



Lessons from WING Cambodia

Prepared for: Enterprise Challenge Fund

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Glossary

Agent	An individual doing work on behalf of the bank but not as an employee of the bank.
Branchless banking	The delivery of financial services outside conventional bank branches using information and communications technologies and nonbank retail agents, for example, over card-based networks or with mobile phones ¹
AML	<p>Anti money laundering legislation to prevent money laundering usually includes verifying the identity of the client and other details such as residence. In Cambodia Mobile Network Operators are also required to conduct such verification.</p> <p>Once the relationship is established the financial institution is required to monitor for unusual transactions and to ensure that the transactions remain within the agreed parameters in terms of value and frequency.</p>
ATM	Automated Teller Machine
Bank	All Banks and Microfinance banks are included in the definition
KYC	Know Your Customer: This usually refers to the information that the local regulator requires banks to collect about any potential new customer in order to discourage financial products being used for money laundering or other crimes. Some countries allow banks greater flexibility than others as to the source of this information. Some countries have introduced different requirements based on the perceived risk of the client.
M Banking	Mobile based banking utilising the Mobile phone as the interface to the account.
Mobile money	Mobile Money is a sub-set of e-money. It refers to financial services and transactions made on a mobile phone. These services may or may not be tied directly to a personal bank account.
MFI	Micro Finance Institution
MNO	Mobile Network Operator
Population segment	A section of the population with distinct characteristics
POS	The point of sale device or credit/ debit card machine that has also been enabled to sell airtime, and do money transfer transactions.
SMS payments	Making payments or other transactions using SMS commands
USSD	Unstructured supplementary services data. This mobile channel is different from the SMS in that access is during the period when the session is open after the customer has dialed a number such as #1234 whereas an SMS is stored and can be forwarded whenever there is space in the channel (one hopes!)

¹ <http://www.cgap.org/p/site/c/tech/>.

Executive summary

ANZ Bank launched WING commercially in Cambodia in 2009 as the first mobile money business in the country and before any regulatory guidelines had been drawn up. ANZ expanded the WING mobile phone banking service making it available in rural areas of Cambodia over the next three years with the support of a \$1.5 million Australian Dollars grant from the Australian Government through the Enterprise Challenge Fund (ECF). The grant funding was provided as WING services would offer significant benefits to a large number of people and allow rural farmers, micro businesses and individuals to be linked into the growing commercial sector.

In November 2011 as the grant funds ended, ANZ sold WING to Inter Logistics, the parent company of Refresh Mobile - an airtime sales technology company. This has provided a strong technology base for WING to expand.

The following report reviews various key elements of the mobile money business model and compares the experiences of WING to those of other mobile money deployments elsewhere in the world. Some of the lessons drawn from WING, which are highlighted, echo and re-enforce others in the industry, there are also approaches and knowledge acquired which provide novel and alternative contributions to the development of this relatively new industry. It is for this reason that the Enterprise Challenge Fund (AusAid) and WING have agreed to collaborate in supporting this report.

Key Lessons:

Business structure: bank led mobile money

1. *Mobile money businesses can benefit from a bank host on several levels: investment capital, technical expertise, brand recognition, initial source of customers via the bank's corporate clients such as their employees and other moderate income clients. Perhaps most significantly, the bank can provide confidence to the regulators and can perform key regulatory issues. (See regulatory section below).*
2. *The bank may not benefit its own core business significantly if its focus on high- income customers. The corporate payroll business may not generate sufficient income to sustain a mobile money operation and the function may be too far outside the bank's core business. These banks may however benefit from transferring lower-end customers away from costly and unprofitable bank accounts, towards more appropriate basic mobile money services.*

Business partnerships and marketing issues

1. *As industry practice has demonstrated, mobile money brands can benefit from both associations with a bank or MNO and investment in specific branding and marketing.*
2. *Students or similarly young independent marketers, face challenges in reaching the right customer base for mobile money services because they have weak personal networks with potential customers who may have money to transfer. They are able to make initial sales because mobile money is 'cool', but the usage rates among their 'low hanging fruit' customers are too low to be profitable.*
3. *Established retailers may be better sales agent because they have a more diverse paying customer base and are trusted by them.*

Building an agent network

1. *Acquiring agents requires the business to invest in significant training in identifying and selling the proposition to potential agents.*
2. *There does not seem to be any alternative to dealing with agents on a case by case basis in countries with little formal retail infrastructure but it is important to have clear qualification criteria, training and local knowledge of their reputation. Eventually potential agents will start coming to ask to be agents when they see the benefits.*
3. *There may be other opportunities to form alliances with businesses, which have a complementary network that requires logistical, and management support.*

Regulatory environment

1. *When central banks 'follow the market' in regulating mobile money services or the provision of payments by non-banks, most international experience has shown that it is easier to develop appropriate regulations and limit unintended consequences. The regulators that have felt able to do this have monitored the business closely and felt able to trust and work with them to manage risks. In return for holding the funds under management in an interest free account, a regulated bank provides support to and oversight of the risk and compliance function to the payments business, giving comfort to the regulator.*
2. *A regulatory framework that allows banks to 'outsource' a function can be (as or more) effective as one that describes specifically the technology that should be used, (such as mobile) in encouraging innovation and growing the market.*

Delivering the customer experience

1. *Low-end customers are better able, at least initially, to access mobile money or any other payments service 'over the counter' when they deal with an agent who operates the technology and receives the money, rather than independently by operating their phones. This is due to language and technology challenges as well as a preference for receiving a paper receipt.*
2. *A Point of Sale machine can provide a paper receipt manually or automatically. In Cambodia the decision to use more PoS was made because of the problems around using the Khmer language on a mobile phone. However this choice implies the need for a more significant investment in physical infrastructure and asset management (such as customized POS machines that operate in local languages and maintenance staff), than is envisioned by mobile phone based technology. A fortunate by-product of the acquisition was that this is largely a sunk cost for this company.*
3. *This kind of business leaves agents as the primary technology users, and can move the money transfer business away from mobile phone operations as far as the individual customer. Such a business model, with or without the POS has implications for MNOs thinking about investing in the business. While the lower-income people may have high demand for money transfer, the actual mobile network customers may be agents in most cases, rather than low-income consumers.*
4. *The popularity of the ATM card shows the status that even unbanked customers feel is conferred by traditional banking instruments and their preference for owning something physical that represents access to their money.*
5. *The ability to access cash conveniently from a variety of sources is important for customers and agents but getting money from an ATM can be done these days without actually using a physical card.*

Target market strategy

1. *As experience in similar markets has shown, better off urban consumers and institutional clients are more profitable to serve and private companies will focus on these more profitable customers until a crowded market pushes them into more marginal markets. Temporary or start-up subsidies from development investors can 'jump-start' a push into more marginal markets, but unless the market is sufficiently established before the money runs out, service providers may return to a core focus on easier to serve clients. Urban customers are easier to serve because they have more transaction needs such as electricity and cable TV bills as well as living in areas better supplied with potential agents.*
2. *Development organizations/donors and investors should be judicious about their expectations of private financial service providers – mobile money or otherwise – to own and accomplish social goals. When markets are less mature development organizations may need to recognize the longer timeframe and more patient capital required to reach the poor.*
3. *As also commonly observed, urban and younger people are more likely to be early adopters of a new technology.*
4. *Innovation, product development and diversification of the customer base are more possible with patient capital in the earlier stage of the establishment of a business. However as a business matures, and there is more pressure to become profitable, the business may consolidate, focus on serving its more profitable customer base with proven products, increase efficiency and cost effectiveness. In the mobile money business, this may*

mean that for a particular period in the life of the business there is less innovation, less market research, differentiation, product development and lower outreach to under-served clients.

Managing an agent network

1. Incentives aligned with company goals i.e. value based incentive system so that agents focus as much on stimulating customer use of WING as they do on recruiting new customers.
2. Close monitoring and mentoring of agents by a combination of master agents and WING staff. Freelancers are only used in WING mobile money for customer registration events or supporting customer education, not agent management. Freelancers are used for POS terminal liquidity support however as it is a very simple task that doesn't require any agent management/monitoring through regular and frequent visits.
3. The assurance of cash and e-money liquidity via very short term loans provided by master agents
4. MIS – the collection of information from the transactions records and structured visits from staff and a willingness to 'fire' non-performing agents
5. Assurance that agents are earning a profit and receiving other benefits
6. At least initially, the business cannot usually rely purely on third party agents and roving management to provide the necessary quality and reliability of service for customers testing the product. Therefore there is a place for placing rented 'branches' in key geographic locations as a model and source of liquidity for surrounding agents.

Operations and outsourcing decisions

1. Contrary to industry trends there may be a case for in house IT and technology development. When IT skills are widely available and affordable; when a company is innovating new types of services and delivery strategies; when the market is developing; so that standard packages for multi countries are not a good fit and modifications take a long time; when there are unique aspects to a country situation such as alphabet and multi-currency
2. In-house IT/technology development requires management capable of directing the technology development and/or the technology developers need to have a strong strategic and product development capability and to be an integral part of the management team.
3. Similarly, call centres in branchless mobile money are a critical part of the business. This is another function that may be better managed internally and should be seen as a key operational function comprising an important part of the customer experience as well as merchant management.

Social impact

1. WING demonstrates the kind of benefits customers can realize from mobile money and/or electronic payments: significantly reduced cost, faster access to money, better security (reduced risk). Cost savings seems the easiest to measure and serves as a good proxy for general positive impact because clients cite cost-savings as a key benefit of the service. See key results above for details.
2. Grants and/or social investment can provide an incentive and reduce risk for, mobile money businesses to reach under-served markets²; but as the business matures and there is the inevitable pressure to reach profitability, such businesses may consolidate in terms of service offering and customer base, at least temporarily. In the last year, as the WING business matures, pressure has mounted to show a profit. As a result, management has focused on achieving operational efficiency with proven, profitable services and customers. For the time being, it appears that there is less drive toward reaching under-served populations. An alternative strategy is for grant funding to be used for public goods such as market research, research and dissemination of good practices, financial literacy, advocacy for supportive legislation, and broad awareness raising campaigns that develop the industry as a whole.

² The Gates Foundation provided a grant to MTN Uganda to assist them in reaching the residents of rural Uganda earning less than \$2.50 a day.

3. *Although mobile money businesses contribute to financial inclusion, as commercial interests, their priority is ultimately on profitability; there are therefore limits on their drive and capacity to analyse social returns, or impact.*
 - *WING recently enhanced and brought its IT function in-house. Despite a complete overhaul of its MIS system, WING did not integrate social return or impact data into its system. Social reporting to date has been conducted in conjunction with external social purpose funding. This pattern reflects WING current priority on achieving financial viability.*
4. *Because of limited impact analysis by mobile money businesses themselves, many interesting and important questions will remain unanswered, unless external research is funded and conducted. See annexure A for suggested questions for WING as well as other providers around the globe.*
5. *Funders, social investors in mobile financial services – and mobile money businesses themselves - should be cautious about overstating their impact, lest they experience the kind of criticism endured by the microfinance industry as critiques continuously “debunk” the myth that MFIs exclusively reach the very poor and/or offer a “magic bullet” to the challenge of poverty eradication. This kind of criticism can undermine the tangible and important impact of mobile money on development and on the lives of working class people. In general, WING program descriptions, presentations, and public reports overstate the extent of WING’s poverty outreach, and the potential and actual impact of mobile money transfer on the lives of the poor. For example:*
 - *“WING has bridged the rural and urban divide by providing the same safe, secure and fast service to both urban and rural populations.” Problem: the vast majority of transactions take place in semi-urban areas, albeit outside of the capital. In fact management note that secondary towns and cities are the fastest growing locations in the world and therefore very high potential markets. They are not yet served, but they are not low-income or marginal markets, which is what the term “rural” brings to mind. Whereas the above statement implies that WING has succeeded in reaching a hard-to-serve population of low-income people (typical rural residents); whereas, WING has succeeded in reaching under-served but high potential urban markets across the country.*
 - *“WING’s aim is to help the Cambodian people improve their livelihood and alleviate their conditions of poverty, by increasing access to financial services.” Problems: estimates of poverty levels among customers are technically flawed³, making it difficult to estimate WING’s poverty outreach; the cost and time savings are not sufficient enough to credit with “alleviating conditions of poverty.”⁴*
 - *“Poverty reduction: improved access to services for 318,000 rural customers.” And “Services like this have a massive impact on the lives of poor people in many countries. “ Problems: even by WING definitions, only some 65% of customers are either rural or poor. Also, see above points for the challenges with WING’s definition and measurement of “rural” and “poor,” and also the point that the cost and time savings do not represent a “massive impact.” Finally, WING enrolled 318,000 customers, but only a portion of them actually use the service, and therefore might be experiencing benefits.*

³ Watson, Ian, “WING Cambodia.” Presentation “11.50 Ian Watson Day 2.pdf”: page 5 states that WING provides benefits to “lower income” Cambodians, and presents a graph stating that 65% of customers are “below household income of \$5K per annum.” The source of \$5K/year as an indicator of “low income” is unclear, but is sometimes – and incorrectly - used as a rough estimate for the globally accepted measure of “extreme poverty” as defined by “people living on under \$1.25/day.” The “\$1.25/day” is measured as purchasing power parity (PPP) of household consumption; it cannot be assessed by measuring *income*. Rather, common practice is to measure *specific assets* using a specific tool, either the Poverty Assessment Tool (PAT) or the Progress out of Poverty Index. ; Similarly, WING’s *Social Impact Report, 2010* states that “WING is Reaching Out to Poor Households: 51% of respondents report personal monthly spending of less than USD60.” The source of the \$60 as a poverty line is unclear, but \$60 is similar to 30 days of “living on under \$2/day,” which is the globally accepted poverty line. In the WING survey, respondents reported their personal spending, but, as described above, this is not a correct measurement of a poverty line. For a host of reasons, this is a common and unfortunate mistake.

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Background

WING defines itself on its website as a mobile payments service provider and when it was commercially launched in 2009, it was true to say that the experience of most customers and the agent network would have been to interface with the system through a mobile phone. However, over the life of the business WING has evolved in many ways in response to an improved understanding of the needs of the market in Cambodia and the opportunities provided by the regulatory environment. WING has also revisited early operational models, such as the outsourcing of its technology platform. Overall this process highlights several useful lessons from which the industry could learn.

This report has been structured in such a way that each section looks at the main elements of a mobile money and branchless business model. Within each section, the experience of WING is described, some international experiences and trends are noted and lessons to be learnt are highlighted. The report concludes with an overview of the various studies that have been conducted on the social impact of WING and a discussion of potential realistic outcomes as well as possible future research issues.

Country environment

Cambodia is a country of nearly 15 million⁵ people of whom more than 30% are under fourteen years of age and 20% of who live in urban areas (2010). 31% of the population lives below the poverty line of \$1 a day. However the literacy rate is estimated at a relatively high 73.6%

The World Bank financial inclusion index⁶ shows that only 4% of people in Cambodia have an account with a formal financial institution but that there are an estimated 8 million mobile phone subscribers, approximately 75% of the adult population. This penetration rate is probably over estimated since, as in many other countries, it is well known that people possess more than one SIM card, on which this statistic is usually measured. Nevertheless it would seem that this wide discrepancy, combined with the presence of multiple informal methods of making remote payments would mean that there is an opportunity to provide a cost effective and convenient alternative for payments, using mobile phones and channels.

WING history

WING was launched in 2009 as a subsidiary of the Australia New Zealand Banking Corporation (ANZ). The product was designed so that the customers of any of the mobile operators could use the system, once their service provider had allowed WING to use their channel. Other key events in WING's industry include:

- July 2010 when new regulations provided the framework for an outsourced payments service provider and permitted WING to offer transactions in both the currencies in use in Cambodia; US dollars and Khmer riels. Previously they have been restricted to riels.
- November 2011 ANZ sold WING to Inter Logistics, the parent company of Refresh Mobile. Refresh is an airtime sales technology company that provides and supports Point of Sales to approximately 7,000 agents all over Cambodia from which they can print airtime vouchers. In addition to access to an expanded agent network and an alternative technology, the purchase also brings WING into the same group as the largest MNO in Cambodia and finally led to WING being able to offer their services to the customers of all MNOs in the country.
- March 2012 WING introduced a money transfer product that did not require registration by either the sender or receiver of the funds. This has proved to be an extremely popular service and WING broke even in January 2013.
- As it defines itself, WING is a payments rather than a banking service, and until today offers no typical banking products such as interest earning savings accounts or term loans. Wing Mobile is the leading mobile payment provider in Cambodia. The goals of WING are stated to be 'sustained growth, annual profitability and customer satisfaction'. However in doing so, they see the business as a low cost, accessible financial product which will provide benefits to lower income Cambodians. In other words, this is intended to be a commercial sustainable business that will grow largely by meeting the needs of the lower income segments of society in Cambodia.

⁵ CIA Handbook 2012

⁶ Global Findex 2012

Key partnerships

Bank relationship

The experience of WING and its founding parent, ANZ Bank, contributes to the global dialogue on the relationship between banks and mobile money services. Key issues include: what should banks get from hosting or linking with mobile money services? How does a relationship with a bank help mobile money businesses grow? How does the relationship between these two businesses help or hinder the social goal of financial inclusion?

Key lessons:

1. *Mobile money businesses can benefit from a bank host on several levels: investment capital, technical expertise, brand recognition, initial source of customers via the bank's corporate clients such as their employees and other moderate income clients. Perhaps most significantly, the bank can provide confidence to the regulators and can perform key regulatory issues. (See regulatory section below).*
2. *The bank may not benefit its own core business significantly if its focus on high- income customers. The corporate payroll business may not generate sufficient income to sustain a mobile money operation and the function may be too far outside the bank's core business. These banks may however benefit from transferring lower-end customers away from costly and unprofitably bank accounts, towards more appropriate basic mobile money services.*

In this case WING was launched as a subsidiary of ANZ Bank, Australia, the first foreign owned bank in the country. This therefore differentiates it from other independent mobile payments entities such as Wizzit⁷ in South Africa and Splash⁸ in Sierra Leone, which were initiated by entrepreneurs outside the banking industry although required to find a host bank by the financial regulations of each country. However WING was largely managed as a separate entity and branded separately although there some alignment between the two brands in terms of look and feel. ANZ continues to take ultimate responsibility for compliance and risk management at WING. (Day to day compliance and risk are managed internally with monthly reporting and meetings with ANZ). Management in Australia would participate in setting business targets and to some extent business strategy. Most of the initial capital has come from ANZ bank (as well as a grant from the Enterprise Challenge Fund, specifically to encourage expansion into rural areas). WING benefitted from the association with a relatively familiar, up-market brand, as well as access to significant banking expertise. However in many respects WING was, and is an independent entity theoretically able to form relationships with other banks.

ANZ hoped that WING would be able to add value to their offering to corporate clients, particularly the textile factories, by automating their payroll payment and offering an appropriate financial service to their employees. As it turned out, the significant market response to WING was from individuals and small businesses although the so-called 'bulk payments' continues to grow.

In November 2011, ANZ sold WING to Inter Logistics, the parent company of Mobile Refresh, a mobile airtime payments business. While ANZ and WING still partner to serve corporate and government clients, the parties felt that WING was a better fit for a pure payments business servicing the mass market than for a mainstream bank whose focus is corporate and higher income clients.

From a financial inclusion perspective, and for some institutions, the goal of the relationship is to extend banking services such as savings, lending etc. to a new market of currently excluded clients.

In the original project definition, ANZ management expected that WING was an entry-level low-cost offering whose customers could be graduated over time to ANZ products as well as tapping into currently unbanked deposits. ANZ does see WING as an option they can offer to their low account balance customers who are not using other banking products and are therefore not very profitable bank customers. A recent project was undertaken to transfer such customers to WING after ANZ had introduced a higher account keeping fee to make the account less attractive to such customers. Customers registered on the WING platform in this project did appear to be fairly active and so it would seem that they received more value from the WING product than from a full bank account.

⁷ www.Wizzit.co.za

⁸ www.Splash-cash.com

However, despite WING's close relationship with a fully regulated bank, it has so far not linked its service with any of the products or services that only a bank is permitted to provide such as savings accounts or foreign exchange and international remittances. There are two reasons for this outcome:

1. The partner bank, ANZ has and maintains a primary focus on corporate and higher income clients and but also wants to avoid cannibalization of its own products.
2. WING, at this juncture in its business life cycle, is focused on consolidating its current business to reach profitability, rather than expanding into new products and services.

WING remains open to potential bank synergies, for example the possibility of a third party using their channel to offer credit scored small loans in the same way that Mobile Network Operators (MNOs) offer short-term airtime credit. They would also like to find a partner bank willing to assist them to enter the international remittance market.

Industry Practice – Bank-Mobile Money Synergy: In Paraguay, Tigo has linked the wallet to a no frills bank account provided by its partners, Banco Atlas and Banco Continental.⁹ M-Pesa and Equity Bank in Kenya launched a linked savings account and recently M-Pesa and the Commercial Bank of Africa launched a savings and credit product called M-Shwari. Banks in Brazil have tried using their correspondents to offer credit products but none have yet seemed to be successful.

Mobile Operator relationship

WING case: WING has various different relationships with MNOs but in no case could one say that the business is driven by the MNO. (In Cambodia only one MNO has attempted to initiate a mobile payments business but it failed to work with the regulator and did not meet the expectations of its investors). This independence has made it harder and more expensive to build their brand and to establish a network of agents but also allowed them to offer their product to the customers of all the MNOs.

Industry practice: Mobile Network Operators (MNOs) have entered the payments business as the dominant partner in order to offer their customer base additional value-added services and to earn revenue, but primarily to encourage loyalty and reduce the churn of prepaid or non-contract customers. Initially MNOs assumed that many of the costs of running a payments business would be marginal, since they could use the same distribution channel and management as for their core business. However most MNOs are beginning to recognize that there are large differences between a telecommunications business and a financial services business and that the payments business requires a very different skills set and approach and cannot be treated as just another value added service.¹⁰ Therefore the ongoing operational benefits of being associated with an MNO are possibly less than originally anticipated.

Access to mobile channel of choice

WING Case: WING has succeeded in obtaining access to the USSD gateway of each of the operators in Cambodia and that in itself is a fairly unique achievement. WING approached each operator offering technical assistance and where necessary, a contribution to the costs of any system changes or investment required. Possibly because none of the MNOs were themselves intending to compete in this market, they were open to co-operating and benefitting from an increased channel for selling airtime.

Industry Practice: In order to use the mobile network to transfer data, a mobile payments business has to use a channel provided by the MNO. Some channels such are only available to owners of smart phones. However in order to offer a more universal service there are only two choices available to non-MNO businesses: USSD and SMS. The USSD channel is seen as being more secure than SMS although there remain issues once the data has reached the MNOs servers.

There are many examples of mobile money businesses that are independent of MNOs and have only been able to offer an SMS based product since the MNOs have refused to make the USSD channel available, as it is usually a service used only for internal activities and not offered commercially.

⁹ MMU GSMA Annual Report 2011 'Case Study: Mobile Money in Paraguay', C Tellez and MY McCarty

¹⁰ <http://www.gsma.com/mobilefordevelopment/organisational-structure-to-win-in-mobile-money-an-interview-with-frederic-blehaut-at-orange-group> (January 2013)

Building a brand and marketing

Key Lessons:

1. *As industry practice has demonstrated, mobile money brands can benefit from both associations with a bank or MNO and investment in specific branding and marketing.*
2. *Students or similarly young independent marketers, face challenges in reaching the right customer base for mobile money services because they have weak personal networks with potential customers who may have money to transfer. They are able to make initial sales because mobile money is 'cool', but the usage rates among their 'low hanging fruit' customers are too low to be profitable.*
3. *Established retailers may be better sales agent because they have a more diverse paying customer base and are trusted by them.*

WING Case: The WING case re-enforces the advantages of leveraging off an existing brand and bulk transactions as well as the challenges of branding a new service. On the one hand, WING was able to leverage ANZ's brand to build a track record with corporate and other organizations' payroll customers and their workers. Also the association of WING's branding with the up-market and well-established, trustworthy ANZ bank made the product seem aspirational and attractive to young urban customers in particular. On the other hand, WING was a new brand. Their marketing has successfully brought this brand to the attention of the general public through television advertising, extensively branded physical infrastructure at agents and personal marketing carried out by sales agents wearing WING t-shirts. These two strategies resulted in very high brand recognition but large numbers of dormant accounts.

Industry Practice: A close relationship with an MNO (or a bank) gives access to a nationally known and trusted brand and reputation, a big advantage because building a brand requires deep pockets and time. MNOs are used to spending significant amounts of money advertising their services and branding their outlets to compete with others offering virtually indistinguishable products. Several mobile money businesses such as Wizzit, MTN Uganda and Orange have experimented with using young mobile sales people to recruit accounts but have found that this strategy and the form of commissions paid tend to lead to large numbers of dormant accounts.

An unknown brand in combination with a new technology certainly makes it more difficult to persuade both potential agents and customers to entrust their money to the business. Stand-alone entities such as Splash and Celpay in Zambia met these challenges by focusing on businesses and organizations that require bulk payment transactions and business-to-business (B2B) payments such as payroll and supplier payments. This does not require the same level of national advertising as it does to target the general public. Trust can then be built up through a close personal relationship between the management of the two institutions.

An existing agent network: acquisition and management

Key Lessons:

1. *Acquiring agents requires the business to invest in significant training in identifying and selling the proposition to potential agents.*
2. *There does not seem to be any alternative to dealing with agents on a case by case basis in countries with little formal retail infrastructure but it is important to have clear qualification criteria, training and local knowledge of their reputation. Eventually potential agents will start coming to ask to be agents when they see the benefits.*
3. *There may be other opportunities to form alliances with businesses, which have a complementary network that requires logistical, and management support.*

WING Case: WING provides all its sales agents with a manual describing fairly detailed criteria for the selection of agents. The sales proposition makes it clear that the benefits to agents are not just confined to the additional revenue but include for example, additional customers for their core business, differentiation from their competitors and improved revenue on their airtime sales since they no longer have to invest in stocks of scratch cards. They use a range of ways of sourcing new merchants such as their own sales people and other agents and reward them for commission when they are successful. They also provide special training to their sales people on how to close a deal.

Industry Practice: One of the main challenges for a branchless banking or payments business has been the rolling out of an agent network in countries without a retail or other chain of appropriate business such as the Post Office. This is particularly the case when it begins without the network of sales points or branches already built up by MNOs and banks. Banks use their own employees and MNOs can offer agents a product with a very high profit margin unlike a payments transaction.

WING Case: WING's recent merger with Refresh Mobile will allow it to benefit to some extent from the national network of offices which Refresh use to support its business. (The Refresh regional offices are actually owned by Mobitel/Cellcard telco, and can only be used as a work space for WING staff in those regions). They will also be able to select from the Refresh agent base, those agents which they feel would be able to service WING customers as well as providing Refresh Point of Sale devices to some of their own busier agents.

Industry Practice: In addition to being able to sign up existing airtime and handset sales agents as mobile agents, MNOs can also use their existing logistical and management structures to manage the financial services business, although as noted above there is increasingly a move towards building additional management structures specifically for the financial services business.

Regulatory environment

Key Lessons:

1. *When central banks 'follow the market' in regulating mobile money services or the provision of payments by non-banks, most international experience has shown that it is easier to develop appropriate regulations and limit unintended consequences. The regulators that have felt able to do this have monitored the business closely and felt able to trust and work with them to manage risks. In return for holding the funds under management in an interest free account, a regulated bank provides support to and oversight of the risk and compliance function to the payments business, giving comfort to the regulator.*
2. *A regulatory framework that allows banks to 'outsource' a function can be (as or more) effective as one that describes specifically the technology that should be used, (such as mobile) in encouraging innovation and growing the market.*

Wing Case: When WING was conceived, the regulatory environment for mobile payments was somewhat fluid. There were no regulations that dealt with e-payments or the use of agents for banks. However National Bank of Cambodia (NBC) was willing to permit the experiment of allowing a non-bank entity such as WING to enter the payments field. NBC felt that the risks were largely managed by WING's close relationship with a reputable and international bank such as ANZ and ANZ was careful to work closely with the NBC in this period. ANZ has ensured that WING has strong risk management and compliance systems. Anti money-laundering transaction limits are embedded in the system and reports are produced to monitor for unusual transactions.

Formal regulations covering e-money or outsourcing payments business to non-banks were only published in 2010.¹¹ These are the guidelines for Third Party Processors (TPP) that enables banks to outsource one or more parts of payments transactions services through one or more TPPs. This also effectively covers the use of agents. The bank remains fully responsible for 'any action or omission of the TPP and agent acting under its authority and on its behalf. The TPP is allowed to manage a payment system on behalf of one or more banks for payments transactions and cash withdrawals. It is also allowed to be a service provider of money remittances by mobile phone or other means. In other words the emphasis is on the concept of outsourcing rather than on the specific channel or technology to be used, which allows them to focus on the risks and allows the business sufficient leeway to adapt to local market needs over time.

Industry Practice: It is well known that this was the approach taken in Kenya with M-Pesa, as opposed to the regulators in West Africa, many of whom brought out detailed mobile banking regulations and guidelines before they would register any such businesses to operate. The relevant regulation in Nigeria is called 'The Regulatory Framework for Mobile Payments Services in Nigeria' or the license required in Papua New Guinea for 'non banks to

¹¹ Prakas on Third Party Processes, 2010, Central Bank of Cambodia

offer Mobile Payment Services'. The Central Bank of Philippines are quoted as saying that their approach was to 'follow the market' and they only issued e-money regulations after Smart Money and GCash had been operating for about four years.¹² In Zambia the relevant regulation provides for an 'independent certified financial transaction company', again focusing on the function and the status of the company rather than the technology they use.

The customer experience: self-service or full-service

Key Lessons:

1. *Low-end customers are better able to access mobile money or any other payments service 'over the counter' when they deal with an agent who operates the technology and receives the money, rather than independently by operating their phones. This is due to language and technology challenges as well as a preference for receiving a paper receipt.*
2. *A Point of Sale machine can provide a paper receipt manually or automatically. In Cambodia the decision to use more PoS was made because of the problems around using the Khmer language on a mobile phone. However this choice implies the need for a more significant investment in physical infrastructure and asset management (such as customized POS machines that operate in local languages and maintenance staff), than is envisioned by mobile phone based technology. A fortunate by-product of the acquisition was that this is largely a sunk cost for this company.*
3. *This kind of business leaves agents as the primary technology users, and can move the money transfer business away from mobile phone operations as far as the individual customer. Such a business model, with our without the POS has implications for MNOs thinking about investing in the business. While the lower-income people may have high demand for money transfer, the actual mobile network customers may be agents in most cases, rather than low-income consumers.*
4. *The popularity of the ATM card shows the status that even unbanked customers feel is conferred by traditional banking instruments and their preference for owning something physical that represents access to their money.*
5. *The ability to access cash conveniently from a variety of sources is important for customers and agents but getting money from an ATM can be done these days without actually using a physical card.*

Wing Case: WING's initial service offering was through the mobile phone of the customer. However handsets can only show the payments menu in English and very few of them (an estimated 3-4% via USSD) are currently able to use the Khmer alphabet. The Cambodian market, particularly outside the big cities, finds it very difficult to read English and this definitely inhibits people from using the service.¹³

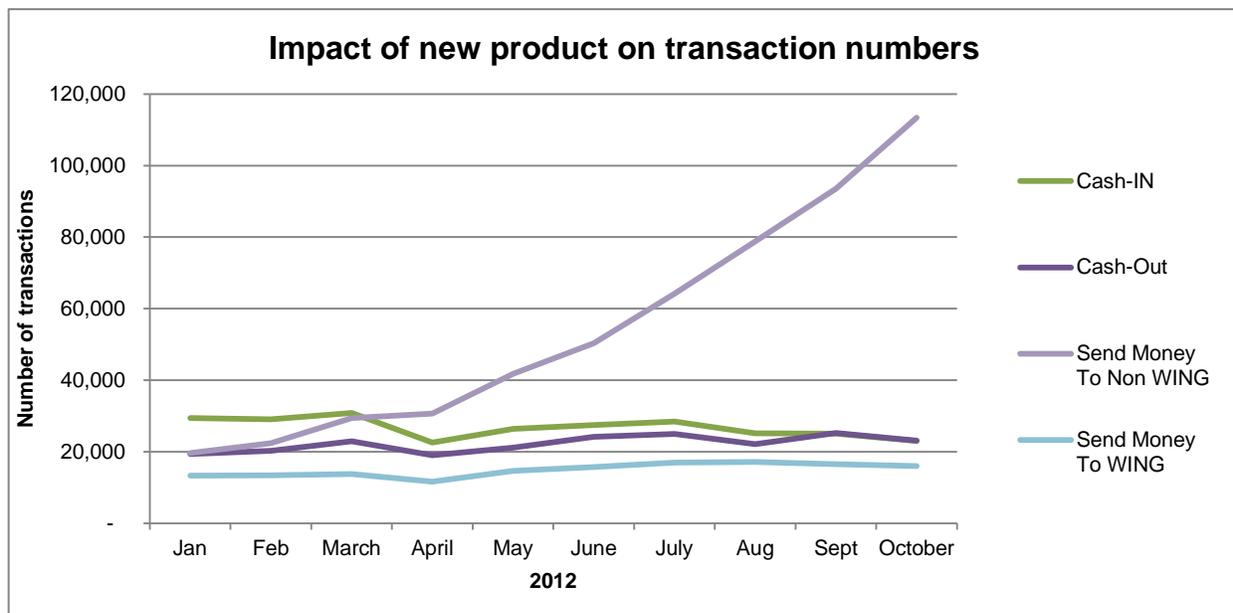
Moving away from the customers' phone

WING's business has grown exponentially using an agent business model, particularly since non-WING customers have been able to access the service. Initially WING registered customers were able to send money to non-WING customers at a higher price than to a WING customer. In March 2012, WING introduced a new product that allowed customers who had not registered to send money to another unregistered customer (Wey Luy). In other words, the transfer process completely bypassed the wallet product as far as the customer was concerned, and was facilitated entirely by agents. The agent received the cash, made the transfer on their phones and paid out the cash at the other end. The following graph shows the impact on the number of transactions of this new offering. The cash out figures in the graph exclude the transactions relating to cash transfers to non-WING customers.

¹² <http://www.cgap.org/blog/branchless-banking-test-and-see-approach>

¹³ It is intended to create a Khmer language Android/iPhone application in the coming year to take advantage of a growing second-hand smart phone market but this will remain a relatively small and high-income market segment for some time.

Figure 1 Transactions 2012



The benefits of POS in Cambodia

- *Menu and receipts in Khmer language benefits merchants and customers unable to read English*
- *Automated paper receipts for transactions provides customers with concrete proof of transaction and controls for merchants*
- *Airtime voucher printed simplifies transaction for customer and gives the privacy but cheaper than distributing and holding cash cards for MNOs and merchants*

In order to reduce the risk of allowing transfers between non registered customers and to provide an incentive for customers to register (and hopefully begin to use the other WING services), the value of transfers between non-WING customers has a lower value limit than money sent to or from a WING wallet. The fee for a non WING wallet transfer is \$1 (increasing to \$1.50) as opposed to \$0.50. Moreover customer ID details for non WING customers are still recorded manually to this also makes the product slightly less attractive.

WING Case: Since the merger with Refresh Mobile, WING is in the process of introducing a greater variety of customer choices in terms of channel and technology. The Refresh Mobile business sells airtime through agents using Point of Sale devices. They have 7,000 dealers with their POS and these devices automatically produce paper receipts for cash received and airtime. They are now being deployed to all WING agents. The WING system will be fully integrated so that all its products can be offered through the POS including bill payments and transfers. WING staff became aware from customer feedback that young women in particular, were reluctant to give their phone number to a merchant and are happier to enter the voucher number printed on the receipt themselves. The POS solution is therefore a halfway house between the scratch card and the virtual top up from the phone since it does not require the same level of logistics as the distribution and stock control of a card but is more concrete than an SMS. Most importantly for WING, the menus and receipts from the POS are written in Khmer and are therefore far easier for the agents and customers to understand. The disadvantage of this strategy is of course the increased cost of investing in hardware devices and maintaining them including providing consumables such as paper.

Industry practice: Many mobile money businesses have discovered that their customers are dissatisfied with the intangible nature of the service and struggle with the concept of handing over their cash and receiving nothing

concrete in return other than an SMS message. It is quite common to ask agents to keep a written log of transactions, which although it duplicates the electronic information, seems to provide both the customer and the agent with some comfort that the transaction has actually been recorded. For example, M-Pesa agents record all cash transaction in a branded paper based log that is signed by the customer and a copy of each entry is sent to the master agent and to Safaricom office.

WING Case: When WING first launched customers were given a loyalty card that not only gave concrete proof of their membership and in 2012 gave them access to the benefits of various discounts at restaurants and retailers. However this card did not connect to the system. Since then WING has distributed ATM cards that can be used at any ANZ ATM machine. Although ANZ bank has a relatively large network of ATMs in Cambodia, most of them are in the capital of Phnom Penh and they are all in the larger towns. Therefore WING was surprised by the high demand for the cards among all of their customers including those living in rural areas. They discovered firstly that customers regard the cards as a status symbol and secondly that they claimed that they would use the cards when they travelled to town for shopping or business. Recent research¹⁴ showed that an ATM card is one of the top three possessions Cambodians would like to own, the first two being modern clothing and a house. Master agents find it convenient to use ATMs to withdraw cash for their sub agents rather than going to a bank branch. WING has not yet followed the increasingly popular route of enabling cardless withdrawals from ATMs using a one-time PIN number as this is not yet available in any of the banks.

Industry practice: This flexible approach to the preferences of the customer and a willingness to mix and match mobile technologies and more traditional approaches has been noted in payments businesses such as MTZ that offers a choice of mobile, e-vouchers and even scratch cards.¹⁵

The Marketing strategy

The target customer base

Key lessons:

1. *As experience in similar markets has shown, better off urban consumers and institutional clients are more profitable to serve and private companies will focus on these more profitable customers until a crowded market pushes them into more marginal markets. Temporary or start-up subsidies from development investors can 'jump-start' a push into more marginal markets, but unless the market is sufficiently established before the money runs out, service providers may return to a core focus on easier to serve clients. Urban customers are easier to serve because they have more transaction needs such as electricity and cable TV bills as well as living in areas better supplied with potential agents.*
2. *Development organizations/donors and investors should be judicious about their expectations of private financial service providers – mobile money or otherwise – to own and accomplish social goals. When markets are less mature development organizations may need to recognize the longer timeframe and more patient capital required to reach the poor.*
3. *As also commonly observed, urban and younger people are more likely to be early adopters of a new technology.*
4. *Innovation, product development and diversification of the customer base are more possible with patient capital in the earlier stage of the establishment of a business. However as a business matures, and there is more pressure to become profitable, the business may consolidate, focus on serving its more profitable customer base with proven products, increase efficiency and cost effectiveness. In the mobile money business, this may mean that for a particular period in the life of the business there is less innovation, less market research, differentiation, product development and lower outreach to under-served clients.*

¹⁴ Survey of 1,100 Cambodians nationally, reported in the local press

¹⁵ <http://www.cgap.org/blog/can-third-party-providers-lead-new-business-models>

WING case: When WING was first launched, the target market was the workforce on the payroll of corporate clients such as textile factories. The employers wanted to reduce the inconvenience of paying their staff in cash. It was known that the largely young female workforce usually came from rural areas and sent a proportion of their wage home to their families each month or fortnight through friends or taxi drivers. However the uptake was slower than expected both from the employers and employees. The employers were concerned that initially WING could not offer its service to the customers of all the MNOs and the women tended to be illiterate, certainly in English, and were distrustful of the technology. They also preferred to continue using the informal methods of sending money because then they could combine the money with other gifts from the big city such as clothes. WING has since found a more rapid adoption from technology component manufacturers and international NGOs tend to recruit more educated and sophisticated employees. There is also an issue for bigger employers that WING did not have the cash available/sufficient WCX network support in all the areas they needed to reach.

WING is also targeting small businesses to use the service to pay for goods from large suppliers (the so-called B2B transaction). Merchants who sell Samsung handsets can buy them using WING. They are also working with MFIs to encourage them to use WING to disburse and collect repayments from business and individual borrowers. Micro Finance Institutions have been reluctant as they put great emphasis on the importance of the face-to-face relationship between the loan officer and the client. However in the future they may be willing to consider making their loan officers into 'mobile agents' in the sense that they can collect and distribute cash while instantly recording the transaction using their phone on the WING system. This should improve the MFIs management information and reduce potential fraud.

The profile of the early customer base was also affected by the way they were recruited. The original sales force were young people, often students called 'WING pilots'. They were paid a commission to find and register new customers. However ambitious sales targets and the one-off registration commission led to them focusing on friends and colleagues. These students were happy to register but then failed to actually use the product. Urban youth continue to be a key market segment identified by WING since they tend to be more confident with technology and more likely to understand English. The youth that will use the service are those that receive fund from their parents to support them while they study and those who have started their first jobs and are paying bills and sending money back to their families.

WING put significant effort into recruiting customers from rural and provincial areas, with the assistance of funding from AusAid and the Enterprise Challenge Fund. They designed marketing campaigns and financial literacy materials specifically aimed at rural people. This led to a high level of registrations outside of Phnom Penh (almost 80% of registrations), but the absolute number of active accounts was similar in urban and rural areas. It is currently felt the lower levels of English literacy combined with a lower level of phone ownership and the distrust of technology proved too much of a challenge at this stage.

Industry practice: In addition to targeting individuals, many mobile money businesses are trying to identify market segments with common needs that will allow them to register large numbers of active clients over a short period of time. Most recipients still cash out when they receive their payments. These include beneficiaries of government and donor welfare payments (UBL in Pakistan and M-Pesa and Equity bank in Kenya) and B2B ecosystems such as the partnership between Coca cola and Celpay or MTZ and Zambian Breweries. Drivers of delivery trucks use mobile money to collect payments from retailers instead of collecting cash.

Product development

WING case: Before launching WING conducted market research and have benefitted from surveys funded by IFC and others that obtained feedback from the market. However currently the product development process tends to follow a more operational approach based on the experience of management and to some extent the internal data of the organization (though problems extracting reports from a remotely managed system have previously limited the extent of data mining). The recent in-sourcing of the system has already led to a greater use of internal data. However this does not mean that product refinements such as the introduction of the Wey Lui transfer have not been extremely successful in increasing take up.

Industry Practice: Most of the mobile money businesses that have achieved high levels of transaction activity from their customers are now spending significant time and resources understanding their customer base, designing products and messaging for clearly defined market segments and testing their concepts on the market prior to launch. It is being recognized that successful deployments in one country cannot be simply replicated in another different country.

Communications

WING's case: The promotional strategy has tested a variety of channels and methodologies. In the first years WING used television advertisements to increase market awareness of the service and the brand. Agents and WING Pilots were all branded although a recent lack of funding has meant that the signage needs some refreshment. The focus then became more one of explaining the details of the product with 'how to' leaflets, training and re-training agents and radio programmes and phone-ins. The scripts for the Call Centre agents include a marketing component at the end of the conversation when, for example, a customer is told about a new biller. Less successfully the call centre has been used to phone dormant customers or ANZ customers with low balances to sell them the WING product and encourage greater usage. The messages have been a combination of positioning the service as 'fast, safe and low cost' and providing prizes and short-term incentives to try it. The marketing of the new transfer product is to emphasise how easy it is to use.

Industry practice: The approach that seems to work best is one of a single clear message for each market segment which; distinguishes the product from competitors (including traditional and informal alternatives such as cash and taxis), builds awareness, understanding and clear 'how to' information.

In a 2011 survey of WING users and non-users, around 40% of clients and non-clients claimed that they knew WING through television while another 30% knew about the Wing agent network, Wing Cash Express. Trust and usage of WING services and low cost are reported as the key reasons for using WING services. Nearly 64% of those who had used WING services considered WING very trustworthy, while another 26% considered it somewhat trusted. 53% of those who had registered with WING but did not use it cited a lack of understanding about WING and another 44% mentioned a lack of trust and knowledge of WING.

Managing an agent network

Key lessons:

1. *Incentives aligned with company goals i.e. value based incentive system so that agents focus as much on stimulating customer use of WING as they do on recruiting new customers.*
2. *Close monitoring and mentoring of agents by a combination of master agents and WING staff. Freelancers are only used in WING mobile money for customer registration events or supporting customer education, not agent management. Freelancers are used for POS terminal liquidity support however as it is a very simple task that doesn't require any agent management/monitoring through regular and frequent visits.*
3. *The assurance of cash and e-money liquidity via very short term loans provided by master agents*
4. *MIS – the collection of information from the transactions records and structured visits from staff and a willingness to 'fire' non-performing agents*
5. *Assurance that agents are earning a profit and receiving other benefits*
6. *At least initially, the business cannot usually rely purely on third party agents and roving management to provide the necessary quality and reliability of service for customers testing the product. Therefore there is a place for placing rented 'branches' in key geographic locations as a model and source of liquidity for surrounding agents.*

Network management

WING practice: The agent network is a two-tiered structure consisting of WING Cash Express (WCX) and WING Master agents (MCX). Most of the agencies are in small shops that sell a variety of consumer goods as well as

airtime and mobile phone related hardware. The majority of the registered agents are male, but in reality families run many of these shops and management responsibilities are shared between the husband and wife. WING now has 12 MCX in Phnom Penh and 40 in the provinces. The MCX are mainly former WCX who have had an excellent performance track record. The Master agents are allocated a group of WCX and their responsibility is to ensure that they have sufficient liquidity and maintain branding and service quality. They are expected to visit them at least once a week. Master agents are usually prepared to extend short-term credit to their agents in order to transfer e-money to them without having to immediately visit to collect the cash at their outlet. WING has not needed to take any credit risk.

WING has an in-house agent management department which co-ordinates and monitors visits by WING staff to the WCX at least once a fortnight. The individuals who make the visits are permanent employees. The final responsibility for ensuring customer service quality rests with WING employees and it is they who conduct the initial and refresher training of agents. The effectiveness of the monitoring is demonstrated by the fact that in 2012 almost a fifth of agents were fired for creating ghost transactions, overcharging or having repeated liquidity problems. Managers and supervisors are placed in the provinces but although it is true that WING has national coverage, virtually all the agents are in towns or industrial zones. WING and Refresh are in the process of aligning the management of their respective merchant networks in order to benefit from the synergies available.

WING are currently working on improving their MIS to monitor and manage the performance of their agents so that they can see the e-money balances and transaction levels on a daily basis. It is intended to introduce an automated scorecard. MCX will be given information to use to monitor their WCX. Currently WCX and MCX can monitor their transactions on their phones and they are paid their commission as it is earned.

Industry practice: It is common practice for a merchant network to be managed using two tiers of agents and super agents, in the same way that MNOs manage their airtime agents. There are also some good examples of good agent monitoring reporting internationally. At Eko¹⁶ in India one will see daily reports pinned to the walls of their offices which provide automated information on sales targets, customer activity and transaction volumes. In Paraguay Tigo sends agent dealers detailed reports every day at 6 am reporting the e-money balances of the agents they manage. M-Pesa master agents can access information on all the transactions made by their agents on the Safaricom website.

M-Pesa decided to outsource its agent monitoring and training to a specialist marketing company although Safaricom manages the training programme itself. Other branchless banking businesses use so-called aggregators who are independent companies that take over a range of functions relating to the recruitment and management of networks of agents.

Agent incentives

WING case: Agents are paid a monthly fee of \$10 as a reward for holding the required liquidity. They also earn \$1.25 for the registration of a new customer. This is paid in two parts to encourage the agents to return the completed registration documents to WING so that they do not have to suspend the account. Agents also earn a commission on the value of airtime top up sold and a commission on every transaction. Commission on cash out is paid on a tiered basis depending on the value of the withdrawal in an attempt to reduce the temptation for agents to increase their income by manipulating the number of withdrawals. This behavior is also managed by a combination of reviewing the pattern of transactions for each agent and frequent visits by the WING sales officers. MCX earn a fixed monthly fee depending on the number of WCX they manage. They also earn commission on every registration pack they sell to their WCX team and commission on all the transactions they do with customers.

A survey of a sample of WING agents and customers was conducted in 2010¹⁷ and found that WCX were seeing on average 10-15 customers a day, earning about \$66 a month from WING business. Agents who were located near the factories earned a greater proportion of their business from WING (from a third to a half) and one kiosk inside the factory zone relied almost entirely on WING business and earned \$200 a month.

¹⁶ www.eko.co.in

¹⁷ Impact assessment of WING Mobile Banking Service, Green Goal, August 2011

Branches and branchless

WING case: WING has now opened three of its own branches; one at head office near a market and two close to industrial zones with factories. WING believes that this will enable them to offer a better service to the employees of companies who use WING for their payroll since large numbers of people all want to withdraw money at the same time.

Industry practice

In addition to the use of the mobile technology, the other key element of this business was that it should be branchless. The business would reach its customers through a network of agents and support both the agents and the customers largely remotely through a call centre. The objective was that this would virtually eliminate the need for capital investment and fixed costs. The agents would use their own money to invest in e-money that they would sell to customers in the same way as they sold airtime and other goods.

This concept may work for MNOs that have a network of merchants with whom they have an existing commercial relationship and with banks that can leverage their branch network. However independent service providers such as Splash and Mobile Transactions Limited (Zoona)¹⁸ in Zambia both found that the problems that they met in ensuring adequate levels of customer service, in particular a reliable level of cash and e-money liquidity, eventually led to a decision to open their own branches in key geographical positions such as close to the work place of corporate clients. They regard them as future franchisees that will over time become more independent.

Operations and outsourcing decisions

Key Lessons:

1. *Contrary to industry trends there may be a case for in house IT and technology development. When IT skills are widely available and affordable; when a company is innovating new types of services and delivery strategies; when the market is developing; so that standard packages for multi countries are not a good fit and modifications take a long time; when there are unique aspects to a country situation such as alphabet and multi currency.*
2. *In-house IT/technology development requires management capable of directing the technology development and/or the technology developers need to have a strong strategic and product development capability and to be an integral part of the management team.*
3. *Similarly, call centres in branchless mobile money are a critical part of the business. This is another function that may be better managed internally and should be seen as a key operational function comprising an important part of the customer experience as well as merchant management.*

The IT platform

WING case: One important outcome of the merger of Refresh Mobile and WING was the decision to discontinue the relationship with the WING software provider and to develop and manage their own system. Refresh already had a large and skilled software team and so the change added no costs and significantly reduced the variable costs in terms of the revenue share and development costs payable to the supplier. The ability to have an in-house system also allows WING far greater flexibility and greater speed to market whenever they want to make changes and improvements. They have greater control over the development process so that they are able to ensure that system errors resulting from developments are minimized.

WING found that a development team based in a different country had a particularly negative impact on their ability to design and extract MIS reports and management and the new IT team are currently working on this area. The change has also allowed them to improve their capacity to monitor the system and pro-actively pick up operational problems within the system and communication channels.

¹⁸ www.MTZL.net

Industry practice: Generally mobile money businesses seem to have concluded that the technology platform is not the key element of success for the business and have been happy to outsource it to an experienced third party such as Fundamo, Utiba or MobiCash. However this certainly impacts on the ability of the business to make rapid changes in response to the local market environment and at least until recently, the costs of outsourced systems have been a significant component of costs. Many mobile money businesses have followed the model of paying a relatively low amount upfront for the system and then paying a revenue share and license fee based on registrations and accounts, in an effort to share the risk. This is in addition to the cost of future developments. However the low margins of payment transactions that already have to be shared with the agent network do not leave much for other partners. Software suppliers with multiple implementations have been reluctant, not surprisingly, to make modifications that cannot be standardized into the product for all their customers in a managed version control process with release dates that suit the whole business. It will be interesting to see the future trend in software build or buy decisions in new deployments and the impact this may have on pricing by current suppliers.

Social Impact

WING has achieved significant results and is poised to continue market expansion even as current management largely focuses on the urban and semi-urban market and optimizing current service offering and operational efficiency and profitability. The social impact assessments and reporting, conducted primarily by external funding agencies, reflect good industry practice for the most part. As with many public-private endeavors, there is a wide gap between articulated social goals and empirical evidence of impact, which can threaten social investor confidence. This section presents key results and lessons from WING social impact assessment and reporting.

Key Results Achieved:

- 1. Market Development¹⁹** - Introduce and expand mobile and electronic money transfer and related services:
 - WING has reached large numbers of people: 380,000 cumulative customers, compared to very modest outreach of many ECF projects that reach only hundreds of households.
 - WING is increasingly reaching an active customer group: Wing handles some 280,000 transactions per month, and is experiencing exponential growth. Table 1 presents comparable data from other mobile money services around the world.²⁰
 - Brand recognition for WING is an estimated 92%; WING has a very positive reputation, with the main reason for non-use given as a lack of demand for mobile money services, i.e. “have no money to transfer.”²¹
 - 2 other mobile money businesses were established in Cambodia since the launch of WING and one of them, ACLEDA Unity is apparently intending to roll out a full agent network in 2013. However the second one owned by an MNO discontinued operations in January 2013.
- 2. Inclusive finance²²** – defined as reaching under-served populations, particularly “rural” or “provincial” consumers – with formal financial services:²³
 - WING Cash Xpress points operate in 169 of Cambodia’s 185 districts and in all 24 provinces
 - WING is reaching previously unbanked consumers: 80% have no bank account. See Figure 2 for calculations of affordability.
 - WING has extended services around the country, beyond the capital to cities in the “provinces:” 60% of customers and 70% of agents are “provincial.”

¹⁹ WING social impact reports and presentations credit WING with pioneering mobile money in Cambodia. WING is the first of three service providers, but the same company as one of these providers now owns WING. Thus, the market is consolidating, rather than expanding, in terms of the number of providers.

²⁰ Due to contextual differences, it is hard to “rank” WING.

²¹ Green Goal, 2011

²² WING impact evaluations report that a significant and growing portion of customers are low-income; however, their methodology does not reflect global good practice and is therefore not reported here.

²³ WING and its partners define “rural” as markets outside the capital, but this is more accurately defined as “provincial.”

- Only a small majority of customers are men (65%)
- 3. Customer satisfaction, excellence:** WING services have significant benefits for customers, as illustrated by:
- High satisfaction rates: 94%, 35% very satisfied²⁴
 - Increasing usage rates: 50% of customers are active, up from 15% since the new Wei Luy product²⁵
 - Exponential growth in transaction value: 10 fold in 2012²⁶
- 4. Financial benefits** – reduced costs, safer transactions, time savings. The main measurable impact is cost-savings of using mobile money, compared to traditional practices such as taxi services; this indicator also reflects the most recognized benefit of the service to customers.
- 63% of customers report that WING is helpful because it saves time and money; a further 16% cite ease of use as a key benefit.
 - WING estimates that an average domestic transfer – usually conducted by a network of money changers or sending funds physically via taxis would cost \$2.50 whereas the price of a WING transfer varies between 0.5 cents and \$1. This is an **average saving for clients of \$19 per year on transactions**, which has some significance to those earning low wages.²⁷
 - WING has documented specific benefits of its mobile money transfer services for a range of difference customers. See Figure 3 for examples.
- 5. Financial education and literacy:** WING sponsors radio programs on financial management and on how to engage in community development.
- As of 2010, WING estimates reaching 1.07 million listeners in 16 provinces with radio drama and interactive question and answer programming.

²⁴ Green Goal, 2011

²⁵ Perkins and Thiev, 2012

²⁶ *Ibid.*

²⁷ Coffey International, 2012 (ECF presentation with WING as the case)

Table 1: TRANSACTION LEVELS OF COMPARABLE MOBILE MONEY SERVICES

Business Name	Country	Date launched	Population	GDP per capita (PPP, USD)	Literacy	Agents	Transactions per month Number	Transactions per month Value
WING	Cambodia	2009	14.5m	\$2,200	73.6%	826	Jan 2013 750,000	Jan 2013 \$53m
UBL Omni (Bank led)	Pakistan	October 2010	190m	\$2,800	54.9%	5,000	10.7m ²⁸	\$445m
Easy Paisa (Telco and MF bank)	Pakistan	October 2009				12,000		
Mobile Transactions Ltd (Zoono)	Zambia	2007	13.8m	\$1,600	80.6%	200	50,000	\$3m
Splash Mobile	Sierra Leone	July 2009	5.5m	\$1,100	35.1%	150 ^{Nov 2011}	10,000	\$600k
M-PESA (Telco)	Kenya	April 2007	43m	\$1,700	87.4%	40,000	165m	\$730m

The information above comes from various sources, mainly press articles. Customer numbers have not been included because it is not always clear when these are registered customer or active customers (a ratio that according to the GSMA MMU can vary between 2% and 97%) and several businesses are, as WING, now offering services which do not require the business to register the customer at all.

Figure 2 Affordability calculations

	Tx per month*	Price	Cost per month USD
Balance enquiry	1.9	0.02	0.038
Cash withdrawal	1.3	0.5	0.65
Money transfer	1	1	1
Pay bill	2	0.5	1
			\$2.69
Assume cost 2% of monthly income			\$134.40
To calculate income required for affordability			
Income per day			\$4.48

* Based on CGAP estimation on basket of transactions in 2006 article excluding free transactions (airtime, cash deposit)

The above calculation attempts to get a rough assessment of whether the use of the WING wallet as the main financial tool would be affordable both to the target market and what someone would have to be earning to find it affordable. A basket of transactions would cost a customer \$2.69 a month, which this amount is assumed to be 2% of monthly income would equate to a monthly income of \$134; in other words below the targeted income level of \$200 to \$400 per month. The average monthly income of a textile worker is \$60 a month which implies that though she may use the service to replace a monthly domestic remittance, it is unlikely that this service would encourage her to formalize her financial activities.

²⁸ State Bank of Pakistan stats for branchless banking in Pakistan 2012

Figure 3: How Customers Benefit from WING:

- The NGO, American Assistance to Cambodia: the time taken to do their payroll has fallen from 2 days to less than an hour and the costs of doing it have reduced from \$100 a month to \$40 a month.
- A hardware dealer in a small city and his younger brother at University in the capital: both brothers report a better relationship as well as cost and time savings, due to more predictable money transfer services. Instead of waiting on unpredictable taxi drivers and taking time off work and school to go to the banks, the entrepreneur uses WING to transfer money to his brother.
- The YouCan Group sells educational materials and text books through a network of 1,000 sales agents. The agents use WING to transfer payments for the materials to the main office, saving time and expenses.
- Passerelles Numeriques Cambodia, an IT vocational training center: successful graduates use WING to contribute a portion of their salaries to a scholarship fund.

Key Lessons

1. *WING demonstrates the kind of benefits customers can realize from mobile money and/or electronic payments: significantly reduced cost, faster access to money, better security (reduced risk). Cost savings seems the easiest to measure and serves as a good proxy for general positive impact because clients cite cost-savings as a key benefit of the service. See key results above for details.*
2. *Grants and/or social investment can provide an incentive and reduce risk for, mobile money businesses to reach under-served markets²⁹; but as the business matures and there is the inevitable pressure to reach profitability, such businesses may consolidate in terms of service offering and customer base, at least temporarily. In the last year, as the WING business matures, pressure has mounted to show a profit. As a result, management has focused on achieving operational efficiency with proven, profitable services and customers. For the time being, it appears that there is less drive toward reaching under-served populations. An alternative strategy is for grant funding to be used for public goods such as market research, research and dissemination of good practices, financial literacy, advocacy for supportive legislation, and broad awareness raising campaigns that develop the industry as a whole.*
3. *Although mobile money businesses contribute to financial inclusion, as commercial interests, their priority is ultimately on profitability; there are therefore limits on their drive and capacity to analyse social returns, or impact.*
 - *WING recently enhanced and brought its IT function in-house. Despite a complete overhaul of its MIS system, WING did not integrate social return or impact data into its system. Social reporting to date has been conducted in conjunction with external social purpose funding. This pattern reflects WING current priority on achieving financial viability.*
4. *Because of limited impact analysis by mobile money businesses themselves, many interesting and important questions will remain unanswered, unless external research is funded and conducted. See annexure A for suggested questions for WING as well as other providers around the globe.*
5. *Funders, social investors in mobile financial services – and mobile money businesses themselves - should be cautious about overstating their impact, lest they experience the kind of criticism endured by the microfinance industry as critiques continuously “debunk” the myth that MFIs exclusively reach the very poor and/or offer a “magic bullet” to the challenge of poverty eradication. This kind of criticism can undermine the tangible and important impact of mobile money on development and on the lives of working class people. In general, WING*

²⁹ The Gates Foundation provided a grant to MTN Uganda to assist them in reaching the residents of rural Uganda earning less than \$2.50 a day.

program descriptions, presentations, and public reports overstate the extent of WING's poverty outreach, and the potential and actual impact of mobile money transfer on the lives of the poor. For example:

- *"WING has bridged the rural and urban divide by providing the same safe, secure and fast service to both urban and rural populations." Problem: the vast majority of transactions take place in semi-urban areas, albeit outside of the capital. In fact management note that secondary towns and cities are the fastest growing locations in the world and therefore very high potential markets. They are not yet served, but they are not low-income or marginal markets, which is what the term "rural" brings to mind. The statement implies that WING has succeeded in reaching a hard-to-serve population of low-income people (typical rural residents); whereas, WING has succeeded in reaching under-served but high potential urban markets across the country.*
- *"WING's aim is to help the Cambodian people improve their livelihood and alleviate their conditions of poverty, by increasing access to financial services." Problems: estimates of poverty levels among customers are technically flawed³⁰, making it difficult to estimate WING's poverty outreach; the cost and time savings are not sufficient enough to credit with "alleviating conditions of poverty."³¹*
- *"Poverty reduction: improved access to services for 318,000 rural customers." And "Services like this have a massive impact on the lives of poor people in many countries. " Problems: even by WING definitions, only some 65% of customers are either rural or poor. Also, see above points for the challenges with WING's definition and measurement of "rural" and "poor," and also the point that the cost and time savings do not represent a "massive impact." Finally, WING enrolled 318,000 customers, but only a portion of them actually use the service, and therefore might be experiencing benefits.*

³⁰ Watson, Ian, "WING Cambodia." Presentation "11.50 Ian Watson Day 2.pdf": page 5 states that WING provides benefits to "lower income" Cambodians, and presents a graph stating that 65% of customers are "below household income of \$5K per annum." The source of \$5K/year as an indicator of "low income" is unclear, but is sometimes – and incorrectly - used as a rough estimate for the globally accepted measure of "extreme poverty" as defined by "people living on under \$1.25/day." The "\$1.25/day" is measured as purchasing power parity (PPP) of household consumption; it cannot be assessed by measuring *income*. Rather, common practice is to measure *specific assets* using a specific tool, either the Poverty Assessment Tool (PAT) or the Progress out of Poverty Index. ; Similarly, WING's *Social Impact Report, 2010* states that "WING is Reaching Out to Poor Households: 51% of respondents report personal monthly spending of less than USD60." The source of the \$60 as a poverty line is unclear, but \$60 is similar to 30 days of "living on under \$2/day," which is the globally accepted poverty line. In the WING survey, respondents reported their personal spending, but, as described above, this is not a correct measurement of a poverty line. For a host of reasons, this is a common and unfortunate mistake.

³¹

Conclusions

WING was launched in the same year as MTN Uganda's mobile money and just before Easy Paisa³² in Pakistan. Both of these deployments seem to have succeeded in attracting significantly larger numbers of users and transaction numbers than WING even given the differences in population size³³. The main differentiator is that both these businesses were led by mobile operators who were prepared to invest heavily in the marketing and distribution due to the indirect benefits they receive such as reduced customer churn and reduced airtime distribution costs.

However WING's development over the last four years has both reflected and re-enforced the experiences of other players in the industry as well as providing various unique approaches which could provide interesting areas to consider for other mobile money providers. Of course every country has its own challenges and the environment in which they operate in part drives the route that each provider takes. Nevertheless the decision to manage the IT platform within the company and the strong emphasis on hands on training and support for merchants is both areas that should be monitored in the future to assess their respective costs and benefits.

The current point in the business life cycle means that WING are focusing on the operational efficiencies and consolidation of their offerings to optimize transaction levels and cost/income ratios. They have merged with a company, which appears to provide them with solutions to some of their very real ongoing challenges around market preferences for Khmer language and paper receipts as well as bringing a large additional distribution network of agents. Their strategy is now to offer the new Point of Sale devices to some of the busier WING merchants.

It will be interesting to note the trend in future as to whether and how quickly the market becomes more comfortable both with the mobile enabled merchants and indeed with conducting transactions themselves on their own mobile phones and so return to the original principles of mobile branchless banking.

³² Partnership between Tameer Microfinance bank and the MNO Telenor

³³ MTN Uganda claimed to have more than 400,000 active customers after about a year of operation.

Annexure A

Possible future research questions

- **Inclusion:** How do family members make the decision to use mobile money? Do women and men, younger and older family members have different skills and opinions?
- **Inclusion:** Is mobile money a high priority service for more rural and lower income populations? If so, what strategies work for reaching them? When in the development of mobile money services is it likely that private providers will take on this harder-to-reach population? How can social investors best gauge the timing of their support for high inclusion, so that the investment pays off in social returns?
- **Gender:** WING staff reported that some women do not feel comfortable giving an agent their cell phone number, but are comfortable receiving a reference number that they can use to collect money. How widespread is this? Are there other important gender issues in mobile money transfer? For example, are there ways in which safe transfer benefits women in particular? Are women better able to control money with this system, less able, or is the technology neutral in this regard. Does having women agents make a difference in women's access to the technology?
- **Business development:** Are (potential) benefits for small and microenterprises significant? Are small and microenterprises making widespread use of mobile money and realizing these benefits? If not, why not?