**Thoughts for Week Two 2018: Continued Focus on Deposits**
by Charles Wendel

Given the response to last week's newsletter and the importance of the topic, deposit gathering merits a follow-up newsletter.

In a note commenting on FIC's prior newsletter Sandy Berry, now retired, but a highly respected former senior banker, bank consultant and cherished friend, provided a valuable perspective from his earlier years.

What follows are his reflections in italics and my comments on them.

*Deposits are in vogue again!* Sandy's comment is telling. The banks that are best at deposit generation (for example, Signature Bank) do not see this area as a fad but as part of their lifeblood. That said, many banks have not competed to capture deposits in years, and many bankers lack on-the-street experience in managing this area in light of greater competition. This means that some banks are playing catch up and need to do so quickly.

*Deposit oriented customers, consumers and especially small businesses, are more often than not ignored.* Sandy accurately focuses on the fact that many bankers concentrate on serving borrowers and overlook deposit clients. But, increasingly, the competition will not be ignoring them. Banks need a process that leverages an organizational focus and IT to identify and prioritize top customers and targets.

*Suggest to your bank clients that they decile their customers based on deposit size not just profitability! They will find so many valuable customers they are not aware of.* Few banks conduct this basic analysis. The top deposit customers (whether based on gross or net collected dollars) need to be protected and receive a high level of attention. Similarly, higher decile customers should be pursued for additional deposits. Oftentimes, top decile small businesses may have dollars elsewhere. Banks need to pursue the opportunity to consolidate those balances. This is one area in which providing deposit-rate incentives to the customer to move balances can be important. Bank should analyze and mine at least the top two- three deciles.

*Measure throughput. We measure average balances; why not measure the amount of dollars that flow through a relationship and how much sticks?* Data analysis can identify unusually large deposits (say, 25% larger than unusual) that are running through an account. A banker and/or data analytics then needs to determine what these deposits are and whether they can be captured for a longer period.

*In large metro markets where there are lots of non-profits, professional corporations, medical practices, etc. put someone in charge of seeking out deposits from these deposit rich relationships.* Sandy is underscoring two areas I discussed last time: the need for segmentation highlighting deposit-rich industries and the value of a dedicated deposit sales force. Focus pays off, particularly when a bank is trying to have a relatively quick impact. Banks need to prioritize those industries that are deposit rich and develop a targeted marketing approach aimed at them. That is very basic, but too often not done.

*And, as you said, have someone in charge of deposits; not some staff officer in marketing or sales, but a line officer with statue and clout. Years ago [my bank] created a small business deposit sales group in DC. They were to attack deposit oriented customers and prospects. We gave them an outlandish annual goal that management said if they reached it they would take the program system wide. The reached the annual goal in 90 days. Then [another bank] bought [my bank], and the program went away.* Sandy mentions several elements critical to deposit success:

- Leadership. Strong and respected leadership is critical to this effort. In most cases the deposit leader should not be expected to manage this effort off the side of his/her desk.
- Ask for the business. While rates and the product set need to be competitive, persistent pursuit of leads may be more critical to success. MOST banks are not good at follow through and persistency in pushing for deposits. Persistency was one of the key aspects of success that Sandy's bank exploited.
- Keep at it. The successful effort that Sandy described died when his bank was sold, and new management took over. As often happens after a merger or acquisition, the emphasis then became internal politics and personal survival rather than customer service and growth. A consistent deposit focus builds in strength over time.

In addition to Sandy, Neil Stanley forwarded an article he had written on better CD promotion and keeping and growing deposits in what he terms "the Google Age." Appropriately, he emphasizes "dynamic" rate sheets that are tailored to clients, targeted products to retain customers, more flexibility related to penalties, and a highly proactive approach to CD sales. Much of what Neil focuses on requires a bank to put the customer's needs and experience first. That should be a no brainer, but, again many banks fail that test.

Technology can help to accelerate and maintain deposit growth, but the foundation for growth rests on dedicated leadership, a targeted organizational focus, a consistent sales effort, and an emphasis on what the customer, rather than just the bank, cares about.