

Integrating Digital, Payments and the Core

The impact of the COVID-19 pandemic is still unknown, but what is certain is that the pandemic will force Credit Unions to rethink their long-term strategic objectives, retrenching in certain areas while accelerating in others. Virtually all FIs have seen a surge in electronic transactions and online account openings/onboardings. But overall, uncertainty has left many FIs in a technology investment holding pattern. In one our latest reports – *Celent Banking: Charting the Uncharted Triggered by COVID-19* – we explore 3 scenarios: 1) Pandemic ends by Oct. 2020; 2) Pandemic runs into early 2021; and 3) Pandemic is ongoing in 2021. In all three time frames we cover three areas of importance to FIs: 1) Business models; 2) Operating models; and 4) Tech investment plans.

One thing that we have observed with the pandemic is that virtually no new technology has come out it, perhaps because there has been so little time to react as lobbies close, staff are dispersed, and members are grounded at home. What has transpired is a rapid acceleration of existing trends such RDC, online/mobile banking, e-signature usage, etc. We have also seen an increased focus on cyber-security, AI/ML being applied to fraud prevention, and a push to streamline online account openings. Will members go back to the branches in large numbers post-pandemic? That remains to be seen, but consumer preferences will be shaped by ongoing virus fears. The longer the virus lingers and the more time it takes to develop an effective vaccine, we predict that previously reluctant digital users will be more frequent and long-term committed digital users – out of necessity if nothing else.

Of course video usage has surged for meetings, training and now many core system vendors are going to 100% remote installations. This trend will continue, and we foresee that there will be increased investments in video banking technology so that contact center agents are able to assist members via video. Another growth area is texting; for example, since March, Umpqua Bank has reported a 30% jump in signups for its Go-To platform, a stand-alone app that lets accountholders text their preferred personal bankers with questions about account opening, applying for loans, personal finance management and using their mobile app. Overall, consumers love texting for its convenience and personalization, and FIs are adopting it because SMS allows their agents to serve more people in an efficient manner.

In terms of payments, COVID-19 is driving contactless payments as consumers like the idea of not having to touch terminals. QR Codes are also riding a wave of popularity for their ease of use coupled with the ubiquitous nature of cell phone cameras to read them. Meanwhile, mobile wallets may also be resurrected with the pandemic after being written off by many observers for their lack of convenience. Payments advances are primarily taking place in the Point of Sale and Merchants arena, while on the core vendors side we aren't seeing any innovations right now. Many core systems vendors are too busy working on handling loans, e.g., supporting the Paycheck Protection Program, loan deferments, Skip-a-Pay, etc. This is a perfect example of why CUs must look to partner with modern core system vendors who can make changes quickly and move off of legacy systems that are too cumbersome and inefficient to react to the marketplace.



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