

Tech@State: Mobile Money

Frontier Investments Group,
ACCION International

Monica Brand (mbrand@accion.org)

2 August 2010

The ACCION logo is displayed in a bold, blue, sans-serif font. The letter 'O' is stylized with a horizontal line through its center. The logo is positioned in the bottom right corner of the slide.

ACCION

ACCION International >> Financial Services for the Poor

Mission:

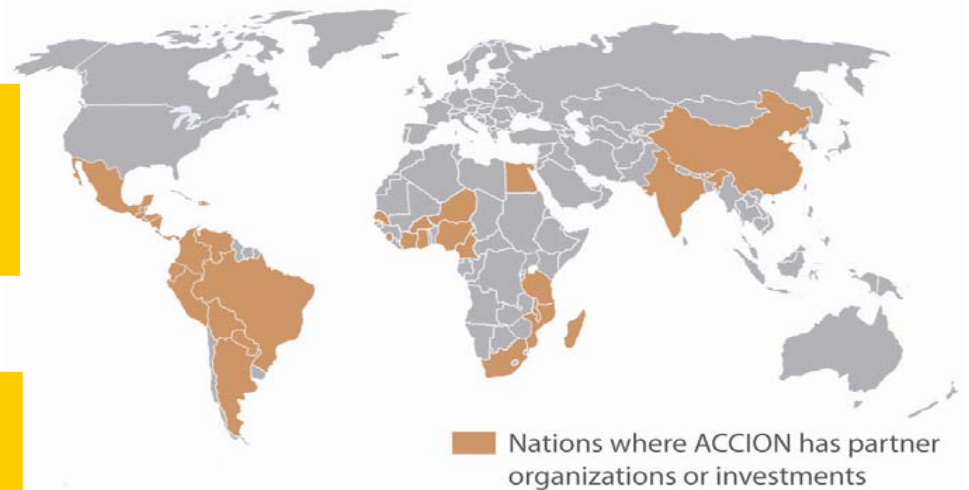
Give people the tools they need to work their way out of poverty

Approach: Build & grow commercially viable institutions to expand financial inclusion

Business model:
Combine capital + consulting

Pervasive, permanent impact

Over 45 Institutional Partners / Portfolio companies in over 30 Countries

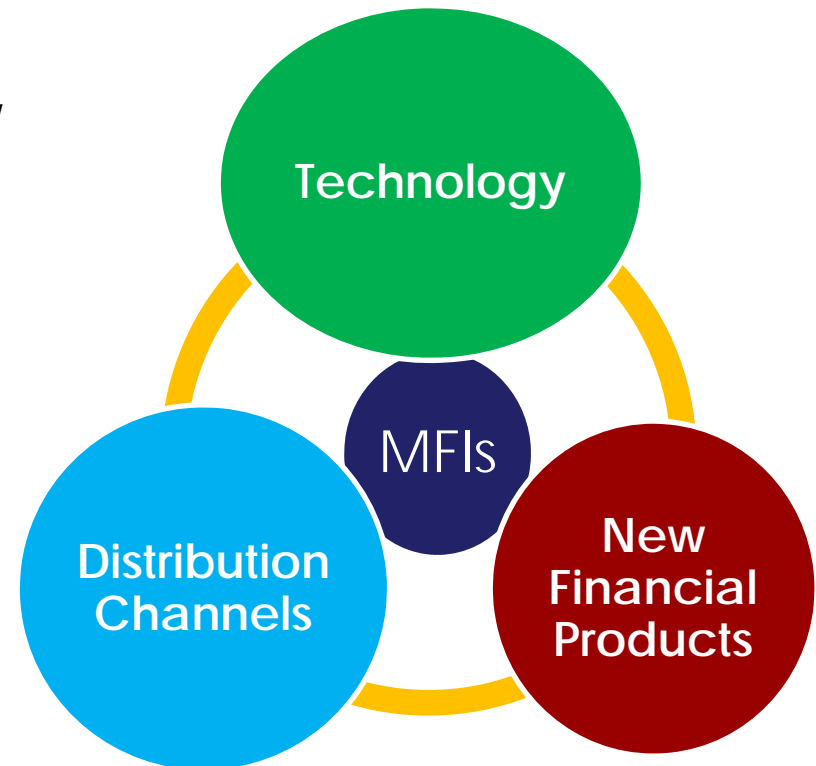


Catalyzing a new business model for microfinance > > *Frontier Investments*

Catalyze breakthrough innovation in financial inclusion through impact investing in core microfinance adjacencies.

Expand access and lower the cost of financial inclusion by investing in 3 key adjacencies:

- **Technology:** Standardized, off-the-shelf, systems + shared platforms (e.g. core banking systems, credit scoring, business process outsourcing, etc.) that enhance efficiency, reliability and scalability .
- **Distribution Channels:** Mobile banking, ATMs, cards and point of sale devices, and other “branchless banking” payment systems that bring financial services to customers less expensively and more conveniently.
- **New Financial Products & Services:** Housing, micro-insurance, and other financial products for the poor, that move well beyond microcredit.



Mobile Payment Systems >> *Key Success Factors*

Seek out Best in Class Cos

- Disruptive business models with compelling value propositions
- Well-defined market; reasonable exit scenarios
- Solid traction (revenue, client uptake) to scale across geographies
- Experienced, mature management teams that are transparent, open-minded and nimble

Frontier's Value Proposition:

- Feet on ground in five continents
- Market intelligence / deep customer understanding
- Operational experience scaling companies serving the poor
- Specialized domain expertise – technical and investing
- Network / institutional relationships
- Successful track record of microfinance investing

Frontier's "branchless banking" experience

Sample Pipeline

- **Latin America:** payment system platform built on agent network that the company recruits, trains and equips with a POS
- **Africa:** mobile solution seeking to provide cashless payments in agricultural value chain + for relief programs (food vouchers)
- **India:** Agent based acquirer (B2C model) using client-friendly interface and bank partnerships to promote adoption

Challenges

- **Client uptake?** Lots of technologies in search of a problem to solve and a clear revenue model. Scale still potential v. reality
- **Financial services?** Early apps mostly non-financial transactions. Link to MF more in risk management + quality control (v. cost reduction). Critical regulatory component.
- **Agent management?** Much more challenging than it sounds. Selection, recruitment, productivity, IT integration + support, quality control, reporting, retention, incentives

Frontier's mobile banking experience

Lessons learned

- **Measure and monitor:** Need to understand business drivers and key performance indicators
- **Understand unit economics:** Overestimation of “network effect”? Need to make sure the business model is solid before broad scale expansion
- **Partner for agent management:** Successful payment system companies have partnered with merchant acquirers, call centers, data management providers to profile, incentivize, manage and retain strong agents
- **B2B v B2C:** models that solve pain of a business partner have many advantages (captive client base, deeper pockets, process adjustment v. behavior change)
- **Diversify / build in flexibility:** Risk to being tied to one network operator or technology. Interoperable platforms + technology agnostic solutions provide flexibility for the inevitable Plan B