

Filene Research Institute 

**DESIGN FOR DIGITAL:
TECHNOLOGY AND THE FINTECH ECOSYSTEM
FOR CREDIT UNIONS**

ACUL
May 2025

ON THE AGENDA

- 1 The Digital Imperative:** Why Digital Transformation Matters for Credit Unions
- 2 The Digital Landscape:** Trends Shaping Financial Services
- 3 Implications for Digital Strategies and Fintech Collaboration:**
“Superpowers” of Thriving Organizations
- 4 Conclusion:** Future-Proofing Your Credit Union

1

THE DIGITAL IMPERATIVE

Why Digital Transformation Matters for Credit Unions

Credit unions have been **burned**, and **burnt out by**, digital transformation.

The Promise

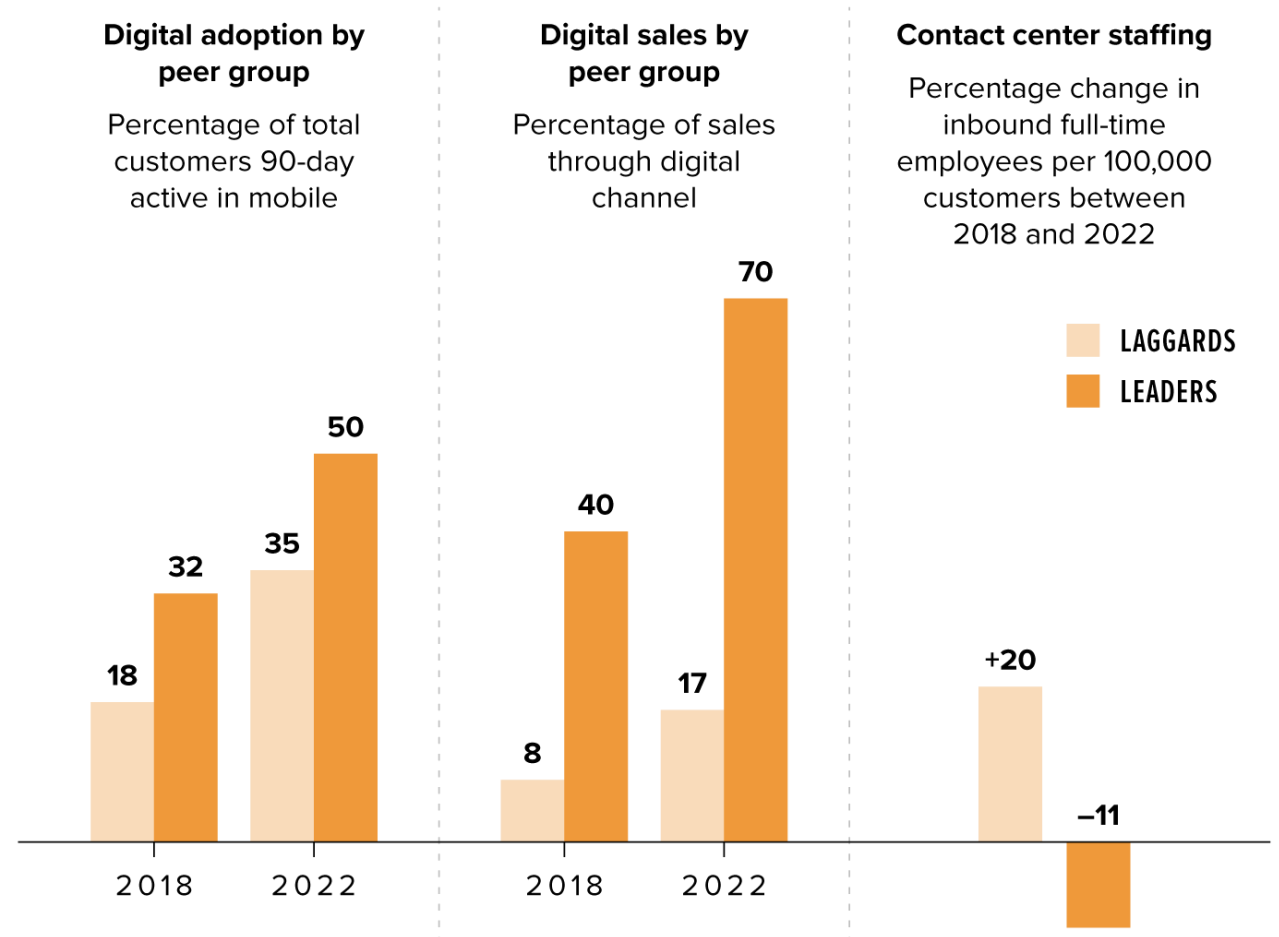
- **Lower costs**
- Increased **productivity**
- Greater **agility** for future change
- Improved **employee engagement**
- Improved **member experience**

The Lived Reality

- **High costs** without a return on investment
→ “We might as well have just lit a million dollars on fire.”
- **Failed, siloed transformations**
- **Aging core systems** with temporary, bolted on solutions and **increasing technical debt**
- **Employees frustrated** by limited technology
- Transformation and change **fatigue**

The fact remains that **digital is the future now.**

- **Digital leaders are outpacing laggards**
- **Digital natives are unencumbered by transformation efforts**
- **Newer employees have higher expectations**

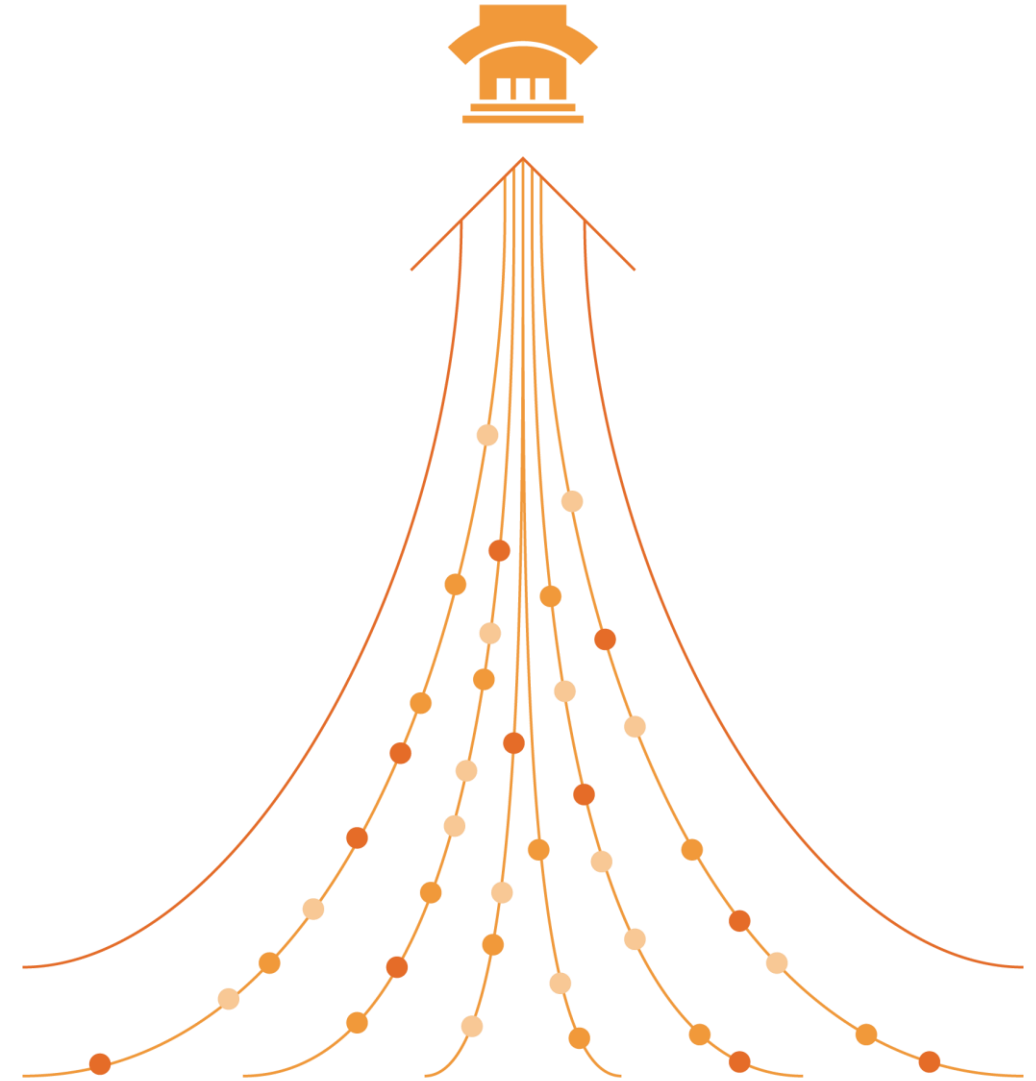


Source: <https://hbr.org/2023/07/the-value-of-digital-transformation>

The digital race is on.

Technology is evolving faster than ever, and the pressure to keep pace is relentless.

- Slow adoption isn't just a hurdle—it threatens long-term relevance.
- Outdated systems make transformation tough, but falling behind isn't an option.
- Stay ahead or risk becoming the ghost stories of tomorrow.



Why Design for Digital?

SHIFTING CONDITIONS

- Digital organizations outperform their peers in many ways, including revenue, customer loyalty, and employee satisfaction.
- Credit unions have struggled to become digital while their competitors, digital-native fintechs and banks with massive budgets, have made huge advances.
- Credit unions need a new perspective and a renewed fight on digital.

SOLUTIONS

- Define value-proposition aligned digital strategies and digital experiences.
- Identify key traits and practices required for successful leadership, talent, and culture.
- Assess tech trends and develop best practices for integrating new tech into existing architectures.
- Consider data and analytics along with cybersecurity and risk throughout.

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THE DIGITAL LANDSCAPE

Trends Shaping Financial Services

The financial ecosystem is becoming more complex.



Source: Filene

Fragmentation is changing consumer behavior.

Disaggregation of financial services leads consumers to build more diverse and fragmented personal financial support systems, mixing and matching different products, providers, and channels/interfaces.

At the same time, a large majority of consumers still would prefer to use fewer financial institutions for the core activities of money management.



55% of credit union members use financial products from other financial institutions.¹

But...



87% of credit union members (and 85% of bank customers) say they would prefer to use as few financial services providers as possible.²

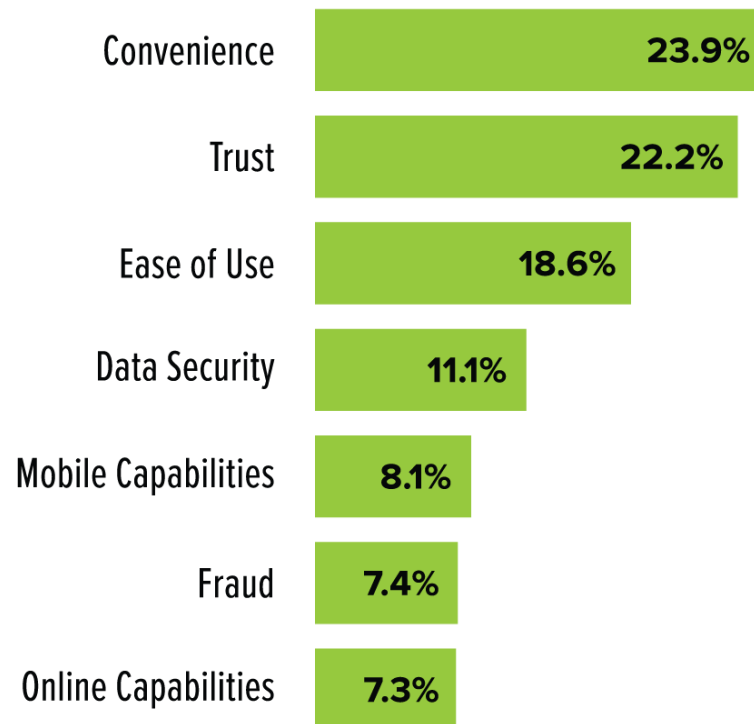
Sources: 1PYMNTS.com & PSCU, "Credit Union Innovation Playbook" (2021); 2Filene Research Institute & CO-OP Financial Services, "Payments, Financial Wellness, and Prospects for Credit Union Growth" (2020)

The Value of Digital-Only Financial Services

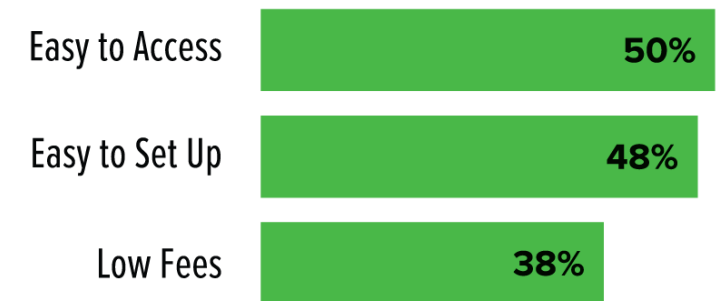
Traditional credit union differentiators are under threat from new competitors, and they are being transformed by digital delivery.

Digital-first providers are acquiring consumers with best-in-class user experience.

Why consumers use digital-only financial services.

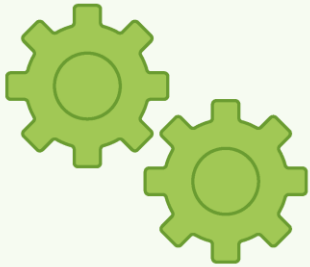


Top three factors triggering digital-only services.



Sources: ¹PYMNTS.com & Optherium, "Digital Banking" (September 2021);
²American Banker, "Humanizing the Bank Customer Experience" (2021)

Digital Financial Health & Consumer Expectations



63%

Consumers want financial services providers to proactively help them better manage finances



85%+

Gen Z & Millennials manage financial accounts via mobile apps

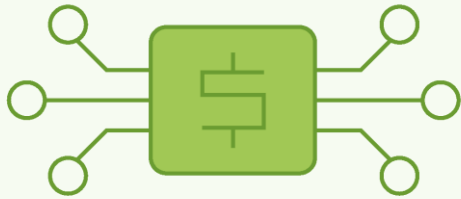


55%

Receptive to subscription-based digital financial wellness services

Source: MX Consumer Research on Digital and Mobile Banking. 2022. The Fintech Effect. Plaid x The Harris Poll. 2023. Apiture: Banking through the Ages – Attracting Gen Z and Millennials. Feb 2024.

The Role of Tech Advancement



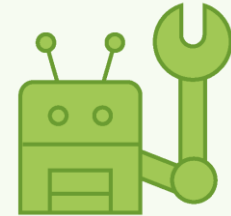
90%

Say fintech has helped them in some way (time, control, savings)



3–4

Fintech apps the average consumer uses

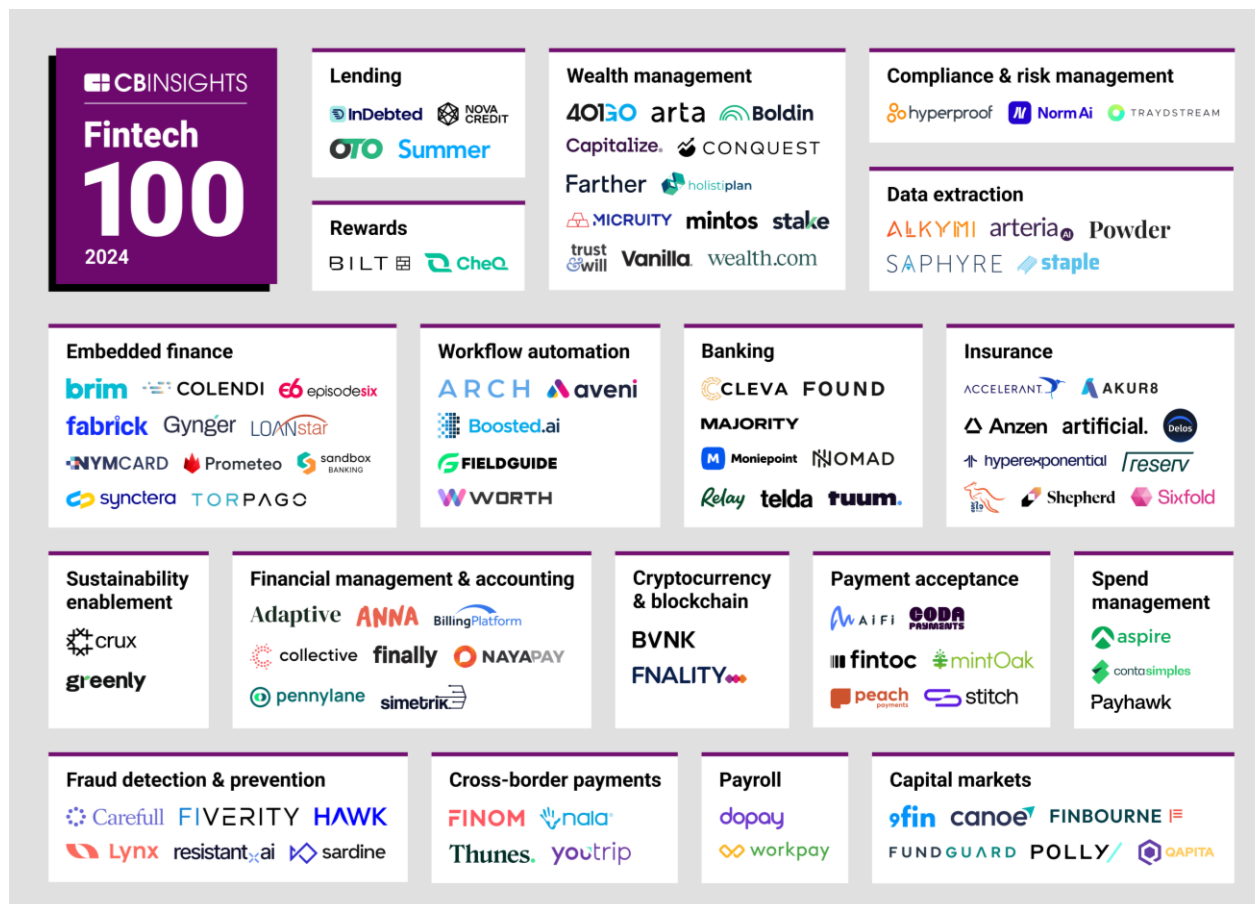


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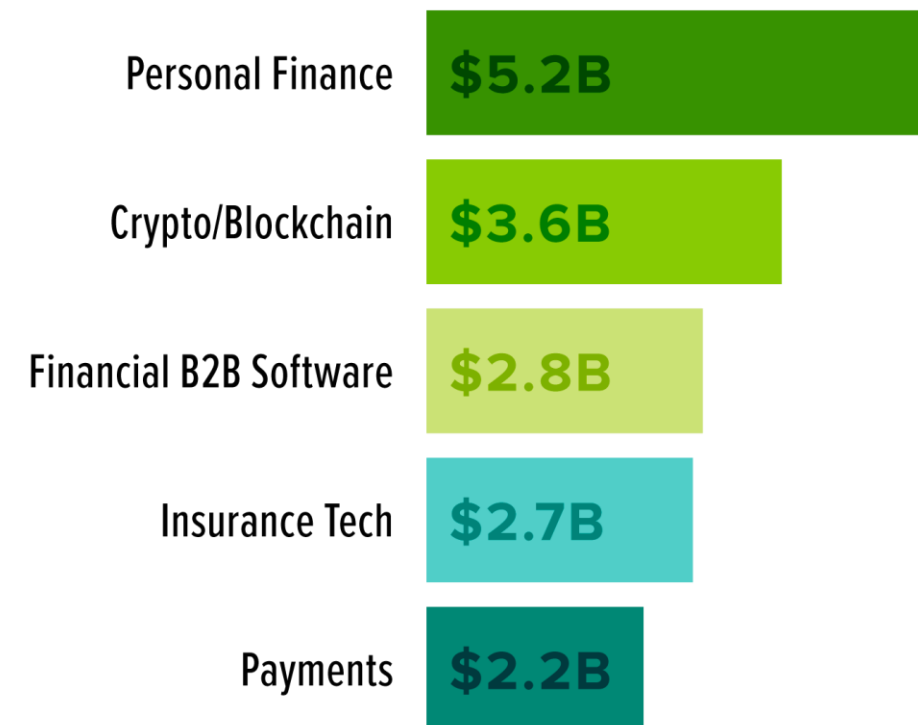
Want AI for lowering bills, financial advice, and detecting fraud

Source: The Fintech Effect, Plaid, Nov 16 2023.

Where Fintech Is Investing: Key Signals for Credit Unions



Top 5 Areas of 2024 Investment



Source: CB Insights: Fintech 100: The most promising fintech startups of 2024; SVB: The Future of Fintech October 2024.

What this Means for Credit Unions



- **Member expectations are shifting** – Consumers demand seamless, digital-first experiences.
- **Tech-driven competitors are growing** – Fintechs and digital-only banks are redefining financial services.
- **Payments, automation, and AI are key** – Members expect fast, personalized, and data-driven interactions.
- **Digital capabilities will define success** – Credit unions that invest in digital transformation will stay competitive.

Source: Filene Report #606

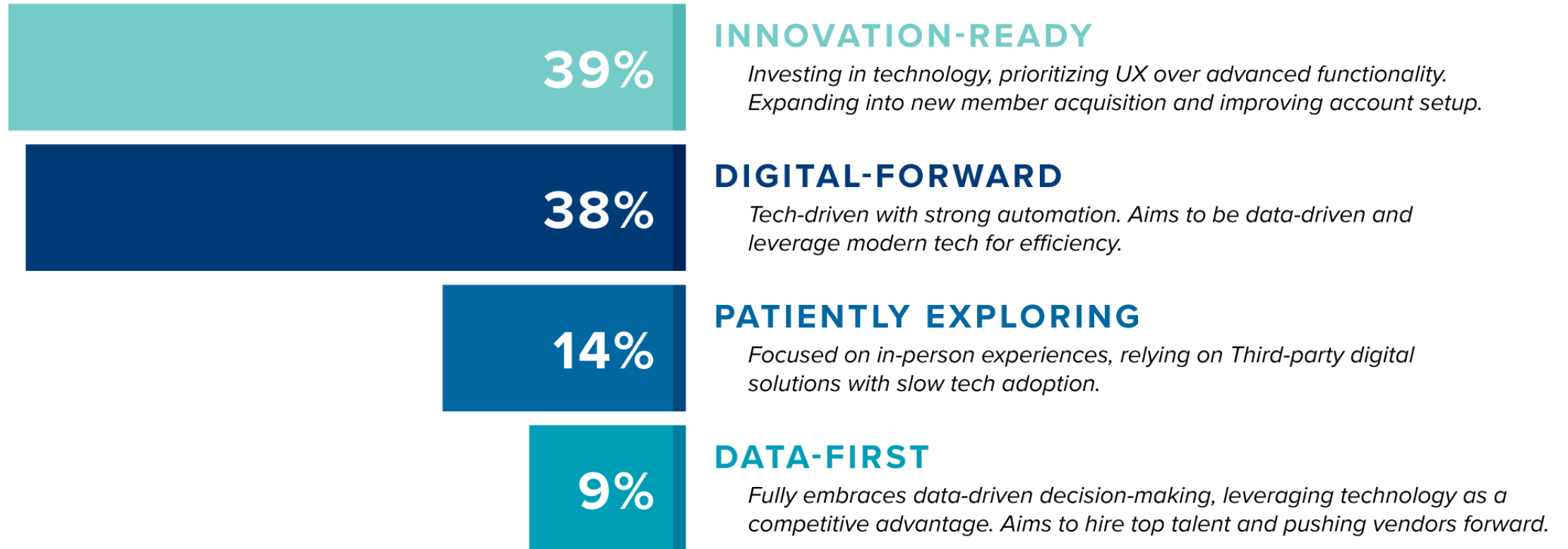
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IMPLICATIONS FOR DIGITAL STRATEGIES

“Superpowers” of Thriving Organizations

Where does your credit union stand in digital maturity?

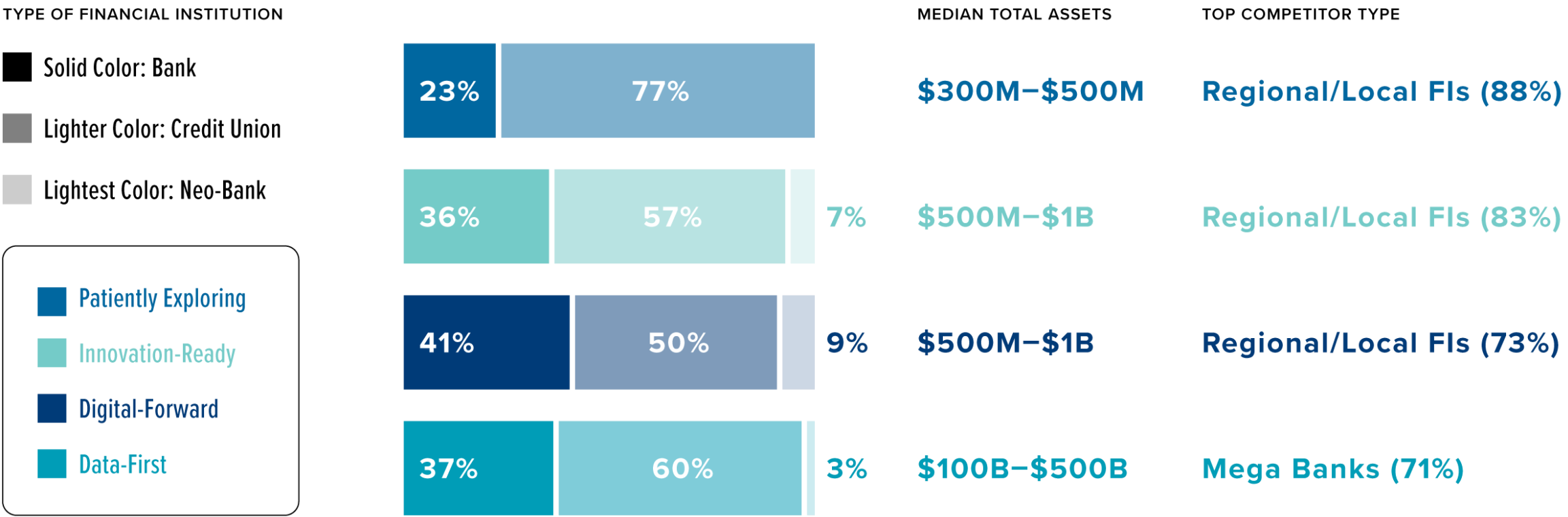
Financial Institution Digital Maturity Segments



Source: Emerald Research Group and Alkami © December 2023 Digital Banking Report

Where does your credit union stand in digital maturity?

Most Mature Financial Institutions Tend to Be Larger Banks and Neo-Banks



Source: Emerald Research Group and Alkami © December 2023 Digital Banking Report

Choosing the Right Digital Approach

Build vs. Buy Decision Framework

APPROACH	STRATEGY	ADVANTAGE	RISK
Build In-House	Custom solutions tailored to CU needs.	Full control, unique differentiation.	High cost, resource-heavy, complex maintenance.
Buy Off-the-Shelf	Pre-built, vendor-supported solutions.	Fast deployment, proven reliability.	Limited customization, vendor lock-in.
Low-Code Platforms	Configurable with minimal coding.	Agile, cost-efficient, easy to use.	Scalability limits, security concerns.

From Strategy to Execution



Picking a digital approach is just the first step — success depends on building the right capabilities for effective execution.

Technology matters, but only in what it enables organizations to do.

Affordances: Organizational “Superpowers” enabled by digital.

NIMBLENESS

The speed at which organizations act and the ability to pivot when circumstances merit a significant change in direction

E.g., “We used to do this, now we do that.”

Ex: Hitachi, Marriott

SCALABILITY

Ability to handle an unanticipated increase (or decrease) of demand by many multiples overnight, including rapid upscaling

E.g., “We used to serve x customers, we now serve 100x customers.”

Ex. Instacart, Airlines, Hilton



STABILITY

The ability for companies to maintain operational excellence and results-orientation, even while nimbly pivoting and rapidly scaling

E.g., “Our enterprise will persist despite continuing pressures and challenges.”

Ex. Google Cloud, AWS, Zoom

OPTIONALITY

The ability to integrate new capabilities (often from third party partners) to become even more nimble, scalable, and stable

E.g., “We acquired underserved customers that we couldn’t previously see due to our work with a new data provider.”

Ex. Olo, Portillo’s

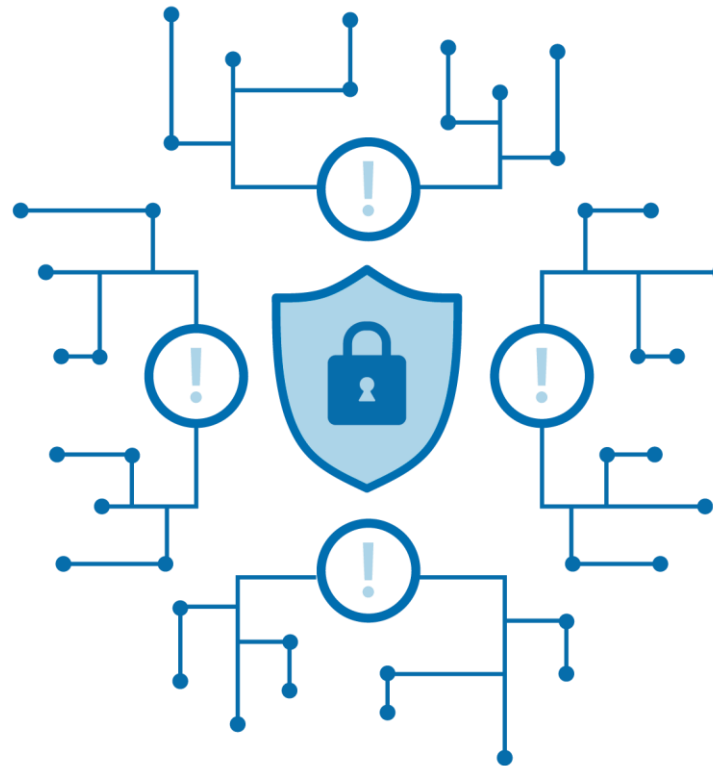
Source: Filene Fellow, Gerald Kane.

Invest in trust, not just technology.

In a digital-first world, building trust requires more than just great technology – it demands thoughtful design and seamless experiences.

How to Build Trust in Digital Relationships

- Design for experience.
- Design tech that is adaptive.
- Design for integration, cohesion, and interoperability.
- Design for handoffs.
- Beware of mixed messages.



The Caveat: Balancing Innovation & Responsibility

- AI & automation bring new risks – mistakes, biases, and liability concerns.
- Regulatory oversight is growing – especially for AI-driven financial decisions.
- Trust requires collaboration – tech + human teams must work together.

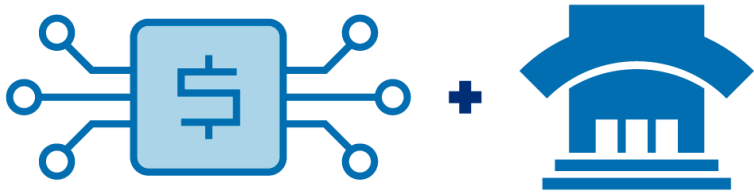
Source: Filene Report #487

Insight



*Fintech Partnerships
Should be Strategic,
Not Reactive*

Maximizing Fintech Partnerships: Opportunities and Challenges



Why Partner?

- Credit unions leverage fintechs to enhance member experience, improve efficiency, attract new members, and stay competitive.
- Fintechs benefit from aligned missions, access to an established member base, and easier piloting.

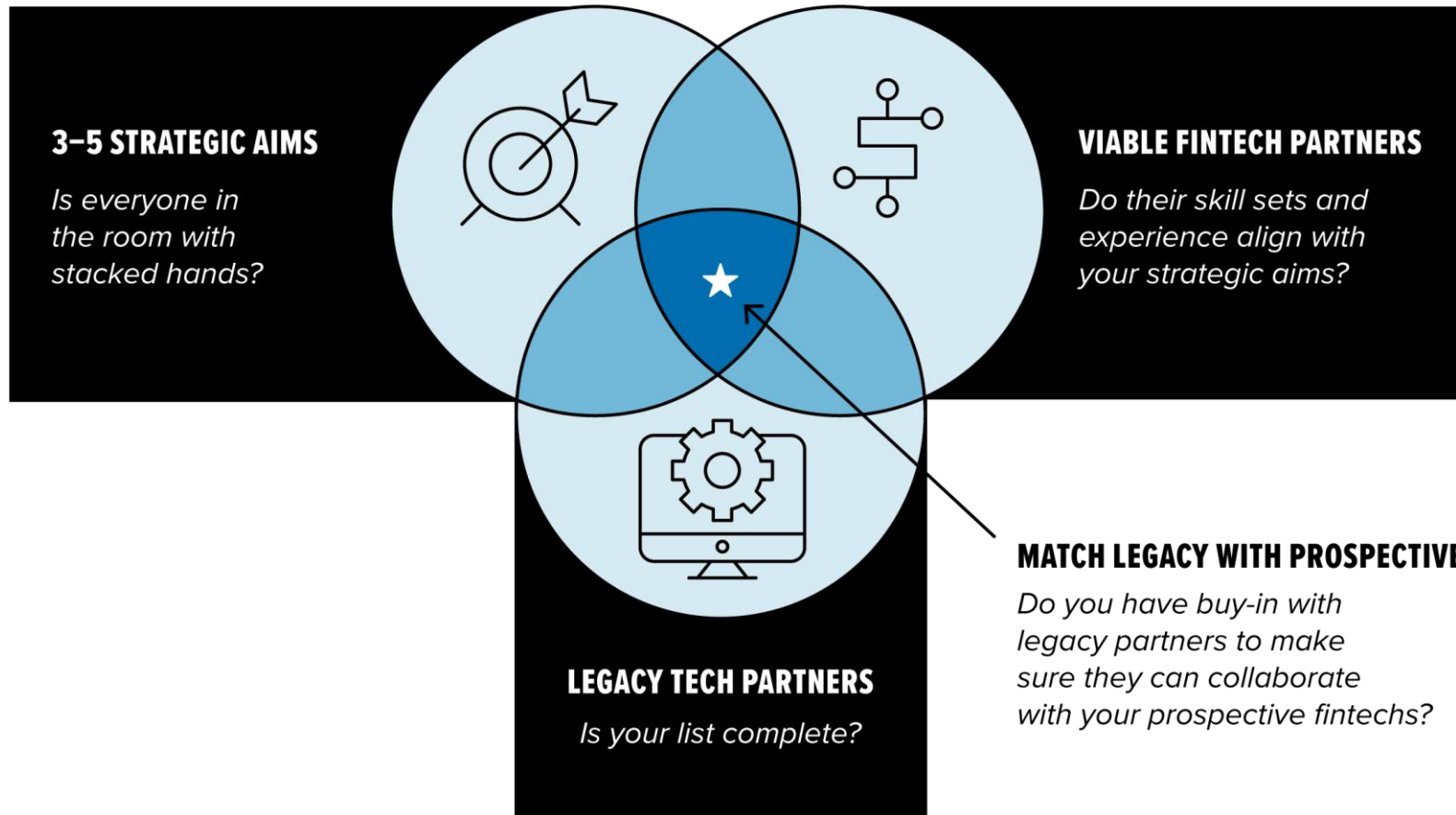
Source: <https://www.filene.org/blog/lessons-learned-working-with-fintech-partners-in-the-lab-at-filene>



Challenges to Overcome:

- Challenges in planning, communication, and implementation, can lead to extended timelines, increased costs, and sometimes, abandoned projects.

A Three-Step Evaluation to Becoming a Better Buyer



Source: <https://www.filene.org/blog/lessons-learned-working-with-fintech-partners-in-the-lab-at-filene>

Timing vs Goals: Aligning Expectations

Once a fintech partner is selected, timelines must be clearly defined upfront to avoid misalignment.

Key Challenges

- Credit unions may underestimate pre-implementation discovery, leading to unexpected delays.
- Fintechs often overestimate implementation speed, assuming a faster process than is feasible.

Solution

Establish realistic expectations early by mapping out discovery, integration, and testing phases to prevent roadblocks and ensure a smoother rollout.

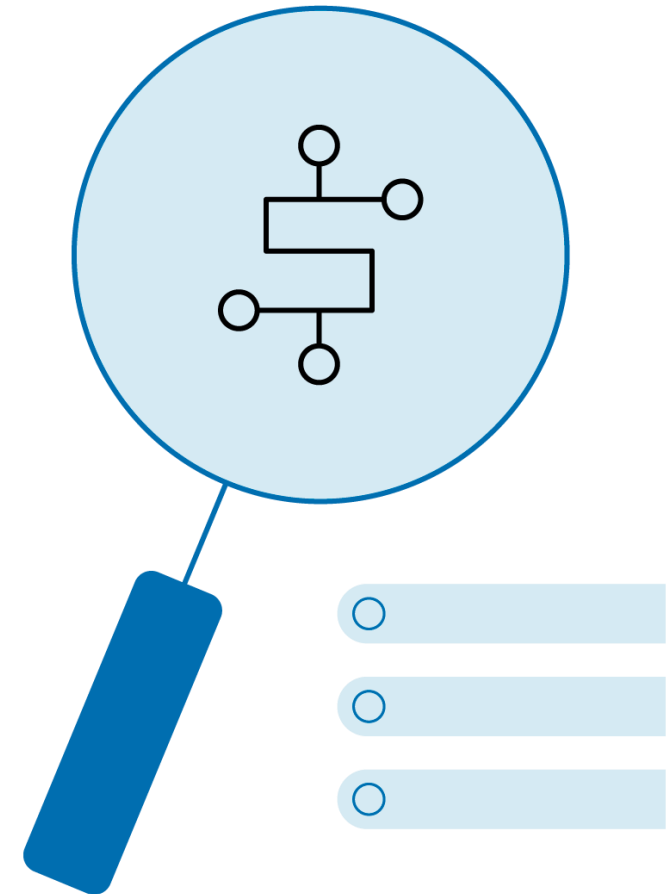
I think for any fintech project, added time needs to be included in the implementation because many fintechs are not robust in their technical specifications. They are uncovering new use cases based on the credit unit they're trying to implement with. There is going to be a learning curve on both sides.



Collaboration Implications

As credit unions partner with fintech, it's important to practice due diligence, and evaluate the potential partner in terms of:

- Its financial stability.
- The ease of integration between technology platforms.
- The potential security risk of partnering, including data breaches.
- Potential risks to staffing and credit union culture.
- Potential for unintended negative impacts on credit union revenue.



https://p.widencdn.net/ehscps/440ss_Weighing-Risks-of-Fintech

Additional Digital Strategy Considerations

Member-Centric Digital Strategy	Balancing Risk & Innovation
Implication: Focus on outcomes, not just digital adoption.	Implication: Foster a culture of calculated risk-taking. Implement guardrails to minimize uncertainty.
Cybersecurity & Fraud Prevention	Building a Culture of Innovation
Implication: Security must be a top priority—including: <ul style="list-style-type: none">✓ Biometric authentication✓ Real-time fraud detection✓ Member education	Implication: CUs must foster a culture of innovation, adaptability, and cross-functional collaboration.

Key Digital Strategy Takeaways



Choosing a digital approach is just the first step—execution requires the right capabilities.



Invest in digital strengths like nimbleness, scalability, and operational excellence.



Balance risk and innovation through structured pilot programs and strategic decision-making.



Ensure seamless integration to enhance member experience without disruption.

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CONCLUSION

Future-Proofing Your Credit Union

The Reality of Digital Transformation Challenges

- Digital transformation isn't just about technology—it's **about execution**.
- Many organizations struggle due to **disconnects** between people, processes, and data.



Common Pitfalls:

- Overestimating implementation speed.
- Underestimating integration complexity.
- Lack of alignment between teams and vendors.

The Power of a Digital Strategy



<https://www.filene.org/blog/insights-from-our-design-for-digital-fellow-search>

Insight



Embrace an agile mindset and leverage partnerships to accelerate technology implementation. Be ready to experiment and adapt—those who evolve will thrive.



Q&A

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