

The Changing World for MSBs

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The Changing World for MSBs

- ▶ How will recent events impact MSBs?
 - Your competition
 - Your customers
 - Your government
- ▶ How will less recent events impact MSBs?
 - Your competition
 - Your customers
 - Your government
- ▶ Diversifying your product portfolio – through your customer's eyes
 - Why?
 - What?
 - How?

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► How will recent events impact MSBs?

■ Your competition

- Banks will need to replace revenue lost from a now non-existent mortgage loan portfolio
 - Up until now, their appetite for focusing on this market has been limited.
 - On the loan side, participation in the pilot project has been luke warm, with a few small exceptions.
 - The conservative forces within banks will make anything with a high risk profile particularly unappealing
 - The “credit card” disaster has yet to hit, and banks are knee-deep in that too.
 - On the non-loan side, banks will see a potential revenue stream. This is where I predict the greatest competition from banks.

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► How will recent events impact MSBs?

- Your competition
- **Your customers**

- Working class has not been directly affected...yet. They don't have strong positions in the stock market.
- Perceptually – they are confused (and who isn't?). They don't see what the issue really is (and who does?)...they only know they don't care about Wall Street and CEOs being protected.
 - DEEP suspicion of traditional institutions.
- Currently mixed signs in terms of consumer confidence – so far, they are still spending (but that will likely change very soon).
- But.....**this market will be the first to be hit with corporate opportunistic layoffs**, and will be effected by each subsequent wave of lay-offs. Watch for signs of decreased direct deposits as this market shifts from regular to irregular employment.
 - Those in the trades will be hit particularly hard.

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► How will recent events impact MSBs?

- Your competition
- Your customers
- **Your government**

- Expect a strong appetite for increased regulation of any and all financial service providers.
- However, there are much bigger fish to fry.
- Greatest impact will likely be in the increased rigor and attention to current regulations. Things that can't be changed will be enforced more.
 - Everyone will feel like they have to be doing *something*.

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▶ How will less recent events impact MSBs?

▪ **Your competition**

- Banks have not proven enthusiastic competitors on the loan or non-loan sides (with some exceptions).
- Credit Unions have been more enthusiastic in words, but with small impact in actions.
 - Limited footprint
 - But VERY strong support from regulators. Teflon image.
- Wal-Mart
 - Very targeted, limited market. They meet a different need.

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- ▶ How will less recent events impact MSBs?
 - Your competition
 - **Your customers**
- Great impact on perceptions about small loan industry via the media.
 - But, higher bank fees (NSF, etc.), and late fees bring customers into your stores.
- Higher profile of the need to attend to credit scores has increased appetite for alternative products (prepaid cards, money management tools).
- Internet use is up, but is not a perfect replacement for all.

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- ▶ How will recent events impact MSBs?
 - Your competition
 - Your customers
 - **Your government**
- Regulation of MSBs, even to the point of industry elimination, has been a political tool for a while now.
 - It only takes *one*.
 - Speak to, and educate, your local legislators often.

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- ▶ Diversifying your product portfolio – through your customer's eyes

- **Why?**

- Customers like one-stop shopping.
 - Customers know you.
 - Customers trust you.
 - Your major assets are your stores and your employees.
 - Adding new products/services is more of a process than a capital improvement.

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- ▶ Diversifying your product portfolio – through your customer's eyes
 - **Why not?**
- BE CAREFUL you do not violate the only thing your customers like MOST about you, which is your quick, friendly, and convenient service.
 - Once you expand your product/service offering, you are spreading your CSRs even more thinly. Human beings have a limit to what they can know and do.
 - Make sure your lines are not made long because CSRs are spending more time per customer.
 - Remember: CSRs who are good at serving customers are not necessarily good at selling to customers. The art of “cross-selling” is a long, long learning curve.

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- ▶ How will Diversifying your product portfolio – through your customer's eyes
 - **What?**
- This will be a trial-and-error process
 - Watch what is brought to you by vendors
 - Watch what your competitors are offering
- Remember – you are successful at what you do now precisely because you are good at knowing what your customers want. Trust that.
- The products which solve an existing problem for your customers will be the most successful.
- **MAKE SURE** the product “makes sense.”
 - Do not destroy your brand to make a quick buck.

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- ▶ How will Diversifying your product portfolio – through your customer's eyes
 - **How?**
 - Trial-and-error.
 - Pilot products first. "Measure twice, cut once."
 - Ask your employees for input on logistics.
 - Listen, listen, listen, listen to your customers. And then listen again.

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- ▶ Diversifying your product portfolio – through your customer's eyes
 - **How do I listen? Your customers WANT to talk!**
- Tools at your disposal:
 - Me (Pat@cypress-research.com)
 - Focus Groups
 - Can be done on a shoe-string
 - Always learn something at a focus group
 - In-store surveys (paper and pencil, electronic)
 - On-line surveys
 - www.surveymonkey.com
 - For the big guys..... There are sophisticated product testing and design methodologies available (conjoint, etc.)
 - Remember your best customer is the one who bothers to complain to you.

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- ▶ Diversifying your product portfolio – through your customer's eyes
 - **MOST important thing to remember**
- Do not stray from your core competencies, unless you are willing build new core competencies which you are even better at:
 - Only do what you can be the *very best* at
 - Only do what you really *want* to do
 - Do not forget why customers come to you:
 - Fast, convenient, friendly service
 - Ensure that nothing you do degrades those three things.