

# Getting the banking model right

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It's two steps forward and one step back in the process of getting the business model right for cellphone banking.

Banks and mobile operators have managed to get consumers to use their phones as a payment device, but how the institutions are to make money from it is another matter.

FNB is the leader in cellphone banking, with 2,5m customers who make regular use of it.

## Charging for service

However, with mobile telephony operators coming under pressure to cut costs, the bank will have to re-evaluate how it offers the service, says FNB cellphone banking services CEO Ravesh Ramlakan.

Cost-cutting by the operators has implications for the bank's cellphone banking model. It does not charge customers for transactions at present, as it makes its money from the payments it gets from the operators for generating traffic over their networks. But with operators looking to cut these payments, FNB will have to start charging for the service.

Ramlakan says though the bank will be forced to do this, he wants to keep fees as low as possible and have them just cover the cost.

## Challenges of charges

Not charging for transactions, or asking as little as possible for them, has proven to be the best strategy in getting consumers to take up the service. This can be seen in the case of MTN Uganda, which launched its mobile payment system only a year ago and has signed up 1,4m of its 6,4m subscribers.

Those banks and operators that have opted to levy a fee for the service have not fared as well. Standard Bank, for instance, has only 250000 active customers. Other banking operators that charge, like Nedbank and Wizzit, do not disclose how many subscribers they have.

But asking a low fee is only one of several things that has to be done to convince the public.

MTN Uganda CEO Themba Khumalo points out, for instance, that the merchants, usually airtime resellers, who act as de facto bank branches by paying out money need to be well trained and have enough cash to facilitate payments.

## Tailored services

Khumalo also says there is no one-size-fits-all mobile money business model, since each service is tailored to the market and the regulations of the country where it operates.

What is more, there are different expectations among income groups, Khumalo says. A high-income earner will probably want to use more sophisticated services whereas someone earning less will be satisfied just to send money to friends and family.

Another success factor is the public's willingness to adopt the practice. Ramlakan says consumers are now more comfortable with the technology, and this has helped accelerate the use of the service. It took FNB five years to get 2m subscribers, but in the past six months it has signed on a further 500000.

Besides the willingness of customers affecting use, the momentum has been increased by global companies, like money transfer group Western Union, which has gone into partnership with Absa and Google, buying Canadian mobile payments firm Zetawire.

## How to make money?

The market is there for the taking, but how will banks, operators and payment groups cash in?

Operators gain in that use of the technology increases traffic on their network. Payment firms like Western Union and SA's Fundamo benefit from punting their services to banks and operators.

The payoff for banks is more indirect. Charging a small fee per transaction might turn out to be a money spinner for them, but the real reward will be the ability to get to know their customers better.

## Make it affordable

Mobile banking is also seen as a way to make banking services accessible and affordable to poor people. As they usually transact in cash, it is generally difficult to assess their creditworthiness even if their income qualifies them for a loan.

Mobile banking is changing this. Banks are now able to track customers' payment patterns and assess whether they can meet loan repayments.

FNB is already offering a "temporary loan facility" as part of its mobile banking offering. Ramlakan says this is just the beginning, and the bank is looking at introducing more products like this.

*Source: Financial Mail*

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