



IT'S A BATTLE FOR DEPOSITS:
**Strategies to Succeed
in the Digital Era**

Core deposit growth has become one of the greatest concerns for banks and credit unions, with [84% of financial institutions](#) ranking it as one of the top external risks in 2023, up from only 38% the previous year.

In the face of increasing competition from large national brands, neo-banks, and other community institutions—all who are vying for attention from both consumers and businesses—your challenge is to find ways to differentiate in the battle to secure the primary banking relationship and maximize deposit growth.



89%
of consumers use
mobile banking

source: Insider Intelligence

With digital banking use now ubiquitous, financial institutions should look to their digital banking platform as a means of supporting a deposit gathering strategy. Beyond turning to technology out of necessity during the pandemic, consumers have embraced digital tools as a complement to, and sometimes a replacement for, the branch as a more convenient option. In fact, [89% of consumers use mobile banking](#), with almost all millennials (97%) and Gen Xers (91%) going completely digital, and even 79% of Baby Boomers using mobile apps.

How can you leverage the pervasive use of digital channels to bolster deposit growth?

Here you'll learn more about the following strategies:

1. Incorporate a seamless digital account opening process
2. Appeal to digital natives: Gen Z and millennials
3. Target small businesses
4. Expand your reach with embedded banking



1. Incorporate a Seamless Digital Account Opening Process

In the past, many financial institutions relied on branches to drive growth. Now, as consumers and businesses migrate from physical to digital, your institution should need to connect with potential account holders online, outside of the branch environment. Yet with only [43% of banks and 48% of credit unions](#) having an automated digital account opening solution in place today, many financial institutions have yet to take advantage of this technology.

Offering digital account opening as a complement to your branch account opening solution allows you to meet modern banking users where they are—online—and delivers the added convenience of being able to create a relationship with your institution in minutes. However, not all DAO solutions are created equally. You'll want to ensure that the solution you implement minimizes friction for a smooth and convenient account opening experience. At the same time, you'll want the flexibility to configure your solution in accordance with your institution's risk appetite.

The most effective digital account opening solutions provide the following:

- **Speed:** Digital interactions have set the stage for offering fast and easy access. Your process must allow for an account to be opened in minutes or potential users will go elsewhere.
- **Security:** An account opening solution must catch bad actors during the application process, while simultaneously using identity verification technology to move valid users seamlessly and unobtrusively forward.
- **Configurability:** As your digital account opening solution is required to meet changing audit and regulatory requirements, you need the ability to maintain, prove, and adapt to new requirements quickly and easily.
- **Frictionless funding:** Providing multiple funding options such as ACH, debit, or credit is crucial, as the process allows immediate funding at the point of account creation.



2. Appeal to Digital Natives: Gen Z and Millennials

As digital natives, younger consumers and business owners have different expectations than previous generations. In fact, [48% of Gen Z and 46% of Millennials](#) report that they can't go more than 4 hours without internet access before they become uncomfortable. Digital experiences must offer speed, convenience, and ease of use to resonate with these digitally savvy consumers, or they will look to alternatives that deliver on these expectations.

Appeal to younger consumers using the following strategies:

- **Offer a modern, intuitive user experience:** A complicated, clunky mobile app or online experience will send digital natives directly to your competitors. To attract the younger demographic, ensure your user interface is highly intuitive, making banking easy to use on mobile devices and using language that is simple to understand.
- **Personalize experience by using data:** Another way to better know and serve your digital users is by providing a personalized experience by effectively using data. Financial institutions have the potential to know more about their users than any other business because financial activity touches every part of a person's life. The challenge is that many banks aren't well equipped to take advantage of this data. In fact today, [two out of three banks are unable to harness data fully](#) to provide tailored experiences. A range of solutions are available today that empower even the smallest community banks and credit unions to leverage data to observe, get to know, and engage with users in ways that build loyalty and drive a more personalized experience.

The following are examples of newer technology options that can support your data analysis and marketing efforts:

- + **Intuitive, no-code toolkits** can identify how consumers and businesses are using your online or mobile banking solution and enable you to deliver in-channel guidance and tailored messages to drive engagement. Using this technology, you can easily create pop-up messages—such as marketing notices, tips, and tutorials, including video—for specific audiences to educate and drive adoption of specific features.
- + **Data and marketing tools** are also available that consolidate financial data from a wide range of sources—including the core, digital banking platform, and other partners and providers—and visualize key insights in easily digestible, interactive charts and graphs. Financial institutions can use this type of tool to define groups of users with similar characteristics and create highly relevant, targeted campaigns to deliver a more personalized digital banking experience.
- + **Real-time and batch data feeds** are also available from some digital banking providers for financial institutions with their own data warehouse and in-house data engineers. Banks and credit unions can support a wide range of use cases with this data, such as enabling in-house analysts to identify upsell and cross-sell opportunities by supplementing the data received from their institution's core, bill payment provider, and other third parties. Additionally, the data could be used to update CRM platforms in support of a 360-degree view of the customer. Providing data to third-party partners, such as fraud prevention and detection partners that can use data to identify suspicious activity, is another potential use case.
- **Provide guidance and advice digitally:** Today's consumers are also seeking guidance to support their financial lives, but financial institutions are falling short when it comes to offering these services. According to a [JD Power survey](#), only 21% of consumers reported receiving guidance or advice from their primary financial institution. Those who did report receiving advice that met their needs were more likely to engage with the financial institution—in fact, about half opened a new account with that institution.



84%

of financial institutions call core deposit growth one of their top external risks in 2023.

source: 2023 Annual Community Bank Survey



The number of community banks and credit unions looking to grow small business deposits jumped more than

30%
in 2023

source: Cornerstone Advisor's What's Going on in Banking 2023 Report

As digital natives tackle new financial challenges like going to college, starting a business, or buying a home, financial health tools like the following that are built into your digital banking solution are a simple, effective way to appeal to these users:

- + **Personal finance management:** Take advantage of tools that give users a holistic view of their finances, helping them understand their spendable balance, manage their money, and improve spending habits.
- + **Credit score monitoring and simulation:** Go beyond enabling consumers to merely check their credit score with tools that help them understand the impact of various actions, such as paying off a loan, on their score. This feature can also help your institution introduce pre-qualified loan information at opportune times.
- + **Family banking:** The next generation of consumers can benefit from tools that teach kids and teens financial literacy, while giving parents a layer of oversight.



3. Support Small Businesses

Providing consumer products and services has long been the focus for many community banks and credit unions. But with an emphasis on finding new revenue streams, the number of community banks and credit unions looking to grow small business deposits jumped [more than 30% in 2023](#).

When smaller banks or credit unions offer business banking capabilities comparable to the larger banks, [60% of small businesses](#) say they would likely bank with them. To appeal to this segment, your institution must provide more than an adapted consumer banking platform—your solution must offer features and capabilities tailored to businesses' unique needs, such as:

- **Positive pay**
- **Cash management features**, including ACH, wires, transfers, and tax payments
- **Granular entitlements** as a part of a robust administrative tool
- **Seamless connectivity** between retail and business accounts
- **Real-time payments**
- **Digital customer support**

Your business banking solution can deliver even more value with innovative tools like cash flow analysis and forecasting tools and proactive fraud management and reporting capabilities. And, as is the case for your consumer banking solution, a modern user interface with easy-to-understand terminology will help attract businesses of all sizes.

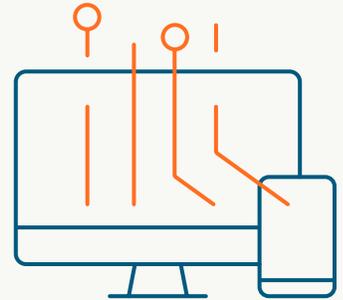
4. Expand Your Reach with Embedded Banking

As consumers and businesses embrace new technology, implicitly changing how they do business with your financial institution, this shift provides new opportunities to grow deposits. For example, with an embedded banking strategy, you can offer your services to a broader range of digital users, enabling you to expand your reach beyond your existing digital footprint.

Embedded banking involves embedding specific financial services components, such as the ability to open an account or view account balances, into a non-financial partner's software.

For example, you could embed your digital account opening functionality into your local community college's student portal. When students log in to pay their fees, they can easily open a new high-yield savings account to save for next semester's fees directly within the portal, without the need to separately go to your website or mobile app. The integration provides you with access to a new pool of potential account holders while delivering users added convenience and efficiency.

When considering an embedded banking strategy, look for a digital banking provider with an API strategy that minimizes the technical development required to implement your partner relationships—and who will do this work on your behalf so you can focus on your core business.



For Deposit Growth, Digital is Critical

Your digital presence can play a key role in your deposit growth strategy — and acting now will help position you to win against larger banks, neo-banks, and other competitors in your community. A modern digital banking platform is table stakes today and can also be a strong driver of deposit gains, especially with younger consumers who seek intuitive experiences. Coupled with a digital account opening process that helps users open and fund accounts in minutes, as well as innovative features that appeal to businesses as well as the critically important Gen Z and millennial populations, a digital banking platform can be a powerful complement to your deposit-generating strategy. More innovative approaches like embedded banking can help you further expand your digital reach in pursuit of deposits, helping you grow beyond your existing channels.



About Apiture

Apiture delivers award-winning digital banking solutions to banks and credit unions throughout the U.S. Our flexible, highly configurable solutions meet a wide range of financial institutions' needs, from leveling the playing field with larger institutions to supporting growth through innovative data intelligence and embedded banking strategies. With our API-first approach, our clients can maximize the capabilities of their platform while preserving a seamless user experience. Our exclusive focus on digital banking, and a team with hundreds of years of collective experience working at U.S. financial institutions, means we're dedicated to meeting the unique needs of our clients while providing a level of support that's unmatched in the industry. Apiture is headquartered in Wilmington, North Carolina, with offices in Austin, Texas.

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