

MicroSave Briefing Note # 116

Building Business Models for Mobile Money

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In the words of Victor Hugo, *'Nothing is more powerful than the idea whose time has come'*. At present, there are *5.2 billion mobile connections*¹ and growing as we write (and growing even more as you read) while only around *2.2 billion people have bank accounts*. We also have *robust mobile banking technology platforms* available that can provide real-time, seamless access between a mobile phone and a bank account and in most parts, there is an almost *ubiquitous network of airtime resellers*. Given these conditions, one cannot help but wonder why we cannot bring financial inclusion to match (or at least come closer) the mobile penetration figures? What is stopping us? Why can we not put together all the pieces of puzzle to offer banking/financial services to the large unbanked segment that is on the mobile network?

Many individuals and institutions alike seem to have asked these questions. Some are already on their way *forging strategic multi-industry alliances* to offer financial services to the un/under-banked segment. *There are 113 live mobile money deployments and around 88 in pipeline for the next year*² trying to make the goal of financial inclusion a reality. Having said that, most of such deployments (from authors' personal experience with both failed and surviving deployments) seem to be in rush to get

numbers and forging partnerships with an approach of "let's try/do something together and figure it out as we go along" instead of taking the pains to sharpen a *mutually aligned business model and developing synchronised strategies*. In what often turns out to be a 'speed to market' and 'number' game, it might just be a good idea to take a small pause: understand, develop, analyse and critique the business model. Business models, to a large extent determine 1) the costs we incur during the process of delivering the final product, and 2) the value we generate for the end user on a sustainable basis; with the difference between the two being surplus/deficit. This in turn determines whether the

business will be sustainable or not i.e. the survival chances of the business and achieving the goal of financial inclusion through this promising channel. In essence, *"A business model describes the rationale of how an organisation creates, delivers and captures value"*.³

To understand and assess the business of mobile banking⁴ more clearly and in more detail, we shall use a business model framework and some of the concepts co-created by an active and vibrant community of practitioners in an online community called the business model innovation hub. The business model revolves around *9 building blocks*, described by Osterwald et al.³

-  **1. Customer Segments:** An Organisation serves one or several customer segments
-  **2. Value Propositions:** It seeks to solve customer problems and satisfy needs
-  **3. Channels:** Value propositions delivered to customers through communication, distribution and sales channels
-  **4. Customer Relationships:** Are established and maintained with each customer segments
-  **5. Revenue Streams:** Result from value propositions successfully offered to clients
-  **6. Key Resources:** Assets required to offer and deliver the previously described elements
-  **7. Key Activities:** By performing a number of key activities
-  **8. Key Partnerships:** Some activities are outsourced and some
-  **9. Cost Structure:** The business model elements result in the cost structure

¹Out of which there are 3.7 billion unique mobile users according to <http://consultantvalueadded.com/2011/03/07/mobile-as-a-trillion-dollar-industry-check-this/>

²<http://www.wirelessintelligence.com/mobile-money>

³Business Model Generation, A. Osterwalder, Yves Pigneur, Alan Smith, and 470 practitioners from 45 countries, self-published, 2010

⁴This is largely focused on bank-led models since more work around the globe has been done on MNO led models, the authors have tried to assess it more from a bank perspective and what unique values they can add to a mobile banking initiative and vice versa

We shall now use the 9 building blocks described above and develop a fairly generic business model for a typical bank trying to target its unbanked segment.

