

PITCHIT FINTECH STARTUPS PODCAST NO. 25-DUY VO

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Todd Anderson: On Episode 25, I talk with Duy Vo of Productfy. Productfy is a fast and easy developer first platform for any company to build, test and launch financial products. You know, I thought what I heard from Duy, it was really, really fascinating. They're essentially building a distributed network for traditional finance, they work with small community banks and credit unions to help put the right pieces in place, the compliance and other pieces that you would need to launch financial products.

We had a really fascinating discussion about not only technology and where it is, in terms of financial services and old tech that many banks are built on, but also beyond the technology, the programs, the way in which they're building these new applications, it was really just a fascinating discussion. We get into kind of where the product is today, what they're looking to launch towards the end of the year, with launching products in as little as a week, fundraising, intentional culture for a distributed team and just a whole lot more. I really hope you enjoy the show.

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Todd: Welcome to the podcast, Duy, how are you?

Duy Vo: I'm doing well. Happy Friday to you, Todd.

Todd: Well, thank you very much for joining me. So, I'd like to start these things off, if you can just tell the audience a little bit about yourself, where have you worked and been prior to starting Productfy and kind of what brought you to the moment to start the company?

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Duy: I spent pretty much all of my career in product development, you know, started out as a developer and over the years having been lucky enough to be given a chance to run product engineering, sometimes operations teams and spent a lot of that time in healthtech and fintech because those are the areas that I'm just super passionate about. You know, I have a daughter, that changes perspectives, I've always felt that financial services has both a tremendous opportunity and huge moral obligation to do societal good and we, as an industry, have just really left a lot of people behind, especially the most notable people in our society.

You know, for me, it was asking myself, like I have a daughter now, like what is the one tiny little thing that I can do to make this world a slightly better place, give more than I take so that she can, hopefully, have a better world to grow up in. You know, for me, it was about, hopefully, helping engender the financial ecosystem that is kinder, more compassionate, more socially just, more empathetic so actually was what like drive my passion in doing this.

Todd: Did you always want to be a founder of a company and did you kind of stumble on it? I mean, there's people I talk to who's been like I was always going to get to be an entrepreneur, it's just a matter of when. And we have others that kind of stumbled into this idea and like wow, I need to run with this while the iron's hot. What about you?

Duy: To me, the mission is more important than my specific role in it. Getting to work with mission-driven people to really do something that matters a lot more so I'm definitely not the person who knew growing up that they were going to be a founder or a CEO, it was just something that I just cared more about the mission,

Todd: So, before we jump into exactly what you guys offer, how'd you come to the name Productfy?

Duy: (laughs) I come from a product engineering background so when I asked myself like what is the value proposition of us, it's like well, we just allow people to build financial products and it was just like a very, very simple, just like okay, it's like financial products so that's it.

Todd: And so, could you give the listeners a little bit of an overview...so exactly what do you guys offer, who's your ultimate target customer and just a little bit of an overview exactly what Productfy does.

Duy: Todd, again, really grateful for the opportunity to share our vision. What we believe in is that, you know, financial services is moving towards the edge. That means more and more non-banks are going to be offering a financial product or service. That is our core pieces and that was our thesis in 2018 and so what we are trying to do is just like Shopify enabled everyone to have an online presence, it doesn't matter if you're like a 2-person taco shop, you can have an online presence.

You know, what we want to enable any organization to do is to create a credit union-type experience in as little as a week. It's a confluence of technology, servicing, compliance, legal, financial operations

back office to enable any organization to create a credit union-like or some sub-set of a credit union-like experience in less than a week and that's, you know, our mission.

Todd: When I first came upon your company, I saw that you guys did a little bit of a fundraiser so the way I viewed it, at least from what I've read, was kind of in that embedded finance area and, you know, that term has been quite popular the last few years. You know, I guess first question would be do you view yourselves as kind of in that space and do you think there has been a clear definition in the broader fintech market about what embedded finance is because it seems like the definition has been kind of shifting a bit.

Duy: I'm definitely not like any analyst and so my viewpoint is very much bottoms up. I come from the background of like what is the problem I'm trying to solve rather than going top down to say what is like the big marketing terms that I want to define. So, you know, from a bottoms up perspective, it's that there are opportunities from things like the value that a church has to its members and the members view the church that if the church is able to provide a set of financial products in a way that is value additives to their relationships to the congregates, right.

My Mom used to go to church several times a week before COVID, the value for her knowing that every time she swipes a card, it benefits the church. The value of, you know, her deposits enabling the church to be able to give short term loans so that its congregates maybe don't have to takeout payday loans, the value of a university having a way to help its students build credit while they are in school so they're not preyed on, right, the value of meeting a gamer being able to access products, games, digital assets in a way that is valuable to me. Those are the things that I think matter.

So, for me, the problem that we're trying to solve without trying to, you know, come up with an industry term is how do we allow these organizations to treat financial products and services as a way to be value additive to their customers rather than a tool that is used, more often than not, to prey on people. And so, like I said, I come from a very bottoms up approach and it always starts with like what is the problem I'm trying to solve and that is the problem we're trying to solve.

Todd: So, I was reading a bunch of the content that you guys have on your website, you know, how much more capable do you think the technology is today than say three years ago, five years ago? It seems like there's been kind of this leap the last couple of years and it's been a pretty significant one.

Duy: There's two parts of the word fintech, right, there's the "fin" and there's the "tech" and I think technology is cool on its evolving. But, you have to understand like a lot of these products that are operating core infrastructure now, they've been around for 20 or 30 years, right. I think as much as it's cool to build a (inaudible) app and it's cool to use like GraphicWow which is what we use, I think, more importantly, it's about using technology to enable things hand-in-hand with compliance, with financial operations, right.

A lot of what it takes to build a successful fintech isn't necessarily, you know, using the right framework, using the right APIs. All of that is important, but that's the form, not the silhouette, right.

What you need is the right program construction, what you need is the right underwriting policies, what you need is the right BSAML program and so all of those things are critical and I see technology as being in equal importance with basically everything else, the program construction, the program management, the BSAML. And so, while it's cool to see technology evolving, I think where we spend just as much time is to evolve every other aspect of getting the program successful and not just about the technology.

Todd: You mentioned earlier, I think it was in your intro when you talked about being able to enable that to happen in a week. Is there a thing such as, you know, building too fast when working with potential partners and how do you deal with that kind of dynamic of maybe working with someone that has processes in place that has a slow timeline?

Duy: You know, just to be clear, one week is operational, that's one of the ideas, right, like we're releasing a product in Q4 that we hope in Q1 is going to set us up to be able to do it in a week. But, instead of thinking about like is there such a thing as building too fast, I think the more relevant question that I'm thinking through a lot is, is there high alignment of what it is we're trying to achieve and how do we get there, right. So, we're not going to be able to get our first client that's working on a brand new product line that we're releasing out in a week, that's just not possible, but what will happen is that they will be the right partner for us to get the first product line out, right.

Every time we release a new product, it's always hand-in-hand with the client that we partner up with and so, for them, it's a lot of learning, it's a lot of setting expectations, right, and making sure that we stay tightly aligned. But then, after we do that, we should be able to tell templating a lot of things so if you went back to like the early 2000, late 90s and said I can set an e-commerce website up for you in less than a week, we will just think like you're crazy, right, but Shopify made that possible. PayPal enabled merchants to accept payments in a way that, you know, five/six years before that would have just been like unthinkable.

And so, this is what I mean when I say it's not just the tech, it's the program construction, it's the operational side that we invest heavily in and that means a lot of templating program construction and a lot of working closely with our partners to get them comfortable with what we're doing, right. We have to take on a lot of things internally, you know, we have an amazing clients team, an amazing servicing team, financial operations team, all because we realize that none of these is possible without that deep alignment and us, honestly, taking on a lot of the work to make it happen.

Todd: You mentioned that a lot of the infrastructure in financial services is 23 years old. Is there a fear that some of these modern building is going on top of the old building and the old tech? Eventually, do we hit a point where it's kind of like, you know, the old tech needs to go away for a wide variety of reasons, you know, program construction like you've been talking about, it's just slow, it's not capable of handling the speed at which things are today. That's quite a moment and a lot of banks are kind of doing this dance of old tech yet building kind of things piecemeal on top of that.

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Duy: You know, I'm a strong believer that product development is, a lot of times, being comfortable with change, right, like, you know, you don't write codes that you believe is going to last forever. And so, you know, you make the right investment and at that time when you feel that you need to change something underneath, you go out and you make those additional investments, right. You only get to fight the battles that you need to fight today and the battles that are to come, they will come when you are in the position to do something about it. You know, there are so many things in running a company that is ahead of you, that if you just spend all day thinking about things that are three, four, five years down the line rather than executing now, I think you are going to lose sight of what you need to do now to be successful.

And so, you're actually right, there is a (inaudible) between where we are and what the infrastructure needs to be. You know, if you think about financial infrastructure in the same terms as you think about other infrastructure, when they were building out the railroads and figuring out, you know what is it, Carnegie and Vanderbilt, they were building infrastructure along the way. I think sometimes, it's easy to believe that you are somehow sweeteners, but, honestly, a lot of times you can look at history and learn, that'll give you perspective as to like yeah, fight the battles when those battles come.

Todd: A lot of what you've said has had either a piece of it or they say a tilt towards fairness, inclusion, how healthy do you think, you know, financial services are today. I mean, clearly, we'll always have work to do, there's always going to be iterations, there's always going to be 15 things that we've done wrong, but do you think, overall, we're in a lot healthier place today than say a few years ago?

Duy: I think that question is more akin to do you want a faster Porsche or do you want a car. We have to make a fundamental shift in how we think about financial products and services. The way that things have been in the past, it's like all financial services make money the same way, take money from Person A, lend it to Person B. Largely as we know someday, the more that I can squeeze, the more that I can make, the less to my user so there's that, but I think the question is, is there a different world view?

So, our belief is that if you over charge the relationship that you have at a university, at a church, at a gaming company, right, when you're part of a religious organization, you don't really care about optimizing for your own financial gain, right, you're there for some other value, right. You know, I'm a gamer, right, like, you know, digital asset, you know, a gaming company can easily give 10% cash back on a financial product to its gamers because like how much does a tank or a gun or an airplane cost, the cost of those spaces are effectively zero.

Todd: Yeah.

Duy: And so, you know, that's another over charge for permission-driven organizations, right, they're not there to make a buck, they're there to serve a greater purpose. And so, if you see financial services as the new way of value additive, of driving user engagement, it used to be social media, but what if financial services was part of the experience so that a church can do check cashing for its members, so that the university can help every student, help build them credit so that a gaming studio

can better engage with its players. I think that is where the fundamental shift is and I think that is what will break the zero sum game and drive a financial service experience where you get more alignment and alignment is a very important thing to basically creating a better financial ecosystem.

Todd: Is that kind of some of the thinking in terms of...I was looking at something on your website where it said DeFi for traditional finance? Is kind of some of that stuff that you're talking about....you're essentially taking it out of the big traditional financial institutions and you're kind of bringing it to where the people are and decentralizing it.

Duy: Yeah. So, there's just two parts to that, right. The first is what we've been talking about, so far. The first is financial services is moving towards the edge like the launch of our product in Q4 that will allow organizations to launch financial products in less than a week, like create a credit union-like experience, that is the first part of it, financial services is moving to the edge. The second part of it is like how do you enable this from an infrastructure standpoint.

So, what we're doing is we're building a deep strategic relationship with a network of small regional banks that you've largely never heard of and providing the layer of technology, program management, due diligence, compliance on top of this network, this distributed financial infrastructure. And, in building this distributed financial network of banks and this distributed financial infrastructure to move the services to the edge then we can start to like add different nodes, like we can add a node in Uganda, we can add a node in Libya, we can add a node in Cambodia and build the first ever globally distributed financial infrastructure.

What comes out of that is the ability to do things like instantaneous funds transfer globally, safely, you know, conveniently, less than a penny, the ability to do card issuance globally, the ability for people to bring credit to those who only ever been preyed on or never had access to credit.

Let's just say, you're part of a women's collaborative, you know, in West Congo, right, imagine if you can build an organization, a credit union-like experience tied into this global distributed financial infrastructure, think of the power that would bring to those people. And so, to us, DeFi for traditional finance happens in two distinct parts.

The first is moving financial services to the edge where the end-user experience is, where the empathy is. The second is that decentralized financial infrastructure of nodes spread across the globe. I mean, if you think about it, Lyft and Uber are huge taxi companies that don't own taxis, right, Airbnb is a massive hotel chain without any hotels, right. We can build a distributed financial infrastructure and not be a bank.

Todd: Similar concept.

Duy: Yeah. That is kind of what we are when we say that we want to build DeFi for traditional finance is that we want to build a decentralized financial infrastructure which we think if the engagement is where the user is there's greater empathy, there's greater alignment because you're not finally making

a buck by taking a buck. Out of that comes, we think, real change and being able to bring on this kind of more compassionate, more empathetic, more socially just financial ecosystem.

Todd: Before we shift the conversation a little bit, I'm curious, what's the best piece of advice you've received, so far, while building the company?

Duy: I'm going to credit this to Thompson Nguyen, one of my most trusted advisors, one of the first money and best angel investor for fintech you can get. Most startups die by suicide not by homicide. So, don't worry about what other people are doing, you're going to do more to hurt yourself than anyone else, just focus on your business and that really stuck with me.

Todd: I want to shift our conversation a little bit. You know, tell us how big is the team today, are you guys all in one location, remote workforce, tell us a little bit about the team overall.

Duy: Yes. We're approaching 30, we're fully distributed throughout the US although we did hire our very first person in Canada so that's exciting, but we are completely distributed throughout the US and now in Canada.

Todd: You're obviously a Founder/CEO, you know, how do you keep up not only with growing a company, hiring people, but also with everything else going on in fintech. I mean, it's a complicated web to ensure that what you guys are doing.... obviously, some of what you're just saying that, you know, you die by suicide not homicide, but you still have to get a sense for alright, this is kind of what's going on in the market generally.

Duy: I'm a huge believer that my number one role, my number one responsibility is to make sure everyone here is happy and successful, that is my number one responsibility. You know, it goes into how we think about hiring, hiring mission-driven people, making sure that they're set up to be successful, making sure that they're happy and a lot of that is hiring people.....you know, specifically your question about keeping the pulse on things, you know, we have an extraordinary commercial team, we talk to them, I talk to them, I have many one-on-one meetings and they keep me abreast of like this company doing this and this company doing that. But, at the end of the day, it goes down to we have a thesis. Our clients seem to be buying into that thesis and if I approach this from a bottoms up standpoint, it's that we have a thesis, we're calibrating that thesis, we're learning as we go along, but we already have a very tight feedback loop.

So, it's more important that we stay focused on executing, learning and when we need to, calibrate on our thesis rather than necessarily trying to figure out what everyone else is doing because you're kind of at this moment where you have a horse and some people might be thinking the best way is to get a better horse. Some people might be thinking, you know, let's go build an airplane, a jet pack for everybody and that may not work. For us, right now, it's like we think we know how to build a car so this seems to be the right thing for us so let's just focus on that and execute on that.

Todd: How much harder is it to build some of those culture with a distributed team? It feels like a lot more things need to be intentional, I don't know, obviously the tools and stuff that you guys use to interact with one another, but it's not as easy as like alright, we're in an office, there's kind of some level of serendipitous moments and stuff, but as an all distributed team, how much more challenging or different is that as opposed to maybe a giant office environment?

Duy: Yeah. I actually think it's much easier.

Todd: Interesting.

Duy: I think you know the answer to part of that because you're set up to be intentional and I think I am much more about like.... serendipitous moments are great, but serendipitous moments happen because there isn't structure for you to have those kind of discussions for things to happen, right. One of the things that I learned from Dan, our Head of Product, who is one of the most gifted product leaders I've ever known is that your job is not to hire great product managers to build great products, your job is to build an environment in which great products are built and if you kind take that and expand it, it's the how do you make sure people are heard, how do you make sure that there's tight feedback loop and those are the very, very important organizational things that you need to do.

In order to do them successfully, you have to be intentional so every person that we bring on to the team...my first one-on-one with them, I always ask them, are things worse off, better off or about the same instance of craziness as you expected coming into like a startup like this that's fast-growing, that's hard-hitting. And the answer that is uniform across every person I've talked to is that the documentation here is way better than they expected. It has to be because we are a distributed team, we have a practice that we call KYT, it's a play on KYC, it's called Know Your Teammates.

What we like every single Tuesday, we have an all-hands. And, you know, the KYT is like hey, I know this person's afraid of snakes, I know this person's favorite song, I know this person's favorite football team, right, you know, like where they wanted to go to for their vacation. It's really being intentional about learning about each other as human beings and not just as co-workers. It's never taking anything for granted and it's because we're forced to be intentional that we're actually, I think, a lot closer than we would have been in a big office. Physical space is where you still thought alone, right, and you're in digital space is where you feel connected, right.

The difference is the intentional part and we are just far more intentional about how we communicate, how we care about each other, how we empathize with each other and honestly, at the end of the day, like I care about everyone being able to live life on their own terms. For me, that means that if you've got a kid you've got to pick up at 3:00, do it, you know, if it's your dream to go and buy a place to live with your family out in the woods then do it.

Todd: That makes total sense. You know, we're almost out of time, but I did want to ask, you know, it's clearly...fintech has become arguably the hottest sector when talking about investment capital going into the space. You guys, obviously, have raised some money, what are the realities today of raising

money and if you had some piece of advice to maybe give to another founder who's either thinking, about to go on a fundraising, what type of advice would you give them based upon you know, your recent experience.

Duy: As much as I would love to help, like this is just an area that I don't excel at. Both times that we've raised money, you know, was with funds that approached us that wanted to work with us. What we did is that we basically focused on building products, signing clients and if you ask me what are the next steps, the answer is I don't know. We've only ever done a few things very well, right, which is we know how to build product and we work really, really hard for our clients and our partners that gave us a chance, our bank partners that gave us a chance, our strategic partners, our other partners that gave us a chance find out that we honor those opportunities and we work really hard. That's all we've ever done and both times, both for the seed round and the Series A, somebody came to us and said, we want to get to know you and then, ultimately, they invested. I know that's not a satisfying answer and gets teary.....

Todd: I'd rather the honesty than, you know, maybe a canned answer or you're like wow, we did this. I think the candidness is really refreshing and so I'd much rather to hear that answer. So, we just have a couple of minutes left here, I wanted to end it with a little bit of fun. Do you have a favorite book and the last book that you read.

Duy: I don't have a favorite book, there's a lot of books I enjoy reading. The last good book I read is "Algorithms to Live By" and it's just a fun little book that displays a very algorithmic way of looking at the world like everything from when to hire, when to build, when to go to your favorite restaurant, you know, relationship advice, it's actually really simple.

Todd: Do you have a favorite sport or sports teams that you root for.

Duy: I only watch one football game a year, it's the Army/Navy game, that's the only game I watch every year. In terms of a sport, I play underwater hockey, that's a real thing.

Todd: What?

Duy: We will someday, before I die, we will see underwater hockey as an Olympic sport.

Todd: Can you just tell me what underwater hockey is? (laughs)

Duy: It's a real thing, I swear, and it is one of the most amazing sports in the world. You basically hold your breath, you wear a snorkeling thing, but you hold your breath and you go down anywhere from five to six, seven, eight, sometimes nine feet and you fight for a pop and it's a six-on-six and you get to pop in the goal.

Todd: It's fascinating.

Duy: And it's played internationally. If you're listening to this, you'll want to try underwater hockey. There's probably an underwater hockey league somewhere in your city, yeah, it's amazing cardio and you know what, during COVID, it's the safest sport in the world because you're underwater.

Todd: That's true. (laughs) That is fascinating, I seriously learn a lot by doing these interviews. That one's definitely in the top three. And then, final question to end with, biggest inspiration in life.

Duy: I think it just comes down to people, you know, from the people I work with who are mission-driven, they are the best part of this company, the people, to the people I love in my life, the people who teach me to meet people where they are, to teach me the value of empathy, patience. You know, my Mom, going what she went through, you know, my wife, other people in my life that I love. If I ever needed a reminder on how to be a better person, I don't have far to look.

Todd: Well, Duy, I really appreciate your giving me a few minutes today, I really enjoyed learning a little bit more about what you guys are doing. How can, you know, if people want to potentially find you guys, how can they find you, whether on social or what's your website?

Duy: The website is productfy.io. You know, I'm on LinkedIn, if folks want to connect from there. Let me know why you are connecting because I just get a bunch of messages and if there's, you know, like I got to where I am because a lot of people helped me out and if there's a chance that I can help somebody else out, I'd like to take that opportunity.

Todd: Sounds good. Well, thank you again, I really appreciate your time, wishing you guys best of luck and continued success and hopefully, we can get you back sometime in the near future.

Duy: Thank you, Todd, grateful for the opportunity to share our story and I hope you have a wonderful weekend.

Todd: Alright, you too, thanks so much.

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