

Bryan Clagett:

... on your visibility out in the market and how many prospects you're actually visiting, that's really not a good metric necessarily. It's the quality of the engagement that counts.

James Robert Lay:

Greetings and hello, I am James Robert Lay and welcome to the 65th episode of the Banking on Digital Growth podcast. Today's episode is part of the Exponential Insight series, and I'm excited to welcome Bryan Clagett to the show. Bryan is a strategic leader, helping fintech and finserv win market share, he most recently drove Geezeo's marketing efforts as the CMO and investor helping to sell the company to Jack Henry & Associates in July 2019. Since then Bryan has taken up advisory roles at ChannelNet, BLIP, Nimbus. In addition to running bad-ass banking on a mission to help banks, credit unions and fintech create a better financial services experience for both consumers and business. Hello, Bryan, and welcome to the show today.

Bryan Clagett:

Good to see you my man. I am-

James Robert Lay:

Always good to see you.

Bryan Clagett:

I'm always thrilled to be on your show and just catch up with you.

James Robert Lay:

Yeah, it is always good. It's been over 10 years now since we first connected and have had a lot of good conversations, good experiences, presenting together over the years and sharing knowledge and insight and that's really my hope today is just to transfer knowledge to the dear listener from your lens of the world and what you're seeing.

Bryan Clagett:

"The dear listener." That sounds very North Korean.

James Robert Lay:

The dear listener. No. No North Korea happening over here, but when we look at and reflecting back on 2020, just for you personally, what have been some of the biggest lessons that have come out of what I'm calling the 2020 experience?

Bryan Clagett:

Well, I worked with a lot of brands in 2020, and I think when we started this experiment, we'll call it or experience back in March. I think people were really panicked, right?

James Robert Lay:

Mm-hmm (affirmative).

Bryan Clagett:

And I think there was a fear that... And it wasn't just a fear of the disease, but a fear of the economic collapse and obviously things have been tough for millions in America. And I think a lot of bankers, the credit union folks included and the fintech's were really worried that their physical presence was going to cause a hazard demise. And they're going to have a cultural fallout from a staffing point of view because we went from seeing people in offices to having these work from home experiences. What I've learned, work from home has actually done great. A lot of people are really benefiting from it.

Bryan Clagett:

I think some organizations are stronger because of it even culturally, I think there's been a remarkable amount of productivity that's come out of some of these financial institutions, certainly the fintech's and we adapted, right? And another lesson learned was the fact that, it's not just the younger folks out there, the millennials that are adopting technology, it's old folks like me and Gen Y, Gen X they're all out there and they're using technology and they're finding that it's pretty darn easy. And the bankers are realizing they don't have to have the same physical attributes they always had. They actually can survive in a digital world.

James Robert Lay:

I think back in hearing your reflection, this idea of the physical versus the digital world and some of the fear, I mean, I was launching a book in 2020 and had all of these big plans and book tours, and then all of that got shut down, but I got to tell you, I was way more efficient, way more productive in this digital Zoom conversation world. I don't know if I want to go back to the way things were before, because we've seen so much opportunity as it stands today, "Would I'd like to get back and meet people again in the world and give them a hug and shake their hand?" Absolutely. But I think there's going to be a balance, it's like we got to find this new level of comfort. What are your thoughts on that?

Bryan Clagett:

No, I think you're right. I think it's a balance. I mean, when I was at StrategyCorps and I spent a year with them just about and I love those guys, great product. But I was spending a lot of time in airports and there was a lot of downtime. Now, granted I'm addicted to social and I'm always firing out emails and messages so maybe I'm a little more productive than the average person who is in an airport.

Bryan Clagett:

But that was time down, the time I'm spending now and the time that I see a lot of the sales guys that I know that are no longer quote and quote on the road. They're still productive, they're meeting as many people, maybe even more. I think the harder challenge is how to make those interactions quality oriented, right? It's not just a quantity issue, but if you're a sales guy, sometimes your success is measured on your visibility out in the market and how many prospects you're actually visiting, that's really not a good metric necessarily. It's the quality of the engagement that counts and ultimately, the impact that you have, meaning are you driving sales?

James Robert Lay:

I think there's, a lot of truth with that because personally speaking I've enjoyed being able to advise top 15 over in Europe, then hop over to the Caribbean and then go over to California all in one day and go home and sleep in my bed at night so... And actually get quality sleep and see my wife, see my kids but

then I also think from the lens of I'm a CLO, I'm a lending MLO, I have my own book of business, commercial lending at a bank.

James Robert Lay:

I can't go play golf anymore, but I can get on LinkedIn and make all of these connections and have be... Jay Palter and I were talking about this on a previous episode and be a lot more efficient, but it takes a different mindset, it takes a different operational model and it really forces us to look for the opportunities that we might not have ever considered before when we were on the golf course, spending four or five hours with three other people. When we look at those opportunities, particularly from the work that you're doing, the collaboration between financial brand and fintech, what are those opportunities that you see in 2021 and beyond?

Bryan Claggett:

Well, I think it goes back to thing that I've always believed in and that's this concept of engagement banking. How do bankers and credit... I would say bankers, right? Credit union, US bankers is the same thing. How does the financial service's industry as a whole, how does it stay highly contextual and highly relevant? And I think whether you have a physical or a digital experience, as long as you're contextual and relevant, it will be a meaningful engagement.

Bryan Claggett:

And I think that is what will drive the success of financial services. It's not whether or not you've got a new bank sign out in front of your branch, it's not whether you've got large market presence, which is often defined by not just your market itself, but the number of locations in a market. If you're actually out there leveraging data and building experiences that are meaningful, you're going to succeed. And I think that 2020 is a set up for success in 2021. I'm seeing an increase in dedication to digital channels, the PPP lending thing is a great example.

James Robert Lay:

Absolutely.

Bryan Claggett:

You know what Jill Castilla and Mark Cuban did is a perfect example. It took an outsider like Mark Cuban to say, "Holy crap, we need to create a destination for small business to go to, to get clarity on what the hell the government is saying." Right?

James Robert Lay:

That's a great point to clarity because from the consumer perspective, whether you're an individual, head of household, business owner, I think there's so much more confusion from that perspective. That is where... And to your point with Jill, that's where we as bankers or able to come in to provide clarity and really hope that you don't have to stay stuck here. Right?

Bryan Claggett:

Right. No you don't. Yeah. I think banks and credit unions are learning new tricks. They realize that and I'm looking at the hires that are going on out there in the industry right now in the banking space. They're not looking for your traditional worker, right? They're hiring people that are... I don't want to say digital natives, but they're hiring people that understand engagement from a more holistic point of view. And even the retail bankers that I know that have a large branch networks are looking for different kinds

of people, there's a cultural impact or evolution that might be occurring in light of maybe COVID or it could just simply be because technology is advancing so quickly.

James Robert Lay:

That's a great point. The idea of attracting, recruiting and really retaining talent for digital growth, where are these hires being made from? Is it from the industry? Are we looking now outside of the industry and bringing people in who might not necessarily be jaded by the past of banking?

Bryan Clagett:

Yeah. I can try comment more from a fintech point of view, they're looking outside the industry. Some of the bankers I know are looking for non-bankers as well, because they're looking for a different perspective. Even in the '80s we went through a period where we have the supermarket branches popping up. When I was at CoreStates and we had supermarket branches, we actually were recruiting from Kinney Shoe Store. Remember Kinney Shoe Store?

James Robert Lay:

Yep. I remember my mom taking me there and getting fit with the little metal thing and... Yeah.

Bryan Clagett:

We recruited from them because these were people that were hungry, that were taught in the store to approach the customer. So, we had people that were in the supermarket so X shoe store, shoe salesman, selling product at the supermarket branches. I'm not suggesting we're going to be bringing shoe stores back or anything like that, but there's definitely an advantage of looking outside the market to break the norm because the bank of yesterday is not going to be the bank of tomorrow.

James Robert Lay:

But what you just said is... That's a key insight right there. "We were hiring people from Kinney's Shoe Store to take a proactive stance in someone's buying journey." The same can be true in the digital space to where I think a lot of financial brands are still in a reactive mode waiting for someone to raise their hand to where we have so much digital signaling going on. We can be that Kinney's shoe salesman from the context of digital to take a proactive stance in their life and really help them through that journey before somebody is even aware of where they're at right now?

Bryan Clagett:

Yeah. 2021 is going to be an interesting year. I mean, we just started the second round of this PPP loan thing, I think it's over \$200 billion that's available. So you see the joke is still is out there, jumping on it. Numerator to fintech companies all over it, Nimbus is developing some products, they've already got a lending platform in place. We've learned a lesson just from the PPP loan experience from a retail delivery point of view.

Bryan Clagett:

So, that thing is going to continue to propel, I think the industry will be a little more digitally savvy and a little more relevant. Hopefully we'll learn some valuable experiences from that. I think the payment industry is going to be another one that's going to be exciting next year or this year. Keep forgetting, it's hard to believe it's 2021. Right.? But there's going to be a lot that's different in the payment space. Another one is a cryptocurrency, Bitcoin.

James Robert Lay:

Yes.

Bryan Clagett:

Yeah. Right now we have remarkable volatility, I haven't looked, but I think in the last few days, it's popped up in back about for over 15% [inaudible 00:13:18] that. Banks are going to start offering Bitcoin, non-traditional financials like MassMutual and Prudential will probably start offering Bitcoin. The number one firm searched on Charles Schwab's website last week was Bitcoin.

James Robert Lay:

Mm-hmm (affirmative).

Bryan Clagett:

Okay. It's not 80-year-olds and 70-year-olds that are doing those searches, it's millennials and younger that are doing that. My kid's age, 23 and 21. So yeah, there's going to be a lot that happens in a short period of time. I think 2021 going to be... Honestly, it's going to be a really good year.

James Robert Lay:

Yeah. I agree. A lot of opportunity on the flip side of the coin, the Bitcoin, if you will. What are going to be some of the roadblocks, the challenges for financial brand leaders, as well as fintech leaders to be aware of that they don't get tripped up and get stuck?

Bryan Clagett:

I think it would be the same ones we've always had, certain level of apathy. The industry as a whole, because it's such a commoditized industries and somewhat fat, dumb and happy. I think there's a rude awakening occurring right now.

James Robert Lay:

It's the innovator's dilemma.

Bryan Clagett:

Well, we also didn't touch on this fiscal need. I mean, we're in a zero interest rate market right now. So bankers have got to find a new way to make a living in essence. The balance sheet is not going to correct itself, the economy is still a mess so loan demand's going to have... There's going to be an impact on that.

James Robert Lay:

Mm-hmm (affirmative).

Bryan Clagett:

So yeah, they're going to have to become more efficient and deliver product in a better and meaningful way.

James Robert Lay:

Thoughts on... Because we're talking new income streams, new revenue streams, thoughts on... Because this has been a big area of... Just thinking for me personally, monetizing some type of financial coaching

and I don't want to say financial advisory because that's a whole other area in and of itself more from an investment standpoint.

James Robert Lay:

But just more of coaching because if we're looking at helping people to better themselves financially, there's a lot of the need to change patterns, behaviors that are rooted in early childhood environment. Is there a way? Like a gym can charge, for some type of coaching, training and it's not even financial literacy or financial education, it's deeper than that. Is there an opportunity to monetize and create revenue around developing some type of a program like that, particularly when combined with fintech or combined with some type of data and analytics insights?

Bryan Clagett:

I mean, I think there is. I mean, I know in the wealthier segments, you've got strategic asset management and they monetize it through a flat fee or from 1 to 2.5% of assets under management. And then you've got a number of financial wellness solutions out there that you can subscribe to today, I'm not seeing them offered by banks. I saw today that Alliance has done a partnership with Suze Orman. Is that her name?

James Robert Lay:

Mm-hmm (affirmative).

Bryan Clagett:

Which is kind of interesting. I'm not sure if I know enough about it to comment on it, but at least they're saying we want to be a financial advocate and we're going to surround us with people that will help us truly become that. Because for decades the industry, not just the credit unions over the banking industry has made that promise that we will be your financial advocates.

Bryan Clagett:

They haven't really acted upon it, not nearly as much as it probably could. But again, I go back to PPP lending, people gave community banks a rough time prior to this. The community bankers really came out as heroes in most cases when it came to PPP lending because they got out there self-educated and then took a stance, they took the time to educate, who will be the advocate of small business, and that's still going on.

Bryan Clagett:

The danger? The danger is that if we do what we did back in the '90s and early 2000s where we started declaring we had financial literacy programs and we basically were calling people financially illiterate in doing that. Those programs fundamentally did not work, but there is an opportunity to create programs and coaching that has maybe a subscription-based product. I don't know if it will be a bank that will do it or if it will be a fintech that will do it, but it's possible. People pay today for diet solutions, right? Like Noom, I think it is.

James Robert Lay:

Yep.

Bryan Clagett:

And then you've got all these all psychology apps now that help you. You look at your iPhone, it tells you when you ought to breathe. I mean, there's probably something out there for it. We subscribe for health fitness. Why not fiscal fitness?

James Robert Lay:

Yeah. Because the fiscal fitness has such a direct correlation impact on the physical fitness and even the mental well-being. And it's like, I just see the opportunity, if you fix someone's wallet, then you naturally will improve both their physical well-being as well as their mental well-being. So, maybe there's even some cross industry collaborations with... And I agree with you it is a subscription-based model, we're seeing that with The Financial Gym based out of New York, who's gotten a lot of good publicity and press.

James Robert Lay:

And I think they have a membership model of about \$100 a month, but the value creation is they're saving their members on average. And it's funny when you talk about members, you think credit unions, but they're saving their members on average \$6,000 through that financial coaching and advisory, they're increasing increasing credit scores by 50 to 75 points, which creates much more longer-term value.

James Robert Lay:

So a lot of this... There is the reality. I think the time is now, to put that insight into action. There's a lot of research that I've been reviewing that is hitting back at financial education because it creates a false sense of confidence just like Google creates a false sense of confidence. Whenever you go and you Google your symptoms, you can't self-diagnose, but you're probably going to be wrong and so that's where I feel like the expertise of financial services, of fintech can really start to show itself and rise to your point of beyond the commoditization.

James Robert Lay:

You mentioned something, the complacency, I call it the cave of complacency, where people are just stuck there, they fill it safe and secure, but it's a false sense of security. What can be done to inspire those... And there's maybe even some leaders who are still stuck in the cave of complacency, what can be done to inspire them, to come out to explore, to reach what I call the apex of awareness and look ahead towards the future with hope?

Bryan Clagett:

I think the first thing is to look outside the industry, don't rely upon just your trade associations to educate you. They tend to have [inaudible 00:21:12] a tunnel approach sometimes. That said, I look at ABA and NAFCU, and they're increasingly invested in fintech and trying to drive more environments of collaboration. I think if the industry can find inspiration outside its realm, I think that's going to be a true benefit.

Bryan Clagett:

And I'm not talking about looking at Starbucks because not even Starbucks wants to be Starbucks anymore, without looking at more aggressively the Amazons of the world who know how to leverage

data and deliver product. There's just a lot of inspiring organizations that can do something. I want to go back to financial literacy real quick though.

James Robert Lay:

Sure.

Bryan Clagett:

One of things I think that's going to happen in 2021, I hate to bring up the word political because of the situation we're in today, financial health is going to get political, right? It's going to get very political financial health scores are something that people are now starting to talk about. And I think what that's going to do is that's going to lead to an increased financial health regulatory environment.

James Robert Lay:

Mm-hmm (affirmative).

Bryan Clagett:

I'm not saying it'll stifle, the ability of banks to truly enact upon advocacy, but it is going to create somewhat of a speed bump. It'll probably create with the ones that have the insight and have the marketing wherewithal. It probably will present itself with opportunity so they can distinguish themselves from the competition, but rest assured there's going to be some regulatory challenges for banks next year. And some of this will be tied to the politicalization of financial health.

James Robert Lay:

Yeah. When we look out at this year, a lot of opportunities, a lot of potential road-blocks to be aware of. If there is one thing... I'm a financial brand leader, what would be the one thing that you would advise me to focus on so that it's December 31, 2021 and we look back on this year, I've made really good progress, if there was one thing that I could just keep my eye on and not get distracted by all of the noise going on, what would that one thing be for focus?

Bryan Clagett:

Yeah, I'm biased towards fintech. So, I would say... An opportunity that I'd like bankers to look back and say, "Hey, I really moved the needle there." Would be considering fintech as a service platform. I think that there's going to be some real emergence there again, I think the worlds between fintech and finserv, we're going to somewhat collide.

Bryan Clagett:

It's a new concept, obviously, it's been used quite a bit. But with all the evolving opportunities that exist with BAAS, banking as a service, APIs, the open banking movement that we're kind of in. There's many opportunity for banks to really diversify the products and services that they offer. So, I guess what I would ask a banker to do in December 31, 2001, look back and say, "What new products and services that I bring to market and how relevant were they? And did they make me money?" I got to add that for-profit part in there.

James Robert Lay:

Absolutely. And I think to your point here, when we look at this idea of fintech, finserv, financial brand collaboration. From your lens of the world, what is one commonly held industry belief that you really passionately disagree with?



Bryan Clagett:

That fintech's a threat. I still talk to people out there they kind of have this [inaudible 00:24:52] mentality, "Oh my goodness, the challenger banks are coming, I can never be like them, the newer banks should come, I can never be like them." But maybe I don't need to worry about them. Well, the bottom line is you do. If you're in Edmonds, Oklahoma, and you're a millennial customer today, you can bank at Chime, I could bank at Jill's bank even though it's a great bank. The people at Jill are not going to say, what new products and services can I bring to the market that reduce the chore banking that are, really demonstrating unique and meaningful or relevant [inaudible 00:25:33].

James Robert Lay:

Is that more of a mindset issue?

Bryan Clagett:

I mean, it's a mindset, but it's also... I think we're victims in the industry of that commoditization mindset. If we view banking as a commodity, what inspires us to be different? Right? We tend to look within our own industry inspiration. That's a mistake.

James Robert Lay:

This is really about... Almost what I would look at as first principles thinking of going back to zero, which is what has driven probably the greatest example of this in modern time is Elon Musk, with both Tesla as well as SpaceX, because we lose all assumptions. We go back to zero and we start over, we don't look at the limitations we look at the opportunities that are available for us. And with that in mind, financial brand leaders, what is the best way for them to overcome, to break free from the past to deal with change in the present moment and really eliminate some of the fears that might be holding them back from moving towards this future that you and others are talking about.

Bryan Clagett:

Some of us [inaudible 00:26:40] with risk-taking if this change is being driven by marketing and retail delivery, which is usually where it is driven, the average financial institution, let's say 10 billion bucks in [inaudible 00:26:51], which takes the bulk of in that category, obviously.

James Robert Lay:

Right.

Bryan Clagett:

They need to have a sit down with their board and their executive leadership to understand the tolerance of risk. How much latitude are you going to give me to try new things? I think that's a big part of it because there's a fear, the average bank marketer today is Johnny-on-the-spot for the lending department, "We need a loan promotion." That's what they're hearing day in and day out.

Bryan Clagett:

When I was at Geezeo, I had people say, "I love what you're talking about Bryan, your sales team's done a great job but how does it make loans for me?" I get that all they're hearing is, "Give me loans." Right? Right now you're not going to get the loan volume you want with the piece of pie you'd want, you're going to have a bigger piece of pie or more targeted piece of pie in order to maintain that lending opportunity. But now you've got new threats, you've got fintech's, neobanks, and really, really smart bankers out there that are doing and trying new things. They understand the risk tolerance for innovation.

James Robert Lay:

It really goes back to the Kinney Shoes example of taking a proactive stance versus the-

Bryan Clagett:

It's a horrible example in many ways but literally that's what we did. We went to a shoe store where the sales reps were comped on pursuing the customer to make sure they engage them in order to close the sale and get them a pair of shoes that fit.

James Robert Lay:

Well. One of my very first jobs was working at Old Navy. And this was when Old Navy was coming into the Houston market. I think I was like 17, 18 years old at the time and I was the second round of hires. And the Old Navy store that I was in, we ended up growing to become the number one selling Old Navy in the entire country. And it was because we had this amazing sales. It's so simple, very similar to your Kinney's Shoe for example, you approach the customer as they walk into the doors, you have your blue bag in hand and you ask if you can walk around the store and shop with them to provide the guidance and expertise.

James Robert Lay:

And you're like, "Well, it's just buying clothes." Well, you're there if someone needs that guidance, you're there if someone needs that advice, if they want to do it on their own, that's great. But at least you're taking a proactive stance versus waiting for someone to feel some level of friction that you talk so passionately about her frustration and eliminate that before it even exist.

Bryan Clagett:

Yep.

James Robert Lay:

Yeah. Well, listen, Bryan, this has been such a great conversation. If someone wants to continue this conversation, this dialogue with you, to dive deeper into the opportunities of fintech, finserv, financial brand collaboration and the opportunities that exist because it is really your passion, your area of focus, what's the best way for them to reach out, connect with you, say hello?

Bryan Clagett:

Hit me on a new me on Twitter at Clagett or just find me on LinkedIn at Bryan Clagett, B-R-Y-A-N C-L-A-G-E-T-T.

---

James Robert Lay:

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