Harland Clarke Webcast 07/27/16
The Latest on New Household Acquisition TRANSCRIPT

Presenter: Stephen Nikitas, Senior Strategy Director, Harland Clarke

Matt: Good day, and welcome to Harland Clarke's webinar. Today's topic is The Latest on New Household Acquisition. This webinar is being recorded and will be provided to you along with the presentation recording and deck within a few days. If you have any questions, please use the chat box located in the webinar control panel. You can submit those at any time during the presentation. Your questions are private and are only seen by the presenters. I will now turn the call over to Stephen Nikitas, , Senior Strategy Director at Harland Clarke. Steve, you have the call.

Stephen: Well thank you very much and good afternoon, everybody. My name is Stephen Nikitas. I am a Senior Strategy Director with Harland Clarke. I'm going to be presenting today. I'm actually the sole presenter today, so I will do my best to make sure that I keep this webinar as interesting and as exciting as possible for everybody over the phone so that you stay with us for the entire duration of this one-hour presentation. I actually come out of the financial services world. I was a marketing, retail, and operations executive in a former life. My role here at Harland Clarke is to help financial institutions better understand how Harland Clarke marketing services programs can help their financial institutions to continue to grow and prosper. In a nutshell, that's a little bit about me.

What are we going to talk about today over the course of the next hour? These are the four things we'll look at today. We'll take a look at what's going out there in the market place, but then we're going to drill down a little bit into a discussion about what consumers think about, what consumers land on when they make a decision to open up a new checking account. I'll share some information with you relative to the consumer decision process. Then we'll get into a conversation about relationship strategies and product innovations, things that you can think about within your own bank and credit union when it comes to ways to be effective in helping to acquire new customers or if you're a credit union, a new member. Then we'll wrap up with a handful of key takeaways.

The takeaway that we want to make sure that by the end of the presentation today you walk out with one or two kernels of information that will help you with your own acquisition endeavors. During the course of the presentation as questions come in, we'll take a quick break here and there to address any questions that you folks may have. During today's presentation there is a chat box and there's a questions screen in your tool on the right hand side. As you have questions, feel free to type your questions into that question box. As I mentioned earlier, I'll address those questions as we go along. Of course, I'll do my best to make sure that we have time at the end of the meeting to review any questions that may also have come in.

With that, let's start our presentation. I hope everyone's seat belts are fastened, tables are in the upright position. As you can tell, I fly a lot in my job with Harland Clarke. I apologize if you're not on an airplane, but I just seem to hear that a lot these days. Let's take a look at the market and see what's going on out there. What do we know about who is switching financial institutions? This is a slide that I really like because oftentimes in my role as a strategist, financial institutions will ask who should I reach out to? When it comes to acquiring new customers, when it comes to focusing on checking accounts, who is that consumer out there that I ought to be focusing my attention on?

Surprise, surprise or probably no surprise, it's the younger consumer. We know that that Millennial, that 18 to 34 year old, shows the highest likelihood that they are going to be in the market for a new PFI. Along with that, of course, a new checking account. What we know is that younger consumers, and I'm sure many of you know the same thing, tend to be customers of larger financial institutions, those national financial institutions that we see on every street corner in America. That's all well and good, but studies also tell us that that younger consumer is maybe not as satisfied with that current relationship as maybe they should be. As a result of that, that younger Millennial consumer is a bit more open to switching PFIs.

One of the things we also know about younger consumers is that they tend to gravitate to the larger institutions because of the ATM network. Surprise, surprise again. You would think that younger consumers are much more digitally or mobile focused than other consumers and as a result would not be as reliant on cold, hard cash as we would think. Studies also tell us that younger consumers still like to have cash in their hands for one reason or another. When we conduct acquisition campaigns among other things, we want to focus on the fact that we have an ATM network that is vibrant, that is comprehensive, and that makes sure that that consumer is going to be close to their money should they ever need it or close to their cash should they ever need it. We'll talk a little bit more about proximity to a branch location in a little bit.

Let's take a look at our next slide now. On this slide, I really like this next slide because to me there is some real key points on here that I believe we as marketers, we as retailers really ought to focus on. What I did on this slide is I put together some statistics for everybody to take a look at. These are national numbers. They may not be relative to your institution in particular, but they're national. If we take it from the top very quickly, and I'm not going to spend a whole lot of time on this slide, but you will get a recording of this presentation within a week. When that recording comes, obviously you'll have the slides. You can feel free at that point to drill down on these numbers and maybe compare your bank or credit union numbers to these national averages.

What do we know about checking accounts? Certainly as the title suggests, checking drives revenue. We know that roughly two-thirds of the checking accounts within our portfolio are profitable. That's great news. Unfortunately about one-third of those checking accounts are unprofitable accounts. Maybe that consumer came in because of an offer we dangled in front of them, a free toaster, maybe $150 in cash, whatever it happened to be. Unfortunately better than a third of our consumers who have a checking account with us are not profitable.

If I have a checking account on average, that balance is $6,300 and some change. Of course, that number is going to fluctuate depending upon payday and whether these numbers will run. Harland Clarke payday comes up in a few days, so if you look at my checking account today there's only a handful of dollars in it. Again, depending upon when that analysis was run relative to when that pay period was, that would certainly impact that number.

Here are some interesting numbers as well. If I had a checking account with you, my average deposit balance is just a little over $10,000. If I have a checking account with you, my average outstanding loan balance is almost $10,000. Obviously we know that checking account holder is going to have more products and services with us, and it's likely that they'll have among those products and services additional deposit products and a loan or two out there.

From a revenue standpoint, here are some numbers going down again a little bit further on this particular chart. Annual checking account service charge is almost $9. If I have a checking account with you on average, that particular consumer is driving about $81 in NSF fees. There are other fees involved with those checking account holders to the tune of a little over $7. We certainly want to get a debit card in the hands of that checking account holder. If you're doing instant issue debit, great because we know when that consumer gets that debit card as soon as they open up the checking account, they're going to be rocking and rolling with that debit card as soon as they walk out the door.

That consumer with a debit card on average is generating about $50 of interchange income. The magic number of swipes to generate that $50 in revenue comes out to about 12. I'm not sure if any of you have done an analysis on your checking account holders and those who have a debit card, but if you work with your IT departments and take a look at how many times your debit card holders are swiping that card, you want to do what you can to make sure they're swiping it at least 12 times. Interestingly of late, I've been working with a handful of financial institutions with whom we've done just that. We've worked with the IT department to identify and stratify, if you will, consumers and how many times they're swiping that debit card. We know that debit card swiped at least 12 times a month is going to generate $50 in revenue annually.

With many institutions or some institutions with whom I work with right now, we're identifying those consumers who might not be swiping that card 12 times a month. Then we're reaching out to them with campaigns in order to encourage the behavior that will go toward encouraging that consumer to pull that debit card out of the wallet whenever they're at a retailer with the express purpose of driving revenue. Single product households with a checking account are roughly about a third. If we go back to the top of this chart, if all I get with you is a checking account, chances are likely I'm also not profitable with you. It's really going hand in hand with unprofitable accounts, single product accounts.

One of the next couple of numbers I find really interesting is the average age of my checking account holder is 51. That's a little scary to me, getting a little bit long in the tooth of our checking account holders. Those checking account holders that are 51 are probably getting beyond that life stage where their need for more products and services exist. As a marketer, as a retailer, when I look at that number and I look at the number below that, the percentage of my checking account holders who are over 50, that scares me a little bit. I'm going to do whatever I can to lower that number and bring in younger consumers. Right now based on what we see on this chart, we've got some long in the tooth consumers with checking accounts. My focus if I were still in the bank or credit union world, I would do whatever I can to drive that number lower.

Let's go to our next slide. We know that there's a good percentage of consumers out there who are looking for a checking account. We know that almost one out of every five Millennials is looking for a checking account, but why are they looking for a checking account? This slide really exhibits that reason. Twenty percent, they move to a new area. Maybe they got a new job. Maybe they graduated college or high school, took a job outside of where they currently live, and just need somewhere to direct their pay and somewhere they can manage their money. Similar numbers, just got a better offer. Somebody got in front of that consumer at the right time with an offer that resonated loudly with the consumer.

As we mentioned earlier, with younger consumers in particular, they seem to be driven by the ATM network, being close to their cash, being close to their accounts. Based on that number that I see, we can get in front of that consumer and show them that we are convenient, you are close to your accounts, and you want to open up an account with us. When I see that number again as a marketer I say to myself, hope is not lost. There's a lot of opportunity to reach out to consumers, access the more advanced features. Maybe they're dissatisfied with their previous financial institution, and we know younger consumers tend to express a relatively high level of dissatisfaction with the financial institution with who they are currently doing their banking or their credit union.

Some of the reasons why people are opening up a checking account when I see this chart, it says to me as a marketer I need to be in front of that consumer because that consumer is going to be receptive to my message for a variety of different reasons. On this particular slide, I really love this slide because now I'm going to put my retail cap on for a moment. When I was a retail executive, I spent a lot of time and I rolled up my sleeves quite often on conducting sales trading among the staff, working with platform staff, working with the teller staff to make them better at selling products and services. Particularly need base selling, not necessarily the product of the day. We don't want to do that. We want to focus on identifying needs.

That's great, but when I see this slide it says to me that maybe we're still missing the mark. Let's take a look at the donut on the left hand side. Back at the end of 2014 consumers in the United States were asked when you look at your financial institution, what kind of a relationship do you have with that institution? You can see on the blue slice of that particular donut chart, 70% of consumers said that my relationship with my institution is transactional in nature. I come into the bank, I come into the credit union, I move money, I make a deposit, I withdraw money, etc., and that's all I do. On the other hand roughly 30%, 29% to be exact, of consumers said my relationship with my institution is advice driven. It's a relationship where I know I can go into that institution to get consultation.

Let me stop here for a moment. We know that the American consumer is looking for financial advice and consultation. Unfortunately based on what we see in 2014, that's not happening. We know particularly younger consumers are dying for financial advice and consultation. They want their financial institution to talk to them. They want their financial institution to show them how they can get from point A to point B financially. Unfortunately in 2014, consumer perception was we're not doing that. When we go to the right hand side of the slide, in 2015 things got worse. Almost eight out of ten consumers said my relationship with my PFI is transactional in nature. I come into the financial institution, I take money out, I put money in, I might have a question or two, I might buy myself a money order, and that's about it.

The consumer wants us to talk to them. The consumer will perceive us as being value add when we talk to that consumer and provide financial consultation and advice. As a financial institution, the institution that will differentiate itself from the rest of the pack is the one that's going to be able to provide that real strong relationship that's driven around consultations, that's driven around advice, that's driven around value add. When we do that, that will go a long way toward ensuring that we're going to retain our customers and drive satisfaction levels through the roof.

On our next slide, let me set this up by saying in my role as the strategist of Harland Clarke, I often work with financial institutions with checking acquisition and customer acquisition campaigns. Oftentimes when I work with institutions and we look at a particular customer or member base, the institution will come back and say if that customer already has a checking account, I don't want to talk to them. They've already got a checking account with me, so I really want to focus my energies on consumers, whether they're existing customers and members or prospects, who don't have a checking account with me. I look at the donut on the left hand side and what this says to me is that particular households, better than 50% have more than one checking account with that institution or in their wallet.

It is not unusual for the consumer to have more than one checking account. I think about my own family. I've got three checking accounts, and they're utilized for different purposes. When we provide consultation on how to acquire a checking account, the focus is not necessarily putting to the side those consumers who already have a checking account with us, but we should be talking to those consumers in order to encourage them to open up another account with us. That account can be profitable as well.

On the right hand side those are some of the reasons why consumers have multiple checking accounts. Better than a third use them simply to manage household expenses. I've got loan payments. I want those loan payments to come out of this particular checking account. I've got student payments. I want all my bills to come out of this particular checking account. I want my fun money to come out of this particular checking account. As you can see on the right hand side, there are a variety of reasons, many of them very strong relative to the percentages, on why consumers have an additional checking account with us. Let's not forget the consumer who already has a checking account with us when we conduct checking acquisition campaigns because the message will really make an impact with those consumers when we tell them how or why they should open up those additional checking accounts with us.

We know consumers have multiple checking accounts, but on the left hand side of this on the bar chart who's opening up those additional checking accounts? No surprise as we look at this chart, it's that Millennial consumer. In many ways that Gen X consumer who showed the most likelihood to open up an additional checking account with us. Forty percent of Millennials, 18 to 34-year-olds, show that they are in the market for an additional checking account, and about half that number relatively – it looks like on this chart. I'd say those are probably Gen Xers. That 35 to 49-year-old age range. They also show a high likelihood to open up an additional checking account, so we ought to be reaching out to them.

Now on the doughnut on the right-hand side, why are they opening up another checking account? Again, the blue slice of that doughnut, overwhelmingly they're opening up another checking account because they're looking to manage things, right? They want that additional checking for all the reasons that we saw on the prior slide. They're looking to manage household expenses. Again, maybe all loan payments are made out of this checking account. Maybe fun money comes out of that checking account. Maybe savings goes into this checking account before it goes into some sort of a sweep into a money market, or maybe an investment account with our investment advisors at our bank or credit union.

Let me stop here. I'm going to bring my colleague, Erik Kelley, into the window if you will for a moment, and Erik, this is probably a good break right now on addressing any questions that may have come in. Erik, do we have any questions? If we do, I'd be happy to answer them at this point.

Erik: Yes. We do, Steve. The first question we have is going to be going back a few slides referencing the transactional versus advisory. The question being posed is can we get a copy of the slides that are specific to our financial institution?

Stephen: Yes. We can help you with that. In fact, I'm not sure who asked that question, but here's what I would say. Reach out to me after this presentation, and we will address that particular requirement. Certainly, we can do that, absolutely.

Erik: The other question we have, Steve, is if more than 50% of checking account holders are over the age of 50, what are younger people doing with their money?

Stephen: That's a good question. We know that younger people are trying to save right now. We know that maybe not so much among Gen Xers that focus on saving hasn't been as prevalent among the Gen X generation as it has been among baby boomers, but more importantly as it has been among Millennials. I see lots of studies of late that tell me that Millennials are focused on saving money. Because many of them saw that their parents were in trouble with the 2008 recession. Many of them saw that their parents were not ready to retire, and so Millennials have, I think, much more of a focus on putting money away for a rainy day and for down the road than maybe other generations have exhibited thus far. Erik, any other questions?

Erik: That is all the questions at this time.

Stephen: All righty. All right, so at this point, let's take a look at the consumer decisioning process. What does a consumer think about before they open up a checking account or establish a relationship with a new bank or a new credit union? Let's go to our next slide. Start taking a look at some numbers here. What comes into why I am switching accounts? Now, we saw a slide a little earlier about what's driving that new account opening, and we saw 20% of consumers said somebody put a better offer in front of them. The same number of consumers or the same relative percentage of consumers said they moved into a new area, great, but why do I land on the bank of the credit union that I eventually land on?

This information is changing a bit, and you're going to see a slide coming up that I think will help us add a little bit more perspective to why I eventually focused or why I eventually selected bank or credit union A versus bank or credit union B. Of course, it comes down to – as we can see on this slide, it comes down to convenience. The consumer perceived that my branch locations were going to be convenient relative to where I live, relative to where I work, relative to where I run my errands, so convenience goes a long way toward convincing the consumer that they ought to open up a new relationship with my institution as opposed to somebody else. The next most likely reason is online banking through a website. We'll take a little bit – we'll take a look again at this in a little bit, but if my brick and mortar is not so close to the consumer, these days, having a very robust online or mobile banking application can go a long way toward creating the perception among the consumer that I am convenient. That you can get to your money easily through my institution relative to whether you want to pull into the parking lot and walk in, or relative to whether I've got my laptop sitting on my work desk or my desk at home. I can access my accounts easily, and I can pretty much do everything via online banking that I could by making a visit to a branch location, or working with my smartphone, I have all the access in the world to my accounts and services.

ATM network, pretty prevalent reason why people perceive you to be convenient so, again, going back to what we were saying earlier. Having a strong ATM network can go a long way to your helping to create the perception of more convenient locations. Many of us and I know in my former life I was part of an ATM network, nice, back in the days among others. Promoting the availability of that ATM network, even though they may not be our ATMs, even though they may be directing the consumer to a different financial institution, a drive-up window or a walk-up lobby, if you will, in order to gain access to that ATM, but having that or being part of that network can go a long way toward, again, convincing the consumer that we are convenient. They do have easy access to their money. The next slide and here's where I said things are changing a bit.

Let me orient you to what we're looking at here. When it comes time to switch, we've talked about convenience. Studies from 2014 and 2015 point out some interesting comparisons here. Consumer was asked back in 2014, in the blue bar, what makes my financial institution convenient? Again, responses from that 2014 appear in the blue bar. Let's go a couple of bars over from the left to the right, and you can see that back in 2014 consumers said – 30% of consumers said having branches nearby makes my financial institution convenient. Wow. I had to have brick and mortar pretty much everywhere back in 2014, which seems like eons ago, in order for the consumer to perceive me to be convenient.

Look at how things changed from 2014 to 2015 in the green bar. Again, in 2015, consumers were asked, what makes my financial institution convenient? The interesting thing here is – let's go all the way over to the left. Better than one out of every four consumers said you know what? If my bank or if my credit union has a strong or a robust online banking or mobile banking application, then they are convenient. If I can get to my accounts with that smartphone at the end of – sitting in the palm of my hand or, again, if I can access that financial institution through my laptop, my tablet, or even my desktop, if I happen to have one, that goes a long way now towards helping to create the perception among the consumer that we are a convenient financial institution.

When we conduct checking acquisition campaigns in financial institution, we will always tell them among other things, when it comes to convenience, yes, we want to tell that consumer, that prospect, that we've got a pretty strong branch network, that they can get access to their money at any of our particular branches, and that we may have branches all around town or all around the community. At the same time, increasingly we want that financial institution to communicate to the consumer that they can do everything in the branch over their online banking platform or through their mobile application. More and more we tell financial institutions that while you're promoting your checking accounts and it comes down to promoting convenience, we certainly want to talk about our branch network, and we want to communicate your local branch is not that far away. For example, when we send a mail piece to a consumer, we'll always communicate what that closest branch location is. We also want to tell the consumer that we've got a strong mobile banking application, that we've got a strong online presence. If they want to access their accounts that way, they certainly can.

Interestingly, on this slide – go left to right, and some things here really jump out at me. Now, ATMs pop up quite a bit. In fact, having no ATM or no foreign ATM fees can go a long way toward, again, convincing consumers that we are convenient, and that's no surprise. Nobody wants to pay a dollar and a half or $3 to access their money through an ATM machine, but what strikes me also on this particular slide is go almost all the way over to the right-hand side to convenient branch hours. Wow. That's not such a big deal anymore is it, right? We don't need to be open until 9 o'clock at night in order to convince the consumer that we're convenient. I've seen many studies of late that show that 5 o'clock or 6 o'clock, closing the branch hours at that – or closing the branches at that hour or those hours may not be such a negative in the mind of a consumer. We don't need to be open like the Gap in the mall, or Banana Republic in the mall, or Nordstrom to be open until 9 or 9:30 at night. Right now, branches open until 5 or 6 o'clock at night seem to be all the consumer is looking for. Again, the consumer knows that they can access their accounts online or through their mobile banking application.

Interestingly, I did a presentation recently that focused on online account openings. I don't have the slide in here, but if you'd like a copy of the slide, I'd be more than happy to get one over to you. That slide took a look at the hours of the day when consumers open up accounts online, and here's what was interesting. As you would expect, right, as the day progresses, we see a dramatic ramp up in when accounts are opened online, and by noon or 1 o'clock local time, that seems to be the peak point of when consumers are opening up their accounts online. Things tend to go down from there percentage-wise up until about 9 o'clock at night. Consumers are still out there opening accounts online where they can up until about 9 o'clock in the evening, and then after 9 o'clock at night, things tend to drop down. As you would expect, around midnight, 1 o'clock, things pretty much fall off the table until 8, 9 o'clock the next day. Again, that mobile banking app, that online banking app helps to show the consumer that they conveniently can access us. We see through those online account opening numbers that consumers are opening up accounts online at all hours of the day up until about 9 o'clock at night, and so that's again something we want to communicate when we talk to our new and existing account holders; that they have easy access to follow their accounts in a multitude of different – or through a multitude of different channels.

No surprise the role that mobile banking – and this slide's a little dated. I apologize for that, but in preparation for today's presentation, it was the most recent slide I could find. I think we'll be able to surmise where things are going. The role of mobile banking and deciding to switch, again, I think reinforcing what we saw. Let's take a look at this slide. Back in 2010, of course, mobile banking really didn't exist back then, so there was not much focus among the consumer on how important mobile banking was relative to my decision to switch financial institution. Let's go all the way over to the right-hand side. At the end of 2013, again, 3 short years ago but it seems like an eon, 60% of consumers said that mobile banking, a strong mobile banking platform really has a – can be a deciding factor relative to whether I'm going to switch financial institutions or not. Again, I would surmise that if this bar chart was extended out to 2016, that number that we see would only go up. As we've talked about prior, mobile banking, online banking, again, becoming much more of a determinate in the consumer's mindset relative to whether they're going to switch financial institutions or not.

What was your mindset relative to or prior to switching financial institutions? I really like this slide because, again, as the marketer, here's what it says to me. Let's look at this doughnut, for example, and start going clockwise from 12 o'clock. Thirty-two percent of consumers say that I had – I knew exactly the financial institution with whom I was going to open that account. Continuing along the doughnut, if you will, roughly the same percentage of consumers said I had only one financial institution in mind when I was going to open up that account, so fully two-thirds of consumers say I – for the most part, I knew who I was going to select. What this says to me is that I really need to be out there front and center marketing my financial institutions, marketing my checking accounts to prospects, as well as existing customers and members. Because if I can get in front of that consumer, again, what this doughnut says to me is that I can create the awareness, and take the bull by the horns among consumers, and show them that it makes all the sense in the world to open up a checking account with me. I like this slide as a marketer because, again, it just lays credence to the fact that I ought to be out there aggressively marketing as much as I can, as best I can, as most efficiently as I can. Because if I can get in front of that consumer and get my story to them, it's likely they're going to consider me and only me when it comes time to open up a checking account.

Who makes that decision? I like this slide because it may dispel some thoughts that we had going in. The responses are conducted this way: female responders in the green bar, male responders in the blue bar. I would focus your attention on this slide to the very top, to the top set of bars. Who makes all the decisions in the household? I think for years and years and years – now I knew way back when, when I started cutting my teeth in the financial services world, the perception was that the female makes all the decisions in the household. This chart shows that you know what? Maybe that's not necessarily the case. Maybe we ought not be solely talking to the female in the household, but maybe we ought to be talking to both partners within that household.

Again, take a look at the middle set of bars, right? The perception is really that both partners, whether you're a male or female, are making those decisions. My focus would be, if we're communicating, the message ought to be crafted in a way that we're talking to both the male and female in that household. Maybe focusing on only one might not be the right thing to do. It might cause our message, all that time and energy that we put into our creative, to eventually fall on deaf ears.

What happens when we promote checking? Who should we be talking to about – or what kind of checking account should we be talking about when it comes time to promote a checking account? If you look at the doughnut on the left-hand side, what this is saying is that free checking goes a long way toward convincing the consumer that they should come to us and open up a checking account. Roughly, what we see here is two-thirds of consumers are looking for free checking account. Now that may not play well within our organization, so maybe it ought to be that we should promote our low-cost checking option if we don't have a free checking option. With many of the institutions with whom I work, when it comes to acquisition campaigns, I will always encourage them, based on best practice, based on results I see from other financial institutions with whom I work as a strategist when we conduct checking acquisition campaigns, that they ought to be out there promoting their free or their low-cost checking account because that is what consumer are looking for. If we have a variety of different checking accounts and maybe we've got some checking accounts that range from free to low-cost, so maybe a checking account or two that has all the bells and whistles attached to it, we ought to promoting free checking or low-cost checking because that's what will resonate most loudly with the consumer.

Get the consumer in the door. Once that consumer comes in the door, that is our opportunity to conduct a needs-based discussion with that consumer, and eventually put them in the right checking account. If we go with that checking account that has all the bells and whistles attached in our promotional campaign, again, that may be a message that falls on deaf ears. I liken it to having an ice cream stand and advertising ice cream and only promoting my vanilla. I probably have 20 other flavors, but if I'm only promoting vanilla, I'm creating in the mind of the consumer the perception that all I sell is vanilla ice cream. I want to focus on the free or the low-cost. Talk about the fact that we have a checking account that will fit your need, whatever it is. Get the consumer to come in the door. In other words, wet their appetite for my checking accounts. Have that need-based conversation with a consumer once they come to the door, and then sell them on the appropriate checking account based on what those needs are.

Now on the right-hand side, if I do have fees, if I do have a low-cost checking account, what are those things that the consumer says you now what? I'm okay if you have these fees. If you have them, can I avoid that minimum monthly service charge? What consumers are saying is you know what? You can promote a checking account to me that might have a minimum balance requirement, and if I have to keep that minimum balance requirement in order to avoid a fee, I'm okay with that, right? Better than or almost six out of every ten consumers say tagging that requirement onto a checking account is okay as long as I can avoid a fee. Tagging a direct deposit requirement is okay as long as I can avoid a fee. From that, those other types of requirements that you see listed, eh, not so likely that the consumer is going to react to our reach out if those are the other fees that we're going to tack onto a checking account in order, again, for the consumer to turn that checking account into either a low-cost account or a free account.

How acceptable are fees? Again, pretty much dovetailing onto what we just talked about. You can see that eight out of every ten consumers say you know what? Some fees are acceptable. We talked about what those fees are on the prior slides. You see some of those fees on this particular slide. For our time purposes, I'm not going to drill down so much on these reasons that you see below. I'll let you do that when you get your presentation, but again, the message on this slide, eight out of ten consumers are okay if there's a fee attached to that checking account. We've just got to make sure that it's the appropriate fee. Again, whether it's a minimum monthly balance requirement, whether it's a direct deposit type of fee, those seem to play in Peoria. The other types of fees, not so much.

Let me stop here for a moment, if I will. I'm going to bring my colleague Erik Kelley back on the line, and ask Erik. Erik, good place to take a break? Good place for me to very quickly catch my breath, and give our audience a little bit of relief from just hearing me talking. Do we have any other questions that have come in that I can address?

Erik: We do. We have a question that just came in. The question is it seems like most people know that the majority of banks offer online and mobile banking. If this is the case, are there certain features that can be offered through online and mobile that helps in acquiring new clients, and how does a bank standout in this area?

Stephen: Great question. I would say, based on best practices among other things that I see that will resonate with a consumer are things like being able to open up an account either online or through my mobile banking application, so right now, that ability to open up an account through either of those two channels seems to be a differentiator. Those institutions with whom I work that have promoted that capability see a little bit of extra lift, and when we come back and inquire or when the bank or a credit union inquire about what drove that consumer to open up an account with them, what I hear during our debrief meetings after we've conducted these campaigns is promoting that fact or that capability can go a long way toward convincing the consumer to come to us. There's a perceived differentiator right now. Erik, any other questions?

Erik: We do have another one. What are your opinions regarding paper statement fees? Are they still becoming more common, or are they starting to disappear?

Stephen: Great question again. What I'm seeing many financial institutions do is implement a nominal paper statement fee, maybe 3, 4, or $5 a month, with the express intent, of course, of weaning that particular consumer off of paper and driving the consumer to go with online statements. What I'm seeing, in a nutshell, implementing a fee doesn't have to be a lot of money, 3, 4, or $5 is what I typically see out there. The results then that I'm hearing from other financial institutions is that that is going a long way toward convincing consumers that it's probably time to cut the cord on paper statements and go online.

Erik: There are no other questions at this time, Steve.

Stephen: Excellent. Let's then segue into our relationship strategies to talk about some things that we can do, again, in order to encourage that consumer to turn to us for that checking account, so let's go to our next slide. Maximizing cross-sell opportunities on this particular slide and when it comes to bundling packages, right, we want to bundle our checking account with a bunch of other stuff, a bunch of other services, a bunch of other features. Maybe it's insurance. Maybe it's things like credit life or disability. Maybe it's things like ID protection, etc., etc. When we look at this doughnut, there is some interest out there for those bundled packages. Again, starting at 12 o'clock on this doughnut we can see – and going clockwise from there, we can see that almost 50% of consumers are saying that you know what? A bundled package is okay with me, and it is something that I might be interested in.

Now, with a bundled package, again, on the right-hand side there's that bar chart again. If I'm going to add some fees to all these bells and whistles that I want to put in front of the consumer, are they okay with that? You can see. Better than 50% of the consumers say you know what? I'm okay if that fee can be waived either by having to maintain some sort of a minimum balance requirement or maybe having some sort of direct deposit relationship with you. I'm okay. Again, after that, the fees are not so likely to be accepted by the consumer, so just some thoughts there when we look at bundling products in order to deepen that relationship with the consumer.

When it comes to reward programs, again, maybe it's part of a bundled package that we're putting in front of a consumer. Who's interested in that stuff? Again, some experience from a prior life. I was involved with a reward program at a prior financial institution. It was a debit card score program that rewarded consumers – I'm sorry. It was a plastic score program, so it rewarded consumers for debit card purchases as well as credit card purchases. That was all well and good, but unfortunately, we did not do a very good job of keeping that program in front of consumers. While we made a big splash rolling it out, right, like a lot of things we do in marketing, we tend to forget that this is a journey and not a destination.

We had all sorts of hoopla around the introduction of that program, and then ignored or forgot about the program after that. Nonetheless, reward programs, as long as we can keep promoting them are of interest to consumers. If you look at the bar chart on the left, again, interestingly or surprisingly, who's interested in these kinds of reward programs? There's our Millennial again. One out of every four Millennials participate in those types of programs. Then, if you look at the bar chart on the right, nearly nine out of ten Millennials consider that those reward programs can be valuable or perceived as valuable, that they can be a differentiator if we want to put them in front of the consumer, and again, convince the consumer, encourage the consumer to open up an account vis-a-vis a checking account, let's say, with our institution. We want to attract Millennials. Again, we want to promote the fact that we're convenient, that we've got a strong ATM network, that we've got a robust mobile and online banking capabilities. Should we decide that we want to do some packaging, consumers are okay with that, and in particular, consumers are okay with reward programs, particularly younger consumers. However, we just got to make sure – again, some word to the wise, experience based on my former life. We've got to make sure that we've got the budget within our marketing budget or the dollars within our marketing budget to make sure that we can keep that information in front of the consumer so that it's perceived as a journey, and not simply a destination with those reward programs.

Here's where we're going to wrap up. I've got some takeaways from today's presentation. As I mentioned, I want to make sure that you all walk away with one or two kernels of knowledge from this, so let's go through some high points or some key points from this presentation. First of all, checking accounts are stable, but they're also volatile. Now that may sound like a bit of a misnomer but stable among older consumers, volatile among younger consumers. As we saw way back when at the start of the hour, younger consumers are switching checking accounts, right? Roughly one out of every five Millennials say they are in the market to change primary financial institutions. Second key point or second key takeaway to consider, consumers have multiple checking accounts within their particular household. When it comes time to promote checking campaigns, let's not forget about those existing customers who may already have a checking account with us, and let's not forget that when we communicate our checking campaigns or our checking features to our prospects, all the reason in the world for them to open up a different checking account or an additional checking account in order to manage a variety of different household expenses.

Overall, there's a high satisfaction with checking accounts. There are specific features, so for the most part, consumers like what we're offering out there. Secondly, we really didn't touch much upon this earlier, but with any checking campaign, you want to utilize a multi-channel approach, right? Whenever we can, if we're talking to existing customers or existing members, at Harland Clarke we always espouse a multi-channel outreach campaign utilizing direct mail, utilizing email, utilizing outbound telephone calls if we have the capability internally to do that, or you can rely on an organization like Harland Clarke to do that, utilizing mobile texting in order to also add some weight, some strength to our outreach campaigns. We will always promote multi-channel approaches with any initiative but particularly with checking. Onboarding packaging and cross-selling are key relationships as we just talked about.

Then lastly, relationship rewards can have a – can go a long way toward ensuring that we differentiate our checking programs, our checking products from the competition. Consumers are receptive to relationship reward programs. Unfortunately, many of them just don't know that they're available at our institution. Unfortunately, many of them just are not sure how they work. Again, word to the wise, let's make sure if we're promoting our reward programs, realize it's a journey and not a destination. Don't make the error that I made in my former life. Again, that message getting out to the consumer can go a long way towards retaining and attracting checking accounts.

With that, Erik, we've got a few minutes left. Do we have any other questions that may have come in?

Erik: I am not showing any additional questions at this time, Steve.

Stephen: All righty, thank you, Erik. Everybody on the phone, as I mentioned earlier, you will get a recording of today's presentation. You'll get all of the slides. You'll get to hear my lovely voice in about a week. That recording and a copy of all the slides will be sent out to you within the next week or so. Again, if you have any questions, feel free to reach me at Harland Clarke or to your local key account executive, and I will be happy to address any questions, any concerns, any information that you'd like as quickly as possible. Erik, I want to thank you today for being my partner in crime, and Jeb, any final words?

Jeb: Yeah, just real quick, Steve. Now, we did not put your email on this last slide. I think we normally do that. I know you'd offered that to several folks. It's pretty easy, stephen.nikitas, as spelled there on the screen, @harlandclarke.com

Stephen: Great. Thank you very much, Jeb.