



Aid for Tyro

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The bright sparks at Tyro Payments have spent the most on their endeavour to crack the merchant acquiring market, and also switching, in Australia.

The 2003 child of a gaggle of former Cisco operatives, Tyro these days is under the leadership of Jost Stollman, a German entrepreneur.

Stollman, along with board members such as the chair Rob Ferguson (formerly of Bankers Trust) and unknown others are the investors wearing the pain of a cash burn that stood at \$19 million at the end of 2007 and may now be several million more.

This includes the \$8 million in capital required by APRA to operate as a specialised credit card institution, one of only two such narrow banks in Australia (the other being run by GE).

Tyro's aim is to acquire payments, so the investment in switching is thus only one dimension of its business vision. That is, to supply the swipe machine, connection and handling of the vital data supplied by a vendor and their customer.

Tyro's idea, still valid and still pursued, is to supply a much more elegantly engineered piece of switching and to use that as the basis for attracting merchants as customers. The know-how is thus largely in-house.

Banks made entry hard for Tyro, or MoneySwitch as the business was first known. Negotiating testing windows is the biggest barrier to entry to a payments network, along with the costs banks dream up for taking the time to help.

These obstacles and a change in control provided plenty of time for banks to respond. Prompted as much by the payments reform agenda of the Reserve Bank of Australia, banks cut merchant fees, refreshed sales alliances and messed around with other half-baked ideas in payments (BPoint, a bill payment brand of CBA, being a case in point).

Merchants thus got a better deal, of sorts, from banks.

Tyro also opted for a retail strategy to produce transaction volume, rejecting the route chosen by Strategic Payments Services of chasing volume by partnering with existing acquirers.

Customers using Tyro as their acquiring bank include Toyota Financial Services and

Coca Cola Amatil.

Whether investors will continue to fund Tyro is an interesting question; probably, and hopefully, if IT-based insight into business innovation is to make any claims as a reforming ethic in banking.

One business opportunity for Tyro is also likely to enjoy support from the public sector.

The Australian government is currently evaluating applications for subsidies from health care practice software vendors aimed at getting doctors and other medicos to finally adopt in-surgery payment of rebates on procedures, since to date take-up of Medicare's Easyclaim system is slight, at no more than one per cent of transaction volume for rebates.

Incredibly, this obvious innovation is yet to find legs in Australia – something emblematic of the stale state of banking rather than health care.

Tyro is probably the only acquiring business in a position to partner with anyone (and in their case, with Health Communication Network) and so one investor this year in Tyro looks like being the Department of Human Services.