

Telenor Pakistan Easy Paisa

Mobile-Money Services



EXECUTIVE SUMMARY

COMPANY OVERVIEW

- **Customer Name:** Telenor
- **Industry:** Telecommunications
- **Location:** Pakistan

BUSINESS CHALLENGE/OPPORTUNITY

- Deliver a mobile wallet service along with other value-added services, such as low-cost mass-market insurance products.

NETWORK SOLUTION

- The Easy Paisa service is offered in one of two ways:
 - With over-the-counter transactions (OTC) at the nearest Easy Paisa shop
 - With mobile phones using Easy Paisa mobile accounts

BUSINESS RESULTS

- In its Q4FY15 earnings call, Telenor reported that financial services accounted for 11 percent of Telenor Pakistan's strong Q4FY15 revenues of NOK 2.05 billion (approximately US\$250 million)

Overview

In 2009, Telenor Pakistan partnered with Tameer Micro Finance Bank to launch Easy Paisa, the first branchless banking service in Pakistan. Telenor Pakistan owns 51 percent of Tameer Micro Finance Bank, an acquisition that has enabled Telenor to obtain a banking license and establish a standalone mobile financial services business that helped improve focus and efficiencies, with Telenor and Tameer bringing their respective mobile and banking expertise to the venture.

Service Innovation

The Telenor Pakistan service Easy Paisa is available in more than 800 cities and towns throughout Pakistan through an extensive network of more than 75,000 Easy Paisa shops across the country. There are two ways for customers to access the service: through over-the-counter transactions (OTCs) at the nearest Easy Paisa shop, where agents assist with transactions (majority of the transactions are made this way), or with mobile phones using Easy Paisa mobile accounts.

The initial deployment of Easy Paisa was concentrated in urban areas where it was used predominantly to send money to the more isolated areas in rural Pakistan. Easy Paisa can now support airtime purchases, bill payments, disbursements (loans, salaries), charitable donations, and banking products, such as insurance and savings. Customers can also obtain ATM cards for cash withdrawals from Easy Paisa mobile money accounts.

In 2015, Easy Paisa introduced merchant payments through Easypay, which supports online payments and, to a much lesser degree, Near-field communication (NFC) mobile proximity payments. Following are more details about the kinds of transactions enabled through Easy Paisa's Easypay.

ATM Cards: Capturing Segments That Might Otherwise Not Be Reached

In 2013, Easy Paisa introduced ATM cards for customers to withdraw cash from their Easy Paisa mobile accounts. Easy Paisa ATM cards work on all ATM (1-link and M-Net) locations across Pakistan. ATM card costs 200 Pakistan Rupees (PKR) (approximately US\$2) and do not have any annual or recurring charges. Part of the motivation to launch ATM cards was to reach segments that have a need to only withdraw money, such as the elderly or those without the adequate literacy levels to operate a mobile phone. For such users, the Easy Paisa ATM card is much more familiar to customers for withdrawing funds from the nearest ATM or a bank point-of-sale (POS) machine.

Driving Merchant Payments: Easypay Online E-Commerce and M-Commerce

In 2015, Easy Paisa introduced Easypay for e-commerce and mobile commerce (m-commerce) services. With Easypay, customers can make online payments several ways:

- Directly to an online merchant through an Easy Paisa mobile account
- With MasterCard and Visa debit-credit cards at participating Easypay merchant partners
- Through any of the 75,000 Easy Paisa shops. Users are issued limited-time tokens when making an online transaction, which they take to their nearest Easy Paisa shop to make a payment. When a merchant receives a payment, the goods are dispatched.

Building the NFC Ecosystem

The Easypay NFC mobile proximity payment service was launched in 2015 and is the first of its kind in Pakistan. It is enabled by NFC stickers and is currently available on a limited basis in Lahore, Islamabad, and Karachi.

Mass-Market Insurance Products

Easy Paisa has started to offer mass-market insurance products, beginning with health and life insurance.

Health Insurance

In January 2015, through Easy Paisa Telenor Pakistan launched a health insurance product called Sehat Sahara, which was designed to be an affordable mass-market insurance product in a country where almost 120 million people live below the poverty line. The service was developed by Telenor Pakistan in partnership with MicroEnsure, a leading local insurance company.

The product aims to improve access to healthcare by providing financial assistance for inpatient hospitalization and disability through a new and innovative method of healthcare financing. Any Pakistani can subscribe to Easy Paisa Health Insurance by paying PKR 950 (approximately US\$9) per year. In return these customers receive inpatient treatment of up to PKR 1000 (approximately US\$10) per day of hospitalization or PKR 2000 (approximately US\$20) for each night confined in an intensive care unit of a hospital. In addition, a weekly benefit of PKR 5000 (approximately US\$50) in case of temporary disability due to injuries is also offered. There is a 30-day limit for any single admission and no limit on maximum hospitalizations.

Life Insurance

In October 2014, Telenor Pakistan introduced the Khushaal Bema life insurance product as an add-on to the Easy Paisa Khushaal Munafa savings product. Khushaal Bema is offered through a partnership with Adamjee Life Insurance and is aimed at people who earn an income of less than PKR 200 (approximately US\$2) a day.

Customers that have savings of at least PKR 2000 (approximately US\$20) in their Easy Paisa Khushaal Munafa savings account are entitled to life and accidental death insurance of up to PKR 1 million (approximately US\$9500). This free service has no subscription charges and the amount of insurance coverage increases with the amount saved in Easy Paisa Khushaal Munafa. Telenor says the add-on service has benefitted many Easy Paisa users in rural areas of Pakistan who were not aware of insurance and its benefits before Khushaal Bema.

“We now start seeing that our focus on financial services has started paying off, not only in customer additions but also in revenue. Around 11 percent now on the total revenues of Telenor Pakistan is coming from our banking services.”

— Sigve Brekke, President and CEO, Telenor Group

Easy Paisa—Platform to Help Rural Communities with Solar Home Solution

In 2015, Telenor Pakistan partnered with two energy companies Roshan Energy and Brighterlite to provide Solar Home Solution, a pay-as-you-go service, targeted at rural communities without electricity. The new service is using Easy Paisa as the payment platform. Users can buy the solar solution with an upfront payment of 15 percent and the remaining amount can be paid in installments at Easy Paisa shops or directly through Easy Paisa mobile accounts.

This pay-as-you-go method is the first innovation of its kind in Pakistan. It has the potential to target a large addressable market of more than 70 million people, approximately 40 percent of the total population, that does not have electricity in rural areas.

The service offers immense economic benefits to the country’s rural population, which lacks access to electricity and depends on expensive, inefficient fuel-based (for example, kerosene oil lamps and candles) solution to meet energy requirements. Telenor Pakistan solution arrives at a time when the country continues to suffer from a severe energy shortage (countrywide a shortfall of energy of 4500 megawatts).

Opportunities

Grow the Core User Base

There remains significant scope to attract new customers to use Easy Paisa, meaning greater contributions and growth for Telenor Pakistan revenues. Eighty-nine percent of the adult population is still without a bank account in Pakistan, while, in contrast, mobile penetration was at 63 percent at the end 3QFY15.

Launch Value-Added Services (VAS)

Simple services still dominate. However, Telenor wants customers and potential customers to understand that they can use Easy Paisa for much more than just money transfers and bill payments. The State Bank of Pakistan's July–Sept 2015 report found that cash in and out services account for 58 percent of Easy Paisa transaction volumes, followed by domestic mobile money transfers (17 percent), government-to-individual payments (7 percent), utility bill payments (3 percent) and all others (15 percent). The other category includes services such as retail, ticketing, and international remittances.

Easy Paisa is making good progress in encouraging customers to adopt a wider range of VAS, notably with affordable, mass-market savings and insurance products, along with the early development of e-commerce and m-commerce, as well as NFC mobile proximity payments. Several Easy Paisa VAS are being used in large numbers.

“Easy Paisa always strives to be at the forefront to contribute towards economic development in Pakistan. This consolidated solution will help boost the e-commerce industry in Pakistan by offering secure, instant, and easy integration of payments for online trade. Easy Paisa will continue to offer Pakistanis ground-breaking services and set precedents for the industry.”

— Yahya Khan, Chief Financial Services Officer and Head of Easy Paisa, Telenor Pakistan

Challenges

Although Telenor Pakistan wants to reduce reliance on the OTC model, it launched Easy Paisa with the option of OTC transactions to spur initial growth. In 2009, there was little market awareness of mobile payments. Telenor Pakistan needed to introduce the concept and build trust with its customers. OTC transactions were deemed an effective way to do this, because transactions are in person and agent assisted. OTC services also involve the least behavioral change.

Telenor reasoned that consumers were used to paying utility bills at local bank branches. Consequently, going to a local agent was not a big change in behavior for customers to accept. OTC transactions also gave generous commissions to agents, encouraging them to embrace branchless banking.

Although OTC helped drive new accounts, it has in turn created longer-term challenges because many customers still prefer OTC transactions to mobile account transactions. For example, customers with low literacy levels or those who are uncomfortable with mobile technology prefer to have an agent carry out a transaction for them.

In a July–September 2015 report on branchless banking, the State Bank of Pakistan reported that OTC transactions totalled 66.1 million in number and PKR 225.9 billion (US\$2.1 billion) in value; whereas mobile wallet transactions amounted to 30 million and PKR 92.6 billion (US\$ 0.8 billion) in value.

The challenge for Telenor Pakistan is to shift customers from OTC to mobile account transactions. This is increasingly important as competition in mobile-money services grows and puts pressure on Easy Paisa margins. Mobile-money account transactions are more cost-effective than OTC transactions. Telenor Pakistan is aiming to data mine its OTC customers to learn how best to transition them to mobile accounts.

Developing the Easy Paisa VAS Ecosystem

As the first—and largest—mobile-money player in Pakistan, the biggest challenge to Easy Paisa is not competition but rather the need to build out the Easy Paisa service ecosystem. Unlike in other markets, such as Kenya, where a plethora of third parties (such as M-Kopa and KopoKopo) have emerged to take advantage of mobile-money platforms, this ecosystem is still in development in Pakistan.

Strategic Partnerships

- Easy Paisa joint venture partner: Tameer Microfinance Bank Ltd.
- Key finance service partners: MicroEnsure (health insurance) and Adamjee Life Insurance
- Online merchant partners: homeshopping.pk, tohfay.com, onlinebazaar.pk, and Bookme.pk
- NFC proximity payments: KEENU merchant payments network from Wemsol Private Ltd.
- Solar energy partners: Roshan Energy (interior Sindh and southern Pakistan) and Brighterlite (Punjab)

“The phenomenal growth of subscribers is a testament of the faith subscribers have placed in Easy Paisa Sehat Sahara health insurance to help bear the cost of medical care. Such a radically simple process is completely unprecedented in the Pakistani market. In under a year, Easy Paisa Sehat Sahara health insurance has gained intense momentum, recognition, and popularity amongst the underprivileged segment of Pakistan.”

— Yahya Khan, Chief Financial Services Officer and Head of Easy Paisa, Telenor Pakistan

Monetization

Growing Contribution to Telenor Pakistan Revenues

In its Q4FY15 earnings call, Telenor reported that financial services accounted for 11 percent of Telenor Pakistan's strong Q4FY15 revenues of NOK 2.05 billion (US\$250 million). In Q4FY14, financial services accounted for 9 percent of Telenor Pakistan's NOK 1.74 billion (US\$212 million) revenues.

Growing Easy Paisa Customer Base

Easy Paisa is Pakistan's largest mobile-money service with more than 15 million active unique customers. This compares to approximately 3 million customers at the end of 2014.

VAS Highlights

- Sehat Sahara Health Insurance was launched in January 2015 and less than a year later reported more than 100,000 subscribers—an impressive achievement in Pakistan, where insurance penetration is estimated at less than 1 percent (one of the lowest in the world).
- In December 2014, the Easy Paisa Khusaal Beema life insurance product surpassed 250,000 subscribers, with 20 percent of users maintaining the minimum deposit in any given month (PKR 2000 [approximately US\$20]).

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- In December 2013, Easy Paisa launched ATM cards, and by January 2015, it reported more than 250,000 ATM card users.
 - In November 2015, Easy Paisa partnered with Bookme.pk to facilitate the online booking and purchase of bus and movie tickets. In just 2 months of partnering with Easy Paisa, Bookme.pk processed approximately 1500–2000 tickets per day.

Award-Winning Service

Easy Paisa has been nominated for the prestigious GSMA Global Mobile Awards in 2016 for the category “Best Mobile Product or Service for Women in Emerging Markets.” In 2014, Easy Paisa won two GSMA awards for “Best Mobile Money Product or Service” and “Best Mobile Product or Service for Women in Emerging Markets.” In 2013 and 2015 Easy Paisa was also nominated for GSMA awards.

For More Information

For more information about Telenor Pakistan Easy Paisa, visit <https://www.easypaisa.com.pk>.



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