


The State of Online/Mobile Remittances today

*The mobile boom for incoming transfers
and
the online uptake of outgoing transfers*

Hugo Cuevas-Mohr
Mohr World Consulting

IMTC USA 2014 - San Diego, CA June 24-26



Online Remittances Are Primed to Explode?

Tuesday, May 13, 2014 Share 9

6 Reasons Online Remittances Are Primed to Explode: *International money transfers are moving online - and that's good news for the BoP*
By Logan Lemberger

- A Growing Demand
- Increased Access to Financial Services
- Greater Ease of Technology Adoption
- An Expanding Middle and Upper Class
- Maturing of Immigrant Communities
- A Changing Landscape

 **next billion**^{2.0}
development through enterprise <http://nextbillion.net/blogpost.aspx?blogid=3877>



Online Money Transfers



- Western Union
 - 1Q2014 : Total revenue increased 2% (to 1,351 M)
 - Consumer money transfer transactions grew 9%
 - westernunion.com revenue growth accelerated; total electronic channels revenue increased 36%. Electronic channels revenue is 6% of total company revenue in the quarter (± 81 M)
 - C2C: 80% of Company revenue
 - Strategic Initiatives 2014: Strengthening consumer money transfer, with an emphasis on digital expansion

Q1 2014				
Regions	Revenue Growth/ Decline	Currency Impact**	Transaction Growth	% of Total Revenue
Europe and CIS	1%	1%	10%	21%
North America	1%	-1%	4%	19%
Middle East and Africa	4%	1%	8%	16%
Asia Pacific	1%	-3%	8%	12%
LACA	-4%	-9%	6%	8%
westernunion.com	45%	-1%	55%	4%

*Note: Currency impact included in revenue growth.

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Online Money Transfers



- MoneyGram International
 - 1Q2014 : \$375 M Q1 2013: \$340M YOY% 10%
 - MT Rev \$326 M Bill Payment: \$25.6 M
 - Self-service money transfer revenue grew 35 percent in the quarter and represented 7 percent of money transfer revenue (±23 M).

Self-Service and New Channel



- Self Service and new channel represented 7% of money transfer revenue in the quarter
- Approximately 150,000 new active customers added in the quarter

Q1 2014	Transaction Growth	Revenue Growth
Self-Service and New Channel Money Transfer	54%	35%
MoneyGram Online (Money Transfer & Bill Pay)	36%	26%

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Online Money Transfers

- Xoom
 - Revenue for 1Q2014 \$36 M increase of 48% 1Q2013.
 - Gross profit for 1Q2014 \$26.4 million, increase of 57% 1Q2013
 - Net Income for 1Q2014: \$0.4 million
 - Transactions:
 - Volume for 1Q2014 grew 49% to \$1.6 billion
 - Transactions grew 42% to 2,896,639 (32,000 per day)
 - Active customers grew 34% to 1,130,367
 - New customers grew 7% to 117,095
 - *Shares of Xoom (NASDAQ: XOOM), an online and mobile-based provider of money transfer services around the globe, zoomed higher by as much as 22% after the company reported better-than-expected first quarter earnings results. Even at the high end of its EPS estimates, Xoom isn't cheap at more than 100 times this year's expected profits. But you're going to receive incredible growth prospects in return as you can tell by its transaction and active customer growth.*

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Xoom User Stats

Xoom User Stats	Year Ended December 31:			9 Months Ended:
<i>Source - prospectus and sept 2013 10Q</i>	2010	2011	2012	Sept 30, 2013
Transactions	2,848,000	4,068,000	6,617,000	7,243,600
Gross Sending Volume	\$858,955,000	\$1,706,659,000	\$3,248,457,000	\$4,177,988,000
Active Customers	392,666	516,597	776,426	997,753
New Customers	225,949	291,532	405,304	368,130
Cost per Acquisition of New Customer	\$37	\$38	\$44	\$41
Churn Calc				
Opening Customers		392,666	516,597	776,426
Additions		291,532	405,304	368,130
Losses		(167,601)	(145,475)	(146,803)
Closing Customers		516,597	776,426	997,753
Churn as % of opening customers		(43)%	(28)%	(19)% (25)%
Average Customer lifespan (Years)		2.3	3.6	4.0
Average size of remittance	\$302	\$420	\$491	\$577
Average number of transactions per users	7.3	8.9	10.2	10.9

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Online Money Transfers

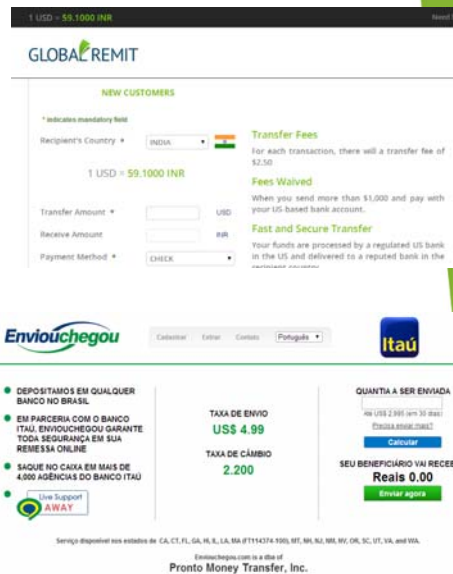
- Wells Fargo
 - Own channel & partnership with Uniteller
- Ria Envía
 - Digital Channels is just taking off
- Transfast
 - Mexico, India, Philippines, Pakistan,
 - Senegal, Nigeria, Bangladesh
- Philippines
 - PNB and other Bank Services
 - LBC
 - TimesofMoney: Remit2India
- Sigue, Xpress Money, Dolex
 - In the works...

Web Remit

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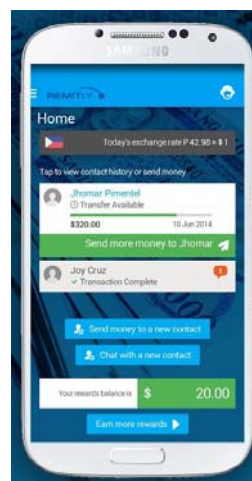
Online Money Transfers

- Global Remit
- Uniteller
- Enviouchegou



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Remitly: Mobile Money Transfers



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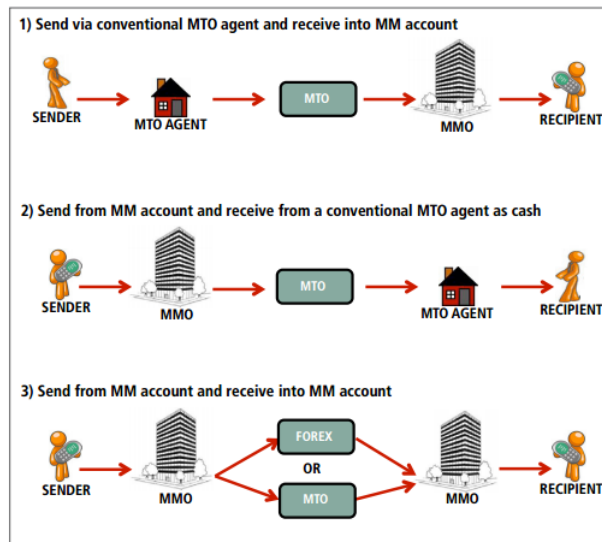
The Mobile Boom for Incoming Transfers

- The numbers of successful mobile money deployments for international remittances indicate that the transition from theory to practice has not been a smooth one
- In 2010 there were only about 10 such deployments. By 2014 that number stands around 50
- In 2013 the value of international remittances via mobile phones surpassed \$10 billion (less than 2% of a global remittance volume of \$540 billion)
- Mobile-phone based remittances have not attained anything close to the market share that was predicted for it just a few years ago.
- Four barriers exist that have inhibited the growth
 - The international interoperability of mobile wallets
 - The regulatory environment
 - Problems of scale
 - Acceptance of and trust in a new remittance medium on the sender's part.
- I will add a fifth: Ownership of the channel

<http://mondato.com/blog/airtime/>

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MTO-MNO Partnerships

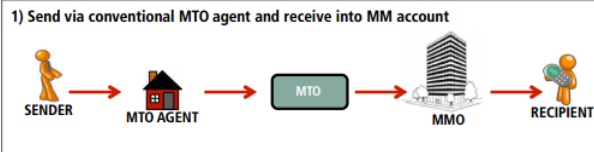


http://www.gsma.com/digitalcommerce/wp-content/uploads/2013/10/Mobile_Money_Transfer_International%20Remittance%20Considerations%20WP%202013.pdf



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MTO-MNO Partnerships



1) Send via MTO agent and receive into mobile money account:

- The sender uses a conventional international remittance service to put funds in.
- The recipient receives these funds into his mobile money account.

Examples:

- *A sender in Saudi Arabia uses Western Union to send money directly to a Filipino recipient G-CASH or Smart Money account.*
- *A sender in Saudi Arabia uses Xpress Money to send money directly to a Kenyan recipient with an Mpesa Money account.*

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MTO-MNO Partnerships

2) Send from MM account and receive from a conventional MTO agent as cash



2) Send from mobile money account and receive via a conventional international remittance service:

- The sender uses his account to send funds.
- Banked recipients have the money delivered to their bank account; unbanked recipients are instructed to collect cash at an MTO agent.

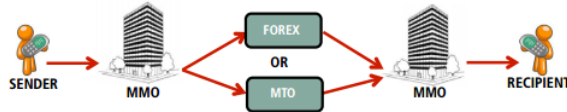
Examples:

- *A sender in Malaysia may use his Celcom Aircash account to send money to a recipient in Indonesia who collects his cash at the local post office.*

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MTO-MNO Partnerships

3) Send from MM account and receive into MM account



3) Send from mobile money account and receive into mobile money account: :

- The sender uses his sending country mobile money service to send funds to a recipient.
- The recipient receives these funds directly into his local mobile money account.

Examples:

- A sender in Japan can transfer e-money from his NTT DoCoMo account to a recipient Smart Money account in the Philippines.

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MTO-MNO Partnerships

The Regulatory :

- It is often a legal requirement that the funds moved between two countries by any international remittance service are accompanied by a "real" movement of currency between the two participating markets as settlement within a reasonable timeframe.
- It is normally the responsibility of the MTO to ensure that reconciliation and settlement between all parties takes place.
- The MTO also administers periodic settlement of any outstanding fees or commission between parties.

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MTO-MNO Partnerships

The Regulatory :

- Are Financial Institutions becoming MNOs?
- Are MNOs becoming Financial Institutions?

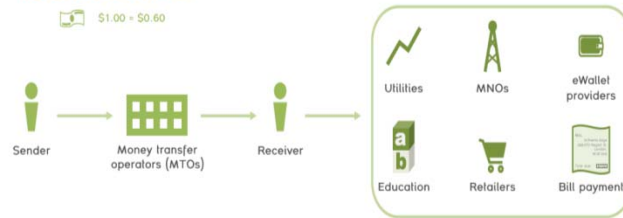
The screenshot shows the CGAP website header with the tagline "Advancing financial inclusion to improve the lives of the poor". Below the header is a navigation menu with options like Topics, Publications, Data, Regions, Blog, About CGAP, and Photos & Videos. The main content area displays the title "Why Equity Bank Felt It Had to Become a Telco – Reluctantly" in orange text. Below the title is a URL: <http://www.caap.org/blog/why-equity-bank-felt-it-had-become-telco-%E2%80%93-reluctantly>. The CGAP logo is on the left, and social media icons for Twitter, Facebook, LinkedIn, and YouTube are on the right.

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Changing Landscape of Remittances

A transition of money movement from P2P to P2B

YESTERDAY: P2P MODEL



TODAY: P2B MODEL



The money movement model is shifting towards services that create additional value (to the existing payment) through the use of direct channels to get to the end receiver, and thus eliminating any fees and surcharges















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Changing Landscape of Remittances

1	 Send to account	<ul style="list-style-type: none"> ▪ Money transfer directly to receiver's account ▪ Provides convenience of transferring money through digital channels, without excess fees and FX/transfer charges 	 
2	 Top-up airtime	<ul style="list-style-type: none"> ▪ Money transfer in the form of airtime, instantly and conveniently recharging the prepaid phone of the end beneficiary ▪ A natural complement to cash remittance, the international airtime transfer market is globally growing 	  
3	 Bill payment	<ul style="list-style-type: none"> ▪ Senders remit funds to pay the outstanding bill of an end beneficiary ▪ Secures recurring revenue to the utility providers and provides convenience to the end beneficiary 	  
4	 Pay for services	<ul style="list-style-type: none"> ▪ Senders remit funds directly to merchants and service providers, which are to be used by an end beneficiary ▪ Provides transparency, as there is assurance that remitted funds will be used for the purchase of a specific product / service 	 

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