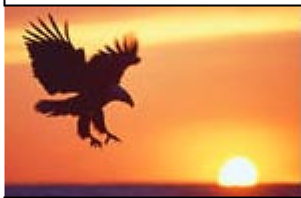
Eagle Net



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COMMUNITIZATION OF BRANCHES (REVISITED)

A few years ago we provided a white paper on the subject which encouraged FI's to customize retail facilities to the communities they served. We want to revisit this strategy and elaborate more on the resources contained in these units or delivery channels, and the support required. With population shifts and the recessionary times we are living through, many branches or stores have difficulty in maintaining profitability as revenues have declined or stabilized in areas like rural communities and mature localities. At the same time, costs continue to increase at an apparent, uncontrollable pace unless staff cuts are made.

First, many of these areas may have sales potential available with the correct competitive strategies and initiatives, whereas others don't. Second, perhaps your people resource model tends to allocate the same 5/6 necessary roles and less than half are sales focused. Thirdly, the solutions you offer are product or commodity focused lending little, if any, differentiation from offers in competitors' channels.

Start by doing a thorough local market development (potential) assessment, and undertaking focus groups representative of the population to unlock preferences and motivators. Next, you want to prioritize those units in terms of potential, high to low. The low potential locations may fall into market maintenance or replacement options. Note, we did not say closures!

These situations need actions to improve productivity and/or migrate customers to your alternative channels i.e. contact centre, mobile representatives or Internet fulfillment, complimented with a "local agent" office which can be a commissioned employee or a captive partner (more on this shortly), who does not have any competitor ties. The market maintenance model involves designing a unit that is less expensive to operate. The possibilities include a smaller group of "universal employees" (more on this later, also), a franchise approach and/or limiting hours to advantageous half-day timeframes e.g. 4;00 P.M. TO 8:00 P.M. The variations will depend on whether or not there is a dial-up cash dispenser (not an expensive multifunction ATM) and a secure envelope depository slot.

Partnerships can be an effective way to improve productivity. The process is based on collaboration agreements with other businesses to provide your customers with cross-selling incentives and perhaps offering reciprocal supply discounts.

Other businesses want a viable FI in their community, which makes the possibilities easy to negotiate.

Obviously, the maintenance or replacement targets will release positions required in the localities where potential exists. Possibly the extra resources will also allow you to enter new markets with a different design as well.

In most small community units, the universal employee will be a necessity for proper functioning and customer value propositions. As the words imply the "universal employee" can handle all customer requirements from cash to creative solutions. The individuals selected for the roles need comprehensive training and excellent Intranet support. For example, in the facility are four pods staffed for optimum scheduling. There is one recycling cash dispenser for all currency transactions and a couple semi-private cubicles for sit-down sales plus a limited function, foyer ATM in the rented space.

Where there is potential, the staff needs the appropriate sales tools and value propositions required to penetrate the key local segment(s). No more commodity competition! Partnerships will be key again. Naturally it is essential to have half decent technology to make these remote branches function efficiently. Mobile specialists will compliment the capture of target segments, be it home financing, wealth management or business services. These "rovers" also need extensive cross training so they can optimize every customer visit.

WESI not only recommends the preceding principles for small market productivity but also for the expansion of your franchise. The type of units can be excellent satellites to existing large branches to build new market penetration. In all cases the contact centre and Internet channels must work collaboratively with the branches to improve productivity of sales and service operations. The customer experience must be holistic and seamless - the organization owns the relationships and every channel has an obligation to support that philosophy in practice.

CANADA

Rogers Communications – Starting A Bank

The Canadian communications giant has filed papers to start a bank i.e. Rogers Bank/Banque Rogers. Obviously they will utilize electronic/media channels vs. bricks and mortar to become a "full service deposit-taking financial institution" starting with credit cards.

Many Canadian retailers have financial arms already e.g. Sears, Loblaws, Hudson Bay Company and Canadian Tire, to extend their product line with millions of customers shared with multiple FI's.

U.S.A.

Bank of America $5 Debit Card Fee

U.S. banks are charging consumers a monthly debit card fee and big BofA will start with a $5 charge in early 2012. If you use their card for purchases (not ATM withdrawals) there will be a monthly levy. This October saw the implementation of the new interchange fee regulations, for debit card purchases which will cause banks to lose billions with the reduction in swipe fees i.e. $0.44 to $0.21.

Visa & MasterCard Planning to Raise Debit Card Fees

The price of small purchases e.g. your Tim Horton's coffee or your flat white in Australia, will cost merchants more. The present $0.8 merchant fee is expected to go to $0.23. (These purchases are not covered by the new regulation). Merchants will surely set purchase floor limits for debit cards or will stop accepting them and push their own stored value cards. Also, this may stimulate the "tap & go" smart phone apps over swipe cards.

Citi Commercial Cards

Citi has launched a Citi Corporate Chip and PIN card, a compliant smart card designed for US corporate cardholders travelling abroad.

Multi-Vendor ATMs Rolled Out

In Alaska, NCR has deployed, in less than 45 days, its APTRA software on multi-vendor ATMs with USA Federal Credit Union. The software makes the ATMs vendor independent. Only 1% of FIs with less than $50 billion in assets have the capability whereas 75% of the top 20 banks have it installed.

NCR also provides a "Total ATM Services" plan to manage and service ATM networks of smaller FIs. NCR just secured a 10K ATM contract from the Agricultural Bank of China.

People Without Banks

Published research says there are "9 million" unbanked households in the USA! For anyone wishing to service segments in this universe there is need of significant research, value proposition development, affinity training and external hiring from within the target market. Every country has a material number of unbanked but few success stories on a large scale are reported.

SMALL BUSINESS BANKING

Service charges in recent years have skyrocketed for many small businesses and not-for-profit organizations in a variety of financial institutions. The administration of these charges is irritating entrepreneurs. One recently published example described how a Caisse Populaire (credit union) customer/member was charged an NSF fee for each cheque that came in and money had to be drawn from an established line of credit to cover them. These and other "compounding charges" will encourage shopping and less loyalty.

UNDERGROUND ECONOMY – SMEs

Recessions invariably lead to more underground bartering and "cash deals" which governments try to clamp down on unsuccessfully. It is said that as much as 50% of the Greek economy is underground. Consequently, financial institutions are in difficult waters when financial statements are only the tip of the iceberg. SMEs are a target of smaller FIs (e.g. credit unions) and it is difficult to deal with "verbal verification" of incomes/cash flows. You need to be understanding and cautious.

PAYDAY LENDERS

On a recent assignment in a Canadian city, we were amazed at the significant number of cheque cashing/payday lending outlets, some in vacated bank branches. In fact, they not only appeared to be busy, they had lineups! Generally the consumers were paying $20 to cash a $200 cheque or getting a payday advance at a ridiculous (interest rate) fee.

Past research in this segment of the financial industry has shown that 75/80% of their customers pay on time and the loss rate is extremely low. In our consumer questionnaires and focus group discussions recently, both in Australia and Canada, we asked people why they use the money stores. The outstanding answer was CONVENIENCE or hours of business. Next, we ask in other questions what they would like to see improved at their bank or credit union. "Hours of business" is always one of the top five even though people have ATM and Internet access choices. The third key feedback on competition in Canada shows TD Canada Trust as attractive to respondents due to access convenience - hours and locations. No doubt there is room for customizing hours to preferences more. Also, current product offerings don't generally satisfy the payday borrowers who need crisis cash. The vast majority of consumers at the money stores do have accounts/relationships with banks and/or credit unions and these institutions have overdraft privileges (if you set them up ahead of time), and credit cards.

The payday lenders are also extending their product lines to capture more financial service business. Where migrant workers are found, you will also see them in the money stores to transfer money via Western Union to their remote villages back home. (Some banks now use Western Union as well as their correspondent networks to wire transfer funds).

All FIs have to know that their relationships are being undermined and that their potential revenue growth has been disintermediated. Isn't it time to address this opportunity properly and promote the solutions to customers and prospects alike? First, address hours of business and the possibility of realigning current resources and second, address your value propositions. You want to prevent more migration to the cheque cashers, to recapture those lost and to attract more prospects with your unique solutions.

Competition keeps growing in a variety of channels. "So, who's eating your lunch today?"

PLANNING FOR 2012

Most business plans have been set for next year by now and hopefully you were:

- Cautious
- Innovative
- Customer-centric

Global economics continue to play havoc with everyone's thinking and recessionary concerns. Additional social unrest has spread throughout the world, spurred on by the social media and disenchanted young adults. At the same time, Apple continues to prove that continuous customer focus and innovation can build substantial capital success even during recessionary times.

Obviously, productivity improvements will be essential for everyone in every industry both in terms of revenue growth and cost management. Where will the incremental revenue come from? Perhaps the following list will spark your imagination:

1. New value propositions for consumers
2. Shutting off revenue leakage internally
3. Collection of bad debts written off
4. Extending product lines to include collaborative offerings
5. Building loyalty referrals through staff and customers
6. Value for money resource reviews
7. Utilities' audits/sourcing options
8. Migrating transactions to electronic channels
9. Process reengineering/sourcing
10. Encouraging staff ideas with incentives etc.

Everything should start with customer-centric research and testing to find the best focuses and preferred offerings. We have to remember that most people have changed spending habits and preferences since 2008 and they continue to evolve. Therefore, continuous customer listening and communications will help you fine-tune your business as the year progresses.

The European debt crisis, the economic slowdown in China, growing social protests and government unrest, including an election year in the U.S.A. will keep all of us alert – complacency will be costly in 2012.

LAST WORD – REWARDS & RECOGNITION

People make your franchise, build your customer relationships and expand the brand equity. Do you know what motivates your people? Have you asked them? Both the teams and individuals need proper rewards and recognition if a sales and service culture is going to be continuously energized in a sustainable, evolutionary journey. The principles also apply to your Directors, Ambassadors and Partners.

Start with your management and staff by having them provide confidential feedback through questionnaires on reward and recognition perceptions – separate management and non-management. Create a Brainstorming Team of your brightest and best to address the subject. Have People Management or Human Resources research effective programs inside and outside the industry. Avoid, at all costs, any management "gut feel" high jacking the process and ultimate design.

Our work with clients on "R&R" has always resulted in unique programs for each organization, which we expected, since their cultures are different and the people have a different mix of experiences and preferences. Just like your brand`s emotional attachment, you need to know employees emotional and motivational catalysts. In most cases, where there are consensus initiatives, they will result in stronger teams, high-energy performers and increasing bottom lines.