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SYSTEMS DEVELOPMENT CORP

BANKING VENDORS.

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COMPETITIVE ANALYSIS OF VENDORS OF BANKING DATA SERVICES

This analysis has dealt with companies that generally fit the following criteria:

1. They provide mainline processing services for commercial banks, i.e. DDA, commercial loan, etc.
2. They are independent and of a significant size, but are not among the very large companies.

The following companies were analyzed:

COMPANY NAME	LOCATION	SIZE (\$ MILLION)	COMPUTER BASE
<u>PRIME</u>			
COLORADO COMPUTER CORP.	Denver, Co.	\$2½	IBM 370/135
FINANCIAL COMPUTER SYSTEMS	Fremont, Ohio	\$3	BURROUGHS 4700
METRIDATA	Louisville, Ky.	\$5	IBM370/135 360
MOLL ASSOCIATES	Boston, Mass.	\$2	BURROUGHS 4700
WEILAND COMPUTER GROUP	Oak Brook, Ill.	\$2½	IBM 360/40 360/50
<u>SECONDARY</u>			
COMPUTER SERVICES CORP.	Southfield, Mich.	\$7	IBM
FIRST COMPUTER CORP.	St. Paul, Minn.	-	-
GENERAL COMPUTER SERVICES, INC.	Huntsville, Al.	\$2	-
PAYMENTS SYSTEMS, INC.	New York City	-	BURROUGHS
SYSTEMATICS	Little Rock, Ark.	\$6	IBM
FINANCIAL SERVICES CO.	Ft. Wayne, Ind.	\$1	IBM
INFORMATION MANAGEMENT INTERNATIONAL	San Jose, Ca.	\$1	BURROUGHS

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Other companies that were reviewed included:

- Mentor (Tulsa, Oklahoma) - effectively out of business as the result of losing key FM contracts.
- Systems Applications, Inc. (Reading, Pa.) - absorbed by Centurex which has now merged with Bradford.
- Several companies, including Astradyne Computer Systems and Anacomp, that were providing services to thrift institutions or simply providing software.
- Financial Computer Systems (Phoenix, Arizona):
 - owned by a large retail store in Phoenix; this chain also owns a majority position in several FCS bank customers.
 - total revenues about \$1 million.
 - Burroughs equipment - switching customers to remote batch from batch.
 - Serves 14 banks in Texas and New Mexico; applications include DDA, savings and loan account processing.
 - Also provides services in insurance and retail.
- Bank Data Processing (Allentown, Pa.) - a cooperative association serving 140 banks in seven states.
- Connecticut On-Line Computer Center - owned by Connecticut Bank and Trust Co., Hartford.

COLORADO COMPUTER CORPORATION
2432 S. Downing
Denver, Colorado, 80210

(303) 778-1808

Dick Kintzele, President

1. Background

- The company was founded on April 1, 1969 by Mr. Kintzele to provide bank processing services.
- Present annual revenues are \$2½ million; the company has 56 professional employees and it is privately held.
- The company serves small to medium size banks within 100 miles of Denver. It claims an advantage in the Denver area because only 1 of the 4 large banks does correspondent processing. The company's Board of Directors is made up of presidents of their bank clients but the banks have no ownership.

2. Technical

- The company has twin IBM 370/135s on direct lease from IBM. They use DOS/VS and have all programs in native 360 languages - COBOL for loan programs and Assembler for deposit programs.
- Software available includes offerings for DDA, savings, certificates of deposit, all loan functions and general ledger.
- All bank customers have video capability for both inquiry and update.

3. Customers

- There are 50 bank customers whose aggregate assets are about \$1 billion. All these banks are within 150 miles of Denver.

COMPANY: FINANCIAL COMPUTER SYSTEMS
ADDRESS: Fremont, Ohio

President: James E. Stoner

1. Background

- This company started as a bank cooperative in 1964. They specialize in processing services for banks and savings and loans.
- It is a privately held firm.
- Sales in 1975 will exceed \$3 million.

2. Technical

- The firm has (2) Burroughs 4700's installed in Fremont with B345s for Remote Job Entry in specific banks. Basically, the B4700s handle the data center load with the B345s for RJE to banks over \$100 million in assets.
- Financial Computer Systems developed their own software and have all the normal retail banking applications available.
- Their offering to Savings and Loans includes on-line deposits and mortgages.

3. Customers

- FCS does processing for 56 banks and 14 Savings and Loans in Michigan, Ohio and Kentucky.

4. Marketing

- FCS' marketing strategy appears to be one of selling to both banks and savings and loans. Their marketing efforts are carried out by 2-3 individuals calling on financial institutions.

Reference: David Audorff.
P.O. Box 471
Fremont, Ohio 43420

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COMPANY: METRIDATA COMPUTING, INC.
ADDRESS: 6600 Grade Lane
Louisville, Ky. 40221

(502) 361-7161

President: George Fischer
Executive Vice President: Larry Riddle

1. Background

- Started in 1968 as a conversational time-sharing company using General Electric equipment. Metridata is still in this business and has (3) Honeywell 400s with a fourth scheduled.
- Metridata decided to concentrate on banks in 1969 with a strategy of facilities management (FM).
- After its initial FM strategy, Metridata moved in 1970 to acquire a data center in Chicago. They purchased Banks Data in Chicago, which was reputed to be the first vendor to perform bank data processing. Subsequently, they sold off the center retaining only some bank processing.
- Metridata currently has 250 people including those in their FM contracts. There are about 60 professionals.
- Metridata operates a vocational school.

2. Technical

- In addition to hardware used for time-sharing, Metridata has a 370/135 in Lexington, a 360/40 in Cincinnati, (2) 360/40s in Chicago, and a 360/65 in Louisville. There are plans to centralize as much processing as possible on the 360/65, with Louisville slated for immediate conversion.
- The 360/65 runs under OS/MVT with HASP and Taskmaster. There are

METRIDATA COMPUTING, INC.

plans to use CICS for telecommunications and Metridata also uses UCCs DUO to aid in immediate takeover of DOS accounts.

- Metridata has a leased line network connecting Chicago, Dayton, Cincinnati, Indianapolis and Louisville. They have a knowledgeable communications group who has designed and implemented an efficient network using an M3000 for automatic speed selection and automatic selection of computer resources.
- They are on Tymnet with 6 points and think this will help them expand with national accounts at modest cost.
- With the exception of on-line CIF, which is under development, Metridata feels that they have a good offering in all areas of retail banking. This includes DDA, on-line savings, mortgages loan, commercial loan and installment loan.
- Metridata ran a comparison of their DDA package to that of Centurex and the results indicated that Metridata's DDA was more efficient. They feel that this is their strength which will allow them to compete with the 'big boys'. Their experience has been that Metridata comes as close as anyone to meeting a customer's checklist.

3. Customers

- They signed the initial FM contract with a Cincinnati bank and also have a \$400 million asset bank in Lexington. This latter bank is on a 5-year FM contract and Metridata expects to upgrade them technically and carry them through several stages of conversion.

METRIDATA COMPUTING, INC.

- Metridata has 285 customers in both time-sharing and banking.
- The time-sharing business consists of time-sharing, batch processing, remote batch and contracts with Kentucky Fried Chicken and Jefferson County, Kentucky.

4. Marketing

- There are two marketing people who sell banks - very senior people who make over \$30,000 per year. Their marketing approach is normal for the industry though they are considering whether the time-sharing salesmen might function in this area.
- The time-sharing salesmen are in the \$20-24K range of compensation.

5. Comments

- Mr. Larry Riddle, Executive V.P., indicated that Metridata might consider some kind of joint venture. This indication was not strong, but was more positive than the reaction of George Fischer, President, on a previous occasion.
- Metridata is a very successful and competent operation from all the evidence we have seen.

COMPANY: MOLL ASSOCIATES
ADDRESS: Lewis Wharf
Boston, Mass. 02110
(617) 523-2530

President: Robert E. Moll
Vice President: Ralph B. Wagner
Vice President: Raymond P. Kirwin

1. Background

- This company was started in 1968 by Mr. Moll, who had previously been a vice-president of State Street Bank and Trust.
- The headquarters is in Boston with 3 data centers wholly owned by Moll in New York City, Cape Cod and Boston.
- Revenues for the period ending 9/30/75 will be \$2.1 million with a slight loss for the period.
- Emphasis for the rest of 1975 and 1976 will be on adding revenues to existing data centers.

2. Technical

- Equipment at the New York and Cape Cod data centers is Burroughs, ranging from the B4700 to the B500 - the Boston center has an IBM 360/30.
- Services offered include DDA, Savings, Installment Loan, Single Statement Banking, Trust, Shareholder Accounting and Stock Transfer plus a variety of on-line services for direct inquiry including CRT and audio response.
- The New York City data center is reported to specialize in foreign bank funds transfer, and Moll also has two facilities management contracts, one of which is in New Hampshire.

MOLL ASSOCIATES

3. Customers

- Moll currently services 40 banks ranging in size from an unopened bank with \$3 million in assets to a \$150 million asset bank.
- The company has 2 facilities management contracts but will phase out of these because that is not the direction of the business. Their experience has been that as the computer system approaches 100% capacity, both parties to the FM contract lose interest. The main advantage to Moll of their FM contracts has been the acquisition of software.

The two FM contracts are:

- Indian Head Banks, (NASHUA, New Hampshire)
- Yankee Information Services, Inc. (subsidiary of Yankee Bancorporation, Gloucester, Mass.)

4. Marketing

- The firm is data center oriented and do not believe in facilities management for smaller banks.
- Their major growth is by adding banks in the \$15 to \$20 million asset category.
- The firm combines its data processing operations with consulting assistance to the bank in the area of marketing and especially use of computer services in the bank's marketing plans. They also claim to have expertise in the areas of EFTS.

5. Commentary

- Mr. Wagner indicated serious interest in joint venture or outside equity participation, but is somewhat skeptical due to the numerous past negotiations which have produced no result.
- The managing principals own the majority of the stock and the company was profitable for the three years of '71, '72 and '73.
- It is believed that the First National Bank of Chicago is a venture investor.

COMPANY: WEILAND COMPUTER GROUP, INC.
ADDRESS: 814 Commerce Drive
Oak Brook, Illinois, 60521
(312) 325-9300

President: Dennis Stenlik
Chairman: Steve Weiland

1. Background

- This company is a bank data center formed in conjunction with banks without their own computers. There are two such groups - one with 15 banks and the other with 9. Each group owns 30% of the joint venture while Weiland owns 40%.
- Weiland has an FM contract with each venture and the contract is long-term (period not stated). Under these contracts, Weiland provides everything for the retail banking operations of banks with an aggregate of \$850 million in deposits.
- The company started as a software company and developed retail bank software for the multi-bank, multi-branch environment. This software is sold to banks and other processing entities from coast to coast.
- Ownership is as follows:

Steve Weiland	30%
Dennis Stenlik	23%
Corporate Attorney	1%
8 employees and two outside investors	Balance
- There are 95 employees.

2. Technical

- The data centers use an IBM 360/40 and 360/50 with a network made

WEILAND COMPUTER GROUP, INC.

up of local phone lines.

- They are also equipped for audio response, passbook terminals (NCR 270 and TC 700), the universal communications bank terminal (NCR 270) and Docutel Automated Teller equipment.
- Applications processed include:
 - a. DDA with overdraft protection and account reconciliation;
 - b. Time deposits, savings, and clubs;
 - c. Installment loans with Rule of 78 simple interest plus student loans;
 - d. Commercial loans for small banks (under 100 million assets);
 - e. Mortgage loans for small banks;
 - f. An integrated Central Information File System using common programs for access to non-monetary data - all files are on-line and accessible through the 3270 Video terminal by account number or name.
- When sold separately as a complete package this software carries a \$175,000 price tag.

3. Customers

- Weiland does processing for 24 banks using 2 data centers in the Chicago area about 50 miles apart.
- Revenues are \$2.5 million annually, equally divided between the two data centers.

4. Marketing

- The only marketing at present is for software marketing where a staff of 3 sales types market coast to coast.
- There are 35 customers with at least one of Weiland's software systems.
- The data services side of the business is like a closed club unless the bank partners want to expand.

5. Commentary

- Weiland feels that they are very strong in doing joint ventures on banking.
- They claim to have formed and developed each of the 2 joint ventures with only a \$180,000 deficit in each case.

COMPANY: PAYMENT SYSTEMS, INC.
ADDRESS: New York City
(212) 687-0390

1. Background

- The company was formed in 1969 by Mr. Dale Reistad.
- It has recently been acquired by American Express Company of New York (AMEXCO).
- Its main business is consulting for banks, especially in the areas of credit and electronic funds transfer. This was the reason for acquisition by AMEXCO which was having difficulty in formulating a strategy in the EFT area.

2. Technical

- The company has a service bureau in Bay City, Michigan (near Saginaw) and has a joint venture with a bank in Wilmington, Delaware.
- The Bay City center is reported to be a very efficient second generation Burroughs shop supporting a mature business.

3. Customers and Marketing

- The Bay City center had 14 clients in the \$10-50 million asset-range in 1973: the number may have shrunk since then.
- They do not appear to be aggressively marketing the center activities.

4. Comments

- The Controller of PSI states that AMEXCO will definitely keep

PAYMENT SYSTEMS, INC.

the data center.

- PSI is apparently on an 'earn-out' arrangement with AMEXCO and the data center is part of this arrangement.
- Outside of the earn-out, the only reason for AMEXCO to keep these activities would be for testing new credit developments.
- Our opinion is that this type of business is a diversion for PSI from their main business of consulting.
- An approach to AMEXCO would reveal at what point, if any, the data center might be acquired.

COMPANY: SYSTEMATICS, INC.
ADDRESS: 212 Center Street
11th Floor
Little Rock, Arkansas
(501) 372-6141

President: Walter Smiley

1. Background

- Systematics has been in business for almost 7 years.
- It is privately held and performs FM for banks and S & Ls.
- In 1974 it had \$6 million revenues with after tax profit of \$350,000.
- The company is growing at the rate of 40-50% per year.

2. Customers

- Systematics has 65 banks as customers in 13 geographic locations.
- Bank sizes range from assets of \$145 million to \$2 billion.
- Customers include:
 - First Bank of Commerce, Hamtrack
 - Great Western, Phoenix
 - First State Bank of East Detroit
 - First Michigan Bank and Trust Company, Zeeland, Michigan.

3. Comment

- Systematics purportedly has a comprehensive set of banking applications software, mostly developed itself.
- The company has invested over \$½ million mainly in software.
- It is probably the strongest independent contacted in providing FM to commercial banks.

COMPANY: COMPUTER SERVICES CORPORATION
ADDRESS: 23155 Northwestern Highway
Southfield, Michigan 48075
(313) 358-3852

President: Robert W. Olsen
Executive Vice President: Roger J. Kelly

- This company is one of the nation's largest processors for credit unions. It has an interest in processing for commercial banks and, at present, has two bank contracts on a project basis.
- They recently made a market study of the Michigan area.
- Mr. Roger Kelly is a native of Detroit and is very familiar with the banks there.
- The 1974 annual report is attached and Mr. Kelly indicated that they would be interested in talking with anyone who has a position or interest in bank processing.

COMPANY: FINANCIAL SERVICES COMPANY
ADDRESS: Ft. Wayne, Indiana

- This is a joint venture company formed by Computer Usage Company and the Indiana Bank to perform facilities management for the bank processing for its correspondents and to sell Indiana Bank's applications packages.
- Revenues are believed to exceed \$1 million per year, with a substantial portion (15-20%) in sales of applications software.
- This joint venture was set up in 1972 and CUC has not reported any additional major contracts.

COMPANY: FIRST COMPUTER CORPORATION
ADDRESS: St. Paul, Minn.
(612) 291-5877

- We talked to Mr. James Johnson, President, and he stated that this activity was strictly for support of member banks and they had no interest in expansion.

COMPANY: GENERAL COMPUTER SERVICES, INC.
ADDRESS: P.O. Box 5148
Huntsville, Alabama 35805
(205) 539-9492

- GCS is primarily an applications software company with systems for Personal Trust, Stock Transfer, Commercial Loan, Demand Deposit, and Central Information File.
- They do some processing work but none of it is for banks.
- We have direct knowledge of their Personal Trust package and it is quite good and comprehensive.

COMPANY: INFORMATION MANAGEMENT INTERNATIONAL
ADDRESS: 1101 South Winchester Blvd.
San Jose, Ca. 95128
(408) 248-8250

Vice President - Marketing: Jack R. Lohrey

- IMI is primarily in the systems design and management business, but they also have a contract with Crocker Bank to handle all their international processing. This remains from a previous contract which also included correspondent processing, which has since been

transferred by the bank to Bradford.

- This work is handled by IMI on a Burroughs 3500 in San Jose with RJE capability from Crocker in San Francisco.
- We estimate the value of this contract to IMI at \$300,000 per year with the balance of their business accounting for an additional \$700,000 per year.
- The company is 70% owned by the Chicago-based Heizer Corporation, a venture capital firm.
- An interesting aspect here is their expertise in accounting with foreign currencies.

COMMENTARY

Of all the companies considered and contacted, the four that we consider worthy of continued attention are:

- Metridata
- Moll
- Systematics
- Weiland

Metridata: this is a staunchly independent company. It is the only publicly held company of the four although relatively closely held. It has effective IBM-based banking software and has a decided advantage over the other three in the extent of its network and communications capabilities.

Moll Associates: is probably the most accessible of the four.

It appears not to have been successful in its FM endeavours and now concentrates on data center services to banks. They use Burroughs equipment and target at smaller banks than the other three. Geographic considerations and marketing approach may have caused problems with their FM approach.

Systematics: definitely the most aggressive and successful of the four in marketing banking FM. Also, the least approachable. Concentrates on FM for larger banks (over \$100 million in assets).

Weiland: is locked-in from the FM viewpoint (apparently) because of its relationship with two groups of banks. Any approach to Weiland for processing activities would have to address this. Their IBM-based software appears successful and could provide the vehicle for processing of multiple banks in the \$30 million - \$50 million asset range. Marketing is non-existent except in software.

SDC could provide Moll Associates and Weiland with geographic outreach and strong marketing. For Metridata, it could provide substance and credibility as it tries to expand in serving larger banks. For Systematics all you can offer is money!

RONNIE THURSTON

FOR SDC.

1. FCS IS BEING ACQUIRED BY ADP.
2. ACS INVESTORS, DALLAS
 - HAS BEEN ACQUIRED BY MERCANTILE BANK
 - IT HAS GOOD ON-LINE SOFTWARE WHICH IS IBM (DOS?) AND AVAILABLE FOR PURCHASE
 - ~~IT~~ ITEL IS USING IT THROUGH A RECENT ACQUISITION - HAS AN OPTION ON 7 MORE COPIES (ONE PER CENTER)
 - ACS IS HONEYWELL BASED.
3. • SYSTEMATICS IS OWNED BY AN ~~FINANCIAL~~
^{BANKING} INVESTMENT ₁ CALLED ~~SYSTEMS~~ SEVENS & CO. (PRAYBY)
4. OSI - SET-UP GROUP FROM NATIONAL SHAREDATA - MARKETING.
5. WEILAND. FORMED 1969 - \$50K FIRST YEAR
 - BODY SHOP AT FIRST AND DEVELOPING SOFTWARE
 - STARTED PROCESSING IN 1972 REVS. \$275K
 - REVENUES 1975 ABOUT \$4.5 MILLION BUT 'FUNNY MONEY' INVOLVED
 - ABOUT TO SIGN AGREEMENT WITH ONE OF WORLD'S _(NOT ADP) LARGEST SERVICE COMPANIES FOR SOFTWARE LICENSES

• THEY WILL STILL HAVE RIGHT TO SELL TO
BANKS

6 1ST NATIONAL CHICAGO HAS EQUITY
INTEREST IN MOLL - THEY DO NOT
DEVELOP SOFTWARE OF THEIR OWN
COMPLETELY

7. COMMENT. ~~STILL~~ 1ST NATIONAL CHICAGO
ALSO ACQUIRED BEVERLEY BANKCORP FROM
BEVERLEY BANK.

