CREDIT UNION EXECUTIVE'S GUIDE

FUNDING DIGITAL INNOVATION with Employee Benefits Dollars

Credit unions know they must embrace digital innovations like online banking, mobile apps, and data analytics to recruit and retain members amid growing competition from big banks and fintechs. But funding those critical innovations can present a challenge. By rethinking how employee benefits are structured, credit unions can free up capital to support essential digital innovation initiatives and meet member demands for banking in the digital age.

Consumer Expectations
For Digital Banking Solutions

The pandemic accelerated member demands for digital banking. In fact, the number of credit union members enrolling in online banking services rose by more than 20% in 2020 compared to the previous five years, according to Credit Union Times.[1] This shift to online banking only scratches the surface of consumer expectations for digital experiences in finance.

A PYMNTS and PSCU study found that 22% of all credit union members say they would consider leaving their credit unions for different financial institutions should their credit unions fail to innovate.[2] That number rose to 30% for millennials.[2] Credit unions that lack a digital innovation strategy face being left behind as consumer banking preferences and competitor offerings change.

Beyond traditional banks and credit unions, fintechs and neobanks are catching the eyes of consumers thanks to their robust digital offerings. Credit Union Times reports that 79% of people would consider opening an account with a fintech or neobank.[3] Credit unions can't afford to wait to provide digital innovations that drive member satisfaction.

Most Popular Mobile App Features, Acording to Consumers [4]

Percent of respondents to an Ipsos and Forbes Advisor survey who ranked the feature as one of their top three most valuable in the last year.

35% Mobile check deposit

33% Viewing statements and account balances

31% Transferring funds between accounts

28% Bill pay

Superior
Digital Banking Experiences

Banking no longer requires a physical branch in a customer's neighborhood or even a conveniently located ATM. While these features still have value, tech-savvy CU members prefer an effective mobile app and online services.

Forbes reports that 76% of Americans used their bank's mobile app for everyday banking within the last year.[4]

Additionally, a survey by digital consultancy Mobiquity found that 40% of respondents were likely to change their primary financial institution to gain superior digital tools.[4] Credit unions must improve their digital environments to remain competitive and satisfy members.

How FIs are Capturing Market Share Through Digital Member Experience [5]

Digital innovations are a driving force for financial institutions looking to attract and retain members, even those outside their local areas. As such, financial institutions are aggressively adopting digital innovation strategies to stay ahead of the curve and capture their share of the digital market.

47%
Will enhance and optimize current digital channels

23%
Will invest in new digital technologies

14%
Will utilize customer data to drive strategic decisions

Percent of bank executives who plan to implement each strategy to increase market share, according to the CSI 2022 Banking Priorities Executive Report.

Key Areas Where Credit Unions Can Innovate

Credit unions already excel at member satisfaction. PYMNTS and PSCU report that 88% of credit union members say they're very or extremely satisfied with their credit unions, compared to 81% of traditional bank customers.[2] However, that may not stop members from switching to a financial institution that better meets their digital needs.

The same PYMNTS and PSCU study found members were more likely to switch when they were less satisfied with their credit union. The most common reason credit union members feel dissatisfied? Slower innovation.[2] It is imperative for credit unions to adopt digital innovations to drive satisfaction and member retention.

Digital innovation represents a broad area of investment for credit unions. To narrow the focus, there are several important innovations that members identify as important[6] and address areas where competitors are already active.[5]

1. Develop Strong Digital Banking Platforms

From simple tasks like checking balances or setting up automatic bill payments to more complex features like opening new accounts, digital banking is becoming the go-to solution for consumers. A study by Ipsos and Forbes Advisor found that 78% of people in the United States prefer to bank digitally.[7]

By providing a convenient experience via a website portal and mobile app, credit unions can appeal to members across demographics. For example, The Senior List reports that 77% of those 60 and older made a financial transaction or paid a bill online in 2020.[8]

2. Implement Biometrics and Identity Authentication Programs

Advancing technology improves security in the face of online threats. According to Computer Services, Inc. (CSI), a digital services provider to financial institutions, employee-targeted phishing, customer-focused phishing, and ransomware are the top three cybersecurity concerns.[4]

With biometric technologies like facial recognition, voice recognition, or palm prints, credit unions can help keep members' accounts and data secure while staying on pace with banks, fintechs, and other organizations already implementing such advancements.[9]

3. Provide Financial Planning and Budgeting Tools for Digital Users

Innovations in financial services allow for easier and safer banking — and easier spending. People can make purchases on their smartphones with a tap and set up recurring payments in minutes. As such, financial wellness initiatives that meet the needs of digital members provide a valuable benefit. A report by American Banker stresses the value of financial wellness programs that offer features like automatic savings and in-the-moment advice for spending and notes how fintechs like Chime and Acorns offer these services to consumers.[10] Credit unions that provide similar tools will help their members understand and monitor their digital spending.

4. Allow Touchless Payment Options

Touchless technologies, including mobile wallets and contactless credit and debit cards, are quickly becoming the norm for safety- and security-conscious consumers. According to survey data from PYMNTS and PSCU, touchless credit and debit cards are the most desirable payment technology for credit union members.[11] As consumers look for more ways to stay healthy and secure, credit unions can remain competitive through touchless technologies that offer safer alternatives to traditional payment methods.

5. Enhance Data Gathering and Analytics

Fully understanding how members utilize all of these innovations requires comprehensive data collection and analysis capabilities. The more credit unions track their members' experiences and examine how they're using digital services, the better they'll be at anticipating innovative solutions to member needs.[12]

A BankDirector and CDW report shows how financial institution executives recognize the importance of data analytics, with one-third saying they've implemented or upgraded their data analytics capabilities over the past year. Another third reports such capabilities are already in place.[13] However, more than half of respondents have concerns about their organization's data-use efficacy.[13] Credit unions that gather, analyze, and apply data to improve member experience will better compete with banks and fintechs engaging in data analysis.

These areas of innovation can be wise investments for credit unions looking to compete for digital-savvy members. The next challenge is finding the funding to make it happen.

Employee Benefits
Dollars Can Fuel Innovations

Understanding the different innovations that provide competitive advantage and enhance member experience is the first step toward successful digital innovation. Implementation requires human and financial resources. Luckily, a robust employee benefits program strengthens each of these components.

Credit unions need the right people in the right positions to implement digital innovations. This could mean creating positions with digital expertise, such as programmers, as well as retaining key employees to ensure the successful implementation of innovation initiatives.

Filene, a research and advisory organization, suggests credit unions develop internal teams devoted to innovation to remain up-to-date on digital innovations within the industry.[14] It also suggests credit unions adopt partnerships with outside organizations steeped in the digital landscape.[14] By building internal teams and external partnerships, credit unions will have the capacity to act on innovative strategies.

High-quality benefit plans are invaluable for recruiting and retaining employees with the necessary skills for digital innovation initiatives. Organizations that use benefits to bolster recruitment and retention efforts see more effective acquisition and retention as well as better overall company performance than those that don't, according to the Society for Human Resource Management (SHRM).[15] Additionally, 92% of respondents to a SHRM survey say benefits are an important part of feeling satisfied in their jobs.[15]

Having the people necessary to implement digital innovations is crucial, but personnel also need the funding to execute a digital transformation strategy effectively.

Finding the funds to accelerate digital innovation can be a challenge for credit unions. One option is to shift to a self-insurance benefits model. Self-insurance plans free up money that would have gone to healthcare expenses.

Employers can put the savings toward digital innovations without sacrificing plan quality or employee satisfaction. How? By eliminating a substantial cost associated with traditional fully insured health plans.

What is
Self Insurance?

According to America's Health Insurance Plans (AHIP), more than 18 cents of every dollar paid as part of healthcare premiums in a fully insured plan go to non-healthcare costs like administrative expenses and profit.[15] Credit unions can save these funds to reinvest in digital innovations.

Self-insurance, also known as self-funded health insurance, is when employers pay for employee healthcare costs through trust accounts funded by company and employee contributions. Instead of paying monthly premiums to insurance providers regardless of whether claims are made, self-insurance helps employers save money by paying claims on an as-needed basis.

Compared to a fully insured model, where insurance providers manage claims in exchange for regular premium payments, self-insurance keeps control of coverage and costs in the hands of the employer. Employers can evaluate their companies' unique needs, determine the amount of coverage necessary, and only pay for claims made by their employees. This can lead to immediate benefits for the credit union.

How Common Are Self-Insurance Plans? [16]

30,200 self-insured plans in the U.S.

36 million participants

$102 billion in assets

According to a U.S. Department of Labor Annual Report on Self-Insured Group Health Plans published in March of 2022.

The Benefits of Self Insurance

From financial savings to increased control over their expenses, self-insurance provides the resources necessary to fund and implement digital innovation strategies. It helps credit unions save by eliminating monthly premiums and insurance provider fees. Since these fees make up much of the cost of insurance through a provider, self-insurance can be a more affordable option.[15]

Under a traditional insurance plan, regular premiums are collected regardless of incurred healthcare expenses. Even if a credit union's employees file no claims during a period, premiums still must be paid to the insurance provider. With self-insurance, expenses are only paid as costs are incurred, thus saving money to divert to other programs.

Instead of having all their healthcare information controlled by an insurance provider, self-funded credit unions see what healthcare services their employees use most and then apply that data to inform future coverage decisions. This data transparency can be integrated into a digital transformation strategy to improve benefits and satisfaction for employees. At the same time, the data and digital innovation can improve operations and satisfaction for credit union members.

With the money saved by switching to a self-funded healthcare model and the increased control granted by keeping healthcare decisions in-house, credit unions are well-prepared to implement digital innovation strategies throughout their organizations.

Trusted Partners Can Make Self Insurance Easier

The right benefits partner can help a credit union understand the process of switching to a self-insured plan and help design a plan to meet the credit union's unique needs. Once the expertly designed plan is in place, the credit union can reallocate funds to their digital innovation strategy.

Digital transformations won't wait, and the improvement in member satisfaction that can come from digital innovation is invaluable. It's time to build a self-insurance plan as part of your strategy for improving operations for members, employees, and your credit union.

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