

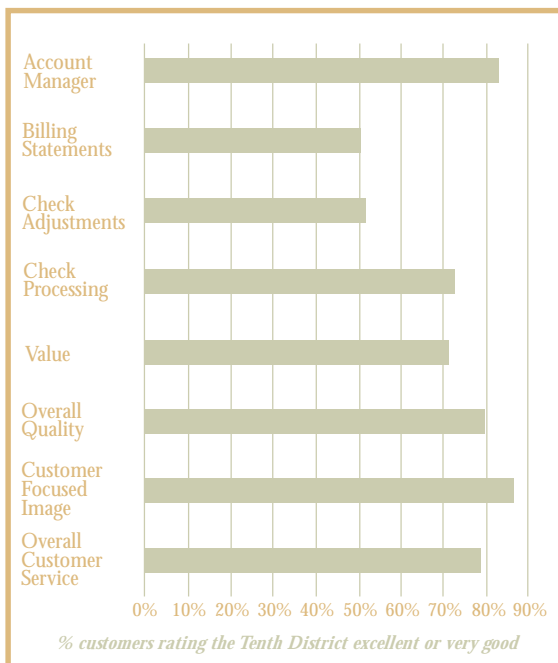


High tech *and* High touch: Financial Services

In a technology-driven financial services industry where rapid change is the only constant, the challenges of the new millennium only began with our efforts to ensure a smooth transition through Y2K. Industry consolidation, increased competition from banks and non-banks, and emerging payments technologies are but a few of the issues confronting the community banks that comprise the majority of the Tenth District's customer base. We fulfilled our responsibilities to depository institutions throughout the district by delivering services that are produced efficiently and meet the standards of quality that we expect of ourselves and are desired by our customers.

Setting the standard for service

To ensure that the human element is not neglected in this age of automation, one of the Tenth District's highest priorities is providing depository institutions with top-notch customer service. Several months ago, the district had the opportunity to benchmark its service proficiency on a Systemwide scale by participating in the



Federal Reserve System's first nationwide customer satisfaction survey.

Designed to explore customers' perceptions of quality of the Federal Reserve's payments products and services, the survey was conducted through telephone interviews with customers across the System. The results indicated that we are providing service of superior quality and are performing exceptionally well compared with

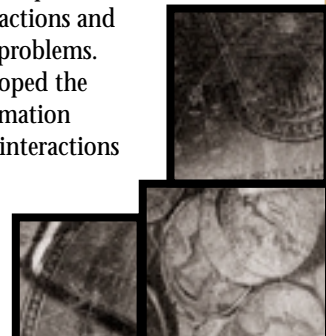
other districts on nearly all measures. The Tenth District received the System's highest scores in two categories and exceeded the overall Fed average in several others. We are especially proud of our account managers, who received the highest marks in the System in carrying out their responsibilities.

The district's success in the area of customer service is no accident, but rather the result of a dedicated, well-trained staff, who focus on continuous improvement, and are committed to follow through on customer feedback. Staff in district customer service units have been trained to take "ownership" of customer problems and have taken to heart the results of regional phone surveys conducted in 1994 and 1997, in raising the level and quality of the Bank's services. The Bank's investment in the human resources and technology necessary to facilitate greater customer care continues to pay dividends, as comments received from customers throughout the district are consistent with the high marks received on the recent survey.

Because every interaction counts

Our Bank is committed to enhancing customer interactions by retaining experienced, knowledgeable, and caring staff, as opposed to replacing them with high-tech substitutes. Automated tools are quite useful, but only as they position employees to use them to respond efficiently and effectively to customer needs.

Building strong customer relationships is a continuous process and is dependent upon the ability to learn from customer interactions and to track solutions to questions and problems. As a result, the Tenth District developed the Automated Customer Service Information System or "ACSIS." This tool logs interactions



with customers and provides our staff with automated access to customer profile information, and the ability to track problems from an initial phone call to resolution. Recognizing the value of this type of information, in expediting problem resolution, the Federal Reserve System adopted ACSIS for use at its electronic access help desks across the nation last year.

Putting a face on the Fed

While technology can simplify day-to-day business processes and manage data more efficiently, we know it's the people who make the difference in service. The Bank's account managers focus on relationship building as they consult with depository institutions to explain the Bank's service options. During visits to banks throughout the district, the account managers relay information about Fed services, changing industry practices, and opportunities for banks to add value and efficiency to their existing services.

This hands-on approach is also used in the Automated Clearing House's (ACH) Customer Calling Program. The program was created to evaluate customer ACH needs, recognize emerging payment technologies, and identify barriers to increasing electronic payments. The ACH staff's visits included the added benefit of providing customers with the opportunity to pick up operational tips and take advantage of promotional materials to help grow their ACH business.

It's simply better business

The results of the nationwide customer satisfaction survey indicated that a customer-focused image is the most important factor driving customer loyalty. This came as no surprise to our Bank where the concept of service has been integrated into the core of our

management philosophy and values. A focus on customer perspectives has driven communication, customer contact, and innovation in our financial services functions for years. Though district staff supported more than 1,200 customers as they tested interfaces and prepared for Y2K, other important initiatives were also pursued to leverage the combined benefits of service, innovation, and technology to our customers' advantage.

During 1999, our Financial Services staff developed new service options that focused on the needs of our constituency — including expanding the explicit float pricing option, introducing a single-priced mixed deposit product, and improving the availability of mixed deposits. Based on customer input, check truncation products were enhanced to include a short-term image archival option, and the Internet Image Retrieval option was expanded to all offices in the district. Savings bond processing was re-engineered to take advantage of efficiencies available with optical scanning technology to read issue applications. Tenth District staff also supported customer pilots integral to the process of gaining customer feedback to enhance System product development efforts for FedLine for Windows and the Web. Staff in Wholesale Payments increased their service outreach as the Tenth District became one of only two sites processing funds and book-entry securities transfers for offline customers Systemwide.

The one constant we can depend on is change. The Federal Reserve Bank of Kansas City is committed to continuous improvement of our products and services to turn the challenges associated with change into opportunities to better support our community bank constituency.

