



Building Your 2023 Strategic Plan: The Secrets of High-Performing Banks

Sean C. Payant, Ph.D., Chief Strategy Officer
Haberfeld

THE FINANCIAL BRAND

FORUM

Session Objectives

Session Objectives

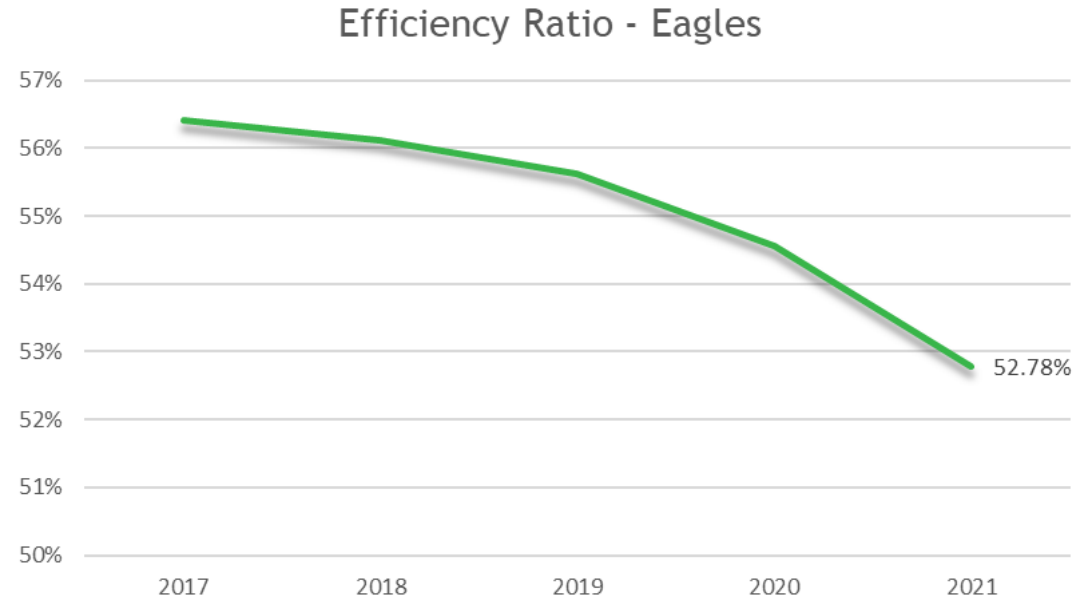
1. Use data to understand the decisions high-performing banks make
2. Explore methods to significantly increase core customer and member acquisition
3. Identify additional opportunities to create engagement with new and current customers and members, while enhancing non-interest income
4. Evaluate the impact of customer and member growth on profitability

How do Eagles (aka, High-Performing
Banks) soar?

Higher revenues or lower expenses?

Eagles

- Top 5% on ROE, that have been in the top 5% for 5 consecutive years
- Through Yearend 2021, 76 institutions made this cut



Note: Data Through 12/31/2021

Eagles - How They Compare on Several Key Metrics?

Metric	Eagles	Other	% Variance
Return on Assets	3.31%	1.09%	204%
Return on Equity	29.63%	10.26%	189%
Net Interest Margin	3.69%	3.24%	14%
Cost of Funds	0.31%	0.31%	0%
Yield on Loans	5.55%	5.05%	10%
Loan/Deposit Ratio	71.42%	66.71%	7%
Noninterest Income to Assets	\$35.17	\$6.86	413%
Noninterest Expense to Assets	\$40.62	\$30.93	31%
Equity Capital to Assets	11.28%	10.71%	5%



Note: Data Through 12/31/2021

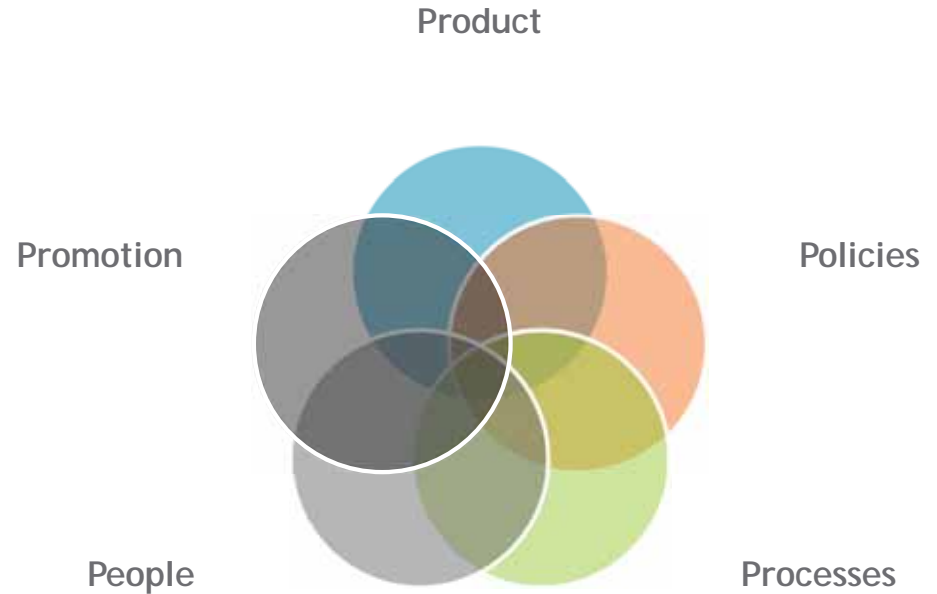
Eagles - Summary

- Eagles don't save their way to prosperity.
- It is a revenue game!



Strategic Planning Considerations- Principles and Results

What needs to happen to grow your FI in 2023?



A Core Belief

We need as many Primary Financial Institution (PFI) customers or members as possible.

When Do You Have a Primary Financial Institution (PFI) Customer or Member?



1

When consumers give your financial institution's name in response to the question:

"Where do you bank?"



2

They are telling you where they have their **primary** operating checking account.



3

The primary operating checking account is the gateway to PFI status:

Up to 68% of PFI relationships begin with a primary operating retail or business checking account!



4

Start with the checking account and deepen relationships by providing other product and service solutions to make people's lives better!

Why Checking First?



68%

First consumer
product is checking



51%

First business product
is business checking



28%

First relationship at a
business household is
consumer checking

Realities of Community Banking



Fixed Costs

We are in a business of high fixed costs...

Build expensive "factories" that we call branches.



Marginal Costs

Modest marginal costs...

What does it cost you at the margin to service one more core customer or member?



Comparison

High marginal revenues compared to marginal costs...

What does your average customer or member produce in revenues per year - \$200? \$300? \$500?



Capacity

Tremendous excess capacity.

Most branches could handle many more customers or members with no problem.

What is the Impact of Strategic Customer Growth on Profitability?

A Case Study Bank – \$1.65B with
24 locations (originally 8)

Case Study Bank Average Customers Per Branch

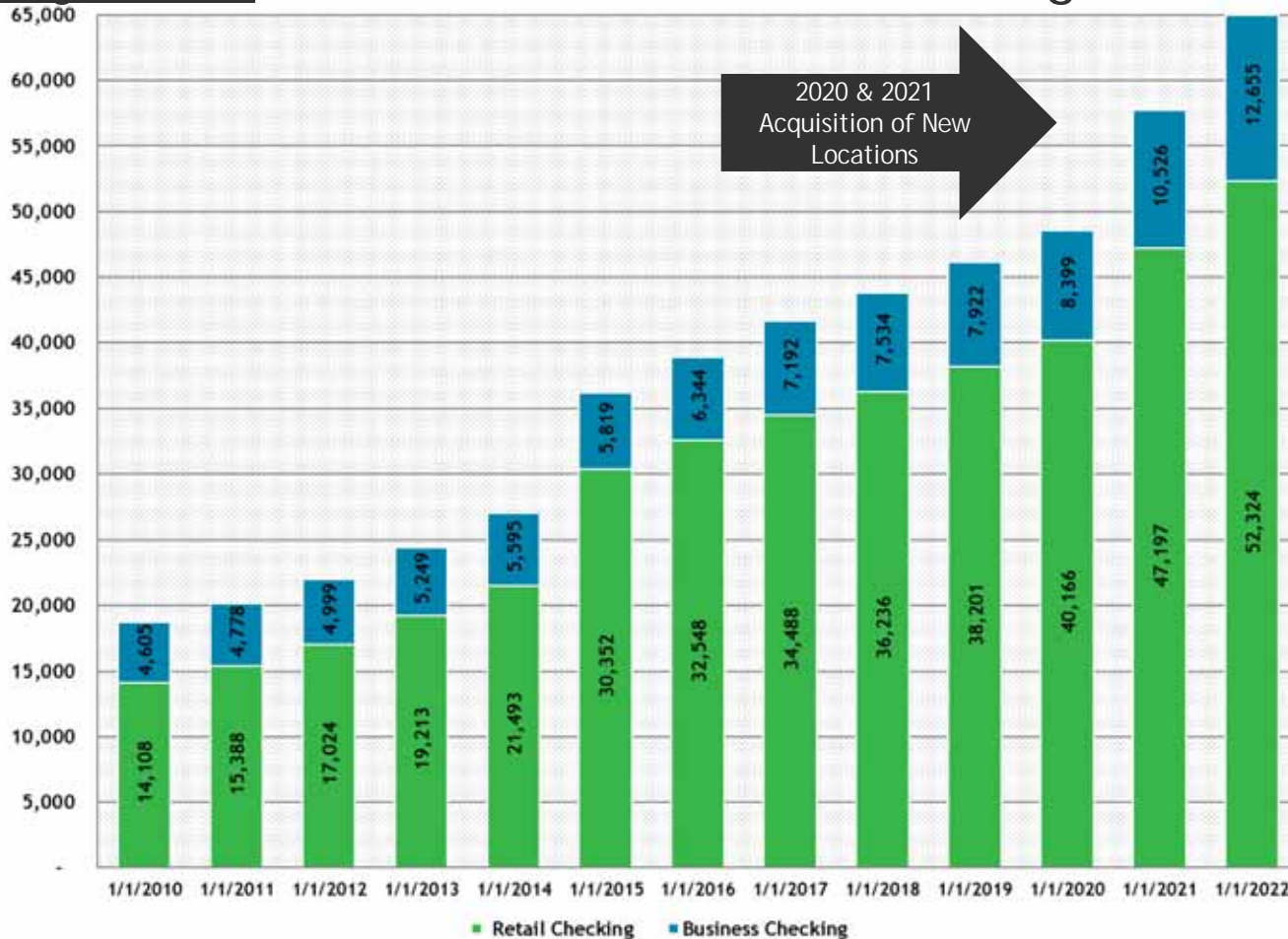
COMMUNITY BANKS

Community banks average
1,200 customers
per branch

CASE STUDY BANK

After 18 years, averages
2,707 customers
per branch

Case Study Bank Retail & Business Checking Portfolio Trends



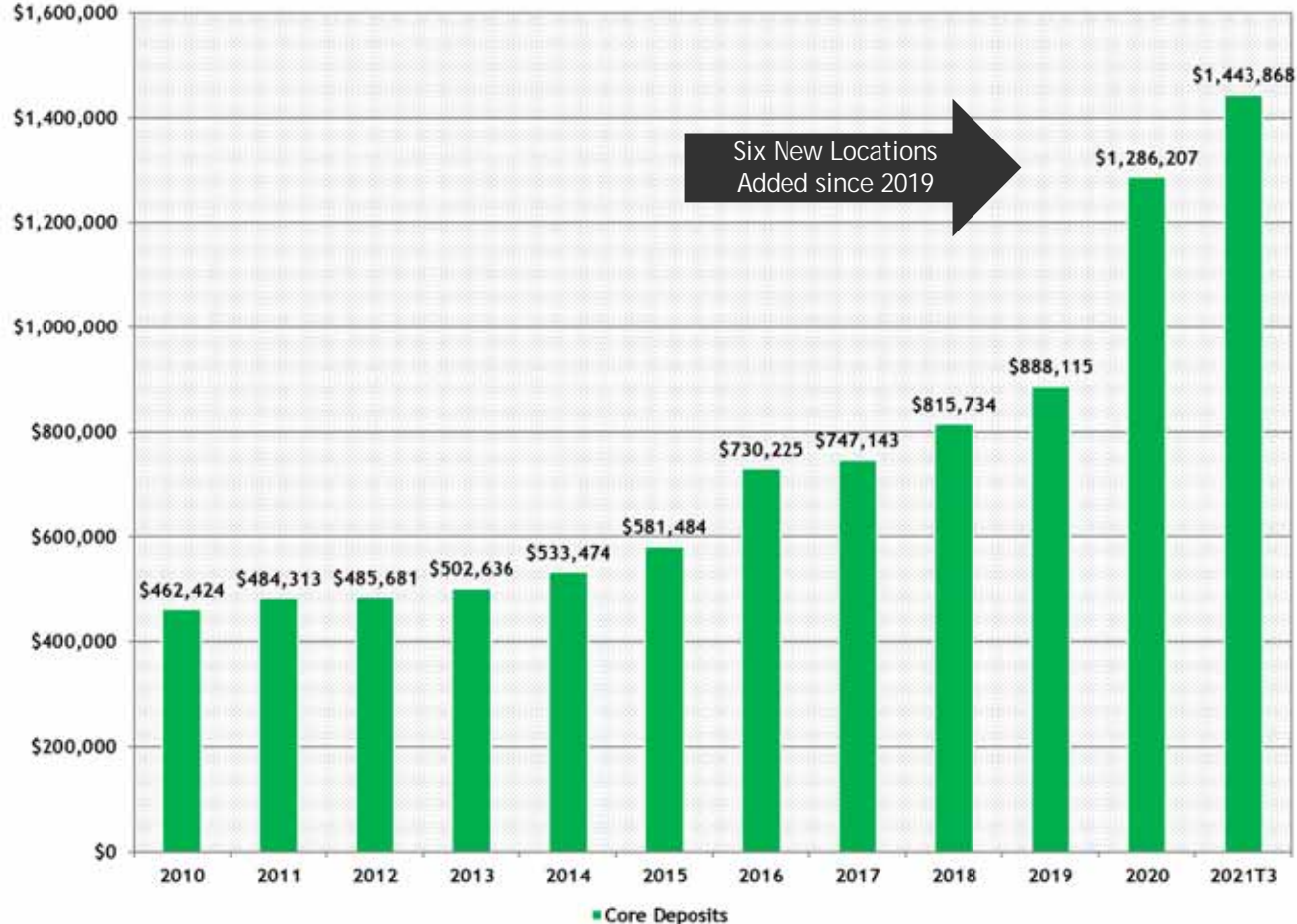
Case Study Bank Retail Checking Age Demographics

Retail Checking Portfolio To County Averages			
Age Range	Percentage of Accounts	Percentage of 12-month Openings	Percentage of Population
20 - 24	9.30%	11.90%	10.80%
25 - 34	15.40%	21.60%	18.90%
35 - 44	15.30%	19.20%	20.60%
45 - 54	16.20%	18.10%	20.10%
55 - 59	9.30%	8.40%	8.40%
60 - 64	9.20%	7.30%	6.70%
65 - 74	14.70%	9.00%	9.00%
75 - 84	7.80%	3.40%	4.00%
85 and over	2.90%	1.00%	1.50%

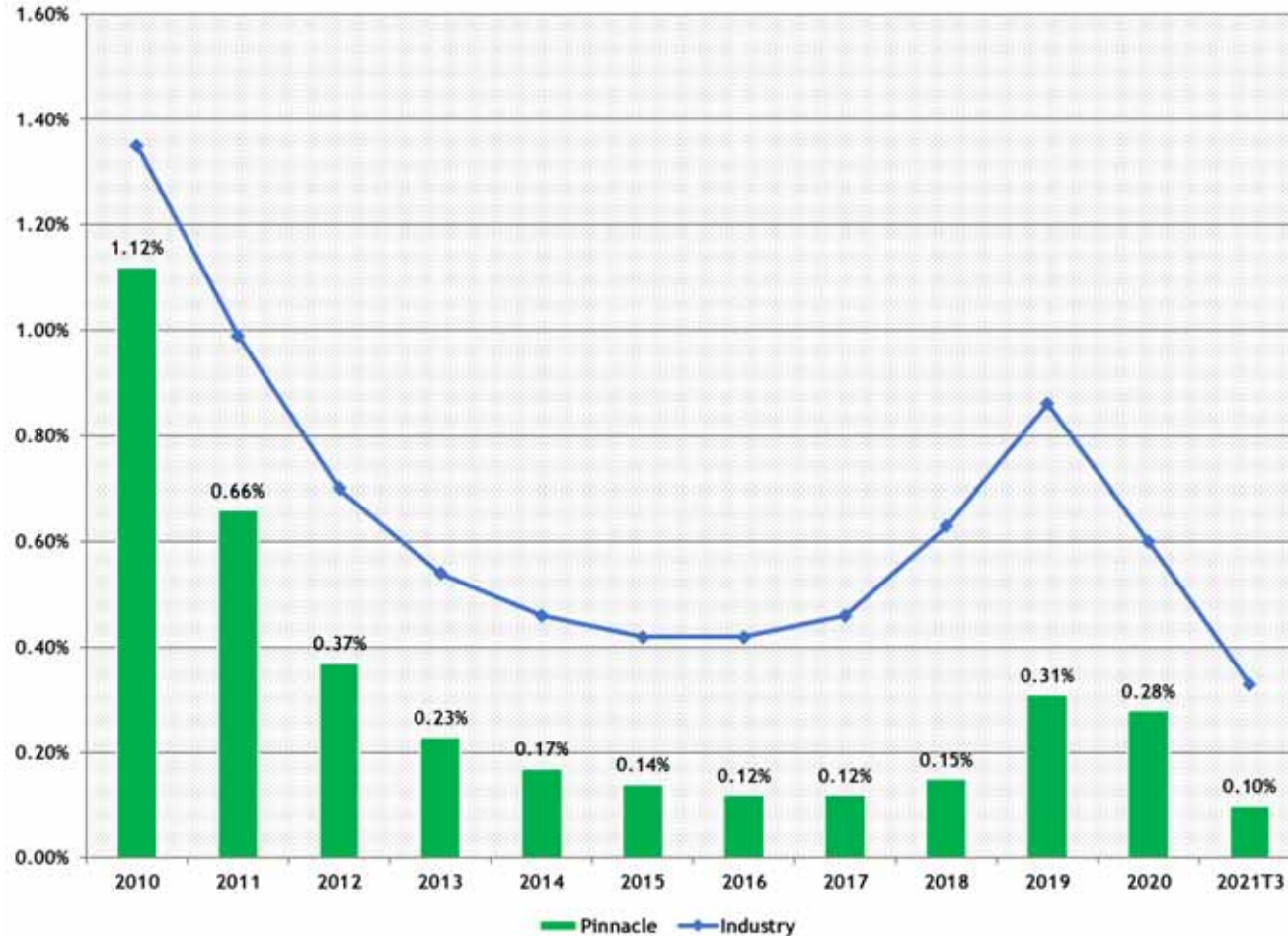
53% of Openings in Last 12 Months are under age 44.

That compares to 40% of portfolio and 50% of the county population in that age segment.

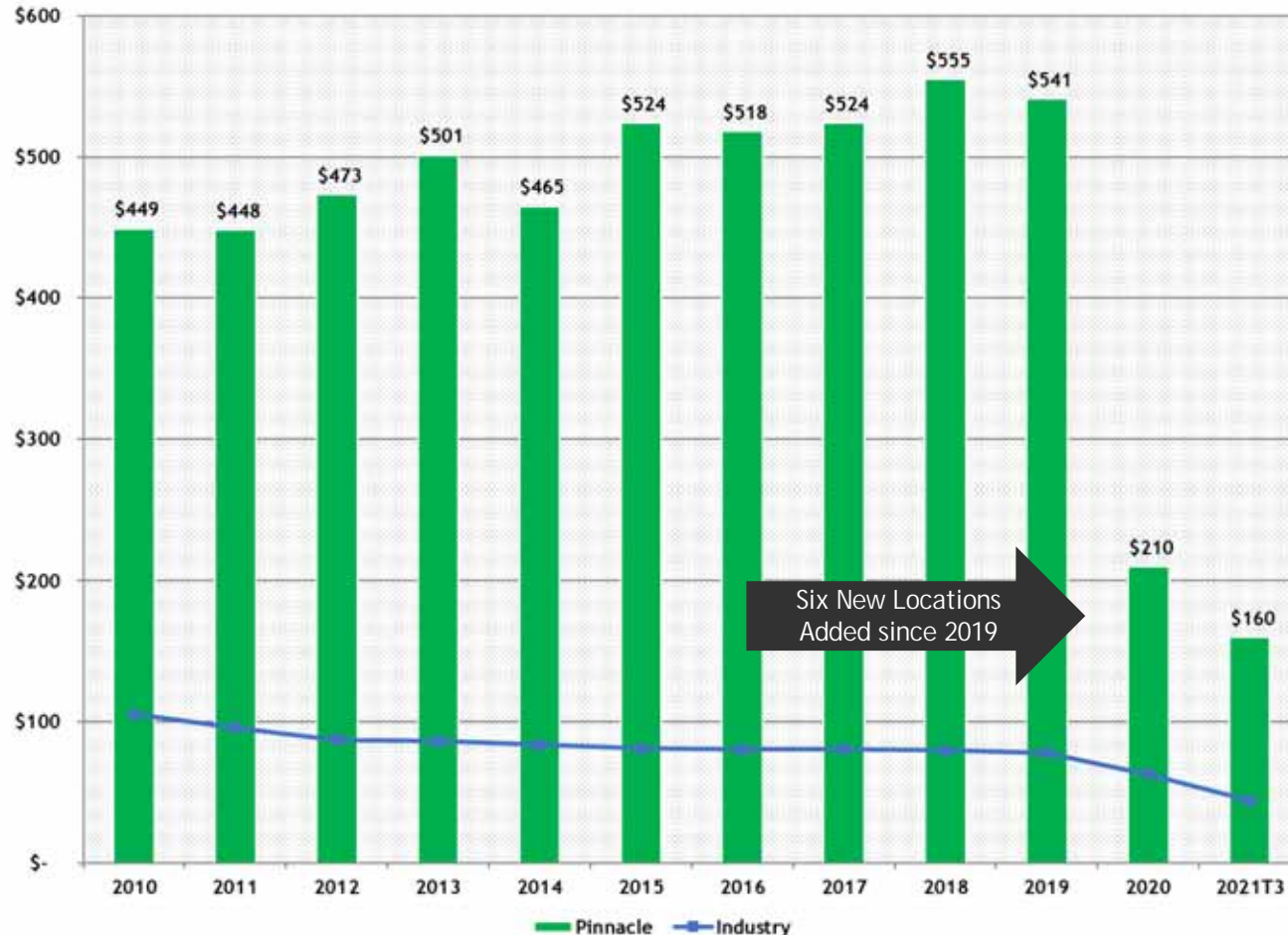
Case Study Bank FDIC Trends - Core Deposits



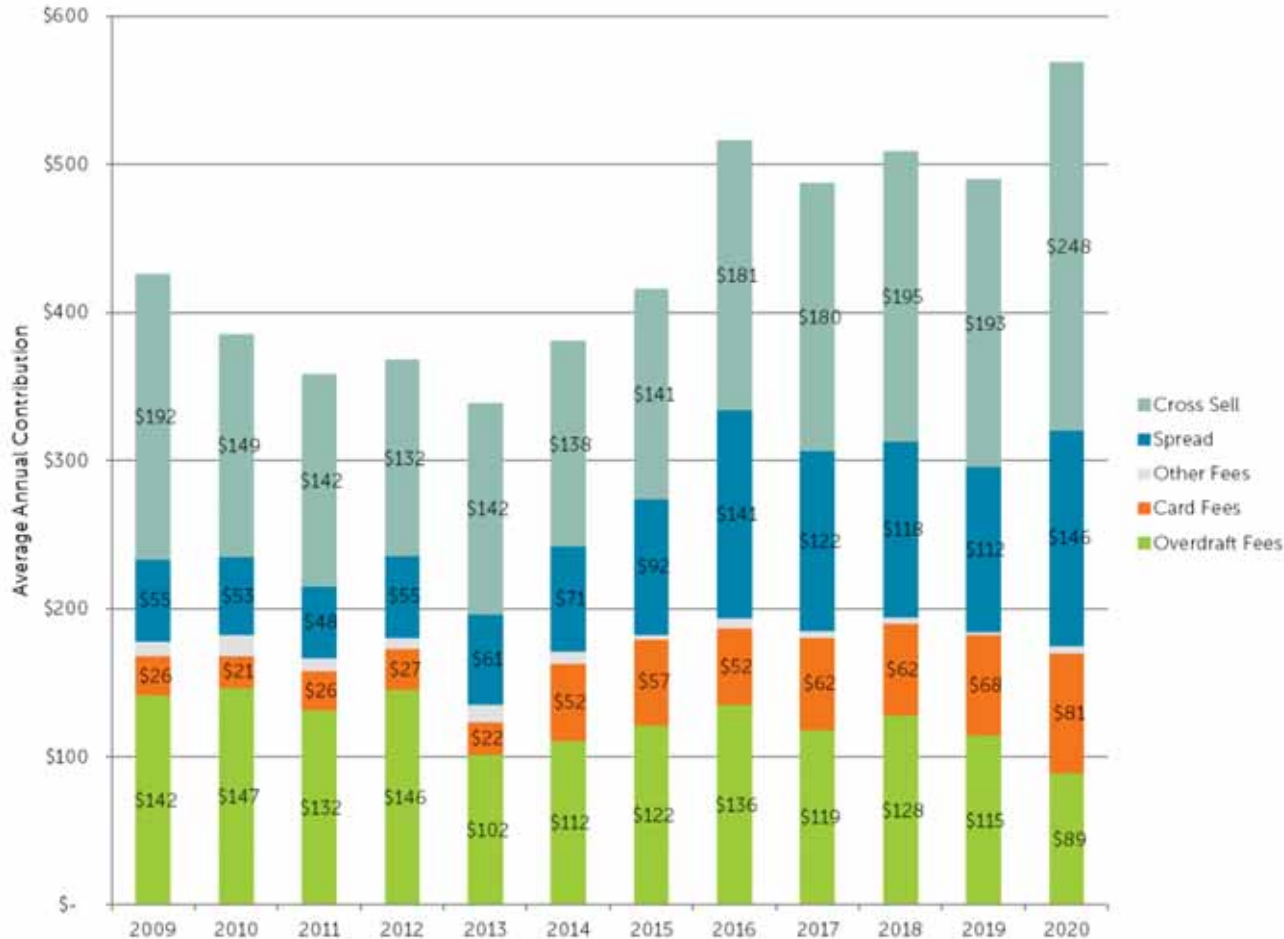
Case Study Bank vs. Industry FDIC Trends – Cost of Funds



Case Study Bank vs. The Industry - Service Income per Branch



Case Study Retail Checking Annual Contribution Trends



A Strategic **Product** Makeover for Growth – Your Compelling Offer

The Five Secrets to Good Product



01

GOOD FOR THE
CUSTOMER OR
MEMBER



02

SIMPLE &
LOGICAL



03

EASY TO SELL,
EASIER TO BUY



04

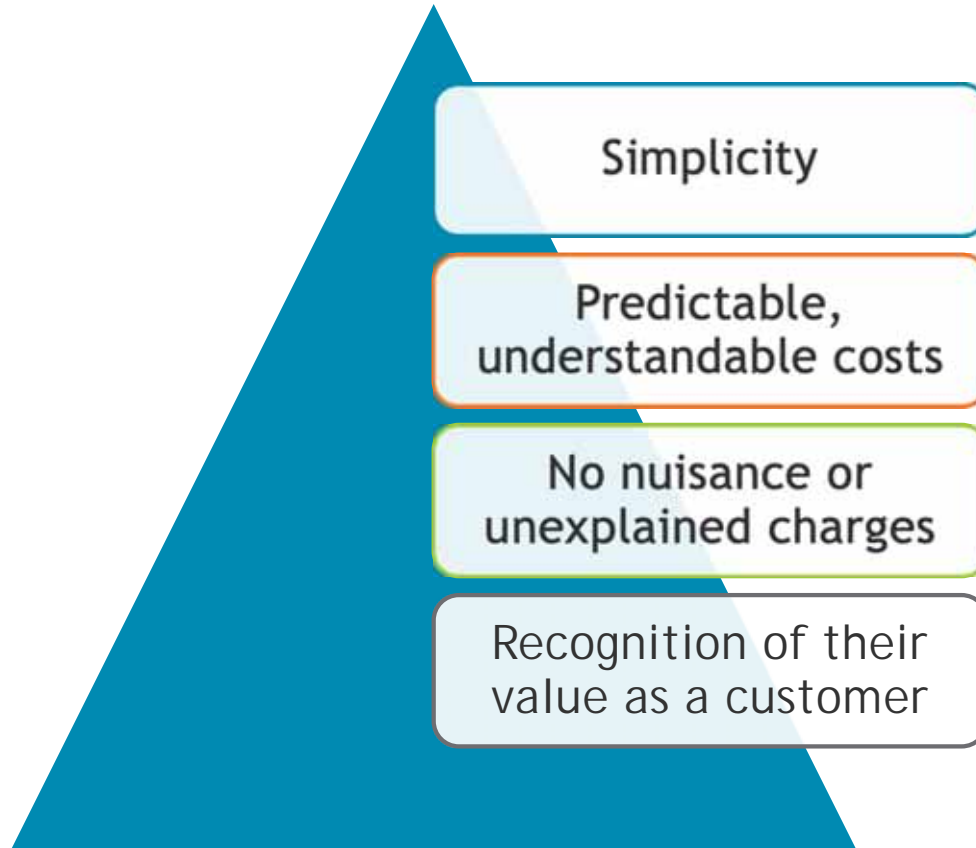
MAKES MONEY
FOR THE FI



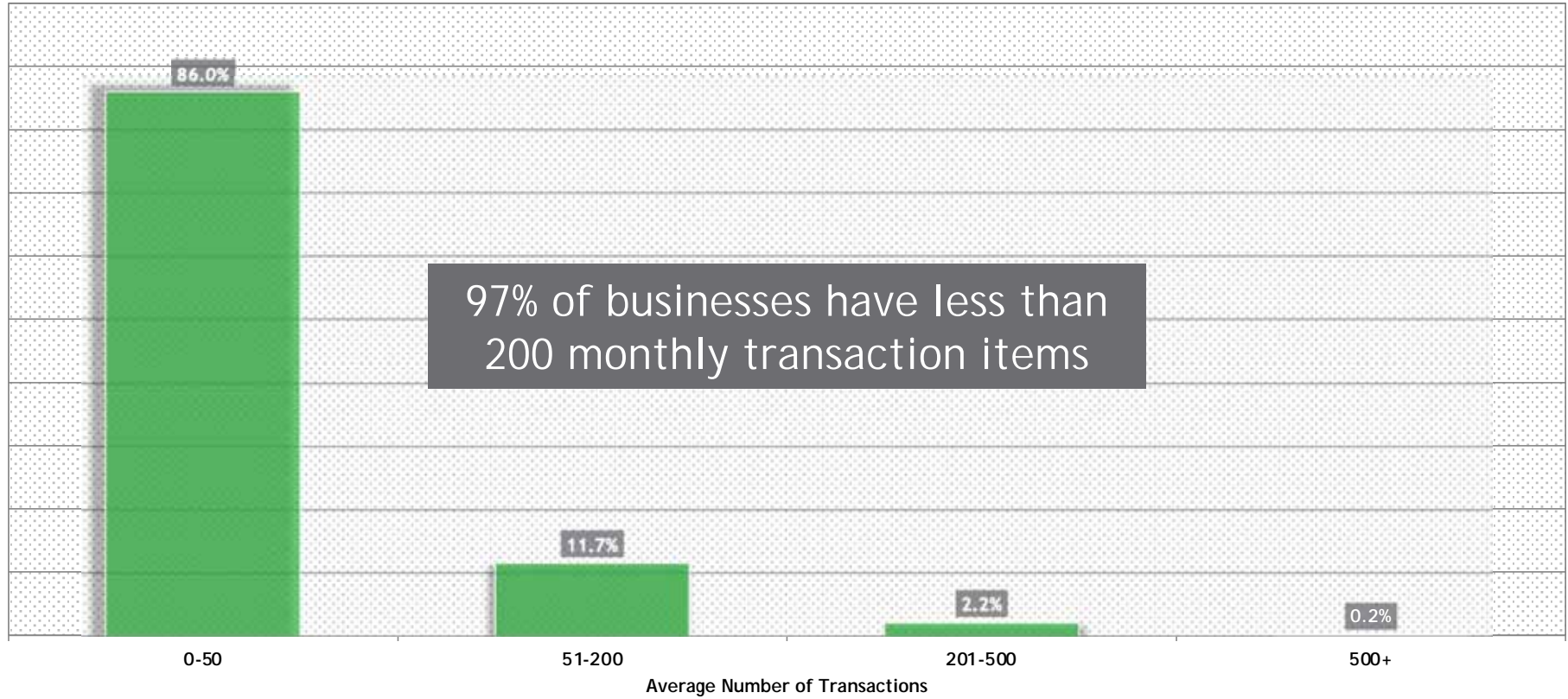
05

ONE PRICING
VARIABLE PER
PRODUCT

What Do Businesses Want?



Client Business Checking Stratification



55% of new accounts had fewer than 10 monthly transactions

Client Business Checking Stratification

Average # of Transactions	Average Balance	NII @ 300 bps	Cross-Sell Relationships
0-50	\$7,170	\$215	4.31
51-200	\$16,477	\$494	5.16
201-500	\$32,579	\$977	6.52
500+	\$46,124	\$1,384	6.97

Total Net Present Value of the Relationship (Banks)

Retail Checking - 11.53 years

Business Checking - 10.15 years

2,408 Checking

7,246 Checking

2,469 Cross-Sell

8,722 Cross-Sell

\$ 4,877 NPV

\$15,967 NPV

Source: Client Data - 2021 reported in 2022

A Strategic **Polices** Makeover for Growth – Removing Barriers

Remove Barriers

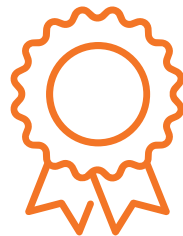
- Do your policies create or remove barriers?
 - “Does my spouse need to be here?”
 - “What forms of ID do I need?”
- Do you pre-screen consumers in order to “qualify” for an account?

Account Screening - Client Data

ACCOUNT SCREENING



VS

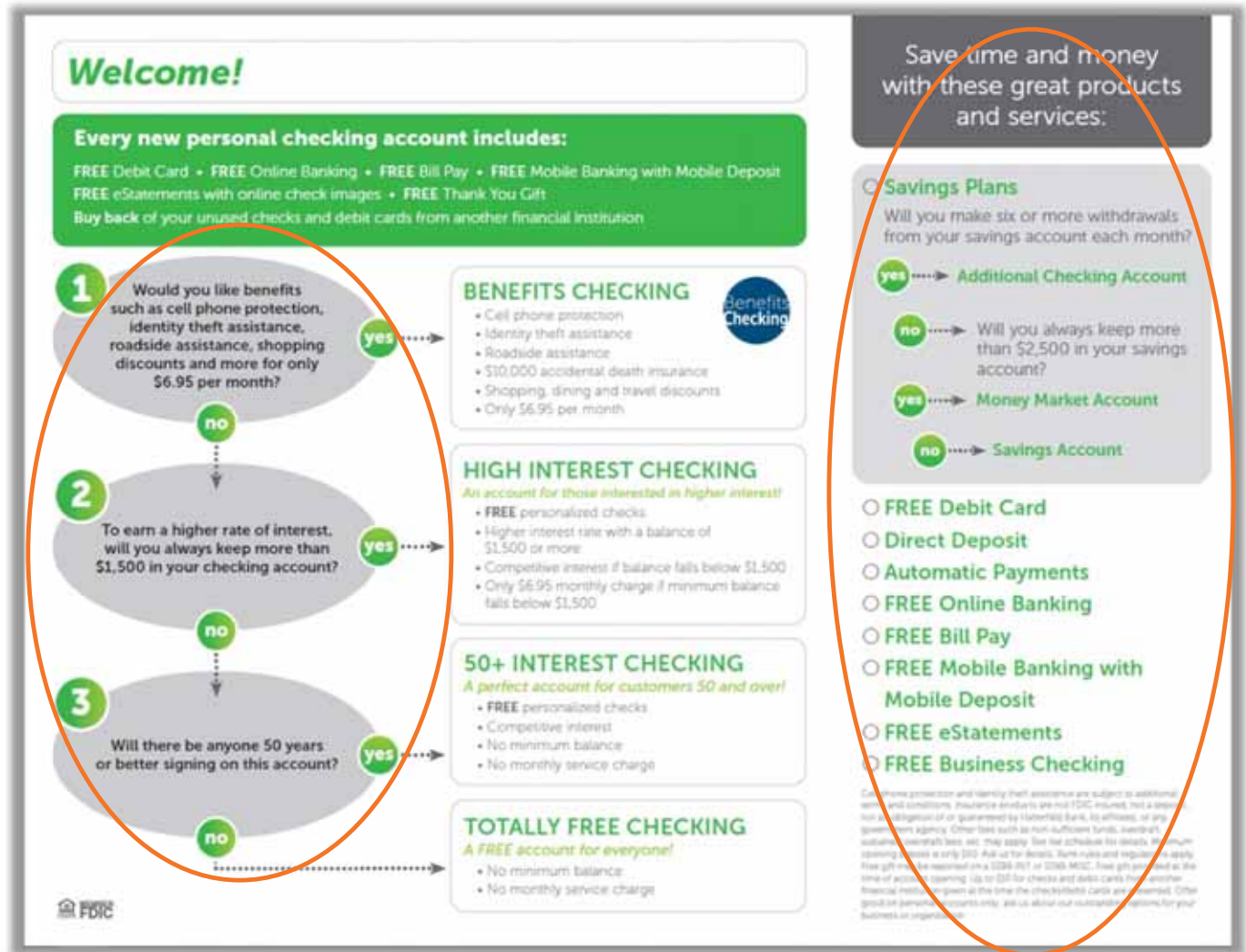


NO ACCOUNT SCREENING

2.07	OD/NSF FREQUENCY	2.72
\$4.66	PRINCIPAL LOSSES	\$6.83
\$7.51	SCREENER COSTS	N/A
N/A	NET FEE REVENUE (AFTER LOSSES/COSTS)	\$25.12
N/A	ACCOUNT OPENINGS PER BRANCH PER YEAR	+21

A Strategic **Process** Makeover for Growth – Capitalizing on Opportunities

Product with a defined customer engagement process utilized by your team.



Sample Debit Card Usage Postcard

Every time you use your FREE Peoples Bank VISA® Debit Card in August, you'll be entered to **win some Benjamins**—five, to be exact.

Need a new card?

Call or stop by your nearest branch to get your FREE VISA® Debit Card and take advantage of this offer.



No purchase necessary to enter. You are automatically entered for the prize each time you use your Peoples Bank VISA® Debit Card for a point-of-sale purchase in the month of August 2019. OFFER transactions are disclosed. All point-of-sale purchases are subject to a dollar limit as set by Peoples Bank. This offer runs August 1st, 2019. The drawing is subject to all federal, state and local laws and regulations. Peoples Bank employees and members of their households are not eligible to win the prize. By participating in the drawing, entrants agree to be bound to these Official Rules. Drawing is open to Peoples Bank customers 18 years of age or older and on legal U.S. residents. Winners will be drawn by Peoples Bank on September 30, 2019. There will be two \$500 winners. The prize amount will be deposited into the winner's Peoples Bank checking account or in the form of a cashier's check. Peoples Bank's decisions are final in all matters relating to this drawing. The odds of winning will depend upon the total number of debit card swipes by Peoples Bank customers and entries received. The winners may receive an IRS Form 1040 from Peoples Bank for the value of the prize. There is no charge for obtaining a Peoples Bank debit card. See a Peoples Bank teller and fees for other charges that may apply. 1-800-760-0044



(806) 794-0044



www.PeoplesBankTexas.com



Stop by your nearest branch today!

We have a location near you: Lorenzo, Lubbock, Nazareth, Post, Shallowater and Slalom.

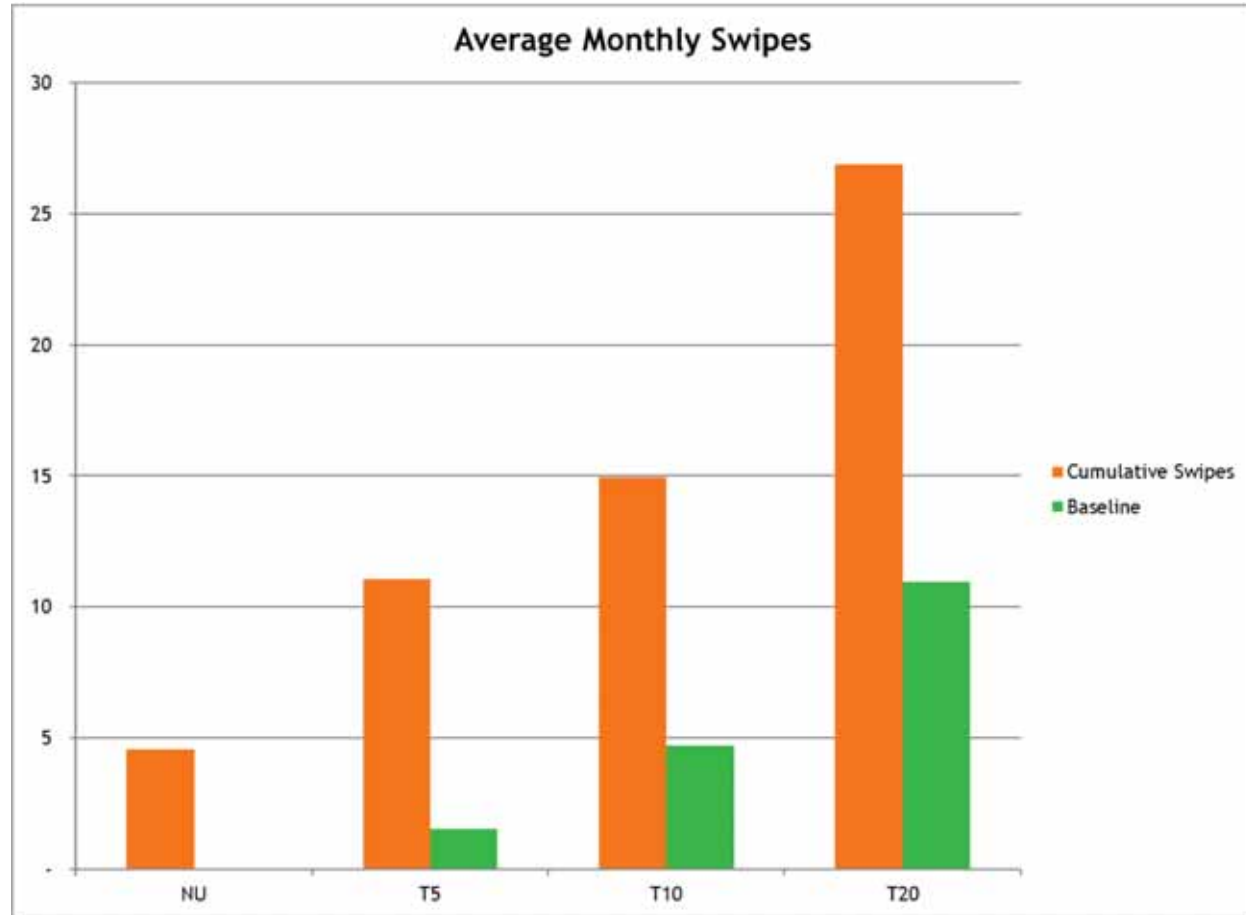


PEOPLES BANK
5820 82nd Street
Lubbock, TX 79424

PERMIT TO
U.S. POSTAGE
PAID
PEOPLES BANK

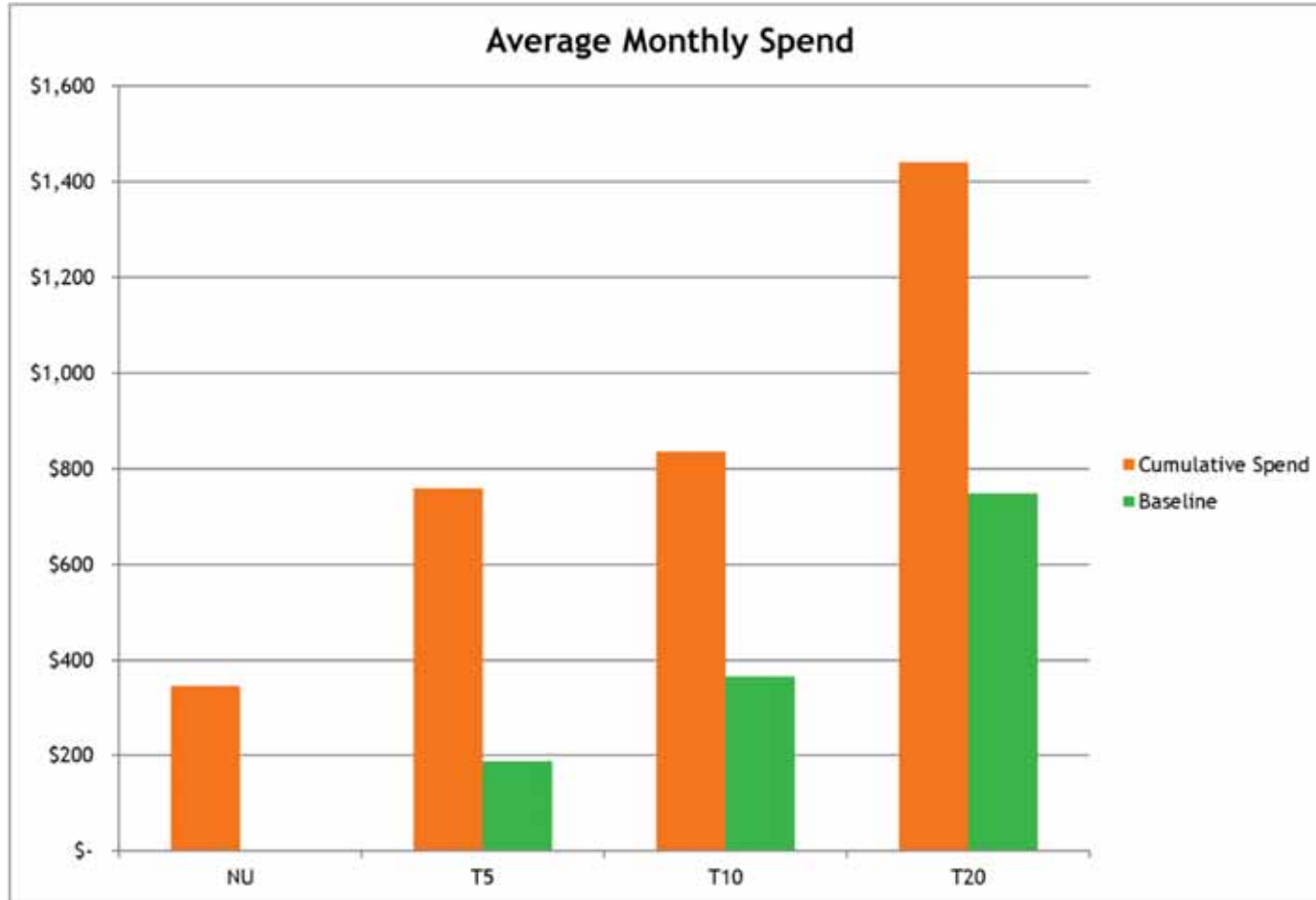


Case Study Bank Impact on Average Monthly Swipes



NU = Non-Users
T5 = <5 per month
T10 = <10 per month
T20 = <20 per month

Case Study Bank Impact on Average Monthly Spend



NU = Non-Users
T5 = <5 per month
T10 = <10 per month
T20 = <20 per month

Case Study Bank Debit Card Usage Campaign Trends

Campaign Date	Total Marketing & Fulfillment Cost	Households Fulfilled %	6-Month Cumulative Interchange Revenue Increase	Breakeven in Months
Mar-18	\$14,314	17%	\$24,754	3.47
Jul-18	\$14,630	14%	\$39,817	2.20
Sep-18	\$12,432	12%	\$26,964	2.77
Mar-19	\$14,933	15%	\$24,491	3.66
Jul-19	\$16,141	16%	\$39,394	2.46
Sep-19	\$15,094	14%	\$46,245	1.96
Mar-20	\$15,813	11%	\$38,091	2.49
Sep-20	\$18,139	15%	\$34,819	3.13
Mar-21	\$20,882	18%	\$66,857	1.87
Jul-21	\$19,280	16%	\$41,767	2.77

A Strategic **People** Makeover for Growth – Building Culture and Confidence

As an organization, you
must have a strategy.





Strategy is what we do.
Through our marketing,
sales calls, networking,
referrals...

“Culture eats strategy
for breakfast.”

Peter Drucker





Culture is who we are.
It is woven into our
fabric by our values,
beliefs, standards...

Before you can have an effective strategy, it must first become a culture.



Every Person Has a Story



Chick-fil-A vs. the Competition



\$4.4 million



\$2.7 million



\$1.5 million



\$2.6 million



\$1 million

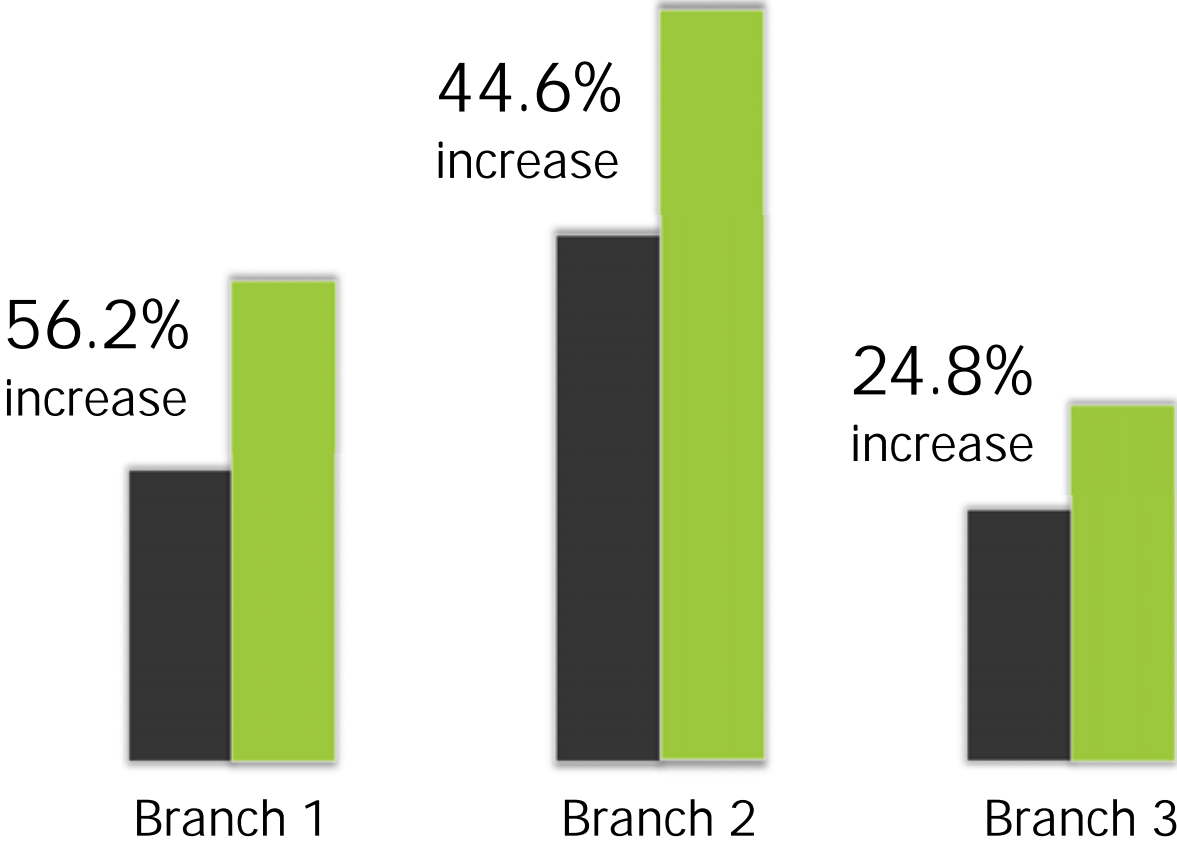


\$1.3 million

Superior Execution Key Elements - Coaching and Accountability

Branch Leadership Effect

Year-over-year results increased with new branch leadership.



Ongoing Coaching and Accountability

CULTIVATE

Welcome back
Rachelle Humiston

My Teams


Team Leader Activities

Coaching Library

Events

Quote of the Week: "The role of a leader is not to come up with all the great ideas. The role of a leader is to create an environment in which great ideas can happen." - Simon Sinek

My Team > Jackie Hayes > Ben Richards



Ben R.
North Branch Manager


Fiscal YTD

Goal Summary

Retail Account Openings	170 / 232
Business Account Openings	57 / 93
Referrals	33 / 51

Team Leader Summary

Activities Completed On Time by Ben R.	80%
Turnover Rate	0%



Performance Metrics

Team Average

Activities Completed On Time	99%	95%	100%	100%	100%
Business Sales Presentation Certification - Score	2.387	2.298	2.387	2.575	2.287
Retail Sales Presentation Certification - Score	2.344	2.245	2.402	2.423	2.305
Team Member Tenure By Month	49.6	49.7	42	60.6	45.8

Activities

	Amie Tahun	Deb Bulzer	Joshua Michaels	Tina Novack
Observation Coaching	16 / 16	4 / 4	4 / 4	4 / 4

Need Help?

What are People Saying?

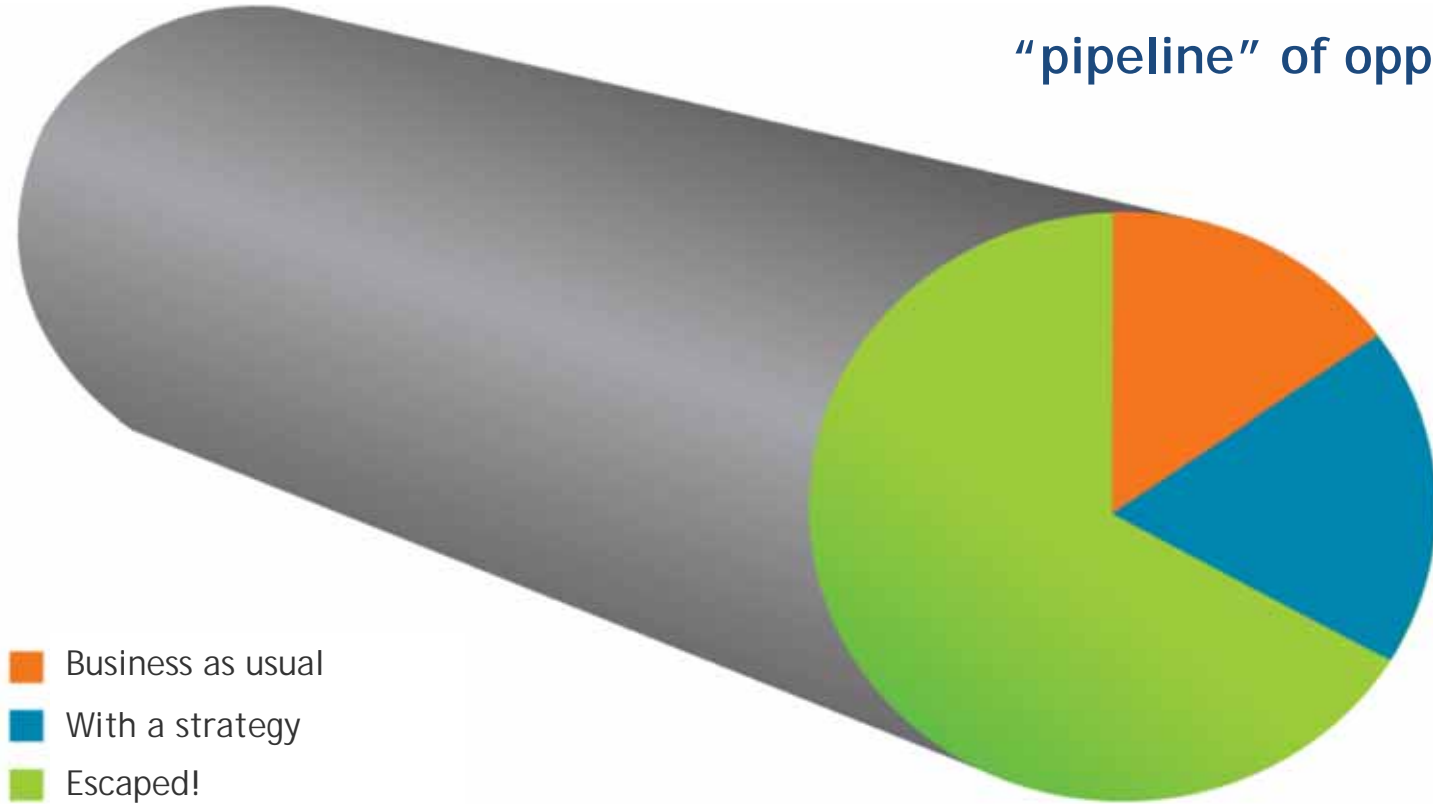
“After this morning’s Weekly Team Meeting, I am a true fan of Cultivate™! My retail and lending team was more engaged, and I felt that I was presenting items that pertained to the whole group. The meeting was structured, had a different spin and took conversation and discussion to another level.”

-Case Study Bank Branch Leader

A Strategic **Promotion** Makeover for Growth – Targeting PFI Customers

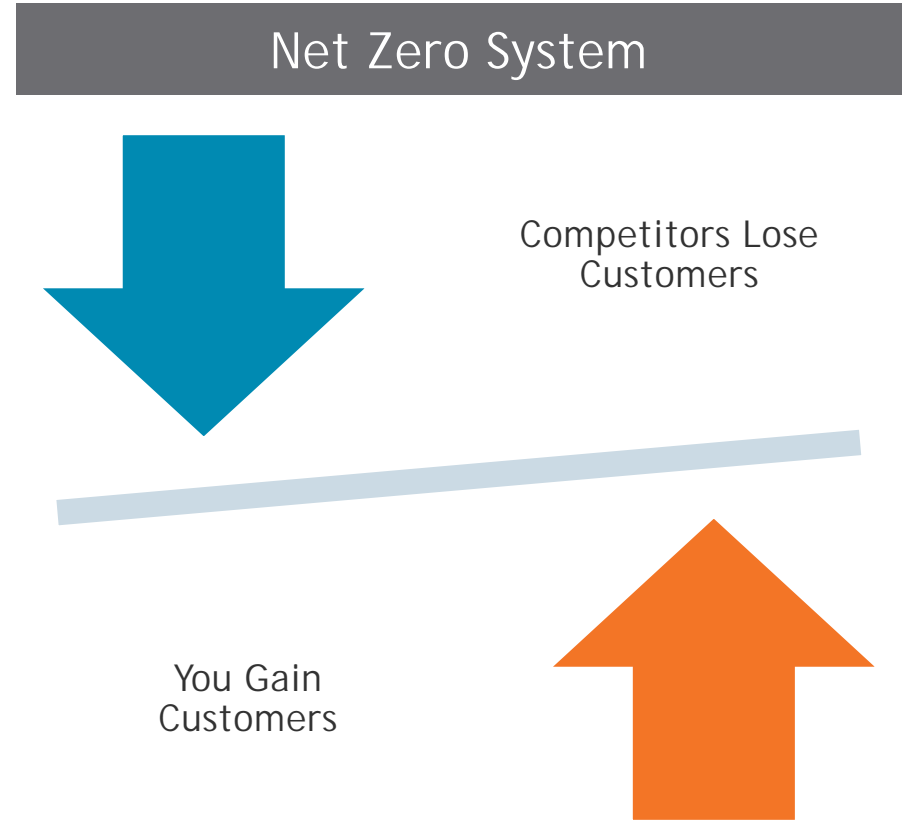
The Good News!

There is an infinite
“pipeline” of opportunity!

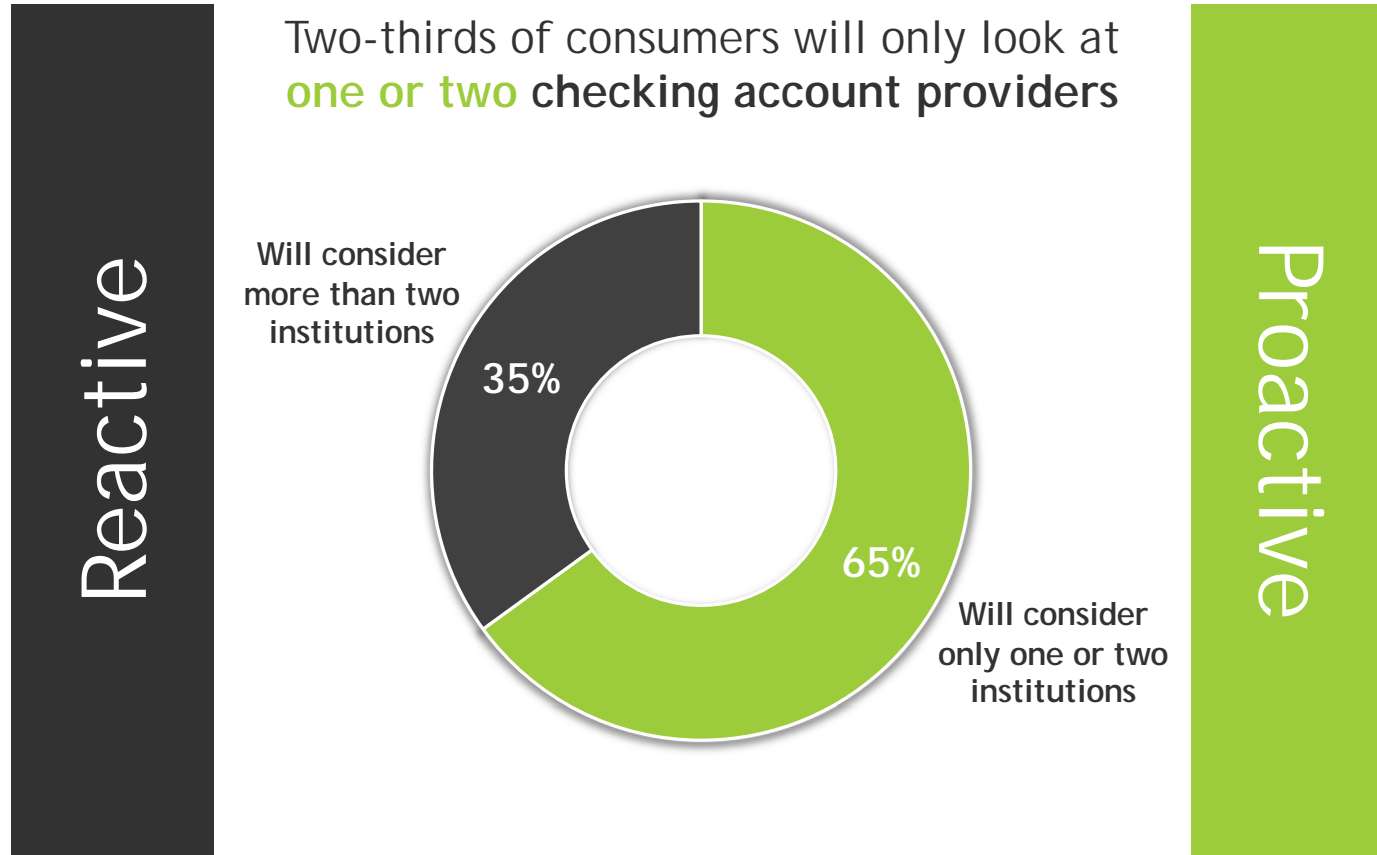


No One Wants To Switch, BUT...

In a given year, about
8% - 12%
of the households and
businesses “change
banks.”



PFI Outreach – A Different Marketing Strategy



Source: The Financial Brand

Strategically Growing PFI Customers

1

Use the right
media

Print &
Digital

2

Use the right
frequency

Every 6-7
weeks

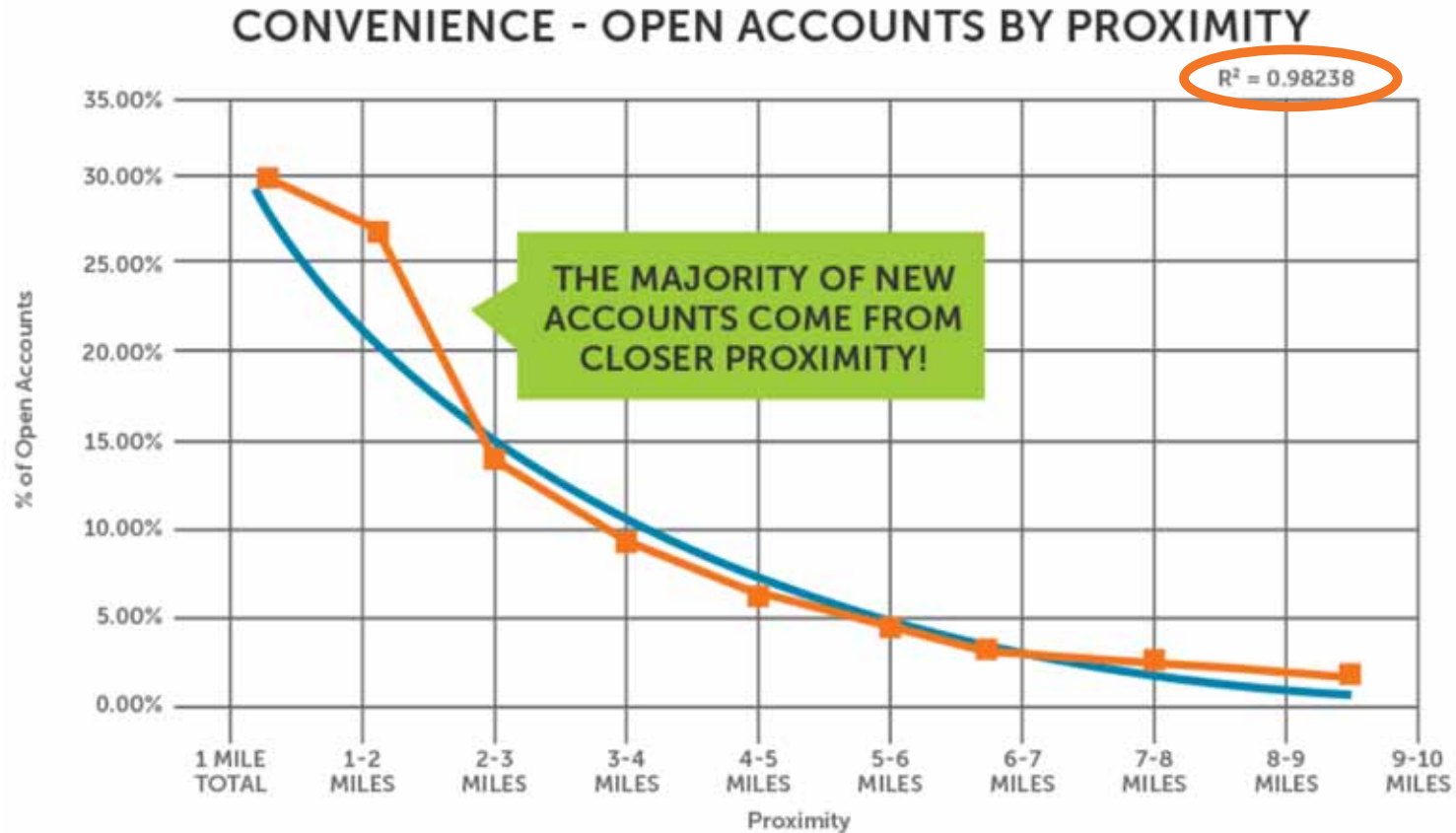
3

Have the right
message

Your
offer

All of this directed to the right audience!

Convenience is Important



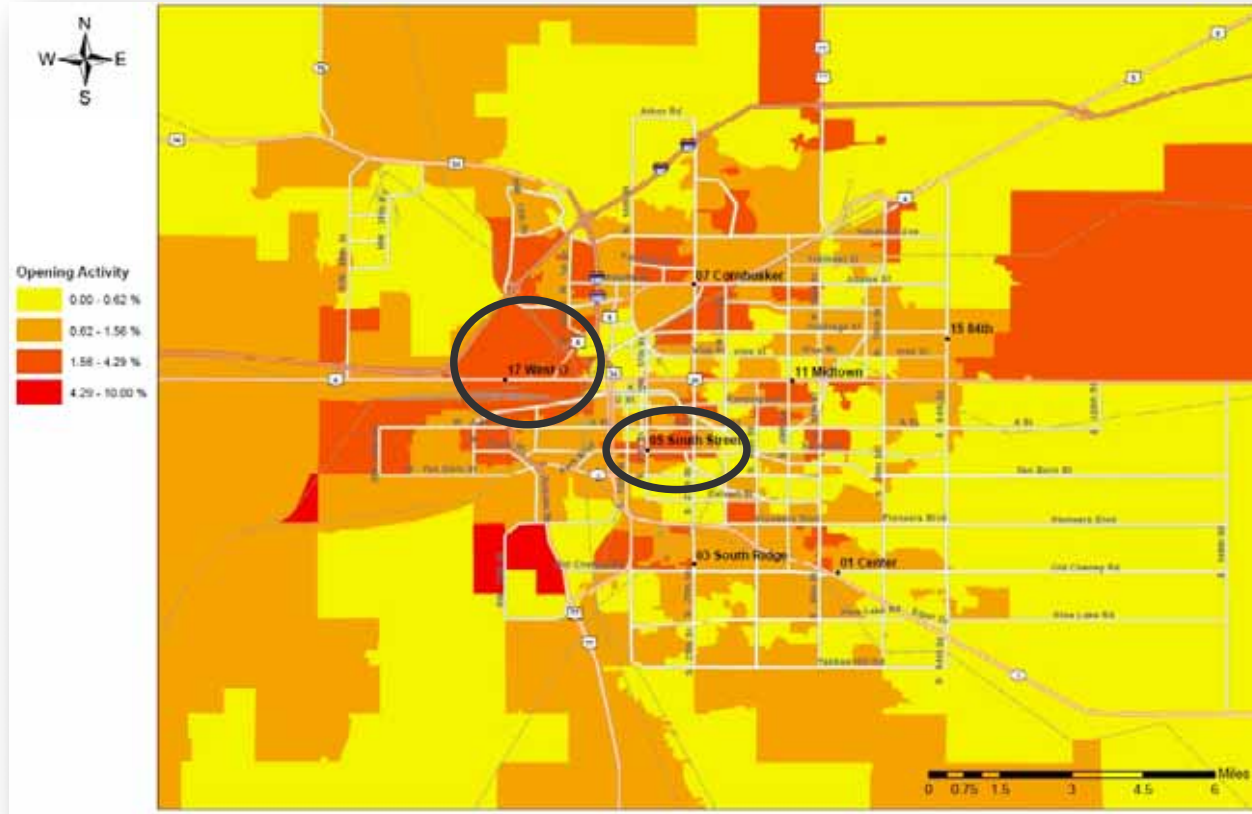
Defining Convenience

Demonstrated Convenience

- They are the neighbors or businesses next to the customers you already have
- They live around your branches



Driving More Traffic: Demonstrated Convenience



Lookalike
Marketing

Defining Convenience

Demonstrated Convenience

- They are the neighbors or businesses next to the customers you already have
- They live around your branches



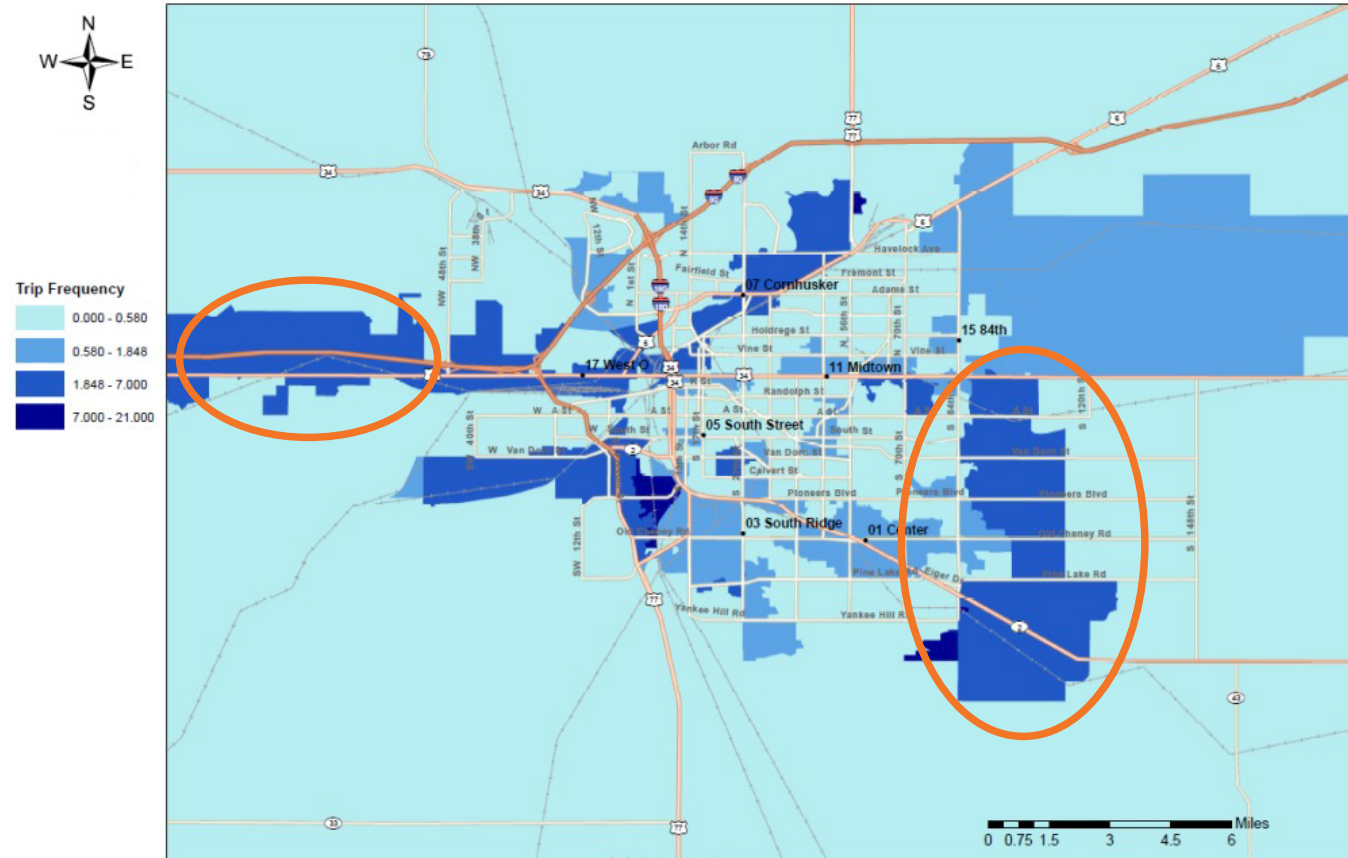
Predicted Convenience

- They work around your branches
- They walk, shop or eat nearby your branches with regularity
- They drive by your branches

MobilePredict
by Haberfeld



Driving More Traffic: Predicted Convenience



MobilePredict
by Haberfeld

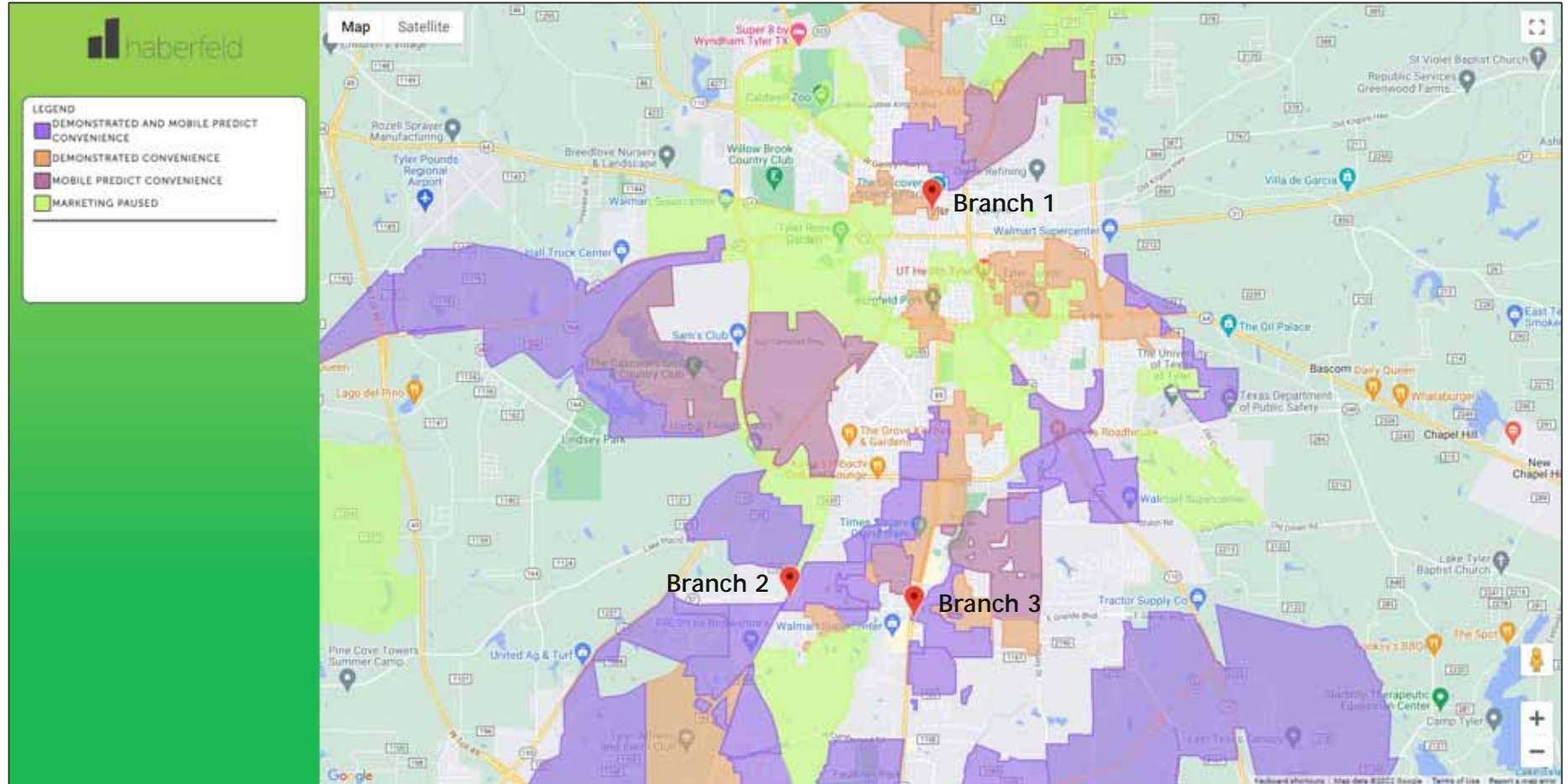
The Right Audience - Dynamic Scoring Prospect Targets



Stack Rank Every Household & Business In Your Markets

		Opening Activity Score <i>Demonstrated Convenience</i>													
		0	1	2	3	4	5	6	7	8	9	10	11	12	Total
MobilePredict™ Score Predicted Convenience	0		37,751	2,176	1,441	553		99	67	564	226	142	443	51	43,513
	1		42,215	8,889				131							51,235
	2		31,721	8,908	1,535	663		911							43,738
	3		29,295	9,236	3,125	522	388		138						42,704
	4		21,989	6,868	6,541	4,005	1,633	931	477						42,444
	5		14,275	12,003	7,370	5,495		1,518			161				40,822
	6		11,293	8,293	10,005	4,195	5,162	182	562	1,434	836		369		42,331
	7		7,726	6,837	8,159	9,279	1,517	3,250	1,956	1,921	1,160		266		42,271
	8		6,479	8,771	9,004	6,045	5,088	694	2,003	1,059		511			41,407
	9	600	5,721	2,388	7,050	4,536	4,478	4,417	2,330	1,794					40,194
	10	560	2,476	4,981	7,177	7,663	3,939	1,391	2,974	2,008	3,081	1,171			37,455
	11		3,925	8,322	7,757	3,101	6,379	512	1,506	851	4,811	372		96	37,632
	12	526	2,170	3,411	7,678	4,277	2,849	2,033	572	732	3,960	1,073	271	168	29,720
Total		1,686	217,036	91,083	76,842	50,334	31,564	15,938	12,585	10,363	22,138	3,673	1,909	315	535,466

Dynamic Shift of Prospect Targets



ACCELERATING GROWTH

Always-On Omnichannel Marketing





Convenient Locations



Showcase Technology

We're in your neighborhood.

Local banking for where we live, work, and play.

Open your account today!

(800) 971-4671

FirstCommunityBank.com

Stop by your nearest branch today!



Convenient and Free

every location

Lawrence

(Located within Major General Emmett J. Bean Building)

Check website for current hours of operation due to COVID-19
ATM: within the building

In branch, online or on your device!



Are you paying too much for Business Checking? Compare & save.

thinkbank.com

Think
MUTUAL BANK

Account Types:	Think Bank Simply Better Business Checking	Wells Fargo Simple Business Checking	Wells Fargo Business Choice Checking	US Bank Gold Business Checking	US Bank Silver Business Checking	Bremer Classic Business Checking
Monthly service fee	\$0	\$10	\$14	\$20	\$0	\$0
Requirements to avoid a monthly service fee	None	\$500 Average Ledger Balance ¹	\$7,500 Average Ledger Balance ¹	\$10,000 Average Ledger Balance ¹	None	None
Monthly transaction allowance	1,000	50	200	300	150	100
Cash deposits for free	\$10,000	\$3,000	\$7,500	100 per unit ⁴	25 per unit ⁴	N/A ⁵
Annual fee if requirements not met	\$0	\$120	\$140	\$140	\$0	\$0

This information is current as of 03/29/2018 and is subject to change.

¹ Maintain a \$500 average ledger balance to reduce the fee by \$0 a month and choose to receive online statements only and an additional \$0 will be reduced.
² > \$10,000 in combined balances, or 50 or more business debit card purchases and/or payments, or linked to a Direct Pay, or a qualifying transaction from a linked Wells Fargo Merchant Services account, or a qualifying transaction from a linked Wells Fargo Business Payment Services account.

³ Purchase of U.S. Bank Payment Solutions Merchant Building, or \$15,000 average collected checking balance, or \$25,000 average collected checking balance on interest bearing options, or \$25,000 in combined average business deposit balances, or \$50,000 average collected checking balance on interest bearing options, or \$50,000 combined average collected business deposits and outstanding business credit balances, or \$75,000 in combined business deposit and outstanding business credit balances on interest bearing options.

⁴ Units are calculated by dividing each cash deposit by 100 and rounding the resulting value to a whole number.

⁵ Cash Deposits allowed could not be verified.

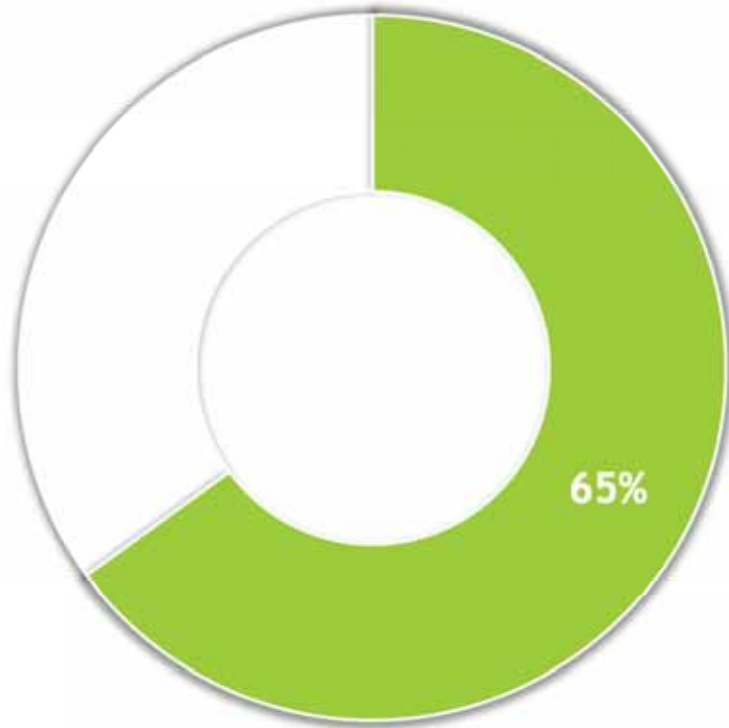
Surprised?

Call
1-800-288-3425
and let's compare
your fees
today.

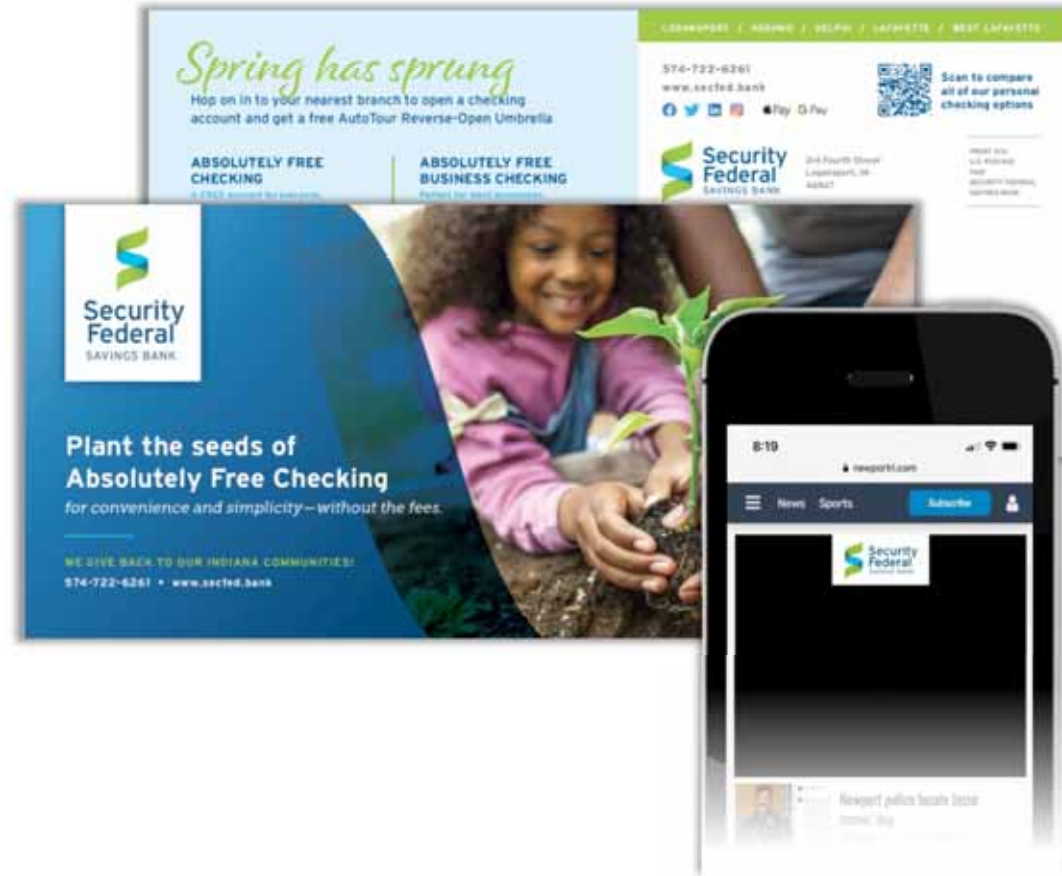
Great Products & Better Pricing



Omnichannel Marketing – Proactively Reaching Prospects



Will consider only one or two institutions

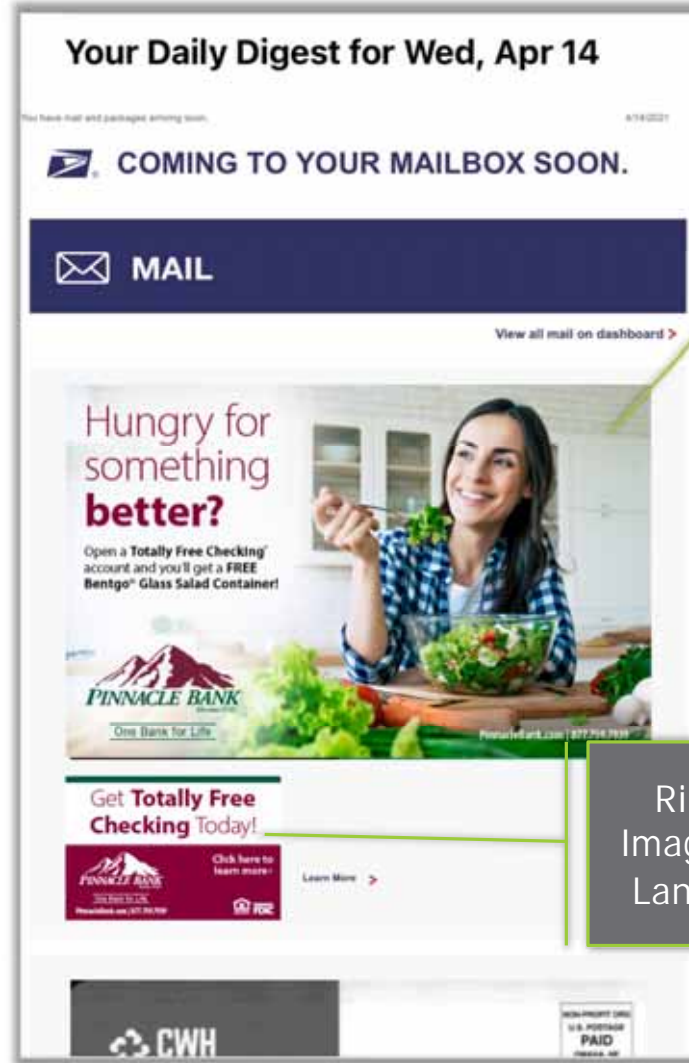


Informed Delivery Email

FREE service
provided by USPS
with more than 44M
users.

Residential
consumers receive
an email preview of
incoming mail.

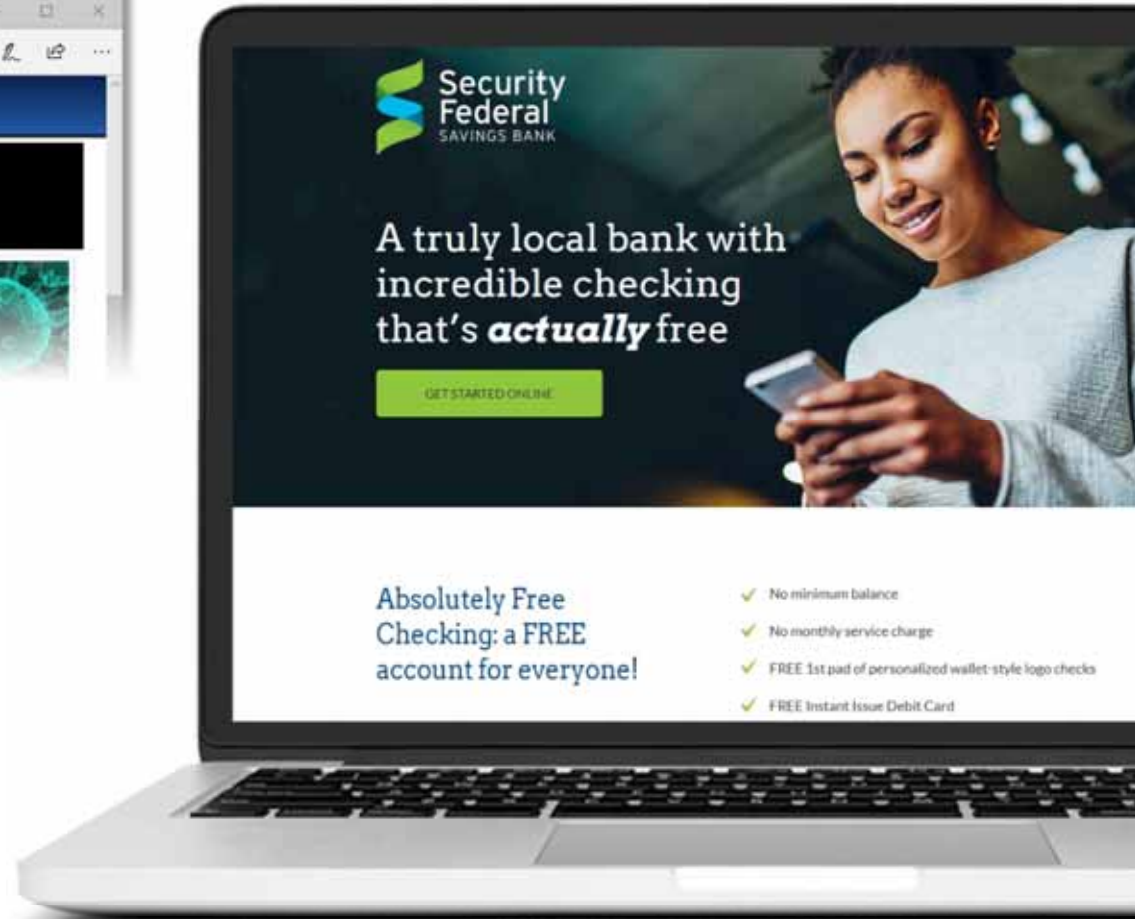
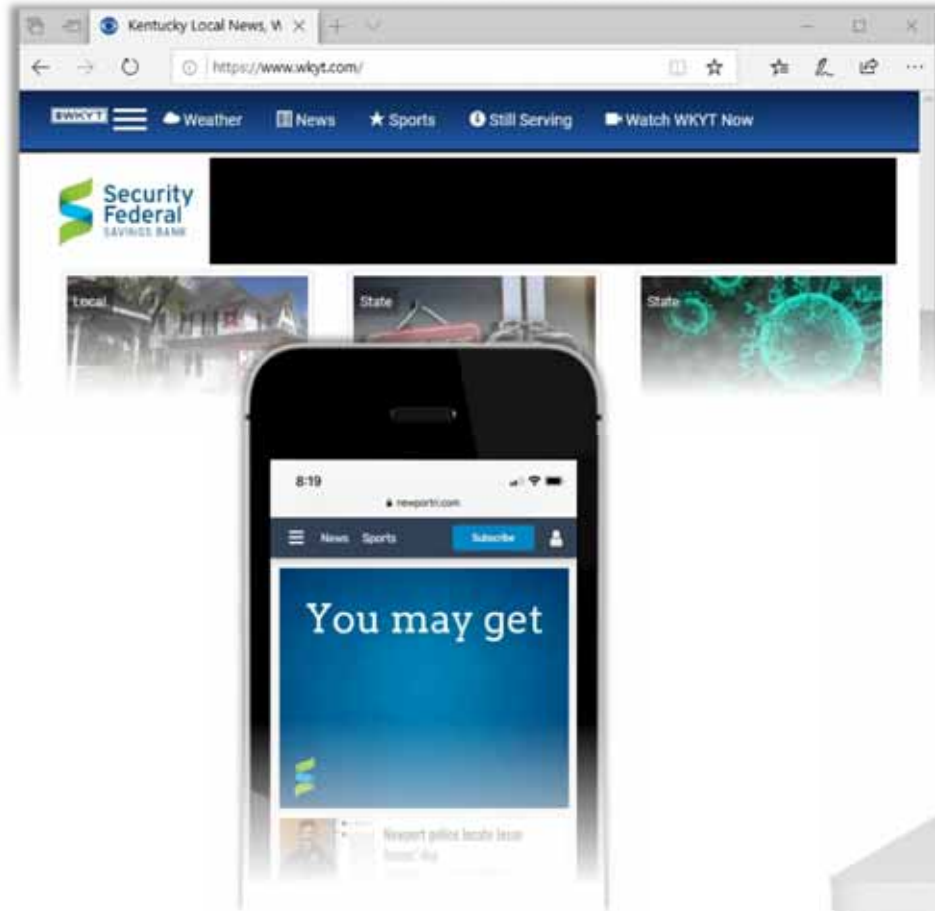
Features a full-color
image of the mail
piece as well as a
“ride along” image.



Mail Piece
Image

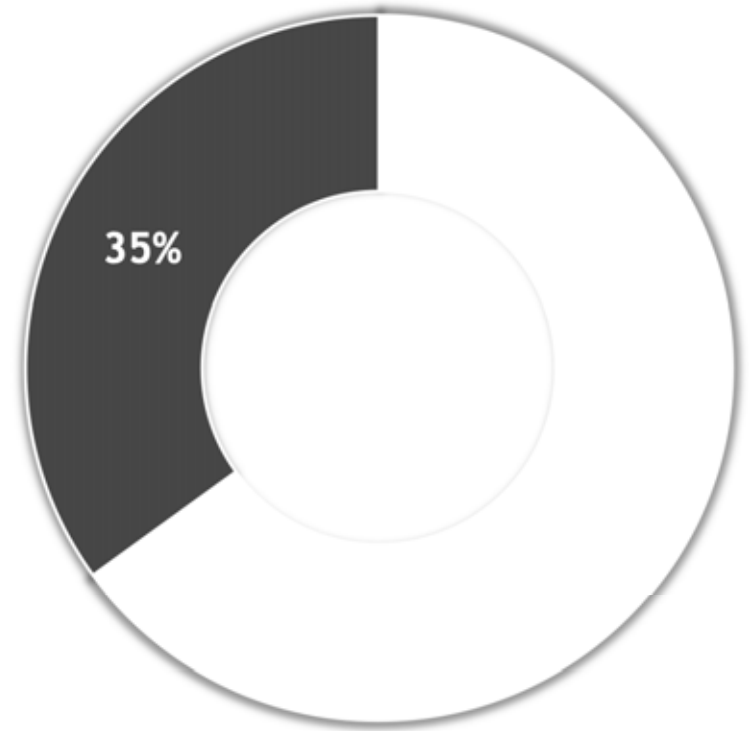
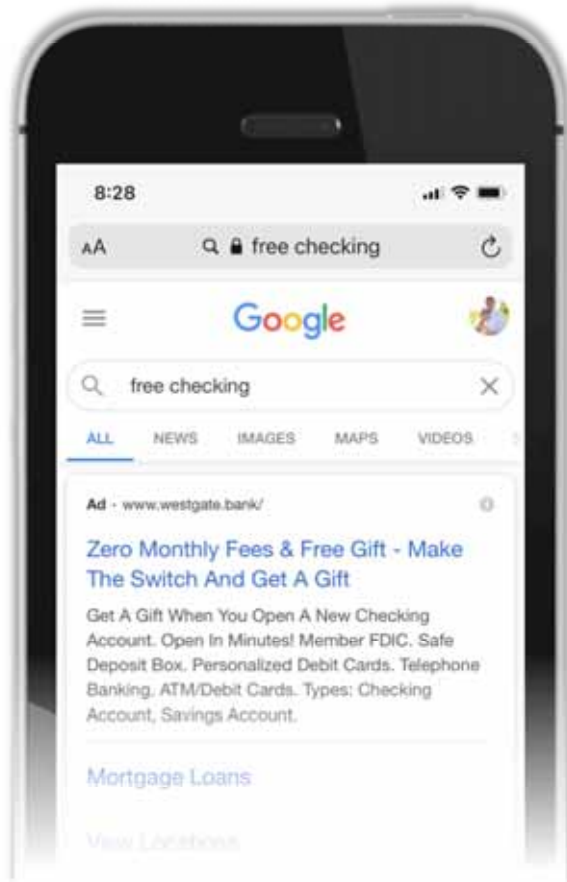
Ride Along
Image Links to
Landing Page

Digital Journey - Animated Display



ACCELERATING GROWTH

Omni-Channel Marketing - Reactively Reaching Prospects



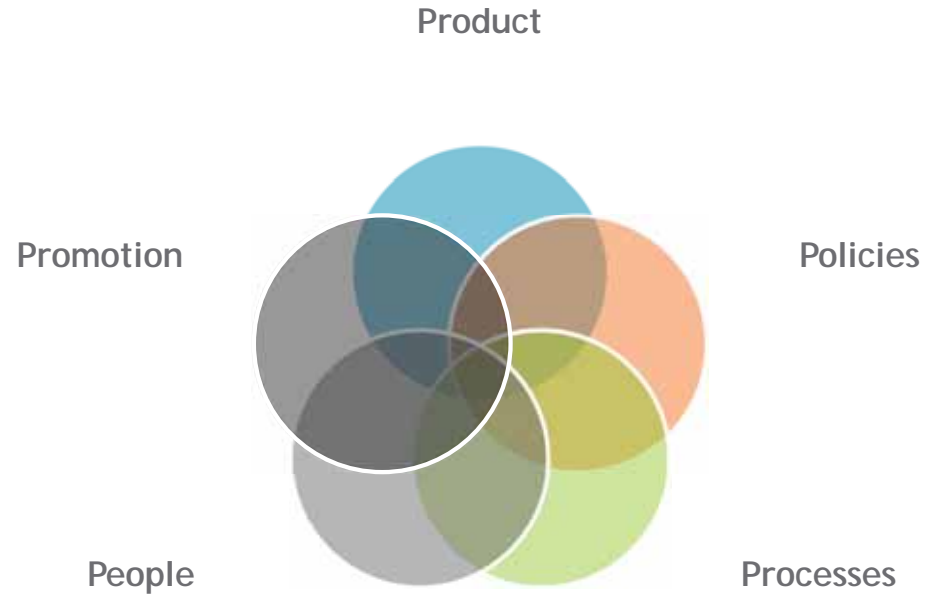
Will consider more than two institutions

Action Items

Action Items

1. Product - Conduct a review of your retail and business checking products. Be honest. Are they compelling?
2. Policies - Evaluate your current CIP and account opening practices. Do you have too many barriers to growth?
3. Processes - Make sure you have a defined process to serve prospective customers or members. Implement strategies to improve NII.
4. People - Invest in growing your leaders into better coaches. You will have lower turnover and happier team members.
5. Promotion - Are you getting a return on investment with the majority of your marketing dollars? If not, what needs to change to deliver improved results?

A Strategic Makeover of your FI Can Begin Today . . .



Questions?

Don't Hesitate to Reach Out:

Sean C. Payant, Ph.D.

Chief Strategy Officer

Haberfeld

206 S. 13th Street, Suite 1500

Lincoln, NE 68508

Phone: (402) 440-0947

Email: sean@habersfeld.com

Web: www.habersfeld.com

