

Identifying Cross-Sell Candidates for Deposit Products Amongst Brokerage Customer Base

Best Practices for Brokerage Firms

Challenge: Expand Relationships Among Brokerage Customers

Many financial services firms provide a one-stop shop for all financial needs, providing services for consumer investments, savings, insurance, and more. Yet most customers continue to spread their business and their assets across at least a few, if not many, financial services firms.

This is specifically a concern for brokerage and wealth management departments. As brokerage customers continue to fret over market fluctuations, customer turnover remains a worry for many branch managers and financial advisors (FAs). Branch managers and FAs need to focus on how they can build customer loyalty amongst their customer base and identify which customers hold additional assets that might be available for investing.

To achieve these goals, many brokerage departments and retail banking departments within the same firm are starting to work together. In order to build customer loyalty, brokerage departments can work with their comrades in the retail banking group to cross-sell deposit products to the customers in the firm's brokerage base that do not yet have a deposit relationship with the firm. Since deposit products tend to be stickier and customers often stay with their banking institutions for decades, bringing in deposit assets can be very beneficial to the firm.

This best practice discusses how brokerage and wealth management departments can leverage wealth measures to identify which brokerage customers are the best candidates for deposit product cross-sell efforts. In addition to increasing the number of financial products purchased by a single customer (and the total AUM held by the firm), cross-selling deposit products also benefits FAs by enabling them to discover which customers are likely to have liquid funds in deposit accounts that could be available for more sophisticated investments.

IXI Network Member Financial Services Firms

CHALLENGE

Consumers often spread their wealth across multiple financial institutions, choosing one for investments and another for deposit products. In order to maximize customer relationships, firms need to focus on cross-selling and expanding the range of products held by each customer.

SOLUTION

Brokerage and wealth management departments can leverage WealthComplete to identify their best clients for cross-sell—those who already provide a high share of brokerage wallet, but who likely have significant deposit growth potential.

RESULTS

By cross-selling deposit products to a brokerage department's best clients, a sample firm can expect to:

- Increase AUM by approximately \$4.5 million for every 1,000 households
- Increase total AUM by approximately \$1.13 billion
- Expand the range of products held by customers



Solution: Utilize Total Deposits Estimate to Identify Best Cross-Sell Candidates

Using WealthComplete® assets and deposits estimates, brokerage departments can review their books and identify which of their customers have the most opportunity to expand their relationship with the firm.

WealthComplete enables financial services executives to estimate households' total invested assets and how those assets are spread across broad product categories (stocks, bonds, deposits, mutual funds, annuities, etc.) and bank account types (interest checking, non-interest checking, CDs, savings, money market accounts, and other cash equivalents).

By comparing this information to a client's existing portfolio with the firm, branch managers and FAs can identify which of their clients currently have a significant brokerage relationship with the firm, but tend to hold their large deposit balances elsewhere. Armed with this information, brokerage departments and FAs can better understand their clients' overall financial strategies and identify the best candidates for cross-sell of deposit products in order to expand the relationship with the firm.

Step-by-Step Process

1. Identify best brokerage clients: Using WealthComplete, branch managers and FAs can analyze their book to identify clients that hold the majority of their brokerage assets (stocks, mutual funds) at the firm. FAs can compare a client's stock, bonds and mutual fund assets held at the firm to WealthComplete's estimate of the household's total stock, bonds and mutual fund assets to find households that have a high share of brokerage wallet at the firm.

Brokerage Clients	Stock/Bonds/Mutual Fund Assets at Firm	WealthComplete Estimated Total Stock/Bonds/Mutual Funds	Share of Stock/Bonds/Mutual Fund Wallet	Next Step
Client A	\$100,000	\$120,000	83%	Best brokerage client; check deposit potential
Client B	\$40,000	\$130,000	31%	Possible brokerage opportunity
Client C	\$550,000	\$600,000	92%	Best brokerage client; check deposit potential
Client D	\$110,000	\$800,000	14%	Possible brokerage opportunity

In the above example, Clients A and C are the FA's best brokerage customers. (Meanwhile, the FA can pursue Clients B and D, as they tend to hold the majority of their brokerage assets at other firms).

2. Narrow best brokerage clients by deposit potential: The next step is to determine which of the best brokerage clients have significant deposits, but tend to hold their deposit balances at other firms. Brokerage departments can compare the deposits held by their best brokerage clients at the firm to the household's estimated total deposits to identify which brokerage clients have high deposits overall, but a low deposit share of wallet with the firm and thus hold the most potential for cross-sell of deposit products.

Best Brokerage Clients	Deposit Assets at Firm	WealthComplete Estimated Total Deposit Assets	Share of Deposit Wallet	Next Step
Client A	\$0	\$60,000	0%	Cross-sell deposits
Client C	\$40,000	\$50,000	80%	Maintain current treatment
Client F	\$10,000	\$100,000	10%	Cross-sell deposits
Client G	\$30,000	\$40,000	75%	Maintain current treatment

In the example above, Clients A and F have low or no deposits at the firm, but high deposit potential. The brokerage department can combine these customers into a target group for deposit cross-sell opportunities.

3. Identify the total deposit opportunity: By setting benchmarks for brokerage dollars and share of brokerage wallet and deposit dollars and share of deposit wallet, the brokerage department can quantify the value of the target group in terms of incremental deposit dollars available to the firm.

For example, the firm can designate a target group so that all clients that meet the below criteria will receive a deposit cross-sell offer:

- Minimum brokerage assets at firm > \$100,000
- Minimum share of total brokerage assets > 75%
- Minimum total deposits > \$30,000
- Maximum share of deposits already at the firm <15%

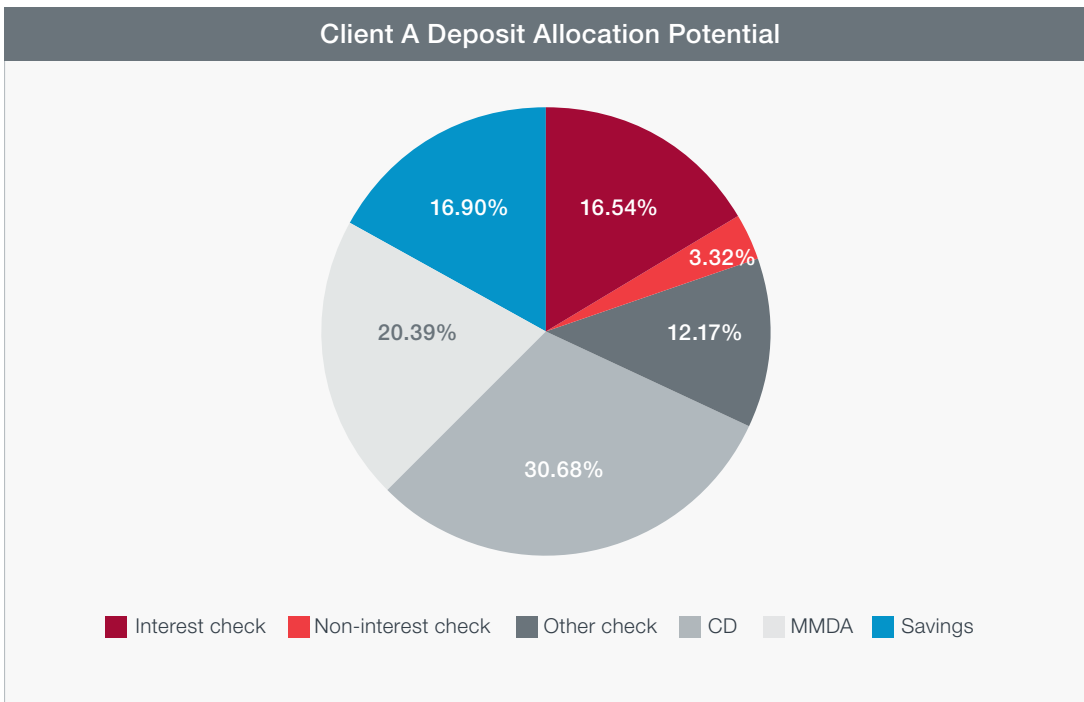
By executing an effective cross-sell campaign where a firm captures just 15% of the available deposits, the firm can expect to gain an incremental \$4.5 million for every 1,000 households that meet the above criteria. Assuming that the firm has approximately 250,000 households that meet the criteria, and a cross-sell campaign attracts 15% of the available deposit assets, the firm can expect to increase its total AUM by \$1.13 billion.

Using WealthComplete® assets and deposits estimates, brokerage departments can review their books and identify which of their customers have the most opportunity to expand their relationship with the firm.

4. Tailor the cross-sell offer for a specific deposit product: With the widely varying risk tolerance of today's customers, advisors can increase their business and enhance their relationships with their customers by demonstrating knowledge of their clients' deposit product preferences.

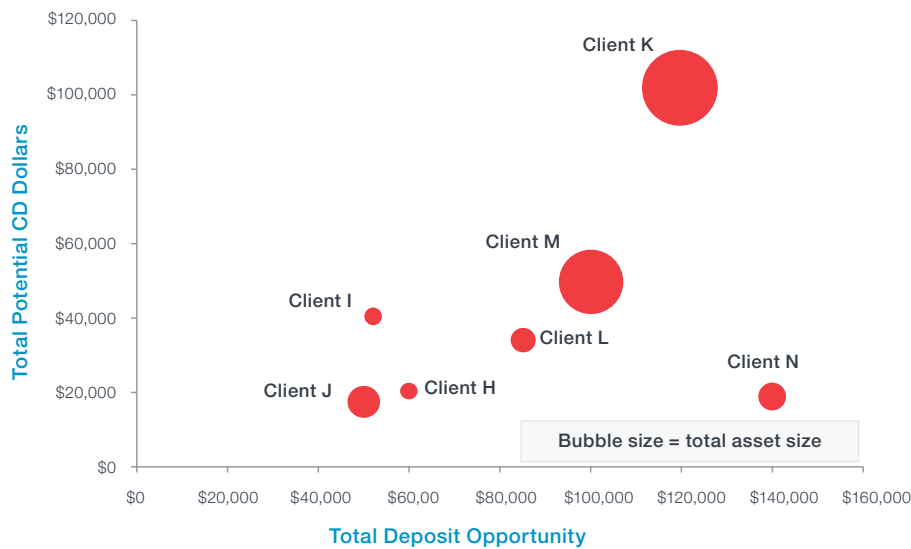
After examining the households with high brokerage share and high banking deposit opportunity, brokerage departments can work with the retail bank group to tailor deposit product offers based on the likely deposit preferences of each customer. Using WealthComplete, the firm can understand the estimated dollars by deposit category for each of the customers within its target group.

For example, the chart below shows that Client A is likely to prefer CDs and money market accounts over other deposit products.



Similarly, if the firm wanted to focus on cross-selling a particular deposit product, the firm could analyze all qualified brokerage customers to identify those that had high deposit balances for that product in particular. In the below example, the x-axis represents total deposit opportunity and the y-axis represents the total potential CD balances that are held by clients, largely at other firms. Client K is a high opportunity client that likely has a preference for CDs and can be marketed to accordingly.

Potential Relationship to Cross-Sell CD Accounts



Expected Results: Deposit Cross-Sell Programs Can Lead to an Increase in AUM of Approximately \$1.13 Billion

By using WealthComplete to identify a firm's best brokerage clients that have a high deposit opportunity, yet do not have a significant deposit relationship with the firm already, a firm can develop effective deposit cross-sell programs resulting in:

- Increasing AUM by approximately \$4.5 million for every 1000 households, resulting in an increase of total AUM of approximately \$1.13 billion for a cross-sell program to 250,000 households
- Improving campaign efficiency by significantly narrowing the target audience based on customer potential and identifying the appropriate product for cross-sell
- Deepening the firm's relationship with clients by expanding the range of products held by the client

NOTE: The data in this document is for representative purposes only.

2018 Case Study. Results may vary based on actual data and situation.

CONTACT US

info.ddm@equifax.com
800.210.4323
equifax.com/DDM

