

Eagle Net



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CHRISTMAS BLESSINGS

The WESI team will be 15 years young in 2011 and we are thankful for our clients, friends and families through our journey together.

2010 was a year of new discoveries and opportunities for which we are very thankful. Unfortunately, it is true that as we get older, the years seem shorter. As we left 2009 we raised the red flag that globally we would not be clear from the recession and recent events, such as Ireland's situation, continue to confirm that. The foreclosure fiasco in the USA has taken another precarious twist on ownership rights and resale risks. Most significantly, nations continued to build unprecedented levels of debt – a burden that will haunt us for generations and which comes back to the catalyst of greed especially in some major financial institutions.

We counsel our clients on the extraordinary high levels of consumer debt and the economic interest rate sensitivity risks associated with that. I remember in the early 1980's building a new home for my family and I got a special mortgage rate of 19¾%. Hopefully we will not see those kinds of inflationary rates ever again but even a level of 8 – 10% will cause major consumer hemorrhaging. Debt management and restitution should be a business and personal priority through education and ideation. 2011 will not be a year of robust recovery! Our major trading partner still has major problems and has increased its protectionist activities to the detriment of many countries. Business will become more creative in market development outside of the USA forming new collaborations and diversified business risks over time. Consumer spending generally will not rebound so many areas such as the Caribbean, which depend on tourism, will see further economic erosions. Europe is faltering and failures could rise. But if we look to Asia and area, there are more positive signals and the possibility for long-term partnership growth. Next year should see more collaborations and consolidations in the financial industry if egos can be replaced with economic sense.

Still at this time of year it is good to give thanks for all the important things in life – health, faith and family. The WESI team and each of us individually extend our heartfelt wishes to you for a happy holiday season, a Merry Christmas and a successful 2011. We are very fortunate and it is time to help those in need at home and abroad.

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CONNECTED CONSUMERS

Our children, grandchildren and even elderly parents are becoming more technologically literate and Internet connected than ever before. In Canada, almost 50% of Canadians, who are one of the highest per capita Internet user countries, indicate that their primary financial services/banking channel is now "online". Even a higher percentage in our research prefers messages from their bank, credit union etc. by e-mail versus telephone or regular mail. Talking is replaced with texting and social networking eliminates private diaries. Instead of people walking and reading newspapers they are on their "Blackberries". You don't have to carry books on the plane, just your digital library of hundreds of books. Shopping electronically is quick, easy and not crowded. So many cultural changes that sometimes we feel like we have lived in historical times and into the future.

With all the technological transformations, businesses in most cases are in lock step, continuously transitioning further into the digital world – today Web 2.0 and tomorrow 3.0. The large banks with all their investment funds and electronic expertise are Internet device friendly, allowing consumers and businesses to connect when, how and where they want. Additionally, they continuously create digital experiences for the population on their websites, blogging, social networking, podcasts etc. Some smaller organizations have also invested wisely in robust websites and are adopting social media strategies. There are some organizations of varying sizes that have yet to adapt to the connected consumers fully, which can be disastrous for retention, growth and attraction. Plus we must not forget the expanding world of "virtual competition" built solely around Internet communications and who pick away at the traditional FI's like mosquitoes in a nudist colony.

With our customers, families and friends, we also need to be vigilant to ever increasing Internet scams and privacy dangers. Consequently, we can also do much more in educating stakeholders on the warning signs and risks, which are heightened at this time of year.

In our customer-centric conviction, we must continuously ask management and staff if we are properly and progressively "Connected" with consumers and businesses. An increasing number have established digital panels on their websites to obtain timely research and feedback on preferences and acceptability/adaptability of service delivery.

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INTERNATIONAL

A Trinidad Tidal Wave!

CLICO, the largest financial conglomerate in the islands is insolvent/collapsed for a number of months, affecting countless organizations and individuals primarily due to investment positions with CLICO. Now the new government in Port of Spain is attempting a saviour role for which it doesn't have the resources. Recently the Association of Corporate Credit Unions' President warned that half of the countries credit unions have members funds invested with CLICO and they could suffer the same consequences.

AUSTRALIA

Westpac Deploys 15,000 Terminals

One of Australia's largest financial organizations, Westpac Banking Corporation, has ordered and will deploy 15,000 Hyperion Optimum countertop terminals to merchants throughout the country. The new terminals come with mains power connectivity (i.e. GPRS or Ethernet) without the added cost of a phone line plus mains-powered, phone line connected countertop terminals and a battery powered mobile terminal. Westpac currently has more than 80,000 other merchant terminals installed.

CANADA

TD Moves to Collateral Mortgages

TD Canada Trust has moved to collateral-charge mortgages to make it easier for homeowners to tap into their equity as well as make it more difficult to transfer mortgages from one lender to another since they must be paid in full to be cancelled.

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CIBC/VISA Debit Card Problems

The federal government is now involved with the launch of the VISA debit card since routing debit purchases through the VISA network contravenes payments industry code of conduct. Poor planning or dismissing rules and regulations too lightly!

CIBC Best Disclosure Approach

The Canadian Coalition for Good Governance has awarded the CIBC for the best disclosure approach to executive compensation in annual reporting.

Car Leasing on the Agenda

For years, financial institutions, especially the banks, have been precluded from vehicle leasing due to artificial protectionism by auto manufacturers and others. Finally, after many debating bouts on the subject, it appears that regulatory realism is setting in and changes could be made to permit bank entry. Consumers need to understand the costs of leasing and have competitive choices in an open market.

Canadian Business Leadership Study

The Canadian Business/Knightsbridge Human Capital Solutions undertook a survey of Canadian executives to determine the top organizations that are best at developing the next generation of leaders. The top two were:

1. TD Bank Financial
2. RBC Financial

TD Bank Financial led by Ed Clarke, previously CEO of the merged Canada Trust Company, has been a domestic standout for leadership development and a customer-centric culture.

RBC's Gord Nixon is a strong, team centric leader who is not distracted by fads or follies in the industry.

We admire both organizations and their leadership commitments, which are the backbone of Canada's strong financial services industry and the country as a whole.

REBUILDING CUSTOMER TRUST

The recession and its causes plus the fallout implications for consumers and businesses necessitates that financial institutions focus on a renewed resolution that we highlighted in 2009 i.e. rebuild relationships and perceptions damaged by the industry and individual actions. Skeptical consumers and small businesses are searching for more dependable and empathetic support rather than clinical commoditization. The damage that has been created is an opportunity for the organizations that have a caring value system complimented with education and problem resolution skills. If we don't capture this time to rebuild trust, it will be difficult to grow or retain customers' loyalty, let alone relationships.

SOCIAL MEDIA CHANNELS

Many of us Golden Year consumers may not totally understand the phenomenon of the digitally connected society but we feel and hear about it daily. The Gen Yers travel the social media channels continuously with their "berry fingers" on Facebook, Twitter, You Tube, etc. as well as other choices. No doubt you have many generational participants amongst your family, friends and associates.

Do we use social media in our institutions properly to take advantage of connecting to customers and prospects through the communication clutter? Do we have a realistic strategy and understanding why we need social media outreach? Are there people on your team that have the knowledge and commitments to keep you current and relevant?

There is a constant flow of material on social media strategies and mix. A few institutions are executing effective tactics to build brand, to collect research feedback, to offer new values or to stay connected. Almost 25% of people's online time is spent on social media sites. How much of your communication investment is in social media?

BASEL 3 – PREVENTION OR POLITICAL PACIFICATION

The Basel Committee on Banking Supervision has recommended new financial footings intended to prevent more failures like the ones that toppled major international banks during the past two years. Plus, the implications on country coffers has been devastating, to say the least. But will the new standards i.e. hold top quality capital of at least 7% of their risk bearing assets, prevent future problems? Also, there are other rules that attempt to reduce risks in counter-party transactions and to introduce liquidity stress tests.

No one should believe that Basel 3 will prevent all future failures. Greed and poor governance wasn't curtailed by Basel 2! Is Basel 3 foolproof?

THE LAST WORD

Distribution is a Key Business

Originally WESI was founded as a federation of experienced practitioners (everyone with at least 25 years industry experience) to work with CEO's that were committed to a customer-centric culture. That remains our focus fifteen years later!

We continue to partner with clients who build success from a customer or member in perspective. This is the critical foundation of an integrated, customer driven distribution business. Consumers and businesses are multi-channel users who have evolving priorities influenced by technology, economics and lifestyle characteristics and behaviours. The first step in building a truly customer-centric distribution business is to know peoples' preferences and competitors' strategies. Preference research on current and future choices should be your initial building block. Complimentary to this information is knowledge of traditional and emerging competition from "bricks to clicks". Customer preferences evolve and some major events such as the recent recession will accelerate choice changes. For example, personal digital communicative devices are a mega trend as more and more use online as their primary channel. But, they also want cards (debit and credit), stores and mobile representatives that will come to them. The connected generation also wants personal financial management tools on their mobile devices to help budgeting and payment choices. Customers don't stay with one organization. Most adults have over a dozen financial relationships on average – what do you have in your digital wallet or plastic purse?

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Customer delivery or distribution is a core business which needs a well defined, evolving strategy, research and ongoing feedback, an integrated value proposition of virtual customer choices – when, where and how they want to do business/connect with you or all the others.

WESI YEAR END SURVEY

Note to Readers:

For those of you who did not return the survey sent with our last Eagle Net, please save the following survey and complete it as required. Send the form to judy@whereeaglessoar.com as soon as possible so we can recap responses for our New Year edition. Your participation is important.

WESI Year End Questionnaire

Please complete and forward to judy@whereeaglessoar.com

Country of Residence _____

FI Executive

Service Supplier to FI's

Retired

Other

1. In 2011 do you expect economic growth to:

Increase

Stay the same

Decrease

2. Will your capital investments?

Increase

Stay the same

Decrease

3. Will Central Banks change their prime interest rates?

Increase

Stay the same

Decrease

4. What will be the industry's growth focuses

New loans/mortgages

Mergers/Acquisitions

Deposits & investments

Fee revenue

Cost management

New lines of business

5. What uncontrollable contingencies are you including in your planning?

6. What is the best competitive strategy during recessionary times?

Thank you for your participation. The consolidated results will be highlighted in an early 2011 edition of the Eagle Net.