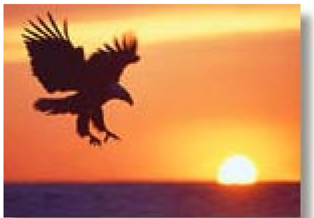

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THE SERVICE & SALES CULTURE JOURNEY

Retailers build their business by understanding and effectively executing the continuous service and sales culture journey. In financial services the cultural challenges are compounded with intangible values and historic reactive tendencies. The successful leaders will know the strategies, structures and systems which drive a people centric set of behaviours and relationship propositions. On the other hand we still find organizations that institute a variety of isolated or independent activities, such as branch staff training programs, which create cultural churning and confusion by themselves. In many cases the latter environments are driven by vendors with specific programs to sell or management staff who have experienced learning through other employment or conference speakers and exhibitors. Actually doing some of the initiatives required in the wrong sequence without prerequisites in place can do more damage to staff learning and consumer perceptions than doing nothing.

WESI operates a seven "S" model for service and sales culture transformation and the proper sequential block building. First, a financial institution wants to clearly articulate its exciting service and sales strategies and the goals attached thereto over the next 3 to 5 year period. Second, the organizational structure with role and responsibility clarity has to be designed and an associated implementation plan constructed starting with staff orientations and management transition programs, which will focus on performance management coaching and motivation. Everyone must buy into the rationale for the cultural transformation i.e. competitive counter strategies, intermediaries' disintermediation, stakeholder values and naturally, financial footings. Remember all local, regional, national and Internet based competitors want to erode your franchise i.e. eat your lunch.

Traditional management and staff in financial institutions generally have a solid focus on service performance but struggle to convert any service advantages into business retention and growth plus generate a real emotional service attachment with the financial institution. Reaching new levels of caring or what WESI calls devotion, is critical for real differentiation in today's crowded marketplace. Taking the time to build and maintain proactive relationships will payoff with increased loyalty and therefore sales and referrals. Building affinities with people versus products pays dividends for staff, management and the organization as a whole.

Periodically, take time to assess the real progress of your service and sales culture development against your plan, current competitive dynamics and consumer preferences. Adjustments will always be required and as well, new actions designed to keep the team culture growing around its exciting vision of being the most responsive, consumer centric retailer in the local economy.

HOW DO YOU SPELL RELIEF?

Earning power erosion and job losses challenge consumers' abilities to meet mortgage payment commitments and to retain ownership interest especially when the debt load exceeds the current value of the properties. The historical practice of foreclosure no longer works for financial institutions that hold the mortgages since there is an over abundance of vacant homes and little if any buyer demand. Hence, many properties are vandalized or simply not maintained leading to valueless properties which in some cases have to be demolished leaving only land with substantial associated accrued costs.

How are institutions innovatively dealing with these circumstances in a consumer centric mind set? First, some consumer debt loads are extremely high, and debt management advice/training programs are a foundation necessity.

Make sure that all consumer staff goes through your debt management program before exposing it to the public. Staff has to build their knowledge and segment sensitivities to understand how to identify needs and build interest in referring consumers. Secondly, properties and owners have to be classified as primary residence holders, investors, speculators, or over extended borrowers. Financial institutions want to concentrate support solutions on the first segment and particularly those who have a record of managing their credit in a proper and proven manner.

There will be some who are over extended or bought a more expensive house than was reasonable in normal economic times. In some cases they will have been encouraged by intermediaries or financial institution personnel directly to "over buy". In reasonable situations, consumers purchased within their means and at the time were capable of managing their debt obligations prior to the "toxic economy" collapse. The standard solution has been to rewrite mortgage contracts in these low interest times and develop revised payment schedules which provide contingency cushions for future financial frailties to keep consumers in their homes as well as committed to their debt obligations. Remember one of the key reasons for marriage or partnership breakups relates to financial affairs so precautionary moves by financial institutions can mitigate some of the tension.

Across the board, we see a variety of substantive or symbolic initiatives being implemented to aid consumers. Citigroup's recent announcement that it will lower "some homeowners" mortgage payments to an average of $500 U.S. for three months in our assessment is symbolic. On the other hand institutions that are proactively rewriting mortgage arrangements in light of this lower interest rate environment represents a substantive move.

What are your proactive solutions to engender a culture of compromise versus collection? We would appreciate hearing from you and printing your actions in the next Journal.

INTERMEDIARIES: DISTRIBUTION DUE DILIGENCE

Last month in Ontario, The Financial Services Commission which regulates mortgage brokers issued orders to suspend 79 brokerages for not having errors and omissions insurance. New, updated requirements are designed to “enhance” professionalism. These actions point to an important distribution management responsibility with intermediary channels, which have grown as a major source of business for many financial institutions in both the deposit and lending product lines. The issue is initial partnership due diligence and ongoing auditing of service level agreement conditions. Since most of the intermediary networks are syndicated i.e. they have associations with a number of financial institutions for placements, the importance of proper management controls is a critical necessity. Initially you want a formal due diligence process through which every prospect intermediary’s organization, processes, insurance, regulatory reporting, training etc. are scrutinized. Once onboard, there is a two-pronged management process needed to continuously review transactions and the intermediary’s behaviour/ethics plus undertake post surveys with clients to gauge service satisfaction and contractual understanding. Beware of trying to compete by adding every intermediary available!

THE MORTGAGE BURDEN

A Globe & Mail column by Richard Blackwell recently described the large percentage of U.S. homeowners with mortgages worth more than their houses i.e. net negative equity. Apparently, more than 25% of the 52 million mortgages are currently in that position with the number expected to rise to 19 million homeowners. The article also states that Canada’s housing numbers/trends tend to lag behind the U.S.A. by about two years but that Canada has started to go in the same direction!

Comment: All financial institutions need to have or to institute advisory programs to deal with consumer debt management pressures and negative equity positions. These times have created special circumstances requiring flexible responses.

CANADA

RBC Collaboration with Deutsche Bank AG

An agreement between RBC Royal Bank and Deutsche Bank has been finalized to leverage the latter's international infrastructure for the provision of extensive cash management services. RBC intends to continue enhancing its global business banking services.

CIBC Raises Fees & Interest Rates

As at April 1st, CIBC fee increases will take effect on a variety of services including new charges on dormant accounts 3 to 4 years and 6, 7, 8 years at $20 and $30 respectively. Perhaps, consumers will increase their financial service shopping promiscuity with the wave of fee hikes!

Budget Opens Auto Leasing Debate

A paragraph in the recent Canadian budget said the debate about amending the Bank Act before its scheduled 2011 review date will be reopened to allow the big banks into the auto leasing market. Automakers, suffering in this recession, applaud the move.

Electronic Leaders Shy Away From Mobile Banking

A Forrester Research Study has found that Canadian banks and their customers have not jumped on the mobile banking wagon to the same extent as the U.S.A and the U.K. Canadians aren't ready to bank on their cell phones although 50% of consumers are aware of the service. Only 1% currently use it and another 3% plan to.

VISA and MasterCard Come Out in the Open!

Canada's debit card industry is, on a percentage basis, the busiest around. In fact, Interac, which is the sole network at this point showed 3.7 billion transactions in 2008. Now the two international credit card giants, VISA and MasterCard are salivating at the thought of entry into the Canadian marketplace with their debit cards. This would surely change the payments landscape and inject higher fees for merchants and consumers. Consequently, pressure is being placed on Ottawa to start regulating the payments industry henceforth.

CTC Jumps Credit Card Rates

Annual rate of interest on CTC credit cards increases in March to 19.5% from 18.99%. These rate increases while the bank rate is decreasing are attracting more public and media attention. Last month CTC experienced a security breach with its MasterCard at a U.S. firm and had to cancel and reissue 16K cards.

U.S.A.

Internet: The Debt-Free Shopping Mall

EBillme has created "The Debt-Free Shopping Mall" as a tool for debt-free living and offers the latest product information, smart shopping tips, discounts and advice for spending with cash. EBillme is an alternative payment option for shopping online.

Migrant Workers Money Transfers Decrease

The current economic situation is beginning to hit migrant workers as job losses grow. Consequently, the stream of money transfers home has begun to fall. Some estimates suggest a 50% drop by 2011 after which significant growth should arise.

Gartner's Mobile Technologies Watch List

In 2009 & 2010 Gartner recommends the following eight mobile technologies to watch:

1. Bluetooth 3.0
2. Mobile User Interfaces (UIs)
3. Location Sensing
4. 802.11n (boosts Wi-Fi rates)
5. Display Technologies
6. Mobile Web and Widgets
7. Cellular Broadband
8. Near Field Communications (NFC)

Another PayCard!

Ceridian Corporation, which provides HR and payroll outsourcing solutions, has added the Ceridian PayCard to its payment options.

Phishing Attack!

Cyveillance Inc. has issued a new report on phishing costs. The highlights are as follows:

50% of people who get the phishing e-mails will eventually open them
10% will read it and click on the link to the attack webpage
10% of the latter group fall for the attack

Discover's Mobile Site Launched

A mobile site based on Discover's main portal has been launched after a successful pilot with Motorola in Chicago and Salt Lake City.

Social Lender Zopa Closing

Another victim of the current economic conditions is the U.S. Zopa model of social lending designed to attract YouTube and Facebook participants.

ABC-TV Ambush CUNA/CUES Conference

With universal attention on financial industry bailouts, the press is searching for any contradictory behaviour by industry institutions. To date, the media attention has been on the major Wall Street firms with their large "performance?" pay packages, and resort boondoggles. Now media staff posing as legitimate tourists joined a CUNA-CUES conference held on the island of St. Kitts. The golfing, beach and party activities of the 160 Board and management attendees will no doubt appear on your ABC station soon. Perhaps the World Council of Credit Unions will have a real challenge in holding its future conferences, as will the banking, investment and financing international associations. The participants and organizations have to realize the delicate nature of public perceptions and the negative fuel that can be generated by a variety of media sources lurking everywhere.

2009 ACSI Scores

The University of Michigan's American Consumer Satisfaction Index (ACSI) has been released. The highlights for financial institutions are as follows:

Credit Unions	84
Banks	75* (a drop of 4 points over 2008)
Nordstrom Department Stores	80
Publix Supermarkets	82

*Smaller banks lead the industry

Where strategic cost cutting is implemented, banks must be careful that actions don't erode customer satisfaction by decreasing access convenience to staff and channels. The success secret, as WESI calls it communitization of branches, is to think locally like a small community company. Headlines have significantly led to major banks' declining scores in the ACSI.

Consumer service in itself does not provide "high quality experiences" that influence where people conduct their business. The total package of relationship variables has to synchronize with consumers' needs. Also, having the highest ACSI scores doesn't automatically guarantee increased consumer patronage. But a strong foundation of staff satisfaction and people centricity does lead to improved consumer satisfaction.

U.K.

Fraud Cases UP 16%

Fraud in the U.K. jumped in 2008 to 214,342 identified cases with fraudulent use of existing accounts going from 23,480 to 39,447. Identity fraud actually dropped 3.7% to 62,658.

LAST WORD – TAX TREADMILL TO DISASTER

Economic conditions without a doubt have put more financial pressure on consumers since the Great Depression. Obviously we are in the middle of the damage period and all governments are trying to stimulate the economy through a variety of programs and initiatives which will increase deficits and debts substantially over the next few years – all to be repaid by current and future generations.

Federal/National and Provincial/State jurisdictions are all trying to synchronize efforts so that jobs are retained or created and that consumers stay in their homes and eventually begin to spend again. At the municipal or local level the story can be contradictory and work against the objectives of the other two levels of government. Local politicians primarily depend on property taxes as their revenue source to provide services and programs. These taxes are based on two components – property assessments and the mill rate (tax rate). Every 3/5 years where market value assessments are utilized the figures are "updated" as they were in the Province of Ontario last year, resulting in assessment increases averaging 40% - WOW! Presently municipalities are gong through their annual budgeting processes and substantial increases are seen everywhere due to cost increases such as salaries and wages, not more jobs.

So the local politicians are going to spend more! Even without an increase in mill rates, property owners are going to pay more. Since many have lost jobs, been laid off or lost most of their savings, they can't afford tax increases? Some will cut back elsewhere decreasing revenues at local business while others will sell or walk away from their homes. Both actions will decrease municipal revenues! What will politicians do? Increase the burden on remaining property owners of course, which will again lead to decreased tax revenues and the treadmill to disaster is born. Financial institutions do not need more factors contributing to foreclosures and write-offs. Consumers and businesses – the taxpayers – must be supported with proper fiscal management suitable for the times at all levels of government. If it means cutting back on services to save property owners through these difficult financial times, so be it. All of us need to continually educate politicians on the "Treadmill to Disaster" fallout
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