



## Holiday Reprint: Deposit Stickiness Amid Rate Competition

🔖 deposits customer retention

**Summary:** As we continue down memory lane, we revisit this June 6 article on deposits: When it comes to deposit stickiness, finding creative new ways to serve your customers and build their loyalty can help keep your customers.

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Back when cable television was new, some cable companies got reputations as being virtually impossible to leave. Once you signed up for their services, quitting the relationship was like climbing out of quicksand.

Relationships with financial institutions can likewise be a sticky situation for customers, but in a way that's advantageous for both parties. Essentially, the more products a customer has with your institution, the stickier their accounts are. But for customers who aren't as deeply invested in your organization, they're much more susceptible to flashy promotions and high deposit rates from other institutions, like Apple.

In April, Apple launched its [Apple Card savings account](#). It paid 4.15% interest and required no minimum deposit or balance. According to Bankrate's April survey of financial institutions, the average US savings account at the time paid just [0.24% interest](#). Some of those accounts require a minimum deposit or balance.

In other words, Apple's savings account paid just over 17x the national average interest rate on its first day of business. Logic suggests that every depositor in America would be rushing to start accounts with Apple Card or one of the other online financial institutions that offer more than 0.24% interest. Yet, that's not happening.

### **Why do customers stick with a financial institution?**

Whether they bank with a large financial institution or a community financial institution (CFI), customers have a variety of reasons for sticking around, including the following:

- **Satisfied with services.** Some customers are happy with the interest they're earning and the services they receive. Another side to this coin is that since [interest rates were low for a long, long time](#), many of us are very accustomed to earning very little on savings accounts.
- **Loyalty.** Statistics show that it's not common for individuals to change their financial institution. The average time span for US consumers to [keep a checking account is 17Ys](#). In fact, a survey by Insider Intelligence of 5K consumers shows that 29% have never switched banks. They develop an affinity for the brand they've settled with and trust the institution they chose to hold their money.
- **Deals and lack of fees.** Others are willing to keep an underperforming savings account because the relationship gets them a better deal on a loan or other service. In most cases, the most common reason for not switching financial institutions is low or no monthly fees.
- **Convenience.** One common reason that customers don't change banks is convenience. Changing banks is a big deal to some customers, and they have a perception that opening a new account elsewhere will be cumbersome. Additionally, convenient access to branch locations was cited by 13% of consumers as a reason to stay with their current financial institution.

## How can you increase customer deposit stickiness?

Here are some things you can offer current customers that will increase loyalty. They might also help you draw in new customers as well.

- **Unique Services.** If a customer needs an uncommon service that their current institution offers, it can be difficult to find something comparable elsewhere. From [innovative payment options and hologram greeters](#) to [banks on wheels](#), there are always new ways to get creative about serving customers and making their lives easier. Customers who benefit from those experiences will want to stay with your CFI.
- **Kids' Accounts.** Many parents and guardians open accounts for children to deposit their savings, and some are even upping the ante with debit cards and apps that parents can monitor. This familiarity with an institution builds loyalty in the next generation of customers, who will often open other accounts with the same CFI once they're adults.
- **Value Adds.** Find out what your customers need through methods like [data mining](#) or conducting surveys and focus groups. Then, see if you can make it happen. The answer might be as simple as expanding branch hours or offering chatbot customer service. It might even be something you're already working on, like adding a specific function to your app or online portal.

Even if other institutions offer higher deposit rates, there's so much more to customer retention that your institution can take advantage of. When it comes to deposit stickiness, finding creative new ways to serve your customers and build their loyalty might be the most convincing you need to do.

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## ECONOMY & RATES

Rates As Of: 12/28/2023 10:14AM (GMT-0800)

Treasury	Yields	MTD Chg	YTD Chg
3M	5.44	-0.01	1.02
6M	5.26	-0.12	0.50
1Y	4.80	-0.33	0.10
2Y	4.28	-0.40	-0.15
5Y	3.84	-0.42	-0.16
10Y	3.84	-0.48	-0.03
30Y	3.99	-0.51	0.02
FF Market	FF Disc	IORR	IORR
5.33	5.50	5.40	
SOFR	Prime	QBER	
5.39	8.50	5.32	

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