

SOLUTIONS



AN ELECTRONIC REPORT FROM THE CUNA OPERATIONS OFFICER COUNCIL

VOLUNTEER VISION

Meet Vicki Smith, CUNA COO Council chair

Editor's Note: In this regular column, CUNA COO Council volunteers share their experiences and visions for the future of branch operations. The goal of this column is to serve as an introduction to council leadership, and as a networking forum to discuss current operation issues and trends.



"I joined the CUNA COO Council because it provides much-needed opportunities for education and networking with other operations professionals who are challenged daily with ever-changing products, services, delivery systems, and staffing issues," says Vicki Smith, CUNA COO Council chair.

"Many times we need to get answers quickly from peers who have already 'been there and done that.' The council provides that support system."

While there might have been something for COOs tucked inside other, more generic conferences, there was no single venue just for operations. "Now, the CUNA COO Council provides us with the opportunity to interact with other operations professionals who willingly and openly share their wealth of

information and knowledge with one another."

Vicki began her credit union career with Rogue Federal Credit Union in 1977 as a loan officer and, after 23 years, says she has never been bored. During her tenure, she's held other credit union positions including: supervising member service/lending areas, branch manager, VP of operations, COO, and currently, chief member relations officer. In that capacity, Vicki's greatest challenge has been developing Rogue's new sales division, which includes the member service side of branches, the Call Center, and the Home Loan Center. Through the CUNA COO Council, she has been able to connect with and learn from others who have made this shift.

Vicki is proud of the way operations people willingly share their mistakes as well as their successes. It's this continued commitment to finding innovative ways to provide outstanding service to members that keeps Vicki motivated, along with working with what she calls "the best staff in the country."

Vicki enjoys fishing, cooking, reading, playing golf, travel, good performances, and collecting pottery. She is active in her local Soroptimist club and serves on the newly formed Oregon Credit Union Foundation. She is a 1991 graduate of Western CUNA Management School and is a Certified Credit Union Executive (CCUE). ♦

COO CONFERENCE WRAP UP

Branch delivery continues to grow

Branch delivery of financial services will continue to be the main growth engine and will play a dominant role for credit unions, includ-

ing Kinecta FCU in Manhattan Beach, CA, according to Nader Moghaddam, SVP Sales and Operations at the \$2.8 billion credit union.

Moghaddam presented Kinecta's branch strategy at CUNA's COO Conference in Austin, Texas.

Kinecta has 25 branches and 233,000 members. Its growth has been impressive over the past three years: loans have increased \$610 million, shares \$540 million, and membership 54,000. About 51,000 members now use home banking.

Predictions of the demise of branches are akin to the predictions of a paperless society, according to Moghaddam. Some 85 percent of members still prefer doing their financial business at a branch or main office mainly for reasons of convenience. But the branch of the future will look and feel different. One reason for retooling branch delivery is cost: branches remain the most expensive method of delivering basic transactions.

Kinecta's branches are efficient, functional

and designed to support a sales and service culture conducive to retail merchandizing. Kinecta branches are configured so that members walk past and have eye contact with sales representatives and management, laying the groundwork for face-to-face relationships.

When possible, Kinecta uses retail outlets and automated alternatives. Greater automation in the teller function increases efficiencies. "Remember that the member is the master and controls the delivery channel," Moghaddam says. "You can't force them to use an automated delivery channel. But you can create an environment where convenience is communicated to them."

Kinecta owns only two of its branches, and leases the remainder. They prefer ten-year leases, so they can put that capital to more productive uses than investing in buildings. ♦

Smart cards provide multiple benefits

Savvy credit unions are embracing smart cards as they become a reality in the financial marketplace. "There will be some 20 million smart cards in the U.S. at the end of 2002," says Matt Radcliffe, field marketing manager for SchlumbergerSema, Austin, TX. Radcliffe presented his views on the future of smart cards to participants at the CUNA COO conference. SchlumbergerSema is a provider of smart card technology.

Growth in the US and Canadian smart-card industry seems to echo Radcliffe's rosy predictions. He told conference participants that smart card shipments in the U.S. and Canada increased 37 percent from 1999-2000, and 45 percent from 2000-2001. Radcliffe further predicts that remote payments will represent \$1 trillion dollars by 2005, a 200 percent growth over the next three years.

"Events such as terrorist attacks have made Americans more security focused," Radcliffe said. For example, the U.S. Department of Defense is developing 4 million smart cards for employees and members of the armed services. And there are proposals in

Congress for a national ID card, which would use smart card technology.

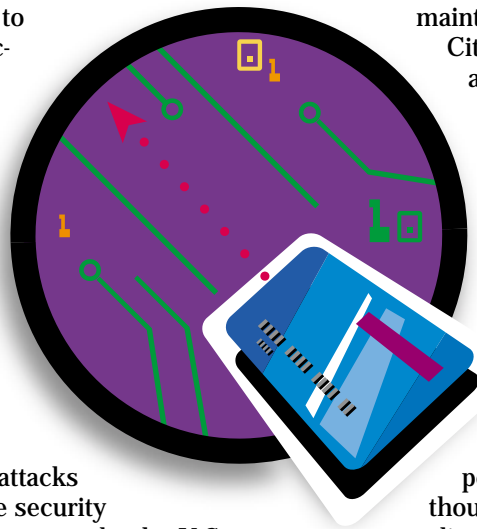
Smart card technology is not new. It has been used in Europe for the past twenty years. Only recently has it begun to make significant inroads in the U.S. The Target retailing chain launched its smart card in October. Smart card technology is also being planned for transit systems in Washington DC and New York.

"The benefits of smart cards," according to Radcliffe, "include their ability to maintain multiple applications."

Citibank's E-Wallet offers the ability to store URLs, multiple passwords, address books, and access to financial services.

Security and confidentiality are also key advantages. Smart cards can reduce fraud. Radcliffe points to a one-year period from 1999-2000 during which credit and debit card fraud in France was reduced from 0.2 to .02 percent. Many consumers, though, are wary of providing credit card information over the

Internet. Radcliffe predicts that "the enhanced perception of security and added value will drive consumers to use smart cards." ♦



Economist predicts a jobless expansion

“The American economy will experience a jobless expansion and a slow recovery in 2002-03,” according to Steve Rick, CUNA senior economist, speaking at CUNA’s COO Council Conference. Rick says the U.S. economy is technically out of recession, and while businesses have stopped laying off employees, they are not hiring. Some 600,000 Americans lost their jobs in September and October 2001.

Rick’s credit union forecast rings a more cheery note, especially on the lending side. Rick predicts a loan growth increase of 7 percent in 2002, rising to 9 percent in 2003. Savings growth will slide from a 13 percent increase in 2002 to an increase of 8 percent in 2003.

“We are experiencing the after effects of a supply side recession with a slow crawl toward recovery,” says Rick. “Businesses have stopped spending and investing. Once businesses reverse this trend and start to spend again, the economy will begin to recover.”

Many factors contribute to the reluctance of business to expand, including excess capacity

in production, falling prices coupled with increases in labor costs, and lack of consumer confidence. Two years ago, the average factory was using 84 percent of its production capacity. Today it has dropped to 76 percent.

Credit union members are still cautious in their spending and borrowing. They have a great deal of debt and are fearful of taking on more to buy big-ticket items. The decline in stock market wealth has members worried, says Rick. Some \$7 trillion or 40 percent of all stock market value was lost recently. The total value of goods and services produced in the US annually is about \$10 trillion.

Rick forecasts a bear market or slow growth in stocks for the next three or four years. Stocks will not pick up unless profits come back to previous levels. Unemployment will continue to rise in 2002-03 until excess debt is paid off and consumer confidence is regained. The consumer confidence index is at a low point, registering a 93 in 2002; compared to a 145 in the boom years of 1998-99. ♦

Face-to-face is still important to techno-savvy members

“Promoters of technology originally predicted that increasing member use would reduce overall costs as the cost per transaction was lowered,” says Sara Canepa Bang, CEO of

Financial Services Center Coop, a credit union shared services centers network.

Speaking at the CUNA COO Council Conference, Bang notes that what they did not anticipate was that members would increase their transactions each month as access became more convenient. As a result, the cost of delivery has increased, due to development of a variety of delivery channels.

Bang points out that 82 percent of all consumers have yet to try online banking, and that “even those who have used this channel remain committed to face-to-face access,” with 85 percent of online users also visiting a branch in the past 30 days. Even the most technologically savvy consumers want to talk face-to-face with their financial institution on some occasions.

Citing *Information Week*, Bang predicts that traditional financial institutions with online channels will stay in business longer and acquire more customers than online-only financial institutions. She foresees a shakeout among online financial services companies, with only a few of the large, diversified firms having a physical component surviving.

“Smart financial institutions will recognize the importance of the branch, and experiment with new branch styles that meet consumer needs as well as the institution’s cost and revenue goals,” says Bang. The most common delivery channels in use in the financial services industry today include proprietary, leased, and grocery-store branches; shared branches; call centers; and online branches. Bang notes that 51 percent of credit union members prefer the telephone for balance inquiries and 37 percent for problem resolution. Also important are non-traditional delivery options such as alliances with partners in related industries.

Bang recommends that credit unions pay attention to the mix of delivery channels members require to consider the credit union their primary financial institution. ♦



Sales & service culture = competitive advantage

“Developing a world-standard sales and service culture is no longer an option for successful business organizations, because competition in the marketplace has raised consumer expectations and made world standard the local standard.”

That’s the view of Melissa Marvin, Director, Cohen Brown Management Group.

Marvin told participants at the CUNA COO Council Conference that sales and service have become *the* differentiators among businesses. “It amounts to a behavioral branch differentiation,” she says. “Sales and service define the credit union’s ‘people’ brand, and offer members a compelling reason to choose the credit union as their financial partner.”

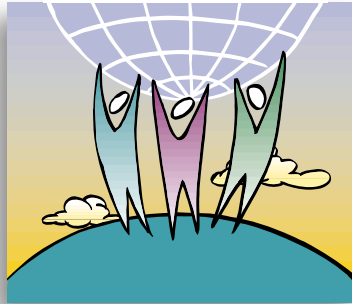
But to develop a world-standard sales and service culture, the issue needs to be on the strategic radar screen of the organization’s executive management team. “It can’t be merely lip service,” Marvin says. “There must be

commitment, constant evolution of skill development up, down, and across organizational lines, and establishment of clear expectations through coaching to increase performance levels.”

To establish a world standard, the credit union must transform its staff from reactive order takers to proactive financial advisors. That requires an understanding of the process through which financial data gathering is converted to recommendations that will improve the member’s financial life.

Marvin offers four best practices to develop a world-standard sales and service culture:

1. Clearly establish minimum standards for each function in the organization.
2. Apply a disciplined approach to those standards in a consistent manner.
3. Create a “one-team” approach to increasing cross-selling and cross-referring.
4. Live and role model the process: talk the talk and walk the walk. ♦



Put the cuffs on identity theft and fraud

As identity theft and fraud become a significant risk to their business operations, credit unions and their members should take steps to protect information from internal and external attack. That message was delivered to CUNA COO Council conference participants by Carl Ryba, property and casualty specialist for CUNA Mutual Group.

Ryba shared information offered by both the Federal Trade Commission (FTC) and NCUA on how identity thieves work, and what can be done to defend against them. The FTC says thieves may co-opt a member’s personal information to commit fraud or theft in a number of ways:

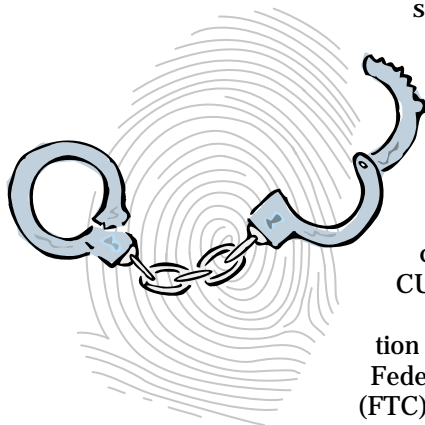
- By opening a new credit card account using member information, then ignoring

the bills and having the delinquency reported on the member’s credit report.

- By calling the credit issuer to change the mailing address on a card account, then running up charges to be billed to the new address.
- By establishing cellular phone service in a member’s name.
- By opening an account in a member’s name and writing bad checks on the account.

NCUA advises consumers who have become victims of identity theft to contact the fraud departments of the three major credit bureaus to report the theft and request that they place a fraud alert in the individual’s file.

Victims may also request a free copy of their credit report, and review it to make sure not additional fraudulent accounts have been opened in their name. They should contact their credit union and other creditors where they have accounts that may be the subject of identity theft. And they should file a report with their local police department. ♦



Ops Challenge! develops leadership and teamwork

A pre-conference workshop at CUNA's COO Conference in Austin was designed to develop teamwork and skills. *Ops Challenge!* participants joined in groups made up of individuals with unique strengths and challenges. Each individual's responsibility on a team was to be true to him/herself, and contribute strengths where appropriate.

The workshop stressed that leadership is about recognizing and motivating the whole person, both intellectually and emotionally. Management blends individual strengths with team strengths, job responsibilities, and a structure that is aligned with a vision. Effective teams are those that recognize uniqueness and build upon it.

Participants in the workshop included:

- Billie Hensley, VP-Branch Operations, Tennessee Teachers CU
- A.R., Aros, Sr Vice President, DM FCU
- Claudia Milan, VP-Operations, Sooper CU
- Lynn Draper, VP Member Services/Operations, Greater Nevada CU
- Esther Hinkle, Operations Director, United Consumers CU
- Susan Kemen, VP Branch Operations, Aberdeen Proving Ground FCU
- William Marsh, VP/COO, American Eagle FCU
- Philip Dzikowski, SVP Operations/Finance, Florida Telco CU
- Sharon Watson, Branch Manager, Wright Patman Congressional FCU
- Mary O'Rourke, VP Operations, USAA FCU
- Vicki Lawson, AVP Branch Operations, Purdue EFCU
- Robert Downs, Vice President, Crane FCU
- Patsy Gayda, Branches Director, Spokane Teachers CU
- Marlene Huerta, VP Operations, Alaska State EFCU
- Keith Kauffeld, VP Operations, Air Academy FCU
- Wade Whitmus, Product Manager, CUNA Mutual Insurance Society
- Trish Harkins, Key Account Executive, Harland Financial Solutions
- Khanal Prasad Kamal, Executive Director/Advocate, Central Credit Consumer Association

Check out these useful web sites

If you come across a web site, phone number, training program, or publication that you think others may like to hear about, please pass the information along and we'll try to publish it in future editions. All web sites have been verified at the time of publication.

www.ahipubs.com

The Alexander Hamilton Institute, Inc. web site is a great resource on employment law. You can also take part in the twice monthly soapbox discussions on hot topics, sign up to receive the *Manager's Legal Bulletin* newsletter, or link to other internet sites.

www.humanresources.org

If you're researching a HR issue, then you'll want to make the National Human Resources Association web site your first stop. You can choose from numerous topic areas or get

information on HR resources located in your own community.

www.tcm.com

The Training and Development Community Center offers links to more than 300 web sites of interest for HRD professionals. You can also browse through the bookstore, access a glossary of terms and acronyms, post a question to a discussion group, order a multi-cultural calendar, or research professional services.

www.briefings.com

This online solution center offers great tidbits well-suited for sharing with managers or employees who need help developing specific skills. You can choose from 11 different categories filled with practical communication advice for handling a variety of situations.

WELCOME NEW MEMBERS

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

Kerri Abuhl
Snohomish County Pud #1 ECU
Everett, WA

Teri Barnes
Blackhawk CU
Janesville, WI

Ivette Douglas
Bragg Mutual FCU
Fayetteville, NC

Lynn Draper
Greater Nevada CU
Carson City, NV

Tammy Harrigan
SeaComm FCU
Malone, NY

Glenda Hiatt
Public Service CU
Denver, CO

Chuck Ingwell
Heartland CU
Madison, WI

Pat Kreidler
Merck Sharp & Dohme FCU
North Wales, PA

Kathryn MacDonald
St Jeans CU
Lynn, MA

Renee McNair
Anderson FCU
Anderson, SC

Diane Miller
Shell Community FCU
Wood River, IL

Kathy Moncek
Argonne CU
Argonne, IL

Teresa Poulsen
Barksdale FCU
Barksdale Afb, LA

Richard Putrelo
Pittsford FCU
Pittsford, NY

Kevin Unger
Bucks County Schools FCU
Bristol, PA

Brian Wilkerson
Kemba Indianapolis CU
Indianapolis, IN



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