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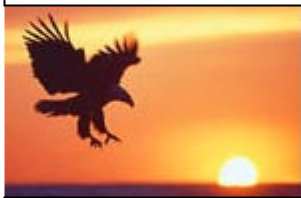

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E-Journal Newsletter – August 2011
E-Vol. No. 48

AUSTRALIA AND CANADA

We recently returned from Australia where we were on assignment and although our countries are different, there are many comparative features in the financial industry. In fact, the two banking systems are strong foundations for their respective countries through the recent recessionary years and for the future.

Global Finance's World's 50 Safest Banks 2010 includes the majors from both countries:

10 Royal Bank of Canada (RBC)
11 National Australia Bank (NAB)
12 Westpac Banking Corporation (Westpac)
13 Commonwealth Bank of Australia (CBA)
15 Toronto Dominion Bank (TD)
16 Australia and New Zealand Banking Group (ANZ)
22 Scotiabank
25 Caisse Centrale Desjardins
36 Bank of Montreal (BMO)
37 Canadian Imperial Bank of Commerce (CIBC)

(Note: Only five USA banks appear on the list with the top one, BNY Mellon, at #30 and the other four at #40 and below).

Amongst the four Australian majors, NAB's marketing efforts try to separate them from the club as TD attempts to do in Canada. Within the credit union movement, mergers have consolidated the industry to under 200 in Australia whereas Canada has still close to 1,000. The credit union centrals are strong resources to their credit union owners in Canada. The Australia central provides less strategic and operating support to the cooperative movement. At one time, mortgage brokers such as Aussie Home Loans and Mortgage Choice were more dominant home loan generators. Aussie is now partially owned by CBA and continues to do product line extensions. Although the recession provided credit unions a great window to attract consumers and small business from the banks, generally the results were disappointing for both countries. (Similarly in the USA as a following article will describe).

Canada and Australia boast an extensive array of distribution channels for consumer choice with a few differences. The Aussie Post and the two major retailers, Coles and Woolworths, have visible footholds in the industry. Canadians have migrated faster to mobile telephony devices for service transactions and relationship management. (89% of Canadians under 30 have smart connectivity today). Even though real estate costs and rental rates are significantly higher than in Canada, Australian FI's have a considerably focus on bricks and mortar outlets. Busy streets in the major cities are dominated by bank branches sometimes more than one of the same organization within a stone's throw of each other. The branch channel is therefore handling more over the counter transactions than their counterparts in Canada.

There is considerable distribution intelligence shared between executives in Canada and Australia with the majority of initiatives coming out of the latter's organizations.

The future dominance of the mobile technology for all segments (50% of Canadians consider their mobile devices their primary channel) will continue to force constant channel transformations in both regions. Perhaps Australia has more to gain from a productivity perspective, to encourage more sales and service to mobile telephony devices, which will allow branch rationalizations and remodelling of units to sales stores.

P.S. Drive Through ATM's at branches in Canada are a standard customer preference option for a value added difference whereas in Australia, they are not on the radar screen!

U.S.A.

Capital Access Network Inc. July 2011 Trends

1. Main street businesses began losing share of consumer credit card float nationwide
2. Main street restaurants are faring better (primarily where ticket size was <25%)
3. Credit card sales show declines (cities with 250K to 999K declined 4.2%)
4. Businesses which represent the lowest risk showed the highest increase
5. Women-owned small businesses are faring better in card sales

CUNA Membership Survey Highlights 2011

- Simply building new offices or opening new doors won't attract consumers
- Credit unions missed a grand opportunity to attract new members during 2009 and 2010
- The percentage of non-members who are very familiar with credit unions is at is lowest level ever
- 81% of non-members believe they might be eligible to join a credit union but 2/3 are not at all familiar with the benefits
- 66% of non-members are very satisfied with their bank (55% in 2009)
- Banks "Net Promoter® Score" (NPS) – loyalty indicator rose 23% from 2009 to 2011
- Youth memberships are up (a small base to begin)
- Members who use a credit union and a bank are more satisfied with their credit union
- Non-members between 18 and 44: 20% have switched primary providers in the past two years
- Top reasons for leaving provider: lost trust and poor service

"BankSimple"

This New York start-up launched a closed beta version of its web app aimed to streamline the U.S. banking experience by decoupling it from actual banks – technological disintermediation! BankSimple intends to offer chequing accounts, debit cards and more. Rather than handling cash, BankSimple partners with "back-end" banks. The site also uses Twitter and Google to offer a scrollable stream of recent transactions plus a transaction search capability.

"Cloud" Computing

Cloud is a style of computing where scalable and elastic IT related capabilities are delivered as a service to consumers and small businesses using Internet technologies. The services are pay-per-use. Therefore, businesses can capture productivity gains and have flexibility in scaling up or down. FI partnerships in this area will be beneficial to SME relationships.

Financial Literacy

Consumers need lifelong learning in financial literacy and it should start at a young age. Budget avoidance is a characteristic of Gen's X and Y who are technologically literate. As an FI, you have a great opportunity to educate customers and prospects before they fall into the financial traps that could lead to embarrassment and even bankruptcy. Build financial knowledge plans into the value-added components of the various segment propositions your organization proffers.

Global Futures Forum: 2011 Foresights

WESI is part of The Futures Forum fraternity and the 2011 Report has been published with the following executive highlights:

"Change is uncomfortable; but good for innovation and accelerated growth"

Population: the number of people alive on our planet has doubled in the past 50 years reaching 7 billion this year. Another 2 billion will be alive in the next 40 years.

Economics:
- The global economy will triple in size by 2050 and double to over $130 trillion by 2030
- The emerging economies E7 will be a larger economic bloc than the G7 by 2019
- In 2050 China's economy will be over $24 billion (GDP); USA $22 trillion and India $8 billion

Political Authority:
- Political authority will shift to the fast growing emergent nations, particularly in Asia
- New governance based on different values and beliefs will begin to impact how business and the world are run

Middle Class:
Wealth is being created for billions of people for the first time – 7- million more are entering the middle class each year.

Cities: 20 of the 50 largest cities in the world will be in Asia by 2025.

Eagle Net

Infrastructure:
$40 trillion in infrastructure spending will be required in the next 40 years to support people's choices to live in cities.

Resources:
China will consume 1/3 of all global energy by 2035 and much will have to come from renewable options.

Food:
70% of the population increase will be born in Muslim countries so more products will have to reach Halal standards.

Technology:
- The Internet will reach 5 billion people by 2050
- Technology is birthing new business models and is set to continue its disruptive and enabling role in the coming decades

Control:
Firms will need to start to let go of control across their networks and allow staff access t their preferred communication tools. (Most of these are hosted in the "Cloud" over the Internet).

Social Media:
Agility, creativity, innovation and collaboration are the watchwords for the successful company in the coming decades.

Outsourcing:
As we gain collaborative confidence, we will increasingly outsource to others to manage functions and processes.

Online:
Our messaging, content, frequency and audiences will become increasingly important to us as individuals and companies. Peerindex and Klout are the latest online tools that are profiling individuals and organizations and scoring their authority, reach and following.

Workforce:
International assignments are important to career development – an increase of 50% in international assignments by 2020.

Work:
- Service based job roles will increase by over 800% in the UK by 2017 and those in the hospitality sector by 200%
- To maintain our workforce we will increasingly hire women, the aged and disabled people
- There will be even greater stress than experienced today

Government:
Governments are recognizing that they can no longer afford generous pensions. In the EU the average retirement age needs to rise to 70 by 2060.

DISTRIBUTION OPTIMIZATION – THE LAST WORD

A recent McKinsey Quarterly stated that consumers say they want both electronic and physical contact points, but the desired mix varies by country and age. Other publications state that FI's are just layering and expanding channels and not necessarily creating sustainable competitive advantages. On the other hand, WESI's consumer research shows that consumers are not only multi-channel users but also conduct relationships with multiple suppliers. Consumers shop and expect dividends for their loyalty.

Whether you are a boutique FI or a large bank, suppliers face the challenge of optimizing their distribution mix i.e. matching resource investments with consumer preferences today and in the future. Making decisions based on "gut-feel", competitor moves, or historical knowledge can be fatal for the organization. What is in your distribution toolbox to help you make the right decisions?
- Channel preference research – current & future
- Financial (dynamic) forecasting capabilities
- Profitability models for products, channels and program allocations
- Key attract, retain and growth strengths
- People roles and rewards for team/seamless delivery experiences across channels
- Competitive intelligence by channels/alliances and brand strength
- Out-sourcing leverages available
- etc., etc., etc.

Distribution is the business at the centre of financial service enterprises. It must be customer-centric, dynamic and firing on all cylinders. Customer delivery protects and builds franchise value. This is an integrated set of service and sales choices with access controlled by the customers, virtually. Avoid ad hoc projects and focus the team on the collaborative effort of providing the preferred customer experience – again and again!

FOOTNOTE: CONTINUE VOLATILITY

Since the U.S.A. – S & P downgrade and the negative economic vibes coming out of Europe, our industry is on the roller coaster again as we warned late last year. By now, many 2011 business goals are in jeopardy and expenditures are being put on hold. Plus, 2012's business plan needs to be reassessed.

This is a critical time to undertake objective productivity reviews (revenues and expenses) to improve financial footings and performances. Concurrently, solicit feedback from customers to verify assumptions or to create new preference parameters. It is time to act!