

# ***Eagle Net***



**WHERE EAGLES SOAR INC.**  
**500192 Grey Road 12**  
**Markdale, Ontario. N0C 1H0**  
**Tel: 416-347-2469, 905-873-7733**  
**Pat Palmer – Principal Leader**  
**Judy Johnston – Executive Leader**  
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## **CLOSING CHAPTER 2013**

There is truth to the saying that “time flies”. Already we are closing the 2013 chapter and when we turn the calendar, 2014 will be staring us in the face.

Let’s reflect for a moment on the dynamics of this year. As we predicted in 2012, this year was still a recovery year. The European situation hangs precariously; the Chinese economy tends to hide a variety of “over built” and unproductive initiatives and there are some weak signs amongst some financial institutions, which have not properly recovered, while others such as the Canadian banks establish a global example of sustainable growth.

Consumers and businesses everywhere are realizing the impacts of digital technologies putting them more in control of their channel choices and supplier (multiple) preferences. Smart phones and tablets are truly in the growth cycle and the Christmas buying binge will add more of these devices. The three generations in most families are well equipped to communicate and manage their financial affairs. Although channel expansion does automatically drive transaction volumes, there are utilization shifts amongst delivery demands. Most financial institutions do not have the investment capital and agility to keep in synch with clients’ preferences let alone try to predict them and move in tandem.

Distribution, to us, is an integrated, customer centric business, which needs a current and future view of those preferences plus a profitability/preference pairing by channel to optimize corporate returns and customer relationships.

Medium and small financial competitors have a serious transition to make but don’t have the knowledge or resources to adjust timely to the trends. Then again, the larger entities with deep pockets tend to have a shotgun approach where every channel option receives annual investment shares with little disinvestments taking place. We still see numerous bricks and mortar being built for between \$3/ \$5 million each and only marginal increases in digital, social channels. Is it because we still have decision makers who like to build brand monuments as visible legacies?

So what about the next chapter, 2014? We see interest rates creeping up and more focus on relationship loyalty, integrated distribution, improved productivity and change leadership. Various types of mergers and acquisitions will accelerate within the industry sectors plus an explosive expansion in partnership marketing and sales.

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Innovative leadership will begin to replace management complacencies and the status quo. Investments will all be scrutinized from a "customer value added" audit, which will help further accelerate cloud and collaboration options. All resources need to show a return to the bottom line and customer engagement. Consequently, there should be another wave of management resource rationalizations to delay and to refocus the businesses.

Large entities will be the first out of the blocks to "refit" and "realign" to impending future realities. Hopefully, the credit union movement will find leaders that can become aggressive collaboration catalysts and creators of more competitive multi channel models. Unfortunately, non-traditional players will continue to commoditize and cannibalize the foundations and traditional revenue streams in the industry. The virtual world makes entry easy plus major brands will continue to offer financial services as a preferred product line extension.

The challenges for 2014 are known, so the question is are you ready to embrace the customer centric dynamics to transform your organization for sustainable successes and survival?

***Footnote:*** Oracle's study "Global Insights on Succeeding in the Customer Experience Era" highlights the need for a significant urgency to create more engaging customer relationships. Only 23% of the FI executives surveyed said they have an advanced customer experience program in place and cited obstacles as being technology limitations and lack of a 360 degree customer view across all channels. Resources have to be dedicated to customer research, to a customer-centric culture and proactive-personalized communications.

## **THE APPLE DEMOGRAPHIC**

Apple users account for 89% of mobile commerce sales, especially on tablets. Apparently a SeeWhy Survey early this year found Apple phone owners to be younger, better educated, living in urban areas, and more affluent than Android users. Apple tablet users are "premium customers" who find the devices more engaging. There is enough evidence to suggest that Apple users should be treated as a defined segment for marketing and channel management.

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## **HELLO BANK!**

France's BNP Paribas operates a virtual bank, Hello Bank! to entice customers to abandon expensive bank branches and do most of their banking via smart phones and tablets.

Other new online banks include Simple and Moven in the USA, Holvi in Finland and Rocketbank in Russia.

In the USA the average number of over the counter transactions in bank branches per month, is down to 6M in 2012 from close to 7.5 in 2008. Half of all retail banking costs is incurred by the branch network.

In November, Barclays announced layoffs of 1,700 branch employees in 2014 due to consumer choices to use smart phones and technology for transactions. On the other side, where leadership gets the customer sales and service engagement model right, there will be more "enriched" jobs and stores will be smaller and offer interactive experiences.

## **THE CRYPTOCURRENCY CORNER**

On the news during the last week of November, we heard that a bitcoin was trading at \$1,000! Digital currencies are in the news!

There are now more than 80 entrants into the cryptocurrency segment. Names such as peercoin, namecoin, worldcoin, habonickels, gridcoin, fireflycoin, zeuscoin to BBQcoin and litecoin. The latter has become the strongest bitcoin alternative since its 2011 launch. Bitcoin was launched in 2009 and USA enforcement agencies describe it as a legitimate currency. The bitcoin can be traded digitally and a few merchants accept virtual currencies as payment. Many of the entrants probably won't succeed but the speculators are trying to make money. Check out [bitcointalk.org](http://bitcointalk.org), a digital online forum.

***Footnote:*** Bitcoin has introduced a Bitcoin ATM in a Vancouver, B.C. coffee shop.

## **CANADIAN BUSINESS 2013 CEO OF THE YEAR**

Ed Clark, CEO of TD Bank Group, has won the honour – well deserved. The November 25, 2013 issues of the publication also highlights Unilever's Paul Polman, who has set "higher purpose objectives" for the corporation and they are contributing to sustainable profit growth - a good read!

## **TORONTO STAR ADOPTS CREDITRON SOLUTION**

The Toronto Star will be one of the first Canadian organizations to electronically deposit cheques under a new rule enacted this year by the Canadian Payments Association. It will use Creditron's ItemAge Express software to process payments.

## **ELECTRONIC PAYMENTS ACCESS EXPANDS GLOBALLY**

A recent study by Bill & Melinda Gates Foundation and McKinsey - Fighting Poverty Profitably, found that only countries with relatively widespread access to electronic payment systems achieve high levels of financial inclusion. In countries where more than 70% of people can pay electronically, financial inclusion is over 85%.

In this current year, MasterCard and its partners launched more than ten programs globally, which are designed to bring financial access to over 350 million people.

## **NATURAL SECURITY ALLIANCE (NSA) DEDICATED TO WIRELESS BIOMETRIC AUTHENTICATION**

The NSA is comprised of some of the most influential retail, banking, payment providers and IT companies in the world and they share a strategic commitment to delivering mission critical authentication and payment solutions based on biometric technology. The NSA manages, maintains and enhances the Natural Security strong authentication specifications, which uniquely combine wireless technology, a personal device and biometrics. ([www.naturalsecurityalliance.org](http://www.naturalsecurityalliance.org)).

## **CANADIAN COMPETITION FOR MOBILE WALLETS**

Major banks, telcos and credit card companies are in a battle for consumers' mobile wallets. RBC, CIBC, BCE Inc. and Rogers are well into the race and others are quickly joining e.g. Apple Inc. and Google. There are hopes that retailers will get on board quickly, so consumers will follow suit but changing consumer behaviours will not happen overnight. Most mobile wallets use near-field communication technology (NFC) whereas Apple, which has 35% of the smart phone market, employs its proprietary iBeacon/Bluetooth technology. Rogers Communication, an aggressive player, will have its own mobile wallet even though it has been working with CIBC in the past.

Remember the importance of payments revenue in the economy so this battle has major ramifications on the traditional payment oligopoly.

## **CIBC INTRODUCES THE AVENTURA CARD**

With TD Canada Trust acquiring the major Aeroplan loyalty business from CIBC, the latter has introduced a new, highly competitive card with features similar to RBC's Avion and Amex cards i.e. any seat, any airline and faster point accumulation. The CIBC Aventura Visa Infinite Card could help them retain single product customers currently on their Aeroplan card after December 31, 2013.

## **CONSUMER TRUST STUDY RE PAYMENTS**

Javelin Strategy and Research reports that consumers continue to view their banks as trusted payments providers but they see PayPal Inc. as the non-bank to trust the most. Among Facebook, Apple, Google, Amazon and PayPal, the eBay unit gained most consumer trust in the past year. So PayPal was at the top of all brands at 34% up from its 2012 rating of 23%.

This is another vivid example of non-bank players disintermediating the global payments transaction market, which has been the controlled lifeblood of banks since the beginning of time.

## **INTELLIRESPONSE OFFERS BEST PRACTICES FOR VIRTUAL AGENTS**

Many FI's are now using Virtual Agents for problem solving and customer enquiries. The VA's are usually the first point of contact for customers to get help and/or information. IntelliResponse offers a dozen best practices using VA's.

1. Branding as a Persona (virtual person)
2. Encourage Natural Language Questions
3. Visibility & Placement (high website visibility)
4. Strategic Placement to Reduce Email and Call Volumes
5. Replace Static FAQ's with Dynamic Top Questions
6. Virtual Agents, Site Search or Both – Choose Wisely
7. Direct Answer Links
8. Multiple Interface Considerations
9. Multiple Channel Possibilities
10. Answer Page Considerations
11. Highly Relevant Offers that Drive Conversion
12. Escalation Management

(Visit [www.IntelliResponse.com](http://www.IntelliResponse.com))

## **INNOVATION CORNER!**

1. PSCU, Florida credit union service organization (CUSO) is the largest of its kind in the USA and it promotes collaborative initiatives amongst its 1,500 FI's. Annually, PSCU holds a KnockOut Innovation Summit over a 24-hour period. In 2013 GTE Financial took top honours with next generation switch kit ideas, which is an app that enables consumers to easily switch their current banking relationships to a credit union.
2. Bank of New Zealand has launched a website called EmotionScan that comes with an app that reads web camera equipped consumers' emotional reactions to varied financial scenarios, such as buying a last-minute plane ticket to attending a wedding. Participants receive a post reading report. BNZ hopes to encourage people to meet with a financial advisor.
3. Bank of America Merrill Lynch launches CASH360 which encompasses the entire cycle of cash automation service needs – hardware, software, armoured carrier, cash ordering, reporting and same day provisional credit to a BofA account.
4. Hana Bank of Seoul, Korea, introduced Hana N Wallet and One Click Mortgage. The smart phone based e-wallet provides various real-time services such as P2P payments, ATM withdrawals and on or off line payments to 30K entities. One Click Mortgage is designed to encourage customers to apply directly online.
5. CaixaBank of Barcelona, Spain, has SegurCaixa Auto, a mobile application providing convenient access to a wide variety of travel assistance services.
6. St. George Bank, Australia (part of the Westpac Group) enables clients to view their account balances on a smart phone without logging into mobile banking.
7. Alior Bank SA, Poland, has introduced new online credit processes and funding to expedite purchases at online vendors in 90 seconds.
8. DenizBank, Istanbul's proactive contact centre that is fully integrated across all channels is designed to improve customer experiences via predictive analytics and customer feedback.
9. Akbank, Istanbul, offers a business service monitoring system (BMS) across channels as a service tracking system to identify bottlenecks as they emerge.
10. Turkish Economy Bank (TEB), Istanbul, has cardless money withdrawal with QR code for mobile customers to get funds from ATM's.
11. ZUNO, Vienna based, provides multi-country direct banking standardization for centralized management.
12. Equity Bank, Nairobi, Kenya's agency banking system allows customers who are not close to branches to conduct banking business through trained and credentialed agents.

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13. Standard Bank, Johannesburg, South Africa's Access Banking provides a full suite of banking and savings products offered via a network of agents, retailers and cell phone capabilities.
14. UnionBank, Manila's Ushare's cash management solution allows NGO's to reach donors across the globe.

***Innovations are everywhere – how about you?  
Let us know***

## **LAST WORD – LOYALTY**

American Express Canada did an online survey with 1,343 Canadians regarding loyalty programs. The highlights are:

- 68% - say credit card rewards programs are important
- 79% - prefer cash back reward cards
- 66% - prefer to redeem points for products
- 57% - prefer travel rewards

Perhaps loyalty is a misnomer since it really is an array of reward features and choices that help attract card usage. Most consumers have multiple credit and debit cards, which they use interchangeably. In fact, many people only have a credit card with some suppliers. These become credit card commodities with associated features similar to most other financial service products.

Then we have organizations that say they judge loyalty by their NPS (Net Promoter Score), which indicates how many customers are willing to recommend your organization to others. Yet when you see a score of say 65%, and you dig deeper to find that only a small percentage of customers will actually participate in a referral program, is this really a loyalty indicator?

Loyalty has been a goal of many corporations but few really reach that emotional level with their customers and staff. In our personal lives, we are normally loyal to family members and true friends plus some have strong attachments to specific institutions and sports teams. But our industry has actually been commoditized more in the recent decades, moving further away from loyalty, which is known to drive profitability through less churn and more repeat purchases. Has the profit driven, product oriented culture driven us more and more away from the essence of true loyalty? Is that why new competitors find it easy to disintermediate our industry and its players? Are we on a treadmill that is clinical and more and more void of loyalty?

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Loyalty is a strong emotional attachment we have amongst the WESI team. It is one of our founding principles and we never take anyone for granted but always provide support under every circumstance. Can our FI's nurture that kind of connection with customers and not just a technological one?

We believe it is important to focus on customer loyalty plus staff loyalty – they go hand in hand. Large and small organizations should understand what their true loyalty level is and can be. Satisfaction surveys or NPS's don't tell you what you need to know. They are lower level scores from the emotional loyalty plateau.

Every customer experience, engagement and interaction is loyalty critical. Similarly the same is true for your employees. First you have to have the internal culture right if you expect to generate customer loyalty. What do you do to judge employee loyalty and what actions do you emphasize to build the desired relationships? Too often in our research we find only a small group are dedicated to the organization's goals, leadership and total team. A large portion is skeptical of motives and relationships and a third group are actually sabotaging leadership efforts. At WESI we treasure each other and are committed to our clients. Sometimes it is reciprocal!

If we have one recommendation for 2014, it is make the effort to undertake a loyalty audit and then build an internal game plan and a subsequent external roadmap to emotional levels of attachment that truly lasts and delivers rewards to each other.

***We wish you a health and happy Christmas Season and a blessed 2014***

***Your friends at Where Eagles Soar Inc.***

