First Focus for 2019: Deposits, Part II
by Charles Wendel

Last week, I began a two-part newsletter on a topic it seems that clients are talking about more than anything else: deposits. The importance of this topic was only underscored when I arrived home from a business trip. In the mail were two offers:

- A 2.10% no minimum no balance offer from American Express
- A $375 payment (how they decided on this number is a mystery) from HSBC for $10K maintained for at least 90 days (no rate mentioned)

And, this week BAI Banking Strategies featured an article on regional and local bank deposit strategies that highlighted the CD specials some banks are offering: "Chemical Bank (Michigan) 17-month CD special, 2.75 percent APY; Reliance Bank (Missouri) 19-month CD special, 2.75 percent; and F&M Bank (Tennessee) 24-month CD special, 3.00 percent. The article also states: "Some 13 of 20 of the highest-yielding products were offered by banks with less than $25 billion in assets, according to DepositAccounts, which tracks savings rates."

The issue with all of the above is that the focus is largely rate-based. While banks need to respond to the higher rate environment, they also need to avoid becoming victim to the "hot money" that may move to other banks quickly if rates continue to rise.

Last week we outlined a checklist of ten actions that banks should take related to maintaining deposits. The goal of this checklist includes locking in important current depositors, building wallet share with others, and attracting relationship oriented deposit clients.

1. Put someone in charge; create a SWAT team
2. Focus bankers on deposit generation as a high priority
3. Focus on current customers first
4. Revisit your product set
5. Review deposit-related compensation
6. Consider a deposit-only sales staff
7. Pilot "concierges"
8. Emphasize deposit-|rich segments
9. Rank and review monthly; act on performance results
10. Repeat step 9

We won't go through all of these steps, but will emphasize a few.

Number one emphasizes the need for a leader and for an approach that internally communicates that this is a critical issue that goes beyond business as usual. As mentioned last time, deposit capture and retention is a systemic rather than temporary issue; banks need to organize themselves with that fact in mind. The chosen leader needs to be a person whose selection shows that the bank takes this seriously. In other words it needs an executive leader whom others respect. But that person cannot do the required analytic, internal and external marketing work alone. Every bank I work with has a number of very smart ands creative more junior staff. The deposit challenge provides a great opportunity for those younger people to shine.

Note: Not choosing a central leader for this effort may lead to lack of coordination and failure to put sufficient energy behind the initiative. Step five, compensation, is also a major part of deposit success. Today, bankers have more calls on their time than ever before. Altering compensation (both short term and long term compensation) will encourage a greater focus on deposits

Number three, putting current customer first, is the place to start the deposit effort. The 80/20 rule tends to be true of deposit balances as well as everything else. Identifying, targeting, and maintaining big balance customers is critical. Bankers should be evaluating their needs and proactively determining what the actions they should take to maintain those deposits.

Number four, revisiting the product set, merits bank attention. Raising rates will get more deposits, but this needs to be part of a broader strategy. Some banks are successfully attracting deposits with rates close approaching 3%, but what then? Do they have a program in place to diagnose these customers' needs and offer other solutions that will make the customer "sticky" rather than transactional. Many banks operate with a major gap in this area, relying on hope as a strategy.

Number seven, pilot hiring concierges, is a concept that can build deposits and other business. Years ago I had a client who hired what they termed concierges. These were people who had many contacts in the local area. They were given no credit authority and most of their compensation rested on the business they brought in. These people could be retired bankers or other executives or former college sports stars, in short, people who are well connected in the local market. Their role is to identify opportunities and, then, being in a banker with the expertise to address specific questions. If the bank selects the right persons, this approach can be a powerful tool in capturing new business.

Overall, what banks need to do is establish a deposit-focused organization. The person in charge of this effort should review areas such as account opening, products, compensation, marketing material, et al, with an eye to whether these elements foster deposit growth or impede it. The deposit-focused organization enhances the deposit customer experience and creates a foundation for sustainable deposits.