

Eagle Net



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THE GROWTH IMPERATIVE

Large financial institutions have deep pockets and a variety of significant options to continue their growth cycles. New delivery technologies, partnerships, branch models, resources allocations and yes, innovations, all integrated into a philosophy of continuous, sustainable growth. At times such as now, they will institute significant head count reductions at all levels to deliver less costs quickly and perhaps as shock treatment for complacencies.

There are many small and medium sized FI's that do not have the same choices but must maintain a growth imperative. The first step is CREATE A SENSE OF URGENCY! Every culture gets comfortable and isn't as productivity aggressive as it should be in promoting revenue gains and cost reductions. The performance management system has to be designed to support the growth imperative – not efforts but real results.

Next, FOCUS ON THE CUSTOMER in everything you do. Continuously tap into customer preferences to meet their motivators and needs in products/services, value propositions and delivery choices. Ensure that what you are doing is essential in building customer relationships and their referrals. Always customer test everything. Small and medium sized institutions don't have the luxury of funding subjective projects.

Thirdly, REPORT AND REVIEW REVENUE & COSTS MONTHLY. Quarterly financial progressive reviews are too little too late! Monitor performances monthly with weekly key indicators so everyone knows trends and adjustments required. If you set a goal for one referral per week per employee, and there are 200 staff members, that is potentially over 10 thousand a year. But that number can bother some so keep it small – 1 for 1 a week.

Of course, BE PROACTIVE in attracting increased business and realigning expenses. Eliminate any "wait and see" attitudes. If you want to increase relationship values and new ones – go after them. Only a minority comes into branches so you have to have a full channel press. Maintain a Business Improvement Team (BIT) to continuously evaluate cost dynamics and improvements. Use outside expertise to guide and fuel the team's success.

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Finally, INNOVATE – add new features, opportunities and value for customers plus encourage internal creativity and idea capture. Innovations attract attention, energize people and build growth. They can be 90% perception or 75% substance! The key comes down to degree of immediate and future impact from customers and financial performance. Packaging and partnerships are the easiest routes to add innovations. You must ensure that you broadcast these opportunities quickly throughout all channels and communications available. You cannot depend solely on branch promotions.

The growth imperative applies to all businesses – yours and mine! The optimum is to have it implicit in your culture and not a periodic program or hype. The status quo will not allow you to survive indefinitely.

CANADA

RBC Gets Ally

RBC won out over 14 other bidders to acquire Ally Canada. (\$4.1 billion). TD was an aggressive bidder as well. Ally's business involves no-fee services and consumer lending (autos) along with deposits attracting premium interest. Ally was previously GM's financing company. (TD had previously acquired the lending operations of Chrysler Financial Corp. for \$6.3 billion). RBC will become the largest auto lender in Canada for wholesale (dealer) and retail (consumer) financing. The current growth in auto loans offsets the decline in mortgage financing and provides a window for new customers through the dealer network.

Mortgage Broker Commissions Cut!

First National Financial Corp and Scotiabank, who provide 1/3 of all mortgages sold by brokers, have reduced their "finders fees" due to margin squeeze. Last summer CIBC, which was the largest source for mortgage brokers placement got out of using brokers. According to the Canadian Association of Accredited Mortgage Professionals 24% of Canadian mortgages originate through the Broker Channel. A few years ago, Australia started to claw back on broker use since the FI's lost margin and relationship influence with customers.

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Amex Focuses on Customer Service Experiences

Howard Grosfield, CEO of Amex Canada has a strategic vision to focus on building deeper customer relationships/engagement and asking for referrals. Staffing parameters for the contact centres plus compensation have changed to reflect this vision.

Note: Scotiabank now issues a variety of Amex cards with airline points.

CIBC/Rogers Partner in Mobile Payments

CIBC/Rogers Communications have launched mobile payments to pay everyday items up to \$50. Consumers will substitute their smart phones for their credit cards anywhere Visa's payWave, MasterCards' PayPass and Interac Flash are accepted.

Independent ComparaSave on Credit Cards

ComparaSave was launched in August as a comparison shopping website to help Canadian consumers save on household expenses e.g. insurance, mortgages, credit cards and vacation packages. More than 40 major financial service players are incorporated. For example, the database can compare more than 150 credit cards. Consumers can customize their wallets with card features that reflect their lifestyles.

Card Partnerships Expand

Many FI's are expanding credit card reach with retail partnerships

- RBC Shoppers Optimum Mastercard
- Scotiabank American Express Cards
- Marriott Premier Visa Card from Chase
- Target RBC Mastercard
- BMO World Wildlife Fund Air Miles Mastercard

Partnership marketing is one of the fastest growing distribution channels today.

Square Inc.'s E-Payment Device comes to Canada

Square Inc. was founded in 2010 by Jack Dorsey, co-founder of Twitter. Now it is launched in Canada offering a reading device that plugs into the headphone jack of a seller's iPhone, iPad, iPod Touch or Android device.

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Small businesses can then swipe a consumer's credit card and process payments using a custom app. This helps small businesses to compete with bigger chains in mobile commerce.

Tim Horton's Goes Touchless

The iconic Tim's is going touchless as Interac Flash is rolled out at 2,300 stores across Canada. The scanners allow customers to pay direct from their accounts quickly and conveniently in those long lineups.

Canada's Consumer Debt Gets Alarm Bell!

Bank of Canada Governor, Mark Carney, states that low interest rates have led to dangerous levels in consumer debt especially in the Canadian household sector. Federal Finance Minister, Jim Flaherty has concurrently taken steps to tighten mortgage lending. Both are concerned that Canadians are overextended.

Canada on the G20 Radar

Last year the G20 Group endorsed special treatment for the world's largest banks involving extra supervision and capital requirements as part of the "too big to fail" precautions. Now the G20 wants to add a second tier to banks whose future could create havoc within individual economies e.g. Canada's banks. The Office of the Superintendent of Financial Institutions has to address how to respond to the G20 agenda as well as the Basel Committee on Banking Supervision.

U.S.A.

TD/Target Partnership

TD Bank is acquiring Target Corp.'s U.S. credit card portfolio with \$5.9 billions (over 5 million active accounts) in outstanding balances. TD has exclusivity to issuing Target brand Visa and private label cards to Targets U.S. customers. Target starts opening stores in Canada this coming spring with its RED card Rewards (credit and debit cards), which gives customers a 5% purchase discount at its stores. This new partnership is positioned by Target's CEO "to continue Target's long history of innovation in our "guest-focused" financial services strategy". Target and TD share in profits and Target retains all responsibility for all operations and customer service elements. TD will control risk management and regulatory compliance.

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Bank of America Faced With Another Lawsuit

The United States filed a fraud lawsuit against Bank of America accusing that it caused taxpayer losses of more than a billion dollars by selling thousands of toxic mortgages to Fannie Mae and Freddie Mac. In February, B of A settled a False Claims Act allegation for \$1 billion. The acquisition of Countrywide in 2008 for \$2.5 billion is going to be one of the most horrible decisions ever in the financial industry.

THE LAST WORD

2012 is quickly closing and many of our clients are already working on fiscal 2013. For some, this year was a struggle and next year does not promise to be a major turnaround as mortgage growth creeps along slowly. Many economies will continue to struggle and hopefully all FI's can help consumers to get their financial houses in order. At WESI we are concerned that the recent period of low interest rates have lulled many into a false sense of security and they will find it extremely difficult once rates start to climb, which on the other hand will make those on fixed incomes happy.

The legacies of debt and deficits will plague many countries and communities for years to come – stalling growth and job creation. As we have written before, our young adults need more encouraging job prospects globally or greater unrest and upheaval will prevail. Likewise seniors will find their fixed income retirements less comfortable as taxes rise along with utility rates. The socio-economic consequences of the recession are nothing to be proud of but there must be collaborative, positive responses.

Around the world we see many credit unions struggling for survival but stonewalling consolidations and cooperative strategies, as ironic as it must appear. The credit union movement must change to survive. There are some positive models emerging in some countries but the majority of small organizations have inertia due largely to personality positioning. Members need Boards and CEO's to find organizational solutions that will build synergies and strengths sooner rather than later. More players are entering the financial services field and emerging quickly as competitive forces eroding traditional market share. Disintermediation will continue to erode franchises.

We will be back with our year-end message and Christmas greetings next month. In the meantime, we hope your strategic plans will move you forward with success in 2013.