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Value Creation through on-line services at Desjardins Eric Lemieux, Vice President, Desjardins Electronic Payment Access Services 17 October 2001

Good morning Ladies and Gentlemen,

It is my pleasure to present to you Desjardins' experience with online services and in particular, the value creation arising from these services.

I will highlight the various aspects of value creation, as it pertains to both individual and business customers, as well as to our organization and partners.

My presentation will include 5 major areas:

- 1) An introduction to Desjardins,
- 2) Our cybervision, that is, our vision of online services,
- 3) Our business outline for online services,
- 4) The results we have achieved so far and lastly,
- 5) Value creation through online services.

Founded in 1900, Desjardins has 5 million members and is the largest financial cooperative in Canada. Its assets exceed 80 billion Canadian dollars (or 53 billion American dollars). In addition to banking services, Desjardins offers a complete range of insurance, trust and brokerage services. True to its cooperative nature, Desjardins' mission is to help people build on their wealth and foster community growth.

Desjardins' vision of online services focuses primarily on 3 areas. Individual clients can manage their entire portfolio and have online access to all Desjardins products, including trust, brokerage and insurance services. Business clients have complete control over their finances. In this vein, Desjardins was the first financial institution in Canada to launch online bank confirmation, a product used by chartered accountants for audit purposes. Desjardins developed its vision further by helping and enabling businesses to offer e-commerce services to their own clients. In this way, Desjardins encourages the establishment of a relationship between its individual and business clients.

The business outline of Desjardins online services focuses on 4 areas.

Desjardins has been offering online services to its individual clients since 1996. Our strategy is based on information, simulations and transactions. This allows clients to receive concise information that is within the limitations of the Internet. Once clients obtain their information on Desjardins.com, they can use simulators to help them plan for life events such as retirement or the purchase of a home. Furthermore, they can make all their cash management, insurance, or brokerage transactions online on AccèsD, the transactional section of Desjardins.com.

In 1999, we expanded our offer of online services for businesses to include a vast array of cash management, payroll and direct deposit and withdrawal services. We call this concept B2B, that is, Desjardins to its business customers.

At the beginning of 2000, after having completed the offer to individual and business clients, Desjardins worked with partners to develop a series of services that help businesses to do e-commerce with their own clients. This is the BtoBtoC concept. As a cooperative, it is our duty to provide encouragement and assistance to businesses, particularly small and medium-sized businesses, in order

to help them enter the e-commerce age at a low cost. Our strategy focused on value added partnerships. I will be showing you some examples of our value added offers shortly.

Desjardins also worked with partners to develop value added services designed especially for businesses. This is the BtoBtoB concept. For example, Desjardins participated in the development of a specialized portal for accountants, farmers and e-procurement.

Desjardins forms partnerships with various companies to provide its business clients with value added products.

Desjardins' e-commerce strategy goes beyond the relationship it has with its individual or business clients. It is also based on the practice of forming partnerships in order to offer a broad range of value added services.

This is how Desjardins has earned its highly-desirable position among online banking service providers in Canada. Desjardins.com is the most visited financial Website in the province of Québec and the second most-visited banking Website in Canada, with more than 1.6 million visits a month and 400,000 online transaction users. This year, we are expecting to process 85 million online transactions.

Desjardins combines the power of online services with the more traditional ways of communicating with our clientele. For example, we send advertisements inviting people to use our simulators to prepare for their retirement and even to buy their financial products online. This technique combines the strengths of both traditional and virtual means.

We consider value creation as the key to the success of our online services. Value creation could be monetary or economic but it could also be community-related and, as a cooperative, we place a great deal of importance on community.

Online services engender real value creation compared with traditional services. They are a complement to the more traditional, physical methods and offer flexibility, availability, information, portfolio management options and links with accounting software. Ultimately, clients benefit from concrete value creation, which encourages consumer loyalty to our financial institution.

Businesses benefit from value creation through our online services as well. These tools are perfectly in line with the reality of businesses in today's markets. Tasks can be delegated to various employees: one person can prepare electronic payments, enter the payroll, make payments to the government, and these transactions can be entered ahead of time and put on hold until a supervisor authorizes them. However, Desjardins again goes beyond these features and creates real value by offering businesses the opportunity to practice e-commerce with their own clients. Through Desjardins, businesses can receive e-payments, secure their servers for e-transactions or set up a virtual store.

It is less costly for Desjardins to make its products available online than through Automated Teller Machines, by telephone or in branches. We estimate a savings of \$22 a year over 5 years for each user of our online services. This represents a savings of approximately \$60 million over the next 5 years. Furthermore, our repertoire of electronic services includes new products and consequently, new sources of income.

In addition to contributing numerous economic benefits, online services can help build a solid and close cooperative relationship with clients. Virtual communication can help nurture the democratic nature of our organization and promote community involvement through, for example, the announcement of annual general meetings. Consulting our clients about decisions made by their cooperative can take on new meaning, and even new direction.

Desjardins has formed several partnerships with a view to making its entire range of services available on the Internet. The key to a successful partnership is to make it a winning situation for everyone involved. For example, Desjardins joined with Clic.net and Canada Post in order to provide its business clients the opportunity to open virtual stores. Through this simple and cost-efficient solution, all the partners achieved value creation that would not have been possible without this joint effort. The partnership made it possible for Clic.net to sell its online store solution, for Canada Post to ensure delivery of the merchandise ordered online, and for Desjardins to control the payment of the merchandise.

In this context of value creation, Desjardins has formed multiple partnerships in the last few years.

Since 1996, Desjardins' online services have evolved. Initially, the ability to transact on the Internet was made available to individuals (BtoC) and then, to its business clients (BtoB). Thereafter, Desjardins formed partnerships to enable these businesses to develop their e-commerce activities with their own clientele (BtoBtoC). Most recently, more partnership agreements were made to offer value added services directly to its business clients (BtoBtoB), an example of which would be Procuron, an online supplier of varied merchandise such as paper, pens, computers or travel services.

Value creation was the driving force behind the development of our online solutions: value creation for our clientele, for our partners and for Desjardins itself.

Our individual clients have relationships with numerous parties and as a cooperative financial institution, Desjardins strives to facilitate their online dealings. This is the motivation that led to numerous projects that simplify all types of online interaction.

This model is also used to develop our offer to our business clients.

Desjardins has built its entire selection of online services around the concept of value creation and partnership.

Thank you.