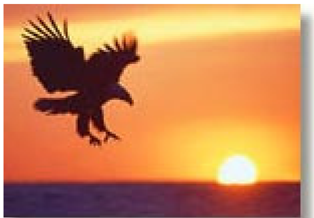

Eagle Net

WHERE EAGLES SOAR INC.
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We are in full summer swing in North America and as the song says "the living is easy". Unfortunately, behind the scenes there is serious work underway on business plans for the next fiscal year and the signals suggest tougher market conditions than in the past. The annual strategic standard is "growth". Where will it come from? How will it be generated? What are the options if our growth is slowing?

First and foremost, the successful planners know that their customer centric perspectives and the essential foundations such as quality of service/care, customer preference research, differentiated value propositions and well trained and motivated people, must be in place. You cannot expect extraordinary results without having this infrastructure established.

Second, where can you show continuous innovation in your business to improve your attract value – customer care, product features, delivery options etc.? Sitting still is not an option as your business will slowly or quickly be eroded, which takes less time than to acquire replacement business.

Finally, and most importantly, how are you going to refresh your reward and recognition programs? Some institutions continue a format year-after-year but forget to survey staff on what will motivate them to give their discretionary efforts to the institution. Unfortunately, there are executives that believe they know best what employees need and it is that attitude that must change. Many employees today have jobs, not careers as in past generations, and people expect their employers to be in touch with their motivators. Take the time to release the energy.

CANADA

CIBC Lawsuit

CIBC is being sued by Global Crossing's trustee over an alleged affiliate's $2 billion benefit from insider trading.

CIBC Refunds Customers

CIBC will be sending refunds to 2000 customers who bought products under their Visa promotion. The Competition Bureau made the announcement after an investigation prompted by customer complaints.

South African Bank Executives visit Toronto

A dozen up and coming South African bank executives are in Toronto under their Government's Banksite initiative, to develop their skills. The participants will do onsite training in three banks and take classes at two universities.

Canada's Payments Landscape

Credit Cards	60 million
Debit Cards	35 million
POS Locations	625,000
ATM's	51,000

Canadian Banks Switching Ease

For many years established pre-authorized debits and credits from and to accounts were a deterrent for customers contemplating a switch in financial institutions due to personal preferences, dissatisfaction or competing promotions such as free chequing, which not yet universal in Canada.

Well, all that has changed! The Scotiabank's "Simple Switch" program started the ball rolling. In an effort to consolidate bank accounts, the Scotiabank's free service attempts to take away the hassles of switching.

The bank gathers the information at a convenient time by telephone and does all the notifications to switch preauthorized payments. These include closing accounts elsewhere and the customer gets a schedule of everything. (Note: an outsourcing firm accommodates these requirements). RBC Royal Bank has "CustomSwitch" handling the same features and sourcing. TD Canada Trust uses "EasySwitch" for personal or small business accounts plus gives out an iPod shuffle or iPod nano. CIBC has its "Express Switch" to move the consumer to its Unlimited Chequing Account (there is a simple monthly flat fee). The incentive – thousands of Bonus Aeroplan Miles.

Perhaps the banks will add this feature to their "welcoming" or "on-boarding" programs to facilitate the establishment of new customer connections.

On Charges --- Again!

Last issue we wrote on the recent cheque imaging/truncation cost savings accruing to the Canadian financial institutions – savings not passed on in any degree to the consumers.

Well, next we see "Service Fee Changes" brochures mailed out. RBC's in particular caught our eye since the print is smaller than normal and the litany of price increases are buried in a continuous text without a comparison chart of any kind.

Interactive Branch Design

Even the major newspapers are now writing stories (Toronto Star, May 25, 2006) about new branch designs, which are catering to more interactivity between staff and consumers. Umpqua Bank in Portland, Oregon is highlighted in the article for its computer cafés with free Internet access, free coffee and flat screens delivering financial news. Fortunately, some of the better designers realize that the people in the new branches need a cultural shift and are investing in this important aspect.

For innovative designs that attract the customers that financial institutions want, WESI suggests that they invest in customer preference research to obtain the current and ideal states for more interactive sales.

Eagle Net

Canadian Banks – World Leaders (Source: Globe & Mail Newspaper)

Total Annual Shareholder Return (2001 – 2005)

Canada	15.5%
Australia	14.3%
France	13.8%
Japan	9.1%
USA	5.8%

Top 10 Large Cap Performers (2001 – 2005)

Bank of America	14.2%
Sberbank	11.2%
Bank of Nova Scotia	11.0%
Wachovia	10.0%
RBC Royal Bank	8.3%
Lehman Bros.	7.4%
Societe Generale	6.7%
Bank of Montreal	6.4%
HBOS	6.3%
BNP Paribas	6.2%

U.S.A.

Financial Service Centers Cooperative & 7-11

Financial Service Centers Cooperative (FSCC) has signed an agreement with 7-11 stores which, using Ensenta software, will allow any credit union member whose credit union participates in FSCC to conduct shared branching transactions at 1,052 7-11 locations in 3/6 months.

RBC Centura

RBC Centura, whose name is on the Stanley Cup Champion's home arena in Raleigh, NC, received tremendous visibility during the playoffs, which will build brand recognition.

Forrester's Consumer Technographics 2006

"My financial provider does what's best for me, not just its own bottom line".

USAA	68%
A Credit Union	67%
GEICO	59%
AAA	59%
State Farm	55%
Vanguard	55%
Progressive	52%
Edward Jones	51%
Wachovia	35%
Charles Schwab	35%
Washington Mutual	33%
Wells Fargo	32%
Bank of America	30%
Citibank	19%

Retailing Survey U.S.A.

The 2006 Consumer Sentiment Index by Alix Partners provides good guidance for all retailers.

The study consistently shows that executives can get caught up in their own ideas about what consumers want rather than taking the consumer-centric approach and asking them. What consumers want most, according to the study, are courteous employees. Respectful employees are especially important. In general, customers are looking for five basic retail attributes: access, experience, price, product and service. Customers also expressed desire for better return policies and store layout that is easy to navigate.

Wal-Mart was the hands down retail leader because "they have focused on making large numbers of people feel comfortable shopping in their stores."

Retailers who won the highest marks were those who outperformed their competitors significantly in one or two aspects of performance. "If a retailer doesn't understand the two things that they really want to be good at, they run the risk of being mediocre in all of them."

AUSTRALIA

Mortgage Broker Powerhouses

Our Journal in the past has highlighted the growth of mortgage brokers in Australia at a market origination average of 40%! Surveys in Australia have shown consumer satisfaction grows with brokers who have gradually added other services to their brands.

We invited Greg Kolivos, CEO & Executive Director, RAMS Home Loans to contribute a short description of the RAMS operation and innovativeness to our Journal. Here is Greg's mini company profile:

* RAMS was one of the first non-bank lenders to enter the Australian market in 1995 – post deregulation of the mortgage market. Its prime objective from the outset was to give homebuyers a highly differentiated offering based on service and product excellence. The market had been dominated by the four major banks, standard home loans, inflexible lending criteria, lending margins of imaginable proportion, and low customer satisfaction.
* Rams was renowned for advertising that broke the mould of traditional mortgage advertising – it was a direct response with a strong functional benefit. RAMS positioning was underpinned functionally by leading competitive award winning products, product firsts such as SmartWay the first home loan with a cheque book, no account keeping fee guarantees, customer service unseen from banks with a mobile sales force that actually went outside of banking hours to peoples homes.
* RAMS showed mass consumers that it had insight into their frustrations and gave them an alternative. Since that time the competition has intensified and what had been points of differentiation had become points of parity – the competition, largely the major banks had closed the gap.

* Interestingly, RAMS today is still known for the same things it was when it launched, however in order to maintain a competitive advantage the associations have changed significantly. Today the consumer insight associations are more specific to target segments – e.g. First Home Buyers or the Self Employed, actual products are no longer a competitive differentiator – our competitive advantage comes from our speed to market and our continuous cycle of innovation – we have compressed our new product launch process to three weeks, and service is now about the connection that the customer has to the "salesperson" which is now delivered through a franchised network of RAMS branded home centres – nurturing the customer relationship beyond the point of the initial "sale".
* The challenge for RAMS is always to have more insight into its target prospects and its customers, so that as the competition improves its game plan – RAMS continues to change the rules of the game.

INTERNATIONAL

Republic Bank, Trinidad & Tobago

For the third year in a row, Republic Bank was named the "Best Emerging Market Bank" in its country by Global Finance.

INTERNET FOR RESEARCH & TRANSACTION

Most financial institutions realize that consumers and businesses of all sizes are using the Internet more each year, especially with the wave of wireless handheld devices. The vast majority of users place research as the priority application with actual transactions lacking a fair distance behind.

The Canadian Interactive Reid Report for 2006 found 61% of Canadian Internet users are either very willing or somewhat willing to provide their e-mail address to websites. The typical user now registers at eight websites. This represents a significant opportunity to the well crafted
e-mail campaigns.

All financial institutions should at least ensure that they have customers' permission on file to send marketing e-mails, which are specifically targeted to known or probable preferences of the individual customers. Privacy compliance and security are consumers' critical concerns and the financial institution has to build approved access and trust with their customers.

Today, credit card applications on the Internet are at the top of the e-mail user lists but the consumers have to be moved to higher value transactions with predictable acceptance.

THE CUSTOMER EXPERIENCE IS THE DIFFERENTIATOR

Researchers have found that some of the major financial institution brands in the U.S.A. receive the poorest customer advocacy ratings (Forrester). These results are no doubt mirrored in other countries such as Australia, Canada and the U.K. Many of these organizations undertake regular research on customer preferences and perceptions. So why can't adjustments be made to meet if not exceed consumers' experience benchmarks? First, if the service culture is not a primary strategy, building success in segmented experiences is highly unlikely. Second, if the business motivation is the quarterly profit, consumer concessions are highly unlikely. Finally, if the employees are just doing their jobs, empathy will be absent, and the transactions will be treated as commodities by consumers.

Every financial institution should have a continuous improvement strategy built around the customer experience or they will see a slower growth rate or perhaps erosion of the consumer franchise.

SUMMATION

Leadership Where It Counts

We have seen ordinary people do extraordinary things in financial services because of leadership – a quality that makes a real difference. First let me qualify that size of organization has not necessarily meant you find leaders just in the large banks. Leaders can be found in the $50 million dollar credit union and the $500 billion international bank. Today, more than ever, leadership is the survival differentiator at the top and in the Board Room.

Directorships have changed due to governance requirements and competitive necessities. Sometimes our team will find Directors with both hands involved in day-to-day operations while sacrificing the governance perspective putting the entity at risk. Today's Boards need real leaders who have a nose, ear and an eye for critical strategic elements but leave management to run operations.

In turn, it is a critical responsibility of the CEO to manage talent and succession planning as well as developing leaders internally. If assessments in small financial institutions suggest that there should be new potential leadership, candidates should be brought into the organization early and put on specific development paths.

We all talk about leadership and in most cases we can differentiate leaders from managers when asked to do so. But, do we really invest the quality time needed to ensure that the Board and top management represent real leadership for today and tomorrow? Perhaps sometimes the courage cannot be found to deal with inadequacies in talent. If this is the case, bring in a professional to help you verify and plan the correct approach needed.

Millions are spent on IT, new branches and other capital initiatives. People and in particular leaders, are the greatest assets under our charge. Are the right investments being made for the future of the organization?

WESI'S New Alliance

Welcome Member Allegiance LLC to the WESI alliance family. Member Allegiance has been started by ex-CUNA Vice President, Kevin Lytle. He is focusing on member loyalty in the credit union industry with his consulting practice. Kevin can be reached at 608-213-0879 or Kevin@memberallegiance.com

Kevin has contributed the following member loyalty synopsis:

Developing Member Loyalty

All companies are striving for the same thing, brand loyalty.

From the book; "Married To The Brand, Why Consumers Bond With Some Brands For Life" William McEwen, a long-time executive with the Gallup Research company has this to say:

- Products alone cannot support a passionate brand relationship, nor will low prices, great advertising, stunning packaging, or a superb location.
- In most cases, it is not enough that consumers trust a brand. That is because they may trust many brands – but somehow, the emotional connection goes no deeper than that. Trust is the essential foundation, and (brand) marriages will not last without it. For a lasting relationship, there must be brand passion.
- Emotions are not merely warm and fuzzy concepts suitable mainly for greeting-card poetry and Hollywood scripts. Emotions are both powerful and profitable. Whether a company is marketing hamburgers or microprocessors, there is a demonstratable financial return that results from emotionally engaging customers – and there is a substantial cost that results from disengaging them.

These are the messages all competitors are hearing. They are beginning to wake up to the power and financial benefits of developing customer loyalty.

However, none of the competitors have what co-operatives and credit unions have, the co-operative principles of democratic control by members, dedication to member education, co-operation with co-operatives, and concern for community, to name just a couple.

It is time that being a co-operative is considered an asset when it comes to business success. For that to happen the management and staff of co-ops and credit unions must understand co-operative values and principles and act as if they were important to their success.

Boards of Directors will need to focus on member participation and the payment of patronage dividends as a means to differentiate the co-op in the market place. Trying to match the competitor's offerings will lead to a "Me too" market position and reduce products and services to commodity status.

As executives, managers, and consultants are brought in to help solve current challenges, co-operatives must look for individuals who see co-operation as an exciting opportunity rather than a handicap.

In the end, there should not be a constant tension between being a co-operative and being successful as a business. However, co-operatives must broaden their perspective to draw on the best co-operative experiences and solutions from around the world to differentiate themselves in the minds of their members.