

Banks Who Offer Cash With Savings Accounts Increases

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Mintel's research said that a penny saved is a penny earned and the old saying looks very true today, as banks in the US are increasingly promoting cash incentives as a way to entice customers to new savings accounts. Indeed, according to new research from Mintel Comperemedia, banks' offers for new savings accounts that included a cash incentive increased in 2012 - 40% of all offers for a new savings account came with an incentive, compared to 32% in 2011 and 24% in 2010. Cash incentives have been driven by the large national and regional banks, with the majority of banks now offering anywhere from \$25 to \$250 to new customers.

Susan Wolfe, Vice President of financial services at Mintel Comperemedia, said:

“For the most part, recent direct mail offers tracked by Mintel Comperemedia illustrate key themes among savings account offers, with cash incentives among the most popular. However, banks are also offering rate bonuses or promising rates that are higher than the national average, especially for higher deposits.”

“Savings accounts haven't been actively promoted over the past several years, likely due to low interest rates. That does mean, however, that the product has completely lost its appeal,” notes Susan Wolfe.

Indeed, acquisition direct mail for savings accounts plummeted in 2009, but then grew steadily to a new high in the fourth quarter of 2011, to reach an estimated 77 million mail pieces. Mail volumes showed signs of falling in 2012, but a strong fourth quarter brought a rebound, which resulted in a 10% increase in savings acquisition mail over 2010. Those increased mail volumes in the fourth quarter created a much more competitive market, and a whopping 64% of all savings offers mailed to new customers had an incentive.

Susan Wolfe believes banks are seeking to attract more affluent customers by offering cash incentives for high saving deposits. Those same customers might be searching for a safer alternative to the stock market, needing immediate liquidity, or looking for some of the additional customer benefits gained by expanding the relationship with the bank. This makes the savings account a desirable product.

“To compete with the higher interest rates offered by online banks, traditional banks need to market savings accounts as a way to expand the relationship, and they need to focus on the additional value-added benefits and services the bank can provide. Conversely, online banks should continue to focus on the higher interest rates they can provide, since they have a distinct advantage here,” Susan Wolfe concludes.

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