

Branchless Banking (part 1) - Getting started

Key elements of a Branchless Banking and Mobile Financial Services Strategy

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Microlead Expansion Workshop – Kigali, Rwanda – February 26th, 2014

Agenda of the day

10.30 - 12.00am: Workshop - Branchless Banking (part 1) Getting started – (Preparing for the visits)

Introduction – Ecosystem, partners, products...

- Introduction to Branchless Banking
- Key elements of a branchless banking strategy

12.00 – 6.00pm: Field Visit URWEGO (Opportunity Bank) and/or Equity Bank

9.00-10.00: Takeaways from the field visit through participant exchange. Reflection on how the visit relates to own institutional approach to branchless banking.

Facilitation - Joyce Lehman

10.30 – 13.00: Workshop Branchless Banking (part 2) Building partnerships and/or a strategy roadmap.

- Main elements of a branchless banking strategy
- Panel on strategic approach

Branchless Banking

Technology

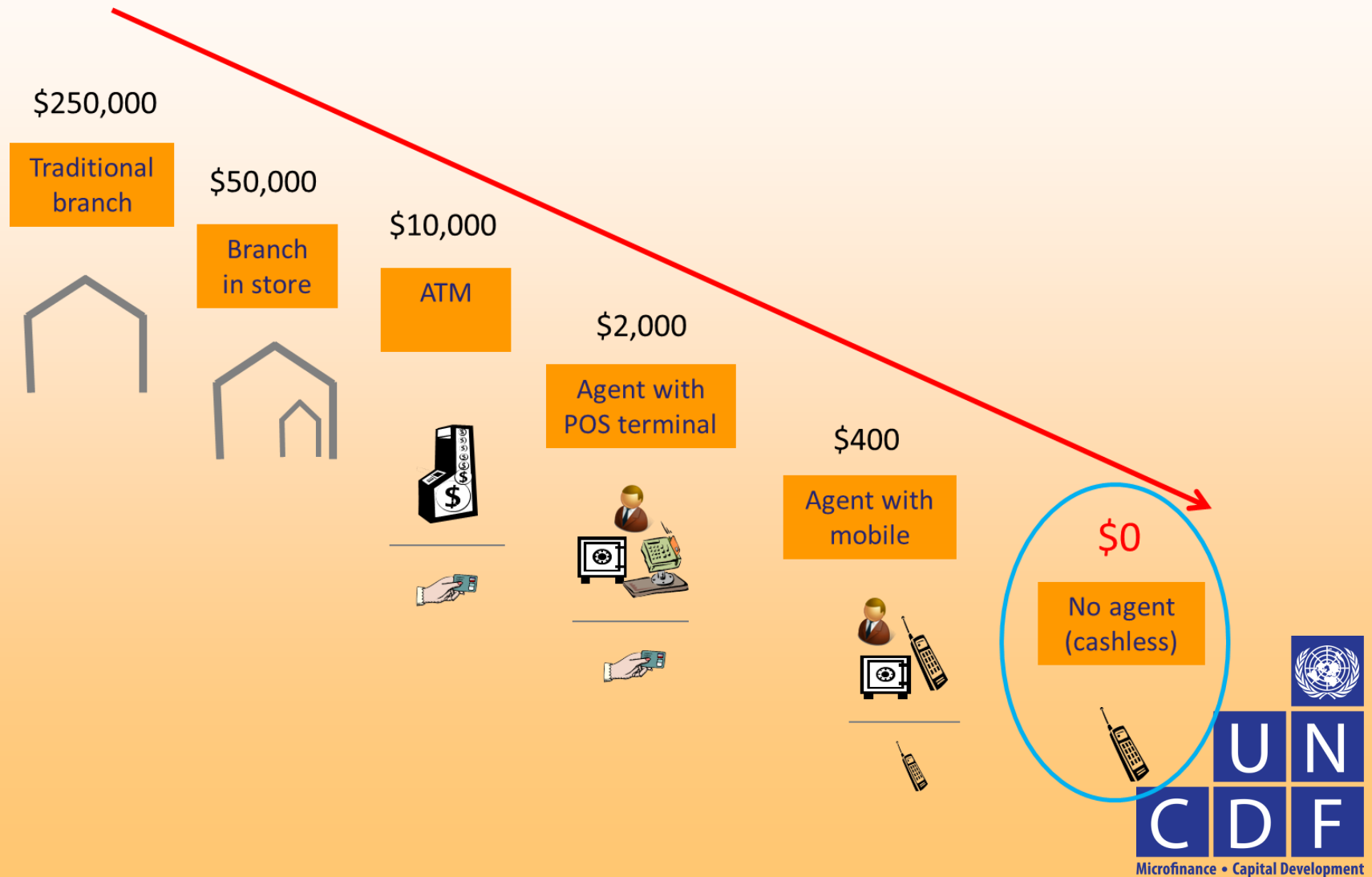


Agent



Delivery of financial services outside bank branches using retail agents and technology

Introduction to Branchless Banking



Introduction to Branchless Banking



Introduction to Branchless Banking

- Video of Eko India

What about you?

- How many institutions are involved in branchless banking/agent banking?
 - How many institutions have a partnership with mobile money providers?
 - How many institutions have developed their own agents network and solutions?
- How many institutions are willing to be involved in branchless banking?

Introduction

We have a major competitor



Universally
Accepted

Its free to use

Understood by
Everyone – No
education
required

Easy to Convert

Why should we change?

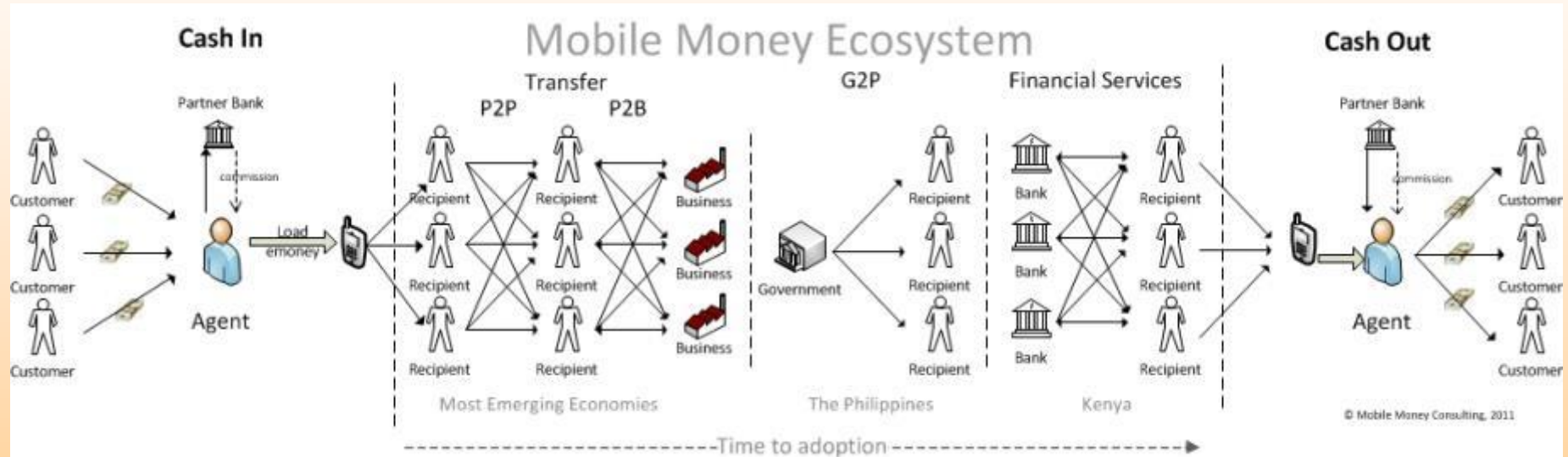
Financial service

- **accessible** (at near doorstep)
- **convenient** (less queues and fast processing)
- **secure**
- with **reduced effective cost** (travelling , queues and working hours)

*Customer value
proposition*



Partnership are key



Source: MobileMoneyConsulting

Key customer issues in BB and MFS

Non-users

- I am not aware, I do not understand the service
- I do not have a phone
- It is too expensive
- The services proposed are not responding to my needs
- There are no agents near my village

Users

- I lost my PIN and I don't know how to get support
- I did not receive my payment confirmation
- I cannot reach your call center
- The agent near my house never has liquidity

A right value proposition requires a number of key elements to come together simultaneously

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Product

Marketing

National presence

Product portfolio

Pricing

Front-end technology

Marketing and Communication

Agent Network

Customer support



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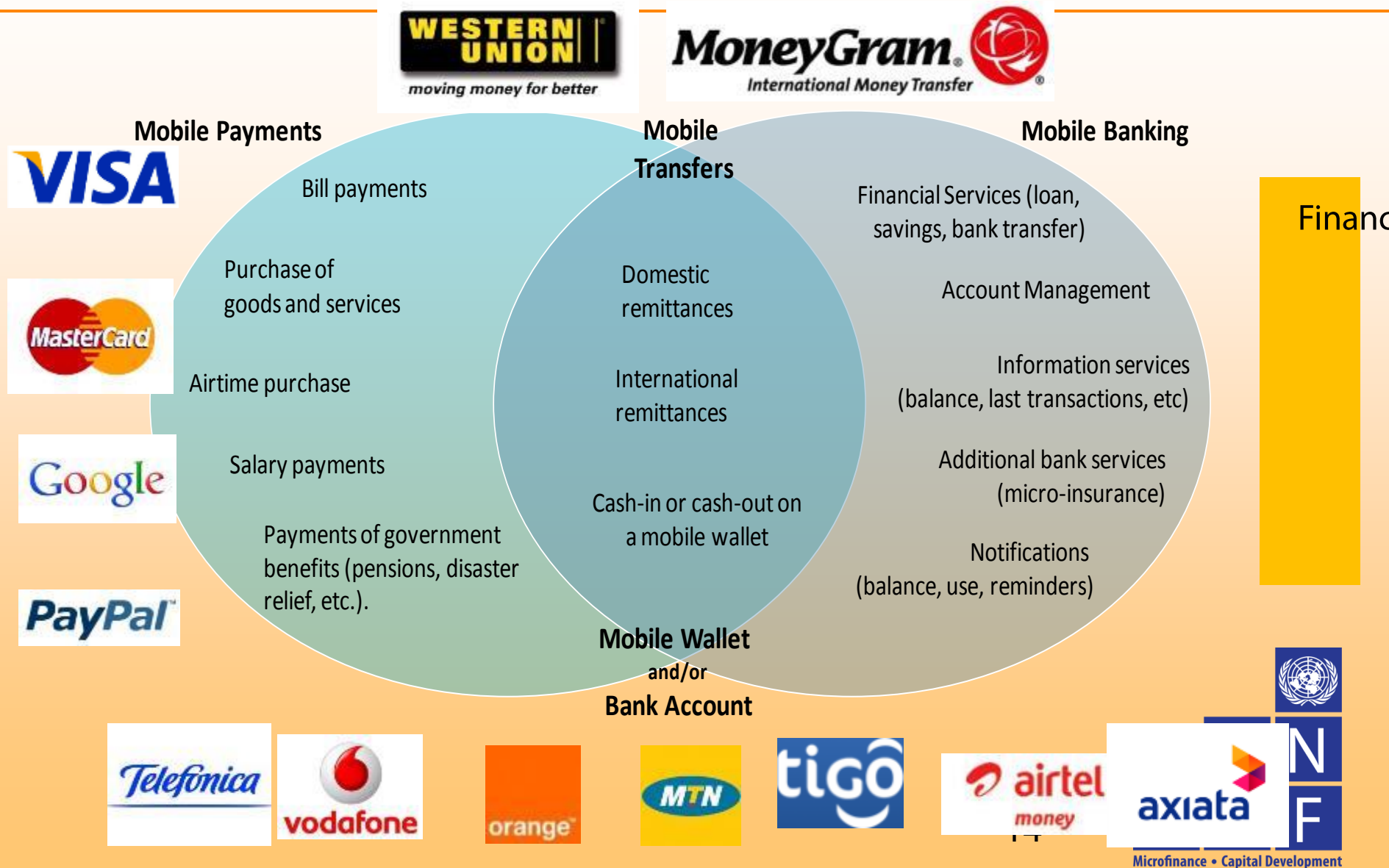
Agent Network

Customer support

Introduction



Main services and providers



From Product-Driven to Market-Led

Companies that have simply marketed a product without reference to the customers' requirements have soon closed.

The "product-driven" approach has been superseded by the "market-driven" approach

There is more value in retaining customers than attracting new customers who cost more.

Product portfolio



Key questions to be asked during the field visit

- What are the products offered by providers?
- When were the products launched?
- What was the first product launched and why?
- What has been the market research/ customer analysis carried out to decide about best products to be launched?

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Introduction

airtel money
pesa mkononi

tariff guide

www.airtelmoney.co.ke

Transaction	Transaction Limits (Kshs.)		Customer Charge (Kshs.)
	Min	Max	
Deposit money to airtel money customer	50	10,000	7000
Send money to airtel customer	50	10,000	0
Send money to other network customer	50	10,000	0
	50	100	10
	100	1,000	20
	1,000	2,000	30
	2,000	5,000	40
Withdraw money at airtel money outlet	5,000	10,000	70
	10,000	20,000	100
	20,000	30,000	120
	30,000	50,000	200
	50,000	100,000	300
	100,000	2,000,000	400
Withdraw money from ATM (Presigned)	5,000	5,000	50
	5,000	10,000	60
	10,000	100,000	170

Transaction type	Customer Charge (Kshs.)
airtel money balance check	0
change of PIN	20
change of airtel money PIN	20
top up	7000
transfer limit inquiry	20
request for online pay card number (PNC)	50

Maximum Withdrawal Limit is Kshs 100,000
Maximum Daily Transaction Limit is Kshs 100,000. Maximum per transaction is Kshs 10,000.
Withdrawals from both on-net and off-net customers cost the same.
Customers from other networks (other networks) have Kshs 50 per transaction.
For further information call Customer Care (24 hr) 1020.

Effective from October 2012

EQUITY BANK AGENCY
TARIFF GUIDE

Withdrawal Amount (Kshs)	Charges (Kshs)
0.000 and below	10
1,000 - 5,000	40
5,000 - 10,000	70
10,000 - 20,000	120
20,000 - 50,000	170
50,000 - 100,000	190
100,000 - 1,000,000	220

Deposit Amount (Kshs)	Charges (Kshs)
0.000 and below	0
0.000 - 10,000	0
10,000 - 50,000	0
50,000 - 100,000	0
100,000 - 1,000,000	0

Register now for Easy 247 at any Equity Bank Outlet Countrywide

Dial *247# to access your Equity Bank Account

- Bill to airtime
- Funds transfer
- Check your balance
- Pay bills

Equity Bank

M-PESA TARIFFS
EFFECTIVE 8TH FEBRUARY 2013

Transaction Range (Kshs)		Customer Charges		
Min	Max	Transfer to other M-Pesa users	Transfer to non-M-Pesa users	Withdrawal at M-Pesa agent
10	40	0	0.10	0.10
50	100	0	0.10	10
101	500	77	00	27
501	1,000	23	00	27
1,001	5,000	23	00	27
5,001	10,000	23	00	27
10,001	20,000	23	00	40
20,001	50,000	23	100	60
50,001	100,000	50	100	80
100,001	15,000	50	100	100
15,001	20,000	50	200	100
20,001	50,000	50	200	100
50,001	100,000	50	200	100
100,001	200,000	50	200	100
200,001	500,000	50	200	100
500,001	1,000,000	50	200	100
1,000,001	2,000,000	50	200	100
2,000,001	5,000,000	50	200	100
5,000,001	10,000,000	50	200	100
10,000,001	20,000,000	50	200	100
20,000,001	50,000,000	50	200	100
50,000,001	100,000,000	50	200	100
100,000,001	2,000,000,000	50	200	100

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How are products priced?

Transactions

- Free
- Charged as a flat fee
- Charged as a percentage or tier of the transaction value

- Players also charge a **monthly fee** for a predefined set of transactions
 - Example: Bradesco and CAIXA in Brazil charges a monthly fee for a predefined set of transactions. Transaction beyond the predefined set come at an additional cost
- The method of charging usually depends on the **type of transaction** and not the service provider
 - For example: M-PESA offers free deposit, charges tiered fee for withdrawal by registered users (free withdrawal for unregistered users) flat fee for transfer within network pricing and tiered pricing for transfer outside network
- Experience shows that largely, service providers choose a **method of pricing** for each type of transaction
- Providers often propose **promotion pricing** to develop services
 - Airtime bonus
 - Free deposit or registration

M-PESA TARIFFS
EFFECTIVE 8TH FEBRUARY 2013

Customer Charges				
Transaction Range (Kshs)		Transaction Type and Customer Charge (Kshs)		
Min	Max	Transfer to other M-PESA Users	Transfer to unregistered Users	Withdrawal from M-PESA Agent
10	49	3	N/A	N/A
50	100	5	N/A	10
101	500	27	66	27
501	1,000	33	66	27
1,001	1,500	33	66	27
1,501	2,500	33	66	27
2,501	3,500	33	88	49
3,501	5,000	33	105	66
5,001	7,500	55	143	82
7,501	10,000	55	171	110
10,001	15,000	55	220	159
15,001	20,000	55	237	176
20,001	25,000	82	275	187
25,001	30,000	82	275	187
30,001	35,000	82	275	187
35,001	40,000	82	N/A	275
40,001	45,000	82	N/A	275
45,001	50,000	110	N/A	275
50,001	70,000	110	N/A	330

ATM Withdrawal			Other Transactions	
Transaction Range (Kshs)	Min	Max	Customer Charge	
200		2,000	33	All Deposits
2,001		5,000	66	M-PESA Registration
5,001		10,000	110	Buying Airtime through M-PESA
10,001		20,000	155	M-PESA Balance Enquiry
20,001		50,000	195	Change M-PESA PIN

NOTES

- Maximum Account Balance is KShs 100,000
- Maximum Daily Transaction Value is KShs 140,000 Maximum per transaction
- You cannot withdraw less than KShs 50 at an M-PESA agent outlet
- To transact, your Safaricom line and M-PESA account must be active
- At an agent outlet, you cannot deposit money directly into another M-PESA account
- You earn Bongo points when you transact an M-PESA
- To register or transact at any M-PESA agent outlet, you will be required to provide identification documents. Refused to provide identification documents will result in account suspension.

Global e

Out of the following fourteen models - Easy Paisa (PAK), M-PESA (KEN), M-PESA (TZN), MTN (IVC), MTN (ZA), Orange Money (IVC), Wing Money (CAM), ZAP (KEN), ZAP (TZN), Eko (IND) the table indicates the number of models for the following four types of transaction.

1. M-Paisa (AFG)
2. M-PESA (KEN)
3. M-PESA (TZN)
4. Orange Money (IVC)
5. Wing Money (CAM)
6. ZAP (KEN)
7. MTN (IVC)

1. Easy Paisa (PAK)
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8. ZAP (TZN)

	Free	Percentage	Tiered	Flat
Cash – In (Deposit)	7	4	2	1
Cash-Out (withdrawal by registered users)	1	1	8	4
P2P Transfer (within network)	0	1	4	9
Bill Payment (Excluding Eko)	1	0	0	12

1. G-Cash (PHP)
2. M-Paisa (AGF)
3. M-PESA (KEN)
4. M-PESA (TZN)
5. MTN (ZA)
6. Smart Money (PHP)
7. Wizzit (ZA)
8. ZAP (KEN)
9. ZAP (ZA)

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4. M-PESA (KEN)
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6. MTN (IVC)

7. MTN (ZA)
8. Orange Money (IVC)
9. Smart Money (PHP)
10. Wing Money (CAM)
11. Wizzit (ZA)
12. ZAP (ZA)

Pricing



Key questions for the field visit

- What is the pricing used for the various products of the portfolio?
- How did they choose the pricing methods?
- Have they adapted the pricing since the launch?
- What type of market research/ customer analysis has been done to define the pricing?
- What types of promotion are used to increase usage?

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Product

Marketing

National presence

Product portfolio

Pricing

Front-end technology

Marketing and Communication

Agent Network

Customer support

Introduction



Front-end technology for mobile phone

1

Message-
based interface

SMS/USSD

2

Menu / SIM
application based
interface

STK Toolkit

3

Browser-based
interface

Web Browser

4

Smartphone
applications

Apps



Traditionally Choice was Between Mobile & POS

Parameters	Mobile Based Models	POS Based Models
Deployment costs	Low	Higher
Maintenance costs	Very low (property of agent)	High
Operating costs to the agent/provider	Low	High
Network dependence	High (app allows offline)	Low (can work offline)
Transaction evidence	Limited (only SMS confirmations)	Physical receipts issued
Ease of transaction	Comparatively easier	Depends on validation protocols used
Dependence on the agent	Moderate	High (users cannot transact without agent)



Front end technology



Key questions for the field visit

- What is the technology used?
- Why did they choose this technology?
- What is the customer experience about the technology?
- What has been the market research/ customer analysis done to decide about technology?

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Customer journey



Source: Intermedia FITS study (Feb 2013), Visa (October 2012), GSMA "Mobile money in the DRC" (July 2013)



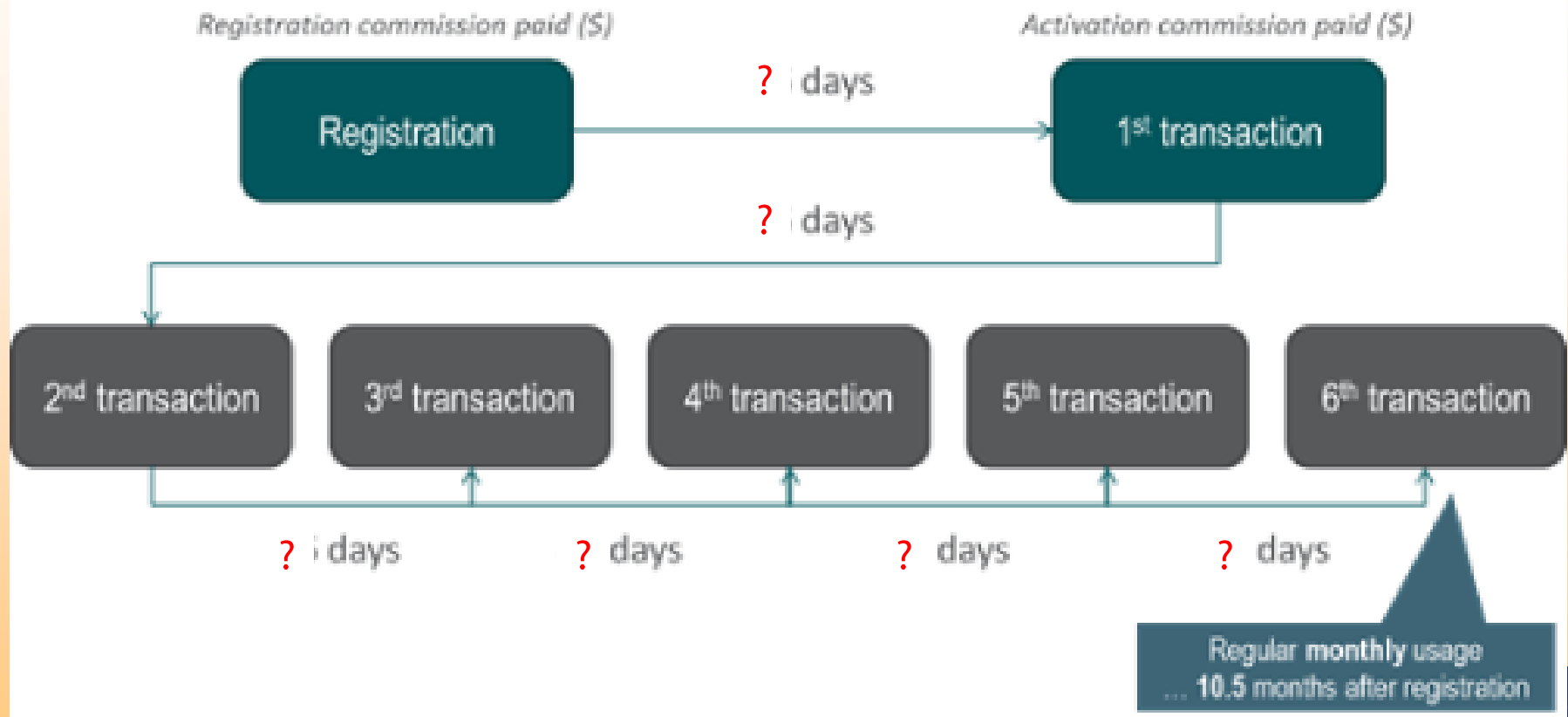
12-15% of adult population registered per year in these countries

Source: Bank of Uganda (Dec 2012), Central Bank of Kenya (April 2013), Econet Zimbabwe (April 2013), CIA World Factbook population figures. Individual users may have multiple accounts. Kenya figures include other mobile banking.



Source: GSMA Global Mobile Money Adoption Survey 2012

Customer journey



M-PESA Kenya started with a very simple proposition – Send money by phone – and included clear branding



“M-PESA is the new, easy and affordable way to send money home”

Financial Education Campaigns



Marketing and communication



Key questions for the field visit

- What has been the providers' marketing & communications approach?
- What were the key messages?
- How have the providers adapted their marketing campaigns according to the development of the market?
- What are the lessons learned?

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Agent

Operates the cash service point where the customer does cash-in and cash-out transactions. Typically registers new clients as well.

Agents fulfill 3 important functions in a branchless banking service

Verify client identity

- Comply with KYC standards
- Guard against fraud

Make cash available

- Enable clients to withdrawal and deposit on demand

Act as face of the service

- Educate clients about the service
- Troubleshoot clients' problems

Agent network

Quality is key

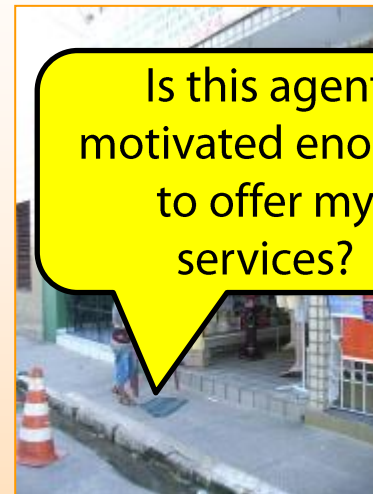
Has this agent the right branding?



Has this agent the right skills to educate and help my customers?



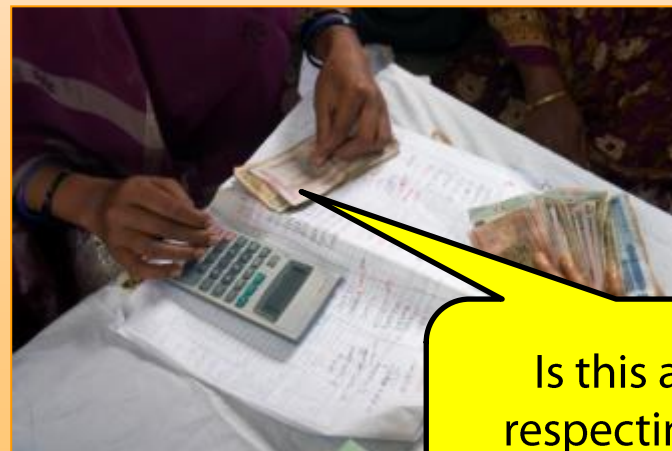
Is this agent motivated enough to offer my services?



Has this agent enough cash/ float to serve customers?

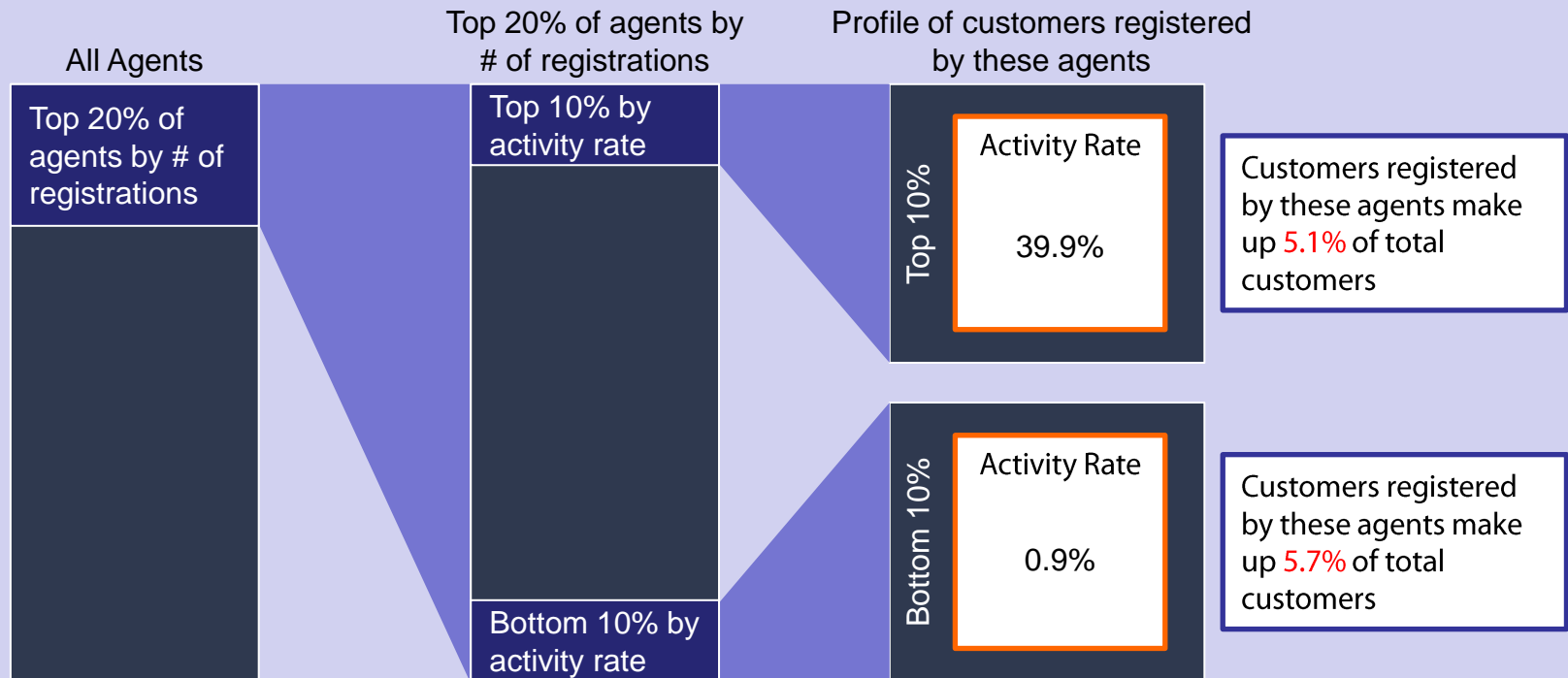


Is this agent respecting KYC procedures?



The importance of agents should not be underestimated, and has a direct impact on profitability

Across 2 providers, the activity rate of customers registered by the best agents was over 40 times higher than those registered by the worst agents



Agent network



Key questions for the field visit

- How did providers built their agent networks?
- What is providers' agent network structure?
- How are agents remunerated?
- How do they manage liquidity?
- How do they insure same level of quality in their network?

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Introduction



How to
transfer
money?

I lost my
PIN?

Where can
I find an
agent?



My
phone
has been
stolen!

What is
the fee!

I did not
receive a
confirmation
sms

Customer support

- Agent plays a key role in supporting customers
 - Face-to-face contact
 - Brochure at agent location
 - Explanation of the service
 - Troubleshooting
 - FAQ and responses to agents
- Customer call center is a key element
 - Free number
 - Well trained personnel on financial services to answer customer request
 - Detailed procedures and scripts to respond to customers requests
 - Dedicated number for agents



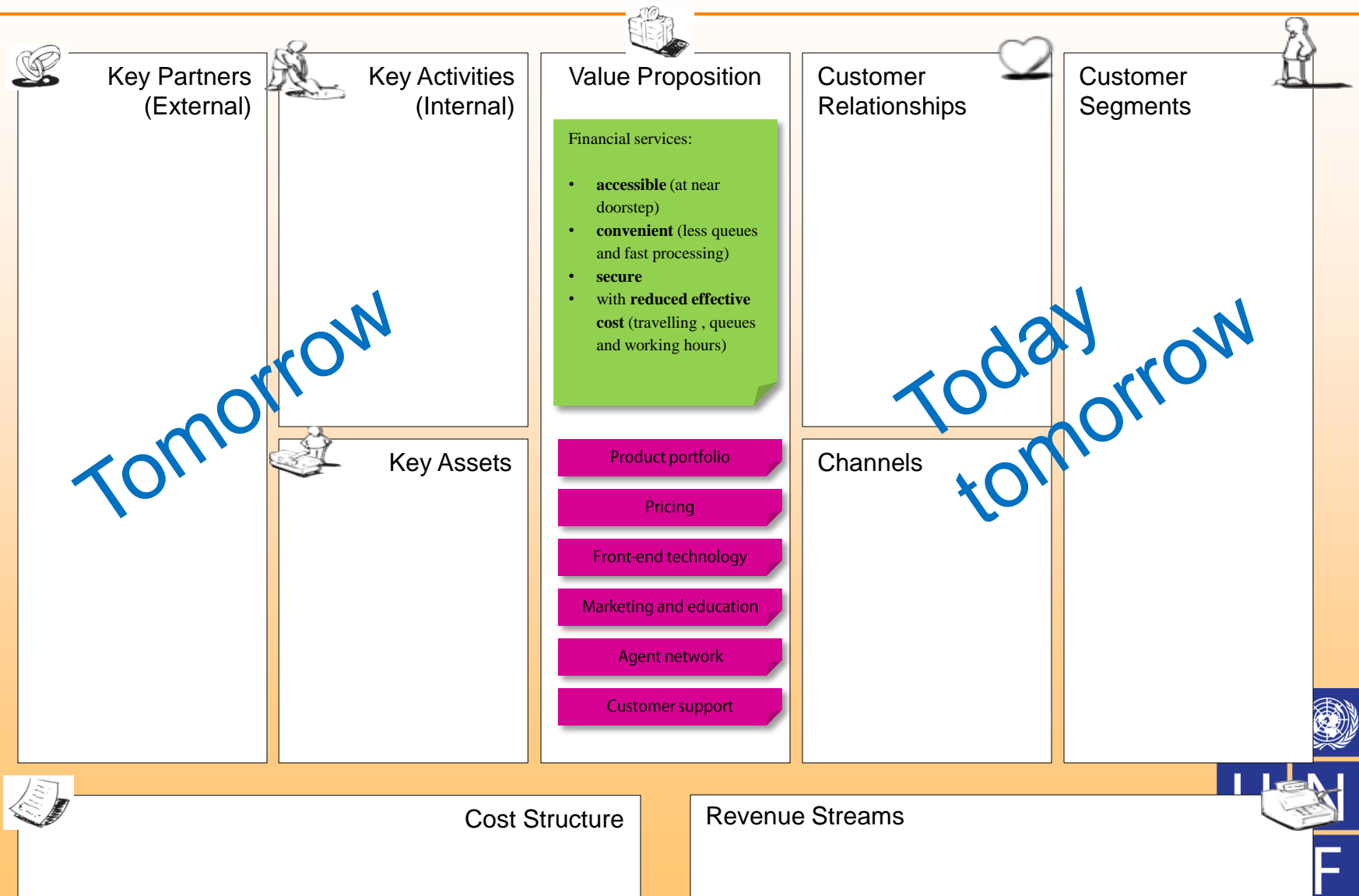
Customer support



Key questions for the field visit

- How do providers manage customer support?
- What is the role of agent to support customer?
- How is providers' call centers organized?
- What are the main issues raised by customers?

How to design a client-centric strategy?



Think out of the box!



UN Capital Development Fund

THANK YOU

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