Credit Union AI Roadmap

How to Implement AI Today So Your CU Thrives Tomorrow

Trellance

white paper

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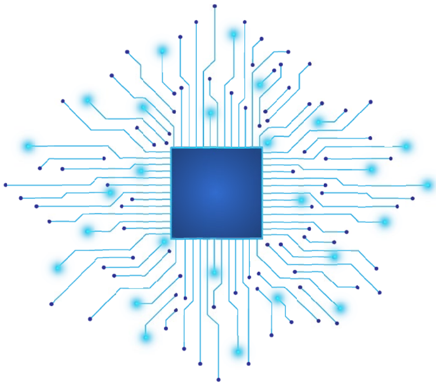

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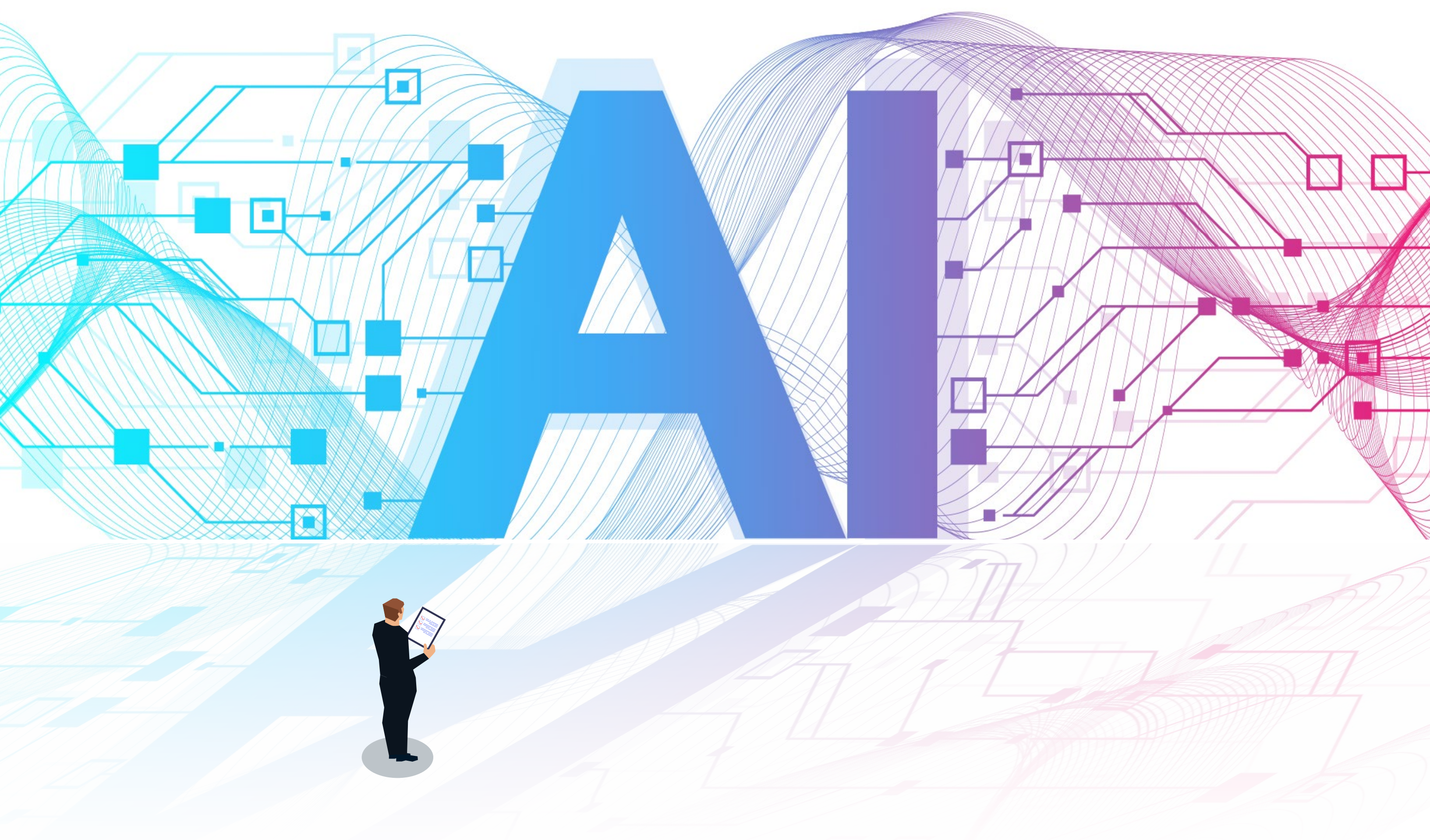
AI Domination



AI has dominated the conversation in the financial industry –

and most others – for the last year. What started as the stuff of science fiction is now the norm, and those that do not adopt this technology risk being left behind. Already, more than half of the global and national banks that participated in a recent American Banker survey have indicated they are implementing generative AI at some level; comparatively, only 27% of credit unions in the same survey indicated an interest in implementing AI.

If credit unions continue to lag behind larger financial institutions in this area, they risk losing members to institutions that are better able to anticipate and meet their needs. But by beginning to implement AI now, credit unions can ensure they continue to provide the level of service that their communities depend on.

There are many uses for AI in the credit union space, including fraud detection and automated reporting, but the most beneficial uses are going to be those that power member interactions. AI can be used to identify what products members are most likely to respond positively to, or to determine if a member is on the verge of leaving the credit union. Valuable insights such as these can empower credit unions to create personalized member experiences while meeting member needs, allowing them to keep pace with larger financial institutions.

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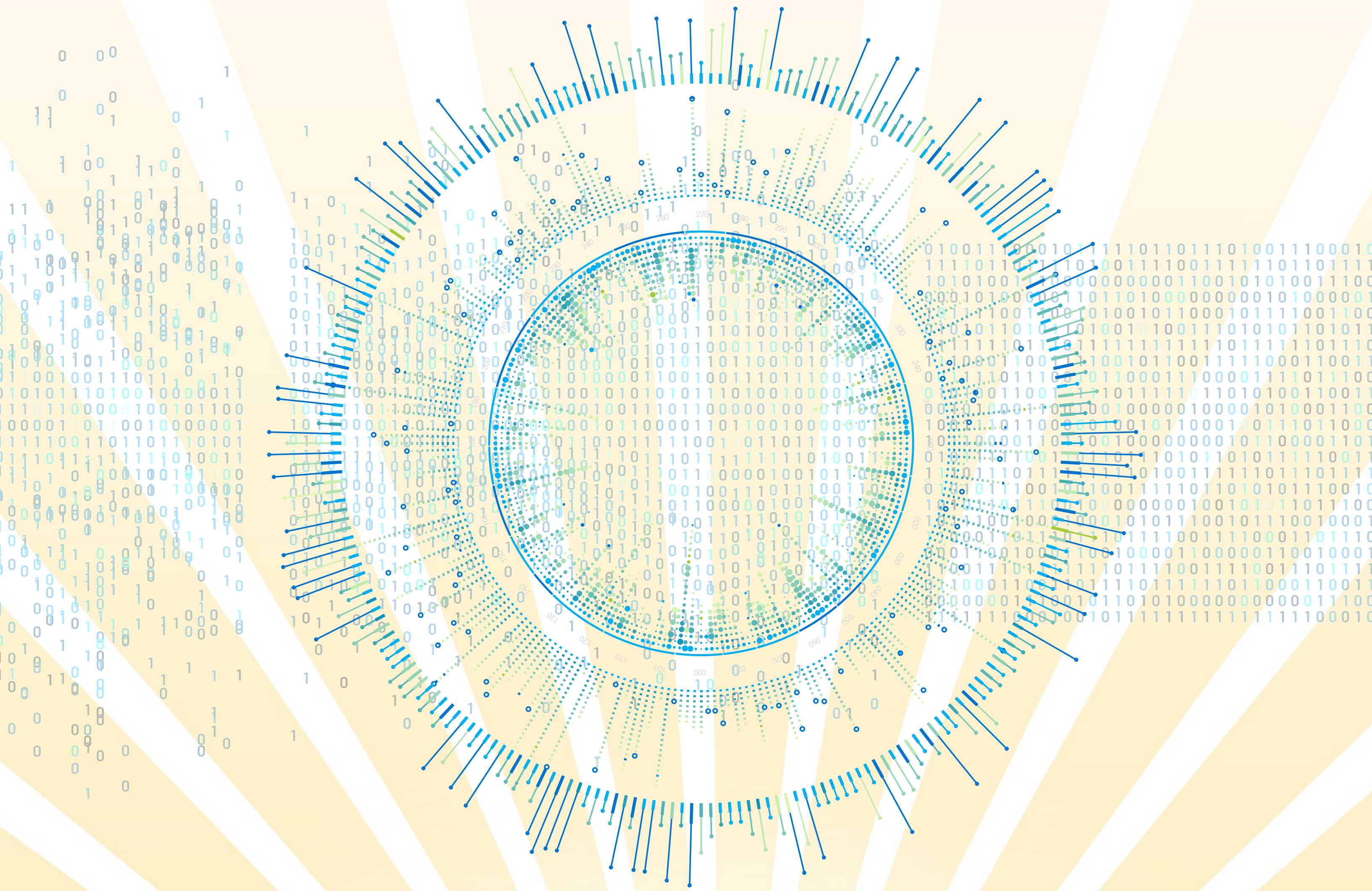
Data: The Fuel Powering AI Solutions



Implementing an AI-powered solution is a journey, and like all journeys, you have to start somewhere. For AI, the first step your credit union takes must be to ensure you have a robust, centralized data platform that can power your AI solutions.

Your centralized data platform, such as a data warehouse, is the battery that powers your AI solution. The more data your credit union has, and the better governed it is, the better your AI solution will function. AI works by reviewing available data for patterns and trends and then applying that knowledge to a command prompt.

AI can only make predictions and recommendations if it has data to ingest. Low quantities of data, or data that is not properly managed could lead to skewed results. Think of it like studying for a test: if your textbook is wrong, incomplete or doesn't contain the information you'll be tested on, you won't be able to accurately answer the questions on test day.

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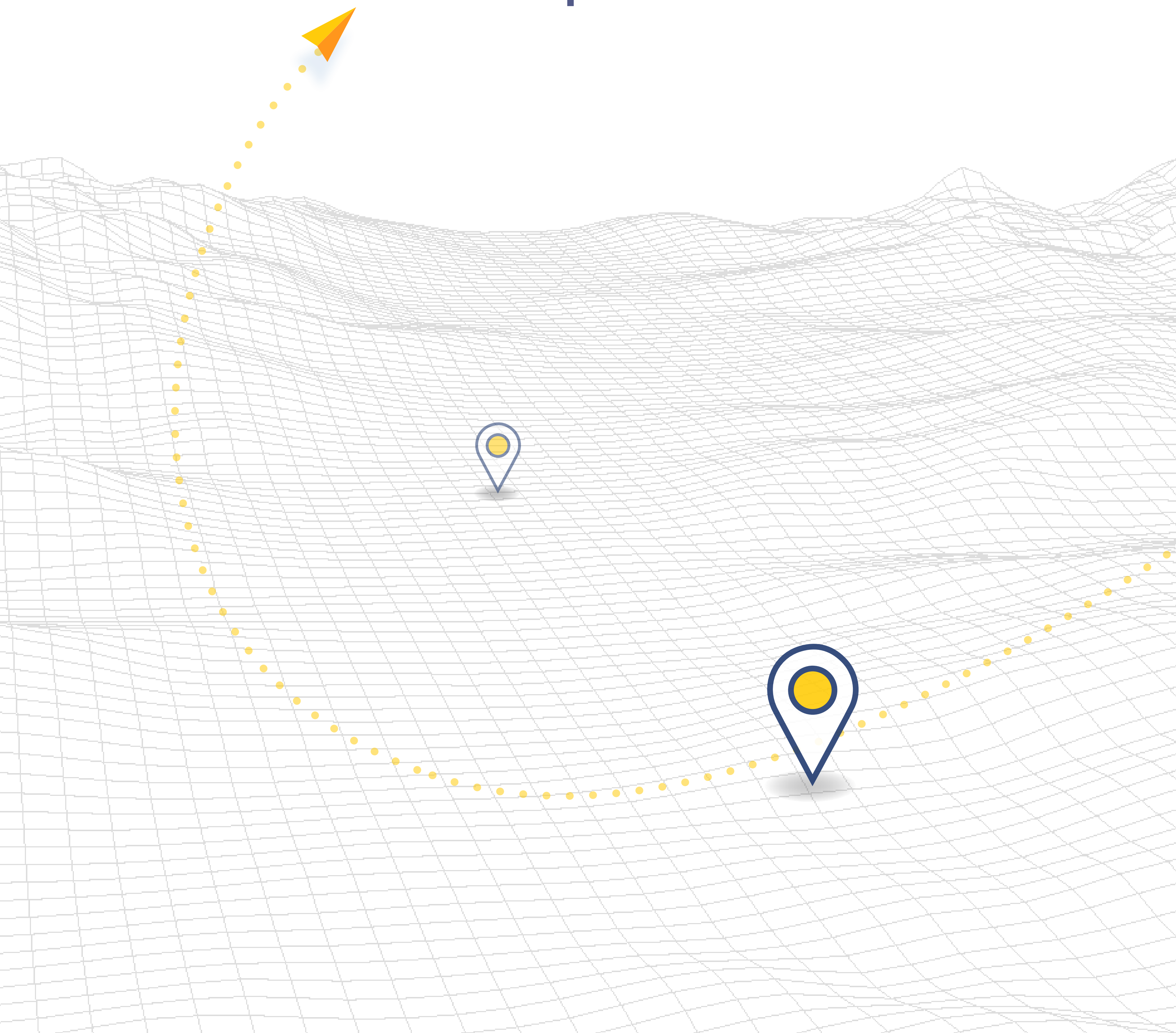
If you do not currently have a centralized, high integrity platform such as a data warehouse, or if managing it has not been a priority up until this point, rectifying that will be the first step on your AI journey. Depending on your credit union's IT capabilities, you may choose to build your own custom data warehouse, either on-prem or in the cloud. Cloud-based data warehouses are typically easier to incorporate with AI technology and require less physical upkeep. They also ensure easy scaling, and offsite backup procedures that allow your credit union to ensure no data is lost in the event of cyber event or natural disaster. A simpler option may be to partner with an analytics services provider who can offer a subscription to a data warehouse solution. These solutions are typically easier to implement, while still maintaining the security and ease-of-use your credit union requires.

Once your data platform is in place, data governance is the next step. All member data should be stored within the data platform – if your credit union has different data management strategies in different departments, now is the time to implement an organization-wide standard and eliminate any data silos. Data, including meta-data, should be complete and correct, and periodic audits should be conducted to ensure data quality. Data integrity is a living, breathing entity– it is not a one and done process. Maintaining your data will ensure that your AI functions properly and your credit union is able to make data-driven decisions.

Creating Your AI Road Map



Once your data is in order,

your credit union can really start planning for AI implementation. AI implementation can take up to a year or more to achieve, so planning is key.

Start By Defining Goals

AI is capable of many things, and chances are your credit union isn't actually interested in all of them. Once your data is in place, start defining goals for your AI program – your data may actually help you to define said goals by helping you to visualize areas of improvement.

One option is an AI program that identifies members who are most likely to respond positively to targeted marketing campaigns. This approach could help your credit union increase product penetration and member engagement, while also ensuring that marketing dollars receive the most return on investment. Targeted campaigns such as these reduce the amount of time and effort that would otherwise be spent on members who are not as likely to respond to a particular campaign.

Personalized messaging is another great AI option. By combing through member data, AI can produce messaging for members that aligns with their interests and milestones. This could include emails alerting members to mortgage or car loan offers, personalized greetings on their account pages, text messages wishing a happy anniversary or birthday and many other options. Personalized messaging opportunities such as these help to increase member engagement and overall satisfaction.

Member retention is always an important goal for credit unions, especially now with fintechs providing online-only banking solutions that appeal to younger generations. By identifying members who are making payments to other financial institutions, AI programs can determine which of your credit union's members are in danger of leaving entirely. From there, it can provide suggestions for reengagement opportunities – such as refinancing options or balance transfer credit cards – giving your credit union every opportunity to keep members it would have otherwise lost.

Identifying risk is another great AI option, especially in moments when the economy is more vulnerable. This AI program reviews member data and identifies those members at risk of becoming delinquent on payments. Once identified, your credit union has an opportunity to intervene and help the member get back on track. Not only does this program keep defaults off your credit union's balance sheet, but it also helps you assist members in their time of need.

There are many options for an introductory AI program; selecting one that helps your credit union to identify and meet member needs can help you to achieve buy-in at all levels: with the executive team, with employees and with members.

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Make Sure You Have the People, Processes and Technology

Implementing an AI solution can be a large undertaking. Make sure identifying and onboarding the people, processes and technology necessary for success is part of your AI roadmap. Some things to consider include:

- **Talent.** Your credit union's talent needs will differ depending on your AI goals. If your credit union is building its own solution, you'll need to source and hire the talent capable of such an undertaking, or partner with a specialized talent services provider to source the talent. If your credit union instead chooses to partner with an AI solutions provider, you'll need to make sure you have someone on your team who is capable of monitoring the program and acting on any output.

- **Data.** We've already discussed the importance of having and maintaining a data warehouse when implementing an AI solution. Consider identifying team members who can be data champions to ensure proper data governance is maintained on an ongoing basis.

- **Processes.** What will your credit union's guidelines be around the use of AI? What disclosures need to be made to members? These are questions that should be asked and answered in detail prior to AI implementation.

Identify AI Partners

For the majority of credit unions, creating your own AI platform will not be a reasonable undertaking. Cost wise, the talent needed to create such an undertaking is in high demand right now, and salaries will typically be beyond what a credit union has budgeted for. Further, the server space needed to power an AI program will also be cost-prohibitive and could make scaling solutions in the future difficult.

When searching for an AI partner, credit unions should prioritize providers who specialize in credit union-specific solutions. These providers will already be calibrated to credit union needs and expectations, leading to a seamless implementation process. Other qualities to consider include:

- **Ability to scale.** Your credit union's needs are going to differ based on priorities and growth. A partner that is able to scale its services dependent on your credit union's needs is critical.

- **Range of products and services.** AI is not one size fits all, and neither are your credit union's needs. Partnering with a service provider that has a variety of services can allow your credit union to ensure the provider has a solution that meets your current needs, and that you can add to as needs change. Further, if they provide more than just AI solutions, you may be able to bundle other services for a reduced cost.

- **Availability of training.** AI is still a new technology, and no matter how user-friendly an interface may appear, you will likely need some level of training. Partnering with a provider

Start Small

You don't need to think of your credit union's AI journey as an all or nothing process. Starting with smaller scale projects, such as AI-powered chatbots or other small integrations can allow your credit union to identify potential stumbling blocks when it comes to larger projects. These small-scale projects also provide your credit union with quick wins, which can be beneficial when building buy-in from executives and members. While you're working on building your long-term roadmap, look for areas where smaller projects can be incorporated.

Develop Your Member Communication Plan

Your members should be kept abreast of how AI will interact with their data, and what steps are being taken to keep their data safe. AI is still a new technology, and with cyber-attacks becoming more and more common, members are understandably wary of anything that has access to their data. Make sure you have a detailed communication strategy in place that alerts members of the new technology and assures them that their data will be kept safe in the process.

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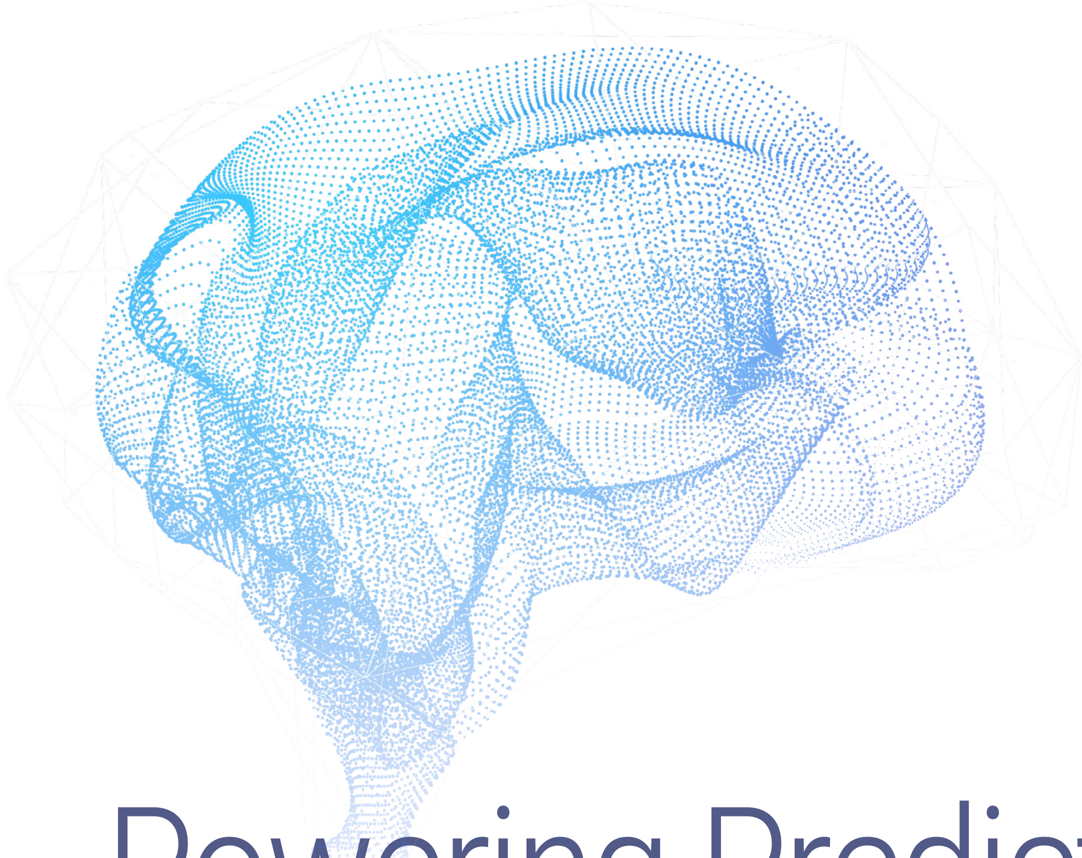
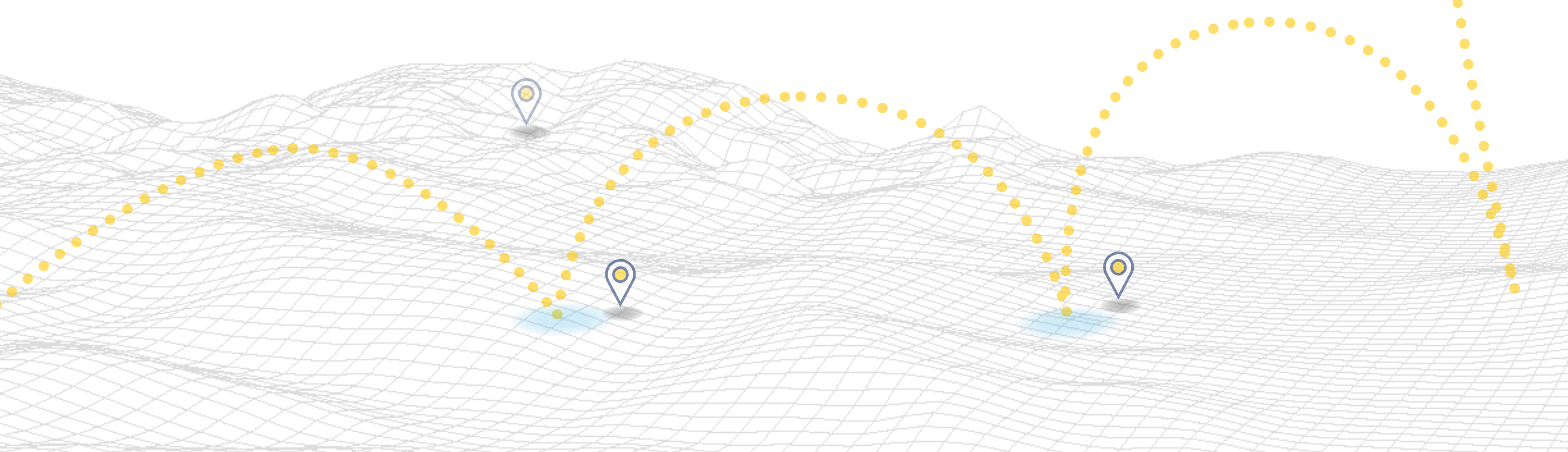


Powering Predictive Analytics with AI

Trellance offers AI-powered solutions built with credit unions in mind. Our Predictive Analytics suite can help your credit union identify opportunities and build custom campaigns to act on them. The Predictive Analytics suite consists of:



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- **Member Segmentation AI.** This model reviews your membership and divides them into personas, allowing you to get a high-level overview of your membership and identify their wants and needs. Use this solution to create targeted marketing campaigns or to guide personalized messaging.
- **Member Retention AI.** Member Retention AI identifies members at risk of leaving the credit union, allowing you to quickly initiate a reengagement campaign and reduce your overall level of member attrition.
- **Next Best Product AI.** This solution is a great way to increase member engagement and product penetration. By analyzing member data, this model identifies the product a member is most likely to respond positively to, allowing your credit union to create targeted and effective messaging.
- **Member Lifetime Value AI.** Identify members who are most likely to create long-term value for your credit union. Investing in these members will increase the overall health of your credit union, leading to opportunities to further serve the rest of the membership.
- **Member Risk Score AI.** Be there for your members before they default on a payment with this model. By identifying these at-risk members before they go into default, your credit union can provide education and guidance to get them back on track.
- **Next Best Action AI.** Use this model to guide your campaign efforts. By reviewing historical data about members, it will identify what actions members are most likely to respond to, such as an email or mailer.

Each of these solutions is powerful on its own, but they're more powerful when used together. Each of these solutions is powerful on its own, but they're more powerful when used together. Combining the Next Best Action AI with the Next Best Product AI allows your credit union to create a highly personalized marketing campaign that reaches the members most likely to be interested in a product in the method which they're most likely to respond to. Combine a Member Risk Score AI program with Member Retention AI to identify what financial institutions, other than your own, members are making payments to, and then offer them a refinance opportunity that lowers their payments and keeps their business with you.

When used in tandem, the Predictive Analytics suite identifies opportunities for your credit union you might have otherwise missed. And by creating targeted and personalized campaigns, your credit union ensures every marketing dollar spent is effective while reducing costs spent on ineffective marketing, lost business or defaulted payments.

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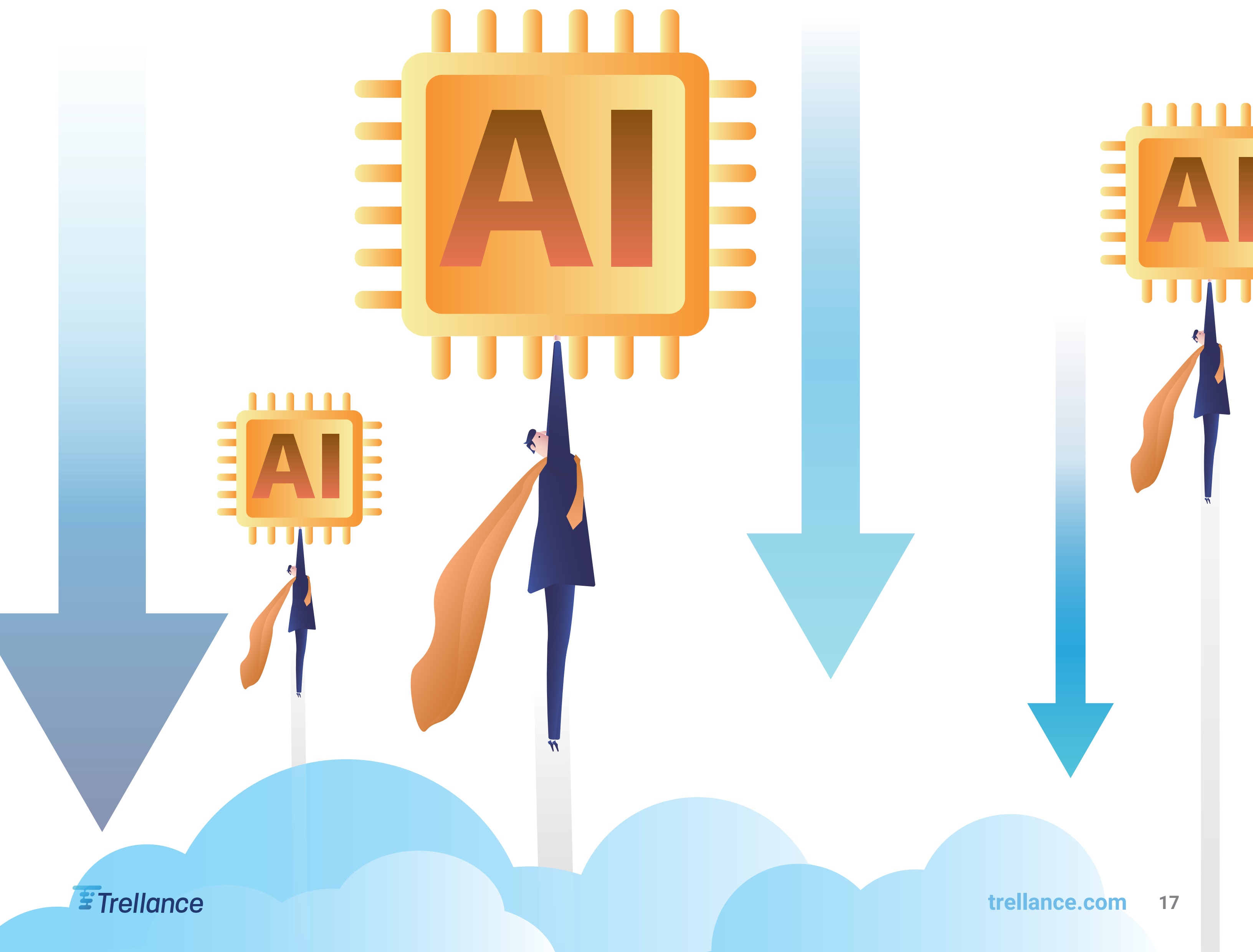
Reduce Costs and Achieve More with AI



AI has taken its place as a major technology, and credit unions can't afford not to invest. Not utilizing AI could result in compounding problems in the future. It could lead to missed opportunities, decreased competitive advantage and increased difficulty and time to bring technological capabilities back up to standard. It could also lead to increased employee attrition, as your team moves on to opportunities that allow them to keep their IT skills updated.

By automating processes and identifying opportunities, AI can help your credit union reduce costs while increasing efficiency. When choosing an AI partner, credit unions should focus on providers who specialize in the credit union industry. These providers will have solutions ready-made for credit union needs and will continue to innovate ways to serve credit unions.

Invest in your credit union's future by beginning your AI journey today. Trellance can help you on that journey, including identifying potential roadblocks and identifying areas for success. Contact us today for more information on how AI can help your credit union achieve more.

Thank You

Trellance

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