

Podcast Transcript: **Alex Bean** - Transforming How Businesses Manage Expenses with Bill.com

Russell Benaroya: Hey, everyone. Welcome to the Stride 2 Freedom podcast. My name is Russell Benaroya, and I'm the co-founder of Stripe Services, a virtual back office, bookkeeping, and accounting firm serving hundreds of clients around the United States.

This podcast is designed to help small business owners focus on growth and innovation. In other words, focus on those things that inspired you to start your business in the first place. We call it your genius zone. We do our job on this podcast when business owners feel like they have the trust and confidence to build the right team of partners around them that will help them grow. Thanks for joining, let's go

Hi, everybody. This week's Stride 2 Freedom podcast episode is going to wow you. I am so excited to welcome Alex Bean to the show. Hi, Alex?

Alex Bean: How are you doing?

Russell Benaroya: I'm doing great. Alex is the co-founder and Chief Business Officer at Bill.com and I'm going to let Alex tell you all about Bill.com. We have many clients today whose businesses have been transformed because of this FinTech juggernaut. I wanted to invite Alex here today because, in so many ways, he represents the future of financial technology that is going to transform how businesses manage their expenses. Of course, this is always important and relevant, but in a time of uncertainty, the need is even more magnified. Let's get to it and make a mark. Ready to go, Alex?

Alex Bean: Yes, let's go.

Russell Benaroya: Before we get started, I am interested, is there a book that you're reading right now or a podcast that you're listening to that has been particularly memorable or has made an impact for you in the last two few months?

Alex Bean: Yes. I'm trying to read 30 books this year, and I'm on pace, doing some good stuff. COVID's helped; being in quarantine and having more time at home with books. I just read the Rise and Fall of the Comanches, which I know isn't a business book. It's pushed me back into the early days of our history. Now I'm also reading a book on the Revolutionary War and that whole timing, from the founding fathers up to when we became the new America.

When I say new America, meaning the Rise and Fall of the Comanches is fascinating in terms of the Indians, the struggle, what they did, what they didn't do, what the whites didn't, and didn't do, how they tried to merge those people together. Some of that's super sad, some of it's also just fascinating like the innovation that came and was coming in the United States. I'd say the Rise and Fall of the Comanches, super fascinating book, wouldn't say it helps you in your business, but then some of our Revolutionary War stuff it's like you take everything we have today for granted because you realize they had none of it back then.

Russell Benaroya: Awesome. I know you're a super busy guy, but are you and your wife binge-watching anything right now on Netflix?

Alex Bean: Yes, we are. If you're not doing something right now, you're going to go crazy. We've been watching Turn. It's an AMC show which is on Netflix now. It's a Revolutionary War spy show so the red coats, blue coats, George Washington's character is fascinating. It's mostly based on real characters like the cold pepper spiring back in the war in 1776. I like it. It's really good.

Russell Benaroya: Very good. That's great advice. Maybe not the best advice you're going to give on this podcast, but it's definitely important.

Alex Bean: Hopefully, not the best advice. By the way, one other book I want to give a shout out to is called Range. Have you heard of the book called Range?

Russell Benaroya: No.

Alex Bean: It's about how generalists are succeeding in a specific world. Everyone's going into very specific niches in their work and they're good at one thing. It's talking about how a lot of innovation and success is coming from the people that have diverse backgrounds and are broader than they are deep. It doesn't argue that you should never specialize, but it does give a lot of really interesting use cases on why people that don't have that background or that special skill come up with innovation.

A good segue into Bill.com, my partner and I, we're not FinTech specialists, we're not payment specialists, we're not bankers, we knew nothing. We can get into it, but it's a joke between us when we started Bill.com, we didn't even know virtual cards was a thing. All we knew was that there was this business problem that we had in our small businesses and there's just obviously got to be a solution.

Range highlights how that can happen a lot, where people like my partner and I, we don't exactly know what's going on with the specialists, but the specialists are overlooking it because they're too deep into the things that they do. It takes someone to have a different vision to come in and say, "I'm going to see things differently." That's what we do at Bill.com.

Russell Benaroya: Perfect segue. In fact, help us understand the problem that you attempted to solve. Any good problem also has an underlying why. You do certain things, and I want to hear all about those too, but there's an underlying why that makes this so purposeful and has caught such amazing fire in the marketplace.

Alex Bean: I'd say there's two. I'll give you my partner's example. He was running a six-location pizza shop. Restaurants are very low margin so there's not a ton of wiggle room in there, you got to be pretty tight. You got to know your numbers. He had this world where it's August and everyone's spending their money at their different locations. He didn't want to give them corporate cards because, again, these are young 20-year-olds, 22-year-olds running these shops, so they're using personal cards.

It would be September 30, or October 15 before he'd get all the expense reports in, and they'd be \$4,000, \$3,000, \$5,000, large expense reports for a company that doesn't make billions of dollars. He was just like, "Why can't I know on the 20th of the month if I'm pacing or not, if I should spend more on marketing or if I should spend less, or just where my margins are at? When it's August 31, why do I not have all the info? It seems insane to me."

The first why was very much he couldn't see his budgets and he's like, "There's just got to be a way which I can see budgets." What everyone was doing is a mixture of Amex and personal cards with Expensify and different versions of all this. We looked into it together, and it's like, that might help me turn in the receipt faster, but that doesn't give the business owner the data that they need in time.

As business owners running multiple small businesses in our lives, we totally understood that as a small business owner, again, it's funny you said it, but in today's world with COVID, and with the potential recession, being within budget and spending smarter is more important than ever. We had that same experience four or five years ago, and that's what we've been out to build.

Russell Benaroya: Let's pretend that we invited a fifth-grader onto this call.

Alex Bean: My daughter's in fifth grade so I'm going to explain Bill.com to my daughter. Is that what you want me to do?

Russell Benaroya: Please, explain Bill.com to your daughter.

Alex Bean: I would say this to my daughter. She's getting older and trying to figure out what I do so I've explained it to her before. I'd say, look, there's a virtual or physical card. At dad's work, we have these cards for businesses. When they swipe on these cards, we have all this software in the background that can automate a lot of the work that needs to be done or make it easier for them to have all the data they need from when they swipe. We've combined a credit card with the software that you need to get your work done.

Russell Benaroya: When business owners have that ability, they can do what better?

Alex Bean: Just like at home where we have budgets on how much we can spend on food, at work, we have budgets on how much we can spend on things like marketing. Bill.com is the only company in the world that allows you to use a credit card and have a budget and see those things in real-time. So we help businesses budget.

Russell Benaroya: One of the experiences that we've had in working with Bill.com or through our clients is this idea that you can issue many Bill.com cards at your company. You could have a Bill.com card specifically for one of your SaaS services and totally control it. If you want to cancel the service, you can cancel the service and you don't find yourself getting charged and having to call your credit card company. You allow for that distribution, it sounds like.

Alex Bean: Yes. Again, to explain it, going back to Blake's analogy with the pizza shop, right now a lot of people have to use their own credit cards and then ask the business for money

back at the end of the month. Bill.com makes it so the intern can get a corporate card, to the CEO, everyone gets a card. By the way, it's not just card, it's cheques, its cash, all payments going out we do. We're doing it so that the business owner can stay within budget. That is why we exist.

Then all the backend stuff like the expense report, that's just like a legal thing we have to do. That's not why we exist, that just happens to be what we facilitate. We want businesses to spend smarter so they can be more profitable and hire more people and have more free cash flow. That is why we exist.

Russell Benaroya: The what today has primarily been associated with that expense card management, but you're also delving into some other areas of helping business owners manage their expenses. I know some of our clients are working with one of your newest products around accounts payable and paying bills.

Alex Bean: Going back to the why, if I am a business owner and I got a big event in Vegas at the end of the year and I'm going to spend \$75,000 on this thing. Well, you might start \$30,000, \$40,000, \$50,000 on cards from travel to hotels, but you're going to pay for a booth and you're going to pay some other vendors that don't take a card. We realized the second you don't have that, your budgets aren't true budgets, it's just a fraction of what's happening. Construction is big that way and a lot of companies.

So we said, we've got to figure out a way where every dollar leaving a business can be brought back to a budget. For us, it's Wire, it's ACH, it's cheques, it's cash, its card, any payment going out, it's got to come back to that budget. That business owner on the 20th of the month can say, "Where are we at?" or the marketing manager or the sales manager, whoever's running whatever budget.

That's why we keep adding products like that because we're not just an expense management tool. We're a spend management tool, and we want to help small businesses reconcile budgets, make sure that they not only know where they're at with spending but at the end of the month, they don't have to do a bunch of work to get receipts from the sales reps and all that.

Russell Benaroya: You've tapped into something new very core at a human level, which is our need for one of three things: security, control, or approval. That's typically what we drive for in life. You're touching on two very important ones. One is control as a business owner, and security, that I am not losing the ability to keep a pulse on my pocketbook.

Alex Bean: Think about what you said earlier when you were explaining the virtual cards. If I have my one Amex, which has my personal liability on it, and I'm tying that to LinkedIn, Salesforce, Google, and Facebook, and if any of those guys get hacked and my card is on it, now I'm personally liable and your data can get stolen. Security is pretty broad in terms of fraud and actual security breaches at larger companies.

We do a lot of things to create virtual cards so that you can silo that and minimize that risk into different parts of your business as opposed to putting it on your card on your name with your

liability on it. Frankly, it's shocking to me, Russell, how many small business owners are putting their name on \$100,000 credit line, and then they're just dishing out that card to whoever wants it. It's shocking to me. That's a practice we think we can improve on.

Russell Benaroya: Good, and we see it often. I was reading an article about you earlier. You made a comment that Bill.com had found "crazy product-market fit", the velocity of product-market fit has been very rapid. I'm curious, what have you found to be some of the big market obstacles that you've had to overcome in helping people understand how Bill.com can be so transformational for them.

Alex Bean: Usually, you've got to teach people new behavior and explain to them why this product is so interesting, but that is not the case. They see Bill.com and they're like, "Oh, it's free and it does budgets and expense reports, in." They all get it because they're running a business. The obstacles that we face are different.

We face two pretty big obstacles that we're working really hard to resolve. If we'd had these fully solved, we'd be 10X what we are today. One of them is getting credit to small businesses. It's not fluid. It's not easy. It's risky.

If you're Chase Bank, you've been doing this for hundreds of years, your risk profile is different than if you're a startup. We were using our own equity at the beginning to say, we're going to give out \$100,000 to this customer over here. If they walked away, that was 100% of our money. So we've had to find partners that would share that risk with us and pay them into our model. Getting people credit risk is hard. They can't just sign up and move forward; there's a process, which we are trying to get down to an hour, or 30 minutes, but right now it's a process.

Then the second thing is rewards. We are not just Expensify; we are Amex in Expensify. A lot of people do love their Delta Amex card. I met a couple the other day that owns a very successful company, and they have a Disney card, a Marriott card, a Delta card, a Nordstroms card and they just throw all these cards on there. So they're very emotional of the points that they get. Now we have a competitive rewards offering, we haven't always had that and we continue to evolve and figure out what we can do there. Those are really the only two hurdles that we face. If we solve those two, the rest is pretty easy.

Russell Benaroya: I totally get it. You totally nailed product-market fit and I'm hearing you on the emotional connection that people have to their cards for sure. You've had the opportunity to capitalize Bill.com with a significant sum of money fairly quickly relative to the life of when you started. What I'm wondering is, is that because to be a player in this industry, that is what it takes and/or it's also because you're growing so quickly?

Alex Bean: Think about what I just explained with risk. If we're handing out \$100,000 for a customer that we sign up, you do that enough times and you're handing out millions and millions of dollars. As you grow, you're handing out all the money. When you start, you have to raise funds to do that. We're getting better. We have capital market partners like Credit Suisse and

other banks that take on that risk, but when we started, we had to do that. Then now we have to have X amount of liquidity to buffer the risk for them.

There's a lot of money we raised that doesn't just go to growth, it actually goes to risk management and other liquidity covenants. That's boring, but it's a necessity. Bill.com has always felt that if we're going to replace the financial stack for a small business, we don't think a small business should have six different logins to Bill.com and Expensify and Amex, and a second corporate card, we think you should just have Bill.com in your accounting software. That's what it should be.

For us, it was a big swing. We never set out to be a \$10 million company or a \$20 million company, we were like, "If we do this correctly, we're going to change the way every business spends." We might not be the leader in terms of customer size, but people have been reacting. They've been launching products that are directly what we've been doing. So we're pushing the innovation envelope, which is exciting. It's always been a big swing.

For us, it was like, we want to raise the funds so we can go out there and change the game. If you're going to compete against every bank that's out there, QuickBooks and Expensify, and every other company on that list, you can't do it with \$10 million in your pocket. You got to build a team.

Russell Benaroya: You got to swing for it. You can't play small ball. I do not want to pass over a very important word that you said a couple of minutes ago, which I think perks up the ears of most people that listen, which is 'free'. You said Bill.com is free.

Alex Bean: Yes.

Russell Benaroya: That's so awesome. How is Bill.com free? How can you make it free?

Alex Bean: Amex and Expensify, we're replacing those two. We're going to give you an Amex card, which you don't typically pay for Amex, it's free, and it's because they make money on the interchange every time you swipe right, the backend economics of banking. We do the exact same thing. That's where we make our money, but we give you a free software like Expensify, Bill.com all rolled into one. We really merged payments and software in a way that I think we're setting a trend. You're going to see more of it, but we did it first and we're pretty proud of it.

Russell Benaroya: How many employees does Bill.com have now?

Alex Bean: Just under 300.

Russell Benaroya: Share with me, as a fellow entrepreneur, how you've navigated the culture and building a business this quickly and any lessons learned or advice you can give to other business owners out there that are also trying to figure out how to manage the people side of growth.

Alex Bean: It's not as easy as you think. A business owner out there is probably laughing because they're like, it's very hard. I think it's very hard. People who are not running a business or not scaling a business have no idea how complicated it is.

Look, we're all people. We all have our own lives and what makes us tick and what makes us mad, what energizes us, and managing that across a family is hard. Now, multiply that by hundreds and it is very nuanced

I would say we've done a few things really well, I'm sure we've done a lot of things wrong, but I would say there are things that I feel like we've done really well. If you have a strong product with a strong why, meaning, a strong vision of what you're trying to become, people will jump into that ship. If that ship's sailing and they believe in it, a lot of stuff can happen where you can still get through the rough waters.

We didn't always have the best benefits, we haven't always handled XYZ correctly. There are things people would do differently, but they believe in our products, they believe in Blake and I, thankfully, they believe in the vision of what we're trying to become. If they jump in that ship, you're in a good spot.

The other thing is we've hired really good people leaders and, therefore, people. We hired Casey Bailey, she came from Uber so she'd seen a lot of the scale issues. She's been able to project out one to two years for us and say, "You're going to see this problem in six months, this problem six months." It all boils down to (a) she knew where we were headed, and (b), you have to hire good people.

Don't just accept people into your work because you need butts and seats, you've got to hire really good people because the good people are what makes everything tick. They're the ones that set the culture. We can write whatever we want on the wall, but they're the ones that actually create the culture and are the culture, and move us to a better culture.

So hire really good people leaders, invest in that more than you're probably thinking. Then from there, it makes it so much easier to recruit very talented people who create the culture that you're looking for.

Russell Benaroya: You are in a region of the country, from an investing standpoint, that is colloquially termed "Silicon Slopes". Tell me a little bit about the entrepreneurial environment in Utah. Are you drawing employees from your current market or are people coming in from outside the market? What's been your experience?

Alex Bean: I'm a Seattle guy, where I grew up, and sometimes Silicon Slopes thinks they're bigger than they are. We're not even a portion of Amazon. I've seen the stuff in Seattle go really big.

We've got a very vibrant culture, a very strong community. We'll run a Silicon Slopes event up in Salt Lake and everyone in the community shows up. We all know each other. We're rooting for

each other. We like each other. We're friends. Went to the same college you know; it's BYU or Utah. We all have ties typically back to the area, so very tight-knit which is great.

We do have a long way to go. We need more people taking bigger swings. Josh James has done some pretty cool stuff with Domo Qualtrics has been in the news, but we need another five to 10 companies following those footsteps. I think Bill.com is a good example. We're not there but we're taking a big swing. I think the community as a whole will grow and get bigger as we continue to take bigger swings.

Russell Benaroya: Is there anything that you wish people asked you about your business, about where Bill.com is heading, about the history of Bill.com that they don't ask you that you'd like to share?

Alex Bean: We're trying to force the banks into a better world. The way that banking has been done has been like they can get away with it. It's almost like a monopoly as a whole so they've never built really good tech.

I think people know this, but I don't think they fully understand how passionate we are really. We treat ourselves as a software company. What we are working on now is going to change how banking is done in the future. People don't fully understand that we're out to innovate banks and disrupt banks to the best of our ability. I think that will make some of the bigger banks better.

We're not just trying to do expense reports. We're thinking bigger than that in terms of what we can fully accomplish and how we can change the way every business spends at a macro level. I think sometimes people pigeonhole us into an Expensify competitor. That's a great business, I don't want to demean it, but our why that burns within Blake and I and some of the other people is, how do we change the way that businesses spend? That's a much larger scale than what we've discussed.

Russell Benaroya: I find entrepreneurs connecting to companies that have a bigger purpose. I really appreciate you reinforcing the value of keeping an eye on the horizon. Of course, what we do is going to change and evolve and that's the whole idea, as the environment changes, but the purpose, it's very clear, you're quite committed to it. Thank you.

Normally, with guests, I'll give out their contact information, but if people really want to connect with Bill.com at www.bill.com, I'm not going to suggest, "Email Alex Bean, he'll take care of you." Well, maybe. We have a great Partner Manager, Steven Olson, one of your employees and he's terrific. So I'd like to suggest on this call that if people are interested in what Bill.com is doing, either get in touch through us or maybe on the show notes I'll put Stephen's contact info.

Alex Bean: Yes. Stephen would be great.

Russell Benaroya: Perfect. Alex, these are hot topics. I move quickly. This has been terrific. Thank you for sharing the story of Bill.com, and thanks for joining us today on this edition of the Stride 2 Freedom podcast.

Alex Bean: Love it. Thank you so much for the invite. Again, small businesses out there, stay alive. It's tough, quarantine, COVID, it's all bad, but we can get through it. Looking forward to helping you guys spend smarter.

Russell Benaroya: It's a gift to have you join us. Thanks for being our guest today. Have a great day, everyone. Thank you so much. Appreciate it.