

# SPOTLIGHT

## on Inclusive Business

### Getting Paid – how using mobile payment systems can increase your revenue and help you keep track of sales

As more and more people use their mobile phone for financial transactions, it is worth considering what a mobile payment system could mean for your business.



In several developing and emerging markets, the use of mobile phones to make financial transactions ('mobile money') is now widely accepted, including by those at the base of the economic pyramid (BoP).

The largest telecoms provider in Africa, MTN, transfers close to \$208 million across their networks every month, according to its CEO Themba Khumalo. In Kenya, Sudan and Gabon, more than 60% of the population use mobile phones to transfer money. Mobile money services act as a form of savings account for more people than the total number of savings accounts in all the banks in East Africa. Mobiles can also be used to pay bills, most often for utility services, tuition fees and Pay-TV. Similar developments can be expected in India as well, with Vodafone launching its M-Pesa service (which has proven so successful in Africa) in four Indian states.

**In Kenya, Sudan and Gabon, more than 60% of the population use mobile phones to transfer money.**

Sources: WorldBank, iHub Research, 2012. The East African, 2013. The Economic Times, 2013

#### Using mobile money to get paid

As more and more people use their mobile phone for financial transactions, it is worth considering what a mobile payment system could mean for your business, particularly if you are selling your products via a large or growing network of retailers. This article discusses two kinds of payment situations:

1. When a consumer is paying for a product at a retail outlet.
2. When a franchisee or a retailer is paying you for what you have supplied.

**Inclusive Business Spotlights** shed light on specific topics concerned with the development of inclusive business. They are generated from the project and advisory work of the Business Innovation Facility and Innovations Against Poverty.

Eco-Fuel Africa, for example, is a company supported by Innovations Against Poverty that produces bio-char in Uganda. They have set up a network of small kiosks through which they sell their products, as well as other products selected by the shop owner. Today, all payments are made in cash and Eco-Fuel collects the money each day as they stock the kiosks. They have more than 110 retail outlets of their own, a handful franchisees and plan to scale up to 2,100 retailers and 200 franchisees in the next three years.

There are several reasons why a company like Eco-Fuel might want to use mobile payments systems:

1. A mobile payment system could increase sales by offering customers an alternative to cash payments (i.e. if they do not have cash available, or the merchant cannot offer change).
2. They could introduce mobile vouchers and gift cards as a form of payment. This allows customers to buy a voucher from the kiosk or shop and send it to somebody else who could then redeem it (this is now being piloted in some m-commerce solutions).
3. They get paid quicker. Since the kiosk or shop owner can send money electronically, the company can get paid same day as the products are sold without waiting until they are out of stock.

4. It lowers the risk of losing money, compared with cash collected in person.
5. It increases administrative efficiency. Many mobile payment services for companies include a reporting system. This saves the company the manual work of collecting and accounting for revenues, which can become time-consuming when a distribution network grows to more than 20-30 outlets.

Another set of businesses that could greatly benefit from a mobile payment system are service providers, such as Pamoja Cleantech, a company supported by IAP that supplies electricity to houses in rural villages in Uganda. Pamoja plans to operate a pre-paid pricing model and their initial idea was to manually collect payments by sending someone to visit each customer's house. They are now considering a mobile solution instead. Implementing a mobile payment service would first of all eliminate the need for manual cash collection.

For the customers, it would also minimise the risk of power cuts resulting from a slow payment process. If, in future, Pamoja moves to a fully automated central system to manage each household's electricity supply, the customer can also be easily connected after payment.

**Marcus Achueme, COO of Mobile Payment Solutions in Zambia explains how mobile money reduces the risk of handling cash.**

"Most of our clients want to limit the amount of cash that they are handling. For example, one of them has several shops that collect service fee payments on their behalf and then they handle this with deposits into bank accounts. This company is moving towards to a direct payment model from the customer to them, to cut the risk of agents handling the cash."

**"Handling cash is a risk of course, which would be good to eliminate. To shorten the time we get money into our bank account is another need we have, especially in a country with high inflation", says Peik Stenlund, CEO of Pamoja Cleantech.**





“Another company with a similar problem is a beverage producer. They sell big bulk consignments and the distributors give their drivers cash, and end of with a high volume of cash in the pipeline. We had to go off and build a special solution for them that linked inventory, orders and electronic payments, matching their business process. In these situations, we customize the software to match the business model and processes and integrate directly into the company’s business system. Extra business rules, such only accepting payments of the exact value of the customer invoice, are applied based on the company’s specific needs.”

### How your business can accept mobile payments

Your customers may need to register for a special mobile money service, depending on which mobile provider they use. Your business should register with as many payment services as possible to increase the possibility for your customers to pay via mobile money. In your own registration process you will be asked which bank account to link to, so that payments can be transferred straight into your bank account.

When a customer has registered for the service, s/he will typically receive a confirmation via SMS that also installs a special SMS menu for the mobile money services on the phone (or it may already be installed on the SIM card, depending on where the phone was bought). The mobile money services are activated by sending an SMS to the service provider with a code, as per their instructions.

### Scaling up mobile payments

Once you are using mobile money at scale, you may want to have your own mobile money platform designed and tailor-made. This means payments can be made directly between phones, PCs and terminals without going via a third party payment system. Mobile platform vendors provide these systems, usually on either a flat fee or percentage of transaction value.

### Things to Consider:

- 1. Mobile interoperability:** Check if money can be transferred between users across different mobile networks. This is an issue in countries like Ghana, where only half of the current operators have introduced mobile money. In this case you can use the mobile applications for tracking sales and inventory, but not for receiving payments.
- 2. Mobile coverage:** Despite high average penetration, pockets of geographical areas still exist where your customers may not be able to use a phone. SMS (or USSD)-based services are the safest way to go in areas with poor coverage, since these messages require minimum signal strength to be delivered.
- 3. Compare service fees:** The cheapest mobile payment service found in the research for this article was from a provider in Kenya (where market competition is very high), offering a free payment transfers and cash deposits. A fee of 1.5 % per transaction was the lowest charge in other countries. Mobile operators often charge more than 2% per transaction and sometimes a start-up fee in addition to that.
- 4. Business process integration:** Make sure that your business process works seamlessly, from how your service is ordered or paid for, to how it is delivered. For example, when a user is paying you via their mobile phone, you also often need to deliver a receipt or other evidence back to them. Here is an example of what could otherwise happen, as told by an m-commerce user in Tanzania: “When I made a mobile payment for my ferry journey I did not receive a confirmation message. As I showed up at the ferry terminal I was told that I was meant to come pick up the tickets there at least the day before. I really wondered what was the point of the mobile payment!”
- 5. Accessing money:** Can you access your money instantly? Check how the mobile money will be transferred to you. Some service providers allow you to withdraw mobile money directly from ATMs, while others will need to transfer the value to a bank account first.



### More reasons to adopt mobile money

Since most money services require the customer to do their first-time registration at an agent, you may wish to become an agent yourself if you or a franchisee control retail outlets in highly populated locations. This can help drive more traffic to the retail location, and simplifies the process of registration and payment for your products via mobile. As an agent, you can also actively encourage your customers to sign up to a low-cost mobile money service. This can reduce the fees and transfer charges incurred by your business, since the service fees differ quite a lot between providers. However, as an agent you will most likely have to pay out cash as a result of mobile money transfers, so it’s important the retail outlet is the right size and location to have sufficient cashflow.

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## Examples of independent\* m-commerce providers:

### KopoKopo

([www.kopokopo.com](http://www.kopokopo.com))

Helping businesses in Kenya to receive M-Pesa payments including payment reports. With this service, the purchase is paid for immediately and the company is notified. The company can log into KopoKopo's web site to request a settlement of the funds into their bank account or M-Pesa account.

### MPayer

([www.mpayer.co.ke](http://www.mpayer.co.ke))

A new service in Kenya allowing merchants to accept mobile money and cash for offline and online payments. Includes features for customer feedback and analytical tools to track sales and reports.

### Mypaga.com

([www.mypaga.com](http://www.mypaga.com))

Enables businesses in Nigeria to accept payments from everyone, and delivers payment notifications and reports. These payments can also be used for ordering from a company's website.

### MoBiashara

([www.mobiasshara.com](http://www.mobiasshara.com))

Translates as "mo' business," a platform that allows business owners to quickly and easily build a mobile storefront and sell their products online. The service is currently available for Kenya, Uganda, South Africa, and Nigeria.

### Tagattitude

([www.tagattitude.fr](http://www.tagattitude.fr))

A French mobile platform vendor that offers a range of m-commerce solutions for retailers in many developing countries under the brands of MobiCash and TagPay. They have developed their own technology to authenticate mobile payments instead of relying on a PIN code, and allow a number of options for how payments are made in-store, via mobile coupons and other m-commerce applications.

### Uniphore

([www.uniphore.com](http://www.uniphore.com))

An Indian provider enabling banks and businesses to offer their customers a mobile payment solution that is controlled by voice rather than SMS.

### Zimbile

([www.zimbile.com](http://www.zimbile.com))

A free mobile website builder designed to help businesses across Africa take advantage of the mobile Internet explosion.

### Zoona

([www.zoona.co.za](http://www.zoona.co.za))

A mobile payment solution for banked and unbanked. It can also be used to pay suppliers and if that company does not have a bank account they will receive an SMS notification to receive a cash payment from the nearest Zoona agent. Available in Zambia and South Africa.



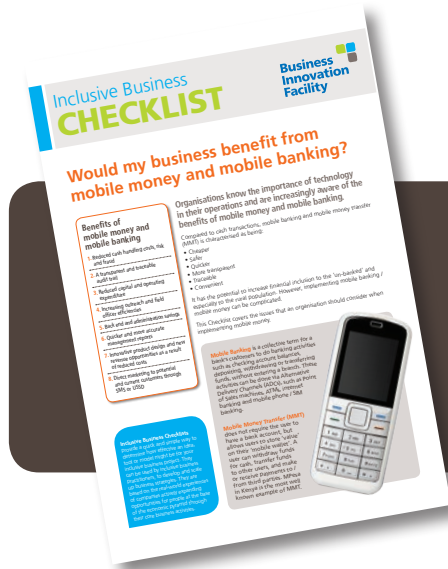
\*Independent here means the list does not include mobile payment services offered by mobile network operators or banks since these are many times not interoperable. IAP does not vouch for or confirm details, which are based on information provided by the service providers and operators.

**M-Birr (pictured above) aims to develop a mobile banking service in Ethiopia and is supported by Innovations Against Poverty.**

For more information see <http://bit.ly/14kX7KF>

## More information

For more information, read "**Checklist: Would my business benefit from mobile money and mobile banking?**" Available on the Practitioner Hub for Inclusive Business at <http://bit.ly/13Kc88q>.



By Ruth Brannvall, Senior Advisor, Innovations Against Poverty



For further information and to view other Spotlights, go to:

Practitioner Hub on Inclusive Business: [www.inclusivebusinesshub.org](http://www.inclusivebusinesshub.org)

Innovations Against Poverty is a programme funded by the Swedish International Development Cooperation Agency (Sida) and implemented by Pricewaterhouse Coopers (Sweden). It is a part of Sida's Business for Development programme, which adopts new forms of dialogue and collaboration with industry. The views presented in this paper are those of the author(s) only and do not necessarily represent the views of Innovations Against Poverty, our funders or project partners, and do not constitute professional advice.

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