

Business Partners' Outlook 2008

In 2008, credit unions will spend over \$26 billion to operate their businesses, (not including loan charge-offs or the cost of funds.)

About half of this amount will be used for salaries and benefits. The remainder will be spent with businesses serving credit unions.

These expenditures range from short-term advertising buys in local media to multi-year million dollar data processing and technology contracts. The choices and relationships credit unions make in these purchase decisions are crucial to their success.

Many businesses are focused almost exclusively on the credit union market. This is especially true for many of the data processing, consulting and product providers. Their success is intimately bound up with their credit union clients' fortunes.

Another set of industry providers are the growing range of multi-owned CUSOs that are bringing networked solutions to the industry. These providers mobilize credit union resources to develop expertise and solutions no single credit union could easily duplicate. Again their success is dependent on the industry's.

To provide credit unions some insight about the perceptions of these essential partners, we have asked industry providers to give us their perspective on two questions:

1. What is your firm's outlook for the credit union industry in 2008?

2. How do you intend to help credit unions move forward in the year ahead?

We believe the range of responses below is useful both as an outside appraisal and also as an indication of the kinds of resources available to help credit unions in their own selection of business partners.

We appreciate each firm's willingness to provide their assessment at the front end of what looks to be a most challenging year for all.

Chip Filson

President

Callahan & Associates, Inc.

Thanks to all those that participated

Co-Op Financial Services
CU*Answers
CUDL

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EHS-Design.com
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Prime Alliance
PSCU Financial Services
Southwest Business Comparison
Users - Fiserv
WesCorp

1. What is your firm's outlook for the cu industry in 2008?

We are very positive about the outlook for credit unions in 2008. While some will suffer from the mortgage debacle and others will be temporarily caught in the interest rate downturn, in general a savvy credit union should do well. Credit unions must hone their strategies and tactics to drive growth in target markets while sustaining or improving their loan-to-share ratios while absorbing the potential flood of deposits if the stock market heads south.

The mortgage and interest situation will likely make the industry stronger. Merger activity will likely escalate, creating more credit unions that enjoy economies of scale and can better compete. Others will form CUSOs to operate multiple small credit unions. The savviest will create effective growth plans that take a 360-degree view of their operations in order to improve and change where needed or find new productive business lines. Some will pull back their marketing budgets while **successful credit unions will take this opportunity to step in front of the crowd and gain key market positions. Creativity and boldness will be rewarded.**

2. How do you intend to help the industry move forward in 08?

Credit unions have a big opportunity through 2008 and 2009. EHS Design's work will focus on helping credit unions understand their growth opportunities and creating powerful strategies and tactics to deliver. Advanced member and market analysis will be used to drive strategic branch planning that will return high target growth and ROI. **Creation of new branded branch business models and prototypes will significantly differentiate credit unions from their competitors while increasing profitability.**

Operations facilities are the second highest and least flexible asset for most credit unions. It is a good time to take a strategic look at these large assets. Our work provides a wide array of strategic occupancy options that match each credit union's situation, link operations and branch strategies together, create real estate strategies to take advantage of their assets in both the short and long term – all while maximizing flexibility to accommodate change and minimizing short- and long-term occupancy costs.

We also feel that credit unions must think outside the box (credit union industry) for solutions and look at other industries and even countries for imaginative solutions that will help carry them through difficult times and place them on the forefront when the future is brightest.

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