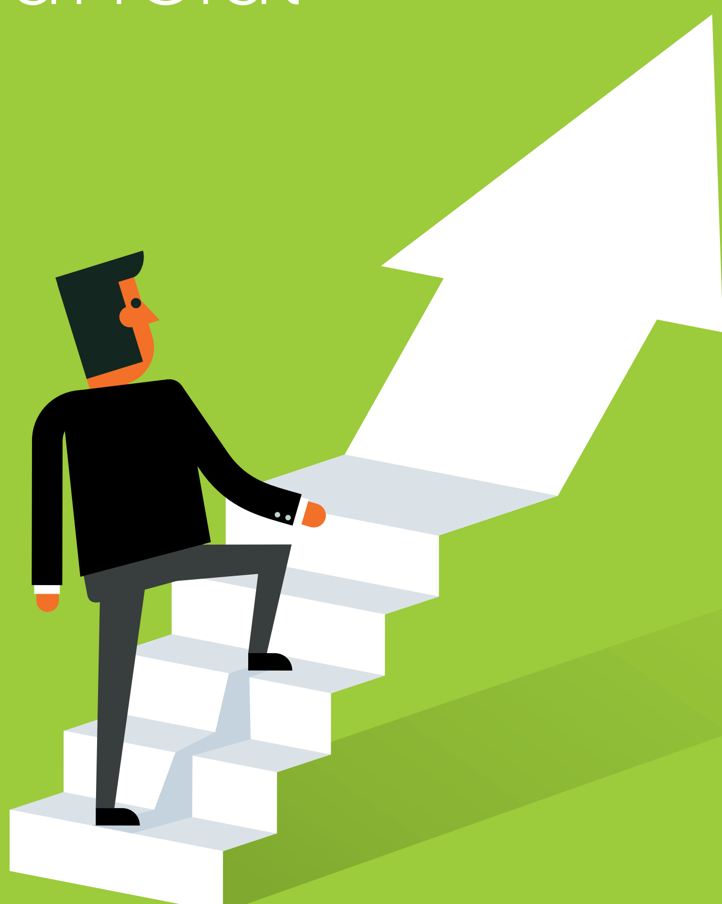
haberfeld
accelerating growth

EBOOK

5 Essential Steps to Accelerate Core Deposit Growth at Your Financial Institution



What this eBook is about.

Your FI can effectively accelerate core deposit growth despite the challenges of an extremely competitive environment. While there are no shortcuts or promotions to magically generate core growth, there is a disciplined, step-by-step process that is proven to work.

In this eBook, we'll focus on the **5 Essential Steps to Accelerate Core Deposit Growth**—and how this growth can be significant and sustainable for your financial institution.

The 5 Steps

1. Change your **core deposit growth mindset** from 'campaign' to 'constant'
2. Stop charging **nuisance fees**
3. **Market smarter** using convenience-based dynamic modeling
4. Invest in your **retail leaders**
5. Leverage **the power of the referral**

What are FIs experiencing right now?

The rising cost of funds has captured the attention of officers at FIs everywhere. For financial institutions under $10 billion in assets, COFs have risen, on average, from 47 to 75 basis points over the last seven quarters. With no indication that this trend will abate any time soon, FIs don’t have the option of waiting it out.

Across the country, banks and credit unions are competing aggressively to capture a finite supply of core deposits in their markets.

What makes Haberfeld qualified to guide you?

We’ve been consulting with community financial institutions just like yours for more than 35 years, implementing tactics that significantly increase core checking relationships, and thus, core deposits. It’s all we do, and it’s how we provide excellence for each client.

Because we spend 100% of our time on this issue, we offer proven methods and a plethora of data from working with our clients who, taken together, constitute the 5th-largest financial institution in the country.

Your growth mindset should be 'constant,' not 'campaign.'

STEP #1

Your growth mindset should be ‘constant,’ not ‘campaign.’

Our marketing practices, data, and analyses have shown that core deposits are a long-term FI mindset change, not a campaign.

Many FIs focus on monthly promotions that can confuse your message and scatter your resources. In January it’s CDs, February is mortgages and ReFis, and March means promoting business checking… right? Unfortunately, it’s not the way real growth works. You might get a short-term lift on the product of the month, but unless you hit it hard for the rest of the year, your response is going to tail off.

Our data shows 8%-12% of consumers and small businesses move their primary checking account every year. This represents an infinite pipeline of opportunity in every community to steal market share from your competitors. However, most FIs today attrite off 8%-12% and are replacing them with the same number of new accounts. This leaves customer growth and deposit growth stagnant.

Imagine that in your market, there are 1,000 households who will switch FIs at some point within the next year. So, you launch an effective monthly campaign and snag some of them that month, while the others choose your competitors. That’s great… but once the campaign ends, you can’t stop marketing to potential new relationships. People leave their financial institution at random times and for reasons we cannot control. Instead of focusing on a product of the month, focus on continuously being top of mind for your prospects, and you’ll consistently attract more over time.

While you can’t make someone *want* to switch, there are consumer households and businesses switching all the time, and most only consider one or two options. You need to be one of those options before they’ve made the decision to leave.

Forget nuisance fees.

STEP #2

Forget nuisance fees.

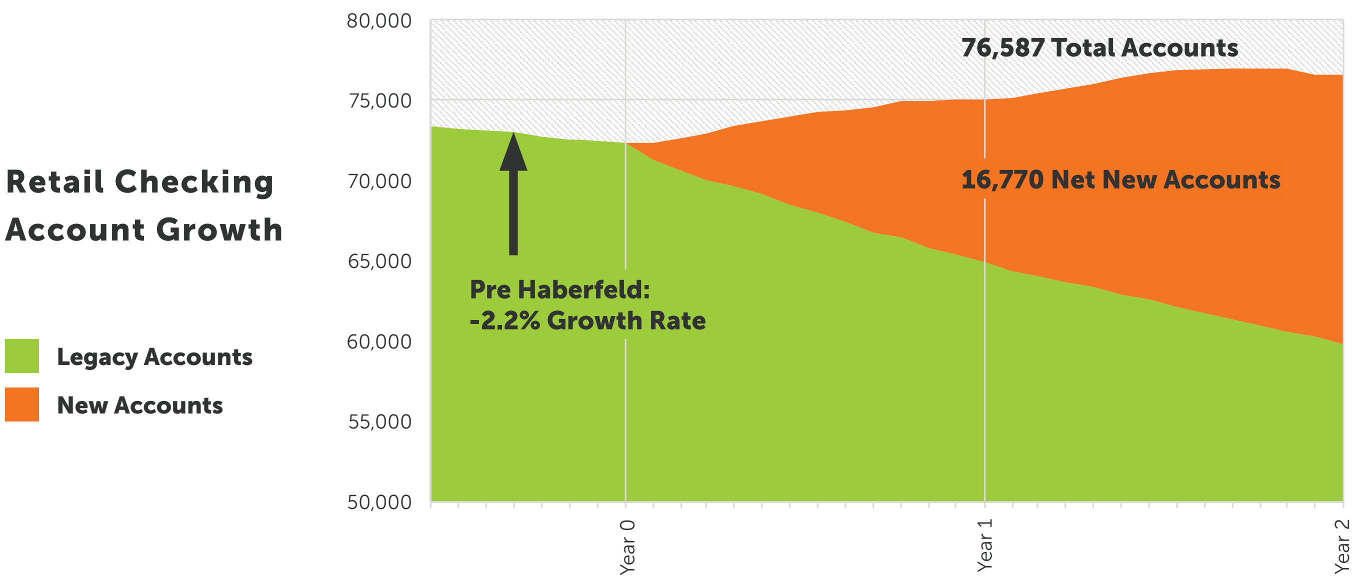
If you want to grow core deposits, you've got to stop charging nuisance fees. These (and bait-and-switch) are muddying up your strategy of providing excellent products with outstanding customer service. An average community FI with the capacity for thousands of consumer household and business customers actually serves fewer than 1,500 per branch, largely because their fees turn people away. Community FIs continue to make less money per account on monthly service charge income, but by raising fees to recoup that lost revenue per account, it will in turn have a negative impact on new household acquisitions.

To earn them, it's critical to know why people switch and what they're looking for. We found that 30% of the time, people switch because of a major life event, like moving. But 70% of the time, it's because they're sick of their current FI. They're mad about hidden fees or an unanticipated charge. They're mad about a lapse in customer service, that was "the last straw."

With fee-based products it's important to have an effective sales process where your retail team understands the customer finds value in that product. By implementing sales goals into fee-based accounts, new relationships will be placed in the wrong account and leave quickly due to the unvalued and unwanted monthly fee.

STEP #2

Fee-based strategies will have a short-term impact on increased fee income, but actually shrink your base over time! When one of our clients on the East Coast tried a fee-based approach, their base shrank by more than 2% per year. With our strategies in place, they're now growing at 4% per year. This was not due to lower attrition, but to a much higher new household acquisition rate.



3

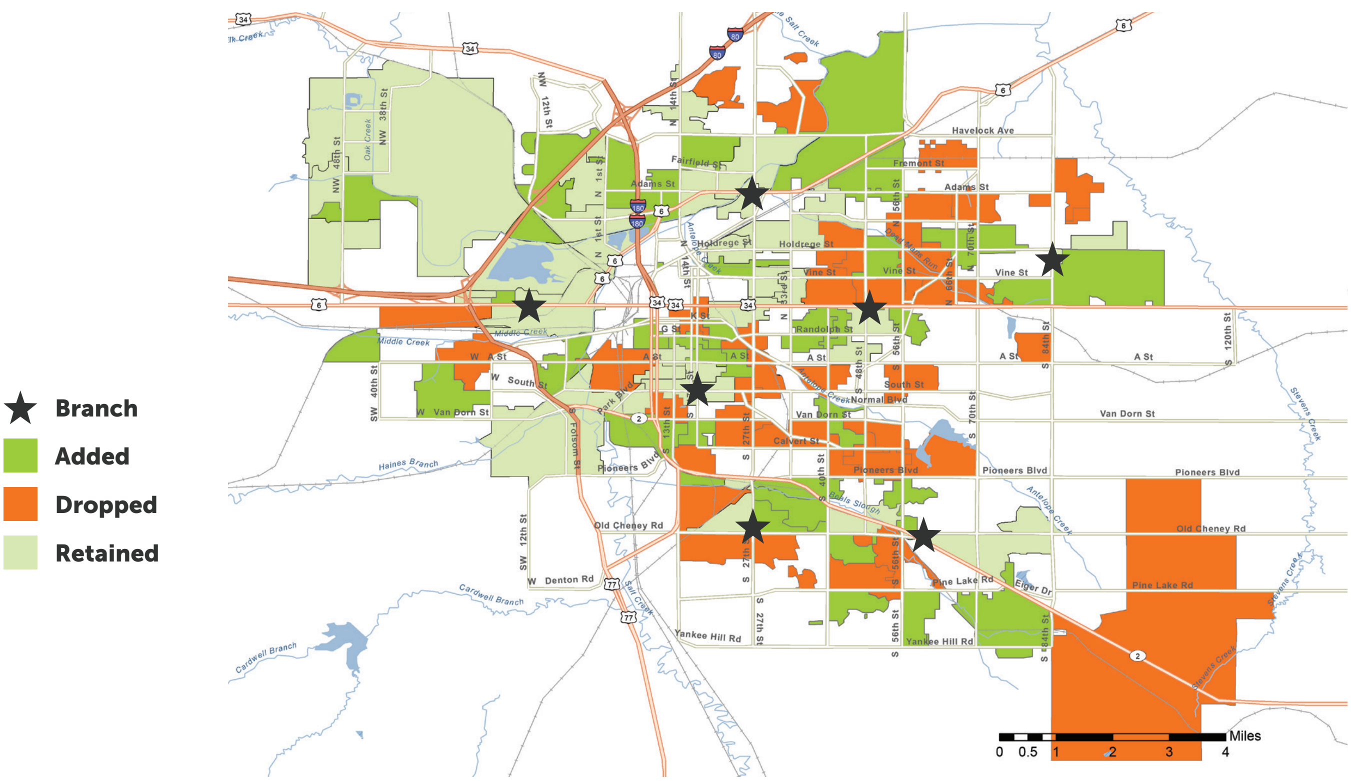
Market smarter.

STEP #3

Market smarter.

First is Demonstrated Convenience. How many people living around your branches bank with you? How many of them have checking accounts with you? And, how many of those opened their account within the last six months? This is powerful data to act on.

Basically, the more positive responses you're getting in any given area, the greater the likelihood that others in that area will find you convenient and respond to your marketing message. You can direct more marketing efforts to their neighbors and get a measurably relevant response. This is how you can prioritize your opportunities: micro-targeting proven neighborhoods first.

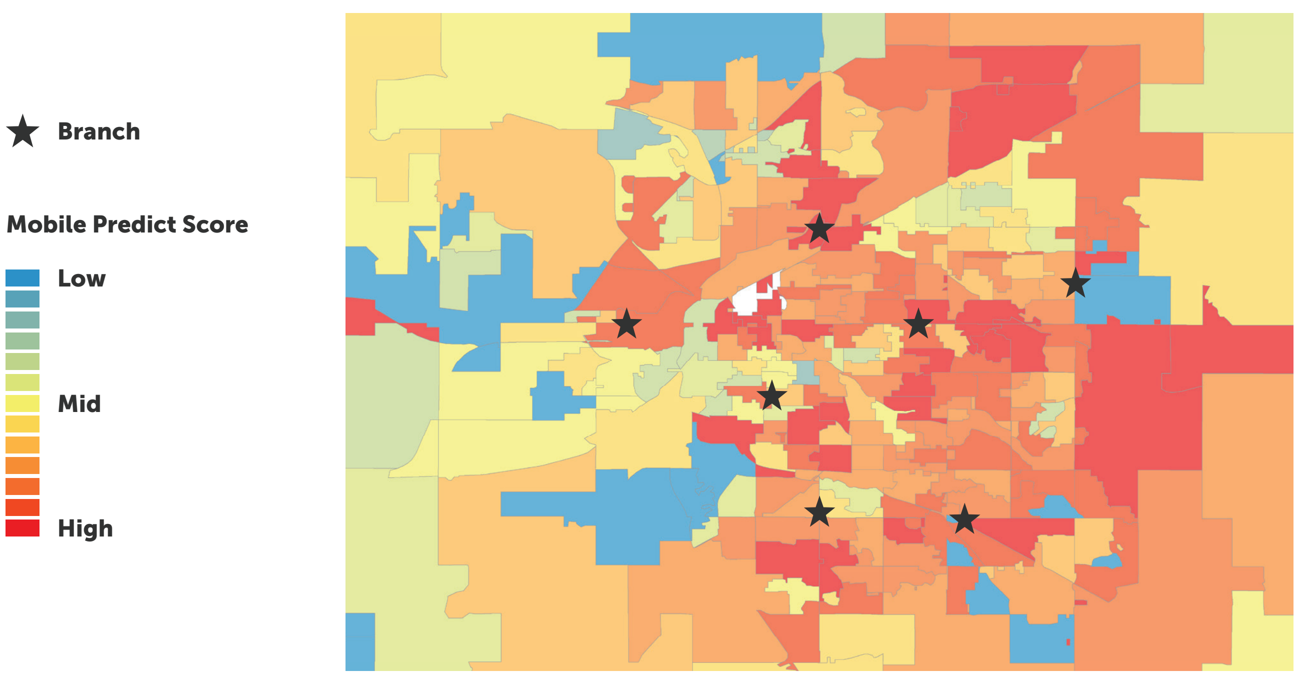


STEP #3

The second, Predictive Convenience, focuses on where prospects live who happen to eat, shop, go to school, get their hair cut, and work around your branches. This type of convenience plays a big part in how people choose their primary FI.

This comes from data on where people spend their time and money. In particular, we want to know how often residents of a certain area might drive by your branch on the way to work, school, or to run errands. This helps us make really smart, predictive marketing decisions, and helps us seize smart opportunities.

This nuance matters, because things aren't always what they seem at first blush. For example: highlighted on the map below are neighborhoods that looks like they might be high priority due to their proximity to a branch. However, when we look at this area's opening activity score, we see that its demonstrated convenience is really, really low.

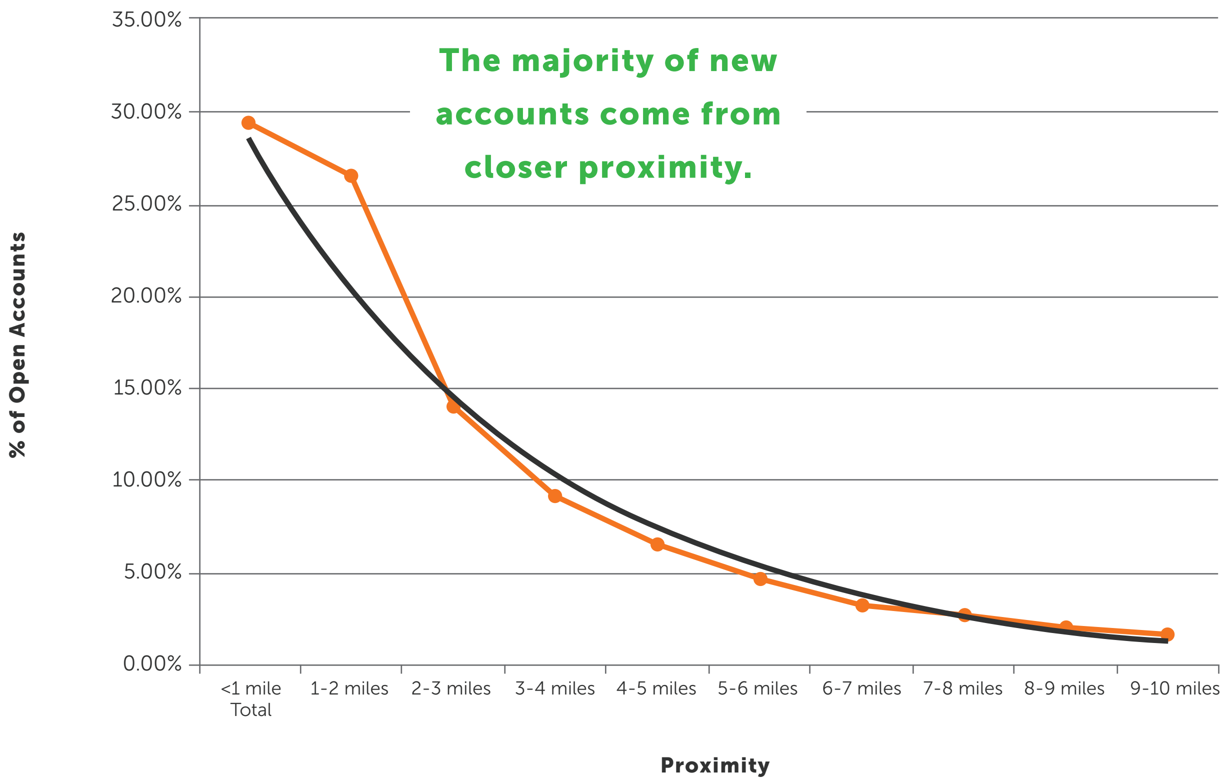


STEP #3

Last, think about physical proximity. The closer someone lives or works to your branch, the higher the likelihood they'll choose you. It's not everything, but it matters.

At first, we might decide that we don't want to market heavily to that area. But when we look at its *predictive* convenience score—where these people go every day, we see a very different picture. These people literally drive by your branches every single day. Doesn't it make sense to send them your marketing message?

Our clients have found that, yes; it most certainly does.



STEP #3

You also need to have a nimble approach to your marketing strategy itself! This means an omnichannel approach, which blends targeted direct mail and smart digital marketing tactics that drive results.

Direct mail is effective because it is measurable, proactive, and makes sure you're top of mind for prospects. When Big Bank ABC upsets their customers, your FI is now on the short list. We know it works from experience: we've worked with FIs who've followed our direct mail approach and ended up doing an entire quarter's worth of openings in one week.

Meanwhile, you're pushing out a good mix of proactive, product-specific targeted display ads and reactive ads that appear when people are searching for a new FI.

When they finally do decide to switch and come in to learn more, make it easy for them! You can't underestimate the power of offering a simple, fast, and pain-free account opening process. Remember, even if online opening seems to be the hot new thing, our client data shows only 3% of accounts are opened there. Make sure your in-branch account opening process is smooth.

One mistake many community FIs make is going 100% online to attract younger prospects. It sounds like it should work, right? But when it's ALL online, it fails. You don't need to laser-focus your marketing, and you don't need to create a checking account just for hip millennials. You simply need to target and market to the right audience with the right message all of the time, and offer excellent service and superior products that are simple to sell, simple to understand and easy to use.

In short: Let's be intentionally strategic about how we target our marketing dollars.

Invest in your retail leaders.

STEP #4

Invest in your retail leaders.

You have to invest money in your human capital just as wisely as you spend your marketing dollars.

Every time we visit a client, we look at their rate of new relationship acquisitions. These are telling. We have been working with a 30 branch client for many years, and since the inception of our relationship all the branches increased and sustained new consumer and business account growth. However, we noticed same store sales at three locations had recorded increases of 56%, 44%, and 25% respectively. Huge, right?

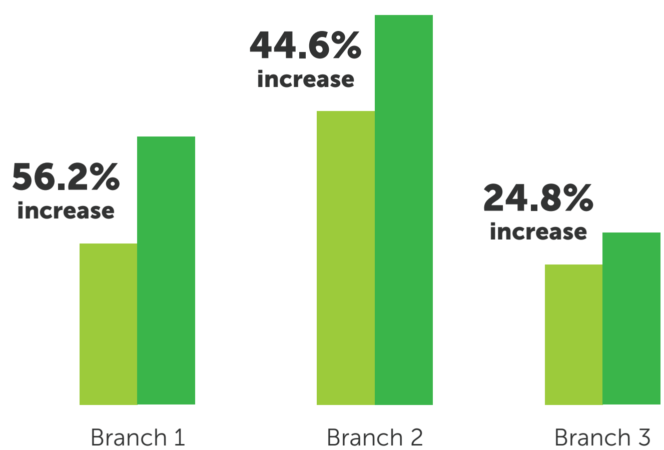
We asked the leadership team what made these branches different. The answer? All three had recently hired new retail-focused branch managers.

To find out exactly what made certain branch managers so effective, we spent several years creating a list of our clients' top 5% performing branches and bottom 5% branches.

Then, we requested the chance to spend time with each branch manager and observe their methods.

The high performing managers attributed their level of success to their people. For the best, they said they had smart, caring, and friendly people committed to great service. The bottom managers would always say their people weren't up to snuff, and that they worked in a difficult market.

Either way, a team's success always ties back to their branch leadership.



STEP #4

Our profile of an ideal branch manager, who conducts high-payoff activities with their team, include these five key behaviors:

1. Weekly team meetings. It's just 15 minutes to help your team collaborate, celebrate, and sell your products and improve in just one way each week. We're so committed to weekly meetings that we provide our clients with everything they need each week to hold them.

2. Personal check-in with each staff member. Every month, find out how your staff members are doing. Work may come up, but this is a chance to connect with them as people. If you build a rapport, they'll feel comfortable asking for feedback, and your branch managers will be better equipped to lead them.

3. Having a certification process. Implementing service standards will give your staff something to strive toward. It will lead to excellence in customer service, and will help you hold your staff accountable.

4. Observational coaching. Managers should watch their team in action and give them real-time feedback on what worked and what didn't.

5. One-on-one career coaching. Even the best leaders were once new employees who eventually became leaders because of a mentor. We provide materials to help you provide this one-on-one employee coaching as well.

STEP #4

How many of these happen in your branches? How do you hold your team (including yourself and your branch managers) accountable? Let’s not leave excellence to chance!

Note: Haberfeld has streamlined this process through our new platform, Cultivate. With Cultivate you can train your leaders to successfully coach their teams; track and analyze growth; view corresponding and correlating trends, and more—all through an intuitive, sleek, and mobile-responsive portal.

We make this process as simple as possible! Learn more at www.cultivatecoaching.com.

Leverage the power of referrals.

STEP #5

Leverage the power of referrals.

Referrals are a powerful acquisition tool. Roughly 15% of our clients' new accounts can be directly tied back to an existing customer's referral.

You need a proven and thoughtful referral process in place:

1. Physical referral forms. During teller transactions, the teller should give this form to their customer along with a special request: "Will you help us grow?" You'll be amazed at the response you get. Your customers want to help a financial institution they love!

2. Online referral forms. We have a cloud-based platform we customize for each client, and we use email, social media, and digital marketing to drive current relationships to these custom landing pages to make referrals. It also allows you to track your referrals easily!

What are your next steps?

The next step is a quick one-hour market-opportunity analysis. It's one thing for you to hear about data or the success of other FIs, it's another thing entirely to look at your own. With a simple questionnaire, we'll create a model that will help us predict the best strategies for your financial institution. From there, we can identify your key opportunities for growing relationships and core deposits.

Call us at 402.475.1191 or email us at info@haberfeld.com to start your free, no-obligation consultation today.

Why Haberfeld?

We are a group of professionals focused on one thing:

"How can we drive more core relationships and deposits into your existing branches?"

Clients stay with us for an average of more than 8 years for a reason: We help them grow. **Our average client doubles their core checking acquisition rate immediately and sustains that rate of growth for many years** after implementing our strategy.

Let's get growing!

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