

## Customer Value Proposition



Customers are the key to any successful business. This is as true for a mobile money venture as it is for any other enterprise that serves customers. Yet a detailed understanding of the needs of customers has not been adequately addressed by many MFSPs. Mobile money businesses around the world are trying to identify the customer value propositions and the killer application(s) that will lead to large volume adoption. This document provides some insights to the elements of the value propositions that are emerging.

In most mobile money conversations, the term “customer” refers to the retail consumer – the individual that will require the service for their financial needs. But that is only one category of customer– and in some markets the retail consumer might not even be the most important customer.

**Figure 1. Mobile Money Customer Categories**

	Product Offering	Value Proposition
<b>Retail Consumer</b>	<ul style="list-style-type: none"> <li>• Airtime top-up</li> <li>• Money transfer</li> <li>• Bill payments</li> <li>• Deposits-cash, electronic</li> <li>• Cash withdrawals</li> </ul>	<ul style="list-style-type: none"> <li>• Convenience</li> <li>• Lower transaction cost</li> <li>• Increased security</li> <li>• Ease of use</li> </ul>
<b>Agents</b>	<ul style="list-style-type: none"> <li>• Airtime top-up</li> <li>• Money transfer</li> <li>• Bill payments</li> <li>• Deposits-cash, electronic</li> <li>• Cash withdrawal</li> <li>• Retail financial services</li> </ul>	<ul style="list-style-type: none"> <li>• Convenience</li> <li>• Lower transaction cost</li> <li>• Increased security</li> <li>• Increased revenue</li> <li>• Increased foot traffic</li> <li>• Record management</li> </ul>
<b>Disbursing Entities</b>	<ul style="list-style-type: none"> <li>• Electronic disbursements</li> <li>• Bill payment</li> <li>• Bill confirmation</li> <li>• Loan repayments</li> </ul>	<ul style="list-style-type: none"> <li>• Convenience</li> <li>• Lower transaction costs</li> <li>• Increased security</li> <li>• Increased efficiencies</li> <li>• Greater reach</li> </ul>

Source: Janine Firpo, Manila, December 2009.

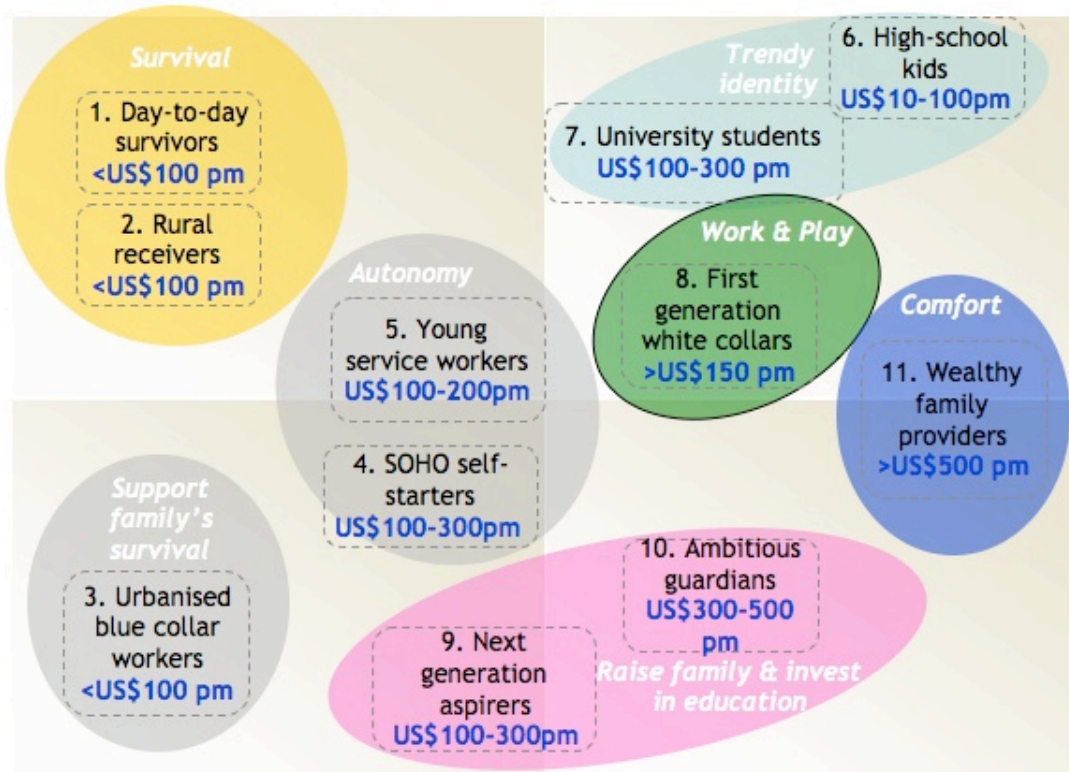
Agents are actually the first set of customers an MFSP should consider. They have to have a mobile account and they have to be able to use the MFSP’s products. Otherwise, they cannot function as agents. Not only are retail and master agents an MFSP’s first customers, they are also the MFSP’ face to the retail consumer. Therefore understanding the needs of the retail agents and getting the value proposition correct for them will be incredibly important for the MFSP. Details about agent value propositions and selection can be found in Parts 7, 8, 9, and 12 of the Toolkit.

Another important category of customers is businesses, government agencies, and other entities that disburse funds, such as salaries, pensions, and subsidies. In some markets these entities are actually the drivers of mobile money uptake. So they are very important customers. More information about government and corporate customers can be found in Part 3 of the Toolkit.

### Retail Consumer Segmentation

Part 4 of the Toolkit provides a set of tools to perform market research at the retail consumer level. For more information, refer there. This document only notes that in any particular country or region, retail consumers cannot be viewed as a homogenous market. This customer base is highly diverse and each segment has different financial needs.

**Figure 2. Retail Customer Segmentation**



Source: IFC Mobile Money Market Research Results. 2008.

The graph depicts eleven different consumer segments in a country that was analyzed by IFC. Each of the sub-groups is very different, ranging from people living on less than \$100/month to families making more than 5 times that much. It includes people who are just surviving, young people who have recently left rural homelands for the city, and everything in between. Yet this variety is often overlooked when mobile money is being considered for a market. During the IFC study, each of these eleven segments was profiled based on the description of the individuals, their attitudes toward money, usage patterns, financial needs, and so on. The World Bank conducted a comprehensive financial markets study in Indonesia over a two-year period.<sup>1</sup> More than 3,500 people were interviewed. A basic finding of both the IFC and World Bank studies was that each market segment has very different aspirations and needs.

<sup>1</sup> Refer to the Comprehensive Demand Study Questionnaire in Part 4 of the Toolkit. This document is the survey instrument that was used by the World Bank in Indonesia. Other tools in Part 4 describe how to conduct Market Research for mobile money.

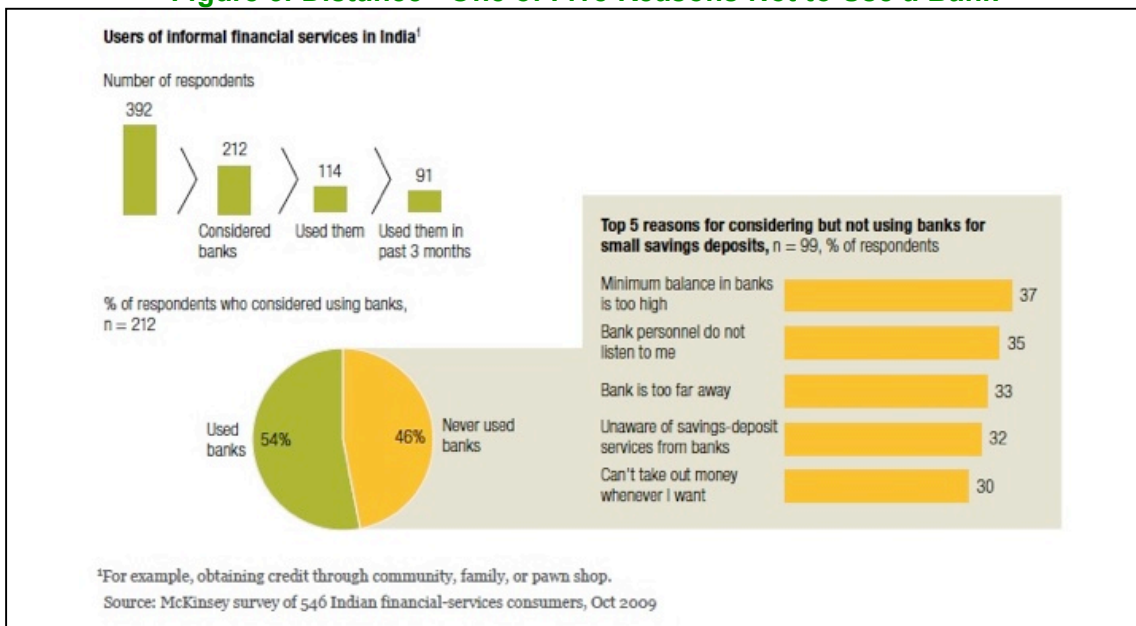
A review of Figure 1, shows that some aspects of the value proposition are similar across all three types of customers. Retail agents may want foot traffic and disbursing entities may want extended reach, but all three categories of customers want convenience, reduced transaction costs, increased security, and ease of use. These four principles show up in some many global instances for mobile money, that they can be thought of as almost universal value propositions. The challenge is finding where these value propositions intersect with pain points that individuals face when they try to perform financial services within the existing infrastructure.

## Convenience

What does convenience really mean? Is it a measure of how long someone has to wait at a bank or a utility company's office to perform a financial transaction or pay a bill? In Papua New Guinea, individual wait 30 to 90 minutes in the hot sun to get into a bank branch. That is inconvenient. And it is inconvenient enough that people will be willing to change their behavior to have a better solution.

Is convenience a matter of how far someone has to travel to perform a banking transaction or to pay a bill? This can even be a problem in urban areas. In Jakarta, customers have to visit the utility company to pay their bills. While this might not seem to be much of a problem, the traffic in the city is so bad that it can take several hours to get to and from the utility company's office. That is inconvenient.

**Figure 3. Distance - One of Five Reasons Not to Use a Bank**



## Distance

A study that was conducted by McKinsey & Company<sup>2</sup> showed that low-income households in India and the Philippines want quick access to their funds. For MFSPs that means that retail agent outlets need to be close to where people live and work, and they need to have long flexible hours. According to the McKinsey study, more than 50 percent of the unbanked in India have considered using banks, but only about half have done so, and their survey showed that distance is one of the top five obstacles.

<sup>2</sup> McKinsey Quarterly. Capturing the promise of mobile banking in emerging markets. February 2010.

The fact that bank branches are often too far for people to use is generally known. What is less well documented is the distance that individuals are willing to travel to perform financial transactions. Research conducted in Cambodia by IFC looked at this question. The researchers measured three different overlapping distances:

- Neighboring: very close proximity - from next door to a maximum of 500 meters away. This is considered a zone of very high familiarity. An individual would know all the people who live in this zone and would be able to find one's way around with "one's eye's closed"
- Near: from as little as 250 meters to about 1 or 2 km. People in this zone are mostly familiar, though some might not be known by name. The places, shops, and scenery are very much part of one's everyday world. This is an intermediate zone - not really 'my own world' yet it is still familiar and comfortable.
- Further Away: starts at 1km to 2km. A zone in which people are no longer recognized or known, where shops might be unfamiliar, and where one might not automatically find one's own way around.

Even a relatively short distance of 1 to 2 km can be considered "farther away" and less familiar. This is very important because, as you can see in Figure 4 the willingness of a consumer to venture farther from home for a financial transaction diminishes with the size of the transaction.

**Figure 4. Customer Convenience Measures**



Source: IFC Mobile Money Market Research Results. 2008.

There is a direct "convenience" correlation between distance and size of transaction. These findings are supported by research that IFC and Harvard University conducted with Coca-Cola in Africa. In several East African countries, Coca-Cola's bottlers are creating very small wholesalers for their distribution network. These wholesalers cover a territory of only 1.5 km radius and have up to 200 retailers in that geographic zone. That is a lot of coverage! And it brings the coverage very, very close to where people

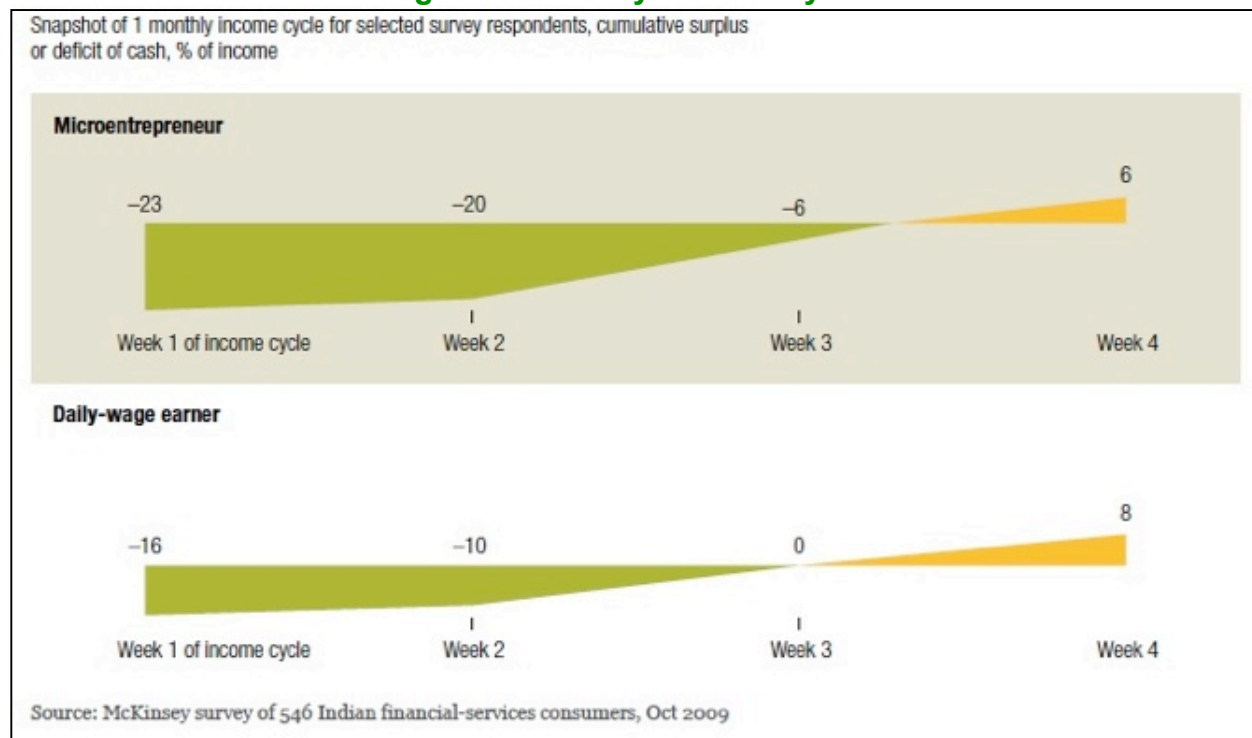
live. Since a Coke is a small purchase that would fall into the \$1-\$4/1 km distance in Figure 4. These findings have important implications on the convenience value proposition for mobile money providers.

### Matching Financial Needs

Another aspect of convenience is how well the services offered meet the financial requirements of the customer base. Although it started out as a money transfer service, one fifth of the unbanked customers using M-PESA in Kenya are using it as a savings mechanism because they think it is safer than a bank account. According to them, money stored in a bank is at a high risk of being lost, especially if there are monthly fees. The unbanked are an increasingly important demographic for mobile money, so understanding their needs, their pain points, and their definitions of convenience will become increasingly important.

As stated in the McKinsey study mentioned earlier, “The primary requirements of its low-income households go beyond simple savings vehicles. Many households are looking for a way to help them manage their money or cash flow. But for these consumers, money management is different from pure long-term savings or credit. Its principal focus is balancing times of cash surplus and cash deficits over a typical salary cycle—for example, 30 days.”

**Figure 5. Monthly Income Cycles**



### Lower transaction costs

This value proposition requires little explanation. The cost of the transactions relative to other mechanisms for accessing services will be a major factor in the success or lack of success of a mobile money service. Almost 70% of the consumers surveyed in 2006 said they used WIZZIT mobile money services because they were cheaper than any other form of banking. Similarly, customers in Kenya believe that the money transfer services offered via M-PESA are less expensive than any of the alternatives. However, in Cambodia, the uptake for money transfer services via the mobile phone is not as successful because it is possible for citizens to transfer any amount of money for only USD 1 through

foreign exchange brokers. Even a 50% reduction in the cost is not sufficient for people to change their behavior because the USD 1 fee is already considered inexpensive.

When assessing the cost of mobile money transactions against existing solutions, it is important to take travel time and expenses into consideration. Additionally, it is important to consider all the fees that customers will pay for their mobile money transactions, including deposit fees, transfer fees, and withdrawal fees. And it is important to consider the cumulative fees that consumers will pay. If a customer has an option of obtaining \$50 USD in cash for \$1, they are not likely to hold the \$50 USD in a mobile money account and withdraw the funds in smaller tranches of say \$10 USD, if they are charged \$1 for each transaction.

### Increased security

Security is a major issue in many countries around the world. It was one of the drivers of the rapid uptake of mobile money in Kenya, and it is likely to be a key driver in other regions as well. In Papua New Guinea, IFC and the UNDP conducted a money movement study. Everyone interviewed, from business leaders to barefoot village women described issues related to cash security as a major challenge. Security is an issue for those who have to carry cash from one location to another. It is an issue for merchants who accumulate cash throughout the day and then need a safe place to store it. And it is a concern for government agencies, corporations, and other organizations that need to push large sums of money to pensioners, employees, or large numbers of recipients. Using mobile money as a mechanism to remove cash from the system has a significant benefit for many people in the market.

### Ease of use

The major competition for a new MFSP entering the market is not other mobile money solutions, banks, or moneylenders, it is cash. Cash, while insecure in many regards, is highly efficient, extremely accessible, widely accepted, and easy to use. Mobile money solutions will be competing with cash, and therefore, they need to be as efficient and easy to use as cash. Or at least close to it.

When credit cards were first introduced in the United States, the merchant needed to call the customer's bank to verify that funds were available. Thus, the transaction could take as long as 4 to 5 minutes. But a cash transaction took less than a minute. It is not surprising, then, that not many people were using credit cards. It was only when the credit card system became electronic, resulting in transaction times that were almost as fast as using cash that credit cards began to be widely accepted by consumers.

Other elements that are related to ease of use include:

- **Enrollment** —needs to be very easy. The information that is required to enroll in the mobile money system should be readily available and limited to what is needed for regulatory purposes. It is best to provide multiple channels for enrollment, if at all possible
- **Education** – consumers need to be continually educated about the benefits and use of the solution. The MFSP should offer various avenues for customers to get answers to their questions
- **Marketing** – provide clear, concise, and actionable messaging. Continually promote the mobile service through as many touch points as possible
- **Give customers control** – provide options to consumers, so they have control over the way they use the service
- **Incentives for agents** –whether internal or outsourced, your agents are your face to the retail consumers. Whether your products are successful depend on them. It is critically important to give them the right incentives to keep them selling your services. Your agents are your sales team – and your customers.
- **Research is the key** - ongoing research and usability testing to understand consumer behavior to

make product and user interface improvements.

### **Trust**

A final critically important value proposition is trust. Customers need to trust the MFSP, even more than they trust the retail agents. Refer to Field Report - Exploring Trust in Part 5 of the Toolkit for a detailed look at this issue.



Understanding that convenience, lower transaction costs, increased security, ease of use, and trust are the critical value propositions for customers is one thing. Translating that knowledge into an appropriate product mix is quite another. What is required is a way to make customers say, “I really need this solution.” The mobile money solution needs to address a critical need or a severe pain point if it is going to be sufficient for customers to change their behavior dramatically and to shift from cash – both of which are required when customers start using a mobile money solution.

### Establishing an Anchor Product

Although it is tempting to offer an array of services through multiple channels, a best practice is to enter the market with a single, compelling benefit to the customer. As Figure 6 shows, the anchor product is different in various markets. Domestic money transfer, bill payment, and electronic top-up services seem to be most common. However, in Afghanistan, the mobile money business is being built through a relationship with microfinance institutions. Hence loan payment was the first critical application. As M-PAISA continued to perform market research, they learned some unexpected things. For example, they found that police were having a problem because their officers were going AWOL after they were paid. As it turns out, the officers were going home to give money to their families. So now, salary disbursement is becoming an anchor product for Afghanistan. As mentioned earlier, security could be the critical pain point in PNG that leads to a related anchor product. IFC will be testing this assumption soon through a pilot that eliminates cash from the coffee supply chain.

Figure 6. Examples of Anchor Products

	Initial Product	Subsequent Products
<b>M-PESA, Kenya</b>	<ul style="list-style-type: none"> <li>• Domestic money transfer</li> </ul>	<ul style="list-style-type: none"> <li>• ATM linkages</li> <li>• International remittances</li> <li>• Microfinance linkages</li> <li>• Bill payments</li> </ul>
<b>WING, Cambodia</b>	<ul style="list-style-type: none"> <li>• Airtime top-up</li> </ul>	<ul style="list-style-type: none"> <li>• Deposits &amp; withdrawals</li> <li>• Money transfer</li> <li>• Microfinance linkages</li> </ul>
<b>Banco Bradesco, Brazil</b>	<ul style="list-style-type: none"> <li>• Bill payment</li> </ul>	<ul style="list-style-type: none"> <li>• Airtime top-up</li> <li>• Deposits &amp; withdrawals</li> <li>• Loan disbursements</li> <li>• Money transfer</li> </ul>
<b>M-PAISA, Afghanistan</b>	<ul style="list-style-type: none"> <li>• Salary disbursement</li> </ul>	<ul style="list-style-type: none"> <li>• Loan disbursement</li> <li>• Loan repayment</li> <li>• Money transfer</li> </ul>

Source: Janine Firpo, Manila, December 2009.

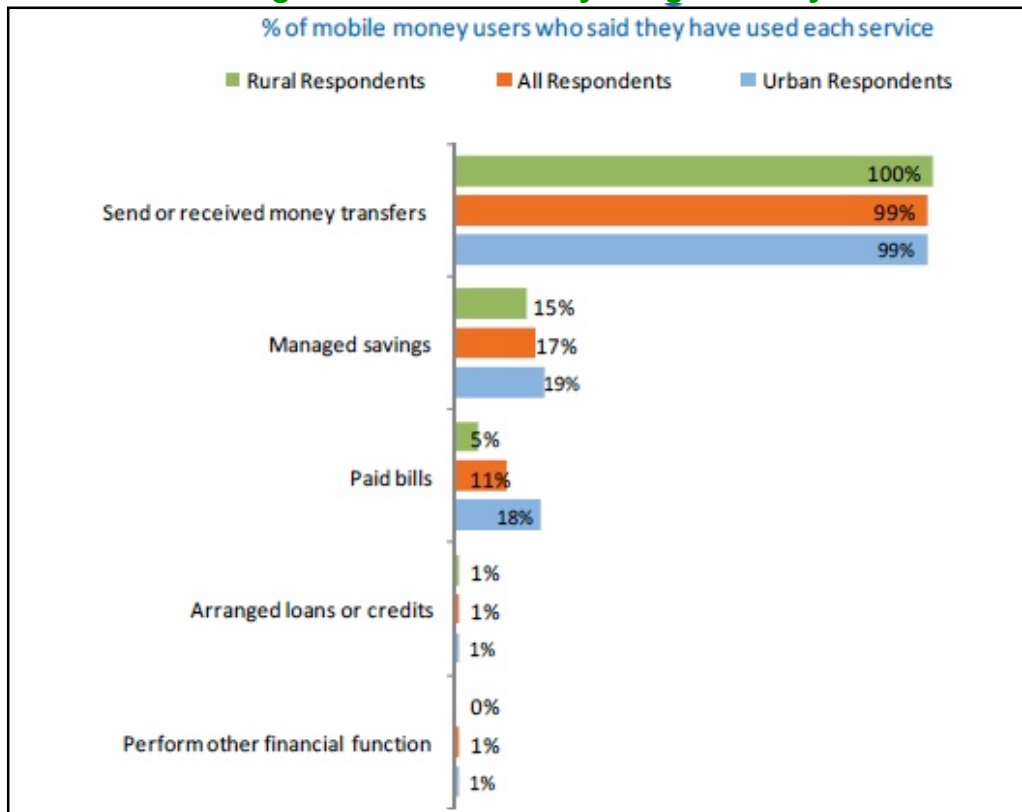
What this shows is that the anchor product is not always immediately evident, and sometimes it takes experimentation to determine which service will be most compelling in a particular market. Once the

anchor product is established, it is easier for the MFSP to gain traction in the market. Even though an anchor product is important to build momentum, one product is not sufficient to achieve viability. So MFSP expand to a range of other services as shown above. Even M-PESA in Kenya, which went into the market with the perfect anchor product for that country, is now expanding to provider other financial services. In order to be successful, a portfolio of products is required – not only for the service provider, but for the viability of the agents as well.

The success of M-PESA in Kenya led to the assumption that money transfer was the “killer application” or anchor product for all other markets. But this has not proven to be the case as Figure 6 shows. It wasn’t even the case in Tanzania where Vodacom went to replicate the success of their venture in Kenya. Tanzanians did not respond in the same way to money transfer via their mobile phones because urban migrants do not send money back to family as frequently they do in Kenya. In addition, there is less crime and insecurity in Tanzania, which further detracts from the attractiveness of a pure money transfer play. M-PESA in Tanzania is offering a range of services, including bill payment, airtime top-up, and microfinance loans repayments, to meet market demand and find the products that will result in significant customer uptake.

Figuring out the right anchor product is a matter of diligent market research followed by experimentation. There does not seem to be a prescription for immediate success.

**Figure 7. Mobile Money Usage in Kenya<sup>3</sup>**



Source: McKinsey Quarterly. February 2010.

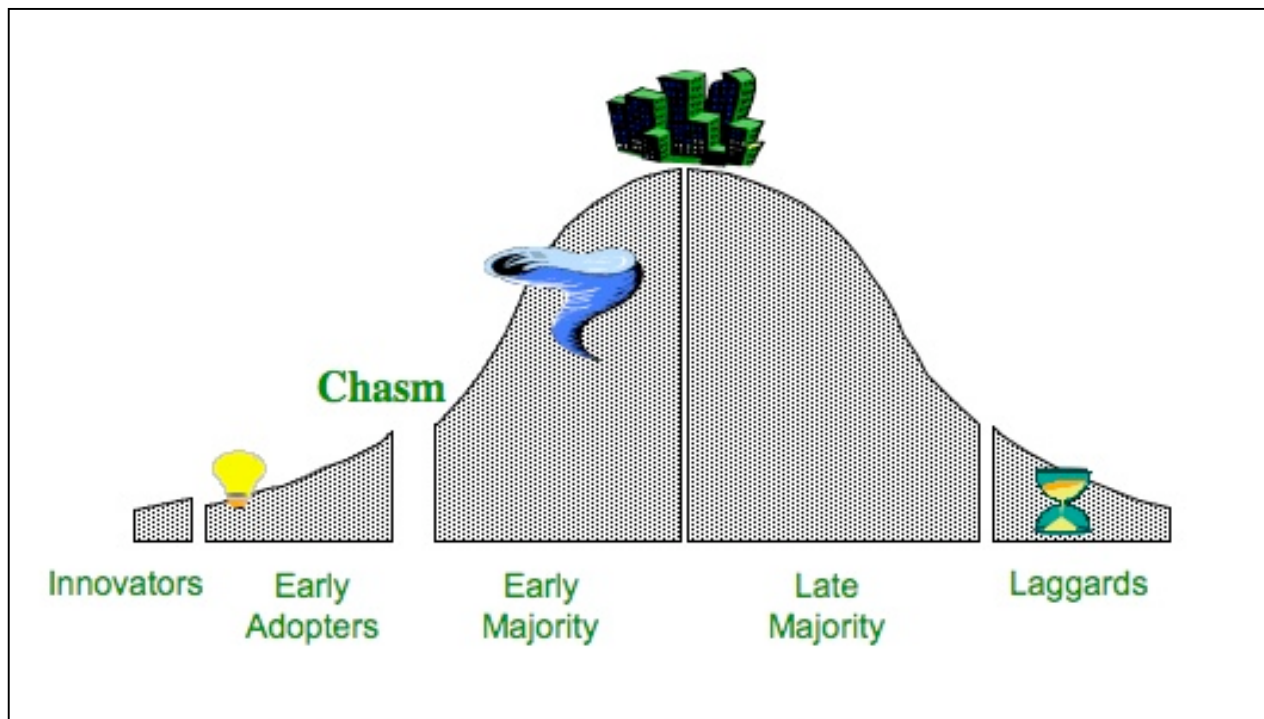
<sup>3</sup> Goldstein, P and Bowen, H. “The Mobile Money Revolution?” AudienceScapes. 2009.

## Technology Adoption

Uptake patterns among mobile money customers are going to be iterative, because some types of consumers will be attracted to the product before others. Even M-PESA saw an initial uptake pattern that favored urban males first and rural women, who were money transfer recipients, second. Not everyone adopted the solution simultaneously. There were people who were early adopters. These initial users were then followed by other types of customers.

It is widely accepted in the information and communications technology (ICT) industry that technology adoption follows a phased approach that is described by a “technology adoption life cycle”. This life cycle is so well accepted in ICT circles that it is considered a norm.

**Figure 8. Technology Adoption Life Cycle**



Source: Crossing the Chasm, Geoffrey Moore

According to this model, the first individuals to accept a new technology solution are the Innovators. They will try anything at any cost because they are simply excited about new things. The second group is the Early Adopters. Innovation excites them too, but they are a bit more practical. The solution has to have some appeal to their rational side and it has to be somewhat affordable. These two groups – the Innovators and the Early Adopters – make up about 12% of the total population. The next group, the Early Majority, require a solution that meets their core needs and is affordable. Moving a technology product or solution from the value proposition that appeals to Innovators and Early Adopters to a value proposition that appeals to the Early Majority can be so dramatic that it is referred to as a “Chasm.” It takes a lot of energy to shift from one side of the chasm to the mass market. Changes in product offerings, marketing campaigns, and partnerships can be required. It is a difficult leap. So difficult that many companies fail here.

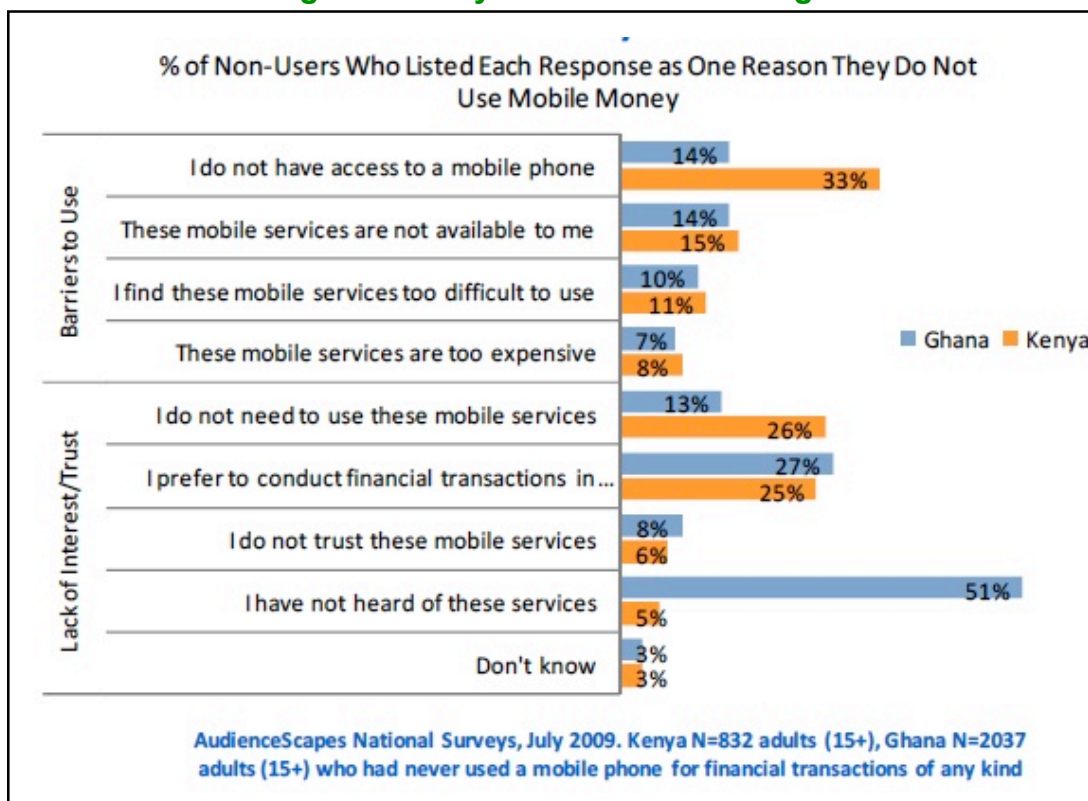
It is quite possible that mobile money is following a similar pattern. The rapid uptake of the M-PESA solution appears to be an anomaly rather than the norm, especially in countries where money transfer is

not the anchor product. Research that was conducted by ACCION International with some of its partners in Latin America was laid over the technology adoption life cycle – and the parallels were quite marked. The McKinsey study mentioned elsewhere in this paper suggests that for viability MFSPs must sign up between 15% to 20% of the addressable market,<sup>4</sup> which would push the uptake over the chasm. Yet, many providers are not reaching those numbers. According to the same study, McKinsey claims that take-up rates vary with some of the greatest successes in Eastern Europe (22 percent) and the lowest uptake in Asia (around 5 percent). It is interesting to note that 5% is the value often ascribed to the Innovators in a market.

### Creating Awareness

Another key element to achieving customer uptake is creating customer awareness, which is a combination of financial literacy, consumer awareness, and recognition of the value proposition. Generating education is a multi-pronged strategy, but marketing is a key ingredient. As Figure 9 shows, the key reasons that Ghanaians are not using mobile money is because they have not heard of the service. While this figure is 51% for Ghana, it is only 5% for Kenya.

**Figure 9. Kenya Mobile Phone Usage**



Source: AudienceScapes 2009.

M-PESA spent a significant amount of money advertising their solution. They had billboards around the country, television spots, radio advertisements, and a host of other media. In addition, M-PESA came to market with a very easy to understand message that was accompanied by strong visuals that helped people understand how to use the solution. Their “send money home” campaign was so successful that it has

<sup>4</sup> McKinsey Quarterly. Capturing the promise of mobile banking in emerging markets. February 2010.

been widely copied around the world. Lemon Bank in Brazil built their market with an equally clear and compelling message - “we’re everywhere Brazilians are”. When VISA first entered the market in the 1960s, one of the value propositions they offered their bank partners was to underwrite and carry out the marketing and advertising campaign for credit cards – on behalf of all their partners. Marketing is key – top-down, bottom-up, through agents, multi-media.

**Figure 10. Marketing Opportunities**

Kenya: Percent of Each Group that Used the Source for News and Information in the Last Week		
	Used Mobile Money	Never Used Mobile Money, Don't Know
Radio	94%	83%
TV	72%	35%
Newspapers	55%	19%
Magazines	26%	7%
SMS	34%	9%
Internet	20%	3%
Friends/family	87%	85%
Other people in community	65%	63%
Government officials	16%	11%
Brochures or pamphlets	21%	7%
Posters or billboards	40%	18%
Other sources	17%	11%
	N= 1168	832

AudienceScapes National Survey of Kenya, July 2009. N=2000 adults (15+), of whom 1168 used a mobile phone for financial transactions at some point. \*Differences between the two groups significant at the 1 percent level.

Source: AudienceScapes. 2009.