

Renee Newman:

If we're truly wanting to put the client in the center then we have to look at experience first.

James Robert Lay:

Greetings and hello, I am James Robert Lay, and welcome to the 143rd episode of the Banking on Digital Growth Podcast. Today's episode is part of the new Starts Now Series and features a fireside chat conversation that I facilitated framed around small business growth opportunities for financial brands, more specifically how you, the dear listener, can create value for SMBs by transforming the financial experience. Now this is a passion topic of mine which is empowering and elevating small businesses, because I do believe SMBs, small businesses are the backbone of our local economies rooted deep within our local communities. In fact, I predicted all the way back in episode number 55, which was my top 12 growth trends for banks and credit unions in 2021, that the SMB market would be a tremendous growth opportunity for financial brands to capture over the next 36 months. And this was my second of 12 predictions that I make every year. And so far from the trends that I'm seeing in the marketplace for 2021, both from banks and credit unions as well as from fintechs, this prediction is coming true.

James Robert Lay:

You see, small business is an ever-growing market opportunity for financial brands and fintechs to capture, as there were half a million new businesses started in January of 2021 alone according to a study from Salesforce. And I predict we will continue to see this trend of small business growth continue as the barriers to entry, the barriers to start a new business have never been lower. The problem however, especially for incumbent financial brands, is there are now over 150 different fintechs competing for the attention, the eyeballs, the deposits, the loans of small business owners. And this really creates a tremendous amount of choice in the marketplace, and that choice is leading to a tremendous amount of complexity and even confusion for small business owners. Who do they choose? Where do they turn for help? Who should they trust? Will they turn to you, your financial brand, your bank, your credit, your fintech startup? Or will it be someone else like a Square, or a PayPal, maybe even a QuickBooks just to name a few.

James Robert Lay:

The good news for you is that new starts now, and now is the time to cut through the noise with marketing, and sales, and growth strategies that put the transformation of people, in this particular case the transformation of small business owners, over the commoditized transaction of dollars and cents. So pour yourself a cup of coffee, grab a glass of wine, craft your favorite cocktail, and get ready to join me for a fantastic fireside chat conversation with three very smart, three very passionate people, including Renee Newman, who is an accomplished financial services executive and board member, Derik Sutton who's the VP of marketing at Autobooks, and Corey LeBlanc who is the co-founder at Locality Bank. And if you'd like to watch this conversation unfold instead of just listening to it, you can always hop over to nymbus.com/smbfireside. That is nymbus.com/smbfireside.

James Robert Lay:

Greetings and hello, my name is James Robert Lay, and I'd like to welcome you to the New Starts Now series brought to you by Nymbus. Specifically today we're going to be talking about small business. It's a \$370 billion opportunity for financial brands not to compete with fintech, but to collaborate with fintech. And because we're talking about small business I'd like to thank the East Austin Hotel for their hospitality, for welcoming us in, and Say So Studios out of Orlando for filming today's discussion.

James Robert Lay:

Joining me today is Renee Newman, an accomplished financial services professional and board member. I'd also like to welcome Derik Sutton, VP of marketing from Autobooks, and finally Corey LeBlanc, co-founder at Locality Bank. And as we begin today's conversation and discussion I'd like to hear some stories, some stories, hope, inspiration from small business leaders that you've talked with, that you've worked with, that you've interviewed over the last 12 to 18 months, because what a challenging 12 to 18 months this has been. And when you think about small business and the importance, they are the backbone of the American economy, they create over half of the jobs in the United States. What have been some of these stories of hope and inspiration? Derik, let's start with you today.

Derik Sutton:

Yeah. So at Autobooks we talk to a lot of business owners and we make that a priority, we want to hear from the front lines and the stories you hear are amazing. So as we all know, small businesses are resilient, that's the number one redeeming quality. And so you hear these stories of transition where I have a business and traditionally I'm going on site or into somebody's home to conduct a business. So there's an educational company that we work with and they help kids with reading disorders. And they used to go in home and meet with the kiddos and the parents, and they would do a little curriculum around helping the kid learn how to read. Well with COVID that got broken, and so they had to be resilient.

Derik Sutton:

And the way that they adapted was they started virtual training and virtual learning sessions, but then their payment mechanism broke out of that. And so their cash flow cycle started to extend. And the great thing is their bank happened to be partnered with us and was able to deploy a digital receivables solution, so now the business was able to quickly pivot, maintain their cashflow and get paid by the parents. They've now pivoted most of their sessions to virtual now and they found the efficiencies in that. But we're hearing stories like that all the time about how businesses have just found a way, which is great.

James Robert Lay:

And I think that's the key, it's the resiliency, it's the dedication, it's wanting to create a bigger and better, brighter future. As you're starting Locality Bank, Corey, what are you seeing? What are you hearing over these conversations with small business owners?

Corey LeBlanc:

Yeah, so same thing with Derik, right? We're hearing a lot of resiliency from the small businesses coming out of that, but one of the frustrations that they have is on the financials side of things. How do they continue to run their business effectively? So they're really kind of looking for help. On the backside it's, I mean we had a conversation with a buddy of mine who runs a startup tech company out of New Orleans, and it's called Rent Check. And what they do is they basically settle between the renter and the rentee this initial payment to say, okay, at the end of my lease I'm going to go back and say, hey, the house was as it was. Well if the renter doesn't agree with the rentee, you have a digital timestamp of it.

Corey LeBlanc:

And he was creating this business and he was telling me, look, I'm pre-revenue, I'm trying to figure out what this model's going to look like, and I had to hire a fractional CFO just to help me manage my business. He's like, I've ran two businesses already before, my co-founder was a Naval Academy grad, he's an Academy grad, and they still couldn't figure out how to balance the difference between their bank account, and their Stripe account, and the Squares and all these other pieces. So as Derik was pointing out, they're trying to figure out way to get those things orchestrated.

James Robert Lay:

And when I think and hear that story, and I'm working at a financial brand, I'm working at a fintech, one of the opportunities is small businesses looking for two things. They're looking obviously for help, but I think the other thing is they're looking for some hope. They're looking that someone is going to be there to guide me on this journey, beyond your point, these questions and concerns. Renee, when you think back over these past 12 to 18 months of working through this, what we'll call the COVID experience, what have been the biggest trends, the biggest patterns that you've seen unfold for small business in relationship to financial brands, in relationship to fintech when it comes to offering help, when it comes to offering hope?

Renee Newman:

So for me it's all about that human connection and the humanness. And I think what we all discovered and found is that human contact still matters. And that as a financial brand it's important to place yourself as a trusted advisor. And the process was so complicated and convoluted. And when we positioned our bankers to be there and to provide help and hope, and we tried to take care of the technology on the backside to automate and make it easier, we found that we could magnify those moments that matter.

James Robert Lay:

You talk about humanizing the digital experience, if you will, as you're starting up Locality how important will, we'll call it humanity, play into this overall experience here?

Corey LeBlanc:

That's huge, it's the whole reason why Locality is going to be a bank. So we could have easily came at this and said, let's go build a tech company or a financial services tech company off of another bank charter, and let's just roll this thing out nationally. Let's try to hit this thing big, let's find a specific segment that we can go maybe in payments, maybe in lending, or something where we can create those efficiencies and humanize this part and go sell that to banks. But then we started asking ourselves was like, where's the problem though?

Corey LeBlanc:

So we started to look at the communities and the businesses that operate out of there, where are the difficulties for them? And that's the piece that's missing is we talk about these technologies and we talk about personalization, but we don't talk about personal. And sFco for it's, how do you take people who understand the market, understand the difficulties and can work with those businesses when needed, but when not needed you still have the digital capability and everything in place that they can self-serve, and they can get from point A to point B as fast as possible? Also again, have that guide, that steward, that fundamental purpose that banks exist.

James Robert Lay:

So when you think about the small business competitive threats today, as you mentioned before, there's Square coming in. Diving deeper there's PayPal, there's QuickBooks, there's a lot of complexity. As a small business owner myself I think, well what do I need to choose? How does all of this fit and work together? But also as a financial brand it's death by 1,000 cuts, it's a very slow bleed of the relationship. So Derik, what are the big competitive threats that financial brands and fintech also need to be aware of as we face them today?

Derik Sutton:

Sure. So I would just kind of boil it down to this, whenever the world went digital the way that businesses deposited money changed fundamentally. And unfortunately financial institutions weren't prepared for that. And large fintech and now fintech newly bank with Square were, and they were leading with digital receivables. They made it very simple for businesses to onboard in minutes and start accepting payments. And I haven't met a business yet that doesn't need to accept money. And so whenever the cycle got broken of in community accepting cash and check, taking it to a physical location to get access to operating capital, when that broke they had to go, it's like water going to the lowest point. Businesses are going to go find a way to get paid, and those were the outlets for that.

Derik Sutton:

And there was an acceleration of account creation services as part of those receivables companies. So Square adding a bank account, Shopify quickly came to market and said, hey, we're now a business bank. Wave, QuickBooks online as well. And so they all found the opportunity and they've done what Clayton Christensen would call an innovators dilemma, they've unlocked non-consumption. So there was a lot of non-consumption of merchant services taking place inside of the financial system, and they've unlocked that. And now they're creating a flywheel of other banking products that are slowly and now more rapidly displacing services that a traditional financial institution can.

James Robert Lay:

It's interesting that you mentioned Shopify and how that is an online eCommerce company helping small businesses get started selling, getting those receivables, and now they're offering banking services. When you think about that what, Renee, from a real relationship standpoint is it even possible for a small business owner to have that human connection, that human relationship with a Shopify, with a PayPal, with any of these other competitors? Or is there an opportunity for, you know what, we can bridge the best of both worlds? What does that look like to you?

Renee Newman:

So I really think that hybrid approach is the sweet spot if you will. There's statistics that have shown that through the PPP process that those fintech companies didn't have as great as client satisfaction, and I think that's where the humanness comes into play. So you need to find an opportunity or a way to bridge that gap. Business owners have more options now than ever, and when push comes to shove and they need to get something done it's not difficult to switch, it's downloading an app on your phone. So we have to figure out how we make that happen. And if the value you can add as a relationship banker in that is helping that big business owner tie that all together, that's huge.

James Robert Lay:

Yes. What have you seen from a relationship transformation over the last 12 to 18 months, Corey?

Corey LeBlanc:

Yeah, so I got a story actually. I was sitting down with a buddy of mine the other day just went into his shop, he's my tattoo artist, he's run a business for quite some time. And, I mean he's had a lot out of success. But I wanted to ask him I was like, look, if anyone's going to know this it's my buddy Joey, what is the problems that you have running your business? Like what are you using? How do you function? And this guy is, I mean not technical at all, he's very archaic in the way that he ran his business. He does have Square, he started accepting credit cards not too long ago. But before that he was just all in cash when I first started working with him.

Corey LeBlanc:

And I was talking to him and he said, "Well look, I don't really know anything about the banking technology stuff." And he doesn't even know the word fintech, he doesn't understand. He was like, "So I don't really know how to tell you to make this better. So you tell me what you're doing and I'll tell you if that makes sense." I said, "Well who are you using?" So are you using the local bank, which I know he has a relationship, are you using the big bank, the national bank that I know he has a relationship, like which one is your primary bank? Who are you going? He's like, "Well I kind of just use Square." He was like, "I started using them for my lending."

Corey LeBlanc:

And we were talking about this last night, what he does is he's like, "I can go get a loan. This amount of money, this capital for me to run my business same day. And then I pay it back and when I don't need anymore I still have everything, all those receivables, all that information in there and I can kind of run my business." He's like, "It helps me know the things I really don't know." And he was like, "That's huge for me." And the fact that he is running on Square totally kills this idea that you have these digital natives out there that are going to start to adopt these things and move forward, and then you also have these more traditional people who want to sit in traditional institutions. So what we're seeing in the conversations is that again, these businesses are having to figure out how to run their companies. And you do want that personal element, they want that personal element, however what's most important is efficiency. It's running that business day to day. So if you don't have that with the personal, they're going to go take the efficiency.

Derik Sutton:

Well what I would say is what your buddy is experiencing, that is personal to him.

Corey LeBlanc:

Yeah.

Derik Sutton:

And although it's completely digital it's his personal finances, it's his family, it's running his business. And so oftentimes digital gets a bit of a bad rap because the customer actually thinks that's great personal service. So who's the Amazon rep that you've ever met personally? But we all think they have great service. But it's all digital. There's that disconnect-

James Robert Lay:

And I think that's the key, service is in the mind of the receiver.

Derik Sutton:

Right, right.

James Robert Lay:

And it comes down to that idea of experience and what is experience? It's well defined systems and processes that have been strategically thought out, that have been applied. And I think the key here, particularly when talking about relationships, optimization. What is working well, what could be made even better? I'm curious as we reflect on where we've been, how did we get to this point today, Derik? If we can go back and think what brought us to this and how did these relationships begin slipping away, we'll call it slowly, but then what has that journey looked like from your role?

Derik Sutton:

Yeah. I think I hit on it earlier, it's community banks and banks that were really focused on a brand network, the branch was the epicenter of where activity took place. And the expectation was people needed to come to us for service, but we also had this trick where the only place you could deposit cash and check was at a financial institution. And so you had this natural connectedness to the market and you had people coming and out, you were learning about new markets, new opportunities, business success, you're having conversations, you're building a personal relationship. When payments went digital all that got broken and those conversations are now taken out of the branch, those connections are no longer made, and the winners in that are those that are leading with the digital receivables.

Derik Sutton:

And so I think that's all the epicenter of a lot of this and it's going to take a bit of an adjustment. Financial institutions kind of gave up on pushing merchant services to businesses long ago, and when you look at even full merchant service penetration rates inside organizations, it's not that great. And so I think we have to get back to the number one priority of a business is cash flow, as an organization how can we get in front of cash flow? Because he or she who controls how a business gets paid ultimately is going to control the relationship.

James Robert Lay:

And that's a great point, cash flow. You mentioned before access to capital as well with the story of your tattoo artist. Renee, I think about QuickBooks. I'm in QuickBooks, QuickBooks knows me, QuickBooks understands what my operations look like probably sometimes even better than I know myself. And then they're making offers to me to get that access to capital and I'm not getting that from, say my traditional banking relationship. What's the opportunity to take that type of experience and then deploy it through, we'll call it an incumbent or a traditional financial brand? Is it in partnership? Is it in collaboration with fintech? Is it something that we build internally? What are your thoughts on this here?

Renee Newman:

Yeah, I think for most traditional financial brands what we've done with small business is taken all of our commercial products and services and solutions, and made them commercial light. And so that even goes to policies, procedures, processes, pricing, you name it. And we were trying to fit small business in a box and that doesn't really work. With this disruption, which I'll call a beautiful disruption, what we see is a bit of an aha moment where financial brands can say, wow, can I do this? Or if I can't do it can I partner with someone who can help me do it?

Renee Newman:

I also think we struggle with our own data. And I watched a focus group play back and this was a great moment where someone said, why do you ask me on a check renewal my last check? Don't you have that information? I think we've been hesitant for some reason to use our own data to help. If we have a relationship with someone they're saying help me, we should be listening, we should be helping them. When they're searching for something we should offer that up. And that's where I think fintechs and financial brands can partner well together. Everybody can offer a product or a service, but what is that extra value? How do you infuse those memorable moments or those brand moments that differentiate you? That's where I think there's great opportunity.

James Robert Lay:

I want to talk about that opportunity even further because when you think about that relationship between financial brands, fintech, small business, one of the discussion points that we've had before is empowering a small business to maximize their growth capability. Because a lot of times as a small business owner your head's down, you're focused on the business, it's very hard to look towards the

future. When you think about that relationship and you're building the future now with Locality, what are the opportunities to educate, not financially, but we'll just call it more just business advisory for small business?

Corey LeBlanc:

Yeah, I think the opportunity is huge. And as Renee was pointing out, is the fact that banks really are not using the data in the way they should. And so we were just having a conversation with the regulators the other day and then we had this discussion about the use of data and how much data we could potentially have and is that a risk? And I said no, absolutely not. We're taking the same amount of data that any other financial institution would if they just go apply for a loan, we're just making that data actionable, which is very different. So most banks will go look at data and they want to have all the data, and maybe they'll even go work with a company to cleanse and categorize that data, and they'll present it to the executive board or the actual board members and say, hey look, this is what our customers look like. Okay, but what I do with that?

Corey LeBlanc:

And that's the problem is we have the data. We understand the markets, and we try to break this analysis as opposed to take this data, make it actionable, and bring it back into an insightful dashboard for the customer, insightful dashboard for the banker so that both sides understand where along that financial journey the customer is. So the way we look at it is can we take the data, can we put it in front of the customer, allow them to understand cash flow better, allow them to understand the ebbs and flows of their business, and then inject that education component as well where we're that true advisor or that guide to the customer to say, okay, well at this point we think that you'd be prime to get a loan, or maybe access to some additional funds because your business is in the top 5%, you're ripe for growth.

Corey LeBlanc:

Maybe they don't know that, maybe they're questioning that. Or maybe they do but they just don't know to go ask for the loan or they're scared to go ask for the loan because there's also that component. And so for us it's how do you combine the partnerships with the fintechs? How do you combine the data that you have with the front user interface? But it starts with actually building the architecture and the infrastructure on the backside to make sure you can deliver on that.

James Robert Lay:

I think you're hitting on something that's very back to this point here of human. You mentioned fear, fear of getting the loan, fear of even applying the loan so therefore I don't do thing and I continue to struggle. What's the opportunity for financial brands and fintech to collaborate to eliminate those fears do you think, Derik?

Derik Sutton:

Well I think it comes down to financial institutions making a decision around what they want to be really good at, what they want to own, and what they want to partner on. And I think the best organizations I've seen they clearly stick signal and say, hey, we expect this vendor to come in and own this portion of our business. So you own the front end user interface, you own data analytics, you own customer acquisition, and you help, basically help us better serve our customer base. We've got everything from there, the compliance, the security, the personal relationship, but just partner with us. Go do your thing well, fintech, in support of us and in support of our customer needs. I think that's the model moving forward. Community banks and banks in general are a bit stretched with having to kind of be all things to all people, and I think we're probably going to move into a world where it's a bit more vertical and we're going to rely upon fintech vendors to help us services those vertical niches that we care most about.

James Robert Lay:

So Corey, before you mentioned this idea of fear as a small business owner, the fear of applying for a loan because of the fear of rejection of getting approved for that loan. But fear is also something that we internally at a financial brand, we have to manage because change is hard, change is scary, change is sometimes painful. I'm curious, what is your experience of just managing change personally? How are you dealing with this as you're starting up Locality and then what has that experience been historically for you as well?

Corey LeBlanc:

Yeah, so that was one of the primary conversations we had when we started building the team. We had this founders group and we were all pretty much on the same page, we knew exactly what we wanted to do. We understood that there was going to be hurdles, there was going to be difficulties, there was going to be things that we thought we were going to do that we then inevitably change. But as you start to bring more people on how do you make sure that they understand the necessity of change over time? That iteration is going to be key for our business? That day one product is not going to be the best version of the product we're going to have, that 90 day product isn't going to be the best version of the product we're going to have. It's going to continue to get better if we iterate.

Corey LeBlanc:

And so the first thing we realized is we have to de-risk failure. This concept of if I'm wrong, if I go select this vendor, I go sign this contract, I make this change, I execute on this loan and it doesn't work, then my job's at risk. Or someone's going to get upset or I'm the weak link of the group. And the first thing we said was let's sit down with the entire group of people that we have, let's get every single employee, let's go through a culture day. Let's go sit down, let's look at all of our behavioral statistics, everything. So we did all the exams and everything, and then started having a conversation based on everyone's personalities. And said, okay look, this is what we're going to expect of you, but we also expect you to challenge what we do, we expect you to challenge everything that you're doing, and just understand that there's no way we're going to give you a leash that is ultimately going to hurt you. You have all the ability to go be successful and none of the ability to really fail.

James Robert Lay:

And failure is the fertile seeds from which new growth springs anew. I think the older that we get, we get conditioned to fear failure. Because if you think about as a kindergartner, as a first grader, as a second grader we're still learning, we're still exploring and the future is bright. But then we go through and we get a bad grade on a test and then you're like, oh, there's something wrong. You're talking a lot of about culture here, and empathy internally, and supporting, and getting really clear of what the future you're looking to build as an organization, and then supporting one another. Let's come over to the incumbent side, Renee, we're at a large organization, that's a big ship to turn. And if you're going to collaborate with fintech, fintech naturally operates differently. They're operating from a sense of optimization, 90 day sprints if you will, how do you transform that cultural conversation at an incumbent who has 100, 125 years of legacy behind them? What, what do we do there?

Renee Newman:

Yeah. I have a mantra, progress not perfection. I mean I'm one of those, I strive to be perfect. And I think adopting an agile growth mindset is really important. Consider yourself a scientist, test a theory, test a hypothesis. If you fail, fail fast. And hopefully fail a lot, I mean that's part to the learning. And understand that when we need to get something out to market it can't be perfect and it will never be perfect. So what is it, what's that minimum viable product that we need to get out? How do we test it to ensure that

it's meeting the needs of our customers? And how is that translating in to us for business? So again, I just think people are the most important part of this and it is a cultural shift, and so therefore you really need to help them along that journey.

James Robert Lay:

A couple thoughts on that when you mentioned progress, progress is greater than perfection because as you look ahead towards the future it is so easy to get overwhelmed at all of these things that we have to do. It's the impossible mountain that we have to climb. And when you look at that mountain you begin to question, what's the point? But when you look behind from where you've come from, that builds your courage, that builds your momentum, that builds your confidence to continue to commit. I want to come back to the point here about focus, because it does take courage to focus. And what is courage? Courage is doing the right thing, not in the absence of fear but facing fear itself and continuing forward. One of the things that you had noted before was you can look at a financial brand website, look at their navigation menu, talk to me about some of the complexities. I'm a small business owner, I'm navigating this, I see all of these options, all of this choice, but then I go look at say a Square or a PayPal, it's much more simplified.

Derik Sutton:

Yeah. You're going to need to give me a couple minutes because this one may take a minute. So just do that, right? So have your cold shower moment with your employees and your board and say, hey, would you go to our website and tell me where I can find this solution? Just give them that little challenge. Navigate down on the menu, you see this whole portfolio of products and services and say, put yourself in the small business owner shoes, the consumer shoes. I want you to go sign up for this service, open an account with us, use this product or service. But I don't think enough financial institutions have their employees do that, use their own banking products.

Derik Sutton:

Shut off access in core to balances and make them use the mobile banking app. Does anybody in our institution have a small business on the side? Sign up for this product, use this service, educate our team about it. Make your senior executives go into the lobby and talk to people regularly. When they come in, hey, what do you challenged with? What do you faced with? Which banking parks are you using? What's wrong with them? What's broken? The analogy I give financial institutions quite regularly is you would never leave impediments in your physical branch lobby to get in the door, or to get access to service, or to sign up for a product or service, yet your digital solution is littered with them. Literally littered with them. You go to a fintech solution and they have the ability to focus in and they can just say, we're here to solve this one problem, we're going to do it really, really well.

Derik Sutton:

And I think financial institutions, and this is a cultural thing, the mountain to climb oftentimes is an RFP. Because the RFP is basically, it's a history book of all the things we did in the past that vendors have to first satisfy before we can move forward. It's broken. And so instead a financial institution should say, hey, I care about small business a priority, I've met with customers, we know what their pain points are, this is the experience we want to create. If you're a vendor, if you can come in and help us solve this thing, that's our highest priority. Here's our prototype, that's what an RFP should be. And then if you could do these other things great, but if not we're going to leave the legacy in the past. And if that makes 5% of our customers unhappy, then that's the challenge. You have to let them go. You can't maintain the past if you want to build the future.

Corey LeBlanc:

Well that's a good point too. And so as we were talking you were saying like, how do you go to the speed of the fintech or get the bank to ramp up the way that they look at things? Banks never look at things at this singular outcome perspective, they want to look at this in the totality of the business and they're month by month, quarter by quarter. And instead of looking at okay, what are we trying to accomplish? What is this singular outcome that we can then communicate internally to our employees so everyone understands, look, if we all know what we have to do it's a lot easier to start to figure out how do we do it.

Derik Sutton:

It's completely frustrating as a fintech, or I worked in core banking technology and digital banking. And you go through this process and you have this long drawn out conversation about these three or four features. And then you ask the question, how many people use this? We don't know but we've always had it. Is it that important?

James Robert Lay:

And that's a great point because you talked about asking your board, asking your senior leadership team, go find this on the website, go through that shopping experience. I can tell you 85% to 92% of financial brands have never secret shopped their website. And when we conduct studies against say an incumbent versus a fintech, the fintech traditionally scores higher because of the simplicity. They're not overwhelming, there's just enough to move them, to nudge them in the right direction. So you're starting a new bank, and it's not every day that we get to start a bank, which is a big undertaking. What are the big lessons that you're learning? Because you're applying a lot of this thinking, you're focused on a niche, you're working towards a bigger purpose, you're communicating that purpose internally as a North Star so as an organization everyone knows where you're going and growing together, you're leaving the past behind to create something new. What have been the big lessons that you've learned through this experience?

Corey LeBlanc:

Yeah, I think one of the big keys for us is understanding how easy it is to go back to comfortable. And so we start talking about first principle concepts and we were saying in, hey, we're going to build this thing from scratch. What's ideal? We look at deposits, what's ideal? We look at cashflow management, what's ideal? So on and so forth. But then we get to certain areas and we hit a roadblock, we hit something that's tough. And everyone's like, well let's just go pull this other platform. We know we've used this before, it's going to work. Well that's not really what we're setting out to do. So this ability for us to create that efficiency, this better customer experience is we're going to have to get through those things. And so it's making sure that every single day that we are challenging ourselves. That we're not letting those temptations to go back to these other ways of doing things because that's how they were done, and then making sure that everything that we're doing moving forward is to this specific again, that outcome, that singular outcome.

Corey LeBlanc:

And so for us it's to allow local businesses to maximize their potential. So if anything that we do doesn't do that, if we go back to a traditional loan process because we know we can get through the loan processing, the credit analysis, the underwriting, and we go back to that but it didn't create any kind of value for that local business to maximize their potential, then we didn't do what we said we were going to do. And so that's important for us. And that's one of the things I've learned is even with a bunch of people who, I mean think about it. Everybody who joined our team literally jumped off a cliff into this

opportunity. Like to your point, you don't start a bank every day. And then we're still making sure that, or having that difficulty. And so I could only, it just exacerbates what it was in these larger institutions.

James Robert Lay:

And I think that's a good point to make because accountability, accountability so that we don't fall back on old patterns, we don't fall back on old belief systems. What is a great way, particularly at an incumbent you've got a lot of legacy, you've got a lot of history, how can you hold each other accountable so that you don't fall back and continue forward to make progress greater than perfection?

Renee Newman:

Right. Corey hit on it, you have to have a plan and you have to have that North Star. And in my experience it's put the client in the center of everything that we do, and you go back and you test it. Is that helping the client? And we also need to rethink how we institute change within our organizations. Typically we have those business leaders help us with that process, but what I've found in my experience they just rebuild the same widget, the same process. So we have to stop that. And if we're truly wanting to put the client in the center, then we have to look at experience first. And we have to rely on the experts for what's needed through the process, but we have to reimagine, we have to think differently, and we have to document that, stick to your plan, adapt as required, and look for ways to be daring, different, and smart to meet the client how, when, and where they want to be met.

James Robert Lay:

I like that, put people at the center of all of your thinking, put people at the center of all of your doing. And I see fintech has done that more from an operational standpoint, human centered design if you will, jobs to be done. Derik, I'm curious what is a commonly held belief on the relationship between financial brand and fintech that others in the industry have but you just disagree with?

Derik Sutton:

Yeah, that's a long list. Probably I'll hit on this one that I think we rested our laurels a little bit too much around people want to connect with people and people want personal service. I think that's true when they're in a moment of need potentially, but actually people just want stuff to work. And they want to know that it's built for them and it's going to solve their problem. And so here's a very stark contrast, go to Square's website and look at the way they, literally their design put the business owner at the center of everything they do. It's business owner spaces, it's them in action, it's spoken to them in the workflow of the business owner. Are you here to collect money? Are you here to pay your people? Are you building for the future? Go to a bank's website on small business checking and you know what it is?

Renee Newman:

What product do you want?

Derik Sutton:

It's transactional. And so you say, as financial institutions we say that we want a personal connection with business owners, but yet all we do is speak in transactions. Small business checking is okay, you're going to pay this dollar per month, you can do this many transactions, we're going to charge you these fees for these types of transactions. If you want to waive those fees do these things, do these transactions. That's small business checking. It's broken, it doesn't have the customer in the center of that at all. It's thinking from the inside out, it's saying this is our account analysis routine, this is how we set up small business checking, therefore that's how we're going to relate it to our customer base.

James Robert Lay:

And that's a great point because when you look at this idea of the transaction, it's very cold, it's not very human, it's not even personal. It's just an exchange. But when you begin to think about putting the transformation of people, the transformation of small businesses over the transaction, that's where the real value creation comes. And that can come from collaborating, collaborating financial brands and fintech instead of competing. Renee, I'm curious how can we transform that conversation internally? A lot of conversations that we might have with ourselves that fintech is the competition. No, fintech is the collaborator, it is the who to our how.

Renee Newman:

Right. So I have been a part of a lot of focus groups and it was really interesting for me last year going through, we're trying to maximize the small business journey. And another aha moment, we had a small business owner say, know me, know all of me, know who I am as a person. I think we as traditional financial brands get very used to separation of church and state when it comes to commercial. Business owner and we don't talk personal business. But small business, it's inextricably linked. And this person said, I'm an entrepreneur, this isn't the only idea I have. You've never even asked me. So power. So when I think about the opportunity with fintech and traditional financial brands, how do we leverage that? How do we maximize that? How do we leverage the technology and the tools and the resources so when we're having those human to human moments we can make them matter? And then I have my own internal focus group with my two digital natives. And my 13 year old entrepreneur said to me recently, he's a Bitcoin miner and started his own business, I will never need a bank.

James Robert Lay:

How did that make you feel?

Renee Newman:

Whoa, it didn't make me feel very good. And so I started asking questions. He's savvy and so he's got this figured out. I'm going to go where I need to go to get what I need done.

James Robert Lay:

Right. And I think that's key because he's empowered, he's in control, he can Google, he can find what he needs and that has transformed that relationship once again. I'm curious as we look ahead towards the future and all change, all progress begins with a small, simple step. It doesn't have to be this massive transformation. A lot of times when you think about massive transformation it's one of the reasons that 60% to 85% of digital transformation initiatives failed in the first place, because there's not the clarity of why we're doing this. That begins the pushback internally of don't move my cheese, I'm comfortable where I've been. For those listening and watching, and I'd like to get an opinion from all of you on this, what would be that key recommendation, that small step, that small start to begin to make progress going forward? You're going through this, Corey, let's start with you. What's that one small thing that they can do?

Corey LeBlanc:

Yeah, I think it is accountability. It's creating that accountability inside the organization so that they understand that ownership of a department isn't just ownership. It's not a possessional thing, it's accountability to that thing. And for me I think the recommendation I have is the discussion that needs to be happening inside the organization is how do we start to change the infrastructure and the architecture of the organization, as well as the technology stacks to support this idea that we're going to have constant change? We're going to have all these things that's going to come out. We're going to have a version of the product that's an MVP that's going to be iterated on.

Corey LeBlanc:

And so when we were starting out we were kind of met with a dilemma of all right, if we're going to go in this modern direction and we want to go build this modern infrastructure and architecture, our core banking solution couldn't also be this very static, hardened system that is still gradually modernizing. It needed to be something that was more flexible. So when we started looking at all the vendors we were like, oh, this is very scary because not all of them have a lot of proven points. And we were challenged with do we then just go sign back with this traditional core system and just get rolling? And we're like, no, we can't. We've got to make sure we build that architecture infrastructure properly.

Corey LeBlanc:

And so when we started working with Nymbus it was like this light bulb. We started working with their engineers, we started working with their marketing teams, we started working their product teams on what this evolution's going to be. And I know we've talked about this, the version of the product that we had in mind when we went into day one has gotten tremendously better through those conversations, those collaborations. But the ability for us to be able to execute on that is key.

James Robert Lay:

That's a great point. And Renee, I'd like to come back to you as well to you Derik on that, of getting that outside objective perspective. Because it's so easy to get trapped in the bottle. You can't see anything outside, you only know what you know. And I hear that a lot of times from financial brand leaders, well we just don't know this or we don't know that. And I've said no hard feelings, that's why training, that's why education is so critical to future growth. How can we get that external accountability, that external guidance and what does that play? What does that look like, Renee?

Renee Newman:

I think financial brands have to start thinking more like a brand and less about, I'm a bank and this is the way I've always done it. And be open to that. I think we see that, there's more adoption of digital rules coming in. But we have to be willing to have crucial conversations and we have to get comfortable being uncomfortable. And when we have those conversations it business not personal, it's not about the ownership and the way we've always done things. Operations or IT doesn't drive the bus, it's the client. And how do we maximize that because if we help small business be successful, we will be successful.

James Robert Lay:

Absolutely, absolutely. And you talk about small business being successful, financial brands being successful. Derik, I want to come back to you, what would be that small step recommendation that you would make for someone looking to make progress on this journey of growth here?

Derik Sutton:

Yeah. We have a phrase or a saying at Autobook, proximity creates empathy. So go talk to your business customers, go walk in their shoes, go find out their challenges. Don't be overly prescriptive. It doesn't have to be a scripted conversation, it could be very casual. And just ask them about their business. How do you get paid? What are your growth needs? Reach out then and say to your employees and staff and start to train them on what the competition really looks like. Call into your organization and say, hey, I'm a business owner, I just got started. I need to accept payments from my customers, how can you help me? And see what your employees say. You'd be shocked at the referrals that they give to the new competition quite frankly.

Derik Sutton:

Look at a little bit of your data. Pull a sample of 1,000 small business owners and see how many incoming deposits are coming from third party solutions. And then lastly have your team download and use those third party solutions, and understand what you need to be if you really want to compete in that market. I think if you do those things you'll quickly see that things have to change and then it's going to be up to you. Do you want to build a plan and execute upon that or are you willing to abdicate or basically allow those third parties to kind of win the day with the business owner?

James Robert Lay:

I can't help but think as you're talking through those recommendations, you talk about going out and just talking, having a conversation. When was the last time that you were listening, thinking, having these discussions with small business owners? That's a key takeaway right here. So as you're talking through those ideas I can't help but think about the opportunities to start a podcast. That's a great way to just get in and have these conversations, to listen, to learn, to document because now it becomes a collaborative endeavor between a financial brand and the small businesses within the communities that they serve. Renee, I want to come and end with you. Key insight, key recommendations, something small that someone can apply to begin to make progress going forward here?

Renee Newman:

Growth mindset. Be open to change, be open and willing to listen. We can do hard things.

James Robert Lay:

As Renee said, this is the conversation that we have to have, and there's no better time to have this conversation than now. So as you continue to move forward along your digital growth journey, continue to develop and maintain a growth mindset. Look at things through an empathetic eye as you put people at the center of all of your thinking and all of your doing. And most importantly, be sure that you create space and time to go all in on small business as you commit to always ask good questions, listen to their answers, and learn from observation. Don't forget you can always hop over to nymbus.com/smbfireside to subscribe and unlock access to the other conversations in this series focused on empowering and elevating small to midsize businesses, while sharing the videos with a friend or all league, you think might find value in the insights that you've gained today. Until next time and as always, be well, do good, and make your bed.