A Biography of the Collison Brothers Influential Software Developers of our time.

*Cormac Madden, October 2020*

The Collison brothers Patrick (32 years) and John (30 years) have become household names in Ireland because of their highly successful company Stripe which delivers web payment systems. Their journey from school in Limerick to the forefront of the payment industry internationally, is particularly inspirational for young Irish software developers who can see what’s possible when technical know-how is combined with business acumen and ambition to succeed. What is particularly impressive, is that as teenagers, they had the foresight to identify a global problem in the area of online payments and showed remarkable tenacity and dedication in bringing a hugely impactful solution to market.

The early years

Their early interest in programming they credit with living in a rural area with few distractions. At 13 Patrick bought a coding book and started building websites and looking at issues of site security. Their parents ran a small hotel and had a satellite connection set up for internet access. The boys initially used the Lisp family of programming languages, which date back to 1958 although newer versions are still in widespread use today.

Brothers Patrick and John are both clearly very bright, with Patrick picking up the prestigious first prize at the Young Scientist of the Year in 2005 at the age of just 16 and securing a place at MIT in 2006 before completing secondary school. In 2007 the brothers started their first software venture, Shuppa and moved to Silicon Valley. John retuned to Ireland to achieve the maximum points in the Leaving Certificate of 2009 and began an undergraduate program at Harvard University that Autumn. The brothers both left these prestigious Boston colleges without graduating, to focus on developing a solution to processing online transactions. And so began their billionaire success story that today impacts online businesses globally.

The origins and expansion of Stripe

In 2008, while still in college, the brothers, funded by Y combinator, launched Auctomatic which merged with Shuppa. Y combinator is a fund program whereby seed money and mentoring over a 3 month period is offered in exchange for 7% equity. Auctomatic provided a software solution for online auction management, facilitating the listing and management of items for sale on marketplaces such as eBay. One year later they sold it to Live Current Media for over $5 million.

During that time, the Collisons realised that the payment side of the online platform was the biggest challenge. In a podcast on NPR in 2018, they describe how the banks were the gatekeepers of internet payments and tech companies were slow to partner with financial institutions and also reluctant to deal with the regulatory constraints associated with online payments. Although PayPal was already processing payments, their software was designed for consumers doing a single transaction and not for companies who required an automated payment system integrated into their website or app. In 2009 they programmed their first prototype, a product to simplify online payment transactions and provide an enhanced user experience. They then spent several months planning how to get it up and running and who they needed to recruit to make that happen. Stripe was finally launched after 2 years full time work and an initial investment of €200K from Peter Thiel a cofounder of PayPal. The payment software was aimed at web developers who were attracted to the simpler online payment system that was an alternative to Authorize or Paypal. Using just seven lines of code, web developers were able to integrate a payment solution easily into an app or a website. Stripe have also sought to differentiate themselves from competitors by offering a highly transparent pricing structure which includes a 2.9% transaction fee.

Following the launch came several very successful rounds of funding including investment from Elon Musk and Sequoia Capital. In 2015 the brothers were listed in Fortunes ‘40 under 40’ annual ranking of the world’s most influential young people in business and in 2017 John at 26 years old, was listed by Forbes as the world’s youngest self-made billionaire.

In April 2019, Stripe bought Dublin based start-up Touchtech Payments in advance of new European regulations for online payment coming in the following September. The rules require two methods of identity verification, also referred to ‘Strong Customer Authentication’ (SCA). Touchtech provides user friendly and secure customer verification tools and facilitates compliance with these regulations.

Stripe also provides a software product called Billing aimed at subscription-based businesses. This software manages subscription payments and VAT but also highlights which transactions require additional verification under the SCA regulations. Extending the company reach within the financial sector, in 2019 Stripe launched a corporate credit card for business customers. Stripe Capital, a loan service for online businesses was also launched that year, supplying capital to companies who then make repayments as a percentage of their online sales. More recently, Stripe software developers built Issuing, the first fully self-service product for issuing new contactless cards. Issuing can create a virtual card in two minutes and a physical card in 2 days.

In addition to product expansion, the Collison brothers were also extending the geographical reach of Stripe and in Sept 2019, announced its expansion into eight new European countries (Estonia, Greece, Latvia, Lithuania, Poland, Portugal, Slovakia and Slovenia). In May of this year, Matt Henderson, Stripe’s Business lead for Europe, Middle East and Africa added an additional five to that list (Czech Republic, Romania, Bulgaria, Cyprus, and Malta), stating that “Stripe is in 39 countries now, 29 of which are in Europe”. Last month Stripe announced that customer relationship management giant Salesforce, with a worldwide customer base, will use Stripe payment software to power Commerce Cloud Payments.

Just this month, Stripe has bought Paystack, a Lagos-based company that process over half of the online transactions in Nigeria. The deal was estimated to be in the region of $200 million. The companies have been working together for some time and with the African internet economy growing by 21% annually, this deal will allow Paystack to take full advantage of that and expand their market on the African continent. Extending to the Asian markets, the brothers have also made a recent investment in a PayMongo of the Philippines. The global expansion of the company is rapidly being realised.

Global Impact

The impact of The Collison brothers on Global mobile commerce is well documented with a client list ranging from small start-ups to Fortune 500 companies. Stripe currently has at least 40 clients that each process payments of over $1 billion per annum. In addition to changing the way in which online transactions are made they have significantly enhanced the ability of SMEs to trade online, which has mitigated the impact of the Covid-19 pandemic for many of these companies and ensured survival in others. Two of Stripes earliest customers Lift and Shopify have developed into large successful companies, with their success in part attributed to their early adoption of Stripe software to optimise their e-commerce experience for customers.

Features of Stripe’s software product

The web developer, the online business client and the consumer all benefit to some extent from the features of the Stripe payment solutions. Stripe allows web developers to rapidly build integrations using for example real-time webhooks or React components. Stripe offers online businesses the ability to process card transactions through direct integrations with all six major credit card networks worldwide. By direct exchange of information with the card networks Stripe offers more efficient transaction time for the customer with fewer potential points of failure. Stripe Radar uses machine-learning technology to proactively detect and block fraud. This technology is also used to route and retry transactions to optimise authorisation rates and increase revenue for clients.

Diversification from software development to other enterprises

At home in Ireland, the brothers have set up an investment company with their parents; SBCT Investments, with a property and venture capital portfolio.

John Collison is reported to have invested in supersonic jet maker Boom as it launched its carbon fibre prototype plane this month and hopes to fly its first passengers by 2030, a much slower entry to market than the brothers own experience with Stripe. John who is a trained pilot, owns a Diamond DA42 plane together with his brother Patrick.

The Collisons have also turned their attention to climate change and committed $1 million to funding innovative projects that result in large quantities of carbon reduction at low cost. One such project involves transporting tons of coarse olivine sand to the water’s edge on a Caribbean island. The grinding of this sand by the waves results in the ocean absorbing more carbon.

Current status of Stripe and Future prospects

Today Stripe is the financial engine of more than 100,000 businesses. The value of Stripe is currently estimated to be over $36 billion, having raised $100 million in January 2019 and $600 million in its last round of funding in April of this year. The company employs more than 2,800 people, in 16 global offices, including more than 300 in [Ireland](https://www.irishtimes.com/news). Stripe has been successful at attracting top-tier employees, possibly in part as it promotes an egalitarian workplace. The images of staff on the Stripe website are not presented in any organisational hierarchy and are instead shuffled at each page refresh reflecting the company’s culture of equal recognition and opportunity for all.

Whilst the Covid-19 pandemic has impacted negatively on so many businesses globally, Stripe has thrived in this environment where the proportion of purchases made online in the first three months of the pandemic increased from 16% to 34%. Having recruited a new CFO, formerly of General Motors, it has been rumoured that the company are preparing for an initial public offering, however the brothers have denied this stating that ‘there are no near-term plans to take the company public’. What is clear from interviews is that these entrepreneurs are not done yet and will continue to think outside the box providing fresh thinking and software solutions for a range of applications for some time to come.

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