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Global mobile commerce: How to distinguish between myths and reality

With all its challenges, mobile commerce is going to be the next frontier of global economy

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Here we go again. A new mania has taken hold in the technology space and more specifically in the mobile world. Whether known as mobile commerce, mobile banking, MMT, mobile money, mobile wallets or virtual wallets, the concepts are murky, but the subject is hot.

Banks, financial institutions, credit card companies, remittance companies, technology companies and most importantly, the mobile network operators themselves, are all in the game in one form or another. Sitting among everyone are the regulators – financial and otherwise – promulgating new rules and regulations. The tension between the mobile operators, financial institutions and regulators will shape the evolution and defining characteristics of mobile commerce.

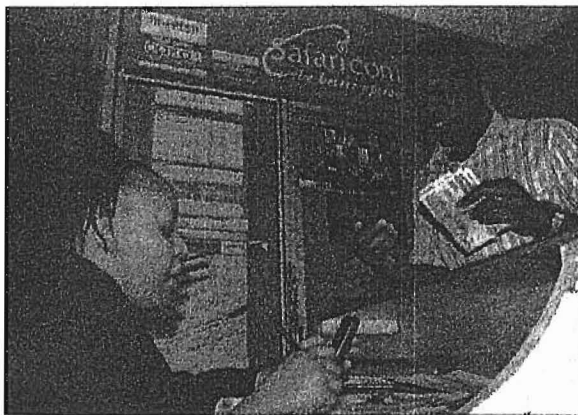
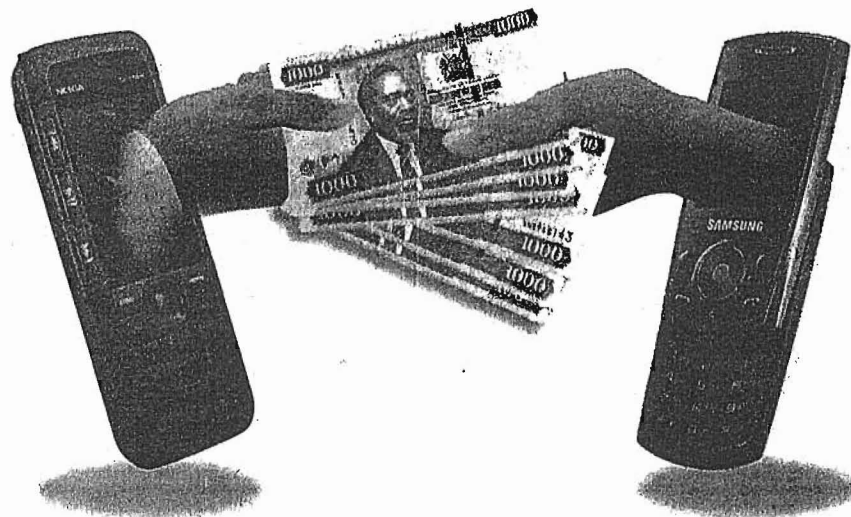
But as is always the case with manias, the reality is quite different than the hype and the myth. As the CEO of one of the largest companies in the world that handles text messages between carriers – a simple product that has seen unprecedented growth and adoption, globally – I stand witness to the complexity of the mobile world; the near impossibility of getting carriers to agree on a universal or standard approach to a product and the impact and intrusiveness of government regulations.

Lessons Learned

Mobile commerce will mean something different to each country and to each mobile network operator. There will be no universal approach to the product, its deployment and its use even within a country. The uptake for mobile commerce solutions will be more aggressive in lesser developed economies.

Some markets will be dominated by the mobile operator, while others will be dominated by the banks. Still others will have a mix.

In China, China Mobile will likely freeze the banks out of play while they attain a financial license to transact mobile commerce. In India, the Reserve Bank has already issued regulations prohibiting mobile operators from



forms; it must be managed through banks. In the Philippines, lax government regulations have spawned two distinct models: Smart Money and G-Cash.

Domestic, rather than international deployments will proceed at a faster pace, with a very different success profile between the two (almost all of M-Pesa's success is its domestic traffic).

Domestic government regulations will have a massive, and possibly even a controlling impact on not only the domestic deployment of mobile commerce, but the global or cross border applications such as mobile money transfer.

What could clearly become reality is the ability of one country's regulations to materially affect the deployment and nature of mobile commerce in another country. As the world's largest remitter, US regulations will be a driving force in the global mobile money trans-

or don't play.

Terrorism, whether political or narcotics driven, will dictate the need for many countries to continue to monitor money-laundering activities.

As the mobile device morphs from a mere communication tool into a payment device, registration of the handset – even a prepaid phone – will become standard.

In some countries you may even see biometric registration. One thing to note is that technology will continue to play a critical role. Integrating mobile commerce, mobile wallets and cross border mobile money transfer, coupled with the need to seamlessly integrate traditional distribution channels (such as legacy Western Union and MoneyGram retail locations), with the mobile environment will present many distinct and unique technological challenges. It is all upside for the mobile carrier – it's their network, their subscribers and a fresh, new revenue line. But carriers'

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to the banks. The banks and financial institutions must engage. If they do not defend their existing customers, they lose. If they can capture a piece of the unbanked population, it's a win. At worst, the mobile operators encroach on the banks' traditional business. At best, banks maintain their customer base or add to it. From any perspective, it is a tough road ahead for the banks. Technology companies with solutions to support the new mania will love it – new challenges, new business and all of it unique; first generation deployments will lead to continuous innovation and improvement.

True challenge

Remittance companies beware – their strong suit is their distribution network, but they rely too heavily on too many pieces of the chain not under their control. (Mobile-to-mobile money transfer is already being conducted between Hong Kong and the Philippines. A very slow start, with very tight margins.) We are looking at changing cultural and behavioral habits that are not decades or centuries old, but millennia old.

The future of mobile commerce is exciting, challenging and even daunting – but acceptance will not be either as quick or as pervasive as many currently believe. The true challenge is creating and sustaining a profitable business.