

Eagle Net



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CANADA – THE SUNDAY BRANCH FACEOFF

The CIBC is doubling its branches open on Sunday to 107. The leader, TD Canada Trust has 407. The TD Canada Trust is Canada's second largest bank behind Royal Bank, which still has a total of almost 1,250 Canadian branches. Number three, Scotiabank, has just under 1,050 domestic branches and like RBC none are open on Sunday. Number four is BMO, which is also closed in terms of bricks and mortar on Sundays.

Let's look back a few years at CIBC and TD Canada Trust. There was a time when CIBC was number two in total size amongst Canadian banks, before it made some costly distribution mistakes. TD was not known as "the convenient bank" until it acquired Canada Trust and CEO Ed Clarke – an organization which owned the 8 to 8 convenience image.

All banks and most large credit unions are open six days a week in strategically placed locations with extended hours on Thursdays and Fridays. Both CIBC and TD Canada Trust say they have done their research and customers want Sunday hours – not just for transactions but also to purchase financial products such as loans, mortgages and investments, as well as to open new accounts. What we don't know is whether or not actual experience resulted in the projected business goals for growth or was business simply spread out over another day at extra cost?

The competitors for financial services have emerged everywhere, using a complete delivery channel landscape from storefronts to major troops of mobile sales people and partnerships. Brokers have disintermediated many traditional FI's and the Internet has opened a window on a massive array of commodity financial retailers.

Now, couple all those competitive initiatives with the fact that consumers are more financially and technologically literate than ever before, plus the fact that global bank greed has eroded banks' loyalty. People are mobile and they use mobile devices for everything including financial services – shopping and purchasing. The banks have well less than 10% of their transactions going over the counters in branches.

The youth probably never darken the doors of an FI more than once a month or quarter. Families are not far behind with their busy schedules, and seniors are the second highest per capita users of the Internet, at least in Canada.

Eagle Net

Page 2.

We recognize that there are a wide variety of branches and how their operating models have improved productivity. When you look at the banks' branches that are open on Sunday, you will find basic staffing, over the counter transactions (even though there are ATMs in the lobbies) and a Personal Banker or two who hopefully are totally booked and not available for walk in traffic.

The bottom line is yes! Be customer centric and determine what their distribution preferences are plus what is/are their primary channel(s). They will always ask for expanded channel options such as opening seven days a week and extended hours on 2/3 evenings but will they actually utilize all their preferences? If 50% of Canadians consider mobile banking their key relationship channel, isn't that good? They can do more transactions and buy more products faster, thus making it less expensive for the suppliers.

Developing a profitable, customer centric distribution business requires - benchmarks, strong financial costing and preference – profitability tradeoffs. Large banks can build more channel options and make big mistakes but still come out winners due to economies of scale. Integrated distribution strategies are an imperative in the financial service industry – a profitable mix of choices to meet customer's primary preferences given limited resources. A small FI would be foolish to focus on a dominant bricks and mortar strategy given today's trends. Large organizations also have to show progressive ROA's so unlimited spending on branch hours which do not produce incremental revenue won't help. Don't follow the leader – follow your customers' primary preferences, which you can afford.

THE EMERGING FINANCIAL PARTNERS – SMALL BUSINESS

Revenue-based financing or RBF loans have been common in some industries for years. As the traditional banks tighten small business lending, outside financial organizations are entering the vacuum. Instead of fixed monthly interest/principal payments monthly, funds are advanced for a fixed percentage of gross monthly revenues. Amounts range from \$50K to \$250K with interest rates approaching 20% with no background checks. More business and financial organization education is needed to expand RBF's interest in both borrowers and lenders.

Eagle Net

Page 3.

Amazon.com has also entered the commercial lending segment especially for small businesses in amounts up to \$40K. Banks' turndowns open opportunities for Amazon.com who, based on a business' selling performance, will pre-approve a loan. Amazon Lending's goal is to serve sellers of all sizes and will be taking a look at sellers based outside the U.S.A. Interest rates range for most up to 13.9%.

Credit unions are also a great source for small business loans plus other commercial services. Market education is required to get the word out and have owners look at this option versus credit cards over 20%. In the U.S.A. there is a capital cap on the amount credit unions can lend commercially and the same philosophy applies in other countries such as Canada. Perhaps the regulators should realize that the portfolio diversification strategy for success in consumer lending can apply to small business as well.

We have to remember that discouraging small business loans encourages the underground economy and these are the economic engines for growth.

BAI 2012 GLOBAL BANKING INNOVATION AWARDS

Eight finalists:

- OCBC Bank: FRANK by OCBC concept – Singapore based bank designed 4 branches to resemble youth oriented clothing stores to target the millennial set
- First National Bank (division of First Rand Bank Ltd.) of South Africa: FNB@wallet is a mobile app which enables users to purchase prepaid airtime, send money to any mobile user and receive cash vouchers via Facebook
- National Australia Bank: NABUBank website enables customers to compare their spending to other people in similar circumstances
- Deniz Bank (Turkey) Facebook based banking platform for customers to check accounts, access statements, view payments, send money online, apply for loans/credit cards etc.
- Bankwest (Australia) created a national vertical contact centre using its store and mobile staff who commit hours to call handling
- Fidor Bank of Germany: "like-zins" user defined payable interest rate where Facebook users can directly impact interest paid on their bank deposits
- Barclaycard: Barclaycard Ring card and accompanying Ring Community which votes to determine all aspects of the card
- Alior Bank (Poland): Alior Synch virtual online bank – account opening and credit card apps, round the clock video and electronic chat service, integration with Facebook and rewards program.

Eagle Net

Page 4.

CANADA

Scotiabank's Plans for ING Direct

Scotiabank plans to double ING Direct's customer base and expand its product line to include credit cards and brokerage services once the acquisition is completed. The target is to have 5 million customers in 5 years up from 1.8 million currently.

Bad Service Irritates Canadians

32% of Canadian consumers believe businesses pay less attention to providing good customer service according to an Amex Canada study. 61% said they changed a purchase decision in the past year based on poor service. 39% have hung up the phone on a customer service rep and 66% insisted on speaking to a supervisor. 43% threatened to switch to a competitor.

U.S.A.

Ocwen Financial Competes with Banks

Atlanta-based Ocwen Financial has its sights set on home lending by acquiring Homeward Residential Holdings Inc., a mortgage lender and servicer. Origination now feeds their servicing stream. Ocwen built a lucrative business of service subprime loans. (Who's Eating Your Lunch Now!)

Wells ATM Enhancements Catch on

Wells Fargo & Co. introduced "e-receipts" and a "catch tracker" on their ATMs and use is picking up. E-mail receipts compliment post-budgeting and "cash tracker" gives information on monthly withdrawals and average amounts over 12 months.

Bank of America Settles Another Lawsuit

B of A agreed to pay \$2.43 billion to settle a class action lawsuit related to the acquisition of Merrill Lynch and the information provided. Also the bank is accelerating cost cutting initiatives with a job reduction target of \$16K by year-end. The intent is to be leaner and more revenue focused with existing customer relationships.

Eagle Net

Page 5.

Groupon Inc. Launches New Payment Service

Groupon's new payment service allows businesses to run credit cards utilizing smartphone technology at a lower rate than other providers.

ENTREPRENEURS

GSM Nation

Ahmed Khattak's inability to buy a cellphone in 2004 when he arrived to study in the U.S.A. was the spark that led to GSM Nation where consumers buy manufacturer-unlocked phones, which can be used with any network line in other parts of the world. The consumers and businesses can then sign-up for less expensive month-to-month services through a third party carrier (resellers). The savings added up significantly and the oligopolies are eroded in terms of volume and profitability.

dotloop

Austin Allios is the CEO of dotloop, a maker of enterprise software that accommodates the complete cycle of real estate deals from offer to close, creating a virtual look workspace in which all parties are collaborating and documentation is incorporated. The concept has interesting applications in the financial service industry also. Loans, investments etc. could be candidates.

THE LAST WORD

The saying goes "The future belongs to the young". But what kind of future is it? Public sector debt, operating costs and disruptions are the worse we have ever seen. Is that the legacy for the young? Fix it!

The 15-25 year olds are one of the highest unemployed segments in many developed countries! They are well educated and disenchanting at the same time. Jobs are not materializing due to economic and business factors which spiked with the recession. Even our industry has a litany of job reductions such as B of A highlighted in this issue.

The youth do have a greater propensity to be entrepreneurs but can't get the support needed to make their dreams a reality.

Eagle Net

Page 6.

Just finding working capital financing on good receivables is more difficult than ever before. The financial industry is viewed by many young people as “not open for business”!

Those of us working, perhaps longer than we ever expected, have to be concerned with the causes and potential effects of the disenchanting youth. They are socially connected and more militant than ever before. Mobilizing support for common issues is not difficult and the results surprise the older segments.

The young are our future! Every industry, every private and public sector business, and every leader needs to pay attention and provide solutions to the young adults. We can all do our part to build work experiences and encouragement to overcome the setbacks. Let's not sacrifice this highly literate and lost generation. Our future does depend on them!