Joe Keeley:

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James Robert Lay:

Greetings and hello, I am James Robert Lay, and welcome to episode 277 of the Banking on Digital Growth Podcast. Today's episode is part of the Exponential Insight series, and I'm excited to welcome Joe Keeley to the show. Joe is the CEO and co-founder of Justified Technologies, a venture-backed FinTech, providing payments and FinTech architecture, along with strategy, for vertical SaaS platforms and marketplaces. Today, Joe and I are going to guide you forward along your own journey of growth as we explore how the embedded FinTech world continues to evolve, along with the biggest opportunities available for you to create or capture right now. Welcome to the show, Joe. It is good to share time with you today, buddy.

Joe Keeley:

Good to be with you. Thanks for having me.

James Robert Lay:

Before we get into talking embedded FinTech, embedded payments, and how both are transforming the world of banking, at both a macro, as well as I would say a micro level for consumers, for financial brands, for brands in general, even startups, what is good in your world personally or professionally? It's always your pick to get started on a positive note.

Joe Keeley:

Well, I'm up here in the bold north of tropical St. Paul, Minnesota, so these days, you got to bring a positive attitude when you're staring at -20 in the face. We got a busy month ahead with my kiddos,, and skiing, and hockey and all things winter, so that helps those cold days go by.

James Robert Lay:

Yeah, it does. It does, especially when you add kids into the mix, and you get outside and enjoy it as much as possible. You're talking to someone down here on the third coast in Houston, Texas, where if it drops below 40 degrees, and really literally, if it drops below freezing, the city just shuts down. We don't go anywhere. We don't do anything.

Joe Keeley:

We're just hoping to get above freezing, but that's neither here nor there.

James Robert Lay:

That's right. I want to dive into our discussion, and start off by when we think about everything that we have experienced to start this decade, 2020, because I'm using this as a horizon line, 2020 to 2030, but if we think about where we've started, what has surprised you most when it comes to trends around embedded FinTech?

Joe Keeley:

I would say that we're still, it's actually the contrasts of things. On one hand, there's so much advancement happening and innovation happening, and it seems like the most exciting time ever in this

space. Then on the other hand, there's still a lot of folks that are in the early days of their learning. The contrast between the innovations that are happening still in a small group, and there's still a lot of old ways of thinking out there. There's still a lot of stereotypes and myths that need to get busted. We use words like FinTech. Well, what does that mean exactly? I can break it down into its root and financial technology, but what does that mean to me, and what does that mean to my business? Things are so available and reachable in our history, but yet for some, they seem still so far away. The contrasts are what strikes me right now.

James Robert Lay:

What would you attribute that to? I would agree with your assessment that there is, for lack of a better word, a knowledge gap, maybe a perception gap, because I think words have power. Our previous experiences define how we perceive things right now in the present moment. Where would you diagnose this gap of perception? Then I want to get into some of the mythology here, and the myths that we probably do need to bust to continue to move forward with a unified perspective, but how did we get to here?
Joe Keeley:

Well, I think it's been trained in that way, and in so much as if we look at just like the internet or websites and databases and things as an analogy, there was a time where unless you had a super computer or servers for miles in your building, you were blocked out of doing some pretty special things. They were really reserved for the few. Then over time, they're on this arch, and now, you would be laughed out of the room. I think if you said, "Well, we host everything in our closet and our servers." You can spin up and you have infinite scalability with AWS and Azure and those sort of things. I would say we're somewhere in between those two phases for embedded finance and FinTech is that it used to be reserved exclusively for the behemoth banks and those with the charters and the resources and the card brands. Now you're seeing this access happening, and it moved from the traditional institutions to those that define themselves slowly as a FinTech company, like we are here at Justifi. Now what you're seeing is the application of those powerful tools to folks that don't identify as a FinTech company, but are rather harnessing the power of embedded finance. It's not core. Therefore, it takes a mindset shift for someone to say, "I'm in construction management software, I'm not in FinTech," or maybe that is just the economic engine that fuels your great software and you are embedded. That goes back to the sort of famous quote of the VC, Marc Andreessen said, I'll paraphrase, "Every company will soon be a FinTech company." Okay. Well, now that changes the perspective quite remarkably.

James Robert Lay:

Well, I think your analogy of thinking about servers for miles, we wouldn't even think about that because everything is cloud-based. You can spin things up super quickly. It's almost like thinking about the transformation of e-commerce in what Peter Diamandis, his 6D's model, everything has become democratized and decentralized and demonetized. It's opening up these whole new possibilities, but those opportunities will only be realized with a mindset shift of how we perceive ourselves as leaders, as organizations in the world around us. Myths here, what are some of the myths that are floating around that you would like to maybe myth bust?

Joe Keeley:

Well, I think each specific area, and I think it's important to take it from the high level of the buzzwords of FinTech, and then bring it into what are the different components to that? I think one that we see a lot at Justifi, we help make FinTech possible for platforms. Payments are often the tip of the spear. It's often

where they start with. We hear a lot, some things like, "Oh, switching payment providers is so painful," because there's like 30 years of scar tissue built up there.

James Robert Lay:

Right.

Joe Keeley:

Depending on the tech stack it can be, but it doesn't have to be. Another one is this notion that when we get big enough, we're going to be a payment facilitator ourselves. We are one, but for most platforms, they need, that's a thing of the past, the regulation and that sort of thing. They need to be pushing many, many billions through. Those are some myths that I would say. From a banking and a lending perspective, this myth that, well, I can't be offering that, because I'm a bank, I don't want to be a bank, rather. Well, you don't have to be one anymore with the right APIs and you don't have to take balance sheet risk. You can keep your focus on what is core, adding products, services that customers would get value from, which is what you should be doing, I would argue as a business, but you don't have to become an expert in something. There's a lot of companies and resources that can make this possible. I will say, though, what they do have that no one else has is they have more data on those customers than anybody else. That's really what's needed to unlock this value such as lending, insurance, payments, these sort of things. We're putting the wrong value sometimes in what we ought to be, and missing the value of the things that are sitting right in front of us.

James Robert Lay:

Let's expand further on that thought. I would agree with you. When you look at data as a point for future value, where is that value from your perception?

Joe Keeley:

Here at Justifi, we help platforms, vertical SaaS platforms, which are often the system of record for a set of customers, and those customers have customers. Whenever that is the case, that is sort of one of the prime opportunities for the FinTech stack, whether that's payment monetization, lending, insurance, card issuing, vendor management. Most of those systems of record, or even ecommerce, they are collecting mountains of data, they know what the buying habits are. If they're in the payment flow, they could predict what their cash flows are. When you think about a traditional loan and popping someone out to an online form, or to an actual brick and mortar bank, they're starting from almost zero, or they are starting from whatever's in the bank account of this business customer. That's it. Then they're relying on capturing data like trailing financials and things like that. That's why that's such an inefficient process. These software companies and these retailers and others, if organized right, they have more data than the banks do. If you can activate that in a way, then you're able to provide the right offer to the right person at the right time. That brings them a frictionless delight on something that they need. Then if you're able to do that, with partners, of course, then you should participate in the economics of that.

James Robert Lay:

When you look at, and I think you mentioned this before, the mindset shift that is needed for an organization to realize the value through the data that they have, what are some of maybe the mental roadblocks that hold leaders back from achieving this?

Joe Keeley:

Well, I would say that some are mental roadblocks, and it's like, well, it's sort of like, well, we're using the term someday, or when I get big enough, then I'll do this. What I've found is that the aspiration is high,

but the activation is very low. There is a mindset shift, and I would argue that someday never comes, it turns out. There's always things on the roadmap, and there's actual real roadblocks. There are real, what a lot of times I see happen is companies have a high level of aspiration, but they are doing this off the side of their desk. They have head of product and engineering, and then they also involve their finance team. That is not a FinTech team. They're involved, they should be involved, they take it on as a hobby, and this is a real business, it should be a real effort. Now, you can outsource that. We have a FinTech team that we work with companies who need a chief payments officer and that sort of thing, but it's not just going to happen. Anything of value doesn't just happen. That doesn't mean it has to be remarkably difficult with the right team and the right tech, but you do need to have a mindset shift. I would say it's like, this can be so valuable to an organization. At one of our founding story, one of the vertical SaaS platforms that our team has been involved in that's sold to a public company, 80% of their revenue was non-SaaS based, meaning they're in the SaaS business, selling software, but they had activated and executed this FinTech playbook of payments, insurance lending, card issuing, and 80% of the revenue came from that. They were just a FinTech Trojan horse, and how did they become world class? It's because of their mindset shift. It 10X-ed their value. I would ask the question, when is the best time to plant a tree, as they say? 10 years ago is the first answer, and today is the second. Committing and getting started on it, it doesn't have to disrupt the whole business, but I think it can be quite addicting once someone starts and starts activating these things.

James Robert Lay:

One of the things that you have discussed on your website is looking at FinTech as a growth engine. It's all kind of this encompassing everything from sales compensation plans, messaging, positioning, internal educational materials, to turn FinTech into a revenue for a business. I like the multidisciplinary approach here because if you think about, and let's just break each one of these down. Take messaging, take positioning, communication, if you will. What are often the gaps in messaging, in positioning, in communication, when it comes to launching a new line like payments, or like embedded FinTech or embedded banking here?

Joe Keeley:

Well, I think if you look at the organization, and this is why it needs to be, if there's much to gain from this, then it needs to be a strategic thrust. It doesn't mean you have to go hire an entire team, but it needs to be part of that strategy, and then it needs to permeate through an organization to really do it justice and to do it right. For example, if you launch an embedded payment, a white label payment product or white label insurance, and you want activation, because turning a product on doesn't create value necessarily, or certainly doesn't create revenue. It's adoption that does that.

James Robert Lay:

Right.

Joe Keeley:

It's either so painfully obvious in fitting a product market fit that it just sells itself, or your sales team is going to need to activate it, and your marketing team's going to talk about the features of why you would want to have this embedded in the platform, instead of worrying about bringing your own process, or whatever it happens to be. If your sales folks are not compensated to sell something that's more difficult or takes a little bit more time, maybe a few of them will do it because they're just really great folks. My experience has been is that compensation drives behavior.

James Robert Lay:

Yes.

Joe Keeley:

It probably is a good idea to link the vision of the organization all the way down to the traction or the tasks that we're doing at all levels.

James Robert Lay:

Let's go back up high level here. When you look at embedded FinTech, when you look at embedded payments, the biggest evolutions you have seen over time in this space, particularly around say startups, SaaS, et cetera, because once again, you're looking at a specific vertical here. What is evolving the most, the furthest, farthest, fastest, quickest? I think, you mentioned 10X, I like to look at the world through a lens of 10X, through multiples, because you are able to get an exponential capability on the other side of this.

Joe Keeley:

Yeah, so I think if we go back to go forward, it first started, if we just look at payments being further along than a lot of things, first it was just being able to accept payment. That was sort of your PayPals and your legacy providers. Then Stripe made that a lot easier, to where developers can turn something on at 11 o'clock at night without talking to someone. [Goodbye them 00:18:31], they really solved something real. Now, we're in this phase where, well, of course, as the creator of the ecosystem on my platform, of course I should be monetizing, I should be participating in the value of that. That is sort of where we are today. Now, where I think we're going very, very quickly is that those platforms are demanding, and they should demand, that they make the lion share of available dollars there. I think we've been kind of lulled to sleep that payments cost 3%. Maybe it's because Visa's Olympic commercials are really inspiring and then we just, that's what it costs, but we know that it doesn't. Platforms are saying, "No, I want to optimize payments at a billion dollar level, even though I'm a $10 million platform." I think that's okay. I think they should. Then the next phase is payments is part of FinTech, but FinTech is not just payments. What's the next step, and the next step? We talked about embedded lending, and we talked about embedded insurance. There's a big difference between doing something and doing something well. I think you're going to see this really truly come true, and that's really what we exist to do is to help platforms understand their FinTech potential, and then accelerate it.

James Robert Lay:

That idea of helping platforms understand their FinTech potential, you're helping them see things different, think about things different, then ultimately fill, and then go and do different into the future. If we were to leap ahead to 2030 and look back to this conversation today, what do you feel needs to happen between now until then to feel good about the continued progress you're making through the work that you're doing with these brands at Justifi?

Joe Keeley:

I think that ultimately, we measure our success by the success of our customers. If our purpose is the reason for us to exist is to accelerate potential, then I would say at 2030, there's always more mountains in the range, but that we have our yellow and black flag planted in a couple of them and said, "We can look back and that we helped platforms achieve a five to 10X valuation on their company, because they were able to activate FinTech companies and truly make that quote of every platform or every company will be a FinTech company, and that we helped them do that. We helped them do that with our platform, and then our products below."

I think a more specific way to measure that is we're helping them monetize billions of dollars, and they've activated more than just one product, so that they're using the lending and the insurance and those products. That's really the full story here. It's not just one, it's many. It'll be an exciting time.

James Robert Lay:

Where should one begin thinking about this? Let's say I'm a founder. I'm an entrepreneur, I'm hearing about this. I see some potential. How do I gain clarity? How do I cut through the noise? How do I cut through the confusion to actually make this practical? Where do I begin with this?

Joe Keeley:

Sure. I think it's a great question, because it can be very overwhelming, and there's lots of folks that are vying for that attention. I think that doing a little bit of research and looking at it, so many folks default to payments. As I said earlier, that tends to be a tip of the spear, because activating payments is something that is sort of a minimum feature that most platforms have.

James Robert Lay:

Yeah.

Joe Keeley:

It's not sort of that revolutionary. Doing that better than they're doing today might be the place to start. I think the thing that we want to folks to really be concerned about is getting roped into multiple point solutions and then once you get bigger, you're like, "Oh, wow, we could do this so differently." Unwinding that is what is the gap between where someone is and where their potential is. What we say is necessary is starting with data. What we mean by that, our platform separates onboarding data that's needed for customers from the actual product, so that when a new product wants to do KYC, you have that available and you don't have to go back out to your customers and collect it again for every single product. Then you switch partners, and then you got to collect it again. That's what slows everything down. It's not actually the technical integrations that are the most complicated. By separating and owning one's data, you maintain flexibility and optionality. What happens a lot of times is there's this vendor lockin that happens, and that's what we want to try to avoid, but then also just panning out and saying what is possible? I think starting there. If you don't know where you want to be and you don't know what's possible, it's pretty hard to get there. At Justifi, that's exactly what we do is we try to help first identify where are we today? Where do we want to be? Where could we be? Then the third and final important question around strategies, what needs to happen for that to happen?

James Robert Lay:

To make that practical for the dear listener, with a little bit of a framework that I teach through, it's one question, how do you want to grow? It's an acronym.

Joe Keeley:

Sure.

James Robert Lay:

What are your goals? Leap ahead into the future and look back, kind of like I asked you that question, it's 2030.

Joe Keeley:

Sure.

James Robert Lay:

Look back today. What needs to happen? It's a blue sky exercise. Fantastic. We've got clarity, and oh, by the way, have you thought about one, two, and three, or A, B, and C? Ah, no, I haven't. Well, let's go ahead and just consider that possibility. Then roadblocks. We have goals, then the roadblocks, and I think that's the most exciting part of the exercise. Based upon what we can perceive in the present moment, what do you think the roadblocks might be that could be an impediment to moving forward towards those goals and those roadblocks? Once again, as an outsider, you could provide some more perspective into things that they're not seeing internally. Then to come back to your point, it's the, oh, it's the opportunities. Now, here are the opportunities to move beyond the roadblocks, to then make progress towards those goals, and then let's reevaluate this and continuously move forward together. I really like the thinking that you have shared here in our conversation, Joe. If someone wants to continue the conversation that we have started, what's the best way for them to reach out and do that with you?

Joe Keeley:

Yeah, great. I'm on LinkedIn also, our team is at Justifi.ai.

James Robert Lay:

Justifi.ai. Connect with Joe, learn with Joe, grow with Joe. Joe, thank you so much for joining me for another episode of Banking on Digital Growth. This has been a lot of fun today.

Joe Keeley:

Thanks so much.

James Robert Lay:

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