

# Pricing innovation for checking accounts

## The case for value-based pricing



Banks' current pricing strategies are internally focused, designed primarily to cover costs and account for risks. They don't fully reflect the way consumers perceive and receive value. Now, Deloitte's proprietary research makes the case for a value-based pricing strategy by revealing what actually drives consumers' choice of a checking account.

### CONSUMERS ARE OBSESSED WITH MONTHLY FEES . . .



Consumers' probability of choosing a checking account drops dramatically as fees increase. Fee waivers materially influence choice, but not as much as fees.



**71%** say that no monthly fees are a "must have"

**... EVEN THOUGH MOST CONSUMERS DON'T PAY THESE FEES!**

**79%** haven't paid a monthly fee in the past year.

But, ironically, of the consumers who actually *did* pay fees, **only 4 in 10** insisted on no monthly fees



### JUST HOW SENSITIVE ARE CHECKING ACCOUNT CONSUMERS TO MONTHLY FEES?



**A "zero-price" effect is very prominent:**

Increasing the fee from \$0 to \$1 led to steep drops in consumer preference. Price sensitivity clearly increases with age.



### WHAT ELSE DO CUSTOMERS VALUE?

#### CONSUMERS ARE NOT INTERESTED IN INTEREST (FOR NOW)

Even raising the interest rate to 0.5% **did not improve** consumer preference meaningfully.



#### CONSUMERS EXPECT A REWARD FOR CHOOSING A BANK

Preference for a checking account drops if no joining incentives are offered.

#### BRANCH LOCATION REMAINS FUNDAMENTAL, EVEN FOR MILLENNIALS

**Over 90% of respondents** across generations and income categories prefer a branch **"close to where I live or work."**



### WHAT SHOULD BANKS DO ABOUT PRICING CHECKING ACCOUNTS?



**Increase consumers' value perception** by raising fees on premium accounts while actually making it easier to avoid these fees.



Position accounts as free and consider **reframing the monthly service fee** as maintenance charges or penalties for not meeting minimum requirements.



Consider **keeping rates low** and focus any price discounts on fees. Consumers clearly care more about the latter.



**Communicate!** Inform customers about services and the costs associated with them to reduce their price sensitivity and amplify non-price attributes.