



**INSTITUTO TECNOLÓGICO Y DE ESTUDIOS
SUPERIORES DE MONTERREY, CAMPUS SANTA FE.**

**Banking Services for Newcomers to
Quebec, Canada.**



Conjuguer avoirs et être
Bienvenue!

Money working for people
Welcome!



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1. Summary

This case is about searching for new costumers for Desjardins to try to increase its presence in all its products, principally in the personal and commercial business such as saving accounts, credit cards, mortgage and personal credit lines.

The main problem that was faced by Alban D'Amours, president and CEO of the company, was to make new clients profitable. In other words, it would be possible to sale not only products but a financial solution that can satisfy all the client necessities through more profitable Desjardins' services.

Nowadays in Canada is common that almost all the people manages their financial necessities through just one bank, actually according to the most recent survey by the Financial Consumer Agency of Canada (FCAC) more than 60% of Canadians. There is a high competition between banks to allocate products so Desjardins must use its principal advantages to move over competitors.

One of the most important advantages of Desjardins is its social conception as a cooperative institution. The concept of members' property is well-accepted through its current clients so it is important to transmit this kid of values to a new group of clients.

Mr. Alban is the president of Desjardins since 2000. The last year, December 2005, he was invited to an "International Caisse Association" meeting where new international products and tendencies were discussed. This meeting was celebrated in Spain so, after he had paid attention to many different tendencies and new financial releases, he found a great opportunity through the presentations: the immigrant segment.

He had realized that the immigrant segment could be very profitable through an integrated product that can satisfy all the financial necessities of immigrants who always search for a bank when they land to a new country.

The Spanish concept was interesting for Mr. Alban. Spanish financial institutions allocate profitable products to immigrants through the remittance service as the bait. In other words, they use an "axle account for remittances" to sale other financial products specially adapted to this group such as credit cards, mortgages and insurances.

Mr. Alban also had the perception that in Canada there were not sufficient banking products specially adapted for this niche and certainly it is increasing vigorously year after year. He thought that Desjardins can obtain a good portion of this segment making a good "bait" to offer many other products through a saving account as an "account axle". So Desjardins had to develop a new product for this segment.

Immigrants land to Quebec all the years looking for an institution for banking their savings. In fact, in the beginning they do not have bank accounts and neither credit scoring to obtain financial products.

As a solution Mr. Alban had pointed to Mr. Gilles Dumont, the Commercial Director of Desjardins, to make a research on this topic to develop an integrated product especially oriented at this niche. "It is important to get knowledge of the market size and value, profitability for Desjardins of the investment project, competitor offerings in Canada and related products currently offered in Spain as a main immigrant country receiver" Mr. Alban said to Mr. Gilles.

The president wanted to transmit the Desjardins' mission to immigrants as a main advantage to gain new clients and increase the revenues of the institution. The Desjardins' mission is "Desjardins supports the development of its community through donations, sponsorships, scholarships and member dividends".

2. Introduction

The importance of this case involves:

- A) Identify the main characteristics of the immigrant potential market in Quebec through the strategic financial marketing methodology.
- B) Value the profitability for Desjardins of investing resources to a new client segment through the investment project valuation methodology.
- C) Develop a new financial offering to immigrants in Quebec taking the Spanish expertise.

To identify a potential market this case states the importance of getting knowledge of the size of the immigrant segment; this size has to be presented in number of people and in money volume or financial transactions. Demographic and behavioral characteristics are also important to understand the client's necessities. At this point the case goes through the definition of the market objective, market segmentation, potential market and competitive analysis.

To value the profitability of investing resources to the immigrant segment, this case takes the theory of Discounting Cash Flows to determine the gains that the institution would be able to obtain. In other words, is important to determine if this investment project would be profitable for Desjardins using financial parameters such as market value, free risk rate, premium rate and internal rate of return.

To take the Spanish expertise for developing a product in Desjardins it is necessary to analyze the current banking products for immigrants to obtain market tendencies and clients' acceptability. This case shows the main topics of the financial products that have to be evaluated to understand the market behavior such as product structure, product characteristics, communication and additional offers.

This case adapts the traditional marketing methodology to banking products and gives financial parameters and sustenance to consider if the immigrant segment would be profitable for the institution to launch a new product. This case also states the product development; it analyzes the market tendencies in other countries and adapts them into Quebec.

3. Theoretical Framework

For the marketing framework this case takes the theory from the "Strategic Financial Marketing oriented to customer values or consumer behaviors"¹. This is a traditional methodology specially adapted to financial products and its main objective is to find a potential market to adapt a new product or a current offer through the customer's values or financial behaviors.

For example, talking about financial behaviors, there are some people collectives with a special financial necessity such as sending international transfers, student transactions, newcomers in a country, etc. This methodology states that it is necessary firstly to get a dimension of this collective and then search for their principal characteristics such as demography, financial transactions, financial habits, etc. to develop a new product or adapt a current offer.

This methodology was developed and adapted by the expertise of some bank commercial directors in Spain through the Pompeu Fraba University in Barcelona. This adaptation of the traditional strategic marketing involves five main points: market objective, market segmentation, potential market analysis and competitive analysis.

On the other hand, this methodology also states the valuation of investing resources to a new market segment. In other words, the Strategic financial marketing takes the "discounted Cash flows" methodology to determine whether the investment project will be profitable for the institution or not. This methodology gives financial parameters such as market value, free risk rate, premium rate and internal rate of return to determine the profitability to the Bank in terms of money.

For example, the potential market can be very interesting for a Bank but its size can limit the revenues. Or sometimes investing in a new segment is high profitable but the expenses are as big as the value of the market, so it will be so hard that the institution can gain revenues of the investment.

¹ Information obtained from the Banking and Marketing Conference by David Igual at Pompeu Fabra University in Barcelona, Spain as a part of the double grade in Finance. February 2006.

4. Banking Services for Newcomers: Desjardins' Case

In 2006 Mr. Alban D'Amours, president and CEO of Desjardins, had realized that the institution had to increase its presence in market, principally in the personal and commercial business. The main problem that was faced by the president was to make new clients profitable. In other words, it would be possible to sale not only products but a financial solution that can satisfy all the client necessities through more profitable Desjardins' services.

The last year, December 2005, he was invited to an International Caisse Association meeting where new international products and tendencies were discussed. This meeting was celebrated in Spain so, after he had paid attention to many different tendencies and new financial releases, he found a great opportunity through the presentations: **the immigrant segment.**

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The president wanted to transmit the Desjardins' mission to immigrants as a main advantage to gain new clients and increase the revenues of the institution. The Desjardins mission is "Desjardins supports the development of its community through donations, sponsorships, scholarships and member dividends".

Desjardins was born in Quebec in the 19th century. Mr. Gilles Dummont is the Commercial Director of the caisse and he already knows that some International Banks such as HSBC Canada have some specific products for the immigrant segment whose savings are flowing up constantly to Quebec.

Mr. Gilles knows that the importance of capturing this savings is not the main business but the sale of other banking products to these clients through a saving account. This sale model has already launched in Spain such as a main immigrant country receiver in Europe many years ago.

Actually in September 2006 Desjardins just launched a new advertising platform for immigrants to try to capture their attention but this is not even an integrated strategy.

Mr. Gilles Dummont had decided to analyze the segment, its market value and its necessities to develop an integrated and well-oriented product not only for capturing the savings of the newcomers but also for selling other consumption products such as credit cards, mortgage and credit lines. In other words, he wants to satisfy all the initial financial necessities of immigrants when they land to a new country of residence.

5. Case Annexes

Immigrant Phenomenon in Canada

Nowadays the immigrant community in Canada is more than 6 million people. This is equivalent of the 19% of the total population that at the end of 2006 was around 32 million². In the Quebec province an average of 226 thousand³ immigrants per year had landed in the last ten years.

The province of Quebec signed an agreement with the Canadian Federal Government in 1992 to obtain the faculty to select permanent immigrants that can match with their economic and demographic necessities. Thanks to this agreement, Quebec can choose their immigrants with a specific criterion depending on many factors like: labor market, demographic changes, high demand professions, investments, etc.

One of the requirements to immigrate to Quebec is to prove with banking balances that the newcomers have the capability to survive in Quebec for three months with their own savings "Autonomie Financier : Besoins Essentiels" The amounts vary depending on the marital status of each person and the number of children they have. For example, for a single person the amount that needs to be proven is CAN \$2,593, and for a couple without children is CAN \$ 4,259. It is important to mention that these are just the compulsory amounts but generally all people carries more than this because they bring with them all their savings and their personal belongings to Canada.

There is a constant international cash flow coming into Quebec and there are a few institutions which offer banking possibilities for immigrants. Desjardins⁴ is one popular case which is interested in doing research on this segment to find new market opportunities.

Desjardins: Historical Review

Living Conditions

At the end of the 19th century, Quebec's population was 1.6 million. Most people at that time were French speaking and living in rural areas.

Farmers were in a difficult position. The past decades had been marked by a series of poor harvests; the cost of supplies was high and income was low. Many farmers were forced to take on heavy debts.

² This is a value estimated by the Statistics Canada Agency.

³ Information obtained by the Statistics Quebec Agency.

⁴ In the moment a popular case offers all the financial products as a bank, the main difference aim on their owners. It works as a cooperative institution were a huge percentage of its profit goes to their members and social projects.

Due to the high birth rate, the rural parishes of the Saint Lawrence valley were overpopulated and though new zones were opened up, they could not accommodate the surplus labor, causing many people to migrate to the cities and to New England.

Conditions were no better in the factories: salaries were low with unstable demand for labor. For the most part, workers lived in filthy tenements. At the time, Montreal was one of the unhealthiest cities in the world with a very high infant mortality rate.

Difficult access to savings and loans

Since banks would only do business with merchants, industries and wealthy families, working class people had little access to savings and loans. Many were victims of usurious lenders who, free of all constraint, often ended up as owners of their unfortunate clients' property.

As a French language stenographer at the House of Commons, **Alphonse Desjardins** became aware of this phenomenon during a House debate: a member of parliament described a case where the interest charged was up to 3,000% Shocked by the injustice, in April 1897, Alphonse Desjardins decided to find out how such practices were avoided elsewhere in the world.

The Cooperative Project

His research leads him to a book entitled *People's Banks*, by Henry W. Wolff that described the people's banks and rural "caisses" in Europe. He wrote to the author, who referred him to the officers of those institutions.

Through correspondence with them, he came up with a project for a new kind of savings and loan cooperative that would enable the working class to become its own banker. Ultimately, Desjardins planned to fight usury and provide his community with an instrument for economic organization.

At his home in Lévis, he met with a small group of fellow citizens to whom he presented his idea and with whom he defined the statutes of the future "Caisse Populaire". That caisse was founded on December 6, 1900.

The founder had several closely-related objectives:

- To generalize savings and provide for such unplanned events as unemployment and illness.
- To use those savings to constitute a system of popular credit, accessible to the workers, to farmers and to any honest, hard-working person.
- To promote the consolidation of family and rural businesses.
- To eradicate the ravages of usury.
- To initiate community leaders to economic organization and business.
- To improve the material conditions of the working class and contribute to the progress of French Canada.

Unifying the Cooperative Forces

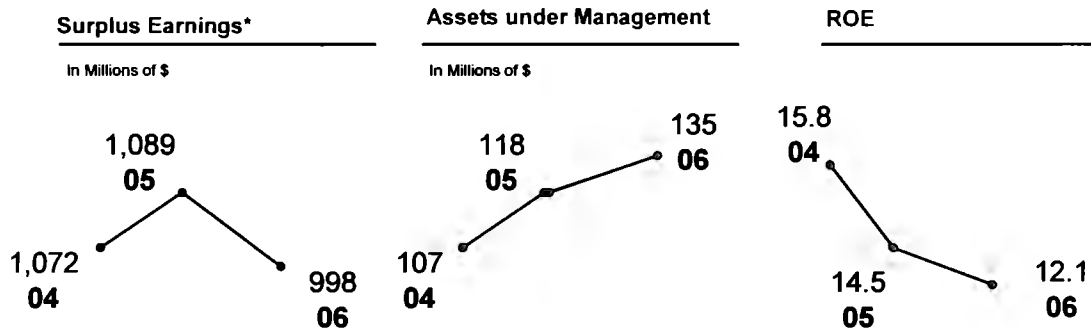
During this period, there was more unification of cooperative forces in the area of savings and credit. For example, the Credit Union Federation joined the Group in 1979, and was soon followed by the Quebec Credit Union. By the end of the 1980's, the Group was joined by francophone federations located in Ontario, Manitoba and Acadia. The total assets for the Group which were at \$2.5 billion in 1971 reached \$44 billion by 1990.

It is not surprising that in 1988 there was a complete overhaul of the legislative framework which was starting to seem outdated in view of the Group's expansion. Under the new law, which was better adapted to the size and diversity of its activities, the Movement gained the latitude to group subsidiaries under holding companies.

Desjardins Financial Business

At December 2006 Desjardins closed its financial business with 6 millions of members, 589 cases and 41,534 employees. Their principal businesses are concentrated on: financial intermediation, investment funds, life and health insurance, general insurance, securities, asset management and venture capital.

The following table shows the main financial indicators of Desjardins. The principal impact of the reduction of its surplus earnings was due to a higher provision for patronage dividends for members that at the end of 2006 was around 49% of the total surplus earnings, compare with the percentage of the previous year which was around 36% .



In 2006 Desjardins increased its presence in the savings market achieving net sales of \$4.6 billion. These results were due to several product developments and marketing initiatives aimed at all categories of depositors, especially large account holders and business leaders.

The outstanding balance of consumer goods increased by \$543 million. This increase can be mainly attributed to the early 2006 launch of the **Versatile Line of Credit Product**, which enables owners to use their home equity to finance projects.

Sales jumped by 35% in 2006 over the previous year for **Desjardins Card Services** the unit that manages Visa Desjardins Credit Cards and Desjardins access cards.

In 2006 Desjardins launched new products for its members. In the fall a new product for retirees was launched called **Desjardins Vision Retirement**. This product enables people who are preparing to retire and it goes beyond portfolio diversification and includes financial planning, insurance and state transfer services.

The Chorus Portfolio is another new product marketed starting in 2007. This portfolio was designed for investors with \$100,000 or more in holdings and constitute one of the many persuasive tools that can be used to encourage to group all the client assets to Desjardins.

Developed in 2006, the **Distinctive** offer proposes complete services adapted for professionals, especially those in the health and health care fields.

Carrefour Desjardins opened its doors of January 2007 in the heart of Montreal Business district offering all the consumer services on behalf of the "caisses".

For getting closer to the cultural communities in September 2006 was launched new advertising platform. Local caisses with staff trained in understanding the needs of these clients and in business practices adapted to those needs are able to offer innovative solutions. The ability to make international electronic funds transfers to various partners is a major plus for the members for certain cultural communities.

| Business Segment | 2006 | 2005 | 2004 |
|---------------------------|-------------|-------------|-------------|
| Personal and Commercial | \$752 | \$838 | \$819 |
| Life and Health Insurance | \$146 | \$152 | \$128 |
| General Insurance | \$107 | \$125 | \$127 |
| Asset Management | \$14 | \$14 | \$27 |
| Other | (\$31) | (\$40) | (\$29) |

Millions of Canadian Dollars

- Asset Management includes Securities Brokerage and Venture Capital.

Product Offering for Immigrants in Canada

The banks that offer immigrant products or campaigns in Canada are:

HSBC Canada



Product Offering

It is important to start by this Bank because it is the only one which has developed special products for immigrants. It has two kinds of products: the product which can be opened from the immigrant's country residence before landing to Canada and the product named "HSBC Passport" which can be only opened for immigrants who have already landed to Canada. Both of them are different in sense.

Specific Characteristics

Open an International Account from the origin country

Due to HSBC is an international bank with more than 10,000 offices in 83 countries it is possible for the clients to open and account around the world.

This advantage is important because every HSBC client can request an international account in any other country where the bank already operates. This benefit is unique for any person who is planning to move to Canada because it is possible to have an account in Canadian Dollars from the original country. This product can operate in two dimensions: as a common client (up to \$10,000 in savings) or as Premier Client (more than \$10,000 in savings). The charges are the difference between both dimensions.

For Premier Clients there are no fees of administration and transfers from the origin country and all the operational transactions can be made on-line. On the other hand, for common clients there are opening and transfers fees. These sorts of clients have to do all the operational transactions only at any branch of the bank.

When an account is already opened in Canada the client can choose other products such as saving accounts, GICS (Guaranteed Investment Certificates), Mutual Funds, etc. just for invest their money meanwhile landing to Canada.



This is a product specially designed for immigrants who have landed to Canada. This product offers a chequing account with first six months free and unlimited transactions, the possibility to enter in a chance to win airfare for two persons and discounts to transfer money to another country.

Communication

Because of HSBC has its main quarter in Vancouver the communication is only adapted to Asian immigrants. The sense of advertising is "family protection" and the entire concept goes with the international brand of the bank.

New to Canada?

Let a familiar name help you with the really tough questions.

► Find out more



| | |
|------------------|--|
| Attention | High attention to Asian Immigrants through demographic features. The main message is an integrated Asian Family. |
| Interest | Expressed through "family protection". |
| Desire | It does inspire desire to the product through the immigrant special treat and offers such as free traveling to Asia and discounts. |
| Action | Contact information is easy accessible on the internet such as links, toll free telephones and a branch searcher. |

Additional Services:

This product brings the possibility to win travels to Tokyo, London, Hong Kong and Beijing. This product has also a special offer of free on line TV for 30 days and \$50 in credit to buy a mobile phone at TELUS.⁵ In addition to these services the bank has an internet banking page in Chinese.

Bank of Montreal



Product Offering

Bank of Montreal just offers a special campaign to integrate immigrants to their current products such as Account and Plans, borrowing, mortgage, investments and business banking.

Communication:

This bank has no any directed communication for any group of immigrants.

Additional Services:

It shows on its internet page some links with information of the immigration process and residence among the provinces.

⁵ TELUS is a Mobile Phone company in Canada.

Canadian Imperial Bank of Commerce



Product Offering

The Canadian Imperial Bank of Canada launched an advertising campaign for Asian immigrants specifically from China. This bank is trying to integrate the newcomers into its current products such as accounts, borrowing and business banking.

Communication:

This bank has launched a communication campaign specially directed to Asian immigrants. The sense of advertising is "Father and son relationship or Family Relations in general"

In addition this bank has an internet banking page in Chinese and bilingual (Chinese/English) service assistance.



| | |
|------------------|--|
| Attention | High attention to Asian Immigrants through demographic features. The main message involves Family Relations features in general. |
| Interest | Expressed through "family protection" and a complete guide of establishment in Canada. |
| Desire | It does inspire desire to the product through the immigrant treat such as Chinese information. |
| Action | Contact information is not easy accessible on the internet page. |

Additional Services:

This bank has an Internet page named “**Welcome to Canada**” which offers special information to get established in Canada such as: getting work, healthcare and residency documents. This page also offers a special guide to get the social insurance number, provincial health card and the permanent residence card. In addition, it offers some information for getting a job and some links of job internet researches.

Royal Bank of Canada



Product Offering

This bank offers its current products especially to Chinese and Indian immigrants such as accounts, borrowing, mortgage and investments.

Communication:

Its advertising communication campaign is directed to Chinese and Indian people, they are the biggest segments of the immigrant population. The sense of advertising is also “**Family Relations**”.

This bank also has a special internet page for banking in Chinese.

Buying your first home in Canada?

We have a wealth of information and tools that can help you on your journey to home ownership in Canada:



- ▶ Learn more about buying your first home in Canada
- ▶ Get tips and resources for finding a home, moving and settling-in
- ▶ Find the right neighbourhood based on **what's most important to you**
- ▶ Contact a mortgage specialist who speaks your own language

| | |
|------------------|---|
| Attention | High attention to Asian and Indian Immigrants through demographic features. The main message involves Family Relations features in general. |
| Interest | Expressed through "family relations" and a complete guide of establishment, living and working in Canada. |
| Desire | It does inspire desire to the product through the immigrant treat such as Chinese information and banking. |
| Action | Contact information is not easy accessible on the internet page. |

Additional Services:

It offers a special section on its web page of personal finance to integrate the immigrants to the Canadian Banking Services with themes such as: Managing Finances in Canada, Settling into life in Canada, Financial Services, the basis of Canadian Finance, etc.

Immigrant Phenomenon in Spain

Due to Mr. Alban has decided to analyze the immigrant financial market in Spain to make and adaptation in Quebec is important to understand the concept of the business model.

Nowadays Spain is another country with thousands of people landing every year from abroad. At the end of 2005 the immigrants represented almost 7% of the total population that was around 44 millions. The sense of the immigration is different due to there is not an articulated immigration policy focused on market employment and demographic necessities.

Most of the immigrants land from **South America (37%)** principally from Ecuador (14.6%) and Colombia (9%). In the second place are the **European Union immigrants (22.5%)** principally from England (6%) and Germany (5%). And in the third place are the **African immigrants (19.6%)** principally from Morocco (14%).

The financial education level of these immigrants is generally very low therefore almost all the Spanish banking products are enclosed with intensive advertisement campaigns, information programs and promotions.

Spanish banks and "caisses" are trying to capture this segment by offering international transfers or remittances to the origin country. In this case, this is the "bait" to attract new clients to sell another kind of financial products such as banking accounts, mortgage, business credit lines and insurance.

Nowadays integral financial packages are offered and the profitable business for banks and "caisses" is not the "remittance" but the allocation of other products such as the mortgage and credit cards.

The competitive analysis for current products offered to immigrants in Spain involves different criteria. At this point, the most important topics that have to be appreciated are the strategies of the financial products and the operational concern due to it is necessary to absorb patterns and market tendencies into a more matured environment.

It is also important to try to approach the concepts with the reality; this issue will just be captured into an advanced market.

Product Offering for Immigrants in Spain

La Caixa



La CaixaGiros Strategy⁶

This Caisse is the financial institution with the most integrated product for remittances. The strategy is not only the capturing of new clients and the allocation of other financial products but also the integration of immigrants to the Spanish society. This product tries to express a social benefit.

The strategy of this product not only tries to integrate immigrants into the Spanish Financial System but also integrate immigrants into the Spanish culture in general through the campaign "Intégréate XXI"⁷. This campaign has its own web portal for helping the immigrant.

intégréate XXI

The main objective of this web portal is the integration of the immigrant segment to the Spanish society. The offered information is about the Spanish Immigration Law. The topics involve the legislation for people living in Spain now without legal permission and the legal immigration to Spain from other countries principally from Latin America and Africa. There is also information about wealth, education, employment and personal finance.

At the beginning La caixa signed an agreement with the Inter-American Development Bank to collaborate in projects to drive the economic and social development generated by remittances to Latin American and Caribbean countries. The IADB and La caixia are compromised to reduce the remittance's fees of the immigrants that live in Spain. The main objective of both institutions is improving the economic and social situation of the immigrants and their families. It is also important to drive the incorporation of immigrants into the financial sector and favoring the business initiatives.

⁶ Caixa means financial case in Catalan.

⁷ This campaign means "get integrated".

Integrated Products

Account "Servicuenta CaixaGiros"

The client can choose to open an account for international transfers and also acquire the service of basic financial transactions but with an intense activity on remittances. For a monthly fee is included a debit VISA card or an international transfer card especially indicated for remittances 24 hrs at day.⁸

Account "Servicuenta Estrella"

It includes the same benefits than "La caixaGiros" but it is exclusively for clients that do not need to make international transfers.

Basic Mortgage

The objective is to provide to immigrants a new house in Spain. This product is especially directed for this segment with precise features.

Micro-credits

This is a small business credit product. La caixa drives the concession of micro credits for immigrant to favor business initiatives.

Insurance for Repatriation

This insurance product was specially designed for immigrants that live in Spain and who want to be buried in the origin country.

Banco Bilbao Vizcaya Argentaria (BBVA)



Dinero Express Strategy

BBVA enters the market of sending money abroad with the establishment of the "remesadora (Institution of remittances)" called "Express Money". Its main strategy is based on the establishment of bank branches to the exclusive group of immigrants. Within these branches will offer other products from the bank.

Cuentas Claras Multipais Strategy

The strategy is based on getting all banking services and products required by the customer as a group and individually without commissions. Everything is covered by a fixed monthly fee. This product provides sending money abroad once a month without any commission.

⁸ It is possible to make up to 6 transfers at year without charges. The card can be used in ATM.

With this product can be obtained personal loans "Crédito Fácil BBVA", credit cards "Tarjeta Díez Fácil BBVA" and mortgages "Hipoteca Fácil BBVA Universal", or products can be purchased separately.

Operation of Transfers

Dinero Express

Fifteen minutes is the average time of reception after completing the shipment order through a branch, online or ATM, the customer must notify his/her relatives so they will pick up their money at any of the banks with which the agreement was established. Obviously most banks are subsidiaries of BBVA in the countries it operates.

Cuentas Claras Multipais

An account is opened in view of the customer and through this are made money transfers to the country of origin of the immigrants. The customer gets a personal credit; he/she may decide to send the money to his/her relatives paying the charges him/herself.

Banco Santander Central Hispano (BSCH)



Latinoenvíos Strategy

As part of its global strategy "We want to be your Bank" this financial institution has expanded its campaign of "No fees" to the group of immigrants through its subsidiary Latinoenvíos.

No commission is charged for sending remittances, as long as the client has at least one of the following products: a mortgage or payroll domiciled to the bank.

Santander Bank entered the market of remittances following the same business model that Banesto, this is by the purchase of a "remesadora (Institution of remittances)" "Latinoenvíos."

Operation of Transfers

The scheme of operation is identical to any "remesadora (Institution of remittances)". Official documents are requested to identify the person who sends the money abroad and particulars of the person receiving.

Additional Products

This product does not qualify as a banking product that is why it does not have any financial products associated.

Caixa Catalunya



Strategy "Libreta Total"

The strategy of this product is based on attracting clients from the group of immigrants through an account at sight. This product has the money transfer service by ATM at any time of day. This service is provided free of charge and incorporates data transfers to the book.

Operation of Transfers

It sends the transaction through an ATM and money can be collected through international banks with which the "Caixa Catalunya" has established agreements.

Additional Products

It has a free travel and repatriation insurance.

6. Technical Notes

The Strategic Financial Marketing has five main topics to accomplish a good product analysis and development:

Definition of the Market Objective. This topic involves knowledge of the market that wants to be attacked. For example, dimension of the market in number of people, the value in money of financial transactions or savings, demographic characteristics and financial education. In other words, this topic is a general description of the market.

Market Segmentation. When an overview of the market is reached it is necessary to segment the market by specific characteristics which can be important to the institution in terms of gains and profitability such as: age, gender, demography, financial behaviors, financial operations, etc. The segmentation only divides the market into pieces to identify a potential market.

Potential Market Analysis. It is the possible segmented group of people to be directly attacked by its importance of money value and profitability. This market has to describe the people into ranges. For example, students between 18 and 25 years old, women between 35 and 45 years old with a high financial activities, etc.

On the other hand, the potential market analysis has also to determine whether the project of investing resources into a new segment will be profitable or not in long term. To value the profitability of the project the case takes the theory from the "Discounted Cash Flows". The main objective of its theory is to analyze the capability of the project to generate cash flows in time. This method discounts the cash flows with a free risk rate plus a premium rate to bring all cashes at preset time.

Cash Flows. The flows in cash that the project is able to generate in future time.

Free Risk Rate. This rate is the opportunity cost that the institution can obtain by launching the project or not. Generally a free risk rate is based on the government debt certificates. In Canada this rate is taken from the Canadian Treasury Bills which at the end of October was 4.5%.⁹

⁹ Source: <http://www.bank-banque-canada.ca/en/index.html>

Premium Rate. It is the additional proportion that the company wants to gain as earnings expressed into a rate. This premium is usually added to the discounting rate. In this case Desjardins wants to gain an annual premium rate of 9% so the total discounting rate is 13.5%¹⁰.

Discounting Method. This method brings all the cash flows to present time. In other words, it is assumed that the value in money (income) and the profitability of the project are equal to the capability to generate cash flows in future time minus the initial investment (expenses).

Market Value. This parameter is the discounted cash flows in future time, generally more than 5 years, minus the total expenses of the project.

Internal Rate of Return (IRR).¹¹ The IRR is the annualized effective compounded return rate which can be earned on the invested capital. A project is a good investment proposition if its IRR is greater than the rate of return that could be earned by alternative investments (investing in other projects, buying bonds, even putting the money in a bank account).

Competitive Analysis. At this point it is necessary to compare the current financial product offerings of the most important competitors in market to determine whether the product will be new or just improved from the existing one and whether there is a tendency in market to follow or avoid it.

The comparison for the financial products usually takes the following points:

- a. **Specific offering.** This issue states if the product is specially adapted and oriented to a certain potential market. In this case it will be analyzed all the immigrant products currently offered.
- b. **Product Characteristics.** It states the specific issues of any financial product. For example: how a banking account works, if it is delivered a debit card (ATM) for withdrawals, or any credit card with special services such as free refund, airline miles or low rates.
- c. **Communication.** Everything the client sees is communication. In other words, in a banking service every single thing speaks by itself such as directors, facilities, offices, branch tellers, images, logos, etc.

Perception is a basic aspect of advertising and it is a personal process through the client receives a set of stimulus and he is able to select them and interpret them.

¹⁰ Sometimes is possible to add other risks to the discounting rate such as country risk.

¹¹ Source: http://en.wikipedia.org/wiki/Internal_rate_of_return

Communication can be offered by mailing, telemarketing, internet, task force, television, newspapers, radio, brochures and public relationship.

All the communicational means have to follow the **AIDA** structure: attention, interest, desire and action.

Attention states the capability to capture the view of a client; interest states that the perception of the product is positive; desire states that the communication reflects the necessity to acquire the product and action states the means to get in contact with the company to buy the product or simply get more information.

- d. **Additional services.** In banking services it is important to offer a tangible product related with the financial necessities. For example, an airline miles program is usually well-accepted in credit cards.

Competiveness is also found in other countries which have the same characteristics and phenomena. For example, migration is a phenomenon that in Spain has increased constantly since the 90's. This European country has a high developed financial system and it has become a huge immigrant receiver where the current banking and financial products have more experience in usage. As doing a comparison between products of different countries, with the same phenomena, it will be possible to find a "star product" which has already been well-accepted.

Due to Spain has more experience in this kind of products this analysis has to capture the current strategies and the operational topics. At this point it is important to understand the market patterns, adaptability and operation of the products.

Product Development and Strategy. When main characteristics of the potential market are known: its value and profitability and the tendency of the current competitors, it is necessary to decide if a new product will be developed or just will be necessary to adapt an existing one. At this point it is important to determine the communication and orientation of the product.

7. Teaching Notes

Banking Services for Newcomers to Quebec Canada: Desjardins' Case

At the end of 2006 Mr. Alban D'Amours president and CEO of Desjardins had decided to increase the presence of the institution by selling more profitable products principally in the personal and commercial business such as saving accounts, credit cards, mortgage and personal credit lines.

Review

The president know that to gain new clients in Canada is more difficult everyday due to two main circumstances: First, there is a high competition between the 6 biggest banks in Canada. On the other hand, the tendency of the costumers is to manage all their financial necessities in just one institution, more than 60% of Canadians according to the Survey of the Financial Costumer Agency of Canada (FCAC). This phenomenon is concentrating all the costumers into one bank and it is difficult to other banks to catch the attention with new offers.

The main problem that was faced by Alban D'Amours was to make new clients profitable. In other words, it would be possible to sale not only products but a financial solution that can satisfy all the client necessities through more profitable Desjardins' services.

One of the most important advantages of Desjardins is its social conception as a cooperative institution. The concept of members' property is well-accepted through its current clients so it is important to transmit this kind of values to a new group of clients.

Mr. Alban is the president of Desjardins since 2000. The last year, December 2005, he was invited to an "International Caisse Association" meeting where new international products and tendencies were discussed. This meeting was celebrated in Spain so, after he had paid attention to many different tendencies and new financial releases, he found a great opportunity through the presentations: the immigrant segment.

He had realized that the immigrant segment could be very profitable through an integrated product that can satisfy all the financial necessities of immigrants who always search for a bank when they land to a new country.

The Spanish concept was interesting for Mr. Alban. Spanish financial institutions allocate profitable products to immigrants through the remittance service as the "bait". In other words, they use an "axle account" to sale other financial products specially adapted to this group such as credit cards, mortgages and insurances.

Mr. Alban also had the perception that in Canada there were not enough banking products specially adapted for this niche and certainly it is increasing vigorously year after year. He thought that Desjardins can obtain a good portion of this segment making a good "bait" to offer many other products through a saving account as an "account axle".

Immigrants land to Quebec all the years looking for an institution for banking their savings. In fact, in the beginning they do not have bank accounts and neither credit scoring to obtain financial products.

As a solution Mr. Alban had pointed to Mr. Gilles Dumont, the Commercial Director of Desjardins, to make a research on this topic to develop an integrated product especially oriented at this niche. "It is important to get knowledge of the market size and value, profitability of the investment project, competitor offerings and related products offered nowadays in Spain as a main immigrant country receiver" Mr. Alban said to Mr. Gilles.

The president wanted to transmit the Desjardins' mission to immigrants as a main advantage to afford new clients and increase the revenues of the institution. The Desjardins mission is "Desjardins supports the development of its community through donations, sponsorships, scholarships and member dividends".

Complexity Level

This case is located into the 1, 2, 2 level (cube) proposed by Mauffette - Leenders, et al. according to the analytical complexity 1, conceptual complexity 2 and presentation 2.

Immediate Resolution

Mr. Alban needs to get knowledge of the immigrant market to decide a new product development in Desjardins according to the Spanish Business Model, Canadian Competitors, profitability of investing resources and the institutional values. He is also expecting to receive from Mr. Gilles Dumont a proposed product, strategy and communication lines to immigrants in Quebec.

Basic Topics for Students

The most relevant issues treated in this case are:

1. Methodology of Strategic Financial Marketing as the adaptation of Spanish Commercial Directors experience to the traditional marketing research.
2. Valuation Methodology to determine the size in money and profitability of the new investment project. Adaptation of the financial theory to the traditional marketing analysis.
3. An overview of the immigrant phenomenon in Quebec.
4. Current banking products offered to immigrants in Quebec.
5. Canadian Financial tendencies and customer behaviors.
6. An overview of the immigrant phenomenon in Spain.
7. The most important banking products in Spain, the strategies of the current banks and "caisses" and the operational issues.

Teaching Objectives

At the end of this case the student will be able to:

1. Understand the adaptation of the Spanish Commercial Directors expertise to the traditional marketing research. How the marketing theory has been adapted to Banking Industry.
2. How to value a potential market in terms of money (market value) and profitability according to the Discounted Cash Flows methodology. How Banks use financial parameters to value a potential market for their products.
3. How to develop a new banking and financial product according to the potential market, profitability and institutional values. Why clients' financial capability and communication matter in developing a product.

Suggested questions for students

1. According to the Strategic Financial Marketing (See technical notes and teaching annexes) define the immigrant market dimension and establish a potential market for Desjardins.
2. Is this market segment profitable for Desjardins? What's its value in terms of dollars? In a five- year forecast analysis determine the Internal Rate of Return (IRR) that Desjardins will gain of the investment. (See teaching annexes)
3. What products for immigrants are offered in Spain? What is the business model and what is the main concept for commercialization? (See Case Annexes)
4. What is going on in Canada about immigrant products? What are the most important tendencies to pay attention? (See Case Annexes)

5. What is the strategy and product that Desjardins has to develop to catch the immigrant market segment in Quebec? Propose a possible product according to the Spanish business model and the Desjardins' values and necessities.

Additional Information

All the additional information can be obtained from the following internet sites:

- <http://www.desjardins.com> (Desjardins)
- <http://www4.bmo.com/> (Bank of Montreal)
- <http://www.tdcanadatrust.com> (TD Canada Trust Bank)
- <http://www.cibc.com/ca/> (Canadian Imperial Bank of Canada)
- <http://www.royalbank.com> (Royal Bank of Canada)
- <http://www.scotiabank.com> (Bank of Nova Scotia)
- <http://www.nbc.ca/> (National Bank of Canada)
- <http://www.stat.gouv.qc.ca> (Statistics Quebec Agency)
- <http://www.immigration-quebec.gouv.qc.ca> (Quebec Immigration)
- <http://www.bank-banque-canada.ca> (Bank of Canada)
- <http://www.fin.gc.ca/fin-eng.html> (Department of Finance)
- <http://www.fcac-acfc.gc.ca/eng/default.asp> (Financial Consumer Agency of Canada)
- <http://www.youtube.com> (Banking and Financial Campaigns in Canada)

Supporting Materials

- For information concerning to the Canadian and Spanish Immigrant Products see the case annexes.
- For statistic data see the teaching annexes. For further information about demography and supporting surveys see <http://www.stat.gouv.qc.ca> (Statistics Quebec Agency) and <http://www.statcan.ca> (Statistics of Canada)
- For further information about financial behaviors of Canadians see other surveys from the Financial Consumer Agency of Canada. <http://www.fcac-acfc.gc.ca>
- For Canadian Bank communicational campaigns see the videos attached to this case.

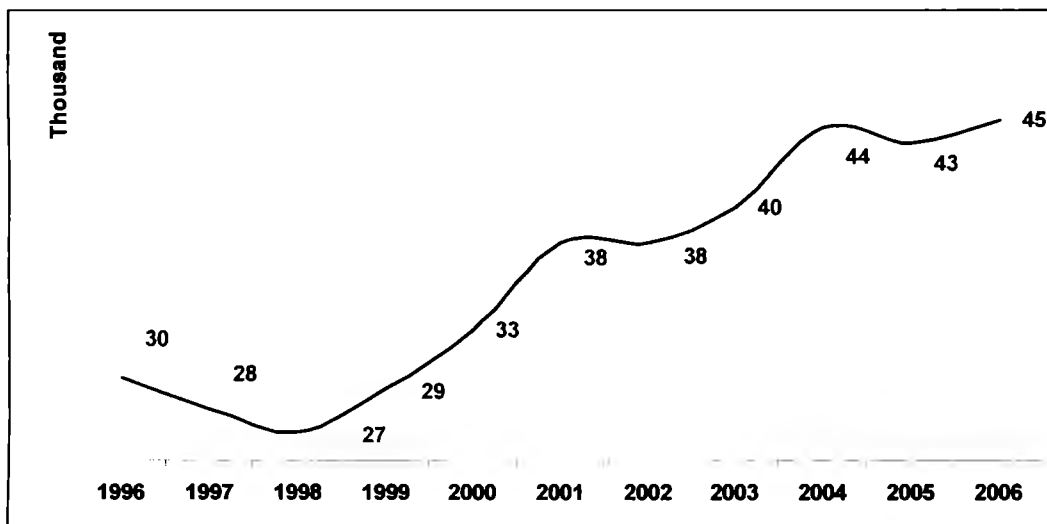
Case Analysis

1. According to the Strategic Financial Marketing (See technical notes and teaching annexes) define the immigrant market dimension and establish a potential market for Desjardins.

Strategic Financial Marketing

Market Objective

Since 2000 the number of immigrants to Quebec has increased abruptly due to the demand of high skilled workers. By 1999 the number of immigrants to Quebec was less than 26 thousand per year. Nevertheless at the end of 2006 the number was 45 thousand. The average growth rate is 4.4% in the last ten years.



At the end of 2006 the newcomer savings have increased up to **\$117 millions**. Just in the last five years 209 thousand of immigrants with savings valued in **\$549 millions**¹² have landed to Quebec from abroad. This information involves only the permanent immigrant status as skilled worker. It is important to mention that the investor status is not included because it involves another kind of immigrant policies.

¹² Calculated data with Statistics Quebec Agency information (2001 – 2006)

Market Segmentation

The biggest community of new immigrants in Quebec is francophone principally from Africa and Europe as Algeria, Morocco and France. This francophone community represents 24% of the total newcomers per year. The other two important communities are from China and Colombia. It is also important to show that there is a strong presence of immigrant minorities as a varied segment; this includes people from Rumania, Lebanon, Haiti, India and Mexico.

It is not surprising to note that there is not a huge variation of the gender of the immigrants that land to Quebec each year because the government always tries to equal the new population. In fact 50.1% of the immigrants are male and 49.9% are female, this information was taken by 2006.

The age of the immigrants is highly concentrated in the 25 to 39 years old segment. The average age of the total immigrants to Quebec by 2006 was 28 years old.¹³ This states that Quebec is receiving young population each year.

It is a rigorous task to examine and understand the financial behavior and habits of the market to obtain a better adaptation of the product. One of the most recent research made by the Financial Consumer Agency of Canada (FCAC)¹⁴ named "General Survey of Consumers' Financial Awareness, Attitudes and Behaviors" states that in Quebec there is a special interest for the personal finance due to the educational preparation of the newcomers. Generally they are coming from France, so they have basic financial knowledge to open a new account in Quebec and for this kind of people, and the one from Algeria and Morocco, it does not exist a language barrier.

On other hand, the Anglophone counterpart is different in sense because most of the newcomers, especially in the cities of Vancouver, Calgary and Toronto, have a low knowledge of financial institutions. These immigrants are in a great portion from Asia so the language barrier is a main problem to capture this segment.

In Quebec is necessary to integrate the immigrants to the Financial System especially because there is a high penetration of banking services in the population in general.

Even though Quebec has a good coordinated integration into society, the financial education is not considered as a main point. This is important due to a lack of personal finance knowledge can cause society exclusion especially in a high developed country such as Canada.

¹³ This represents a weighed average.

¹⁴ Source: <http://www.fcac-acfc.gc.ca/eng/default.asp>

People with low financial capability may pay higher costs for basic banking transactions and short term credit, face increased exposure to unregulated and predatory practices, be vulnerable to uninsured risk and may not take up, use and benefit from the government services. In fact, in Canada the government aid is usually pointed at taxes refunds.¹⁵

Potential Market

Due to the dimension of immigrants, high financial transaction behavior, their demographic characteristics without language barriers, and financial awareness the proposed potential market for Desjardins is "immigrants landed in Quebec between 25 and 34 years old who are French native speakers". The potential market is represented by 3,864 immigrants each year from Algeria, France and Morocco.¹⁶ The value of their savings is around 10 millions of dollars per year.

2. Is this market segment profitable for Desjardins? What's its value in terms of dollars? In a five- year forecast analysis determine the Internal Rate of Return (IRR) that Desjardins will gain of the investment. (See teaching annexes)

By the end of 2008 the company will be able to obtain 1.3 millions of dollars by bank account fees and credit card fees¹⁷. In a five-year forecast the company will be able to obtain 4, 608 new clients of this segment and 1.8 millions of dollars in total fees by 2012.

| | 2006 | 2009 | 2010 | 2011 | 2012 |
|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Clients | 3,864 | 4,038 | 4,220 | 4,410 | 4,608 |
| Bank Account Fees | \$ 370,980 | \$ 397,366 | \$ 425,628 | \$ 455,901 | \$ 488,327 |
| Credit Card Fees | \$ 970,521 | \$ 1,039,549 | \$ 1,113,487 | \$ 1,192,684 | \$ 1,277,513 |
| Annual fees | \$ 1,341,501 | \$ 1,436,915 | \$ 1,539,115 | \$ 1,648,585 | \$ 1,765,840 |

The total value of the potential immigrant market is around 3.2 millions of dollars with an internal rate of return (IRR) of 62.79%.

¹⁵ Why Financial Capability Matters. A National Symposium on Financial Capability held on June, 2005 in Ottawa.

¹⁶ These three countries have the French as a mother tongue.

¹⁷ Credit Card fees include interest earnings and annual management fees.

| | |
|-----------------|-------|
| Free risk rate | 4.5% |
| Premium Rate | 9.0% |
| Discounted Rate | 13.5% |

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|-----------------------------|------------------|--------------|--------------|--------------|--------------|
| Cash Flows | \$ 1,341,500 | \$ 1,436,914 | \$ 1,539,115 | \$ 1,648,585 | \$ 1,765,840 |
| Discounted Cash Flows | 1,181,939 | 1,115,422 | 1,052,649 | 993,408 | 937,502 |
| Total Cash Flows in Present | 5,280,919 | | | | |
| Initial Investment | 2,112,368 | | | | |
| Value of the Project | 3,168,552 | | | | |
| Initial Investment | - | 2,112,368 | | | |
| 1 | \$ 1,341,500 | | | | |
| 2 | \$ 1,436,914 | | | | |
| 3 | \$ 1,539,115 | | | | |
| 4 | \$ 1,648,585 | | | | |
| 5 | \$ 1,765,840 | | | | |
| IRR | | 62.79% | | | |

In almost one year and a half Desjardins will recover the expenses of the project, so this investment will be high profitable for the company.

3. What products for immigrants are offered in Spain? What is the business model and what is the main concept for commercialization? (See Case Annexes)

Nowadays Spain is another country with thousands of people landing every year from abroad. At the end of 2005 the immigrants represented almost 7% of the total population that was around 44 millions. The sense of the immigration is different due to there is not an articulated immigration policy focused on market employment and demographic necessities.

Business Model and Commercialization

Spanish banks and "caisses" are trying to capture this segment by offering international transfers or remittances to the origin country. In this case, this is the "bait" to attract new clients to sell another kind of financial products such as banking accounts, mortgage, business credit lines and insurance.

Nowadays integral financial packages are offered and the profitable business for banks and "caisses" is not the "remittance" but the allocation of other products such as the mortgage and credit cards.

Most of the immigrants land from South America (37%), European Union immigrants (22.5%) and African immigrants (19.6%).

The financial education level of these immigrants is generally very low therefore almost all the Spanish banking products are enclosed with intensive advertisement campaigns, information programs (personal finance) and promotions.

4. What is going on in Canada about immigrant products? What are the most important tendencies to pay attention? (See Case Annexes)

For analyzing the current banking offers in Quebec it was necessary to divide the seven biggest banks into three groups¹⁸: the ones which offer a specific product for immigrants, the ones which do not have any product or campaign for immigrants, and the ones who offer their products in existence with special campaigns for immigrants.

The analyzed banks were: Bank of Montreal, Royal Bank of Canada, Canadian Imperial Bank of Commerce (CIBC), Bank of Nova Scotia (ScotiaBank), TD Canada Trust, National Bank of Canada and HSBC Canada.

The current competition tendency of Canadian Banks for immigrants is to insert them into the current offering of products with special advertising campaigns and promotions. This phenomenon can be seen with the leadership of the biggest banks such as Bank of Montreal, CIBC, Royal Bank and Desjardins. Only one bank in Canada (HSBC) offers a product designed specially for immigrants. This bank takes advantage of its international presence to develop some products for newcomers.

It is also important to mention that there is no product difference among the provinces. Not even in the provinces which are leading the reception of immigrants in Canada such as Quebec and Ontario.

5. What is the strategy and product that Desjardins has to develop to catch the immigrant market segment in Quebec? Propose a possible product according to the Spanish business model and the Desjardins' values and necessities.

Immigrant Market

To catch the French native speaker immigrants between 25 and 34 years old who land to Quebec each year. This potential market is around 3,864 per year and has an estimated market value of 3.2 millions of dollars. This market segment does not have language barriers and problems with financial education as its counterpart in the Anglophone area (Toronto, Vancouver and Calgary).

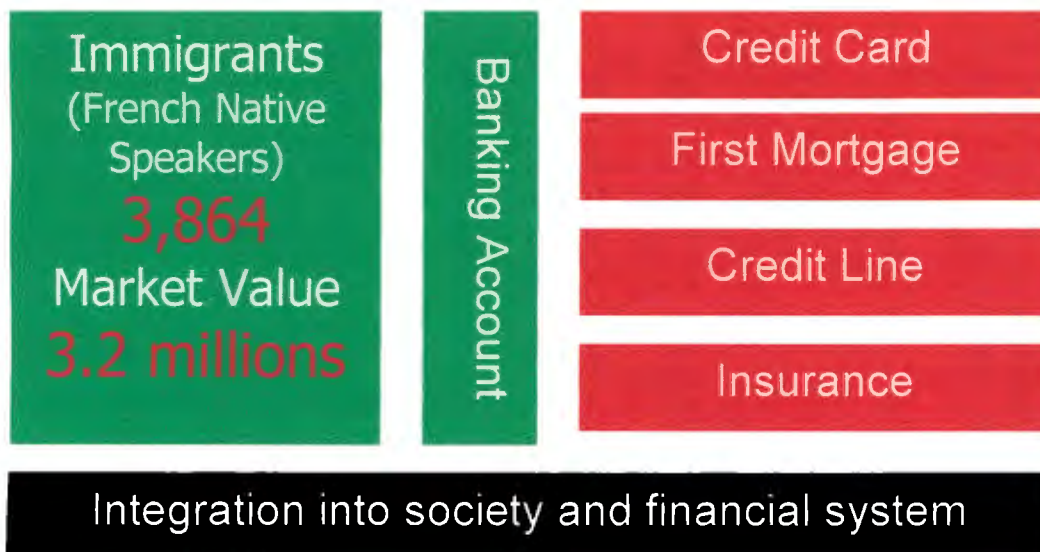
¹⁸ It was added just the Desjardins' Competitors.

Strategy

The suggested strategy is to capture this segment through the Desjardins' values, principally the following one: supporting the development of its community through donations, sponsorships, scholarships and member dividends". This institutional value perfectly matches with the necessity of integration into society and financial system; both issues are hardly required by immigrants.

The product concept and communication that has to be transmitted to immigrants should be around the "Financial Institution as a Home". In other words, the product and advertising campaigns must be express: reception, family values, hospitality, integration, diversity, trust and unity through the French language.

Integrated Product for Immigrants



The outline of the product takes the Spanish business model where all the necessities of immigrants have to be satisfied in just one integrated product through a banking account. This business model also states that it will be only one management fee independently of the credit rates that each product has. All the costs of the additional products will be charge to the banking account to insure the monthly payments.

The four products offers through the banking account are:

Credit Card Desjardins Passport. This credit card has to be designed for people who do not have credit scoring in Quebec. The credit line and rates has to be established according to the banking account balance. This product can also offer special programs such as a mile program to facilitate immigrant to travel to their origin country, international calling services, etc.

My Fist Desjardins Mortgage in Quebec. This product has to be adapted to low and medium value houses principally because immigrants search for a no expensive house for the first time.

Credit Line. Credit lines with no determined objective principally for consumption necessitates such as electronics, furniture and decoration.

Insurance. Many kind of insurances can be offer to immigrants such as house, life and health and auto insurance.

Communicational Campaign



All the communication has to be oriented to emphasize hospitality, diversity and global financial solutions. It is important to establish that all the immigrants want to find more than a bank or caisse. They are hardly looking for some place that can direct them and support them in their new financial life. The communication has to transmit all the product advantages and the Desjardins' values as a community.

Agreements with Foreign Representations

Desjardins may sign an agreement with the Quebecer government representations in the principal countries such as Algeria, France and Morocco to manage all the immigrant savings from the origin country and then, when the immigration process is completed, Desjardins can offer all the additional products. First Desjardins must catch all the international savings and then allocate additional products to the clients.

It is important to mention that all the campaigns must transmit additional benefits to the immigrants such as immigrant policies, wealth, education, employment and personal finance. In other words, a social sense must be contented into an integral product. The perceptions of social offerings are well-accepted among immigrants who do not know anything about the new country.

This benefit can show the vision and mission of Desjardins into a cooperative structure.

Additional Suggested Topics

1. Theoretical framework. Why is important to adapt the traditional marketing research into the Banking Industry? Are there any other financial parameters to analyze the market value and profitability?
2. Business model in Spain. Why Spain has high developed banking products for immigrants?
3. Adaptation to Desjardins such as institutional values, communication, tendencies and competitors.

Planning and Timing (2 hours)

1. Introduction to the students through the case. (5 min)
2. Relevant teaching topics (5 min)
3. An overview of the Theoretical Framework (15 min)
4. Immigration phenomenon in Canada (5min)
5. Current Canadian products to immigrants and communication. It also includes two videos of competitors (15min)
6. Immigration phenomenon in Spain and the business model (5min)
7. Resolution of the Student's questions (30 min)
8. Reinforcement of the Strategic Financial Marketing and project valuation concepts. (15 min)
9. Additional suggested topics to consider (15 min)
10. Conclusion (5 min)

8. Teaching Annexes

Table 1. Immigrants to Quebec and Canada by year.

| Immigrants (per year) | Quebec | Canada |
|-----------------------|--------|---------|
| 1996 | 29,806 | 226,061 |
| 1997 | 27,934 | 216,034 |
| 1998 | 26,626 | 174,184 |
| 1999 | 29,179 | 189,971 |
| 2000 | 32,502 | 227,429 |
| 2001 | 37,572 | 250,571 |
| 2002 | 37,579 | 229,071 |
| 2003 | 39,558 | 221,352 |
| 2004 | 44,244 | 235,824 |
| 2005 | 43,314 | 262,239 |
| 2006 | 44,681 | 251,645 |

* Source: Statistics Quebec Agency

Table 2. Immigrant savings by Marital Status (2006)

| Annual Inflow Savings to Quebec (2006) | 2006 |
|--|-----------|
| Single | \$33,893 |
| Married | \$77,325 |
| Children (15-19 years) | \$2,939 |
| Children (<15 years) | \$2,939 |
| Annual Inflow Savings | \$117,147 |

* Thousand of dollars.

** Calculated data with Statistics Quebec Agency information. Information of immigrant investor is not included.

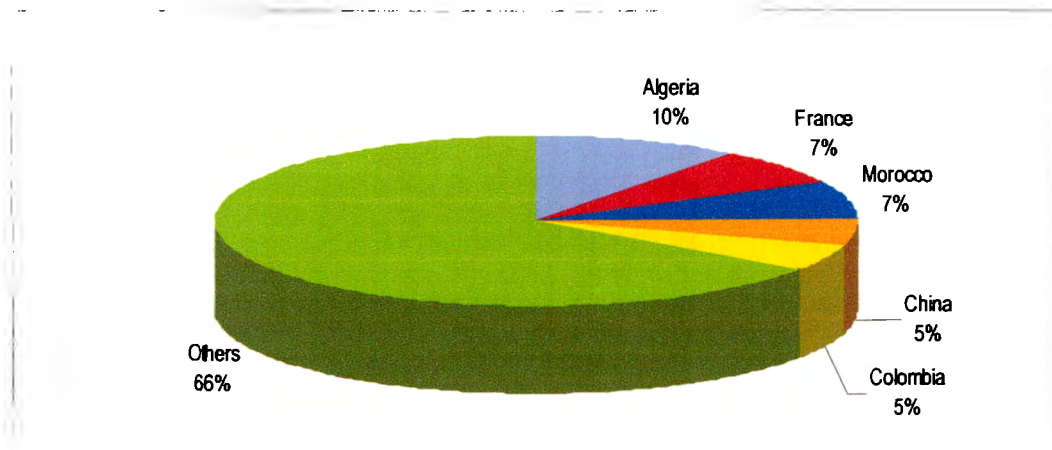
Table 3. Savings landing to Quebec each year

| Year | Inflow Savings to Quebec |
|------------|--------------------------|
| 2002 | \$98,516 |
| 2003 | \$103,704 |
| 2004 | \$115,988 |
| 2005 | \$113,550 |
| 2006 | \$117,147 |
| Acumulated | \$548,906 |

* Thousand of dollars.

** Calculated data with Statistics Quebec Agency information. Information of immigrant investor is not included.

Table 4. Immigrants to Quebec by Birth Country (2006)



*Source: Statistics Quebec Agency.

** Others includes: Rumania, Lebanon, Haiti, India, Mexico, Philippines, Pakistan, Turkey, Peru and USA.

Table 5. Immigrants to Quebec by Age Range (2006)

| Age Range | % |
|-------------|----|
| 0 – 4 | 7 |
| 5 – 9 | 7 |
| 10 – 14 | 6 |
| 15 – 19 | 6 |
| 20 – 24 | 8 |
| 25 – 29 | 18 |
| 30 – 34 | 18 |
| 35 – 39 | 13 |
| 40 – 44 | 7 |
| 45 – 49 | 4 |
| 50 – 54 | 2 |
| 55 – 59 | 1 |
| 60 – 64 | 1 |
| 65 – 69 | 1 |
| 75 and more | 1 |

*Source: Statistics Quebec Agency.

Table 6. Weighed Average Age (2006)

| Weighted Average Age | Average | Immigrants | Weight | Weighted Average |
|----------------------|---------|---------------|--------|------------------|
| 0-4 | 2 | 2 977 | 6.7% | 0.13 |
| 5 a 9 | 7 | 3,152 | 7.1% | 0.49 |
| 10 a 14 | 15 | 2,717 | 6.1% | 0.91 |
| 15-19 | 17 | 2,568 | 5.7% | 0.98 |
| 20-24 | 22 | 3,698 | 8.3% | 1.82 |
| 25-29 | 27 | 7,825 | 17.5% | 4.73 |
| 30-34 | 32 | 8,070 | 18.1% | 5.78 |
| 35-39 | 37 | 6,031 | 13.5% | 4.99 |
| 40-44 | 42 | 3,296 | 7.4% | 3.10 |
| 45-49 | 47 | 1,807 | 4.0% | 1.90 |
| 50-54 | 52 | 957 | 2.1% | 1.11 |
| 55-59 | 57 | 612 | 1.4% | 0.78 |
| 60-64 | 62 | 405 | 0.9% | 0.56 |
| 65-69 | 67 | 268 | 0.6% | 0.40 |
| 70 et plus | 72 | 303 | 0.7% | 0.49 |
| | | 44,686 | | 28 |

* Calculated data with Statistics Quebec Agency information.

Table 7. Immigrants to Quebec by Age Range and Gender (2006)

| Age Range | Male | Female |
|-------------------|---------------|---------------|
| 0-4 | 1,443 | 1,534 |
| 5 a 9 | 1,646 | 1,506 |
| 10 a 14 | 1,424 | 1,293 |
| 15-19 | 1,297 | 1,271 |
| 20-24 | 1,522 | 2,176 |
| 25-29 | 3,525 | 4,300 |
| 30-34 | 4,209 | 3,861 |
| 35-39 | 3,300 | 2,731 |
| 40-44 | 1,818 | 1,478 |
| 45-49 | 973 | 834 |
| 50-54 | 495 | 462 |
| 55-59 | 309 | 303 |
| 60-64 | 182 | 223 |
| 65-69 | 121 | 147 |
| 70 et plus | 123 | 180 |
| Non déclaré | - | - |
| Total | 22,387 | 22,299 |
| Percentage | 50.1% | 49.9% |

*Source: Statistics Quebec Agency.

Table 8. French Native Speaker Immigrants and Savings to Quebec

| Range | Number of People | Savings |
|--------------|------------------|------------------|
| 25-29 | 1,902 | 4,987 |
| 30-34 | 1,962 | 5,143 |
| Total | 3,864 | \$ 10,131 |

*Savings in Thousand of dollars.

** Calculated data with Statistics Quebec Agency information.

Table 9. Information for Valuation and Profitability

| | |
|--------------------|--------------|
| Free Risk Rate | 4.5% |
| Premium Rate | 9.0% |
| Discounted Rate | 13.5% |
| Initial Investment | \$ 2,112,368 |



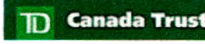




*Source: Bank of Canada

Table 10. Estimated Cash Flows (Bank Account and Credit Card Fees)

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Clients | 3,864 | 4,038 | 4,220 | 4,410 | 4,608 |
| Bank Account Fees | \$ 370,980 | \$ 397,366 | \$ 425,628 | \$ 455,901 | \$ 488,327 |
| Credit Card Fees | \$ 970,521 | \$ 1,039,549 | \$ 1,113,487 | \$ 1,192,684 | \$ 1,277,513 |
| Annual Fees | \$ 1,341,500 | \$ 1,436,914 | \$ 1,539,115 | \$ 1,648,585 | \$ 1,765,840 |

*Credit Card fee includes Management fees and interests

Table 11. Competitors and Immigrant Products in Canada.

| With Special Products | Insert them into the current Offer with Special Campaigns | No Products or Campaigns |
|---|--|--|
| HSBC Canada  | Bank of Montreal  | TD Canada Trust  |
| | Canadian Imperial Bank of Commerce  | National Bank of Canada  |
| | Royal Bank of Canada  | Bank of Nova Scotia  |
| | Desjardins  | |

Some issues of the Banking penetration and financial behaviors in Canada are:

- a. 96% of the population reported holding a bank account.
- b. 94% reported holding a debit (ATM) card.
- c. 86% of the population reported holding a credit card. Quebecer's usage of credit cards is lower than the Anglophone counterpart.
- d. The tendency in Quebec is to deal with only one financial institution. People do not usually compare between services of deferent financial institutions. 60% of Canadians reported to deal with just one financial institution.
- e. Immigrants to Quebec reported more financial education compare with its counterpart in the Anglophone area.
- f. Most of the immigrants in the Anglophone area are from Asia, principally in Toronto and Vancouver. This segment reported less financial education and language barrier problems to deal with a bank.
- g. 46% of the people reported using the internet to do some of their everyday banking activities, a significant increase compare to a few years ago.
- h. People with low financial capability may pay higher costs for basic banking transactions and short term credit, face increased exposure to unregulated and predatory practices, be vulnerable to uninsured risk and may not take up, use and benefit from the government services. In fact, in Canada the government aid is usually pointed at taxes refunds.
- i. There is no immigrant product difference among the provinces. Not even in the provinces which are leading the reception of immigrants in Canada such as Quebec and Ontario.

* Source: General Survey of Consumers' Financial Awareness, Attitudes and Behaviors by the Financial Consumer Agency of Canada, December 2006.

** Why Financial Capability Matters. A National Symposium on Financial Capability held on June, 2005 in Ottawa.

9. Conclusion

Desjardins must develop an integrated financial product which can satisfy all the necessities of immigrants in Quebec. It is necessary to use a basic banking account as a main "bait" to increase its sale objectives principally in the personal and commercial business such as credit cards, mortgage, credit lines and insurance.

This product must be oriented to French native speaker immigrants between 25 and 34 years old who land to Quebec each year. This potential market is around 3,864 per year and has an estimated market value of 3.2 millions of dollars. This market segment does not have language barriers and problems with financial education as its counterpart in the Anglophone area (Toronto, Vancouver and Calgary).

The outline of the product takes the Spanish business model where all the necessities of immigrants have to be satisfied in just one integrated product through a banking account. This business model also states that it will be only one management fee independently of the credit rates that each product has. All the costs of the additional products will be charge to the banking account to insure the monthly payments.

The main Desjardins proposal offering is: credit cards, first mortgage, credit line and insurances.

All the communication has to be oriented to emphasize hospitality, diversity and global financial solutions. It is important to establish that all the immigrants want to find more than a bank or caisse. They are hardly looking for some place that can direct them and support them in their new financial life. The communication has to transmit all the product advantages and the Desjardins values as a community.

Desjardins may sing an agreement with the Quebecer government representations in the principal countries such as Algeria, France and Morocco to manage all the immigrant savings from the origin country and then, when the immigration process is completed, Desjardins can offer all the additional financial products. First Desjardins must catch all the international savings and then allocate additional products to the clients.

It is important to mention that all the campaigns must transmit additional benefits to the immigrants such as immigrant policies, wealth, education, employment and personal finance. In other words, a social sense must be contented into an integral product. The perceptions of social offerings are well-accepted among immigrants who do not know anything about the new country.

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