



LEAD WITH WE
SEASON 2: EPISODE 004
Andrei Cherny – CEO

Simon Mainwaring:

From We First and Goal 17 Media. Welcome to Lead With We, the podcast where top business leaders and founders reveal how they build their companies to be high impact and high growth by putting We First. I'm Simon Mainwaring, and today my guest is Andrei Cherny, the co-founder and CEO of Aspiration, a truly disruptive financial services company that turns every transaction into a positive action. Andrei, welcome to Lead With We.

Andrei Cherny:

Thank you for having me.

Simon Mainwaring:

Andrei I've got to ask you, we've known each other a while, but I've never had the chance to ask, what led you to launch a financial services firm, especially of this nature, because you've got a really interesting background. You've been a chair of the Arizona Democratic Party. You've been a speech writer for John Kerry. You're in the Navy reserve. Give us a little bit of a sense of the journey that led to that point that you decided I want to launch a financial services company.

Andrei Cherny:

I never reached the point of saying I wanted to launch a financial services company, as we sometimes say at Aspiration. We didn't set out to build a bank. We set out to build a better world and in thinking on how to do that so much of it came back to that old adage of follow the money. And as you said, I didn't spend my career in banking or financial services before starting Aspiration, but did spend 15 or so years before we started Aspiration working on issues like climate change, like economic opportunity, like financial fairness for families in a wide variety of different capacities, and started out working in the White House in the 1990s for Bill Clinton and Al Gore on doing a lot of economic issues and dealing with the issue of what we're calling then global warming.

And working with Al Gore at a time where that issue was definitely not in the mainstream, long before it was cold and seeing him wage this campaign and a lonely campaign to raise awareness around why people should care about the CO2 levels in Antarctica.

And so really believed that we needed action. When it came to the climate, I was a financial fraud prosecutor and saw up close the kinds of challenges people were facing in their financial lives work with, then law professor Elizabeth Warren on the idea for what eventually became the consumer financial protection bureau and from those plus experiences in the private sector, really very much believed that there was not just a room for it, but enormous need for a financial institution that put its customers first, that put their conscience first and that allowed them to make a positive impact both for themselves and their families, but also for the world around them.

Simon Mainwaring:

Really interesting. So you literally did follow the money. You were going to the root cause of what was effectively the largest obstacle to these solutions, is that correct?

Andrei Cherny:

Ultimately, when you think about the big challenges we face so much of it comes back to our financial institutions and people's individual financial lives. That bank account that you're using, that credit card or debit card they're using is at the core of your financial life. And you think of an issue like climate change, of course it matters what happens in Washington, DC. Of course it matters whether we're part of the Paris Accords or not, but JP Morgan spends more in terms of financing of fossil fuel exploration and exploitation on an annual basis than the combined market capitalization of ExxonMobil and BP combined. That's what matters, we have enormous powers as citizens to change the course of our country and I think we saw that happen in the past few months, but American consumers spend \$36 billion a day and where they spend that money and how they spend that money and the decisions that drive them to do so matters a great deal too. And those are enormous levers for change and impact.

Simon Mainwaring:

Yeah. The good news is that shopping is becoming a political act, especially as these younger people come through and they realize that every dollar is a vote, in terms of their future. So how did you begin the company? How was its birth? What was its first iteration?

Andrei Cherny:

It really started with a set of conversations with myself and my co-founder Joe Sandberg and he and I had known each other and been friends for many years. And he had been successful in New York, working on Wall Street and was investing in startups and really we had a just ongoing set of conversations around what would happen if you actually built a financial institution on the foundations of trust, on the foundations of conscience and those ongoing conversations. We would meet at a hotel in LA and hang out in the lobby or go for long walks and eventually one thing led to another and we started ourselves and started building out a team and started exploring the ways in which something like this could be brought to life and ended up of course on so many dead ends and paths that didn't lead anywhere.

But eventually came to some real basic beliefs on a different financial institution, the role that could play. But we... our fee structure from day one has been Pay What Is Fair, customer decides what to pay us and if they want to pay a zero, they can pay us zero and get treated the same as any other customer. And as you might imagine, when we started going out and meeting with investors and saying, "Okay, we're going to build a financial institution based on impact and conscience and sustainability, we're going to let people pay whatever they want. Even if it's zero, we're going to give 10% of what we earned towards charity." It made for some pretty short conversations.

Simon Mainwaring:

Short conversations, they're like, "Yeah, good luck with that and when you're done, come back and we'll tell you how to get at it, what to do." But, and let's draw a distinction here because you're talking about a financial services company as opposed to a bank yet, I live in California and I've seen a lot of your ads on television and so on. And my experience all of it is, "Oh this is an alternative bank in a sense, a bank that got contribution fundamentally built into its business model." So help us understand the difference between a normal bank and what you're doing.

Andrei Cherny:

It's different in a lot of respects. Most basically we're not chartered as a bank in terms of the regulatory sense. It's actually a cash management account, but it has all the same features as a bank, FDIC insured, debit cards, paper checks, and so on. But what really makes us different and unique is the way we think about what we're doing, which is the role of how you make your money have a positive impact on your life and on the lives of those around you.

Simon Mainwaring:

I think that's a really important distinction because more often these days, I'm hearing people really reframe business as a tool to drive change, as opposed to a way to just make money. And in a similar way, you're saying, well, in a sense of bank or a financial institution aggregates all of this money, how can that be put to work to drive change as opposed to just make more money at the cost of everything else that's worth more than money in a sense?

Andrei Cherny:

Yes, but I even go a step further, which is we believe just as we say to our customers, this is a place where you can do well and do good. We've been successful as a business, not in spite of the ways in which we put sustainability first and put impact first and allow our customers to be able to put their values into action, but because of it, and we've been more successful because of that. And so that was actually part of our thinking in starting the business too was, there's a lot of businesses that I very much admire and Simon you know so many of these businesses as well that say, we're going to do X and then also bolt on impact, bolt on some do good. We're going to do X and then for each one of them, we're going to give away something else as well.

Simon Mainwaring:

Yeah, it's enough the thought almost or a siloed off, yeah.

Andrei Cherny:

And look and I actually think it's great. I'm a huge fan of those businesses, many of them are partners with us. I'm so glad that they're thinking about that. What we wanted to do was something different, which is to actually build impact into the DNA of what we're offering, which is just by the very use of our products. By the very activity our customers have with us. They're making a positive impact and they're doing good, not as an ancillary benefit, but something where that is woven into our fundamental DNA.

Simon Mainwaring:

Give people give the listeners a sense of the opportunities you provide for people who put their money with you, planting trees and so on. Help us understand that side of it. But then also the accountability you bring to it.

Andrei Cherny:

Yeah, absolutely. When you deposit your money with Aspiration, your deposits are fossil fuel free, firearm free, as opposed to any of the top 20, 30 banks where most people are banking and whether they know it or not, their deposits are being used to fund oil and gas pipelines, as we talked about or gun manufacturers. We have something called Aspiration Impact Measurement that shows you your own personal sustainability score as you're shopping, as you're spending, as-

Simon Mainwaring:

Is that on the website, in your app?

Andrei Cherny:

Yeah, in the app and so as you said, people are voting with their dollars. And so you're able to see in effect a Fitbit for sustainability, we have something called Planet Protection that allows you to make all of your driving carbon neutral. So whenever you're spending money on the Aspiration card, we're automatically calculating the amount of offsets necessary to get rid of the carbon impact of that gasoline, without you having to think about it, automated impact built in.

And we have things like Plantar Change, which you mentioned, which has been enormously popular, just launched in 2020. And what that allows you to do is to plant a tree with every purchase you make by simply using the spare change or those purchases rounding up to the nearest dollar and whatever the amount of spare change, whether it's a nickel or whether it's 25 cents or 50 cents each time you're planting a tree. And we've collectively at Aspiration planted now over 5 million trees, just in the course of a part of 2020, we're now planting more trees a day than there are in central park, in New York. And that just shows the scale, and we're just getting started.

Simon Mainwaring:

These are such powerful lessons for every business leader listening to this because one, your business model should build in contribution, positive impact into your lifestyle not as an add-on but as just something that's woven into the daily fabric of your life. These are just the building blocks of businesses that are really going to transform the future. You must have had... from a business model point of view, from a business practices point of view, some pushback. Did some of the big banks come along and say, Hey, steady on there and run defense against you. Did you face any obstacles you didn't expect?

Andrei Cherny:

So many along the way, whether it was from incumbents in the space, even to just the very nature of the financial industry being a very regulated industry. I mentioned our Pay What Is Fair model, which we thought is just as customer friendly as possible. If you think we deserve to be paid zero, pay us zero. You'll get treated the same as anybody else. And we took that for instance, for our Aspiration Redwood fund, which is our sustainable investment fund, which is both fossil fuel free, but also invest in companies that have strong ESG practices that are good and better than their competitors when it comes to how they treat their employees and the environment and diversity in governance.

And we went to bring that investment fund to market with a Pay What Is Fair structure. When it came time to get that through the regulators, they said, "Oh my goodness, what are you doing?" It literally did not fit into their box. They have a box on a perspective of a mutual fund that shows what the fees are and so these challenges that we faced early on and continue to face, and really trying to innovate in not only a industry where you have very entrenched incumbents but one, where they're often using regulation as a weapon against new entrepreneurs and competitors.

Simon Mainwaring:

That stranglehold, that many monopoly or duopoly have on industries is there for a reason, and they want to protect their interests. And that's based on certain business models and practices, absolutely. And speaking of obstacles, did you self-fund in the first place or was it hard to raise capital for the very same reasons you just mentioned?

Andrei Cherny:

We were very fortunate that my co-founder Joe Sandburg was investing in startups and was willing and excited to fund us initially. And we worked out of his office and he's continued to be a large part of the business, but to your question, as we went out to raise other capital it was a real slog. And as we talked about, a lot of doors slammed in our face, but then there was people who really believed and who really saw what we are doing. And one of those was somebody, I'm sure you're familiar with and many of our listeners would be, Jeff Skol, who was co-founder of eBay and first president there and has been very involved with-

Simon Mainwaring:

The Wonderful Skull Foundation, which is amazing.

Andrei Cherny:

It's called foundation and social impact has been a real pioneer there. We met with him for lunch in Los Angeles, and we were telling him all about the company and said, here's this company we're going to let people pay zero if they want, we're going to build things around sustainability and he has his own very gentle style and...

Simon Mainwaring:

He does.

Andrei Cherny:

He nodded and said, "Yeah, I think it's going to work." And I said, "Maybe you didn't hear us, we allow people to pay zero."

Simon Mainwaring:

Did we tell you about this, right.

Andrei Cherny:

And he said, "No, no, no. I heard you, and I think it's going to work." And what he said was, "Every decade or so, there's businesses that come along that take a big bet on trust." And he said, that's what made eBay successful early on. They had all these competitors back in the 1990s, early days of the internet that had these complicated escrow systems and eBay was successful because they said, "No, you're just going to have to believe that you're going to be sending money to somebody on the internet, and they are actually going to send you the baseball card or beanie baby that you bought in." And that was considered crazy at the time

Simon Mainwaring:

Or the shared economy. You're going to go and stay in someone else's apartment that you've never met.

Andrei Cherny:

And that was the other point you made, is staying in a stranger's apartment in a foreign country, get into a stranger's car, right? Exactly, the things your mom told you never to do and incredibly successful. And he said, "Similarly, you guys are taking a big bet on trust. You're betting that people are going to be as good as they're hoping you're going to be to them." And it's worked.

Simon Mainwaring:

The business model turns on the integrity of your intent and your actions as Aspiration. And so let me ask you this. There's so much urgency around so many issues in which case the challenge becomes, how do we... even though it's incredibly powerful to be able to make these changes with your whole lifestyle, how do we get more people to do it more often in more ways? So my question is with the app, are you game of finding things? Are you encouraging people to compete? Are they being incentivized to share it with others?

Andrei Cherny:

All of the above. First of all, it's by making it easy as you said. It's by automating it, look there's only so many people who are going to go to a tree planting website, who are going to go to the Arbor Day Foundation or wherever else and make a donation to plant a tree. But there's a lot of people who will say, "Yeah, if you make it easy and you build it into my daily habits and when I go buy a cup of coffee at Starbucks, or I go buy a lunch at Chipotle. I don't have to think about it, I've planted a tree every single one of those times."

That makes it easy. It makes it affordable, it automates it and that has a big impact. But then it's also about giving people ways in which they get excited about that process. So things like the Aspiration Impact Measurement and that score, right? The same way that a lot of people say, "Okay, I'm going to go do those 10,000 steps a day because my Fitbit tells me to, or maybe in this day and age of Covid we try to hit a thousand steps."

Simon Mainwaring:

A thousand steps inside going upstairs [crosstalk 00:17:12].

Andrei Cherny:

Yeah, exactly right. But so seeing that score gives people an impetus. For the plan for change we have something called the Tree Mometer and that shows you how far you've gone and how far you have to get to the next level. And so we have clusters and groves and we actually offer cash back. Once you hit 30 trees and a cluster, once you hit these different thresholds, we're going to pay you and incentivize you to keep on doing it and keep on doing more. And so that just... even that little reward of saying, "You know, I hit that next level." Gets people going and gets people continuing to be committed to what they're about.

Simon Mainwaring:

I have a question, which is really around tone, you talked about working with Al Gore on Climate Crisis and John Kerry and so on. How you tell that story is critical, and for a long time the narrative around climate change and all the things that fall out of it have been more about the stick urgency, the alarm bells being rang. But there are various, still leaders out there that have really discovered in their research that, that tends to lead to apathy or people being passive. They feel disheartened and it's almost too much for them. So how did you go about framing your story in a way so that people listened and that you actually got them to engage and share it with others?

Andrei Cherny:

Look Simon, you said that you... it's easy to look around at the world we live in and crouched down. And the opposite of that though is the idea that each of us can make a difference and each of us individually, isn't going to change the world. You signing up the plant of change to start planting trees with every

purchase, that's not going to change the world, but you know what? If you do that, and you do that for a year. You've eliminated your carbon footprint and that's one person. And if you got a couple of friends of yours to do it, that's two, three, four people. And we've seen that already with Aspiration. We just launched Plantar Change in 2020, and I see the amount of trees we planted. And when I say we, I mean, we. I mean our community, not just the company because it's our community that's doing it.

The amount of carbon impact of the trees we've planted, of moving dollars to fossil fuel free banking, of planet protection and getting rid of your carbon impact. In 2020, the carbon impact there was the equivalent of taking every car in the state of Utah off the road. Now, look, Utah is not California. It's not the biggest state. It's not China, but you know what? That's where you start. And the idea is the worst thing you can do is not do anything and believe that if you can't do everything, you have to do nothing. That's where you mentioned Al Gore and the challenge in the 1990s, it felt so big and it felt so far off that we didn't do anything about it, until it got later and later and later.

Simon Mainwaring:

And coming out of the gate. You're at a point of momentum now and so on, but how did you get that first cohort of believers? How did you get enough momentum to know that it was viable in the first place? What, this is back in 2013?

Andrei Cherny:

[inaudible 00:20:28] Becoming in 2013 and launched publicly end of 2014, beginning of 2015. And the surprising thing for us was, in fact not how hard it was at first but how excited people got about it. So it was one of the lessons learned, we had our first investment fund. It was designed to be more of an add-on fund, and our first banking product was designed to be more of a secondary account. And we were getting these calls, "Okay, great. I'm ready to sign up and I'm moving everything from Wells Fargo, and I'm shutting down that account, moving on Aspiration." We weren't even ready for that. So I think what we saw was a level of just excitement about the ability to align your money and your morals that was way in excess of anything. We really envisioned from day one.

Simon Mainwaring:

I find that so encouraging, because one of the things I deeply believe is that all of these needs out in the marketplace that really are a function of these long-standing industries that have been doing the same thing for a long time, that has caused a lot of harm. Those marketplace needs now are huge opportunities in their own right. And all you've got to do is step into them and you'll discover as you found it's just pent up appetite of customers who've just been looking to feel better about how they're living their lives, what they do, who they support, what companies they enable. And let me ask you. You hear about a lot of shifts underway, there's Larry Fink at BlackRock, who has talked about a fundamental restructuring of the capital markets in the face of climate crisis. Are you seeing the industry is starting to change perhaps driven by younger demographics that want their dollars to work for their future?

Andrei Cherny:

The truth is I'm not yet. I'm not yet seeing that. I'm seeing a lot of rhetoric from some of these big banks and Wall Street, but not yet the real change. And it's hard for them to change. Look, they make a lot of money on lending to the oil and gas industry. It's hard for them to say, "We're going to be the place that's going to enable you to fight against climate change by using your account when a big portion of the country doesn't believe that climate change is even a real thing." And we hear, we get emails every day of people saying, "Oh, my family works in the oil business. You're trying to put us out of work or so

on." And but we believe that we're a place that is going to be about taking a stand and for these big institutions, it's really hard for them to put all their eggs in that one basket. And when they do, it's not really authentic.

Simon Mainwaring:

What do you think needs to happen for the industry more broadly to really take responsibility? There's regulatory issues and policies that are needed to support it. There's the investor class, there's consumers out there. What's the missing piece of the puzzle, or would you say we're actually starting to see this coalition of stakeholders come together and we're headed for a renaissance of the industry, what would you say?

Andrei Cherny:

Look I've always said that I will know that we've gotten the point where I would call Aspiration successful, when we are so large and have so many customers and have such a large presence that we exert a gravitational pull on the rest of the financial industry and force them to change their ways. And we've come a long way and we've had millions of people who've joined our crusade and our community thus far, but we still got a long ways to go.

Simon Mainwaring:

And the mindset that keeps you going through all of this, I think everyone who starts a business faces these obstacles and there's these sort of false summits that you've got to work through. Are there any key insights or thoughts that you share with yourself to keep going when you're taking on such an indentured industry?

Andrei Cherny:

I was interviewing a potential candidate for one of the jobs. And she asked me, "After this six, seven years, what gets you out of bed in the morning to do it?" And I reflect on it for a second and I said, you know what? When I wake up I... like many of us probably, pick up my phone and I look at the news and I look at the Twitter feed. I look at everything that's happened, then I look at what's happening in Washington, DC, and what's happening in other parts of the world. And it's actually only Aspiration that does get me out of bed because we're not for Aspiration, I'd be staying in bed as opposed to the other way around. And that's what keeps me going is because we have to deliver, we can't get this wrong.

Simon Mainwaring:

Yeah. I couldn't agree more and I think Aspiration is an expression of a reframing of the role of money in our lives. What role should it play? How do you think about the role of money moving forward? What would you encourage us to think as we plan our own lives, plan our own businesses, plan the daily choices that we make? How should we think about money?

Andrei Cherny:

I would say that it's important to realize you do have a choice, and important to realize that your money speaks with a voice. It's not neutral, money is what pays for oil drilling and it's what pays for a solar panel. We have a choice every day. We have a choice in where we spend our money, in what we purchase and where we bank. And what's important is to realize, not only do we have a choice but we have to make a choice, because just saying, "I'm going to deposit my money in Wells Fargo ATM and it's going to go sit there." Is making a choice, it's saying, "I'm okay with my own dollars being used to fund

the destruction of the planet." It's saying, "I'm okay with my dollar has been used in all kinds of other ways that go against who I am and what I believe in." We get to make that choice and we have to make that choice.

Simon Mainwaring:

Andrei, thank you so much for the insights today and also for the disruption that Aspiration is leading and the way that it empowers each of us to make money work in truly more meaningful ways in our own lives. So thank you so much for joining us today and just really, really appreciate the insights.

Andrei Cherny:

Thank you, and thanks for all your leadership in this space and telling so many of these powerful stories.

Simon Mainwaring:

Thanks for joining us on this episode of Lead With We, where I spoke with Andrei Churney, who's the co-founder and CEO of Aspiration. Who shared with us how he built a financial services company that ensures every dollar does good and how to inspire, engage, and incentivize customers to join and take action. And finally, how together we can scale and accelerate our impact to better our future. Make sure you subscribe to Lead With We on Apple, Google, or Spotify, and please recommend it to your friends and colleagues. So they too can build a purposeful and profitable business. If you'd like to learn more about how you can build a purposeful brand, check out wefirstbranding.com, where we have lots of free resources and case studies, thanks for joining us. And let's all Lead With We.

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