



The Growth Of Migrant Services

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By Hugo Cuevas-Mohr – October 2019

Migrant Services Providers, from Travel & Foreign Exchange, to Remittances, airtime (top-ups), bill payment and now courier services, keep agents afloat while digital services continue their growth

Money Transfer Agents are a common feature in all migrant neighborhoods in cities across all the 5 continents. Full of services for migrants, they normally serve ethnic groups that live or work close by and they are mostly managed by migrants, probably the ones that came earlier and are more settled. Some have developed into chains of several stores, better organized, established and branded. Some developed 15 or 20 years ago and they are some of the MTOs today. Through the years, these migrant product & services have become sub-sectors of the money transfer industry and in some instances, industries on their own. Agents survive going through the changes and evolution of the services they provide, sometime reinventing themselves at every stage. They understand that digital services want to “disrupt” them and they try to convince their clients to be careful as they tell stories of friends losing money. Is a fight for survival but interestingly, the offline/online models are deeply intertwined.

At IMTC Conferences, in the ten years that we have been engaging the industry, initially with a focus on migrants and the traditional agent/branch model, we have seen how the industry has been changing and diversifying and the divisions between sectors disappearing. The IMTC Conferences have become the

International Money Transfer, Remittances and Cross-Border Payment Conferences, a broader name to fill the ever-expanding membership base of this industry.

Even the white & black division of Bank & Non-Banks have been disappearing in many ways. There are now Payment Banks, a regulatory response in some countries to get MMOs to have a differentiated license and provide financial services to their mobile userbase. There are Digital Banks that behave more like Non-Banks (Money Transfer Companies or Foreign Exchange Firms) and regulators in some countries are having trouble how to classify them. Some banks are not really recognized by other large commercial banks as banks, like the International Financial Entities (IFE) in Puerto Rico. Banks have moved to the island from other jurisdictions just to find out that they might not be considered “banks” by some. We have cases where a large bank has denied a wire transfer to another bank because “is not a bank”. Bank events are now catering to NBFIs (MSBs, PIs & EMIs¹) and the ever-expanding presence of banks at IMTC just shows us how financial services have changed and the service & products in this industry keep growing.

Technology is indeed a big driver of these changes. But is also customer behavior, decrease in margins, speed, transparency, etc. Fintech creativity is constantly surprising me when I discuss with start-ups their participation at IMTC events or seasoned companies developing and presenting new services & products, mostly digital but not all. We have seen ourselves this creativity with the [RemTech Awards](#) in 2019 and the [Innovation Forums](#) we hold, like the one coming at IMTC WORLD 2019, November 12 in Miami. For 2020, we are honored again to partner with IFAD for the 2020 awards at their Global Forum to be held in Nairobi, Kenya in June 2020.

Airtime (top-ups) & Bill Payment

In 2013 The Economist published an article stating that Airtime is money, the “other type of mobile money”². Airtime replaced the telephone cards that money transfer agents sold to their clients to call home with plans so migrants could call their families cheaply. These agents now offer top-ups. In 2018 airtime value was estimated at more than US\$600 million a month, just 4.5% of the mobile money ecosystem totaling US\$13.6 billion as this blog for Tranglo mentions³. This is not an insignificant amount for a niche market dominated by foreign workers. Now several online money transfers are selling top-ups in their online sites & mobile apps, such as Xoom, WorldRemit and others.

Bill Payment, also called P2B Money Transfers, is a service that has been developed fairly recently. I remember when Regalii, one of the first Bill Payment companies, came to IMTC in 2014⁴ to offer their new services to the industry⁵. Now, a number of MTOs offer these services to expand their product offerings to their clients. In most countries, these payments that are used by customers instead of remittances, are not statistically counted as remittances. In some countries the service is not performed by lack of regulation.

¹ Money Service Businesses (MSBs), Payment Institution (PIs) and Electronic Money Institutions (EMIs)

² <https://www.economist.com/finance-and-economics/2013/01/19/airtime-is-money>

³ <https://tranglo.com/airtime-top-up-is-still-relevant/>

⁴ It is interesting to note that the first Bitcoin Panel at IMTC was in November 2012, before Bill Payment was mentioned as a cross-border service.

⁵ In 2012-3, Edirizio De La Cruz co-founded Regalii, alongside Iñigo Rumayor, Ramon De La Cruz and Juan Maldonado (who was invited to IMTC in 2014 to showcase the start-up) and rebranded as [Arcus](#) in 2018

Courier Services

Courier and Packaging Services have been provided by Money Transfer Agents for quite some time now. I want to remind my readers that Money Transfer Agents were either Travel Agencies and/or Foreign Exchange Companies back in the 80s when the appearance of the Fax and new regulation (fueled by the large migration waves of the 70s-80s and 90s to North America & Europe) gave them a new service to offer to their ethnic clients. These Travel Agents use to send “casual couriers” with packages and boxes from other clients, to be delivered at destination to the package recipients⁶. These services grew to a service called “maleteros”, people that travel in commercial airlines with 20-30 suitcases of goods to be delivered in destination.

The most interesting development of courier services is without a doubt the Philippine balikbayan boxes (“repatriate box” in Tagalog). This is a corrugated box of precise measurements containing items sent by Overseas Filipinos Workers (OFWs) and often shipped by freight forwarders specializing in balikbayan boxes that are sent by ship or air. It is believed that the first to offer balikbayan box services was done by Rico Nunga at REN International⁷ in Los Angeles, California in 1981 followed by Ramon Ungco who founded Port Jersey Shipping International⁸ in New York. The Philippine government has, since 1987, enacted regulation for these specialized services.

There are Courier Service Companies that have become MTOs, like LBC Express who provides remittances⁹, bill payment¹⁰ and packaging services to Filipinos abroad or Latin Travel in Spain, providing Money Transfers, Courier Services and still, Travel Services¹¹. Argenper, a widely known South American MTO with HQ in Perú, has long been also providing Money Transfers, Courier Services, Foreign Exchange and Travel Services¹².

In many cities in the US and Europe (Spain, UK) courier services to Latin American countries have been growing with more companies serving the need of migrants to send home packages at significantly lower prices that the main international courier companies such as DHL, FedEx, UPS, etc. With more freight custom services in countries with large migrant populations, governments in receiving countries have had to improve practices at airports & ports and regulate services. Migrants care less about speed than cost. For a number of Money Transfer Agents the ability to provide Courier Services has been a blessing due to the decrease in profits that they used to receive from the provision of remittances services. Some traditional MTO agents in Miami, Florida now make more than 60% of their income from packages and have kept their clients coming despite the growth of mobile or online money transfers who otherwise they would lose completely. Even large volume MTO agents cannot survive with money transfers alone anymore.

⁶ These casual couriers might receive free tickets in compensation or payment for their services

⁷ <https://renbalikbayan.wordpress.com/> - One Regular Box cost US 65 (October 2019) to Manila

⁸ <http://portjerseyshipping.com/>

⁹ <https://www.lbcexpress.com/article/get-to-know-our-remittance-partners.html>

¹⁰ Bill payments in partnership with Bayad Center providing more than 100 payment services (credit card bills, utilities, government service fees, etc.)

¹¹ <http://www.grupolatintravel.com/>

¹² <https://www.argenper.com.pe/servicios/>

Mohr World Consulting & ICSA

My role as one of the founders of the [MSBA](#), the US Money Service Business Association, inspired a group of courier company owners in South Florida, NY-NJ and California to seek my advice with the creation of [ICSA](#), the International Courier Services Association. This trade group whose mission is to professionalize and be the voice of the courier services companies that specialize in providing services to migrants and ethnic communities, has begun its journey. Through meetings in these past months, the need of this growing sector for industry representation is evident; members are looking beyond day-to-day market competition, in order to react as a group to changing regulation all around the world. The modernization of custom processes, the changes in taxes, the compliance concerns of regulators and law enforcement agencies and agreements on best practices are a must. It is important that the specialized courier services that ICSA members perform are understood and recognized by other associations in this industry such as [FIATA](#), [CLADEC](#), [ALACAT](#), [FETEIA](#), and [ASAPRA](#).

We hope that ICSA is as successful as the MSBA, led by Kathy Tomasofsky, MSBA Executive Director, whose membership base of Industry Members, Associate Members & Smaller Participants keeps growing. It is interesting that some ICSA members were license MTOs that surrendered their licenses, decided to shift gears and provide courier services, either in their own branches or to their past MTO Agents.

It is important to mention that Check Cashing is still important in the US as a source of income – and customers, for MTO Agents. There were around 13,000 outlets in the US in 2015 providing check cashing services with FISCA estimating a volume of over \$56 billion¹³. The US Fed published in 2018 that the number of checks issued in the US keeps declining (at a rate of 4-5% per year), slower than most people predicted years ago. Money orders, payday advances and prepaid debit cards are other products that keep MTO agents profitable.

Digital and the Industry

As digitalization continues, and globalization too, despite the Trump Administration and other such initiatives to the contrary, the fate of traditional brick & mortar services is again and again put in question. As many speakers and panelists at IMTC have examined, disruption is not as fast as some people might think – or as some fintechs need to express to get funding. But is slowly happening as Manuel Orozco discusses in his [October IMTC Blog](#). Technology is helping everyone in the industry to streamline operations and serve clients online, and offline too; even with the War on Cash continuing, technology is also making cash management cheaper. Legacy systems still abound in the Money Transfer Industry and many MTOs are facing the decision now to change and choose one of the few, but very good money transfer software systems with state-of-the-art technology, that are available to them.

One Money Transfer Agent with a large number of stores in South Florida commented that their branch operators disliked one MTO system so much that they would refuse to suggest that specific MTO to walk-in clients because of its “user-unfriendly” software. Other payers in different countries cannot serve new online MTOs because of the impossibility of their legacy systems to interact with APIs.

Online Money Transfer Companies in sending markets are using the same distribution channels at destination that traditional MTOs, either cash pick-up or deposit to banks, and increasingly deposit to

¹³ <https://www.natcnc.com/msb/check-cashing-services-behind-scenes/>

Mobile Wallets where nonbank-led services have been allowed to prosper. The offline/online money transfer services are deeply intertwined.

For now, other migrant services, like the Courier Services I have mentioned, will keep ethnic money transfer agents in the US and Europe profitable as their remittance services income diminishes due to online pricing. Bitstop¹⁴, a Miami-based Bitcoin ATM developer, is also betting that Money Transfer Agents can make money from the Virtual Currency space, by installing their own Bitcoin ATMs. [Ripple](#) & [IBM Blockchain/Stellar](#) are also betting that MTOs & Banks will use their international settlement systems and transfer funds globally faster and cheaper than bank wire transfers.

Talking about digital, Facebook's WhatsApp, this app has indeed become the communication tool for migrants all around the world. But even many of my colleagues abroad now want to communicate with me through WhatsApp. I don't know if technology giants such as Facebook, Google & Amazon will enter the cross-border payments industry as card giants like Mastercard and Visa have done recently, buying MTOs like Transfast¹⁵ & Earthport¹⁶ respectively, but their entrance will be interesting to watch.

Let's not forget that Alibaba's Ant Financial was blocked by the Trump Administration of acquiring MoneyGram in 2018 and announced a few months ago its latest acquisition, UK's WorldFirst¹⁷ for close to 650 million US. It is estimated that WorldFirst, a 15-year veteran of online money transfers, made approximately USD 120 million in revenue while Xoom took in 176 million and WorldRemit, 125 million.¹⁸

Ant Financial owns Alipay who recently boasted more than 1 billion active users globally, a figure that includes Paytm, an Indian payments network that Ant controls. Mobile payments in China is a \$17 trillion industry largely dominated by WeChat (Tencent) and Alipay, each one handling more payments per month than PayPal does in one full year¹⁹.

¹⁴ <https://bitstop.co/>

¹⁵ <https://mstr.cd/2H7nwGU>

¹⁶ <http://bit.ly/2Rmfb78>

¹⁷ <https://on.wsj.com/2MvJ7N0> - WorldFirst sent a message before the Ant Financial acquisition, announcing it would no longer serve U.S. customers, a move that analyst believe its linked and it was a measure to avoid US scrutiny of the deal.

¹⁸ <http://bit.ly/2PaFUEi>

¹⁹ <http://bit.ly/2pAwmrK>