

# ***Eagle Net***



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## **FRAGILE GLOBAL ECONOMY**

The Canadian election for the Conservatives, who won a majority, was “to stay the course” as the economic recovery is fragile. We happen to believe that scenario regardless of our political colours.

Europe continues to struggle with its economic and monetary mess from Greece to Spain and Ireland and perhaps elsewhere. Massive debt has been accrued by governments avoiding the financial realities and their cultures, behaviours and fiscal histories. How long will bailouts continue? At some point there has to be drastic spending cuts and the cost of carrying large amounts of debt has to be addressed before interest rates rise and compound the problems.

China is also suspect with its social building programs to create work and now they have inventories of commercial and residential buildings unoccupied, not to mention, “whole model communities”.

Closer to home, personal debt loads keep growing albeit at a reduced rate and many local, provincial or state governments think they can continuously raise taxes as the baby boomers now live on fixed pension incomes, unless they can't afford to retire, which is another signal of socio-economic problems.

Finally, all financial institutions, whether you are global or only local, are and will be impacted by these economic dynamics, which place more pressure on Board governance and strategic leadership. Transformations are required to accommodate consumers' and businesses' variables, while at the same time increase value proposition diversity to obtain growth.

## **STARTING COMMERCIAL BUSINESS PORTFOLIOS**

Small banks, credit unions and specialty financial businesses are looking at the small and commercial market as an opportunity for strategic growth. We offer you the following considerations to building that business.

1. Research business owners for preferences and dissatisfaction with current resources utilized
2. Gather real competitive intelligence on strengths and weaknesses locally
3. Build a knowledge bank on prospects and market risks - financial and operational dynamics
4. Identify partners that will compliment your value propositions and servicing support
5. Locate/lease technology support for products, processes and servicing
6. Select/recruit experienced, quality commercial relationship managers
7. Emphasize referrals and testimonials from all new customers
8. Make a continuous effort to recognize customer successes/milestones
9. Collect customer knowledge, maintaining profiles and an inventory of industry variables
10. Focus on innovation and exceeding expectations

## **THE BRANCH/STORE OF THE FUTURE**

For at least thirty years now, all of us in the financial industry have had fleeting visions for the "branch of the future". Some even build experimental units and continuously test technology applications as well as different staffing models. Some industry suppliers have also built "secret settings" where bankers and others are invited to see the vision of their future state.

In most of these situations, we have found that there have been champions spearheading the incubators. At the same time we do not find significant research into consumers evolving preferences re brick to click priorities. Actually we have found some technology suppliers are the real catalysts behind the sponsoring bank initiatives.

What are the facts? First, we know time and again that consumers are multi-channel and supplier users. Second, the costs of building and operating new bricks and mortar in the traditional way are not financially feasible for short-term results.

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Thirdly, knowledge and behaviour of strategic staffing must change from functionality-focused roles to more universal associates in average and small units.

The retail financial services store perhaps needs real innovative thinking involving customers, staff and external resources who act as an evolving Steering Committee for a target segment solution. Whatever methodology you use, ensure that customer centric research drives the thought processes and that the total channel choices controlled by customers are considered.

## **AUSTRALIA**

### Franchise Banking Model Turns Sour!

The Sydney Morning Herald May 14-15 ran the subject cover story regarding Bendigo and Adelaide Banks' community bank franchise model, where communities invest capital. Unfortunately sometimes, inexperienced people end up running the franchises and communities/citizens have lost investments. External auditors are taking an in-depth look at the financial footings and risk profiles used in the models.

## **CANADA**

### WorldRemit Now Connects to Canada

WorldRemit now offers Interac online payment option in Canada, allowing customers to transfer money directly from their bank accounts. Customers now have access to a full suite of payment options including credit and debit cards and Interac Online.

### RBC USA Saga

By the time you receive this Eagle Net, Royal Bank's consumer foray into the USA market over the past two decades will be history. From the beginning, the bank's performance in the southeast states has been a millstone of increasing under-performance.

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Approximately the same time RBC entered the USA retail market it had exited most of their vast Caribbean operations, which were repurchased at a significant premium a few years ago. Some may remember a failed attempt to enter the Australia market back in the 80's as well.

Concurrently, other Canadian banks, particularly Scotiabank, seem successful in expanding international consumer and commercial holdings.

Royal Bank is a highly successful Canadian financial service retail, commercial and corporate player with a proud history and enviable results. Yes, other non-financial service industry organizations have also experienced significant problems and losses when trying to grow into the USA market. The market dynamics between Canadians and Americans differ significantly and perhaps some leaders don't understand the strategic vulnerabilities of trying to transpose their national template to another country. Suffice to say that Royal Bank's USA experience will make an interesting business policy case at universities. Hopefully this will be encouraged and the feedback captured for their knowledge bank.

## Canadian FI Trusted Brands – Reputation Institute

	Ranking 2011	Ranking 2010
TD Bank	13	31
Manulife	21	33
National Bank	22	42
Sun Life Financial	23	12
RBC	24	32
Scotiabank	25	18
Bank of Montreal	32	39
CIBC	39	35

## Bloomberg Data as at April 1, 2011

Top of the Charts – FI's amongst all performers

(A) Top in Profits	(B) Top in Total Revenue	(C) Top in Market Cap
1. RBC \$5,223 (millions)	1. Manulife \$36,662	1. RBC \$86,576
2. TD-CT \$4,644	4. Power Financial \$32,427	2. TD \$75,913
3. BNS \$4,239	7. Great West Lifeco \$29,998	4. \$64,020
7. BofM \$2,810	9. Sun Life Financial \$24,640	10. BofM \$36,188
8. CIBC \$2,452	12. RBC \$23,338	CIBC \$33,530
		Manulife \$30,883

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## **USA**

### Social Media and Credit Unions

Filene Research Institute assessed USA credit unions' social media presence.

#### Key Findings:

- Small but expanding presence
- Marketing departments assume social media responsibility but over 60% spend less than two hours weekly managing it
- Larger credit unions perceive success with their efforts
- Attracting followers and offering good content are key challenges
- More time needs to be dedicated to reach success
- Social media compliments promotion successes
- The learning curve is at least two years
- Aligning social media goals with organizational strategic goals leverages success

### CUNA Survey

#### a) CU Membership Growth Rates

1980: 3.9%; 1990: 2.5%; 2000: 1.5%; 2010: 0.7%; Forecast 2011: 1.0%

#### b) Non-member bank customer satisfaction compared with 2010

Equally Satisfied: 78%; More Satisfied: 14%; Less Satisfied: 8%

#### c) Non-member familiarity with CU Services/Benefits

Very: 10%; Somewhat: 23%; Not very Familiar: 30%; Not at All: 37%

Note: There is opportunity here for education and attraction. Unfortunately we find a number of credit unions suppressing their industry identity, which may create more confusion.

### Google Money

Google, Citi, MasterCard, First Data and Sprint recently demonstrated "Google Wallet" an application that will make your phone your wallet so you can tap, pay and save money and time while you shop.

## **TIDBIT**

More people in Africa have, or have access to, a mobile phone than a bank account.

## **HOUSEHOLD OPPORTUNITIES**

Over the years of consumer research on advice and counsel the importance of family members, especially in the same household continue to be significant. Household residents now include not only parents and children but probably one or two grandparents and other temporary adults due to social or financial problems. The definition of "core family members" does not always include everyone living at a particular home or address. Concurrently, the number of financial intermediaries utilized by family members has also increased and opportunities have exploded with the Internet.

Some sophisticated financial institutions have done an admirable job of building household databases, which are mined and targeted. Not everyone has the resources to reach this level of mining and managing consumer relationships. But, you can still tap into the opportunities with a few key focuses.

1. Household Referrals: A satisfied customer will refer family members to particular retailers, including financial institutions, with appropriate sales lead questions and a simple fulfillment referral process.
2. Household Portfolios: Within all channels from Internet to personal interaction options, there needs to be a consistent "packaging resource" that is available electronically or on the household information shelf.
3. Build Profile Notes: Family household information, when collected, should easily be added to your profiles for future reference and promotions.
4. Offer Incentives: We know commodity competition and one off selling is the least economical and efficient in building business. Consider how your offers can employ incentives to capture more household participation.
5. Customer Appreciation Calls: Most customer-centric organizations place regular calls to account holders to verify satisfaction and offer appreciation. Include a question on household residents to update prospect potential, and ask for referrals.

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If consumers receives poor service they will tell those they live with plus others – a total of almost 30 people, as research has found. Therefore, issue resolution is even more critical than we realized before when we look at customers in isolation. Take time to ensure that all issues and concerns from customers are resolved quickly and follow-up on post satisfaction.

Household targeting is an untapped opportunity to build growth in most channels of the organization. Assess your current state and plan for the ideal state in sales and marketing to this consumer-group segment.

## **THE LAST WORD**

### Productivity is Your Business

Regularly we partner with CEO's and their leadership team to help improve productivity either through improved revenue and/or cost economies. We all have focuses that we have learned and here are some of the standard ones we would like to share.

1. Listen to your staff for improvement ideas
2. Consolidate all staff issues and customer concerns to identify priorities for resolution
3. Understand your transaction and sales costs by channel
4. Encourage customers to migrate to preferred, more cost effective delivery channels
5. Reinvent products and channels to be more cost effective
6. Leverage partnerships in sales and sourcing
7. Ensure staff and customer incentive programs are tested and true
8. Build segment specific value proposition bundles with customers input
9. Review revenue leakages and/or fee concessions
10. Audit fixed and variable expenses periodically for value and comparative costs
11. Consider adding new sources of revenue – innovate
12. Build a real sense of urgency for management and staff efforts to improve productivity