



FREE CHECKING IS JUST BEGINNING.

The free checking craze was more than just a fad. It was a new version of an old product that swept the nation—made possible because of the...

- revenue generated by automatic overdraft
- lower cost of providing transaction accounts due, in part, to the increasing popularity of debit cards, ATMs, bank-by-phone and online banking.

However, only those banks that were the first to introduce free checking really benefited from an increase in market share. Today, free checking is just another generic checking product that does little to attract new customers, retain current customers or improve the bank's bottom line.

So, the question is this: *how can free checking truly benefit your bank as well as the customer?*

This issue of FOCUS will discuss how to make current free checking customers more profitable and how to attract new customers by offering checking products that are better than just free.

Differentiating accounts from the competition to increase cross-sell ratios

It seems hard to believe that anything could be better than free. However, to attract new customers, banks need to be creative in differentiating their free checking accounts, as well as their other accounts.

Here are some tips on how to make free checking—and your other checking products—more appealing:

- Provide free online banking and free bill pay services. Both of these services reduce your bank's cost of doing business and are highly attractive to younger and more sophisticated consumers.
- Further encourage customers to bank electronically by offering e-statements.
- Send customers email notices of account activity, such as low balance alerts, overdraft notices and money transfers.
- Use email to send customers tips on how to better manage and protect their money. At the same time, these emails can be used to help cross-sell additional financial services.
- Give Free Checking a name that promises to be more than just free—perhaps "Free Checking Plus," "Free Checking & More," or "Absolutely, Positively Totally Free Checking."
- Position your debit card uniquely—such as making your "regular" debit card a "gold card." Customers in higher-end accounts may then be given a platinum debit card with larger spending limits.
- Provide a set number of free ATM transactions per month at any ATM worldwide. Or, as some banks have done, make all ATM transactions service-charge free.
- Reward customers in certain checking account products with bonus rates on savings, money market and CDs.
- Further reward customers with lower fixed or floating interest rates on lines of credit, home equity loans, mortgage loans and personal loans.
- Consider other rewards that appeal to your marketplace such as air miles or dining points.
- If the Hispanic market is important to your bank, follow Bank of America's lead by providing free money transfers to Mexico.