

NACUSO
FOCUS

on Growth Strategies
for Credit Unions.

Your Most Valuable “New” Member

By Mike Joplin, President, CU Revest



According to data collected by DemandJump, the average cost of new consumer acquisition for a U.S. financial institution is about \$300. Of course, this amount typically increases with the size of the institution and the competitiveness of the market. Acquisition costs of \$500 or more are not uncommon.

The Best New Member is a Rehabilitated Old Member

What if I told you that it’s possible to onboard a new member who’s fiercely loyal and, in the process, you’d actually make money? Sounds crazy, right? It’s not. Because based on our experience at CU Revest, the best new member is a rehabilitated old member.

How do you currently handle your charge-offs? Do you ship them out to a traditional collection agency and hope for the best? Do you write off that member just like you’ve written off their debt? If so, there’s a better way. The CU Revest way.

Unlike other collection agencies, our mission is threefold:

1. We collect your charged off debt.
2. We do it in a way that boosts the member’s credit score.
3. We rehabilitate the member and bring them back into the credit union fold.

How does it work? Assuming the member agrees to it, we completely cancel the old debt and replace it with a new installment loan for the full charged off amount at

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Your Most Valuable “New” Member *continued*

0% interest. Once the member has made six on-time payments, the big three credit reporting agencies automatically bump up the member’s FICO score. We’ve seen this reporting give members as much as a 90-point lift on their credit scores.

Finally, once the loan is completely paid off, the credit union is expected to welcome that person back as a member in good standing.

How well does this program work? I’ll give you an example.

We took about \$8.5 million in charged off consumer debt from a \$5 billion credit union. This was debt that had already been worked by one or more traditional collection agencies. We’ve already collected enough on this debt to remit more than half a million dollars to the credit union. That’s money they never expected to get back.

Think about that for a minute. While you’re spending hundreds of dollars to attract new members, you could be bringing back former members and getting paid in the process.

And what of these members? Do you think they’re grateful for the credit union helping them out in this potentially life-changing way? Do you think they’ll be loyal members for life? You bet they will!

Credit unions have long been the champions of the under-served. Yet, until now, most credit unions have not made the effort to rehabilitate members whose debts have been charged off. If you’re still collecting charge-offs the old-fashioned way, you’re doing your members a disservice – and you’re doing yourself a disservice. A program like CU Revest creates a true win-win situation.



About the Author:

Mike Joplin is the co-founder and CEO of Credit Union Lending Cooperative, a CUSO created to help credit unions compete directly with marketplace lenders. He has over 35 years experience in commercial banking and consumer finance. He has launched numerous successful financial services organizations, including a number of CUSOs.

Take A Different Approach To Growth Strategies In 2020 With Data

By: Ann Farrell, Director of Portfolio Growth

trellance



Each new year brings possibilities and opportunities, and 2020 is no different. Many of you will finally realize long-term goals and multi-year objectives in this coming year. On the flip side, you may have also planned this year as the start of new initiatives towards successes over the next decade. Whatever plans you may have for your credit union, strategies for growth are sure to be incorporated.

In 2019, many conversations in the industry were centered around mergers and acquisitions, and how to maintain competitiveness and relevance by growing and retaining members. Fintech companies and many of your financial competitors have been using insights-led analytics to understand, predict, and exceed new consumer expectations. This has transformed customer experience and what your members will expect from you in 2020.

Growing and retaining members will require growth strategies that are fueled by data for a more targeted and customized approach. Embracing a discipline and culture around data analytics across your organization will be critical in determining the outcomes of these strategies. Fortunately, you already have great data. You have more data on some of your members than the leading fintech companies. Understanding how to compete with it is the differentiator. How do you use data to set yourself apart, provide unique member experiences, and drive growth?

Let's look at three primary growth strategies that credit unions undertake and how data analytics can help to deliver more targeted outcomes:

1. Giving Members More Spending Power - One of the strategies used to grow loan portfolios is offering an increase in credit limits on CU branded credit cards. On average, about 60% of a credit union's cardholder accounts qualify for a credit line increase. If you haven't run a credit line increase in a few years, that percentage is even higher, which presents many opportunities.

Your data plays an integral role in carrying out this process as there are several variables to consider in deciding who gets an increase, how much and at what rate. Reviewing and analyzing member data periodically to decipher changes in activity will help. You may also choose to tap into other data sources like credit rating agencies and payments consultants who provide data that can be integrated with the member data to help you in making decisions.

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2. Deepening Member Relationships – Another strategy is increasing penetration. Successful execution depends mainly on identifying who your competitors are and what solutions they offer or provide your members. For example, monitoring your ACH transaction data to determine other banking relationships or commitments can help you make better recommendations or provide options to increase penetration. Think Amazon’s “recommended for you.” You can only make relevant recommendations if you know your members’ spending habits or recurring commitments. For example, your data may show that a member makes a monthly payment to a specific company at the same time each month. On closer investigation, you may find out that it is a car loan payment. This provides an opportunity for you to offer your low-interest car loan product as an alternative to this member.

3. Incentivizing Your Most Valuable Members - While attracting new members will require access to external data such as market or competitor analysis, retaining existing members is largely in your control if you are monitoring critical member data. This is integral in decreasing attrition and keeping your members happy with unique experiences. Data savvy credit unions have had great success using member data to identify and attract their most valuable members. And further, to develop loyalty programs that help to retain them.

These are just some of the use cases where your data can help in making better business decisions and drive growth for your credit union. The Trellance team looks forward to providing you with data analytics and business intelligence solutions to make your credit union an even greater success in 2020. Visit us at www.trellance.com or contact us at info@trellance.com for more information.



About the Author:

Ann Farrell is the Director of Portfolio Growth at Trellance and has been leading Trellance’s Card Portfolio Growth Solutions since its inception in 2015. She has more than 35 years of experience in the financial industry, with 10 years in portfolio consulting. Ann has worked directly with hundreds of credit unions, assisting them in growing the total revenue of their card programs.

She is known for her relationship management skills, as well as her knowledge and overall expertise in the card payments industry.

Prior to joining Trellance in 2008, she was the program coordinator at Greylock Federal Credit Union, based in Pittsfield, MA, a credit union with over \$1B in total assets. She played an integral role in core and processing conversions as the direct management liaison for their debit and credit card portfolios.

Partnering for Growth – 5 Alternative Forms of External Growth to Consider

By Matt Craft, Vice President – Capstone



When organizational leaders consider using external (i.e. inorganic) growth to attack an opportunity, they often only think about acquiring 100% of another company. Usually, this is because they want “control” of the entity in which they are investing. However, only considering a 100% acquisition limits the possibilities and power that external growth brings to the table.

There are myriad ways to work with another company, both with and without equity investment, to help achieve strategic goals and attack a market opportunity.

Here are five options other than 100% acquisition for CUSOs to consider:

1. Minority Investment – The main concern many leaders have with a minority investment is “lack of control.” However, a minority investment in and of itself does not mean that the majority shareholder has total control over the direction of the company. In fact, you can own only 1% of the company and still put yourself in the driver’s seat to get the strategic relationship and benefits you want.

The issue of control comes down to the way the minority investment (or any deal) is

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structured. Particular benefits of a minority investment include:

- **Save Money** – the opportunity to pursue external growth with a company that may be too expensive or too big for you to acquire in its entirety.
- **Spread Risk** – With limited financial resources to invest in acquisition, acquiring several minority interests can spread your risk, while remaining within a budget.
- **Retain Key Management** – It's unlikely that the entire management team will leave when a minority stakeholder comes aboard. These experienced team members may stay on and continue adding value to the company for years to come. This is a great opportunity to partner with entrepreneurs and innovators.
- **Open Doors** – Minority interest allows the pursuit of opportunities that may not be open to 100% acquisition. For strategic acquirers, there may be not-for-sale owners who are not interested in giving up their entire company but may be open to selling a piece of it. It also allows partnership with others in your space, such as other CUSOs.
- **Execute Strategy** – Minority investment can be used to eventually acquire a majority stake on even the entire company. It's common to build in options for the buyer to acquire additional stakes as time passes.

2. Majority Investment – Acquiring less than 100% of a company (but still a majority) offers many of the same benefits of a minority investment. This option can be particularly attractive to sellers who may be reaching the end of their careers but want to hang on for 3 – 5 more years for a “second bite at the apple.”

By leaving them with 5%, 10%, or even 20%, this smaller stake may one day be more valuable than the original stake they hold if growth plans go accordingly. It gives the seller significant incentive to keep the business on track and working with the new majority owner to grow it.

3. Strategic Alliance – Form an alliance with a partner who serves the customers or members both sides seek with a noncompeting product. Strategic alliances are best used for short term agreements focused on limited objectives.

This type of partnership, which is typically less risky and involves low commitment and energy, allows access new capabilities and potentially new members or customers.

4. Joint Venture – Two organizations construct a new enterprise where each partner has equal ownership and agrees to share profit, loss and control. These are often used to target a very specific market that neither organization could attack sufficiently on its own.

While JVs can be complicated, a solid decision-making process and communication

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to the customer on who is in charge can smooth the way for success.

5. Licensing Agreement – Sometimes, there is a particular product or service that it is better to pay a license to use as part of an overall offering rather than developing it in house. Licensing agreements can often bring cache of a well-known and respected brand (e.g. “powered by”) to a smaller or less-know organization.

CUSOs have the luxury of being capable of both taking advantage of all of these forms of external growth on both sides of the equation. A CUSO can take on minority investors while also making minority investments in areas like Fintech, spreading out their resources and picking “winners.”

The next time you are struggling with how to attack a growth opportunity, remember that there are several options out there for you to get the strategic value you seek.



About the Author:

Matt Craft is a Vice President at Capstone, a leading advisory firm focused on helping clients grow through proactive growth initiatives and strategic mergers and acquisitions. For over 10 years he has worked with domestic and international clients and publicly traded and private companies in a wide range of service and manufacturing industries. Matt spearheads Capstone’s market research and international expansion projects leads the firms’ partnership with the Virginia Economic Development Partnership’s Virginia Leaders in Export Trade (VALET) Program. He has taught many senior-level executives through workshops, presentations, and webinars. Matt received his MBA from George Mason University, his Masters from Georgetown University and his Bachelors from the College of William and Mary.

Any Growth Strategy Must Address Payments

By Mickey Goldwasser, VP of Marketing



How many different ways can your members move money from their accounts at the credit union to someone else? For sure you offer online bill payment. Maybe you have a P2P solution, too. Let's not forget ACH transfers either. Are your members taking advantage of these services and, more importantly, are you promoting them?

It's All About The Consumer Experience

If your credit union is like most, you're providing all of these different payment services. Maybe you think that's enough. It's not. Here's the challenge: You're providing the right services, but are they as convenient as they should be? Do you look at your payment services as a way to simplify members' lives? In the age of Amazon and Google, convenience is everything. In short, in today's financial services arena, it's all about the consumer experience.

What does this have to do with membership growth? It's simple. Members who make use of your payment services use them quite extensively. Payment services are engaging and if the experience you provide is inconvenient or difficult to use for your members, you run the risk of losing members to a provider that is more convenient and offers a better experience. In other words, a bad payments strategy can shrink your membership instead of growing it.

On the flip side, if you provide an exceptional payments experience to your members

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– and build the appropriate marketing around it – word will get out. People fed up with the weak payment options provided by their current financial institution will gravitate toward your credit union. Membership will go up.

Payments Generate Revenue

Of course, there's another reason to take your payments strategy more seriously. Payments generate revenue. That's why so many non-financial institutions have gotten into – and are getting into – the game. Think of services like PayPal and Venmo and Cash. Every time a member of yours uses one of these services to move their money, it weakens your position as their primary financial institution.

In short, if members are no longer using your credit union for payments, they're no longer your members.

So, what are some of the characteristics of a modern smarter payments experience?

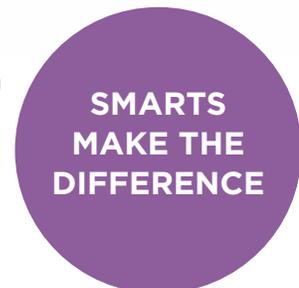
First and foremost, the member should never have to be concerned about selecting the right payment option based on the recipient. When it comes to payments, smarts make the difference and a smarter approach to payments provides a competitive edge. The member should simply be able to specify what needs to be paid and rely on the system to pay it for them. In the background, the payments platform figures out the most efficient way to get the money where it needs to be.

Almost as important, your credit union's payment platform must be assistive and engaging, simplifying the user's life. It must be able to develop actionable insights to offer suggestions and take action based on the data you've accumulated for a particular consumer.

For example, if a new bill comes in on Monday, the system can see that there's not enough money in the account to pay that bill now. However, it also knows that the user's direct-deposit paycheck goes in on Thursday. The system can then alert the user and can proactively ask the user if it should pay that bill on payday. The user can then schedule that payment by simply answering yes.

Finally, a smart payments platform doesn't favor any one technology or any one

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payment rail. In order to make the smartest routing decisions, the system must remain neutral.

If you're looking for a smart way to attract and retain your members, start by making sure you offer a world-class payments experience. It's that simple. And in the end, your members will thank you for it.



About the Author:

Mickey Goldwasser As VP, Marketing, Mickey leads all marketing, product marketing, public relations, channel go-to-market, and communication strategies and efforts for Payrailz. A passionate, accomplished, results-driven marketing, product, and business development professional he is a Fintech industry veteran, who has spent his entire career with a focus on helping credit

unions and community-focused banks to better compete against the Mega-banks and money centers.

Mickey joins Payrailz from Payveris a provider of digital payments and money movement services to banks and credit unions where as SVP of Marketing he oversaw all marketing and communications efforts. Prior to that he was with Q2, a leading provider of highly secure electronic banking solutions for banks and credit unions, where he as vice president of marketing he was responsible for the planning, managing, and execution all aspects of the company's marketing activities pre-IPO.

A seasoned financial industry marketing executive with 30 years of experience, he has also held executive marketing and leadership roles with Continuity and Open Solutions Inc. (now Fiserv) leading, implementing and executing company-wide marketing and client-focused programs. He also currently serves on the Supervisory Committee for UBI Federal Credit Union.

Growth Strategies for 2020 in a Digitally Transforming World

By Nish Modi



A well-conceived digital transformation delivers growth opportunities on every front, allowing credit unions to connect with members and meet them on their terms.

To unlock digital's full potential in 2020, credit unions should consider five critical strategies:

1. Staying Connected and Relevant

Staying connected is all about being there when members need you the most. This requires a credit union to understand their members' journeys and meet their needs at every touchpoint. This is something tech giants do very well. Amazon, for example, never misses an opportunity to present complementary offers based on what you just bought, a strategy that has turned the company into the world's go-to marketplace.

In fact, Hubspot reports that 44 percent of consumers skip Google, Bing and other search engines altogether when looking for a product – they go directly to Amazon to start their search. In all things financial, you need to be your members' Amazon. If a member approaches your credit union for an auto loan, think about the next logical step, such as getting the new car insured. Help facilitate that process. And, going one step further, anticipate member needs. If consumers typically buy a new car every five to seven years, then present both your rates and the dealerships that partner with you to members entering year five of their loan. Display a link to partnering dealerships prominently on your auto loan webpage – don't make an engaged member hunt for it.

Members value frictionless experiences. To remain relevant, credit unions must streamline processes, make interactions fast and easy, and operate in ways that attract young consumers.

2. Monetizing the Digital Business

Growing relationships is infinitely easier with current members than prospective

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members. In fact, according to Econsultancy, for every \$92 spent acquiring customers, only \$1 is spent converting them.

Credit unions have countless opportunities to grow relationships because their members engage with them in so many different ways. They bank at ATMs, visit branches, use digital channels and make calls.

To grow member relationships, you need to meet and exceed their expectations at every turn, in every channel. According to Aberdeen Group research cited by SuperOffice, companies with the strongest omni-channel customer engagement strategies retain an average of 89 percent of their customers, as compared to 33 percent for companies with weak omni-channel strategies.

So, create a digital banking app that is fast, simple and secure. Offer a better, more customized rewards program for your card products. Include charitable donation options, things that speak to member values.

In the branch, consider what members need to accomplish, whether getting cash, financial guidance or a document notarized – and equip employees with all the data they need to help members get the job done. Give members better privacy, security and convenience with a mobile app that lets them pre-stage ATM withdrawals from a smart-phone. Include in the app a map of nearby ATMs – and the most convenient shared branch locations on the way to an event they are attending that evening.

Build a brand presence online, too. Members taking out a home loan often conduct Google searches and look for recommendations on Yelp. Be right where your members want you to be, with the right message. That's how you grow relationships.

3. Managing Compliance and Rapid Change

Compliance comes in many different forms. Being ADA compliant means giving people with disabilities equal access to your services in the branch, digitally and by phone, without requiring them to use a special channel. As you advance your technological infrastructure, remember that your compliance requirements will become more complex.

Compliance is also about privacy and security, and credit union practices must meet rigorous industry standards accordingly.

4. Navigating Risk Across the Digital Landscape

Today we operate in a world in which a criminal thousands of miles away can launch an attack on your members. According to Cybersecurity Ventures, “Cyber-crime

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damages will cost the world \$6 trillion annually by 2021, up from \$3 trillion in 2015. This represents the greatest transfer of economic wealth in history.”

Putting member security first is an essential practice as you expand your horizons. New AI and machine learning tools will prove invaluable going forward, which is why it is so important to have a solid data strategy in place – one designed to uncover member insights while enabling fraud detection for the future of payments.

5. Modernize the Company Culture

Today more than ever, credit unions need to be agile. They need to embrace automation.

For many, this involves a significant cultural shift, as found through research by Raj Venkatesan and Kim Whitler, professors at the University of Virginia, Darden School of Business: “Managers will have to let go of decision-making processes that have worked for them in the past and learn how to use data analytics instead.”

To obtain the clearest view of an individual customer or segment, companies need data from a myriad of viewpoints. And they need data to flow across departments and initiatives. For credit unions, that means lending works with operations, card teams work with deposits and compliance spans the organization.

Like your credit union, CO-OP is transforming culturally to become a digital-first, data-first entity – we are on this journey together with a common mission: to elevate the member experience you provide. Ultimately, the path to digital growth and success is paved with data. Capturing data, analyzing it and applying it strategically are all best practices that advance innovation.



About the Author:

Nish Modi is SVP, Integrate Group Leader, for CO-OP Financial Services (www.co-opfs.org), a payments and financial technology provider to credit unions.

Three Strategies for Competing and Growing Membership in 2020

By Norm Patrick, VP of Advisors Plus Consulting



People Helping People

While some with limited exposure to the credit union movement might think of credit unions as small, neighborhood financial institutions with basic products and services and limited access to innovative technology, they would be mistaken. As a new decade dawns, many credit unions do indeed have the same level of capabilities, product offerings and technological solutions as large banks and other financial institutions, along with a unique, personal touch and welcoming environment driven by the “people helping people” credit union philosophy. In fact, in a recent study, PSCU found that a majority of people agree credit unions are good places to get advice and guidance on financial matters.

It is more important than ever for credit unions to promote their competitive products and services

Given some of the misconceptions that continue to linger about the credit union industry, it is more important than ever for credit unions to promote their competitive products and services offerings through paid advertising, owned channels – like

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websites and social media platforms – and other marketing tools in order to foster their credit union brand and attract new members through both physical and digital channels.

Here are three important areas credit unions should focus on to attract new members and retain and expand relationships with current members in the new year:

1. Elevate the digital experience

As most consumers tend to leverage websites to shop around for a financial services provider, the experience on the website will often be your first – and could be your last – impression. The user experience on a credit union’s website must be up to par with what today’s consumers are accustomed to on other sites and communicate all of the credit union’s products and services in a concise and compelling manner.

The website should ideally entice the user (existing or potential members) to join the credit union and/or explore its products and services. Moreover, full online account opening and loan applications are becoming the standard in today’s market. Making the user experience seamless and easy to navigate and buy should be top priorities.

2. Optimize checking products

A strong checking account offering facilitates membership growth, provides significant non-interest income and a low-cost funding source. According to PSCU’s study, nearly 73% of respondents prefer to pay with a debit (45%) or credit card (28%) when making purchases. Given the high level of preference for using debit cards, it is important for credit unions to optimize the features, pricing and positioning of the underlying, prerequisite checking products.

An optimal checking product lineup should include no more than three products that are clearly differentiated, easy to understand and provide for a fair and compelling value proposition. The ability to choose, open and fund an account from your credit union’s website is key.

3. Target the right people at the right time

Credit unions have a significant, often untapped, opportunity to retain existing members through instituting a product “graduation strategy.” When employing this approach, a credit union follows members through their financial lifecycle and meets them with the products and services they need at certain times throughout their life.

For example, a member who at one time was income- or credit-challenged might have applied for a credit card and been provided with a secured credit card product with a low credit line and other limitations. Over time, the member may experience

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improvement in their financial condition and manage their account(s) in a responsible manner on an ongoing basis. In such cases, it may be time to offer the member an opportunity to take on a more standard, higher value product that fits their updated financial condition, credit profile and behaviors. If credit unions track these kinds of shifts and changes in their members' personal and financial lives and offer customized products or services that fit their current life stages, members will be more likely to continue doing business with the credit union. And if your credit union does not take this approach, someone else likely will.

This strategy can also be used with youth or student card accounts – as members grow up, so too should their credit union accounts. Putting new products and offerings in front of them that make sense for their age or life stage will help stem attrition and reduce drag on membership growth.

New Year's Resolution: Saving Money

According to an Inc. Magazine survey, saving money is often one of the top five New Year's resolutions, among other resolutions related to financial wellness. As consumers turn their attention to 2020 resolutions, credit unions should focus on the above three areas to grow and retain members into the new year and for years to come.



About the Author:

Norm Patrick is vice president of Advisors Plus Consulting at PSCU. Advisors Plus was established in 2004 as the consulting arm of PSCU. Together, PSCU and Advisors Plus' products, financial services solutions and service model collectively support millions of credit, debit, prepaid, online bill payment and mobile accounts at PSCU's Owner credit unions; protect over 2 billion transactions annually from fraud; and optimize credit union performance and growth. With nearly 25 years in the financial services industry, Norm founded the Debit & Checking practice area in 2007 based on his experience in managing one of the largest debit card portfolios in the U.S. For more information, visit AdvisorsPlus.com.

Are you looking to grow? Look no further than your data.

By Anne Legg, THRIVE, founder



Credit unions are looking for ways to re-invent themselves so that they can develop deeper, more impactful relationships with their members. Data holds the key to that transformation. Next to loans, data is an exceptionally robust asset for credits to leverage. But the task of harnessing this data feels like a daunting task. Most credit unions are not exactly certain where to start.

Start with the member

To determine what data to harness, look no further than the member.

Start with an assessment of the member. Focus on why the member/consumer is engaging with your organization. What problem does your organization solve for them? In the credit union industry, a credit union solves four fundamental problems for its members.

1. Transportation problem

The member needs transportation (not an auto loan), and the credit union is the conduit to transportation.

2. Shelter problem

Similar to transportation, the member needs a place to call home (not a mortgage), and again the credit union is the conduit to shelter.

3. Travel and Play problem

The member has desires for either travel and play. They need a financial partner that will help them achieve these goals within their current financial condition.

4. Rainy day and Retirement funds problem

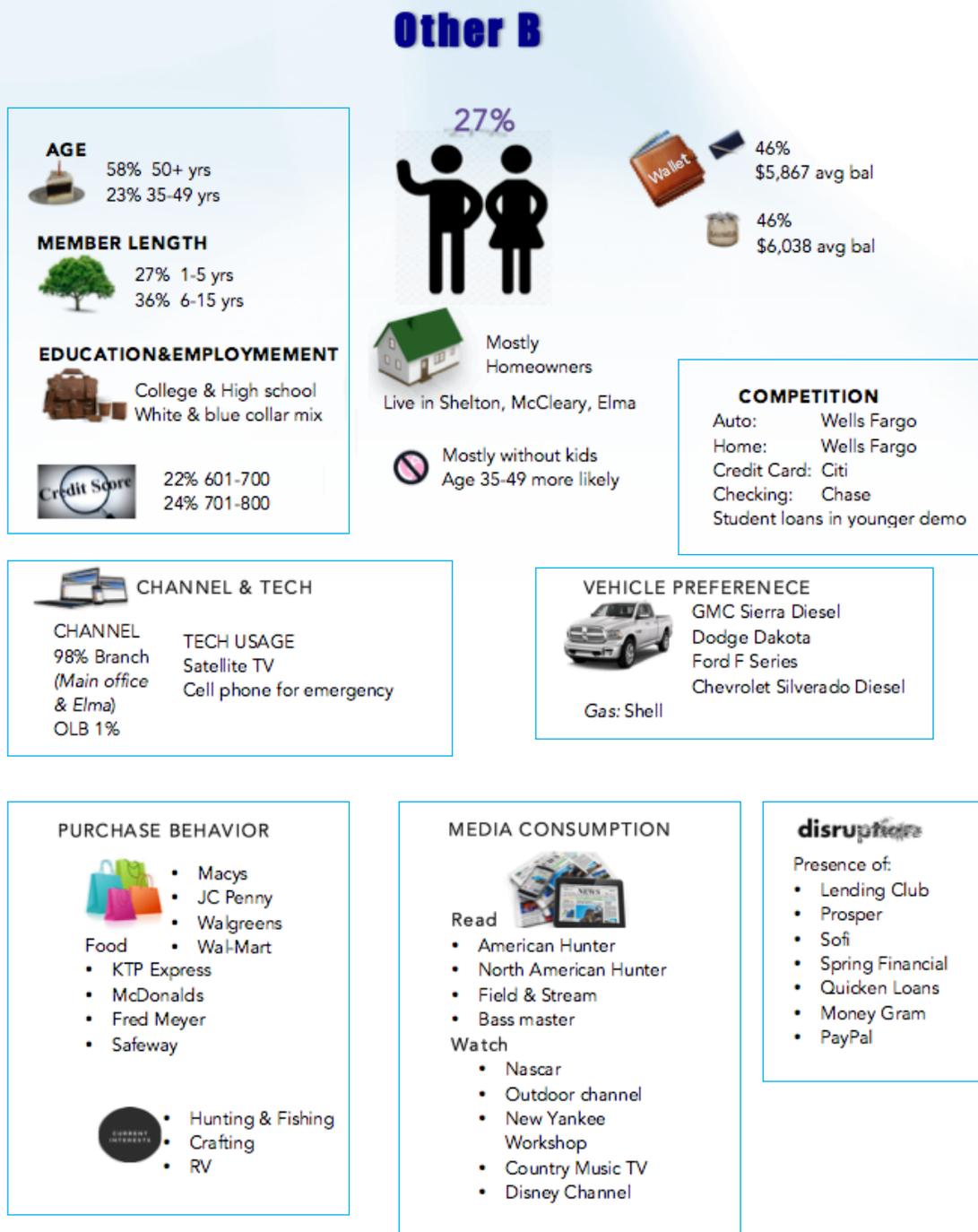
The member needs a financial partner that will help set them up short term and long-term deposits.

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Are you looking to grow? Look no further than your data. *continued*

Fortunately, credit union houses data that will provide insights into these member problems.

The following is an example of information that can be harnessed. The profile is a THRIVE client located in the pacific northwest.



This profile is rich in insights into the current state of this member segment engagement, competition, and who is currently disrupting the credit union.

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Specific insights

- Next vehicle makes and model & where they frequently get gas
- The competition for the member's auto loan, credit card or home loan
- Where the members shop, buy groceries or fast food
- What members watch, read & listen
- Member's hobbies and interests
- Identify who is currently disrupting your credit union

Disruptor Identification

One of the great insights from connected data is to identify those financial technology firms whose members are selecting to engage. From the research THRIVE performs, the data indicates that PayPal is a significant disruptor. For a \$1 billion credit union located in the Midwest region, they saw over \$4 billion of funds leave the credit union in 60 days. This credit union does offer person to person payment solution, but it is not being utilized in the same capacity. While payments are a competition, the disruption can occur when PayPal starts offering its loans and credit cards.

As the relationship has been established, the product run-off may be slow until accounts are closed. And that is too late in the relationship. The other concern is the lack of member insight. When the member is using your credit union products, the credit union can see from purchase behavior. They can see what a member's needs are by what they purchase. Unfortunately, with PayPal, they only know that it is a transfer and the amount.

Develop member-centric data use cases.

Understanding the members' problems and identifying the data needed to help create solutions to solve it is significant to driving growth. But there can be many ways a credit union can solve members' problems. The next step is to create these solutions as use cases for the data. By creating use cases, the credit union can recognize the need for data management solutions. Is it a data warehouse, visualizations, predictive models, or just one of these? The following are a few use cases THRIVE clients have developed.

SHELTER

The home, not the mortgage

This client is in the process of creating a home app that takes the member from the home search process through to purchase, and then to homeownership. The credit union determined that a home app would add value to the member in connecting them to a variety of suppliers in the home purchase and ownership space.

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TRAVEL/PLAY

The experience not the credit card

Making charity donations with reward point programs

In addition to offering travel reward programs on their credit cards, one client identified that card users were also frequent donors to local charities.

This option for members to redeem their accumulated points for donations to charity not only adds value to the member and the charity, but also makes this reward program unique.

Offering triple points on retailers the members actually and frequently use In reviewing member purchase behavior, one credit union identified several specific retailers their members were frequently purchasing from using the retailer card and not the credit union credit card.

In creating promotions around purchases at these retailers, the member gets additional value from the credit union credit card. This also increases either their use or spending and credit union benefits in the uplift in interchange income.

Making data a way of life

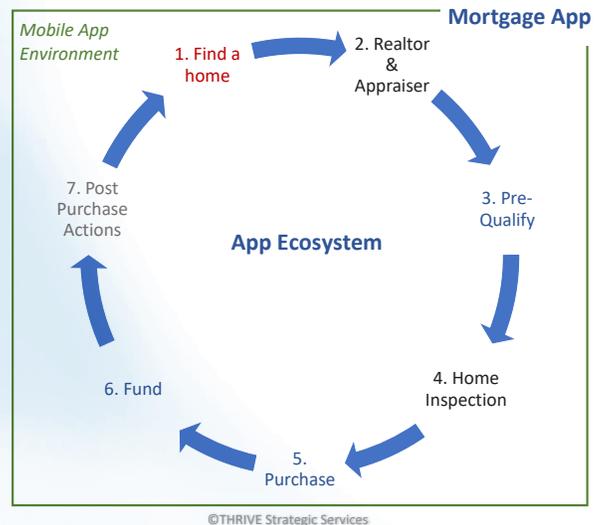
Now that the credit is harnessing the data to build revolutionary member relationships, it's time to begin building a data maturity capability.

One of the most overlooked efforts by credit unions in working with their data is formalizing a data maturity capability. Many organizations feel that data maturity will organically occur. That is a fallacy. Data is an incredibly robust asset and requires love and attention.

A formal data maturity capability is the extent to how an organization utilizes the data they produce. The following diagram helps to explain data maturity by comparing it to human maturity.

Stage 1: Nascent - Yep, we have data

This is the data in its earliest form. It is raw, ideally clean, and living in silos. The organization is in its infancy of understanding the power of connected data. This is similar to how a child is learning about its body and how it functions. It recognizes

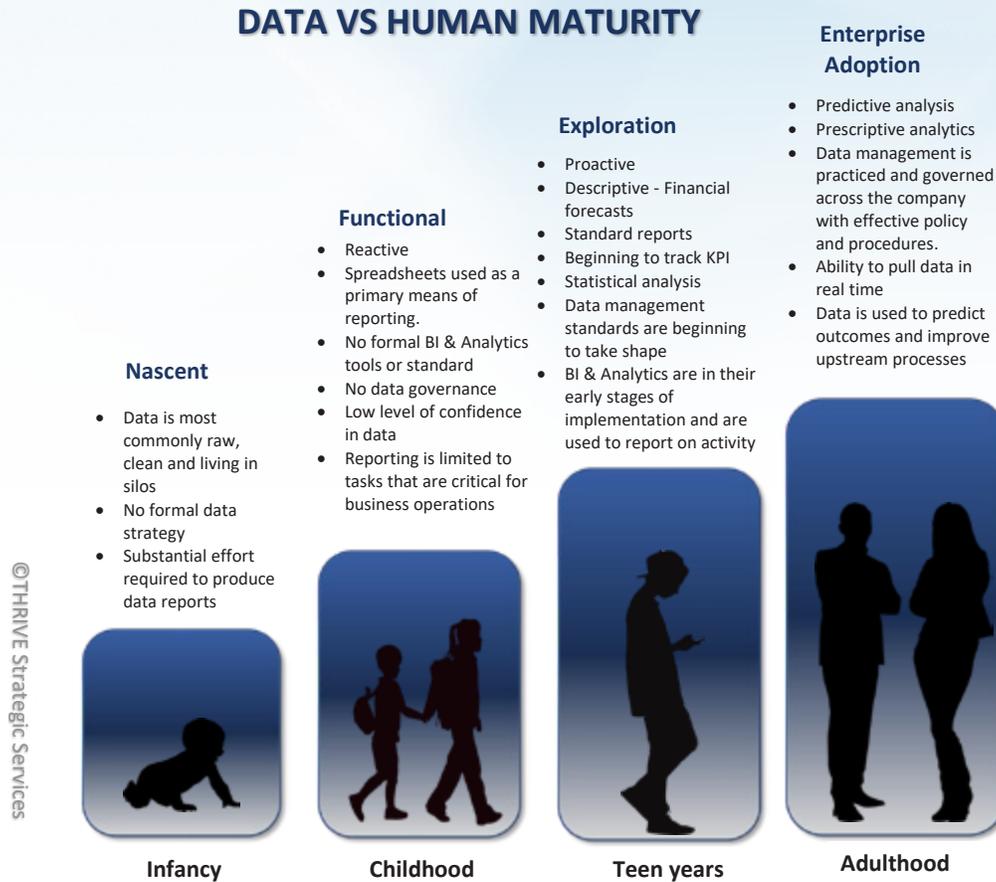


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that it has data, but no formal data strategy. And it takes substantial effort required to produce data reports.

Stage 2: Functional - we heart Excel

Like a child, the organization is in a reactive position to data. Spreadsheets used as a primary means of reporting. Reporting is limited to tasks that are critical for business operations. There is no formal BI & Analytics tools or standard. No data governance and there is a low level of confidence in data. Descriptive analytics are employed.



Stage 3. Exploration - What if?

As the organization begins to mature, it begins to resemble a teenager. Confidence in some capabilities but exploring beyond set childhood boundaries to increase knowledge they take a proactive position to data. Data is being used to create what-if scenarios in financial reporting. Standard sets of reports are being produced regularly with ad-hoc capabilities available and beginning to track KPI. An exploration of Statistical analysis and data management standards are beginning to take shape. BI & analytics are in their early stages of implementation and are used to report on activity.

Stage 4. Enterprise Adoption - kicking butt and taking names

Similar to Adulthood, where physical, emotional, and ideally financial maturity has

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Are you looking to grow? Look no further than your data. *continued*

occurred, allowing the person to make a meaningful impact, data has as well. Data management is practiced and governed across the company with effective policy and procedures. Data is pulled in real-time and is used to predict outcomes. Prescribe solutions and improve upstream processes.

How is data maturity measured?

Most data maturity is measured by applying a data maturity model. Organizations will implement a data maturity model to benchmark their capabilities, identify strengths and gaps, and leverage their data assets to improve business performance.

While these models have been proven to effective in their assessment of the data, they lack in their evaluation of the organizations' cultural ability to consume data. Data consumption, like data management, is not organic; it needs to be structurally cultivated to be fruitful. Assess current data consumption culture and develop a plan to mature this capability like data.

Developing your credit union data journey

Harnessing data starts with the strategy first, but is part of an overall data journey. The following graphic highlights the phases needed.

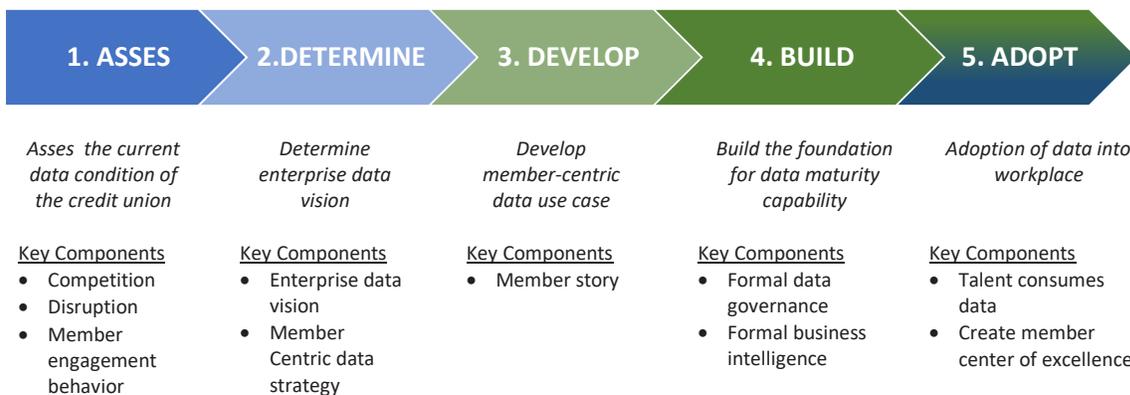
Achieving great things is rarely simple or easy.

Member Cynosure™ Process

Cynosure is one that serves to direct or guide. When capitalized, it is a synonym for the north star. In this reference, we will use it to define a member's true north, the focus, and driver of credit union the data directive.

The Member Cynosure™ process identifies the member's true north, and specifically, it focuses on the member's financial destination.

What is unique about the process is that it anchors on the member, not the data. The credit union will gain depth and insight into what the member problem is and what data is needed to solve that problem. Also, this process builds a data consumption capability across the credit union talent, fusing strategy, and culture to ignite insights to improve their members' lives.



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About the Author:

Anne Legg founder, and principal of THRIVETM Strategic Services THRIVE works with credit unions to create revolutionary member relationships via organizational education, member-centric data strategies, and data maturity.

She is a recognized credit union business strategist, presenter author, educator with an MBA thesis on the credit union business model as well as two internationally published whitepapers on credit union business strategy.

Anne has delivered over 100 onsite sessions to over 600 credit union senior leaders across the united states, launching their data journeys.

She has been a lead instructor at the CUNA Marketing School and has acted as the subject matter expert for CUNA's Credit Union marketing curriculum. Anne has also been an author to CUNA's Environmental Scan, The Credit Union industry's leading strategic planning guide.

She has also served on various Credit Union Boards, including; CUNA's Marketing and Business Development Executive Council, MAC, and the California and Nevada Credit Union League Public Advocacy Committee. She has received numerous awards including; CMBDC Marketing Professional of the Year, Credit Union Executive Society Rising 100, CO-OP ThinkPrize semi-finalist (2012). She has also been named "A Woman To Watch" By the Credit Union Times. Her work has been published and presented at both the 2012 and 2014 International Cooperative Summit, Making her the only Credit Union professional in the United States to do so.

In 2019, she climbed the tallest freestanding mountain on the planet, Mt Kilimanjaro

Cloud Infrastructure: Your Only Truly Scalable Option

By Amber Harsin,

EVP of Market Engagement, CUProdigy



If your credit union is like most, you have more than a handful of on-premise computer servers keeping things going. Even if you use an outsourced/service bureau solution for your core processing, you still need on-prem servers for a wide range of applications, like imaging, email, file storage, etc. Or I should say, you used to need on-prem servers for those things.

Now you can move your entire infrastructure into the cloud. All of it.

In a moment, I'll talk about the scalability of the cloud. That's an important consideration for any growth-minded credit union. But first, I want to talk about something that should really get your attention right now: cost.

How much does it cost your credit union to maintain all those on-prem servers?

Chances are, more than you think. Sure, you're aware of the direct costs, like the actual servers, the electricity to run them, and the HVAC to keep them cool. However, you also need to consider the indirect costs, such as the salaries of the various people who play a part in maintaining those servers.

And don't forget the hidden costs.

Hidden costs? I'm talking about things like lost productivity when one of those servers goes down for any length of time.

Of course, your results will vary. However, calculated out to a monthly expense, it's not unusual to see a cost reduction of 75-80% by outsourcing your servers to the "cloud." In other words, if your total cost to maintain on-prem servers is \$2,000, you could conceivably reduce that to \$500 a month.

Saving money is great. But what about performance and reliability? First, thanks to the current state of super-high-speed connectivity, accessing a cloud server is as fast or faster than accessing an on-prem server. And as long as you apply the proper due

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Cloud Infrastructure: Your Only Truly Scalable Option *continued*

diligence to your cloud shopping, your new virtual servers will be run from a state-of-the-art, fully redundant data center – a data center that is always current with both hardware and software.

Indeed, cloud-based infrastructure offers a more reliable solution for, let's say, a quarter of the money. What does this have to do with membership growth? Plenty.

On-prem servers can become outdated, and you can also outgrow them. What happens if you experience significant growth literally overnight, as in the case of a large merger? If you're relying on on-prem servers, that might require another significant investment. However, with a cloud solution, you just call your cloud provider and tell them you need more server space. This can often be accommodated in a matter of minutes, at a fraction of the cost of buying and adding new servers to your on-premise servers.

This is where it becomes important to work with a cloud provider that understands your business. If you don't mind being a microscopic fish in an enormous pond, you can go with a provider like Amazon's AWS or Microsoft's Azure. However, if you're going to move your entire credit union infrastructure to the cloud, I believe a provider that specializes in credit unions makes the most sense. And naturally, from a philosophical standpoint, I believe that provider should be a CUSO.

When it comes time to grow, don't let on-premise servers hold you back. Move to the cloud now and save money now. Then you'll be ready for anything that comes along in the future.



About the Author:

Amber Harsin joined CUProdigy in 2014. In her tenure, she has managed Implementations, Product Management and Design and is currently Executive Vice President of Market Engagement. Prior to her appointment at CUProdigy, Amber served in various positions within the credit union industry from drive up teller to Conversion and Merger management.

Amber holds a Bachelor of Business Administration degree in Technical Sales from Western Governor's University. She is also a Certified Scrum Master (CSM) and a Certified Scrum Product Owner (CSPO) from the Scrum Alliance.

Creating a Culture for Change: Is Your Credit Union Ready to Become an Internet Retailer?

By Randy Karnes, CEO of CU*Answers



I hear a lot of credit unions CEOs talk about how they need to add new digital services for their members in 2020—automated membership opening for some, payment apps for others—but what I’m not hearing from these CEOs is a dedication to changing their culture to be effective as online retailers. Instead of a piecemeal approach to online and mobile strategies, credit unions need to awaken to the fact that the old methods of doing business won’t cut it anymore... they need to cross the tipping point towards online retailing.

The days of the “if I build it, they will come” mentality, where credit unions could simply throw up a new branch and watch the people walk in, are dwindling. And taking that approach for online strategies is sure to result in failure—the virtual world is too crowded. If you’re not a retailer and you don’t know how to get members to visit your virtual branch, you’re in trouble.

This isn’t to say that credit unions should be expected to flip a switch and become full-fledged online retailers by 2021. Most still need to figure out what being an online retailer means to their credit union. But by continuing down the path most are taking, they’re missing out on the opportunity to begin that culture shift now. It will take years of work; budgeting, planning, setting deadlines, and being accountable to it.

When I think of the way credit unions are approaching this now, it reminds me of the way many people approach their New Year’s resolutions. They wake up thinking “I will be me and make this change in what I do,” but in doing so they’ve already defeated themselves—they haven’t reconciled themselves with changing their identity. They should be waking up thinking “I will be someone else for the rest of my life.”

And for credit unions it’s the same. They need to wake up to the idea that they will be a retailer of financial services, instead of a credit union that simply offers a service here or there as they come along. They have to be willing to abandon, retire, and replace old investments, their old identity, and shift to new ones. To cross that tipping

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point from 80% old methods and 20% new methods to 20% old and 80% new. That requires hard decisions—likely unpopular ones—that many credit unions are just not willing to make.

Do you have an online strategy? Or are you simply buying toys to amuse yourself? Do you have a centralized online strategy? A comprehensive approach? Someone in charge? It could mean a bumpy ride over the next few years if you don't have answers to those questions. Years later and you might be staring the storm in the eye; I hope you're prepared.

To help in that preparation, here are the top five traits a good internet retailer must have.

1. Offense over defense

Most credit unions have embraced an internet retailing culture defensively, making changes in response to what members have wanted. A good internet retailer tinkers with their strategy and maintains the mindset of an internet consumer. Be proactive and try new things before the member knows they want it.

Build the solutions, build your default to action, design your processes and improve on the way to the future.

2. Don't wait for the “right” solution

“I'll add this service when this feature is automated.” If this is you, you'll need to change this way of thinking. Stop waiting for everything to be perfect—get started. Figure out your strategy and your goals, then add tools over time. Too many credit unions reverse this, finding a tool or product and then building a strategy around it.

It will be your process designs, your drive to complete the deal with your member online that is more important than the tools you use. The more you develop your intent to be on offense the better. Tools are just a function of evolution, so do not overreact to a sense you are behind or late to the game.

3. Everything's “yes” until it's “no”

The goal is to say yes to the member and proceed to the next phase quickly—but that next phase may take some behind-the-scenes work. Don't look for all the ways you might turn a member down for a product or service up front. Get them through that figurative front door and then do the work of making it work behind the scenes.

Internet retailing is a series of quick messages proceeding through a process—do not let the process stall. Keep you and the member on the path to success. Not losing their attention is key. It's not always a one and done deal; win at every step by quickly affirming each step along the way.

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4. Start small and stay agile

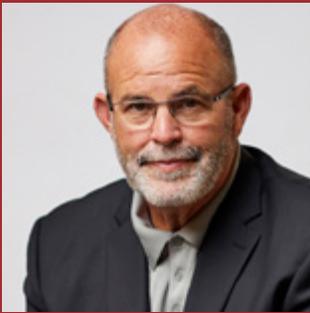
If you want to lend on the net, then set up the situations where you can and do it without hesitation. Start with savings secured loans (not much underwriting there) or signature loans (not much collateral verification there). Build on success and improve speed and commitment. As you strengthen your internet retailing muscles, you'll be able to tackle bigger, more daunting projects.

It took years to develop your comprehensive loan portfolio step by step – the Internet is the same. Start with easy, fast, and low resistance products that prove you are quick to meet the member's needs. With a good track record you can evolve to the more complex.

5. Your relationships with your members are your advantage

Too many credit unions are trying to be internet retailers across the board. Focus first on what you can do to garner the respect of your best relationships and the core members that drive credit union success. I would rather be a competent internet retailer with my committed, known audience than be constantly tracking unknown audiences that may never respond.

The key to success on the internet is trust. Focus on the lines of business where you have bonds of trust between you and the consumer. Authenticate your members so both sides are clear on who is engaged and looking for solutions.



About the Author:

Randy Karnes Since 1994, Mr. Karnes has been CEO of CU*Answers, a credit union-owned CUSO that provides core processing, consulting, management, and technology services. An active participant in the credit union industry since 1985, Mr. Karnes currently serves on the Boards of Xtend and eDOC Innovations and formerly served on the Board of Callahan and

Associates for many years. Mr. Karnes has an infectious vision and drive for bringing credit unions together to explore the power of collaboration in entirely new ways. His enthusiasm for imagining and building new credit union business models has been helping to change the way many credit unions will approach serving members now and in the future.



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