

MicroSave

Market-led solutions for financial services

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and Latin America

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MOBILE MONEY – INFLUENCERS OF SUCCESS

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- GCash
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- NTT DOCOMO's Osaifu-Keitai
- Paybox
- mPass
- OiPaggo
- Digicel—Haiti & Pacific
- T-Paggo
- Yellow Pepper
- M-PESA—Kenya and Tanzania
- Tigo—Tanzania
- MTN—Uganda and Rwanda
- Wizzit

We also drew upon our experience of working with our partners across the globe to arrive at the insights presented here. We believe that Eko, Equity Bank Kenya and First National Bank Papua New Guinea deserve a special mention.

Abbreviations

A2I	Access to Information
AML	Anti-Money Laundering
ARPU	Average Revenue Per User
ATL	Above The Line
ATM	Automated Teller machine
BDO	Banco De Oro
BRAC	Bangladesh Rural Advancement Committee
BSP	BankoSentralngPhilipinas
BTL	Below The Line
CBK	Central Bank of Kenya
CFT	Combating Financing of Terrorism
DfID	Department for International Development, UK
e/m-banking	electronic/mobile banking
G2P	Government to Person
GDP	Gross Domestic Product
GSM	Global System for Mobile Communications
GSMA	GSM Association
HIFIVE	Haiti Integrated Finance for Value Chains and Enterprises
HMMI	Haiti Mobile Money Initiative
ICT	Information and Communications Technology
IVR	Interactive Voice Response
KYC	Know Your Customer
LGD	Local Government Division, Bangladesh
M-Wallet	Mobile Wallet
MFI	Microfinance Institution
MMU	Mobile Money for the Unbanked
MNO	Mobile Network Operator

MOU	Memorandum of Understanding
NFC	Near Field Communication
NZD	New Zealand Dollar
OTC	Over the Counter
P2P	Person to Person
POS Device	Point of Sale Device
RBAP	Rural Banks Association in the Philippines
SIM	Subscriber Identity Module
SMS	Short Message Service
UISC	Union Information and Service Centre
UNDP	United Nations Development Project
USD	United States Dollar
USSD	Unstructured Supplementary Service Data

Executive Summary

The low levels of financial access across the world, combined with the high levels of mobile penetration is a sign post for the enormous potential for mobile based financial services. However, apart from a few well known deployments, most mobile money initiatives so far are yet to deliver substantially on the promise of mobile money.

This begs the question of why some of these deployments are more successful than the others. In this study, we attempt to examine some notable mobile money deployments across the globe to search for an answer.

We have examined key aspects—both internal and external, which have determined the success of mobile money initiatives worldwide. The aspects studied include:

- Regulatory landscape
- Socio-economic conditions
- Stage of market development
- Profile of service providers and role of supporting institutions
- Managing the customer value proposition
- Channel management
- Technology and user interface
- Segmentation, targeting and positioning
- Branding, marketing and incentives

Regulation defines the rules of the market. Regulation has the potential to enable or disable market growth. In most conducive regulatory environments, for instance, Kenya and the Philippines, regulators have enabled a level playing field by showing a willingness to experiment, learn and implement regulations as and when the market has evolved. Progressive regulators have realised limitations of mainstream financial services and have enabled non-bank entities to develop and implement mobile financial services. Many regulators, for example, the State Bank of Pakistan, has realised the need for

relaxed documentation for enabling access to low income customers and have accordingly instituted levels of KYC suited to market realities. While facilitating market development, pro-active regulators have also ensured that vulnerable low income customers are protected and mandated appropriate customer protection and security measures.

Socio-economic conditions determine market behaviour. Literacy rates, social norms and value systems should determine product, process and policy design and implementation. The level of financial access in the economy is another factor which will define target market segments and the core value proposition. Service providers have to be cognizant of these factors before they determine their go-to-market strategy.

Mobile money deployments have been successful in markets with both developed as well as underdeveloped market conditions. However, the service offering and positioning has differed considerably based on the **stage of market development**.

The **profile of service providers and role of supporting institutions** has often been a key determinant of success. It is seen that most successful deployments have been promoted by MNOs, usually with dominant market positions. However, nearly all of them have entered into partnerships with diverse payment system facilitators and providers including financial institutions, utility service providers, payment processing entities like payment card issuers, currency exchanges etc. Many service providers have also received support in the form of seed funding and technical advice from international agencies, especially in the early days of the deployment.

Proper **management of the customer value proposition** is in the end, what drives adoption and usage. In the context of mobile money, it can be seen that most successful deployments went to market with well-defined anchor products—M-PESA being a prime example. But the focus on anchor products have been successful only where market realities were taken into consideration and the solution was designed with a keen eye on market

requirements. For example, in most East African markets, domestic money transfer was the anchor product, while True Money in Thailand thrived on a solution designed around facilitating bill payments. Service providers have also ensured that solutions were convenient to customers by ensuring easy registrations and implementing convenient access mechanisms. Successful mobile financial services were also priced to reflect customer capability and willingness to pay.

Channel management strategy of service providers has often played a prominent role. Much can be learned from the experience of an Indian service provider that extensively advertised its new mobile money service without putting in place an adequate agent network on the ground. The deployment failed to take off and advertisements ceased as the service provider realised the mistake. A cash-in/out network is vital, especially in markets where payments still primarily happen in cash. Moreover, human intermediation can also help build trust in the system. Providers need to ensure that the agent network grows in parallel with customer acquisition, since both complement each other to result in network effects. Field agents need to be provided adequate operational support as well to ensure effectiveness and efficiency.

Technology and user interface adopted should be suited to the intended customer segment. Transactions should be real time, online and supported by adequate transaction confirmation mechanisms.

Segmenting the market, determining **target** segments and **positioning** the solution to meet the requirements of the segment is imperative. Service providers should have a clear understanding of the market prior to design of products, services and delivery processes. Appropriate market segments with adequate potential and are practical to target, need to be identified and all aspects of the service offering need to be tailored to reflect the needs of the identified segments.

Without exception, all deployments studied have shown nimbleness in identifying and implementing suitable **branding, marketing and**

incentive strategy and tactics. Most deployments have leveraged the association with a successful parent entity and ensured that the role of the parent is highlighted in branding and marketing collateral. They have also identified key needs of the targeted segments and designed marketing messages to reflect these needs. Service providers have customised the marketing mix as well to reflect the intended target segment. Along with marketing and promotions, many service providers have also instituted incentive schemes to drive adoption and usage.

It needs to be noted that while the aspects mentioned here largely cover the environmental as well as the internal factors, blindly adopting these do not automatically lead to success. All the factors are context specific and need to be examined, adapted or even completely thrown out depending on the realities of the market in which the deployment is active.



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1. Background

Two and a half billion adults in the world do not have bank accounts; but about a half of them have a mobile phone. To casual observers, success of mobile money deployments may appear to be a foregone conclusion just on the basis of this fact.

Most industry watchers agree that M-PESA is indeed a disruptive leapfrog idea, a manifestation of Professor Schumpeter’s creative destruction¹ with a Kenyan face. Every day, M-PESA transactions in Kenya outnumber Western Union transactions globally. Sixty percent of all electronic financial transactions in Kenya go through M-PESA, a flow equal to more than 20% of country’s GDP.²

One would imagine that there is a great demand for mobile money services and that all mobile money deployments are runaway successes. However, even though there are around 140 mobile money deployments around the world, only a handful of them can be categorised as ‘successes’.

This begs the question; what determines success? In order to answer this, *MicroSave* attempted to retrace the paths of 17 mobile money deployments across the globe and analyse success determinants. This report assesses the commonalities among these 17 deployments that perhaps, contributed to their success.

MicroSave adopted desk research as a methodology to identify the critical success factors of all the deployments included in the study. Many reliable studies have been published, which analyse the deployments in detail. We perused these studies and attempted to connect the common dots that lead to success.

¹ Creative destruction is an economic theory primarily propagated by Joseph Schumpeter, which postulates that economic development arises out of a destruction of prior economic orders. **Schumpeter**, Joseph., *Capitalism, Socialism and Democracy.*, 1942.

²**Omwansa**, Tonny K., and Nicholas P Sullivan., *Money, Real Quick, The story of M-PESA*, Guardian Shorts, 2012

The seventeen deployments included in this study are –

<p>South Asia</p> <ol style="list-style-type: none"> 1. easypaisa 2. bKash 	<p>Europe</p> <ol style="list-style-type: none"> 3. Paybox 4. mPass
<p>Africa</p> <ol style="list-style-type: none"> 5. M-PESA—Kenya and Tanzania 6. Tigo—Tanzania 7. MTN—Uganda and Rwanda 8. Wizzit 	<p>South East Asia</p> <ol style="list-style-type: none"> 9. GCash 10. SMART Money 11. True Money 12. Wing
<p>Latin America</p> <ol style="list-style-type: none"> 13. OiPaggo 14. T-Paggo 15. Yellow Pepper 	<p>Asia Pacific</p> <ol style="list-style-type: none"> 16. NTT DOCOMO’s Osaifu-Keitai 17. Digicel—Haiti & Pacific

Although we tried to consider all possible criteria while enlisting success factors, the list may not be exhaustive and may not necessarily guarantee success, if adopted.

Our objective is to provide an indicative set of global best practices to assist service providers and facilitate strategic and tactical decision making.

We assessed success determinants including both internal and external aspects and cover regulatory landscape; socio-economic conditions; stage of market development; role of service providers and supporting institutions; management of the customer value proposition; channel management; technology and user interface; segmentation, targeting and positioning; and branding, marketing and incentives.

In sections which follow, we assess these aspects in greater detail.

2. Regulatory Landscape

Regulation in any domain defines the boundaries, and to a large extent, the industry business rules. They ensure that products and services are delivered effectively and efficiently to the intended segment. Any regulation should ideally have two aspects to it so as to allow industry players to constructively innovate towards delivering best possible solutions to the end-users - openness to constructive innovations; and certainty in existing set of regulations so as to dissuade incumbents from arbitrary interpretation of loose ends/undefined clauses.

The same conditions apply in the case of regulations for mobile money. The mobile money industry is in its early evolution phase in most markets worldwide even though the parent industries, i.e. banking and ICT (information and communication technology) are probably two of most prudently regulated industries globally. Whether it is Africa or Asia, successful mobile money deployments need a common set of regulatory enablers. Four such key regulatory enablers are as stated below:

- Regulators' inclination to *"experiment, learn and implement"*
- Allowing non-bank entities to launch digital wallets
- Relaxed KYC requirements to ensure smooth sign-up experience for customers
- Emphasis on consumer protection and security

2.1 Regulators' Inclination to "Experiment, Learn and Implement"

The fact that the operations of the mobile money industry are evolving necessitates a regulator to be open to innovations/experiments, willing to test new ideas and then to implement innovations that show promise. Central Bank of Kenya and BSP of Philippines are prime examples of regulators who have assisted industry growth by adopting a flexible, yet prudential approach.



The case of central bank of Kenya is a classic example of how the evolution of M-PESA has shaped mobile money regulations in the country. The pro-activeness and receptiveness of central bank is one of the key success factors that resulted in the growth of mobile money in the country. CBK bought the idea of allowing a non-bank to promote payment systems. The regulator chose not to create regulations around the new system to prevent unnecessary barriers. CBK decided to closely observe the development and learn from it. Regulations came along later.



BSP (Central Bank of The Philippines) has adopted what they call a *"flexible, yet rational"* approach when it comes to mobile banking regulations. As one the pioneers, it started with allowing only banks to venture into mobile banking space; but later, in order to make the industry more competitive, it allowed non-bank entities to issue e-money. Since then BSP has made progressive amendments to its regulations based on its own market assessment and feedback from the industry. Relaxing training guidelines for agents, allowing innovative business models like Banko are some such examples.

2.2 Allowing Non-Bank Entities to Launch Digital Wallets

Delivery of financial services through digital channels usually falls under the purview of the financial sector regulator. However, looking at some of the most successful mobile money deployments globally, one would find most of the service providers to be non-bank entities. Be it M-PESA in Kenya, G-Cash in the Philippines, WING in Cambodia, or PayPal globally, most of the success stories are from the stables of such non-banking entities.

So, is this a mere co-incidence? And are there any prudential risks in allowing these entities to participate in this space?

These are some of the questions that come up when we look at the success of these and other similar deployments. To answer some of these questions let us see how allowing non-bank entities help in promoting mobile money.

First, it fosters competition in the telecom industry, which ultimately leads to innovations and hence better service delivery. This in turn results in a better value proposition for customers. Any entity that has the financial and operational wherewithal to implement such a solution is allowed to roll-out the solution without having to wait for banks or other similar institutions to kick-start the process.

Second, it allows the vertical integration of deployments rather than having to rely on multiple partnerships to deliver services. This is especially true when it comes to deployments promoted by MNOs.

Besides, the distribution network that third parties like MNOs have is geared up to conduct low value and high volume transactions. This is critical to establishing a robust agent network for mobile money. For MNOs, the incremental cost of establishing and managing a network of agents for would be far less than what it would take for bank to accomplish.

It needs to be noted that allowing non-bank entities do not compromise on prudential requirements around savings/deposits as the digital money in ecosystem most often has to be backed by an equivalent amount in banking system.³

2.3 Relaxed KYC Requirements to Ensure Smooth Sign-up Experience for Customers

First impression counts; and it is no different for mobile money. Sign-up experience for customers should be smooth to ensure regular usage.

³See [Chopra, Puneet. and Raunak Kapoor, India Focus Note 99 and 100 – Can MNOs lead the way for banking the excluded, MicroSave .2012; and Sadana, Mukesh., George Mugweru., et.al. Briefing Note 95 – Do the M-Pesa rails contribute to financial inclusion?. MicroSave .2011](#)

Like bank accounts, e/m-wallets also need to meet AML and CFT guidelines of the financial services regulator. However, too many hassles around KYC can result in a fast demise of the value proposition for the service. In order to counter such a situation, certain relaxations in KYC requirements, coupled with transaction limits/caps which cater to the comfort levels of regulators will enable hassle free sign-up for the customers. The situation is more critical in countries where a large proportion of the population do not have access to formal banking services or valid ID/address proofs. Countries like Pakistan, Mexico etc. have adopted an innovative tiered KYC approach which pegs account limits to KYC documents furnished. State Bank of Pakistan, for instance, provides for three types of accounts from ‘level 0’ to ‘level 3’ with varying KYC requirements and associated transaction limits. The table below provides the account types permitted by State Bank of Pakistan and features thereof.⁴

Account type	Eligible customers	Documentation	Transaction and balance limits
Level 0	• Individuals	• Digital account opening form • Customer’s digital photograph • Digital image of customer’s CNIC ⁵	• Daily limit Rs. 15,000 • Monthly limit Rs. 25,000 • Annual limit Rs. 120,000 • Maximum balance Rs. 100,000
Level 1	• Individuals	• Physical application form • Customer’s digital	• Daily limit Rs. 25,000 • Monthly limit Rs. 60,000

⁴ Sources: [Branchless banking regulations for financial institutions desirous to undertake branchless banking, State Bank of Pakistan, March 2008; State Bank revises Branchless Banking Regulations to bring low income segment of society into financial loop, State Bank of Pakistan, June 2011.](#)

⁵ National ID of Pakistani citizens

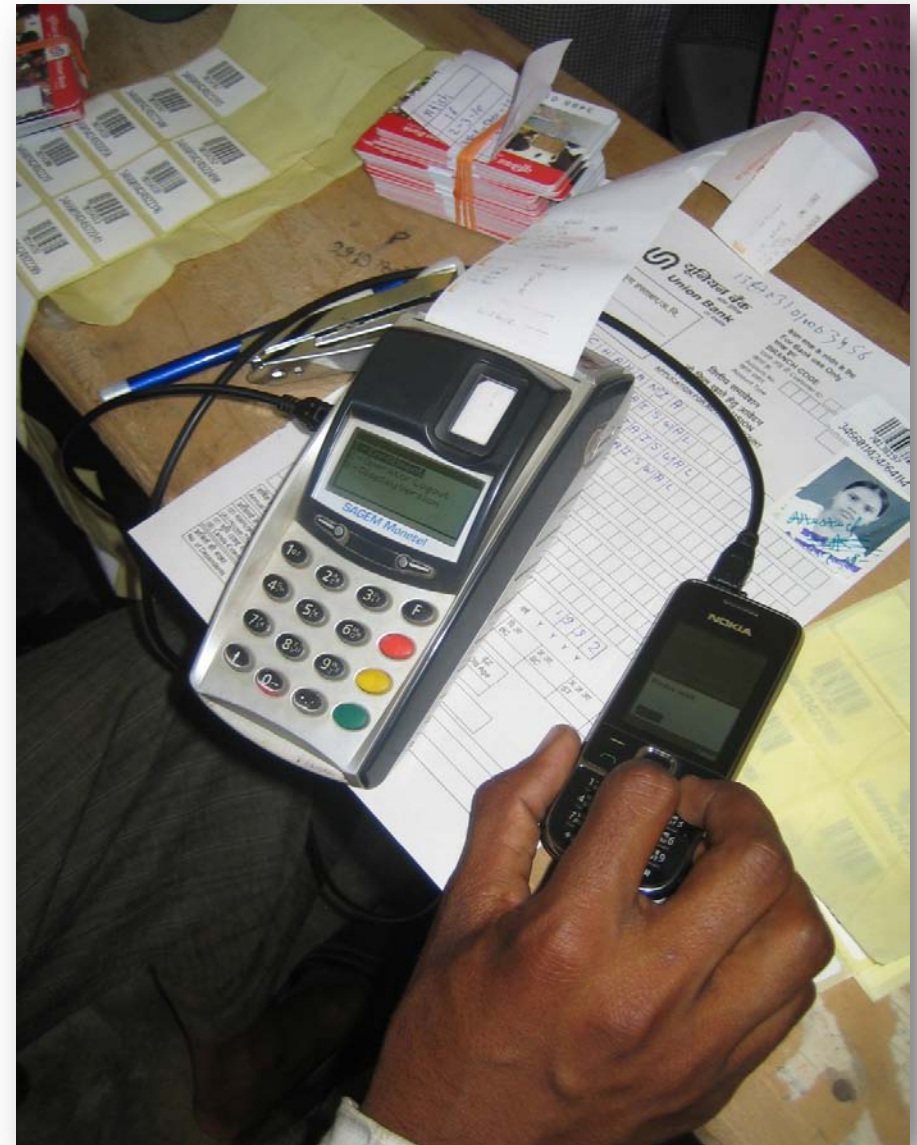
providers are not permitted to increase charges during a quarter.

Account type	Eligible customers	Documentation	Transaction and balance limits
Level 2		<ul style="list-style-type: none"> • photograph of customer's CNIC • Photocopy of customer's CNIC 	<ul style="list-style-type: none"> • Annual limit Rs.500,000 • No maximum balance
	<ul style="list-style-type: none"> • Individuals • Firms • Trusts • Not-for-profit organisations • Other legal persons 	<ul style="list-style-type: none"> • Prudential norms as defined for ordinary banking accounts 	<ul style="list-style-type: none"> • Based on the discretion of the service provider
Level 3	<ul style="list-style-type: none"> • Businesses 	<ul style="list-style-type: none"> • Prudential norms as defined for business accounts 	<ul style="list-style-type: none"> • Based on the discretion of the service provider

2.4 Emphasis on Consumer Protection and Security

With the exception of deployments in developed nations, mobile money largely caters to the unbanked customer segment. With such a sensitive target segment it is critical that regulator takes active measures to ensure that customers are not defrauded or misinformed while using mobile money service.⁶ Guidelines around transparent pricing, data privacy, transaction authentication, accessibility to grievance redressal machinery etc. should be put in place to protect the rights of customers.

For example, State Bank of Pakistan makes it mandatory for service providers to device formal guidelines for complaint and dispute resolution. The regulator mandates that service providers need to publish a schedule of charges and make it available at all agent locations. Moreover, the service



⁶[Mudiri, Joseck., Fraud in mobile money services. MicroSave .2012](#)

3. Socio-Economic Conditions

Social and economic conditions are key determinants of the business environment. These are conditions in which the business operates, but often beyond the control of the service providers. The socio-economic dimension comprises of aspects which influence the external operational environment. These include factors like income, standard of living, infrastructure, literacy, demographics, needs, attitude, and perceptions of the people.

The success and failure of businesses, to a large extent, depend on their adaptability to the external environment. Businesses need to design products/solutions which keep contextual underpinnings at its core.

These socio-economic dimensions vary significantly across markets in which mobile money deployments exist. Some factors which act as key influencers are:

- Literacy and technology proficiency
- Financial access
- Social norms and value systems

3.1 Literacy and Technology Proficiency

The ability of potential customers to identify, understand, interpret, communicate, and compute plays a pivotal role in the success of mobile money.

Technology proficiency is another important aspect that contributes to better uptake of mobile money.

Given literacy levels and technology proficiency of target segment, it is crucial that service providers design front end applications that match the capabilities of its target segment. While designing front end applications, service providers should keep in mind the current usage of other mobile based offerings and literacy levels in the target market. For the service providers in Philippines,

for example, an SMS/USSD based application was straight-forward since most of the population was familiar and comfortable with texting.

At one end of the spectrum is the Indian market, which relies heavily on agents to do OTC transactions since majority of people in the segment are not comfortable in understanding menus or initiating transactions. The intermediate case would pertain to a country like Kenya which has a high literacy rate (84.2%) and familiarity with texting (around 61% mobile users can send or receive a text message). Operating in such an environment, M-PESA came up with a menu based SMS toolkit interface, which was basic in its design and simple to operate. At the extreme end of the spectrum would be the banked and tech-savvy segment of PayPal. Although the concept picked up as it was first of its kind, PayPal has been on its toes to make their front-end interface as intuitive as possible in order to keep up the pace with its competitors. One factor which drives this capability to innovate is that its customers are typically urbane, suave and well equipped to adapt to changing user interfaces.

3.2 Financial Access

The level of financial inclusion in a country defines the demand for mobile money. In many successful deployments, the mobile money offers unbanked customers an opportunity to access formal financial networks.

Most African nations which have witnessed rapid uptake (Kenya, Uganda, Tanzania and Rwanda) of mobile financial services had banking penetration of less than 20%, which provided an opportunity to non-banks to launch their mobile money services.

3.3 Social Norms and Value Systems

Social norms and values, coupled with political and geographical conditions are important determinants which help mobile money service providers to define the value proposition to the end users. The solutions offered should be tailor-made to match the needs of target segment.

Mobile Money – Influencers of Success; Raunak Kapoor, Denny George, Shivshankar V, et.al.

The positioning of M-PESA and other East African deployments have been around the “*send money home proposition*” which has stemmed from heavy rural-urban migration in these countries coupled with the *dual system*⁷i.e. urban workers maintain strong ties with their rural families and homes, even after spending a substantial amount of time in the city. One way in which these ties are maintained is through urban-to-rural remittances.

Another example is Papua New Guinea, where *wantok* system forms the core of social values and norms. *Wantok* is a term used to denote people from the same village or is related to each other. You are obligated to help out your *wantoks* if they are in need. Mobile money service providers in Papua New Guinea have positioned their offering as a convenient way to send money to *wantoks*, some of whom might be living in remote rural villages.

A contrast from the above two societal set ups would be of developed countries where families are mostly nuclear with individual members financially independent. Here, the need for sending remittances takes a backseat and provision of a convenient payments proposition becomes the key success factor for any service provider venturing into the e/m-banking space.



⁷[M. Olga, Surviving in the 'dual system': How M-PESA is fostering urban-to-rural remittances in a Kenyan Slum, 2008](#)

4. Stage of Market Development

Primarily stages of market development for mobile money ecosystems can be looked from the perspective of target segments that the deployments aim to serve.

Most developing world deployments have flourished as a result of meeting the needs of large unbanked populations. Developing markets are characterised by high proportion of use of physical cash. Due to this, success in developing markets has heavily depended on the robustness of agent networks to enable cash-in/out for customers living in remote rural villages. MTN Rwanda is a prime example.⁸



MTN Rwanda has emerged as one of the fastest growing mobile money success stories in the world, as revealed by a recent mobile money report by GSMA.

Since its launch in 2010, MTN Mobile Money has attracted over 475,000 subscribers, over 700 agents and has had transactions of over \$96 million. MTN Rwanda serves mostly rural subscribers who send money mainly to relatives and business associates. With mobile penetration pegged at close to 50% and the banking penetration less than 15%, mobile money is being thought of as a potential solution to address basic financial services needs of the masses in Rwanda.

Developed markets on the other hand, are distinguished by the presence of a well-established payments infrastructure and wide use of technology enabled payment systems. Mobile money deployments in developed nations have thrived by providing an additional, more convenient, payments channel, to a tech savvy, banked, population. They banked on security and ease of use for

⁸[MTN Mobile Money in Rwanda emerges as one of world's fastest growing mobile money success stories, CP-Africa.com, 2012](http://www.cp-africa.com)

segment (PayPal, MasterCard Pay Pass, Google Wallet) when compared to other available channels. We provide an illustration through the PayPal experience.



PayPal's success is directly linked to evolution of e-commerce industry. This was the time when people were becoming comfortable conducting buy/sell transactions over web portals.

The pressing need of the time was to provide a payment solution for small merchants who were ineligible (due to lack of credit history) to receive direct payments via credit/debit cards. PayPal enabled buyers to make payments to these merchants while not having to disclose their card details. This also helped avoid risk of card phishing. In addition, by enabling people to put all their card and bank details on PayPal, it helped them to promptly execute e-commerce transactions without a need to enter lengthy details every time they do transactions.

PayPal also developed a mobile application as an extension to its digital wallets. The mobile application could be accessed through a web based portal. The mobile app enabled the user to operate their digital wallets through a Java based application on their handsets. In the Android market alone, the PayPal app has 5-10 million downloads. This number would be much higher for the Apple app store.

While *convenience* is the key value proposition in both kinds of markets, the definition differs. In the developing world, the service provider aims to provide convenience through providing easy access to cash-in/out mechanisms. In case of developed economies, the service provider aims at a wide-spread merchant network which accepts payments made through prepaid instruments.

5. Profile of Service providers and Role of Supporting Institutions

One element which seems to influence the success of mobile money deployments is the profile of the service provider itself. The profile of the service provider, and the partnerships the providers were able to leverage, has had a large role to play in the success of the deployment. Four specific aspects have helped enable success:

- MNO as a service provider
- Dominant market share of the service provider
- Ability to enter into and leverage partnerships with a variety of sector participants
- Support from international donor agencies

5.1 MNO as a Service Provider

Of the seventeen deployments examined for this study; ten were MNO led, four were bank led, and three were MNO-bank partnerships. Even in deployments which are technically bank led, the origins of mobile money often lie in initiatives pioneered by MNOs. There are also not so rare instances of MNOs acquiring a stake in, or promoting financial institutions to enable development of mobile payment solutions.



In Austria, A1—Austria’s leading telecommunications service provider—set up A1 Bank in 2002 to primarily handle mobile payments. A1 had also promoted Paybox Austria—a mobile payments platform in 2001. In 2011, A1 merged its A1 Bank with Paybox Austria to form Paybox Bank AG.

One well known example is that of Telenor acquiring a stake in Tameer Microfinance Bank in Pakistan to enable delivery of “*easypaisa*”. Even a cursory examination of mobile money deployments across the globe reveals the significant role MNOs have played in enabling the remarkable success of many of these deployments.

One reason for this phenomenon is that MNOs often have better incentives as compared to financial institutions to enter into the mobile money market. Increased competition in the core mobile telephony market has meant that for MNOs, diversification of income is a necessity. Declining ARPUs in the voice based business across the globe has seen MNOs scramble to alternate revenue streams. In Fiji, intense competition between Digicel and Vodafone resulted in almost the entire population being covered. Price based competition among the major MNOs saw ARPUs enter into a downward spiral. The reducing ARPUs and low incremental customer acquisition forced Digicel to focus on value added services. This was one of the factors which led to the establishment of Digicel Mobile Money in Fiji.

Another aspect is that mobile money improves customer stickiness and reduces churn. Mobile money services improve customer value by providing access to additional products and services. This in turn prompts customers to continue with mobile operators offering mobile money.

In addition to the need for shoring up revenues, increased competition also necessitates cost reduction in the core voice business. MNOs are keen to reduce costs pertaining to scratch card production, distribution and retailer commissions. Mobile money often provides a way out by enabling electronic top-ups and in some instances P2P transfer of airtime. Many mobile money deployments including True money, SMART Money, GCash, Digicel Pacific, Digicel Haiti, etc. have enabled large cost advantages to their parent MNOs.

The aspects which make MNOs interested in mobile money are fairly obvious. But perhaps more important is to understand what makes MNOs ideal promoters for mobile money.

MNOs bring to the table a unique set of skills and advantages which make them ideal mobile money promoters. Some of these include:

- Access to a widespread distribution network
- A captive customer base
- Expertise in brand building and marketing

- Effective customer support systems
- Technology capabilities
- Expertise in channel management
- Ability to control costs
- Product design expertise


One reason is the widespread and omnipresent distribution network that MNOs have access to. In some of the deployments, these airtime retailers often play the role of cash merchants—providing cash-in/out facilities to mobile money customers. Co-opting airtime agents helps to obtain an initial momentum by ensuring that an agent network exists, to satisfy customer needs. Safaricom, in the early stages of the launch of M-PESA, utilised its network of airtime dealers to enable an initial market presence.

There is a perception in the industry that often airtime retailers are not ideal agents. Eko in India and even Safaricom moved away from the airtime retailers and shifted to more specialised agents due to several operational difficulties. Quite often the rationale quoted is that higher commissions on airtime meant that agents concentrated more on airtime sales instead of mobile money.

However, True Money’s experience highlights the contrary—airtime dealers can indeed be effective mobile money agents, provided the distributors are taken on board in advance and adequate communication efforts are made.⁹

In addition to using airtime dealer network as transaction agents, the presence of a widespread distribution network also enables liquidity management support to cash-in/out agents. Telenor’s distribution team plays a critical role in managing liquidity requirements of *easypaisa* agents. Digicel Haiti established partnerships with its airtime distribution partner—AloHaiti to enable the use of its nineteen branches for managing its cash-in/out agents’ liquidity.

⁹[Annual Report, Mobile Money for the Unbanked, GSMA, 2010](#)



True uses its airtime retailer network to distribute its True Money Cash Cards. The amazing fact is that airtime retailers are paid a lower commission on cash cards as compared to airtime. Moreover, customers could use balances on their mobile wallets to top up airtime on their mobile phones. In ordinary circumstances, this should have meant high resistance from the airtime dealers. But, in 2010, 80% of True’s airtime retailers were estimated to stock cash cards. Cash cards were the source for bulk of the value loaded on the mobile wallet.

True made this possible by maintaining a continuous dialogue with the airtime dealers. They persuaded the dealers that the smaller commission obtained would be offset by high volumes. True also partnered with other Thai businesses to enable widespread acceptance of True Money as a medium for payment. This enabled True to deliver on its promise of higher volumes to the retailers even though commission rates on a standalone basis went down.

MNOs also typically have a much larger customer base as compared to the financial institutions. For instance, CIA World Fact Book¹⁰ estimates that there are around 29.98 Million mobile phone connections in Kenya while the total number of bank accounts in the country is 16.7 Million.¹¹ In most other economies, the contrast is even starker. What this means is that MNOs often have access to client segments which have traditionally stayed out of the ambit of banking services. This provides a huge untapped market for mobile payment solutions.

The nature of MNOs’ core business means that they bring in certain inherent advantages. For instance, MNOs have the experience and expertise to build

¹⁰[The World Fact Book, CIA, 2011](#)

¹¹[Kirimi, Solomon., Kenya:M-PESA Helps Net Informal Cash, allafrica.com, 2012](#)

and maintain a mass oriented brand, which enables them to effectively undertake large marketing campaigns. MNOs have technological capabilities and customer support mechanisms which help effective implementation. They also have better expertise in product design and also often bring in cost advantages. MNOs also have expertise in channel management which is a quite often a pre-requisite for mobile money success.

5.2 Dominant Market Share of the Promoting Entity

Many mobile money promoters are dominant players in their core segments. Large market shares translate into more likely early adopters and provide a client base which can potentially be targeted for mobile money services. Safaricom, for instance enjoyed a market share of almost 80percentwhen it launched M-PESA in Kenya which it was able to convert into M-PESA registrations.¹²This also enabled Safaricom to extend its monopoly position in the mobile telecom market to the mobile money market by making the M-PESA system operable only on Safaricom network. A parallel to M-PESA experience in the developed world could, perhaps be, that of NTT DOCOMO in Japan.¹³



At 47.7 percent, the market share of NTT DOCOMO in Japan is nowhere near as monopolistic as Safaricom's position in Kenya. But, it is important to note that the nearest competitor enjoys only a 28.4 percent market share. When NTT DOCOMO pioneered its Osaifu-Keitai service, it was able to leverage its market leader position to enter into exclusive partnerships with other service providers including the dominant public transport company—JR East. NTT DOCOMO's competitors also ended up adopting Osaifu-Keitai, which made it the de-facto mobile payments mechanism in Japan.

Dominant market shares also translate into a pre-existing ecosystem which can then be leveraged to improve the utility of mobile money to customers.

True Money, Thailand is a prime example for this. True Group is an integrated communications provider in Thailand which is active in diverse markets including mobile and fixed line telecom, cable television, internet, WIFI and online gaming. True was able to leverage True Money as a payment system to facilitate payments for all the constituent businesses of True Group. True Group also used promotional schemes so as to facilitate use of the different businesses which constitute the ecosystem. For instance, True promoted a scheme wherein its mobile customers would get free access to cable TV if they pay using True Money. This practice of cross promotions and leveraging the ecosystem enabled high growth for True Money.¹⁴

Dominant market positions also often mean access to markets which competitors often find difficult to penetrate. For instance, bKash which is promoted by BRAC—one of the largest MFIs in Bangladesh—has access to rural hinterlands of Bangladesh through its parent. BRAC parentage also provides bKash with an enviable channel to identify, recruit, and train field agents.

¹²[Mas, Ignacio., and Daniel Radcliffe., Mobile Payments Go Viral : M-PESA in Kenya. Social Science Research Network. 2010](#)

¹³[NTT DOCOMO Factbook, NTT DOCOMO, 2012](#)

¹⁴[Annual Report, Mobile Money for the Unbanked, GSMA, 2010](#)

5.3 Ability to Enter into and Leverage Partnerships with a Variety of Sector Participants

One common thread which is visible across successful mobile deployments is that multiple entities have contributed to the success of these deployments—ranging from financial institutions, payment facilitators and others including utility service providers.

Tele NorteLeste, an MNO in Brazil, formed a partnership with Banco do Brasil (One of the leading banks), and Cielo (the credit card acquiring company). Cielo owns approximately 50 percent of Brazil's credit card point-of-sale (POS) infrastructure. This development enabled Tele NorteLeste to capture a much higher market share. It was not so successful when it was using OiPaggo, its own mobile payments subsidiary.¹⁵

Telenor's and Tameer Microfinance bank's partnership to launch *easypaisa* in Pakistan is perhaps the best example for how partnerships between mobile operators and banks can help facilitate the development of mobile money.^{16,17}

The *easypaisa* experience stresses the importance of putting in place a formal and mutually agreed upon management mechanism for such partnerships. *easypaisa* also offers important lessons for the need for aligned interests of the MNO as well as its financial sector partners to enable a successful deployment.



In late 2008, Telenor Pakistan Ltd., a prominent MNO acquired a 51 percent stake in Tameer Microfinance Bank. The acquisition was a strategic move by Telenor which intended to deliver mobile based financial services. Due to regulatory restrictions, Telenor had no other option but to acquire an operational bank in Pakistan. Though compelled by the regulatory scenario, Telenor's acquisition of Tameer and subsequent launch of *easypaisa* offers important lessons on leveraging complementary strengths.

The acquisition provided Telenor with the capability to drive its mobile money strategy in Pakistan; while for Tameer, it provided much needed capital to invest not just in *easypaisa*, but also in its core microfinance operations. Telenor brought with it access to its enviable retail distribution network, marketing and promotional capabilities, technology competence, well developed product design abilities and customer support mechanisms. While Tameer manages core banking aspects including maintenance of customer accounts and records, fund settlement and reconciliation, risk management, compliance to statutory requirements, and fraud investigations.

The mechanisms Telenor and Tameer used in determining roles and allocating responsibilities highlight the need for active management of partnerships. They conducted an audit of the organisational capabilities to allocate appropriate roles. They decided on a set formula to share revenues from *easypaisa*. The partners also constituted a team comprising of executives from both organisations to manage *easypaisa*. The team consists of dedicated staff; and other staff from both organisations, who while they handle core responsibilities within Tameer and Telenor, have additional roles pertaining to *easypaisa*. A steering committee which includes CEOs of both Telenor and Tameer oversees all activities pertaining to *easypaisa*.

¹⁵[Mobile Money Study, Brazil, IFC, 2011](#)

¹⁶[Davidson, Neil., Mapping and Effectively Structuring Operator-Bank Relationships to Offer Mobile Money for the Unbanked, Mobile Money for the Unbanked, GSMA](#)

¹⁷[Telenor Pakistan – Scaling to meet accelerated growth. Case Study : Telenor Easypaisa. Fundamo](#)

DigicelPacific which used international remittances as an anchor product is another example of mutually aligned interests. Digicel needed to contend with established players like Western Union in the international remittance market. Digicel embarked on an aggressive price based competition in the market by enrolling KlickEx, a P2P currency exchange. The partnership enabled low costs and resultant low prices for Digicel on international remittances. KlickEx, on the other hand gained a growing and potentially large transaction base.¹⁸

GCash's use of rural banks in the Philippines is another example of alignment of interests. The tie-up with GCash enables rural banks to offer more services including money transfers and electronic loan repayments, thereby increasing the revenue. The affiliation offers GCash access to rural banks' captive client base as well as an agent network.¹⁹ But the best example for leveraging multiple partnerships by enabling a value for all the constituents involved comes from GCash's competitor in the Philippines – SMART Money.²⁰



Unlike GCash which is an MNO led mobile wallet based service, SMART Money is bank-led. What it means is that each individual SMART Money wallet is backed by a bank account resident in Banco De Oro (BDO), SMART Telecom's banking partner. BDO enables substantial incremental utility to the SMART Money users by providing access to the large network of accepting merchants within Philippines. It provides a cash-in/out channel through BDO branches and ATM networks. BDO also enables its own customers to link their bank accounts to SMART Money Wallets, thereby bringing in a captive client base. It helps promote SMART Money through its branches. Most importantly, BDO takes care of all backend banking operations including clearing and settlement. In return, BDO earns revenue as the issuing banker whenever SMART Money Cards are used on the merchant networks of other banks. It also gains access to a client base to promote its own products and services.

SMART Money's relationships with other local and international commercial banks have helped it ease its cash-in process by linking wallets with bank accounts of customers. It has helped SMART telecom acquire more customers in its core mobile telephony market since customers of banks need SMART Telecom SIMs to conduct mobile banking using SMART Money. Relationships that SMART directly has with international banks or through its local banking partners has also enabled it to target the international remittance market. The banks, in turn were able to market their products and services to SMART customers who were as yet not the banks' customers.

SMART also has a relationship with MasterCard which enables settlement of transactions done using a SMART Money Card when used outside the BDO merchant network. Relationship with MasterCard also enables SMART Money users to transact in ATMs and POS terminals outside the Philippines. MasterCard earns interchange revenue on transactions done using SMART Money Cards.

¹⁸[Landscape Study on International Remittances using Mobile Money, CGAP, 2012](#)

¹⁹[Annual Report, Mobile Money for the Unbanked, GSMA, 2010](#)

²⁰[Annual Report, Mobile Money for the Unbanked, GSMA, 2010](#)

In addition to financial institutions and payment facilitators, mobile money deployments also need to identify suitable partners who would be keen to deliver their own products and services using the mobile money channel. It is necessary to cater to the requirements of these partners while ensuring that the service provider earns sufficient benefits as well. GCash has entered into agreements with multiple service providers to enhance utility of its service.²¹



GCash has enrolled several employers on to its network. The involvement of employers helps drive adoption and enable better acceptance of retail transactions using GCash. It also enables regular transactions on the network. Employers save administrative costs, efforts, and eliminate a large extent of cash risks.

Enrolling retailers to accept payments using GCash has offered cash less payment mechanisms for GCash customers while merchants avoid the fee on card payments.

Several bill issuers also use GCash for receiving bill payments. This makes it easier for their customers to pay bills. It also helps them reduce the need for creating bill acceptance infrastructure on their own and minimises the likelihood of late payments. These relationships enable GCash customers gain improved utility and GCash, additional revenue.

True Money in Thailand has entered into partnership with small bill issuers who lack the scale to launch their own payment mechanisms. The revenue True earns from the fee compensates it for the costs of production and distribution. Even for larger billers, True offers an additional payment mechanism with minimal additional costs for the bill issuer.²² bKash in Bangladesh has entered into partnerships with diverse service providers including universities, hotels, retail networks and charities.

²¹[Annual Report, Mobile Money for the Unbanked, GSMA, 2010](#)

²²[Annual Report, Mobile Money for the Unbanked, GSMA, 2010](#)

5.4 Support from International Donor Agencies

The role of international donor agencies that have facilitated the development of mobile money systems in the initial stages through financial assistance and/or technical advisory services is quite significant. International donors have helped the development of mobile money by providing initial technical assistance and seed money. The most famous example is that of Safaricom's M-PESA, where UK's Department for International Development (DfID) played a pivotal role by funding the initial product development, market research and pilot-testing which underpinned the development of the mobile money solution and by providing seed funding to enable pilot testing of the deployment.²³

Digicel Pacific received support in the form of technical advice and capital from The Pacific Financial Inclusion Program, AusAid and GSMA's Mobile Money for the Unbanked (MMU) initiative. Shore Bank International partnered with bKash to provide technical assistance. It also received a \$10 million grant from Bill & Melinda Gates Foundation to support bKash.²⁴

In addition to seed funding and technical assistance, engaging with international agencies also often offer other benefits including access to government initiatives.

OiPaggo in Brazil had obtained a grant from GSMA to channel government-to-person (G2P) payments through mobile phones.

bKash has entered into an MOU with Access to Information (A2I), a UNDP supported programme and the Local Government Division (LGD) of Bangladesh Government. This is expected to provide access to Union Information and Service Centres (UISCs) in 4,501 localities.

²³[Mas, Ignacio., and Daniel Radcliffe., Mobile Payments Go Viral : M-PESA in Kenya, Social Science Research Network, 2010](#)

²⁴[bKash selects Fundamo to power new mobile money service in Bangladesh, Fundamo, 2011](#)

Digicel Haiti's TchoTcho Mobile offers an example of how donor engagement can not only help develop a mobile money deployment in its initial stages, but can also provide further assistance enabling the growth and maturity of the deployment.²⁵



Digicel Haiti's TchoTcho Mobile was a beneficiary of The Haiti Mobile Money Initiative (HMMI), announced in June 2010 and supported by The Bill and Melinda Gates Foundation and USAID. The initiative provided US\$ 10 million to service providers who launched and scaled mobile financial services. In addition to the initial seed capital, an additional US\$ 5 million was provided in the form of technical assistance.

In Haiti, a USAID funded team, Haiti Integrated Finance for Value chains and Enterprises (HIFIVE) acts as a broker between consumers, regulators and service providers to enable the growth of the sector.



²⁵[Haiti Mobile Money. A Point-In-Time Case Study. Dalberg](#)

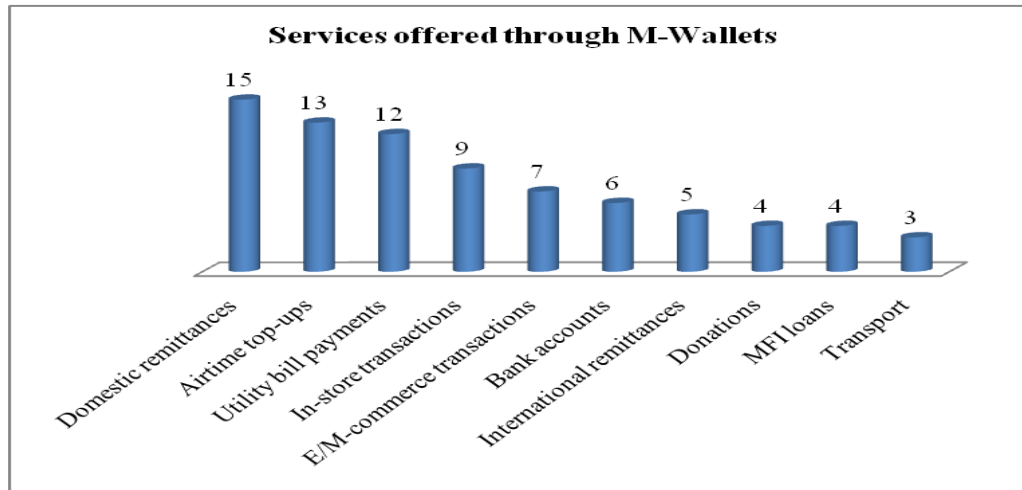
6. Managing the Customer Value Proposition

The basic requirement for success of any new service is that the service offers value to the intended customer segment/s. In the context of mobile money, it can be said that the value derived by customers is a function of the products and services delivered over the platform, the ease of using mobile money and the cost advantages received by the customers. An examination of the major mobile money deployments reveals that they generally have the below mentioned factors in common.

- An anchor product / small set of core services
- Products, services, and processes tailored to suit intended customer segment/s
- Easy registration processes
- Ease of accessing mobile money services (discussed in section 6.2 and 7)
- Cost effectiveness vis-à-vis alternatives

6.1 An Anchor Product/Small Set of Core Services

The graph provided here shows the services offered through the seventeen mobile money deployments examined for the purpose of this study.



Domestic P2P transfers remain the most commonly offered service, followed by airtime top-ups and utility bill payments. In-store retail transactions are becoming popular, but primarily in the developed world and in economies with an organised payment card acceptance network—like the Philippines. Linkages with formal financial services remain relatively few and far in between—with less than half the studied deployments providing access to bank accounts.

This does not necessarily imply that the services depicted here are the right products in any market. On the contrary, it is necessary to identify market requirements upfront prior to offering the service. M-PESA’s ‘*send money home*’ value proposition for instance, has not really achieved the kind of success it has enjoyed in Kenya in other markets. The only take-away from the graph above is that often there is a limited set of core services or anchor products which drive adoption of mobile money deployments.

A limited set of core needs need to be identified and products and services to cater to these priority needs should be developed. These can then potentially enable the development of a payments ecosystem around these key benefits. For example, once M-PESA was firmly entrenched in the market, a variety of service providers have jumped on the bandwagon and have offered products to ride on M-PESA rails.²⁶

As mentioned earlier, the fact that the most commonly offered product using mobile money is domestic P2P transfers do not necessarily mean that it is the right product in all contexts. In developed economies with a well-developed payment card acceptance culture, in-store/over the counter transactions are now often driving mobile money success. mPass Germany uses NFC technology to enable real time wireless transfers in retail shops. The Philippines is another market where retail payments have facilitated growth.²⁷

²⁶Refer [Sadana, Mukesh, George Mugweru, et.al, Briefing Note # 93 - Innovation and Adaptation on the M-PESA Rails, MicroSave, 2011](#) and [Sadana, Mukesh, George Mugweru, et.al, Briefing Note # 94 - Riding the M-PESA Rails: Advantages & Disadvantages, MicroSave, 2011](#)

²⁷[Annual Report, Mobile Money for the Unbanked, GSMA, 2010](#)



In Philippines, the fact that most merchants accept payment cards helped the growth of SMART Money. By providing a payment card as a part of its payment solution, SMART was able to offer its customers access to a large retail network.

Moreover SMART was also able to generate fees ranging from 0% to 3% by way of interchange fees whenever the card was used on a card payment network other than that of its banking partner, BDO.

Airtime top-ups are another service that can drive mobile money. In instances where the promoting entity behind the deployment is an MNO, airtime sales make economic sense from a cost perspective in addition to the potential for increased revenues. In OiPaggo Brazil, around two thirds of the transactions are airtime top-ups and rest are other transactions.²⁸

True Money in Thailand focussed on bill payments as a core product. This was primarily to facilitate the parent company’s—True Group’s—bill payments, thereby providing cost savings to the parent group. Another factor is that bill payments in Thailand is a bigger business than money transfer. In 2008, there were 177 million money transfer transactions while there were 720 million bill payment transactions. The Thai money transfer market also had several established players. True money’s decision to focus on bill payments acknowledged the competitive money transfer scenario in Thailand. Since True Money was promoted as a bill payment service, True also did not have to invest in an extensive cash-out channel.²⁹

There are also often other, unique services which have anchored mobile money. For instance, Paybox Austria enables ‘mparking’, which enables

drivers to pay for parking using their mobile phones. Almost 50% of Vienna’s drivers are estimated to pay for parking using Paybox.³⁰

Haiti has mobile money enabled cash transfer programmes. Since the Haiti earthquake, around six NGOs have launched mobile money enabled cash transfer programmes.³¹ Digicel Pacific focussed on international remittances as an anchor product since the Pacific is a high potential corridor for remittances, primarily from Australia and New Zealand. Around 30%-40% of the GDP of Tonga, for instance, is estimated to be remittances.³²

6.2 Products, Services and Processes Tailored to Suit Intended Customer Segment/s



Paybox offers four kinds of accounts—Classic, Public, Inside and A1 Visa. Classic accounts offer a variety of services including money transfer, vending machine payments, payments for events, mobile toll bills, parking, lottery payments, and taxi bills. Public accounts can be used for parking, tolls and other transport related payments. Inside and A1 Visa offers all classic services except money transfer. A1 Visa also provides a Visa enabled payment card.

The pricing of the accounts also vary. Paybox charges an annual fee for classic accounts while the other accounts are free.

A pre-requisite for the success of mobile money services is identification of the right client category and designing products, services and processes to suit the requirements of the identified segment/s. The fact that one mobile money deployment was a success does not necessarily mean that the same product replicated elsewhere will display similar success, as M-PESA replicators across the globe are increasingly discovering. The deployments need to be adapted to suit the market, and even within the market,

²⁸[Mobile Money Study. Brazil. IFC, 2011](#)

²⁹[Annual Report, Mobile Money for the Unbanked. GSMA, 2010](#)

³⁰[Lohmann, Peter., Years Ahead in Austria, Sybase](#)

³¹[Haiti Mobile Money. A Point-In-Time Case Study. Dalberg](#)

³²[Landscape Study on International Remittances using Mobile Money. CGAP, 2012](#)

different products may be needed to target different segments. Paybox, for instance offers different kinds of accounts for different needs.³³

Operational processes also need to be designed to cater to the needs of diverse customer segments. SMART Money, for instance, offers the SMARTPadala service which is in effect an OTC channel for enabling money transfers. More tech savvy customers can load e-value using an auto-reloader machine which eliminates the need for human contact. GCash offers a cash-in/out network of agents to suit the needs of its rural customer base.³⁴

Offering access through a variety of access mechanisms may also improve the utility for end customers. In economies like Thailand, which have a wide ATM network, it would be desirable for customers to have access to the ATM network. GCash offers a variety of access mechanisms including USSD menus, SMS syntax, SIM toolkit and a smart phone app to cater to its diverse customer segments.

6.3 Easy Registration Processes

Ease of registration can help facilitate faster adoption of the service. It can encourage potential customers to test and experiment even if they do not want or feel an immediate need to use it. Most successful global mobile money deployments recognise this and thus have kept the registration process easy. They have kept the sign-up processes low cost, less documentation intensive, and easy to understand. Deployments including MTN Uganda, M-PESA in Kenya and Tanzania, T Paggio in Dominican Republic, Tigo Tanzania, bKash in Bangladesh, and easypaisa in Pakistan offer free registrations.

Digicel offers full and mini wallets with different KYC requirements. Mini-wallets enable customers without even a national identification card to subscribe for the service.³⁵ KYC, however, is often something prescribed by

the regulator and not under the control of operators. The role of operators in such a scenario would be to champion with the regulator to enable suitable KYC requirements.

In mPass Germany, Vodafone's post-paid subscribers just need to opt-in to use the service, with no other registration formalities involved.³⁶ True Money enables over the air registration.³⁷ In Pakistan, customers can register for *easypaisa* accounts in any Telenor sales and service centres, Telenor franchisees, Tameer Bank branches, or Tameer Bank sales and service centres.³⁸

Registration processes also need to be simple and suited to customer needs. For GCash, a sequence of screens prompts customers to enter the necessary information and can be used by the intended client category. Most mobile money deployments in the developing world are designed to work on basic mobile phones used by majority of their customers. For example, bKash can work with any mobile handset as opposed to mobile money solutions of some of its competitors like Bank Asia which require a smart phone.

6.4 Cost Effectiveness vis-à-vis Alternatives

One aspect that service providers need to keep in mind is that customers often have alternatives for the products and services they offer—not least of all in the informal sector. For instance, during the course of a *MicroSave* study in Lao PDR (Laos), we observed that informal money transfer agents often charged rates as low as 1% to 3% for international remittances from Thailand. This was comparable, and often lower than what formal sector alternatives like banks charged. It was really no surprise then that formal sector alternatives were hardly ever used to receive remittances from Thailand.

³³[Boer, Remco, and Tonnis de Boer., Mobile Payments, Market Analysis and Overview, Innopay, 2010](#)

³⁴[Annual Report, Mobile Money for the Unbanked, GSMA, 2010](#)

³⁵[Haiti Mobile Money, A Point-In-Time Case Study, Dalberg](#)

³⁶[Mobile Commerce Opportunities for Mobile Network Operators: Opportunity Overview, Case Studies, and Solutions; SAP](#)

³⁷[Annual Report, Mobile Money for the Unbanked, GSMA, 2010](#)

³⁸[Telenor Pakistan – Scaling to meet accelerated growth, Case Study : Telenor Easypaisa, Fundamo](#)

Service providers need to determine alternatives that the customers use and engage in a pricing strategy which is competitive as compared to those alternatives. M-PESA Tanzania and MTN South Africa for instance, charged almost 20% less than other service providers for money transfers.³⁹ Digicel Pacific offers a good example of how careful analysis of competitor's pricing strategy combined with unique cost reduction tactics can help increase market share.⁴⁰



Digicel Pacific decided to adopt international remittances within the Pacific regions—largely originating from Australia and New Zealand and destined to Pacific Ocean island nations like Fiji and Tonga—as an anchor product after observing the immense potential.

There were established players including banks and international remittance providers like Western Union who commanded dominant market shares and had enormous amounts of customer goodwill associated with them.

Digicel decided to focus on affordability as a key driver and engaged in a strategy to bring costs and thereby prices down. It engaged KlickEx, a P2P currency exchange, to help bring down the foreign exchange costs. When it launched the service, a remittance of NZD 200 from New Zealand to Fiji would cost NZD 3 via Digicel and around NZD 14 via Western Union.

The affordability promise of Digicel was delivered in a dramatic fashion and the mobile money deployment picked up steam riding on the premise of affordable international remittances.

Another possible strategy is to transfer part of the cost advantages derived by the service provider by pursuing a mobile money based approach on to the customer. For instance, most MNOs save on distribution costs if airtime top-ups are done over mobile money instead of using scratch cards. These can be transferred to the customers. For example, M-PESA, Airtel Money, SMART Money and GCash offer discounts on airtime purchase using mobile money.



³⁹[McCay, Claudia., and Mark Pickens., Branchless Banking Pricing Analysis. CGAP, 2010](#)

⁴⁰[Landscape Study on International Remittances using Mobile Money. CGAP, 2012](#)

7. Channel Management

A look at most market leaders will reveal that they often have the largest distribution networks as well. It is hard to not come across M-PESA stores in Kenya. *easypaisa* engages 11,500 retailers spread across 240 cities in Pakistan;⁴¹ *bKash* has 5383 agents across Bangladesh;⁴² and *Digicel Pacific* has 35 agents in Samoa, 50 in Tonga and 150 in Fiji – the largest agent network in the Pacific.⁴³ Distribution networks enable easy access to services, build up customer trust and help act as visible marketing and promotional devices. The study of prominent mobile banking deployments identify the below mentioned factors to be common across most successful deployments.

- A cash-in/out channel
- Human mediation
- Scaling up the agent network in parallel to customer acquisition
- Engagement with existing distribution networks
- Operational support to agents

7.1 Cash-in/out Channel

Most successful service providers have understood that though a completely electronic payment ecosystem may be an end objective, most markets—especially in the developing countries need to mature before such a system can be implemented. A payments ecosystem wherein all major cash inflows as well as outflows can be delivered using electronic means is a necessary prerequisite for a complete technology driven system. This is still wishful thinking in the developing world where most of the fund flows into and out of households usually happens from/to the unorganised sector. This fact necessitates putting in place cash-in/out avenues.

This is also the reason that nearly all mobile money deployments race ahead to put in place a variety of cash-in/out mechanisms. For instance, M-PESA, in

addition to its omnipresent agent network, enables linked bank accounts and transactions through Pesa Point ATMs.

A cash-in/out network increases utility of the wallet in economies where transactions still primarily happen through cash. The cash-in/out network is the principal factor which will drive network effects to enable an exponential scale up in these economies.

The cash-in/out network also serves as visible reminders to potential customers and can act as channels for marketing and promotion. For instance, *Eko* in India conducts below the line marketing activities using its transaction agents and M-PESA uses store branding to highlight its presence.

7.2 Human Mediation

Human mediation is important to help enable customer comfort and build trust in the system. Low income customers often require initial handholding by human intermediaries before they are able to use technology enabled systems on their own. A good example is that of *Equity Bank* in Kenya, which engages lobby assistants in its ATM locations to help customers use ATM machines. Most deployments use their transaction agents as a first level of support. Customer helplines usually engage support staff instead of IVR.

Many service providers have ensured that registration and account opening are done using human intermediaries- sales agents or agents on the ground. *GCash*, *Eko* and *M-PESA* engage transaction agents to guide customers through the registration and account opening process. *Wizzit's* model of engaging *Wizzkids* provide an interesting example of how human intermediation can work.⁴⁴

⁴¹www.easypaisa.com.pk

⁴²www.bkash.com

⁴³www.digicelpacific.com

⁴⁴[Fisher-French, Maya., Wizzit Strategy Works, Mail and Guardian, 2008](#)



Wizzit engages unemployed people, called Wizzkids, to go directly to unbanked potential customers and sign them up. Wizzkids usually belong to the community in which they work and provide continuing support to customers. Wizzkids are incentivised not just to open accounts but to ensure that they are utilised. Agents receive a commission that is a percentage of the account opening charges. In addition to this onetime fee, Wizzkids also receive an annuity income based on transaction levels in accounts opened by them. This motivates the Wizzkids to continue engaging account holders and encourage account utilisation.

An intermediary is also important to enable trust to build up in the system. Local staff or agents help reinforce the trust of communities. *easypaisa* in Pakistan put in place an OTC agent network for domestic remittances before it began promoting its mobile wallet. One objective was to first establish customer trust and to build up a business case for agents. Once this was put in place, the focus shifted to promoting the mobile wallet product.

7.3 Scaling up the Agent Network in Parallel to Customer Acquisition

It is important to ensure that customer acquisition and growth of the agent network are in tandem with each other. Both of these complement each other to enable sustainable growth of the deployment.

Without a sufficiently large agent network to support the deployment, customers, even after registration, will not be able to conduct transactions in a convenient and cost effective manner. This in turn will result in the wallets opened being dormant. Conversely, without a sufficient customer base, agents will face issues of viability and may soon become disinterested and discontinue offering the service. These aspects can lead deployments on a

vicious cycle of agent and customer attrition and ultimately result in the untimely demise of the deployment.

To avoid this scenario, service providers need to ensure that customer sign up happens in tandem with setting up of an agent network. Above the line advertising and direct customer enrolments should be mirrored by agent recruitments. M-PESA perhaps offers the best example seen so far in ensuring that both the agent network and customer acquisitions grew hand by hand even from the initial days.

7.4 Engagement with Existing Distribution Networks

It is observed that many successful mobile money deployments have sought to use any existing retail distribution networks (wherever such networks exist) to enable transactions. This strategy helps bypass the expenses associated with setting up a completely new network. It can also enhance customer utility by increasing the number of transaction points available and utilise the goodwill these networks enjoy to build up trust in the deployment. Riding on an existing network also often helps address the operational challenges associated with liquidity management, operational monitoring, and control. ATM networks have often been co-opted into the distribution network of mobile money. For instance, SMART Money accounts can be accessed through all the major ATM networks in the country - Expressnet, Megalink, and BancNet.⁴⁵ GCash can be used through BancNet ATMs, M-PESA, Kenya can be accessed through PesaPoint (an ATM network in Kenya), and bKash customers can withdraw funds using BRAC Bank ATMs. Use of ATM networks helps increase accessibility to customers by providing additional touch points—especially in urban areas. They also help improve customer trust—by creating an image of association with banks.

Mobile money service providers have also used organised or unorganised distribution networks to help distribute mobile money services. bKash has agreements with Robi, Banglalink, and Grameen Phone which are the largest

⁴⁵[Annual Report, Mobile Money for the Unbanked, GSMA, 2010](#)

MNOs in Bangladesh. This enables bKash to widen its distribution network and scale up significantly.⁴⁶ Digicel Haiti has established partnership with a microfinance institution—Fonzoketo provide a physical agent network.⁴⁷ GCash engages rural banks as its agents in the rural areas of Philippines.

Some of the deployments have also engaged organised retail as a channel to deliver mobile money. True money engages retail chains such as CP Freshmart which has about 550 stores across Thailand as agents.⁴⁸ bKash has entered into an agreement with Sunderban Courier Service Private Ltd., the largest courier service in Bangladesh, to deliver bKash through its 450 locations.

Another potential method is to incorporate locally present semi-formal or informal financial service providers into the distribution network. SMART Money has been effective in engaging this channel for delivery of its services.⁴⁹



BSP's guidelines permit use of registered remittance agents as mobile money agents. SMART money used this regulatory permission to engage with local pawn shops and money changers and organised them into a cash-in/out network. This enabled a channel which had significantly more rural outreach compared to commercial banks.

Customer acceptance was high since rural customers associated these pawn shops and money changers as locations where financial transactions took place. The cash rich nature of these outlets helped address liquidity management concerns of SMART Telecom. Pawn shops and money changers were also receptive to acting as SMART agents since it provided an additional revenue stream to cover their fixed costs with little incremental investment.

⁴⁶www.bkash.com

⁴⁷[Haiti Mobile Money, A Point-In-Time Case Study, Dalberg](#)

⁴⁸[Annual Report, Mobile Money for the Unbanked, GSMA, 2010](#)

⁴⁹[Annual Report, Mobile Money for the Unbanked, GSMA, 2010](#)

7.5 Operational Support to Agents

Agents need adequate operational support for trouble shooting and for helping them to enhance the customer experience. At Celpay Zambia, 'sales generators' from the Mobile Transactions team stay at each of the new agent locations for two weeks to train them and to provide them handholding and support through the early days. Most service providers including M-PESA and True Money offer dedicated help lines to their mobile money agents.

Ensuring that agents are paid their commissions in time is an important component in ensuring adequate support to agents. True Money, for instance, pays the agent commissions in real time for each transaction facilitated by them. It is equally important to ensure that the agents are paid for all services they deliver. Most mobile money deployments, though they do not charge customers for cash-ins; do provide a commission to agents for cash-in transactions as well.

Service providers also often assist the agents in liquidity management—balancing e-float with physical cash—to ensure uninterrupted supply of their services. Telenor's distribution team helps *easypaisa* agents to help manage liquidity at their shops. Eko in India has put in place a super-agent structure to help agents manage their liquidity requirements.

8. Technology and User Interface

Mobile money deployments across the globe use a variety of technology platforms. From the perspective of enabling customer adoption and growth, two aspects are common across these deployments and have acted as key enablers—user interfaces designed to enable mass adoption and real time, online transactions.

	Mobile (USSD)	Mobile (SMS)	Mobile Apps	Mobile (STK)	POS (Card)	Mobile ATM	Voice IVR
Ubiquity	Supported by most basic to smart phones.	Supported by most basic to smart phones.	Needs data capabilities and high memory on phone.	Constrained by SIM card memory and distribution.	Low for banking usage.	Very low penetration	At trial stage
Complexity / Usability	High volume transactions are of few types only. Needs ability to read/write numerals and characters.	Needs ability to read/write numerals, words and characters.	Users should be fairly literate and technology savvy. Needs GPRS access	Some degree of literacy required. At times supported by school going children. May need migration to new SIM cards	Complexity is usually around biometric recognition.	Users literacy required	No need to remember PINs or hold smart cards
Security & Trust	More prone to human errors	More prone to human errors	Security can be embedded. High level of data encryption	High level of data encryption possible	Biomertic authentication	Can print receipts	Voice authentication not yet proven
Cost	\$0.06+ per transaction	\$0.03 to \$0.14 per SMS	\$.01 to \$.03 per transaction	\$ 20 + (SIM Cost) \$0.03 to \$0.24 per transaction	\$400+ (device)		System installation costs of \$ 7000+ \$0.32 + per minute

8.1 User Interfaces Designed to Enable Mass adoption

The table below outlines different user interfaces and their comparative merits and demerits.^{50, 51}

Nearly all deployments studied tailored their user interfaces to enhance usability. Most can be used by the vast majority of intended client segments

including low income customers. For instance, many deployments including M-PESA Tanzania and Tigo Tanzania use menu based applications which are interactive and hence free customers from the need to learn long strings of syntax.

USSD or SMS are used as common access mechanisms. These help uptake in low income market segments since they can work with any basic mobile phone and are independent of the handsets used.

⁵⁰[Wright, Graham, A.N., and Puneet Chopra., Financial Inclusion through E/M-Banking. MicroSave, 2011](#)

⁵¹[Mobile Banking Technology Options: An Overview of the different mobile banking technology options, and their impact on the mobile banking market., FinMark Trust, 2007](#)

Some of the deployments offer interfaces in multiple languages to reflect diverse client segments. For example *easypaisa's* user interface has both English and Urdu versions.⁵²

Many service providers also offer a variety of user interfaces to cater to diverse requirements of different client segments. For instance, Digicel users can use a computer, smart phone or a USSD menu on mobile phones with Digicel connections. User Interface should be selected to meet specific needs of the targeted client category.

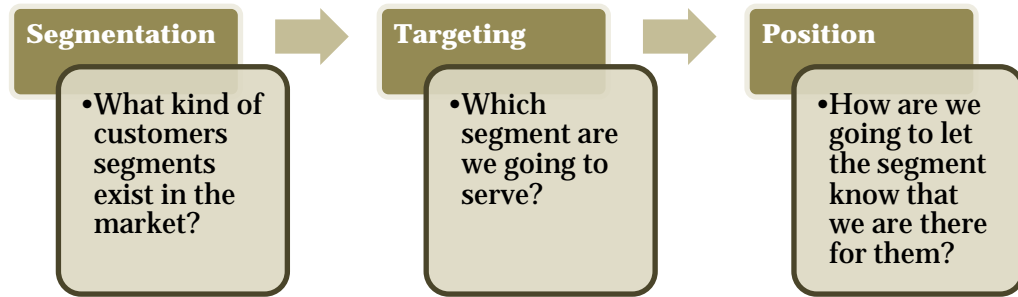
8.2 Real Time, Online Transactions

All the deployments examined have enabled real time and online transactions. Real time, online transactions help enhance efficiency in the system and reduce the possibility of fraud and security issues. Service providers ensure that instant transaction confirmations by way of printed receipts and/or SMS notifications are received by the customer immediately after completion of the transaction. Transaction confirmation and ability to check balances, immediately after transactions conclude, enables customer trust in the system to grow.



⁵² [Davidson, Neil., Mapping and Effectively Structuring Operator-Bank Relationships to Offer Mobile Money for the Unbanked, Mobile Money for the Unbanked, GSMA](#)

9. Segmentation, Targeting and Positioning



As in any other business, segmentation and targeting is an important aspect of mobile money. It involves analysing what kinds of customers exist in the market and deciding whom you want to service. Segmentation and targeting is followed by positioning which determines what and how to communicate to the target segment. Positioning creates a perception among the target customer base about the products and services offered.

Often, service providers tend to spend a lot of time trying to figure out the business model and technology solution and in the process, but forget to understand the market that they wish to serve. It is essential to take a brief pause to understand and analyse the characteristics of the market, decide which segments of the market they wish to serve, and think what identity they wish to create in the minds of their potential customers.

While closely observing the mobile money players across the globe, most of the successful deployments have followed the principles below in order to understand their market and communicate with their market segment:

- Clear understanding of the market through careful segmentation
- A well thought-out targeting plan
- Consistent and clear product positioning strategy

9.1 Clear Understanding of the Market through Careful Segmentation

When it comes to mobile money, it is important to segment because typically, the market for mobile money is wide and dispersed. It is important to assess the customers in the market and classify them according to their need profiles. Usually, emerging markets are comprised of four broad segments.

1. **Unbanked population** – the demographic segment that has been traditionally excluded from the mainstream financial world. This population typically does not have access to formal financial institutions including banks. They also often belong to low-income segment of the population and/or reside in remote areas.

2. **Yet-to-be-banked segment** – this segment is not necessarily financially deprived; but they typically do not have a bank account but will soon move to “banked segment” in due course. This segment usually consists of students, youth etc.

3. **Urban migrant population** – the segment of the population that works in urban areas and do not have access to formal financial institutions. Their primary need is to send money home to their families and relatives.

4. **Banked segment** – this segment consists of the literate class who have access to banking services. They may look forward to using mobile money services because of the convenience that it offers. They may not use these services as an alternative for core-banking services, but mostly for facilitating electronic payments.

It is important for mobile money players to analyse their market through systematic market research and identify various customer segments that exist in the market that they wish to serve. This will in turn enable appropriate design and delivery of mobile money services suited to the needs of these segments.

9.2 A Well Thought-out Targeting Plan

Targeting is the process of identifying the market segment which the service provider wants to serve and determining the products that will be offered in each segment. Successful mobile money deployments usually have a clear and well laid out targeting plan that involves segmenting the market, and choosing which segments of the market are appropriate. On occasions, mobile money service providers choose to serve more than one segment but customise the product offering as per different segments' needs and aspirations.

Targeting a segment is decided based on multiple factors. In mobile money space, players should try to answer the following three questions before deciding the target segment:

- Is there a latent demand for mobile money services in the segment?
- Is the market ripe for mobile money in terms of mobile phone penetration, customer literacy levels etc.?
- How well are they served by competitors?

It is observed that usually mobile money players adopt one of the below mentioned targeting strategies:

In an **undifferentiated targeting strategy**, mobile money players do not try to differentiate the market. They aim to serve the entire market with a single product offering. In other words, they follow a one size fits all policy, by not making any special effort to appeal to any particular customer segment in the market. The classic case of undifferentiated targeting strategy in mobile money industry is M-PESA. Although M-PESA initially launched as service to microcredit customers to make their repayments, it was quick to realise that the service is more used for sending money home. Since then, M-PESA targets all segments in the market, primarily using the core '*send money home*' value proposition.

In a **concentrated targeting strategy**, mobile money players usually try to target one particular customer segment. They create a product that perfectly caters to the needs of the targeted segment. All positioning and

communication efforts are focussed towards that particular segment. For instance, bKash is 51% owned by BRAC, the largest microfinance focussed development bank in Bangladesh. bKash specifically focuses on the unbanked, low income segment because of BRAC's traditional association with the low income segment. bKash primarily rides on the BRAC customer base and therefore the product features, delivery mechanisms and promotional activities are focussed primarily on the low income segment.

In a **differentiated market strategy**, mobile money players aim to customise the product offering as per the needs and aspiration of different customer segments. The customised product is also usually communicated to the segment through a medium that is best suited to reach the segment. For example, GCash in the Philippines follows as differentiated targeting strategy. GCash aims to serve both the rural – unbanked population as well as the urban population who look for a convenient mode for airtime top-up and bill payments. In order to customise the basic GCash wallet for the rural unbanked population, GCash has partnered with the Rural Banks Association in the Philippines (RBAP) and offers the facility to connect a GCash wallet with a rural bank account. Customers can load their GCash wallet and later “pull or push” money to and from their GCash wallet and the bank account. In order to cater to the needs of two segments, GCash offers various types of user interfaces, ranging from USSD to Java based applications, to applications for smart phones.



Segmentation and Target Market Selection by WING in Cambodia¹

In 2007, ANZ Bank created WING, a subsidiary that offers mobile money for the unbanked in Cambodia. In preparation for its launch, the WING team conducted a segmentation exercise along with a market research agency. They assigned Cambodia's 8.2 million population to eleven segments, based on age, income, occupation, and dependents. For each of these segments, WING prepared a profile consisting of:

- A customer description: age, family status, monthly income, job type, and expenditure components
- Attitudes, needs, and behaviours: attitudes and feelings toward money and money usage patterns, needs, desires, and aspirations
- Suitability for WING: transactions performed, mobile phone usage, geographical presence, and ease to reach – all of which fed into an overall “suitability rating”

WING was able to rule out five segments as targets right away: two that did not have sufficient financial resources to make use of WING services and three that seemed to have their payment needs satisfied by other institutions. By comparing the transactional needs of the remaining segments with WING's planned service offering (money transfers, airtime purchase, bill payments, and merchant payments), WING narrowed the list to the remaining segments which would find WING most useful:

“Urbanised blue collar workers,” e.g. garment factory and construction workers; “high school kids”; “university students”; and “first freedom white collar workers,” e.g. nurses, teachers, business owners, and bank employees. Finally, after assessing the specific needs of each of these segments, WING decided to make “urbanised blue collar workers” its target market. This segment was largely composed of employees in garment factories, aged 15– 35, earning less than \$100/month. WING chose to target this segment for some specific reasons.

1. The research suggested that, on average, garment workers sent 30–50% of their income home to support their families in rural Cambodia. As such, they were obvious potential users of WING's money transfer service.
2. Research suggested that the risk of theft was something that garment workers worried a great deal about. As such, they might well find the possibility of a safe place to store money, (which a WING account would offer) attractive.
3. Finally, this segment was highly addressable. Garment factories in Phnom Penh were concentrated in particular locations, so it would be easy to concentrate marketing spend and the agent-network footprint in places that migrant workers would frequent.

WING estimated that there were 1.1 million Cambodians in this segment, representing about 14% of the adult population of the country.

¹Adopted from - **Davidson**, Neil and Yasmina M. McCarthy, Driving Customer Usage of Mobile Money for the Unbanked, GSMA, 2010

9.3 Consistent and Clear Product Positioning Strategy


Positioning, in simple terms, pertains to how and what service providers let the target segment believe, about what they stand for. Positioning refers to an image or an identity to the service created in the minds of the target customer segment created through branding, marketing communication and more importantly, by aligning product features to the perception that service providers intend to create. Many successful deployments adopt a consistent and clear product positioning strategy.

Successful mobile money deployments develop a comprehensive positioning strategy, which involves all four key elements of the business—including product development, pricing strategy, distribution strategy, and branding and promotional strategy. The product features, pricing, promotional activities, and channel strategy should convey the perception that the product wants to create among its target segment.

For example NTT DOCOMO positioned the product based on an image that it improves convenience, by focussing on:

- **Security:** Reduces chance of loss of cash and helps to keep track of transactions
- **Versatility:** A single mobile phone can be used for multiple services from multiple service providers
- **Process speed:** Minimises the time taken at the point of sale (40% faster than credit cards and 55% faster than cash)

Sometimes it is observed that if the mobile money player decides to follow a differentiated targeting strategy then the positioning may have to be different for each differentiated target segment.



The advertisement is set against a blue background. On the left, a woman with dark hair, wearing a purple top, is smiling and looking at her smartphone. To her right, the text 'It's New! Get Triple' is written in white, with 'Triple' in a larger font. Below this, it says 'on all reloads with' in smaller text. Further down, the 'tigo' logo is shown in white inside a white circle, followed by 'cash' in white inside a blue circle. A large red circle contains the text 'Register for the Tigo Cash service Today!'. Below this, a green circle contains the text 'Use Bonus credit for:' followed by a list: '- International calls', '- All Local Network calls', and '- and many more'. At the bottom left, there is a small white box with the text 'Visit any Tigo Customer Care or Tigo Cash agent to register. Offer Valid from Monday, 11th April to 17th April, 2011'. At the bottom right, the 'tigo' logo is shown in white, with 'Express Yourself' written below it. The website address 'www.tigo.com.gh' is at the bottom left.

Tigo Cash has positioned itself as a simple payment option for the urban population. All advertisements and promotional campaigns of Tigo depict a happy, satisfied urban customer. Tigo wanted to carve a niche segment by positioning itself as a product preferred by the urban population. Even the promotional schemes are designed to suit and appeal to urban customers.

10. Branding, Marketing and Incentives

Only a handful of the more than hundred global mobile money deployments have been able to win customers' hearts and reach a scale to qualify as a "game changer". A close look at the successful deployments shows that all of them took branding and marketing seriously. They spent considerable time and resources in developing and executing a carefully calibrated branding and marketing strategy.

Mobile money involves handling customers' money, keeping it safe and delivering it on demand. It is an exceptional shift for customers who have never had a bank account, and for whom, often the only knowledge about banks pertain to tangible aspects such as branches, passbooks and ATM cards. Successful mobile money deployments used the below mentioned branding and marketing principles in order to overcome these challenges.

- Branding which indicates association with a credible parent organisation
- Clear branding messages to convey the purpose of mobile money
- Customised marketing mix which suits market conditions
- Incentive schemes to augment branding and marketing

10.1 Branding

Branding of mobile money services is important because often the services are new to customers. As it involves money, establishing credibility is vital. Ignacio Mas in one of his [blog](#) post writes, "think about how hard it must be for a poor, undereducated person to get her head around mobile money. She is likely to be new to banking, and may never have used her mobile phone for anything other than talking into. Now she is told that, to deposit money into this new type of account, she must go along to the corner shop where she buys her rice and cooking oil and which now seems to sport a flash new logo of a bank she may not have heard about, she must give the clerk her phone number and her cash, she must wait to get a text message on her phone, and then she can just walk away. When she wants to retrieve her money, she can just go back there, press buttons on her mobile phone, but this time she must

remember a secret code (she needs to prove that the account really is hers), and the store clerk will give her the cash – really, he will!" Therefore, it is of utmost importance to create a strong brand for mobile money services to create a strong element of trust among the customers. In the past mobile money service providers have followed a couple of popular ways to create a strong brand for their services

10.1.1 Association with a credible parent organisation

Mobile money services are branded to indicate association with a credible parent organisation, which is often either an MNO or a bank. If we look at the first M-PESA ad below, the main focus is on M-PESA and what it does, but with the Safaricom subtly placed in the far right-hand bottom corner. By doing this, Safaricom was creating a separate and important brand for M-PESA, but at the same time, reassuring poorer Kenyans that Safaricom was behind the new service. Often in bank-led models, the Agent Network Manager focuses on letting the customer know their association with the bank.

10.1.2 Create a strong corporate identity

Corporate identity in e/m-banking includes design of the agent premises, signage, staff uniforms, and even agent and staff behaviour in public. This corporate identity is crucial to ensuring customers a consistent, standard and a uniform experience. Safaricom had willing agent shops uniformly painted green across Kenya with a prominent display of the M-PESA logo so that customers could easily distinguish an M-PESA outlet from a normal airtime seller. Over time, the individual M-PESA brand became so important that not only did customers flock to the service, but also the remaining shops who were not interested in the beginning were strongly requesting to become M-PESA agents.⁵³

⁵³ MicroSave Briefing Note # 104, [Role of Branding to Promote E/M-Banking Products & Services \(3/5\)](#), October 2011.



M-PESA is a classic example that followed both strategies explained above to create a successful brand – 1. Indicate association with a credible parent organisation and 2 – Create a strong corporate brand identity. M-Pesahas heavily leveraged the brand identity and credibility that Safaricom enjoys in Kenya. All initial promotions for M-PESA had Safaricom logo in it. Thus, indicating an association between Safaricom and M-Pesa and at the same time building the M-PESA brand at every opportunity. Even the M-PESA logo contains the prominent green and red which are Safaricom corporate colours. All agent outlets display the prominent logo. Usually the shop is painted in Safaricom green to indicate the association between Safaricom and M-PESA. This also makes it easier for customers to locate the service.

10.2 Create a winning message to convey the benefit of mobile money

The branding message for a mobile money service needs to be simple and clear. Often mobile money service providers come up with complex messages such as ‘bank at your doorstep’ or ‘bank account in every pocket’. Such messages are ambiguous and generic in nature and do not communicate much about the core benefits the service seeks to provide. The classic example of a mobile money service benefiting from clear branding message is M-PESA. Soon after Safaricom decided to reposition M-PESA from being a microfinance repayment service to a national money transfer service, Safaricom adopted a clear three word message – “Send Money Home” that exactly conveyed what the service meant without any ambiguity.



The image above is an earlier M-PESA advertisement with a clear marketing message “Send pesa by phone”. The image also clearly conveys the real-time nature of the service and tries to instantly connect with the target segment – a well-dressed person who probably works in urban area sends money to his parents working in their farmlands in rural area.

10.3 Customised Marketing Mix which Suits Market Conditions

Marketing activities conducted by mobile money deployments can be broadly categorised into three types: above the line marketing; below the line marketing; and direct marketing. Successful mobile money services follow a customised marketing mix based on the market in which it is operating. A combination of marketing activities is chosen based on the medium's prevalence in the market, acceptability, and reach of the medium among the target segment and more importantly, the nature of the message that needs to be communicated.

Above the line marketing (ATL) is aimed at the mass market through TV, print and radio. Urban focused mobile money players usually focus more on ATL marketing. ATL marketing does not help to educate the market about the product's usage and advantages but spreads the word in the market and creates brand familiarity and facilitates enquiries by customers.

Below the line marketing (BTL) is aimed at specific groups through field level activities including, pamphlet distribution, road shows, marketing collateral in agent outlets etc. Experiences show that below the line marketing has been most successful in increasing customer uptake, by educating the clients on usage of mobile money service. It also helps to explain the advantages and the processes involved to use mobile money services to customers—who are usually less aware.

Direct marketing, is aimed at the mass market, but through a personalised medium. In mobile money marketing, it usually involves targeted SMS. Direct marketing through SMS is a common way of marketing mobile money services. SMS is an easy tool to reach both existing mobile money users, as well as potential customers with mobile connections. It helps to communicate new promotional schemes to both new and existing users.



SMART Money adopted a carefully chosen mix of marketing activities suited for different purposes.

ATL marketing: To drive awareness and understanding of SMART Money, SMART designed a series of spots featuring an animated user. Each one minute spot would display the way that SMART Money 'came to the rescue' of a customer with a specific need—from airtime purchase, to money transfer. The animated character would then proceed through each step involved in completing the transaction. This campaign effectively highlighted the utility of SMART Money and educated users on the processes involved in completing a transaction.

BTL Marketing: SMART organised "activation blitzes" timed to coincide with the general assembly of their cooperative partners or with village fiestas. The activation blitzes communicated to a large number of users about SMART Money and registered them on the spot, often by offering prizes to lucky new registrants. Offering prizes, rather than a flat incentive (i.e. an initial balance) appeared to be more effective in driving registrations at such events.

10.4 Incentive Schemes to Augment Branding and Marketing

Along with branding and marketing activities, mobile money deployments often come up with incentive schemes to increase customer usage.

Branding and marketing schemes help to increase the familiarity of the services in the target market, but incentive schemes are directed at increasing customer uptake of mobile money services and drive usage.

Mobile money service providers introduce a variety of promotional schemes and offers that are innovative and often time bound. Some of the prominent categories of promotional schemes are airtime discounts, introductory pricing schemes, loyalty programmes, refer a friend reward points, sign-up bonuses, and non-cash based incentives.

10.4.1 Airtime Discounts when Purchased through the Mobile Wallet

Many mobile money deployments which include GCash and SMART Money in the Philippines, and African providers such as M-PESA in Tanzania and Airtel in Kenya have offered airtime discounts and bonuses.

Mobile money services that are MNO-led offer airtime discounts and bonuses when directly purchased through the mobile wallet. Offering airtime discounts is a win-win situation for both the MNO as well as the customer.

When airtime is purchased through mobile wallets, MNOs save on costs associated with distribution of airtime through several layers of distributors and agents.

However, the downside of offering such airtime discounts and bonuses is that it cannibalises the commission earned by agents by selling airtime discounts. Since in most mobile money deployments, airtime sellers are mobile agents, they may discourage customers from signing for mobile money accounts. To tackle this issue, some operators offer a commission to agents every time when a customer whom they signed up does an airtime recharge through the mobile money account.

10.4.2 'Refer a Friend' Reward Points

Usually, customers of mobile money services learn about the services from neighbours, friends and relatives. Regular users can educate new users on product details and how to use the services. They can also influence a prospective customer by sharing their experience and benefits of the services. Offering 'refer-a-friend' reward points can be a potential incentive scheme for increasing customer sign ups.

PayPal

During the initial days of PayPal, there were many referral schemes which allowed existing PayPal account holders to refer their friends and earn dollar credits for it. This was one of the key success factors for PayPal. Some of these schemes continue even now. For merchant referrals, PayPal used to pay as much as \$1,000 per merchant till recently.

10.4.3 Limited Period Introductory Pricing Schemes



In October 2010, M-PESA launched *Nunua-na* M-PESA which allows M-Pesa users to instantly pay for the goods purchased at select super markets. The service is offered for free but with a disclaimer that Safaricom may at a later stage introduce a nominal fee.

Whenever a new service is launched, many mobile money service providers offer the service free or at a discounted rate for a limited period. Offering the service at a lower cost will help to encourage customers to try the new service. Customers will also gain familiarity and be more likely to use it continuously. However, it needs to be remembered that service providers

should clearly state right from the beginning that these introductory offers are for a limited period and it may be extended or withdrawn.

10.4.4 Non-cash based Incentives



In 2009, Vodacom launched 'Recharge via M-PESA and win a phone FREE' promotion in Tanzania. Registered M-PESA customers can recharge their phones or their friends' phones via M-PESA and stand a chance of winning Motorola W230. Every week, 10 lucky customers were randomly picked to win a Motorola W230 each. Additionally, customers were also given 5% extra airtime on every top-up they make using M-PESA.

Apart from cash based incentives and rewards, there also many types of non-cash based incentive schemes offered by mobile money service providers worldwide to encourage usage of mobile money such as a contest entries, lucky draws, etc.

10.4.5 Sign up Bonuses

Some of the mobile money deployments offered sign up bonuses, which means that on opening a mobile money account, the service provider will offer a free opening balance in the wallet.

This is intended to encourage customers to start using the service. While this scheme was very successful for some mobile money products, for others it did not prove to be a great success.



To encourage customers to use their mobile money account, MTN ran a limited period offer by providing an opening balance of US\$5,000 (approx. US\$2) for every new sign up. But later MTN realised that more than 40,000 accounts that were opened during this period had exactly US\$5,000 as balances. This indicates that the scheme never achieved its objective to increase customer usage.



On the contrary, PayPal offered free money (US\$10) into every PayPal account on sign-up. PayPal ran this scheme for relatively a long period of time before it was withdrawn. This perhaps indicates that PayPal saw a high level of benefits from this scheme.

10.4.6 Loyalty schemes and reward points



The popular *Bonga* points offered to prepaid and post paid customers of Safaricom is available on chargeable M-PESA transactions which include withdrawal, transfers and bill payments.

Mobile money service providers also offer loyalty schemes and reward points for balance maintenance, usage, or for the service charges paid. In case of MNO led models, MNOs who already have rewards point for their mobile subscribers have started extending these schemes to their mobile money customers.

11. Conclusion

In this paper, we have examined the diverse aspects that have contributed to the success of mobile money deployments. A host of external as well as internal factors have been contributors to success, or lack thereof.

It can be argued that external factors are often beyond the control of individual organisations. But what is needed is often not a complete overhaul of the external conditions, but adapting the solution to reflect external realities. As Jonathan Winters said, “If your ship doesn’t come in, swim out to meet it!”

We believe that, beyond all other considerations, what really matters is identifying customer needs and designing all aspects of service delivery—from product and service design, to delivery policies and procedures, marketing, promotion and strategic positioning—in accordance with and suited to the requirements of the customer.

Provided the customer requirements are catered for, and externalities taken into consideration, mobile money does have the potential and capability to alter the financial services landscape of the globe. It is up to the service providers to design and implement solutions which realise this potential.



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