

CONNECTED



AN ELECTRONIC REPORT FROM THE CUNA TECHNOLOGY COUNCIL

A successful 2002—an awesome 2003 ahead



Jim Morrell
Chair, CTC

The past year has been noteworthy for the CUNA Technology Council. Your executive committee has been hard at work helping CTC to be recognized as the industry's leading voice for technology.

The CTC had a strong year for membership growth, finishing 2002 with 363 members. We were within \$871 of break-even for the budget, and we finished with a strong reserve position (our savings account) of \$125,327. We are in good financial position to start 2003.

Throughout 2002, CTC was asked to speak about and facilitate at over a dozen industry events. We honored three individuals and their credit unions with the Best Practice Award at our conference in Seattle. View the 2002 winners by clicking on Awards at the CTC web site, then Past Winners. It isn't too early to enter a nomination for 2003 by clicking on Awards at the CTC web site, then Best Practices.

In November, CTC awarded its second annual Best of Show Award at the BAI—Retail Delivery Conference in Atlanta, Georgia. This year's recipient was Experion Systems, a provider of "trusted advisor" technology used to assist members in making informed financial product selections. Visit their web site at www.experionsystems.com.

The original idea to provide credit union technology professionals an opportunity to network and share ideas has expanded beyond the annual conference. The CTC listserv has become an active

place for exchanging valuable information for common issues that we face day to day.

The two main goals we have established for 2003 are to "add traction" and "increase membership involvement." The idea of traction is to expand the view within our marketplace so that CTC is the networking association providing insight and guidance for our industry. To this end, we will be looking to increase our visibility with vendors, continuing to award the Best of Show Award at BAI and the CUNA Symposium, providing more advice to our advocates in Washington, D.C., and continuing our presence speaking at national and local conferences.

The executive committee has done a stellar job of getting a lot of CTC activities off the ground. We will also be turning to the membership to lend support to our various programs. If you are interested in serving on a committee, or contributing in some way please contact one of the executive committee members.

We look forward to seeing you at our annual summit this summer in New Orleans, Louisiana, August 6-9, 2003. This year's event proves to be packed with more information to take home including: biometrics, security planning, project management, XML, telecommuting, electronic document management, just to name a few. ♦

*Jim Morrell, Chair, CTC
Vice-President*

Executive Committee

Dan Kinne

Vice-Chair
VP Information Technology
Silver State Schools CU
Las Vegas, NV

John Bock

Secretary/Treasurer
CIO
Community CU
Plano, TX

Alan Darbe

VP Information Systems
State Employees CU
Lansing, MI

Tom Kroen

Director
Information
Technology
1st Technology CU
Beaverton, OR

John Morawski

Chief Technology Officer
Massachusetts CU League
Southboro, MA

Brian Warfel

SVP eBusiness and
Communications
Power 1 CU
Hialeah, FL

Annette Zimmerman

SVP/CIO
Mountain America CU
Salt Lake City, UT

*Information Systems
Clark County School Employees Credit Union
Vancouver, Washington*

2002 BAI Best of Show Award



The CUNA Technology Council awards annually a Best of Show Award at the BAI—Retail Delivery Services (RDS) Conference.

The 2002 BAI—RDS Best of Show Award was given to Experion Systems.

Experion Systems is a provider of “trusted advisor” technology used to assist members in making informed financial product selections. Experion’s product seeks to take the typical information exchange between a member and a credit union member service representative and emulate it with technology. Their ASP-based application can be used for call center personnel or directly on a website for member use.

Experion Systems was one 307 exhibitors at the BAI Show in Atlanta, November, 2002. There were a dozen members of the CTC, plus a representative each from the CUNA

Marketing Council and the CUNA Operations Council, serving as judges. The six criteria used for the award are:

- The product must be one that would benefit credit unions and/or their members generally.
- The product and the company should demonstrate (if possible) commitment to open standards and maybe open source.
- The company must be interested in the credit union market. Knowledge would be a plus.
- The price point for the product must be at a level that credit unions of \$100 million and above could tolerate. Willingness to establish special pricing for credit unions would be a plus.
- The product is currently in use and not just “vaporware.”
- There should be some indication that the company will be around for at least a year. “We feel that Experion Systems is a very well deserving recipient to receive this award for its interest and commitment to the credit union industry”, says Dan Kinne, vice chair for CTC and vice president of information systems at Silver State Schools Credit Union, Las Vegas, Nevada. ♦

That server may still have life

How old is a server before it is really old, outdated and costing the credit union money? That depends, according to Carrie Todd, chief technology officer at 1st Advantage Federal Credit Union. It depends on the kind of work the machine is performing and, in some cases, the software it is using to perform that work.

1st Advantage, Newport News, Virginia (55,000 members, \$300 million in assets) still uses a Compaq Alpha 4100 server purchased in 1997, according to the publication *Darwin*. Even though the workload on the server has more than doubled over that six-year period, currently handling between 500,000 and 700,000 transactions per month, it has performed well, due to Todd’s decision to purchase database management software.

When 1st Advantage purchased the server, the credit union had just begun offering transactions through electronic channels. As functionality was added, the number of electronic transactions grew. Eventually the server began

to bog down. Some days the credit union even had to open late because the reports the server ran from the previous night were extended into the next business day. Today, about 60 percent of 1st Advantage transactions are electronic or web based.

Todd did not want to spend an estimated \$250,000 on new hardware to fix the problem, even though at the time she could have found room in the budget. She thought about reorganizing the database, but such a time-intensive process would have to be done monthly to keep things running smoothly. Instead, Todd decided to upgrade the software on the server. She chose a post-relational database management system from InterSystems of Cambridge, Massachusetts, and paid \$10,000 for it. The new system was installed over one weekend, and by the time the credit union opened the following Monday, reports were running in half their normal time.

“If we had to replace the server every two

years, that would disrupt our service and we would have to deal with performance issues at the end of each two-year life cycle," Todd says. "Instead, we're getting three times that life

cycle out of the same server thanks to stronger inner workings. I think the strategy of improving what we had was smarter than total replacement." ♦

IRnet transmits \$50 million in 2002

Money wired to families abroad through the World Council of Credit Union's (WOCCU's) International Remittance Network (IRnet) totals US\$50 million in transactions during 2002, exceeding expectations by 65 percent, according to a January 27 story in CUNA's *News Now*. Roughly 170 U.S. credit unions, with a combined 750 points of service in twenty-eight states, currently offer the service to forty-two countries.

The average transaction through credit unions is US\$550. Credit unions in Guatemala, El Salvador, and Honduras can receive the transfers. In other countries including Mexico, recipients can pick up funds at outlets participating in the network. Most funds go to Latin

America, with Mexico accounting for the largest volume of dollars and transactions. IRnet service volume in Mexico is 35 percent greater than projections.

"One of WOCCU's top priorities for 2003 is the development project with our member Caja Popular Mexicana, which will enable them to distribute remittances," says David Grace, financial and regulatory affairs manager for WOCCU. The Texas and California credit union leagues are bolstering that effort.

In a June 2002 Congressional Hispanic Caucus study, IRnet was found to have the lowest fees, and beats foreign exchange in comparisons with Western Union, MoneyGram, Citibank, Wells Fargo, and Bank of America. ♦

Adoption of wireless technologies is slow

The *Credit Union Executive Center* reports that wireless technologies aren't likely to take off until they can be rolled seamlessly into decision-support functions. A recent report suggests that while wireless solutions continue to hold much allure for business applications, anemic economic conditions, budgetary constraints, security concerns, and the lack of trained staff continue to hamper adoption.

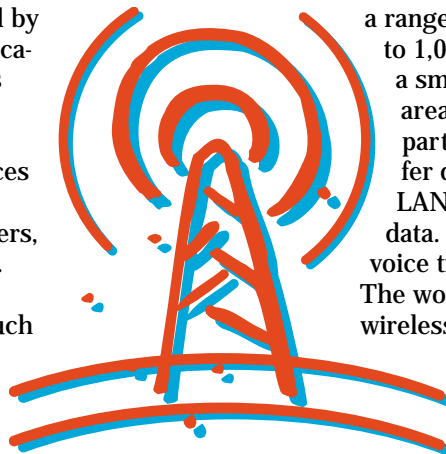
The wireless solutions of today look different than those contemplated just a few years ago. Instead of enterprise-wide applications, the market is dominated by narrow, process-oriented applications such as e-mail; calendars and scheduling; and personal productivity tools. The most commonly used wireless devices include laptops with wireless modems, cellular phones, pagers, and personal digital assistants.

Until the technology can be rolled seamlessly into areas such as decision support, supply-chain management and customer management, much of the wireless promise will remain unfulfilled. Part of the

holdup is a shortage of available radio spectrum - the airwaves that carry calls, messages, and data. The military controls much of the spectrum, while television broadcasters have rights to most of the remainder. Neither group appears willing to provide access to wireless operators.

Wireless local access networks (LANs), already popular on college campuses and in airports, hospitals, convention centers, hotels, and coffee shops, are often used to replace or enhance wired LANs. They can cover a range of 500 feet indoors and up to 1,000 feet outdoors. They serve a smaller area than their wide area network (WAN) counterparts, but wireless LANs transfer data much faster. Wireless LANs are used primarily for data. They don't usually support voice traffic.

The worldwide number of public wireless LAN hot spots will increase from slightly more than 1,000 in 2001 to more than 21,000 by 2004, according to the Gartner Group. ♦



Measure what visitors do on your web site

Credit Union Executive Newsletter says measuring web page hits, unique visitors, and session length to gauge credit union web site use is not enough to tie online activity to business goals and determine return on investment (ROI). Web analytics—technology that measures what people do on a web site—must focus on processes because people come to web sites to *do* something, not just “hit” a page, says the Aberdeen Group, Boston. Adequate measuring tools plus attention to processes enable businesses to effectively monitor their online presence and ultimately meet business goals, says Aberdeen.

Understanding web site visitor behavior requires tracing the path visitors take through the site and counting their stops along the way. This kind of monitoring has three advantages:



It shows the site from members' point of view, simplifies analysis, and refocuses the credit union on its web site as an actual place people come to do business.

Visitor behavior hinges on web site usability. “Make navigation easy to understand on the first page that comes up,” says Cary Landry, senior vice president of operations for CUNA Network Services, Tampa, Florida. “Also, every page should have simple instructions clarifying what the visitor should do next.” Landry recommends paying special attention to using graphics and photos properly, so they don't slow response time.

Aberdeen identifies five key steps toward focusing web analytics on business processes:

- **Define online strategy:** Departments must cooperate to develop an e-business strategy, just as goals and budgets are developed for the credit union as a whole.
- **Understand visitor desires:** Evaluate what visitors do at the site. They might check rates, transfer funds, pay their bills, or apply for loans
- **Define important processes—and ignore others:** Determine where the credit union's goals and web site visitors' desires cross.
- **Measure the disconnect:** Use clear measurements such as drop-offs—where members leave the site or abandon a transaction. Figure out the likely problem, such as flawed structure or indexing, fix it, and check the measurements again.
- **Continually repeat the process:** A site that's perfect in January likely will need adjustments by June as member expectations change, new people join the credit union, or competitors improve their sites. ♦

CRM requires more than technology

Some financial service companies have successfully implemented customer relationship management (CRM). Yet many organizations spend big bucks on a CRM technology package and still fail, says Lisa Loftis, vice president of Intelligent Solutions Inc., Boulder, Colorado, in *Credit Union Executive Newsletter*. Why? Loftis reports that CRM involves knowing members, understanding their relationships with the credit union and its competitors, and managing interactions with them accordingly. CRM can't be achieved through a single

technology or business initiative.

Instead, the credit union must integrate its knowledge of members with business strategies. The task involves turning what members tell the credit union into organizational memory and demonstrating an understanding of their needs and wishes. Inferred preferences can be equally powerful: Applying member analytics to predict likely behaviors or preferences can prove to members that the credit union understands them.

Four areas upon which to focus are:



- **Implement a coordinated, member-focused business strategy.** Promote CRM across functional boundaries. Goals that include the words *member-focused* or *member satisfaction* indicate that CRM is important.
- **Create a CRM-friendly organization structure.** Independent, product-oriented business units, multiple marketing organizations, and far-flung branches can inhibit the ability to carry out product, promotion, or service strategies.
- **Establish a CRM-savvy culture.** The credit union must be able to change its business and thought processes; have business units work together; and provide executive support for CRM.
- **Implement an integrated member information environment.** Member information must provide a common member view available across the organization to facilitate both operational and analytical uses. ♦

Computer crime—to tell or not to tell?

As electronic sieges go, the so-called Slammer worm that attacked the Internet recently fell short of calamitous, according to a recent analysis in the *New York Times*. Although the rogue program hit tens of thousands of computers and clogged parts of the network all over the world, Slammer paled in comparison with Code Red, the worm that attacked the White House web site in 2001. Within a few days, most of the patching of systems had been accomplished and few traces of Slammer remained.

Yet some companies were hit worse than others, notably Bank of America, which discovered that thousands of its ATM's could not dispense cash. And when bank officials disclosed that Slammer had created the problem, it highlighted an old debate in the world of computer crime: to tell or not to tell.

If an ATM fails to dispense cash, is the computer simply down, or was a malicious bit of code set loose on the network to which the ATM is linked? Unless the reason is publicized as widely as Slammer's attack was, chances are the user will never know.

Bank of America, as it turned out, went public with the reason for its problems after receiving inquiries from news organizations. But to many consumer advocates, full disclosure should be the only option, especially when it comes to companies that deal with personal finances.

The Slammer worm did not go hunting for personal information like credit card numbers. It was set on a random rampage throughout the Internet looking for unlocked doors, and had no instructions to steal data. Still, the extent of the break-ins was enough to put consumers on alert to the precariousness of their personal information.

In computer attacks, victims often prefer to remain relatively silent, believing that no publicity is the best publicity. This is especially true when the victim of the attack is a financial institution. That's true even as the number of computer crimes reported to the CERT Coordination Center, a federally financed information clearinghouse for computer security, rises sharply—to more than 82,000 last year from six in 1988. Yet they constitute a small fraction of the total incidents.

No customer records at Bank of America were compromised, and no money was reported stolen. The worm simply exploited a security hole in SQL Server 2000, a Microsoft database program, and clogged the bank's network. ♦



Throwaway card numbers help prevent identity theft

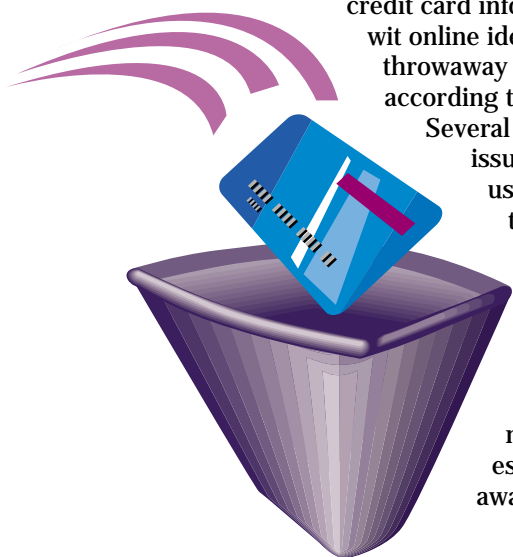
Consumers hesitant to shop on the web because they don't want to give out credit card information can now outwit online identity thieves by using throwaway credit card numbers, according to Bankrate.com.

Several major credit card issuers now offer single-use credit card numbers that customers can use online. Each virtual card expires within one or two months and is good only on the web site where a purchase is made. Online purchases made with the throwaway card number appear

on the credit card bill the same as any other purchase.

Analysts say 5 percent of online consumers—one out of twenty—were victims of credit card fraud last year. But a virtual card is useless to hackers, since the number changes each time it is used and it can't be taken anywhere else on the web.

With all their advantages, there also is a downside to throwaway cards. For instance, virtual credit card users can't pick up theater tickets or confirm airline, hotel, or rental car reservations with a credit card number that doesn't exist off the web. Still, by offering convenience and an added layer of protection, card issuers are hoping the virtual credit card will help more people feel comfortable shopping online. ♦



Multichannel selling works

In 1999, as online sales were beginning to take off, catalog retailer Lands' End decided that it could mail fewer catalogs and encourage customers to shop on the Internet. Sales lagged, and by the next year it was mailing as many catalogs as ever. But in 2002, the Internet represented 30 percent of Lands' End's holiday sales, up from 25 percent in 2001. *The New York Times* says Land's End still mailed 270 million catalogs; but the company found that many customers buy from different channels at different times and for different reasons.

Overall, online sales grew 19 percent in 2002, far faster than the online population. But the fastest growth appears to be coming from retailers that have mastered how to use the Internet in conjunction with catalogs, stores, or both. Best Buy, for example, more than doubled its online sales last year. Best Buy's surveys show that more than half of its customers check its web site before coming into its stores, up from one third the previous year.

The two biggest online retailers—Amazon.com and eBay—are still creatures

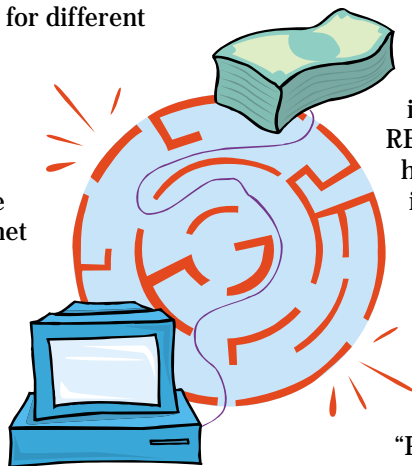
almost exclusively of the Internet. But both are increasingly creating marketplaces that allow traditional retailers to offer their wares online. Amazon's new apparel section, for example, is dominated by catalog companies and by mall retailers. Amazon.com also recently created a service that lets customers pay for purchases on its web site and then pick them up in Borders bookstores.

As retailers become more adept at multichannel selling, they are learning

how to use each opportunity. The Internet is especially useful for presenting detailed information about a product. REI, purveyor of outdoor goods, has 45,000 pages of product information on its site.

But paper is still better for browsing and displaying photographs. As a result, Lands' End and other sites find that solid colors sell better online, while prints and patterns do better in catalogs.

"Print can make something look so gorgeous you want to cry," said Bill Bass, the vice president for electronic commerce at Lands' End. "We can't do that on a computer screen." ♦



HEARD IT ON THE LISTSERV

A listserv is a tool for discussions among and between council members. Get up-to-the-moment information, make requests, post challenges, and share your experience with other council members. To join the listserv, click on the Community tab at the CUNA Technology Council web site, then on Listserv, and follow the directions to subscribe.

This month's hot topics and interesting conversations:

E-mail warnings: Do you have a warning message for your web site that tells people that e-mail is not secure?

Respondents

- use the following phrase on the home page as well as on other pages that reference contact via e-mail: "Consumer Tip: When visiting this or any web site and if you send e-mail, NEVER include non-public personal information such as account or social security number. This form of communication is generally not secure."
- include this confidentiality notice: "We do not recommend sending confidential information such as account numbers or social security numbers by e-mail due to potential loss of confidentiality. The information transmitted is intended only for the person or entity to which it is addressed. Any review, retransmission, dissemination, or other use; or taking of any action by persons or entities other than the intended recipient, is prohibited. If you are not the intended recipient, please delete the information from your system and contact the sender."

Online satisfaction surveys: Does anyone use an online satisfaction survey after an e-mail request has been responded to?

Respondents

- use Allegiance Active Listening System. "Any e-mailed questions, complaints or complements are sent through Alliance, enabling us to analyze member feedback. Since all member e-mails to the credit union are now tracked in this database, it is unlikely that member e-

mail is forgotten or not responded to. We also use this system to capture member satisfaction on formal surveys via our web site. Members have the option to complete this survey at any time. Future uses of this system may include call center and kiosks."

- are in the final stages of implementing a satisfaction survey on its intranet. The survey will ask three-to-five questions. When users have been helped via the help desk, they will be asked to click on the survey button and then click on their answers. Respondents need only click on a drop-down box or a radio button to provide answers.

Hot sites: How does your credit union use hot sites? One credit union

- uses EDS as a service bureau for core products such as member accounts, lending, general ledger, and home banking. Two separate communications to EDS provide backup. Each line provides connection to EDS for three offices and also serves as a BDC. A WAN services a total of six offices for user files and exchange server.
- has two hot sites with the host vendor, and three locations that are enabled for connecting to the hot site. The respondent also recommends considering hot sites in the event that the credit union's land lines go down. "Our internal hot sites have duplicate (but not equally powerful) mainframes for conducting transactions in emergency mode," says this member. "We also have procedures to get prior day information out to branches to run on laptops if WAN communications are down."
- uses IBM BRS at Sterling Forest, New York. This credit union has contracted for duplicate, or look-alike servers for its data center. The credit union also has frame relay communications to the hot site, and since the site is within the same carrier's domain, it can re-communicate with all locations. Even if just the center were lost, all locations would eventually be driven from the hot site. ♦

WELCOME NEW MEMBERS

CUNA Technology Council adds members

The CUNA Technology Council has added a total of eight new members. By joining their colleagues on the council, these individuals have demonstrated their commitment to developing superior skills. In addition, they join others in networking for the free exchange of ideas and improving the overall effectiveness of their credit union's IT operations.

Douglas Beigie
IT Director
St Monica-St Martin FCU
Garfield Heights, OH

Jonathan S. Hull
VP Information Systems
Perfect Circle CU
Hagerstown, IN

Michael Scheuerman
SVP/CIO
Northwest Corporate CU
Portland, OR

Suelyn Disinger
VP Information Systems
Ball State FCU
Muncie, IN

Lorraine McCormick
VP-Information Technology
AmeriCU CU
Rome, NY

Scott Zahnle
VP Information Technology
IH Mississippi Valley CU
Moline, IL

Judith L. Hudak
Network Systems
Supervisor
Community Choice CU
Livonia, MI

Mitch Nowak
VP-Information Systems
FAA Eastern Region FCU
Clark, NJ



CONNECTED

CUNA Technology Council Connected is a web-based newsletter published four times per year. Send news and CTC information to: Alan Darbe, VP, Information Systems, State Employees Credit Union, Lansing, MI: Phone 517-267-7272; Fax 517-267-7007; e-mail adarbe@secu.org. For CUNA Councils information, contact Cheryl Sorenson, manager, e-mail: csorenson@cuna.com, phone: 800-356-9655, ext. 4393, fax: 608-231-4061.

© 2002 Credit Union National Association, Inc. All rights reserved.

