Eagle Net

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KNOW YOUR COMPETITION!

Everyone in a business from the Board to the newest recruit needs to know and understand the competition for governance and performance responsibilities/ effectiveness. After approximately 15 years as advisors to financial institutions domestically and internationally, we continue to be surprised by the competitive knowledge gaps that exist just about everywhere in the organization. The competitive dynamics in your markets are of the most important considerations in developing and executing strategic and operational plans.

In most of our assignments I have the reputation of being "the Yellow Pages Ripper" and "Competitive Surfer". Yes, when I arrive in new communities I first extract all yellow pages from the hotel telephone book related to financial services. Next, along with others on the team with me, we surf the Internet under 4/6 product categories plus the community name. For example, "any town mortgages". With these preliminary references we are ready to start understanding the competitive pressures and local client knowledge thereof.

Generally, we group competitors into three categories – primary, secondary and tertiary. Primary competitors are those who actually reside in the community with branches, stores or offices. These include traditional banks and credit unions as well as operations run by retailers, post offices, and other financial pillars such as insurance and investment firms. The secondary segment does not have bricks and mortar locally but attack from the Internet as full service or monoline options such as ING Direct. The tertiary wave is represented by agents and alliances partners, who represent a single or a syndicate of competitor choices. The alliance category is the most interesting once you search their other relationships and capabilities. Often, we see alliance partners that are actually offering competitive services!

Economic, regulatory, customer and competitive conditions need to be well understood by Boards and management in planning and implementing strategies and tactics for corporate success. Likewise, staff need to know these performance drivers as they affect their ability to carry out their duties to grow the business.

Most financial institutions need a continuously improving process to capture the competitive intelligence needed by their organizations. Everyone should be alert to all competitors and know how to be proactive and reactive relative to their initiatives.

On our team, Judy Johnston, COO, has for many clients established a staff competitive assignment program to ensure there is knowledge of competitors' actions and offers. Most employees are startled by what they see and learn, which is shared throughout the organization. In all cases, management better understands the realities and responses required. Second hand perceptions replaced by real competitor experience makes a huge difference in building success in the short and long runs.

U.S.A.

Small Business

Discover Financial Services survey of small businesses found 77% said that their profitability took a hit during the recession; over half are still struggling to comeback; and two thirds say that they will have to use personal assets to stay in business over the next year.

Colorado Bank Deterioration

Two national surveys show 25% of Colorado state's banks are "troubled or problematic" institutions – twice the national average. Ten of the 169 banks had a zero rating. Heavy real estate lending is a common theme among states with trouble banks.

Housing Prices Continue to Slide

The Standard & Poor's Case-Shiller Home Price Index is down for the sixth month in a row. House prices in the 20 large cities in the index dropped 3.1% year over year. Miami, Tampa and New York City reached new lows.

Fed Regulators Set 20% Down Minimum

The Federal regulators have issued a proposal to be enacted by summer, setting a 20% down payment minimum for lenders not having to hold a percentage of liability in case of default.

Bank of America Cutting Back Branches

Bank of America is resurrecting video enable ATM's where consumers can talk to a remote employee as they prune back branches.

Credit Unions Blame Wall Street

NCUA is accusing Wall Street's largest houses for the collapse of five wholesale credit unions due to $50 billion in mortgage-backed securities they sold to the credit unions.

Credit Union Awareness

In the U.S.A. the Credit Union National Association's 2009-2010 Survey of Potential Members Report showed that 39% of consumers are not at all familiar with what a credit union is and a half of those between 18 and 24 don't know. In the 50's the average annual growth rate of membership was 10.6% but in the 2000's is only 1.9% (forecasted to be 1.3% in 2011).

The U.S.A. credit union brand needs revitalization for a variety of reasons. Ireland shows a very high recognition and membership rate, so there are success stories. WESI has always coached credit unions to differentiate themselves through promoting and living the three core principles of the movement – caring, community and cooperative. Perhaps the U.S.A. credit unions themselves can emphasize these values amongst the industry, for renewal.

THE MOBILE CHANNEL – A CRITICAL CHOICE

Celent's research on channel cost comparison per transaction/interaction is:

Branch	$4.00
Call Centre	$3.75
IVR	$1.25
ATM	$0.85
Online	$0.17
Mobile	$0.08 (or 2% of branch)

At the same time, acceptance of mobile as the primary channel is growing rapidly (i.e. almost 50% of Canadians). Amongst the young, particularly those between 18 and 25, mobile banking is a critical factor in selecting or switching financial institutions. The smart phone explosion is attracting those in elementary school as well as the elderly. Here again, in Canada, the 55 plus segment is now the fastest growing segment for Internet use and Canadians still rank number 1 in per capita use of online services. Mobile is one of the key catalysts in this growth. Grandchildren and grandparents alike enjoy the vast functionality of the smart phone.

The mobile channel is essential to FI's and consumers alike in our digital world. Its importance will continue to grow and FI's need to have a strategic plan that differentiates them from the "commodity cluster". Standard messaging and transaction capabilities are not enough. Value-added propositions using software and preference research will be key. Some still struggle to deflect normal commodity competition focuses to value-added propositions around traditional products and services. So, taking the next step with mobile delivery will be even more challenging if they cannot think outside the box.

Of course one of the greatest challenges with the mobile channel primary users will be accomplishing relationship management and sales. Proactive techniques and personalized contacts on a timely, targeted basis will always be key. Remember, a push of a button or the swipe of a finger can switch suppliers let alone provide comparative shopping of financial services.

MOBILE DEVELOPMENTS (BAI BANKING STRATEGIES)

Approximately 90% of the world's population are covered today by mobile networks. Soon there will be available:

- HD and 3D phones
- Phones you can dictate to and that translate calls, texts, mobile sites and e-mails in real time
- Motion phones that recognize where your eyes or head moves and tracks your environment as required
- Perceptive phones that recognize what you're doing and use push and pull technologies to fit your needs and desires
- Analysis phones that monitor your heart rate, blood flow, blood sugar levels and more, and alert as necessary
- Haptic phones that use touch technologies such that a kiss from your partner on their phone screen can be relayed as data to your phone, so you actually feel a kiss if you put your lips on to your phone screen.

EMPOWER AND ENGAGE – THE LAST WORD

As we continue our sales culture partnerships with CEO's and senior leadership teams, the core challenge remains the same i.e. convincing them to build and provide the correct empowerment and engagement toolbox for customers interface staff. Too often product centric managers think that providing product, sales training and performance targets is all that is required. Only after seeing no real sales lift do they ask for diagnostic support.

Yes the first step is to assess the core comfort skills and knowledge of staff and to commence continuous customer preference research within target segments – customer centric footings for the sales culture foundation. Next, it is time to build segment specific value propositions and to create facilitation tools for staff to employ. In the latter case it is giving everyone the right equipment to play the game to the best of their ability in a comfortable, learning environment. Simply stating that everyone has "outreach sales targets" to meet does not win the game. The third step is to ensure that the coaches know exactly what is in the toolkit and why, and similarly they have familiarity with value propositions. They have to be there motivating and involving staff in the sales culture processes. Everyone's toolkit builds on their familiarity of activities and provides the "props" to choose for different focuses and situations. If you have done your homework properly, you can move quickly into the most important phase of empowering the staff to engage customers in a variety of ways to support team-selling successes.

When you step on the ice to play hockey with equipment that is personalized for you, everyone on the team knows their inter-connected roles and are coached to win – success follows. Keep the focus on providing a customer centric toolkit and not a clinical collection of product pushing tactics. Once everyone is engaging customers at every proactive and reactive opportunity, personal and business growth follows.