

Thoughts for Week Three 2018: Practical Deposit Issues

by Charles Wendel

My last two newsletters provided a [deposit checklist](#) and some valuable deposit-related insights by two bankers/consultants with long experience related to [deposit gathering](#). This final deposit newsletter focuses on some practical issues and objections to the previous newsletters.

In the past week I have heard some reasonable push back from bankers trying to deal with the day-to-day realities of their businesses.

We cannot afford to put one person in charge. In an earlier newsletter I recounted the view of one client that he wanted someone to wake up every morning thinking about deposits, and I recommended that a senior banker be given responsibility for a bank-wide deposit effort.

One comment: “We are too small to have someone working on this full time.” Good point. Community or smaller regional banks may lack the management structure and probably cannot afford the cost of a full-time resource for this area. However, most can appoint someone full-time for a six-month period during which the deposit initiative can be designed and implementation begun. Alternatively, the deposit responsibility can also become an ongoing and highlighted part of a larger position such as Treasury Management head.

When I asked one banker whom he thought was responsible for deposit growth, he commented, “I like to think we all are.” Yes, most everyone should have this as a core focus but most do not. Banks that want to grow deposits need someone in charge, leading the effort with rigor and consistency; full time is best, but part-time attention can work too.

A dedicated group will take the heat off the rest of the bank. One banker expressed the reasonable concern that if he dedicated people to deposits, others would think they no longer had responsibility for them: “They’ll think, let someone else do it.” That would be a disastrous outcome of initiating this focus. Any deposit group should complement the bank’s overall deposit effort with the deposit “gurus” assisting branch and business bankers in their efforts. Banks should consider a “hub and spoke” system whereby deposit specialists work with specific branches and bankers to grow deposits. Bankers can also benefit from learning about both internal and external best practices uncovered by the specialist sales team.

Compensation and metrics are already in place. We are doing this already. I heard from more than one banker that their bank already compensated bankers for deposit sales and that it was one of the tracked metrics. That may be true, but the weight given to the deposit metric may need to be increased. And, of course, deposits are not all of equal value to a bank. Best practice banks offer increased

compensation for no interest DDAs; no surprise, bigger dollar accounts generate higher banker rewards.

Commercial bankers are already generating deposits. Most commercial bankers do generate deposits from their borrowers. However, even those who do capture a percentage of available deposits are usually not getting the majority of deposits available. Oftentimes, bankers are missing more deposits than they get. Management should require bankers to profile their current clients and quantify their total balances and where they are located. That exercise results in a near-term action plan.

We failed at this once before. One banker said that years ago his bank had tried using a dedicated deposit sales force, but that “It had not worked.” Part of the reason for its perceived failure may have been the staff the bank selected for this effort as well as the relatively short timeframe in which it was in operation. It had no internal champion who served as its guide and mentor.

Past failures often serve as an excuse to try an initiative. Better planning and more effective execution, as well as management commitment, can result in success. The best deposit generating banks make deposits part of their culture. The banker who said that he hoped all his bankers took responsibility for deposits had the right idea, but this should serve as a goal that eludes most banks.

No data. No IT. Not enough Treasury Management staff. These newsletters deliberately focused on non-IT dependent solutions. Addressing org, comp, and similar issues can be accomplished relatively quickly and do not depend on IT for impact. And, while most banks could benefit from more TM officers, a deposit-focused bank transformation process relies on branches and RMs, not specialized bankers. And, of course, data analytics and leveraging Fintech products can accelerate a deposit effort and distinguish a bank from others. But, if the fundamental foundation has not been established, IT dollars will likely be wasted.

In our view organization, people management and job design, and compensation serve as the starting points for deposit growth.