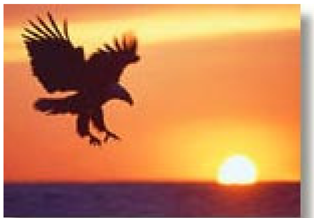

Where Eagles Soar Inc.
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Eagle Net

Is the North American Housing Market due for a Correction?

Some market forecasters believe a significant downward correction is just around the corner, as always, the trick is where is the corner? Sub-prime lenders such as Capital One Financial Corp., Countrywide Financial Corp. and Fannie Mae have shown downward share prices over the last 5 months and many believe all mortgage lenders should take note. This comes at the same time Canada's 6 big banks are thinking of jumping into this historically lucrative mortgage segment.

Banks Must Be Big

For better or worse we all wanted to play in a global market and to keep the increased risk of entering new markets in check "Big is Better". "Sir John Bond, chairman of HSBC, expects the global top five banks to spend as much as US $60 Billion over the next two years, increasing further the family of big banks". "Globally, Canadian banks contributed to only 2% of the global asset base in 2003, shrunk from 2.1% in 1999". In fact Canada has no banks in the global top-50 and size weakness has increased over the past two decades. The search for quality acquisitions abroad is likely to intensify; you have to wonder if Canadian banks even make the radar screens of some larger international banks looking to expand.

Telemarketing/Call Centres – Canadian Impact

According to Statistics Canada the number one job producer in Canada for the past 20 years can be attributed to this industry. The 92,000 jobs created since 1987 pay on average $12.45 an hour which is only one-third the national average. This low wage is interesting seeing as 67% of the workers hold a degree from a post secondary institution.

Current reality shows it may well be cheaper to outsource this activity to foreign players operating in countries such as India. In India alone, the Business Services Support industry is expected to conservatively grow at a rate of 10% per annum for the remainder of this decade. It is questionable whether Canada will be able to be competitive in this industry going forward and if not, how will the displaced workforce domestically be absorbed?

Some US Credit Unions Reinventing the Member Experience

A recent article in Credit Union Times highlights a new CU Branch Model design aimed at eliminating the traditional teller line-ups. Seven Seventeen CU of Warren Ohio recently introduced a teller line free branch. Essentially the barrier between Teller and Member has been removed and replaced with information rich interaction Pods. This is believed to be a valuable first step to enhancing the face-to-face experience and is expected to facilitate the expansion of the number of products and services per Member. Result - increased share of wallet, an area in my opinion, not given adequate attention by CU's in the past.

Royal Bank of Canada Sells U.S. Mortgage Business

RBC announced at the end of May that it has sold the bulk of its money-losing U.S. mortgage business (135 branches) to a California company for about half the purchase price. Peter Armenio, head of U.S. and International Operations for RBC stated the U.S. "remains strategically important to the long-term growth of RBC Financial Group's banking and wealth management businesses". RBC, Canada's largest bank, has spent more than $5-billion on U.S. acquisitions in hopes of piecing together a viable full service financial service company there. RBC's flagship U.S. retail bank, Centura accounts for about 10% of the bank's earnings.

Time for Banks to Prune Their Branches

A colleague recently forwarded an article that highlights a disturbing trend that has been taking place in branch network planning in the U.S. Seems some States have had a bit of a population boom over the past couple of years and banks are responding by rapidly opening new branches. For example, the FDIC reported that in the 12 months ending June 30, 2004 the number of U.S. branches rose by 1,594 and the nations top 10 banks have further plans to open 2,242 more. Unfortunately many of these new branch offices are sharing a financial nightmare as the new customers aren't coming as expected. It is true that States like Texas and Georgia have experienced a population boom, however, accurate network planning due diligence should have shown a need for approximately 40% less branches than what is in the works for this year. Maybe the decision makers have seen too many episodes of the movie Field of Dreams, i.e. "if you build it they will come".

Who is your customer?

We routinely ask this question of financial institutions and just as routinely find it to be a hard question to obtain a definitive answer. Great strides have been made in designing and developing exciting new banking products and services over the years but for some reason we continue to stop short of accurately understanding who we design the products and services for. All customers are not the same and the time has come for us to stop taking the easy approach and take stock of the information that is often right at our fingertips about the customers we serve. Reality is FI's have spent years gathering information on existing clients but few understand the potential of how this information can be used to enhance and grow the client experience. When we get this right we will open the floodgates for increased share of wallet and new business growth.

Want to Impact the Bottom-line and Make it Stick!

Recent Eagle Net Newsletters have reported substantial staff reductions in the Canadian financial services industry and subsequent quarterly results naturally showed some improvement. Already we see these same FI's announcing plans to hire staff, although not in the areas just reduced, the benefits recently reported will be diluted going forward. The question should be - can this be sustained or was it simply a one-time bottom line infusion? In our interactions with FI's globally we continue to see an unrealized opportunity that needs to be pursued. Banks and Credit Unions alike are consistently leaving 25 to 40% of sustainable cost savings on the table. In projects where WESI has been called upon to reduce operational costs for a client we have yet to see a case where the opportunities identified didn't exceed the project cost many times over. When you change how you do things, and maintain that change, you truly bring about savings that last year-over-year. Add to that the bonus of improved customer and staff experiences and there should be no reason not to proceed today. Did I mention WESI's phone number is a listed one!!!!