

ONES TO WATCH: 10 OF THE HOTTEST PAYMENT START-UPS IN TOWN

START-UPS A wave of new payment start-ups is challenging traditional models and spurring more established players into taking action to develop their own marketshare. Often without the constraints of institutional shareholders and hefty levels of bureaucracy to stifle innovation, these new upstarts, operating in the right market at the right time, could go on to establish themselves as the Googles or PayPals of tomorrow. Tom O'Meara identifies 10 companies looking to make a big impression



Jumio

JUMIO
WWW.PAY.JUMIO.COM
BASED: MOUNTAIN VIEW, CA
ACTIVE: USA, EUROPE

WHY IT'S HOT: Backed by Facebook co-founder Eduardo Severin, Jumio's twist for processing card payments is to allow webcams to read credit cards. Instead of swiping cards, people can hold them up to webcams attached to their computers or integrated within their smartphones and make payments that way. With Jumio chief executive Daniel Mattes claiming "Eduardo told me he hadn't seen a service so disruptive since Facebook", the start-up is starting to receive plenty of hype. But, like Facebook, it needs to overcome consumer privacy and security fears. Unlike Facebook, it's asking consumers to risk their cash, rather than photos of their latest night out or details of what they're having for dinner.



SMART TRANSACTIONS GROUP
SMARTTRANSACTIONSGROUP.COM
BASED: UK
ACTIVE: UK

WHY IT'S HOT: Despite a relatively low public profile, Smart Transactions Group is something of a growing powerhouse in the UK payments market. It's the fruit of a merger in May between Applied Card Technologies, which was very active in transport and tourism-related payments, and digital payments company sQuid. Reportedly it now supplies 85 per cent of the UK's smart cards and payments, with its collective customer base accounting for 500,000 payments and 50 million transit transactions every month. Ranked 49th in *The Sunday Times 2011 Microsoft Tech Track 100* league table, it's seen as one of the fastest-growing private technology companies in the UK.

DWOLLA

DWOLLA
WWW.DWOLLA.COM
BASED: DES MOINES, IA
ACTIVE: USA

WHY IT'S HOT: Ben Milne, the 28-year-old founder of Iowa-based Dwolla, says: "We're trying to build the next Visa, not the next PayPal." A payment network for the social media generation, it charges a flat 25 cent fee on each transaction, which undercuts both PayPal and traditional credit card providers, and claims to be processing between \$30 million and \$50 million per month. Born out of a desire to eradicate credit card fees, Dwolla avoids its members paying these by linking directly to their bank accounts. Milne says that currently its "single largest payment form is categorically coffee shops". Dwolla has plans to move into Europe, but Milne says there's no set date. "We are just beginning to scale in the US and want to ensure an expansion into Europe is handled with the care it deserves," he says.

iZettle

IZETTEL
WWW.IZETTEL.COM
BASED: STOCKHOLM
ACTIVE: SWEDEN

WHY IT'S HOT: Europe's answer to Square also enables customers to make credit card payments via their mobile phones. The key difference is that iZettle's reader allows the reading of chip and PIN cards, which are more prevalent in Europe than the US. As Ben Holmes from investor Index Ventures says: "This opens credit cards to a set of smaller merchants like plumbers who previously would only have been able to accept cheques, cash or invoice their customers." Endorsed by Visa, MasterCard and Europay, it's now available in Sweden with a broader European launch planned for next year.

Square

SQUARE
WWW.SQUAREUP.COM
BASED: SAN FRANCISCO, CA
ACTIVE: USA

WHY IT'S HOT: Valued at about \$1 billion, the brainchild of Twitter co-founder Jack Dorsey is probably the most hyped mobile payments start-up around today. Square users plug a free credit card reader into their mobile phones, which then allows the phone to enable payments. Claiming to process \$11 million in mobile payments per day, it says it has 800,000 merchants signed up and is on target for \$2 billion worth of transactions annually. Currently only available in the US, global expansion is on the agenda during 2012. A recent personal multi-million dollar investment from Richard Branson may, though, be a precursor to a push into Europe.



boku

Pay by Mobile™

BOKU
WWW.BOKU.COM
BASED: SAN FRANCISCO, CA
ACTIVE: GLOBAL

WHY IT'S HOT: Boku's biggest strength is its relationships with mobile operators. In just two years, it's partnered with 230 operators across 66 countries. By linking deals with both online merchants and mobile operators, it allows people to make purchases via their mobile phones that then appear on their mobile phone bills. Boku has built an impressive network in a short space of time, but the vast majority of its payments are small amounts spent on purchases such as online games. The issue is how this evolves. People don't mind small extras appearing on their mobile phone bills, but if they buy a sofa or even a pair of jeans online, do they really want this appearing on their monthly carrier charge?

klarna

KLARNA
WWW.KLARNA.COM
BASED: STOCKHOLM
ACTIVE: SCANDINAVIA, GERMANY AND THE NETHERLANDS

WHY IT'S HOT: While most payment start-ups focus on speeding up transactions, Klarna approaches e-commerce from another invoice-based angle. Instead of paying for goods immediately, the Swedish-based firm lets consumers pay after they've received their purchases. Klarna fronts the payments, invoices the consumers and charges participating retailers a fee for facilitating the transactions. Essentially, it's providing online credit based on online behavioural data it collects, rather than simply just traditional credit scores. Its service is currently available across Scandinavia and in Germany and the Netherlands.

trialpay

TRIALPAY
WWW.TRIALPAY.COM
BASED: MOUNTAIN VIEW, CA
ACTIVE: USA

WHY IT'S HOT: E-commerce payment system TrialPay gives consumers a free item in return for them buying or trialling another product from one of its partners. With people expecting so much for free online, there's now a certain logic to this approach. By drawing together disparate online retailers into a network, the online businesses pool not just resources, but potential customers. Partners represent a broad cross-section of brands, ranging from high-street names such as Gap to online upstarts like Groupon and Zynga, which view the offers as an alternative to traditional online advertising. Active in 180 countries, it claims to have 100 million users and 10,000 merchant partners.

adyen

ADYEN
WWW.ADYEN.COM
BASED: AMSTERDAM
ACTIVE: GLOBAL

WHY IT'S HOT: The online payments provider of choice for many up-and-coming digital services, Adyen is making innovations behind the scenes. It provides customers, including the likes of Groupon, Badoo, Vodafone and Photobox, with the means to manage all their internet payments. With an innovative approach to fraud and online payments generally, the company is proving popular with web-based retailers, thanks to how easy its platform is to integrate and a competitive approach to pricing.

PayNearMe

PAYNEARME
WWW.PAYNEARME.COM
BASED: MOUNTAIN VIEW, CA
ACTIVE: USA

WHY IT'S HOT: People who don't possess a credit or debit card find it nearly impossible to pay for goods online. Enter PayNearMe, which allows consumers to use cash to pay for online goods from participating websites. In the US it has a tie-up with 7-Eleven, where users scan and validate PayNearMe receipts for items they've bought online. Once done, these are despatched. The UK's high credit card penetration makes the model less relevant here, but it could work in other parts of Europe and there's obvious potential in developing countries.

Methodology: We spoke to a wide range of independent experts and venture capitalist companies who were asked to nominate the hottest young payment start-up companies around, outside of their own portfolio. This listing features the 10 companies that featured most prominently

Source: The Times supplement: The Future of Payments