

Derek Corcoran:

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James Robert Lay:

Greetings and a hello. I am James Robert Lay, and welcome to episode 145 of the Banking On Digital Growth podcast. Today's episode is part of the Exponential Insight series, and I'm excited to welcome Derek Corcoran to the show. Derek is the Chief Strategy Officer at Numerated, a digital lending platform for business banking that dramatically reduces work for finance brands and their clients by using data. Welcome to the show, Derek. It is so good to have you on today.

Derek Corcoran:

Thanks James Robert. Always a pleasure to talk to you.

James Robert Lay:

It always is. And before we get into this idea of optimizing digital banking and digital lending for SMBs, what's going well for you right now, personally, professionally? It is always your pick to begin.

Derek Corcoran:

I'm going to give you both. I'm going to give you one of each. On the professional side, I'm four months in with the team at Numerated, and I'm really excited. We have a mission to ensure that businesses have access to the capital that they need in order to thrive. And when I look at my personal life and the community I have here, I've got somebody who looks after my bikes. I've got a couple of sushi places my kids love to get dinner from once a week. And I need those businesses to continue to succeed. I don't want it to be Amazon and Walmart and Whole Foods and that's it. We need those small businesses to succeed. And I'm loving working with a team that's really focused on that. On a personal note, I'm really looking forward to Thanksgiving. I'm actually going to get to spend, I'm going to take a week off while the kids are out of school and spend that time with them. And hopefully here in beautiful Colorado, we'll get a bit of snow and get to enjoy that on the mountains. So, yeah, I'm happy about a lot of things.

James Robert Lay:

Well, I'm right there with you both on the family front, and then as well as talking about this idea of small to mid-size businesses and what financial brands can do to continue to empower and elevate them. I'm right there with you. Small business, mid-size, that's the backbone of all of these local economies, these communities, and it creates diversity. It gives a lot of flavor to just the life. And if we lose them because they don't have access to capital, they don't have access to future growth, I don't know, man. That's the future I don't want to see. I want to see something bigger. I want to see something better. I want to see something brighter, which I'm grateful for the work that you and the team over Numerated are doing here. And a lot of it comes down to experience, right?

James Robert Lay:

And I know Shevlin, Ron Shevlin, who's good guy. He's been on the podcast at couple of times, he wrote a very interesting article in Forbes recently titled, The Rise And Fall Of Customer Experience And Banking. And I'm going to quote him and I want to get your take on this. He said, "Financial institutions that cling to the belief that improving the customer experience," in parentheses, and this is his, whatever that is, "is the key to winning customers and differentiating themselves from their competitors are misreading trends in the market." And so I know CX and customer experience has been something we've been

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talking about for probably a good past 10 years in this industry. I know you have specifically. I want to get your take here, because there's a lot of talk around like brands like Zappos and Ritz Carlton. But what does this mean to a bank? What does it mean to credit unit, and how does Ron's thinking play into all of this here?

Derek Corcoran:

Yeah. Mutual respect for Ron. I love his work. I love the fact that he's being very honest about the banking and FinTech and FinTech's are not going to eat the banks. It's expensive and complicated to be a bank. And he's one of the people calling that out. But on the customer experience side, that was my gig at Avoka. I was the Chief Experience Officer in that time, and also Chief Experience Officer. So I've really spent a lot of time thinking about this. And I have to say, I literally had like a light bulb moment one day when I realized there are two types of customer experience that we have as consumers. Those centered around the things we want to do and those around the things we have to do.

Derek Corcoran:

So you talk about the Ritz Carlton. I remember that famous example of the giraffe, where somebody left behind a stuffy at one of the hotels and they took photograph the stuffy getting a massage and on a sun bed with a cocktail and in one of the golf carts and stuff like that. And it went viral. And a lot of the organizations like banks looked at that and said, "How do we emulate that?" And my advice to them has been, you can't and you shouldn't. Because, there are two types of customer experience, the things I want to do, like go on holiday, go to the cinema, go to a restaurant. Those are things I want to do. And I want them to be delightful experiences. Then there are things I have to do, like going to the dentist, paying my taxes and I hate to say it, banking.

Derek Corcoran:

So the things I have to do, I want them to be efficient. So I want the experience to be really quick and painless, so I can get back to the things I want to do and I've got more time for that. So I still think customer experience in banking is critical. I just think that the idea of creating these delightful experiences in banking is completely overrated. I really think we need to be focused on the jobs that people have to do and try to make it as efficient as possible. And TurboTax is a great example. If you look at their website, their tagline is, "Tax filing made easy."

James Robert Lay:

Yeah. Jobs to be done, that's been a subject that we've talked about on previous podcast episodes because it's so practical, right? Experience can be very up in the clouds. But, when you're focused on the jobs to be done, you're also focusing on what are people's biggest pain points. What's frustrating them and how can we make life even better or in this particular case, even more simple going forward? And you make a good distinction between these two types of experiences, the things that I want to do versus the things that I have to do. And what Brian Claggett has always said is, "Banking is a chore." And we both have kids. And I think about my kids. You could put as many golden carrots out there as you want to. The chore is always going to be a chore. But I think the more that we can simplify, we're all going to win going forward.

James Robert Lay:

I want to dive deeper into this, this focus around CX. Specifically when it comes to business banking, when it comes to business lending, what should financial be thinking about to simplify a business owner's life over the next really, I would say three to five years if I was to give a horizon line here?

Derek Corcoran:

Yeah. When I think about my experience working with banks on the personal banking or retail side of the house, they've had a huge focus on fast account opening. It was what I was selling when I was at Avoka. And things like instant decisioning and loans, and the fact that the bank is available 24 7. But when you're a small business owner trying to bank for your small business, it's not a happy environment to be in. And small business owners are the busiest people in the world. I read a survey that said 33% of them say they work in excess of 50 hours and 25% work more than 60 hours a week. To put that in context...

James Robert Lay:
I can relate.

Derek Corcoran:
I'm sure you can. Exactly. We've both been in that situation where we've been part of small businesses and seeing the time that it takes to run that business effectively. And I can't settle on on a verb here. I don't know if they want, they need, or they deserve digital convenience. But for most of what a small business needs to do from a banking perspective, it requires visiting a branch. And guess what? The branches open the same hours that they're working their 60 hours to kind of run their business. So it means they actually have to stop what they're doing and go into the branch in order to get access to things like the capital and the accounts that they need in order to manage their business. And that, to me, it just doesn't make sense. It's like, so I need banking in order to run my business because that's what I want to do. But in order to get the banking, I need to stop running my business and come in and visit you and give you 90 minutes of my life so that I can get this done. So, I think just recognizing that is the first thing that the banks need to do to understand that you are an enabler of these small businesses in our community. That you're not convenient at the moment.

James Robert Lay:
So, you make a great point. Enabling, empowering, elevating small business. And, you mentioned before the retail side of the house has been focused on this. Why do you feel up to this point there's been a bit of a lag on the SMB front when it comes to simplifying life for the end user, in this particular case as a small business owner?

Derek Corcoran:
I think there are a couple of reasons that have been contributing to it. First of all, business banking is more complex. So I'm not just dealing with an individual. I'm dealing with an entity. The entity is made up of individuals. Sometimes the entity is owned by other entities. So in order to meet my KYC and AML requirements, I need to kind of traverse the org chart of ownership to make sure that I'm not banking a business that could be a front for some criminal activity or something like that. So it is more complex for the banks. And to an extent, the technology to do things like identity verification and credit checks, and so on, on businesses has not been as effective as it has been on the consumer world, but that has caught up. So, those investments have been made. Platforms like ours leverage those connections into Lexus Nexus, Small Business Financial Exchange, the SPSS, is all these services available that we can bring together to actually help the bank know the business that they're about to bank better.

Derek Corcoran:
And the second has been around relationships where the bank has felt that it's really, and I'm using bank as a proxy for bank and credit union here. So apologies to my friends in the credit union sector. We know that credit unions are making a lot of investments into the business banking sector at the moment as well. But, they've been really focused on these relationships, and which I completely understand and I agree with. But, there's also a big difference between a small business saying, "Hey, I need a \$15,000 bridging law today because my largest customer was late paying me, and I'm going to run into trouble

just meeting payroll." That's a different type of product and a different type of transaction to, "Hey, I need \$250,000 to buy my partner out of the business because I don't want to be involved anymore." So, that's maybe something that I do actually want to sit down and have a conversation with a banker about. It's like, "Is this the right thing for me to do? What kind of rates and terms can I get on the loan?" Versus, "I need \$15,000 cash now really quickly."

Derek Corcoran:

And we've kind of had, when all you've got is a hammer, everything looks like a nail. And that's typically been the approach that the banks have taken is they've got one path that they're going to put all of those conversations, all those transactions through. And it's sitting down with a relationship manager in a branch. And that has opened the opportunity for the FinTechs, like OnDeck and Kabbage and so on to say, "Hey, we can steal a significant and profitable chunk of this market."

James Robert Lay:

That's a great point you make about OnDeck and Kabbage. And I mean, even seeing American Express and the acquisition there, I'm getting offers now via AmEx, through Kabbage, to get access to capital and not have to talk anyone. It's a really interesting play because they're now utilizing some data and they're seeing transaction history and payback history. And they're like, "Ah, let's go ahead and give him something because we know that he's been responsible and he'll take care of it." And I'm like, "Yeah, great." I mean, that's a growth opportunity right there. But I don't see that say at the relationships that I have at the community institution. There's not that proactive outreach. What can the community institution do to bring their level up to not just be reactive, wait for me to walk into a branch, raise my hand, say "I have a need." They can now come to me. And, "Here's some offers that we have based upon what you've been doing. How can we help you get to the next level?" Where might there be some opportunities?

Derek Corcoran:

So, before we talk about the bank opportunities, I just want to go back to the FinTechs for a second. One of the things that I encourage all of the community bank, credit union listeners to your show to do is, every time they go to a merchant and they go to present their card and they see an American Express point of sale device, recognize, channel your inner Andy Grove, your "Only the paranoid survive," because American Express are going to be pushing the Kabbage product offerings to that small business merchant where you're your device. Because, Kabbage now have that massive customer base that American Express has access to, and they're going to be channeling you.

Derek Corcoran:

The other thing on the FinTech side, the one that if I was a bank owner, that'll be most concerned about is Square.

James Robert Lay:

Absolutely.

Derek Corcoran:

I did some research recently. I looked at, and we'll talk about this maybe in a moment, but just to give you a quick snippet, I looked at the websites for OnDeck and Kabbage and Chase Business Banking. And both OnDeck and Kabbage are seeing more monthly visitors than Chase Business Bank. So the largest bank in the country has half the website traffic that someone like Kabbage has. Sorry, Square. Chase has 1% of the monthly website visitors that Square has. And for me, that's terrifying. I'm talking 300,000 unique visitors every month, going to business banking at Chase. 30 million people going to the Square

website. And Square are now a bank. They have all the products that you could need. And if you want to apply for a loan with Square, you have to use them are either point of sale or payment processing. And by the way, there is no loan application. So they're using all the data they have about you.

Derek Corcoran:

So, James Robert, if you went to them and said, "Hey Square, I use you for payment processing. I need a loan." They will immediately come back and say, "You're pre-approved for \$140,000. Do you want 140? Or do you want 20?" You can slide. You can move the slider. It's literally a slider to say, "25 will probably cover it, or maybe I need 55." So they've made it that easy. And they're using the transactional data that they're seeing, as you were indicating before, to already know that you're going to be a good customer. You're a good bet. You're a good risk. So that the opportunity for those guys is huge.

Derek Corcoran:

Now, on the flip side of that, right now the community and the regional banks are in a really unique situation. 45% of the PPP funds that were distributed during the pandemic were distributed by banks with less than 10 billion in assets under management, who make up 15% of our assets under management. So 45% of the dollar value was delivered by the banks that make up 15% of that value. So you could argue that they punched three X above their weight. They stepped up and they helped the small business communities around them. We worked with a lot of them. We worked with 140 of them. We were responsible for 8%, so we saw significant volume. But more importantly, within that 40 billion that we processed, we saw 140 banks work late nights, work weekends, do whatever they need, mobilize 70, 80% of their entire bank to try and make sure that they could get the PPP funds in the hands of the small businesses. And as a result, they won massive mind share with that small business community.

Derek Corcoran:

I have personal friends who have moved their banking from the big four to a smaller community bank because those community banks stepped up during PPP and helped them. So they've moved their checking, their savings, everything to the community bank. Now is the opportunity for those community banks to capitalize on those relationships they've built, double down and grow their product portfolio within those SMBs.

James Robert Lay:

You're a hundred percent.

James Robert Lay:

Yeah, you're a hundred percent correct. This right here is really the success story, I would say probably of the decade when it comes to the SMB, because this was a paradigm shift. Before community institutions may or may not have been there. You had the FinTech coming in. But, it was the community institutions that stepped up to support the local community. And if we can capture that momentum, if we can ride that wave forward, to me, now's the time. So what's the opportunity there? As you look ahead out at the landscape over the next three to five years, what are you most hopeful and excited about for community institutions to be able to do next when it comes to optimizing the SMB lending experience?

Derek Corcoran:

Digitize. Back to where we started this conversation, make yourselves more convenient and easier to get in touch with. Make it easy for those small business owners when they're updating their finances at eight o'clock in the evening, after they put the kids to bed and had dinner with their family and they're sitting down in front of QuickBooks. Make it easy for them to say, "Hey, I need some help. I need a loan." Or, "Hey, I've just had an influx of cash. I want to put that into a CD so that it's working for me." Make that

available to them online. And just to give a little bit of context on the opportunity here, we did some mystery shopping at the 10 largest retail banks in the country. So Chase and B of A, Capital One, and so on.

James Robert Lay:

Yeah, let's get into that because I mean, we do a tremendous amount of digital secret shopping for financial brands and bench mark them against FinTechs to help provide some clarity and awareness. Because, if you're listening and you have not secret shopped your own, we'll call it website against a FinTech or against a larger FI, there's probably some knowledge gaps there. But if you want to take it to the next level, then get some third party objectivity, whether it's consumers or someone like Derek who can provide you with that perspective. Because Derek, I've heard this so many times, especially on the SMB space. "James Robert, we just didn't know what we didn't know." And so let's dive into this because this is a personal passion subject of mine, of looking at what others are doing to benchmark against so that we can figure out what we can do even better. What did you find here?

Derek Corcoran:

And it's funny you bring that up because very often we have people with very strong opinions, but they don't have any data to back up those opinions. And it's not hard to get that data. As you said, go and mystery shop the ones that you think are your competitors. So what we found when we looked at the top 10 retail banks, specifically looking at their business banking, was on average they have about 19 products that they're positioning. So across checking accounts, savings accounts, credit cards, term loans, lines of credit, government lending, SBA lending and so on, there's an average of about 19...

James Robert Lay:

19 on just the small business side. We're not talking...

Derek Corcoran:

Just the small business side.

James Robert Lay:

Got it.

Derek Corcoran:

Just the small business side. Compare that to the FinTechs, there's probably three products that they're actually touting. If they're making...

James Robert Lay:

Simplification. And, I wrote about this in Banking On Digital Growth. I mean, that is the ultimate paradox of choice. That's going to Chick-fil-A and getting to choose from six, maybe nine different options versus going to the Cheesecake Factory and you get the Bible of food. I don't even know where to begin with that one. It's just too much. It's too overwhelming.

Derek Corcoran:

Even McDonald's, they've moved to the digital menus now because they have to scroll through the offers. There's there's too many presented. And when we looked at the 19 products, if you split them into two groups, if you split them into accounts and loans, and in accounts, I'm talking, checking, saving, CD, money market and credit cards. And there's a bit of a dispute as whether a credit card is a loan or an account. I've classified it as an account. 59% of them have an apply online option in the accounts. 15% of lending products have an apply online option. So, there's a big miss there from the big banks.

Derek Corcoran:

Now, when I look back, I've done this research in previous roles...

James Robert Lay:

Let me pause you. I want to roll this back and I want to reframe it just a little bit differently. 85% do not have an apply online. So like you said, that's a huge opportunity. It's a big miss, right there, absolutely.

Derek Corcoran:

Term loans, loans of credit, government lending, all that stuff, 85% of those products do not have any kind of apply online option. And again, when you think about it, those situations where I just need some quick cash, that this is something that would help my business survive, it's really critical that that stuff is available conveniently. I'm not talking about the \$5 million commercial real estate loans, because I want to buy a factory or something like that. These can be quite tactical, but really strategic and critical for the business and help the bank to build a relationship. So, there's definitely an opportunity there. And this is where we're seeing the FinTechs kind of capitalize. They're offering five to \$250,000 loans with practically zero effort.

Derek Corcoran:

As I said, Square, there's no application form. I think it's Kabbage or no, it's actually OnDeck, I think, where you can connect your QuickBooks account, and they'll just suck in all the data from QuickBooks to enable an immediate decision. Now, the thing about the big banks, and I know this personally, having worked for some of them and with many of them is they don't move quickly. They're like the Titanic. They're these big lumbering giants. When they point them out is in the right direction, watch out, but they don't move quickly. So that is the opportunity I believe for the community banks and the regional banks is, we can see where the data is pointing us. It's pointing us towards digitization of SMB, but if they're not there yet, the smaller banks can leap frog them. They've built great relationships during PPP. Invest. Get yourself in a position where you're actually ahead of the big 10.

James Robert Lay:

Yeah. As you're talking through that, I'm going to give some context as well of some of the things that we've seen when looking at secret shopping on the SMB front. Thought leadership goes a long way. So, you take the online application and then you couple that with, for example, how to grow your business in Louisiana. I mean, that is a client of ours that we've coached them through this process. And they are now generating MQL's, marketing qualified leads from small business owners who are downloading this guide. And it's about 50, 60 pages. It's a pretty meaty piece of content, that I'm even saying, okay, well, what are the other opportunities here to continue to build around this idea of thought leadership? [Machai 00:26:05] Savings Bank had Yuri on the podcast at the very beginning, talking about building this idea of an SMB community. And they were just facilitating all of these different relationships.

James Robert Lay:

Paul Long, he's a commercial lender too, doing the same thing. He hosts his own conference, by himself as a commercial lender, to bring together between 80 to 120 different businesses every single year. And so it's this idea of thought leadership positioning expertise, which we don't typically see that at the big four. We are seeing more of that from say like a Kabbage or an OnDeck, with their content positioning, coupled with the fact of getting quick access to capital and making that super simple, super easy. So, it's the experience, kind of to bring this conversation full circle, coupled with expertise.

Derek Corcoran:

Yep. Yeah. I get the vision of Tom Cruise, Jerry McGuire, the, "Help me help you." If the community banks, the regional banks are out there telling their business community, "Help me help you. I want to help you. We helped you during PPP, give us more of your business. We can do more for you." For me, it's a golden opportunity. And I'm just afraid if they don't move, it'll slip through their fingers.

James Robert Lay:

Yes. Yes. And, looking ahead so that we don't lose any opportunity, all change, all progress begins with a small, simple step forward. For the dear listener to make this very practical here as we wrap up today, Derek, what's the one recommendation that you would say, "Hey, this is the best place to start. This is the best place to begin to optimize this digital lending experience so that we can help to continue to empower and elevate these local businesses who need access to capital."

Derek Corcoran:

I think if we can shift the thinking within the bank, I think that's honestly where it starts. I think, I believe I should say that a lot of what we do from a business lending perspective started with the loan officer. We thought about it from the back office perspective, and then we worked our way out. And eventually we hit the borrower and went, "Oh yeah, we need to get this information from the borrower, but they'll do whatever we asked them to because they want the money." They have too many options now. They've got too many choices. Like you, I've got young kids, I've got a family. And one of the spinoffs from Harry Potter, some creatures and where to find them, that movie, there's a guy in the movie who wants to set up his own bakery, his own cake shop. And he goes and visits the bank manager. And this is set like early 1900s hypothetically.

Derek Corcoran:

And it's just this horrible experience of he's sitting there. He is nervous. He's got his briefcase with his samples and he goes in and he's trying to pitch the branch manager. And branch manager's asking, "But where is the collateral? How do I protect the bank?" And that's the old school way of doing business, where you put on the suit and tie and went to go and visit the bank. The world has shifted and we need to make sure we're shifting our thinking in line with that. And we need to, back to the customer experience conversation, make sure that we're focused on convenience for the borrower and the SMB. When you do that, they realize that you care about them and that you're actually focused on them. So I think if we can shift that thinking from the credit operations focus. To a customer borrower experience focus, and even a banker experience focus in the branch, and how that feeds into the lending process. I think that will then open up the thinking to say, "Okay, how do we make this more convenient? That if we don't reframe the conversation, then we're just going to be throwing technology at something that's not ready for change.

James Robert Lay:

That's a great point in your analogy to that story about the bakery, it recalled a memory, The World's Greatest Showman, with Hugh Jackman. Similar narrative, where he goes in, and he's very nervous about this. And I think this idea of transforming the thinking, it almost we can use story and narrative as a training mechanism and as a tool. And we do this. This is something that I wrote about in Banking On Digital Growth, called story selling. And to see a banker's mindset shift when they think that no longer, they're the hero, they're not the hero. And I think a lot of bankers feel that they're the hero in the stories that they play out in their own mind. When in reality, no, it's that SMB, it's that small business owner, they're the hero in the story. And then the banker or the credit union leader, they're the helpful guide. And they're the one who's guiding that SMB owner to continue to move onwards, upwards, grow their business, take care of their family, and ultimately just get to a bigger, better and brighter future.

Derek Corcoran:

Got to tell you my little Hugh Jackman story. So, some of your listeners will know me and that I lived in Australia for 18 years. And my wonderful, beautiful wife is Australian. And on one of our visits back to Australia, we were flying back to the US, and we were in Sydney Airport. And I pointed across the counter and said, "Look." And she looked up and Hugh Jackman was checking in at the Qantas desk. And my wife turned to me and said, "He's even better looking in real life."

James Robert Lay:

Oh man, that's a great story. That's a great story. Well, listen, this has been a fantastic conversation, Derek. If someone wants to continue the conversation that we've started here today, what is the best way for them to reach out and say hello?

Derek Corcoran:

LinkedIn is probably the place where I'm most active from a social media perspective. And they can also find me on the Numerated website. It's N-UM-E-R-A-T-E-D com. So think numerator and denominator from your fractions when you were at school, that's us. And yeah, would love the opportunity to continue the conversation.

James Robert Lay:

If anything, it's just to connect. You've got such great thinking, Derek. I've known you for golly, probably 10 years now, more or less, and have learned so much from you over the years. So connect with Derek, learn from Derek. And, I think working together through collaboration, we can continue to empower these small businesses, elevate these small businesses, to get the capital, the access to capital that they need through a simplified manner at a time that's easy for them through a positive experience. Derek, thank you so much for joining me in another episode of Banking On Digital Growth, buddy.

Derek Corcoran:

James Robert, always a pleasure. Thank you.

James Robert Lay:

As always, and until next time, be well, do good and make your bed.