

Eagle Net



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2014 ON THE HORIZON – SUNSHINE OR CLOUDY WEATHER

Over the past six years, strategic and business planning has been a greater challenge due to recessionary pressures, political unrest, business and consumer confidence and country, community and individual debt loads. At the same time, more competitors have entered the financial services market and consumers are more commodity or price sensitive. Margins continue to shrink and sustainable growth is illusive to those who try to ride out the storm in a status quo position.

Is the next calendar year going to be your recovery year with solid gains in profitability and productivity? Undoubtedly, the mobile, technologically literate consumer will continue to be selective in all their key purchases including houses and durable goods. At the same time debt loads will constrain their ability to buy on time. You do need to diversify your business, increase market penetration attracting new customers, plus improve your productivity of resources and expenditures. Where can you add revenue-creating products, services or cooperative partnership sales? Have you asked your present customers for their ideas for value add-ons? What partnerships and collaborations will expand your business reach plus fee generation? In attracting more customers, review your referral program incentives and acceptance. Are there groups or associations where partnership marketing could succeed in adding multiple prospects? Then there is productivity, which is an ongoing journey in business effectiveness and efficiencies. Have you assessed SaaS or Cloud computing options or any other outsourcing? Take a look at your utilities – an area that always could use various audits. Ask yourself, why do you still depend on landline communications and not VOIP, which is a fraction of the cost? If delivery channels are shifting in usage, are you synchronizing allocated resource requirements or redefined roles?

So is 2013 economically going to improve but you won't capture more than your historical share of that trend? – not good enough! Complacency is not acceptable. This is the time to change your horizon with innovation, empowerment and leadership. The CEO will set the scene and the momentum plus the whole team needs to reenergize itself and come to a new level of performance. Even though 2014 prospects might be better that doesn't automatically guarantee success. The opportunities exist for the bold to take hold and win.

The federal government has tabled its new budget, which includes a number of consumer-oriented provisions such as slashing bank fees and ensuring basic free banking. Fee projections should be reassessed based on the budget intent.

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CORPORATE RESPONSIBILITY – ROYAL BANK

Most of us at WESI had careers at Royal Bank plus we worked on the CAPPY Ride (Child Abuse Prevention & Protecting Youth) for over a decade. Consequently we are very excited and proud that RBC is donating 100 million dollars to children's charities over the next five years in hopes of improving the lives of a million children. Canada's largest corporation is making an important statement. They can afford to do it and they recognize that the children are our futures.

Footnote: Retail Banker selected RBC Royal Bank as Best Retail Bank in North American in 2013 and #1 for Innovation in Customer Service.

FORRESTER STUDY: NAVIGATE THE FUTURE OF CUSTOMER SERVICE

For years, we have read Forrester's studies and have found them enlightening and helpful. The recent one by Kate Leggett is no exception. This was compiled with the help of William Bund and Sarah Bookstein. The report is "The Contact Centers For Customer Service Playbook".

93% of companies say good customer service is one of their top strategic priorities but only 37% have a dedicated budget for customer experience initiatives.

45% of U.S. online consumers will abandon purchases if they cannot find quick answers to questions. 66% say valuing their time is key to good service. Three quarters move to another channel when online service fails. When customers experience unsatisfactory service 33% tell friends or family, 20% took a survey, 19% called the company, 16% sent an e-mail and 12% chatted with customer service online.

Customer Service Trends:

1. Channel Preferences are changing rapidly (See Channel Uses later)
2. Mobile Solutions are becoming a must have
3. Agile Service is becoming more important than multi-channel service
4. Customers expect proactive outbound communication
5. Voice of the customer programs are operationalizing insights
6. Customer service is moving from cost centre to differentiator
7. The universal customer history record is personalizing interactions
8. Knowledge management is becoming the jewel in the customer service crown

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9. Next best action solutions are powering targeted offers
10. Business process management meets the front office
11. Collaboration is improving the quality of service delivered
12. Best of breed solutions continue to struggle to prove their value
13. Software-as-a-Service (SaaS – Cloud Computing) solutions for customer service are becoming more popular
14. Outsourcing is gaining market share
15. Analytics is improving end-to-end customer experiences

Customer Communication Channel Preferences:

Telephoning a company/speaking to an agent	73%
FAQ on a company website	67%
Sending an e-mail to customer service	58%
Instant messaging/online chat	43%
Click-to-call	33%
Online forums	32%
Screen sharing	30%
Virtual agent	28%
Sending a mobile/SMS message	24%
Twitter contact with company	22%

PEW RESEARCH CENTRE (THE BECKMAN CENTER FOR INTERNET & SOCIETY AT HARVARD UNIVERSITY) STUDY: TEENS AND MOBILE APPS PRIVACY

This is a must read research report if you want to understand youth and mobile apps. Some highlights are:

- Teens, like their adult counterparts, have embraced app downloading
- Teens do uninstall or avoid apps due to privacy concerns or location information being provided
- Teen girls are more likely to disable location tracking features (59% to 37% for boys)

FISERV RESEARCH: SMARTPHONES & TABLETS

Key observations:

1. Smartphones are personal but tablets are shared
2. Inputting on phones involves thumbs or a single hand while tablets have big, tactile screens
3. People have different mindsets with each device. Phones are out-of-the-pocket, on-the-go devices; tablet users are more likely to consume content in a relaxed, information-gathering, research mode

Most mobile users prefer to use tablets over other devices and they spend twice as much time on their tablets.

BANK OF AMERICA HIGH TECH EXPRESS BRANCHES

BofA is opening five new express banking centres combining onsite and remote tellers. These units feature ATM's with "Teller Assist" whereby a customer can speak to an offsite representative through the ATM. Employees are onsite during normal business hours whereas Teller Assist provides access after hours and on weekends.

BofA has been selling off branches across the USA in less densely populated areas.

CU WALLET LAUNCHING CREDIT UNION DRIVEN MOBILE WALLET

CU Wallet, a collaborative credit union owned and directed mobile payments technology provider, is launching a credit union-centric mobile wallet application. (15 credit unions are involved).

KEYNOTE RANKS MOBILE BANKING APPS

Chase again has been ranked #1 in mobile banking apps by Keynote due to its robust functionality, strong user experience and streamlined navigation. BofA, Wells Fargo and U.S. Bank are close behind.

MOBILE BANKING SAFETY

Kumail Tyebjee from Mphasis writes that mobile banking is more robust security-wise than online banking. The key reasons are:

- Unique banking identity tied to mobile device
- Locating lost or compromised devices through application features
- Preventing fraud through geolocation and geofencing services
- Authentication via biometrics
- Encrypting and complying with regulation

SQUARE LAUNCHES SQUARE CASH

Square Cash lets debit card users send funds by typing an e-mail. It only works with Visa and MasterCard debit cards.

Note: The National Federation of Community Development Credit Unions estimates that more than 68 million American adults are unbanked or underbanked!

TRANSACTION PROCESSING NEWS

1. Chris Metinko of Mainstreet writes about a new trend allowing businesses to process payments by capturing a credit card or debit card's information with a phone camera. There are advantages and disadvantages and cost is one of the latter elements.
2. GoBankingRates.com reports data showing Gen Y prefers national banks while seniors lean towards local banks. The percentages are
 - only 17.6% of 65+ prefer national banks
 - 25-34 year olds prefer local banks the least 33.5% (18-24 at 33.6%)
 - 18-24 year olds prefer credit union the least (25.4% only selected credit unions as their most like FI)
 - 34-44 year olds prefer credit unions more than other segments at 47.3%
3. Diebold has created a touchscreen cash machine that works like a tablet computer using facial recognition and QR codes to identify and authenticate users with a built-in safety camera.
4. Top 3 best checking account promotions (GoBankingRates.com)
 - Chase \$200 Total Checking automatic bonus
 - PNC \$150 Virtual Wallet bonus
 - Sovereign Bank \$125 Premier Checking Package bonus

Note: Interesting that the selections are based on a commodity philosophy.
5. Western Union survey shows choice and convenience are critical in bill payments to meeting consumers preferences
 - 36% use 3 or more channels
 - 38% use 3 or more payment methods
 - 18% of multi-channel/method bill payers use a mobile phone to pay at least one bill a month
 - Gen Y leads on mobile bill payment usage (31%) – ages 18 – 34
 - Gen X is 25% - ages 32-52
 - Baby Boomers are 11% - ages 48 – 68

The survey highlights other Gen Y trends:

 - 41% use 3 or more bill payment channels
 - 39% use 3 or more payment methods
 - 34% pay at least one bill through mail monthly
 - 51% pay at least one monthly bill via website
 - 39% pay at least one monthly bill through their bank or credit union website
 - 11% pay at least once monthly through a third party bill payment website

CONSUMER FINANCIAL PROTECTION BUREAU (CFPB)

On January 10, 2014 the CFPB's new Ability-to-Repay (ATR) and Qualified Mortgage (QM) rule comes into effect in the U.S.A. The rule impacts disclosures and timing plus creates 3 categories of loans with different risks and legal treatment.

1. QM Safe Harbor Loans
2. QM Rebuttable Presumption Loans
3. Non QM Loans

The rule covers all consumer purpose, closed-end loans secured by a dwelling including home-purchase loans, refinances and home equity loans – whether first-lien or subordinate-lien.

The consumers' ability to repay is guided by specific standards concerning income and assets, employment, payments (recurring) debit obligations, debt to income ratio and credit history.

THE LAST WORD

The political gridlock in the U.S.A. is a vivid example of how conflict erodes possible successes and should be replaced by collaboration. I recognize that political power can rightly or wrongly motivate people to lose sight of the big picture and purpose. You also see it in business – even in financial services.

Within corporations, one can feel the conflict and negative energy working the internal landscape – and to no one's real gain. Leaders work to build teams, cooperation and communications. Disagreements are not allowed to become a conflict cancer but an important event where cooperation overcomes issues. Amongst the financial service organizations in any country, but especially the small and medium sized entities, there can be opportunities to work together rather than compete for everyone's betterment. Stronger businesses build stronger economies.

Sometimes personalities or egos become paramount for various directors and officers. These individuals compromise the possibilities for success of all stakeholders and in particular customers. Self preservation can be a dark cloud for all stakeholders.

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In politics the gamesmanship appears obvious to most and we tend to watch rather than pressure players to resolve the conflicts. Unfortunately self-survival in our financial industry can easily be camouflaged in mind and spirit as protecting the other stakeholders. Let's build bridges of cooperation and consensus with a view for synchronized strengths rather than isolated weaknesses.

P.S. Good Luck – Mark Condon

After more than 30 years at CUNA, SVP Mark Condon, a friend of WESI, has retired – to get his Masters in history, which he will teach. Welcome to the retread segment, Mark.