

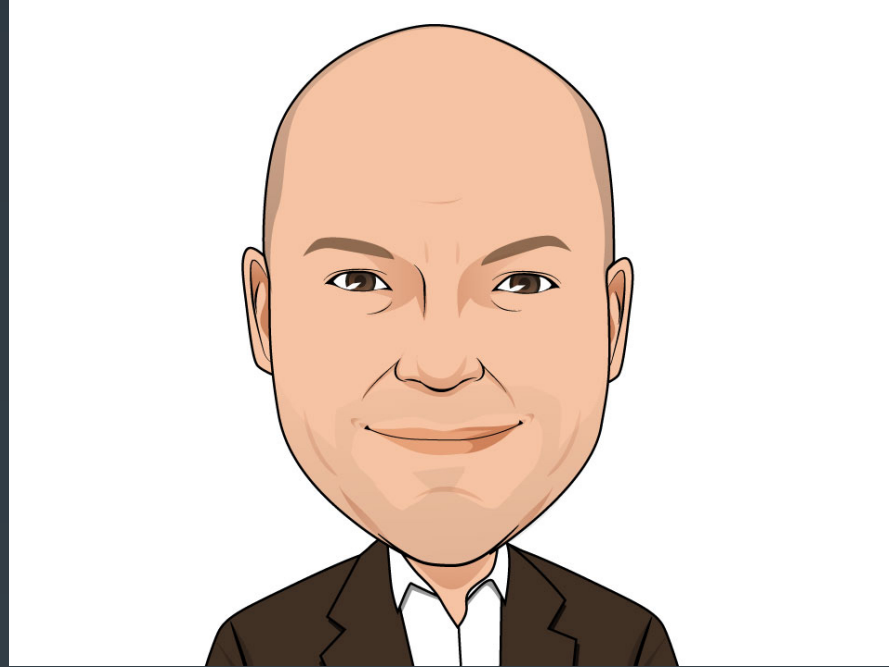


# Shape of things to come:

*Mobile Money, Mobile Payments, Mobile Banking, Mobile Commerce*

Warwick Business School conference on Paytech 2016  
Session 2: From cash to plastic to mobile payments: The evolutions of monetary forms

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GOOD MORNING !

# Summary



- **Mobile/digital payments a fundamental building block for digital/mobile banking and commerce but also financial inclusion**
- **Overall ecosystem is becoming much more complex integrating mobile money/payments, mobile banking and mobile commerce. But also much more competitive through new entrants on payments markets and regulatory pressures**
- **It develops both on horizontal and vertical ways (general payment systems/products and industry verticals specific systems/products) and adapt to customer/user requirements**
- **More fundamentally, combined growth of digital/mobile payments and convergence with banking and commerce is a hallmark of an overall transforming economic system where the usage and movements of finance/money are transforming**



# 1. Some figures and data

# EXPONENTIAL GROWTH OF USERS AND TRANSACTIONS

**\$23.22  
billions...**

Expected global value of  
goods and services 'purchases via  
mobile phones in UK in 2018

**20  
millions...**

The number of mobile  
payments users in UK in 2018



**\$189  
billions...**

The forecast of total mobile  
payments in shops and stores  
in 2018



**81.5%**  
Average growth in  
mobile payments in China betw  
2014 and 2017



**81%**  
Of annual growth in  
mobile payments in Asian emerging  
countries



**\$160  
billions...**  
Estimated value of transactions via  
mobile phones in Africa in 2016



**163.6  
millions...**  
Of mobile payments users estimat  
in Asia in 2016

**101.34  
millions...**  
Of mobile payments users estimat  
in Africa in 2016

**876  
millions...**

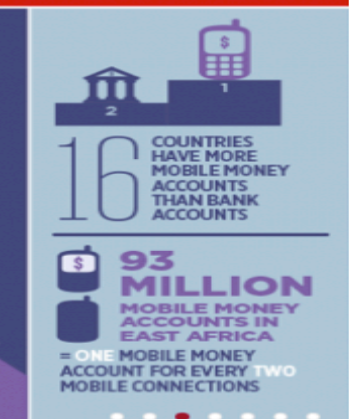
The forecasted number of mobile financial  
services users on in emerging countries in  
2017 i.e. 86% of all users in the world



Global number of mobile Payments users globally 2009 to 2017



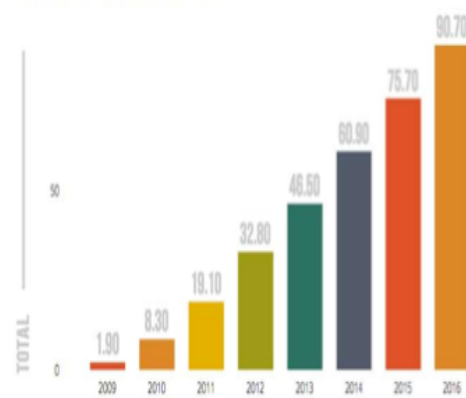
## ADOPTION OF MOBILE MONEY SERVICES



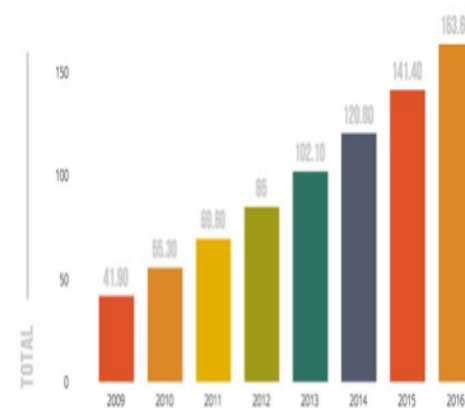
### EUROPE (USERS IN MILLIONS)



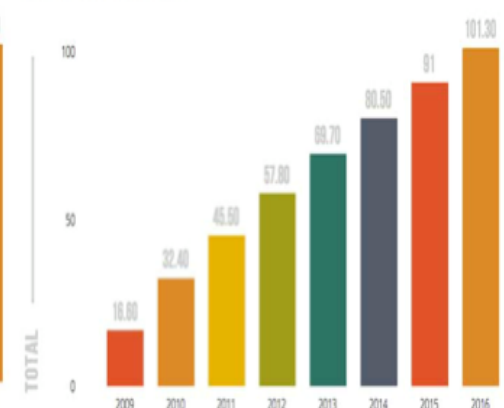
### NORTH AMERICA (USERS IN MILLIONS)



### ASIA/PACIFIC (USERS IN MILLIONS)



### AFRICA: (USERS IN MILLIONS)



Sources: Pymnts.com; Gartner, Juniper Research, GSMA; Pew Research

# On emerging markets, different models co-exist with a crucial role anyway by mobile operators

Two major trends...

Increasing competition

Increasing product sophistication



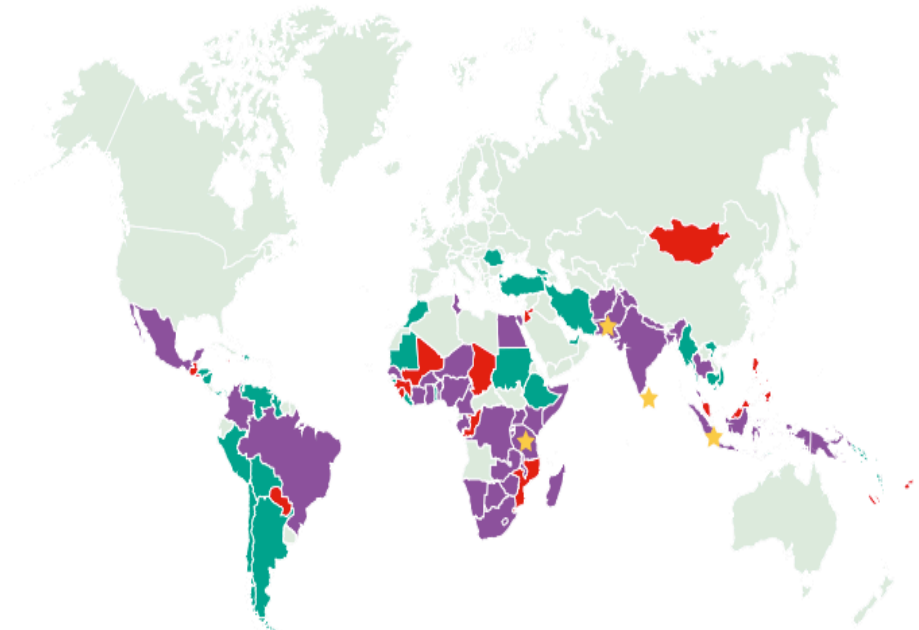
- In China, digital and internet players have a key role in spurring the extraordinary growth of digital/mobile payments e.g. Alibaba, Tencent ou Baidu even using gamification and social media to increase adoption rate (e.g. Tenpay and WeChat)



- In Asia, combination of partnerships such as Standard Chartered and Singtel but also MNO-led developments such as in Indonesia or Philippines

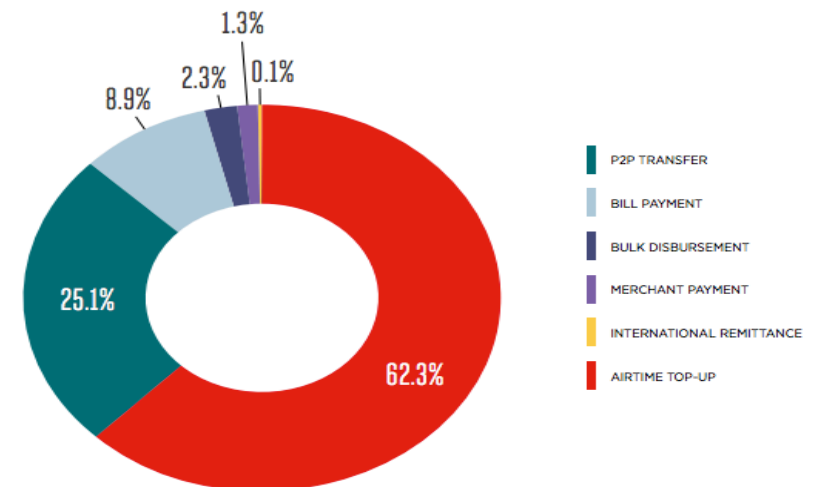


- MNOs are always leading the pack in Eastern Africa in
- Banks are reacting with some of them e.g. Equity Bank creating a MVNO on Airtel's network, first in Kenya, to offer mobile banking services and keep 100% control of all the payments value chain.



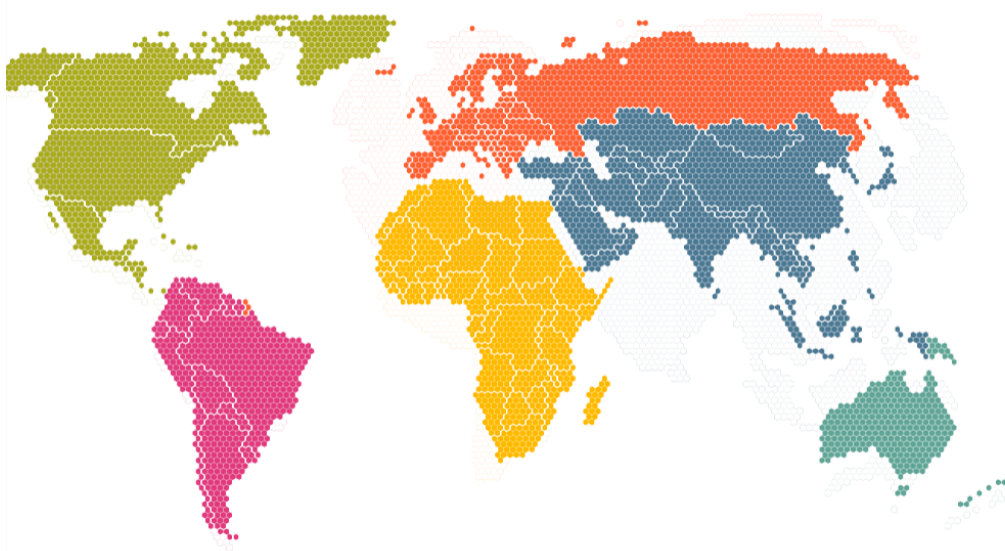
ONE MOBILE MONEY SERVICE TWO MOBILE MONEY SERVICES THREE OR MORE MOBILE MONEY SERVICES INTEROPERABLE MARKETS

GLOBAL PRODUCT MIX BY VOLUME (DECEMBER 2014)

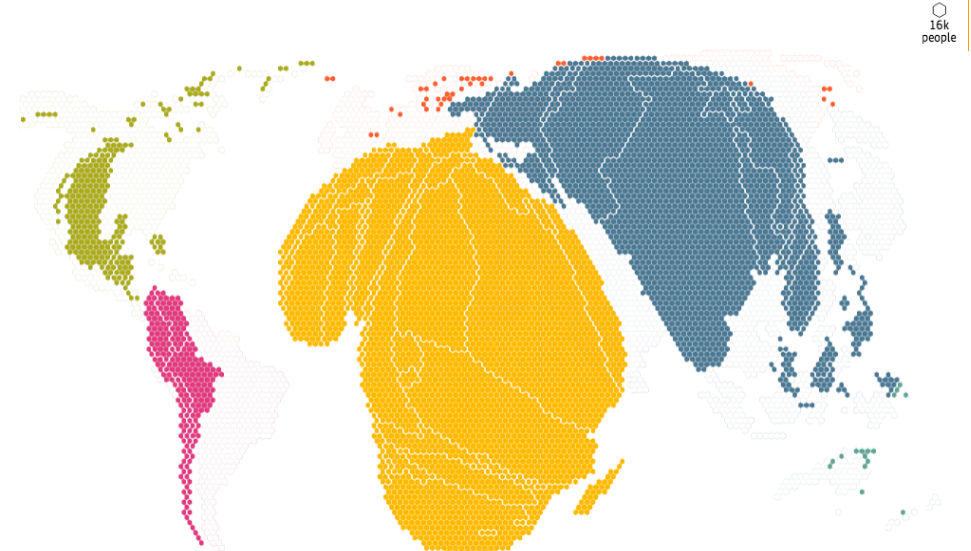


# ANOTHER VISION....

World population per continent...

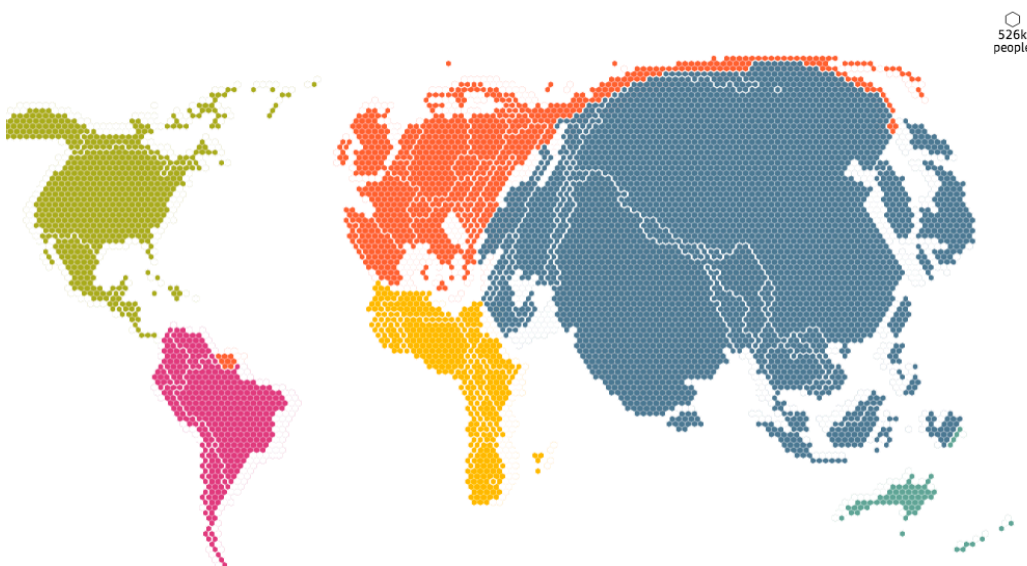


The world per mobile money penetration



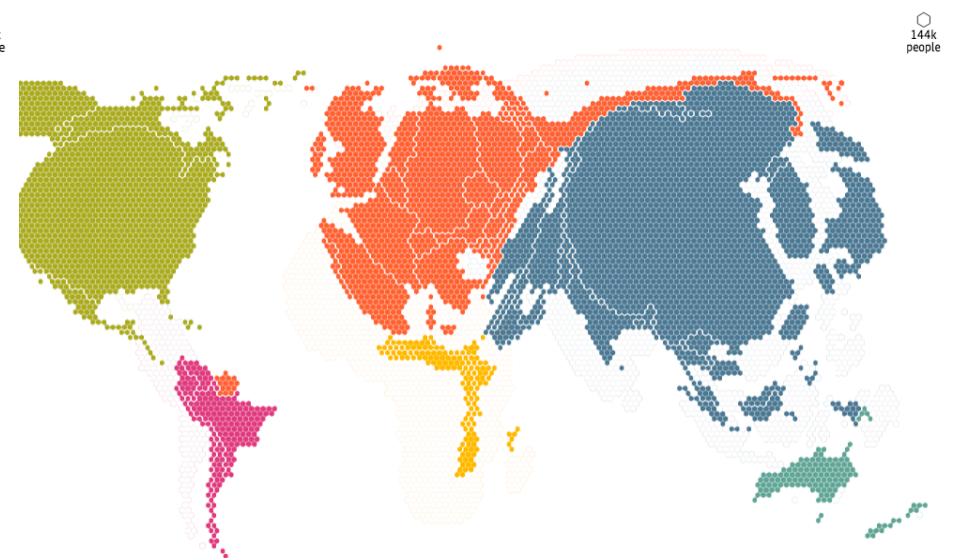
16k people

The world per bank accounts held in banks/financial institutions




526k people

The world per use of online shopping/payments



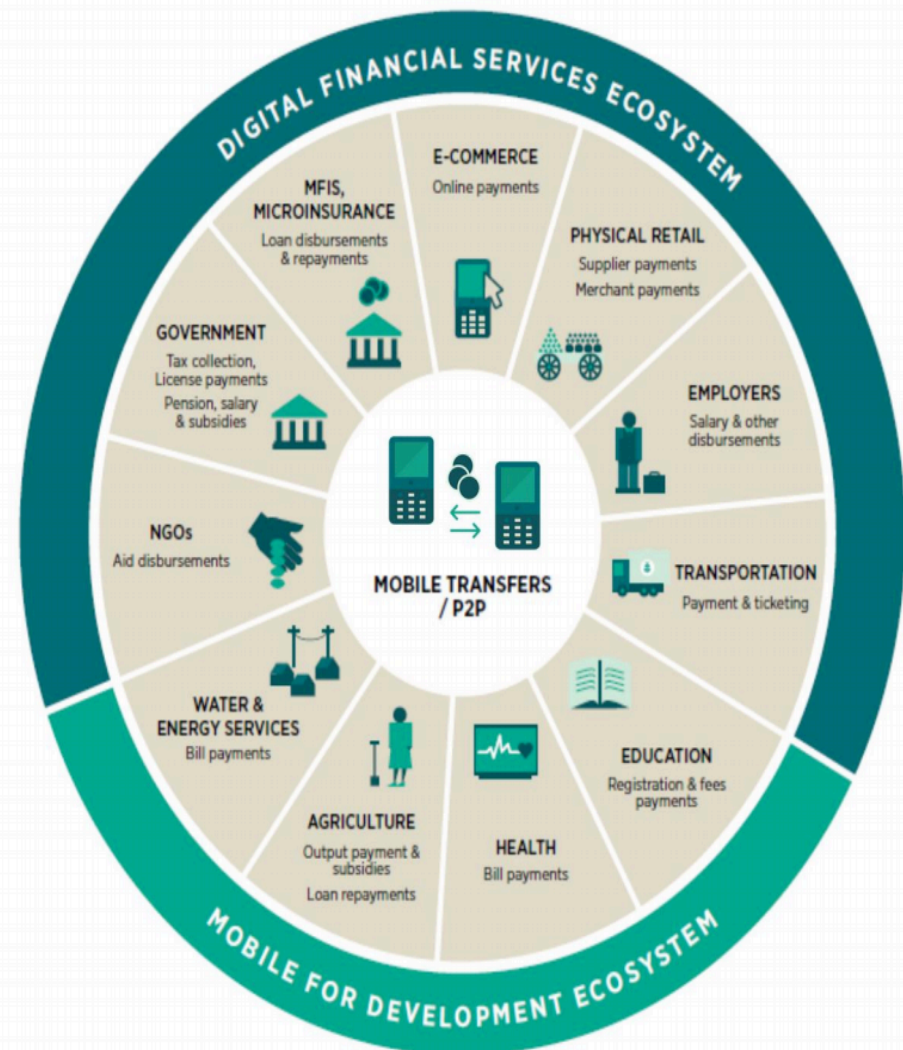
144k people



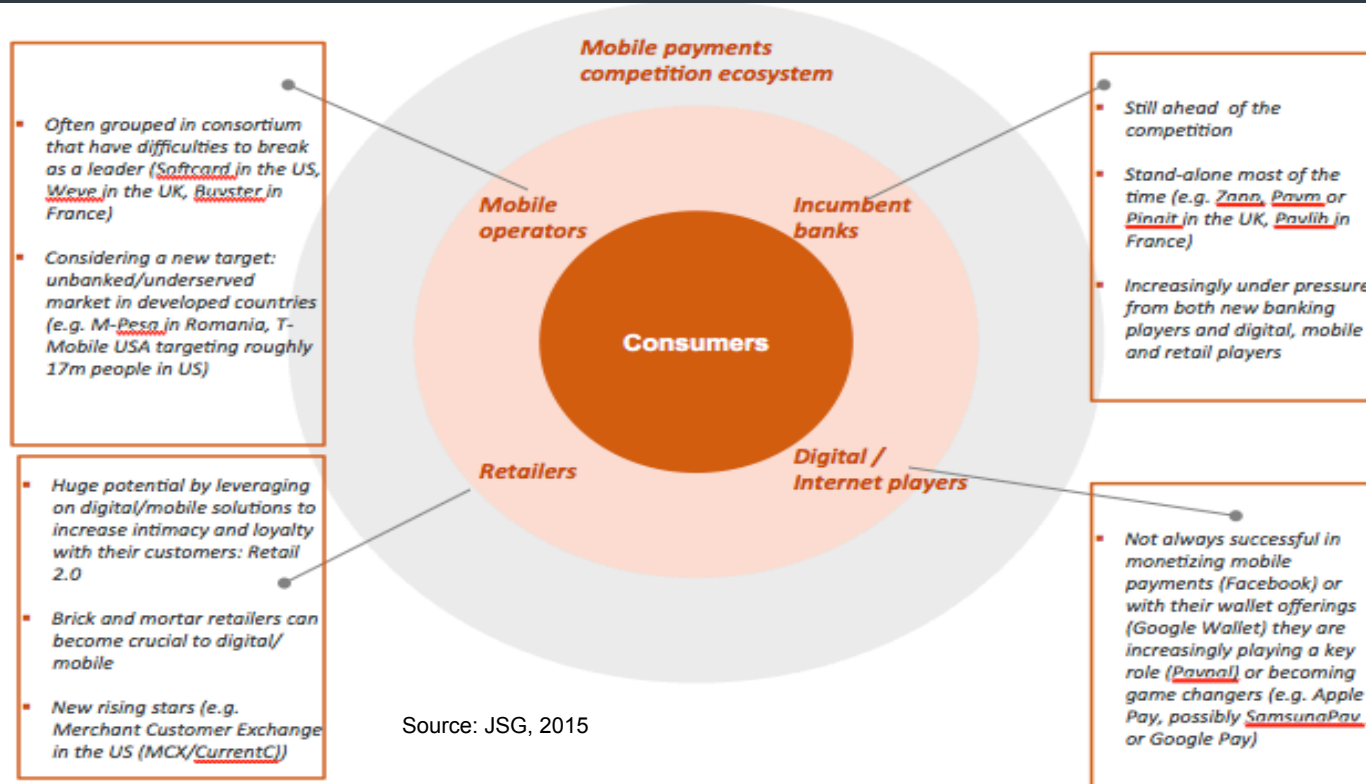
## 2. Digital and mobile payments developments in emerging and developed countries

# Mobile money/payments decisive contribution to financial inclusion in emerging countries

- Mobile money evolved from remittances and P2P money transfers to a much more complex ecosystem including other services
  - Africa has seen some tremendous successes although not “one size fits all”:
    - Eastern and Southern Africa: Great successes since 10 years
    - Western Africa: Difficult evolution, picking up now.
    - Northern Africa (aside of Egypt): Almost no development
  - Latin America is developing
  - Asia: some tremendous successes and failures
- Market conditions incl. cultural and policy context are crucial
  - Countries where regulation ban mobile operators from direct provision of financial services have witnessed horrible growth rates of mobile money (e.g. India, Nigeria, A number of countries in Western Africa). Change is coming though
  - Countries allowing mixed models & direct involvement of mobile operators have seen major growth rates (e.g. Kenya, Tanzania, Philippines, etc.)
  - Some countries like Brazil have linked developments in digital/mobile payments with major public policy initiatives



## Mobile Payments growing in developed country, with an increasingly competitive ecosystem and some of this growth driven by contactless/M-payments in mass transit, mobile commerce, etc.



"I use physical cash much less than 12 months ago"

Percent who answered "strongly agree" or "agree"



Sample size: 14,829

### Increasingly part of broader products

- e.g. mobile banking, mobile wallets

### Specialisation for industry verticals:

- Transportation
- Hospitality, Restaurants, Bars;
- Healthcare & wellness;
- Education;
- Energy

### Mobile Payments are growing and the use of cash decreasing

### Retail & mobile commerce Increasingly engine for growth & integration of mobile payments & other facilities

- Major retailers use digital/mobile technologies to not only improve shop floor and checkout management.
- Increasingly essential to cover the whole customer shopping journey before, during and after visiting a shop/store.
- Digital/Mobile wallets combining payments, loyalty, coupons redeeming functions.

# A good example of competition in the remittances/payments market

## Social remittances and payments

www.fintechranking.com

Comparison of Whatsapp, Facebook, WeChat, Viber, Line, Snapchat, Telegram, KakaoTalk solutions

Research by Life.SREDA VC



Monthly Active users (2015), M	900	700	600	249	211	200	62	48
Payment solution	✖	✓	✓	✖	✓ LinePay	✓ Snapcash <sup>1</sup>	✖	✓ KakaoPay
Payment solution users, M			200 <sup>2</sup>					5
Local cards supported		US Bank Debit card	Chinese Debit and Credit cards		✓	US Bank Debit card		✓
International card supported		✖	✖		✓	✖		✖
Phone balance wallet top-up		✖	✓			✖		
Bank account wallet top-up		US Bank Debit card	✓		✓	US Bank Debit card		Korean bank or online bank
Wallet top-up at retailers		✖			✖	✖		
p2p transfer		✓	✓		✓	✓		through Bank Wallet Kakao
p2m transfer		✖	✖		✖	✖		
Group pay		✖	✓		✓	✖		
In-app payment		✓	✓		Line Store	✓ <sup>3</sup>		✓
Payment in other apps		✖	✓ "official accounts"		✖	✖		✖
Payment at Offline partners		✖	✓		some	✖		✓ some
Type of Offline payment			QR Codes		QR Codes			NFC and barcodes
Credit from family and friends		✖			✖	✖		✖
Credit from Others		✖	✓ through WeBank		✖	✖		✖
Convert to Cash		From connected bank account	From connected bank account			From connected bank account		From connected bank account



www.lifesreda.com

p2p – person-to-person; p2m – person-to-many

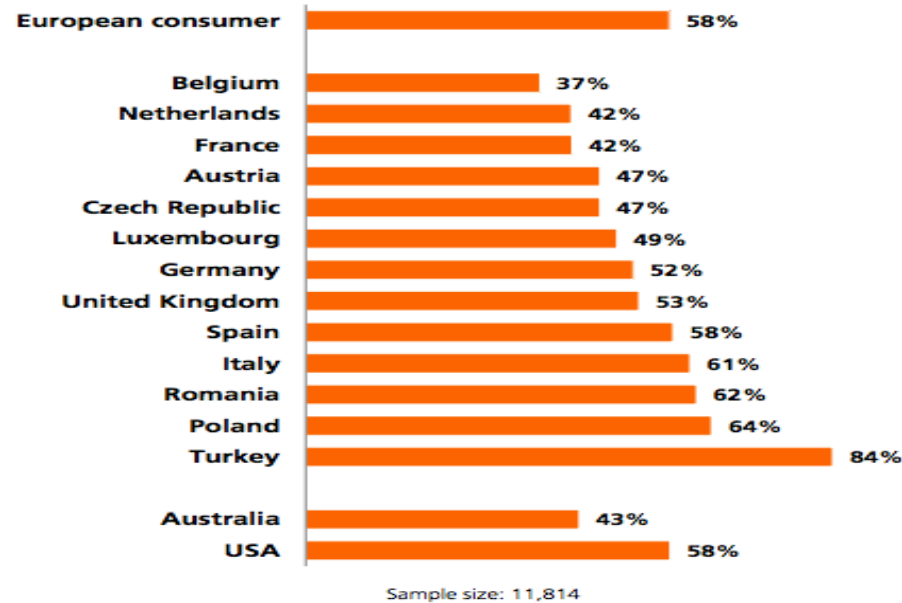
1 – based on Square.Cash; 2 – during two day LNY; 3 – using Square.Cash backend

\* – WeChat has by far the largest functionality, "official account" design gives them a huge diversity in capabilities.

\*\* – Line appears to be the only one that accepts international credit/debit cards, but with very limited functionality so far (sticker market)

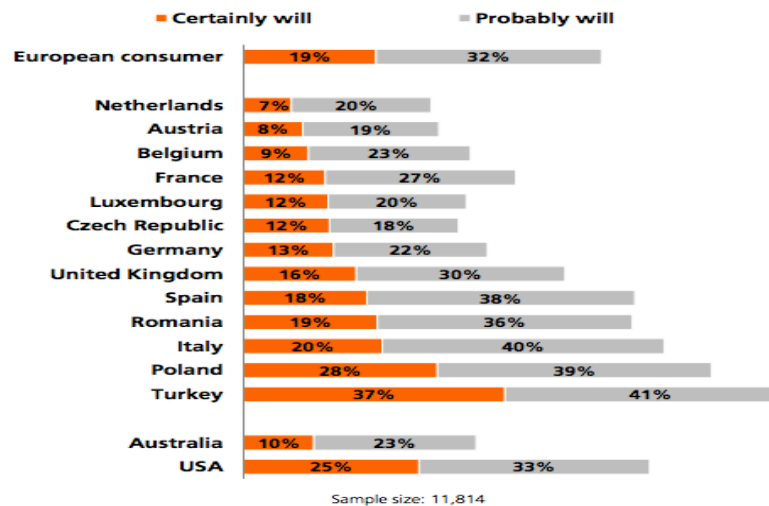
# The use and inclination to use m-Payments & m-Payments apps in particular for shopping is growing in developed countries

Percent who indicated they had made a purchase using a mobile device



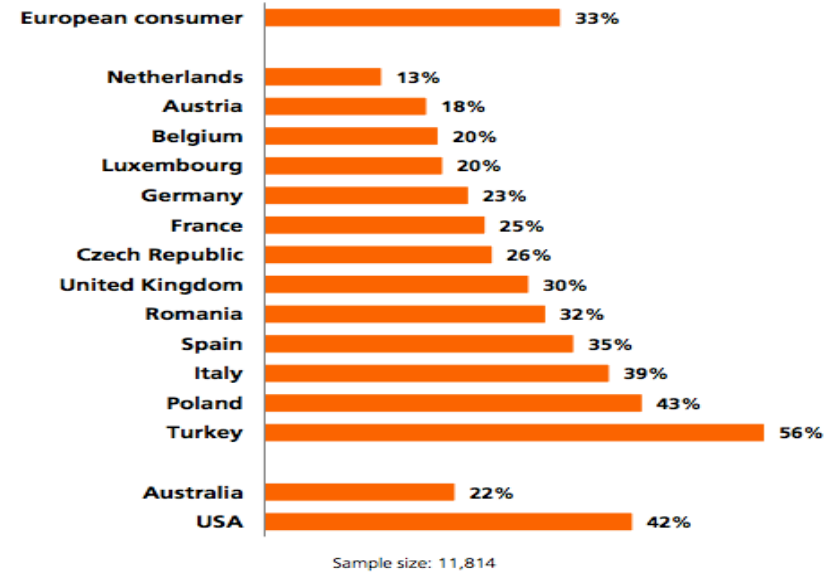
In the next 12 months, do you think you will use a mobile payment app?

Percent who answered "yes, I certainly will" and "yes, I probably will". Question was asked only to people who own a mobile device.



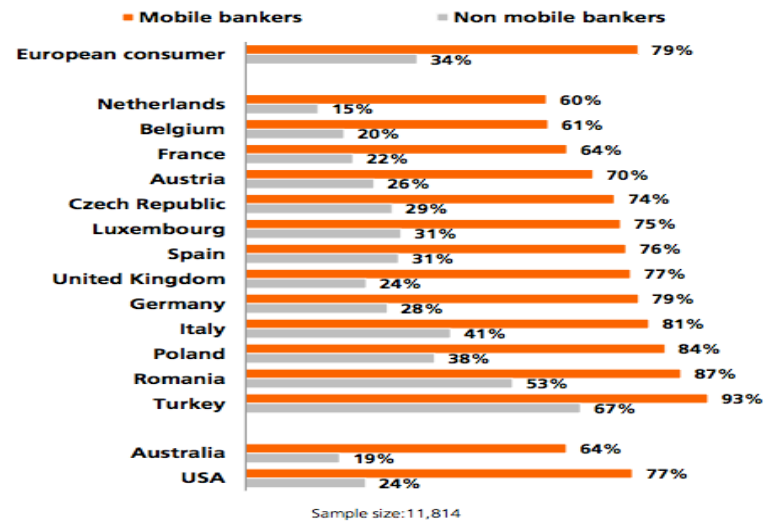
Have you ever used a mobile payment app?

Percent who answered "yes". Question was asked only to people who own a mobile device.



Which of the following have you purchased in the past 12 months using a mobile device, such as a smart phone or tablet?

Percent who indicated they had made a purchase using a mobile device



# Financial inclusion is a real problem in developed countries too...

## FINANCIAL EXCLUSION IN NUMBERS



Financially excluded people pay a 'poverty premium' of £1,300 each year



An estimated two million people took out a high-cost loan in 2012 as they were unable to access any other form of credit



Nearly two million adults in the UK do not have a bank account



Up to 8.8 million people are over-indebted



13 million people do not have enough savings to support them for a month if they experienced a 25% cut in income



50% of households in the bottom half of the income distribution do not have home contents insurance



15 million people (31% of the population) report one or more signs of financial distress

Source: Financial Inclusion Commission, UK, March 2015

- Solutions like Compte Nickel in France has shown that addressing the unbanked and Excluded markets with proper solutions is viable commercially (from 0 to 225,000 customers in 1 year) even in developed countries
- Real concerns of impacts (and legitimacy) of bank de-risking e.g. money transfers/remittances. Is it really because of regulation and risks or ...to smother a market banks are losing



### 3. The Regulatory context

# Policy & Regulation have key roles as enabler or obstacle to market developments

- **Governments, Regulatory Authorities, Competition Authorities, Standardisation bodies increasingly active**
  - Market and dominance issues around agents networks exclusivity in Eastern Africa leading competition/regulatory authorities to act (e.g. Kenya, Zimbabwe, Tanzania, Uganda)
  - Competition Actions and investigations in the EU (ECJ decision on MasterCard, 11 September 2014, new investigations on Merchant fees) and MasterCard and Visa continuous legal actions in the US
  - Interoperability and proprietary standards concerns in both emerging and developed countries
  - EU Regulation to cap Multilateral Interchange Fees and change card schemes rules entering into force
  - Push to increase speed in faster payments developments (US, etc.)
- **New specific payments/financial services legislations opening the markets:**
  - Review of the Payment Service Directive 2007 (PSD2 adopted) and soon the E-Money Directive 2009
  - Regulation on Payments Banks in India, 2014 and 2015
  - Regulation allowing Danish retailers to refuse cash payments
  - New strategic review of the payments sector in France
  - New Payment and E-Money Regulations in Turkey, 2014 and 2015
  - Regulation from People's Bank of China on mobile payments, 2015
- **Partnerships are also on the rise either intra or inter sectors, and Competition authorities are increasingly acting**
  - Oscar/Weve case in the UK, Telefonica/BBVA/Caixa in Spain in the past few years, etc.
  - Creation of the Polish Payment Standard (PSP) by the competition authority and the Financial regulator in 2014
  - Acquisition of PSPs by banks (Leetchi/MangoPay by Arkea), or stakes in challenger or neo banks by incumbent banks (Atom Bank/BBVA, BBVA/Simple)
- **Convergence of relevant legislations/regulatory authorities**
  - Creation of the Payment Systems Regulator (PSR) in the UK
  - Increased cooperation between digital/telecom regulators, financial services regulators and competition authorities (e.g. EU, Kenya, Tanzania, Ghana, India, Bangladesh, Philippines)

## 4. A new paradigm



# Focus in now on use and user experience, not on products nor services

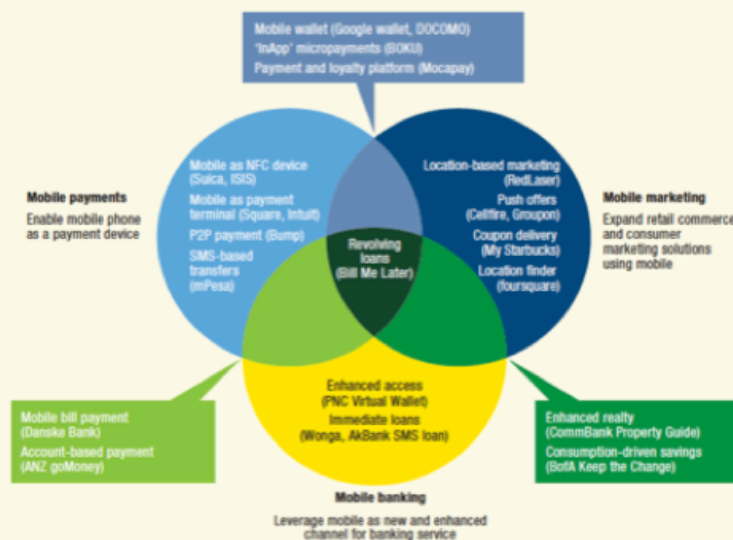
Payment is no longer a tool or a stand alone product, it becomes a complete User Experience (UX). Customers are now surrounded by new technologies and new devices transforming the way to interact with others



Mobile commerce is increasingly based on an extension of the converged area

Mobile/digital wallets are increasingly becoming like digital "Swiss army knives"

Exhibit 1  
The three dimensions of mobile commerce evolution

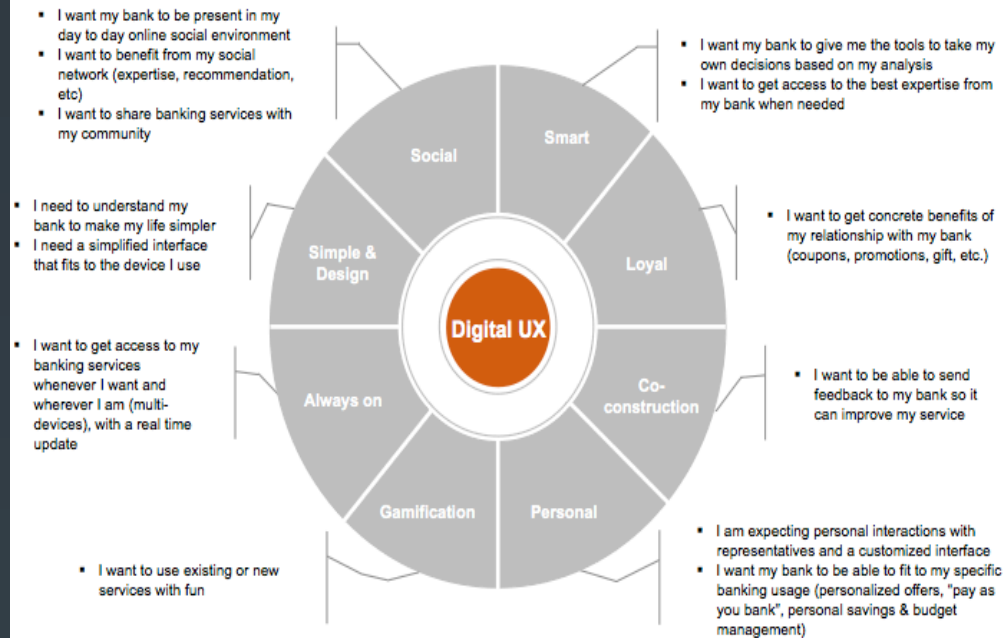


Source: McKinsey Payments Practice



From Gerd Leonard, Gerd Future, 2013

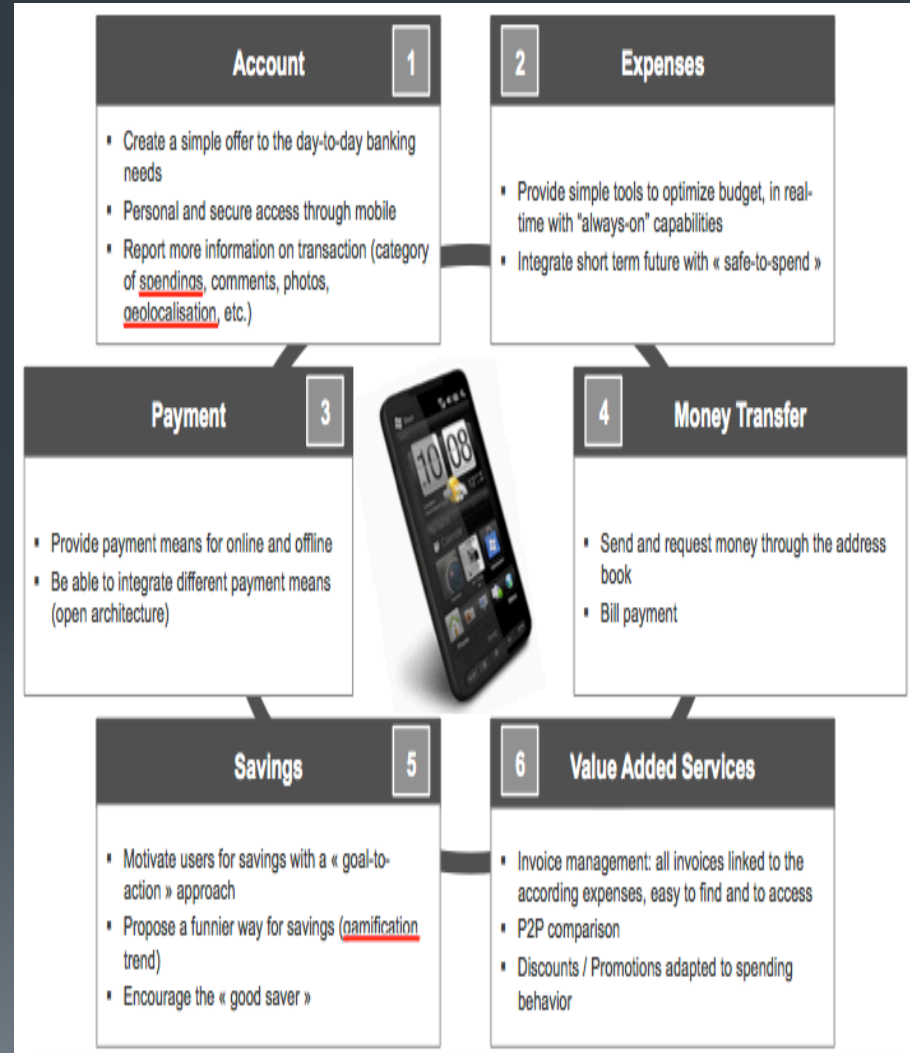
## The digital world generates new expectations, not regarding services but about the user experience itself



Users are expecting Service Providers to be User Relationship specialists. Oh, and consider the number of users....

Worldwide users	Top World Banks customers
1,23 billion active users 650 million active users 540 million active users 500 million active users 237 million active users 143 million active users	150 million accounts 89 million customers 200 million accounts

The Next Gen Banking services will not focus on one single service but will answer customers' usages, ex. : the "smart wallet"



# The World Economic Forum and Deloitte identified 6 importing converging themes cutting across the multiple clusters of fintech innovations



## Streamlined Infrastructure:

- Emerging platforms and decentralised technologies provide new ways to aggregate and analyse information, improving connectivity and reducing the marginal costs of accessing information and participating in financial activities

## Automation of High-Value Activities

- Many emerging innovations leverage advanced algorithms and computing power to automate activities that were once highly manual, allowing them to offer cheaper, faster, and more scalable alternative products and services

## Reduced Intermediation

- Emerging innovations are streamlining or eliminating traditional institutions' role as intermediaries, and offering lower prices and / or higher returns to customers

## Strategic Role of Data

- Emerging innovations allow financial institutions to access new data sets, such as social data, that enable new ways of understanding customers and markets

## Niche, Specialised Products

- New entrants with deep specialisations are creating highly targeted products and services, increasing competition in these areas and creating pressure for the traditional end-to-end financial services model to unbundle

## Customer Empowerment

- Emerging innovations give customers access to previously restricted assets and services, more visibility into products, and control over choices, as well as the tools to become "prosumers"

What the infographic is not showing is the growing Convergence between the different fintech segments

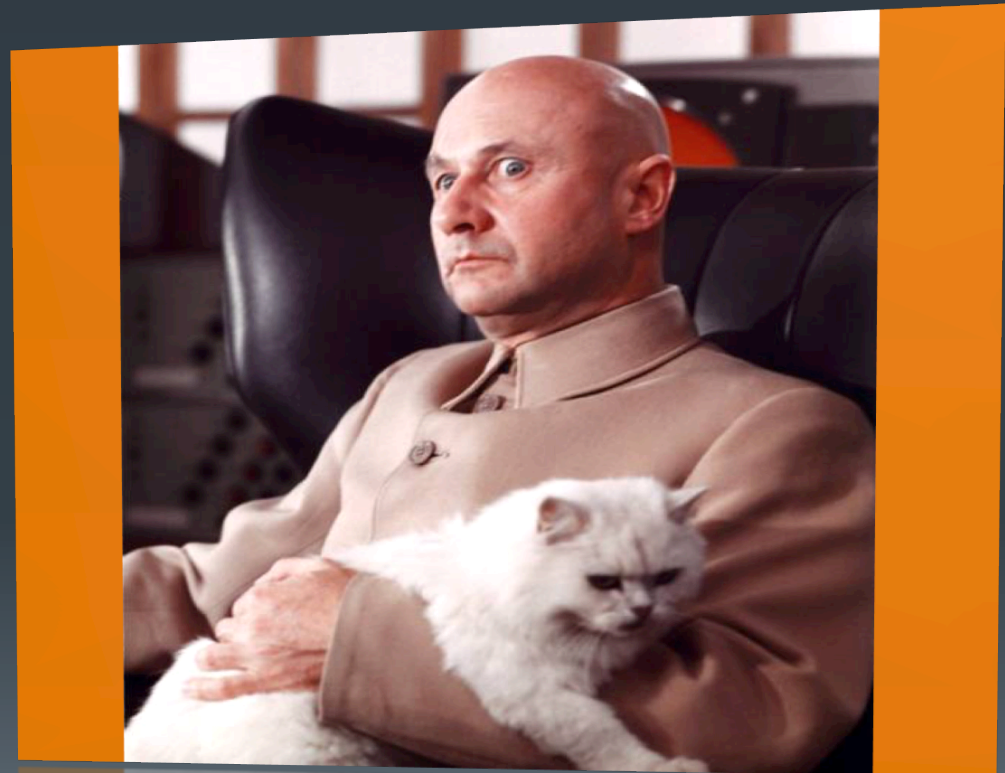
Are the capitalist & banking systems as they exist in their forms since 400 years and the Industrial Revolution dying?

And...

How the digital revolution can accelerate this process

# Conclusions

- Digital payments increasingly part of a broader, integrated, converged offering (payments+ banking + commerce)
- Competition starting to hit at incumbent players both on specific vertical industry or customer segments but also through general payments systems
- Regulation is playing a key role in Intensifying the competitive heat
- The future: Convergence with other fintech products also emerging (Virtual currencies, P2P lending, Crowdfunding, Insurance, etc.



Any questions?



Thank you very much for your attention!

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