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SILO SHADOWS

During my corporate career, intra-organizational silos used to frustrate many of us and we tried desperately to build collaborations, knowledge sharing and professional partnerships. But, jealousies, protective practices and cultural conflicts were always trying to creep back into the operating environment and contributing to persistent silos. Committees, cross functional teams and other cooperative ventures were injected in hopes that synergies would replace silos. When WESI started consulting with organizations large and small, we were constantly amazed at turf protections even when CEO leaders attempted to bring everyone into a customer centric loop to benefit the whole enterprise. In fact, some organizational designs are at fault in perpetuating separations and competitions. Leaders recognize that siloed perspectives hurt the enterprise and erode optimizing customer value.

Now we are in a digital, dynamic era of big data, emerging technologies and virtual markets wherein each financial institution must be agile and adaptable to ensure business sustainability. For sure in this era, silos will strangle the life blood out of the corporation damaging its very survival. The enterprise must have a collaborative culture and integrated work practices. Every function and activity must be based on shared values and holistic cooperation. Traditional organization design templates will not work nor will management teams with separate, individual performance contracts. The future needs creative collaborators on one team executing whatever is needed at the time or over time with everyone contributing their energy and experience.

B2B PAYMENT PROCESSING (ACOM SOLUTIONS) USA

Virtual payments are taking over B2B payment processing. Research indicates that B2B payment volume will double between now and 2018 and skyrocket to over \$500 billion by 2024. Education and incentives will be needed from financial professionals to reach these growth levels. B2B payment methods are more economical than paper transactions, and provide more options to both buyers and suppliers.

SURGE IN CASHLESS PAYMENTS (RBR'S GLOBAL PAYMENT CARDS DATA AND FORECASTS TO 2021)

471 billion cashless payments were made worldwide in 2015 up 52% since 2011. ATM cash withdrawals are increasing at a slower rate of 33% as consumers are increasingly moving away from cash. Payment cards account for 55% of cashless payments in 2015. Campaigns by governments and the banking community to promote card usage at point of sale are catalysts. High value credit transfers e.g. salaries and B2B payments (89% of cashless value payments) are increasing also. Direct payments for recurring items increase at a steady pace but their share is falling. Cheques continue to decrease in double digits e.g. USA numbers are down 40% below 2011 level. With cards being used for non-value payments and with the spread of contactless cards and EFTPOS terminals growth will continue. Credit transfers have been aided by systems enabling real-time transfers.

Editor's Note: Obviously the payments revenue stream is impacted accordingly and traditional institutions' holds on this important profit contributor will continue to be under attack and be cannibalized by non-financial institutions.

7 WAYS TO OPTIMIZE EMAIL CUSTOMER SERVICE BY GOLRIZ GOLKAR

1. Make an introduction – treat emails like conversations
2. Keep language friendly yet professional
3. Avoid complex or technical language
4. Be timely
5. Use pre-written responses with caution
6. Provide additional contact information
7. Empower customers with self-serve options

AMERICAN CUSTOMER SATISFACTION INDEX (ACSI) USA

The 2016 report covers the finance and insurance sectors. Bank customer satisfaction climbed 5.3% to an 80 ACSI score. Regional and community banks lead with an 83 score (+3.89). National banks improved 6.9% to 77. (Citibank 82). Credit unions edged up 1.2% to 82.

5 SIGNS YOUR CLOUD CONNECTION IS MISSION-CRITICAL READY (LEVEL (3) COMMUNICATIONS)

- Do your mission-critical apps require consistent network performance? To excel in the cloud you need deterministic network performance, guaranteed throughput, availability, latency and a real security plan.
- How secure is your network connection? A private network, isolated from the public Internet, provides a secure environment for you to develop and deploy new apps with less risk.
- Does your network service offer optimal efficiency? You need a network service that scales dynamically and only charges you for what you use.
- Does your network provide global connectivity? Connect your business to the resources it needs to run no matter where it is in the world.
- Are you working with a proven network service provider? You need someone who knows how to navigate the complexities of the cloud.

FUTURIST'S INSIGHTS

David Smith of the Global Financial Futures Group published an amazing compendium of insights into various industries and future functions which can be found at <https://goo.gl/J8VoLf>

We have followed David for years and compliment him on his extensive research and communications. In fact, the following is a synopsis of his most recent release.

WHAT'S NEXT IN MARKETING (DAVID SMITH/GFF)

Transformational digital developments are redefining the marketing ecosystem. Traditional marketing methods are not working. In the UK in 2015 research shows that 89% of monies spent on marketing communications was completely ignored! 84% of millennial don't trust traditional advertising. 98% of marketers agree that traditional and digital forms of marketing are merging. Only an estimated 5% of marketers have mastered the ability to adapt and predict the customer journey and what actions derive maximum value! CMO's are being pressured to prove the value of "marketing".

Several new factors are impacting marketing's future success – artificial intelligence, new job dynamics, new forms of data and the crucial focus on customer experiences. 84% of CMO's say AI will transform marketing by 2020! Better insights are imperative to uncover trends and the related catalysts. Only 26% of marketers say they have a confident understanding of AI systems and only 10% are using them. AI can and is already able to create highly personalized customer experiences, which can be created in real time at low costs. Currently digital marketing points to less human marketing work and AI will enhance this trend. The complexity variables and size of data direct us to AI as humans can't function adequately without it. The number of marketers will substantially decrease with both digital and AI developments.

AI shifts the skill sets to be successful and new roles will appear. Chief Experience Officer (CExO) will probably oversee the transformation needed in products, services and communications. Other positions envisioned are the Augmented Reality Producer, the Head Data Analyst, and the Bot Developer. AI will replace current jobs like Digital Media Buyer.

Corporations need to increase competitive and business intelligence around AI; map roles where AI can enhance effectiveness, and assess your organization's adaptability.

The CExO will be a key differentiator catalyst and marketers must adapt to being data chiefs and strategic levers. One million new devices could go online every hour by 2020 and marketers will have to rethink IoT cybersecurity concerns. The intertwined issues of trust, privacy and customer added value must be addressed. Consumer facing IoT products and services will cause consumer experience shifts and open new revenue streams. Shifts from tools toward customer centricity are organization critical – agility and flexibility are key catalysts.

The need to track and utilize "emotional responses" could lead to a new marketing paradigm and demand accuracy, speed and relevance only deliverable with AI. Companies may have to stretch their neuromarketing portfolio. We must fundamentally do different things. Marketers need to become futurists using robust data infrastructures.

Besides, marketers need to assume a more strategic role in the total ownership of the customer experience built on a big solid data platform. Only 6% of organizations have created the Chief Digital Officer (CDO) position or equivalent. Gartner reports that by 2019, 90% will have set up this role.

More marketers are building direct-to-customer capabilities, which require the reduction of internal silos and more internal integration. The CMO will be unlikely to enact change without support from other executives. Companywide collaboration is an essential foundation – a win-win environment.

WHAT'S HOT IN TECHNOLOGY 2017 – DAVID SMITH/GFF

In 2015 GFF highlighted technologies to watch as cognitive computing, social media, 3D printing, the Internet of Things (IoT) and Prescriptive Analytics, which are all becoming industry standards. The at the start of 2016 they identified the building of digital platforms, virtual reality, the rise and fall of apps, the move of IT to “the edge” and a new era of cybercrime. Going into 2017 all of the above will continue to evolve. The extensive new technologies represent new ways of doing things although some will try to overlay digital on old processes and systems to their detriment and disruption. The technologies highlighted are:

- Parallel Computing: a must take opportunity to become more consumer centric.
- Zero UI (User Interface) non-linear design problems of zero UI require different tools and skillsets e.g. what would a “screenless office” or organization look like?
- Blockchain: impact will go beyond crypto currency. Intelligence on developments needs to be tracked and efforts to explore distributed ledger technology usage in customer experiences could prove beneficial.
- IoT Security: IoT risks need to be assessed continuously plus training and compliance must be enacted.
- Workforce (HR) Analytics: is an advanced set of data analysis and metrics tools to mesh with digital transformation culturally and organizationally.
- Robo-bosses: core function of AI management is to expand the transformation impacts on work and managing.
- Autonomous Analytics: a set of consumer centric business/digital models will provide better leading age practices.
- Shadow IT 2.0: critical for IT to act as platform provider, advisor, integrator etc. to facilitate digital transformations.
- Neuroscience and Brainhacking: some companies are using eye tracking and facial coding, functional magnetic resonance imagery (fMRI), biometrics that measure heart rate and galvanic skin response (GSR) to understand how a person reacts to visual and audio stimuli. Advances in wearables measuring engagement and mood could become a new set of workforce analytics.

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- Energy storage Inflection Point: energy storage is the secret ingredient in the revolution unfolding within the energy ecosystem. Leaders need to think strategically about energy and assess the viability of becoming a producer.

REDEFINE A BANK'S WORTH FOR THE DIGITAL AGE (AMERICAN BANKER, JANUARY 10, 2017) BY ROBERT BARBA

(The article although basic in content and context does present the development dynamics of our present digital world).

Digital banking is reshaping customer relationships and hence is redefining bank values in acquisitions and mergers. Historically valuations looked at overlapping trading areas as the financial foundation for saving costs. On one hand, some worry that the digital trend will commoditize a bank's offerings more whereas others see it as a more cost effective way to grow and manage customer relations. Many experts struggle to figure out what digital banking is currently worth let alone project possibilities in the future. There are many reported success stories of financial organizations building their businesses through digital channels – Ally Financial, Capital One, Citigroup, etc. The whole concept of branch franchises value is changing. Some still see branches as their foundation channel and consider digital banking as secondary. But, the futurists, with solid evidence, state that branches have to be downsized according to their real contributions to customers and the organization. The digital channels currently do not receive their due respect in deal pricing.

Editor's Note: Valuation models that truly don't recognize total customer experiences and the dynamics therein will be ineffective in merger and acquisition discussions.

WHITE PAPER: MONEY IN THE AGE OF NOW (PSCU & GLENBROOK PARTNERS)

This is the second in a series of white papers addressing the future of payments. This one deals with new strategies and technologies to enable nearly instantaneous money movement between FI accounts. Millennials (as pointed out) want faster money movement options and real time transaction posting. Additionally, the US Federal Reserve organized the Faster Payments Task Force to spur competition and develop performance criteria for any potential new systems coming from the private sector. The paper discusses the mitigating forces behind the demand for faster money movement and how FI's are aligning themselves. It also provides insights on the effect of new systems on the current payments model and future revenue potential for the credit union industry.

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Editor's Note: We have written extensively on the future of payments processing and ownership erosion. This is a significant threat to all FI's especially as the private sector solutions disintermediate the historical flow through owners.

PERFORMANCE TARGETS

Umpqua Bank's CEO, Ray Davis, forbids sales quotas and emphasizes how the customer feels about the organization. In the aftermath of Wells Fargo's \$185 million fine for fictitious/unauthorized customer accounts, leaders in many industries have expressed concern over short term thinking driven by quarterly sales and earnings targets. Key players like Berkshire Hathaway's Warren Buffet released a proposed set of governance principles, one of which called for the end of earnings guidance where a lot of window dressing takes place. Quotas pressure employees to produce numbers that look good – sometimes to the detriment of customer experiences. Metrics deserve a dose of skepticism since you really need to know what is behind them, especially as it relates to customer experiences and loyalty. Every institution should have objective resources including outside consultants and independent quality customer experience groups to assess what is really happening.

Editor's Note: Customer-centricity has to be the key focus of everyone in an organization and regular research is needed to determine your true underpinnings – current and for the future. The continued focus on absolute sales quotas will erode your most important dynamics – the customer habits, emotions and dynamic priorities which all of us should be totally empathetic towards.

WHITE PAPER – RIGHTSIZING DISTRIBUTION INVESTMENTS

Last December we launched a new white paper on our website www.whereaglessoar.com. The perspectives highlight the past, present and future of the distribution business in financial services. Please read it and take time to share your experiences and thoughts with us.

LAST WORD

Throughout our work and careers we have focused on our people - our customers and our human resources. Throughout our research, consulting and solutions there is a predominant focus on customer centricity – real and not lip service. As you have seen in our recent journal writings the continuous evolution/revolution of our businesses through omnichannels, digital developments and thoughts on Artificial Intelligence, customer centricity remains number one in our successes and future.

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At the same time, leadership, management and all staff are the human gearing ratio in our ability, adaptability and sustainability! People who visualize new developments, trends and organizational integration principles are needed in our organizations today and in the future. The rate of technological developments and segment behavior priority shifts will accelerate not stagnate. More than ever before continuous training and motivation is essential to prepare current resources to acculturate with new people, partners and collaborators. Those that fear this cultural shift will undermine the team's total potential. Signs of protectionism and silo building need to be resolved or dissolved quickly by leaders who keep in touch with the pulse of their people – out of touch/out of luck!

If we are truly people centric in our roles at work, home and play, we will all have happier, healthier and holistic lives. Each one of us can be a catalyst of positive change.