



Serving Communities by Serving Businesses

The Case for Credit Unions and Corporate Banking

- ▶ Credit unions offer financial services to over a hundred million members in the US—mostly in the form of consumer accounts and personal loans—and that number is growing.¹ With credit unions' higher returns on savings and better interest rates on loans, it makes sense for individuals to migrate away from banks to credit unions. And they've done so steadily, if slowly—at a roughly 2 percent increase per year. Simply put, credit unions are good for communities, and communities understand that.

But, while individual consumers are traditionally the benefactors of credit unions' community-friendly mission and offerings, there's a case to be made for credit unions providing services that support businesses as well.

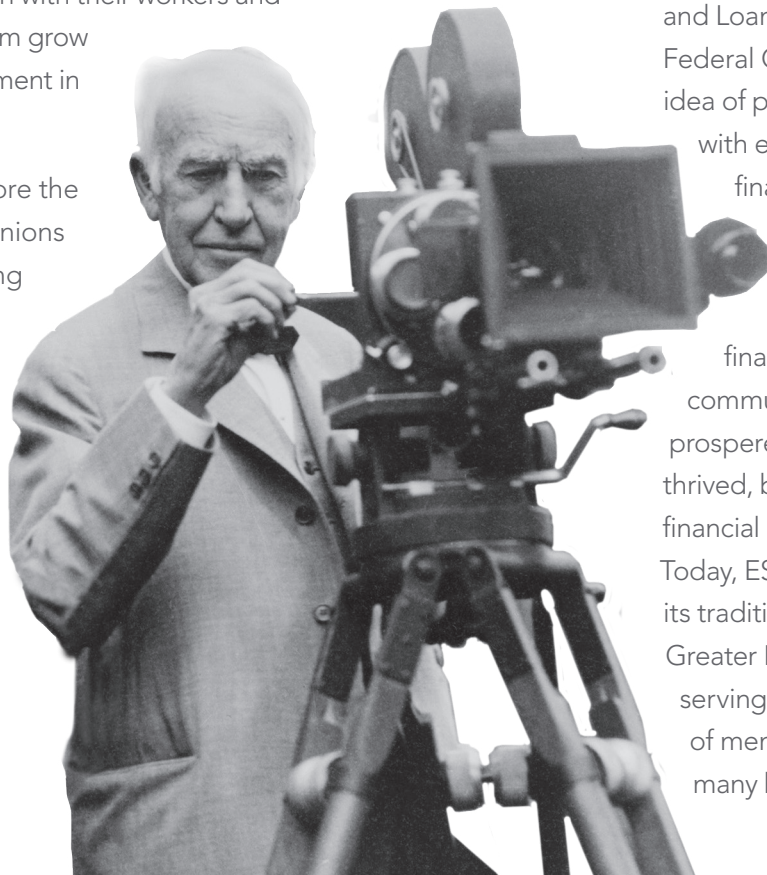


Credit Unions: Founded by Communities for Communities

Businesses play a huge part in the financial lives of their communities—creating jobs, encouraging infrastructure development, and bringing suppliers and supporting businesses into the areas they serve. Credit unions that are equipped to support community businesses can pass the benefits of membership on to owners and operators—as well as the customers, partners, and communities that the CU and the business both serve.

More often than not, credit unions emerge from the collective need of a specific business or organization’s employees; it makes sense that they should be able to serve the business or organization as well. Better terms for borrowing and banking can save businesses significant money—letting them share that wealth with their workers and investors, helping them grow and increase employment in their communities.

Following, we’ll explore the benefits that credit unions can gain by expanding their offerings, the kinds of services they’ll need to best serve growing businesses, and what it takes to grow and thrive in the current digital business banking landscape.



Shared interests

Nearly a century ago, George Eastman, founder of Eastman Kodak Company, needed to attract and retain a skilled and dependable workforce. He established the Eastman Savings and Loan Association—now ESL Federal Credit Union—with the idea of providing his employees with easy, affordable terms for financing home ownership. By helping his workers put down roots, he helped create a financially stable and vibrant community. His employees prospered and his business thrived, because of their shared financial and community interests. Today, ESL continues its tradition of supporting the Greater Rochester area, now serving hundreds of thousands of members—including many businesses.

Services for Businesses, Big and Small

First, let's look at some of the key features you'll need in order to serve commercial accounts. For the most part, these fit into the following three categories:

Entitlements

Growing businesses need the ability to designate user roles to match their organizational structure, workflows, subsidiaries, and more. By offering community businesses flexible entitlements administration, CUs not only help small businesses scale their operations, but they also contribute to the growing security and compliance needs of businesses.

Reporting

Effective cash management is crucial to businesses of all sizes. Credit unions hoping to serve commercial clients should offer accurate account information regarding balances, transfers, incoming wires, payments, and more—and to make it all customizable to fit the needs of the member. Clear, concise, and timely information reporting makes it possible for businesses to understand and respond to their circumstances.

Payments

From sole proprietorships to corporations, all businesses need the ability to make payments—to vendors, suppliers, partners, contractors, employees; the needs vary based on business model and size, but the ability to send payments in a timely, trackable manner is crucial. While consumers make payments too, businesses carry out a much larger volume of transactions—some even international.



REMEMBER:

To be as useful as possible, reports should be **available for download in multiple formats**—including those that integrate into bookkeeping software.

Contributing to Growth

Beyond Costly Account Holders

Communities are more than consumers—and that’s a good thing for credit unions. Consumer members, particularly those with low-balance accounts, are expensive to maintain and don’t offer much in terms of deposits to help support loans. By some estimates, even relatively small business accounts can yield up to ten times the profits² of individual members—and, while credit unions are not-for-profit, the ability to offset costly account holders with new sources of revenue can help you better support all of your members.

The revenue created through business reporting fees, for example, can help you lower interest rates on personal loans, let you increase returns on savings accounts—even develop a goal-based savings program, or fund the growth of your credit union’s footprint, extending the benefits of membership beyond your current reach.

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Consumer Alternatives are Growing

As much as 35 percent of today’s banking market share may migrate to fintech players outside of credit unions and banks in the next five years.³ And for consumers, the growing number of solutions for financial management, savings, payments, and other traditionally FI-housed services is resulting in a slow but steady exodus from banking—with 70 percent of consumers regularly using three or more bill pay methods. While CUs are generally viewed as more benevolent than banks and may weather this storm a bit better, change in the consumer market is inevitable. FIs hoping to minimize the fallout from these changes should: 1) take a hard look at the technology they’re offering clients, and 2) onboard as many commercial clients as possible to offset consumer losses.

Commercial banking—especially for larger or quickly growing businesses—is far too complex to be managed by any single (or disparate collection) of consumer-focused fintech platforms or apps. Strengthening your CU’s standing with the businesses in your community can help stabilize your organization for the coming changes. Many businesses—and consumers, for that matter—would welcome a single hub for all of their banking, payments, and financial needs.

Changing technology expectations

Credit unions often cite technology as an obstacle to offering business services. Traditionally, business banking and consumer banking platforms have been separate—with very little, if any, integration between the two. Also, many features of commercial banking are complex—requiring expertise, training, and an increase in back office staff and resources. And many corporate banking features are, to be blunt, not much to look at, with clunky interfaces, counterintuitive user experiences, and processes that eat up too much time.

While much of this remains true for the majority of digital banking platform providers, financial institutions finally do have options—and they should

explore them. Innovative providers now offer single platform solutions that allow FIs to serve every kind and size of account all within the same user experience. In other words, CUs no longer have to foot the bill for multiple platforms—nor worry about the security concerns of multiple exposure points, or the inconvenience of multiple logins.

This is, in part, a response to changes in user expectations throughout virtually every industry. Consumers and professionals alike expect consistent usability and experiences from wherever they're logging in—and, yes, they do expect simple and functional mobile access to their financial accounts.

The need for comprehensive technology



By 2022, physical **branch visits** are expected to **drop** by more than **30 percent**. At the same time, **mobile transactions** are set to **rise over 120 percent**.⁴ With physical branch visits sinking annually, anytime/anywhere access through a comprehensive, intuitive platform is more important than ever. This is true for business and corporate users as much as it is consumers.

Small business and millennial business owners in particular are adopting mobile business banking—with 52 percent of small businesses (<\$10 million) accessing and managing their banking via mobile.⁵ As these businesses and entrepreneurs grow, they'll require mobile and online access that scales with them.

While it's true that business mobile usage adoption rates have somewhat leveled in recent years, this may be due to the lack of higher-level commercial features via mobile. Luckily, this is changing; options for more complex business transactions via friendly mobile interfaces are finally emerging. This means more and deeper engagement with commercial clients. And, when the technology supporting mobile usage is part of the same platform that members use on their desktops, CUs can avoid the spend on multiple platforms while delivering greater value to their members of all kinds.

Responding to demand

ESL Federal Credit Union started offering business services in 2010, and they were immediately able to leverage their reputation in the consumer space to win small business and commercial clients. But as they gathered feedback from members, they soon realized that they would need even greater functionality and usability—as well as mobile access—to grow their digital offering to its fullest potential.

When the time came to look into new technology, Q2's solution stood out. It would not only save business users from a cumbersome login process, but Q2's Unified User Experience (UUX) ensured that they would have a consistent and well-designed user experience, regardless of device—and they would all get mobile access. To date, member feedback has been positive across the board—and an impressive 38 percent of ESL's logins are now coming from their new mobile offering.



Competing against big banks

The great irony of the business banking status quo is this: The biggest banks in the nation hold 68 percent of all primary business banking relationships, and the reason businesses choose these too-big-to-fail FIs is access to technology. But the large banks and their aging legacy core processors are also responsible for the counter-intuitive and less-than-modern user experiences.

Forward-thinking credit unions can disrupt this trend by offering businesses services—and doing so with a platform that simplifies operations, creates better user experiences across all devices, and brings all levels of consumer and business banking together under a single login.

Consumers already love your credit union for your superior service and commitment to community. Businesses want to love you for the same reasons—and they also want a partner to help them navigate their financial needs. Offer them a way to enjoy the benefits of membership while your CU prospers under an expanded membership. It's a cycle of success: Growing your offering helps business grow, which in turn help you grow and serve your community—online and off, consumer and business—better than ever before.

One size doesn't fit all—but one platform can

It no longer takes two or three different platforms to serve accounts of all sizes. The Q2 Platform lets you serve consumers, small businesses, and corporate entities all from the same simple interface.

Q2 Business Banking

Q2 Business Banking™ is the perfect starting place for small businesses in need of user, recipient, and subsidiary management; ACH, wire, and state and federal tax payments; and other basic business banking needs—all with an intuitive, consistent, and modern user experience, regardless of device.

Q2 Corporate Lite

As businesses grow, they need to level up their transactional and informational capabilities. Q2 Corporate Lite™ offers payments, reporting, and entitlements functionality to meet the needs of more than 90 percent of businesses. And, because it lives on the same platform as Business Banking, offering these new features to your account holders is simply a matter of turning them on. No migration needed!

Q2 Corporate Banking

Q2 Corporate Banking™ builds on top of Corporate Lite, offering additional Multi-Transfer, Multi-Wire, and Batch Wire functionality, as well as Account Labeling, and Company Transaction Reporting. Corporate Banking is designed to meet the needs of the very largest and most complex businesses. If your clients are lucky enough to grow to full corporate need, it's a simple matter to extend these additional features via the Q2 Platform's award-winning Unified User Experience (UUX).



About Q2

Headquartered in Austin, Texas, Q2 Holdings, Inc. (Q2) is a leading provider of secure, cloud-based digital banking solutions. Driven by a mission to strengthen communities by strengthening the financial institutions that serve them, Q2 delivers compelling, consistent, and mobile-ready user experiences that boost account holder retention and create opportunities for engagement. Q2's culture of partnership reflects a commitment to building connections, creating conversations, and driving commerce in the communities you serve.

To learn more about Q2, visit www.q2ebanking.com or call us today at (512) 275-0072 ext. 2.

¹ www.washingtonpost.com/news/wonk/wp/2014/08/05/about-100-million-americans-are-now-using-credit-unions-should-you-join-them/?utm_term=.9e209488b94c

² identifi.net/enabling-credit-union-business-banking-technology

³ www.americanbanker.com/opinion/banks-havent-gone-the-way-of-blockbuster-yet?feed=00000158-bab1-dda9-adfa-fef7649f0000

⁵ thefinancialbrand.com/66228/bank-credit-union-branch-traffic/

⁴ thefinancialbrand.com/59746/small-business-mobile-banking-potential/