

Breakout 1: Rethinking ROI Amid Increased Competition for Deposits

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Rethinking ROI Amid Increased Competition for Deposits

Hosted by David Carlson

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MANTL

is a fintech firm helping traditional
financial institutions
modernize and grow.

Founded
2016

Omnichannel
account
opening
software

Billions in
deposits per
year

Agenda

- The 2023 deposit landscape
- ROI Model for deposit origination
- Technology checklist to boost ROI
- Q&A

The 2023 deposit landscape

2023 deposit landscape: pre-SVB

Competitive

Current macro environment + increased rate hikes = increased competition for deposits

PPP impact

Nearly \$1 trillion of COVID PPP deposits quietly left the industry

Unrealized losses

U.S. banks had unrealized losses of \$1.7 trillion at the end of 2022

2023 deposit landscape: pre-SVB

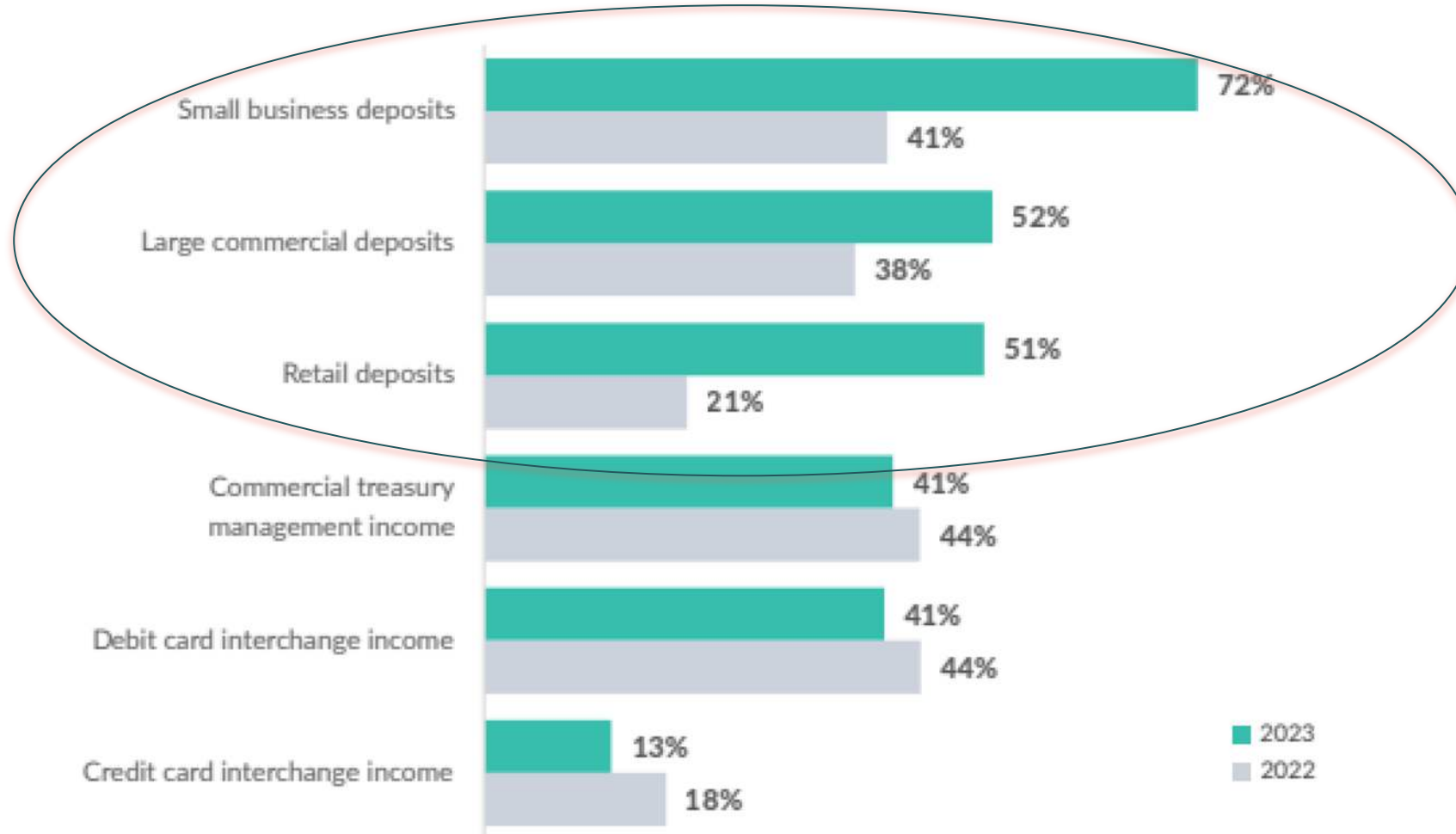
Big banks dominate

3% of banks house **83%**
of deposits

CFIs lag in digital adoption

Community banks that offer online account opening originate **only 5 - 10%** of accounts online, while Bank of America originates **over 50% of new accounts online**

Percentage of Banks Citing Payments or Deposit Type as a High Priority

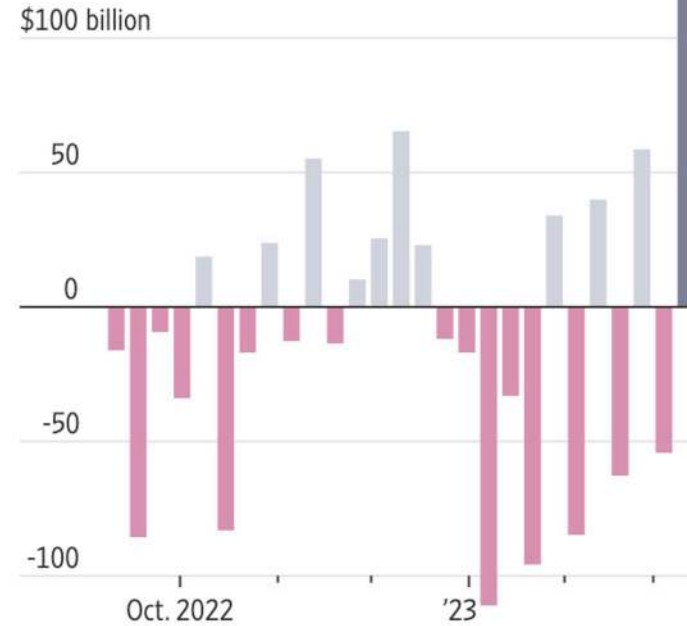


2023 deposit landscape: week after SVB collapse

SMALL BANKS



LARGE BANKS



Largest weekly decline
in smaller banks'
deposits in dollar terms
on record.

2023 Deposit landscape: Big banks report bumper profits in Q1

JPMorgan Chase, Citigroup and Wells Fargo comfortably beat expectations for earnings in the first quarter 2023.

JPMorgan posted a profit of \$12.6 billion in the first quarter, **52% increase over last year**

Re-thinking ROI: an updated ROI model

Hard truths about deposit origination

The **cost of poor-performing** technology has never been higher

Institutions can succeed at opening new accounts but **fail at raising deposits**

Institutions still view technology as a **cost vs. an investment**

How to leverage a deposit origination ROI model

1. Make the case for technology to your Board
1. Vet your current deposit origination technology
1. Vet new deposit origination vendors




$$\text{ROI} = \frac{\text{cost savings} + \text{incremental revenue}}{\text{cost of the solution}}$$

Define your strategy and goals

Strategy

Process optimization

Market expansion

Goals	
<u>Cost savings</u>	<u>Revenue growth</u>
	
	

Process optimization

Goal: Reduce time and headcount required to open an account, reduce back-office costs and dependencies

Cost-saving opportunities

- Optimize headcount
- Streamline branch operations
- Mitigate fraud
- Optimize marketing spend

Intangible benefits

- Improve customer experience
- Improve employee experience

Market expansion

Goal: Grow market share, open up new geographies, access new customer segments. This can be done organically or through opening a digital bank.

Revenue growth opportunities

- Increase penetration of existing markets
- Grow your customer base
- Expand into high-value market segments
- Launch new products

Cost-saving opportunities

- Access lower cost of funding
- Reduce branch costs (“halo effect”)
- Lower new customer acquisition costs

Intangible benefits

- Capture younger audience
- Brand expansion

Digital bank benefits

- Test new tech
- Reduce brand risk

Start with your goal

Sample goal: Raise \$100M in deposits

Deposit goal	\$100,000,000
Avg. initial deposit per acct.	\$10,000
# of accts. needed	10,000

Cost-saving opportunities

		Annual savings
Headcount	Reduce from 7 to 2 heads	\$250,000

Headcount reduction	5 people
Fully loaded cost/head	\$50,000
Total headcount savings	\$250,000

Cost-saving opportunities

		Annual savings
Headcount	Reduce BSA from 7 to 2 people	\$250,000
Fraud mitigation	67% reduction in fraud	\$150,000

Total fraud experienced	\$225,000
Reduction in losses	67%
Reduced fraud losses	~\$150,000

Cost-saving opportunities

		Annual savings
Headcount	Reduce BSA from 7 to 2 people	\$250,000
Fraud mitigation	67% reduction in fraud	\$150,000
Marketing efficacy	4x conversion rate	\$750,000

Conversion rate	10%	40%
Applications required for 10,000 accounts	100,000	25,000
Marketing spend / application	\$10	\$10
Marketing expense	\$1,000,000	\$250,000

Cost-saving opportunities

		Annual savings
Headcount	Reduce BSA from 7 to 2 people	\$250,000
Fraud mitigation	67% reduction in fraud	\$150,000
Marketing savings	4x conversion rate	\$750,000
Lower cost of funding	1.25% lower vs. wholesale	\$1,250,000

Total deposits raised	\$100,000,000
(Wholesale funding rate) - (Deposit funding rate)	1.25%
Cost of funding savings	\$1,250,000

Cost-saving opportunities

		Annual savings
Headcount	Reduce BSA from 7 to 2 people	\$250,000
Fraud mitigation	67% reduction in fraud	\$150,000
Market savings	4x conversion rate	\$750,000
Lower cost of funding	1.25% lower vs. wholesale	\$1,250,000
Branch reduction	Close 1 branch	\$250,000

Cost-saving opportunities

		Annual savings
Headcount	Reduce BSA from 7 to 2 people	\$250,000
Fraud mitigation	67% reduction in fraud	\$150,000
Market savings	4x conversion rate	\$750,000
Lower cost of funding	1.25% lower vs. wholesale	\$1,250,000
Branch reduction	Close 1 branch	\$250,000
Total cost savings		\$2,650,000

Revenue growth opportunities

		Annual revenue
Fee income	\$100 per account	\$1,000,000

Number of accounts	10,000
Fees per account per year	\$100
Incremental fee income	\$1,000,000

Revenue growth opportunities

		<i>Annual revenue</i>
Fee income	\$100 per account per year	\$1,000,000
Total incremental revenue		\$1,000,000

What's the total ROI?

Total benefit (cost savings + revenue growth)	\$3,650,000
Annual cost of a solution	\$250,000
ROI	14.6x
Payback period (months)	0.82 (<1 month)

Technology features that boost ROI

Tech Checklist

- ✓ Omnichannel functionality - consistent experience online, in-branch, in a call center or in the field
- ✓ Accounts opened in 3 minutes or less for new customers
- ✓ *(sub 30s for existing)*
- ✓ Real-time core integration
- ✓ 67% reduction in fraud
- ✓ 92% KYC/AML automation
- ✓ 3.25x higher initial funding
- ✓ Mobile-first
- ✓ 4x increase in net conversions

Q&A

Thank You
