



Eagle Net

WHERE EAGLES SOAR INC.
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BAI RETAIL DELIVERY CONFERENCE REVISITED

Every five years we do our cycled attendance at the subject conference, which is the Bank Administration Institute's largest annual event and biggest fund raiser. Michael Eisner, ex-Chairman and CEO of The Walt Disney Corporation opened the proceedings and Canadian Entertainer, Howie Mandel, did a great comical closure.

The three day event was focused on "thinking differently" for the 6,000 attendees (reported by BAI), the majority of which were exhibitors and their staff. The Expo Hall included hundreds of large and small booths from the well known and lesser-known vendors to the financial service industry. Interesting to note, by our guesstimate, at least one third of the Expo was directly or indirectly related to the ATM channel. Amongst the paid participants, there were less senior executives and management from large financial institutions, hence the attendance was more middle management and executives from smaller institutions, with credit unions' participation growing.

Non-financial business gurus such as Joe Pine, Chris Anderson and especially Gary Hamel, were the most thought provoking presenters in the plenary sessions. Joe Pine is the author of "The Experience Economy" and was the co-leader of the key BAI research session on "The Relationship Experience" which will be summarized in a later section. Both Messrs. Anderson and Hamel have authored business books, which have received great reviews and should be on your Christmas shopping list.

Generally speaking, the conference focused on the strategic issue of commoditization and the potential offset strategies such as relationship experiences and rekindling a people passion internally. From all accounts, stimulating innovative thinking was the underlying objective of the conference management and faculty.

Eagle Net

Page 2.

It was somewhat disappointing to hear in 2006 that many financial institutions have not built their cultures around people centric strategies, such as customer relationship management/segmentation and employee training and motivation, especially in the sales and service area. Although personalized problem solving and innovation are viewed as prerequisite staff skills, investments have been lacking. As WESI has discussed many times in past publications, people portfolios of integrated sales and service actions will only build the cultural barriers to commoditization.

BAI – “The Relationship Experience” Research

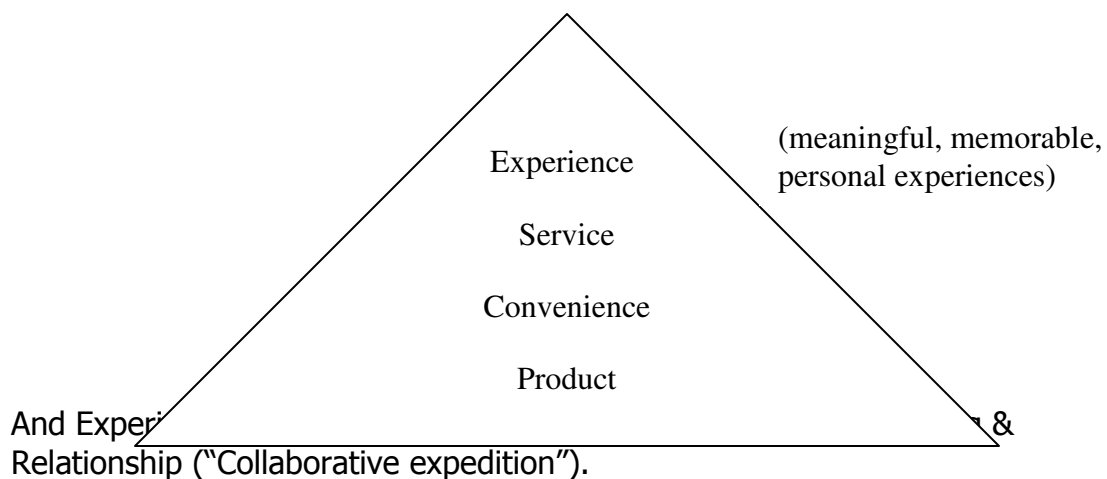
97% of the financial industry is being or is commoditized, based on feedback from bank executives!

70% of customers have no emotional connection with their financial institutions and are not interested in a relationship.

Within the total consumer population of bank customers, the research categorizes the respondents in three groups:

1. 40% skeptical
2. 31% relationship seekers
3. 29% service seekers

The four relationship levels are:



Eagle Net

Page 3.

Trust and confidence are key to relationship experiences and you build trust & confidence through:

1. Safety
2. Accuracy
3. Professional
4. Fairness
5. Authenticity

Customer satisfaction measurements don't work any longer.

Customer sacrifice should be measured i.e. the difference between what a customer expects and what the customer settles for.

<u>What Want</u>	<u>What Received</u>	<u>Sacrifice</u>
x	y	x-y

(Accessibility in your financial institution is a good starting point e.g. opening/access in evenings and on weekends).

BAI – Immigrant Marketing

During the past year immigrant marketing/segmentation was a regular topic in trade publications and the business news as the major banks announced focuses in this area. BAI had a special session on this topic and the catalyst for success was repeated over and over – “remittances, remittances, remittances”.

The financial institution has to be prepared to accommodate the basic need of account remittances, which may necessitate new documentation/identification acceptances in setting services up. The banks and credit unions in this market space are learning through outreach programs and developing new partnerships in immigrant communities.

Note: Chris Anderson's book “The Long Tail” is an excellent thought guide in this market.

Eagle Net

Page 4.

BAI Retail Delivery Conference: Other Highlights

Employees – centricity around employees is a priority amongst many speakers who cite service and sales problems related to a lost focus on the greatest asset – their front line people.

Customers – commoditization of financial institutions' products heightens the competitive need for proactive, personalized relationships by institutions, which create and foster a distinctive branch and delivery experience.

FinTech Awards (by American Banker & Financial Insights).

Top Company: Fiserv

Top Enterprise Company: IBM

Top in Banking: Fidelity National Information Services

Top in Capital Markets: Sungard

Top in Insurance: CGI Group

AUSTRALIA

Broker Increased Mortgage Profits

Mortgage Choice, a mortgage brokerage company, reported a 43% jump in annual profits to \$17.9 million. The housing markets in Western Australia and Queensland are the growth areas.

Smart Card Licences

State of Queensland is moving to smart card drivers' licences, which will be outsourced to the private sector.

Eagle Net

Page 5.

ABF Insurance Awards 2006

Best Life Insurance Company – MLC
Best General Insurance Company – Allianz
Best Australian Insurance Executive – Paul Bedbrook, ING
Best Insurance Website – www.ing.com.au
Best Technology Innovation – CommSec (Comminsure)
Best General Insurance Product – Travel Insurance (Comminsure)
Best Call Centre – Comminsure
Best Insurance Broker – AON
Best Promotion – The New Code of Practice (Insurance Counsel of Australia)
Best Risk Manager – QBE
Best Reinsurance Company – Swiss Re

3rd Annual World Banking Report (Reported by ABF)

- Local prices for retail banking services declined 1.5%
- Banks are reducing remote channel prices
- Continuing strategic issues
 - Ability to meet high customer expectations for multi channels
 - Profitability of proactive advisory strategies
 - Efficiency of remote channels to push sales
 - Strengthening customer relations via electronic channels

Mortgage Brokers

Growth in this segment continues unabated. In 2002 there were just over 2000 and today the number is 12, 500. Brokers handle 40% of originations. In 2004/5 brokers wrote Aus. \$72.6 billion and generated \$1 billion in revenue.

Communities and consumers are more aware of brokers' role (89%). Satisfaction ratings are slightly higher than banks. Consumers are willing to purchase other loan products from brokers.

Note: U.K. & U.S.A. brokers are at 60% or more of originations.

Eagle Net

Page 6.

CANADA

Service Problems for Indian Bank

ICICI Bank Canada, since setting up shop three years ago, has utilized service call outsourcing to India. That will now stop due to a series of customer complaints and lost business associated with poor call centre service.

Wal-Mart Canada Heading Into Financial Services

Other multi-category players e.g. Shoppers Drug Mart Corp. or Costco Wholesale Canada Ltd. could be next. There are precedents with the Loblaw's Group (President's Choice Financial with one million customers) and Canadian Tire Corporation.

All these players will further commoditize the market and disintermediate the traditional financial service industry players who need to radically improve customer/member experiences.

Canadian Banks Courting China

The major banks have all now enunciated focused strategies to build franchises in China where authorities attract attention by saying that they will likely gradually open the financial service industry to international interests.

ATB Searches for New Leader

Alberta Treasury Branches/ATB Financial, are on a CEO search as long time respected industry professional and current President & CEO, Bob Normand, has announced a June 2007 retirement. Bob's leadership has been instrumental in stabilizing and growing ATB into a strong regional position in Canada's booming Alberta.

Eagle Net

Page 7.

Alterna Savings CEO to Retire

Another Canadian financial institution leader in the credit union sector, Gary Seveny, CEO Alterna Savings/CS COOP & Metro Credit Union, has also announced a 2007 retirement. Gary is a respected visionary in the credit union movement and we hope that he will stay involved in some way.

Canada: J.D. Power Associates Survey

In a recent survey, Canadians rated in-person branch experiences on a 1,000 point scale as follows:

TD Canada Trust	765
Scotiabank	744
Royal Bank	743
BMO	726
CIBC	724

MEXICO

The countries sporadic violence has not hit the banking community. A Scotiabank branch was the target of homemade bombs along with political facilities in November.

U.S.A.

Mortgage Volume Drop

During the latter part of July, home loan applications dropped to a four- year low. Hence, the brokerage firms are looking more at the sub-prime market.

TD Banknorth Going Private

Canada's Toronto Dominion Bank will pay \$3.6 billion to buyout TD Banknorth's minority and take the division private.

Eagle Net

Page 8.

Branch Drawing Power – Forrester Study

<u>Statement</u>	<u>Somewhat Agree</u>	<u>Strongly Agree</u>
Branch reps. are helpful & knowledgeable	39%	38%
I need to <u>talk</u> to a person when dealing with account issues	31%	38%
Visiting a branch is the fastest way to open a new account	30%	35%
I prefer to use my bank's brand for most banking activities	25%	33%
I like to learn about new products & services at the branch	19%	10%
I visit the branch because I don't trust the phone or Internet	14%	12%
I need branch reps. to help me with paperwork	16%	9%
I can get the best rates on new products at the branch	13%	11%
I have to wait in long lines to talk to a rep. at my branch	13%	4%
Branch reps. Try to sell me products I don't need	8%	4%

Note: There is a direct correlation between age and branch users.

Credit Union Mortgages

NAFCU reported interim 2006 activity which shows a continued decline in credit union originations e.g. 2003 (YTD June) \$42.9B, 2006 (YTD June) \$27.3B.

Eagle Net

Page 9.

Credit Union Segmentation Hits

American 1 FCU's 4th Fall Women's one-day Expo attracted 80 vendors and 1,200 attendees. It was a complete experience showcase.

Forrester Research: The Banking Channel Popularity Contest

Preferred Channel for New Products:

- a) Research: Web 47%; Branch Visit 35%
- b) Open New Account: Branch Visit 82%

Preferred Activity Channels:

- a) Account Balances: Web 33%; Auto. Phone: 24%
- b) Viewing Statements: Mail 37%; Web 34%
- c) Transfers: Web 32%; Branch 32%

Preferred Service Channels:

- a) Address Change: Branch 42%; Web 26%
- b) Problem Resolution: Branch 51%; Telephone 40%
- c) Fee Disputes: Branch 49%; Telephone 44%

International

Contact Centre World Awards were dominated by the U.K. at Las Vegas presentations:

Selected Golds

Best Customer Service: Cross Country Automotive Services (U.S.A.)
Best Community Spirit: Sage (U.K.) Lt.
Best Technology Innovation: NTUC Income (Singapore)
Best Outbound Campaign: Transcosmos (Japan)
Best Centre < 51 agents: U.S. Navy Global Distance Support (U.S.A.)
Best Centre 51 – 249 Agents: eircom (Ireland)
Best Centre 250+ Agents: NAB Europe (U.K.)

Eagle Net

Page 10.

The Last Word

Santa Claus is coming to town! Yes, Christmas is just a few days from now! Shopping malls are busy, bright lights adorn homes street after street, and in the rural areas as intermittent oases in a sea of darkness. However, the children's faces and rapid conversations really light up the season as some of us see ourselves in our children, or in my case, grandchildren as we were a few (many) years ago. Presents will be there on Christmas morning in remembrance of the greatest gift of all received over 2,000 years ago.

Also, this year we need to remember our older children, fighting for freedom around the world. Some of our sons and daughters have made the greatest sacrifice, giving their lives for others. Please remember them and their families not just at Christmas but every day.

WESI's team, which works regularly in the U.S.A., Australia, the U.K. and the Caribbean, as well as in Canada, knows all too well that we share this sorrow together.

From our executive team: John in the U.K., Bob in Australia; Lucille in the Caribbean; and Judy, Terry, Steve, Randy, Ann, Ted and myself here in Canada we offer our sincere wishes to all our business associates and friends around the world for a happy and holy Christmas. God bless our children!

Pat Palmer