

Banking without leaving the office

Remote banking services being developed for small businesses can bring banks fee-based services and stronger relationships

For a business to take advantage of electronic banking services in the past, it had to be big and it had to have someone to run it," says Dan Fisher, senior vice-president of Victoria Bank & Trust, Victoria, Texas. "Even then, that four-letter word 'cost' was always underscored."

Now, through the information superhighway or the plain old telephone, small businesses can get some of the same cash management and remote banking services that used to be reserved for their larger brethren. They can get information about their balances or the last check cleared; they can stop payments, send wire transfers, and transfer money between accounts by phone, fax, screen phone, or personal computer.

Banks, too, don't have to be big to offer electronic services to small businesses. "Instead of the economies of scale for big banks, now you have diseconomies of scale," says Ray Muth, executive vice-president of Apollo Trust Co., Apollo, Pa. The bank provides access to account information through an electronic bulletin board that can be reached through the Internet (see CyberBanking, page 68). "Small banks can do everything big banks can do technologically if they want to, and more," says Muth. Along with the bulletin board, he has created an Internet home page for the bank, one for himself, and one for his two dogs.

Two views about demand

There are 19 million businesses in the U.S. with fewer than 20 employees. Research conducted by Intuit, the Menlo Park,

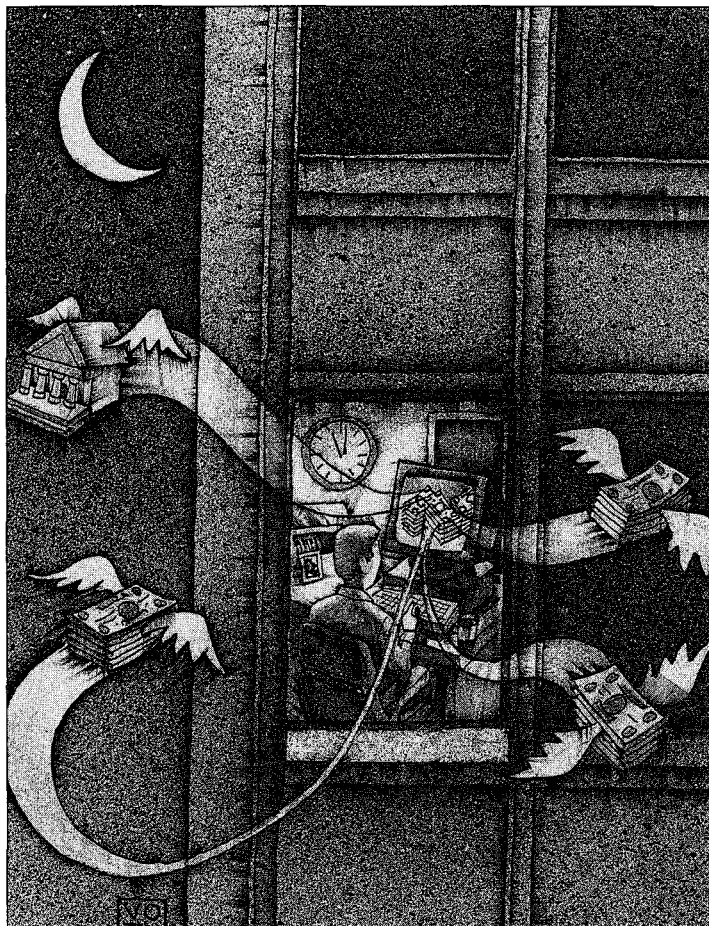


ILLUSTRATION BY GREG VOTH

Calif., software company, shows a 50% PC penetration among small businesses, according to Jay O'Connor, group product manager for the company's QuickBooks accounting software. PC usage is very high among consulting and contracting companies and very low among small retail businesses, he says.

Today QuickBooks accounts for 70% of retail sales of accounting software. QuickBooks at the moment has no electronic banking capability and Intuit has made no partnership announcements to give it that capability. But Intuit has signed up 12 banks, including First Chicago, Sanwa Bank, Union Bank, and U.S. Bancorp, to offer a customized version of its popular Quicken product. A very logical next step for these banks or others would be to

align themselves with QuickBooks and allow businesses to do their accounting and banking simultaneously.

A survey conducted by the IBM Consulting Group and Northwestern University at the end of 1994 showed somewhat lukewarm demand for electronic banking services. The survey gathered opinions of 939 small businesses in the Chicago area and found that 16% would like to do some banking transactions electronically and 24% would like to do all their banking electronically. But the remaining 60% want no part of it.

However, bankers say they have found strong interest. "There's always been a demand in the small business market for cash management services, but there's been a mismatch," says Chris McLaughlin, vice-president and product manager of Business Connect at Bank of America. Business Connect is a DOS-based PC banking software package from Harbinger Corp., Atlanta. "At one end, we've had products designed for

By Penny Lunt, senior editor