ROLE OF POSTAL NETWORKS IN DIGITAL FINANCIAL SERVICES

ITU-T FOCUS GROUP ON DIGITAL FINANCIAL SERVICES

International Telecommunication Union

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ITU-T Focus Group Digital Financial Services

The Role of Postal Networks in Digital Financial Services

Focus Group Technical Report

ITU-T

International Telecommunication Union

FOREWORD

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The procedures for establishment of focus groups are defined in Recommendation ITU-T A.7. TSAG set up the ITU-T Focus Group Digital Financial Services (FG DFSs) at its meeting in June 2014. TSAG is the parent group of FG DFS.

Deliverables of focus groups can take the form of technical reports, specifications, etc., and aim to provide material for consideration by the parent group in its standardization activities. Deliverables of focus groups are not ITU-T Recommendations.

The Role of Postal Networks in Digital Financial Services

About this Report

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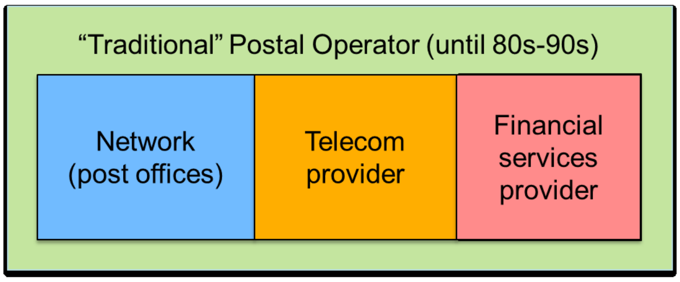
Executive summary

Postal operators have a long tradition of offering financial services. This report explores the current and potential role of postal networks in the emerging digital financial services (DFSs) ecosystem. The report investigates five separate models by which today's postal networks are involved in the ecosystem: two as support services, and three as direct providers of DFSs. This report also covers three new ways for posts to be involved in the ecosystem: as a Mobile Network Operator (MNO), an interoperability platform, and as an eCommerce facilitator.

1 Introduction

Postal services are primarily associated with mail, postal carriers, and physical delivery. Therefore, post offices are not the first thing that comes to mind when discussing digital financial services (DFSs). However, postal operators have a long tradition of offering financial services, which dates back to 1861, when the first postal savings bank was established in the United Kingdom. Furthermore, if we go back some 20 or 30 years, we should remember that in many countries, postal and telecommunication activities were grouped into one single entity: the Post and Telecom (P&T) operator. A large number of those P&T operators were also providing financial services (money orders, telegraphic money orders, savings accounts, etc.). "Traditional" postal operators could therefore be schematically represented as follows:

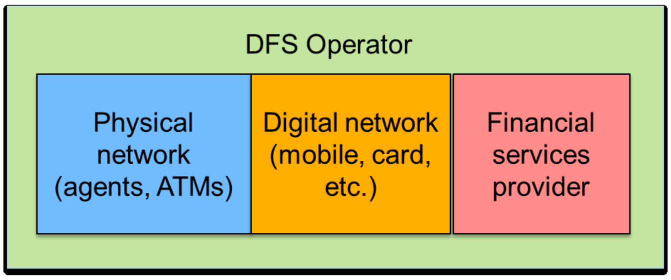
Figure 1 – Traditional postal operator (until 80s-90s)



Today, when we talk about the development of DFSs, three complementary elements are needed:

- A physical network for the cash-in/cash-out and to act as a front office to engage clients;
- A digital network to transport the flow of digital messages (mobile, cards, electronic, etc.)
- A financial services provider in some cases this will be the same as one of the two previous elements), which will ensure regulatory compliance, take care of the back-office, design products, etc. Such an operator can be represented schematically in the following way:

Figure 2 – DFS operator



Comparing Figures 1 and 2, we can see the similarities between the model of the traditional postal operator and a DFS operator. Postal operators boast one of the largest physical networks in the world, with a total of more than 660,000 post offices, which can all be used as agents for the provision of DFS. Most postal operators today also offer some form of financial services, from domestic and international electronic money transfers to savings accounts, insurance, and loans. It is estimated that 1.5 billion people globally access financial services through a post office.[1] In this context, postal operators already possess two of the three key elements necessary to deploy DFS.

1 ANSÓN & TOLEDANO, 2010, "BETWEEN FINANCIAL INCLUSION AND POSTAL BANKING: IS THE SURVIVAL OF POSTS ALSO THERE?", UNIVERSAL POSTAL UNION.

Therefore, postal operators are very well positioned to at least play a role in the development of DFSs.

2 The current state of play

Based on data from a questionnaire launched by the Universal Postal Union (UPU) in 2015, 91% of designated postal operators[2] in UPU member countries and territories (183 out of 201) provide financial services. Almost all of these provide remittance services, either on their own or in partnership with banks and/or money transfer companies. A large proportion of postal operators also provide bill payments or government payments. In terms of account-based services (current accounts or savings accounts), 87 postal operators are offering them, on their own (in 52 countries or territories), or in partnership with other financial institutions (in 36 countries).[3] This represents a total of 1.96 billion accounts belonging to approximately 1 billion clients.

The UPU established a business model (BM) typology for the provision of financial services by postal operators.[4] In all models, there are varying levels of operational complexity and involvement of the postal operator in the provision of financial services. Five main families of BMs have been identified:

- <u>BM 1: cash merchant</u>. The Post acts as a cash-in/cash-out agent for one or more partners (money transfer operators (MTO), mobile money operators, utility companies, etc.). The services facilitated by the Post are transactional financial services such as remittances, bill payments, government payments, etc.

- <u>BM 2: proprietary domestic and cross-border payments</u>. The Post operates its own domestic payments or international remittances (for the latter, in partnership with other Posts). This can be done in post offices using paper-based money orders (a model that is progressively disappearing) or electronic transfers, which are now the norm. 88% of the 150 Posts that are operating under this model are offering electronic services. In some countries, such as Morocco, these services are also available through mobile phones for peer to peer (P2P) payments.

- <u>BM 3: partnership with a financial services provider</u>. The Post partners with a financial services provider such as a bank, insurance company, FinTech, technology provider, mobile network operator, or a microfinance institution, to offer the financial services of the partner. The main difference between this BM and BM 1 is that the Post is not merely providing cash-in/cash-out services, but is much more involved in the provision of the services. Products can be developed jointly by the partners and adapted to the postal clientele. The Post is involved in all front-office aspects and postal staff has an important role to play in the promotion of the service. Both partners collaborate to develop the necessary ecosystem.

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2 DESIGNATED POSTAL OPERATOR (DPO) REFERS TO POSTAL OPERATORS THAT ARE OFFICIALLY DESIGNATED BY THEIR GOVERNMENT TO PROVIDE A NUMBER OF POSTAL SERVICES AND ENSURE THE IMPLEMENTATION AT NATIONAL LEVEL OF VARIOUS INTERNATIONAL TREATIES' OBLIGATIONS REFERRING TO POSTAL AFFAIRS. DPOS CAN BE STATE-OWNED INSTITUTIONS OR PRIVATE ENTITIES. COUNTRIES CAN ALSO DESIGNATE ONE OR MORE DPOS ON THEIR TERRITORY.

3 ONE POSTAL OPERATOR (POST LUXEMBOURG) IS PART OF BOTH CATEGORIES AS IT OFFERS BOTH ITS OWN ACCOUNT-BASED SERVICES AND THE BANKING SERVICES OF A PARTNER.

4 BERTHAUD & DAVICO, 2013, "GLOBAL PANORAMA ON FINANCIAL INCLUSION: KEY ISSUES AND BUSINESS MODELS". UNIVERSAL POSTAL UNION (HTTP://WWW.UPU.INT/FILEADMIN/DOCUMENTSFILES/ACTIVITIES/FINANCIALINCLUSION/GLOBALPANORAMA POSTALFINANCIALINCLUSIONFULLEN.PDF)

- BM 4: postal savings bank. The Post offers its own account-based services (savings or current accounts) under a regulatory framework that is specific to the Post. This is the traditional postal savings model, which usually does not allow the Post to offer loan services. Usually with BM 4, the Post is not allowed to offer loan services or any other sophisticated financial product, which is often one of the main reasons why Posts are willing to transition to BM 5.

- BM 5: full-fledged postal bank. The Post offers its own account-based services, but under the supervision of the central bank or financial services regulatory authority. In some cases, postal banks still have some limitations either on the type of products that they can offer (for example, not all types of loans) or have limitations on the clientele they can target (for example, in Morocco, the Postal Bank is required to focus on middle- and low-income clients).

All these BMs are not mutually exclusive. For example, a postal operator can offer its own savings accounts (BM4) but also its own domestic payment services (BM2) and the remittance services of an MTO (BM1). Of course, the BM(s) adopted by a postal operator will depend on multiple criteria: regulatory framework, capacity, financial resources, level of competition in the market, etc. Most Posts are non-bank financial institutions and not full-fledged postal banks, while the latter (which represent less than 10% of all Posts) generally has much more experience in providing a wide range of financial services and employing more knowledgeable and experienced personnel from the financial services industry.

3 The Role of Postal Networks in DFSs

In the DFS ecosystem, postal networks can play a role both as DFS providers and as DFS providers support services. The strengths, weaknesses, opportunities, and threats (SWOT) analysis below helps illustrate why postal operators developed different BMs

Figure 3 – SWOT

Strengths: Ubiquitous physical network Cash management experience (at least for a large number of Posts) Experience in managing agents In many countries, trust and proximity to clients Experience in distributing large volume / low margin products and services In many countries, financial inclusion mission assigned by governments (explicitly or not) In a number of countries: regulatory approval	**Threats:** Declining traditional postal market => limited possibility to invest Exponential growth of mobile money operators / card networks / DFS providers Current price structure of postal financial products not always adapted to very small amounts
Weaknesses: Lack of technological innovation Lack of customer orientation Insufficient connectivity of the postal network (and in some cases, lack of access to electricity) Lack of resources needed to invest in development of a DFS In some cases, challenges with liquidity management	**Opportunities:** Experience in financial transactions which can be a building block to expand activities in the field of DFS: - Agents for cash in/cash out - Super-agent - Strategic partnerships/joint ventures - As a trusted public actor, interconnection tool for mobile money providers - Launch own DFS

3.1 Posts as support services

Posts can act as partners of DFS providers such as banks, card networks, or mobile money providers, and can help these offer or distribute their financial services. In this regard, Posts have implemented a variety of BMs which are all variations of the BM1 and BM3 models described above.

BM1: Cash-merchant

- ❖ Cash-merchant for a MTO or bank to offer remittance services:
  - DPOs from 126 countries or territories have signed agreements with international MTOs or banks whereby they perform cash-in / cash-out services for domestic and/or international remittances. Under this model, the involvement of the postal operator is relatively limited and the role of the Post is mostly to manage liquidity in its network

and to ensure that its points of contact are all online, to communicate in real-time with the system of the MTO or the bank.

- ❖ Cash-merchant for a mobile financial services provider:
  - DPOs from 23 countries or territories have signed agreements with banks (5 posts), FinTechs (5 posts), or MNOs) (13 posts) to provide cash-in / cash-out services for the provision of various mobile-enabled services. As for the cash-merchant model with MTOs, the role of the Post is mainly to ensure that liquidity is available throughout its network.

For the bank, FinTech, or MNO partner, the advantage of signing up a postal operator as an agent is to have access at once to a large number of agents covering all the national territory, often with good cash availability. Given the experience of various postal operators in managing a network of agents for their own postal services (financial or not), Posts could act as super-agents/master agents, but this has not been observed so far for mobile financial services.

For the Post, however, this model has some limitations. The first limitation is that the fees are relatively low compared to the costs of ensuring liquidity availability throughout its network. Also, most postal operators offer their own electronic postal money orders,[5] which means that mobile products often come as competitors to their own products and could potentially cannibalize these.

Lastly, it should be mentioned that barring exceptional circumstances (see the case of Brazil below), Posts should avoid entering into exclusivity agreements with partners. Indeed, such arrangements can considerably impede competition, increase the cost of services, and prevent full exploitation of the potential network of postal access points. This is particularly important for remote and marginalized areas to avoid having only one financial service or remittance service provider be available to that population.

BM3: Partnership

❖ **Partnership model with one or more banks**

Thirty-nine Posts worldwide have established partnerships with financial institutions under which the postal branches are used to offer banking services. A partnership can be exclusive, as is the case in Brazil, or non-exclusive with Australia and the UK being good illustrations of current trends.

- In Brazil in the early 2000’s, a project was launched to use post offices as agents for banks. The initial idea was to have various banks provide their services through the Post. Separate tender processes were organized in 2002 for different regions of the country and the same bank, Bradesco, won them all. An exclusive partnership was set up between Correios and the private bank at the national level. Under the contract, postal branches acted as banking correspondents, offering all of the services of the bank by accessing Bradesco’s information system in real time. Banco Postal, as it was called, was not a real bank but rather the commercial name under which the operation was functioning. In 2006, after 4 years of operation, Banco Postal was live in all 5500 municipalities of Brazil, bringing banking services to regions where they had previously been completely absent. In 10 years, the Post had opened 10 million accounts on behalf of Bradesco. However, in 2012, for legal reasons, a new tender was organized to renew the agreement and unexpectedly, a new partner,

5 ELECTRONIC POSTAL MONEY ORDERS ARE BASICALLY MONEY TRANSFERS THAT ARE EXCHANGED BETWEEN POSTS. THEY CAN BE PROVIDED UNDER VARIOUS FORMS: CASH-TO-CASH, CASH-TO-ACCOUNT, ACCOUNT-TO-CASH, OR ACCOUNT-TO ACCOUNT.

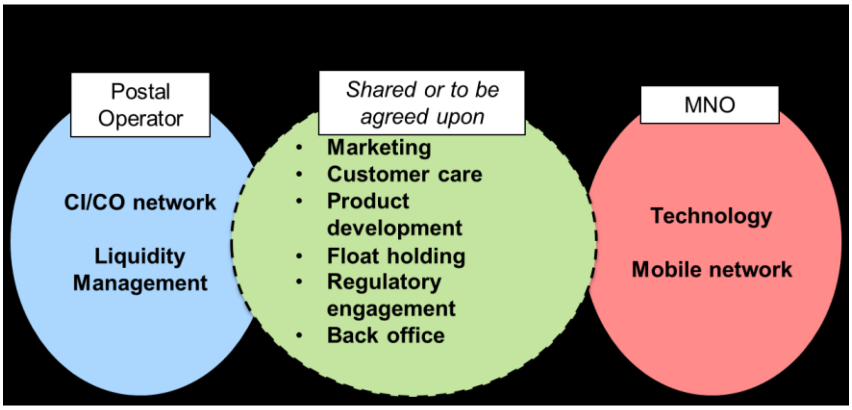
Banco do Brasil, presented the highest bids. Banco Postal was therefore re-launched in 2013 as a new alliance, and 4 million new accounts have opened in the last 3 years.

- Australia Post has a total of 4,406 branches, with 3,577 of these offering financial services (the remaining branches are mainly community postal agencies which only sell stamps and collect and distribute mail). Australia Post set up Bank@Post, a service which enables clients of 70+ financial institutions in the country to make deposits and withdrawals, pay bills, or check their balances. Virtually all banks in the country have partnered with the Post, leveraging its rural infrastructure while simultaneously closing shop in small rural areas. From mid-2015 to March 2016, the three biggest banks in Australia have reportedly closed 227 locations in rural areas, most of them being replaced by a Bank@Post agreement.[6]
- In the UK, financial services represent 30% of the revenues of the Post Office Ltd, the company which operates the 11,634-branches postal network. The company has set up a partnership with Bank of Ireland UK to offer postal-branded current and savings accounts to 3 million clients. In addition, the Post Office has signed agreements with all major banks in the UK whereby banks' clients can perform basic operations, including deposits and withdrawals, in all Post Offices. 95% of all UK current accounts can now be accessed at Post Office branches.[7] This is another illustration of a trend that can be observed in many high-income countries of banks focusing on major urban areas and relying on partners such as the Post to maintain a presence in rural areas.

❖ **Partnership model with one or more MNOs or FinTechs**

In these models, there is a real partnership between the MNO/FinTech on one side and the Post on the other. The partners share the responsibilities (and the revenues), based on their respective strengths and competitive advantages. This can be visualized as follows:

Figure 4: Areas of responsibility



6 DALE WEBSTER, MARCH 2016, "BANK BUSH BASH", THE WEEKLY TIMES
7 POST OFFICE LIMITED ANNUAL REPORT 2014-2015

Tunisia Post is the best example of BM3 with an MNO, as the Post has established partnerships with the three MNOs in the country (Tunisie Telecom, Ooredoo, and Orange). In Tunisia, MNOs are not allowed to offer mobile financial products on their own and therefore need to have a financial institution as a partner. Tunisia Post, which is not a bank per se, is nevertheless the largest financial institution in the country, which explains why all three MNOs decided to select them as a partner.

Compared to the cash merchant model, the Post has more control over product design, operations, and, of course, revenues. However, the choice of the partner is a fundamental factor of success, as illustrated by the following table:

	Tunisie Telecom	Ooredoo	Orange
Transactions in 2015	395,962	15,811,495	1,444,735
Registered users (04/2016)	35,405	477,864	86,070
% Active users	85%	73%	93%

Table 1 – Impact of choice of partners

The first service to be launched in 2010 with Tunisie Telecom, has failed to take off for a number of reasons. Among the problems encountered were the non-alignment of expectations, an unclear separation of responsibilities, and the fact that both institutions had weaknesses in terms of marketing and product development. Lessons were learned from this and the two subsequent operations have been much more successful.

Regarding the partnerships with FinTechs, we can mention here two Posts that have launched innovative alliances:

- In Benin in 2015, the Post partnered with e-Savings.club, a FinTech which is trying to digitize and formalize traditional rotating savings and credit associations (ROSCAs). Postal salespeople have been hired to go out to Cotonou’s markets and collect the savings of small informal merchants. Thanks to an app developed by its partner, the post is able to register clients and to send them notifications every time they collect their daily savings. All monies collected during a 30-day period are placed in a savings account at the Post, which is available for clients at the end of the month. This partnership is currently in a pilot phase and will be further expanded in 2016, once customer feedback has been analysed.
- In Kazakhstan, Kazpost has a network of 3,124 post offices compared to a national bank network of only 351 branches and 1917 agents. Leveraging that network, which covers even the most remote areas of Kazakhstan, the Post has traditionally been an important player in deploying financial services throughout the country. To further reinforce this position, Kazpost partnered with another FinTech called Intervale to offer international and domestic payments (including bill payments) to its clients. Services are available through

various channels: card, internet, and mobile (both feature phones and smartphones) and the Kazpost network is used for cash-in / cash-out, front office, marketing, etc.

3.2 Posts as direct DFS providers

Under BM 2, 4, and 5, postal operators offer their own financial services: payment services, current accounts, bill payments, bulk payments, savings products, loans, etc. Most of the time, the services are now offered digitally, leveraging electronic and mobile networks, which are channels for postal operators to offer their financial products. For Posts, the decision to develop their own financial services or to partner with other financial institutions depends on a number of criteria: market potential, current offer by other institutions, capacity of the Post, resources available, clients' needs, etc. The section below provides details on several Posts that have decided to offer their own DFS.

❖ BM2: Proprietary domestic and cross-border payments

This BM essentially concerns domestic and international money transfer services, which Posts have been providing since the first half of the 19th century. One of the first postal administrations to do so was the Post Office, in the UK, which started offering money orders in 1838. In 1878, 4 years after the creation of the UPU, the first UPU treaty on the exchange of international postal money orders was adopted. This treaty, called the Postal Payment Services Agreement, is updated periodically and its latest version is still in effect today. Of course, paper-based money orders have almost completely disappeared and Posts now mainly offer electronic money transfer services. This can be done with partners, as we have seen previously, but many posts also offer such services on their own (at the domestic level) or in partnership with other Posts (at the international level).

Posts have offered electronic services for international remittances since 1992 when Eurogiro, initially a cooperative of European postal operators, launched its network.. In 2000, the UPU also released its International Financial System (IFS), a software suite that is available to postal operators who want to exchange electronic money orders. As of today, IFS is used by more than 70 postal operators worldwide for domestic and/or international transfers. It is available either as a standalone version, or as a cloud-based version. Furthermore, a mobile version was introduced in 2015, which allows posts to connect their branches using smartphones or tablets.

For domestic payments, various Posts have managed to establish significant market shares. For example, this is the case of Al-Barid Bank in Morocco or CTT in Portugal. However, for cross-border payments, Eurogiro and IFS operations are generally smaller than those of large international MTOs. Still, their availability in a large number of outlets brings significant competition to the market and is an incentive for all players to keep their prices competitive. Indeed, on various occasions, it has been observed that the opening of a new postal corridor led to significant price reductions from other market players.

❖ BM4: Postal savings bank

BM4 is currently implemented by 39 postal operators worldwide. Only 5 of these, or 13%, do not report having a fully automated Management Information System (MIS).[8] All the other Posts have digitized their financial services and offer their current or savings accounts in an electronic format, with all transactions being based on a core banking system or equivalent.

Some Posts still maintain paper passbooks for their clients, but with all operations being stored electronically. This is the case in Burundi, for example, where the country's payment infrastructure is insufficient. Very few merchants accept card payments and apart from Bujumbura and a few

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8 THESE POSTS ARE FROM THE FOLLOWING COUNTRIES: BANGLADESH, CENTRAL AFRICAN REPUBLIC, CONGO DRC, NEPAL AND TURKMENISTAN.

cities, ATMs are non-existent. The Post, which has a strong presence in rural areas, therefore needs to maintain the paper passbooks in parallel with its automated system so that clients can deposit and withdraw cash in post offices.

When electronic networks are widely available in a country, Posts try to get rid of paper-based systems, which are a potential source of error or fraud. In this regard, there are many opportunities for DFS support services to partner with Posts.

a. Card-based solutions

Card networks could have access to millions of clients in dozens of markets by hooking up with Posts. Visa and Mastercard are already working with various postal financial institutions from high-income or emerging countries and have expressed interest to expand in this market. The Posts in India, Egypt, Algeria, or South Africa, with hundreds of millions of clients, could potentially be very attractive partners for such companies.

Some Posts have also chosen to deploy their own card-based solution. For example, Nampost Savings Bank (NSB), the financial services arm of Namibia's postal operator, offers banking services to 600,000 people (out of a total population of 2.3 million) through their "SmartCard". This biometric card-based product enables clients to withdraw money in post offices and at ATMs, to transfer money to an account or to another card, or to make payments in retail shops countrywide using Point of Sale (POS) devices.

b. Mobile-based solutions

Most postal operators that have current or savings accounts are now trying to come up with a strategy to make their services available to their clients via mobile phones. Here again, there is a lot of potential for DFS support services to develop partnerships with Posts.

One example of such an alliance emerged in 2015, in Senegal, when the Post joined forces with a start-up called Numherit to launch a service which is available through various channels. All clients get a current account at the Post, which is linked to a Visa card and an e-wallet account, accessible both on feature phones and smartphones. The Post, which handles a number of social transfers on behalf of the government, transferred these cash payments onto the new platform, with 200,000 people benefitting from the system only 3 months after the launch. The interesting point with this alliance is that both organizations are involved in the development of the service, with a special focus being placed on the development of the merchant ecosystem. Retail shops, drugstores, restaurants, and gas stations are all actively targeted to ensure mobile and card payments acceptance. The growth of the service will be interesting to monitor in 2016. At the moment, the mobile service is only made available to new clients. People who already have an account at Post finances do not get automatic access to the new system. Ensuring an adequate repartition of both responsibilities and revenues in the venture will go a long way in determining the long-term success of the partnership.

Similar partnerships are already being discussed in various West and Central African countries where the Posts own accounts, such as Togo, Benin, Burkina Faso, or Cameroon.

One major challenge for postal operators under BM4 to further develop as DFS providers is that in a number of cases, they are not connected to the national payments infrastructure. More than half of postal operators which offer their own accounts are in this situation, which means they have to operate in closed loops or to access national payment system and/or banking switches through partners. As a consequence, their clients can't benefit from all the advantages of DFS, like transferring their monies to banks or withdrawing money from other financial institutions' ATMs.

This challenge of integration into the "normal" bank infrastructure is one of the main issues to tackle for Posts who want to move forward in the digitization of their financial services.

- **BM5: Full-fledged postal bank**

There are currently 13 postal operators worldwide that can be classified as postal banks, i.e., a designated postal operator offering account-based services under a banking licence. All of them have a core banking system and offer their services in a fully digital format.

Depending on the national context, the Posts in this group have developed various digital strategies:

a. Mobile-based strategies

The Postal banks of Gabon and Morocco are trying to increase their offering through mobile channels. Their strategies are quite similar: the Post builds or buys its own platform and uses MNOs only as communication pipelines. This gives the Post more independence in product development/management as well as the opportunity to digitize their own postal financial products (including savings/current accounts). However, the Post needs to invest more resources and to have good capacities in the following areas: IT, marketing, product development, agent management and risk management.

Al Barid Bank (ABB), the postal bank of Morocco, is a good example of this model. ABB provides banking services to 6 million clients. All 1,800 post offices in the country are interconnected and all services are performed electronically. In mid-2014, ABB launched a suite of mobile banking services which is available on both smartphones and feature phones. To do so, ABB has not concluded any partnership with the mobile network operators, as mobile networks are only considered a channel to carry data. As of the end of 2015, ABB had 150,000 clients registered on its mobile service, 75% of which were active. In terms of financial inclusion impact, it should be noted that 42% of mobile clients are new clients which were previously unbanked. After less than two years of operation, the results are still modest, but ABB's management is confident they will improve gradually.

b. Multi-channel strategies

For postal operators from high-income countries, it is now essential to be able to offer their services to their clients at any time, in a variety of different forms. For example, the Posts in Switzerland, Belgium, France, and Japan are therefore trying to deploy multi-channel strategies. Clients can bank in post offices (full-fledged or agents), through ATMs, using credit/debit cards, on their smartphones using banking apps, or online. This is a strategy that a number of banks are following but postal operators still rely a lot more on their physical network, given the obligation that most of them have to maintain a presence throughout the national territory.

4 What's Next?

A lot of work remains to be done to ensure a full digitization of postal financial services. As an illustration, it should be noted that at the global level, only 46% of the world's 660,000 post offices are online, which means that more than half of post offices cannot provide real-time electronic services. This is changing fast as Posts realize the importance of digitizing their network. In India, for example, the Post has 155,000 post offices, 90% of which are located in rural areas. Three years ago, only 12,000 of these were connected. But as of early 2016, 25,000 post offices are now online. The Post in India has embarked on implementing a core banking system (CBS) for its financial services – which represent 63% of India Post's revenues – and is expected to be 100% on CBS by the end of 2017, including deployment of rural ICT to digitise rural branch post offices.

Of course, it is essential for Posts to upgrade their networks. However, the physical network of Posts is not as strong of a competitive advantage as it was five years ago. According to the GSMA, as of the end of 2015, mobile money operators now have 271 services live in 93 countries, representing a total of 3.2 million agents.[9] This is more or less five times the size of the postal network. In order to stay relevant as financial service providers, Posts therefore need to extend their own network by developing agent partnerships, just like banks or mobile money providers are doing. This is made easier through mobile technologies, which allow agents' enrolment in the Posts' MIS at a minimum cost.

Postal operators also have to come up with innovative BMs that leverage some of their unique strengths. A few possible approaches are presented below.

a. The Post as a Mobile Virtual Network Operator (MVNO)

In this model, the Post buys capacity from a telecom operator to offer its own communication services, including its own SIM cards. The Post is then able to offer all of its financial services on a digital platform. This model was adopted by Equity Bank in Kenya, which launched its own MVNO in 2015 to offer its banking services on a digital platform and compete with mobile money players. This model had already been adopted quite successfully by Poste Italiane, the Italian postal operator, back in 2007. The Post now has 3.3 million Poste Mobile active clients, and 75% of these also use their Poste Mobile phone subscription to access their postal financial services (payments, mobile top-ups, account management, etc.).

b. The Post as an interoperability platform

In various countries, different mobile financial services providers are offering their services but are not interoperable. Clients cannot send money from one operator to the other in the same country.

The Postal Corporation of Kenya (PCK) set up PostaPesa, a national payment switch through which it processes all public sector payments by connecting various banks (Co-operative Bank, National Bank of Kenya, Kenya Commercial Bank, and Credit Bank Ltd). Mobile network operators offering DFSs are not on the platform, but in the future, PostaPesa could be used as an interoperability tool to connect the different mobile money providers. In this case, the post could use its status as a trusted public entity to connect different financial services actors.

This latest model has not materialized yet in Kenya and only a limited number of Posts would have the necessary capacity to build a national switch. Yet it shows the potential of postal operators to be

9 2015 STATE OF THE INDUSTRY REPORT, MOBILE MONEY, GSMA, 2016

key actors in the provision of DFSs, either as direct providers, or as support services for other actors.

c. The Post as an eCommerce or mCommerce facilitator

Worldwide B2C e-commerce sales reached $1.7 trillion in 2015 and are growing by double digits. Postal networks are a key component of the global supply chain and Posts deliver a large portion of products bought online. However, there is still a large potential for Posts to strengthen their role in this field. For the unbanked, the lack of access to payment solutions means they are excluded from the benefits of eCommerce. However, Posts, which combine logistics and financial services capabilities, can bring concrete solutions to these populations. Services such as payment on delivery (also called cash on delivery), where the postman collects the payment when performing the delivery, are a concrete answer to this issue. Posts can also offer escrow services, holding clients' payments until the provider has delivered its products. Another option that has been implemented by 33% of Posts (Ivory Coast, Saudi Arabia, and South Korea, for example) is to develop online stores where they integrate merchants and facilitate client identification, physical delivery, and payments (either online or offline).[10] This shows that Posts, in addition to facilitating DFS development, have a unique set of capabilities which can be leveraged to contribute to the development of the global economy.

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10 NIETO AND DONOHOE, 2015, "MEASURING POSTAL E-SERVICES DEVELOPMENT", UNIVERSAL POSTAL UNION