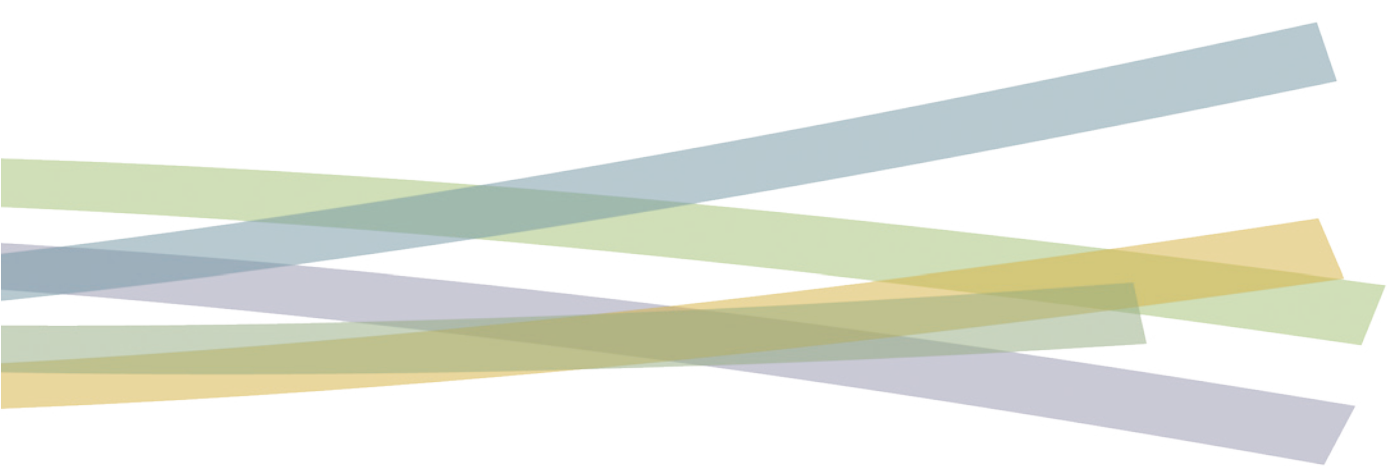
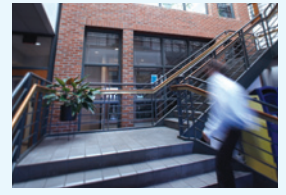
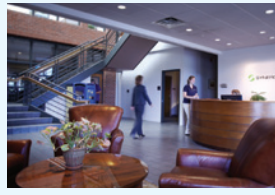


Partnership and Value

White Paper: Choosing the best
service provider for your credit union



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FORWARD

In an age marked by considerable financial uncertainty and ever-increasing competition, many credit unions have reached a crossroads in their development. The decisions made today about critical options, such as outsourcing, will have far-reaching effects. Credit union professionals will do well to learn as much as possible about the options and how outsourcing can serve as a viable route to improving overall performance and member service excellence.

Credit unions are many things to many people. In the past, serving as a reliable financial services alternative to banks with dependable rates and friendly member service was good enough. In our age of relentless technological advancement and hyper-competition in the marketplace, good enough will never be good enough again.

Modern credit unions—large or small, rural or metro, north or south—must do and be more. Members expect to receive the superior personal service that has always made credit unions shine, but they now also expect all the services provided by the nation's largest financial institutions. Text banking, bill pay, mobile banking and new products and services still on the horizon drive new member recruitment and current member retention.

However, many credit unions face a challenge when trying to become more things to more people. These advanced products and services require a sophisticated internal system and trained staff to launch, operate and refine. This technology and staff can represent a tremendous investment of capital, time and energy for credit unions. The question then becomes: how can my credit union offer these technologically-driven products and services to its members without becoming its own IT "Geek Squad" shop?

A growing number of credit unions are opting to outsource technology services to a qualified service provider or vendor. By investing these dollars in technology for member service, credit unions of all sizes are now realizing the ease and value of outsourcing. With the highly-trained and dedicated support team of a service provider helping operate the behind-the-scenes side of IT, credit unions can then focus more freely on what they have always done best: superior member service.

In this paper, we will look into the partnership and value inherent in such an outsourcing relationship, including:

- When Does "Outsourcing" Make Sense?
- The Value of Partnership
- Do You Run a Credit Union or an IT Department?
- Comparing Value to Price
- Outsourcing as Sound Fiscal Policy in an Uncertain Economy



WHEN DOES OUTSOURCING MAKE SENSE?

A recent article in *Credit Union Management* noted: "From a capital investment standpoint, switching to a new core system is going to be the biggest financial decision a credit union makes (other than a new brick-and-mortar facility). And, changing the core affects almost everybody in the credit union ..." Whether it is an entire core system or the elements necessary to make any IT function operate smoothly, making such a change is a ponderous decision for any credit union.

While the thought process can be slow or fast, the eventual conclusion reached by more credit unions every day is that, yes, outsourcing is a critical step to take in order to better serve member needs. **Debbie Guiney, CEO at AllCom Credit Union** in Worcester, Massachusetts (\$56 million assets, 3,900 members) addressed the issue for her credit union by saying "We've always outsourced our data processing functions. We see a very clear value proposition in any sized credit union in turning these duties over to trained IT professionals rather than trying to handle it internally."

"Peace of mind was a big factor in our decision-making process," adds **Matt Walsh, CEO at University Credit Union** in Orono, Maine (\$194 million assets, 21,000 members). "I'd heard horror stories for years from other credit unions about trying to handle technology internally. Since we made the decision to allot this work to a service provider, my staff and I sleep soundly at night. Knowing someone is there with the technical expertise required should something not work is a great feeling."

Echoing similar feelings, **Richard Dupuis, CEO at Five County Credit Union** in Bath, Maine (\$184 million assets, 24,000 members) adds "Our credit union has outsourced many of these functions since the 1970s. I'd say to anyone on the fence about the option that there is no better time than now for your credit union to outsource. Technology changes so fast now that members benefit when their credit union decides to share this work with experts so they can concentrate more fully on their needs."

If your credit union answers "no" to two or more of the following questions, it might be time to consider outsourcing as a member service option:

- Do we need to do this ourselves?
- Do we have the trained staff and available hours to handle technology issues?
- Are we prepared to immediately handle any contingency, day or night?
- Can we shoulder the weight of the additional staff (salary, benefits, training, etc.) to keep these functions in-house?
- Can we improve overall member service by trying to be all things to all people?



Debbie Guiney
CEO
AllCom Credit Union

THE VALUE OF PARTNERSHIP

As with any other relationship, business or personal, the best rewards are reaped from the right partnership. Once a credit union decides that outsourcing is an option worth investigating, finding the right service provider is critical. And with such a substantial outlay of capital and human effort, making the fit right for both parties from the start is key to the future performance of the relationship and member service excellence.

Credit unions do best when allied with a service provider that sees them as more than yet another account or incoming call on the tech support line. Harmony between credit union and service provider and, as a trickle-down, the membership base, relies on a relationship that goes into the realm of true partnership.

"Working with our service provider, we know that our relationship with them is just as important as the products and services we pay for" adds Dupuis. "Our member support staff knows they can all reach out to our service provider, at any time, for support and technical assistance."

Walsh says "We've got a great support team. They always work to improve their systems and service. This partnership helps make our credit union an even better provider of top-grade member service."

Guiney speaks directly to the value of partnership by stating "We always want to offer our members more of what they need and expect. Working in a strategic partnership, with shared values, with our service provider helps our credit union accomplish this goal."

When seeking a service provider to establish this partnership, keep the following questions in mind when doing your due diligence:

- Are they a credible resource that addresses your credit union's needs?
- Do they help your credit union improve overall member service?
- Can they make your staffs' jobs easier and more productive?
- Will they offer immediate service and assistance, regardless of time or date?
- Could you see your service provider support team as an extension of your staff?



Richard Dupuis
CEO
Five County Credit Union

DO YOU RUN A CREDIT UNION OR AN IT DEPARTMENT?

Football teams rarely expect their wide receivers to play quarterback. The President doesn't often call on his Transportation Secretary for advice on military matters. Sometimes, to achieve results, it is necessary to focus on what you do best. **To lean on your core competencies.** In other words, as institutions driven by service excellence, credit unions work best when they focus on service.

The technology required for services members expect do not come cheaply. There is also a high level of complexity with in-house systems. Credit unions handling these functions internally must be prepared to purchase equipment, software and the services of highly-trained staff to make it run smoothly. Nothing irritates members more than downtime and hiccups in the system, so the ability to rapidly address and resolve issues is critical to their overall satisfaction.

Outsourcing allows credit unions to focus fully on member service, recruitment, retention and satisfaction. Rather than becoming bogged-down in the high-tech lingo and hassles that can come with running an in-house shop, credit unions that partner with a service provider can let it go and devote full attention to their member base. "Our service provider has an entire team dedicated to



Matt Walsh
CEO
University Credit Union



Outsourcing puts these burdens outside the credit union:

- Hiring
- Retaining
- Developing
- Adjusting

IT resources with IT change.

supporting our needs,” says Dupuis. “There’s no need for us to worry about keeping a large internal staff. They have more resources, more time and more expertise.” Guiney concurs, stating “It’s a great benefit to not have to worry about IT issues. Our time is free to concentrate on serving our members and addressing their needs.”

COMPARING VALUE TO PRICE

“Sometimes you get what you pay for.” This old adage holds true in credit union outsourcing, as well. When searching for the right service provider partnership, it is important that price is not allowed to dominate the process. Obviously, credit unions want and should receive the very best value for their outsourcing investment. The best possible personalized service to your credit union and its members is worth the investment in the right partner.

While speaking to the larger question of overall core system changes, the Credit Union Management article also speaks to specific IT function outsourcing pricing decisions by stating “... credit unions almost never really switch core systems for better pricing.” It becomes, then, a question of service, partnership and reliability more than simply an outlay of cash. Price should be a factor, but not the factor. Avoid jumping straight to bottom-line costs. In most cases, credit unions seeking a service provider will direct their eyes straight to the bottom line price. Take time to consider the meat of the proposal. Try not to jump to the last page first and decide from there. Take time to research, consider and decide on all the factors involved, price included.

Comparisons are important to consider, as well. Make sure your credit union is truly comparing apples to apples. Service provider prices are often different because their products are different. If one potential service provider quotes you a price of \$ABC and another gives you a quote of \$XYZ, ask the critical question, “what is \$ABC doing that \$XYZ isn’t and vice versa.”

When your credit union compares **value to price** in a service provider, consider the following factors:

- Ensure your selection team agrees as to what is important in a potential service provider and prepare a graded scale to rate the candidates
- Visit with peers in the credit union industry about their experiences and satisfaction levels with various vendors
- Ask to see a list of service provider client testimonials and contact them for their opinions

“We’re very pleased with the value proposition we get from our service provider,” Walsh says. “They provide ample value and a great support team. We know we pay more for than what we could probably find elsewhere, but when it comes to member service and reliability, cheaper isn’t necessarily better. We get more out of the relationship and that’s the definition of a prosperous partnership.”



Other factors to consider when looking at partnering with a service provider in an uncertain economy include:

- **Profitability and efficiency**
- **Product and service penetration**
- **The possibility of deepening member relationships**

Service providers should also offer the following efficiencies:

- Provides regular opportunities for employee involvement and continuous training
- Gives credit union time and ability to implement new releases and add-on products
- Offers the expertise to retrieve reports and member data
- Promotes targeted marketing without additional investment in MCIF and CRM
- Saves time and money, resulting in better member service
- Reduces the strain of relying on a small internal IT department

OUTSOURCING AS SOUND FISCAL POLICY IN AN UNCERTAIN ECONOMY

The past few years have been an economic roller coaster ride. With government bailouts, unemployment benefits and a volatile market, consumers' minds are understandably unsettled. In an uncertain economy, outsourcing can make a lot of sense, for your credit union and its members. By shifting the responsibility from internal to external, credit unions can help reduce staffing needs in these areas. A reduction in staff frees credit unions to invest those dollars in member service excellence and product/service offerings. Dupuis agrees, adding "Partnering with a service provider allows us to offer the products and services necessary to say 'what we offer is just as good as any of the biggest financial institutions.' Being able to offer the latest and greatest in products and services works for us as a terrific cross-selling and member recruitment tool."

Walsh adds "Our service provider helps us provide things we couldn't do on our own, especially if we were trying to do all this in-house."

CONCLUSION

In the 21st century, credit unions stand at a crossroads in their evolution. Far-removed from yet firmly anchored in its humble origins, the credit union movement is poised to take member service excellence to an exciting and profitable next-step. As credit unions try to do and be more to an increasingly diverse and demanding membership base, however, handling all aspects of product and service offerings internally is a less viable and less attractive option with each passing year. When involved in the process of examining potential service provider alliances, credit unions must consider compelling factors including overall member service excellence, the power of partnerships and value over price.

ABOUT THE AUTHORS

Mark Arnold, CCUE, is an acclaimed speaker, brand expert and strategic planner. He is also president of On the Mark Strategies, a consulting firm specializing in branding and strategic planning. Some of the services Mark provides include strategic planning, brand planning, leadership/management training, marketing planning and staff training. His web address is www.markarnold.com and his blog is blog.markarnold.com.

Taylor W. Wells is Communications Manager for *On the Mark Strategies*. Wells has spent over fifteen years working in marketing, communications, public relations and technical writing for credit unions and health and human services.

This paper was written on Synergent's behalf by the authors.

ABOUT SYNERGENT

As an organization owned by credit unions, and serving only credit unions, we understand our users' needs. Synergent has the unique advantage of having all our divisions – Technology Services, Check Processing, Cards Processing, Direct Marketing Services, and Shared Branching under one roof, streamlining back office functions for both Synergent and credit unions. Synergent is first and foremost a service organization, and serves as an extension of your staff, allowing you to better serve your members and community. This synergy of the different departments operating in a single organization enables us to implement new products with other divisions in mind, taking an integrated approach to all the credit union's solutions with our continually growing set of products and services.

RESOURCES

Interview: Debbie Guiney, CEO AllCom Credit Union, Worcester, Massachusetts

Interview: Matt Walsh, CEO University Credit Union, Orono, Maine

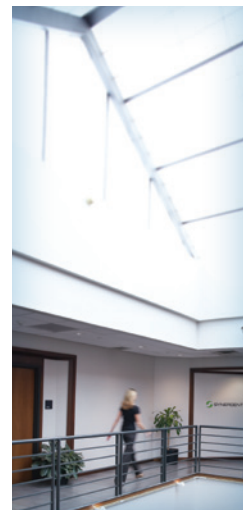
Interview: Richard Dupuis, CEO Five County Credit Union, Bath, Maine

Credit Union Management, "Tech Time: Jumping Ship?" January 25, 2012

<http://www.cumanagement.org/article/view/id/Tech-time-jumping-ship>



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800.341.0180

PO Box 1236, Portland, Maine 04104