

THE \$100 PROMOTION

by [Steve Brown](#)

One tactic that has been making a comeback is the \$100 giveaway. The simplicity, tangibility and marketing visual of a clean, crisp Benjamin continues to be a proven draw for retail and small business customers alike. Over the last 2 months, no less than 20 major and regional banks have introduced promotions centered on the \$100 bill. While we don't have the data whether these promotions were effective, we did put together a sample of those \$100 promotions that we found interesting (for one reason or another) and their estimated return on the investment. The highest return on investment comes from a Bank of America promotion that rewards customers \$100 if they open an IRA and fund it with \$25k. The long duration, positive convexity and associated fees makes this a 50x+ return - one of the best promotions that we have currently seen in banking. Another lucrative and innovative promotion that caught our eye was one in March by BBVA Compass that gave two \$100 rewards to non-profits that enrolled in the "Compass for your Cause Program" and made 5 signature-based debit card transactions. The debit transactions helped defray the cost of the \$200 cash, but the real profit came from the program that gave the non-profit \$50 to each supporter that opened a reduced fee, retail checking account (\$25 minimum opening deposit with online bill pay and 5 transactions per month), affinity Visa credit card and used their signature debit card. Compass adds cash for various levels, to include \$500 extra for 25 supporter accounts, \$2,500 for 100 supporter accounts and \$10,000 for 250 supporters. This brilliant cross-sell package most likely returns a 7x type of return, assuming accounts are just average in their balances and debit card usage (although we point out that Compass could actually lose money, but the probability is low). Getting back to basics, Bank of the West kept things simple by giving away \$100 if one of the following occurs for a new retail account: 1) \$100 initial deposit + direct deposit of at least \$250 per month, or 2) 10 online bill payments of at least \$25 each within 60 days. In addition, the Bank ran a business checking promotion whereby accounts that opened with \$25 and made 5 debit card transactions of \$25 or more also received \$100. This one is instructive to analyze as the return is in the 25%+ range. Not bad, but the lucrative accounts aren't probably attracted to the \$100, so what you end up with is a more shorter duration and possibly negatively convexed accounts (money flows out when rates go up). As such, the annual and terminal value to this structure is much less than the first 2 promotions we covered above we would expect. In addition, we point out that given the choice between direct deposit and online bill pay, the obvious choice is that direct deposit is more valuable to the Bank, Bank of the West's requirement that 10 online bill pay transactions must be done in 60 days, doesn't necessarily make this the case as it means that multiple payees must be set up (probably 5), each one potentially increasing the duration on the account. In addition to the promotions above, there are a myriad of more traditional promotions that gave away \$100 for the inclusion of direct deposit to an existing checking account (M&I) or opening an account in general (PNC, Citibank, MidFirst, Coamerica, etc.) that had either a minimum account balance, debit usage or other transaction minimum. These accounts usually produce a return of 20%+ depending on the demographic and structure.

If you want to learn more about account structuring and product bundling, be sure to come to our EMC Conference where along with new products, we will talk about the "must-get-on-board- now" trend of structuring deposit products for greater profitability. As you will see at the conference, if used correctly, the \$100 promotion can pay great dividends both this year and the future.

BANK NEWS

Banks Closed (28 YTD)

The FDIC closed 1) Nevada Commerce (\$145mm, NV) and sold it to City National Bank (CA). City National gets 2 branches, paid a 0.71% premium for all deposits and entered into a loss share agreement on 77% of assets. 2) Western Springs National Bank and Trust (IL) and sold it to Heartland Bank and Trust (IL). Heartland captures 2 branches, paid no premium for all deposits and entered into a loss share agreement on 54% of assets.

M&A

For its 5th acquisition in less than a year, BancFirst (\$5B, OK) will purchase 1st Bank Oklahoma (\$265mm, OK) for an undisclosed sum.

Raising Distrust Once Again

A bill introduced by Senator Olympia Snowe (R, ME) is targeting the SBLF fund and could lead hundreds of banks to drop out of the program if it passes. The bill would set higher benchmarks for small-business lending; bar the use of SBLF funds as Tier 1 capital; and require repayment within 10Ys. So far, about 600 banks have applied for SBLF and about 50% of those are TARP recipients.

Savings Rate

The highest straight savings rate in the country rests with People's United Bank (\$24B, CT) at a 1.20% APY.

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