



## Attracting More Client Business

by [Steve Brown](#)

Research by the Center for Creative Leadership finds the very best company leaders divide their time among so called clusters of experience. To be the most effective, they found leaders should spend 10% of their time completing formal coursework and training, 20% developing relationships and 70% working on challenging assignments. No matter how you lead today, this could be food for thought as you think about 2017 and more specifically, how to lead your teams to capture more customers.

Before you jump into the fray though, consider that many basic checking account customers may actually be costing your bank money, while others represent lost revenue opportunities.

Our research demonstrates that profitability is greatly correlated with how long a customer holds a deposit account with the bank. In addition, how long a customer relationship continues depends predominantly on how many products they have with you beyond just plain vanilla checking.

Our research finds that many basic checking account customers don't typically stick around for more than 1Y on average. This is obviously not ideal from a profitability standpoint.

To illustrate the importance of duration on profitability, consider a customer with a \$50,000 checking account. Based on customer acquisition and start-up costs, our research shows that it's unprofitable to the bank if that customer keeps his account for less than 1Y. However, extending the duration to 36 months means the bank makes \$500 on that customer. Stretching it to 60 months boosts the profit to \$1,500 profit, and 84 months takes it up to \$2,800 over the life of the account.

Many banks may wonder what they can do to actively impact duration. The answer is to get more hooks into your customers beyond basic checking. Tying additional bells and whistles--like online bill pay, ACH, a debit card, overdraft protection, remote deposit capture and a safety deposit box--to basic checking accounts gives customers a reason to bank with you longer. It's not so much the extra dollars you may get per month in fee income from these services, but the idea that customers have more skin in the game so will stay with you longer. That reduces retention costs and extends customer duration.

By adding products and services to basic checking, our research has identified substantial increases in the duration of deposit accounts. That boosts profitability. For instance, internet banking can add 8 months to the expected life of an account. By adding a debit card the expected life can extend to over 2Ys.

If this customer adds ACH, the relationship is likely to be with you for over 6Ys. Remote deposit capture, meanwhile, tends to extend the life of a deposit the most, rendering these deposit customers the most profitable, our research shows.

It's not as hard as you might think to improve profitability as even incremental changes can make a big difference. It all starts by trying to get more business from current customers. Doing so helps anchor them to your bank, and goes a long way toward increasing your profitability in the process.

Our relationship profitability team is here to help you, so if this discussion peaks your interest give us a call and we can talk to you about other ways to boost profitability over time.

# BANK NEWS

## Legal Ruling

The Supreme Court has ruled that people can be convicted of bank fraud even if they do not target a bank directly and the bank did not suffer a financial loss. Under the ruling, the court said it is sufficient to prove fraud if the bank is deprived of its right to use property while the subject of the theft is a third party. The ruling came about after a man who stole money from the account of an acquaintance argued there was not bank fraud as the bank wasn't harmed (it was reimbursed by another company). The Court said that was a bunch of hokey and fraud statutes outlaw any scheme to defraud a financial institution even if the bank does not suffer a loss.

## M&A Activity

1) Pacific Premier Bank (\$3.8B, CA) will acquire Heritage Oaks Bank (\$2.0B, CA) for about \$405.6mm in stock or roughly 2.1x tangible book. 2) Sonabank (\$1.1B, VA) will merge with EVB (\$1.3B, VA) in a merger of equals transaction. The deal is valued at about \$178.3mm & after close will result in Sonabank owning about 51% of the company and EVB owning about 49%. EVB will then merge into Sonabank. 3) HomeTrust Bank (\$2.7B, NC) will acquire municipal leasing company United Financial (NC) for an undisclosed sum. United underwrites & originates municipal leases for fire stations & other municipal buildings. 4) First Republic Bank (\$68B, CA) will acquire student loan technology company Gradifi for an undisclosed sum. Gradifi offers programs that help members pay down student loans faster.

## Large M&A Impediments

Research by Deloitte finds the biggest impediments to achieving a successful M&A transaction cited by large corporate executives and private equity investor respondents are: insufficient due diligence process (88%), improper target identification (83%), not valuing the target accurately (81%), changing regulatory and legislative environment (81%) and failure to effectively integrate (78%).

## Channel Preference

Research by Fiserv that looked at the habits of banking customers finds 80% of consumers logged onto their primary financial organization's banking site in the last month, 53% said they prefer online or mobile banking for standard daily transactions, 44% prefer to use a branch and 2% prefer to use a fully automated branch with no personnel.

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