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AN ELECTRONIC REPORT FROM THE CUNA TECHNOLOGY COUNCIL

Easy-to-use online systems draw consumers

More and more consumers are turning to their computers to conduct their financial affairs. In a recent story in *The New York Times*, writer Andrew Ross Sorkin observes that 17.8 million American households now do at least some of their banking online. That's fully one-third of homes with Internet access.

Today, more than half of all banks offer online banking, up from only 12 percent two years ago. J. P. Morgan Chase says that the number of customers using its online banking system has doubled since last year. And bankers say the growth is not simply due to an increase in online households, but is truly an increase in the popularity of online banking among Internet users.

For most of the 1980s and 90s, online banking was limited to early adopters willing to put up with arcane software, proprietary networks, system glitches and security challenges. Now traditional financial institutions, big and small, are devoting their attention to building and maintaining sophisticated online banking systems that were previously reserved for branch services.

For consumers, the benefits of online banking are clear. With automatic bill paying, there is no need to remember to pay the monthly utility bill and no stamps to lick; the system ensures that the bill is paid on the appointed

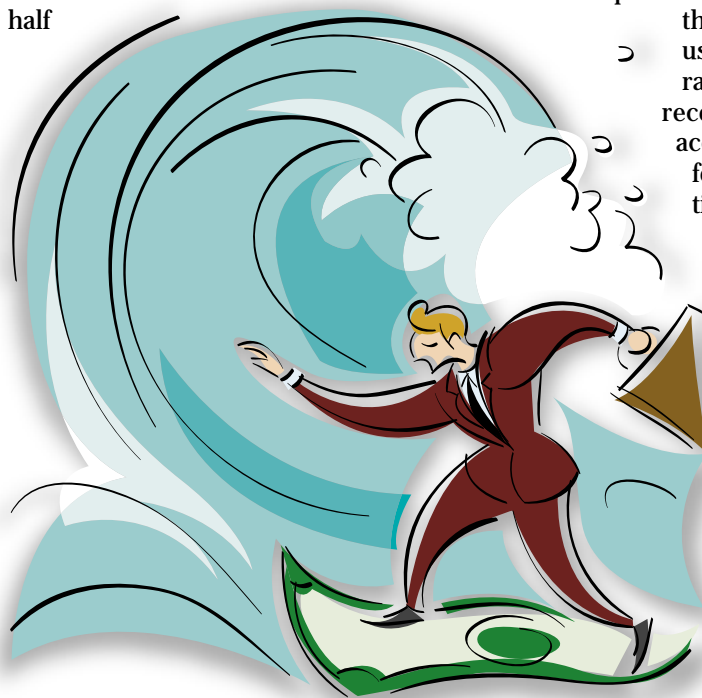
date. Users can get an instant look at a balance and a detailed summary of all recent transactions. And business hours no longer apply online: moving money from a savings account to a checking account or even into the stock market can be done from the consumer's living room anytime, day or night.

Some experts express concern that people who use online services rarely balance or reconcile their accounts and therefore pay less attention to the details of their finances and could manage their money less diligently. They also could miss errors posted to their account.

Yet many who conduct their financial affairs online say they are more conscious of their

finances than if they had simply received a monthly statement in the mail. If there's an error the account holder can catch it immediately, another benefit of electronic money management.

Account aggregation is also receiving emphasis by many financial institutions. But some experts warn consumers to beware relying on these systems, because they depend on stored passwords to gain access to multiple accounts from multiple sources. Security issues, or at least perceptions of security issues, are still a hurdle for expanded use of online services. ♦



Now small credit unions can rate their data processors

In an effort to help small credit unions meet data processing challenges, the Filene Research Institute and the Center for Credit Union Innovation (CCUI) have released a new study designed to assist in evaluating the capabilities and satisfaction levels of major vendors of data processing services. The *2001 Small CU Data Processing Vendor Satisfaction Survey Results* examines the capabilities of firms providing core data processing services to small credit unions — deposits, general ledger, loans, and expenses; as well as standard documents such as NCUA 5300 reports.

The purpose of the report is to allow smaller credit unions to evaluate which data processors offer core services, what their credit union customers think of them, and how each vendor stacks up against competition in terms of credit union success.

The survey consists of three major elements:

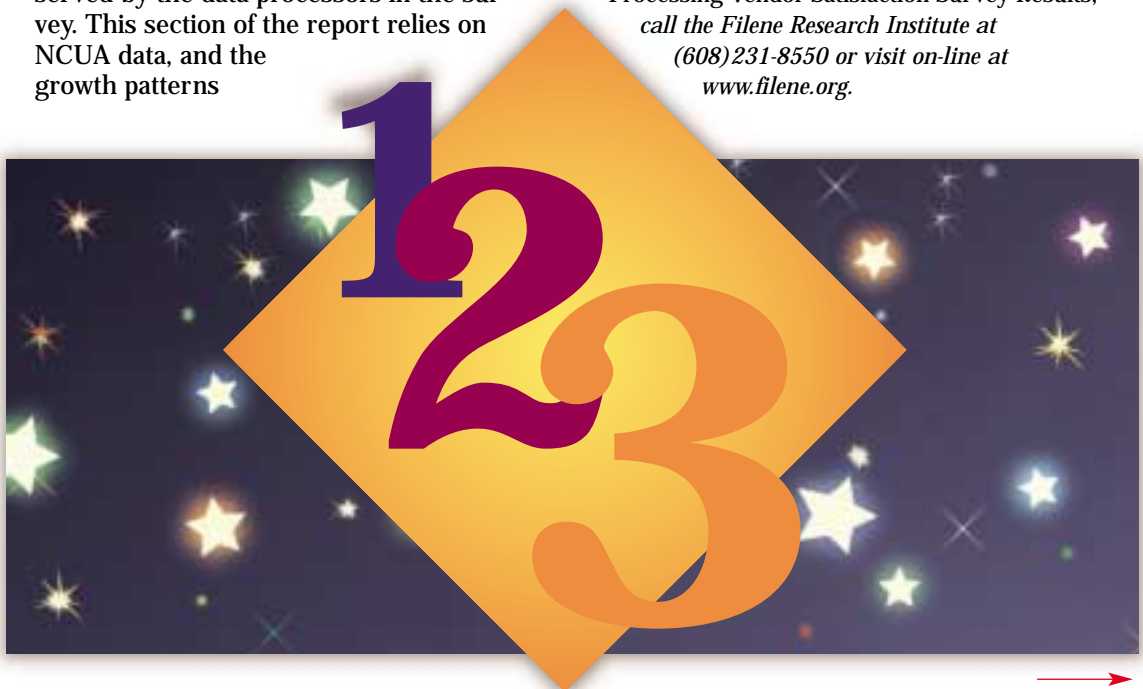
- **Part One** offers a detailed description of the products and services offered to credit unions by twenty-five data processing vendors that specialize in credit union systems.
- **Part Two** of the report contains user evaluation comments by credit unions for each of the data processing firms featured in Part One. Researchers asked these credit union customers for their input on the quality of service they receive from their processor.
- **Part Three** of the survey is an accounting of the growth patterns of credit unions served by the data processors in the survey. This section of the report relies on NCUA data, and the growth patterns

tracked by CUNA Economics and Research. The comparison gives smaller credit unions an insight into the potential each data processor provides for the ultimate yardstick of success, growth in member service. “With this information,” says Bob Hoel, Executive Director, Filene Research Institute, “a credit union has valuable feedback and quality perceptions of data processors. User evaluations are what small credit union peers have to say about the service, usability, and durability of their data processing systems.

Of particular interest to many smaller credit unions are questions related to how easy it is to connect to third party systems and networks. The report provides the opinions of credit union users regarding how easy and affordable third party interfaces are to home/work banking and other systems. There are also responses to questions on systems security.

A condensed version of the *Data Processing Vendor Satisfaction Survey* is also included in CUNA Mutual Group’s Small Credit Union Connectivity Toolkit, which features a new self-help calculation tool on disk, and a small credit union connectivity manual. The toolkit is a step-by-step primer to help smaller credit unions make the most of their technology opportunities. It is available through CUNA Mutual Relationship Managers. ♦

For more information on 2001 Small CU Data Processing Vendor Satisfaction Survey Results, call the Filene Research Institute at (608)231-8550 or visit on-line at www.filene.org.



International business provides credit unions opportunity

A new paper sponsored by the Filene Research Institute explores the opportunities available to credit unions in the international business arena. In *Serving Members Around the Globe*, William W. Sayles examines the operations of United Nations Federal Credit Union and others with offices in foreign countries, and finds significant opportunities for growth. Sayles documents both key competitive advantages of American credit unions and significant limitations to which they are subject.

United Nations FCU is a leader in exploring the potential of expanding its operations into international areas. The \$1 billion-plus, 46,000-member credit union is a model for those whose strategies include delivering services to employees of international sponsors in foreign locations. United Nations FCU representative liaison offices (RLOs) in Geneva, Switzerland and Vienna, Austria, provide a variety of member

services including account opening, transfers, loan applications and marketing. They do not deal in cash, accept deposits, or maintain local currency accounts. The RLO approach is acceptable to the NCUA.

Regulatory and legal issues are key elements involved in expansion into international areas.

While these issues are significant, they are not prohibitive to establishing a service presence in foreign countries.

- Sayles also gained insight into the management challenges faced by individuals in this demanding position. Technical, regulatory, and operational considerations in international venues are complicated by

cultural differences and time zone distance between the RLO and its headquarters operation. ♦

For more information on *Serving Members Around the Globe*, call the Filene Research Institute at (608) 231-8550 or visit on-line at www.filene.org.



Take the high road to business ethics

Many people in business are reluctant to discuss moral and ethical issues. They are more comfortable debating the details of operational activities, for these questions are quantifiable. Yet without open discussion, the credit union and its people cannot hope to articulate the organization's overall ethical position.

Managers may consider it disruptive to bring up moral issues at work, seeing them as judgmental and likely to create cycles of finger-pointing. They also avoid moral talk because it seems to burden business decisions with considerations that are extraneous, even antagonistic to responsible

management. These individuals associate ethics with rigid rules and regulation.

But by avoiding moral discussion, people remain unclear about how to cope with difficult ethical problems, and about their obligations to act in accordance with moral standards. They suppress the troublesome moral dimension in business decisions.

To achieve free and open discussion about ethical matters, senior managers must interact on an ongoing basis with as many people as possible.

Misconduct and injustice, willful or unintentional, can occur anywhere in the organization. Effective communicators think in terms of



specifics rather than principles or generalities. By avoiding moral abstraction, senior managers are less likely to be seen as preaching. Moral standards gain clarity and authority as they are interpreted in relation to specific cases.

A general and growing approach to developing an ethical structure is to document principles of conduct for the entire organization. Whatever they are called, these documents suggest the root meaning of ethics — good customs and character. The importance of a code is twofold: first, it clarifies credit union

expectations of employee conduct in various situations; and second, it makes clear that the credit union intends and expects its employees to recognize the ethical dimensions of its policies and actions. When people are affected — when interests collide and choices must be made between values — ethical considerations are at stake. That kind of conflict can be a daily experience in the business arena. ♦

This article is excerpted from The Power of Business Ethics, by Dick Radtke, available from CUNA's Center for Professional Development.

ATM: Your new neighbor?

Automated teller machines have become so common that it now seems there are almost as many places to get cash as to spend it. Convenience stores, nightclubs and office buildings are all well supplied with ATM's. In a few big cities, cash machines have even begun popping up in the lobbies of large apartment buildings.

The New York Times reports that one Manhattan resident who recently posted an online notice seeking a roommate listed the ATM in her building's lobby as one of its amenities. The ATM is located between the elevators and the mailboxes, and residents often use it before heading to the subway.

After a quarter-century in which they spread only slowly across the banking landscape, ATM's hit boom times in 1996, when networks like Cirrus and Plus began allowing operators of the machines to charge access fees.

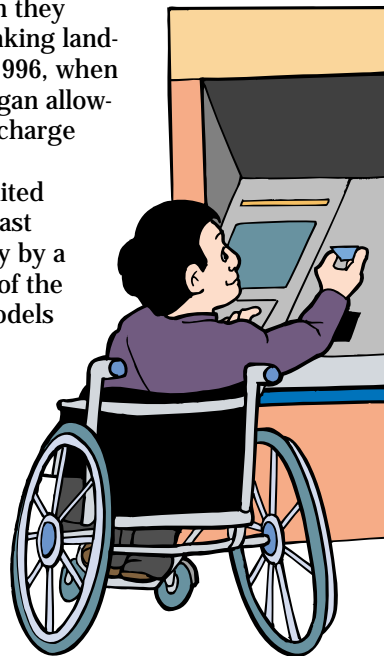
The number of ATMs in the United States has nearly doubled in the last five years to 324,000, driven partly by a steady drop in the price and size of the machines. One of the smallest models takes up less than 1.5 square feet and costs less than \$6,000, mean-

ing it can turn a profit with as few as 150 transactions a month.

In apartment buildings, where less foot traffic means that the machines are likely to get less use, ATM's are more about offering a service than they are about revenue, says Charlie Samons, vice president of Access To Money, an ATM distributor in New Jersey. "They're not money-makers, but tenants do appreciate them," Samons says. Some building owners even choose to sacrifice commissions to keep fees low for tenants, he says.

One New York development company has put ATM's in the lobbies of eight of its 14

apartment buildings, and will soon install them in the rest. It is also including them in plans for new buildings. However, there may be a limit to how far ATM's will go in penetrating residential life. Last Christmas, Samons's company offered a full size, in-home ATM for \$20,000 through the F.A.O. Schwarz toy catalog. There were no takers. ♦



Credit unions need diverse teams to implement CRM

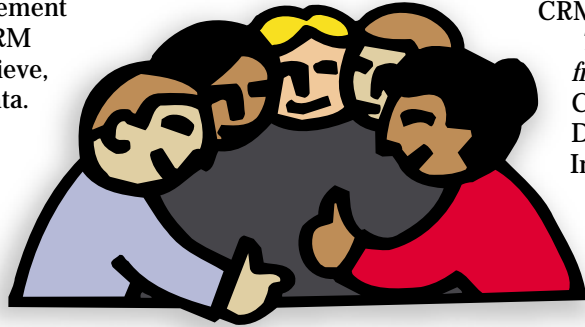
Customer Relationship Management is a strategy, not simply a set of technology tools. That's why credit unions that have successfully implemented CRM solutions typically rely on a diverse team to direct their efforts. At the same time, CRM is likely to rely on technology for vital support. Although CRM plans vary as much as CRM solutions, most strategies review current practices to highlight weaknesses and opportunities in sales, referrals, contact management, customer service, and marketing. Efforts to manage communications with members using electronic channels often get special attention.

Credit unions are now using three types of tools to implement CRM. Operational CRM tools are used to retrieve, store, and manage data. Analytical CRM tools help the credit union staff interpret and apply data. E-CRM extends CRM tools and tactics to elec-

tronic channels, particularly the Internet.

Integration between these CRM tools and the credit union's existing systems and software is a vital issue. A March 2001 study sponsored by the Sedona Corporation found that 76 percent of credit unions and other community financial institutions underutilize their CRM and marketing customer information file (MCIF) systems. The same study found that 62 percent of respondents did not network CRM or MCIF systems within the organization, which limited the number of users and decreased integration across departments. Lack of training was found to be a significant barrier to fully implementing CRM. ♦

This article is excerpted from the Technology Council White Paper, Defining and Implementing Customer Relationship Management (CRM), by Darla Dernovsek.



WELCOME NEW MEMBERS

CUNA Technology Council adds members

The CUNA Technology Council has added a total of seven new members. By joining their colleagues on the council, these individuals have demonstrated their commitment to devel-

oping 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.

Marsha Clark
Bell Com Credit Union
Grand Rapids, MI

Benjamin Davis
Solidarity CCU
Kokomo, IN

Bhavnesh Makin
Sacramento Credit Union
Sacramento, CA

John Mendez
San Antonio Telephone FCU
San Antonio, TX

Norman Thomas
Co-op Services Credit Union
Livonia, MI

Jaime Vasquez
Eagle CCU
Lake Forest, CA

Kristina Waters
ABNB Federal Credit Union
Virginia Beach, VA



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