

Growing the Credit Union with the Help of Core Systems

There is currently quite of a bit of negative sentiment against the large money center banks by many consumers right now, so this represents a great opportunity for credit unions to grow their membership base. With their non-profit status and localized focus, credit unions are in an excellent position to deliver personalized service that larger institutions simply cannot match. However they must work hard to build community affinity and make sure that they can fulfill the promise of being there for their members to act as impartial knowledgeable financial consultants and advisors.

With that said, it is very difficult to lure consumers away from the undeniable convenience that the large banks deliver via their huge branch and ATM networks. Many people will put up with impersonal service for this convenient access to their money near where they live and work. Yet the credit unions have a tremendous resource to battle against this - the shared branch and ATM networks. Many credit unions that are part of these large networks simply do not do a very good job of publicizing the fact that their members can access over 28,000 CO-OP Network ATMs across the nation for free. Plus there are more than 3,300 Credit Union Service Center branch locations around the world where members can perform many transactions at no cost.

We recently produced two new reports, "Core Banking Solutions for Large Credit Unions" and "Core Banking Solutions for Small Credit Unions". We found that while the credit union core market looks increasingly complicated, there were some clear definitive trends that are emerging. We noticed a movement towards hosted or service bureau implementations; a preference core towards banking solutions with multichannel options like ATM, mobile, Internet, and IVR; and a strong desire for integrated vendor solutions that offer integrated functionality like CRM or business / mortgage processing automation.

In 2010, around 10% of credit unions sought to switch their core system, up from historical averages of 4-5%. We attribute this to smaller credit unions looking to upgrade an outdated legacy system, and to scenarios where credit unions are seeking to consolidate processing to a single vendor following a merger or acquisition. Credit unions of all sizes are looking to maximize their product offerings and grow their membership base with more efficient and flexible core systems.

Unfortunately, it is difficult for many credit unions, especially smaller ones, to keep up on the technology front. For instance, they simply do not have the resources to offer full featured online and mobile banking. Check the box online and mobile functionality is simply just not good enough for many consumers, especially for younger members and those in the wealthier demographics. That is why credit unions must continue to compete on personalized service and their trusted advisory roles because most of them are finding it too difficult to keep up with the ever-increasingly intricate product sets and channel offerings that have become absolutely necessary in order to stay with the curve.



Bart Narder
Senior Vice President

CELENT

Contact Info

www.celent.com

Bart Narder is Senior Vice President of Celent's banking group and is based in the firm's San Francisco office. Mr. Narder's areas of expertise include technologies affecting retail financial services, with a particular emphasis on mobile banking, core banking systems, and service-oriented architecture. Mr. Narder has been widely quoted in the press, including The New York Times, Financial Times, The Wall Street Journal, and Dow Jones. Mr. Narder received his MBA from Stanford University and his BA from Vanderbilt University. He is fluent in English and Spanish and proficient in Portuguese.