

*The Enterprise Mobile Financial Services Platform*

## **Telenor Pakistan - Scaling to meet accelerated growth**



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**Case Study: Telenor Easypaisa**



## Introduction

In 2010 Fundamo worked with Telenor Pakistan to deliver a mobile financial service in a market that suffered from a lack of access to bank accounts, but benefitted from high mobile penetration.

The service not only provided the Pakistani people with the financial services they were severely lacking, but showed that mobile financial services could be more than successful, and could add real value to the lives of consumers.

## About Telenor Pakistan

Telenor Pakistan is a 100% owned subsidiary of Telenor Group. It is the second largest mobile operator in Pakistan, with over 26million subscribers and a market share of 24%.

Late in 2008, Telenor acquired 51% of Tameer Microfinance Bank. Tameer Microfinance Bank is a fully licensed microfinance bank licensed by the State Bank of Pakistan in 2005. It maintains a network of ATMS and branches across Pakistan.

The acquisition of Tameer Microfinance Bank provided Telenor Pakistan with a banking license, and paved the way for it to offer mobile financial services.

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## The Perfect Storm

The Pakistani population is vast, and in rural areas of the country, deploying traditional bank infrastructure was not appropriate due to the expense and lack of access to physical branches. As such, the government has fostered an advanced approach to governance and regulation to encourage developments such as the introduction of mobile financial services.

In March 2008, the State Bank of Pakistan was one of the first regulators globally to introduce guidelines around branchless banking. The regulations allowed a number of different business models and permitted agents to deliver financial services on behalf of banks, and were designed specifically to encourage banks to look at branchless banking as a viable option.

## The Perfect Storm continued...

88% of the Pakistan population does not have access to financial services. There are only 16 million bank accounts for a population totalling 180million (CGAP, 2010).

The problem is particularly prevalent in rural areas, with only 2,500 banking branches servicing 105 million people – an average of 42,000 Pakistanis per branch.

However in direct contrast to this, the mobile market enjoys 65% penetration – a figure which is set to grow to 95% by 2013 (PTA, 2011).

The result was a perfect storm of factors that had the potential for the explosive mobile financial services adoption: a proactive mobile operator, an operator with a banking license and a market with high mobile penetration but low financial inclusion.

## easypaisa: the right ingredients for success

Telenor Pakistan launched its mobile financial services offering, easypaisa, in 2010. It structured its offering for the diverse Pakistani market. It provided a mobile wallet offering, which was an entirely 'standalone' function, which gave new customers a fully functional bank account. The second offering was an additive service, which allowed existing Tameer Bank customers to enhance their bank account with mobile functionality.

Careful planning prior to the launch was part of the success of the new service. It was important to set up a transparent governance structure as the responsibilities across the value chain crossed two separate legal entities regulated by different regulators.

## Business Structure

To give the best chance of success, the business that operates a mobile financial service within an organisation needs to be carefully established. It is a separate business, not a long term project or subset of another business department.

When implementing mobile financial services organisations need to establish a business model that:

- Is a standalone, separate business not a project or subset of another department
- Has clear processes and reporting mechanisms are set up early on
- Reports directly to the CEO and the board
- Quickly partners to deliver services that will drive activation

Telenor Pakistan, through its acquisition of Tameer Bank, established a standalone mobile financial services business which helped improve efficiencies, provide focus and ensure the project received attention from board level executives.

## Go to market strategy

While many services have been launched successfully, many have been less than successful. The service can be compelling, revolutionary even, but without careful management of distribution it will never take off.

The selection of agent and its location was very important in order to provide easy access for consumers and ensure liquidity was easily managed within the agent network.

When deploying easypaisa, Telenor Pakistan, employed over 5,500 agents – a staggering number. Telenor Pakistan carefully selected the number and location of these agents in order to link the disparate and disconnected Pakistani population; a problem which was augmented by the challenging geography of Pakistan.

The roll out of the offering was also supported with a targeted marketing campaign to aid consumer understanding. The campaign increased uptake, as potential customers were made aware of the service, and existing customers gained visibility of the new offerings available. It also enabled Telenor Pakistan to educate the subscribers on the benefits of the service.

The marketing campaign implemented by Telenor Pakistan, designed to maximise outreach, included:

- Advertorial and editorial content in national and local publications
- Billboard and banner adverts
- YouTube videos, explaining the deployment in detail including how to register and use
- The agent network carried relevant educational material



## The easypaisa service

The easypaisa service includes a mobile account. These are virtual bank accounts that work just like a normal bank account. Users can go to any of the thousands of easypaisa shops in Pakistan to deposit or withdraw cash from their easypaisa mobile account.

The initial deployment was concentrated in urban areas, where the service was used predominantly to send money to the more isolated areas in rural Pakistan. The service also allowed for the payment of bills via the mobile phone. However, within a year the service rapidly expanded to provide subscribers with far more sophisticated services, such as:

- P2P payments
- Bill payments
- Money transfers
- Retail purchase and settlement
- Cash deposits
- Cash withdrawals

The service was also then deployed into more rural areas. This provided financial services to the huge rural populace of Pakistan, who until this point, had been unable to access them due to the isolating geography of the country, and the expense required in building brick and mortar banking branches. easypaisa overcame these problems, and was able to provide rural people with a mobile wallet service.

International remittances were then introduced as key service in September 2010. A large portion of the Pakistani workforce finds employment outside the country. There are at least seven million Pakistanis living abroad, remitting US\$8 billion to Pakistan.

(CGAP, 2010). The government of Pakistan realised that facilitating easy and affordable transfers back home would significantly impact the economy and have assisted the introduction of cross-border payments at a policy and regulatory level. The service is offered without any added charges, due to its positive effect on the inflow of international remittances, which is important to Pakistan's economy.

The mobile financial service which Fundamo helped Telenor Pakistan to provide has seen huge uptake in Pakistan. More than one million Pakistani people subscribe to the service, and which processes up to 80,000 transactions a day. The service is a success.

## Scaling to meet accelerated growth

When implementing the service, Telenor Pakistan was faced with the challenge of managing the accelerated user adoption and continuing to drive customer activation. If the service didn't scale to meet user demand and problems emerged there was a risk that confidence would be lost leading to loss of revenues and long term brand damage.

Accelerating and then coping with activation is not quick nor is it easy. The right platform solution is the cornerstone of any successful mobile financial service that drives activation.

Redeveloping a platform every time there is a change in market or regulatory demands can result in months of delay – which is expensive in terms of lost revenue, missed opportunities and development costs. The answer is to implement a configurable platform that can accommodate changes on the fly.

Fundamo's Enterprise Platform allowed Telenor Pakistan to rapidly scale and adapt to market demand as well as support a growing set of services and products.

## More than a success story

The easypaisa service has helped to bank the unbanked population in Pakistan providing:

- Improved access to financial services
- More time efficient/convenient access to services
- A customer friendly offering that was sensitive to the market needs.
- A service that allowed for microfinance

However, the service has also delivered huge benefits to Telenor Pakistan. easypaisa proven itself to be a customer acquisition tool. In the second quarter of 2010, Telenor Pakistan saw a 14% increase in subscribers, compared to the same quarter in 2009, as customers join Telenor to take advantage of easypaisa.

Subscriber increase has not been the only benefits which Telenor Pakistan has seen. Other advantages include:

- Cheaper channels of access to customers
- New sources of revenue
- Higher ARPU

Working with Telenor Pakistan, Fundamo has developed a system that is scalable, robust and able to deliver in the most challenging environments. The high-volume, low-value transaction model is one most developing countries face when deploying mobile financial services but never usually on such a scale. Telenor Pakistan's easypaisa service has won numerous awards including a Mobile Money Transfer Award.

The service has shown that by focusing on some of the key ingredients for commercial success – business establishment and a strong go to market strategy – and working with an experienced partner in Fundamo, mobile financial services can be more than a success, it can be a triumph.



### So much more than just paying the bills

In July 2010, Pakistan was hit by devastating floods which, at one point, saw one fifth of the Pakistani landmass under water. Telenor Pakistan, made it possible for the people in Pakistan make donations to relief organisations using their easypaisa mobile banking platform. They dropped the usual transfer fees, encouraging more people to contribute. Easypaisa account holders could make donations directly from their mobile wallets and anyone could walk into one of the 6 500 agents to contribute to the work of organisations including the Pakistan Red Crescent Society and SOS Children's villages.

Telenor also liaised with NGOs to use easypaisa to help them to distribute payments to people who lost their homes or their livelihoods and Telenor themselves pledged over Rs 213 million (USD 2.5 million) to flood relief efforts.