

FINANCIAL SERVICES ADVISOR™

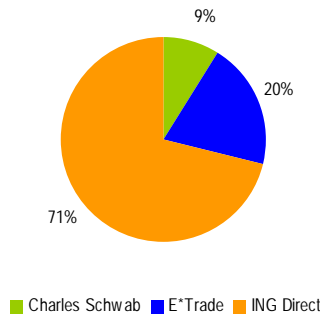
Monthly insights from Compete for financial services executives

IS HIGH-YIELD CHECKING GAINING MARKET TRACTION?

The emergence and growth of high-yield savings accounts from institutions such as ING Direct, HSBC Direct, and Emigrant Direct is well documented. These companies have acquired deposits volume by offering high interest rates, often above 5%, and easy to understand online account management processes. However, what if a consumer desires a high-yield deposit account with checking functionality? A few companies have launched high-yield checking products to meet this untapped consumer need by leveraging the cost efficiencies inherent in an online only product offering. We at Compete wanted to find out whether these products have gained traction in the marketplace.

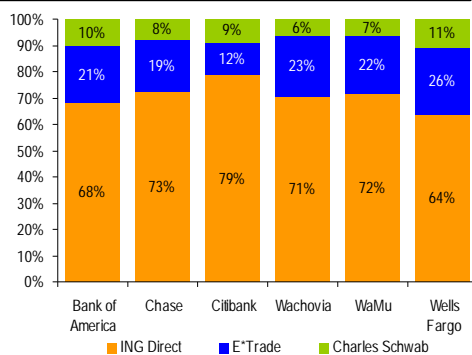
We analyzed consumer interest in ING Direct's "Electric Orange" account, E-Trade's "Max Rate Checking" account, and Charles Schwab's "Schwab Bank High-Yield Checking" account by studying online consumer behavior at these companies' websites. In aggregate, high-yield checking shopper interest, measured as traffic to high-yield checking product specific pages at these sites, grew 72% from January to July 2007. ING Direct's "Electric Orange" product has generated the most interest amongst these three providers, as it captured 71% of total shopper interest during this time period (see graph, right).

% of High-Yield Checking Shopper Activity January-July 2007



It is not surprising that ING Direct has generated the most interest as its brand is synonymous with online high-yield products and it was first to market in this space. However, what is surprising is the varying degree to which online bankers from particular banks prefer a given high-yield checking provider. As the graph to the left indicates, Citibank online bankers are the most likely to shop for a high-yield checking account at ING Direct, while Wells Fargo online bankers are the least likely.

Shopping for High Yield Checking Providers January - July 2007



Charles Schwab - a company with west coast origins. Clearly geography is not the only factor that could influence online shopping behavior. Other factors could include targeted marketing partnerships, the product portfolio of a particular bank, or the timing of a specific high-yield provider's marketing spend. Compete will continue to monitor the dynamics of the emerging high-yield checking market at these institutions as well as at other institutions (e.g. Fidelity, HSBC Direct, etc.) that recently launched a high-yield checking product or might do so in the near future.

Monthly Metrics

Financial Services Indicators:
Changes from July to August 2007

Change in Number of Search Queries			
Top non-branded insurance terms			
auto insurance	q		-22%
car insurance	q		-11%
insurance	q		-13%
Top non-branded brokerage terms			
stock(s)	p		6%
mutual fund(s)	p		117%
cd rates	p		12%
Top non-branded home loan terms			
home equity loan	q		-20%
mortgage calculator	q		-19%
mortgage rates	q		-3%
Change in Prospect and Applicant volume			
Product category	Prospects		Applicants
auto insurance	p	7%	p 3%
brokerage	p	24%	p 4%
home loans	p	13%	q -17%

Online search behavior showed several interesting trends this month. Auto insurance continued to increase both prospects and applicants; yet search dropped considerably. A strong market this month drove a large increase in brokerage products especially mutual funds up 117%, also, while prospects and applicants made comparative jumps. Despite a large improvement for home loans in the previous month, it regressed and continued to slide, as interest rates continued to rise. Home equity and auto insurance also saw large changes while the market for stocks and mutual funds continues to improve..



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