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Banks Push Harder to Get You to Switch

Services Aim to Ease Hassle
Of Moving Your Accounts;
Rerouting Direct Deposits

By JANE J. KIM
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After 53 years, Don Neville has a new bank.

The retired consumer-relations manager stayed with **KeyCorp's** KeyBank for decades because it was too much trouble to switch banks. His monthly utility, telephone and insurance bills were automatically paid from his account, and his Social Security and pension checks were directly deposited there. "To change all that would be a pain in the neck and time-consuming," says the 76-year-old resident of Ballston Spa, N.Y.

QUESTION OF THE DAY

 1 • **Vote:** What is the most important consideration in choosing a bank?²

Then along came Citizens Bank -- a unit of Citizens Financial Group Inc., owned by **Royal Bank of Scotland Group PLC** -- brandishing a higher rate, more convenient branch locations and an offer to handle all the paperwork for him.

As direct deposit and automatic payments have made switching banks harder in recent years, banks are increasingly dangling hand-holding services to get clients like Mr. Neville to defect.

Firms such as Citizens Bank, **National City Corp.** and **Commerce Bancorp Inc.** are offering to contact companies and employers on customers' behalf to help change their direct deposits, automatic payments and online bill payments from their old account to their new account. Earlier this year, **J.P. Morgan Chase & Co.** began having its staff walk customers through the switching process in its branches. Previously, customers had to download forms online.

TRADING BANKS

Banks are making it easier for customers to switch accounts. Here's what to look for:

- New online 'switch kits' that will automatically transfer account information from your old bank.
- Ask for help from bank employees. Many will make the calls to switch automatic payments for you.
- Find out if the bank will waive any overdraft fees if transfers aren't made in time.

These moves come as the percentage of customers who leave their bank every year -- a figure which has typically averaged about 15% annually over the past five years -- has started to decline. The reason: More customers are paying their bills from their bank's Web site, says Dan Schatt, a senior analyst at research and consulting firm Celent -- and are reluctant to make a switch.

The banks themselves may be partly to blame for this. As they aggressively compete for deposits, they have offered free online bill pay and rewards for signing up for direct deposit to get customers to stick around.

That has made it harder to get competitors' customers to switch accounts, which, in turn, is leading banks to introduce new switching procedures.

The new programs come on top of banks' traditional enticements, such as free gifts and promotional rates, that banks have used as a way to lure customers. **PNC Financial Services Group** Inc. recently began offering to waive the first overdraft or insufficient-funds fee for customers who are switching. **BankAtlantic Bancorp** Inc. -- which is currently passing out gift cards and George Foreman grills to new customers -- is offering to pay customers up to \$25 for their old checks and to shred those checks in its branches.

"We find that if a customer doesn't switch everything over in the first 60 to 90 days [after they open a new checking account], they will go back to the old bank," says Deborah Sutor, vice president at Huntington National Bank, a unit of **Huntington Bancshares** Inc., whose bankers also sit down with customers to fill out the forms together.

Formerly, banks attempted to address this challenge with "switch kits" -- typically, simple checklists intended to walk people through moving a checking account. Yet many prospective customers failed to fill out all the necessary forms, leading banks to offer to do it for them.

Many banks are making a competitive sport out of grabbing rivals' customers. **Fidelity Southern** Corp.'s Fidelity Bank, for example, pays new customers up to \$20 for their old checks and keeps clear, giant trash bags of shredded checks in each of its branches from people who have switched banks. The Atlanta-based bank also keeps "scoreboards" in its branch lobbies with the names of customers' former banks.

So far, the banks' offers have attracted some interest from customers. Joe Shipe, a Monroe, N.C., store manager, has five direct deposits and seven automatic payments that are tied to his checking account, which he recently moved from his old employer's credit union -- where he had banked for more than 30 years. His new bank, **Wachovia** Corp., provided him with a switch kit outlining the steps that he needed to take to transfer his accounts. With all the electronic transactions that he and his wife had set up over the years, says the 56-year-old Mr. Shipe, "I wouldn't have known what to do."

Citigroup Inc.'s Citibank, meanwhile, will soon roll out an updated switch kit that will include more detailed instructions on how to move accounts. The bank is also looking at services that will allow customers to switch their account information automatically from another financial institution. Later this year, **BB&T** Corp. -- which operates banks primarily in the Southeast -- plans to launch an enhanced version of its switch kit that will make it easier to submit information online.

For the banks, there is a lot at stake. Customers who stay for more than a year tend to stick around for the long term -- and their profitability almost doubles, says Richard Westelman, director at Dove Consulting, a division of Hitachi Consulting, which helps banks set up so-called switch centers.

In the past, consumers might have had one checking account and one savings account at their neighborhood bank, where they would often stay for years. Today, they are likely to have multiple accounts spanning several institutions. And while the wave of bank mergers in the 1990s sent waves of disgruntled customers to other banks, it also made it easier for some customers to stick with the same bank when they moved across state lines.

Over the past five years, banks began competing intensely for checking-account deposits as they realized how profitable those deposits could be, particularly if interest rates rose, says Michael Poulos, head of financial consulting firm Mercer Oliver Wyman's North American retail-banking practice. "There is almost nothing a bank will not do to get a consumer's checking account," he says.

Breaking Up With Your Bank

Here's a sampling of what various banks are doing to help customers switch from other firms.

BANK	HELPING WITH SWITCHING
Citizens Bank or Charter One Bank citizensbank.com charteronebank.com	Offers an online tool that generates customized letters to move account information and a concierge service to Circle Gold checking customers. Citizens customers in the Northeast and Mid-Atlantic regions can call (888) 753-1900; Charter One Bank customers in the Midwest can call (888) 727-2279.
Commerce Bank commerceonline.com	Offers a "switch kit" package in branches as well as a concierge service to all new customers where the bank will move your account information for you.
Huntington Bank huntington.com	Offers a "Switch & Go" booklet in branches. Bank staff will often help customers switch accounts.
National City www.nationalcity.com/switchservice	Offers an online switch center that generates customized letters to move account information. Also offers a "Switch Service" where the bank will do the work for you. Customers can call a dedicated phone number (866) 622-3948.
PNC Bank pnc.com	Offers an online service that generates customized letters to move account information. Customers can also call (866) QUIK-PNC.
Wachovia wachovia.com/switch	Offers a "switch kit" package online and in branches that lists the steps customers can follow to move their checking account.

Source: the companies

Once the banks get the customers, they work hard to keep them. Today, consumers have more electronic "hooks" than ever tied to their checking accounts -- which is why banks looking to poach need to get more aggressive. Nearly half of U.S. households' recurring bills are paid electronically -

- either through the bank's Web site, directly at the billers' sites or by automatic services -- up from 25% in 2003, estimates Celent's Mr. Schatt.

New technology promises to loosen some of that "stickiness" and make it easier for banks to deal with one of the biggest barriers holding new customers back -- transferring online bill payments. Companies such as Yodlee Inc. and Esaya Inc. are offering new products that allow banks to automatically move customers' online-billing information from a competitor's bank.

More than 1,000 financial institutions have basic switch kits, according to the Online Banking Report. Some services may be available only to certain customers. Citizens' Switch Support, for example, is available only to customers buying its premium checking account, Circle Gold, which requires at least \$20,000 in total balances across the bank to avoid monthly fees.

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