

PITCHIT FINTECH STARTUPS PODCAST NO. 16—ANTONIO PELAEZ DIAZ

Welcome to PitchIt, the fintech startups podcast, one founder, one startup, one investor at a time. I'm your host, Todd Anderson, Chief Product Officer, LendIt Fintech.

(music)

Todd Anderson: On Episode 17, I talk with Antonio Pelaez Diaz of Dapp. Dapp is a payment wallet that uses QR codes and biometrics to make payments faster and more secure for Mexicans. You know, one of the things that I love about fintech is just how much innovation is happening, not only here in the US, but around the world. In Mexico especially, LatAm, more generally, but Mexico is one of those places that fintech is just taking off like crazy.

Dapp is a fascinating story because they are creating essentially their own payments ecosystem outside of the traditional rails and so, users and merchants use digital wallets to send money back and forth or to pay for purchases. Antonio explains how the Dapp ecosystem works, why this form and this ecosystem of payments has helped to eliminate the fear of fraud, trying times they had early on in the pandemic, raising capital and whole lot more. I hope you enjoy the show.

(music)

Todd: Welcome to the podcast, Antonio, how are you?

Antonio Pelaez Diaz: Fine, thanks, how are you?

Todd: Doing well. You know, I'd like to start the podcast with just an introduction. So, tell the audience a little bit about yourself, where were you, in terms of career-wise, before starting Dapp so, you know, introduce yourself to the audience.

Antonio: I'm Antonio, I'm 40 years old. In a very quick way, I worked in Kellogg's Company in Cereal Kellogg's, I worked there like seven years then I started my own advertising agency. In the meantime, I started the advertising agency, I started making an app, something like Yelp but in Mexico and it didn't go that well so that evolved in building a company that developed apps so we started making apps for big companies. About creating Dapp, that is like a safer way to pay in merchants and in e-commerce without compromising your card so in a very fast way that's who I am and what we're doing.

Todd: It sounds like, you said you had a previous company, you have this company that you've always had a bit of a bug to be an entrepreneur/founder, is that the case?

Antonio: I've always been like looking for ideas, looking at different ways to do things and, yes, since 2010, I've been doing this.

Todd: So, in terms of, you know, what your company, Dapp, offers, can you give the listeners an overview of kind of what is the product set and then who are your core or target customers?

Antonio: Of course. What we created in Dapp, it's very difficult to explain because it's something that doesn't exist right now, but what exists with Dapp. When you pay, you always use a railway, you have cash, you have like in the United States you have SELL like the wire transfers in the banks and you have acquirance railway, the cards, Visa, Mastercard so we created a new railway that connects wallets. So, you don't need anymore to connect with a debit or a credit card, you can receive an account in your phone without a card and you can receive a credit in your phone.

So, what we need to do is we inter-operate wallets in one side, we connect with the wallets and the wallet tells us the user has funds to do a payment, to do that payment and on the other side, we connect with merchants and banks, acquirer banks that have merchants, and they tell us that they need to make this charge. So, these guys have nothing to do with the each other, but we are like this middleman, this railway that accepts the balance of the wallet and gives those funds and those confirmation payments to the merchants.

So, in a very fast way that's what we do, we create this inter-operability highway connecting wallets with merchants and also wallets with wallets. You can send money from one wallet to another wallet just in one second and they receive the funds immediately between wallets that they don't know each other.

Todd: Are you, essentially, creating a new payment ecosystem that goes outside of the typical payment rails?

Antonio: Exactly. It's in focus 100% in mobile payments. Right now, you pay with your cellphones, right now, you do it, you scan a QR and you pay, Latin America's working a lot, but they are also making integrations. Right now, we communicate through QR codes, but we're also communicating by push notifications. Imagine you're buying something on a website and like you're buying on your cellphone so you cannot scan a QR if you're buying in your cellphone because you are there.

How it works is that website is saying, hey, it wants to charge you \$1,000 to buy this ticket so you receive the push notification in your wallet. I'm going to put an example, a more American example like Venmo. You receive this push notification saying, hey, American Airlines wants to charge you \$500, do you accept? You put, yes, you put your face, Venmo confirms your face and once you pay Venmo you go back to the American Airlines website and say, hey, we already received your payment.

Honestly, we are not with American Airlines, we are not with Venmo, we just put in an example, but later on, we're exploring like making payments with face recognition like I want to pay in the place, you pay with your face, that's the way you pay. But, what Dapp really does is that through that face the wallet identifies the user and once it identifies the user, it authorizes the transaction to Dapp so Dapp authorizes the transaction to the merchant.

Todd: And so, what about when someone wants to take that money out of the wallet, are there any issues because you essentially would have to, my guess is, put it into a bank account where it interacts with say a more traditional financial ecosystem, how would one then take out that money if the money is in the wallet?

Antonio: The user pays with the wallet, but the wallet delivers the money to Dapp and Dapp delivers the money to the merchant in whatever bank account they want us to deliver it. The merchant, they don't need a wallet, they don't need to open a Venmo wallet, they just receive payments and they receive in their traditional bank, they receive the funds.

Todd: And so, you know, I was looking around on your website and you mentioned that Dapp is an ecosystem so can you go a little bit deeper into that. We talked a little bit about creating a new payments ecosystem, are you working with other type of partners, kind of what's beyond that payment ecosystem in terms of the Dapp ecosystem?

Antonio: We work with other players also. We don't have the merchant. I'm going to put you an example and with this close-looped ecosystem some of them just say, hey, I want to make my QR to accept other ones because I want to put.....just an example, Walmart says, okay, I already have this wallet, this looks good, but I don't want only that wallet, I want other wallets. So, before Walmart starts connecting with each wallet, we say, wallet they already have, they can inter-operate so that wallet connects with Dapp and with the same QR they already have with the merchants that QR can be paid not only by the wallet but by several wallets so we do this ecosystem together.

If the merchant...we can offer them a QR, but, you know what, I already have the wallet to Banco Azteca, okay, don't worry, Banco Azteca inter-operates through us so the acquirer of the merchant is Banco Azteca, but they can receive not only Banco Azteca, they can receive several wallets. So, we let all the players that are involved in transactions, we let them play together so that the transactions can be done.

Todd: The last 18 months, we've seen a lot of influx of new people using the digital financial ecosystem, what about the fraud aspect to it? How big of a problem is fraud and did you see with all these new activities online the last 18 months, did fraud become a bigger problem and how do you guys deal with the issue of fraud?

Antonio: Actually, the fraud that we know comes because the card railway has fraud problems. Why? Because if I stole your card, if I take a picture then I can go to e-commerce and buy things and the e-commerce is not sure that the owner of the card is the guy that is buying so, that's a really big, big problem of fraud in the payments. With here, we kill all the fraud. Why? Because when you pay, you pay in these fintech wallets, when you're enrolled to the wallet, you enrolled with your face so every time you pay, you pay with your face. There is no.....

Todd: No password. no username, it's just the biometrics, the face?

LendIt Fintech



Antonio: Biometrics, it's face or fingerprints.

Todd: Yeah.

Antonio: So, there's no fraud. So, when a user says, hey, somebody used my wallet to pay, your wallet is going to tell you, hey, Todd, it was you, you pay with your face, I know it was you. So, actually, the acquirer bank doesn't even know about the product because it doesn't go more. Once the user makes the fraud call, the same wallet says, I know it was you because we don't use cards, we use the local balance or the local credits.

So, one thing that we're seeing is that we know that these cards, everybody thinks that the credit is here, it's just the way you can spend your credit. The credit is in the cloud, it's over there so what some wallets are making right now is they give you the credit directly on your phone and now you can use your credit with us that's why we kill the fraud. Actually, we've been one year transacting and we haven't had one single fraud reclamation.

Todd: You know, I also saw on your website and I think when reading a little bit about you guys that you're looking and I think you're potentially partnering with someone on crypto, you know, kind of how do you guys view crypto? I know where crypto is kind of here in the US, but in LatAm, where do you think crypto is today?

Antonio: It's growing, crypto is growing a lot like everywhere. Some people hate crypto, they think that it doesn't work and some people love crypto, but it's growing like Bitso. Bitso is the second unicorn in Mexico, they're growing a lot. The interesting thing about crypto with Dapp is that we enable crypto payments, but actually the merchant is not receiving a crypto payment.

Why is that? Because what we do in a very like quickly way is the wallet only authorizes the transaction, they don't give me that money. They only say, hey, Antonio, Todd has enough money to do that, it doesn't give me the money at that moment. What I do is I have a pre-paid bag of that wallet and when you tell me, hey, Todd has \$100, I go to that bag, take \$100 and give it to the merchant.

So, we make crypto acceptance in a lot of merchants because you can scan with the crypto wallet. I don't know if they're paying with Ripple, with Bitcoin, with whatever they want to pay, they just tell me, hey, that guy has \$100 in points, in mileage points, I take \$100 and give it to the company and they take off. That crypto, they convert it in dollars and once they convert it, they put money again in the bag that we already take off that money.

Todd: If I have this correct, you guys are only in Mexico. Do you have plans to go elsewhere and second question is, you know, I know that the payment rails vary from country to country, you guys have kind of created your own payment rails, but what about potentially interacting with a traditional payments rails ecosystem?

Antonio: Right now, we're focused 100% in Mexico. We need like to conquer Mexico, to establish in Mexico. Right now, we have 25,000 merchants, the objective in the next 12 months is to have more than 200,000 merchants because that's when people are going to be able to use it because, right now, if I tell you, you can pay in 20,000 merchants maybe outside of your house or your neighborhood, there's no way, there's no merchant that receive. But, once we have 200,000, it's going to be something more regular for everybody. So, that's the idea in the next 12 months and, definitely the idea is inter-operating globally, that's that big.

We're in a certification right now making a pilot with UnionPay, UnionPay is like the other Visa, Mastercard in Asia and UnionPay in Asia, everything is QR payments, everything is in QR payments. Actually, UnionPay is aligned with WeChat where the QR of UnionPay and (garbled) they are inter-operable together. So, what we are doing is Union tagged us about enabling their Asian people that live in Mexico, they're going to be able to pay in Mexico, Mexico merchants with WeChat or with UnionPay so that's like the first pilot of inter-operating.

The idea is not to own the inter-operability globally because that's not the way things have to be done, we think so. An example with other inter-operable railways like Visa and Mastercard, but they what they do is they own each country so they make the rules in each country and they own everything. We don't want to do it that way, what we want to do is like make this network with the players in each country. So, Dapp is in Mexico, a good player, maybe in other countries, but maybe in Brazil we have other players that have connections with other wallets so what we do is we connect those wallets in Brazil.

If they want to pay in Mexico, they can do that, they can pay in Mexico, but if they want to pay in India, there's another player. So, what we are doing is this network where the players that are involved, the wallets and the merchants, they share a commission and Dapp has nothing to do, but is helping to build the network. So, that's the network that we're looking for, we are making the alliances. Right now, we already have alliances in Latin America and some in Europe, but not focusing on launching right now, just start making connections, making the APIs and suddenly, one day we will go more than Mexico.

Todd: I want to shift a little bit. You know, how big is the team, how has the pandemic and the impact of the last 18 months been on the team, especially with a company like yours that's growing. Has there been a big benefit or detriment from the pandemic?

Antonio: We were out of money and we were raising our Series A before the pandemic and the pandemic like slowed it down a little bit so we had like to reduce salaries, we had to let go some people and we finished in the pandemic.... we were eight people when the pandemic started and letting go some people from the team, but then, we launched in June 2020 and contactless payments make a lot of sense in the pandemic.

Fortunately, we were building something four years ago that we ready to be ready for the launch actually in pandemic. We were in a very like sweet spot in contactless payments so we started with ten

merchants in June 2020 and in one year we grew 25,000 merchants. So, it definitely helped and we are now 40 people right now in the team so we had our bad times, but everything happens for a reason so, right, now, I think we are pretty well.

Todd: I saw that you guys raised some outside capital, how was investor appetite for it and do you have any advice for other founders who might be in the midst of raising capital?

Antonio: We raised our Series A, fortunately, everything went well, one year of negotiation, it was very difficult because it was the pandemic and all that stuff. What I'm going to tell you is that ...some advice I would give is you're trying, it's your dream, nobody knows how to do it better than you are doing it. So, a lot of funds tell me, hey, I love it, but they don't understand because we were doing something that nobody else was doing, they were like you should do this, you should do that, if you should do this maybe I will invest in you and I said, no, if you would do this, it doesn't have sense what we are doing.

A lot of funds, they didn't invest and they said, keep in touch, once you raise your Series A tell me, I definitely will be back. If you achieve what you say that you are achieving, that would be awesome, but, honestly, I don't think you can achieve it. So, a lot of funds sent us home very quickly, we were desperate sometimes, but one of our angel investors told me, hey, if they don't want it, they lose it, it's their loss. You have a great product, you're doing it great and he told me, do you have money for all of these, sell your car, sell your house, that's your problem, but your product is an awesome product so it helped.

After that, things started happening and he helped so why I tell this, nobody knows how to do it better than you, don't sell your idea, don't sell your dream just because of a couple of bucks. It's better to talk with 40, but you are going to find these 41 fund investors that will love the way you're doing it and he's going to really give you value if he understands. So, that's one of my main.....in raising capital, the way we did it, that's the number one tip I will give.

Todd: That's some good advice. We just have a couple of minutes left, I'd like to end with a little bit of fun. Do you have a favorite book or if you don't.....if you're not a big reader, do you have a favorite podcast, kind of what are some of the favorite things outside of work that you've enjoyed in terms of reading or podcasts?

Antonio: I do a lot of things about that. About books, I wasn't reading a lot, but I started having a lot of highways going to connect to Mexico City every week so I started this audible like listening to a lot of books and now I have a lot of books that I love, but the ones that I would like to read right now is....one is called "The Code of an Extraordinary Mind." I love that because it made me question me a lot of times. Total Recall, Schwarzenegger, I love the way he said everybody can do whatever they want if you just believe in yourself.

Right now, I'm reading "Green Light" by Matthew McConaughey and I'm liking it a lot. I wake up early in the morning and the first thing I do, I see this short....there are many videos always in YouTube, but

LendIt Fintech



I always.....when I wake up, the first thing I do at 5 am is watch this like motivational video, 3-minute video, there's a lot on YouTube, I just watch one and it helped me to wake up like motivated.

And I know a book that really changed my life is called "The Miracle Morning" that tells you the way you live your first 20 minutes is the way you're definitely going to live the rest of your day. So, if you wake up like oh, I have to do this, oh, I don't have time, all your day is going to be like that. But if you wake up because you want to wake up and you know what you're doing, the reason for waking up and you start the day because you want to not because you have to, it helps you so that helped me a lot. "The Miracle Morning" helped me a lot, a lot.

Todd: Fascinating. My guess is to this next question since you're in Mexico, your favorite sport is soccer.

Antonio: No, (Todd laughs) I used to love soccer a lot. Actually, when I went out and went to Kellogg's I think that I had a lot of people (inaudible). Sports I do, I love wakeboarding, that's my favorite sport that I do.

Todd: Final question to end with, your biggest inspiration in life.

Antonio: Wow! A lot of guys inspire me, a lot of them because I think like a lot of people inspiring in a different way like I'm an entrepreneur like I am because my Dad is a movie director. Movie directors need to have funds, need to have money for a lot of things and he always beat chasing his dreams and he's 78 years old and he's still making movies so that's a great inspiration in about doing what you love.

But, I have other guys like Will Smith, he helps me to motivate me a lot, Matthew McConaughey helped me a lot. I think like I take a little bit of a lot of people, but I think Jim Carrey also has a lot of things I have learned about Jim Carrey, Denzel Washington. Those guys have really shared their way to being successful in life, show you that success is not about having money. It's about using your time in the things you want to do with your time. I learned a lot about from these guys so those have been a lot of inspiration for me.

Todd: Antonio, I appreciate your giving me a few minutes today, it was great to connect with you. I wish you and the team at Dapp continued success and, hopefully, sometime we'll get to meet in person and we'll get you back on the podcast in the future.

Antonio: Thank you, Todd, thank you very, very much. Awesome to meet you.

Todd: Thanks.

(music)

LendIt Fintech



Thank you for listening to the latest episode of PitchIt, the fintech startups podcast. I encourage you to take a few minutes to write a review or rate the episode. Ratings and reviews both help us to improve the show for future episodes. If you're interested in learning more or would like to be considered for a future episode, please reach out anytime to todd@lendit.com and until next time.

(music)