

Quality Data: Differentiating banks from mobile operators



By [Gary Allemann](#)

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Traditional financial institutions are fighting a war against mobile operators for the lucrative mobile payments market in Africa. At stake - billions of dollars in transaction fees and deposits - particularly targeting the traditionally unbanked population.

In more mature markets, such as Europe, where banking penetration is high, most mobile payment options work in partnership with an existing bank. Mobile payments typically take advantage of smartphone applications (apps) to facilitate a transfer from the buyer's account to the sellers. However, in large parts of Africa the outlook is very different.

Large sectors of the population have historically operated on a cash-only basis, driven by a combination of low or sporadic income and due to the fact that they have never had a bank account. Yet, in most African countries the penetration of mobile telephones is 80% or more.

For banks, mobile payments represent an opportunity to expose potential customers to the full service banking suite i.e. each consumer that wishes to take advantage of their mobile banking offering will need to have an account and deposit cash into it. Mobile operators, on the other hand, see an opportunity to cut out the banks and simply charge a fee per transaction. This is done by either deducting airtime or by charging the merchant an agreed fee.

So, what is the difference between the two?

Where mobile operators have traditionally had a poor understanding of their customer (particularly in markets like Africa where the market is predominantly prepaid), banks must capture substantially more information about each customer when compared to mobile operators.

- It's a question of compliance - Banks must comply with onerous Financial Services, Anti-Money Laundering, Terrorism and Sanctions legislation that require minimum standards of data capture.
- It's a question of economics - Banks must accurately risk profile their customers to manage both their own credit exposure, and to limit the risk of another financial melt- down.
- It's a question of customer experience - Banks provide customers with statements over a variety of channels - including post, email and mobile phone.

On the contrary, mobile operators have limited financial exposure to any client, typically imposing their own (relatively small) limits on any outstanding bill. Furthermore, they are faced with far fewer regulatory requirements related to customer data and they have a simple and effective means of communication via the mobile device.

The difference between banks and mobile operators may be less about cost and more about trust. While cost will always be a factor for some consumers, most consumers wanting to move money will need to trust the provider.

Quality client data helps build trust

Many Africans have been exposed to mobile scams. After all, the "419 scams" were invented in Nigeria. These are a type of fraud, promising the victim a large share of a sum of money if they make a small payment up front.

However, banks are built on trust - after all, for any bank to take deposits, they must qualify for a banking licence which guarantees a certain level of trust-worthiness for the customer.

Furthermore, quality client data helps the bank to communicate appropriately to the customer, to price competitively against competitors and to add additional, targeted value for the client. Positive customer experiences translate to word of mouth confidence which builds additional trust within the broader community.

For mobile networks to compete with banks, specifically on the trust front, they may require substantial investments in data - investments that our clients in financial services have already made and where these banks have a substantial head start.

ABOUT GARY ALLEMANN

MD of Master Data Management He is passionate about Information Communication Technology (ICT) and more specifically data quality, data management and data governance.
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