Mobile Money for the Unbanked

Easypaisa:

Mobile Money Innovation in Pakistan

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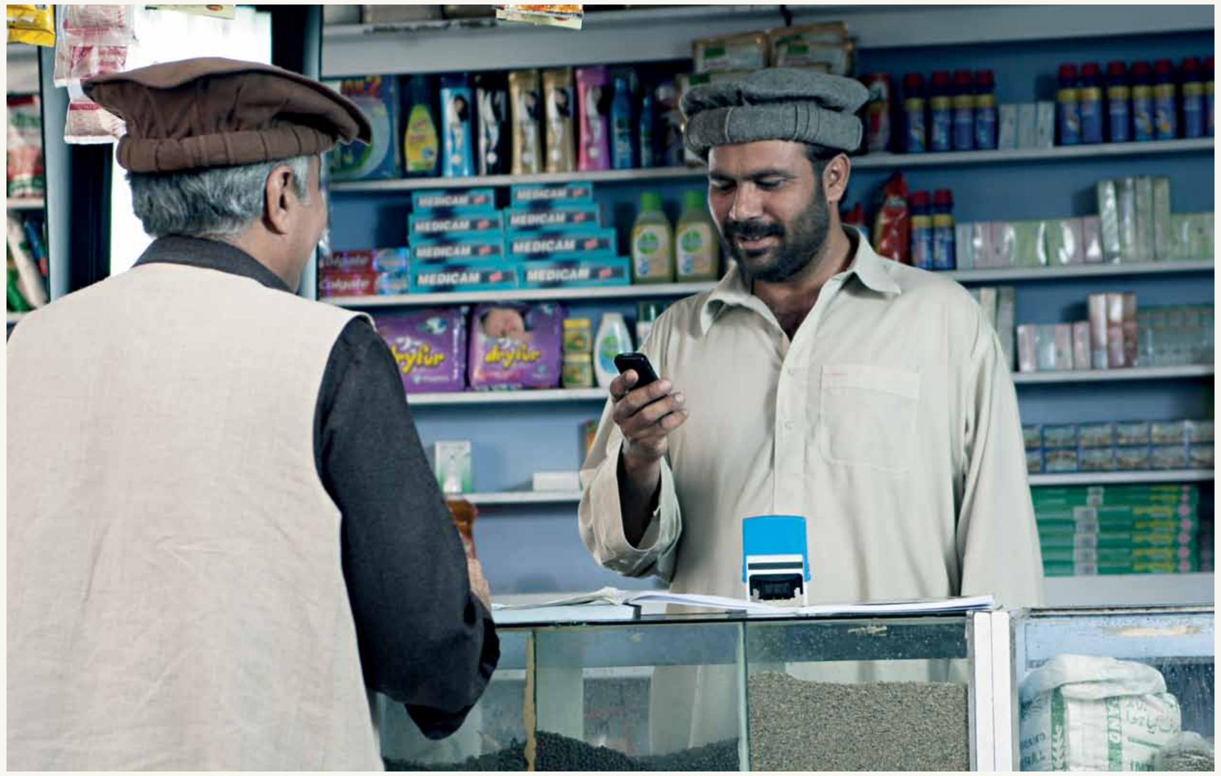

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Executive Summary

EASYPAISA, a mobile money service launched in Pakistan in 2009, serves more than five million customers a month through 25,000 points of service. By the end of 2012, it had processed more than 100 million transactions with a throughput of more than US$ 1.4 billion. Easypaisa was identified as a 2012 GSMA Mobile Money Sprinter — one of the 14 most successful mobile money services.[1]

Three important mobile money innovations emerge from the Easypaisa story. First, Easypaisa was launched from a unique corporate structure. Telenor Pakistan, a mobile network operator (MNO) acquired a 51% ownership stake in Tameer Bank, a microfinance bank, and then established Easypaisa as a common organization across the two companies. Second, Telenor Pakistan and Tameer Bank introduced over-the-counter (OTC) mobile money services – an entirely new model that did not require registration for an electronic wallet. And third, Easypaisa achieved rapid national expansion by relying exclusively on its existing GSM distribution structure.

With a population of 180 million and only 15% bank penetration in 2008, Pakistan presented an attractive market opportunity for mobile money.[2] Easypaisa seized this opportunity by creating an innovative partnership, a new delivery approach and an effective distribution model.

However, these innovations cannot stop here. OTC has become the de facto model for mobile money in Pakistan, but it has significant constraints. Without a stored value account, there are limitations to the product offering, reduced profits for the service providers, and an inability to build a robust financial digital ecosystem. Mobile money providers in Pakistan should focus their efforts on driving adoption of the mobile account by expanding registration locations, extending the product offering, raising awareness and educating consumers about the benefits of a mobile account.

1 GSMA Mobile Money Sprinters are the most successful mobile money services, as identified in the GSMA Adoption Survey. See Claire Pénicaud, 2013. "State of the Industry: Results from the 2012 Global Mobile Money Adoption Survey."

2 The World Bank, 2009, "Access to Finance Survey 2009: Bringing Finance to Pakistan's Poor."

PART 1
Structuring for innovation

A. THE OPPORTUNITY FOR TELENOR PAKISTAN: MOBILE FINANCIAL SERVICES AS A NEW REVENUE STREAM

In 2007, Telenor Group launched financial services through its company Grameenphone in Bangladesh, sparking excitement about the potential of mobile money. With GSM sales slowing in Telenor Group's mature markets, the company was looking for new growth opportunities in industries such as broadband, financial services, and media convergence.

Pakistan, among other countries, was evaluated for mobile financial services; with only 15% of the adult population banked, Pakistan presented an attractive market for financial services. At the time, Telenor Pakistan's GSM subscriber base was 21 million and its market share was 22 %, making it the country's second largest MNO. The company considered itself well positioned to offer mobile financial services.

While Telenor Pakistan was well positioned in many ways, it lacked experience in financial services and was not licensed to offer mobile financial services.

B. PARTNERING WITH TAMEER BANK: GAINING EXPERIENCE IN FINANCIAL SERVICES AND OVERCOMING REGULATORY HURDLES

The State Bank of Pakistan (SBP) issued Branchless Banking Regulation in March 2008. The regulation called for a bank-led model, which meant that only commercial banks and microfinance banks with an existing banking license were eligible to apply for a branchless banking license. The regulation also specified that MNOs could operate as a "super agents" on behalf of a bank, providing marketing and distribution in addition to participating in product development.

In spite of a regulation that specified a bank-led model, Telenor Group and Telenor Pakistan decided to move forward with

MOBILE MONEY MARKET OPPORTUNITY

Although only a small percentage of Pakistan's adult population was formally banked, there was extensive use of informal financial services, with an estimated 35% of the population using other means to transfer and save money.[3]

Based on the number of unbanked and their income levels, Telenor estimated there was an addressable market of 60 million people.

Examining the opportunities for specific products, Telenor estimated domestic money transfer services as a 10 million person addressable market. The market for international remittances from international migrant workers was estimated at five million. And bill payment was believed to have a market size of 20 million households.

TELENOR PAKISTAN'S STRENGTHS

Nationwide reach: Telenor Pakistan had 200,000 points of service selling airtime for its GSM business, unlike bank branches, which had limited geographical reach.

Low cost structure: Telenor Pakistan's distribution structure had no fixed costs; GSM agents operated on a commission basis and could build viable businesses on small transaction volumes and values.

Strong brand image: Telenor Pakistan believed their brand was more widely recognised than any bank. Also, the company's Brand Health Tracker showed the Telenor brand was trusted and perceived as reliable.

Large customer base: Telenor had 21 million customers compared to the 10–15 million bank customers.[3]

developing mobile financial services. **Given the regulatory requirements and Telenor Pakistan's lack of experience in financial services, they saw majority ownership in a microfinance bank as the optimal way to enter the mobile money market.** Telenor Pakistan soon entered into discussion with Tameer Microfinance Bank Limited.[4]

Tameer Bank was established in 2005 and was at the forefront of innovation in financial inclusion. It was the first microfinance bank in Pakistan to offer real-time online banking at branches, open 24-hour service branches, and to make use of capital markets to fund the microfinance bank. Tameer Bank had an experienced management team and strong institutional knowledge about reaching the financially excluded.

Tameer Bank had already identified branchless banking as an important way to grow their services and was in search of a partner that could provide national distribution. By partnering with Telenor Pakistan, Tameer Bank saw an opportunity to significantly extend the reach of financial services beyond the existing two million microfinance customers in Pakistan.

In 2008, Telenor Pakistan acquired 51% ownership stake in Tameer Microfinance Bank Limited (TMFB). The acquisition of 51% ownership was PKR one billion, equal at the time to approximately US$ 12 million or US$ 10 million in today's exchange rates. (May 2013.) The vision for this partnership was three-pronged:

- **Ensure integration of the value chain:** Structuring the relationship through an agent agreement would have limited the collaboration to a transactional relationship. A full-fledged partnership ensured tighter integration, increased commitment from both sides to the shared venture, and better execution across the value chain.

- **Influence over customer data:** Regulations required that customer accounts reside with a financial institution and prohibited exclusivity in agent-bank contracts. Consequently, a bank would be free to use customer information and transfer the relationship to other channels/agents. By taking 51% ownership in the bank, Telenor Pakistan would have more influence over the use of customer information and the future value of these customers.

- **Ease discussions of revenue sharing:** With a 51% ownership structure, discussions between the bank and the mobile operator about how to divide revenues and costs were simplified. This structure also allowed Telenor Pakistan to capture revenues generated by both the bank and the agent side of the branchless banking business.

3 World Bank, 2009. "Bringing Finance to Pakistan's Poor."

4 Tameer Microfinance Bank Limited (TMBL) is a private commercial microfinance bank licensed by the State Bank of Pakistan under the Microfinance Institutions Ordinance 2001.

With the partnership model in place, Telenor Pakistan and Tameer Bank divided responsibilities by knowledge, experience, and regulatory adherence. **It was determined that Telenor Pakistan would take the lead on branding, marketing, and distribution, while Tameer Bank would direct operations, risk management, compliance, and liquidity management.** Other areas, such as product development and technology, were shared by both organisations.

In the beginning the relationship was challenging. Since Telenor Pakistan had a controlling interest in Tameer Bank, some Telenor employees saw themselves as the parent company and the primary decision-makers. At the same time, some employees of Tameer Bank considered themselves the decision-makers since Telenor operated as a distribution agent of Tameer Bank. Operating out of two separate cities compounded the situation.

The companies addressed these challenges by establishing a common management team for Easypaisa, which consisted of members from both Tameer Bank and Telenor Pakistan, with one common leader who reported to both companies.

STRUCTURING FOR INNOVATION: KEY TAKEAWAYS

To launch Easypaisa, US$ 7 million was invested in the technology platform, national marketing campaign, organisational structure, and agent training. An additional budget was ring-fenced for expected losses over the initial years of operations. The investment paid off, with the service operating at break even and expectations that financial services will generate up to 10% of total revenue for Telenor Pakistan.

Telenor Pakistan and Tameer Bank found the right partnership structure to seize a market opportunity, leverage telco and banking expertise, and adhere to regulatory requirements. It divided up responsibilities based on the strengths of their respective organisations and created a streamlined governance structure to ensure ongoing alignment.

PART 2

Designing the model: Over-the-counter vs. mobile account

A. Considerations for the model

With the corporate and regulatory structures in place, Easypaisa was ready to design the mobile money model. The mobile money sector at the time was dominated by the mobile account – an electronic wallet on the customer's phone, usually run on USSD or STK. The key feature of the wallet is stored value – customers visit agents to "cash-in," converting cash to digital currency, after which they can trigger transactions from anywhere.

However, the Easypaisa team was worried about the viability of this model. First, Telenor Pakistan had 22% market share. **Using the mobile account model would mean their total addressable market would exclude about 40 million non-Telenor Pakistan GSM subscribers as well as those with no mobile subscription, all of whom were potential mobile money customers.**

Second, regulations for mobile account registration mandated comprehensive Know-Your-Customer (KYC) procedures, which were cost prohibitive and time consuming. Registering for a mobile account required a photo, a copy of the customer's original government-issued ID card (CNIC), and a signed account-opening form. In addition, the regulation specified that a biometric fingerprint of the customer had to be obtained.[5] Registration points therefore required an internet-enabled device (computer or smartphone) to take the photo, scan the CNIC, and upload the signed form to the back office for processing. Finally, the CNIC card had to be verified with the governmental bureau NADRA to confirm the customer's identity, which created an additional cost. In total, it cost between US$ 1.50 and 2.00 per account opening and the investment in registration equipment for each point of service was roughly US$ 150. **The Easypaisa team was concerned that these registration requirements would be too costly for the business model and would present a major barrier to customer adoption.**

The team decided to launch Easypaisa as an over-the-counter (OTC) service, whereby all transactions were agent assisted and no registration was required.[6] This model would make it possible to serve all mobile phone subscribers instead of only Telenor Pakistan customers. The plan was to start with OTC and, as customers came to understand the benefits of mobile money, active users would migrate to the electronic wallet. This phased approach would alleviate the costs associated with registering a large number of customers who may not become active customers. The OTC model also ensured buy-in from the agents since it provided them with more transactional revenue versus the mobile account service, in which commission is limited to cash-in and cash-out transactions.

In October 2009, Easypaisa OTC was launched, first with utility bill payments and then money transfer a few months later. All transactions were agent assisted. Customers who wanted to pay bills or send money simply went to any Easypaisa agent, presented their CNIC and handed over cash to the agent, who performed the transaction. The customer did not have to register and did not need a mobile account.

In 2010, the "Easypaisa M-Wallet" was launched with money transfer and bill payment services. Additional products were rolled out over time, including other bill payments services (government, school), charity donation, airtime top up, savings and insurance.

B. "There's some good news and some bad news…"

Easypaisa met impressive results, primarily through OTC. After just 11 months in business, Easypaisa had processed five million transactions. By the end of 2012, this had risen to 100 million transactions with a throughput of US$ 1.4 billion. As the company anticipated, the OTC model gave Easypaisa a wide reach: 70% of its customers were not Telenor Pakistan mobile subscribers.

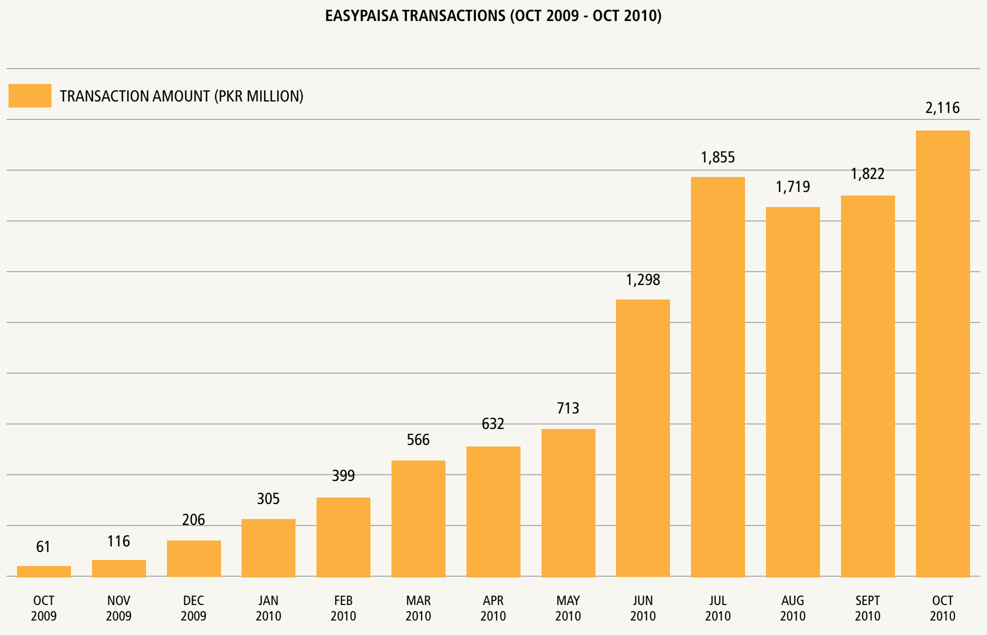


FIGURE 1
Easypaisa transaction values in first year of operations

5 A temporary exception from the biometrics requirements was obtained from SBP. However, it was unclear how long that exception would last. Easypaisa's optimal registration device was a mobile handset, but as it lacked the biometric functionality, Easypaisa delayed investing in handsets. Updated regulation issued in 2012 removed the biometric requirement.

6 The OTC model was not explicitly listed in the regulation; a special acceptance letter from SBP was obtained to operate the service.

Easypaisa's vision of migrating OTC customers to a mobile account was not immediately realised. **One year after launching the service, less than five percent of money transfers and bill payments, Easypaisa's core products, were conducted through the M-Wallet.**[7] Three main reasons were indentified for the slow uptake:

- **Ease of use:** The OTC customer experience was just too easy for the customers. Customers do not need to register to transfer money or pay a bill. They simply walk up to a neighbourhood agent they already know and trust from purchasing airtime, and conduct a transaction instantaneously. They do not need to learn the USSD menu themselves and they receive assurance the transaction completed because the agent issues a receipt.

- **Product features:** The product offering of Easypaisa's M-Wallet was practically the same as the OTC offering. Using the M-Wallet gave customers up to a 25% discount on certain products, but that was not a compelling enough incentive.

- **Registration points:** Because of the high upfront cost of registration equipment, the Easypaisa channel team prioritised rolling out OTC transaction points over M-Wallet registration points. One year after launch, only 1,200 of the 8,000 Easypaisa points of sale offered customers the option to sign up for M-Wallet.

C. The implication of OTC success

IMPACT ON MOBILE MONEY IN PAKISTAN

According to the Financial Inclusion Tracker Survey of Pakistan (FITS) from 2012, 87% of mobile money transactions in Pakistan were conducted over-the-counter rather than through an account.[8] Easypaisa's OTC model has become the de facto standard for the Pakistan market; subsequent mobile money launches in Pakistan, such as UBL Omni, MobiCash (Waseela Microfinance Bank and Mobilink) and TimePey (Askari Bank and Zong), followed suit, launching both models but with a focus on OTC.

Would mobile money have thrived in Pakistan without OTC? The view from the Easypaisa team is probably not. Without OTC on offer from the start, cumbersome registration procedures across the distribution network would likely have resulted in poor transaction volumes in the first few months after launch. This would have discouraged agent investment, and it would have been harder for Easypaisa to justify continued investment.

Given the comprehensive KYC requirements and a telecommunications landscape without a dominant MNO, the OTC model was the most agile way to launch and expand mobile money in Pakistan.

THE IMPACT ON EASYPAISA AND OTHER MOBILE MONEY SERVICE PROVIDERS

Given OTC's dominant success, Easypaisa questioned to what extent the M-Wallet merited continued investment. **However, the OTC model has a number of limitations that, if not addressed, will significantly hamper the potential of Easypaisa and mobile money in Pakistan:**

Limitations for the customer:

1. **Limited product offering** – With the OTC model, products are limited to one-time transactional financial services, such as a bill payment or money transfer. Savings and credit, which require recurring transactions, cannot be seamlessly facilitated through OTC.

Limitations for mobile money providers:

2. **Low customer loyalty** – Picture a scenario where a small corner store offers four different OTC mobile money services. Why chose one provider over another? Assuming all services are equally reliable, it is actually not the customer who chooses. Cash is handed to the agent and it is the agent who decides which OTC provider to use.

3. **Extensive cash management and agent compliance** – Since there is always cash involved in an OTC transaction, there is a heavy burden on the distribution network to collect cash from high cash-in locations and to ensure cash is available at high cash-out locations. Also, agents are involved in all money transfer and bill payment transactions in the OTC model, which require significant control mechanisms to ensure that agents comply with regulatory guidelines and processes.

4. **Lower margins** – Every OTC transaction involves an agent, and therefore he needs to earn commission on every transaction. Mobile money providers in Pakistan pay out approximately 50% of transaction revenues to the channel in commissions. With a mobile account, customer-triggered transactions do not involve an agent, so the mobile money provider can retain the fees earned on those transactions.

5. **Fewer indirect benefits** – Telenor Pakistan's original objective in launching mobile money was to generate both direct revenues and indirect benefits i.e. increased market share and stickiness. However, OTC has limited indirect benefits for a GSM business. Additionally, a number of mobile money providers gain significant savings on airtime distribution through the mobile account; this cannot be achieved through OTC.

Limitations for the market:

6. **No ecosystem development** – Without a stored value account, cash is digitised only briefly. The opportunity therefore to offer mobile money merchant payments and integrate with other financial institutions is greatly reduced. A holistic and innovative mobile money ecosystem relying on digital payments cannot flourish using only OTC.

THE WAY FORWARD IN PAKISTAN

OTC defined mobile money in Pakistan. The accessibility of the product coupled with high market demand resulted in impressive traction for mobile money. The State Bank of Pakistan reports that nearly 35 million

UBL OMNI: ANOTHER SUCCESS STORY FROM PAKISTAN

UBL is Pakistan's second largest private bank with more than 1,300 branches and three million retail clients, assets of $7.5 billion and a 10% market share of deposits. (Year end 2012.) UBL had the vision of using mobile as a banking channel as early as 2005 when it first developed a mobile wallet (Orion). When the formal regulations for branchless banking were rolled out in 2008, UBL seized the opportunity to enhance its in house technology platform and to launch a mobile money service, UBL Omni. The vision was to deepen the banks reach beyond its existing retail customers, generate new revenues for UBL, create new business models and provide financial services to low-income households.

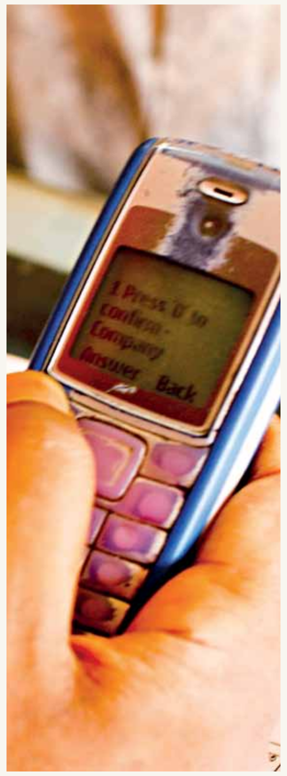
UBL Omni launched in early 2010, with a focus on G2P payments, first disbursing payments for the World Food programme and then the Benazir Income Support Programme (BISP), a governmental programme for low-income women and their households. UBL Omni was also able to facilitate emergency cash transfers to more than 1.2 million families affected by the flood in 2010. In recognition of these projects, UBL Omni won the GSMA 2011 award for best use of mobile in a humanitarian crisis.

Although UBL Omni offered a complete product suite from launch, the absence of a sizeable distribution network was a barrier to adoption of the other products. The focus on G2P in the early days allowed UBL the time to build a national distribution network. Today, the footprint is 13,000 strong, and supports a robust product offering: account opening and ATM card issuance at retail location, bill payments, air time top up, domestic money transfer, cash management services for corporates, salary disbursements for SMEs, cash collection services for charities and microfinance institutions and cash disbursement services for a host of UN agencies as well as Government of Pakistan.

An estimated 3.5 million Pakistanis use UBL Omni every month, and do so through either the OTC model or through accounts via SMS, mobile app, ATM cards, IVR, and online.

7 The percentage of Easypaisa transactions made through the M-Wallet would be higher if Easyload (airtime top-up) was included in the calculation (15% vs. 5%).

8 The Pakistan FITS survey is part of the FITS Project, a multi-year survey effort in Pakistan, Tanzania, and Uganda that aims to generate critical data, analysis, and insights for mobile money stakeholders. The survey was funded by The Bill & Melinda Gates Foundation and research was conducted by Intermedia. Full results are available at http://m-moneydata.org/.



branchless banking transactions worth PKR 151 billion were processed in Q4 2012.[9]

However, mobile money should continue to innovate and evolve beyond OTC. A mobile account offering will provide richer products for the consumer, generate greater direct and indirect benefits for mobile money providers, and create a foundation for a digital payments ecosystem. More recent figures are encouraging, with 2.1 million mobile accounts as of December 2012, and a 20% growth over the previous quarter, but SBP notes that "uptake and usage in [branchless banking] accounts is still low as compared to OTC transactions."[10]

Mobile money service providers should consider the following to drive adoption of the mobile account:

- **Extend registration points for mobile accounts** – As long as the majority of mobile money agents are OTC agents without equipment to register customers for mobile accounts, OTC usage will be much higher. SBP data indicates that only 27% of agents across Pakistan can open accounts.[11] With few registration points, customers will continue to associate mobile money in Pakistan with OTC and not switch to a mobile account.
- **Product offering and awareness** – A robust product and service offering on the mobile account would increase the perceived value it offers customers. The FITS results showed that 59% of OTC users did not open a mobile account because they did not think it was necessary to open one. Easypaisa Khushaal, a savings product with insurance benefits available only through Easypaisa M-Wallet, is an innovative way to increase the customer value proposition. Other innovative services are needed to drive usage of mobile accounts. Furthermore, mobile money providers will need to invest in awareness campaigns to help potential users understand the benefits of the mobile account.
- **Industry collaboration to overcome the registration barrier** – There may be an opportunity for mobile money providers to work together to simplify the registration process. Eliminating some of the steps would lower the cost of registration requirements and could increase the number of registration points. Reducing the fee to NADRA would also make it possible for players to run more aggressive recruitment campaigns for the mobile account.

OVER-THE-COUNTER VS. MOBILE ACCOUNT: KEY TAKEAWAYS

The results of Easypaisa's innovative model were impressive with five million transactions processed after just 11 months of operations. Easypaisa' success with OTC was due to its ability to serve all customers in the market, even non-Telenor subscribers, the simplicity of no registration requirements, and its imitation of the consumer behavior for electronic airtime top up. Given the cost and obstacles associated with registering for a mobile account, and that Pakistan MNOs had relatively even market share, the OTC model was an effective way to drive the initial adoption of mobile money in Pakistan.

However, accepting OTC as the only way forward for mobile money in Pakistan would be regrettable. The full potential of mobile financial services for Pakistan cannot be realised with a product that does not offer stored value.

Evidence from Easypaisa's first years in operation suggests that OTC customers do not naturally migrate to a mobile account. To increase adoption, a more concerted strategy is required – one that targets customers segments who are most likely to see the benefits of a mobile account, creates a robust product offering, and increases the number of registration points.

9 State Bank of Pakistan Branchless Banking Newsletter. "Leveraging Technologies and Partnerships to Promote Financial Inclusion." Issue 6, October – December 2012. Page 4.

10 Ibid. Page 3.

11 Ibid. Page 4.

PART 3

Distribution: Balancing reach and quality

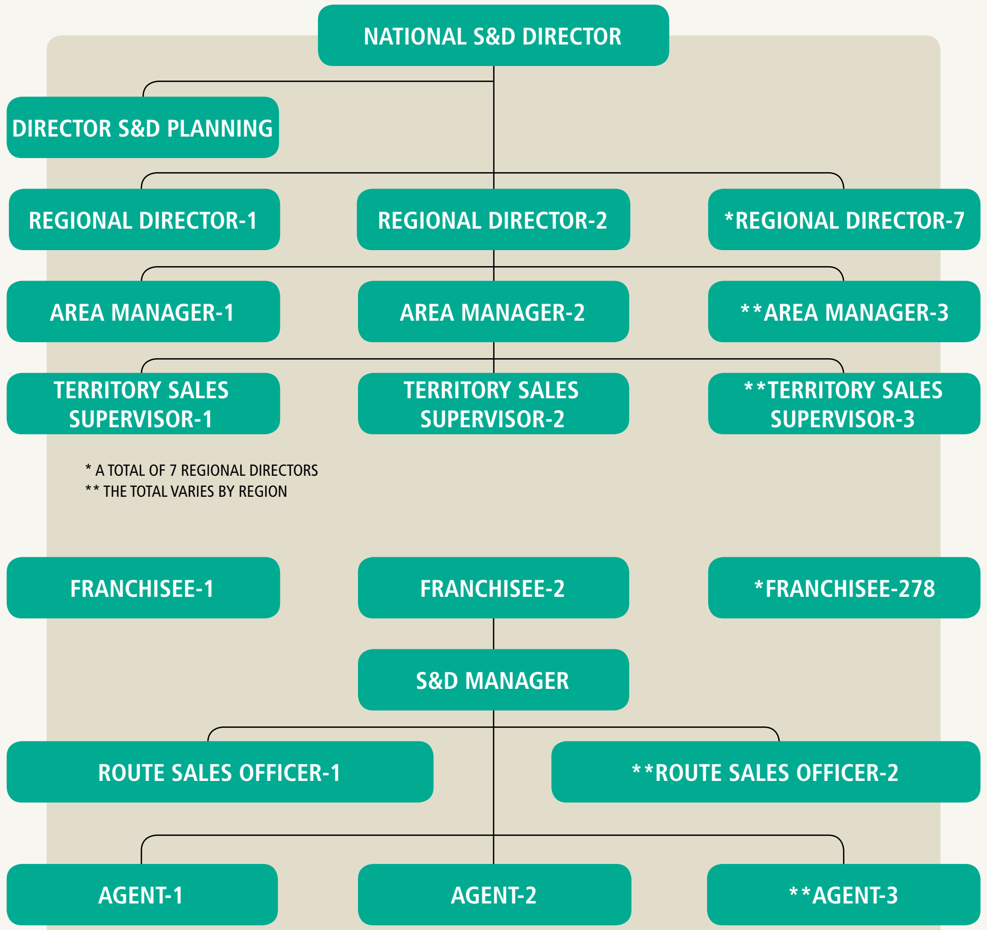
THE EASYPAISA STORY would not be complete without detailing its approach to distribution, which has achieved two major successes. First, Easypaisa rapidly built a national mobile money distribution footprint. Second, the Easypaisa team developed and continues to develop sophisticated agent management practices to ensure that quality and performance of the distribution network is not compromised by growth.

A. Easypaisa's distribution structure

Telenor Pakistan Franchisees, the linchpin of GSM distribution, were established early on as the main players in Easypaisa's distribution strategy. These 278 businesses were long-standing partners of Telenor Pakistan, responsible for the sales and distribution of scratch cards and electronic top-up. They had geographical exclusivity and were responsible for recruiting and serving retailers i.e. selling and distributing airtime and SIMs.

For Easypaisa, Franchisees were tasked with recruiting, training, and shuttling cash to mobile money agents. In addition to Franchisees and agents, Easypaisa is offered through Telenor Pakistan's 30 owned and operated Sales and Services Centres and Tameer Bank's 40 bank branches.

To support the Franchisees, Telenor Pakistan leveraged their GSM sales organisation both centrally and regionally. The centralised unit set KPIs, planned the roll out of products, launched below-the-line campaigns to drive usage and set up training programs. The regional teams worked directly with the Franchisees and agents to set targets, follow up on performance,



* A TOTAL OF 278 FRANCHISEES
** THE NUMBER OF ROUTE SALES OFFICERS VARIES BY FRANCHISEE; THERE ARE MORE THAN 2,000 IN TOTAL.
NB: THE S&D MANAGER AND ROUTE SALES OFFICERS ARE EMPLOYEES OF A FRANCHISEE. AGENTS ARE COMMISSION BASED.

FIGURE 2
Easypaisa Sales and Distribution Structure

develop trade marketing activities to ensure local visibility, conduct trainings, and offer general support to the franchisees in developing their business.

B. Results: Rapid roll out of a national distribution network

At the time of Easypaisa's launch, there were 2,500 agents trained and ready to sell Easypaisa services to customers. By the end of the first year there were 8,000 agents, and three years after launch there were 20,000. With more than 200,000 points of sale for airtime, Telenor's expertise in building far-reaching and high-quality distribution networks was a powerful asset that they applied to mobile money distribution.

Interestingly, however, other mobile money services have not consistently succeeded, relying exclusively on their existing channel partners. Safaricom's M-PESA went outside their core GSM distribution structure to recruit non-GSM agents to drive mobile money. Of the 14 2012 GSMA Mobile Money Sprinters, 11 use a mix of GSM and non-GSM retailers for mobile money distribution.

While other mobile money services have struggled to compel their existing channel partners to invest in mobile money, Easypaisa overcame this challenge through its strong relationships and history with the Franchisees. In the first three years of GSM operations, Telenor Pakistan moved from fifth position to second

in market share. The Franchisees could, however, foresee that the initial strong growth would slow and were interested in Easypaisa as a new revenue stream. The willingness of the Franchisees to invest was also fuelled by Easypaisa's comprehensive marketing campaigns over the first couple of years, which raised awareness in the market and demonstrated the company's commitment to mobile money. An estimated 15% of Telenor Pakistan's overall marketing budget was allocated to Easypaisa during this time.

Easypaisa considers its decision not to establish a separate agent network for mobile money and to instead utilise its existing distribution network for GSM business, as a key reason for its success. The willingness of Franchisees to invest with Telenor Pakistan to expand the distribution network was crucial for Easypaisa to build nationwide distribution quickly.

C. Agent segmentation and training

The second lesson from Easypaisa's distribution is how it balanced extending financial services to every part of the country with delivering quality service across the network.

A detailed segmentation of the Easypaisa channel in 2011 revealed that a small number of agents drove a large amount of transactions and revenue. **The top performing quartile (as measured by revenues) earned 73% of all Easypaisa commissions with an average of 27 transactions per day, while the lowest performing quartile took home just 2% of Easypaisa commissions with an average of two transactions per day.**

This is in line with the experience of a number of other fast-growing mobile money services. **Given the need to cover high-density urban areas and low-volume rural villages, there is high variability in performance across the distribution channel. The result is that a small number of agents drive most of the revenues.** Looking at the national level in Pakistan, there are 41,567 agents, of which only five percent do greater than 3,000 transactions per quarter or an average of 33 per day.[13]

With variability in performance at agent points, there is a related challenge of ensuring high quality customer service. If transaction volumes are low, agents may provide poor service because they are out of practice. They may be unable to educate customers about the mobile money product, fail to conduct transactions according to standard operating procedures, and/or lack cash when customers need to cash-out.

Easypaisa splits its training activities into on-the-job and off-the-job training. **On-the-job training is conducted by Telenor Pakistan sales and distribution staff who visit the Franchisees three to five times a week and the Franchisee staff who visit retailers almost every day.** Off-the-job training is conducted periodically to train new retailers, refresh existing retailers on products and operating procedures, and to introduce new products and system changes. Telenor Pakistan hosts retailer conventions every quarter and periodically for new product launches to bring retailers together for training and relationship building. **To check the quality of the service, Tameer Bank also conducts regular quality reviews of a large number of agents and prepares quarterly reports on areas needing improvement, which helps to inform training sessions.** In 2011 CGAP study, 90% of Easypaisa customers found the service highly effective.[14] As it is the agents who conduct the service, this indicates that the quality of the agents' service is meeting or exceeding customers' expectations.

Training is an ongoing necessity that helps to drive high-performing mobile money distribution.[15] To address the inevitable challenges of delivering high-quality service from a rapidly growing retailer base, Easypaisa decided to expand its retailer training and quality assurance. In 2012, Easypaisa embarked on a major agent training and follow-up programme with a third party to retrain the majority of its retailers. **The results were clear: agents who were retrained had increased transaction volumes of 8% on bill payments and 6% on OTC money transfers. Underperforming agents were cut.**

Other major initiatives to manage and improve on agent quality include robust agent selection criteria, CLM campaigns targeting underperforming agents, and additional visits to low throughput retailers to improve on cash management and product availability.

13 State Bank of Pakistan Branchless Banking Newsletter. "Leveraging Technologies and Partnerships to Promote Financial Inclusion." Issue 6, October – December 2012. Page 5.

14 Chris Bold. 2011. CGAP Blog. "Does Branchless Banking Reaching Poor People? The Evidence from Pakistan.

15 Easypaisa received a grant from The Bill and Melinda Gates Foundation in 2011, which in part was used for training the channel. The grant was US$ 6.5 million, with one-third upfront unconditional funding and the remaining two-thirds contingent on milestones.

**DISTRIBUTION:
KEY TAKEAWAYS**

Easypaisa is achieving two impressive feats in distribution. First, they rapidly built a national distribution network while relying exclusively on their existing GSM channel partners. While other services have struggled with this approach, Easypaisa Franchisees recognised the opportunity to generate new revenues, and Easypaisa's commitment to invest, which compelled them to invest in mobile money.

Second, Easypaisa continues to innovate in achieving a wide distribution reach while delivering even performance and quality of service. A 2011 channel segmentation study revealed that a small number of retailers drove much of Easypaisa's business (73% of commissions earned by the top quartile), while a large number of agents had low transaction volumes and low return on float investment. Easypaisa increased their commitment to agent training to address these issues and to ensure that even as the distribution network continues to grow, the performance of the distribution network and the quality of service offered to the customer will remain high. The results of retraining agents delivered immediate return on investment with an 8% increase in bill pay and a 6% increase in OTC money transfer.

Conclusion and considerations

TELENOR PAKISTAN and Tameer Bank formed an effective partnership that resulted in a successful mobile money service. **They divided up responsibilities based on their organisations' strengths and created a streamlined governance structure to ensure continued alignment.**

In distribution, Easypaisa rapidly built a high-performing national footprint, relying exclusively on the GSM channel. While other fast-growing mobile money services have struggled with this approach, Easypaisa succeeded because of their **GSM channel partners willingness to invest in the mobile money business.**

Easypaisa developed an innovative new model for mobile money, the over-the-counter model, which gave customer access to financial services without burdensome registration processes. **Thanks to Easypaisa's early success, OTC became the dominant model for the Pakistan market.**

In markets where the telcos' market share is balanced and customer registration for mobile accounts is complex, **OTC can be successful for promoting the initial uptake of mobile money. But given its limitations, mobile money in Pakistan would benefit from evolving beyond OTC.**

More can be done in Pakistan to extend the number of registration points, develop robust product offerings, and to invest in raising awareness and driving adoption of mobile accounts. **The mobile account is an essential first step in building a robust digital financial ecosystem that will both generate financial returns for mobile money service providers and contribute to financial inclusion.**

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