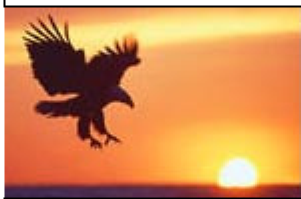
Eagle Net



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SELLING THROUGH BRANCHES

Every distribution channel should be a potential sales delivery touch point from the brick and mortar branch to the virtual mobile device at home, at work or at play. As more and more channel options have come on stream, the Internet impacts are felt daily through different apps and personal preferences. Every institution has the same challenges and must adapt given resources and its mission.

The primary delivery point for the majority of medium and small sized FI's is the local branch or store. All staff in those units have a sales role and must create a sustainable advantage to attract the customers and prospects that want the branch experience. Today, the store manager is the sales manager and leader. Yes, the person leads by example and motivates the team in their sales roles. First, the key customer relationships based on existing and potential profitability are assigned to the manager and account or sales officers in the branch. Managers generally have the top 25 for relationship management purposes against which are specific business targets for retention and growth. Concurrently, other proactive and reactive sales goals are assumed through branch contacts and external business development initiatives.

If your branch managers are consumed by administrative or background activities, then it is time to realign these roles to be more productive and sales oriented. Otherwise, it is like having your best pitcher locked in the bullpen or your best hockey player stuck on the bench. The branch support members have either sales and/or sales lead generation roles i.e. they provide personalized solutions or identify needs creating sales opportunities.

Branches that are primarily "transaction centres" are improperly focused and are missing out on creating real channel profitability improvements for your organization and especially for your customers.

FINDING GROWTH IN 2012

In our last issue we emphasized the need for more productivity improvements – sustainable and continuous, throughout 2012. In Canada 70% of the population according to recent research believe that we are still in a recession! So let's focus on where and how you can get the most cost effective growth (one side of productivity) during the economic malaise.

First, the customers you have deal with multiple financial institutions but still they represent the most sale cost effective target audience using proactive, pre-approved offers of a variety of value propositions. Package a unique, attractive offering based on your preference research of their needs and motivators.

Second, reach out to customers for referrals of family members and friends with an incentive that is attractive but relatively inexpensive. Remember these referrals cut sales costs significantly so using a \$25 - \$50 motivator is well worth the investment to acquire new customers and business.

Thirdly, establish partnerships and collaborations with other businesses and particularly large employers using reciprocal advantages.

Finally, select the core segment representing strategic growth potential for your organization and build an innovative value proposition, which you promote through the preferred choices, which could be local radio, billboards, affinity organizations, or some other segment specific channel. Don't be tempted to waste your limited dollars on mass media when you can't afford sustainable consistency over a period of time – an expensive option for those with deep pockets.

During the year, periodic opportunities will arise due to local events such as extremely large contracts for local businesses, outreach education programs by colleges and universities, new employer relocations, etc. Be prepared to adapt to these events quickly with an innovative solution for all stakeholders.

Growth will come in most cases at the expense of competition so keep your competitive intelligence sharp and responsive or they will "eat your lunch".

CANADA

UM Financial Inc./Central 1 Credit Union

UM Financial Inc. under the direction of Omar Kalair provided shariah-compliant loans to Canadian Muslims with the help of silent partner Central 1 Credit Union, the central covering Ontario and B.C. The company has been taken to court by creditors and there are missing assets - \$2 million in gold!

Federal Government Can Veto Foreign Acquisitions

As Canadian banks continue to look at international acquisitions (some successfully and others poorly) the federal government has become more concerned about the amount of capital being allocated outside Canada. The Finance Minister has new powers of veto over foreign takeovers by Canadian banks or insurance companies where more than 10% of its consolidated assets are acquired outside of Canada.

INTERNATIONAL

Trinidad & Tobago: Credit Unions New Regulator

The Central Bank in a letter dated December 30, 2011 informed the split credit union movement that the Draft Credit Union Bill, which will place them under CB supervision, is now available for review. The highlights include:

- 8% of total assets – minimum institutional capital
- No dividends if required capital not in place
- Restricting credit unions to borrowings of 8% of total assets with a controlled option to 10%
- Limiting equity investment in an individual entity to less than 20% of the entity's shares (exception regulated local FI)
- Limiting aggregate investment in other entities to 20% of institutions capital
- Requiring maintenance of minimum liquid assets ratio of 15% in relation to total liabilities
- Restricting real estate holdings to 5% of total assets unless owner occupied property
- Restricting real estate holdings acquired for overdue debts to a maximum of 5 years

UNITED KINGDOM

Mobile Purchases Grow

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- 67% of consumers have used a mobile "app" in the past 12 months
- 33% made a purchase using a website on a mobile device and 26% using an "app"
- 35% find logins difficult
- 19% find it hard to access the content they're looking for

U.S.A.

Bank of America Settles Countrywide's Alleged Bias

The U.S. Department of Justice and Bank of America have come to an agreement to settle Countrywide's Financial Corporation's bias in residential fair lending. The price tag - $335 million! The charges related to approximately 200,000 black and Hispanic borrowers who qualified for prime mortgages but were steered into more costly sub-prime loans. This covers the period 2004 – 2008 prior to Bank of America's acquisition of Countrywide and involves borrowers in 41 states.

Neighborhood Assistance Corp of America (NACA)

Millions of American faced foreclosures since the recession began and still more have to renegotiate their mortgages in the next two years when their homes are worth less than their mortgages. Through Fannie Mae and Freddie Mac, the government insures many mortgages and they have the incentive to solve housing problems for homeowners. The NACA was originally started by the Hotel Workers Local 26 in 1988 to help negotiate a housing trust fund to help workers with down payments. Since then it has become an aggressive force in defending homeowners' rights and it created the "Home Save Program" in 2007 to help homeowners renegotiate their mortgages at special seminars and "bankers meeting halls".

Note: Credit Union National Association (CUNA) has a partnership with Balance Corporation to provide debt management counselling to U.S.A. credit union members.

Expansion in Mobile Banking Payments 2012

A Fiserv Inc. study of top tier U.S.A. financial institutions conducted by Forrester Consulting showed that these institutions are expanding mobile capabilities. Mobile, person-to-person payments will account for a significant portion of their 2012 investments.

Transaction Costs: Tower Group for Fiserv/M-Com.

Branch $4.00
Call Centre Agent $3.75
IVR $1.25
ATM $0.85
Online $0.17
Mobile $0.08

Mobile Payments Research

A Fiserv study indicated key short and long term trends in consumer bill payment habits:

- Consumers use multiple payment channels
- 20% change online payment options monthly
- Mobile payments are on the rise
- Interest in e-bills is also at an all time high
- 2/3 of consumers will visit billers' websites for payment activities

Housing Market: Rent vs. Own

The tight mortgage market, high unemployment and negative wealth effects are contributing to a renter renaissance in the U.S.A. Rental vacancy rates are falling sharply as rents increase concurrently. Naturally this implies more houses will be added to the fast growing empty category of 2.5 million. Analysts estimate another 7.5 million homes could be added in the next few years.
(The Globe and Mail, Report on Business, December 21, 2011)

Banks Feel Continued Pain

A new TRiG Study finds nearly 1 in 3 consumers would leave their bank if it charged for debit card payments and 3 in 4 (76%) believe the key reason banks abandoned the debit card fee was due to a fear that customers would leave.

CONVERTING BRANCHES TO GREENER, ATTRACTIVE DESTINATIONS

The large banks never stop adjusting their "brick and mortar" footprints to try and attract more sales opportunities and to compliment their brand image. At times, we at WESI wonder how much customer research is really completed and analyzed before architects start drafting "award winning designs" which don't significantly grow the customer base. The boon today is centred on interactive experiences and highly trained "universal employees". Also, greener branches are being promoted when renovations or new facilities are contracted to include more natural light and solar solutions.

Big banks make big profits and can afford to experiment in branches or stores, plus the other channels driven by the Internet and mobile experiences. All trends indicate that the sales and service growth preferences are in the latter channels by all age segments.

Bottom line: Consumers are multi-channel users and they control their virtual access. No longer can it be said "build it and they will come"!

SOCIAL MEDIA IMPACTS GROW

Many organizations talk about social media initiatives – some are dedicated and dynamic and others are simply periodic "wall postings". Social media strategies and tactics are being used to acquire new business (sales and customers), to handle transactions and to improve customer satisfaction, particularly in certain segments. This whole area has attracted some highly competent and dedicated professionals who can help build, measure interactions and establish benchmarks. Without a doubt "social media" should be on every Board agenda in 2012 in the financial service industry and beyond: re knowledge – risks and rewards.

THE COMPLIANCE BURDEN

When times are tough, regulations increase! From where we sit that seems to be a common feeling. Consequently, the smaller the FI the higher the reactive costs. Naturally, when new regulations are introduced it is highly unlikely that any are removed, so layering takes place - sometimes overkill! At the same time that the regulations are expanding, so are the detailed inspections and governance expectations in the Boardroom.

Everyone can't afford to continue to hire more regulatory resources without some offsets in costs or revenues. New risk and productivity thinking is required to consider the options internally and externally on both an independent and collaborative scale.

GEN Y AS CUSTOMERS

Every traditional FI has been challenged to attract those 18-24 years of age or what is commonly referred to as Gen Y. In fact, some organizations have trouble accepting and retaining them as employees. This is a more complex area so I will stick to the customer spectrum at this time. I will mention that my longtime friend, Richard Peddie, who retired December 31st as CEO of Maple Leaf Sports & Entertainment (Toronto Maple Leafs Hockey, Raptors Basketball, Marlies Junior A Hockey, Toronto Football Club etc.) told me that approximately 40% of their employee base is Gen Y and they are "engaged" – key word. This segment is also a challenge for political parties, churches and other "institutions".

The first step in creating value propositions for any segment is to listen to them to determine desires, preferences, expectations, turn-ons and turn-offs plus discuss the segment with employees who are serving high school and university students. You can read and research but that isn't enough – reach out! They have serious issues needing resolution such as jobs, student loan burdens, and in financial services, personalized solutions. In the latter case, an organization has to balance cost benefits in what they can offer and how. (Sourcing can be a critical issue). Some people write about Gen Y as the "entitlement age" which has negative connotations. I prefer the concept of engagement on their terms i.e. technological access and product options plus critical advice 7/24 on topics of importance e.g. debt management, budgeting, credit ratings and contingency savings.

Gen Y is a dynamic segment, requiring continuous interaction and listening as preferences evolve quickly in their lives.