

SAFE DEPOSIT BOXES

PROFIT CENTER OR LOSS LEADER?

For many profit-conscious financial institutions, their safe deposit box operation is perceived as a millstone or a low-yield “necessary evil” that must be tolerated to remain competitive and serve consumers. However, with careful analysis, planning and the revamping of some pricing and procedures, these same boxes can become a thriving profit center within 24 to 36 months.

As a nationally recognized safe deposit box specialist, I am often asked what techniques could be put in place to transform this “loss leader” into a lucrative endeavor. My answer is always simple and concise: know your market, evaluate and train your department staff, and review your box rental rates, fees, programs and policies.

Analyze Market:

Identify the consumers who will most likely rent boxes and appeal to them. Surveys reveal these facts:

- Most box renters are 50 years old or older. (age = wealth)
- The income level among box renters is 14% greater than the national average, and 42% are college-degreed professionals.
- This market group is 16% more likely to avail itself of additional financial services offered by an institution.
- Nonusers are typically younger blue-collar workers with less education and lower income than their affluent counterparts.

The challenge, to draw this nonuser market group into the safe deposit fold, can be met in several ways. Educate these potential box renters, by making safe deposit box rental relevant to their particular needs. Offer rates and fees that appeal to a lower income clientele. Train your staff to recognize this group and offer box services that are realistic and affordable, but not given away.

Train Staff:

A well versed, well trained department staff must be very sensitive to the special type of traffic that flows through their department, those who match the typical box renter profile, your affluent patrons. Within this market group there are rich opportunities to cross-sell additional financial services. These consumers will most likely express interest in investments, CD's, annuities and mutual funds and are excellent candidates for a VIP relationship for which they will be willing to pay by maintaining high account balances. Sophisticated box renters expect to interact with a well trained staff capable of answering their questions and discussing and meeting their financial needs and aspirations. The typical temporary worker or a part time staff lacks the motivation or knowledge to tap into this cross-selling opportunity.

Profit or Loss:

Box rental rates, fees, and policies must be carefully reviewed annually. After surveying the local competition, your current rental rates and fees should be compared and adjusted periodically, the same way other products and pricing are handled. Box rental rates should be calculated using a “vault area occupied” pricing method which can be easily calculated and explained to box renters. Complete a profit and loss analysis of the entire safe deposit box operation, develop additional ways to increase box rentals and implement at least fifteen additional fees that could be charged. Formulate an acceptable method of announcing future rate and fee increases and if available, revisit successful box rental programs and employee incentives that proved beneficial in the past. Finally, examine all “free box” rental agreements and justify the reasons why rental charges were waived.

Other Resources:

After completing all of the steps mentioned above there are also several very effective marketing forms, brochures and booklets available. These safe deposit box resources will help you rent more boxes and maintain your current box renters. One publication, titled, “Safe Deposit – The Ultimate Protection” was written to help consumers understand the benefits, complexities and security requirements of renting a safe deposit box. This booklet includes:

- What items should be protected in a safe deposit box?
- Description of the very reasonable box rental rates.
- Helpful hints to increase safe deposit box security.
- What 70 items need safe deposit box protection?
- Why should everyone have a safe deposit box?
- Description of all available box sizes.

Other marketing resources include a very popular “Question and Answer Brochure” that is now used by thousands of nationwide financial institutions. This safe deposit box brochure addresses and answers consumer’s “Most Frequently Asked Questions” and helps them evaluate the importance of having a safe deposit box to safeguard their valuables.

All of these printed publications can be used as marketing tools for new accounts, trust departments, officer call programs, investment meetings, senior citizen clubs, civic groups, school tours and employee box rental contests and promotions.

Conclusion:

For further marketing information and additional steps to successfully evaluate your total vault operation, analyze your safe deposit box profitability and develop and retain valuable consumer relationships, visit www.sdspec.com.