

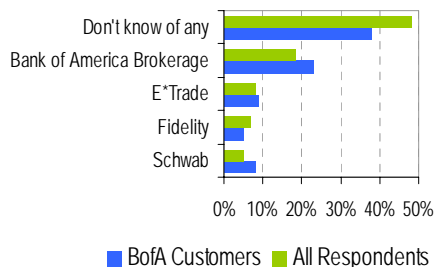
FINANCIAL SERVICES ADVISOR™

Monthly insights from Compete for financial services executives

Can Free Trades Create a Bank of America Free-For-All?

Lately, there has been a flurry of activity in the online brokerage space around "free trades". Bank of America got things rolling in October by introducing "\$0 Trades" on its website and across various online financial media outlets. To better understand the influence that free trade offers have in the online brokerage market, Compete surveyed prospects and customers visiting the Bank of America website – and visitors to competitor sites – on their awareness and interest in free trades.

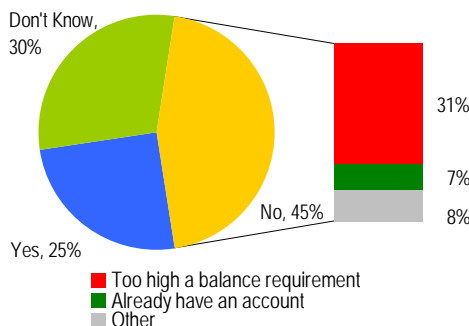
Unaided awareness of free trade offers (Compete Survey, 12/2006)



The good news for Bank of America is that it was the company that online traders most associated with the free trades offer. That said, however, almost 80% of respondents were unaware of the offer from Bank of America. Even among the company's own online bankers, awareness of the promotion was only slightly better with just 23% of existing Bank of America customers associating their bank with the free trades offer.

Compete uncovered that a key obstacle for companies who choose to tie free trades to a minimum balance requirement is the degree to which potential customers are **confused about what they need to qualify**. Most online traders who said they were not interested in the free trades offer, said so because they misunderstood the requirements. It's not clear to these consumers that the \$25,000 qualifying balance may be held across any number of bank accounts. Most are under the misconception that the balance must be maintained in their trading account and it is for this reason they are indifferent – or sometimes loudly opposed – to the idea.

Are you interested in the free trades offer, and if not, why? (Compete Survey, 12/2006)



Marketers need to do a thorough job at getting the word out when they choose to invest in an offer like this – using traditional media as well as online – and they need to go the extra mile to test their messaging to assure that target traders clearly understand how much flexibility is available to them in meeting minimum balance requirements. If they are successful in communicating what they have to offer, as much as 31% more of the target market may decide it is the right offer at the right time.

Monthly Metrics

Financial Services Indicators Month-over-Month Change (September 2006 – October 2006)

Top non-branded search terms		
Insurance terms		
auto insurance	▼	-15%
car insurance	▼	-30%
insurance	▼	-9%
Brokerage terms		
stock(s)	▲	3%
mutual fund(s)	▼	-23%
cd rates	▼	-13%
Home loan terms		
home equity loan	▼	-10%
mortgage calculator	▼	-23%
mortgage rates	▼	-7%
Prospect and Applicant Volume		
Product category	Prospects	Applicants
insurance	▲ 17%	▼ -3%
brokerage	▼ -10%	▲ 37%
home loans	▲ 4%	▲ 12%

The brokerage and home loan sectors showed significant growth in completed online applications. The number of consumers shopping online for brokerage accounts dropped demonstrating that those who remained were more "serious" shoppers; this could be expected with the stock market hitting record highs. With interest rates decreasing and some analysts predicting a "bottom" to the softening real estate market, home loan applicants rose significantly for the first time in four months. Despite the month-over-month growth in applicants, volume remains well below the first-half 2006 monthly average.

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