



Eagle Net

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Welcome to the Spring issue of the WESI e-journal. Our frequent travels lately confirm that many financial institutions are not ready for rising interest rates and the slower housing market/mortgages we warned about last year. Strategically, productivity/process reviews are essential at this time as are strengthening sales and service effectiveness plus identifying new, potentially substantial, revenue sources. In the latter case, start with revenue leakage reviews and then seriously look at how you are tapping into the many opportunities of your mass market or single product consumers.

Consumers will be searching more seriously and frequently for ideas to save money and to set predictability of living costs. Financial institutions with the right consumer care portfolio can answer these searches and build relationship points. Shoppers will show more price promiscuity and enlarge the commoditization and disintermediation threats facing traditional financial institutions.

We are in a new, slower, systemic growth phase with increasing competition. Are you ready? Is your team a finely tuned consumer centric focused marketing machine or are you susceptible to "the quiet erosion" by multiple financial institution users?

CANADA

Toronto, Canada Hosts NAFCU 39th Annual Conference

The National Association of Federal Credit Unions will hold its annual conference, July 12 – 15, 2006, in Toronto. (www.nafcu.org).

PCF in Canada Uses Food Retailing Techniques

With approximately a million customers, Presidents Choice Financial continues to use its successful food retailing techniques to market its services nationally.

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Sample headlines in a recent newspaper insert flyer:

- Hungry for a better way to bank?
- Switch and you could save up to \$2,700!
- The Credit Card with Juicy Rewards
- The World's Easiest Points Program
- Our Mortgages Can Save You Thousands!

Insurance Via Bank Branches? (Canada's Rhetoric Continues)

The media continues to flood the market with bank leaders pronouncing the benefits of insurance sold through branches and an equal number of insurance executives stating the opposite. Now, what does the consumer want? It appears that consumers support the banks' positions after they have been ripped off on general insurance premiums over the past few years to originally cover portfolio losses – and now to generate extraordinary profits without substantial premium easing.

P.S. ING Canada has now acquired Grey Power brokerage, a property and casualty insurer.

Retail Banking Leadership – Canada

Heading Retail Banking amongst the "big five" can be hazardous to your career longevity. BMO's Rob Pearce (51) has left as President & CEO of Personal & Commercial Banking (1% growth in Q1). BNS has promoted Jane Rowe to head their Retail Banking. Both TD Canada Trust and CIBC recently changed their heads as well. The longest surviving retail banking leader at a year and a half is Jim Westlake at RBC Financial.

Top Bank Websites – Canada (Forrester Research)

TD	}	
Scotiabank	}	
RBC	}	Met or exceeded minimum standards
BMO	}	
CIBC	}	

Banks are doing a weak job of educating and protecting online clients who are generally the better/more valuable relationships.

Imaging Comes to Canada's Clearings

Electronic imaging for cheque processing/clearing, coupled with paper truncation has started in Canada. Some financial institutions have already extended the capability to their chequing accounts where cheques are not returned and image requests cost \$1.50. Public media articles stated that the banks will save approximately \$2 per item in clearing costs and probably another \$2 in cheque handling, statement preparation etc. On a standard chequing account with an average of 10 items per month, the savings are approximately \$40 and if images are requested, a new revenue source is created. So what about the customer who currently pays a specified account fee for services that have changed i.e. no cheques returned and emerging request costs? So far there have been no announced service charge reductions. If we assess chequing account revenues/costs now perhaps it is the time for free chequing to all account holders.

TD Canada Trust Uses Newspaper Inserts

Like PCF, TD Canada Trust is employing a comprehensive "Mortgage Guide" in newspapers across the country. The headlines are somewhat more conservative:

- Choosing the right mortgage
- Putting all your household borrowing under one roof
- Protect what's important
- How to avoid the most common mortgage obstacles

Note: Mortgages are commodities and consumers are astute at product/ price comparisons through the Internet and of course, brokers who handle over 25% of Canada's mortgages.

Canadian Tire Enters the Frey

A few years ago, Canadian Tire Corporation that also owns Mark's Work Warehouse stores, teamed up unsuccessfully with ING Direct, placing ATMs/Kiosks in their stores. Recently they rolled out its Gas Advantage MasterCard and now at its Q1 shareholder meeting, CTC announced that it would be testing additional financial services such as high interest savings accounts, mortgages and GIC's plus expanding its credit card portfolio. During the past decade many international North American and National retail brands have entered the financial services market e.g. BMW, Harley Davidson, Sony and others.

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Basically, where retail brands have a large “consumer following” there is always the opportunity to private brand financial services. There will be more in an already crowded market!

Provincial Premier → US Ambassador → Bank Vice Chairman

Frank McKenna, who built New Brunswick into a call centre powerhouse, keeps improving the diversity of his résumé. As Vice Chairman at TD Canada Trust, he will be hunting for new corporate business.

Seniors Unique Needs Attract BMO Harris Private Banking

For many years some financial institutions such as the RBC Financial Group in the nineties focused on seniors or in their case the 55+ market segment with special servicing, services and trained officers. In fact their branches had ergonomically correct furniture and separate confidential areas designated for seniors. This incorporated sit-down service and education seminars on many topics such as wills and testaments, funerals, secure investments etc. Now BMO Harris Private Banking has introduced enCircle to take care of all of their seniors’ financial needs and are using an Advisory Council of doctors and other health care professionals. The bank’s certified Senior Advisors are specially trained and offer handling of all basic banking; arrangements for income tax; manage investments and travel insurance; and help with estate and trust planning.

Naturally, this enCircle arrangement targets seniors preparing for the wealth management transfer and who have over a half million in assets. But, there are three phases of wealth management – generation, preservation and transfer. Plus there are many seniors who will not disclose all assets to one bank and who do not reach Private Banking status but represent significant potential individual and family business. At WESI, we keep emphasizing these critical components in the wealth management cycle and seniors financial servicing. Many financial institutions attempt to do elements effectively but most, if not all, have not put the full lifecycle value proposition together that can incorporate multiple financial institutions and brokers/agents.

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U.S.A.

RBC – USA Again!

After some disastrous strategic errors and performance results in the last few years, RBC Financial Group through its Centura operation will open 20 new branches starting in 2008 (currently 270 units at \$20 US billion assets).

Note: RBC has announced opening new branches in Canada's urban markets, primarily in Toronto. Closures were not mentioned nor were amalgamations due to new units.

Online Banking Customers Top USA Website Choices – Wachovia

Keynote customer experience and service level rankings use 250 metrics to measure consumers' online experience and 290 best practice comparisons. Wachovia had a brand boost nearly two times greater than other websites. Other top banks were Chase, Citibank, Wells Fargo and Bank of America. Study showed in general that the banking industry is suffering from site reliability.

Wachovia Grabs Golden West

In a \$26 billion U.S. acquisition of Golden West, Wachovia sits behind only Citigroup, Bank of America and JP Morgan Chase. Is it a good deal for all stakeholders? Rising interest rates will add an extra dimension to the soothsayers. WESI respects Wachovia's sales and service penetration excellence and suggest their talents can show better than average performance gains.

Citigroup Launches a Direct Internet Site

In response to HSBC and ING Direct, Citigroup has set up an Internet bank with 4.5% savings accounts. (Citibank Direct).

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i Crossing/Harris Interactive show how America Searches for Financial Institution Products

Consumers that search for retail financial services and products online are well educated with above average credit and propensity to apply for the products and services online. 46% of searchers have a college education; 64% have annual incomes over \$50K and 48% apply. 74% have excellent or good credit ratings. 72% want more online learning of financial products. Time saving and convenience are the prime motivators.

Note: WESI suggests that most financial institutions should redesign/ update their websites to meet more than just the basic expectations of the users. Intermediaries are eroding relationships of traditional financial institutions due to the lack of professional sites and navigation ease.

Datamonitor Report: Distribution Strategies in U.S. Banking

Multi channel integration is becoming a key growth story in U.S. distribution technology. Customers are opting for a full range of channel choices. Seamless delivery service and improved cross selling will benefit consumers and the successful integrators. Outsourcing is scheduled to grow, as are software investments.

WESI Comment: All financial institutions should know their consumers channel preferences today and in the future or risk relationship erosion.

U.S.A. Credit Unions

- Approximately 400 mergers expected in 2006
- 45% of credit unions do not have proprietary ATMs (approx. 4,000)
- CUNA reports slowing loan growth between February/March (Delinquencies – .61) and savings growth was 3.12% (Q1 2005 2.93%)
- 2006 IBT/MCA Enterprises Pulse Survey:
 - 88% of consumers will recommend primary FI to family/friend
 - US adults looking to multiple FI relationships (Banks PFI 69%)
 - 41% would not switch; others would switch for incentives
 - Key ancillary services: Postage/shipping 89%; wireless Internet access 30%; coffee bar 27%
- Credit unions' superior service image is still an untapped image asset
- Numerous credit unions are moving into SME lending

Sales & Service Opportunity

Many financial institutions still have a distance to go to display an integrated sales and service culture. Particularly, they are missing significant consumer opportunities relating to life changing experiences (i.e. life stage marketing). Still there are many opportunities to provide service in terms of resolving problems, which increase relationship loyalty. All these facts come from five-year data tracked by the Financial Services Industry Council. The concept of customer care or member devotion portfolio approaches in the majority of financial institutions is still lacking although the approach has caught on with general retailers.

AUSTRALIA

Bath-Robed Branson Opens Aussie Virgin Home Loans

The supreme marketer, Sir Richard Branson, was on hand to launch Virgin Money's new variable/fixed rate home loan with many discretionary features including 100% offset account. Service commitment is 15-minute conditional approval and 48 hours full approval via telephone or Internet.

Downunder – David Liddy Revisited

You will remember the leadership profile this publication provided a few issues ago on David Liddy, CEO, Bank of Queensland? Well WESI wants to again congratulate David and his BOQ team for its 18% profit increase showing. Although BOQ competes with many large national banks and local credit unions, their growth statistics are significant.

For example:

- Loans 28%
- Retail Deposits 18%

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ING Profit for 2005 - \$122.4 million

ING started in 1999 and by the end of 2005 they had over a million customers and a year over year profit increase of 35%.

WESI Note: The major banks must be feeling the presence of these marketing, sales and service performances or niche players. Seems Canada and Australia have similar market results ... and Prime Ministers who recognize the similarities.

GENERAL

BAI Banking Strategies' Special Report on Innovation

The July/August report will cover the innovation driving retail banking.

The Contact Center World Awards

The subject awards have been announced for presentation at the Las Vegas Conference, November 7 – 8, 2006. Scotiabank has won the Best Contact Center (250+ agents) out of the nominations entered. Unfortunately, the Contact Center does not say how many were entered and if the sample proposed is an excellent representative sample of the universe.

SUMMATION

Consumer Centric Devotion

In picking up a recent issue of Australian Banking & Finance, the headline read "Customers to be king in new CBA strategy". I continue to be astounded and pleased that financial institutions' executives are returning to a consumer (customer or member) centric view of their businesses. As WESI has stated time and time again over the past ten years, the foundation of strategic success begins with a consumer-in view on everything. A consumer culture must start with a strong leadership commitment in words, actions and performance rewards. If the staff does not see the evidence of strategy synchronization, then change will not ensue. Yes, all of us have seen the words but in many cases, actions did not match and the associated organizations continued old habits of push marketing, price competition, increased fees, etc. which irritate consumers.

As interest rates climb and margins/spreads are squeezed in financial services, we will see more organizations trying to "renew" their consumer knowledge and relationships. The best way to start is to ask customers/members what they prefer today and in the future in order to start the synchronization process. When the research results are obtained, decision makers must listen and not shelf the consumers' views in order to enunciate their personal opinions. Next, a number of consumer focused elements need to be put in place in what we call a customer care of member devotion portfolio. These activities build the people centric infrastructure internally and one must monitor the implementation closely to ensure that the performance drivers are working as expected. Now, consumer segment experiences can be designed, tested and deployed which should demonstrate real value and empathy to the people. There are other steps or components in a detailed conversion process to the required culture, which will not be communicated in this article.

Measurements are usually the greatest focus of the leadership once the words are committed. In our last e-journal, there were critical comments and recommendations around research used to benchmark quality of service levels. Suffice to say here that an integrated set of measurements for the critical portfolio components is warranted if real change is to be made internally and with consumer interactions. Executives can be very disappointed if their strategic visions are not translated into survey results and improved business performance. Words can identify a focus and direction, then the organization has to plan the real change initiatives from a consumer-in perspective starting at all touch points, end-to-end processes and resource investments.

An example would be implementing a "Welcome Program" for new customers and members to ensure loyalty conversion and sales penetration without doing a coincidental "Welcome Package" for new employees. The management team should always be the first group oriented to the vision, actions and measurements. These are the day-to-day leaders and individuals who will do Discovery Sessions to ensure cultural conversion.

The financial service industry needs to commit to its customers/ members to ensure the best retail experience in their life, whether it is a student at university or college, or a retiree couple spending their children's inheritance. In our financial institutions, the front line staff, the tellers in the branches, or the agents in call centres, set the tone, the level and relationship connections with consumers. They need the appropriate investments in role clarity, duty techniques, training/ coaching and empowerment for customer care/member devotion. These people are the franchise face who can set the new benchmarks higher than the competition or for that matter, any retail experience.

Consumers in most countries have over a dozen financial relationships including banks, credit unions, brokers, insurance agents, investment dealers, financial planners etc. – then there is the Internet. Our COO did a google.ca search on "mortgages" the other day and 119 million references were identified. There are more and more choices daily and to differentiate oneself begins with real service – a foundation of consumer centric service.

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WESI's New Alliances

1. Dr. James Moore, Managing Director of Highline Banking Data Services, Austin, Texas

Jim is a longtime friend and business associate who has just assumed the leadership of Highline's banking practice. Most recently, his extensive research knowledge was pivotal in helping BAI announce at a Retail Delivery Conference the need for formal "on boarding" processes with new customers. In his new position, Highline is bound to become a critical performance management resource in the banking industry and its proprietary data services will lead to significant improvement opportunities. (www.highlinedata.com)

2. Chuck Wilson, Principal, Complex Wisdom, Inc.

Chuck was the senior executive of Marketech's services in Canada for a number of years after a career at RBC Financial. He has now set up his entrepreneurial dream, Complex Wisdom, to assist Canadian financial institutions optimize their branch networks' delivery and profitability performance.

Congratulations to our alliance partner Neocog (Chris and the team), which provides MRM and sales management systems to credit unions, on being selected to implement their solutions for the merged entity, Meridian Credit Union, which also included the IntelliLender, a "smart" lending tool. We will watch Meridian's successes with the Neocog partnership.