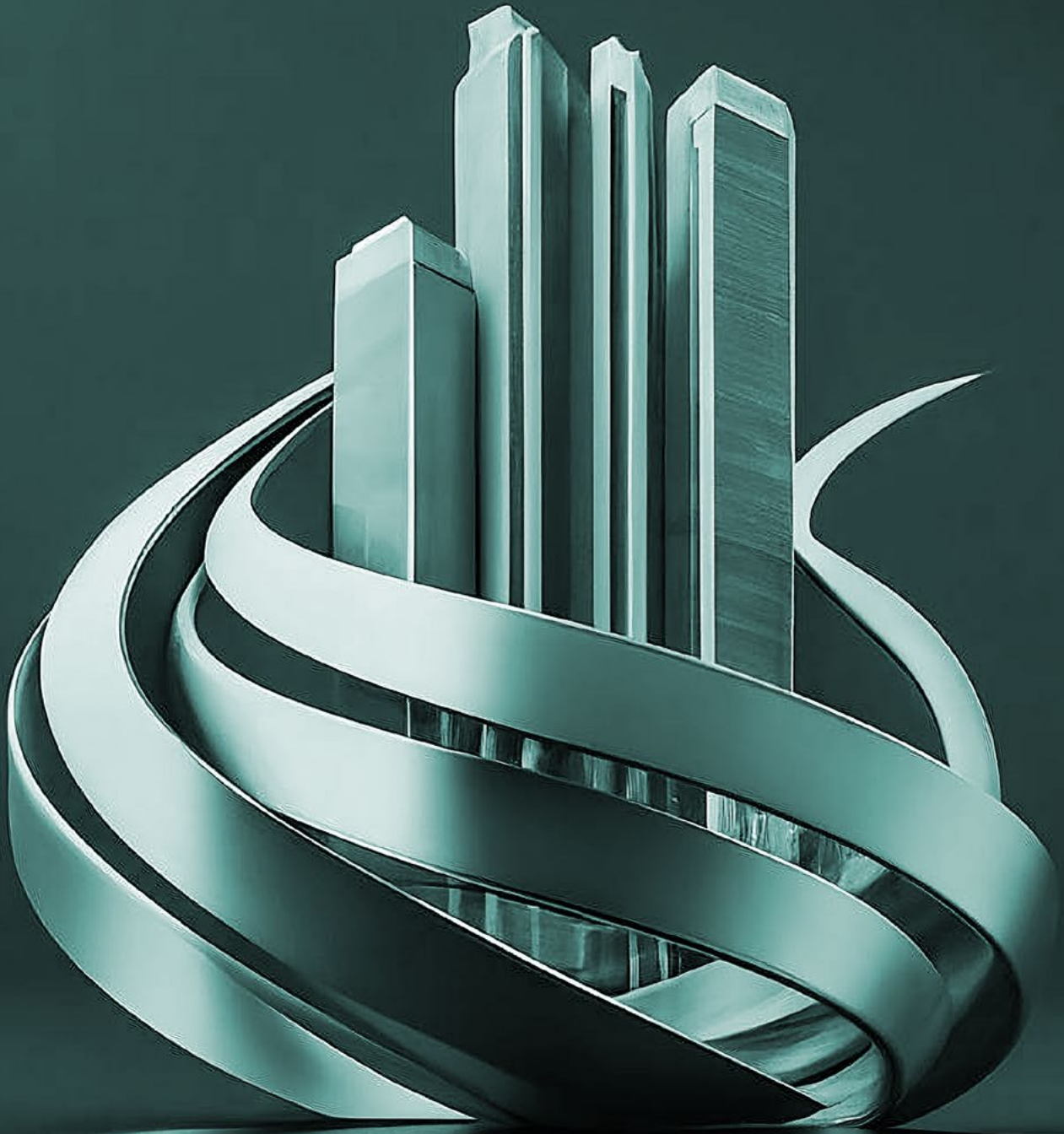


# **Credit Union Alternative Path Approach**



### Credit Union Alternative Path Approach

The *2025 Retail Banking Trends and Priorities* report reveals an industry in transition, with credit unions taking a distinctly different approach to digital transformation when compared to traditional banks. While 51% of financial institutions are actively implementing digital transformation efforts, credit unions are focusing more heavily on foundational infrastructure modernization and branch expansion.



Mark Sievwright

In an exclusive interview with **Mark Sievwright**, Chief Strategy Officer at **SRM** and Founder of **Siewwright & Associates**, we explore credit unions' unique challenges and opportunities as they navigate technological change and evolving consumer expectations. With over 35 years in financial services, including roles at HSBC, MasterCard International, and Fiserv, Sievwright brings a global perspective to the strategic positioning of credit unions.

#### The Technology Gap

**Jim Marous:** While 52% of financial institutions prioritize improving digital experiences, less than 25% prioritize updating legacy systems. However, credit unions' top priority is updating legacy systems at 46%. What's driving this difference?

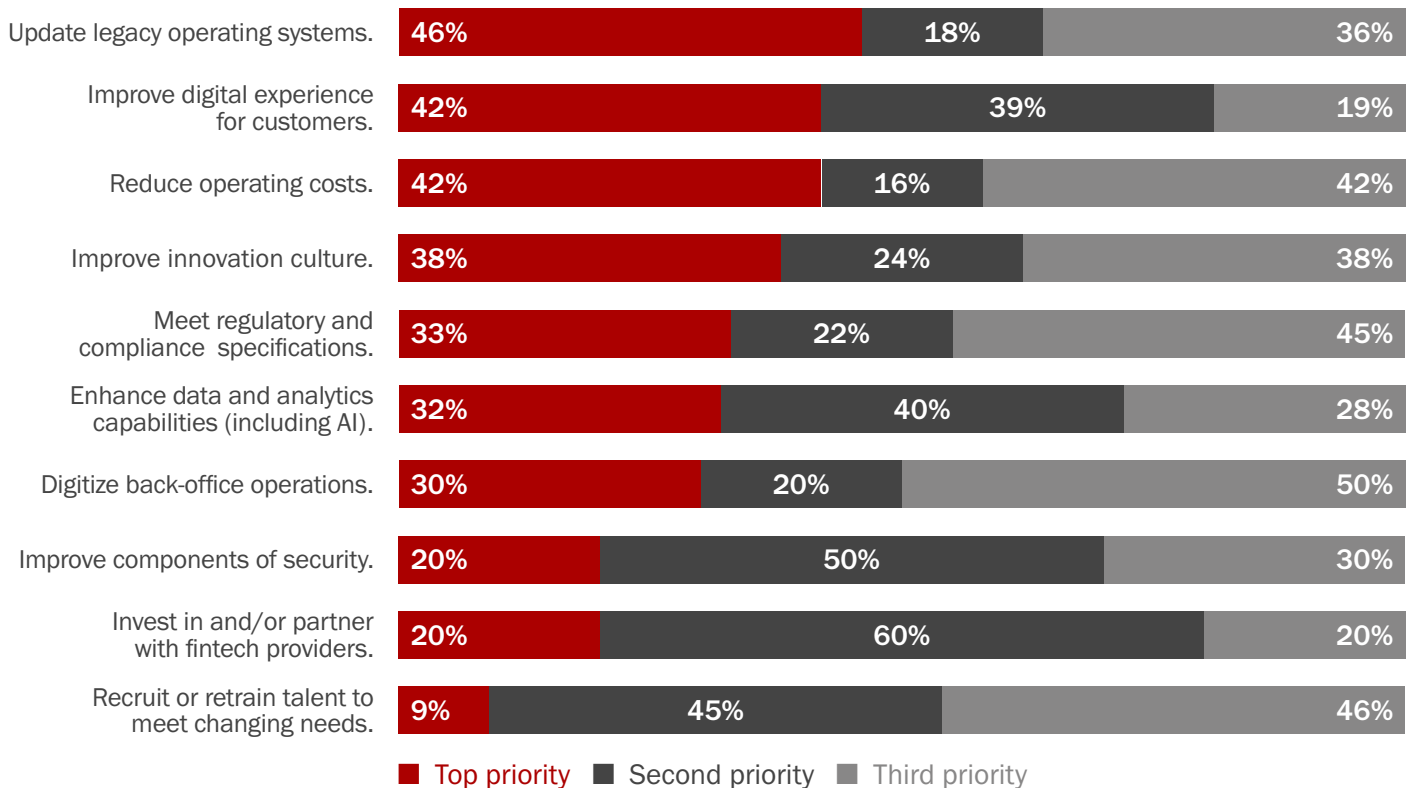


## 2025 RETAIL BANKING TRENDS AND PRIORITIES

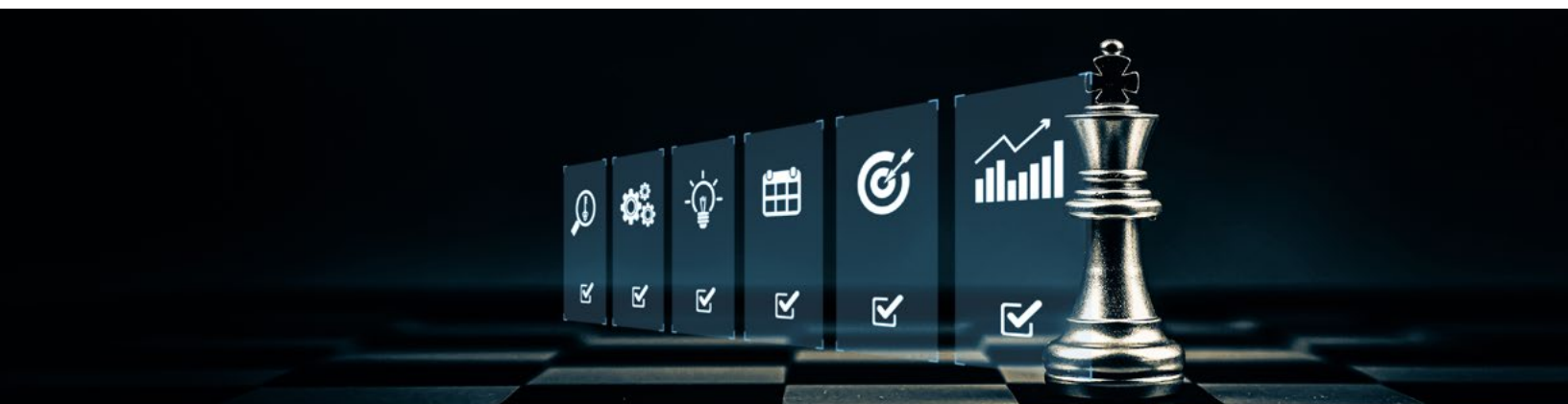
**Mark Sievwright:** “It’s not inertia. A lot of it is around investment capacity. Credit unions, on average, are much smaller than your average bank, and they have a disproportionately smaller share of the financial services market, eight to 9%, even though there are 4,600 credit unions. Historically, they have not prioritized the replacement of legacy systems at quite the same pace as some of their competitors, but I can tell you from day-to-day experience that they’re playing catch up fast. And there’s an incredible focus now on improving where they’ve been heading.”

### CHART 17: TOP THREE STRATEGIC PRIORITIES FOR 2025 (CREDIT UNIONS)

What are your top 3 strategic priorities for 2025 as an organization over the next 12 months?



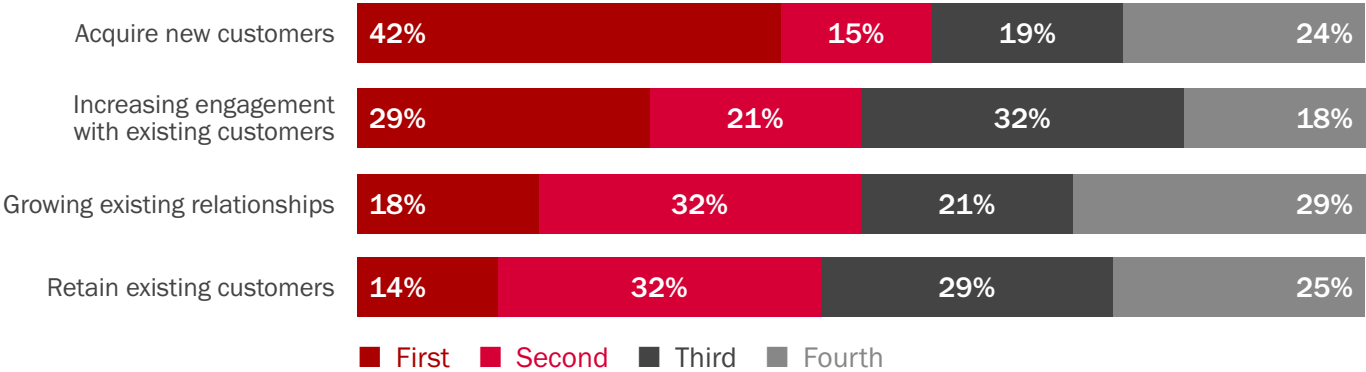
Source: Digital Banking Report Research © January 2025 Digital Banking Report



2025 RETAIL BANKING TRENDS AND PRIORITIES

CHART 18: KEY GROWTH INITIATIVES FOR 2025 (CREDIT UNIONS)

Please **rank** your growth initiatives for 2025.



Source: Digital Banking Report Research © January 2025 Digital Banking Report

Real-Time Payments Adoption

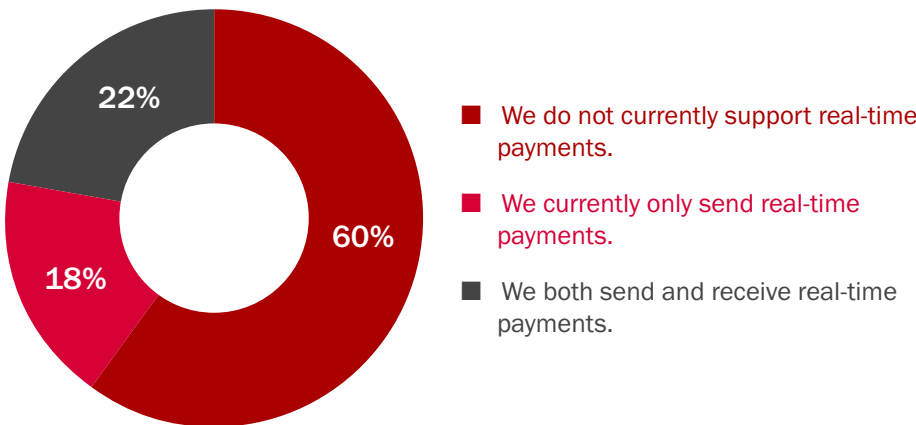
The gap between traditional banks and credit unions extends beyond core systems. While 62% of financial institutions now offer some version of real-time payments, only 40% of credit unions provide this capability.

**Jim Marous:** “What is the main barrier preventing wider adoption of real-time payments among credit unions?”

**Mark Sievwright:** “The fraud issue around real-time payments is palpable. It’s in every conversation I have with our credit union clients, and they’re being quite skittish overall in the pace at which they allow both send and receive capabilities within real-time payments. Not surprisingly, we’re now introducing AI capabilities to help control and manage this risk in many organizations.”

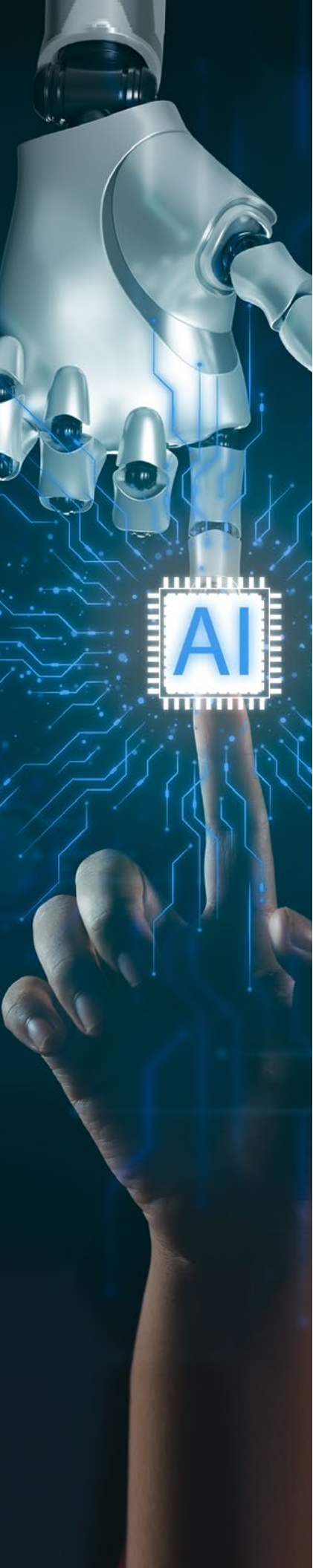
CHART 19: STATUS OF OFFERING REAL-TIME PAYMENTS BY CREDIT UNIONS

What is your current status of offering real-time payments?



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Digital Banking Report Research  
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## 2025 RETAIL BANKING TRENDS AND PRIORITIES

### AI Implementation and the Future of Banking

The research reveals a complex landscape of AI adoption in financial services, with significant variations in implementation across different use cases and institution types.

#### Current State of AI Adoption

**Jim Marous:** Looking at AI applications, fraud detection leads use cases at 33%, content creation at 25% and chatbots at 28%. How will these priorities shift in the next 12-24 months?

**Mark Sievwright:** “We are on the cusp of the biggest technological revolution of our lifetimes. What we’re going to see now in terms of AI is the ability to do something we’ve never done. We’ve never been able to humanize technology. We now have the opportunity to make technology feel human, look human, sound human, and do jobs that humans do.

We’re likely to see the adoption of AI on basic fundamental levels. What I mean by that is having AI take away repetitive tasks — easy to allow software to take over instead of having people do them.

Contact centers present a prime opportunity for initial AI deployment. Roughly a third of the calls we see on an inbound basis are for routine fundamental things like, ‘Did my paycheck clear? What’s my balance?’ AI can already do that.”

**Jim Marous:** “The research indicates that 76% of institutions believe most banks will use generative AI by 2030. However, this timeline seems conservative, given the rapid pace of AI development. When you look at generative AI, it’s being done more and more in the customer care area, in the call center area, but not used to its best degree.”

#### AI Implementation Challenges

Several factors are influencing the pace of AI adoption, according to Sievwright:

- 1. Policy Development:** Many institutions, especially credit unions, are still formulating their policies and strategies toward AI use, including compliance protocols.
- 2. Risk Management:** Financial institutions’ traditional view of risk makes them cautious about implementing agent AI functions that offer recommendations based on customer data.
- 3. Data Readiness:** As Sievwright emphasizes, “A lot of credit unions do not have a data strategy; a lot of them don’t have their data in a place where it can be accessed readily. And so, no matter how much AI we apply to that, it won’t do much good if we don’t have our fundamentals in place around data.”

#### The Branch Expansion Paradox

**Jim Marous:** “The research shows that 35% of financial institutions plan to expand their branch network overall, but 61% of credit unions intend to increase their branch network in 2025. How do these physical expansion plans align with digital transformation goals?”

**Mark Sievwright:** “What we’re seeing is branch optimization. We’re seeing new



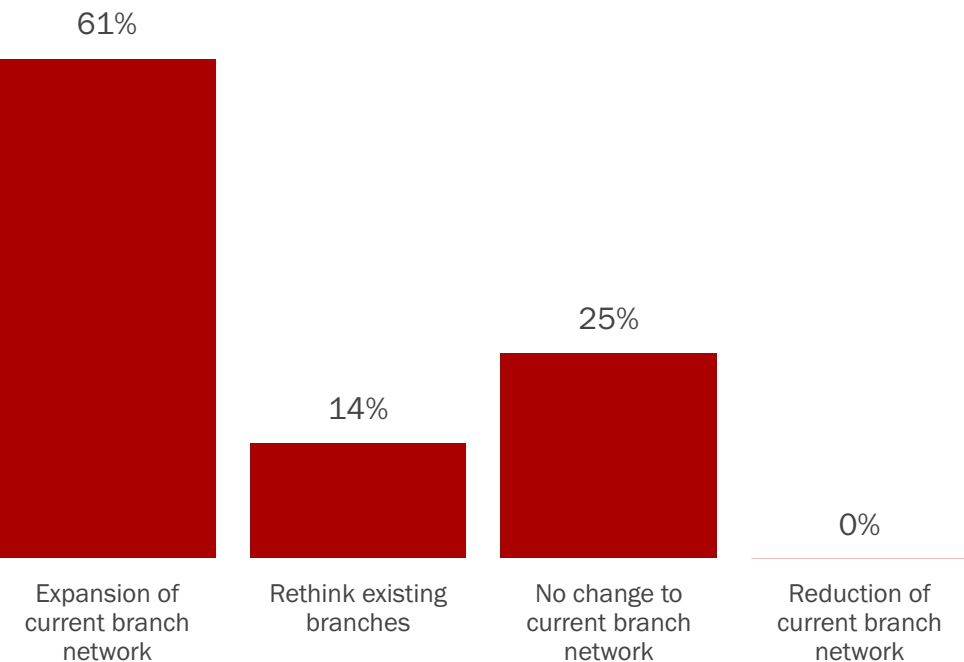
## 2025 RETAIL BANKING TRENDS AND PRIORITIES

branches being opened but also a healthy dose of branches being closed. On a net basis, the number of branches in the United States is not actually going up. At best, it's staying flat, and more likely, it's coming down moderately."

The contrast with international markets is striking. As Sieviewright notes, "I look to my alma mater in the United Kingdom, where branch strategies are all about shutting down branches fast and moving to digital. We've seen a record pace of change in branch closures in the United Kingdom. Now, companies are opening up shared locations for existing financial institutions for customers who want to use them."

### CHART 20: SIXTY PERCENT OF CREDIT UNIONS WILL GROW BRANCH NETWORKS IN 2025

What is your organization's plan for branch development in 2025?



Source: Digital Banking Report Research © January 2025 Digital Banking Report

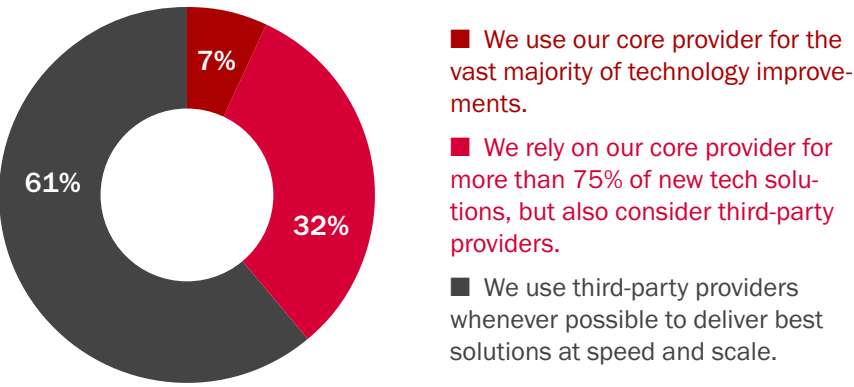
### Technology Partnerships and Core Providers

**Jim Marous:** "Our data showed that 48% of institutions rely on core providers for about 75% of their solutions, while 38% prefer third-party providers. However, credit unions and community banks tend to turn to third-party providers. What's driving this split in technology strategies?"

**Mark Sieviewright:** "The core system isn't as core as it used to be. What we wrap around the core has become much more important — the applications, the services, and the solutions. The evolution of APIs, SDKs (software development kits), these techniques and tools have encouraged small and large financial institutions to say, 'We're going to rely more on third-parties.'"

### CHART 21: PARTNERSHIPS ARE MORE IMPORTANT FOR CREDIT UNIONS FOR TECHNOLOGY MODERNIZATION

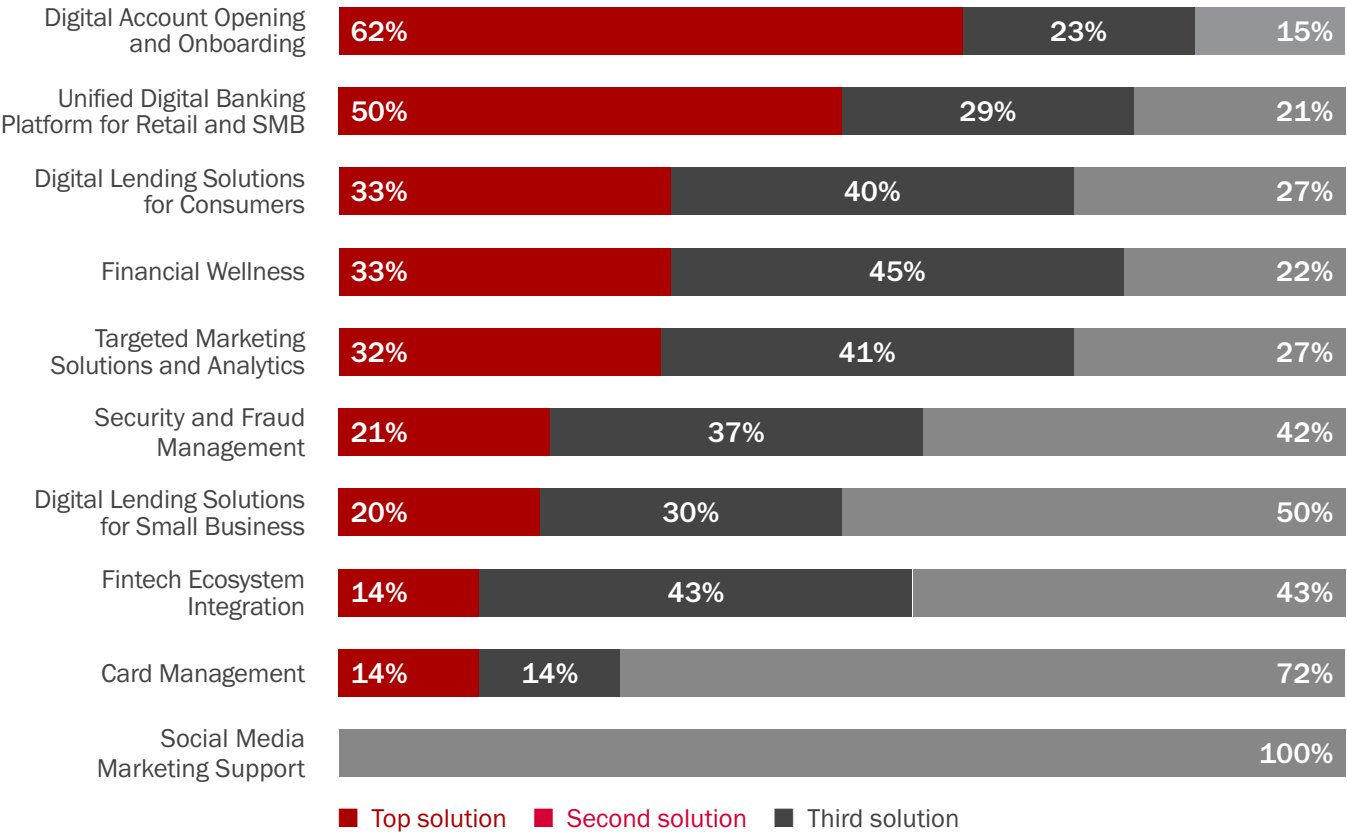
How does your organization modernize technology?



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### CHART 22: HOW CREDIT UNIONS USE 3RD-PARTY SOLUTION PROVIDERS

What are the top 3 solutions where you would partner with a third-party provider?





## 2025 RETAIL BANKING TRENDS AND PRIORITIES

### The Impact of Big Tech and FinTech

The research reveals that only 31% of retail banking executives believe they're being significantly impacted by big tech and FinTech companies. This perception may underestimate the ongoing transformation of financial services, particularly in areas like payments and digital engagement.

**Jim Marous:** "How does the rise of alternative financial providers impact traditional financial institutions?"

**Sievwright:** "By examining ACH files and credit/debit card transactions, institutions can observe changing customer behaviors and relationships with alternative providers. This data presents both challenges and opportunities for traditional institutions to adapt their services."

### The Future of Banking: Challenges and Opportunities

**Jim Marous:** "What do you see as the biggest challenge in financial services today?"

**Mark Sievwright:** "Moving from where we are to where we need to be. The environment is so challenging that where we're trying to get to is a future state where we have immersive customer experiences through integrated channels. Where we have highly personalized intelligent marketing. Where we have an ecosystem that's effective and efficient."

**Jim Marous:** "What's the biggest opportunity in banking today?"

**Mark Sievwright:** "To improve how we conduct the business. We have an opportunity now, thanks to technology, where we can redefine the business model of banking. We shouldn't have people who aren't spending their time on valuable member or customer impact roles. If we have people doing repetitive tasks daily, we're doing something wrong."

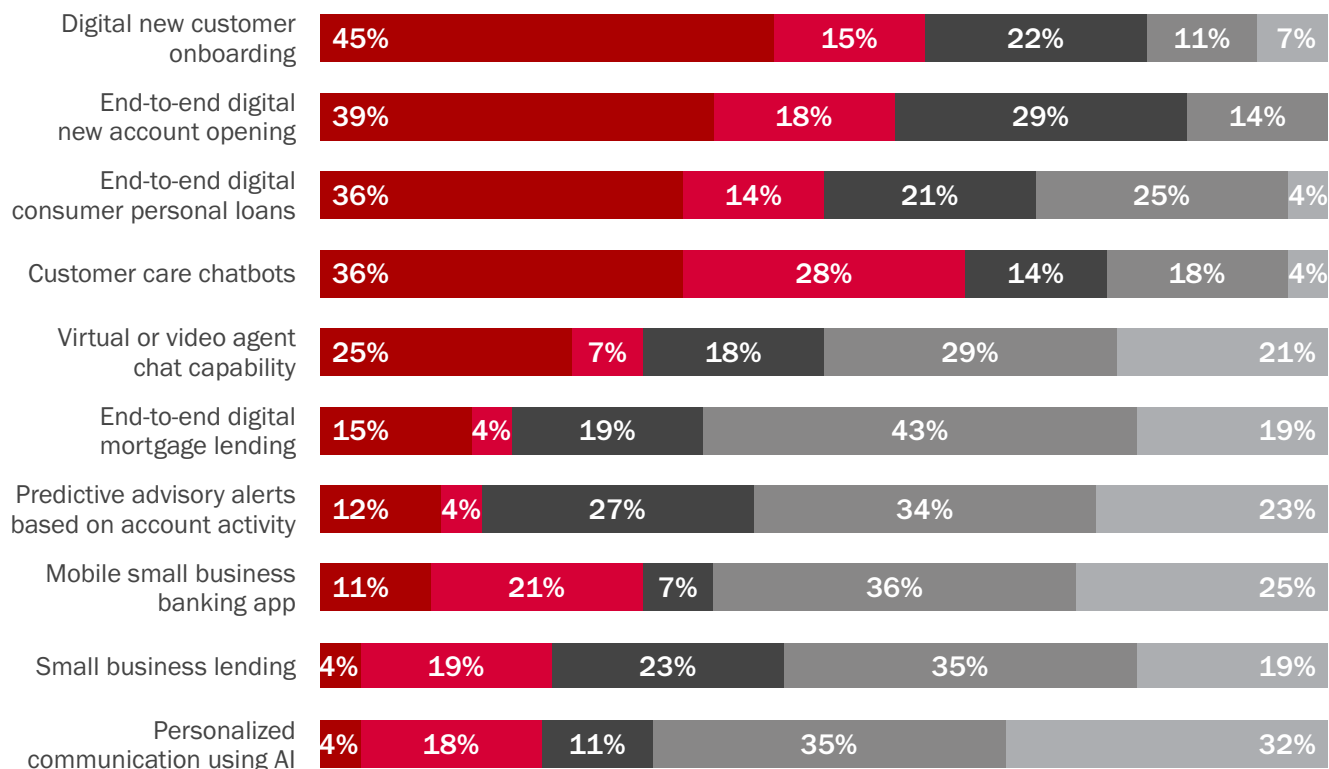




## 2025 RETAIL BANKING TRENDS AND PRIORITIES

### CHART 23: CURRENT STATUS OF SPECIFIC DIGITAL TRANSFORMATION STRATEGY FOR CREDIT UNIONS

What is the **current status** of the following digital transformation strategies?



■ Digitally transformed ■ Digitally transformed in next 6 months  
■ Digitally transformed in next 6 months to one year  
■ Digitally transformed in 1-3 years ■ Not currently planned for digitization

#### KEY TAKEAWAYS

#### Key Takeaways for Credit Unions

1. Focus on modernization of foundational infrastructure before pursuing advanced digital initiatives.
2. Address security concerns systematically to enable real-time payment adoption.
3. Optimize branch networks rather than simply expanding.
4. Develop a clear AI strategy that begins with fundamental applications.
5. Invest in data capabilities to enable personalized member experiences.
6. Consider partnerships with third-party providers to accelerate digital transformation.
7. Monitor and respond to changing customer behaviors and competitive threats.

Although credit unions' path forward may differ from traditional banks, the destination remains the same: creating a modern, efficient, and member-centric financial institution that can compete in an increasingly digital world. Success will require balancing traditional strengths with technological innovation and changing consumer expectations.

### About Jim Marous



*Jim Marous*

Named as one of the most influential people in banking and a 'Top 5 Fin-tech Influencer to Follow', **Jim Marous** is an internationally recognized financial industry strategist, co-publisher of **The Financial Brand** and owner and publisher of the **Digital Banking Report**.

**DIGITAL  
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As a sought-after keynote speaker, author and recognized authority on disruption in the financial services industry, Jim has spoken to audiences worldwide. He has been featured by CNBC, CNN, Cheddar, the Wall Street Journal, the New York Times, the Financial Times, the Economist and the American Banker.

Through his podcast, **Banking Transformed**, Marous provides listeners with an opportunity to hear about the organizational impact of digital transformation. With new shows each Tuesday, Jim interviews his guests with the objective of digging deeper into the opportunities and challenges facing banking and other industries. You can download Banking Transformed on The Financial Brand podcast page or on your favorite podcast platform.

You can also follow Jim Marous on **Twitter** and **LinkedIn** or visit his [professional website](#).