

James Robert Lay:

Greetings and hello. I am James Robert Lay, and welcome to the 18th episode of the Banking on Digital Growth podcast. Today's episode is part of the By the Book series where I share insights from my bestselling book, Banking on Digital Growth, which is the strategic marketing manifesto to transform financial brands. Today's episode, I'm going to get a bit personal with you and share my passion around music, along with some of the, shall I say, shady business that I used to conduct in my past during my senior year in high school. And no, I was not dealing drugs, but instead, I was, let's call it, moving MP3s. But before we get into today's conversation, I want to shout out and thank Marla Fields for her review of Banking on Digital Growth on Amazon.

James Robert Lay:

Marla writes, "This is one of the best books on the topic of digitization for financial services out there. If you're in sales, marketing, or management for a regional bank or a credit union or you do business with them," Marla says, "This is a must read." And she continues, "The lessons are clear and relevant. And the examples really drive the learnings home. After reading the book, I'm rethinking everything we are doing in marketing starting with creating a purpose statement to go with our mission and vision." Marla recommends "Do yourself a favor, pick up a copy. It is worth every penny and more," and she ends, she "can't wait for the next one." Well, Marla, I really appreciate the review and the kind words. As we continue to dive into the insights I do share in the book to educate, to empower, and to elevate financial brand marketing sales and leadership teams.

James Robert Lay:


What I want you to do right now is I'd like for you to close your eyes just for a moment. I want to take you back to the year 2007. Think to yourself, what was the life like for you back then? For me personally, I had been married just a little bit over a year. The business was growing. We were advising financial brands and digital looked really different, but it was still what I saw as the future as strategically important. When I think about digital at the time, I want you to just for context purposes, remember in 2007, YouTube was just a little over two years old, Facebook had just opened up to the public after being a platform that was exclusively limited to college students. And Netflix had just delivered their billionth DVD in 2007. While at the same time, they were introducing the streaming service that we've all come to know, in this post-COVID world so well.

James Robert Lay:

And as big as these three events were, an even bigger event took place in 2007, when a man who was known for his jeans and black turtlenecks stepped onto the stage and introduced his company's new product, the iPhone. Now, this revolutionary piece of technology combined at the time, what was three different tools all into one. Yes, there was a cellular phone, but just like his earlier breakthrough product, Steve Jobs brought us the iPod. He now had the music player combined with a phone. And most transformative of all was that we have a phone with a music player and what it was called at the time, an internet communication device that included email, and web browsing, and so much more.

James Robert Lay:

So just think for a moment how much our world has transformed since Steve Jobs stepped on that stage, because what has transformed the most and really forever is the way that we communicate with one another. And it's communication that is at the heart of a marketing and sales. It is communication that is the key for future growth for any financial brand. So go ahead and open up your eyes and flash forward to today. And now think about where we are as an industry, where you are on a marketing team, or a



sales team, or a leadership team. Not only has technology evolved at an exponential rate since 2007 since the introduction of the iPhone, but so too has consumer expectations.

James Robert Lay:

On the opposite end of the spectrum, competition has also changed as well. And it's the competition that has changed to keep up with technology. And more importantly, to keep up with changing consumer demands, changing consumer expectations. Expectations that are being set digitally by Amazon, by Apple, by Google. I want to look inside or really look outside at another industry where consumer expectations and demands have changed over the last, we'll just call them 20 years. Let's look at the music industry. Now, there were certainly changes already happening in the music industry before 2007. But in retrospect, when Steve Jobs introduced the iPhone, he put the death knell in the old model of the music industry. Because the iPhone sped up the rate of change enormously at the macro level when it came to music.

James Robert Lay:

And this speed of change can now be seen across all industries. The financial marketplace in particular, is being transformed and disrupted by changes in technology, consumer expectations, and competition. And even now, COVID. So when any industry experiences, disruption, as Peter Diamandis wrote in the book, *Bold*, along with Steven Kotler, there are a series of six events that occur. Both authors go on to explain quote, "The six Ds are a chain reaction of technological progression, a roadmap of rapid development that always leads to enormous upheaval and opportunity." Think about that for a moment of where we are today as we are continuing to navigate through this post-COVID world. And it's funny, I always reference post-COVID and someone on LinkedIn called me out the other day saying, "Are we post-COVID yet?" Because they didn't get the note. I say that we're post-COVID because I look at this as a binary perspective. There's pre-COVID, our life before, we'll call it February, March, of 2020. There's post-COVID, our life after February, March, 2020, because post-COVID is what we're moving through, but pre-COVID, we will never go back to what the world was before.

James Robert Lay:

And when you think about this idea of rapid development, that always leads to enormous both upheaval and opportunity, that's what we're moving through right now. Yes, we're seeing upheaval. We're seeing frustration. We're seeing friction. And even when we go back to the ideas that I write about in the book *Banking on Digital Growth*, and I talk about moving into this fourth industrial revolution, in every previous industrial revolution that we've moved through, we have seen massive upheaval, but we've also seen the biggest progress and jumps of innovation in all different areas. And that's what I want to focus on with today's conversation, coming back to this idea that digital growth really is about communication specifically around marketing and sales.

James Robert Lay:

And I'd like to zoom in and focus on three of the six Ds that Peter and Steven and write about in their book, *Bold*, that being dematerialization, democratization, and demonetization. And the way that I want to frame this up is from one of my personal passions, which is music. I love music of all kinds. Music brings people together. Music evokes emotion. Music can inspire, it can lift you up. It can also mellow you out. And what a lot of people don't know about me is when I was growing up, I was in the orchestra from my sixth grade year in junior high through my senior year of high school, I played the viola, and I was good. I was so good that I was the first chair of the violas in the varsity orchestra my freshman year in high school.



James Robert Lay:

And the ironic thing about this idea of being good at the Viola being share my freshman year, actually I hated it. I hated playing in the orchestra, and for a multitude of reasons. And I think if I was a kid growing up today and seeing what I see on YouTube with acts like 2CELLOS and Lindsey Stirling and Bahn, they would've given me a whole different perspective about what was possible playing the viola. And it wasn't just about classical music. It was, it was about music and you can set music to rock. There was a band, and this is really what inspired me. When I graduated high school, I started a punk rock band, which is a story for another day, but there was a band around that time called Yellowcard out on the west coast, punk rock band who introduced me a violin as part of their act. And it was just so different.

James Robert Lay:

But what we're seeing is music and the music industry, the evolution that music has taken, going from the vinyl, to the eight track, to the cassette, to the CD, and now to streaming. That same trend is also evident in other industries like film and movies has followed a similar trajectory. From the big reels, to the VHS, to the DVD, to Netflix, Amazon, and so on with streaming media. What I want you to be aware of is the shift from larger pieces of technology and media to smaller, and really eventually to nothing at all, or to say the least, nothing tangible in the physical world. Because with each shift, the new technology in media becomes a standardized part of the culture, the new operating norm in society.

James Robert Lay:

And what has happened is de materialization for both music and really film media has become the norm. Dematerialization has become the status quo. And in banking, we see dematerialization playing out on multiple fronts, but primarily up to this point, dematerialization has only happened on the transactional side of banking, the service side of banking. For example, consumers continue to move away from going into the physical branch even more so now post-COVID to take care of the transactional pieces of banking. For example, depositing a check, moving money around. And instead, they're using their mobile device to make those deposits digitally through the app or to move money around or to pay someone else, with P2P transfers.

James Robert Lay:

Even the very concept of the traditional physical check is going through the dematerialization process as P2P payment apps grow in popularity to replace physical payment systems. And if you have young kids like me, you think it is the most amazing thing in the world when you can pay your babysitter with Zelle or with Venmo or with PayPal, and you don't have to worry about writing a check or worse, not having any cash on hand and having to make that extra stop at the ATM on the way home. Life is so good because of those platforms like Zelle and Venmo and PayPal when you can pay your babysitter. Or think when you're at the grocery store and someone is in the checkout line of the 15 items or less, and it's supposed to be the speedy checkout line. And then someone pulls out that check, that dreaded checkbook. And you're like, "Oh my gosh. Why? Why?"

James Robert Lay:

But understandably, it's the dematerialization process that makes those who've built their entire careers around the physical role of branch sales of broadcast marketing. It's the dematerialization that makes them feel confused. It makes them feel frustrated. It makes them feel overwhelmed about digital and digital growth, because no longer can they see touch or feel the world around them. It can be very scary for people to see their physical world taken away from them before their eyes. And I get it. Digital comes with the perceived good as well as the bad. And that brings us to the second part of digital disruption, which is democratization.



James Robert Lay:

So let's go back to the music industry because we know record labels and production houses used to control the process of production from front to back, back in the day. They were the hit makers. They were the gatekeepers who pulled the strings. They controlled everything. But in contrast, we now have digital platforms coming back to my example, with YouTube, and Lindsey Sterling, 2CELLOS, to where total nobodies can strike a chord with a mass audience become global stars. Because without YouTube, I guarantee, without YouTube, there would be no Justin Bieber. Now, whether that particular example resonates with you and he's not my musical taste for sure, but he's just one great example of many who have gained the capability to create.

James Robert Lay:

And here's this word again, communicate directly with audiences through new technologies and distribution channels. Coming back to movies, we're seeing the platforms like Netflix, Hulu, Amazon Prime, democratizing the film world by offering diverse to many different niche audiences. And what's important to note is that these brands, Netflix, and Amazon, and Hulu, are not traditional production studios, but they are now making their very own content. And they're using the power of digital to serve a much wider market than the old school Hollywood entertainment giants.

James Robert Lay:

Finally, as it relates to banking, we see the democratization in the rise of financial brands, those brands that are digital first, that are mobile first with their business model. The fintechs, the neobanks that are popping up left and right, really by the thousands who are communicating directly as well as creating value directly for niche market segments, through digital and mobile technologies. Whether it be banking, whether it be entertainment, whether it be music, digital has given power to the people. The power to connect, the power to communicate at scale. But again, not everyone thinks these changes are great. And where a lot of that disconnect is felt is among legacy brands who used to hold all the power are now being stripped of that power and in control.

James Robert Lay:

And particularly, they're losing the power to control the pricing models to make money, to control the profits in the same way that they always have. And that's where a lot of this upheaval, this unrest, comes from that bubbles up really to the macro scale. Because demonetization is the third part of digital disruption. Record labels felt this pain in a big way. In the heyday of recorded music, and for context in the modern era, I'm talking about the peak sale of CDs in the mid '90s before the bottom fell out, record labels were raking it in. I mean, think, think back if you can, to those days. And if you didn't grow up in that time period, the world was very different when you had to pay \$15 to \$20 per CD. And the production cost to produce those CDs was really pennies on the dollar.

James Robert Lay:

But here's the thing. And if you grew up during that time period, you know exactly what I'm talking about. When you wanted to buy maybe one or two songs that you heard, but you had to buy the entire CD for \$15 to \$20, the record companies controlled the pricing model and could do whatever they want. And we as the consumers got screwed in this whole model. And we all know what happened next. The rise of digital and broad brand brought about the democratization of music. And this led to a huge shift in the industry's power balance. Record labels lost their ability to set prices and no longer could they, because listeners had control of how they received and paid for music. The disruption from digital technology swept away a lot of the money, the profits, the revenue that had previously been taken for granted.



James Robert Lay:

There was one brand in particular who sped a lot of this along. And that's when Napster came on the scene. Some had predicted this demonetization would virtually become absolute, that listeners were never going to pay for recorded music again. And this is where I can tell a story about my shady business dealings. I was a senior in high school, and let's just say I was allergic to paying for music. I remember how I would download music nonstop. And I'm talking 24/7 back then. My parents would be outside of my bedroom late at night telling me to go to sleep or getting onto me for always sucking the broadband. We are one of the very first families that had broadband in our community in high school. And I would always get in trouble for bringing the internet to a crawl, but I wasn't just downloading music for me.

James Robert Lay:

Because I saw an opportunity as a young entrepreneur or a criminal, depending upon your point of view, I saw the possibilities that this new technology would bring because being one of the first kids with DSL, and at the time it was only 128 kilobytes per second, which was just twice the speed of dial up, which was 56K. Combine that DSL connection with a CD burner, and I'm off and ready for business. Because what I would do is I would, I would download all this music and burn fully customized disc from all those songs I was grabbing off of Napster and then sell them to students for \$10 for the entire disc of customized music. Kids at school loved it. And instead of having to plop down \$15 to \$20 at say, Best Buy or Target to buy a CD with only two to three songs that they actually liked, now, they're paying half price and could get 20 of the hottest jams for like \$19.99. And it was an amazing business model.

James Robert Lay:


But youthful indiscretions aside, I bring this story up because it shows how I took advantage as an individual in these three crucial elements of digital disruption, the dematerialization, the democratization, and the demonetization of the music industry. Of course, today there wouldn't be the same appetite for those customized CDs, nor would I argue is there the same consumer frustration that we used to see back in the late '90s. Because for the most part, we don't feel like we're being gouged anymore by the record labels. We have much more say in control as individuals, as consumers, for our personal entertainment dollars, because with streaming services, we can now pay \$8 to \$15 a month and unlock the entire library of music or the entire library of music, way more than we could ever consume.

James Robert Lay:

So that creates opportunities. That creates new business models. And these are the things that I'd like for you to think about as we wrap up today's conversation. I want you to ask yourself a question and to think about, and have some deep strategic conversations internally with your team, as you wonder aloud, what are you doing right now, post-COVID to take advantage of the dematerialization, the democratization, and the demonetization of banking? What are the opportunities? Then on the flip side, identify what are the roadblocks and what are the challenges that threaten to hold you back? Just like there is a interview of the CEO of Tower Records on YouTube that I highly recommend you look up. As he lamented the disruption that took place in the banking industry, it's important to identify the roadblocks and the challenges that threaten to hold you back.

James Robert Lay:

Because what happened in music and film, those exact patterns are very much what is happening right now in the banking space, even more so because of COVID. And just like with those other industries, the entire banking model up to this point has been built around the physical world of brick and mortar, just like the Tower Records stores were. And thanks to COVID, everything is changing. Consumers,



competition at a faster pace. I get it. This change can be scary for some, but I do see tremendous amounts of opportunities for financial brands to create and capture that have the courage to lean into those fears, the same fears that threaten to hold them back. But I am greatly concerned as a majority in our industry still remains trapped in what I call digital denial. And digital denial as a topic that we'll discuss on the next episode of By the Book so that you can help those that might be trapped in digital denial escape and get on a path of digital growth. Until next time be well, do good, and wash your hands.