PLENARY MEETING #42

Latin America

24 – 26 NOV, 2014 | QUITO - ECUADOR

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State of the Mobile Money Industry

Tiago Novais, Project and Technology Manager

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Agenda

1. MMU 2013 State of the Industry Report
2. Mobile money profitability study
3. Mobile Money Online Resources

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MMU 2013 State of the Industry Report

- MMU's annual State of the Industry Report quantifies the state of the mobile financial services industry and enables service providers to benchmark their performance.

- It covers mobile money, mobile insurance as well as mobile credit and savings.

- Available at

http://www.gsma.com/mobilefordevelopment/wp-content/uploads/2014/02/SOTIR_2013.pdf

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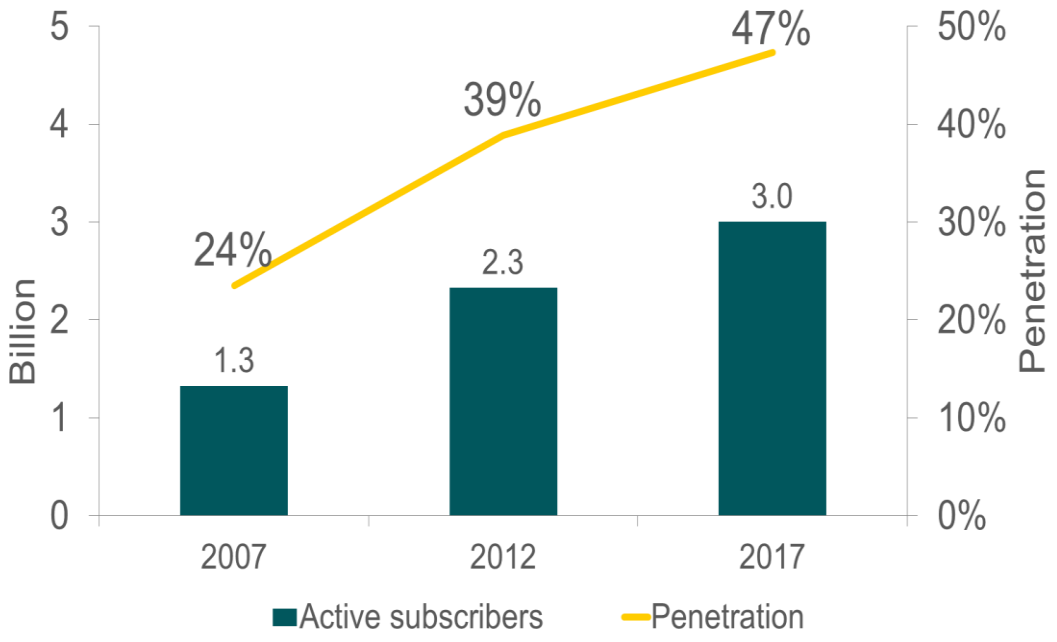
Mobile Money and financial inclusion

The rapid growth of mobile creates new opportunities for financial inclusion



Mobile in emerging markets and developing countries

Source: GSMA Intelligence

Of the **2.5** bn people in the world who still lack access to the financial system,

1.7 bn already have a mobile phone

Source: CGAP, GSMA and McKinsey & Company, "Mobile Money Market Sizing Study" (2010)

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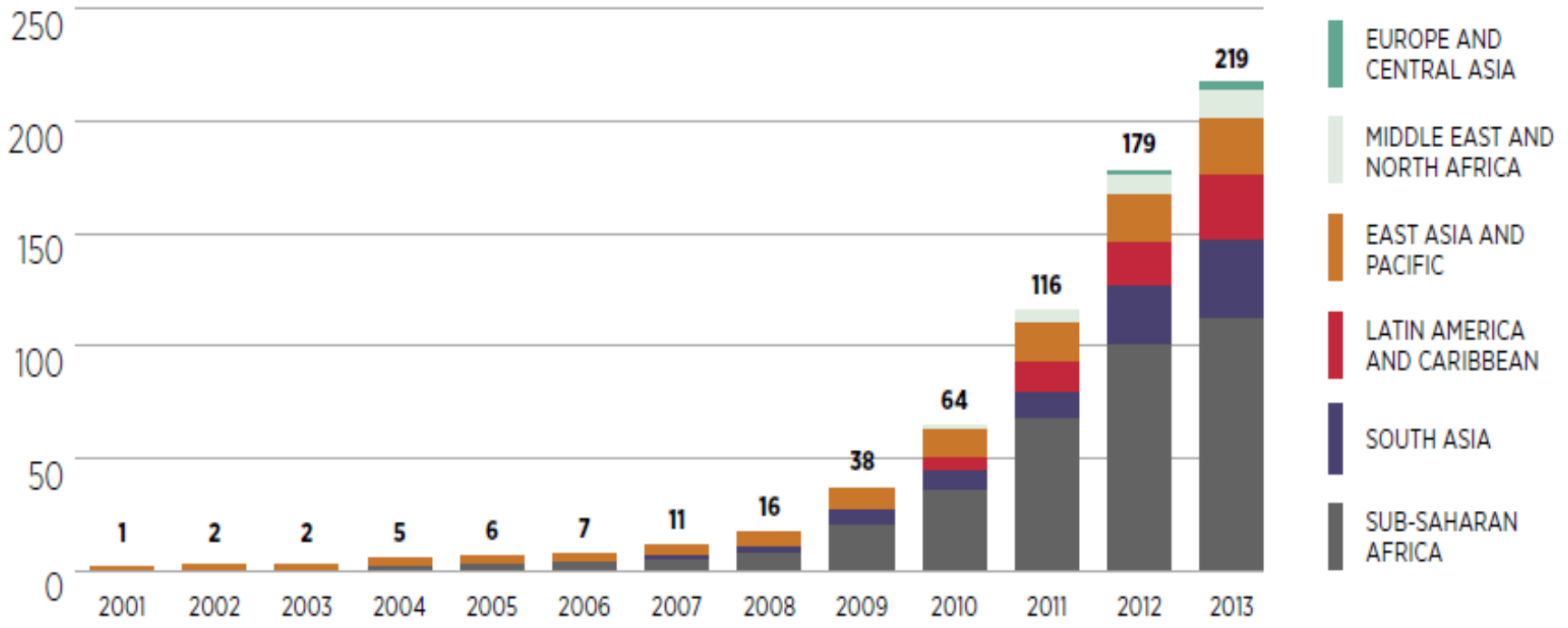
Mobile money is expanding to more regions

There are now **219** mobile money services in **84** countries



Number of live mobile money services for the unbanked by region (year end)

State of the Industry 2013 – Mobile Financial Services for the Unbanked

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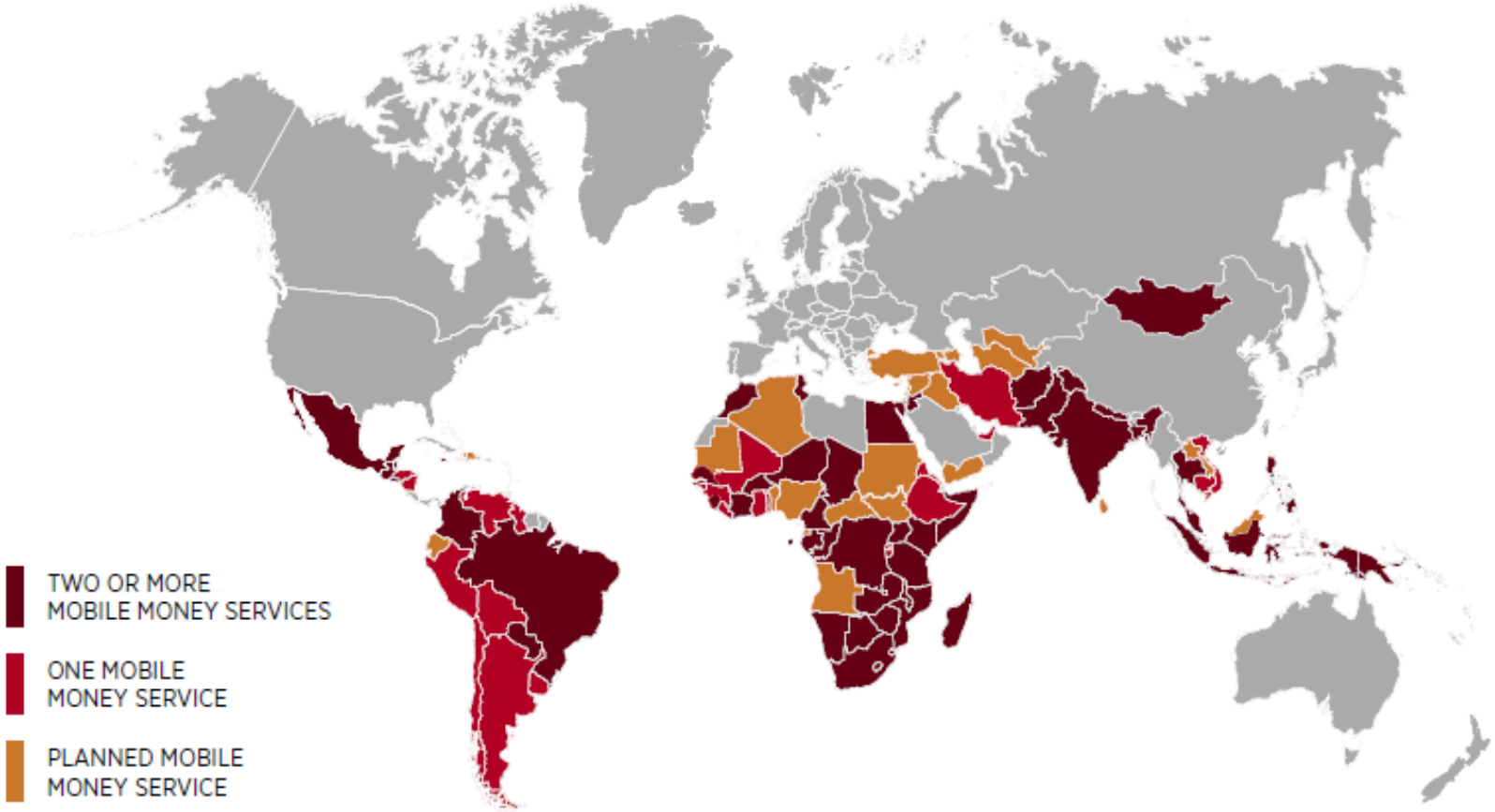
Mobile money is increasingly competitive

52 markets have at least **2** mobile money services



Number of mobile money services by country (Dec. 2013)

State of the Industry 2013 – Mobile Financial Services for the Unbanked

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Findings from MMU 2013 Mobile Money Adoption Survey

- **9** mobile money services have passed the bar of **1m** active users
- Mobile money is extending access to financial services:
  - Density of mobile money agent outlets **6x** higher than density of bank branches
  - **43** countries with more mobile money outlets than bank branches
  - **9** markets with more mobile money accounts than bank accounts
- While P2P transfers, bill payments and airtime top ups continue to dominate the product mix, bulk payments are gaining traction
- Companies are beginning to drive growth i.e. transactions involving external companies are growing much faster than airtime top-up and on-net P2P transfers
- Three quarters of survey participants say they are planning to increase their investments in mobile money next year

State of the Industry 2013 – Mobile Financial Services for the Unbanked

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Mobile Money in LAC in 2009

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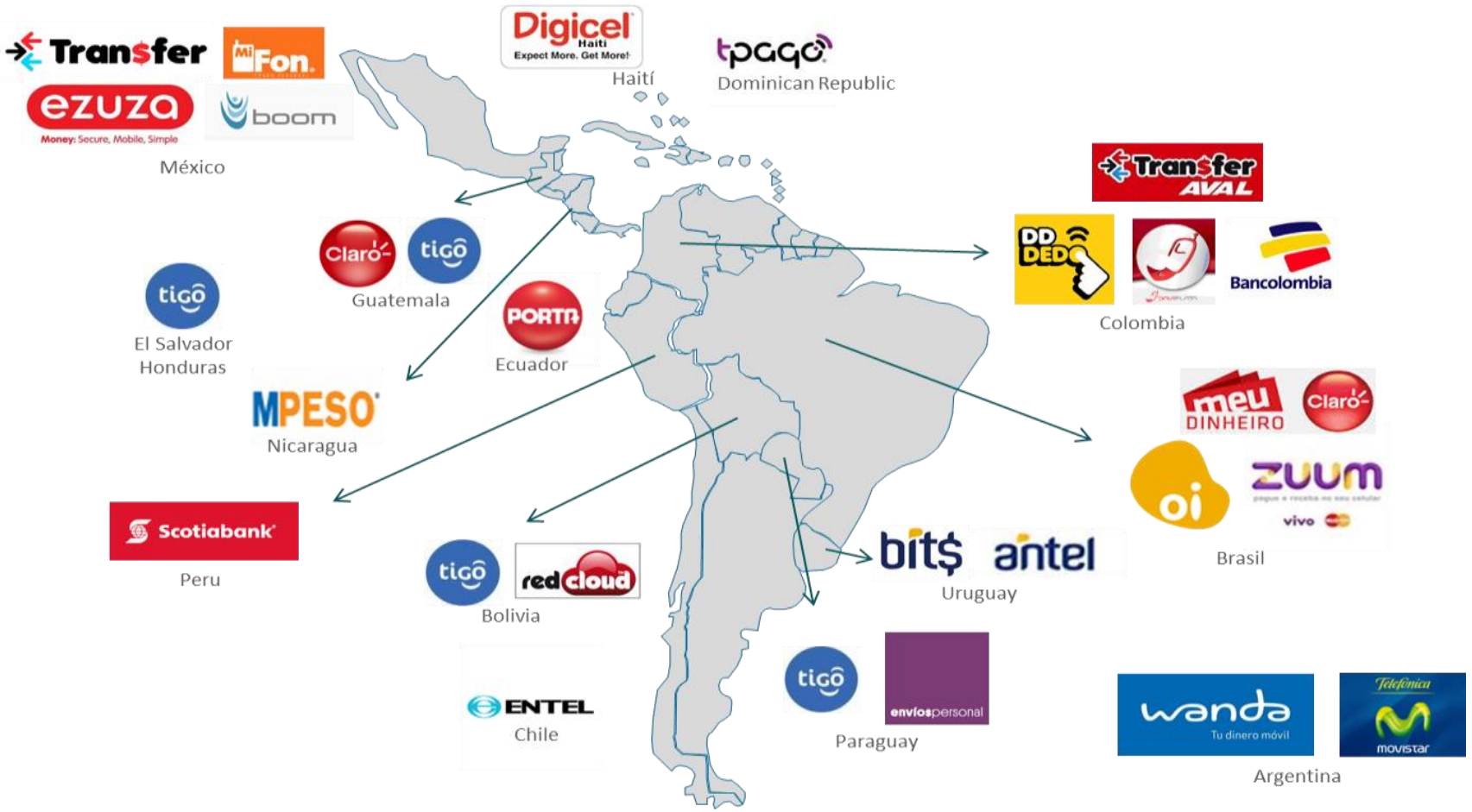
Mobile Money landscape in LAC in 2013



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The role of Mobile Network Operators (MNOs)

Mobile network operators (MNOs) have a significant advantage over any other player in the mobile money space because they possess key assets

Distribution Channel

Mobile Money users can cash in and cash out at a network of independent agents, leveraging existing airtime distribution channels

Proprietors of the Mobile Channel

MNOs can put mobile money applications directly onto the customers' SIM card, or use their USSD channel, to enable customers to securely send money, pay bills, save etc.

Trusted Brands

The prevalence of mobile communications even in the most rural areas has meant that mobile operators possess brands that customers are familiar with and trust - a huge asset for the introduction of financial services

Investment Incentive

MNOs have the right incentives to invest in mobile money because of potential churn reduction and savings in air-time distribution

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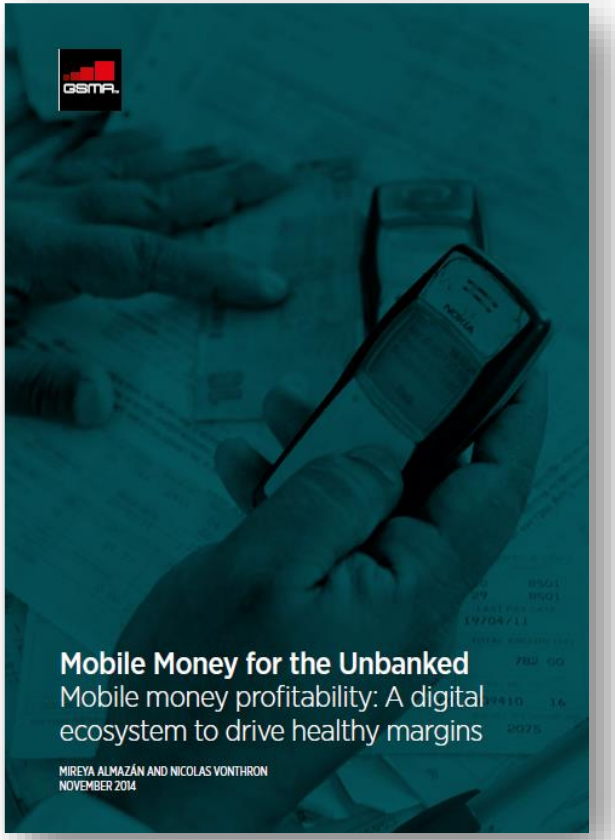
Mobile money profitability study

- Mobile money profitability: A digital ecosystem to drive healthy margins analises the profitability of mobile money by estimating profit margins for three different scenarios:
  - start-up phase,
  - high-growth stage
  - mature, ecosystem-based deployment

- The financials of over a dozen mobile money deployments were analysed and interviews were conducted with managers and group-level executives across different regions.



- Available at

http://www.gsma.com/mobilefordevelopment/wp-content/uploads/2014/11/2014_Mobile-money-profitability-A-digital-ecosystem-to-drive-healthy-margins.pdf

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Mobile money profitability study findings

- Operators will incur heavy losses in the early years to acquire customers and build a distribution network, and will need to invest in the system for roughly three years before breaking even.
- Transitioning from a system based on a costly cash-in/cash-out network to a mature digital financial ecosystem can improve the profitability of a mobile money deployment by 5x to 10x.
- In this stage, deployments can expect healthy profit margins of more than 20% and cash flow margins to exceed 15%, making mobile money more attractive relative to its core GSM business.

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Mobile Money Online Resources

http://www.gsma.com/mobilefordevelopment/programmes/mobile-money-for-the-unbanked

Building best practices

- Regulatory principles
- Blog and social media
- Toolkits – profitability, Market researdh, dashboards
- Events – working group, seminars
- Interactive map

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Muchas Gracias

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