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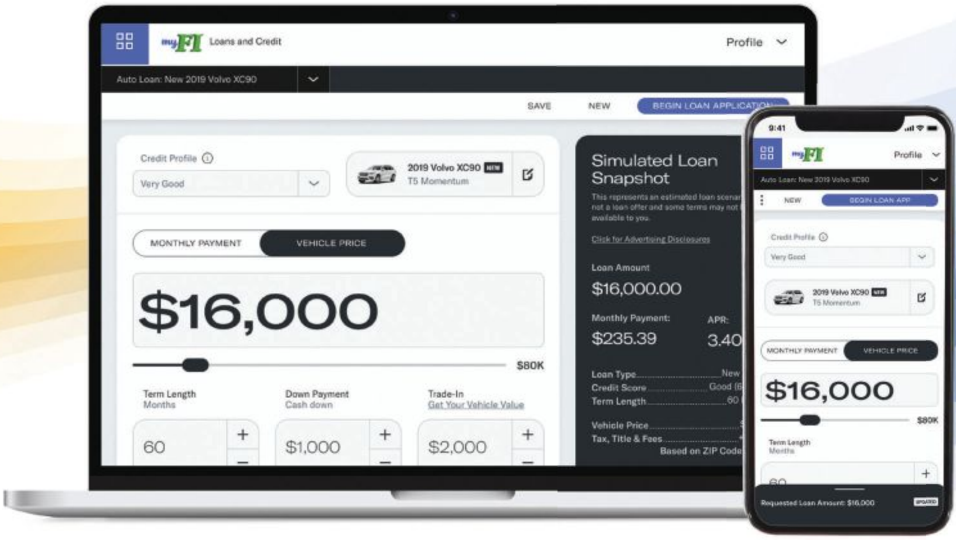

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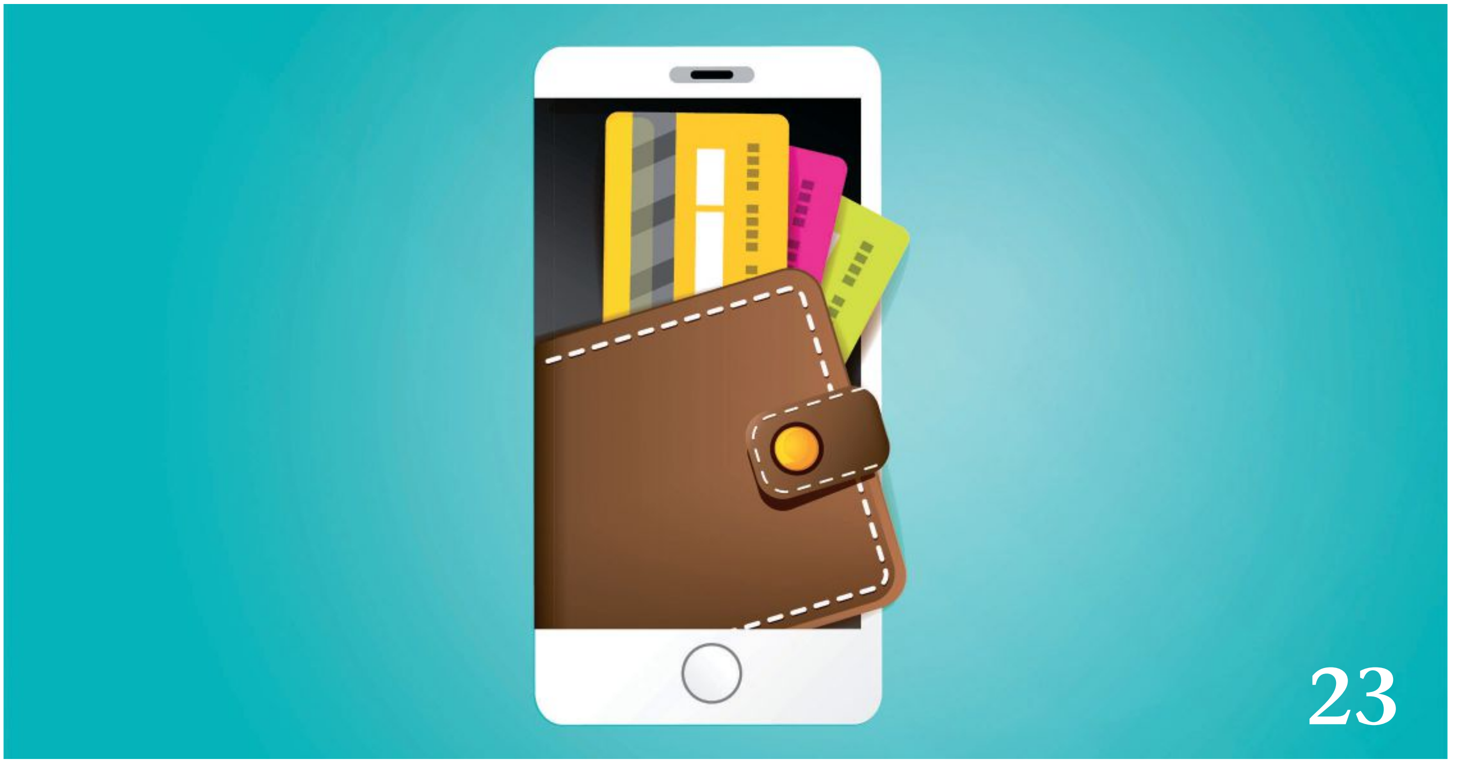

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LET'S CONNECT

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What's Good *Right Now*

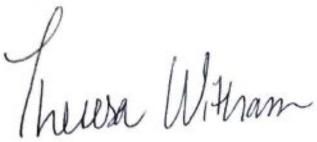
It's May! This has always been my favorite month, and not only because it's the month of my birthday. With May's flowers and warm days (at last), it seems so full of promise and optimism. This year, May feels even more joyful than usual, as we step out into a re-opening world. Many of us are vaccinated or will be soon.

There seems so much to be hopeful about. Therefore, I read each article in this issue with my rose-colored glasses on, looking for the positive—and found these tidbits:

- Credit unions needed to quickly change how they staged events last year. And that work is still paying off! One example: Between March and November 2020, $363 million First Northern Credit Union, Chicago, hosted monthly webinars and virtual forums that were attended by almost 900 members. It is continuing that success in 2021. Read more about engaging with members through remote events in "A Mindset to Match the Times" on p. 14.
- Cloud-based payment systems can help credit unions save staff time, reduce costs and increase the speed with which they offer new services. Read more about the state of payments in our special report on p. 23.
- In the U.S., vaccinated people have been given the green light to travel, which should make credit union consultant Bryn C. Conway, MBA, CUDE, happy. You'll understand when you read her article on p. 20, "Postcards From the Future." She talks about the work credit unions should be doing now to be ready to market loans in a post-pandemic world—comparing it to how you plan, execute and learn from a trip.
- Credit unions applying lessons and successes from the pandemic to their long-term branch strategy is encouraging. For example, when $940 million Telhio Credit Union, Columbus, Ohio, reopened in mid-October, branches were making greater use of interactive banking kiosks. Telhio CU currently has two of these kiosks in branch lobbies and has plans to add four more in 2021, says Jessica Bing, the CU's chief communications officer.
- Credit unions affirmed they know how to pivot. "The pandemic encouraged us as well as our members to try new things," says Mary Svoboda, interim president/CEO of $496 million JAX Federal Credit Union, Jacksonville, Florida. "We gained flexibility. Some tellers moved to the contact center or to collections. They picked up new skills. Now they're prepared for the higher-level activities that will occur in branches in the future." Read more about how both CUs (and others) are preparing for "The Great Unlock" in our cover story on p. 10.

Of course, not everything is rosy: On p. 18, Bill Vogeney, chief revenue officer at $7.6 billion Ent Credit Union in Colorado Springs, writes about several threats to credit union lending. But he also offers tips for how credit unions can keep their focus and stay on the offensive.

What do you see that is good (or not so good) in the credit union world right now? Let me know!



Theresa Witham
Managing Editor/Publisher

P.S. If you are missing travel and the synergy and energy that comes from meeting face-to-face, you'll be glad to know that CUES in-person events are back! Visit *cues.org/in-person-events* to see what we have planned for credit union directors and executives this year and next, as well as the safety protocols in place.

YOUR THOUGHTS

WHAT IS MAKING YOU FEEL POSITIVE ABOUT THE FUTURE OF CREDIT UNIONS?

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

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The Great *Unlock*

CREDIT UNIONS WILL KEEP SOME OF THEIR PANDEMIC-DRIVEN SERVICE STRATEGIES WHEN RESTRICTIONS EASE UP.

BY RICHARD H. GAMBLE

Nobody planned for the arrival of a pandemic in 2020 and its urgent lockdowns. Will credit unions be prepared for the unlockings that may be possible in the latter part of 2021? What does being prepared mean? We asked industry thinkers for their observations.

Don't expect a precise ending to pandemic concerns, advises Larry Pruss, SVP of CUESolutions Bronze provider Strategic Resource Management Inc. (*srmcorp.com*), Memphis. There will always be viruses and mutations and heightened safety consciousness from now on, he suggests, so a return to 2019 normal is unlikely. Herd immunity—where statistically each person who contracts the virus passes it on to fewer than one other person—won't come quickly, he predicts.

Common wisdom has it that the pandemic accelerated but did not change the direction of the big migration to self-service digital banking. While some members will return to their unlocked branches after the virus retreats to see demos and hear explanations of how new self-service options work, convenient self-service banking will continue to be the first option, predicts Jessica Bing, chief communications officer of $940 million Telhio Credit Union (*telhio.org*), Columbus, Ohio.

Most CUs won't go back to the status quo of 2019 when COVID-related restrictions go away, says Jim Burson, managing director of CUES strategic partner Cornerstone Advisors (*crnrstone.com*), Scottsdale, Arizona. "Lessons were learned," he notes.

How members choose to visit branch lobbies is a good example. Setting up appointments to come into the physical branch became necessary when the virus was raging. Once the virus is tamed, some members may go back to walk-in, he speculates, but others will continue to make appointments because they find it more efficient than having to wait.

"How long the crisis lasts matters," observes Steve Reider, president of CUES Supplier member Bancography (*bancography.com*), Birmingham, Alabama. "The longer it goes on, the less likely things are to bounce back."

Betting on digital acceleration may be a mistake, Reider warns, pointing out that the period between 2015 and 2019 showed an overall decline of 35% in branch transactions—and as much as 60% for some, according to Bancography's internal client data. Many of those who have already moved are likely early adopters—including tech-savvy younger people.

"The quick movers have already moved," he says. "What's left are the slower movers, so that works against acceleration." Changes caused by the end of the pandemic will be gradual, not sudden, he predicts. After 9/11, it took two years before air travel returned to pre-9/11 levels, he points out.

Kevin Blair would explain the situation differently. Technology is moving incredibly fast, and gradual changes could be futile, says the president/CEO of CUES Supplier member NewGround (*newground.com*), St. Louis.

"Too many banks and credit unions are making a strategic mistake by rushing to introduce self-service technology in their branches," he argues. "Technology is changing too rapidly for most credit unions to stay relevant. Loading branches with ITMs (interactive teller machines) could be a waste of money. In 10 years, we'll all likely carry 'the branch of the future' in our pockets, making this technology investment obsolete."

WHAT DOERS ARE DOING

When Telhio CU locked the doors of its nine branches in mid-March, six in its Columbus, Ohio, base market and three in the Cincinnati area, branch activity shifted suddenly to drive-thru lanes with a few inside appointments, Bing reports. Mobile banking, which already had reached 80% penetration, also saw increased activity. What role would reopened branches play? "During the closures, we were rethinking and adapting our branch operations strategy," she says.

When the branches reopened in mid-October, things did go back to normal. Almost. Drive-thru and mobile still were more active than they were pre-COVID-19, Bing reports, and Telhio CU branches were making greater use of interactive banking kiosks. Those kiosks, made by Hyosung (*hyosungamericas.com*), are walk-up stations, partially enclosed with privacy screens, that perform ATM functions. Telhio CU currently has two of these kiosks in service inside branch lobbies and has plans to add four more in 2021, she says.

Future branches will be about 2,100 square feet; older ones were more like 5,000, she notes. Eventually small, high-tech branches will have two interactive kiosks, and large branches up to four, she reports. Walk-ins already are welcome, and more members will show up after vaccination, she predicts. Large branches will have room for walk-ins to wait for service. To alleviate wait times, the CU is upgrading its appointment technology to promote scheduled meetings whenever human staff are involved, she explains.

"The pandemic encouraged us as well as our members to try new things," says Mary Svoboda, interim president/CEO of $496 million JAX Federal Credit Union (*jaxfcu.org*), Jacksonville, Florida. "We gained flexibility. Some tellers moved to the contact center or to collections. They picked up new skills. Now they're prepared for the higher-level activities that will occur in branches in the future."

The CU closed one branch and opened another during the pandemic, she reports. The closed branch was three miles from a new one, and that was too close to justify keeping both because of changing member behavior.

"Members used to require physical convenience for frequent visits," she explains, but now they're more likely to come in twice a year instead of monthly, so distance is less important. The new building was a former bank branch, configured in a traditional way, she adds; it offered more amenities, including a drive-thru, which really came in handy during the pandemic, she reports.

> **"People are asking, 'Do we really need this branch or that branch?' The bigger question they need to ask is, 'Do we really need a headquarters building?'"**
>
> — Rolland Johannsen

Pre-COVID-19 moves should pay off after the pandemic, some CEOs expect.

"We'd already redesigned our branch layouts around pods," reports CUES member Robert Falk, president/CEO of $1.6 billion Purdue Federal Credit Union (*purduefed.com*), West Lafayette, Indiana. "The teller lines are gone. And we moved from tellers to universal service reps five years ago. It took personnel changes, compensation changes and a lot of training. Our people must pick up on signs that a member might need a service." For example, if a member makes a large deposit with a check, a teller might inquire about making a referral to the investment team. "We had been missing the signs before. Now we're working to notice them."

18 PERMANENT BRANCH CLOSURES

Some CUs made bold moves during the lockdown. For example, $965 million Marine Credit Union (*marinecu.com*), in La Crosse, Wisconsin, locked branch doors and unlocked digital services during the pandemic. At press time, the doors of its 19 operative branches remained locked—continuously locked since March except for appointments—but that's temporary, explains CUES member Katie Tolokken, chief operating officer. What's permanent are the 18 former branches or loan production offices that were closed in 2020, she adds. Legacy branches made up about half of the CU's network; Marine CU has been active in mergers, listing 19 acquisitions between 1972 and 2018 in its 2019 annual report.

Now, Tolokken reports, Marine CU is investing in more robust digital services and self-service equipment like 24-hour smart ATMs that are expected to handle 90% of the transactions formerly done in a branch.

Tolokken says that 80% of Marine CU's workforce is working remotely. She expects that percentage to decrease but remain high. "COVID has brought opportunities as well as challenges. Our team's roles have evolved, and many find these updates satisfying."

POST-PANDEMIC OPERATIONS

Before COVID-19 shut down physical locations, branch transactions already were falling, Reider notes. The five-year 2015-2019 period showed a 35% decline in in-branch teller transactions for

> **"It's hard to transform when you're struggling to sustain basic operations. People are rethinking roles, but the virus has delayed the transformation of human capital."**
>
> — Jim Burson

financial institutions generally and as much as 60% for some, he points out. "That's a precipitous decline." But account openings were still happening in branches 90% of the time, he adds.

Such basic transactions as deposits and withdrawals—the primary activity of tellers—continue to vanish rapidly from branches, Blair notes. Consumers still prefer to come to a physical branch to open accounts and establish their primary banking relationship, but COVID and improvements in online account opening and loan applications are eating into that need to return to the branch as well, he says.

The data show that COVID-19 has permanently cut branch activity, Blair insists. In national NewGround surveys conducted last spring, 20% of bank and credit union users said they would not go back to branches for their post-pandemic banking. By November 2020, that number had jumped to 31.8%. "The longer the pandemic restrictions are in place," he says, "the more consumers are getting comfortable with conducting their banking through digital channels and are less likely to return to branches for routine business post-pandemic."

Before COVID-19, 60% of consumers said they would prefer to go to a branch to apply for a loan. By February 2021, that number had dropped to 43%, Blair points out. "Members can do almost everything online, but those transactions and activities still have to be processed. The contact center is becoming the centralized processing center," he says. "Lending and contact centers are converging into a digital experience center."

The so-called valuable activity that will replace routine transactions in CU branches, Reider says, will include the traditional complex or sensitive transactions and financial advisory services will grow. "CUs are already rolling out financial health audits and education and remediation programs to help members build financial security," he explains, "and to help the CUs gain the same trusted relationships the member would have with their lawyers and CPAs. That will grow over time."

Curbside and drive-thru service soared at retailers, including credit unions, during the pandemic, and that should persist.

"Consumers have developed a new mindset," Blair notes. A drive-thru with a full-service ITM is a functional mini-branch, he points out, and can work on or off traditional branch premises. Today, consumers often like to do their banking through digital channels without getting out of their chairs, but sometimes they also like to do it without getting out of their cars.

CUs with concentrated local membership—small distances and few branches—will be more likely to upgrade those branches, Pruss notes. CUs with dispersed membership will be more likely to close branches and rely largely on digital channels.

Many CUs are still looking to expand their branch networks, says Jenny Bengeult, EVP/director of design for CUES Supplier member Momentum (*momentumbuilds.com*), a design-build company based in Seattle. "Most have growth strategies and still see branches that are strategically placed and designed as a way to attract members. And they see light at the end of the tunnel with the spread of vaccines. Many are seeing this as an opportunity to expand."

Influenced by COVID-19, branches are not the only place members and member service reps are having real-time, face-to-face conversations, Pruss points out. The pandemic dramatically increased the use of video conferencing. Zoom zoomed. Businesses and even consumers scrambled to add one or several of the services that sprang up. It's time now, he says, to review the options and put real thought into which systems work best for conversations with members and for internal meetings.

All the Zoom experience makes members more willing to talk to CU staff remotely, but that potential has barely been tapped. "Many CUs have used Zoom technology internally but not so much yet for the member experience," notes Rolland Johannsen, senior consulting associate at Capital Performance Group LLC (*capitalperform.com*), a CUES Supplier member based in Washington, D.C. "We may see more trials there as a result of COVID." (*Read more about how credit unions are using video conferencing on p. 14.*)

Video technology will accommodate live conversations about things like loan modifications, investments and trust accounts, Svoboda thinks, but members still like the solid feel of walking into a real building, knowing the CU exists in the real world, is still a place they can go and not just a URL in the cloud.

POST-PANDEMIC PSYCHOLOGY

People's activities have been changed by the pandemic, but so has their thinking, so prepare for new attitudes, the experts say. It may not be a game-changer, but there will be a psychological unlocking once the threat has passed, Burson suggests.

"People need to see other people, to walk up to them and smile and talk to them, just because they can," he says. "There will be a pent-up desire for personal interaction that will bring some members through the branch doors. It's hard to say how many or for how long."

Reider also says pent-up demand for social connection will be a factor. "Just look at what's happening to Disney stock," he notes. "Investors clearly think a lot of people will take vacations when they think it's safe. People like digital convenience and self-service, but they also hunger for human contact. That's why people continue to eat in restaurants and go to movie theaters."

That hunger for human contact could temporarily bring some members back to CU lobbies, he suggests, but probably not enough to reverse the digital momentum.

Some members may come back to the branch for a hug, but don't expect them to be patient in the digital channel. "Consumers using digital channels are far less patient than when they use physical channels," Blair notes. When a member using a digital channel needs assistance and pushes the help button, the credit union contact center needs to respond within three to five seconds, he says.

Since the lockdown, there has been a 72% increase in the use of fintech apps in Europe, according to *Forbes*, with the U.S. probably close behind, Pruss points out. These apps are usually frictionless and influence user expectations. CU members will have less tolerance for slow or complicated online and mobile banking apps, he notes.

Staff will also have attitudes. CUs, like all employers, will have to deal with employees who reject the vaccine, Pruss warns. They will be dealing with questions like “Do we require vaccination? Do we replace staff who refuse or do we find positions where they can work remotely?” And since masks and distancing have become symbols in a culture clash, how will CU management deal with members who still expect safety precautions or members who find them offensive?

And, paradoxically, the end of the pandemic may increase pressure on staff to retrain. The pandemic may have accelerated the move to self-serve digital transactions, Burson notes, but it has slowed down the training of staff to take on new roles.

“It’s hard to transform when you’re struggling to sustain basic operations,” he observes. “People are rethinking roles, but the virus has delayed the transformation of human capital.”

And, of course, there are work-from-home attitudes to deal with. “The cat is out of the bag for working remotely,” Svoboda says. “Worker satisfaction will be more important in the future. Many workers found they liked not being tied down. We will need to accommodate them, or they might leave. Remote work also expands our talent pool.

“We will have to rethink the tried-and-true management practices,” she adds. “Circumstances have opened some doors, and we will have to recognize and manage those opportunities.”

How radically will CU managers need to rethink? Maybe a lot. “People are asking, ‘Do we really need this branch or that branch?’” Johanssen notes. “The bigger question they need to ask is, ‘Do we really need a headquarters building?’”

“The big lesson we’ve learned,” Tolokken sums up, “is to expect the unexpected.”

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

Thinking Beyond *Physical Locations*

How credit unions should reopen physical locations after the pandemic is part of a larger question, says Larry Pruss, SVP of CUESolutions Bronze provider Strategic Resource Management Inc. (*srmcorp.com*), Memphis. That question is: “How have members changed how they use financial products and services?”

He shares observations for credit unions to consider as they rebalance their branch networks with other delivery channels in these times:

1. **Contactless payments.** Members are making greater use of contactless card transactions, ones that don’t require touching a card reader or PIN pad—or even a card—besides being quicker and more convenient. Data show that 41% of U.S. consumers used contactless payments for the first time during the pandemic, he reports. In addition, 35% added a card to a digital wallet, according to Pew Research Center (*pewresearch.org*), in a study sponsored by Fiserv (*fiserv.com*), Brookfield, Wisconsin, and The Financial Brand (*thefinancialbrand.com*). Digital wallets, after a slow start, took off during the pandemic. Credit unions need to position themselves to cash in on contactless payments, he advises.
2. **P2P payments**. Used by 20% to 30% of U.S. consumers before the pandemic, person-to-person payments will surge to 50%, according to surveys from Chase Bank (*chase.com*), CapGemini (*capgemini.com*) and Statista (*statista.com*). If credit union cards don’t link to Zelle (*zellepay.com*), Venmo (*venmo.com*) or PayPal (*paypal.com*), they will lose out on such transactions, he predicts.
3. **Cryptocurrencies.** These have been growing and gaining acceptance during the pandemic, Pruss says. It’s hard to see just how credit unions might play in a cryptocurrency world, but the more payments bypass card networks, the more interchange financial institutions will lose. The impact of cryptocurrencies on credit union revenue due to this shift in interchange income needs to be studied, he says.

MORE ON REOPENING

A Needling Issue: Requiring Employees to Get the COVID-19 Vaccine (*cumanagement.com/020121skybox*)

Good Governance: Meeting Again, for the First Time (*cumanagement.com/0321goodgovernance*)

Should You Reopen All of Your Branches? (*cumanagement.com/0820reopen*)

From John: Your Best Reopening Play Is Upping Your Game (*cumanagement.com/0720fromjohn*)

A Mindset *to Match the Times*

USING VIRTUAL EVENTS AND CONTENT TO DRIVE MEMBER ENGAGEMENT IN THE NEW NORMAL

BY FELICIA HUDSON HANNAFAN

COVID-19 has forced credit unions to adopt new ways of reaching and serving members. Gone are the days of in-branch community shredding or financial education events—at least, for now.

Protecting member and employee health meant credit union marketers had to develop a new mindset focused on creating connection through digital delivery. But many of these strategies and remote meeting tools will still be useful when the pandemic is finally in the rear-view mirror.

OVERCOMING THE DISTANCE

How can credit unions lean into providing the personal touch without sacrificing warmth and authenticity in the name of safety?

David Tognarelli, director of business development for $363 million First Northern Credit Union (*fncu.org*), Chicago, says that financial wellness and literacy are the cornerstone of the credit union's mission. Before COVID-19, the organization was only offering in-person events. However, it quickly made the pivot to completely virtual events, such as webinars, forums and workshops, once stay-at-home orders went into effect in Illinois on March 21, 2020.

"We had to explore other ways that we could continue to engage with our members, especially when it comes to financial wellness," Tognarelli says. "We knew that we had to make a quick shift, and we haven't turned back since."

Between March and November 2020, the credit union hosted monthly webinars and virtual forums that were attended by almost 900 members. It is continuing that success in 2021.

"I think just the fact that we were already doing so much financial wellness content and programming prior to the pandemic, people already knew that that was an important part of what we offer, and they were looking for it," Tognarelli notes. "To be able to transition so quickly—and having a great team to help support that—was key to making sure that the word stayed out there so people

> **"User experience or ease of use should always be top of mind. That doesn't mean you have to spend a fortune for the most expensive solution, but it does mean that whatever you choose should meet your members' needs."**
>
> – Christian Marcussen

knew they could come to us for that content."

Tognarelli says that before quarantine, the CU regularly held "table days," during which they would set up a table either at a local business or in another community group and educate people on the credit union and membership. The team has now moved these outreach events to a virtual environment as well.

"It's been fun to do some new things when we haven't been able to get out into the communities, to engage and keep credit unions top of mind for people," he adds.

CUES member Linda Bodie, chief innovator at $48 million Element Federal Credit Union (*elementfcu.org*), Charleston, West Virginia, says that though the credit union had been periodically using Zoom (*zoom.us*) over the last few years to facilitate board and staff meetings, team members are now expert Zoomers, using it in addition to such tools as Microsoft Teams (*tinyurl.com/msteamschat*) and Facebook Live (*facebook.com/watch/live*) for annual meetings.

"It's not a big deal for us to transition one hundred percent to these online venues, because it's something that we were doing partially to begin with—with staff, board and even with members," Bodie says. "Members are more apt to schedule an online meeting now than they were before the pandemic, though they don't want to be on camera. That's still a thing!"

Bodie reports that using Facebook Live for the credit union's annual meeting was successful because members appreciated it—and it eliminated the need to coordinate a physical facility. "[Members] didn't get the food and beverage, but they got a 30-minute meeting instead of two hours," she notes. "Our in-person annual meetings were much more social. We had drinks, meals, door prizes and socialization. If we're coming together physically, we need to make it worth the drive to the venue." Since it moving online, the CU focused solely on the "meeting" portion of the annual meeting.

CUES member Valerie Moses, senior relationship manager/community engagement and partnerships at $2.3 billion Addition Financial (*additionfi.com*), Lake Mary, Florida, says her credit union has used a variety of virtual platforms to engage its members and community and currently host free webinars through GoToWebinar (*gotomeeting.com/webinar*). These sessions focus on such topics as paycheck protection loans, first-time home buying, college funding and more. The webinars are recorded in real time, then posted to the credit union's YouTube channel (*tinyurl.com/ytadditionfi*) for on-demand access.

Becky Ates, EVP for $1.8 billion Abound Credit Union (*aboundcu.com*), based in Radcliff, Kentucky, says that the credit union is also utilizing both Zoom and Microsoft Teams to offer financial education webinars. "We are recording the webinars and making them available on our YouTube channel (*tinyurl.com/ytaboundcu*) for later viewing," she says. "Our experience and survey results from college students in our markets indicate adult students appreciate the ability to view the webinars at their convenience. The YouTube channel provides the perfect setting, and the results confirm this is the case; recorded webinars receive five times more views than live webinars."

AUDIO/VISUAL MARKETING

The COVID-19 shutdown has also encouraged credit unions to explore new content marketing opportunities, such as podcasts and video, to drive engagement.

In 2020, Addition Financial launched a podcast, Making It Count (*pages.additionfi.com/making-it-count*), which is now in its second season and provides a new remote platform for financial education. Moses says the podcast has received positive feedback from members and from the community.

"After the first season of the podcast ended in September, we surveyed our subscribers to gain more insight into the topics they found helpful, and this helped us determine our content for Season 2," she notes.

Addition Financial has also been creating video, which Moses points out can help credit unions effectively position themselves as trusted experts.

"Having a library of helpful educational content is a great way for institutions to safely engage with their members and prospective members," she says. "Social media algorithms tend to favor videos in their feed placement, and video content can often be repurposed in the future. When credit unions host webinars, they should consider recording those and hosting them online where they can be easily accessed by members and nonmembers alike. Podcast episodes, even audio-only, can be reformatted for YouTube as well for added impact and search engine optimization."

In addition to creating its own content for these channels, Addition Financial works with "partners from the local school districts, colleges and community organizations to provide financial education workshops through the platforms of their choosing," Moses adds.

Mike McCarthy, SVP/chief information officer for $3.8 billion SAFE Credit Union (*safecu.org*), Folsom, California, notes that his credit union uses Zoom and Microsoft Teams to conduct financial education webinars and virtual events, as well as internal meetings for employees. However, for other events, such as the buildout and upcoming grand opening of the new SAFE Credit Union Convention & Performing Arts District (*safecu.org/district*) in Sacramento, the credit union uses a combination of traditional videography and marketing content development to create videos it shares via Vimeo

> **"We had to explore other ways that we could continue to engage with our members, especially when it comes to financial wellness."**
>
> – David Tognarelli

(*vimeo.com/safecu*). "Of course, we leverage social media, our website and other media options to distribute content available on our Vimeo account," he adds.

START SMALL AND FOCUS ON FUN

It's easy to think that awe-inspiring digital marketing is only for the biggest financial institutions, but Amanda Thomas, president/founder of TwoScore (*twoscore.com*), Hilliard, Ohio, a boutique marketing firm that works with small and midsize credit unions, says that credit unions of all sizes can creatively engage their members while staying within their budgets.

"I've been a credit union person my entire career, so I know that there are budget restrictions," she reflects. "Every dollar you have [available] to spend has to have a big impact. I've seen our credit unions be incredibly innovative by being agile and starting small."

Take video, for example. "You don't have to have this elaborate video production department in your credit union," Thomas says, noting that some of the most successful videos she has seen from clients were made on a mobile phone.

"My advice would be to start small, see what's working and what's not working," she adds. "And then you can take the opportunity to get better over time. It's just like anything else. Maybe your first round isn't going to be perfect, but you're trying and putting yourself out there. And if you're putting yourself out there, your members and your potential members are seeing you. That's the point."

Bodie agrees that creative solutions need not be expensive and believes that the top consideration when using a marketing tool for engagement should be brand fit. "It should have your culture, your feel," she explains. "It should mean something. If it doesn't have meaning to your membership, then it's probably not going to resonate with them."

Element FCU, which has a culture that exudes fun, has been able to translate that energy to its marketing communication. The credit union has mastered video marketing and frequently uses it to reinforce its brand while engaging members.

"We've always been fun," Bodie says. "Even before we did videos, we would engage our staff in social media in our branches."

Staff have participated in posts for dress-up days (e.g., Halloween, the Super Bowl, Ugly Sweater Day, etc.) as well as special events and promotions (e.g., free popcorn Friday, youth month, International Credit Union Day). "A few employees take initiative and create posts on their own," she adds. "They have that freedom to be creative. We still approve the content, but they can do whatever they want."

However, as content marketing evolved and video increased in popularity, Element FCU decided it needed to boost its digital outreach to members in an authentic way. In 2019, it formed an internal media department, Elemedia, comprised of talented staff.

The homepage of the credit union's website now includes a two-minute music video, "Credit Union Road," performed by CU staff, including the musical backing track. The lyrics, inspired by "Holiday Road" from "National Lampoon's Vacation," were written by Bodie herself. She says everyone in the video is either an employee, a member or someone from the community.

"Ultimately, it's about relationships," Bodie says. "Get your people involved, because that's where the connectivity is really going to happen."

In addition to posting video to its website, Element FCU also posts to Instagram, Facebook, YouTube and Vimeo.

"If you have a decent phone, you can make decent videos," Bodie explains. "And you can invest in lighting and microphones—all of these are fairly cheap, and it's not hard to do. People think you have to have the ultimate equipment and know-how, but you could make a video in 30 minutes if you really wanted to—or even shorter. It doesn't have to be perfect. ... Just get over yourself, be fun and let loose a little bit."

Moses says that though the pandemic has adjusted the way credit unions interact with members and their communities, marketers don't have to completely reinvent the wheel.

"Incorporating virtual platforms will help your organization stay relevant, but don't neglect your existing channels," she says. "Your website and social media pages still serve as valuable tools to connect with your community and to meet them where they already are. Educational blog content, short-form videos on social media and other digital resources on your website are often effective content marketing tools."

Micah Grant, AVP/corporate communications and public relations for SAFE CU, notes that "social media has created a more organic landscape for video advertising.

"To create an effective ad today, you don't necessarily need high-end production, just great content and the ability to demonstrate your credit union is socially responsible and engaged in the community. The rise of social media has really democratized the use of video and has opened a new suite of advertising tools to marketers."

Christian Marcussen, chief strategy and information officer of Abound CU, says the credit union's approach to video creation has focused on education—from sharing tips for financial wellness in longer-form YouTube videos to short-form how-to videos that walk members through new digital banking features.

Marcussen adds that trends like the rise of short-form videos and user-generated content should definitely be on everyone's radar. "While the credit union's brand might not align with a TikTok-style video (*tiktok.com*) at the moment, showcasing the people behind the brand—whether it's credit union team members or leaders—has proven to be quite popular," he says. "Short member testimonials may be worth consideration as well."

DIVERSIFY AND GROW YOUR MARTECH STACK

No matter where you are in expanding your marketing technology tools—whether to focus on social media marketing, advertising or content marketing—the key is to research and seek solutions that are tailored to your specific goals, strategies and budget.

For example, Thomas of TwoScore says that many credit unions

CU staff and community members performing in Element FCU's "Credit Union Road" music video.

are adopting text messaging for marketing. "Text messaging from a marketing standpoint has blown up in every industry—and it's really cheap," she notes. "It's great for engagement because you can send video messages from your staff members. It's not about pushing out that you have products and services. Technology in marketing—in any realm—is all about building relationships. You want to make sure that you're building relationships wherever your members prefer to be."

Often, building up your martech stack is not a matter of investing in new technology but instead upgrading what you are currently using. Tognarelli says that though First Northern CU was already using the GoToMeeting platform internally, it upgraded to include webinar delivery.

"The GoToWebinar tool gives us a lot more interactive ways, within the webinar format, to engage with those who attend," he says. "There are polls. We can share handouts and people can ask private questions. Just having a more robust tool to be able to interact the way that you would do in an in-person workshop was important to us."

Although First Northern CU researched other options, Tognarelli says the team's familiarity with the GoToMeeting platform's security features and ease of registration influenced its decision.

Moses recommends that marketers consider the unique needs of their organization or the event itself and ask the following questions before investing: Will the event encourage interaction? If so, is it easy for attendees to ask questions or provide feedback? Does your event require breakout rooms or polls? How well does the platform integrate with the organization's current marketing, and can you set up event registration directly through the platform itself? How many attendees can the platform accommodate?

"In addition to conducting your own search, one of the best ways to research the right platform is to talk to other credit unions or organizations with similar event needs and goals," Moses adds. "Find out what others are using and why they may recommend or not recommend a particular platform. This can also help you figure out the right parameters to look for and the types of questions to ask."

McCarthy stresses that functionality is paramount, but the cost of a solution during the pandemic is an important consideration due to the financial impact and uncertainty facing most financial institutions. He adds that it is prudent for credit unions to re-evaluate their current solutions before buying something new.

"Most technology companies have reacted to the pandemic by adding or improving feature/functionality to support virtual communication and access; therefore, it makes sense to understand what has changed with your current technology before making new investments," McCarthy explains. "Leveraging existing, integrated technology provides speed-to-market value for virtual event or video engagements too; a lot of time is saved by not having to conduct new vendor research, due diligence and onboarding new technology."

McCarthy reiterates the importance of focusing technology selection based on your communication objective and audience needs. For example, is your communication objective to be informative (i.e., education or advertising) or interactive (i.e., it requires feedback or is transactional)? If informative, a webinar or recorded video option may be more appropriate. If interactive, a webinar with a formal Q&A capability or a full-featured virtual meeting platform with two-way audio may be more appropriate.

"User experience or ease of use should always be top of mind," Marcussen concludes. "That doesn't mean you have to spend a fortune for the most expensive solution, but it does mean that whatever you choose should meet your members' needs and allow the organization to connect in a way that benefits their audience. If most of your members are using their phones to watch videos or attend events, you need to keep that in mind."

Formerly a member of the CUES marketing staff, **Felicia Hudson Hannafan** *is a writer based in Chicago.*

MORE ON DIGITAL MARKETING

Inside Marketing: Becoming the Wendy's of the Credit Union Space (*cumanagement.com/0321insidemarketing*)

Digital Delivery and Marketing, 2021 Edition (*cumanagement.com/0321digital*)

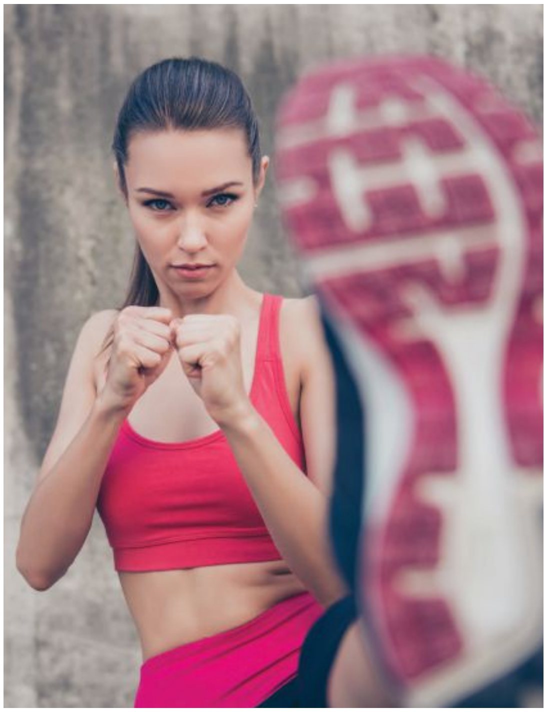
Inside Marketing: Valuable Marketing Visuals (*cumanagement.com/0221insidemarketing*)

SAFE CU Employees Star in Grassroots Financial Education Ads (*cumanagement.com/1220safecu*)

Is Your Credit Union Prepared *for Attacks on the Model?*

TO BEAT THREATS AGAINST LOAN PROGRAMS AND PORTFOLIOS, KEEP YOUR FOCUS AND STAY ON THE OFFENSIVE.

BY BILL VOGENEY



It may be because I've been in this business long enough to realize that building and managing a top-quality loan portfolio is tougher than ever. It may just be that I long for the past when lending was simpler. Regardless, it's clear to me that there is a wealth of attackers on our lending business model today, and we have to be more diligent than ever.

DIGITAL ATTACKS

COVID-19 has accelerated the digital transformation of financial services. In the past 12 months, Ent Credit Union has experienced significant growth in the percentage of its consumer loan applications coming from the digital channel. Not only are we seeing more mobile and web applications, we're also experiencing stronger application quality. Most credit unions have developed some level of digital lending capability at this point, but it's likely we'll always be playing catch-up to the fintechs.

While the fintech lending battleground has primarily been focused on personal loans, more and more new lenders are focused on auto and home equity loans, and that's on top of the competition for mortgages from Rocket Mortgage/Quicken Loans. There is no such thing as a "safe" portion of our portfolio!

ELECTRIC VEHICLES REPRESENT A ________ TO LOAN PORTFOLIOS

When I was in school, I always thought multiple-choice tests were easier. Fill-in-the-blank questions always seemed harder. I suppose there are two logical ways to fill in the blank above—threat or opportunity. Right now, I'm betting on "threat" for the following reasons: First, if we're to learn from Tesla's early years as the market's leading electric vehicle manufacturer, the lesson is that the company is not only trying to revolutionize the passenger vehicle but also working to change the way cars are bought and financed. Tesla is directly selling cars, eliminating the dealer middleman. It's dealing with national lenders for its financing options. As more new entrants come into the EV market, will they also adopt a direct sales model?

Leasing is also the dominant way EVs are being financed. Leasing is perhaps the one major drawback to being a not-for-profit financial institution. Unlike the banks, we don't enjoy tax advantages from owning a fleet of cars that are leased out to consumers and recognize the depreciation. I see leasing continue to grow as EV sales grow. Wealthier consumers who demand the latest in features may view upgrading their cars much like we all tend to upgrade our phones to get the latest features. Long-term loans will be less likely; short-term leases will take their place.

MANAGING MORTGAGES IN THIS INTEREST RATE ENVIRONMENT

COVID-19 also brought us the lowest fixed-rate mortgage loans in history. The challenge for credit unions was significant: Do we hold onto these low-rate loans or do we take the gain on sale profit (which has been significant) for selling these loans on the secondary market? If we hold a large portion of these low-rate loans, we might risk a negative impact from one of the COVID-19 effects: the increased prevalence of working from home. When rates rise, consumers are less likely to prepay their low-rate loans. If you're a consumer with a 30-year fixed-rate mortgage with an interest rate in the 2s,

In the last year or so, consumer satisfaction with their big banks has grown, primarily driven by feature-rich mobile applications. In this environment when digital is so important, ... will credit unions be able to keep up in attracting new members?

the only reason you might pay it off early is if you sell your home and move. Yet, if you can work from home, you can change jobs and not have to move. Will this have the effect of adding to the interest rate risk of holding mortgages? I think it will!

If we sell mortgages because we don't want to take on the interest rate, what loans can we add to the portfolio? Auto loan growth has slowed significantly because this low-rate environment has made it cheaper for the manufacturers to offer 0% financing. Home equity loan balances are declining nationwide as consumers consolidate debt into new first mortgages. Consumers also seem very anxious to pay off credit card debt, so the opportunity for growth in card balances is suspect as well. Your credit union may not have a lot of choices other than to accept the interest rate risk and hold more mortgages.

THE BANKERS ARE GETTING BETTER!

After the financial crisis, the quality of service from the big banks was the source of many jokes in the credit union world. Whether it was the Wells Fargo sales fiasco or the poor job banks did with mortgage modifications, we had the opportunity to take off and build market share. In reality, the credit union share of financial assets grew from perhaps 6% to 7% over the course of a decade.

Yet in the last year or so, consumer satisfaction with their big banks has grown, primarily driven by feature-rich mobile applications. In this environment when digital is so important, especially to potential members who make up the majority of credit-hungry consumers, will credit unions be able to keep up in attracting new members?

That's my concern: One aspect of our business model has been to bring in new members and find ways to lend to them later. Can we pivot to attracting new members via loan products and then find a way to get them to open and utilize a checking account with us? Both aspects of that strategy are questionable, seeing the improvement in bank satisfaction.

NON-ORGANIC LOAN GROWTH

It's unique to our industry that credit unions, for the most part, all get along. That makes being able to manage your balance sheet by loan participations (buying and selling) a lot easier. If your credit union doesn't have the organic loan demand or benefits from having a strong loan engine, you can buy loans from credit unions that have plenty of loans! In addition, not only can you diversify your balance sheet and buy loans that normally aren't in demand by your members, you can also buy loans originated in other parts of the country, reducing your geographic concentration risk.

With an influx of deposits due to COVID-19, there are more buyers of loan participations than ever. On the seller side, they have that same influx of deposits, and they're more likely to hold onto loans as well. To make this equation even more complicated, there may be credit union sellers that are headquartered in parts of the country that could be "losers" in the work-from-home revolution. There is plenty of evidence that many high-tech and financial industry workers that live in some of the highest-cost areas of the country are realizing that if they can work from home, home can be anywhere. There might be more risk in these loan pools than history might suggest.

WHAT TO DO?

There are no easy answers in terms of tactics to defend your portfolio. If I were to offer two pieces of advice, they would be: First, keep your focus. It's easy to pursue a lot of ideas to generate bits and pieces of loan volume, and some of those ideas may not make big impacts. The second piece is this: Stay on the offensive. Now is not the time to be defensive. To use a sports analogy, this is a high-scoring game. You must outscore your opponent. Streamline your processes. Build your sales team. Improve your user interface. Create a sense of urgency with your staff to fund loans faster than ever. Have the best-balanced loan portfolio possible and don't rely so heavily on just auto loans or mortgages.

CUES member **Bill Vogeney** *is chief revenue officer and self-professed lending geek for $7.6 billion Ent Credit Union* (ent.com)*, Colorado Springs.*

MORE ON LENDING

Lending Perspectives: Teaching an Old Dog New Tricks (*cumanagement.com/0221lendingperspectives*)

What to Do With The Deposit Influx Wave (*cumanagement.com/0321influx*)

The Business Case for Community Building (*cumanagement.com/0221community*)

Diversity Insight: How Hope CU Makes Loans in Economically Challenged Areas (*cumanagement.com/0121diversityinsight*)

Ready to Rebound and Rebuild (*cumanagement.com/1220rebound*)

Postcards *From the Future*

PLAN YOUR MARKETING STRATEGY NOW TO DRIVE LOAN GROWTH POST-PANDEMIC.

BY BRYN C. CONWAY, MBA, CUDE

The pandemic has exposed us to many new experiences as we've stayed home, worked remotely and mastered the virtual get-together. One of the experiences that I have missed the most over the last year has been travel. Foreign travel, domestic travel, three-day weekend, conference travel or road trip—I miss them all. I really enjoy every aspect of travel from the planning to the trip itself and, ultimately, to the lessons learned after the trip is complete that can be applied to the next time. Since the pandemic has halted my travel plans, I have been contemplating what I'll do post-pandemic. I've dreamed about all the stamps I will collect in my passport and all the postcards I will send with glowing messages of "wish you were here."

Now, it seems, there is light at the end of the tunnel as the moratoriums on travel and other in-person experiences ease. I'm using this time to think about future travel destinations, and credit unions need to think about where they want to go, too. Now is the time to examine strategies for the future that will help grow your loan portfolios and ensure that you are marketing your products in ways that are relevant and useful to your members. Here's a look at where to focus your marketing through three aspects of travel—the plan, the trip and the lessons learned—to ensure that you can be ready to meet your members' needs when they are once again ready to pack their suitcases and purchase those floppy hats!

1. THE PLAN

I start planning the next trip on my way home. For me, the best way to get over the depressing end-of-trip blues is to turn the end into the beginning. It usually starts with someone throwing out a suggestion, such as "New Year's in Amsterdam?" or "How about an African safari?" Just about every holiday or long weekend over the last year was marked with these discussions in my household. So far, we have three big trips planned for late 2021. Now, we're just waiting to be cleared for takeoff.

Perhaps there is a silver lining to the pandemic. It has given us the opportunity to really step back from the day-to-day and ask key questions like: What do you really want to be known for when it comes to your loan offerings, and how do you want to message that to your members? Use this time to turn an end into a beginning. Get to work making changes to your products, services and experiences right now. Consider these two aspects of the plan to drive loan growth post-pandemic:

DEFINE THE CORE LOAN PRODUCTS

According to a report from CUESolutions provider CUNA Mutual Group (*cunamutual.com*), Madison, Wisconsin, the average loan growth for CUs of all asset sizes over the last five years was 8.4% with 5% loan growth achieved in 2020 and the same 5% forecasted for 2021. (Read the report at *tinyurl.com/xda7mneh*). Loan growth will be a struggle this year, so defining and enhancing the products that are most likely to be in high demand is an effort worth undertaking.

Start with credit cards. Consumers are using their cards more and in new ways, and they want different features. For the first time in 35 years, consumers paid down credit card debt during the third quarter of 2020 (*tinyurl.com/amkm3e3b*). The good news is Americans are using their cards more, with one study finding that 38% of cardholders say that their credit cards are the only way they make purchases right now and that throughout the pandemic spending in the areas of everyday purchases such as groceries and self-care items increased.

In addition, 70% of Americans said they had no plans to cancel a current card, but the preference for their card features has changed (*tinyurl.com/amkm3e3b*). Respondents cited no annual fee, cash-back rewards and a no-interest period on purchases as the most important features. Take the time now to update your credit offerings to be more in line with what members want and how they are using their cards, so that your cards will be top-of-wallet when restrictions lessen.

Next, look at your auto loans. The pandemic has put used cars in high demand and changed how consumers buy vehicles. In 2020, the price of used cars increased 10% as demand grew with millennials moving out of urban areas to the suburbs and with use of public transit plummeting (*tinyurl.com/55exxvsk*). With the increase in demand and price for used cars, how you advertise your auto loans needs to change. Members are focusing on how a car payment can fit into their monthly budgets, so take a practice from the dealer's playbook and focus your message on payment, not price or rate.

The other big change in auto loans over the last year is that consumers have finally found a way to eliminate having to deal with an in-person dealer experience. Online auto purchases took off during 2020. There are 40 million used vehicles bought in the U.S. each year. In 2019, 1% were bought online. In 2020, there was a 36% increase in sales at digital dealerships, and Bloomberg predicts that by 2030, 50% of the used vehicle sales will be at a digital dealership (*tinyurl.com/draxh5ks*). The shift to digital will mean that your indirect relationships, if you have them, and member experiences will need to change as well. Ask yourself: What aspects of your current auto lending practices will need to be altered to fit into the digital auto buying and financing environment?

Last, but certainly not least, examine your home loans. The key consideration for how to market mortgages post-pandemic is to understand that purchases will drive the market over refinancing in 2021 and that this purchase market is fast-paced and very challenging to navigate. Though mortgage rates will continue to remain historically low, rates are on the rise. The Mortgage Bankers' Association predicts that the average 30-year fixed rate in 2021 will be between 3.3% and 3.4% APR, up from an average of 3% APR in 2020 (*tinyurl.com/26peyh7a*). The refinance boom that drove mortgage lending last year will wane as homeowners who could refinance have done so. Turn your marketing attention from refinancing to helping members navigate the purchase of their first or next home.

Further contributing to the complexity of the purchase market is that prices for houses across the country continue to climb and inventory remains low. Zillow's first quarter forecast predicts annual home value growth will rise as high as 13.5% by mid-2021 and for home values to end 2021 up 10.5% from their current levels. While prices soar, inventory remains at historic lows, with newly listed homes down 24.5% over last year during the first quarter of 2021 (*tinyurl.com/26peyh7a*). This means a market especially fraught with the competition of bidding wars and cash winning out over financing as sellers can select the best offer from many. Your opportunity is to be your member's guide, especially for first-time homebuyers, in ensuring they have preapprovals, understanding what makes a compelling offer in your local market and helping them to close quickly. Focus less on awareness of the mortgage products and rates, and rather on how to help them secure the contract on the home they want to buy.

MAKE THE INVESTMENT

Just like a good pair of shoes for your travels, making the investment in marketing now will be worth it in the future. Research shows (*tinyurl.com/7eztrb4b*) that companies that maintain or increase their marketing activities during challenging periods tend to grow faster—not only during the downturn, but beyond—while organizations that reduce marketing tend to see revenue declines both during and years after the challenge.

Begin with your external marketing efforts. Project the message of your mission and value to potential members. Purchase the appropriate lists and invest in the data that will help you grow your core products. For 2021 and beyond, auto loans are about offense. Consider launching recapture campaigns to refinance auto loans for cars that your members financed elsewhere. For mortgages, buy trigger lists to help you understand when your members are moving their mortgage or equity loan elsewhere.

Now more than ever, your message matters. Resist the urge to market on price and product features alone. Refine the message of why potential members should borrow from you by demonstrating the value you provide and underscoring the mission that drives your credit union. Focus on relevancy and connection. It's as simple as this: No one wants a mortgage. What people want is a home. Make your message about how you'll help them secure one.

Make the investment internally as well. Where are your opportunities to ask for your current members' business again, and how can you refine your message to demonstrate the value on products that members may have forgotten about? Take the

Each aspect of your member experience should get refined to be done and delivered digitally. This need will not diminish as the pandemic ends.

time to develop all those marketing tools you've wanted to work on for so long, including:

- onboarding for new members demonstrating the value and unique features of your core products;
- emails to follow up with members who have applied for but haven't closed on a loan; and
- promotions to current auto loan holders nearing the average pay-off with an incentive for them to borrow from you again.

It's essential to keep the loans you have and the only way to do that is to keep asking for the business.

2. THE TRIP

Confession: I am a spreadsheet traveler. I use the spreadsheet to provide a sense of structure and to ensure that I get to see everything that is of interest in the allotted time I have. But don't worry, I am perfectly capable of getting lost in the present, too. I plan the trip yet remain flexible enough to pivot and enjoy the unexpected. The idea is to get familiar with your surroundings and concentrate on what the locals do once you are there. That's also very true as you look at marketing your loan products during and after the pandemic.

While the worst of the pandemic is (hopefully) in the rearview mirror, understand that recovery may be slow (*tinyurl.com/ycwkue8k*). You may be in a hurry-up-and-wait mode for a while, but as the weather turns warmer and vaccinations increase, consumer spending and confidence will rebound. Stay relevant in your messaging and promotions while positioning yourself to help members.

For the past year and half, we've been focused on staying local as we invested in our individual environments. Consumers' ability to spend has been bolstered by added savings from not traveling, dining out or taking in entertainment, resulting in a shift in spending from services to goods. And they have been buying big-ticket items, especially in housing-related categories, such as appliances and furniture (*tinyurl.com/yjzczzp7*).

Rising wealth from increasing home values and stock prices have also supported consumer purchases. Focus your marketing by understanding what members are spending money on to position yourself as the local option to help them buy what they want. Look for opportunities to be the financing option for your local furniture store, pool installer or she-shed builder. Don't advertise the signature loan with rate and term. Instead, show members that you can help make the experience of sitting by the pool a reality.

3. THE LESSONS

A running joke in my family is how many sweatshirts, jackets, hats and blankets I own from all over the world. The lesson, which has taken me a long time to learn, is: It's always going to be colder than I think. I now dress in layers and take a backpack so I can add and subtract as needed.

What have you learned over the last 18 months and what changes will you make for the future? The lessons of digital delivery and meaningful engagement should shape your marketing efforts for 2021 and beyond.

If you don't have the capability to deliver digitally, now is the time to remedy that. From email, online loan and membership applications to video consultations with front line staff to virtual business development experiences, each aspect of your member experience should get refined to be done and delivered digitally. This need will not diminish as the pandemic ends. Many traditional aspects of in-person service will stay virtual or move to a hybrid model. Ensuring that you have digital capabilities in your marketing and member experience will be paramount to growth moving forward.

Many in-person options will not come back for quite some time, nor will the structure be the same. Although how you can engage with members has changed, the need to do it is still essential to maintain confidence, trust and member satisfaction. Just like with digital marketing and delivery, adapt hybrid engagement activities. Continue the option to video conference by appointment with your branch and lending staff moving forward. Allow your members to "see" who is taking care of them without having to physically come to the branch.

In your communities, create engagement opportunities in the void of canceled events. Conduct a recognition campaign on social media for the community you serve. Highlight those individuals and organizations doing good and ask your community to tell the stories of those who are making a difference. Maintaining and deepening relationships should be a key component of your marketing and member experience plans annually.

The best part about travel is letting it change you for the better. Use this part of the journey back to a new normal to examine strategies for the future that will help you grow your loan portfolio and ensure that you are marketing your products in ways that are relevant and helpful to your members. Before you know it, you'll be penning "wish you were here" on a postcard while dreaming of your next big adventure.

Bryn C. Conway, MBA, CUDE, *principal of BC Consulting LLC (*strategiesbeyondcreative.com*), is a longtime member of the credit union community and helps credit unions define their brands, develop their experiences and grow market share. Read more of her articles at* cumanagement.com/author/bryn-conway*. And register for her CUES Elite Access Course, "From Adversity to Resilience: How to Turn Setbacks into Opportunities," at* cues.org/EAresilience.

MORE ON MARKETING & LENDING

Mortgage Communication Best Practices: 4 Key Contact Points (*cumanagement.com/0321mortgage*)

Digital Delivery and Marketing, 2021 Edition (*cumanagement.com/0321digital*)

Lay the Runway in 2021 for Economic Takeoff in 2022 (*cumanagement.com/podcast113*)

Special Report: Payments

Credit Union Management

MAY 2021

DON'T GIVE UP ON REVENUE OPPORTUNITIES

Use payments to generate fee income and gain competitive advantage.

PLUS

Don't Give Up *on Revenue Opportunities*

SOME EMERGING OPTIONS DON'T GENERATE FEE INCOME, BUT CREDIT UNIONS CAN STILL USE PAYMENTS TO GAIN COMPETITIVE ADVANTAGE.

BY GLENN HARRISON

After many years of yielding reliable noninterest income for credit unions, the consumer payments infrastructure is splintering. Some payment methods should continue to generate income, but others won't. Even so, payment systems experts say credit unions can successfully compete for a significant share of members' wallets, while using payment-generated data to deepen member relationships.

We spoke with specialists from three companies that provide credit unions with card and payment services about how the industry can adapt to expanding payment options.

PANDEMIC ACCELERATES SHIFT TO REMOTE/TOUCHLESS PAYMENTS

Use of digital payment platforms, mobile wallets and contactless cards had already been gaining on standard credit/debit transactions before the COVID-19 pandemic hit. Pandemic-related restrictions have accelerated that shift.

"The digital habits credit union members have adopted throughout the pandemic will continue. This is the new reality," says Brian Scott, chief growth officer for CUESolutions Bronze provider PSCU (*pscu.com*), St. Petersburg, Florida. "It's critical for credit unions to provide the newest payment options and technologies, to meet members in the channels they choose."

Issuing debit and credit cards is still important, because those remain the favorite payment tools for most types of purchases consumers make, Scott notes. According to PSCU's 2020 Eye on Payments survey, more than 75% of credit union members choose debit and credit cards as their preferred payment method.

Credit unions can build more business from the cards they issue by making it easy for members to use them across all the ways they pay, whether that's using their phones or shopping online. "Once people store a card in a digital channel, it's likely they'll keep it as the preferred payment method," says Scott.

DIGITAL ISSUANCE OPENS THE DOOR

Scott considers digital card issuance a linchpin between plastic cards and such contactless payment methods as mobile wallets. Card issuers that have the capability to provision a card digitally can push card credentials to their customers' mobile devices, he says, no plastic involved.

In addition to facilitating mobile payments, digital issuance gives members a platform on which to report the loss of a card, identify any suspicious charges and get new credentials provisioned to their digital wallet should they lose their physical cards or have their credentials stolen online.

PSCU is one of the payment providers that can give credit unions the ability to digitally issue card credentials to the three main digital wallets: Apple Pay, Google Pay and Samsung Pay. "This enables cardholders to continue making digital transactions, uninterrupted, even in the absence of their physical card," Scott says.

TECH PARTNERSHIPS LEVEL THE PLAYING FIELD

Cloud-based payment systems are helping credit unions of all sizes compete for a share of the options emerging in the payments space, says Bill Hampton, SVP/credit union division for CUES Supplier member FIS (*fisglobal.com*), based in Jacksonville, Florida.

"The cloud allows credit unions to modernize their infrastructure and viably compete with fintechs," Hampton says. In-house card services can create back-office backlogs that staff must stop and take time to address, he adds, in contrast to cloud-based solutions that can free staff to focus on more member-centric tasks.

In addition to freeing staff, cloud solutions give credit unions more flexibility than on-premise hardware generally has for handling fluctuating data load demands. "Overall, you can reduce the cost of ownership for a card portfolio and, at the same time, increase your speed to market for new services," says Hampton.

Another major advantage of working with a cloud-based provider is the ability to plug your payment channel data seamlessly into an analytics platform.

New payment options that don't provide direct revenue to card issuers, such as real-time payments and buy-now-pay-later services, can still be valuable to credit unions that connect members to these services via mobile apps or other digital services. How? By leveraging the data from these transactions.

"It's amazing what institutions can do with the data they collect every day," Hampton says. "The challenge for credit unions is to find a practical way of gathering, accumulating, aggregating, managing and understanding data."

Cloud-based data analytics solutions such as those offered by FIS allow credit unions to assess credit and debit cardholder data at both the individual member level and a macro level—and even to bring in external data that can help them see the big picture of payment trends, says Hampton. He recommends looking for an analytics solution that gives insight into an array of useful metrics: cardholder spending patterns; debit/credit product performance; network performance, including the health of your credit union's internal data systems; and fraud patterns and compliance risks.

Hampton says credit unions have been able to use cloud-based data analytics to increase revenue by identifying inefficiencies and then streamlining/automating the identified processes. "You can also lower your member acquisition costs by using data to identify more economical consumers—so you can create a more efficient sales framework," he adds.

INTEGRATE PAYMENTS WITH CLOUD-BASED FRAUD PREVENTION

After adopting competitive data analytic tools, the next major payments challenge for financial institutions is maintaining security for mobile, touchless and other digital payments, Hampton says.

Transaction security could be a key advantage for credit unions. Historically, members have trusted their credit unions more than bank customers trust their banks. And because the pandemic converted many consumers into using new payment methods, they may be especially attuned to security issues.

According to the PSCU survey cited above, four in 10 consumers surveyed in 2019 said they decide how to pay for something based partly on which method is the most secure, but in the 2020 survey, eight in 10 respondents said that.

Hampton notes that by using a cloud-based payment management platform, credit unions can more easily integrate with fraud awareness and prevention services that tie into worldwide merchant data. And this more than protects against financial losses to members and the credit union.

"The digital habits credit union members have adopted throughout the pandemic will continue. This is the new reality."

– Brian Scott

The Pandemic's Effect *on Payments Preferences*

Results from the 2019 and 2020 Eye on Payments survey by CUESolutions Bronze provider PSCU (*pscu.com*), St. Petersburg, Florida, reflect the impact COVID-19 has had on consumer payment behavior. PSCU surveyed 1,500 credit union members and nonmembers in July-August 2019 and 2020.

Seventeen percent of credit union members surveyed in July 2020 said they use Venmo, PayPal, Zelle or other digital payment platforms as their primary payment method, compared with just 8% in the 2019 survey. In 2020, digital payment services were the primary payment method for more than a third of members 23 to 30 years old.

Twenty-one percent of credit union members said they'd used a mobile wallet within the past 60 days, up from 15% in 2019. Overall, 49% of members reported using a mobile wallet, compared with 29% of nonmembers.

Fifty-seven percent of respondents said they used a contactless card at least a few times a month before the pandemic. This increased to 65% during the pandemic, and 69% say they'll continue using a contactless card post-pandemic.

MORE ON PAYMENTS

2020 Eye on Payments (*cumanagement.com/0321eyepayments)*

Payment Lessons From the Pandemic (*cumanagement.com/1120lessons*)

Real-Time Payments Coming to Canada (*cumanagement.com/0221realtime*)

"Mitigating the risks of fraud and the associated losses ... isn't just about financial security—it's about reputational security," he says.

EDUCATE MEMBERS ABOUT PAYMENT RISKS

Credit unions can enhance the trust members have in them by educating them about the risks within payment systems that operate outside the established payment rails built by the card industry, says Steven Ryniec, AVP/sales and channel partnerships for CUES Supplier member LSC (*lsc.net*), Naperville, Illinois.

For example, if your credit union partners with Zelle (*zellepay.com*), Ryniec recommends making sure members are aware of that service offering and how it differs from other person-to-person payment systems.

Ryniec points out that members—especially younger members who are known to split the bill when dining out or to pay each other back for other purchases using P2P apps—may have hundreds of dollars in their Venmo or PayPal accounts.

"When they receive payments via these P2P providers, they have to manually create an ACH to deposit that money into their actual credit union account," he says. "So, the money just sits there, and it's vulnerable."

Zelle transactions, in contrast, can route deposits directly into credit union accounts. And Zelle was built by traditional banking institutions, so it has the fraud protections that traditional payment rails have, Ryniec says.

Zelle has been active since 2013 but has mainly been available only to credit unions with assets of more than $2 billion. However, Ryniec says some card services providers have arranged to make it possible for smaller credit unions to offer Zelle to their members.

A key message to convey to members about P2P payments services is that, by using their credit union's services to facilitate these transactions, they're protecting themselves from their own mistakes.

"If you send a Venmo payment to the wrong person by mistake, unless that person alerts you, that money is gone," Ryniec says. "There's no protection against that."

PAYMENT INSIGHTS CAN DRIVE CARD STRATEGIES

Like Hampton from FIS and Scott from PSCU, Ryniec touts the capabilities of payment data analytics to drive credit/debit strategy. Ryniec says some clear patterns have emerged that may continue well beyond the pandemic-related restrictions that spawned them.

"Because of the pandemic, there's been less demand for the popular travel rewards credit cards," notes Ryniec. "Cardholders have become more concerned about paying down their credit cards." If that's happening with your members, Ryniec suggests helping them pay off higher interest cards with balance transfer offers for lower-interest, cash-back cards—a credit union sweet spot in many markets.

Consumers are likely to remain cautious about post-COVID-19 economic recovery, so they'll probably continue to pay down credit card and other debt, Ryniec says.

A way to promote card usage—and therefore keep the cards you issue top-of-wallet for member payments of all kinds—is to position them as the best method for making recurring payments. He suggests offering cardholders points for making such recurring monthly payments as utilities and streaming video/music services. Members whose credit rating may have taken a beating during the pandemic can help repair it by putting monthly recurring payments on a credit card account and paying off the balance each month.

"This is a great opportunity to help people who are trying to pay down debt to save money, while you offer them some financial and security education at the same time," says Ryniec.

Glenn Harrison *writes for* Credit Union Management *from Stoughton, Wisconsin.*

"It's amazing what institutions can do with the data they collect every day. The challenge for credit unions is to find a practical way of gathering, accumulating, aggregating, managing and understanding data."

– Bill Hampton

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What's Here to Stay and What's Next in Payments

By Norm Patrick, Vice President of Advisors Plus Consulting

A little more than a year ago, the COVID-19 virus was declared a global pandemic. Travel was discouraged, major sporting events and seasons were disrupted, social interactions were restricted and masks became required. In addition, the pandemic had a major impact on payment preferences and purchasing behaviors, as reported throughout the year by PSCU, the nation's premier payments credit union service organization (CUSO). A year later, what payments trends are here to stay? And what should we expect next as we look to a return to everyday life?

Digital, Digital, Digital

According to data from PSCU's 2020 Eye on Payments survey, COVID-19 was a substantial driver of digital adoption last year. Card Not Present (CNP) activity for both debit and credit increased by more than 20%, according to year-over-year data analyzing purchasing behaviors of PSCU's Owner credit unions. In line with this, contactless transactions on dual interface cards showed strong consumer adoption – debit and credit contactless tap-and-go transactions more than doubled from January 2020 to March 2021 (8% to 17% and 6% to 13%, respectively). This forced digital modernization many credit unions and their members experienced is here to stay. Some digital innovations that were desirable before the pandemic – like contactless cards, mobile wallets and other technologies – are now must haves. For credit unions that do not already have a plan in place to get these new tools in members' hands, now is the time to develop and execute a digital-first strategy.

Debit Maintains Spot as Preferred Payment Choice

Respondents in PSCU's 2020 Eye on Payments study reported debit as their preferred way to pay for the second year in a row, with data from PSCU Owner credit unions supporting this finding as well. Many consumers shied away from driving up credit card balances given the economic uncertainty and, instead, used reduced discretionary spending brought on by the pandemic as an opportunity to chip away at credit card balances.

While it might be tempting to put credit card programs on the back burner given the increased focus on debit, credit unions would be remiss to do so. Instead, now is an ideal time to showcase all of the features of your debit and credit card programs. Educate members about your credit union's online and mobile offerings and let them know what else they can do outside of just paying bills and checking balances, like the different redemption options that rewards cards offer or how to add their credit union card to a mobile wallet to easily transact from mobile phones and other wearables.

Return to Travel and Entertainment Spending Habits

As a result of COVID-19, travel and entertainment were put on hold, with purchases in these two sectors experiencing the largest adverse impact. From June 2020 through March 2021, debit and credit purchases were down 23% and 54%, respectively, for travel. For the same timeframe in the entertainment sector, debit purchases decreased by 28% and credit purchases decreased by 48%. According to The Harris Poll COVID-19 Tracker, more than half of American consumers have saved money in the past year and many consumers are anxious to start "revenge" spending on things they have been denied over that timeframe – including travel, dining and in-person entertainment. We expect spending habits to rebound as consumers start returning to these activities.

Moving Forward

While many credit unions were quick to adapt to changing economic factors and consumer behavior ignited by COVID-19, they now need to look beyond the pandemic when it comes to consumer expectations. While some members may never feel comfortable returning to a branch and choose to conduct daily banking activities exclusively via digital channels, others may prefer to go back to branches as they did before the pandemic. It is important for credit unions to ensure all channels work together seamlessly – from digital offerings to branches, payments solutions and more – to provide members with the experiences they are seeking out today and in the future.

Norm Patrick is vice president of Advisors Plus Consulting at PSCU. Advisors Plus was established in 2004 as the consulting arm of PSCU. Together, PSCU and Advisors Plus' products, financial services solutions and service model collectively support millions of credit, debit, prepaid, online bill payment and mobile accounts at PSCU's Owner credit unions; protect over 2 billion transactions annually from fraud; and optimize credit union performance and growth. With nearly 25 years in the financial services industry, Norm founded the Debit & Checking practice area in 2007 based on his experience in managing one of the largest debit card portfolios in the U.S. For more information, visit AdvisorsPlus.com.

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Defending Against Fraud's *Synchronized Attack*

HARLAND CLARKE
A VERICAST BUSINESS

TO EXPOSE AND IMPEDE CRIMINALS, INCREASE YOUR VIGILANCE AND USE TECHNOLOGY.

BY ANDY SHANK

Fraud is a hot-button topic. Mitigating fraud takes more effort than ever as scams increase in number and sophistication. Credit unions have a high-profile obligation to protect both themselves and consumers.

Payment fraud has continued at near-record levels with 81% of financial professionals reporting that their organizations had been victims of an attempted or actual fraud attack, according to a 2020 study by the Association for Financial Professionals (*afponline.org*). Checks have become an increasingly popular target of payments fraud because they fly under the radar of today's instant payment technology. And checks appeal to two common and glaring character flaws typical in criminals—laziness and impatience. Exploiting a single check can quickly give them access to a lot of money.

Let's cover a few other ways fraudsters con people out of their hard-earned money.

PREYING ON THE VULNERABLE

The "felony lane gang" is an industry catch-all term for a scheme in which counterfeiters recruit vulnerable people and pay them a small amount of money to cash large, fraudulent checks. The check cashers are often made to dress in high-visibility work clothes, like construction uniforms, to add credibility to the transaction.

While there are occasional check-casher arrests, the gangs' ringleaders usually evade capture by keeping a safe distance from the pawns they manipulate.

EXPLOITING MOBILE BANKING

Temporary branch closures have increased the popularity of mobile deposit. This fast, easy, faceless technology has caught the eye of scammers, who view remote access as a perfect opportunity to commit account takeovers. ATO attacks increased nearly 300% from 2019 to 2020, according to an October 2020 article on *threatpost.com*.

In ATO attacks, the scammer gains the victim's trust and account information, often via a phishing email or social media ploy. Sometimes it is romance fraud, a work from home "opportunity" or the promise of "free" money. This fraud often culminates with the deposit of a fraudulent check, and the deposited funds are quickly transferred out or withdrawn. By the time the fraudulent check is returned to the financial institution, the scammer is gone, and the victim is left holding the bag.

OPENING FRAUDULENT ACCOUNTS

While it's much easier to prevent the opening of a fraudulent account than to detect and mitigate fraud on one that's already open, new account fraud is becoming a big concern. To manage this risk, institutions must look beyond standard credit report-based identity verification.

USING TECH TO WIN THE WAR

Criminals' Achilles' heel is impatience—they want money now. To expose and impede them, we simply need to increase our vigilance—and use technology against them.

But advanced technology, like mobile deposit, often lulls institutions into a set-it-and-forget-it mentality. That's when fraudsters are likely to swoop in. To optimize their effectiveness, mobile platforms need frequent review and tweaking. As fraudsters adapt their schemes, institutions must also adapt their screening mechanisms to stay one step ahead.

And aside from what's on the screens we use every day, security technology extends to paper checks as well. For example, Harland Clarke provides key security features on all standard check stock.

Your best strategy is to gain a clear understanding of fraud tactics, learn best practices to defend against it, and be aware of available fraud protection technology, so you're always one step ahead of the bad guys.

VP/Fraud and Risk Management **Andy Shank** *brings more than 18 years of experience assessing risk and investigating fraud at the local, state and federal levels across multiple sections to his leadership of the check fraud prevention efforts at CUES Supplier member Harland Clarke* (harlandclarke.com)*, a Vericast business based in San Antonio.*

MORE FROM HARLAND CLARKE

CUES Podcast Episode 115—an Interview With Andy Shank (*cumanagement.com/podcast115*)

The Value of Continuing the Conversation About Contactless Cards (*cumanagement.com/1020contactless*)

The Importance of Digital Member Engagement–Now, More Than Ever (*cumanagement.com/0720digital*)

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Making Data *Meaningful*

USE IT TO TAILOR MEMBERS' EXPERIENCE WITH YOUR CREDIT UNION.

BY BILL HAMPTON

Every day, humans produce 2.5 quintillion bytes of data (that's 2,500,000,000,000,000,000 if you're curious how many zeroes that entails). A large portion of that data isn't the usual emails, tweets and YouTube uploads, but the data we generate in the background as we go about our lives. It's location data, transaction data, credit card usage data, cookies, search histories and so much more.

As useless as this data might seem to us, to financial institutions it offers a unique and valuable insight into the products and services we use, allowing them to better predict and meet our needs.

USES FOR 'BIG DATA'

Credit unions are interested in capitalizing on the data they have on hand and use it to offer members tailored services. Regardless of size, CUs can leverage "big data" to better assess loan risks and personalize lending rates. This data can also help make better-informed lending decisions rather than relying on a small number of metrics, such as credit scores.

Credit union members trust their institutions and are willing to give a little more data to receive better service and solutions. This trust is there because of years—if not decades—of an established relationship between both the credit union and its members and the CU and the community at large. Credit unions have that advantage over some of the larger banks. This puts credit unions in a unique position when it comes to data usage.

MERGING DATA WITH TRENDS

Like we mentioned, data comes from everywhere, and the amount of available data on consumer habits is staggering. Merging that data with monitoring consumer behavior allows credit unions to begin to take advantage of this information and make it impactful. Credit card transactions are measurable insights that CUs can use to customize service for their members.

For example, all these pieces of data that come with credit card transactions can help credit unions help members with paying their loans. By using data and analytics as a tool for foresight, credit unions can measure members' ability to pay loans down the line and rework the loan in a variety of ways. This can make all the difference in the world for a member's financial health. This helps both the credit union and its members in the loan process, as the data can help paint a much more comprehensive picture of who that individual is without solely judging based on credit score.

Credit card data also helps an incredible amount with the shift in how credit union marketing is done. In the past, the attitude of credit unions leaned more towards "come to us if you want to." Now, the realization is that there are so many opportunities to actually go find the members and fulfill their needs.

LEVERAGING THE LIBRARY OF DATA

CUs have a vast library of member data that can be used to enhance the overall member experience. Examining and acting on the insights that this type of data gives you allows credit unions to bring customized rates and rewards to each individual member. Big data gives your organization a first-hand look on how to adjust marketing strategies, loan rates and your entire card loyalty program to meet the demands of the consumer. Providing an individualized experience is critical to keeping your members engaged.

Bill Hampton *is division executive, credit union division, CUES Supplier member FIS* (fisglobal.com), *Jacksonville, Florida.*

A large portion of that [2.5 quintillion bytes of] data is ... the data we generate in the background as we go about our lives. It's location data, transaction data, credit card usage data, cookies, search histories and so much more.

MORE FROM FIS

The Connective Power of APIs (*cumanagement.com/1120connective*)

Five Problems Fintechs Help Solve (*cumanagement.com/1020fintech*)

How You Can Meet Members' Needs With Your Data 'Power Drill' (*cumanagement.com/podcast101*)

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Serving Members *and Boosting Income*

HOW PREPAID CARDS CAN HELP YOUR CREDIT UNION ADDRESS ITS TOP CHALLENGES

BY LIBBY CALDERONE

Credit unions have a reputation for excellence in member service, yet they often face challenges to reaching important strategic goals for their future. Lifetime member value, developing member relationships, finding new income sources and digital strategy are important to a credit union's continued success. Finding a balance between offering members what they want while bringing in income that also ultimately benefits members requires careful consideration. Prepaid cards are both a product and service that can provide the balance that credit unions seek.

INCOME SOURCE

To begin, prepaid cards have shown strong growth despite a challenging economy. The *17th Annual U.S. Open-Loop Prepaid Cards Market Forecast 2020-2024* (*tinyurl.com/magprepaid*) from Mercator Advisory Group predicts that open-loop prepaid loads will continue to grow over the next three years to reach $466.2 billion. This presents an opportunity for an ongoing revenue source for your credit union.

DEVELOPING MEMBER RELATIONSHIPS

Prepaid cards have many uses that can create relationship-building opportunities by giving members another reason to visit your credit union or its website. Budgeting ease, shopping convenience, lack of interest rates and the account privacy associated with reloadable cards make them an appealing choice for regular use. Gift cards also give CUs the opportunity to be part of members' special life events. Credit unions can be an easy one-stop shop for holidays or any special occasion.

Finding a balance between offering members what they want while bringing in income that also ultimately benefits members requires careful consideration.

NEW MARKETS AND LIFETIME MEMBER VALUE

The benefits and popularity of prepaid cards can also make them an important part of reaching out to markets with high potential lifetime value. Parents often use these cards to teach children financial responsibility. Prepaid programs with mobile services are particularly attractive to tech-savvy young people looking to have total access to card information on the go. Branded gift cards can also double as a marketing tool as members share them with friends, co-workers and family. Prepaid cards thus provide a simple, effective way to begin building long-term relationships with potential members.

DIGITAL STRATEGY

It's now well known that COVID-19 has been a catalyst in the already fast-growing e-commerce industry. This makes digital forms of payment more important than ever. *Payments Journal* highlighted a Mercator Advisory Group report (*tinyurl.com/pjprepaid*) showing that 46% of people 25-44 chose to receive prepaid cards virtually. By including virtual prepaid cards, a credit union can boost both its product offerings and digital strategy. Virtual prepaid cards offer all the benefits of physical cards while being easier, faster and more cost-effective to issue. The buyer simply provides the recipient's email address and phone number, and the loaded cards arrive moments later by email. This is great for members who need to share gifts quickly over long distances. Virtual cards give members the convenience and speed they expect in an increasingly digitized community.

At LSC, our mission is to help credit unions succeed. We have introduced virtual gift cards to our CUMONEY® prepaid program suite (*lsc.net/prepaid*) as part of our ongoing digital strategy. We work as part of a CU's team to lighten the load associated with offering great member service.

Libby Calderone *is president of CUES Supplier member LSC* (lsc.net)*, Naperville, Illinois.*

MORE FROM LSC

Payment Lessons From The Pandemic (*cumanagement.com/1120lessons*)

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

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– Tom Kane

TOM KANE
ICUS President/CEO

LIBBY CALDERONE
LSC President

"LSC® is a full-service payments provider that looks to the future. The introduction of virtual gift cards is one of many steps we've taken to help credit unions compete in an increasingly digitized world."

-Libby Calderone

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2021 CUES Emerge Program *Members Announced*

CUES is honored to welcome 32 up-and-coming credit union leaders into the 2021 CUES Emerge program. All were selected based on their potential to create a lasting impact within the credit union industry. This group will receive coaching, training and resources to build their leadership acumen and strategic thinking skillset. They will also benefit from the exclusive opportunity to collaborate with their peers during mastermind groups, in which they will work to transform their ideas into a business case and compete for the chance to become the 2021 CUES Emerging Leader.

"We are proud to provide this platform, which was designed to elevate the voices and skills of the industry's up-and-coming leaders and help them to become change-makers in their credit unions and the industry. We are excited to see what new ideas and positive change spark from this year's cohort," says John Pembroke, CUES president/CEO. "The overwhelming interest in this program demonstrates the commitment of credit union senior leaders to develop the next generation to help move the industry forward. We are pleased to continue our long-standing partnership with Currency (*currencymarketing.ca*) to recognize the work of the participants and ultimately select the 2021 CUES Emerging Leader."

The CUES Emerge cohort is a diverse group, hailing from 15 states and five Canadian provinces, and representing 29 different credit union roles. All are highly respected among their teams, having shown enormous growth in their development by driving change in their credit unions and the communities they serve. The 2021 CUES Emerge cohort members are:

- **William Aguilar,** assistant manager/contact center, American First CU, Brea, CA
- **Krista Baum,** security architect, WSECU, Olympia, WA
- **Paige Beffort,** branch manager, Air Academy FCU, Monument, CO
- **Taylor Bittinger,** senior learning specialist, Members 1st FCU, Mechanicsburg, PA
- **Keli Boudreaux,** payroll and benefits specialist, Pelican State CU, Baton Rouge, LA
- **Kristi Caruso,** branch manager, Zeal CU, Livonia, MI
- **Angela Castaneda-Ball,** learning & development manager, Justice FCU, Chantilly, VA
- **Dave Corbett,** director/cash management, FirstOntario CU, Stoney Creek, ON
- **Jenna Darby,** people development specialist, Innovation CU, Swift Current, SK
- **Janaye Elkin,** compliance & risk officer/privacy officer, Bow Valley CU, Cochrane, AB
- **Amber Fielder,** VP/marketing, USE CU, San Diego
- **Becky Freemal,** VP/brand, ValleyStar CU, Martinsville, VA
- **Aziza Gary,** financial wellness manager, MECU Credit Union, Baltimore
- **Katie Gray,** digital delivery manager, Bay FCU, Capitola, CA
- **Terry Hagio,** technical implementation manager, Alliant CU, Chicago
- **Yianni Harbis**, manager/branch and commercial banking, Sydney CU, Sydney, NS
- **Christian Hartley,** branch manager, Keesler FCU, Gautier, MS
- **Lori Hays,** marketing manager, Merck Sharp & Dohme FCU, Chalfont, PA
- **Alex Hsu,** manager/organizational performance & strategic planning, Schools First FCU Santa Ana, CA
- **Shannon Huot,** chief experience officer, Educators CU, Mount Pleasant, WI
- **Amanda Knodel,** chief operations officer, Pinnacle CU, Atlanta
- **Jessica McNier,** digital solutions lending manager, Wanigas CU, Saginaw, MI
- **Nicole Meyer,** contact center manager, Central Minnesota CU, Saint Joseph, MN
- **Tonya Perez-Wright,** branch manager, USC CU, Los Angeles
- **Kunle Popoola,** director/commercial credit & special loans, Connect First CU, Calgary, AB
- **Joey Rudisill,** chief information officer, Central Willamette CU Albany, OR
- **Amber Stutzman,** member loyalty manager, Oregon Community CU, Eugene, OR
- **Jason Swink,** member financial center manager, Truliant FCU, Shelby, NC
- **Taylor Tarras,** member lending supervisor, Royal CU, Eau Claire, WI
- **Ashley Tite,** manager/administrative services, Summerland CU, Summerland, BC
- **Daniel Valley,** member experience manager, Lake Trust CU, Brighton, MI
- **Mark Volz,** relationship development officer, Corporate Central CU, Muskego, WI

Follow the CUES Emerge journey at *CUESemerge.com*.

Online Learning

CUES members can attend all webinars and access playbacks for free. CUES Elite Access™ Virtual Classroom (included with Unlimited and Unlimited+ memberships) offers an innovative take on online education. Learn more at *cues.org/events*.

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Elite Access: Creating a Culture of High Performance

MAY 20
12 p.m. Central
Elite Access: The Power of Influence Thinking™

MAY 25
1 p.m. Central
Webinar: What's in It For Me: CUES for Branch Managers

JUNE 1
12 p.m. Central
Elite Access Course: Becoming Your Best: Three Exercises to Find Your Focus

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2021 **ONLINE** EVENTS CALENDAR

JUNE 2021			
CUES School of Business Lending™ III: *Strategic Business Lending*	OFFERED IN PARTNERSHIP WITH Hipereon Inc.	**June 2—July 1**	cues.org/SOBL3
JULY 2021			
High Perfoming Board Digital Series		**Seminar Begins July 6**	cues.org/HPB
Strategic Innovation Institute™	OFFERED IN PARTNERSHIP WITH Stanford University	**July 19—August 4**	cues.org/SII
CUES Advanced Management Program from Cornell University	OFFERED IN PARTNERSHIP WITH Cornell University	**Program Begins July 13**	cues.org/eCornell-CUManager

WATCH CUES.ORG FOR MORE DETAILS

COMING FALL 2021 **Board Liaison Workshop** cues.org/BLW

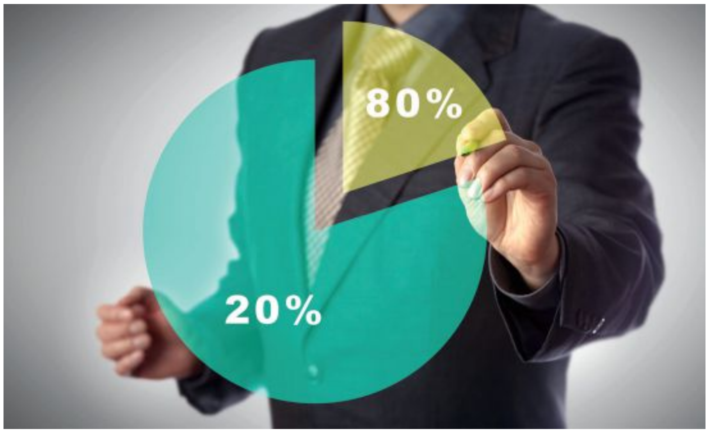
2021 **IN-PERSON** EVENTS CALENDAR

JULY 2021			
Supervisory Committee Development Seminar	Amelia Island, FL	**July 26—27**	cues.org/SCDS
Director Development Seminar	Amelia Island, FL	**July 28—30**	cues.org/DDS
AUGUST 2021			
CEO Institute III: *Strategic Leadership Development (Summer Session)*	*Darden School of Business* University of Virginia	**August 8—13**	cues.org/INST3
Execu/Net™	Whitefish, MT	**August 15—18**	cues.org/EN
DECEMBER 2021			
Directors Conference	Marco Island, FL	**December 5—8**	cues.org/DC

2022 **IN-PERSON** EVENTS CALENDAR

FEBRUARY 2022			
Symposium	Wailea, Maui, HI	**February 6—10**	cues.org/SYMP
MARCH 2022			
Execu/Summit	Big Sky, MT	**March 13—18**	cues.org/ES
MAY 2022			
CEO/Executive Team Network™	Austin, TX	**May 15—17**	cues.org/CNET
JUNE 2022			
Governance Leadership Institute™ I	*Rotman School of Management* Toronto, Ontario, Canada	**June 5—8**	cues.org/GLI
Governance Leadership Institute™ II	*Rotman School of Management* Toronto, Ontario, Canada	**June 8—10**	cues.org/GLI2

Dates and locations are subject to change. For pricing options, visit ***cues.org/Events.***



The 80-20 Strategic *Scorecard*

BY JEFF RENDEL, CSP

Likely all of us are acquainted with the Pareto principle, which says that, for many outcomes, roughly 80% of effects come from 20% of causes. Better said: 80% of results derive from 20% of actions. What if the same principle applied to your credit union's strategy? Is it possible that a handful of vital measures and projects lay the groundwork for the largest part of strategic success?

Strategic scorecards, and the number of metrics, run the gamut. Decades of strategic advisory service to credit unions reveal most scorecards to have between seven and 15 metrics, with the bulk displaying around 10. But not all measures and their related projects are created equal. A smaller group is mission critical and provides for other measures and projects. However, we often assume that strategic success is not complete unless all measures and projects meet target goals and make a good run at stretch goals.

What if your scorecard was an 80-20 scorecard? What if your CEO and board determined the few metrics that provided the greatest results toward strategic success and kept strategic conversations and priorities focused on these critical few, knowing that success where influence was greatest would contribute to subsequent progress in the second-level measures of strategy?

For example, many strategic plans and scorecards are focused on growth, profits and experiences. Say a credit union listed out 12 strategic measures, with its 80-20 critical measures highlighted in bold:

1. **Net loan growth and production**
2. Net membership growth
3. Share growth
4. Member relationship growth (average loan and share balances)
5. Return on assets
6. Net worth ratio
7. **Revenue per member**
8. Net charge-off ratio
9. Staff engagement survey results
10. **Online and mobile technology use**
11. Net Promoter Score
12. Staff hours in community service

All these measures are important and meaningful, but this credit union determined that new loans, new sources of revenue and greater use of digital tools would best provide the resources required to further execute on the remaining measures. In a similar fashion, the credit union identified the projects that were most critical in delivering on its key measures and prioritized accordingly. As a result, the board, CEO and executive team were able to focus and concentrate on matters that delivered the highest contribution toward strategic success. Accordingly, the board authorized incentives that were more heavily weighted toward the critical measures.

Try this approach with your credit union's strategic scorecard. Of the figurative dozen scorecard elements at your credit union, which three (maybe four), when successfully executed, deliver the lion's share of assets, revenue, market share, and capital to continue addressing the other measures? Your focus on the few will help to ensure your business model reliably produces the kind of results that provide for secondary attention to next-level measures that continue to refine your business model.

Jeff Rendel, *certified speaking professional and president of Rising Above Enterprises* (jeffrendel.com)*, works with credit unions that want entrepreneurial results in sales, service and strategy.*

Leave a comment at cumanagment.com/032221skybox.

"Concerns about bench strength, future leadership pipelines and successors continue to be a top concern for organizations and executives as we continue into 2021. … Succession development is more than just identifying a successor. It's about building a pipeline, managing knowledge and deepening the skillset of today to meet the needs of the future."

Jennifer Stangl, director of professional development at CUES, in "Purposeful Talent Development: From 'Succession Planning' to 'Succession Development'" on CUES Skybox: *cumanagement.com/032921skybox*

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