

Credit Unions in the Age of “Invisible Banking” -

Adding Value to Members on a Daily Basis





**BY TIM
BOHLMAN**

CHIEF
OPERATING
OFFICER,
TECHNOLOGY
SOLUTIONS

CU SOLUTIONS
GROUP

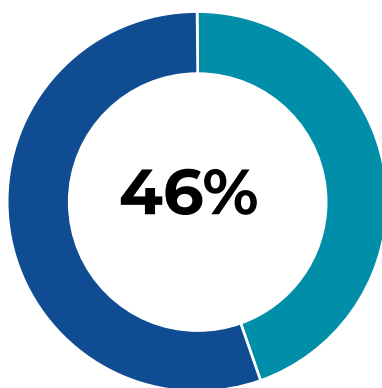
Advances in technology, especially in the mobile space, have drawn new players to financial services, ranging from nimble, innovative fintech firms to giant technology companies. Credit unions now face competition not only from banks, but from companies that can offer consumers “invisible banking,” a term being used to refer to the frictionless banking advanced by these new competitors. The current demand is for convenient, secure and automated omnichannel services to make banking easier and faster for consumers. After all, people do not revolve their lives around banking, but banking should revolve around people’s lives.

THE PROBLEM

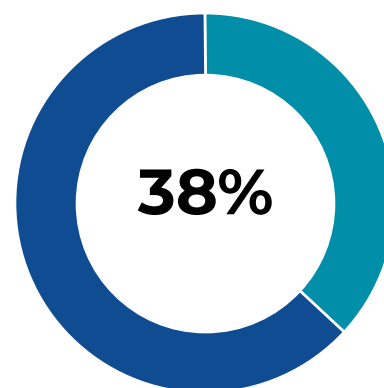
As a society, consumers are more closely connected than ever through the web of digital interactions made with social media, purchasing through online stores, and banking. Companies are taking advantage of this continuous, data-rich connection by reducing friction for consumers using their products, building a deeper relationship and ultimately, creating a better consumer experience. Traditional financial institutions are seeing themselves quickly outpaced by non-traditional players like fintech or bigtech due to their advanced technology, and also the way that omnichannel service is provided. Leading innovators not only provide consumers with automated service, ensuring that consumers spend the least amount of energy using their services, but also a curated experience that understands and anticipates need.

The threat posed by bigtech is quite unlike the competition from banks and small fintechs that credit unions are accustomed to. According to an analysis by the tech firm Capgemini in 2018, over 45 percent of banking executives believe bigtechs are a disruptive force in the industry. Bigtechs bring with them a large and oftentimes extremely dedicated customer base. These companies not only produce a quality product with quality service, but also are excellent at branding themselves and growing customer engagement. Bigtechs, due to their technology base, excel at collecting and analyzing data. Perhaps more worryingly, they have also begun to leverage open banking APIs.

Banks' perception of Bigtechs



Banking executives perceive Bigtechs as a disruptive force



Banking executives view Bigtechs as contributors to banking ecosystem in 2020

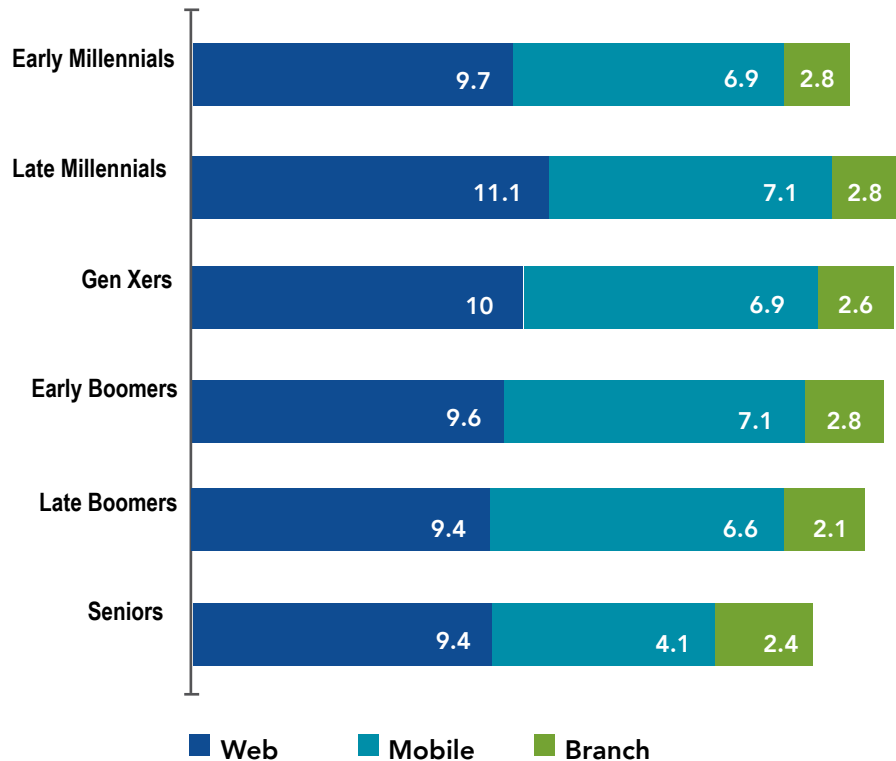
Source: Capgemini Financial Services Analysis, 2018; Capgemini's World Retail Banking Report, 2018

SOLUTIONS

Members do not revolve around banking, but banking should revolve around members

Before credit unions scrutinize whether or not their channels are “invisible,” they should review their general omnichannel practices. People of all ages are changing the way they bank and the channels they use to bank. Lacking a strong mobile or online presence can be a major problem. Consumers not only want an easier way to interact with their financial institutions, but also variety in the ways they do so. Most do not stick strictly to one channel but use different channels depending on what appeals most to them at the time.

Number of visits per month is similar across generations

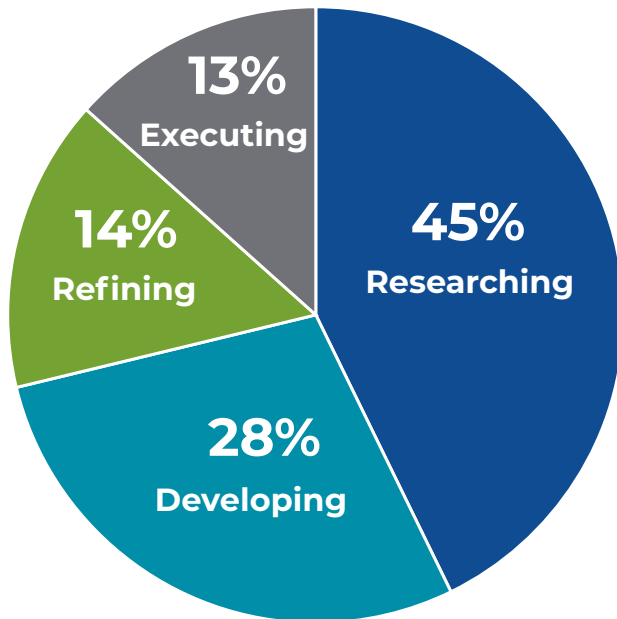


Source: Fiserv/Harris Poll survey

Financial institutions are not ready

The term “omnichannel” has been thrown about for several years now, but financial institutions still say they are not ready to execute on omnichannel delivery. According to a survey by Celnet, only 13 percent of institutions are in the execution phase, while 45 percent are still doing preliminary research for what is needed. Institutions with assets under \$1 billion are especially lagging, compared to the

Bank and credit union omnichannel delivery readiness



Source: Celent March 2019 The Financial Brand

larger organizations that are in the phase of developing, refining or executing on their omnichannel delivery.

The end goal of omnichannel delivery is to provide a seamless experience that not only creates convenience for the consumer, but also allows an organization to learn more about its audience. At its core, the reasoning behind omnichannel strategy is to shift to a client-centric view rather than institution-centric. Instead of interacting with members only through transactions, credit unions need to engage them through experiences.

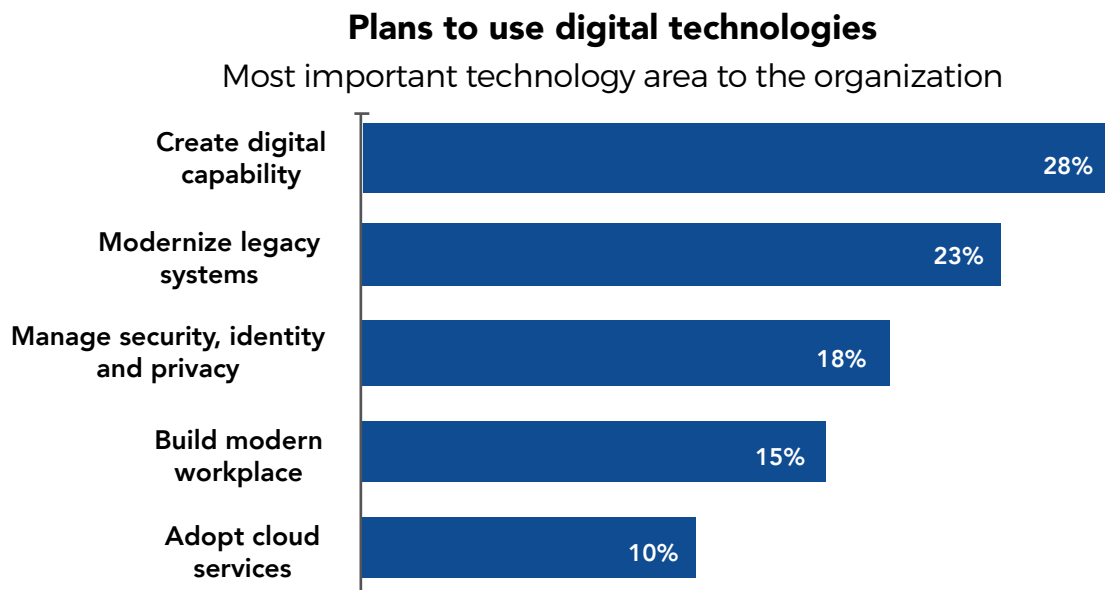
Credit unions need to ensure that their omnichannel infrastructure:

- Allows members to communicate through the channel of their choice
- Captures data through multiple touchpoints, allowing for analysis and insights
- Allows for the personalization of the user experience
- Is consistent across all channels

“The takeaway for credit unions is that, as next-generation banking places more emphasis on speed of payments, quick and easy access to small loans, and creative ways to low-cost, trusted saving and investing, millennials and other tech-savvy consumers will demand a different type of banking.”

Dave Adams,
President/CEO of CUSG

The Four Pillars of Digital Banking



Source: Deloitte 2019 Banking and Capital Markets Outlook

Creating and enhancing an organization’s digital capability is the number one technology concern for many financial institutions. Credit unions and banks are fascinated by the idea of digital transformation, and many organizations have made great progress. However, fintech and bigtech firms are challenging traditional institutions to not only look at technology differently, but also at the ways they interact with their members.

In order to succeed, credit unions must embrace the four pillars of digital banking and look for ways where they can reduce friction with members.

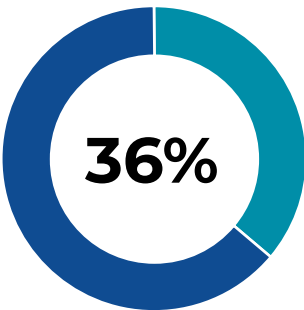
Mobile

“Competing in this new hyper-mobile world of financial services will require that credit unions have high-quality, mobile-first offerings.” - Dave Adams, President/CEO of CUSG.

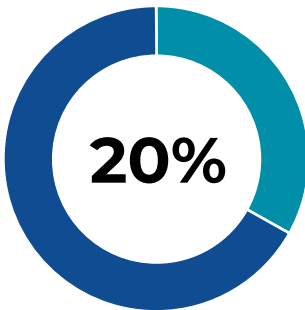
Web developers talk a lot about building for mobile first, but they are not the only ones. The modern credit union also needs to apply the same mobile-first philosophy to their omnichannel delivery. Neo-banks and challenger banks have dominated the mobile-first banking space in recent years, eschewing physical branches for faster, easier mobile options with better rates. Mobile banking also attracts younger members (millennials) as well.

Fintechs are very sensitive to any design or authentication elements that prevent consumers from having a quick, streamlined mobile experience. Consumers are quick to abandon a mobile activity if the process takes too long, they become frustrated with authentication measures, they run into technical issues, or they become distracted. According to a recent survey from Jumio, roughly a third of customers report having a negative reaction to their financial institution after abandoning a mobile banking activity. Millennials, the generation with the most preference for mobile banking, are also the quickest to drop it if they are not satisfied. Jumio found that 43 percent of millennials have abandoned a mobile banking activity, as opposed to only 25 percent of Gen X and 13 percent of baby boomers.

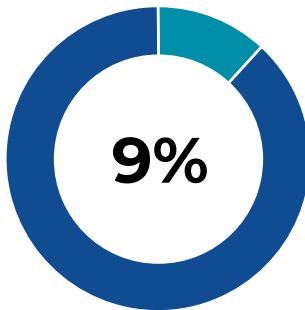
Reasons users abandon mobile banking activities



The process taking too long



Authentication being time consuming



The user being interrupted or distracted

Source: Jumio 2017 Banking Across Generations Study

One-third of consumers respond negatively to their financial institution after abandoning a mobile banking activity



Online

Online banking remains the bread and butter for many financial institutions, and many are working on refining and improving their online experience for members, specifically in how they can make banking more consumer-centric. Having secure access to online accounts remains the most important priority across all age ranges, but consumers, especially millennials, are demanding more utility out of their online banking, specifically regarding ease of use, good website design, easy ways to transfer money and quick account opening.

Omnichannel Lending

Credit unions that do not currently have integrated mobile and online lending are at a tremendous disadvantage to institutions that do, as well as non-traditional lenders like LendingTree and Lending Club. Peer-to-peer and marketplace lenders typically offer competitive rates, very fast turnarounds, lower fees and excellent utilization of the technology available to them, especially when it comes to loan automation.

Non-bank lenders are fragmenting the market and increasing the demand for fast, easy-to-understand lending services that have since expanded to areas where traditional financial institutions have been dominant. Many consumers still perceive taking a loan from a bank or credit union to be a slow, oblique and exhaustive process. Why would consumers, especially those in need of urgent loans, seek a credit union over a quick online lender with competitive rates?

According to the 2017 Small Business Credit Survey, conducted by a collaboration between the 12 Federal Reserve Banks, the number of applications to online lenders is rising due to the speed of credit decisions, improved chance of funding and lack of collateral requirements. Satisfaction with online lenders also increased from 19 percent in 2015 to 35 percent in 2017.

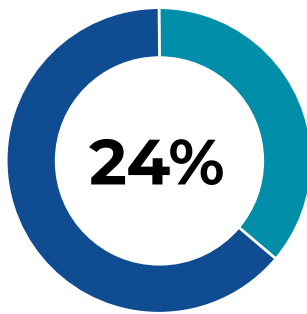
Account opening

Consumers expect new account openings to take a minimum amount of time. In some surveys, this means less than 15 minutes before they abandon the process — and possibly look at what other financial institutions offer. According to a

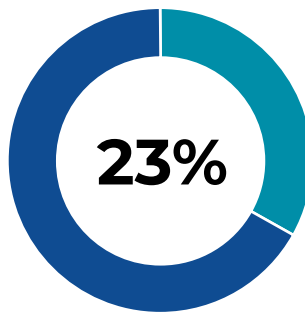


recent Javelin Research study, 90 percent of consumers abandon online account applications.

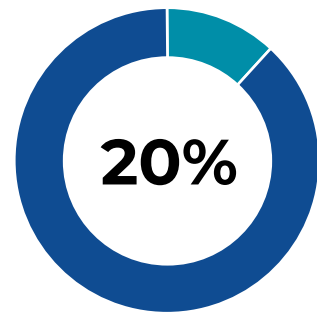
The three primary obstacles to onboarding new accounts



Too difficult or inconvenient to switch accounts



Too difficult to enroll in online banking



Too difficult or inconvenient to switch direct deposits and bill pay

Source: Convert 'Silent Attrition' into Banking Engagement and Profits, 2015

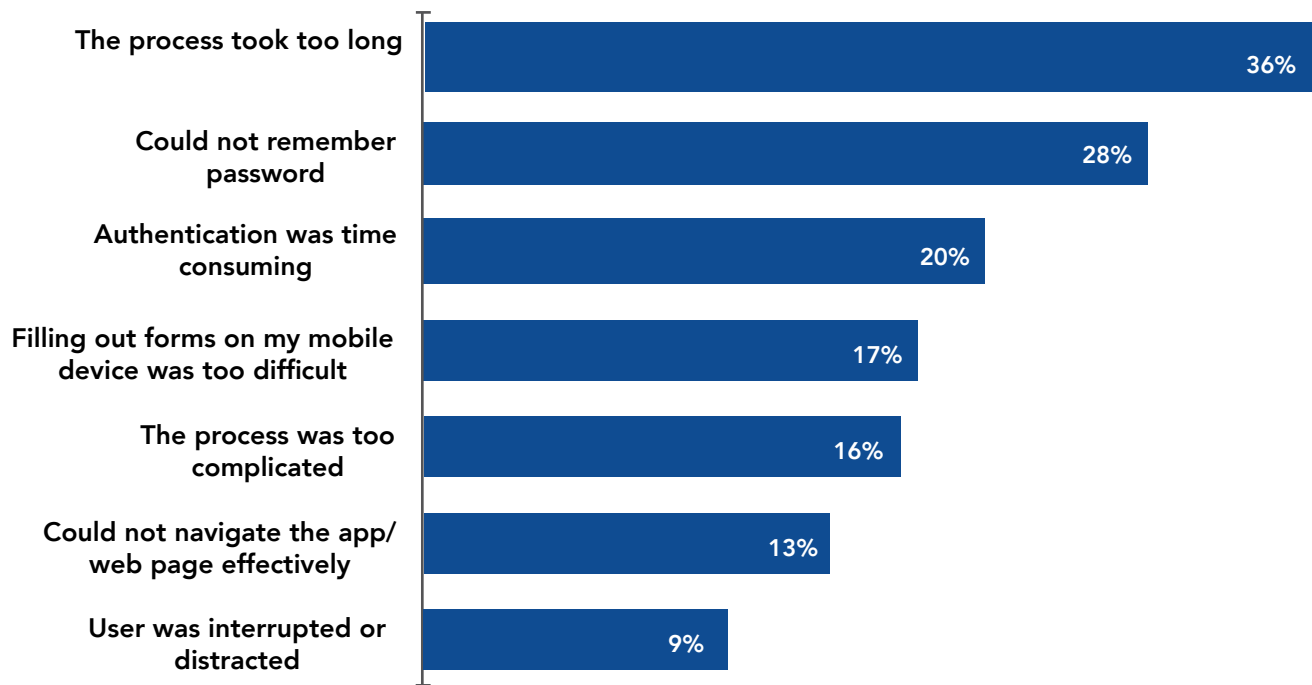
Credit unions can begin to address these issues by offering:

- Easy ways to save and resume the account-opening process. Just because a potential member abandons the process, does not necessarily mean they will not return. Many consumers “test” an application by filling out a few fields, and then naturally assume that their progress has been saved. If this is not the case, they may become frustrated and drop the application for good.
- Easy and secure authentication. Security is very important to consumers of all ages and is usually considered the top priority for online banking, followed by convenience. Attempting to combine security and convenience can be difficult, as one naturally hinders the other. However, there are many authentication processes now considered standard, such as multi-factor authentication, that are more readily accepted by consumers. As always, biometrics is popular with consumers as well.

Millennials, the generation with the most preference for mobile banking, are also the quickest to drop it if they are not satisfied.

- A consistent process across many channels. Some members may prefer to open an account on the go through their mobile device; others may prefer a desktop or tablet. Ensuring that the process is consistent and technically sound is a must, but consumers also want the ability to continue where they left off, even if it is on a different device.
- A way to show progress. Giving consumers an indication of how long the process is, as well as where they are in that process, will relieve frustration and prevent abandonment of a process for being perceived as too lengthy.

Reasons for abandoning mobile banking activity



Source: Javelin Strategy & Research

DIFFERENTIATORS

SMALL CREDIT UNION PERSPECTIVES

All credit unions need to review and improve their processes when it comes to the four pillars of digital banking. A financial institution without mobile and online banking, automated lending and efficient and intuitive account opening methods will find it more than hard to compete in the current marketplace — they will find it nearly impossible.

Excelling in these areas could also help credit unions pull in an often-neglected demographic: unbanked and underbanked Americans.

HOW CU SOLUTIONS GROUP CAN HELP

Scalable mobile apps

Our turnkey mobile app solution — Mobile Finance Manager — has a well-developed library of mobile banking tools that gives members instant access to account balances, transaction history, balance transfers, photo check deposit, photo bill pay, peer-to-peer payments, branch locators and much more.

The Mobile Finance Manager also provides Google Analytics monitoring tools and the latest security features that keep your members' data safe. The application seamlessly integrates three key mobile technologies — native, downloadable, credit union apps; mobile-optimized web; and SMS texting — to help connect your members easily, securely and affordably.

Orpheus online banking

Your members are looking to you to keep their money and information safe from data breaches. We provide a highly secure platform to help you deliver extra protection. Orpheus Online Banking is optimized for multiple platforms, including Windows and OS X, and offers advanced encryption options.

With the steady rise in high-profile cyberattacks over the last few years, credit unions need a flexible security system where their members can transfer funds or pay bills online, from their computer or mobile device, without worry. Orpheus Online Banking is easy to navigate and safeguards banking online or from a mobile device. Take the step that reduces risk while increasing member loyalty.

Real-time loan decision system

Members expect expeditious treatment when they apply for a loan. They don't want to play the waiting game when their dream home or car is at stake. Our Loan Decision+ system works for you around the clock. Loans are driven down the fast lane to get immediate pre-qualification by consolidating and corroborating sources. This dynamic system also delivers unique cross-selling features that identify new opportunities, from new lending to refinance.

Don't let the competition move in on your sale just because of turnaround time. Loan Decision+ works 24/7 to get your members answers to their loan questions. It streamlines the lending process from application to closing so members can apply and get approved outside credit union hours.

Real-time member enrollment

Credit unions continue to search for innovative ways to increase flexibility so they attract more members. We offer Real-Time Member Enrollment-Xpress Membership, a decision-making tool that enrolls new members in real-time.

The decision-making criteria is completely customizable by you. We consolidate data from your branch, call centers and kiosks. Even existing members can use the tool to open and fund accounts. It also has a paperless workflow and seamless integration with Loan Decision+, our fast-track pre-qualification loan system that works for credit unions 24/7.



Read more in CU TrendScan

CUTrendScan.com

CU TrendScan is a quarterly digital publication that explores trends within the credit union industry. Focusing specifically on the areas of technology, marketing, performance and strategy, CU TrendScan takes a closer look at the issues that drive the industry forward.

Technology Solutions

CUSolutionsGroup.com/Technology-Solutions

Your credit union is looking for game-changing technology — innovation that meets the evolving demands of your members. You need high-quality, adaptive, and customizable solutions to meet your credit union's specific needs — that maximizes your capabilities and modernizes operations. Our technology solutions team collaborates with your credit union to help you break through the boundaries of complacency and reach your full potential. We transform your business so it's not only a credit union, but a leaner and highly productive member-engagement tool, delivering end-to-end solutions.



For more about CU Solutions Group:

38695 W. Seven Mile Road, Suite 200, Livonia, Michigan 48152-7097

Phone: 734.793.1530 or 800.262.6285 Web: CUSolutionsGroup.com