

IMTC EMEA 2016

Remittances: Europe and Beyond

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DMA



The remittances

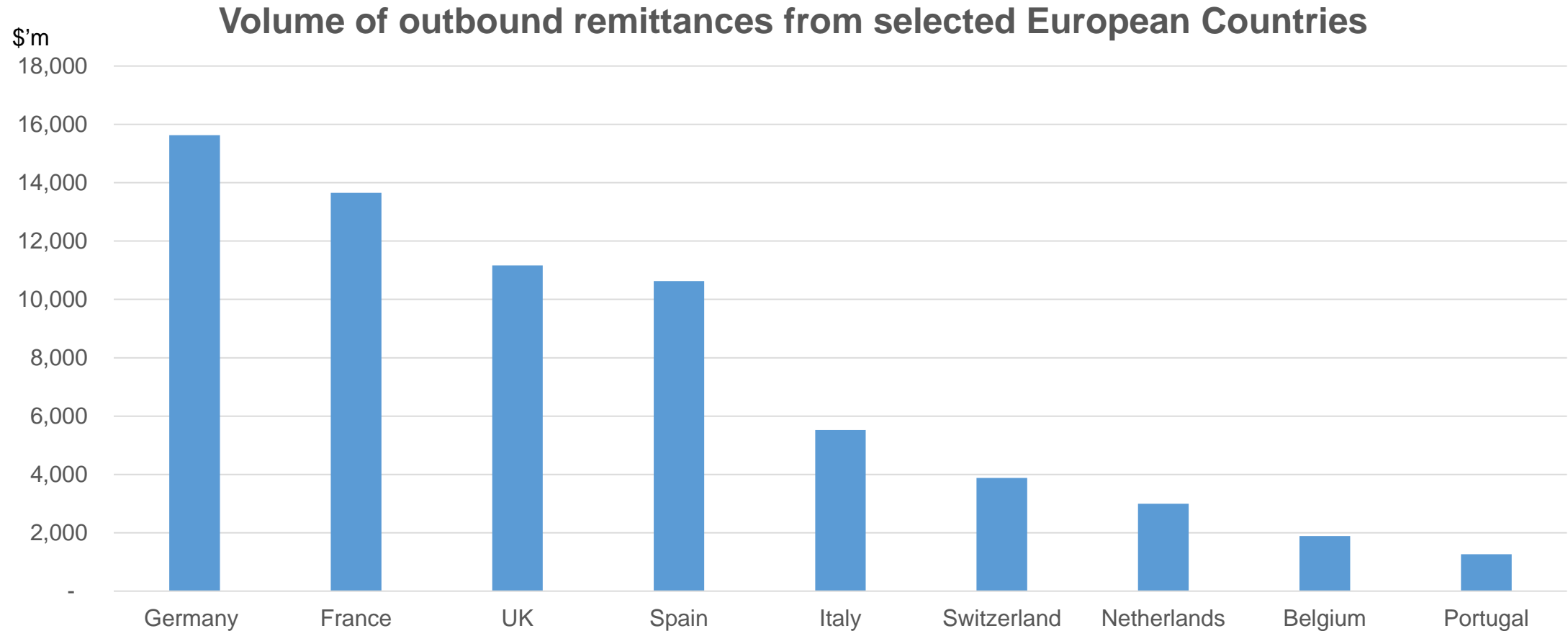
Europe and beyond

Some personal thoughts from
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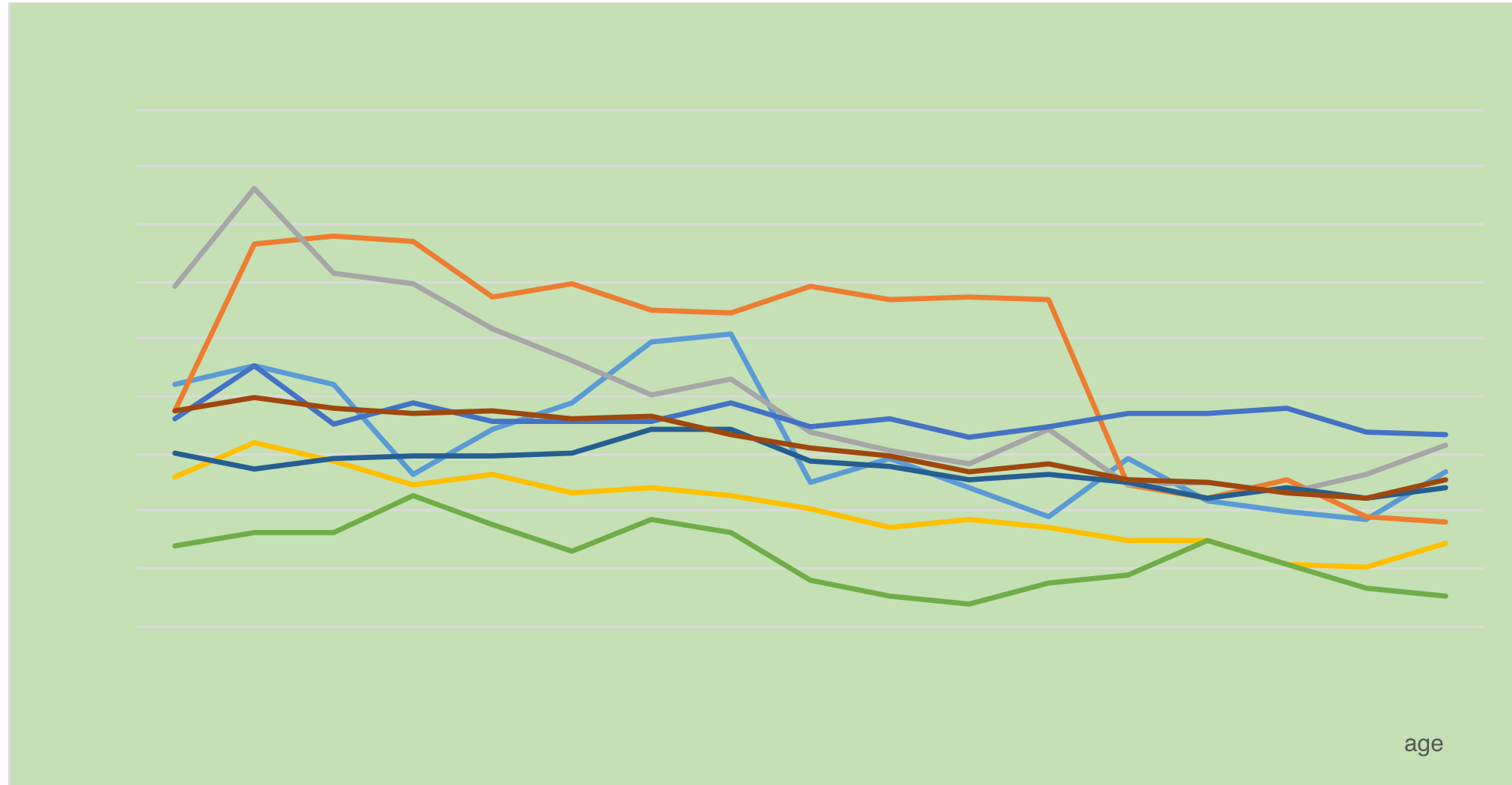
Agenda

- Overview of the remittances market in Europe
- Why the business model has to change
- The role of technology in improving efficiency and lowering prices
- Geographic shifts in market growth
- Winners and losers in the transition from cash to online/mobile money transfer

Europe is a major sending region



Costs are declining - slowly



European Market Characteristics

- Cash is king – 95% +, but slowly changing
- Transactions are regular and relatively small. World Bank proxies:
 - Average transaction size +/- \$500
 - Mode +/- \$200
 - Varies by corridor
- Highly fragmented market – hundreds of operators in some markets and limited in others
- Competition is set to increase due to slowly changing regulatory environments, but yet to be seen
- This is a multi-market business. Large differences between countries and corridors.

Why the model has to change – Global trends

- Pricing and cost pressures
- Increasing competition
- Increasing use of technology
- Derisking
- Conflicting regulatory forces

Winners and losers in the transition from cash to new technologies

- Winners:
 - Existing companies with brand presence that can adapt to the new environment
 - Consumers
 - New entrants that can establish brand presence
 - Businesses with viable customer loyalty programmes - retention is key
 - Businesses that have a core competence of forming new partnerships – particularly with suppliers in other parts of the value chains
 - Firms that offer a broader range of financial services and become more rounded non-Bank Financial Institutions
- Losers
 - Existing businesses that don't adapt
 - New entrants who do not invest sufficiently in the brand and customer acquisition. Technology is only part of the story

Summary slide

- Remittance market will continue to grow – albeit at a slow, steady rate
- Europe transactions will grow slowly – more rapid growth comes elsewhere
- Prices will fall
- Technology will fundamentally shift how transactions happen, **but** this will take time
- Winners will come from some existing players with strong brands, the ability to adapt and the right strategy
- Businesses that leverage remittances to offer a broader range of financial products have a strong chance of success

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As the leading global remittances consultancy, we provide:

- Practical solutions to maximise the impact of remittances
- Innovative and measurable financial education programmes
 - In depth and extensive market intelligence

Key trends

- Volumes are generally static
- Pricing is declining but slowly
- The number of operators has declined in the last 3 years – since derisking
- Competition levels vary dramatically by country – Spain and UK are high, France and Germany are low