

# HOW FINTECHS CAN ALIGN WITH **CREDIT UNION** INNOVATION AGENDAS

August 2024 Report



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# HOW FINTECHS CAN ALIGN WITH CREDIT UNION INNOVATION AGENDAS

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How FinTechs Can Align With Credit Union Innovation Agendas was produced in collaboration with Velera (formerly PSCU/Co-op Solutions), and PYMNTS Intelligence is grateful for the company’s support and insight. [PYMNTS Intelligence](#) retains full editorial control over the following findings, methodology and data analysis.

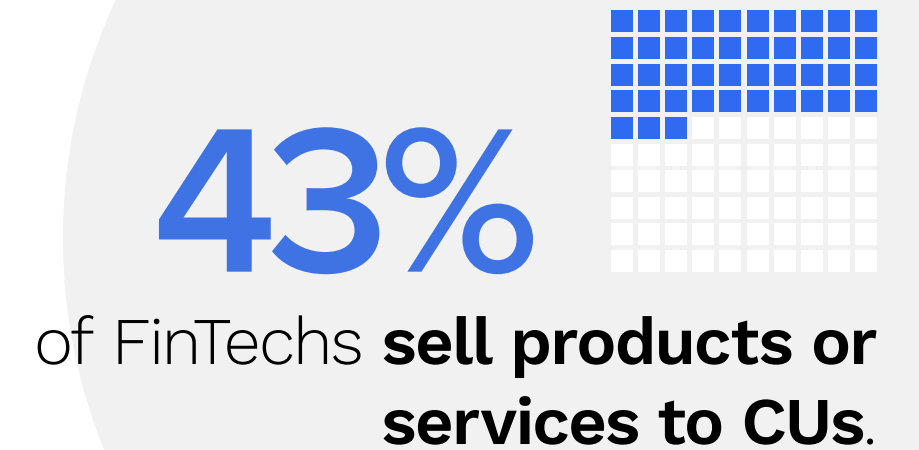
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# WHAT'S AT STAKE

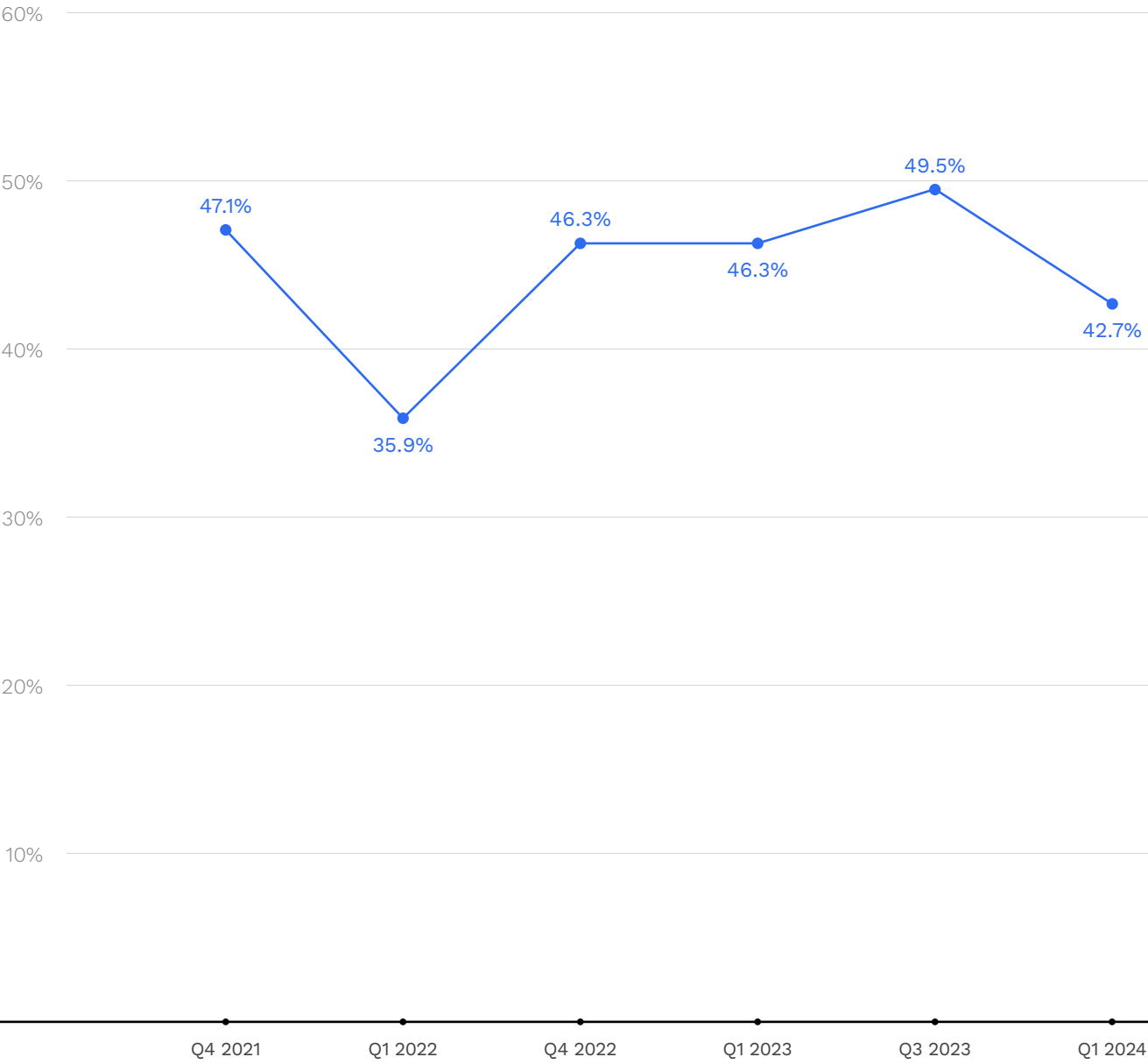
**C**onsumers increasingly look beyond traditional banks to credit unions (CUs) and FinTechs for their banking needs. Many FinTechs partner with CUs and other financial institutions (FIs) to provide the innovative products and services that today's digital-first consumers expect. Currently, close to half of FinTechs sell products or services to CUs. Moreover, those that do view CUs as collaborators more than competitors. As they look ahead to the next three to six years, FinTechs, along with CUs, are focusing on digital banking and payment innovation. Yet the process is not without its challenges.



For instance, FinTechs report that slow decision making and a lack of innovation readiness hinder their ability to sell to CUs. This compounds the difficulties, because FinTechs also face internal decision-making issues along with coordination problems when trying to bring new innovations to market. A key objective among FinTechs is to innovate around self-service banking, with most FinTechs planning at least one type of self-service banking product. This innovation roadmap aligns with CU pipelines and will enable CUs to deliver digital payments and self-service banking — services of special interest to digital-first consumers.



**FIGURE 1:**  
**FinTechs that sell products or services to CUs**  
Share of FinTechs that sell products or services to CUs



Source: PYMNTS Intelligence

How FinTechs Can Align With Credit Union Innovation Agendas, August 2024

N varies based on date surveyed; N = 110: Complete responses from FinTech executives, fielded March 7, 2024 – April 1, 2024

These are some of the key findings explored in How FinTechs Can Align With Credit Union Innovation Agendas, a PYMNTS Intelligence and Velera (formerly PSCU/Co-op Solutions) collaboration. This report examines how FinTechs are innovating to meet the financial needs of consumers at CUs and other FIs. The report is based on a survey of 110 executives at FinTechs that provide services to CUs, commercial banks, community banks and individual consumers. Conducted between March 7 and April 1, the survey investigated how FinTechs partner with CUs to provide innovative banking solutions. The report is also based on a survey of 200 CU executives conducted from March 7 to April 2, which aimed to learn about CUs’ current product and feature offerings as well as their plans for future innovation.

**This is what we learned.**

# KEY FINDINGS

01

## ONGOING PARTNERSHIPS

Nearly all FinTechs see CUs as clients rather than competitors, and more than 4 in 10 already partner with them.



4.3%

Share of FinTechs that say CUs are more competitors than clients

02

## SLOW MOVING

Close to half of FinTechs say selling to CUs is hindered by slow decision-making processes.



47%

Share of FinTechs that cite some form of sluggishness as the primary hurdle when selling to CUs

03

### SELF-SERVICE PLANS

Self-service banking products are among the top features in FinTechs’ innovation pipelines.



35%

Share of FinTechs that say they have at least one type of self-service banking product planned

04

### CU ALIGNMENT

FinTechs that align their innovation agendas with CUs’ pipelines have an opportunity to help CUs deliver the features their members want in the next three years.



48%

Share of CUs that plan to offer at least one self-service banking feature in the next three years

# THE FULL STORY

**FinTechs and CUs partner to provide innovative products and services. Despite some challenges, they are increasingly aligned to give digital-first consumers what they want.**

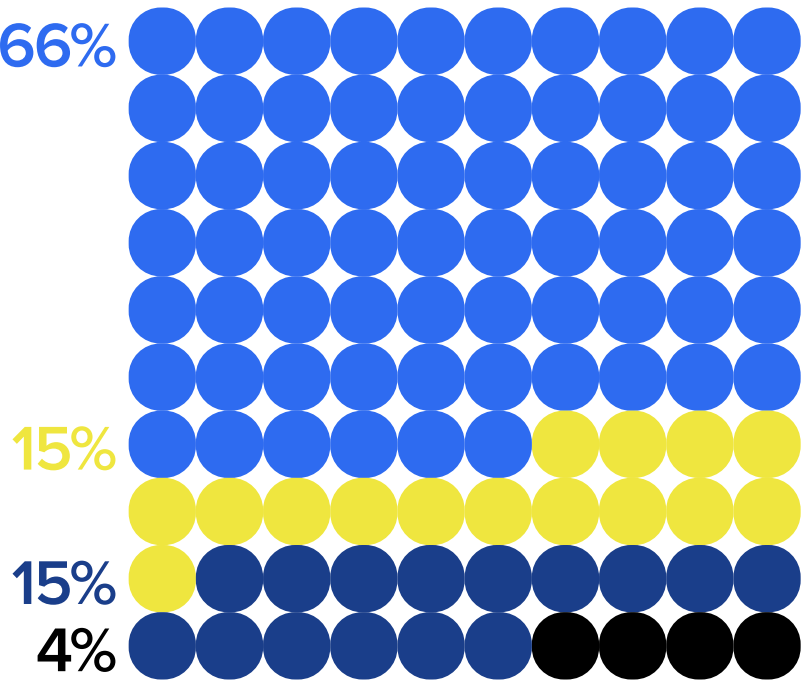
**Nearly all FinTechs see CUs as clients rather than competitors, and more than 4 in 10 already partner with them.**

Nearly half of FinTechs sold products or services to CUs as of Q1 2024 — a slight decrease from the preceding quarter. Data also shows that 9 in 10 FinTechs view CUs as collaborators. While 30% of FinTechs say that CUs are both client and competitor, 66% see CUs only as a client. Just 4.3% of FinTechs see CUs more as a competitor than as a client. These findings indicate that FinTechs and CUs have the potential to align their efforts to provide innovative banking and payment solutions to members.

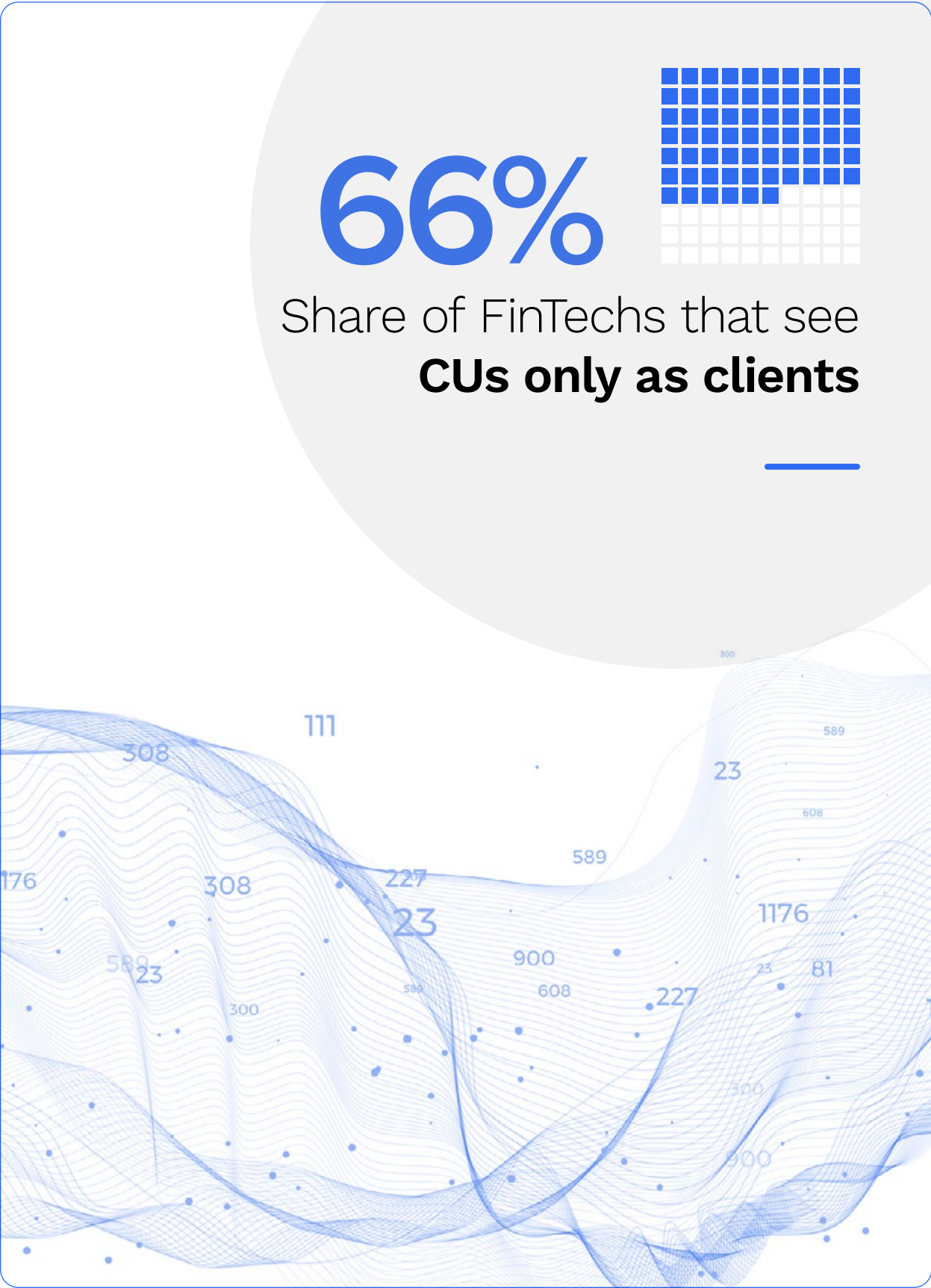


**FIGURE 2:**  
**How FinTechs view CUs**  
Share of FinTechs that view CUs in select ways

- Only a client
- More a client than a competitor
- Client and competitor
- More a competitor than a client



Source: PYMNTS Intelligence  
**How FinTechs Can Align With Credit Union Innovation Agendas, August 2024**  
N = 110: Complete responses from FinTech executives, fielded March 7, 2024 – April 1, 2024





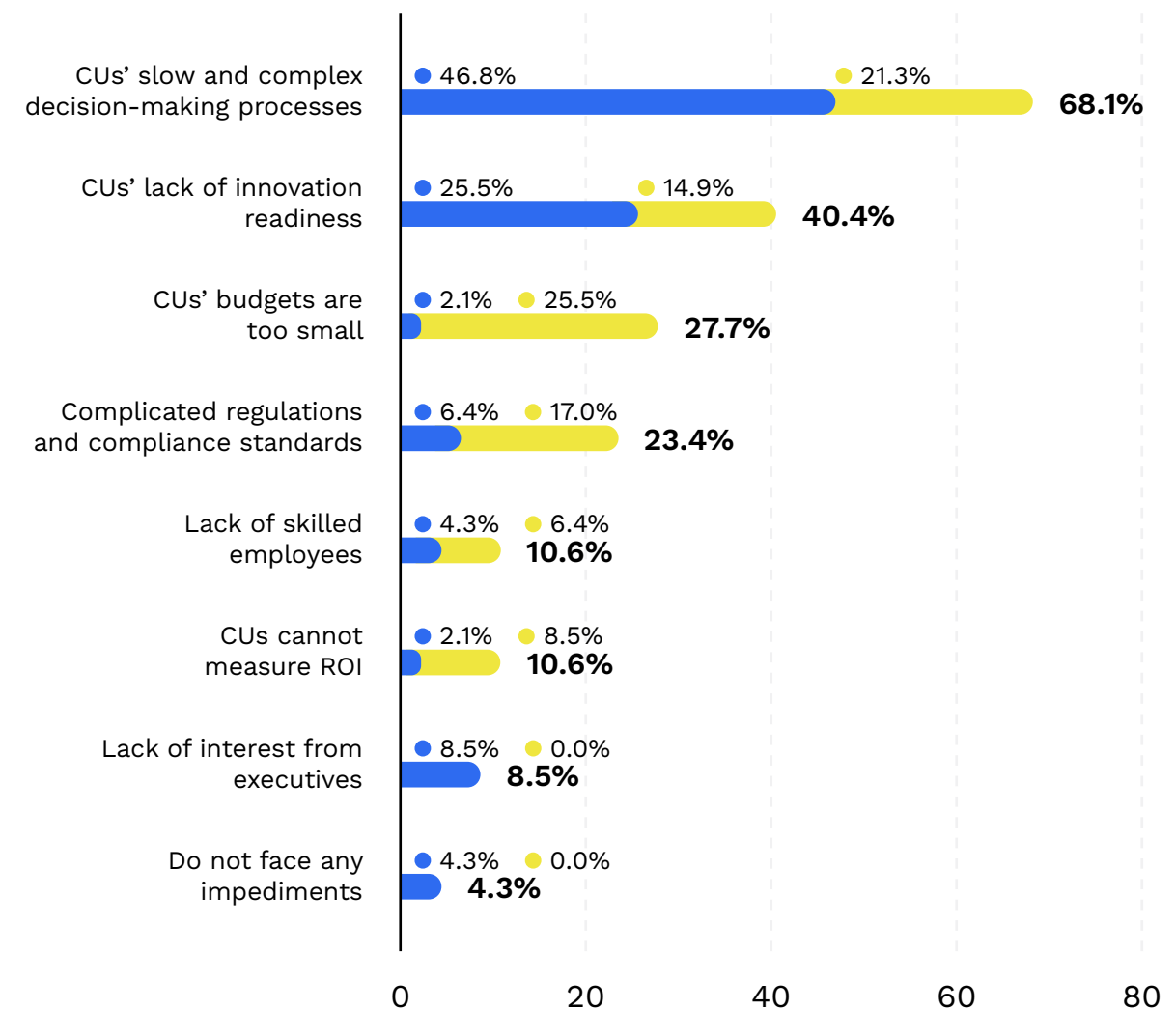
## Close to half of FinTechs say selling to CUs is hindered by slow decision-making processes.

According to the FinTechs surveyed, many see CUs' lack of innovation readiness along with slow and complex decision-making processes as top challenges when they attempt to sell to CUs. More than two-thirds cite slow decision making as an impediment. In fact, 47% of FinTechs cite this as the most important challenge. The lack of CU innovation readiness hinders the ability of 40% of FinTechs to sell to CUs, with 26% reporting that the lack of CU innovation readiness is their biggest obstacle. Too small budgets, at 28%, and compliance and regulatory challenges, at 23%, are also key impediments, yet few FinTechs cite these as their biggest impediments. This suggests that there could be a disconnect between the innovative products FinTechs have to offer CUs and the ability of many to integrate them into their innovation roadmaps.

FIGURE 3:

### Challenges FinTechs face when selling to CUs

Share of FinTechs that sell products or services to CUs citing impediments they face when attempting to do so, by level of impediment



● Biggest impediment  
● Impediment, but not the biggest

Source: PYMNTS Intelligence

How FinTechs Can Align With Credit Union Innovation Agendas, August 2024

N = 47: FinTechs that sell to CUs, fielded March 7, 2024 - April 1, 2024

# Self-service banking products are among the top features in FinTechs’ innovation pipelines.

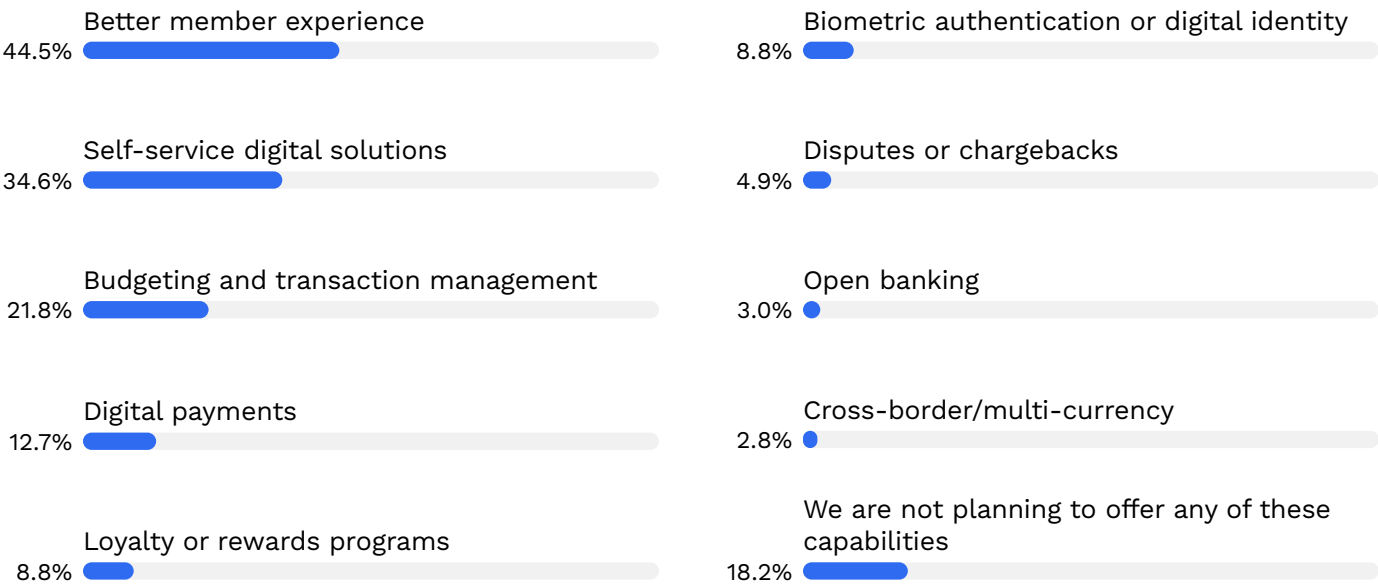
Data shows that 35% of FinTechs have at least one type of self-service banking product planned. These self-service banking solutions include online and mobile banking, as well as digital onboarding.

Meanwhile, 45% of FinTechs have at least one product planned in their pipeline that improves the member experience. They are doing this by improving member support with artificial intelligence chatbots and voice assistants. Other areas of FinTech innovation include budgeting and transaction management tools, at 22%, and digital payments, at 13%. The question remains, however: How much are FinTechs aligned with CUs’ innovation roadmaps and what their members want?

FIGURE 4:

**FinTechs’ innovation plans for the next three years**

Share of FinTechs that sell their products or services to CUs planning to offer at least one feature or capability in select categories in the next three years

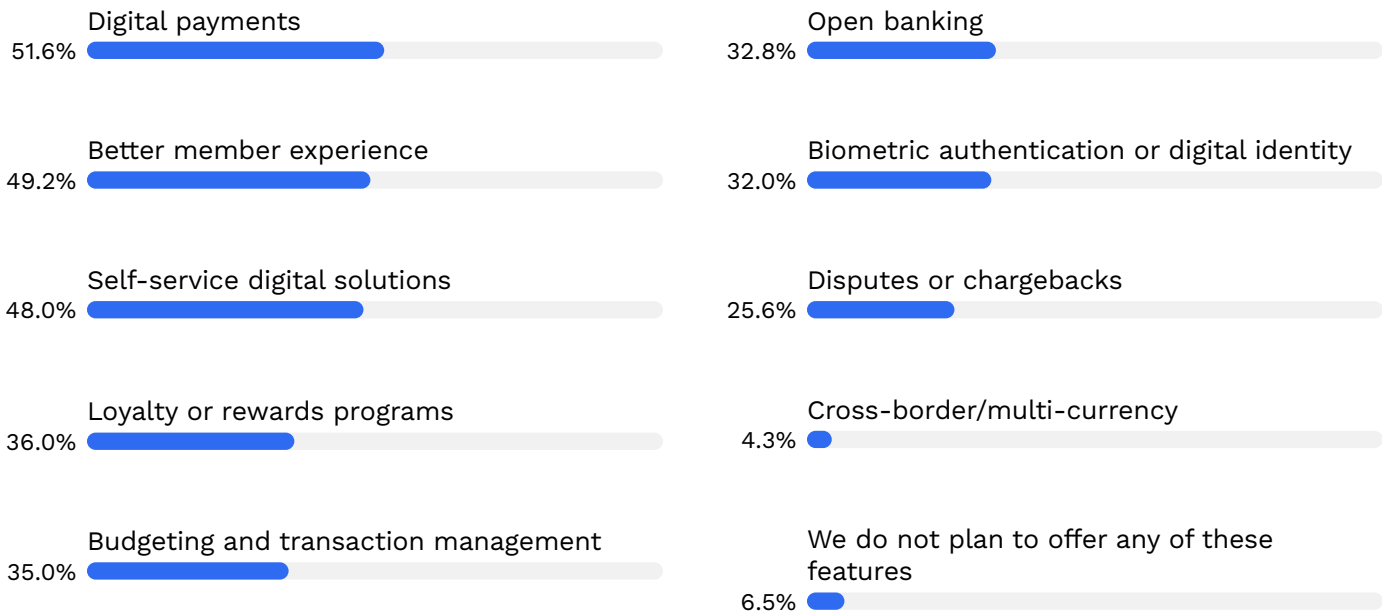


Source: PYMNTS Intelligence  
How FinTechs Can Align With Credit Union Innovation Agendas, August 2024  
N = 47: FinTechs that sell to CUs, fielded March 7, 2024 – April 1, 2024

# FinTechs that align their innovation agendas with CUs’ pipelines have an opportunity to help CUs deliver the features their members want in the next three years.

Data shows that FinTechs and CUs may be well aligned to meet the needs of today’s digital-first consumers. For instance, 52% of CUs plan to offer at least one digital payment solution in the next three years, such as QR codes, digital or mobile wallets, and instant card issuance to a digital wallet. Half of CUs plan to offer a better member experience in the next three years. Moreover, 48% of CUs plan to offer at least one self-service banking feature in the next three years. With FinTechs innovating self-service banking, CUs could move it up in their innovation priority list.

**FIGURE 5:**  
**CUs’ innovation plans for the next three years**  
Share of CUs that plan to offer at least one feature or capability in select categories in the next three years

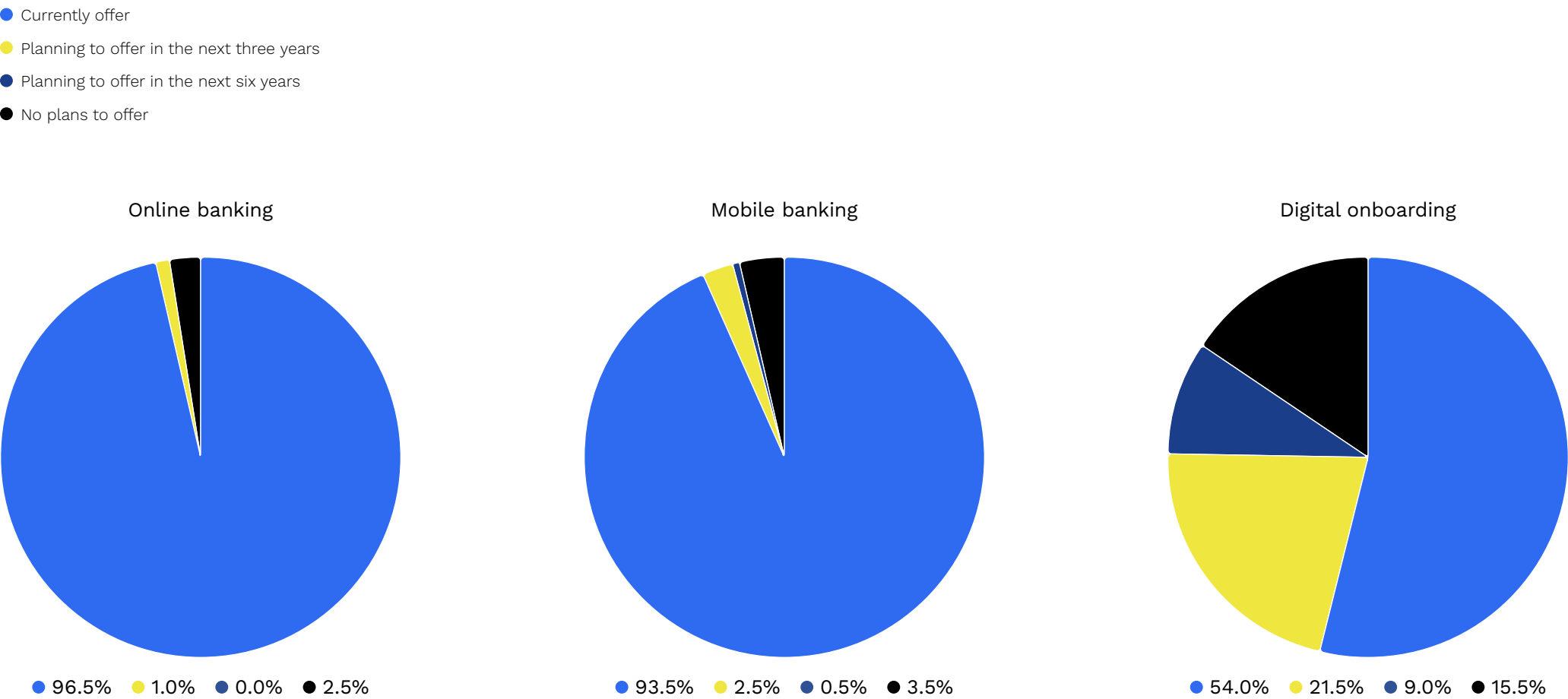


Source: PYMNTS Intelligence  
How FinTechs Can Align With Credit Union Innovation Agendas, August 2024  
N = 200: Complete responses from CU executives, fielded March 7, 2024 – April 2, 2024



A key component of self-service banking is digital onboarding, which not all CUs offer as part of their self-service banking features. Currently, 54% of CUs offer digital onboarding, while 22% of CUs plan to offer digital onboarding in the next three years and 9% plan to offer it by 2030. Still, that means that 15% of CUs have no plans to do so. Meanwhile, 23% of Gen Z members say self-service banking options are important when choosing a bank or FI. This suggests that CUs have a not-to-be-missed opportunity to reduce churn and attract new members among this generation by working with FinTechs to enhance their self-service banking offerings.

**FIGURE 6:**  
**Self-service banking features CUs offer or plan to offer**  
Share of CUs citing self-service capabilities they offer now or will offer in the future



Source: PYMNTS Intelligence  
How FinTechs Can Align With Credit Union Innovation Agendas, August 2024  
N = 200: Complete responses from CU executives, fielded March 7, 2024 – April 2, 2024

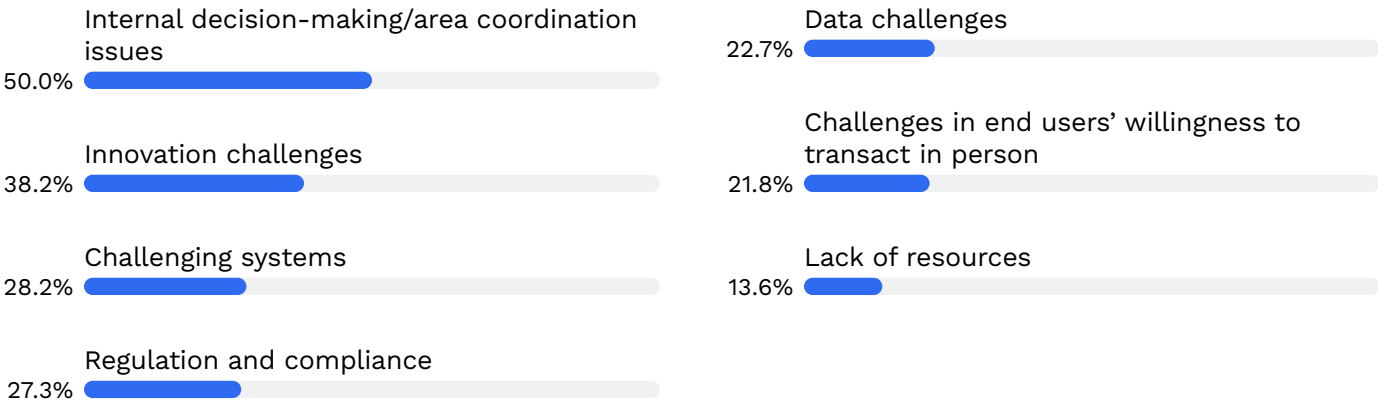
# DATA FOCUS

**FinTechs are planning to innovate new products and features — yet they need to solve their own internal challenges first.**

## Half of FinTechs face internal decision-making or coordination issues when trying to bring new innovations to market.

While CUs are concerned with member retention and engagement when developing their innovation roadmaps, internal hurdles are more related to how changes in member behavior are an issue when FinTechs consider bringing new products and services to market. Data shows that 50% of FinTechs cite internal decision-making and coordination issues as obstacles to innovation. This is followed by innovation challenges, at 38%. In contrast, 22% of FinTechs report that changes in how willing members are to transact in person are an obstacle when bringing innovations to market. That FinTechs find internal issues more impactful than external challenges underscores the importance of internal optimization in the innovation process.

**FIGURE 7:**  
**FinTechs’ top innovation challenges**  
Share of FinTechs citing select challenges to bringing innovations to market



Source: PYMNTS Intelligence  
**How FinTechs Can Align With Credit Union Innovation Agendas, August 2024**  
N = 110: Complete responses from FinTech executives, fielded March 7, 2024 – April 1, 2024

50%

Share of FinTechs that cite internal **decision-making and coordination issues as obstacles** to innovation



# ACTIONABLE INSIGHTS



01

Fewer FinTechs sell products and services to CUs than did so the preceding quarter. Yet those that do overwhelmingly view themselves as collaborators with CUs. This suggests that FinTechs and CUs have an opportunity to increasingly align their efforts to provide the innovative banking and payment solutions that digital-first consumers want.



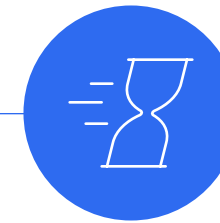
02

FinTechs report that selling their products and services to CUs can be difficult due to CUs' slow decision making and lack of innovation readiness. This suggests a disconnect between the innovative products FinTechs have to offer and the ability of many CUs to integrate them into their innovation roadmaps. FinTechs and CUs need to better align their innovation efforts to provide the advanced products and services that digital-first consumers expect.



03

FinTechs plan to innovate self-service banking solutions as well as products that improve the member experience and support. Other areas of FinTech innovation include budgeting and transaction management tools and digital payments. As FinTechs innovate in partnership with CUs, aligning with CUs' innovation roadmaps and what their members want is a key to success.



04

Adopting FinTechs' self-service banking innovations could enable CUs to speed up the launch of self-service banking for their members. For example, not all CUs currently offer digital onboarding as part of self-service banking. Yet for Gen Z members, self-service banking options are important when choosing an FI. Working with FinTechs to enhance their self-service banking offerings gives CUs a not-to-be-missed opportunity to reduce churn and attract new members.



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## METHODOLOGY

**H**ow FinTechs Can Align With Credit Union Innovation Agendas, a PYMNTS Intelligence and Velera (formerly PSCU/Co-op Solutions) collaboration, examines how FinTechs are innovating to meet the financial needs of consumers at CUs and other FIs. The report is based on a survey of 110 executives at FinTechs that provide services to CUs, commercial banks, community banks and individual consumers. Conducted between March 7 and April 1, the survey investigated how FinTechs partner with CUs to provide innovative banking solutions. The report is also based on a survey of 200 CU executives conducted from March 7 to April 2 to learn about CUs' current product and feature offerings as well as their plans for future innovation.

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# ABOUT



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**velera**

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