

An Analysis of Business Models for Delivering Mobile Savings Services

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Executive Summary

The simple access to a functioning bank branch network is considered as one of the main differences between the Western and the Developing world. In developing countries, banks' branch networks are for a large part poorly developed and expansive, causing people to rely on other savings mechanisms. With the spread of mobile phones in the developing world, modern mobile technologies are currently used to extend formal financial inclusion.

This thesis investigates and defines business models that are in use by players along the value chain in the developing world to offer "mobile savings". The term "mobile savings" describes the use of a mobile phone to access an account where funds can be accumulated. The author's objective is to evaluate the conditions, which influence the success of mobile savings services through a review of the concepts and literature on the mobile money scholar. The author evaluates three main types of business models for delivering mobile savings: the Partner Model, the Rider Model, and the Limited Model. In the Partner Model, two parties are offering the saving product in a partnership and provide the distribution channel together. Providers launching the saving product through the Rider Model use one or several existing mobile money platforms as an integral part of their delivery channel. Whereas a typical feature of the Limited model is that a non-deposit-licensed institution originates the saving product and is additionally in charge of the distribution network. The service may be tied to one or be provided over several mobile money systems.

The results of the analysis show that the favorably market situation is mainly influenced by the customers' perceived trust in the provider and the regulations in place. Moreover, the design of the product is an important condition for the success of any mobile saving scheme as it directly influences the key success factor, the adoption rate. While exploring the different business models the author observed that deploying a saving service requires several processes, which are managed differently in each model. In the Limited Model, the providers are challenged as they construct and manage all the procedures themselves, sometimes resulting in issues like liquidity shortages. However, outsourcing the delivery channel as within the Rider Model is not less challenging because of the lack of influence on the customer's experience, which can cause dissatisfaction and distrust. The Partner Model has the chance to simplify the maintenance of different processes as the strengths can be leveraged. However, the functioning of the business model depends heavily on the working arrangement in place. The author's results show that conflicts of interest and rivalry influence the success of the mobile saving service within the Partner Model negatively. On the other hand, the Rider Model has issues when the provider of the mobile money system does not allow easy linkages to its system and as such troubles

the processes in place. The Limited Model finally illustrates that reducing the working arrangements with a financial institution to a minimum may be successful. However, the negotiation process with the institution may not be simple.

Economically, a provided service can only be successfully in the long run if the financial conditions are favorable. Each business model is influenced by different cost and revenue drivers. The analysis of the different models reveals that the Limited Model might only be economically viable if the provider is offering a limited range of financial services, as they cannot intermediate the deposits. The author concludes that the Partner Model may influence the success of a mobile savings service negatively as all the partners have to profit from the arrangement, reducing customer's surplus regarding product features. The Rider Model on the other hand can reduce transaction costs for the providers. However, whether or not those cost savings can compensate for the ongoing system integration expenses and the required increased marketing and training costs has to be determined in further research.