

## Checklist for Deposit Growth: Thought for Week One 2018

by Charles Wendel

Before becoming too distracted by Fintech, Regtech, AI, block chain, bit coins, augmented reality, and other innovative IT-based options available to banks, senior management and its Board should take a breath. Too often, managers try to play catch up with the latest technology solution and overlook the value of more mundane but at least equally critical actions related to organization, disciplined targeting, compensation, and similar areas.

Growing deposits begins with some business fundamentals, although, of course, growth can be supported and spurred by leveraging technology. However, success begins with straightforward considerations. Addressing the deposit area is increasing in importance as rates begin to rise and as more banks find they want and need low-cost deposits in part to counter tighter interest spreads.

### How do you grow deposits?

- 1. Put someone in charge.* The chairman of one of my clients often asks, “Who at the bank wakes up every day thinking about x?” In this case “x” is deposit growth and quality. A senior banker focusing on deposits either full-time or as part of a larger responsibility can bring focus to this area and provide internal and external best practice insights to consumer and business bankers.
- 2. Focus bankers on deposit generation.* Just last week I was speaking with an exec who said his bankers focus on loans. Period. This failure rests on him and other senior managers. Banks should consider increased weighting of deposit-related metrics.
- 3. Focus on current customers first.* The application of sophisticated data analytics can uncover which of your current customers have attractive deposits in other places. Even better, your bankers can ask their customers; the best bankers will already know. One of the major reasons customers do not put more business with a single bank is that no one asks them to. Start there before investing in data analytics and AI.
- 4. Revisit the product set.* Many banks offer more deposit products than required, confusing both the customer and the banker. Simplifying the product offer is a good thing. In addition a customer providing a larger dollar of deposits for a longer period of time expects to get paid for doing so. Sometimes bank fails to price attractively for the customer, and these days there is room for the bank to do so, albeit selectively.
- 5. Change compensation.* Some of the best deposit generators pay their bankers based on the “quality” of the deposit they generate. Quality involves amount, tenure, and cost. Also all business-oriented banks should consider having a comp element tied to deposit growth.

6. *Consider a deposit-only sales staff and/or Concierges.* Whether to boost the deposit effort short term or as a permanent group, management may want to designate a team as deposit-only. In almost all cases banks should hire Concierges, a concept I first heard of from the old North Fork Bank. Concierges know their communities and are plugged into many business people by years of interacting with them. Their compensation is largely success based, many work part-time, and have no lending authority. They focus on subtly recognizing opportunities and then transitioning the solution for business requirements to a banker. While they might be characterized as a BDO, they are much more than that because of their local connections and strong reputation.

Who is a Concierge? Consider an ex-college football legend, an accountant, a restaurant owner, a rabbi, etc. Now living in Miami I realize that, despite its incredible growth, in many ways it is a small town, one that operates with some clear power brokers and well-connected business people. People like that make for successful Concierges.

7. *Focus on deposit-oriented segments.* We all know that most banks lose dollars on small business loans. But, leveraging Fintechs, lending can become break even or profitable. For many the gold of small business rests in deposits. The average small business maintains three-five times the deposits of the average consumer and often much more. Within the business segment, the best deposit banks operate with a focus on not-for-profits, home owners' associations, professionals, churches, etc. Each bank needs to consider the segment(s) that are most attractive for them, based upon deposit dollars, bank capabilities and contacts, etc.

8. *Review and rank success at least monthly.* Communicating performance and publically celebrating successes highlights the effort and rewards the best performers.

9. *Continue to review and rank success monthly.* A consistent focus on metrics and addressing laggards can led to a change in culture. Keep monitoring and reporting.

10. *Consider going beyond the basics.* Beyond the basic actions above, management can pursue:

- Buying a deposit rich bank
- "Buying" a team that has a deposit orientation
- Developing an Internet-based offer

These and multiple other longer-term options can create a "deposit machine." But, the FIC's checklist establishes the foundation platform banks need to build a sustainable deposit approach.