Report

Emerging Market Operator Mobile Money Business – Critical Success Factors

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1. Executive summary

Analyses of the factors that underpin the success of mobile money services have tended to focus on past and present market conditions. In this paper, we consider how telecom operators can compete and win in evolving, future mobile money ecosystems impacted by changing value-chains, user behaviour and regulatory requirements.

Mobile money is a service with a great potential if the context is right. Over the coming years, market conditions could become favourable for many operators that offer mobile money services. For example, interoperability could generate network effects and attract more users and the growing adoption of smartphones and inexpensive feature phones in emerging markets could result in increased usage.

However, OTT service providers’ recent aggressive moves in many mobile money markets, suggest that the market disruption could be imminent and that operators should act sooner rather than later to capture mobile money market share. Specifically, to succeed, operators should embrace new collaborative business models, make more of their existing differentiators and launch new innovative services and features. Most importantly, operators will need to ensure that their mobile money service portfolios include a well-balanced mix of both revenue-generating and profit-driving services. Figure 1.

*Figure 1: An illustration of an operator’s integrated mobile money service portfolio [Source: Analysys Mason, 2018]*

In this study, commissioned by Huawei, Analysys Mason analyses the key drivers of change in mobile money ecosystems and proposes new strategies for operators that will allow them to increase mobile money service adoption, usage and profitability.
2. Market context: mobile operators have unique advantages in mobile money but the time to act is now

In this section we discuss the existing mobile money market context and provide several examples of successful mobile money services launched by telecoms operators. We then analyse how mobile money services will evolve in the near to medium-term future and what will drive this evolution.

2.1 Mobile money services have been successful in some emerging markets, but billions of people remain unbanked and underbanked

Mobile money services have proven successful among many emerging markets such as Kenya and Tanzania, where Safaricom, Orange and Telenor, among others, have successfully delivered profitable services. These services have typically captured a large customer base on the core mobile wallet offering before expanding into more profitable and sustainable services.

**Case study: Safaricom M-PESA – the most talked about mobile money service**

Safaricom, the leading mobile network operator in Kenya, launched its mobile money service, M-PESA, in 2007. The service has flourished partly due to Safaricom’s dominance over the mobile market, with approximately 80% market of connections, and a lack of regulatory barriers to operator-led mobile money services and partly due to Safaricom’s quick and visionary thinking and agility that allowed them to make the most out of the favourable context. M-PESA has grown into a world class mobile money service; Safaricom reported 19 million 30-day active users on M-PESA and a revenue of USD540 million, representing 27% of Safaricom’s total service revenue, in 2017.¹

The success of Safaricom’s M-PESA is a case that many operators have attempted to replicate. However, the conditions that enabled M-PESA to flourish in Kenya are not present in many other markets. The regulatory environments are too restrictive in many emerging markets, inhibiting operators’ attempts to replicate M-PESA. Further, in most markets operators face greater competition from other mobile operators, and operator-led mobile money services and from other global players such as banks or OTTs. That being said, the case of Safaricom still offers lessons in visionary thinking, agility and scaling and sustaining a healthy business. Every market context is different and only agile and visionary companies, such as Safaricom, are quick at recognizing and acting on and scaling the key opportunities that their own market context offers.

Operators that tried unique approaches, well-tailored to their market contexts, also provided success stories. These successful services appear in very different markets to Kenya, showcasing that mobile money services must be flexible to match the market conditions – one size does not fit all. One example is that of Telenor Pakistan that successfully used KYC compliance requirements to increase usage of its mobile money services.

Despite the several large mobile money success stories, there are also those that have failed to attract enough users and frequent enough usage – three mobile money those services were discontinued in South Africa alone over 2016–2017. With the closure of these services and still fairly low penetration of the traditional financial

services, there remains a significant unbanked and underbanked population across emerging countries, see Figure 2.

**Figure 2: Population penetration of deposit accounts at a financial institution, select emerging markets [Source: World Bank, 2016]**

2.2 **New players are disrupting the market: operators should act now to make the most out of their key differentiators**

Early operator-led mobile money services were launched over 20 years ago and many of these services remain active today. Meanwhile, smartphone penetration has grown, and customers have started adopting more advanced application based-services, even in emerging markets. Further, regulatory changes and new technologies have enabled new mobile money competitors to operators. Most importantly, more and more OTT service providers and banks are meeting the demand for mobile money services with their own application-based offerings.

Thanks to their scale and agile operating model, OTT service providers can roll out mobile money services to reach a massive scale nearly overnight. For instance, upon receiving Indian Government’s approval, WhatsApp has recently integrated payments interface to its messaging services in India and introduced a peer-to-peer payment feature in February 2018. The OTT service provider already has over 200 million active daily users and even if only 10% of that user pool decides to use the WhatsApp for payments, the number of WhatsApp’s active mobile money users in India could match that of Safaricom’s in Kenya very quickly.²


³ Google launched its mobile wallet service Tez in India in September 2017. It is available in 8 languages and works with all 55 Indian banks that support unified payment interface (UPI). Within four months of launch, Tez was processing the same number
However, operators still hold distinct advantages over the competition, as shown in Figure 3. For instance, mobile operators have the local market advantage over OTTs in many emerging markets, and operators can leverage their existing assets, such as their existing agent networks and retail presence, to address customers – including those unbanked or underbanked. Some of these distinct advantages that operators have are costly i.e. they can contribute to the low profit margin of mobile money services (such as, for instance) the high operating costs resulting from the large agent network). However, many operators are finding innovative ways to drive the engagement and, as a result, incentivise usage and improve profitability of their services and existing assets.

**Figure 3: Comparison of competencies relevant to mobile money services among mobile operators, banks and OTTs**

[Source: Analysys Mason, 2018]

<table>
<thead>
<tr>
<th></th>
<th>Mobile operators</th>
<th>Banks</th>
<th>OTT services providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Channel to market</td>
<td>⬤⬤⬤⬤⬤</td>
<td>⬤⬤⬤⬤</td>
<td>⬤</td>
</tr>
<tr>
<td>Compliance with financial regulations</td>
<td>⬤</td>
<td>⬤⬤⬤⬤⬤</td>
<td>⬤⬤⬤⬤</td>
</tr>
<tr>
<td>Mobile customer access</td>
<td>⬤⬤⬤⬤⬤</td>
<td>⬤⬤⬤⬤</td>
<td>⬤⬤⬤⬤⬤</td>
</tr>
<tr>
<td>Agility/Flexibility</td>
<td>⬤⬤⬤⬤</td>
<td>⬤⬤⬤⬤</td>
<td>⬤⬤⬤⬤⬤</td>
</tr>
<tr>
<td>Local factors (e.g. brand awareness, local economy contribution, local resources etc.)</td>
<td>⬤⬤⬤⬤</td>
<td>⬤⬤⬤⬤</td>
<td>⬤</td>
</tr>
<tr>
<td>Trust levels</td>
<td>⬤⬤⬤</td>
<td>⬤⬤⬤⬤⬤</td>
<td>⬤⬤⬤</td>
</tr>
</tbody>
</table>

2.3 Meanwhile, customer expectations are evolving too and so are the relevant policies and enabling technologies

The mobile money ecosystem is evolving, and this will create opportunities for some mobile money service providers and challenges for others. Key changes are driven by the growing penetration of smartphones and app-based inexpensive feature phones, new regulatory requirements (e.g. interoperability), and new technologies or digital solutions deployed.

**Customers are expecting more from their services – driven by smartphone and app-based feature phone adoption and influenced by OTT services**

Given the rapid growth in smartphones smartphone penetration both worldwide and even in emerging markets, mobile users are rapidly adopting mobile applications over SMS or USSD based services. Smartphone penetration will continue to grow over the next 5 years, reaching 70% in both emerging Asia-Pacific and the Middle East and North Africa markets, as showing in Figure 4. Sub-Saharan Africa markets will lag but maintain high growth.

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*of digital transactions as India’s fourth largest lender, resulting in eight times increase in UPI transactions. Google added the additional feature of chat in March 2018, one month after WhatsApp rolled out its own payment service.*
Market context: mobile operators have unique advantages in mobile money but the time to act is now

Creative methods of accessing smartphone applications from basic inexpensive feature phones are also emerging, allowing customers to access the more advanced and superior capabilities of such applications at low handset price points. These methods of access are undermining the USSD or SMS based services that rely on the market lock in of feature phones.

Case study: Android Go – Advanced smartphone capabilities on budget devices

Android Go is a lightweight version of the Android mobile operating system from Google. The Google Play Store, application store, and most Google applications have been redesigned to use less device storage and memory allowing them to perform better and use less data. Google also partnered with developers to produce a suite of applications and services for the platform.

Android Go builds on the existing Android ecosystem that connects over 2 billion customer devices. The functionality of smartphone applications on basic mobile devices will expand this customer based and enable these customers to access more advanced application-base mobile services such as mobile money – USSD or SMS based services will not be able to compete.4

The increasing smartphone penetration and availability of inexpensive feature phones will make it increasingly harder to compete against advanced, application-based services within the next two to three years. These consumer changes favour the agile, software-based OTTs with high-quality mobile applications. Further, the providers of these applications and services can leap-frog directly into offering advanced mobile financial services or adjacent market verticals like m-commerce – which are seeing skyrocketing adoption in some emerging markets. Analysys Mason’s 2017 Connected Consumer Survey revealed that over 80% of respondents making online purchases in Emerging Asia-Pacific and Sub-Saharan Africa were predominantly using their mobile phone (see Figure 5).

Market context: mobile operators have unique advantages in mobile money but the time to act is now

The regulatory environment opens opportunities for innovators and creates new challenges for some mobile money incumbents

The two significant changes to the mobile money regulatory environment are the introduction of interoperability policies between services of different providers and the amounting intervention from governments to reduce cash-base societies.

In some emerging mobile money markets interoperability between mobile money services is beginning to be enforced (see Figure 6). This will create new opportunities for challengers to grow their existing customer base. However, for large incumbent mobile money providers, the introduction of interoperability will create new challenges as their services come under pressure. Overall, in the medium term, this change is likely to create healthier mobile money ecosystems and ‘increase the pie’ for most providers. Investing in service differentiation will become of essence to prevent customers from migrating to competitive services.

Figure 6: Interoperability announcements from select emerging markets [Source: Analysys Mason, 2018]6

“Tanzania government works on mobile money interoperability”

telecompaper – February 2018

“Ghana to start mobile money interoperability in February”

telecompaper – January 2018

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5 Analysys Mason’s Connected Consumer Survey with 5000 mobile users in Emerging Asia Pacific and 3000 in Sub-Saharan Africa. More information is available here: http://www.analysysmason.com/Research/Content/Reports/CCS2017-mobile-EMAP-RDMD0-RDDMO/#03%20April%202018 and http://www.analysysmason.com/Research/Content/Reports/CCS-mobile-SSA-RDMD0-RDDMO/#05%20April%202018

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Market context: mobile operators have unique advantages in mobile money but the time to act is now

“Kenyans to Send and Receive Mobile Money Across Networks as Interoperability Pilot Kicks Off”

techweez – January 2018

The migration away from cash is further future looking, however movements are occurring among emerging markets as governments increasingly adopt digital financial measures. This presents a significant opportunity for operator-led services to become the default form of electronic payments, such as what happened to PayTM following the government’s demonetisation of banknotes in India.

Case study: Banknote demonetisation in India contributed to significant increase in use of PayTM

In 2016, the Indian Government announced that all INR500 (USD7.4) and INR1000 (USD14.9) banknotes would be demonetised and removed from circulation. The demonetisation affected approximately 24% of banknotes and 86% of banknote value in circulation and was targeted to combat tax evasion and money laundering.

The resulting cash shortages provided a significant advantage to mobile money services. PayTM, the leading mobile money service provider, reported 170 million new users, a 435% increase in service traffic and a 250% increase in transaction value and volume following the demonetisation.7

New technologies are also driving changes in mobile money ecosystem by accelerating the time-to-market and enabling more collaborative approaches

New technologies such as All-IP networks, cloud-enabled systems and big data analytics are changing the way that mobile money services are managed – from initial conception to launch and operation. These technologies bring operators a myriad of benefits such as more sustainable services with lower operating costs and greater agility for future growth. Scale-able platforms and cloud-based delivery models are allowing operators to easily manage the future growth of services leveraging those already in place.

Technologies are also providing a more collaborative approach to mobile money services that allow operators to fully control their partner ecosystem. Operators will be capable of fluidly selecting and onboarding new partners to launch new services or to provider third-party services, and operators will be in control of the threshold of risk that is associated with these partnerships (i.e. costly, or poor-quality services resulting from partners).

Mobile money vendors are using these technologies to launch next-generation platforms that are enabling advanced mobile payments and future financial services (e.g. savings, insurance and credit). These future capabilities support a larger number of digital services than traditional P2P transfers and feature advanced data analytics techniques that support customer data monetisation. However, operators will have to develop a solid and sustainable mobile wallet service before expanding to mobile payment services and more advanced mobile financial services.

7 Sources: Analysys Mason and Hindustan Times; Available at: https://www.hindustantimes.com/business-news/mobile-wallets-see-a-soaring-growth-post-demonetisation/story-zwdBi3UdqG1qZD92AEF9GK.html

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3. Key success factors: operators should build on existing capabilities to grow mobile money adoption, usage and profitability

In this section, we discuss the key success factors for operator-led mobile money services in the evolving service ecosystem, summarised by Figure 10. To grow mobile money service adoption, usage and profitability operators should embrace collaborate with existing and new partners, make more out of their existing differentiators and design innovative solutions that could help them improve profit margins.

*Figure 7: Overview of mobile money key success factors in near to medium-term [Source: Analysys Mason, 2018]*

### 3.1 Collaborate: Operators should nurture existing as well as consider new partnerships and business models to increase service adoption and usage

Operators already have an extensive know-how and in-house procedures that allow them develop supplier relationships and keep their ecosystems happy - **they should leverage these processes and capabilities to build new partnerships crucial for successful delivery of new, more advanced, mobile money services.**

**Case study: Orange Money partners with e-commerce platform, Jumia**

Orange partnered with Jumia, an e-commerce platform in 23 countries across Africa, in September 2016. Jumia began to accept ecommerce payments from customers using Orange’s mobile money service, Orange Money. Jumia expects that the solution will increase the adoption of online payments from customers, as Orange and Orange money are trusted brands with consumers. By adopting online payments, customers receive an improved customer experience with quicker delivery while merchants receive payment protection/guarantee. The partnership will increase the number of active users and frequency of use of Orange Money.

Operators need to take a creative approach to partnerships, seeking partners beyond the traditional mobile money cohorts. Alternate partnership will enable operators to develop new and attractive services for customers beyond domestic P2P transfers or electronic payments and differentiate their service against those from competitors. Further, alternate partnerships may add value for customers – such as a better value proposition and

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more convenience – increasing the frequency of use and making the wallet stickier. Ultimately this will contribute to more people adopting mobile money services and higher-frequency usage. Finally, extensive partnerships may further allow operators to develop a mobile money platform from which they can incrementally test and release new product features in collaboration with selected partners.

In Figure 8 we discuss various new types of partnerships and business models that operators could consider increasing the usage of their mobile wallets (drive money into the wallet) and the profitability of their services. We identified partnerships that address the supply-side – those that allow operators to offer and deliver services in a profitable manner – and demand-side – those that generate customer demand for a service.

Figure 8: Overview of potential mobile money service partners and business models [Source: Analysys Mason, 2018]

<table>
<thead>
<tr>
<th>Partner</th>
<th>Rationale</th>
<th>Recommended business model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial institutions</td>
<td>These provide more transaction outlets and new, higher-margin services</td>
<td>• Revenue share</td>
</tr>
<tr>
<td></td>
<td>(e.g. credit, insurance)</td>
<td></td>
</tr>
<tr>
<td>Payment aggregators</td>
<td>Potential to offer international remittances and access to merchants in</td>
<td>• Revenue share</td>
</tr>
<tr>
<td></td>
<td>various verticals</td>
<td>• Referral fees</td>
</tr>
<tr>
<td>Government agencies</td>
<td>Government agencies often hold an established role for mobile money</td>
<td>• Pro bono partnership – increases service usage</td>
</tr>
<tr>
<td></td>
<td>services, such as post offices with financing functions, or maintain</td>
<td>(related transactions may charge reduced rates for customers)</td>
</tr>
<tr>
<td></td>
<td>regulatory control over the market. Increase in users and transaction</td>
<td></td>
</tr>
<tr>
<td></td>
<td>volumes. Help governments achieve financial inclusion goals</td>
<td></td>
</tr>
<tr>
<td>Multi-lateral aid agencies</td>
<td>Emergency disbursements can rapidly increase the number of users of the</td>
<td>• Pro bono partnership</td>
</tr>
<tr>
<td>Charities/NGOs</td>
<td>wallet</td>
<td></td>
</tr>
<tr>
<td>Transit agencies</td>
<td>Mobile payments are becoming increasingly adopted on public transit</td>
<td>• Transaction fees</td>
</tr>
<tr>
<td></td>
<td>systems, leading to higher adoption and regular usage of payment facilities</td>
<td></td>
</tr>
<tr>
<td>Utility providers</td>
<td>Mobile bill payments are a convenient method to make utility payments,</td>
<td>• Transaction fees</td>
</tr>
<tr>
<td></td>
<td>which can be used to increase the usage and stickiness of the mobile</td>
<td></td>
</tr>
<tr>
<td></td>
<td>wallet</td>
<td></td>
</tr>
<tr>
<td>Developer communities</td>
<td>Third-party developers can create new services that enhance the</td>
<td>• One-off arrangements (e.g. hackathons with prize rewards)</td>
</tr>
<tr>
<td></td>
<td>functionality of the wallet. This contributes to a more dynamic, and</td>
<td>• Revenue share based on the developer’s contribution</td>
</tr>
<tr>
<td></td>
<td>ultimately more competitive ecosystem that helps operators to</td>
<td></td>
</tr>
<tr>
<td></td>
<td>differentiate from OTTs</td>
<td></td>
</tr>
<tr>
<td>Ride-hailing applications</td>
<td>Ride-hailing services are becoming increasingly popular in developing</td>
<td>• Revenue share</td>
</tr>
<tr>
<td></td>
<td>markets. Potential for promotional partnerships with a service that is</td>
<td>• Referral fees</td>
</tr>
<tr>
<td></td>
<td>widely used, and in which the operator can deploy promotional incentives</td>
<td></td>
</tr>
<tr>
<td></td>
<td>to increase the wallet’s usage and adoption</td>
<td></td>
</tr>
<tr>
<td>Ecommerce and physical retailers</td>
<td>Customer-not-present transactions is an area where mobile wallets have</td>
<td>• Transaction fees (reduced for select merchant partners)</td>
</tr>
<tr>
<td></td>
<td>a definitive advantage over cash. Operators need to incentivise these</td>
<td>• Referral fees</td>
</tr>
<tr>
<td></td>
<td>transaction by making them easier, safer, and quicker. They also need to</td>
<td></td>
</tr>
<tr>
<td></td>
<td>attract online merchants to implement the wallet as a payment option</td>
<td></td>
</tr>
<tr>
<td></td>
<td>during checkout</td>
<td></td>
</tr>
</tbody>
</table>
3.2 Differentiate: Operators could make more out of their exiting differentiators

Operators’ key differentiators in mobile money market are their access to a large base of mobile customers, local advantage and brand awareness and channels to markets (e.g. large agent networks).

However, very few operators have made the most out of these differentiators thus far. To do so, operators could consider all or any combination of the following strategies:

- **Integrate core communication services better with mobile money offerings** to make mobile money services ‘stickier’ and to incentivise usage. For instance, O2 in Germany provides the users of its mobile banking service with mobile data allowance in lieu of interest (See Figure 9).

  *Figure 9: Screenshot of O2 Banking application that offers free mobile data as usage incentives [Source: iTunes/Apple]*

- **Become more creative with pricing of mobile money services to incentivise usage amongst recently onboarded users.** Operators could use pricing incentives to convert more registered users into active users. For instance, service prices should be discounted for new users until they get accustomed to using the service and start developing trust-based relationship with their provider.

- **Make the most out of the local advantage by partnering up with local utility and transit companies, government agencies, schools and universities and local retailers (e.g. local super markets)**

  Local partnerships can deliver better customer experience and market coverage, particularly for the remote unbanked or underbanked populations. For instance, local retail companies are a new avenue of usage as a point of sale for customers. Collaborative marketing campaigns or customer loyalty schemes may also be launched with retailers, ride-hailing applications – which have become increasingly popular among emerging markets – or other services to drive additional usage. Local postal services, which typically have a broad office footprint, are another potential partner for mobile money services. In order to strengthen the functionality and stickiness of the mobile wallet, operators could also forge vibrant partnerships with local developer communities that could lead to new services and features. They could start with one-off arrangements such as hackathons with prize rewards and subsequently move to a more formal arrangement of revenue sharing based on the contribution of the developer community.

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9 See Figure 3: Comparison of competencies relevant to mobile money services among mobile operators, banks and OTTs [Source: Analysys Mason, 2018]


© Analysys Mason Limited 2018 Key success factors: operators should build on existing capabilities to grow mobile money adoption, usage and profitability
• **Use mobile money agents to resell services.** Operators agent network is an excellent (albeit also costly) channel to market. Operators could consider using agents as resellers of services for third parties. For instance, those operators that do not want to or cannot launch own insurance service, could partner with insurance companies to resell their products via agent networks.

• **Consider providing agents with micro-loans to ensure liquidity.** Agent management, and in particular, issues with agent liquidity, is one of the key barrier of mobile money service adoption. An M-Pesa study suggests that keeping liquid can account for 50% of all expenses of an agent.\(^{11}\) As a possible remedy to this situation, operators could provide micro-loans to agents to ensure that they stay liquid.\(^{12}\)

### 3.3 Innovate: Operators should offer a well-balanced portfolio of services with solid revenue and profit generating potential

**Service innovation**

To fully benefit from the new opportunities operators will have to build on their existing modern mobile wallets, agent networks and technologies to gradually deploy more complex mobile money services (such as mobile payments) with greater potential for monetisation. Additionally, operators’ new mobile money service bundles with richer features (e.g. loyalty, automated reminders, savings, credit and insurance offerings) could drive adoption and usage of services and grow service revenue. More specifically, **to increase adoption usage and profitability of their overall mobile money offering, operators should have a well-balanced portfolio of services that have solid revenue and profit generating potentials.** (See Figure 10)

*Figure 10: An illustration of an operator’s integrated mobile money service portfolio [Source: Analysys Mason, 2018]*

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11 Source: IFC. Available at: https://www.ifc.org/wps/wcm/connect/c7ef9c8049585f6fa0d2b519583b6d16/Tool+8.5.+CGAP+Analysis+Agent+Economics+M-PESA.pdf?MOD=AJPERES


© Analysys Mason Limited 2018  Key success factors: operators should build on existing capabilities to grow mobile money adoption, usage and profitability
Please note: while we propose that operators’ portfolio should consist of services of different profitability levels, we do not believe that any of the services in the operators’ portfolio should be losing money – regardless of how useful they may be in improving transaction volumes statistics.

Innovative mobile money customer data monetisation strategies

Some operators are increasingly deploying more innovative solutions that incentivise customer usage, simplify internal processes or enable entry into adjacent market verticals. Data analytics of mobile money customer data is one such solution that has potential to increase service usage, reduce costs or derive new revenue streams. Figure 11 shows a selection of potential data monetisation strategies that operators can employ to improve the profitability of mobile money services. Operators are extremely well positioned to use such strategies due to their natural ownership of mobile subscription, which can be used in combination to financial data from mobile money services.

Figure 11: Potential innovative solutions to improve the profitability of mobile money services [Source: Analysys Mason, 2018]

<table>
<thead>
<tr>
<th>Solution</th>
<th>Description</th>
<th>Benefits</th>
<th>Impact on profit margins</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holistic services for ecommerce</td>
<td>Supplement mobile KYC data with mobile money data to provide targeted advertising, web tracking and customer insights to online companies</td>
<td>- Generate new revenue</td>
<td>High</td>
</tr>
<tr>
<td>companies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost optimisation of agent networks</td>
<td>Use mobile money transaction data and usage patterns to improve the agent and merchant management (e.g. agent liquidity management)</td>
<td>- Reduce operating costs associated to agent management</td>
<td>Medium–High</td>
</tr>
<tr>
<td>Collaboration with government agencies</td>
<td>Provide services to government agencies helping to assessing the effectiveness of subsidy polices and prevent fraud by monitoring subsidy usage</td>
<td>- Generate new revenue</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Increase service adoption</td>
<td></td>
</tr>
<tr>
<td>Educate customers about financial literacy</td>
<td>Provide targeted educational material and support for customers, encouraging more responsibility management of financial resources</td>
<td>- Generate new revenue</td>
<td>Low</td>
</tr>
<tr>
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<td>- Increase service adoption</td>
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<td>- Improve operators’ corporate social responsibility</td>
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4. Findings and recommendations

Key findings

► **The addressable market for mobile money remains large:** Mobile money services have been successful in some emerging markets, but billions of people remain unbanked and underbanked. This still presents a large opportunity for all types of mobile money service providers.

► **The profitability of mobile money services is still low in most emerging markets:** Regardless of their unique competitive advantages, all types of mobile money service providers have this far struggled to deliver highly profitable service.

► **All mobile money service providers have some advantages and disadvantages.** Operators’ key advantages include access to large mobile subscriber base, channels to market and local advantage and brand awareness.

► **Collaboration, differentiation and innovation could create new opportunities for operators in the next few years.** In particular, those operators that invest into new collaborative business models, focus more on making most of the exiting differentiators and create an innovative and well-balanced portfolio of services and features will likely see growth.

Recommendations for operators

► **For operators, particularly large incumbent mobile money providers, the time to act is now** – mobile money ecosystem is changing rapidly in emerging markets and operators should move quickly to take advantage of their differentiators while they still count.

► **Operators should build on existing capabilities to grow mobile money adoption, usage and profitability.** For instance:

  ✓ Operators should better integrate core communications services with mobile money offerings and use pricing promotions particularly with new users to offer a ‘stickier’ proposition and allow users to test the service and get accustomed to it at lower price points.

  ✓ Operators already know how to develop suppliers and keep their ecosystems happy - they should leverage their existing channel management processes and capabilities to build new partnerships crucial for a successful delivery of new, more advanced, mobile money services.

  ✓ Similarly, operators should consider designing creative customer data monetisation strategies that can help them improve the profitability of mobile money services.

► **Operators need to take a creative approach to new partnerships, seeking partners beyond the traditional mobile money cohorts.** The most successful partnerships for operators will be with partners that provide local services or a competitive advantage locally within a market. Local partnerships can deliver better customer experience and market coverage, particularly for the remote unbanked or underbanked populations.

► **To increase adoption usage and profitability of their overall mobile money offering, operators should have a well-balanced portfolio of services that have solid revenue and profit generating potentials.** Building onto the basic mobile wallet offering, operators should consider a variety of m-payments services as well as mobile financial services. Some will help them grow revenue and others may improve the overall profitability of operators’ holistic mobile money offering.
5. Introduction to Huawei’s Mobile Money solution

Huawei Mobile Money focuses on transforming the financial lives of the two billion unbanked or underserved people in Emerging Markets by enabling customers to manage their money and financial transactions: simply, efficiently and safely.

Huawei Mobile Money has been commercially deployed in 19 countries, serving over 152 million users which represents 27% of registered emerging market Mobile Money accounts.

In Kenya, the world’s largest Mobile Money operator Safaricom, is a Huawei Mobile Money customer with more than 29 million customers using their M-Pesa service with transactions worth $66 Billion in financial year 2017. The platform capabilities of Huawei Mobile Money enable M-Pesa to serve their customers predictably and reliably even during peak demand with up to 900 transactions per second. Using the platform, the response time for a single transaction was reduced from 10 to 4 seconds, and the transaction success rate increased from 96% to 99.99%.

In Pakistan, Huawei helped Mobile Money operator Jazz provide Mobile Money services for its customers. It supports the innovative development of the new services, through rapid TTM and flexible configuration. Supported by Huawei Mobile Money, the market share of JazzCash has increased by 38% from 2014 to 2017, and JazzCash has become the market leader in active mobile account in Pakistan, with more than 13 million customers and over 70,000 agents.

Huawei Mobile Money is a proven, trusted and innovative solution which delivers superior customer and agent experiences and enables innovative financial products and services. It provides:

- **Superior experience** - Proven performance, scalability and reliability which enables a real-time, frictionless experience to customers and agents which enhances retention and promotes transaction frequency.
- **Innovative products and services** - Highly flexible mobile wallet services such as cash in/out and mobile payment services like Bill payment, linked bank accounts, QR code and NFC payment and mobile financial services such as savings and overdraft provision.
- **Trusted platform** - Built ground-up incorporating advanced authentication and encryption technology to protect customer and transaction information. Transaction integrity is ensured through software and hardware (HSM) dual encryption, three site local disaster recovery (LDR) and message-logging mechanisms. Compliant and certified to ISO 27001 /PCI-DSS (PA-DSS) standards.
- **Open ecosystem** - Featuring over 400 API’s accessed via an open developer platform which enables fast integration and on-boarding with agents, merchants and partners. Pre-integration with leading 3rd party financial partners.

**Huawei Mobile Money Business Assessment Program**

To help our customers either baseline their existing Mobile Money solution or develop strategy for a new offering. Huawei provides a Mobile Money Business Assessment Program (BAP) which analyses current capabilities and focus areas referenced against industry benchmarks. Huawei Mobile Money BAP Service covers over 40 countries, providing macro-economic environment analysis and identifying key drivers for Mobile Money market development. With over 130+ assessment indexes, BAP provides analysis across:

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13 Section 5 was prepared by Huawei. Analysys Mason did not provide any input into the contents of this section.
Marketing, competition, agent network, ecosystem, user experience and organization. See Figure 12 for Huawei’s Operational Assessment Framework.

Figure 12: Huawei Mobile Money BAP Services – Operational Assessment Framework [Source: Huawei, 2018]

If you are interested in undertaking a BAP assessment, please talk to your Huawei Account Director or contact us through email at huaweisoftware@huawei.com.
About the authors

**Stela Bokun** (Head of Custom Research) Stela leads Analysys Mason’s Custom Research team. Stela worked on many mobile financial services projects in the past, published several major mobile payments research reports and delivered several speeches at key m-payments industry conferences. The reports and projects Stela worked on analysed Safaricom’s M-Pesa strategy in Kenya, Telcel’s MFS strategy in Mexico, the impact of MTN’s MFS strategy on its churn rates in Uganda, MTS’ MFS strategy in Russia, mobile money platforms ecosystem analysis etc.

**Enrique Velasco-Castillo** (Senior Analyst) Enrique is the lead analyst to Analysys Mason’s Digital Economy strategies research programme, focusing on the opportunities for communications service providers and vendors in emerging verticals such as mobile payments, commerce, health and home automation and security. Previously, Enrique covered Mobile Financial Services and M&A and funding activity for more than two years at the research firm IHS, where he wrote several reports on the opportunities for mobile operators in m-payments and venture capital investments in mobile.
Analysys Mason's consulting and research are uniquely positioned

Analysys Mason is a trusted adviser on telecoms, technology and media. We work with our clients, including communications service providers (CSPs), regulators and end users to:

design winning strategies that deliver measurable results
make informed decisions based on market intelligence and analytical rigour
develop innovative propositions to gain competitive advantage.

We have more than 220 staff in 13 offices and are respected worldwide for exceptional quality of work, independence and flexibility in responding to client needs. For 30 years, we have been helping clients in more than 100 countries to maximise their opportunities.

Consulting

We deliver tangible benefits to clients across the telecoms industry:

- communications and digital service providers, vendors, financial and strategic investors, private equity and infrastructure funds, governments, regulators, broadcasters, and service and content providers.

Our sector specialists understand the distinct local challenges facing clients, in addition to the wider effects of global forces.

We are future-focused and help clients understand the challenges and opportunities that new technology brings.

Research

Our dedicated team of analysts track and forecast the different services accessed by consumers and enterprises.

We offer detailed insight into the software, infrastructure and technology delivering those services.

Clients benefit from regular and timely intelligence, and direct access to analysts.
Research from Analysys Mason

We provide dedicated coverage of developments in the telecoms, media and technology (TMT) sectors, through a range of research programmes that focus on different services and regions of the world.

The division consists of a specialised team of analysts, who provide dedicated coverage of TMT issues and trends. Our experts understand not only the complexities of the TMT sectors, but the unique challenges of companies, regulators and other stakeholders operating in such a dynamic industry.

Our subscription research programmes cover the following key areas.

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| Next-generation wireless networks programmes |
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| Service Fulfillment         |
| NetworkAssurance            |
| Network Orchestration       |
| Software-Controlled Networking |

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Digital economy programmes
- Digital Economy Strategies
- Future Comms

Enterprise and IoT programmes
- Large Enterprise Voice and Data Connectivity
- Large Enterprise Emerging Service Opportunities
- SME Strategies
- IoT and M2M Services
- IoT Platforms and Technology

Regional markets programmes
- Global Core Data
- Americas
- Asia-Pacific
- Middle East and Africa
- European Core Data

European Top operators
- European Telecommunications Market Monitor
- European Country Reports

Each subscription programme provides a combination of quantitative deliverables, including access to more than 3 million consumer and industry data points, as well as research articles and reports on emerging trends drawn from our library of research and consulting work.

Our custom research service offers in-depth, tailored analysis that addresses specific issues to meet your exact requirements.

Alongside our standardised suite of research programmes, Analysys Mason’s Custom Research team undertakes specialised, bespoke research projects for clients. The dedicated team offers tailored investigations and answers complex questions on markets, competitors and services with customised industry intelligence and insights.

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Consulting from Analysys Mason

For 30 years, our consultants have been bringing the benefits of applied intelligence to enable clients around the world to make the most of their opportunities.

Our clients in the telecoms, media and technology (TMT) sectors operate in dynamic markets where change is constant. We help shape their understanding of the future so they can thrive in these demanding conditions. To do that, we have developed rigorous methodologies that deliver real results for clients around the world.

Our focus is exclusively on TMT. We advise clients on regulatory matters, help shape spectrum policy and develop spectrum strategy, support multi-billion dollar investments, advise on operational performance and develop new business strategies. Such projects result in a depth of knowledge and a range of expertise that sets us apart.

We look beyond the obvious to understand a situation from a client’s perspective. Most importantly, we never forget that the point of consultancy is to provide appropriate and practical solutions. We help clients solve their most pressing problems, enabling them to go farther, faster and achieve their commercial objectives.

For more information about our consulting services, please visit www.analysysmason.com/consulting.