

6 Analytics Tactics to Grow Deposits

*How Banks & Credit Unions Can Effectively Use
Consumer Data to Drive Deposit Growth*

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WHY READ THIS REPORT ?

Growing deposits is core to the growth and profitability of any bank or credit union. And the key to winning the battle for deposits is deceptively simple – finding the ‘right’ deposits at optimum costs.

Over the last 10 years, the banking industry in the U.S. has been experiencing a fundamental transformation. In a space rendered volatile by emerging technologies, shifting demographics and changing regulations, banks - large and small - are looking for tools to help them grow.

Read this report to understand

- How a deeper understanding of existing customer data can benefit banks and credit unions
- 6 analytics tactics to help these organizations grow deposits by:
 - Identifying new opportunities
 - Prioritizing investments across identified opportunities and
 - Winning deposits with longer lifetime values.

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1. WINNING IN DEPOSITS: A KEY PRIORITY FOR U.S. BANKS

Over the past decade, the Banking and Financial services sector in the U.S. has seen unprecedented innovation and evolution.

A lot of these changes have been driven by the evolution of the average American's banking behavior, brought about by digital empowerment.

A 2018 survey conducted by [BAI](#) identified 'deposit growth' as the top business challenge in the U.S. banking sector.

On the regulation front, the U.S. Federal Reserve has raised interest rates five times in the last three years. The past few months, however, have seen a cut in interest rates thrice amid muted inflation pressures and concerns about the economic outlook. These sudden shifts in interest rate direction has intensified the pressure on banks and credit unions to retain and gain new customers and deposits.

The past few years have seen customers, transactions, and deposits steadily flow away from established banks as the younger and tech-savvy customers are increasingly moving the management of their finances to new fintech players.

In 2020, deposit growth continues to be a key priority for the industry.

2. 6 ANALYTICS TACTICS TO GROW DEPOSITS

Banks have access to a lot of valuable data about their customers.

In working with some of the giants of the U.S. banking and financial services sector, we have seen that often **enterprises overlook the true potential of their first-party customer data.**

We live in the age of Big Data. With advancements in business intelligence technologies, the availability and access to customer data is no longer a challenge for most enterprises.

Why, then, are some organizations more successful than others in effectively activating their customer data?

Today's evolving digital environment has rendered customer segmentation based on traditional demographic models inadequate. There is a need for *"deeper insights about behaviors, attitudes, life stages and lifestyle factors to gain nuanced understanding and to build actionable strategies."**

To be able to effectively grow Deposits, banks and credit unions need to start rethinking their approach to customer data.

Having access to the right data is only the first step. The focus should be developing analytical capabilities to gain granular-level behavioral insights that could drive your Deposit growth strategies.

*As highlighted in the [Global Consumer Banking Survey by Ernst & Young \(2016\)](#)

In a [Forrester report](#) published in late October 2019, principal analyst [Alyson Clarke](#) writes:

“Competition is fierce in the battle to find cheap deposits and keep funding costs down. So how do you grow market share, other than offering the highest rate? There is no single solution. Banks and credit unions need to take a multifaceted approach and implement many tactics and strategies to grow their market share.”

In addition to applying marketing tactics across different digital touchpoints to win and keep a customer, the report suggests banks & credit unions should “use all the insights and analytics you can to help understand where the opportunities are, which ones to prioritize, and how to win deposits.”

At iQuanti, we recommend the following **six analytics tactics** (within your first-party data) to enable banks and credit unions to

- Identify new deposit growth opportunities and drive new customer acquisitions
- Identify, prioritize and execute on cross-sell/up-sell opportunities and
- Identify and retain valuable but at-risk customer segments.

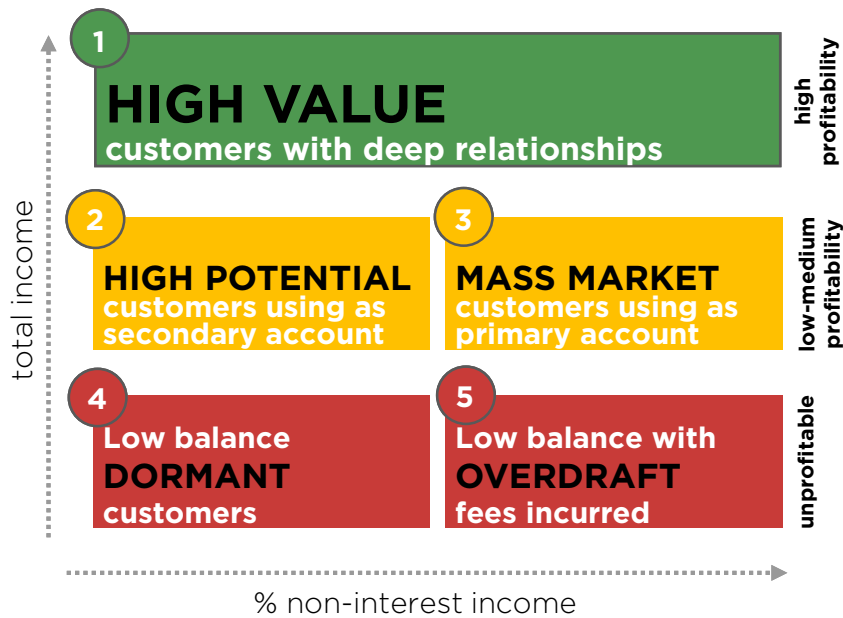
2.1 BEHAVIORAL & PROFITABILITY ANALYSIS

There are two main sources of income for a bank – interest income* and non-interest income.

Mapping your customers in a grid of Total Income and % Non-Interest Income would give you a good understanding of their behavior and profitability.

*While the revenue from lending is usually reported in the P&Ls of loan products, many banks measure interest income at Deposit level to understand profitability of Deposit customers.

A sample segmentation is presented in the grid below:



- SEGMENT 1: High value customers with deep relationships**
This segment has multiple Deposit products, some even have a loan, and have been with the bank for a few years. Non-Interest Income will only be a small portion of the Total income for this segment.
- SEGMENT 2: High potential customers using as secondary account**
This segment has deposited medium balances but are not very active. Many of them may have another Deposit product.
- SEGMENT 3: Mass market customers using as primary bank account**
This segment has deposited low-to-medium balances but are conducting regular transactions. They are likely to have a Savings account but no other Deposit products.
- SEGMENT 4: Low balance dormant customers**
This segment consists of customers who have opened a bank account but haven't been using it. Some of these customers, if activated, could potentially move to a higher profitability bucket.
- SEGMENT 5: Low balance with overdraft fees incurred**
These customers will most likely never be profitable for the bank and will have a high churn as well.

Once you have mapped your customers to these segments, you can identify the profile, behavioral and financial attributes associated with each of those segments.

You may want to break these down into further sub-segments if you see some distinct attributes based on your data.

This tactic will help you better understand the needs and attributes of your profitable customers. This can be used to fine tune your targeting and messaging and effectively acquire customers that will drive profitability for your bank.

2.2 PRODUCT PROPENSITY OR BASKET ANALYSIS

The next step after customer segmentation based on profitability should be understanding the product propensities of each of the segments.

For instance, let’s say a bank has identified 4 different segments based on its Behavior & Profitability Analysis. The next step should be to identify what Deposit products (other than Checking) each of these segments own.

The chart below shows examples of product propensities for the different segments.

	SEGMENT 1	SEGMENT 2	SEGMENT 3	SEGMENT 4
SAVINGS	1.2	1.4	1.4	1.2
CD	3.8	2.7	0.9	0.5
MMA	3.9	2.9	0.8	0.4
IRA	4.2	1.2	0.5	0.6

HIGH LOW
 PRODUCT PROPENSITY

This will help in two ways:

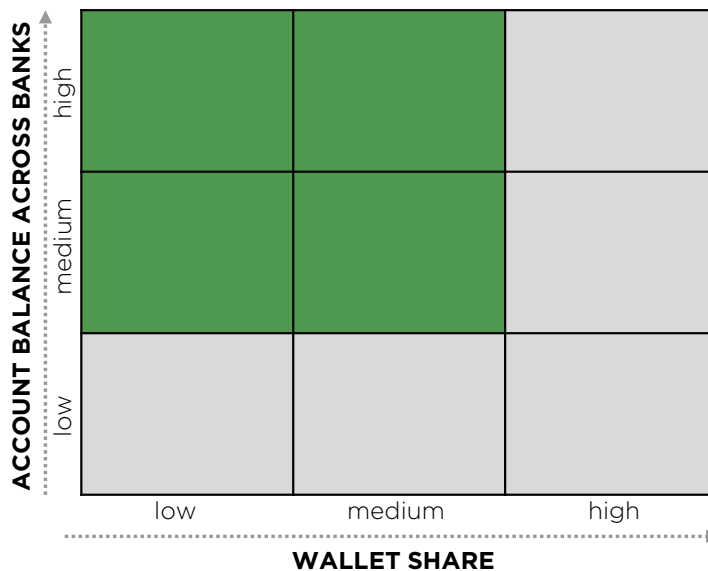
- identifying opportunities for cross-sell within existing customers**
 Wherever you identify a customer who does not own a specific product that his segment shows a high propensity for, there is a definite opportunity for cross-sell.
- Identifying new opportunities while prospecting**
 While prospecting, you can have a product basket approach to different segments based on their product propensities.

2.3 WALLET SHARE ANALYSIS

Wallet Share Analysis helps provide insights into a customer’s potential.

You can leverage third party data providers such as IXI (Experian) to gain specific insights (Account Balances, for example) of your customers across banks. Based on this, you can conduct a Wallet Share Analysis.

Here is an example of how you may apply this to your segmentation. The chart below shows the 4 segments marked in green that have medium-to-high overall Account Balances but only a portion of those balances are with your bank/credit union (giving you a low-to-medium wallet share).



These customers would be ideal for up-sell. You have to understand the right value proposition for these segments and reach them with relevant targeted messaging to get them to move their balances to your bank.

2.4 RETENTION ANALYSIS

It is critical for any bank or credit union to understand the drivers of attrition and develop the right strategies to retain at-risk customers in the future.

A Retention Analysis would include:

- **Understanding drivers of attrition**
 - Identify the patterns in transactions before account closures
 - Identify customers that become dormant. For instance, Checking account customers who have discontinued automatic utility payments, customers who have stopped logging in to the online dashboard, etc.
 - Identify account activities of highest LTV customers and those of customers who close their accounts quickly.

- **Developing a strategy for retention**
 - Develop logic to flag users who show transaction patterns that indicate likelihood of account closures
 - Develop a retention strategy - channel, messaging, offers, promotions etc. to effectively retain customers
 - Identify segments likely to close account quickly/low LTV customers, and exclude them from acquisition campaigns to drive efficiencies in the long-term.

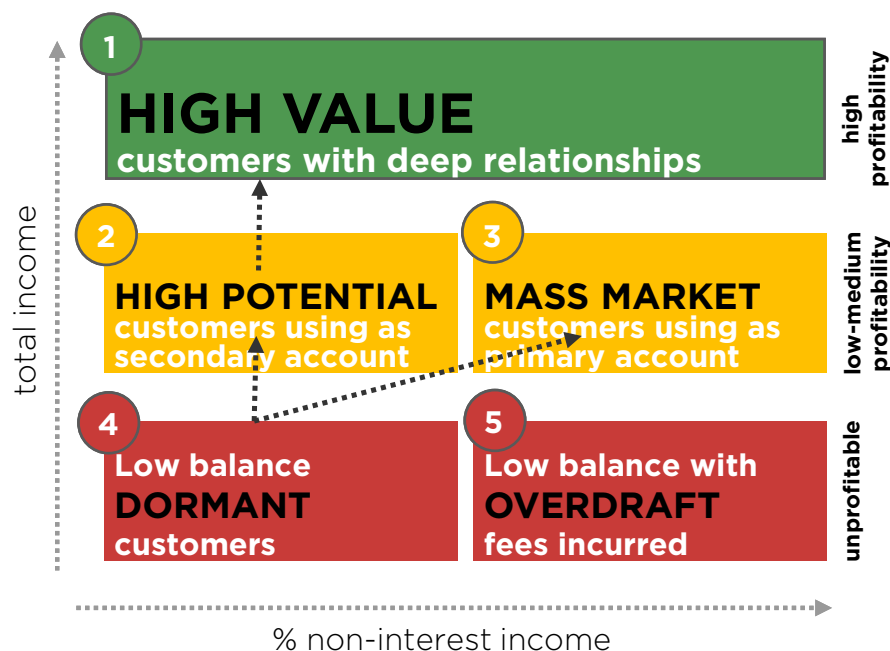
2.5 PROFITABILITY JOURNEY OVER TIME ANALYSIS

Research suggests that on an average, almost 40% of any bank’s Checking account customers are unprofitable. Of the customers who are profitable, most might not be profitable right away. On an average, it can take customers up to 5-10 years to become profitable for the bank.

Profitability Journey Over Time analysis can help ensure you are NOT missing out on specific micro-segments of customers, who may appear to be of low profitability presently, but have the potential to become more profitable in the near future.

We can analyze profitability journeys to identify customers within the low profitability segments. Tracking and analyzing their Total Income Y-O-Y will help identify potential customers who may become profitable in the future. If historical Total Income data is not available, average balances could be used as proxy.

Let’s look at an example. In the segmentation graph below, if some of the customers in segment 2 show the propensity to switch to using your bank as their primary bank, this may mean that they will make more transactions, purchase more products, etc. and move to the high profitability bucket for the bank within the next couple of years.



This analysis will help identify the sub-segments that will move to a higher profitability bucket over time vs. the ones that won't, thus, helping prioritize your marketing efforts (and marketing spends).

2.6 ALIGNING MESSAGING WITH SEGMENTS

Your messaging needs to be specifically tailored to speak to your micro-segment. This means that all the components of messaging - including products, key messages, features, call-to-actions, and creatives/ images - need to perfectly align with the segment you are targeting.

We would recommend using your first-party data and historical channel response data as starting points and developing hypotheses to design additional creative tests.

- **Product:** For older segments, you can have Checking + CD / MMA combination; whereas, for younger segments you can have Checking + Savings accounts.
- **Key message:** For certain segments, customer service might be the key whereas for some others the value in terms of interest rates/low fees might be more important.
- **Features:** For the older demographic, location still remains a big factor in deciding a new bank; whereas, for younger generation, especially Gen Z, convenience may be the most important factor.
- **Call-to-action:** Segmentation data can be used to ensure the most effective call-to-action is used for each segment. For example, the use of 'Talk to a banker' for segments less likely to open an account online vs. a direct CTA of 'Apply' for segments who are likely to open an account online.

3. THE FINAL WORD

Forrester's [Predictions 2020: Banking](#) report predicts that one of the developments that will take many in the banking industry by surprise in 2020 is that new entrants - new digital banks such as Monzo and Revolut, telcos like T-Mobile, robo-advisor Betterment, Apple and maybe even Starbucks - will entice customers with better Deposits.

With the market becoming more competitive, **it is critical for marketers to remember that your customer's deposit needs are not one-size-fits-all.**

The ability to expand beyond bottom funnel, find the 'right' target segments and develop campaigns to precisely target them can give you a unique competitive edge. At iQuanti, we have developed a data modeling framework to enable banks and credit unions do exactly this.

Our Precision Targeting is modelled for two factors - propensity (who are most likely to deposit or who are at risk of transferring out) and value (who has the most life-time value). The model gives us unique insights into your customers - their needs, their triggers, their priorities and behavior, thus helping us develop precisely targeted marketing campaigns to drive Deposits retention and growth.

HAVE QUESTIONS?

[Reach out to our Digital Solutions team to start a conversation today!](#)

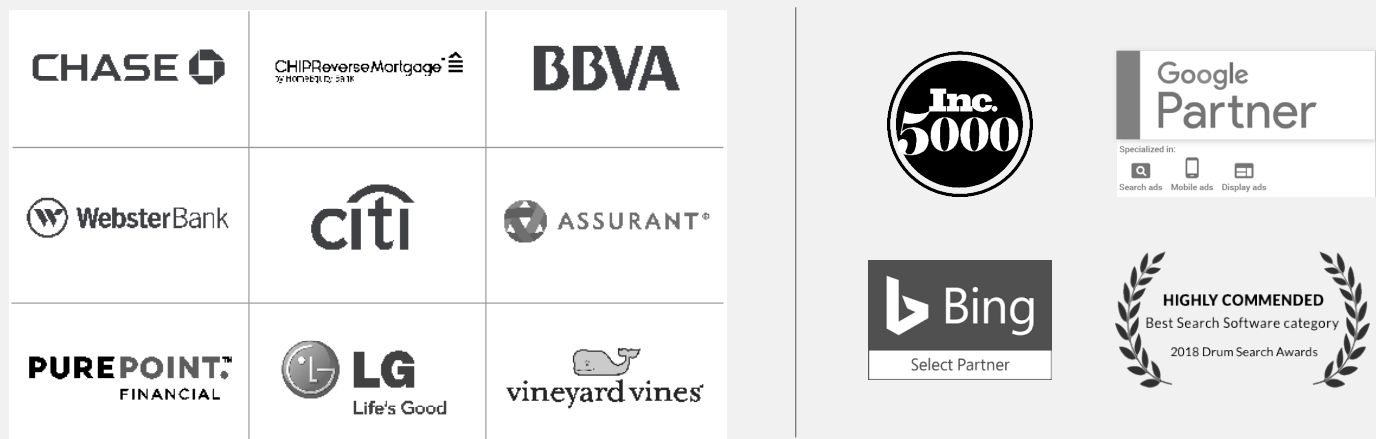
ABOUT IQANTI

iQuanti ignites powerful & predictable digital marketing performance for global brands with an approach rooted in data science and deep vertical knowledge.

iQuanti offers a unique blend of channel management services, strategic consulting expertise and proprietary product offerings to empower brands to exceed their customer acquisition, engagement, and conversion goals.

iQuanti's award-winning & patented enterprise SEO platform ALPS™ uses proprietary data science and machine learning to build predictive enterprise level SEO roadmaps that deliver stronger ROI.

Founded in 2008, iQuanti now has 200+ employees across New York, Chicago, Dallas and San Francisco, as well as Bangalore, London, Mexico City and Toronto. iQuanti joined the elite Inc 5000 Hall of Fame in 2019, its fifth time being featured in the list of fastest growing private companies in the U.S.



iQUANTI™

Business

Our roots are in the business world



Data

Data-driven insights and action



Marketing

Broad experience executing across all digital channels



Technology

Proprietary technology to complement your efforts



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