Mobile has been a great contributor to the growth of developed countries and a high-margin product for mobile economy actors. Mobile operators have developed wide mobile networks and have invested in enhancing their quality and reliability which has led to their rapid adoption by the population in developed countries. Despite mobile penetration rates exceeding 100% in some Western African countries (Senegal, Mali, Gabon, Botswana) there is still room for growth. Indeed, the unique subscriber penetration rate amounts to 59.3% globally and is notably forecasted to grow from 39.0% in 2014 to 48.7% by 2020 in sub-Saharan Africa(1).

However, due to growing competition and increasing regulations the global mobile operator's profitability shrank from 36.8% in 2008 to 33.5% in 2014 (1). Hence mobile operators have had to modify their business model in order to secure their margin. Notably, this has entailed the development of higher added-value products. Mobile Financial Services (MFS) is part of this strategic move.

Mobile Financial Services (MSF) is a rapidly growing industry. The number of MFS increased from 10 in 2007 to 255 in 2014 while more than 300 million MFS accounts have now been opened worldwide, mainly driven by sub-Saharan and Eastern African countries (1).

In this increasingly competitive landscape mobile operators have to face numerous challenges:

- **Partnering with the bank**: roles must be clearly allocated with the Bank. Telecom operators have historically partnered with Banks and financial institutions in order to rapidly understand the drivers of this new activity. However, the trend is definitely towards acquiring banking licenses (at least for electronic money).
- **Finding the right balance between compliance and business development**: the rapid growth of MFS has barely been coupled with the implementation of a process & control ecosystem to reach compliance requirements. However, compliance must be dealt with early in the MFS roll-out to mitigate significant risks inherent in MFS activity (loss of bank partner, anti-money laundering, etc.).
- **Mastering the KYC (Know Your Customer) issue**: the level of compliance requested by MFS is critical and must be tackled from the beginning using a proven methodology.
- **Building an exhaustive ecosystem**: It is not only P2P services that need to be developed, but a whole ecosystem to enable the launch of a diversified MFS: merchant payment, international remittance, payroll, mobile insurance, mobile saving, and mobile credit.
- **Securing the active clients base**: building volume is not only about acquiring subscribers and point of sales or agents, but also about keeping them active.
- **Engaging in a substantial technical evolution**: the MFS platform must be integrated into the already complex IT environment of Telecom operators to leverage shared benefits & best manage costs.
- **Accept a mid-term break-even**: the average break-even period for MFS is estimated at 36 to 40 months. Therefore it is critical to obtain top management support during the MFS launch phase. In the meantime, the indirect impacts of MFS such as churn reduction**,** stronger customer retention, and airtime distribution savings must be acknowledged.

Telecom operators, governments and national regulators have a predominant role to play in securing MFS growth and potential, and in fostering innovation in the overall economy:

- **Telecom operators**: MFS is a unique opportunity to restore their margin of telecom operators who are willing to invest in this new service.
- **Governments**: following the same pattern as the mobile industry, mobile financial services contribute to the overall economic growth of a country by supporting financial inclusion and bringing financial services to the population of developing countries. The governments of these countries are increasingly supporting MFS development in order to support growth.
- **Regulators**: the major role that MFS can play in financial inclusion is evidenced by the increasing number of regulators who are prompting the adaption regulatory frameworks in order to enable MFS growth.

Therefore, an effective understanding of the key underlying market trends and challenges is of paramount importance in achieving these objectives.

Euromena Consulting actively supports its clients in launching Mobile Financial Services and in strengthening each and every step of the MFS value chain. More specifically, our team provides support in fulfilling regulatory affairs requests; defining the partnership with the bank; developing and diversifying the distribution and merchant partners network; devising products in line with the consumers' needs; identifying KYC (Know Your Customer) clients, securing the active client base and sensitizing users to MFS.

You can obtain more information on our Mobile Financial Services perspectives, credentials and client references at [provide exact link to website].

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