

Bank Retail and Marketing Strategy by the Numbers

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Outline

- Review key performance numbers and discuss retail and marketing strategies for improvement.

Retail and Marketing



the sale of goods to ultimate consumers, usually in small quantities



price, place, promotion, product

(3)

(3)

Let's start with the FDIC Call Report

- Schedule RI (Income Statement) 5b.
 - Service Charges on Deposit Accounts
 - Remember to Annualize

5. Noninterest income:

- a. Income from fiduciary activities ¹.....
- b. Service charges on deposit accounts.....
- c. Not applicable
- d. Not available
 - 1. Fees and commissions from securities brokerage.....
 - 2. Investment banking, advisory, and underwriting fees and commissions.....
 - 3. Fees and commissions from annuity sales.....
 - 4. Underwriting income from insurance and reinsurance activities.....

		5.
RIAD4070	0	5.a.
RIAD4080	156	5.b.
		5.c.
		5.d.
RIADC886	46	5.d.1.
RIADC888	6	5.d.2.
RIADC887	13	5.d.3.
RIADC386	0	5.d.4.

FDIC Call Report

- Schedule RC Balance Sheet
 - Line 12 Total Assets
 - Line 13 Deposits
 - A. Total in domestic offices
 - 1. Noninterest-bearing
 - 2. Interest bearing

12. Total assets (sum of items 1 through 11).....	RCON2170	257,892	12.
13. Deposits:			13.
a. In domestic offices (sum of totals of columns A and C from Schedule RC-E).....	RCON2200	226,267	13.a.
1. Noninterest-bearing ⁴	RCON6631	40,806	13.a.1.
2. Interest-bearing.....	RCON6636	185,461	13.a.2.

FDIC Call Report

- Marketing
- Schedule RI-E Explanations
 - 2.b Advertising and marketing expense

2. Other noninterest expense (from Schedule RI, item 7.d) Itemize and describe amounts greater than \$100,000 that exceed 3 percent of Schedule RI, item 7.d:

- a. Data processing expenses.....
- b. Advertising and marketing expenses.....
- c. Directors' fees.....

		2.
RIADC017	357	2.a.
RIAD0497	NR	2.b.
RIAD4136	NR	2.c.

Let's Do Some Calculating

- SCDA/Assets
 - $\$312,000/\$257,892,000 = .0012\%$
- Acceptable Range:
 - .0025% to .0035%
 - If we can improve to .0030% we will gain \$464,000 of additional revenue.
 - OD/NSF Revenue makes up 94% of SCDA at a typical bank.

Sample Bank Service Charges on Deposit Accounts 2012- Q2 2017*

SCDA Chart

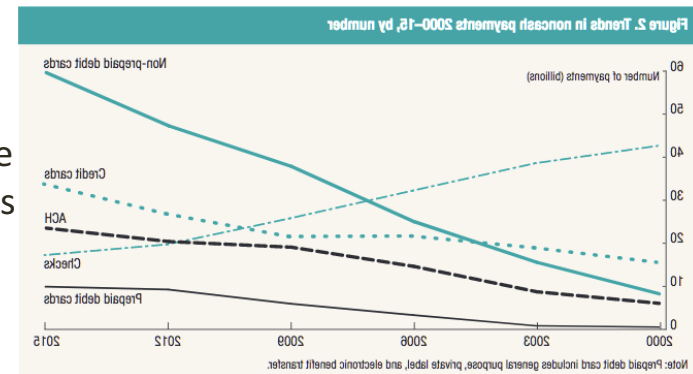


2012	2013	2014	2015	2016	Q2 2017 (ann)
\$426,000.00	\$413,000.00	\$403,000.00	\$368,000.00	\$336,000.00	\$312,000.00

*Overdraft and NSF= 94%

Why Opt-in a Customer?

1. Since 2000, consumers and businesses have substantially changed their payment choices, with check payments primarily being replaced with card payments and electronic transfers via the automated clearinghouse (ACH) system. In 2015, checks written accounted for 13.4 percent of noncash payments and 15.4 percent of their value compared with 57.8 percent of noncash payments and 66.7 percent of their value in 2000.
2. In 2015, households wrote 7.1 checks per month, on average, 36.9 percent of the 19.3 checks they wrote per month in 2000. During the same period, total noncash payments per household expanded. In 2015, households made 78.6 noncash payments per month, on average, about 94.7 percent more than the 40.3 noncash payments they made per month in 2000.



Current OD/NSF Financial Performance

1. Through June 30, 2017 the bank has collected \$156k of services charges on deposit accounts.
2. Of the \$156k, OD and NSF fees accounted for **\$146k** of the charges (94% of SCDA).
3. What is the average annual number of times an account overdrafts?
 - A. \$146K divided by \$30 (OD/NSF Fee) = 4,867 occurrences. (9,734/annualized.)
 - B. 9,734 occurrences divided by the number of checking accounts equals an annualized average of only 1.03 occurrences per account.

Best Practice Performance

1. The range of OD/NSF occurrences should be between 3.2x and 5.0x per account.
2. If we use 3.2x as our goal.
 - A. On 9,476 (retail and business) accounts, this would be 20,847 additional occurrences.
 - B. @\$30 this would yield annually \$625,416 of additional revenue.

Current Overdraft Program

1. De Minimis Limit = \$10 (No Fee if account is overdrawn by less than \$10)
2. Opt-in consent is a feature of current program
3. Program Eligibility:
 1. 30 day period in good standing (\$300 in deposits)
 2. No bank loan default
 3. Positive balance at least once per 30 days
 4. No court order or levy
4. Limit \$500
5. Limited to 5 ODs Per Day
6. Total Overdrafts must be repaid every 20 days
7. 4,964 accounts have ODP (52%)

Reg-E Opt-in Performance

1. Of the new retail checking accounts opened between May 1, 2017 and July 31,2017 **NO (0)** customers opted in to use ODP with a debit card.
2. We expect 45% to 60% of these customers to opt-in at time of new account opening.
3. 85 total accounts have opted in to Reg E. (Only 1% of checking accounts)

Why an OD “Courtesy” Program?

1. 12% of the population needs a “short-term” loan to make it to payday.
2. Overdraft programs provide a real service to this group.

Program Changes - Strategy

1. Annual OD/NSF Program Letter (Customer and Compliance Focused)
2. Reconsider and vote NO to the \$10 De Minimis Amount.
3. Increase Level to \$800 after review of accounts.
4. Increase Daily Maximum to 6 from 5
5. New accounts will qualify for \$100 day one. (Making it easier to get opt-in)
6. Collection process review – centralized.
7. Training



Consumer Courtesy Overdraft Coverage Program Annual Statement

Thank you for banking with NXT Bank. We're always looking for ways to serve you better, so we would like to take this opportunity to present our Courtesy Overdraft Coverage Program Annual Statement prepared for your account.

This annual statement provides valuable overdraft information about limits, coverage and also updates changes to our program. Effective August 1, 2014 fees for Overdraft Items and Returned Items will be \$29.00. Six such overdraft fees can be assessed per day. No charges will be assessed on items that result in an overdraft balance of \$1.00 or less.

The Courtesy Overdraft Coverage Program may provide you with a safety net, up to your limit, to cover overdraft paid item(s) including checks, automatic bill payments and loan transfers, as long as you keep your checking account in good standing.

We encourage you to manage your finances responsibly; however, we understand that it's not uncommon to run a little short of cash on occasion. As long as you keep your checking account in good standing, the Courtesy Overdraft Coverage Program may provide you with a safety net and help you avoid embarrassment at the ATM, gas station or the store register when the funds run short.

As a reminder: the Courtesy Overdraft Coverage Program enables NXT Bank, at our discretion, to cover an unanticipated expense when your account is overdrawn. NXT Bank reserves the right not to pay if your accounts are not kept in good standing.

At NXT Bank, we'll always be there to provide the products and protection you want and deserve. We appreciate your business and look forward to continuing to serve you.

Overdraft Privilege Summary

Prepared for: **John Doe**

Your Courtesy Overdraft Coverage Program Covers Overdrafts From:

- » **Debit Transactions: YES**
- » **Check Transactions: YES**
- » **Limit \$600**

No action is required by you.



Funding Loans - Deposits

- Non-Interest Deposits/Total Deposits
 - $\$40,806/\$226,807 = 18\%$
 - Acceptable Range is 25% to 35%
 - Value of moving to 30%
 - \$28 Million movement adds \$182,000 of additional Revenue

DDA Strategy

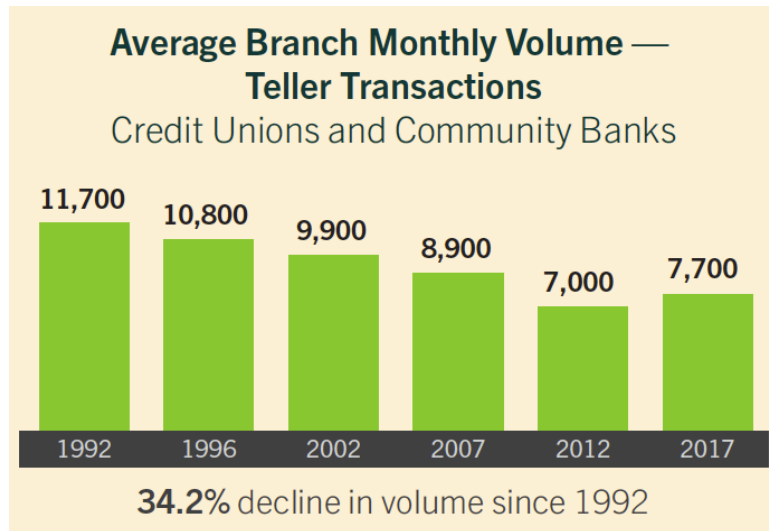
- Free to Fee
 - Non interest Value Checking Accounts with Fee.
 - Increase SCDA and Non-Interest Funding
 - Here's the Numbers
 - 4,500 to Value @ \$3.95 will produce more than \$400,000 of additional income over 5 years

Retail Sales and Service by the Numbers

- What should we track?
 - Teller transactions
 - Checking Sales (best by Week)
 - Additional Sales (best by Week)
- Yes, the correct word is sales!

Teller Transactions

2016	A	B	C	D	E	Avg	US Average
Weekly Average Teller Transactions	2,923	704	1,341	601	360		
Monthly Average Transactions	11,692	2,816	5,364	2,404	1,440	4,743	7,700
Annual Average Transactions	151,996	36,608	69,732	31,252	18,720		
Annual Hours Open	2,736	2,256	2,736	2,592	2,592		
Average Transactions Per Hour	55.55	16.23	25.49	12.06	7.22		



ITM Review

- NCR Interactive Teller enables banks to offer their customers the benefits of both self-service video banking and the branch experience in one solution, closing the intimacy gap. NCR Interactive Teller combines video banking collaboration and remote transaction processing banking technology embedded within the ATM to give your customer the choice of self-service or connecting with a remote teller in a highly personalized, two-way audio/video interaction.
- By migrating routine transactions away from the teller counter, NCR Interactive Teller provides the combined benefits of lower processing costs, faster transactions and increased product sales and revenue growth. This innovative technology is ideal for banks looking for a cost effective way to expand service to rural areas.



Current DDA Sales

- From May 1, 2017 to July 31, 2017 the bank sold 307 checking accounts.

1.	Basic Interest	14	5%	Regular with interest
2.	Free	215	70%	Free
3.	Free Rewards	37	12%	Free
4.	Saver Rewards	35	11%	Free
5.	Money Market	6	2%	MM Regular with interest

A bracket groups the 'Free' categories (rows 2, 3, and 4) with the label '93% Free'.

- All Accounts have option for Free paper Statement.

Additional Sales on New Accounts

- On Checking Sales May 1, 2017 to July 31, 2017:

<u>Opportunity</u>	<u>Level</u>	<u>Acceptable Range</u>
• Debit Card Sales	88%	Range: 85% to 96%
• Opt-in	00%	Range: 48% to 65%
• Email Addresses	81%	Range: 85% to 96%
• EStatement	26%	Range: 35% to 50%
• Internet Banking	52%	Range: 70+%

Marketing Budget

- Traditionally we see 1/10 of 1% of assets as the benchmark for a marketing budget.
- For our sample bank $\$257,892,000 * 1/10 \text{ of } 1\% = \$257,892$ budget.
 - Why higher or why lower?
 - Higher: New market, competition
 - Lower: Mature market, low competition

Summary

- Know your numbers and the strategies to build a best practice bank.
 - In our sample bank we have an opportunity to increase revenue by:
 - SCDA: \$464K OD/NSF
 - SCDA: \$400K Convert Free Checking Accounts
 - NID: \$182K Build NID Deposits
 - NIE: Reduce teller FTE
 - Total: \$1,000,000 ?

Conclusion

- The numbers will always lead you!
- As an account friend of mine always points out:
 - I'm an accountant, I don't have a sense of humor!

Thank You!

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