

At Your Service

A Newsletter from the Federal Reserve Bank of Kansas City

Winter 2002

Banking on the Internet: A profile of three institutions

Since introducing "The E-Files" column in the Fourth Quarter 2000 issue, a range of "emerging payments" has been discussed. As previous articles have illustrated, technological advances have spurred dynamic changes in financial products and services. This article features three Tenth District financial institutions (FIs) of varying deposit size and customer make-up that used some of these technological advances and offer Internet banking services.

Not just for 'big guys'

According to an American Bankers Association survey,* nearly 50 percent of the nation's community banks have transactional Web sites. Among those banks are Lamar Bank and Trust (LB&T), Lamar, Mo., Stillwater National Bank (SNB), Stillwater, Okla., and INTRUST Bank, Wichita, Kan.

Those who frequent LB&T's, SNB's and INTRUST's Internet banking sites find that each offers the ability to inquire about transaction history and account balances, view account statements, conduct intra-bank funds transfers and place requests to reorder checks — services that by today's standards might be considered "main-stays." In addition, each FI's site offers one or more services that are more advanced, such as news and financial portals, corporate cash management, bill presentment, bill payment, and the ability to view check images and even aggregate accounts.



Lamar Bank and Trust

In February 1999, LB&T, an FI with \$95 million in total assets, became the first in its community of 4,500 residents to offer Internet banking services (www.lbt.com) and access to a news and financial portal home page, the LBT ePortal. To generate interest in its Internet banking services, LB&T entered the names of customers who enrolled within the site's first 90 days into a drawing for promotional items and provided incentives for use of online bill payment. During that timeframe, LB&T signed up more than 300 customers.

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LB&T's Internet banking site offers customers access to mainstay services, images of canceled checks and the ability to pay bills. In addition, customers can change address information, export transaction history and set up e-mail alerts. Danny Little, executive vice president at LB&T, reports that the most prevalently used services are transaction history inquiries and funds transfers, which are often used to make loan payments. Little also says that the e-mail alert service is growing in popularity and customers are increasingly viewing their statements and check images online. Promotional events, educational efforts and the convenience of Internet banking have contributed to LB&T's enrolling more than 24 percent of its 3,700 personal demand deposit accounts (DDA) customers.

In addition, about a year ago LB&T enhanced its Internet banking menu with corporate cash management services. These services enable business customers to set up payroll direct deposits, collections, electronic federal tax (EFT) payments, Automated Clearinghouse (ACH) payments and receipts, as well as re-present checks and authorize transactions. Again, Little reported favorable results, stating that LB&T has gained new business customers in response to its Business Internet Services offerings.

Stillwater National Bank

Stillwater National Bank holds \$907 million in deposits and has branches in four Oklahoma cities — Stillwater, Chickasha, Oklahoma City and Tulsa. In 1997, motivated in part by a need to replace a soon-to-be-discontinued vendor-supported cash management product, SNB partnered with Q Up, now S1, to develop an Internet banking solution (www.banksnb.com).

According to Kimberly Sinclair, an executive vice president at SNB, being an early provider of Internet services enabled SNB not only to continue serving its existing business customers but also attract new ones. At the same time it offered online corporate services, SNB introduced Personal Internet Banking, which in addi-

tion to the mainstays enables SNB's customers to access *My SNB*, a news and financial portal page, change address information, pay bills, purchase savings bonds, establish e-mail alerts and export account history. In the months to come, SNB plans to enhance its services with online loan application and employment opportunity information.

Statement stuffers, advertisements on its informational Web site and e-mail notifications to customers were part of the initial launch of SNB's Internet banking services. On an ongoing basis, SNB promotes these services by providing Internet terminals in its lobbies, using the site when assisting customers and locating self-service terminal centers — complete with onsite assistance — on the Oklahoma State University campus. Today, approximately 38 percent of SNB's 20,590 retail customers are signed up for Internet banking.

INTRUST Bank

Primarily out of a desire to be a leader, INTRUST, a bank with \$1.7 billion in deposits and branches in 24 Kansas cities and in Oklahoma City, began offering Personal Internet Banking services (www.INTRUSTbank.com) in 1998. Consequently, in addition to the mainstay services, INTRUST's site enables customers to use bill presentment and payment powered by Checkfree, take advantage of a variety of financial planning and educational tools and use *Fetch My Stuff*, an account aggregation product powered by Yodlee.

To acquaint the public with its new Internet banking services, INTRUST engaged in an aggressive marketing campaign that used print, television and radio ads, statement stuffers and in-bank promotions. According to Tom Morrison, a vice president at INTRUST, the bank's efforts yielded the desired results. Within the first six months of the site's launch, nearly 6,000 customers signed up to use Internet banking. Today, approximately 32,000 customers, or 39 percent of all DDA holders, are enrolled.



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Questions or Comments?

At Your Service is published by the Payments System Support Department of the Federal Reserve Bank of Kansas City. If you have questions about the information in this newsletter, or about Fed services in general, please call your Financial Services account manager.

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The following publications may also help you answer service-related questions: *Fed Flash*, *FedGuide*, previous *At Your Service* issues, and various fliers. Visit our Web site at www.kc.frb.org and click on "Services for Financial Institutions," then "Publications" or call FedFax at (888) 881-8001 for copies of these publications. Please contact Maureen Musil with *At Your Service* comments, questions and mailing list changes.

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UPCOMING EVENTS

More specific information, such as location and online registration, on the conferences listed below is available on our Web site at www.kc.frb.org. Click on "News & Events," "Upcoming Events," then the appropriate event.

Conferences

Our Financial Services account managers will exhibit at the following conferences in 2002. Please stop by to visit.

Kansas Bankers Association 2002 Technology Conference

Feb. 12–13
Topeka, KS
Capitol Plaza Hotel
Maner Conference Center

Nebraska Bankers Association Annual Convention

April 24–26
Omaha, NE
Embassy Suites

Oklahoma Bankers Association Convention

May 15–17
Oklahoma City, OK
Oklahoma City Marriott

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INTRUST conducts a monthly survey of its Web customers to obtain a sense of ongoing satisfaction with their Internet banking offerings. From that process, it has learned that the services are highly regarded and has received some suggestions for enhancements. According to Morrison, among the enhancements on the horizon for INTRUST's site are the introduction of a real-time Open Financial Exchange (OFX) interface (a type of interactive coding) to Quicken and Money that will also enable bill payment and a corporate cash management product for large corporate customers.

Different stories, common theme

A recent Gomez Advisor's report indicated that 13.6 million U.S. Internet users now actively use online banking services, and a Celent Communications

report suggests that FIs that implement a comprehensive suite of Internet banking products can anticipate reaping rewards, such as retaining these customers (www.celent.com/

[PressReleases/20011017/ROI.htm](http://www.celent.com/PressReleases/20011017/ROI.htm)). Although various factors led LB&T, SNB and INTRUST to be early adopters of Internet banking services, like many others, they saw opportunities. The Internet provided a strategic tool to help level the playing field between these banks and their larger competitors, as well as a means to enhance their image as cutting-edge companies and technology leaders. In addition, offering Internet banking services helped them retain and attract customers. ■

** To learn more about the survey, go to www.aba.com and click on "Surveys/Statistics," then scroll down to "Consumer Payment" in the "Survey" box in the left-hand column.*



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