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ON TOP OF THE WORLD

We meet self-made billionaire Andy Khawaja, founder of leading payment solutions provider Allied Wallet

"You'll encounter a lot of bumps in the road and it will make you stronger"

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OCT 13 EDITOR'S LETTER



“A PLAGUE ON BOTH YOUR HOUSES!”

That is what I said to our glorious leader when I was summoned to Gambit Towers to discuss my refusal to cooperate with a recent advertising client. What was the reason for this uncharacteristic dissension in the ranks at SYB? Well, I was required to commission editorial placements on behalf of a well known 'pay-day loan company' planning their business marketing campaign with Start Your Business.

I said "both your houses" because our management, in all their wisdom seemingly felt it was acceptable to consider promoting the services of a business that would inevitably lead to the demise of others. I strongly detest a business model that allows a company to offer money on a national scale utilising press, TV and radio advertising channels to tempt the general public to live beyond their means at the price of extraordinary interest charges.

'We are not children!' I hear you say, 'we can borrow responsibly... it's only a short term fix'. With consumers that may be the case, but with businesses it certainly is not. A short-term high interest loan is not something that any business should consider, because the implications that allow this to occur means that the business can generate debt beyond its means and capabilities and ultimately seal its fate.

So what is the answer? The one good thing that emerged from the 2008 crash was the growth of Angel Investment and Government intervention in the form of 'The Enterprise Investment Scheme'. Tax breaks for investors is not a new concept but this recent initiative has really captured what was required to encourage business investment. So when I had to explain my decision to decline any editorial space for pay day loan providers I made my position categorically clear... no way! We are a commercially driven organisation and turning down business in the current economic climate is a brave move, especially on the basis of a moral reason but it's not just that, it's a question of ethics. So what was the conclusion to this conflict? I won... but at a cost. I was told I need to come up with something better, and I think I have; Rahn Funding kicks off from next month and is the first community based funding platform that encourages local stakeholders to invest in businesses within their community. Responsibly, ethically and with a profit. Sounds like the perfect business model.

Enjoy the issue!

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“We have built an infrastructure that polices the Internet so that we can differentiate between the good guys and the bad guys and make sure that transactions and websites are legit. Websites are tracked so we can identify IP addresses when transactions are made and we can tell if someone is trying to cheat the system”

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Allied Wallet

We meet Andy Khawaja, CEO of Allied Wallet, a multibillion-dollar company and global leader in online credit card processing, multi-currency merchant services, state-of-the-art payment processing, digital eWallet solutions, software development, and a provider of a PCI Level 1 payment gateway.

It's only been a few weeks since the last time you spoke to SYB. Tell us, what's happened since the last time we sat down together?

I've been travelling a lot; I've probably been to about twenty countries so far in between and we've been expanding, and expanding, and expanding, building new products and features, and getting new customers...I don't know where to start!

You're sat in the beautiful Thailand right now. What can you see?

The view is breathtaking. I can see palm trees, greenery - it's amazing. I can even see the coconut trees of Phuket.

While we're talking about exotic locations, you have offices in Macau, Hong Kong, Arizona, California, London and you do travel a lot. Where is your favourite place to work from?

Los Angeles. There are sunny skies, palm trees, and the beautiful hills. It's a very relaxing town. Up in the hillside you get city views but then you can see the ocean with the sun shining, which is good because it gives you that happy mood, that happy energy I think you need to work well.

We can imagine it's very therapeutic...

Correct. When it's dark and rainy, and overcast and cold, you get moody and feel tired and feel like you are not doing the job a full 100%.

We know you reside in California. Is it really as glamorous as it seems to be? Could you compare it to London?

London is very different. It's a very beautiful, very pretty, old looking town - I was there only recently, actually twice since I last spoke

with you guys. It is cosy, much smaller; actually, when my staff come to London, they usually don't really want to return to California! In LA you can drive the same distance between London and Manchester but you're still in LA, only driving between two houses.

If someone were to visit California, where would you recommend they visit?

I would definitely suggest Malibu, Santa Monica, Beverly Hills, West Hollywood - these are the really beautiful locations. California has about 37 cities so if you can imagine 37 Londons in one town, you can start to understand how big it is.

Every city has their own atmosphere, their own mixture of cultures; if you want to go to Chinatown in London, you'll find it's just a couple of streets away from Soho, but Chinatown here is probably larger than London alone.

Let's go back to the beginning of the company, Allied Wallet. How did you create a multibillion-dollar business from scratch?

I came with a brain, empty pockets and the hope of creating something unique and very accommodating for people that they could use and enjoy. My personal intention was never to make money, or to become a billionaire from what I was doing.

My whole philosophy behind my work was to build something beautiful for people to be able to connect in transactions, to be able to buy products from all around the world, to have websites, to be able to sell in England, in China, in Japan, in America. Basically I wanted to connect the world, business to business, from a merchant's point of view, and to connect businesses to consumers so that they are able to buy a product from wherever they want.

How would you describe the process so far?

It is not a simple thing to do. It takes years of understanding, compliance, and legalities from different countries. We have to accommodate every country, be they British or Chinese, with the local laws of the other parts of the world and we have to understand every single country and every single law they may have regarding what can be sold online, and what is not allowed to be sold online, while at the same time, making sure that the card schemes - be they Mastercard, Visa, Diners, Discover, American Express - have their own rules and regulations followed too.

What kind of rules and regulations might these be?

Because companies obviously want to protect their brand, there are a lot of brands that don't like to be associated with particular products and if they are, this is known as 'brand violation'. Stockholders want to be happy with products they have invested in and make sure they are not associated with anything out of the ordinary or incompliant with any of their interests. We do have a lot of conservative investors who might not appreciate certain card schemes to be involved in transactions for certain dating sites, or tobacco sites or travel sites for example. There are a lot of rules and regulations for each part of the business so we have to understand the information concerning the legalities, termination, violations etc. There's a security department that are just like the police you see on the street, but they police the Internet and the brands.

Can you give us an example of what kinds of things the security looks for?

The security can find out the location of the website, who's the processor behind it, and which bank has been used. They can then investigate whether or not the bank knows about the business or whether they have been victimised, because if the card scheme finds out that a certain type of business has been processed which isn't normally allowed, the card scheme will find the bank involved and the bank will lose money. So we have to deal with all these little issues.

How do you deal with these issues?

We have built an infrastructure that polices the Internet so that we can differentiate between the good guys and the bad guys and make sure that transactions and websites are legit. Websites are tracked so we can identify IP addresses when transactions are made and we can tell if someone is trying to cheat the system.

That infrastructure is what has made my company and me personally, lots of money but that was not the purpose. The purpose was to secure the Internet, to secure websites and to secure transactions so that con artists would find it tougher to invade transactions. Guys like me will put an end to the aggravation of any illegal activities and protect sites that might be harmful to children, and harmful to brands. From that perspective, a lot of merchants like it, banks like it, and



consumers like it. They choose us to be the primary or secondary processor because they like the security aspect we can offer.

Did you struggle at all?

As I did start the business from scratch, I did struggle and it took many years of hard work to get going. I've worked flipping burgers (my first job at Wendy's), I've worked in a supermarket scanning items, I've worked in a retail store selling clothes - I've done everything I can to survive, keep my devotion going and achieve my goals. I never gave up. I did have a time in my life where I couldn't put food on my table and I had to go to bed hungry, but I did not give up my hope, because I knew what I wanted to do. I knew it was going to be beautiful and I knew it was going to stand out, and so I kept on pursuing my dream, regardless of the fact I was having a very tough time.

Did you learn anything in these roles?

Yes, I learned how to listen to people, how to be patient, how to listen, communicate and how to make friends with strangers every day.

What does it mean to you to be successful?

The beauty of success from my experience is that no successful person will have it one way with the arrow always pointing up. It's impossible. There's downtime and there's uptime. You'll encounter a lot of bumps in the road and it will make you stronger, smarter and understanding of the business more than anyone else, because you've been burnt. Being burnt will put you in an intelligence committee because you will understand how to manoeuvre yourself out of risk. Not being burnt, you will never understand. It can be scary! I've seen companies start strong, become strong and as soon as they encounter a bump, they go bankrupt and they're out of business.

What is it that you most enjoy about helping other businesses?

I'm very curious to find out about what others do (or want to do) and what they want to get out of it. Is it for the money, or is it because it's something that they deeply enjoy and believe in that they want to make other people understand.

The price point is very important. So is the quality, terms and popularity of the product. Will the product die in one year, or will it last a decade? I find it interesting looking at business plans and being able to identify what is or isn't going to work.

We have just reached our 90bnth customer and we have hundreds of thousands of merchants. We've only reached these numbers because we feed this concept back into the business: we understand what people need and what people want.

There is a clear focus on the need to be globally accessible. Why is this an important aspect of the business?

Absolutely. It's the Internet. It's global.

Is there a deeper reason for the need to be global?

A lot of banks fear transactions coming from across the borders because they don't understand the local bank of that country and what kind of KYC they have done on a local citizen to open a bank account to issue a credit card that can conduct live transactions.

Not knowing some jurisdiction can instil fear in international banking, but we spend a lot of time travelling and meeting with banks around the world and understand the KYC, the rules, regulations and all the requirements to open a bank account so we are very comfortable with it.

Has it not been risky taking a young business global?

It is risky if you don't understand international business and it's a piece of cake if you do understand the business. You should always take a chance though.

Bill Gates would never have created a worldwide software product like Microsoft if he had only been willing to sell Windows to American users. Same with Michael Dell in Austin; he doesn't only sell his computers to people who live in Austin - there's hardly any people there! He sells his computers worldwide because international business makes money.

Right now 75% of online transactions are international and 25% are domestic.

How are you planning to define yourself and the business in the UK market?

We are expanding in the UK and are offering our local UK merchants an exposure to be able to transact with outside areas, which means they can collect transactions in America, Asia and everywhere else.

We want to make sure that every country can collect in their local currency because that's what they understand. We worry about the conversion rates so that the companies can focus on shipping and selling their products.

You are introducing thumb print recognition technology. Can you explain a bit about how this process will work?

It's interesting that only a couple of weeks ago, Apple introduced the same technology to the new iPhone. The idea and implementation is mine, and the product itself was something I talked about almost nine months ago.

Apple right now only allows you to conduct transactions using the thumbprint verification technology with the iTunes store, but with our new feature, which is hopefully out towards the end of 2013, you'll be able to slide your thumb to verify who you are and allow you to execute a transaction for any business from a type of 'virtual wallet', so you no longer have to use a physical card to make your online payments.

What are your predictions for the future?

Everything I talk about speaks two years ahead of time, so people do listen to what I have to say.

In order to keep in touch with technology I'm going to predict that Apple will bring out a new similar product towards February or March 2014. They are going to have to introduce a new device that is not only functional but seeks to please customers. Other mobile phone companies may find they have to improve their own technology to allow online transactions to be conducted using thumbprint verification technology.

In order to build the future, you have to build the core first. Generally, technology must be better for everyone making transactions online. More and more people are turning to the Internet every single day than the day before.

Regarding Allied Wallet, every transaction will be stored in a virtual wallet. We have multiple countries signed up already and about 350-400 million customers in the pipeline to start using this new product. For both Apple and for Allied Wallet, this is the future.

You've launched an app that supports the fingerprint technology. Can you tell us more?

Yes it was due to launch in October, but we may delay it by a month and a half just to improve the security on it to make sure that it is 100% encrypted.

For the iPhone, it's not only going to be used to pay merchants, but also so that you can make personal and immediate transfers across the globe to your sister, your aunt, and even your friend.

For those that are saying this new technology is slightly intrusive and those that don't feel comfortable having their fingerprints on file, what would you say to them to put them at ease?

The data is not stored with any third party or in any outside environment. It is strictly saved to the memory of the phone, and even if you remove the memory chip, the data is gone. It burns itself out.

Have you got the new iPhone 5s then?

Absolutely. I was one of the first people to get one.

What do you think about Apple's version of the technology?

It's got a microchip that analyses your thumb just from a touch between your finger and the phone, which is pretty impressive.

Having mentioned the technology in previous interviews for Fortune magazine and In Focus TV, can you tell us how you knew about it?

A lot of the media has been in touch asking this question 'how did I know about this feature ten months before Apple announced it' and the answer is that Allied Wallet has created the technology before others and it has made these other companies want to catch up with us to accommodate the online transactions.

So what portable items do you have on you at all times?

I will always have a watch on my wrist so that I always know the time as time is everything to me, and I will always have my phone so that I can take calls wherever I am, from staff or customers. Despite the fact I have made myself an extremely wealthy man with a multibillion-dollar company, I am one of the only CEOs who is really easy to reach. I like to take calls from everyone, as without these people, the business and I wouldn't exist.

What do you like to do when you're not working?

I'm a very simple guy. I go out in shorts and a t-shirt and always have my tennis shoes on. I like good food, dining out in restaurants, going to a lounge to talk with friends and having a beer. I don't like clubs or dancing that much, but I like to socialise a lot and I like to communicate with new people whom I've never met before because I like to understand what everyone else is doing and I like to see if I can assist them and learn from them. I can learn from a 13-year old, and I can learn from a 100-year old. Life is an education; every day you should learn something new.

So last time you told us that you only sleep an average of four hours a night; aren't you worried about burning out?

Last night I actually had only one and a half hours sleep.

How do you cope with the fatigue?

I don't feel it because I'm so excited! I know what I am building, and I know what I'm changing. I already know what's going to be out in 2015; I already know the product, and the functionality of it. It's crazy, the things I'm putting together, and if you were in my shoes, you would not sleep because you'd be so excited too! It's a feeling that I can't describe.

Don't you ever find yourself falling asleep in the warmth of the Californian sun?

I do sometimes so I leave my office around 1 o'clock, grab a light bite - maybe a salad and head to the running canyon, which is a beautiful mountain in the Hollywood hills.

I take my shirt off, leave my shorts and tennis shoes on and I jog for about an hour in the sun so I can have the sun in my face and on my skin. Then I get back in my car, and head back to the office to finish my work for the day.

So that's your secret weapon to stay awake and alert?

Absolutely. It's refreshment and it's something you have to give your body. Your body gives you life so you have to give it something back. Treat it well.

You're incredibly well travelled. Can you describe your ideal destination - real or fictional - that you may one day imagine yourself retiring in when you finally take a rest?

There are two destinations - Maui in Hawaii or in Hollywood Hills because it is very quiet and a very impressive city to visit.

Are there any other places you admire for different reasons?

I do like to work a lot and I'm leaving to go to Tokyo tomorrow. I love Tokyo because I can have meetings on Sundays, make calls at 2am to offices...basically every day is like a manic Monday! It's a city that never sleeps; people work 24 hours and I love it.



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CURRENCIES

“You will never go up in life if you don't fail sometimes before becoming successful.”

I admire Japan as it is a tiny island in the middle of the Pacific Ocean and they had nothing but they built this beautiful city with stunning infrastructure and architectural design, and that shows what the brain is capable of doing. They are literally half the size of England and far smaller than California yet they have shown a difference in thinking. It doesn't make them different, it makes them special and everyone needs a special or unique product. That's why Japan are the third largest economy in the world - because they have the mind behind it.

The Japanese have also taught me to be persistent and creative. I think you should always build a new product. Never make one and then say 'that's it, I've made it'; build a better product than the original. That's why I'm successful. To build a future, you have to build a future all the time.

What do you mainly buy online?

Everything. Electronics, airline tickets, clothing and even art sometimes. My physical walking into a store activity has dropped by 70%, so now only 30% is face to face. Even between flights and transit I sometimes conduct my shopping online, as I am so short on time!

Can you leave us with a parting message?

Everybody should be proud of themselves and persistent in what they are doing. We wake up in the mornings for a reason: to achieve our goals in life. We can't just wake up in the morning and say 'it's just another day to kill'. There are no days to kill. It's another day to make and it's another day to build, so don't waste it; whatever your hobby is, and whatever your dreams are, you can accomplish them only if you are persistent, encourage yourself and get on and do it. Don't be afraid otherwise nothing will ever happen.

You will never go up in life if you don't fail sometimes before becoming successful. I've been there. I had to fail before becoming successful and now I am very successful and I am proud and happy because I listened to myself and never gave up.