Do You Manage to a Deposit Checklist? You Should!
by Charles Wendel

Today, it seems that all our clients and prospects are spending increased time on deposit retention and gathering. Rates are rising, more traditional and non-traditional companies (for example, Marcus) are pursuing deposits, and many customers seem to be paying more attention to the options available to them.

Despite its heightened importance, most banks are doing a mediocre job, at best, related to deposits. And, unfortunately, in addition bankers are usually not very good at self-assessing their performance in deposits (as well as other areas).

In our view unless a bank can answer yes (and demonstrate the validity of that "yes") to the following checklist of questions, they are underperforming in the deposits area.

1. Is someone (one not a group or committee) ultimately responsible for deposits? Recently, I have heard two answers to this question:

> "We are all responsible for deposits." Nice idea but unrealistic.
> "X is the person, although he does not seem to be." Top management needs to act ASAP.

In one case no one is in charge, and in the other the wrong person is in charge of the deposit effort. The unstated message by these banks is that deposits really are not that critical and/or we don't know what to do about them. Banks need to select an acknowledged and respected leader for this initiative, communicate his/her role, and ensure gathering quality deposits becomes a bank wide issue. For many banks, this is step one.

2. Have you changed compensation to increase the banker's focus on deposits? From time immemorial bankers have focused on what their incentives direct them to focus on. Every bank we know that has changed incentives to highlight deposits sees an increase in deposits. This is a no brainer.

3. Do you have a system in place to identify "at risk" deposits and an initiative to retain them? Banks need to recognize the signs that deposits may be moving and respond proactively. The 80/20 rule exists related to deposits as well as other areas. Banks cannot afford to lose major sources of major deposits.

4. Have you analyzed your accounts to determine the amount of deposit leakage and capture more deposit wallet share from current customers? Beyond retention, wallet share needs to be maximized. Bankers should be tasked with knowing the major deposit opportunities provided by current customers and develop an approach to capture them.

5. Do you have deposit only bankers? Banks should at least consider the concept of piloting deposit-focused bankers. These bankers concentrate on the majority of companies that do not borrow and in some cases you would not want to lend to.

6. Do you focus on deposit-heavy segments? Your internal analytics should tell you which industries generate the most deposits.

7. Do you actively watch the competition, discuss their moves, and agree on the implications for your bank? There is lots of activity happening in the deposit space with players changing rates and introducing new offers every week. Banks need to track them and respond as necessary

8. Have you streamlined and shorted your deposit repricing process? Banks can take weeks to identify competitive activities, determine a response, gain internal approval, and, finally, introduce a change. During this time customers and prospects are already moving their dollars. Banks need to blow up their "business as usual" approach to pricing and product development.

9. Do you hold regular (e.g., twice a month) meetings to review actions, issues, and agree on next steps? These meetings should be very disciplined in what is being reported and how they are run. The old GE Capital ran very disciplined meetings that started on time, ended on time, followed an agenda, and resulted in clear follow-up.

10. Are you answering these questions with the appropriate level of self-criticism? I remember a project of several years ago at the end of which we made specific recommendations. Months later I heard back from the client stating that they had reviewed their progress against the recommendations we made and found that they had done a good job of implementation. Months after that, the business line head was gone. The bank had either fooled itself or allowed itself to be fooled by an errant manager.

I know banks hate to have a consultant nosing around asking uncomfortable questions and uncovering issues that need to be address, but that is precisely what many banks would benefit from. Someone needs to ensure that deposit-related questions are answered not just "yes," but yes with the details behind that answer. In most cases, face it, internal bank staff has neither the time, the expertise, and/or the gravitas to play this role.