Mobile Payment Services – sharing some views

Nokia India

14 Dec 2009

View from around the world - Kenya and Philippines

Service	Country	Viability	Remarks
m-Pesa	Kenya	Over 6 Million subscribers. High cost of Agent Network for registration, Cash-in and Cash-out makes the service cash-flow negative overall.	The reduction in subscriber Churn offsets losses from the cost of agent network. Safaricom derives tangible benefits from operating such a service on account of strong churn-reduction measure. Secondary revenues earned through significant increase in Call and SMS traffic also make the service highly worthwhile. **The net impact of this ecosystem is measurable in terms of tangible GDP growth for Kenya**.
Globe Telecom	Philippines	Profitable due to the fact that most of 600,000 active consumers of mobile payments are beneficiaries of international remittance transactions. Globe charges the originator or agency about 150 basis points. Therefore, in their model they actually make money from cash-in which offsets the cost of cash-in/cash-out and registration at various domestic telecom outlets.	Low cost of funds-in helps sustain the business model.

Smart- Philippines

Smart Telecom	Philippines	Marginally profitable due to the fact that although they have over 5,000,000 registered consumers, only 1,200,000 are active, and most of their transaction revenue comes from Card Based transactions from the MasterCard cards that they issue. Over 50% of the remaining revenue from mobile comes purely from mobile top-up. P2P and P2M revenue from mobile is still negligible after 8 years of operation. Their cost of agent operations is also high, accounting for their inability to scale the operation after almost a decade in business.	Getting banked consumers can lead to lower cost of cash-in to the ecosystem than the under-banked or unbanked. They now have a strategy that embraces banks and have partnered with eight banks in order to grow their active consumer base which has been stagnant in the recent few years. ***They are a leader in bridging between telecom and bank in operating an ecosystem that has fair revenue share for participants.***

NOKIA
Connecting People

Europe

Europe	e-money regulations	Major changes have been made in Europe to encourage e-money issuers – who heretofore have found it economically unviable to get into this space due to barriers both regulatory and economic, but mostly economic. Despite Europe being highly banked , e-money has not taken off due to ease of use of other technical solutions. Regulators now considering revision of guidelines and lower barriers to entry based on capital adequacy as well as using an appropriate yardstick on regulating deployment of float funds.	Yet to see any major success in Europe, especially in prepaid mobile instruments. Since almost all consumers are banked, it makes existing card systems adequate. Payment terminal densities are over 10,000 per million of population and NFC based mobile payments appear to be a reasonable way forward for the convenience factor alone. SEPA guidelines continue to push banks and carriers to actually subsidize the cost of executing payment transactions. With the downward spiral in cost of transactions for the consumer, it is very difficult to understand ***how new intermediate players in the payment space in Europe can afford to survive.***

USA

USA	Money Transmitter and related licensing	Prepaid Cards are showing strong sustained growth. Mobilized prepaid is still nascent. Obopay and MasterCard MoneySend Mobile (operated by Obopay) is an example of a trend that's catching up	Open Market – but dominated by the associations and major issuer and acquiring banks. Third party retail issuers like Walmart are also very strong. Gift card market is significant and growing.

India – learning so far

- Many players (ITZcash, FINO, Beam, Oxicash, Atom, ngPay, mChek…)
- Costs
  - For a pure pre-paid mobile ecosystem
    - Cash in ~ 150 bps
    - Full KYC adds ~ Rs. 200/- per consumer
  - Telcos (for airtime top-up) incur ~ 300-700 bps
- Revenue
    - Primarily from merchants < 175 bps
    - P2P remittances ~ 170-200 bps

- Net impact , the ecosystem cannot yet sustain a profitable stand alone pre-paid business
- A possible option: reduce cost of cash-in , through bank accounts

India……..way forward

- Requires all players in ecosystem (banks, telcos, device vendors, intermediaries) to agree on
  - reducing overall cost of transaction
  - Evolve a transparently revenue share model (including float)
  - Evolve a platform that allows interoperability across operators
- Some suggestions to grow mobile payments eco system
  - Real-time clearing across m-payment service providers to facilitate SMS based remittances
  - Limited value cash-out option for non-bank Pre-paid mobile solutions (i.e. in the semi closed)
  - More participants allowed into the Business correspondent eco system
  - Mobile payments as a preferred mode for Government (NREGA, PDS benefit, micro insurance etc.)
    - Facilitate the co-operation between postal department and private sector participants in m-payments business

India……..way forward

- Some more suggestions to grow mobile payments eco system
  - No-KYC prepaid payment instrument with Cash-Out should be allowed
    - These instruments should be allowed to be issued, distributed and offered by both banks and credible & reputable non – banks companies (particularly Telcos and handset companies)
    - Define a set of qualifying guidelines (including minimum scale/size for parent company and necessary approval from RBI, etc) to ensure that only serious players enter the mobile payment services space
    - Total P2P transaction in a month not to exceed Rs 20000/- ; Per transaction P2P limit of Rs 5000/-
    - This instrument shouldn't require to be sold at BC outlets. It should be available at any outlet, but the responsibility of due diligence of the outlet and liability should rest with the prepaid instrument issuer
    - Cash in and Cash out both should be allowed from any store that the payment service provide may choose to enlist
  - Make mandatory that all m-payment service offerings be inter-operable
    - Similar to all calls being connected across all networks in telecom industry today
  - Brand building – Creating Trust
    - Non-banking entities should also be allowed to offer m-payment products under their own brand name without linkages to bank being necessary