

# ***Eagle Net***



**WHERE EAGLES SOAR INC.**  
**500192 Grey Road 12**  
**Markdale, Ontario. N0C 1H0**  
**Tel: 416-347-2469, 905-873-7733**  
**Pat Palmer – Principal & CEO**  
**E-Journal Newsletter – December 2011**  
**E-Vol. No. 50**

## **THE FUTURE CUSTOMER EXPERIENCE**

### Assumptions – The World in 2025

1. Economy – persistent economic turbulence including global and regional recessions; continued countries debt restructuring and shift of economic power wealth from West to East.
2. Governance – growing debate about the right future socio-economic governance models; major changes in bank regulations
3. Society – growth of the middle class – particularly in Asia; global increased life expectancy
4. Business Models – shift to renting assets (e.g. cloud computing) and person to person services
5. Humanity – deepening understanding of human biological and cognitive functions
6. Science – rapid advancement in genetic and material sciences – giving rise to new industries
7. Personalization – range of personalized experiential technologies will emerge that learn and adapt to our individual behaviours

(A condensed summary from Fast Future research)

## **COMPETITIVE READINESS GAPS**

A few years ago, WESI partnered with Ian Percy to create a Competitive Readiness Index (CRI) for financial institutions. The CRI was designed to identify business risks against competitors' strategies and strengths. Basically, an extensive questionnaire was employed with senior leadership teams (SLT) to gauge customer, distribution, marketing, sales, technology, and human resources etc. risks. Time and again the CRI showed key gaps in the financial institutions testing the process and responses. At the time, and still today, we were worried where Directors' knowledge of these qualitative risks really stood and what the SLT was doing to raise awareness. Up to today, we have seen minimal change in identifying and addressing competitive readiness. In fact, many organizations have weak and incomplete competitive intelligence on strategies, value propositions and other current catalysts of strength such as alliance partnerships. Many distribution channels and business departments do not have competitive profiles, let alone ones that are kept up to date and provide offsetting responses.

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WESI encourages its clients to actively maintain competitive information through staff assignments with the various competitors and searching their array of Internet options. When this discipline is in place, everyone can be provided with current details and better evaluate their own management of competitive readiness from the Directors to the newest recruit.

## **CANADA**

### Money to Lend!

The major chartered banks are having difficulty in finding borrowers to help shore-up income due to the decline in securities businesses. In fact, they are pricing deals to attract loans that shrink their spreads. Only RBC has reported stable margins i.e. at 2.73%.

### Brand Differentiation by Big Banks

Canadians don't change banks that often but do have multiple financial supplier relationships. Forty five percent of Canadians stay with the bank they first started an account relationship with. At the same time, more and more customers use online applications as the primary transaction channel. The banks realize that they can't continuously raise fees without new value propositions. A few (RBC, CIBC and BMO) are retrofitting their "stores"/branches to attract and interface with customers using technology, interactive applications and better trained "sales" and service staff. Concurrently, there are new emerging competitors like Rogers Communications, who have filed for a bank license, as mentioned in our last newsletter.

Our research shows that Canadians want customized relationships developed for them. Consequently, consumer-centric branding and value propositions are key. It will be interesting as the banks enter this "customer-community care" syndrome, which has always been owned by the credit unions, which have not converted their long-term principles in to attracting business from banks.

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## **EUROPE**

### Banks Looking for Returns in Mobile Banking

A Forrester Consulting study reveals that the world's leading FI's are rapidly evolving imperfect mobile strategies. Basic account access has been commoditized. Three key challenges:

- a) Monetization of mobile banking i.e. new revenue opportunities
- b) Control growing complexities i.e. scalable platform critical
- c) Need to be proactive i.e. take a broader view of the "smart channel"

Top 3 objectives for mobile banking are:

- a) Retaining customers
- b) Differentiating/innovating
- c) Increasing product sales

Top 3 mobile banking functions banks intend to offer in the next two years:

- a) Outbound marketing
- b) Account, security and fraud alerts
- c) Mobile money management

## **SINGAPORE**

OCBC bank launches its "Frank" Brand. Frank is targeted at the 18-28 age group and its retail stores are designed to feel like a CD music shop: open floor plan; banking products showcased alongside merchandise from other retailers. Youth targeted retailers such as Forever 21 and Topshop were guides. Social media is important as well as self-expression on debit card designs.

## **INTERNATIONAL**

### Top Ranking Countries in the Contact Centre World

1. Indonesia
2. United States
3. Canada
4. Australia
5. Ireland
6. Singapore

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## **UNITED KINGDOM**

### Cheques Stayed Death Sentence

The House of Commons Treasury Select Committee has delivered a damning verdict on the Payments Council's attempt to phase out cheques. In the U.K., 3.1 million cheques are processed daily – double the number of payments made using the electronic Faster Payments system. MPP's have asked that the cheque guarantee card be reintroduced so all businesses can accept cheques plus all government departments and levels will again accept cheques.

Note: Whether you are an FI or a trade association, don't assume that you can dictate or control consumer preferences.

### Banks Fail Investment Advice Test

A mystery shopping study on investment advice showed that only 5 out of 37 advisers gave good advice. The worst offender was Lloyds Banking Group. Also, Bank of Scotland and NatWest personnel failed. HSBC emerged as the best in the study, which has been handed over to the Financial Services Authority. In 2012 the crackdown on financial advice begins when sales commissions are banned and advisors have to disclose more to clients.

## **IRELAND**

### Bank of Ireland Mortgage Hike Hurt

About 14,000 mortgagees who live in England, Scotland and Wales are being transferred to The Mortgage Works (part of Nationwide). Those with variable rate mortgages will see a major increase next March as the accounts are raised to Mortgage Works' variable rate. Bank of Ireland is notifying members.

## **U.S.A.**

### U.S.A. 24/7 Card Visa Prepaid Debit & Remit Card

The financial services company 24/7 Card introduced a powerful new card designed for Filipinos and other immigrants living in the U.S.A. featuring debit and overseas transfer capabilities.

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## U.S.A. Credit Card Delinquencies Increase

Major credit cards report higher delinquencies at the end of the third quarter but a decline in write-off rates:

Amex – delinquency 1.5%. Write-off rate 2.3%  
Capital One – delinquency 3.65%. Write-off rate 3.9%  
Bank of America – delinquency 3.99%. Write-off rate 5.99%  
Chase – delinquency 2.53%. Write-off rate 4.13%  
Discover – delinquency 2.5%. Write-off rate 3.17%  
Citi – delinquency 1.7%. Write-off rate 5.58%

Note: [www.lowcards.com](http://www.lowcards.com) is a free independent website that helps consumers easily compare all features of credit cards.

## CUNA National Member Study

Fastest growing delivery channels

- a) Bill payments via the Internet or e-mail
- b) Online banking
- c) Mobile banking transactions via cellphones/PDA's
- d) Debit/check card to make purchases
- e) ATM deposits

Mobile market shares:

Android 32%  
Apple 25%  
Featurephones 24%  
Blackberry 15%

## Free Chequing Still a Viable and Flourishing Product Strategy

Recent overdraft interchange fee regulations were forecasted to be the end of free chequing – not so. Although the majority of banks have changed chequing account terms, they still offer a free chequing product linked to simple and achievable behaviours e.g. direct payroll deposits once a month. In September 78% of all consumers still had free chequing. In fact, unconditional free chequing remains intact at most FI's with under \$10 billion in assets. "Free" can be a very sound economic and business strategy.

## Banking's Major Profit Levers Constricted for 2012

The August Fed announcement ensures flat rates going into next year. Banks have to slash overhead and re-position business lines for uncertainty. There is over capacity plus obsolete capacity to be dealt with quickly. The revenue challenge is acute! Basel III changes compound the problem as regulations require higher capital underpinnings and decrease the value of deposit categories.

Consequently, governance understanding and dedication need to increase as various planning catalysts become more complex.

At the same time, customer behaviour will continue to evolve further, necessitating a proactive reinvention of business strategies.

## Clearmail Reports Record Adoption Volume

Clearmail, the leader in mobile banking and payments solutions had a year over year increase in cumulative mobile banking transactions in the 3<sup>rd</sup> quarter of 212%.

## Walmart Money Card Product Line Expansion

Green Dot Corporation (prepaid financial service company) and GE Capital Retail Bank are expanding Walmart's Money Card prepaid product line at stores and online at [walmartmoneycard.com](http://walmartmoneycard.com).

## Credit Unions Reap the Anti-Bank Harvest

Americans are talking with their wallets! Hundreds of thousands have severed bank relationships and transferred to credit unions. One CEO in California told the Eagle Net that they had a 300% increase in new relationships during November.

## Majority Concerned About Fraud

ThreatMetrix and The Ponemon Institute study on online fraud finds 77% of Baby Boomers and 62% of Millennials are concerned about becoming victims!

## Mobile – Online Purchases Christmas Bulge

A Sybase 365 and Mobile Marketing Association survey shows 62% of consumers are poised to make holiday purchases with their mobile devices this year, double from a year earlier!

## Christmas Credit Growth

Equifax reports that bank credit card and retail credit card lending heading into the Christmas Season is growing significantly and could reach pre-recession levels. At the same time home equity lending is retracting and consumer credit is at its lowest level in 6 years (i.e. \$2,902 per average consumer).

## Datamark: 2012 Outsourcing Trends

(Datamark is a leading business process outsourcing firm)

1. Rise of mobile apps
2. The “social” contact centre
3. Game theory for innovation
4. Public–private collaborations (worldwide)
5. U.S. will learn from international public-private alliances
6. Technology testing in-house will remove the clutter
7. Latin America an attractive near shore destination
8. Economic uncertainty will increase outsourcing demand
9. Shortage of domestic skills drives outsourcing internationally
10. The “Cloud” will continue to be popular and confusing

## Direct Depositing Leads to More Savings

A survey by SWACHA (electronic payments association) shows that employees who save through their employers’ direct deposit program save more than the average American at 3.6% of income. In fact, 31% on a DDP are saving more than 24% of their pay cheques, an increase from 14% in 2009.

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## **U.S.A. & CANADA**

### **The In-Store Branch – Revisited**

In the past few years, banks shut down approximately 500 in-store branches in North America. Generally, these branches generate a third of the business of a full service branch. They do have more success attracting deposits. Also they are contributors in growing the customer base at less risk. Staff focuses should be on the people's ability to generate sales. As always, the relationship or partnership between the store and the FI needs to be proactive using joint promotions, signage and collateral materials. The whole store is the merchandising opportunity and caters to customers who are there first and foremost for a short stop for staples – make your offerings simple and efficient.

## **THE 7 R'S FOR 2012**

**Resolve** to be more customer-centric in vision, values and practices

**Research** customer preferences continuously and adjust accordingly

**Reassess** strategies and tactics based on research findings

**Reengineer** revenue generating and expense processes for improved productivity

**Reengage** employees in your customer centric principle

**Request** customers to refer family and friends at every opportunity

**Reward** and recognize staff for discretionary improvement efforts

## **THE LAST WORD**

Even with our economic and business challenges during these precarious times, we all have much to be thankful for with family and friends, in our communities and countries. Take time to reach out your charitable hands to those in need to share the Christmas blessings.

Most of us at WESI have grandchildren and children of our own or sponsored in far away countries. Perhaps you or your organization does something similar? We know many clients do children-focused events at this time and reach out to individual families – bless you!

Personally I want to sincerely thank the WESI team members, our clients and contacts for a successful year. We will be soaring again in 2012.

Wishing you a happy, healthy and holy Christmas Season.