Special Report: Payments

Credit Union Management

THE NEED FOR SPEED

Faster transactions are on consumers' radar like never before.

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The Need *for Speed*

FASTER TRANSACTIONS ARE ON CONSUMERS' RADAR LIKE NEVER BEFORE.

BY STEPHANIE SCHWENN SEBRING

In payments, fast can be defined in a single word: immediate.

"Consumers experience real-time transfers across a variety of fintech tools. That expectation carries over to their relationship with traditional providers, including credit unions," says Tom Church-Adams, SVP/lead, payments solution line, for CUES Supplier member CO-OP Financial Services (*co-opfs.org*), Rancho Cucamonga, California. "And nearly everything is immediate, thanks to digital channels, faster network speeds and innovation in supply chain models."

Church-Adams reflects on other areas of immediacy in our lives.

"In many cities, groceries are at your door in a matter of hours. In all parts of the world, doctors and mental health practitioners diagnose ailments in real-time from an iPad. We buy cars and homes in online marketplaces. Paying rent, getting paid for a gig, sending cash to a friend—these are everyday tasks consumers expect to be simple, seamless and speedy."

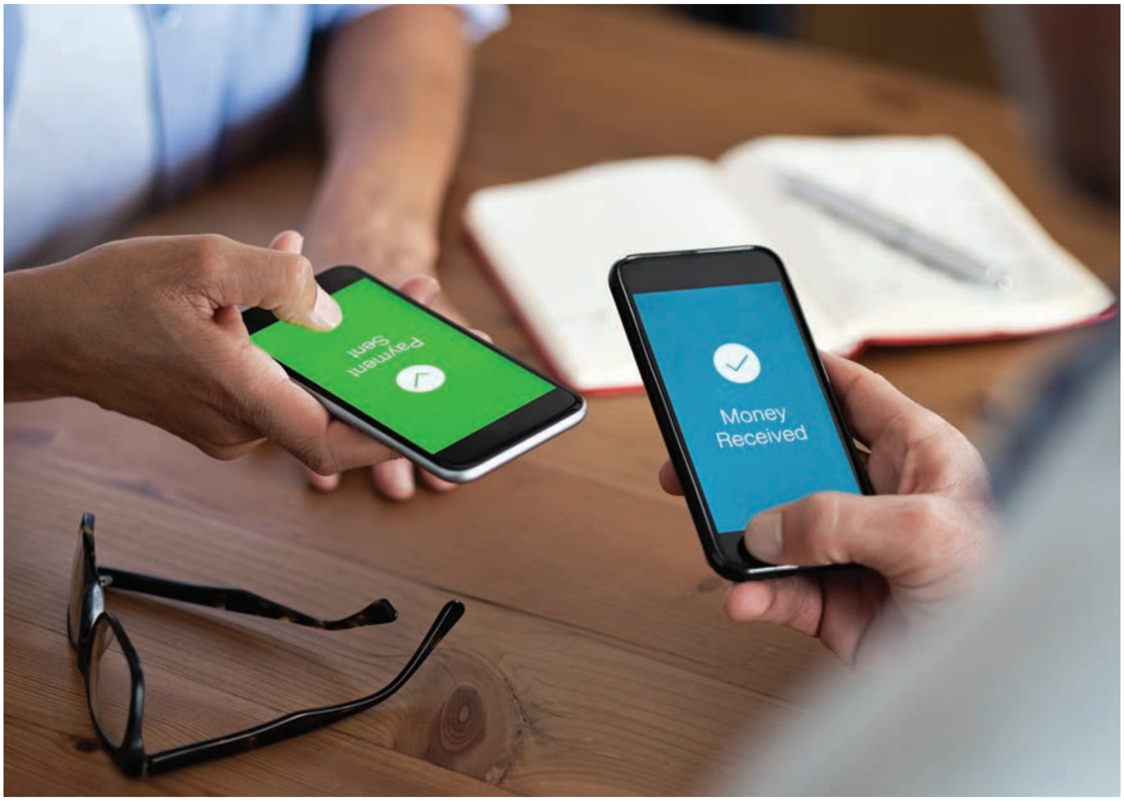
From a credit union perspective, Zelle (*zellepay.com*) is emerging as the clear winner in real-time P2P payments. "And the platform's rapid market penetration and credit union/bank ownership have propelled the payment app's growth faster than many predicted, especially given the number of competitors in the space."

In 2019, for example, Zelle reports (*tinyurl.com/zelledata*) that it processed $187 billion in payments on 743 million transactions. That's a year-over-year growth of 57% in payment value and 72% in payment volume. By comparison, Venmo processed $102 billion in 2019, according to Forbes (*tinyurl.com/forbesvenmo*).

Don't discount the Fed's faster payments initiatives, stresses Church-Adams. "With the announcement of new leadership for the Faster Payments Council (*fasterpaymentscouncil.org*, to include former Walmart executive Reed Luhtanen), it's possible we'll see an acceleration in the planned execution of the council's operating vision."

Still, CUs should avoid a wait-and-see approach when it comes to providing better options for members. Church-Adams strongly encourages working toward greater integration.

"This can be via APIs (application programming interfaces) with fintech providers that



> **"Don't wait for your members to ask for P2P or a better digital payment experience. Educate yourself on the faster payments landscape and examine your options."**
>
> — Marvin Goldwasser

share their value system and who can offer members the fast, secure, seamless experience they are demanding."

CO-OP Financial Services has made technical integration easier through the launch of its CO-OP Developer Portal (*co-opfs.org/Solutions/Integrate/Developer-Portal*). An API management system, the developer portal houses CO-OP Financial Services' APIs in a single digital library. It breaks APIs into smaller, reusable services to quickly add features and functionality into CUs' own digital applications. "It also allows CO-OP to speed delivery time of its APIs, so credit unions can more quickly deliver new features and functions to members and keep pace with technology advancements and rising consumer expectations," says Church-Adams.

"It's becoming clear that lifestyle, not just life stage, is the lynchpin of member loyalty," Church-Adams adds. "And enabling faster payments is one of several ways to trigger daily interaction between a credit union and a member while furthering a credit union's digital maturity and a member's exceptional experience."

WHAT MATTERS MOST TO CONSUMERS?

While speed is essential, there's an equal need for transparency and simplification.

"And in today's COVID-19 world, we've seen very clearly that technology, speed, convenience and communication all are necessities," stresses Marvin Goldwasser, VP/marketing & chief of staff of CUES Supplier member Payrailz (*payrailz.com*), Glastonbury, Connecticut. "Undeniably, if you can simplify someone's life, they will come to you. And if there is one thing the COVID-19 crisis has reinforced for financial institutions, it is the need for innovative digital solutions, and to highlight that members need not go into a branch to take care of business. More and more, our thinking needs to be focused beyond the branch services.

"We must continue to ask how we can be more innovative," adds Goldwasser. "Transparency is equally important as speed. Think of it as tracking a package. Consumers want visibility in every step of the process and notifications for assurance and trust; they don't want to be left guessing. The consumer can't manage what they can't see. They want the reiteration that the payment has been transacted, is on its way and taken care of."

The consumer is used to convenience as well as immediacy. With P2P tools offered by non-traditional banking players, credit unions got behind in innovation, Goldwasser notes.

"I foresee credit unions wanting to offer more products (like their own P2P solutions) over the next 12 to 18 months to serve their members better," Goldwasser continues. "These offerings may include re-examining current bill and transfer processing solutions. There is a real need to make sure that the overall digital payments experience (credit unions are) providing is more engaging and proactive."

With the Payrailz smarter payments offering, Goldwasser says CUs can leverage technology like AI and machine learning to deliver a more personalized member experience. They also have access to a CU-centric P2P product they can brand as their own. And they can leverage and incorporate the tremendous amount of data they already process about their members to deliver a more unified and personalized experience that members will appreciate and use.

"The key is for your member to turn to you first," he stresses. "You're already managing their accounts, fighting against fraud and insuring their funds. It only makes sense that your member relies on you for P2P, not a third-party vendor like Venmo.

"RTP (real-time payment) is continuing to roll out, and the Fed is getting involved to speed up the availability of payments. Meanwhile, the number of checks processed continues to go down. Another side effect of the COVID-19 pandemic may be the realization that B2B payments also need to be expedited electronically and faster."

People are always looking for new ways to pay, and payments are a pain point, concludes Goldwasser. "Don't wait for your members to ask for P2P or a better digital payment experience. Educate yourself on the faster payments landscape and examine your options. Continue to ask how you can enhance and simplify your members' lives. Because ultimately, that will deepen member relationships with your service values and brand promise."

DOES REAL-TIME KEEP CUSTOMERS?

Will members leave you for more speed?

Possibly, says Keith Riddle, president/CEO, Sherpa Technologies (*sherpatech.org*), Columbus, Ohio. "Payment processors must be a resource for their financial institutions and proactive technology providers," he notes. "According to a recent ACI Worldwide (*aciworldwide.com*) payments study, 33% of consumers said they would change financial institutions for access to real-time payments, reinforcing the desire for greater speed and convenience in payments."

Payment solutions must offer the consumer real-time payment options, and there must be fluidity, he continues. "When it comes to secure money-movement solutions, the consumer wants speed, convenience and simplicity."

Flexibility in the digital experience—giving members the ability to choose the channel through which to pay is also a necessity. So is being able to view the details of the obligation, such as the payment amount, due date, interest rate and amount outstanding.

"A consumer's preferred payment method is through biller-direct websites (utility company, merchant, retailer, etc.), occurring more than 70% of the time," adds Riddle. "This shift in consumer payment preferences was the driver in developing the Payigy payment platform (*sherpatech.org/digital-payments.html*), which leverages biller-direct best practices with the ability to deepen relationships with indirect channel members."

This biller-direct-like experience within Payigy also allows the CU to stay at the center of the process. It can act as the biller with flexible payment methods, notifications and messaging. Citing an ACI Speedpay Pulse survey, Riddle notes that almost 36% of consumers visit a biller's website to make an urgent or same-day payment. Here, the debit card is the primary payment method (57.5%), and a deduction from a checking account the second most used (29.4%).

"Speed is necessary," he explains, "but the consumer requires acknowledgment of the payment within the experience. This transparency makes an essential difference."

Members want to know their transaction occurred, and the payment was pushed to the biller in real-time.

PYMNTS.com reports that 85% of technology firms and financial institutions will implement real-time payment functionality in the next three years. Riddle surmises that these increased RTP capabilities will impact other areas, such as indirect lending.

"The benefits of using an RTP product would be many. For example, credit unions could disburse funds to dealerships and place loans on their books in real-time. It would also provide members a digital experience while submitting payments in real-time. The entire payments ecosystem evolves and serves the consumer better."

WHAT ABOUT INSTANT GRATIFICATION?

"Not only do consumers expect real-time payments, what they're really seeking is instant gratification," adds Norman Marraccini, SVP/group executive retail digital payments, ACH and real-time payments, for CUES Supplier member FIS (*fisglobal.com*), Milwaukee. "This sentiment encompasses billers, technology providers to individuals. Depending on the network, payments can still take 24 to 48 hours for electronic transactions and up to three to five business days for checks—which is not acceptable for the consumer. Whoever your processor is in partnership with will dictate payments fluidity."

FIS has a direct partnership with The Clearinghouse (*theclearinghouse.org*), so in the near future, payments handled by FIS will occur in real-time or near real-time. It is also collaborating with Zelle, boosting instant P2P payments for more than 300 partner credit unions and financial institutions.

At FIS, 82-85% of bills go electronically through its bill-payer system. ACH payments are all electronic and go the same or the next day. "However, the future will require that these payments be dramatically faster, and once the ACH is fully on board with RTP, settlements could take two minutes or less, even as low as 30 seconds."

With these payments on the cusp of real-time, Marraccini foresees movement finally happening in the B2B and B2P space, where more payments will become electronic and instantaneous.

"This will be seen in large batch payments, for example, by governmental municipalities, insurance payouts and more," he notes. "ACH files could also be converted into an immediate electronic payment representing hundreds of millions of dollars. Batch data would then be sent to individuals via an email or text message with a claim code for the funds. The consumer would choose his or her preferred method (ACH, debit card, PayPal, prepaid card) for instant payment.

"The COVID-19 crisis has brought to light the necessity for most payments to become electronic, made in real-time," adds Marraccini. "Banks are already doing this in a beta environment, but it won't be long before electronic payments to consumers and businesses become ubiquitous."

Increased transparency won't just assist C2B; watch for it to impact B2B and B2C payments as well.

"With a business able to see the movement of payments (a trail), it will become much easier to transition a business to real-time payments," he continues. "Look for businesses to take cues from the marketplace and disruptors. We're about 12 to 18 months away from the real-time network infrastructure to accomplish this at the business level. It will also necessitate automated software solutions as well as onsite monitoring or the outsourcing of this monitoring—which, at FIS, we're prepared to take on."

Marraccini says that CUs must eliminate the mindset that real-time payments won't happen.

WHAT ARE THE RISKS?

What do members want most from their financial institution? An instantaneous, seamless experience, answers Libby Calderone, president/COO for CUES Supplier member LSC (*lsc.net*), a partner with the Illinois CU League, Naperville, Illinois.

"According to eMarketer.com, nearly 80 million U.S. adults used P2P payment services (as of late 2018), a year-over-year increase of 24%. In this evolving payment ecosystem, providing instant settlement of payments in real-time is reflective of consumer expectations."

As a result, real-time processing, same-day ACH, P2P providers and fintech players have all emerged offering solutions—including digital payments platforms and international money transfer. "An interesting trend is the use of application programming interfaces to connect legacy systems to cloud-based platforms for real-time payment services," notes Calderone. "This use of third-party APIs largely depends on a credit union's policies around data sharing with partners, and the sharing of customer data has privacy and proprietary implications that need to be resolved first. Governments must also have a say in this process."

There is no doubt that better technology brings opportunities to better serve members. For example, Calderone says a credit union could leverage the data available on member transaction patterns to offer an enhanced user experience, providing products and services customized for each member. Coupling these offerings with real-time settlement speed could make for a more compelling user experience.

An Ernst & Young Report (*tinyurl.com/eyreport2019*) projects that real-time payments in the U.S. will grow from $6.8 billion in 2018 to $25.9 billion by 2023.

"These emerging trends include real-time payments at the point of sale," adds Calderone. "POS capability could reduce costs for providers and merchants with the consumer benefitting from potentially lower prices.

"It will be interesting to watch the development and rollout of FedNow (*tinyurl.com/fednowpr*), the real-time payments solution offered by the Federal Reserve," she continues. "However, faster payments don't come without some risks, especially since interchange income could be dramatically reduced if payments move from the traditional processor rails to real-time."

"The COVID-19 crisis has brought to light the necessity for most payments to become electronic, made in real-time."

—Norman Marraccini

Heightened fraud risks are another possibility. "Convenience, speed and the irrevocable nature of transactions are the mainstays of faster payments, but they also mean less reaction time for a credit union to prevent fraudulent transactions," she continues. "Credit unions offering faster payment technology should consider investing in artificial intelligence and machine learning tools to reduce fraud and use the data to understand and effectively combat emerging fraud trends. Members expect credit unions to protect their funds, but how effectively can credit unions do this when money is moving instantly? Fraud risk is prevalent, and how a credit union handles fraud can lead to reputation risk if the member blames the credit union for losses."

Desiring ubiquity for faster payments will also require CUs to choose how they engage in faster payments. Will they participate with Zelle, The Clearinghouse or FedNow? Will they allow Venmo to access member accounts? How much member data are they willing to share? Making the right choice in partnerships will be challenging.

Faster payments are coming, and they're coming fast, Calderone says. Credit unions will have to make decisions on how they participate. "Sitting this one out is not an option—members will expect faster payments or may move their money elsewhere."

IS THERE PENT-UP DEMAND?

Payments modernization is a global movement that continues to gain momentum, with faster payments inching closer to real-time and instant payments quickly, says Scott P. Young, VP/innovation for CUES Supplier member PSCU (*pscu.com*), St. Petersburg, Florida. He points to the early days of P2P, when its rapid adoption proved the market had pent-up demand for real-time and instant payments.

"As consumers get even more accustomed to these payment methods, payments systems and providers must deliver instant, on-demand and seamless transactions," he says. "Worldwide, people are trying to crack the code of executing payments as quickly as possible. This evolution of payments is occurring rapidly, bringing with it the need for industry collaboration to provide a system, technologies and tools that deliver safety and security—as well as flexibility—to accommodate faster payments."

In North America, there are many options for faster payments—including same-day ACH, Visa Direct, Mastercard Send, Zelle, The Clearinghouse, Venmo, Apple Cash, Square Cash, PayPal and Western Union. FedNow may be ready to launch by 2023 or 2024. These offerings will continue to evolve toward the goal of real-time payments.

"Currently, credit unions have the unique opportunity to identify the products and services that will best support their members as expectations and needs change," continues Young. "For more efficient and faster payments solutions, consider which rails transactions are processed and how quickly the funds are available to the receiving bank or credit union."

Faster payments have also been evolving around the world for years—all with different approaches. "For credit unions and credit union service organizations, the focus will be on innovations that drive efficiencies, security and faster money movement in a landscape that will become overwhelmingly digital," he continues.

"PSCU, for example, is developing a real-time payments strategy by collaborating with consulting firms, technology providers and processing vendors. We're also excited to be a founding member of the U.S. Faster Payments Council (*fasterpaymentscouncil.org*), representing our owner credit unions as this vital work continues."

Young believes we're only at the beginning of a phenomenal shift that aligns with the real-time expectations of emerging generations.

"Credit unions should remain committed to payments-related strategies to respond to the changing demands of members and keep pace with technologies that are reshaping the member experience," he says. "Collaboration for this work is essential for the benefit of all. As faster payment options emerge, the time is now for credit unions to build definitive plans to go to market with new payment methods, focusing on the needs of current and future members."

Stephanie Schwenn Sebring *established and managed the marketing departments for three CUs and served in mentorship roles before launching her business. As owner of Fab Prose & Professional Writing, she assists CUs, industry suppliers and any company wanting great content and a clear brand voice. Follow her on Twitter @fabprose.*

MORE ON PAYMENTS

Optimizing Legacy Payment Programs For The Future (*cumanagement.com/111920skybox*)

Apple Card and Fed Now Raise the Payments Competition Bar (*cumanagement.com/081919skybox*)

Payments Done for You (*cumanagement.com/0819payments*)

How to Ride the Tailwinds and Navigate the Headwinds to Debit Growth

By Tom Bennett, Principal, Advisors Plus Consulting, PSCU

Advisors Plus | PSCU

Today's consumers have ever-increasing options when it comes to choosing a method of payment. From mobile wallets and person-to-person (P2P) apps to credit cards and cash, the options are endless. And while the space is crowded, credit unions' legacy debit card programs continued to experience success and growth in 2019. There are some tailwinds to ride and headwinds to navigate when looking to 2020 and beyond.

In 2019, debit experienced growth both in terms of transactions and sales volume, with PSCU comparable credit unions seeing purchase growth of 7.9% and transaction growth of 8%. Although these numbers are slightly down from 2018 growth rates of 9.2% and 10.4%, respectively, the "grow over" required in 2019 to build off of an outstanding 2018 is impressive and further evidence as to why credit unions should focus on their debit card programs' future growth and success.

Growth Factors

There are multiple growth factors across the industry coming together to create a "perfect storm" for debit. First, consumers are choosing to use debit more than they have in previous years. As reported in PSCU's 2019 Eye on Payments study, debit has taken the lead as consumers' preferred method of tender, increasing from 32% in 2018 to 48% in 2019. These findings were in line with PSCU data that showed usage per account rose from 23.7 transactions per card per month in 2018 to 24.6 in 2019 – adding almost 12 more transactions per year being conducted with a debit card.

Additionally, surcharging – when a merchant adds an additional fee to cover the interchange cost of a credit card transaction – is gaining momentum across the U.S. This is due in part to recent rule changes by Visa and Mastercard, a U.S. Supreme Court ruling in favor of surcharging and new services that make adding surcharges more feasible for merchants. As surcharging becomes more popular and frequent at the point of sale, credit card users may choose to pay with debit cards to avoid incurring additional purchasing costs.

Threats

On the other hand, there are still a number of threats for credit unions to navigate in order to continue experiencing growth for their debit programs. There is more competition than ever for checking, including cash incentive amounts for new accounts being at an all-time high and the continued entrance of challenger banks, as well as additional competition for transactions. While many of PSCU's Owners are seeing high growth for debit transactions in the P2P space (i.e., Venmo, Cash App, etc.), some of these digital apps have now added their own debit card to keep money in their app in order to try to capture the spend and/or interchange on their side.

A new threat is declining usage as a result of the impacts from COVID-19. Personal income is the lifeblood of debit and reductions due to unemployment, reduced hours and other changes will have a negative impact. Optimistically, debit has a high propensity for "everyday spend" – groceries, goods and services required on a daily basis for living needs – and usage will continue here. And as the industry and nation emerges from the crisis, confidence in debit is expected to provide a significant opportunity for growth.

Given these challenges, it is critical for credit unions to keep a pulse on and remain close to their members – engaging with them through their digital tools and in branches, surveying them regularly and leveraging the payments thought leadership and consumer insights that partners such as PSCU can offer. This will allow credit unions to remain nimble in evolving their payment strategies to drive satisfaction and growth.

While it will require dedicated resources to ensure programs are consistently optimized, improved and marketed to members, the efforts will be worthwhile as credit unions' debit card programs sail into growth and success this year and for years to come.

Tom Bennett is a Principal Consultant with the Checking and Debit Card practice at Advisors Plus with over 25 years of experience in the financial services industry. Tom advises credit unions on ways to enhance portfolio growth and profitability.

3 Ways Your Credit Union Can Prepare

for the Rising Use of Contactless Payment Methods in 2020

By LSC

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Use of contactless payments is rising, particularly among mobile payments. Experts expect the mobile payment market size to rise to $4,574 billion by 2023. COVID-19 is also appearing to be a catalyst as many business and media outlets encourage Americans to further increase contactless payment methods. Credit unions should make sure they are prepared for a growing market with a good understanding of this new payment landscape, consumer attitudes, and what their credit union can do.

Understand the Landscape

In the U.S., a variety of contactless payment methods are competing for adoption by consumers. People can use contactless cards enabled with near-field communication (NFC) technology, pay via mobile apps on their phones, or both. Credit unions can have their own mobile payment apps with the help of their payment processing partners. They can also simply leave members to attach cards to their phones' native digital wallets and make payments using services such as Samsung Pay and Apple Pay.

Incorporating apps can create additional costs for credit unions. Contactless cards are thus generally more cost-effective for credit unions, but mobile apps can add convenience for a population already using phones as an integral part of their shopping experience. Indeed, many members are already accustomed to using mobile apps for banking services or even prepaid cards. LSC's CUMONEY app allows prepaid cardholders to add money, secure their accounts, and instantly review balances and transaction histories. Members who already use such apps would easily feel comfortable making the jump to making credit purchases through an app on their phones.

Consider Consumer Attitudes Towards Contactless Payments

Like the payment landscape itself, there is a lot of complexity in the way consumers view contactless payments. U.S. News points to the convenience of a speedier transaction as a major motivator for using contactless payment options. The spread of COVID-19 has added another catalyst as people are becoming more conscious of germs found on cash and terminals. Consumers are getting requests from more businesses to use contactless payment methods.

A lack of knowledge surrounding the nature and benefits of these payment forms is the main detriment to further adoption. In a Pew survey, 38% of people indicated they saw mobile as having low security despite this form of payment having mostly the same safeguards as regular card options. U.S. News points out mobile payments even have added verification requirements.

Yet, Pew found that mobile app disclosure statements give little instruction about what to do for money stolen through a device, and dispute procedures are different depending on the app, furthering confusion. Based on Pew observations, hold-outs also prefer their current payment methods and rewards programs, seeing no compelling reason to change.

Know What Credit Unions Can Do

Credit unions can be ready for the future of contactless payments by knowing their strengths. Consumers are already familiar with their current card programs and financial institutions. The good relationships between credit unions and their membership in particular put credit unions in a good position to be a contactless payment source. If they haven't already, credit unions should talk to their processors about enabling tokenization or offering contactless cards; it is important to be in front of the curve on these payment methods.

Communication is also a key player. Credit unions can add to their already good customer service practices by offering clear information about the benefits and protections associated with contactless payment methods. This step not only brings value to members, but can also put credit unions at the top of their members' minds when considering contactless payment options.

Remaining aware of the current payment landscape, understanding consumer attitudes, and enhancing already strong customer service are important steps for credit unions to start taking. These will help credit unions address member concerns and thus compete better in the growing contactless payment market.

Yet, offering contactless card solutions requires an already successful credit program. A credit union with a thriving program is well-positioned to expand and invest in extended services. As a trusted credit union partner for over 50 years, LSC is here for credit unions, offering seamless implementation and transition support. We work with each credit union to pick a program that works best for them while remaining dedicated to their success.

LSC is a one-stop payment solutions platform that helps credt unions grow and thrive. At LSC, we are part of your team! to learn more, call 800.942.7124 or visit www.lsc.net.

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Why Members Need a Primary Financial *Relationship*

MORE THAN EVER, CUs ARE SUPPORTING MEMBERS THROUGH PAYMENTS.

BY SAMANTHA PAXSON

Your members need you now more than ever before. But how can credit unions continue to do more for their members when so many of them are in crisis—not just helping them bank better but also live better? After all, consumers have access to countless financial providers, services and products from their phones. Yet they don't have, in many cases, a primary financial relationship—a financial institution they trust enough to turn to for help when times are tough.

FINANCIAL TOOLS

Becoming your members' primary financial relationship is about giving them the tools they need to improve their daily lives. In the current climate, that means helping members instantly move and manage their money, keep track of their spending and budget (when that budget may have just gotten very skinny), and more quickly access the loans and other credit products they need.

Credit unions should also support members with programs that offer financial relief. For example, several of our clients have been taking advantage of three credit card relief programs CO-OP launched in response to COVID-19 that allow members to:

1. Skip a credit card payment
2. Forego any new interest and fees
3. Forego any new cash advance or late and returned check fees

Programs like these are a simple yet impactful way of helping members get back on their feet during times of uncertainty. Whether you activate them through CO-OP Financial Services or on your own, we believe they are the right thing to do.

BE THERE FOR MEMBERS

The need for credit unions to play a bigger role in their members' daily lives has never been larger, and we believe the best way to do this is by leveraging the day-to-day engagement a strong payments strategy offers.

Even after the economy starts to stabilize and rebound, members will continue their current pattern of making fewer branch visits and using more self-service digital banking apps. They will think less about the traditional lending partner and more about which financial services provider can offer them the best loan terms for their individual needs.

Payments, when tactfully leveraged across the entire member relationship, can help credit unions develop more frequent touchpoints while also delivering greater value to members. By focusing on achieving primary financial relationship status, credit unions can maintain the trust and loyalty of their members while fueling growth in every area of their operations.

PRIMARY FINANCIAL RELATIONSHIP

CO-OP Financial Services is here to support credit unions in securing their members' primary financial relationship status. In this time of uncertainty, we continue to provide thousands of credit unions with solutions that ensure business continuity. These solutions include:

- Comprehensive mobile banking solutions that help to limit in-branch visits;
- Contact center services that ensure credit unions are available to their members 24/7, safely, via phone; and
- The largest network of shared branches and surcharge-free ATMs that ensure that members have ongoing, widespread, reliable access to much-needed funds.

Most importantly, we are here to help credit unions of all sizes drive long-term growth and member loyalty with the most comprehensive payments and technology services in the industry.

Samantha Paxson *is chief experience officer of CUES Supplier member CO-OP Financial Services (*co-opfs.org*), Rancho Cucamonga, California, a payments and financial technology CUSO whose mission is ensuring the success of the credit union movement. CO-OP payments solutions, engagement services and strategic counsel help credit unions optimize member experiences to consistently provide seamless, personalized multi-channel offerings, while delivering secure, sophisticated fraud mitigation service.*

MORE ON THE BUILDING THE MEMBER RELATIONSHIP

Four Steps to Successfully Building Credit Card Loyalty (*cumanagement.com/062019skybox*)

What Kinds of Payments Options Does Each Age Want? (*cumanagement.com/0519options*)

PAYMENTS FUEL GROWTH. CO-OP FUELS PAYMENTS.

OWN MORE MEMBER MOMENTS

- CONSULT
- INTEGRATE
- ENGAGE
- PAY
- PROTECT

Payments represent nearly 80 percent of a consumer's interactions with their primary financial institution; which means delivering an exceptional payments experience is the key to building deeper relationships with members.

Built by credit unions for credit unions, CO-OP offers solutions designed to help you own more member moments through payments. From full-service credit and debit processing to rewards, digital wallet solutions and advanced fraud-fighting tools, CO-OP empowers your credit union to maximize engagement, usage and member delight.

Get empowered at coop.org

Be There. Be More.

CO-OP FINANCIAL SERVICES

Contactless Cards—*The New Imperative*

POST-PANDEMIC DEMAND FOR TAP-AND-GO IS SURE TO SKYROCKET.

BY SCOTT HANSEN

Over just a few short weeks, we have all faced a new reality that has reshaped our long-term thinking. In an era when we are suddenly more aware of how disease spreads, consumers are sure to demand new technologies that change the way they work, interact and—transact.

While contactless or "tap and go" cards now comprise more than half of all payment cards issued in the world, post-pandemic demand for them is sure to skyrocket as consumers and merchants seek the fastest, easiest and safest payments available.

Tap-and-go technology gained a foothold abroad 10 years ago. Today, contactless cards are widely used in Europe and Canada for small purchases like coffee, gas and public transit, where swiping and dipping slows things down.

So, why has the U.S. market been slow to adopt these cards?

For one, many consumers were unable to make contactless purchases from many local merchants, particularly the on-the-go purchases for which tap-and-go was intended. While most merchants have terminals with the capability to accept contactless payments, many have lacked the motivation to enable that feature. Until now.

The script is very much the same as with the migration of EMV chip cards into the U.S. market. The trend started in Europe, spread quickly, then stalled at crossing the pond. Then came the increase in consumer data breaches impacting businesses around the globe, sounding the EMV liability shift alarm. Financial institutions and merchants were motivated to make the transition to mitigate liability.

Although Americans are commonly viewed globally as late adopters of payment technologies, once we finally get there, we arrive in a big way. Today, chip dipping is one of the most common forms of payment in the U.S. We expect much the same result now with dual-interface cards.

These cards offer consumers a choice between contact (EMV chip) and contactless (tap-and-go antenna). The flexibility of having both payment options is a reason dual-interface cards are considered the new base card payment technology.

Credit unions throughout the U.S. can now expect a swift increase in demand from members of all generations for the contactless payment experience offered by dual-interface cards, despite studies (*tinyurl.com/prntap*) showing only 37% of consumers are aware of the EMV contactless payments option.

The good news is that dual-interface cards offer many more benefits to cardholders than being socially safe:

- **They are secure**. Dual-interface technology protects consumers against counterfeit card fraud, giving them a more secure experience. Consumers want security—dual-interface gives them that and more.
- **They are just plain *fast***. Transactions average 15 seconds or less. The reality is we live in a fast-paced, Amazon-effect world. Time is precious, and lines and waiting are unacceptable. To keep up, you must offer your members a payment option that allows them to tap and go.
- **They are easier than cash**. Ease of use could be a large factor for adoption, particularly for transactions under $25, of which 80% are now made with cash (*tinyurl.com/prntap*).
- **Merchant acceptance is broadening.** There are now more than 100 million Visa contactless cards in the U.S. and—according to Visa—more than 80 of the company's top 100 merchants in the U.S. have enabled consumers to tap and go at checkout. Mastercard, in turn, has indicated it has agreements in place with bank partners that will bring contactless cards to two-thirds of its customers within two years.
- **Timing.** For many of your members, it's about time for first-gen chip card replacement. What better way to replace outdated technology than with state-of-the-art dual-interface technology that delivers a better cardholder experience and pays off for members every day?

Historically, technology has changed human behavior. Interestingly, this time, it's the other way around. It's exciting to be a part of it. It's making lives better, easier and safer. It's putting more power into the hands of consumers and, because of that, a formula of engagement, experience and education has proven to be a highly successful approach for technology adoption.

As chief product & strategy officer for CUES Supplier member Harland Clarke (harlandclarke.com/Payment Services)*, San Antonio, Texas,* **Scott Hansen** *oversees the company's payments and marketing services product lines. He is responsible for developing and executing a defined business, solution, and marketing strategy, maximizing alignment with the sales force and promoting the company's position as a premier customer engagement company.*

MORE ON CARDS & SERVING MEMBERS

Instant Card Issuance: The Complete Business Case for Adoption (*cumanagement.com/0918instantissurance*)

Why A Member-Centric Culture Is Your Key Brand Differentiator (*cumanagement.com/podcast88*)

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Rethinking Your *Member Experience*

THREE STEPS CREDIT UNIONS CAN TAKE.

BY BILL HAMPTON

Ownership. It is the key differentiator between being a member at a credit union and a client at your local or national bank. It is also why credit unions need to make the member experience the cornerstone of their strategic business plans. When credit unions focus on their relationship with their member-owners, they have a unique opportunity to build a brand grounded in trust.

1. TAKE A FOCUSED LOOK

Now more than ever, we have seen a rush from tech companies to develop and deploy the next great thing. Whether it's an entirely new form of currency like Bitcoin or harnessing the power of data, the advances in technology in the financial services industry can be overwhelming. However, in the case of most credit unions, investing in the newest technology for the sake of trying to keep up is not an option.

There is no one-size-fits-all when it comes to your members' journey. That is why credit unions need to take a hard look at what their members need to make their experience the best possible one. Investing in the right technology—as opposed to the shiniest option—is how credit unions provide the most value to their members.

2. RETHINK HOW YOU CHOOSE YOUR TECHNOLOGY PARTNERS

Choosing the right technology partner is just as important as choosing the right technology. In fact, there were 5,779 new financial technology "startups" in 2019 in the Americas alone, meaning that consumers have a tremendous number of options from which to choose. A good partner must have well-defined goals and the ability to be nimble to allow a credit union to measure and pivot, shift or tweak as it goes. That partner should be there as the technology goes through its various phases of adoption and usage.

Members also expect technology to work 100% of the time on every channel. Each transaction, whether business-to-business, person-to-person, or any other variation, is a miniature moment of truth for a credit union—a moment when technology must work to deliver the credit union's brand promise.

These moments of truth can be the difference between a member who feels valued and trusts in the credit union and one that is searching for a new place to put hard-earned money.

3. CHOOSE THE TECHNOLOGY THAT WILL MAKE YOUR DOLLARS COUNT

You have taken a broad look at your member experience and narrowed down what you need to improve. You have looked at your options and chosen the technology provider that you believe will be in the trenches with you, proactively solving any problems your members have. Now, you've finally reached the final step, picking the technologies that will have the largest benefit to members.

This can be tricky, as the demographics are often spread over several generations all with different needs. For example, Gen Z and millennials are much quicker to adopt such digital payments as Zelle (*zelle.com*) and use their credit union's apps. A Javelin Strategy & Research (*javelinstrategy.com*) poll showing that 47% of millennials use mobile apps for their banking. In contrast, members of Gen X (88%) and Baby Boomers (91%) value that their money is achieving their exact financial goals.

By looking at the specific needs of your credit union's members and by picking a partner that will guide you on your path, you can accurately choose which technology will provide the largest benefit for all involved.

Credit union members want to feel a part of the business that they trust with their money. Their financial journeys are much different than those of the customers of a standard bank, as they want that interaction and sense of ownership in each transaction. That is why advancing the member experience by taking a focused look at areas of improvement, choosing the perfect technology partner that can be nimble, and picking the right solutions can propel a credit union's brand to one based on partnership and trust for their members.

Bill Hampton *is credit union division executive for CUES Supplier member CUES Supplier member FIS (*fisglobal.com*), Jacksonville, Florida.*

MORE ON MEMBER EXPERIENCE

Online Account Opening Is Just The Beginning Of The Digital Experience (*cumanagement.com/010620opening*)

How Member Experience Changes The Digital Transformation Conversation (*cumanagement.com/1119experience*)

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Any Growth Strategy *Must Address Payments*

A SMART APPROACH BOOSTS THE MEMBER EXPERIENCE—AND, IN TURN, GROWTH AND REVENUE.

BY MICKEY GOLDWASSER

MORE ON THE PAYMENTS EXPERIENCE

Payments Done for You (*cumanagement.com/0819payments*)

How many different ways can your members move money from their accounts at the credit union to someone else? For sure you offer online bill payment. Maybe you have a P2P solution, too. Let's not forget ACH transfers, either. Are you members taking advantage of these services, and more importantly, are you promoting them?

If your credit union is like most financial institutions, you're providing all of these different payment services. Maybe you think that's enough. But it's not.

The challenge here is to not just ensure that you're providing the right services, but that you are providing them as conveniently as members expect them to be. Do you look at your payment services as a way to simplify your members' lives? In the age of Amazon and Google, convenience is everything. In other words, success with payments is all about the member experience.

GROWTH AND REVENUE

What does all this talk about the payments experience have to do with membership growth? It's simple. Members who make use of your payment services use them quite extensively. Payment services are engaging, and if the experience you provide is inconvenient for your members or difficult for them to use, you run the risk of losing members to a provider that is more convenient and offers a better experience.

In the end, a bad payments strategy can shrink your membership instead of growing it.

On the flip side, if you provide an exceptional payment experience to your members—and build the appropriate marketing around it, word will get out about just how good you are. People who are fed up with the weak payment options provided by their current financial institutions will gravitate toward your credit union. Membership will go up.

Of course, there's another reason to take your payments strategy more seriously. Payments generate revenue. That's why so many non-financial institutions have gotten into—and are getting into—the game.

Think of services like PayPal (*paypal.com*), Venmo (*venmo.com*) and Cash (*cash.app*). Every time one of your members uses one of these services to move money, it weakens your position as primary financial institution. In short, if members are no longer using your credit union for payments, they're no longer your members.

SMART PAYMENTS EXPERIENCE

So, what are some of the characteristics of a modern payments experience?

First and foremost, the member should never have to be concerned about selecting the right payment option based on the recipient. When it comes to payments, the member should simply be able to specify what needs to be paid and rely on the system to pay it appropriately. In the background, the payments platform should figure out the most efficient way to get the money where it needs to be and make it happen.

This is what a smarter approach to payments looks like. If you take a smarter approach, you will have a competitive edge.

Almost as important, your credit union's payment platform must be assistive and engaging, simplifying the user's life. It must be able to develop actionable insights to offer suggestions and act based on the data you've accumulated for a particular member.

For example, if a member has a new bill come in on Monday, the system should be able to see that there's not enough money in the account to pay that bill right now. However, it should also know that the user's direct-deposit paycheck will come in on Thursday. The system should then alert the member and proactively ask if it should pay the bill on payday. The member should then be offered the ability to schedule that payment by simply answering *yes*.

Finally, a smart payments platform doesn't favor any one technology or any one payment rail. To make the smartest routing decisions, the system must remain neutral.

If you're looking for a smart way to attract and retain your members, start by making sure you offer a world-class payments experience. It's that simple. In the end, your members will not only thank you for it but also tell their friends.

Mickey Goldwasser *is VP/marketing and chief of staff for CUES Supplier member Payrailz* (payrailz.com), *Glastonbury, Connecticut.*

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- **Exceed expectations**
- **Reduce costs**
- **Redefined experience**

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