

The Inflection Point in the Money Transfer Industry Is It Already Here?



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University of Miami
November 6th, 2013

9:00 am

IMTC

Inflection Point

- ▶ An inflection is a turning point after which a dramatic change, with either positive or negative results, is expected to result.
 - ▶ Significant Changes in the Progress of an Industry.
 - ▶ Growth Rates Change.
 - ▶ Competitive Structures Change.
 - ▶ Critical for Industries to Understand.
 - ▶ Incumbents and New Entrants.
- ▶ What is Happening to the Money Transfer Industry?



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Disintermediation is Taking Place and Compliance Will Not be a Barrier to Entry

▶ Vertical Channel Disintermediation

- ▶ First area -- distribution channels in recipient countries.
 - ▶ Multiple money transfer firms as clients.
- ▶ Now - Distribution Network.
 - ▶ MoneyGram and PayPal.
 - ▶ If not Shared, Distribution Moves from an Asset to a Liability.
- ▶ Now -- Inter-bank transfer, Compliance, Treasury.
- ▶ Compliance.
 - ▶ Third party firms are emerging. Eventually will serve multiple customers and ensure “know your customer.”
 - ▶ Existing firms will recognize compliance is not a source of competitive advantage and market compliance processes.

PayPal™

 **MoneyGram.**



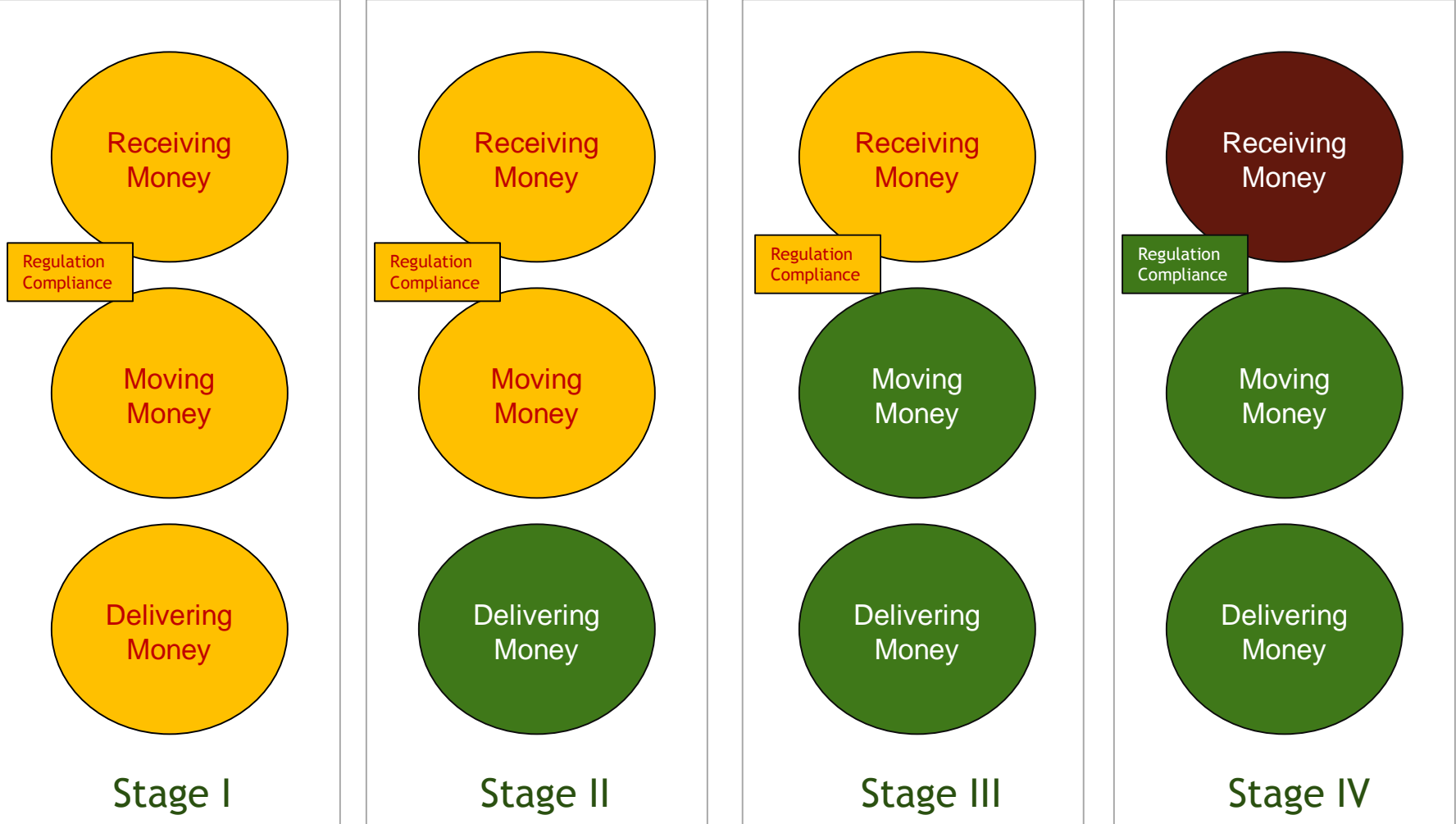
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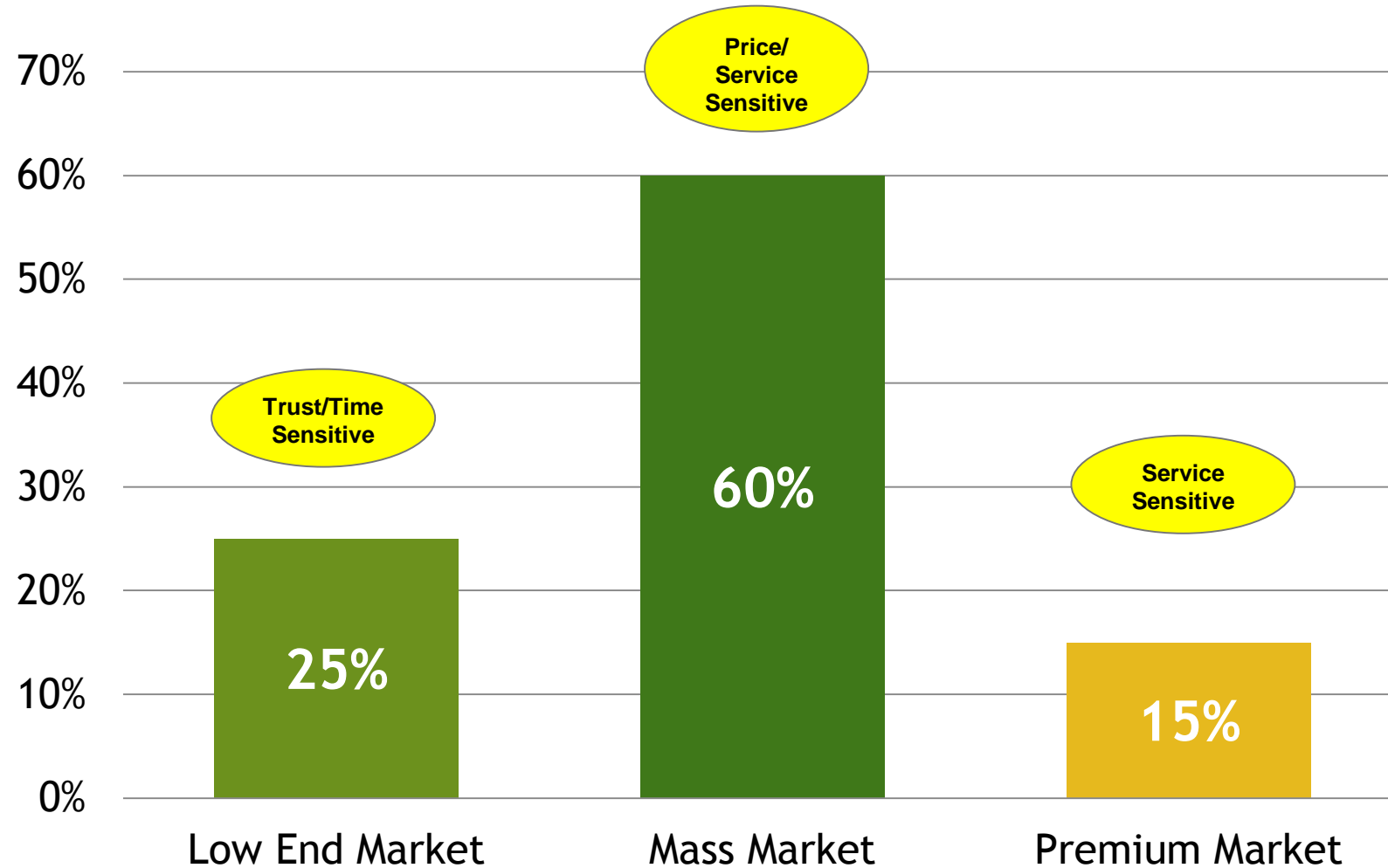
Industry Movement

What Will be Our Core Competency?

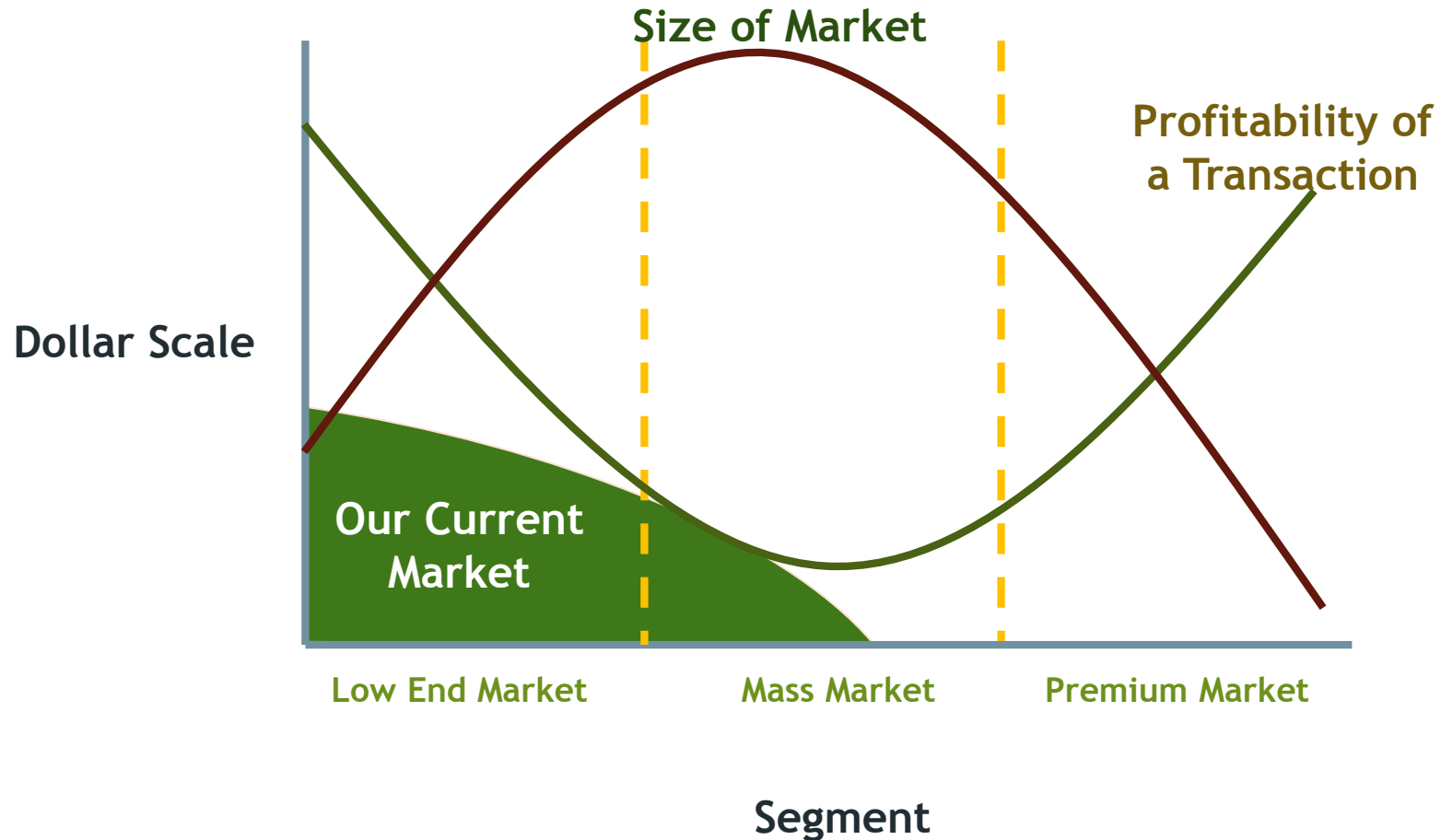
Vertical Integration Outsourcing Delivery More Outsourcing Virtual Networks



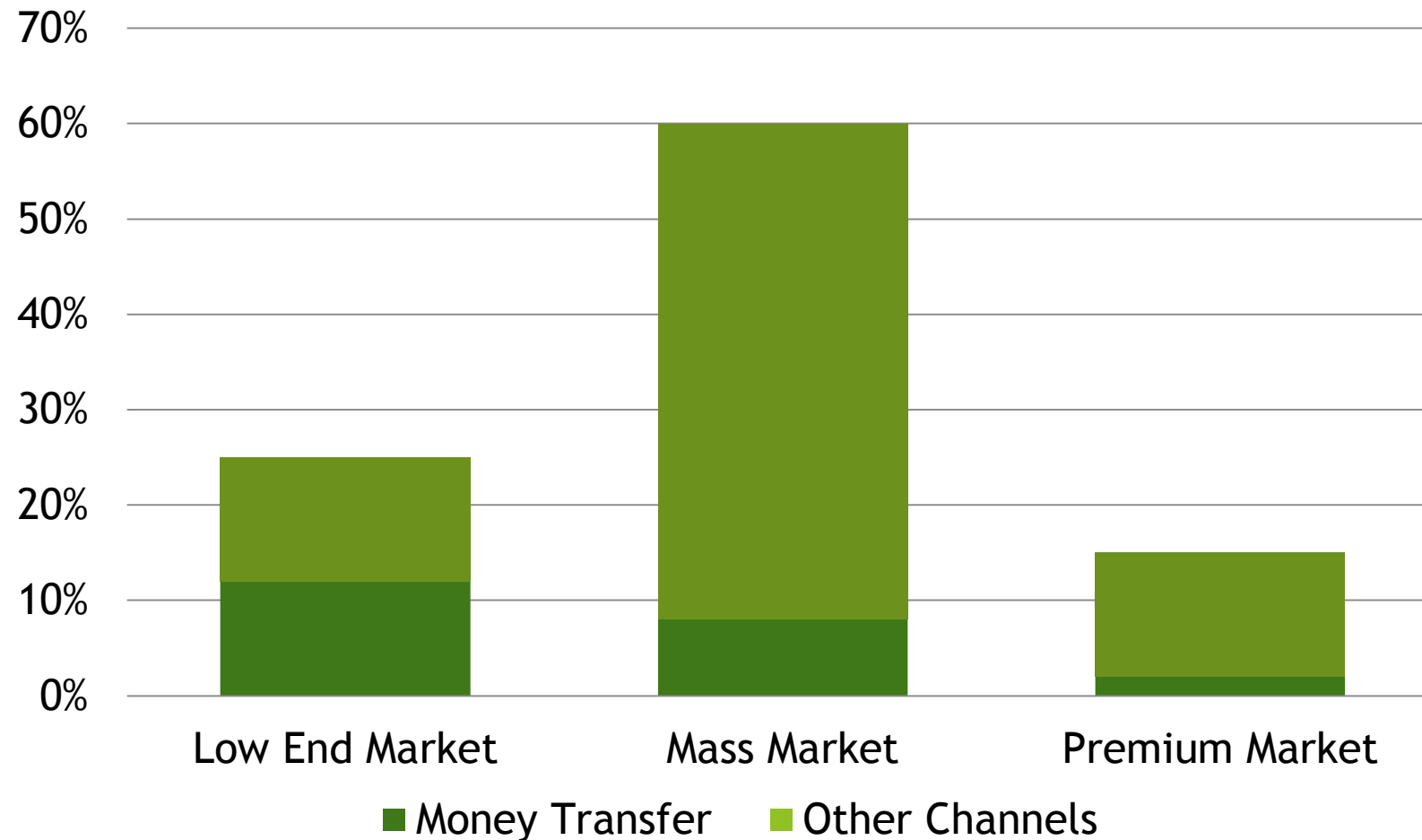
Traditional Market Distribution



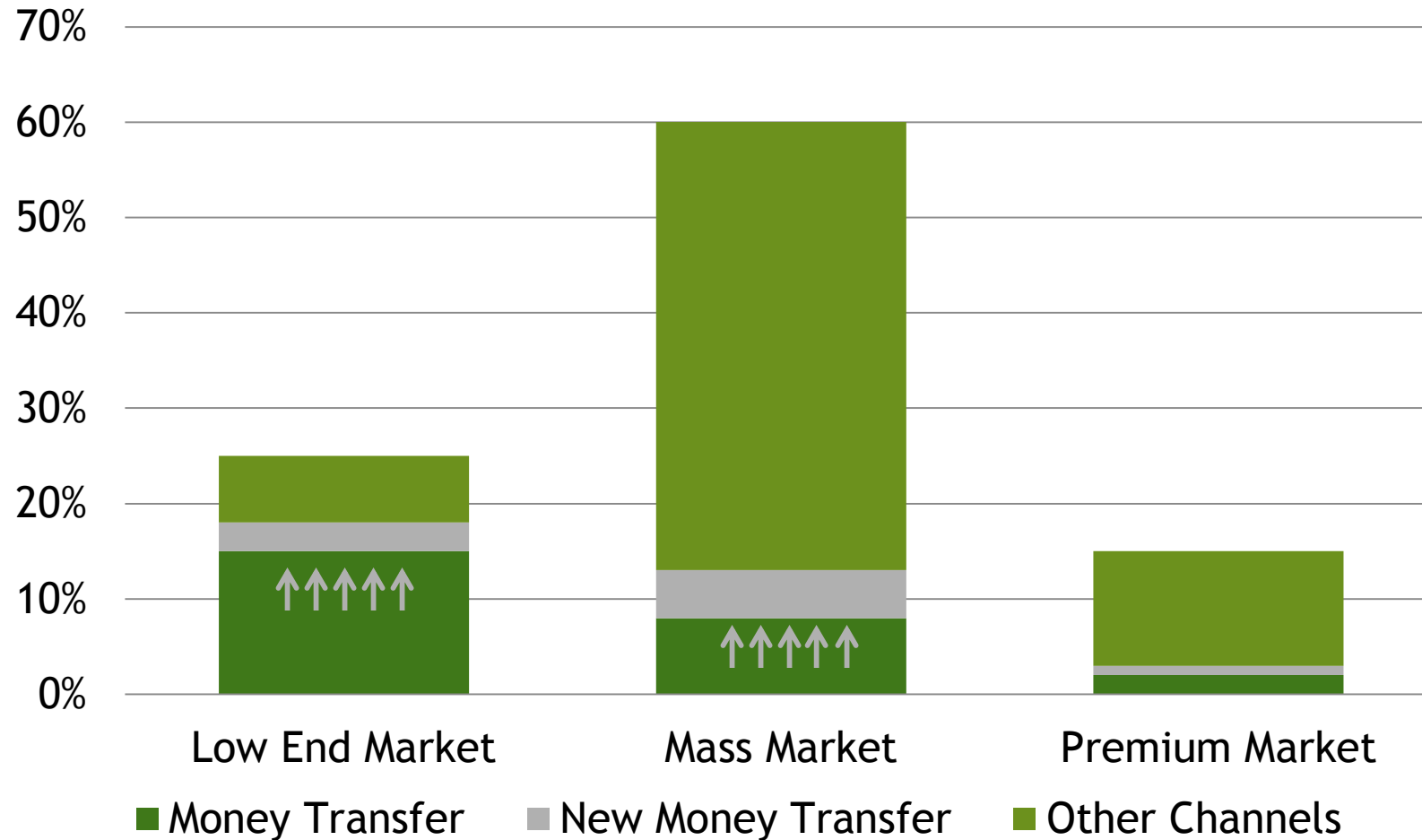
The Money Transfer Business



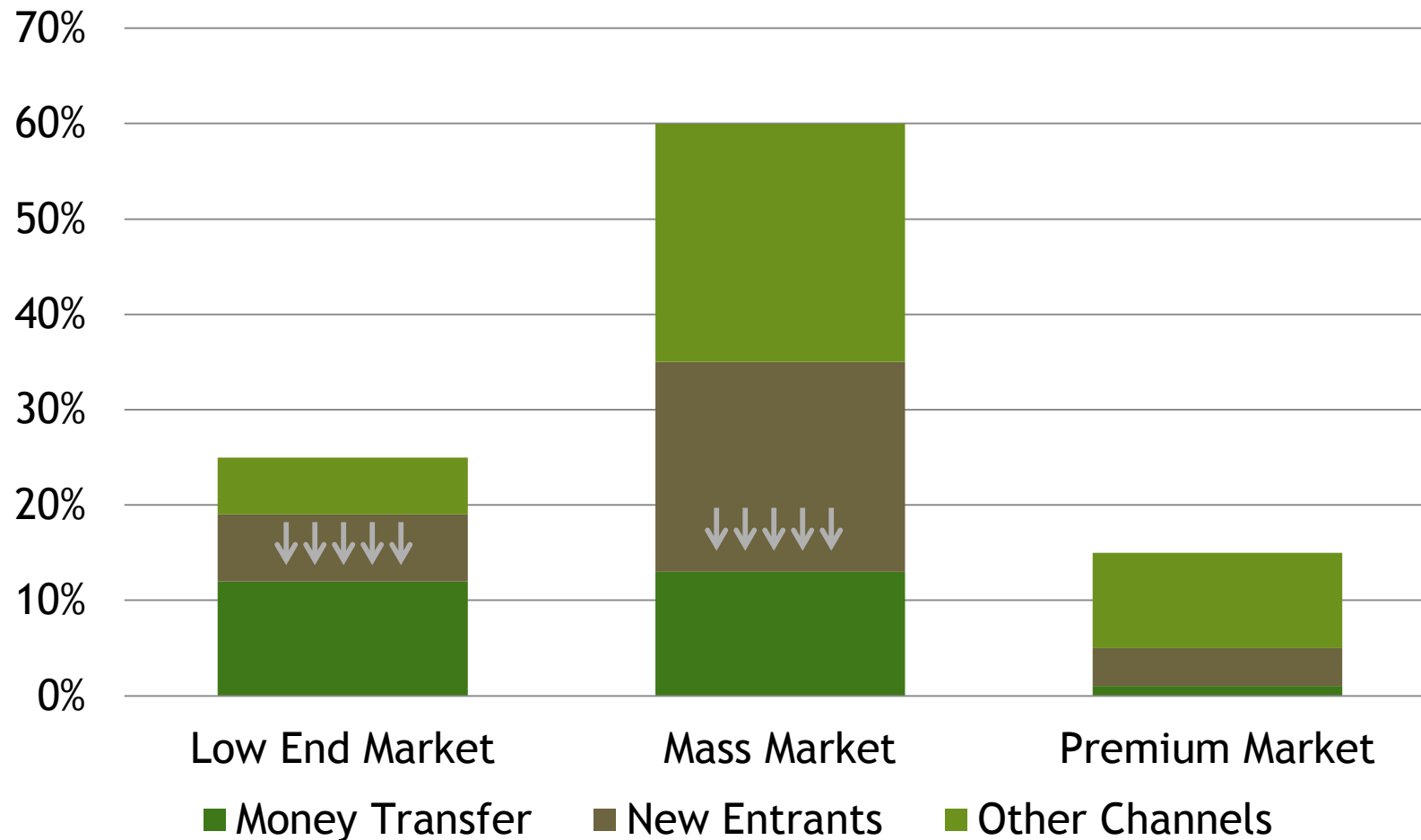
Money Transfer Firms Market Share - Stage I (pre 2000)



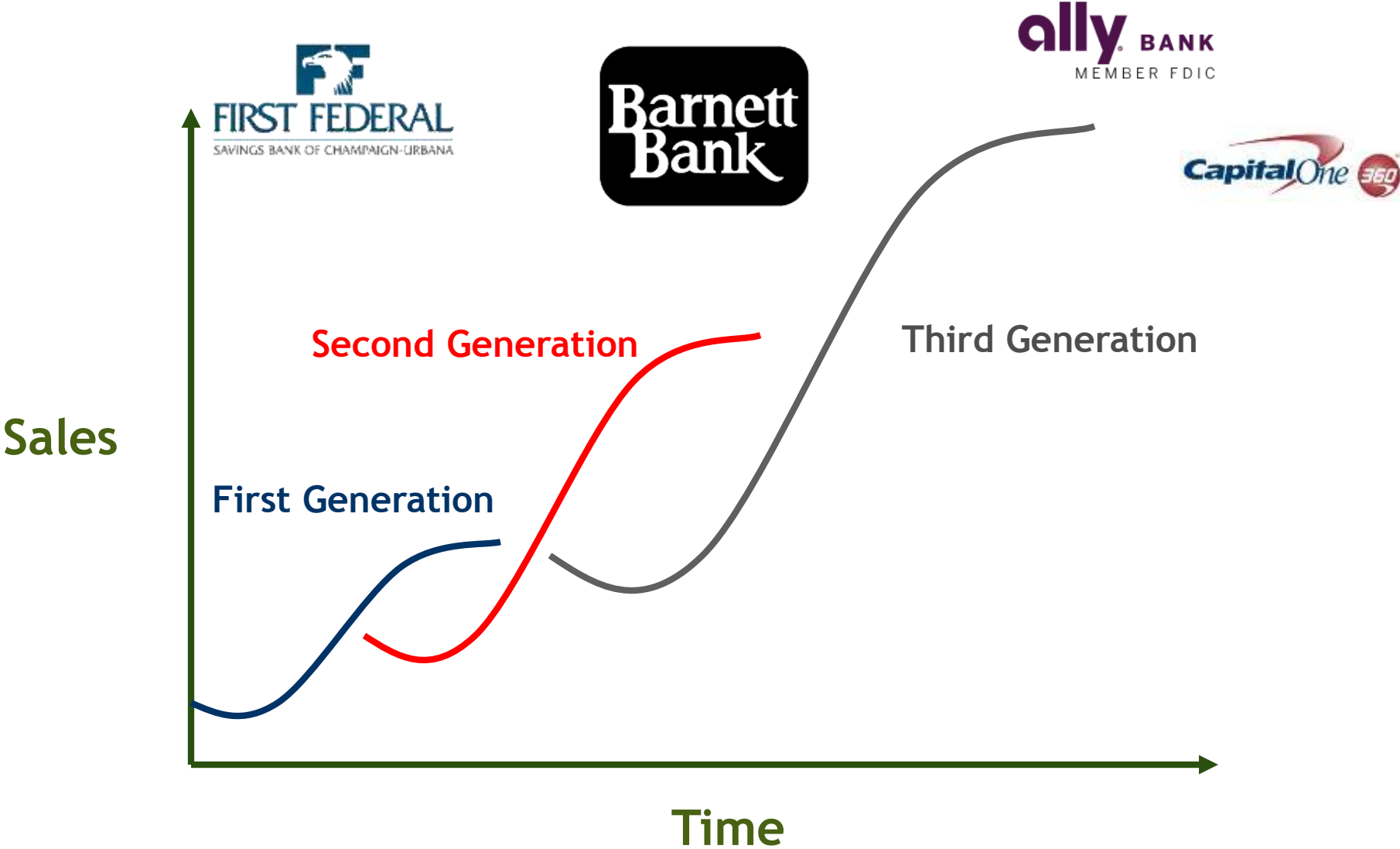
Money Transfer Firms Market Share - Stage II Post 2001



Money Transfer Firms Market Share - Stage III (2015)



Evolving Markets

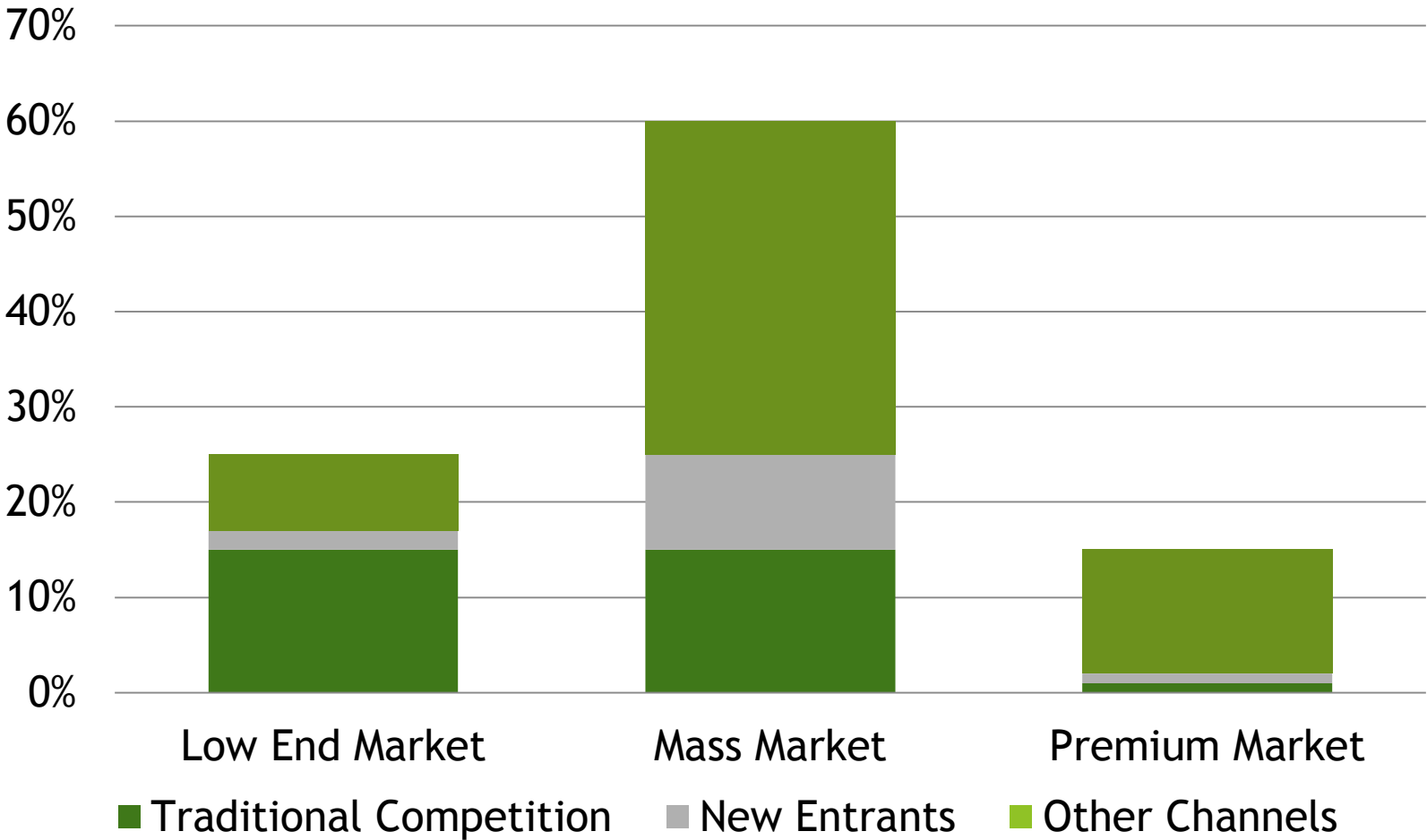


Industries Studied

- ▶ Travel Agents
- ▶ Books Stores
- ▶ Banking
- ▶ Emerging
 - ▶ Automobiles (Tesla, GM)
- ▶ **My Focus - Sending Channels.**

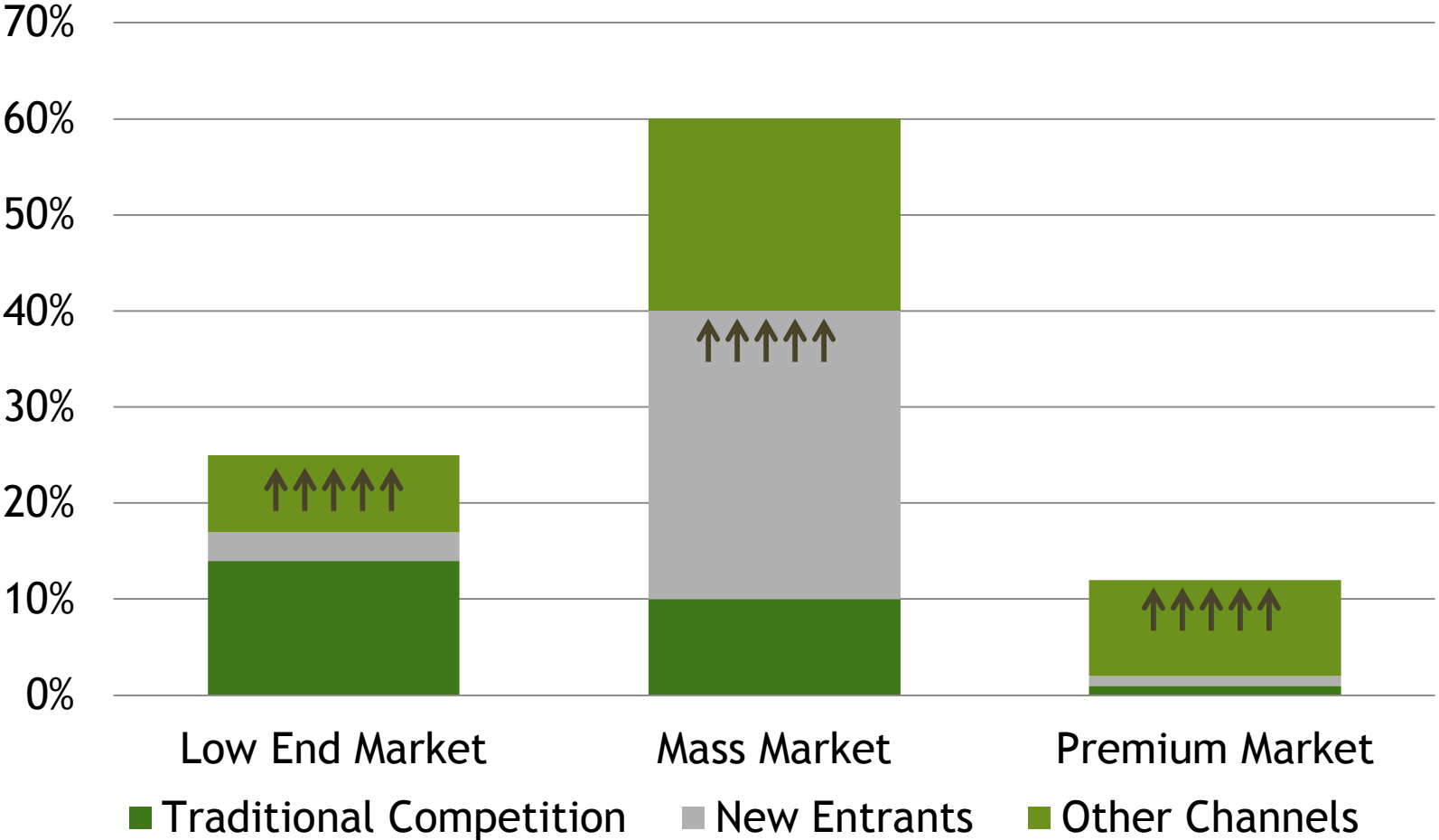


Disintermediation - Stage I



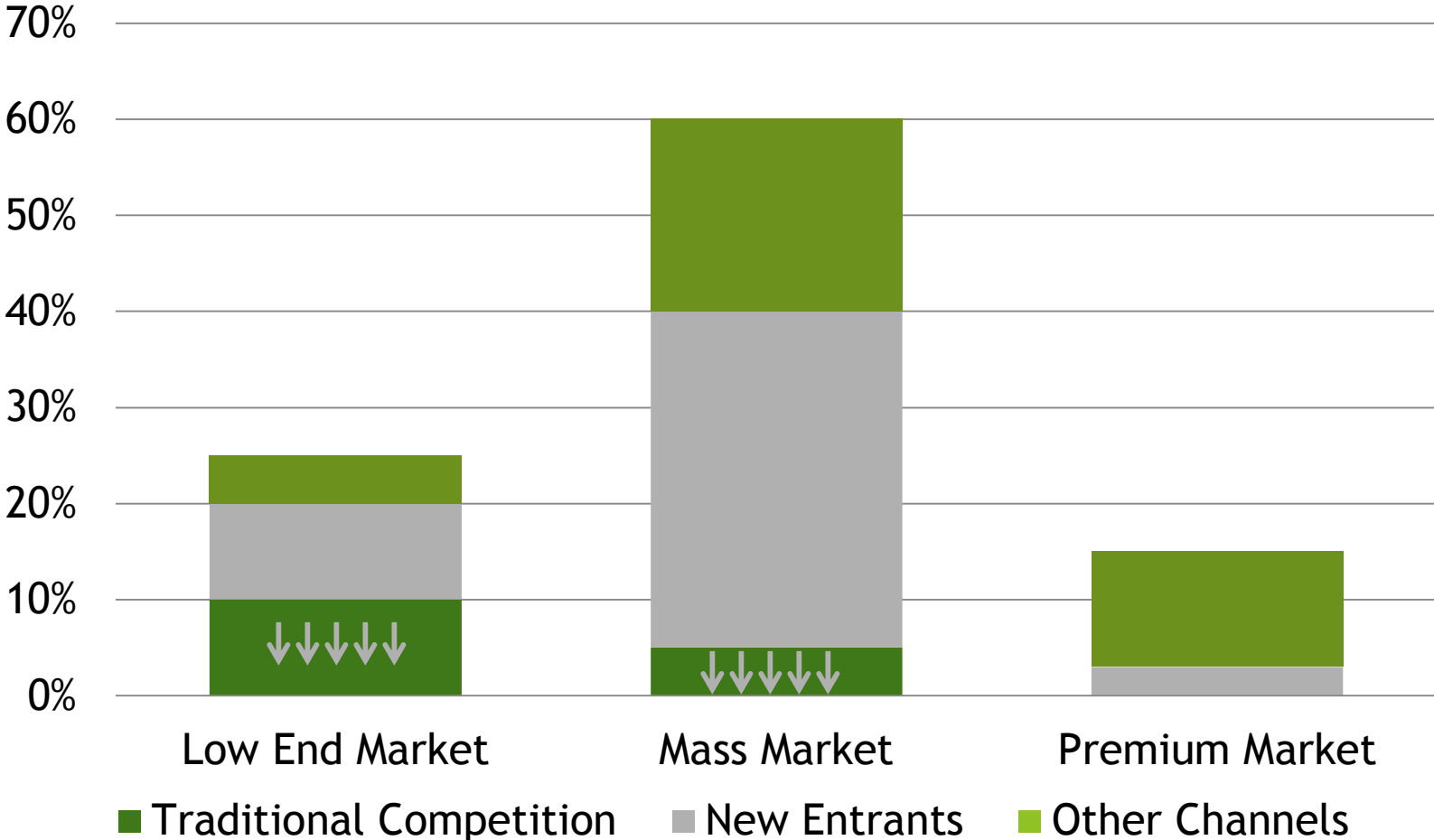
Disintermediation - Stage II

Rapid Growth of New Entrants

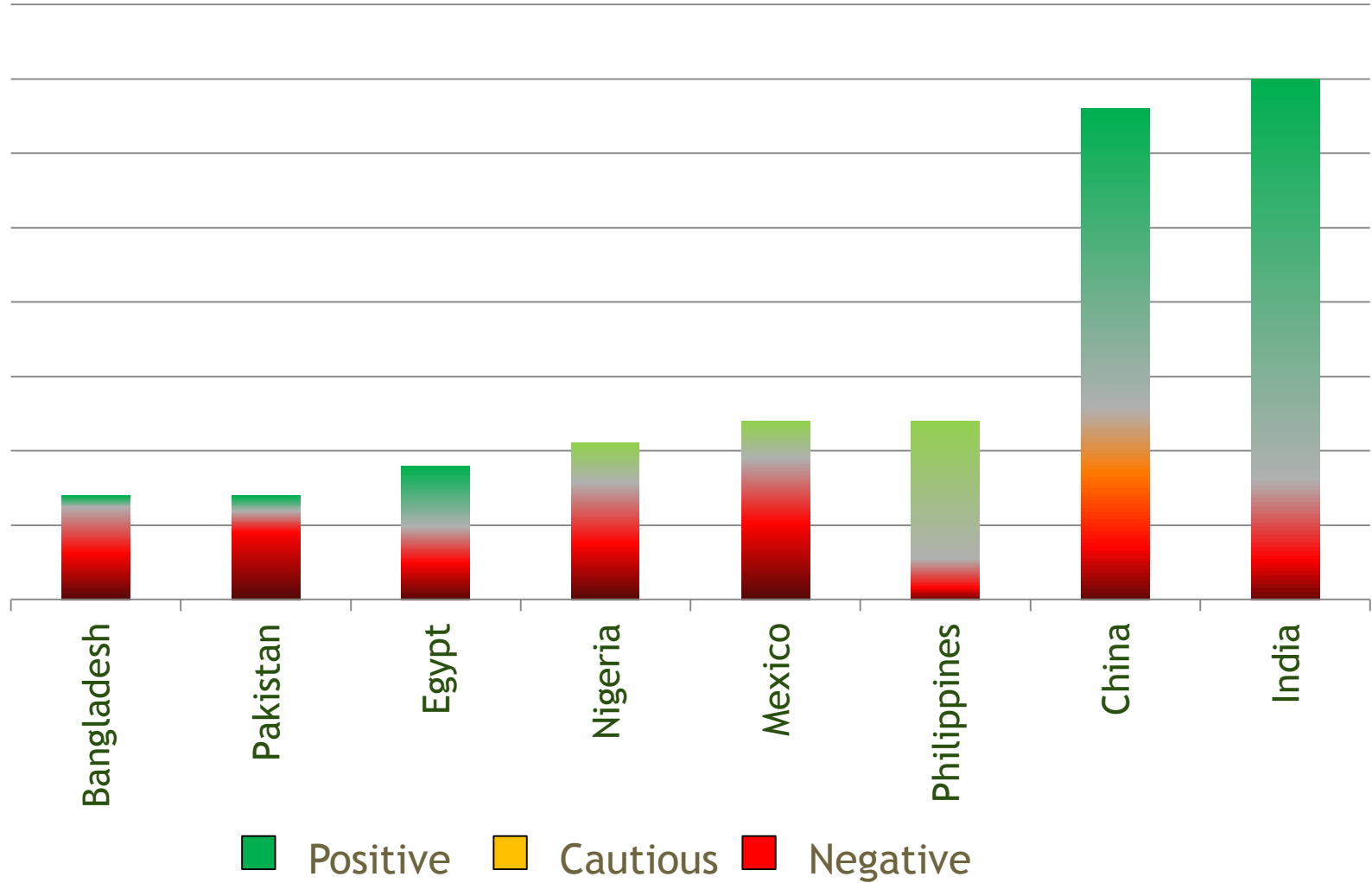


Disintermediation - Stage III

Decline of Traditional Competition



Customer Attitudes Toward Non-Cash Payments (Graph Shows Size of Market)



Reasons for the Decline of Traditional Business

- ▶ Shift from Higher Margins to Lower Margins.
- ▶ Channel Costs.
- ▶ Channel Expectations of Equivalent Pricing.
 - ▶ Reducing Channel Pricing to Equivalent of Disintermediated Pricing.
 - ▶ Channel Costs Remain High.
- ▶ Ignoring Non-Traditional Channels.
 - ▶ Success Leads to Failure.



Planning for 2020

- ▶ **Debundling.**
 - ▶ Most Firms will not provide full line of services.
 - ▶ Outsourced Activities.
 - ▶ Distribution.
 - ▶ Compliance, Treasury functions.
- ▶ **Distribution is at an Inflexion Point.**
 - ▶ Traditional Channels Will Turn from Being an Asset to a Liability.
 - ▶ Leverage, Reduce or Increase Prices.
- ▶ **The Industry will go Through Competitive Transformation.**



Arun Sharma



Dr. Arun Sharma is Executive Director of the JAE Leadership Institute and Professor in the Marketing Department at the School of Business Administration, University of Miami. Arun has extensive knowledge of firms through his experience in consulting, and conducting seminars. He is a well known expert in Global Market Trends, Leadership Strategies, Sustainable Competitive Strategies, and Market Strategy and his expertise is in designing and implementing corporate strategies. He has consulted and conducted seminars for companies such as Accenture, Agilent Technologies, Ambrosetti, American Express, AT&T, Bell South, Citrix, Ericsson, Exxon, Goodyear, HP, IBM, Lucent, Macy's, MasterCard, Motorola, Siemens, Sprint, Telecom Italia, Telecom Italia Mobil, Visa International, Wal-Mart and Western Union. He has extensive expertise in business and consumer markets, technology, financial, telecommunication, healthcare, consumer goods and consulting industries.

He has previously taught at the University of Illinois at Urbana-Champaign where he received his Ph.D. in marketing in 1988. Arun also has an MBA and a Bachelor of Engineering degree in Metallurgy. Prior to joining the academic world, he worked for three years in a high-technology firm where he handled product management and sales management responsibilities.

Arun has published extensively (over 80 refereed articles) and is on the review board of major journals and has received many excellence in research and excellence in teaching awards from the School of Business Administration at the University of Miami.

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