

Eagle Net



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HAPPY NEW YEAR

We wish all our partners and friends a prosperous and healthy 2013.

This year will again present the struggles for growth and productivity, which have to be the driving focuses in what we do with customers.

Regulators globally, nationally and regionally will continue to layer compliance conditions on our industry in efforts to prevent destructive events harming individual entities, the industry and the country.

Public affairs have not and will not cease to be a day-to-day challenge for the financial service industry wherein negative actions permeate cross the landscape. In particular, more pre-customer and regulator testing needs to be done prior to sensitive issues being publicized. Credit cards seem to stimulate more than their fair share of negative images, as do cutbacks at major organizations. These poor public relations will assist to attract other retail brands into the industry.

The World Council of Credit Unions will hold their conference in Ottawa this July. This is a major event for all cooperatives and will bring many leaders to the nation's capital. No doubt the Desjardins Group and its CEO will receive a lot of deserved interest and attention.

We always welcome your enquiries, comments and information sharing. Please send them to judy@whereeaglessoar.com

GLOBAL FUTURES AND FORESIGHT (www.thegff.com)

This is an international think tank, which we participate in, and we will share some of their observations plus predictions for 2013.

Influential Drivers of Change

1. **Populations** – now 7 billion people; in 40 years 2 billion more will be alive than today
2. **Economics** – global economy will triple in size by 2050 and set to double to over \$130 trillion in 2031. E7 (emerging economies) China, India, Russia, Brazil, Mexico, Indonesia and Turkey will be a larger bloc than the G7.
3. **Political Authority** – will shift to Asia from U.S. and Europe
4. **Middle Class** - over 70 million people are entering the middle class every year and mostly from emerging economies

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5. **Cities** – 20 of the 50 largest cities will be in Asia by 2025 and 6 out of 10 people will be urban dwellers by 2030.
6. **Infrastructure** - \$40 trillion required for cities' infrastructure in next 40 years
7. **Resources** – China expected to consume a third of all energy used by 2035. Renewable energy sources and cleantech services will boom
8. **Food** – 70% of the populations increase will be born in Muslim countries and food will have to meet Halal standards
9. **Technology** – 5 billion people will be Internet connected by 2020. The elements indium and hafnium used in liquid crystal displays and next generation semi conductors will be exhausted by 2017. Companies should look to “outsource” personal technologies to their employees enabling them to use their own mobile technologies at work
10. **Control** – firms will need to let go of control across their networks and allow staff access to their preferred communications tools – most hosted “in Cloud” over the Internet
11. **Social Media** – agility, creativity, innovation and collaboration are the watch words for future successful companies
12. **Outsourcing** – innovation and creativity are two areas where we will invite others to help us
13. **On-Line** – focus for next decade will be making sense of the mass of information and the social networks that it relates to.
14. **Workforce** – there will be an increase of 50% in international assignments by 2020
15. **Work** - new jobs coming on stream and the workforce will include more women, aged and disabled people. Stress will be greater.
16. **Government** – EU governments are rapidly turning to the “Cloud” to service needs of their citizens
17. **Response** – it is time to engage the changes and ask how best you can embrace them

Predictions for 2013

1. Science becomes truly international – more crowd sourcing, innovative partnerships between public and private sectors
2. Behaviourally analyzed social media/networks could form an emerging bedrock of real time business intelligence in an increasingly volatile commercial and economic world
3. Bring Your Own Device will increasingly gain acceptance at SME's and start-ups
4. Resilience will become a major metric that companies use in their decision making

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5. With government grappling with the immediacies of growth and debt, it may be business rather than government that becomes the driving wave of sustainability
6. New business forms and models will emerge and necessitate radical rethinking
7. Growth of socially responsible finance and investing
8. 3D printing will enter the business and personal worlds
9. Legislation and groundwork continuous for autonomous vehicles (driverless cars)
10. Printed electronics will soon be a common occurrence in stores

WHAT'S YOUR CORPORATE EMOTION?

Every business has an emotional image with staff, customers and the public at large – good or bad. Since the beginning of the recession in 2007, some financial institutions have stumbled into negative territory! Also, the perceived images can be inconsistent amongst groups and segments. If you ask an equal number of customers and staff to select one word to describe your bank, credit union or other financial organization, what would the result be? In the majority of cases the answers wouldn't be uniform. Even within an employee group you can find significant differences especially when you are going through difficult transitions. We have also seen that between regular branch users versus dedicated online relationships, there is an emotional difference.

Still our business does have a personality and it does communicate emotional feelings. Every CEO would prefer the image be consistent and positive. So how do we build our brand and its associated emotion? First, you have to do your homework and conduct research with staff, customers, suppliers and the public (consumers and businesses) to determine the current state and to uncover any potential, universal themes. Next, you have to evaluate how consistent or complex the emotional messages are. Now, uncover internally what you really want to be known as – what feeling you want to generate and the perceptions that it creates. Assume that you have found a key concept – test it and a couple others with staff sample groups.

Once you have done all the proper background work you should know where you stand and what the ideal future state is. So it is now critical that all staff agrees with and supports the energizing emotion and you find living examples. You really want to have total buy-in before you venture into the marketplace. Now that you are going public you need to have a robust feedback system to monitor external opinions coupled with an internal/external marketing program to build the brand equity.

One mistake companies make is trying to force feed everyone on the company exemplifying the specific emotion versus endorsing those acts or individuals that demonstrate the required ideal state. Building the foundation and managing subsequent impressions is a continuous corporate focus internally and externally.

MARKETING PROGRAMS FOR THE TECHNO-SAVVY YOUNG

The younger generations define their world today through mobile connectivity and apps. They wouldn't know where their financial institutions branches are off the top of their heads. They would find them, if asked, via the locator apps on their smart phones. So if your marketing programs are focused on branch media and collateral materials or the open side of your websites, you have limited your attract value with young people.

When the young connect to online applications with you – respond proactively with customized offers since you know who it is you are dealing with. The young also prefer text messages to e-mails. Teens are known to exchange thousands of text messages monthly.

Obviously, young customers want an online relationship and they place little if any value on other delivery channels such as branches. Additionally, half of the gift card or prepaid cardholders are college grads. The value of prepaid debit cards grew by 700% since 2009. They don't need chequebooks as they prefer debit cards. Even their use of ATM's is declining!

In summary, young people want an online value proposition and don't want to pay for channels and services they don't use. You must connect, convince and continuously provide proactive solutions online. Somehow you must find an effective way to be one of their social media partners as well.

CANADA

Automated Appraisals – Nervous Industry

The Globe and Mail, national newspaper, undertook an extensive investigative look into the current practice of FI's utilizing automated appraisals in their mortgage businesses. The red flag was raised by First American Financial Corp., a Los Angeles area insurance company that is losing tens of millions of dollars because of problems in the Canadian housing market.

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For some time, the banking industry was encouraged to use Canadian Mortgage and Housing Corporation's automated underwriting system, "Emili". The industry is now worried about distortions in the program and perhaps errors in appraisals by unscrupulous human appraisers! The Office of the Superintendent of Financial Institutions is ordering less reliance on automated systems.

Securities Regulators Cracking Down on Mutual Fund Industry Fees

The average adviser compensation sources in 2011 were 36% commissions and 64% trailer fees, up from 27% in 1996. Regulators argue that many investors are unaware that their financial advisers are earning a growing portion of their income from ongoing mutual fund fees – and often are totally unaware they are being charged. The Canadian Securities Administrators (CSA) is considering a variety of reform options.

Scotiabank Honoured

The Banker Magazine has honoured Scotiabank as the 2012 Global Bank of the Year, a first in Canadian banking. BNS has 19 million customers in 55 countries plus 81,000 employees.

Rewards and the Benefits

Like most retailers, financial institutions have or offer a reward program(s) directly or through an alliance. We know there are costs so what are your benefits? What are the specific behaviours of shoppers?

75% of Canadian women carry \$50 or less cash compared to 66% of men. Men use a bank machine up to twice a week (41% - women 33%). Women, 28%, rarely or never withdraw cash – men 22% and women are using debit cards more. A survey by RBC/Shoppers Drug Mart found 89% of women are part of a reward program (men 80%) and 80% say the rewards programs are important to them (men 73%). The recessionary times have increased rewards programs value to 43% of women and 31% of men.

Most credit card programs have reward options attached to them whether they are affinity cards or not. Some financial institutions also have their products linked to programs such as air miles. Target's entry into Canada is also likely to have an impact with their generous community oriented rewards.

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Rewards are linked to shopping loyalty dynamics. What we don't know is the elasticity of the rewards when associated costs differ i.e. interest rates and various fees or annual membership charges. With the movement to online lifestyles, we can expect even greater exposure to rewards options and competition affecting retail decisions. In fact, there are Internet sites which will help you compare the multiplicity of card features including rewards. Obviously consumers and businesses believe in the value of incentive options called rewards.

U.S.A.

Job Cuts Continue

Citigroup is cutting 11K jobs worldwide – 4% of staff, which will save over \$1 billion in annual expenses. 35% of restructuring charges will hit the global consumer banking unit (6.2K jobs).

Photo Bill Payments

U.S. Bank (\$352B assets) will be offering bill payments in the form of mobile cheque deposits. Customers will be allowed to pay a bill by taking a picture of it with their smart phone or tablet.

Chicago Targets Predatory Lending

City of Chicago is partnering with the Consumer Financial Protection Bureau to protect consumers by sharing information to stop predatory lenders and scammers. Chicago is also introducing a new ordinance to regulate and license debt collectors to make sure they operate with fair collection guidelines and stay away from illegal tactics. Also new zoning regulations will limit payday lenders' ability and other "predatory financial services" from spreading across the city plus they will gather information on unfair ads.

Credit Unions Improve Sales Culture

The Credit Union Magazine recently highlighted credit unions' efforts to boost lending growth through sales culture improvements. Employees are being engaged in contests and incentives to cross sell consumer loans – all employees are looking for opportunities. They have proactive outbound calling programs and consultative services to advise members how refinancing debts elsewhere will save them money plus giving free access to their credit scores.

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Some have even established "lending centres" outside branch networks within their distribution strategy.

There is also a wave to build relationships with commercial and retail partners to let consumers know about available financing at credit unions e.g. home renovators, energy utilities with audit programs, dentists, etc.

CUNA Highlights Tech Gap

Credit Unions were told by Brett King (author of Bank 2.0), Chairman of Movenbank, that service is defined primarily by quality of your mobile banking application versus personal service contact in a branch. Younger members define convenience with smart phone apps. Over the counter branch transactions have fallen from an average of 11.4K in 2000 to 6.8K in 2011 and almost 20% of branches are unprofitable today.

The Last Word

Technology and competition will continue to push the need for workforce and work changes in our financial service businesses. Those of you who are still trying to build a sales culture with long tenured employees know how difficult it is to change or transform the human capital but it is critical.

There needs to be greater emphasis on effective communications of all types and mediums. Lazy English has crept into our e-mails and some conversations. You cannot be sure what message(s) was actually received. Interviews, especially with recent graduates can be a challenge to say the least. Plus, the abilities to make impact presentations and succinct reports are no longer universal amongst workforces. The skill to properly communicate with co-workers, customers and others is critical. Errors are costly and create poor behavioural responses.

Additionally, the recessionary pressures have highlighted the importance of continuous, sustainable productivity improvements in corporate operations and personal practices. Previous processes need to be challenged and rethought by everyone from the basic sales meeting to the strategic plan – where is the additional value?

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Individually we want to empower people to question what they do and how they do it. Is it necessary? Can it be improved? Where can I save money? You want employees to have a vested interest in finding and implementing productivity improvements.

The bottom line is the value of human capital in our business from the front line to the corporate leadership. If it isn't broke – break it – then rethink it. Productivity and profitability are partners that need a cultural commitment. Many FI's have great improvement opportunities available if approached with open and creative minds.

Make 2013 a foundation for more engaged human resources empowered to improve the corporate environment and results.