

Implementing a High Value Customer Program

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Newburyport Five Cents Savings Bank

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EXECUTIVE SUMMARY

At Newburyport Five Cents Savings Bank (Newburyport Bank), 10% of the depositors hold 75.42% of the Bank's deposits. These High Value Customers receive little attention from Newburyport Bank. This group presents both a threat and opportunity to the Bank.

To better understand both the opportunity and threat to Newburyport Bank, consider the following statistics. Based on national averages developed surveying customers, 20% of High Value Customers do not consider the surveying bank to be their primary bank and 67% of High Value Customers have accounts at other banks.¹ For a recent period (9/30/17 to 9/30/18) Newburyport Bank lost 28% of the total deposits held by this group. This is higher than the national average of annual deposit attrition for the top 10% of depositors at 22%. For the period mentioned at Newburyport Bank, this represented \$67,001,944.71. 45% of the high value customers that move deposits out of the bank or leave a bank entirely do so because of service related issues such as: penalty charges, telephone access, problem resolution, failed transactions, service fees, debit card issues, and the quality of service.² High Value Customers encounter service issues mentioned above at Newburyport Bank just as they would receive at numerous banks across the country. This is because many banks manage accounts rather than relationships. For example, service charges are applied to a low balance account owned by a High Value Customer despite high balances in other accounts. Debit card limits are applied uniformly to the customer base as opposed to the value of the relationship. Newburyport Bank needs to address these issues and thereby the attrition by implementing a High Value Customer Program.

¹ Phil Hudson, Aspen Consulting, (2018, June). Retail Sales and Relationship Management. ABA Stonier Graduate School of Banking.

² Ibid.

The High Value Customer program is a simple program that can address this staggering rate of attrition. It focuses on reducing the primary reasons a customer becomes disenchanted with a bank. These reasons include: penalty charges, telephone access, problem resolution, failed transactions, service fees, debit card issues, and the quality of service.³ The program will address the above issues through waving fees, dedicating a phone line to assist High Value Customers, having a problem resolution process in place, proactively addressing failed transactions and debit card issues, conducting a service satisfaction survey, and conducting ongoing service training for employees. For specifics regarding the implementation schedule see additional detail on page 18. The program is cost effective and can be implemented with current positions and resources. In the first year of implementation, the program's goal will be to cut the rate of attrition by 33%. With the approximate \$20 million saved in deposits, Newburyport Bank has many revenue generating opportunities to apply these funds to.

It is for Newburyport Bank's best interest that this program is approved and implemented in 2019.

³ Ibid.

BACKGROUND

Newburyport Five Cents Savings Bank (Newburyport Bank) was founded in 1854 as a Massachusetts mutual savings bank. It currently holds \$860 million in assets. The Bank was created by a group of local businessmen who wanted to create a financial institution that would allow children a way to save for their future. The portion of the name, “Five Cents Savings”, was due to the founding principal that amounts as small as five cents could be deposited at the Bank. Local competitors required a minimum deposit of one dollar. It is for this reason that the Bank was known as “The Children’s Bank” in its early days.

Newburyport Bank’s Main Office was always in Newburyport, MA. The Main Office relocated up State Street three times before resting at its current location, which was constructed in 1927. With time, the Bank’s Main Office, market areas and product offerings expanded. In the early 1970’s, Newburyport Bank opened its first branch in Salisbury, MA. In the late 1970’s, the Bank would open its second location in Newbury, MA. By the 1980’s the Bank had four locations and was offering commercial loan and deposit services. The Bank continued on this trend of upward growth by opening more locations and by being one of the first to introduce technology to customers and internal processes.

The Bank’s direction is credited to both the Board of Directors, Management and the Presidents’ visions and leadership. To date, the Bank has had twelve Presidents. The eleventh president was the first woman President in the institution’s history. The current president, the twelfth, also broke history by being the first external hire in one hundred in sixty years.

Locations

Newburyport Five Cents Savings Bank has ten locations and anticipates opening an eleventh in the first quarter of 2019. Seven of the eleven are located in the northeast corner of

Massachusetts on the coast. This section of Massachusetts borders the southern coast of New Hampshire. The remaining four branches are in this region of New Hampshire. The all the regions referred to above are referred to inclusively as the Greater Seacoast Region.

The branches described above are full service branches that offer both retail and lending products. The majority of the staff at each location is retail focused, but slowly Residential Lenders and Commercial Lenders are having offices in the branches as opposed to being centralized at the Main Office. In addition, the retail staff at these locations are transitioning from the traditional teller model to that of universal bankers. Newburyport Bank refers to universal bankers as Relationship Bankers. These employees can assist customers with both transaction and account serving needs. This allows for a decrease in staffing and an elevated customer experience for the consumer.

Business Model

The framework of Newburyport Five Cents Savings Bank is that of a community bank. The Bank's goal is to offer a variety of services to assist individuals and business in all stages of life. This financial support may allow an individual to buy their first home, start their first business, or assist in financial trouble. The Bank prides itself in treating its customers like family. Each customer has a unique story that requires varying degrees of assistance and guidance. Employees work hard to be accessible and act as a resource for Newburyport Bank's customers.

Being a mutual savings bank is something Newburyport Bank feels strongly about. The leadership, management and employees have no desire to go public or be privately held. The freedom of a mutual and the inherent nature of community service it brings is vital to Newburyport Bank's business model.

A large part of Newburyport Bank's business model stems from its commitment to improve the quality of life in all the communities it serves. This is through its product delivery, customer service, and devotion to giving back to each community it conducts business in. This commitment is carried out through employee volunteerism, financial donations from the Bank and its two charitable foundations.

Strategy

Newburyport Bank's strategy is currently in flux. Prior to March 2018, the strategy of Newburyport Bank was very conservative all while trying to remain relevant through technology. Since the hire of the new President and CEO this strategy is being discussed and evolving. By March 2019, the leadership team will have a new strategic plan submitted to the Board of Directors for approval.

The new strategic direction involves the introduction of multiple new product lines. Some of these new product lines and services include: Government Banking, Treasury Services, Small Business Lending, C&I Lending, and rewards checking. The overall strategy revolves around the proposition of being the premier community bank in the Greater Seacoast Region.

In addition to new product lines, the Bank is more openly considering mergers and acquisitions. This is was not considered previously with much enthusiasm, but now the leadership team is interested in pursuing these opportunities.

Financial Condition

Newburyport Bank is in a solid financial position. The Bank is well capitalized and holds a 14.20% tier one capital position as compared to its peer group at 12.30%.⁴ Net income is strong at 0.74% as compared to the peer group at 0.62%.⁵ The Bank has a very healthy loan portfolio

⁴ Uniform Bank Performance Report: June 2018, FDIC.

⁵ Ibid.

with 0.29% of non-accrual loans 90 days past due, as compared to the peer group at 0.81%.⁶ The Bank's greatest struggle is core deposit funding to support the lending growth. To address this challenge, the Bank introduced the Government Banking product line to bring in municipal deposits in order to cut back on its borrowing at the Federal Home Loan Bank. This method of reducing borrowings was successful and continues to be utilized.

Market Share

Newburyport Bank's market share is broadly divided by two states, Massachusetts and New Hampshire. The Bank is most established, due to longevity, in the Massachusetts market area. Yet, in two of the four towns, the Bank has lost significant market share. These towns are Newburyport and Salisbury. In both towns, the Bank's greatest competitor also has branches and offers irrational rate pricing. This affects both the loans and deposits in the market. Newburyport Bank holds 100% market share in Newbury, MA. It is the only bank in the town. The remaining Massachusetts town is Amesbury. There is a local competitor in the town that upset many customers with fee increases, and also TD Bank closed their branch in this town. For these two reasons, the Amesbury banking market was volatile and Newburyport Bank was able to increase its market share over the last three years.

The Bank is very new to entering the New Hampshire market. The first New Hampshire branch was open in 2013 in Portsmouth, NH. Later that year a second branch was open in the same city. Together the branches have steadily increased market share but still only hold 3.75% of the market.⁷ The Bank's third New Hampshire location in Dover, NH opened in October of 2018. It is too early to determine its market share, but initial business is promising.

⁶ Ibid.

⁷ Deposit Market Share Report, Summary of Deposits, FDIC.

Overall, Newburyport Bank holds a respectable market share in its market areas, but it is not the market leader in any of the counties it holds a branch. These top positions are most commonly held by TD Bank and the Institution for Savings.

Competition

Newburyport Bank's primary competition are local community banks. These banks are commonly larger and hold a greater geographical presence. For example, in Massachusetts these banks consist of: Salem Five, Eastern Bank, and the Institution for Savings. In New Hampshire, there is a stronger competition from the local credit unions, such as Northeast Credit Union or Service Credit Union. Community banks such as Optima, Kennebunk Savings Bank and Piscataqua Savings Bank also are present in the Portsmouth market.

Newburyport Bank and area banks all struggle with the irrational rate pricing presented in the market by the Institution for Savings. This bank is able to offer the lowest lending and the highest deposits rates due to its investment portfolio. It is very challenging to maintain a healthy spread with a competitor in this financial position. Newburyport Bank chooses to combat this competitive pricing with the exceptional delivery of customer service.

STRATEGY & IMPLEMENTATION

Description of the Investment

The majority of Newburyport Bank's deposits (75.42%) are held by 10% of the depositors. In 2018, 28% of the deposits in this group were lost to attrition. This 28% is representative of \$67,001,944.71. This is a substantial loss for Newburyport Bank. In addition, Newburyport Bank is not the primary bank for this group of customers. Many hold accounts at other financial institutions. This is both an opportunity and a threat for Newburyport Bank. The implementation of a High Value Customer program will give Newburyport Bank the opportunity to save some of the deposits lost to attrition, and the ability to grow deposits within this group.

The proposed investment is a High Value Customer Program. This program will focus on the top 10% of household depositors at Newburyport Bank. These households with the top 10% of depositors are identified as the High Value Customers (HVC). This program will support all those that fall within the household of the HVC. The reasoning here is that any one person within this household can impact another's decision or feelings toward the household's financial institution.

The High Value Customer program is a stealth program within the organization. It focuses on reducing the primary reasons a customer becomes disenchanted with a bank. These reasons include: penalty charges, telephone access, problem resolution, failed transactions, service fees, debit card issues, and the quality of service.⁸ The program will address the above issues through waiving fees, dedicating a phone line to assist HVCs, having a problem resolution process in place, proactively addressing failed transactions and debit card issues, conducting service surveys, and conducting ongoing service training for employees. With these resolutions

⁸ Phil Hudson, Aspen Consulting, (2018, June). Retail Sales and Relationship Management. ABA Stonier Graduate School of Banking.

in place, Newburyport Bank hopes to combat the staggering statistic that 40% of HVC households leave the bank for these customer “landmines”.⁹

Newburyport Bank’s implementation of this program is fueled by a desire to increase low cost deposits in a cost-effective manner. A focus on the HVC households is the obvious place to start to increase deposits with customers that are known to be profitable at the financial organization. The High Value Customer program will significantly increase the retention of the HVC households.

Considerations and Achievements

Newburyport Bank is in dire need of low-cost deposits. Deposits are in high demand in the financial marketplace, but low-cost deposits are even more sought after. The Bank has identified the High Value Customer Program as an effective way to not only grow low cost deposits, but to grow valuable and highly profitable relationships with existing customers. Other institutions that have implemented this program grow their deposits by 6-8% annually.¹⁰ Currently, Newburyport Bank grows its deposits by 4-5% annually. This program could double the bank’s rate of deposit growth in a very low-cost manner.

The High Value Customer Program focuses on the top 10% of depositors at Newburyport Bank. The strength of this group of depositors is best illustrated through an analysis from September 30, 2017 to September 30, 2018. As of September 30, 2018, this group of HVC held 75.42% of the total deposits at Newburyport Bank. This is representative of 1,042 households and \$373,163,285.85 in deposits. From September 30, 2017 to September 30, 2018, this same HVC group at Newburyport Bank had a 28% rate of

⁹ Ibid.

¹⁰ Phil Hudson, Aspen Consulting, (2018, June). Retail Sales and Relationship Management. ABA Stonier Graduate School of Banking.

attrition. This rate is astoundingly high relative to the national HVC rate of attrition which averages between 22-25%.¹¹ This rate of attrition could be avoided or at least reduced with the implementation of a High Value Customer Program.

Newburyport Bank needs to protect the HVC households it currently has and reduce the magnitude of deposit outflow. One of the core reasons for this outflow is typically fees. Aspen Consulting identified that 45% of HVC households that leave a financial institution are due to fees that are charged.¹² In addition, 20% of HVC stated that the bank being reviewed is not their primary bank, and 67% of the HVC have bank accounts at other financial institutions.¹³ Not only is Newburyport Bank losing deposit relationships from a lack of monitoring this core group, but the bank also must recognize it only holds a portion of the total household deposit relationship for each of its HVC customers.

It is alarming that there is no division or employee of Newburyport Bank focused on servicing and retaining a group of depositors that control over three quarters of the bank's total deposits. Due to a lack of attention, this group of HVC holds an alarming rate of attrition. It is for these reasons that there is an immense opportunity to capitalize and service the HVC group.

The implementation of the High Value Customer program will provide Newburyport Bank the opportunity to cost effectively grow both low and moderately priced deposits. These affordable deposits will help the organization keep its cost of funds low, improve the organizations efficiency ratio and thereby profitability. In addition to growing the existing

¹¹ Ibid.

¹² Phil Hudson, Aspen Consulting, (2018, June). Retail Sales and Relationship Management. ABA Stonier Graduate School of Banking.

¹³ Ibid.

HVC households, Newburyport Bank will have the opportunity to bring in additional HVC households through word of mouth referrals. This referral source is at no cost to the bank and will be additional support to the High Value Customer Program.

Fitting Within Newburyport Bank's Strategy

Newburyport Bank strives to be the premier community bank in the Greater Seacoast region. To achieve this aspiration, the bank's leadership focused on numerous initiatives to grow the institution and prepare it for its next leap over the asset size of \$1 billion.

The first step of its preparations was to bring in a President and CEO from outside the organization. This was the first time a President and CEO was an outside hire in the organization's 164 year history. This was a strategic decision to bring in expertise that could appropriately position the bank for growth.

In the first year of the new presidency, new product lines were introduced. These included: Government Banking, Treasury Services, Private Client Group and Consumer Lending. The first three business lines focused on bringing deposits to the organization, which it desperately needed with a 124% loan to deposit ratio (as of 6/30/18). The later business line was a defensive measure on retaining deposits that leave due to car loans requiring a checking product at the same financial institution. The bank did not want to lose the younger demographic of customers that were leaving for this reason.

In addition to the introduction of new product lines, the bank also re-supported existing business lines. One line in particular was commercial lending. The commercial lending team was doubled in order to hit an aggressive loan growth goal of \$128 million in 2019. Each commercial lender must exceed \$10 million in commercial loans to be considered a profitable investment. The growth in commercial loans is strategic to help pay for infrastructure upgrades and new

business lines. This growth also puts pressure on the need for affordable deposits to fund the new commercial loans and maintain a healthy spread.

Newburyport Bank's facilities and brand were both in need of restoration. Branches are being renovated to support the new Relationship Banker model of retail service. The Main Office is undergoing a renovation to be more efficient in order to serve both customer and employee needs. Newburyport Bank also made a significant investment in a rebranding process to help unify the bank's image and create consistency across all markets. Both the infrastructure and branding projects are imperative to growing the financial institution.

Newburyport Bank's strategy is to implement the changes necessary to position the bank for growth and to be the premier bank in the Greater Seacoast. This growth cannot be obtained without a significant increase in deposits to decrease its dependency on core borrowings and to support the aggressive, but necessary, loan growth. Due to the industry's competition and to a large irrational rate pricing competitor next door, Newburyport Bank must find creative solutions to its need for low cost deposits.

The High Value Customer Program will support Newburyport Bank in its search for low cost deposits, and it holds the potential to double its average rate of deposit growth annually. There is not another competitor in the immediate marketplace that implemented a High Value Customer Program. This program gives Newburyport Bank a competitive advantage over all other financial institutions in the market for a very affordable price.

This program does not require a large setup fee, maintenance fee, or substantial marketing dollars. Many of the program's attributes exist and are not being acted on, or have not been developed. The Bank holds the capacity to implement the High Value Customer Program with existing staff and technology. As the program develops, there could be the opportunity for

instituting upgraded technology or more automated systems, but it is not a prerequisite to start implementation.

Future Opportunities that Open or Close as a Result of the High Value Customer Program

There are numerous opportunities that result due to the implementation of the High Value Customer Program. First, Newburyport Bank will be able to expand and develop customer service expectations and processes. Newburyport Bank has a strong focus on customer service. For the last four years, the bank hired outside consultants to assist with customer service training. These trainings are wonderful, but are not reinforced frequently enough. Therefore, Newburyport Bank's service is average, but does not always exceed expectations. The High Value Customer Program will allow employees to revisit customer service training and managers will have an opportunity to see the significance of reinforcing service principals. This will be imperative with servicing the HVC households.

Newburyport Bank's second opportunity with the High Value Customer Program will be in strengthening relationships with HVC households. The relationships between HVC and Newburyport Bank are sporadic at best currently. There is currently no oversight on these relationships. With a new perspective and oversight, these HVC households will receive the attention and service they require to not only be retained, but to grow their deposits with Newburyport Bank.

A third opportunity from the program's implementation is the ability to survey the HVC households. Newburyport Bank is currently unaware of the needs of these customers. In addition, the bank has very little understanding of the expectations from this group, potential product opportunities, or chances for retention. It will be very interesting for Newburyport Bank to compare what it imagines this group expects, to what the HVC group thinks and feels.

Fourth, through conversations with HVCs Newburyport Bank will have the opportunity to not only expand deposits within this group, but to expand loans as well. As Newburyport Bank gets to know this group and better understand its needs, employees will be able to make product recommendations and increase the bank's share of wallet in each HVC household.

A final opportunity is to reduce the use of deposit rate specials to grow deposits. These rate specials are costly, and the money that is attracted typically does not stick after the special ends. Currently, Newburyport Bank utilizes specials to hit its deposit growth goals. This is not a sustainable way to continue to grow deposits with a shrinking spread. The frequency of these specials will be able to decrease with a focus on the High Value Customer Program.

A potential opportunity that closes with the implementation of the High Value Customer Program, is a decrease in marketing dollars. There will be less of a need for marketing dollars to grow existing HVC households. The Director of Marketing will need to be aware of this potential decrease in funding, and ensure Newburyport Bank's presence in the marketplace does not decrease as a result.

Description of Process Change

Newburyport Bank does not currently have a High Value Customer Program. This program will need to be built from the ground up. First, Newburyport Bank must define the criteria for a HVC household. In this Capstone, a HVC household is defined as any retail or mixed deposit household that is within the top 10% of depositors. This definition is easily applied to Newburyport Bank's deposit portfolio.

Second, Newburyport Bank must flag all households that are HVC. This will be instrumental in service standards, processes, and monitoring of the High Value Customer Program.

Next, the bank needs to define rules for HVC households. The current rules proposed are to waive all fees, service charges, and foreign ATM fees and increase debit card limits. These rules will need to be set within the profile of each member in the HVC household.

In addition, Newburyport Bank will need to setup a designated call center representative to respond to HVC needs. This representative needs to be the most qualified in the department and be well versed in all Newburyport Bank products and services.

Newburyport Bank will need to establish a problem resolution process. Currently this process does not exist at the bank. 34% of HVC problems are unresolved once expressed.¹⁴ This is unacceptable for a group of customers that hold a generous majority of Newburyport Bank's deposits.

The bank will need to establish a periodic contact program for the High Value Customer Program. This program will instruct designated Newburyport Bank employees to reach out to HVC when their deposits decrease by more than 20% in a quarter.¹⁵ The messaging in this communication is delicate and must be treated as a service call as opposed to a call of observation.

Next, the Bank will need to outline and define a process for proactively reaching out to HVCs with failed debit card transactions. Initially this process will be manual, but with successes the hope is to automate the report to be pulled daily. An employee in Deposit Operations will be needed to filter the report, and provide to the applicable member of Retail to administer the service calls to HVCs.

¹⁴ Phil Hudson, , Aspen Consulting, (2018, June). Retail Sales and Relationship Management. ABA Stonier Graduate School of Banking.

¹⁵ Ibid.

Newburyport Bank will also need to administer a survey to HVCs to better understand what is it that these customers are looking for and what processes could be improved to better service the group. This survey will be instrumental in shaping future opportunities for the High Value Customer Program.

The bank will also need to be committed to monitoring the HVC group quarterly and annually to identify its success. In addition, the HVC group is a rolling group, where annually there will be new households added, and some households removed as the deposit balances fluctuate with the program's success.

Lastly, Newburyport Bank will need to develop a process to utilize and act on opportunists of growth. For instance, targeting HVC that have a money market account, but don't have a checking account; targeting HVC that have a certificate of deposit, but don't have a checking account; HVCs that have checking accounts, but don't have savings accounts. These types of programs are low cost and are effective tools in growing the relationships of HCVs with Newburyport Bank.

Implementation Schedule

June 2019

- Define High Value Customer (HVC) Household -Alysa Morse
- Identify High Value Customer Households -Alysa Morse
- Define rules for HVC households- Alysa Morse
- Flag High Value Customers- Alysa Morse- identify, Kellie Wood-flag
- Identify program manager- Alysa Morse & Lloyd Hamm Jr.

July 2019

- Establish call center line for HVC- Keri Sullivan
- Establish problem resolution process- Alysa Morse
- Establish rate negotiation process- Keri Sullivan
- Establish periodic contact program- Alysa Morse

August 2019

- Establish failed debit card transaction service program- Alysa Morse
- Provide debit card rules and limits for HVC- Alysa Morse
- Refine debit card rules and limits- Amanda Gray

- Organize HVC by Branch

September 2019

- Conduct HVC survey- Alysa Morse
- Train Branches- Kristen Dill

October 2019

- Launch Date
- Communicate program to all employees- Alysa Morse

November 2019

- Design promotion of checking product to HVC without checking- Alysa Morse

January 2020

- Start checking campaign to HVC- Alysa Morse

Ongoing

- Run Quarterly reporting- Alysa Morse
- Update High Value Customer Group Quarterly- Alysa Morse-identify, Kellie Wood-flag
- Annually review additions, losses, net gains, process improvements, better service opportunities- Alysa Morse

FINANCIAL IMPACT

Size and Type of Investment

The High Value Customer program is a small internal investment for Newburyport Bank. This program focuses on the top 10% of customers who hold 75.47% of the Bank's deposits. The focus of this program is to reduce and eliminate the most common reasons that high value customers leave a financial institution.

This is an internal program that will utilize existing tools, resources and employees of the Newburyport Bank. The investment into this program is primarily an investment of time. There is no additional headcount needed to implement. Therefore, there will be not additional costs to payroll as a result of this program. This program will require delegation of existing positions and departments. Roles within two departments will need to be enhanced to provide the proper support for this new initiative. These two departments are Deposit Operations and the Service Center. The Marketing Director will assume the data analyst requirements for the program as well.

The overall size of the financial investment is minimal. Training and employee buy in will also be instrumental in a successful program implementation. The bank will need to educate employees on the importance of this program to the organization. The Retail department will require additional service and transaction training. Deposit Operations department will need to learn how to pull the necessary debit card reports. The Service Center will train on how to properly take High Value Customers. The above are investments in time, reporting and training. All are minimal financial investments that hold great potential for revenue once the high value customer program is in operation.

Expense & Revenue Estimates

The High Value Customer program is a minimal financial investment, and it has the potential to significantly save costs and earn Newburyport Bank revenue. Below is an outline for the expenses related to the program over a year time period, and the potential costs saved and revenue gained.

To implement this program, there are no additional costs to Newburyport Bank. The data needed to build the infrastructure for the High Value Customer Program exists within Newburyport Bank's MCIF BancTrac, the Elan portal, and the bank's core Miser. The tools needed to implement the program exist as well. These tools consist of Microsoft Office, phone system, and a supportive Marketing team. The human capital to execute this program exists today as well. There are no new positions required to implement the High Value Customer program. The program will require the shifting of priorities and delegation in the following departments: Deposit Operations, Service Center, and Marketing.

Overall, the High Value Customer program is a strategic initiative that doesn't require a financial investment to implement.

In respect to revenue, there are many opportunities to both save funds and generate additional revenue from this program. These opportunities consist of: lowering customer acquisition costs, retention of deposits, paying down Federal Home Loan Bank advances, funding commercial loans, funding commercial loan swaps, expansion of lending opportunities with BancAlliance, and purchasing residential mortgages from Leader Bank. These costs savings and revenue producing options are explored below.

The High Value Customer program focuses on household retention in a highly profitable deposit group. It is commonly known that acquiring new household is much costlier than

retaining an existing household. For example, Newburyport Bank's household acquisition cost is calculated by taking the total cost of sales and marketing efforts in one year divided by the number of new households gained in that same year.¹⁶ Looking at the most current year analyzed in this Capstone, 9/30/17-9/30/18, the total sales and marketing efforts totaled \$606,484. The total new households gained in that same time period were 1,351 (114 of these households were in the High Value Customers group). This results in a household acquisition cost of \$448.91. The High Value Customer program focuses on retaining existing households. This will decrease the dire need to replace existing funds with new households, and thereby reducing the costs associated with customer acquisition. The High Value Customer Program will not require the same level of marketing and sales dollars, but still will be able to grow deposits by the same annual goal existing today.

To better understand the potential effectiveness of the High Value Customer program, one can review the High Value Customer group at two time periods. The two time periods analyzed are 9/30/16-9/30/17 (Year 1) compared to 9/30/17-9/30/18 (Year 2). From Year 1 to Year 2, \$10,416,387.44 of the High Value Customers deposits were retained, representing 11%. Deposits in this time period increased by \$42,909,368.99, representing a 46% increase. Relationships with existing households expanded deposits by \$39,525,353.48, totaling a 43% increase. These increases result in \$92,851,109.91 total deposit growth (not including withdrawals). In the same time period, Newburyport Bank lost \$67,001,944.71 in deposits. This is a 28% attrition rate. This resulted in a net deposit growth of \$25,849,165.20.

The High Value Customer program's focus is to retain a portion of the \$67,001,944.71 that was lost in the time period analyzed. In the first year of implementation, the program's goal

¹⁶ Jordan T. McBride, Profit Well, (2015, August 17). "The complete SaaS guide to calculating and reducing CAC". <https://www.profitwell.com/blog/the-complete-saas-guide-to-calculating-and-reducing-cac>.

would be to retain 30% of the \$67,001,944.71. This results in a retention goal of \$20,100,583.41. To provide perspective, the Retail deposit growth goal for Newburyport Bank in the time period analyzed was \$36 million. If the High Value Customer program can in fact retain 30% of the lost deposits in the time period analyzed with no marketing dollars, it would provide a strong return on investment for Newburyport Bank.

The following revenue opportunities assume the High Value Customer program is implemented, and retained 30% of the lost deposits totaling \$20,100,583.41.

One of the first options Newburyport Bank could exercise with the \$20,100,583.41 retained by the High Value Customer program, is to pay down Federal Home Loan Bank advances. Paying down these advances was a major concern for the regulators when Newburyport Bank's Loan to Deposit ratio approached 124% in June 2018. Reducing the Federal Home Loan Bank advances allows for more lending opportunities. In addition, a reduction in advance balances, provides some insurance to the Bank for funding in case there is a loss of municipal deposits. That is a concern in 2019, as Newburyport Bank holds a very tight budget. If the Bank has a bad quarter, there could be a change in the VERIBANC rating. If there is a reduction in this rating, municipalities could be required to withdraw their funds. Newburyport Bank could use the freed up Federal Home Loan Bank balances to offset this deposit loss. Another benefit to paying down these advances is a savings in interest expense. Newburyport Bank funds with short term Federal Home Loan Bank advances. An average rate in the first quarter of 2019 is 2.70%.¹⁷ If Newburyport Bank paid down \$20,100, 583.41 worth of advances it would save \$542,715.75. Where it is impossible to retain all these deposits instantly, it is reasonable to assume 75% of this savings to the Bank, which is \$407,036.81. Whether

¹⁷ Federal Home Loan Bank of Boston, Rates-All Advances, (2019, February 24).
<http://www.fhlbboston.com/rates/advances/index.jsp>

Newburyport Bank chooses to pay down Federal Home Loan Bank advances for lending opportunities, insurance in case municipal deposits leave, or to take the interest savings, all of these options result in positives for the organization.

Another option for the \$20,100,583.41 is to invest these funds into commercial loans. Commercial loans are the most profitable loans for Newburyport Bank. Where these retained deposits are low cost deposits, they would allow for a significant spread with commercial loans. Newburyport Bank's current commercial loan rates average 5.50%. Utilizing the retained deposit figure above, this would result in \$1,105,532.09 annualized. Again, these retained deposits won't all happen at once. Therefore, it is reasonable to assume a revenue gain of 50% of the above annualized figure, which results in \$552,766.04. This is a reasonable assumption of what the Bank could generate in income over a year with the retained deposit funds.

Lending the retained deposits out into commercial loans is profitable for Newburyport Bank. In addition to this option, the Bank could not only lend the funds out to commercial loans, but lend the funds out to commercial loan swaps. This would allow the Bank not only to gain revenue, but also gain fee income. In addition to the \$552,766.04 gained in commercial loans, the Bank could enter into agreements with commercial customers and partners and could generate an addition \$150,000-\$250,000 in swap income. The additional funding could produce \$702,766.04- \$802,766.04 in revenue for Newburyport Bank.

A fourth consideration to utilize these retained funds is to purchase commercial loans from BancAlliance. Newburyport Bank recently solidified a relationship with BancAlliance, which allows Newburyport Bank to purchase commercial loans at a reduced interest rate. These loans are not originated by the Bank, but the Bank must conduct its own due diligence on each loan. On average the current interest rates of the loans purchased are 5.00%. Where the Bank is

not originating these loans, it is faster to process the commercial loans. Therefore, the Bank can assume a \$753,771.87 increase in revenue which is three quarters of annualized interest. This alternative is close to the profitability of commercial loans with swap income.

A fifth consideration for Newburyport Bank is to purchase residential mortgages from Leader Bank with the retained deposits. Leader Bank allows Newburyport Bank to purchase pools of residential mortgages at a discounted rate. These mortgages are 1-4 family mortgages with minimal risk. These purchases would give Newburyport Bank some return on its investment of loan purchases. The average rate of 1-4 family residential mortgages is 4.75% APR. Newburyport Bank's price to purchase these same mortgages from Leader Bank 4.25%. This results in \$640,706.10 of annualized revenue. This is 75% of the total possible revenue as Newburyport Bank would be purchasing these mortgages of the course of the year and not all at one time. Although not as strong as the other alternatives, the purchase of residential mortgages is a viable option for Newburyport Bank to generate revenue with the High Value Customer program.

Evaluation of Risks

Below is an evaluation of the risk in each of the opportunities identified in the expense and revenue assessment of the High Value Customer program.

First, a reduction of the Newburyport Bank's household acquisition cost would be a positive to the organization and does not pose any risks. It is a benefit that the organization could more cost effectively retain and gain deposits without an increase in cost. This cost reduction will help the Bank's efficiency ratio and return on investment of deposit products. It is evident that this option resides in the category of low risk.

Second, paying down Federal Home Loan Bank advances is also a low risk for Newburyport Bank. Paying down these advances give Newburyport Bank more opportunities to lend. This is at no additional risk to the Bank, provided the Bank continues to follow its credit quality guidelines. Paying down the advances in order to provide insurance for the institution in case of municipal deposit run off is also low risk and a strategic benefit to the organization. This also does not pose risk to the Bank. The last idea mentioned above regarding Federal Home Loan Bank advances was to reduce interest expense. This again is a great opportunity for Newburyport Bank and does not create any risk for the organization. It is a benefit to be able to save cost. All alternatives illustrated in paying down Federal Home Loan Bank advances are low risk and do not harm the organization.

Third, utilizing the retained deposits for commercial loans does not oppose additional risk to Newburyport Bank. This funding would enable Newburyport Bank to exercise a business practice it executes daily. By following the strict credit quality guidelines, approval and underwriting processes, this opportunity would not pose additional risk to Newburyport Bank.

Fourth, using the retained deposits to fund commercial swap loans would pose no additional risk to Newburyport Bank. Swap deals are typically partnered deals for the Bank. The Bank would again follow the strict credit quality, approval and underwriting processes. By abiding to these processes, the additional activity in commercial swap loans would be a low risk option for Newburyport Bank.

Fifth, purchasing commercial loans at BancAlliance with the retained deposits is also a low risk option for Newburyport Bank. Due diligence on these loans is conducted by BancAlliance and again by Newburyport Bank. The current processes and procedures would remain and ensure that the risk of the increase in purchase activity would remain low. Again, this

is a common business practice for Newburyport Bank. An elevation in purchase activity with BancAlliance would not pose risk to Newburyport Bank, and it is thereby a low risk choice.

Lastly, purchasing 1-4 family residential mortgages is another low risk option for Newburyport Bank to exercise with its retained deposits. Newburyport Bank has strict purchasing procedures and only accepts high credit quality loans for purchase. The additional loans purchased would follow the same strict credit guidelines. An increase in purchase activity from Leader Bank would provide Newburyport Bank revenue at a low risk.

All of the alternatives explored to generate revenue with the retained deposits do not pose additional risk to Newburyport Bank. All options are current business practices that are used daily. Provided all procedures and processes are followed, there will be no additional risk incurred. If for some reason the Bank did incur an unexpected risk, Newburyport Bank has enough equity to absorb all of the above-mentioned choices. It is with great confidence that Newburyport Bank can enter any of the revenue streams above knowing all options bring no additional risk to the financial institution.

Worthwhile Investment

To best understand if the High Value Customer Program is a worthwhile investment, one can review the expenses, revenue, and risk associated with the implementation of the program. A review of each of these three categories can be found below.

The High Value Customer program implementation requires minimal expenses. This is an internal program that does not require the purchasing of any external software, tools, licensing. In addition, this program does not require an increase in headcount or payroll expenses. The largest investment for implementing this program is time. Time is needed to build out the

program and carry out its processes and procedures. This will all be accomplished with the reprioritization of position objectives in the Deposit Operations, Service Center and Marketing Departments. The overall expense associated with the program is minimal.

In regards to revenue, the High Value Customer program holds great potential. The program not only has the potential to reduce expenses associated with acquiring new households and interest expense, it also holds the potential to bring in great revenue. As mentioned previously, if in the first year, the High Value Customer program can retain 30% of the outflow of deposits, there are many opportunities to bring in revenue close to and above \$500,000. This would be seen as a great success for the organization. With both a low cost of implementation and with many opportunities to gain revenue, the High Value Customer program holds the ability to have a high return on investment for Newburyport Bank.

In review of all the possible cost savings and revenue generating opportunities, there appears to be minimal risk to Newburyport Bank for establishing a High Value Customer program. All opportunities reviewed in the risk section are common business practices that Newburyport Bank carries out today. All the same processes, procedures and credit ratings would remain intact. It is for those reasons that the risk to the organization is minimal. If some unforeseen situation took place, Newburyport Bank holds enough equity to absorb any of the revenue generating impacts.

Newburyport Bank holds the greatest risk when it does not implement the High Value Customer program. For minimal costs, multiple revenue opportunities, at not additional risk, the organization has great potential to grow deposits in a cost-effective manner that will be very profitable for the Bank.

The investment in the High Value Customer program is a worthwhile investment for Newburyport Bank. This program holds the potential in the first year to save 30% of the deposits lost by a group that holds the majority of the Bank's deposits. This retained \$20,100,583.41 of low-cost deposits will allow the Bank to pay down Federal Home Loan Bank advances, invest in commercial loans, participate in commercial loan swaps, buy commercial loans, and purchase residential loans. All of these options save the Bank money or generate revenue for the Bank. There is minimal cost for this high reward that will only continue to increase over time. This investment is not only worthwhile, but it is a significant lost opportunity that Newburyport Bank suffers from each year it puts off implementation.

NON-FINANCIAL IMPACTS

Organizational Hurdles

When implementing the High Value Customer Program, there are hurdles that Newburyport Bank needs to be aware of. Those hurdles consist of learning new processes, executing a new level of customer service, education on the importance of the High Value Customer program, utilizing the core system, and the existence of Private Client Group. These hurdles are realized and elaborated below.

The High Value Customer program will require impacted employees and departments to learn new processes. One of these processes will be to learn how to pull the failed transaction report out of Elan's online portal. This report will be manually pulled each day by deposit operations. The Service Center will need to learn how to best handle High Value Customers and the associated rules that apply to each High Value Customer household. The Service Center will need to identify a process for when a High Value Customer calls into the center and how the call is handled. In addition, the Universal Bankers will also need to learn the rules associated with High Value Customer households, and how to process transactions and/or file maintenance an account where needed for the applicable fee fields. These departments will need to learn the new processes in implementing this program.

Next, the employee base impacted will need to refine and learn additional customer service skills. Currently the organization's culture feels that it has great customer service. Exceptional customer service is sporadic across the organization. Departments that will touch High Value Customer households will need to learn an elevated level of customer service in order to successfully implement the program.

Employee buy-in will be vitally important to the implementation of this program. Many employees will be stunned to learn that the top 10% of depositors hold 74% of Newburyport Bank's deposits. This will be an alarming fact for the group. In addition, many employees feel that the only successful way to grow deposits is with deposit specials. It is important to educate the employees on how an increase in the share of wallet in this High Value Customer program, can result in as significant of growth as a minimal cost. The overall employee education hurdle will be to educate the employees across the organization on the significance of this program and its success in achieving the organization's goals.

Another hurdle for the program will be to utilize the core system effectively to produce the results needed to operate the High Value Customer program. First, the core will need to be able to flag all customers within a High Value Customer household. Second, the system will need to be able to execute a file maintenance report to alter all fee fields within the High Value Customer household account profiles to ensure these accounts aren't incurring the identified fees. Both identifying the households with flags, and eliminating necessary fees are both hurdles the Data Processing will need to overcome with the core.

The last hurdle to implementing the High Value Customer program is the current existence of the Private Client Group at Newburyport Bank. To qualify for this group, customers with \$250,000 or more in deposits, must opt in to receive additional rate specials, unsecured loan products, and be the first to know about upcoming specials. Those within the top 10% of depositors would qualify for the High Value Customer program. It is imperative that there is a clear understanding of how the Private Client Group and the High Value Customer program are different, even though they both support Newburyport Bank's goals of growing deposits. This

will need to be addressed prior to implementing the High Value Customer program, and a clear communication strategy will need to be in place.

Plan to Overcome Hurdles

The hurdles identified above are addressed in ways that are both simple and of minimal cost to the bank. Solutions to the identified hurdles can be addressed in the following ways: procedure and process development, training, development of a data and reporting package, and a strong internal communication plan for addressing Private Client Group. These solutions are outlined in depth below.

The development of procedures and process will help to tackle many of the challenges previously identified. Procedures and process development will give all departments involved in the High Value Customer program a clear understanding of expectations, allowing the program to function smoothly. Deposit Operations will need procedures to pull the failed transaction report from Elan and cross reference it with the High Value Customer debit card numbers. In addition, there will need to be a clear process of sending the report to the Service Center for the necessary calls to be made. Next, procedures will need to be outlined through the collaboration of the Retail and Data Processing departments for fee reversals, and field settings to eliminated identified fees. In addition, problem resolution of High Value Customers will require an enterprise wide process and procedure. It is imperative the High Value Customers not only have their needs proactively met, but once a problem arises it must be addressed and resolved quickly. Lastly, a procedure and script will need to be developed for High Value Customer maintenance calls. These calls are to customers whose balances decrease by 20%. These calls need to be

effective and the Universal Banker must also be very careful and tactful in his or her approach. Procedures and processes are effective ways to address the potential hurdles identified.

In addition to procedures and processes, training will be imperative in the High Value Customer program's success. One of the key focuses of training is service quality. As mentioned previously, the organization feels that it delivers a high level of customer service. In some areas that is accurate, but it is not consistent across the board. Newburyport Bank will need to invest in service training for all sales and support positions. This training will need to be followed by a reinforcement plan as well. In addition to service training, employees will need internal operations training on how to handle High Value Customer transactions and conversations. There will need to be training on how to communicate with High Value Customers over the phone. Also, Newburyport Bank will need to provide training on the importance of the High Value Customer program to get buy in from employees. This type of program will be new to many employees, and its importance will need to be explained. Once employees understand the rationale behind the program, they will most likely buy in and be excited to support the initiative. Training for employees and departments can come from both internal sources and consultants that Newburyport Bank currently utilizes.

Training is important to implement the High Value Customer program, but in order to measure progress, data and reporting packages will be key as well. Currently, Newburyport Bank does not have a data or reporting package that tracks the High Value Customer households. This package will need to be developed. Once developed it will be simple to update and refresh as necessary. This data will be instrumental in keeping employees engaged and to track the program's success.

The last hurdle that needs to be overcome is the proper communication of the High Value Customer program with the existence of Newburyport Bank's Private Client Group. The Private Client Group and the High Value Customer program are very different in nature when examined closely. The Private Client Group looks at specific customers who hold a total deposit balance of \$250,000. The Private Client Group then reaches out to customers who meet that qualifying fact, and ask the customer to opt into the group. By opting into the group, the customer is able to receive favorable pricing on deposits, the ability to open an unsecured loan, attend exclusive events, and be one of the first to know about product specials offered by Newburyport Bank. The High Value Customer program is very different. This program focuses on High Value Customer households as opposed to just a qualifying customer. In addition, this is a stealth program and operates behind the scenes. It does not require an opt in. This program looks to monitor an existing customer base and insure that none of the High Value Customers have a negative experience that may impact his or her decision to draw funds out of Newburyport Bank. It is a customer maintenance program as opposed to a proactive sales program. With a clear communication plan of these differences, it will be much easier to overcome the hurdle of some wondering why Newburyport Bank is duplicating efforts. When in reality, these efforts are complimentary, but not of identical purposes.

The above strategies will aid in overcoming any obstacles the High Value Customer program may face in implementation and its success in operation. All the strategies listed above are of no financial cost to Newburyport Bank and simply require time and preparation.

Measures to Evaluate Impact of Change

The non-financial impact of the High Value Customer program can be measured by both employees of Newburyport Bank and its High Value Customers. One of the easiest ways to measure the impact of change will be by gathering thoughts of each group. An illustration of this thought gathering is elaborated upon below.

The most important measure of change of the High Value Customer program is to ask the opinion of existing High Value Customer households. It would be important to have a point of comparison for measuring success as well. Therefore, it would be best to send a survey to all High Value Customers prior to implementation, asking questions regarding the level of service their household currently receives. A year following implementation, send the similar survey out to the same group of households. This will allow Newburyport Bank to see if the service quality improved over the year.

In addition to ensuring the High Value Customers are satisfied, it is important that employees are also engaged in the program. Intranet surveys will be instrumental in checking in with employees to be sure they are clear on the program's objectives and strategy. Also, the survey will be a way to ensure employees are clear on the new processes and procedures of the program. While individual surveys are helpful, it would also be recommended that senior management speak with their staff about the program. Another way to check in with staff is for the leader of the program to check in with business line heads and staff on the frontlines to ask about the program and get a temperature on how well it is being received, and any changes or improvements that may make the program operate more effectively. These touch bases are already built into Newburyport Bank's culture and will easily incorporate these topics outlined above.

Description of Non-Financial Impact

The non-financial impact of the High Value Customer program will be less easily identified. These areas of impact will be subtle, but will result in great success for Newburyport Bank. An outline of these areas of impact are found below.

First, there will be an increase of employee confidence. So commonly the organization's strategic goals are obtained by multiple departments and are hard for employees to feel he or she truly had an impact. That won't be the case with the High Value Customer program. This initiative will be focused within 3 departments. All the employees will have a direct connection to impacting the program. The High Value Customer program's successes will be enjoyed by all employees involved, and they will hold a great sense of accomplishment for a goal they physically helped obtain.

Employees successfully executing the program will result in High Value Customers who have great experience with Newburyport Bank. These experiences will be shared by High Value Customer households with their friends and family. This word of mouth marketing is of no cost to Newburyport Bank, and is one of the most valuable forms of marketing. Customers sharing their experiences will have a great impact on Newburyport Bank's success.

Newburyport Bank's customers will happily and without being provoked share their experiences at the Bank, because they will be more satisfied with the service and experience they receive. This increase in satisfaction will result in more business for Newburyport Bank. Not only will the High Value Customers be more likely to refer their family and friends, but they will be more likely to make Newburyport Bank their primary financial institution. This will be considered a great success for the Bank.

One of the main reasons High Value Customers will be more satisfied with the Bank is because of the Bank's service quality. This service quality will be a direct result of the staff going through service training and having a reinforcing program. A staff that is very well versed in delivering exceptional customer service will not only benefit the High Value Customer program, but it will benefit all business lines of the Bank. Any Newburyport Bank customer will hopefully receive an elevated level of service increasing their satisfaction with the Bank. This elevated level of service will also impact internal customers as well. Newburyport Bank refers to internal customers as colleagues who also need a high level of service delivery. With existing customers and colleagues receiving a high level of customer service, there will be a positive impact to the customer base and culture of Newburyport Bank.

Another impact of the High Value Customer program will be Retail employees being more aware of who is in the top 10% of our depositors. Newburyport Bank prides itself in knowing who its customers are. It will be a beneficial to not only know who its customers are, but also to be aware of who the High Value Customers are. This awareness does not exist today, and could provide great benefit to the organization as a whole. Employees who interact with these customers can be sure to deliver exceptional customer experience and build better relationships with each of these households. High Value Customer households will appreciate a personal connection at Newburyport Bank if they don't have one today. This heightened awareness will positively impact the organization.

Lastly, employees of Newburyport Bank will not only know their customers better, but they will feel more supported in obtaining their personal and department goals. So often the organization increases goals, but doesn't always give employees new tools, training or support to hit those elevated goals. The development of the High Value Customer program will give

employees a concrete tool to use when looking to expand relationships with customers. This program will give many employees a confident place to start in developing relationships. It will also be easier to expand relationships with existing customers as opposed to acquiring brand new customers. All departments identified will work together to support the Retail team through their contributions in executing the High Value Customer program. The Retail team will feel more confident in reaching their stretch goals with the implementation of the High Value Customer program.

The success of the High Value Customer program will bring multiple departments of Newburyport Bank together to achieve a common goal. The employees within these departments will have a direct impact on the program's success. These successes will increase confidence in the employee population and inspire teamwork. Teamwork is contagious and will empower others within the organization to hit their goals.

The non-financial impacts may not be as obvious to see as the financial impacts of the High Value Customer program. That does not decrease the validity of their impact on the organization. The employee confidence, frequency of customer referrals, increase in customer satisfaction, increased level of employee service delivery, heightened awareness of High Value Customer households, and an empowered group of employees are all positive impacts to Newburyport Bank as a result of the High Value Customer program.

How Each Measure Will Result in Long Term Profitability

The non-financial impacts of the High Value Customer program will provide long term profitability for Newburyport Bank. Three specific measures that will influence the long-term profitability are an empowered employee base, an increase in brand recognition and prominence,

and an elevation of service delivery. These three areas will influence the long-term profitability of Newburyport Bank and are a direct result of the High Value Customer program.

An empowered employee base is a valuable asset for Newburyport Bank. Employees who feel they can make a difference and impact the company's future are energized and feel a great sense of purpose with their work. This empowerment will increase employee retention, which assists in onboarding costs. It also will increase employee productivity which will result in more production and an increase likelihood of hitting strategic goals. An empowered employee base will assist in Newburyport Bank's long-term profitability.

In addition to employee empowerment, Newburyport Bank will also experience an increase in brand awareness and prominence. High Value Customers will have an elevated brand experience with Newburyport Bank through the High Value Customer program. These experiences will not only impact their feelings regarding the Bank within their household, but these customers will be likely to share these feelings with others. The word of mouth referrals will continue to multiply as time progresses. This increase knowledge of Newburyport Bank's brand with the top 10% of deposit holders will only benefit the Bank in its long term profitability.

The elevation of Newburyport Bank's service will also assist the organization in long term profitability. Newburyport Bank chooses not to compete on price as much as it competes on service. An elevation of the current level of service will not only assist with the High Value Customer program, but it will also assist in all facets of the organization. This will also lead to a culture of collaboration internally as well. When individuals receive exceptional service, it is an experience they not only share, but continue to interact with. This elevated level of service will assist the organization in achieving both its infrastructure and long-term profitability goals.

CONCLUSION

Newburyport Bank must implement a High Value Customer program in order to cost effectively maintain and gain low cost deposits. These deposits exist within the Bank today, but are receiving no attention or effort to retain. By focusing on the top 10% of depositors, Newburyport Bank can substantially grow its deposits at a minimal cost.

The High Value Customer program is of minimal time and expense to implement, it holds the potential of high revenue returns that can substantially impact the Bank's financial future and strategic objectives. The High Value Customer program will reduce household acquisition costs all while increasing low cost deposits. The return on investment for this program is very high and it would be a shame for Newburyport Bank to let this opportunity get away.

Benefits & Negatives

There are numerous benefits to Newburyport Bank for implementing the High Value Customer program. There would be a growth of low-cost deposits without utilizing marketing dollars. There are multiple cost savings and revenue generating opportunities for the Bank to take advantage of with the retained funds in the first year. Staff and resources for the program already exist at the organization, and no additional would be needed. The High Value Customer program requires simple procedural changes and a few new processes to implement and improve outcomes. These positives highly outweigh any expense incurred by Newburyport Bank.

There are some negatives to consider when implementing the High Value Customer program. There is the potential that some households that are not within the High Value Customer program, or were but then dropped out, will wonder why they are not receiving the same level of service and fee waivers. This can easily be explained by employees of Newburyport Bank to the concerned parties. Another negative to consider is a timing conflict

with training. The Bank is currently training its Retail employees to be Universal Bankers. This training is very intense, and the Bank may need to give a little time before training on the High Value Customer program. This could be worked out with the existing training management. The last potential negative could be senior management buy in. The Bank needs to ensure that all leaders of the organization understand the High Value Customer program and its importance to the success of the organization. This communication will need to be effective, clear and directly from the President and CEO.

The benefits of the High Value Customer program significantly outweigh any expense or negatives. It is imperative that Newburyport Bank implement the High Value Customer program at its institution to grow low cost deposits effectively and at a minimal cost.