

Credit Union CRM

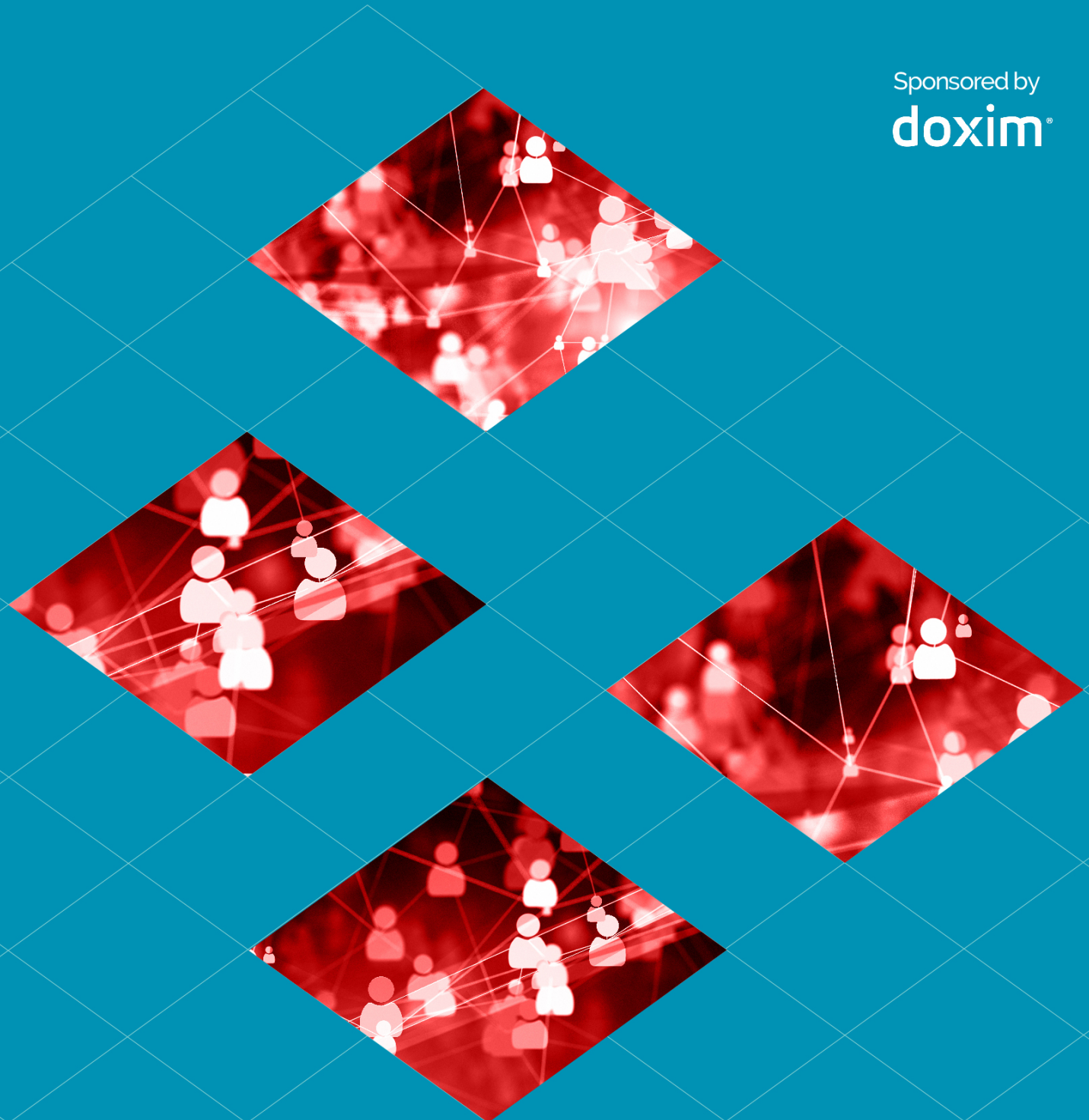
CALLAHAN
ASSOCIATES
the credit union company

Report

August 2018

A survey of the CRM industry, according to credit union professionals.

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REPORT SUMMARY

In July 2018, Callahan & Associates surveyed credit union executives to glean perspective into the customer relationship management (CRM) system marketplace. Technological advances in recent years have resulted in exponential increases in both the volume and variety of data available for collection and analysis. The ecosystem of CRM systems has evolved as well, offering institutions a wide range of choices, with varying levels of customization from turn-key out-of-the-box solutions, to fully bespoke systems tailored an organization’s specific needs.

In simple terms, the primary goal of this survey was to better understand and quantify credit union CRM system adoption and satisfaction. As such, we surveyed respondents across a number of factors ranging the lifecycle of the CRM selection and implementation process, from purchasing criteria to post-purchase vendor engagement.

Over 250 individuals, from 223 credit unions, participated in the survey. Of those, 40% (93) have a CRM in place and answered questions relating to their general satisfaction, top priorities when measuring success, reporting capabilities, level of CRM integration, and who the power users/departments of the system are at their institution.

The other 60% do not have a CRM; of those, almost half indicated an intent to purchase a CRM system. We surveyed this group on several other aspects related to purchasing a CRM system, including key features considered when selecting a system, and the specific factors preventing institutions from buying a CRM system.

For institutions without a CRM system, the primary barriers to acquisition and implementation can be understood twofold: cost constraints (both human and monetary), and a lack of need (resulting from perception or belief). Respondents with a CRM most commonly cited dissatisfaction with their system due to integration shortcomings.

We hope the takeaways from this report will enable those evaluating changing or implementing a new CRM system to think holistically about their own process and guide any resulting decisions.

A Note on Nomenclature

While it is acknowledged that credit unions do not have customers, but rather members, these systems are often designed for and marketed to all types of institutions. Therefore, throughout this report, we will use the more universal “customer relationship management” or “CRM” terminology. In fact, when asked if they have a preference in how they refer to their system, over 46% of credit union respondents to this survey preferred to use “CRM”, and another 31.6% reported they were impartial. Just 22.4% preferred the credit union industry term of MRM.

Table I: Survey Respondents

Respondents	253
Institutions*	223
Yes Have A CRM ¹	93
Satisfied With CRM ^{2,3}	66
Not Satisfied With CRM ^{2,3}	30
No CRM ^{1,2}	138
<small>1 Due to multiple respondents from the same institution, the number of institutions will not match the number of respondents. 2 The number of institutions with or without a CRM may not match the number of total institutions, as a result of inconsistent answers at the same institution. 3 As respondents progressed through the survey, there was a degree of attrition resulting in varying sample sizes among questions.</small>	

CRM UTILIZATION

Highlights

Almost 60% of respondents reported they did not currently use a CRM, with the remaining 40% having already implemented a CRM system at their organization. Due to the cost of acquisition and implementation (both human and monetary capital), institutions without a CRM system tend to be smaller in asset size and are more concentrated in the range of \$50M to \$250M.

Table II: CRM Usage by Asset Size

Asset Size	Do You Have A CRM?	% Within Asset Range	Average # of Members
<\$100M	No	89.1%	4,222
	Yes	10.9%	5,905
\$100M-\$500M	No	64.6%	20,670
	Yes	36.6%	24,938
\$500M-\$1B	No	47.1%	64,016
	Yes	58.8%	68,854
\$1B-\$10B	No	38.3%	171,359
	Yes	70.2%	226,863
>\$10B	No	33.3%	1,662,861
	Yes	66.7%	470,335

Credit Unions Without CRM Systems

Of the 138 credit unions without a CRM solution in place, almost half (67) intend to budget for a system in the future.

They do not intend to budget for additional personnel, however, with 90% saying they will use an existing employee to manage the implementation process. Just 10% seek to hire a CRM admin for the process.

A third of these respondents hope to implement a CRM within 12 months with another 18% moving even faster with implementation in the next 6 months.

In evaluating a new CRM system, the top three most commonly cited requirements across all asset sizes included:

- reporting capabilities,
- ease-of-use for staff, and
- integrations with 3rd party systems.

Table III: CRM Budget Plans By Asset Size

Asset Size	Intend to Budget For a CRM?	% Within Asset Range
<\$100M	No	91.7%
	Yes	8.3%
\$100M-\$500M	No	42.1%
	Yes	57.9%
\$500M-\$1B	No	22.2%
	Yes	77.8%
\$1B-\$10B	No	31.8%
	Yes	68.2%
>\$10B	Yes	100.0%

When segmented by asset size, different answers emerged. Smaller institutions (<\$100M) most frequently cited **ease-of-use** as the key requirement in their search, whereas mid-sized institutions (\$500M-\$1B) responded that a **360-degree member view** was an integral requirement in their selection process. The largest institutions (>\$1B) are more focused on the **reporting capabilities** of a system to better serve their needs.

Table IV: Key CRM Requirements In Selection Process

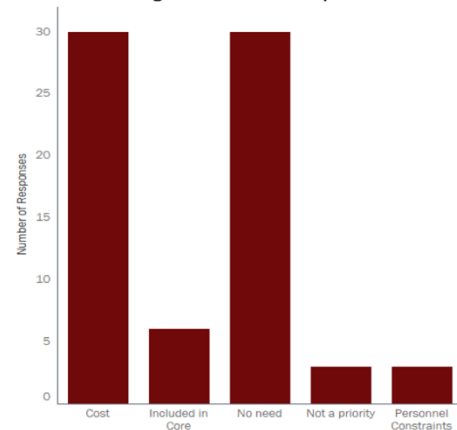
Asset Size	Most Cited Key Considerations When Looking For A CRM
<\$100M	Ease-of-Use for Staff
\$100M-\$500M	Ease-of-Use for Staff
\$500M-\$1B	360 Degree Member View
>\$1B	Reporting Capabilities

Although respondents who had budgeted for a system were largely open to all types of systems (54.6%), there was a clear preference towards turn-key solutions (39.4%). A minority of institutions (6.0%) in the plan-to-budget group preferred to customize their system and workflows.

Almost 54% of surveyed institutions reported they had no plans to budget for a CRM system. Of these respondents, answers varied from a perceived **lack of need** for a CRM solution to the most commonly reported answer of **resource constraints**.

When those answers are stratified into asset groupings, smaller institutions most commonly reported **resource constraints** as the leading reason for not budgeting, while medium-sized institutions reported a **lack of need**.

Chart I: Why Credit Unions Haven't Budgeted for a CRM System



CRM SYSTEM SATISFACTION

Credit Unions With CRM Systems

Almost 40% of respondents (93 credit unions), reported currently having a CRM system in place at their institution. Within this subset, respondents were asked a number of questions relating to their general satisfaction, top priorities when measuring success, reporting capabilities, level of CRM integration, and who the power users/departments of the system are at their institution.

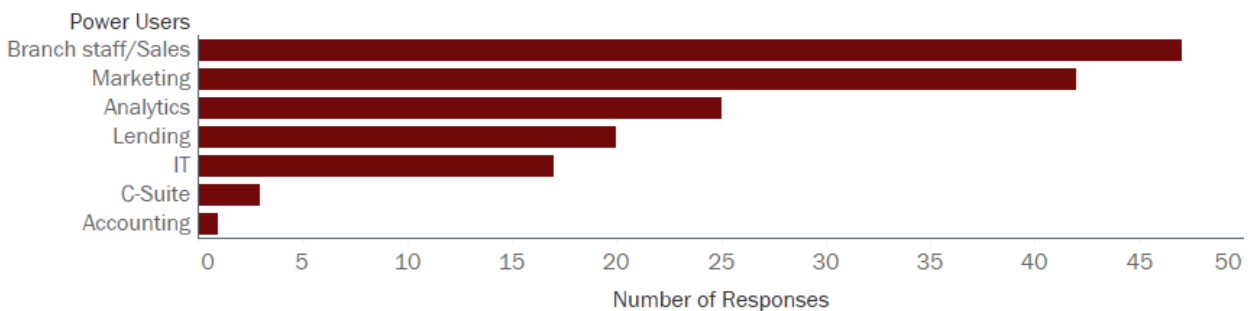
In order to provide insightful analysis from multiple perspectives, we have developed several “profiles” to help segment various sections throughout the report. Specifically, we have divided respondents into different groupings based on attributes and answers (which we will reference in our findings on the following pages), including:

- Power Users
- Buyers, and
- Institution Asset Size.

In recent years there has been exponential growth in the volume of member data as well as the ability to collect, store and access that information. With those advances, institutions are often entering uncharted waters with respect to how to structure databases, levels and methods of integration, and of course, how to analyze all the information. As such, one of the most common questions related to CRM systems and business analytics is which department is responsible for leveraging the information?

We surveyed respondents to determine which departments are the “power users” of the institution’s CRM system. More than one response was allowed.

Chart III: Frequency of Power Users Selected



Each department in an organization has its own unique goals while sharing the broader strategic vision of the credit union with other departments. As part of the survey we asked respondents if they were part of the purchasing process, as well as where in their organization the purchasing decision (as defined by departments) was owned. Almost 40% of respondents reported to be part of the selection committee. The three most commonly selected departments responsible for purchasing a CRM were:

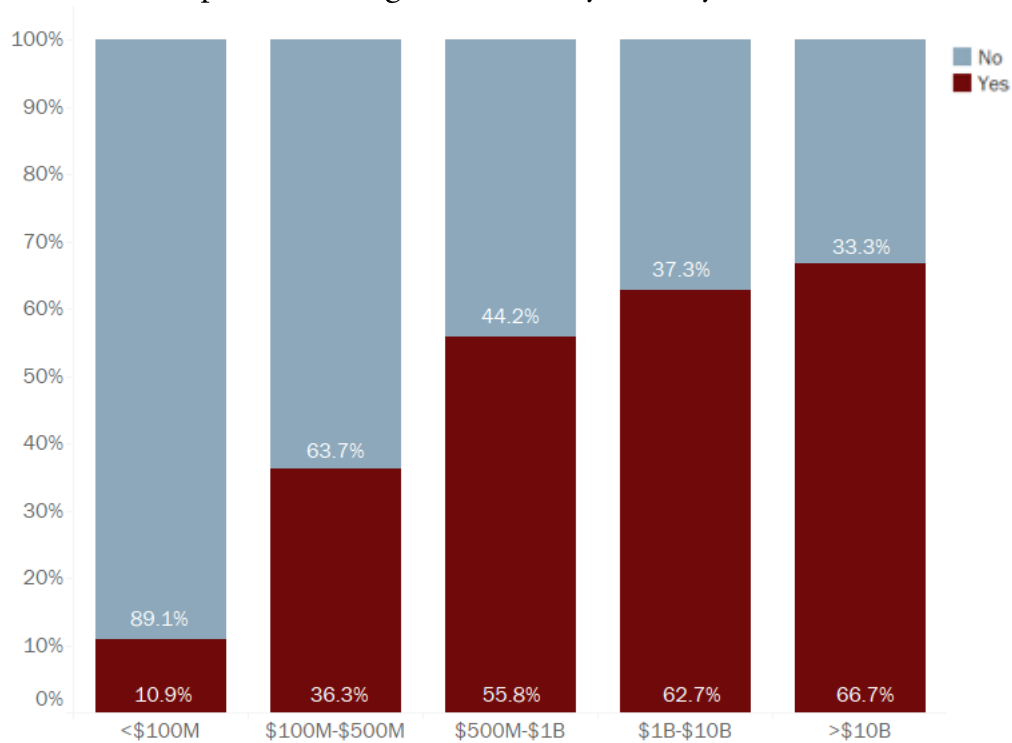
- Marketing,
- Operations, and
- Technology.

Taking things one step further, we correlated responses where respondents identified which departments at their institution were also the purchaser of their CRM system. Of those responses, the three most common roles that were also purchasers were:

- Head of Operations
- Head of Marketing
- Head of IT

Economies of scale (and the resulting institutional sophistication/complexity) can have a significant impact on how organizations prioritize projects. Larger institutions with more resources tend to be further down the path in utilizing a system due to greater financial resources.

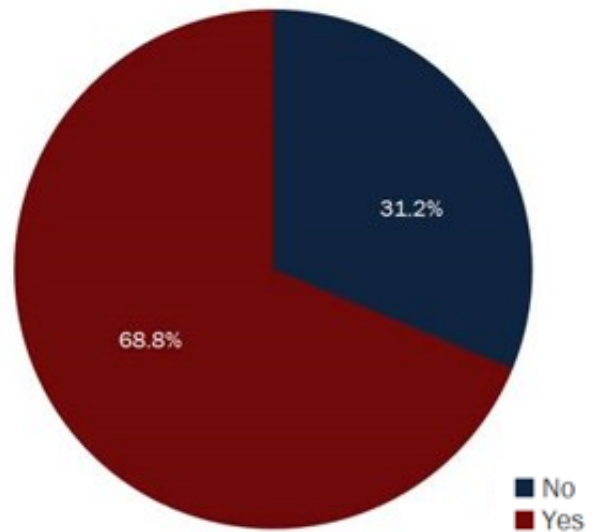
Chart IV: Respondent Usage Of CRM System By Asset Size



General Satisfaction

As mentioned earlier, the primary goal of this report was to better understand credit union CRM system satisfaction. Of the 93 credit unions with a CRM system, over two-thirds (69%), indicated satisfaction with their current system.

Chart V: CRM Satisfaction



CRM System Feature Satisfaction

All Respondents

CRM systems provide credit unions with a plethora of features to better enable them to access and leverage member-level information. We identified 17 key features common to most CRM systems on the market today and polled respondents about their general satisfaction with these features. The 5-point scale ranged from Extremely Dissatisfied to Extremely Satisfied.

When analyzing all responses of credit unions with CRM systems (regardless of general system satisfaction), the three CRM system features with the highest ratings (extremely satisfied) were:

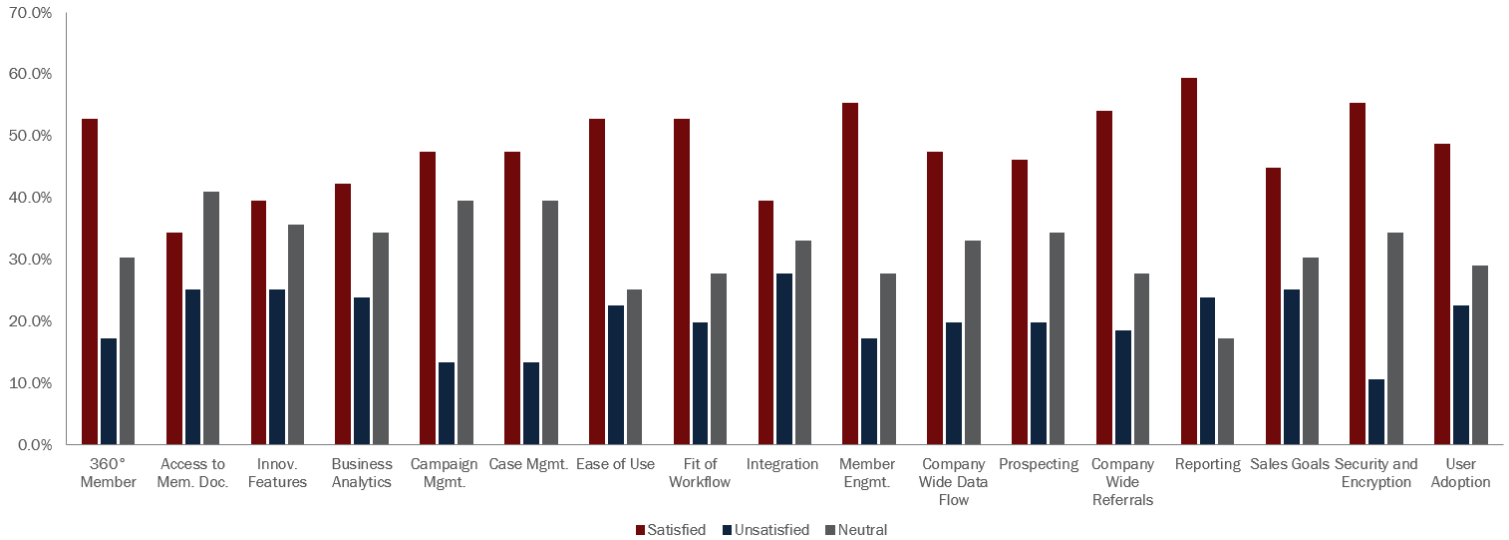
- Security and encryption protocols (32.9%)
- 360-degree member view (23.7%)
- Member engagement history (23.7%)

Conversely, for all respondents, the most frequently identified aspects of their system they were least satisfied with included:

- Operational dataflows between departments (13.2%)
- Access to member documents (10.5%)
- Reporting capabilities (10.5%)

In order to better understand overall satisfaction of CRM features for all respondents, we aggregated satisfaction rates into three simple buckets: Satisfied (features earning a 4 or 5 satisfaction score), Dissatisfied (features earning a 1 or 2 satisfaction score), and Neutral (features earning a satisfaction score of 3). As seen in Chart VI, the top three features based on the highest aggregate satisfaction score (scores 4 and 5) includes member engagement, security, and reporting.

Chart VI: CRM Feature Satisfaction Comparison



Satisfied Respondents

For the those who are generally satisfied with their CRM system, the top ranking (extremely satisfied) features included:

- Security and encryption protocols (41.2%)
- Breadth of out-of-the-box features (33.3%)

Given the option to improve upon their current system, satisfied users most frequently cited a general improvement to **integration capabilities** as being the most sought-after enhancement, followed by the option for **email capabilities and tracking**.

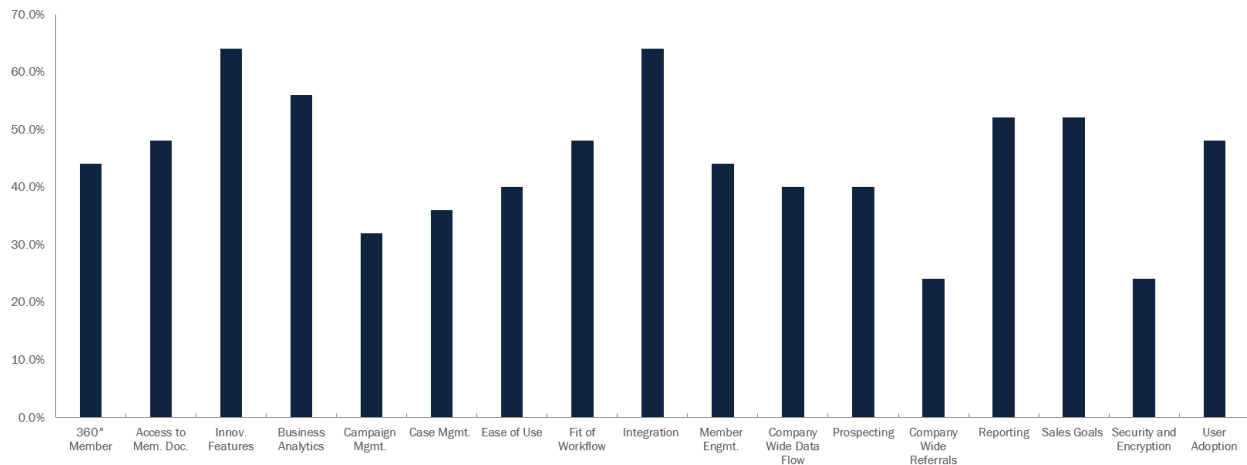
Unsatisfied Respondents

When respondents reported a level of dissatisfaction with their current CRM, the two most commonly cited features of their system receiving the lowest score (extremely dissatisfied) were:

- Operational dataflows between departments (36.0%)
- Access to member documents (28.0%)

To better understand user dissatisfaction with CRM system features, we analyzed satisfaction ratings of respondents who were both generally **unsatisfied** with their CRM (31% of respondents with a CRM), as well as the specific CRM system features they were dissatisfied with. Grouping a subset of dissatisfied responses (features earning the lowest satisfaction scores, 1 or 2), as seen in Chart VII, one can see that among this group of users, over 55% felt dissatisfied with business analytics features, integration, and innovative features in their CRMs.

Chart VII: CRM Feature Dissatisfaction* Comparison



* Features earning a satisfaction score of 1 or 2.

As a follow-up, we asked respondents to provide color, in their own words, why they were unsatisfied with their system. The top five reasons, in order of frequency listed, included:

- Lacks important features
- Not focused on credit union specific workflows
- Does not integrate with their software ecosystem
- Requires too much maintenance
- Too complex for staff

CRM System Selection & User Satisfaction

Build or Buy?

In choosing a CRM system, institutions are presented with a variety of options, ranging from basic minimum viable products to highly complex and sophisticated solutions. On top of this, some institutions have opted instead to build their solution in-house with the hope of creating a more customized system tailored to their institution's unique needs.

Of the 93 participants who responded to having a CRM system, only a small subset (6.5) use a homegrown system. Of this group, when asked which features they would put on a "wish list", the three most common responses were:

1. ease-of-use,
2. email blasts, and
3. more in-depth AI/BI functions.

For institutions dissatisfied with their in-house solution, the most frequently selected reasons for dissatisfaction included:

1. lacks important features,
2. requires too much maintenance, and
3. too complex for staff.

When asked to qualify the decision to purchase a CRM, **vendor reputation** was consistently one of the most selected options receiving an "extremely important" score.

Satisfaction & CRM Vendor Engagement

An important but often overlooked element of the selection process is the degree to which a CRM vendor participates in system implementation and adoption at the institution. It also happens to be one of the most difficult attributes to measure.

We surveyed respondents across four engagement categories to better understand differences between CRM vendors. As seen in the table VIII and IX below, significant differences in vendor engagement exist when comparing satisfied and dissatisfied respondents.

Chart VIII: CRM Vendor Engagement – Satisfied Respondents

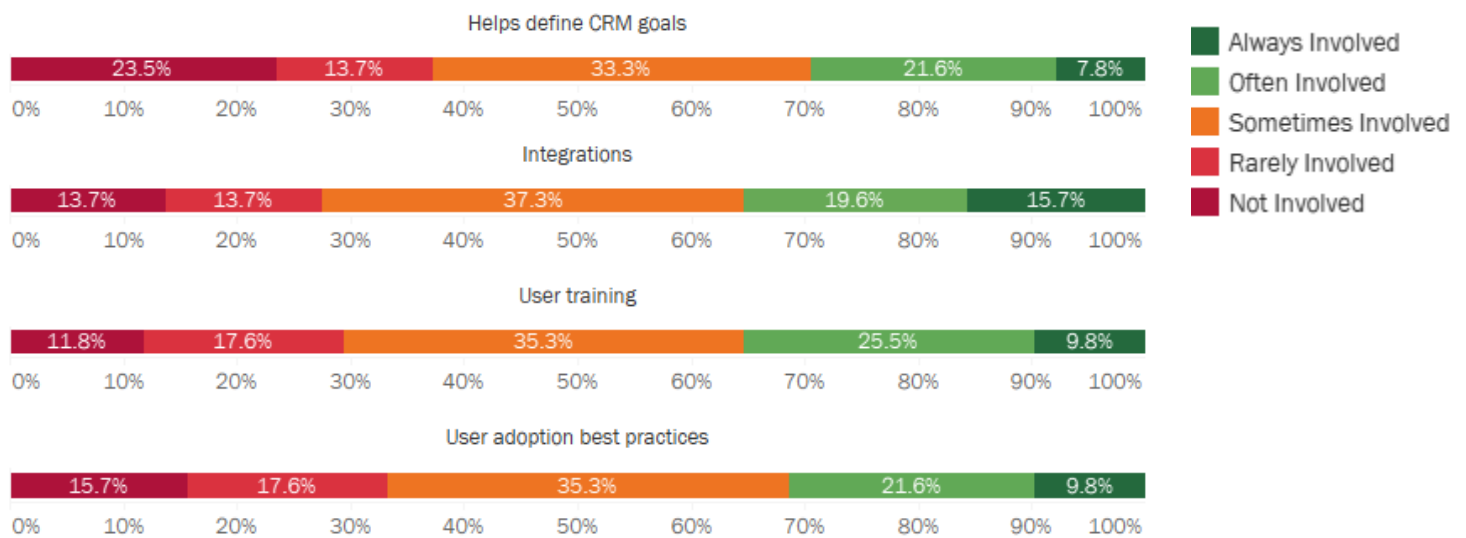
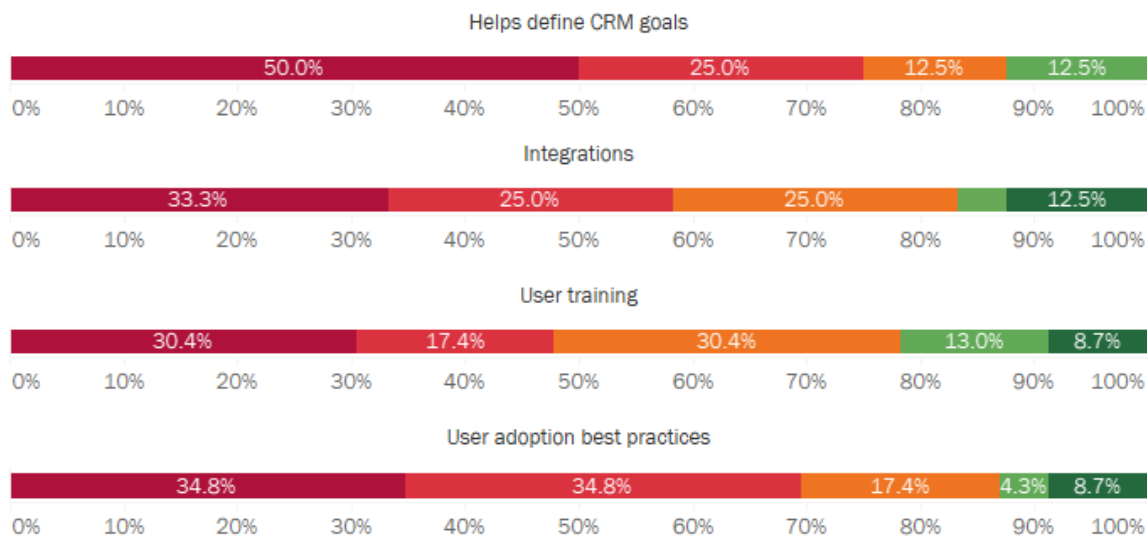


Chart IX: CRM Vendor Engagement – Unsatisfied Respondents



Among unsatisfied participants, the category with the least amount of vendor engagement was assistance defining CRM goals (48.0% - no vendor involvement). Generally speaking, in order to maximize their overall satisfaction with their CRM, credit unions looking to implement a CRM system are best served to clearly define the goals for their system in advance of implementation. If an institution enters the purchasing process with a pre-defined strategy for a CRM, there is a far greater likelihood they will fully utilize the system and be satisfied with their decision at the end of the day. Conversely, for satisfied responses, there were notable increases in vendor engagement across all categories.

CRM Selection Criteria & Unsatisfied Respondents

CRM solutions are often one of the largest IT investment outlays an institution incurs and thus should be done with thoughtful consideration. As such, credit unions consider a range of factors in making their decision, giving different weights to each based on their own unique needs as an organization. An expectation gap can often lead to buyer's remorse. Therefore, this section looks to identify why credit unions are unsatisfied with their current CRM based on what expectations they had in the original selection process.

As mentioned earlier, of the 93 institutions with a CRM system, roughly two-thirds (66) reported satisfaction with their system. Of those respondents, the top three **CRM selection criteria** given the highest weighting of "extremely important" included:

- Vendor reputation
- Annual initial cost
- Integration capabilities

On the following page, in Chart X, we've detailed the entire range of CRM selection criteria for respondents satisfied with their CRM system.

Chart X: CRM Selection Criteria – Satisfied Respondents



Selection Criteria For Respondents Not Satisfied with their CRM

Comparing responses of those who identified as broadly unsatisfied with their CRM solution, they weighted similar selection criteria as the broadly satisfied group, with one notable exception. For the dissatisfied group, the most commonly listed CRM selection criteria was **feature set**. The top three selection criteria for unsatisfied CRM respondents, in order of frequency selected, are:

- Feature set
- Integration capabilities
- Annual initial cost

Within the subset of respondents who indicated they were unsatisfied with their CRM system, we analyzed CRM selection criteria responses based on the departments respondents indicated were CRM power users at their institution. When segmented by power user role, the selection criteria most commonly cited as extremely important in each group was the amount of time needed to implement a system. Whereas front-line staff most commonly highlighted the CRM **feature set** as the most important criteria in the selection process, potentially indicating an offering gap between selection and actual usage.

Table VI: Top CRM Selection Criteria – Unsatisfied Respondents – Power Users

Power User Role	Most Common Priority in CRM Selection
Analytics	Costs (ongoing and annual initial cost) / Integration
Branch Staff/Sales	Feature Set
C-Suite	Vendor Reputation, Time to Implement
IT	Time to Implement / Mobile Apps
Lending	Time to Implement / Mobile Apps
Marketing	Time to Implement / Mobile Apps / Future Needs

Looking through the lens of what role the respondent played in the CRM selection process was also illuminating when considering which features were prioritized in the selection process. Generally, unsatisfied buyers selected a CRM based on two frequently cited areas: integration capabilities and feature set of the CRM system. When analyzing other departments priorities in the purchasing process, responses trended in-line with responsibilities associated with those departments. For example, heads of operations (retail) weighted feature sets higher than other departments, whereas heads of marketing were more focused on mobile app capabilities and CRM vendor reputation.

Analyzing information of unsatisfied respondents based on institution asset size provided additional insight into the potential shortcomings and priorities of institutions as it relates to CRM selection. Smaller credit unions tend to be more focused on selecting a CRM that would provide their front-line staff with a solution best-suited to manage existing relationships (feature set). Whereas larger institutions reported that campaign management capabilities and the ability to integrate were of relatively higher priority for their needs.

CRM ROI – Measuring CRM Success

Given the size of a typical CRM investment, it is important to understand how institutions evaluate the perceived value, and as a result, the success, of their decision to select a CRM solution. For all institutions which reported to have a CRM system in place, the two most commonly listed factors in measuring success of that investment were far more popular than the other areas.

In response to the question of which aspect is most important in measuring success, when grouped by organizational department, every group reported **member engagement** as a key priority. In addition to member

engagement, another aspect of success cited by respondents where both analytics and IT were the CRM power users was **staff productivity** improvements.

When segmented by the group responsible for purchasing a CRM system, responses followed a similar trend to those indicated by power users. Both member engagement and staff productivity were the leading responses selected in evaluating the success of their CRM investment. Priorities do vary beyond the most commonly selected answers however. For example, one user responded that their board of directors was responsible for purchasing and this respondent indicated that loan growth was the key measure of success for their CRM investment decision.

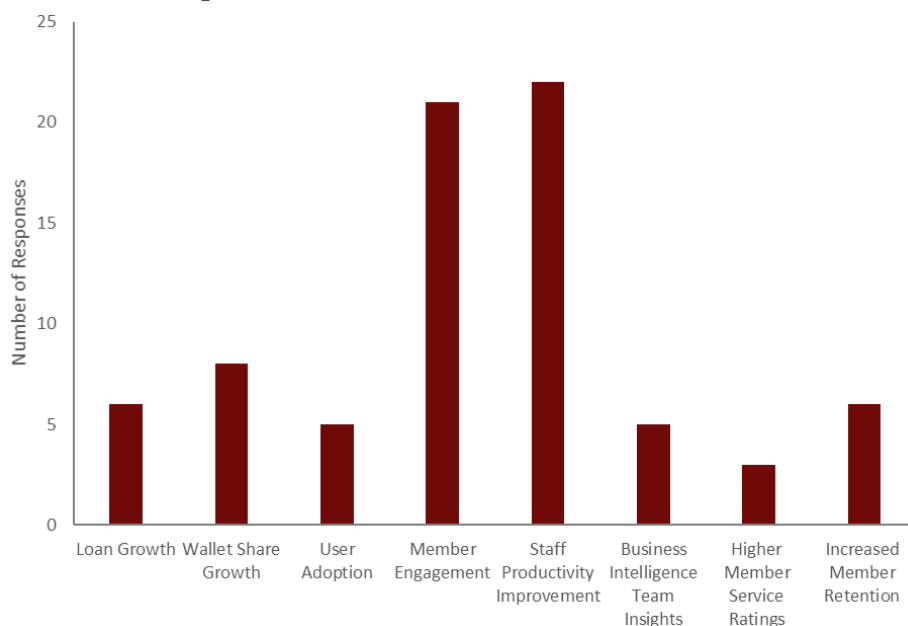
Finally, we examined how respondents measures of CRM investment success vary by institution size. Smaller institutions appear to be more focused on tactical usage of their CRM system, evidenced by a focus on member engagement. As asset size increases, respondents became more focused on benefits such as staff productivity and staff system adoption.

In With the New – Top CRM Feature Requests

While CRM systems continue to evolve to better meet the needs of institutions, there will always be areas which can be improved and added. When polled with respect to which capabilities respondents wished their CRM system had, the three most popular responses (regardless of system satisfaction) were:

- Integration capabilities
- Tracking
- Ease-of-use and reporting (tie)

Chart XI: Top CRM Success Measures



The top feature request across all department power user categories, regardless of CRM satisfaction, was system integration. When considering feature requests from the perspective of the purchaser or department responsible for purchasing, every group with the exception of Head of Marketing cited integration as a key feature not currently included in their system. Heads of Marketing collectively identified tracking features as the most important feature they lack in their current CRM.

Lastly, differences exist across institutions of varying asset sizes with respect to key features currently not available in their system. Generally, the smallest the institutions desire better member outreach capabilities, while larger institutions are more focused on tracking capabilities and integrating other systems into their CRM.

Conclusion

As stated at the beginning of this survey, the goal of our efforts was to better understand and quantify credit union CRM system adoption and satisfaction. Different institutions may have varying experiences with their own CRM systems and the selection process. We encourage credit unions to leverage the cooperative nature of the industry and discuss potential investments with their peers as they research future changes.