

Amid the Wireless Explosion, MNOs and Banks Go Hand-in-Handset

BY EMILY STERN ARIAS

Senior Product Manager, Mobile Payments, Citi

In today's wireless payments market, there is only one constant: change. Around the world, the wireless industry has seen phenomenal growth in the past decade. The landscape is evolving at a rapid pace that not even the most aggressive pundits could have predicted.

Amid this evolution, the industry is coping with and adapting to a convergence of issues, including the economic rebound, saturation of developed markets and spectrum concerns. And yet, worldwide, handset subscriptions continue to grow at a near-staggering rate, with emerging markets leading the way.

Consider these sobering statistics: Wireless handset subscriptions hit the 5 billion mark last year, with some mature markets experiencing over 100% penetration. The telecom sector recorded \$4 trillion in revenues in 2010, with the mobile portion of that sector accounting for a greater and greater share. In fact, global mobile revenues are projected to reach \$1 trillion by 2012... if not before. Wireless broadband continues to gain momentum as tablets, e-readers and Internet USBs begin to proliferate.

As the industry expands, so does one of its key components: mobile commerce, and with it, mobile payments. Worldwide, the volume of mobile payments reached nearly \$50 billion in 2010 and, according to Juniper Research, will hit \$630 billion by 2014. It's a trend that shows no signs of slowing.

As a result, organizations in every sector are exploring ways to establish (or, for those already in the space, enhance) methods for allowing individuals to use their wireless devices to pay for products and services. Merchants are enabling customers to pay for purchases by phone. Utilities are doing the same. Municipalities are letting citizens use their mobiles to pay for taxi rides, parking, mass transit, city taxes and other services. And businesses are paying salaries by transferring funds directly to their employees' wireless accounts – an especially valuable capability in markets where only a small percentage of the population has bank accounts.

Tracking the trends

As Mobile Network Operators (MNOs) and other key players continue to penetrate the wireless payments market, they must take into account a number of critical trends taking place in the arena. Among them:

- **Non-traditional players are emerging**, as might be expected in a sector that is as explosive as this one. Broadband and cable service providers have entered

the game alongside MNOs. Conversely, MNOs are offering broadband and other television services. Internet offerings include payments services. Anyone can become a merchant by accepting payments on their smart phones.

- **Demographics are changing**, as increasingly transient consumers, including foreign-born populations, comprise a sizable and growing portion of the wireless user community. In the U.S., for example, the Associated Press reports that "Hispanics accounted for more than half of the U.S. population increase over the last decade, exceeding estimates in most states as they crossed a new census milestone: 50 million, or one in six Americans. Asians grew by 43% over the last decade. They were tied with Hispanics as the fastest-growing demographic group."
- **Consumer uses for wireless phones and devices are expanding**, as more and more companies develop newer and newer apps that are selected and paid for directly on the device itself.
- **Social networking is becoming increasingly important**, not only for communication, but also in the way users transact.

For opportunistic businesses, there are multiple ways to leverage the above trends. But doing so encompasses important criteria for MNOs and other players in today's wireless payments environment. The table stakes can vary depending on where one wishes to penetrate a market, but the most common entry requirements are:



- Providing plenty of choices and options for consumers to make purchases using their devices
- Widening distribution to facilitate interoperability, by engaging the largest number of players possible
- Connecting to corporates, governments, financial institutions, merchants, payment providers and other tenants in the mobile ecosystem

Widening the track

When the above variables are combined in a technology offering, successful industry solutions are born. One such solution: International Mobile Top-Ups. An enormous new revenue opportunity for MNOs, this white label service lets U.S. customers use their credit card or bank account to purchase (or replenish) prepaid mobile air time for loved ones in another country. Consumers benefit from a solution they can use from the comfort of their living room, without worrying about carrying cash or obtaining scratch-off cards that require them to remember or pass along a number code.

Top-Ups have become a key driver of MNO revenues, as 70% of the world's 5 billion handsets are prepaid. A strong Top-Up offering can help drive ARPU and reduce churn, and electronic Top-Ups offer convenience to consumers and reduce MNOs' costs.

The best International Top-Up solutions take an innovative approach. They enable MNOs to accept payments for pay-as-you-go airtime of their wireless subscribers from friends and family in other countries. The solution is offered as a white-labeled, single sign-on portal, directly from an MNO's website. The MNO benefits from a

branded, efficient and easy mechanism to accept payments from large foreign-born populations in other countries, without any additional infrastructure investment.

One key player in the Top-Up space is Citi, which has expansive infrastructure, technology and expertise in deploying an International Top-Up solution with the MNO's own look and feel. The bank has also plugged its solution into the social networking arena. Its International Top-Up social networking app enables MNOs to take payments on Facebook. This offers the purchaser a social experience while helping the MNO create excitement and interest around their Facebook page.

Mobile partner, global leader

To succeed in the wireless payments space, many companies are seeking a solid, global financial partner with demonstrated experience and expertise. After all, the future isn't only about handsets; it's about the entire mobile ecosystem.

Many MNOs turn to Citi, which combines innovative and powerful technology and global banking expertise with deep relationships among top corporations, financial institutions and governments.

Citi is one of the globe's most trusted financial institutions, as evidenced by the \$3 trillion a day it moves around the world. With an on-the-ground presence in more than 100 countries, the bank is backed by a technology infrastructure that benefits from an annual investment of \$1 billion. The result: Clients gain a knowledgeable and experienced teammate in the mobile payments arena, to help quickly address market or network disruptions, or other unforeseen events.

The first step

The wireless landscape will continue to change. The environment can still seem new and unfamiliar, even for MNOs. In a market that is evolving as quickly as this one, each step needs to be confident and secure. For many players, their first step is in the direction of Citi, a bank that optimizes corporate wireless banking initiatives by offering consultative services and innovative solutions to unique business needs.

Citi leads the financial industry with expertise and reach, and partners with its clients to help them benefit from the latest innovations from wireless solutions, comply with local regulatory frameworks, and plan and execute a successful wireless strategy.

For more information, please visit www.transactionservices.citi.com

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