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Agent Networks:
Opportunities for Mobile Money in the
Distribution Value Chain

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Group CEO

Agenda

MM Phenomena
MM Success Factors
Agent Success Factors
Distribution Value Chains

Mobile Money Phenomena



MM Phenomena

MM Success Factors

Agent Success Factors

Distribution Value Chains

Mobile Money Phenomena

2002: Celpay Zambia Deployment

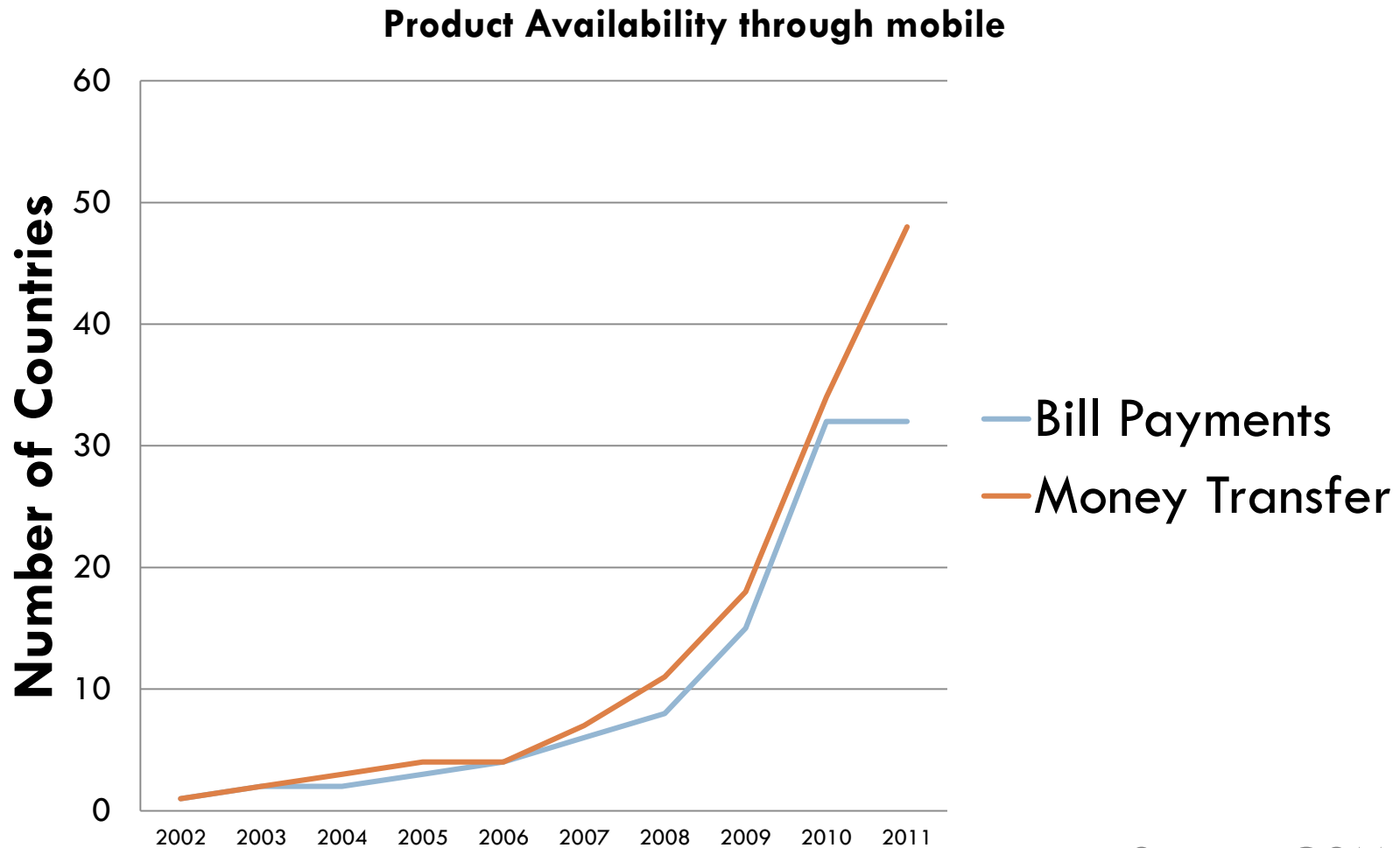
2005: 4 deployments in 4 countries

2007: M-pesa deployed in Kenya

2009: 18 countries with Mobile Money deployments

2011: 48 countries with 126 deployments

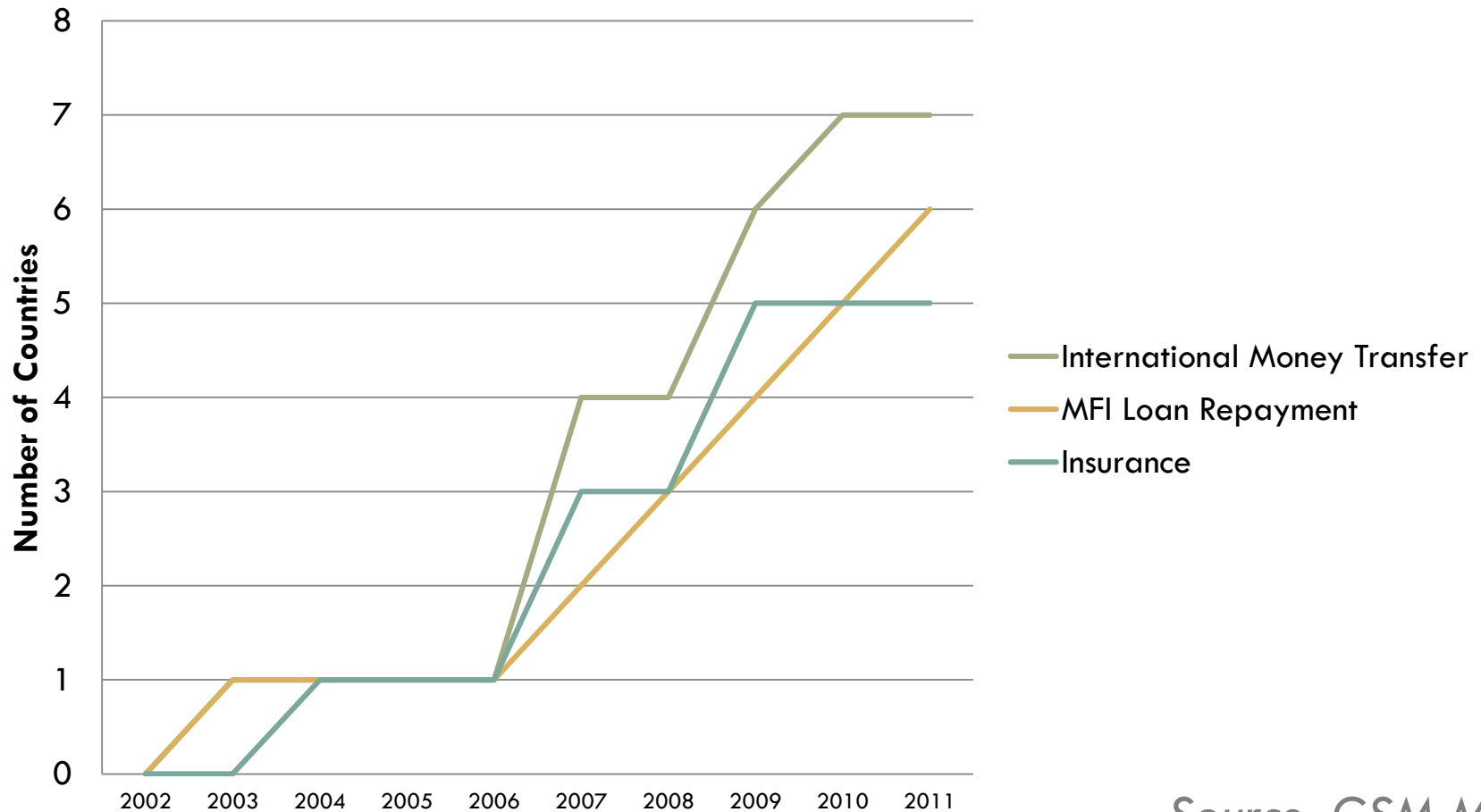
Mobile Money Phenomena



Source: GSM MMU

Mobile Money Phenomena

Product Availability through mobile



Source: GSM MMU

Mobile Money Phenomena

Zambia Mobile Payments Platform Growth

2002 to 2009:	Celpay
2009 to 2012:	28 licensed companies

Source: Bank of Zambia

Mobile Money Phenomena



Total African mobile money transfers
are expected to exceed
\$200 billion
in 2015, accounting for approximately
18%
of the continent's GDP.⁶

Source: World Bank

Who is Celpay?

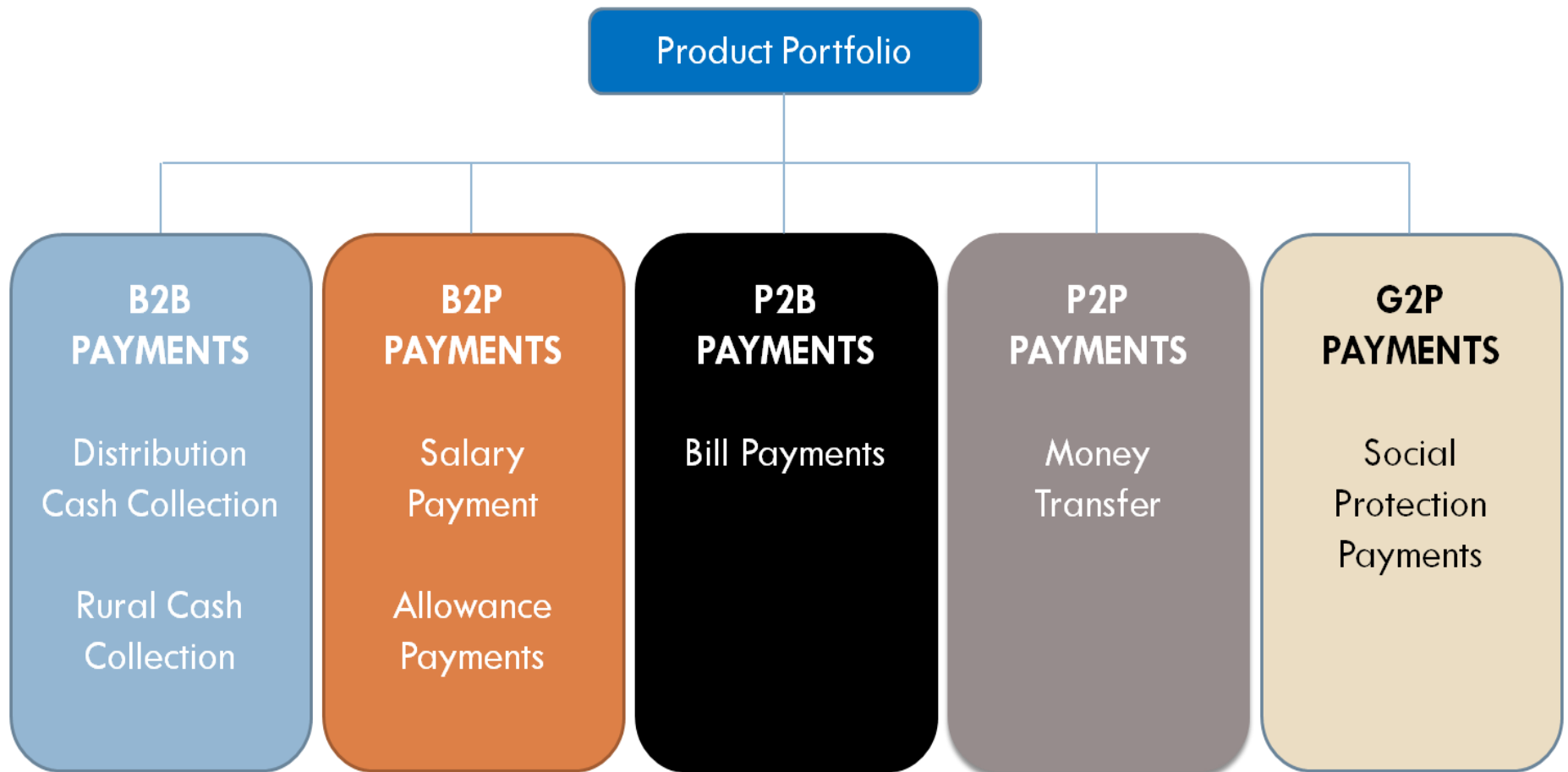


- Established in 2002
- First Mobile company in the World
- Head office in the Netherlands
- Subsidiaries in the UK, Uganda, DR Congo, Zambia, Zimbabwe and Tanzania

Who is Celpay?

- **Pioneer Mobile Financial Services company in the World**
- **1st Mobile Financial Services Company with a profitable business model**
- **Over 400 agents countrywide.**
- **18 Banking partners and over 15 Corporate partners using Celpay**
- **Over \$20M in monthly transaction value**
- **300 SMEs on the Celpay platform**
- **Zampost is anchor agent**
- **BOZ approved and licensed**
- **Wall Street Journal Europe Award 2003 for Innovation**
- **Arch of Europe Gold Award 2011**
- **World Bank Partner on DRC Conader Project Phase I (2004) & II (2009) 120,000 soldiers – USD100m / 30 000 soldiers - USD 22.5m**

Who is Celpay?



Who is Celpay?

Celpay Zambia corporate partners



RURAL FINANCE PROGRAMME
MINISTRY OF FINANCE AND NATIONAL PLANNING



The Super Family
Entertainer

Who is Celpay?



National Savings and
Credit Bank



Stanbic Bank



BARCLAYS



Cavmont Bank

access >>>



FINANCE BANK

citigroup

Investrust
Bank
Plc
(Registered Commercial Bank)

Standard
Chartered

INTERMARKET

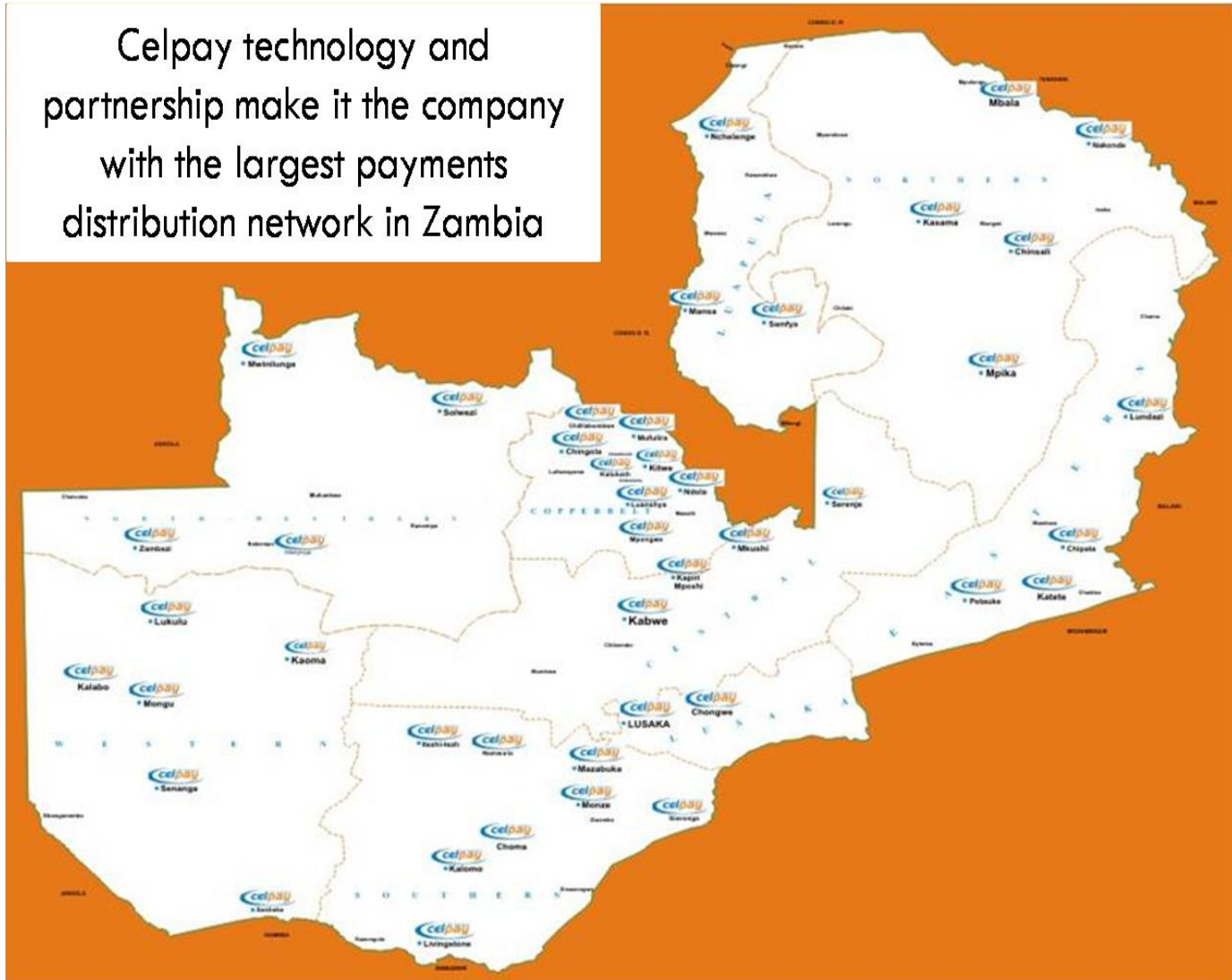
UBA
United Bank for Africa

Ecobank
The Pan African Bank

Celpay Zambia partner banks

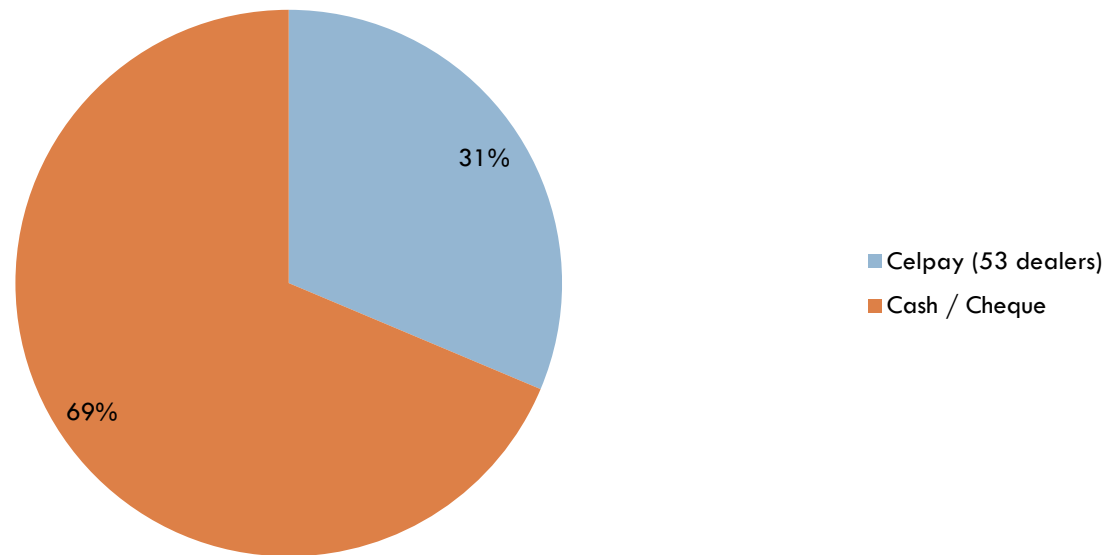
Who is Celpay?

Celpay technology and partnership make it the company with the largest payments distribution network in Zambia



Who is Celpay?

Beverage Payments



Celpay Zambia contributes over 30% of payments to Beverage companies

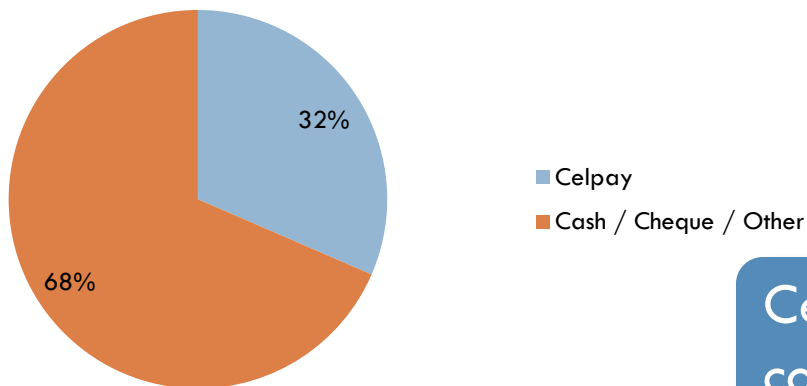
Beverage companies have 53 dealers paying through the Celpay platform

Celpay currently facilitates payments for 2 beverage companies

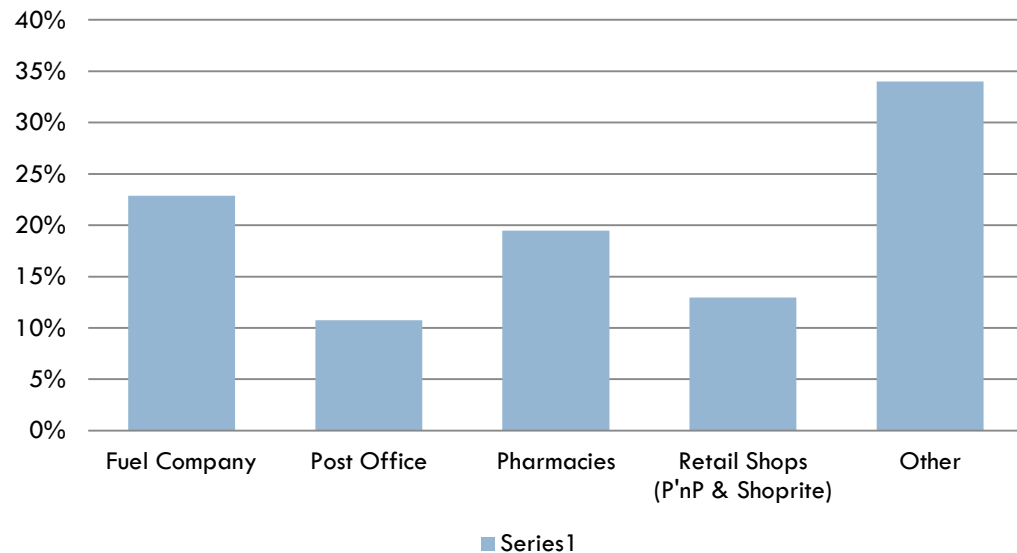
Who is Celpay?

4 Fuel Mini Marts
5 Pharmacies
5 Retail Shops
47 Post Offices
100+ other

Pay TV Payments

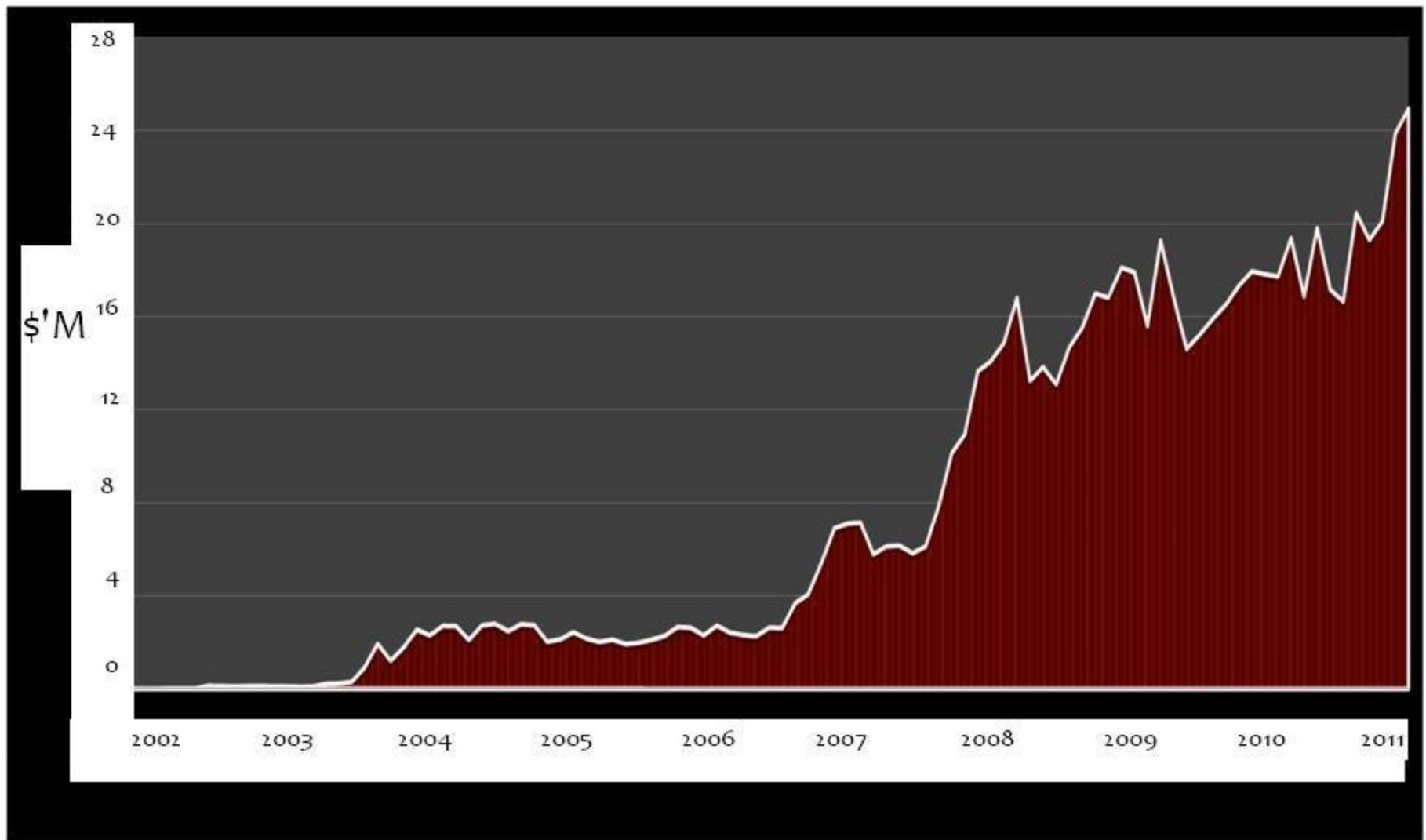


Pay TV Celpay Agent Payments Contribution



Celpay facilitates payments for 2 Pay TV companies

Who is Celpay?



Mobile Money Success Factors



MM Phenomena

MM Success Factors

Agent Success Factors

Distribution Value Chains

Mobile Money Success Factors

Aggressive Agent Branding

- Ensure product visibility
- Ensure agent visibility



Reliable Agent Network

- Celpay technology and partnership make it the company with the largest payments distribution network in Zambia



Mobile Money Success Factors

Reliable Mobile Money Platform

- Secure
- Easy to use
- Reliable



Fundamo is now
part of Visa



Mobile Money Success Factors

Simple & Transparent Pricing

- Clear pricing
- Affordable
- Consumer Education



Agent Network Success Factors



MM Phenomena

MM Success Factors

Agent Success Factors

Distribution Value Chains

Agent Network Success Factors

Ubiquitous

- High distribution of agents across the country



Agent Network Success Factors

Trust

- Agents should be existing operations in use
- There has to be a high degree of trust

Are these brands trusted by potential clients?



Agent Network Success Factors

Liquidity

- Availability of float
- E-money (cash in)
- Physical Cash (cash outs)

Cost Factor

- Cost structures for agents should be low

Distribution Value Chains



MM Phenomena

MM Success Factors

Agent Success Factors

Distribution Value Chains

Distribution Value Chains

Nature of Distribution Value Chains

Are DVC an Agent Perfect Fit?

Potential Challenges

Conditions for Successful Implementation

Potential Benefits

Distribution Value Chains



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Nature of Distribution Value Chains



Petroleum and Gas Products

Manufacturing

Transportation

Beverages: Bottlers and Breweries

Pharmaceuticals and Healthcare

Courier Services

Other

Nature of Distribution Value Chains



Nestle Good Food, Good Life



Nature of Distribution Value Chains

FMCG

- These are distributors of fast moving consumer goods

Ubiquitous

- These companies have an extensive reach across the country
- Legal persona; subsidiaries, branches, franchises, agents, etc
- Possibility of central management and administration of network

Low Cost

- Existing business therefore low cost of setup and operation
- Increased revenue with minimum incremental expense

Nature of Distribution Value Chains

Existing Structure

- Network has an existing structure enforcing controls on;
 - Cash Handling, Security and Banking
 - Administration and Reporting



Nature of Distribution Value Chains

Trust

- High degree of trust by existing clients
- Interact daily with customers on existing products



**ZAMBIA POSTAL
SERVICES CORPORATION**



Nature of Distribution Value Chains

Liquidity

- These companies are highly liquid
- High liquidity as a result of daily sales of goods

UPFRONT
CAPITAL

=

LIQUIDITY REQUIRED

(function of average transaction volume,
average transaction value, cash-in/out balance,
maximum transaction size)

+

ONE-OFF INVESTMENTS

(e.g., security upgrades, business license)



Typical small shop
devotes **US\$1200**
to M-PESA capital

Source: CGAP

Distribution Value Chains



Nature of Distribution Value Chains

Are DVC an Agent Perfect Fit?

Potential Challenges

Conditions for Successful Implementation

Potential Benefits

Are Distribution Value Chains a Perfect Fit?

**Buying and
Selling a
different
commodity;
e-money?**

**High use of
technology?**

**Customer
Registrations
?**

**Airtime
Dealers
would be
better?**

Distribution Value Chains



Nature of Distribution Value Chains

Are DVC an Agent Perfect Fit?

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Potential Benefits

Potential Challenges

Mobile Money Concept

- Intensive training for agents is recommended.
- At least 2 days of engagement (recommended by CGAP)

Regulation

- Flexible regulation that takes note of low values transacted for mobile money

Technology Platform

- Ensure that a tried and tested platform is used
- Auditable system
- High reporting requirements especially around AML and CFT

Fraud

- Limitations on transactional values
- Improvement of physical security
- Insurance

Contracts

- High incentive for corporate agents as these are easier to manage
- Clear contracts between parent corporate, retailer agent and employees

Potential Challenges

Slow moving MM stock

- Creation of Super Agents who are highly liquid
- Loan facilities to improve product uptake

Float Management

- Extensive training for agents

Lack of trust on MM product

- Deliberate promotion of mobile money by government and other bodies
- Transparent pricing of mobile money
- Reliable IT systems

AML / CTF

- Extensive training of agents
- AML reporting tools

Technology Phobia

- Simple mobile money platforms
- Extensive training of agents
- Deliberate promotion of mobile money by government and other bodies

Distribution Value Chains



Nature of Distribution Value Chains

Are DVC an Agent Perfect Fit?

Potential Challenges

Conditions for Successful Implementation

Potential Benefits

Conditions for Successful Implementation

- ❑ High customer incentives for MM take up
- ❑ Flexible regulatory agent structure
- ❑ Suitable technology for operation
- ❑ Agent structure; provision for super agents
- ❑ Adequate training from MM companies
- ❑ Elimination of Exclusivity contracts
- ❑ Interoperability

Conditions for Successful Implementation

- CBN drive for cashless society
- Penalties on cash deposits by individuals
- Penalties on cash deposits by Corporates
- National Central Switch
- Interswitch
- Large population using cash??

Distribution Value Chains



Nature of Distribution Value Chains

Are DVC an Agent Perfect Fit?

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Potential Benefits



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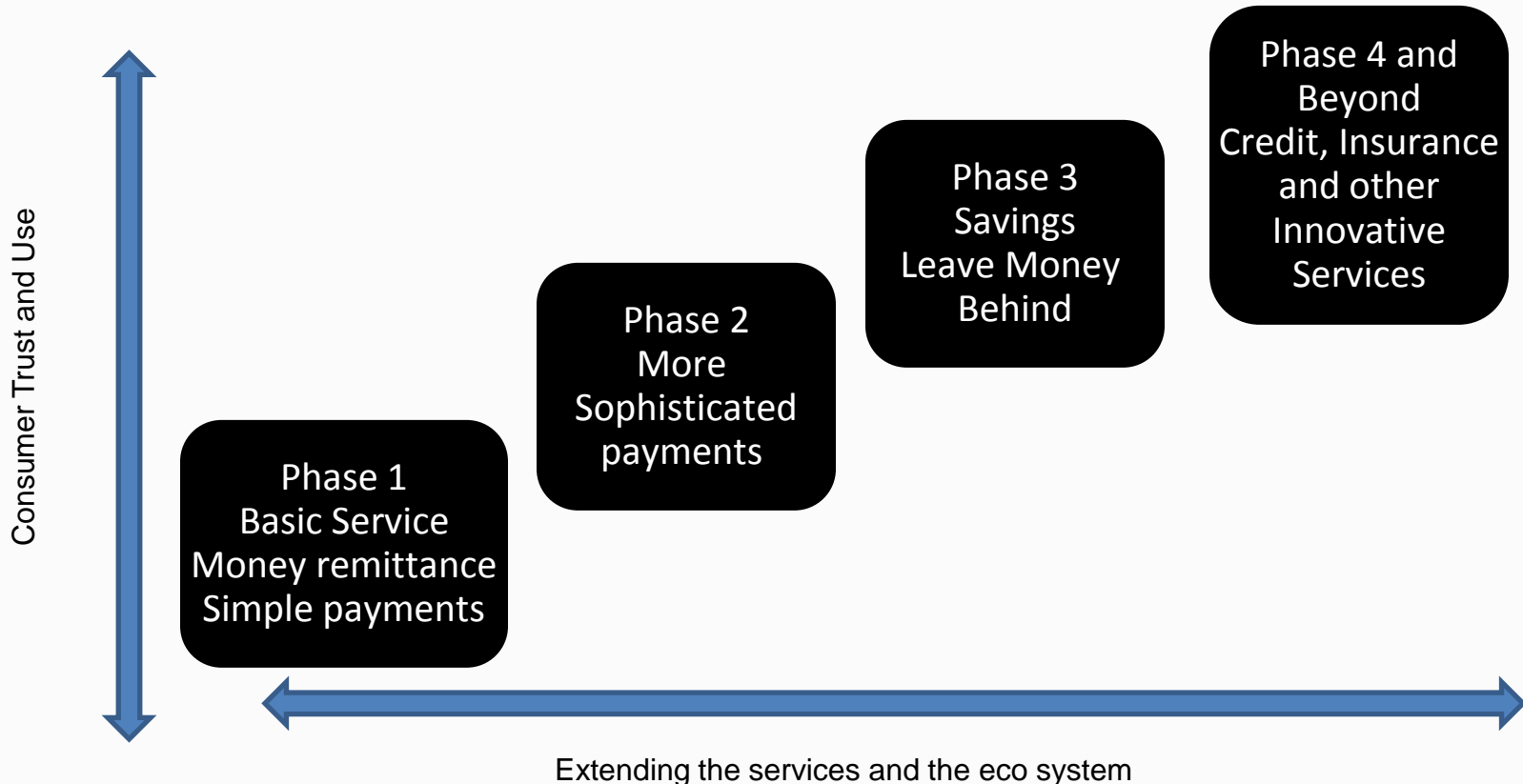
UNBANKED
consumers with a
mobile phone

Source: World Bank

Source: Visa

Potential Benefits

More products continue to be introduced on mobile platforms



Potential Benefits

INCREASED TRAFFIC

- A lot more people will be coming through to the agent shop for MM services

ADDITIONAL INCOME

- Mobile Money transactional revenue
- Purchases on mainstream business from mobile money

REGISTRATION

- Account registration for Mobile Money
- Account registration for SIM card tracking (KYC)

SUPERIOR CONTRACT

- As a corporate entity, contract with mobile operator should be highly incentivized
- Less administration from MM company

Potential Benefits

BULK PAYMENTS

- Agents can disburse microfinance loans, micro-insurance claims and pension payments

AGENT MONEY TRANSFER

- Despite a growth in MM, there is still high activity on agent to agent transfers

INSURANCE

- Agents can advance to being insurance agents that can sell basic insurance products

Potential Benefits

BILL PAYMENTS

- Despite the MM facility of individuals making payments, agents would still be able to make payments for client bills over the counter
- Agents can collect microfinance loans and micro-insurance premiums



BRANCHLESS BANKING

- Agents have a privileged position of offering branchless banking to banks when regulations provides for it



Corporate Agent Creation

AGENT RELATED BENEFITS

- Create loyalty amount dealers as additional and innovative product
- Increase revenue for dealers
- Obtain a fraction of the mobile money revenue made by dealers

DRAW BACKS

- Set up and Management of Agent network
 - Different methodology and skills required for agent setup
 - Time and monetary effort required
 - Constant Monitoring of agents
- Divided attention
 - Core business might suffer
 - Agents might move to deal directly with MM operator

Potential Benefits for Corporate Companies

ONLINE PAYMENTS

- Airline and other transportation booking payments can be accepted by companies
- This enables clients to make payments over the phone like VISA payments at Amazon

STOCK PURCHASES

- Mobile money becomes a medium of payment for stock for dealers of companies;
 - Lafarge
 - SABMiller
 - Airtel / MTN / Zamtel
- Easy administration of payments through MM platform



Q & A

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