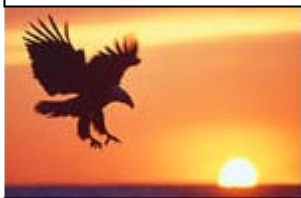
Eagle Net



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ANOTHER YEAR OF OPPORTUNITIES

All of us at WESI hope that 2011 has started on a positive note for your business and in your personal lives.

Our Australian friends have had to, and continue to, battle massive flooding especially in Queensland and Victoria. They are resilient leaders and we know from experience the people will be looking at brighter prospects ahead.

The European country risks enter 2011 as a hangover but there are some signs that the bitter pills that must be administered will be done.

Social media networks such as Groupon, Twitter, Zynga, Netflix and Foursquare create web wealth faster and faster. Some FI's are building social media strategies and we commend them on their efforts.

At the grassroots level of our business, it is still paramount to maintain a customer-centric focus in everything you do to ensure the development of the most advantageous value propositions in a highly competitive and congested industry.

So for 2011, keep building your customer-centric culture in the Boardroom, amongst the executive team as well as throughout the management and staff everywhere. Relationships will still drive long-term profitability, more than counter-commoditization responses.

Have a successful year.

INTEGRATED DISTRIBUTION CHALLENGES

The distribution business in financial services continues to evolve with client preferences, technological advances and Internet investments. It is a complex, integrated set of client-controlled choices in an ever expanding, highly competitive market. In this latter case, the landscape of traditional, emerging, virtual and crossover suppliers offer an extensive array of relationship and commodity possibilities. Every major retail brand with a loyal, captive market share has or is considering brand extensions into financial services. On the other side, astute traditional financial institutions are forming partnerships and collaborations to expand distribution coverage in innovative directions.

What really motivates the decision maker, your client, today? Many factors including lifestyle, technological and financial competencies, personal priorities, financial resources, etc. all influence channel choices. Generally, an adult in developed countries today has on average over a dozen financial supplier relationships. Look at the plastic in your wallet or purse! Or, check the applications on consumers' smart phones. Yes, the mobile/cell phone has revolutionized preference priorities. If you don't offer mobile, online financial services, you are not on a client's A list today. But wait, even the major on-liners still utilize ATMs, branches, mobile representatives and other delivery options. They pick various choices in an integrated personal profile of distribution preferences. Even within traditional segment definitions the demographic-choice profiles are not necessarily consistent.

This dynamic marketplace presents continuous challenges for all FI suppliers, large and small. For example, take branch or store alternatives. Within that brick and mortar category there are multiple varieties – full service, supermarket, franchises, agency offices, satellites, boutiques, and so on. Then what is in the branch or store is not consistent either as suppliers attempt to synchronize features with user preferences.

Next, move to ATMs which range between $10K and $100K each, depending on functionalities, connectivity and installation environments. Do you invest in branded or white-branded machines? Perhaps, you only worry about network connectivity and not having your own dispersal of ATMs.

Actually, the branch and ATM associated debit and credit cards will always have roles or niches in every client's future delivery choices, in addition to Internet options and devices. So how does a financial service supplier build the optimum distribution foundation and maintain evolving adaptability? The organization needs a dynamic delivery channel toolkit, which contains all the right resources to make the right decisions for target groups today and tomorrow. The toolkit includes a proprietary set of inputs including such things as segment channel preferences, product sales and service costs by specific channel, preference-profitability matrix, channel category inventories – existing and potential, competitive intelligence, alliance and partnership options etc. etc. The critical caution is not to let "gut feel" or "unsubstantiated opinions" decide investment pruning, growth and innovation. In the latter case, do you have channel category laboratory sites where live testing can be undertaken and cross-checked to assess multiple business cases?

Distribution is a key business in your strategic thinking and client-centric operations. Don't gamble with limited resources. Build your distribution toolkit and use it to create and repair delivery channel models that optimize your resources to retain, grow and attract clients.

U.S.A.

Aite Group Report on Mobile Bill Payments

By 2015 mobile bill payments will represent U.S. $214 billion, up from U.S. $16 billion in 2010!

Kilpatrick Stockton LLP's Outsourcing Insight Report

In 2011/12 outsourcing activity is likely to increase in line with the company's cost cutting strategies. The greatest increases will be seen in the financial services and healthcare sectors in the next 12 months, with the most growth going to India and the U.S.A.

Credit Union Magazine

CUNA's 2010/11 Credit Union Fees Survey Report shows that credit unions are more likely to offer free chequing than banks in the U.S.A. Approximately 80% of credit unions offer at least one account with no minimum balance, maintenance fees or activity charges compared to 64% of the U.S.A. banks.

CUNA's statistics also showed a net decline in loans during 2010 as growth pressures continue, especially as consumers defer automobile purchases.

Future Branching at Citibank

BAI "Banking Strategies" recently interviewed Brad Dinsmore, Group EVP and Head of Retail Banking North America concerning Citibank's new distribution strategy. Here are some of the key points.

Citibank's strategy revolves around:
1. becoming more client-centric in improving their experiences in all channels
2. focusing on markets where they have a dominant presence i.e. increase number of locations
3. improving the distribution locations and technology of branches

Also, there is a focus on improving functionality and service across all channels. Generally, branches will have a smaller, segmented footprint, staffed with better trained people who can handle a wide range of needs.

U.S.A. Green Dot Survey

Holiday shoppers were more concerned about debt and credit cards, so they used more available funds i.e. debit cards, cash, cheques, prepaid cards etc. Also 45% of Americans indicated that in 2010 they were charged unplanned bank fees i.e. overdraft, ATM, finance charges and late payment fees.

CANADA

Web Addicted Nation

The measurement company comScore, reports that Canada has the highest penetration of Internet access i.e. 68% routinely surf online versus 62% in France and Britain, 60% in Germany and 59% in the U.S. Italians are at only 36%. (They have other priorities!). Canadians spend an average of 42 hours a month surfing the web and view an average of 147 videos a month on YouTube. 17 million (51%) have Facebook accounts.
Note: FI's really need dynamic online technology and social media strategies.

The Banker Award

Desjardins Group, a large Quebec-based credit union, was named Bank of the Year 2010 in Canada, by The Banker.

Economic Predictions for 2011 from the Big Five

BNS - Modest growth at best
- China, India and Brazil increasingly important
- A re-orientation of Canadian trade away from the U.S.

BMO - 3% growth
- U.S. will grow at a more rapid pace
- Business sector will spur growth
- Export growth will be strong

RBC - Decent growth at 3.2%
- Still low interest rates
- Strengthening U.S. economy and global growth

CIBC - 2.2% growth
- A retreat in commodity prices (oil 80/85 a barrel)
- Gold could fall when Fed gets close to raising rates

TD - High amounts of uncertainties remain
- Major debt restructuring in Europe
- Moderate growth and gradual rate hikes

Take your pick!
Note: Our survey shows readers cautious about consumer debt growth and, increased focuses on productivity improvement and technology investments.

THE ECONOMIST – ECONOMIST INTELLIGENCE UNIT REPORT

Rebuilding Trust: Next steps for risk management in financial services

This report was sponsored by SAS and was based on 346 online executive surveys from around the world in January and February 2010. To supplement the survey results, a series of in depth interviews were conducted with industry experts.

Key Findings:

- Confidence levels are high but there is a risk of complacency
- The focus on regulatory compliance could distract attention from emerging risks (e.g. sovereign debt crisis)
- A clearly defined risk strategy is in place at most institutions, but significant areas of weaknesses remain
- Bank and insurers are filling gaps in risk expertise with investments in training and recruitment
- The silo-based approach to risk management continues to pose problems
- Financial institutions need to further improve data quality and availability

THE LAST WORD

Customer complaints should not be feared by an organization or its staff. These concerns are diamonds in the rough, which allow you the opportunity to build even more loyal relationships and to resolve recurring problems generated by the institution.

All customer issues, verbalized or written, need to be captured throughout the organization to determine if they are isolated or contagious. Staff needs to be encouraged to gather and report every irritant or concern. Secondly, every formal complaint needs to be accepted with a "thank you" and a 48-hour commitment to respond, even though it may take longer to resolve. Some minor issues should be handled quickly at the point of contact through empowerment/delegated authorities. The recipient of a complaint needs to be kept in the communication loop until resolution is accepted by the customer. Overall, ensure that any fears associated with complaints and reporting them are dispelled.

All customer complaints or issues need to be consolidated at a central point to understand the opportunities that exist to improve your customer experiences. In fact, at least the top 5/6 items quarterly need to be brought to the executive team's attention to keep them informed and to ask for their leadership in creating the solutions. Encourage everyone not to suppress these "diamonds in the rough", to be sensitive to all customer feedback, positive or negative.

When you do an outstanding job in resolving customer issues, you will have a more loyal client who will tell many more about the positive elements rather than populating everyone's mind with negative nuances.