International Remittances through Branchless Banking

July 12, 2013
This study examines the landscape for international remittances through *branchless banking*. The transfer of remittances through mobile phones or pre-paid cards are common examples that may not require a user to have a bank account.

**Dalberg Global Development Advisors** conducted this study on behalf of the **CGAP Technology & Business Model Innovation Program**

This is the third in a series of landscaping studies commissioned by CGAP. Summaries of earlier studies can be found on the CGAP Blog:

- 2010 blog post: [http://www.cgap.org/blog/borderless-branchless-banking](http://www.cgap.org/blog/borderless-branchless-banking)

The 2013 study was conducted between **April 1 – April 30, 2013**.
As the third landscaping study in this series, the goals of the 2013 research were to:

- Update the deployments landscape for international remittances through branchless banking to determine how, or if, the market is scaling and maturing;
- Follow up on trends and innovations identified in prior studies to see if the promising changes identified are being proved out;
- Through closer study of key actors, determine the critical success factors and remaining challenges to launching and growing, and to see how these factors may be evolving from those we identified in earlier studies;
- Continue assessing what impact the deployments have on furthering financial inclusion.

This study reviewed the landscape through two lenses that differed from prior years:

- We looked more closely at the sending side, because earlier studies indicated that it was senders who selected the money transfer company and how the remittance funds would be received on the other end.
- We took an end-to-end corridor perspective, so we could consider the effect of sending companies, money transfer companies, and receiving companies (including mobile network operators) on the efficiency and effectiveness of the remittance transfer.

As a result of these new lenses, our set of case studies includes sending-side companies as well as profiles of end-to-end corridor models.
### Methodology

#### Preliminary research
- Re-scan of live and planned international remittance deployments identified in 2010 and 2012 studies
- Full desk review of major Mobile Network Operators (MNOs) and relevant Money Transfer Operators (MTOs) who are involved in mobile money deployments on both the sending and receiving ends, to identify and validate current and planned IR deployments
- Industry consultation for additional context and validation of particular providers

#### Interviews and supporting research
- Conducted 23 telephone interviews with operators, technology providers, and industry experts to establish a view of the current market, capture success factors and challenges, and understand the potential impact of innovations on the industry
- Followed up by email or phone for additional validation of findings in final week of study
- Collaborated with CGAP to consider implications to mobile money deployments and financial inclusion

#### Outputs
- **A summary report** detailing the industry landscape in 2013, as well as emerging innovations, success factors and challenges.
- **Seven case studies** representing a mix of deployments:
  - Longer-term initiatives
  - New entrants
  - Intermediary operators who are shaping the industry
- **A database of active deployments**
- **Captured interview notes**, for internal CGAP reference
- **A blog post** for the CGAP website
The landscape for international remittances (IR) through branchless banking (BB) has grown to 41 live deployments, up from only 11 identified in the 2010 study

- We identified 11 mobile and card cash-out deployments in 2010, 20 in 2012, and have now confirmed 41 live in 2013
- Beyond that, up to an additional 25-35 mobile cash-out corridors appear to be planned within the next 12-24 months
- However, challenges to going live remain, with some planned deployments now on hold while prerequisites – typically a domestic mobile money transfer ecosystem and regulatory compliance – are prioritized

Partnerships with major MTOs or hubs continue to drive the rapid increase in mobile-based deployments

- Almost 50% of the 31 mobile-based deployments are partnered with Western Union, including almost 60% of those that went live in the 14 months since the last CGAP landscape of this space
- Approximately 20% of mobile-based deployments are contracted to use the BICS HomeSend hub
- In at least three cases an MNO (Smart, Globe, Safaricom) partnered with both BICS and Western Union for even greater reach

While partnerships can ease a launch by facilitating interoperability, offering support in regulatory compliance, and providing a means of accessing a broad sender network for potential customers, they also have disadvantages

- Some partnerships can limit the flexibility of the business model (for example, by limiting changes to pricing between channels), with implications to customer benefits
- There are also increasingly partnerships which bypass the “brand name” MTOs or hubs entirely, by providing end-to-end remittance delivery with white label FX partners or, as with Orange Money and MFS Africa, by matching an MNO with a white label online MTO

Innovations are also shifting the market, with the introduction of entirely new business models such as those sending funds between social media accounts

- Technological innovations identified in the last study, which aim to lower costs or improve operational efficiency, have begun to move past the testing phase and consider expansion; one example is FX operator KlickEx in New Zealand
- Some models are moving beyond the cash-out model to restrict remittances to particular uses, through gift cards to particular stores (Regalii in the Dominican Republic) or to make bill payments for recipients (Willstream in Senegal)
- One of the newest models conducts online transfers using social media, through senders such as Azimo or Fastacash (scheduled to go live in July), though early versions still limit the ways in which funds put into the system can be spent
- While there is continued interest in remittances by global pre-paid card providers such as Mastercard, they nearly always require the recipient to have a bank account; options to transfer from cards to mobile remain pending

1. Although 12 deployments were noted in our 2010 study, we have removed 1 (Citibank Moneycard), as recent research has demonstrated that recipients using it need access to a bank in order to cash out; 2. Although 23 cash-out deployments were identified in 2012, we have removed 3 – in addition to Citibank Moneycard, QTel and Celcom Aircash were removed, as recent research revealed that they offer solely cash-in options; 3. Based on interviews with BICS and eServGlobal on use of their HomeSend hub, and MFS Africa for planned deployments by Orange, MTN, and others.
The last three years have been more about the introduction of such creative alternative models (including non-mobile based) rather than innovation in existing mWallet models; most mobile cash-out deployments still struggle to increase transaction volumes

- Digicel in the South Pacific claims a 40% increase in transaction volume over 2012, but acknowledges ongoing challenges with customer acceptance; they have recently invested in retail stores on the sending side
- Globe GCASH in the Philippines is an acknowledged leader in IR through BB yet appears to be de-prioritizing remittances in favor of the greater volumes and revenues from domestic transfers
- Similar de-prioritization is evident in pending deployments such as YellowPepper in Latin America, which also cited the need to focus first on domestic transfers despite describing great hopes for remittances in our 2012 study

These new [non-mobile] models are increasing the access, affordability, and transparency of remittances...

- Online senders or end-to-end models can offer increased price and process transparency, transmitting a remittance in under an hour and potentially reduce costs by charging a fixed percentage even for very small transaction values
- Transmission of remittances into gift cards or to pay bills directly benefits both ends of the corridor: senders can control how funds are spent, and recipients receive more frequent flows with added convenience and safety
- The new models also indicate a change in the “power dynamics” for remittances: whereas traditionally the sender makes all the sending decisions and the recipient controls how the funds are spent, now the sender can dictate the spend and the recipient can influence some decisions including the provider and the cash-out channel

...but appear to offer limited opportunities for remittances to serve as a bridge to greater financial inclusion

- However, while such models can benefit low-income populations directly, remittances to retail gift cards or to pay bills directly do not expand access to other financial services products for the unbanked;
- Remittances into mWallets, with its link to other services such as savings accounts, therefore remain the best hope for financial inclusion through remittances
### Noteworthy changes to the landscape of international remittances through branchless banking

#### Operators

<table>
<thead>
<tr>
<th>Sender</th>
<th>Intermediary</th>
<th>Receiver</th>
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<tbody>
<tr>
<td>- New (or pending) models have been introduced using social media to transfer funds between parties</td>
<td>- New entrants such as MFS Africa help further accelerate the rollout of new mobile-based corridors</td>
<td>- Receiving operators increasingly partner with a major intermediary (Western Union, BICS, MFS Africa) rather than establishing corridors independently</td>
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<tr>
<td>- Intermediaries such as MFS Africa also offer “white label” sending platforms that are branded as the receiving operator (for example, Orange Money), hence appearing end-to-end</td>
<td>- Innovations such as FX operator KlickEx appear poised to replicate, potentially disrupting other markets</td>
<td>- Operators may select multiple intermediaries to expand access to sending countries</td>
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<tr>
<td></td>
<td></td>
<td>- Only Globe GCASH in the Philippines appears to be receiving significant volumes; others remain in early stages</td>
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</tbody>
</table>

#### Consumers

<table>
<thead>
<tr>
<th>Sending individuals</th>
<th>Recipients</th>
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<tbody>
<tr>
<td>- Online platforms can offer a more transparent sending user experience while reducing the cost and time to remit funds</td>
<td>- Recipients also have greater control over the traditional remittance process, most recently through influence over channels</td>
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<tr>
<td>- New remittance models can offer senders control over where and how funds are spent</td>
<td>– Online and social media platforms enable closer communication with the sender so recipients can specify their preferred operator</td>
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<tr>
<td>– Directing the funds to a specific retailer</td>
<td>– Western Union and new models such as Azimo allow the recipient some choice over channels into which to receive cash or by which to cash out (eg, mWallet vs. agent cash-out)</td>
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<tr>
<td>– Specifying how the remittance is spent by paying some bills directly</td>
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</table>
Contents

• Landscape of international remittances through branchless banking

• Case studies: corridors, major players and innovative models

• Challenges, success factors, and forecasts

• Annex
### Recap: key findings from 2012 study

**Trends**
- Optimism about the revenue opportunity that can be realized with IR through mobile
- Prioritization of banked over serving the unbanked, while models are proved out

**Innovations**
- Introducing a new FX model to dramatically lower money exchange costs (KlickEx)
- Establishing partnerships with traditional remittance providers (Western Union)
- Using interoperability solutions (BICS HomeSend hub) to access a partner network

**Challenges**
- Maturity of the mobile wallet ecosystem to entice recipients to keep funds in the mWallet rather than cashing out immediately *(note: this is a mobile money vs. IR issue)*
- The regulatory environment, ranging from IR issues such as limits on non-bank transfers, to uncertainty on MM regulations
- Operational issues, such as problems navigating new partnerships and business models
- Marketing and customer education, particularly in reaching the sending side

### Differences identified in this 2013 study

- Increased customer benefits, realized primarily through online platforms: lower or flat fees, greater transparency / ease of use
- Diminished short-term revenue expectations for IR through mobile, recognizing a long-term mindset is required
- Partnerships with traditional MTOs or interoperability hubs continue to accelerate launches and grow increasingly common
- Proliferation of new online models that offer enhanced customer service to senders and/or new mechanisms—such as gift cards—to share value with receivers
- Core challenges on the maturity of the mobile wallet ecosystem (for mobile cash-out deployments), regulations, and sender-side customer education all remain
- Operational issues related to partnerships and business models are decreasing, as major online sending portals, MTOs, or hubs implement standard arrangements and make it easier to open new corridors
- Challenges for established players are financial viability and establishing customer trust in service reliability
The sheer scale of international remittance flows speaks to the potential for development impact: more than 2x ODA, ~12% CAGR

Resource flows to developing countries

Remittance flows to developing countries

USD billions

Source: World Bank Migration and Remittance Factbook, 2011; World Bank Migration and Development Brief, April 2013; OECD Creditor Reporting System
Remittances play an important role in developing economies, comprising ~20-50% of GDP for the top 10 recipient countries.

As new models develop, the definition of “branchless banking” is increasingly important

International remittances through *branchless banking* include financial flows from an individual sender to a receiver that:
- Are *received* in a mechanism other than a traditional bank account
- Can be cashed out through a network beyond traditional bank branches and bank terminals (ATMs), OR
- Can serve as cash substitutes to provide for payment of basic necessities

For this study, our focus is on receiving mechanisms that use *technology* to expand access to remittances – whether cash or payments for basic necessities -- to beneficiaries

<table>
<thead>
<tr>
<th><strong>Branchless banking</strong></th>
<th><strong>Traditional banking</strong></th>
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<tbody>
<tr>
<td><strong>With technology</strong></td>
<td></td>
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<tr>
<td>Supports cash-out</td>
<td></td>
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<tr>
<td>• Transfer to an mWallet</td>
<td>Cash-to-bank transfers</td>
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<tr>
<td>• Transfer to a pre-paid debit card</td>
<td>Bank-to-bank transfers</td>
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<tr>
<td>Cash substitute</td>
<td></td>
</tr>
<tr>
<td>• Transfer to a gift card</td>
<td>Mobile-to-bank transfers</td>
</tr>
<tr>
<td>• Transfer of payment directly to a necessary service provider</td>
<td>Online-to-bank transfers</td>
</tr>
<tr>
<td><strong>Not technology:</strong></td>
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<tr>
<td>• Transfer to a non-bank agent network (eg, Western Union)</td>
<td></td>
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<tr>
<td><strong>Not basic necessity:</strong></td>
<td></td>
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<tr>
<td>• Mobile top-ups</td>
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</table>

Not the focus of this study
Most deployments do not require recipients to have a bank account. Those that do offer a distribution network beyond bank branches.

Remittance cash-out options

- **Bank networks**
- **MTO agent networks**
- **Mobile and retail agent networks**

"We have 3-4 times the agents of an MTO, and we are present in comparatively smaller villages."

-- Orange Money, referring to deployment in Madagascar.

This report does not include deployments where recipients may only cash-out through a traditional bank network.

Deployments where recipients receive the remittance into an mWallet or card and may cash-out through a traditional money transfer agent (e.g., Western Union, Moneygram) are included in this report.

The majority of deployments included in this report allow recipients to cash out at agent networks that include mobile agents and retail partners. These generally offer recipients the greatest number of options, especially given locations in more rural areas lacking bank or MTO options. Some deployments require a recipient have a bank account to register. For example, for a pre-paid card such as Visa or Mastercard.
Three primary models identified as relevant in 2013

1. **Mobile cash-out**
   - Funds are stored in an mWallet until the recipient cashes out
   - **Examples**: Globe GCASH, Safaricom M-PESA

   ![Diagram](image)

2. **Pre-paid card**
   - Funds are added to a card which can be cashed out at an ATM, or spent at retail stores on the card company’s network
   - **Examples**: iRemit Visa, MPOWER Yap Card

   ![Diagram](image)

3. **Directed transfer**
   - Sender transmits funds directly to payments on behalf of a beneficiary (eg, school fees, utility bills, etc.)
   - **Examples**: RegaloPay, Willstream

   ![Diagram](image)

Source: Dalberg analysis
Steady increase in international remittance through branchless banking deployments since 2010

Live deployments for branchless banking cash-out

1. Although 12 deployments were noted in our 2010 study, 1 (Citibank Moneycard) has been removed, as recent research has demonstrated that recipients using it need access to a bank in order to cash out; 2. Although 23 cash-out deployments were identified in 2012, 3 have been removed – in addition to Citibank Moneycard, Qtel and Celcom Aircash were removed, as recent research revealed that they offer solely cash-in options; 3. Commitments identified through interviews; actual number of pending deployments is likely larger. 17 of the 28 identified are a result of BICS HomeSend’s partnership with Airtel, present in 17 markets in Sub-Saharan Africa and has at least one deployment confirmed to go live in Q2 2013; the schedule for others is TBD; Source: Dalberg research and analysis; GSMA Mobile Money Tracker; Western Union website.

<table>
<thead>
<tr>
<th></th>
<th>2010 study¹</th>
<th>2012 study²</th>
<th>2013 study</th>
<th>Planned to go &quot;live&quot; within next 12 months³</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pending</td>
<td>11</td>
<td>20</td>
<td>5</td>
<td>~10-26+</td>
</tr>
<tr>
<td>Directed transfer</td>
<td>8</td>
<td>15</td>
<td>32</td>
<td></td>
</tr>
<tr>
<td>Pre-paid card</td>
<td>3</td>
<td>5</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Mobile cash-out</td>
<td>3</td>
<td></td>
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</table>

¹ Although 12 deployments were noted in our 2010 study, 1 (Citibank Moneycard) has been removed, as recent research has demonstrated that recipients using it need access to a bank in order to cash out; ² Although 23 cash-out deployments were identified in 2012, 3 have been removed – in addition to Citibank Moneycard, Qtel and Celcom Aircash were removed, as recent research revealed that they offer solely cash-in options; ³ Commitments identified through interviews; actual number of pending deployments is likely larger. 17 of the 28 identified are a result of BICS HomeSend’s partnership with Airtel, present in 17 markets in Sub-Saharan Africa and has at least one deployment confirmed to go live in Q2 2013; the schedule for others is TBD; Source: Dalberg research and analysis; GSMA Mobile Money Tracker; Western Union website.
While new deployments are added each year, some have ceased operations.

**Changes in landscape for branchless banking cash-out**

- **First identified as live in 2010**: 11
- **First identified as live in 2012**: 8
- **First identified as live in 2013**: 12

**Newly identified**
- 1. PayMaster
- 2. M-Via
- 3. M-Pesa¹
- 4. Globe
- 5. ZAP
- 6. Smart
- 7. Bangalalink
- 8. Maroc Telecom
- 9. TransferCel
- 10. Visa Direct
- 11. MasterCard
- 12. Moneysend

**Ceased operations**
- 1. Paymaster
- 2. ZAP
- 3. Visa Direct

**Source:** Dalberg research and analysis; GSMA Mobile Money Tracker; Western Union website

Pending mobile based deployments in 2012 that are still not live struggle with many of the same problems they faced last year.

Dependents that were pending at time of 2012 study

<table>
<thead>
<tr>
<th>Status</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Live in 2013</td>
<td>5</td>
</tr>
<tr>
<td>Still pending</td>
<td>13</td>
</tr>
</tbody>
</table>

Three key challenges to deployments converting from pending to live

- **Length of time to establish regulatory compliance**
  - Expected progress on formalizing and universalizing regulatory guidelines for international remittances through branchless banking has not been achieved
  - “Regulators are not focusing on international remittances but rather mobile money as a domestic product when thinking about regulations for mobile money” - Regulatory Expert, CGAP

- **Agreeing on a strategic partnership**
  - MNOs need a sender network and/or MTOs to establish a corridor
  - Deciding on partners and agreeing on a business model takes months, even years

- **Presence of a mobile money ecosystem**
  - 6 out of 13 deployments that are still pending are in the Latin America and Caribbean region where mobile money has struggled to gain traction
  - “The root cause for international remittances not happening is that mobile money hasn’t happened” - Rafael Russ, YellowPepper

Regulations, lack of strategic partnerships, & lack of strong domestic MM ecosystems are the main drivers behind the inability of numerous deployments to go live.


Source: Dalberg research and interviews
For deployments that converted from pending to live since 2012, strategic partnerships were key to their launch.

**Deployments that were pending at time of 2012 study**

- **Live in 2013**: 5 deployments
- **Still pending**: 13 deployments

4 of the 5 deployments have signed strategic partnerships with senders/MTOs who help manage the interoperability and regulatory compliance challenges:

1. Tigo – Western Union
2. Roshan M-Paisa – Western Union
3. MTN Ghana – BICS HomeSend
4. Orange Money – MFS Africa

Partnerships with major MTOs played less of a role in conversions between 2010 and 2012: of the 5 conversions, only 2 had similar partnerships.

1. Deployments that converted between 2010 and 2012 were Digicel Mobile Money, Easypaisa, Mkomusa mKesh, MPOWER Yap Send, and MTN Mobile Money. Digicel partnered with KlickEx, MTN with BICS and MFS Africa.

Source: Dalberg research and interviews
Western Union value proposition to partners:
• Globally recognized brand name
• Access to nearly 500,000 agents in > 200 countries
• Offers guidance in traversing the regulatory landscape; there are indications that WU brand may carry weight
• Facilitates access to multiple sending countries and a wide sender agent network with a single partnership
• End-to-end Western Union branding and guarantee

BICS HomeSend value proposition to partners:
• Open platform
• No exclusivity agreement
• Flexibility in negotiating revenue sharing agreement
• Provides technology interoperability for sender/receiver
• Facilitates access to multiple partners on either end
• Manages regulatory landscape when entering new markets
• Connects to forex providers and settlement banks, with a minimal spread that is shared between the partners

Mobile-based deployments increasingly use global and regional partners specialized in the money transfer space

Western Union and BICS HomeSend remain the market leaders, accounting for almost 60% of active deployments identified

1. Includes territories
Source: Desk research; interviews with BICS, Western Union, and partners
Partnerships with players dedicated to the money transfer space can make it easier for MNOs to quickly expand to new countries.

### Selected mobile IR deployments (countries) by operator

<table>
<thead>
<tr>
<th>Operator</th>
<th>Planned in next year</th>
<th>New in last year</th>
<th>Previous</th>
<th>Timing TBD</th>
</tr>
</thead>
<tbody>
<tr>
<td>MTN</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>17</td>
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<tr>
<td>Orange</td>
<td>5</td>
<td>3</td>
<td>3</td>
<td>1+</td>
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<td>Tigo</td>
<td>4</td>
<td>1</td>
<td>3</td>
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<tr>
<td>Digicel</td>
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<tr>
<td>Vodafone</td>
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<td>Airtel</td>
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<table>
<thead>
<tr>
<th>Sender</th>
<th>Intermediary</th>
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<tbody>
<tr>
<td>MTN-branded portal (run by MFS Africa)</td>
<td>MFS Africa</td>
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<tr>
<td>Orange-branded portal (MFS Africa)</td>
<td>MFS Africa</td>
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<tr>
<td>Western Union</td>
<td>Western Union</td>
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<tr>
<td>Digicel²</td>
<td>KlickEx</td>
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<tr>
<td>Western Union Multiple others</td>
<td>HomeSend Western Union</td>
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<tr>
<td>TBD</td>
<td>HomeSend</td>
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</table>

MNOs will seek out partner organizations with sufficient scale to support them across all their countries of operation.

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1. Includes Vodafone subsidiaries: Safaricom/M-Pesa (Kenya), Vodacom/M-Pesa (Tanzania), and Vodafone/M-Paisa (Fiji)
2. Through new retail presence only
Landscape for international remittances through branchless banking remains heavily mobile-focused, despite new models.

<table>
<thead>
<tr>
<th>Mobile cash-out models</th>
<th>Card-based models</th>
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<tbody>
<tr>
<td><strong>1</strong></td>
<td><strong>2</strong></td>
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<tr>
<td>1 Bancolombia</td>
<td>1 iRemit Visa Card¹</td>
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<tr>
<td>2 Banglalink</td>
<td>2 Mango Money¹</td>
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<td>3 bkash</td>
<td>3 Mastercard</td>
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<td>4 Boom Financial</td>
<td>Moneysend¹</td>
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<td>5 Digicel</td>
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<td>6 Digicel</td>
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<td>7 Digicel</td>
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<td>8 GCASH</td>
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<td>9 INOVAPAY</td>
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<td>10 Maroc</td>
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<td>11 MB Mobile Money</td>
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<td>12 Mikemusa</td>
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<td>13 M-Paisa</td>
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<td>14 MTN Ghana</td>
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<td>15 MTN Cote d’Ivoire</td>
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<td>16 MTN Rwanda</td>
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<td>17 Telma Mvola</td>
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<td>18 Orange Money</td>
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<td>20 PLDT Smart</td>
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<td>21 Safaricom M-PESA</td>
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<td>22 Telenor EasyPaisa</td>
<td>22 Telenor EasyPaisa</td>
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<td>23 Tigo (El Salvador)</td>
<td>23 Tibo (El Salvador)</td>
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<td>24 Tigo (Guatemala)</td>
<td>24 Tibo (Guatemala)</td>
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<td>25 Tigo (Paraguay)</td>
<td>25 Tigo (Paraguay)</td>
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<td>27 VNPT iPay</td>
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<td>28 Vodacom M-Pesa</td>
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<td>29 Vodafone M-PAiSA</td>
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<td>30 Wafacash Allocash</td>
<td>30 Wafacash Allocash</td>
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<td>31 Wanda</td>
<td>31 Wanda</td>
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<td>32 XL Tunai</td>
<td>32 XL Tunai</td>
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</table>

1. Although these deployments enable branchless cash-out, research indicates that they require the recipient to have a bank account that is connected to the pre-paid card.
Africa now has the greatest number of live IR through BB deployments, increasing to 15 from only 6 identified in 2012.

Legend:
- Live during 2012 study
- Newly live in 2013 study
- Mobile cash-out
- Pre-paid card
- Directed transfer

Note: Each dot represents a deployment. There are 39 deployments in 31 countries. 2 deployments which are near-global pre-paid cards are not included.
Contents

• Landscape of international remittances through branchless banking

• Case studies: corridors, major players and innovative models

• Challenges, success factors, and forecasts

• Annex
A number of innovative business models have emerged to compete with “standard” mobile and traditional card-based offerings

A. **Innovative online sender**
   - Differentiated through transparency and quality of customer service
   - Unique service offerings

B. **End-to-end mobile deployments**
   - Receiving MNO established an online portal in sending countries

C. **Remitting to a cash substitute**
   - Adding funds to a retailer gift card in the receiving country

D. **Remitting a direct payment**
   - Paying utility bills or for other basic necessities directly

Source: Desk research; interviews with remittance experts and providers, April 2013; Dalberg analysis
## Models emphasize reliability and other benefits over fee savings

<table>
<thead>
<tr>
<th>Type</th>
<th>Value proposition to customers</th>
<th>Description</th>
<th>Example(s)</th>
</tr>
</thead>
</table>
| **A** Innovative online sender | • Fee transparency  
• Process transparency  
• Ease of user experience  
• Customer service | Sending website provides customers with variety of options for delivery channels on both the send and receive side                                                                                          | [See case studies pp 30 - 32](#)                                           |
| **B** “End-to-end” mobile deployments | • Same established brand on the sending and receiving sides  
• Price savings | MNO on receiving end partners with a white label sending MTO to establish a branded portal on the sending side                                                                                              | [See case studies pp 43 - 45](#)                                           |
| **C** Remitting to a cash substitute | • Senders have some control over how remittance is spent  
• Remittance value can be stored  
• May save on foreign exchange spread, fees (limited markets only) | Sender purchases a retail gift card in the receiving country. Card may be used for general or directed purchases. May be dollar-denominated; if so, no forex needed | [See case studies pp 47 - 49](#)                                           |
| **D** Remitting a direct payment | • Senders have complete control over how remittance is spent  
• Receivers can ensure that their bills are paid promptly | Senders specify the provider (eg, utility company, school, etc.) the amount and the receiver name, and the bill is then paid directly by the MTO, with notification back to the sender | [See case studies pp 51 - 53](#)                                           |

Source: Dalberg analysis
Examining corridors end-to-end highlights the difference these innovations can make to the customer experience.

Intermediary responsibilities include foreign exchange, settlement processing, and technology interoperability.

**Cash-in**
- **1** Remitly
- **2** Globe GCASH
- **3** HomeSend
- **4** Western Union

**Intermediary**
- **1** Remitly
- **2** Globe GCASH
- **3** HomeSend
- **4** Western Union

**Cash-out**
- **1** Remitly
- **2** Globe GCASH
- **3** HomeSend
- **4** Western Union

**A**
- **Innovative online sender:**
  - Multiple countries to the Philippines

**B**
- **End-to-end mobile deployments:**
  - France to Mali, Madagascar
- **Orange Money Online**
- **Orange Money**

**C**
- **Remitting to a cash substitute:**
  - US to the Dominican Republic
- **Regalii**
- **Retail outlets**

**D**
- **Remitting a direct payment:**
  - Multiple countries to Senegal
- **Willstream**
- **Service providers**

The numbers connected to the deployments refer to the ordering of case studies over the next few slides; there are two deployments presented here that do not have case studies – World Remit and Orange Money. WorldRemit is very similar to Remitly in its operations, apart from its connection to HomeSend, and so did not warrant a separate case study; Orange Money is very similar to GCASH as a basic mWallet provider, and its innovative features are covered in the MFS Africa case study; Source: Dalberg analysis.
One emerging innovation is money transfers through social media

Money or value transfers between social media users

Azimo is a Facebook-based sender, with primarily agent cash-out
- Sender identifies receiver and value to send
- Receiver identifies channel for cash-out

fastacash¹ creates an e-wallet on Facebook
(Note: cross-border transfers not live until July 2013)
- Funds transferred via encrypted links
- Spending options will include purchases, transfer to an mWallet, or cash out

Login is via Facebook, easing KYC for sender

Why it is relevant
- Addresses trust issue because recipients already know the channel (vs. an mWallet)
- Facebook gaining rapid adoption in developing countries, accessed on mobile phones
- Facilitates communication on same platform
- Provides channel choice to the receiver

What the future may bring
Transfer of funds to social media profiles accessed by recipients on a mobile phone, with an expanding range of goods that can be purchased directly without needing to cash out

¹ Description is primarily based on an interview with fastacash.
Source: Desk research; interview with fastacash in April 2013; Dalberg analysis
Another expansion of the IR landscape is through mobile airtime top-ups, which are already considered remittances by some senders.

International mobile airtime top-up services

International directed formal transfer to a recipient’s mobile phone operator, adding account value
- Can be direct to MNO via online or pre-paid card
- Can also use an aggregator for multiple MNOs (for example, ezetop.com)
- Value is only for voice/data, not for an mWallet
- Relatively low fees to transfer small values

Some remittance providers also offer top-up services, blurring the line for consumers and regulators between transfer of money and mobile account value
- Serves as another means to reach the unbanked, by benefiting any recipients with a mobile phone, without dependence on a mobile money deployment
- Mobile phones are increasingly viewed as a basic necessity, particularly in developing countries
- Broadly available across countries and MNOs

One benefit of airtime top-ups is that much smaller values can be sent economically. For example, WorldRemit will transfer 500 Haiti gourdes [$11.79 USD] from the UK for the equivalent of a $0.39 USD fee. A traditional MTO charges a minimum fee of $10 USD, which is a disincentive for small transfers.

Quote from traditional MTO for $1 USD transfer

Messaging by some senders blurs the line between transferring funds and airtime. For WorldRemit, the money transfer process offers airtime top-up as a channel choice.

1. Based on website comparison on April 30, 2013. WorldRemit quoted 1.07 GBP total to transfer 0.755 GBP (50 HTG).
Source: Desk research; interview with fastacash in April 2013; Dalberg analysis
## Deployment Model Maturity

<table>
<thead>
<tr>
<th>Stage in value chain</th>
<th>Country/Region</th>
<th>Rationale for case study</th>
<th>Slides</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sender</strong></td>
<td>Philippines</td>
<td>• Representative of many new online senders</td>
<td>30-32</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reduced prices and increased transparency</td>
<td></td>
</tr>
<tr>
<td><strong>Receiver</strong></td>
<td>Philippines</td>
<td>• Live since ’04 - very long track record</td>
<td>33-35</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Significant growth since last year</td>
<td></td>
</tr>
<tr>
<td><strong>Intermediary</strong></td>
<td>Multiple</td>
<td>• Significant growth since last year</td>
<td>36-38</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Innovative alternative to WU for MNOs</td>
<td></td>
</tr>
<tr>
<td><strong>Sender and intermediary</strong></td>
<td>Multiple</td>
<td>• Aggressively partnering with many MNOs</td>
<td>39-41</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Brand and reach has impacted landscape</td>
<td></td>
</tr>
<tr>
<td><strong>Sender and (product)</strong></td>
<td>Dominican Republic</td>
<td>• Innovative model avoiding regulations</td>
<td>47-49</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• New deployment in start-up phase</td>
<td></td>
</tr>
<tr>
<td><strong>Sender and intermediary</strong></td>
<td>Senegal</td>
<td>• Innovative - providing total control to sender</td>
<td>51-53</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• New deployment in start-up phase</td>
<td></td>
</tr>
</tbody>
</table>

### Case studies provide representation across model, level of experience, stage in value chain, and geography

The case study template for new deployments differs from that for deployments covered last year. The focus for new models is on basic facts on how they work.
**Corridor overview:** Remitly in the US to GCASH in the Philippines

**Innovative features**

- Remitly advertises complete transparency of: 1) pricing by different sending options, so customers can make informed decisions 2) how long it takes to transfer the funds, and 3) where the funds are at a given point in time
- They are “integrated on the send and receive side to provide a truly digital experience for both the sender and the receiver,” allowing funds to be transferred in minutes

**Process Description**

**Cash-in**

1. Remitly

- Cash-in is done through Remitly website
- Payments can be made for cash pick-up, to bank account, or to mWallet
- Remitly is a licensed money transmitter and therefore conducts the foreign exchange itself

**Intermediary**

2. Globe GCASH

**Cash-out**

- The receiver receives the funds on their GCASH mWallet and is notified through an SMS
- The receiver can cash out at any of GCASH mobile money agent locations in Philippines, or use mWallet services such as bill pay, etc

**Benefits**

- Reduced prices: fees range from $0 to $4.99 fixed
- Increased transparency: sender can see fees at different tiers, and depending on the delivery channel
- GCASH is a mature mobile money ecosystem, so remittances can be used for services such as payments, or saved, without cashing out

**Challenges**

- Since Remitly is not connected to a hub like HomeSend, it has to establish individual partnerships with receiving deployments. This delays the launch of new corridors and can create challenges in agreeing separately on the business model (e.g., revenue share) and in addressing regulatory constraints

---

1. The only difference between WorldRemit and Remitly in this corridor is that former is not connected directly to GCASH, but through HomeSend; 2. See annex for detailed customer experience for Remitly; 3. See GCASH case study Source: Dalberg research and interviews; Remitly website - [https://www.remitly.com/home](https://www.remitly.com/home)
Case Study - Remitly: Overview

Overview of the model

- **Launch date:** Fall 2012
- **Receiving countries:** Philippines
- **Key partners:** GCASH

Remitly is an online send-side deployment that enables migrants from the Philippines in the US to send money to their families with a variety of cash-out options (cash pick-up, bank account or mWallet).

How it works

**Cash-in is done through the Remitly website**
- Payments can be made for cash pick-up, to bank account, or to mWallet
- Sender is given the option of selecting the recipient through social media (Facebook)
- **Take-away:** Multiple options provided for payment source, as well as payment delivery

**There is no separate intermediary**
- Remitly is a licensed money transmitter and therefore conducts the foreign exchange itself
- **Take-away:** Remitly responsible for transmission of money to mWallet

**Recipient receives the funds in their GCASH mWallet**
- Recipient receives SMS with notification and a reference number for the transaction
- Sender receives an email with confirmation
- **Take-away:** Recipient can cash-out at GCASH agent, or conduct mobile money transactions with funds

Source: Dalberg research and interviews; Remitly website,
# Case Study - Remitly: Highlights

## Success factors and innovative features

- **Increased transparency**: Remitly emphasizes increased transparency compared to its competitors as part of its value proposition; this is certainly true for the clear depiction of expected time presented for each delivery option, which is not available for other competitors.
- **End-to-end digital experience**: For senders that choose mobile wallets as the delivery method, Remitly provides an end-to-end digital experience, with all the benefits of convenience, cost and speed that go with it.
- **Additional options for senders**: Remitly provides more options for speed and time of delivery than many of its competitors.

## Key challenges

- **Convincing customers to switch from their traditional remittance methods to online**: Not all remittance senders are comfortable sending money online, and are more comfortable with the well-established agent structure.
- **Establishing trust with new customers**: Trust with customers is critical but difficult to establish, due to Remitly's very early start-up nature.
- **Reduced cost**: Sending money through Remitly is less costly than non-online competitors such as Western Union, due to lower costs borne by Remitly due to their commitment to an end-to-end digital experience.
- **Convenience**: Like many of the other online send side deployments, Remitly enables senders to transmit money from the comfort of their own homes/work places.

## Customer perspective

- **Revenue streams**: Remitly’s revenues are borne out of the spread on foreign exchange, and on commission (between USD 0 and USD 5) charged to senders.

## Business case

1. Depends on the speed and delivery method selected by the sender;

Source: Dalberg research and interviews; Remitly website

---

1. Source: Dalberg research and interviews; Remitly website
Launch Process

- Remitly has received almost USD 7.5 million in seed and venture funding in the last year and a half
- As of April 2013, Remitly had expanded into 18 US states as a licensed money transmitter, with more states pending approval
- Transaction volume has increased 200% in the first quarter of 2013

Looking forward

- Additional capital that has been attained by the company will enable it to fund expansion to other countries, in addition to the already operational Philippines
- Remitly has not publicly disclosed which its next target markets are, but is exploring options in Asia and Latin America

Impact on financial inclusion

- Remitly and other new online remittance sending platforms offer pricing and process transparency, including differentiated pricing by channel. These may serve as an incentive for senders to select mobile cash-out options, thus fostering the mobile money ecosystem on the receiving side:
  - Lower fees attract senders directly
  - Faster transmission time to mobile may be selectively attractive when needs are urgent (eg, to pay a medical bill)

### Case Study - GCASH: Overview

#### Overview of the model

| • Launch date: 2004 | GCASH provides users of Globe in the Philippines with access to remitted funds through either a cash card or an mWallet that can be cashed out at a partner agent. |
| • Receiving country: Philippines |
| • Key partners: Western Union, HomeSend, in addition to numerous other sending partners |

#### How it works

**Transfer begins**

- **Cash-in is done through a multitude of channels, depending on the sending partner**
  - Online
  - Direct at agent
  - With an mWallet

**Take-away:** Recipient must have a GCASH account – recipient must likely educate sender of platform

**The intermediary depends on the sending partner**

- Could be HomeSend, Western Union, plethora of online sending platforms and other licensed money transmitters
- **Take-away:** Multiple options for transmission of funds due to vast range of GCASH’s partnerships

**Funds received**

- **Recipients receive funds in mWallet**
  - Recipient receives SMS notification
  - Can conduct full/partial withdrawal from an agent/merchant
  - Can use funds from mWallet services such as bill pay, etc.

**Take-away:** Multiple options for recipients to receive funds

---

Source: Dalberg research and interviews; Regalii website
Globe GCASH has the most users receiving remittances into a mobile wallet, and a mature mobile money ecosystem with a variety of innovative financial services for users, such as:

- A mobile can serve as any major payment card (in this case a virtual American Express card), replacing credit cards
- Payroll deposits into an mWallet
- Etc.

Remittance funds transmitted to a GCASH mWallet therefore have a greater chance of being directed to domestic payments or other services, rather than being cashed out directly.

**Success factors**

- Have refocused efforts on domestic mWallet services first, as they believe this is essential to building critical mass in the user base
- Increasingly moving away from unbanked and targeting the banked and “bankable” population as they believe this population is essential to making the model work sustainably
- Broad range of partnerships, including with Western Union, BICS HomeSend, and over a hundred senders
- Recognize the need for a long-term view

**Key challenges**

- Customer education for both sender and the recipient
  - Globe GCASH believes the greatly overlooked challenge is gaining the faith and trust of senders, who make the critical decisions for sending remittances. If they are unfamiliar with your service, or partner MTOs are slow in transferring funds, they simply won’t use it because they don’t trust something new and unreliable

**Impact on financial inclusion**

- Globe GCASH has the most users receiving remittances into a mobile wallet, and a mature mobile money ecosystem with a variety of innovative financial services for users, such as
  - A mobile can serve as any major payment card (in this case a virtual American Express card), replacing credit cards
  - Payroll deposits into an mWallet
  - Etc.

Source: Dalberg research and GCash interviews
Case Study - GCASH: Evolution

Available Data

There has been a 40%-60% increase in transaction volume for international remittances through GCASH mWallets in the last year

Paolo Baltao, President, G-Xchange, Inc.

Customers using GCASH mWallets (thousands)

<table>
<thead>
<tr>
<th></th>
<th>Early 2012</th>
<th>Early 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>~300</td>
<td>~425¹</td>
<td></td>
</tr>
</tbody>
</table>

Strategy for growth

- **Continued emphasis on building domestic mWallet user base**
  - GCASH has been successful in building up a multi-channel ecosystem which allows users to transfer seamlessly from one channel to another, thereby enabling each channel to benefit from growth in the other
  - Latest additions to the ecosystem include establishing a significant presence in the payroll space, developing a GCASH app for smart phones, launching a service that enables users to purchase goods from Amazon.com, and enabling US visa payments through GCASH
  - Enabling US visa payments through GCASH is an effective example of how innovative additions to the domestic money transfer menu can increase the use of international remittance services offered by GCASH¹

- **Emphasis on reliability over cost**
  - Although costs are lower than major competitors (Western Union), this component of the value proposition is not emphasized in marketing efforts, as lower cost is often associated with lower reliability in the minds of customers
  - Strong investment in customer service for first time users to demonstrate reliability and establish trust with every customer
  - Emphasis on cash pick-up option in order to demonstrate reliability through a tangible service

¹. Customers using GCASH in early 2012 is estimated to be between 400K and 450K by Paolo Baltao, President of G-Xchange

Source: Dalberg research and interviews
## Case Study - HomeSend: Overview

### Overview of the model

- **Launch date:** 2011
- **Receiving countries:** 5
- **Key partners:** MNOs and banks

HomeSend is a global “hub” service, created through partnership between BICS and eServeGlobal, that provides a universal platform for international remittances. The hub partners with mobile network operators, mWallet providers and others [including non-mobile payment service providers] to build remittance corridors and serve as the FX and fund settlement handler on an interoperable system.

### How it works

#### Transfer begins

Cash-in can be through a variety of options:
- Online
- At an agent
- With an mWallet
- By phone call

**Take-away:** Sender process is not influenced by HomeSend

#### HomeSend is responsible for intermediary functions, with the help of a forex partner:

- BICS conducts the international settlement and foreign exchange with a partner
- eServeGlobal provides the technology that ensures interoperability

**Take-away:** The sending and receiving deployments are connected to each other by virtue of their partnership with HomeSend

#### Funds received

Recipient receives the funds in his/her mWallet:

- Recipient receives an SMS notification
- Recipient can conduct a full/partial withdrawal from an agent, or use funds for mWallet services such as bill pay, etc.

**Take-away:** Recipient process is not influenced by HomeSend

### Legend

- **Legend:** Stages of corridor that deployment is responsible for
- **1.** Refers to number of countries with HomeSend partners that enable receiving remittances through branchless banking; Source: Dalberg research and interviews
The HomeSend hub makes it easier to launch new mobile-based deployments, resulting in more options for senders to transmit funds into an mWallet. Once the funds are in the mWallet, the receiver is not required to cash out and can leave the funds in the wallet (hence duplicating a savings account) or pay bills and use other services directly.

**Success factors**

- Rapid identification and signing of new partnerships, which increase the value of the relationship for all prior partners by virtue of the hub model
  - In just over a year HomeSend has signed partnerships with mobile operators to the point where the potential user base that can tap into the HomeSend hub is now ~1.2B and growing

**Key challenges**

- HomeSend has virtually no ability to push uptake of its platform within the mobile base of its partners
  - The mobile operators themselves must prioritize the application and must push marketing and education or the hub will not see the transaction traffic it is setup for
- Have seen long delays in deployments launching due to regulatory issues and business model discussions between partners
  - In one case signed an agreement with a partner but was unable to launch the platform for 2 years due to cross-border regulatory and compliance issues. This is an industry-wide challenge; not just HomeSend

**Impact on financial inclusion**

- The HomeSend hub makes it easier to launch new mobile-based deployments, resulting in more options for senders to transmit funds into an mWallet. Once the funds are in the mWallet, the receiver is not required to cash out and can leave the funds in the wallet (hence duplicating a savings account) or pay bills and use other services directly.
Case Study - HomeSend: Evolution

Available Data

Mobile subscribers covered (millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Subscribers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>35</td>
</tr>
<tr>
<td>2011 H1</td>
<td>50</td>
</tr>
<tr>
<td>2011 H2</td>
<td>300</td>
</tr>
<tr>
<td>2012 H1</td>
<td>380</td>
</tr>
<tr>
<td>2012 H2</td>
<td>1,200</td>
</tr>
</tbody>
</table>

Strategy for growth

- **Provision of open and agnostic interoperable platform**
  - This has implications of exponential growth after reaching a critical mass, as demonstrated by the evidence of growth presented above
  - Enables the creation of non-traditional corridors whose business potential would not otherwise be worth a targeted investment

- **Enabling smaller players to achieve scale quickly**
  - In a market traditionally dominated by a couple of large players, the presence of the HomeSend hub has enabled the entry of numerous smaller players by lowering the barriers to entry
  - For non-large transaction values (>~USD 120), offerings provided through HomeSend are on average substantially cheaper than Western Union
  - Due to HomeSend’s role in enabling these offerings at scale, it plays an important role in enabling cost savings for customers in the market, and will do so increasingly in the future

1. Refers to financial years; 2. HomeSend all inclusive prices for these amounts lie between 6-7%, depending on the corridor, while Western Union charges nearer 15%; Source: Dalberg research and interviews; materials provided by eServeGlobal
**Case Study - Western Union: Overview**

### Overview of the model

| **Launch date:** Early 2008<sup>1</sup> | Western Union is a leader in global payment services that is ubiquitous in the traditional international remittance space due to its unparalleled agent network; In the last five years, it has built up a presence in the digital international remittance space as well through partnerships with mWallet providers on the receive side, and an online option (via westernunion.com) on the send side. |
| **Receiving countries:** 13<sup>2</sup> *(in scope for this study)* | |
| **Key partners:** MNOs and banks or 3<sup>rd</sup> parties offering mobile financial services | |

### How it works

**Transfer begins**

- Cash-in can be done through Western Union branded retail mWallet, or website
- Sender can choose to send to receivers mWallet
- Sender is asked to provide basic information for the recipient
- Sender is informed of the commission charged
- **Take-away:** Senders can choose from a variety of sending channels

- Western Union conducts all intermediary functions
- Western Union acts as its own hub
- Western Union handles the foreign exchange and settlement in-house
- **Take-away:** The entire money transfer transaction is Western Union branded

**Funds received**

- Recipient receives the funds in his/her mWallet<sup>3</sup>
- **Auto-delivery:** Receiver notified of credit to their mWallet after sender chooses to direct funds into receiver’s mWallet
- **Pickup:** Receiver chooses to pull money into his/her mWallet, after sender sends regular Western Union transaction
- **Take-away:** Recipient can choose between different delivery channels

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<sup>1</sup> Refers to when Western Union began partnering with mWallet providers offering financial services; 2. Western Union has 17 active cross-border MMT services in 15 countries, but for the purpose of this study, we are considering the MMT services that are live on the receiving side in developing countries and do not require cash-out through bank locations. 3. Cash out can also be done through agent network and bank account, but the focus of this case study is on Western Union’s connection with mWallets. 4. This is only possible for recipients who are subscribers to MNO services that are partners with Western Union; Source: Dalberg research and interviews.
### Case Study - Western Union: Highlights

#### Success factors

- Very broad reach of their agent network: nearly half a million agents across ~200 countries and territories
- Well-established brand name that is synonymous with remittances globally
- Rapid establishment of new mobile deployments (within the scope of this study, focusing on the receiving side), increasing from 4 in 2011 to 14 today, with a compelling value proposition to new partners rooted in their agent network and brand name
- Investment in their online portal

#### Key challenges

- Inability to date to manage issues of channel conflict related to their agent network, resulting in limited discounting for remittances sent via the online portal or into mWallets
- Perception by some MNOs that partnering with Western Union reduces their business model flexibility (e.g., ability to change pricing)
- Rapidly increasing pricing pressure from new and innovative competitors, such as KlickEx (foreign exchange provider) in the Pacific Islands, or Remitly for money transfer to the Philippines

#### Impact on financial inclusion

- Partnerships with Western Union can make it very easy for MNOs to accept international remittances, when compared with establishing corridors and business models with other partners separately, thus increasing the options for funds to be added to mWallets
- However, limited pricing flexibility and differentiation likely limit the attractiveness of these mobile corridors
- Where Western Union holds exclusivity agreements with agents or partner MNOs, competition could be reduced with implications to prices and the potential to increase traffic into mWallets through other operators. (Note: It is not clear how many markets retain exclusivity agreements. Agent exclusivity is not allowed in some markets like Ghana, but is still permitted in Kenya, among others.)

1. Western Union has 17 active cross-border MMT services in 15 countries, but for the purpose of this study, we are considering the MMT services that are live on the receiving side in developing countries and do not require cash-out through bank locations. Source: Dalberg research and interviews
Case Study - Western Union: Evolution

Available Data

<table>
<thead>
<tr>
<th>Number of active mobile money transfer partnerships on recipient end¹</th>
<th>Increase in revenue from electronic channels²</th>
<th>Contribution of electronic channels to total company revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>35%</td>
<td>3%</td>
</tr>
<tr>
<td>3</td>
<td>27%</td>
<td>4%</td>
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<tr>
<td>11</td>
<td></td>
<td></td>
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<tr>
<td>14</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2008 2009 2010 2011 2012 2013

2011 2012

2011 2012

Strategy for growth

- **Focus on mobile financial service partners with strong mWallet offerings and a large number of active users**
  - Western Union believes that mobile money transfer volumes are likely to grow more rapidly in contexts where and when there is a critical mass of active mobile financial services users, as these users are most likely to take advantage of an international money transfer offering from the mobile channel
  - Western Union has learned through experience that its entry into the mobile remittance space, in markets without an active mobile money ecosystem, will not in and of itself spur usage of mWallets

- **Focus on provision of choice to customer**
  - The initial motivation for Western Union to enter the mobile space was to be in a position to meet the customer’s (both sender’s and receiver’s) expectation for choice
  - Through the pick-up (pull) model, recipients can select the cash-out channel (agent network or mWallet)³, a value proposition unique to Western Union⁴

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¹. Totals do not include two deployments that are mobile cash-in only: ABSA and Maxis; Western Union has some additional deployments in the works, but has not announced them publicly yet;
². Electronic channels refer to westernunion.com, account based money transfer, and mobile money transfer – data for only MMT growth is made available by Western Union;
³. Prices are, however, set on the send side, and are not differentiated by the cash-out channel selected;
⁴. Cash out channel for most other deployments is selected by the sender; Source: Dalberg research and interviews; information provided by Western Union.
Corridor overview: Orange Money Online in France using MFS Africa to Orange Money in Madagascar

Innovative features

- The low flat rates charged by MFS Africa to senders has forced larger players like Western Union to reduce the prices offered by its online sending platform for transfers to Madagascar
- White label nature of MFS Africa enables Orange Money to provide an end-to-end money transfer experience under its own brand

Process Description

<table>
<thead>
<tr>
<th>Cash-in</th>
<th>Intermediary</th>
<th>Cash-out</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orange Money Online</td>
<td>MFS Africa (white label)</td>
<td>Orange Money</td>
</tr>
</tbody>
</table>

- Cash-in is done through Orange Money Online website, which is run by MFS Africa
- Sender can pay using a debit card or bank transfer
- Flat rate of ~EUR 5 is currently charged for all sending amounts
- MFS Africa has partners who conduct foreign exchange activities, with whom they share margins obtained from the spread
- Funds transferred directly to Orange Money mWallet accounts within seconds
- Client receives an SMS as soon as funds have been successfully transferred
- Cash out can be conducted at any of Orange Money’s agents

Benefits

- Reduced prices: Flat fee of ~EUR 5
- End to end experience under a single brand: MFS Africa’s white label approach enables the cash-in website to be Orange Money branded, thereby leveraging the same brand on both send and receive ends for marketing purposes

Challenges

- Regulatory issues: Regulatory compliance varies for each new corridor, leading to continued negotiation processes with national supervisor
- Conditions for making margins through forex are not always prevalent, due to the CFA being pegged to the Euro

Source: Dalberg research and interviews; Orange Money website
Overview of the model

- **Launch date:** April 2012
- **Receiving countries:** Côte d'Ivoire, Rwanda, Madagascar, Mali
- **Key partners:** MTN, Orange

MFS Africa offers a money transfer service on a white label basis to MNOs who wish to offer end-to-end services using their own brand. MFS Africa provides an online portal to enable the cross-border transmission of money to mWallet users in a variety of African countries.

How it works

**Transfer begins**

- **Cash-in is done through relevant MNO mobile money website**
  - Sender can pay using a debit card or bank transfer
  - Sender is asked to provide basic information for themselves as well as recipient
  - Flat rate of ~EUR 5 is currently charged for all sending amounts
  - **Take-away:** Customer believes MNO to be responsible for both send and receive

- **There is no intermediary; except for partners who conduct foreign exchange**
  - MFS Africa has partners who conduct foreign exchange activities, with whom they share margins obtained from the spread
  - **Take-away:** MFS Africa oversees intermediary functions required

**Funds received**

- **Recipients receive the funds on their mWallet accounts**
  - Funds are transferred directly to mWallet accounts within seconds
  - Client receives an SMS as soon as funds have been successfully transferred
  - Cash out can be conducted at any of the MNO’s mobile money agent
  - **Take-away:** The recipient must have an active Orange Money account

---

1. MTN rates are: GBP 4 from the UK, EUR 5 from the Euro-zone, CAD 6 from Canada, and USD 6 from the rest of the world; Orange rates are very similar; Source: Dalberg research and interviews; MFS Africa website, MTN Mobile Money Online website; OMTI website
## Case Study - MFS Africa: Highlights

### Success factors and innovative features

- **Strong understanding of the difficulty in changing customer behavior on the sending side:** This has led to a targeted segmentation of customers, with a focus on second generation immigrants who tend to be more comfortable with technology.
- **Lower costs passed on to the customer:** The low flat rates charged by MFS Africa to senders has forced larger players like Western Union to reduce the prices offered by its online sending platform for transfers to Madagascar.
- **Incisive use of promotion period:** The initial promotion period of $0 fee succeeded in attracting customers to the platform; and MFS Africa witnessed strong retention rates after the fees were increased, as customers got comfortable with the platform.

### Key challenges

- **Regulatory issues:** Regulations must be negotiated for every new corridor but commonalities between some groups of countries in Africa (e.g. UEMOA) can provide efficiencies. Navigating regulatory environment cited as the primary cause for a lengthier time to launch a new corridor – “The regulations are not unreasonable but can be demanding….a large degree of patience is required” – Dare Okoudjou, CEO, MFS Africa.
- **Conditions for making margins through forex are not always prevalent:** For example, the CFA franc being pegged to the euro eliminates this revenue stream from a number of corridors between Europe & West African countries.

### Customer perspective

- **Flat fee:** Senders face a flat fee of ~EUR 5
- **Perceived simplicity:** Because of MFS Africa’s white label approach, senders interface with a website branded by the receiving side MNO – this provides a perception of simplicity to the customer, and instills confidence, as they can hold one entity responsible for the transfer of their funds.

### Business case

- **Revenue streams:** MFS Africa’s revenues are borne out of a spread on foreign exchange, as well as a flat fee charged to the sender.
- **Value proposition for MNOs:** Partnering with MFS Africa enables MNOs to provide customers a streamlined end-to-end money transfer experience through their brand, a value proposition that is not too common.

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1. West African Economic and Monetary Union; 2. Not applicable for some corridors between EU and Western Africa.

Source: Dalberg research and interviews; MFS Africa website, MTN Mobile Money Online website; OMTI website.
Launch process

- Decided to follow the white label approach so that partner MNOs would be responsible for marketing efforts, and provide MFS Africa the opportunity to leverage their partners’ brand to gain traction.
- Between 2010 and 2012, MFS Africa completed the process of receiving all necessary licenses and meeting all necessary requirements to launch in its first corridor (France to Côte d’Ivoire).
- Subsequent rapid launch of new markets with partners MTN and Orange Money:
  - Launched in Côte d’Ivoire (MTN) in April 2012, and Rwanda (MTN) in June 2012
  - Launched in Madagascar (Orange) in August 2012, and Mali (Orange) in November 2012

Looking forward

- Plans to expand to 4 additional countries (Benin, Liberia, Uganda, and Ghana) through partnership with MTN before the end of 2013.
- Plans to expand to 3 additional countries (Senegal, Côte d’Ivoire, and Cameroon) through partnership with Orange before the end of 2013.
- Plans to expand to 2 additional countries (Nigeria and Zambia) with other partners.

Impact on financial inclusion

- MFS Africa and other new online remittance sending platforms offer pricing and process transparency. These may serve as an incentive for senders to select mobile cash-out options, thus fostering the mobile money ecosystem on the receiving side:
  - Lower fees attract senders directly
  - Faster transmission time to mobile may be selectively attractive when needs are urgent (e.g., to pay a medical bill).

1. Political turmoil contributed to the time lag.
Source: Dalberg research and interviews; MFS Africa website, MTN Mobile Money Online website; OMTI website.
Corridor overview: Remitting to a cash substitute from the US to Dominican Republic through Regalii

Innovative features
- Regalii’s closed loop gift card model allows it to avoid regulations governing cross-border transfers, as there is no cash out option, and also avoid the partner management and costs associated with foreign exchange, because its partner Dominican Republic retailers tend to be US entities.
- Regalii enables the sender to control how his/her remittances are spent.

Process Description

<table>
<thead>
<tr>
<th>Cash-in</th>
<th>Intermediary</th>
<th>Cash-out</th>
</tr>
</thead>
</table>

Cash-in
- Cash-in is done through Regalii website.
- Sender can choose to transmit to a variety of retail outlets or utility services.
- A gift card for the selected retailer or use is created for the recipient.
- There is no foreign currency exchange because the received funds are still US dollar-denominated; the money gets deposited in the US entities of DR retailers.

Intermediary
- Regalii

Cash-out
- Recipient uses gift card at retailer.
- Recipient shows ID and provides a pin/access code at the retail outlet.
- Recipient can purchase goods for the amount remitted.
- Retail outlets

Benefits
- Avoids necessity for AML: Regalii’s closed loop gift card model allows it to avoid some regulations governing cross-border transfers, as there is no cash out option.
- Safety: DR recipients’ concerns around safety are addressed by the Regalii model, as there is no exchange of actual cash.

Challenges
- Regalii’s direct transfer model reduces the choices available to the recipient, as he/she has to purchase goods/services from the merchant selected by the sender.
Case Study - Regalii: Overview

Overview of the model

- **Launch date**: Early 2013
- **Receiving country**: Dominican Republic
- **Key partners**: Retailers and utility companies in the Dominican Republic

Regalii is a card-based remittance service that enables senders in the US to load money on to pre-paid cards for use at select retail stores in the Dominican Republic. It avoids regulations through a simple and innovative model with a value proposition focused on lower costs and safety.

How it works

Transfer begins

- **Cash-in is done through the Regalii website**
  - Sender can choose to transmit to a variety of retail outlets or utility services
  - Sender is asked to provide basic information for the recipient
  - Sender is given the option of selecting the recipient through social media (Facebook)
  - **Take-away**: Funds are sent without any charge to the sender

There is no intermediary; Regalii maintains control of the funds

- A gift card for the selected retailer or use is created for the recipient
- There is no foreign currency exchange because the received funds are still US dollar-denominated; the money gets deposited in the US entities of DR retailers
- The system is “closed loop”, bypassing typical regulations such as AML requirements because the funds cannot be cashed out
- **Take-away**: Regalii’s model enables the avoidance of numerous regulations

Funds received

- **Recipients use the gift card at the retailer**
  - Recipient shows ID and provides a pin/access code at the retail outlet
  - Recipient can purchase goods for the amount remitted
  - Confirmation on receipt is provided to the sender, and on use if requested by sender
  - **Take-away**: Reduced choices for recipient on how funds are spent

Source: Dalberg research and interviews; Regalii website
## Case Study - Regalii: Highlights

### Success factors and innovative features

- **Avoids necessity for AML**: Regalii’s closed loop gift card model allows it to avoid regulations governing cross-border transfers, as there is no cash out option.
- **Avoids necessity for foreign exchange**: Regalii also avoids the partner management and costs associated with foreign exchange. This is only possible because many Dominican Republic retailers tend to be US entities.
- **Innovative marketing**: Strong community-based marketing strategy has demonstrated success in a short period of time.

### Key challenges

- **Establishing partnerships with retailers**: Describing the value proposition to retailers to establish more partnerships is difficult, given the newness of the model.
- **Establishing trust with new customers**: Trust with customers is also critical but difficult to establish, due to Regalii’s very early start-up nature, and the uniqueness of the model which requires a level of customer education.

### Customer perspective

- **International remittances at no cost**: Using Regalii is completely free for the customer (except for utility payments).
- **Uses**: Customers can pay for utilities (cable, phone, light, or water bill) as well as for clothing in the Dominican Republic (retail offerings in the Dominican Republic are sure to increase as Regalii grows in the coming months).
- **Safety**: Customers perceive safety as a high concern for receiving remittances in the Dominican Republic; these concerns are addressed by the Regalii model, as there is no exchange of actual cash, thereby eliminating the opportunity for theft.

### Business case

- **Revenue stream**: Regalii’s revenues are borne out of a commission charged from the retail outlets and paid by retailer.
- **Value proposition**: Partnering with Regalii enables retailers to develop a strong base of repeat customers, as well as the potential to expand their customer base.

Source: Dalberg research and interviews; Regalii website
**Launch process**

- Time lag between setting up company and going live with pilot lasted 8 months
- Launched pilot with clothing store in Dominican Republic in January 2013, and lasted 8 weeks

**Looking forward**

- Plans to expand retail offerings in mid 2013
- Plans to launch grassroots marketing campaign on send-side in mid 2013
- Plans to raise capital through seed funding by mid 2013
- Expand Regalii’s offerings into Mexico in 2014
- Exploring the possibility of offering a short call (3 minutes) between sender and receiver when the purchase is made

**Impact on financial inclusion**

- Limited with Regalii’s current model. Our research indicates that the recipient cannot add additional value to the gift card, which means it cannot be used as a savings vehicle (unlike a Mastercard pre-paid card, for example).

Source: Dalberg research and interviews; Regalii website
**Corridor overview**: Directing a payment from any country to a service provider in Senegal through Willstream

### Innovative features

- Willstream places emphasis on the role of local merchants in recipient countries, acknowledging their importance in providing goods and services for remittance recipients, ensuring that they do not charge them a commission fee, and enabling payments to informal businesses
- Willstream enables the sender to control how his/her remittances are spent

### Process Description

**Cash-in**
- Cash-in is done through Willstream website
- Sender can choose to transmit to a variety of merchants/service providers in Senegal
- Payments can be made via credit card or bank transfer

**Intermediary**
- Willstream

**Cash-out**
- Service providers
- Recipient receives an SMS as soon as service has been successfully paid for, along with a secret pin code
- Recipient has to present the SMS along with secret pin code to access the service

### Benefits

- Communication with service providers: Using Willstream enables migrants, often in positions of responsibility in their families, to establish direct communication with service providers for their family
- Broad usability: Willstream commits to registering any local merchant suggested by the sender

### Challenges

- Willstream’s direct transfer model reduces the choices available to the recipient, as he/she has to purchase goods/services from the merchant selected by the sender

**Source**: Dalberg research and interviews; Willstream website
### Overview of the model

- **Launch date:** June 2012
- **Receiving countries:** Senegal
- **Key partners:** Service providers in Senegal (health, education, food, bills)

Willstream is a service that enables remittance senders across the globe to pay directly for food, health and education services on behalf of recipients in Senegal.

### How it works

**Transfer begins**

- **Cash-in is done through the Willstream website**
  - Sender can choose to transmit to a variety of providers in Senegal
  - Willstream can register any Senegalese provider within 24 hours of request by sender, if not already included on the website
  - Payments can be made via credit card or bank transfer
  - **Take-away:** Sender can choose from an unlimited selection of Senegalese merchants

- **There is no intermediary**
  - Comprehensive details on mechanisms by which money is managed are not available
  - If the merchant has a bank account, the Willstream team in Senegal will use it to settle him/her
  - If merchant does not have a bank account, Willstream team in Senegal uses “mobile merchant process” (details unknown)
  - Merchant activation requires certain verifications to be conducted which are done by the Willstream team in Senegal
  - **Take-away:** Willstream can provide payments to both formal and informal businesses

**Funds received**

- **Recipients are notified once the service has been paid for, and can then access it**
  - Recipient receives an SMS as soon as service has been successfully paid for, along with a secret pin code
  - Recipient has to present the SMS along with secret pin code to access the service
  - As soon as service is provided, sender receives a confirmation update
  - **Take-away:** Recipient has no control over how remittance is spent

Source: Dalberg research and interviews; Willstream website,
## Success factors and innovative features

- **Willingness to process low transaction amounts:** Willstream can process transaction amounts as low as USD 10, as they charge a percent commission rather than a flat fee.
- **Establishment of communication channel between remittance sender and service provider:** Along with the payment transaction, Willstream enables a communication and feedback loop between the migrant and the service provider.
- **Unlimited service providers:** Unlike other gift card deployments, Willstream’s value proposition includes a guarantee to include any Senegalese service provider/business in their database.
- **Inclusion of businesses in the informal sector**

## Key challenges

- **Convincing customers to switch from their traditional remittance methods**
- **Establishing trust with new customers:** Trust with customers is critical but difficult to establish, due to Willstream’s very early start-up nature, and the uniqueness of the model which requires a certain level of customer education.
- **Marketing to customers across several continents:** Reaching diaspora communities across North America, Europe and Asia is difficult, as there is no one standard technique that works at scale.

## Customer perspective

- **Broad usability:** Registering on Willstream enables a migrant to pay for any/all major services required by his/her family (groceries, education, health, bills).
- **Communication with service providers:** Using Willstream enables migrants to establish direct communication channels with service providers for their family.

## Business case

- **Revenue streams:** Willstream’s revenues are borne out of a 7% commission charged to senders.
- **Value proposition for Senegalese service providers/businesses:** There is no cost associated to partnering with Willstream, and significant gains in terms of expanding customer base, increased loyalty of existing customer base, and increased international visibility.

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1. Details on the mechanism by which money is transferred to businesses that do not have bank accounts are not available; Source: Dalberg research and interviews; Willstream website
Case Study - Willstream: Evolution

Launch process

- Initiated development of platform in early 2012
- Pilot launched after 4-5 months of platform development, lasted between June to December 2012
- At the start of the pilot, the Willstream team had enrolled a few hundred merchants in Senegal
- During the pilot, the team created a self-enrollment process for merchants, and also for migrants to request/refer any merchant they needed
- The business strategy of Willstream was informed by discussions with migrants in order to develop an understanding of the shortcomings of the current remittance deployments in the market
  - This was enabled by an online forum that allowed Willstream to connect with the diaspora - http://blog.willstream.com/

Looking forward

- Plan on issuing a special report (infographic) about key learnings from the data provided by pilot
- Currently working to extend the platform beyond Senegal to West, East and Central Africa
- Plan on serving other regions such as South East Asia and the Middle East in the next 18 months

Impact on financial inclusion

- Limited with the current model. Willstream provides direct benefits to the senders and receivers (eg, added element of sender control over the funds) but the model doesn’t support “follow on” benefits such as for financial inclusion. Because a payment is being made directly, recipients do not have the flexibility to save or spend the value of the payment elsewhere.

Source: Dalberg research and interviews; Willstream website
Contents

• Landscape of international remittances through branchless banking
• Case studies: corridors, major players and innovative models
  • Challenges, success factors, and forecasts
• Annex
Many challenges identified in earlier studies hold true; added pressure on proving the financial viability of any deployment.

Key challenges cited

- **Regulations**: Can restrict or slow the launch and expansion of IR through BB solutions
- **Partner management**: Incentives and organizational priorities need to be aligned to avoid tension between partners in running and promoting the service
- **Technology interoperability**: Can add complexity and costs to operations between services, but an opportunity in the long term due to potential gains in efficiency and number of transactions
- **Marketing and education**: Difficult to demonstrate value proposition on the sending side
- **Mobile money ecosystem**: Insufficient active users in the mobile money ecosystem to “pull” funds into an mWallet (vs. cashing out directly) and generate revenues through downstream domestic transfers

Earlier challenges remain true for deployments seeking to go live, though partnerships with experienced regional or global players can mitigate most challenges and promote acceleration.

For established players, a separate set of challenges exists to maintain and scale the corridor.

**Financial viability:**
- “Last year we started to push the use of the mWallet. We figured that staying in the remittance space will not get us the revenues that we want in the next five years, therefore we said the biggest revenue pool is really on the payment side.” – Globe GCASH
- “Operators will consider international remittances as a bolt on to existing mobile money deployments a more compelling proposition than a stand alone service” – GSMA

**Establishing customer trust:**
- “People don’t switch because of the price, because they need to be convinced of the reliability of the service. Senders might trust the service less if it is too cheap.” – Globe GCASH
- “We are still looking at how we can reach out and break in. People feel loyalty towards the financial products they know and they are comfortable with. To be able to shake this up, without having an affiliation to church or family [or other community organizations with which receivers have an existing relationship], has been an interesting learning.” - Digicel

Source: Desk research; interviews with remittance experts and providers, April 2013; Dalberg analysis
As MTOs and MNOs gain more experience with IR through BB, there is growing awareness of the success factors needed.

<table>
<thead>
<tr>
<th>Success factor</th>
<th>Supporting details</th>
</tr>
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</table>
| Mature domestic mobile money transfers | Major MTOs only partner with MNOs who meet a certain threshold of domestic MM activity  
• “We are focusing our efforts on mWallet providers who have significant mWallet penetration with a large number of active users.” – Global MTO |
| MNOs are prioritizing domestic mobile money payments before deploying IR  
• “Our focus right now is a lot more on domestic mobile payments. The root cause for IR is not happening because there is little mobile money here [in Latin America].” – MNO (with pending IR) |
| Access to a wide sender market | MNOs establish partnerships with the goal of developing a broad sender footprint, providing as many opportunities as possible to bring cash into a corridor  
• “We are growing our sending partners all around – we have more than 100 now.” -- MNO  
• “Most of our partners would like to connect to one of the big MTOs and also to us. With a single contract, they can now reach all the other [senders].” – Intermediary  
• “To get a hold on the sending side, you need a huge footprint.” – Sender |
| Control over business model, including pricing | Growing recognition of need for flexible business models given rapid changes to the landscape and to customer expectations  
• “Senders are getting far more curious on how they can reduce prices” -- Intermediary  
• “We wanted simplicity, convenience and affordability. We want a flat fee, and make the rest of our money on the forex.” -- Sender  
• “Our model is very simple – flat fee to send, flat fee to receive, and small margin on top.” -- MNO |
| Patience | All players increasingly recognize that success requires a long-term outlook  
• “This is not easy to do – we spent 10 years trying to get the partnerships and integration done.” – White label sending MTO  
• “This process of regulatory approvals totally depends on the government. Papua New Guinea has been in discussions for almost a year, Vanuatu has been a few months” - MNO |

Source: Desk research; interviews with remittance experts and providers, April 2013; Dalberg analysis
Innovations are leading to lower prices and an expanding customer base, but with limited apparent impact to financial inclusion

<table>
<thead>
<tr>
<th>Opportunity for customer value</th>
<th>Reality in 2012</th>
<th>Observations in 2013</th>
</tr>
</thead>
</table>
| Decreased price               | Lowering prices not a priority for most operators given senders pay IR fees  
  • “The cost is the same for traditional remittances and our mobile service”  
  • “Other fees are pretty big. We wanted to bring down the cost to both the sender and the receiver.” | • Traditional operators beginning to lower prices in response to competition from new entrants  
  • Prices also responding to new business models  
    - Flat fees and transparent FX rates  
    - Affordable smaller-value transactions, for example via online portals with lower fixed percentage fees |
| Expanded access and ease of use | Operators see the opportunity in an enhanced remittance offering, but IR is just one product in their mobile portfolio and its success requires a robust MM ecosystem  
  • “We want the service to be more consumer-centric...there is a need for a fast, easy, low-cost service.” | • The promise of IR through MM to expand access is not yet being fully realized. Use of other mWallet services remains limited, giving customers few incentives to choose the mWallet over an agent cash-out.  
  • However, new online or “directed transfer” options [not necessarily mobile based] offer greater potential for immediate benefits for the sender (fee transparency, control over how funds are spent) and receiver (direct bill payment) |
| Greater financial inclusion   | No particular focus on reaching the unbanked through IR product offerings  
  • “We don’t track the share of banked to unbanked, but our user proportion roughly represents the country overall”  
  • “We look at the bankable market as early adopters” | • Most entrants continue to target most accessible segments (eg, banked) in the short-term  
  • Only mobile cash-out offers links to other financial services (such as savings accounts in an mWallet), yet volumes appear to remain low  
  • However, some online-to-mobile players improve access for lower-value transactions (<USD $100) that may benefit the unbanked |

Source: Interviews with operators and industry experts; Dalberg research
Another customer benefit is increased choices; senders and receivers are seeing changes to traditional decision-making roles.

**Typical cross-border transfer**

**Sender**
- The sender decides:
  - How much to send
  - When to send
  - What MTO to send through
  - What the receiver needs to do to receive the money (partly as a function of what the MTO offers, but some channels carry higher fees)

**Receiver**
- The receiver decides:
  - When to cash out
  - Whether to save or spend the remittance
  - Where to spend the funds (type of store)
  - What purchases to make

**Some new models offer senders control over where and how funds are spent**
- Directing the funds to a specific retailer, where the recipient can then choose the goods purchased
  - Regalii in the Dominican Republic
  - RegaloCard in Latin America
- Specifying how the remittance is spent by paying some bills directly
  - Willstream in Senegal

**Evolving models**
- Recent research indicates that receivers increasingly have influence over channels:
  - Through close communication with the sender, receivers can influence how funds are sent…
    - According to online sender WorldRemit, 30% of their sending decisions are made with receiver input
    - Facebook-enabled sender Azimo touts the benefit of sender/receiver communication
  - …or the channel by which they cash-out
    - Through Azimo, the recipient decides where they want the money sent
    - In some countries, Western Union allows recipients to choose between cash or a deposit into an mWallet after the transfer

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1. No direct cash transfer; Willstream is a payments service

Source: Interviews with operators and industry experts; Dalberg research
Trends for increased customer benefits will likely continue to play out in the coming years

### Key trends

<table>
<thead>
<tr>
<th>Additional competition by global players and disruptive innovators continues downward pricing pressure</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Lower or flat fee senders such as WorldRemit are growing rapidly; WorldRemit has 1.5M transactions annually</td>
</tr>
<tr>
<td>• MoneyGram partnership with mobile FS provider Mozido introduces another major MTO to the mobile landscape</td>
</tr>
<tr>
<td>• Innovative FX company KlickEx expanding to Asia in 2013</td>
</tr>
<tr>
<td>• Potentially disruptive model fastacash is going live in 28 receiving countries, beginning in July 2013</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>More pricing differentiation by channel, while maintaining the retail agent value proposition</th>
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<tbody>
<tr>
<td>• Major MTOs currently face a challenge in introducing discounted pricing for their mobile channel without cannibalizing revenues that support their agent network</td>
</tr>
<tr>
<td>• In future, expect to see more consistency in discounts for mobile and online channels, as MTOs settle on a business model that works for agents yet keeps prices competitive</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Increased payment options for online e-wallets that may offer compelling value proposition to increasingly internet-connected populations</th>
</tr>
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<tbody>
<tr>
<td>• Services such as fastacash create a virtual e-wallet on a social media application, which can store values and pay for services directly as well as be cashed out (note: launch pending)</td>
</tr>
<tr>
<td>• E-wallets may face lower hurdles than mWallets to initial adoption because users already trust the platform (Facebook)</td>
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</tbody>
</table>

### Implications to customer benefits and financial inclusion

<table>
<thead>
<tr>
<th>Some of the savings realized by senders are passed on as additional remittance to the receiver, increasing their direct benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senders pay lower fees when using alternative channels, and so have an incentive to send funds into an mWallet.</td>
</tr>
<tr>
<td>More consistent discounting of remittances into mWallets could provide the needed cash influx to the MM ecosystem that MNOs have been waiting for, spurring use of other mobile financial services.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customers benefit from lower fees, greater flexibility and potentially greater trust in using an e-wallet such as fastacash.</th>
</tr>
</thead>
<tbody>
<tr>
<td>From a financial inclusion perspective, eWallets can provide another route to financial services for the rapidly growing populations with Internet access</td>
</tr>
</tbody>
</table>

Source: Interviews with operators and industry experts; Dalberg research
## Interview Tracker – 18 interviews were conducted across an array of deployments

<table>
<thead>
<tr>
<th>Deployment</th>
<th>Name</th>
<th>Title</th>
</tr>
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<tbody>
<tr>
<td>BICS</td>
<td>Bruno Akpaka</td>
<td>Head, MFS, Business Development</td>
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<td>BICS</td>
<td>Umesh Wadhwa</td>
<td>Head of Sales, America and UK</td>
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<td>Digicel</td>
<td>Annie Smith</td>
<td>Regional Head of MFS &amp; mCommerce</td>
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<tr>
<td>eServeGlobal</td>
<td>Paolo Montessori</td>
<td>Vice President for Mobile Money</td>
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<tr>
<td>Fastacash</td>
<td>Shankar Narayanan; Vince Tallent</td>
<td>Founder and Chief Innovation; CEO and Chairman</td>
</tr>
<tr>
<td>GCASH</td>
<td>Paolo Baltao</td>
<td>President, G-Xchange</td>
</tr>
<tr>
<td>KlickEx</td>
<td>Ross Peat</td>
<td>CEO</td>
</tr>
<tr>
<td>MasterCard</td>
<td>Sal Karkaplan</td>
<td>Senior Business Leader in Mobile Payments</td>
</tr>
<tr>
<td>MasterCard</td>
<td>Antonia Stroeh</td>
<td>VP / Business Leader in Pre-Paid Cards</td>
</tr>
<tr>
<td>MFS Africa</td>
<td>Dare Okoudjou</td>
<td>CEO</td>
</tr>
<tr>
<td>Orange</td>
<td>Juan Dominguez</td>
<td>Head of Payment Solutions</td>
</tr>
<tr>
<td>Regalii</td>
<td>Edrizio de la Cruz</td>
<td>Co-Founder and CEO</td>
</tr>
<tr>
<td>Remitly</td>
<td>Matt Oppenheimer</td>
<td>Co-Founder and CEO</td>
</tr>
<tr>
<td>Western Union</td>
<td>Thor Hauge</td>
<td>VP, Business Development, for Digital</td>
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<tr>
<td>Western Union</td>
<td>Gregg Marshall</td>
<td>Head of Mobile Sales and Business Development</td>
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<tr>
<td>Willstream</td>
<td>Toffene Kama</td>
<td>Co-Founder and CEO</td>
</tr>
<tr>
<td>WorldRemit</td>
<td>Ismael Ahmed</td>
<td>CEO</td>
</tr>
<tr>
<td>YellowPepper</td>
<td>Rafael Russ</td>
<td>President/COO</td>
</tr>
</tbody>
</table>
## Interview Tracker – 5 interviews were conducted with experts in the space

<table>
<thead>
<tr>
<th>Name</th>
<th>Affiliation</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>David Goodstein</td>
<td>GSMA</td>
<td>Project Director</td>
</tr>
<tr>
<td>Jerry Grossman</td>
<td>Oxford Policy Management</td>
<td>Associate, Independent Consultant (regulatory environment for mobile money and cross-border transfers)</td>
</tr>
<tr>
<td>Marie Sophie Tar</td>
<td>PHB Development</td>
<td>Banking and Remittance Expert</td>
</tr>
<tr>
<td>Michael Tarazi</td>
<td>CGAP</td>
<td>Senior Policy Specialist</td>
</tr>
<tr>
<td>Pablo Garcia Arabehety</td>
<td>NA</td>
<td>Independent Consultant</td>
</tr>
</tbody>
</table>
**Customer Experience: Remitly in the US to GCASH in the Philippines**

**Send**

- Log in or register
- No documents need to be submitted by sender to transfer money to the Philippines
- Sender is provided the option of choosing recipient through social media
- The large variety of delivery options, along with the commission corresponding to each option, as well as the expected time, is made abundantly clear to the sender
- The GCASH delivery option is not immediately clear, and is only made available after selecting ‘bank deposit’
- As a licensed money transmitter, Remitly conducts the foreign exchange and transfers the money to the GCASH mWallet in the Philippines

**Intermediary**

Remitly

**Receive**

- The receiver receives the funds on their GCASH mWallet and is notified through an SMS
- The receiver can cash out at any of GCASH mobile money agent locations in Philippines

Source: Dalberg research and interviews; Remitly website - [https://www.remitly.com/home](https://www.remitly.com/home)
**Customer Experience:** Orange Money Online in France using MFS Africa to Orange Money in Madagascar

### Send

- **Orange Money Online**
  - Log in or register
  - KYC: First-time sender needs to email copy of passport and bank statement with address proof before being able to transfer money
  - The commission being charged is made clear to anyone visiting the website, and lies between <1% for the highest amounts (above ~USD 2,000) and 4% for the lowest transfer amounts (below ~USD 25, as low as ~USD 0.25) for transfers to Madagascar
  - However, the exchange rate utilized is not made clear until the sender creates an account with Orange, except for a passage in the FAQs stating that it is between the interbank rate and the rate charged by major banks and exchange houses

### Intermediary

- **MFS Africa (white label)**
  - White label technology provider MFS Africa conducts the money transfer, but the customer believes Orange Money to be responsible for the transaction end-to-end, because of the Orange Money branding on the website

### Receive

- **Orange Money**
  - The receiver receives the funds on their Orange mWallet and is notified through an SMS
  - The receiver can cash out at any of Orange’s mobile money agent locations in Madagascar

Source: Dalberg research and interviews; [http://www.orangemoneyonline.com/](http://www.orangemoneyonline.com/)
Customer Experience: Remitting to a cash substitute from the US to Dominican Republic through Regalii

Send

- Sender is provided the option to choose between sending money for clothing or paying for utilities
- Sender is provided the option of selecting recipient through social media
- A gift card for the selected retailer is created for the recipient
- There are no fees charged, Regalii’s unique value proposition, as the Regalii’s commission is borne out of the retailer rather than sender, and there is no opportunity for a spread on foreign exchange, since the received funds are dollar denominated
- No documentation is required from the sender, as the system is “closed loop”, bypassing typical regulations such as AML requirements because the funds cannot be cashed out

Receive

- Initial observations indicate that Regalii’s offerings are not being marketed by retailers, though this is likely to begin as Regalii grows
- Recipient shows ID and provides a pin/access code at the retail outlet

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1. Please refer to the Regalii case study later in this presentation for an explanation

Source: Dalberg research and interviews; Regalii website - [https://www.regalii.com/?locale=en](https://www.regalii.com/?locale=en)
**Customer Experience:** Directing a payment from any country to a service provider in Senegal through Willstream

**Send**
- Log in or register
- Sender can select desired service provider from a large variety of options
- If desired provider is not available, sender can ‘invite’ the provider to register, which Willstream will actively enable within 24 hours
- When paying, the exchange rate being utilized and commission fee charged (7%) are made clear to the sender
- A minimum amount of ~USD 10 is required
- Once the payment has been made, the sender is provided with a secret code which he/she needs to provide the recipient in order to be able to access the services

**Receive**
- If the provider/merchant is not registered on Willstream, he/she receives a call from the Willstream team in Senegal in order to sign them up
- If the provider/merchant does not have a bank account, Willstream provides them with a “payment card”
- The receiver receives a call from Willstream notifying them that the service has been paid for
- The recipient can access the service after providing the secret code to the provider

**Source:** Dalberg research and interviews; Willstream website - [https://www.willstream.com/users/499](https://www.willstream.com/users/499)
Advancing financial inclusion to improve the lives of the poor