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## **PaySound<sup>®</sup> Case Study**

### **Farmers National Bank, Danville, Kentucky**

***Revenue Growth for Fees Consumers Willingly Pay  
with No Cannibalization to Existing Revenues.***



### Background

Farmers National Bank of Danville, Kentucky is a high performing \$400 million institution with 11 branches, earning 1% on assets. The bank has approximately 15,000 consumer checking accounts including “Free” checking. The majority of accounts generate little in monthly service charges because the accounts are either free, or behave in a manner to avoid any service charge. Nearly all of service charge revenue comes from interchange and NSF revenue. Like the rest of the financial industry, net service charge revenue for the bank is trending down since 2010.

Further, the bank has strong retail and branch management having done much to foster a sales culture in recent years. Thomas Hager, EVP and Head of Sales and Service brings to the bank a strong retail background, sales management and a bent for innovation having previously worked with Fifth Third Bank. Traci Hatfield, SVP of Retail Banking, has worked hard to develop a strong sales and service culture in the retail network. As with the industry as a whole, however, branch transactions continue to fall as consumers opt for online services and digital alternatives grow. Sales time for new account openings is limited by the time it takes to set up new accounts on bank systems and explain bank disclosures.

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### Objectives

Thomas Hager and Traci Hatfield developed goals to grow service charge revenue, embrace digital service both online and in the branch and re-invigorate the sales team with attractive new services. Specifically, they led the bank in developing the following objectives in reviewing their checking product line and revenues:

1. Define how to grow service charge revenue from existing customers that they willingly would pay for valued services.
2. Define new products with features that appealed to Millennials and other market segments.
3. Enhance the digital delivery and account set up online and in-branch to provide more time to leverage their sales team.

### Action Plan

To accomplish these objectives the Bank reviewed and adopted the PaySound<sup>®</sup> product and marketing strategy. PaySound is a checking account for \$14.95 a month with no overdraft fees ever, and an optional line of credit that does not require a credit score. It is a “return-all” account combining the features of a checking account and a prepaid card.

The product and service is provided in partnership with R.C. Giltner Services, Inc., and includes a digital technology platform for use online and in-branch for the automated payments account with small loan underwriting, sales, compliance documentation and account set up. No technology is installed in the bank as it operates in the cloud with no customer-identifying information.

The primary target market is existing customers who willing switch their accounts to PaySound. The account costs \$14.95 per month with a 15% APR for any balance on the optional line of credit. The average account generates \$220 in incremental revenue per account because consumers willingly switch from low revenue accounts. The service does not cannibalize any existing revenues. The unique features of the account, such as no overdraft or return-check fees ever, and “return-all” status like a prepaid card for spending control also drives new consumer interest. The bank identified a plan and pro forma for the account strategy, showing monthly goals and revenue growth of 30%.

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The digital account and line of credit can be switched or opened by existing customers either online or in branch using either an iPad or a kiosk and e-signature. Account opening time in-branch is greatly reduced, and half of all accounts are opened remotely never requiring branch staff time.



The sales and marketing strategy included a specific landing page and account underwriting and set up features with e-signature online or in-branch minimizing any paper documentation. Sales goals were set by branch. Marketing included in-branch merchandising and direct mail referencing the bank's specialized PaySound website where the customer could switch or set up accounts or loans online in just minutes.

### Farmers National Bank Sales and Marketing



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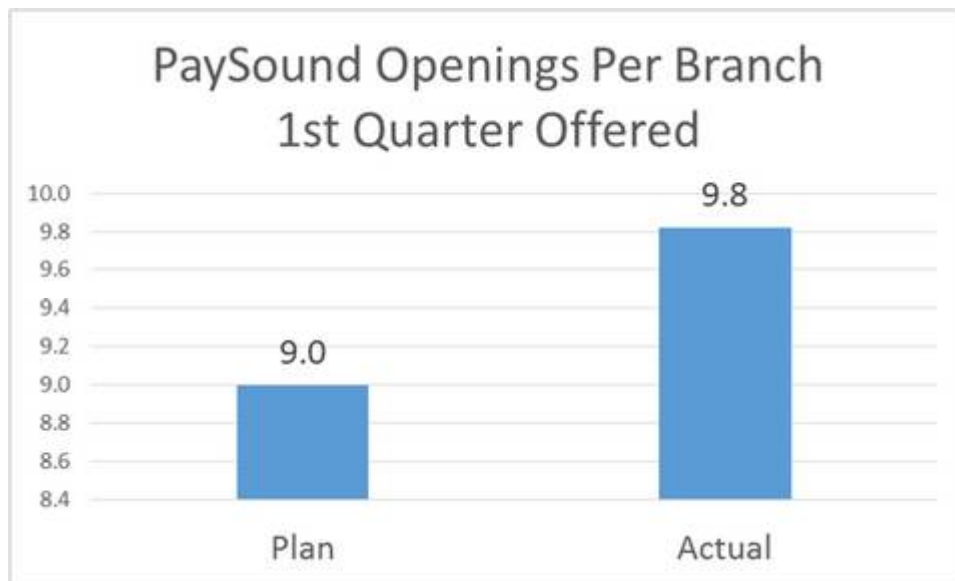
Traci Hatfield, Head of Retail Banking, assured her team was trained in sales techniques for the account as well as is digital tools for set up with iPads in the branch. They developed sales scripts to contact existing customers and tracked performance against goals.

### Results

In the first three months after going live, the bank has exceeded its opening goals, and created significant enthusiasm for its sales team. Account openings are above plan, and averaged 7 PaySound accounts per branch in the most recent month. Thomas Hager, EVP said, “In addition to better serving customers and growing our revenue, we have created new enthusiasm among our team for growth. With all the challenges in our industry, we were looking for a positive service for customers that would excite our team.”

Traci Hatfield, SVP and Head of Retail Banking remarked, “The best thing is our sales team and staff really bought into the benefits for the customers. Calling was targeted and well planned, and received a warm response from our customers.” In fact, one of the sales leaders said, “I am so excited about sharing this product on calls. It’s great to talk about a checking with an optional line of credit that does not need a credit score. And the set-up is easy.”

Thomas Hager continued, “We got very good results from our sales efforts, and then we combined that with targeted direct mail to our customers. The two strategies worked together to drive openings.”



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