Strategic Growth Institute™

July 23–26, 0218

The University of Chicago
Booth School of Business
Chicago, IL

Develop Smart Growth Strategies

Learn smart ways to take advantage of lucrative growth opportunities at Strategic Growth Institute. You'll walk away knowing how to:

- Analyze, evaluate, and recommend specific actions to grow your credit union
- Build value by scaling existing markets, entering established markets, or creating new markets through innovation and mergers
- Implement and execute the action plan you create

Designed specifically for the CU industry, Strategic Growth Institute allows you to learn directly from the University of Chicago Booth School of Business faculty.

Don't leave money on the table; learn more and register now at **cues.org/SGI**.

CHICAGO BOOTH
Executive Education

CUES
POTENTIAL. REALIZED.™

CU MANAGEMENT

MAY 2018 • IN-DEPTH INFORMATION FOR CREDIT UNION LEADERS

$1 BILLION *and Beyond*

Advantages of scale must be managed carefully.

cues.org/cumanagement

CUES
POTENTIAL, REALIZED.™

OMNICHANNEL SUCCESS
Start by identifying key metrics

SPECIAL REPORT: MOBILE PAYMENTS
Know your members’ needs

ROBOTIC CEOs?
The future of artificial intelligence

ONE TRANSFORMATIVE DATA STRATEGY.
BILLIONS OF OPPORTUNITIES FOR ACTIONABLE INSIGHT.

EMPOWERING MEMBER
GROWTH

- Payments
- Networks
- Member Service
- Growth and Retention Services

Processing over 4 billion member transactions in 2017 alone creates a constellation of diverse data with awesome potential. CO-OP will seamlessly manage this precious resource so credit unions can leverage it all. With data mapping to better predict trends. Intelligent architecture streamlining insight generation. And a rules engine powered by machine learning and AI to predict and fight fraud like never before. All through a single, streamlined ecosystem. So you can be more relevant than ever to your members, and grow.

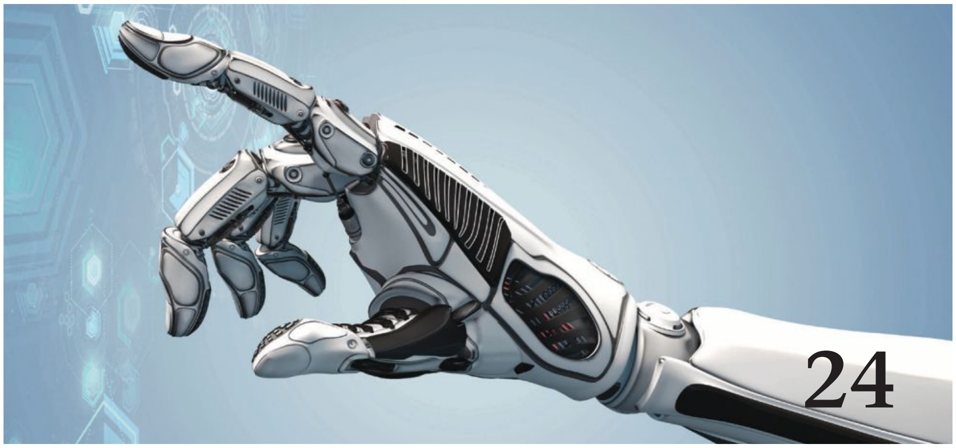
CO-OP FINANCIAL SERVICES

Get empowered at: coop.org

Contents

MAY 2018

VOL. 41, ISSUE 5



FEATURES

Contents

ARTICLES

SPECIAL REPORT: PAYMENTS

IN EVERY ISSUE

JOIN US ONLINE

@TheRealCUES
@TheRealCUES
CUES
CUES
feeds.feedburner.com/cues/feed

CONTACT CUES

PHONE 800.252.2664
CANADA 604.559.4455
EMAIL *cues@cues.org*

cues.org

ONLINE ARTICLES, VIDEOS AND MORE

Web-Only Bonus

Grab—and Keep—Consumers' Attention

'Omnichannel' helps move people through the five stages of buying.

cues.org/042418skybox

Online-Only Column

Next-Level Skills for Front-Line Leaders

Enhance member experience at the point of first and most frequent connection.

cues.org/0418leadershipmatters

myCUES App

Is Bigger Better?

How economies of scale play out across CU asset ranges

Download the myCUES app (*cues.org/mycues*) to read this article under "Spotlight."

CCUBE Members-Only

Video: Open to Persuasion

Liz Berney, Ph.D., president of Berney Associates LLC, discusses the great importance of listening in communication and benefits of CU board members being open to persuasion. By being open to persuasion, directors may serve their organization and members in the best possible manner.

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 51: Keys to (Any) Member Business Lending Program

In this episode, guests Jim Devine and Bob Hogan, co-founders of Hipereon Inc., discuss the essential attributes of successful business lending, the types of training and resources CUs need to develop a solid program, and the learning opportunities offered in the CUES School of Business Lending series.

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

CU Management (ISSN 0273-9267, cues.org/cumanagement) is published monthly—including an annual buyer's guide—by the Credit Union Executives Society (CUES®), 5510 Research Park Drive, Madison, WI 53711-5377. Telephone: 800.252.2664 or 608.271.2664 in the U.S.; 604.559.4455 in Canada. Email: *cues@cues.org*. Web site: *www.cues.org*. Periodicals postage paid at Madison, Wis. (USPS 0569710). Copyright 2018 by CUES. Materials may not be reproduced without written permission. Manuscript submissions and advertising are welcome. The appearance of an advertisement does not imply endorsement by CUES. Editorial opinions and comments in the magazine are not necessarily those of CUES.

Annual subscription rate for CUES, CUES Director and CUES Supplier members is $89, which is included in dues. Additional subscriptions: $89. Non-member subscriptions: $139. Digital-only subscriptions: $69. Single copy: $10. Subscriptions outside the U.S. will be invoiced for additional postage costs.

For high-quality article reprints of 100 or more, call CUES at 800.252.2664, ext. 307.

POSTMASTER: Send address changes to:
Credit Union Executives Society,
P.O. Box 14167
Madison, WI 53708-0167.

WINNER 2017 APEX AWARDS FOR PUBLICATION EXCELLENCE

The Robot in *the Corner Office*

My husband can't wait for his (eventual) self-driving car. At a party last month, he explained that they will be safer, improve traffic flow and be better for the environment. But a friend was not sold. "I want to *drive* my car when I drive in my car," she exclaimed.

Self-driving cars are just one example of how artificial intelligence is poised to make over our world. What does it have in store for the credit union industry?

Integrating banking apps with digital assistants like Alexa or Siri is an obvious first step. AI-driven loan decisions and compliance tasks are easy to imagine, too. But what about the management function? Futurist and artificial intelligence expert Peter Scott predicts that AI could replace the CEO.

"The function of the C-suite is essentially assimilating business intelligence and doing strategic planning. Computers are getting better and better at doing that," he says in "What's Ahead for Artificial Intelligence?" on p. 24. A chairman or CEO's strategic planning time might be better spent on the golf course, negotiating with other executives about mergers, partnerships and supply chains, Scott proposes.

In the world that Scott envisions, a robot CEO might help a credit union reach the $1 billion milestone sooner. But if growth is part of your CU's strategic goals, you don't need to wait for that far-off future. In our cover story, "$1 Billion and Beyond," we explore the advantages of being big—including economies of scale, brand recognition and better negotiating traction—as well as the challenges. For example, communication gets more complicated with more layers of management. Departments may tend to silo. And talent development becomes more crucial.

"One of the things we realized is that just because we have more people doesn't mean we have more leaders. Bench strength is not an automatic," says CUES member and board chair Kim Sponem, CEO/president of $3 billion Summit Credit Union, Madison, Wis. Read more on p. 10.

A terrifying scenario is imagining the power of AI in the hands of the bad guys. As if our current security threats weren't scary enough! When I first read "Sharing the Cybersecurity Burden," I must admit this quote from Gene Fredriksen, VP/chief information security officer at CUES Supplier member PSCU and CEO of National Credit Union ISAO, St. Petersburg, Fla., made me shake:

"Just like on our side we're constantly developing tools to make it easier for our members to interface with us, the bad guys are developing better tools to make it easier—tools that they can sell to people who aren't necessarily technical," he says. Interestingly, when it comes to managing these cybersecurity risks, smaller credit unions might have an edge. Read more on p. 16.

Where do you stand on the self-driving car question? Are you like my husband and ready to let the machine decide your direction (or fate!)? Or, are you more like my friend who wants to be in full control? Let me know at *theresa@cues*.

Theresa Witham

Theresa Witham
Managing Editor/Publisher

LET'S CONNECT

Comments, suggestions and letters can be sent to **theresa@cues.org**.

TWITTER: @tawitham
LINKEDIN: Theresa Witham
INSTAGRAM: tawitham

YOUR THOUGHTS

HOW WOULD YOU FEEL ABOUT WORKING FOR A ROBOTIC CEO?

>> Email your answer to **theresa@cues.org**.

SUPPLIER SPOTLIGHT

Todd Clark

Title: President/CEO

Phone: 800.782.9042, Opt. 2

Email: solutions@coop.org

Website: co-opfs.org

What keeps your clients up at night?
Digital transformation. As we experience a surge of exponential technology, the industry is feeling pressure to integrate quickly to continue serving members well. Because credit unions are member-centric, they want to get it right. They can see the shift in consumer expectations, and they want to be able to deliver on the hyper-personalized, highly predictive experiences members are beginning to demand. They also know technology and digitalization are not the only answers. Credit unions understand true digital transformation requires meaningful culture and mindset changes, and those are difficult. That said, the CU leaders CO-OP works with have shown an eagerness to pursue that transformation alongside our organization.

How does CO-OP make its credit union clients more successful?
CO-OP is taking a new approach to meeting the needs of credit unions in an increasingly digital world. We're empowering our clients with innovative payments tools, data, strategy and insights so they can compete in this rapidly transforming environment. And we're doing it together through a series of collaborative strategies, including co-creation councils that leverage our clients' front-line expertise to build out new products and services for the digital consumer. Because CO-OP is traversing its own digital transformation journey, sharing learnings with clients is an important part of this collaboration, as well.

Why do you love credit unions?
They come from a place of true collaboration that is real and sincere. Anytime the industry faces adversity—from regulatory and legislative challenges to digital transformation and data maturity pressures—credit unions consistently demonstrate resiliency. They uniquely come together and celebrate shared learnings to advance the movement.

The 5 Most Powerful *Debrief Questions*

Debriefing should be a significant part of any project because, oddly enough, we learn more from an event or project once it's all over than we do during its execution. Think about the way a sports coach creates a game plan.

Only after watching the team play can the coach see what works and what doesn't and then create a strategy for the next game. As a manager and coach (albeit of the non-sporting kind), you're doing the same thing when you debrief.

Your best bet is to ask a few powerful questions post-project that focus on learning and community building, rather than on measuring success. Don't set this up for failure by making it a finger-pointing affair; rather, consider it as a way to work on strategy.

So, let's take a look at those questions:

1. What were we trying to do? This is when you might repeat the goals of the project and reiterate what you were all trying to achieve. It can be as simple as going over the original plan.

2. What happened? As you know, what we plan isn't always what ends up happening. This can initiate a moment of reflection. Capture specific results rather than using this question to call out instances when someone might have done something wrong.

3. What can we learn from this? It's easy to point to the flaws of a project or event, but it's more worthwhile to start with what's been successful and expand from there.

4. What should we do differently next time? This discussion reminds us of the gathered wisdom we can use moving forward, instead of falling into a pattern of doing things the "usual" way.

5. Now what? Now for the practical stuff. A debrief might lead to actions that need to be taken, and this is where you can decide who should do what. Set up accountability—decide on actions, set up tasks and determine deadlines.

Read the full version of this article at cues.org/0318leadershipmatters.

Michael Bungay Stanier *is the senior partner and founder of Box of Crayons* (boxofcrayons.com)*, a company that helps organizations do less good work and more great work. It is best known for its coaching programs, which give busy managers practical tools to coach in 10 minutes or less.*

LETTERS TO THE EDITOR

TRANSFORMING LEADERS

I wanted to take a moment to let you know how much I enjoyed the April cover story in *CU Management* magazine ("Transforming Manager to Leader," *cues.org/0418transforming*). I shared this article with our entire management team as the information provided is relevant and enlightening. I like how you finished it off with "Gems & Nuggets." Outstanding!

Lorrie Candiotti, CCE
SVP/Chief Operating Officer
On the Mark Strategies
Merritt Island, Fla.
Via email

ENGAGING THE MEDIA

In "Inside Marketing: Why Credit Unions Need to Have Media Sections on Their Websites," we explain why CUs need to make it easy for reporters to connect with you. Read the article at cues.org/0218insidemarketing.

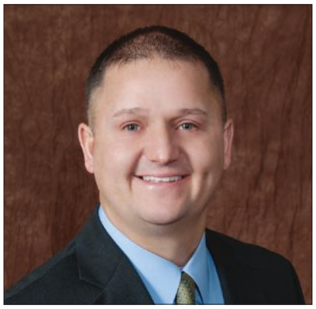
Having a media section on your credit union's website is an OUTSTANDING suggestion! This is best-practice type stuff. Many credit unions say they are all about the community yet miss a key element of that community strategy: local media efforts. Having a place on your site just for media is a fantastic touch. We do marketing audits for credit unions all over the country, and as part of those audits, we review their website. And you are absolutely correct that many credit unions are missing this key ingredient to their site. The good news is that this is an easy fix.

Mark Arnold
President
On the Mark Strategies
Carrollton, Texas
markarnold.com
Via *cues.org*

"***Dear everyone under 35:*** **Start dreaming up some world-changing ideas that will advance the credit union industry!"**

Geoff Bullock, financial education specialist at $1.1 billion Firefly Credit Union, Burnsville, Minn., and the 2017 CUES Next Top Credit Union Exec, at *tinyurl.com/y72ujzh6*. Nominate a young CU professional—or yourself—at *ntcue.com*.

SUPPLIER SPOTLIGHT



Jeff Owen

Title: COO

Phone: 913.890.8011

Email: jowen@rochdaleparagon.com

Website: rochdaleparagon.com

What makes Rochdale Paragon and apogee iQ unique?
Our mix of expert services and software makes us unique; we are first and foremost business and risk consultants, and we have intelligently infused that expertise into our intuitive software modules.

What do your clients love about Rochdale Paragon and apogee iQ?
Our clients love our ability to engage with all levels of the organization—board and other volunteers, executives, management and staff alike. Credit unions also love our industry (and outside-the-industry) expertise, gained from broad experience across the entire financial services spectrum, as well as the fact that we are a CUSO. Lastly, our clients see us as an extension of the management team; they see us as a true partner versus just another vendor.

How can credit unions be more successful?
Credit unions can become more successful by developing a culture of risk awareness. The more prepared credit unions are to meet the daily demands of the business, the more capable they will be to navigate and overcome the uncertainties of tomorrow—they will be able to focus on new value creation and ongoing relevance rather than simply surviving.

Credit unions must learn to see navigating risk as not only a way to preserve organizational value, but to create and drive new value for the membership.

$1 Billion *and Beyond*

ADVANTAGES OF SCALE MUST BE MANAGED CAREFULLY.

BY KAREN BANKSTON

Reaching $1 billion in assets has entailed a steady climb for many credit unions—and they're not resting on their laurels after achieving that milestone.

The largest CUs may wield more resources and a higher profile in their markets than smaller ones, but the advantages of scale must be carefully managed to continue to advance.

"You definitely have to work at achieving efficiency and economies of scale. Size on its own won't accomplish that," says CUES member and board chair Kim Sponem, CEO/president of $3 billion Summit Credit Union (*summitcreditunion.com*), Madison, Wis., with 175,000 members.

CUES member Garth Warner, CCD, president/CEO of $15.4 billion Servus Credit Union (*servus.ca*), one of Canada's largest financial cooperatives, concurs: "Size provides opportunities to gain economies of scale. It's not automatic. The efficiencies are there, but continual cost discipline and strategic priority-setting are required to be sure that your costs are rising slower than revenue growth."

WHAT'S IN A NUMBER?

At year-end 2017, according to National Credit Union Administration data, the 287 federally insured credit unions in the $1 billion-plus range accounted for 5 percent of the total number but commanded 64 percent of U.S. credit unions' combined assets.

Based in Pleasanton, Calif., 1st United Credit Union (*1stunitedcu.org*) joined those ranks in the fall of 2017, in an uptick fueled in part by favorable deposit rates offered with a goal of maintaining the influx of funds from its 58,000 members to meet loan demand, says CFO Steve Stone, a CUES member.

"When we could see that milestone in sight, there was a bit more concerted effort to get us over that hump," Stone says. "On the one hand, $1 billion is just a number. But as we have gotten to be a larger credit union, it has allowed us to do more things. And psychologically, in terms of selling ourselves out in the community and the pride our employees have in the organization, being able to say we're a $1 billion credit union, there's value there."

Achieving the $1 billion milestone has been "a nice benchmark" with benefits, says CUES member Frank Padak, president/CEO of $1.2 billion/139,000-member Scott Credit Union (*scu.org*), Edwardsville, Ill. "It broadcasts that we're a player and an influencer in the market. Vendors are more eager to work with a larger credit union. They see greater potential, and our transactional volume offers some leverage in negotiating pricing."

At the same time as it has grown, Scott CU has devoted more energy to maintaining its culture and personal touch with members, training has become more formal and structured, and policies and procedures are documented more thoroughly, Padak says. Large credit unions can no longer rely solely on long-time employees to serve as the institutional touchstone for process and cultural guidance.

The increasing reliance on technology in financial services and the ability to hire the talent they need to optimize their operations proffers an advantage to larger credit unions, suggests Michael Bell, attorney with Howard & Howard (*howardandhoward.com*), Royal Oak, Mich. "Technology is not the end-all-be-all, but bigger credit unions have more resources to invest in innovations that can increase efficiency and achieve some optimization.

"It's not all about size, but I do believe that in a heavily regulated industry, bigger is better most of the time, to make credit unions most efficient, most effective and better able to serve their members," Bell says.

OPPORTUNITIES AND CHALLENGES

Stone says 1st United CU maintained growth by "doing the same thing that all credit unions should be doing." He advises: "Monitor your procedures for redundancies to eliminate or simplify them. Automate what you can and look to optimize your opportunities. Make sure you're approving as many memberships as you can. Make sure you're approving and funding as many loans as you can."

Chief among the advantages of scale is the ability to hire the expertise needed to support technology and business intelligence initiatives, to keep pace with compliance requirements, and to take chances and survive the occasional setbacks inherent in innovation.

"From that standpoint, especially in the areas of technology and business intelligence, it allows you to do more, and as you do more, you can offer more and better products and services," Stone says. "You spend more money but tend to get more out of it."

"... I view technology as a tool. It can help people do their jobs better and maybe make them more efficient, but it can't replace the knowledge and expertise required in leadership, lending, financial planning and risk management."

— Garth Warner, CCD

As 1st United CU has grown, its data warehouse and reporting team has expanded from one specialist to four, who work to combine data from core processing, loan origination, collections, online banking and other systems to track productivity and growth in real time and to disseminate results in reports and dashboards. The team also works on automating processes, such as monitoring fraud and credit risks in granting access to courtesy pay and mobile deposit services and enhancing account alerts so that they provide more timely information for members. (In all, the CU has 152 employees.)

The chief business generators for Summit CU have been mortgage, business and car loans, including indirect lending, with support for loan growth from contact center and branch employees. To maintain that emphasis, Sponem says a key metric she began focusing on more since the credit union reached $1 billion is assets to full-time equivalents. (It now has 540.) In effect, the CU strives to manage the latter to grow the former while maintaining an efficiency balance.

"As you grow, you also get more and more requests for new positions. The key is to determine which positions you need to add when," she notes. "You need to ensure that your credit union's ability to pay the bills is rising as fast as the payroll, and you need to staff with folks who are going to generate revenue for you."

As credit unions get bigger, the pace at which they grow often accelerates. About every $300 million to $500 million in assets, there's a push to add infrastructure and scalability, Sponem adds. "At those critical points, we especially pay attention to how many positions can we afford to put in place and which make the most sense to achieve our strategies."

Scott CU's staff expansions in step with growth have primarily been specialists in IT, risk management, fraud management, compliance and quality control. New positions have also been added in the call center and in collections to keep pace with higher volume, and the credit union now has 265 employees in all. Notably, steady transaction declines have turned branches into "huge billboards," as Padak puts it.

Still, the credit union may lease new branch locations in its strategy to expand into a new geographic market, raising its profile across the Mississippi River. St. Louis County, Mo., matches the combined 1 million population of the 17 Illinois counties Scott CU currently serves. "Almost half of all our indirect lending comes from Missouri, but we have no branches there so we don't get those members' deposits. Branches drive deposits," he says.

Even with those expansion plans, Scott CU closely manages staffing costs, its largest expense, to maintain its commitment "to create maximum value for the membership without relying on fees or different ways of manipulating member services to increase revenue," he notes. "Credit unions of all sizes need to assess staffing needs carefully to ensure that every position is needed. Regardless of size, efficiency is critically important to compete."

SCALING UP

Geographic expansion entails additional "step costs" to create new infrastructure to support that outward growth, notes Warner, whose Edmonton, Alberta-based CU serves 370,000 members in 59 communities across the province with 104 branches and 2,200 employees.

Moving into new markets involves establishing a brick-and-mortar presence, adding staff and expanding marketing and travel costs, he says. "And it requires the development of a new skillset to manage operations and communications remotely to maintain consistent service delivery and quality control across locations. It's easier to supervise when you can see what's going on daily, all the nuances of human interactions," he adds. "There's a different art and technique in recruitment and retention in more remote locations."

As credit unions grow, leadership development becomes more essential. "How do you communicate the direction of the organization through multiple layers of management without being able to speak directly with everyone?" Warner asks. "Even with a goal to keep the number of layers between the CEO and frontline staff at a minimum, sheer size requires you to pyramid up a bit. You can't provide effective coaching and support if you've got too many people reporting to you."

Expanding the hierarchy makes it harder to ensure key messages are shared consistently across the organization. "It's constant work to make sure that everyone is on the same page," he says. "Communication becomes ever more challenging and more important the larger you get."

Automation can help enable communications and streamline operations, but Warner adds, "Fundamentally, as a skillset, I view technology as a tool. It can help people do their jobs better and maybe make them more efficient, but it can't replace the knowledge and expertise required in leadership, lending, financial planning and risk management."

"Communication becomes ever more challenging and more important the larger you get."

— Garth Warner, CCD

Larger CUs need to formalize processes and procedures, such as communications, project management, talent assessment and leadership development, Sponem says. Summit CU partnered with a local college to create a leadership academy to groom future managers and executives.

"One of the things we realized is that just because we have more people doesn't mean we have more leaders. Bench strength is not an automatic," she says.

BREAKING DOWN BARRIERS

The larger a credit union gets, the harder it needs to work to avoid becoming siloed in distinct business units, Stone says. His CU has developed several strategies to ensure that managers and staff across the organization understand and work together toward the same goals. For example, executives regularly reshuffle duties, trade off areas and add departments so that they continually learn more about the business.

"I was chief lending officer for many years before becoming CFO," Stone says. "I didn't leave lending behind—I just brought that knowledge with me into the finance area. Lending is the biggest driver of income, so it's good knowledge for the finance area to have."

A staff rotation team was also created at 1st United CU to facilitate frontline and back-office staff up to mid-level managers working in various departments to learn different aspects of the business. The goal is to help employees become well rounded and engaged while increasing staffing flexibility to cover spikes in demand or employee absences. For example, a branch manager was assigned to handle administrative tasks on the collections team and later worked in real estate lending and finance. Those temporary assignments help spread knowledge across departments and lend an "outsider's view" to suggest possible efficiencies within business units, Stone notes.

Cross-functional teams provide another pathway to facilitate connections and communications across business units as operations grow in size and complexity, Sponem says. "Collaboration becomes even more important within a larger organization where there are more stakeholders and more people who need to be in the know."

CARRYING THE COOPERATIVE BANNER

Bell has heard the suggestion that $1 billion-plus CUs are less reliant on cooperative principles, but he soundly rejects that notion. "I'm a firm believer that the cooperative model is just as much in place and may even get stronger the larger a credit union gets. The bigger the credit union, the more it can do for the movement" both on the advocacy level and in promoting the credit union difference, he says.

"The cooperative movement and its underpinnings are in their DNA. It's what got them to where they are," he adds. "It's what

continued on p. 14

Teri Van Frank

Title: President/CEO

Phone: 800.888.0766

Email: tvf@shareone.com

Website: shareone.com

How is Share One making the credit union industry stronger?

Share One has exclusively served credit unions for over 40 years, and we credit our longevity to offering an exceptional, ever-evolving core software and continuously working to help our clients achieve their goals. Our clients range in asset size from $20 million to $1.6 billion, and each runs our core software, NewSolutions, with their own customized set of business rules. NewSolutions is flexible and robust enough to offer many built-in components, often times eliminating third-party add-ons.

In every department at Share One, we strive to understand what our clients need to successfully serve their members. When clients call us, we have a conversation with them about their requests and then work together to achieve a successful outcome.

Tell us a client success story.

Last year, in less than three months, we helped over a third of our existing client base work through an obstacle with a third-party mobile provider. The provider experienced a leadership change and significantly increased its rates, forcing our clients to seek an alternative supplier. The Share One team came together to develop and deploy an affordable, superior solution. The Share One mobile banking app, NSMobile, was delivered at an affordable price and provides a true Omnichannel approach.

What do your clients love about Share One?

Share One is a CUSO, and we have no plans to sell our company to a big conglomerate. The focus of our business is to retain that personal connection with our clients which fosters a strong partnership.

Connect with us at *shareone.com* and register for a one-hour demo of NewSolutions.

defines their business model and differentiates them from competitors. They have no reason to move away from that."

Sponem agrees. "I think that being part of the cooperative movement is a huge competitive advantage—our biggest advantage over banks," she says. "The ability to share information, call on colleagues and bounce things around and learn from them—that's not available to industries where companies are publicly traded. Collectively, credit unions have a wealth of information and experience to share, and we all are stronger for it."

> **"One of the things we realized is that just because we have more people doesn't mean we have more leaders. Bench strength is not an automatic."**
> — Kim Sponem

The increased visibility of large CUs may help the industry make headway in the challenge of explaining what CUs are and how they benefit members, Stone says. "Anything that can help us get our story out is an advantage for all credit unions."

"We think the cooperative model is the best model in the world if done right," Warner says. "We are proud to be a financial cooperative. We adhere to all the cooperative principles of member ownership, directors elected by members, members being able to pass resolutions at the annual general meeting, collaborating with other credit unions and sharing economic gains with members."

In fact, Servus CU shared $50.6 million in dividends and cash patronage with members in 2017 and $420 million over the last nine years, a significant contribution in a province that has suffered economically. Beyond that financial return, the credit union is committed to supporting the communities it serves and the financial well-being of its members. "Shaping financial fitness is our noble purpose," he says simply.

That purpose is echoed in Warner's definition of the type of growth that Servus CU has enjoyed in recent years: "Organic growth really comes from what you build from within—your core differentiation in the market and the value you offer to members, and the culture and internal processes you build to deliver on that. The bigger you get, the more you can invest in the resources to achieve that."

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

MORE ON GROWTH

How Credit Union Size Affects Governance (*cues.org/0418ccubehow*)

30-day free trial member for Center for Credit Union Board Excellence (*cues@cues.org*)

Strategic Growth Institute July 23-26, Chicago (*cues.org/sgi*)

More Assets, *More Regulatory Scrutiny*

On the compliance front, regulatory scrutiny increases with the size and complexity of a credit union's operations. Larger credit unions with a broader range of products, services and delivery channels must manage greater risk with more sophisticated controls.

"At last year's examination, we had a lot of comments beginning with 'Well, now that you're almost at $1 billion...,'" says Steve Stone, CFO of $1 billion 1st United Credit Union (*1stunitedcu.org*), Pleasanton, Calif., and a CUES member. "Examiners had higher expectations for network security and IT and for a strong vendor management program, especially involving critical operations and sensitive member data. We can outsource the function, but we don't outsource the responsibility."

Regulatory expectations are also elevated for larger Canadian credit unions, which must comply with more complex accounting and financial reporting standards, levels of control, higher capital requirements and additional regulations for multiple business lines, including commercial, agricultural and wealth management services, says CUES member Garth Warner, president/CEO of $15.4 billion Servus Credit Union (*servus.ca*), Edmonton, Alberta. The nation's largest financial cooperatives "are expected to operate at a higher level of proficiency in maintaining compliance. There are big differences and a significantly higher cost to be able to operate at that level."

Sharing the *Cybersecurity Burden*

WITH HELP FROM TRUSTED PARTNERS AND PEERS, CUs CAN ADDRESS FAST-MOVING THREATS.

BY JAMIE SWEDBERG

The city of Atlanta has spent this spring trying to recover from a ransomware attack on a variety of its municipal systems. On March 22, attackers locked down the city's network and demanded a ransom of six bitcoins (about $51,000) or the attackers would wipe the city's data from its servers.

Events then took an even more alarming turn when a local news station shared the ransom note, which resulted in people sending large volumes of spam to the hackers. In response, the attackers shut down the payment portal, leaving the city no apparent way to pay the ransom.

At this writing, it's unclear whether Atlanta ever anted up. But in the wake of the attack, many departments were left using pencils instead of laptops, and the municipal courts were forced to postpone cases indefinitely. It would be some time until all of the affected networks and data were restored.

One of the city's biggest challenges in preventing and reacting to cyber attacks is the fact that it is a municipality, and therefore it has to run on a very tight budget compared to, say, large corporations. In this, it shares a commonality with credit unions, which often struggle to pay the kinds of salaries and buy the kinds of technology that would bring their cybersecurity resources in line with larger financial institutions. In a fast-changing cyber-crime world, that's a challenge that must be overcome.

The current landscape is both similar to and different from what organizations have experienced in the past, says Jim Benlein, CISA, CISM, CRISC, owner of KGS Consulting (*kgs-consulting.com*), Silverdale, Wash. For example, phishing—obtaining sensitive information fraudulently by such methods as email spoofing or redirecting users to fake websites—is more rampant than ever. But these tactics are now gateways to entirely new types of crime.

"There are still a lot of issues with phishing attacks," Benlein explains. "But where previously, phishing attacks tended to open up credit unions to malware viruses, a lot of that's changing. You're seeing more use of ransomware that's coming in through these phishing attacks."

Gene Fredriksen, VP/chief information security officer at CUES Supplier member PSCU (*pscu.com*), St Petersburg, Fla., says ransomware can be crippling. "I've helped a number of businesses, not credit unions, work their way through these," he says. "One way or another, a piece of malware gets on your machine which encrypts and locks up your data. It's either on your machine or it's on the corporate servers. [One company I worked with] had computer-controlled machines on the factory floor. What got locked up was their machine control files, including mixing recipes and the formularies. The extortionist said, 'Either I'm going to delete it, or you pay me a significant amount of money.' Getting production up and running again should be the No. 1 thing concerning management. To get there, however, many decisions will have to be made." In the case of a CU, the critical data would most likely be member account information and transaction history.

FAKE FRIENDS

Some cyber attacks are spectacular hits, like being targeted by a missile. Others can eat away at a financial institution bit by bit, like a cancer. Canh Tran, CEO and co-founder of Rippleshot (*rippleshot.com*), Chicago, says breaches that affect larger companies like Equifax can affect credit unions over time as criminals monetize the information they have stolen.

The Equifax breach "identified Social Security numbers, addresses, mobile numbers. So what's going to happen from a credit union point of view is they're going to be hit with something called synthetic fraud. They will start a new account of a totally fake person. That person will have the real person's name, will have partially their address, and a different mobile number. What happens is that the fake person that does not exist—that's why it's called synthetic fraud—is going to apply for a credit card."

The fake version gets turned down for that first credit card, Tran says. After all, they don't have any credit. But then the fraudsters try again at a department store that offers low-limit, low-risk cards.

"They have lower underwriting criteria," says Tran. "They're going to ping TransUnion, and yep, there's a person with that name at that address and mobile number. Not much credit history, but we're going to offer them a $500 card. Then they go back to apply for another credit card, and now there's a history. They open a $5,000 credit line. Now they start building a credit history on someone who does not exist at all, and eventually they stop paying those credit cards."

If it seems like a lot of work for little reward, remember that often fraudsters acquire hundreds or even thousands of sets of data. If they have 350 accounts and run up $30,000 to $50,000 on each one, that's an astronomical cost.

All of these—card compromise, synthetic fraud, wire transfer, business email compromises—are manifestations of cybersecurity breaches, where they stole your information."

Why has synthetic fraud spiked recently? It's partly the fact that it's easier to get hold of the necessary personal information than it was even five years ago. "It helps them if they have some of the information on you," Tran says. "It helps bypass some of the security systems that are set up. If there was a person by that name in Georgia, but now they're telling me they live in California, that's plausible. So it's only half-fabricated, but it's a totally brand new synthetic person."

> **"You can go to Dark Web websites and, for a few hundred dollars, you can buy malware that you can use."**
> — Jim Benlein, CISA, CISM, CRISC

At the same time, fraudsters have had to turn to synthetic fraud because other types of fraud have become harder to perpetrate. "Five years ago, there were no chip cards," Tran notes. "Now, with chip cards, it's harder to perpetrate credit card fraud. It still happens; you get compromised cards. But as some of these fraud schemes get shut down or get handled, they're finding new ways." Synthetic fraud is one of them.

HACKERS FOR HIRE

But the most alarming trend in cybercrime may be the fact that would-be attackers no longer need any hacking expertise. They can simply purchase software that will do the work for them.

"The bar to entry has been lowered," says Benlein. "You can go to Dark Web websites and, for a few hundred dollars, you can buy malware that you can use. You have cybercriminals actually offering, 'Buy our malware, and we'll provide support to it.' Technical support for your malware."

Malicious software is like a microwave oven, he says. When it first entered the marketplace, it was complex and expensive, and potential users really had to think about whether it was worth the money. But over time, it's become cheaper, easier to use and more commonplace. The advent of the cloud, with its vast processing power, allows criminals to launch extremely sophisticated attacks with relatively meager resources. So it's not just government agencies and large corporations that have to worry about being hacked; now, smaller organizations are increasingly likely to be targeted.

"I've been at this for about 30 years, and it keeps picking up pace," says Fredriksen. "It's not just that it's coming faster, it's that the new tools make it easier for people to attack. Just like on our side we're constantly developing tools to make it easier for our members to interface with us, the bad guys are developing better tools to make it easier—tools that they can sell to people who aren't necessarily technical. Then those people can use them to attack financial institutions and merchants and everyone, to be able to steal, sell or use the information. So it's a constant foot race."

MORE ON CYBERSECURITY

Tech Time: The Financial Sector's Best Cybersecurity Practices (*cues.org/1217techtime*)

Tech Time: Cyber Threat Intelligence and Your CU (*cues.org/0817techtime*)

Policies and Vendors and Staff! Oh, My! (*cues.org/0417policies*)

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

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

As if that weren't bad enough, Fredriksen says it's now possible for attackers to outsource their hacking work.

"There are enterprises out there where I can rent people to attack a call center," he says. "I don't need a lot of technical expertise anymore; I just need a checkbook. So it's a game changer."

SMALL IS BEAUTIFUL

By tech industry standards, even the largest CUs barely qualify as mid-sized enterprises. Until recently, that may have allowed them to fly under the radar. As we have seen, times have changed. Unfortunately, in most cases, budgets haven't.

> **"There are enterprises out there where I can rent people to attack a call center. I don't need a lot of technical expertise anymore; I just need a checkbook. So it's a game changer."**
>
> — Gene Fredriksen

"Every credit union executive is going to say cybersecurity is important," says David Tompkins, co-founder of CUES Supplier member LEO Cyber Security (*leocybersecurity.com*), Ft. Worth, Texas. Most CUs "are not going to pay typical market value for [top IT security] people. And the other thing is, great security engineers don't always want to work at a place that doesn't have the coolest tech and isn't seeing what they consider to be interesting problems."

But because CUs so often look to outside vendors for core and card services, they're also more likely to rely on trusted parties (sometimes those same vendors, and sometimes IT specialists as well) for their cybersecurity.

"Other types of companies often make the mistake of thinking they can do it all by themselves, whereas most credit unions don't think that way," Tompkins says.

Luckily, he says it's also much more doable to manage security for a smaller institution with fewer moving parts, even in this complex industry.

"And this is one of the things our people love: The impact we're making is significant. We really are moving the needle."

CHOOSING CYBERSECURE VENDORS

If you're a CU looking for a new service provider, should that vendor's ability to secure its information be a market differentiator?

Emphatically yes, says Fredriksen. "Ten years or so ago, the answer was, 'Well, that's just sort of table stakes,'" he says. "Now the threats are moving so quickly that that needs to be one of your top considerations."

But how can CUs ensure they pick able, savvy, up-to-date partners? Basic due diligence, for starters.

"It's sort of what you have to do with every company that you're looking at," says Benlein. "You have to do background checks and find out if what they're saying is actually true. If they say that they have certain accreditations or certifications, is that something you can get verified? They say that they do great things for companies. If you check their references or talk to their clients, are you hearing those same things?"

Fredriksen recommends CUs hire a cybersecurity advisor, an external consultant who works with the CU's security leader to provide a view of the industry and regulatory landscapes. He also says CUs should join organizations supporting peer sharing, such as the National Credit Union Information Sharing & Analysis Organization (*ncuisao.org*), of which Fredriksen is CEO. Finally, CUs should create a steering committee made up of key stakeholders to ensure their cybersecurity program couples with the CU's goals and objectives.

Community is where CUs have the greatest advantage in the fight against cybercrime. In the search for cyber-aware business partners, Benlein says a CU's best bet is talking with esteemed peers.

"That's one of the great things about the credit union industry is the collaboration," he says. "So you have a lot of opportunity to put out feelers and say, 'Hey, we're getting talked to about this. What are you guys getting talked to about?' It comes down to reputation and accreditation. A good consultant should be able to explain the business reasons for doing something so it makes sense to the credit union."

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

The Quest for *Omnichannel Success*

ANSWERING FUNDAMENTAL QUESTIONS IS A GREAT FIRST STEP.

BY STEPHANIE SCHWENN SEBRING

Trying to find omnichannel success can sometimes feel as intense as going on an Indiana Jones-style quest for the Holy Grail.

But the best advice for how to use your channels to effectively serve members and deepen your brand really isn't an overly crazy adventure. First, experts agree, you need to ask yourself some key questions, such as: "Must omnichannel delivery include every last channel?" "Is depth of integration on several channels more important than breadth across all of them?" "What metrics should be used?" and "How can our omnichannel efforts be simplified?"

By focusing on depth of integration, measuring outcomes and simplifying your approach, you can ultimately find success.

WHAT IS OMNICHANNEL?

"True omnichannel will craft and unify your member experience with continuity in your messages; members will feel wrapped in your brand," says Preston Packer, director of sales and marketing for FLEXcutech (*flexcutech.com*) a Salt Lake City-based core processor. It also provides options and gives members control over how and when they choose to do business with you. "They may even choose to start a process in one channel and finish in another."

Looking at the roots of words can help our understanding here. Omnichannel is different from (and bigger than) multichannel: Whereas omni- means "of all things," multi- is simply "more than one."

Packer explains that his view of omnichannel involves the depth of channel integration in addition to considering more than a few channels. "Omni can encompass any channel, but it's how well you deliver the full, integrated experience within that channel. Within each channel, a credit union has an omnichannel opportunity."

Packer adds that most members aren't devoted to a single channel. "And just because you have all channels doesn't make you omnichannel; it (omnichannel) requires cross-integration."

MEASURING THE COMPLEX

Knowing how you're doing in all of this requires setting your CU's unique goals and then gathering objective measurements.

Some channels are easier to measure than others, notes Janine Wright, director/technology advisory and strategy for Clifton-LarsonAllen LLP (*CLAconnect.com*), Minneapolis. Tracking ROI for your digital channels, for example, can be relatively easy through data analytics.

Take data on your website at least monthly and on your mobile app weekly, she says. If the product has been recently implemented or you've made significant changes, monitor more frequently.

"Monitoring should revolve around what you want to achieve," stresses Wright, "and how well established the channel (is). If mobile banking is brand new, for example, and your goal is to be at the industry average for adoption within the first 18 months, you would need to know what the industry average is for that timeframe so you can measure your progress."

Founder and president of Digital Growth Institute (*digitalgrowth.com*), Houston, and a lead presenter for CUES School of Strategic Marketing I (*cues.org/ssm1*) and II (*cues.org/ssm2*) this July, James Robert Lay distills the numerous channels available to CUs into three main categories: digital, branch and contact center. With the shift in how people do business, it's important to view these channels from both a sales (acquisition) side and service (transactional) side, he says.

1 **Digital.** The service side includes both online and mobile banking; the sales side is your website and apps. Email, social media and live chat can attend to both sales and service.

Tip: Build your approach around digital with the branch and contact center now in supporting roles, says Lay. Mobile is the go-to channel across most demographics. Earlier sales models were built on the branch experience being supported by the contact center and digital options.

According to Bankrate.com, 80 percent of consumers start their financial buying journey either on mobile or online. Lay recommends secret shopping the competition (the big banks and digital banks). Open an account with them online or with your mobile device and see what your experience is. Then ask yourself how your members' experience would stack up in comparison.

Metrics: Measure penetration of online and mobile banking users to total members, Lay says. Watch sales conversions, loans and deposits, and booked visits and applications. Track how users are searching you. (Mobile searches are outpacing online.) Track abandoned apps or online accounts not fully opened. The goal is to get from click to close.

While many websites are in a mature mode, Wright says "a mistake is not checking the content often. Watch transaction patterns with data analytics. What pages are getting attention? Set up analytics for each page. What are your top 10 performers and [your] bottom three? Evaluate possible reasons and take action to improve."

Observe transaction patterns, including the number of users and how they're accessing your mobile offerings, she adds. What device is the member using? What operating system?

2 **Branch.** The service side includes teller transactions; the sales side is cross-selling and lobby marketing.

Tip: Today's successful branches are geared to the sales side using a consultative approach. The branch supports digital.

CACI (*caci.com*) reports that in 2017, the average member visited a branch eight times a year; by 2022, this will drop to four. Get ready for this by shifting your business model to digital first, Lay says.

Many consumers have their first experience with you on a public website, Lay adds. When on the quest for omnichannel, think online and mobile first, then have your branch strategy support them. Your goal is to convert the lead into a sale.

Similarly, at the ATM, branding should match your web and mobile offerings, Wright says. Measure member vs. non-member

> **"Once you've deposited a check through your phone, there's no going back to the branch or even an ATM."**
>
> — Alexander Kesler

Consistency in Member *and Staff Transactions*

When it comes to actually completing transactions, systems must match across every channel. This includes workflows or processes used by both members and staff.

"One solution is having staff use the same UI (user interface) as the member," adds Eric Lundberg, COO for $165 million Texas Tech Federal Credit Union (*texastechfcu.org*), Lubbock, Texas. "For example, our staff, as well as members, use the website to complete transactions rather than a core server. It's easier for everyone. Staff like it because there is less training while members receive seamless service."

Lundberg also says his CU is modifying its Lending 360 platform from CUES Supplier member CU Direct (*tinyurl.com/cudirectlend360*), Ontario, Calif., so that employees will use the interface designed for members.

"To sell ancillary loan products (GAP, debt protection, etc.), which is not part of the member-facing UI, we are combining the site with a website overlay, TopLayer (*wetap.com/products/toplayer*). It enables staff to sell the ancillary products which, without the overlay, would need to be handled separately and cause a fracture in service. As a bonus, our staff doesn't have to learn two operating systems."

transaction patterns, withdrawals, deposits and balance inquiries. Wright suggests inviting frequently visiting non-members to join by serving on-screen marketing messages.

Metrics: Measure how many branch meetings members book via mobile or online, Lay suggests. Teller transactions also can be measured, but it's more important to monitor digital leads that are closed at the branch.

Watch in-branch transaction patterns, Wright advises. "Even more important, is the experience consistent to what your member expects to find from branch to branch? Do the demographics of your branch footprint match the branch style? What feedback are you receiving regarding the member's experience?"

3 **Contact center.** The contact center of the past handled inbound calls and reactionary requests and solved transactional problems. Today, Lay says, contact centers do proactive sales.

Tip: Focus on outbound calling, warm sales calls and digital leads.Wright adds these questions: "In your contact centers, can staff view (share) the online banking screen with your member? Can they open accounts over the phone? Are you utilizing e-docs to ensure an uninterrupted experience?"

Metrics: According to ContactBabel's U.S. Contact Center Decision Makers' Guide 2017 (*tinyurl.com/cbusccdmg*), customer experience is the No. 1 indicator of contact center success. This reinforces the need to track the right things.

Lay says those can include service-level metrics, such as Net Promoter Score, sales closed, peak call volume and wait time.

GET HUMAN FEEDBACK, TOO

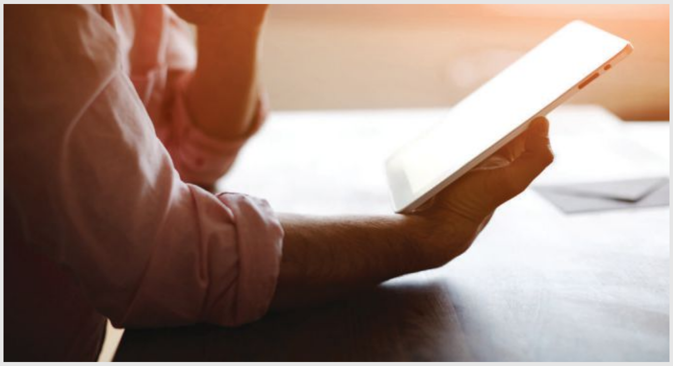
Beyond metrics, Wright says, if your members want to tell you about what's interrupting their experiences, listen.

Such feedback remains vital to the omnichannel experience, Wright emphasizes, but is more challenging to collect.

"All interactions impact the way members feel about you. Social can help you to tap into this sentiment. Measure visits to your social pages, comments and shares, etc. Also ensure someone is available to respond to comments quickly. Have a plan on how you will monitor sentiment and assist members, both during and after hours."

The goal of omnichannel is a unified brand experience, stresses Lay. Ask yourself how the experience makes your members feel.

At the same time, Packer encourages CUs to go deep with whichever channels they decide to offer.



Video Banking Now Part of Omnichannel; *AI Yet to Come*

Video humanizes. It's personal. (Think of Umpqua Bank's BFF product, *bff.umpquabank.com*.) That's why $165 million Texas Tech Federal Credit Union (*texastechfcu.org*), Lubbock, Texas, is incorporating video conferencing for members and staff.

"As we redesigned our service model around omnichannel, we knew video communication would be central to the process," explains Lundberg.

The CU has remodeled two branches in the last year and is working on a third using interactive teller machines as the foundation for member transactions. COO Eric Lundberg notes 100 percent ITM adoption, with staff supporting 30 to 40 percent of all ITM transactions.

For online video interactions, the CU chose POPin (*popinnow.com*) based on its reputation, integration and multiple features. Branches were remodeled with a private office for video conferencing. The desktop experience works like Skype, and the iPhone app like FaceTime. (Search for "CUNow" in the App Store.)

POPin's integration of e-documents was a deciding factor for Lundberg. "It allows members to present, sign and upload documents from any channel. They can take a picture of their IDs. And the app ensures that 100 percent of the transaction (account opening, loan closing or even a mortgage) can be handled remotely."

POPin also allows screen-sharing so staff can take control of a member's screen. Staffer and member may choose to look at transactions together, or the employee could help the member download the latest browser. The system also includes the ability to store a session and pick it up later or to conference additional people into the call.

"Our goal was to find a full replacement to conducting business at a physical branch," Lundberg adds.

The financial services industry is starting to see an increase in video banking, notes James Robert Lay, founder and president of Digital Growth Institute (*digitalgrowth.com*), Houston, and a lead presenter for CUES School of Strategic Marketing I (*cues.org/ssm1*) and II (*cues.org/ssm2*). "It requires new training and a new perspective—and you can accomplish it, even without the latest video conferencing software. Instead of asking a member to come in, try an alternative like GoToMeeting (*gotomeeting.com*) or Skype (*skype.com*)."

Alexander Kesler thinks the trend away from focusing on a personal banker behind a desk may eventually become a focus on a personal banker called, well, "Alexa."

"Leveraging AI (artificial intelligence) is scalable and makes for a smooth omnichannel experience with members," says Kesler, founder and president of inSegment Inc. (*insegment.com*), a digital marketing firm in Boston. "With no waiting time, universal knowledge on all related subjects and 24/7 convenience, AI-powered banking is the way of the future. Amazon is one company making strides in predictive intelligence."

"Rely on the level of integration each channel provides, rather than a plethora of channels," he says. "It is better to do one thing exceptionally, such as online lending, than to do several things poorly. This will build confidence in your membership and keep them coming back."

SIMPLIFY, SIMPLIFY, SIMPLIFY

Any way you slice it, "omni"channel can be a pretty large concept.

"The word alone implies massive. It can also overwhelm, create organizational conflict and fear of failure," says Lay. But as with most things, if you simplify the complex concept and tackle it one step at a time, your chances of success are higher.

"Knowing when and where your members are spending time on your channels can help you to craft a better omnichannel experience," she says.

Another important simplification for this big project may be defining just how alike delivery over each channel must be for your CU to claim success.

The experience members have doesn't have to be identical on every channel, but it should be consistent, suggests Alexander Kesler, founder and president of inSegment Inc. (*insegment.com*), a digital marketing firm in Boston.

For example, the messaging and creative in your traditional advertising must align with your digital branding but doesn't need to be exactly the same.

"A TV or radio spot needs to grab the audience's attention," he says, "but a paid search ad already has the user's attention (they searched for a relevant keyword, after all), so the ad must sell the benefits of the credit union in relation to the search."

Kesler notes that each channel has a distinct purpose. Rather than having channels "match," CUs will want to have them complement each other.

"Many companies make a mistake by putting the same messaging and creative on every channel, and this is not recommended," he says. "Visitors are not looking to do the same action on your website, for example, as your mobile app."

Aligning messaging can also be difficult when multiple agencies are handling distinct aspects of a campaign, says Kesler. Ultimately the responsibility falls back on the CU's marketing team to coordinate everything. Wright suggests moving to fewer vendors for a more seamless experience and greater message and process cohesiveness.

Your mobile app and website systems may be one place where matching the way each delivers is essential, Packer suggests. If not, you'll see a fracture in members' experience—and potentially lose them.

"And if there's a fracture, you'll break your members' trust," he says. "They may move on and replace you with another technology."

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 OMNICHANNEL

If 'Omnichannel' Is Overused, Think 'Connected Devices' (*cues.org/0417skybox*)

Grab—and Keep—Consumers' Attention (*cues.org/0424skybox*)

Omnichannel: Who's Doing It Best? (*cues.org/0217omnichannel*)

6 Steps to Omnichannel (*cues.org/02176steps*)

CUES School of Strategic Marketing™ I
July 16-18, Seattle
(*cues.org/ssm1*)

CUES School of Strategic Marketing™ II
July 19-20, Seattle
(*cues.org/ssm2*)

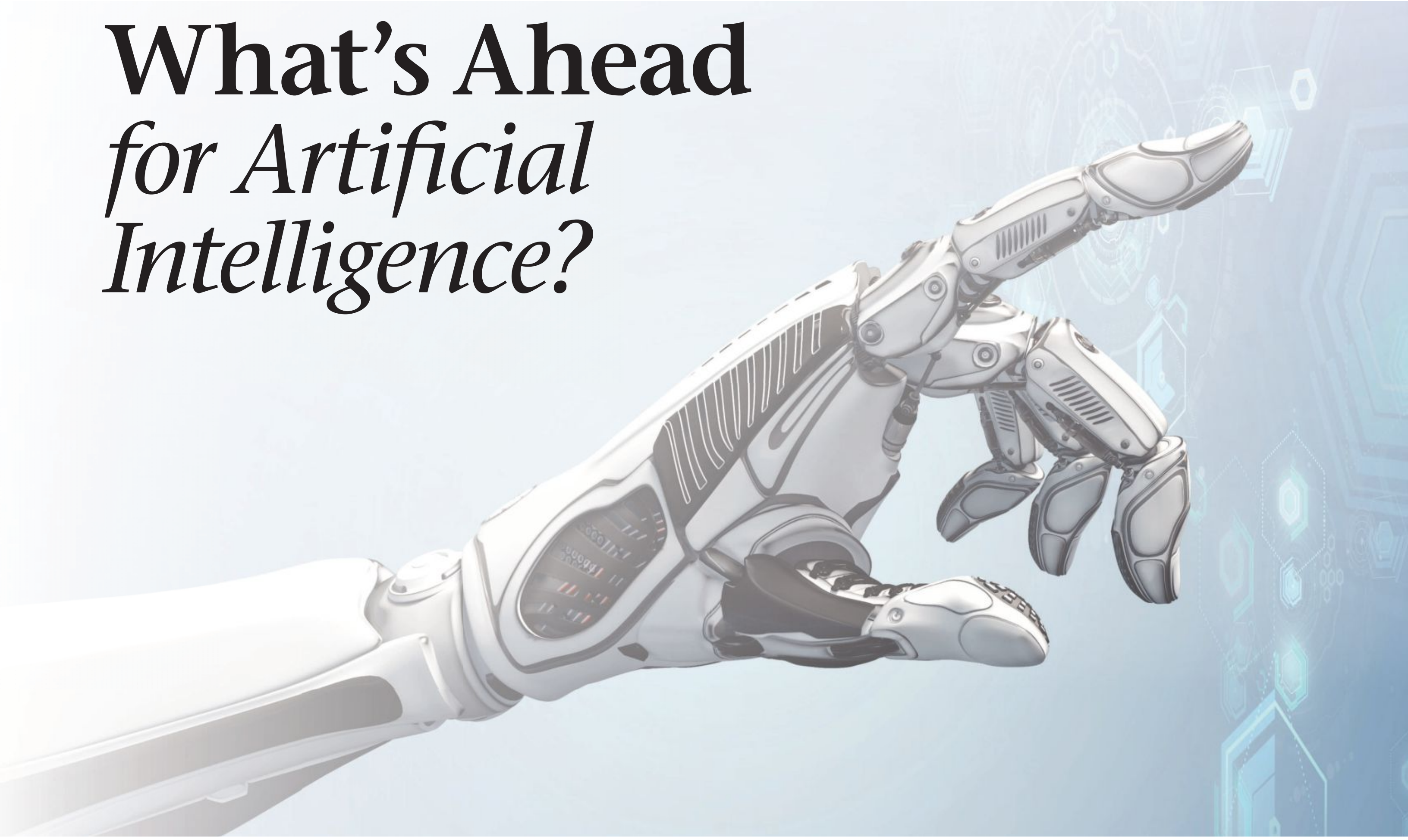
Digging Deep *into Digital Metrics*

When considering your omnichannel strategy, Alexander Kesler, founder and president of inSegment Inc. (*insegment.com*), a Boston-based firm specializing in digital advertising, recommends digging deep into digital metrics:

- **Conversions**. What exactly you define as a conversion is up to you, Kesler says. But a conversion should ultimately be a visit to your site during which the website user took some action. That action could be a form submission, entering the online account opening process or keeping a session open for more than three minutes.
- **Traffic metrics**. These include sessions, users and page views.
- **Engagement metrics**. These include the average time on your site, bounce rate and number of pages visited per session.

For all channels, Kesler also recommends watching connections between digital and traditional marketing media. For example, "If a TV ad or radio spot is successful, there should be an increase in branded search traffic to your website."

What's Ahead *for Artificial Intelligence?*



A SERIES OF TACTICAL UPGRADES OR A DISRUPTIVE TIDAL WAVE AND ROBOTIC CEOs?

BY RICHARD H. GAMBLE

So far, financial institution managers have used artificial intelligence as a tool to help intelligent humans make better decisions and to automate routine, repetitive tasks, notes Daoud Fakhri, principal analyst for retail banking at GlobalData (*globaldata.com*), London. And that's worked when rules are built into AI algorithms and then applied to rapidly expanding amounts of data. CUs have gained operating efficiencies. Managers see richer reports.

But that is not the vision of AI or what's coming in the not-too-distant future, Fakhri suggests. "We're already seeing machine learning—where the algorithms are able to evaluate results and adapt and get smarter without human intervention." They can absorb huge amounts of data and learn to identify patterns and relationships that drive decisions and even make decisions that are quicker and smarter than humans could make. If enabled, artificial intelligence can beat natural intelligence, he concludes.

How fast AI is enabled could depend on regulation, Fakhri says. "As you start to gather behavioral data from a lot of sources outside financial transactions, you could be guilty of inadvertent racial or ethnic profiling and fall afoul of anti-discrimination regulations," he points out.

In the U.K., insurer Admiral (*admiral.com*) studied a possible correlation between a person's language patterns and how safe their driving was, Fakhri reports. They found some evidence that the more casual a person's language was on social media and the more exclamation points they used, the more likely they were to have accidents. That finding led to a public outcry over privacy violation, and the company had to suspend its research. Social media behavior, he explains, could be an AI goldmine or an AI minefield.

Insurers are generally ahead of banks and CUs in exploring new data sources, says Fakhri. "They're looking at hooking into the Fitbit (*fitbit.com*) database to get personal health data ... and make individualized quotes for health insurance." And they're looking into the black box data now captured by some cars that show driving behavior so they can tailor auto insurance quotes, he adds.

AI has similar applications combating fraud in the financial world, which widely employs rules-based detection systems today. Fraudulent transactions are analyzed, and then rules are put in place to block them, Fakhri explains, but fraudsters know how to uncover these fixed rules and get around them. "The fraud-prevention systems are not clever enough. But AI-enhanced systems can use fuzzy logic—evaluating the 'degree of truth' of a piece of information—to detect these evasive actions and block them well before humans could learn that their fixed rules aren't working very well."

POISED TO EXPLODE

Predicting AI is tricky. "AI has had a jerky evolution," notes futurist and AI expert Peter Scott, author of *Crisis of Control: How Artificial Superintelligences May Destroy or Save the Human Race* (*humancusp.com/book1*). "We've seen periods of great progress followed by periods of disillusionment that are called 'AI winters.' Now we're in an AI spring, a period of incredible promise. The past three years have seen astounding advances in deep learning, neural networks, continuous speech recognition, natural language translation and facial recognition. Computers can now understand the meaning of a picture as well as a person can. These have been goals for 30 years. Now they're realities."

Scott doesn't expect another AI winter, "but I didn't expect the last one either," he concedes. More likely is a hockey-stick takeoff, he thinks—slow progress at first, and then a sharp incline in its adoption and evolution.

One area Scott is watching is the progress of self-driving cars. "If AI can drive a car, what can't it do?" he asks. Flying a plane without a pilot is simple compared to driving a car without a driver, he points out. Driving is a complex activity that requires lots of judgment and split-second decisions with critical consequences. As such, AI-driven construction, farming, investing and shopping are well within the realm of possibility. What will happen depends more on markets than technology, he concludes.

The list of things AI could take over in the next 20 years or less includes management, according to Scott. "Today's CEO is more likely to be replaced with artificial intelligence than his or her barber or hairdresser," he suggests. "The function of the C-suite is essentially assimilating business intelligence and doing strategic planning. Computers are getting better and better at doing that. Knowledge work is very susceptible to automation. With the right data and the right programming, computers can do that better than humans can."

That's because the human capacity to retain information is quite limited, Scott points out. "A person can deal with about seven pieces of information at once. A computer can easily handle 500. A computer can react to changes a thousand times faster than a person."

The C-suite could be emptied pretty soon—a chairman or CEO's strategic planning time might be better spent on the golf course, negotiating with other executives about mergers, partnerships and supply chains, Scott proposes.

Machines will certainly replace humans as they acquire superior intelligence, agrees payments technology consultant Sabeh Samaha, president/CEO of Samaha & Associates (*ssamaha.com*), Chino Hills, Calif., although he doesn't think it will happen quickly. High on the list for machine takeovers are loan officers, financial advisors, programmers and compliance officers because compliance involves checking data against rules. NCUA is moving toward virtual examinations, he notes. But machines will flag suspicious activity, and humans will make the final determination, he expects.

Executives will resist being replaced, acknowledges Scott, but once a pioneer embraces AI management and shows superior results, the dam could break, and competition could drive quick adoption.

ROLE FOR HUMANS

That's pretty futuristic, cautions Roman Vinfield, president and founder of AI Assist (*aiassist.com*), New York, a strategic partner of marketing AI software firm Conversica (*conversica.com*), Foster City, Calif.

"We're still a long way from having computers that can replace people for strategic decision-making. AI will assist human decision-making, not replace it, for quite a while yet." A good loan officer can pick up nuances from fidgety fingers, or the ring of confidence in human voices or glances between a husband and wife that give him a gut feeling a computer can't replicate, he argues. And real empathy is hard to program.

A good loan officer can pick up nuances from fidgety fingers or the ring of confidence in human voices that give him a gut feeling a computer can't replicate. And real empathy is hard to program.

Don't expect a sudden pivot or paradigm shift, says Jon Nordhausen, VP/product strategy at CUES Supplier member Fiserv (*fiserv.com*), based in Brookfield, Wis. Technology can move quickly, but human acceptance will be gradual, he suggests, citing digital assistants like Alexa and Siri that were stunning technology a few years ago but only gradually came into widespread use.

AI innovations have been happening first in retail and communications, he adds, so CU managers have time to see what's coming, what's resonating and what's being adopted.

Most CU leaders hope Vinfield and Nordhausen are right, because if the AI dam breaks, they won't be ready. They are dabbling in AI-enhanced products at the tactical level, reports Ron Shevlin, director of research at CUES strategic partner Cornerstone Advisors (*crnrstone.com*), Scottsdale, Ariz., but they show little interest beyond that.

"We surveyed financial institution executives in 2017 about their use of emerging technology," he says, "and asked particularly about AI. Very few—in the low single digits—were using it,

RESOURCES

Tech Time: Core Concepts of Artificial Intelligence (*cues.org/0318techtime*)

Artificial Intelligence in Lending (*cues.org/0217ailending*)

Artificial Intelligence Innovations (*cues.org/051717skybox*)

Mr. Spock Won't Survive the Smart Machine Age ... Will You? (*cues.org/0617spock*)

HR Answers: AI for Human Resources (*cues.org/0118hrai*)

and only a third said they expected to invest in it in 2018. For the overwhelming majority, it's not on their radar."

Investments in AI development at the CU level may be unnecessary, Shevlin suggests, because AI technology will be delivered to CUs by their primary processors, and they won't provide it suddenly. Rather than joining an AI revolution and being swept up in a new strategy, he thinks CUs will likely implement AI in a series of product-level tactical upgrades in five main areas: member support, member advice, fraud detection and management, lending decisions and IT infrastructure improvements.

Major processors will bring AI to CUs by building products, acquiring AI ventures and partnering with AI fintechs, Nordhausen agrees. Fiserv and Micronotes (*micronotes.com*), Boston, are working together to provide financial advice by putting a leading question in the banner space of a CU's mobile or online banking home page and encouraging members to respond to a series of questions that help CUs learn what products or services that member could use. Ahead could be all-robotic chat rooms, dashboards that respond to voice commands and risk solutions powered by machine learning, he predicts.

AI won't simply automate repetitive routine activity but will impact every position in the CU, predicts Dave Libby, president/CEO of $361 million Town & Country Federal Credit Union (*tcfcu.com*), South Portland, Maine. "Robots can take over a lot of the routine office processing, but humans will need to maintain those robots. In my own role, I monitor a lot of reports that AI will do better someday, but I don't expect leadership will ever go away." He doesn't anticipate any staff reductions due to AI.

AI WILL TALK

CUs may not be forging ahead with AI, but they're not sitting still, and what they're doing points toward the future they expect. One safe prediction: AI will have a voice as well as a brain. According to Google, 20 percent of all search queries on smartphones start with voice commands, with the number predicted to rise to 50 percent by 2020, cites CUES member Mathy Hogan, EVP/administration at $2.2 billion *FAIRWINDS* Credit Union (*fairwinds.org*), Orlando, Fla.

Digital voice engagement is incredibly complex but already feasible, Hogan says, if a CU involves an expert third party. *FAIRWINDS* CU has taken the plunge with Abe AI (*abe.ai*) to offer its Virtual Advisor for members to talk to (*fairwinds.org/virtual-advisor*). Ahead, she predicts gradual advances at the product level, followed by a faster push as CUs try to stay ahead of the curve.

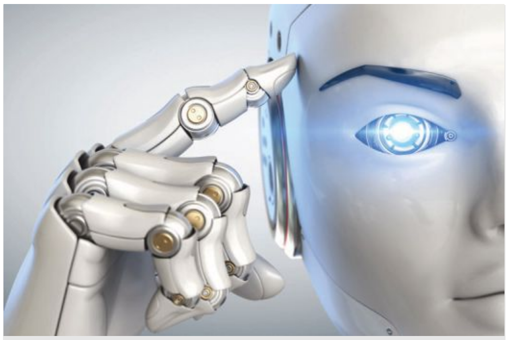
Libby reports that key members of the board and digital banking team at Town & Country FCU tried out Amazon Echo in a joint effort with omnichannel solutions provider NCR Corp. (*ncr.com*), Duluth, Ga., to perfect an app—an Alexa Skill—that brings Alexa technology to the CU's mobile banking experience. Members started using it last October. It's an early step in an AI journey, he says, but the new skill does more than vocalize what members can see on screens; it incorporates the digital assistant interaction people associate with Alexa.

Conversational banking will start with an end point like a smartphone, explains Stacy Zuniga, VP/financial services at self-service application provider Enacomm (*enacomm.net*), Tulsa, Okla., and spread gradually over the next five or so years. "It will become ubiquitous. It will be available via your phone, your smart TV, your car, your home entertainment system. It will become a channel, not a device feature. You will be authenticated continuously by both passive and active voice biometrics, so you won't need to provide a PIN or other static authentication—just say what banking activity you want, and you'll be able to hear and see the results."

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

Disruptive *Intelligence*

Richard Crone, founder of Crone Consulting LLC (*croneconsulting.com*), San Carlos, Calif., sees that financial activity algorithms are already becoming "exponentially more productive and exponentially more disruptive." Concerned CU executives should keep an eye on fintechs like Lending Club (*lendingclub.com*), he advises. "Entirely through a mobile interface, with little or no human intervention, Lending Club's artificial intelligence and machine learning algorithms approve and fund loans automatically. Their AI could wipe out huge swaths of the financial services landscape that depend on face-to-face loan closings." Or CUs could join Lending Club and use its white-label AI platform to capture the loans they want and direct the overflow to Lending Club, sparing marginal borrowers the pain of outright rejection, he suggests.



Making *Connections*

Without disturbing deep infrastructure, some innovative artificial intelligence cherry-picking could happen quickly and affordably.

"AI will soon make the transactional data credit unions are already consuming from members' credit and debit cards more valuable," says Brian Ley, CEO of Alpharank (*alpharank.io*), San Francisco. When you collect merchant identification, a time stamp and some transaction details, AI can begin to build social graphs to discover connections among your own members, he explains.

Vendors like AlphaRank are starting to offer CUs AI-driven insight into member satisfaction and behavior, reports Richard Crone, founder of Crone Consulting LLC (*croneconsulting.com*), San Carlos, Calif. "If a member leaves, AlphaRank's algorithms can identify other influential members in similar circumstances and use machine learning to identify who has had similar experiences with the credit union and might also be likely to leave. The credit union can reach out to them before that happens."

Think about observing people in a restaurant where one couple comes in and orders, then are joined by a second couple to continue their dinner. "People are connected," says Ley, "and those connections affect purchase decisions, including credit union products and services."

Alpharank's research suggests that when one influencer buys or adopts a product, the individuals in that person's network are 4.8 times more likely to buy or adopt the same product than the general population. When one influential CU member buys a product or service, their friends are four times more likely than members in general to follow within four months, Ley reports. Alpharank provides this analysis for credit unions today.

Culture, *Not Collateral*

YOUR BRAND IS MUCH MORE THAN THE LOGO.

BY TAYLOR WELLS

During a recent discussion about branding that I had with a credit union marketing audit client (*tinyurl.com/mkaudit*), a recurring theme surfaced. The client referred to specific marketing collateral (such as the logo, corporate colors, brochures, etc.) as the brand.

This is a not an uncommon misunderstanding. While specific marketing collateral like your logo, brochures and commercials are definitely a *part* of your brand, they are not the *totality* of your brand. When seeking a way to define this somewhat vague notion, the point I emphasized was:

Your brand is much more cultural than collateral.

Again, this misunderstanding about brand is not unique to this particular client. Many credit unions and their marketing leadership teams default to defining brand as something collateral. But in reality, the brand itself goes much deeper, straight to the cultural heart of your organization.

You can have absolutely amazing-looking collateral—and, during mystery shop experiences (*tinyurl.com/mkauditblog*), I find that many credit unions do have fantastic collateral—but none of that matters if your brand, a cultural thing as lived by your staff in front of your members and each other, falls short.

Think about it this way: Your collateral materials are a brand promise you make to consumers. In them, you can promise a number of things, such as "We are the fastest," "We are the friendliest," "We are the (insert brand proposition here)."

Those pieces are designed to elicit a response from existing and/or potential members. Once those people actually make contact with your credit union, however, does the cultural experience your staff provide match the collateral promise? Are you indeed the fastest and friendliest?

If so, terrific. You are living up to your brand promise. If not, your credit union suffers from a brand gap. You must repair that gap before it does serious damage to your brand credibility. You cannot be one thing in your collateral and another in your culture.

I used an outside-the-industry example about the importance of culture over collateral with a credit union client earlier this month. Often, I find outside-the-industry examples are powerful ways to get points across to credit union staff because, while they specifically reference the same important brand tenet, coming from different industries provides unique perspective that helps drive the point home.

In this example, I referenced a local restaurant

(part of a well-known national franchise) where I ordered a take-out meal my first night on location with the client. I placed the to-go order with the bartender who, while making small talk, mentioned that she liked my first name. The next day, I had lunch with members of the credit union leadership team at the same restaurant (without seeing the same bartender). That afternoon, after member brand journey mapping experience training (*tinyurl.com/majourneymap*), I decided to keep the streak going and do another to-go order from the same location. Upon entering, the same friendly bartender greeted me with “Hi, Taylor! Great to see you again. Will it be another to-go order tonight?”

Talk about a consumer “wow” experience. This young bartender, an important part of the brand experience for her employer, not only remembered my name but used it in her introduction and provided an experience with that franchise to which I’m not really accustomed. She definitely made an impression on me and earned future business.

The important point here is that she *owned* the brand. She *was* the brand. She *represented* the brand. She, as the brand cultural element, was far more important than any collateral (menus, flyers, etc.) the restaurant could have provided. While this is a non-financial services example, it clearly illustrates the importance of culture over collateral.

Your brand is the most important asset your credit union has, even though it probably isn’t reflected on any accounting spreadsheet. To advance your brand in an authentic, meaningful and future-focused way, everyone at your credit union must understand that the brand is far more cultural than collateral.

Your brand is the most important asset your credit union has.

Taylor Wells *is communications director at On the Mark Strategies* (markarnold.com)*. He is also a lead faculty member at CUES School of Strategic Marketing™ I* (cues.org/ssm1) *and II* (cues.org/ssm2)*, taking place this July in Seattle.*

MORE ON BRANDING

Taylor Wells will present at CUES School of Strategic Marketing™ I and II. (*cues.org/ssm1, cues.org/ssm2*)

The Quest for Omnichannel Success, p. 20

Inside Marketing: 4 Keys to Your Credit Union’s Brand Video (*cues.org/1217inside marketing*)

The Corporate ‘Why’ (*cues.org/1117why*)

Committing to *Employee Engagement*

FORT FINANCIAL CREDIT UNION USES 2016 STAFF SURVEY TO CREATE A BETTER WORK ENVIRONMENT.

BY KERRY LIBERMAN

The results of an employee survey in 2016 spurred $221 million, 110-employee Fort Financial Credit Union (*fortfinancialcu.org*), Fort Wayne, Ind., to reflect inward. Out of that exercise came three strategic priorities: 1) grow wallet share from members, 2) increase member service levels and 3) increase staff engagement.

Fort Financial CU management recognized that through improved staff engagement, the other strategic priorities would be more attainable. Wow, were they ever! Since their first survey project in 2016, Fort Financial CU has seen the following dramatic growth:

- products per member increased by 20 percent;
- total wallet share, loans and deposits from current members increased by 27 percent;
- delinquency dropped from 1.2 percent down to 0.62 percent;
- record growth was seen in the number of new loans originated in the branches; and
- member service scores improved from an already high score of 9.3 to an even better 9.57.

Along with these notable accomplishments, Fort Financial CU saw the biggest improvement of all my credit union clients in both its employee engagement and satisfaction averages comparing the 2017 survey project to the 2016 project.

According to Steve Collins, president/CEO of Fort Financial CU, "The engagement survey helped shed some light on certain areas and helped validate what we thought we already knew. It helped validate where specific improvements needed to be made. In some cases, it helped motivate us to do some of the things we wanted to do, and they rose to the top of the priority list."

Here are just a few highlights of the employee survey results in 2017:

- 98 percent(!) of staff noted that they were committed or very committed to Fort Financial CU, with two-thirds saying that they were very committed.
- 62 percent of employees specified that their satisfaction had "increased" over the past year, as opposed to "stayed the same" or "decreased." This was almost 19 percent higher than the comparative normative data.
- More than half of the employees indicated that Fort Financial CU was a "great place to work."

Each year, People Perspectives LLC does numerous employee engagement and satisfaction surveys for CUs across the country. A few years ago, we decided to highlight what we saw as the "good works" of our clients—areas with high ratings across different dimensions of satisfaction and engagement given anonymously by their staff. From this, the annual Distinguished Credit Union award was created.

Because of its commitment, Fort Financial CU's overall averages were among the top 10 percent of our clients in 2017. And because of the CU's dedication to improving its employees' workplace satisfaction and engagement, we named Fort Financial CU as our 2017 Distinguished Credit Union of the Year.

COMPENSATION SATISFACTION

Fort Financial CU had one of the top averages of all our clients in the compensation satisfaction dimension in 2017. Although a few salary adjustments were made, Collins attributes the change in employee perceptions to the transparency that they implemented in discussing compensation.

This first started with the managers. "We previously witnessed that an employee may go to his or her manager and question their pay rate or annual merit increase. The supervisor, in turn, would call their VP or HR to let them explain the rate or process. Moving forward, before merit increases were distributed, we had a meeting with all supervisors. We distributed a copy of each of the salary ranges of the positions in their branch or department. We then gave them a copy of multiple salary surveys that we review each year. We used this to demonstrate how diligent we are to ensure our salary ranges are fair and competitive.

"When the employees received their merit increase, they also received a 'total compensation' worksheet. This sheet not only showed them their rate of pay but also the costs of all benefits. It also opened up the conversation to remind them of benefits they may have forgotten about. It was very well-received by the staff."

Beyond the communication strategy, Fort Financial CU did make concrete changes to its compensation. For example, starting wages increased by

Employees say Fort Financial CU is a great place to work and it shows!

about 50 cents per hour. This also applied to existing employees, as they were brought up to the new rate, plus they were given their annual merit increases. Also, with their branches located inside of a grocery chain, those branch employees were paid an additional $1 per hour, to reward them for working the evenings and later hours that the stores were open.

Another innovative compensation idea involved the CU's mentor program. Mentors at Fort Financial CU are assigned to new employees at their branch. The mentor is the new employee's go-to person for further orientation and training.

As Collins explains, "I wanted the mentor to have 'skin in the game' and to truly care about the success and longevity of the trainee. Plus, if they were accepting additional responsibilities, they should be rewarded for that as such. If someone accepted the role of being a mentor, they received an additional 25 cents per hour, for as long as their trainee stayed employed. If the mentor continued to do a good job, they could be assigned another trainee, and then another, and each time receive a 25 cents bump for each trainee. But if one of the trainees leaves, the 25 cents leaves too."

DEPARTMENT SATISFACTION

Department satisfaction is often a tough dimension to get your head around. Departments tend to be unique in what they do for the credit union, with dynamic personalities in each. But Collins has some clear theories as to why their averages were so high on this dimension across the CU.

Each department at Fort Financial CU is relatively small and therefore must work as a team much of the time. Moreover, management tries to emphasize that employees own their jobs. Oftentimes, when credit unions try to change employee engagement and satisfaction, they implement a top-down strategy, with most things being management-directed.

According to Collins, however, Fort Financial CU implemented an employee initiative: "You must be a participant in your own rescue." When results of the employee engagement and satisfaction survey were shared with staff at the department level, the top areas were highlighted, and when the bottom areas were discussed, department employees were asked to "come up with a game plan on what they could do to help improve the results. Many of these scores were low because information was not adequately shared, communication was not great or there was not sufficient coaching taking place," says Collins.

When the individual departments' game plans were submitted to Collins, employees were told that the initiatives would be tracked to ensure that they were sticking to them. According to Collins, there was an obvious correlation between higher engagement scores and higher buy-in to this initiative.

OVERALL IMPROVEMENT

With such dramatic improvements in employee engagement and satisfaction over just a 12-month period, Collins offers comprehensive ideas for why such extraordinary change occurred, starting with himself: "I feel that I, as CEO, had to make a commitment to communicate better and more often. We now conduct a branch tour and staff meeting at least annually. I do an all-staff presentation to summarize our business plan for the coming year. And our executive staff overall considers communication with the staff as part of every plan and decision. We try to never let someone be surprised by our actions or decisions."

Furthermore, "We do not believe we are perfect and we readily admit when we missed the mark. My mother taught me to be quick to ask for forgiveness and admit what you should have done and will do the next time. This creates unity and a commitment for a better future."

In closing, Collins adds, "I believe a big factor of this improvement was because we showed we (management) are also committed to them. We want a better environment too; we want engaged staff, and we work to improve just as much as we ask from them."

Kerry Liberman *is the president of People Perspectives LLC* (peopleperspectives.com)*, a consulting firm that specializes in conducting employee engagement and satisfaction surveys for credit unions. She can be reached at* kliberman@peopleperspectives.com *or 206.451.4218.*

MORE ON EMPLOYEE ENGAGMENT

Loving Their Jobs (*cues.org/0617loving*)

Advance Your Employees (*cues.org/1016advance*)

Looking Within (*cues.org/1016looking*)

A Satisfied Staff (*cues.org/0816satisfiedstaff*)

Employee Engagement & Satisfaction Done Right (*cues.org/0416employee*)

Special Report: Payments

Credit Union Management

MAY 2018

Know Your Members' Payment Preferences

Competitive disruptors make it essential
to build—and brand—your offerings.

PLUS:

Know Your *Members' Preferences*

COMPETITIVE DISRUPTORS MAKE IT ESSENTIAL TO BUILD—AND BRAND—YOUR OFFERINGS.

BY STEPHANIE SCHWENN SEBRING

Mobile payments are on the minds of many—and there's certainly no shortage of choices. While adoption rates have lagged expectations so far, *Business Insider* expects U.S. in-store mobile payments to increase steadily at a 40 percent compound annual growth rate to hit $128 billion by 2021—and mobile P2P to rise to $336 billion.

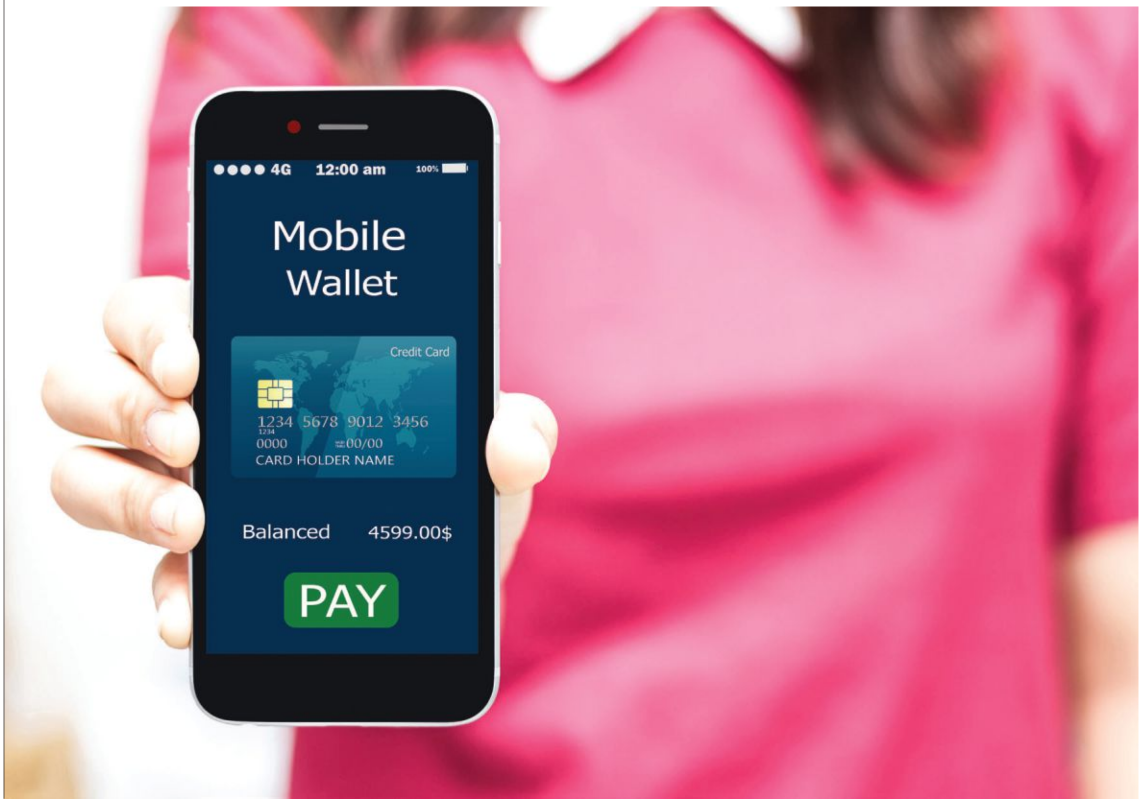
With competitors from virtually every sector, there's no time to waste in evaluating and building value in your mobile payments whether a branded mobile banking app, tokenized card or digital wallet.

THE FOUR PILLARS OF MOBILE PAYMENTS

According to Steve Shaw, VP/strategic marketing/electronic payments for Fiserv (*fiserv.com*), a CUES Supplier member in Brookfield, Wis., understanding how your members think—and their preferences in how they move their money—will help CUs succeed in the mobile payments space. As outlined in the 2018 Fiserv white paper, *Building the Four Pillars of Mobile Payments (tinyurl.com/fiservpillars)*, Shaw sees these trends as most impactful:

1. Paying other people (such as through Venmo, Square Cash, Popmoney and Zelle). P2P options, a cornerstone for mobile payments, offer an easy way to pay friends or family and are a must-have in today's social environment, explains Shaw. The need for fast payments between individuals has also triggered intense competition for CUs. Providers like Venmo (*venmo.com*) are hitting their stride, and Zelle (*zelle.com*), already a major influence, is increasing its sphere with a common network and directory interchangeable across many financial institutions. "The network's goal is to reduce friction for a better user experience, no matter where the consumer banks," he says.

Shaw also notes that Facebook (Messenger, *messenger.com*), Snapchat (Square Cash, *square.com*) and, more recently, Apple Pay Cash



"Your challenge is ensuring your strategy stays relevant in the mobile payments space." — Jeremiah Lotz

(Messages, *apple.com*) are additional ways members are moving their money.

2. Paying merchants or retailers (such as digital wallets, stored cards, prepaid cards, and online transactions). Here, members make point-of-sale mobile payments or pay through retailer websites or mobile apps. Payments can be made via a digital wallet or through connected Apple, Samsung or Google/Android devices. While adoption rates have lagged in comparison to industry expectations, digital wallet usage is on the increase. Fiserv notes an 8 percent adoption rate by mobile banking users in 2014, rising to 15 percent in 2016. Retailer apps, such as Starbucks and Walmart, are showing moderate success.

3. Paying billers (ebills, mobile bill-pay apps). With mobile bill-pay used by 65 percent of mobile bankers, Shaw says it's essential for CUs to offer this product. "It meets the on-the-go convenience craved by today's consumer and offers increased functionality, such as alerts and due date reminders." Members want to use their phones to pay quickly without having to go online.

4. Paying self (moving money between accounts). Perhaps the most neglected pillar, mobile transfers give members control over their cash and a way to manage their money. It includes mobile check deposit, another requisite for a CU's mobile offerings. (Fiserv research shows that 39 percent of mobile banking users have deposited a check via their smartphone.)

"Misperceptions in the mobile payments space often stem from a misplaced focus on competition or the device—rather than understanding what your member wants," reiterates Shaw. "Think of mobile payments holistically; envision your members' needs and how you can make your credit union the hub for their financial life."

BUILDING VALUE IN TODAY'S PAYMENTS SPACE

Jeremiah Lotz, VP/product management for CUES Supplier member PSCU (*pscu.com*), St. Petersburg, Fla., stresses that CUs must stay vigilant when building value in the mobile payments space. "Rival offerings from traditional banks and fintech innovators have made it critical for CUs to leverage their payment options and mobile experiences as a differentiator," says Lotz.

"While point-of-sale payments made with a device haven't shifted dramatically (and have yet to reach 1 percent of the total number transactions PSCU processes), online (card-not-present) transactions have increased across all demographics." For PSCU members, card not present represents approximately 15 percent of debit and 25 percent of credit transactions.

Tokenization (the process of substituting a sensitive data element with a non-sensitive equivalent) has opened the door to a plethora of payment options, such as Apple Pay or Samsung Pay, continues Lotz. "But the real work is making your card the preferred choice. By leveraging programs such as cash back, travel rewards and competitive interest rates, your member will see your card as the most attractive option. Also assist your members so their credit or debit cards are properly supported and eligible for the various digital wallets and promote the use of your cards in the wallets available."

Real-time payments are another must-have as members continue to raise their money movement expectations. For P2P transactions and bill-pay, it will be the new norm—not the usual three days currently offered by services, adds Lotz. "The consumer is smart. They know there are faster ways to move their money. And in today's environment, it's about instant gratification and immediate access to their money."

Taking that idea further, digital issuance will become commonplace. Members will be unwilling to wait seven days for a physical card. Similarly, consumers will look for cash access using their mobile devices at an ATM, rather than their debit cards.

"There will be no waiting for a mailed card after an account is opened," offers Lotz. "Cards will be issued digitally, provisioned immediately via a member's smartphone. As current members' cards expire, replacement cards will also be issued digitally without a lapse in service."

The consumer will drive these changes, concludes Lotz. "Your challenge is ensuring your strategy stays relevant in the mobile payments space. Take the time to understand your consumer demographics, research their expectations and align with partners that can innovate and build your product strategy based on those same consumer demands."

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.

MORE ON PAYMENTS

Wherever Cards Are Worn (*cues.org/0518wherever*)

Cash in a Flash (*cues.org/0617cash*)

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

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

Moments *in Payments*

THE DEFINITION OF PAYMENTS IS EVOLVING.

BY JEREMIAH LOTZ

Payments used to refer primarily to bill payments—mortgages, credit cards, loans and utility payments. Not that long ago, online bill payment services were considered progressive. But the definition of payments has evolved quite a bit within the past 10 or even five years.

MODERN-DAY PAYMENTS

Today, payments are often associated with specific moments. For example, I owe you for lunch and want to pay you immediately. Or I might need to make an immediate payment so that utility services are not suspended. A friend or family member might need money for an emergency, or roommates may need to split the rent. A small merchant who sources produce from local farmers needs to do so for that day's menu. Or someone employed to drive passengers around in his or her car might need wages paid today rather than waiting for a paycheck. These are today's payments.

There are efficiencies to be gained through quick and easy pay options for these new "moments in payments." Companies can send invoices and request payment with a simple "pay" button. Providers can reduce collection activities because payment in the moment is becoming more common. The experience becomes even more turnkey by using voice assistants like Alexa. Speed, the user experience, safety and security are now all at the core of enabling new payment solutions.

THE INTERNET OF THINGS

An explosion around the Internet of Things is coming. Connected devices will provide many new opportunities for payments. Payments partners will be extended in ways and areas we have not previously seen, such as car manufacturers introducing payment capabilities in their vehicles. These types of partnerships are already coming into view on the horizon:

- Mastercard has partnered with OnStar Go, enabling drivers to pay for items such as gas while in their cars.
- Ford has partnered with Amazon to use Amazon while in-car, including the opportunity to order food from your vehicle.
- Hyundai has partnered with Google to enable Google Home in their vehicles.
- Jaguar and Shell have partnered to provide in-car capabilities with PayPal, Apple Pay® and Android Pay™.

Public transit will continue to expand with contactless payments as turnstiles become payment devices, enabling users to tap and pay as they go. And smart cities with new payment opportunities will emerge.

CARD NETWORKS AND CREDIT UNIONS

More companies that are not traditional players will be entering the payments ecosystem. Card networks will play a significant role in making these offerings available to cardholders, and credit union accounts will be the foundation for members to access these services.

Traditional bill payment services still exist, but we will continue to see rapid change in payments in the coming years.

Our job as an industry is to ensure the credit union card remains the card of choice by enabling the rich features and functionalities that command top-of-wallet for the member.

This evolution represents an exciting time for credit unions everywhere through increased opportunities for adoption and growth.

Jeremiah Lotz *is VP/product management at CUES Supplier member PSCU* (pscu.com)*, St. Petersburg, Fla. He directs PSCU's initiatives to empower the company's Member-Owner credit unions with innovative and engaging payment solutions. Lotz leads an experienced team dedicated to delivering PSCU's credit, debit, prepaid, fraud, mobile banking and online bill payment services. He also manages the strategic relationships PSCU forges with leading payments technology providers to ensure Member-Owners have access to world-class platforms and solutions that build profitability and loyalty.*

Pathways to Growth:
How to Structure a Successful Credit Card Rewards Program

Offering a great credit card is one of the best ways a credit union can bring value to its current members and attract new ones. In order to establish a competitive credit card program, it's important to consider a variety of factors, including credit line management, late-fee assessment timing, and bin consolidation. However, when it comes to actually attracting members to your program, we find that few things are more important than your rewards strategy.

Here are a 6 steps you can take to run your best rewards program ever:

1. Establish an annual marketing calendar outlining your plan to promote your credit card program throughout the year; consider traditional marketing methods along with digital platforms like email, social media, and landing pages.

2. Combine APR, usage, and education campaigns to keep your card relevant (i.e. tokenization, Visa Checkout, and CR management).

3. Be sure to set firm end dates for your promotions; we've seen many examples where during a 90 day balance transfer promotion, 50% of the transferred funds came in the last two weeks.

4. Try analyzing the ACH activity of your share drafts to look for card payments to big banks, and then target additional marketing to those members.

5. Offer custom programs focused on market dynamics. Consider: Cash-back redemption options, charitable donation redemption options, advanced scoring on e-commerce (sites like Amazon), promotions tied to new locations accepting Visa (like Costco), and redemption options offered by local merchants that have relationships with your credit union.

6. Continually analyze your card program to determine your areas of need and tailor your promotional campaigns to directly address those needs.

A great credit card program is essential for a credit union to thrive in the ever-growing financial services industry, yet only 60% of credit unions currently offer a credit card to their members. We know that credit card programs can be very expensive to run, especially for smaller credit unions, but there are products available that can help you offer a great credit card to your members with no start-up fees and very little risk to your CU. Unhappy with your current provider or looking to offer a credit card for the first time? Check out EZ Launch from LSC, where members benefit from competitive interest rates and an awesome rewards program.

For more information on how EZ Launch by LSC can help your credit union succeed, please contact (800) 942-7125 or sales@lsc.net

LSC®

EZ LAUNCH

CREDIT CARDS

EZ Launch from LSC® is the low-risk, cost effective credit card referral program that pays your credit union in return:

- **Easy implementation**
- **No start-up fees**
- **Reduced risk to your credit union**
- **FREE marketing materials for your branch & website**

For more information
call 800-942-7124
or email us at
Sales@LSC.net.

Z: The Largest *Generation*

fiserv.

MEMBERS OF GEN Z ARE SAVING NOW, BUT WILL SPEND MORE AS THEY AGE.

BY FISERV

Gen Z will be one of the largest generations in history, and credit unions should be prepared to win their business, as their spending power increases with age. Large, consumer-focused entities that offer easy, high-touch customer experiences are leading the way with Gen Z.

As these companies expand their offerings, is your CU prepared to be the financial institution of choice for the generation that believes fast, convenient and always-on financial services are table stakes?

Is your credit union prepared to be the financial institution of choice for the generation that believes fast, convenient and always-on financial services are table stakes?

CUES Supplier member Raddon Financial Group (*raddon.com*), Lombard, Ill., recently surveyed a group of Gen Z individuals sufficiently advanced in their age and financial awareness to provide insight into several key trends to consider.

WHO IS GEN Z, AND WHY SHOULD WE CARE?

In the Raddon study, Gen Z refers to individuals born during or after 2000—the oldest members of this group are entering adulthood this year.

The size of Gen Z is reason enough for financial marketers to start paying attention. Spurred by 4.1 million births per year in the U.S., Gen Z will outnumber its predecessors, the millennials. While demographic attitudes change over time, a late start on the road to understanding this generation may make it difficult to compete against those already working to attract Gen Z members.

It may be tempting to assume that Gen Z are the members of tomorrow; however, in many cases, they are already the members of today. Sixty-seven percent have a relationship with a financial institution. They are single-institution individuals, and 24 percent of them are credit union members.

WHAT IS IMPORTANT TO GEN Z?

Forty-nine percent of Gen Zers expect to have a higher standard of living than their parents, compared to only 13 percent who expect to have a lower standard of living.

Your first relationships with Gen Z will be predicated on building savings. Soaring costs for housing, education and health care, paired with stagnant wages, put continued pressure on the young to build their financial futures.

Gen Z is aware of this, and they have done more to further their knowledge of financial matters than any generation to date. Promoting educational offerings can give them confidence in you. This, along with providing savings products, mobile, and smart payments options, can seal the deal.

DIGITAL NATIVES

Gen Zers are information-intensive digital natives. Fifty-seven percent of Gen Zers use their smartphone several times per hour, with 16 percent using it every hour.

This is a critical insight. With how connected they are to their devices, it is important to consider delivery channel strategy on mobile, including notifications and alerts, remote deposit capture and P2P electronic payments. If credit unions can't provide them what they expect, they'll go elsewhere.

For more information on the attitudes of Gen Z and how technology is influencing their behavior, download the full 44-page Raddon study, "Generation Z: The Kids Are All Right" (*raddon.com/GenZ*), using the promo code "CUES18" to receive a limited time discount of 20 percent off the regular report price.


financial services @ the speed of life®
12 : 38 : 00 PM
My credit union let me know my balance is low.
12 : 39 : 00 PM
Transferred money and got a text confirmation. Safe and easy.
Think it. Do it.
Move and manage money at the point of thought.
fiserv.com /creditunions
fiserv.
© 2018 Fiserv, Inc. or its affiliates. All rights reserved.

Nominate a Young Professional *for Next Top Credit Union Exec!*

The CUES Next Top Credit Union Exec challenge (*ntcue.com*) is back for the ninth straight year. This CUES program for the CU industry's emerging leaders is powered by Currency (*currency.ca*) and sponsored in part by Silver CUESolutions provider DDJ Myers (*ddjmyers.com*).

The CUES Next Top Credit Union Exec challenge searches for emerging CU leaders age 35 and under. Participants pitch a current project or program they are working on, an idea to advance either their CU or the CU industry. The challenge features more than $50,000 in prizes and will award the title of CUES Next Top Credit Union Exec to one young leader in the credit union industry.

Nominate a colleague, direct report, peer or yourself from May 1-11 at *ntcue.com*. Any young professional may apply by submitting an application form, along with a short video and blog post from May 14-June 19. All applicants will receive a free CUES NextGen membership (*cues.org/nextgen*).

The 2018 Next Top Credit Union Exec will be named live at CUES' CEO/Executive Team Network™, Nov. 5-7 at the Westin Nashville, Tenn., and online at *ntcue.com*.

To provide additional value to the competition experience, the top 10 finalists will receive executive coaching sessions from DDJ Myers. The top five finalists will receive additional coaching, airfare, accommodations and registration for CUES' CEO/Executive Team Network. The winner will receive further coaching, airfare, accommodations and registration for two CUES' CEO Institutes, a total prize package valued at $20,000.

Compliance and *Front-Line Training*

CUES is pleased to bring CUES Online University, powered by TRC Interactive (*cues.org/cuesu*), to the credit union industry. This new offering provides compliance and front-line staff training at a very low cost.

CUES Online University has the strongest credentials in credit union training today. Its extensive library offers a cost-effective way for credit unions to meet NCUA requirements, as well as complete curriculums covering compliance, director development, lending, management, new accounts/sales, products and services and teller development.

"We are excited to partner with the experts at TRC Interactive to offer our members and the industry affordable and consistent talent development to improve staff performance," says CUES' President/CEO John Pembroke. "CUES Online University will help credit unions access low-cost compliance training, to check the boxes for regulators come audit time, as well as complete front-line and fraud prevention training."

CUES Online University courses are delivered in bite-sized pieces to help staff retain what they've learned, while animations, quizzes and gamification keep learning interactive. In addition, free, customizable study guides are available for each course.

"TRC Interactive has been serving the information, knowledge and training needs of financial institution professionals for more than four decades," says TRC Interactive's Chief Financial Officer Jay Bowden. "Using TRC's solid platform and tested pedagogy, institutions can be confident that their employees will receive and retain practical hands-on skills they can apply directly to their jobs."

Developed with the adult learner in mind, CUES Online University courses are presented in manageable segments with a logical progression. All courses are regularly updated, and new programs are continuously added based on the needs of and suggestions from the industry. In 2016 alone, 837 compliance-based course changes were made. Learn more at *cues.org/cuesu*.

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.

MAY 1
1 p.m. Central
Bank & Credit Union Acquisition Opportunities

MAY 10
1 p.m. Central
Lending Across Generations: Keep Your Message on Target

JULY 11
1 p.m. Central
The Ultimate CECL Study

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

Build Innovation Muscle *With CUES*

CUES' Strategic Innovation Institute™ (*cues.org/sii*), July 15-20 at the Stanford Graduate School of Business, is a robust, transformational program that builds and strengthens program graduates' understanding of innovation in ways that will benefit their credit unions immediately.

"We think of it as a gym," says Huggy Rao, the Atholl McBean professor of organizational behavior and human resources at the Stanford Graduate School of Business and faculty director of the institute, in the CUES Podcast episode 22 (*cues.org/podcast*). "What do we do in a gym? You go and develop muscles. And you don't just develop one set of muscles—you develop very different sets of muscles. ... You're constantly active and doing things, and that's exactly the kind philosophy behind this gym that we've designed for the senior executives of credit unions."

Rao, along with esteemed faculty members Hau L. Lee, the Thoma professor of operations, information and technology, and Stefanos Zenios, investment group of Santa Barbara professor of entrepreneurship and professor of operations, information and technology at the Stanford Graduate School of Business, have three goals for the innovation gym: 1) to inform participants of cutting edge practices, 2) to illuminate the relationship between the causes and effects of excellence, and 3) to inspire people.

Attendees will participate in group decision-making exercises, case studies and a hands-on innovation workshop that illustrate how to harness collective intelligence, develop strategy amidst disruptive innovation and scale up excellence.

Attend CUES' Strategic Innovation Institute™ (*cues.org/sii*), July 15-20 at Stanford Graduate School of Business, Stanford University

"Smart scaling is about subtraction, not mindless addition," notes Rao.

The weeklong program will end with the creation of personal action plans for each attendee. Graduates will earn the Certified Innovation Executive designation, which signifies the commitment these leaders have made to developing an innovative and strategic vision for their CUs and the attainment of a level of expertise recognized throughout the CU movement.

Learn more and register today at cues.org/sii*. Limited seats are available for board members, so don't delay!*

2018

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*
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

CUES ADVANCED SCHOOL OF BUSINESS LENDING™: *CREDIT ADMINISTRATION*
Aug. 13-17
Embassy Suites by Hilton Denver
Downtown Convention Center

CUES ADVANCED SCHOOL OF CONSUMER LENDING™
Aug. 15-16
Embassy Suites by Hilton Denver
Downtown Convention Center

EXECU/NET™
Aug. 19-22
Hilton Sedona Resort at Bell Rock
Sedona, Ariz.

CUES SCHOOL OF MEMBER EXPERIENCE™
Sept. 10-11
Embassy Suites by Hilton Denver
Downtown Convention Center

BOARD CHAIR DEVELOPMENT SEMINAR
Sept. 10-11
Omni Amelia Island Plantation Resort
Amelia Island, Fla.

CUES DIRECTOR DEVELOPMENT SEMINAR
Sept. 12-14
Omni Amelia Island Plantation Resort
Amelia Island, Fla.

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

Purposeful Talent Development: *The Machete or the Map?*

BY JENNIFER STANGL

Imagine you are walking through a dense jungle trying to find your way back to camp. It's dark and you have to hold your lamp in one hand. That leaves you only one free hand for either your map or your machete. Which do you choose? Either would be beneficial, right? The machete will help you move through the tangles and vines more efficiently, while the map will provide you with a route.

You're likely to encounter a similar decision each time you need to focus your talent development resources. What should get your attention and time? Should it be the machete of technical training that quickly cuts through inefficiency within daily work, or should it be the map of leadership training that helps to guide individuals and teams in the best direction?

In a perfect world, you wouldn't have to choose; there would be enough resources to support all aspects of development within your organization. However, our world isn't always perfect, and many times you have to balance the resources you have with the needs of the organization and staff.

Commonly, when faced with this decision, I've seen leaders go for the quick win by using low-cost, seemingly high-impact training that hits the largest number of people. Most often, I've seen these solutions fall within the technical training realm. Leaders may offer training on mortgage, lending and deposit practices, maybe some member service, and even a little bit of communication training to add balance. But what are the long-term consequences of always choosing the machete?

Spending all development energy and efforts on technical training limits focus to the here and now, and we risk losing focus on the future. More importantly, we lose the opportunity to develop talent in those that can support organizational and staff needs *in* the here and now. In these situations, we fail to develop leaders, and when we fail to develop leaders, we fail as an organization—we lose the ability to find our camp.

Leadership development is not just a people need; it's a critical organizational need. There is a need to develop those who lead people, those who lead departments and projects, and those who lead without direct authority. By growing leadership at each of these levels, we support the organization today and provide a map to a future with bench strength and strategic focus.

Jennifer Stangl *is CUES' director of professional development.*

Read the full post at cues.org/032618skybox.

Our Favorite *Recent Posts*

"While creating a great deposit strategy for the future, consider the same types of strategic questions that have traditionally been asked about loans: Why should someone deposit with your institution instead of somewhere else? Will the pricing, volumes and mix be profitable and sustainable?"

CUES Supplier member c. myers corporation (*cmyers.com*), Phoenix, in "The Shifting Sands of the Deposit Landscape" on CUES Skybox: *cues.org/031218skybox*

"In 2012, I probably underestimated how long it would take to change people's minds and to effect change in our reputation, but we did it. I didn't come in with new ideas or try to convince people that my way was better. Credit union people know how to treat people right; we just gave them the authority to do that."

CUES member David Woodruff, CEO of $136 million Zia Credit Union (*ziacu.org*), Los Alamos, N.M., in "Five Ways to Show Your Community You Care" on CUES Skybox: *cues.org/031918skybox*

"Managed properly, with a strong focus on customer satisfaction and even customer delight, the contact center experience becomes your differentiator, helping you stand out from the competition like a shining star, which can bring in new accounts and increase wallet share."

Terri Panhans, VP/contact center solutions for CUES Supplier member Harland Clarke (*harlandclarke.com*), Atlanta, in "Measure Call Value Over Call Volume" on CUES Skybox: *cues.org/031418skybox*

Does Your Household Acquisition Program Need a Boost?

AcquisitionAccelerator®

Harland Clarke helps you identify and acquire the right account holders for your financial institution. Whether it's millennials or baby boomers or lookalikes of your best account holders, our industry-leading propensity models find them. Our award-winning creative engages them with personalized communications on the individual consumer level at saturation mailing prices. And our data-driven analytics let you track business-crucial metrics and marketing ROI.

For a checking acquisition program that really takes off, it takes more than luck. It takes Harland Clarke.

harlandclarke.com/AcquisitionAccelerator 1.800.351.3843 | contactHC@harlandclarke.com

HARLAND CLARKE®