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# HOW CREDIT UNIONS CAN STAND OUT IN A COMMODITIZED FUTURE

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## Executive Summary:

In the current banking environment, all things are becoming more similar than unique, and any provider with a better price becomes a viable next option. One click or one swipe on a digital device and your member is now engaged with the seemingly endless choices of financial services providers who are ready, willing and able to handle all of that member's banking needs. Although the future of financial services will be marked by increased commoditization, analytics – properly applied – will offer opportunities for credit unions to “live their difference,” distinguishing themselves through deeper member relationships based on trust.

One thing that will not change in the future is the consumer demand for quality products, great service, and a fair price. What's different, and what will remain different, is that in the past you paid a premium for that great quality and service. Now customer expectations are much higher. The industry is scrambling to deliver products – basically the same products – across all channels seamlessly. At the same time, everything needs to be personalized, timely, and offered at competitive prices, along with a near-effortless experience. That's not easy in the digital age.

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## Member Centricity

Years ago, some credit unions that were just starting out had branches that were actually trailers in the gravel parking lots of factories or manufacturing plants. There was a true organic connection with their members, and that’s what made credit unions different. That organic connection can still make credit unions different in the future, and be the driver of their success.

Credit unions have gained ground as major competitors in financial services. The one thing that keeps them from commoditization is the difference members experience in how they’re cared for as part of a credit union. This realignment around the member is key to the future of credit unions’ place in the financial services community. The tension faced within the credit union community involves the competing demands of providing competitive products and services while making it easy and memorable for members to do business with them.

## Trust

We’re moving toward an age of greater commoditization, where product features, pricing, and services are increasingly homogenized. While credit unions have experienced historic membership expansions beyond traditional parameters such as place of employment, with this growth has also come a certain loss of unique identity. In gaining ground as competitors of large, traditional banks, credit unions have to an extent drifted away from what made them special as community and relationship-centered organizations.

Where credit unions will be able to compete and win will be by once again differentiating themselves based on the relationships they build with their members. Such relationships are built on trust, and trust takes time to create. Credit union leaders need to take the initiative in reestablishing in the banking consumer’s mind that credit unions are different: not just because of how profits are allocated, and not because of digital capabilities, but because members experience a difference in how they’re cared for as members of a credit union.

The credit union community has a unique opportunity to escape the Age of Commoditization and cultivate an Age of Realignment, putting the member back at the center of their mission and purpose. Specifically, credit unions must rely on leading indicators rather than lagging indicators to realign to their members and reestablish trust. For example, a balance sheet, for all its value, is a lagging indicator.

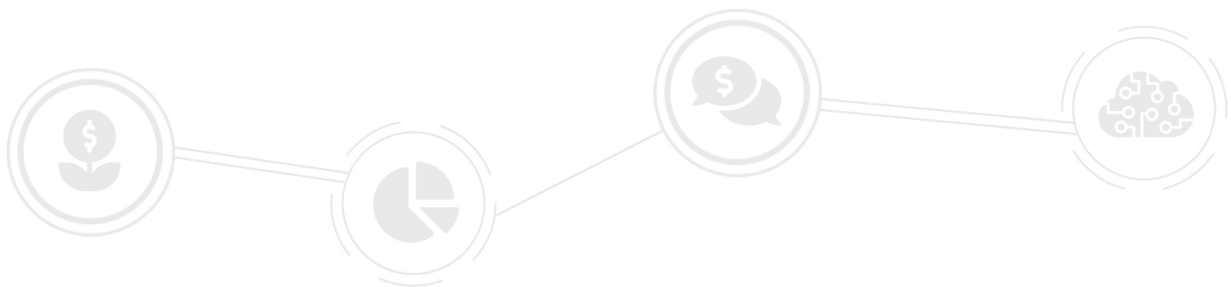
Asking your members where they are experiencing friction in the process of doing business with you is a leading indicator and that's important, because it's the No. 1 cause of switching financial institutions. Whether it's a complex transaction or a digital transaction, you have to resolve the friction, because if one member is experiencing it, you can be sure that others are too.

The advantage of directly asking your members what they think and feel about you, and what their financial needs might be in the future, is that you don't have to rely on predictive patterns to make guesses about their future buying behaviors. You simply ask, listen, and take action so you can bring your members closer to you.

## Live YOUR Difference

Ultimately, the analytics have to serve the relationship with the member, not be a destination in and of themselves. Asset growth should be a function of "share of wallet" gains. The credit union should be growing assets organically – because its members are growing with it, because the credit union is helping them grow.

Everyone in the industry is aware of the threat of disruption posed by huge non-financial players like Google, Apple, and Facebook, as well as fintechs and so-called "challenger" banks. Yes, these entities will impact how financial services are delivered, through their AI investments and strategic collaborations. But the best way to weather the threat of disruption is for credit unions to embrace their own positive disruptors and take action now to create real change based on lasting member relationships.



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Credit unions need to make identifying and resolving friction in the member journey an imperative. They need to pinpoint and close gaps between what their members expect and what they actually experience when they do business with the credit union. The best way to do these things is by capturing the authentic voice-of-the-member in actionable analytics and taking profound, immediate action to effect meaningful change.

So if anything can be said with certainty about the future, it is that strong member relationships based on trust will continue to be the most important contributor to credit unions’ long-term growth and success. At their best, credit unions will use real-time, actionable analytics based on direct member feedback to build revenue organically, as they help their members grow and achieve their financial goals.

The credit union is prescribing a customized course of action for the member based directly on the information he or she provides. Fulfilling that need for that member builds trust, deepens the relationship, and ultimately translates into greater revenue. That’s how credit unions “live their difference,” and it will lead to their success in the future.

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Rhonda Sheets is the Founder, President and CEO of Support EXP, established in 1997. She is an internationally recognized thought leader, innovator, author, trainer, speaker and trusted partner in the financial services community. She has consistently been in the forefront of achieving best-in-class performance results for banks and credit unions – using Voice-of-the-Customer insight and actionable CX solutions to guide transformations from the front line to the back office.