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After honing his entrepreneurial skills on the war-torn streets of Beirut, Allied Wallet founder Andy Khawaja was one of the pioneers of global ecommerce. He tells **Nick Martindale** about his battle to be taken seriously, and what really drives him on

**A**ndy Khawaja is a whirlwind of energy. This is a man who relaxes by running in mountains, and who is proud of sleeping no more than four hours a night (last night was below average; at just two). On the day I spoke to him he'd just returned to his Los Angeles base from a month-long business trip which took in nine cities, and estimates he spends around 320 nights a year in hotels; mainly awake.

"I think I live in a matrix world," he says. "I'm constantly thinking about improving products and doing things. I don't like to sleep because I have a lot on my mind. I wake up in the middle of the night and walk around. When I sleep I dream of things and I just make the notes about what I dreamt about. I've been in the office since 5am and I'm just executing some notes that I wrote during my night walk. I love what I do and I'm so excited about every day of the week."

If there is an entrepreneurial passion and zeal which you could bottle, Khawaja would be pretty good source material. Yet he's equally keen to stress that he's a "humble guy". He tells me – we're on a conference call but there's no video, so it can't be verified – that he's kitted out in Ralph Lauren shorts, tennis shoes and a golf shirt. "I look like I'm going golfing but I just walk around in my office," he says. "I spend all my day in the office and when I have breaks I go up into the mountains and I run to get some fresh air. Then I get on a plane and I travel around the world to meet with the CEOs of big companies to try and expand my business. I'm not a flashy guy who needs to be in different Ferraris every day, I'm a very easy going person. I like to sit down on the sidewalk and grab a sandwich and a beer."

It's a style he takes into his business too, which now has 1,100 employees worldwide, although he won't call them that, preferring to refer to his "team". "I walk from department to department and talk to my team and see what they're working on," he says. "I don't want them to talk to me as the CEO or the man who runs the company; I want them to talk to me as someone working on the same project as them. It's very important for them to be creative. I never put them down by saying they have made a mistake because they won't be encouraged any more; they will be afraid to do anything."

'I've been in the office since 5am and I'm just executing some notes that I wrote during my night walk. I'm so excited about every day of the week'

'No bank understood what I wanted to do; why would a shoe store or phone store want a website so they could sell the product online?'

#### Online vision

Khawaja's company is Allied Wallet; the global online payments processing business, which he fought for years to establish in the face of ongoing hostility from banks sceptical about the prospects for online transactions in the very early days of the internet. "I could see the internet was getting bigger and more people were coming on board," he recalls. "I started seeing websites advertising products but they couldn't sell anything because they didn't have a credit card solution, so if you wanted to buy anything you had to go and visit the store. I started thinking, what if >

Pictures © Martin Gammon

< we could turn this into ecommerce? What if people could just go by themselves to the website and look at the items they wanted to buy and the colours, and order them?”

**‘We have jurisdiction in every single region in the world, from North America to Latin America, Asia and Europe. Banks can’t do that’**

In 2001, Khawaja took the decision to resign from his position as vice president of a US national retailer called Bernini,

and set out building a team of developers and programmers to put in place the infrastructure that would securely link buyers and consumers. That, however, was the easy bit. “Then I started going around trying to find banking solutions to transact credit cards when the buyer was not present,” he recalls. “That was mission impossible. No bank understood what I wanted to do; why would a shoe store or phone store want a website so they could sell the product online? How would they know if the customer was real? How would the customer know if the shop was really going to ship the item or if they were going to receive it on time and that it wouldn’t be damaged?”

No bank in the US would touch his proposal – something he remains bitter about to this day; he’s just turned down an

offer to sell and refuses to go public – but he eventually persuaded a Caribbean bank to accept his proposal. By then, though, PayPal had launched – offering a similar service connecting buyers and sellers but only for the online auction site eBay.

“I thought it would maybe make it a little bit easier for me because there was another company out there roughly doing what I wanted, even though it was my idea to begin with,” he says. “I started pitching it as being like PayPal but for stores selling products to customers, which is more secure, more convenient and more reliable than a consumer-to-consumer site like eBay.” In time, other banks came onboard, but there was another problem. “I realised there was something missing, which was how were we going to protect consumers from being defrauded and from identity theft,” he says. “I went back then to my developers – and I was still working out of my kitchen then – and said we had to build a new infrastructure.

“We came up with the idea of building a gateway which had all the functionality to prevent fraudulent transactions and identity theft, and to have it in a PCI environment, so any credit card information that we got through would be downloaded into an Allied Wallet server, and completely encrypted. I did not want my customers or my merchants to suffer from fraud or identity theft because I knew how bad that would be for the company’s reputation, and for the customers. So we didn’t grow as fast because I was worried about the consumer protection.”

Finally, though, the business was in a position where it could be offered as a viable payment solution to merchants and consumers, and almost overnight Allied Wallet began to attract large numbers of customers. This was helped by the controversial multi-level marketing (MLM) industry, which saw the system as an ideal way to make secure transactions between its members. “The way the MLM business works is that if I refer you I make money and if you refer someone else you make money, so it’s a pyramid,” he explains. “So all the individuals could refer themselves to each other and pass on the commission to each other by our virtual wallet. Besides that, they looked at us as a solution for when they paid out the residuals to their members.”



Khawaja then devoted his considerable energies to developing new banking relationships in individual jurisdictions, which would give merchants the ability to transact with customers all over the world; something from which banks still shy away. “That gave us a very good push because now we had merchants in America and Europe and they had exposure to transact with consumers from outside those areas,” he says. “So we added new markets for them. That increased their profits and sales, in some cases by 70%. A bank would never do that, because they don’t know if the bank that issued the credit card has really done the “know your customer” correctly on them.”

To this day, this international aspect remains a major selling point, across both online and mobile transactions. “We have jurisdiction in every single region in the world, from North America to Latin America, Asia and Europe, so when we take a transaction it settles in that jurisdiction with a particular bank, so there is no cross-border violation,” he says. “Banks can’t do that because they cannot incorporate a bank in Germany, another in England and another in China or Japan. In every jurisdiction we can provide the local payment method which consumers use the most for that country.”

**‘I saw this old beaten up truck and there was a guy with a microphone saying that he buys bronze and aluminium. I picked up these calibres and the next day he gave me \$5’**

#### Survival instinct

Khawaja attributes much of his desire for success to his childhood, which he understatedly describes as “tough” and “interesting”. “I was born in Beirut surrounded by civil war so it wasn’t pleasant scenery,” he says. “It gave me the instinct to survive in a very harsh >





< environment.” He recalls realising he could make money from a scrap metal van, by picking up discarded bronze shells fired by the army or snipers, and selling them on.

“I saw this old beaten up truck and there was a guy with a microphone saying that he buys bronze and aluminium,” he says. “So I picked up these calibres – they were a yellow colour – and the next day he gave me \$5. I made it my business for the next few months and I generated about

\$13-14,000 at the age of 13, just by trading used empty calibres. It gave me the idea that I could do business out there and generate money. But it also gave me more ambition to see what else was out there.”

Khawaja initially moved to Europe and spent time in Switzerland and Germany, before heading to the US, where he initially attended college in Los Angeles before dropping out to work as a cashier. “Anything to do with transactions just

clicks for me; I liked scanning food because I could hear the transactions beep and the money being added up,” he says.

“After that I worked at Wendy’s in New York, flipping burgers and making French fries. But they wouldn’t let me behind the counter because I was a really good cook, so I said that wasn’t for me. So I went back to Los Angeles, and I joined a menswear retail company as a sales boy in Beverley Hills.” This was Bernini, and it



**'Entrepreneurs are different; we are the artists of the world but we don't paint paintings or build buildings, we build a virtual world which is more beautiful'**

keen to stress the need to keep going, just as he did. "Don't be afraid to take a chance," he advises. "Don't give up hope if banks won't invest in your idea; it's always like that and it happened to me and to many others. Entrepreneurs are different; we are the artists of the world but we don't paint paintings or build buildings, we build a virtual world which is more beautiful than anything out there. I've walked in the dark and it wasn't pleasant but I never gave up hope, and now I'm all the way up in the clouds and it's pretty nice and sunny up here. So don't be afraid; do it."

#### Grand designs

As for his own business, Khawaja remains as driven and dedicated as ever. He's just opened an office in London, in Trafalgar Square, "where they used to chop people's head off for not being compliant with the rules of the King or the Queen". A project to incorporate fingerprint recognition on iPhones has been delayed but Khawaja is predicting a new development scheduled for June will "make headlines worldwide in the technology world".

"I'm creating something very unique with all the consumers and merchants that I have," he says. "I'm building a social network where they can talk about products, and consumers will be able to take a picture and post it, and every single merchant in that category of the picture that has been taken can give the consumer their best price. Customers only receive the best three bids and they will be able to click and purchase it and have it delivered within 48 hours. It will be one of the largest virtual shopping malls and by 2016 we will have 2 billion visitors a day."


For now, though, his focus is to carry on

relentlessly driving the business forward. He's "home" for just three days – his family have come to the office to see him – after which he's heading to Japan, Hong Kong, Macau, Singapore, London, Frankfurt, Stockholm, Oslo, back to London and then to Los Angeles. "You want to rely on a company where the CEO puts in all the hours to make sure that your business is doing well," he says. "I could be on the beach fishing every day. I could be hanging out with my friends or on the golf course. I'm not interested in that; that doesn't bring me excitement.

"What brings me excitement is that I want to make sure that whatever product is out there I can put it to my customers and my merchants so they can build a better future for themselves, and let them make more money. You know what? I'm willing to walk in the fire to make that happen for them." He's almost shouting by this point; I'm quite glad it was only a phone interview.

Yet towards the end of the call, I get more of an instinct as to just what really motivates this incredible character: the need to feel successful and that he's really making a difference. "People ask why I am so down to earth if I'm worth that much money, and I say that to be rich is being rich in the heart and the mind," he says.

**'The purpose of it is not just to make money. It's to build a service and an infrastructure that I will be remembered by'**

"It's what you can provide to the public and your team members. It's not what you do for yourself, but what you do for others. That's my personality in life, and it's been there since my childhood. I could have been taken out any day of the week; we never knew if we were going to live another day. So the purpose of it is not just to make money. It's to build a service and an infrastructure that I will be remembered by. Steve Jobs was simply the creator of Apple. I want to be remembered like that." 

was here he realised he could sell; within three months he was bringing in 80% of his store's revenue and was put in charge of the outlet. The franchise was expanding fast, and Khawaja went on to spend 10 years building it up into a national chain, before the internet emerged and took over his affections.

Any entrepreneur needs to accept that launching a business is hard work and will not always be easy but Khawaja is