



Eagle Net

WHERE EAGLES SOAR INC.

**16 Mountainview Rd. South, #301
Georgetown, Ontario, Canada. L7G 4K1**

Tel: 905-873-7733

**Steve Hawkins – Senior Vice President
E-Journal Newsletter November/December
2005
e-Vol. No.9**

Ontario Credit Unions Join the Insurance Push

Ontario credit unions are campaigning hard to have the provincial government sanction the selling of insurance to its members through the provinces 250 credit union branches. Howard Bogach, head of Credit Union Central of Ontario, supports new regulation and doesn't mind if the chartered banks get in on the action as well. The race is on to see who gets approval first, CU's or Banks, naturally the first out of the gate will enjoy a significant advantage. The hearings wrap up mid December, stay tuned....

Still Opening Far Too Many New Branches

Back in May of this year I wrote in Eagle Net that it was "Time for Banks to Prune Their Branches".... The number of new US Bank Branches had just rose by 1,594 in the previous 12-month period while the existing client base numbers suggested a very real need for a 40% reduction in physical channels. Well, it is now the end of the year and the flurry hasn't subsided. Six billion has been invested in new traditional branches this year in the US while recent studies have shown fewer clients are visiting their branches. Numerous studies have told us, statistically, in-branch cheque/deposit transactions are dwindling. In 2002 the average number of cheque-related transactions was 364 per day per branch and experts say we are steadily heading for an estimated total of 178 per day per branch by 2010. First of all, why are we still using the ancient formula of building and staffing branches based on the number of transactions processed? We know transaction processing, for the most part, is not profitable.... increased deposit bases, new product sales and client retention/growth are. Please PEOPLE!!!! Lets create new business offerings for clients who take time out of their busy life to visit our branches and stop counting transactions. The sky could be the limit for the first few out of the box.

Eagle Net

Page 2.

Phishing Scams on the Increase

What's Phishing Scams you might say? Phishing is a criminal activity that involves e-mails designed to appear as if they originated at your financial institution and they usually involve asking for the recipient's personal information and require the entering of your password. The criminal element has been successful in re-creating financial institutions' websites which virtually mirror the FI's authentic site. Essentially all the chartered banks have had their websites copied as part of a Phishing scheme. An October report by security specialist McAfee estimated 150 million Phishing e-mails are being sent out over the Internet daily and approximately 60,000 people in the US alone suffered losses in 2004. Although most, if not all, Canadian banks offer their on-line banking clients full reimbursement should they experience unauthorized account withdrawals, there is still responsibility on the client to be as vigilant as possible. Meanwhile banks are scrambling to deploy safeguards which include contacting clients immediately should any unusually activity occur in their account. AOL Canada stresses the need for continued consumer education on this subject to assist in the containment of this epidemic.

HSBC Looking to Enter The US Contactless Payment Arena

HSBC is the first European-based bank preparing to launch payment cards embedded with contactless smart card chips in the United States. Rumours have it another European bank is not far behind. Currently four large US-based banks/card companies are in the game, Citibank, JP Morgan Chase, American Express and Key Bank. This relatively new method of payment is often referred to as "tap-and-go" and is designed to allow users to complete small purchases extremely fast without entering PINs or swiping cards. As of October 2005 the following US Merchants are committed to accepting contactless payments:

- McDonalds Restaurants
- CVS Drug Stores
- 7-Eleven Convenience Stores
- Ritz Camera
- Regal Entertainment – Cinemas
- Sheetz – Gas/Convenience Outlets

Eagle Net

Page 3.

- Duane Reade – Drug Stores
- Meijer – General Merchandiser
- 5 NFL Teams

Security regulations vary globally, for example European banks will likely be governed in Europe by the international EMV standard requiring, quite possibly, PIN identification, however, this does not apply when operating on US soil. Expect growth in the number of new players to this lucrative market next year. Contactless payment cards and fobs are being hailed as strong differentiation products in the United States.

Interesting Way to Promote Debit Card Usage

Noticed an article recently in the Credit Union Times publication which highlighted an interesting twist on an approach to promote higher debit card usage amongst existing card holders. Seems the Bank of America introduced a “Keep the change” program. Under this program the Bank rounds up each daily transaction of it’s debit cardholders and credits the client’s account at the end of day. For example, “if a debit cardholder uses their debit card to pay\$9.45 at a fast food restaurant, the bank will round up the bill to \$10.00 and put the .55 cents into the card holder’s account”. They listened to their customers who told them they needed an easy way to save. Furthermore, the bank will match the first three months of the program transfers and thereafter contribute 5% per year up to \$250.00. With minor modifications to fit your particular FI this could definitely increase usage of a more cost efficient delivery channel while providing incentives to customers to build brand loyalty and potentially attract new business as well.

Ask Your Customers eSurveys

When was the last time you sincerely asked for your customer’s opinions and suggestions regarding your service level and product offerings? All too often we see evidence of product features and service strategies being packaged and developed behind the closed doors of corporate boardrooms. It is easy to get caught up in your enthusiasm to launch a new initiative that you truly believe is the best thing since sliced bread, but what does your customer think? A simple and cost-effective method to find out is through the use of eSurveys.

Eagle Net

Page 4.

Most, if not all FI's, have their own website which, as more and more customers adopt banking on-line, is becoming an effective way to reach the masses. It is important to keep the surveys short and focused on the specific topic you need feedback on. Identify your objective and carefully craft your questions to ensure the feedback received will meet your objective and most importantly be actionable. Post your survey on the four to five most heavily visited web pages. The actual web pages may be determined by the segment of your market you wish to survey, e.g. business pages to reach business customers.

Canada's Credit Unions Rank Higher than Banks in Customer Service

An independent 2005 survey conducted by Synovate Customer Service Index found credit unions ranked higher than banks and other financial institutions in Canada on most customer service measures. The survey had responses from 8,141 people, including, 1,047 credit union members. It was reported that credit unions ranked highest in "values my business, staff service at my branch, information handling and communications, interest rates and service charges and overall quality of customer service".

Our CEO's Contribution – What's New is Old

Here we are at the end of another calendar year – 2005. Some of us find the days go faster; we know more but don't have the time to put all our knowledge to work, as we desire. Then again, some things don't really change! The infamous BAI Retail Delivery Conference, which showcased their primary research project with supporting guest speakers, concluded that "differentiation" is the key to customer centric marketing. Not quite the revelation we would expect as I scan through back issues of this publication over the years, in which this concept has been reiterated continuously and successful examples have been documented in Australia, Canada, the Caribbean, U.K. and U.S.A., plus with some highlights from India and South Africa.

Eagle Net

Page 5.

Looking at the international landscape, again Canadian and Australian banks went through the year without the regulatory ability to merge as other areas of the world saw small and humungous marriages and consolidations take place for a variety of strategic objectives. It is now unlikely that our domestic banks in Canada will ever again attain the international rankings enjoyed in the past. The credit union movement in North America was very active in this area plus growing more CUSO's (Credit Union Service organizations) and seeing some accept mutual bank charters.

Closer to home for the Eagles, in 2005 we decided to relocate our Canadian Headquarters back to Georgetown, Ontario, approximately forty minutes from the heart of Toronto. New members joined us as well this year and the whole team can be viewed on our website at www.whereaglessoar.com

Entering 2006 is an anniversary year for WESI – 10 years young. The experience brought to the team and gained over the decade has built an outstanding team of “real people” partnering with clients everywhere. The strategic and operational expertise of WESI have multiplied many times over from that humble beginning of three teammates ten years ago. Many of our readers have contributed to our business and personal growth, and for that we are sincerely thankful.

2006 should be more challenging in the financial service industry than the past few years where the mortgage market in many parts of the world drove profitability continuously. We are entering an era when performance opportunity strategies will involve the re-assessment of many practices and people resources. Although many organizations have enunciated customer centric philosophies in the past, most rode the commodity growth wave relentlessly. Customers or members deal with more FI's and related intermediaries/brokers today than we ever envisaged a decade ago in the hay day of emerging CRM strategies, systems and speeches. The Internet directories by type of financial institution and financial products or services is staggering in size plus there are all the comparative websites available. Even the local yellow pages can send a chill up your back when you count the pages and pages of those trying to eat your lunch. There has to be a sense of urgency developed around performance improvements throughout traditional FI's.

Eagle Net

Page 6.

The public has also raised their expectations in terms of financial relationships vis-à-vis advice, products, service and security. Quality of service has matured around the concept of "care", an essential ingredient in building the elusive loyalty that generates repeat profitability. All the research tells us that the customers or members are more sophisticated and promiscuous in their financial service shopping habits today. We see many product driven wealth management strategies today, which add fuel to these behavioural trends. Finally, although many large FI's advertise a commitment to service it is odd that many do not have a senior executive with the word service or care in their titles.

These are only two of the strategy challenges for 2006. There are others to keep the CEO leadership skills tested daily.

For all of us at Where Eagles Soar, Christmas is a very spiritual time of giving thanks, of family relationships and of remembrance of those close to us that we lost in the past year such as John Hollander of CUNA in Madison, Wisconsin. Our team, and especially our executive group – Bob in Australia, John in Edinburgh, Lucille in Bequia, and here in Canada – Ram, Terry, Judy, Steve, Randy, Ted, Ann and myself, want to thank you for your confidence in 2005 and to wish you and your families all the blessings of the season. We look forward to sharing successes with you in 2006. Merry Christmas and a Happy New Year.

Pat Palmer