

Insights for financial services executives on consumer online behavior

Direct banks are siphoning customers from traditional retail banks through more effective online marketing, convenience and attractive rates. It's a compelling, low-risk value proposition for today's savvy online financial services consumers.

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Compete tracks and analyzes consumers' pre-purchase consideration of banking and lending products from intent through evaluation through post-sale satisfaction. Financial services companies use insights from Compete about consumers' online evaluation of products and services to enhance marketing plans, hone product packaging and increase penetration into target customer segments

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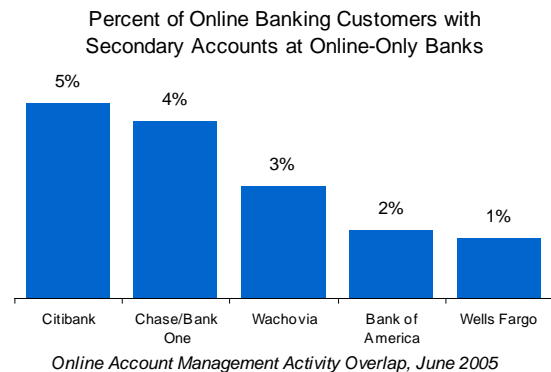
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DIRECT BANKS SIPHONING RETAIL BANKING CUSTOMERS

Financial customers show an increased preference for high-yield savings accounts offered by banks that are focusing their business online and through other direct channels. During the first six months of 2005, online account activity at **ING Direct, Capital One and Emigrant Direct** outpaced larger, traditional retail banks. Compete anticipates that this trend will continue, spurred by marketing campaigns that are already increasing online application rates at direct banks' websites.

Compete analyzed the extent to which direct banks have cut into the customer base of leading US banks and found that Citibank and Chase have the largest percentage of customers that have accounts with direct banks. Bank of America is vulnerable as well: more than 200,000 of its online bankers logged in to secondary deposit accounts in June, representing approximately **\$3.2 billion in lost deposits assets**.

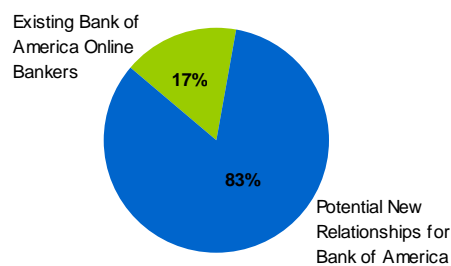


Though online bankers are considered more loyal than traditional banking customers, the opportunity to transfer discretionary savings accounts to get a higher rate is drawing customers away. To reverse this **outflow of customer deposits and avoid cross-sell competition**, traditional banks need to offer valuable online consumers more competitive savings rates and stress the ease and convenience of managing all of their financial relationship online in a single place.

BANK OF AMERICA: TAKING CREDIT AT MBNA

Bank of America's planned \$35 billion acquisition of MBNA provides the bank with an opportunity to transition MBNA's online accounts, yielding valuable **new online relationships**. With MBNA, Bank of America will control a powerful marketing platform to convert MBNA online account holders away from other retail banks to its online banking services and other products such as home loans.

MBNA Active Online Account Managers



Compete's analysis indicates that just one in five MBNA online account holders in June were also online banking customers at Bank of America. Given that its share of online banking activity among all major banking sites exceeds 40%, **Bank of America's penetration into the MBNA cardholder base is disproportionately low** – creating tremendous upside growth potential for the bank. Wells Fargo, Wachovia and Chase online bankers are the most at risk, as these banks constitute 20% of online MBNA account holders.

Compete also investigated which financial services companies would gain the most new customers from online cardholder accounts at Capital One and Discover. **Citibank, National City, US Bank and Wachovia have the greatest opportunity** to acquire net new online banking customers from these leading card issuers. In doing so, banks will acquire valuable new customers who are active consumers of personal credit services and are already sold on the advantages of online account management.