EXPERT OPINION:

Preparing the ground for a successful long term mobile payment strategy

Mobile financial transactions are already proving to be a fertile ground for operators in emerging and mature markets. Services like M-Pesa in Kenya, GCash in the Philippines or NTT DoCoMo's Osaifu-Keitai in Japan are concrete examples of mobile operators successfully bringing financial transactions onto mobile handsets, says Eric Carlier. Juniper Research forecasts that service provider revenue derived from mobile money transfer services and remittances will exceed US$5 billion globally by 2013. It's no longer a question of understanding if there is a market for mobile payments. There is.

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The issues now are: What will be the initial business cases? Who will be the leading players? And how long will it take to scale up consumer adoption? The answers will vary, depending upon the geography, and must take into account aspects such as regulations, strength of alternative payment solutions and the consumer's need for new forms of payments.

For this market, scale is critical for success. It can be measured in terms of the number of active subscribers, revenue-generating transaction volume, or partners in an ecosystem. In order to achieve profitable scale, operators need to position themselves as visible and credible partners now — once a payment network has achieved critical mass, it will be very difficult for new entrants to catch up and compete.

Kabira Technologies is an experienced and established player in the mobile transactions market. With global experience in both telephony and payments transactions, Kabira is uniquely positioned to help operators facing challenges in the mobile commerce market; strategically they must ensure they are well positioned both to serve current markets and to capitalise on market growth when it comes.

Positioning to meet current needs

Due to the current constrained financial climate, operators looking at new services are demanding a clear return on investment in a much shorter timeframe than for previous solutions. In order to maximise RoI, mobile transaction platforms must support popular services, with the minimum amount of bespoke integration work and with the shortest time-to-market.

Compounding this issue is the fact that in different parts of the world, different services are proving popular. In emerging markets, money transfer and electronic account top-ups are leading the way, driven by support from the operator community. By contrast, customers in more mature territories are demanding sophisticated services linked to existing bank or credit accounts, with banks and finance companies driving adoption. There is no single killer app for mobile commerce, but there are multiple products and services which can be profitable in their own right, ideally building up a portfolio of revenue-generating offerings which meet specific market demands.

It is crucial for operators to select their enabling technologies carefully; they must ensure that they have the ability to quickly roll out services which will prove to be early revenue generators, while maintaining the flexibility to introduce new products which meet diverse, evolving subscriber demands. Getting this service mix wrong could be a costly mistake, and could cause an operator to lose first-mover advantage in the fast-moving market.

As an example of how to move quickly, yet hedge the long-term commitment, Kabira has worked with a West African mobile operator on the deployment of mobile payment services. The main objective was to get a single mobile payment platform that would allow the deployment, in multiple phases, of diverse mobile transaction services, including airtime and money transfer. But importantly, the system can also encompass any new service that may arise in the future. The initial deployment includes airtime services with clear and quick RoI. Money transfer and mobile commerce services (utility bill payment) will be deployed on top of the same platform, extended with new access channels, new payment channels and new business processes. ▶

Preparing for future growth

Investments made now need to take future growth into account, so operators are not stranded with a legacy platform which is unable to scale with their business. By taking scale into account in the launch of initial revenue-generating services, operators will be able to grow their m-transaction business by launching new products while incurring only incremental costs — mitigating the financial risks of new services. An initial deployment of electronic top-up services can be augmented with mobile wallet and money transfer products seamlessly — as long as the enabling platform is able to provide the necessary extendibility, flexibility and scalability.

With the mobile transaction market in its infancy, it is crucial that platforms are configurable enough to support a number of new products and services which may not currently be on the roadmap, or even invented yet. Rather than taking a black box approach, using technology that is restricted to certain applications, Kabira solutions rely on an SOA component-based infrastructure and integrate an open development platform. This enables operators to adapt business flows to their exact requirements, and to leverage payment processing business components whether they are Kabira's proprietary components or part of a third party legacy. Operators thus can benefit from a high level of future proofing, getting the ability to serve both existing and future customer demand.

The opportunity for operators

As mobile operators look for new revenue streams to compensate for the declining revenues on voice services, mobile payments stand out as a key opportunity. Not only will mobile money services create new direct revenue incomes, but those services will also help mobile data services adoption, reduce subscriber churn and boost services and content usage through a facilitated payment experience.

Furthermore, mobile operators can bring tremendous value to the complex mobile payment ecosystem. Through their existing operations operators already activate, support and bill mobile subscribers; they have considerable brand presence built on significant time and financial investment; and, especially relevant for emerging markets, they have an established reseller network that reaches into rural areas often underserved by banks.

Infrastructure requirements

Mobile payments typically target an un-banked population and are a replacement for cash transactions. A particular challenge in this market are the large numbers of low value transactions, meaning operators are faced with controlling per-transaction costs while scaling to serve large numbers of customers. Kabira has been providing 'extreme transaction processing' to the telecom and financial markets for over 10 years – an infrastructure that has proven to be a perfect response to this difficult technical equation.

Running on standard open systems hardware, the Kabira Transaction Platform guarantees mainframe -like system availability and can process up to 50,000 technical transactions per second, through horizontal and vertical scalability.

In order to serve this market, operators need to ensure that the proposed infrastructure meets key operating criteria. Platforms must be:

- **Scalable** — to enable pilot applications to be converted into large scale, live commercial applications, and to absorb transaction volumes as the number of services and users increase. Operators must avoid the explosion of technical infrastructure and maintenance costs to sustain large numbers of transactions, traffic and revenues.

- **Robust** — reliability will be continuously monitored by stakeholders from day one. Operators must rely on infrastructure with a proven track record of maintaining highly available services in mission-critical environments.

- **Flexible** — to enable operators to both follow trends and create new markets swiftly and at low cost. Also, operators must benefit from, but not be bound to the vendor's roadmap.

- **Connected** — support a range of connection options to enable partnership with a number of communications, financial and retail networks.

Scalability, Reliability, Flexibility and Connectivity are four key elements that should drive operators in their selection of the right technology partner for mobile payments.

Kabira Technologies has great experience in the mobile payments market, with more than 80 million subscribers already served by Kabira mobile transaction solutions, and with individual operators handling traffic of over 1 million transactions per day.

This breadth and depth of experience makes Kabira Technologies uniquely positioned to serve telecom markets with proven, flexible and robust products — products that enable its customers to launch services which generate return on investment today, while supporting subscriber growth and market development in the future.

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RoI = Return on Investment