

4 Keys to Selecting a New Core Processor

There's no shortage of choices when it comes to selecting a core data processing system for your credit union, and since all core processing is basically the same, what points of differentiation should you look for? A specific feature or functionality that's especially important to your operation? Certainly, that is part of the consideration, but beyond that, what are the things that every credit union should consider.

1. Technology

The mobile member has exposed the value of a core platform's underlying technology and making an open technology foundation increasingly important. Some would argue that it doesn't matter how the platform is built, if it works. And to the dynamics of third-party integrations, it's a "do what you have to do to make things work" and pass the opportunity cost of integration and ongoing support to the credit union approach too often.

Credit unions increasingly understand the need to be nimble. Part of that nimbleness is the ability to quickly and easily integrate third-party systems. Open architecture makes that possible. Contrast a core platform built on a modern architecture with open API access, where you can integrate the third-party products you want, whenever you want to anywhere you want, and you will see the value proposition.

Environments designed to make it difficult and/or expensive to integrate any ancillary systems not built by the provider is a warning signal of potentially closed environments, built to generate more revenue from your credit union. Credit unions would be wise to tread carefully with this type of provider.

2. Delivery

In the past, credit unions had two delivery options for data processing: in-house or service bureau.

Some credit unions believe they have more sophisticated systems and often chose in-house systems with the assumption of greater controls, and exchange perception of control with up-front licensing costs. This model puts the credit union in the business of maintaining and updating their system infrastructure and related computer hardware.

Service bureaus shift the burden of running the system to the data processor. While this gives a credit union that benefit of a fixed and predictable monthly data processing bill, the credit union can lose much of the control of an in-house system. In many instances, a service bureau credit union must get buy-in from their data processor before making any significant changes or additions to their technology environment.

Cloud-based delivery has emerged as the third option for credit union data processing. Some might argue that it's the only viable option for the future of credit union data processing.

Thanks to incredible advances in bandwidth over the years, a cloud-based system can provide all the control of an in-house system with indistinguishable performance. In a cloud-based solution, credit unions do not need to maintain on-premise servers for its data processing system, leverage full-system controls and benefit from no up-front server or software licensing fees.

3. Business Model

Credit union data processing is available from three types of organizations: publicly traded corporations, privately owned companies, and CUSOs. Three models, each different.

Public companies operate to make money for shareholders. One data processor's corporate mission statement begins with, "Our mission is to protect and increase the value of our stockholders' investment by providing quality solutions and industry-leading service to our customers." Nothing wrong with it ... it is a business model. For a cooperative who is owned by its members and focused on returning value back to the member owner, following the money trail through Wallstreet to the member isn't possible and really challenges the cooperative principles of the credit union.

Privately owned companies are generally smaller and may seem to offer more personalized service than a big corporation. Another model, nothing wrong with this model. History is the challenge here ... private owners must at some point retire and cash out. That path has led to many core processors being sold to larger providers; a return to the public company provider model.

The evolution of CUSOs has created a modern, cooperative choice for today's credit union who need contemporary core processing solutions. CUSOs are cooperatives, they are an extension of the credit union and the member owners. The business model is focused on the shareholders, the credit union and its member owners. When CUSOs deliver beautifully designed solutions to credit unions for delivery to the member, the member recognizes value. When CUSOs earn, credit unions earn, and the member owner recognizes value. As a CUSO, there are no private or public owners waiting for the big payday of public IPO or private exit strategies. CUSOs drive value back to the member.

4. Execution

Most companies believe they have great customer service, with matrices to show how many calls were taken, problems resolved, or customers spoken to that month. However, customer service is merely a subset of what we at Prodigy call execution. Great customer service simply requires an attentive customer-facing presence. However, great execution requires an obsession for superior performance at every level of the organization, that means every employee (including those with customer-facing roles).

Execution is perhaps the most important component of all, and at the same time, it can be the most difficult to measure without the ETT equation; Execution + Transparency = Trust. If you want to know how a potential provider measures up? Ask the credit unions being serviced by the provider for their ETT Grade of the company. Referrals are critical. What do current users of the system you are evaluating have to say about that provider's execution? Do they do what they say they will do? Do they engage you in transparent collaboration? Do they invite you in and drive your patronage through utilization? Do they drive value back to your member owner?

The 4 Keys of Core Processor Selection

While every credit union is unique, every credit union has member owners that should receive value back from the credit union's core data processor. At Prodigy we are passionate about:

1. Technology
2. Delivery
3. Cooperatives
4. Execution

At Prodigy we believe in the value of the credit union cooperative charter and the member owner. Because we believe in the value of the member owner, we build beautifully designed software that will enable the mobile member to engage with the credit union to become fiscally self-reliant. We are a CUSO, a cooperative community, a core data processor ... do you want to join our community?