



Filene Research Institute 

THE FUTURE OF TECHNOLOGY FOR CREDIT UNIONS

MAY 13, 2021



WELCOME

TODAY'S AGENDA

Welcome and Introduction

Findings from Filene: What Matters Most

- Stop chasing trends and build a member-first strategy
- Six steps toward digital transformation

The View from Credit Unions: A Conversation with Filene Think Tankers

- How are you addressing the future of technology?
- How are you setting priorities?
- How are you using technology to advance your strategy?

YOUR HOST



TAYLOR C. NELMS

Senior Director, Research
Filene Research Institute



THE FUTURE OF TECHNOLOGY FOR CREDIT UNIONS

STRATEGIC PRESSURES FOR 2021 & BEYOND



DIGITAL TRANSFORMATION & CURBSIDE DELIVERY

The changing service model and challenge of differentiating in digital/mobile channels



EXTREME VALUE & BUSINESS MODEL INNOVATION

Financial well-being and social impact as value prop differentiators



THE BALANCE SHEET CRUNCH

Shrinking net-interest margins, pressure to control costs and grow non-traditional (non-interest) income



NAVIGATING UNCERTAIN & DYNAMIC EXTERNAL ENVIRONMENTS

Grappling with risk, building organizational resilience for the future



THE INFRASTRUCTURE PLAY

Building interoperability, eliminating silos, innovating and harmonizing legacy systems



THE FUTURE OF WORK

Distributed and hybrid work environments, attraction and retention, re-training and up-skilling, team engagement

THE FUTURE OF TECHNOLOGY FOR CREDIT UNIONS

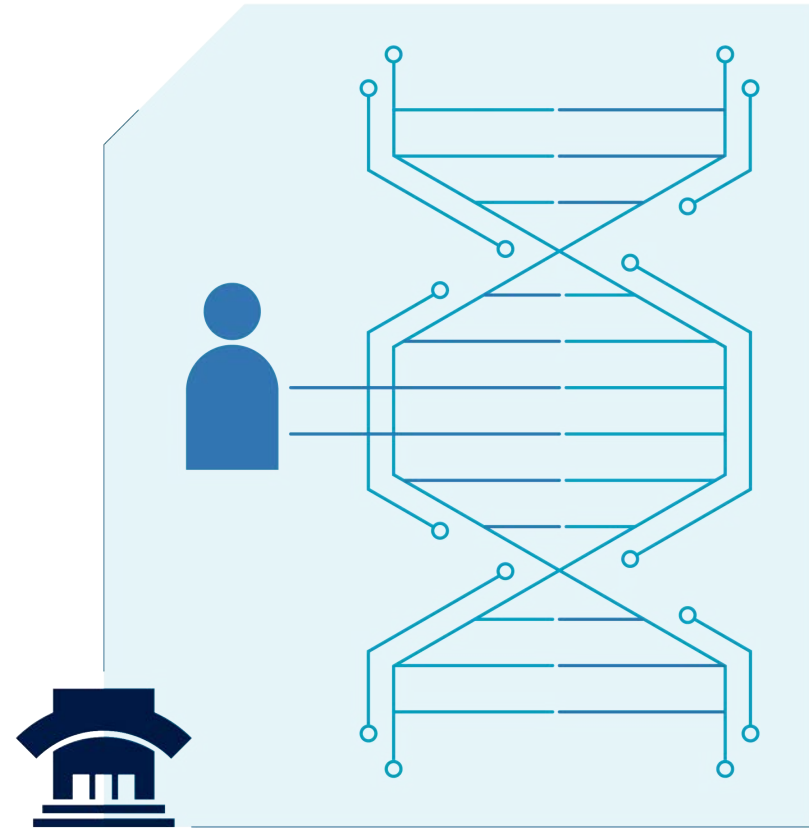
FROM SHINY OBJECTS TO MEMBER-FIRST DESIGN

Filene spoke with leaders across the credit union system and fintech experts about the future of technology.

Our main finding: **the future of financial services is digital.**

Our report does not provide a primer on emerging technology, but rather a proposal for how to build a credit union that can **flexibly explore, assess, experiment with, and deliver emerging technology that will best serve its members.**

To win the future, credit unions should **adopt a member-first design strategy** with technology marshaled to support that effort.



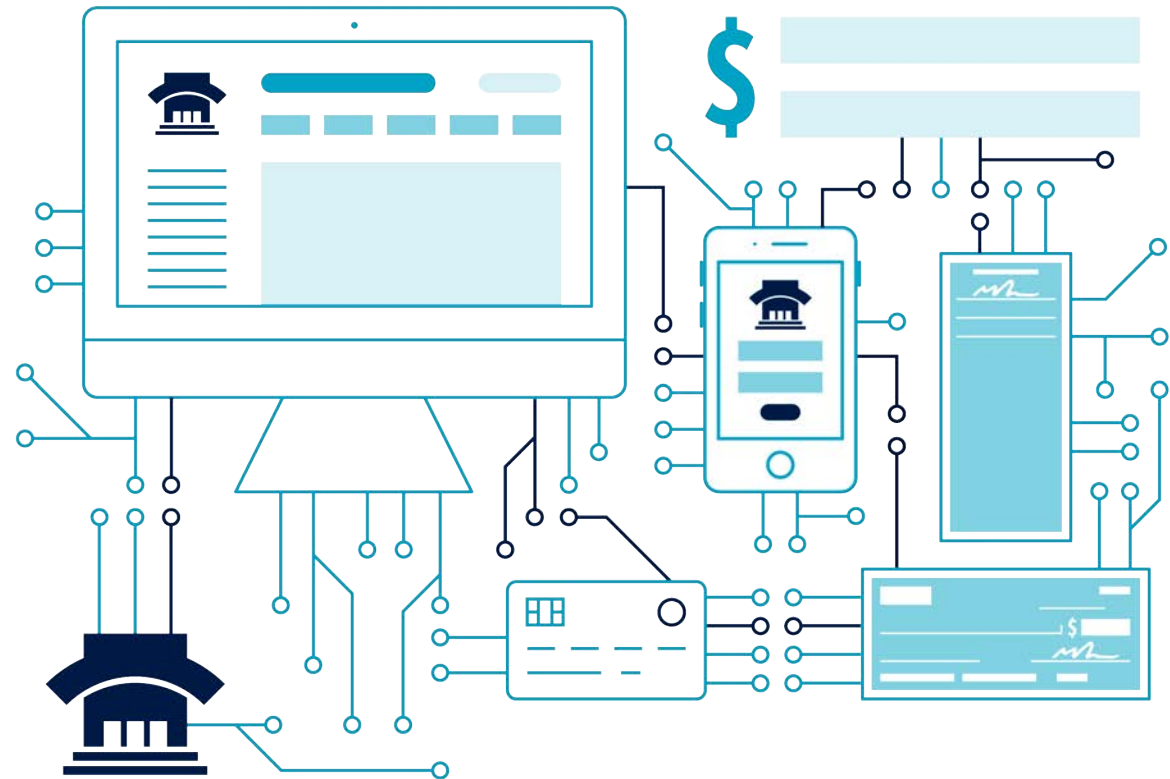
THE FUTURE OF TECHNOLOGY FOR CREDIT UNIONS

FROM SHINY OBJECTS TO MEMBER-FIRST DESIGN

Take stock of the **digital experience** you are providing to members — importantly, this is not simply a list of products and services available digitally, but **everything a member experiences as they interact with your credit union online.**

Stop expecting consumers to seek out financial products and services on their own.

Embed your financial services into members' financial lives.



STEPS TO CREDIT UNION DIGITAL TRANSFORMATION

- Offer members a **basic digital experience**.
- **Focus on user experience**, rather than products & services.
- Build architecture to support **flexible partnerships**.
- Make the back office more **efficient**.
- Facilitate **collaboration** instead of siloes.
- Use technology to enable your **strategic vision**.





THE VIEW FROM CREDIT UNIONS:

A CONVERSATION WITH FILENE THINK TANKERS

VIEW FROM CREDIT UNIONS

WELCOME



Amber Smalley

Director — Digital Strategy
BECU



David Birky

EVP Chief Strategy Officer
Interra Credit Union



Kristin Shultz

President/CEO
NRL Federal Credit Union



Michael Spink

SVP, Research + Development
Local Government FCU

THANK YOU

ACKNOWLEDGMENTS

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1010 E Washington Ave – Suite 306 | Madison, WI 53703

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Have questions or comments about today's presentation?

Contact Filene's Senior Director of Research.

TAYLOR C. NELMS
taylor@filene.org



The Future of Digital Transformation for Credit Unions: Summary Report

EXECUTIVE SUMMARY

As credit unions scan the future and make decisions about technology adoption and where to invest resources, this report provides guidance, actionable insights, and a step-by-step guide to balance tradeoffs, understand what new technologies will become table stakes, and which ones offer opportunities to differentiate product and service offerings.

OVERVIEW

The future of financial services is digital. This report provides concrete action steps in the form of a road map to a digital future. Included is a summary report, step-by-step road map, guide to partnerships, and an infographic highlighting the reasons credit unions need to develop and invest in their digital strategy.

SUMMARY

Consumer expectations for financial institutions are swiftly evolving, in response to the breakneck pace of innovation. In a 2019 survey, 81% of banking CEOs said they were concerned about the speed of technological change (PwC 2019), while nearly 80% of financial industry leaders surveyed in 2020 reported that COVID-19 had uncovered shortcomings in their institution's digital capabilities (The Economist 2020). With challenger banks and fintechs poised to increase their market share by appealing to consumers with frictionless, mobile convenience, how can credit unions compete?

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Why Invest in Technology?

THE PACE OF TECHNOLOGICAL CHANGE IS ACCELERATING...

81% OF BANKING EXECUTIVES are concerned about the SPEED OF TECHNOLOGICAL CHANGE—more than any other industry sector.¹

66% say NEW TECHNOLOGIES WILL CONTINUE TO DRIVE THE GLOBAL BANKING SPHERE for the next five years.¹

59% agree with the statement that "THE TRADITIONAL BRANCH-BASED BANKING MODEL WILL BE DEAD" BY 2025.¹

...AND FINANCIAL INSTITUTIONS HAVE NO CHOICE BUT TO ADAPT.

80% Nearly 80% of financial industry leaders said that COVID-19 HAS UNCOVERED SHORTCOMINGS IN THEIR ORGANIZATION'S DIGITAL CAPABILITIES.²

60%-65% OF FINANCIAL INSTITUTIONS' TECH AND I.T. BUDGETS already go toward ongoing infrastructure maintenance, rather than new investments.³

CREDIT UNIONS ARE NOT DELIVERING DIGITAL SERVICES THAT MEET MEMBERS' EXPECTATIONS:

Disatisfied credit union members are 3 times as likely to be unhappy with their credit union's MOBILE BANKING OPTIONS as disatisfied bank or fintech customers.

22% of credit union members would CONSIDER SWITCHING FINANCIAL INSTITUTIONS OVER INNOVATION, including 30% of Millennials.⁴

TO LOOK TO THE FUTURE, CREDIT UNIONS MUST PRIORITIZE INNOVATION.

47% of financial services executives say it will be extremely important or critical to IMPLEMENT A.I. IN FIVE YEARS.⁵

70% of companies that are well-prepared for digital transformation have appointed A CHIEF DIGITAL OFFICER OR EQUIVALENT.⁶

INVESTMENTS STAND TO BENEFIT IN THE NEAR- AND LONG-TERM.

75% of bankers who IMPLEMENTED SUCCESSFUL CLOUD INITIATIVES said they had already achieved expansion into new industries, creation of new revenue streams, and expansion of their product/services portfolio.⁷

66% Institutions that made strategic investments in emerging technologies over the past few years have, in recent times, DEMONSTRATED RESILIENCE against new competitive entrants, margin compression, and unprecedented uncertainty.⁸

66% For some players, INVESTMENTS IN DIGITIZING BANKS' and insurers' businesses over the last decade have helped their response to the COVID-19 crisis.⁹

Digital financial services can also IMPROVE FINANCIAL INCLUSION for the 22% of Americans who are unbanked and underbanked.¹⁰

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