The Case for Karma Points

I've spent more than ten not-so-patient years preparing to share this story. But before I do, I need to admit something. Even though we've been used by over a million businesses, and we process tens of billions of dollars in payments... Expensify was never supposed to exist.

The Only Card Reward that Makes a Difference

David Barrett
Founder and CEO of Expensify

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card.expensify.com

When my last company got acquired, I was living in the Tenderloin in San Francisco, and passed the same homeless folks on the street every day. There are a lot of opinions on this, but I've never felt super comfortable giving cash directly—especially in a city like San Francisco that (at the time) had good facilities for the homeless, but only if you showed up sober. And if you weren't sober, it might be due to someone giving you cash to spend on drugs or alcohol. So I wanted to help, but I wasn't sure how to do it without doing more harm than good—and I figured the most obvious place to help was not with cash, but food.

After some awkward forays bringing people directly into restaurants to get a hot meal, I concluded that it wasn't very scalable. I considered gift cards, but it's a $10 gift card for a $7 value meal; that last $3 is real awkward to use.

But what if I made a system that loaded the gift cards on demand for exactly the amount of the purchase, in the few milliseconds while the server is authorizing the transaction? Limit it to 1 purchase per day, for at most $10, and restrict it to restaurants that don't serve alcohol, and *voila!* A secure platform for feeding the homeless, funded by my personal credit card, with cards I could give to all the regulars I saw in my neighborhood.

I went to the banks with this idea and they were like... "Uh, what? How do you deal with PCI compliance, and money laundering, and money transmission licensing, and a million other things? And there is no business model: you are just giving out money on a few dozen cards to people in your neighborhood? There's no way I'll help you. This is too weird, too risky. I'm out." Undeterred, I thought *Ok, how do I make this sound safe... boring. What is the most boring application of these cards I can imagine as a cover story... aha! Expense reports!*

And that is truly what started all of this. So I went back to those banks and they were like "Oh, that sounds safe, boring, and I hate my expense reports too! How does it work?" I was caught off guard by this totally obvious question, because I actually had no idea about this industry and no real intention of building any of it. But I had a huge supply chain of vendors I needed to impress, so I just started saying "yes" to everything everybody asked:

"This new iPhone thing, does it support it?"
Even though it doesn't have an app store yet so it's impossible, "Yes we totally have an iPhone app."

"Does the app scan receipts?"
Even though the original iPhone's camera was so bad it made completely illegible receipt images, "Yes, totally we scan receipts."

"Does it reimburse through ACH?"
I've never heard of those letters before, but "Yes we totally do that."

"Does it export to accounting?"
"Yes, it obviously exports to QuickBooks and... you know, all the others."

And so on. By the time I launched at TechCrunch 50 in 2008, I had a well rehearsed story of a truly magical (albeit completely fictional) expense management system called "Expensify: The Corporate Card for the Masses!" It went something like this:

Expensify is a mobile app linked to a corporate card that provides secure access to company funds within strict spending limits and receipt requirements, combined with a next-day cash reimbursement system, all of which seamlessly exports to QuickBooks and every other accounting package in the world.

Basically, the same exact technology I wanted to build for my platform for feeding the homeless, but wrapped in a fictional startup. And people loved it. Strangers came up and nudged me, talking about how much time they thought I was going to save them.

And I was like... "Uh, cool man, maybe someone will do all that, but definitely not me. I just want to give out cards to hungry people on the street."

Then the economy collapsed, my savings were wiped out, and I lost my job all in quick succession.

That kind of shock will make anyone reevaluate their priorities, and forced me to adopt an attitude of, "Put on your oxygen mask before helping others"—especially since making a real dent in this problem will require a lot more resources than one guy handing out cards to the people in his neighborhood.

So armed with little more than a popular brand for a nonexistent mobile app that did perfect mobile receipt scanning atop a phone with an illegible camera and no app store, I got started. And it all would have ended very quickly, had two lucky things not happened: the App Store opened, creating a free channel to distribute this app, and the next iPhone had an auto-focus camera that took crystal clear receipt images on the road. That kicked off a ten year journey to actually make that mythical dream into a practical reality for millions of people around the world.

But over those years, the initial idea has been nagging at me the whole time. Which brings us to today, and why I'm writing this to you now. No, we're not launching the original homeless card idea. (Not yet, at least...) We're launching something much, much bigger.

As you might know, we launched the Expensify Card a couple months ago, and it's even better than what I was proclaiming to the world back in 2008. (If you don't already have yours, request it right now in your Expensify Inbox: it's completely free for all Expensify customers.) But like all corporate cards, our initial "perks" were focused at business owners—free AWS credits, discounted Stripe fees, and so on. To be clear, those perks are great... if you're the owner. Which there's a 99% chance you aren't, as employees outnumber owners a hundred to one. So while the card we launched in October is by far the best in the world for owners, we want it to be the absolute best for employees too.

To be clear, the Expensify Card is already pretty rad for employees: thanks to our integrated eReceipt feature, you almost never need to scan receipts for Expensify Card purchases. Even better, you don't need to pay extra interest on your personal card to extend a zero-interest loan (aka, "expense report") to your employer. And those two features alone in practice are what people love the most.

But those benefits are hard to appreciate before experiencing them, so we wanted something a bit easier to imagine to differentiate the card. In the search for some other employee-focused perk to offer, we first checked out the competition. To our surprise, we couldn't find a single company-issued corporate card that offers perks to employees: they're all so focused on offering rewards to business owners for employee spend (which makes sense, as they are the decision-makers), that card issuers ignore the people actually spending the money. So, bad news for basically every corporate card holder in the world. But good news for us that the competition is so easy to beat in this regard!

Given this, we started looking at the reward programs of personal cards for inspiration. The most common is something like "1% cash back!" Which basically amounts to a 1% discount on everything you buy. How is that exciting to anybody? I've never seen an ad saying: "Going out of business sale! Everything must go! 1% OFF EVERYTHING!"

Then we looked into point programs, but wow, the math is pretty brutal. After you swallow the "hook" of free points to sign up, it's real hard to make the points you earn later justify all the hidden fees and extra interest payments. The large print giveth, the small print taketh away. If "points" were instead called "pennies" then nobody would care about them even though they aren't even worth pennies. Points are like pennies you can only spend on a full moon at an invisible concession stand guarded by pumas. I'm sure many, many will disagree, but it seems like the whole points game exploits the same statistical

fallacies (and questionable motivations) as casinos: the billboards show ordinary people with fists full of money living lavish lives, but in reality the house always wins. Rewards worth hundreds of billions of dollars go unredeemed every year, and most people with rewards cards spend more in fees and interest than the paltry rewards they earn.

Reward cards have done an amazing job convincing people that they mint free money or are some kind of status symbol, but really they are just keycards to casinos that have worse odds than the real thing—and when gambling for points, you don't even get free drinks. They're perhaps an effective way to trick people into making poor life choices, but that's not what we had in mind as the inspiration for our card.

At the end of the day, the margins on these cards are so incredibly thin that revenue from the program is literally measured in pennies on the dollar—meaning reward programs are fractions of pennies. And when you remove all the marketing spin and statistical subterfuge, splitting something as small as fractions of pennies between a million different cardholders isn't inspiring, to anyone.

But what if we instead combined all those millions of fractions of pennies, and put them into the hands of those who need them a whole lot more than we do?

What if we weren't trying to fragment millions of pennies between people who are lucky enough to have a credit card, but instead combine them into a central place where they can be collectively spent accomplishing something meaningful?

That's the idea behind the Expensify Card's reward program, the spirit of which is best captured by this simple name: **Karma Points**. The Expensify Card's Karma Points program costs you nothing, and is completely automatic. We're taking the tiny amount that every other provider tries to convince you is a big deal, and instead giving it to someone to whom it *is* a big deal.

> In short, we're donating 10% of all revenue (which is way, way more than 1% of profit) from the Expensify Card towards making the world a little better, one swipe at a time.

Where does the money go? Like before, we looked to others for inspiration—with Amazon Smile topping the list. But again, we need to be realistic about how much all these pennies add up to. Amazon Smile has donated $156 million to date, which is impressive. But these donations are spread across a million charities, or like $156 per charity. As such, instead of fragmenting our donations and barely creating a dent in a million charities, we decided to concentrate them and thereby create a meaningful dent in fewer places.

To maximize simplicity and participation in the program (which again is completely free and automatic for you—like Smile, but without needing to remember to do it), we've picked five areas to fund that are organized around keeping people off the streets, getting hungry kids meals, and climate change. And rather than asking you which fund to support, we're going to pick one for you based on the type of purchase you make:

While this automatic offsetting feature is built into every purchase with the Expensify Card, no company has perfect corporate card compliance. So for those companies that want to go a step further by offsetting their non-Expensify Card purchases, please enable our Corporate Offset feature, which will automatically make a donation just like we do for our Expensify Card, but for all your approved expenses.

Not in a position to decide this for your company but you still want to participate? No problem: enable Personal Offsets and we'll use the same logic to make a donation for each purchase you track with Expensify, whether for business or pleasure.

Not an Expensify user yet? Still no problem: go to *Expensify.org/donate* to join as a founding member for only $20/month. Regardless of how you join, once a member you'll be a part of creating something new and special, and will be the first in line for future events and initiatives that even this overly long editorial doesn't have room to discuss.

And that's it! Now you know the secret to Expensify's origin, how the Expensify Card fulfills our original dream (albeit in a different, better form), and how *Expensify.org* is a new kind of charity building a global community based on transparent and direct engagement with people in need. It's not quite as splashy as 2 Chainz and Adam Scott in our Super Bowl ad last year. But as this new decade opens upon a series of challenges almost impossibly daunting, it seems clear we need everyone to take a second look at what resources they have at their disposal that could be more constructively applied—the most important of which is time.

We are inundated by messages, messengers, and memes calculated to enrage us all, to a point of paralysis. There are countless thousands of engineers who are devoted to perfecting social networks, seemingly designed for little purpose but to reinforce our confirmation biases by scouring the global detritus of amateur tabloids. There are countless millions of people crafting these messages, using these tools, and harnessing your incapacitating anger to further their ends. It's easy to give up, to accept that They are responsible, and that You are helpless.

My resolution in 2020 is to turn off that noise, and I'd ask you to do the same.

Turn off the talking heads on TV. Turn off the echo chamber online. Stop being the fuel for their machines. Stop caring so much about the outrageous thing that person you don't know did in that place you can't find on a map, and redirect that caring to the people living on the street outside your door, to the kids struggling to get lunch at your kid's school, and into truly constructive action to solve the sobering problems facing this world.

At Expensify, we saw an opportunity to transform an expense management platform literally picked because it was the dullest thing in the world, into a globally-distributed platform for locally-applied charity. We spent a staggering amount of time, money, and creativity to make it real. But we're just one company. The Expensify Card is our way of helping all companies not just save hours doing expenses, but truly combine forces to save the world, one swipe at a time This is our world after all, and for the foreseeable future, we've only got the one.

Let's make the most of it.

Expensify.org/**hunger**	Buy a meal → give a child reliable access to school lunch
Expensify.org/**climate**	Book a flight → capture carbon to mitigate the effects of climate change
Expensify.org/**homes**	Book a hotel → reunite someone with their family for good
Expensify.org/**youth**	Buy office supplies → reconnect graduating foster kids and parents
Expensify.org/**reentry**	Pay your bills → help someone get back on their feet after incarceration