

E-book

**delivering a  
compelling  
Modern Member<sup>SM</sup>  
experience for  
the future**



**jack henry™**

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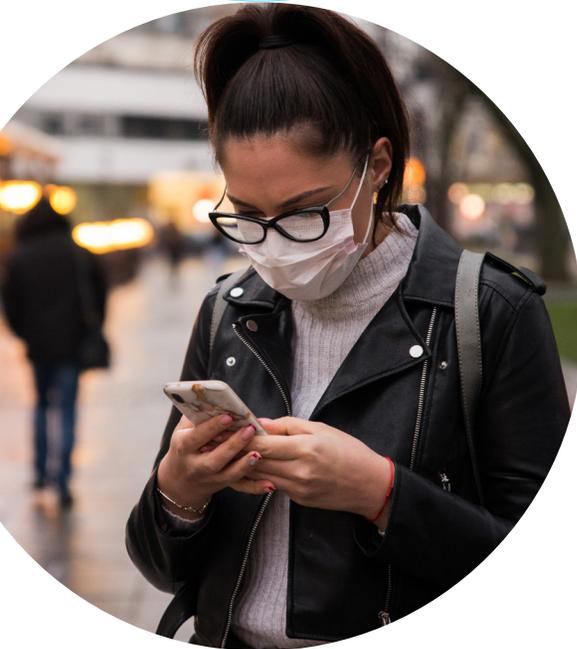
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## introduction

If you follow industry trends while keeping an eye out for disruption, you've probably noticed that new and emerging technologies continue to blur the lines of competition between traditional banking, big tech, and fintech. Sometimes it is difficult to predict what things will look like next week, let alone next year. **But for all the uncertainty they cause, periods of disruption also tend to have a way of presenting opportunities.**

Recent years have brought forth a more sophisticated and flexible use of technology, giving credit unions the opportunity to reshape strategies and realign priorities. To rethink goals. To reestablish relationships and reimagine the Modern Member<sup>SM</sup> experience. In the wake of COVID-19 and subsequent technology trends, credit unions have been given the opportunity to be there for members in an incredibly meaningful way.

In this ebook, we'll explore ways credit unions can deliver exceptional go-forward member service into the immediate future and beyond. Using a combination of outside research and other industry-leading expertise, we'll take a look at how to build and maintain member loyalty and trust, the importance of offering multiple channels for member engagement, why accelerating digital transformation will help credit unions compete with fintechs, and potential new (or renewed) lines of revenue that have come about due to the pandemic.



# building loyalty through change

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## understand your members

Feeling known is a basic human need. Modern Members needs to feel like they're more than an account number and a cell on a balance spreadsheet. They need to feel understood, respected, and protected. They need to feel valued.

According to the latest Financial Health Pulse U.S. Trends Report, despite recent overall improvements, many individuals continue to struggle with their finances today. And the majority (66%) of people in the United States are not considered financially healthy. Millions have experienced declines in their financial health, particularly those whose employment situation changed over the past year. 35 million people are struggling with all, or nearly all, aspects of their financial lives. Only 43% of survey respondents say that they are confident they have sufficient long-term savings, whereas 57% report a lack of confidence in their long-term financial goals.<sup>1</sup>

The first step to increasing that financial confidence is through trust and credibility. Today's members want to see their credit unions as honest and ethical, reliable and dependable, easy to do business with, financially strong,

and a provider of good service. They also need to feel like their credit unions are listening.

According to a Salesforce Research survey of 6,700 consumers and business buyers, 84% of consumers say being treated like a person, not a number, is very important to winning their business. "For those companies able to deliver this more human touch, the rewards are considerable," the report explains. Delivering personalized experiences drives loyalty, with 70% of consumers saying a company's understanding of their individual needs influences their loyalty, and 69% saying the same of personalized customer care.<sup>2</sup>

All that's to say: credit unions shouldn't hold back from fostering loyalty through individualization and personalization.

Members are worried their finances will suffer when or if they're forced to take pay cuts, laid off, or furloughed. The economic fallout from the pandemic claimed more than 30 million jobs. While credit unions alone can't lift all those fears, a little bit of empathy can go a long way toward providing relief and a sense of normalcy.



84%

of consumers say being treated like a person, not a number, is very important to winning their business.



## neobank adoption

30.3%

An estimated 76.9 million Americans (30.3% of the US population) say they have, or are planning to, open a digital-only – or neobank – account.

[learn more](#)

### keep up with the times

With the spread of COVID-19 came a fear of doing anything that might involve potential contact with the virus. Pre-pandemic, only 14% of Americans were considered to be completely digital – using only digital channels for their banking needs.<sup>3</sup> The rest fell somewhere along the spectrum, with 43% using a digital banking service (e.g. PayPal, Venmo) alongside their primary credit union or bank.

But as of April 2020, Finder's Neobank Adoption survey found an estimated 76.9 million Americans (30.3% of the United States population) currently have or are planning to open a digital-only banking account.<sup>4</sup>

RTi Research predicts digital payment adoption will likely grow exponentially over the coming months. Their recent survey found that 33% of consumers reported ordering groceries online for the first time, and of those, 54% plan to continue this behavior post-COVID-19. And of the 30% of consumers who used a touchless payment method for the first time during the pandemic, 70% plan to continue using that technology.<sup>5</sup>

During this time, people are more willing to change and try new things. This change in behavior leads to the need for credit unions to keep individualization at the forefront of member support while rethinking the products and services they'll offer moving into the "new normal" (e.g. P2P payment services). One example of this practice is targeted digital marketing. By monitoring member activities on digital channels and responding with messages specifically for that member, credit unions can increase their ability to effectively engage. Another example is mobile card controls – these are more than just fraud stoppers. By serving as a frequent reminder of concern and assistance, they're subtle relationship builders.



## next steps

Pre-pandemic priorities and focus areas largely included improving digital delivery and digitizing branches. But COVID-19 led to a bigger conversation when it comes to building and maintaining loyalty among members.

Now is the time for credit unions to rethink the member experience, reimagine member support, and make sure they're keeping a personal touch as they expand their digital offerings. Credit unions should make sure they're:

- » Taking the time to listen to their members' individual circumstances.
- » Providing options and offering suggestions that are in their members' best interest.
- » Providing the digital tools members need to access funds in a branchless environment. For example, are you offering your members:
  - *Modern lending experiences through digital loan lifecycle management?*
  - *Personal 24/7 support across all your channels?*
  - *Personalization by taking advantage of data-driven analytics?*
  - *User-friendly digital banking experiences using core-centered technology?*



# increasing member touchpoints

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## be where your members are

Used to be, offering strong branch and phone support was paramount to the success of any credit union. While those two touchpoints remain vitally important, they're no longer enough on their own. Long before the pandemic, the Modern Member was already looking for the technology, speed, and convenience we've all become accustomed to in our everyday lives. In the credit union industry, it comes down to being there for your members where they need you to be.

A consumer expectations survey published by HubSpot polled nearly 1,000 adults aged 18 and over in the United States.<sup>6</sup> The survey found that “with the rise of smartphones and social media, consumers have a multitude of communication channels at their disposal, and they expect to be able to use the channel that’s most convenient for them, or best suited to their issue.” According to the survey, the standard consumer uses an average of at least three types of means for contacting the companies with which they do business. They’re using phone, email, live chat, mobile apps, and online channels.

When it comes to user engagement, 82% of consumers reach out by phone, making it crucial for credit unions to offer live phone support even outside of regular business hours. An overlapping 62% contact via email and 43% use live chat – and they’re doing more than simply checking balances or paying bills. They’re opening accounts, applying for loans, and finalizing documents. To most members, these features are considered business as usual. And since COVID-19, the numbers for these touchpoints have only increased.

And as the number of in-branch visits continues to decrease and the number of digital transactions increases exponentially, the importance of making each engagement more personalized will be the key to success. According to Boston Consulting Group (BCG), digital engagement could increase by sixfold (or more) in the near term. Many of these engagements will be assisted by humans or digital support tools, making the level of insight and contextualization even more important.<sup>7</sup>

## trends in digital banking<sup>8</sup>

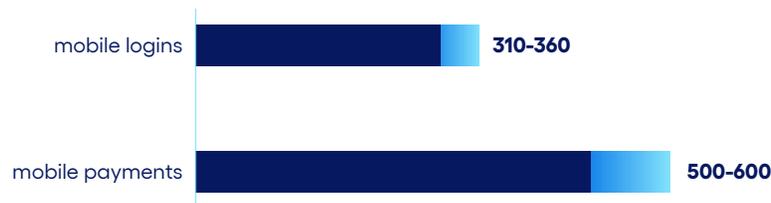
### typical today

# of member interactions (per year)



### projected in the future

# of member interactions (per year)

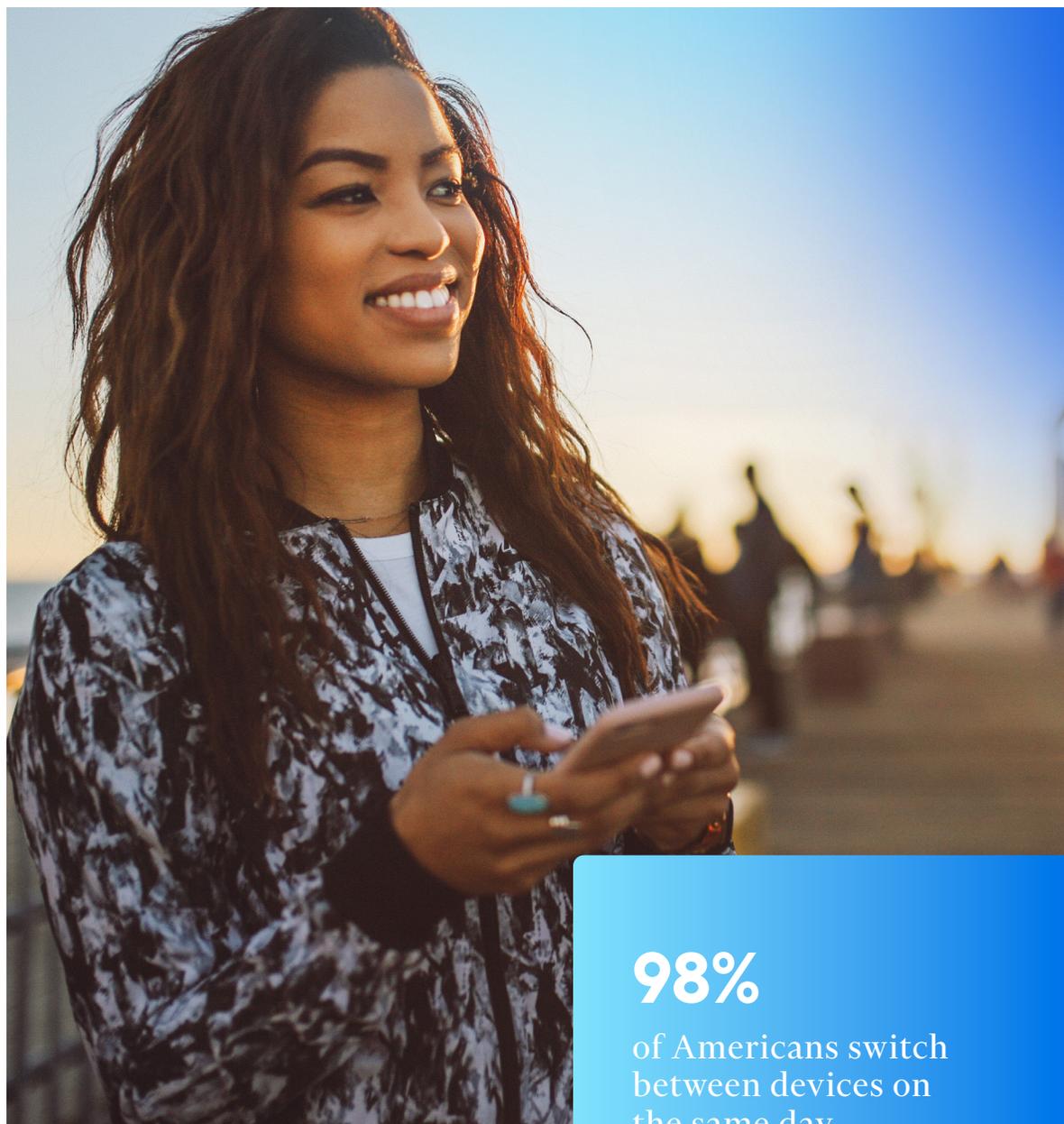


## stay consistent across all touchpoints

Without a strong focus on increasing member touchpoints, your members are more prone than ever to struggle with financial fragmentation. And instead of turning to you in key moments of need, their financial lives are likely to remain scattered – with fintechs and other disrupters more than happy to gain a foothold.

A Google research report found that 98% of Americans switch between devices on the same day, while 46% of the population manage their finances online.<sup>9</sup> Oftentimes, members will start looking into their accounts on a smartphone before making their way to a tablet or laptop to dig deeper if they need more information.

Providing a consistent experience with accurate information across channels is crucial for credit unions hoping to provide the best in member service. Members should have access to the resources they need through whichever channel works the best for them on a regular basis. For members who aren't comfortable with digital touchpoints, that means the phone. For members who are already familiar with online and mobile, that means self-service resources.



# 98%

of Americans switch between devices on the same day.

## use empathic banking to reach your members

Empathic banking is usually sandwiched between data analytics and cognitive computing. It's learning about members by leveraging a digital toolset to identify data changes.

Through innovative tech, process automation, and decisions provided by the human element, credit unions can create a personalized, individualized member experience. One example from the session related to social media engagement. A credit union can tie a member's social media activity to his or her Episys® account (if they opt-in, of course) and then connect to Microsoft® Azure Analytics to detect the sentiment and evaluate the content of the posts. Using these values, the credit union can determine whether the member spoke positively or negatively about the credit union and use an automated process to trigger a feedback service event. Once the feedback is received, the owners of your member engagement process can review the social media post and decide if they want to send the member a follow-up email. Completing this process in jhaEnterprise Workflow™ sends the email and closes that feedback loop.<sup>10</sup>

The bottom line when it comes to empathic banking is that credit unions don't have to wait for members to come to them. After all, members who are concerned with financial hardship may feel overwhelmed and find it difficult to reach out for the resources they need.



## next steps

If credit unions want to be there for their members at the point-of-need, they need to excel in digital member engagement. They should be proactive when it comes to member engagement and implement solutions with deep digital capabilities, covering (and staying consistent on) channels like self-service, phone support, online and mobile, email, live chat, and social media.



# catalyzing the digital conversation

## accelerate your digital transformation

It's never been a secret that the world is turning digital, but the COVID-19 pandemic has exponentially increased the pace at which that's happening. In what felt like a split-second, COVID-19 forced the adoption of online and mobile; created a tipping point for digital and contactless payments; and hurried along the evolution of the underlying market structure.

In 2017, the United States saw the promise of real-time payments and P2P was just starting to pick up steam. Over the next couple of years, credit and debit cards continued to be the mainstay for payments, and bill pay continued its growth with the introduction of items like eBills. Then 2020 came along and supercharged payments in a way the industry had never seen before.

During COVID-19, the industry has seen 35% of consumers increase their online banking usage. Mastercard reports more than 40% growth in contactless transactions during the pandemic; and in the first quarter of 2020, Visa saw more than 13 million customers in Latin America make their first-ever online transaction.<sup>11</sup>



## digital is here to stay

The digital trend doesn't seem to be going away. Of the 48% of consumers who have shifted their shopping online, 86% intend to stick with those experiences and 63% plan to maintain at least some of those digital behaviors. And as Americans continue to avoid cash and point-of-sale (POS) terminals, it's not surprising that 60% of consumers expect merchants to offer a way to pay in-store without interacting with a card reader. In fact, McKinsey & Company estimated classic POS payments volumes could drop by as much as 30 – 40% in the short term (especially with foot traffic down by more than 70% for retailers at the beginning of the pandemic).<sup>12</sup>

In March 2020, CUInsight's research firm conducted a survey to assess how the pandemic had been impacting the operations of credit unions and banks. The firm followed up with a second survey four months later to investigate the evolving consumer landscape in digital transformation, specifically in payments. According to their research, 65% of surveyed credit unions and banks have seen an increase in card not present (CNP) transactions and 76% reported the same for mobile payments.<sup>13</sup> No respondent saw a decline in either category.

In the same two-part survey, CUInsight asked credit unions and banks to rank their focus in five areas. Nearly 66% of respondents rated "Expand/Improve Digital Channels" as their top priority and their most critical initiative moving forward.<sup>14</sup> This is in most part due to the number of consumers expected to maintain their digital behaviors even after more branches open across the United States.

Even before the COVID-19 pandemic swept the nation, developing a seamless digital experience that resolves a member's need the first time around, "without forcing them to resort to a phone call or branch visit, is key for any

financial institution looking to stop leakage." Digital must be a focus that reaches across the entire credit union. Future needs won't be satisfied just through online and mobile.

For credit unions, digital growth is about embracing the Modern Member buying journey for financial products. (Pre-pandemic, 87% of consumers began their journeys online – which is a jump from 71% in 2017, meaning the trend is moving onward and upward.<sup>15</sup>) "It also means uniting Marketing, Sales, Operations, and IT around the goals of generating and nurturing digital leads and converting them into loans and deposits."<sup>16</sup>



# 60%

of consumers expect a way to pay in-store without interacting with a card reader.

## next steps

As we see the world move toward invisible payments and watch fintechs like Varo and Square enter the traditional banking space, making sure credit unions are top-of-app and top-of-wallet will go a long way toward increasing payments revenue and maximizing deposits. Credit unions can achieve this by:

- » Using scalable payments solutions that simplify the complex payments transacted in traditional, digital, and emerging channels.
- » Offering and educating members on mobile app-based solutions like remote check deposit, bill pay, and contactless payments.
- » Partnering with a technology provider that supports open banking, meaning you can find and implement integration opportunities that are in your best interest.
- » Taking a platform approach to your core technology so you can streamline all of your member touchpoints and digital channels – from your lending experience to your mobile app.
- » Using a core platform customization solution to modify your core to fit your needs, like integrating data from “multiple sources and developing interfaces with other systems.



**what could future  
growth look like?**

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## get ready to step up your mortgage lending game

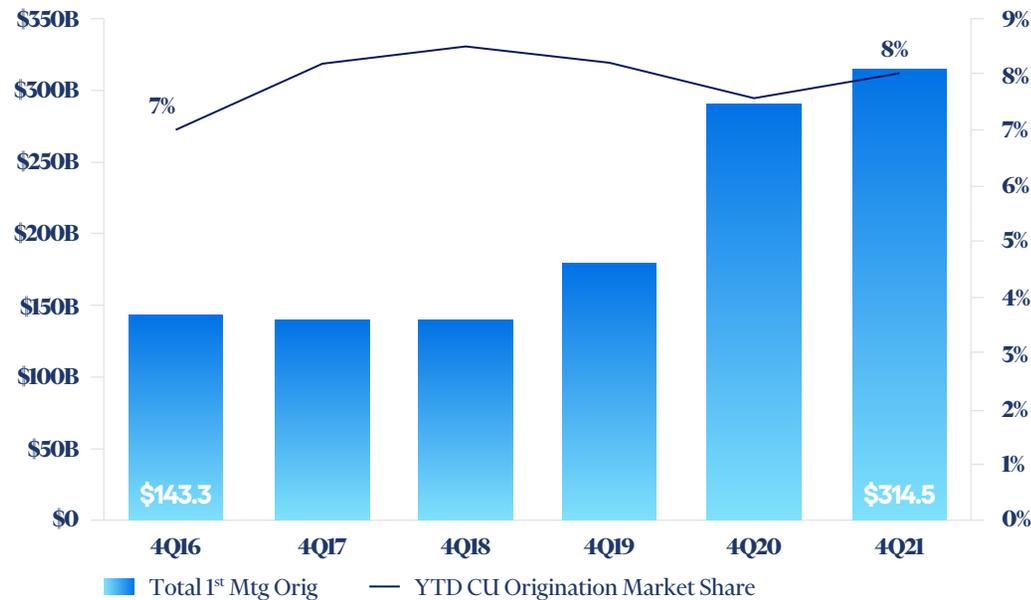
Prior to the COVID-19 pandemic, credit unions had been anticipating a slowdown in mortgage lending. But with the Federal Reserve then dropping interest rates to historic lows, credit unions experienced a surge in mortgage activity – particularly with refinancing.

With the Federal Reserve recently initiating their first interest rate hike since 2018, The Financial Brand notes that most forecasts call for at least four additional rate increases, totaling 125 to 150 basis points, over the course of the year. That’s a dramatic shift from earlier expectations, prompted by inflation surging to a level not seen

in four decades. The Financial Brand further notes that if liquidity won’t be a prime issue in the rising rate environment of 2022, relationships will be. Credit unions will have to design their strategies and price products to retain their members and align with primary relationships<sup>17</sup>

As credit unions prepare for mortgage requests going forward, it’s important that they keep the member in mind. Buying a home remains overwhelming and stressful event in the most ideal of times – let alone in a rising rate environment. There’s so much members need

## first mortgage originations and market share



source: Callahan & Associates | creditunions.com



## how to help your members through the mortgage process:



Educate members on helpful lingo.



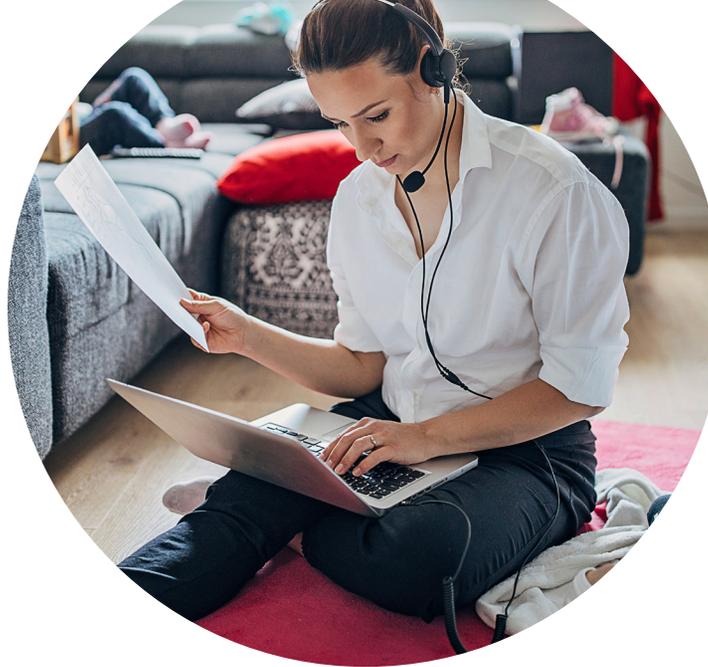
Deliver a seamless and simple digital experience.



Host a webinar on the real cost of home ownership for first-time homebuyers.



Digitize the mortgage process.



What Could Future Growth Look Like?

to do upfront: get pre-approved, get pre-qualified, shop for the best current rates, and learn the lingo (FHA, PMI, HUD, fixed rate, adjustable rate, escrow). Then once the process is started, it's time to dig for paperwork like two-year-old W2s and proof of renting an apartment from five years ago. It's exhausting. In short, members are going to be looking to their credit unions for guidance through this process. Both now and in the future, members will be looking for digital experiences that are useful, relevant, seamless, and appropriately simple. For the smaller percentage of in-person interactions they will seek, members expect those experiences to be personalized, empathetic, authentic, and focused on their needs and circumstances.

One way that credit unions can help is by hosting a webinar on the real cost of home ownership and what to expect when you're a first-time homebuyer. They can also offer a digitized mortgage process. As more members continue to favor an omni-channel approach, it might make borrowers feel more comfortable to work with loan officers over the phone and online.

## stay on top of remote payments

Before the pandemic, the remote payments category was growing at a 14% rate (compared with in-person payments which was increasing at a 4% rate).<sup>18</sup> During the pandemic, remote payments averaged 40% growth – further showing how critical it is for credit unions to keep their credit and debit cards top-of-app.

An RTi Research study conducted in March 2020 showed that 30% of consumers utilized touchless payment methods like mobile for the first time during the pandemic;<sup>19</sup> and as the adoption of mobile wallets for payments tied to food delivery services (e.g. DoorDash, Uber Eats) increased, it's become commonplace to link a card to a digital wallet to place an order. For credit unions that successfully educate their Modern Members while communicating their unique benefits, this could turn into recurring transactions that will pay off long into the future.



**30%**

of consumers used touchless payment methods for the first time during the pandemic.

## next steps

Credit unions should recognize today's unique opportunities and capitalize on the chance to further educate members on the product and service offerings they really need – because whether they're applying for a loan for their first house or figuring out how to deposit a check on their phone, members don't want to feel confused or frustrated. To make sure members feel valued and heard, focus on the member experience:

- » Let the desired member experience drive your strategy.
- » Build (or buy) systems that will serve your defined target market. Consumer lending processes have benefited from some automation though typically in stages, causing credit unions to use two or three systems to originate consumer loans.
- » Don't stop with your members. Offer the same systems support for your employees. Think about specific interactions your employees have with your members and consider whether your technology supports or threatens the success of those interactions.



## conclusion

**This is an extraordinary moment of opportunity.** Recent disruptions and other unforeseen events have ushered in a new era of banking for the credit union industry. But, through a renewed focus on member loyalty, an increase in member touchpoints, continued digital transformation, and taking advantage of future opportunities, credit unions will be well positioned to provide a compelling Modern Member experience – regardless of the circumstances. Because these best practices for delivering Modern Membership during the wake of a pandemic can apply to your member engagement strategies well into the future.

With Jack Henry's leading core, digital, lending, and payment solutions, you can improve the Modern Member experience across all channels and reach your members in their moments of need.

## connecting possibilities

For more information about Jack Henry's offerings, visit [jackhenry.com](https://jackhenry.com)

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