They're all searching for **a digital credit union**

# **Credit Unions:** How to grow through Digital Transformation

MBS

Business Automation Specialists

**Having been in existence since the 1850s, credit unions are no strangers to business change. With the rise of digital transformation well underway, Unions must adapt to new approaches to meet the needs of new and existing members in the digital era.**

The more advanced Unions have already added digital offerings to keep up with changing expectations and bring value to their members. For example, acknowledging the preference of the 'always on generation' to use a smartphone as their primary touchpoint.

However, as Unions face competition from private online lenders that are creative in the way they engage with customers and the digital experiences they offer, it's time to react, respond and plot a path to stay ahead.

Unions who refuse to adapt or transform fast enough won't survive, but the ones who put it as a priority face a big opportunity to grow exponentially.

We will show you how to get into the digital game and embrace digital transformation to grow and maximise the long-term benefits for your members.

**Key concerns we will address:**

- **How to grow without increasing staff overheads**
- **How to deliver low paperwork solutions**
- **How to speed up processes to meet the target market's increasing expectations**
- **How to compete with the simplicity of payday loan companies**
- **How to connect with members more effectively**

**Key takeaways:**

- A growing number of Credit Unions are going digital.
- Credit unions can stay accountable and bring real value to their members and communities through digital transformation.
- Many credit unions won't transform fast or thoroughly enough.

MBS

**MBS has been providing integrated business solutions using leading IT systems for over 11 years. We have over 300 clients in 39 countries, principally in Financial and Professional Services, including Credit Unions. This document is a summary of the lessons we have learned working with leaders in this important industry.**


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# **Introduction:** Evolving Nature of technology and the implications of being left behind

**For the past 30 years, the world has changed dramatically because of digital innovation. Now the pace of digital transformation is accelerating, driving further change.**

New technologies are introducing entirely new ways of working. While many Unions recognise the importance of implementing digital transformation strategies, the follow-through has often been lacking, often because their small size means they do not have the latest in-house technology skills and concerns about spending too much on IT.

History shows we tend to expect too much from technology in the short-term, yet the long-term impact of new technology is usually far greater than anticipated. That has certainly proved to be the case with the internet, which is now pivotal to modern life.

Successful Unions are recognising the value of providing members with choice, ease of access, efficient speedy decisions and service fulfilment across all delivery channels.

The 'always on' generation expects the delivery of customer information online, and accessible from anywhere on any device. However, increasing regulatory requirements make this challenging.

There are opportunities credit unions have to stay on the forefront of the digital revolution. The four critical areas are:

- Adopting new technology to **automate** processes and streamline lending
- Embracing cloud technology to **collaborate** from anywhere
- Integrating **secure** systems to protect the Union and members' information
- Generating valuable insights to **transform** service and delight members.

Providing innovative ways to engage with new members and manage existing relationships requires operational change, enhanced capabilities, new processes and investment in enabling technologies.

**Key takeaways**

- Credit unions are well positioned to digitally transform.
- Next-generation members will expect a highly digitised experience.
- Investment in technology is key to staying ahead.

# Forces driving change

**The industry is changing faster than ever – and this is likely to accelerate in the face of three key trends:**

### 1. Change in expectations

Analysis shows millennials are increasingly more reliant on technology. Individuals seeking loans want rapid if not instant answers and prefer the convenience of using their mobile phone.

Therefore delivery of information online is essential to maintain a relationship with the 'always on' generation who want 24/7 access to their data from anywhere in the world, on any device.

Aside from the need for an increased availability of information, members also expect to be served even faster than before, ideally immediately. This requires Unions to collaborate nimbly both internally and with other specialists to meet heightened expectations. Collaborative technology is crucial to enable this to happen effectively and securely.

When credit unions use technology to engage their members on a deeper level, they create better relationships and provide more value.

### 2. Change in regulation

The need for loans – often urgent short-term loans – is greater than ever. While Unions aim to serve members quickly, they must ensure they are protected by carrying out the relevant checks.

There has been a regulatory tidal wave in recent years including GDPR. No doubt, there will be plenty more regulatory changes to come.

The cost of compliance is, therefore, a big concern for credit unions who handle a large amount of sensitive data.

### 3. Change in technology

Emerging technology, such as Cloud based systems, electronic signature solutions, automated workflow management, among many others, is growing rapidly. By automating repetitive tasks, data can be manipulated quickly, elevating member service levels and decreasing wait times.

Likewise the rise of digital signing prevents unnecessary delays and delivers low paperwork solutions to members with easily integrated systems for data sharing.

Making use of these tools will position your Union ahead of competitors.

## 4. Change in the sector

The number of credit union members in the UK exceeded 2 million in 2017 for the first time. Loans grew by 6% and are forecast to continue to grow faster than bank lending. While the size of the market is growing, the number of British credit unions has been falling as small ones close or merge. This consolidation is being driven by the above forces, with Unions requiring greater scale to be able to support the additional resources required to meet the growing needs of members and regulation often through more advanced technology.

For those with consolidation in mind, technology becomes even more important as merging and growing will require more reliance on technology to help serve members effectively and efficiently and meet growing regulatory demands.

Picking the right technology partner with **core systems that are easy to use** will help you to achieve the following:

- **Ease of implementation** – if it takes a long time and a great deal of effort to migrate it can increase the risks of operational failures and harm relationships with members.
- **Low cost** – slow and costly integrations can impact both subsequent acquisitions and the service level to members.
- **Scalability** – if you make the wrong choice of IT systems then you can find yourself in an expensive dead-end that directly prevents growth. Our systems are flexible and scalable, helping to reduce costs per member.

MBS has helped several organisations who have grown rapidly, both organically and through mergers, so we are well equipped to advise.

### Key takeaways

- Members want to be served quickly and efficiently using their smartphone.
- The cost of compliance and protecting the Union is a key concern.
- Modern workflow management tools can link your existing systems and automate many tasks, helping to save time, reduce paperwork, and accelerate digital transformation.
- Picking the right technology partner will help achieve a fast, scalable and cost-effective solution

# **The Opportunity:** responding to digital disruption

**While more Unions are leveraging digital strategies, multiple options can make it intimidating and challenging to figure out what works and what doesn't.**

To unlock the potential of digital transformation, you need a foundation that allows you to experiment and evolve. Your information – including emails, documents and video – needs to be held in a flexible platform that can be readily integrated with legacy applications and potential future ones.

As digital transformation calls for complex skills, it is critical to build on the advice from a trusted digital partner to implement the right technology platforms and execute it well.

**Refine your goals**

The first step in your digital journey is to refine your short and long term goals and consider how technology could help.

For example, automated processes can reduce paper and time-intensive loan applications, Records Management tools can meet digital recordkeeping and retention requirements reliably and cost-effectively, and collaborative technology can improve member service.

Identifying your members' greatest pain points and your Union's biggest inhibitors to growth will help track the issue at its source and fully address it.

**Rank your outcomes**

There could be several outcomes you want to achieve so it is important to clarify and rank them in order of importance. For instance, are you trying to reach new markets, reduce paperwork, improve service level, streamline the lending process, manage GDPR liabilities, or reduce compliance costs?

Deciding what is most important to your Union based on quantified benefits will help provide the vision, measures and motivation to make the change.

Understanding what is required to achieve those outcomes is key. Digital transformation requires digital information, so a good Document Management System which provides secure, rapid access to the information needed anywhere in the world on all devices (including tablets and mobiles, not just office desktops) is the essential foundation to achieving your outcomes.

**Seek expertise**

The right digital partner can help bridge the gap between your current vision and future goals.

MBS is a key digital transformation partner to over 300 organisations in 39 jurisdictions around the world, including credit unions. By combining our knowledge of the industry with innovative technology from leading vendors and award-winning implementation expertise, we have helped a number of Unions to delight members and grow rapidly.

Based in the Isle of Man but working internationally, our team can add real value to the quality of your member service.

Unions are facing a big opportunity: to be bold enough to get into the digital game and embrace digital transformation to endure the long-term. The only way to survive and grow is to go digital.

**Key takeaways**

- Unions should identify members' greatest pain points and the biggest inhibitors to growth.
- Committing to digital transformation means investing in the right resources and expertise.
- Finding the right digital partner is critical when it comes to bridging the skills gap and delivering an exemplary member service.

# Strategies for growing, without growing costs

**You may think complex technology is difficult to afford and maintain when you are trying to protect every penny of members' funds, but our secure systems will see you significantly grow your productivity, enabling you to support more members within your existing resources.**

To unlock the potential of digital transformation and reduce costs per member, you need a foundation that allows you to experiment and evolve. Your data needs to be held in an open, secure, and flexible platform that can be readily integrated with other applications – and potential future ones.

There are four key pillars to address to achieve success are: automate, collaborate, secure and transform.

### 1. Automate

Using an intelligent content management system enables you to store, protect and use the information you need to run your Union. It can also automate tasks, save time, reduce human error, lower operational costs, improve staff efficiency, and create a more positive experience for members.

Choosing a system with an open architecture can speed integration with your existing applications while limiting overheads and minimising the burden on IT staff.

While document management sits at the heart of most data streamlining and process automation strategies, there is more to it than just 'going paperless'. In fact, that is just the beginning.

Leading content management systems such as **Laserfiche** include easy-to-use document management as well as proven process automation tools that enable you to seamlessly link with your existing IT systems. This enables you to transform processes such as the paper- and time-intensive loan application process into an automated, digital form. It simplifies loan processing and underwriting by electronically routing a member's loan application file through the origination, closing and funding processes.

In an environment where efficiency and quality service are vital, **Laserfiche** enables credit unions to do more with existing resources. It helps reduce costs per member by automating tasks and streamlining business processes – saving valuable time and supporting growth without having to grow staff numbers.

Designed to be easy to use and easy to implement, workflow systems can help you automate business processes, enable growth, and reduce your dependence on IT coders. At a time when digital transformation is essential yet IT skills are scarce, this is a powerful combination that delivers a low-risk step-change in business results.

## 2. Collaborate

Collaborating between staff and with members, partners and suppliers rapidly and securely is a growing necessity as members expect loans to be processed ever more quickly.

Bringing everyone and everything together in one secure space where you retain full control of your data is key to moving projects forward faster. Collaborative tools allow scans, emails, and documents to be shared between internal and external users that are protected end-to-end and controlled in your network.

Whether your company currently embraces it or not, remote working is growing at a remarkable rate with research revealing that it improves communication, creativity, productivity, and engagement when employees are properly trained in how to operate in a work from home situation.

Secure collaborative platforms can help your team connect and collaborate with members and other partners outside your organisation securely and rapidly, at a time when many members are demanding ever-faster results.

Given this, anything that can aid collaboration – both inside your organisation and with members and partners – can be a real source of differentiation. The use of good content management systems, secure workspaces, video conferencing, and electronic signature solutions can transform complicated paper trails into seamless end-to-end processes.

A workflow system, such as Laserfiche, will eliminate time lags and redundancies inherent in manual business processes, including invoicing, new account opening and HR processing. Authorised users have instant access to relevant forms and records, ensuring seamless transaction processing, reducing the costs of managing information and improving collaboration.

**“The ability to bring people together from around the world in one meeting has had a massive impact.”**

**Gary Bews, IT Infrastructure Manager, First Names Group**

### 3. Secure

In ever-increasing regulated environments, security can be applied at all levels giving you complete control of your documents with access control, detailed reporting and the ability to manage retention schedules as required. The requirement to manage retention schedules will become a must with pending GDPR Data Protection regulations.

To succeed in an increasingly digital world you need all of your information available digitally – yet this can leave you feeling exposed to cyber-crime. Given the desire for privacy of your members, you need to choose systems with sophisticated security measures built in.

By implementing secure content management and workflow systems, you can digitise your data making it easier to search, categorise, and report on. By securing content, maintaining audit trails, and keeping your data local to your network, you can retain granular control and visibility. Digitising your data will also immediately reduce the risks and costs of physical storage.

Leading Content Management systems, such as **Laserfiche**, can automatically populate member or loan index information to reduce manual data entry and track missing or expired documents. This greatly reduces risk of a data breach and ensures demonstrable compliance. It can also retrieve documents based on any one of a number of different indexes, including loan number, SSN, EID, document type or collateral description making it easy to keep comprehensive audit trails.

To move forward securely and reliably, **DocuSign** electronic signatures can also significantly speed up processes while at the same time-saving costs on print, postage and couriers. The ability to remove 'wet signatures' from the loan application procedures will appeal to members as they are able to access the document for signature through any web browser or mobile device.

Once the signing process is complete, the integrity of the document can be confirmed as well as who and when the document was signed.

## "Laserfiche gave us a fantastic vehicle to enable secure portability."

**Mark Reynolds, Operations Manager, Murria Solicitors**

**4. Transform**

Transformation is achieved when you can combine automation, collaboration and security to deliver a major change in practice and outcomes.

Real transformation is a combination of a range of technologies as well as a culture of innovation and change driven by members. It is not confined to processes internal to your Union. Instead it involves finding new ways to deliver value faster, better and cheaper than the competition.

Members can be particularly demanding, expecting speed and quality when they apply for a loan. How can you add more value to the process? What do your members value most? Where are the delays? Can you add further value by including other external experts? Technology can create opportunities for some fundamental changes – if you know where to look.

For example, DocuSign's industry-leading e-signature solution can remove the need for paper documents and ink signatures, allowing you to automate many processes and dramatically improve service times – typically over 60% of documents are e-signed within an hour.

**"As customers have become more digitally savvy and e-signature technology has matured, the market no longer focuses on the foundational capabilities of signing documents without pen and paper. Regulations are also evolving to enable widespread use of e-signatures. For example, the implementation of the eIDAS legislation in July 2016 fosters the use of electronic signatures across borders within the European Union. E-signature has become a component in a larger system of agreement, where companies have processes and technologies to support the preparation, signing, enacting, and management of agreements."**

**Matt Carter, Project Director, Forrester Research Inc.**

## In closing

Credit Unions have an increasingly valuable role in the community as the public strive further towards not for profit organisations.

Technology can empower credit unions to manage correspondence, business processes, and compliance as a unified solution. Above all, it can create value for the member and the organisation. It is about having the organisational capacity to manage multiple change initiatives in parallel with business as usual activities – because change is the new business as usual.

A digital partnership has the potential to accelerate growth without growing overheads, help you tap into new markets, accelerate outcomes, and achieve things that simply aren't possible alone. This is why many Unions have chosen to partner with us to drive efficiencies, save time, assist with compliance, and expand beyond geographical borders through enhanced products, services and experiences.

Our systems are flexible and can be bought through subscription, or you can opt into free trials to see how they could work for you.

There is opportunity – for those ready to turn vision into action – to create a foundation for transformation, unlock your digital potential, and stay ahead of the competition.

**In short: think big, start small, act fast – and start now.**

# Case Study

## How one credit union doubled its loan book in 12 months

**The client**

Glasgow Credit Union has grown substantially during the past four decades to become the largest credit union in the UK.

**The challenge**

Glasgow Credit Union started with a common problem: when one of their members needs a small loan, they usually need it very quickly. They recognised that many of their members, especially the younger ones, were used to instant solutions, typcially via their smartphones. They needed to find a way to tap into this market.

Although they have a relatively large pool of 35 staff and robust internal administration systems, the growing volumes of loans and paperwork was straining staff and systems, and they couldn't expect the team to work any faster. They also had to wait for off-site scanning to access documents and completing loan reviews involved toggling between multiple applications and manually entering data.

**The solution**

MBS advised Glasgow Credit Union to choose Laserfiche, one of the global market leaders in document management, and DocuSign, the world's biggest electronic signature software. Both systems could give staff rapid access to information globally while providing sophisticated security to protect the Union and members' confidentiality. They are easy to implement, integrate with existing systems, and scale up so that the Union can continue to grow.

**The outcome**

The systems significantly reduced re-keying of data which had an immediate and positive impact on the staff.

From there, automated processes were put in place so new paperwork was automatically flagged to relevant staff for processing and workflows could initiate complex loan payments or kick-off review notifications to other business units.

Members could receive and sign loan agreements rapidly on their smartphone or PC, and new members were able to join the union and apply for funds within 15 minutes, with loan approvals being completed in under an hour.

They almost doubled their loan book in a little under 12 months – helping to offer real value for the community, without increasing risk through higher staff overheads.

Paul McFarlane, Head of operations at Glasgow Credit Union, said: "In terms of advice for anyone looking to go down this road, the best tip I have is to ensure you can trust the company that implements the technology. The software, for all its bells and whistles, is only as good as the consultant who specifies it and the engineer that installs it. We chose MBS partly because they are the biggest Laserfiche reseller in Europe, but mostly because they took the time to understand our operation and our needs. We put them through a harsh selection process, but they came out with flying colours and have proven very reliable."