



# Credit Union System Digitization Working Group

2021 End of Year Report

## Overview

The Credit Union National Association (CUNA) Credit Union System Digitization Working Group brings together 41 leaders from across the credit union movement to create a roadmap for digitization that will help credit unions adapt to the changes in consumer expectations, behaviors, and demands.

The purpose of the working group is to:

- Create strong awareness of the factors driving digital transformation in the financial services sector;
- Identify the strategic imperatives, gaps, and opportunities for credit unions to remain relevant and thrive by providing digital services to their members; and
- Translate ideas into actionable solutions and promote system collaboration.

The Digitization Working Group holds monthly virtual meetings to explore how a renewed focus on digital solutions can strengthen the credit union member experience. The following is an overview of the high-level takeaways for credit unions following the Credit Union System Digitization Working Group meetings on July 28, August 25, September 22, October 27, and December 7.

## Benchmarking the Digitization Journey

In the financial services industry, fintechs have disrupted the traditional way of doing business. This shift pushed credit unions to improve their member experiences and offer more digital solutions. However, digitization goes beyond upgrading online banking. To execute innovative digital strategies, credit unions need an efficient assessment tool to identify positional strengths and weaknesses. In the digital age, it is critical that credit unions understand where they stand within the competitive landscape and benchmark their digital transformation journey.

## Benchmarking and Self-Assessment Tools

The Digitization Working Group discussed the need for an industrywide playbook to help guide credit unions along the road toward digitization. This tool would be especially helpful for small credit unions that lack the appropriate resources to address a myriad of technology issues. When it comes to digitization, each credit union finds themselves at a different starting point in the process. An assessment tool would provide credit unions with a practical, relevant way to appraise their digital maturity.

CO-OP Financial Services shared key learnings from a previously developed online payments playbook – the Credit Union Strategic Investment Assessment – to give the working group an example of a gap analysis tool that is already on the market. Using this example, the working group discovered that a valuable benchmarking tool:

- Makes insightful research applicable for credit unions;
- Allows credit unions to look objectively at strengths, weaknesses, opportunities, and threats;
- Identifies who to target, where to invest, and how to determine the ROI;
- Includes supplemental information on the industry strategic model, target demographics, and recommended digital solutions/partnerships;
- Provides various support options to credit unions using the tool; and,
- Requires human analysis, personal engagement, and professional support

The Digitization Working Group leveraged these insights to begin work on a digital services maturity matrix to support the movement's digitization journey.

## **Level-Setting the Discussion**

At the outset, the Digitization Working Group divided into five discussion groups, to identify problems, solutions, and ideas for implementation. Each group is focused on further exploring the issues identified in stage one and discussing potential solutions. The following is an outline of each group's findings:

### **Analytics and Intelligence**

- An industrywide data and analytics playbook would leverage proven methods to establish data-driven solutions, providing a fundamental framework for credit unions and/or consultants.
- It is important to pair credit union member data with outside data (e.g., Zillow or Auto Trader) to help consumers make smarter financial decisions and determine the value of their assets.
- Credit unions must become advocates of data-driven governance, allowing them to strengthen decision making systems and respond to problems more efficiently.

### **Empower Employees**

- Talent acquisition and recruitment teams must develop a concrete plan to improve their processes.

- Credit union employees, and new members alike, face issues with fragmentation due to backend inefficiencies. There is a disconnect between expectation (e.g., sophisticated products and services) and reality (e.g., historic systems that lack innovative technology).
- University credit unions pull from their student base for hiring. There is an opportunity for the industry to capitalize on their specialized skillset to employ a new generation of talent.

## **Engage and Deepen Member Relationships**

- There is a shift from the “4 Ps of Marketing” – product, price, promotion, and place – to the “4 Es of Marketing” – experience, everyplace, exchange, and evangelism.
- While they were once renowned for face-to-face interactions, credit unions now trail banks on service and satisfaction. Digitization compromises the credit union advantage, creating an arena where financial institutions must be good at everything.
- To become top-of-mind in an à la carte world, credit unions must reinvent and create new member experiences, viewing fintech partnerships as an opportunity rather than a threat.

## **Optimize Operations**

- In the vast payments space, it is helpful to identify and prioritize opportunities that drive stronger member engagement.
- There is a need to drive broader adoption of contactless, or tap to pay, credit cards. Since reissuing cards is cost prohibitive, credit unions must find ways to lower expenses and create economies of scale.
- Retail business banking creates an opportunity to expand relationships with small business owners. This includes offering technology that supports functions such as ACH origination, wire transfers, and armored services.

## **Transform Products**

- Consumers want a one-stop-shop for banking services. Credit unions can expand their product offering list to include not only accounts and loans, but also credit reports, investment advice, and debt management tools.
- An industrywide, shared platform could help small credit unions manage point of sale and ACH originations.
- In some cases, credit unions will need to choose member benefits and consumer experiences over product costs.

## Adopting New Methods of Credit Modeling

In alignment with the CUNA National Credit Union Roundtable, the Digitization Working Group also examined the importance of adopting new methods of credit modeling. The traditional credit underwriting system uses data that may disadvantage a significant portion of the population. To give underserved communities access to credit and/or access to credit at better terms, credit unions can leverage alternative data not found in traditional sources. Alternative credit models may help credit unions gain market share in underserved communities, help consumers save through more affordable credit, and improve their reputational standing versus their competitors.

Due to the volume of data required to execute alternative models, cross-collaboration is critical. Credit unions may be able to mainstream alternative credit models through a buy, build, or partner approach. Fintech companies like Zest AI, for example, use artificial intelligence and machine learning to improve credit modeling and scoring. Zest AI recently partnered with CUNA Strategic Services (CSS), which the working group identified as an ideal business partner to facilitate credit union-to-fintech connections. As is the case with most digital solutions, data will drive the implementation of alternative credit models.

While this discussion validated interest and potential in this area, the working group ultimately decided to pursue other initiatives more specifically aligned with lifting the digital maturity of the credit union system.

## New Workstreams in Development

In late 2021, the Digitization Working Group began to move from level-setting and information gathering to driving deliverables for the movement. As part of that decision, three workstreams were developed to guide the group's continuing work.

### Maturity Model Roadmap

The Digitization Working Group continues to develop a Maturity Model Roadmap for credit union self-assessments. As of January 2022, the group identified the following digital features and function segments to benchmark within the model:

- Online and Mobile Banking
- Cybersecurity and Fraud Management
- Money Movements and Payments
- Analytics and Reporting

- Wealth Management and Investments
- Open Banking
- Digital Mindset and Culture
- Online Accounts and Loan Originations
- Digital Engagement and Sales
- FinTech Assessment
- Member-Centric Design
- Workflow and Robotic Process Automation
- Digital Marketing
- Skills-Gap Analysis

This workstream will work to identify the stages of maturity within these areas and prioritize their implementation as they complete the roadmap.

### **Digital Journey Assessment Tool**

Self-assessment gives credit unions the opportunity to evaluate where they are versus where they want to be. Members of this workstream will work to develop a tool which would take the information from the maturity roadmap and enable credit unions to do a self-evaluation.

Credit unions would enter key information about their credit union's technology environment and digital strategy to receive guidance that identifies the next steps they should be considering on their digital journey. They would also receive some support information on how to take those next steps.

Credit unions should expect their results to vary, as current complexity, strategy, asset size, and other factors will influence the assessment.

### **Credit Union Digitization Score**

This workstream will develop a scoring matrix to benchmark a credit union's activities through digital channels. The score would give credit unions data to better understand if their digital tools/offerings have similar volume, impact, and or/production as those of their peers. Industry data, including large sets from industry partners, is a key component of developing and ultimately generating the scoring metric(s).

## **About the Digitization Working Group**

Those invited to participate in the Credit Union System Digitization Working Group represent a wide array of stakeholders within the credit union system. The working group includes 20 credit union CEOs and executives who specialize in information technology and security, omni channel strategy, innovation, retail, and people management. Mark Sievewright, CEO and Founder of Sievewright & Associates, and CUNA EVP/Chief Engagement Officer Greg Michlig facilitate the workstream discussions.

As of January 2022, the Working Group features both new and returning participants, including:

- Samantha Amburgey, Michigan State University FCU, Chief Information Officer
- Karan Bhalla, Trellance, Chief Growth Officer
- Craig Beach, Carolinas Credit Union League, EVP/COO
- Eddie Black, Vocal Credit Union, President/CEO
- Brian Bodell, AdvantEdge Digital, VP Partnerships and Integration
- John Bratsakis, MD | DC Credit Union Association, CEO/President
- Lisa Coffey, Corporate Credit Union Alliance, Chief Innovation Officer
- Nancy D'Amico, Digital FCU, SVP Technology and Innovation
- Ryan Fairley, Navy Federal Credit Union, VP, Omni Channel Strategy and Innovation
- Brad Green, Listerhill Credit Union, CEO/President
- Erika Hill, CU Direct, VP of Marketing
- Jessica, Hrubes, CUNA, VP, Strategic Credit Union Relations
- Deshundra Jefferson, CUNA, Chief Communications Officer
- Brian Kaas, CMFG Ventures, President and Managing Director
- Kabir Laiwalla, Platinum FCU, CEO/President
- Barb Lowman, CSS, President
- Kent Lugrand, InTouch CU, CEO/President
- Antonia Luna, California Coast CU, SVP, Branch Network and Support Services
- Dean Michaels, CO-OP Financial Services, Chief Strategy Officer
- Greg Michlig, CUNA, Chief Engagement Officer
- Angela Moran, Orange County's CU, Chief Information Officer
- Lance Noggle, CUNA, Senior Director of Advocacy, Payments and Cybersecurity
- Jim Nussle, CUNA, CEO/President
- Lindsay Oparowski, PSECU, Director, Member Experience
- Larry Palochik, CA and NV Credit Union Leagues, SVP Member Solutions
- Carma Parrish, Northpark Community CU, CEO/President

- Carey Price, Baxter CU, SVP, Digital Strategy and Delivery
- Becky Reed, Lone Star CU, CEO/President
- Karin Sand, CUNA, VP, Sales
- Cynthia Schroeder, Visions FCU, SVP/Digital Assets
- Thayne Shaffer, America First Credit Union, CEO/President
- Mark Sievwright, Sievwright & Associates, Founder and CEO
- Cameron Smith, Northwest Credit Union Association, VP, Strategic Partnerships & Resources
- Todd Spiczenski, CUNA, Chief Products and Services Officer
- Tansley Stearns, Canvas CU, Chief People and Strategy Officer
- Denise Stevens, PSCU, SVP and Chief Product Officer
- Nathanael Tarwasokono, Firstmark Credit Union, CEO/President
- Chris Turnley, University FCU, VP, Retail
- Tyler Valentine, StagePoint FCU, CEO/President
- Jack Van Kauwenbergh, World Council of Credit Unions (WOCCU), Chief Information Officer
- Heather Walter, Advanz CU, CEO