

WHITE PAPER

FINANCIAL TECHNOLOGIES EVOLVE AND ADVANCE IN THE SERVICE OF BASIC CONSUMER NEEDS

*Safety, Convenience and High Touch
Service Enhance Member Experience*

Control Freaks And Delegators

At CUNA's Governmental Affairs Conference (GAC) in February 2014, CO-OP Financial Services used its space on the trade show floor to stage a true exhibit. The company presented the history of payments in a display entitled "Evolution is Inevitable." Through words and images, CO-OP documented that the means of making payments has changed constantly throughout human history, driven by two key needs—safe access and convenience.

From bartering with livestock and perishable goods to the online payments of today, these two factors have remained constant. Indeed, they exert a more powerful influence on consumers than ever. Greater convenience in an increasingly mobile and self-service-oriented marketplace has given rise to correspondingly greater interest in having individualized control of those payment methods.

Ironically, even with the keys being increasingly turned over to the member, credit unions are also under more pressure than ever to provide high-touch, concierge-level service and support.

The result is two "member personas" that must be recognizable to every credit union employee. The first is the "**Control Freak**"—ever seeking greater self-service capabilities while at the same time growing more

manic about payment safety. The second could be called the "**Delegator**"—equally interested in individualized convenience, but also seeing their credit union as a resource for providing staff services and expertise when they want it. Needless to say, both personas can exist in a single member.

Credit unions that can answer the demands of these two member personas will succeed at enhancing the member experience, particularly with younger consumers.

Growing Acceptance For Mobile/Virtual Banking

The omnichannel world of online and mobile banking is at the forefront of consumer demands for greater self-service, control and convenience. User acceptance is well documented.

According to a Pew Research Center study of January 2014 ("Mobile Technology Fact Sheet"), 90 percent of American adults have a cell phone; 42 percent have a tablet computer; and 58 percent have a smartphone (more narrowly, 83 percent of those ages 18–29 own smartphones). Nearly half of those surveyed—48 percent—downloaded their financial institution's mobile application to their device.

It's not surprising that the Gen Y population (born after 1980) is leading the mobile banking trend. This age group reports the most significant increases for online banking, according to a

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previous study by Pew Research Center (“Internet & American Life Tracking & Omnibus Surveys 2010–2013”). The study found that in 2010, 55 percent of users ages 18–29 said they banked online; in 2013, 66 percent of that group said they did so.



Source: Pew Research Center

The competition among financial service providers to attract and keep these highly valued young consumers is fierce. But here’s some good news: credit unions continue to have a leg up on banks when it comes to trust, loyalty and customer satisfaction. So states a new Filene Inc. report “Next Generation Needs: Examining Credit Union Loyalty among Young Adults.”

The report points out that, “Looking at the priorities of young adults, the researchers find that members in this age group strongly agree that their credit union acts in their best interest.”

Protecting Interchange While Offering The Latest Technology

The new world of online and mobile banking—pushed on inevitably by the historic forces of payment safety and convenience—can also inevitably lead to concerns among credit union leaders over the loss of credit and debit card-based interchange revenue.

This issue was actually addressed head-on in an April 23, 2014, story in Credit Union Times about enhancements to CO-OP’s own innovative banking service, Sprig® by CO-OP, expected at the end of June 2014. The Article reports:

“The move will elevate as many as 48 million U.S. consumers to a level of banking that has been enjoyed in the rest of the world for decades, said Gareth Lodge, a U.K-based senior analyst for payments for Celent, an international banking consultant firm. And, he added, the deal (CO-OP/FIS PayNet) will challenge all participants in the U.S. payment system with a new way of operating. ‘People in the U.S. don’t realize it, but people in the U.K and other parts of the European Union have

been able to send money back and forth for little or no cost for about 30 years,’ he said.”

CO-OP is offering credit unions the latest in mobile technology and digital wallet-enabled products not only to enhance the consumer experience, but also to protect credit unions by ensuring that they remain competitively relevant. CO-OP business lines help credit unions grow new accounts and boost transactions with new payment forms, while also ensuring continued revenue generation on the card side.

In this way, credit unions partnering with CO-OP will service the needs of the control freak and the delegator among their membership—and continue to profit from that service.



Sprig By CO-OP Allows Members Access To All Their Accounts

Sprig enhances self-service capabilities for credit union members, widening the market door for credit unions in today’s environment of rapidly evolving technologies.

Sprig is a digital wallet application introduced by CO-OP in January 2013. With Sprig, credit union members can make instantaneous P2P transfers between their own accounts—even across institutions—and into the accounts of others in the network.

A significant attribute of Sprig is that it enables members to transfer money from their deposit accounts based on a proprietary, real-time “good funds” availability model, rather than the delayed automated clearing house (ACH) model.

Sprig is being upgraded to enable out-of-network, pay-anyone payments based on the secure FIS PayNet platform, capabilities available at the end of June 2014. Prior to that, in mid-May 2014, Sprig will be upgraded with a redesigned Web and mobile application user interface, as well as support for remote check deposit on Android mobile devices (already supported on the Apple iPhone).

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CardNav By CO-OP Gives Cardholders Even More Control

Another major stride towards giving members more control over their financial activities is the new CardNav by CO-OP, available in the third quarter of 2014. CardNav by CO-OP is a mobile credit and debit card control and fraud alert app that provides cardholders with direct control over payment activity coupled with improved protection against card misuse.

How does it work? CardNav by CO-OP controls can be set by the primary cardholder so that if specific types of pre-approved transactions are violated, the cardholder is notified about any potentially fraudulent use and can immediately deactivate the card.

Controls can be set in any number of ways:

- **Location.** The cardholder specifies a geographic region where the card can be used, with transactions denied when used outside the parameters.
- **Transaction.** The cardholder specifies allowed transaction types, such as in-store, online, recurring or ATM cash withdrawals.
- **Merchant.** Merchant categories can be limited to gas, hotel, travel—whatever the cardholder mandates.
- **Dependent.** Parents can, for instance, set card controls for their college kid(s) who are attending school away from home. Also, businesses can set controls per employee based on their position, corporate rank, etc.
- **On/Off.** The primary cardholder simply turns the card off if a transaction is outside the control parameters, and back on again if everything is confirmed to be alright.
- **Self-Service.** CardNav by CO-OP will also perform basic self-service functions such as balance inquiries and fund transfers.

In the context of growing card use and concerns over security, CardNav by CO-OP offers added real-time protection for credit unions as well as member cardholders. This type of security is critical today because payment cards continue to dominate the business of electronic payments in the U.S., with two-thirds of all non-cash transactions in 2012 via a card. This is up substantially from 60 percent just three years earlier, according to the Federal Reserve System's triennial payments study, "Consumers and Mobile Financial Services 2013."

The Federal Reserve System's report further points out that uncertainty over security "continues to be the main impediment to the adoption of mobile financial services." When asked their feelings about mobile banking, respondents said that concern about the security of the technology was the primary reason for not using mobile banking services (38 percent of respondents, down from 42 percent in 2011).

Comprehensive Home Bill Pay Digital Banking Solution

In February 2014, CO-OP announced its latest strategic partnership—with Alkami Technology, Inc., of Plano, Texas. The two companies are partnering to bundle CO-OP Bill Pay with the Alkami ORB Platform, enabling credit unions to offer members a fully integrated online and mobile banking bill payment solution.

The bundled solution includes MemberPay^{Plus}, the premium version of CO-OP Bill Pay, which serves as the processing engine behind the bill pay user interface provided by the Alkami ORB Platform. The result is a digital banking solution that includes the following features:

- Designed for touch on smartphones and iPad.
- Content driven, including dashboard, account history, fund transfers, integrated bill pay, savings and budgeting tool.
- Customizable user interface and content on a per member basis.
- Empowers credit unions to understand and access information about its member base, then communicate with them in more relevant ways.

The Alkami user interface is an elegant one and CO-OP Bill Pay is a proven platform that has processed millions of payments. Bundled together, the two products makes for an advanced digital banking solution that delivers real value to credit union members.

The Importance Of Call Centers

Even in this age of digital transformation—and perhaps because of it—the “Delegator” in today’s credit union member is still looking for the “concierge” in their primary financial institution. Because of the prevalence of 24/7 self-service tools, consumers are now looking for 24/7 access to staff services—to help transact a loan or speak to a knowledgeable person about their accounts.

Call centers such as CO-OP Member Center have evolved into substantial contributors to a credit union’s value proposition of service, convenience and trust. As people with smartphones and smartpads become more oriented to doing things at any hour, a call center can also be a source of that instant gratification consumers have come to expect.

Another important benefit of an active call center is the fact that the 24/7 Gen Y consumer in many cases actually prefers human over digital touch, according to the Filene study. In fact, the research shows Gen Y consumers are more likely to contact a call center, visit a branch and/or drive up to an ATM, than any other age segment.

CO-OP Member Center is a primary conduit to help members with lending and service needs on a round-the-clock basis. And, in an economy that remains challenging, a 24/7 call center helps credit unions ensure that they capture absolutely every loan opportunity that comes their way.

Evolution Is Inevitable

Creating new and improved ways to pay for goods and services is central to how we interact with each other, and how credit unions can enhance the member experience. Sprig by CO-OP, CardNav by CO-OP and the CO-OP Bill Pay/Alkami ORB Platform bundle address the “Control Freak” in all of us for greater convenience and safety. CO-OP Member Center also caters to these needs, but on a concierge level for the “Delegator” in us all.

The evolution of technology is inevitable. The basic human needs of the member may never change.

To learn more,
visit www.co-opfs.org,
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call 800.782.9042, option 2.

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