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James Robert Lay:

Greetings and hello. I am James Robert Lay and welcome to the 56 episode of the Banking on Digital Growth podcast. Today's episode is part of the Exponential Insight Series, and I'm excited to welcome Michael Bank and Seth Fenster to the show. Michael and Seth are co founders of Blip and they are doing great work to empower positive financial health for people. Welcome to the show, gentlemen.

Michael Bank:

Thank you for having us.

Seth Fenster:

Thank you for having us.

James Robert Lay:

You know, this is going to be fun. This is the first time that I've had two people on the show at once. And so I know you guys are going to add a lot to the conversation and now that we're 55 episodes in. And when we look back and we reflect on this great century, that we'll call 2020, and we're looking ahead now to 2021. I just want to start the dialogue and the discussion around, what are you most energized about whether that be personally or professionally?

Michael Bank:

Sure. [inaudible 00:01:58] certainly start off on that question. From our perspective with our company Blip, we really believe that consumers can't effectively save, spend or invest without first taking care of their bills. And so that's those a lot towards the larger purpose on what we're focusing on. And so the mission around Blip is really to empower positive financial health, as you alluded to in your introduction there. And so we really are doing what we do because we want to really address the lack of help and the lack of education around financial management that has really affected us. And so that's what we're excited about for the future. And so Blip really helps look at finances in more of a forward or, or an upcoming way, rather than looking at historical trends. And so that's really where we think there's going to be additional value to help people with their financial health and financial wellness.

James Robert Lay:

I really like that perspective, Blip is future focus versus being rooted. We traditionally think about financial services it's historically focused or reviewing past transactions. And that's very hard because it's a lot of... when I think about and coach financial brand leaders, it's so easy to get stuck in the present moment, making decisions that were informed by the past, where if we look in this post COVID world, particularly from financial services, how quickly things are changing and evolving, we look at even from a consumer standpoint, financial stress, those levels are out the roof right now. So I like getting ahead of the problem before the problem even exists. Is that a fair summary of the perspective of Blip?

Michael Bank:

Yeah, absolutely. Seth, sorry go ahead.

Seth Fenster:

No. I was just going to say for sure. And I again what excites me and... This has been a tough year for everyone, it goes without saying, but at the same time we've seen so many changes happening so much quicker than we anticipated, like the timelines of digital adoption really obviously in financial services, but just across the board in every industry are just accelerated by even decades. I'm personally really invigorated about that because we're merging at this time where really everyone is just like, "How do we make this work now digitally?" It's just like a completely different world right now.

Seth Fenster:

And, like Mike was saying, it's really about bringing in that digital point of view to the forward-looking aspects of financial management and James, you alluded to it before, everything has really been about historical spending and prompting your user with the notification that they spent X amount of dollars on God knows what in the last month, the last year. And that can be really helpful, but it really just seems more like budgeting and just time and time again people have shown that they don't really care about budgeting, but they do care about the bills they have due the next month and the ones after that. And so that's really where we're focusing.

James Robert Lay:

I love that perspective, Seth. Let's talk about that, why is budgeting painful? Why is budgeting hard? It's one of those things I think back... and to your point the changes that we've seen in digital, I've been in the space almost 20 years now, and I've never seen this type of acceleration and it's very exciting, but it can also be very scary for those as well who have made a career, but I want to talk specifically about budgeting and the challenges of budgeting for people. Why is it painful?

Seth Fenster:

I just think people don't... maybe for one, as a culture and as a society, we tend to be very spending consumption-based market in the US and if you really looked at maybe what you should be spending versus what you shouldn't be spending it on, maybe I would say it's probably that people don't want to know that they're doing something that maybe isn't in their best interest and that they really care about what they spent on.

Seth Fenster:

They just care about where they're going and they don't want to go through the whole process of saying, "I have this much coming in and I can spend it on this, this and that." And the other layer is, it's not really easy to do that. And so maybe in an ideal situation, a budget is great, but by calling it a budget, you think about sitting down and like in old way of balancing a checkbook and running through all your statements, and no one wants to do that.

Seth Fenster:

And if said to them, "This is an automated system that really budgets for you because in essence your budget is your bills," They would say, "This is great." You just can't call it a budgeting. You'd have to call it managing your finances, but it's one and the same.

Michael Bank:

Yeah, I would agree with that point and just to echo it. I think that... and this is again where James Robert was bringing up previously, but a lot of it around the historical trends, if, if I'm budgeting off of what I've already done, it's just not as helpful to me on a go forward basis. And so when we're taking a

forward look at users upcoming bills, that's really where we're able to provide more proactive financial advice around making positive changes rather than retroactively saying, "Oh, I messed that up," or "I should've done this. Instead of that." It's catching it proactively and being able to help people make smarter decisions before they've actually made those decisions.

James Robert Lay:

The way that I hear you guys distilling this, I think a lot about healthcare and this like the trip to the doctor. No one wants to go to the doctor because it's painful and it takes time. Even there was a report by Viacom that specific and talking about financial services. This was a couple of years ago that said people would rather go to the dentist, than to go visit their financial institution. And that's, that's a pretty painful statement right there. But I think too healthcare is starting to transform the way that they're positioning themselves. Because they're talking about preventative medicine, getting ahead of the problems before the problems even exists. And so when we look at this from the lens of financial services, that's why I appreciate, the work that you're doing. And budgets, they're hard, they're scary, they're painful. Let's talk about transforming that perspective through the work that you're doing at Blip.

Michael Bank:

Yeah. We think a lot about this topic because we're really a digital organization from the ground up, but we're working a lot with companies that do digital. And that's important distinction. And so it's really about leading the organization to the problem. And the healthcare analogy is a good analogy. And we have seen a lot of changes around digital, especially in the banking space, like you said in a post COVID world. But it's really taken a catalyst like the COVID, for a lot of these institutions to take more of like an introspective look at their technology. But I think that they really are actively thinking about ways to improve their experiences for customers just in the same way in the healthcare side, they're actively trying to do that as well.

James Robert Lay:

Well, let's talk about that experiences particularly when we look at digital experiences. Digital experiences are nothing more than well-defined systems and processes that have been defined, applied and optimized over a period of time resulting in one of two things, a positive emotion or a negative emotion. And when we look at the systems and processes, traditionally of bill pay that an incumbent financial brand bank credit might bring to market, what are some of the challenges that those traditional systems might present either internally for the financial brand, but also externally for the end user or the consumer?

Seth Fenster:

Yeah, I would say first and foremost, these legacy bill pay systems are really expensive and they primarily run on ACH transfers and writing checks on the customer's behalf. And so that's an expensive way to pay a bill for the actual financial brand itself. But it doesn't really gel with the more digitally native consumer who's expecting instant notification that their payment was made or that they want a flexible option to use a card. [inaudible 00:10:42] cards, debit and credit are very popular.

Seth Fenster:

And so like right now that whole system of how you really going to pay a bill, even in this situation where you can see it digitally, you still have to go and manually submit the payment either through your bank's bill pay, which we know isn't really getting a ton of use or just managing an average of a seven bills a month per person. So you got to seven different websites at seven different times during your busy life each month and make those payments. Like it's a lot of things fall through the cracks.

James Robert Lay:

Which by the way, those websites are not always mobile optimized and I'm calling out my city municipality with their water bill. So-

Michael Bank:

That's definitely true. But if you think about it, like Seth just mentioned, the average number of bills is seven per month. And what's interesting is that about 75% of those bills are actually paid on biller websites. And most of these biller websites are really not optimized to be user-friendly. It takes me like 10 minutes just to pay my utility bill.

Michael Bank:

And this is in its current form, what people are considering the better approach than using the traditional bank bill pay model. So that's how you know up to the 15 billion bills that are being paid annually, that this is the best approach people are taking and it's still subpar asset. So that's where again, if we can figure out a way, which is what we're trying to accomplish obviously with Blip, to really improve that experience from the ground up, it's really going to take everything to the next level. And it's really going to enable the financial institutions to bring customers back to the organizations because they're predominantly not paying bills through the banks and credit unions currently.

James Robert Lay:

If we get people to come back and to pay through the bank, to pay through their credit union, that reinforces once again, that positive relationship, because you're simplifying the complexities of my life. You're helping me to stop losing this valuable time and to have this annoying frustration because as a consumer, my expectation is being set and really met by GAFA: Google, Amazon, Facebook, Apple, and even on the payments front, Zelle has done or even Venmo. It's that simplicity of being able to move money from A to B, peer to peer, person to person. Even for me with four kids, it's a requirement that my babysitters have either a Zelle or Venmo account so that I don't have to come home at midnight and have to stop by some shady ATM and pull out some cash. I'd rather just pay them on the way home and life is good and we go on. So no, I really get where you're coming from.

Michael Bank:

Yeah, no, that's exactly right.

Seth Fenster:

It's all about opportunity. And like Mike mentioned it, there's 15.4 billion bills paid every year and that's about 488 a second. And that each one of those is a unique opportunity for a financial brand to make an impact with their customer. Because we talk a lot internally about a world where your bank says to you, "We see that you have this credit card bill and it happens to be at a different financial institution. And your interest rate is really high on that and you've been carrying a balance. why don't you think about doing a balance transfer and bringing that into our institution and it'll save you an overtime and just showing you in a simple mobile app, like how much in the dollar amount of savings would be?"

Seth Fenster:

And just that is so powerful. And like that's a scenario where one, the customer is benefiting from saving money, for sure. But it's also a touch point with an institution who they have some relationship with, but not a main one at this time. And that institution is demonstrating to that customer that they have their back even though they're not currently their customer for this product, but they're still looking out for

them. And so, yeah, it's maybe a little bit of a cross sell, but it's really more of a, like, "I'm advocating for you," and that's what that's missing.

James Robert Lay:

Yes. And I would actually push back on the idea that that's a cross sell, that's actually a methodology that I teach called helping first, it's been haven a methodology, it's a mantra, help first, sell second. Because what you're doing is you're identifying where people are losing money and people are more likely to take action to avoid a loss and change their behavior to modify their behavior. Then they are to achieve. So if you can position that say, "Hey, we've identified how you can stop losing \$1,000 in this high interest credit card. Click here." And so it really is that that mantra of help first, sell second being applied through the context of digital. And I would assume that this would work as well, not only just for credit card, but any other opportunities, whether that be auto, mortgage... Whatever reoccurring payments are. Is that correct?

Seth Fenster:

Absolutely.

Michael Bank:

Yeah that's exactly. It could even be expanded beyond just hacking products as well. If you're fed up with your cable provider as an example, there was no reason, again, because of the data we have on our billing information, that again, we couldn't help customers proactively look at well, what other offers are available to them to be able to, again, to your point, save them money.

James Robert Lay:

I could see just the amazing amount of opportunity to provide that financial education to net savings. It comes back to the whole purpose of what you guys are talking. It's empowerment, because I'm empowering you to make even better decisions. Decisions that you might not even know are available, or you might not even be aware. So you're providing clarity into the unknown opportunities for the consumer. I want to dig into another common pain point, because I'm, I'm just getting excited speaking from my lens of, of being a consumer, let's talk about those annoying reoccurring transactions.

James Robert Lay:

Maybe 10, 12 bucks a month. We live in a subscription economy. I've got my YouTube subscription, my Spotify subscription, my Netflix subscription, which by the way, we canceled that a couple of months ago. Because I was like just done. We're done with Netflix. And it was, for me personally, it was the fact of way too much content, way too many options, way too much choice to where I found that if we sat down to watch something, it was the paradox of choice applied. Really, my wife and I were like, "What are we going to watch? I don't know, what do you want to watch." And it was like this whole and I was like, "You know what? We're not getting any value."

Seth Fenster:

[crosstalk 00:17:22] to figure out what to watch, it's terrible.

Michael Bank:

Also mention, they've subtly continued to up that subscription fee in the bathroom.

Seth Fenster:

Which I'm really glad you brought up because another amazingly exciting opportunity with all of this is that when Netflix decides to raise the rates, when your cable company raises your rates, you're out of luck. There's nothing, there's nothing you can do. You can go cancel, but it means nothing to them. But if everyone is able to collectively say, "We don't want this and we're not just going to complain on Twitter, we're all going to cancel that once." 100,000 cancellations coming from one platform, it's aggregating these bills, might get a discount collectively. And so there's some layers of not just financial advice, but also more empowerment beyond just the advice of individual, but to act as a collective. I think that's extremely exciting.

James Robert Lay:

Yeah. You're providing that, once again that knowledge, that clarity, that awareness. And they are the annoying pain points that it might be more painful to stop that behavior to like... And I can think of some subscriptions that I've had over the years to where it's like, "Here's that bill again. It's only like 12 bucks a month. I'm just going to let it ride and I'll come back next month. There it is again." And because it's more work for me to go out and cancel that subscription than at least in my mind to more work to where if you're bringing that awareness to the fold, it's really transformative. Because that 12 bucks, I mean that's \$144 over the course of a year. And they add up, they start to multiply.

Seth Fenster:

You probably don't notice you have that subscription until they've charged your card for that month. And good luck trying to get them to give you that money back. Sure you can cancel for the next month, but [crosstalk 00:19:03] before the charge went through.

James Robert Lay:

They are not going to give it back, exactly. So we've already identified two major opportunities from the consumer standpoint, an opportunity from the financial brand to just keep people coming back and then really a second opportunity as well is to get that help first, sell second, providing, "Hey, here's a recommendation that can help you stop losing money. Just something to think about something to consider." What other opportunities are available for either the financial brands or the consumer for financial brands to bring to consumers with this?

Seth Fenster:

It really comes down as all really related to the two major ones, because those are really the overarching themes of like, how do we inject proactive elements into your financial life? I would say it's really just more broadly, like what can we do when you're not really sure how to do it yourself and how do we facilitate your doing it so that it doesn't really feel like you're doing anything to make your life better? It's like, how do we let you manage your finances in a way that's like a controlled autopilot?

James Robert Lay:

Well all of the best products platforms, apps that we use, feel like second nature. They don't feel like any more work. I love the analogy of just autopilot because it does make life more simple. It does make life feel even better. So let's role play for a second. I'm a financial brand leader. I'm a CEO, I'm a COO, I'm a Chief Digital Officer. What are some of the roadblocks that you might be bumping up against right now? And how are you helping to educate and empower those leaders to overcome what I would just call limiting beliefs or they're stuck either in the circle of chaos that I write about in my book or what I'm really starting to... and this is for my next book, Banking on Change, but stuck in what I call the cave of complacency? What are ways that you can educate and empower financial brand leaders that, "Hey,

there's an even better way to empower and educate your account holders by just looking at this one simple behavior modification with bill pay."

Seth Fenster:

Yes it's a great question. And it really comes down to educating these financial brand leaders on how they can go and do this. And when you started talking to them about the use cases and the potential of getting access to this type of data and these customer experiences, they love it. Like there's no reason not to love it. But it's a challenge because by design, a lot of these institutions are slow moving and a lot of them are dealing with technology vendors that they don't have a lot of leverage over. And so what we've really done internally is try and build a system that like an infrastructure layer, but also out of the box customer experience ready software that they can use to really make it as easy as possible to offer this either.

Seth Fenster:

If they want to spin up a kind of like a bill pay app separately from their core digital banking stack or if they wanted more deeply integrated. Our job is to not just tell them, but show them that they actually can do it. And I think it goes back to our point about where the digital adoption is accelerated. These are conversations that would probably have gone a lot differently even a year ago. And so it's really more about like, how do we take this and get it to work now and how fast and what's involved in doing it? And so it comes down to not just educating them on the opportunity, but demonstrating how easy it can be to make it work and make it happen.

James Robert Lay:

That's a great point. So let's talk about value creation. You've been in the market, you've got some validation. What has been some of the feedback or the value that you've created for the end user, for the consumer?

Michael Bank:

Yeah. That's a good question. So we're currently in the process of doing a beta rollout. And so we've been able to collect a lot of valuable feedback from the users that are actually testing out the product. And a lot of the feedback that we're getting is things that we have as we thought that we would get. But obviously then we're getting valuable feedback that was thought about and ways to use the product or consume the product, not necessarily even the way that we initially intended it. And so, a lot of the positive feedback we're getting is around the aggregated nature of the product. Being able to pull all your billers into one convenient location is been really important to our end users, because like we talking about before, they're typically going out to each of the biller websites individually. So that's been really invaluable feedback to us.

Michael Bank:

And then another component of the feedback that we're receiving from the beta tasks beyond just the user experience of aggravation, is largely around the onboarding flow, because that's really important as well. Typically, the banks and credit unions, if they're using a bill pay provider, user needs to add their card number, their payee address information, and even finding, "What is my account number?" Is even a difficult task. And so you just give up on it. And so we're quickly and easily able to get people set up with all the billers. We're able to look at your transaction history to [inaudible 00:24:31] billers that should be added. And so again, it's this proactive nature that people are really enjoying and giving us great feedback about what we have so far.

James Robert Lay:

Having done at this point, well, over 1,000 different digital secret shopping studies for financial brands, I got to tell you that pain point of onboarding, of having to go and find those... Particularly if you have a new account holder, and I'm talking like onboarding to a financial brand, a bank or credit union, acquires a new deposit account holder, and they're wanting to help bring all of the accounts over to new FI, there's a lot of friction tied to that experience even now, because I have to go and find all of those statements. And so, one of the recommendations that I've made over the years for those in our program is, let's just put together some type of a concierge service to where I show up and I dump my 10, 12 different statements that I get. And then you can do all that work for me because it's work. And I love how you're addressing that to remove the friction to the very common pain points in people's lives.

Seth Fenster:

One of the other more powerful aspects of the feedback we've gotten, was around the idea that some of the beta testers weren't entirely sure why they were seeing a bunch of different balances for their credit card bill that they linked from the app. And one in particular reached out to me and they asked, "I think this might be wrong. It doesn't line up with what I'm seeing in the bank's app." And we explained like, we're actually showing you the current balance, the minimum balance and the statement balance. And that was something that this particular beta tester hadn't really encountered before and even texted me and was like, "I just didn't realize that it worked like that."

Seth Fenster:

And so they were just paying their current balance every month, which was not bad behavior with a credit card. But, that's extra that they could've saved it for something else for same month. And so it was that educational aspect of seeing the bills like this is actually really helpful and really powerful. And so that's been a really promising feedback as well.

Michael Bank:

One thing I would just add on to that point again, around providing data in just a clean and simple consumable format that gives people the information that they really need, is we've seen a lot of people will just go into, not to name any specific bank, but they'll go into a bank app or website and look at what their current checking account balances and think that that's their safe to spend amount. "This is the money that I've got in my account. So I'm good to go." And, you know, just as like an example, if somebody has \$400 in their checking account, when they go out and buy a TV for \$300, they think great about \$100 leftover where they're not actually thinking about, again, that proactive upcoming nature of bills they have throughout the rest of the month.

Michael Bank:

And very quickly then by the end of the month, they're actually in the red. And so we visually show what your current balance is, but then show what those upcoming bills are due. And then we'll basically minus those two numbers to give you almost a leftover safe to spend amount. And so we've got a lot of good feedback on, on people actually looking at that number as opposed to the current balance number in gaining a better understanding of the finances.

James Robert Lay:

The way that you're describing that I almost see, Blip as being the financial crystal ball to foresee the future. Once again, now we've come full circle with this conversation, what a great one it has been to help prevent people from getting into trouble before that trouble presents itself. As we look ahead to a



whole new year full of opportunity in 2021, what is one piece of advice or what is one recommendation that you might have for financial brand leaders in the banking space or in the credit industry?

Michael Bank:

Seth feel free to obviously jump in here, but I would say, and really embrace the change. And again, COVID is obviously pandemic and has been terrible for many people, but that it has, again, like we talked about in the very beginning of this conversation, opened the eyes of people and institutions that say, "Well, if people aren't going to be coming into our branch, what are we actually doing?" And so it's taking that introspective look. So it's the second half... or even the first half of 2020 people have started doing, but roll with the punches of changes that are coming.

Michael Bank:

And don't be afraid to make these changes because consumers are experiencing a lot of change with other aspects of their lives. Being able to quickly buy something on the internet and it arrives several hours later is the experience that people have come to expect from other aspects of the library. Even talking about like the Netflix is where the content is just right there. And so people have come to expect the same from their banking experience. And it's just not really there yet. So I would say don't be afraid to make these changes. They might seem scary, but it's something that is moving the ball forward from a digital perspective and something that people really want and need.

James Robert Lay:

AQ must be greater than IQ. Like a person's adaptability quotient must be greater than a person's intelligence in this world. Because to that point, what you guys are providing, an individual, a human being would never be able to do to crunch all of this data and then to provide recommendations but you're empowering the financial brand to further empower people. Final thoughts from you, Seth.

Seth Fenster:

Yeah, I would just add, I echo everything Mike said, but I would just add that it would be very helpful to stop thinking that you can't do something just because historically it was challenging or difficult and that it might be, hard to do financial services digitally and maybe there are some aspects that's true, but for the most part, we can make it happen and we'll work with any financial brand that wants to do this. And we know every institution is unique, every situation is unique.

Seth Fenster:

But we're working on a platform really that can be used by any institution, any financial brand, because we know the power of what this unlocks and ultimately at the end of the day, it's about making it happen and actually executing it so that all of those bills are actually turned into the opportunities that we know they are. And it really just kind of starts with the mindset of like, "We can do this. Our institution can change, it should change and we're going to make it happen." And as long as you have that mindset companies like Blip, we're going to work with you and we're going to make it happen.

James Robert Lay:

Yes. When you put the transformation of account holders over the commoditized transaction of dollars and cents, that's when real transformation happens and, and what better time than now to really make that commitment because money is stressful. That stress is taking a toll on people's health, their relationships, their overall sense of wellbeing. And the opportunity that I see in this post COVID world is for financial brands to commit, to guide people beyond that financial stress towards a bigger, better and brighter future. And I appreciate the important and meaningful work that you guys, that you two

Michael and Seth are doing at Blip. It's been such a great conversation, if anyone's listening and they have follow-up questions, they want to connect, they want to continue the conversation with you. What's the best way for them to reach out and say hello?

Seth Fenster:

Twitter is great. Either @BlipLabs on Twitter or Seth TJF for me. We can set up an email from there, phone call or anything. Always happy to chat.

James Robert Lay:

Awesome. Thank you.

Michael Bank:

We are across all the social platforms and our website, tryblip.com as well [inaudible 00:32:28].

Seth Fenster:

Yeah. You can drop a note in there and we'll find you

James Robert Lay:

Excellent. Michael, Seth, thanks for joining me on another episode of Banking on Digital Growth as always, and until next time be well, do good and wash your hands.