

## Checking Acquisition Strategy Retooled

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This \$2 billion community bank had been a long-time proponent of the Free-Checking-With-Gift strategy. While the strategy had been successful in the past its more recent production had dropped off.

The bank hired Galapagos to evaluate its broader growth strategy. Our analysis identified a number of unintended consequences brought about by the focus on Free:

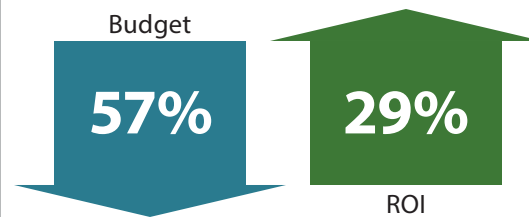
1. The Free Checking program consumed 93% of the bank's marketing budget that was focused on new account production
2. The bank had virtually ignored its sizeable opportunity to grow share of wallet with its existing customers, which our analysis estimated at \$115 million in year one
3. 98% of all new checking accounts opened were Free Checking, regardless of whether or not that was the best solution for the customer
4. 31% of these accounts left the bank within the first year, a churn rate that drastically eroded the program's reported ROI

As a result of our analysis and subsequent recommendations, the bank's growth strategy was retooled. The checking line-up was redesigned to offer more appeal to a broader base of customers and to encourage relationship expansion. The checking account acquisition program was optimized to better target likely prospects. Marketing dollars were reassigned to support a more aggressive customer expansion program. Management of the acquisition and expansion programs was outsourced to Galapagos.

### As a result of our collaboration:

The bank has reduced the marketing budget spent on its acquisition program by 57% while program ROI has increased by 29%. The budget spent on customer expansion has increased by 30% and program ROI has increased by 22%. First-year checking account attrition has been reduced by 35%, the net annual growth in new checking accounts and new account revenue has increased significantly.

#### Customer Acquisition Program



#### First-Year Checking Account Attrition Rate

