

STRATEGIES FOR  
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 INSTITUTIONS

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Internet banking

Bill payment

Security

Email

Service

Online marketing

Interactive lending

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PRICING

The "Fee vs. Free" Controversy

**F**ree bill payment. It seems inevitable. With **Bank of America** and other U.S. mega-banks flogging free bill payment 24/7 (see Table 4, pp. 4-7), is it possible to still charge a fee and remain competitive?

We believe you *can* and *should* charge bill payment fees to at least a portion of your online banking base. But you need to expand the list of features and benefits for the fee-based option to distinguish it from free services offered by other banks (⇒ p. 12).

Eventually, you will likely divide your online banking base into two or more segments. The FREE entry-level service receives the usual laundry list of online banking benefits. The premium level qualifies for an even longer list of benefits, most notably, pay-anyone bill payment. However, premium customers pay monthly fees ranging from \$5 to \$10 or annual fees in the \$50 to \$100 range

The key to making this work is to get away from calling the monthly charge a "bill payment fee." That doesn't stack up well with BofA and other major banks. Instead, position the premium service as something with MORE VALUE for online-savvy households. Make sure there are easily discernable differences between basic and premium, other than bill payment, for example more extensive archives or more security options (⇒ p. 13 for more ideas).



If you are going to give up \$60/yr in fee income, make sure you let visitors know. HSBC has two banners on its Personal Internet Banking page (see p. 14).

If you do find it necessary to match the big banks with a free pay-anyone offering, we recommend the **Wells Fargo** approach (⇒ p. 2). Dole out free bill payment judiciously, as an incentive to encourage customers to increase balances, adopt e-statements, or add an overdraft line of credit (⇒ p. 12-13 for more ideas).

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-- Jim Bruene, Editor & Founder  
 jim@netbanker.com

## Bill Payment Pricing Research Results

In the U.S. market, the industry standard pricing model has been free online banking access combined with fee-based bill payment. However, during the past three years, the fees for bill payment have gradually gone away to the point where the most major U.S. banks advertise free bill payment, though it may not apply to all account types or balance levels.

In July, we surveyed the top 50 U.S. banks and found only two that still charged a monthly fee to all bill payment customers. Nearly half, 22 of 50, offered bill payment free to everyone. Three banks did not offer bill payment and the remaining 23 offered it free for certain accounts and/or balance levels. In total, 45 of the 47 (96%) largest banks with bill payment offered a free option (see Table 4, pp. 4-7). For those charging a fee, the average listed price is \$5.63/mo (see Table 2, p. 3).

Last fall, TowerGroup found 33 of the 50 (66%) largest U.S. banks providing bill payment free of charge to all or part of their customer base. Furthermore, Tower found that bill pay penetration increased from 22% of online banking customers prior to going free, to 38% after the change. This 70% lift was significantly more than what would have been expected without the price change. See more on the business case for free bill pay, p. 11.

### History of Free Bill Payment

Although BofA is largely credited with starting the free bill pay movement, Citibank was actually the first to go free. In a major branding campaign in the summer of 1997, the bank hit the streets of Manhattan touting its no-fee electronic banking message (the fee-free policy also applied to ATM transactions and other electronic banking transactions).

But until Bank of America's high-profile move, most major banks held to a \$5 to \$7 monthly charge, which not coincidentally covered their monthly bill to CheckFree. Citibank handled payment processing in-house, which may have contributed to their willingness to offer it fee-free.

Fees began to crumble in the fall of 2002 when BofA launched a multi-million dollar television advertising campaign promoting free bill payment. The campaign proved so popular with viewers that it continues to this day. At the time, BofA said it was their most-remembered campaign of all time. In the months and years since, most major U.S. banks have followed suit. The most recent major to go free was U.S. bank earlier this year (see Table 1, below).

One notable holdout is **Wells Fargo**, which last year said that 40% of its base still paid a monthly fee.<sup>1</sup> Assuming 2 million bill pay accounts, with 750,000 paying monthly fees of \$6.95, Wells Fargo is bringing in more than \$5 million per month in bill payment fees. While it may lose a few customers to its pricing strategy, the \$60 mil/yr can be reinvested into better services, more marketing, or shareholder dividends.

<sup>1</sup> American Banker, Wednesday, June 11, 2003

Table 1  
**Free Bill Pay Timeline**

Bank	Date	Comments
Citibank	1997	Part of high-profile strategy to make all electronic services free-of-charge
AmSouth	2001	Free-for-life promotion netted more than 100,000 signups
Charter One	2001	Became free for all
BofA	May 2002	Became free for all
Nat City	Sep 2002	Became free for all
Fifth Third	Feb 2003	Became free for all
HSBC	Sep 2003	Became free for all
Bank One	Aug 2003	Free for all but basic accounts
US Bank	Jan 2004	Web bill pay free for all consumers, MS Money/Quicken still \$4.95/mo
WAMU	May 2004	Also offer free to small biz
Hibernia	Sep 2003	Previously \$4.95/mo

Source: Online Banking Report, 7/04

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# PRICING

Table 2

## Summary of Consumer Bill Pay Fees at Top 50 U.S. Banks

Price Policy	Number	% of Total with Bill Pay	Average Consumer Price (monthly fee) <sup>3</sup>
Free for all*	22	47%	\$0
Free for most <sup>1</sup>	1	2%	\$5.95
Free for some <sup>1</sup>	22	47%	\$5.63 <sup>2</sup>
Fees for all	2	5%	\$5.47
Total with bill payment	47	100%	\$2.76
average price excluding free	25	53%	\$5.63 <sup>2</sup>
Not offered	3	n/a	n/a

Source: Online Banking Report, 7/04

- (1) Free of monthly fees; in a minority of cases, fees apply for excess usage and/or account inactivity
- (2) Excludes Comerica, whose pricing is not disclosed, and MBNA which charges by the transaction
- (3) Average fixed monthly fee, excludes transaction fees for excess usage

Table 3

## Consumer Bill Pay Fees at US Top-10 Banks

Bank	Bill Pay Monthly Fee	Fee Waivers?	Ala Carte Fees
Bank of America (& Fleet)	none	n/a	none listed
Citicorp	none	n/a	\$4.95/mo if paying by phone
JP Morgan Chase	none	n/a	none listed
Wells Fargo	\$6.95	yes, with \$5,000 balance	\$0.40 each payment after 25
Wachovia	\$6.95	yes, with certain accounts	none listed
Bank One	\$5.95	yes, with all accounts except Basic One Checking	none listed
Washington Mutual	none	n/a	none listed
U.S. Bancorp	none	n/a	none listed
SunTrust Bank	\$5.95/mo	yes, with certain accounts	none listed
HSBC Holding	none		none listed

Source: Online Banking Report, 7/04

<sup>1</sup>In June 2003, Wells Fargo reported that 40% of its customers received it free-of-charge.

<sup>2</sup>Wachovia is the other top-10 holdout; it has said that 70% of customers get it free-of-charge.

# PRICING

Table 4

## Consumer and Small Business Bill Pay Fees at Top-50 US Banks ranked by deposit size, 12/31/03

	Bank	Personal Checking Accounts Qualifying for FREE Bill Pay	Bill Pay Fees for Other Accounts	Comments
1	Bank of America (& Fleet)	All		Applies to personal and small biz accounts
2	Citicorp	All		\$4.95/mo to pay bills via phone
3	JP Morgan Chase	All		Applies to personal and small biz accounts
4	Wells Fargo	<b>Some:</b> Waived for qualifying balances	<b>Consumer:</b> After 2 months free, \$6.95/mo for first 25 payments, then \$0.40 each; monthly fee waived with minimum of \$5,000 in qualifying accounts. <b>Small Business:</b> After 2 months free, \$9.95/mo for the first 25 payments, then \$0.40 each; monthly fee waived with minimum of \$25,000 in qualifying business and personal accounts.	
5	Wachovia	<b>Some:</b> Free for Crown Banking, Crown Access, Crown Classic Banking, CAP-related accounts, Wachovia At Work, and Wachovia Privileges customers.	<b>Consumer:</b> After 3 months free, \$6.95/mo for unlimited transactions <b>Small business:</b> After 3 months free, \$6.95/mo for the first 15 payments, then \$0.50 each	Account access through QuickBooks will cost \$12.95 per month, after the first three months.
6	Bank One	<b>Most:</b> Free for everyone except Basic One Checking customers	<b>Consumer:</b> \$5.95/mo for Basic One Checking <b>Small business:</b> Free for first year, then fees apply	Bill pay fees for businesses not disclosed on website
7	Washington Mutual	All		
8	U.S. Bancorp	All (through the Web, except those paying through Quicken, Money, or QuickBooks)	<b>Small business:</b> Free for 2 months, then \$6.95/mo for first 20 payments, then \$0.50 each	
9	SunTrust Bank	<b>Some:</b> Free for Smart Solution Checking, Smart Solution Plus Checking, Preferred Checking, Signature Advantage; Total Business Banking, and Select Business Checking Extra accounts.	<b>Consumer:</b> Free for 90 days, then \$5.95/mo <b>Small business:</b> \$7.95/mo.	Pricing based on the disclosures for Atlanta-based accounts.
10	HSBC	All		
11	National City	All	<b>Small business:</b> After 90-day free trial, \$5.95/mo.	The minimum payment is \$1.00, and the maximum is \$50,000.
12	BB&T Corporation	<b>Some:</b> Free for Elite Gold, Elite Classic, Smart Money & Classic Banking	<b>Consumer and small business:</b> Free for 60 days, then \$5.95/mo for unlimited payments	Pricing for North Carolina-based accounts.
13	Royal Bank of Scotland	All		Pricing at citizensbank.com
14	Fifth Third Bancorp	All		
15	ABN Amro (LaSalle Bank)	All	<b>Small Business:</b> Free for 3 months, then \$4.95/mo.	

# PRICING

	Bank	Personal Checking Accounts Qualifying for FREE Bill Pay	Fees for Other Accounts	Comments
16	Bank of New York	<b>Some:</b> Free with Priority Value Banking, CheckInvest Select, or anyone with a \$5,000 average monthly balance in a consumer checking account	<b>Consumer:</b> Free for 2 months, then \$4.99/mo for online banking with unlimited bill payments; \$2.50 for Student accounts; online banking without bill payment is \$1.50/mo.  <b>Small Business:</b> Free for those with \$10,000 over the minimum balance in BusinessLink, Business Checking Edge, and Investors Checking; \$75,000 or more in combined checking and/or mutual funds balances for CheckInvest; also eligible for earnings credit on analysis accounts. Otherwise charges are \$10/mo for online banking and the first 20 payments each month, then \$0.50 per payment thereafter; online banking without bill payment is \$5/mo.	
17	KeyCorp	<b>Some:</b> Free for McDonald Financial Group and Key Privilege customers, and with the following checking accounts; Key Access Solutions, Key Growth Solutions, Key Express Free Checking, Key Free Interest Checking, Key Student Checking and Key Checkless Access	<b>Consumer and small business:</b> Free for the first 60 days, then \$5.95/mo	
18	Golden West (World Savings)	<b>Not offered</b>		
19	PNC Bank	<b>All</b>	<b>Small business pricing:</b> Basic Plus Plan: 20 payments per month included in plan, then \$0.50 each Enterprise Plus Plan: 30 payments per month included in plan, then \$0.50 each Business Basic Checking: \$9.95/mo for first 20 payments/mo, then \$0.50 each Analysis Business Checking: \$9.95/mo for first 30 payments/mo, then \$0.50 each	
20	Comerica	<b>Some:</b> Free with personal Premier package if bill pay used at least once each statement cycle.	Unable to determine fees from information posted on website.	
21	Mitsubishi Tokyo (Union Bank)	<b>All</b>		
22	SouthTrust	<b>Some:</b> Free for Maximum Advantage Banking, Dimension Financial Management Account, Special Advantage Checking and Professional Banking (including MediBanc and LegalBanc) customers; also, small business Basic, Plus, and Dimension package	\$5.95/mo for unlimited bill pay	
23	M&T Bank	<b>Some:</b> Free with M&T Select, M&T Select with Interest, M&T Direct Checking, and M&T Classic Checking	<b>Consumer:</b> \$2.95/mo <b>Small business:</b> First 20 payments free, then \$0.50 each	

# PRICING


	Bank	Personal Checking Accounts Qualifying for FREE Bill Pay	Fees for Other Accounts	Comments
24	Regions Financial	<b>Some:</b> Free with Regions E-ssential Banking, Regions Preferred Banking, and Regions Preferred Plus Banking	<b>Consumer:</b> Free for 3 months with Regions Basic Banking, Regions Classic Banking and Regions Heritage Club or 6 months with Free Checking, then \$5.95/mo  <b>Small business:</b> Free for one month, then \$6.00/mo in addition to online banking fee of \$9.95/mo (\$15.95/mo total) for first 15 payments, then \$.50 each	
25	MBNA	<b>Some:</b> Free for transactions posted to an MBNA credit card and for all transactions as long as at least two are posted to the MBNA credit card	Free for 60 days, then \$0.75 for each transaction posted to any U.S. checking or money-market account, fee waived if at least two transactions are posted to an MBNA credit card.	Allows payment from unlimited number of deposit accounts from any U.S. financial institution, see OBR Best of the Web, OBR 104
26	AmSouth Bancorporation	<b>All</b>		
27	Charter One Bank	<b>All</b>		
28	BNP Paribas (Bank of the West)	<b>All</b> except those paying through Quicken, Money, or QuickBooks	<b>Consumer:</b> Via Quicken or Microsoft Money: \$7.95/mo for first 20 payments, then \$0.45 each Via QuickBooks: \$15.95/mo for first 20 payments each month, then \$0.75 each <b>Small business*:</b> Via Quicken or Microsoft Money: \$9.95/mo for first 20 payments, then \$0.45 each Via QuickBooks: \$15.95/mo for first 20 payments each month, then \$0.75 each *Online banking through Quicken, Money, or QuickBooks without bill pay is \$5.95/mo	
29	Sovereign Bancorp	<b>Some:</b> Free for Ultimate Checking or Totally Free Student Checking	Free for 3 months, then \$4.50/mo	
30	Northern Trust	Not offered		
31	Union Planters	<b>Some:</b> Free for UPAccess, UPComplete, and UPSolutions checking accounts	<b>Consumer:</b> Free for 2 months, then \$5.95/mo for unlimited payments <b>Small business:</b> \$5.95/mo for first 20 payments each month, then \$0.50 each	
32	Bank of Montreal (Harris Bank)	<b>All</b> (excess usage fee applies to small business accounts)	<b>Small business:</b> Free for first 20 payments each month, then \$0.50 each	
33	Marshall & Ilsley	<b>All</b>		
34	Zions Bancorp	<b>Some:</b> Free for Gold Checking with \$800 minimum monthly balance; Gold Interest Checking \$1,200 minimum monthly balance; High Yield Checking with \$2,500 minimum monthly balance; any other checking account with a \$1,500 monthly minimum balance.	<b>Consumer:</b> Free for 60 days, then \$4.95/mo for the first 20 payments	
35	Commerce Bancorp	<b>All</b> (excess usage fees apply to small business accounts)	<b>Small business:</b> Free for the first 40 payments/mo then \$0.30 each	


# PRICING

	Bank	Personal Checking Accounts Qualifying for FREE Bill Pay	Fees for Other Accounts	Comments
36	Huntington Bancshares	<b>Some:</b> Free with Premier Checking, Money Manager, Senior Money Manager, Gold Money Manager, Platinum Money Manager, and Business Premier Checking	<b>Consumer:</b> \$4.95/mo for unlimited transactions from Free Checking and Student Checking accounts <b>Small business:</b> Free for Business Premier Checking, otherwise \$4.95/mo for the first 20 payments, then \$0.50 each	
37	Banco Popular	<b>Some:</b> Free with Most Popular Checking, Small Business Checking, and Business Interest Checking	All others: \$5.95/mo for first 15 payments, then \$0.50 each	
38	Banknorth Group, Inc.	<b>Some:</b> Free for Simply More Checking and Simply Preferred Checking	<b>Consumer:</b> Free for 90 days, then \$6.95/mo for Payday Partner Checking, SimplyFree Checking, and Student Checking; or \$4.95/mo for Interest Checking <b>Small business:</b> \$6.95/mo for Free Business Checking and BusinessPreferred Checking; or \$8.95/mo for Commercial Regular Checking and Commercial Interest Checking	
39	ING USA	<b>Not offered</b>		
40	Synovus Financial Corp.	<b>Some:</b> Waived for qualifying balances	Free for 45 days, then \$4.95/mo* for the first 10 payments, then \$0.50 each; monthly fee waived for \$2,000 average monthly balance in primary account** *online access without bill pay is \$2.95/mo, waived with \$2,000 average monthly *regardless of balance, \$6.95/mo fee will be assessed after any 90-day period with no payment activity	Pricing per CB&T website
41	Navy Federal Credit Union	<b>All</b> (must make at least 3 payments each month)	Free for 3 months, then \$4.95/mo for any month with fewer than 3 payments	
42	Compass Bancshares	<b>Some:</b> Free with Compass Directions Checking, High Interest Checking, and Investors Edge Banking, and CompassLink Checking with \$5,000 average daily balance	All others: \$4.95/mo	Based on information for Compass Bank in Dallas, TX
43	First Tennessee	<b>Some:</b> Free* for Monthly Statements Online (estatements) or Priority Choices Gold or Platinum customers	\$3.00/mo for students and Priority Choices Bronze or Silver; \$5.95/mo for all others *Customers with free bill pay will be assessed a \$2/mo fee after 90 days with no payment activity	
44	National Commerce Financial	<b>Some:</b> Free with e.Statements	Otherwise, \$6.95/mo for the first 15 payments, then \$0.50 each	Pricing based on information from NCB Nashville, TN
45	North Fork Bancorporation	<b>All</b>		
46	Hibernia Bank	<b>All</b>	Free bill pay not available for businesses with more than \$10 million in annual revenue	
47	Greenpoint Bank	<b>Some:</b> Free with Incredible Interest Account	Free for 3 months, then \$4.95/mo	
48	TeleBanc Financial (E*TradeBank)	<b>All</b>		
49	Astoria Financial Corp.	<b>None</b>	Free for 3 months, then \$5.00/mo Small business: Online banking is \$10/mo plus \$0.30 per bill payment	
50	City National Bank	<b>None</b>	<b>Consumer:</b> Free for 2 months, then \$5.95/mo for unlimited bill payments <b>Small business:</b> Free for 2 months, then \$5.95 for the first 10 payments, then \$0.50 each	

Source: Online Banking Report, 7/04

**Quick tip:**  
stop writing checks  
and save \$53.





**Sign up for Online Banking with Free Bill Pay**

Let's assume you pay 12 bills a month the old-fashioned way. Over the course of a year, that adds up to \$53 in stamps.

At Bank of America, our Free Online Banking service lets you pay all your bills with just a few clicks. Plus you can transfer funds, access account information and much more - all at no cost.

So keep the \$53. It's on us.


Take advantage of Online Banking with Free Bill Pay today.

**Not a Bank of America customer?**  
Open a new [Checking Account](#)

**Already have a Bank of America checking account?**  
Enroll in [Free Online Banking](#)

**Already using Bank of America Online Banking?**  
Start using [Free Bill Pay](#)

Paying bills online is free to new enrollees. Charges for account-related services still apply. Online Banking through Quicken® is available to residents of Oregon. Customer is responsible for the purchase and installation of Quicken® software. Residents of Washington, Idaho and Oregon currently cannot receive e-Bills through Online Banking.

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*Bank of America landing page from Google ad (8/25/04)*

## The Bank of America Story

Thanks to an unusual openness, motivated by the strategic importance<sup>1</sup> of its free bill payment policy, **Bank of America's** internal research results have been widely circulated in print. To recap, in a 2.5 year study of bill pay users compared to a control group of similar customers, the bank found a 30% profit lift (see Table 5 right). Despite conventional wisdom, little of it came from increased retention: the main driver was increased balances.

Normally, we don't pay much attention to studies correlating bill payment with higher profits. It's a function of the early adopter demographics and will gradually diminish as bill payment becomes a mainstream service. However, Bank of America's results deserve a second look because they used a control group of similar non-bill payment customers to compare profit lift.

We have serious doubts that you will be able to recreate these results within your own customer base. Here's why:

- What really caused the profit lift? Was it the bill payment in isolation, or was it the entire online banking experience at BofA's award-winning site.

- Did households in the control group already have one foot out the door? Perhaps the control group didn't adopt bill payment at Bank of America because they were already in the process of moving their balances to another financial institution. If so, the control group was predestined to have lower profits no matter what factor was evaluated.
- Was the control group really that similar? Although, they may have been in the same demographic segment, it seems to us that a household using bill pay in 2001 was fundamentally different in their financial behavior than one that didn't use bill pay.
- Would the same profit lift be seen with any new product geared to affluent customers, e.g., a new diamond credit card? In other words, it may not be that bill pay *causes* balances to grow; it's merely that those with growing balances tend to sign up for new upscale services regardless of what they are.
- Finally, even if you take the results at face value, does BofA's experience with early adopters during the past three years have any correlation with what you might expect with mainstream users during 2005 to 2008?

<sup>1</sup> Besides the free publicity, the bank has an ulterior motive for promoting free bill payment across the entire industry. The bank took a 16% interest (10 million shares) in CheckFree in Q2 2000; the deal was valued at \$400 million at the time.

Table 5

### Bank of America Results

*index of profitability with 100 = to profits prior to the household using electronic bill payment*

Initial customer profitability	100
+ deepened relationships (+27)	127
+ increased retention (+3)	130
+ reduction in servicing cost (+1)	131
- cost of bill pay service (-9)	122

Source: Bank of America, increase in customer profitability during a 31-month period ending in 2002, results of an analysis of 300,000 customers comparing profits from bill payment users vs. the profits of a control group of similar households not using bill pay





## Results from Online Resources

Online Resources, a major bill payment processor with more than 500 financial institution clients, found that bill pay penetration was 40% for free vs. 28% for those with monthly fees of \$5 or less (see Table 6 below).

Table 6  
Online Resources results  
Aug 2003

	Monthly Fee			Lift
	Free	<\$5	>\$5	
% of ORCC client's charging this fee <sup>1</sup>	33%	36%	31%	n/a
Online banking adoption <sup>2</sup>	18%	14%	13%	30%
% Bill pay conversion <sup>2</sup>	40%	28%	20%	60%
Bill pay adoption <sup>2</sup>	7.2%	4.0%	2.5%	120%

Source: Online Resources, 7/04

(1) January 2004 data

(2) June 2004 data

That's a 30% lift in conversion of online banking users to bill pay; and an even more impressive 120% lift in total bill payment adoption across the bank's checking account base. However, it's been achieved at a hefty cost. Not only are the banks giving up the \$5 to \$6 monthly free from their existing bill pay customers, they're paying several dollars per month for a whole new group of customers.

It's also difficult to ascertain how much of the increase in online banking adoption was accounted for by the free bill pay offer. Since the first to offer free bill pay tended to be more aggressive in their overall marketing of online banking, some of the lift is from better overall marketing, regardless of the price.



## Results from Compete Inc.

Ecommerce researcher Compete Inc., which has a financial services practice run by Stephen Franco, a high-profile analyst at US Bancorp Piper Jaffray during the height of the bank technology boom. He found that banks offering free bill payment had a higher share of their customer's electronic bill payments. At major banks that charge for bill pay, 18% of their customers used biller-direct payments. In comparison, those offering it free-of-charge had a third fewer customers (13%) using biller direct services (see Table 7 below).

Table 7  
Bank Bill Pay vs. Biller Direct  
Feb 2004

Segment	Number	Penetration of:	
		Bill pay base	Online banking base
Bank online	28.7 mil	n/a	100%
Any pay online	11.3 mil	100%	39%
Bank only	5.7 mil		20%
Billers only	4.6 mil		16%
Both	1.0 mil		3%

Source: Compete, Inc. 5/04

LowerMyBills landing page from Google ad (8/25/04)

## Bill Payment Pricing Myths

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### ONE

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#### **We have no choice: to stay competitive, bill payment must be free.**

There is some truth to this. Twenty-two of the fifty largest U.S. banks now offer bill payment free of charge to their entire online banking base (*Table 2, p. 3*). And the big banks, especially Bank of America, are making a lot of noise about their free bill payment services. And it does strike a chord with consumers who naturally would *prefer* it be free, and tend to believe it *should* be free, because of the incorrect assumption that it lowers the bank's processing costs.

However, online users are not naïve. They know there is a downside to free services. It could be less privacy, inferior product quality, or distracting advertisements.

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### TWO

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#### **We'll make up the lost fees with improved retention.**

There is no doubt that bill payment usage is correlated with higher retention. But that's the case with nearly every add-on service from savings accounts, to credit cards, to safe deposit boxes, or Saturday branch hours. Assuming customers like it, every account added increases retention.

It is true that electronic bill payment creates higher exit barriers (aka "switching costs" or "customer lockin") than a simple savings account. However, it's entirely possible that within a few years someone will invent a wizard that automatically moves a user's bill payment setup, merchant info, and history from one bank to another.

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### THREE

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#### **We'll make up the lost fees with higher balances.**

Again, we've seen the research and it points to a strong *correlation* between bill payment use and customer profitability. As Bank of America and others have demonstrated, the "extra" profits from the bill pay group vs. the control more than make up for the extra costs. In Bank of America's case, they showed an overall profit lift of 30%, after netting out the 10% increase in cost to service the account due to the bill pay subsidy (*see Table 5, p. 8*).

This is the best argument for free bill pay, and it may even have been true in the 2000 to 2003 period analyzed by BofA. Early adopter bill pay users were a profitable group; they may have had a tendency to add accounts at the bank that was providing them the latest and greatest services, including bill pay. Complicating the analysis, however, is the fact that the banks offering free bill pay, Citi and BofA, for example, also tended to have the best overall online banking services. Was it the free bill pay or the killer website that drove the incremental balance growth? Bank America made a billion dollar bet that it was the bill pay.<sup>1</sup>

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### FOUR

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#### **Eventually payment processing costs will decline.**

Clearly, end-to-end electronic processing has lower transaction costs than paper. However, electronic bill payment comes with an implicit customer service component absent from paper checks. When a paper check fails to reach the payee, no one expects the bank to track down the problem and make it right.

With electronic payments, the banks, and its processor, are required to troubleshoot and fix problems, even when the error was outside their control. As quality and volume increase, these costs will decline. But it will be difficult, if not impossible, for electronic transactions to have lower marginal costs if customer service expenses are factored in.

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<sup>1</sup> Bank of America's stake \$400 million stake in CheckFree gave it extra incentive to promote free bill payment.

## The Bottom Line

The real question: Does subsidizing bill payment improve profits more than spending that money in other ways, e.g., better service, better branches, better website, and so on? Only individual financial institutions can answer the question, factoring all the alternative uses of capital. However, we caution against blindly jumping on the fee-less bandwagon. Think of free bill pay as just one more strategic choice, not a mandate from the marketplace.

The simplest approach is a breakeven analysis (see Table 8, right). In other words, will my current bill pay base, and the new customers attracted to a free offering, bring in enough extra business to cover the \$50 to \$75 annual subsidy?<sup>1</sup>

On the deposit side, the case is pretty weak: to offset a \$60 annual subsidy, you'd need incremental balances of \$3,000 at a 2% spread or \$6,000 at a 1% spread. On the loan side, the numbers work better. At a 4% spread, you only need an extra \$1,500 to break even. But is subsidized bill payment really the most cost effective way to increase loan balances? If so, you should probably make a more direct tie-in, such as waving bill pay fees for taking a new credit line (see "Bill Pay Credit Lines," OBR 81, pp. 5-7).

### Mini Business Case

A more precise measure of the balance levels needed to cover bill payment fee waivers looks at the total cost of bill pay and the number of incremental customers attracted. For this calculation, use the following assumptions:

- \$90 annual cost for each bill pay customer, including internal servicing costs and outsourced processing
- 50% of bill pay customers would pay \$5/mo
- 50% are incremental, drawn by the free offer
- 10,000 total users

So the total incremental cost is:

- New users: 5,000 x \$90 = \$450,000
- Forgone fees from existing users: 5,000 x \$60 = \$300,000
- Total incremental costs: \$750,000

Table 8

### Breakeven Incremental Balances

Spread	Incremental Balances Needed to Breakeven	
	Total	Per Bill Pay Customer
1%	\$75 million	\$7,500
1.5%	\$50 million	\$5,000
2%	\$38 million	\$3,750
2.5%	\$30 million	\$3,000
3%	\$25 million	\$2,500
4%	\$19 million	\$1,875
5%	\$15 million	\$1,500
6%	\$13 million	\$1,250
7%	\$11 million	\$1,100

Source: Online Banking Report, 8/04

### Results

Even with a modest base of 5,000 bill pay customers currently paying \$5/mo for the service, you may need to attract \$25 million or more in incremental balances to make back the \$750,000 in incremental costs. Even if you think that's possible, is that the best return on the \$750,000 "investment." Would that money provide a better return if spent on service upgrades, marketing, or employee education?

When deciding whether you can bring in enough offsetting balances, keep in mind the demographic trend is moving in the wrong direction. Bank of America may have been able to improve overall profit 30% after costs; however, that was against an affluent, early adopter crowd. Going forward into the mass market, will the same profit lift be seen in the 2005 to 2008 period? We doubt it. The newest wave of users is less affluent overall, so it will be harder for them to bring in the balances needed to offset the \$50 to \$100 subsidy.

<sup>1</sup> Assumes total out-of-pocket and internal costs of bill payment are \$6 to 8/mo.

## Strategic Alternatives to Across-the-Board FREE

Eliminating bill payment fees is the simplest way to make customers happy. However, there may be less expensive alternatives that position you better for the long term.

First, let's look at how consumers choose a bill payment service provider. It's not so much about the price. What they want is to have their bills paid in a timely manner with the least amount of effort and maximum amount of control. Other factors play a role as well:

- overall complexity of household finances
- technological sophistication and outlook
- financial experience and behavior
- risk tolerance

Table 9, right, lists 43 attributes related to the consumer's bill payment purchase decision.

So, rather than offering it fee-free, perhaps you could improve your value-proposition in other ways to provide a similar adoption lift without losing the fee income altogether. Following are five alternative approaches.

### 1. Conditional (on another purchase)

- Free if you do add something that improves revenues, such as adding an account
- Free if you do something that lowers costs such as switch to e-statements\*
- Free with minimum balance levels
- Free as part of an overall relationship account

### 2. Crippled (reduced features and benefits)

- Free with usage limited to electronic merchants only
- Free with reduced or pay-per-incident customer service
- Free with reduced functionality
- Free with reduced usage

\*Two top-50 banks are using this approach, First Tennessee and National Commerce Financial

Table 9

### Factors Used by Consumers When Selecting a Bill Payment Provider

- security
- customer service availability
- quality of customer service
- timeliness of payments
- turnaround time of the payment
- payment scheduling requirements
- guarantees in the event of late/lost payments
- usability
- tracking of payments in process
- stop-payment capabilities
- merchant list
- process to add a merchant
- ability to review the billing statement
- confirmation numbers
- confirmation messages
- ability to schedule recurring payments
- how long it takes to complete a bill payment session
- how easy is to make a mistake
- session logs
- payment limits
- look and feel
- integration with other online banking activities
- built-in credit to handle shortfalls
- ability to pay from multiple accounts
- archives of payment transactions
- reporting
- automation options
- positive word of mouth
- customer service wait times
- online FAQs
- online instant messaging support
- telephone support
- learning curve
- SMS/IM confirmations
- ability to schedule via telephone
- integrated email to payees
- budgeting/planning tools
- search capabilities for prior transactions
- expedited transactions
- control
- privacy
- trust
- perceived record keeping improvements

Source: Online Banking Report, 8/04

# PRICING

### 3. Substitute other lower-cost FREE services

- Free paper check and statement archives
- Free account aggregation with online bill manager (see **LowerMyBills.com**, screenshot p. 9)
- Free 24/7 customer service
- Free interbank transfers
- Free credit report information
- Free account alerts
- Free companion air fare or other non-banking incentive

### 4. Provide overall relationship incentives

- Higher rates or lower fees on checking or other deposit accounts
- Lower rates and/or higher lines of credit
- Higher service levels and better guarantees

### 5. FREE as part of plain-vanilla, reduced-benefit online banking package

- Actively upsell advanced fee-based packages with numerous additional features and benefits (*see Table 10 below*)
- Limit the life of the plain-vanilla package; enact forced conversion after several years into fee-based product

Table 10

### Bill Payment Product Differentiation

Feature	Plain Vanilla	Gold	Platinum
<b>Monthly fee</b>	<b>\$0</b>	<b>\$4 to \$6</b>	<b>\$7 to \$10</b>
Transaction archives	1 year	5 years	Lifetime
Payee type	electronic only	pay anyone	pay anyone
Number of payees	15	50	Unlimited
Maximum single payment	\$1000	\$5000	\$100,000
Maximum weekly payments	\$2500	\$20,000	Unlimited
Integrated email	No	Yes	Yes
Number of accounts funds can be withdrawn from	1	2	Unlimited
Funds posted directly to a credit card	No	No	Yes
Funds withdrawn from accounts outside the bank	No	No	Yes
Session logs	No	Yes	Yes
Session logs via email	No	No	Yes
Payment reminders	No	Yes	Yes
User-defined security parameters	No	Yes	Yes
Customer service hours	60 hours per week	100 hours per week	24/7
Customer service rep	CSR	Senior CSR	Personal VIP rep
Customer service options	phone, email	phone, email	phone, email, IM
Customer service response time	24 hours	same day	30 minutes
Guarantee	Up to \$50	Up to \$500	Up to \$50,000
Refund within	1 week	1 day	1 hour
Security alerts	No	Yes	Yes
Integrated credit line	Up to \$1000	Up to \$10,000	Up to \$100,000
Rewards/usage program	No	No	Yes

Source: Online Banking Report, 8/04

# FREE BILL PAY MARKETING

## Gallery of Free Bill Payment Promotions

HSBC United States Personal Internet Banking

Free Bill Pay for all Personal Internet Banking customers!

Personal Internet Banking Online Bill Pay now Totally FREE for All Customers

FREE Online Bill Pay!

If you've got it flaunt it. HSBC (New Castle, DE) makes sure visitors to its *Personal Internet Banking* area realize bill payment is free, mentioning it four times on this page alone, including the large graphic in the middle of the page.

<[www.us.hsbc.com/internetbanking/default.html](http://www.us.hsbc.com/internetbanking/default.html)>

Google Web Images Groups News Froogle more

Search "free bill pay"

Results 1 - 10 of about 12,200 for "free bill pay" (0.28 seconds)

Free Bill Pay

www.netbank.com Get High-Interest Checking Sign-in Bonus - FDIC insured.

Citibank Checking Account

www.citibank.com Free checking with direct deposit. & Online Fraud Protection. Details

Yahoo! Bill Pay>Welcome

Welcome to Yahoo! Bill Pay, Already enrolled? Getting Started. Step 1: Secure sign in. Sign in using your Yahoo! ID and your Yahoo! Security Key. ...

Personal Internet Banking

HSBC Logo ...

www.us.hsbc.com/internetbanking/default.html - 29k - Jul 21, 2004 - Cached - Similar pages

Hibernia National Bank - Internet Banking - FREE Bill Pay

... free. Free Bill Pay is not intended for use by commercial and institutional clients with annual sales exceeding \$10 million. 2004 ...

www.hibernia.com/Common/Pages/Hub\_Site\_Front\_Door\_A/0,2499,3950\_0\_13428\_0\_00.html - 27k - Cached - Similar pages

Hibernia Bill Pay Guide

File Format: PDF/Adobe Acrobat - View as HTML

Page 1: Hibernia Bill Pay Guide A Guide to Paying Your Bills Online with Bill Pay from Hibernia Page 2: Welcome to Hibernia's Free Bill Pay Service! ...

www.hibernia.com/vgn/images/portal/cit\_584971841bill\_pay\_guide.pdf - Similar pages

MyAccountTour

Welcome Security Account Summary Account Statement Account Register Online Check Images Free Bill Pay Transfer Funds Reports Easy Downloads Customer Service ...

www.statefarm.com/bank/demo2/page07.htm - 6k - Cached - Similar pages

LaSalle Bank: Online Services: Online Banking with Bill Pay

... Online Banking with Bill Pay. Sign Up for Online Banking with FREE Bill Pay! >Enroll now >See how it works. From nearly any computer with an Internet connection! ...

www.lasallebank.com/online\_services/online.html - 32k - Jul 21, 2004 - Cached - Similar pages

NetBank was the only bank using "free bill pay" in its ad displayed against "free bill pay" searches on Google in late July, 2004.

Note: When we repeated the search Aug. 25, three additional companies were picking up the "free bill pay" in their Google ads, Principal Bank, LowerMyBills (screenshot, p. 9), and Bank of Internet.

# FREE BILL PAY MARKETING

**LA Schools Federal Credit Union** 3.99%<sup>APR</sup> for six months **Home Equity Line of Credit**

Home Equity Line of Credit | Free BillPay | Auto Equity Loans

e banking Access Deposits Loans Lifestyles About Us

Remember what it used to be about?

CU Succeed It's way too cool for parents . . .

REAL ESTATE LENDER | VERIFIED by VISA | NCUA

In late July, **LA Schools Federal Credit Union** (Rancho Dominguez, CA) was using a *Free Bill Pay* graphic on the center of its home page.

<[www.laschoolsfcu.coop](http://www.laschoolsfcu.coop)>

**Got Bills?** **There's No Monthly Fee for BillPayer!**

Now you can enjoy the convenience and speed of paying your bills online and there's no monthly fee\*!

**Don't quack up!**

No long lines, licking stamps, or runs to the post office – with BillPayer you can pay nearly any bill in a secure and private online environment. You decide how much to pay, when to pay it, and all it takes is a few clicks of a mouse.

**You could be One Lucky Duck!**

For every bill you pay online between now and February 29, 2004, you'll be entered into our **sweepstakes drawing** for the chance to win a new computer package including a flat screen monitor, digital camera, color printer and more!\*\* It's a \$2,500 prize package - not exactly chicken feed!

**Get Your Ducks in a Row...**

Enrolling in BillPayer services can be done in minutes, all from our web site at [www.pcfcu.org](http://www.pcfcu.org). Or, come in to a branch and we'll get you started right there! If you have questions about BillPayer, we invite you to email us at [membership@pcfcu.org](mailto:membership@pcfcu.org).

\* Some limitations apply. A minimum of 1 bill must be paid every month to avoid a \$4.95 fee. Other fees may apply. \*\* No purchase necessary to win. Contest void where prohibited. For complete rules and alternate entry method, visit <http://www.pcfcu.com/news/sweepstakes/2004>

Hey, it worked for AFLAC, so why not use a goose in your bill payment advertising? **Peninsula Community Federal Credit Union** (Shelton, WA) advertises its free bill pay program with this eye-catching picture (although, neither I nor my teenage son could come up with a plausible meaning for the "Don't quack up!" caption).

In the body copy, the first header "You could be One Lucky Duck!" discusses a usage sweepstakes for a \$2,500 computer package. Users get one entry for every bill paid. Although the contest is over, you can still see the webpage at:

<[www.pcfcu.org/BillPayer.htm](http://www.pcfcu.org/BillPayer.htm)>

# FREE BILL PAY MARKETING

Although **Union Square Federal Credit Union** (Wichita Falls, TX) could use a bit more restraint on its home page, we like how they point out that bill payment AND online banking are free.

Don't take it for granted your customers will automatically assume that if bill pay is free, so are other online banking services.

<[www.unionsqfcu.com](http://www.unionsqfcu.com)>

Giving away cars, especially convertible PT Cruisers (value \$25k), is always a good way to get attention. **Webster Bank**, (Waterbury, CT) with a history of online innovations, uses the sweeps to promote its *Totally Free Online Bill Pay*. Although the "totally" seems a bit redundant, it's not a bad idea to cast aspersions on your competitor's plain old free bill payment by hinting at their possibly hidden charges?

To be entered in the contest, new or existing bill payment users residing in New York or Connecticut had to log in and set up five payments between June 1 and July 30. The bank also gave away ten consolation prizes worth \$350 each: an Apple iPod\* mini plus \$100



# FREE BILL PAY MARKETING

**Polam Federal Credit Union** >>>>> [Contact](#)

Serving our Community Since 1974

[Polam](#) | [On-line Banking](#) | [Locations](#) | [Services](#) | [Community](#)

### Polam's On-Line Bill Pay:

Simplify your life by eliminating the need to write check after check to pay bills. No more wondering if you have postage stamps, forgetting to make a payment or going to the post office.

You can pay almost any business or individual that is currently paid by check with your computer such as: Phone Company, Insurance, Rent or Mortgage, Credit Cards, the Dentist or even your day Care Center.

[<<< Click Here to Enroll Now >>>](#)

#### Fast, easy and convenient

Schedule payments that are made on a regular basis for the same amount to be made automatically using the recurring payment feature of Bill Pay. And if you travel, this feature is very useful because you do not have to remember to make a payment or make special arrangements to mail a bill.

#### No Hidden Fees or Charges

And unlike other bill payment services, our monthly fee is fixed. Polam does not have any hidden fees or charges, minimum balance requirements or limits on the number of transactions each month.

Polam's Bill Pay service is offered at a monthly fee is \$5.00 for individual accounts and \$15.00 for business accounts. With the current postage rates, if you write 14 checks each month Polam's Bill Pay service can save you money in postage alone (based on individual account pricing).

Current Postage Rate	Bills mailed each month	Cost to mail bills
0.37	14	\$5.18

#### Easy to Use

Using Polam's Bill Pay service is fast, easy and convenient. You can use any computer connected to the Internet, even if you are away from your home. You can pay your bills even if you don't have access to a computer. Polam provides a toll free number so you can talk to a service representative or use the automated telephone system to pay a bill.

#### How to Sign Up

Enrolling into Polam's bill pay is easy too. Just ["click here to enroll"](#) Or if you prefer, give us a call during normal business hours and ask for Agnieszka @ (650) 367-8940.

#### Still not convinced?

Just fill out the Quick Form below and we will contact you with more details. You may also call Agnieszka during normal business hours at: (650) 367-8940


Name:

e-mail:

Phone Number:

Best time to call:

Comments:



**Contact Polam**  
(650) 367-8940  
[polam@polamfcu.com](mailto:polam@polamfcu.com)

Last but not least, **Polam Federal Credit Union**, (Redwood City, CA) has resisted the temptation to offer bill payment free of charge.

The credit union does a good job meeting the inevitable objections from its members, explaining how 14 bills per month would save \$5.18 per month, not coincidentally covering its \$5/mo fee.

Also, note the strong "PAID" image in the upper right. That's excellent imagery for the service.

We also like the "Still not convinced?" form. Although it's placed on the page below the fold, it's a great way to salvage prospects that are on the fence. It's probably far more effective, and a whole lot cheaper, than a 60-day free trial.

[www.polamfcu.com/billpay.htm](http://www.polamfcu.com/billpay.htm)

End of first screen with 1024 x 860 resolution.

## Widespread Misuse of Gartner's Online Banking Fraud Estimates



By now you've probably dealt with the repercussions from the June 14 MSNBC report by Bob Sullivan entitled, *Survey: 2 million bank accounts robbed*, followed by the subhead, *Criminals taking advantage of online banking*, Gartner says. A consumer (or senior banking manager) reading the article would likely come away believing that two

million U.S. consumers lost money from their checking accounts *due to online banking*.<sup>1</sup>

In fact, here is what Gartner actually said in its report<sup>2</sup>:

*Illegal access to checking accounts is the fastest-growing type of consumer fraud, and **may** be proliferating through online channels. (emphasis mine)*

The report goes on to say that most consumers do not know how their checking accounts were robbed: Only 17% believed their info was stolen off the Internet; another 10% reported wallets stolen; and only 5% recalled giving up personal info to phishers.

Gartner also said that 70% of the online consumers reporting losses also report that they banked or paid bills online, "which exposes their (codes) to the Internet." However, what Gartner failed to point out was nearly 70% of online consumers that *weren't* robbed also bank or pay bills online, so it's a meaningless correlation.

Finally, consider the research methodology. It looks staggering in the headlines to say that two million people were robbed. But my back-of-the-envelope calculations indicate this huge number was extrapolated from fewer than 75 respondents reporting a recent unauthorized checking account withdrawal (from Gartner's survey of 5,000 online

adults). Some fairly large errors can occur generalizing a small sample size to the entire population. I'm not saying it's wrong, but one should be wary.

As bad as the MSNBC article looks for the online banking industry, the *NBC Nightly News with Tom Brokaw* got even more carried away. They took an even bigger number, 4.5 million, which Gartner said is the number of people who have ever had an unauthorized checking account withdrawal, and mistakenly said that all those people were robbed via online banking. Here's MSNBC's synopsis of the TV feature posted online next to the Sullivan article (*see inset*):

*An estimated 4.5 million Americans have had money stolen from their Internet bank accounts. NBC's Bob Hager reports.*

This is a great example of what happens when a respectable piece of research is taken out of context. It begins to have a life of its own as other news media echo the original broadcast.

While many subsequent news articles echoed the conclusions of the original MSNBC piece, some dug deeper. For example, NBC affiliate WEEK-TV quoted **Peoples Bank** (Bloomington/Normal, IL) CEO Ed Vogelsinger as saying that despite having 20% of their base using online banking, so far no one has reported any Internet banking fraud. Way to go, Ed.

We urge our readers to take appropriate steps through their PR channels to set the record straight. At a minimum, be prepared to rebut the MSNBC numbers if approached by the media, and feel free to send any reporter our way to corroborate your position.

Contact: Jim Bruene, Editor, *Online Banking Report*, 206-517-5021 or email [jim@onlinebankingreport.com](mailto:jim@onlinebankingreport.com).

<sup>1</sup> Reference: <[msnbc.msn.com/id/5184077/](http://msnbc.msn.com/id/5184077/)>

<sup>2</sup> *Banks Must Act Urgently to Stop Account Hijackers*, by Avivah Litan, Gartner, June 14, 2004

# INNOVATIONS

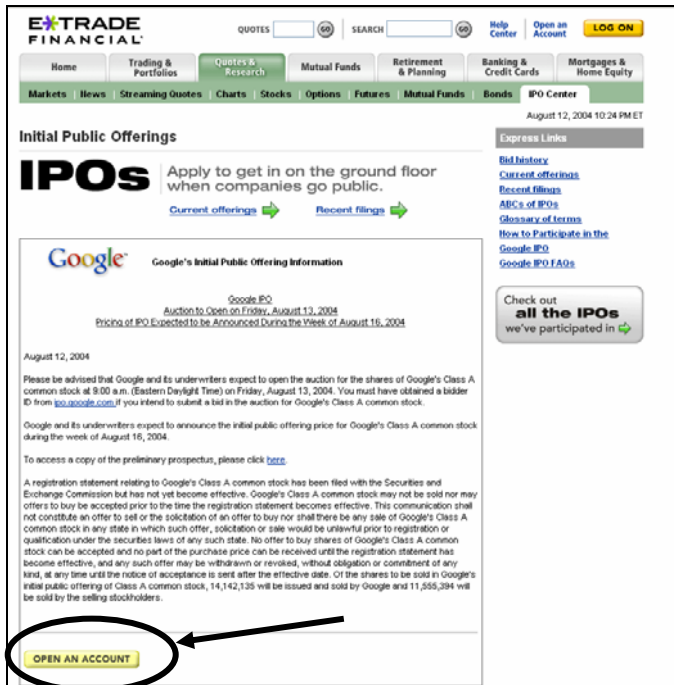
## Events Calendar

September	
12-15	<b>American Bankers Association Marketing Conference:</b> Scottsdale, AZ; \$1,485 (\$990 members); <aba.com>
20-21	<b>ID Theft Symposium:</b> Washington D.C.; by Thompson; \$1,395 (\$1095 financial institutions); (212) 803-6093; <tmconferences.com>
21-23	<b>Insights 2004:</b> Boston, MA; by Financial Insights (IDC); \$1,275, (\$955 clients); <financial-insights.com>
27-28	<b>Marketing Financial Services Symposium:</b> San Francisco, CA; by Thompson; \$1,395 (\$1,095 financial institutions); (212) 803-6093; <tmconferences.com>
October	
3-5	<b>Online 2004 - Financial Services Technology Forum (10th Annual):</b> Phoenix, AZ; by Thomson; \$1,595 (\$1,295 financial institutions); (212) 803-6093; <tmconferences.com>
3-5	<b>ATM &amp; Debit Card Forum:</b> Baltimore, MD; by Thomson; \$1,395 (\$995 financial institutions); (212) 803-6093; <tmconferences.com>
3-5	<b>Auto Finance Summit:</b> Las Vegas, NV; by Royal Media Group; \$1,195; (800) 320-4418 x.106, <royalmedia.com>
3-8	<b>User Experience 2004:</b> Las Vegas, NV; by Nielsen Norman Group; approximately \$600 per day for up to six days, discounts for advanced registration; (650) 594 0130, conference@nngroup.com, <nngroup.com/events> (see also Amsterdam, Nov 1-6)
6-8	<b>Wealth Management Forum: Chicago;</b> by Thompson; \$1,395 (\$1095 financial institutions); (212) 803-6093; <tmconferences.com>

October (continued)	
16-20	<b>Direct Marketing Association 87th Annual Conference:</b> New Orleans, LA; <the-dma.org>
18-19	<b>Payment Symposium 2004:</b> Los Angeles, CA; by Western Payments Alliance; \$795 (non-members); <wespay.org>, info@wespay.org, (415) 433-1230
27-28	<b>Cyber Security in the Financial Services Sector Executive Summit (3rd Annual):</b> New York; by Information Management Network; (212) 768-2800 ext. 1, mail@imn.org <imn.org>.
27-29	<b>Small Business Banking Conference (9th Annual):</b> Chicago; by Thompson; \$1,495 (\$1,195 financial institutions); (212) 803-6093; <tmconferences.com>
November	
1-6	<b>User Experience 2004:</b> Amsterdam; by Nielsen Norman Group; approximately \$600 per day for up to six days, discounts for advanced registration; 44 (0) 1737 780150, nng@professionalproject, <nngroup.com/events> (see also Las Vegas, Oct. 3 – 8)
8-9	<b>Financial Services Outsourcing Conference:</b> McLean VA; by BITS and Thompson; \$1,195 (\$895 BITS members; \$100 discount before Sep 13); (212) 803-6093; <tmconferences.com>
16-19	<b>BAI Retail Delivery:</b> Las Vegas, NV; \$1,695 (\$1,495 members); <bai.org>
December	
6-7	<b>6th Annual Mortgage EC Conference:</b> Las Vegas, NV; by Thompson; \$1,395 (\$1,195 financial institutions; \$200 discount before Oct. 8); (212) 803-6093; <tmconferences.com>

# ONLINE MARKETING

## Current Events as Marketing Opportunities



One of the most interesting personal finance stories of the year was the **Google** IPO. Yet, searches at the top 10 U.S. banks conducted two weeks prior to the IPO, as well as a little googling of our own, found no banking institution using this as an opportunity to educate and sell customers on less-risky investments, such as no-load mutual funds, 401(k) accounts, college savings plans, and so on.

On the other hand, participating brokers were busy using the free publicity to open new accounts. A search on **E\*TradeBank's** home page yielded 18 results, with the first being an informational page complete with *Open an Account* button on the bottom (*screenshot left*). Next time there's a national story such as this, be prepared to jump on the marketing bandwagon.

## Online Banking REPORT

Strategies for the Internet

4739 University Way Northeast, Suite 1002, Seattle, Washington, USA 98105

### Upcoming Topics

**ONLINE LENDING:** We'll be taking a look at the state-of-the-art in online loan originations, revolving credit, and borrower services, from pre-application support to post-close servicing.

**FINANCIAL INNOVATIONS:** Look for the launch of our weekly update service to keep you better informed of key online financial innovations and other marketing milestones.

### Start my ONLINE BANKING REPORT subscription:

- \$995 for 1-year of access (single user)
- \$1,595 for 2 years of access (single user)
- \$1,995 for 1-year of company-wide access\*  
(\*500 or fewer employees; call for other prices)

Name: \_\_\_\_\_

Position: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ Country/ State: \_\_\_\_\_ Postal Code: \_\_\_\_\_

Phone: (    ) \_\_\_\_\_

Email address: \_\_\_\_\_