



## **Annex 1: Sample marketing plan for a start of a new service**

### **Royal Bank's Royal Embassy Services**

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## ***Introduction***

At US\$208 billion in assets, Royal Bank of Canada is the eighth- largest commercial bank in North America<sup>1</sup>. As a diversified financial services company it provides personal and commercial banking, wealth management services, insurance, corporate and investment banking, online banking and transaction processing on a global basis. The company employs 50,000 people who serve 10 million personal, business and public sector customers in North America and in some 30 countries around the world.

Faced with a fierce competition in the Canadian wide-opened banking sector, Royal Bank is looking for innovative products and services that will help it expand to new markets, attract new customers, and add value to its current stakeholders. To address these issues Royal Bank recently introduced the Royal Embassy Services, a new service designed for Canadians who spend extended periods of time in the United States, traveling for personal, business or study purposes.

## ***The New Service Concept***

The new service concept was developed by Royal Bank's financial specialists who found out that by using Internet based platform they might be able to overcome the domestic restrictions imposed on the international transfer of capitals. The specialists argued that an Internet based account that legally belongs to a U.S. bank but is actually managed by Royal Bank of Canada will allow the principal of this bank account to operate his funds either from Canada or U.S. Therefore, the service would perfectly fit the needs of Canadians who often visit the U.S. as tourists, businessmen, or students.

To be able to provide the new service Royal Bank acquired Centura Bank, a U.S. based financial services company with US\$11.5 billion in assets (Appendix 1). With its experienced management team, strong customer and community orientation and a corporate culture similar to this of Royal Bank, Centura Bank was expected to bring exceptional level of service to its new market segment consisted of sophisticated customers with high expectations and requirements.

## ***The Market Segment***

The *first group* of people who are expected to use the new service consists of **visitors** who often, although for a short period of time, visit relatives and friends, participate in seminars and conferences, or travel to interesting tourist destinations in the States. Such customers are usually familiar with all custom procedures in regard to transfer of funds abroad. In addition, they already have substantial experience in dealing with currency exchange and other financial matters related to the use and convertibility of Canadian dollars on U.S. territory.

Currently these frequent visitors to the U.S. are not able to access their Canadian bank accounts and monitor their balance, make bill payments, or transfer funds to their

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<sup>1</sup> A Royal Fix, *Forbes*; New York; Aug 20, 2001; Nathan Vardi.

own accounts or other beneficiaries residing in the States. This group of people is also exposed to currency devaluation risks. Since their debit or credit cards are based on bank accounts denominated in Canadian dollars, any purchases of goods or cash withdrawals within the States will automatically convert the funds into U.S. dollars without waiting for the client to consider whether the exchange rate is satisfactory or not. Electronically executed currency exchange transactions are also very expensive because many intermediary banks and electronic system maintainers (INTERACT for example) charge their own highly priced exchange rates. In most cases when the purchase of foreign currency is made electronically the cost of the transaction is 3 to 5% higher than doing the same operation through conventional banking facilities as branches, telephone banking, currency exchange financial companies (i.e. Thomas Cook), and others. In addition, if a transaction is performed through an ATM, there is a commission fee that also brings unexpected transaction costs of 2 to 4% of any transaction.

Therefore, it is clear that any visitor to the U.S. will be able to save 5 to 9% of its funds if able to operate an account that is denominated in U.S. dollars and is registered at a locally incorporated bank. Being able to pay bills due in Canada, while himself being in the U.S., as well as to write checks and transfer funds, might bring additional benefits to each account holder. For example, a timely bill payment due in Canada might save a penalty fee as high as 20 to 30 dollars, accounting in many cases from 20 to 30% of the whole bill amount. Although such cases rarely occur they also have to be considered when calculating the total benefits brought by the new service concept.

The *second group* of potential users of the new service consists of people **traveling on business** to the U.S. These people are usually busy, with scheduled agenda, and certain goals to be accomplished. Therefore, what they need is a service that provides them with a convenience to operate their funds not only for personal but for business needs as well. Personal needs of any businessperson may include any of the above-mentioned needs of U.S. visitors.

Business needs may include the payment of goods and services that are produced and delivered within Canada but also goods imported from abroad. It is important for every business to pay its obligations on time. Failure to do so always brings not only moral but negative financial consequences as well. Not to mention that any delay in payment might be challenged at the court and for small and medium size businesses this may often lead to bankruptcy since the high legal fees and penalties are hardly bearable.

Another potential area where the new service concept will be useful for businesspeople is when they want to close a deal in the States but are unable to access their Canada based accounts. For example, a good offer for purchase of new computers might be extended for only a day and the payment might be due in cash within the same one-day period of time. With an easy and full access to his funds a businessman will be able to react and close the deal immediately, therefore realizing profits of 10 to 20% higher than profits gained in normal past and not that attractive deals. Another business situations that can take advantage of the new service is when an investor wants to purchase Canadian or U.S. company shares, government bonds, financial options, or

futures, which could be purchased at a low price but immediate payment or bank guarantees are required.

The *third potential group* of customers consists of people who need to **stay in the U.S. for relatively long period of time**. This group includes Canadians who work with the U.S. offices or factories of national or multinational companies. Some of the basic financial needs of these customers include deposit of pay checks, payment of bills due in Canada or U.S., maintenance of a wealth management portfolio, emergency cash for paying long-term leases, and periodic cash withdrawals for living expenses.

By using the Royal Embassy Services the people from this group would not need to open new accounts with U.S. registered banks. Their accounts in Canadian or U.S. dollars with Royal Bank are fully accessible through Centura's network of branches, ATMs, or any personal computer with Internet connection. The opportunity to access and use their Canadian accounts allows these customers to save the fees and taxes that have to be paid to open new accounts, to maintain these new accounts, and to cover the cost of the time spent in searching for convenient and reliable U.S. financial institutions. By keeping all their funds in a single bank account for longer periods of time, these customers will also increase their wealth by being paid higher interest rates, collecting points for gift certificates, and being eligible for exclusive low fees and taxes.

The *forth group* of Royal Embassy Services users includes people who visit the U.S. as part of their weekend or family **vacation**. Instead of bringing travel checks with them and spending time to find hotels and vendors that accept checks, the vacationers might simply use their debit card and access their U.S. or Canadian accounts without paying any charges and fees. Vacationers are also safety in case they want to extend their stay in U.S. or pay for additional luxurious services. In such situations they can withdraw as much funds as necessary once they have the money deposited in their Royal Bank accounts.

The *fifth group* of Royal Embassy Services clients are people who take **training or education** programs on the territory of the U.S. For any student living in a foreign country, life can be a little hectic. Erratic hours and heavy schedules can play havoc with routine tasks such as paying bills and having enough money available for books and food<sup>2</sup>. The new Royal Bank's service helps this group of customers as well. By possessing one bank account that is legally established in both countries, Canada and U.S., students can easy pay their tuition fees, accommodation, and food without being charged exchange rate fees and taxes.

Additional benefits for these customers include an easy settlement of loans to cover education and living expenses. Education loans, for example, are approved within days and the approval is based on the fact that the client already has credit rating in Canada and U.S. where his funds are legally established. Any borrower can also pay loan principal and interests by using the Internet, telephone banking or Centura's network of branches.

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<sup>2</sup> Royal Bank of Canada, <http://www.royalbank.com/travel/school.html>

## ***The Benefits***

As described in the previous sections, Canadians who travel to the U.S. spend significant time and money when making financial transactions. The relatively high cost of these transactions is a result of the multiple effect of several factors, some of which include exchange rate volatility, legal restrictions on the international transfer of funds, principal's lack of access to financial information and ability to operate with his Canada based funds, inability to respond adequately and on time to business opportunities because of lack of funds, inability to cover other unexpected expenses like insurance, accommodation, education and living costs. Royal Bank's Embassy Services successfully address all of these factors and benefit the service subscribers in a number of ways.

At first place, Royal Embassy Services provide **convenience** for the customers. Through its virtual web based platform the service is accessible through any computer connected to the Internet. By visiting the service's website, customized to their individual needs and preferences, customers can see their up to the minute account balances and recent transactions at a glance. Bills due to anyone, anywhere, and anytime on the territory of the U.S. can be paid within a couple of minutes.

Once subscribed for the service each client can pay his bills not only electronically but by mail as well. The Bill Payment option is particularly useful when beneficiaries do not accept any other methods of payment except by check. In such cases the client can make an electronic order to Centura Bank, which from its side will issue a check and mail it to the respective beneficiary. No additional fees are charged for preparation of the check or the mail postage.

The Bill Payment option is currently under promotion and clients do not pay any fee during the 90-day trial period. After that it costs only \$5.95 a month and no fees are paid if the average account balance over a calendar year is USD 700 or higher.

Royal Embassy Services means also **freedom**. By maintaining a U.S. based account year round any client significantly reduces the risk from last minute exchange rate changes. The value of the currency is preserved since all payments for goods and services are made in the same currency as the goods and services are priced. In addition, clients do not have to negotiate favorable currency exchange rates with retailers and service providers. No exchange receipts need to be kept and expensive tax report consultants do not need to be hired to prepare client's annual financial statements.

Any client is also free to keep or transfer funds from one to another currency account when interest rates on these accounts change and the accounts become more or less attractive. For example, a decision of the Federal Reserve in the U.S. to increase the repo interest rate may lead to high demand for U.S. dollars, therefore pushing all banks to offer higher interest rates on U.S. denominated bank accounts. In situations like this any Royal Embassy Services user will be able to take advantage of the better interest rates by transferring funds to his U.S. dollar account just with a couple of clicks with his computer mouse.

Royal Embassy Services provide clients with **access** as well. More than 250 Centura ATMs are located in North Carolina and many other states. Through this network of no fee bank machines the clients can access their accounts, transfer funds, and withdraw cash virtually without costs. At no additional costs all customers are provided with complimentary up-to-date market information about currency exchange rates, bonds and shares prices, interests rates on short and long-term loans extended to first-class, second-class or third-class borrowers, interests rates offered on time or savings deposits, and numerous market researches and studies.

Royal Embassy Services means on time and friendly **customer support**. Any customer can rely on a 24-hours toll-free cross-border telephone service including automatic banking and access to knowledgeable customer representatives. Concerns and questions can be raised through email as well. All questions send by email are received and answered by the people who are most knowledgeable about the matter concerned. Responses are also sent by email but when important matters are discussed, the response is being doubled by using email and telephone call as well.

Royal Embassy Services means also **exclusivity**. Many of Centura Bank's business partners often extend exceptional offers for purchase of goods and services. For example, a recent Centura's partner, Travelers Insurance, offered to all service users (i) valuable information about home, auto, and other property casualty insurance, (ii) ability for online request of insurance quotes and (iii) lower insurance rates.

All clients of Royal Embassy Services can rely on exceptional **security** in regard to their financial assets. All accounts shared between Royal Bank and its subsidiary Centura Bank are protected by the security of the Federal Deposit Insurance Corporation, which is extended to all financial products offered on the territory of the U.S.

Finally, Royal Embassy Services means **cost savings**. Every customer, without regard to the amount of assets held, is eligible for one free monthly telephone transfer from his/her Royal Bank account in Canada to an RBC Centura account. Also, up to 3 US dollars per month in monthly ATM fees are refunded to client's account when incurred for transactions completed at ATM machines with a Cirrus, Interlink or Star symbol.

As mentioned earlier in this report, clients also save from not using intermediaries when making electronic or currency exchange transactions, when paying their bills on time, and when making immediate business deals when good opportunities occur. The cost for each client to use the Royal Embassy Services and enjoy all its benefits listed above is only 5.95 Canadian dollars per month.

## ***Conclusion***

Royal Bank of Canada introduced the new Royal Embassy Services at the beginning of 2001. The service is still slowly attracting customers due to the fact that Royal Bank does not promote it aggressively. Otherwise, this innovative idea brings exceptional value to each client by providing him with convenience, freedom, access to financial service, friendly customer support, exclusive product offers, and significant savings while traveling to the U.S.

Till today no other competitor has matched the new Royal Bank's service. Therefore, I expect that in short-term the service will attract a large number of clients some of whom have never dealt with Royal Bank before. These new clients will bring additional income for the bank since they will not only use the Royal Embassy Services but other services as well.

Undoubtedly, the new service concept will be successful because of its customer orientation, high value added, and the advantages gained by putting the service on the market long before any competitors can match it.

## ***Appendix 1: Centura Bank***

### **Corporate Philosophy**

At Centura, our business is governed by our mission statement, the Centura Commitment and our Guiding Principles. These philosophies provide the framework that guides how we operate, make decisions and interact with customers, suppliers, investors and each other.

#### **The Centura Mission Statement**

Centura will be the primary provider of all financial services for each client.

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#### **Our Guiding Principles - The Centura Commitment**

We are committed to helping our clients achieve all of their financial goals. Clients are the reason we exist, and we must go above and beyond their expectations to create positive, memorable experiences for them. We must listen to their needs, provide them with creative, appropriate financial solutions and serve them in a friendly, caring way.

We are committed to doing what's right, without exception. Every decision we make and every action we take must follow the highest ethical and moral standards. We must tell the truth, keep all commitments and use our time and resources to make our world a better place to live.

We are committed to creating an exceptional place to work. The power of each individual must be allowed to grow and develop to its potential. We must respect human dignity, reward outstanding performance and empower our people to make the most beneficial decisions for their clients, the company and themselves.

We are committed to excellence in everything we do. There is always a better way. We must think creatively, continuously improve and pursue new ideas to achieve uncommon breakthroughs. We must thrive on change, shun bureaucracy and strive to surpass our competitors. We must grow our knowledge, learn from our mistakes and emphasize quality in all aspects of our work.

We are committed to following these principles to make a profit. We must profit to remain in business, grow and meet our responsibilities to all who have a stake in our success - namely our employees, our clients, our communities and our shareholders.

Source: Centura Bank, [http://www.centura.com/about/corporate\\_info/philosophy.cfm](http://www.centura.com/about/corporate_info/philosophy.cfm)