



Eight Ways To Drive Deposit Growth Without Raising Rates

» deposits customer acquisition

Summary: Is getting into an interest-rate war the only way for CFIs to compete for deposits at higher interest rates? We review alternative strategies for keeping up with aggressive offers from online banks and other competitors.

There are lots of ways to buy a house. You can get there early, offer an all-cash deal, write a friendly letter to the seller, waive the inspection, be the quickest to write a check. Or you can do the one thing that's almost certain to carry the day: offer more money than all the other bidders.

Community financial institutions (CFIs) in search of deposits have the same option. They can attract depositors by offering interest rates that are higher than what customers could find at every other US financial institution. But that's an expensive proposition, particularly as the Fed contemplates lowering rates.

Happily, CFIs can also choose from a multitude of less-expensive strategies for attracting deposits. Consider one of these alternative strategies before defaulting to interest rate increases to entice new business:

1. **Analyze your customer base.** Find out who your best, most loyal customers are. You can also use a comprehensive profitability tool to learn [which customers are bringing in the most revenue](#) for your institution. Target your marketing efforts specifically to these groups and identify what demographics they share. This will allow you to create more targeted advertising to these groups and lookalike customers.
2. **Increase marketing efforts.** Make it easy for potential customers to find you. Update your search engine optimization (SEO) so that your home page comes up quickly on searches for financial institutions meeting your target markets, and make sure that your website has accurate branch information so that potential customers know your operating hours and how to get ahold of you. Use online advertising and make sure your website works well on mobile devices. Invest in your community by leading fundraisers or sponsoring financial literacy courses. Consider teaming up with your top business customers to make joint donations to worthy local causes.
3. **Focus on multi-product relationships.** Look for ways to cross-sell products to your current consumers to deepen that relationship. Loan customers could also add their own personal financial accounts; business customers could always benefit from additional cash and treasury management services. A way to encourage this is through limited offers or bundles to entice them to add new services or open additional accounts.
4. **Provide innovative business services.** The more of a business' back office that your CFI powers, the more sense it makes for that business to bank with you. Offer [cash management tools](#), risk management tools, and digital payment solutions that all integrate seamlessly with other financial systems. Now is a good time to review your cash management pricing and service bundles to encourage existing and new business customers to take advantage of these services.
5. **Partner with fintechs.** Where appropriate, your CFI might benefit from teaming up with one or more fintechs that can provide robust data infrastructure, treasury management tools, and digital platforms that let customers conveniently use those tools. Pay close attention to integration costs, risk management practices, and client referrals.

- 6. **Offer incentives.** Consider low cost ways to help deposit clients get started banking with you. Pay sign-up and referral bonuses. Offer tiered rates that pay more as balances grow. Make mobile deposits easy. Provide limited free checks and identity theft protection.
- 7. **Give customers an easy “on” ramp.** Design your online account opening process to be simple and fast, especially from mobile devices. Easy onboarding is especially important for younger Gen Z customers who take a mobile-first approach.
- 8. **Improve your customer service.** Make your customer service friendly, knowledgeable about product offerings, and able to solve problems in a single conversation. By the time someone calls or visits a CFI branch with a problem, there’s a good chance they’ve already tried to solve it online or over the phone. Don’t pass them from hand to hand.

The time and money that potential customers can save by doing business with a CFI that offers smart solutions can greatly outpace what those customers might get from an extra few bps paid on deposits. Focus on these alternatives to achieve the long-term gains that higher interest rates just can’t get you.

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ECONOMY & RATES

Rates As Of: 03/20/2024 05:35AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	5.48	0.03	0.08
6M	5.39	0.09	0.13
1Y	5.05	0.05	0.28
2Y	4.67	0.05	0.42
5Y	4.29	0.05	0.45
10Y	4.29	0.03	0.40
30Y	4.43	0.05	0.40
FF Market	FF Disc	IORR	
5.33	5.50	5.40	
SOFR	Prime	OBER	
5.31	8.50	5.32	

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