

## MTN MobileMoney Service



### EXECUTIVE SUMMARY

#### COMPANY PROFILE

MTN Group Limited (MTN Group) is a multinational telecommunications group, offering cellular network access and business solutions. It has mobile licenses across 21 countries in Africa and the Middle East. It is one of the largest, fastest-growing, and most profitable businesses in the region.

#### COMPANY HISTORY

MTN was launched in 1994 as M-Cell. M-Cell was renamed MTN Group Limited to reinforce African presence and awareness of the brand. At the end of December 2009, MTN recorded more than 116 million subscribers.

### Challenge/Opportunity

MTN deployed its MobileMoney banking service in South Africa in 2005 in partnership with Standard Chartered Bank. The South African service is additive banking; i.e., it is designed as a complementary service for customers who already have accounts, and as such, the service offers a wide range of services, including the option of a credit card. In 2009, MTN started its regional push by launching MobileMoney in Ghana, Uganda, Rwanda, Cote d'Ivoire, Benin, and Yemen. The focus here is on transformational services for the unbanked, with a much simpler service proposition based on money transfers and airtime purchases. Additional trials are also under way in Nigeria, Congo Brazzaville, Guinea Bissau, Guinea

Conakry, and Liberia. In launching this service, MTN faced the following challenges:

- Such a service involves a complex ecosystem of governments, nongovernment organizations, regulators, banks, and service providers, with a plethora of interests, strategies, and business models.
- The regulatory regime in every market is unique; understanding and skills acquired in the regulatory regime of one market cannot be easily transferred to another.
- Although technology is not a major barrier for mobile money services, the applications and platforms need to be both telco-grade in terms of uptime and responsiveness, and "bank-grade" in terms of accuracy, security, and auditability.
- To be successful, MTN would need to have an open approach, allowing interoperability with its competitors (such as Zain, UTL, etc.) that provide a similar service.

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Mobile penetration has far outstripped banking penetration in most emerging markets, and as mobile users become more accustomed to the practice of airtime transfers, there is an increasing demand for more advanced transfer and payment services. Ovum predicts that penetration for such advanced services will reach between 30 and 40 percent of the emerging market's mobile users by 2014. MTN is a key supply-side business for providing mobile payments service in emerging markets, drawing on its established relationships and trust among users to generate additional revenues and reduce turnover. MTN has an established distribution network of agents for prepaid top-up sales that it can leverage as a base to build an agent network for mobile banking. According to Ovum, such networks are a critical success factor for mobile money in emerging markets, and MTN is well situated in that aspect.

### Alliances/Partnerships

MTN has launched the MobileMoney service with some strategic partnerships.

- In South Africa, it set up a joint venture called MTN Banking along with Standard Chartered Bank. MTN has also partnered with a variety of local/regional banks (e.g., Stanbic Bank Uganda, Commercial Bank of Rwanda, etc.) to make this service available to its customers. The solution is fully compliant with all banking and Financial Intelligence Centre Act (FICA) regulations, enabling banks to log in to the system and manage the banking elements of the service, while MTN focuses on customer acquisition and retention.

The following are its technology partners:

- Fundamo, a respected specialized mobile banking software provider established in 2000, is MTN's preferred partner for its MobileMoney Service. Fundamo is the supplier of platform infrastructure for the MobileMoney service. The Fundamo solution is mature and scalable, and the company has more than 30 successful client deployments in 20 countries in both developing and emerging markets.
- For security, MTN partners with Gemalto, a digital security specialist. MTN MobileMoney is a SIM-based version of Fundamo's Mobile Wallet Solution, which has been developed in collaboration with Gemalto. The technology enables subscribers to use the service from any type of handset by simply swapping out the SIM card. The SIM-based technology offers optimum-level security available for transactions through end-to-end encryption.

“Public interest has been overwhelming. Evidently people were looking for safe, cost-effective, and convenient means to transact day to day business across the country or simply from one end of the city to another.”

— Andrew Rugege, Chief Executive Officer, MTN

[See quote source](#)

## Strategy

Availability or access to financial infrastructure, outside of South Africa, is very limited. This unbanked mass market is the target segment for MTN. The subscribers can transfer money, make mobile payments, check their balance, make mobile purchases, and buy airtime. The full suite of services is available in South Africa, and a more simple set based on transfers and airtime purchases is available in the much less developed markets in the region. MTN offers the following value proposition for its MobileMoney customers:

- For people who have no existing bank account or access to banking services, banking services are transformative and can be life changing, and for most, it will be the first time that they have had a formal financial identity. The financial services would enhance the quality of life by enabling day-to-day transactions such as sending money to family, paying for items, and making it easy to do business for small and micro businesses, particularly in rural areas.
- Mobile money transfers are cheaper than electronic transfer services and more reliable than physically transporting money, which can also be costly if travel is involved.
- The MobileMoney service is straightforward from a user experience perspective. It is based on existing network bearers (e.g., Short Message Service [SMS]) that consumers are familiar with and supports legacy devices. According to Ovum, such simple P2P services act as a beachhead with additional services added going forward.

“In Kenya, a similar service (M-Pesa) has been instrumental in accelerating rural economic growth by between 4 and 5 percent. We expect that MTN MobileMoney will also help accelerate Uganda’s economy by similar margins.”

— Richard Mwami, Head of MTN MobileMoney, Uganda

[See quote source](#)

## Success Factors/Metrics/Monetization

- MTN gains direct revenues from transactional fees. These fees vary with each market/banking partner; e.g., for the service in Uganda (launched in March 2009), transactional fees vary between \$0.70 and \$8.40 depending on the amount transferred, which is capped at \$440. Out of these revenues, MTN also pays agent commissions. Agent commissions and bank revenue-sharing agreements also vary considerably from market to market.
- MTN also earns indirect revenues from incremental service usage such as communications service usage (e.g., voice, SMS) as users engage with each other to arrange the payment, check whether it has been received and collected, and make courtesy calls once the payment has been completed. Ovum also indicates that mobile payments can have a knock-on effect that drives incremental revenues from associated services. The most explicit example is airtime top-ups via the mobile account.
- Another very important result for MTN is increased loyalty and reduced turnover.

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MTN does not provide user numbers or any other key performance indicators (KPIs) for South Africa. In a market where banking services and money transfer alternatives are well established, Ovum expects the number of subscribers, for such additive service, to be low. There are decent KPIs from more recent launches in markets where MTN has a transformative strategy (i.e., targeting the unbanked).

- In Ghana, there are about 165,000 customers using the service.
- In Uganda, there were about 210,000 registered users in November 2009, with the average transaction size at UGX 60,000 (USD\$31). In March this year, MTN Uganda reported more than 680,000 MobileMoney subscribers.
- In Rwanda, MTN has about 30,000 MobileMoney subscribers and is targeting 100,000 in 2010. MTN Rwanda also claims that about Rwf60 million has been moved in daily transactions a month after the service was launched (February 2009).

### Company Background

- Read [MTN overview](#)



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