

## BLINK AND YOU WILL MISS IT

by [Steve Brown](#)

Research shows that people blink their eyes about 15x per minute. Assuming they are awake for 16 hours, that person will blink about 14,400 times each day. While that is a lot of blinking, it may soon pale in comparison to how many times "blink" technology will be used by bank customers in a given day. Often called radio-frequency identification (RFID) or near field communications (NFC), these two technologies allow customers to wave a credit card (RFID) or mobile phone (NFC) over a card reader. Then, in the blink of an eye, goods and services are paid for without swiping. Whatever you call these contactless payment methods, this technology stands to bring some heavy competition to even smaller transaction cash payments. Such technology not only offers amazing convenience, since there is no need to dig around for a card or cash, it also cuts transaction time by as much as 67%. Think of the impact on business customers alone. Fewer employees will be needed to process transactions, cash delivery frequency will drop, store robberies should slide (and so should insurance costs), monthly transaction review will be a snap and fraudulent checks should all but disappear. Banks will offer merchant customers consolidated online transaction reports, immediate deposits, fraud checks, loyalty programs, digital promotions and customer transaction tracking. Community banks wondering whether they should worry about this "large national bank" product should note recent small business trends. For instance, with nearly all small businesses already using credit cards and 66% banking online, technology adoption rates are expected to be high. In addition, 62% already have an account with a large bank, so the risk is more than an academic one. For community banks, the good news at this point is that despite the fact that 46k merchants now accept contactless payments (including McDonald's, Arby's, pharmacy chain CVS, several major sports teams and others), only about 2% of cardholders in the U.S. currently have the technology, so there is still some time to react. For merchants, the cost to upgrade a terminal is about \$150, but many are already doing so as they look to the future and see widespread acceptance eventually sticking. As some of the early adopter names above demonstrate, the banking industry still has a ways to go to get more merchants on board. That said, there can be no mistake that adoption is ramping up, particularly as mobile phone banking accelerates. After all, why carry strips of plastic in a wallet, when the wave of a phone we carry all the time will do the trick. While widespread consumer and small business customer adoption is still a few years away, consider how many people could be drawn in to use such a convenient tool. Augment that with downloadable information, videos, promotions, online bank account links and other content and the user will be locked in. On the bank side, imagine a product that provides more usage, greater fees and real-time push promotions. The next few years will be truly exciting as we enter the age of the electronic wallet. Our advice is to keep your eyes open as long as you can, because those who blink might open their eyes to a different banking environment.

### BANK NEWS

#### **M&A**

The Clifton Heights Savings and Loan Company (\$15mm, OH) has agreed to a merger with Cincinnati Federal Savings and Loan (\$98mm, OH) for an undisclosed amount. The deal is expected to close in Q4 '07.

#### **Fake Checks**

The FDIC issued an alert last week over the increase in the number of counterfeit business checks.

## **Remote Capture**

A Crowe Chizek study found that banks of all sizes are offering remote deposit capture. Approximately 50% of banks under \$10B now offer the service.

## **HSBC**

The Bank announced they will open 33 branches largely focused in CA, FL and CT.

## **Over The Line**

The FDIC is investigating a story that the Washington Post reported, regarding inappropriate behavior at an internal golf tournament. Dubbed "Bankers Gone Wild," the incident occurred when a top official in the technology division reportedly "Â...asked or offered to pay two women at the outing to take off their blousesÂ...".

## **Customer Service**

A Booz Allen survey on global customer service ranked U.S. banks 3rd behind Hong Kong and Switzerland-based banks. The survey covered branches, call center, Internet and mobile sales forces.

## **First Horizon**

In an effort to improve efficiency (now at 76%); the Bank said it will eliminate approximately 600 positions or about 5% of its workforce.

## **Women Biz**

Wachovia reported it has booked more than \$1B in loans to women-owned businesses since launching a targeted program 2Ys ago. Over the past decade, women-owned companies have grown at nearly twice the pace of all privately held businesses.

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