

MicroSave Briefing Note # 113

Beyond Remittances: How To Expand Your Mobile Money Product Suite

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The Star Product

When huge unmet demand meets a product that customers want at a price they will pay, the result is a star product. Remittances, the money migrant workers send home to their families, provide crucial financial support for millions of people in developing countries. This results in a huge demand for remittance services. Formal service providers rarely service this demand, and other remittance systems are often too expensive, too risky, or too slow and unreliable.¹ What customers need is a remittance channel that is cost effective and easily accessible. Mobile money offers a perfect solution as it responds to the unmet demand and has an advantage in terms of access and cost.²

M-PESA's success in Kenya was based two things – huge unmet demand and very few formal alternatives. Before M-PESA, Kenyans would SMS the 16 digit code of an airtime scratch card to the recipient (usually in their home village). The recipient would then sell the airtime at a discounted rate (typically at a 10-20% discount) to someone in order to get cash. The system was secure, convenient but expensive. M-PESA responded to this opportunity and formalised this informal system at a lower cost.

Why Beyond Remittances?

Remittance is the most common entry point for mobile money systems as it not only addresses significant pain points for customers but also builds trust³ in the system. However offering only remittance – the star product – is rarely sufficient. Expanding the product suite to offer other services and products is essential. The reasons for this are:

Viability: Remitters will use the remittance product but remittances alone are unlikely to provide a viable business case for mobile money. Enhancing channel use by offering multiple products will drive significant volume that will make it viable. For example, *MicroSave's* research on remittances to Uttar Pradesh in India shows that only 45% of the remitters transact on a monthly basis and 42% of them remit only up to Rs.3,000 (or about \$67).

Needs Beyond Remittances: Over their full life cycle, the financial service needs of poor people are diverse and complex. Meeting all these needs only by using remittance is not possible. A study in Bangladesh shows that no household uses less than four different financial services.⁴ Poor households are using informal sector variants of multiple products and services – at great risk and cost. For example, *MicroSave's* study of the relative risk to poor

people's savings in Uganda showed that 99% of people saving in the informal sector had lost on average 22% of the amount they had saved that year. Huge unmet need for access to reliable financial services represents a profitable opportunity serviceable by m-banking channel.

Economies of Scale and Scope: To achieve economies of scale, and meet competition, service providers have to widen their product range by offering common 'infrastructure rails' for multiple products to ride on. According to CGAP,⁵ "A comparison of the largest branchless banking businesses reveals that they deliver different services, generate income and other benefits from different sources, and distribute revenue through the value chain in different ways". It is very important to achieve as many customers as possible, but there is always a limit to the number of customer that can be enrolled under an agent. Hence, it also becomes important to focus on economies of scope and conduct as many transactions per customer as possible.⁶

Mobile Money - Bank and 3rd Party Products/Services

Banks and third party service providers play an important role in the mobile money framework. In a country like India where branchless banking is bank-led, it is very important for the mobile money service providers to leverage their relationship with banks to widen the product suite. Currently in India, Electronic Benefit Transfers (or EBTs) routed through banks account for significant proportion of revenue for many agent network managers.

Over time, sophisticated agents will move beyond EBTs, savings and remittances and focus on credit, loan appraisal, account opening, and different types of deposits like recurring and fixed deposits that will increase channel use. In this context, it will be important to distinguish between basic cash in/out merchants and agents that cross sell and conduct sophisticated services on behalf of the bank. Agent network managers can also tie up with third party financial service providers and MFIs, and offer products like insurance, mutual funds and loans. For example, SMEP, Musoni and other MFIs in Kenya use the M-PESA system for loan disbursement and repayment. In India, mChek collaborated with Grameen Koota to facilitate loan repayment through their mobile platform.

How Do We Do This? Getting It Right

Expanding the product suite involves planning and making critical decisions. The following form the building blocks

¹ See [MicroSave's research on remittances in India, Kenya and Uganda & Tanzania](#)

² See [MicroSave India Focus Note 29: Potential for E-/M-Banking Enabled Migrant Remittances](#)

³ Mobile money remittance service provides instant confirmation of the transaction. The remitter can call the recipient and ensure that they have received the money. This option is not available to those who are saving on a mobile money platform, which is why (initially at least) around 75% of transactions of savings focused mobile money offerings are typical just balance enquiries from users seeking to confirm that their money is still there on the system.

⁴ "Microfinance's social impact: cutting through the hype" Jonathan Murdoch, [Financial Access Initiative](#)

⁵ "Agent management toolkit – Building a viable network of branchless banking agents, a technical guide", CGAP

⁶ See [MicroSave India Focus Note 65: "Successful Banking Correspondents Need a Compelling Product Mix"](#)

of expanding the product suite: strategy, customer value proposition, and institutional assessment.

The Right Strategy⁷

Proper strategic planning is imperative for broadening the product suite. *Corporate brand and identity* is essential for building and maintaining trust, and ultimately for reducing spend on marketing and communications. *Product strategy* should optimise the product mix, pricing, and communication. The nature of mobile money products, and how they are priced and marketed, is fundamentally different from products delivered by other channels. *Product delivery and customer service* is largely dependent on effective channel management. This has been the downfall of many high potential mobile money systems. Recruiting, training, incentivising and monitoring the performance of agents is complex, but essential. Agents are the face of the mobile money system and determine the customer experience and thus success or failure of the system. The distribution network has to be strong and reliable - an effective customer and channel satisfaction monitoring and management system (CSM) needs to be designed and implemented to ensure this. *MicroSave* uses ServQual⁸ based approaches to this.⁹

Defining The Strategy – Key Considerations

- ❖ The value proposition has to be market driven, scalable and profitable to ensure sustainability in the long run. The value proposition must benefit all the partners involved: the bank, technical service or platform provider, agent network manager, agents and customers.
- ❖ The product mix must be appropriately designed, offering real value to consumers, which will enable cross and up selling in due course. The product mix needs to be simple if it is to be delivered through an agent network. Overtime, it should be possible to add additional products incrementally.
- ❖ The alliances, partnerships, vendor support should be well planned with clear synergies and backed with detailed contracts and key performance indicators.
- ❖ The technology should be proven, scalable, secure and cost-effective with adequate longevity.

Identifying the Right Customer Value Proposition

It is very important to find out what the appropriate set of benefits that the customer wants from a service/product to provide convincing reasons for a customer to avail a service/product. This also differentiates the service/product from competitors. Detailed market research is essential to understand customer needs, perceptions and behaviour before deciding on the product mix. The existing alternatives, key influencers and drivers have to be analysed. The mobile money service provider should also have a comprehensive understanding of the product attributes¹⁰ that clients look for, and how they assess¹¹ the alternatives they have. For example, *MicroSave* conducted

a market research to design five savings products to be delivered through an agent network in Africa. The process took four months and culminated in the “concept testing” of the products with clients. This upfront investment of time/money in developing the right customer value proposition will reduce the costs of marketing in the long run.

Institutional Assessment: SWOT and PEST Analysis

It is very important to have a clear understanding of the institution’s capabilities and the impact of the environment on the institution before widening the product suite. Extension of strengths and weaknesses of a traditional SWOT analysis, beyond the mobile money service provider to cover the bank, the agent network manager, and the agents is crucial. Similarly, the external factors, the opportunities and threats, can be analysed using a traditional PEST analysis. Under the social component, the legal regulatory elements will play a critical role. For example, in India, the regulatory framework defines, the products/services offered through branchless banking agents, which will influence the product suite.

Towards A Mobile Money Ecosystem

Ultimately, a mobile money platform could and perhaps even should be capable of acting as a one-stop solution for all financial services. Oxigen is a mobile money service provider in India that offers a wide range of services including ticketing, payments, P2B, G2P and a range of banking services. M-PESA is another service provider that enhanced its product offering by widening the product suite through offer the M-PESA system to literally hundreds of businesses.¹² In the long term, as “cash light” ecosystems emerge we will see a significant reduction in fees for remittances and P2P transfers, and much more emphasis on charging for conversion of e-money into cash and for using the power of e-money to simplify accounting and reduce businesses’ need to handle and manage cash.

It is essential to look beyond remittances both to drive profitability of mobile money systems and to cater to the huge unmet financial needs of the masses. However, it would be a mistake to assume that clients are essentially homogenous. The easiest way to get the product suite right is to listen to clients carefully and to match their needs with the organisation’s capabilities. Broadening the product suite enables a mobile money platform to expand its client based, drive the number of transactions on the system and ultimately to reap the benefits of what are almost infinite opportunities. There are billions of potential customers waiting for these services.

⁷ See [Briefing Note # 22: “Strategic Marketing for Microfinance Institutions”](#), March 2005, *MicroSave*.

⁸ [For more information on ServQual please click here](#)

⁹ See Briefing Notes # [110](#) and [111](#) for a description of agent and customer focused CSMs

¹⁰ See [India Focus Note 52: “Removing the Pain from Using Cash: An M-banking Solution?”](#), September 2010, *Microsave*

¹¹ See [India Focus Note 47: “Who Says You Can’t Do MicroSavings in India? Part 3: So Where to Go from Here?”](#), July 2011, *Microsave*

¹² See [Briefing Note # 93 “Innovation And Adaptation On The M-PESA Rails”](#), May 2011, *MicroSave*