



Arun Sharma, Univ. of Miami

**Arun Sharma's Five Fearless Trends for
the Money Transfer Industry**



IMTC West 2013

Conference Day Two – 9:15 - 10:00

Arun Sharma's Five Fearless Trends for The Money Transfer Industry

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The Presentation



- Five Trends that I am Currently Observing.
 - The first three are short-term (1-4 years).
 - Last two are more long-term (3-10 years).
 - Growth will Come from Non-traditional Channels (Internet, Mobile, Smart Phones).
 - Growth of Technology, Corridor Specific and Niche Firms – Erosion of Margins.
 - Disintermediation Will Take Place and Compliance will not be a Barrier to Entry.
 - Emerging Nation Firms that Provide Reverse Transfer (developing markets to developed markets) will Emerge and Compete with Traditional Firms.
 - Mobile Money: A technology whose time has not come.

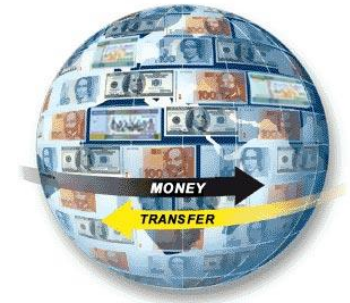
Some Trends That Effect Our Markets – We Are in The Initial Stages of This Industry



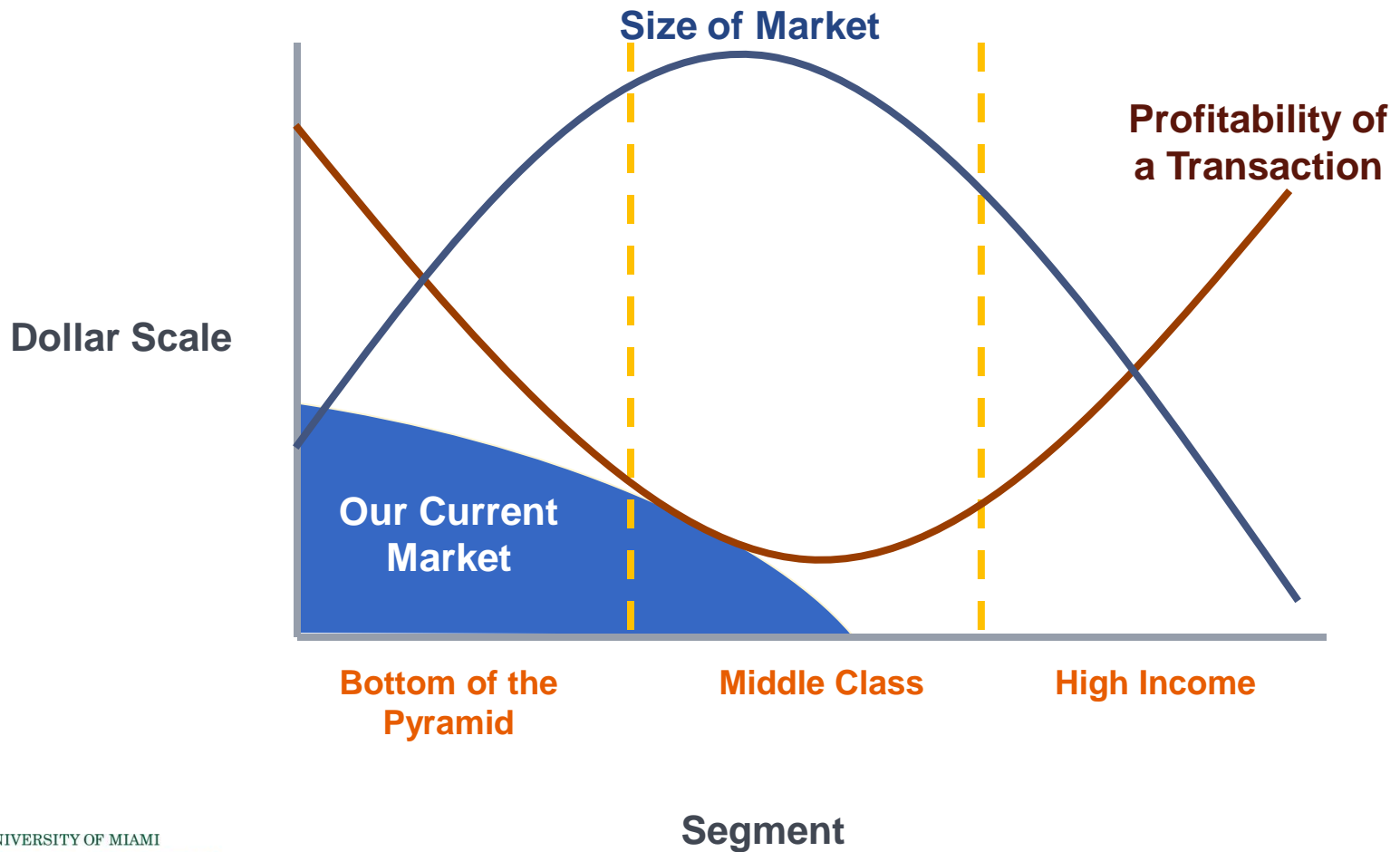
- International Migration Continues.
 - Aging Population of Europe, Japan and China.
 - Need for Migrants.
 - Expected to Grow from 300 million in 2010 to 600 million in 2050.
 - Migrants will Have Wider Distribution of Poor and Rich.
- Non-traditional Migration will Increase.
 - Predominantly Emerging Nation to Emerging Nation.
 - Interesting Migration Patterns.
 - Bangladesh to India (4 million).
 - Afghanistan to Iran (1.5 million).
 - Within Eastern Europe/Central Asia (5 million; Russia, Ukraine, Kazakhstan, Belarus, Uzbekistan).
 - Spain and Greece to Germany.

Growth will Come from Non-traditional Channels

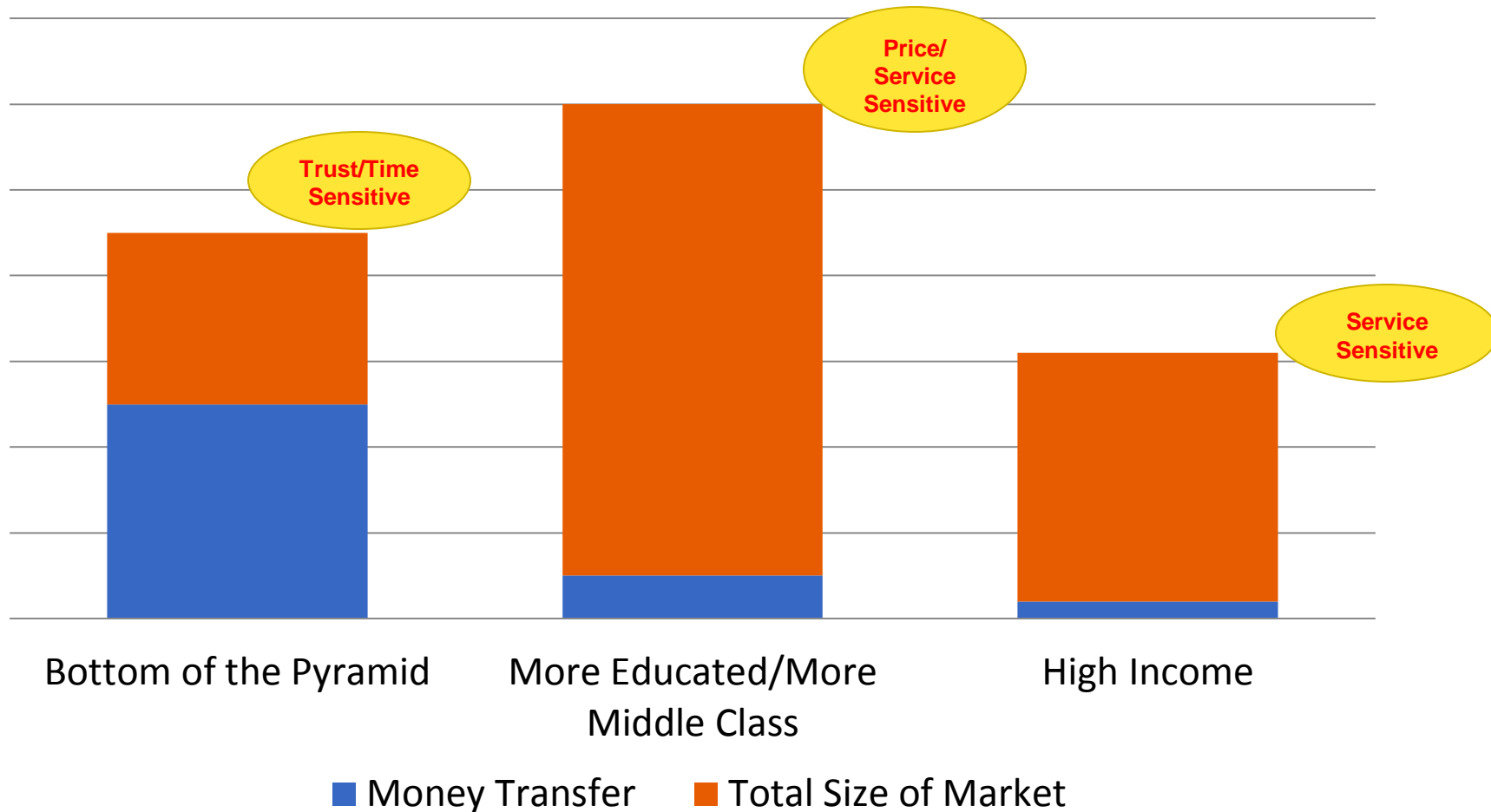
- Internet, Mobile, Smart Phones will Shift Transactions Away from Retail outlets.
- Drivers:
 - Technology Availability.
 - Middle Class Customers.
 - Find Retail Channels Expensive and Inconvenient.
 - Lower Middle Class Customers.
 - Children are Comfortable with Technology.
- Retail Channel Assets may become a Liability.



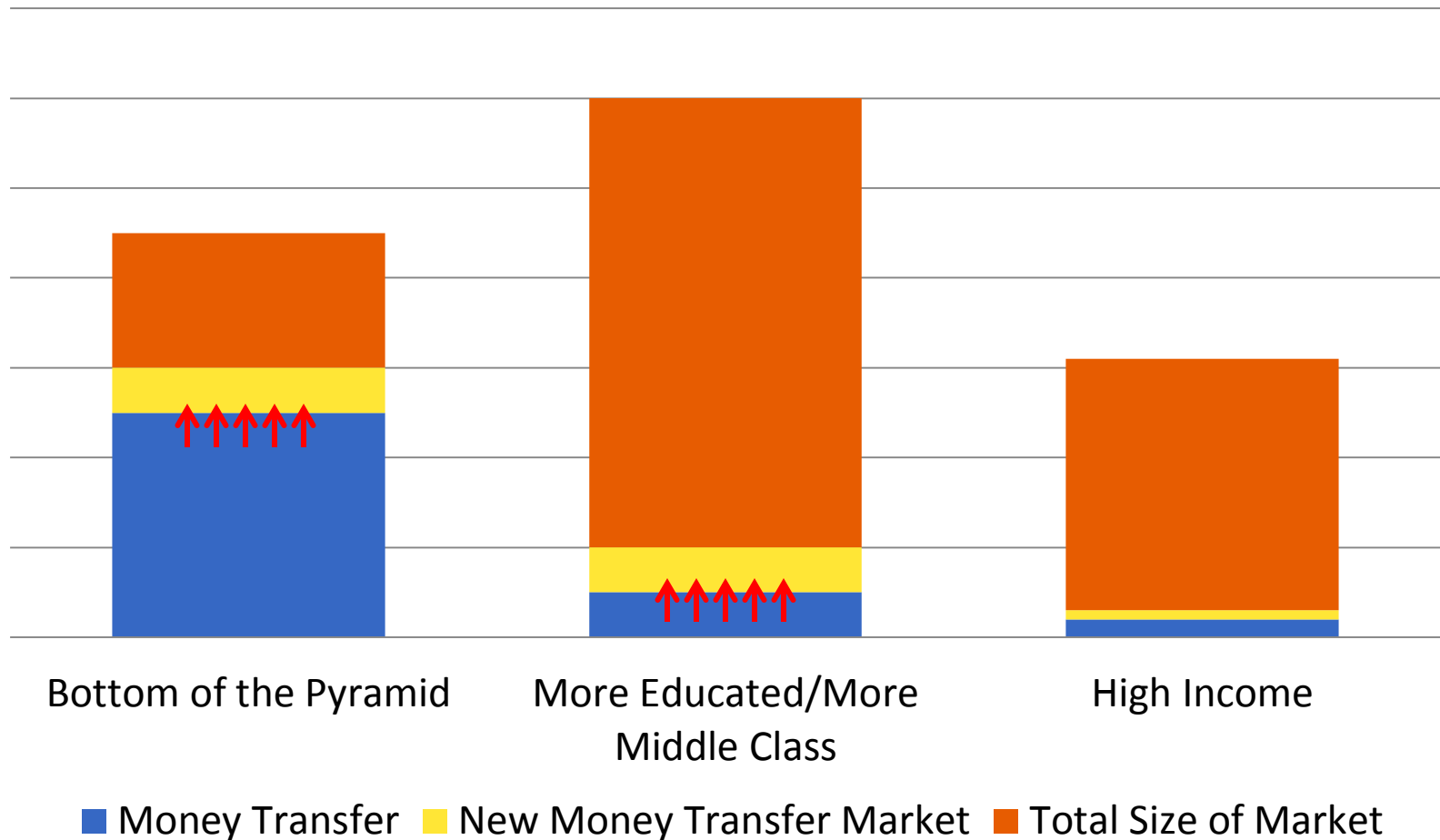
The Business



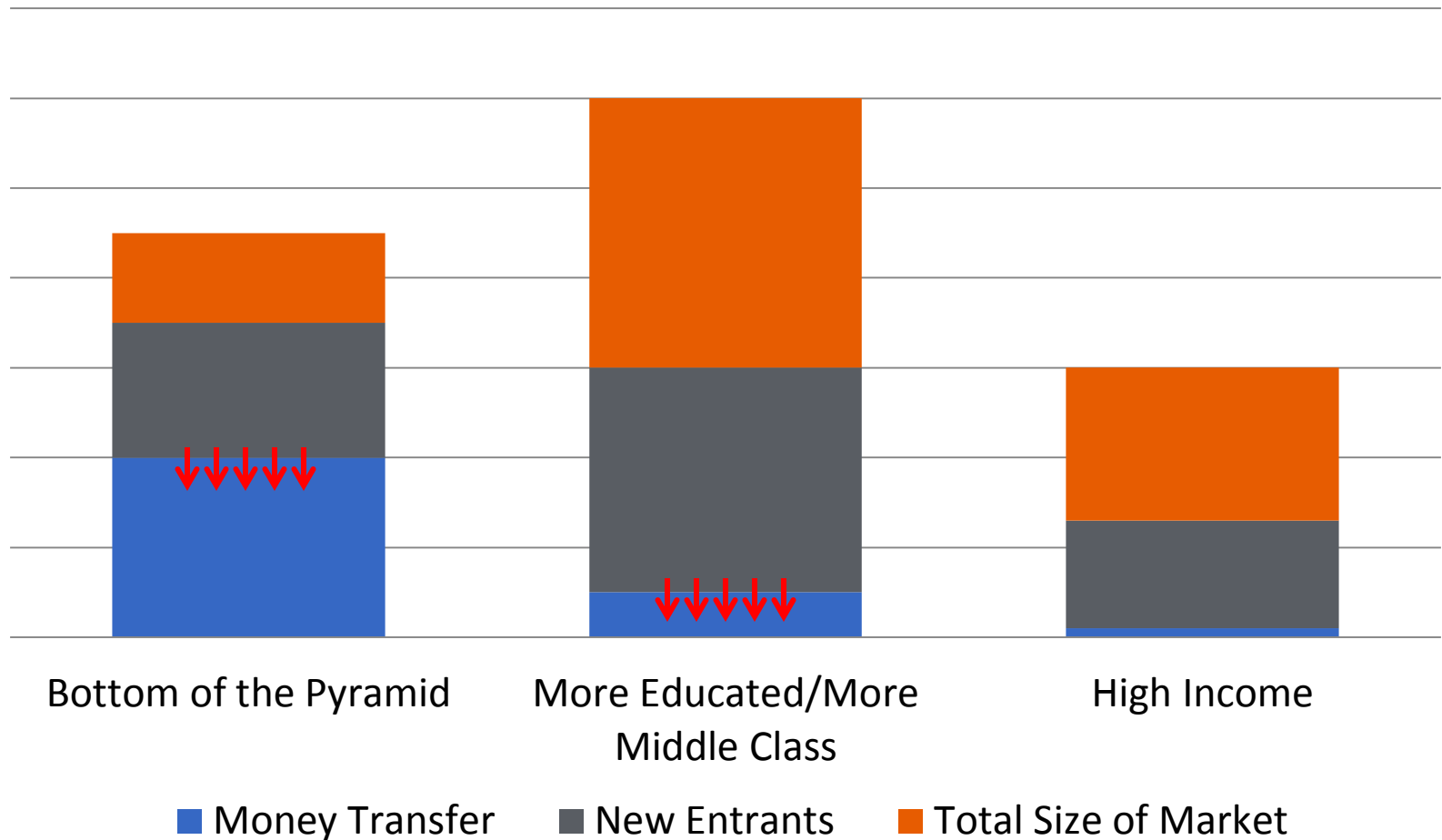
Money Transfer Firms Market Share – Stage I (pre 2000)



Market Share Capture by Money Transfer Firms – Stage II (Post 2001)



Market Share Shifts Due to New Technology Entrants in the Market – 2020



Growth of Technology, Corridor Specific and Niche Firms – Erosion of Margins

- Technology based players will seek to bring standardized processes and scale to the industry.
 - High fixed cost of development followed by low transaction costs.
- Corridor specific players will grow.
- Niche players that provide additional services to customers will grow (e.g., Grocery Stores).
 - Top and bottom of the market.
- With increasing competition, margins will decrease.



Disintermediation Will Take 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.

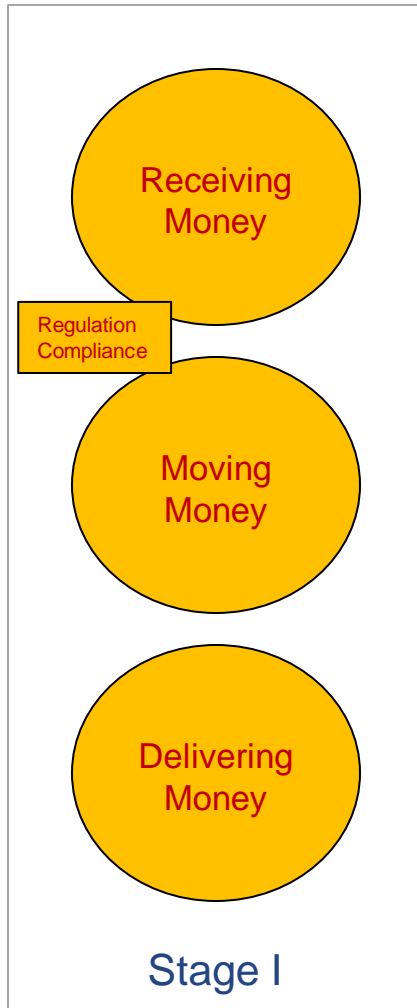
PayPal[™]

 **MoneyGram**

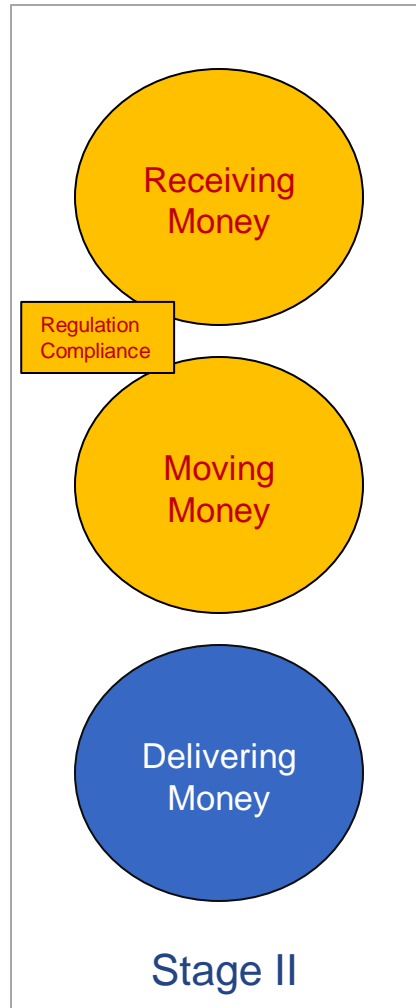
DISCOVER[™]
NETWORK

Industry Movement – What Will be Our Core Competency?

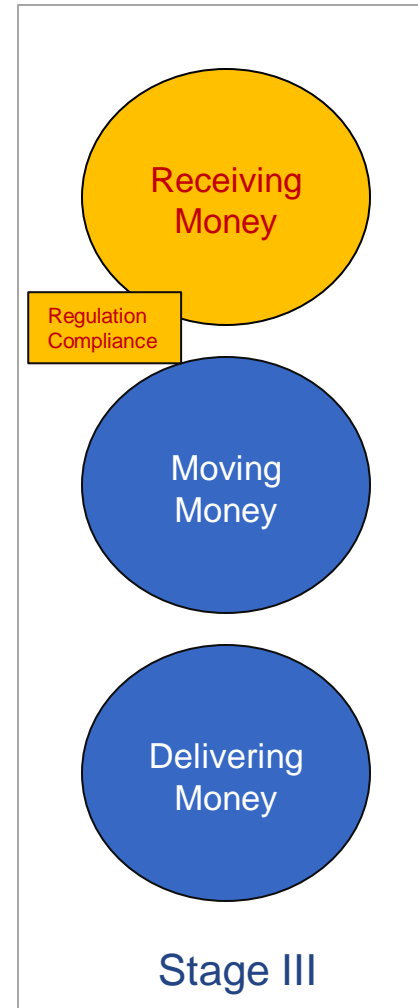
Vertical Integration



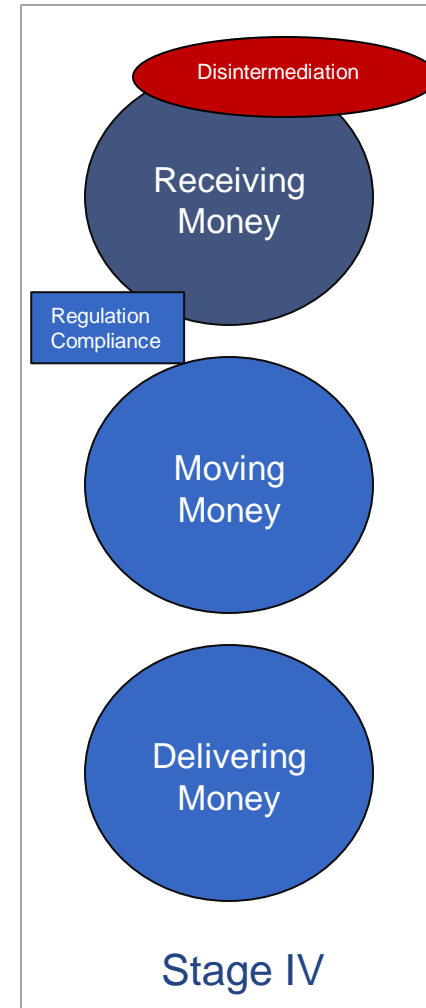
Outsourcing Delivery



More Outsourcing



Virtual Networks



Emerging Nation Firms will Emerge and Compete with Traditional Firms

- Reverse transfer from developing countries to developed countries is growing.
 - Developing countries to developing countries money transfer is also growing.
- Competitors from emerging nations will expand in the next few years.
 - Latin America -- Delgado Travel, Jet Peru, More Money Transfer and AFEX.
 - Initial in Niches and will Expand.



Mobile Money: A Technology Whose Time Has Not Come

- The infrastructure, customer access, and affordable fee structures for mobile money does not exist except in few countries.
 - Kenya.
- De-regulation of the financial sector (away from banks) will be the key in increase of mobile money.



Planning for 2020

- Distribution is at an Inflexion Point.
 - Leverage, Reduce or Increase Prices.
- Debundling.
 - Most Firms will not provide full line of services.
 - Outsourced Activities.
 - Distribution.
 - Compliance, Treasury functions.
- Global Market Shifts.
 - Three Large firms (>10% market share).
 - One from Americas; One from Asia; One from Africa?
 - Growth in Niche Firms specializing in customer/product/markets (<5% market share).
 - Corridor Players Become Country Specialists.
 - Internet Only Players Enter Money Transfer Industry.
 - Firms struggling to find footing (5-10% market share).



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. He can be contacted at 305.284.1770, Fax: 305.667.2557 and email: asharma@bus.miami.edu.