# CU MANAGEMENT

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**SEARCH ENGINE OPTIMIZATION**
The race to the top (of Google's results)

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# The Reality of *the Dark Web*

I've been hearing about the "dark web" for a few years. In the past, it had always seemed like something out of a James Bond or Mission Impossible movie—or a place where Lisbeth Salandar (of *The Girl With the Dragon Tattoo* books) would hang out. And then recently, it became very real.

In March, a group of about 30 credit union folks gathered at the headquarters of $2.7 billion Apple Federal Credit Union in Fairfax, Virginia, for a discussion of cybersecurity best practices. At the event, Seth Jaffe, general counsel and VP/incident response for CUES strategic partner LEO Cyber Security (*leocybersecurity.com*), Dallas, took us on a tour of the dark web—the black market of the internet. (Jaffe started the tour by saying, "Do not try this at home unless you know what you are doing!"—a very wise disclaimer that I will echo here.)

What wasn't surprising about the dark web: The items for sale include credit card numbers, tax records and Social Security numbers.

What was surprising about the dark web: Many of these items are available for purchase at extremely low prices! One seller had Social Security numbers for $1 a piece if you bought at least nine. Tax records were going for $7.99 each. ATM malware cost $5,000 and ransomware just $49. There was even a 10 pack of "low security credit union bank records" for a mere $400.

Even more surprising? How e-commerce-y the sites were. Many sellers offered support and money-back guarantees! Someone was selling a PIN skimmer at a holiday discount. And each seller had scores and feedback, just like an Amazon marketplace vendor.

The exercise highlighted just how important it is for credit unions to be super vigilant about cybersecurity. The threats are coming from all sides: external, internal, and through gaps in your third-party relationships or cloud-based services. Add in nation-state-sponsored attacks, and it's not surprising that cybersecurity is keeping us all up at night. In our cover story this month, I hope you will find some actionable tips for developing a strong culture of security. Read more in "Keep Your Guard Up," p. 10, and a companion article about the dark web on p. 9.

On a completely unrelated note, I hope that you will join me and your CUES member peers in a new offering through CUESNet™, our revamped members-only forum. Starting in May, we'll be participating in the Pathway of the Quarter: Change Agility. Using a learning pathway from CUES Learning Portal, we will study change management and discuss what we learn in a CUESNet community. Simply visit *cuesnet.cues.org* and look under "Communities" to access this benefit of your membership (*cues.org/memberships*). I hope to see you there!

*Theresa Witham*

**Theresa Witham**
Managing Editor/Publisher

### LET'S CONNECT

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

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## YOUR THOUGHTS

### HAS YOUR CREDIT UNION CONDUCTED A CYBERSECURITY BUSINESS IMPACT ANALYSIS?

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# Safe CU Assists Members With *Medicare Enrollment*

With 20,000 of its members reaching age 64½ this year, SAFE Credit Union has introduced free Medicare consultations to help them choose the right plans and supplemental insurance.

"We've heard from a lot of members and their children who describe the Medicare enrollment process as 'horrible' and 'confusing,'" says Larry Braley, VP/wealth management for $2.9 billion SAFE CU, Folsom, California (*safecu.org*). "There's so much misinformation out that makes the process even more intimidating."

To help compare their options, members can schedule appointments in SAFE CU branches with specialists from Retirement Health Solutions, which represents a variety of major health insurance companies that offer Medicare Advantage, supplemental insurance and prescription drug plans, along with cancer, dental and long-term care plans.

Though the Medicare consul-tations are not a revenue-producing service for SAFE CU, they do help enhance member relationships by providing much needed guidance on a critical decision, Braley notes.

The consultations, which are offered at no cost to members or the credit union, expand SAFE CU's range of financial education programs, which already include investment services, access to trust specialists, and SAFE@Work financial literacy events offered to local businesses and their employees.

In addition, two credit union employees are currently enrolled in training through the Financial Industry Regulatory Authority (*finra.org*) to become Social Security advisors educating members about how and when to apply for benefits, Braley adds.

# CU Compensation *Beyond 'Attract, Retain and Motivate'*

What is your credit union's compensation philosophy? Do you have one?

When they're well thought through, compensation philosophies can help provide an important framework for pay decisions throughout a company. But far too often, these philosophies are antiquated and include general phrases like "we strive to provide competitive compensation" and "the goal of our compensation structure is to attract, retain and motivate." While few can disagree with these types of platitudes, they are rarely helpful when making actual decisions.

In a free whitepaper available at *cumanagement.com/compensationwhitepaper*, CUES Supplier member McLagan, a division of Aon (*mclagan.aon.com*), Minneapolis, suggests two core questions CUs should be asking themselves when setting meaningful compensation policies that truly align with their unique business goals.

## QUESTION #1: WITH WHOM DOES YOUR CREDIT UNION COMPETE FOR TALENT?

When setting compensation, it is essential to understand who you are competing with for talent.

To explore this question further, ask yourself:

- From where have we sourced our recent hires?
- To whom are we losing talent?

The answers to these questions may vary by level within the organization (executives or entry level) or by function (IT professionals or branch staff).

McLagan often hears that credit unions' biggest competitors are both credit unions and banks. Because of this, credit unions must maintain a strong understanding of pay in both industries.

## QUESTION #2: HOW DOES YOUR CREDIT UNION WANT TO COMPARE?

Once a competitive market is defined, McLagan recommends specifying how your credit union will ideally compare to that market.

At the most basic level, credit unions should determine whether their strategy will focus on meeting, leading or lagging the market.

While many organizations choose to meet the market, commonly defined as the 50th percentile, some firms target the 55th or the 60th percentile due to ambitious growth plans, high expectations or workloads, or the desire to be seen as an employer of choice with competitive pay opportunities.

Understanding the answers to the questions in this whitepaper can help provide a better framework for designing compensation structures, making individual pay decisions, and determining if you are achieving your compensation goals.

*Read the entire whitepaper at* cumanagement.com/compensationwhitepaper.

# An Introduction *to the Dark Web*

HIDDEN AND ANONYMOUS ONLINE COMMUNITIES PROVIDE A MARKETPLACE FOR SENSITIVE DATA AND CYBER SERVICES.

**BY JIM BENLEIN, CISA, CISM, CRISC**

For centuries, there have been physical locations where illegal goods and services are offered for sale. Consider the speakeasies of the 1920s, where a walk down a dark alley, a special knock and a whispered "Swordfish" were the requisites for entry.

Today, the use of TOR (The Onion Router, technology that anonymizes your web activity), obscured URLs and encryption provide the foundations of security and anonymity for those who wish to use the dark web marketplace.

The "dark web" is a portion of the internet not indexed or cataloged by search engines (e.g., Google and Bing) that consists of dark networks or "darknets" that require special software like TOR-enabled browsers, protocols, configurations and authorization to access.

On the dark web, communities of users buy and sell various goods and services. Some communities are open to anyone—for others, membership is a paid-for privilege.

An example is a website that sells stolen credit card information. Run much like legal retail sites, these resellers offer various pricing rates, special orders and discounts. Platinum credit cards with higher limits are priced higher than cards with lower credit limits. Newer batches of cards with less chance of being blocked are priced higher than older batches. Cards are also sold in geographic batches to help circumvent fraud monitoring. A fraud ring in the Northeast U.S. can buy "New York cards," while one in the Southwest can get cards from Arizona. These sites may also attach premiums to batches based on the seller. Batches from a hacker known to offer fresh, high-quality cards will be promoted as such with advertising and higher prices. And batches "with all the sides" (e.g., name, number, CVV and potentially Social Security number and date of birth) also garner higher prices.

Other dark websites and forums offer a soup-to-nuts menu of goods and services:

- In a bit of a gray area, "stress testers" offer to test a website to determine how well it handles a large load of requests. Done above board, this work can help a company prepare against a distributed denial of service attack. Done below board, and you have an actual DDoS attack on your hands.
- Numerous and varying in sophistication, hacking tools, exploits and malware are commonly traded items. Bitcoin was the currency of choice not long ago, but issues with account hacking and fluctuating values have led cybercriminals to other e-currencies, such as Monero (*getmonero.org*).
- Just as legitimate IT and cybersecurity folks specialize in technical areas (such as firewalls, databases or Linux), cybercriminals also specialize. And just as you can post resumes and "help wanted" on Indeed.com, specialized services for hire are advertised and solicited on dark web forums.
- It's often thought the dark web consists only of outsiders looking to make a fast buck, but that isn't always the case. In many instances, law enforcement and researchers have found current and former employees offering up insider information on their employers.
- Another common commodity available on dark web forums are batches of credentials (i.e., user logins and passwords). These credentials—for the right price—offer access to bank accounts, social media sites, company networks, retail sites or such services as Netflix and Hulu.

## A CAVEAT AND WARNING

It's important to understand that there's more to the dark web than criminal activity. For people whose religion, politics or life choices may be censored where they live, the dark web offers a place to safely and anonymously congregate and communicate. In fact, many legitimate organizations such as Facebook, ProPublica and the United Nations have dark web sites.

However, accessing the dark web, even just to see what's out there, is not something to be done at your desk in your CU's office without undertaking precautions to prevent the compromise of your systems or yourself. If you wish to research threats to your CU on the dark web, first research how to do this in a safe and secure manner.

**Jim Benlein, CISA, CISM, CRISC**, *owns KGS Consulting LLC* (kgs-consulting.com), *Silverdale, Washington, and offers insights to CUs on information technology governance, information security and technology risk management.*

**MORE ON CYBERSECURITY**

Keep Your Guard Up, p. 10

Incorporating a Cyber Risk Strategy (*cumanagement.com/031119video*)

Tech Time: The Step-by-Step Cyber Incident Response (*cumanagement.com/0219techtime*)

Cut Bait or Phish: Protect Your Credit Union's Data Security (*cumanagement.com/1218phish*)

# Keep Your *Guard Up*

## BUILD A CULTURE OF SECURITY TO DETECT AND PREVENT CYBER ATTACKS.

**BY KAREN BANKSTON**

Keeping up with evolving cybersecurity threats is daunting, never-ending, and time- and cost-intensive. The alternative is worse. According to global research by IBM Security and the Ponemon Institute (*ibm.com/security/data-breach*), the average cost of recovering from a data breach in 2018 across business sectors was $3.86 million.

Every business with an online presence is at high risk for cyberattacks, but credit unions and other financial services providers are especially targeted, both because they deal with money and because their member and vendor data is useful to criminals, says Daniel Cherrin, founder of North Coast Strategies (*northcoaststrategies.com*), Detroit. Hackers are relentless in efforts to infiltrate member and employee data, financial transactions, credit card information, even merger and acquisition activity.

Over his years working in the financial services industry, Heath Renfrow, CISO of CUES Supplier member and strategic partner LEO Cyber Security (*leocybersecurity.com*), Fort Worth, Texas, has seen the threat facing credit unions increase as overseas cybercriminals, thwarted by the significant security efforts mounted by big banks, have turned to financial cooperatives, which they perceive to be more vulnerable.

"One of the greatest things about credit unions and the people who work for them is that they're wonderful human beings serving tight-knit communities, and that can make it easy for somebody to come in and manipulate that trust," says Renfrow. "We're seeing a shift in focus away from the largest institutions to credit unions and other smaller organizations."

### BEWARE WEAK LINKS

The biggest cybersecurity threat facing credit unions today comes from inside their organizations. "Your employees are your greatest asset, but they can also be the weakest link when it comes to cybersecurity," Renfrow says. "Cybercriminals are taking advantage of the human tendency to be trusting as they launch sophisticated phishing campaigns."

Insider threats, involving both negligence and malicious intent, "will continue to be a significant attack vector," agrees Shea Lambert, chief technology officer of United Solutions Company (*unitedsolutions.coop*), Tallahassee, Florida. "You can have all the latest preventative security products in place at your credit union only to be tripped up by the insider threat."

Over the years, most organizations—both within and outside the financial services industry—have focused on external threats, shoring up their firewalls with intrusion detection and prevention systems, Lambert notes. "We've reduced the footprint available to hackers on the perimeter but haven't put enough work into detection on the inside of our networks."

Cloning of internal email accounts to facilitate illicit wire transfers is a tactic that has been on the rise over the past year, notes Christopher Pippett, chair of the financial services industry practice of Fox Rothschild LLP (*foxrothschild.com*), Exton, Pennsylvania.

"Employees think they're getting instructions via an email from the CEO or CFO to wire funds to an account, but it didn't come from inside the credit union," Pippett says. "We've seen a slight uptick in those claims, enough of them that we've been warning people to verify these requests by phone."

Another risk that must be monitored closely is infiltration through third-party relationships. Renfrow cites the example of a credit union's myriad digital partnerships to underwrite and process a mortgage—not just the lending platform, but also for access to credit reports, income verification and title insurance, among other systems. Every one of those third-party connections to a credit union's systems and members' personal data is another door to guard.

Cyberattacks by nation-state actors like Iran and North Korea also pose a threat to U.S. credit unions and banks. "They're finding that it's very profitable to attack financial institutions and try to get money out of those institutions' accounts," Renfrow says. Selling member and corporate data mined during such attacks can be valuable too. (Read more about this in "An Introduction to the Dark Web" on p. 9.)

Another threat may arise for credit unions that migrate to the cloud, Lambert suggests. Cloud-hosted products offer cost and operational efficiencies, but they also present an additional attack vector.

"When moving to the cloud, it's important to understand where the cloud providers' security responsibilities start and end," he cautions. "Let's take, for example, email with Microsoft Office 365. When moving your email into the cloud, ask what kind of logging capabilities the product provides. Does the service's log retention match your credit union's log retention policy? Can events be forwarded to your centralized logging facility for correlation?" This could be crucial, for example, when investigating the origination and impact of a phishing attack.

## CONDUCT A BUSINESS IMPACT ANALYSIS

A first step in developing a proactive cybersecurity policy is to conduct a business impact analysis to determine the most critical infrastructure elements to protect, like the core processing system, so the credit union can start formulating a security strategy around those elements.

> **"If the importance of security is promoted, enforced and reinforced by upper management, it becomes part of the culture."**
>
> – Christopher Pippett

"It's not a matter of if a cybersecurity attack will happen. It's a matter of how and when," Renfrow cautions. "Credit unions need to be prepared for that. Without conducting a business impact analysis, credit unions can't really build a sound IT security policy and instant response plan, because they're in the dark about some of their most critical assets."

Conducting a BIA involves all business units. "You can't just settle for the pat answer that everything is critical. You have to identify your most critical elements and build your security program around them," he adds.

Key questions explored in a BIA include:

- What systems are most likely to be targeted?
- What is the cost of infiltration, temporary outages and longer-term outages?
- How can targeted systems be returned to service as quickly and securely as possible?
- How does the credit union build its cybersecurity program around those infrastructure-critical assets?

## START AT THE TOP

Developing and maintaining a cybersecurity program is an enterprise-wide responsibility, beginning with the board and executive team. The board, supervisory committee and executive management must take the lead in learning and educating the organization about evolving threats, insisting on vigilance—including writing organizational policy around cybersecurity best practices—and bringing in outside expertise when necessary to develop and test security measures.

IT professionals are heavily involved in conducting the BIA and developing security policies, procedures, training and testing, alongside their colleagues in finance, operations, marketing and other departments, Renfrow says. Leaders across the organization are responsible for the practices and systems within their business units and through their connections with third parties, from technology providers to legal advisors.

For every major data breach in recent years, the CEO of the targeted company has had to answer publicly to customers and shareholders, he notes. CEOs and boards are being named in lawsuits, and there are bills before Congress setting out stiff penalties, including the potential for prison terms, for the leaders of companies that are found to have inadequate data security programs.

"To build a cybersecurity culture within an organization, if it doesn't come from the top, it will not succeed," Renfrow concludes.

Leading cybersecurity efforts from the board and executive management levels is essential, Pippett concurs. "If people on the frontlines don't believe this is important to the upper echelons of the credit union, then you're not going to develop that culture. But if the importance of security is promoted, enforced and reinforced by upper management, it becomes part of the culture."

## COMMIT TO A CULTURE OF SECURITY

"Everybody always thinks of cybersecurity as an IT function, but it goes beyond that, especially when you're trying to develop that culture of security," Pippett says.

HR should underscore the credit union's commitment to cybersecurity in new employee onboarding and ongoing staff training. Risk management professionals work alongside colleagues in IT and other business units to operationalize security practices. And managers across the credit union must model and emphasize cybersecurity in daily operations, including simple but essential duties, like asking questions to verify identity.

As just one example, "if someone is knocking at a side door to gain access and they're wearing a uniform, employees shouldn't assume they're a vendor and let them in," Pippett notes. "Employees should be trained to always ask for an ID and direct the individual to the main entrance unless someone in the organization with authority to do so has instructed otherwise."

In a culture of security, Cherrin recommends these processes and procedures become part of the daily routine:

- Offer regular training with refreshers on cybersecurity practices.
- Maintain an early warning system, with programs in place and people assigned to monitor for weaknesses and infiltrations of the credit union's defense systems.
- Monitor the internal and external environment by encouraging all employees to report any suspicious emails or activities, consulting with colleagues across the industry and evaluating media reports on emerging cyber threats.
- Test system defenses and response to threats through tabletop exercises and penetration tests that simulate intrusions. Involving the credit union's incident response team in regular testing "will illuminate your blind spots and help you know how to respond when a breach does occur," he says.
- Regularly back up sensitive information in remote locations and observe other business continuity practices.
- Keep software up to date.

"You need to enlist your team members to watch out for improper activity, and you need to constantly remind them not to click on emails from unknown sources, even test them at times," Cherrin adds. "Educate your employees on how to handle sensitive information and require users to create strong passwords and change them regularly."

Continual training and regular testing help support a culture in which "employees are thinking about security all the time," Pippett says. When employees click on emails sent as part of a phishing test exercise, they're likely to remember that lesson.

Pippett emphasizes the need to incorporate security awareness into organizational culture and encourage employees to keep asking, "What do I need to do? How might we be exposed?" He offers another simple example: If the credit union has a copier that stores information, how do employees ensure that all data is wiped clear and not exposed when the machine is decommissioned?

"You have to be vigilant and thorough in considering: Where does all the credit union's information sit? And how it is protected?" he notes. "The more people who are thinking about that, the better, because the answer to that question is 'us.'"

## MAINTAIN BEST PRACTICES

Lambert cites a security industry mantra: "While prevention is ideal, detection is a must." Credit union leaders should expect that attackers will eventually get around preventative measures and equip IT to detect and respond quickly to intrusions. Two primary tools to enable early detection are centralized log management, which combines data from across applications to help pinpoint issues and errors, and security information and event management, which analyzes security alerts generated by systems and network hardware. These tools can help prevent and detect both insider and external threats, he notes.

The Cybersecurity Framework from the National Institute of Standards and Technology (*nist.gov/cyberframework*) offers practical recommendations and best practices, Lambert says. The FFIEC Cybersecurity Assessment Tool (*ffiec.gov/cyberassessmenttool.htm*) and/or the National Credit Union Administration's Automated Cybersecurity Examination Tool can also guide credit unions in regular reviews and revisions of their risk assessments. (You can request the latest version of ACET by emailing *CU_cybersecurity@ncua.gov*.)

## KNOW THE LAW

In addition to NCUA regulations, the Gramm-Leach-Bliley Act (*tinyurl.com/ftcgramm*) requirements for cybersecurity and other federal laws, credit unions must also adhere to state laws, not just in their home base but in every state where their members reside. As just one example, the state of California has rigorous privacy regulations requiring companies to secure the personally identifiable information of customers, including names, Social Security numbers, account numbers and passwords, current and past addresses, and IP addresses. The potential penalty for data breaches is a fine of $7,500 per record.

Many states require businesses to inform customers about data breaches that may have compromised their personal information. The timing on those disclosures can be a quandary because the required time periods may differ from state to state, Pippett says. Credit unions need to develop a complete picture of the extent of the breach before sounding a public warning. That goal must be weighed against the benefits of prompt notification to help minimize the potential for losses.

"If members are notified within 24 hours of a breach, that quick notice can help them take the steps they need to take to protect their accounts," he notes. "But if managers drag their feet over concerns about reputation damage and wait three weeks, all sorts of bad things can happen over that period of

> **"Educate your employees on how to handle sensitive information and require users to create strong passwords and change them regularly."**
>
> – Daniel Cherrin

time if member information was accessed and is somehow utilized.

"In the end, an assessment by regulators of the credit union's response to report a breach will attempt to establish whether that response was reasonable. That's always subject to Monday-morning quarterbacking, but at some point, you will need to take action to promptly report a breach," he adds.

## RELY ON THE EXPERTS

Keeping pace with shifting cybersecurity threats can be a daunting challenge, especially for smaller credit unions that don't have the resources for an in-house IT security staff. But in some ways, smaller financial cooperatives may have an advantage in maintaining a cybersecurity culture, Renfrow suggests.

"A $50 million to $100 million credit union may have 30 or 40 employees, and everybody knows each other. The CEO can drive home the importance of building a cyber-aware culture within that organization and work to eliminate the insider threat by emphasizing that everyone plays a role in ensuring security," he says.

The ability to attract cybersecurity talent is extremely difficult for credit unions of all sizes these days, he adds. With a negative 20 percent supply of professionals in the field, many organizations rely on business partners to outsource or supplement cybersecurity.

"You don't need a full-time chief information security officer in a $50 million credit union, but you do need an expert who can come in and identify what's working well within your infrastructure and what other actions must be taken," Renfrow recommends.

Cherrin suggests supplementing internal and external cybersecurity expertise by connecting with such law enforcement agencies as the FBI, Secret Service and postal police. These agencies can provide information about emerging threats, and it's helpful to know immediately where to turn in the event of a data breach. A phone call or in-person meeting to introduce the credit union is a good first step to develop a relationship that could be "crucial to mitigating risk in the long run."

"Many attacks can be averted if we all share information on what we know when we find out about it," he notes. "Federal agencies frequently communicate with each other and share information on what they are learning in the field. The private sector needs to step up and be just as vigilant, and that begins with knowing who to turn to and having direct access."

An additional measure that should be considered is cybersecurity insurance to help protect a credit union and its members, Cherrin suggests. "Policies will differ depending on the insurance companies you use and the coverages you seek but, in the end, this insurance will save you hundreds of thousands of dollars when you do experience a breach. A cybersecurity policy is a must-have in your insurance portfolio, and you should explore what kind of coverage your current carrier provides or ask around the industry."

## AVOID CYBERSECURITY FATIGUE

Cybersecurity is not a fix-and-forget-it responsibility. It requires continuous attention both to existing systems and procedures and to new business endeavors and threats that may arise along the way, Renfrow says. In every business decision, managers must identify and address data security components.

"The threat is so broad and shifting that it's easy to feel overwhelmed. But you can't just throw your hands in the air," he adds. "These criminals and threats are not as sophisticated as they may seem. A lot of these attacks involve cyber-basics that can fall through the cracks. Adhering to cybersecurity standard practices and training will eliminate a significant percentage of the threats."

**Karen Bankston** *is a long-time contributor to* Credit Union Management *and writes about membership growth, operations, technology and governance. She is the proprietor of Precision Prose, Eugene, Oregon.*

### MORE ON CYBERSECURITY

An Introduction to the Dark Web, p. 9

NIST Cybersecurity Framework Update Adds Clarity, Roadmap (*cumanagement.com/1018nist*)

Tech Time: 10 Keys To A Sound Cybersecurity Program (*cumanagement.com/0618techtime*)

On Compliance: NCUA's New Automated Cyber Examination Tool (*cumanagement.com/0718oncompliance*)

CUES strategic provider LEO Cyber Security (*cues.org/leo*)

# Betting *on SEO*

THE RACE TO THE TOP (OF A GOOGLE SEARCH) ISN'T ALWAYS AS STRAIGHT-FORWARD AS IT SEEMS.

**BY STEPHANIE SCHWENN SEBRING**

Discerning credit unions are looking to search engine optimization—the process of ensuring their websites appear high on the list of search engine results—as a differentiator and a way to level the playing field with large national banks and disruptors. Those without a formal SEO strategy are missing an opportunity and leaving money on the table.

Chris Leone, president of WebStrategies Inc. (*webstrategiesinc.com*), a digital marketing company in Midlothian, Virginia, sees enormous untapped SEO potential for credit unions. "SEO is about being visible at the most critical time in the buying journey—when the consumer is ready to take action. Unlike most other forms of marketing, SEO doesn't need to convince someone they need a product or service," he explains. Since they're already searching for that service, your only job is to make sure they get it from your CU. "That takes a huge burden out of the equation and puts the focus squarely on meeting the customer's needs."

SEO doesn't happen by accident, adds Leone, and those with the most success take a strategic approach. Key tactics include structuring detailed product pages, with content focused on consumer intent and conversions; claiming and completing local business pages for Google My Business (*google.com/business*) and implementing service area and location pages; focusing on metadata and schema data, so search engines can easily understand your webpages' content; and having a fast, relevant, accessible website. Collectively, these items will better serve and move the user closer to a purchase in his or her sales journey.

## BEING WHERE PEOPLE SHOP

A major marketing goal is to sit at the top of the sales funnel, casting a wide net and successfully directing traffic leads through the conversion process, says James Robert Lay, founder and president of Digital Growth Institute (*digitalgrowth.com*), Houston, and a faculty member for CUES School of Strategic Marketing™ (*cues.org/sosm*). "Webpage optimization … is only a part of effective SEO. Today, it's being where people shop (digitally) and landing at the top of a search (i.e., Google's featured snippet) in answer to a user's query. Only links for high-ranking sites are served in a snippet and can win the search engine results page battle."

According to a blog at Hubspot.com (*tinyurl.com/hubspotsnippet*), the snippet displays content from one of the webpages ranking on page one of Google's search results that directly answers the user's search question. The author found that, in a sample of approximately 5,000 queries, content with a featured snippet got a 114 percent higher click-through rate. Page structure and semantics—standard coding practices that make your website machine-readable—are more important to snippet rankings than the number of outside links to your webpage, or backlinks, once your content appears on page one of the search results.

> **"SEO is about being visible at the most critical time in the buying journey—when the consumer is ready to take action."**
>
> – Chris Leone

## BUILDING QUALITY CONTENT

SEO has evolved into a content strategy, stresses Lay. "Google gives weight and authority to a site that produces fresh [new] content, and credit unions are struggling. Google, for example, ranks the top 10 search results with pages that have 1,500 to 2,000 words." To achieve the necessary quantity of up-to-date, authoritative content for high ranking, he suggests that credit unions strive to produce 3,000 to 5,000 words of fresh ("not canned") content site-wide monthly, typically through new blog posts or articles. "Canned content can't help and can even lower SEO rankings because Google gets no SEO juice."

It may sound daunting, but content production can be simplified. "Design a large piece of content each month around user intent," advises Lay. "Perhaps an e-book highlighting a financial topic. From this piece, create several (five or six) blog posts that link back to the e-book as well as appropriate product pages for lead generation. Use financial education as your platform, in your credit union's own words and brand. If time is an issue, create a transcript from a financial education seminar (technology tools, such as those offered by Rev (*rev.com*), can assist) and use this as a pillar piece. The same holds with video content; transcribe and repurpose it by promoting and distributing on other channels."

Look beyond financial matters, too, says Lay. "Finances are diverse and can lead the reader to a multitude of other topics—think healthy, wealthy and happy. Also strive for the micro-moments, useful and quick, organized into five content buckets: finances, fitness, food, family and fun. These are topics that move the narrative and help users view the CU as more than a financial brand but a lifestyle center, creating value through content." (To learn more, see Lay's webinar, "Overcoming The 7 Deadliest Digital Marketing Mistakes," at *tinyurl.com/laywebinar*.)

Leone adds that content should be thorough, informative and easy-to-read, targeted to an eighth- or ninth-grade reading level. "High-quality content should not only inform the reader but address user intent and be long enough to cover relevant topic details. It should include headlines and bulleted lists to increase scannability and rankings and employ multiple forms of media, such as text, images and video."

For Kara-Beth Yaquinta, digital strategist for $692 million Tropical Financial Credit Union (*tropicalfcu.com*), Miramar, Florida, "topic clusters" are a focus. "SEO has evolved from featuring single or longtail keywords (three- to four-word keyword phrases) to topic clusters. These clusters cover the theme of an entire page and can be used as a doorway to open a conversation," explains Yaquinta.

The key is determining how a topic cluster relates to the CU. "For example, financial services encompass many life stages, and the experiences and insights we share aren't always taught in school," says Yaquinta. "This leads to members having questions ranging from A to Z, and credit unions can leverage this to hop on the trend of topic clusters and become more searchable."

Consider the topic cluster, "how to buy a house." A CU based in Florida could create a piece of pillar content that offers tips on how to buy a home and build out information within its product pages specific to the Florida market. The content page might contain additional topic clusters like, "finding a home in Florida," "meeting a real estate agent," "how to shop for a mortgage" or "how to calculate a mortgage payment for your budget." The more questions a CU can answer within its pillar piece, the higher its Google results, and the better the user experience. The process of creating such educational content will also lead to building more relevant webpages and additional positive impact on Google rankings.

## OPTIMIZING FOR SEO

"If a website isn't coded with SEO in mind and lacks relevant content, it will have a difficult time ranking for competitive, high search-volume terms," explains Leone. "On-page SEO includes both technical and content-driven elements. Optimizing technical elements ensures the page is loading quickly and is easily interpreted by a search engine. Optimizing page content ensures the credit union is delivering on the intent of the user and offering a positive experience."

Technical aspects of SEO can be lacking at CUs, suggests Yaquinta. "Some focus on optimizing the easier aspects of SEO (title tags, metadata, content, etc.), considered quick wins since they can be easily changed and tested. ... However, these are essentially like covering a deep wound with a Band-Aid if [other critical] technical aspects are lacking. If a robots.txt [website file] isn't set up properly or canonical tags are not used, these can significantly hurt a credit union's rankings. The struggle is to have a developer or resources on hand to help with the more tedious projects."

Caroline Platkiewicz, marketing campaign manager for SilverCloud Inc. (*silvercloudinc.com*), Portsmouth, New Hampshire, says that optimizing on-site search capabilities can enhance the user experience and make a website faster and easier to use. This includes making the website's search bar more prominent; crafting useful titles for product pages, so they are search relevant; writing strong supporting content; structuring content as to how the consumer seeks the information, using how-to, transactional or navigational approaches; and anticipating what a user might do next.

The way a CU presents page content (i.e., organized header tags, descriptive textual alt tags for images, etc.) also affects rankings. Yaquinta says a good example of this formatting is *alliantcreditunion.org* and its auto buying page, which provides step-by-step information on purchasing and financing.

Analyzing web data can also help a CU to meet user intent and optimize its site. "Listen to your data, not thoughts and feelings," Yaquinta reminds. "We assume we know our brand and audience and inadvertently make decisions based on biases. But data is factual; biases are not. Use Google Analytics, Facebook and data captured by other online tools." Heat maps, a visualization tool that can show you what parts of your website get the most engagement based on actions like clicks or scrolling, are also useful. "What are users doing on a page? Compare how key segments (like millennials) use the site compared to the overall member base."

Leone says it's important to prioritize what matters most. Measure rankings, traffic, conversion rates, bounce rates and which competitors rank above the CU. Qualify what makes the competitor different using a quantitative and qualitative assessment.

## EMBRACING OFF-SITE STRATEGIES

Off-page or off-site SEO is action taken outside of your website that impacts your search result rankings. Optimizing for off-site ranking includes improving search engine and user perception of a site's popularity, relevance, trustworthiness and authority, according to an off-page SEO guide (*tinyurl.com/mozoffsite*) from Moz (*moz.com*), an SEO resource provider based in Seattle. The guide continues, "This is accomplished by reputable places on the internet (pages, sites, people, etc.) linking to or promoting your website, and effectively 'vouching' for the quality of your content."

Yaquinta adds that exchanging links with vendors is a solid off-site SEO strategy; it can boost authority and enhance the user experience on both websites. "Because of the nature of their business, vendors often have a higher domain (or subject) authority, and passing links from someone with a higher domain to your website tells Google your page is trustworthy." Her CU, for example, exchanges links with Auto Advisors (*autoadvisors.com*), Home Advantage (*mycuhomeadvantage.com*) and CardValet (*cardvalet.com*). "You may feel some reserve in asking for the exchange, but it should still be considered within an SEO strategy, especially since back-linking is a crucial part of Google's ranking algorithm—whether Google admits it or not."

Links from other websites to yours are relevant, but links from local sites are even better, stresses Leone. "If a credit union website in your town has no links from other local businesses, but another has 20 local business links, which credit union will Google think is more reputable and relevant to that local market? The second. Find ways to partner with businesses in the community in a way that leads to more online mentions of each other. This creates 'local' connections in a way Google can see and understand for higher rankings."

## ELEVATING LOCAL SEARCH

Focusing on SEO for local directories and service areas should be at the top of a CU's priority list, says Leone. "Like a salon or restaurant, credit unions are a local business, and when someone searches for a local business, map listings get priority and place at the top of the search results just below the ads. Maps are critical to local search and finding a local business online.

"Structure your website so Google can find and display this information," Leone advises. This helps ensure users don't have to leave the search results page to contact your CU. "This is best done by providing the information on your site and tagging the local listings appropriately." Google's developer resources explain what markup is necessary to pull each piece of information (e.g., addresses and directions, operating hours, phone numbers) into the local search results display (*tinyurl.com/yxe9z6hh*).

Since local rankings are dependent on a business's proximity

## Alexa, Is Voice Search *Right for My Credit Union?*

Voice search is an emerging technology that is impacting SEO, says Chris Leone, president of WebStrategies Inc. (*webstrategiesinc.com*), Midlothian, Virginia. But it may not be crucial for credit unions—at least right now—as they plan their SEO strategies. "There's a popular stat floating around in the SEO space that I avoid, that 50 percent of all searches will be voice by 2020. This statistic has been taken wildly out of context, misrepresented when designing SEO strategies." (He suggests reading the Econsultancy.com blog post at *tinyurl.com/y4d5l3bo.*)

One reason it may not be a fit for CUs is the complexity of the financial services product.

"The simpler the question, the better voice performs; the more complicated the question, the harder it is for voice," explains Leone. "For example, asking which credit union is closest to me or how many tablespoons are in a cup are simple questions with simple answers. More complex questions, such as asking how much you can put into a 401(k), may not return an accurate or relevant answer." Such complex questions as asking which local bank has the best savings rate or which personal saving strategy is best, can't currently be solved by a voice search. "Answering these questions either requires context or is too subjective to give a straight answer."

With voice, fluidity is essential, adds Yaquinta. "In the past, a user may have typed 'auto loan' for an online search. For voice, that's transformed into something like, 'Alexa, where can I get the best auto loan?'" This behavior means SEO developers must move from the traditional "search engine" language or keywords they're used to coding for and start thinking like a (human) consumer.

Eventually, AI will likely be able to answer these questions flawlessly, concludes Leone. When that day comes, CUs with the most relevant content, information and local presence will have the upper hand.

> **"Google gives weight and authority to a site that produces fresh content, and credit unions are struggling."**
>
> – James Robert Lay

to the user, having a branch in a market area is a considerable advantage, adds Leone. Conversely, obtaining local SEO rankings in a market without a presence is difficult. "For a strong local ranking, ensure your local content (address, phone) is well represented on your site and coded properly. ... Consider creating landing pages for each branch on your website and ensure all local offsite listings (Google My Business, Yelp, Facebook, Yellow Pages) are consistently and accurately filled out."

Positive reviews drive rankings as well, which result in Google stars. Reputation is critical, notes Lay, and should be part of a local search strategy. Another way to influence local rankings is distributing blog or video posts on your Google business profile.

The expectation is that having an effective local search strategy and making sure potential members know your CU has a branch nearby can open the playing field between banks and CUs, says Yaquinta. "Studies show that people are more likely to bank either where their family does or at the closest place to their home. Optimizing for local search, a credit union can better compete with national players and tie itself to an area."

## PENALTIES AND REWARDS

It can be difficult to determine if Google penalizes (or suppresses) a site in search results because of poor SEO practices, says Platkiewicz. But there are clues to watch for: the site does not rank well for the CU's name or brand name; page-one positions are diminishing; the website has been removed from Google's cached search results; or the listing for the CU is for a page other than its home page.

Google has become less concerned with actively penalizing and more with rewarding websites that follow SEO best practices, suggests Leone. "And unless Google catches a credit union doing something that's a clear violation of its terms of use, it most likely will just ignore its SEO efforts, which becomes the true penalty."

Platkiewicz suggests subscribing to newsletters from resources like Moz, Yoast (*yoast.com*), Search Engine Land (*searchengineland.com*), Neil Patel (*neilpatel.com*) and Search Engine Journal (*searchenginejournal.com*), and paying attention to Google updates about changes in search algorithms. Designate an SEO representative or task force within the credit union to lead the charge on SEO, she adds.

Also consider hiring a content strategist or writer; this can ensure content becomes part of a CU's daily operations. "An editor's role can produce content or oversee other writers, both freelance and internal," explains Lay. "Scale with content can be achieved, but the mindset of marketing and the C-suite, and their approach to content, must be transformed. It's time to switch from traditional promotions to relevant and unique content production"—content that fosters member relationships.

## CASE IN POINT

By making SEO a strategic priority, a $650 million Midwestern credit union client recently experienced positive growth in a 12-month period, Leone recalls. "Part of the SEO revamp included a focus on local SEO, strong content and emphasizing the user experience," he explains.

The CU, from December 2017 to December 2018, recorded the following:

- a 56 percent increase in visits compared to the previous year—previously, SEO traffic growth was negative or just above flat;
- No. 1 rankings for multiple "credit unions [town]" keyword terms and a No. 1 ranking for "low rate auto loans [state]"; and
- hundreds of "open-an-account" completions per quarter from search engine traffic (about 90 a month), now tracked thanks to an advanced Google Analytics setup implemented by WebStrategies.

Getting the SEO engine running takes time. It is, however, well worth the effort and can produce real results.

**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 CUs, industry suppliers and any company wanting great content and a clear brand voice. Follow her on* Twitter@fabprose.

## MORE ON DIGITAL MARKETING

Optimizing On-Site Search *(cumanagement.com/0419search)*

Inside Marketing: Connecting With Members Online *(cumanagement.com/0419insidemarketing)*

PR Insight: Three Key Elements of a Successful Website Renovation *(cumanagement.com/0818prinsight)*

Marketing Tactics and Strategies From Three Experts' Perspectives *(cumanagement.com/podcast69)*

CUES School of Strategic Marketing™
July 15-18, Cleveland
*(cues.org/sosm)*

# Picturing Peak *Performance*

**TO ENVISION AND PROTECT THE FUTURE OF THE CREDIT UNION, A BOARD NEEDS TO ASSESS ITSELF AND THE CEO.**

**BY DIANE FRANKLIN**

The road to organizational improvement starts with a single step—and often that step is assessment of leadership. Credit union boards play a critical role in such assessments—not only in evaluating the CEO's performance, but also in evaluating their own.

"We look at assessments from a couple of different vantage points," says Jennie Boden, managing director of strategic relationships and senior governance consultant with CUES strategic partner Quantum Governance L3C (*quantumgovernance.com*), Herndon, Virginia. "We look at assessing not just the board but governance as a whole … the board in its relation with the CEO and the management team and also how the supervisory committee is functioning, because governance really is a relationship that involves all three of those components."

Another governance expert suggests formalizing the process.

"It's a high-performance standard for boards to do some sort of assessment every year," notes Les Wallace, Ph.D., president of Signature Resources Inc. (*signatureresources.com*), Aurora, Colorado, and author of *Principles of 21st Century Governance*. "It helps if the board has a written policy stating that it will do an annual assessment. That gives momentum to the executive committee or governance committee to see that it gets done."

Wallace has consulted with hundreds of boards, including many credit unions. "When I'm working with a credit union board, I typically ask, 'What was the board's most important contribution to the success of the CU last year?' That helps them to start reflecting on current performance and how they can be better."

Ancin R. Cooley, CIA, CISA, principal of Synergy Credit Union Consulting (*syncuc.com*), Chicago, notes that not all CU boards are receptive to assessments.

"As volunteers, they view their service as a labor of love—they love their community, they love their credit union—so the notion that 'someone wants to assess how well I'm doing as a volunteer,' for a lot of people, it's off-putting. As a consultant who advocates for board assessments, oftentimes I get pushback along the lines of: 'I get evaluated at work. I shouldn't have to be evaluated as a volunteer.'"

Cooley is able to counter that argument with a simple but powerful rationale.

"I tell them that 'when you decided to volunteer for this organization, the impetus was that you believed in its mission, and the predisposition embedded in that is that you want to see the organization survive and thrive beyond your tenure on the board. The best way to do that is to implement certain metrics for you and future board members to adhere to.'"

To emphasize this point, Cooley explains to board members that CU governance is analogous to someone's last will and testament. In much the same way that an individual sets up stipulations in a will regarding how his or her assets will be distributed, a board should likewise set up governance standards for the CU.

"The way we do that is by implementing criteria and baseline behaviors that we deem to be good for the organization—and evaluating those criteria objectively on an annual basis. By doing that, we'll be able to guide the organization even after we leave the board, because our wishes, vision and expectations for the organization will be melded into that criteria," Cooley says.

## CONDUCTING AN ASSESSMENT

Darren Bagshaw, managing partner of Bagshaw Consulting Group (*bagshawconsultinggroup.com*), Calgary, Alberta, says all assessments should begin with a central question: What do we want to achieve?

"The important thing about conducting assessments is the outcome," Bagshaw says. "You need to determine: 'What is the behavior that we want to improve, encourage or change?'"

The scope of a board assessment can be broad, but it also can be narrow, focusing on specific areas that the board wants to target for evaluation or improvement. "Sometimes assessments cover 50 questions when they could be boiled down to eight or 10 questions covering the things that matter most," Bagshaw explains.

Boards can undertake various kinds of assessments, Wallace says, and some can be fairly simple. "For instance, at the end of each meeting," he explains, "the board could ask a few questions about how the meeting went and what they can do to improve it. That's pretty tepid, but at least it gets dialog going. Another option is to choose one element of governance they want to improve—say, effectiveness of meetings or strategic planning—and conduct an assessment on that."

Most boards do what's called a "full spectrum" assessment, which Wallace describes as a comprehensive, soup-to-nuts assessment of critical elements of governance conducted by an outside resource. This type of assessment often includes hiring a consultant to phone each director and have a conversation about key questions.

That's "probably the most powerful assessment a board can have," Wallace says. "It provides the opportunity for follow-up questions that produce a useful dialog."

Telephone surveys are particularly effective in identifying problem areas. "For instance, if a board member says, 'I'm not happy with fill-in-the-blank,' the consultant can ask pointed questions to get to the heart of the problem," Wallace explains. "You would typically do a telephone survey every three to four years and use something else in between, such as focusing on one element of governance that you can improve."

Using multiple methodologies can also enhance results.

"This is what we call a full assessment," says Boden. "You might begin with a survey, but then pair that with a document review; board member, management team or even supervisory or audit committee member interviews; focus groups; or possibly observation of a board meeting."

**"The important thing about conducting assessments is the outcome. You need to determine: 'What is the behavior that we want to improve, encourage or change?'"**

– Darren Bagshaw

The advantage of using multiple methodologies is to achieve a more complete picture of the board's performance. As an example, Boden notes that board members might take a survey and give themselves high marks for having an appropriate balance of strategic and operational discussions in the boardroom. However, a review of the board's meeting agendas and minutes may reveal that only a small percentage of time is dedicated to strategic initiatives. Having a consultant do one-on-one interviews or observe a board meeting might likewise contradict the board's rosy assessment of itself.

"If you compare the data and results from all these methodologies, they may be fully in alignment with one another or they may be completely out of alignment," Boden observes. "That's why we recommend multiple methodologies; it allows you to test what you're hearing from one methodology against another."

## EFFECTIVE ASSESSMENT TOOLS

Quantum Governance works closely with CUES to offer assessment tools, including for governance (*cues.org/boardassessment*), board member skill inventories (*cues.org/directorassessment*) and CEOs (*cues.org/ceoassessment*). Quantum Governance recommends reassessing a year after an initial full governance assessment, and then at two-year intervals after that.

Another effective tool for evaluating board members is a peer assessment—in which board members evaluate each other. As Boden describes it, "If done well, peer assessments can be a useful tool for bolstering relationships and helping board members to improve their service, skills, the way they relate to one another and the overall effectiveness of the credit union's governance." However, she offers a caution regarding their use—the potential for unintended consequences, including hurt feelings.

"That's why we recommend that a board be mature enough and seasoned enough to handle a peer assessment," Boden reports. "I'm not referring to the maturity level of the board members, but rather that the board has previously experienced other types of assessments. It's best to begin with a full governance assessment before jumping in at the peer level."

Bagshaw sees value in doing peer assessments in conjunction with self-assessments. As an example, he observes, "You may give yourself high marks on your communication skills, but a peer assessment may show that you need improvement."

However, Bagshaw likewise advises boards to be cognizant of the fallout that could occur from critical peer assessments. "It might be better to start with a self-assessment and have someone run through that with you, and perhaps next year target a self-assessment combined with a peer assessment. Or perhaps do a self-assessment and an assessment of the board as a whole. That way, you're not addressing the communication skills of anyone in particular and it doesn't get too personalized."

Cooley says surveys are an effective way to evaluate the performance of individual directors as well as the board as a whole. Survey questions could probe if individual directors possess the appropriate skills and background; the board receives useful information in its meetings; board dialogue is of high quality; board discussions are meaningful and pertinent to the task at hand; board discussions are open and candid; and board members actively participate in meetings. Board members rate these statements on a scale ranging from "strongly agree" to "strongly disagree."

"A good chair can use this information to drive training in the next year without having to call out specific individuals," says Cooley. "For example, let's say that most board members strongly disagree with the statement that 'board discussions are open and candid.' If I'm the chair, I may decide that we need to take a crucial conversations course so we can do a better job in speaking candidly about what's happening in our organization."

## ASSESSING THE CEO

In addition to evaluating the board as a whole and directors as individuals, the board is responsible for regularly evaluating the CEO.

"The important thing here is to make sure everyone on the board has a voice," Boden says. "That doesn't mean they all have to give feedback to the CEO at the same time. Instead, they can designate a small group to hone their collective input into a synthesized report that is then provided to the CEO."

Board members can provide input for the assessment in a variety of ways, according to Boden. They can complete a written survey (such as the one available through CUES), respond to an email poll, participate in one-on-one interviews, or provide feedback during an executive session of the board.

Boden suggests another tool that boards may wish to use in evaluating their CEO is a 360-degree assessment, soliciting input from direct reports and others in the CEO's orbit, such as a mentor or a coach.

Bagshaw observes that 360-degree assessments can uncover information that other types of assessments do not. "For instance, some CEOs do well in presenting themselves to the board, but don't do well with their direct reports," he explains. "So ideally, to effectively measure the CEO, it's best to get feedback from every level of the organization."

CEO assessments are similar in purpose to board assessments, Bagshaw adds, in that both are intended to drive desirable behaviors. He recommends measuring such behaviors at least quarterly.

Bagshaw gives the example of a board that wants the CEO to better communicate the CU's strategic vision to his or her direct reports. To verify whether this is occurring, the board could check in with the appropriate managers once a quarter, or even once a month, and ask them to describe how their objectives fit into the overall strategy of the organization.

"If they're unable to articulate it, then clearly the CEO is not communicating the strategy as effectively as he (or she) should," Bagshaw explains.

While board and CEO assessments can be similar, they judge different competencies.

"On the board side, the competencies center around strategic direction," Cooley says. "The competencies for the CEO are both operational and strategic. The board also has to have the competency to manage management and have the proper mechanisms in place to properly and effectively manage the CEO."

When evaluating the CEO, Wallace recommends that boards keep these six leadership abilities in mind. Can the CEO:

1. Drive strategy (including being aware of trends, and competency in visioning, strategic thinking and strategic planning)?
2. Lead organizational transformation (including facilitating creativity and innovation)?

## Types of *Assessments*

The consultants contacted for this article identified the following types of assessments:

**Board Self-Assessment:** The board rates itself using surveys, phone interviews, document reviews, focus groups and one-on-one interviews.

**Governance Assessment:** An outside consultant considers the board's governance abilities; it could be comprehensive (covering all elements of governance) or focused on a specific area, such as strategic planning or CEO evaluations.

**Board Member Skills Assessment**: This helps individual board members evaluate their skills and competencies as well as areas for improvement.

**Peer Assessment:** An assessment in which board members provide feedback about each other's performance to improve individually and as a group.

**360-Degree Assessment:** This evaluation process seeks input from the individual's higher-ups, peers and subordinates.

"We look at assessing not just the board but governance as a whole … the board in its relation with the CEO and the management team and also how the supervisory committee is functioning, because governance really is a relationship that involves all three of those components."

– Jennie Boden

**3.** Manage the enterprise, both the finances and the people?
**4.** Keep a member focus, creating and tracking value and satisfaction?
**5.** Maintain good board relations?
**6.** Demonstrate integrity and credibility?

Wallace recommends that boards conduct a formal CEO evaluation annually to consider competencies and performance, though he adds that it's important to provide additional feedback as needed throughout the year.

"Good feedback is immediate," he says. "You want to make sure the board is confronting the CEO or patting her (or him) on the back based upon performance. That's part of the board's job in helping the CEO be as successful as possible."

A well-executed CEO assessment will include an incentive for meeting prescribed goals. Wallace points out that this typically comes in the form of a bonus.

"For example, if the strategy of the credit union is to triple in size over a five-year period through mergers and acquisitions, there ought to be a bonus that goes to the CEO for pulling that off," he says.

Wallace says that bonuses should only be awarded when CEOs achieve objectives above routine management and caretaking. "Boards need to identify for the CEO what the stretch goal is, describing what accomplishment will result in the achievement of a bonus."

## DEFINING SUCCESS

In evaluating the CEO, boards often define success by improvements to the bottom line, but experts say organizational improvement can be so much more than that.

"We encourage credit union boards to assess their CEOs on more than financial performance indicators," Boden says. "Performance evaluations should include a whole gamut of skills that you're holding the CEO accountable to, such as HR skills, how well the CEO works with the board and how well the management team is working as a whole."

Bagshaw says high employee engagement is a sign the CEO is performing well.

"I think one of the most important measurements around a CEO—in addition to quantitative measurable impacts in terms of the bottom line—is the engagement score," he explains. "The results of an engagement survey reflect directly on the CEO. If the engagement is high, generally speaking, he's doing a good job. If the engagement is low, then at least on the people side of the business, there needs to be improvement."

What boards need to see from the CEO is a progression toward meeting the credit union's goals, and Cooley observes that this is not always measurable by a steady upward trajectory in profits.

"For example, let's say the credit union built a new branch last year. The board should recognize that we had to expend a lot of monies to do so, so this year and maybe half of next year, profits aren't going to be as large as they otherwise would be. But if we built that branch in 2014, and here we are in 2019 and we're still getting excuses around the branch expenditure, perhaps we need to ask the question: Is the branch still the problem or is it something else?"

As part of evaluating the CEO, Wallace observes that it's important for the board to measure the CEO's effectiveness in meeting strategic objectives. For instance, let's say the board has determined that the CU should expand geographically, increase membership among millennials or strengthen its car loan business. All of these goals are measurable, and the CEO should be able to demonstrate progress toward them.

"The board doesn't have to be experts on metrics, but they do need to define the improvements they are looking for," Wallace says.

**Diane Franklin** *is a writer based in Missouri.*

## MORE ON ASSESSMENTS

Better CEO Appraisals (*cumanagement.com/1118better*)

Good Governance: What You Need to Know About Board Assessments (*cumanagement.com/0518goodgovernance*)

Board Governance Assessment (*cues.org/boardassessment*)

Director Skills Assessment (*cues.org/directorassessment*)

CEO Assessment for Credit Unions (*cues.org/ceoassessment*)

Quantum Governance (*cues.org/qg*)

# Special Report: Payments

*Credit Union Management*

MAY 2019

# What Does *Each Age Want?*

EFFECTIVE PAYMENTS STRATEGY BOILS DOWN TO MEETING THE NEEDS OF INDIVIDUAL MEMBERS AND EACH GROUP.

**BY STEPHANIE SCHWENN SEBRING**

Payments, done strategically and with members in mind, could make credit unions the primary financial institution for their most valuable members, observes Todd Clark, president/CEO of CUES Supplier member CO-OP Financial Services (*co-opfs.org*), Rancho Cucamonga, California.

"Combining a digitally transformed payments experience with a human-centric commitment to financial services is the recipe for member loyalty," he says.

For optimal success, Libby Calderone, president/COO of CUES Supplier member LSC (*lsc.net*), Naperville, Illinois, believes a CU's payments strategy must encompass the needs of all generations " ... with a focus on membership demographics, tailoring a CU's payments product suite to meet each segment's needs."

Determining what influences a member's payments choices (such as age and life experiences) is key, she adds. "So is providing the desired service associated with the product."

PSCU's 2018 whitepaper, "Eye on Payments" (*pscu.com/eye-on-payments-download*), surveyed more than 1,500 members and non-members, delving into what determines payments choices.

"There are common experiences within a consumer's formative years that affect payment preferences and the perceived value of a chosen method," says Tom Pierce, chief marketing officer for PSCU (*pscu.com*), a CUES Supplier member based in St. Petersburg, Florida. "As the consumer ages, differences begin to take on generational nuances based on life experiences."

Everyone is talking about millennials for good reason, adds Clark. The group is huge and diverse.

"Nearly 75 million of them are in the U.S. and quickly approaching their prime spending years," he says. "For credit unions, millennials represent the future. And their attitudes and preferences toward payments are bringing sweeping change across the industry. Look no farther than the rollout of Apple Card (*tinyurl.com/cardfromapple*) for evidence of that."

## CREDIT, P2P, DEBIT AND CASH

Pierce reiterates the whitepaper findings: While preferences vary by age, credit remains the No. 1 payment method for all but "older millennials," aged 31-38, who prefer debit.

According to PYMNTS.com (*tinyurl.com/zellegrowth*), Zelle (*zelle.com*) is expected to grow by 73 percent to 27.4 million U.S. users this year, slightly ahead of Venmo's 22.9 million users (*venmo.com*) and Square Cash's 9.5 million users (*squareup.com*).

"Credit unions can align with these digital P2P payments," says Calderone, "which can add value to their overall payments' choices. ... It's not about making money; it's about keeping your product relevant to members."

P2P usage is currently highest among millennials, about 75 percent, says Calderone, but CUs can't risk categorizing members too tightly. By examining member activity (i.e., data for current P2P payments), a CU can pinpoint who is interested.

Pierce also sees P2P payments gaining momentum, and notes that Gen Z already prefers P2P transactions. "While boomers engage less frequently with P2P apps, don't underestimate their potential," he adds. "They don't lag far behind other age groups in terms of usage."

The demographics of typical debit card users have been changing, Clark reports.

"Debit today holds the greatest appeal among the younger half of the millennial generation and the less affluent across all age groups," he says. "So, credit unions are deploying marketing programs focused on rewards to appeal to these members. In a recent CO-OP Financial Services study, nearly 25 percent of credit unions said they are considering adding debit rewards. Another 22 percent are ... considering making changes to their rewards."

Cash endures as a viable payment method for all segments, although this may shift.

Pierce says Gen X has experienced the most card fraud of any generations, which may be why this group still has a stronger preference for cash than people in other age groups.

"Use your members' security concerns as an opportunity," Pierce says. "You can provide members with safe, secure choices and eventually convert primarily cash consumers to a credit or debit card."

Aversion to credit is still a factor in "in Gen Z primarily, but it can overlap to other segments, such as millennials, or any individual that has gone through a rough patch financially," says Calderone. "However, while certain segments may be more averse to debt, they still need a credit card solution. Reach these individuals by offering financial education, responsible credit lines under $2,500 and the use of online financial tools."

While Gen X and boomers are more concerned about security than other groups, consumers of all ages express this worry. In response, credit unions need to emphasize authentication.

"Consumers are motivated by convenience *and* safety," Pierce says. "However, our study found that 75 percent of consumers base payment decisions on their most secure option. Balancing innovation and safety are more important than ever, and credit unions that do this successfully can begin a conversation with their members about safety in the digital payments space."

## MEASURING YOUR APPROACH

"Data and analytics tools (such as PSCU's suite, *pscu.com/member-insight-solution*) can help credit unions to deliver the right payments products to consumers at the right time," says Pierce. He suggests reviewing monthly payments metrics.

"Also pay attention to spending behavior patterns, so you know how and when to act," advises Calderone. "Once a credit union is tracking and monitoring the data, it can develop and fine-tune its strategies to increase card usage and introduce other payment options."

Regardless of demographic or generation, understanding a person's life needs is a common denominator. "How you embrace generational and other differences, and the way you interact with members and launch products, will all help you to meet your members' payment needs," Pierce says.

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

## MORE ON PAYMENTS

Grow Deposits and Have a Strong Payments Strategy (*cumanagement.com/0419grow*)

Payments University Sept. 11-12, San Diego (*cues.org/payments*)

# Personalizing *Loyalty Programs by Age*

"An effective loyalty program is a key to keeping members engaged with the credit union, but one size doesn't fit all," says Mansel Guerry, SVP of the credit union community division at FIS (*fisglobal.com*), Jacksonville, Florida.

"These days, a good card (credit or debit) with a good interest rate is not enough. Younger, savvy service users are more demanding and less loyal, and they're not opposed to carrying multiple credit cards and managing transactions based on the cash back or points each one earns in different locations or situations. As millennials surpass baby boomers in earned income, traditional loyalty engagement models are shifting to cater to more technologically savvy consumers."

Cash back is popular for obvious reasons and easily measured. He notes that baby boomers prefer to engage in traditional, predictable loyalty programs that feature consistency, while millennials and Gen Z are more interested in loyalty offerings that have elements of change, surprise or gamification, such as different earnings promotions pushed in real time.

Members of different generations also have different reward and redemption preferences:

- Boomers aren't gamers and understand easily measurable things like cash back. They tend to redeem their points for such options as merchandise, travel and gift cards.
- Millennials and Gen Z are more inclined to redeem loyalty currency or points for digital downloads, real-time point-of-sale discounts and such low point-redemption options as sweepstakes entries, auctions and the ability to play online games. Younger users also like to see their names on the scoreboard that they can then feed to social media sites.

Guerry notes that younger consumers won't do business with a CU just because their parents do. Providers must deliver value—as defined by these young consumers—to win their loyalty. Notably, this loyalty may be short-lived. As the next "great deal" comes along, younger users may move on.

# Be Open-Minded *About Payments*

Empowering the Financial World

FLEXIBILITY HELPS CUs BUILD LOYALTY PROGRAMS APPEALING TO ALL AGES.

**BY FIS**

Mansel Guerry, SVP of the credit union community division at FIS (*fisglobal.com*), Jacksonville, Florida, believes all financial institutions should view payments differently today.

That's because the "expectations of coming generations are different," explains Guerry. "Barely 20 years ago, the term 'payments' generally meant a transaction conducted in person, over the phone or by mail and facilitated by a paper check, a debit card or a credit card. The emergence of the internet not only introduced a new means to execute a transaction, but it also introduced a host of up-and-coming payment providers."

Just as few people could have predicted 10 years ago the impact of the iPhone on payments technology and internet commerce, Guerry says it is difficult to predict where the industry will be 10 years from now. A best practice when managing uncertainty is to remain flexible and keep learning.

"Stay open-minded and attentive to the expectations of new generations," he advises. "Dedicate time and resources to studying and understanding their payments expectations. Also, be students of the payments industry and learn to respond accordingly to the changing attitudes of your membership.

"Consumers migrate to new service delivery providers because they're attracted to something their traditional financial institutions aren't providing —but they want," he adds.

Even the traditional checking account should be allowed to evolve.

"First, we probably should stop calling it a checking account and start calling it a debit account," says Guerry. "The term 'checking account' implies the use of checks. We need to think of the account as the broader payments portal it has become. Credit unions should also look to new or enhanced plug-in accessories [such money transfer services as P2P apps and mobile wallets] for the account that today's consumer demands."

## LOYALTY PROGRAMS CREATE OPPORTUNITY

Consumers expect rewards of some sort, so loyalty programs should be part of a payments program designed for long-term viability.

"An effective loyalty program is a key to keeping members engaged with the credit union, but one size doesn't fit all," Guerry says. "These days, a good (credit or debit) card with a good interest rate is not enough. Younger, savvy service users are more demanding and less loyal, and they're not opposed to carrying multiple credit cards and managing transactions based on the cash back or points each one earns in different locations or situations. As millennials surpass baby boomers in earned income, traditional loyalty engagement models are shifting to cater to more technologically savvy consumers."

The demand for loyalty rewards doesn't necessarily skew to younger generations. Up and down generational lines, he says, good loyalty programs do what they are expected to do—build user loyalty. For a viable and long-term card program, competitive CUs will offer some loyalty incentive.

Cash back is popular for obvious reasons and easily measured. Guerry notes that baby boomers prefer to engage in traditional, predictable loyalty models that feature consistency, while millennials and members of Gen Z are more interested in loyalty models that have elements of constant change, surprise or gamification (for example different earnings promotions pushed in real time).

Guerry notes that younger consumers won't do business with a CU just because their parents bank there. They're willing to try new providers, and providers must deliver value—as defined by these young consumers—to win their loyalty. This loyalty may be short-lived; as the next "great deal" comes along, younger users may move on.

So how can a CU strengthen its commitment with younger generations?

"Partner with entities (like FIS) ... willing to shoulder the burden of research and development that credit unions themselves cannot afford," he says. "Also strategically assess where you are today and where you need to be in 12, 24 and 36 months. Then, move with a sense of urgency. Change doesn't happen overnight, and when new, competitive services become available, look to adopt those services sooner rather than later."

*Clients choose Jacksonville, Florida-based FIS (*fisglobal.com*) because of its commitment to their progress. The company offers core banking, lending, insurance, risk management, and other products and services.*

# Imagine the Possibilities:

## Debit Is the Key to Owning Your Members' Payments Relationship

*By Tom Bennett, Principal, Advisors Plus Consulting, PSCU*

At credit unions across the country, debit continues to play an important role as a connected piece in the member wallet. In fact, when coupled with checking, the pair offers members connectivity to most any payment mechanism or merchant through debit, P2P, ACH, bill pay, check and access to cash. As research from PSCU, the nation's premier payments credit union service organization, shows, debit revenue – or interchange and debit courtesy pay – drives half of its Owner credit unions' non-interest income.

While there are many studies that frequently gauge payments usage, some of the most reputable and most comprehensive come from the Federal Reserve and include the Diary of Consumer Payment Choice[1]. Conducted annually, the study is executed with significant controls and little to no bias. For payment junkies, and for credit unions wanting insight into consumer spending, the study is a quick and informative read.

According to the 2018 study, cash remains the most frequently used payment instrument at 30 percent of all transactions. Behind cash, debit is the most used form of payment at 27 percent of transactions, followed by credit at 21 percent, which means cards account for almost 50 percent of all spend. What is important though is that cash usage is declining. And most transactions are smaller dollar amounts – 55 percent of total payments are under $10 and 32 percent range from $10 to $25 – which is where debit is generally the preferred way to pay. Based on these findings, debit is positioned to be the prime benefactor of cash displacement opportunities.

In its 2018 Eye on Payments study, PSCU reported similar findings. Debit cards were the preferred way to pay at routine retail locations due to their convenience and ease of use. This data also indicates that there is an opportunity for consumers who primarily use cash to convert to debit card use, as paying with a debit card is just as quick and convenient as cash for in-store, shorter-term purchases. Furthermore, the CUSO found that credit union members specifically feel more comfortable using a debit card than non-credit union members.

So, what does this mean for credit unions? An effective debit card strategy is critical. By implementing a focused strategy, credit unions can capture this potential cash displacement with debit.

Beyond cash displacement, there are other spending trends that tie directly to debit. In addition to conventional usage in the face-to-face and online environments, debit is more than likely the funding vehicle for P2P (person-to-person) transactions and digital wallets, because of the lower interchange structure for merchants and the lower fee structure for consumers. Additionally, with new "push payment" capabilities from Mastercard and Visa, debit cards are the mechanism for receipt of real-time deposit of funds from P2P, B2C and emerging niche players, such as salary advance companies including Daily Pay and Earnin. Debit (and checking) can and should be at the forefront of the member's payments world.

Debit has the potential to overtake cash as the most used form of payment for members in the coming years if credit unions position it to do so. Not only do smaller ticket sizes lend credence to debit, but the direct association of P2P and certain digital wallets also adds incentive. Given transaction intensity and usage, debit usage is likely the most frequent interaction credit unions have with their members. For many, this is a daily interaction. To ensure success, credit unions need to ensure their debit programs are positioned to capitalize on these opportunities.

**Tom Bennett** is a Principal Consultant with the Checking and Debit Card practice at Advisors Plus with over 25 years of experience in the financial services industry. Tom advises credit unions on ways to enhance portfolio growth and profitability.

[1]Claire Greene and Joanna Stavins, Federal Reserve Bank of Atlanta, Diary of Consumer Payment Choice (October 4, 2018), https://www.frbatlanta.org/banking-and-payments/consumer-payments

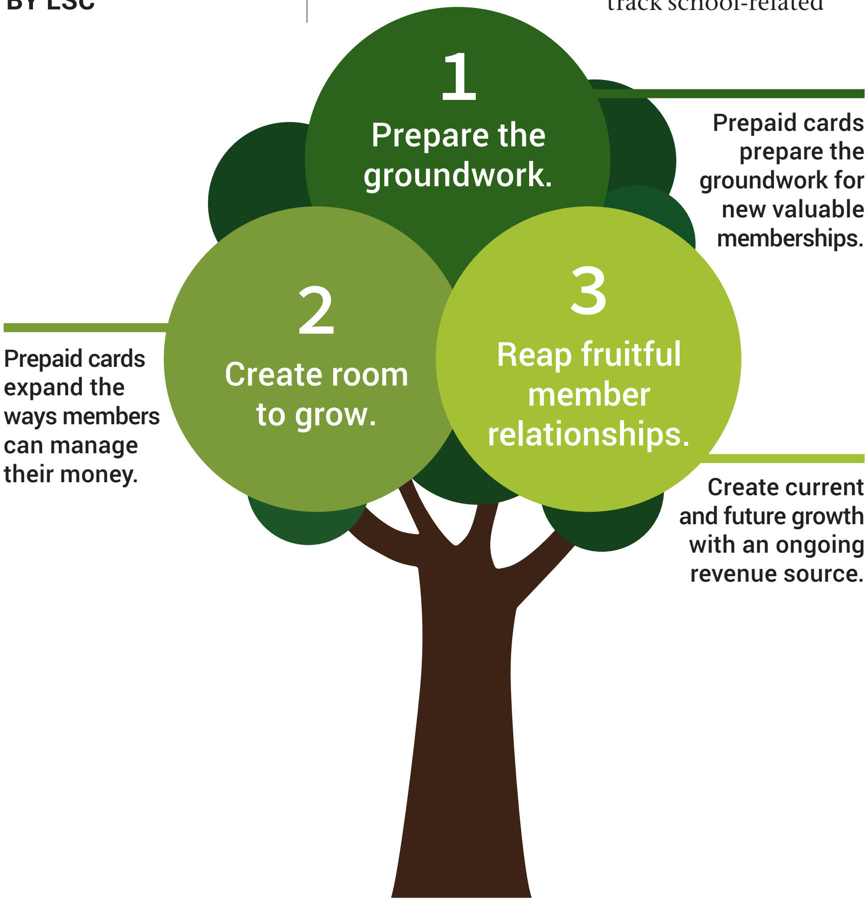
# Get Ready *to Grow*

THREE WAYS PREPAID DEBIT CAN HELP YOUR CREDIT UNION BETTER SERVE YOUR MEMBERS.

**BY LSC**

Spring is the season of new growth—a time for planting. Growth for a credit union often means increasing membership and the value of each member account, but this requires planting the right seeds. According to Aite Group (*aitegroup.com*), Boston, prepaid cards have enjoyed a 20-year growth spurt that doesn't show signs of slowing, making them a strategic offering for members. They can help nurture member growth as clearly as 1-2-3.

1. **Prepaid cards lay the groundwork for new valuable memberships.** Millennials and Gen Xers are the primary users of prepaid cards, according to research by The Pew Charitable Trusts (*pewtrusts.org*), Philadelphia. The cards are especially useful for college students and their parents as an easy way to budget and track school-related expenses. This also means prepaid cards can help your credit union build relationships with upcoming generations.




2. **A prepaid program also appeals to current members, giving them room to grow.** By offering these cards, your credit union expands the ways members can manage their money. Members can easily load and reload these cards as they budget for bills or special occasions. They enjoy the convenience of a debit or credit card without concerns about overdraft fees or missed payments hurting their credit scores. Unlike a debit card, a prepaid card isn't connected to an account, giving members less to worry about if their card is lost or stolen. Prepaid cards with consumer protections in place are also safer than cash.

3. **Reap fruitful member relationships and drive growth now and in the future by including prepaid card products among your offerings.** Credit unions gain ongoing revenue as members reload their cards. Prepaid gift cards also give your team an opportunity to show the "credit union difference" and become part of your members' celebrations.

The best growth comes from using the right tools and knowledge. A knowledgeable, supportive partner makes the difference. Be sure to choose a prepaid program with full service—from set-up and processing to marketing assistance. Industry-leading fraud prevention services and quality customer support help your members feel secure, allowing them to better enjoy the benefits of their prepaid cards. Flexible fund loading and a free mobile app add to the overall convenience of these cards.

*Are you ready to help your credit union grow with the best prepaid program available? As a trusted single source for payment services since 1969, LSC® can help by providing a prepaid debit and gift card solution. Our comprehensive approach and five-star service gives credit unions the power to compete and grow. To learn more, contact the LSC sales department at* 800.942.7124.

# Optimizing Your Debit Portfolio *for Growth*

LESSONS LEARNED FROM A SURVEY OF CU LEADERS.

**BY CO-OP FINANCIAL SERVICES**

As the payments industry undergoes change brought about by technological advancements, debit remains the second most frequently used form of payment behind cash. The U.S. debit card market accounts for approximately 70 billion transactions worth more than $2 trillion. Active debit cardholders use their cards nearly every day for purchases, to get cash from an ATM, to pay bills and for other activities that are critical to their financial lives. Those transactions, in addition to providing valuable non-interest credit union income, serve as a constant reminder of the relationship between the consumer and his or her primary financial institution, which is why credit unions must continue to keep a healthy debit portfolio top of mind.

As changing consumer behavior and competition from fintechs impact debit usage among members, credit unions will need to find ways to better understand and optimize their debit portfolios in order to drive penetration, activation and usage.

Last year, CO-OP Financial Services (*co-opfs.org*) and Mastercard (*mastercard.com*) commissioned a survey of 240 leaders from credit unions of various asset sizes and geographic regions to identify the strategies they are using to optimize their debit portfolio.

Here are a few things we learned:

## A HEALTHY DEBIT PORTFOLIO GOES BEYOND ISSUANCE AND ACTIVATION

While credit unions are making great strides to put cards in their members' hands through tactics like instant issuance (63 percent of respondents are currently offering or plan to offer instant debit card issuance), they must also focus on engaging members to incent usage and drive non-interest income.

Debit card rewards programs are becoming an increasingly effective way to do this. More than half (55 percent) of the credit unions surveyed are actively using or considering adding debit loyalty rewards programs, as they not only help to drive continuous engagement and potential cross-sell opportunities but also provide a competitive edge against larger credit card issuers that only focus on credit.

Mobile is also a critical channel for increasing debit usage. More than half (55 percent) of credit unions surveyed reported an increase in the enrollment of debit cards through their mobile wallets, and 53 percent reported an increase in mobile debit transactions within the last 12 months. Encouraging mobile-friendly members to load their debit card information into their phones helps ensure top-of-wallet status for common debit transactions like paying bills or transferring money. Almost two-thirds (61 percent) of respondents said that competition from mobile payment services like Google and PayPal will significantly influence debit card usage, making top-of-wallet status all the more critical.

## MARKETING YOUR STRENGTHS

Active marketing across digital and non-digital channels is critical to communicating the benefits of credit union membership and debit product features. Step one is identifying your target audience. For instance, this survey revealed that lower-income earners and younger adults had higher debit card usage and were therefore a prime target for marketing campaigns. From there, you can customize your outreach tactics based on where your audience is most active.

Debit card controls are a great way to market your credit union's strengths in a less intrusive way, by giving members the power to control their spending and monitor for fraudulent activity through the convenience of digital channels. Just over 40 percent of respondents are currently offering card controls to their members.

Actively managing your portfolios starts with data analysis, strategy and tools to create the impacts you desire in consumer behavior.

You can see the full results of our Debit Benchmark survey at: *visit.coop/debitreport.*

*CO-OP Financial Services is the nation's largest credit union service organization in terms of number of credit unions, assets and members. The company helps credit unions thrive by providing products and services that make it more convenient for members to do business with them. To learn more, visit* co-opfs.org.

# Branch *Transformations*

## CU LOCATIONS BECOME MORE EFFICIENT BUT NO LESS FRIENDLY.

**BY RICHARD H. GAMBLE**

The burden of a legacy brick-and-mortar infrastructure continues to challenge cost-conscious credit unions that are pushing digital strategies. The sleek, high-tech, productive, member-pleasing branch of the future is still a work in progress for most CUs.

That progress is too slow, says Anthony Burnett. Driving branch efficiency is more talk than action, according to the customer experience director at Level5 (*level5.com*), an Atlanta-based branch design and construction firm, and a faculty member for CUES School of Strategic Marketing™ (*cues.org/sosm*).

"Credit unions and banks embrace that goal, but they rarely follow through. They can't get past the obstacle of making the necessary staffing changes," he says. "They won't make the reductions in head count and change job descriptions." So the branches stay too big to accommodate too-large staffs. And many CUs are reluctant to force engagement in the efficient channels, he adds.

But progress is real, counter CU leaders like the executives of Credit Union of Australia Ltd. (*cua.com.au*), Brisbane. With $15.3 billion in assets, CUA is big for a credit union—the biggest in Australia—but dwarfed by the country's four giant commercial banks. Its efforts to make its 49 branches more efficient will strike many U.S. CU leaders as an innovative approach to a familiar challenge.

"We're committed to serving our members in physical locations, so a branch network is necessary but also expensive," notes Nicola Lambie, head of transformation for sales and distribution across all channels at CUA. "We need to meet that commitment as efficiently as possible while we build out the digital channel and accommodate members of all ages and preferences at a time of technological change."

So CUA is carefully managing the size of its branch network—it had 59 branches five years ago—and downsizing and repurposing the legacy locations, as well as redeploying staff to meet changing needs. CUA is reducing or eliminating the space once needed for routine transactions and reorganizing the compressed space for longer, in-depth conversations about more complex member needs and explorations of member financial wellness, Lambie reports.

## REPURPOSED SPACE

CUA is also converting excess space into venues for community use—rooms for civic or neighborhood groups to use at no cost—whether or not leaders of these groups do business with the CU or feature CU services. That sounds like shrewd marketing, but how does allocating space that produces no revenue count as efficiency? It does, Lambie explains, if you look at growth metrics, not just cost metrics.

"We thought these community hubs would drive foot traffic and brand awareness," and they have, she says. "It definitely has driven up sales and revenue. The lending sales volume in our first community hub has more than doubled."

It's fine to attribute that growth to community activities, she insists, because much of the growth is coming from new memberships. In the two years or so that CUA has been implementing community hubs in its branches, overall membership for the two functioning sites is up by almost 10 percent, significantly more growth than in traditional branches.

The strategy has also saved marketing dollars, Lambie says. "Before, when we'd open a new branch, we'd support that opening with significant advertising. Now we get more sign-ups from word of mouth and can grow without increasing ad spend."

Like most CUs, CUA is encouraging members to use the less expensive digital channel while continuing to be there for those who still want to come in and talk face to face.

"We actively try to educate members about the convenience and safety of self-service transactions," Lambie notes. "We offer workshops to show them how to do things like pay bills online. We'll even set up FaceTime sessions in our branches so they can talk to family members who are far away."

A second branch efficiency initiative is a service called iM CUA (*tinyurl.com/imcuaapp*), launched in November 2018, which assigns a specific personal banker to members who sign up and provides an electronic communications network through Kony Inc. (*kony.com*), Austin, Texas, so that a member can work remotely with that personal banker whenever he or she wants. It's essentially a chat app with an individual human connection. How is tying up a salaried person to expand conversations with members an efficiency play?

## HUMAN/DIGITAL INTERFACE

"We're trying to provide personal, human-to-human service through the digital channel," Lambie explains. The personal bankers in the iM CUA program are multi-skilled—one person can provide a range of intermediate services and sales, from deposits to simple lending, more efficiently than both tellers and lending specialists in branches and the contact center. They are trained to be more than tellers but less than lending specialists. And they can always escalate situations that get too complex for them to handle.

Also, an iM CUA banker brings a productivity gain. He or she can handle more than 60 members with multiple interactions throughout a day, significantly more traffic than would enter the branch. The iM CUA bankers still work in one of two CUA offices, but the CU is looking into letting them work from home, Lambie reports. And they are on duty during call center hours—8 a.m. to 8 p.m.—and she expects to extend the hours as the service grows.

Of course, an iM CUA banker also lets CUA expand its geographic footprint—a real challenge in spacious Australia—without adding branches, she points out. The downside is that the member sometimes has to wait for a personal banker who is tied up.

> **"We thought these community hubs would drive foot traffic and brand awareness," and they have. … "The lending sales volume in our first … has more than doubled."**
>
> – Nicola Lambie

"We try to keep the wait to just a few minutes, but some members have let us know it's frustrating." And if the personal banker is unavailable, the member may be connected to a sub, she admits. But CUA is exploring an artificial intelligence application that could let members know when their personal iM CUA banker is available, she adds.

## AN EFFICIENCY LEADER

The number of branches is holding steady at 11 for $665 million Mazuma Credit Union (*mazuma.org*) in Overland Park, Kansas, but strategy around the team and the technology has changed dramatically, according to CUES member Deonne Christensen, president/CEO. "We've closed a couple of branches and added a couple, but they are becoming considerably more efficient as we go," she says.

Mazuma CU's path to efficient branching has evolved. "Years ago, we had our staffing structure set up with team members who were in specialized roles to account for all the activities a branch offers," Christensen recalls, "which meant we had 18 to 20 team members in some locations. That is not a sustainable … model, nor does it position a location to provide the best experiences to members.

"To try to solve for some of these challenges, we migrated to a universal agent model about five years ago, training generalists to handle many different activities. That right-sized staff levels, sometimes to as little as two team members per branch (with the others moving to other parts of the CU), but it required a ton of training and long ramp-up time, so we decided to further refine."

Mazuma CU evaluated everything that was performed in the branch and began to automate and centralize processes, eliminate antiquated or cumbersome services (no more gift card or traveler's check sales), and migrated as much activity as possible to online or mobile self-service options or to its thriving e-branch, Christensen says. The change is apparent in loan applications.

"Branch team members no longer take or manage loan applications from start to finish," she explains. "When a branch team member is working with a member who has a loan need, we walk through the initial process on our website with them and then the application goes straight to our e-branch team for processing and closing from there. This has greatly reduced turnaround times for our members and drastically reduces the time and knowledge needing to be obtained by all of our branch teams."

## AN 80-20 FLIP

"The goal in our branches is to build relationships with our members and to be there for their more complex business needs and to use technology to provide more convenient options to process routine transactions," says Christensen. "Under the universal agent model, 80 percent of staff time was spent on operations, leaving 20 percent or less to truly help members with their financial needs. We have flipped that and now have relationship advisors who are freed up to spend 80 percent of their time advising members and 20 percent on necessary operational components."

The biggest drag on staff efficiency now is managing cash, and Mazuma CU is addressing that with five interactive teller machines at this point, four in its flagship branch (two inside and two outside) and one at headquarters, Christensen reports.

"They have a video connection to a live teller, and the ITMs can do anything a human teller or an ATM can do," she says. "There's a place for cameras on the ITMs, so we can have visibility on both ends, and documents can be scanned and viewed remotely if a member needs to present them. We're watching usage and working out systems integration to be sure it's solid before we roll out more. The important thing to note is that we are not using these machines to replace our team members, but to free them up to serve in more valuable ways."

Tim Klatt, director of planning and real estate for CUES Supplier member La Macchia Group (*lamacchiagroup.com*), Milwaukee, says ITMs with video links are a popular solution. They can perform most branch functions, be located where they are most productive—inside or outside the branch—and be staffed with employees who don't

# Banking on 266 Branches *and Growing*

There's a good reason for the strong trend of credit unions and banks squeezing cost out of branch operations and pushing activity into the low-overhead digital channel, but not every successful CU is taking that path.

$39 billion State Employees' Credit Union (*ncsecu.org*), headquartered in Raleigh, is one such exception. It proudly operates 266 branches, all staffed with live people, all under the direction of a local VP or SVP.

"Our employees are our strength," explains CUES member Jamie Applequist, EVP/branch operations. "We don't want to eliminate them. We're happy with our human-intensive member services strategy. Our branches are our foundation." The CU owns 98 percent of those branches, with only 2 percent operating in leased locations, he adds.

State Employees' CU has about six branch models, depending on when a location was built. Branches built under the newest model, 6s, typically have about 8,500 square feet, compared to approximately 6,500 square feet for the oldest model, 1s, Applequist says.

When was the last time State Employees' CU closed a branch? "It hasn't happened in my tenure," Applequist reports, "but I've only been here 20 years. We keep thinking we've reached saturation, but then we find member demand for another one."

State Employees' CU takes a geographic approach to branching. Pins in a map would tell a lot of its story. "We use zip codes in our analyses," Applequist explains. "We know where members live and where they bank. We can tell when a location will generate enough activity to justify a branch. We track the distances, and we can tell pretty accurately where there is an underserved area. We think that a member shouldn't have to drive more than 15 to 20 miles to get service from our credit union."

Applequist is well aware of the cost. "We know that branches are expensive, and we take that exposure seriously," he says. While the CU doesn't use metrics to rank branch performance and reward branch staffs, it does know how much each branch contributes to overall CU profitability.

"We have a way to see what percentage a branch gives back to our bottom line, but we use it more for accounting than for evaluation. We know that most of our branches do give back—and that a new one may be a net expense at first but will soon reach a point where it gives back."

State Employees' CU is not against automation and self-service, Applequist insists. A case in point would be members calling up to get an advance on a loan. "That used to take up a lot of branch time," he recalls, "but we informed members how they could get advances through an automated channel, and now 95 percent of our advances are made through self-serve technology."

Another case in point is the CU's network of 1,100 ATMs that have remote deposit capture capability, so members need only go to an ATM to deposit a check or get cash. The ATMs fill in the small gaps in the CU's branching footprint.

What State Employees' CU resists is efficiency through centralization. Its business model is extreme decentralization, which Applequist testifies works well for that CU.

"Many calls to the call center are also routed to the branches," he explains. All lending decisions are made locally. All collection activity is handled locally.

"We don't spend money on marketing," he adds. "Word of mouth works for us. We hire people who are grounded in their local communities. They reduce turnover and training costs. We don't think our investment in people is inefficient."

take up branch space. "When done right, these technological advancements allow for a site with a smaller than standard square footage and less parking without compromising member service," he observes.

## APPLYING METRICS

It sounds like Mazuma CU is well on its way to branch efficiency, but Christensen knows from experience with the universal teller model that a solution that sounds logical doesn't always deliver what's needed. Because of this, the CU is using state-of-the-art metrics to measure achieved efficiency, not designed efficiency.

A commercial product called Stakeholders from Mike Higgins and Associates (*mhacreditunions.com*), Prairie Village, Kansas, tracks financial performance data on a set of scorecards for all of the branches and for the organization. That, in addition to other internally created dashboards to track such metrics as transaction volumes and new accounts provides a starting point to evaluate branch effectiveness.

"Although these tools are solid ways to assess what staffing structures may be needed at each location and whether a branch is profitable or not, traditional profitability metrics are not the be-all, end-all when deciding when to open, close or consolidate branches," Christensen emphasizes. "Some less profitable or even unprofitable branches may hold value for us because they are located in areas with a concentration of depositors, borrowers, or underserved or unbanked members. In all, having an effective branch delivery channel that meets all needs for the credit union and the members means having branches with a variety of characteristics."

Mazuma CU's best-performing branch is, without question, the e-branch that opened in 2015. "It's our largest and fastest-growing branch," Christensen says. "We have 22,000 members assigned to that branch now, compared to the 3,000 for the typical physical branch. We assign a member to the branch where they do 70 percent or more of their transactions each year. This has been a natural migration and a response to our very popular mobile banking app. The physical branches are also encouraging members to use these online and mobile options for their basic transactional needs and to come into a branch anytime they need anything more complex, and we are pleased to see this migration occur."

## BUILDING ON TRADITION WITH AUTOMATION

Replacing face-to-face member service with technology does not often crop up when CUES member Val Mindak, CCE, president/CEO of $218 million Park City Credit Union (*parkcitycu.org*), Merrill, Wisconsin, talks about her CU's strategy for its eight branches (which include two grocery store locations). She likes branches, especially for her 10-county rural market. She sees them as an outreach and brand-building opportunity. Mindak wants to build person-to-person interactions, not displace them with self-service. (For another defense of brick-and-mortar presence, see "Banking on 266 Branches and Growing" at left.)

Park City CU's crown jewel is the branch in its new corporate headquarters building designed by La Macchia Group, which the CU moved into in 2018. A visitor walks into a side-by-side Park City CU branch and a bistro/coffee shop. "Each synergistically attracts members/customers that spill over to the other," she notes.

The setup is working. The new headquarters branch enrolls about 90 new members a month, compared to about 40 at the old headquarters branch, she reports, and the new branch opens twice as many checking accounts as its predecessor.

Location helps. Eight years ago, Park City CU shrewdly bought a 28-acre plot of vacant land "out on the highway" in the fastest-growing part of town, Mindak reports. Then it sold 25 of those acres to Walmart after helping the community persuade Walmart to build a larger store. As the Walmart store went up on the corner, Park City CU built its new headquarters and main branch next door on the remaining three acres.

While tradition plays a role in branching today, new-fangled automation strategies can help satisfy member wants and drive efficiency.

When looking at automation, it helps to understand the role of serial and parallel processing, observes Jeffery Kendall, SVP/general manager of Kony DBX (Digital Banking Experience, *dbx.kony.com*). In live interactions, everything has to happen in a linear, chronological sequence. That dictates serial workflow. In delayed interactions like email or chat or text messages, the serial chain is broken, and work can be organized in parallel, around priorities, with the most urgent questions or issues handled first.

That distinction allows for some efficiencies in the time-delayed channels that are not possible in live interactions like branch visits and phone calls, he explains. A CU needs to provide both but recognize and exploit the differences, he says.

"The ways people bank are changing, and the layout and functionality of branches need to change with it," adds Klatt. "Credit unions have an opportunity to introduce technology to streamline operations and use space flexibly to serve member and community needs."

**Richard H. Gamble** *writes from Grand Junction, Colorado.*

## MORE ON BRANCHING

4 Fab Facilities (*cumanagement.com/01184fab*)

Online "Facility Solutions" column (*cumanagement.com/operations*) or subscribe to CUES content emails (*tinyurl.com/CUEScontent*)

CUES School of Strategic Marketing™ July 15-18, Cleveland (*cumanagement.com/sosm*)


# The Employer *Brand*

YOUR CREDIT UNION'S MESSAGE MAY BE CHASING AWAY JOB CANDIDATES. HERE'S WHAT YOU CAN DO ABOUT IT.

**BY LIN GRENSING-POPHAL, SPHR**

When it comes to employer brand, credit unions have a lot going for them. notes Steve Weingarden, president of Innovators of Change LLC (*innovatorsofchange.com*) and an industrial-organizational psychologist.

"There is a built-in recruiting advantage for credit unions over some alternatives," he says. Their benefits as employers include things like a not-for-profit status and community involvement. Credit unions are also very mission-driven and member-focused, two attributes that can be very appealing to today's job seekers.

And yet, even with such advantages in their back pockets, sometimes credit unions fail to adequately—or consistently—convey an appealing brand image. What could cause them to go off the rails? Any number of things, often unintentional, could turn off potential employees:

- an outdated website that fails to convey a contemporary culture;
- images that focus more on technology than people and are inconsistent with a member-driven mission;
- photos of unsmiling employees conveying a sense of drudgery; and
- aspects of your building, parking lot or staff that don't convey a positive appeal. This can be particularly harmful for credit unions that often recruit from a local labor pool.

When you have an open position, it's important to remember that it's not just your job posting, ads or website that affects how potential candidates view you. Every organization has a brand, or reputation, built on a wide range of interactions with others. For credit unions, those others can be members—or potential employees. As local service providers, credit unions are active members of the communities they serve, interacting with potential employees in a variety of settings. Each of these interactions creates impressions that potential employees will call upon when considering whether to apply for or accept a job with the credit union.

How can you ensure that the messages you're sending are the right ones to convey the many real and relevant attributes of your employer brand and the benefits of working for your organization?

## DEFINE THE BRAND

It's not possible to evaluate the effectiveness of your employer branding activities if you don't have a clearly conceived—and shared—vision of what that employer brand should be.

"Senior people practitioners and HR leaders have to work closely with the marketing people ... to lay down the vision for what they wish the employer brand collaterals to invoke," says Gargi Rajan, head of HR for Mercer-Mettl (*mettl.com*), Newark, Delaware, an HR technology and talent measurement firm.

"How people perceive the brand is dependent on how clearly the brand story is communicated at all levels," she says.

Rajan stresses that it's critical for marketing and human resources to come together for these conversations. Communication activities from both areas must be supportive and not disconnected. If your marketing department's communication materials are fun, trendy and casual and the HR department's communication materials are conservative and formal, there's a disconnect. Since potential employees researching your organization are likely to see all of these communications, that disconnect erodes the brand.

## WATCH YOUR LANGUAGE

Dawn Lerman, Ph.D., is professor of marketing and executive director of the Center for Positive Marketing at the Gabelli School of Business, Fordham University (*fordham.edu*), New York. Her work focuses on the field of consumer behavior with particular emphasis on consumer language processing. "Language, for any brand, is a strategic tool that can help to connect individuals to the brand," says Lerman. Or, it can do just the opposite; that's true of consumer brands, and it's also true of employer brands.

"One of the things that I strongly advocate in consumer marketing that I would advocate here as well is that brands think about the language they use and develop their own brand vocabulary," says Lerman. From an employer brand perspective, credit unions could identify their organizational culture or the culture they aspire to have, and then think about whether their language is aligned with that desired brand.

"A brand language audit takes a look at all of the brand's communications—in this case the corporate branding as well as all of the internal branding, or internal messaging to employees," says Lerman. "Take a look at the language that's used and pull it apart, deconstruct it, taking a look at what the ultimate message is that is being communicated by that language. Is it on brand or off brand?"

Doing this with focus groups that include members of the community—perhaps people who have applied for jobs at your CU—can give you some important outside perspective. All too often, those who are creating communication materials can fail to see issues that others may quickly point out.

Turn a critical eye to your communication materials to determine where they're aligned and where they may run afoul of your desired employer brand image.

## INCLUDE, DON'T EXCLUDE

Aside from the availability of technology solutions to aid in the hiring process and the growth of social media as a communication channel, not a lot has changed about the employee recruitment process over the past few decades. And that's problematic, says Robert Voth, a consultant at Russell Reynolds Associates (*russellreynolds.com*), New York, who works closely with leading companies to recruit for and advise on board, CEO, president, leadership and succession projects. Legacy human resource strategies that may have worked 30 or 40 years ago simply don't work today, he says.

For instance, Roth points out, much of the language used in recruiting is exclusionary. It's designed to *disqualify* rather than *qualify* people and encourage, he says.

**"Language, for any brand, is a strategic tool that can help to connect individuals to the brand."**

**– Dawn Lerman**

Most job openings lead with the number of years of experience required, for example. That, he says, "is an outdated measure that does nothing to assess the qualifications of a candidate—it's an arbitrary number." Instead, he says, communication about open positions should be developed to focus on culture and competencies and should serve to attract candidates.

Credit unions must work to engage potential applicants so that they *want* to be part of the organization. Communication materials should help them determine why they would be a great fit—not why they don't fit in.

This, of course, requires an understanding of what today's job applicants value.

## FOCUS ON WHAT'S IMPORTANT TO CANDIDATES

A part-time teller will have different job requirements, needs and interests than a VP/business development. A rural credit union will draw from a market with different values and interests than a CU in a large metropolitan setting. Each of the positions in your credit union will likely draw from a different pool of candidates. When recruiting, it's important to use language and messaging that will appeal to that particular group.

Fortunately, you have a ready-made source of information about exactly what different candidates find important—your current employees.

In addition, a wealth of information about what appeals to today's job candidates is available through surveys from various organizations. A major area of appeal: the opportunity for growth and development, says Tiffany McEachern, a social media specialist with CUES Supplier member PSCU (*pscu.com*), St. Petersburg, Florida, a payments CUSO.

"It is important to share content about how your employees have progressed in their careers at your credit union," says McEachern. "Candidates want to work for organizations where they can

> **"Candidates want to work for organizations where they can advance up the ladder and grow their careers, so showing them that this is possible at your credit union will attract them to apply."**
>
> – Tiffany McEachern

## MORE ON RECRUITMENT AND DEVELOPMENT

Member-First Talent Strategies (*cumanagement.com/0319memberfirst*)

Passing the Torch (*cumanagement.com/0219passing*)

HR Answers: Hottest Tech Tools For Recruiting (*cumanagement.com/0818hranswers*)

advance up the ladder and grow their careers, so showing them that this is possible at your credit union will attract them to apply."

Research backs her up. According to LinkedIn's 2018 Workplace Learning Report (*tinyurl.com/y4n72tpn*), 93 percent of employees say they would stay at a company longer if it invested in their career development, Meghan Biro reports in a Forbes article (*tinyurl.com/forbesretention*).

In addition to opportunities for professional and personal development, today's employees value "permanent workplace flexibility, a commitment to health and well-being and working with a purpose," according to Mercer research reported by Forbes contributor Alan Kohll (*tinyurl.com/forbesmercer*).

Ensuring that your recruitment materials and your environment support what today's employees value is critical for establishing a strong employer brand. Your current employees can also have a big impact on your employer brand if you take steps to get them on board.

## GET EMPLOYEES ON BOARD

Again, it's not just your formal recruitment communication materials that send signals about your brand. It's also the myriad interactions that potential job candidates have with your credit union's employees. They play a very important role in helping to convey and support the brand.

"Leverage your employees to speak out on what they feel the best things are about your organization," suggests Rajan. She recommends doing employee interviews and sharing them on social media. Or creating brand story videos and uploading to YouTube. "The video subjects could be how you celebrate people inside the organization, how seriously you take your work, and the impact your brand and work make."

Employees, armed with the right information—and assuming a high level of job satisfaction and commitment—can be powerful brand ambassadors.

## CONSISTENCY IS KEY

Brands are built over time. Whether consumer or employer, your brand develops in the minds of your target audience based on repeated interactions and impressions that are all, in a perfect world, supportive of your desired brand.

As a professional communicator, McEachern knows this well. "A best practice to remember in any communication material is to make sure it is consistent and on brand," she says. "If consumers see your content, whether it is through a marketing campaign, social media, or recruitment efforts, and your brand is not consistent, it comes off that you are still unclear about what you ... stand for."

Disconnects can easily occur, though. For instance, Rajan points out, in an effort to be competitive in the market, a CU's communication materials could "lose the human element—the organization's vision and mission might come off as a rat race where there's no priority for work-life balance or employee engagement." Or, she says, the language might be too formal or too casual. The right approach will depend on the desired culture. If your CU has a laid-back and casual culture, casual communication is a good fit. If, on the other hand, the culture is more conservative, a more formal approach would best convey your brand.

"The core element of all your marketing and employer brand collateral is consistency," Rajan reiterates—consistency across all channels.

The strength of your employer brand will depend on your ability to align messaging with reality in ways that are valued by your target audience. For recruiting, just as in marketing, taking a strategic look at your employer brand can pay big dividends.

**Lin Grensing-Pophal, SPHR,** *is a writer and human resource management and marketing communication consultant in Chippewa Falls, Wisconsin. She is the author of* The Everything Guide to Customer Engagement *(Adams Media, 2014) and* Human Resource Essentials *(SHRM, 2010).*

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**Website:** q2ebanking.com

**What are the top issues for credit unions today?**
Credit unions must balance their everyday operational and compliance needs with the growing expectations of their members. With significant budget resources in place, big-bank competition might be able to provide digital bells and whistles that members want, but that may not be the highest priority for credit unions. With mobile use up, it can be particularly difficult to enhance existing account holder relationships while working to forge new ones. At Q2, we're committed to bridging this gap.

**How does Q2 make its credit union clients more successful?**
We believe in the power of data-driven insights to help CUs better understand—and even predict—what their members want. Q2 also believes that open technology and unique approaches to problem-solving are critical in building products to address the needs of CUs, from the front lines to the back office.

Combined with best-in-class integrations, features and operations capabilities, Q2 can empower credit unions to orchestrate the lifelong financial experiences their members want. For members, this means better experiences and a belief that their membership is valued. For credit unions, it provides an opportunity to be the life long companion on their members' financial journeys—benefitting their growth while deepening those crucial relationships.

We value our relationships with CUs the same way they value their member relationships. That's why we listen to our customers. Instead of creating products in a vacuum, Q2 works with them to create solutions to address the challenges they tell us they're facing.

For example, we've worked closely with our CUs on a number of the open technology products. We've been able to develop technology to help them mitigate and minimize the fallout of stolen credit and debit cards and fraudulent charges. We've also been able to help them gain valuable member insights while encouraging their members to meet their financial goals and gain financial wellness. Our CUs also can build programs tailored to their members' needs.

These partnerships strengthen Q2 and our customers while really keeping the doors open for new ideas.

# CU Members Mortgage
## *Signs on as CUESolutions Provider*

CUES is pleased to welcome CU Members Mortgage (*cumembers.com*), a trusted mortgage lending provider, as a 2019 CUESolutions provider. CUES identifies CUESolutions providers as experts, and partners with them to showcase their thought leadership to its membership. CUES selected CU Members Mortgage for its more than 35 years of experience in meeting the mortgage lending needs of credit unions, CUSOs and leagues across the nation.

"In the fast-paced and ever-changing financial services industry, credit unions are looking to experts to help them navigate the mortgage lending waters," says John Pembroke, president/CEO of CUES. "CU Member Mortgage is a well-respected and established company whose experience and resources will be of great benefit to our members."

"It is a privilege to be selected as the CUESolutions provider for mortgage lending to CUES members," says Steve Hewins, CU Members Mortgage senior vice president. "We have a long history of dedicated service and commitment to credit unions and we can think of no better way to show our continued effort to serve credit unions than to partner with CUES and further its mission to educate and develop credit union professionals."

# CUES Welcomes *Two Regional Employees*

CUES is pleased to announce Tanya Mueller Smith has joined the CUES team as manager/member relations and sales support for Canada.

"Due to the growth and success with our Canadian market and the launching of CUES Canadian Division, there has been an increased demand for more member engagement and support in Canada," says John Pembroke, president/CEO of CUES. "Tanya is a true asset to the team, and we are excited to bring her dedication and extensive credit union knowledge to our Canadian market. She is will be instrumental to the continued success of our Canadian members, and we can't wait to let her enthusiasm for the movement shine."


Tanya Mueller Smith

Mueller Smith previously worked at Central 1 where she worked on various teams providing consulting services and project management support to credit unions, including the support of the National Credit Card Program.

She has been a life-long member of Bulkley Valley Credit Union, was a recipient of the Credit Union Foundation Bursary and has been on the BC Young Leaders working committee since its inception in 2016. She has been chairing the BCYL network since March of 2018.


Carla Trager

In addition, Carla Trager has joined the team as director/sales and member relations for the South. Trager has more than 25 years of experience in the credit union industry. Over the past 10 years, she has served credit unions in Texas, Oklahoma and Arkansas with the Cornerstone Credit Union League in the roles of league representative and operations and engagement consultant. She was heavily involved in the Cornerstone Chapters and Councils programs, where she provided monthly engagement, training, leadership and facilitated annual planning sessions. She served as lead liaison to the HR Council, Marketing and Business Development Council and most recently the Volunteers Council. Carla has also served 10 years as lead liaison to the Coastal Bend Chapter of Credit Unions.

She also has 13 years of experience in branch management at Texans Credit Union in Austin, Texas. And she has served as an ambassador with the Cedar Park Chamber of Commerce and five years on the board of directors with the Austin Chapter of Credit Unions in the roles of secretary, training director and program chair.

# Webinars & Elite Access

CUES members can attend all webinars (*cues.org/webinars*) and access a library of webinar playbacks for free. CUES Elite Access Virtual Classroom (*cues.org/eliteaccess*) offers an innovative take on online education.

**MAY 14, MAY 28, JUNE 11 OR JUNE 25**
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**More Benefits, More Value: Maximizing the Return on Your Investment (Webinar)**

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**Build Your Leadership Skills Using Emotional Intelligence to Overcome Unconscious Bias (Elite Access)**

**JUNE 26**
1 p.m. Central
**Recruiting and Retaining Successful Leaders (Webinar)**

**JULY 17, JULY 31 & AUG. 7**
1 p.m. Central
**Operating in a Collaborative World (Elite Access)**

## AD INDEX

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

# Managing Risk and *Strategy in Monterey*

Expand your governance and supervisory expertise this summer at CUES Supervisory Committee Development Seminar (*cues.org/scds*) and CUES Director Development Seminar (*cues.org/dds*). The seminars will be held back-to-back in Monterey, California, on the iconic Big Sur coastline.

CUES Supervisory Committee Development Seminar, July 29-30, explores the committee's roles and responsibilities—including audits, understanding the regulatory environment and enterprise risk management—as well as qualifications and onboarding best practices. Supervisory committee members do a lot of heavy lifting in protecting the assets of the credit union, says Ancin Cooley, principal of Synergy Credit Union Consulting (*syncuc.com*), Elgin, Illinois, and leader of the CUES seminar.

"You're responsible for managing the risks. You're going to know what's coming down the pipeline before anyone else will know," he explains. "Your responsibility is to cast a radar out to make sure that if [someone breaks the rules], it doesn't end up being something that shuts down your credit union." (Hear more from Cooley in a video clip from the 2018 Supervisory Committee Development Seminar at *cumanagement.com/121318video*.)

CUES Director Development Seminar will be held at the same location, the Portola Hotel & Spa and Monterey Bay, July 31-Aug. 2. Governance expert Les Wallace, Ph.D., president of Signature Resources (*signatureresources.com*), Aurora, Colorado, will lead attendees through a future-facing discussion of board makeup, the impact of the changing industry landscape on governance and fiduciary oversight, and how your board can achieve a "strategic rhythm."

**Attend CUES Director Development Seminar (*cues.org/dds*) and CUES Supervisory Committee Development Seminar (*cues.org/scds*) this July in Monterey, California.**

"The second most significant role of the board (fiduciary oversight being first) is to be a 'strategic partner' with the executive team in designing the future of the credit union," stresses Wallace in a recent online article (*cumanagement.com/1218goodgovernance*). "To be a strategic partner, a board needs to examine trends and best practices more often ... . Strategy is a year-round dialogue."

Participants of both seminars will learn practical applications to take home to their credit unions. Register today at *cues.org/scds* and *cues.org/dds*, and consider taking the opportunity to plan a full board retreat!

## 2019

**CUES GOVERNANCE LEADERSHIP INSTITUTE™**
June 2-5
Rotman School of Management
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**CUES SCHOOL OF STRATEGIC MARKETING™**
July 15-18
DoubleTree by Hilton Hotel
Cleveland Downtown–Lakeside

**CUES SCHOOL OF BUSINESS LENDING™ II: *FINANCIAL ANALYSIS AND DIAGNOSTIC ASSESSMENT***
July 15-19
DoubleTree by Hilton Hotel
Cleveland Downtown–Lakeside

**STRATEGIC GROWTH INSTITUTE™**
July 22-25
University of Chicago
Booth School of Business

**SUPERVISORY COMMITTEE DEVELOPMENT SEMINAR**
July 29-30
Portola Hotel & Spa at Monterey Bay
Monterey, CA

**DIRECTOR DEVELOPMENT SEMINAR**
July 31-Aug. 2
Portola Hotel & Spa at Monterey Bay
Monterey, CA

**EXECU/NET™**
Aug. 11-14
Summit at Big Sky Resort
Big Sky, MT

**CEO INSTITUTE II: *ORGANIZATIONAL EFFECTIVENESS***
Aug. 11-16
Samuel Curtis Johnson School of Management, Cornell University
Ithaca, NY

**BOARD LIAISON WORKSHOP**
Sept. 4-5
SchoolsFirst Federal Credit Union
Tustin, CA

**CUES SCHOOL OF MEMBER EXPERIENCE™**
Sept. 9-10
DoubleTree by Hilton Hotel
San Diego–Mission Valley

**CUES SCHOOL OF BUSINESS LENDING™ III: *STRATEGIC BUSINESS LENDING***
Sept. 9-13
DoubleTree by Hilton Hotel
San Diego–Mission Valley

**CUES SCHOOL OF LENDING™**
Sept. 10-12
DoubleTree by Hilton Hotel
San Diego–Mission Valley

**PAYMENTS UNIVERSITY**
Sept. 11-12
DoubleTree by Hilton Hotel
San Diego–Mission Valley

**CUES CERTIFICATE IN BUSINESS LENDING**
Sept. 13
DoubleTree by Hilton Hotel
San Diego–Mission Valley

**BOARD CHAIR DEVELOPMENT SEMINAR**
Sept. 16-17
LaFonda on the Plaza
Santa Fe, NM

**DIRECTOR STRATEGY SEMINAR**
Sept. 18-20
LaFonda on the Plaza
Santa Fe, NM

**CEO/EXECUTIVE TEAM NETWORK™**
Nov. 4-6
Omni Amelia Island Plantation Resort
Amelia Island, FL

**DIRECTORS CONFERENCE**
Dec. 8-11
Loews Royal Pacific Resort at Universal
Orlando, FL

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

Are you a board liaison, executive assistant or administrator responsible for the success of board meetings? Join us at the **Board Liaison Workshop** (*cues.org/blw*) this September and build your skills to facilitate good governance!

# Three Factors That *Characterize Payments Innovation*

**BY MEHMET SEZGIN**

Throughout the remainder of 2019, we will see big changes in the payments ecosystem driven by the upsurge of mobile payments, new reward schemes and fintech-banking partnerships. These changes will help financial organizations cater to the payment preferences of today's consumers and provide a customer experience that extends beyond the point of sale.

**1. Financial institutions will rethink the cost of their rewards programs.** This year, more and more CUs will re-evaluate their rewards strategies. This doesn't mean credit card rewards will soon be a thing of the past—in fact, we should expect to see their renaissance, as innovative solutions come to the fore to benefit both providers and consumers.

One solution is for card issuers to share the cost of offering rewards with retailers. In this scenario, card issuers can offer rewards at a lower cost and retailers can reach a wider range of cardholders through the FI's mobile app. Members can collect rewards on payments not just from their CUs, but linked retailers, too.

**2. Contactless will become a must for card issuers.** Contactless payments have been slow to take off in the U.S.—not because people don't want to use them, but because their existing cards don't have the capability. This is despite merchants being ready—79 percent of quick-service restaurants and 61 percent of grocery stores already allow customers to pay at the tap of a card.

This year, expect to see an upsurge in contactless payments, mainly due to the rise of mobile. The figures are promising—half of smartphone owners have used mobile payments in the last year, and seven in 10 consumers would be interested in using mobile payments more often if it earned them rewards or discounts.

This represents a huge opportunity. Most point-of-sale terminals can be configured to handle contactless requests from NFC-capable smartphones. Instead of investing in plastic cards, FIs should focus on shifting their services to mobile.

**3. Fintechs lend a hand, work with retailers.** As payments and banking are increasingly done through the smartphones, retailers—particularly those that already have a mobile presence—will start to wonder how they can capitalize on this behavior.

Fintechs can play a significant role in connecting both CUs and retailers to innovative mobile services. Expect to see more partnership headlines this year, as new customer-centric mobile solutions emerge to bridge banking and retail.

Every business in the payments industry is under pressure to improve the customer experience—making payments processes faster, more seamless and more rewarding. Credit unions will need to face up to the limitations presented by legacy systems and processes if they are to retain their more tech-savvy members.

**Mehmet Sezgin** *is CEO & founder of myGini* (mygini.com)*, San Francisco.*

Read the full post and leave a comment at *cumanagement.com/031819skybox.*

## Our Favorite *Recent Posts*

**"Ultimately, it's up to credit union leadership to take the time to educate employees well on e-mail fraud—and cultivate a culture that both 'thinks before it clicks' and is accountable for adhering to strict security policies."** John Buzzard, industry fraud specialist with CUES Supplier member CO-OP Financial Services (*co-opfs.org*), Rancho Cucamonga, California, in "Stopping Fraud From the Inside Out" on CUES Skybox: *cumanagement.com/022719skybox*.

**"In reasoning through how a recession could affect your institution, the severity, length and characteristics of the downturn will make a difference. One approach is to consider a recession that you believe is likely and one that is severe. Then run what-ifs to model both versions, use the likely version as a basis for planning, and view the severe version as more of a survivability test."** c. myers corporation (*cmyers.com*), Phoenix, in "Now Is a Good Time to Prepare for a Recession" on CUES Skybox: *cumanagement.com/031319skybox*.

**"As the person who may wear the mantle of board champion, the [board] liaison is ultimately that leader who is organizing and monitoring the process of board work. In many cases, the position of board liaison will become a voice of continuity, history and, of course, documentation. … This professional role has become a critical piece of board performance."** Julia C. Patrick, CEO/founder of the American Nonprofit Academy (*americannonprofitacademy.com*), Phoenix, in "Board Liaisons: Cat Wranglers And Champions of Strong Boards" on CUES Skybox: *cumanagement.com/041819skybox*.

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