PODCAST TRANSCRIPTION SESSION NO. 277-JOE BAYEN

Welcome to the Lend Academy Podcast, Episode No. 277, this is your host, Peter Renton, Founder of Lend Academy and Co-Founder of LendIt Fintech.

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Peter Renton: Today on the show, I am delighted to welcome Joe Bayen, he is the CEO and Founder of Grow Credit. Now, Grow Credit's a pretty new company, I think they've been around for about a year, but I think they're super interesting. They have a unique product for people who want to try and build their credit score. It's a real credit card, a real Mastercard that is free and that you can use only for subscriptions and we get into this in some detail, but really it's a unique product that they have and it does help people, you know, grow their credit score as the name says.

So, we talk about how Joe got the idea for this, how it evolved, you know, the mechanics of how it works, the types of partners that they're working with. We talk about how they're growing the business and the different types of revenue and also what his vision is for the company, they're a unique company and they have a unique vision, I think so. It was a fascinating interview, we hope you enjoy the show.

Welcome to the podcast, Joe!

Joe Bayen: Hey, how are you?

Peter: I am doing great. So, I'd like to get this thing started by giving the listeners a bit of background. You've had an interesting career, so far, so why don't you give the listeners some of the highlights.

Joe: Yeah. So, you know, very unusual background. First of all, I was born in Cameroon in Africa, raised in Paris in France, moved to France when I was two years old and then as a senior in high school, I decided that the United States was the best place for me to be. So, I decided to run track as a senior in high school and fortunately, finished fifth at the French Nationals...

Peter: Wow!

Joe: ....and that's how I booked my ticket essentially here and I ended up with a full track and field scholarship at the University of Miami.

Peter: Wow, that's a great way to do it if you've got the sporting ability, that's a great way to get your free education.

Joe: Yeah, exactly, yeah. So, I went to Miami, I graduated in International Finance & Marketing there. After that, you know, my entrepreneurial journey started in a very unusual way where I met my first boss on a train actually in Paris on the way to Clermont-Ferrand which is a city in the middle of nowhere in France. They built an amazing technology that was literally 20 years ahead of their time and the name of the company is Allegorithmic and they built procedural textures for After Effects and Photoshop. Basically, it's a texturing platform for special effects for movies and video games.

They were really ahead of their time back then and most of their clients were out here in LA. You know, we met randomly on the train and we talked and I told him that I had a Marketing & Finance major, maybe I could help him out and he invited me to his office. You know, it took me about six to eight weeks to learn their technology and they gave me the gig. I flew back to Miami and traveled across the country to LA to start helping them with their business. So, that's how it all started and the company actually was purchased by Adobe last year, one of the biggest acquisition in France, I was employee number eight, I think.

Peter: Wow, wow, that's great, it's a great story. So, maybe tell us then a little bit of the origins of Grow Credit, where did that start?

Joe: So, Grow Credit is an amazing story. First of all, when I came to the United States, you know, I went to college, I didn't know anything about the credit score system, the credit cards, you know, I was offered a card, of course, and I was late here and there and it took me, you know, four/five years to rebuild my credit score.

In 2010, I started a company that was called FreeAppADay.com that did really well and, unfortunately, Apple had to change their rules and they basically kicked our industry out of the App Store. We were the largest...it was a promotional platform back then and, you know, Apple changed the rules to prevent apps from promoting other apps in the App Store so, you know, we bootstrapped the company to $18 million in revenue and all of sudden, we were generating half to 1 Million a month and instantly, we had to essentially close shop.

I went on to work at a VC fund called Science, Inc. and they're pretty famous for having seed funded the Dollar Shave Club which was purchased $1 Billion by Unilever a couple of years ago. So, I was there for about two years to really teach them anything related to promoting apps in the App Store and then Venmo became popular, you know, Acorns and Robinhood and all those fintech apps started to become popular in around 2014 and this is when I thought this would be a good idea to basically help my younger self, you know, by introducing micro lending over the phone and credit score education as well.

So, you know, I partnered with FICO back in 2015 to launch a platform that was called Lenny Credit and Lenny Credit was an iPhone app that offered micro loans from $100 to $500 and free FICO score and credit score education. That's how it all started with Lenny Credit. And then, you know, it's a story of pivots after pivots (Peter laughs). You know, I bootstrapped that company as well, but this time around I needed some debt financing to grow the business. But we were the first one, first market entrant and it's good to be first, but it's very tough in the fintech world because banks had no idea what we were doing, and it was really hard to raise debt financing.

We almost had to close shop again until at the very last minute, a Chinese fund reached out to us to invest...I thought they wanted to invest in Lenny Credit, but, you know, we met with them in San Francisco and after talking to them for about 30 minutes, they informed me that they actually wanted me to pivot to launch a Bike-Share program (Peter laughs). It was like 2017, I had no idea what a Bike-Share program was and they told me that they would invest $1.2 million if we made that pivot. Well, we didn't have, we pretty much had almost zero in the bank account, so it was an easy decision, but what I did was I stuck with the vision and just adjusted the tactic.

I actually merged Lenny Credit with the Bike-Share Program that ended up calling Lenny Bike and I created a subscription-based Bike-Share Program that would also help, I know, consumers, in this case students, establish and build credit. Essentially, we extended a $600 line to students and they would pay us $20-30 a month and they could use the bike in an unlimited way and report the payments to credit bureaus. So, we were scheduled to launch that platform in of June 2018 and then, you know, Lime Bike raised $330 million, Bird raised $300 million and we didn't have much, you know, to compete so we had basically shut down that business model.

But then, I realized that...I came up with the solution that used subscription-based subscriptions to build or establish credit and it was fortunate that a gentlemen named Peter Mansfield who was a founding member at Marqeta was also one of our advisors and he put us in contact with their CEO, with their team and over the following six months we, essentially, created the infrastructure around Grow Credit which is basically, which is essentially the first Mastercard, the first credit card actually that is strictly dedicated to processing subscription payments. So, it’s a credit card can only be used to pay for services like Netflix, HBO Max, Disney Plus.

You know, when we have premium plans where actually consumers can apply.....you know, their balance is towards their cell phone plan, from AT&T, T-Mobile, Verizon and Sprint so, you know, the platform basically lives between a secured card and an unsecured card in the sense that it is an unsecured loan, but the funds can only be used towards specific subscriptions. So, we launched the platform back in December 2019, about a year ago, and so far, so good, you know, everything is....you know, we have...closing in on the 10,000 users organically and we are planning on ramping pretty aggressively in the coming weeks actually.

Peter: Right, right. So, it's really interesting, a really interesting, Joe, it's such an innovative product. I just want to be clear, these people get a card and they might have a Netflix subscription...well, maybe you take us through the different sort of levels that you have, I know you've got multiple plans. It starts off with a free plan that's really pretty basic, tell us a little bit about the different levels.

Joe: Yeah. So, we have three plans and we are the first platform to actually help consumers establish or build credit for free with our free plan which is completely free, but consumers have access to $15 in credit that they can use towards any subscription. I mean, usually maybe a Netflix or Spotify, but the way our platform is structured, you know, we are actually reporting a credit line of $180 to the credit bureaus so it's 15 payments, 12 payments of $15 essentially. So, we are essentially extending unsecured loan of $180 which has a significant impact on the credit score.

You know, 81% of our consumers increase their scores by 30 points in four months and it's trending towards about 61 points in nine months so the platform as a free service is effective. Then we have two Premium Plans, the first one is called the Grow Membership which is $4.99 and it has access to $50 that consumers can use towards the subscription that we offer as well as their cell phone plan and we have the Accelerate Membership which is $9.99 and gives access to $150 in credit and they can apply those funds to their cell phone bills as well.

Peter: Right, right, okay. So, a couple of questions as a follow up on that. So, when you get the card, do you have to say....like you've got a Netflix subscription, do you say, I'm going to use this for Netflix or does the card come along and says, Netflix is okay, Spotify is okay, Amazon Prime is okay, how does it actually work?

Joe: Yeah. So, the way the platform works is, you know, the users sign up on the web or download the app and they go through the onboarding process. We're working with Plaid so we are approved using Plaid and the minimum income required is $1,200 so it's fairly accessible for most consumers. And then once we've finalized, once we've confirmed that they have enough funds, enough income, we give them the opportunity to select one of the three plans.

It works just like a catalogue, essentially. Within the app itself you have all the lists of the apps that we're offering and the consumers also have the option to essentially ....they can submit a subscription that they're interested in and we select the most voted subscription essentially to add on a regular basis. So, it's a user-generated platform, but we have 40 of the top subscriptions already on the platform and then we're adding new ones, about two new subscriptions on a weekly basis.

Peter: Right, right, interesting to know. I read in a book recently, for the sub-prime population, one in eight Netflix charges result in a bank overdraft so that one in eight for the sub-prime population which I thought was just staggering that the Netflix fee is not costing them whatever is $12 a month or whatever. I know it's more than that now, but it's costing them, you know......

Joe: $35.00 extra

Peter: ....yeah, for $35 extra so that to me was a staggering stat….but I wanted to just dig in a little bit. I'm curious about why would someone pay the $5 or $10, is it worth that much to have that extra credit. I mean, I'm just trying to see why they would do that.

Joe: So, you know, you want to look at those plans as an accelerant. You know, the basic plan, the free plan works, the other plans....you know, keep in mind that with the free plan....you know, we are reporting $180 to the credit bureaus, right, but with the Grow Membership we are reporting a $600 loan to the credit bureaus and with Accelerate Membership, we are reporting an $1,800 loan to the credit bureaus and the larger balance has a significant impact on the credit score. So, for users who are trying to purchase a home or purchase a car are looking for an extra 30 or 40 points on their credit score. You know, it makes sense because the savings that they generate by benefiting from a cheaper financing cost are very significant.

We are talking about.....you know, I remember, when I had no credit score, my first car was a Ford ZX2 that cost me $350 a month, okay, because my score was maybe in the 590 or something like that. With my score, with a score of 700 or 720, actually 719 or 720, we are looking at a savings, substantial savings. You know, a friend of mine, she had a great credit score, an 800 credit score, actually I remember, and the car payments for her Volkswagen Jetta was just $200. So, we are talking about $150 savings times 12 so that's $1,800 in savings for the Grow Membership for $60 cost so it just makes total sense, you know, when a consumer is trying to basically improve their scores to obtain cheaper financing cost.

Peter: So, who is your target market? Is it the student just out of college or school, is it someone who is trying to rebuild, I mean, who is the target market?

Joe: So, that's the interesting part, right. According to Experian, it's on the Experian website, before COVID-19, it was over a 100 million consumers with no credit or thin credit files, pre-COVID-19. Post COVID-19, we are looking at maybe 130 to 150 million consumers who need our platform so they are using Grow to either establish credit or build credit.

For instance, a student after coming out of college, they need to add more credit products. Essentially, a consumer is considered a thin file consumer if they have less than five trade lines on a credit report. We were able to add a trade line for free to consumers so for free, it gives an opportunity to escape being considered a thin file user. When you have more than five trade lines, the credit score will be significantly higher so that's the reason why it makes sense to use Grow, for instance.

But, we have users who are coming out of bankruptcy and who are trying to re-establish their score, we have users who are trying to purchase a car or a home. Essentially, a vast large number of the population need to build their credit because, otherwise, it's very expensive to be poor. So, it's an opportunity to really have...to benefit from a cheaper cost of financing, in general.

Peter: Right, right, that makes sense. So, do you have a national footprint or you're just working in certain states right now?

Joe: Yeah. So, we're national and just launched nationally about a month ago and we had a major press release and we also announced our partnership with Mastercard who joined us as a strategic partner to help us expand Grow nationwide. You know, they have a similar vision as Grow in the sense that they are really focusing on financial inclusion and that's why our partnership made total sense.

We've been working with Dave, they've been following us for the past year and they saw us going through an enormous amount of hurdles, they saw us partner with four banks, with Bridge Bank, MRV Banks, with Sutton Bank and they saw us partner with Marqeta so they saw us overcoming enormous amounts of challenges to reach this stage.

And, finally, when we completed actually our partnership with Blue Ridge Bank which gave us nationwide coverage....you know, this is really where it was a signal for them to give it a go and we signed the partnership deal back in August. We're really, really proud of working with them and being part of their financial inclusion initiative, yeah, so the platform is available nationwide since January. Previously, we were available only in California for our Premium Plan, but our Free Plan had been available nationwide since July.

Peter: Okay, okay, got it, got it. So then, what are the sources of revenue are you going after? I imagine, there's a lot of ways you can take this, but maybe give us some ideas. Is this just going to be purely a consumer play or are you going after other sources of revenue?

Joe: Yeah. So, we are generating revenue from the interchange revenue. When consumers are upgrading to our Premium Plans, we're generating revenue this way. We have....a good chunk of our users are actually tipping us and also we've got a certain amount of users who are giving us tips because we are delivering a true service that is valuable so we're getting a good chunk of tips as well.

We are going to release a graduation credit card in April 2021 in partnership with MRV Banks, our bank partner, so that's a card that we will offer to consumers who have spent at least a year on the platform and if they made their payment on time and reached specific FICO score level, we will extend them that credit card. We are also generating revenue from subscription companies because our platform is essentially....we are delivering a high LTV audience, they are using our platform to establish or build credit and subscription companies are more than happy to advertise on our platform to acquire those very valuable users.

Peter: Right. I was wondering about that because that's the thing, they're not going to cancel their Netflix subscription if they're using Netflix to establish their credit.

Joe: Exactly, exactly.

Peter: Very interesting, very interesting. So, how are you getting the word out like what's your marketing plan, how are people finding out about Grow Credit?

Joe: So, remember, I ran a marketing platform, a mobile marketing platform, FreeAppADay back in 2010 so acquiring users and mobile is my expertise, my core expertise so we have a lot of strategies....I mean, the usual suspects, of course, Instagram and Facebook, social media. But, influencer marketing is going to be a good way, a good channel for us specifically because we have a pretty large amount of influencers who are focusing on helping their audience establish or build credit so it makes a lot of sense for them to promote us, it validates, essentially, their channel.

Then we have a very interesting channel where we are going to be working with corporations to offer Grow as an employee benefit so that's going to be a pretty significant channel for us. We already completed a partnership with a company called College HUNKS Moving, you know, it's over a $100 million revenue company with close to 3,000 employees across the nation and they are using us essentially as a financial inclusion tool to help their workers, their employees establish or build credit. If their employees want to upgrade to one of our premium plans, they receive a 20% discount so it's a "win-win" for the employees and for the employers as well and that's a program that we're planning on expanding to much larger corporations. We are trying to talk to the Walmarts, McDonalds', complete "win-win" value proposition, you know, for any corporation actually.

Peter: Well, I could see the corporation paying the whole fee and encouraging their......I think that's a huge market and in many ways that might be an easier way to scale your business. I mean, long lead time I know to get those deals closed, but suddenly you add users by the thousands or tens of thousands potentially because it's such a big problem.

The thing that's interesting to me is that there is more awareness it feels like, about credit scores today then there even was like three or four years ago, it feels like. Everyone...it just feels like it's everywhere, you see it on TV, Experian Boost and other things that are really out there in the public eye and I think it's good timing, I imagine, for you. I mean, that company, the consumers are hyper aware of their credit scores much more than they used to be.

Joe: That is correct. You know, it all started with Credit Karma, they did a fantastic job. They were really the first one, especially pushing the free educational platform that they have, they monetize, of course, by promoting credit cards, but the awareness....they have over 100 million consumers, I think, by now so they did a fantastic job creating more awareness providing with the credit score.

Experian Boost launched their platform actually, I think last year and their platform is solid, however, the credit improvement only happens on Experian and the credit boost is actually very limited and that's because there is no credit extension involved with Experian Boost. They are looking at the repayment history for utilities, but, you know, the entire FICO system was built to assess the repayment capability of a consumer and to assess the repayment capability of consumers, you need a lot, you need to extend credit to see whether or not the consumers will overextend themselves.

So, without that credit extension, the impact on the FICO score is very, very limited. So, that's how we essentially contrast ourselves with Experian Boost because we're actually extending some real credit, an unsecured credit line and the impact is actually on all three credit bureaus.

Essentially, extending credit matters a lot if a consumer is attempting to add significant impact on their credit scores.

Peter: Right, right. But, the thing that Boost does is, you know, it's free, it's simple and it brings awareness to a credit score. In some ways, I can see how, in some ways you can think it's a competitor of yours, but in other ways it's almost like a lead-gen in some ways.

Joe: It's complimentary.

Peter: Complimentary, yeah, exactly. So, what's it been like, you know, building this company? You said you launched in December of 2019, the pandemic hit in March, how has the pandemic impacted your company this year, particularly from your consumers, but also just in growing your company.

Joe: Well, that's very unusual because...of course, the pandemic is a sad event, it's been traumatic, but on the other hand, for us, we are one of those companies where it actually benefited us which is really unusual. You know, there was an article in The New York Times back in April that identified that the industries that were gaining the most during the pandemic were video streaming and music streaming.

Peter: Right.

Joe: Everything else was going down, but music streaming....and this is where we benefit from it in the sense that consumers, they might have cut off their cable or other services, but Netflix has become sort of a necessity. Now, we have consumers who are at home working, now they can actually establish and build credit with them, you know, a product that's an actual necessity. So, it's been an unusual good match for us to a certain extent where we make a lot of sense, you know, during the current COVID-19 times.

Peter: Right, right, okay. So then, as you think about adding new services on, do you have criteria like, I imagine, it'll be difficult for you to add something like a utility bill or something because that it varies so wildly, I mean, is this something you have to.... does it have to be a fixed price, how do you think about having new services?

Joe: That is correct. You know, we are adding DirecTV, we are planning on adding......you are correct, we are avoiding services with variable costs because it's too dangerous.

Peter: Right.

Joe: You know, what makes our platform secure is the fact that....by the way, that is one core reason why we added cell phone bills because over the past six/seven years the cell phone industry has changed, has revolutionized itself by focusing more on a subscription type of service. You know, we have plans for $30 unlimited plans nowadays so that's why we focused on those type of services, but in the future, we are working with.... we cannot mention the name of the players right now, but we are expecting to complete our partnership with a platform which enables us to instantly extend our reach to a variety of products, of services that we can integrate seamlessly with the Grow credit app. Right now, we only have 40 subscriptions, but by Q2 of 2021, it will probably grow to about 100. So, that's through a partner that we're working with.

Peter: Right, right, okay. And you said earlier, you're about to ramp-up in 2021, I mean, how are you planning to scale this in 2021?

Joe: So, we have a pretty aggressive pipeline, we're planning on acquiring about a million users in 2021 and four million users in 2022. We are partnering with a lot of actually fintech apps, you know, Chime. At present, Chime is a complimentary platform to ours...a lot of fintech platforms that we're going to do some co-branding and co-marketing with, for instance. So, we started to talk to Chime and I think we're going to complete a partnership fairly soon.

Of course, YouTube...as I mentioned earlier, our corporate initiative...you know, it's going to be a multi-faceted strategy for us to reach consumers, but something that's interesting is the fact that, you know, our ad assets are shared pretty extensively on social media because the ability to build credit for free with Netflix is a pretty powerful value proposition.

Peter: Right. I can see that.

Joe: Yeah. We already tested it and it's been incredibly powerful so we believe that social media and influencer marketing will be our top channels, from a value proposition standpoint and fairly cheap because of the variety of the app itself. We also have something pretty interesting, I think, I've never seen it in any other fintech apps before, we are enabling consumers to earn a $5 balance increase by sharing the app with their friends and that's been working pretty well.

But, what's interesting with the system is it's a complete "win-win" for everyone involved, right, you know, the consumers share the app with their friends, they increase their balance by $5 and there's a direct correlation, of course, between a higher balance and a higher credit score. So, you have a higher balance, a higher credit score and your friends get to build their credit score at the same time. It's a complete "win-win" system that we built and that's generated a good chunk of our installs right now. So, that embedded virality has worked out pretty well for us, so far.

Peter: That's super interesting plus, you know, the added benefit there where it becomes a social pressure almost to keep it going kind of thing, you know, how's your credit score going, that sort of thing.

Joe: And it's a lot of interesting play on that front later on to challenge, to drive people challenging themselves to increase their score.

Peter: Sure, sure. So, that brings on my last question and that is, you know, there are a lot of ways you can take this. What's your vision for Grow Credit, where are you taking this company?

Joe: So, our goal is to conquer the world (Peter laughs).

Peter: Good for you, yes, might as well aim high.

Joe: That's our goal. We have, you know, really the ability to become….our entire goal is to deliver an enormous amount of value for our consumers, right, and with our initiatives to deliver discounts to our users, we believe that it's going to help us grow dramatically because not only are consumers able to, of course, build their credit, that's number one, but once they are able to save $50/100 on the overall subscriptions, that's going to give us a lot of purchasing power to be able to potentially demand lower rates on cell phone bills, for instance.

So, the idea is we need to build a community which allows consumers to really obtain an enormous amount of savings and this is really where we're all going, really the ability to use Grow to build credit, obtain savings and maybe there's the banking down the road, the neobank...you know, this is a possibility, we could head into the banking realm, down the road possibility, not sure, but who knows.

Peter: Okay, Well, it's super interesting, Joe, I appreciate your coming on the show today and sharing your story.

Joe: Thank you, thank you, Peter.

Peter: Okay, see you.

You know, one of the big challenges, I think, for consumers starting out, either arriving in this country as an immigrant or they're just leaving college and they're really starting out and getting a credit file for the first time. It's hard to break into the system because you can get maybe a secured credit card with a $500 limit, that doesn't really increase your credit score dramatically, it's not a way that really is going to help that much.

What Grow Credit provides is a free way to really get a trade line, pay it down and then graduate it up. I can see how this...there hasn't been this sort of one company that say, okay, when you start out and you want to establish your credit score, this is what you need to go do and that is what I think Grow Credit provides. So, I wanted to get Joe on, even though his company is very young, but I think it provides sort of a missing link in a way in the credit system. I think a company like this could be sort of the first natural step in a few years time that everyone goes into when they're trying to establish their credit score. So, I think it's a great idea, as I said.

Anyway on that note, I will sign off. I very much appreciate you listening and I'll catch you next time. Bye.

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