A number of factors affect the successful development and deployment of a mobile money business. The entire external environment affects the mobile financial service providers (MFSP) ability to build a highly functioning, efficient, and successful business.

The value chain for mobile money includes a number of different functions, which run down the center of the figure below. These include Mobile Network Operators (MNO), Banks, Mobile Financial Service Provider\(^1\) (MFSP), Master Agents, Retail Agents, and Customers. These roles can be combined in one entity. In Kenya, for example, M-PESA is both the MNO and the MFSP. In Cambodia, the MFSP is tied closely to a bank and the solution runs over the technology of multiple MNOs. The Master Agent role can be played by distribution companies, retail businesses, the Post Office, small entrepreneurs, or combinations of the above. Part 4 of this toolkit will provide details on several different approaches to the value chain.

\(^1\) For the purposes of this toolkit, a Mobile Financial Service Provider (MFSP) is the company that drives the mobile money business. This role can either be integrated into an MNO or bank, or increasingly, it is played by an independent third-party company that provides the mobile money technology, builds the agent network, and provides the platform to banks and MNOs.
Important influences on the mobile money business include the topics surrounding the value chain, each of which will be discussed in a section of the toolkit.

**Regulatory Environment**

Enabling MNOs, MFSPs, and banks to acquire and manage agents is a critical factor in building a large scale agent network. Once acquired, these customer-facing agents also need the ability to acquire customers, perform KYC, and perform cash-in/cash-out services as well as provide other financial transactions. Understanding the limits of the regulations regarding agents is critical to achieving success in any market.

**Business Justification**

Business justifications for each of the links in the value chain are beginning to emerge within the mobile money space. But the industry is still relatively young and more time will be before the full benefits for each of these players are completely understood.

**Market Strategy**

A robust agent network depends on a high level of financial transactions, which in turn depends on a large base of customers using the mobile money solution. Research shows that the growth of the agent network is tied closely to the growth of the customer base. Thus, a successful agent network depends on a market and product strategy that will meet customer needs and compel them to take up the solution.

**Distribution Models**

A number of different approaches can be taken to building out an agent network. These vary from in-house operations to outsourcing all aspects of the distribution channel. Much can be learned from established models, such as those used by companies like Coca-Cola, Procter & Gamble, and Unilever. Other lessons reside in the way that money remitters like Western Union have built their global footprint, or the way banks have developed their POS infrastructures.

**Pain Points**

Market research and analysis should look at the way that money moves across the country. How does money reach the rural areas? Who sends it? How is it stored and spent once it reaches the last mile? What are the key purchases that are made? Where is money spent? What are the biggest pain points in these processes? Understanding what isn’t working helps to establish the customer value proposition for a particular country or region. And it is not the same in every country. Getting this right is critical to the success of customer uptake, and thus has implications on the agent network as well as the overall business.

**Competition**

Competition is not simply the other players in the market that are offering mobile money or banking services. It is the other mechanisms that people use to perform financial transactions today. CASH is the biggest competitor for mobile money. Part of the value proposition is figuring out why the mobile money
solution will be easier, closer, safer, and/or less expensive than cash. Until that is resolved, it will be difficult to get customers to take up a mobile money solution.

Behavior Modification

When customers decide to use a mobile money solution, they are changing their behavior – dramatically. In most circumstances, creating this level of change is not easy. Marketing, advertising, training – all need to be developed with the intention of changing customer behavior. Standardized, generic financial literacy courses will not be sufficient to meet this objective. Promotion to customers needs to be well thought out and targeted.

Agent Selection

Acquiring agents does not appear to be the biggest challenge in building a distribution channel. Retaining effective agents is the real hurdle. Several mobile money providers claim to have thousands of agents performing cash-in/cash-out services, but closer examination shows that only a relatively small number of them are actually performing their role well.

Agent Value Proposition

The agent’s enthusiasm and commitment to providing excellent mobile money services is highly dependent on the value that they perceive is returned to them. Making this clear, particularly, the financial component of the value proposition is key to retaining these individuals and ensuring that they are representing the mobile money brand positively.

Agent Training

Successful mobile money providers have learned that agent training is an ongoing process. These individuals require training, and then retraining, and then retaining. And for those agents that are expected to acquire customers, the training should go beyond the technical aspects of providing the mobile money service to including SME business and sales skills.