



Companion cards & mobile money Industry landscape, insights and considerations

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Introduction

Companion cards—debit or pre-paid cards tied to a mobile money account—have become increasingly common in recent years. As of August 2016, at least 24 mobile money deployments globally offer a companion card. However, perspectives regarding companion cards vary across markets and across providers. From those that have chosen to offer plastic alongside their mobile money service, we can begin to extract early lessons and trends, which will help to inform strategic and operational considerations for the wider industry.

Mobile money providers who have embraced companion cards cite the ability to fast track the uptake of a range of use cases (e.g., merchant payments, e-commerce, ATM withdrawals), and report an increase in customer acquisition in cases where cards are aspirational to target customer segments.

However, companion cards require significant operational adaptations relating to IT infrastructure, logistics and distribution, as well as strategic adaptations, namely relating to product positioning and marketing. Whether offered as an optional channel or as part of the basic package, companion cards can change the overall economics and value proposition of a mobile money service. Each provider must evaluate whether or not the investment makes strategic sense, and subsequently ensure a successful implementation to achieve the desired results.

This publication equips mobile money providers with more detail on common use cases and how companion cards fit into the broader payments ecosystem, the current global landscape, and some of the strategic and operational considerations for providers who want to launch this proposition in their markets.

Common use cases and the broader payments ecosystem

The GSMA defines a companion card as a debit or pre-paid card, which is linked to the same source of funds as the mobile money account (see Figure 1). This means that at any point in time, the balance available on a customer's mobile money account seamlessly reflects that on the card.

Usually, companion cards can be used in the following situations:

- **Withdrawing funds at existing ATM networks:**

While card-less ATM¹ withdrawals are possible,² automatic cashiers are designed around card usage. Given ATM providers are linked to the chosen card scheme, issuing cards to mobile money customers can offer access to an extensive cash distribution network.

- **Paying for goods or services:** By using Point of Sale (POS) devices,³ merchants can accept companion cards as payments instruments just like any traditional debit or credit card. In addition to enabling card-less transactions, mobile money providers can choose to issue either open-loop cards that a consumer can use to make purchases anywhere that a card is generally accepted, or

closed-loop cards, in which acceptance is limited to specific locations (e.g. cards for use only in a supermarket chain).

- **Making online / e-commerce transactions:**

Lack of electronic means of payment can hinder e-commerce transactions, and inefficient alternatives such as cash-on-delivery are used as proxies for receiving payments.⁴ As an alternative to virtual cards, mobile money providers can tap into online payments by providing e-commerce enabled cards to previously unbanked customers.

It should be noted that in some markets, mobile money providers may focus more on the companion card rather than the mobile money account. For example, in the Philippines, Smart Money and GCash have seen a demand for a suitable payment service for a new customer segment, which is comprised of

1. ATM is an Automated Teller Machine, an unattended machine that performs a number of financial transactions, such as dispensing money.

2. Mas, I. and Almazán, M. (2014). Product Innovations on Mobile Money. SSRN. Available at: <http://dx.doi.org/10.2139/ssrn.1707704>

3. Point of Sale, or POS, is a retail location where payments are made for goods or services. A "POS device" denotes a specialised device that is used to accept the payment, for example, a card reader.

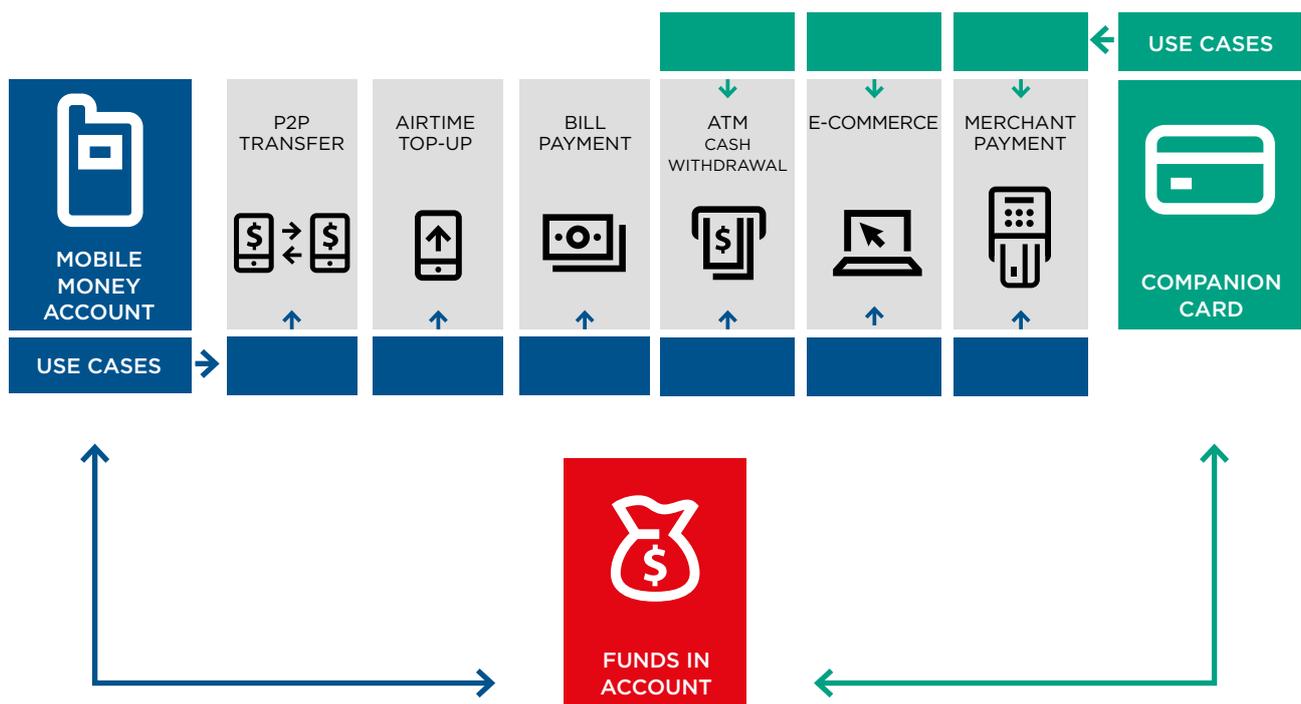
4. GSMA. (2016). 2015 State of the Industry Report on Mobile Money. Available at: http://www.gsma.com/mobilefordevelopment/wp-content/uploads/2016/04/SOTIR_2015.pdf

young, tech-savvy, early adopters of technology— they own smartphones, yet do not have financial assets (such as a credit history) or tangible assets to become customers of formal commercial banks.⁵

For this customer segment, the companion card and acceptance network can be the most appealing aspect of the mobile money service.

FIGURE 1

Linking companion cards with mobile money accounts



Spotlight on General Purpose Reloadable Cards

Similar to companion cards, General Purpose Reloadable Cards (GPR) are pre-paid cards mobile money providers can offer to customers.⁶ The key difference is that GPR cards are not linked to the same source of funds as the mobile money account and require that customers top-up the balance separately. This usually happens through the bill pay function (e.g., WING’s ATM card, the I&M Visa Pre-Pay M-PESA Safari Card).

While GPR cards enable the same set of use cases as companion cards, the card balance sits on a different platform, separate from the mobile money account. Thus, GPR cards involve a different set of operational and strategic considerations and are out of scope for this analysis.

5. Hasnain, S. (2016). Companion cards linked to mobile money: Offering relevancy and aspiration to tech-savvy customers in the Philippines. *GSMA Mobile Money*. Available at: <http://www.gsma.com/mobilefordevelopment/programme/mobile-money/companion-cards-linked-mobile-money-offering-relevancy-aspiration-tech-savvy-customers-philippines>

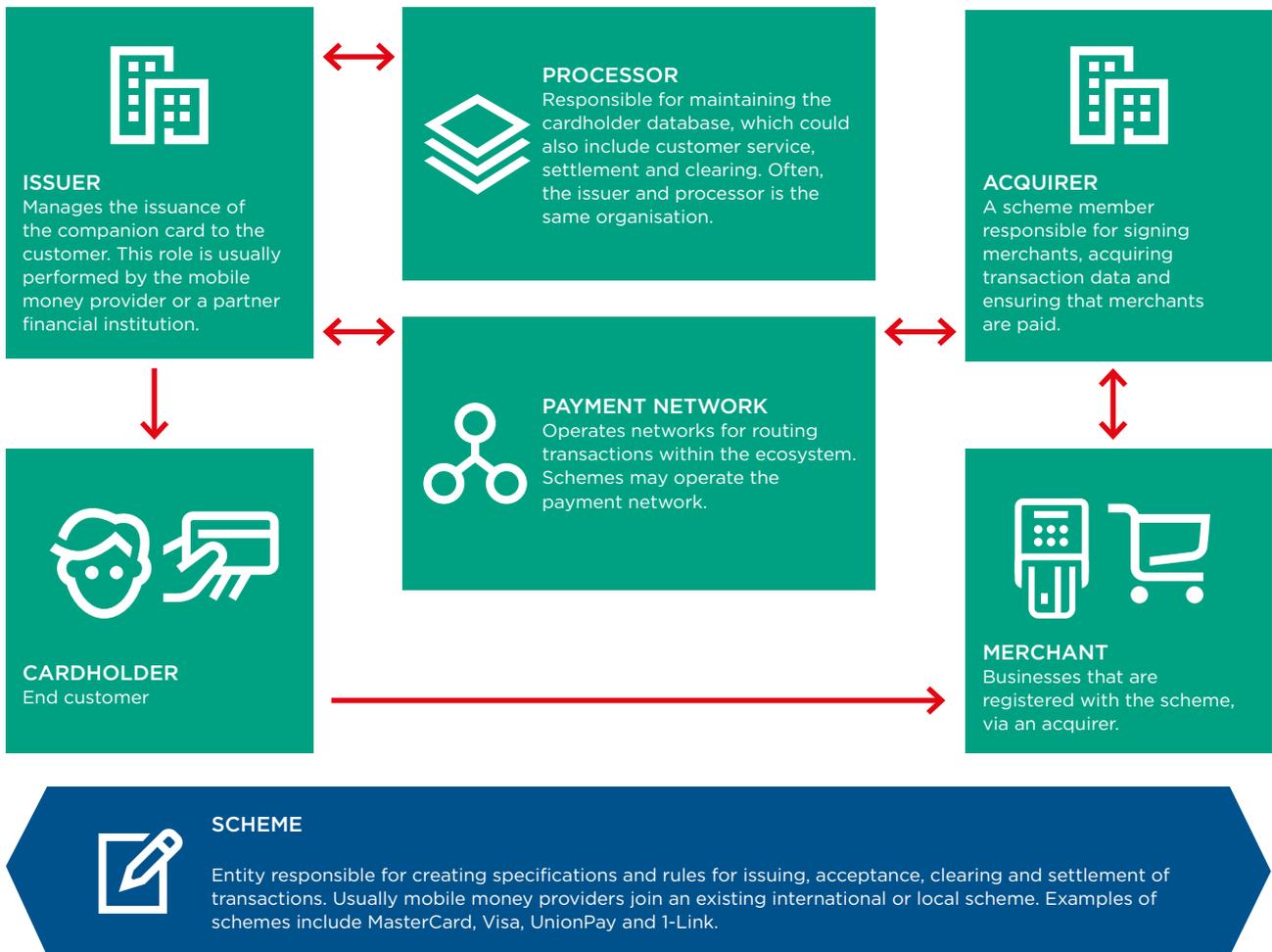
6. The 2013 Federal Reserve Payments Study. (2014). Federal Reserve System. Available at: https://www.frbservices.org/files/communications/pdf/general/2013_fed_res_paymt_study_detailed_rpt.pdf

The broader payments ecosystem

Companion cards are part of a broader payments ecosystem, and Figure 2 below highlights the main elements of this ecosystem.

FIGURE 2

How companion cards fit into the broader payments ecosystem⁷



Some mobile money providers, for example Safaricom’s M-PESA, may fulfil multiple roles generally attributed to different companies, such as acting as both the issuer and acquirer.⁸ However, when these services take on multiple roles, usually they do not offer a physical card, and instead merchant transactions are carried out through the mobile phone.

7. Adapted from: *The EMV Ecosystem: An Interactive Experience for the Payments Community*. (2013). Smart Card Alliance. Available at: <http://www.emv-connection.com/the-emv-ecosystem-an-interactive-experience-for-the-payments-community/>

8. Hasnain, S. (2016). Companion cards linked to mobile money: Offering relevancy and aspiration to tech-savvy customers in the Philippines. GSMA Mobile Money. Available at: <http://www.gsma.com/mobilefordevelopment/programme/mobile-money/companion-cards-linked-mobile-money-offering-relevancy-aspiration-tech-savvy-customers-philippines>

The global landscape of companion cards

To better understand the global landscape, GSMA completed an analysis of 24 services that offer companion cards, as well as in-depth interviews with some providers. Please see the appendix for more information about the services that were included in this analysis.



UBIQUITOUS GEOGRAPHICAL PRESENCE

Companion cards are available in all regions which offer mobile money services.



TAPPING INTO THE EXISTING CARD ACCEPTANCE STRUCTURE IS A STRONG PROPOSITION FOR PROVIDERS

Two-thirds of the deployments offer open-loop cards.



KEEP COSTS DOWN AND LOGISTICS SIMPLE

Two-thirds of the deployments do not personalise the card with cardholder name.



MOBILE MONEY PROVIDERS' BRANDS STILL STAND OUT

In the majority of cards the mobile money brand will prevail over the card scheme brand.



CARD READILY AVAILABLE

More than half of the deployments make the card available at their own agent or third-party distribution network for immediate purchase.

Availability

While card penetration rates vary greatly across the globe, they represent a relatively well-known form factor⁹ and familiar experience, particularly in middle- to high-income countries, where financial infrastructure is more developed. Companion cards are available in all regions which offer mobile money services, but this distribution varies from nearly a third of all deployments in Latin America & the Caribbean, to just 16% of services in East Africa.

Nearly two-thirds of companion cards in our analysis are offered by MNO-led mobile money services, which mirrors the ratio of MNO-led mobile money services. However, companion cards are rarely available from the largest providers. Of the top 30 mobile money services by active accounts¹⁰ from the 2015 Global Adoption Survey of Mobile Financial Services, just six services offer a companion card (20%). Instead, companion cards are often offered by relatively newer or smaller providers, some of whom report introducing the card as an accelerator to drive early stage growth, or as a core part of their market entry strategy. This

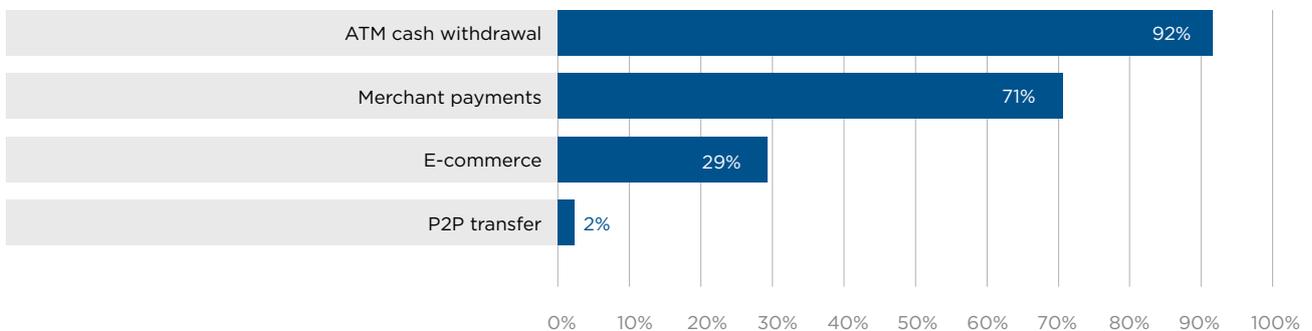
is particularly the case for new entrants in middle-income markets, such as Brazil, where all mobile money providers launched companion cards at the same time as mobile money accounts.

In most cases, providers choose to offer companion cards as an add-on to the mobile money service. In fact, 80% of services in our analysis offer companion cards that are optional for customers. Further, most providers initially launched their service with just mobile money accounts, incorporating the companion card at a later point. However, an interesting difference is found in Latin America & the Caribbean, in which all mobile money providers we analysed offered companion cards at the launch of their service. This is mostly due to partnerships between MNOs and financial institutions, combined with widespread card and ATM networks in some countries.¹¹ Thus, with the exception of most Latin American deployments, companion cards play more of a value-added service role rather than being the leading proposition.

Use cases

FIGURE 3

Common use cases for companion cards (globally, December 2015)



9. Form factor relates to the physical appearance of a product.

10. Active on a 90-day basis.

11. Mireya Almazán and Jennifer Frydrych, (2015). Mobile financial services in Latin America & the Caribbean: State of play, commercial models, and regulatory approaches. GSMA. Available at <http://www.gsma.com/mobilefordevelopment/programme/mobile-money/new-publication-on-mobile-financial-services-in-latin-america-the-caribbean>

As illustrated in Figure 3, the two most prominent use cases for companion cards—ATM withdrawals and merchant payments—suggest that the main objective for mobile money providers is to leverage the existing shared financial network. On the other hand, only 29% of providers in our analysis offer companion cards enabled for online purchases, while 2% of providers, identified P2P transfers as a functionality of the card.¹² While the latter is not surprising since cards

are generally not optimised for P2P transfers, the former points to the complexities of implementation. Although most websites accept cards as the primary payments mechanism, costs related to allowing card non-present transactions¹³ with schemes, as well internal changes in the systems, and the need for more stringent fraud tools, may not be financially viable if only seen from the angle of incremental revenues.

Infrastructure

Most providers take advantage of the existing infrastructure, as demonstrated by the fact that more than two-thirds of providers in our analysis offer open-loop companion cards.¹⁴ Major card schemes MasterCard and Visa are preferred around the globe, except in South Asia, where local and regional card schemes are the predominant choice for companion cards. Most mobile money providers choose to offer only one card scheme, although there are some exceptions, such as Transfer in Mexico, where partner-issuing banks can adopt either MasterCard or Visa.

Partnering with an open-loop card scheme has the clear benefit of instant access to a network, but it is also associated with interchange fees for merchants, which tend to be passed on to customers, whether directly or indirectly.

Companion cards issued in partnership with global card schemes can also be a mechanism for international remittances, as they may allow both cash-outs from ATM networks and merchant payments in other countries in local currency. However, this feature requires additional compliance on top of standard remittance checks, such as identification of secondary cardholders and suspicious transaction monitoring.¹⁵ For one-third of providers in our analysis, companion cards are accepted internationally, but in Sub-Saharan Africa—a region where mobile money is becoming increasingly significant for international remittances¹⁶—more than half of providers' companion cards are accepted internationally.

12. Person-to-person transfers via a companion card use the card number as an identifier.

13. Card non-present transactions are not carried out at a POS, but rather e-commerce, for example.

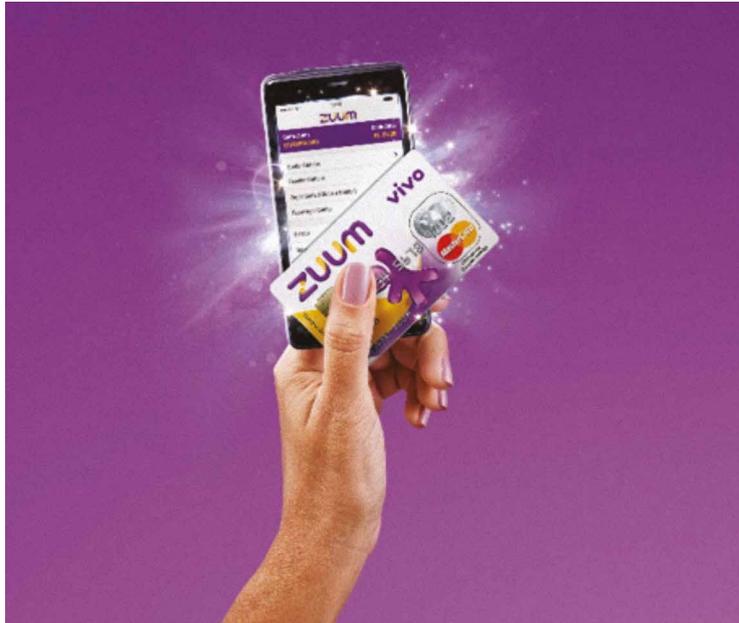
14. An open-loop card is a card with a scheme logo on it (Visa, MasterCard, among others) that can be used at any location that accepts that scheme.

15. Money Laundering Using New Payment Methods, FATF-GAFI, page 53. Available at: <http://www.fatf-gafi.org/media/fatf/documents/reports/ML%20Using%20New%20Payment%20Methods.pdf>

16. GSMA. (2016). 2015 State of the Industry Report on Mobile Money. Available at: http://www.gsma.com/mobilefordevelopment/wp-content/uploads/2016/04/SOTIR_2015.pdf

Branding & distribution

For the majority of companion cards, the mobile money service's brand will prevail over the card scheme brand, which is similar to branding on most credit cards.



Further, two-thirds of services in our analysis do not personalise the card with the cardholder name, and some only do so to meet local regulatory requirements. A non-personalised card can lower production costs and more importantly, be readily available to the distribution network for first-time or replacement purchase. In fact, more than half of providers in our analysis make companion cards available at their own agent or third-party distribution network for immediate purchase. This may pose an advantage over traditional mail-issued cards, as it provides an interactive experience, and additionally offers the opportunity to

educate the customer, in which the distributor can also play an educational role.

The current landscape of companion cards supports the notion that with the broader payments ecosystem, card schemes are a dominant and relevant player, and one attractive both to mobile money providers and to customers. In addition, providers are experimenting with different distribution strategies and partnership models with card schemes. However, it is still relatively early and insights on both the supply- and demand-side are just emerging.

Strategic and operational considerations for launching companion cards

Each mobile money provider will have a unique view as to the role of companion cards within its digital payments strategy and its market-specific context.

Strategic considerations

There is no “one-size-fits-all” approach, and providers should consider: a) whether companion cards are a viable product for their specific market, and if so, b) which card options would yield the best customer proposition. For gauging product viability, providers should assess their level of appetite towards some of the key strategic considerations identified by services who have already launched companion cards:

- **Facilitating mobile money use cases:** By leveraging existing card acceptance networks, companion cards can potentially fast track some use cases, particularly withdrawals at ATMs, merchant payments and e-commerce purchases. This seems particularly relevant in countries where acquirers have succeeded in providing ubiquitous card acceptance.
- **Customer perception of cards:** There is appeal in offering a form factor that is familiar—and
- **Additional revenue:** Companion cards can encourage greater usage of digital transactions (for instance, by paying for goods at stores through the card instead of using cash). Providers can potentially benefit from their share of interchange fees, at the same time enabling customers to keep money in their accounts, which also implies savings on agent commission from cash-outs.

often aspirational—to consumers. For unbanked customers, pre-paid cards may be the only possible modality of plastic card, given higher KYC¹⁷ or credit check requirements for credit cards. In addition, relative to a purely mobile proposition, cards require less customer education on how they can be used, when compared to the somewhat challenging user experience on feature phones.

17. KYC is Know-Your-Customer. Financial institutions and regulated financial services providers are obligated by regulation to perform due diligence to identify their customers. The term is also used to refer to the regulation that governs these activities.

Operational considerations

Beyond strategic considerations, providers should also assess the operational elements of offering companion cards, such as product positioning and technology.

Business and product positioning

- **Suitability:** Providers should assess whether a companion card is the best (or the only) option for driving customer uptake for use cases. For instance, pre-paid cards can be widely accepted for e-commerce transactions, whereas integration with a mobile money platform may require additional effort from merchants. In addition, by providing access to ATMs, companion cards may increase available cash-out points and alleviate agent liquidity issues. Adding features to companion cards has cost implications, as some use cases, such as international and e-commerce acceptance, can require additional fraud control tools.
- **Customer base and marketing proposition:** Providers should assess whether the companion card is more appealing to a particular customer segment or whether it should be a standard offering. Providers should also think about how this proposition will be communicated to the market, and how it will co-exist with the mobile money account. There seems to be a delicate balance between marketing the companion card without inadvertently driving customers away from mobile money accounts, or potentially confusing customers with a dual-channel proposition.
- **Card scheme, acceptance and affiliation:** Joining a local or international card scheme with

an acceptance network already in place can potentially fast-track merchant, e-commerce and international payments. At the same time, providers may be constrained by scheme rules and overheads. Such considerations depend on a number of factors, like the size of an acceptance network within a country and the number of strategic partnership agreements. Costs may vary, and should relate to project management, technical integration and process adaptation.

Technology

- **Card processing infrastructure:** Companion cards require more complex IT systems and processes, such as controlling BIN¹⁸ numbers and authorisation APIs. Providers will need to assess whether the business proposition is compelling enough to justify this platform, which is probably the most significant investment in capital expenditure. If so, providers will need to decide to partner with an institution which already processes cards, or to build their own card processing platform, usually leasing off-the-shelf software. Risk assessment on technological and financial aspects for both options are also factors.
- **Registering card programme with acquirer, card layout approval, and certification:** Once decisions on card scheme and infrastructure are agreed, most card schemes will require additional certification steps, such as card layout approval and systems testing. This last step may require significant lead-time on testing and project management.

18. BIN is the Bank Identification Number. Also referred to as primary account number or PAN, it is the first four to six digits of a card, used for identifying the institution issuing the card.

Logistics and distribution

- **Available resources and knowledge:** Companion cards usually require additional logistics on top of traditional mobile money operations. Providers should assess whether they have the resources and knowledge available to handle this extra logistic channel.
- **Personalisation:** If cards are not personalised, providers will need to decide whether they are distributed to customers through mobile money agents or a third-party distributor. If cards are personalised, providers will need to decide who will carry out the embossing and delivery of cards to customers. Another consideration is whether existing postal services are adequate to support delivery, or whether an alternative delivery process is needed.

Revenues

- **Interchange fee:** A basic concept of card transactions is the interchange fee. This is a small fee taken from each transaction, deducted from the total amount received by the merchant and shared between the card issuer, scheme and acquirer. Interchange fees are used as a means of

providing a financial incentive to bear some of the costs above, as well as contribute to card scheme brand awareness marketing campaigns. Providers may gain additional revenue from interchange fees. However, given the current adoption of companion cards, it is too early to tell which scale and timeframe is required to break even on the initial investment.

- **Savings on agent commission:** Provided companion cards are an effective means to digitise payments, customers are less likely to perform cash-out transactions, which have an associated agent commission paid by the provider. Providers should consider estimating the potential savings on agent commissions from the reduction of cash-out transactions.
- **Merchant Discount Rate:** For merchants, transactions via companion cards will be subject to a merchant discount rate, due to the interchange fee. Providers should consider whether most merchants in their market would be willing to accept the merchant discount rate, in exchange for the conveniences brought in by the companion cards. Providers may also need to assess how this discount rate compare to other options, such as P2P transfers to a merchant.

Operational costs

The integration of companion cards into mobile money services has associated costs, some of which are depicted in the table on the following page:

Item	Comment	Cost
Card issuance	Includes card production, packaging and distribution	<p>HIGH</p> <ul style="list-style-type: none"> • EMV (chip) cards can be relatively expensive to produce (between USD 1-5 per card) • Costs can be absorbed by the mobile money provider or charged to the customer
Card scheme	Includes BIN (card number) usage and card scheme fees	<p>LOW</p> <ul style="list-style-type: none"> • Card schemes charge a yearly recurring fee, which may not be significant if the customer base is large
System maintenance	Includes costs related to maintaining and upgrading systems	<p>VARIABLE</p> <ul style="list-style-type: none"> • Depends on overall mobile money provider's IT infrastructure • Costs can be particularly high if providers need to set up a dedicated data centre for processing card transactions

As with any new proposition, companion cards for mobile money services involve trade-offs: they can offer more features, revenue opportunities and greater customer appeal, but at additional overhead costs and investment for systems and logistics. The key for providers is establishing whether the overall benefits outweigh these costs.

19. EMV is a global standard for credit and debit payment cards based on chip card technology, taking its name from the card schemes Europay, MasterCard, and Visa—the original card schemes that developed it.

Conclusion

Companion cards may be attractive to mobile money providers as a means to drive ecosystem growth in some markets, and to serve as a customer acquisition tool for particular segments. These aspects are particularly relevant in markets where a widespread card acceptance network is present, where financial services are reasonably established, or where cards have a strong aspirational value for customers.

Setting up a companion card operation is no trivial task, requiring significant investments on IT infrastructure, set-up fees with the card scheme, as well as additional distribution logistics overhead. Mobile money providers should consider financial as

well as intangible aspects when deciding to set up their companion card proposition.

Companion cards are still in the early days, and with only a few of the most active services offering them to customers, there is an untapped market yet to be explored. While we can glean early insights and share strategic and operational considerations, there is no “one-size-fits-all” approach in terms of market proposition and engagement. This leaves an opportunity for the industry to test new approaches and learn as this proposition matures. Going forward, the GSMA will continue to watch this space and highlight industry insights and best practices.

Appendix: Research methodology and companion card tracker

In December 2015, GSMA Mobile Money conducted an analysis on the supply-side aspects of companion cards from the 24 deployments that offered them. These deployments include mobile money providers who participated in our Global Adoption Survey of Mobile Financial Services,²⁰ including those who were among

the top 30 deployments globally with over one million active accounts (on a 90-day basis). In addition, in-depth interviews were conducted with six deployments from Latin America & the Caribbean, East Asia & Pacific, South Asia, and Sub-Saharan Africa. A full list of providers offering companion cards is outlined in the table below.

TABLE 1

Mobile money providers offering companion cards as of December 2015

Deployment Name	Organisation Name	Country	Region
Airtel Money	Airtel	Kenya	Sub-Saharan Africa
Cellulant Wallet	Cellulant Ltd.	Nigeria	Sub-Saharan Africa
Dometku	PT. Indosat Tbk.	Indonesia	East Asia and Pacific
Easypaisa	Telenor Pakistan and Tameer Micro Finance Bank	Pakistan	South Asia
EcoCash	Econet	Zimbabwe	Sub-Saharan Africa
FNB eWallet Solutions	FNB	South Africa	Sub-Saharan Africa
GCash	Globe Telecom	Philippines	East Asia and Pacific
Jiring wallet	MCI (TCI)	Iran	Middle East and North Africa
Mobiflouss	Ooredoo Tunisia SA	Tunisia	Middle East and North Africa
JazzCash (formerly Mobicash)	Mobilink	Pakistan	South Asia
M-PESA	Vodacom	South Africa	Sub-Saharan Africa
MTN Mobile Money	MTN	South Africa	Sub-Saharan Africa
Oi Carteira	Oi	Brazil	Latin America and the Caribbean
Omni	UBL	Pakistan	South Asia
Ooredoo Mobile Money	Ooredoo	Qatar	Middle East and North Africa
Orange Money	Orange	Botswana	Sub-Saharan Africa
Telecash	Telecel	Zimbabwe	Sub-Saharan Africa
TIM Multibank Caixa	TIM Brasil	Brazil	Latin America and the Caribbean
Transfer	Transfer (America Movil)	Mexico	Latin America and the Caribbean
Tu Dinero Movil	MFS (Telefónica & MasterCard JV)	Peru	Latin America and the Caribbean
Upaisa	Ufone	Pakistan	South Asia
Wing Money	Wing	Cambodia	East Asia and Pacific
WIZZIT	WIZZIT	South Africa	Sub-Saharan Africa
Zuum	MFS (Telefónica & MasterCard JV)	Brazil	Latin America and the Caribbean

20. GSMA. (2016). *2015 State of the Industry Report on Mobile Money*. Available at: http://www.gsma.com/mobilefordevelopment/wp-content/uploads/2016/04/SOTIR_2015.pdf



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