

Chris Cox:

15 years ago, there are 10,000 banks and credit unions in the US and now there's something like 5000, right, depending on who's counting and how they're counting, that is going to continue to be reality. So then the question really becomes, if you're a community bank or credit union, what do you need to do to thrive in this market, and a lot of cases even survive in this market?

James Robert Lay:

Greetings and Hello, I am James Robert Leigh and welcome to episode 287 of the banking on digital growth podcast. Today's episode is part of the exponential insights series, and I'm excited to welcome Chris Cox to the show. Chris is the Chief Operating Officer at aperture, a digital banking partner delivering comprehensive online and mobile solutions that support banks and credit unions, ranging from small Community Financial brands to new innovative direct banks. Aperture was also recently named Best in class solution provider in 2022. And today, Chris and I are gonna dive into the greatest growth opportunities for Community Financial brands, even for credit unions in a digital world based on a recent set recent session that he led at the CUNA GAC Conference in Washington, DC to guide you, dear listener, as you maximize your future growth at your bank at your credit union, or at your fintech. Welcome to the show, Chris, it is good to share time with you today.

Chris Cox:

James, Robert, thank you for having me. This is gonna be fun.

James Robert Lay:

It is going to be fun. And before we get into talking growth opportunities for Community Financial brands, and for credit unions, because they are numerous, even Peter Diamandis was at the CUNA, GAC. I know a big thing that he thinks and talks a lot about is the idea of exponential reality, just as I do. What is good in your world right now, personally, or professionally, I always like to start the show off on a positive note what's good for you?

Chris Cox:

Wow, what a great question. So in general, things are great for me. So it is a time in my life when my kids are becoming adults. So I've got two boys, eighth grade, and 10th grade and all the things that come around, you know, come along with that level of maturity, which has been really, really fun. My older son is starting to drive, which is terrifying, but also kind of professionally, you know, we're in a great space at aperture. The business is doing great. We're headquartered here in Wilmington, North Carolina, which is a wonderful place to live. So you know, everything is good. And my world. Thank you for asking.

James Robert Lay:

Absolutely. And, you know, you talk about your kids 10th grade in eighth grade, we're just a little bit behind you. In the lay household, we have seventh, fifth, third, and first,

Chris Cox:

That's good spacing.

James Robert Lay:

It's fantastic spacing, and people like, Was it planned? I said, Absolutely. It was planned, we figured once we started, we're just going to rip the band aid off and you know, kind of spaced and group them all together, even to the point to where three of them their birthdays fall, literally a month apart to the day.

Chris Cox:

Everybody says it and you don't believe it until you're there. But it is just crazy how fast it goes. I mean, I can't believe I've got you know, a kid in 10th grade, it goes so fast.

James Robert Lay:

I get so annoyed and frustrated hearing that as a as a, you know, young father, if you will, and I'm like, Yeah, whatever, whatever, whatever. I would say now at this stage of my life, I'm starting to fill it just a little bit like, Oh, I've got a seventh grader. You know, he's 12. He's almost 13. And now it's like, huh, so I think my perspective on this is starting to, to change to transform. Maybe there's a little bit more intentionality that I'm putting on this, that I didn't have the appreciation. And I think it's just you know, even learning just with our conversation, getting this perspective from you is so helpful. Because if you think about like life, there's it's just constant change. In but when I think about this particular vertical change is somewhat of a challenge for for leaders and I understand why. But I want to start there because if I think about aperture, you have led the organization through a period of change and transformation. Can you take us back of what that story what that journey is? And how you you as a leader, were able to navigate what I talked about often the complexities of change.

Chris Cox:

So just a little bit of history. So aperture is speaking of time going quickly, aperture is now five years old. So we started the company at the end of 2017. And the company has an interesting history, right. So we actually spun an existing business out of First Data Corporation, right, which was the giant, you know, payments conglomerate, which is now part of Fiserv at the end of 2017. And you know, a few reasons we did that, which I can explain to you. But we started this company, at the end of 2017. And I was kind of joke, it was a spin out, it was a startup, it was a joint venture. And it was a turnaround kind of all mixed together. So, when we spun it out, we actually started as a joint venture between first data and Live Oak Bank, which is a really tech forward innovative bank, here in Wilmington, North Carolina. So we started our company as a joint venture between those. And I did have, you know, the good fortune to be able to lead that spin out from first data and set up this company from the beginning. And, for me, you know, it was about it's been really fun, like, the whole thing has been a fun adventure. And we've built a really, really great business that I'm very proud of, and we're just getting started, we've got, you know, but for me, you know, when there's so much going on, you know, in so many places that you've got to keep spreading to do something like take an existing business and rip it out of the jack company, and set it up to start on its own. It's all about focus, right? You've got to figure out what are the most important things that you need to do, you know, today, this month, this year, to get the company on the path that you want to get, get it on. And that's what we that's what we did, unfortunately, we had a great partner, during that transition with first data, right? Understanding that, we're gonna have to kind of step through the process of, you know, an entangling ourselves from all the big companies shared services and run completely independently on our own, and they were there to sort of support us through that process. So for me, it was just about focus. That's how we did it.

James Robert Lay:

I appreciate that perspective on focus. And I also liked the collaboration between Live Oak, you know, I think when we looking at this digital world that we're continuing to journey through and towards now what I'm framing as the age of AI, collaboration opportunities are exponential, there, there are things that we weren't that were not available, say, five years ago, or even 10 years ago, now to collaborate and create value in whole new ways. What's What's your thought on that?

Chris Cox:

I agree. And hopefully, we can spend a couple of minutes talking about AI, because I've got some some, I mean, I think it's just so exciting and fun, and I think is going to create, you know, real potential to change how community banks and credit unions engage with their customers and members. So

hopefully, we can spend a minute on that, but the industry that we're in, so aperture, we support community banks and credit unions. So, you know, that's our bread and butter are not, you know, going after, you know, national banks and those sorts of things, it's a great space to be in, it's a large space to be in, but it's changing rapidly. And I think there are a few dynamics that are, you know, forcing change. One is, you know, all financial institutions are feeling, you know, increased an aggressive competitive pressure from larger financial institutions. And that's because it's no longer sort of a geography based community that we're talking about, with technology, the largest banks can reach into any market, they want to and create new customer relationships. That's happening, financial institutions of all sizes are also feeling all this competition from fintechs. Right. So, you know, think technology companies who are looking to kind of pick off little pieces of the traditional banking value chain, in a lot of cases, do it better than financial institutions can themselves because they're really focused on specific use cases. And they're building, you know, from a starting point of modern technology,

James Robert Lay:

Which is the word that you just shared that idea around focus. It's a great example of applying that in the space and how that does become a competitive, quote unquote, threat to say, more of an incumbent Community Financial brand, like community bank or credit union.

Chris Cox:

You got it? That's right. And I think, you know, I think, you know, in in our space, right, financial institutions, maybe or certainly view fintechs differently. So three years ago, terrified competition. Now, it's, you know, a lot of discussion about how to financial institutions, partner with fintechs in a way that they can grow together. So and we're at aperture in the middle of enabling a lot of that, which I'll talk about, but the other dynamic, I mean, just continues to be reality in our space, is consolidation. Right? So I think, don't quote me on exactly the numbers. But you know, 15 years ago, there are 10,000 unions in the US and now there's something like 5000, right, depending on who's counting and how they're counting. That is going to continue to be reality. So then the question really becomes, if you're a community bank or credit union what You need to do to thrive in this market. And a lot of cases even survive in this market in the face of rapid technology change, rapid change and what consumers are expecting, you know, in terms of their business partners. And, you know, the answer seems to be this notion of digital transformation. And then you get into what what does that really mean? And that's what I talked about the other day at the conference, which was fun to talk about.

James Robert Lay:

Yeah, you know, when you're talking about the idea of change and transformation, you mentioned, digital transformation, one of the trends that I'm really interested in doing a lot of research around speaking, coaching, advising around is the human transformation that must go alongside the digital transformation. Because change is it's hard. It's scary, it can be painful, like you mentioned AI. And that's where I want I want to bring this back to a point you're mentioning here. But I want to give the dear listener some perspective, the idea of of how I'm framing this year, in my mind, three words, essential exponential expansion. And what I mean by that is the ascent is the essential, what are the few things that matter most what are the few things that are create the greatest value, because I do feel that in a world of AI, the opportunities are enormous. And the paradox of choice is real. It's draining, and it's exhausting. So let's figure out what those few things are. The exponential is really gaining clarity into how quickly change is happening at both a macro level, and not just within financial services. But also, within like, for example, Peter Diamandis was talking about a GAC the idea of longevity, that, you know, lifespan life extension is a real possibility. And that's going to change how people live, and then that's gonna change the face of financial services. And then the idea of expansion, because I think when we are undergoing and we're journeying through change at an exponential rate, there's a lack of clarity there, there's maybe some confusion, it's easy to just want to go into the cave of complacency. But I probably

think that's like the worst place that we could go. So it's, it takes a conscious effort to continue to expand externally. And to me, the greatest opportunity is not to think about ourselves as a financial brand, or as a technology provider. But really the value that we're creating for other people going forward.

Chris Cox:

I love that. I mean, I love the way that you think about that, I think, you know, it is not uncommon, in you know, when you reach places of fundamental technology transformation, that there is just a lot of confusion as people and businesses try to figure out, you know, what, what it really means we saw the same thing with the internet 30 years ago when it was, okay, websites, great, fast forward 30 years, and the whole world has changed by that technology. And I'm not James Robert, I'm not I'm not a futurist. I'm not even really a you know, a deep thinker on technology, you know, where we are, you know, nitty gritty technology, making sure that banks and credit unions have the tools they need. But I do think that artificial intelligence is going to be as fundamentally impactful as the internet was, yeah, and I think we're just starting to see that. And I think there's a real, you're gonna see a real transformation in terms of how banks and credit unions serve their customers through digital channels with this technology that is just now hitting sort of scale and mainstream.

James Robert Lay:

I you know, it's interesting, you mentioned 30 years ago, and we're right at that horizon line. The internet we could argue hit mass consciousness in 1994. It was being featured on Times magazine it was being talked about on all the morning shows. July 5 1990 94 was the day that Bezos launched Amazon out of his garage. May 18 1995 was the day that Wells Fargo launched the very first online banking platform and now you know 94 To 20 2320 24 That's 30 years. Once again, I don't consider myself a futurist. I'm looking at this through the lens of digital anthropology. So studying the intersection of marketing and sells technology as a connector. But then there's also the human behavior, the human component, the human factor to all of this, let's talk about AI. Because I feel that this idea of AI is going to make what we experienced from 94 to, you know, 2023 2024, it's going to pale in comparison, I think, you know, November 30 2022, when chat GPT came out, that was the sense of awareness, like, Ah, this AI is not just theory. Now, AI is generative. And of course, you know, the open ai had Dali and whatnot. But it wasn't, it wasn't hitting the mass consciousness at a macro level in the media, like it is now. So where's your mind with this idea of AI? And from? I want to start off with common misconceptions first. That Community Financial brands, community banks, credit unions, might have around these two simple letters, because these two simple letters unpack a lot underneath the surface.

Chris Cox:

Yeah, so a lot in there. This is so much fun to dig into. So I think you're right. I mean, so chat. GPT is what sort of made AI kind of explode into the mainstream, where people like normal people start to really think about, wow, this is super interesting. And I think, you know, the first thing people think about is, well, how is this really different than a Google search? Like, I'm not sure I understand how this is different than a Google search. But then you start kind of playing around with it. And you can see, and it's not perfect. I mean, it's got a long way to go. We all know, of course, showing possibilities. But you can see like, it's connecting concepts together, it's doing much more than just the requesting something and getting some information back during my conference presentation. This week, I did something that I thought was kind of fun. Tell me if you agree, but so I presented a slide, it was a really boring like consulting slide, it was just sort of a table of, here's where AI is coming into banking. I was like, literally boring. It was like by bank department and kind of use that to talk about some things. So you know, mostly bankers, when they think AI today, they're thinking about chat bots, right? They're thinking about, you know, guided customer support, when it's a big topic for, especially community banks and credit unions, who have rightly always been able to hang their hats on really great customer service or member service. Yeah, you're naturally skeptical about, I'm gonna, I'm not going to just hand that all

over to a bot, they're going to want to prove that it's going to be good. And they're going to see that it's going to be good. But anyway, what I did was I said, Okay, now, let me tell you a secret. I'm not an AI expert. I'm not even really a good internet researcher. I actually use chat GPT to create this slide. And I kind of walked him through. So I, you know, started with just a prompt and chat GPT How will financial institutions use AI? And it gives me back this nice bullet list of and it's good. I mean, good information, a lot of words that I can't put on a slide. And then as I Okay, now, format that into table for me, and organize it by bank department gives me a table pack. Yeah, that's great. Now, you know, I want to look smart. So like, just give me some examples. For each of these. Give me some examples of some banks who are actually using this technology, as described. So it spins for a little bit adds a column to my table. So you see, so I had to build a slide for me. Yeah. And then. So that's interesting, right. But you know, banking, of course, the reason I did that is because I still don't think a lot of people understand like, what's going to be possible beyond just a Google search. So that's why I did that. But, you know, banking, of course, it's not internet research. It's not building presentations. But I think that is showing the power of where digital customer service can go in banking.

James Robert Lay:

I want to pause you real fast, because you're, you're hitting on a couple of things, the idea of the Google search. I'm gonna pick and poke at my wife on this one, just a little bit. And she joined me for a conversation back in episode 167 and 176. And, you know, we're the same age. I was born in 81. She was born in 82. I had early access to the internet, probably starting like 9293 going up to my dad's work and, you know, getting into back then what were essentially chat rooms, but it wasn't like it was you know, today, we were talking about, like, you know, baseball cards and whatnot. Yeah, it you had to submit and then refresh the page to see if someone replied, so it was a completely different experience. But then I would say my wife was introduced to the internet, probably in junior high. And I think there was this whole thing of like, how do you use This thing, how do you use a Google search, and there's a skill set with that. And now what we have done is back to your point is we've taken the Google search. And we've exponentially multiplied it to now not only search and get me information, but create. So there's this whole co creation aspect that I'm really interested in, we're using AI now, as part of this whole podcast production, you know, the content that comes out of this, and we're learning and then we're transferring this knowledge back in. I think, perspective, shapes reality. And so I've been talking to a lot of financial brand leaders, community leaders, community banks, and credit unions, you know, to start the, what's your whole take on this chat GPT. And just looking at it very objectively, and then like, oh, well, I've been hearing about it, you know, in the media and reading in the newspapers and school districts are going to ban this thing, because it's like, you know, it's making kids dumb. And I think that's a very dangerous precedent to set. Because it's planting a seed in the mind of a leader saying, This is bad. And I like how you're framing this is you're showing, look at the potential here, and let's continue this narrative, because the next step is, like you said, is tying this back into financial services. Yeah, where the datasets are exponentially multiplying, that a human being cannot possibly find the patterns within them. This is where and I talked about this at a recent conference. And I introduced the the idea to make a little bit more approachable. I introduced atta and adda is automation data and AI, looking at this as a teammate. So where's your take on this to dive even deeper on the subject here?

Chris Cox:

Yeah, and I could talk about this forever. I mean, even what you said in school, like I mentioned beginning, you know, I've got a son in high school. So this is definitely a topic, right. And yeah, it's going to just be another tool that students and teachers are going to have the same way you can use a calculator to do math and use video doesn't mean you're gonna stop learning how to do math. But you've got maybe a way to learn more efficiently. But anyway, for banking. So I think you see, maybe a shorter term application, and then a longer term, which I think is going to be fundamentally really cool. So in the shorter term, you know, and this is, you know, think, tying together kind of chat assisted

customer support with transactional activity. So what if, you know, when you go online, or a mobile phone to do your banking, today, you're presented with a fairly complex and a fairly static interface, and you know, you're going to click around all over the place to look at your balances and pay your bills or your business notice and wires and ACH? You know, what if that can be simplified so that your banking servicing interface looks something like a chat GPT, you know, prompt bar, and you can just say, How much money do I have? Or pay this bill tomorrow? Or, you know, those sorts of things? It's, it's going to take the technology a while to evolve. So that I mean, what's going to be key for consumers is, will do everything I need, right? I don't want every response to be sorry, I don't understand. But that's going to come fast. Right? I think Jack GPT is showing that's going to come fast. And it's also I mean, it's gonna it's going to take some time, because now you're really stepping away from, you know, branch based banking to internet banking that we've had for 20 years to this feels completely different. But I think fundamentally more convenient. So that's going to be maybe a step.

James Robert Lay:

It's transforming banking from a reactive model, to start to become a proactive model. Because now and I wrote about this in banking on digital growth, I think banking has been very reactive from the beginning. And that's rooted in the physical world. Someone you know, a banker, or a credit union advisor, is waiting behind the desk for someone to physically walk into a branch or to physically go through the drive thru. Yep. However, now, instead of just someone to walk in, before someone is even walking in, we're able to come out back and say, hey, here are the top five things you need to know based upon your transactions this past month, and it's just this whole mental shift, I think that is going to be once it gets to the human transformation alongside the digital transformation.

Chris Cox:

I think that's exactly it. And in you can think of even a little further out sort of the Coleman nation of all the technology that financial institutions are trying to sort out right now. So think about API's and open banking, and real use of data or data analytics, which is another topic that we're really focused on at aperture, and natural language processing and AI. And what if you put all that together, so that in the future, a financial institution can become a real partner to their customers, not just a place to store money and pay bills, but digitally enhanced? So what if you go from just that sort of like, Google search or chat GPT version of bank transactional banking? What if you could just say, to your financial institution, hey, how am I doing today? And the response is, everything looks great. All your bills are paid your retirement saving is on track, really simple request feels like a really simple response. But there's a lot going on behind that response that involves a new, a new kind of technology ecosystem, you know, even a step further, like, is there anything I need to do today, and your financial institution responds with nothing you need to do. But just so you know, your credit card information was stolen, we took care of the fraudulent transactions, we notify the credit agencies and we sent you new cards. Didn't you have think about it? Right, effortless financial services, I think is possible in the future with technology.

James Robert Lay:

I'm thinking Vic's of concierge white glove combined with a coach, guide it visor that you feel good because you feel like someone has your back now for the skeptics out there and the cynics. Yeah, well, that's just AI running in the background. What about the people within the organization?

Chris Cox:

This is a great point. And I mean, just to be clear, so what I just described is, it's a future state, it's going to take all of us. And it's going to take the technology a while to get to the place where we all trust, that kind of ecosystem. One of the things that's really important is community banks and credit unions, especially their success, for a large part has been driven by really great customer service. I mentioned

that before. Yeah, that can't change, right. So any kind of technology that you add on top of how you build and maintain your customer relationships or your member relationships, it can't change. So but they also have to recognize that all of their customers in 2023, in some cases are going to want to get servicing through digital channels, they're not going to want to call their bank or walk into the branch. I mean, that's obvious today. So they need to make sure that digital customer service is as good as their in person service and can complement the in person service. So it's a I'm not expecting everyone's going to like embrace that technology enabled, you know, hands off AI future. But I do think it's probably coming in in a way that people are going to start to trust. Well, let's

James Robert Lay:

Once again, let's let's kind of tie the dots back here. July 5 1994. Yeah, Bezos Bezos launch launches Amazon, which was books at the time. But now how many people who are listening and maybe there are some who are listening through, I can't say this right now. But that a Lex a device that you're speaking and interacting with. And if I said that, then something would happen. And I just don't want that to happen on this podcast right now. But you know, I mean, even here, it's kind of built into that whole type of the experience. Because there are lights that get tied into that type of thing, you know, where the lights come up in the city, and then the lights can go down in the studio. So I it's the human behavior is early on there, because there's this idea of the human interface and the digital interface. And it is going to take time, what do you see as the biggest roadblock for an organization that could slow things down be an impediment that the dear listener needs to be aware of as they keep moving down this path?

Chris Cox:

Yeah, so maybe just to comment on what you just said is true. Like how many people there I know, there were some really smart people, you know, back in 1995, who like really understood where all this internet was going, but how many people could have imagined the business ecosystems and the technology ecosystems that were built based on that technology? Right. It's just hard. It's almost mind boggling. But you had some really creative entrepreneurs who took some risks and had good ideas and drive it from there. So but anyway, to answer your question, so for financial institutions, and everybody says this, because it's true, right? I mean, they are just so hampered by legacy technology. It is just, it's, I mean, it's not just the bay banking industry, a lot of industries are like this. But you know, financial institutions for the most part are running on, you know, infrastructure that's decades old. Yeah. And that just makes it, it can make it, you know, sort of fundamentally hard to evolve. But that said, I mean, this is one of the areas at aperture that were really focused on is, financial institutions need the freedom to work with whatever technology partners they want to work with, to serve the unique needs of their unique customer base. And in my mind, that starts at sort of the customer engagement layer. I think a lot of times. So there's this question, this is all back to this notion of digital transformation for a bank or a credit union, what does that really mean? And, you know, I think a lot of times, you know, there's this notion in our industry, well, the first thing I have to do is change my core banking system, which is, you know, the, it's the, it's basically a ledger system for a bank. And once I do that, everything else will just take care of itself. And I'm going to be monitored, I think that's like the backwards way to think about it. So what you really want to do is start by focusing on how can you make your customers lives better? And then identify, well, where does legacy technology prevent me from solving those problems for my customer. And if that leads you to change in your core infrastructure first, that's great. But you know, starting with that changing infrastructure, and then thinking I'm going to be able to serve my customers better is maybe a backwards way to think about it. So all that to say, the way that we think about breaking through sort of the technology handicap that financial institutions have is to give them the freedom to integrate partners into a holistic digital experience, so that they can serve their customers with modern solutions that they didn't build or their you know, other providers didn't Don't create real partnerships. So that's part of it.

James Robert Lay:

That comes back to how you open things up with the the origin story of Aperture, it was all about collaboration. And the way that I look at collaboration in the age of AI collaboration is going to create exponential value compared to competition and want to wrap up on this, I always like to send the dear listener off with something very practical that they can apply today, because all future growth begins with a very small commitment. Now in the present moment, and the smaller, the better, because that makes someone feel like they're making progress. What's the one small thing that you would recommend they do next on there? And we'll just call it digital growth journey.

Chris Cox:

Instead of one thing, I'm going to give you a short list of things go fast, I'm not going to dig into all of it. So I mean, it's a good question, right? So if I'm a bank or a credit union, what do I need to do to get on the path like if you believe in this future that you and I just talked about? How do I get on the path. So everything needs to be in the cloud, all your infrastructure, you need to invest, you need to get really good at digital marketing, related to digital marketing, you need to have a really good digital account opening or onboarding process. So customers can you know, if they find you online, they can start a relationship with you online, you need to get all your customer data aggregated in one place one single source of truth for your customer data, you need to have one single set of login credentials that your customers can use to access all the services of the bank through digital channels. We talked about seamlessly merging in person, and technology enabled customer support. And then last, you really need to get comfortable with the idea of embracing partnerships and work with partners who can help you enable partnerships through a number of different ways. So that's a lot. But I think if a financial institution can focus on those things, now, they're going to position themselves to take advantage of what's happening in the future.

James Robert Lay:

So I just wrote them down, there were seven and I wrote them down a little bit differently than what how you shared them just to provide another perspective back, migrate to the cloud. Number one, digital marketing leads to digital growth. Number two, on that note, read banking on digital growth, because it's the entire strategic playbook on how to do that. Number three, and I'm very glad you mentioned this digital account opening or Dao because like this whole thing right here, this is essentially ecommerce and if you in we're seeing this time and time again, when we're going in, we're doing audits and assessments and diagnostic studies. It's like where what is hurting you the most? And it's this and it's like you can do all you have the best digital marketing in the world. But if your digital account opening experience is costing you application conversions, and then the funding will let's look at that data aggregation number four, single sign on make that super easy so you don't make me sign into like 1000 different places. And then I wrote this down, $dx + h \times \text{equals growth}$, meaning a positive digital experience combined with a positive human experience is the path towards growth. And then finally, you mentioned partnerships. But I came back to my C word collaboration. Collaboration is going to be key. Because it's just I don't know, like the idea of the rugged, individualistic approach is just not possible in a world full of exponential change. And when you can find people find partners find organizations that share a common perspective. That's where the greatest collaborations come from. Chris, this has been such a good discussion today. Thank you for sharing your thoughts. If someone wants to continue the conversation we've started what is the best way for them to reach out and say hello to you.

Chris Cox:

So LinkedIn is probably the easiest way so you can find me on LinkedIn, Chris Cox, aperture, and we can go from there.

James Robert Lay:

Connect with Chris learn with Chris grow with Chris. Chris, thank you so much for joining me for another episode of banking on digital growth. It's been a lot of fun today. Thank you. I enjoyed it. As always, and until next time, be well do good and make your bed