DON'T TAKE CHECK WRITERS FOR GRANTED

HARLAND CLARKE®

In this era of digital banking, it may be surprising just how many people still write checks – and why. Just as surprising is how big of a role check writers play for banks and credit unions. In fact,

check writers are critical to the profitability of a financial institution.

Surprised? Keep reading.

Personal checking

Recent research has revealed some eye-opening trends with personal check writers:

- **87** percent **write checks** on their primary account[1]
- **41** percent have been with their primary financial institution for **10 or more years**[2]
- Frequent check writers **acquire roughly five financial products and services** from their primary financial institution – **two more than non-check users**[3]
- Primary financial institutions win approximately **50** percent of new product sales[4]

What does all this mean for the financial institution? In short, it means that *check writers are more loyal, carry higher balances, have more products and more investable assets.*

[1] Nielsen / Harland Clarke Check Behavior Study, 2014
[2] State of the Check: Consumers Quantitative Report, Javelin Strategy & Research, August 2011
[3] Harland Clarke / Nielson, *Why You Shouldn't Write Off Check Writers,* 2015
[4] Ibid

Frequent check writers, those who write five or more checks per month, are typically families that are flourishing, upscale empty nesters, and the financially elite. It's no surprise, then, that 90 percent of deposit balances are held by just 20 percent of account holders.[5] The above numbers tell us that this 20 percent write checks – frequently.

Furthermore, an account holder's affluence is more highly correlated to check writing than to age. Regardless of age, as income increases, so does check utilization.

Missed opportunities

Given these findings, it's in the best interest of financial institutions to ensure new account holders don't leave the branch without placing a check order. Unfortunately, on average only 30 percent of new account holders place a check order at the time of opening their account.[6]

Not only is this inconvenient for the account holder, it represents significant lost revenue for the financial institution. How much lost revenue? For an average size institution that opens 1,000 new accounts per month, providing the remaining 70 percent of new customers with check orders, and assuming average per-order revenue and reorder cycles over the lifetime of those accounts – the total would be $840 thousand.

Cross-sell and up-sell

If nearly $1 million in lifetime revenue isn't incentive enough, consider the lost cross-sell and up-sell opportunities. Remember that check writers buy an average of two more products and services from their financial institution than non-check writers.

Best-in-class print technologies provide full-color, customized financial product messages targeted to specific account types. Introduced a few years ago, CheckFolio® packaging can accommodate full-color ads for financial institutions to showcase the services most important to them. Each time an account holder opens this folio, whether it's to write their checks directly from it or to remove a pad from the portable cover, an impression is made.

Don't underestimate the value of custom designed checks. They can be brand differentiators for financial institutions and effective marketing tools to reach the very account holders who are valuable to your financial institution.

[5] Freeman, Doug, citing FMCG case study analysis over the last three years of multiple BHC's household-level customer databases
[6] Harland Clarke / Nielsen Check Study

Harnessing the Potential

The big question most financial institutions have is how to reach potential check writers to harness the revenue potential they represent. Doing so requires a comprehensive program of best practices that includes **four performance components.**

1 Order capture

Without securing the first check order at account opening, future opportunities are compromised. Fee income, cross-sell, up-sell, reorders – all are potentially lost.

The most important step a financial institution can take to improve order capture is to ensure new account representatives – and other employees – understand the importance of check capture. Often, there is a problem of perception. An employee doesn't use checks, so therefore assumes the account holder doesn't use checks either. It's important that employees at all levels understand the 87 percent rule: the vast majority of consumers still use checks. This should be included in training and materials – as well as underscoring the importance of check writing in defining primary financial institution relationships.

Another important step is to ensure that checks are a clearly defined part of the account opening process. The number one reason account holders don't order checks at account opening is because they were never asked.[7] In some cases, consumers assumed checks were provided automatically and were surprised when they didn't show up in their mailbox. Just as financial institutions offer a debit card to every account holder, they should include a check offer – every single time.

2 Expense reduction

Financial institutions often struggle with case-by-case, discretionary fee waivers. They can add up to significant expenses over time. The best way to control these expenses is to ensure each account holder is in the correct account type.

For instance, if an employee waives an order because the account holder is a "good customer," the institution should consider whether the account holder would be better suited to a different account type with richer features. One way to reduce waives is for consumers to use self-service channels (phone and web) whenever possible. Because there is no mechanism in these channels for discretionary waivers, they are ideally suited to control expenses.

Heed the adage "what gets measured gets attention." Reporting at the branch or regional level can illustrate how much expense is being incurred for waivers. This provides managers the tools to compare themselves against counterparts in other branches – and to coach their employees on best practices.

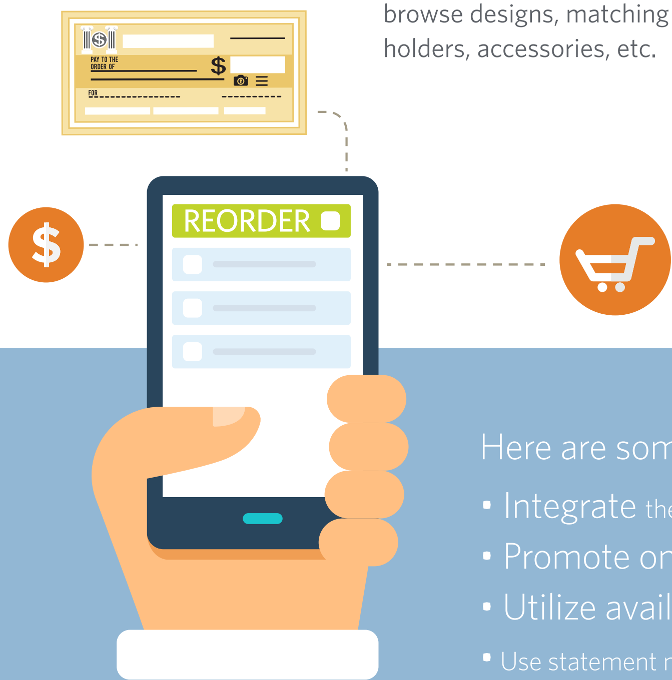
It's important that employees at all levels understand the 87 percent rule: ***the vast majority of consumers still use checks.***

[7] Harland Clarke internal client study

3 Channel optimization

Once the initial check order has been captured, branch employees should not spend another minute on check ordering. This frees them up to do other tasks and improves overall efficiency of the branch.

Instead, account holders should be moved to self-service channels to place reorders of checks. In addition to improving branch efficiency, online and phone channels can introduce products and services that branch employees may not. For example, when the account holder places a reorder for checks, she may want to browse designs, matching checkbook covers, debit-card holders, accessories, etc.



There is a significant increase in average order value (AOV) when account holders go online to place their own reorder.[8] This income is lost when reorders are placed at the branch.

Another reason for moving reorders to the online channel is convenience. The financial institution website is open 24/7/365. Account holders don't have to wait for the lobby doors to open or in line at the drive-through or ATM.

Finally, there are fewer mistakes with self-service. This means fewer typos, abbreviation errors, street numbers, names, etc. When account holders order their checks, labels, stamps and other printed accessories, they are the best proofreaders of their own information. And getting it right the first time makes for a better customer experience.

[8] Ibid

Here are some specific ways to migrate check reorders to the online channel:

- Integrate the online banking system with a check order site
- Promote online order capability on the financial institution website
- Utilize available banner space within online banking
- Use statement messages to promote the online channel
- Revise wording on teller receipts to include online options
- Create shortcut URLs for check ordering (e.g., www.yourfi.com/orderchecks)
- Train branch staff to sell online ordering as a benefit
- Use in-branch merchandising to promote online reorders

4 Marketing

Checks, checkbooks and CheckFolio can all be used as marketing tools to promote the financial institution's brand and offerings. Custom designs that represent the community and local organizations and charitable causes can be utilized to drive check orders and reinforce the bank or credit union's standing in the community.

It also gives high message visibility, frequency and longevity. Every time a check is written or a new check pad is accessed, an impression is made. The impressions repeat over the lifetime of the check order.

The Bottom Line

Check writers are critical to the profitability of a financial institution. They are loyal, have more investable assets, and buy more products and services from their bank or credit union. It's important to embrace them at every level of the organization.

Most importantly, check orders should be included in each account opening. It not only provides account holders with a product they overwhelmingly want – it ensures they purchase it from the financial institution. This opens new marketing channels to cross-sell and up-sell financial products and services over the lifetime of the account.

*With **18.3 billion checks being written each year,** it's a demographic few financial institutions can afford to ignore.*

If you'd like to learn more about increasing revenue with your check program, please call **1.800.351.3843**, email us at **contactHC@harlandclarke.com** or visit **harlandclarke.com/CheckPrograms**.