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How Airbase revolutionizes Company Spending for Employees, Accountants, and Leadership



Thejo Kote
Founder and CEO

Airbase

Interview conducted by:
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CEO CFO Magazine

CEO CFO: *Mr. Kote, what is the concept behind Airbase?*

Mr. Kote: Airbase is a spend management platform, focused on mid-market and enterprise businesses. What we tend to focus on is the problem of consolidating all of the non-payroll spending that happens in a business into one single platform. Typically, in mid-market and early-enterprise businesses, all of the non-payroll spending happens in many different systems. They could have a corporate card system, a bill payment system, an employee reimbursement system, and the request and approvals are happening in ad hoc email processes, so many different

systems, and up to half of them are involved in the workflows and payments that every business has to ultimately make, and that is a huge pain point.

We help consolidate all of that into one single platform, one single set of workflows that make life much easier for, not just the finance and accounting teams, but every employee.

CEO CFO: *What are some of the biggest challenges in putting together this consolidated offering? What do you understand about spend management that allowed you to come up with a solution? How are you getting it right when others may not have tried?*

Mr. Kote: I am not going to say that no one is trying. It is a competitive market, and we have competitors. It is a big market opportunity, which means there will be competition. If there was not, I would be worried about it, like why were we the only ones to see an opportunity that no one else is seeing? However, having said that, I learned about this problem when I was building my previous company. I am not an accountant by training, a finance person by training, but along the journey of building my previous company, I had the opportunity to be very closely involved with the financial operations, where I saw, every single day, just how inefficient the process of using many different silos and tools was. As we were spending money as a business, there was not one place I could just go to and ask, "Where do we spend money, how are we doing against budget?" All of the information was sitting in many different systems. That was the challenge that I took away.

Obviously, we were building a very different business with my first company, but when I sold that business, it was time for me to go do something else, and this is the idea that I kept coming back to. I spent a long time, a good six months, speaking with many CFOs, controllers, and accounting managers, to really dive into the problem much deeper and discuss how it could be solved. I had all of these conversations that helped me learn much more about the problem and build

more insight into how it could be solved the right way. I decided that I could spend the next ten years of my life working on this problem. It is a big problem and it is the right time now to solve it in a much better way.

There are specific reasons why the market has evolved the way it did over the last, say, 20 years. There are also reasons why there are so many different silos and tools, and fundamental financial infrastructure improvements that have happened over the last five years, that now allow us to solve the problem in a fundamentally better way, and that is what Airbase is doing.



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CEOCFO: *Is it that technology is ready or is it more that you have figured out the way to make it ready? Has the technology evolved so you can do it?*

Mr. Kote: You are right in that the technology that is necessary to make a leap forward in solving that foundational operational problem in the business of how to spend money now exists. Even 10 years ago, it did not exist. A simple example of that is the issuing of corporate cards. That is something that only banks could do, and big established companies like American Express could do. Software companies like Airbase could not become a card issuer. However, that has changed now, especially over the last five years. It is much easier for, pretty much, any technology company to become an issuer of cards and offer a corporate card program, and more importantly, for us offering just the corporate card, to reimagine it as a software workflow product. For instance, the typical corporate card is a piece of plastic that you put in an envelope, you send to employees, you use it, and you give the company a statement at the end of the month.

"We can, better than pretty much anybody else in the market, bring together all of these different elements of non-payroll spending into a single platform, and deliver a great experience to all of the stakeholders who are involved in the process of spending that money." Thejo Kote

The way Airbase has reimaged the corporate card is to look at it as a software workflow product. How do you request approval before you issue a card, how do you have controls specific to workflows and cards, how do you automate the accounting as money is being spent on those cards — those are all workflows. Therefore, we are reimaging the card as a workflow product going into the future.

That is one element of our platform, because a company ultimately spends money in many different ways. They are spending money on corporate cards, they are making invoices, they are issuing check payments, they are getting employee reimbursement requests that they now have to pay back to the employee. There are all of these different ways in which the money is being spent, and the enablement through improved technology, over the last five years, has allowed us to create, from the ground up, a platform that brings together all of these different elements, which was not possible before.

CEOCFO: *What about security?*

Mr. Kote: Obviously, when we deal with customer money, money that belongs to other people, you have to be extremely careful, and we invest a lot in security. For example, we are SOC 2 certified. That is the industry standard certification that should give our customers in the market general confidence that, in terms of practices and the precautions that we take. There is an independent third-party contractor who will come in and look at our business and say, "Okay, this company meets all those standards." Obviously, that is kind of the external certification part of it.

In addition to that, we go to great lengths internally, especially when we are responsible for and moving billions of dollars of customer money, it is the very core part of our business to be competent in that, build trust with our customers, because if we don't, we will not have a business.



[Nano Diagnostics/NanoDX](#)

CEOCFO: *Would a company typically change all of their systems at one time? Might they start with a couple of systems and see how it goes? What is a typical engagement?*

Mr. Kote: That is a good question. In our case, we do not require customers to adopt every aspect of our platform from the get to. We totally get that companies are in different stages of solving the financial management problems, and we are very happy to partner with them to help them solve one area to being with. I said that we would take the opportunity to evangelize the benefits of consolidating and bringing everything into a single platform. Maybe a little more than half of our customers typically start off by committing to using all the different models.

The three important ones are bill payments, employee reimbursements, and corporate card. Therefore, they are a little more than half committed to doing that from the get go, but there are definitely a number of them who pick one or two of the most used and start there, and we are totally fine with that. Of course, that is an opportunity for us to continue to help educate and evangelize the benefits of bringing everything into a single platform, which overtime, many of them tend to do.

CEOCFO: *How do you help a new client or a perspective client, with trepidation in making a change?*

Mr. Kote: You are right. Change management is the hardest thing for pretty much any company to deal with. Therefore, we tend to focus, as I mentioned earlier, on mid-market and early-enterprise customers. In terms of employee size, that tends to be 100+ employees, all the way to 100,000 employees. Once you are in that scale, many hundreds of employees, or a few thousand employees, changing any critical business process can be difficult. It does not get more basic than how do we spend money as a company, so that can be daunting, that can be scary. However, in most cases, we are walking into relationships where the company has started off the journey of managing spend, putting together a whole set of tools, and there are now a few hundred employees, it is becoming unbearably painful to deal with that. When you have so many different systems, the monthly close process becomes so much harder, because you are trying to pull data from different systems, and reconciling many different systems. You are required to train employees to go into many different systems to do their day-to-day job, so there are many different challenges that start to break down.

In most cases, the potential customers that we are talking to are actively looking for a solution, even though there is a cost to change management for sure, but they understand that the company is at a level of maturity where paying that cost of change management is important, is necessary. When we are speaking with customers, given the size of the customer we go after, we are generally trying to have the conversation about, "Are we the right fit for you, can we solve this problem for you for at least the next three or four years, so that you do not have to go through this again?" Sometimes we say that we are probably not the right fit, if that is not a promise that we can keep for you. Therefore, yes, change management is absolutely a cost, and we try to go in and solve the big pain that they are in the middle of right now, help them scale, and also try to make sure that they do not have to deal with that pain again for a number of years.

CEOCFO: *What have you learned from your customers? What has changed as more and more people are using Airbase?*

Mr. Kote: How we think about the evolution of Airbase as a product is directly driven by our customers. Even today, I am approaching five years into my journey of building Airbase, and not a week goes by where I am not having multiple conversations with customers. We have a culture of the entire product team being exposed to our customers at all times — our customer success team, our sales team — everyone is feeding insight and knowledge as we learn more and more about the problem, as the scope of the problem expands, as we continue to serve the needs of larger and larger customers. It is a constant process of learning. Even from the perspective of how we prioritize our work internally. We can follow our quarterly cadence of planning like most companies do.

When we think about our product roadmap, we are coming up with a quarterly plan for what we are going to invest in from an R&D perspective. The vast majority of that capacity is just reserved to listening to what our customers have been telling us that is important to them, and we go build that. Therefore, as a company we are very fortunate from the perspective that we are at a stage where we have enough customers that, if all we did was listen intently to what they are telling us, and go build what they are telling us to build, and solve the problems that they are telling us to solve, we will be in a great spot, and that is pretty much what happens.

CEOCFO: *Would you tell us about your recent funding and how you will be using the money?*

Mr. Kote: The last set of funding was our Series B, which happened last year. We raised about \$70 million in our Series B, and it was led by a venture capital firm called Menlo Ventures, which is a long-standing, well-established VC firm here in Silicon Valley. In total we raised a little more than \$100 million after the Series B, and we did a series of Series A rounds before that. We have been very fortunate in the sense that the rounds have been preempted and there has always been good demand. As a founder, I focused on building a good business, first and foremost, and a sustainable business. Value number one of Airbase is "control your own destiny." That comes from my own experience, having built another business before this, where I did not do as good a job of controlling my own destiny. Of course, everything finally ended in a good place, but it was a much more up-and-down kind of journey over the six years that I built that business, so I have tried to take many of those lessons into building Airbase.

We have always focused on being capital efficient and being sustainable. That meant that high-quality investors, like Menlo Ventures and Bain Capital Ventures, offered to invest in the business under very good terms, which we took. We raised about \$100 million plus, and the majority of that money is still in the bank. We have a very good multi-year runway ahead of us, and I always tell myself, if the opportunity rises to partner with someone really good and helps us on the path to our ultimate goal, then we will take it. However, as we do that, I always ask myself after every round, what if this is the last round and we never took another round of funding again? I am thankful that I have been able to, especially in this macroeconomics environment, and we operate the business that way. Therefore, there is always a path to being capital positive. There is always a path to building a sustainable business, and that is the approach we are taking.

Obviously, we are well capitalized. It still gives us the freedom to continually invest in R&D, improve the platform and the product, and broaden both the breadth and the depth of solution that we have. We are going to continue investing in that, while we also try to gain as much production as possible.

CEOCFO: *What is your geographic reach today? Where are your customers?*

Mr. Kote: We currently sell to businesses that are headquartered in the U.S., although we do have customers who have employees and subsidiaries, and so on, outside of the United States. Airbase, as a platform, supports global spend management. That means that foreign companies in this remote environment hire employees everywhere. This is not just

the large companies. Even mid-market and smaller companies are hiring people all over the world, going where the talent is. That means that they are spending money everywhere, they are spending money in multiple currencies, and they have subsidiaries and bank accounts distributed around the world. You were asking about the learning area — that is a very key learning. As we have engaged with our customer base, that this is increasingly a challenge that we have also invested and are working toward.

Our goal is to ultimately gain a global spend management platform, no matter where in the world your employees are, where you are spending money, what currency you are spending money in, and so on. However, as we pursue customers, we are looking for those headquartered in the U.S. alone, or headquartered in the U.S. with international operations. We are not yet directly going and selling to companies that are only operating outside of the U.S. That is how we are doing it now, and we are totally fine with that, because all of our gross goals are being met, just by focusing on this U.S. market, because that is how large the market is, and how big the problem is.

CEOCFO: *As you mentioned, there are other companies in your space. Why choose Airbase?*

Mr. Kote: That is a great question, and a discussion I have with a lot of prospects when it comes to considering us, which is that we may not always be the best operation for every business out there, but we try to be very disciplined and focused as a business, in asking ourselves who we are the right fit for. That is because, when you think about spend management as a problem, it is a very common problem, because every business spends money. However, small businesses have a slightly different version of the way it needs to be solved. It looks slightly different with mid-market and enterprise companies. With enterprise companies, the analogy I always think about is another class of software sold into the office of the CFO, which is the accounting software, or the ERP systems, and it is fairly well understood that small businesses start off with something like a QuickBooks or a tool like that. Then they graduate into a NetSuite, and even outgrow that and go to an SAP or ORACLE, and enterprise solutions like that.

Spend management, as a category, is now getting created. Our aspiration is not to operate in the SMB segment, mid-market segment, or enterprise segment, and we have no desire to say that we are going to be all things to all people. We are not. We are very focused on that mid-market segment, in the early part of the enterprise segment, the market where you tend use NetSuite and Intacct. If that is the nature of the customer, then we are a good fit for you, and we can, better than pretty much anybody else in the market, bring together all of these different elements of non-payroll spending into a single platform, and deliver a great experience to all of the stakeholders who are involved in the process of spending that money.

I think that the results speak for themselves, and if we look at places like G2.com and look at the spend management category, we are right up at the top of the list, compared to every other spend management platform. Therefore, I think that validation exists, and a lot of happy customers, and that is the way we think about it. We do not try to sell to everybody. We do not try to be everything to everybody, and that focus has helped us when we identify and run across a customer, which by the way, is a very large market on its own, we are able to have a very healthy win rate, and convince customers that we are the right fit for them.