GSMA Mobile Money for the Unbanked

Beyond vouchers: Meeting growing demand for off-net P2P transfers

Findings based on the State of the Industry Report

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In today's increasingly competitive mobile money industry, the dynamics of sending money between users of different mobile money networks may be changing, as the potential for P2P interactions across mobile money schemes grows.

Within this context, vouchers — money sent as a coupon or 'token' to an unregistered recipient along with a code to withdraw the funds — may be an instrument whose time has passed. Since the majority of deployments still only allow transactions to be made between the wallets of customers on the same mobile money scheme, vouchers currently remain the primary way to send money to a customer who is 'off-net', regardless of whether or not that customer is an existing mobile money user of another scheme. As this paper examines, the relevance and sustainability of vouchers may be waning as providers seek new, interoperable solutions to meet growing customer demand for direct P2P transactions across networks.

This publication is part of a series of deeper insights into selected topics based on the findings of the 2013 State of the Industry Report on Mobile Financial Services.[1] To supplement the quantitative findings of the report, MMU conducted 12 interviews with service providers for whom vouchers have played a significant role in their mobile money service offering. The interviews covered mobile money deployments across Latin America, North and Sub-Saharan Africa, South and East Asia, and contributed to a deeper understanding of how vouchers are viewed by deployments in different regions and at varying levels of service maturity.

SUMMARY

As mobile money services mature and customers demand the ability to send funds outside their network, providers are looking beyond vouchers for facilitating off-net transfers and towards new opportunities to drive customer wallet usage, including direct wallet-to-wallet transfers between different mobile money schemes. Although an important tool for acquiring customers in the early days of a service, vouchers have been unable to keep pace with the changing dynamics of the industry. This paper examines the role of vouchers in mature mobile money markets and points to the challenges providers will need to address in order to create better long-term value for their customers and meet demand for P2P transactions across schemes.

BOX 1
WHAT IS AN OFF-NET TRANSFER?

The GSMA 2013 Global Mobile Money Adoption Survey defined off-net transfers as:

"Domestic P2P transfers to unregistered users, either in the form of a voucher or into the mobile wallet of a different mobile money provider where wallet-to-wallet interconnection is available."

- **"Off-net" refers to the mobile money network,** not the GSM network. An "off-net" recipient may be on the provider's GSM network, but is either not formally registered on the mobile money network or may be a customer of a different mobile money scheme.
- **Non-P2P transfers** originating from outside the mobile money network (salary payments, G2P transfers, etc) are sometimes counted as "in-bound, off-net transfers" if they go directly into customer wallets. These transactions are beyond the scope of this paper.
- Transfers conducted via an **OTC (over-the-counter) transaction** between customers of two GSM networks are not considered under this definition since customer wallets are not involved.

1. Claire Pénicaud and Arunjay Katakam (2014), "State of the Industry 2013: Mobile Financial Services for the Unbanked", http://www.gsma.com/mobilefordevelopment/wp-content/uploads/2014/02/SOTIR_2013.pdf.

Vouchers can be an effective way to lower barriers to trial for new customers

Vouchers are seen as a good opportunity for 'first touch' interactions with potential new users, who are required to come to an agent to cash-out their money.

Early-stage deployments often use vouchers to encourage existing customers to send money to anyone, regardless of their GSM network or whether they have already registered for mobile money. Ensuring this experience is positive may convince a voucher recipient to register and start actively using the service themselves.

Eight of the providers interviewed said they promoted vouchers in the early stages to enable new customers to test out the service and interact with mobile money agents. Three of these providers used vouchers strategically to drive up customer numbers, automatically enrolling the customer when they came to cash-out the voucher.

A mobile manager at MTN Bénin recalled an early promotion of 'off-net' P2P transfers that increased the number of customers registering for the service. Since P2P transfers were an important feature of their mobile money proposition, vouchers made up a significant proportion of the operator's early revenues from mobile money.

"P2P transfers to off-net users used to be the highest revenue-generating service for us because it had a higher cost for the customer, but now we don't need to rely on these for our revenues because our overall transfer volumes in other products, such as bill payments, have increased. We were therefore able to lower the price of sending off-net because we get revenues from other transactions."
– Mobile money manager, MTN Bénin

Vouchers are also a way for MNOs to connect with new GSM customers.

Mobile financial services are seen as an important differentiator service for some MNOs in markets where mobile money is still relatively new. Millicom in Latin America has successfully deployed this strategy using a thoughtful and considered approach to vouchers in markets where mobile money is not yet offered by any other provider (see Box 2).

BOX 2
MILLICOM'S OFF-NET STRATEGY IN LATIN AMERICA

In many markets in Latin America, Tigo (Millicom's operating brand) is the sole mobile money provider. Vouchers to unregistered users make up a significant part of the company's overall promotion of mobile financial services.

"We use mobile financial services as a way to promote financial inclusion in our countries. Off-net transfers are a way of demonstrating the value of our telecoms services and to show new GSM users that we are a trustworthy provider."

In May 2014, Bolivia became the latest Tigo market to launch a promotional voucher service as an offering to customers who want to send money to users on any mobile network. Tigo anticipates that the offer will "help to meet 100% of market demand for P2P transfers in this market," where Tigo is currently the only mobile money provider.

As these examples show, vouchers play an important role in expanding a service and encouraging new customers to interact with mobile money after the initial launch. However, as a deployment's customer base grows, providers tend to shift away from promoting vouchers to unregistered users and focus instead on driving usage and uptake of new products amongst existing customers. Only three of the eight providers mentioned above continued to actively promote the off-net transfer feature of their mobile money service. Yet, as more and more users in a market join different mobile money schemes, what does this signal for vouchers as a tool for sending money to unregistered users?

Existing mobile money users want to transact with other users regardless of their GSM network; however, vouchers are not adequately meeting this need

Mobile money offers customers the opportunity to send money, pay bills and make purchases across the entire market. When given the opportunity to interact with entities outside of their GSM network, they will likely do so.

Data from 'MNO-agnostic' third-party providers offering mobile money services demonstrates strong P2P activity between customers of different MNO networks. These providers found that this demand for P2P interaction across GSM networks was sustained even when the operators utilising the third-party service launched campaigns to encourage their own GSM customers to transfer money to other customers on the same GSM network.

Results from last year's Global Mobile Money Adoption Survey suggest that vouchers are not adequately meeting this demand for P2P transfers between customers of different mobile money schemes. Voucher volumes in wallet-based deployments remain low even in mature markets — in many cases, less than 2% of all P2P transaction volumes.

It may be reliance on vouchers, and not lack of demand, that is limiting the growth of off-net P2P transfers.

Vouchers are becoming an increasingly cumbersome tool for mobile money providers

Interviews with service providers revealed four main drawbacks to using vouchers as a solution for sending money to unregistered users:

1. **Low awareness:** In some cases, a lack of understanding or awareness of vouchers as an option for sending money off-net has been cited as a reason for relatively low usage. For example, Vodacom in Tanzania recently discovered that customers who were reading their campaign slogan, 'Send money to unregistered users', believed this meant only to users of the same GSM network, and not anyone in the country with a mobile phone. Vodacom has since changed their customer education strategy, including an ATL campaign to promote transfers to users on all networks. Getting the messaging right is important, especially when vouchers are being considered as a customer acquisition strategy.

2. **Poor customer experience:** Offering choice is important for both mobile money users and providers. When a customer receives a P2P transfer into a mobile money wallet, she can choose how to spend that money, whether as an airtime top-up or other purchase, bill payment, or sending it as a P2P transfer to a relative or friend. Yet, when she receives a voucher, the only option she has is to cash-out, with no opportunity to conduct another transaction on the wallet.

3. **Price setting:** Charging a higher fee for sending a voucher is often used as an incentive to encourage customers to ask the recipient (often a friend or relative) to register in order to save them money. Providers often also cite the need to recover the additional operational costs of managing vouchers, such as the higher risk of fraud in serving customers who have not undergone a KYC process, as added rationale for charging higher fees for vouchers.

   The GSMA has already written about the potential pitfalls of using price to subsidise early adopters:[2] while this strategy may be potentially rewarding in the short term, price will not be a sustainable differentiator as mobile money services become increasingly competitive over time. In the long run, discriminatory pricing for sending money 'off-net' may hurt a service as new MNO-agnostic third-party-led mobile money services enter the market offering direct P2P transfers across any network.

2. Lara Gilman (August 12, 2013), "Price promotions: An effective tactic for some, but it may not be right for everyone", http://www.gsma.com/mobilefordevelopment/price-promotions-an-effective-tactic-for-some-but-it-may-not-be-right-for-everyone.

4. **Negative price perception:** The figure below is an illustrative tariff sheet, based on real deployments, showing a typical pricing structure for P2P transfers where the 'on-net' P2P transfer fee is lower than the fee for sending a voucher to an unregistered user.

   There are a number of details to note from the illustrative tariff sheet in Figure 1:

FIGURE 1
ILLUSTRATIVE TARIFF SHEET OF A TYPICAL PRICING STRUCTURE FOR P2P TRANSFERS

A	B	C	D	E
TRANSACTION RANGE	TRANSFER TO REGISTERED MOBILE MONEY USER	TRANSFER TO UNREGISTERED USER (VOUCHER)	WITHDRAWAL FEE ONLY FOR REGISTERED USERS	TOTAL P2P ON-NET CHARGE P2P FEE + WITHDRAWAL FEE
101 - 500	27	66	27	27 + 27 = *54*
501 - 2500	33	66	27	33 + 27 = *60*
2,501 - 3,500	33	88	49	33 + 49 = *82*
3,501 - 5,000	33	105	66	33 + 66 = *99*
5,001 - 7,500	55	143	82	55 + 82 = *137*
7,501 - 10,000	55	171	110	55 + 110 = *165*
10,001 - 15,000	55	220	158	55 + 158 = *213*
15,001 - 20,000	55	237	176	55 + 176 = *231*
20,001 - 30,000	82	275	187	82 + 187 = *269*

At first glance, the voucher fee (column C) appears to be more expensive than the on-net transfer fee (column B), particularly to a sender accustomed to sending money to other registered mobile money users. However, when the entire end-to-end transactions are compared (column C and column E), the cost of sending a voucher becomes very similar to the total cost of an on-net transfer. As seen in the right-hand column above (E), the on-net transaction must take into account the P2P transfer fee + the withdrawal fee, which is typically not charged to unregistered users.

Some MNOs are starting to see vouchers as a missed opportunity to load the wallet with funds and to encourage more wallet-based transactions. Not offering more choice in transactions will likely encourage customer behaviour similar to GSM voice and text: customers who are accustomed to carrying multiple SIMs to send texts and make calls to people on other networks will do the same to take advantage of different pricing offered by mobile money services.

By forcing the recipient of a voucher to cash-out, the provider does not allow the customer to transact as they choose.

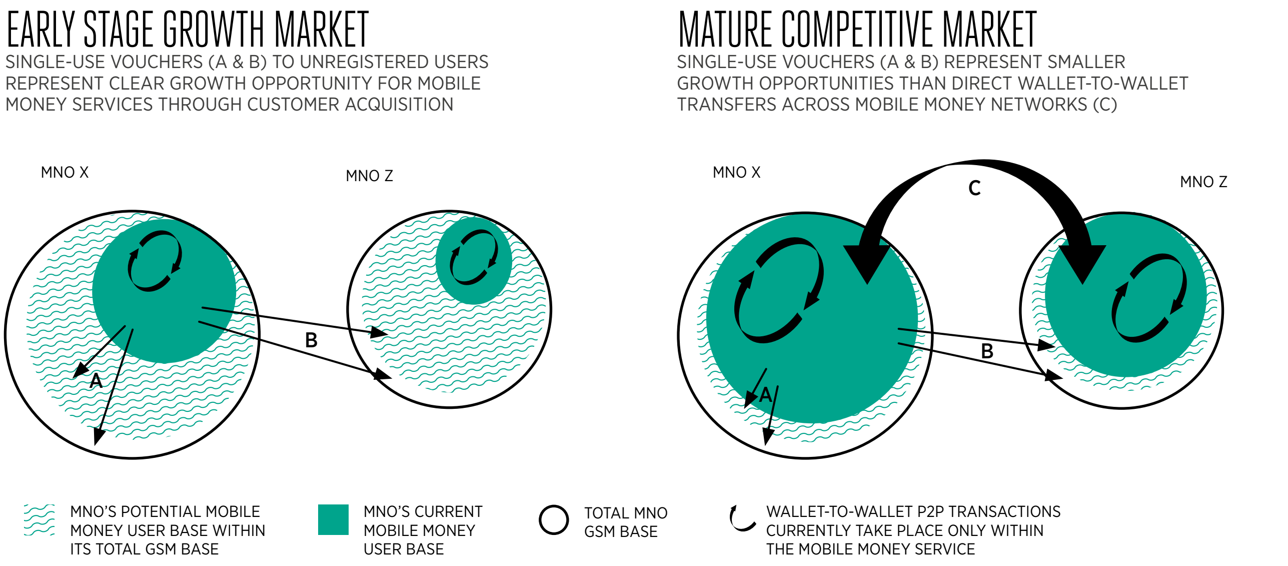
Vouchers will become less relevant as direct P2P transfers between customer wallets of different networks become more important

As the penetration of mobile money services increases and demand for sending money to other mobile money users grows, the relative importance of vouchers will diminish.

In the early stages of a deployment, most providers focus on expanding their service and living up to the promise of delivering money to any phone number in the market. To do this, they target new customers both from within their existing GSM network, as well as customers of other networks. However, as the market matures, the volumes of transactions involving non-mobile money users will decrease, while the opportunity to drive direct, wallet-to-wallet, cross-network transactions will continue to grow.

Figure 2 below shows an illustrative growth scenario in a competitive mobile money market where two or more MNOs offer mobile money services. As both services expand towards their natural mobile money client threshold (assuming there will always be some GSM clients who will choose not to use mobile money), the potential growth opportunities offered by unregistered users are reduced (as fewer potential new clients exist). Instead, new growth opportunities lie in P2P transactions between existing users of different schemes, helping to keep money on customer wallets in digital form.

FIGURE 2
POTENTIAL P2P GROWTH OPPORTUNITIES IN COMPETITIVE MARKETS



ARROW KEY:
A: **VOUCHER** TRANSFERS FROM A REGISTERED MOBILE MONEY USER TO AN UNREGISTERED USER WITHIN THE SAME GSM NETWORK
B: **VOUCHER** TRANSFER FROM A REGISTERED MOBILE MONEY USER TO AN UNREGISTERED USER ON A DIFFERENT GSM NETWORK
C: **WALLET-TO-WALLET CROSS-NETWORK TRANSFER** FROM A REGISTERED MOBILE MONEY USER TO THE WALLET OF ANOTHER REGISTERED MOBILE MONEY CUSTOMER ON A DIFFERENT SCHEME

Vouchers will continue to play a role in addressing the needs of customers who are unlikely to ever open a mobile wallet account. Illiterate, elderly, or otherwise non-savvy technology users have good reason to continue using vouchers in place of a wallet. Likewise, vouchers will continue to play a central role in markets where OTC transactions via an agent have prevailed as a model for mobile money.

In markets where mobile money is reaching a significant proportion of the population, providers are beginning to consider the benefits of interconnecting their services and allowing direct wallet-to-wallet transactions between users on different networks.

A number of new markets have decided to launch interoperable mobile money services from the outset, recognising that allowing direct P2P transactions across schemes helps to boost customer usage of mobile money. Interoperable services also offer a competitive value proposition as a common payment mechanism for merchants and other ecosystem users of mobile money.

Other providers have explored methods to improve their current voucher offering and found new ways to increase wallet uptake among registered users, such as that being tested by Personal in Paraguay (see Box 3).

BOX 3

PERSONAL PARAGUAY EVOLVES VOUCHERS TO OPEN ACCOUNTS FOR EVERYONE, REGARDLESS OF MOBILE OPERATOR

In June 2014, Personal, the second largest mobile operator in Paraguay, began offering ‘giros a otras operadoras’ (‘transfers to other operators’) on its Billetera Personal service. Unregistered recipients who receive a Personal voucher are automatically provided with a mobile wallet on the Personal platform, based on a basic user profile generated when the sender makes the transfer.

From this limited account, the recipient can hold the funds in the wallet until they want to withdraw (either in full or in part), or they can choose to upgrade to a full account by undergoing a remote KYC process. Under Paraguay’s new mobile money regulations, mobile money customers can provide their KYC details over the phone or via a USSD sequence without ever needing to visit an outlet in person.[3]

In a second phase, currently under testing, new customers of a Billetera Personal account will be able to view their account through an app (downloadable for iOS or Android) and conduct any type of transaction they want, including bill payments, purchases, and transfers to other users, without needing a Personal SIM.

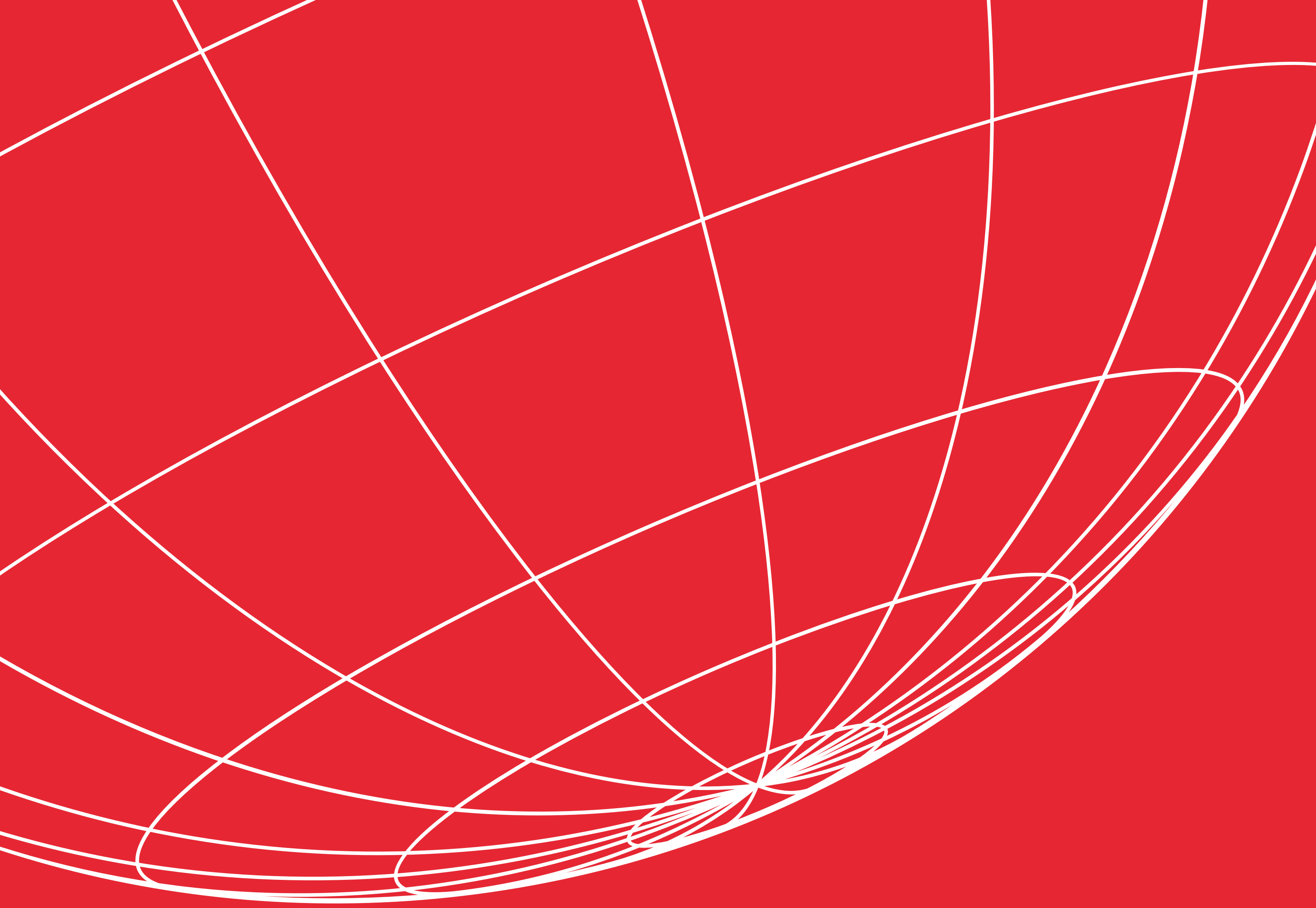
3. For further discussion of Paraguay’s new regulations, see: Mireya Almazán (July 21, 2014), “Financial Inclusion in Paraguay: New Mobile Money Regulation”, http://www.gsma.com/mobilefordevelopment/financial-inclusion-in-paraguay-new-mobile-money-regulation

Conclusion: Thinking beyond vouchers

In new mobile money markets, vouchers serve the important function of enabling customers to transact with anyone with a mobile phone. However, in order to maintain a competitive service that delivers long-term value to customers in today's industry, mobile money providers offering vouchers will need to address some of the drawbacks highlighted in this report and improve the overall customer experience, such as providing clear communication and more transparent pricing.

As mobile money services mature, the role of vouchers will likely decline as the opportunity for direct wallet-to-wallet transfers increases. Deployments will seek ways to encourage greater interaction on the system and create stronger value for both customers and other ecosystem players, including merchants. Four of the MNOs interviewed for this publication have enabled direct A2A (account-to-account) interoperability of their mobile money services with other providers in their markets, while a number of others are considering steps to interconnect their services.

While every provider should conduct its own analysis and reach its own conclusions about the viability of A2A interoperability, this publication has tried to illuminate some of the pitfalls in expecting vouchers to fill the demand for P2P transfers as service expansion attracts more customers. This much is clear: mobile money customers want the freedom to send money to anyone they choose, and failing to keep up with this demand may bring deeper challenges to providers in the long run.



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