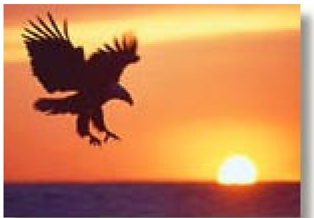

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SALES & SERVICE CULTURE TUNE-UP

Current economic conditions are affecting everyone internationally and not just our friends in the U.S.A. who entered tough times last year as the sub-prime mortgage market fell into a deep abyss. Profit projections by most major financial institutions have been pulled back for 2008 in their discussions with analysts and shareholders. This is not strictly the ABCP continued fallout but an inability to grow their core consumer business during the current fiscal year and at least the next.

The first and obvious reaction by organizations is to cut costs, some through drastic layoff measures, and others through productivity reengineering to dig-out excessive processes and procedures absorbed into operations over the past 3 to 5 years. This latter practice should be an ongoing discipline in every organization but unfortunately when the "good times roll" so do the inefficiencies roll up through operations.

In a consumer centric organization, the best strategy is to tune-up its sales and service culture to capture more business from split relationships and acquire new prospects. A current state diagnostic is where to start including consumer and staff research to determine opportunities for both sales and service improvements. The premier sales oriented entities look to become more energized and effective in their consumer outreach and internal teamwork. Innovation is used strategically to simultaneously build brand equity. Two great examples in Canada are Manulife's campaign blitz around the Manulife One Account and Royal Bank's market trendsetter Signature Account with no charges and a free PDA!

Your diagnostic should isolate the 5 or 6 key priorities for consumer centric action, which will generate more growth leads and a higher execution level. Our COO, Judy Johnston, has developed a quantum leap service portfolio built around consumer devotion (the emotional level of service), which is demonstrating real market differentiation in a few countries. Lead generation tactics and sales transformation coaching are two other common areas of positive lift. In any event, your consumers and staff know where the gaps are, so take the time to bring their knowledge into your tune-up program.

Tough economic times bring out the best in evolving sales and service cultures when people are open to new solutions as consumers or network staff in various delivery channels to protect and grow personally while meeting the working challenges of the day, which we cannot control in most cases. The rising oil prices will change lifestyles and these changes will present sales and service opportunities. Contact WESI if you would like more details on the "Tune-Up Program" or have questions about your own model's effectiveness.

FOCUS GROUPS TELL THE DIFFERENCE

As WESI continues to use focus group formats in client projects, the more we endorse their ongoing use with customers, staff and management concurrently. The reason we emphasize the three stakeholder groups is the fact that it makes it easier for internal decision makers to understand subject matter gaps and to potentially see related solutions. The focus group methodology we use generally encompasses open discussions around specific topics or questions plus individual, confidential questionnaires. Within the customer population it is also best to do a minimum of 3 or 4 distinct, separate segments to see the group differences. Obviously when conducting the latter do not have any management or staff present. The same techniques work well with small business enterprises and entrepreneurs.

Guest Column – John R. Wright, WESI Managing Director, UK

Focus: Writing was on the wall when banks gave up on customers. Depositors have been left to pay the price in a financial culture that put their needs bottom of the list.
JOHN WRIGHT

The Scotsman 05 Jun 2008

I suppose it should start with ethics and tradition, the core tenets on which Scottish (for which read global) joint stock banking was founded.

My generation of commercial bankers were brought up in a rigorous system where the 'culture' was based on an understanding of responsibility for and accountability to the bank's depositors.

We were required to exercise diligence in their care and prudence in the manner in which these customer deposits were lent out. 'Belt and braces' was the order of the day.

In essence, it was an uncomplicated business based on principles that were handed down through the generation of seasoned practitioners and as Sir Bruce Pattullo (former governor of the Bank of Scotland) said some years back, it was boring.

The excitement came from knowing one's customers, meeting their needs and seeing them succeed. Remuneration was modest but fair, with long service being recognised. The education offered by the Institute of Bankers ensured that bankers obtained a basic grounding in banking and financial principles.

That was 'then'; now we find Mervyn King, the governor of the Bank of England, criticising banks, which rewarded staff with huge sums for taking risks (with the depositors' money!). He said managers did not understand the complicated high-risk financial products in which they dealt. The pay structures were too closely linked with the short-term benefits of these instruments rather than financial results.

He went on to say that these were based on very poor assumptions and were not in the long-term interests of banks themselves.

He noted that a few banks that had decided against investing in such instruments were often pilloried for being 'boring' by analysts and the media.

He stated that all of us, including the Bank of England, have learned a lot of lessons from this and we must make sure it does not happen again. No kidding!

As a banker of some 50 years' experience - as a clerk, manager, chief executive and now as a director, I have watched with horror as my industry has tried strenuously to squander its birthright.

The fundamental flaw in allowing securities/stock markets/merchant banking activity to develop almost unchecked in the balance sheets of commercial banks - enabling 'brightnesses', financial whiz kids, to enrich themselves using our centuries-old brands - has been exposed for all to see.

In a perverse way, though, I am glad to see this chicanery was brought out into the open, even so late in the day. The damage done to the reputation of the banking industry in this country is incalculable.
Where are your enterprise risk directors now?

How did we get here? Well, in the 1980s and 1990s, we got rid of a generation of experienced managers on the altar of 'change'; and simultaneously we dumbed down the point of sale (branch) to reduce costs and started to incentivise sales (no-one yet has properly incentivised retention).

With hindsight, most banks handled the change rather badly from a leadership standpoint, with nothing effective being put in place to replicate the old, more collegiate style. Of course, most banks are being run by the people who did not serve their time in the industry, and it now shows.

Customers, who have in the main been left out in the cold from this movement towards 'creating a more customer-focused business' (what a joke) are now reduced to looking askance at their banks and wondering if their money is safe.

Pub and dinner-party chatter confirms this. A large number of our customers also have been grossly oversold credit products and thanks to the industry's lack of diligence, are now placed in financial hardship. I wonder where the FSA's 'Know your Customer' process was in all of this?

So where do we go from here? The danger is that the 'brightnesses' go down the street and start over. It is really down to the regulators to clamp down on this aspect and get some sensible governance and risk management in place.

Also, they should review their list of 'approved persons'. However, at the core of the business, the question is how can we create an ethical-service proposition that will re-engage with our customers and start to rekindle the mutual trust that once existed?

This will require leadership of a high order and a willingness to step out of the herd and challenge this unacceptable status quo.

I am glad that our Institute in Scotland has started to focus on this in recent years; I would hope this subject can take centre stage.

I would like to think that I am not a dinosaur, and that I am as prepared for change as the next person, but it must happen with our customers taking their rightful place on centre stage. Will all this happen? I have my doubts.

* John Wright was chief executive of the Clydesdale Bank, 1998-2001, and is still involved in banking as a director.

CANADA

The Intra Country Credit Union Collaboration Grows

The Credit Union Movement in Canada has taken a giant step forward with the merger of British Columbia's and Ontario's central organizations in Central 1 effective on July 1, 2008. This is no doubt just the first step in building a truly national financial cooperative, which will be a stronger and more agile competitor on the financial services landscape. At present in Canada, approximately 1 in 3 Canadians are members of a financial cooperative.

New CEO at ING Direct Canada

Another young CEO, Peter Aieto, has taken over the helm at ING Direct in Canada where the organization has grown to approximately $24 billion in assets in just over a decade and services 1.6 million Canadians. Mr. Aieto says they will raise the competitive noise more with his comment "We want to innovate in a way that's descriptive".

Financial Institutions are Top Brands

Canadian banks have invested in strong brands and a recent study by Interbrand confirms that fact as well as their increasing global impact. Within the top 24 Canadian brands in 2008 we find.

Rank	**Financial Institution**
2	Royal Bank of Canada
3	TD Canada Trust
6	Manulife Financial
8	Scotiabank
11	Bank of Montreal
16	Sun Life
17	Canadian Imperial Bank of Commerce
20	Investors Group
23	CI Investments

Payday Lending Regulations

Regulation has begun for the payday lending industry but the rules don't touch e-cash, online opportunities. Regulators state that anything done on the web should be viewed to have been completed where the company is located! (Perhaps the regulators should understand Web 2.0 better).

U.S.A.

Bank of America Mobile Banking Growth

B of A introduced mobile banking in March 2007 in selected markets and then went across the U.S.A. in May 2007. A year later and one million customers have signed on for the free consumer service. During the month of May 2008, the customers conducted over 4 million sign-on sessions.

Footnote: Mobile Banking Launched in Africa and Latin America:
MoneyBoxAfrica led by Stanbic IBTC Bank has teamed up with German Paybox to create a mobile banking and payments system. A study predicts m-banking could be a major channel advantage in reaching the "unbanked" population. Similarly, global telco Telefonica has joined with the Inter-American Development Bank to target the 175 million unbanked in Latin America.

Security Breach at New York Mellon

Bank of New York Mellon has lost unencrypted back-up computer tapes containing the confidential information on 4.5 million customers!

Durbin Bill Pressures MasterCard & VISA

Senator Dick Durbin has introduced a bill to give retailers and merchants the power to negotiate reduced charges for card transactions.

Statistics – 2006

Check Payments value $41.7 Trillion (Average value $1,366)
Debit Card Payments value $1.0 Trillion (Average value $39)
Credit Card Payments value $2.1 Trillion (Average value $98)

Web 2.0 Gadgets Attract Bank Customers

WorkLight™ recently did a survey among Facebook users to determine willingness to use Web 2.0 tools for secure banking. The 1,000 Facebook users surveyed ranged between the ages of 18-34 (tech-savvy people).

- 27% are willing to switch banks in order to use secure 2.0 gadgets to manage personal finances
- 48% would use secure gadgets for personal banking if their financial institution offered it
- Men (55%) are more open to using these tools than women (45%)

AUSTRALIA

EBay Cancels PayPal Move

With the ACCC (Australian Competition & Consumers Commission) moving to scuttle eBay's plans to force consumers to use the PayPal service for online auction payments and with the mounting industry backlash, eBay has withdrawn its strategy.

EUROPE

Common Market Pressures on MasterCard

MasterCard has stopped charging interchange fees for cross border credit and debit transactions in Europe in order to be in compliance with an EC ruling which has heavy daily penalties attached.

ARTIFICIAL APPRECIATION!

As the mortgage/ABCP investment crisis continues to unravel in billion dollar erosions, another potential disaster continues to build as institutional investors and others hype commodity indices to rapidly increasing levels of inflationary pressures and perhaps, artificial appreciation. The most vivid example is in the energy sector with the commodity futures and associated indices for the price of oil. Still more money continues to push the index to previously unforeseen amounts while analysts feed the attraction value by projecting $150, $200 and higher prices for a barrel of oil.

Other commodity indices, although less conspicuous to the average consumer, are likewise being rapidly inflated in the food sector. A couple years ago I would buy a ton of fertilizer for just over $400, this year my farm friends were paying in excess of $1,200! Likewise the futures for grains, beans and especially corn are approaching previously unbelievable levels. The corn prices have gotten out of hand as uneducated politicians develop policies to divest supplies from the food chain to ethanol production. Consequently, more people can't afford essential grains or even get access to them, increasing starvation probabilities in developing nations around the world. Also, the contradictory weather patterns are prolonging droughts in those countries while producing areas in other countries such as the U.S.A. where 2008 production has been flooded and lost. In the latter case, there may actually be real demand value increases partially propelling prices higher. Unfortunately behind the scenes, large blocks of investment capital continue to flow into the commodity exchanges bidding the values higher and higher.

I applaud the U.S.A. regulators for instituting major investigations into the potential speculative manipulation of commodity prices and hence the related investment indices at home. Here in Canada, government officials have already fined a number of gas retailers in Quebec for price collusion and reviews have been expanded to other regions.

The bottom-line is simply that we in the financial services must be responsible to the trust given to us by our customers and members and not invest their capital or clients' monies into hyped-up commodity indices, which could be the next major investment collapse of this decade. Here again, greed is the fuel behind some of these artificial appreciations and we in the industry must show resolve not to be tempted into another wave of investment quicksand. Our risk management antennae have to be alert to protect the foundation of trust on which we operate.

PARTNERSHIP CHANNELS

Progressive organizations and those with consumer centric innovativeness are always searching for new delivery value propositions, especially when they can also expand their brand reach at less cost. A growing solution, where consumer preferences synchronize with possible channel extensions, is partnership delivery.

Some may refer to the concept as alliances but in fact the two are slightly different. For example, you have the Star Alliance in the airline industry where a group of organizations share a points' program and route cooperation. On the other hand, the true partnership channel is more like the recent partnership announcement by Westjet and Southwest. They will do cooperative bookings and reciprocal marketing. In the financial industry we have examples of both types as well. Unfortunately, most are brand alliances, which are image based and lack a real proactive sales and marketing collaboration sharing infrastructure and yes, most importantly, customers.

In the recent months of distribution diagnostics and network optimization planning, WESI has been successfully building partnership propositions for financial institutions around market segments, product linkages and unique, reciprocal growth benefits resulting in significant relationship developments at minimal costs. A key essential in partnership channels is each partner's capability to equally deliver and penetrate opportunities and have capacity to act responsively and effectively. Reality must meet, if not exceed, expectations.

MANAGEMENT OR DIRECTRS' RETREATS

At least annually, for strategic planning or development purposes, organizations large and small invest in special custom retreats. These events can range from a day to three or more depending on objectives, participants and available facilities. WESI has continuously designed, hosted and organized such requirements for clients since its incorporation a dozen years ago. Where outstanding external speakers are required, we turn to our Principal, Ian Percy, who is in the Canadian and U.S.A. Speakers Halls of Fame. Or if it is change management, we have Principal, John Wright. Both profiles are on our website. If it is Web 2.0 and Gen Y we have our alliance partner, PeopleWerx. Whatever your strategic needs contact CEO, Pat Palmer, or COO, Judy Johnston to discuss the options.

Note: Don't forget to check our website regularly for new postings and information support.