TRANSFORMING MONEY TRANSFER BY PAVING THE WAY FOR CUSTOMER ACQUISITION AND RETENTION

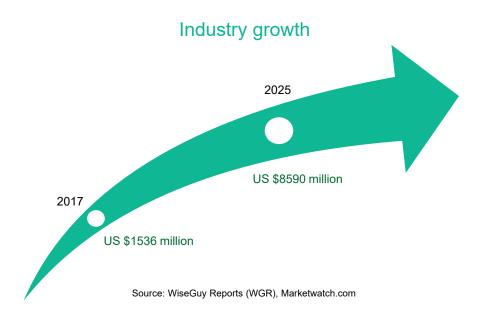Facilitates migration from T&M contracts to managed services at scale

Abstract

The money transfer business has changed significantly thanks to digital disruption and the rise of FinTech players. As a domain where trust and price are the success drivers, differentiating oneself while cementing customer loyalty is a major challenge. This paper discusses why customer retention is a challenge for the money transfer business. It also explains how the Infosys solution for money transfer organizations (MTOs) can help simplify pricing, discounting, fees and data management.
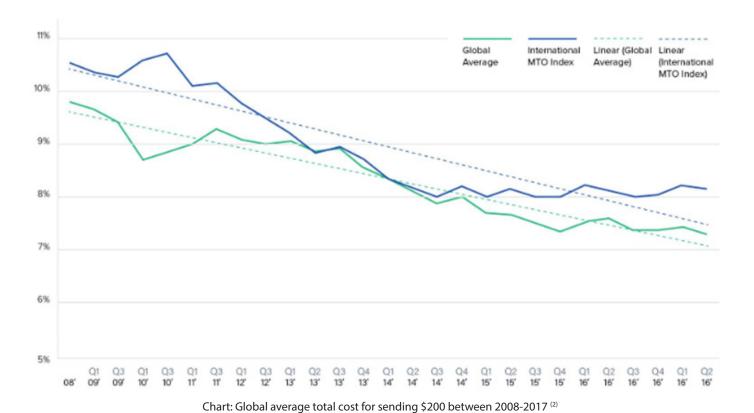
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Current trends in money transfer

Due to increased globalization and digitalization, the remittance market is growing at an unprecedented pace. As per WiseGuy Reports, in 2017 [1], the global digital remittance market size was valued at US $1536 million and it will reach US $8590 million in 2025, with a CAGR of 23.3% between 2018 and 2025.

Going forward, money transfer organizations (MTOs) must be able to not only innovate and identify changing needs of customers but also provide innovative and competitive pricing with more value for customer money. The average cost for senders of remittances in Q3 2017 was 7.21% (of the total principal sent), which follows a trend of declining costs, as shown in the chart below.

Industry growth

2025

US $8590 million

2017

US $1536 million

Source: WiseGuy Reports (WGR), Marketwatch.com

Chart: Global average total cost for sending $200 between 2008-2017 [2]

Costs have been falling as a result of healthier competition and pressure from the G20 nations and the UN, who are targeting an average cost to consumer of 5% and 3% respectively.

Fierce competition

A decade ago, the market had only a handful of players like Western Union, MoneyGram, etc. Since 2010, FinTech startups like WorldRemit, Remitly, Azimo, TransferWise, etc., began making their presence felt. These startups have had a significant impact on the incumbents' market share. According to the

WorldRemit's website, 2 million people are using its services. TransferWise's website says it has 7 million customers. These are impressive customer numbers for startups with just a few years in the industry.

All MTOs claim ease of use with latest technologies, speed of transfer and trust.

But the real differentiation is how they charge customers and how much value they provide to customer money. On top of this, social media platforms like WhatsApp and Facebook have also begun offering money transfer solutions.

Challenges in customer acquisition and retention

Previously, sending money meant the customer had to physically go to the MTO agent, register himself, get a background check done, and then present the cash or cheque to be sent. Being a cumbersome process, many customers were often locked in with pre-registered and trusted agents. However, as digital technology and smartphone use increased, this has completely changed. Now, everything is available online and through mobile apps, eliminating the need for physical visits to an agent's office and lengthy KYC processes. While this has greatly increased customer satisfaction, it has led to rather transactional relationships between customers and MTOs.

Customer trends

- Are price sensitive, not loyal
- Always look for cheaper and faster services
- Millennials quickly switch providers that do not match their needs

Establishing loyalty is challenging in an environment where customers are price sensitive. If a cheaper, faster and secure alternative emerges and gains a customer's trust, they will switch providers. Millennial consumers are quicker to do this,

particularly when services fail to match their tastes and preferences. That millennial customers and their preferences are driving change and fueling greater competition cannot be overlooked.

Differentiators

- Customer category and relationship-based fees
- Dynamic fees based on volume
- Discount/incentives based on historical/accumulated transactions
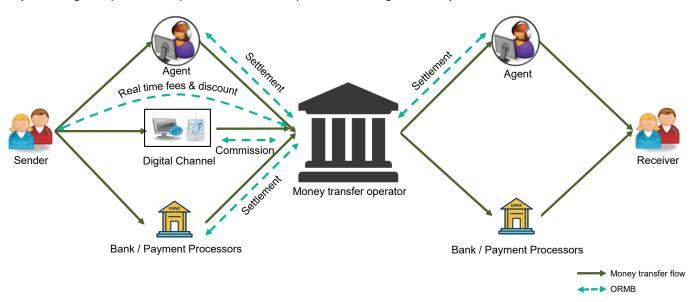- Channel-based fees and discounts
- Referral programs

Customers always look for lesser (or no) fees and better exchange rates for money transfer. In order to retain loyal customers, it is important to reward them in a timely manner. However, unlike the point-based reward programs used by banks, MTOs should focus on real-time rewards.

There are many ways to incentivize customers using discounts based on the number of transactions, reducing fees based on the number of transactions, referral programs, customer category-based fee structure, etc.

Future MTO platforms will have to face significant challenges to support dynamic

fee structures and discounts. In order to meet the rising customer demand, provide dynamic pricing/commissions and stay ahead of the competition, a robust pricing and billing system will be important. MTOs will need a future-ready system that is highly configurable and flexible enough to meet new pricing structures and one

that can be quickly launched in the market. As every country has different rules and regulations, this system should also support different structures and processing based on individual country requirements.

Infosys platform solutions for money transfer business

Infosys has designed a platform that provides end-to-end capabilities to manage the money transfer business.

Agent

Settlement

Real time fees & discount

Agent

Settlement

Sender

Digital Channel

Commission

Money transfer operator

Receiver

Settlement

Settlement

Bank / Payment Processors

Bank / Payment Processors

→ Money transfer flow

⤍ ORMB

Powered by Oracle Revenue Management and Billing (ORMB), the platform provides customer management, fee and charges calculations, agent/partner management, commission calculations, agent/partner settlement, billing, payment, and sub-ledger. It is pre-integrated with Infosys proprietary product, Infosys Transaction Reconciliation System (ITRS) for matching and reconciliation. It also integrates with Oracle Business Intelligence Enterprise Edition (OBIEE) through Oracle Data Integration (ODI) for reports and analytics.

Infosys platform

ORMB

Customer management	Partner management	Product management	Master data management
Charges/fees setup	Commission setup	Transaction management	Price/fee calculation
Adjustments	Partner settlement	Billing and invoicing	AR and AP management
Payments and collections	Sub-ledger accounting	Workflow management	Audit trail

ITRS

- Data extraction
- Transformation and enrichment
- Rule based matching/ reconciliation
- Disposition

OBIEE

- Dashboard
- Query reports
- Excel/text/PDF report
- Report scheduler

Customer on-boarding

Partner on-boarding

Transaction

Payment processing

Accounting

Document management

3rd Party system

DWH

Infosys platform: Pricing and discounting features

Pricing and discounting engine

- Flexible charge definition
- Multiple price computation model
- Bundling/packaging options
- Discounting module

Business benefits

- Single customer view
- Faster time to market for new products/offers
- Dynamic pricing and improved customer loyalty

Fee definition

Customer profile	Product profile	Transaction profile
• Category	• Usage criteria	• Channel
• Location	• Bundles/special package	• Source and destination
• Charge group	• Previous usage history	• Context
• Risk profile		• Volume and value
• Relationship value		

Pricing and discounting

Price computation	Discounting
• Absolute and percentage	• Discount on usage
• Flat and tiered	• Bundling discounts
• Recurrent charging	• Discount as percentage/amount
• Cumulative charging	• Cumulative discount

Benefits

- Includes flexible pricing to support complex fees, commission and discount calculations

- Supports simple and complex customer and partner hierarchy

- Enables agent commission sharing based on hierarchy

- Supports different absolute and percentage-based calculation models on flat and tiered structures

- Ensures robust settlement and reconciliation capabilities

Conclusion

Accelerating growth in the remittances market comes with declining sending costs. MTOs that want to take advantage of this trend must first gain customer trust. As new players emerge on the scene with agile services and app-based products at lower costs, incumbents are under pressure to find new ways to innovate if they are to remain competitive. The Infosys platform for money transfer is powered by Oracle Revenue Management and Billing solution. It acts as a single platform for various tasks ranging from customer and partner management to fee calculations, billing, payment and GL. It can easily integrate with other Infosys accelerators, tools and solutions and provides robust settlement and reconciliation processes. These digital capabilities are a key lever to help MTOs drive customer acquisition and retention.

About the Author

Kapil Bobde
Principal Consultant, Infosys

Kapil has more than 15 years of experience in the finance and telecom industry dealing with billing, revenue management and settlement products such as Oracle-ORMB, Suntec-TBMS, MACH-MDS, EliteCore-Crestel, and Lifetree-@billity. He specializes in areas like product management, requirement assessment, finding best fit solutions, and consulting.

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[2] https://www.toptal.com/finance/market-research-analysts/international-money-transfer

For more information, contact askus@infosys.com

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