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How a 'Wizard of Oz moment' led Dwolla back to Iowa

By Kevin Hardy
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For the first time in six years, Ben Milne sits at one desk and sleeps in one bed.

For the founder of Dwolla, a darling of the Iowa tech startup scene, it's a welcome change from the years he and his team spent traveling between Silicon Valley and downtown Des Moines.

"I've never had this consistency during this project," Milne told The Des Moines Register. "For me personally, I feel like I've never been more productive, and I've never been more optimistic."

His confidence comes amid a time of fundamental change for Dwolla, whose core business has shifted from its well-known consumer application to a behind-the-scenes software provider for other companies.

"It's kind of: You innovate, or you die," Milne said. "You adapt or you die. You evolve or you die."

Dwolla's changing focus has brought with it a renewed emphasis on the Midwest. A fresh round of investments totaling \$6.85 million that were announced in January is prompting the company to hire more people here.

After laying off several workers in 2015, the company is now poised add another 20 workers.

"At this point we, not just as people, but as a company, have boomeranged back to the Midwest," he said. "We really built this company for the second time."

Dwolla's 'Wizard of Oz moment'

When Dwolla launched nationally in 2010, it frontiered mobile payments, allowing consumers to easily and affordably transfer money from their bank accounts to friends or family.

In 2013, Milne and several others opened a San Francisco office with plans to build out the company's leadership team in the heart of the tech industry. Milne said his team needed to get out of its comfort zone and learn new things.

But they discovered that their cutting-edge payment technology had become mainstream. Dwolla leaders decided they would have better luck empowering corporate giants working in the space, rather than competing with them for market share.

Now, Dwolla makes its application programming interface, or API, available to other businesses and developers to build into their own native applications.

"Markets do not stay the same," Milne said. "Dwolla had a great opportunity — when the market needed a way to move money around with the internet, Dwolla was a great solution. Now there are banks giving that away for free."

This transition has been underway for several years: In September 2015, Dwolla launched its white-label payments processing system, which allowed other businesses and banks to buy into Dwolla's money-transfer system without putting Dwolla's name on it.

In December 2016, the company dropped its consumer app, underscoring its move away from consumer-facing technology.

In the process, they've come full circle and have brought back to Iowa the wisdom they gathered in Silicon Valley.

"It's kind of like we had our own Wizard of Oz moment," said Jordan Lampe, the company's head of communications and policy affairs, who has worked for Dwolla in Des Moines and San Francisco. "We've had a lot of the things that are making us a really strong successful company. We just didn't know we had it."

The 'humbling' course of change

For years, Dwolla has been a poster child for successful tech startups among central Iowa entrepreneurship circles.

Mike Colwell, executive director of entrepreneurial initiatives at Square One DSM, a startup accelerator from the Greater Des Moines Partnership, said the company's consumer-facing technology afforded it a higher public profile than other startup phenoms such as Ames-based Workiva and West Des Moines-based Funnelwise (Workiva's cloud-based software makes it easier for companies to file SEC reports, while Funnelwise's software visualizes sales and marketing data for clients).

"I think they garnered a lot of attention and maybe more than their share, per se," Colwell said. "But to me it's all a positive for Des Moines."

That's because companies such as Dwolla show potential entrepreneurs that success can be had in Iowa.

And each round of investment — Dwolla's most recent round included commitments from some of the biggest venture capital names in the business — gives potential investors more reason to look at central Iowa companies.

Moving forward, Colwell said Dwolla should benefit from having most of its team members in one place, rather than splitting staff between offices here and on both coasts. And the new focus

means the company doesn't have to worry as much about mass marketing or retail public relations.

"Certainly, it's always humbling to have to change paths. But a lot of startups don't see that as bad," he said. "I think the mark of a good startup is the one that listens to their customer. And sometimes as the market changes, the customer changes."

'The entire state is rooting for them'

Dwolla, which counts actor and Iowa native Ashton Kutcher among its investors, has raised some \$35 million over the years, before last month's infusion of another \$6.85 million.

Next Level Ventures, an Iowa-based venture capital fund, was among the latest round of investors. Craig Ibsen, managing principal at the firm, said the decision to invest in Dwolla was easy. Next Level Ventures specializes in growing Iowa tech companies.

"For us, it was not a difficult decision," he said. "We invest in great Iowa tech companies. This is without a doubt a great Iowa tech company."

On paper, Dwolla has a lot going for it: Since October 2015, its month-over-month revenues have increased an average of 15 percent.

It's always difficult to start a new company, Ibsen said. But he thinks it might be a little easier in a place such as Iowa, where community and business leaders are accessible and willing to offer advice and support to budding entrepreneurs.

"There's been a long history and I would say even a long love affair with Iowa and Dwolla that goes back a long time," he said. "They've got a great support group. The entire state is rooting for them. And that speaks to why it's great to build a tech company here in Iowa."

'It's very similar to Silicon Valley'

On the 18th floor of the Financial Center, Dwolla's office epitomizes the casual approach to work that has come to define tech startups.

Shiny concrete floors and exposed ductwork frame the mostly open office, which is decorated with bright orange furniture and contemporary art.

While the aesthetic is casual, Dwolla leaders are adamant that the company is serious about the task at hand: They wear suits when they need to. And they put away the ping-pong paddles for serious meetings in the office.

Employees pulled long hours as Dwolla got off the ground six years ago, but the expectations have now settled to more manageable schedules.

Hours are flexible: some employees work from 7 a.m. to 3 p.m., getting off in time to pick up their kids. Others don't come in until noon and stay until 8 p.m.

During last week's hackathon, a collaborative programming event, employees cracked open beer bottles and gathered around on bean bags, picnic table benches and rolling office chairs.

Various groups, most wearing hoodies, T-shirts and jeans, took turns pitching various ideas to improve the business: One project suggested even more advanced security measures for Dwolla's software, while another sought to build a sales demo for prospective clients.

The atmosphere here is on par with offices in Silicon Valley, said Genny Couch, a Dwolla saleswoman since June. She would know: Couch, a 25-year-old from the Quad Cities area, previously worked as an account executive at Yelp in San Francisco

"I think that we are a very thoughtful company. ... All the members of our team are really valued," she said. "And everybody's opinions really matter."

Couch knew Dwolla mostly because of its iconic stickers she saw around town during her time studying at Iowa State University. She originally thought San Francisco might be a permanent move.

But the high cost of living there — one Dwolla employee was forking over \$2,000 a month for a 285 square-foot apartment while stationed in the bay area — made her view the job as a temporary gig.

The timing worked out, and in 2016, she moved to Des Moines to work for Dwolla.

"I missed the Midwest. I missed the people here," Couch said. "There's a genuineness that you don't find on the West Coast."

Dwolla at a glance

Launched: December 1, 2010

Headquarters: Des Moines

Employees: 38 in Des Moines, 42 total

Investments: More than \$40 million