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Local bank sees customer revolution in new technology

By Philip S. Moore, *Inside Tucson Business*

While it's not a technology unique to First National Bank of Arizona, the Phoenix-based bank with 16 branches, including two in Tucson, is looking to the nationwide introduction of remote capture deposits as the slingshot that can help smaller banks topple industry goliaths.

Taking the lead in promoting the move from traditional check drops to electronic deposits, the privately-held bank has launched a statewide campaign to sell the technology to companies, both large and small. If the bank succeeds, not only will it grow in customers and deposits, First National Bank of Arizona's leadership believes they could reverse a half-century of consolidation in the industry and transform banking into primarily local business again.

"We're pretty excited about this," said President Ken Zehm. "This technology is still in its infancy, but we remember what happened when banks first came out with ATMs (automatic teller machines) and we think this could be every bit as revolutionary."

Providing the equipment and the expertise to get started, he said First National Bank of Arizona can get any company started in a day, "and they could be send checks over the Internet tonight," he said.

Calling it a chance to overcome the geography barrier, Zehm said, "This offers an opportunity to conveniently serve customers who can't easily get to one of our branches," Zehm said. "Because of that, it gives us a level playing field with banks operating 30 branches in a community."

In addition to making nightly deposits more convenient, the technology offers improvements in record keeping and account management, which can make remote capture a better idea for business, said First National Bank Vice President Mike Shellenberger, manager of treasury management services. "You can both send the deposit for credit and export it to your accounts receivable, eliminating the need for manual input and adding to a company's bottom line," he said.

"We're going to be aggressively marketing this because we see it as a new opportunity, with tremendous potential to expand our market," Shellenberger said, "and with the economies of scale at the business level, it can only gain in importance as we go forward."

That may be true, said Randall Yenerich, president and chief executive officer of Commerce Bank of Arizona, but his bank will continue to take a more limited approach until it becomes more evident what the technology's benefits and difficulties will be. He said, "This is all fairly new and the process is still being refined as we go."

Ultimately, Yenerich said, "It will be a valuable tool and it should be useful for those with multiple locations and a high volume of business. However, it's probably too expensive and time consuming for individual businesses to use."

He said, "It's important for us to be able to supply it to our customers, if they want it, because if we don't, we'll be at a competitive disadvantage. Also, for a certain segment of the business community, this may be important, but for most, I don't think the technology's advantages will outweigh the expense."

Also wary of calling remote capture a revolution in banking is Jim Crawford, director of strategic products for the Phoenix-based Capital Bancorp, owners of Southern Arizona Community Bank, at the intersection of Oracle and Orange Grove roads in Tucson. It will still be several weeks before the remote capture technology

is available through the local Tucson bank, and when it is, Crawford said, "I see it as a nice service and a real convenience for customers, but banking is based on relationships."

As a result, he said, "you can't take geography out of the equation. It's a solid relationship between the customer and banker that determines where they bank, and this technology isn't going to change that."

The debate is familiar to Amar Gupta, Thomas Brown Professor of Management and Technology at the University of Arizona's Eller College of Management. As founding co-director of the Productivity from Information Technology Initiative at the Massachusetts Institute of Technology, he led the development of the web-based remote capture system.

Gupta said both large banks and small ones will, ultimately, depend on remote capture for much of their business banking services. Comparing it to wire transfers, he said remote capture will become one of those features financial institutions will be expected to offer.

As for whether it shifts the emphasis away from depending on the proximity that branches offer, Gupta said it could, "because as things get more automated, we're having less personal interaction." However, to attract customers or to keep them, he said, "for that they'll need the personal relationship."

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