

Rate

The **Rate** is the interest rate you offer to Business Savings Account customers.

As you lower this interest rate, you will lower the interest you need to pay to your deposit customers. At the same time, if you offer lower rates on

deposits, you become less attractive to customers and prospects, leading to:

- Lower retention rates on existing customers
- Fewer new customers

Alternatively, as you raise interest rates, you will increase the interest you need to pay to your deposit customers, increasing your interest expense. However, you do become more attractive to customers and prospects, leading to:

- Higher retention rates on existing customers
- More new customers

Again, in this simulation, “high” and “low” rates are relative to your competition. In other words, if you offer your customers a rate of 2.00% on business savings accounts, and your competition offers 2.50%, your pricing is low and you will get fewer customers and lower retention rates than expected. However, if you offer your customers 2.00% and your competition offers 1.50%, your pricing is high and you will get more new customers and higher retention rates than expected.

More specifically:

- If your Percentage Rate is within +/- 15% of the market average, there is no impact on new customers
- If your Percentage Rate is outside this +/- 15% range, your new customers will be adjusted by 30% of the difference between your rate and the market average

The impact on retention rates is similar, but your existing customers are less sensitive than new customers:

- If your Percentage Rate is within +/- 20% of the market average, there is no impact on your retention rates
- If your Monthly Fee is outside this +/- 20% range, your retention rates will be adjusted by 20% of the difference between your fees and the market average

Percentage Rate	Interest Expense	Retention Rate	Response Rate
⬇	⬇	⬇	⬇
As you lower your Percentage Rate...	...your interest expense will drop...	...but your retention rate will fall....	...as will your response rate from new customers