

Eagle Net



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E-Journal Newsletter – June 2015
E-Vol. No. 76

PERSONAL DEBT IN PERSPECTIVE

Recently I blogged in our web site on the subject of personal debt to income ratios, which various institutions and media use to warn (or scare) everyone that borrowing levels are generally too high. I believe that these comparisons are similar to the psychology used by Hydro One in Ontario, Canada where periodically they are sending out letters to homeowners stating that they are low, average or high users of electricity in their communities without qualifying the standards and unique housing information. For example there are less than 1000 homes in my rural village where some houses have 6000 square feet of living space; others 1000; some houses one resident, others families of 4/5; heating is provided by many sources- electricity, gas, wood and combinations plus even outdoor furnaces. So how valid are general use comparisons for any purpose and why would a company spend money on such a notification program?

Back to the financial industry and personal debt levels relative to general income which are said to be over 160% in both Canada and the USA. Let's step back and assess all the potential dynamics influencing this type of equation or conclusion. First, there are very many debt products and sources inside and outside of the norm; e.g. credit cards, personal loans, mortgages (fixed and variable), lines of credit (unsecured, secured, & home equity), etc. through banks, credit unions, other third parties and yes, family members. Second, people use debt for multiple purposes- balance cash-flows, acquire loyalty benefits, solve contingencies, acquire durable goods, build home and recreational property ownerships, develop investments (securities, properties and valuable collections) and complete personal commitments such as supporting family members and charities. Third, those that incur debt represent complex variables including demographics (age, incomes, education, etc.), geographies (In Canada Toronto and Vancouver house prices skew any comparisons e.g. an average rural home at \$200K would be approximately 5 times or a million dollars) then there is the extremely critical dynamics of serviceability (What percentage of income is required to make repayments on principal and interest? Is it dependent on one or two incomes)?

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Sensitivity analyses on serviceability by lenders are imperatives vis-a-vis interest rate changes and the speed of change as well as negative social events e.g. marriage break-ups.

Overall debt accumulation is influenced by many dynamics, controllable and uncontrollable by consumers and it is not a simple equation that can serve as a barometer of potential economic and personal dangers. Serviceability in itself requires a complex, experienced understanding of the what's, why's, when's, where's and how's in each scenario. Debt levels, say in Toronto and Vancouver, are very different than those in Owen Sound and Kelowna and well they should be. If anything we should be more concerned as to the use and growth of expensive credit cards in everyday life to make ends meet.

The financial industry, which is the major prompter of credit cards, should consider more customer-centric counselling targeting people's lifestyles, debt products/costs and cash-flow balancing.

Additionally, our industry and the media should be more vocal on the poor example set by spendthrift, deficit operating and debt builders in government circles, which have established unacceptable examples for their citizens. These institutions in some cases have borrowed more than will be repaid in 2 or 3 generations. Additionally interest rate increases will surely affect economic prosperity and unemployment more negatively for these governments than personal debt loads. Governments with these characteristics should be publicly criticized by respected corporate leaders and business advocacy groups rather than hiding in their silence afraid of retaliation or loss of government business.

Responsible debt leverage in the right hands has built business and personal wealth as well as vibrant communities and nations, Greed and mismanagement or improper personal behaviours erode our livelihoods and lives. Our industry knows that only too well as it was the catalyst of the last recession and again personified recently by FIFA officials.

DATA VERSUS INTELLIGENCE

Our digital worlds are dominated by massive data created by many businesses, governments, individuals and others everyday and everywhere, which presents multiple opportunities and risks. Unfortunately, there will always be elements that are ready to breach security to steal data and information from large governments to local businesses including financial institutions. Some thefts can go undetected for extended periods. Digital criminals travel the Internet highway and park on your devices and networks. Consequently, enterprise risk management today continues to grow in importance, as does our responsibility to protect and educate employees, suppliers, customers and the general public.

On the other hand if you properly manage business data into viable intelligence you can better serve customers at a lower cost plus improve strategic and operational decision-making.

Every component part of our organizations receives, maintains and creates/dispatches data. Is it an asset or a liability? Keeping a continuous balance on risk management and data mining/management is everyone's business. All staff in a business can create value or increase vulnerabilities so education and surveillance are key to optimizing data resource investments. Information and communication technologies are evolving at a rapid pace so risk management challenges do so as well.

UTILITY OPTIONS & COSTS

Over the past number of years we have encouraged FI's to assess all utility service elements, equipment and costs regularly with the help of professionals in each discipline. In particular, we have suggested seriously to switch to VOIP communication systems rather than staying with tradition telephone suppliers for local and long distance services at work and at home. Still many drag their feet and incur significant unnecessary expenses. In the digital age we need to keep in synch with the opportunities it presents.

Now, this summer offers another utility option worth investigating called "the Powerwall" by Tesla, which is well known for producing top of the line luxury green vehicles which I was educated on by my real estate agent who is committed to Tesla on the road and at home. When my agent told me that his car powered his home during the day when parked there, my curiosity took over. His Tesla vehicle is plugged in at night to charge at off peak rates and then the reverse happens during the day- the car powers the house when high electricity rates are on the grid.

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Next, my friend recommended that I investigate the launch of Tesla's house batteries called "the Powerwall". Basically, the Powerwall charges during low rate times and discharges during high demand, intra-day timeframes. It stores energy and will keep the house or office with power during outages by local utilities. Insofar as specifications are concerned, the Powerwall is a 3 feet by 4 feet and 6 inches thick lithium battery and it can hang on a wall. It comes with a 10-year warranty and the cost is approximately \$3500.

Tesla deserves consideration at home and in the office.

URBAN AIRSHIP ON DIGITAL STRATEGIES

Urban Airship works with the world's leading brands on mobile customer engagement. Recently, they published the top 10 Questions for best practices and insights from their digital strategists. More details can be found through their web site.

Here are the questions:

(A) Messaging Strategy

1. How often should I send push?
2. What time of day is best to push?
3. How can I message all app users?
4. Where should mobile messages direct my audiences
5. When should I use push, an in-app message, or e-mail?
6. What makes a good message centre?

(B) Audiences & Segmentation Strategy

7. How can I entice customers to come back to my app?
8. How should I get started with beacons?
9. How can beacons improve the in-store experience?
10. How can location history make messages more effective?

ROYAL BANK'S MOBILE WALLET

Royal Bank of Canada, my career employer, continues to make us proud with its innovations and customer-centric developments. The bank has built its own mobile wallet technology with selected partners that can work with ApplePay, Android alternatives and card networks' host card emulation. RBC has a patent pending on its Secure Cloud Technology. "Top-of-Wallet" is their primary goal.

FUTURISTS COLLABORATE

In the past WESI's E-Journal has introduced you to Rohit Talwar, an international, well known futurist and CEO of "Fast Future" which has successfully collaborated with over five dozen recognized futurists to construct and publish The Future of Business in 20 weeks! This consolidated effort is available through the Fast Future Publishing web site. The first chapter, Navigating the Next Horizon, is written by Rohit and is accessible to download free.

One of the many thought provoking subjects is the impact of the accelerating development of Artificial Intelligence (AI). Businesses of every type and size will be affected and it is a priority to understand how rapidly the technologies are evolving and to have defined policy and strategy around their deployment. On the individual side the emphasis needs to be on acquiring transferable foundation capabilities- learning how to learn, accelerating learning, problem solving, complexity thinking and scenario planning.

The discussion on exponential thinking is exciting as innovations are using the process to shift traditional industry practices and many startling examples are provided. One example is Tangerine Bank (previously ING Canada and now a subsidiary of BNS), which handles seven times more customers per employee. Another situation is looking at 400-700% growth over 3 years versus the normal 15-30% per annum. This truly is thinking in grand paradigm shifts of critical proportions.

You will be stimulated just reviewing the summary details of all the sections, chapters and authors. We will be highlighting some subjects in future issues of the E-Journal.

LAST WORD

Employee Engagement

A tremendous amount of industry publishing and consulting today is focused on customer engagement, both traditional and digital. Of course success starts with a people-centric vision, set of values and strategies engaging employees and customers/prospects. As you would expect most pundits concentrate on customers and the omni-channel landscape.

First and foremost, look at the employee side, especially now that generation "Z" is entering the workforce. Without employee engagement, customer engagement will be elusive. Today's employee universe represents a challenging group of diverse segments, which must be motivated to compliment each other and the corporate goals.

Second, spend the time regularly to listen and learn from employees and ensure that you are encouraging their learning and interests. Personally, I watch "Undercover Boss" on TV and always my emotions connect with employees because they are so special, each and everyone. What is actually done is taking the CEO out of the office, and in disguise, to train with unsuspecting customer-interfacing employees. In most cases, the employees are shown as really having valuable contributions for improvements, which languish unappreciated.

Third, engagement with employees involves understanding their desires and dreams plus challenges at work and at home and supporting them. You don't have to de-layer the organization to have a culture where all management takes time to really be with employees at the customer level. It is not just management by walk around. It is leadership by really being there, not just visiting.

What do your employees want to accomplish at work? Do they have the encouragement and latitude to solve problems, create opportunities and satisfy their needs as well as those of your customers and the organization?

Employee engagement starts with leadership engagement.