and commercial productivity ever. The payments industry is taking notice as banks seek ways to monetize new customer segments. These benefits also accrue to consumers who seek easier ways to deposit their checks and speed cash availability without a trip to the branch.

The nexus of the mobile phone and Internet has become the cultural phenomenon of our lifetime. It provides unprecedented access to information and often defines how we interact with each other. Today, nearly 100 million cell phone subscribers pay monthly fees for use of a wireless data plan. Qualcomm predicts this number will double again in four years, particularly as phones continue to become more fully featured and less expensive. This is not a phenomenon unique to a growing number of text messaging teenagers. According to AT&T, wireless data use is nearly equally distributed across all demographic segments.

Last year, 119 million cell phones with cameras (“camera phones”) were shipped in the United States alone. Cameras have become an indispensable mobile phone feature. Recently, phones like Apple’s iPhone 3G and RIM’s Bold include 2 megapixel cameras. Verizon is shipping a 3 megapixel FlipShot. Google is shipping its first 2 megapixel phone with a chip that enables an 8 megapixel camera in the future. Samsung is already shipping a 10 megapixel phone in Japan. Popular Photography published an October 2008 article entitled, “Revenge of the Camera Phone,” as they report on the remarkable advances of cameras on cell phones that rival pocket cameras.

Coupled with high speed 3G wireless data networks, banks can now leverage their existing investment in an RDC platform with a low cost way to sell their service to a new market segment: the mobile worker and 28 million small to medium size businesses (SMB).

Checks are still a principle payment method for businesses, with a combined 30 billion business and personal checks written annually. However, a recent study conducted by Celent, a leading industry analyst firm, reflected that most small businesses deposit less than 5 checks per day, far below the ROI for purchasing a specialized desktop check scanner otherwise required for remote capture applications sold by banks. But with a camera phone in hand, businesses can now use a simple application to capture a check image and deposit their items quickly and securely.

Chris Cramer, CEO of Karl Strauss Brewery, a leading Southern California craft brewer, was recently quoted in *USA Today* saying, “This is a technology that will change the

game.” According to the article, state laws restrict credit terms extended by breweries to local bars, restaurants and convenience stores. *Mobile Merchant Capture* provides the ability for distributors to make C.O.D. deliveries and deposit the check instantly instead of leaving the premises and hope the check doesn’t bounce. It is also useful for handymen, plumbers or HVAC repairmen who provide in-home services and are often paid with checks.

With *Mobile Merchant Capture*, banks can target reliable commercial customers, and can monetize mobile check deposits using the same pricing paradigm they already deploy with RDC customers. Market studies indicate a willingness by merchants to pay anywhere from \$.25 to \$.99 per item, with monthly minimums. Banks can also target profitable retail customers such as business professionals and travelers who value time and will pay for convenience. Banks also gain by creating an “innovation halo” that attracts desirable customers and underscores a service commitment, enhancing their brand leadership.

The cost of implementing mobile deposit capabilities is low. ImageNet Mobile Deposit is designed to interoperate with existing bank systems, cell phones and networks. Viewed as another capture node, merchants can easily mix their RDC environment and add mobile capture devices to augment their existing desktop scanners. Or merchants can go completely mobile by using their existing camera phones and data plans and simply download the mobile deposit application or access it via the browser from their bank.

Banks, on the other hand, can cost-effectively add *Mobile Merchant Capture* to their existing investment in RDC infrastructure by connecting the mobile deposit server via a XML file formats. Security is provided through 128 bit encryption, two factor authentication synced with banks online protection policies, and wireless transmission using Secure Socket Layer (SSL).

Banks can also leverage their existing Mobile Banking initiatives by adding a mobile deposit function to their mobile wallets. Mobile Banking solutions offer practical capabilities, but have been long considered lacking in sizzle. Still looking for the “killer app,” Mobile Banking executives can benefit from the “wow” effect offered by mobile deposit and the ability to monetize each transaction.

Mobile Imaging applications provide unprecedented capabilities to millions of customers who use cell phones every day. Mitek’s ImageNet Mobile Deposit is the first application for mobile check deposits, and foreshadows innovative Mobile Imaging applications driving new methods of mobile payments. Easy to deploy, banks benefit from the low cost of implementation and their existing investment in Remote Deposit Capture to profitably sell new fee-based check deposit services to mobile workforce and SMB segments. Merchants benefit from faster funds availability and greater convenience, a service for which they are willing to pay. ImageNet Mobile Deposit provides the “last mile” link to millions of customers and is a *disruptive innovation* that provides new opportunities in a brave new payments world.

Footnote: James DeBello is the CEO of Mitek Systems, Inc., a leading developer of Image Analytics and Mobile Imaging applications. Mitek recently announced ImageNet Mobile Deposit, the industry's first downloadable and browser based application that enables a user to deposit a check using a cell phone camera. ImageNet Mobile Deposit supports the iPhone, Blackberry and most camera phones. Mitek has been developing advanced image enhancement and data extraction software for 15 years. Its recognition products are currently deployed in 3 of the top 5 banks worldwide and are involved in processing nearly 30% of the 30 billion checks written annually.