

# ***Eagle Net***



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**E-Journal Newsletter – August 2015**  
**E-Vol. No. 77**

## **STRATEGIC PLANNING 2016+**

It is that time to reassess your current SWOT analyses and rejuvenate core strategies and actions for the next half decade. Simply reacting to environmental pressures annually will not ensure survival in our world of dynamic changes. The following five strategic areas should be in your priority assessments and actions.

1. Engagement: To effectively and continuously engage leadership, employees, customers and prospects is the foundation for success and survival. Leaders are needed at all levels and in all critical areas of your organization to be totally involved as change catalysts plus creators of extraordinary improvements. Engaged leaders will in turn gain employees' commitments and involvements. People need to understand and want to be a team contributor, which will enhance discretionary efforts.

Customer engagement cannot start unless your organization is universally cohesive and committed to a customer centric culture internally and externally. In the latter area, you must continuously research preferences, attract interest, generate positive interactions, exhibit continuous care, build relationships and earn loyalty daily to retain customers. If you can turn your customer engagement into a brand strength, you have then got the foundation attraction for prospects that are more difficult to convert in the digital age. Selfies are growing and they are aggregating financial service needs as they require and prefer. In fact they are the new disintermediaries of traditional FI's. You will need new apps and incentives to engage them.

2. Omnichannel: Customers control channel choices and expect seamless experiences across all channels they utilize regularly or periodically. It is no longer a case of just bricks and clicks, it is a universe of virtual apps and access and the Millennials are the pacesetters in the financial service future.

Digital demands continue to grow exponentially and if you are not offering an acceptable solution set already, you will find it difficult "to catch up" to your evolving customer base. Complimentary with digital channels are social media options and chat/contact opportunities through customer care engagement centres which handle various virtual access windows – voice, text, e-mail and mobile representatives.

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Branches or stores will have a role to play in various geographies and with selected segments or core product discussions. To expand ground level contact and to improve financial returns, store partnerships/sharing will continue to surface to replace traditional units. Without a doubt transaction activities will continue to migrate elsewhere and the leaders and employees in these channels will have different proactive skill sets as well as in all other channels. If you don't have a proactive omnichannel sales culture, watch out for erosion and higher reactive costs.

**3. Enterprise Risk:** Clearly risk has increased in many business facets – economic, financial, competitive, security, payments, systems, governance, people etc. Risk management for the total enterprise is everyone's job to understand and mitigate. Global economics generate risks that affect your organization just as much as national, regional and local dynamics. China's slowdown impacts other countries, as does Greece's bankruptcy and commodity prices such as oil.

Interest rate, currency, maturities and repayment risks, to name a few financial variables, will change costs, profits, delinquencies plus asset – liability management stresses. The trickle down of these hit our customers and countries. Although debt and deficit burdened jurisdictions will most likely have to raise taxes on consumption and incomes, they will do little to soften the job losses and standard of living decreases. Even though we are so called financial experts, we don't control financial risks.

Without a doubt competitive risks are omnipresent from traditional sources and the virtual world. Organizations from their Boards through to their various business and customer segments will need improved, continuous intelligence and related impact analyses expertise to deal with competitive threats and responses.

From full service providers to niche players we can expect new entrants. Other types and sources of risk are equally serious and must be on your strategic priority list everyday 24/7.

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4. Innovation: What percentage of your revenues comes from innovations implemented in the past two years? 10%, 20% or greater? If you can't remember a few innovations off the top of your head, you are probably going to be left behind in many ways. Similarly, what percentage of cost savings has come from significant ideas? Are you VOIP for communications? Are sourcing alternatives always considered? And what about your scanning system, is it still generating substantial strategic or incremental operational improvements.

A culture of innovation starts with leadership priorities. If you emphasize its importance regularly it will grow. A quarterly review will not suffice. Millennials are critical to strategic business segment decisions as well as various ethnic groups. How are these segments represented to accelerate new horizons in your business – on the Board, customer panels, research etc.? Remember – “You don't know what you don't know if you don't know what you don't know!”

5. Partnerships: Large and small financial institutions have resource limitations and various degrees of inertia which makes going it alone in the digital world a regressive strategy. Dedicated and syndicated partnerships are essential to have the flexibility, depth and sustainability in business today. There isn't an area where partnerships can add value and strategic advantage. Conversely, you have to know when to jettison from other partnerships, which are a deterrent to strategic position and operational value.

Some partnerships can become so obvious that everyone is scrambling to sign on but there must be a value and risk assessment with each relationship plus an annual review. Basically, those migrating to MyFI solutions are creating their own aggregation of multiple partnerships – a trend that is growing.

Partnering at various levels and in different applications should help all parties be stronger and be positioned strategically. In our work, we find many leaders and management have a hard time taking the blinders off to see all the potential available.

## **NEWSWORTHY**

- (Burnaby, BC, Canada) Omni-channel, mobile banking provider, Mobilearth has launched 2.0 versions of OLB/Mobile and Branch Automation Solutions for seamless onboarding. (Features – customer origination, customized forms, paperless and green, digital signatures, automated routing, ID scanning and teller posting)

- (USA) Social Money (SmartyPig & CorePro) is partnering with Sallie Mae on a saving for college program through its Upromise rewards program
- (Aschheim, Germany) Wirecard Group launched a mobile checkout platform for retailers and integrates open (and closed) loan contactless payments, peer to peer gifting, offers and loyalty functionality
- (Scottsdale, Arizona, USA) Early Warning, a leader in fraud prevention and risk management has improved consumer access to financial service plus enhances fraud mitigation
- (Toronto & Vancouver, Canada) Canada Mortgage & Housing Corporation 2014 Condominium Owners Survey Highlights
  - Investors of condominiums are for long term and expect to keep their last purchased secondary unit for more than 5 years
  - About 75% own only one secondary unit
  - 10% own 3 or more secondary units
  - 90% don't anticipate another purchase within the next year
- (Toronto, Canada) Moneris and Powa Technologies are partnering to offer merchants next generation sales & marketing solutions with PowaTag

## **U.S. REGIONAL BANKS THRIVE (WSJ)**

Even in the face of low interest rates, some regional banks are boosting profits by lifting revenues and cutting costs. Huntington Bancshares Inc. for example, just reported a record quarterly profit. These banks don't depend on interest rates to make a profit but control their own destiny.

P.S. I remember back in the early 90's visiting Huntington as they were then innovators in distribution as a business.

## **SOCIAL CUSTOMER CARE TRENDS**

Social media presents a variety of channel options today which evolve and expand with extensive consumer converts and timely networking applications. The organizations providing the backbones of the social anatomy are highly valued, becoming more entrenched in people's private worlds. So where is your corporation with social channels? Here are the key trends to consider:

## 1. Channel Priorities

- 70% Fortune 500 CEO's have no social media presence and only a very small percentage are Twitter users
- Customer Care is an owner or co-owner in only 50% of companies in the CEMB survey

## 2. Wavering Commitments

- Growth in social media customer care has slowed – 2013 (87%) 2014 (66%)
- Fewer companies are training social media agents – 2013 (66%) 2014 (52%)
- Many companies are ignoring social media as a customer care channel

## 3. Strong Alternatives

- Other customer care channels are a higher priority than social (phone is top channel and self-service is fastest growing channel)

### Key Areas for Improvement

- Faster Response Times
- Fewer Ignored Questions
- Consistent Service Quality across all channels

Customer care teams' voices must be heard, be at the table, and engaged with social media plus the agents need adequate training.

### **CHANNEL CHANGES**

A May 2015 CBC research report released the findings of a survey covering 8,000 Canadians coast to coast in 2014. The key highlights are:

- More than half of the respondents without cable TV had previously cancelled subscriptions
- TV content in most cases is on the Internet
- 16% of Canadians don't pay for a traditional TV service up from 12% 3 years earlier
- A fifth of TV subscribers are interested in cutting the cord with a third already taking steps to do so
- 23% of Anglophones and 14% of Francophones are likely to cut the cord

Obviously cable channel's revenue stream will be eroded with these trends plus all mediums will have to be carefully monitored for consumer preferences and usage trends in an omnichannel world controlled by consumers.

## **A WEEK OF WOE!**

Some weeks can really set you on your heels and make you rethink the status of business and in particular the financial industry. This happened to me during the latter part of July as I travelled in Canada and the USA. Headlines again shocked me back to the greed that was so evident in the last decade and led to a recession.

First, there was Citibank fined \$700 million for deceptive marketing. Will all those bonuses be clawed back? Is an ethics refresher course compulsory in their Marketing and Card operations?

Second, Discover Bank has to pay \$18.5 million in consumer refunds and fines for using illegal practices in servicing private student loans! Their actions created extra stress and mislead customers. Targeting a vulnerable social group like students is paramount to being a callous culture.

Thirdly, there was a non-financial entity up for public judgement – Chrysler. Two years ago they were to recall and repair specific vehicles where accidents had caused something like 75 deaths in the USA. Feet dragging resulted in the government coming down hard and mandating that they now buy all the vehicles back!

As these sample episodes took place, on the editorial page of the Wall Street Journal was a letter from B. Dan Berger, President and CEO of National Association of Federal Credit Unions, headlined "Credit Unions Fighting for Survival". Dan indicated that 1,250 smaller credit unions have been lost in the USA since the second quarter of 2010, due to over regulation by authorities and their inability to accommodate the costs. You may recall our Journal article the year prior where we forecasted that the regulators would, because of the causes and fallout of the recession, increase rules and audits on everyone. This is exactly what they have done! Whether you are a big bank or a one branch local credit union, more reports and work have been added – no discrimination here!

As a footnote, during the same week a handful of large international banks were named in the FIFA scandal investigation by the New York State Department of Financial Services.

Obviously, there are those in the industry that continue to prove that financial services are not capable of self-regulation. The related costs of audits, reports and processes will continue to grow, endangering competitiveness and economical banking for consumers.

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I am really disappointed in the history and legacy of our industry that will be left in the minds of consumers. To paraphrase a wise old Brit – “Nothing in the history of our industry has so much damage been done by such a select few”.

## **LAST WORD**

Dog days of summer are here! Hot, humid and yes enjoyable at +40 degrees versus -40 degrees in February.

As you can see in this issue of the Journal some members in our industry continue to highlight greed as a hot characteristic attracting even hotter regulator attention.

There are some real disconnects with most of us when we see unethical actions by peers in the industry. In part, I feel the performance management systems are partly to blame by over emphasizing short term gains over strategic value and customer loyalty. Sure it is easy to measure quarterly profits and operating budgets but that doesn't mean that you skew performance pay to short term events. Strategic value, customer loyalty and staff engagement plus other dynamics can be measured for corporate as well as individual contribution. Many large banks continue to increase fees annually without concern for customer loyalty and reality of their cost dynamics which should be better kept in check.

The corporate culture starts with Board governance and CEO leadership so if we have a problem with ethics and customer centricity, correct the cause and don't accept the effects. The leadership behaviour we have witnessed in the past 10 years leaves me upset with the legacy we are leaving to our customers – and our families and friends!