Alex:
Within the terms of future growth and the dynamics that are changing, I think it's absolutely essential to be spending a good amount of time reflecting on that.

James Robert Lay:
Greetings and Hello. I am James Robert lay and welcome to the 109th episode of the Banking on Digital Growth podcast. Today's episode is part of the Exponential Insight series, and I'm excited to welcome Alex Sion to the show. Alex is the global consumer banking lead for the D10X program, which incubates new products and businesses designed to generate new organic growth for Citi. Before joining Citi Ventures, Alex was the general manager of mobile for JP Morgan Chase in addition to co-founding Moven , the world's first neobank in 2012. Alex brings a tremendous amount of experience and insight around innovation and banking, which is exactly what we're going to talk about today to educate, to empower, to elevate you, the dear listener, as you continue to move forward and make progress along your own digital growth journey. Welcome to the show Alex.

Alex:
James, thank you for having me

James Robert Lay:
Before we get into it. What are you excited about right now, personally, or professionally in this new world that we're navigating through together?

Alex:
I am excited in, I think the FinTech world coming out of COVID and the pandemic period has really accelerated beyond anybody's estimations. So if you kind of remember when the pandemic first started, there were a lot of boardrooms in the banking universe that had assembled with the assumption that the Fintech kind of phenomenon was going to go by the wayside.

James Robert Lay:
Yep.

Alex:
And that it was a great opportunity, frankly, to large incumbents to harvest the roadkill, like from the Fintech highway. So there was a lot of boardrooms that were kind of preparing capital and plans to basically do just that. And as we all know that that didn't happen, like not by a long shot.

James Robert Lay:
Right.

Alex:
And many of the underlying trends that were kind of behind the phenomenon that we know as FinTech just accelerated beyond anybody's estimation. So I'm really excited that the vision of the world that I believed in, that I believed in for decade plus, is really coming to fruition now, which I think creates enormous opportunities pretty much everywhere throughout the world of finance. So I think that's a really exciting time to be engaged in the space,

James Robert Lay:
You speak about this belief that you've held for a decade plus and all of the opportunities. Before we dive into some of those innovation opportunities available for financial brands to either create or to capture, I want to go back in time with you as you've had a very interesting journey along the way. Our paths have crossed indirectly when you were co-founding Moven with Brett King 10 years ago in 2012. And it was that movement started by Moven as well as Simple 10 years ago, that really helped spur on this beginning of innovation in the banking space, in the FinTech space, that's continued to increase in speed over the last decade, even really more than the last 15, 18 months thanks to COVID. So when you think about just this past decade, where you've been, this journey, what has been the biggest progress that you've seen in regards to innovation when you reflect back at the macro level?

Alex:
That's a great question, James. And I've been doing a lot of reflection these to get my head around where the world is heading next. But I think it all started when Brett and I kind of began to Moven journey, the catalyst really was the iPhone. The introduction of the iPhone, as well as kind of what was going on in social and what was emerging in payments and digital payments at the time. And we saw the combo of the three really starting to coalesce in kind of that 2007, 2008 timeframe, like the colonels were kind of laid back then. And at that point, what we saw was kind of an inevitable journey, like where the things that were happening with the mobile devices and the advancements there would inevitably ... plus kind of social and what that did to behaviors relative to digital.

Alex:
And then what was happening kind of in the payments world, which actually was going back decades and decades, the advancement of digital payments. We saw a world emerging where all of these things would inevitably combine. And what that would do is that it would fundamentally rearchitect the nature of commerce in general. And we tied sort of commerce back to essentially banking and money. And it struck both of us at the time that this kind of inevitable path that we kind of saw happening, even in 2008, would essentially break the banking model.

Alex:
Brett famously coined the term of breaking banks in his own show. But that really was the thesis, was that where the world would be heading would be social behaviors, the technology that was kind of under enabling things would render the banking model as we knew it, in almost every way you can think of, as insufficient to support the needs of commerce, which is what banking was founded to do in some ways. What I guess I'd say is that, summarizing is that I think that it's really, the event was 2008. And it was really just this to me, almost like a predictable path that has had inflection points along the way, but it hasn't really been any surprising things.

Alex:
I would say maybe the advent of digital currencies, which we kind of thought about a little bit, it was kind of a key kind of unexpected kind of black swan and everything that could really kind of change everything eventually. But I don't know if we've really been surprised by anything other than maybe the speed and the capital right now, depending upon it. I've gone through over the past decade or so various iterations on whether or not I think FinTechs will win or incumbents will win, or end up being partnership models. I think that's another area where I'm still thinking a lot about whether the jury's still out on that. And it's tipped my opinion a couple of times over the past couple of years, but I actually think that nothing has really been that surprising since really nearly 2008. And you just got to look out and see where the balls inevitably get along too.

James Robert Lay:
Right. And you said a couple of key points that I want to dive deeper on just from a personal perspective, because you mentioned that you've been doing a lot of reflection. You've been doing a lot of thinking. How important is it, we'll just call it a leadership level at a financial brand, to create that space and time, to break free from the doing of whatever it is. Because I think if you get stuck in doing, when it comes to innovation, that's a very dangerous place to be because otherwise you've got a wave of transformation and change happening at an environmental level, happening at a cultural level, a society level, technology level, all coming up behind you. How important is it to create that space and time to just stop, to pause, to review, to reflect, to learn, to think, so that you can do even better going forward? And how do you apply that just within your own personal methodologies here?

Alex:
I think it's fundamentally critical. And I think it really starts with reflecting and really coming to terms with the idea of future growth and what it will take to continue to sustainably grow. I actually don't even like the word innovation much these days. I would rather kind of use the word of emerging growth and future growth as well as the better way to think about it. So I think every executive has to spend, I mean their charter is to continuously drive growth for their organization. And in pursuit of that, you've got to be coming to the recognition these days, that the old tricks of how you grew are diminishing in returns, and that there are FinTechs out there who are essentially running new tricks. And at this point, you've got to come down to that capitulation that aid these, some of these new tricks are working.

James Robert Lay:
Right.

Alex:
They're fundamentally working. And if you just reflect, spend time reflecting on that, not within the context of new ideas or what I call the shiny trinkets, motive, innovation, the idea generation, but think of it very practically within the terms of future growth and the dynamics that are changing. I think it's absolutely essential to be spending a good amount of time reflecting on that. And then to the second part of your question, organizationally, I think that what that does is if you think about the world in that way, that kind of like old growth playbooks and new growth playbooks, you'll inevitably come to the recognition that those new growth playbooks are counter-intuitive.

Alex:
The math doesn't work. Upon how you think about the world today. Like the business cases won't add up. And so therefore you, by your organizational design in your DNA, are almost inevitably going to reject all new growth strategies. You've almost got to fundamentally come to terms with that and just say, look, that can't be the answer. It can't be the answer that we keep exploring these ideas and at the end of the day, they just never add up because they're adding up for other people. So, you know, figuring that out. And then that usually requires a different organizational structure, permission process, whatever it is, but you can't do it from your existing playing field.

James Robert Lay:
And that's one of the things that I've been, in the advisory and the coaching work that I do, I've been just encouraging so many, like COVID is just a preview. It's just a preview. It's the warmup of what is to come. And to really use this experience as a way to just get comfortable feeling uncomfortable, because what's going to happen over the next five to 10 years. Because if we go back, I think 2008, it's a great time period. Because like you said, the launch of the iPhone, the rise of social media, YouTube coming online,

I think back to whenever I got into this space, it was 2001, 2002, and built almost essentially an early social network called BearSwap, which was at Baylor University. And it was a way to bypass the bookstore that was ripping students off at the time.

James Robert Lay:
And so we connected students with students to do some type of commerce exchange. And we were going to take that and license it and bring it to other universities. And then a guy by the name of Mark Zuckerberg had a much bigger vision of connecting people online. And we were just looking at small microcosm of it, but it was a great learning experience. And so when we leap ahead to the present moment and the work that you're doing as head of venture incubation through the work of D10X, what's the purpose of D10X and what will be some of the trends and patterns that you're seeing through that work that you're doing right now as a team when it comes to ... And I like that. It's not just innovation. It's really about growth at the end of the day.

Alex:
Yeah. And I think that is the evolution that I've seen in my time at Citi would be D10X is when I first arrived at Citi, there was an emphasis on culture change in ideation as kind of the crux of innovation. And what I've seen is that morphed very much into what I would call the emerging growth strategy. Being very aligned with the business in their growth objectives and focused on exactly the same metrics and targets that they're focused on. But looking at it from what we call this challenger lens, the business partnering very closely with the business to essentially run parallel, almost A B testing of ways to go about growth. Everybody wants to grow and as a target of growing by X percent, it's just like how would you do it, and then how would we do it if you connect?

Alex:
And also that creative tension with thinking about growth and segments, and marketing, and value propositions very differently, more like an unencumbered startup. I think challenges raises the tide for everybody. So what we're doing these days is spending a lot of time, deeply embedded and partnered with the business in their growth strategy pursuits. And then really kind of using essentially a different frame of reference, the challenger frames of reference, and some of the methodology that you would use in the startup world to essentially high potential growth concepts in a different way. We're just applying those principles to the growth objectives that Citi is already pursuing. And I think it's been a great partnership and really done wonders for the growth.

James Robert Lay:
You mentioned the startup world, which in my mind, just immediately jumps to more of an agile like methodology. Learning from experiences, applying those new insights going forward, and essentially taking what we call the four digital growth operating environments of you can be learning, you can be, you can be doing, you can be reviewing, and the faster that you can cycle through each one of those environments, the faster that growth will happen. And when you think about the idea of emerging growth strategy, I'm curious to gain your perspective and insight for the dear listener. What holds people back from really leaning into emerging growth? What are those roadblocks to be aware of in the mind, more so than anything I think?

Alex:
Yeah, I think a lot of it, I'm spending a lot of time reflecting on the fundamental business construct of terms that have identified a clear profitability model. And it's been working for the past century plus. And what that essentially does is it kind of hard wires, this growth strategy path to the point at which it can be, and rightly so, incredibly efficient and And prescribed. And that's not a bad thing. But at the

same point in time, I feel like what's happened in digital is that it is upended kind of the laws of physics. Like my boss, Vanessa Colella, the head of innovation for Citi often talks about the difference between theoretical physics and applied physics, and wants us to be much more of the applied physics lab.

Alex:
And so we got this thesis, the FinTechs got these thesis that then essentially the rules of physics for the banking business model have changed. And therefore, you can talk about it all day long, in that theoretical zone, but how do you actually get out there? And then basically challenges fundamental notions of what is the right segment to go after. What is the right business model? How do you monetize the customer relationship in very different ways? Again, in ways that we'll see like, to the banking business model is lost lead very risky, operationally prohibitive. But you've got to get out there. And I think that'd be the only way to do that is to be out there, because the cost of entry gets incredibly more expensive as these FinTechs get more legs under them. It costs a lot of money to buy into a new paradigm once it's already set.

James Robert Lay:
And when you're talking about profitability models, in almost disrupting yourself, I can't help but think of the story of Netflix and how Netflix they had, going against Blockbuster, they tried for an acquisition with Blockbuster. That was denied so then they went direct to market and built that up. And then they took their DVD model and then transformed that into streaming. And now they're really a production house. And so it's this continuous evolution. And when I think about new revenue models too, I think about the work that Joe Polizzi has done, who's been a guest on the show. He was the founder of the Content Marketing Institute, and he has this whole philosophy of content inc and how content can fuel these different business models. So I think there's a lot of ways of just rethinking how we generate revenue by creating value for account holders.

James Robert Lay:
And that opens up whole new possibilities, but it does come down to that warn word of practicality. Applying this so that it actually creates, it's not just so theoretical. And you noted previously, almost like an AB testing methodology, and you've written about this. When you think about running these kind of two parallel business models, these patterns when we're thinking about this, one of the things that you noted in this article was something that I'm ... and I'm grateful to see this. I'm hearing more. And I would say it's probably on the FinTech side of things, but what Clayton Christianson writes about, which is this theory of jobs to be done. Because it's such a new idea in this space, could you just unpack briefly, at a high level of what are jobs to be done, and what value can they create when thinking about these new profitability and revenue models for emerging growth?

Alex:
Yeah. Well, the way I think about jobs as a product person, product entrepreneur is, I'd say very different than the way I try to articulate jobs to kind of C level stakeholders who are allocating capital. So let me try to explain the first part. Like that, that the product is pretty straight forward in that it is really, what is the fundamental value proposition that you are delivering to the customer? What are you helping them to accomplish? Not the service you offer, but essentially the solution to the problem that they are trying to solve, and really kind of deeply to understand that. So for product entrepreneurs, that sounds like very, very simple, straightforward language. Where it gets complex for large incumbent organizations, is that that that can be extolled at the product level, the UX level all day long people agree. But that it's that construct above it that we were just talking about. The Capital allocation, how the C level people think and how they process it.

Alex:
What I would change when I'm talking to them, what I try to talk about is the fact that behavior change and technology are opening up these essentially different playbooks that will feel illogical. And just kind of grant to yourself that they are illogical. Like you'll never make the business case work in your head, but if you can recognize and at least reconcile the volatility, and just admit to yourself that it's a volatile time. Then what I like to say to C-level executives is how would you, if your asset allocating assets, so your job is to allocate growth capital across the business in the appropriate ways, how much capital have you allocated towards this new playbook volatility? Fundamentally, how much have you? What's the dollar amount? And I guarantee you, if they went through the math, what they would find is they're probably it's de minimus.

Alex:
It's not a relevant level of allocation given or appropriate level of allocation, given the volatility, given the risk that this volatility represents. So it really elevates the conversation to say, look, you don't have to buy what I'm saying in terms of jobs, or kind of admit to yourself that you're not customer centric or whatever, creates all these problems. But you can at least kind of admit that as a capital allocator, and a growth capital allocator, that you are under hedged. You are under hedged. And if you can do that, then you can at least set aside this appropriate risk, rise in investment to explore what then will become jobs at the end of the day.So I think it's two different ways to explain it. On a product level it's pretty straightforward, but the more complex one that I think is really the hardest thing for the industry to get is that other side.

James Robert Lay:
Yeah. And you've touched on this idea. You mentioned the word entrepreneurship earlier. My mind then goes to the other side of the spectrum of, what are the opportunities, if any, from an entrepreneurship, when it comes to looking at emerging growth? Because when you think about entrepreneurship, it's looking for opportunities, putting people at the center of all of your thinking, all of your doing, human design, human centered growth, for example. But what are the opportunities for let's just call it entrepreneurship to bring that capability into a financial brand, to spur further emerging growth opportunities here?

Alex:
I think it's essential to organic growth. Frankly, you're out at a place now in banking where JP Morgan Chase today just acquired another fintech ESG space. There are going to be more acquisitions happening inorganically to pivot business models. The problem with inorganic growth is that it's expensive. Especially when you have no inhibitors to scale and you have got such kind of on the private and venture market side, bidding up prices. It's expensive. It's going to be an expensive way for an incumbent to turn around. So to your point, entrepreneurship becomes then essential. Organic growth is the best way to do it. It's the cheapest way to do it. And then what do you need for that? We need to kind of unplug people from the matrix.

Alex:
You need to kind of have that ability to have people inside who frankly, are best positioned to understand both the business model and the growth objectives, and the strategy of the firm, and the customer history, all those things. If you can do the work to provide them with the lane to play a different way and to think a different way, I actually think that's the most efficient way to drive transformation. But it's hard. It's hard. I'm not trivializing that path. But I do think if you just kind of stay back and just look at it from a pure, C level economics perspective, you'd rather do that than to inorganically do it.

James Robert Lay:
Correct. As you're talking about this idea of organic growth, I want to play it for a moment. And I've had this conversation twice this week alone with FinTechs, a couple of them were actually just trying to get started up. And I'm a FinTech. Let's just assume I'm a FinTech. And I have two choices. I can go direct to market, B to C, or I could go B to B to C, and then look to bring my capability into an incumbent financial brand. And probably get faster scale because the incumbent has the eyeballs, they have the audience. But then the FinTech has the capabilities and the technologies. What are the opportunities there? Because you mentioned this to begin our conversation of, is it going to be the FinTech that wins? Is it going to be the incumbents, or is it going to be a blended world of two? Where's your thinking here, right now at this point in time, with the right to change your mind?

Alex:
Yeah. James is a great question. And I had over the decade, no less than three conversions on this thesis along the way. And to be honest, so what I not anticipate, or what I didn't anticipate early on in the Moven days. Some of it was the extent of how quickly and how massively the private markets would embrace FinTech. We kind of all knew that it was such a massive space and it was just a matter of time, like when we were trying to raise money for Moven in the early days, people needed to know what we were talking about. There wasn't the word FinTech to describe it, or much less the benchmarking tables Fintech fundraisers. But it continues to blow my mind, the amount of private capital being driven into this space.

Alex:
So that's kind of one factor that I look at and I clock relative to who can win. But I think it's difficult to argue now, to say that a FinTech that has achieved some kind of differentiation in the market, does not have the access to capital to go against the biggest companies in the world. I think that that's definitely there now. Maybe wasn't at a point in time when I took on the other side. The other thing is really the consumer behaviors. So I clocked that a lot, and obviously money is a very sensitive topic and trust is a huge part of it.

James Robert Lay:
Absolutely.

Alex:
And there's so much ingrained in human behaviors, so it's that bet on human behaviors and how far will they really index? And again, like there've been points in time where I was just like, it's maybe not going to go as far as, as Bitcoin wants it to go.

James Robert Lay:
Right.

Alex:
But I've been proven wrong on that. And I feel like now that's another dynamic. Where the consumer behaviors are continuing to go further than I had anticipated in the world of money than I ever thought it could. The last bit, which is really kind of that I think the biggest X factor of all is, is governments. The non-financial players who have the ability from governments to the retailers, to the commerce players, if they don't want to play, they can shut this all down. Right. They can figure out a way to shut it all down.

And again, that's an area where I was more cynical in the past and I really didn't think, I thought some of the large retailers would end up reinforcing some of the old relationships with banks.

Alex:
Maybe that would shut the system down. Some of the governments would step in and shut things down, but that's not happening either. And again, I continue to be amazed by the deals that some of these early stage FinTechs, private companies, are able to strike with the massive commerce players. They rival, they exceed those of what large, for example, super regionals in the US could achieve, for example. That's just stuff that I would never thought would have happened, and happening. So I guess that's a long-winded way of saying, I do feel like we're now at another place where it's anybody's guess.

James Robert Lay:
Correct.

Alex:
And it might even be leaning towards a greater sense of urgency for incumbents to really, really, really take this seriously now.

James Robert Lay:
You know, you've touched on this a couple of times in our conversation, this idea of digital currency, Bitcoin, crypto. The way that I look at this, like in, in 2021 is almost where the internet was in 1996, 1997. There's a couple of like Good Morning America style shows where they were making fun of email, and what is email, and how does it all work, that you can find on YouTube. And I'm almost, that's where we're at right now with crypto and digital currency. And I understand that's creating a lot of angst and anxiety at the leadership level, because that really is where things are going to get transformed.

James Robert Lay:
I mean, NCR just did that deal, and I forgot who the brand was, but it's a gas station somewhere like on the east coast so that you could pay in Bitcoin. And when you think about all of this change happening, and the speed of change, change is hard. Change is scary, change is painful. When it comes to just being a financial brand leader, what are your recommendations to others, to the dear listeners, so that they can just deal and overcome some of this change ,and this risk aversion so that it does not become an expense or a cost going forward into the future?

Alex:
Yeah. I really think the conversations that need to be happening, we need to kind of go in some ways, needs to take a step back and away from what I'll call product level conversations. So stop talking about feature function, stop talking about customer centricity, stop talking about widgets. And then now elevate the conversation and talk about strategic risk, and capital allocation, and how you are investing. The capital of the firm. Talk about that. And if just raise it up to that level, and it's becomes a rational discussion on the dynamics of volatility, like I was mentioning before. And at the end of the day, it's very difficult to conclude that there was no risk out there.

Alex:
And then you can price that risk. Like that's what banks do. That's what financial services firms do. And if we price that risk appropriately, then it becomes something we know how to do. It's mechanical. And so if we can do that, and then you get to the conversation on features functions and blah, blah, blah, or frankly, just capital and just set the strategy going. But I do feel like maybe we've been focused too long on the wrong thing, which is kind of the widgets, the features, the customer. And we've convinced

ourselves that this is not a big deal, that we can copy what's going out there, and react fast enough. And we're missing really the whole point, which is it's the business model. The page that they're operating from is just different. They're making decisions day in and day out very differently than we make them within large banks. And we have to come to terms with that.

James Robert Lay:
Yes. And, and that's where I think about, what I call, and I wrote about this in the book Banking on Digital Growth, but you have what I have coined the purpose statement pyramid. At the foundation of that is the what, this is what we do. And you mentioned there's, at the product level, that there's a lot of R and D, and it's not research and development. It's ripping off and duplicating what others are doing. Then you have the next level up. It's the how. It's the experience that you bring to bear through the what. Then it's the who, getting really clear of who are you creating this value for? And then at the pinnacle, and I see a lot of FinTech probably thinking about this more than anything, it's the why. It's, why are we doing this? And tapping into that.

James Robert Lay:
And then letting it inform the why, letting the why inform the who, then the how, and then ultimately the what. And then it trickles down all the way from that higher order thinking, or that higher level of purpose. This has been a fantastic conversation, Alex, and I'm grateful for all of the knowledge, the insights that you've shared with the dear listener here today. As we wrap things up, you talked about practicality. And I always like to end on a very practical note. What is one practical recommendation when it comes to, and we're not going to use the word innovation, back to your point, we're going to use the word growth or emerging growth. How can they capture some emerging growth starting small, because all change, all transformation begins with a small, simple step, a small action, a small commitment. What would be that small action, that small commitment, that you would recommend that they could take going forward on their own journeys of growth here today?

Alex:
Yeah, I would actually do ... the practical step I recommend is have your finance team do the analysis on that allocation of growth investment capital, and identify the number that you truly believe is being spent on emerging growth. Like as a hedge to that risk. Identify that number. Walk around it, but when you identify the number, make sure the board knows that number. Raise it to that level. That should be a known number at all the sea levels of any bank or institution out there. To me that the very practical first step is do the financial work to identify how you're allocated relative to your growth investment.

James Robert Lay:
Absolutely. Well, Alex, thank you so much for all of the knowledge today. If anyone wants to just connect with you to say hello, what's the best way for them to reach out and do that?

Alex:
Sure, absolutely. You can reach me at citialex.sion@citi.com.

James Robert Lay:
Excellent. Reach out to Alex. Say hello. Thank him for all of the knowledge that you've shared today. And thank you Alex once again for joining me on another episode of Banking on Digital Growth. This has been great man.

Alex:

Awesome, thanks James. Appreciate it

James Robert Lay:
As always, and until next time, be well, do good and make your bed.