Harland Clarke Best Practices for New Household Acquisition in Today's Market – May 11, 2016

The Latest on New Household Acquisition

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Jeb: Good day and welcome to Harland Clarke's webinar, The Latest on Household Acquisition. This webinar is being recorded and will be provided to you along with the presentation recording deck next week. If you have any questions along the way or at the end, please use the chat box located in the webinar control panel. Your questions are private and are only seen by the presenters. I would now like to turn the call over to Steve Nikitas, Senior Strategy Director for Harland Clarke Marketing Services. Steve, you have the call.

Steve: Great, thank you very much, Jeb, and good afternoon, everybody. Welcome to our session on the latest in new household acquisition. As you can see, I am a senior strategy director with Harland Clarke. I've been here now for a little bit over six years, and I come to Harland Clarke with lots of years of experience in the financial services world, having served as a senior executive at financial institutions in New York, California, and Massachusetts.

Let's take a look at our topics that we're going to cover today, and this one's going to be a little bit different than webinars at Harland Clarke and that I've been involved with in the past when we talk about checking acquisitions. Normally when we talk about checking acquisitions, the focus is on providing you with best practice approaches toward how Harland Clarke helps financial institutions to go out there and conduct checking acquisition campaigns.

Today's session is going to be a little bit different. We're really going to talk more about what's going on out there in the marketplace. We'll take a look at the market snapshot, as I call it. Then, we'll talk about the consumer and what would the consumer look like these days relative to how they make their decision when it comes to opening up a checking account, what their perceptions are about pricing. From there, we'll segue into a discussion about relationship strategies and things that you can think about when you're out there conducting checking acquisition campaigns, when it comes time to package and put in front of your consumer, whether it is an existing customer, or member, or a prospect, and what those products should look like, what those features ought to be that will most resonate with a consumer. Then we'll wrap up our presentation with our key takeaway sums from this presentation today. There are a handful of those that we will review at the very end of the presentation.

So when all is said and done, you may walk away from this presentation with a wealth of knowledge. You may walk away saying, "Gee, you know what? This is stuff I knew or I thought I knew, but thank you for confirming this information." All in all, our objective will – when all is said and done, will be to give you some insights on how to go out there and conduct a checking acquisition campaign that we know is going to resonate with the consumer. To start, let's take a look this, at the market snapshot, as I call it. Let's see what's going on out there in the marketplace.

What do we know? Who is switching their primary financial institution? We know that on average, 10 to 12 % of American consumers will switch checking accounts, switch financial institutions on an annual basis. There's a lot of – as I would say, there's a lot of churn going on out there. What we also know is that most of that churn, or the majority of that churn, as you can see on this slide, takes place among younger consumers, no surprise, right? We know that Millennials, they're getting out of college. They're starting jobs, maybe they're switching jobs shortly after they've got that entry-level position under their belt and they're moving up in their careers, maybe relocating as a result. Millennials make a great target when it comes to checking acquisition campaigns.

However, what we also know is that if Millennials perceive the service that they are getting from their financial institution to be really good, their likelihood of moving financial institutions, moving on to a different primary financial institution or P-F-I, is significantly diminished. The key point here is A, Millennials are moving, but B, if you don't want the Millennials who are part of your existing customer or member portfolio to move, you better make sure that you are providing them with a top-notch level of service. Because they tend to be very picky, they tend to be very critical of the service their financial institutions provide for them. If they feel that your service is not up-to-snuff, they will move on and establish a relationship with a new financial institution.

Sometimes, I'm asked – on the next slide, sometimes I'm asked in my role as a strategist for Harland Clarke, why is it important to focus on checking? No surprise to any of you guys on the phone, I'm sure; we know that checking account often times signifies the PFI status for a customer or a member. At the same time, there's lots of revenue that can be gained from our checking account holders.

A couple of sets of numbers on this particular slide for you, the first set of numbers represent the value of a retail checking account over a seven or eight year lifespan. Now we know, on average, that a checking account lifespan for this particular institution lasts seven to eight years. Checking revenue over that lifespan, typically about $1400, and then when we factor in the lifespan revenue of some cross-sells, whether it be a credit product or another deposit product, there's another $1,000, almost $1100 on top of that. Over the seven or eight year lifespan of a checking account at a particular financial institution, overall revenue is about $2,500.

Now Harland Clarke, and in my role as a senior strategy director with Harland Clarke, increasingly, I'm called into initiatives financial institutions want to focus on small business campaigns and particularly reaching out to local small businesses in order to obtain a checking account relationship from those businesses. Here are some numbers relative to revenue over a similar lifespan, seven to eight years, when it comes to a business relationship. A big difference when it -- that checking relationship with a small business generates about $3400 in revenue, better than twice what we see on the retail side. The really big difference is when we look at the cross-sell opportunity, and again, that cross-sell opportunity typically will come from the addition or the acquisition of credit products by that particular small business entity and over that lifespan, almost $5,000 in revenue generated by a small business that has a checking account with your particular financial institution. In total, better that $8,000 in revenue that a small business checking account holder will generate for a financial institution.

As I look at this slide, A, certainly we want to focus on retail checking. We always want to focus on retail checking. As we know, we can never have enough checking accounts out there. At the same time, if we are not looking at small business acquisitions campaigns for 2016 and beyond, maybe we ought to because there's a significant impact to our interest income by bringing in a small business entity or two, or three, or four, or more, when all is said and done. That's some information comparing retail and business checking accounts.

Here's some information that I want to drill down a little bit deeper for everybody on this particular slide. Bear with me. I'll try not to make this as tedious as it could be, but I wanted to go through, very quickly, row by row with everybody. These are industry averages conducted nationwide, so when it comes to checking, a little bit alarming. What do we know? We know that a percentage of profitable checking accounts, on average, within a bank or credit union comes out to about 65%, so roughly two-thirds of our checking account holders are profitable for our institution; 35%, or roughly a third, or roughly one out of every three of those customers or members who have their checking account with me are costing me money, or is costing my bank or credit union money.

There is certainly a challenge that we'll talk about in a little bit. How do I turn those unprofitable accounts into profitable accounts? As you can see here, there's a big chunk of my checking account holders out there who are really costing me money. On average, the average checking account balance is $6367. Again, as we know, that changes with when this study was done. For example, Harland Clarke payday is Friday. If you looked at my checking account today, it's probably double digits, probably $10 or $15 in there. By Friday after I get paid, there will probably be $50 in there. Nonetheless, that number can go up and down pretty dramatically, depending upon when this study was done.

On average, though, when we look at the total share wallet deposit relationship among checking account holders, it's better than $10,000. When we look at the credit relationship above and beyond the deposit relationship, there's another $9500, almost $10,000 in outstanding loan balances that a checking account holder will have on balance with our particular institutions. Benefits of a checking account with my institution, good chunk of deposits and lots of outstanding balance. When it comes to fees and revenue that we generate from a checking account, above and beyond interest income, some key points of interest to bear out here. Let's look at average checking account service charges, $8.92. That could stem from a variety of different charges that come about. Maybe we fall below minimum balance, maybe there is some sort of transfer fee, whatever it happens to be. When we look at annual NSF or bounced check fees, $81. On average, a checking account holder will generate $81 in NSF fees for us each year, then miscellaneous fees $7.26.

The focus with a lot of the financial institutions with whom I've worked with of late has been on getting debit card holders to, A, activate that plastic that they have in their wallet, or B, swipe that plastic as vociferously as they can. With a debit card in one of our checking account holder's wallets, we will generate about $50 in fee income, obviously signature-based. What we want to focus on as a financial institution is to encourage our account holders, our checking account holders to pull that plastic out of their wallet as frequently as they can, to the tune of, on average, about 12 times a month. That should be our goal, as marketers and retailers and operations people, what we ought to focus our attention on is taking a look at our existing debit card portfolio, analyzing who is and who isn't using that card at least 12 times a month, and then craft campaigns that are focused on getting those debit card holders to swipe that card, or at least use that card from a signature based prospective at least 12 times a month.

In my role, again as a strategy director with Harland Clarke, I will tell you that over the course of the last year, increasingly half a dozen times now, I've been involved in situations where financial institutions have reached out to us or to me and asked, "I know I've a lot of inactive or underutilized debit card holders out there. What can we do in order to boost the usage, or get them to start using that card?" The magic number again is 12 times a month. We know if that cardholder is swiping that card 12 times a month, we're going to generate about $50 in revenue.

Single product households, again probably an alarming number. We know that 35% of our checking account holders are unprofitable. Low and behold, an almost similar number, 32% of our checking account holders are single product households. That's a number that we certainly have to focus our attention on this year again. We need to whittle that number down as much as we possibly can, because that's primarily where our unprofitable accounts are coming from. Multitude of reasons for this, many of these are folks who opened up a checking account with us in a past acquisition campaign. Maybe they came in, they got the toaster, and they never used that account again. There may be a variety of reasons why those checking account holders have just that checking account or nothing else. Our focus, again, as marketers, as retailers ought to be to take a look at that portfolio of single checking account holders, and do what we can to start cross-selling and deepening the relationship with those account holders because they're costing us money.

Another bit of a concern, when we look at our checking account holders, on average they're 51 years of age, and the percent of checking account holders is 51%. Nothing wrong with being old, I hope to be old myself someday. That number is probably a bit too high for our liking. That's where with checking account campaigns, we always advocate, at least with the campaigns that I've been involved with at Harland Clarke, and to which I advise other financial institutions, let's first and foremost, among other things, let's do what we can to lower that age, and focus on younger consumers.

Again, those younger consumers, particularly that Millennial generation, many of us think that they may not have the need for our products and services today, but that is changing pretty rapidly. We know from studies that we have done that income levels among Millennials is going to exceed that of Baby Boomers within the next year or so, and eventually achieve the income level of Gen Xers within the next three years. If you're not focused on Millennials right now, you ought to be, because the benefits are right around the corner.

Jeb: Hey, Steve, we had a couple of questions around the $50, and just to confirm, is that an annual income?

Steve: That is an annual figure, so that's $50 annually. Thank you for asking that question. Again, as we go through this presentation, if you all have any questions feel free to type them in that chat screen that you see on the toolbar, at least on the right side of my screen.

We've talked about what that checking account looks like, what kind of value it can provide to our financial institution. Let’s take a look at why people are opening up checking accounts, and probably no surprise here. The reasons for people opening up a checking account are primarily, they move to a new area. Again, that's where we go back to what we mentioned earlier. Younger consumers getting out of college, starting their first job, they're in need of a money management account. Maybe we ought not call it a checking account, maybe it ought to simply be a money management account, which I have paper checks and debit cards attached to. I move to a new area. I start a new job. I get married. Whatever the reason happens to be, I need something to help me manage my money.

Equally, one out of 5 consumers says they just got a better offer. They got a better offer from another financial institution out there. What that says to me is that we need to be proactive with reaching out to consumers because if we can put in front of the consumer the perception that our checking account is better than a competitor's checking account, that particular consumer may be all ears when it comes to switching their primary financial institution. When I look at that 20% received a better offer, as a marketer, loud and clear it says to me, "I better be out there. I better be out there marketing my checking products, because if I'm not, somebody else will be, and there's a potential that they're going to steal my customers or my members."

Same thing with the next reason, eighteen percent of consumers say they've got access to a checking account that just has more advanced features. We'll talk more about what those more advanced features are in a little bit. I'll give you a hint. It revolves around mobile banking. Again, it says to me that if I'm not out there promoting my checking account, and all the bells and whistles, and features and benefits of my particular checking account, somebody else is within my market footprint. One out of five consumers out there says that they will shift or move primary financial institutions if somebody puts a better checking account if front of them, doesn't necessarily have to be a free account, doesn't necessarily have to be an interest-bearing account that's got lots of bells and whistles attached to it. It simply has to be something that maybe promotes the fact that I can utilize a mobile or online banking platform in order to manage my finances.

Similar number, about one out of every five, say that they shifted PSIs because they're perturbed, dissatisfied, angry with their financial institution, as we mentioned early on, particularly Millennials. They are a tough nut to crack, but if they are satisfied with their institution, despite all the marketing you might do to them, they will not switch if they're happy with the kind of service and the products that they are getting from their FI. However, one out to every five consumers, roughly, says I will switch my account if my financial institution has done something to anger me, maybe it's the wrong statement, maybe I walked into a branch and I got ignored. Whatever the error happens to be, that's a big reason why people would leave.

Let's go to our next slide, and by the way, lots of information on these slides that I'm sure you all are going to find very helpful. You will be getting a copy of this presentation shortly after, within a few days after this presentation ends. Hopefully, you will like the information that we're sharing with you on these slides. Don't worry about pulling your pen or pencil out and taking lots of notes. You will get the slides in a few short days. We've gone out there and we've conducted a checking acquisition campaign. We've brought new checking account holders in the door. That's only half the battle, and here's where there is a real, I would say, paradigm shift going on out there in the industry. I love these two particular pie charts or doughnut charts, if you will, because to me it really spells a great opportunity for every bank and credit union out there.

There was a study that was done recently, and we did not include that slide in this presentation, I'm thinking maybe we should have. There was a study done recently where consumers were asked, what do you want from your financial institution? In particular, younger consumers were asked that question, and the answer came back loud and clear. I want my primary financial institution to provide me with value. I want my PFI, whether it's a bank or a credit union, to provide me with consultation, to provide me with advice on how to get from point A to point B financially. Again, as I mentioned, that focus or that desire is particularly prevalent among younger consumers. We know younger consumers are looking for financial advice consultation from their financial institution.

Here's what I love about these two studies. In 2014, that question was asked among consumers, and 71% of the consumers, again that doughnut on the left-hand side, said that, "You know what; my relationship with my financial institution is transactional only." Only about three out of ten consumers said that, "I can turn to my financial institution for consultation and advice." Only three out of ten consumers in 2014 said that they looked to their financial institution for financial advice and consultation. Although the majority of consumers, regardless of age, but again primarily younger consumers say, "I want my financial institution to provide value to me in the form of information that will help me manage my finances better, and be successful financially."

What happened a year later when that same question was asked of American consumers? Unfortunately, things get even worse. Eight out of ten consumers, when this study was conducted at the tail-end of last year, said that, "Hey, my relationship with my FI is transactional in nature. I go into a branch, I make a deposit, maybe I get a withdrawal, maybe I check a balance. I go online. I look at my balances; maybe I'm moving money from one account to another. That's pretty much my relationship with my financial institution." Only one out of every five consumers said that their getting the kind of advice and consultation from their financial institution that they're looking for.

As a result of that, as a result of our falling short in providing consumers with that key differentiator that will really help to make us even more successful, oftentimes what we find through research that we've done, is that consumers will buy low margin products from their primary financial institution, that sort of low-hanging fruit, if you will, that might be available at a quick glance at a website, or we might be promoting in the branch that day. But when they are looking for those high margin products, high margin mortgage, home equity, maybe an investment service relationship, they're going elsewhere. They're going elsewhere for those products and services. Unfortunately, we're missing a key opportunity there by not providing the consultation and advice that our checking account holders are looking to us for. There's an opportunity for us there, maybe it's appropriate we have the doughnut there that you could literally drive a truck through, if you would. Cue our next slide.

On our next slide, something to consider when we're reaching out to consumers with checking acquisition campaigns. Please start with the doughnut on the left-hand side. The doughnut on the left-hand side represents the number of checking accounts in a particular household. Less than half of the American households out there report that they have one checking account. What I think is really interesting is that better than half the households report that they've got two checking accounts. Thirty-three percent report that they've got two checking accounts, and then a whopping seventeen percent of American households report that they've got three checking accounts or more.

Oftentimes when I have conversations about checking acquisition campaigns with financial institutions, there's a bit of a hesitancy to reach out to existing checking account holders, and putting a checking account offer in front of them. I think that that can be a big mistake, because as I look at this chart, the consumer is wide open to opening up more than one checking account. We've already got consumers who have a checking account with us, maybe, or certainly, we're doing our financial institutions a disservice by not reaching out to our existing account holders, and encouraging the acquisition of more checking accounts.

On the right-hand side, here's why consumers have, or households have more than one checking account. Typically, I won't go through all of these bars for you, but typically it comes down to they use the additional checking accounts to help manage their finances, whether they're household expenses, whether they're joint accounts that maybe a spouse has the other checking account. Maybe it's a checking account that a family has for a kid who's in college, maybe it's a checking account that a household uses for household-based projects, or maybe a household-based business. Whatever the reason, just because one of our existing checking account holders already has that account with us, it doesn't mean that we ought not be marketing an additional account or two to them. They are certainly receptive to our promotion and reasons for getting another checking account.

As I look at this, I'm often reminded that I think sometimes we, both banks and credit unions, lose a big opportunity, or miss out on a big opportunity to not only deepen the relationships with our customers and members by getting them another checking account, but certainly boosting the overall checking portfolio, bringing in more balances, and as we saw on those prior slides, generating lots of revenue and lots of fee income for our institution. Let's go over the next slide.

When we talk about the fact that households are utilizing more than one checking account, let's take a look at the slide or at the bar chart on the left-hand side. Who is in the market to open up an additional checking account? Again, lo and behold, 40% of Millennials, that tall bar marked 18 to 34 year olds, are out there in the market looking to open up an additional checking account. Look at the age demographics as we go left to right. I guess you could say that 35 to 49 year old group, primarily GenXers, better than one out of five GenXers is out there looking for an additional checking account. Then, roughly one out of every ten Baby Boomers is out there looking for an additional checking account. Getting another checking account into the hands of our existing customers and members may not be entirely relegated to the younger consumers. When I look at this chart, it says to me that there's a lot of opportunity to cross-sell additional checking accounts, regardless of age.

On the right-hand side, when I do obtain another checking account, what might be the reason for that? The bigger slice of this particular doughnut comes down to I simply need an additional checking account. Again, it might be to manage household finances. It might be a household-based business that I'm running. I need another checking account. Then, roughly one out of every four responses come down to, I may not like the checking account that I've got, the one with all the certain features, the certain requirements, so, I'm looking for another checking account from my financial institution. Let's go to the next slide.

Let's start talking a little bit about the consumer decision-making process. On our next slide, this is why I went to my financial institution to open up a checking account. I love this slide because for years and years and years, checking acquisition was all about one thing. It was all about convenience. I had to be close to a branch in order to open up a checking account. Almost four out to ten consumers say, "I went to this particular financial institution because it was close to where I live." They had branches that were nearby, maybe a mile away, maybe three miles, maybe five miles, whatever it happens to be.

The perception was that this financial institution had branches that were close by. That's certainly imperative, and certainly tantamount with every checking acquisition campaign that I've ever been involved with. We want to make sure that we promote the location of that local branch office so that the consumer, whether it's a prospect of an existing customer who doesn't have a checking account with us, understands that we're close by. There are other criteria, or other factors, that are involved in – we'll see in a moment, really becoming increasingly important when it comes to where I open up that checking account.

In this particular study, better than a third of consumers said, "You've got to have a pretty robust online banking website that I can access my accounts through." A large number of consumers also said that your branches probably need to be close by, but at the same time, you need to have pretty convenient ATM locations. Better than roughly three out of every 10 consumers said, "I want those ATM locations to be pretty close by." In fact, when I drove out a little bit, in this particular slide, I see Large ATM Network at 15%. I do the math, almost 40% or better than 40% of consumers say having a prevalent ATM network is important. In fact, when I drove out at some of the other responses on this particular slide, I see having strong mobile banking services is pretty important as well.

Convenience is being redefined. It's not only where your branch locations are, it's where your ATMs are. It's making sure that I have access to surcharge-free ATMs, to at the very least create the perception that I'm close to a branch, I'm close to my money. Increasingly, and we'll see it in a moment here, but increasingly, digital access, mobile access is becoming more and more important among consumers. Let's go to the next slide. Here's a most recent study that was done at the tail end of last year. Here's where I, again, echoing what I just mentioned.

Let's take a look all the way over to the left-hand side here, Leading Online or Mobile Service. In 2014, consumers reported in this particular study that having a leading online or robust mobile banking option was what I looked at when it came to proceeding my financial institution that's convenient. From 2014 to 2015, mobile banking, online banking, perception of making my financial institution convenient jumped from 20 to 26%. Look what happens with ATMs, No Foreign ATM fees goes up as well. In fact, go a couple bars over to the right-hand side and you'll see many branches and ATMs. Although the importance fell from 2014 to 2015, just like it did for ATMs nearby, it's still pretty important.

The real story here, I think, is that third set of bars from the left hand side titled Branches Nearby. In 2014, 30% of consumers said it was really important for my financial institution to have branches close by. That's what made me think that this institution was convenient. But why such a change from one year to the next. Look at how that dropped. It went from 30% down to 18%. We can see what's happening here, right? It's reliant more and more on mobile and digital banking. The branch is still important, right? Eighteen percent of consumers in 2015 said having a branch close-by is still important.

When I go out there and I promote a checking opportunity to either an existing customer to get more checking accounts in their hands, or to prospects, I better be out there talking about how swift, how robust, how strong my digital and mobile banking services are. If I don't, my promotion may fall on deaf ears. Going left to right, a little bit further on this slide, convenient branch hours, almost all the way over to the right-hand side, not so important anymore.

A little bit more focus in 2015 compared to 2014, but you know what, hours of operation of your local branches, not so important to me because I know I can access my accounts in a multitude of different ways. Then having somebody on the other end of the telephone at my financial institution, really not that important. Not that important for me to consider you to be convenient. Yeah, I want you to be there when I call you, but really, these days, it's increasingly mobile, it's increasingly digital. Let's go to the next slide.

This slide, I think, reinforces what we just went through. I apologize, it's a little dated, but this takes a look at the role of mobile banking when it comes to convincing the consumer to switch financial institutions. You go all the way over to the left-hand side, that's in 2010 when the study was first conducted, 7% of consumers said, "Look, having a mobile banking platform was really important to me in making a decision on whether I was going to rock and roll with you or not."

Look what's happened as we've gone left to right. Year after year, the level of importance continues to go up. By the end of 2013, just a couple of years ago, better than 60% of consumers out there looked at a strong mobile banking platform as being a reason why they would decide to switch financial institutions. We know who that's appealing to. We know that that strong mobile banking platform is going to appeal to a younger consumer. Let's go to our next slide.

Branches, however, do play a role in acquiring checking accounts. Where do I receive information on checking accounts? Look at this, almost one out of every two consumers said they go to their branch, or they go to their local office. Here's what we know about consumers. Here's what we know about Millennials, in particular. We all know Millennials are banking online. We all know Millennials are using that smartphone to do their banking. Studies tell us that Millennials will go to a branch in order to get information on a checking account, and eventually open up a checking account. Once they open up that checking account, we may never see them again. At that point, they may do all their banking with us digitally, or through their mobile banking platform.

We know that consumers, and in particular younger consumers, will go to a branch in order to open up a checking account and get information on a checking account. Here's the lynchpin with that whole exercise. That's where we have to portray ourselves as advice and consultation providers. Millennials, in particular, will come into a branch, they'll shop us, they'll open up that checking account with us in that branch location, but at that point in time they want to be able to identify us, our platform people, as being the kind of the people who are knowledgeable about all of our products and services, and the kind of people who again can help me understand how to get from point A to point B financially.

The mistake I think that many of us make, and I am as guilty as anybody out there, is that we've treated that interaction at checking account opening time as a processor transaction. We got all the necessary disclosure information to that new customer or that member. We got the debit card in front of that person, and that was it. We never had that needs-based conversation that the consumer is looking for today in order to understand what their financial needs are. If we don't do that, we will turn off those new consumers who are switching financial institutions.

We know that almost one out of every five Millennials are switching PFIs these days. If we don't take advantage of that, we're losing a great opportunity. The opportunity is, or the linchpin is, we need to make sure that we're being perceived of as a financial advice provider, not a transaction center where the consumer looks at us and says, "I really got no value from that interaction." Let's go to our next slide.

What was the consumer mindset when they did switch checking account providers? Again, here's another donut. I apologize for all these donuts. I must have been hungry when I put this presentation together, I apologize. What was my mindset when I decided to switch providers? Let's take a look at the right-hand side of this donut? Thirty-two percent, that's one out of every three consumers said they knew what FI they had in mind when they decided to switch. In fact, when we look at the green slice, another 32% said they only had one FI in mind.

You look at that, and see 64% of consumers out there are saying that basically they knew who they were going to get to. When I look at this chart, and maybe I'm wrong looking at it this way, but my interpretation of this particular chart says again, we need to be proactive in reaching out to consumers to let them know that we've got checking account options that can help them, that we are a solution provider. If we're not taking advantage of that proactivity, if we're not out there, front-and-center, actively looking for new checking accounts, somebody else is going to do it. Those somebody else are going to end up in that 64% slice that you see on this particular chart.

We've got to be active. We've got to be out there conducting campaigns on a regular basis to create that level of awareness among the consumer that we've got checking accounts. Let's face it, we've all been to cocktail parties, we've all been to barbecues, or cookouts, whatever you want to call them, where somebody comes up to us and they recognize us because we work at their bank or their credit union. They come up to us, and we're talking about their bank or their credit union that we work at. They tell us, "Hey, let me show you my new car, or hey, I just bought a new house." Great, where did you get the car loan? Where did you get the mortgage? Unfortunately, it wasn't us.

Even though they are an existing customer, or an existing member, we, unfortunately, were not in front of that consumer when their need arose. The financial institution that was, was the one that got the car loan, or the one that got the mortgage. We hear those stories all the time. We've been part of those stories. Again, what this particular slide says to me is that we've really got to be out there focused on making our existing customers and prospects aware of the fact that we're a solution provider when it comes to money management. Let's take a look at our next slide.

Who makes the decision when it comes time to open up a new checking account? This I think is kind of interesting because it may run a little counter to what many of us have thought for a long time. There was a thought process out there that – for years and years that women were the financial decision makers. I find this chart to be kind of interesting. Maybe they are, but this is a study that was done late last year, again.

The question was asked, who makes the decisions. Women are in the green bar; men are in the blue bar. Starting at the very top, I make all the financial decisions. Only 28% of women in the household make that claim, 52% of men say that they make the decisions. Next set of bars, my partner and spouse and I jointly share the financial decision making. Look at that. Better than two-thirds women out there make that claim, and less than half of the men say that they do it jointly. Maybe men, all you guys out there in the audience like me, maybe we're dreaming and it isn't that way, but we've got to get some pride of authorship maybe in all this, and maybe the decision does rest with our spouses.

Nonetheless, there's a lot of joint decisioning that goes on out there, or at least that's what the study tells us. In fact, the breakout quote I find very interesting here, almost 60% of the Millennials say that they do not include their spouse or partner in financial decisions, but the older age demographics do. Maybe that whole perception, that whole concept of being a direct decision maker changes all the time. From the very least, I think what this slide says to us is that the old concept of the woman being the one who makes the decision when it comes to finances might not be so true anymore. Let's go to the next slide.

On our next slide, what is it, when it comes to a checking account, that's going to mostly resonate with the consumer. I will often, in checking acquisition campaigns, tell institutions with whom I'm involved with that free sells. Consumers love the word free. When it comes to free checking, almost two-thirds of consumers out there believe they've got a free checking account. Maybe they don't really have a free checking account. Maybe they think they have a free checking account, and that free checking account is free as long as they hit minimum balance requirements on a daily basis, or maybe there are other bells and whistles that they have to jump through or over, but free sells.

This chart on the left-hand side says to me that consumers want free checking. In campaigns that I'm involved with where institutions will come to us and say, "Hey, we've got this nifty little checking account product that we've developed, and it's an interest bearing account, and you've got to do X number of debit card swipes, and you've got to do this, that, or the other thing in order to take advantage of all the bells and whistles that the product comes with. Typically, what I find is that oftentimes those kinds of products can confuse the consumer.

Free is a simple word, it's a powerful word, it's a word that resonates loudly with every consumer in the country. Whenever we conduct checking campaigns, we always advocate that an institution go out there with free first and foremost. Get the consumer in the door. What we know is that the consumer thinks they've got a free checking account, but the consumer wants the premium checking account, we may have a new and nifty checking product. At the very least, use free as the hook to get a consumer in the door.

When that consumer comes in the door, and they're at that platform desk opening up that product, that's when our platform people can then put on their consultation caps and have that needs-based conversation with the consumer about exactly how are you going to manage this account. That's where we can cross all that new interest-bearing checking account that we've spent so much time and energy putting together in order to give our consumers an alternative option to all the products and services that we sell.

On the right-hand side, when it comes to what kind of services or fees are we facing, what are the things that institutions are putting in front of consumers that they can avoid? Better than half are putting in front of the consumer a minimum balance requirement fee that again can be avoided if the consumer does this, that, or the other thing exactly leaving a minimum balance of $500, $1000, $1500, whatever it happens to be.

Better than four out of 10 financial institutions are telling consumers that they can avoid fees through direct deposit. With every checking acquisition campaign that Harland Clarke, or at the very least that I've been involved with while at Harland Clarke, I would strongly advocate the financial institutions make direct deposit a requirement in order to avoid any particular fees. Let's go to the next slide.

What fees are considered to be acceptable among the consumer? In aggregate, there's a thin line acceptability of alternative pricing structures as a means to avoid traditional checking account fees. Banks and credit unions should consider testing options to determine which of their members are responsive to particular fees. Here's some responses to what kind of fees consumers consider to be either very acceptable in the brown or yellow bar, and somewhat acceptable in the blue bar. Making a deposit in any amount, consumers say, 23% of consumers say, you know what, that's a very acceptable requirement for a fee; 30% say that it's somewhat acceptable.

Look what happens as you drill down a little bit on this particular chart. You get down to debit card annual fee, a fee for each debit transaction, consumers are not so likely to accept those sorts of fees. The perception is that debit card or plastic interaction with my checking account should be part of that account, and should be a feature that is available to me without any particular fee involved. Let's take a look at our next slide.

Let's talk a little bit about relationship strategies, and even touch upon some product innovations. Relationship strategies, we know, we've got that consumer in front of us, let's make sure that we're taking the time to cross-sell that particular consumer. On this particular donut, on the left-hand side, we find that better than a third of consumers are either very interested or somewhat interested in financial packages.

Here's what is available to you if you open up this particular type of checking account. You can avoid these fees, you get these sort of services, etcetera, etcetera. When we're opening up that checking account with a consumer, better than – roughly half the consumers say that if we've got some sort of a financial package that's tied to that particular checking account, they're okay with that, and they're either interested or somewhat interested in that particular financial package that's tagged to that particular checking account.

On the right-hand side, when we take a look at pricing arrangements and what's acceptable, bigger than half of the consumers on the right-hand side say that it's okay if we waive the fees of certain balance requirements and maintain, or even if a direct deposit relationship was required. There are certain fees that consumers are okay with; however, they've got to be the kinds of fees that, eventually, they'll be able to waive.

What I find interesting on this slide is the flat monthly fee at the very bottom or near the bottom. Only 15% of consumers are willing to pay a regular fee for a checking account, and not be able to waive certain fees by doing certain things. Again, free speaks loud and clear, free with requirements that the consumer can easily jump over or hurdle through are okay. A fee that's going to be permanently attached to a checking card is not so kosher with the consumer out there, and that ought to be something that we avoid like the plague. Let's take a look at our next slide.

Let's talk about reward programs. I know many of you on the phone, I've done some research prior to this, and took a look at the institutions that are going to be attending today. I know many of you, based on what I found when I went up to your websites, have reward programs tagged to your particular checking accounts. Let's take a look at the left-hand side. Who's participating in those reward programs? Surprisingly, younger consumers are participating in the reward programs that you have. Maybe it's scorecard rewards, maybe it's some sort of other reward tied to a debit card. Whatever that reward happens to be, younger consumers are participating in the plan.

The problem is, look at the rest of the other penetration numbers. In total, only 13% of our checking account holders are participating in reward plans. After that bump that we see for younger consumers, the percentage figures are pretty low. The primary reason for low participation in our reward programs is simply the fact that nobody knows that we're offering them, or nobody understands how those programs work. I'll tell you, in a former life, it seemed like once upon a time, or I should say once a year, we would tout our reward program, and then for the remaining 364 days of the year, we would go silent on our reward program.

That, I think, is something that probably many of us on the phone are guilty of. We make a big splash when we introduce the reward program, or maybe we make a splash once a year or once every couple of years in order to let consumers know that we've got these great reward programs tied to our debit cards or whatever else it happens to be. Then we go silent for the rest of the time, and we forget to promote it and put it in front of the consumer. The consumer is interested in it.

Take a look at the right-hand side. The consumers are interested in the reward programs. In fact, as we look at the right-hand side bar chart, we find that 72% of consumers think that reward programs are valuable. The problem is we're just not doing a great job of promoting them. As we promote checking acquisition campaigns, we may want to talk about mobile banking. We know that that rings loud and clear with consumers these days, as well as digital banking, but we also probably ought to talk about our reward programs if we have them. When we talk about our reward programs, let's not go silent the rest of the year. Let's make sure that we're promoting those programs year-round to keep them in front of consumers and create that level of awareness that here's a program that the consumer can benefit through. Let's go to our next slide.

Key take-aways, it's four minutes of the hour, so let's very quickly go through what we believe are the key take-aways from this presentation. We've got a handful here. First off, checking account relationships are stable and volatile. We're talking out of both sides of our mouths here. They're stable among older consumers, but they're volatile among younger consumers. As we saw on the slides early on, almost one out of every five younger consumers is in the market for a new checking account or a new primary financial institution. Yes, checking accounts are stable among our older consumers, but they're also volatile among younger consumers if they're not keeping them happy.

Second key point, there are opportunities to acquire multiple checking accounts within a particular household. As we conduct checking acquisition campaigns, let's not lose sight of the fact that our customers and our members have needs for additional checking accounts, and we ought to be talking to them about that. Third point, there's a high satisfaction with the accounts that we provide overall and their specific features.

Fourth point we want to make is that when we reach out with checking acquisition campaigns, you certainly want to do so if you're a multi-channel effort. In other words, we want to make sure that we're giving the consumer a multitude of different channels through which they can open up a checking account, but we want to make sure that we keep in mind that the branch is going to be, still is, always has been, and more than likely always will be the focal point for a consumer when it comes to where they're going to open up that particular checking account.

Let's not lose sight of the fact that that branch needs to become a consultation center. We want to make sure that when that consumer comes to our branch to open checking, we're giving them the advice and consultation that they're looking for. Next point, we want to make sure that we're cross-selling. We want to make sure that we're conducting on-boarding programs. Consumers are open to financial packages. Let's make sure we think about ways to package checking with other – or bundle checking with other products and services in order to deepen relationships with consumers to make sure that when they open that checking account they're off and running with us. That checking account is not sitting idle, but that we're getting a deep product penetration, and that we're getting a deep engagement.

Lastly, let's make sure that if we do have reward programs, let's make sure that we're keeping them in front of the consumer because as we just saw, they do have a positive effect on the relationship that we have with a consumer. Consumers value reward programs. Unfortunately, we're just not doing a good job of talking about them enough. That brings us to the top of the hour. I don't see any other questions, I don't believe, in our chat box, Jeb, unless you do. Maybe we can answer a couple of them in our remaining 30 seconds or so.

Jeb: As a reminder, if you have any questions, please type them directly into the chat box. Steve, I don't see any additional ones at this time.

Steve: Okey doke, and again, as a reminder to everybody, a copy of today's slides and a recording of this presentation will be coming to you within the next several days. I don't see any questions, Jeb. It has just turned 2:00, here, on the east coast. With that, I want to thank everybody for attending this webinar. I hope you find it to be helpful. It was thoroughly enjoyable to me. Good luck and good selling, thank you.