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A customer, activating card in hand, meets "Mac, your friendly 24-hour banker," LaSalle National Bank's non-banking-hour "teller." The device was one of the first of its breed in Chicago and an example of a future bankers are contemplating.

Banks consider customer computers

By Alvin Nagelberg

Assistant Financial Editor

WITHIN A YEAR or two some Chicago area families will be able to bank by telephone.

They'll be able to punch the buttons on their telephone and hook into the bank's computer. The recorded voice of the computer—a woman with a staccato speech pattern — will tell the customer how much is in his checking and savings accounts.

The program may also allow the customer to switch funds from one account to another and perform other banking functions, but the full details are a secret right now.

THE SYSTEM is being developed by Beverly Bankcorp., the holding company for Beverly Bank. Thomas Markle, president of the bank, said a form of the system already is being used by 18 Chicago area banks to provide bank tellers and officials with information about the customer. He expects the network to grow.

The banks make an average of 10,000 inquiries a day to the computer, often to check the balance of an account when cashing a check and then to debit the account for the amount of the check.

Telephone banking is one of the hottest new ideas in the industry and already is being tested in Seattle, Wash., where customers of Seattle First National Bank get traditional banking services and much more. The system keeps tabs on the family budget, keeps records like serial numbers of appliances and insurance policies, and gives reminders on upcoming dental appointments or birthdays.

FROM SEATTLE to Long Island, down to Atlanta and up to Cleveland, bankers are studying and testing new computer techniques in the world once dominated by the ledger and quill.

In some cities, bankers are working on point-of-sale systems in which a store can instantly and automatically deduct the price of merchandise from the customer's checking account.

And there's the automated clearing house concept which would enable an employer to credit salaries to each employee's own bank.

Jon Poppen, vice president of Booz, Allen & Hamilton, Inc., management consultants, said the banking industry is probing these new areas because they see the volume of checks and paper rising sharply each year. At some point in the future, the handling of the checks could be inefficient and "a terrible expense," he said.

"AND THEY see the new competitive thrust of savings and loan associations, savings banks, and financial companies which are becoming involved in the money handling business," Poppen said.

Booz, Allen and 26 banks thruout the country, including the First National and Central National banks of Chicago, are involved in a study of the electronic funds transfer systems. "We want to find out the needs of the customer, the user of such systems, and the profitability of the systems," Poppen said.

Robert H. Long, director of assessment of concepts and technology for the Bank Administration Institute, said the banking industry is becoming more aware of the need to provide additional consumer services.

"IN THE PAST and still, to some extent, the banks thought that their best customer was the big business in the area," Long said. "The big corporation kept the biggest deposit, had the biggest loans, and was catered to.

"The emphasis is slowly shifting to the retail financial and service area because the consumer is where the money is. John Q. Public may not provide the profits, but he has the deposits which are the source of money for loans.

"Also, the corporate treasurers have very sharp pencils these days and they to their own investing and work the banks for all they can get."

BANKERS KNOW what they want to achieve, but getting there will be a series of trials and pilot studies and perhaps false starts, Long said.

The B. A. I. held a seminar on the new systems earlier this month in Park Ridge and, despite the fact that it was announced only six weeks in advance and came during the vacation season, the meeting attracted 350 persons from thruout the country.

It's a complex subject and bankers confess to not knowing enough about any one aspect.

Early evidence of the movement to new systems is the cash dispensing machine which has been upgraded to perform a variety of banking functions. Banks like LaSalle National, First National, Pullman Bank and Trust Co. and members of the Heritage bank group have the machines to provide customers with bank services during week-ends and nights.

THE MACHINES are activated by inserting a plastic card distributed by the bank or, by prearrangement, a consumer credit card, and punching a code number. Usually, if the customer punches the wrong numbers three times, the machine won't let go of the card.

The machine can be programmed to give the customer packages of cash which is deducted either from his checking account or credit card account. Some machines permit transfers of funds from savings to checking accounts and other functions.

Mrs. Linda Zimmer, formerly with B.A.I. and now a free lance adviser on the new systems, said 53 per cent of the transactions are withdrawals of cash. About 20 per cent are cash advances credited to a credit card; 15 per cent, deposits to checking accounts; and 3 to 4 per cent, withdrawals from savings accounts.

THERE ARE about 1,500 machines in use around the country and 2,000 on order. She expects 4,000 machines to be operating by next year.

The machines cost \$30,000 plus the cost of installation and advertising, which could boost the outlay to \$60,000 or \$70,000. Bankers are hard pressed to justify the cost based on profitability, she said.

"Many use the machines to forestall opening Saturday or having longer work days," Mrs. Zimmer said. "Some buy machines just because another bank across the street has installed one. Some bankers say it attracts new customers, but rarely can a banker tell you how it fits into their long range customer program."

At best, Mrs. Zimmer said, it gives the banker a chance to study a computer-operated consumer service and may put them on the road to electronic funds transfer systems.

THE PUSH button telephone banking system has captured a lot of attention these days because it could be a way for the public to have its own private genie in a telephone, balancing the money statement, keeping tabs on income tax deductions, and even adding a long list of numbers for junior's homework.

A long range result could be the breakdown of the regional boundaries of banks. By having a toll free telephone number, the bank in Long Island, N. Y., could perform as many checking and savings account functions as the bank in Schaumburg. Branch banking would be a moot point, Long said.

Bankers face a big cash investment starting a telephone-computer system, but Markle said the Beverly Bankcorp. has been moving into the system for many years. The bank became heavily involved in an audio-response computer system back in 1968.

THERE ARE two phases—the technology and public education, he said. The technology is available. The education of the public will "be tough and takes a lot of dollars," he said.

Another new banking program in the study stage is the point of sale system.

Nick Poulos, financial editor, is on vacation. His column, The Money Scene, will resume on his return.

Merchants would have computer terminals connected to bank computers. When you buy something at the store, the amount is punched into the computer and deducted from the customer's checking account.

Markle doesn't think the public will like the system. "When a woman goes to a store and buys a dress, she wants to take it home and try it on," he said. "If she doesn't like it, she wants to return it. She may want the amount put on her bill so she doesn't have to take money out of her savings account and pay for it right away."

HOWEVER, THE SYSTEM was tested on a limited scale by the Hempstead Bank of Syosset, Long Island, and was considered a success. The only problem, said observers, was that it involved only one bank and that many banks and stores must participate to make the system more useful.

The City National Bank in Columbus, Ohio, installed computer terminals in stores where they were used by merchants to check the credit of persons cashing checks, verify credit cards, and put purchases on the credit card accounts.

First National City Bank of New York is keeping the industry guessing about its plans, but Long said the bank

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Banks think computers

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will be testing a computer terminal system in its 200 branch offices and a limited number of stores.

Five banks in Atlanta, Ga., which form the Committee on Paperless Entries, will decide later this year whether to start a point-of-sale system in the city.

THE BANKS have a system in the shake-down stage thru which a customer can authorize a merchant to automatically draw a specified amount from his account without writing a check to pay a monthly bill. It's being used on the banks' credit card payments until all the details are perfect, said Roger A. White, C. O. P. E. chairman, and group vice president of the First National Bank of Atlanta.

Meanwhile, the banks have started an automated clearing house which is being operated by the regional Federal Reserve Bank. Several employers in the city have their payrolls credited to the bank accounts of the employees.

The electronic funds transfer system handled about 10,000 transactions last month, which is a very small volume, White said, adding, "The system is very costly for banks and must be built on very high volume of usage."

A GROUP of bankers in Chicago also is studying formation of an automated clearing house and point-of-sale system, said Stuart Hamilton, senior vice president of Northern Trust Co.

He said the automated clearing house could be a way to minimize paper handling, "but I don't think we'll replace the check for a long time."

It involves a great deal of customer education. Many people want the direct control

over payments and want to retain checks for record keeping.

Long believes many of the systems will come into use, "but the timing is uncertain." He explained, "There are regulatory agencies to consider [the Justice Department is not happy about banks teaming up in a marketplace and the savings and loan industry is upset being frozen out of electronic transfer of payroll systems]. And there are standardization battles."

If for no other reason than fear—the fear of losing a competitive position — he expects banks to eventually adopt the new systems.