

# Earning a Cruise For Writing More Checks

## Banks Target Existing Clients With Expanded Rewards

By ANN CARRNS  
*Staff Reporter of The Wall Street Journal*

**B**anks used to give you a free toaster when you opened a savings account. Now they want to give you Royal Caribbean cruises and Tumi luggage for taking out a loan, paying your bills online and writing checks.

Building on programs that reward customers for using debit and credit cards, banks are rolling out deals that allow customers to accumulate points for just about every transaction they complete and for every account they open. The goal: getting customers to use more of their everyday bank's services, instead of spreading their business around to rivals.

Three of the biggest U.S. banks—Citigroup Inc.'s Citibank unit, National City Corp. and Banco Popular, a unit of Popular Inc.—have recently launched or sweetened customer-loyalty programs in which freebies, varying from Starbucks gift cards to airline tickets, can be earned more quickly than through rewards tied to credit and debit cards alone. Nearly 10 million people have enrolled in these programs so far, and the growing interest is spurring credit-card company MasterCard Inc. to introduce technology and consulting services in the next several months that will keep track of accumulated points for banks.

This isn't the first time banks have dangled high-end freebies to their customers, but in the past, such gifts were usually reserved for new depositors.

At National City, which has 1,200 bank branches from Missouri to Pennsylvania, customers who enroll in the "Points from National City" program have 22 different ways to rack up points. Taking out a mortgage generates 50,000 points, and the reward for adding direct deposit to an existing checking account or using a debit card for the first time is 5,000 points. Customers accumulate 25 points every time they write a check, plus additional points for using their credit or debit cards, just as they would in a traditional rewards program.

The points can be redeemed for more than 100 items in National City's rewards catalog, such as a four-night Royal Caribbean cruise or a Fuji 21-speed mountain bike. The Cleveland bank started its rewards program in March and now has 335,000 participants—or more than 10% of the bank's customer base.

The mainland arm of Banco Popular, the largest bank based in Puerto Rico, plans to introduce next year a version of the "Premia" program, which awards points for taking out boat loans and opening individual retirement accounts, at more than 140 branches in six U.S. states.

And Citibank, which is the biggest U.S. bank in stock-market value and has awarded points since 2004, expanded its "ThankYou Network" last year to additional accounts and products. More than nine million Citibank customers accumulate points based on how much they spend, number of accounts and other factors.

Banco Popular offers such rewards as a Sony Cyber Shot 5.1 megapixels digital camera for 36,000 points and a 30GB Apple iPod Video for 31,600 points. At Citibank, choices include a Brother Intellifax Plain Paper Fax Machine for 23,000 points and a Panasonic 42-inch HDTV plasma-screen television for 350,000 points.

It remains to be seen how successful the programs will be at luring new business. Nathan Lindemeyer, a 34-year-old certified public accountant in Crestwood, Ky., signed up for the Points program at National City this spring. But he hasn't checked his point total yet, and still uses a credit card from J.P. Morgan Chase & Co. that gives him points, too. While he likes getting National City points "just for doing nothing," that isn't enough to persuade him to open additional accounts with the bank. "I just think of it as gravy," he says.

Some banks aren't yet convinced that giving out points for routine transactions is a smart move. Wachovia Corp., the fifth-largest U.S. bank, shut down "Wachovia Honors," aimed at affluent customers, in February after less than a year because of lackluster customer interest, according to the bank. Wachovia had estimated the average participant would accumulate enough points in the first year for a round-trip plane ticket anywhere in the U.S.

You have to read the fine print closely to figure out if the new bank-rewards programs offer a better deal than the credit card already in your wallet. Signing up with a bank often is free, while some card issuers charge an annual fee, which can be as high as \$40 or more. Banks give customers more ways to accumulate points, but unlike many credit-card offers, the points tend to have expiration dates. National City cancels any points not used within four years, for example. The deadline at Banco Popular is three years for nonpremium programs, while Citibank's deadlines vary, depending on the product.

One reward-program point earned with a credit card is generally worth about a penny, meaning 10,000 points gets you \$100 worth of freebies, but banks' generosity differs. Banco Popular customers need 9,000 points for a \$100 gift card at Macy's department stores, for example, but 2,000 points for a \$20 Baskin-Robbins ice-cream gift certificate. Yet at National City, it takes 10,000 points to get a \$25 gift card from bookseller Barnes & Noble.

In order to earn a free domestic airline ticket, it would take a Citibank customer with a basic checking account,

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debit card, direct deposit, online bill payment, a home-equity line of credit, and \$500 each in monthly debit- and credit-card purchases slightly more than two years to build up enough points, according to the bank's online calculator. That's about the same amount of time it would take an American Express Co. cardholder with \$1,000 in monthly charges on a basic card to earn that same ticket, though the AmEx customer could earn the ticket faster by combining the points with frequent-flier miles earned elsewhere. AmEx cardholders also can get bonus points by shopping at partner retailers such as Sharper Image.

Other banks are experimenting with narrower ways to reward and retain customers. Bank of America Corp. last year introduced "Keep the Change," a program in which the bank rounds up any debit-card purchase to the nearest dollar and deposits the difference in a customer's savings account. Bank of America matches transfers for the first three months, and 5% a year thereafter, for a maximum of \$250 a year. More than one million existing customers signed up for the program, and more than one million new customers came to Bank of America because of it, the bank says.

Wells Fargo & Co., meanwhile, is testing a program called "Wells Fargo Link" in Wyoming and Colorado that lets customers get discounts when using their credit and check cards at certain retailers.

The move by banks to gain an edge over American Express and other financial-services rivals reflects the squeeze on banks as deposit growth decelerates and the flat yield curve—or the unusually narrow difference between short- and long-term interest rates—cuts into the profit made from lending money. Banks also are fed up with losing lucrative customers to competitors, insurance companies and investment banks. The counterattack is "a way to increase relationships with the bank and create a barrier to exit," says Rick Ferguson, editorial director of Colloquy, a loyalty-marketing firm in Milford, Ohio.

American Express has been expanding its ties with some banks. Customers of the Guaranty Bank unit of Temple-Inland Inc., which has 149 branches in California and Texas, get 2,000 AmEx points for opening an account, plus one point a month for every \$10 in average monthly account balance. Last month, American Express announced plans to offer points to small-business customers of Philadelphia-based Sovereign Bancorp Inc., which has about 800 branches in eight states from Maryland to New Hampshire.

—Valerie Bauerlein contributed to this article.