

# 2015-2019: Analyzing 5 Years of Pricing Trends in Our Network

2019 Pricing Focus Group

**CU\*ANSWERS**  
A CREDIT UNION SERVICE ORGANIZATION

April 11, 2019

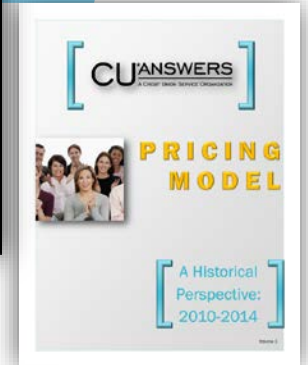
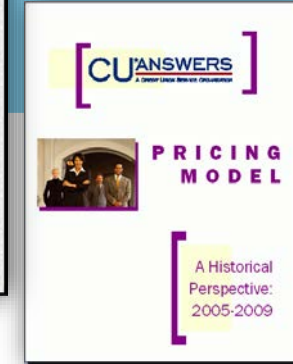
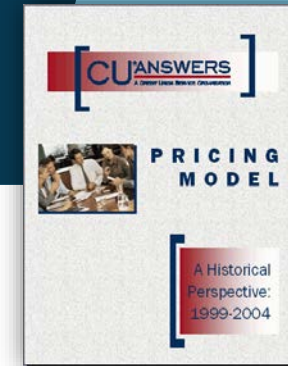


# Introduction

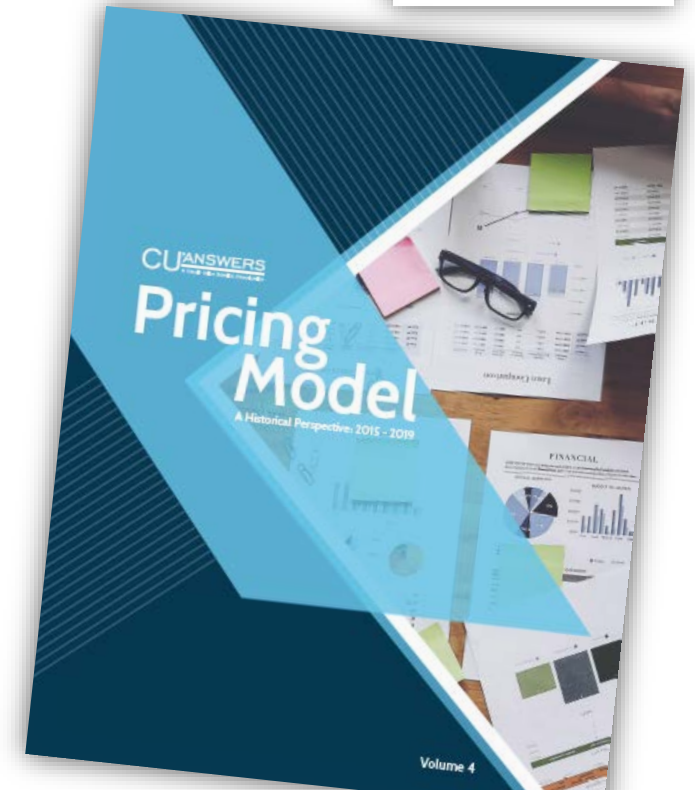
20 YEARS OF PROVING WE'RE WALKING THE TALK

2

- The Pricing Focus Group has been meeting every 5 years since 2004
- The purpose of this group is to **hold our feet to the fire**
  - We make the time to keep the history
  - We make the effort to talk with you
  - We make the commitment to be transparent and accountable
  - We make the promise to charge only when we have to, not just because we can
- We encourage you to **use your owner's voice** when it comes to our CUSO's pricing model



Let's take a  
tour of the  
latest 5-year  
review...





# Transparency is our middle name

THE ACCOUNTING SITE IS  
OUR WAY OF SHEDDING  
SOME LIGHT ON YOUR  
CU\*ANSWERS INVOICE

"As a new board member I  
continue to find more and more  
examples of how CU\*Answers  
guarantees its owners have a  
voice, and clear signals of how  
that voice matters!"

Kris Lewis, CEO  
Allegan Credit Union

"I am happy that the CU\*Answers  
management team stepped up and provided  
a solution so that anyone who is willing to dig  
deeper can understand, just like they're an  
insider."

Jeff Jorgensen, President/CEO  
Sioux Empire Federal Credit Union

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DID YOU FORGET ABOUT  
ACCOUNTING.CUBASE.ORG?  
**USE IT!**

## INCLUDES

- Browsing codes
- Resources
- Frequently Asked Questions
- Meet the Team
- Contact Info

## REMEMBER

This site is only available to be viewed by CU\*Answers connected users.

"It's a CU\*Answers board  
tradition to go beyond just  
good ideas for the sake of  
marketing. We walk the  
talk by providing real tools  
to make sure CU\*Answers  
invoices are transparent  
and well understood."

Scott McFarland, CEO  
Honor Credit Union

"The CU\*Answers board wants to  
make sure our clients have the  
power to act like owners, and part  
of that is understanding the 'why'  
behind every line item on their  
invoice."

Tom Gryp, President/CEO  
Notre Dame Federal Credit Union

# Base Member Processing

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- A foundation fee for active members
  - 999 sub-accounts per membership
  - Regardless of balance or relationship status
- Represents the primary licensing cost for core applications that make your business run
  - Teller, LOS, accounting and back office, miscellaneous trial balance services, etc.
- Your price is based on your contract
  - Prices may vary!

## *In the past five years...*

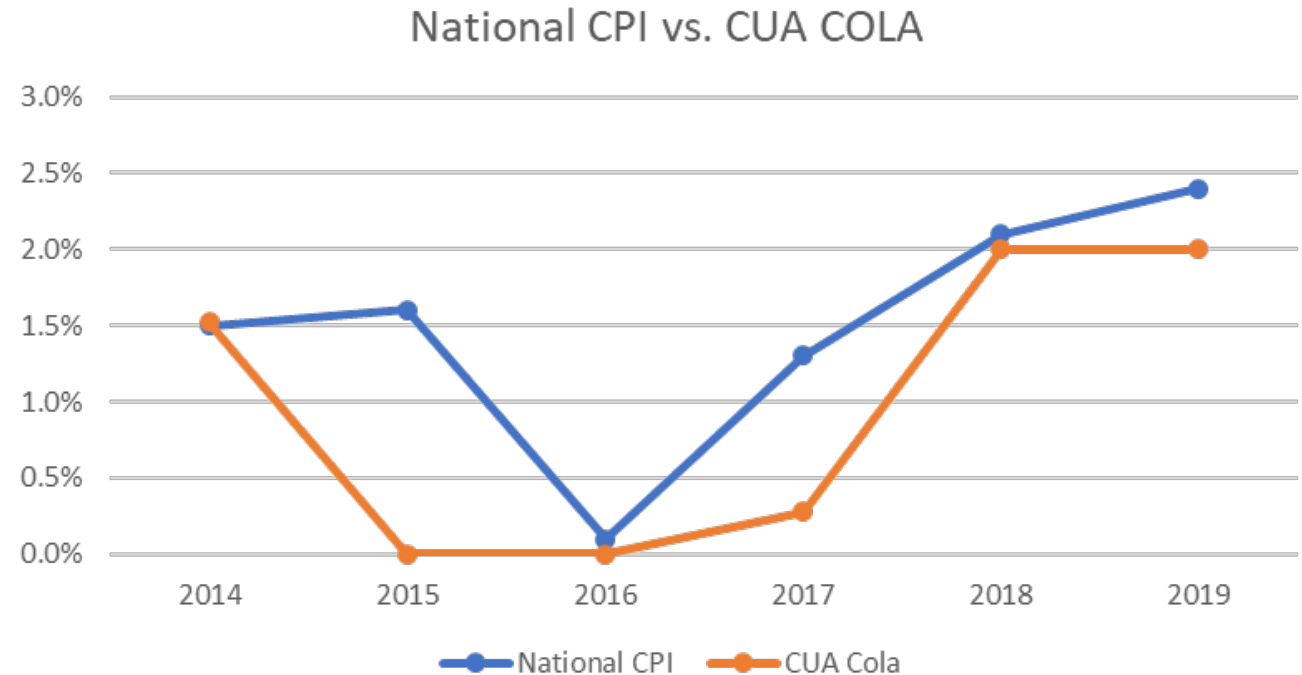
- Introduced 7-year based member processing fee
- Formalized Scholarship and De Novo startup pricing
- Started, then stopped flat fee for Sunday branch hours
- Increased the BMPF and Disaster Recovery Fee for a 1-year contract term
- Rolled back the Closed Member Fee to its pre-2008 level

# Base Member Processing

## THE COLA INCREASE

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- Although it's included in your contract, we work hard to avoid charging COLA unless we need to
  - Waived altogether in 2015 and 2016
  - In 2018 and 2019 the COLA increase was slightly lower than the NCPI increase



**TAKEAWAY:** We are walking the talk, and our history proves we work hard to ensure prices are a win-win, for the cooperative and for the credit union

# A track record we're proud of

## PRICE ROLLBACKS

- In 2009 we rolled back Base Member Fees to \$0.55 for any CUs paying more per member <sup>6</sup>
- In 2019 we rolled back Base Member Fees for 93 CUs who were paying more than \$0.57 – saving these CUs \$151,000 in 2019 alone

Average Base Member Fee



### 2019 Price Rollback

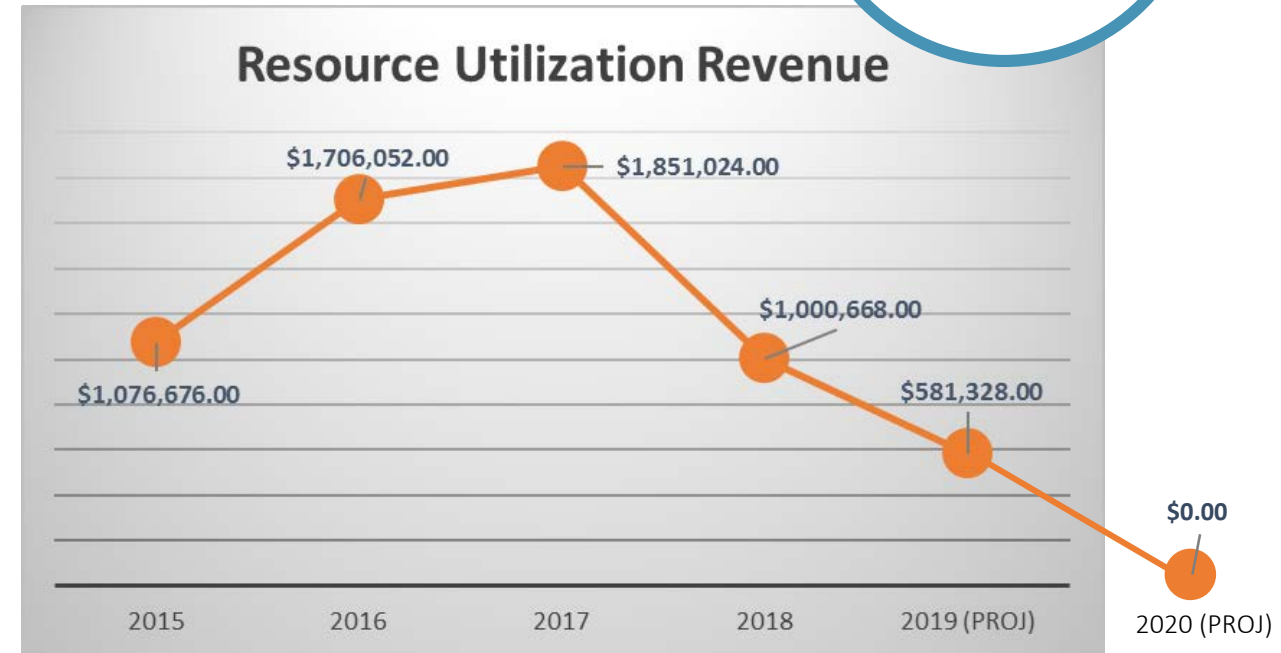
# of Credit Unions	93
# of Members	788,400
Average Savings	\$0.017
Revenue Impact	\$151,614.11

# Resource Utilization Fee

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RUF  
eliminated  
in 2020!

- Purpose: To cover platform technology updates, disk retention, and statements overhead
- The RUF is being phased out
  - In 2017 this generated nearly \$2M in annual revenue
  - Reduced by 50% in both 2018 and 2019



**TAKEAWAY:** The power of the cooperative at work – a \$1.8M line item comes out of our income statement so that our CUs can invest more in their agendas





# Did you know...?

## 20 FACTS FROM 20 YEARS

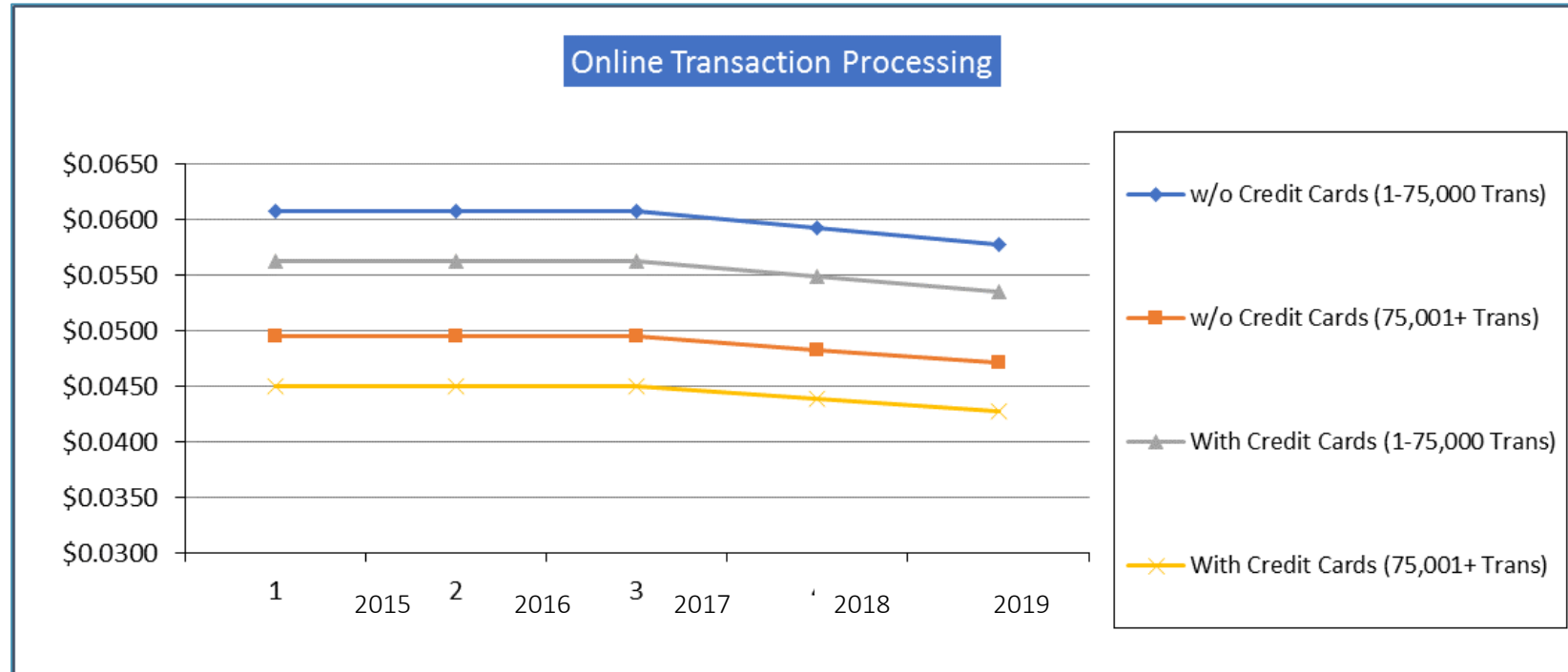
1. Prior to 2017 our Pricing Guides did not even include **7-year contract** pricing
2. We used to charge for **closed members** for 2 years (stopped in 2003)
3. We used to charge for **written off members** (stopped in 2002)
4. Started charging for **Sunday processing** in 2016 and stopped in 2019
5. Since 2006 our **DR/BR fee** has increased from \$0.018 to \$0.0275
  - Based on investments we've made for business continuity in a e-commerce world
6. Our **Item Processing fees** dropped dramatically in 2015



# EFT Transactions

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- While volume increases, our EFT prices have **dropped nearly 50%** over the last 20 years
- Added fee caps based on CU activity levels
  - In 2007 we began capping monthly EFT fees
  - In 2014 we added the 50K member tier
  - Recent caps based on transaction volumes to reduce per-trans expenses proportionally

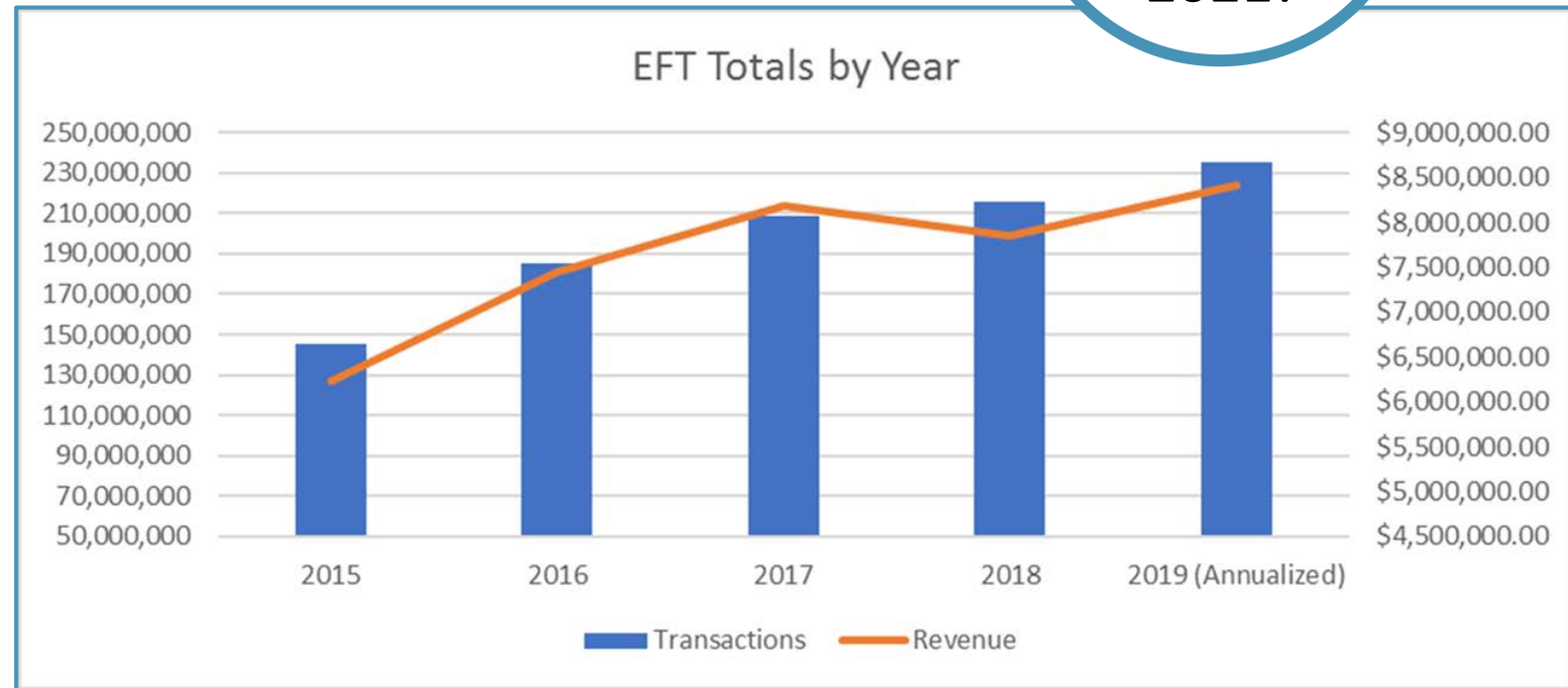


# EFT Transactions

10

Add'l  
decreases  
in 2020 &  
2021!

- And the price cuts keep coming
  - In 2018 started reducing per-trans fee by 10% over a 4-year period
  - EFT fees waived for CUs under 2K members
  - CUs with online credit cards see bundled price advantages, too



**TAKEAWAY:** Our strategy is to charge you when you earn interchange income, and to include fee caps that make sense for our CUs



# Did you know...?

## 20 FACTS FROM 20 YEARS

7. In 2014 we stopped charging for **email marketing** messages 11
8. Our **EFT pricing** has dropped 42% in the past 15 years, with 2 more price decreases scheduled for 2020 and 2021
9. Trivia: In 2000 we charged a fee for **ATM inquiries**
10. In 2008 we launched our **E-Commerce Suite** and stopped charging per minute for online banking utilization
11. In 2009 we reduced the **E-Commerce fee**; and then we added more tiers following our Pricing Focus Group meeting in 2014

# E-Commerce Fee

12

- Introduced in 2008, the E-Commerce Fee is a licensing/resource usage fee:
  - Unlimited **It's Me 247** online and mobile banking with PIB multi-layer security, eStatements, eNotices, eAlerts, OBC, and CU\*Talk

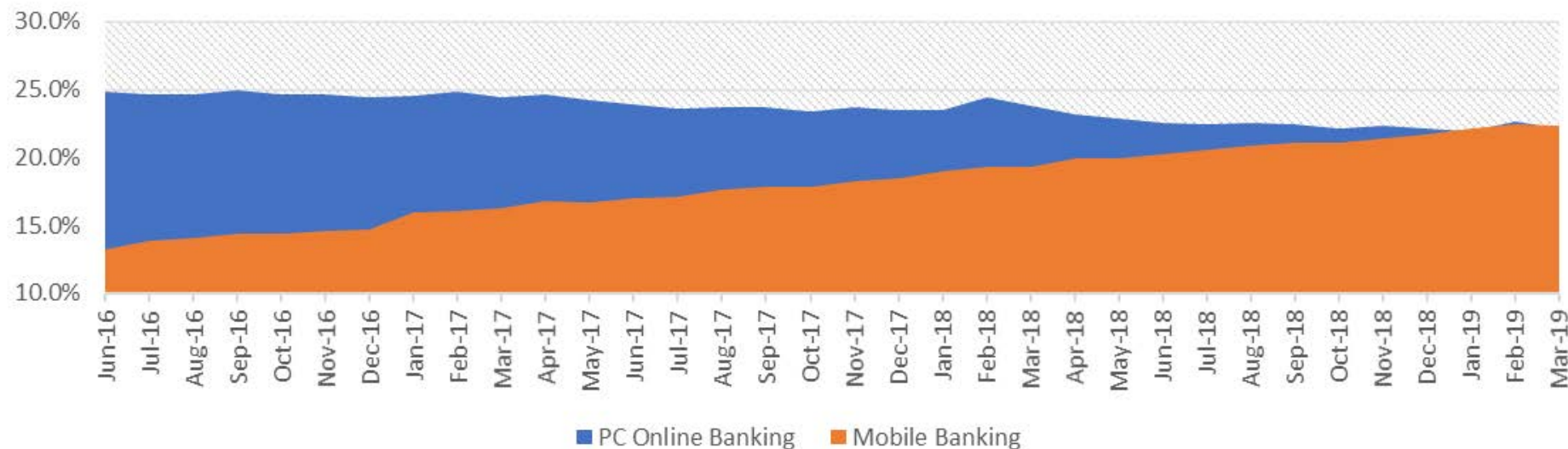
## *Recently added:*

- Forever-FREE Mobile App
- MACO (*Multiple Authentication Convenience Options*)
- RDC

**RDC-IQ**  
near-real  
time posting  
is here!

## Online and Mobile Banking Usage

(Percent of All Members Served)





# E-Commerce Fee

2015-2019

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- We have been packing 100 pounds of value into a 5-lb. bag for a long time
- For the next five years, you'll see a series of premium services with *à la carte* pricing

	Lower Mbr Range	Upper Mbr Range	Rate	Rate per Mbr (Upper Bound)
<b>Tier 1</b>	1	2,000	Waived	N/A
<b>Tier 2</b>	2,001	3,000	\$450	\$0.150
<b>Tier 3</b>	3,001	5,000	\$810	\$0.162
<b>Tier 4</b>	5,001	10,000	\$1,050	\$0.105
<b>Tier 5</b>	10,001	15,000	\$1,600	\$0.107
<b>Tier 6</b>	15,001	30,000	\$2,300	\$0.077
<b>Tier 7</b>	30,001	50,000	\$3,500	\$0.070
<b>Tier 8</b>	50,001	75,000	\$5,000	\$0.067
<b>Tier 9</b>	75,001	-	\$7,500	N/A

TAKEAWAY: Internet “freemiums” will lead to more *à la carte* opportunity.

# The Future of Online/Mobile Banking for Business Members

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## RETAIL



## BIZ



## PRO



## EXPERT

<ul style="list-style-type: none"> <li>Existing <b>It's Me 247</b> for individual members</li> </ul>	<ul style="list-style-type: none"> <li>Re-skin of <b>It's Me 247</b> retail for members who happen to have businesses</li> </ul>	<ul style="list-style-type: none"> <li>Business online/mobile banking platform for businesses who are members</li> </ul>	<ul style="list-style-type: none"> <li>Business online/mobile banking platform for businesses who are members</li> </ul>
<ul style="list-style-type: none"> <li>Single login authentication (PIB)</li> </ul>	<ul style="list-style-type: none"> <li>Single login authentication (PIB)</li> </ul>	<ul style="list-style-type: none"> <li>Multi-login authentication (PIB MLO)</li> </ul>	<ul style="list-style-type: none"> <li>Multi-login authentication (PIB MLO)</li> </ul>
<ul style="list-style-type: none"> <li>Standard bill pay</li> </ul>	<ul style="list-style-type: none"> <li>Standard bill pay</li> </ul>	<ul style="list-style-type: none"> <li>Business bill pay (?)</li> </ul>	<ul style="list-style-type: none"> <li>AutoBooks</li> </ul>
<ul style="list-style-type: none"> <li>RDC</li> </ul>	<ul style="list-style-type: none"> <li>RDC</li> </ul>	<ul style="list-style-type: none"> <li>RDC</li> </ul>	<ul style="list-style-type: none"> <li>Merchant Capture</li> </ul>
<ul style="list-style-type: none"> <li>VSB</li> </ul>	<ul style="list-style-type: none"> <li>VSB</li> </ul>	<ul style="list-style-type: none"> <li>VSB</li> </ul>	<ul style="list-style-type: none"> <li>Multi-login VSB (?)</li> </ul>
<ul style="list-style-type: none"> <li>FREE</li> </ul>	<ul style="list-style-type: none"> <li>\$0.50/user/month</li> </ul>	<ul style="list-style-type: none"> <li>\$0.75/user/month</li> </ul>	<ul style="list-style-type: none"> <li>\$1.00/user/month</li> </ul>

# The Future of Online/Mobile Banking for Business Members

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**It's Me 247**  
Online Banking

## RETAIL

- Existing individual members
- Single login authentication (PIB)
- Standard bill payment
- RDC
- VSB
- FREE

**It's My Family 247**  
Online Banking

- Re-skin of existing **It's Me 247** for individual members
- Multi-login authentication (PIB-MLO or ?)
- By membership or by SSN (?)

**It's My Biz 247**  
Online Banking

## EXPERT

- Business online/mobile banking platform for businesses who are members
- Multi-login authentication (PIB-MLO or ?)
- AutoDebits
- Merchant Capture
- Multi-login VSB (?)
- \$1.00/user/month

# E-Commerce Fee

## BILL PAY/PRESENTMENT

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- In 2015 reduced bill pay pricing to a flat fee per transaction, insulated CUs from active/inactive user fees
- In 2016 introduced the Payveris native bill pay solution at a very disruptive price
- We continue to explore new opportunities for expanding bill pay functionality and disrupting bill pay pricing



*Powered by...*



**jack henry**  
& ASSOCIATES INC.



**TAKEAWAY:** Our strategy is to add more features while keeping prices low, so you can offer this must-have technology to your members



A background image of a wooden desk with various office supplies. There are several papers with charts and graphs, some with sticky notes attached. A pair of glasses, a white coffee cup, and a pen are also visible. The text 'Did you know...?' is overlaid in a large, blue, stylized font.

# Did you know...?

## 20 FACTS FROM 20 YEARS

12. In 2018 we stopped charging **CUs under 2,000 members** for E-Commerce Fees and EFT fees
13. In 2015 we launched our **Forever-FREE Mobile Banking** platform
  - In 2018 we added MACO authentication to Mobile
  - In 2016 we turned on RDC for Mobile and upped the game with RDC-IQ in 2019
14. In 2009 we started publishing an **Ancillary Pricing Guide** due the breadth and depth of the suite
15. In March of 2017 we launched the **CU\*Answers Online Store**

## EXTERNAL VENDOR COMMUNICATIONS

- Related to ongoing communications with your 3<sup>rd</sup>-party vendors
- Additional Decision Model offerings coming soon
- Otherwise steady as she goes; no significant changes made in the past 5 years, none anticipated in the foreseeable future

## SERVICE CHARGES

- A fee for processing your configured service charges, plus OFAC and FIDM match services
- This fee is tied directly to an income line item for your CU (you earn: your CUSO earns)
- Fees were reduced by 12.5% in 2018
- Otherwise steady as she goes; no changes anticipated in the foreseeable future

## DATA ARCHIVAL

- Of all the miscellaneous services, this segment has morphed the most
  - From microfiche to all things imaging
- Tiered fees for archived statements and reports went down in 2016 and have remained steady since
- No changes anticipated in the foreseeable future – but we'll keep looking for alternate strategies and cost reductions to pass along

## CUSTOM PROGRAMMING

- Balancing when to charge, when not to charge, and how much
  - Fees are intended cover programming, testing, quality control, documentation, and deployment
- The pace of EFT projects continue to ramp up
- The DHD is changing the game





# Did you know...?

## 20 FACTS FROM 20 YEARS

16. In 2016 we launched our **Payveris Bill Pay** solution; now it serves members of 102 CU\*Answers credit unions plus dozens of CU\*NorthWest and CU\*South clients
17. Our labor cost for **custom programming** has only gone up \$5.00 per hour since 2000
  - We only started the \$1.00/member fee for conversion programming in 2009
18. Our standard **de-conversion fee** of \$0.65/member has not changed since 2007
19. We have formalized both our **Scholarship** and **De Novo** startup pricing metrics since the last focus group met in 2014
20. We introduced **Micro Apps** as an *à la carte* fee



# Analyzing Your Invoices

PRICE IS NOT THE BIGGEST FACTOR

## ■ How has time changed the way you see your invoice?

- Has member behavior changed your invoice?
- Have your business plans changed your invoice?
- Has scale (your asset and membership size) changed your invoice?
- Has our pricing changed your invoice?
- Has our changing menu of services adopted by your CU changed your invoice?

Based on membership size

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2015	Less Than 2K	2K to 5K	5K to 10K	10K to 15K	15K to 30K	Over 30K
Member Processing Base Fee	22.7%	20.7%	26.3%	26.1%	27.0%	25.2%
CMS	6.1%	6.1%	8.5%	11.3%	8.4%	17.4%
Item Processing	1.6%	0.9%	0.5%	0.8%	0.5%	0.7%
Member Processing Misc.	18.4%	13.8%	14.0%	14.0%	14.8%	14.4%
Resource Utilization Fee	1.7%	2.7%	3.8%	4.4%	4.4%	4.6%
e-Commerce Fees	4.2%	7.4%	6.4%	5.9%	6.0%	4.1%
Bill Pay	0.3%	1.3%	2.5%	0.7%	2.5%	0.0%
EFT	9.4%	15.7%	19.5%	21.3%	17.2%	10.5%
Data/Telephone Lines	6.3%	3.3%	3.1%	2.5%	2.0%	2.2%
Archival Services	2.1%	0.8%	0.9%	0.9%	0.8%	0.3%
Network Services	24.3%	17.4%	7.0%	4.6%	6.1%	5.6%
Audit/Compliance Services	0.0%	0.3%	0.0%	0.9%	0.0%	0.0%
Other	3.0%	9.7%	7.5%	6.7%	10.1%	15.0%



2018	Less Than 2K	2K to 5K	5K to 10K	10K to 15K	15K to 30K	Over 30K
Member Processing Base Fee	25.6%	21.8%	21.9%	22.0%	27.2%	28.5%
CMS	6.9%	9.0%	10.0%	10.7%	11.5%	15.8%
Item Processing	1.4%	0.8%	0.5%	0.5%	0.5%	0.5%
Member Processing Misc.	21.9%	16.5%	15.5%	16.0%	16.3%	14.6%
Resource Utilization Fee	0.7%	0.8%	1.0%	1.3%	1.3%	1.4%
e-Commerce Fees	0.0%	7.9%	5.6%	6.0%	5.5%	4.5%
Bill Pay	2.6%	4.1%	3.2%	4.6%	5.8%	9.1%
EFT	0.4%	18.1%	21.9%	23.4%	17.7%	10.4%
Data/Telephone Lines	4.0%	3.3%	2.1%	1.9%	1.3%	1.1%
Archival Services	1.9%	0.8%	0.8%	1.0%	0.7%	0.2%
Network Services	33.7%	15.4%	15.0%	8.6%	9.7%	9.3%
Audit/Compliance Services	0.4%	0.2%	0.3%	0.2%	0.7%	0.2%
Other	0.5%	1.4%	2.1%	3.9%	1.8%	4.4%

# How Do You Value Price vs. Dividends?

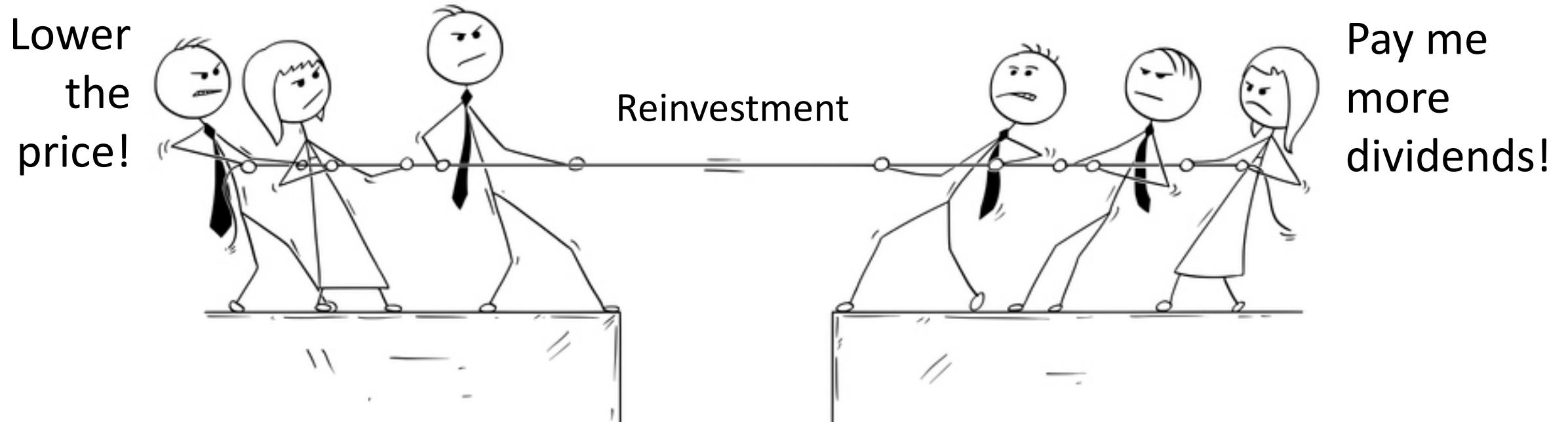
IT CAN BE A TUG OF WAR



# Trade-offs Are the Key to Every Business

OWNERS AND CLIENTS PLAYING TUG-OF-WAR

23



In a classic vendor model, third-party owners make the call. In our model, you make the call.

# Balancing Returns and Pricing

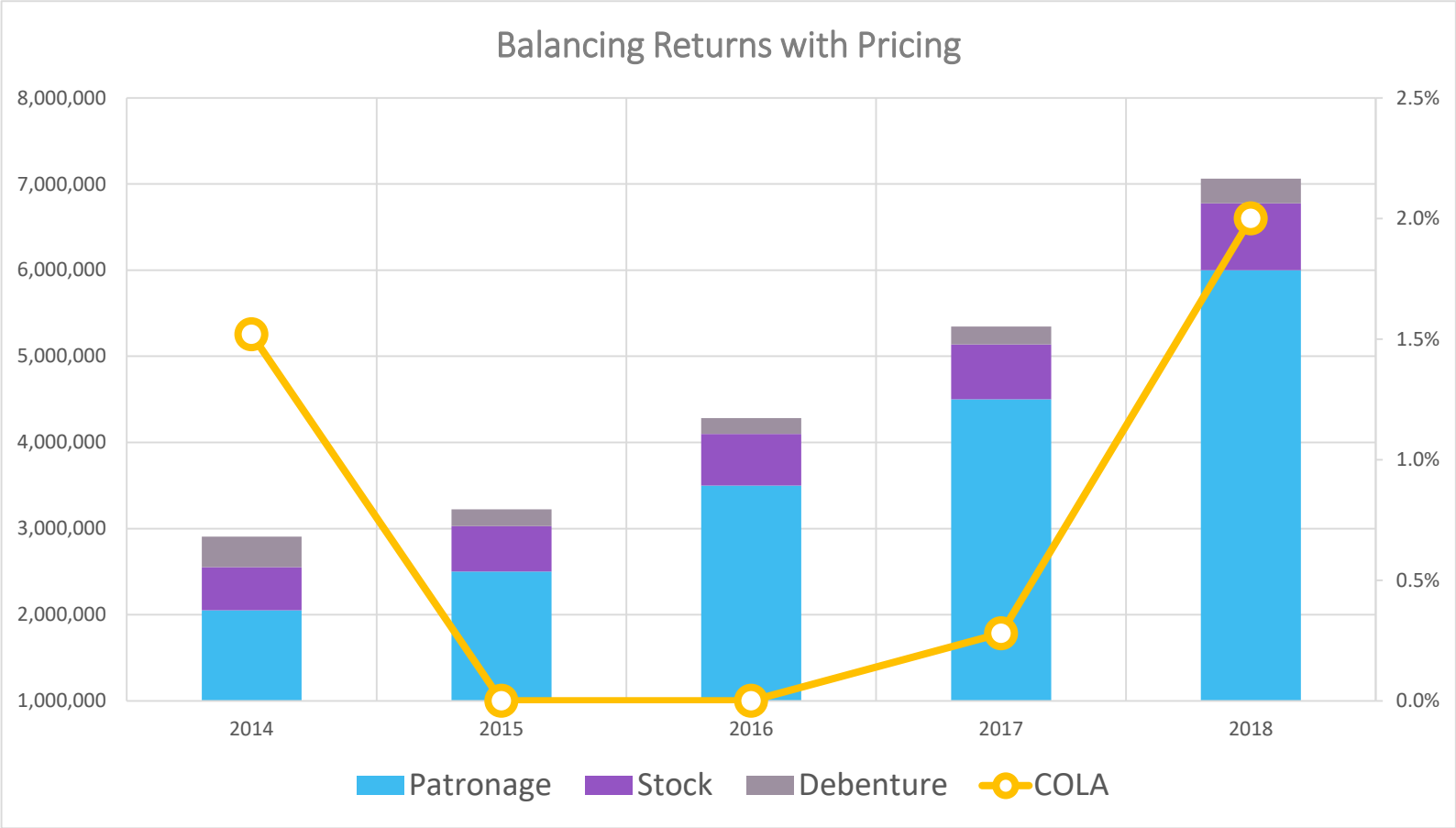
WHAT'S YOUR SCORECARD LOOK LIKE?

COLA

Debenture

Stock Dividend

Patronage Dividend





# Balancing Returns and Pricing

WHAT'S YOUR SCORECARD LOOK LIKE?

25

COLA

A

Debenture

A

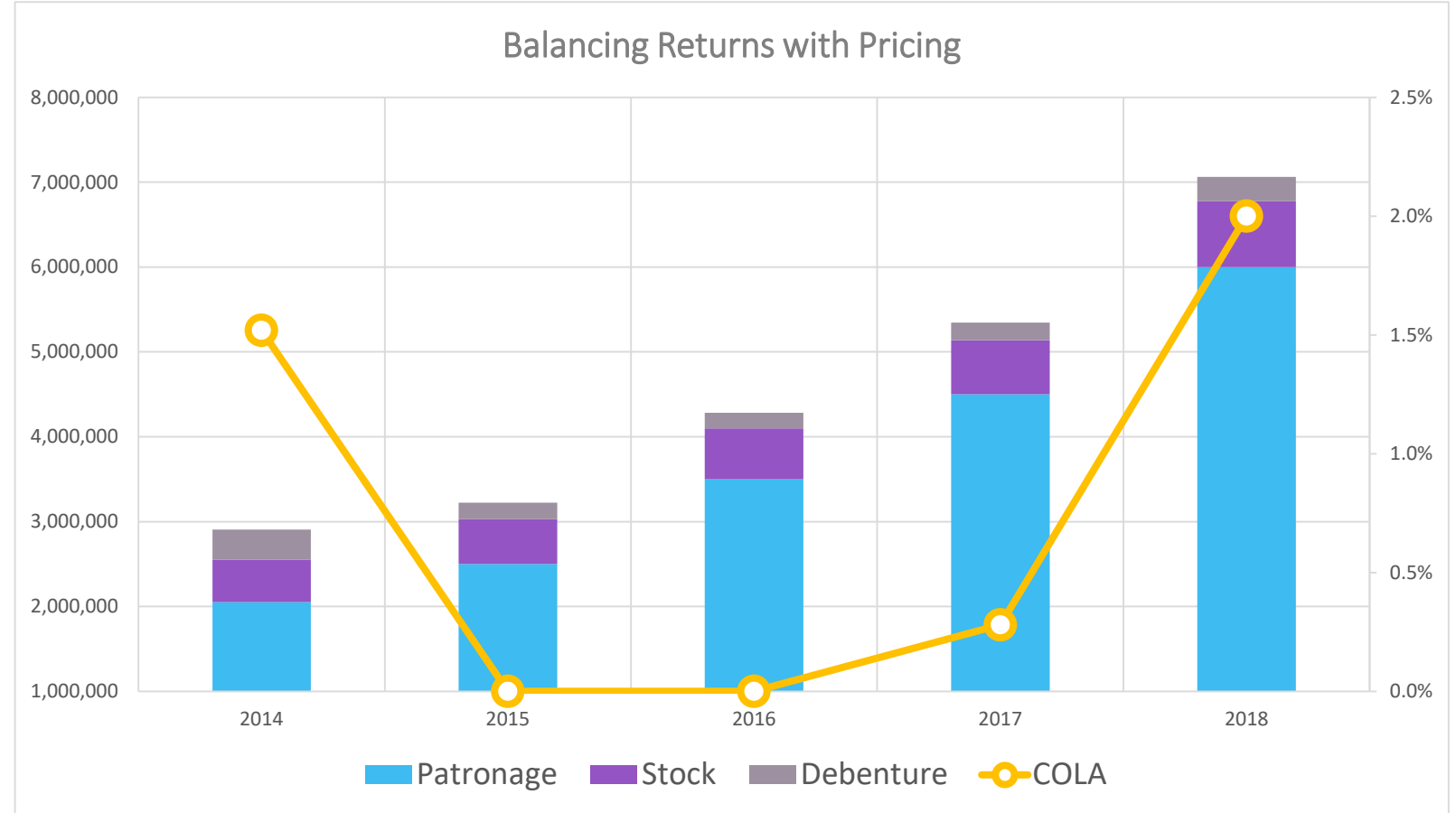
Stock Dividend

B

Patronage Dividend

A+

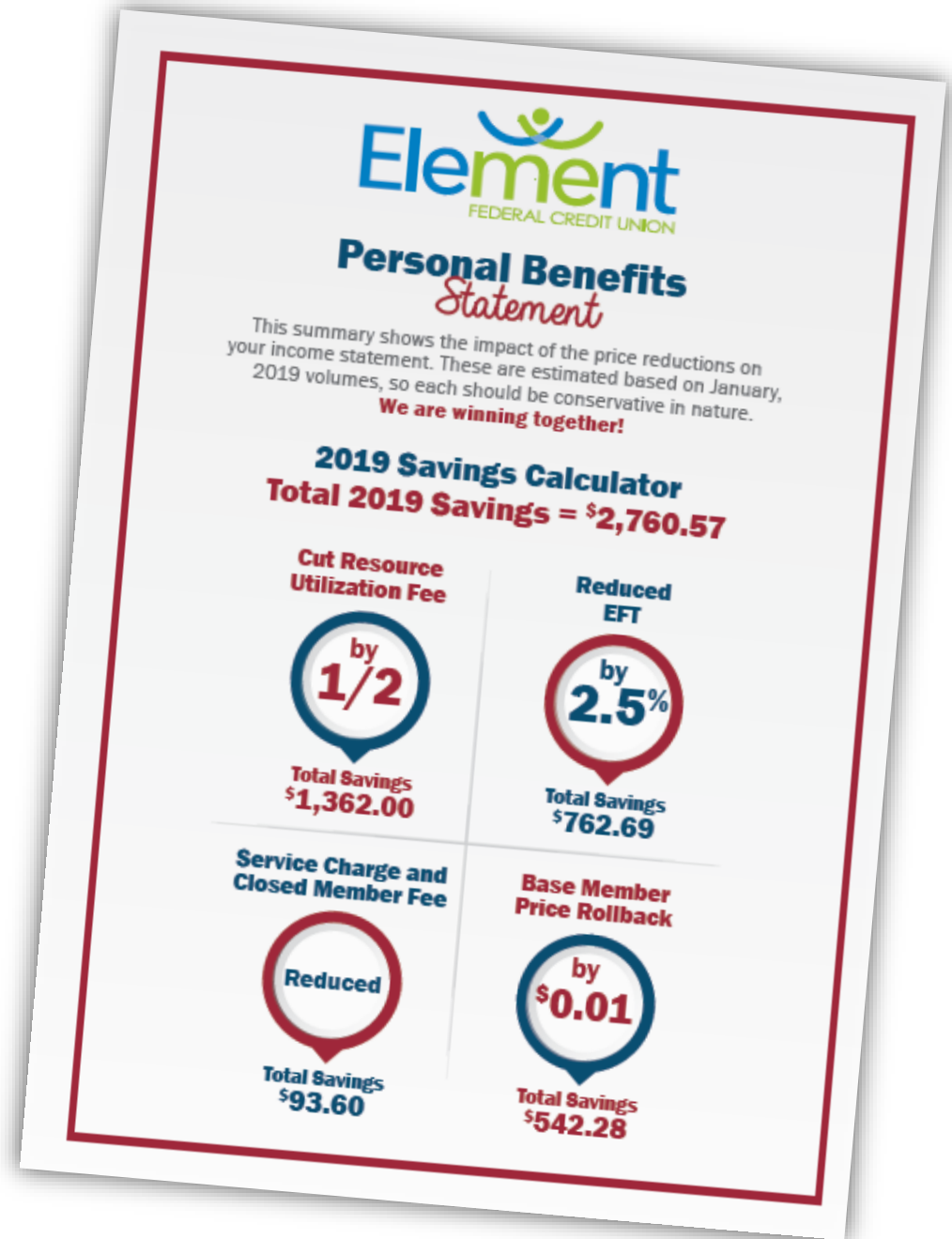
This is Bob's  
scorecard...  
what's yours?



# A Special Gift for Today's Participants

HOW HAVE THE CUSO'S  
PRICING STRATEGIES AFFECTED  
YOUR CREDIT UNION?

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# Thanks for the day!

