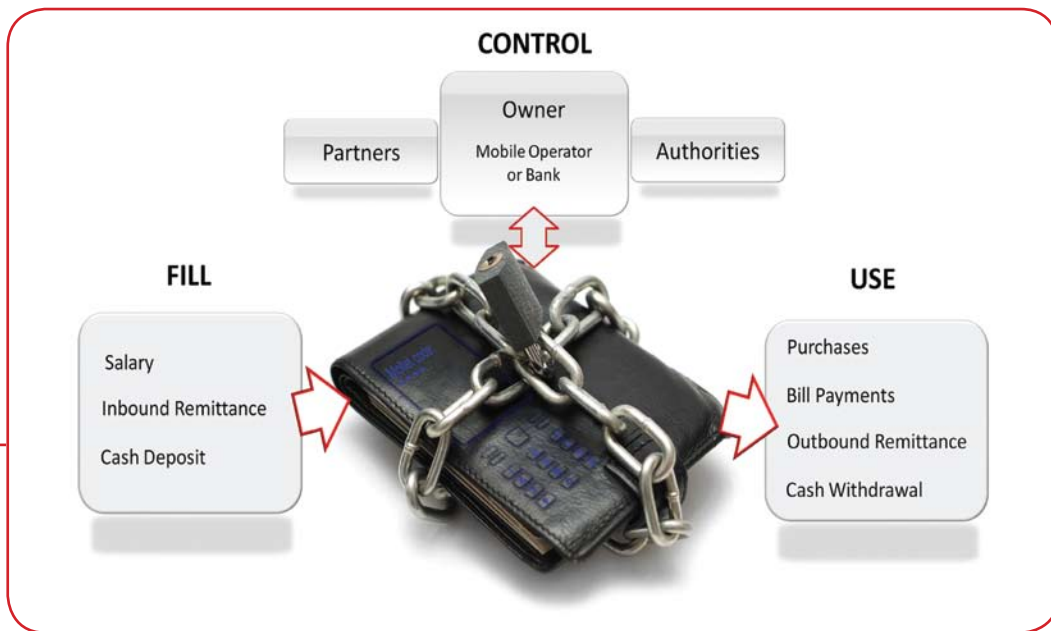# Coopetition between
MNO's and Banks
in provisioning Mobile Money Services today

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As we all know, strategic alliances and interworking between two organizations is in general very complicated. It is difficult to structure such collaborations, and even more challenging to manage them. This is especially true when stakeholders are large, powerful and from different industries with fundamentally distinct business models, as the case is with Banks and Mobile Network Operators (MNO's). Are they both dependent on each other to provision Mobile Money Services? Absolutely. Therefore, what are the different ways that these two segments can come together and structure a mutually beneficial partnership to offer mobile money services?

While a good deal of ambiguity remains on the value that each stakeholder can bring and the roles each can play in deploying mobile money, the core issues remain.

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CONTROL

Owner — Mobile Operator or Bank

Partners

Authorities

FILL

Salary
Inbound Remittance
Cash Deposit

USE

Purchases
Bill Payments
Outbound Remittance
Cash Withdrawal

Such as:
• What are the strengths that each party brings to the table?
• What functions and activities can each party take ownership of, and which ones can be jointly developed?
• What types of regulations must each party consider that influence the nature of the partnership?
• What principles guide the sharing of costs and revenues?

Mobile Money, in my view, will have various versions and solutions for different needs and markets. There is "banking the unbanked". This consumer segment will look to Mobile Money for their basic needs: a place to store their 'cash' (Store Value Account) in the absence of a regular bank account, and secondly, a means to send it to someone else, i.e., remittance or peer-to-peer transfer. Most MNO's or Mobile Wallet Operators, for the past 2 years on an average, have seen that Cash-in/Cash-out is the single biggest transaction or application used by this segment, filling the mobile wallet and withdrawing cash from it. At the unbanked level, when ones income is so low, their first requirement is for food. Thus cash is still king in this market. Until an MNO can build an

ecosystem that includes retailers and small stores so consumers can use the balance in the mobile, the behavior is always the same. And it is MNO's that are most well poised to build this network with their expertise in the areas of distribution, branding such a service and managing it.

On the other hand, banks usually use ATMs as a solution to give customers easier access to cash. When these "unbanked" customers start to require more than just basic cash services from agents, then the banks step-in with trained individuals that offer advice and guidance for money management, loans and access to card-products. Mobile Operators would need the expertise of a bank to be able to provide this support. Alternatively, they will have to follow an expensive banking model of physical branches, comply with banking regulations, put in expensive systems and a process to manage money risk. It may be very difficult and challenging for an MNO to use their existing systems and IN's/Prepaid platforms to achieve this.

Looking at it from both sides of the value chain, MNO's, in the very least, need a basic Banking Solution and Regulatory Compliance, even for successfully running applications of Cash-in/Cash-out, and definitely for micropayments. And banks can definitely use the expertise of MNO's when it comes to customer acquisition, managing the brand of the service, and deploying an efficient distribution system. Notwithstanding the fact that the ubiquity of mobilephones makes MNO's the base for the spread of the Mobile Money service.

The models in the future, in my opinion, will see huge shift towards co-operation between banks and MNO's and bringing both parties closer, or merging to create the ideal value for customers. It needs both banks and MNO's who bring different things to the customer, to come together, and symbiotically, bring down the cost of banking and distribution to increase service uptake.
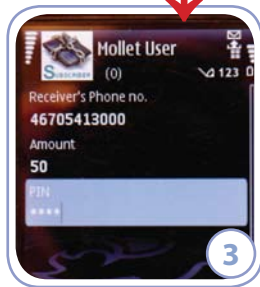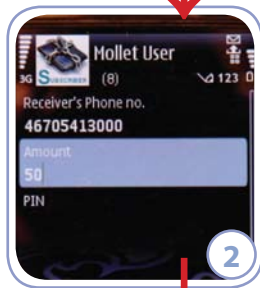
Having said that, we can see that parties do best when they focus on their respective core competencies. MNO's are strongest in driving customer-facing activities such as branding and distribution. Banks, meanwhile, are understandably well-positioned in dealing with liquidity management and regulatory engagement. Importantly, both stakeholders must have a genuine commitment to shaping an alliance that brings mutual benefits. If a partner is not fully satisfied with the negotiated agreement, the partnership – even if initially agreed to – will eventually fall apart. In launching M-Pesa, for example, senior management at Vodacom and Equity Bank spent many months ironing out a solution which each stakeholder was genuinely content with. Crucially, what this also shows is that it is possible for MNO's and banks to compete and co-operate at the same time – a phenomenon in academic circles called "coopetition". Banks in general fiercely compete with MNO's on everything from retail agents to money transfer services to customer loyalty. But this aspect has neither stopped them both from having their own branches as agents, or using its ATMs for cashless withdrawals, and jointly developing a sophisticated Mobile Money product in many markets across the globe. Their approach has shattered an understandable but misguided belief that many still hold in mobile money: that the relationship between a bank and MNO is an "either-or" proposition between competition and collaboration.

The reality is that both are possible, the era of coopetition is here. *AT*

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As Director of Mobile Money at Seamless, Deepali Velayuthan supports initiatives of mobile operators, banks and finance institutes that consider entering the mobile money arena with Seamless' solutions. She has a career that spans 15 years in the Telecom and Software space with well known brands like the Australian operator Telstra and Finnish networks vendor Nokia Networks, where Deepali was managing key accounts in Asia-Pacific, Europe and USA. She continued to a mobile billing software leader, Technotree, where she launched markets and developed the business in Middle East and Asia Pacific. Before joining Seamless, she was at Secure Computing, the largest messaging security solution provider in USA.