UN Capital Development Fund

Branchless Banking (part 1) - Getting started

Key elements of a Branchless Banking and Mobile Financial Services Strategy

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Microlead Expansion Workshop – Kigali, Rwanda – February 26th, 2014
Agenda of the day

10.30 - 12.00am: Workshop - Branchless Banking (part 1) Getting started – (Preparing for the visits)
Introduction – Ecosystem, partners, products...

- Introduction to Branchless Banking
- Key elements of a branchless banking strategy

12.00 – 6.00pm: Field Visit URWEGO (Opportunity Bank) and/or Equity Bank

9.00-10.00: Takeaways from the field visit through participant exchange. Reflection on how the visit relates to own institutional approach to branchless banking.
Facilitation - Joyce Lehman

10.30 – 13.00: Workshop Branchless Banking (part 2) Building partnerships and/or a strategy roadmap.
- Main elements of a branchless banking strategy
- Panel on strategic approach
Branchless Banking

Technology

Agent

Delivery of financial services outside bank branches using retail agents and technology
Introduction to Branchless Banking

- Traditional branch: $250,000
- Branch in store: $50,000
- ATM: $10,000
- Agent with POS terminal: $2,000
- Agent with mobile: $400
- No agent (cashless): $0
Introduction to Branchless Banking
Introduction to Branchless Banking

• Video of Eko India
What about you?

- How many institutions are involved in branchless banking/agent banking?
  - How many institutions have a partnership with mobile money providers?
  - How many institutions have developed their own agents network and solutions?

- How many institutions are willing to be involved in branchless banking?
We have a major competitor

Why should we change?

Financial service

- **accessible** (at near doorstep)
- **convenient** (less queues and fast processing)
- **secure**
- with **reduced effective cost** (travelling, queues and working hours)

Customer value proposition
Partnership are key
Key customer issues in BB and MFS

**Non-users**
- I am not aware, I do not understand the service
- I do not have a phone
- It is too expensive
- The services proposed are not responding to my needs
- There are no agents near my village

**Users**
- I lost my PIN and I don’t know how to get support
- I did not receive my payment confirmation
- I cannot reach your call center
- The agent near my house never has liquidity
A right value proposition requires a number of key elements to come together simultaneously.

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Introduction
Main services and providers

- **Mobile Payments**
  - Bill payments
  - Purchase of goods and services
  - Airtime purchase
  - Salary payments
  - Payments of government benefits (pensions, disaster relief, etc.)

- **Mobile Transfers**
  - Domestic remittances
  - International remittances
  - Cash-in or cash-out on a mobile wallet

- **Mobile Banking**
  - Financial Services (loan, savings, bank transfer)
  - Account Management
  - Information services (balance, last transactions, etc)
  - Additional bank services (micro-insurance)
  - Notifications (balance, use, reminders)

- **Mobile Wallet and/or Bank Account**
  - Payments of government benefits (pensions, disaster relief, etc.)

Product portfolio

Financial services

- **Visa**
- **Mastercard**
- **Google**
- **PayPal**
- **Telefonica**
- **Vodafone**
- **MTN**
- **Tigo**
- **Airtel**
- **Axia**

Microfinance - Capital Development
From Product-Driven to Market-Led

Companies that have simply marketed a product without reference to the customers’ requirements have soon closed.

The “product-driven” approach has been superseded by the “market-driven” approach.

There is more value in retaining customers than attracting new customers who cost more.

Source: MicroSave
Product portfolio

Key questions to be asked during the field visit

• What are the products offered by providers?
• When were the products launched?
• What was the first product launched and why?
• What has been the market research/ customer analysis carried out to decide about best products to be launched?
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How are products priced?

**Transactions**

- Free
- Charged as a flat fee
- Charged as a percentage or tier of the transaction value

- Players also charge a **monthly fee** for a predefined set of transactions
  - Example: Bradesco and CAIXA in Brazil charge a monthly fee for a predefined set of transactions. Transaction beyond the predefined set come at an additional cost
- The method of charging usually depends on the **type of transaction** and not the service provider
  - For example: M-PESA offers free deposit, charges tiered fee for withdrawal by registered users (free withdrawal for unregistered users) flat fee for transfer within network pricing and tiered pricing for transfer outside network
- Experience shows that largely, service providers choose a **method of pricing** for each type of transaction
- Providers often propose **promotion pricing** to develop services
  - Airtime bonus
  - Free deposit or registration

*Source: MicroSave*
Out of the following fourteen models - Easy Pesa (PAK), M-Pesa (AFG), M-Pesa (KEN), M-Pesa (TZN), MTN (IVC), MTN (ZA), Orange Money (IVC), Wing Money (CM), ZAP (KEN), ZAP (TZN), Eko (IND) the table indicates for the following four types of transaction:

<table>
<thead>
<tr>
<th>Transaction Type</th>
<th>Free</th>
<th>Percentage</th>
<th>Tiered</th>
<th>Flat</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash – In (Deposit)</td>
<td>7</td>
<td>4</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Cash-Out (withdrawal by registered users)</td>
<td>1</td>
<td>1</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>P2P Transfer (within network)</td>
<td>0</td>
<td>1</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>Bill Payment (Excluding Eko)</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>12</td>
</tr>
</tbody>
</table>

Source: Micro Save
Pricing

Key questions for the field visit

• What is the pricing used for the various products of the portfolio?
• How did they choose the pricing methods?
• Have they adapted the pricing since the launch?
• What type of market research/ customer analysis has been done to define the pricing?
• What types of promotion are used to increase usage?
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Front-end technology for mobile phone

1. Message-based interface
2. Menu / SIM application based interface
3. Browser-based interface
4. Smartphone applications

SMS/USSD | STK Toolkit | Web Browser | Apps
Traditionally Choice was Between Mobile & POS

<table>
<thead>
<tr>
<th>Parameters</th>
<th>Mobile Based Models</th>
<th>POS Based Models</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deployment costs</td>
<td>Low</td>
<td>Higher</td>
</tr>
<tr>
<td>Maintenance costs</td>
<td><strong>Very low (property of agent)</strong></td>
<td>High</td>
</tr>
<tr>
<td>Operating costs to the agent/provider</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Network dependence</td>
<td>High (app allows offline)</td>
<td><strong>Low (can work offline)</strong></td>
</tr>
<tr>
<td>Transaction evidence</td>
<td>Limited (only SMS confirmations)</td>
<td>Physical receipts issued</td>
</tr>
<tr>
<td>Ease of transaction</td>
<td>Comparatively easier</td>
<td>Depends on validation protocols used</td>
</tr>
<tr>
<td>Dependence on the agent</td>
<td>Moderate</td>
<td><strong>High (users cannot transact without agent)</strong></td>
</tr>
</tbody>
</table>
Key questions for the field visit

• What is the technology used?
• Why did they choose this technology?
• What is the customer experience about the technology?
• What has been the market research/ customer analysis done to decide about technology?
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Introduction
Customer journey

Awareness → Registration → Trial → Regular use

- Tanzania ~90% aware
- Ghana – 93% aware
- Pakistan – 89% aware
- DRC – 75% aware

Source: Intermedia FITS study (Feb 2013), Visa (October 2012), GSMA “Mobile money in the DRC” (July 2013)

Awareness → Registration → Trial → Regular use

- West Africa: 9% active rate
- East Africa: 20% active rate
- Asia: 32% active rate

Source: GSMA Global Mobile Money Adoption Survey 2013

Awareness → Registration → Trial → Regular use

- Kenya – 93% penetration: 6 years
- Uganda – 52% penetration: 4 years
- Zimbabwe – 31% penetration (EcoCash only): 1.5 years

12-15% of adult population registered per year in these countries


Source: GSMA
Customer journey

Source: GSMA
M-PESA Kenya started with a very simple proposition – Send money by phone – and included clear branding.

“M-PESA is the new, easy and affordable way to send money home”
Financial Education Campaigns
Marketing and communication

Key questions for the field visit

• What has been the providers’ marketing & communications approach?
• What were the key messages?
• How have the providers adapted their marketing campaigns according to the development of the market?
• What are the lessons learned?
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Agent

Operates the cash service point where the customer does cash-in and cash-out transactions. Typically registers new clients as well.
Agents fulfill 3 important functions in a branchless banking service

- **Verify client identity**
  - Comply with KYC standards
  - Guard against fraud

- **Make cash available**
  - Enable clients to withdraw and deposit on demand

- **Act as face of the service**
  - Educate clients about the service
  - Troubleshoot clients’ problems
Agent network
Quality is key

Has this agent the right branding?

Has this agent the right skills to educate and help my customers?

Is this agent motivated enough to offer my services?

Has this agent enough cash/float to serve customers?

Is this agent respecting KYC procedures?
The importance of agents should not be underestimated, and has a direct impact on profitability.

Across 2 providers, the activity rate of customers registered by the best agents was over 40 times higher than those registered by the worst agents.

**Profile of customers registered by these agents**

- **Top 10% by activity rate**
  - Activity Rate: 39.9%
  - Customers registered by these agents make up 5.1% of total customers

- **Bottom 10% by activity rate**
  - Activity Rate: 0.9%
  - Customers registered by these agents make up 5.7% of total customers
Agent network

Key questions for the field visit

• How did providers build their agent networks?
• What is providers’ agent network structure?
• How are agents remunerated?
• How do they manage liquidity?
• How do they insure same level of quality in their network?
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Introduction

- How to transfer money?
- I lost my PIN?
- Where can I find an agent?
- My phone has been stolen!
- What is the fee!
- I did not receive a confirmation SMS.
Customer support

- Agent plays a key role in supporting customers
  - Face-to-face contact
  - Brochure at agent location
  - Explanation of the service
  - Troubleshooting
  - FAQ and responses to agents

- Customer call center is a key element
  - Free number
  - Well trained personnel on financial services to answer customer request
  - Detailed procedures and scripts to respond to customers requests
  - Dedicated number for agents
Key questions for the field visit

- How do providers manage customer support?
- What is the role of agent to support customer?
- How is providers’ call centers organized?
- What are the main issues raised by customers?
How to design a client-centric strategy?

**Key Partners (External)**

**Key Activities (Internal)**

**Value Proposition**

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**Customer Relationships**

**Customer Segments**

**Key Assets**

- Product portfolio
- Pricing
- Front-end technology
- Marketing and education
- Agent network
- Customer support

**Cost Structure**

**Revenue Streams**
Think out of the box!
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THANK YOU

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