

David and the Four Goliaths

As the only independent EFTPOS provider, Tyro Payments is taking on the big four banks and giving small-to-medium enterprises a voice.

Images courtesy of Tyro Payments



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Tyro Payments works with 10,000 Australian medical practices, pharmacies, universities, and retailers. In 2013, Tyro processed more than \$5 billion in credit- and debit-card transactions and more than 50 per cent of Medicare Australia rebates through the EFTPOS system. While Tyro boasts a small 1-per-cent share of a \$480-billion market, the company has made a significant splash in Australia's highly regulated and dominated industry.

The CEO Magazine recently spoke to Tyro Payments' CEO Jost Stollmann about the astonishing revenue growth it has seen in recent years, and Tyro's path to prosperity.

***The CEO Magazine:* You became CEO in 2005. What led to your involvement in Tyro Payments?**

Jost: I was born and bred in Germany. I then did a French law and political science degree, a Master of Business Administration at the Harvard Business School, and then I worked for the Boston Consulting Group in Chicago. In

1984, I started my first business in Germany called CompuNet, which translated the belief that with microcomputers and networking, the whole IT world was going to change. We became the leading system integrator for the German Fortune 500 companies. We sold CompuNet to GE Capital in 1996.

I became the shadow minister for economy and technology in Gerhard Schröder's shadow cabinet. With an inspiring campaign, we achieved a landslide victory, but I finally declined to join the government because the competencies of my ministry were unduly curtailed. Instead, I built the high-performance sailing yacht *Alithia* and took my wife and five children on a two-year world circumnavigation.

It was a wonderful exploration of uncharted waters and authentic remote island cultures. In Fiji, we hit an undocumented underwater reef. The 140-tonne yacht came to a sudden stop. The closest place to survey the vessel for structural damage was Brisbane, so, while we waited, we explored Sydney and fell in love with the place. My wife said, "This is where I want to

stay," and I agreed. After another year of crossing the blue waters of the Indian Ocean, we finished our epic voyage with the Athens Olympics in 2004. An intercontinental flight later, the family unpacked the sea bags and moved into two town houses in Double Bay, Sydney.

I soon met three engineers who had started MoneySwitch, now known as Tyro Payments, and I was captivated by their story. I'm a romantic, so I like to build businesses that change the world. At Tyro, one of the appeals was that it was 'mission impossible'—little David taking on four Goliaths, the four dominating retail banks. Another attraction for me was the quality of the people at Tyro. The three founders had already built two successful companies and sold both, the last one to Cisco, so they had a proven record on delivering complex internet solutions.

All my friends and advisors thought I had gone crazy. It is absolutely unheard of and stupid to compete with the major banks head-on in a core banking process, and, today, we're still the only one. >





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- Jost Stollmann

How has your background in technology and politics helped you in your position at Tyro?

I think the most important beneficial factor was my background in successfully creating and leading a significant growth company. My CompuNet experience was possibly the most useful preparation for Tyro. Having said that, my political history is also part of the mix. I have always been very eager to propagate a culture of innovation, competition, and entrepreneurship, both in Germany and now in Australia.

Progress for our countries and their welfare in the new digital century depends on new start-ups who bring new ideas and business models into this world and then scale up and become the new significant companies of the future. I do have this zeal to prove that the young and brightest can pursue their dreams and endeavours here in a country like

Australia, even though it is so highly concentrated and dominated by a few players. This environment should not discourage. It is unnecessarily tough, but not impossible.

For instance, if you want to build a banking business from scratch, there are—and rightly so—legal and regulatory challenges that have to be dealt with; but then there are all those access, expansion, and competition problems. It helps to have a certain affinity for tackling those impossible challenges. One of the important things about Tyro goes beyond the Tyro story itself, and it is about proving that there can be more Tyros: there can be more innovators and challengers in this country.

How do you compete against the big banks and give SMEs a voice?

We are taking on the big banks in the core business process of

payments. The only way to be successful in this field is to do things differently. The key is innovation in all aspects. Innovation requires thinking outside the box. It's interesting to note that we don't employ a single banker here. We have 105 employees, but not one is a banker. We think about innovative banking without having to unlearn the traditional ways of thinking banking.

At Tyro, we have dramatically talented people. Tyro people are motivated by the fact that they can make a difference. Every individual has an impact. We work in a small, fast-growth organisation where we can see that we change the industry and contribute to the community.

Our major competitive advantage is our culture. The banks suffer from legacy systems, hierarchies, and complexities. We think in a new, different way: bringing



credit- and debit-card processing to the internet end to end, using open-source software, running multiple data centres live, eliminating the exposure of sensitive cardholders and transaction data, and offering fair and transparent pricing.

We are also the only one in the banking community who raises a voice on behalf of the small-business community. Woolworths and Coles can look after themselves, but what about the independent newsagency or shopkeeper? For these businesses, the payment process can often be complicated and expensive, and they find it hard to determine when their interests are being jeopardised.

You've seen around 161-per-cent growth over the past three years. What do you think is the secret to this success?

Like I said before, companies that consistently experience rapid growth are the ones that make all the difference to the prosperity of our country. We need more of these companies. First of all, they need access to markets and they need to be able to scale up. In Australia, that's a big challenge.

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There is a lot of work still to break up oligopolistic structures, open up government tendering, provide growth-funding sources, and foster the entrepreneurial culture. Fast growth is all about creating capacities ahead of the curve.

We have an awesome and talented engineering team. Currently, we are looking to double the team. For top-notch Java developers, Tyro is a great alternative to the Googles of this world. We are serious about reinventing banking, working on something big, and we leave lots of time for friends and family. With a mere \$30 million—a rounding error for the big banks—we built a fully resilient payment infrastructure.

Striving for growth is about risks and mitigating those risks. We are quite unusual; we're a high-growth start-up in the highly regulated banking industry. We're living in two worlds. We're living in the agile, innovative, Silicon Valley-type world, and we're also a principal participant in the Australian banking world with all its legitimate risk-management frameworks, supervision, and tier-one equity requirements. To

bring these worlds together is a fascinating journey.

What does the future hold for Tyro in the industry?

When we started in the industry, it was considered an unattractive segment. Now, the mood has changed, and I think the timing for Tyro has been brilliant. At the time, we were well ahead of industry trends, which have now become quite rampant. With the propagation of smartphones and the growing appetite of consumers to expect new, convenient payment methods, we've seen a lot of new entrants and new money flooding into the payment space, though mostly overseas. There's a lot of change now.

The good news is that our team is made of internet people, so it's all playing to our strengths. We already built our architecture as a cloud before the word was coined. Now we can see that the software industry is rapidly moving into the cloud. Our biggest challenge is to grow even faster. I'm trying to hire as many talented engineers as I can get. I need a specific breed of people who are highly talented, highly responsible, and fit well into our culture. ●

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