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# CU MANAGEMENT

NOVEMBER 2019 • IN-DEPTH INFORMATION FOR CREDIT UNION LEADERS


Do you know what we love about monster movies? It's the fact that despite the horrifying, grotesque and often intimidating appearance of the monster, somehow, we the audience end up sympathizing with them by the end of the movie. More often than not, we realize it was the humans in the movie all along who are so afraid to welcome change that they commit atrocities and ultimately became more monstrous than the creature they're trying to destroy. This (poetically) leads to their eventual destruction, often by their own hand, and all within a convenient two hours or so.

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# CU MANAGEMENT

NOVEMBER 2019 • IN-DEPTH INFORMATION FOR CREDIT UNION LEADERS


## UP TO THE *Challenge*

2019 CUES Outstanding Chief Executive Sterling Nielsen

**CARDS**
Contactless, 8-digit BIN conversions

**MARKETING**
Be a beacon of hope during downturn

**BENEFITS**
Employees seek fiscal fitness

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## YOUR THOUGHTS

### IS YOUR CREDIT UNION PREPARING FOR A RECESSION? WHAT IS ON—AND OFF—THE TABLE IN TERMS OF BUDGET CUTS?

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

# Leading Through *the Storm*

When Sterling Nielsen started as CEO of Mountain America Credit Union on Nov. 1, 2008, the credit union—like the economy—was in trouble. Not only did Nielsen help the CU power through some difficult years, but he set a bold plan to grow to $10 billion from $2.8 billion by 2022. With $9.1 billion in assets as of September, the CU could actually meet its goal in 2020, two years early.

Read the credit union's success story—and learn why Nielsen was named the 2019 CUES Outstanding Chief Executive—on p. 10.

Nielson credits his team for the CU's success and embracing the challenge he put forth. One testament to his leadership is that he kept employees' needs in mind during the recession. "A lot of companies were hitting their employees pretty hard by suspending raises and 401(k) contributions. My thought was that such actions would erode the confidence of our employees and create fear, so what we chose to do instead was ask management to take a pay cut. Our focus then, as it is today, is to treat staff fairly."

Considering that financial stress is a big problem for many employees, Mountain America CU was wise to focus on the well-being of its staff. Our article, "Employees Seek Financial Fitness," discusses the retirement distress experienced by many staff members. How can your credit union help its team with this? Turn to p. 18 for retirement and financial literacy best practices.

Did your credit union cut marketing spending during the Great Recession? If so, you weren't alone. But as economists talk of another recession on the horizon, you may want to take a different path this time.

"One of the lessons is, in a recession—as hard as it is—you need to think long term and not short," notes Mark Arnold, president of On the Mark Strategies (*markarnold.com*), Carrollton, Texas. Cutting marketing spending "will help you achieve your short-term goals ... but the long-term implications are quite negative."

Read "Weathering an Economic Storm" on p. 28 for ideas on what your credit union should be accomplishing now in order to successfully ride out a downturn later.

Theresa Witham

**Theresa Witham**
Managing Editor/Publisher

P.S. Turn to p. 34 for information about a scavenger hunt—with a $500 prize on the line—for CUES members. Or visit *cues.org/membership-contest* for full details and contest rules.

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# The Business Case *for Diversity*

As credit union executives and directors, you are tasked with creating shareholder value. This is your singular mission. In order to act upon this guiding mandate, you should pursue actions that benefit members.

One of the ways credit unions can fulfill their aim of helping members is by insisting their talent resources are equipped to face various business scenarios. This takes a staff that possesses a myriad of skills and experience. This article is an examination of a business case for diversity. Here, we examine three areas where a focus on diversity can be good for the bottom line. Before doing so, let's see if we can come to an agreement on the meaning of diversity.

To my way of thinking, diversity is simply the multiplicity of traits, skills and backgrounds your talent pool may possess. By talent, I mean your board, volunteers and staff. Diversity includes a wide variety of categories. Here are some descriptions: race, gender, gender identity, sexual orientation, national origin, age, marital status, religion, disability, ability, personality, income, geography, education, parental status, class, and generation.

As you can see, diversity may mean different things to different people. The utility of identifying these distinctions is not to highlight what separates us. The important takeaway is the realization that our members, staff and stakeholders may see the credit union in different ways. Armed with this understanding, we can see how well-intended decisions can be mistaken by audiences with different perspectives.

Rather than focus on diversity as a barrier to overcome, we should consider viewing diversity as a tool for competitive advantage. Here are three areas where credit unions can improve their bottom lines by incorporating diversity in their organizations.

## DIVERSITY AS DUTY OF CARE

Every corporate official has legal fiduciary duties that must be obeyed. One of the responsibilities is called the duty of care. The duty of care is a legal requirement imposed on directors and corporate officials requiring compliance to a standard of reasonable care while performing their roles for the organization.

The duty of care implies a reasonable officer seeks to advance corporate opportunities. Therefore, it seems reasonable that an effort to expand diversity would be expected if the anticipated results are better returns.

On the opposite side of the equation, corporate officials are warned to avoid wasting company's resources. The corporate waste doctrine states directors have a duty not to squander corporate opportunities. It may be reasonable to conclude that the omission of qualified talent with diverse skills handicaps an organization's potential. This is a wasted opportunity.

Another way to think about the duty of care is to consider how corporate resources are invested. The rule that warns against concentration risk has application for diversity. The same may be said for human resources. Diverse people talents may lead to greater returns.

## DIVERSITY AS RISK MITIGATION

Every credit union management team should be focused on quality control. Quality control requires constant attention to process improvements and strategy performance. One way to improve in these areas is by reducing errors. The first step here is identifying real issues. We call this issue spotting.

Most organizations make mistakes. Miscalculations result in bad execution, the formation of the wrong strategy or misjudgment on the cost of a venture. Smart organizations study past failures to understand what went wrong and how to avoid repeating errors. In many instances, bad results came from a failure to incorporate diverse perspectives.

Diversity improves the odds of spotting issues by broadening the perspectives around the table. A team of people who see a situation from different angles improves the probability of recognizing obstacles and developing ways to alleviate the challenges. Furthermore, the team is more equipped to uncover new opportunities.

## DIVERSITY AS A MARKETING TOOL

Diversity is in the eye of the beholder. How one sees him or herself defines the scrutiny applied to an organization's image. Members may see themselves with different perspectives and identities. Members should be viewed through various lenses to see what representations are important to them.

People often prefer to conduct business with organizations that represent their interests. Identity is a common interest. Credit unions that reflect the character and content of their communities demonstrate a sensitivity that is not lost on its members.

Credit unions should ask what image they want to project in their target market. This is the lens through which members and the community will judge the credit union's focus on representation. The adequacy of diversity is not determined by insiders. The audience should be asked for their impressions to get a sense of how members feel diversity has been attained.

A diverse board and staff improve the chances that the CU will be in tune with its membership. The results may be the services and products that truly address the needs of the membership.

In summary, credit union leaders have a duty to improve the way they serve members. Diversity uses a CU's whole field of membership as a competitive advantage. Seems like a no-brainer.

*Read a longer version of this article at* cumanagement.com/1019diversityinsight.

*CUES member* **Maurice R. Smith** *is CEO of $2 billion Local Government Federal Credit Union* (lgfcu.org)*, Raleigh, N.C., and $11 million Civic Federal Credit Union* (civicfcu.org)*, a digital credit union based in North Carolina.*

# Up to the *Challenge*

STERLING NIELSEN, 2019 CUES OUTSTANDING CHIEF EXECUTIVE, LED HIS CU THROUGH TOUGH TIMES TO OUTSTANDING PERFORMANCE AND GROWTH.

**BY DIANE FRANKLIN**

CUES member Sterling Nielsen, CPA, became CEO at Mountain America Credit Union (*macu.com*) in Sandy, Utah, at what he jokingly calls "the perfectly wrong time." The date was Nov. 1, 2008, only five weeks after the stock market crash that signaled a tough road ahead for the nation's financial services industry.

Exacerbating the situation, Mountain America CU had recently acquired a troubled credit union and its portfolio of brokered real estate construction loans that looked even more ill-advised in a tanking economy. A team of national examiners was on-site, voicing displeasure that the CU had taken on such a risky merger.

"The whole thing came to a head literally as I walked in the door as CEO," says Nielsen, who was recently named the 2019 CUES Outstanding Chief Executive. "But with any challenge comes

> **"The credit union was facing some of the most extreme financial stresses it has ever seen. Sterling approached the issues straight on and helped us as a board understand the value of dealing with the hardest issues as soon as possible."**
>
> — Charlie Fulks

opportunity. In this case, it was an opportunity to make the necessary changes quickly and put the credit union on a trajectory to be successful for many years to come."

Working with the examiners, Nielsen and his team were able to get past the problems caused by the troubled merger. With that crisis behind him, Nielsen put forth a bold plan: grow the credit union's asset size to $10 billion in 10 years. Nielsen proposed this plan in 2010, when the CU had assets of $2.8 billion, so not only was he suggesting that his team could nearly quadruple the organization's asset size in a decade, but also that they should embark on this path when most financial institutions were still reeling from the economic downturn. Despite these hurdles, today the CU is on track to not only meet but exceed its goal.

## FROM CPA TO CU

Nielsen's successful tenure in the credit union movement is the direct result of interactions with Mountain America CU during his previous career. After earning his bachelor's and master's degrees in accounting at Brigham Young University in Provo, Utah, he took a position at an international CPA firm, Grant Thornton LLP (*grantthornton.com*), based in Chicago, where Mountain America CU was a client.

"We had a lot of different clients, including banks and credit unions, but Mountain America was my favorite," Nielsen reports. "I was very impressed with the whole 'people-helping-people' philosophy, and also impressed with the quality of the people working there."

The Mountain America CU management team was similarly impressed with Nielsen. After two years of doing the credit union's audits, Nielsen received a call from the then-CFO to ask if he would be interested in applying for the job of controller.

"I jumped at the chance," Nielsen recalls. "I applied for and got the job. Mountain America turned out to be a great place to work. I was happy to be involved with an organization that worked so hard to make a difference."

When Nielsen started working at the CU in 1995, it had $400 million in assets but was growing rapidly. After several years, Nielsen moved into the newly created position of executive vice president, overseeing most of the administrative functions, including marketing, human resources, training, sales, information systems and facilities.

"This was a time of great expansion for the credit union," Nielsen says. "We were out there buying land and building branches, as well as a new corporate office."

After having compiled an impressive 13-year track record with the credit union, Nielsen was a logical candidate to ascend to the CEO role. The Mountain America CU board of directors selected him from a field of 520 internal and external candidates, and it didn't take long for Nielsen to exhibit the bold vision that would confirm the board had made the correct call.

In taking on the challenges that coincided with his first year as CEO, Nielsen realized the key to establishing a pathway to growth was staying laser-focused on the members' needs.

"Because we focused on our members, we saw growth that far exceeded our expectations," Nielsen says. "When you make a difference in members' lives—when you save them money and give them hope they didn't have before—they share that news with everyone they know."

## SETTING A TONE

CUES member and Mountain America CU board chair Scott J. Burt, CPA, gives Nielsen credit for setting a tone that led to the success in membership growth. "He has accomplished one of the toughest tasks a new CEO faces," Burt contends. "He has been able to change the culture of MACU to one where employees truly care about the members and are willing to reach out and help them evaluate their situation and recommend ways to improve their financial well-being, which has led to outstanding net promoter scores for the credit union."

Nielsen has achieved all of this, Burt adds, while treating people with dignity and respect. "He leads a management team that is loyal to the credit union and to him and willing to run through walls for him."

Burt sees validation of Nielsen's leadership in Mountain America CU's ranking as one of the best places to work in Utah. Several organizations have given the CU this honor, including *Credit Union Journal* (*tinyurl.com/2015cujournalbest*) and *Utah Business* (*tinyurl.com/2015utahbizbest*), while marketing and research firm POPULUS® has named Mountain America CU one of the best places to work in Idaho (*tinyurl.com/2017macupopulusbest*).

An example of how well Nielsen treats his employees was his pledge to keep rank-and-file employees from being hurt financially during the economic downturn. "A lot of companies were hitting their employees pretty hard by suspending raises and 401(k) contributions," Nielsen recalls. "My thought was that such actions would erode the confidence of our employees and create fear, so what we chose to do instead was ask management to take a pay cut. Our focus then, as it is today, is to treat staff fairly."

In his interactions with Nielsen, Mountain America CU director and CUES member Charlie Fulks has been struck by how well Nielsen relates to employees with his down-to-earth style, illustrating with this example: "He recently invited me to go to

**"When you make a difference in members' lives—when you save them money and give them hope they didn't have before—they share that news with everyone they know."**

— Sterling Nielsen, CPA

lunch with him. Rather than going to some fancy place for lunch as many executives do, we went to the credit union on-site café. ... I was thrilled to see his interactions with the staff. It was clear that he ate there often, that the staff genuinely liked him, and that he was personable and approachable to everyone. With over 2,200 FTEs, that is amazing."

## FORMULA FOR GROWTH

After Nielsen made his $10 billion proposal, the CU ultimately set its goal for 2022, he explains, "because we needed to spend time rebuilding capital. Our capital was down to 6%, so I told our team, 'Here's our plan. We'll rebuild our capital for two years, and then we'll start growing.' And that's exactly what we did."

Nielsen reports that Mountain America CU is on track to reach its ambitious goal 2½ years ahead of schedule. This September, the CU reached $9.1 billion in assets, and Nielsen projects it will cross the $10 billion mark in the second quarter of 2020.

Mountain America CU's pathway to $10 billion has mostly occurred through organic growth, though Nielsen also helped guide the CU into new markets through strategic mergers. A merger strategy expanded the CU into Nevada, Arizona and New Mexico in the years before Nielsen became CEO. As CEO, he decided to use a similar merger strategy to establish a presence in Idaho. The approach was extremely successful. After three key mergers, Idaho is now Mountain America CU's second largest market.

Membership growth at Mountain America CU has been exceptional over the past several years—and it is this growth that continues to propel the CU forward. In the first eight months of 2019, for example, Mountain America added 60,000 net new members. That puts its current numbers at 800,000 members and almost 1 million total accounts, which the CU serves through 95 branch offices in five states.

"Our goal is to be our members' primary financial institution, so we look at products and services per account to make sure we're meeting our members' needs," Nielsen reports. "My belief is if we're growing, that's probably the best indicator if we're serving the member properly. And I think that's where we've exceeded our expectations."

Leading a progressive credit union that is growing so rapidly has posed many growth-related challenges, according to Fulks. "Yet Sterling continues to take all the challenges in stride, anticipating and preparing to handle those challenges, all the while keeping our focus on our strategic vision. That has allowed us to continue that momentum and see amazing performance and growth."

Nielsen contends the secret to his success is in the quality of people he has hired. "I have this crazy faith in our team, because I've seen what they can accomplish over and over again. When we come up with a good goal and give them the whole picture behind it to where they understand it and can believe in it, they achieve it.

"It comes down to every employee in every branch working toward the same goal," Nielsen adds. "We spend a lot of resources on training so that our staff knows how to go about approaching the member. I'm also fortunate to have a great board that has supported me every step of the way."

## PRAISE FROM THE BOARD

"Sterling assumed the leadership of MACU at a shaky time and has built it into one of the best-performing credit unions in the country," says Burt, who was on the board at the time of Nielsen's selection.

With 30-plus years of experience interacting with CEOs at Mountain America CU and those on the Children's Miracle Network Hospitals board of trustees, Burt recognizes several reasons why Nielsen is deserving of the CUES Outstanding Chief Executive accolade: "He has an outstanding ability to see the big picture, set vision and direction for the credit union, and communicate it to employees throughout the organization. He has the ability to make the tough decisions in a timely manner. ... He has incredible business acumen, always arriving at the best solution."

Fulks, who currently serves as board secretary, is likewise effusive in praising Nielsen. "I have found him to be the best leader I have personally known," he says.

Thinking back on the 2008 financial crisis, Fulks appreciates just how well Nielsen helped the CU recover from its financial setbacks.

"The credit union was facing some of the most extreme financial stresses it has ever seen," says Fulks, who has been a director and the ALM committee chair since 2001. "Sterling approached the issues straight on and helped us as a board understand the value of dealing with the hardest issues as soon as possible. That strategy paid off for us as we recognized potential losses early and took that hit, but then got back to the work of serving our members while many other financial institutions continued to deal with the issues over the next few years."

Nielsen, meanwhile, is quick to share credit for Mountain America CU's growth with an amazing staff who worked hard to make it happen. From his very first days at CEO, he knew having a good senior management team would be vital to the credit union's future success.

While the $10 billion figure may have seemed overly ambitious at the time, Nielsen never had any doubt that his team could achieve it. "The staff did a fantastic job of latching onto it and changing how we approached our member services to put us where we needed to go," he says. "It wasn't really about becoming larger. It was about putting in place the things we needed to be successful as a credit union going forward. ... 'How do you hire, how do you train, what type of systems do you put in place, and what type of member


**CUES member Sterling Nielsen, CPA, president/CEO of Mountain America Credit Union, Sandy, Utah, presents a check to Primary Children's Hospital in Salt Lake City.**

services do you provide?'"

By successfully addressing these issues, Mountain America CU has achieved a phenomenal average annual growth rate of 18% over the past several years. As his team continued to perform, Nielsen's confidence grew that the CU would achieve its asset goal easily.

"The numbers were there," he says. "Rapid growth of that nature is unusual, but if you focus on serving the member in the best way you can, it's inevitable that growth will come."

## COMMUNITY FOCUS

Community involvement is another priority at Mountain America CU that has thrived under Nielsen's leadership. The CU's efforts benefit more than 100 charities, and the organization facilitates employees' involvement by allowing them to take time off with pay to volunteer.

Much of Mountain America CU's community giving is done in partnership with local media outlets. An example is the Pay It Forward program (*tinyurl.com/macupayitfwd*), which the CU has undertaken with KUTV News (*kutv.com*), based in Salt Lake City, to shine a spotlight on individuals, families and organizations that give back to the community. KUTV highlights these individuals in a televised segment, which concludes with a representative from Mountain America CU presenting them with a cash donation that will allow them to further their good works.

In a similar vein, Mountain America has partnered with Salt Lake City television station Fox 13 (*fox13now.com*) to create the Dream Team (*tinyurl.com/macufox13dreamteam*), a group that helps deserving people in the community. "We seek out people who have a need, highlight their story and surprise them by fulfilling that need," Nielsen reports. In one televised segment, for example, Mountain America CU financed Christmas gifts for a family with 17 adopted children. In another, the CU helped finance the travel expenses so that a football team of underprivileged youths could go to an out-of-town tournament.

Another community effort features a partnership between Mountain America CU and the Utah Jazz basketball team. For this program, called Pass It Along, the credit union presents fan-nominated charities with a $5,000 donation during a Utah Jazz home game (*tinyurl.com/macujazzpassit*).

Mountain America CU is also a generous sponsor of non-profit Hale Centre Theatre (*hct.org*) in Sandy, Utah. In turn the CU has received the naming rights for the performing arts center where HCT stages its productions. In Idaho, the CU similarly stepped up to become a naming rights sponsor for a new events center in Idaho Falls (*tinyurl.com/macuidahofallsevents*). "This gave them the cash infusion they needed to get off the ground," Nielsen says.

Nielsen himself is dedicated to giving back to his community and to his industry. He is involved in the Salt Lake Chamber of Commerce, is active in his church and has volunteered for youth organizations, including the Boy Scouts of America. Nielsen also is a devoted family man. He and Stephanie, his wife of nearly 30 years, have five children, ranging in age from 14 to 27.

While Nielsen appreciates the plaudits he has earned for his leadership, he stresses his belief that every leader is only as good as the people around him. That's why he gives this advice to other leaders: "Hire people who are better than you, then give them the latitude to do their jobs without getting in their way. That's always been my philosophy—hire great people, and then watch the magic happen."

*Based in Missouri,* **Diane Franklin** *is a longtime contributor to* Credit Union Management *magazine.*

## MORE ON LEADING TOWARD GROWTH

A Transformational Leader (*cumanagement.com/1018transform*)

Five Ways to Show Your Community You Care (*cumanagement.com/040418skybox*)

CEO Institute (*cues.org/institutes*)

Strategic Growth Institute™ (*cues.org/sgi*)

CUES Symposium (*cues.org/symp*)

# Get Your Cards *in Order*

CONSIDER A COMBINED STRATEGY FOR CONTACTLESS ROLLOUT, NEW BIN REQUIREMENTS AND BRANDING OPPORTUNITIES.

**BY KAREN BANKSTON**

Credit and debit card managers have a long to-do list these days. They're figuring out how and when to introduce contactless cards and comply with new account number sequence requirements while simultaneously working to promote the credit union through the plastic embodiment of the brand that members use on a daily basis.

Through careful planning, these priorities can be woven into a combined strategy to issue new cards and enhance members' account management capabilities through online and mobile apps.

## TASK #1: GO CONTACTLESS

Transitioning to contactless cards is a hot topic, as indicated by the number of credit unions signing up for webinars and downloading white papers on that subject, says Jamie Topolski, director of payment card products for the Output Solutions group at CUES Supplier member Fiserv (*fiserv.com*), Brookfield, Wisconsin. "They're doing what they can to learn about it, and many are planning to begin this process toward the end of this year and into 2020."

Most CUs are planning a "natural reissuance approach," sending out contactless cards to new members, those who report lost or stolen cards, and accountholders whose cards are expiring. The timing is especially fortuitous in that final case for issuers that sent out EMV cards back in 2017, which may be expiring over the next year, Topolski notes.

And for those organizations replacing their cards as the result of a name change, merger or switch in payment brands, "it's a perfect opportunity to make that change all at one time," he adds.

In many cases, CUs may be moving to contactless cards in response to member demand, especially in markets where this payment method is more widely available. One highly visible showcase for tap and go is big-city transit systems in New York, Boston, Chicago and Philadelphia adopting contactless terminals on which riders can tap their credit union cards to pay their fares at turnstiles rather than standing in line for tickets.

Quick-service restaurants are also at the forefront of contactless payments, given their business model to streamline service delivery, Topolski says. Big retailers like Target and Costco have also enabled their card terminals for tap and go.

"You're seeing a lot of growth in merchants turning on this contactless ability. The hardware they installed to support EMV transactions had the capability to accept contactless cards. They just had to do some additional programming, testing and certification, which is not a small project by any means," he says. "But they're starting to do that, one after another."

It won't take long for consumers to make the switch now that they have the option to go contactless, he adds. "The first time you use it, you can't believe how quick it is."

People are used to putting their card in a chip reader and then waiting a few seconds until they hear a signal that it's OK to remove the card. With tap and go, by comparison, the green light comes on so quickly that people's response is, "That's it?"

"The second time is just as quick ... from that point forward, people want to tap ... every time" because it's a much better experience, Topolski says. "It's as quick as the days of swiping, but with all the security of an EMV card."

It takes only one or two transactions for members to embrace this form of payment and "actively seek areas in which they can use the technology," agrees Doug Leighton, head of community accounts at CUES Supplier member Visa (*visa.com*), headquartered in San Francisco. Fortunately, those opportunities are not hard to find: 81% of quick-service restaurants, 65% of convenience stores, and 64% of grocery stores are now enabled for tap to pay.

"These are environments where members typically think, 'I'll just pay cash for that $4 transaction or that $2 transaction," he notes. "Tap to pay creates a compelling business case for members to quickly tap their cards and leave. It takes more cash transactions out of the system, and that drives more revenue for credit unions that they in turn can invest back into the member experience."

Tap to pay, which Visa suggests as a more member-friendly term than contactless, offers a prime opportunity for credit unions to provide an enhanced member experience and to drive deeper penetration of their payment products—and the infrastructure to facilitate these types of payments is already in place.

"Right now, 82 of Visa's top 100 merchants offer their customers and credit union members the ability to tap to pay at checkout," Leighton says.

In other countries, financial institutions took the lead toward this innovation by issuing near-field communication-enabled cards, and then merchants followed suit with terminals that could receive the card signals. This progression is happening in reverse order in the U.S., as merchants already have payment terminals in place and are positioning themselves as innovative by accepting Apple Pay, Google Pay and Samsung Pay.

The transition to contactless cards is already well underway, Leighton notes: An estimated 100 million Visa cards will be issued in the United States this year, and another 300 million will be in consumers' wallets by year-end 2020.

Credit unions that don't already have plans in place to issue contactless cards should be talking with their network and processing partners about getting these cards in the hands of members who would benefit most from using them, Leighton advises.

That includes international travelers (in some countries, 90% of point-of-sale transactions are tap to pay), in addition to transit riders and people who report lost or stolen cards. A strategy to roll out contactless cards in a staged rather than wholesale way should include a means for any member who wants to tap to pay now to request a new card, he adds.

In fact, tap to pay is such a treat that credit unions that don't roll out contactless cards soon may see a decline in transactions as members start to use other cards in their wallets that are enabled for this payment method, Topolski cautions.

Of course, those tap-and-go terminals are also enabled to accept Apple Pay, Google Pay and other mobile wallets, but Topolski says

> **"Card design is getting more attention, because there's a belief that design will help drive card usage."**
>
> — Jamie Topolski

paying by phone at point of sale just hasn't caught on as quickly as expected. One reason may be that contactless is still not enabled at every terminal, whereas cards will be accepted universally via one method or another. If you wave your phone and it doesn't work, then you have to dig into your wallet for a card. But if you tap a card and it doesn't work, you can just insert it in the chip reader.

Tap to pay with enabled credit or debit cards is often quicker than authenticating to smartphones with mobile wallets, Leighton says, which may account for the slower-than-expected adoption of these apps.

Whether consumers opt to tap to pay with a card or a mobile wallet, credit unions should be developing strategies to provide that choice for their members, he adds. It seems likely that members who have gotten into the habit of using their cards for contact EMV chip transactions will continue to gravitate to physical cards for quicker point-of-sale payments.

There's also a business case for credit unions to promote use of their contactless cards over members loading their account numbers into a mobile wallet.

"An important distinction is brand impression and visibility," Topolski suggests. "Once members have loaded their card into their mobile wallet, it's very likely that they will never see the card image again. When they use their cards primarily, though, that image is almost like a mini-billboard to remind them of their credit union. There's a real positive association."

## TASK #2: GIVE MEMBERS MORE CONTROL

For cardholders who raise concerns about contactless security, a bit of member education may be in order. Contactless cards have the same high level of security as EMV cards; they just transmit the necessary data via antenna rather than a chip reader.

"The card has to be extremely close to be read, two inches or less," Topolski says. "And even if someone intercepts the information from a contactless card, it's not useful information. It's not sufficient information to make a fake card. And there are certain codes that change with every single transaction, so any stolen information can't be used by criminals for fake cards or fraudulent transactions."

Especially for security-conscious members, introducing card alerts and controls as part of mobile services can serve the dual purpose of enhancing fraud prevention and detection and further positioning the credit union's cards as their go-to form of payment.

The CardValet app (*tinyurl.com/cardvaletvideo*) from Fiserv, for example, gives members the option to set alerts for every transaction or for those over a certain dollar amount; to restrict transactions based on location, merchant type or dollar amount; and to turn

## MORE ON CARDS

Fend Off Card Fraud (*cumanagement.com/1019fend*)

The Implications of Apple Pay Entering the Fray (*cumanagment.com/071519implications*)

Checkout Choices for Credit and Debit (*cumanagement.com/0419checkout*)

Six Ways Prepaid Cards Can Help Grow Member Relationships (*cumanagement.com/1118six*)

their cards on and off. That final option offers peace of mind for misplaced or stolen cards.

"That can play a huge part in helping members stop fraud by being notified every single time a transaction occurs. If they see it's not their transaction, members can take steps faster than a credit union might be able to in reporting fraud," says Patrick Davie, VP/risk solutions, card services, Fiserv. "When members enable these notifications, we see fraud drop by 40 to 50%."

## TASK #3: MOVE TOWARD LONGER BINs

CUs planning to roll out contactless cards can simultaneously implement their strategy to meet the new standard for bank identification numbers. The official BIN deadline is April 2022, but credit unions can get ahead of that change as they issue new cards, suggests Carol Logan, director of client services for Member Access Processing (*maprocessing.com*), a CUES Supplier member based in Kent, Washington.

The new BIN standard will assign the first eight digits, rather than the current first six, of debit and credit card numbers to identify issuing credit unions and ensure proper routing of card transactions.

Currently, a financial institution may hold several BINs to differentiate its various card lines. For example, a university credit union might offer eight distinct card options: a standard debit card; an affinity debit card for faculty, staff, students and alumni of the sponsoring university; a standard credit card; a special rewards credit card; a university affinity credit card; a credit builder credit card for college students; and debit and credit cards for business members.

On the official migration day, each six-digit BIN will become the first digits of 100 eight-digit BINs. The BIN 412345, for example, will become 41234500, 41234501, on down to 41234599. Managing 100 BINs would be an unnecessary logistical headache, she suggests, and paying the $200 annual licensing fee for each BIN would get expensive, too.

To prepare for the change, card issuers will need to decide how many eight-digit BINs they need to accommodate their current card programs and determine whether they will need to reissue new cards for some members onto the surviving eight-digit BINs to conform to the new standard, Logan says.

Each eight-digit BIN has the numeric capacity to generate 10 million primary account numbers, or full 16-digit primary account numbers. Credit unions should also consider their current method for generating primary account numbers as they plan how to comply with the new standard. When do they begin randomizing numbers to generate new card accounts—on the seventh digit immediately following the six-digit BIN or with the eighth or ninth digit? Issuers that currently start randomizing primary account numbers on the seventh or eighth digits "will have more cleanup to do in terms of returning eight-digit BINs to Visa after April 2022," Logan says.

Credit unions should be working with their card processing partners to develop and execute their BIN strategies. "Financial institutions should not assume that their partners will take the necessary action to prepare them for this mandate," she notes. "They should be working with their processors to select and license the necessary BINs for their card lines and come up with a reissue strategy."

Given that the natural reissuance cycle for cards is 36 months, credit unions that don't already have a BIN plan in place may already be behind schedule, she cautions.

## TASK #4: DESIGN CARDS WITH FLAIR

With all the competition to score transactions amid the ever-increasing number of cards in members' wallets and other payment options, credit unions are putting more focus on card design that stands out and reinforces the brand. With more and more members opting for online and mobile access over branch visits, there's increasing recognition that using their credit and debit cards is the most frequent point of interaction between many members and the credit union brand.

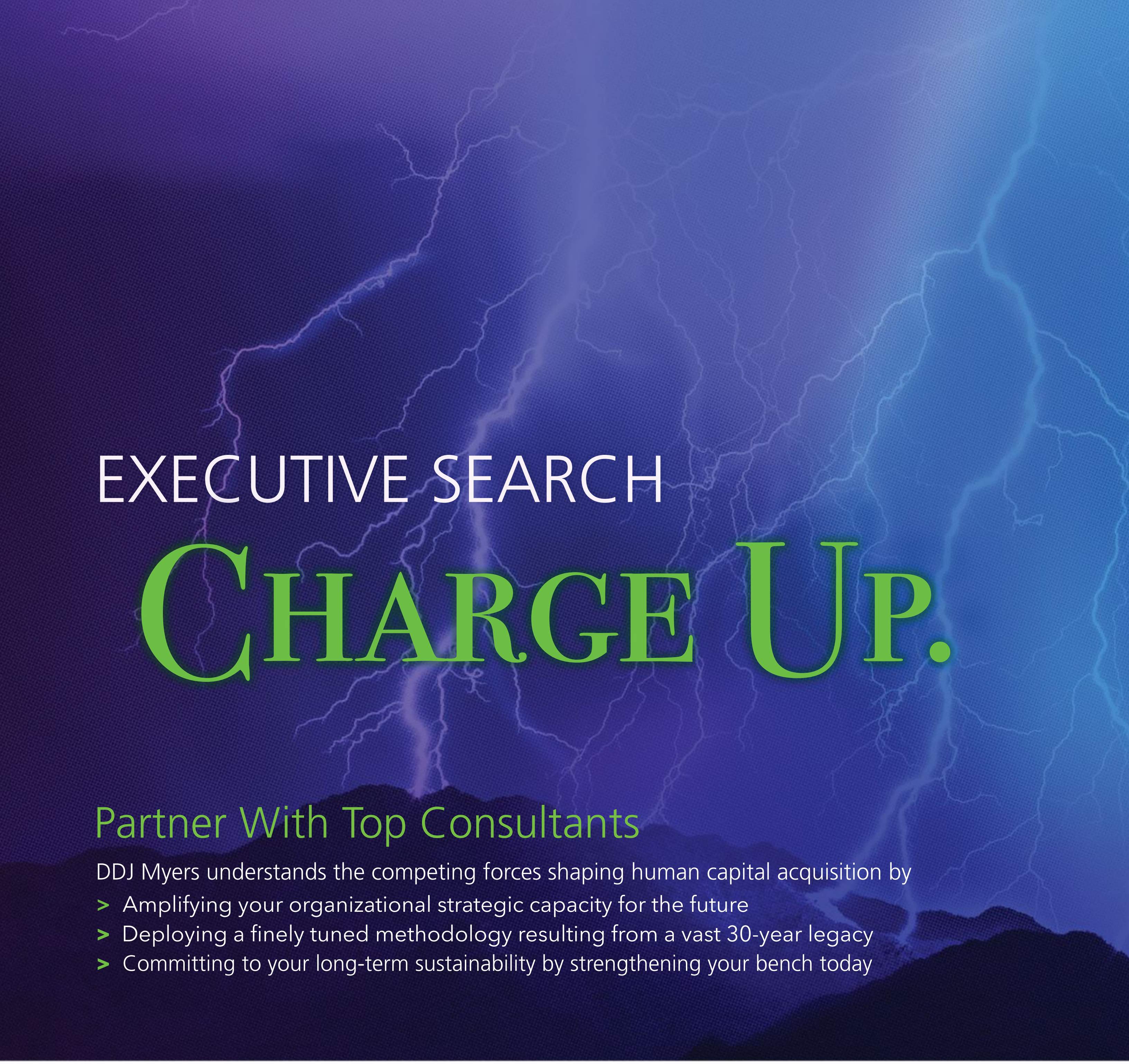
"We're seeing more innovative designs where all the personalized information is on the back of the card so the entire front is used for the financial institution's branding," Topolski says. "We're seeing cards made of metal or with some metal component to them, so they're heftier and more substantial in cardholders' hands. And some cards have a different color core, so members can see a different color along the edge when cards are stored in their wallet."

Another design advance is presenting the brand in portrait rather than landscape orientation, which is not only distinctive but can keep the credit union's name visible when the card is inserted in a chip reader, he notes.

"Card design is getting more attention, because there's a belief that design will help drive card usage," Topolski says. "We're getting more requests for options on how to make the card stand out."

There are more calls for a cleaner, modern look to card design and for flat printing over embossed type, he adds. And some credit unions are opting for higher-end design and materials in cards for Platinum credit cards and products for VIP members. In short, design is the crowning touch of a credit union's card strategy to incorporate new functionality, a new numbering scheme and a strong brand connection.

**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.*

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# Employees Seek *Financial Fitness*

## CU EMPLOYEES WANT MORE HELP WITH FINANCIAL MANAGEMENT SKILLS.

**BY MICHAEL CONTE**

As employers and financial services providers, credit union leaders today can see firsthand that simply explaining to people how to optimize their 401(k) plan rarely moves the needle on how much they're saving for retirement. Recent surveys show one big reason for this: An increasing number of consumers aren't making ends meet.

Our industry can help reverse this trend—starting with our own employees. In addition to your retirement planning tools, it's worthwhile to provide easy-to-use, personalized and motivational programs that help your employees achieve basic financial fitness.

To clarify: "Financial fitness" (a.k.a. "financial wellness" or "financial well-being") goes beyond retirement planning. It means managing your finances so you routinely spend within your means, hold debt in check, keep enough liquid funds on hand for emergencies and generally live with minimal stress over money.

### FINANCIAL DISTRESS INCREASES IN 2019

Having financially fit employees who are less stressed, less distracted and more likely to retire on time has tangible benefits for employers. For example, the average cost to an employer for each year an employee delays retirement is $50,000, according to a study from Prudential Finance (*tinyurl.com/y2otzcsk*). This is based on the cost of an entry-level employee less the cost of the retired person, considering that if that person had retired, other employees would have moved up a notch.

But the end zone for financial fitness appears to be moving farther away from more American workers in 2019. Consider these 2019 results from PricewaterhouseCoopers' 8th Annual Employee Financial Wellness Survey (*tinyurl.com/yakzws7o*):

- 49% of employees surveyed said they find it difficult to meet their monthly household expenses, up from 37% last year and 33% five years ago.
- 67% found it stressful to deal with their financial situation—a huge jump from 47% last year and 45% five years ago.

Perhaps the most alarming aspect of these results is that they come during a relatively strong economy with low unemployment.

A serious economic downturn in the communities your credit union serves may not cost your employees their jobs, but it would likely hurt many of their households. Offering

**MORE ON RETIREMENT BENEFITS**

HR Answers: The 401(k) Knowledge Deficit (*cumanagement.com/1118hranswers*)

Give 401(k)s Five Advantages of a Pension (*cumanagement.com/1018401k*)

Three Ways Digital 401(k) Improves Results (*cumanagement.com/0918401k*)


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## Offering your employees financial fitness tools now could make a critical difference in how well they and their families weather the next economic storm.

your employees financial fitness tools now could make a critical difference in how well they and their families weather the next economic storm.

### SURVEY: EMPLOYEES ASK FOR FINANCIAL WELLNESS HELP

CUNA Mutual Retirement Services surveyed 9,200 retirement plan participants in 2018, asking which retirement and finance planning topics interested them most (*tinyurl.com/cmgretirementsurvey*). Among millennials (ages 18 to 34), the top answer was "budgeting and managing debt." That was tied for the top answer among mid-career employees (35 to 49) with "understanding tools and resources available." Respondents 50 and older ranked "preparing to transition to retirement" as their top topic, followed by "understanding tools and resources."

Given these survey results, it's not surprising which topics CU employees have been choosing most often in a limited-scale financial fitness program run by Financial Fitness Group, in conjunction with a CUNA Mutual Retirement Solutions 401(k) website.

The top three picks for early career users are:

1. building a budget,
2. managing your debt, and
3. living within your means.

The top three picks for mid-career users are:

1. managing your debt,
2. building a budget, and
3. building an emergency fund.

Finally, the top three picks for older users are:

1. Social Security, Medicare and retirement,
2. living within your means, and
3. determining retirement needs.

This program is in its early stages, but it's clear that CU employees have an appetite for basic financial management education.

## Retirement Savings Crisis
## *For Young & Old Alike*

Overall, more than 45% of Americans surveyed by GOBankingRates (*tinyurl.com/y7cagtho*) have saved nothing for retirement, and nearly 19% more have saved less than $10,000. Of course, the youngest survey respondents, aged 18-34, are pulling up those percentages considerably. However, retirement savings are clearly inadequate for many older Americans, too:

- **Older Millennials and Gen X:** 42.5% of respondents aged 35-44 and 45.2% of those 45-54 have saved nothing for retirement. Only 14.5% and 12.6% of those age groups, respectively, have saved $10,000-$49,999 for retirement. How long would $50,000 last a typical American in retirement? One year, maybe?
- **Baby Boomers:** More Americans in the two older age groups surveyed had zero saved for retirement than Americans who had at least $50,000 saved. Of respondents aged 55 to 64, 39.1% had nothing saved and 31.7% had $50,000 or more. For those 64 and older, 33.3% had nothing saved and 33.1 had $50,000 or more.

### FINANCIAL WELLNESS PROGRAM BEST PRACTICES

If your credit union is considering a financial fitness program for employees, look for these four elements that engage employees beyond simply making reading materials available.

**1. Ease of use:** Program providers should be able to take you through a test run so you can see whether the online interface and features are intuitive, easy and maybe even fun to use. The content must feature professional-quality writing and production; nobody will stick around long if they must wade through boring, long-winded articles or videos.

**2. Individual benchmarking:** Employees should begin your program with some type of self-assessment that they can use to benchmark current strengths and weaknesses, so they can track their progress.

**3. Broad-based and personalized content:** Program participants should be able to choose from topics that pertain to their personal life stages and financial situations. Also, offer options for how to consume the content, such as articles, email tips, videos and even one-on-one support with experts.

**4. Motivate and reward:** It sounds simple, but something as basic as watching point totals increase each time users complete a piece of a program can help motivate them to keep learning.

Include quizzes to reinforce key points and show progress. Also, consider offering tangible rewards to employees for completing part or all your program. It could be a free lunch or a branch-by-branch contest with bigger prizes.

These principles for financial fitness programs apply to any industry. But they're especially important in credit unions, where the mission is to serve members' best financial interests. Serving these interests for our employees can make them better resources for members and better advocates for the credit union's products and services.

**Michael Conte** *is the director of retirement solutions for CUESolutions Platinum provider CUNA Mutual Retirement Solutions* (cunamutual.com/products/retirement)*, Madison, Wisconsin. Reach him at* michael.conte@cunamutual.com. *For more information about becoming a CUESolutions provider, please email* kari@cues.org.


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# Take Charge *of Channels*

PURPOSEFUL CHANNEL MANAGERS EVALUATE AND ENHANCE MEMBERS' EXPERIENCE & THEIR CUs' ROI.

**BY AMANDA SWANSON**

With all the emphasis on member experience, few views offer a better understanding of how members interact with their credit unions than channel management.

Effective channel management delves into members' preferences for connecting with the credit union—whether they stop by, call in or sign on—and how the objective of their interactions guides their choices. It spans traditional personal service in branches and emerging mobile delivery and payment options. And it offers demographic and geographic market insights and intersects with sales, marketing and product/service development and delivery.

Managing member service delivery begins with turning business line owners into channel experts. This business intelligence will guide the objectives that define how account access, deposit and loan processes, and consultation with knowledgeable professionals are provided on a channel-by-channel basis.

Members gravitate to one channel or another based on age, life and work commitments, affinity for technology and/or personal service, financial acumen and, perhaps most importantly, the purpose of each interaction. Most aren't monogamous to a single channel and appreciate the option to connect as they see fit. For all the growth in digital delivery, why do members still take the time to come to a branch? Just because they can apply for a mortgage or open a new account from their mobile phones doesn't mean all members will do so.

Channel owners are charged with recognizing those preferences and translating them into optimal service delivery models that will grow existing relationships, bring in new business through next-best-product recommendations and attract new members. Improving service delivery encompasses both member-facing and back-office functionality to support members in making important financial decisions.

Toward that end, channel owners need to be skilled in managing change and risk, in translating business objectives into key performance indicators and ROI targets, and in collaborating with colleagues across departments and even other channels. Digital channel owners, for example, need to recognize that the journey of members


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## KPIs should provide ambitious but achievable goalposts for advancing member connections through the channels of their choice.

who primarily rely on mobile and online access will also encompass the contact center for occasional support and inquiries.

### BEST PRACTICES FOR CHANNEL OWNERS

An emphasis on channel management acknowledges how much members' experience connecting with their financial service providers influences their affinity for their credit unions. Channel owners must be attuned to the business models inside and outside of the financial services sector that are shaping members' expectations. What can credit unions learn from Amazon's sophisticated model to build business with product recommendations based on customers' prior purchases? Why do users love the USAA and Capital One mobile apps? And how can credit unions expand opportunities to build member relationships across remote channels with tech-savvy consumers?

To answer those questions, digital channel owners must have a clear view of which members are using online and mobile access and what they're doing when they sign in. If 75% of a credit union's members are "digital users," what does that mean? Can they do everything they expect to be able to do via these channels or do they encounter roadblocks? How well does the member experience from channel to channel represent your brand?

The data to evaluate members' channel use and satisfaction with their interactions is out there. Applying the following best practices can help channel owners gather and apply crucial data to establish baselines on which to set ambitious but realistic goals for loan, deposit and member growth and identify improvements in delivery needed to get there.

### KNOW MEMBERS' CHANNEL PREFERENCES

Channel owners should bring together information from across core, lending, marketing and other systems to fill in the demographic and geographic details about members who gravitate to their channels. Then they can dig a little deeper into often untapped sources, like checking transactions. Given their many options for payments, for example, which members are using Apple Pay, Google Pay, PayPal and Zelle? And are their credit unions' debit cards top of wallet for those transactions and for Amazon and other online purchases?

### IDENTIFY OPPORTUNITIES BY CHANNEL

As noted previously, few members stick to a single channel exclusively. The "regulars" at a neighborhood branch may phone the contact center occasionally and sign in online to check their account access. And the member who does *everything* on her credit union's mobile app may call the mortgage hotline to talk through the best option for her first home loan. The idea that every product and service must be available on every channel may be a bit overblown.

Instead, channel owners should identify service expectations for what's top of market among members with clear preferences for their entry points and aim to deliver the best possible experience in providing those products for those members and others like them. For example, a checking account for members who favor remote channels might pay dividends to accountholders who sign up for e-statements, download the mobile app, direct-deposit their paychecks, use remote deposit capture and bill-pay, and make at least 10 debit transactions in stores and online monthly. Recognizing channel preferences in product design can help win over existing and new members.

### DO DEEP COMPETITIVE ANALYSES

Branch channel owners have a clear line of sight on their competitors—the credit unions, community banks and big banks with a presence in the communities they serve.

The field is more robust on the digital front. National banks like Bank of America and Wells Fargo are trumpeting sophisticated mobile access. Payment providers like PayPal, Zelle and Square Cash—even Facebook is getting into the payments space—seek to varying degrees to supplant traditional financial services providers, or at least to disintermediate member relationships. Digital channel owners need to investigate the experience these competitors are providing, learn why they appeal to consumers and monitor which services are gaining traction with consumers.

For example, on the P2P payment front, the upstart Zelle (*zellepay.com*), which launched in 2017, outpaced the PayPal-owned Venmo (*venmo.com*) in the second quarter of 2019, with total payment volume of $44 billion compared to $24 billion. Early Warning Services (*earlywarning.com*), the network that has enrolled 500 banks and credit unions to offer Zelle to their customers and members, reported that its year-over-year transaction volume rose 71% for the quarter. Those trends represent key market intelligence for credit union channel owners.

Financial service delivery is in constant flux, driven by steady technological advances. Significant opportunities to improve digital delivery may be ahead as the Federal Reserve develops its FedNow Service (*tinyurl.com/fednowser*), a nationwide infrastructure designed to provide 24/7 real-time payment and settlement services, with early estimates for availability in 2023 or 2024.

The Fed's announcement of this new service is just one more piece of the puzzle for channel owners formulating a digital delivery strategy. Should the credit union introduce a P2P service like Zelle for its members or instead seek to promote the use of its credit and debit cards when members sign up for those services on their own? With the FedNow Service in development, some credit unions may opt to sit tight and see how consumer adoption of these payment services unfolds.

## RADIATE THE BRAND ACROSS CHANNELS

Each channel must deliver on members' expectations in a way that's consistent with the credit union's vision, mission and brand essence. When members apply for a loan online or via the mobile app and are met with no response, that service failure clearly shows that the credit union's core values don't extend to the digital channel—and the organization will likely be blasted on social media for poor service. Consistent delivery on the brand promise is essential.

## LEAD EFFECTIVE CHANGE MANAGEMENT

The channel owner's job is to marshal the people, processes and technology necessary to execute. If the online loan application process delivers a great member experience but it takes three days to process the application and return a decision, the net sum is a missed opportunity. Investing in digital channel technology is money down the drain if back-office lending and other systems can't keep pace.

Channel owners need to forge effective partnerships across the organization to build business. In the area of business intelligence, for example, the digital channel owner must be able to work with IT to pull together and analyze pertinent data into an actionable form so he/she can then take it to marketing to help grow the channel through enhanced service delivery.

## BENCHMARK FOR PROGRESS

A commitment to measuring progress is a crucial aspect of ensuring purposeful execution of best practices. The better channel owners understand and deliver on the preferences and needs of current members who rely on those service outlets, the more effective the credit union will be at connecting with new members with similar demographic, psychographic and geographic profiles.

Channel owners can work with their colleagues in marketing to pinpoint key performance indicators that measure the extent to which their channel delivers a high-quality experience to existing members and conveys value to prospective members.

KPIs should provide ambitious but achievable goalposts for advancing member connections through the channels of their choice, as demonstrated by two examples: increasing the use of remote deposit capture and positioning the credit union's debit card as members' primary payment vehicle. RDC simultaneously engages members and improves operational efficiency, so a channel owner could set a goal of posting a 15% increase in the number of checks deposited via mobile app by mid-2020. On the debit card front, the goal could be that 70% of members with checking accounts will connect their credit union debit cards as their primary payment vehicle for Apple Pay or Samsung Pay.

Broader benchmarks involve developing a return on investment based on channel delivery, the primary products and services members access through each channel, and channel-specific marketing. In partnership with finance specialists, channel owners can set their sights on ROIs that demonstrate how their channels support the organization's strategic imperatives.

At the same time, these metrics help underscore the importance of channel management in delivering an exceptional experience that lives up to current members' expectations and engages new members, keeps pace with market advances and delivers on the brand promise.

**Amanda Swanson** *is a senior consultant with CUES Supplier member and strategic provider Cornerstone Advisors* (crnrstone.com)*, Scottsdale, Arizona.*

## MORE ON CHANNELS

Apple Card and Fed Now Raise the Payments Competition Bar (*cumanagement.com/0819apple*)

Myth vs. Reality: 8 Omnichannel Untruths (*cumanagement.com/0719myth*)

Text Time: Why Credit Unions Need to Facilitate Two-Way Texting (*cumanagement.com/0619text*)

# Driving *Good Decisions*

CUES GOVERNANCE LEADERSHIP INSTITUTE™ LAYS OUT THE IMPORTANCE OF CLEAR CRITERIA & COMMUNICATION FOR THE BOARD.

**BY DANIELLE DYER**

"How do you make decisions?" The answer is a key takeaway from CUES Governance Leadership Institute (*cues.org/gli*), says Tom Bryk, FCA, FCPA, ICD.D, president/CEO of $3 billion Cambrian Credit Union Ltd. (*cambrian.mb.ca*), Winnipeg, Manitoba, director in residence at the June session. Attendees discussed the responsibilities of the board when making major decisions.

"Organizations often like to do straw polls at the beginning of a decision-making process," says Bryk. "This is probably not the best process for a board."

Instead, boards should focus on determining key decision drivers. "It's really important to come up with criteria first," Bryk explains. "What are the three to five criteria that are going to be fundamental to making the right decisions? Once you determine criteria, then you're in a position to start really understanding the problem.

"Executives should understand the process and criteria so they're better able to provide information to the board to make the decision," he adds.

Open communication can also help avoid conflict. "I think that if you lay the process out at the beginning, that's a big part of being able to deal with difficult subjects and difficult positions," Bryk observes. Additionally, "we in management are dealing with things that are usually a little faster paced, and we think something needs to be done within a certain time period. ... Boards should be comfortable slowing the process down to make sure the right decision is reached."

That may sometimes include re-evaluation. "Boards need to have the ability to step back and say, 'Okay, are we blowing in the wind here, or is there a good reason to change the criteria?'"

One more key learning from the course: "The board chair owns process, but the board owns the decision," Bryk concludes.

**Danielle Dyer** *is an editor at CUES.*

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Directors Conference Dec. 8-11, Orlando, FL (*cues.org/dc*)

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Execu/Summit® March 8-13, Park City, UT (*cues.org/es*)

# Weathering *an Economic Storm*

MARKETING DURING A RECESSION CAN SERVE AS A BEACON OF HOPE FOR NEW AND CURRENT MEMBERS LOOKING FOR FINANCIAL DIRECTION.

**BY SARAH SNELL COOKE**

"The executive leadership of credit unions I've witnessed in three recessions tends to be powerfully reactive—and, unfortunately, overreactive," observes Mark Weber, CEO of CUES Supplier member Strum (*strumagency.com*), a marketing firm headquartered in Seattle with 30 years of experience working with community financial institutions.

"When you arrive at that place where recession is in full throttle, and you didn't see it coming, the shock and surprise have caused organizations to overreact and whack at budgets immediately," Weber continues. And marketing is often first in line at the chopping block.

Unfortunately, this is the exact opposite of what credit unions should be doing heading into a recession.

Steve Jones, president of CUES Supplier member Concepts Unlimited (*cuadvertising.net*), West Lake Hills, Texas, has worked through the last four recessions. He recalls of the last one, "In December of '07, we would sit down with clients and say, 'This is the time to stress the ways your credit union can help your members.' Stress the value a credit union provides to its members, and how you really work with your members to empower them to ride out the recession."

In other words, credit unions need to keep the lights on in their marketing departments, because there is real work to be done during an economic downturn.

The last recession was particularly protracted—plus credit unions had to put a lot of money in to the National Credit Union Administration's temporary fund to prop up the corporate credit unions that failed for various reasons. "They took that money out of marketing," Jones recalls. "A lot of them did. The ones that either dramatically cut back their budgets or abandoned marketing entirely during those times didn't come out nearly as strong as the ones who kept going."

What will be interesting in the future, he reflects, is seeing the reaction of the many marketers in the industry now that have only known the good times. Those younger than 30 or so are unlikely to have worked through economic downturns because the U.S. has been on an upward trajectory for a decade. As more and more economists bump up their predictions for the likelihood of a recession in 2020 or 2021, greener marketers are about to discover what it means to be a business that primarily earns its revenues on loans when people aren't borrowing.

Consumers may be in shock, too, Jones adds. "A lot of people are going to be in disbelief" because they haven't experienced a recession in a long time, he says, so they're going to be more conservative with borrowing, spending and saving.

"It's one of those situations in which organizations need to get in front of people who are in need of the great services and solutions that credit unions bring to bear, but they don't necessarily double down on their exposure and expenses," explains John Dearing, managing director of Capstone Strategic (*capstonestrategic.com*), a consulting firm based in McLean, Virginia. "So, there's that dichotomy, because it's a great time to get in front of members and potential new members, but only the minority of folks are usually doing it ... because they're also stretched."

As credit unions' incomes shrink, it's likely they may not be able to keep up the same level of marketing they could afford during the good times. Weber emphasizes, however, that you shouldn't cut too cause then you won't be ready when the economic pendulum swings back. "Unfortunately, people don't realize that when you cut marketing first, you're hitting communications, branding and member experience," he says. "You're hitting product development and relationship building. That ... can be one of the worst things to do, because it will take you longer to come back when the upturn comes."

What's a credit union to do in tight financial times, then? Return to your strategic plans to ensure you're focusing resources on your priorities, says Weber. But also make sure any short-term budget cuts don't hurt your organization's culture. "There's lots of fear and emotion," he observes, "so the actions that you take in those first few months become critical to how the people around you respond. Fear, trepidation for their own jobs and their own families and their own situations. More rise to a shared challenge and purpose for getting through the difficult times when they're engaged in it fully."

## GET BRANDED

A typical recession only lasts six to nine months, so major budget cuts could be short-sighted.

"One of the lessons is, in a recession—as hard as it is—you need to think long term and not short," notes Mark Arnold, president of On the Mark Strategies (*markarnold.com*), Carrollton, Texas. "The long-term thinkers will win; the short-term thinkers will sacrifice and lose."

Cutting marketing and training are short-term solutions, he explains. "It will help you achieve your short-term goals ... but the long-term implications are quite negative."

Arnold's No. 1 recommendation is to instead invest in your brand. "What happens is the most successful creditors today are promoting their brand over their products, so that someone will come in and they'll do business with you because they trust your brand—because of the value you bring as an organization," he says. They don't prioritize short-term, sales-focused marketing. "If you're communicating ... and really establish the brand during a recession, a strong brand's going to get you through."

To ensure clear messaging, Arnold recommends credit union leadership asks these four questions: Do we have a strong vision? Is our brand unique? Do we have an awesome value proposition? Do our employees know what makes us different to our members?

**"The [credit unions] that either dramatically cut back their budgets or abandoned marketing entirely during those times didn't come out nearly as strong as the ones who kept going."**

**– Steve Jones**

Credit unions' emphasis on financial literacy is a great branding tool during tough times, Jones says. "People are anxious because their stocks are falling, and what they're really looking for is a trusted friend," he explains. "And who can be their trusted friend is their credit union. You're here to help them make better decisions to cope with the economic downturn.

"You've got the information—you've got the tools that can really help them stay on track and weather this storm," he adds. For example, credit unions can discuss refinancing with current and potential members to help lower payments when they could use the extra money in their pockets most, Jones suggests. That means less stress for members, and in the long term, credit unions will come out even stronger when the economy is on the upswing.

In addition to refinancing, Arnold recommends focusing on growing relationships with your existing members. Nearly one-third of consumers who join a financial institution leave within one year, he says. Retention will be a key tactic for avoiding budget cuts during a recession, as adding new members typically costs $300 to $400 each.

"If you didn't add one single new member this year," Arnold says, "but you got all of your existing members to get one more product and service per household, you'd be unbelievably profitable." He explains that members often don't know about most of a credit union's product or service offerings, so train all team members to ask, "Did you know ... ?"

Even as credit union leaders focus further out on the horizon, they must stay nimble. Being agile and collaborative, Weber says, helps create a shared purpose within an organization that that flows out to the membership. "Everybody feels like they're in it together," he says. "Tackle fear and create inspiration."

## DIGITAL TRANSFORMATION

If your credit union's digital transformation plans aren't on track, slower periods could be an opportune time to implement new technology, Dearing advises. Data analytics and lending technologies are crucial to growth and retention. Seamless technology and access to analytics allow marketers to figure out

## MORE ON MARKETING STRATEGY

The Marketing Department of the Future (*cumanagement.com/1019future*)

Inside Marketing: Always-On Marketing Best Practices (*cumanagement.com/0919insidemarketing*)

Build Your Credit Union's Social Media Brand (*cumanagement.com/0919build*)

CUES School of Strategic Marketing™ July 20-23, Cleveland, OH (*cues.org/sosm*)

**"If you're communicating … and really establish the brand during a recession, a strong brand's going to get you through."**

– Mark Arnold

how best to segment and subsegment populations, but "investing in the omnichannel digital solutions that allow you to be there any time a member or potential member needs a solution for their change in life moment—babies, cars, homes, education"—is also important, Dearing says.

Once you can gather and organize data on what members are using and when and how, you can perform a data-supported marketing audit, says Arnold. "Review everything and see how you can improve, reduce, etc. Sometimes subtle changes … in your marketing improve your results dramatically." Also review how much you're spending and where to ensure smart utilization of a squeezed budget. "Quite honestly, a marketing audit is a line item that will help you make money and save money. … It has to be in your marketing budget," he concludes.

Credit unions can use this data to demonstrate the value of the marketing they're doing. According to Weber, the lack of visible return on investment is one of the biggest reasons marketing budgets are an easy target during tough economic times. "I'm hoping this is beginning to change in this digital era, [but] the CFO and the CEO have been frustrated for many, many years that they don't know what the ROI is of their marketing," he says. "'I've got a half million or $1 million or $3 million in my marketing budget, and I don't know what the ROI or the payoff or the value of that is, so I'm going to whack it.'"

By analyzing member data, not only can you better understand and serve those members, but you also can better justify investment in marketing. "For those that have been smart enough to build a sophisticated data analytics capability and a sophisticated digital marketing capability," Weber says, "they have much greater opportunity right now to be actively dynamically communicating, message-changing and leaning into the individual needs of each member—not to just broadcast messages, not just traditional media messages, but one-to-one help."

Dearing advises using such data to tailor your solutions to members' current needs. "Platforms are to be able to home in on the evolution and the changes in your membership, and the potential members that are next in line as well." He adds, "You can't be everything to everybody, but you can pick in a structured way who you want to serve, who you want to get deeper with and who are the next potential set of additional members you should be targeting." That's something marketers couldn't do in the previous downturn, because these sophisticated analytics platforms didn't exist. Credit unions can be much more efficient with marketing now.

"I think [credit unions] need to be good listeners to their members," Dearing continues. To do that, CUs need to keep investing in their mobile and omnichannel strategy. "Members and potential members are making decisions based on information on their phones, and transacting on their phones … or whatever the next generation of things are beyond watches and wearables.

"You've got to be thinking and talking to the people that are doing those interesting [innovations] and collaborating with them. You've got to figure out how to buddy up with people that know how to be there when members and potential members are looking," he says. "How did they do it?" Whether it's a fintech, a credit union service organization or another CU, "meeting and talking with the folks that are making monumental shifts happen" is key to continuing to do good things in the credit union space no matter the state of the economy.

### BE PREPARED

With or without the aid of new technology, credit unions leaders should keep a close eye on economic reports locally, nationally and globally, Weber advises; know that when the economy shows signs of slowing, consumers will change their behavior. Don't be caught off guard.

"I think, at the C-suite level—not just the marketing level—they don't anticipate what's going to happen to the consumer when the recession comes, so they're not talking about it a lot," Weber observes. "[Consumers are] going to cut debt. They're not going to buy cars. They're going to slow their use of credit cards. They're going to stop buying homes. They're going to look to save more, and they're going to make immediate reactions to their investments." Consumers need help with all of these things, and credit unions can provide that assistance if they're ready, Weber suggests.

Be proactive now, he advocates, so you can help your members anticipate the recession. "It's about realistic, methodical, intelligent planning," he says, so that when it comes, you'll both be ready.

## BUILD WORD OF MOUTH

A cost-effective marketing tactic that can only gain value during a recession is word of mouth. Take advantage of members' love of your credit union to make them your marketers, Arnold advises. "If you're good delivering a killer experience for your members, they will talk about it, they will become your brand ambassadors. … They're not going to do that if they're getting a lousy experience."

Jones adds, "If you're newer to marketing in the financial services industry, don't panic, because your members are going to do enough panicking on their own. As a as a marketer, just think about how you can strategically use your data, all the information you already have, to determine when a member is not just thinking about a service but when they're about to take action."

The best thing to do to survive and thrive during a recession, Arnold reiterates, is to invest where others are not.

"Overall, it's a mindset philosophy," he says. "Especially the C-suite folks, if your mindset going into recession is, 'What are we going to have to cut? We're going to have to tighten our belt around here,'" you won't achieve the optimum results. "Rather, see it as an opportunity to say, 'Where can we grow during the recession?'"

For example, banks' for-profit mindset may lead them to close branches and credit unions could snatch them up for a steal in prime locations, Arnold offers. This is an opportunity to move into new markets and increase greater brand awareness. Potential members that see a new branch opening may have greater confidence in joining a credit union that's investing in growth during a downturn when other financial institutions appear to be on shakier ground.

"Our clients that really … demonstrated how they are committed to solving problems and creating opportunities for their members—empowering them with knowledge, whether it's how to buy a car, have a house, how to make a better financial decision, and promoting the tools that they have to help members do that—were a lot more successful than the ones that just pulled back completely to ride the storm" during the last recession, he says.

"Know that, hopefully in less than a year, this is going to go away," Arnold concludes. "Your market isn't going to completely vanish."

**Sarah Snell Cooke** *has 20 years of experience in credit union publishing and is principal at Cooke Consulting Solutions.*

**Mary Leonardi**

**Title:** VP/Talent Adviser

**Company:** DDJ Myers

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**Email:** maryleonardi@ddjmyers.com

**Website:** ddjmyers.com

**What drew you to DDJ Myers?**

For 13 years, this industry has been a part of my DNA. So, when an opportunity to work with professionals like Deedee and her team came along, I took it! I have always admired the level of excellence in service and partner-like relationship DDJ Myers has with its clients. It speaks to my ingrained values and I am honored to join this team.

DDJ's best practices environment allows me to not only bring the depth of my expertise in executive search and HR consultation, but also to learn and grow as a professional, holistically guiding our clients to be more strategic players. From day one it has been clear that all of our staff are hard workers and committed to continuously providing value where it matters most, our clients.

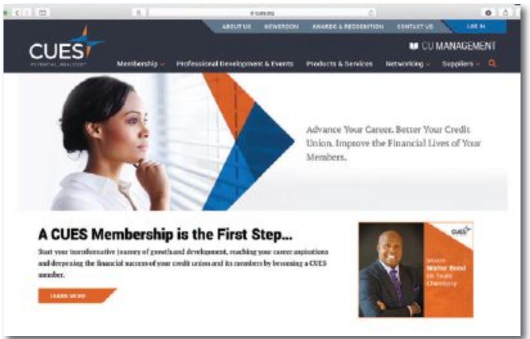
**What sets DDJ Myers apart?**

The integration of experts working together to uniquely meet clients where they are is what sets this team apart. This customized and non-cookie cutter approach draws out the unique talent acquisition and development needs of client organizations so they can stay even more competitive.

**How does DDJ Myers make the credit union industry stronger?**

Time and time again, credit unions get in the trenches with their members and communities, serving people and their families, not just the transaction. That's another piece about our organization that drew me in. DDJ has a reputation for serving the best needs of the candidate and the client in an executive search. We're not compromising quality to reach volume. Partnerships and producing value are primary here. The core competency of DDJ is to look beyond the immediacy of the transaction and serve our clients' long-term needs. In other words, our values here match those of what we see in credit unions—helping serve the person, not the transaction.

# New *CUES.org!*




Have you visited *cues.org* lately? If you haven't, be sure to take a look—we just launched a brand-new website!

In addition to the great new look, you'll find it's easy to navigate. We included intuitive search features to help you find topics of interest, offerings suited to your job title and, for our events, the ability to search by location and date.

The bottom line? Like everything we do at CUES, the new site was designed with you, our members, in mind; we're excited about it, and we hope you will be, too!


# Membership *Scavenger Hunt*

CUES is launching a great new contest that will not only help you get to know your member benefits a bit better, but will also give you the opportunity to win a $500 Amazon gift card or a $500 credit to a CUES 2020 event.

The CUES Membership Scavenger Hunt will take you on a journey through your benefits. As you complete each task, simply check it off, and, when you're all done, submit your form no later than Nov. 29 at 4 p.m. Central. The winner will be randomly drawn on Dec. 6, and announced via social media and on *cues.org*—just in time for the holiday shopping season!

And there's a bonus prize at stake, too—the credit union with the most submissions will get $1,000 off their CUES membership dues for 2020!

Learn more and see the official rules at *cues.org/membership-contest*.

# Thank You, *Sponsors!*

Board members from the movement's top credit unions gather annually at Directors Conference (*cues.org/dc*) to learn, communicate, and grow as leaders and decision makers. You'll gain a deeper and broader understanding of industry trends, enhanced skills and new approaches to governance—critical competencies for 21st century credit unions. This year the event is Dec. 8-11 in Orlando, Florida. The following sponsors help make this event a success:

**Platinum Sponsors:** CUNA Mutual Group (*cunamutual.com*) and DDJ Myers (*ddjmyers.com*);

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Sponsors that signed on as of Oct. 4 are included here. See a full list at *cues.org/dc*.

# Webinars & Elite Access

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

**NOV. 14**
1 p.m. Central
**How to Stay Relevant to Members: The Impact of Millennials and Generation Z to Your Member Strategy (Webinar)**

**DEC. 3**
1 p.m. Central
**Online Account Opening: How to Grow Your Business Member Portfolio (Webinar)**

**DEC. 5**
1 p.m. Central
**CEO Performance Evaluation Best Practices (Webinar)**

**DEC. 5**
1:30 p.m. Central
**Board Recruitment – Demystifying the Process (Webinar)**

**JAN. 22**
1 p.m. Central
**Online Account Opening: How to Deliver Exceptional Member Experiences (Webinar)**

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# CUES SYMPOSIUM

## A CEO/CHAIRMAN EXCHANGE

February 9–13, 2020
Fairmont Orchid
Kohala Coast, Hawaii

## Create a Power Team

CUES Symposium provides the chance for CEO and board chair teams to build an effective partnership through shared learning experiences and team-building opportunities.

This specialized event is highly interactive, providing a forum for your top team to share ideas, problem solve, and develop plans ready to take home and implement immediately. This year's topics include:

- *Why Motivating People Doesn't Work…and What Does*
- *Becoming a Values-Based Leader*
- *Negotiations and Influence: The Art of Working with People and Getting Things Done*
- *Conversational Capacity: The Secret to Building Successful Teams That Perform When The Pressure Is On*

Organizational alignment is vital at the top. Register your duo today at **cues.org/Symp**!

**Remember, the CEO and board chair must attend together, so sign up at the same time.**

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# Learn, Grow, *Energize*

Do you find it difficult to motivate your staff to not just fulfill their job responsibilities, but to achieve and succeed goals, grow and push your credit union forward? Is it hard to inspire your directors to take the time to really dive into strategic planning, reevaluate the direction of your organization and change the status quo? CEOs and board chairs will learn together how to motivate and ultimately strengthen their organizations at CUES Symposium: A CEO/Chairman Exchange (*cues.org/symp*), Feb. 9-13, on the Big Island of Hawaii.

"Three scientific truths are at the heart of the optimum motivation you need to achieve your goals and thrive," explains author and leadership coach Susan Fowler in her video, "Three Scientific Truths" (*tinyurl.com/3truthssfvid*). The second truth, competency, is especially important in your professional life: "You have an innate need to create competence, to feel effective at managing everyday situations, demonstrate skill over time, and feel a sense of growth and learning every day.

"When choice, connection and competence are eroded, you put your goals at risk and languish," she concludes. "But when you create choice, connection and competence, you generate the energy you need to achieve your goals and flourish." Learn more from Fowler, senior consulting partner for The Ken Blanchard Companies (*kenblanchard.com*) and professor in the Master of Science in Executive Leadership program at the University of San Diego, at CUES Symposium where she'll present "Why Motivating People Doesn't Work ... and What Does."

**Don't miss out on CUES Symposium (*cues.org/symp*), Feb. 9-13, 2020, on the beautiful Kohala Coast of the Big Island, Hawaii!**

Participants will also learn how to master the art of negotiation, become values-based leaders and build successful teams under pressure at this highly interactive event.

CEOs and board chairs must attend together, and registration fees include both attendees. If your board chair is unable to attend, you may bring your vice chair. Learn more and register today at *cues.org/symp*!

## 2019-2020

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

**CUES SYMPOSIUM: A CEO/CHAIRMAN EXCHANGE**
Feb. 9-13
Fairmont Orchid
Kohala Coast, HI

**EXECU/SUMMIT®**
March 8-13
Westgate Park City Resort & Spa
Park City, UT

**CEO INSTITUTE I: *STRATEGIC PLANNING***
March 29-April 3
The Wharton School
University of Pennsylvania
Philadelphia, PA

**CEO INSTITUTE II: *ORGANIZATIONAL EFFECTIVENESS***
April 26-May 1
Samuel Curtis Johnson School of Management, Cornell University
Ithaca, NY

**CUES SCHOOL OF APPLIED STRATEGIC MANAGEMENT™**
April 27-30
Embassy Suites by Hilton Orlando
International Drive Convention Center
Orlando, FL

**CUES SCHOOL OF BUSINESS LENDING™ I: *BUSINESS LENDING FUNDAMENTALS***
April 27-May 1
Embassy Suites by Hilton Orlando
International Drive Convention Center
Orlando, FL

**CEO INSTITUTE III: *STRATEGIC LEADERSHIP DEVELOPMENT***
May 3-8
UVA Darden Executive Education
Charlottesville, VA

**EXECU/BLEND™**
June 7-10
Hilton Santa Barbara Beachfront Resort
Santa Barbara, CA

**CUES GOVERNANCE LEADERSHIP INSTITUTE™**
June 7-10
Rotman School of Management
University of Toronto, ON

**STRATEGIC INNOVATION INSTITUTE™**
July 12-16
Stanford Graduate School of Business
Stanford University, CA

**BOARD CHAIR DEVELOPMENT SEMINAR**
July 13-14
Le Westin Montreal
Montreal, QC

**DIRECTOR DEVELOPMENT SEMINAR**
July 15-17
Le Westin Montreal
Montreal, QC

**CUES SCHOOL OF STRATEGIC MARKETING™**
July 20-23
Westin Cleveland Downtown
Cleveland, OH

**CUES SCHOOL OF BUSINESS LENDING™ II: *FINANCIAL ANALYSIS AND DIAGNOSTIC ASSESSMENT***
July 20-24
Westin Cleveland Downtown
Cleveland, OH

**CEO INSTITUTE III: *STRATEGIC LEADERSHIP DEVELOPMENT***
Aug. 2-7
UVA Darden Executive Education
Charlottesville, VA

**EXECU/NET™**
Aug. 30-Sept. 2
Snake River Lodge and Spa
Jackson Hole, WY

**CUES SCHOOL OF BUSINESS LENDING™ III: *STRATEGIC BUSINESS LENDING***
Sept. 21-25
Embassy Suites by Hilton Chicago
Downtown Magnificent Miler
Chicago, IL

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

# CEO Institute 2020: Your Future is Waiting

As a credit union leader, you're expected to exceed members' needs, be a strong community partner, and meet regulatory requirements—all while keeping your institution financially sound.

Attend CUES CEO Institute and experience the faculty, facilities and resources of the nation's top business schools combined into an unparalleled educational program. You'll leave well prepared to advance your credit union and career, and excel at any challenges and opportunities you face.

**As this is CEO Institute's 25th anniversary year, each week of this program will sell out quickly. Register early to ensure your spot!**

## CEO Institute I: *Strategic Planning*

**March 29–April 3, 2020**
The Wharton School
University of Pennsylvania
**cues.org/Inst1**

## CEO Institute II: *Organizational Effectiveness*

**April 26–May 1, 2020**
Samuel Curtis Johnson Graduate
School of Management
Cornell University
**cues.org/Inst2**

## CEO Institute III: *Strategic Leadership Development*

**May 3–8 or August 2–7, 2020**
UVA Darden Executive Education
**cues.org/Inst3**


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# Three Ways to Prevent *Communication Breakdown*

**BY NIGEL DAVIES**

Mental health professionals say communication problems are the main reason marriages end in divorce. If poor communication can sever even the bonds of love, imagine what havoc it can wreak between organizations and their employees.

Now is the time to nip this in the bud, because—as demands for flexible working rise—the modern workplace is becoming more and more distributed. Without clear communication, silos can form among branches, teams and individuals, leading to disengaged employees and contributing to staff attrition.

But there are three hugely effective things you can do to stop this from happening:

## 1. MAKE LEADERS MORE APPROACHABLE.

In a survey by Interact (*tinyurl.com/yd77hzds*), 69% of managers said there is something about their role as a leader that makes them uncomfortable communicating with their employees. But best practice starts from the top. There is a good reason why many Silicon Valley CEOs are transparent and approachable, responding to emails and social media posts personally and hosting weekly company-wide meetings: They are leading by example.

When Marissa Mayer was CEO at Yahoo, she would frequently take time to read and respond to questions, ideas and even accusations on an 8,000-strong staff email list.

Make your leadership team more approachable by designating an hour a week to "ask me anything." This could be hosted live via video chat to make sure those who aren't in the office get to take part. Also, make sure the C-suite is visible and engaged on your intranet. A public thank you from the CEO can be a huge deal for a young employee, as can a well-crafted email congratulating someone on a job well done.

## 2. DEPLOY GREAT TECHNOLOGY.

Good IT systems support fast, unhindered communication, particularly for isolated workers or distributed workforces.

From within a secure intranet, users can chat in private groups or contribute to internal social media feeds, read content created by colleagues, be recognized for their greatness, post ideas and receive feedback from managers, and collaborate on work in real-time using project management tools. This is on top of the usual communications tools like video conferencing, live chat and email.

## 3. MAKE COMMUNICATION CULTURAL.

Many leadership teams overlook this: Employees usually need permission or encouragement to communicate. This is especially true of new starters, who may feel shy about bothering busy colleagues. But, in reality, everyone experiences social anxiety to a degree, so it's up to management to pre-empt this.

A popular method is to buddy up new recruits with someone from another team or department, offering a fresh perspective and preventing silos from forming. Another—a technique deployed by U.S. tech company Zapier (*zapier.com*)—is to randomly pair up two employees for a half-hour weekly call.

Some companies also dedicate specific chat channels within their digital workplaces to themed non-work discussions—think parents, dog owners or film or TV fans. This is not a waste of work time. Many tech giants know that bonding over shared interests and "watercooler moments" can result in collaboration and innovation worth millions of dollars, which is why companies like Google invest so much money in creating opportunities for "casual collisions" or chance encounters.

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**Nigel Davies** *is the founder of digital workplace provider Claromentis* (claromentis.com)*, Brighton, United Kingdom.*

Read the full post and leave a comment at *cumanagement.com/091619skybox.*

> **"The benefits offered by the cloud are so great that no company can survive in today's competitive business environment without leveraging this powerful tool. However, understanding the cloud, and how your organization manages itself in it, can be a complex challenge."**
>
> **Chris Sachse,** CEO of CUES strategic provider for IT governance technology Think|Stack (*thinkstack.co*), Baltimore, in "In the Wake of the Capital One Breach, Can CUs Trust 'the Cloud'?" on CUES Skybox: *cumanagement.com/082819skybox*

# Breaking down barriers to financial security for all

## Together we'll help more members achieve financial security

Is your wealth management program a core part of your business today?

There's tremendous growth opportunity for credit unions within their investment services programs. While fifty-two percent of members prefer accessing financial services at a credit union, member penetration is only three percent.[1] By partnering with CUNA Brokerage Services Inc. (CBSI) to grow your program, you get a company with an unparalleled knowledge of credit unions and their members, plus game-changing innovation.

**To learn more, visit cunamutual.com/CBSI or contact your CUNA Mutual Group sales executive at 800.356.2644.**

CUNA Brokerage Services, Inc.

[1]Making Wealth Management Core in Credit Unions, Kehrer Bielan, December 2018.

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