



National Survey on Data Analytic and Decisioning Trends in the Credit Union Industry

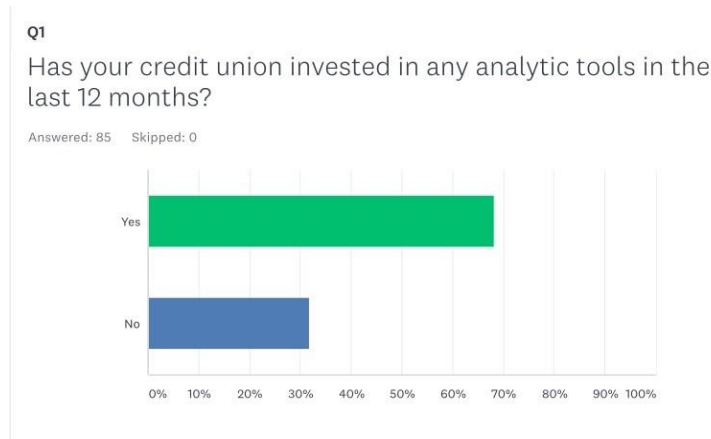
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Best Innovation Group (BIG) Consulting division and OnApproach recently surveyed executives within the credit union industry to better understand their strategies for digital transformation, data analytics and data enhanced decisioning.

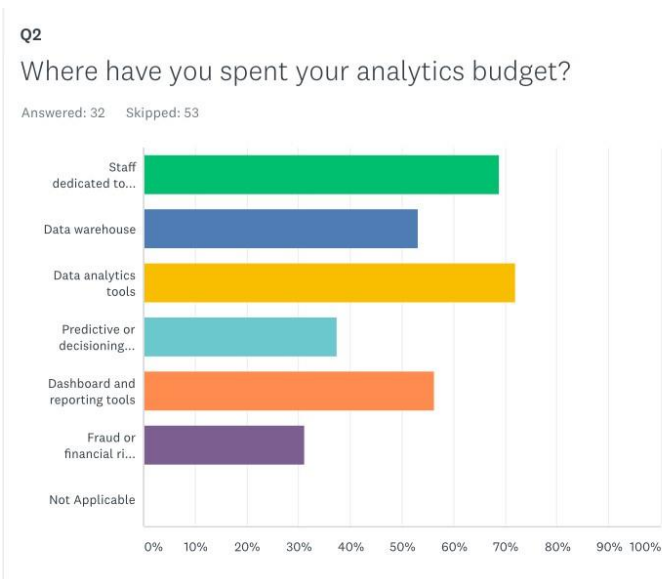
We will conduct the survey semi-annually to better understand the trends in data and digital strategies.

We found the following key trends and findings.

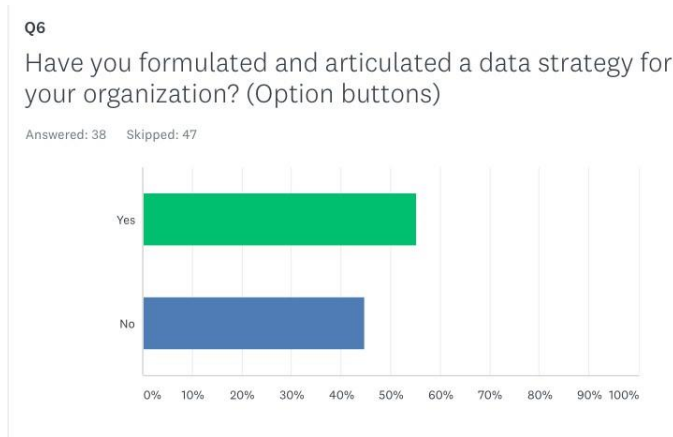
Credit Unions are investing in analytic tools with over 2/3 of the credit unions surveyed having purchased some type of analytic tools in the last 12 months. The priorities of the investments have been in analytic tools, staffing, warehouses and visualization systems (dashboards).



The survey suggests that Credit Unions are building the fundamental skills and infrastructure needed to utilize data more effectively. Most investments made in 2017 were in analytic tools, staff skills and warehouses. A lower level of investment has been made in the newer tools of decisioning, fraud and predictive (machine learning and artificial intelligence) technologies.



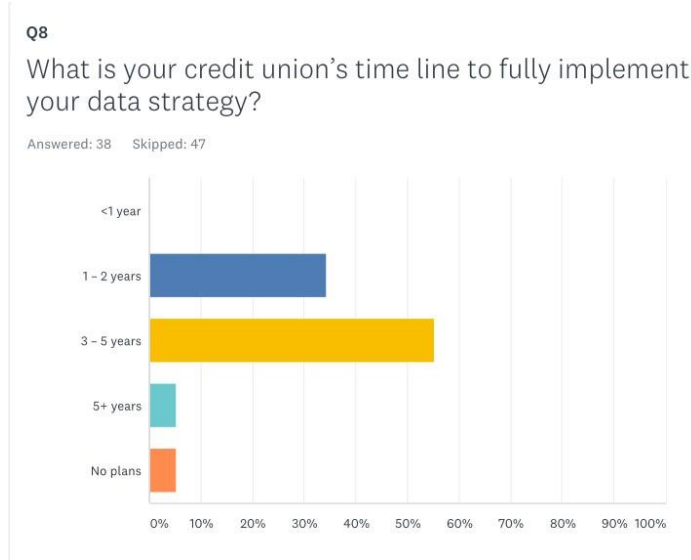
The good news is that over 50% of the surveyed CUS have a data strategy in place. It's more than a bit scary that 45% of the credit unions surveyed do not have strategies in place. Our research indicates that almost all competitors (large banks, regionals, Fintechs and Big Techs) have invested heavily in data, analytics, decisioning and machine learning. They have strategies, built infrastructure and are culturizing the decision process. It isn't a project but how they will operate their business and what they are basing their future success on. Credit Unions are likely behind the curve and falling farther behind each day that they have not articulated a strategy and begun to execute on it.



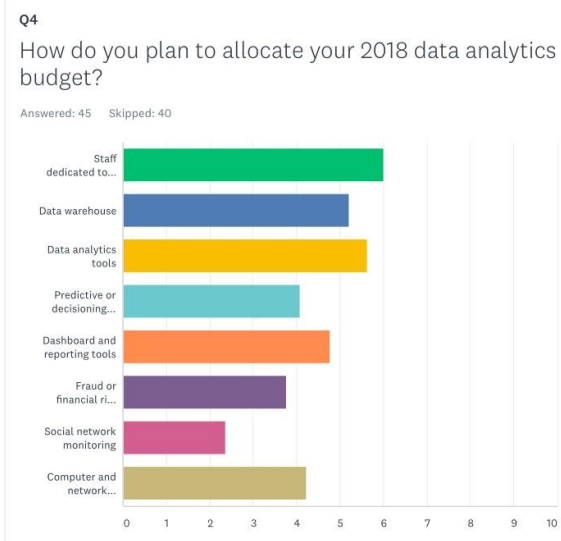
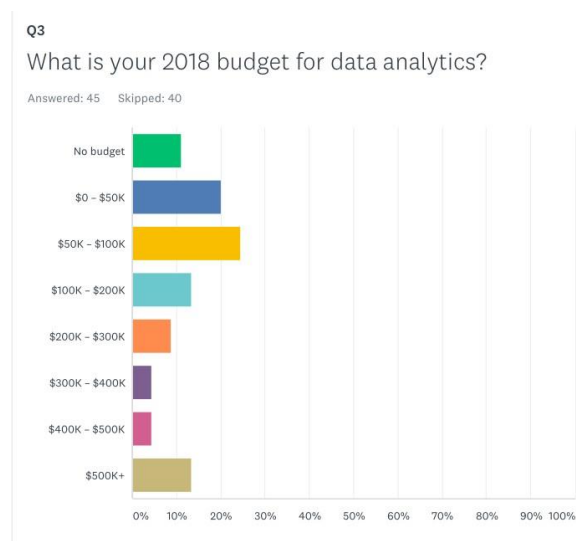
Credit Unions have strategically committed to using digital services and data analytics to serve members (no surprise here), market and segment to acquire sales/new customers, make credit decisions and are now prioritizing and committing resources to data analytics, decisioning and improving operations. It is encouraging to see prioritization given to new account acquisition and improved lending and operations. If credit unions execute on growth (marketing), income creation (lending) and lowering expenses (operational efficiencies) they will gain market share, increase income/capital and enhance their brands. Real results from their investment in data.



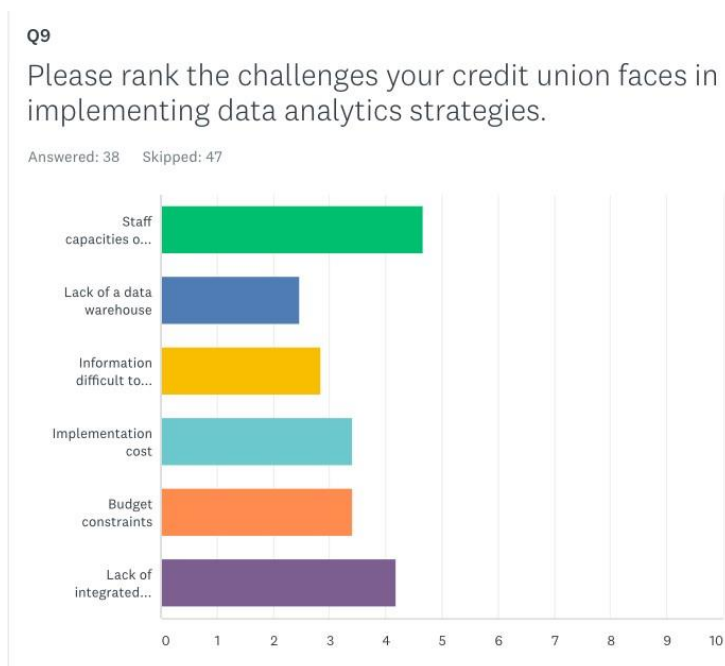
Somewhat more concerning is the pace and urgency of implementing their data analytic strategies. Most investments will occur during the next 3 to 5 years (55%) and to a lesser extent during the next 1 to 2 years 35%. This is far slower than the competitors as most of them have already implemented most, if not all, of these tools.



The budgets approved for 2018 also tell an interesting story of prioritization. Just over half of the credit unions that have budgets for data analytics plan to spend less than \$100k in 2018. This is a relatively small amount compared to the potential impact and overall cost of implementing a successful analytics strategy. On the other hand, 1/3 of the participants plan on spending over \$200k and 15% over \$500k.



The biggest challenges to implementing a successful strategy are the lack of integration of disparate systems, staff capabilities/skills and costs. It appears to BIG that CUSOs that help manage and support analytic operations may be very useful in sharing the costs/risks and acquiring the necessary skills to get the most out of analytics and decisioning.



Summary

On the positive side data analytic strategies are becoming part of the main stream operation often through business intelligence departments. There have been significant investments in tools, data models and skills to create a better use of data and the creation of a data driven decisioning culture within credit unions. Significant investments were made in 2017 and budgets have been allocated for additional resources in 2018.

Many credit unions have started to embrace data strategies as a means to deliver improved service, increase market share, improve lending/income and to identify ways to be more operationally effective (lower expenses), many credit unions have started to embrace data strategies. These investments bode well for improved growth, service and bottom lines.

On the other hand, almost half the credit unions do not have a strategy in place and those that do are budgeting relatively few dollars to their strategies. The competitors are growing market share by investing heavily in data tools, decisioning, FinTech partnerships and are preparing themselves for advances in machine learning and artificial intelligence. Most credit unions are not thinking about or investing in these key areas of future competitiveness.

Credit Unions have advantages in this competitive battle waged around growing pools of data; they have more centralized systems, the ability to cooperate for scale and the members interest at heart, but they are behind the curve in data analytics and need to embrace the concepts and strategies to more effectively compete in the future.