

# Finding Your Place in the 'Financial Ecosystem' of the Future



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**N**ot unlike the biological ecosystems we studied in high school, the “financial ecosystem” is a large network of communities, all linked through cycles and flows.

The main difference, of course, is the cycles and flows in a financial ecosystem are manmade, and therefore, subject to more frequent—and arguably, more dramatic—changes.

The financial ecosystem of the future, as financial industry analysts describe it, will evolve thanks to two major forces in particular: 1) the digital transformation of legacy providers and 2) market disruption caused by new competitors.

How will your credit union’s lending program fit into this new ecosystem?

## **HOLDING BORROWER HANDS, FROM BEGINNING TO END**

Consider this: Until recently, no single provider offered enough services to satisfy borrowers through each mile-

stone in the complete home-buying experience. Yet, that’s exactly what Zillow appears to be closing in on. In a very short period of time, the digital home-selling marketplace expanded by adding a home-buying program and a mortgage lending capability.

It’s easy to see the future Zillow has

envisioned. The company clearly seeks to connect buyers and sellers, lenders and borrowers, solving every problem confronted during a real estate transaction.

In other words, Zillow is becoming a complete, beginning-to-end home transaction ecosystem.

The buyers and sellers, lenders and borrowers that engage with Zillow are called “ecosystem drivers,” and they stand to benefit equally from a strong, all-inclusive marketplace for home transactions.

## **IDENTIFYING YOUR ECOSYSTEM DRIVERS**

Credit unions looking to participate in (maybe even build) the financial ecosystem of the future, can start by identifying the ecosystem drivers already in their network.

Who are the borrowers, the real estate agents, the flood certificate providers and serving vendors with which you have relationships today?



How can they be consolidated or better networked to streamline and personalize your lending officers' or your borrowers' experience?

As you consider these questions, remember, the success of a business ecosystem depends on the mutual benefit of all ecosystem drivers. Challenge your teams to innovate in a way that not only makes life easier for the credit union and your members, but also improves experiences, saves money or builds revenue for your partners.

As with any ecosystem, the potential for breakdown exists when any one part of the system fails to meet expectations. So, consider all the roles, duties and promises your credit union will need to fulfill to be a good partner in the ecosystem.

In other words, start small. Overcommitting is the surest way to fail. For inspiration, take a look at one of the travel ecosystem's most important players, Amadeus.

The firm provides its proprietary

technology to every community within the larger ecosystem, including airlines, hotels, railways, car rental companies and travel agencies. The result is what Amadeus' Chief Technology Officer Olaf Schnapauff referred to as completing the travel experience "door to door."

### COMPETING IN AN EVOLVING LENDING SPACE

Lending ecosystems not only make the mortgage approval process fast; they make it better aligned with shifting borrower expectations.

No one questions whether mortgage lending is entering a new phase of digitization—least of all, consumers. As nearly every step of the process moves out of the paper world and into the electronic realm,

borrowers become less tolerant of the former. They expect more to happen, sooner, and want easy-to-access updates every step of the way.

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Today's borrowers at both ends of the FICO spectrum and everywhere in between enjoy a great and growing number of options for lending. Digital lenders promising “no paperwork,” “approval in minutes” and “turn-around in less than two weeks” are getting consumer attention.

Right or wrong, members expect their credit union to play ball. It's crucial for 2019 to be the year your lending team makes the necessary changes to do exactly that.

### THINK PLATFORM, NOT PRODUCT

Credit unions have a tremendous opportunity to lead development of the



financial ecosystem of the future. And, my colleagues and I believe the greatest chance for moving on that ambition quickly will be found in mortgages, moving eventually into countless other financial transactions.

Why is the mortgage lending department a great place to explore the possibilities? Loan officers are naturally connected to the myriad providers it takes to approve, underwrite and close a loan.

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“Credit union mortgage lenders must embrace the concept by demanding their providers deliver platforms rather than products. The value of platforms is the facilitation of exchanges between two or more groups.”

Airbnb, for example, is a platform that connects people who have a place to stay with people who need a place to stay.

The platform model is not necessarily new. Think about farming co-operatives, which have operated successfully for decades. It's the digital platform model that is facilitating sweeping changes. The proliferation of the internet, as well as a consumer comfort with both the shared economy and the gig economy, are making the digital platform an essential ecosystem driver.

Becoming familiar with it through partnerships allows your credit union staff to more easily envision their place in a larger ecosystem, financial or otherwise.

### FINDING THE RIGHT PLATFORMS TO ACCELERATE TRANSFORMATION

Platforms, even digital ones, focus less on technology and more on experience.

So, as your lending team gets strategic about networking with different platform providers, ask questions about the problems they are trying to solve for borrowers. There is no doubt you will be bombarded with marketing hype that promises the most advanced technological solutions on the planet; the real meat to the sales pitch is found in a provider's consumer centricity.

A few conversation starters for your talks with platform providers:

- How is the member kept at the front of every transaction?

- Are the technologies backing up the platform continually improving?
- How do you find creative solutions when you come up against technology limitations?
- Does your system allow the member to have constant access to his or her information?

In short, obsessive focus on the borrower is how you separate platform pioneers from product pushers.

Operational efficiencies will be one of the keys to delivering a new kind of experience borrowers—and staff—increasingly expect. A change in mindset is the other critical piece to moving the needle on transformation.

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It's true “ecosystem” has become something of a buzzword among business futurists. But, the word represents so much more than a terminology fad.

Closing the gap between what members want today and what they'll need tomorrow is not something the average credit union has the resources to accomplish in a vacuum. Explore the growing number of digital financial platforms out there for your members. They can be your greatest ally, helping you remain a vibrant and healthy contributor the financial ecosystem of the future. ▲

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