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Bringing to market their pay-ex and buy-ex Products, expex, Inc. is providing Small and Medium Sized Businesses an Automated Process for Paying Bills and a Purchasing Solution to Lower the Cost of Goods and Services they Purchase

Software
Finance

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Anthony Lombardo
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About expex, Inc.:
expex, Inc. is a web-based platform offering small and medium size businesses a paperless, automated, accounts payable system and a purchasing system with big-company discounts.

pay-ex eliminates the handling of paper bills and can be integrated with your financial accounting system. It completely automates the bill paying process. buy-ex gives SME's access to large company purchasing platforms which saves money on everyday purchases.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFO Magazine

CEOCFO: Mr. Lombardo, would you tell us about expex?
Mr. Lombardo: expex provides SME's with an automated process for paying bills and a purchasing solution to lower the cost of goods and services they purchase. We have two products - pay-ex and buy-ex. pay-ex automates the entire accounts payable process. Companies no longer need to manage the process of receiving bills, routing bills to the proper approver, entering bills into an accounting system, reviewing bills for payment, printing signing and mailing checks, and filing the bills when the payment is made. We automated the entire process. We have it down to a three step process in which we scan and capture the data from the invoice, present the invoice to whoever the approver is, and then pay the bill on the payment date via check or ACH payment. We also have a product called buy-ex. buy-ex is a new platform for small to medium sized companies to provide lower costs on products and services they currently buy. Typically, small to medium sized companies try to negotiate the best they can with vendors or join some type of discount club. We have 23 supplier partners that provide a lower cost platform for our clients' to use. Our system is designed to work the same way large corporations do. We negotiate with one supplier, create one platform, and then roll that platform out to all of our clients. The end result is a lower cost model for our partners and cost savings for our clients. So, with

pay-ex you save time and with buy-ex you save money.

CEOCFO: Do many of your customers take advantage of both?
Mr. Lombardo: We have a number of customers that take advantage of both, but we often see situations where medium sized companies are saying they are very concerned with efficiency and time saving and are more interested in pay-ex. Some of the smaller companies have a tendency to be more concerned with lowering their costs, so they are looking at buy-ex.

CEOCFO: Do the invoices then get sent to expex rather than to the company?
Mr. Lombardo: Yes. We receive invoices in three ways. We have customers that fax invoices to us. They can also be e-mailed to us from the customer or directly from the supplier. They can also provide their suppliers with a change of address notice and have the invoices sent directly to expex. The most efficient way is the change of address or having bills sent to us via e-mail so that it bypasses your office completely. Some customers like to start by faxing bills because they feel a little bit more comfortable with that, but once they get started with the process, they usually go with email or an address change.

CEOCFO: Could you tell us a little about the competition? Are there many companies that do a process similar to yours?
Mr. Lombardo: There are a handful of competitors providing a solution that competes with pay-ex. There are also companies offering either ACH pay-

ments or software products. For example, banks can move money very efficiently but they do not handle the entire accounts payable management process. They do not tie those payments out to your general ledger or bring the transaction back into your accounting system. There are also software companies. They offer the software to perform the scanning and workflow, but do not handle the payment processing. These solutions are generally provided to larger companies and are expensive to buy and implement. On the buy-ex side of the fence, we have not found anything yet that is a solution like ours. There are plenty of discount clubs and buying groups, but none of them are working with the vendors to create a platform specifically for a large group of independently owned businesses. We find ourselves in a very unique position with the combination of pay-ex and buy-ex, specifically for small to medium sized enterprises. If you put both pay-ex and buy-ex together, we do not see anybody who has delivered both services.

CEOCFO: How do you reach your prospective customers?
Mr. Lombardo: We are currently building a network of partners with companies where there is a fit between our products. Payroll companies and financial accounting software suppliers are two good fits as they both have products that tie into our solution. We also have a product called bill-ex that is designed to help large billers reduce their cost by enabling their customers with pay-ex. Large billers want their customers to pay them electronically, so often times they have implemented an electronic bill present and payment system. However, most small business owners or anybody in an accounts payment department does not want to go to multiple websites to pay their bills. They want to be able to pay them through one solution, which is where expex comes in. We look to partner with those large billers because we can increase their adoption rate for electronic payments. They are generating a lot of paper-based bills and still have to perform the cash receipts process when the bills are paid. We create an environment where this

process is automated, which also gives us access to a very large number of small to medium sized enterprises.

CEOCFO: What was the hardest thing to put together regarding your various offerings?
Mr. Lombardo: There are two things that are hard about building expex. The first is simply education. SME's do not know that they can operate their businesses differently. We spend a lot of time educating users about the value of both pay-ex and buy-ex. Second, there is a big challenge in creating an extremely easy to use solution that has all of the tools that a company needs to manage the bill payment process. In many cases it is very simple and easy. Bills go through the system without any questions or problems. However, if you receive a bill and you want to short pay the bill and leave it open for future payments, or

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short pay the bill and close it for future payments, or edit it and make comments on it - you start to see that there are tools and features that are needed for the system to be valuable to end users. Those tools need to be there, so that means we need to have a simple, easy to use solution for 99.9% of the bills, but for that very small percentage that need special handling, we need to have the tools available to manage that transaction. The challenge comes with creating a product that's robust yet very simple and easy to use.

CEOCFO: On buy-ex, are there types of services you would like to add or are planning to add?
Mr. Lombardo: Yes, there are a number of services that we would like to add. All of the services that we have right now are specifically associated with office related expenses and/or expenses for manufacturers and distributors. A typical office is going to buy office supplies, printing, payroll

services, credit card processing, package delivery, utilities and wireless communications. Those are things that almost every office has. When you move into the manufacturer and distributor space, they need other things such as LTL trucking. We see a very big opportunity in being able to go after niche markets such as healthcare, not-for-profits, schools, and governments. They are purchasing a much larger basket of goods than we currently offer. However, our process and solution fits these markets. We would need to create a mix of products and services that meet each markets requirement. The opportunity is there because they are spending a lot of money, but we need to create a solution specifically for them.

CEOCFO: Are customers skeptical of your extremely affordable pricing?
Mr. Lombardo: When you look at the $24.99 base fee per account, that was designed specifically with the idea of not having a per seat price. There are a lot of software solutions that bill per seat. However, we wanted to take our billing in a little different direction, so most of our fees are transaction driven. When you think about the fact that it costs forty-six cents for a stamp, we are handling the entire payment process for only $1.49. Some people wonder how that can be possible. The answer is that we also have an extraordinarily efficient process. When we receive a bill, we use imaging technology that enables us to recognize the bill and the customer it is for. We capture the data and import it directly into our system. There is not a lot of human interaction involved. The transaction fees for buy-ex are also very competitive. We are typically saving customers anywhere from 12-25% on the products they currently buy, and charge only 1-3% of a supplier's bill. It seems that the numbers are very aggressive, but when you have an extremely efficient process, it works well. A lot of this was designed to mimic the payroll processing model. They have efficient systems for performing their service, their fees are transaction based and the costs are very competitive. They provide a high level of service at a compelling price point and are profita-

ble at the same time. We wanted to create that same kind of environment.

CEOCFO: How long has the system been available?

Mr. Lombardo: We just rolled it out to the general public last week. It has been in use in beta sites for the last twelve months. The Bajan Group, which is our sister company, was actually the first company to use pay-ex. We went out of our way before we launched it to make sure it had all of the bells and whistles that we thought any small to medium sized company would need to be happy using the system.

CEOCFO: What is the plan for the next six months to a year?

Mr. Lombardo: The plan for the next six to twelve months is for us to con-tinue to add users and build our net-work of partners. The more partner-ships we have, the faster we can grow. The nice part is that at the end of the day, our partners win, we win, and the small to medium sized enterprises that are using our system win. It is an envi-ronment where all of the entities that are involved are growing and gaining value. For us, the partnerships are very big. We already have one that has been established with a telecom company and we are looking to build more.

CEOCFO: Why should people in the business and investment community pay attention to expex?

Mr. Lombardo: Every company, es-pecially in the SME space, needs to be as efficient and profitable as possible. We have a solution that helps them to do both. On the pay-ex side of the fence, our vision of accounts payable is that it should be very different than it is today. It should not be situation where every company pays their bills through a traditional paper based process. The technology we built enables them to remove a significant portion of the process from their offic-es, have all the control they need, but eliminate most of the cost associated with processing bills. With buy-ex, we changed the way suppliers and SME's work together. Suppliers are creating lower cost models that SME's can par-ticipate in. SME's are not getting a "discount". They are using programs that suppliers have built based on a lower cost model. Both solutions are unique and can significantly impact the performance of SME's.

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