



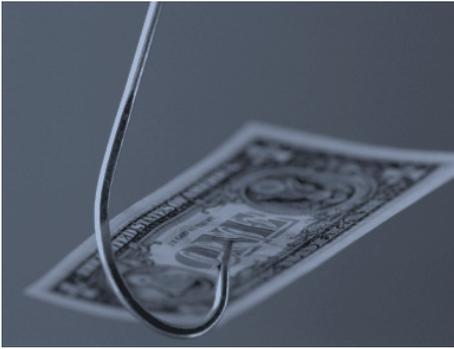
An EMI Industry Intelligence Report



Chasing Customers: Capturing Deposits in Today's Economy.

By: Judy Cohen, Practice Leader

Thanks to the economy, the stakes for attracting and retaining consumer deposits have never been higher. The US deposits industry grew 9.1% in 2008, with just five banks capturing more than 38% of the total market share. And the leading banks are ramping up their efforts, aggressively revising the ground rules for both acquisition and cross-sell. Banks unable to differentiate their programs and respond to the latest innovations will lose not only their customers, but a vital source of funding.



The Banking Crisis Is a Game Changer.

A recent EMI national survey revealed that nearly one in three consumers only stays with their current bank out of inertia or indifference. When fear and greed enter the picture, this segment becomes high risk.

Consumers and banks are both seeking to redefine the customer relationship. Consumers want their savings not only to be safe, but to garner a reasonable return — and they want to be appreciated for their business. And while banks are primarily seeking low-cost funding, they want stickier, more profitable, long-term relationships.

As banks have shifted focus from lending to deposits, they've also modified their message to customers and prospects. Forced by a new reluctance — and frequent inability — to fund loans or credit lines for all but high-FICO prospects, banks are leveraging their ad spend and customer marketing to convey two practical messages:

- ▶ Customers: You can benefit by extending your relationship with us
- ▶ Prospects: Calculate how much you could benefit by bringing us your deposits and starting a real “relationship” with a bank that appreciates and rewards you more

The winners use one of three proven deposit-gathering techniques across all media, online and offline. Offers and messages vary for prospect and customer audiences — and reflect the economics of competition, market by market. And with these techniques, the best marketers are growing deposits at an accelerated pace.

“Spend more” is no longer the message. *Now it's:*

- ▶ Save more
- ▶ Be rewarded for saving
- ▶ Keep your money accessible
- ▶ Get FDIC protection



Cross Selling Customers

Cross-sell efforts have heated up. Banks are diligently marketing to move current customers into more products, higher usage levels and stickier services. And nearly all of their marketing strategies depend on dangling a broad range of incentives.

Recent Promotional Incentives

Yields	<p><i>Chase Exclusives</i> offers “relationship” yields on CDs and MMAs when DDA customers maintain high balances in newly opened accounts.</p> <p><i>Citi’s Ultimate Money Account</i> offers higher yield when customers make monthly e-bill payments from their linked checking accounts.</p>
Ongoing Rewards	<p><i>Points from National City</i> offers 5,000 bonus points when customers open savings accounts or enroll in direct deposit and gives monthly incentives for standard activities like paying bills online.</p> <p><i>Capital One Bank</i> is extending “<i>No Hassle Rewards</i>” to customers who open DDAs with direct deposit, use the debit card and use ATMs, write checks and reach yearly anniversaries.</p> <p><i>Citi</i> offers customers 40,000 <i>ThankYou</i> points — worth 2 round-trip domestic plane tickets with a value up to \$400 — for opening multiple accounts and maintaining extremely high balances.</p>
Limited Time Rewards	<p><i>Sovereign</i> offers \$100 for new DDAs with debit activity within 60 days.</p> <p><i>Wells Fargo</i> is in market with \$50 and minimal activity requirements.</p>

Of course, some do it all in order to be attractive as consumers shop around and compare rates and requirements. Offering a combination of long-term points programs, immediate cash back or simply high yields, the leaders ensure they have at least one offer on the street that appeals to virtually everyone.

Attracting New Customers

The ante is much higher today. Banks have always used yield, points and cash rewards to motivate prospects to bring over their deposits. And not long ago, \$50 or 5,000 points were the “cost of entry”. But today, acquisition incentives have more than doubled.

- ▶ Citi offers \$200 in gift cards (20,000 points) for its new DDA if usage requirements are met
- ▶ Some community banks currently offer 4.5% or more in high-yield checking accounts
- ▶ National City paid \$150 as a Visa Gift Card during the December 2008 holiday season and yields of 5% on CDs (before the PNC acquisition)
- ▶ U.S. Bank offers \$100 in “free gas” incentives to drive new checking accounts and debit card usage
- ▶ Targeting new savers, online calculators at Bank of America’s *Keep the Change* show how to save \$300 in a year. Wachovia’s *Way2Save* calculator shows how customers can save more than \$5,000 after 3 years through the combination of the bank’s contribution and account holder deposits



Who Needs This Report?

Senior Bank Management –

Monitor deposit industry financials and know who's winning, and why

Product Developers and Managers –

Understand “best practices” as you develop your product features and pricing to make the right choices and investments to keep ahead of your local, national and online competition

Marcomms Professionals –

Scope competitive marketing messaging, media and content to make sure your campaigns are differentiated and promote the right customer-centric benefits

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Each bank has engineered caveats, restrictions and program caps to help limit their liability and deter the “gamers”. But for the average consumer, the trend towards high-stakes offers is attractive ... so for the banks, it's working.

And a New Threat Is Emerging

Anyone paying attention to TV and online advertising can see the extent to which the online direct banks have ratcheted up their ad campaigns to pull in deposits. Investors with cash to park can't ignore the dancing HSBC piggybank, the bouncing ING orange ball or the E*Trade pulsing star. By offering yields as much as 9 times the national average, the online banks are siphoning off substantial deposits from brick-and-mortar banks. And today they're extending their business lines and offering new and bundled products, to generate even higher returns.

While EMI can't yet forecast what percentage of bank assets are being diverted by these aggressive online marketers, we're tracking significant growth by the leaders. The banking industry itself experienced 9.1% deposit growth from 2007 to 2008, but the strongest of the online banks are doing significantly better, as proven by ING's 17% growth rate.

How Can You Beat the Trends?

With the landscape changing almost daily, bank marketers need to stay ahead of leading competitors' activities to execute cost effective programs. Give yourself the edge with EMI's in-depth study on today's deposits marketing — and get the perspective of the forest, not the trees.

For more than 20 years, EMI has been working with financial services leaders to drive sales results. Our programs succeed because they are informed by our in-depth market analyses. Now you can benchmark your strategies against the industry's best. Purchase EMI's 185-page report, *The Rapidly Evolving Deposits Marketplace*, which includes:

- More than 50 pages of trends, innovations and analysis of industry best practices
- A deep dive into the communications and positioning, across all media, of the marketing strategies and tactics of 22 banks, including the regionals and online innovators