



# **AGENCY POSITION**



# **CHECKING ACCOUNT SOLICITATION**



**PRESENTED BY STRATEGIC DIRECT MARKETING, INC.  
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## CHECKING ACCOUNT SOLICITATION – OVERVIEW

Checking / share draft accounts (Direct Deposit Accounts or ‘DDAs’) represent the lifeblood of any financial institution. Many of today’s leading institutions have become very innovative in the range and composition of the DDAs they now offer. From low-end ‘totally free’ checking products to high-end ‘club’ accounts, the range of choices you offer consumers will directly impact the total number of consumers who choose you as their primary financial institution.

SDMI has a long history of helping institutions configure, develop and market their total range of DDA products. There are unlimited ways to position your DDA options, and it is this positioning that often dictates your success in capturing market share.

## CHECKING ACCOUNT SOLICITATION – STRATEGY

The account holder PERCEPTION of your products will largely determine the success of your checking program. It's important to note that it is not always the lowest priced or most feature-packed checking product that dominates a market, it's the product that is:

- Most marketed
- Best presented in terms of consumer benefits
- Easiest to apply for and access

There are plenty of markets in which the dominant checking product is not the value or service leader; rather, it is an account that has been positioned as a premier account, and has been effectively marketed on emotion rather than performance. People do not necessarily buy on logic, they buy on rhetoric and perceived value and/or performance. Following are the key areas of perceived importance that can sway the consumer's decision on checking products.

### PRICE

Price comparisons are often made on these factors:

- Monthly fees
- NSF fees
- Per check charges
- Minimum balance requirements

## CHECKING ACCOUNT SOLICITATION – STRATEGY (CONTINUED)

### PRODUCT CHOICES

Products are often positioned around these definitions:

- ‘Totally free’ checking
- “NOW” (Negotiable Order of Withdrawal) or basic interest checking
- Premium interest checking – a “NOW” account with higher rates for specific tiers of deposited funds, or tiers of total relationship value
- Club benefits checking

### SERVICE BENEFITS

Service benefits are often added to checking products to ‘sweeten the offer’ to the customer. These include:

- Better service / more branches than competition
- More local ATMs without fee than competition
- More foreign ATM transaction fees covered
- Free checks offered at account opening
- Offer to buy inventory of checks issued by previous financial institution
- Service benefits, including free copies, free travelers checks, free money orders, free cashiers checks, etc.
- Club benefits such as lost key return service, trip routing service, prescription drug discount card, no fee AD&D insurance, common carrier protection, discount hotels/motels, credit card registry, etc.
- Free / discounted Internet access, plus discount opportunities on consumer goods and service purchases over the Internet
- Information services over the Internet, i.e. financial quotes, weather, news, etc.

## CHECKING ACCOUNT SOLICITATION – RECOMMENDATIONS

Our recommendation is to review your entire range of checking products and offer your consumers several options. The goal is to:

- RETAIN existing account holders who are resistant to change
- UPGRADE existing account holders who are ready for more and/or are willing to pay more fees in exchange for higher perceived levels of benefits or services
- CROSS-SELL new checking accounts to existing account holders who do not have checking accounts with you
- GENERATE new checking accounts from non-account holders, i.e. non-customers / non-members of your institution.

In order to properly develop a migration strategy from your current checking product line to a new, enhanced line of checking products, it is important to review the products you currently offer, the total deposits and # of accounts they represent, and the profit they currently generate for your institution.

PROFITABILITY must be the driving factor when considering a product change. If you have a large number of account holders with a specific checking product that is NOT generating significant profit for your institution, it may be advisable to force-migrate them into a more profitable product. You will experience some account loss, but **if the majority of account holders accept the migration, your institution will be more profitable in the long run.**

## CHECKING ACCOUNT SOLICITATION – RECOMMENDATIONS (CONTINUED)

A typical platform of checking products will include the following:

☉ **TOTALLY-FREE CHECKING.** This is a risky product, but often necessary if competitors offer it. The profit in this product is generally found in fee income off NSF's, account inquiries / stop payments, etc. Most institutions use this as a stepping stone product: get large numbers of consumers in the door, then migrate them upward when they start complaining about the high service fees. It is a risky product in that you will experience high run-off volume, and high dissatisfaction levels. Plus, if your consumers are above average in financial management and/or intelligence, they can 'clean your clock' and you will lose money on this product rather than make it.

Additionally, you must be very precise in determining total projected profit from this product. Many institutions look at the huge potential income off NSF's, but they neglect to add the non-interest expense associated with **SERVICING** the product.

To determine this, add up all of your non-interest expenses at the branch level: salaries, utilities, rent, employee benefits, etc. – and come up with a total. Next, take the total number of households served by the branch. Divide your total non-interest expense by the number of households served, and this is your actual cost of operations at the branch.

Next, determine how many households are single-service 'totally free checking' households. If your operational cost-per-household is higher than your fee income off the 'free' checking product, you may need to revisit your game plan – OR – implement a cross-sell promotion with SDMI.

## CHECKING ACCOUNT SOLICITATION – RECOMMENDATIONS *(CONTINUED)*

☉ VALUE CHECKING. This is a low-cost checking product that gives a minimum number of benefits to the account holders. You can often charge \$4.00 or \$5.00 per account per month, and offer unlimited check writing within this flat fee. The best way to make money here is by truncation (sending image statements rather than the cancelled checks), and fee income off any services the account holder requests. This is generally the ‘bread and butter’ account at the institution: the low to middle-income consumers will gravitate to this account.

☉ BASIC INTEREST “NOW” CHECKING. This product often involves minimum deposit levels to earn interest, i.e. interest will be paid on all balances as long as the average monthly balance does not fall below \$1,000. If the average monthly balance drops below \$1,000, the account holder does not earn interest. Many institutions offer this as a no-fee account, and a monthly service fee is charged only if the minimum monthly balance requirement is not met.

☉ PREMIUM INTEREST “NOW” CHECKING. This is similar to the above, but higher interest is paid when higher monthly balance tiers are maintained. There is almost never a fee charged for this account, because the entry threshold is so high: \$25,000 minimum is typical. Many institutions offer club benefits at this level, at no charge to the account holder.

## CHECKING ACCOUNT SOLICITATION – RECOMMENDATIONS *(CONTINUED)*

☉ CLUB CHECKING / NOW ACCOUNT / GENERAL. This is a fee-based account targeted to the full spectrum of account holders, in which the individual pays a flat monthly fee in exchange for a combination of financial benefits (low/no fees, free money orders & traveler's checks, etc.) and third-party provided consumer benefits. A typical fee in rural markets is \$5.00 to \$7.00 per month, and urban market institutions often charge \$10.00 to \$12.00 per month. Some institutions will waive the fees if high tiers of monthly relationship values are maintained. Relationship value includes deposits and loans as weighted factors in evaluating the total profit potential of the account holder.

☉ CLUB CHECKING / NOW ACCOUNT / SENIOR. This is similar to the above, but is targeted exclusively at senior-age account holders, i.e. those 55 years of age or greater. Usually, no fee is charged, but the account holder does not receive interest on checking unless minimum total relationship value tiers are maintained. The goal, of course, is to secure the Certificate of Deposit (CD) accounts that most seniors maintain.

## CHECKING ACCOUNT SOLICITATION – SDMI PRODUCTS & SERVICES

SDMI can provide a range of service and benefit items to help you configure the best range of checking products at your financial institution. These include:

### STRATEGY AND MARKETING

- Strategic planning and consultation
- Marketing implementation including product naming and logo design, rack brochures and marketing program implementation.
- Multi-year migration plan development, i.e. long-term planning to determine how you will allocate your marketing budget to each product, goals per product, market potential, etc.

### BENEFIT ENHANCEMENTS

- Club benefits, including but not limited to lost key return service, credit card registration, no-fee AD&D insurance, common carrier insurance, trip routing service, discount travel, discount auto rental, hotel/motel discounts, golf discounts, health & fitness discounts, prescription drug card / mail order pharmacy, health & medical discounts, and many more.
- Entire club programs, either paper-based (rack brochures / fulfillment kits distributed at CSR desk), or Internet-based, or a combination of the two. Stand-alone Seniors Club, with benefits geared specifically around the needs of senior-age customers
- ‘Thank You’ insurance program to generate fee income for the bank  
Monthly / Quarterly newsletters by specific category of checking product.  
Stand-alone travel service to generate fee income for your institution.

## CHECKING ACCOUNT SOLICITATION – SUMMARY

It is important to segment the STRATEGY of checking product promotion from the TACTICS of implementing a checking solicitation program. If your institution has already determined the configuration of your array of checking products, we can move immediately to an implementation plan. If you are interested in redefining your array of checking products, we must start with a product configuration plan. If you simply want to add some benefits to your existing products, we can quote on providing the services you need at the levels you want to issue them. We are totally open on how we price and promote our value-added benefits.

At SDMI, we will be glad to discuss exactly where you are at today and how we can be of assistance. Then, we can respond more accurately to your needs. Thank you for the opportunity to present our ideas to you today, and we look forward to working with you soon.

To find out more about our products and services, please call us at 1-800-843-8861, or complete and fax the attached Information Request Form.



## CHECKING ACCOUNT SOLICITATION INFORMATION REQUEST FORM

Administrator Name \_\_\_\_\_

Administrator Title \_\_\_\_\_

Administrator Phone # (\_\_\_\_\_) \_\_\_\_\_

Administrator Email Address \_\_\_\_\_ @ \_\_\_\_\_

Institution Name \_\_\_\_\_

Total Assets (estimated) \_\_\_\_\_

Total Number of Households Served (estimated) \_\_\_\_\_

### PROGRAM TYPE

- Checking Account Solicitation
- Checking Account Activation
- Other \_\_\_\_\_

### PROGRAM OVERVIEW

Number of DDA accounts \_\_\_\_\_

What DDA products do you currently offer? \_\_\_\_\_

Do you offer a club program at this time? \_\_\_\_\_

Please complete and FAX to (615) 834-6698, or mail to:  
SDMI, 447 Metroplex Drive, Nashville, TN 37211-3109.  
For more information call 1-800-843-8861.