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THE SALES & SERVICE JOURNEY

Approximately thirty years ago, a few large banks made a formal strategic commitment to transform their reactive cultures into customer-centric, proactive sales and service organizations. The challenges and conversions were enormous. The roadblocks came from turf traditionalists and rampant resistance from internally focused silos. Perhaps the accommodating variable was the fact that branches and commercial centres monopolized customer delivery/distribution. Consequently, the transformation landscape was a narrow priority compared to the exciting explosion of customer channel options in the next decade when contact centres and the Internet began to erode traditional traffic patterns.

By 2000, consumers were in control of multiple channel options wherein they expanded their access points and transaction volumes plus preferred hours of business. In fact, distribution strategies and sales and service developments needed to be aligned and customer contacts synchronized in proactive processes and programs.

Customer preferences were evolving quickly and historical segmentation parameters had to be reinvented. The current decade ushered in a variety of virtual, smart delivery options; attracted competitive participants from other retail sectors; necessitated the development of high profile partnerships; plus most of all, enabled tech savvy consumers to create their own financial service, integrated solutions – "myfi".

Today, the financial sector sales and service cultures are extremely complex and dynamic in every aspect. There are numerous businesses, products, services channels, people skills and technologies required to operate in an integrated, customer-first environment – at a profit. Even though some of the larger banks have been on this journey for 30 years and have deep capital pockets, they continuously have cultural components to adjust, build, buy or joint venture to meet target segment preferences. Proactive, timely customer engagement and transaction capture underline the multiple variables in sales and service strategies.

Unfortunately, many medium and small sized financial institutions individually can't compete with the ever-expanding holistic experience offered by the dominant competitors. Even the latter still show cracks in their customer channels especially in trying to treat each customer relationship in a seamless cross channel process.

If your competitive intelligence surveys include key banks regularly, you may find that in-branch proactive sales initiatives are not regularly practiced; that online banking prompts continue even after they are deleted; that telesales calls are absent; that mass brand advertising prevails over one-to-one marketing initiatives etc. Therefore, personalized opportunities do exist for creative niche players locally, regionally and nationally.

It is critical for ongoing improvements and verifications in all sales and service processes and programs as well as the overall culture. Periodic "size-ups" should be undertaken from the customers' perspectives. "Strategies" and "structures" plus "systems" should also be placed under the performance microscope. There are many examples today where mistakes are made. Such as investing in sales training programs when the sales management infrastructure is weak or the rewards and recognition programs are not customized to the specific staff preferences.

A sales and service culture is a continuous journey with targeted customer relationships and prospects for ideal engagements through employee empowerments and integrated technologies. The vision starts at the top and permeates throughout the organization at all levels and through all delivery channels.

Competitive disintermediation from traditional and emerging organizations is a constant threat to relationship engagements and in many cases they attempt to commoditize contacts. With customers in control of the decision-making, as well as activation of preferred touch points, erosion can go undetected until it is too late.

Continuously revitalize your journey and listen to customer preferences for short and long term profitability. Be a proactive participant in the never-ending journey, it is fatal being a silent spectator.

2014 HIGHLIGHTS

The dynamic world of financial services exhibited both opportunities and weaknesses for the public and the industry players this year. We will briefly comment on a few strategic selections from 2014.

<u>Leadership Changes</u>: The top executives of large banks in many countries changeover, mostly through natural successions. This was particularly true in Canada where there was a wholesale switch in the majority of institutions. In our assessment, retail backgrounds are again more prevalent than the previous wave of investment bankers, which should be a competitive strengthening. Large credit unions also saw interim career changes.

<u>"Greed" Image Persists</u>: Events again took place that uncovered institutional and individual issues which reinforce the unpopular image of greed that led to the recent and perhaps recurring recessions and extraordinary performance fluctuations. Surely it is embarrassing to have regulators getting more involved in policing pricing, charges, expenses rollups and questionable accounting practices. These regulatory witch-hunts have built a new business for lawyers and also continue to stoke the unfriendly public fires.

<u>Consumer Literacy</u>: The active public accelerates its financial and technological literacy, which include personal dependencies on mobile smart devices and related social networks, apps and centres of knowledge. Canada continues to lead in per capita use of Internet technologies and chip card transactions. Wallets today are bulging with debit, credit and loyalty cards with the latter trending more to the "cash-back culture". Soon there should be an omni card or chip which will be controlled by the consumer with all their preferred transactions with multiple institutions

<u>Channel Investments</u>: Financial transactions continue at a rapid pace along with expansion to card and click choices. Many institutions, which continue to over-invest in bricks and mortar, try to use other delivery options to drive people into their new and renovated brand monuments in urban and suburban areas. Retail hours are extended: better qualified people staff the facilities; interactive technologies are tested to entice the younger generations: and contemporary designs are built making the units multi-million dollar cost centres with fancy internal cost accounting recovery practices. Consumers with significant segment differences continue to control and utilize extensive channel choices that are evolving quickly. Few institutions are investing in the requisite channel preference research.

<u>Payments Disintermediation</u>: Our industry has grown with an important dependency on payment/transaction revenues in every channel Years ago monolines began to erode the payment oligopolies. Major players have divisions/ departments dedicated to protecting and growing this revenue lifeblood. At the same time, high profile brands from various industries have started to significantly erode the flow and this trend will continue to heat up more. We expect some of the largest technology/network brands will find payments an important business to improve shareholder values.

Collaboration Roadblocks: Partnerships have been vital to major financial institutions in building brand value and bottom lines. Most alliances are captive and quickly expand market penetration/coverage. Some medium and smaller sized organizations have tested the water in various ways on a local or regional basis. In some countries credit unions have done a "good" job in producing collaborative and consolidated synergies, when the leaders keep their members' value front and centre versus personal agendas. More dynamic catalysts are needed to accelerate the member benefits, which will have sustainability and profitability dividends.

Regulatory Burdens: In the past decade, we have seen an incredible increase in the regulatory burdens and hence costs, on the financial industry globally. This is not a forum to argue what is required and what isn't, to protect customers, owners, industries and countries. Importantly, it must be recognized from both a cost and a control perspective. There are various regulatory bodies levying their independent requirements layer upon layer, which invariably increases costs unnecessarily and opens up the financial service businesses to external niche players operating under a different set of rules. Regulations need to reinforce the strength and importance of the industry not open up vulnerabilities, which lead to disintermediation.

WHAT WILL 2015 BRING?

Most North Americans are hoping that the Northern Vortex, which brought six months of winter snows in 2013/2104, would correct itself. Unfortunately 2014/2015 looks like more of the same as two metres of snow fell on Buffalo in mid-November and all states felt freezing winds.

Perhaps the same can be said for the global and local financial services industry – more of the same! Unfortunately, recessionary cracks have reoccurred in some countries and the recovery in others is persistently slow. Also, the markets hang on every short-term government statistical report in each jurisdiction and longer-term views are suppressed.

In our business, "the consumer rules" and technologies will continue to reinforce that trend. At the same time, we can expect new intrusions from non-financial brands with large consumer bases or networks. Many traditional FI's will continue commodity competitions while trying to build longer-term customer engagements.

People globally will invest more in mobile, smart technological devices and spend more time utilizing them to the detriment of face-to-face social and shopping interactions. If you want a periodic awakening do Internet searches on the key products to your organization and its profitability. At the same time, search your competitor sites for new partnerships, which are going to increase at a rapid rate.

An all-inclusive cross channel sales and service culture is critical next year and the years after.

THE LAST WORD

2014 has been a challenging year for many of us, and our families. At this holy season all your WESI friends want to wish you happiness and health going forward. Our world, countries and communities represent a lot of good by mankind, which we must never forget in the negative media environment. People do make a positive difference in your organization and ours. We treasure those relationships. We will be with our children and grandchildren during the holidays and they are the diamonds in all our lives. Hopefully our role models and principles will help them and guide their life contributions. There is so much synchronicity in our lives if we take time to see it and feel it.

Enjoy the season for many reasons!

Bless you all from each one of us.