

Creating Efficiency by Embracing Digital Technology



Gene Marks

CPA, Columnist, and Host



René Lacerte

CEO and Founder, Bill.com

Announcer:

Welcome to THRIVE, a Paychex Business Podcast, where you'll hear timely insights to help you navigate marketplace dynamics and propel your business forward. Here's your host, Gene Marks.

Gene Marks:

All right, everybody. I am here with René Lacerte, who is the CEO and Founder of Bill.com. René, first of all, thank you so much for joining me. It's always great to talk with you.

René Lacerte:

Yeah, Gene, it's always great to talk to you. Excited to talk to you about business and all the things that help businesses succeed.

Gene Marks:

Yeah, as you know, I'm a big fanboy of Bill.com and I talk about the platform a lot when I speak to different associations and groups. I feel like any business would benefit from this platform, but to insult our intelligence, let me first of all ask you to just explain to us what Bill.com does.

René Lacerte:

Yeah. Bill.com does all the financial operations that a business has on the back end. So, if you think about accounts payable and accounts receivable, managing documents, managing payments, managing workflow, managing integration with the accounting system, we seamlessly integrate all of that so businesses can get back to building their business. We make it pretty simple to be able to drive all of your financial operations when it comes to the AP and the AR systems that a business might have.

Gene Marks:

Fair enough. And just to make sure that everyone here knows, Bill.com, you guys are a publicly held company, right? You are not some startup that's working out of a basement somewhere. About how big a company are you, that you could share a number of employees or just overall size, just so we get a sense of your financial.

René Lacerte:

Yeah. Yeah. We went public in 2019. We've actually 10x-ed the revenue from 60 million to over 600 million this fiscal year. That'll be June 30th. We have, I think the last time we talked about it with investors, is around 2,000 employees. We've got offices in four locations -- international as well. So, we've got a lot of growth behind us, a lot of growth in front of us. I think it's because business is just starting to turn to the digital transformation.

René Lacerte:

Part of this is from COVID, just needing to be hybrid. And part of it's just because of the efficiency that you're able to get when you use a platform like Bill. The ability for us to save customers time, 50 to 70% of the time is what they tell us they save. That's a huge driver in the adoption that we're seeing and the opportunity that's in front of us. Roughly, just a data point for customers, we got about 2% market penetration of U.S. employers. So, around 145,000 businesses in the U.S., out of around 6 million employers. So lots of opportunity for us to continue to drive efficiency for business, to help the employers, to help them really succeed on all levels.

Gene Marks:

This is unbelievable, when I actually didn't realize the company was as big as it is. And you founded this company. I can't even imagine that you look at yourself sometimes in the morning saying like, I cannot believe I am running a company this size. It was just a thought of my mind.

René Lacerte:

Yeah. It's interesting. There is a bit of surrealness to it. We had our grand opening in our new headquarters last Friday. It was great. We have former employees come back. We had obviously existing employees and I hope there are some future employees that were in the audience too, just from people's partners and maybe even their kids. And it was just a way to really sit back and look at what we've been able to build.

René Lacerte:

It's only a reflection of what we're doing for customers. The value that we help customers really drive their business, and that's the thing that gets me out of bed every day. It's why I started the company was to really make a difference for the SMB community. I think this, I grew up amongst SMBs, parents and grandparents had lots of businesses and so for me, they are the special stuff that makes our society great. So, really being able to help them succeed and thrive and to flourish, that's what gets me out of bed. And I think sitting here, looking at the building that we're in now, it is kind of surreal, like you said.

Gene Marks:

It is crazy. Now is the core of your business still accounts payable management?

René Lacerte:

I would say yeah, that's probably the biggest driver of the business. In the last year we acquired two companies. One was called Divvy, which helps with spend and expense management. So, you can put that into the accounts payable purview, if you will. The other was a company called Invoice2go, which enhances our AR capabilities. So with that acquisition, we've got another 200,000 businesses that are on the Invoice2go platform across 130 countries. So, lots of opportunity, 40% in the US and 60% of that business is international. So, lots of opportunity for us on both AP and the AR side.

Gene Marks:

All right, so René, I have a client that's located in Pennsylvania and they've got about 125 employees. They do about between 20 and 30 million dollars a year in billings. Their controller, his name is Andy. He's like a super guy. He is... Andy...I'm going to make Andy watch this. I think he's like early 60s, something like that. Or maybe he'll yell at me for saying that, but I think that's about what his age is.

Gene Marks:

Anyway, I told him about Bill.com. He's up to his eyeballs in work. He's got a lot of other things that he's working on, but I know for a company his size, Bill.com is perfect. So René, I'm going to make Andy watch this conversation. So, I want you to talk right now to Andy and I want you to tell him as a controller, Andy, this is why should he be going to it? How does this work? Why will this make his life better?

René Lacerte:

Well, okay. So first, Andy, I'd just like to say, nice to meet you. A good friend of mine, Gene, introduced me. And I just thought it'd be great for you to hear about all the things that we do at Bill.com and how we can take that mess that's on your desk and put it in your back pocket. And the way that we do that, really, is if you think about the questions and the challenges that every business has, it comes back to the entire process that is surrounding a transaction. And so for us, we start with the beginning. So, that could be the source, which might be a document. It could be a paper document. It could be an electronic document. It could even be a fax if people are still doing that. All those documents can come into Bill. We do the data entry around that.

René Lacerte:

So, nobody on your team has to do data entry. We automatically understand who the bill is for, what the due date is. Based on your prior interaction with that vendor, we know who needs to approve it. We also know the chart of accounts. All of that happens seamlessly, so you just have to accept the bill and it gets routed for approval amongst your staff. Once your staff has approved, they can comment and collaborate. They can ask questions amongst each other. You get a chance before you pay to see that. You get the chance to make a decision on the timing of the payment and how you want to pay it. We obviously encourage the electronic side of the house and you just have to send an email to that particular supplier and then they can receive the payment electronically.

René Lacerte:

And what that means is all of that transaction, once it is paid, is contained within Bill.com. The reconciliation that happens with the bank, the reconciliation happens with the accounting software. All that goes away. You have the ability to see exactly where something is. If a supplier calls you have the chance to be able to tell them exactly where it is in the flow. It's waiting for an approval or the payments been made, or if it was a check that went out, you can tell which post office it even went to.

René Lacerte:

These are all things that we integrate, and then you never have any paper anymore. It took a year for us to get the product. I've got 15 years of Bill.com, all the transactions -- and we're large public company now -- all those transactions are on my phone. I can see anywhere in the world, what we've paid, to whom we've paid, when we paid them, and track all that information. So, that's the value you're going to get, Andy. And I hope you give us a call. We'd love to help you out.

Gene Marks:

But René, I am so busy at my job. I'm very short staffed. We have a lot of transactions going on. I'm not sure I'm going to have the time to migrate all of this. Don't I have to talk to all of my vendors? Isn't there a lot of setup work that needs to be done? How am I going to do all this?

René Lacerte:

It gets easier and easier every day, because one, we integrate with the accounting systems. And so the supplier information, your customers, all the information can come over. And that only takes 15 to 30 minutes, depending on the accounting system. If you want, we can do an onboarding session with you for about an hour. But then ultimately all the suppliers, we already have a network of over 3 million, 3.2 million that are in the network. We self auto-identify those connections for you.

René Lacerte:

So, your suppliers are connected automatically to some of the ones that we have and the other ones, all we need is an email address, and we'll take it from there. So lots of simplicity has been built into the platform and that's because we really want to help you get back to doing what you do best, which is thinking about the business holistically, not thinking about the mundane work that's sitting on your desk.

Gene Marks:

I'm still Andy here. And I know what Andy would be like. We're so special. And we're so unique. There is no other company in the world like us. We do these extraordinary things like matching invoices to purchase orders, whoever thought. And then we use Epicor as our accounting system. I'm sure we're the only user of Epicor. How do you know that you're going to be able to accommodate all of our very special and unique needs, René?

René Lacerte:

Well, I think we know in part, because we do this for over 145,000 businesses today, businesses of all sizes and all segments, all industries, and they're happy. Once they're on the platform, they actually tell us that they do save 50 to 70% of the time. So, one of the things that's worth noting, and definitely in inflationary times when they're looking for more efficiency, you got to be able to drive that across the business and having the knowledge at your fingertips and having the time saving in doing all the work that we do can be a huge counterbalance to inflation.

Gene Marks:

Fair enough. All right. I'm going to leave Andy go for now. And I'm going to make him watch this. Let's pivot a little bit. Right now it's accounts payable automation, but like you said, you've made some acquisitions. You're looking to go towards receivables automation I'm assuming as well. René, where your trading, is to an area where your technology, because it uses so much AI, it uses so much workflow, it is replacing people. I know it's not politically correct for you, as a CEO of this company, to say, "Hey, buy our technology so you can fire your employees."

Gene Marks:

I'm comfortable saying that when I'm speaking for myself to groups, but how do you explain that? This is the type of technology that you're seeing across the board that really is limiting overhead, reducing employees. Are you comfortable yet telling your customers and prospects that if you implement this technology, you really will cut compensation and that's what you got to be doing?

René Lacerte:

Generally, the way we think about it and what we hear from customers is that it's not so much a change in the workforce from the present, it's a change in the workforce going forward. What I mean by that is the efficiency allows your team to do twice as much with the same staff. And so if your business is growing, now you're going to be able to save money going into the future because you don't have to add more staff for all the processes.

René Lacerte:

You can double your accounting needs, double the revenue, let's say, double the complexity of the business, with just the same staff you had today. And if you're not growing as fast, what we hear is, well, now they can take somebody who's doing AP and AR and have them do other things because they have more time. They can look at other parts of the business. They can help with office management, whatever the capabilities are and the needs of the business. It is the time back that people give.

René Lacerte:

You also get satisfaction from the employees and you get this insight that you haven't had before, the ability to see everything in one place and to drill into any of these transactions from an end-to-end view is something that's unique. So, in general, what we hear from customers is that the efficiency drives productivity for them and their businesses. We don't hear customers saying, "Oh my God, I saved a bunch of money because I got to fire a bunch of people." That's not what we hear. We hear about it going forward, that they can actually be far more productive with the business that they have if they have Bill.com in their back pocket.

Gene Marks:

Do you think Bill.com is going to remain as your model to be like an intermediary between accounting systems and vendors and banks? Or do you ever foresee the day where you might sell your technology, sell your intellectual property to allow, I mentioned Epicor just to use as an example saying, "Well, we'll license the technology and build our own Bill.com within Epicor." Do you see your company going in that direction or always remaining sort of independent?

René Lacerte:

We've always actually had a partnership approach. And in part it's because SMBs are hard to reach. And I think your listeners know that. They're very much all over the country and in lots of different sizes and businesses and they go to the people they trust. And so that's part of the reason we add the partnership with the cpa.com, which is a subsidiary of the AICPA, which helps us get to 5,000 firms that are on the platform, 85 of the top 100, but it's also they also trust their banks and financial institutions.

René Lacerte:

So, we go to JPMorgan Chase, Bank of America, Wells Fargo, you name it. Six of the top 10 banks are definitely a part of the Bill.com platform. And so when you ask the question the way you ask it, we are open to partnering and to having an experience for any of our partners to be able to deliver value for their customers. And we see that it works and those businesses are successful because they're trusted by their customers. And we're able to create this experience that changes how you do business. And our mission is to make it simple to connect and do business. And we do that and we do that directly, and we do that indirectly through accounts and through our financial institution partners.

Gene Marks:

That's great. You know, obviously the news over the past few weeks, as capital has been drying up and many in the tech industry have been retracting, they've been having layoffs. Obviously, Bill.com for your clients is a really critical and core part of their infrastructure once they have it set up and it's working. So, if I was a client of yours, I'd be concerned about geez, is something going to happen to Bill.com like I'm reading in the news about all these other tech firms that are pulling back or laying off? How do you respond to that?

René Lacerte:

Yeah, I think if you had some time to look, I would ask folks to look at the financials and see how fast we're growing. The last quarter was 182%. The prior quarter was 197%. Not many businesses get to say year over year that they're growing that fast. And when you're growing that fast, you're investing behind it. And so we're going to continue to invest behind growth. We're managing and balancing the investment needs with obviously the macro environment that's changing out there, but we feel really good about our ability to drive growth and to actually do what investors need us to do and all of that's coming together nicely. And so we'll continue to build and create great solutions for our customers.

Gene Marks:

Why have you been growing so fast?

René Lacerte:

Because I think partly this is two tailwinds that are out there. One is the COVID, and just the need for digital transformation that became quite clear. The fact that you and I are able to do a very personal meeting just over video conferencing technology, that's extending to all parts of the business. And then the other, I think is really something that's just starting to happen is that the inflationary environment that we're heading into creates a need for efficiency, and you're going to look for that across your business.

René Lacerte:

Both of those are helping drive growth. I think the digital transformation that we have around having more insight on the spend is helpful. The Divvy acquisition was very helpful for that. So, it's a combination of a number of things, but we feel really good about the growth and know that we're just at the beginning. This is the 145,000 businesses out at 6 million in the U.S., let alone the 30 million across the globe.

Gene Marks:

All right, enough about Bill.com. Let me get some thoughts from you. You've been doing this for 100 years now. You're familiar with financials. You're a financial background kind of person. You're old enough to remember the last inflationary interest rate period, although I'm sure you were just in diapers at the time, but let's assume that you were around. As we're clearly we're going through headwinds now, all of my clients are dealing with supply chain issues and inflation issues. All of my clients are dealing with labor disruption as well.

Gene Marks:

I'm curious, based on your client base, you guys are all about cash management because that's what Bill.com in the end, I think, helps a company do. What thoughts, what advice do you have for our listeners, our audience, to help them navigate their way. For the next year, we're going to be looking at continued inflation and even higher interest rates than today. So give us some thoughts on what you'd be doing. If you were running a business.

René Lacerte:

I would say have the tools and the insights that you need to be able to make decisions quickly. And so an example of this is one of our customers is about golf, and they do golf simulation environments. So, you can work on your game inside or wherever. And they actually had a challenge in the supply chain because they had a lot of parts being built from all over the world. And so they had to switch, and this is I think a really interesting example. Instead of going to an install all at once in a four hour period, they divided it into two 2-hour periods, so they could keep moving the pipeline through. And so their businesses continued to grow very nicely by the fact that they were able to do that. Part of that came from having the insights around managing the suppliers and seeing all of that.

René Lacerte:

Having the tools so you can see what's happening, that's going to be the most important part. On the inflation side it's going to be really important that you understand the costs that are driving your business and again, having insights there. And I would say, just be thoughtful about it. Take the time to really get in front of it and talk to your suppliers that are driving the biggest part of your business and understand are they going to be raising pricing so you can be thoughtful about that in advance. And then I would say like I said, have the technology in place that you can actually manage it.

Gene Marks:

I got to ask, what did your parents do when you were growing up?

René Lacerte:

Yeah, it's a great question. So all of the businesses that my parents had were financial services for SMBs and accountants. So, payroll companies and then data aggregation tools for accountants and things like that. So, lots of good stuff.

Gene Marks:

Yeah. And me too, my dad was a CPA and I remember them going through, this was in the '70s and early '80s. And I was in, I don't know, high school and so it was irrelevant when you're that age. But I do know one thing they did not have, your parents or my parents, is that they did not have the level of data that companies today have. So your point is well taken.

Gene Marks:

My smartest clients right now, I see them looking at their data very closely. They're not doing across the board price increases, because that's kind of lazy. They're targeting price increases based on product lines or margins or specific customers. They're leveraging their CRM systems to get out messaging, to keep people up-to-date. So all of that I think dovetails into what Bill.com provides. The future, we talked about payables, we barely talked about receivables. I know you made some acquisitions fairly recently, but how do you expect the company to be looking say, five to seven years from now?

René Lacerte:

Yeah. There's so many things that businesses need when it comes to their transaction processing. And on the receivable side, they need to get paid fast, they need to get paid electronically. If you look at the general data, there's plenty of tools out there to help businesses create their invoices. But in general, businesses are still getting paid via check probably 80 to 90% of the time again. And so when you talk about the inflationary environment that we're heading into, one of the things that matter is going to be speed of payment and ability to have the timing and understand when the payment's coming.

René Lacerte:

The other thing that's going to matter is being able to use that data to extend the working capital that you have in the business. And so, one of the things that we think that we have the capabilities to deliver on is using the data that we just talked about for both the AP and the AR side, can we actually help our customers with working capital needs? And that's something that we'll continue to look at.

René Lacerte:

So, when I look forward into the future it's going to be leveraging the data we have to be able to create a simpler experience for our customers -- back to Andy getting on the platform, having it really simple for him to actually have suppliers connected so that payments just happen. And then having the ability to really drive that information to help us understand the working capital capabilities that the business needs. Those are all things that are coming together for us and having that experience is going to be something that we work on on a consistent basis, to really drive a seamless end-to-end experience with the platform that we designed and built for this from day one.

Gene Marks:

All right. So final question. You had said you guys have about 145,000 customers that you serve. There's about 6 million employer-owned businesses in this country. So, you have a ways to go. So, I guess a two-part question, why do you think, I know you've been rapidly growing, so the message is starting to get out there, you guys have been around for a bit. Why do you think so many businesses are still not adopting this technology? And if you had all 5.8 million of these customers in a room and you had a chance to say something to them, to wake them up, what would you say?

René Lacerte:

I'll answer the first question and get to what I would say. I think the main reason is that the electronic capabilities have been around for 50 years. ACH has been around for a long time for businesses to make electronic payments. And that's not what they need. What they need is all the workflow and process automation that leads up to a payment. And that's where we focus. And so oftentimes the check, if you think about it, is a great control mechanism. Nothing gets paid unless you sign that check and you can have all sorts of manual processes to make sure that payment should happen. Well, it's been hard without the cloud to be able to create those same types of manual processes and additional experience. And that's what the cloud enabled and that's what we built our platform to do, was to really help that everything up to the payment and then executing the payment.

René Lacerte:

So, what I would say to them after explaining why it is the way it is, I would say if you want your business to thrive and to flourish, you've got to move on to a digital platform. You don't understand what you're missing. The ability that you have to drive growth through your business comes with digital technology and the efficiency that you get, so you can get back to being with your family or being more successful at work, whatever it is that you want to do. Those things happen because of technology. So, that barrier that people have, that fear that people have about technology, it's time to get over it because technology is going to keep on moving and it's not slowing down.

Gene Marks:

René Lacerte is the CEO and Founder at Bill.com. René, thank you so much for joining me. Best of luck to you. I'll continue to talk about Bill.com and push it because I really do think it is an important technology. So, thanks for everything you're doing.

René Lacerte:

Thank you. Thank you, Gene. And, I appreciate the time today. Always great and give my best to Andy next time you see him,

Gene Marks:

I'll be seeing him soon. So I will tell him. Thanks. Take care.

René Lacerte:

Thank you.

Gene Marks:

All right, René. That was great. Thank you.

René Lacerte:

Thank you. Yeah.

Gene Marks:

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Announcer:

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