CU MANAGEMENT

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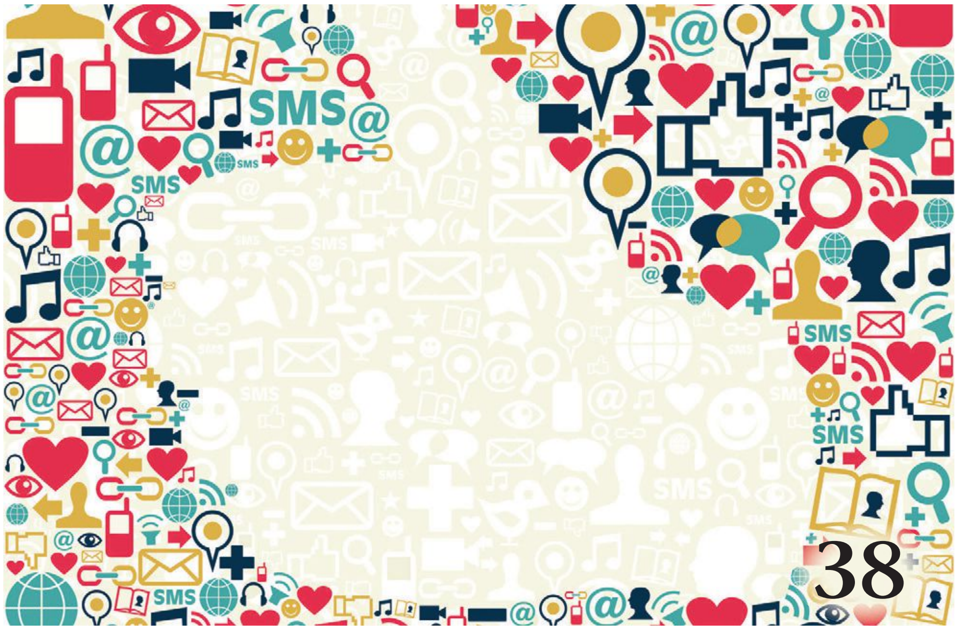

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Ian Warner, president/CEO at CUES strategic partner Aprio, discusses how to provide a secure channel for CU boards of directors and executives to access institution information anywhere, at any time.

Center for Credit Union Board Excellence members can access this at *cues.org/ccube.* Not a member? Get a 30-day free trial by emailing *cues@cues.org*.

CUES Podcast

Episode 50: Influence in the Boardroom

In this episode, we discuss how to influence decision-making in the boardroom along with how to avoid some of the pitfalls and traps that can happen when making decisions. Our guest is John Oesch, associate professor, teaching stream at Rotman School of Management, at the University of Toronto as well as faculty at CUES Governance Leadership Institute.

Subscribe via iTunes, Google Play or Stitcher (*cues.org/podcast*).

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YOUR THOUGHTS

WHAT IS YOUR FAVORITE LEADERSHIP QUOTE OR MANTRA?

>> Email **theresa@cues.org** and let us know your answer.

So You Think *You Can Lead?*

How do you know you're a leader? Michael Neill, CSE, president of Michael Neill & Associates, Franklin, Tenn., addressed this question at the recent CUES Regional Event hosted at Andrews Federal Credit Union, Suitland, Md.

Do this test to know if you're a leader, he said. "As you're walking, look over your shoulder and see if anybody is behind you, moving in the same direction." If so, you're leading.

One of the core ways that leaders develop followers is through trust. Interviewed for our cover story, "Transforming Managers to Leaders" on p. 20, Neill said: "Ultimately, a good leader is asking employees to follow him or her to somewhere the leader may never even have been. Employees will not follow someone they can't trust."

Over the course of my career here at CUES, I've read a lot about what it means to be a leader. Here are some of my favorite quotes, many from the pages of this magazine:

"We don't lead from behind, pushing people into battle," said CUES member Steve Webb, CCE, president/CEO of Neighbors Federal Credit Union, Baton Rouge, La., in an article (*cues.org/0717leading*) about lessons he learned while attending CEO Institute (*cues.org/inst1*). "We need to be willing to stand out in front and make sure we're always willing to do what we need to do to assist our team so they can assist our members."

"Develop the courage to speak up. Alternate points of view are needed. It's not always popular, but it's an important skill in an industry leader because it spurs different ways of thinking, which can lead to a better end result," said CUES Chair Kim Sponem, president/CEO of Summit Credit Union, Madison, Wis., in a CUES Skybox blog post (*cues.org/0228skybox*).

"I'm sure you've heard the phrase 'Lead, follow or get out of the way.' ... When my team has an idea that they all support and want to pursue, generally the smartest thing I can do is get out of the way," said CUES member Chuck Purvis, CUDE, CCE, president/CEO of Coastal Credit Union, Raleigh, N.C., and CUES' 2017 Outstanding Chief Executive, in our October 2017 profile about him (*cues.org/1017outstandingchiefexec*).

"Leadership begins with: How do we deport ourselves? How do we present ourselves, day after day?" said Alexander B. Horniman, Ph.D., a professor at the University of Virginia Darden School of Business and a lead faculty member for CEO Institute III (*cues.org/inst3*), in the spring of 2016.

"Effective leaders ... look outside themselves and seek a bigger impact in their organization and perhaps even in the world," wrote Laurie Maddalena, MBA, CPCC, PHR, CEO of Envision Excellence, at *cues.org/0216influential*.

One of the reasons that I like these leadership definitions is because they have nothing to do with titles. We can all strive to be leaders in our roles (*cues.org/050915skybox*), to be trustworthy, to speak up more, to step back and let others have a chance to lead, and to better serve our co-workers and members in order to create something amazing.

As Professor Horniman also said: "Each of is invited in the course of our careers to step onto that stage and lead. How you choose [to act] every day matters."

How will you lead today?

Theresa Witham

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Tell us a client success story.

CUES member Sheila Schinke, CCE, is the epitome of home-grown talent for Prospera Credit Union (*myprospera.com*), Appleton, Wis. She started as a teller while in college, and rose through the ranks to become CEO 20 years later, in 2009.

Prospera CU was going through a difficult time then, in the midst of the Great Recession, and the board of directors charged Schinke with making difficult decisions to turn the credit union around. She did.

From the end of 2009 through the third quarter of 2017, Prospera CU's net worth/ total assets ratio increased from 7.00 to 8.6, and its total assets increased from $146.9 million to $244.2 million.

But growth creates its own challenges. Among Prospera CU's growth-related challenges was the fact that more employees resulted in the higher costs for benefits.

In Schinke's first few years as CEO, she had to downsize the credit union in the short term to facilitate long-term growth.

But in the last five years, Prospera CU has added at least 10 new employees, and has budgeted to add four or five more in 2018. "Our employee benefits costs have gone up scary amounts," Schinke says. "It's mainly the cost of health insurance."

In 2014, the credit union launched a Total Benefits Pre-Funding (TBPF) program with CUNA Mutual Group. This type of plan allows credit unions to use non-section 703 investments approved by the NCUA to offset employee benefit obligations, such as 401(k) plans, pensions, health and life insurance, etc.

Credit unions can choose from a variety of funding options for TBPF programs, including certain stocks, bonds, institutionally managed portfolios. The option Prospera CU's board ultimately chose: business-owned life insurance or BOLI.

How can CUs learn more?

For more information on TBPF's expanded investment choices, which may offer a higher than average rate of return on assets, as compared to traditional credit union investments, contact your CUNA Mutual Group Executive Benefits Specialist at 800.356.2644.

An Active *Advocate*

Mentoring is a two-way street, insists CUES member Steven Stapp, president/CEO of $1.1 billion Unitus Community Credit Union (*unitusccu.com*) in Portland, Ore. He speaks from experience—in his 15 years as a credit union executive, he has taught and advocated for more than a dozen staff members who are now senior executives and at least one CEO.

Stapp's a dedicated mentor, but he shoots down the notion that today's CU leaders are talent scouts—spotting, teaching and graduating future leaders. "A future leader has to show ambition and ask for opportunities. They can't wait to be discovered."

That attitude is made evident by Unitus Community CU's willingness to place people of ability into jobs they don't yet know so they can broaden their experience, even though they may be less productive as they learn new team dynamics and how to apply their skills. But successful leaders can step up to the challenge, Stapp says.

"If they bring their passion, desire to succeed, fresh perspective and leadership skills to the position, they'll pretty quickly start to show results." Career development is an investment on the part of the CU, he explains, but it's an investment that should show a good return.

Stimulating ambition is a smaller problem today than it was a generation or two ago, Stapp reports. Today's able young women and men "expect to move up much faster than I did. Young people—women especially—once had to be encouraged to think big. Now I'm more likely to ask them to be patient," he explains. "You need to succeed at each career step or project opportunity. The impatient ones need to understand that."

He's working with several executives who have expressed an interest in being CEO. "My job is to ensure they get ready for that next step through individual development, conference training and networking, and to provide challenges that will allow them to grow and develop their personal brand," he says. "When the time is right, they will be ready to walk through that next door, and I will continue to be an advocate for them like many have done for me."

This article is excerpted from Advancing Women (cues.org/advancingwomen)*, a new digital publication from* CU Management. *Read the full version at* cues.org/0218activeadvocate.

LETTER TO THE EDITOR

SAME SIZE SLICE

Why don't credit unions capture market share? It's in their DNA not to. In the March 2018 issue of *CU Management*, the topic of credit union market share was addressed in the feature article titled "Same Size Slice" (*cues.org/0318same*).

The author noted that while credit unions are growing, market share, as measured by asset size, has remained relatively unchanged. There is a reason credit unions are not capturing more market share—it's in their genetic make-up not to. Let me explain.

Both banks and credit unions are regulated by a similar set of rules relative to capital. Capital must be maintained as a percent of assets. Where does capital come from? For credit unions, capital comes from the annual profit taken from members (i.e., return on assets or ROA).

How can credit unions capture more market share? They have to grow capital faster than banks. How do you grow capital faster than banks? You have to take more profit from your members than banks do from their customers. In other words, credit unions will have to make a higher ROA than banks in order to capture market share. Generally speaking, credit unions take only what is necessary from their members, which suppresses ROA, and inhibits their ability to capture market share, as measured by asset size.

Now, clearly, there are specific examples of credit unions taking market share from banks, but as an industry at large, significant market share gains won't be made until the profits of credit unions exceed those of their banking counterparts by an equally significant amount; the current regulatory capital constraint won't allow it to be any other way.

Mike Higgins
Partner, Mike Higgins & Associates Inc.
mhastakeholders.com
Via email

Career lessons from improvisation:

"The only rule is to make your partner look good. When you realize that anything that [you] say or do will be celebrated and accepted and built on by [your] colleagues, then more things emerge."

Dan Klein via Stanford Radio (*tinyurl.com/yaa4vk57*). Learn with Klein, a lecturer of management at Stanford Graduate School of Business, at CUES' Execu/Blend™, April 29-May 2 (*cues.org/eb*).

STRATEGIC RESOURCE MANAGEMENT

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How is SRM making the CU industry stronger?
We work with the leadership of credit unions to help them find hidden value in their vendor contracts. Specifically, we provide the expertise, comparative vendor data, and proven negotiating skills to ensure that the credit unions' contracts with vendors represent current market value for the services provided. Further, SRM has very good relationships with vendors, and more than 90 percent of the time we achieve quantifiable results without replacing the incumbent supplier. As a result, we have helped hundreds of organizations add more than $2.2 billion of value to their bottom line.

What do your clients love about SRM?
Our work is quantifiable and makes a significant difference to the amount of value a credit union can deliver to its members. Further, our work is typically performance-based; we do not realize any value from the relationship we have with a credit union unless we bring cost savings and/or revenue enhancement to the credit union. While we do some fixed fee engagements or hybrid arrangements, the bulk of our work is structured where we don't make money unless our client makes money.

Tell us a client success story.
TwinStar Credit Union is a $1.2 billion organization that SRM has worked with for over five years. We prefer to have our clients speak for themselves as Scott Daukas, the CU's chief risk officer, does here: "It is really a matter of overcoming a strong tendency in human nature. If you negotiate something with multiple six figure savings it makes you feel pretty good. Then compare it to multiple millions in savings, and you get an appreciation for the quantifiable value professionals who do this for a living can bring.

"SRM knows the key players to speak with at these companies, the current pricing in the market for the services, and what additional enhancements are on the table. Of course, while delivering value to the bottom line is key, having a relationship built on trust and goodwill is critical as well. The individuals that make up SRM conduct themselves with professionalism and integrity. They not only work for a win-win with their clients, but with the vendors as well."

Wherever *Cards Are Worn*

WHILE MEMBERS WEARING PAYMENTS DEVICES SEEMS NOVEL, SUPPORTING THE BACK END FOR THIS IS MANAGEABLE.

BY RICHARD H. GAMBLE

The mobile wallet has exploded into a mobile wardrobe now that payment initiation devices have nestled into things credit union members wear.

Visa used the 2018 Winter Olympics to introduce scarves and gloves with embedded payment chips, leap-frogging Fitbit (*fitbit.com*) and Garmin (*garmin.com*) in the race to put payment capability into whatever is right there on the consumer's body when an impulse to buy hits. No more straining to take off a glove, reach in a pocket or purse, pull out a plastic card and insert it in a reader. That would be primitive.

Anywhere a near-field communication chip smaller than a dime can be attached could become a payment initiation device. Glasses. Earrings. Canes. Under the skin between a person's thumb and forefinger. How can CUs with modest budgets hope to keep up with this proliferation of technologies?

Actually, it's not all that hard because what's proliferating are gizmos that merchants, consumer products companies and technology device manufacturers are producing. When used to make a purchase, they all trigger a card transaction that CUs can accommodate fairly easily, explains Lou Grilli, director of payments strategy at CUES Supplier member Trellance (*trellance.com*), a consulting firm once part of CSCU, based in Tampa, Fla. The initiation feels innovative. The rest is traditional.

The key is making sure your cards are enabled for NFC payments and tokenization because wearables use that technology, Grilli explains.

"Credit unions have to tokenize their BIN (bank identification number) ranges," he notes, which can typically be done by contracting with the CU's issuer. "If a member tries to load a card that isn't tokenized into a wearable device ... it won't work and the member probably will try to load a different card." Tokenization is state-of-the-art security for card payments, but not all CUs have converted yet, he notes.

If a wearable payment device is lost or stolen, it could be used fraudulently in spite of tokenization, but only if the thief can authenticate with a PIN, thumbprint or face in the case of a watch or phone, or only until the device user turns off the card behind the device in the case of a ring, clothing, sticker, or glove, Grilli explains.

The most popular, most robust wearable is probably the Apple Watch (*apple.com/watch*), Grilli adds. He uses his.

"My CU supports it, and it's faster than using a card, but it doesn't work everywhere. We're still a long way from not needing to carry physical wallets." Most wearables are simply proxy cards, but the Apple Watch can extend a CU's mobile banking service so that wearers can see account balances and receive alerts from their CU, he explains.

The Apple Watch is an iPhone satellite, notes Sabeh Samaha, president/CEO of Samaha & Associates (*ssamaha.com*), Chino Hills, Calif. Some things the iPhone can do in mobile banking that don't require much screen space can be passed through the phone to the watch, he explains, like account balances and alerts. The watches are made so a chosen card can be presented through the watch, just like the phone, and used to make payments by tapping the watch or passing it close to a NFC reader, he explains.

LEADING A SHORT PARADE

Ram Ridgeway is pretty sure his CU was the first financial institution in the U.S. to offer mobile banking services through a wearable device. Through Wright-Patt Credit Union's offering, members of the $3.8 billion CU (*wpcu.coop*) in Dayton, Ohio, could see balances, recent transactions or how to find the closest branch or surcharge-free ATM, says Rideway, director of retail support.

Offering wearable banking didn't cost Wright-Patt CU much time or money, and Ridgeway is glad because members have shown little interest.

"The attention was good for our reputation, but very few members use the service," he reports. And he knows why, because he wears an Apple Watch and never uses it for mobile banking.

"It's just easier to do it with the iPhone," he notes. "It doesn't really offer additional convenience." And it has to be used in close proximity with an iPhone that is turned on because the information has to flow through the phone to the watch.

As this example suggests, payment wearables are cool. Whether they are useful is another matter. Wearables are proving to have limited appeal for mobile banking access, reports Scott Hess, VP/UX, consulting and innovation at Fiserv (*fiserv.com*), a CUES Supplier member based in Brookfield, Wis.

"We've had a mobile banking app for a watch for years but seen little interest. They're mostly good for notifications. And they're not much used for point-of-sale payments," he adds. That could change. "As more fitness wristbands come with NFC chips, credit unions may find more interest in connecting their cards to those chips and making sure the cards are tokenized."

Ridgeway's Apple Watch may be useless as a mobile banking extension, but it works as a simple payment initiator. He uses it a lot to pay for stuff with his Wright-Patt CU credit or debit card. "I love using Apple Pay with the watch. That's more convenient than doing it with the iPhone." The security is top-notch because it's all tokenized and the user has been authenticated with a six-digit PIN, he explains. He is okay to let other FIs go first with Fitbit and Garmin payments. "We want to be wherever our members want us to be, regardless of the channel, but in this case we'll wait for our processor to develop a turnkey process that we can opt into," he explains.

For most CUs exploring innovative payments, the vendor relationship is critical. Technology partners make it easy for CUs to support digital wallets and wearables, says Jon Rosner, VP/digital card service at Fiserv. "All a CU has to do is give us a digital image of the card they want their members to put in a wallet. We do the rest. It's pretty turnkey for them." The cost, he says, is a one-time set-up fee and a monthly maintenance fee, plus a fee for cardholder provision notification, the email or a letter members receives from the digial wallet provider whenever they add a card.

Without a progressive, responsive mobile banking provider, a CU can be hamstrung, Grilli warns, so changing mobile banking vendors may sometimes be necessary. That change is a lot easier than changing a core processor, he says, but there's real pain in getting members to switch their devices. You can't really complete a conversion until every user converts, he points out.

STAYING AHEAD

$17.6 billion BECU (*becu.org*), Seattle, is a reliable leader when it comes to adopting payments technology, so it's no surprise that the CU recently went live with card payments initiated through Fitbit and Garmin wearables.

"In just two months, use is growing, but it's still tiny," reports Ken Myhra, director of retail payments and deposit products. Massive adoption is not important. "We're not shooting for volume, but making sure our members see us as relevant." Enabling those devices was relatively easy, he notes. "We did some heavy lifting several years ago when we developed our payments strategy, deciding that we wanted to be there as innovations came on line. Adding devices now is almost turnkey. It takes a little tweaking on our part and on our processor's part, but just a little."

Standards are key. "As long as the payments are tokenized and work through MasterCard and Visa and conform to their standards, we're generally on board. If someone came up with a NFC chip that wasn't standard, we'd be skeptical of getting involved," Myhra says.

Speed matters to BECU. "Our goal is to respond to members' preferences quickly," explains Nidhi Shandilya, digital payments senior manager, "to satisfy them before they look for an alternative. We want to be near the head of the line of fast followers. We know that not all bets will pay off, but we'll take that chance."

$600 million Greater Texas Federal Credit Union (*gtfcu.org*), Austin, offers the three smartphone payment options on either the phone or the watch, but the phone is far more popular, reports Eric Jensen, AVP/card services. "The watches just aren't being used for payments," he reports. "About 95 percent of those transactions are done with the phone."

A PAUSE ON THE PUMPS

The card payments revolution that embraces EMV and NFC chips has missed one important, high-volume segment—gas pumps. In theory, the challenge is for gasoline vendors to catch up, not for financial institutions to prepare. Gas dispensers represent a lot of card payments, Rosner points out, and CUs need to be ready for them to upgrade their point-of-sale technology. That means card portfolios need to be EMV-compliant and support NFC tokenized payments, he says. "It's time to do that now if you haven't already."

The liability shift for gas pumps has been postponed again until 2020. When the pumps are ready, CU EMV cards should work. And CUs will rejoice because card fraud will go down. Swiping counterfeit cards at gas pumps is a popular way for fraudsters to see which ones will work without buying anything. (The good ones reset the pump to zero.) If a CU's fraud detectors see a lot of swipes without transactions, that should be a red flag, he points out.

If all of a CU's outstanding cards are EMV-compliant, accommodating gasoline dispensers shouldn't require extra work, Samaha says, but it could cause a spike in calls to the service center if the member experience is confusing. Alert CUs should have staff buying gas with the latest technology as soon as it rolls out in their market and then preparing call center staff to help members with what they will encounter, he says.

A SEA CHANGE

But by the time gas pumps are EMV-compliant, cards and chips may be irrelevant, Grilli suggests. "Connected cars are being enabled to initiate payments, among other things," he points out. The wallet in the driver's phone or in his car may communicate with the controller in the gas pump in a variation of the NFC transaction, which, if it's tokenized, would be even safer and more convenient than inserting a chip card, he explains.

Waiting for petroleum retailers to catch up to EMV technology could be a mistake, adds consultant Richard Crone, CEO of Crone Consulting LLC (*croneconsulting.com*), San Carlos, Calif., because that's not where they are headed.

"They're moving to e-payments right now, but they're not doing it with EMV and NFC," he says. "They're doing it with their own apps using facial recognition, presence detection and Bluetooth Low-Energy technology. Credit union card issuers will need to simplify how to integrate credit union payment accounts into these apps."

CU leaders who think adding wearables is no big deal because they can be implemented easily and run on existing infrastructure are missing the point, Crone argues. These payments are part of a sea change that is a really big deal, he notes. CUs need a payments strategy embedded in their members' lives, not just their banking practices.

Right now, 150 million consumers are using smart wearables, with 200 million projected by the end of 2018, he reports. A third of those are Apple Watches. But the fastest growth is wearables that monitor health, which is what CUs will need their mobile banking apps to align with, he predicts.

"This is the massive new path for literally taking the pulse of your members. It could easily be the gateway to biometric authentication and more secure payments."

BATTLE FOR P2P

If members aren't sure they want wearables, they do like to be able to pay other people electronically. Venmo (*venmo.com*), which bypasses financial institutions, has been a huge hit, and FIs are countering with Zelle (*zellepay.com*). Zelle is a hit, Fiserv's Hess reports.

"The first big banks to roll it out are reporting volume three times higher than expected," he notes. "We have quite a few credit unions—the innovators and fast followers—in a queue for implementation. Many smaller credit unions are waiting to see if demand is there. More than half of our credit union clients are opting to offer Zelle."

The emerging P2P payments space is segmenting to some degree, Crone reports. Zelle is the clear leader over Venmo in the value of money transferred in 2017, $76 billion to $44 billion, while Venmo dominates in the number of active users, 33 million to 19 million. Venmo is growing faster—over 100 percent per quarter, he notes.

Forward-looking BECU was also among the first CUs to sign up for Zelle and is preparing to launch that service this year, Shandilya reports. "If a member wants to use Venmo or Apple Cash, that's okay, but we prefer they use a service like Zelle that we can provide," she says. Offering Zelle is "a significant investment for us," she notes. "We intend to put it right there in their (credit union) mobile/online banking app, not something they have to manage through a separate app." BECU members have had P2P payments with PopMoney (*popmoney.com*) for almost a decade, and they use it for higher-than-average payment dollar amounts, she reports.

Greater Texas FCU members can use Zelle through Visa, Jensen points out, by downloading a free-standing app not connected to the CU's mobile banking product.

Zelle is not an ideal P2P platform for CUs, Crone says, because it doesn't provide a social payment option and thus misses all the upside that comes from attracting a social following and marketing platform. Credit unions by nature and charter are socially connected to their members, so they should have a social payment strategy, he argues.

Zelle is better for CUs than Venmo or Apple Pay Cash (*tinyurl.com/applepaycash*). If a member funds Apple Pay Cash, Crone notes, the CU has to share the interchange with Apple. The legal parties in the payment transactions bypass the financial institutions. Technology players don't claim a seat at the payments table without eating, he notes, and there's virtually no chance for a CU to charge members for these technologically enhanced payment options.

STANDARDS AND STRATEGY

In all, is technology fragmenting or consolidating the card payments market? Variety is good, Myhra says, so long as the products follow a ubiquitous and consistent set of standards that provide a great member experience, security and processing efficiency, he says.

BECU's electronic payments strategy gives it "a framework for filtering new opportunities," Myhra adds. "We evaluate opportunities through that lens." The opportunities of 2017 were "small, mostly low-hanging fruit," he observes. "More comprehensive changes may be coming."

Richard H. Gamble *is a freelance writer based in Colorado.*

MORE ON PAYMENTS

Card Fees From Merchants, Not Members (*cues.org/0318cardfees*)

Payments University, Aug. 13-14, Denver (*cues.org/payments*)

CUES School of IT Leadership™, Sept. 12-14, Denver (*cues.org/soitl*)

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What makes BFB Gallagher unique?
We distinguish ourselves in several ways—in-house service, administration, ongoing regulatory compliance, industry advocacy, and long-term partnership—but ultimately it's our people who make the difference. Our benefit consultants get to know your credit union executives and board to become trusted advisors for achieving your goals. From design and implementation to servicing and benefit distribution, our BFB service team manages every stage of your executive benefits program. We don't use a third-party administrator or call center. Even our online account access is managed in-house.

Our insight comes from more than 20 years in executive benefits and a national portfolio of more than 400 active CU clients. When your board is looking for reliable data, we have it readily available.

How can credit unions be more successful?
Develop a program to protect your human capital. It's one of the larger expenses for a credit union, yet it is often overlooked or undermanaged. Executive turnover can have a significant impact on the CU: delays in achieving strategic goals, poor impression on membership and potential candidates, and negative impact on employee morale. Plus, the tangible cost of recruiting and relocating executives can be three times or more of salary.

The value of retaining key personnel for career service includes getting a long-term return on your investment, keeping institutional knowledge in-house and advancing your strategic vision.

What are the top issues for credit unions today?
Regulatory compliance, retaining and rewarding key executives, and due diligence. The NCUA's recently issued examiner guidance for Section 701.19 and the new excise tax from the Tax Cuts and Jobs Act has many credit unions re-evaluating their programs. Plus, the job market is busy with many CEOs getting ready to retire in the next few years. We work closely with credit unions to manage these changes and to maintain examiner-friendly executive benefits programs.

The Martech *Explosion*

WHEN MARKETING AND TECHNOLOGY COLLIDE

BY STEPHANIE SCHWENN SEBRING

Martech, the merging of marketing and technology, is sweeping through the minds of marketers, growing exponentially fast. So are martech wish lists. What's top-of-mind for your credit union? Are you just starting out or forging ahead for complete automation?

Seven years ago, marketers were traversing roughly 150 marketing technologies. Fast forward to 2018. That number has grown astronomically, more than 3,200 percent, to about 5,000, says James Robert Lay, founder and president of CUES supplier member Digital Growth Institute (*digitalgrowth.com*), Houston. Despite a surfeit of choices, he says most fall into six categories: 1. advertising and promotion, 2. content and experience, 3. social and relationships, 4. commerce and sales, 5. data and 6. management.

"The challenge is not only choosing the right technologies but also having the vision to rebuild the consumer journey using these tools," says Lay. "Tools are needed for lead generation, lead nurturing and management, workflow execution and post-conversion onboarding." Lay believes that for most marketers, automation—technology designed to market across multiple digital channels efficiently and handle repetitive tasks—should be at the top of their wish lists, to provide the ability to unify these activities.

"Automation brings the experience together and closes the gaps, so that you can meet your member at the right time in their sales journey," he adds.

AN EVOLVING PLAYBOOK

Even the most progressive CUs are still in the process of evolving their automation strategies, adds Sam Kilmer, senior director for CUES Supplier member and strategic partner Cornerstone Advisors (*crnrstone.com*), Scottsdale, Ariz. They're using tools like Adobe, HubSpot, Marketo and Salesforce. None of which, he notes, are specifically designed for the financial services industry.

Securing the right tools requires recognizing where you are in the sales funnel and technology process, adds Kilmer.

How adept is your CU in managing the sales funnel? What are your strengths and weaknesses? Where are your technology holes? Let the answers to these questions dictate your technology decisions. Kilmer also reminds CUs that every company today is a tech company and must direct its energies to service delivery—not forcing employees to touch the process to make delivery happen.

Steps include:

- **Lead generation**— the capability to capture and analyze data from the web while using search engine optimization and social media to better understand and target members and potential members;
- **CRM implementation** (or other contact management programs) to generate, target and nurture these leads into qualified pipeline opportunities;
- **Workflow management**—analyzing the business processes required for different applications and vendors;

- **Content creation**—the material for email campaigns, landing pages, social posts and ads—to ensure continuity, personalization, helpful knowledge and interactive engagement in the digital space; and
- **Marketing automation**—the ability to automate tasks and manage leads, tying all processes together for cross-channel integration and engagement—that delivers the right member message and provides analytics on campaign success.

"As marketing automation and service delivery models evolve, everyone in the organization becomes a marketer," stresses Kilmer. "Contact centers are increasingly becoming the hub for the majority of member activity—handling everything from website inquiries, email and outbound leads, social channel communications, as well as phone calls and other traditional transactions—while branches, teller staff and other traditional marketing points are decreasing."

Watching the steps your member takes on your website, combined with other captured data, including transactions, will allow you to serve personalized content to your member, adds Lay. "It may be a unique landing page, social media post or an ad your member sees." Using what he calls the "Digital Growth Engine," Lay says you can target and capture leads, then nurture and convert leads to sales. The goal is to serve the content seamlessly in the sales funnel when your prospect is most interested. A tool like HubSpot (*hubspot.com*) can coordinate your web content, data analytics and leads and list management, and serve content and provide campaign results.

THE MARTECH JOURNEY

Surveying 300 credit unions, Lay's Digital Growth Institute found that 75 percent have adopted a CRM system. However, only 26 percent are using it to capture inbound leads. "This is one of the most crucial steps in the journey," he reiterates, "And CUs are missing an opportunity. They're buying the technology but not taking advantage of its capacity. Behaviors and cultures need to change. Marketing automation needs to move beyond Post-it notes and Excel spreadsheets."

Most CUs are in a middle phase of adoption, concurs Kilmer. They've implemented an MCIF or CRM system, but are looking to add the automation with tools like Salesforce (*salesforce.com*), Marketo (*marketo.com*), Adobe Campaign (*adobe.com*) or Sitecore (*sitecore.com*) and tie those processes to origination systems. "Think of a new member opening a share and checking account and applying for a loan simultaneously via their preferred channel. This is the expectation of today's consumer."

"CUs used to be able to paste over the holes in their technology with the attentiveness of their staff," continues Kilmer. "Now, members are on their tablets or smartphones 24/7 and expect immediate 24/7 service delivery."

CLOSING THE LOOP

"This is the real case for martech," stresses Lay. "It produces channel optimization, enables you to see the cost per acquisition and substantiate and quantify the value of your marketing. It keeps you in your member's sales journey. Web abandonment rates decline, conversion rates increase. Your member stays on your website, not lost in the sales funnel. You remain part of the contact trends throughout the journey and on hand to close the sale."

Martech also influences how you sell your products and market yourself, offers Kilmer. "While so many of the examples seem to be Amazon, also follow companies like Walmart, Kohl's and Target. They're shifting sales and service to the digital space. Credit unions should observe these trends. And rather than positioning themselves as low-cost providers, they should evolve their digital experience to focus on the value of membership."

How long will the evolution take? Look for a one to three-year martech journey, a highly iterative process of learning, improving and refining, says Kilmer. Today's tech conversations mostly revolve around efficiencies and lower cost, "but they must also address effectiveness and competitiveness—which circles back to the big banks who currently have the edge with their digital offerings.

"Big banks are in a position to tap into more market share with their popular digital products," proposes Kilmer. "Chase, for example, offers an excellent mobile product. And while a typical bank customer may have once dreaded the in-branch experience, they love today's mobile one."

> **"Martech will fuse the necessary components into one fluid process —websites, email marketing, list management, landing page development, social media and data analytics."**
>
> — James Robert Lay

TECHNOLOGY SPEND TRENDS

As a percent of assets, Kilmer has seen the tech-spending median rise 14 percent for CUs over the last two years. The amount marketing invested in online channels, including SEO and digital outreach, was up 106 percent in 2017 from two years prior. "Previously, it was about 5 percent of a marketer's budget. Now it's between 11 and 15 percent. Look for this figure to double every two years," says Kilmer. Spending on offline channels has decreased 13 percent. Still, the amount spent on traditional marketing—like mass media and donations or sponsorships—is two to three times what is spent on new digital marketing, so the world is changing slowly.

Kilmer has also seen growth in the tech-spend category "strategic systems." It covers origination, data analytics, business intelligence and profitability analyses. "Look for the evolution of martech to challenge former assumptions and drive more investment in digital and analytics," says Kilmer. "The question is not if—but how fast it happens."

TALENT WARS

Technology isn't the only key to marketing automation. So is finding and fighting for the talent to execute your plans. "Technology has invaded every line of business, and CUs are competing with other industries for talent," offers Kilmer. "And as technology moves to the cloud, experts can transition to other industries that use the same industry-horizontal tools."

Understanding where you are in the process and the technologies available, along with spend and staffing trends, can help you hammer out the right martech wish list. "Most likely, it will be a combination of marketing automation tools and astute people to use them, to deliver the experience your members demand," concludes Kilmer.

Martech *Glossary*

Here are some common terms to know before starting your marketing technology journey.

1. **CRM**—Customer relationship management. Real-time, sales-focused. Manages communications with members and potential members, targets specific offers, finds and grows leads. Examples: Salesforce, HubSpot.
2. **Workflow Management**—Software that manages well-defined and repetitive business processes and routines, such as creating a new email marketing campaign. Examples: Intuit QuickBase (*quickbase.com)*, Workfront (*workfront.com*), WorkflowGen (*workflowgen.com*).
3. **Data Warehouse**—Data stored separately from the core, used in conjunction with a CRM. Extracts data from transactional, operational and external sources.
4. **CMS—**Content management system. Helps manage content and marketing campaigns based on targeted leads. Examples: Adobe Campaign Manager, Sitecore.
5. **AI—**Artificial intelligence. Emulates or predicts human behaviors. Examples: Einstein (Salesforce), Sensei (Adobe) and Adaptive Intelligent Apps (Oracle).
6. **API—**Application programming interface. A set of routines, protocols and tools for building software applications. Allows two technologies to talk.
7. **Marketing Automation/Cloud Marketing**—Software platforms designed to effectively market on multiple channels (email, social media, websites, etc.), automate repetitive tasks, manage workflows, nurture leads and provide campaign analytics. Can usually sync data with a CRM. Examples: Marketo, HubSpot, Oracle, Salesforce, Adobe Campaign, Sitecore.
8. **Marketing Tech Stack**—A grouping of technologies to leverage and improve marketing activities, automate tasks for improved efficiencies and to streamline service delivery.

Sources: Ad Age, IT Glossary from Gartner Inc. (*gartner.com/it-glossary*), Wikipedia and Optimizely.

CASE STUDY: AMPLIFY CREDIT UNION

Lisa Nicholas, chief digital officer/SVP for Amplify Credit Union (*goamplify.com*) at the time of this interview but no longer with the CU, believes automation is fundamental to marketing success. The $905 million Austin-based CU's marketing tech stack starts with Salesforce CRM, which interfaces with the Salesforce marketing and analytics cloud. Intertwined is the CU's website, which feeds the sales funnel with web leads.

"API (application programming interface) software enables web data and other information about the buyer to merge via Salesforce," explains Nicholas. "You see a 360-degree view of the buyer and can ask questions digitally, which feeds back to Salesforce. Through the unification of data, you can watch the buyer's behavior and place each on a robust sales journey."

At Amplify CU, there are 12, 30-day buyer journeys. About 50 percent are non-member leads, including a deposit journey, home equity loan process journey, debit card low/no usage journey, real estate lead journey and an indirect auto onboarding journey.

"The idea is to engage and communicate—not sell," stresses Nicholas. "For example, an application for a mortgage may start with the first click, an application submitted, to a video hello from our rep, subsequent emails, to closing the mortgage."

QUANTIFIABLE SUCCESS

Since automating member journeys in late 2016, Amplify CU has seen engagement increase 36 to 45 percent across the board. Compared to prior "batch-blast" marketing, which consisted mostly of email and direct mail, engagement rates were significantly less, 18 to 21 percent.

The CU also has remarkably high success onboarding indirect lending members. The journey includes outbound calling, direct mail pieces and digital ads served within 90 days of account opening. Sixty-five percent of indirect members now open and click through to a landing page, compared to only 28 percent previously.

Through marketing automation, every piece of technology and ad is served in real time. "[When I was at Amplify,] we also used attribution models to monitor the journey, from first touch and lead generation to post-lead creation and the closing of the sale," says Nicholas. The attribution model is critical. "It enabled us to understand all our digital channels. And because Salesforce shows progress in real time, we could monitor the journey and see which ads, which content, is or isn't working."

"You can also compare success based on market area," continues Nicholas. "So, if an ad is successful in one community, for example, Dallas but not Houston, you can quickly make a change. You also connect more personally with members and make better ad-spend decisions."

The CU's move to Salesforce has connected its technology stack. "Whatever platform you choose, avoid those requiring a lot of manual integration," advises Nicholas. "And don't try to build a system from scratch. It's just too difficult for many CUs."

Incorporating more AI and machine learning for greater sales opportunities is on Amplify CU's martech wish list. "I foresee using [AI models] to suggest and predict with lead scoring tools on the sales side," adds Nicholas. "I also think CUs will incorporate more intelligence in their member engagement and tools to help monitor shifts in consumer behavior. Tools like [Salesforce] Einstein (*tinyurl.com/sfeinstein)* and Marketing Cloud can help."

CASE STUDY: BCU

CUES member John Sahagian, CCE, VP/marketing and member intelligence for $3 billion BCU (*bcu.org*), Vernon Hills, Ill., has been part of a marketing evolution. He calls it "the modernization of marketing" and encourages other CUs to follow suit. "It embraces marketing automation—the integration of member intelligence, marketing analytics and business intelligence, and uses data to move towards advanced predictive analytic models," explains Sahagian. "This data allows us to understand and better perceive member needs and facilitate dialogue."

BCU has always been SEG-based. It serves Fortune 500 companies, Baxter International, UnitedHealth Group and Target to name a few. It has 48 branches, most inside corporate buildings, but only 45 percent of BCU members have access to a branch.

"We've always had to do more to reach members outside traditional channels, without relying on community marketing, branch promotions or even face-to-face conversations," says Sahagian. "We've also had to depend on member data to build stronger relationships, both internal data and information we purchase."

THE MARKETING TECH STACK

BCU's marketing technology includes a single data warehouse and two dozen systems that feed into it. Adobe Campaign, a marketing automation tool, taps directly into the warehouse and automates segmented email and direct mail outreach campaigns. Its content management system, Sitecore, personalizes the member experience online. The system includes A/B testing options provides engagement analytics.

"A lot of direct outreach is managed in Adobe Campaign; it scales up our campaigns and pinpoints member subsets. This year, we'll be adding a CRM component to make it even more powerful," says Sahagian. With every campaign, the CU runs at least one A/B test and performs channel testing. While direct mail once was the CU's go-to channel, email is by far the preferred channel used to communicate with members today.

MORE ON CHANNEL TESTING

Sahagian notes that certain stakeholders were reluctant to part with past campaign strategies. In the case of credit card acquisition, it was direct mail. "But with channel testing, we can make accurate, quantifiable comparisons, including per-card acquisition costs by channel," he explains. "We can predict the percentage of new card. ... So, instead of throwing dollars at channels that don't show quantifiable results, we use those dollars to invest in the channels that more efficiently do so."

Testing can also be used to compare subject lines, intro offers and design elements.

"We've had hunches both verified and nullified," says Sahagian. Consider the example of a $250 incentive designed around an auto refinance campaign. "We felt sure there would be some lift with the incentive. But after testing it with a subset that received no incentive, we found members were actually turned off by the cash reward."

A CRM IS NEXT

The system will complement BCU's data warehouse, provide agents a comprehensive view of the member in real time and write web behavioral data to the member profile stored in the data warehouse. "We'll track the pages they visit, click-throughs and length of time on site," adds Sahagian. "We hope this insight will allow for even more relevant and timely email and outbound call campaigns."

When modernizing your marketing tech stack, Sahagian admits the hard part is integrating various systems. "It's not just one vendor; it's a member data ecosystem. ... There are many data platforms and partners to connect, leaders and developmental staff to involve, and other stakeholders that must be on the same page."

Sahagian advsises starting incrementally. "For example, before integrating Adobe Campaign, we knew we needed more robust campaign execution. We reviewed our strengths and weaknesses and decided on the Adobe technology. Now we target members seamlessly with much more personalized content."

The CU also re-evaluated the composition of its marketing team, their technical skills and willingness to evolve digitally. "Success meant having the right talent in place, a team ready to embrace technology and the sheer speed of change. We soon realized the traditional viewpoint wasn't going to work any longer," explains Sahagian.

He adds that all industries are scouting for the same martech talent and technical staff may be harder to retain. "We've had success hiring people early in their development and 'upskilling' (promoting) them. Our dynamic corporate culture has also helped with retention. Still, tech-savvy employees will be in demand, require commensurate compensation and may leave regardless."

Stephanie Schwenn Sebring *established and managed the marketing departments for three CUs before launching her business. As owner of Fab Prose & Professional Writing, she assists credit unions, industry suppliers and any company wanting great content and a clear brand voice. Follow her on* Twitter@fabprose.

RESOURCES

Building Your Marketing Tech Stack (*cues.org/0318stack*)

360° Marketing (*cues.org/0317degree*)

Time for Data Amplification (*cues.org/0118data*)

Digital Marketing Evolves (*cues.org/1017evolves)*

Budgeting for Digital (*cues.org/0917budgeting*)

CUES School of Strategic Marketing™ I (*cues.org/ssm1*) and II (*cues.org/ssm2*)

Eye on the *Blockchain Ball*

YOU SHOULD BE TRACKING DISTRIBUTED LEDGER TECH, EVEN WHILE IT MAY NOT YET BE TIME FOR YOUR CU TO PLAY.

BY JAMIE SWEDBERG

You may have a hazy idea that blockchain has something to do with bitcoin and other cryptocurrencies. You're right, sort of, but they're not the same thing.

Blockchain, or distributed ledger, is a protocol for creating trust between transacting parties. Cryptocurrencies are applications that use blockchain to solve the "double spending" problem—the fact that, unlike physical coins, electronic tokens have the potential to be copied and used more than once.

Notably, Chris Skinner, a U.K.-based independent commentator on the financial markets and chief blogger at *thefinanser.com*, says blockchain is potentially useful in *any* area where people who don't trust each other have to transact business.

Basically, a blockchain is a distributed database not located on a central server. It has no one administrator or authoritative body, but is instead held in common by a group of participants. The database has an ever-growing list of ordered records called blocks. Each is linked to the block that came before it and has a time stamp.

Skinner explains: "The reason blockchain ... breaks through the trust factor is that once you've recorded the transaction on a shared ledger ... everyone can see the update, and therefore you can't change it. It's tamper-proof."

BLOCKCHAIN, APPLIED

Right now, not many corporate applications run on blockchain. But the day will soon be coming when it will be ubiquitous. Use cases include:

- ***Payments clearing and settlements.*** A blockchain startup called Ripple (*ripple.com*) offers interbank payments; other startups are baying at its heels. Currently, international payments can take days or weeks to clear, but blockchain-based systems will transact almost in real time and cost practically nothing, potentially lowering the cost of transacting between states and institutions.
- ***Clearing and settlement of equity transactions.*** In December, the Australian Stock Exchange became the first major market to publicly adopt distributed ledger technology for this purpose.
- ***Government documents.*** Dubai, Skinner says, is committed to having "all citizens' identities, visas, bill-payments, license renewals, all government contracts ... on a ledger system" by 2020.
- ***Mortgages.*** Having a single, synchronized ledger for CUs could be more efficient for mortgage application processing—particularly in the context of searching land title records.
- ***Intellectual property rights.*** "This is one of my favorites," says Skinner. "If you write something, ... then record that on a ledger, that shows you wrote it on that date, at that time. If anything afterwards is similar, you can say, 'I did that first.'"
- ***Charitable contributions tracking.*** "Another one I like a lot is used by Jack Ma, [CEO] at *alibaba.com*," Skinner says. "In China, if you give to charity, quite often the money doesn't reach the cause. But through digital ledger/blockchain, you can see exactly where the money goes."
- ***Creating and managing trusted digital identities.*** For example, imagine a call center application that answers member authentication questions through a mobile app, creating a digital identity token the call center rep can see. The caller also can see the rep's digital identity token.

THE GROUND FLOOR

There is some movement on blockchain in the CU industry, but most individual institutions won't want to dive in deep just yet.

The Credit Union National Association (*cuna.org*), Best Innovation Group (*big-fintech.com*), Tampa, Fla., and Mountain West Credit Union Association (*mwcua.com*), Denver, are investors in CULedger (*culedger.com*), which went live with 20 CU "nodes" in Q4 2017. CULedger and Evernym (*evernym.com*) recently launched MyCUID (*mycuid.com*), a new consumer-focused global digital identity solution.

John Ainsworth was named president/CEO of CULedger in December. "We're real," he says in a recent CUBroadcast interview (*tinyurl.com/cubcainsworth*). "This is not vaporware. The question is what problem are we trying to solve and how can we adapt to it."

In turn, the National Association of Federally-Insured Credit Unions (*nafcu.org*) has joined Hyperledger (*hyperledger.org*) and the Enterprise Ethereum Alliance (*entethalliance.org*), both consortia developing and promoting open-source blockchain standards, to give CUs a voice in the process.

Even so, "where I would focus is on watching these technologies, being aware of them," Skinner says. "But I don't think I would be doing much about them right now because it's too experimental and too early. The Bank of England did an investigation into using blockchain technologies for the core financial infrastructure of the U.K., and its conclusion a year ago was that it was too immature, the technology, because the standards and structures of these technologies have yet to be certain."

Jamie Swedberg *is a freelance writer based in Georgia.*

MORE ON PAYMENTS

Will Blockchain Help CUs? Part 1 (*cues.org/1216blockchainpart1*)

Will Blockchain Help CUs? Part 2 (*cues.org/1216blockchainpart2*)

Payments University, Aug. 13-14, Denver (*cues.org/payments*)

CUES School of IT Leadership, Sept. 12-14, Denver (*cues.org/soitl*)

Upsetting the *Apple Cart?*

OPEN BANKING COULD BE THE NEXT INNOVATION.

As if blockchain weren't enough to wrap our minds around, there's a new development in the U.K. financial industry that some would like to see take root in North America as well. That development is open banking.

As of Jan. 13, 2018, Britain's nine largest banks and one building society will be required to offer customer data to trusted third parties via APIs, or application programming interfaces. The idea is that outside developers will be able to build applications and services around the financial institutions, thereby offering more competition, greater transparency and potentially lower prices.

Chris Skinner, an independent fintech and financial markets commentator based in the U.K. and chief blogger at *thefinanser.com*, says there's another impetus behind the new regulation. The U.K. hopes to become one of the leading economies for embracing technology and financial services. Thousands of startups in London alone stand to benefit.

For customers, this might mean that instead of doing all their banking through one or two institutions, consumers could keep their money where it is but flock to greener pastures to obtain such financial services as insurance policies, loans or investments, using whatever user interfaces they liked.

But it could also mean lots of other things, some of which have almost nothing to do with money. Remember, financial data is lifestyle data and can be interpreted accordingly. Skinner offers, by way of example, the winning entry in a retail banking API contest.

"The winner was a company that was using customer data to analyze footfall in different cities in Spain," he explains. "For example, if you, as a tourist or as a person living in Barcelona, are saying 'Today I want to go and see the Sagrada Familia Gaudi church, and I equally want to go to see the Picasso museum and maybe have lunch along the beach,' it'll tell you how heavy the traffic is in the church, in the museum and on the beach, based on the volume of payments going through tills. You may decide, based on that, that you're going to go to the museum first while it's quiet, and then around four o clock, you'll go to the church because that's the best time to go there."

Heady stuff. But is it coming to the U.S. anytime soon? Skinner doesn't think it's likely to land in the near future, due to worries that it'll weaken the banks' hold on their customers. There are also qualms about the potential for security leaks—for example, via screen-scraping of customer data by aggregators or other outside parties.

But like blockchain, open banking is a technological innovation on the near horizon that has the potential to be a game-changer for the infrastructure underlying financial services. It should, at the very least, be on credit unions' radar.

Transforming *Manager to Leader*

KEY STRATEGIES FOR THE SHIFT INCLUDE BUILDING TRUST AND INSPIRING FOLLOWERS.

BY PAMELA MILLS-SENN

For many people the road toward a managerial position is relatively clear-cut and well-defined. But managers with their eye on the "corner office" may discover that route is a little murkier and harder to figure out.

How does one go about finding the way forward from manager to higher-level leadership? And, most importantly, how does one judge if this destination is the best match in terms of skills, temperament and passions?

According to Deedee Myers, Ph.D., three traits are required for effective leadership:

1. Intelligence along with the ability to learn.
2. A degree of subject-matter expertise in the areas in which the individual will lead, knowing enough to ask the right questions and to challenge others when necessary.
3. The ability to evoke trust among others and to demonstrate competency, care, connection and commitment.

"If one of these is absent, the individual needs immediate support," says Myers, CEO of CUESolutions provider DDJ Myers Ltd. (*ddjmyers.com*) a Phoenix-based executive search firm that provides consulting services to credit unions, banks, credit card companies and others.

Michael Neill, CSE, president of Michael Neill & Associates Inc. (*michaelneill.com*), Franklin, Tenn., and CUES' strategic provider of Servistar (*cues.org/servistar*) and Vertex (*cues.org/vertex*), says that although leadership is about many things, the ability to inspire trust and having a strategic vision are among the most important qualities.

"Ultimately, a good leader is asking employees to follow him or her to somewhere the leader may never even have been," he explains. "Employees will not follow someone they can't trust. And the vision has to take people to a desirable state.

"For example," Neill continues, "credit union people love their members. If I communicate how this new place will positively impact members, I'll have a better chance of creating followers. However, if I communicate how it will improve profitability, I will have fewer followers."

Additional skills Neill says must be present to successfully transition to a larger leadership role include the ability to delegate, motivate, think strategically and handle difficult conversations, along with team building, performance management and accountability.

Self-examination is essential for those contemplating leadership above the managerial level, says Dan Rockwell, owner of Williamsport Pa.-based Leadership Freak (*leadershipfreak.wordpress.com*). Rockwell, who delivers workshops, keynotes and leadership coaching services to a variety of sectors including financial services, says would-be leaders should ask themselves if they want to be of service.

"Managers are ready to assume leadership roles when they have big hearts," says Rockwell. "They see leadership as serving the best interests of others. That includes serving the best interests of organizations, employees, customers and other stakeholders.

"Ask yourself if you're willing to disadvantage yourself in order to advantage others," he continues. "Selflessness is central to leadership. I'm not saying you have to be a martyr; successful leaders take care of themselves. But the purpose of self-care in leadership is to enable other-care."

Effective leaders are future-focused and "consumed" by possibilities rather than by problems, Rockwell says. It's also important to identify your frustrations and complaints as these may reveal information about your priorities, attitude and values, he adds.

"Finally, look around and see if anyone already respects you as a leader," Rockwell says. "Titles don't make leaders. Followers make leaders. Who is currently following you? If you don't have followers now, a title won't help."

THERE FROM HERE

If a manager is going to successfully transition into a leadership position, the role must be clearly defined, says Myers. Additionally, all participants must have a shared commitment.

"Too often a senior leader will have a certain expectation of what leadership looks like, feels like and sounds like, which isn't aligned with the manager's expectations," she cautions. "And if there isn't a shared commitment on the definition of leadership, there will be dissatisfaction and disengagement. Thus, it's important to align the internal perspective of self with the external perspective of those who observe us lead and those whom we lead."

Myers uses a proprietary guideline to help define and reveal the expected leadership competencies. The process consists of an in-depth dialogue between those involved, lasting from three to four hours, to ensure everyone is on the same page.

"Using an evidenced-base framework is critically important to all participants for the sake of creating aligned expectations for competency, character, decision-making, time and priority management, and ongoing employee development and coaching," she explains.

Neill says his company deploys a variety of assessment tools to help people know if they're ready to move up. Among these are a 360 evaluation (Myers also utilizes a 360-degree assessment tool) via the Checkpoint 360 (*profilesinternational.com/checkpoint-360.html*), a leadership assessment measure designed to evaluate skills and effectiveness; and the Profile XT Select (*profilesinternational.com/profilext.html*), created to "help select the right person for the job, retain them and enhance their performance."

Armed with the results of these and other tests, managers can strive to close their skills gaps, identify which of their professional attributes are strengths and which are weaknesses, then work to overcome their weaknesses and leverage their strengths, he explains.

> **"Managers are ready to assume leadership roles when they have big hearts. They see leadership as serving the best interests of others ... organizations, employees, customers and other stakeholders."**
>
> — Dan Rockwell

"It is very important to understand that both skills and attributes impact performance," Neill says. "They are very different, but both can be assessed. From that assessment comes a better understanding of when and how to move forward."

Rockwell advises thinking about what you might do to become the leader you wish you had (or have), suggesting actions one might take to achieve that objective, such as:

1. seeing strengths in others;
2. not talking constantly about what is wrong, but instead asking "forward-facing questions" and trying to come up with three or four potential solutions to a problem before deciding on a path forward;
3. rejecting the need for perfect solutions;
4. practicing self-reflection;
5. affirming more than you correct;
6. leading more productive and effective meetings. "You'll run the company if everyone loves the way you run meetings," he quips;
7. delegating authority rather than tasks;
8. sharing your intentions and what you're really trying to accomplish; and
9. learning from failure. "Run pilot programs," he says. "This works for everything except brain surgery and flying airplanes."

Other tactics? Explore formal leadership training and education through classes and workshops. Find a mentor, who can help guide your efforts and provide you with not just opportunities but honest feedback as well. Courses on coaching can also prove valuable, says Rockwell.

"In addition, volunteer for tough assignments," he says. "If there is a nagging problem that bugs everyone, set up a team and work to make it better. All you need to do is make a little progress on a nagging issue to be a success."

LEADERSHIP RESOURCES

A CEO at Every (Employee) Desk *(cues.org/050915skybox)*

Leadership Matters: How to Change Your Leadership DNA (*cues.org/0817 leadershipmatters*)

Vertex, training for managers *(cues.org/vertex)*

Elite Access, interactive online learning *(cues.org/eliteaccess)*

CUES School of Applied Strategic Management™, April 30-May 3, Orlando, Fla. (*cues.org/sasm*)

Read articles, newspapers and books. A book Neill recommends is *What Got You Here Won't Get You There* by Marshall Goldsmith. One Myers especially likes is *Leadership and Self-Deception: Getting Out of the Box* from the Arbinger Institute.

"And anything written by Chris Argyris, especially *Organizational Traps*," she says. "Also join *hbr.org* (the *Harvard Business Review*) for timely and relevant articles. And learn and practice the 'Language of Leadership,' one of the teachings in our Emerging Leaders Program."

Maintaining the Trajectory

It's easy to make a misstep or two on the ascent to leadership, potentially delaying your progress or halting it altogether. One impediment can be the fact that we're not always adept at accurately seeing ourselves as others see us, says Rockwell.

Assessment and skills testing along with 360-degree evaluations offer a means of gaining a more objective perspective about a person's leadership capabilities, potential and where improvement is needed. Also useful is seeking out feedback from those with whom you routinely interact in the workplace.

"Share your aspirations with others," Rockwell advises. "Explain what you think leadership is about. Talk about your strengths and weaknesses. Ask others what they see in you that indicates you could lead. Also ask what might hold you back."

Once you are in a leadership position, it's also important to realize that your way isn't the only way to get things done. Don't expect other people to be the same as you; their skillsets are likely to be different, says Rockwell. Supporting and encouraging their talents is a better approach and will make you a more effective—and probably a more well-liked—leader. Besides, he adds, enabling people's skills is what true leadership is all about.

"Titles don't make leaders. Followers make leaders."
— Dan Rockwell

Obviously, the organizational culture plays a big part. And this starts at the point of hire, says Myers. "My observation is that we need to, as organizations, do a better job of defining leadership in our recruitment philosophy. Each of us needs to assume we are a leader from the very day we start working for an organization.

"We lead ourselves," she explains. "We make decisions on how to use our competencies and fulfill our commitments. If the culture is not a learning culture and does not see individuals as leaders of themselves first, then that dramatic step from a management role to leadership is a huge chasm to bridge."

Pamela Mills-Senn *is a freelance writer based in Long Beach, Calif.*

Gems & *Nuggets*

"A successful practice is daily check-ins. Start each day with a check-in so each person can orient themselves to the day in partnership with others. These check-ins can be a stand-up hall check-in for 15 minutes or conducted remotely via teleconference or video chat. Another practice is after the completion of a project or initiative, conduct an after-action review that includes the successes of the project and of the leadership."—*Deedee Myers, Ph.D., CEO, DDJ Myers Ltd.*

"Observe others who seem to lead well and those who do not and learn by observing their behaviors. Know why you want to lead. If it's more money, don't do it; the money will never be worth the responsibility and disappointments. Lead because you feel you have to or things will be worse if you don't."—*Michael Neill, CSE, president, Michael Neill & Associates Inc.*

"Don't run around telling everyone you want a leadership position; express interest quietly. Ask your leader how you might earn a leadership role. The key word is 'earn.' You aren't looking for any favors; you're looking to add value. Make life easier for the people around you and especially the people over you. Don't wait for a title. Do the job before you have the job. Start today, even if leadership seems like a distant dream."—*Dan Rockwell, owner of Leadership Freak*

Special Report: CUSOs

Credit Union Management

APRIL 2018

How to Start a CUSO

5 steps from planning to ongoing operational success

PLUS:

How to *Start a CUSO*

5 STEPS FROM PLANNING TO ONGOING OPERATIONAL SUCCESS

BY KAREN BANKSTON

Maybe your credit union is considering forming a wholly owned CUSO to provide insurance or investment services to members, or maybe you're looking to partner with other CUs to rein in operating expenses or collaborate on new technology.

Either way, Guy Messick, general counsel with the National Association of Credit Union Service Organizations (*nacuso.org*) and attorney with Messick Lauer & Smith (*cusolaw.com*), Media, Pa., has guided the formation of many credit union service organizations. He offers these five steps from conception through continual improvements to keep CUSOs running smoothly and on target.

1 **Identify the problem or opportunity.** What goals does your CU hope to achieve? For wholly owned insurance or investment CUSOs, for example, the primary goals are typically to provide an alternative revenue source for the CU and a full range of financial services for members. Many multiple-owner CUSOs are organized with a primary goal of trimming operating expenses or sharing the costs of developing expertise that is only available to financial institutions of a certain scale. As an example of the latter, CUSOs focused on new technology and business intelligence solutions are on the rise, Messick notes. Two key questions to consider in early planning stages are:

• **In what areas are you willing to collaborate?** Many CEOs rope off member-facing functions as off-limits to collaboration because they are central to brand and market differentiation. On the other hand, they are open to opportunities to work with other CUs to streamline back-office functions and reduce costs.

• **Are there existing CUSOs you can join or learn from to accomplish your aim?** Joining a CUSO that has a track record in solving the problem you've identified may be a cost-effective alternative to starting from scratch. Even if you don't find a close match, consulting with existing CUSOs and their CU owners can still provide useful information on your next moves. NACUSO also offers advice to CUs considering a CUSO launch and is looking to formalize that support, Messick says.

2 **Develop your business plan.** Where will the necessary resources, in terms of finances and expertise, come from? In some cases, the CUs forming a CUSO may be able to tap into the competencies on their executive and management teams, at least to get the new venture up and running. But it may be necessary to hire professionals with specific expertise or contract with third parties to provide that know-how.

On the financial front, CUSO partners need to identify how to divvy up expenses and income. "How will the CUSO share revenue, and just as importantly, how will you cover initial losses?" Messick asks. "Every business plan must account for a start-up period until a new venture breaks even. The business plan will identify how much capital will be needed before the CUSO is self-sustaining."

3 **Agree on a structure.** A basic decision is what sort of business entity to form. Most CUSOs are structured as limited liability companies, he notes. Beyond that issue, owner credit unions must agree on leadership, governance and scope of operations:

• **Who will manage operations?** In the case of a wholly owned CUSO, a CU executive may take on those duties. When multiple credit unions are planning to launch a CUSO, they will likely need to work together to hire a CEO to lead the venture. "If you envision a significant operation, you'll need to find someone with the expertise to lead the organization so the owners on the CUSO board don't need to micromanage," Messick advises.

• **How will management and sharing rights be handled?** In the case of multiple-owner CUSOs, typically the CEO or another senior executive represents each owner CU on the CUSO board. Another decision point is voting power: Some CUSOs are structured so that CUs contributing significantly more capital than other owners have more votes on the board. But others apply the "one member, one vote" standard of the cooperative movement. "When you have peer credit unions—that is, credit unions of similar size—collaborating in an operational CUSO with one credit union, one vote tends

RESOURCES

New 'Merger' Option: CU Holding Companies (*cues.org/0318newmerger*)

Magnifying Effectiveness (*cues.org/0917magnifying*)

CUES on CUSOs (*cues.org/cuesoncusos*)

Canadian CUs Think Big About Collaboration (*cues.org/bccusos*)

Compensating CUSO Directors (*cues.org/0916 compensating*) to be the best model," Messick suggests.

• **Who will the CUSO serve?** The customer base could be limited to members or owner CUs, or the venture could serve non-owner CUs and their members. Up to 49 percent of a CUSO's customer base can be persons who are not CU members and entities that are not credit unions.

One additional consideration at this stage is determining in advance how to handle the potential for the departure and addition of owner credit unions. "Keep in mind that all things are not permanent," Messick says. "How will you unwind ownership of a credit union that decides to step away or respond to credit unions that want to join as owners? If you need to buy out one or more owners, you might figure out how to do that over a number of years so that the CUSO is not strapped for cash."

4 **Launch.** At this stage, owner CUs implement all their carefully laid plans: filing the orders of incorporation, holding the first board meeting, funding operations, hiring staff, conducting RFPs and negotiating vendor agreements. If the plans call for CU staff to divide their time between their existing responsibilities and new roles with the CUSO, a system should be developed so that the new venture reimburses the owner CU(s) for staff time.

A high trust factor among CUSO owners is often cited as a key success factor, Messick says. CUSOs sometimes falter when there's a change in leadership at an owner credit union and the new CEO doesn't have the same commitment to CUSO collaboration that his/her predecessor did.

5 **Measure and adjust, where necessary, to stay on track.** "You're always making adjustments. Maybe things didn't go exactly as you planned, or partners have differing ideas. So many things go into the mix when you start up that you need to continually adjust," Messick says. "Go back regularly to that problem you were trying to solve. Many credit unions start CUSOs with a good idea of what they want to do and how they're going to do it, but they may need to make changes along the way to accomplish their original goal."

For example, "some CUSOs start out with the goal of reducing operating costs, but along the way, some board members may shift to a goal of wanting to make money over and above expense containment. There are big differences between pricing services to make money and aiming to contain costs. I've seen that tug of war end poorly."

Karen Bankston *is a long-time contributor to CU Management and writes about CUs, membership growth, marketing, operations and technology. She is the proprietor of Precision Prose, Eugene, Ore.*

Thinking Big *With CUSOs*

Chuck Fagan, president/CEO for CUES Supplier Member PSCU (*pscu.com*), St. Petersburg, Fla., appreciates the impact CUSOs have on their owners. "We can aggregate our services and talent and work closely with many partners across the financial services industry," he explains. "Take Apple; it doesn't want to work with 58,000 separate entities. But it is happy to collaborate with key partners like PSCU."

CUSO partnerships enable you to follow financial trends all over the world. "The U.S. financial services system is extremely complex," says Fagan. "As a CUSO, we are continually following world trends and applying those key learnings."

Most CUSOs invest heavily in research, innovation and fraud prevention. "We have to be good stewards of our owners' data by monitoring for fraud," notes Fagan. "And we have the absolute obligation to protect a CU's assets during the transaction process. When we see fraudulent activity occurring in one part of the country, as a CUSO, we can apply strategic initiatives to protect all our owner CUs."

Aligning with a CUSO enables you to stay connected and follow developments without missing a beat; for PSCU, it's about observing spending and payment trends. "We've seen a dramatic shift in consumer spending," reflects Fagan. PSCU owners saw a 9 percent increase in holiday credit card spend. Additionally, there was a $14 billion shift nationally from in-store to e-commerce during that time. "This indicates consumers are comfortable with the security of shopping with their cards, in-store, online and in the mobile space."

GROW LOANS EFFICIENTLY

Consider CUES Supplier member CU Direct (*cudirect.com*), Ontario, Calif. The company's AutoSMART car-buying website, along with CUDL, the nation's largest credit union auto lending platform, providing point-of-sale financing, have become a catalyst for car loan growth. Its lending network includes 1,100 CUs, 15,000 car dealers and a potential member base of 50 million nationwide.

"We're continually seeking new ways to meet consumer loan demand," says Tony Boutelle, the CUSO's CEO/president. He points to CU Direct's Innovation Lab, a place where CU leaders meet to explore trends, collaborate on opportunities and debate emerging products. One product on its radar is "Subscription Services," a form of high-end leasing, enabling buyers to drive a variety of vehicles—rotating up to 18 different vehicles annually—at one set payment.

"Product innovation is critical for us," adds Boutelle. "We review new products in a 12-month window, a 24-month window and innovations beyond three years. Staying abreast of emerging products, we analyze the risk and gauge if there is a way for CUs to participate."

Auto loans continue to be good for CUs says Boutelle—with more than 25 percent of all auto loans in the U.S. closed by credit unions.

CU Direct offers a turnkey loan process, including loan tools members can use via mobile and POS financing at more than 15,000 dealers. "The process covers everything, from loan approval to risk management, underwriting, form creation and contracts with dealers," says Boutelle. Also impacting operational efficiencies is the explosion of artificial intelligence, with much of the back-end work now completed by machine learning. "Still, the future is mobile," he adds, "and we're helping CUs connect with more members than ever with the mobile tools they desire."

INCREASE NET INCOME

Creating income for their member-owners is a priority for CUSOs, and Tampa-based Trellance (*trellance.com*) is no exception. "Our role is to increase credit card spend, along with interchange, finance revenue and fee income," says Bill Lehman, SVP/managed services. And regardless if balances roll over, increased spend is good for all CUs. The CUSO, a CUES Supplier member, considers itself "processor-agnostic," so any CU can tap into its portfolio management strength. "We assist with portfolio management along with consulting and education for CUs," says Lehman. "We're also here to share our most valuable asset—our people—who have a wealth of industry knowledge and insights."

Lehman believes it's essential to leverage your CUSO's experience relevant to the market. "As credit card growth increases, up nationally 5 percent since 2016, it's important for credit unions to tap into our experiences, and the positive trends in spending and consumer confidence."

Watching transaction data enables CUs to tailor their products and services to consumer spending habits, adds Lehman. Here, targeted programs can support or stimulate spending and increase consumer confidence in your program.

He also sees a lot of CUs that "spray and pray" with their card marketing, which is both expensive and ineffective. "CUs can tap into our Card Portfolio Growth Solutions, a 12-month card growth plan offering segmentation and targeted communications. Participating CUs have seen an average of 14 percent revenue growth year-over-year when comparing 2017 to 2016."

Lehman also implores CUs to consider card loyalty programs. "For example, on credit and debit cards, there is an active market that expects rich rewards on card transactions. As rewards programs gain traction, consumer confidence and demand increase, making it even more imperative for CUs to compete."

Ultimately, the benefit of working with any CUSO is relying on its strengths, with the ability to think big and take advantage of an increased level of intimacy.

Stephanie Schwenn Sebring *established and managed the marketing departments for three CUs before launching her business, Fab Prose & Professional Writing. Follow her on Twitter@fabprose.*

Creating the CUSO *of Tomorrow Today*

CREATING AN UNPARALLELED MEMBER EXPERIENCE

BY PSCU

For more than 40 years, PSCU, as a credit union service organization, has delivered an exceptional and memorable service experience at every CU and member touchpoint. Targeted investments in payments solutions, risk management, analytics, loyalty programs, marketing, consulting, mobile platforms and call center support give all our owners a competitive edge. PSCU is proud to serve our industry and celebrates credit unions.

Our Venture. Your Gain.

But the times, they are a-changin'— and dramatically so. With digital disruption raising the bar on members' expectations and new competition emerging, CUSOs must reinvent themselves as agile, visionary, innovative venture partners to help CUs meet the challenges head on. That is why everyone at PSCU is embracing the entrepreneurial mindset to create transformational products and pioneering solutions that CUs need.

Living Our Values

PSCU acts as an extension of a CU's own staff. Our access to industry-leading partners gives our owners the opportunity for early adoption of new payment technologies like EMV chip cards and the latest digital wallet offerings. The depth of resources within PSCU relieves owners of the burden of managing dozens of endpoints as well as providing access to services and expertise at far less cost than credit unions would incur by hiring individual experts.

Reinventing the CUSO

To truly support the CUs of tomorrow, CUSOs must continue to evolve. PSCU is on a quest to work hand-in-hand with our owners as venture partners to create the next generation of CUSO services that will ultimately benefit the entire CU industry. Five areas of focus include:

1. **Tomorrow's digital solutions:** Digital transformation is revolutionizing every part of CU operations at warp speed, spanning mobile payments technology, voice search, chatbots, the internet of things and artificial intelligence. PSCU is leveraging its technology leadership to develop vendor partnerships that provide access to emerging technology while managing risk.
2. **Entrepreneurial employees:** As digital transformation expands product delivery options, it is changing the definition of what a product is. That is why PSCU is embracing the "minimum viable product" concept and adopting the agile development team approach. By sponsoring team development contests, PSCU is creating an entrepreneurial culture that delivers timely, innovative results.
3. **Next-generation service excellence:** Member service is where it all comes together — the branches, the call center, digital and mobile, social media, the loyalty programs, and the fraud-prevention technology. But without impeccable execution, it is the stuff of nightmares.

   PSCU is investing in next-generation information technology and member engagement platforms that can take already exceptional member experiences to the next level while providing seamless wrap-around back office support.
4. **Data-driven digital insights:** Real-time behavioral insights from analytics help CUs craft the right offers for the right members at the right times, while tracking ROI. To that end, PSCU has built a data warehouse and suite of analytics that gives CUs a 360-degree view of members. This data can be accessed on demand through dashboards.
5. **Security assurance:** Nothing erodes confidence in a financial institution like a data breach or fraud. To protect CUs, PSCU is partnering with vendors to develop biometrics and dark web scrutiny.

Join Us

Here at PSCU, we built our CUSO on the belief that CUs' greatest assets are collaboration and strength in numbers. We invite you to join us on our exciting and vital mission to create the CUSO of the future.


CU DIRECT
LENDING TECHNOLOGY & SOLUTIONS FOR TODAY.
THE NETWORK OF TOMORROW.

Leveraging A Digital Lending System to Help Drive Indirect Auto Loans

CU Direct recently partnered with Visions Federal Credit Union on a case study that took a close look at the credit union's success in the indirect lending marketplace, and the steps the credit union took to overcome the challenges it had in growing loans through the indirect channel.

Visions' indirect lending program had been a manual process. Dealers would fax purchase orders to the credit union, and employees would manually enter the information into its loan origination system. The credit union's loan officers would then have to call the dealership with loan approval or denial. In 2013, the credit union began researching loan origination systems, as well as what dealers were looking for from them as an auto lender. Simply, the dealers were looking for a digital process.

The credit union was looking to implement a digital indirect lending system that would enable it to meet current and future loan growth goals, while fostering and supporting a relationship with dealers that made the credit union a valuable business partner.

At the time, Visions had agreements with approximately 80 dealers to provide indirect financing. However, only a small percentage of the dealers sent the credit union applications, and even fewer produced loans that were eventually funded, creating a look-to-book issue. A lack of quick, digital loan decisioning was partly responsible.

Visions was also competing against other lenders that offered markup incentives to dealers, something it firmly believes goes against the credit union philosophy. The credit union needed an indirect partner that would provide it with attractive market differentiation that wasn't tied to paying any markup.

Visions looked at many indirect lending systems, and ultimately selected CU Direct's CUDL lending platform for several reasons. CUDL provided Visions with the ability to fund and retain more auto loans, increase profitability and fuel membership growth. Additionally, CU Direct's superior business model allowed Visions to protect its look-to-book ratio.

The first year using the CUDL system, the credit union experienced a 60% increase in indirect auto loans, achieving $11 million in new originations. Over the next three years, loans through the indirect channel continued to increase, with $28 million in loan originations in 2014, $79 million in 2015, and $90 million in 2016.

In 2017, the year the credit union hoped to reach a once unthinkable goal of $100 million in auto loans, Visions ended the year with over $120 million in new indirect loan originations. In total, Visions' overall indirect portfolio grew from $30 million at the outset to nearly $250 million. In addition to dramatic year-over-year growth in loans, the credit union has also grown membership 1,000 -1,600 members annually since implementing CUDL in 2013.

Another important aspect to Visions' indirect lending success was its commitment to seek out annual dealer feedback and use the data to make program enhancements that strengthened dealer relationships and increased originations. Taking advantage of CUDL's wide dealer network helped fuel immediate growth for Visions' indirect lending program.

When Visions committed to its goal of originating $100 million in new indirect loans per year, it took an "all-in" approach for three primary reasons:

- *It could be used as a strategy to achieve new market penetration*
- *It was a way to serve members in a non-branch environment*
- *It supported loan growth goals*

After five years of strong commitment to indirect lending, the credit union pointed to these major benefits for incorporating the CUDL indirect lending platform and executing its new lending strategy:

- *Increased member and loan opportunities at the point-of-sale*
- *Joint marketing opportunities*
- *Loan portfolio diversification*
- *Opportunity to strengthen partnerships with community businesses*

Visions' "all-in" indirect lending strategy has been so successful, the credit union has increased its cap of how much indirect lending it can hold compared to other loan assets. "It used to be $300 million, and they thought we'd never hit that," notes Tom Novak, Visions' Director of Digital Banking. "But we recently increased it to $500 million, and we're already halfway there as an overall indirect loan portfolio."

Discover more, start the journey at **CUDIRECT.com**

CU DIRECT

Dedicated *To Card Growth*

CUSO AIMS TO HELP CREDIT UNIONS INCREASE CREDIT CARD SPEND.

BY TRELLANCE

Trellance (*trellance.com*), a Tampa, Fla.-based CUSO, is making a splash with its focus on debit and credit card marketing initiatives. This "processor-agnostic" credit union service organization can provide services to any CU, regardless of their processing relationships.

"Our goal is to serve as a platform for credit unions by granting access to expertise and proven programs that provide results," says Bill Lehman, SVP/managed services at the CUES Supplier member CUSO. "We also help our credit unions with effective program management to cultivate their growth."

Trellance helps credit unions increase the penetration, activation and usage of their card programs. "Our experienced card portfolio consultants help CUs to leverage our specific experience relevant to the CU market," adds Lehman. "For example, I've personally managed large portfolios, and growth in credit card volume nationally is up 5 percent. I encourage our member credit unions to leverage not just our experience but also find ways to exploit this positive trend in consumer confidence."

The CUSO seeks to increase credit card spend for its member credit unions, thus increasing interchange income, finance revenue and fee income. "Increased spend is always a positive for credit unions," says Lehman. Trellance can also assist with debit card activity, and Lehman sees the volume of debit transactions holding steady. "This shows the consumer being confident in using their cards over cash or checks."

CARD TRENDS TO WATCH

Lehman notes these trends:

- ***Consumer spending is up in the U.S.*** over 3 percent across the board, using all payments vehicles. This is indicative of strong consumer confidence.
- ***Growth in credit card volume is up 5 percent,*** which fuels growth in interchange revenue (the second largest line item in the credit card space) and finance revenue. Interchange income continues to be an important part of a profitable card program.
- ***With the growth in volume,*** consumers may be ripe for credit line increases or balance transfer offers.
- ***Debit card volume is remaining steady,*** but the number of transactions is increasing. Consumers have confidence in using their debit card in place of cash or checks.
- ***20 to 30 percent*** of all credit and debit card volume is in e-commerce.
- ***Rewards programs on both the credit and debit side*** continue to grow and must be embraced to remain competitive in the marketplace. Consumers now expect rich rewards on card transactions.
- ***CUs will seek more upscale Signature credit cards*** and look for ways to spark product differentiation.

Trellance can also assist in the war on loyalty. This war, notes Lehman, is based on high-value rewards and impacts spend and consumer confidence. And as these rewards programs gain traction, consumer confidence increases.

CUSOs are designed to take the headaches away. "Through our Optimized Managed Services and Card Portfolio Growth Solutions, we assist our member-owners with marketing, analysis, charge-offs and virtually all functions of portfolio management," explains Lehman.

There are many positives in working with a CUSO such as Trellance, including to:

- provide greater understanding of the market;
- offer terrific experience with products and services;
- leverage intimacy with the CU industry;
- assist with selection and management of vendors; and
- improve operational efficiencies and profitability and keep costs down.

Trellance is holding its immersion18 (*immersion18.com*) conference May 8-11, in Fort Lauderdale, Fla. The conference is designed for CUs of all sizes to share ideas and hear from industry leaders.

The ADA *Challenge*

MAKE YOUR WEBSITE MORE USABLE FOR MEMBERS WITH DISABILITIES—AND GUARD AGAINST LAWSUITS.

BY GLENN HARRISON

The wave of nuisance lawsuits against credit unions over website compliance with the Americans with Disabilities Act may not be over, but the tide appears to be turning in credit unions' direction.

The U.S. Department of Justice and a federal district court in Virginia in late 2017 and early 2018 have taken some pressure off our industry. This doesn't mean, however, that website- and ADA-related lawsuits won't continue to cost credit unions money, time and effort—whether or not they have legal or ethical merit. Unfortunately, the ADA itself (*ada.gov*) doesn't specifically mention websites, and industry regulations don't specify how credit union websites must accommodate people with disabilities.

Legal and regulatory issues aside, many CUs are examining and updating their websites with the simple goal of ensuring excellent service to members with disabilities.

DOJ REVERSES COURSE

In 2010, the Department of Justice issued Advance Notices of Proposed Rulemaking (*ada.gov/anprm 2010.htm*) relating to website accessibility. The ANPRMs signaled that the department could apply the ADA to website accessibility complaints.

The department did just that when intervening in class action lawsuits against Wells Fargo in 2011 and H&R Block in 2014. Both suits were settled without reaching a decision—Wells Fargo via a settlement agreement and H&R Block via consent decree. In both cases, the settlement required the defendants to change their websites to accommodate people with disabilities.

H&R Block was directed to conform to internationally recognized web accessibility standards called the "Web Content Accessibility Guidelines 2.0 Level A and AA Success Criteria" (*tinyurl.com/wcagconf*), or "WCAG 2.0 AA."

Since then, however, the Department of Justice has apparently taken a big step backward from ADA regulation.

Rather than intervening in more class action suits or creating new rules, in December 2017 the DOJ removed the ANPRMs saying, "The Department is evaluating whether promulgating regulations about the accessibility of web information and services is necessary and appropriate."

THE ADA "GRAY AREA"

The Department of Justice's change of course has a downside for credit unions, says attorney Christopher Pippett, a partner in the law firm, Fox Rothschild LLP (*foxrothschild.com*), Philadelphia.

"The best thing that could have happened was the DOJ giving specific guidance as to what you need to do and how you need to do it. Then everybody has something to follow," he says. "Instead, we have a gray area, and that's the problem: When you have a gray area, there's room for a lawsuit."

Law firms have been exploiting this gray area in a big way over the last year or two, often spraying identical demand letters out to multiple credit unions throughout certain states.

The letters commonly claim that websites don't accommodate assistive technology that visually impaired people use online, such as "screen readers" that vocalize written text and help users navigate the site.

Websites must be coded properly to allow such tools to work correctly, and some law firms have put the crosshairs on smaller organizations that are more likely to have coding deficiencies, Pippett says.

"There may be a perception that credit unions are less prepared—they may not be keeping up with technology," he says.

Pippett suggests that the trial attorneys are picking on businesses that don't have the resources to put up a costly legal fight but do have liability insurance. "In many instances liability insurance carriers are going to settle," he says, "because the major exposure is going to trial, spending a hundred or a couple of hundred thousand dollars, and—best case scenario—you win."

Even winning such a trial may have a serious cost beyond the legal expenses, Pippett adds: "There's a reputation risk if you dig in your heels that you will be painted as saying, 'We don't care about the visually impaired.'"

Despite the risks of going to trial, however, some credit unions have done just that and successfully defended themselves.

COURT VICTORIES BUILD MOMENTUM

In late February 2018, a Virginia federal district court ruled in favor of $88.7 million, 7,000-member Department of Labor Federal Credit Union (*dolfcu.org*), Washington, D.C., which was sued for allegedly not accommodating blind users of its website.

The judge ruled that the plaintiff lacked standing in the case because he wasn't eligible to be a Department of Labor FCU member, and because he hadn't suffered sufficient harm to be awarded damages.

About a month earlier, $3.3 billion, 251,000-member Northwest Federal Credit Union (*nwfcu.org*), Herndon, Va., was granted a summary judgment by a different federal district court judge. Again, the judge ruled that the plaintiff wasn't eligible to be a member. And, more significantly, the judge ruled that a website should not be considered a "public accommodation."

ADA regulations pertain to businesses that are what the act calls "a place of public accommodation," but they have never specified that a website—unlike, say, a credit union branch office—is a place of public accommodation.

Of course, the ADA was signed into law in 1990, before business websites and e-commerce were established. But it has been amended many times since, and at no point have websites been addressed directly—even to specify that they're considered public accommodations under the ADA.

"I was pleased that the court took the opportunity to address the issue," Pippett says. "It could have dismissed on the standing issue alone (of the plaintiff's membership status), which would have still left this issue open." He notes that the court's opinion may be instructive to other circuits, although it isn't binding.

The momentum building in credit unions' favor may have played a part in a similar lawsuit against $59.9 million, 5,150-member BCM Federal Credit Union (*bcmfcu.com*), Houston, Texas, which was voluntarily dismissed with prejudice (meaning the plaintiff can't bring action on the same claim again) in early March. News about these cases continued to break even as this issue went to press.

THREE SUGGESTIONS FOR MOVING FORWARD

Pippett stresses that these and other court victories, plus DOJ's apparent suspension of new ADA regulations, shouldn't be considered the "all-clear" signal.

Referring to a credit union lawsuit document he was reviewing, he says, "The complaint I have sitting in front of me right now doesn't say, 'This credit union hasn't followed the DOJ guidance.' It says, 'This credit union doesn't meet the standard, and therefore it's liable.' So, you can still be sued—these are private parties suing credit unions, not the DOJ."

> **"We have a gray area, and that's the problem: When you have a gray area, there's room for a lawsuit."**
> — Christopher Pippett

Pippett offers three key strategies to consider—in consultation with your legal counsel—to protect against these lawsuits:

1. Get help—and legal assurances—from qualified website vendors. Reach out to whomever designed/developed your website and find out if your site meets the WCAG 2.0 AA standards and, if not, what you need to do to make it compliant. Look for new a vendor, if necessary. The ADA may not have been on the radar of many website vendors when your site was developed, so it's important to check back with them now, Pippett says.

"If you go back to a vendor and ask whether your website is compliant and your vendor assures you that you are, get it in writing, whether it's an email or anything else," Pippett says.

He recommends reviewing the contract you have with website designers, developers and/or auditors. Negotiate contract language that guarantees your site's compliance with WCAG 2.0 AA standards, and indemnifies your credit union should it become liable for damages.

2. Review liability coverages with your insurance provider. Confirm with your insurer the coverages and dollar limits you have available to absorb damages from this risk, so you have a complete picture of your overall exposure to losses.

3. Consider software that tests your website for accessibility for members with disabilities. Pippett says some of his credit union clients have purchased software that people with disabilities use, and used it to test their website's usability. He acknowledges the software can be expensive, but it could protect your CU from significant risks to your bottom line and reputation.

According to a survey by WebAIM (*webaim.org*), almost half of users of screen readers had JAWS (*freedomscientific.com*), which costs just over $1,000. Almost a third use NVDA (*nvaccess.org*), which can be downloaded free. Just over 11 percent use VoiceOver (*apple.com/accessibility/mac/vision*), which is pre-

MORE ON WEBSITES

ADA compliance checklist from BloomCU (*tinyurl.com/bloomada checklist*)

Full Web Content Accessibility Guidelines (*tinyurl.com/w3wcag*)

Maximize the Power of Your Website (*cues.org/0817maximize*)

installed on Mac devices.

Another reason to invest in website accessibility is the potential for examiners to question your efforts in that arena, Pippett says. "There's been a focus in the examinations recently on cybersecurity and related issues," he says. "I would consider this a related technology issue. You should be able to show, if asked, what you've done."

AUTOMATED AUDITS: A GOOD START

Derik Krauss, co-founder of the Utah-based website design and development firm, BloomCU (*bloomcu.com*), has seen firsthand that credit unions are indeed addressing the ADA issue.

"We talk with credit unions every week now that are looking into redesigning their websites because of ADA compliance," Krauss says.

To get an initial idea about whether your website requires ADA-related updates, Krauss recommends using one of the many automated page testing tools available online—some of which, like the one at *wave.webaim.org* are free.

He estimates that a good quality automated auditing tool can reveal about 30 percent to 40 percent of ADA compliance issues, quickly and at low or no cost. For the other 60 percent to 70 percent, he suggests seeking an auditing firm that uses automated tools plus experienced auditors, such as User1st (*user1st.com*).

"The manual audit is slower and more thorough, but it's a lot more expensive. Ideally, credit unions would use both," Krauss says.

Krauss notes the auditing firm can be a neutral third party, unlike the site developer. "A good comparison is accounting. You don't want your bookkeepers auditing their own books," Krauss says. "You have a third party—a different set of eyes—verifying the books for accuracy."

Website auditors reveal the necessary ADA-related fixes, which the site developer implements in tandem with the CU. The auditor verifies that the fixes work properly. Then, Krauss says, the challenge for CU staffers who maintain their own content is not to introduce hurdles for users with disabilities.

COMMON ISSUES TO FIX

A few of the most common areas of difficulty for disabled users that Krauss has seen in credit union websites include:

- **non-descriptive link text:** A common way to link site users to another page or an outside website is a sentence like: "For more information about our auto loan rate discounts, *click here*." A screen reader always announces a link, so this phrasing is read as "link, click here." And when a user jumps from link to link using the tab key, the reader repeats, "link, click here, link click here..." It's annoying and, Krauss says, it doesn't comply with WCAG accessibility standards. It's easier for people who use screen readers if the link text describes the material you're linking to. For example, "*See whether you qualify for an auto loan rate discount*."
- **PDFs that aren't readable or navigable with assistive technology:** If your website contains downloadable PDFs for statements, disclosures, etc., that were not created according to WCAG standards—which, according to Krauss, is just about every PDF he's found on CU sites—have those PDFs revised or replace them with them HTML versions.
- **navigation that's more difficult for keyboard-only users:** People who can't use a mouse must be able to navigate your entire website using the tab and arrow keys. Krauss sees too many CUs using drop-down or "hover" menus that require users to hover their cursor over the menu title. "On some websites, these menus don't open when you tab to them, so they're unusable for disabled people who have to navigate the website with a keyboard," he says. "They're bad for usability, whether someone is disabled or not, because they often open or close unintentionally."

NEW LAW IN PLAY

The U.S. House of Representatives in February passed the ADA Education and Reform Act (H.R. 620, *tinyurl.com/hr620ada*), aimed at reducing frivolous lawsuits for alleged ADA violations.

The act would require potential plaintiffs, before being eligible to file suit, to serve the business with a demand letter that describes the ADA violations in the business's architecture. The business would be required to respond to the letter within 60 days, and to fix the violations within 60 days after that.

At press time, that bill has not yet been voted upon in the U.S. Senate. Credit union industry groups have been lobbying to have the bill include websites in addition to physical structures—or to simply exempt websites from ADA regulations.

Freedom from frivolous lawsuits would be a key victory for credit unions. But that won't accomplish the most important victory: true website accessibility for every credit union member who needs assistance. Most credit unions won't require new laws and regulations to achieve that victory—they just might need a little assistance themselves.

Glenn Harrison *is a freelance writer based in Madison, Wis.*

"Sharonview believes the time is now to invest in our future leaders. We have recently moved to the CUES Advancing Management Group Membership to provide additional resources to our entire leadership team. As each leader has his or her individual development plans to grow their leadership skills and abilities, partnering with CUES will allow them to choose from educational topics that are top-of-the-class in credit union land!"

Bill Partin, CIE
President/CEO
Sharonview Federal Credit Union
Fort Mill, SC
Assets: $1.4 billion
CUES Advancing Management Group Member

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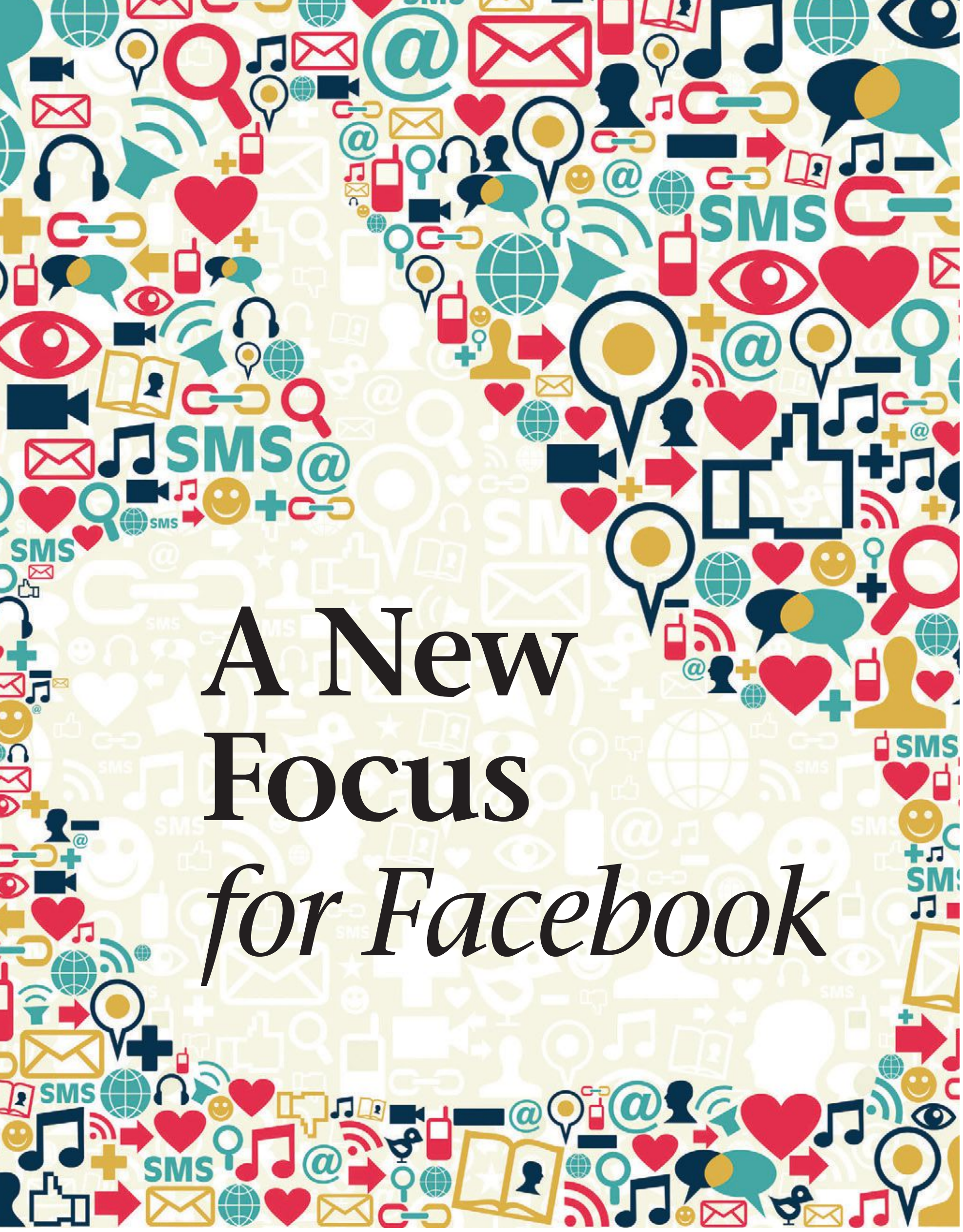


A New Focus *for Facebook*

SITE FAVORS FRIENDS OVER BRANDS. HOW CAN CREDIT UNIONS PREPARE?

BY STEPHANIE SCHWENN SEBRING

Not too long ago, *before* social marketing was as popular as sliced bread, marketers relied on traditional marketing channels. But just like Wonder Bread revolutionized the way we buy bread, social media has forever changed the way we relate to members. For most CUs, Facebook continues to be their bread-and-butter channel for branding. According to *statista.com*, Facebook has 1.4 billion active daily users and 2.2 billion monthly users worldwide.

But recent updates will require credit unions to adjust how they use the social platform.

- According to Facebook, new algorithm indicators prioritize likes, comments or shares from friends over business posts.
- Users will see popular posts from friends and family first, and fewer from brands and businesses. Whether the business posts are newsworthy, include photos or memes, all have lost organic ranking prominence.

According to Facebook's blog (*tinyurl.com/y92pbrm7*), "...people have more opportunities to interact with the people they care about...We will also prioritize posts from friends and family over public content, consistent with our News Feed values."

HOW CUs ARE RESPONDING

"The recent algorithm change will be interesting," says Bryce Roth, cooperative outreach director at $915 million Verve, A Credit Union (*verveacu.com*), Oshkosh, Wis. "We've not experienced a drop at all. The changes will affect a lot of people and credit unions, but credit unions that have built a community based on interactions and engagement should be positioned well."

Doug Aguiar says his CU has been fortunate to see steady impression and engagement levels. The SVP/chief marketing officer for $11 billion Golden 1 Credit Union (*golden1.com*), Sacramento, Calif., notes that his CU has more than 60,500 Facebook followers. "Leveraging Facebook's Audience Optimizer feature when generating posts, as well as monitoring and adjusting our cadence (frequency, the volume of posts and posting at optimum times of the day) to meet content consumption patterns, have allowed us to navigate the algorithm changes," he says.

CUES member Shelley Carlson, VP/marketing for $1.2 billion Texas Trust Credit Union (*texastrustcu.org*), Arlington, Texas, adds that due to well-timed and boosted (paid) posts, followed by a social media giveaway, engagement hasn't seen a sharp initial decline. "But since the promotions have ended, we're starting to see lower engagement levels than in previous months."

To combat the issue, CUs will need to tap into strategic boosting of posts that speak to their target audiences, Carlson continues. "We need to catch their eye in clever and unique ways that are socially current. Hashtags, trending topics and breaking news are good ways to start generating ideas."

Other changes, according to Wallaroo Media (*tinyurl.com/ybsakd8t*) include:

- **New 3-D capabilities:** Using Facebook's Oculus Medium sculpting platform or Facebook Spaces virtual reality hangouts, users can create 3-D digital objects and share them to their News Feeds.
- **Faster loading sites get precedence:** Following Google's lead in ranking sites, Facebook prioritizes in the News Feed websites with faster loading times.
- **Prioritization of video:** When a user watches all or most of a video, Facebook will prioritize similar videos in the user's feed.

Why is it important for CUs to be on Facebook? Because that is where your members are.

"From getting the latest news and weather to viewing family photos, it's more fun and more casual," says Marne Franklin, digital director for Your Marketing Company (*yourmarketing.co*), Greenville, S.C. "The community reach alone makes it worthwhile to be on. Recent changes to Facebook's algorithm make it harder for organic posts to be seen by users, but it is still worth putting in the effort to reach people."

Penetration: It's the largest social channel in the world, and as far as numbers go, the reach is incredible. "It has the most penetration of any social channel," says Aguiar. "You can also hero up the organizations you partner with—not just to promote but amplify the progress of community partners."

Low cost to boost posts: It's easy to spend a few dollars to boost posts for more coverage. "And you can target ads more precisely than ever before," says Roth. "You can also target specifically by branch (handy for a grand opening or if an area is affected by construction); or by age, location, employment and hobbies. It's worth the small investment to boost a popular or pertinent post."

Relationship builder: You can strengthen relationships for member growth and referrals—ultimately increasing your share of wallet, explains Alexander Kesler, founder and president of inSegment Inc. (*insegment.com*), Boston.

Golden 1 CU uses the channel to connect with all age segments, using easy-to-understand one-minute videos. "We use Facebook as a relationship tool to humanize our brand and reach a lot of people," says Aguiar. "We want people to engage, not just follow. We ask questions, take polls and run contests."

Communications forum: Carlson adds that Facebook is her CU's major social channel; it's the perfect platform to share what's going on, including events, promotions or giveaways. "We also use it for recruitment, notices (such as online banking downtime and closings), product enhancement or trending news like data breaches. Above all, we use it as a place for conversations to begin."

A place for your blog: Another idea is to use Facebook to house your blog, says Matt Maguy, a partner at James & Matthew (*jamesandmatthew.com*), a digital advertising agency in Boston. He suggests creating a post on your feed, up to 1,000 words, in place of WordPress or another similar site.

BEST PRACTICES

Put content on Facebook at least four times per week, these experts say. Spread posts out and across different parts of the day. "Post when your audience is most likely to be on, usually 10 a.m. to 7 p.m., Wednesday-Sunday," advises Carlson. "Have a reason to post, and don't limit it to business hours. Consider giving your social media team flexible hours to get the job done."

The frequency of posts should also be in line with the value of your content, adds Kesler. While there's no set rule, stay active with meaningful content; leaving a platform unattended doesn't make sense.

Document: "Use content to reveal your human side or give followers a behind-the-scenes look," says Maguy. "Have members or employees share their experiences. What is it like to be a member or employee? A good blend is member education, [CU] branding and promotional, with promotional garnering only about 25 percent of posts."

Showcase community connections: "Walk the walk when it comes to displaying community connections and partnerships," Maguy continues. Try sharing posts that reflect a humble brag, perhaps awarding a student scholarship, International Credit Union Day activities or charities you're supporting. Short video clips are perfect for this.

Educate members: Franklin suggests including a bit of a promotional element but to present your information in a way that solves a problem or engages a user. "Be a service to your members—don't just sell products. Try budgeting tips or present financial solutions to everyday problems."

She's also found success with posts that drive engagement and relate back to a product or service. "If you're offering vacation loans, don't just say 'We have this thing.'" Instead, show stunning images of dream vacation locations—tropical beach, Paris at night, a family at Disney—and ask members to tell you which they'd pick. Let them know you have loans that can help make dreams realities. By driving engagement organically, you can show up higher in news feeds. It's a simple and engaging workaround for the new algorithm."

Match your message to the medium: Different platforms invite different messages. Kesler notes that content must be valuable and make sense—both in tone and subject matter. Facebook typically uses a lighter tone than LinkedIn, for example.

Invoke a response: "Try thought-provoking topics but avoid the controversial. Perhaps ask members what they love (or don't love) about their new iPhone," suggests Kesler. The goal is to create interaction and interest but steer clear of the mundane.

Use graphics, videos and memes. "They naturally garner interest and emotion," says Franklin.

Boost successful posts. Kesler advises that when you have a compelling post, one that's garnering a lot of engagement, it's worth paying to boost it. "Business pages don't land high in Facebook's algorithms anymore; posts from family and friends appear first," he adds. "An average post has an engagement rate of only 2.5 to 3 percent. If you have a post with closer to 10 to 15 percent engagement, promote it!"

Stephanie Schwenn Sebring *established and managed the marketing departments for three CUs before launching her business. As owner of Fab Prose & Professional Writing, she assists credit unions, industry suppliers and any company wanting great content and a clear brand voice. Follow her on* Twitter@fabprose.

MORE ON SOCIAL MEDIA

5 Facebook Mistakes to Avoid (*cues.org/0318facebook*)

Marketing in a Flash (*cues.org/1217 marketingflash*)

How to Become a Part of the Online Conversation (*cues.org/0318 conversation*)

Inside Marketing: #MemoriesAreGolden (*cues.org/1117 insidemarketing*)

#GoingSocial (*cues.org/0217goingsocial*)

8 Tips for Social Media Success (*cues.org/1116socialmedia*)

Bench Strength *Ensures a Smooth Conversion*

BY STEPHANIE SCHWENN SEBRING

Rob Price, VP/member elations at $1.3 billion San Francisco Fire Credit Union (*sffirecu.org*), knew he'd have a lot on his hands during a recent online and mobile banking conversion. He also knew that providing a strong member experience during the conversion was critical.

In November 2017, the credit union upgraded roughly 45,000 members to its new online and mobile banking platforms. Expecting questions and members needing help with navigation, browsers or resetting passwords, the credit union used CUES Supplier member Harland Clarke's Contact Center Solutions (*harlandclarke.com*) for augmented call center capacity.

Preparation Was Vital

Harland Clarke worked with the San Francisco Fire CU for nine weeks leading up to the event, outlining strategies and addressing key areas.

"Engage staff the moment you start down the conversion path," Price advises. "Start their training as close to launch as possible, so it's fresh, but with enough time to not feel rushed. If you need resources from a third party like Harland Clarke, don't hesitate."

The credit union prepared for a 300 percent increase in call volume. Harland Clarke, based in San Antonio, responded by scaling up with additional staff to meet demand. The specialists, trained to the San Francisco Fire CU's unique protocols, brand language and performance standards, became an extension of the team and ensured members received high-quality service during the transition—which lasted seven weeks post-launch.

Contact Center Solutions

San Francisco Fire CU found the bench strength it needed from Harland Clarke. The company's Contact Center Solutions team delivers flexible, scalable and multichannel support. This includes short-term burst capacity for conversions as well as ongoing inbound and outbound support. Harland Clarke's experienced and dedicated contact center specialists provide exceptional account holder service through more than 20 million contacts each year.

Stephanie Schwenn Sebring *established and managed the marketing departments for three CUs before launching her business. As owner of Fab Prose & Professional Writing, she assists credit unions, industry suppliers and any company wanting great content and a clear brand voice. Follow her on* Twitter@fabprose.

Be Prepared *for High-Volume* MEMBER SERVICE EVENTS

When planning for high-volume inbound call center events, Rob Price, VP/member elations at $1.3 billion San Francisco Fire Credit Union (*sffirecu.org*), suggests you:

1. Interview other credit unions similar in asset and membership size to learn what went well and why.
2. Engage staff from the moment you start down the conversion path.
3. Train in blocks of time (not all at once) to ensure retention.
4. Monitor call volume and adjust on-the-fly to stay ahead of the queue.
5. Don't just look at total calls, analyze at one-hour intervals and staff accordingly. Intra-day reports of call statistics from Harland Clarke were delivered every 30 minutes to ensure the proper routing of call volume.
6. Don't be slow to react.
7. Look for trends you wouldn't think of.
8. Plan for staffing and have the flexibility to make changes quickly.
9. Overstaff, despite what modeling predicts.
10. Arrange staffing for all delivery channels: in branch, phone, text and email.

"There will always be the unexpected during a conversion," says Price, "but proper preparation and staffing will help you to stay ahead of the queue and deliver the highest level of care to members."

CEO Institute Scholarship *Recipient Announced*

Helen Mickel

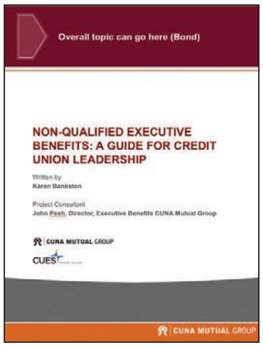
CUES is proud to announce that Helen Mickel, president/CEO of $77 million Tongass Federal Credit Union, Ketchikan, Alaska, is the 2018 recipient of a scholarship to attend CUES' prestigious CEO Institute program (*cues.org/institutes*). CEO Institute is specifically for credit union executives and held over three years at three of the nation's most respected business schools:

- CEO Institute I: *Strategic Planning*, The Wharton School, University of Pennsylvania, Philadelphia;
- CEO Institute II: *Organizational Effectiveness*, Samuel Curtis Johnson Graduate School of Management, Cornell University, Ithaca, N.Y.; and
- CEO Institute III: *Strategic Leadership Development,* UVA Darden Executive Education, Charlottesville, Va.

The scholarship provides one-third of the registration fee for all three years of the institute. Active CUES members who are full-time paid CU executives committed to attending the entire program are eligible to apply.

Since 1995, 870 CU executives have completed all three segments of the CEO Institute program. Executives who complete all three years of the CEO Institute program and two post-segment projects are eligible to become Certified Chief Executives (CCE). The three spring programs are sold out, but CUES has added a summer session for CEO Institute I, Aug. 12-17. To register, contact Teresa Brogan at 800.252.2664 or 608.271.2664, ext. 331, or email *teresab@cues.org*.

Non-Qualified Executive Benefits: *A Guide for Credit Union Leadership*



Why are deferred compensation plans important? A new report helps answer that question and offers a nine-step process to develop and maintain a deferred compensation plan.

In *Non-Qualified Executive Benefits: A Guide for Credit Union Leadership*, an e-book developed with CUESolutions provider CUNA Mutual Group (*cues.org/cmg*), readers will find case studies illustrating why having an executive benefits plan is important and how to develop the right plan to keep and attract top CU talent.

Competition for executive leadership has become increasingly intense in the financial services sector. It's natural that, in the coming years, deep-pocketed financial institutions will target more executives from credit unions. Deferred compensation programs are one of the few powerful incentives CUs can prudently offer to keep the industry's best executive talent from jumping to competitors. Why not just raise salaries and annual bonuses? Structuring and maintaining deferred compensation plans can be complex and time-consuming, but it pays off in ways a salary boost or annual bonus may not.

Short-term compensation is typically tied to short-term performance goals—how the CU or the executive's department performs in relation to the board's annual goals. If the executive meets those goals over several years, the board sets its sights on keeping that high-performing leader with the organization for the long term. Notably, a competitor could easily match a salary boost or bonus or promotion. Without a long-term benefit plan in place, the CU has few advantages in a bidding war.

On the other hand, a CU can structure a deferred compensation plan that motivates its successful executive(s) to stay with the organization. Offering a $100,000 payout at the end of five years of service, for example, may be an effective enticement. An executive who has put in three and a half years of that term is much less likely to be tempted by the offer of a 10 percent raise elsewhere. Download the full report at *cues.org/cmg*.

Webinars *On Tap*

The CUES Webinar Series (*cues.org/webinars*) offers hot topics presented by industry experts. CUES members can attend all webinars for free and access a library of webinar playbacks.

APRIL 4
1 p.m. Central
The State of CU Governance, 2018 Report: 6 Key Findings

APRIL 6
1 p.m. Central
The Right Board Mix—New Vs. Entrenched Directors

APRIL 11
1 p.m. Central
Managing Third Party Cybersecurity

APRIL 25
1 p.m. Central
Social and Emotional Intelligence for a Stronger Workplace: The ROI of SE+I

View all webinars and register at *cues.org/webinars*.

AD INDEX

To advertise, email *cathy.woods@mediawestintl.com* or visit *cues.org/advertise*. CUES partners and CUES Supplier members are noted in **bold**.

Helping CUs *Blossom*

This year, CUES' partnership with the University of Chicago Booth School of Business will bloom into the Strategic Growth Institute™ (*cues.org/sgi*), July 23-26, at the Gleacher Center.

Executives and directors attending this new four-day program will learn directly from the distinguished faculty of the university, where they will examine growth possibilities through mergers, acquisitions and alliances, and how to determine which strategy is right for their credit unions.

Stephen Morrissette, Ph.D., adjunct professor of strategic management, and Marc Knez, Ph.D., clinical professor of strategic management at the University of Chicago's Booth School of Business, will help attendees gain an understanding of the impact of technology on growth strategy; determine their CUs' core competencies and value proposition; determine how to find the right merger or affiliation partner; and learn how to implement and execute an action plan.

Participants will discuss the size of their institution, an important topic, says Morrissette, co-lead faculty of the institute. "I ask [everyone] to spend some time considering—an introspection, an analysis, to figure out what the right size for their shop is."

In the CUES Podcast Episode 20, he poses this scenario: "Let's say you're running a $100 million institution. Ask yourself, 'is there anything the $500 million credit union down the street can do for their members that you cannot?' and look at that gap. If that gap is small and perhaps not extremely important to your membership, then you're fine. If the gap ... is very wide, then you have to ask yourself, are you serving your members well? And 'Could I serve my members better if I somehow joined forces with another credit union?'" (Hear more about right-sizing your credit union, merger myths and the impact of technology at *cues.org/podcast*.)

Attend CUES' Strategic Growth Institute™ (*cues.org/sgi*), July 23-26, at the University of Chicago Booth School of Business Gleacher Center.

Learn more and register today at cues.org/sgi. *Hurry—only limited seats are available for board members!*

2018

CEO INSTITUTE I:
STRATEGIC PLANNING
April 8-13
The Wharton School
University of Pennsylvania
Philadelphia

CUES GOVERNANCE LEADERSHIP INSTITUTE™
April 15-18
Florida International University
Miami

EXECU/BLEND™ NEW
April 29-May 2
Hyatt Regency Sonoma Wine Country
Santa Rosa, Calif.

CEO INSTITUTE II: *ORGANIZATIONAL EFFECTIVENESS*
April 29-May 4
Samuel Curtis Johnson School of Management, Cornell University
Ithaca, N.Y.

CUES SCHOOL OF APPLIED STRATEGIC MANAGEMENT™
April 30-May 3
Embassy Suites by Hilton Orlando
International Drive Convention Center

CUES SCHOOL OF BUSINESS LENDING™ I: *BUSINESS LENDING FUNDAMENTALS*
April 30-May 4
Embassy Suites by Hilton Orlando
International Drive Convention Center

CEO INSTITUTE III: *STRATEGIC LEADERSHIP DEVELOPMENT*
May 20-25
UVA Darden Executive Education
Charlottesville, Va.

CUES GOVERNANCE LEADERSHIP INSTITUTE™
June 10-13
Rotman School of Management
University of Toronto

STRATEGIC INNOVATION INSTITUTE™
July 15-20
Stanford Graduate School of Business
Stanford University
Stanford, Calif.

CUES SCHOOL OF BUSINESS LENDING™ II: *FINANCIAL ANALYSIS AND DIAGNOSTIC ASSESSMENT*
July 16-20
Crowne Plaza Seattle

CUES SCHOOL OF STRATEGIC MARKETING™ I
July 16-18
Crowne Plaza Seattle

CUES SCHOOL OF STRATEGIC MARKETING™ II
July 19-20
Crowne Plaza Seattle

STRATEGIC GROWTH INSTITUTE™
July 23-26
University of Chicago
Booth School of Business

SUPERVISORY COMMITTEE DEVELOPMENT SEMINAR
July 23-24
Kimpton Hotel Palomar San Diego

BUSINESS LENDING FOR DIRECTORS SEMINAR
July 23-24
Kimpton Hotel Palomar San Diego

DIRECTOR STRATEGY SEMINAR
July 25-27
Kimpton Hotel Palomar San Diego

CEO INSTITUTE I:
STRATEGIC PLANNING (SUMMER SESSION)
Aug. 12-17
The Wharton School
University of Pennsylvania
Philadelphia

PAYMENTS UNIVERSITY
Aug. 13-14
Embassy Suites by Hilton Denver
Downtown Convention Center

CUES SCHOOL OF CONSUMER LENDING™
Aug. 13-14
Embassy Suites by Hilton Denver
Downtown Convention Center

CUES SCHOOL OF ENTERPRISE RISK MANAGEMENT™
Aug. 13-16
Embassy Suites by Hilton Denver
Downtown Convention Center

Note: CU directors are encouraged to attend events listed in blue. For all future CUES events, visit *cues.org/calendar.*

A Dozen Questions *for Assessing Data Breach Risk*

BY KEVIN MALICKI

Recently, I was on a call with a financial institution that had a particularly hard time wrangling third-party risk management and mapping internal controls to risks. So I asked this question: "Do you use Equifax?" The client said, "Doesn't everyone?"

Here's why this is important: The former Equifax CEO has been called to Congress and interviewed extensively on how a breach of this magnitude happened, why there was a lack of urgency in contacting clients, and what course of action is being taken to resolve the problem and ensure it doesn't happen again—because every piece of data Equifax had was obtained from financial institutions. Have you considered your own risk in this situation?

It's very unfortunate that 143 million people—nearly one out of every two people in the U.S.—have been impacted by this tragic event. A theft of personal financial data can be life-changing. With so much potential damage to the average American consumer, regulators will want to hold the businesses doing business with Equifax accountable as well.

If you work with a third party and share data with them, the following questions need to be considered:

1. Have you read your contract with the third party?
2. Do you know where your third-party contract is?
3. Is it up to date?
4. Does it contain a clause regarding a breach of information?
5. Does it outline a data breach communication plan?
6. Where does the communication plan "live"?
7. Has it been tested?
8. What oversight do you as a financial institution provide to the third party?
9. Do you have a recent SOC I and SOC II form (*tinyurl.com/ybsbcdok)? Did you review* them? Do they note vulnerabilities or exceptions?
10. Where is your risk assessment document?
11. What controls do you have in place?
12. Where are your audit results? (Has your audit firm provided you with audit results? Has Equifax?)

We've also created a handy checklist of these kinds of questions that every financial institution should ask in the wake of a data breach. Download it at *tinyurl.com/hcdbchecklist*.

Kevin Malicki *is director of product management for governance, risk and compliance at Harland Clarke* (harlandclarke.com)*, San Antonio.*

Read the full post and leave a comment at cues.org/022118skybox.

Our Favorite *Recent Posts*

"… Adding and replacing directors offers a chance to increase board diversity—and profits. Adding women to a board, for example, can result in a greater return on sales, according to ongoing research by Catalyst … Catalyst has also indicated that there is a link between more female board directors and improved stock growth."

Nicholas J. Price, content marketing manager at Diligent Corp. (*diligent.com*), New York, in "The Why and When of a Board Refresh" on CUES Skybox: *cues.org/020718skybox*

"Millennials, as a whole, have become better than past generations in saving money and initiating savings earlier on in their careers. Millennials are also beginning retirement plans, investing and have overall more positive spending behaviors than previous generations. These behaviors may be a result of a common theme for this generation to put off bigger purchases to pursue life-enriching experiences."

Gary Singh, VP/marketing at Ondot Systems Inc. (*ondotsystems.com*), Santa Clara, Calif., in "The Secret About Millennials? They know how to save" on CUES Skybox: *cues.org/021918skybox*

"For too many organizations, doing 'what you've always done' to acquire talent has you firmly in the RED: Your efforts are reactive, expensive and desperate. … Life in the RED for businesses includes a series of unexpected departures and disappointing outcomes that lead to competitive disadvantage and, in the worst cases, locked doors and shuttered windows."

Orlando Bishop, thought leader with The Kaleidoscope Group (*kgdiversity.com*), Chicago, in "Get Out of the 'Red' With Diversity" on CUES Skybox: *cues.org/021418skybox*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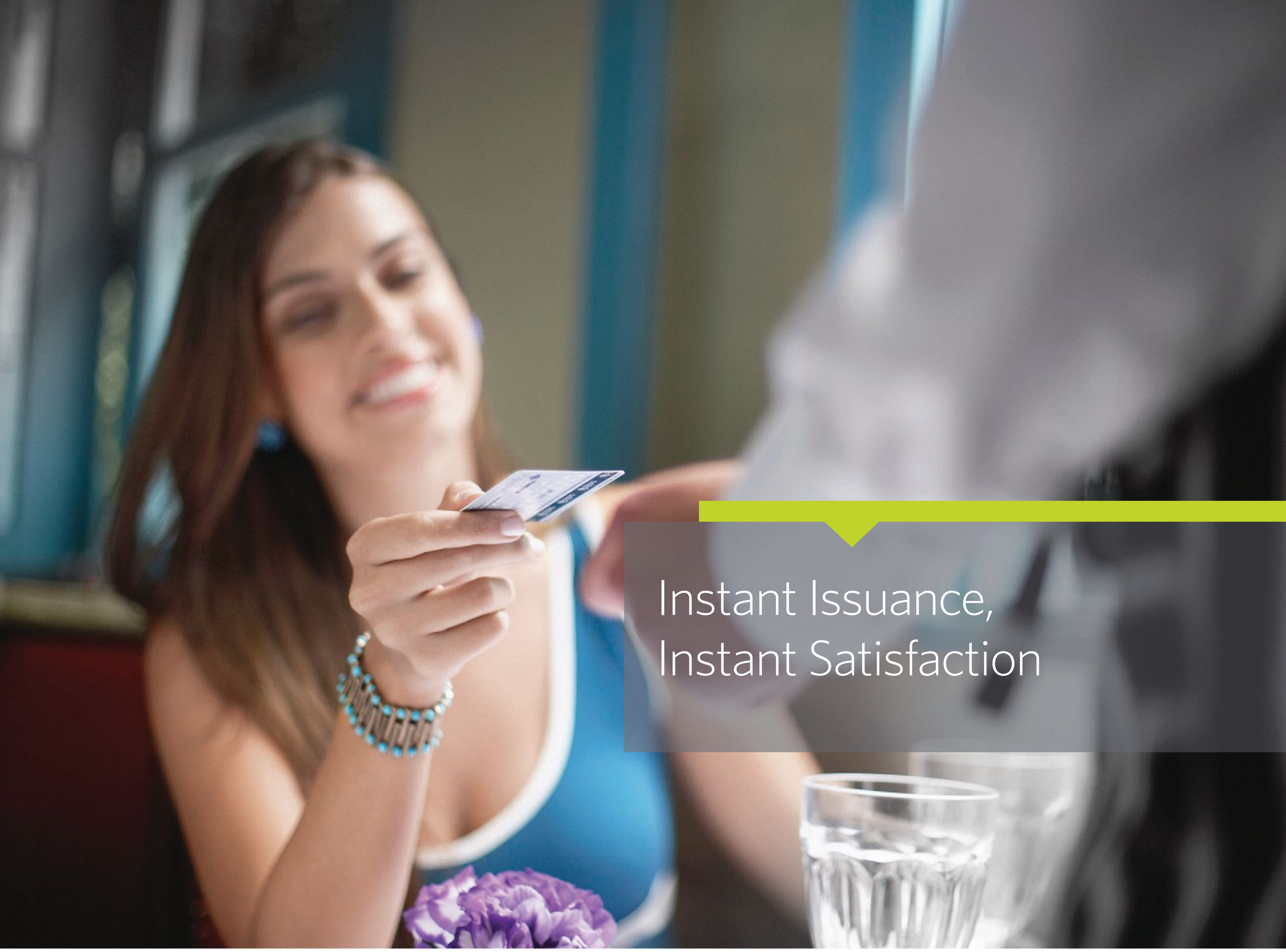

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