The Challenge

Despite continued economic pressure, promotional pricing remains an important tool for meeting deposit targets that support the capital requirements of the lending portfolio. However, as one Canadian bank experienced, aggressive competitive promotions and the low rate environment make it hard for banks to sustain growth by retaining balances long-term while protecting margins. To build a profitable deposit portfolio, this bank implemented price optimization and advanced customer behaviour analysis to find a more sustainable way to achieve portfolio growth goals.

Outcomes

Robust Reporting
THAT IMPROVES RESULTS OVER TIME

New Forecasting Capabilities
TO PROJECT DEPOSIT PORTFOLIO PERFORMANCE

Optimized Pricing
ALIGNED TO BANK’S VOLUME GROWTH GOALS
Well-known for successful promotional deposit campaigns, the bank routinely offered bonus interest rates many times above other banks’ published market rates. Competitors began to launch more aggressive promotions that undermined the initial success of these campaigns, creating balance volatility as more price-sensitive customers moved balances to take advantage of competitor rates. The bank sought a solution that would support ongoing volume growth with the most efficient use of net interest expense.

**New Capabilities**

Nomis’ customer segmentation approach begins with a thorough analysis of the bank’s historical data, analyzing balance movements, account transactions, and customer engagement. Nomis’ Money Market Lens is layered on top of this schema, which provides a holistic view of the customers’ financial capacity, and price sensitivity is determined across segments. By implementing the Nomis solution, the bank added the following capabilities:

- Robust reporting that helps management quickly evaluate effectiveness and identify key trends to create a closed-loop pricing process that improves results over time.
- New forecasting capabilities that use sensitivity modeling to project how the deposit portfolio could perform over time, given additional planned promotions, expected competitor responses, and other market factors.
- Optimized pricing based on customer and market data that is strategically aligned to the bank’s goals for volume growth.

A Canadian Bank increased NIM on new balances by 20 bps with targeted promotional campaigns that leverage advanced customer segmentation and price optimization designed to foster growth of a stable, sustainable deposit portfolio. Compared to prior campaigns, the targeted promotion resulted in similar balance growth, while only extending promotional offers to half as many people.
With the promotional targeting and optimized rates confirmed, the bank can leverage the forecasting function within Nomis Price Optimizer to project the deposit portfolio month-over-month, given the planned promotion campaigns. Therefore, the bank can examine the short- and mid-term impact of different promotional campaigns on the portfolio balances as well as portfolio stability. Using this new insight to run various projections, the bank worked with the Nomis team to refresh their promotional strategy to grow volume more efficiently.

About Nomis

Nomis is a fast-growing FinTech focused on ensuring on-going value creation for the world’s smartest financial institutions through optimized, end-to-end, customer-centric pricing capabilities. Institutions of all sizes leverage Nomis’ unparalleled domain expertise and their market-leading Nomis Platform™ to operationalize cutting-edge Big Data and AI to understand and anticipate customer demands, competitor actions, and market dynamics.

Nomis has a proven track record of increasing customer and stockholder value, returning nearly $800 million to its partner banks every year.

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