2017 Sub-Saharan African International Remittances Visionary Innovation Leadership Award
Background and Company Performance

Industry Challenges

Sub-Saharan Africa (SSA) remains the leading market for mobile money. While initially, mobile money services were aimed at enabling the unbanked segment of the population to make basic transfers and micropayments, its application has since expanded to other areas. Consumers can now use mobile money wallets for a myriad of transactions, including bill payments, eCommerce, and bulk salary payments.

In recent years, SSA experienced a great degree of urbanisation with a significant amount of cross-border movements. As a result, remittances, both in-country and cross-country, represent one of the biggest areas of opportunities for the growth of mobile money. According to the World Bank, 250 million people living in the diaspora globally remitted over 600 billion USD back to their home countries to support their families.

The remittances market is relatively underdeveloped in Africa due to the high transaction fees and the limited presence of mainstream money transfer service providers in rural areas. Globally, it is estimated that the value of remittances transferred through informal channels is more than double than that transferred through formal channels. In the informal channels, people opt to send money with those travelling to the home country as delivery is in hard currency and without being affected by the exchange rate, slowing the growth of the international remittances market.

Mobile money-based remittances are still dominated by in-country transactions, because of the hard stance taken by regulators governing cross-border money transfers designed to prevent money laundering, limiting the development of the international remittances market.

Focus on the Future and Best Practices Implementation of TerraPay

Founded in 2014 and headquartered in Amsterdam, TerraPay is a subsidiary of the Mahindra Group. The company has developed a platform that aggregates payment service providers, enabling it to offer a single global clearing and settlement network. These payments service providers include money transfer operators, mobile network operators with their mobile wallets, and the banking institutions.

TerraPay is a global transaction processing, clearing and settlement service that provides the following services:

• Cross-border payments clearing & settlement between licensed financial institutions

• Switching for mobile money operators and banks which include the following services:
Regional switching – cross-border, with settlements through existing interbank settlement systems and through correspondent banking arrangements

Domestic switching – with settlement through interbank settlement systems or directly through TerraPay

Transformative Changes

In the traditional remittance model, service providers are responsible for all the administrative tasks associated with in-country and cross-border money transfers. These functions include compliance checks such as anti-money laundering (AML) and combating the financing of terrorism (CFT); establishing relationships with numerous financial institutions in both the send and receive markets; and pre-funding of floats to ensure quick settlements in the receiving markets. The aforementioned processes are costly and increase the costs associated with sending and receiving remittances for the consumers. The impact on remittance service providers is that the number of transactions processed reduces as migrants opt for informal ways of sending money to their families back home.

TerraPay’s switch revolutionises the traditional model by absolving all the administrative tasks for its customers. As shown in Figure 1, the design of the platform is a single connection, multi-lateral payment model. TerraPay designed the platform with an open application programming interface that makes the switch agnostic to different payment service providers. Additionally, TerraPay takes responsibility for pre-funding and the foreign exchange management, payment processing, AML and CFT checks, reconciliation, and settlements. The company’s multi-lateral model encourages real-time mobile cross-border payments as all that is needed by the receiver is a validated mobile number.

Figure 1: TerraPay’s Remittance Model

Source: www.terrapay.com
By aggregating the various entities within the payment services ecosystem, the TerraPay platform gives remittance service providers a unified view of consumers from both the sending and receiving markets and their transaction history, even if consumers make use of different remittance service providers. This function increases transparency in the system and augments TerraPay’s value proposition which is to provide remittance service providers with an innovative platform to instantly employ industry best practices. Moreover, remittance services become more convenient and more affordable for both the service provider and consumer, thereby driving formal remittance transactions.

**Business Model Creates Success**

TerraPay’s success is in part a result of its business model, which creates partnerships with remittance service providers that make use of its platform and services, in both the sending and receiving markets. The company takes great care in choosing strategic partners that offer remittance services directly to consumers. The remittance service providers are in turn responsible for the pricing strategy for sending the payments.

Additionally, TerraPay’s business model encompasses what Frost & Sullivan describes as a value-for-many in its design of the platform. By creating a hub that connects all remittance service providers’ i.e. mobile money wallets, banks, payment card issuers and money transfer operators, service providers benefit from cost-effective payments processing by sharing the infrastructure. The value of sharing the infrastructure goes beyond the remittance service providers because the cheaper it gets to process money, the cheaper it will be for consumers to make micro-transfers around the world. By developing an aggregation platform and its value added services, TerraPay is carving a market for itself in clearing and settlements within the global remittances ecosystem. Having first mover advantage in this market positions TerraPay favourably in attracting more service providers to use the platform.

**Competitive Strategy Enabling Growth**

TerraPay has been operational for two years and is continuously identifying growth opportunities to cement its expertise in clearing and settlements for remittance service providers. During 2016, TerraPay acquired Pay2Global, the United Kingdom based online international payment service provider that has an authorised license enabling it to operate and gain customers in the entire European Economic Area (EEA). This strategic acquisition has catapulted TerraPay’s presence to 32 countries in Europe. TerraPay has also secured regulatory approvals for Cross-Border remittances in Tanzania, Kenya, Mauritius, Botswana, Congo B, DRC and in-principle approval in South Africa making it a fully regulated company in SSA and Europe.

In terms of international remittances to SSA, Europe is a major sender market. Currently, TerraPay sends remittances from France, Belgium, Italy, Spain and UK to all mobile numbers, Bank accounts in Nigeria and all major mobile money accounts in Tanzania which includes Vodacom M-Pesa, Tigo-Pesa, Airtel Money and Zantel Ezy Pesa wallets.
TerraPay has continued its global expansion at a rapid rate and is also fully operational in Ivory Coast and Senegal. The company plans to make a visible impression in the SSA region by going live in Kenya, Uganda, Congo B, DRC, South Africa and other SADC countries by mid-2017.

**Conclusion**

TerraPay is a visionary technology company that has developed a platform that aggregates and connects all remittance service providers – mobile transfer operators, financial institutions, mobile wallet systems and payment card issuers. Being a platform independent service that supports standard open APIs for integration with financial institutions, TerraPay lets partners gain access to a global payment network through a single interaction. It is a fully regulated financial intermediary network that offers end-to-end services including API integration, FX services, AML and CFT verification, reconciliation and reporting while minimizing OPEX and CAPEX. Its acquisition of Pay2Global propels TerraPay’s reach in Europe, a key sender market for SSA.

With its strong overall performance, TerraPay earns Frost & Sullivan’s 2017 Sub-Saharan Africa Visionary Innovation Leadership Award in the international remittances market.
Significance of Visionary Innovation Leadership

A visionary innovation leadership position enables a market participant to deliver highly competitive products and solutions that transform the way individuals and businesses perform their daily activities. Such products and solutions set new, long-lasting trends in how technologies are deployed and consumed by businesses and end users. Most important, they deliver unique and differentiated benefits that can greatly improve business performance as well as individuals’ work and personal lives. These improvements are measured by customer demand, brand strength, and competitive positioning.

Understanding Visionary Innovation Leadership

Visionary Innovation is the ability to innovate today in the light of perceived changes and opportunities that will arise from Mega Trends in the future. It is the ability to scout and detect unmet (and as yet undefined) needs and proactively address them with disruptive solutions that cater to new and unique customers, lifestyles, technologies, and markets. At the heart of visionary innovation is a deep understanding of the implications and global ramifications of Mega Trends, leading to correct identification and ultimate capture of niche and white-space market opportunities in the future.
Key Benchmarking Criteria
For the Visionary Innovation Leadership Award, Frost & Sullivan analysts independently evaluated two key factors—Focus on the Future and Best Practices Implementation—according to the criteria identified below.

Focus on the Future
- Criterion 1: Focus on Unmet Needs
- Criterion 2: Visionary Scenarios through Mega Trends
- Criterion 3: Growth Pipeline
- Criterion 4: Blue Ocean Strategy
- Criterion 5: Growth Performance

Best Practices Implementation
- Criterion 1: Vision Alignment
- Criterion 2: Process Design
- Criterion 3: Operational Efficiency
- Criterion 4: Technological Sophistication
- Criterion 5: Company Culture

The Intersection between 360-Degree Research and Best Practices Awards

Research Methodology
Frost & Sullivan’s 360-degree research methodology represents the analytical rigour of our research process. It offers a 360-degree-view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan’s research methodologies. Too often, companies make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. The integration of these research disciplines into the 360-degree research methodology provides an evaluation platform for benchmarking industry players and for identifying those performing at best-in-class levels.
Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

Frost & Sullivan awards follow a 10-step process to evaluate award candidates and assess their fit with select best practice criteria. The reputation and integrity of the Awards are based on close adherence to this process.

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<th>STEP</th>
<th>OBJECTIVE</th>
<th>KEY ACTIVITIES</th>
<th>OUTPUT</th>
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| 1    | Monitor, target, and screen | Identify award recipient candidates from around the globe | - Conduct in-depth industry research
- Identify emerging sectors
- Scan multiple geographies | Pipeline of candidates who potentially meet all best-practice criteria |
| 2    | Perform 360-degree research | Perform comprehensive, 360-degree research on all candidates in the pipeline | - Interview thought leaders and industry practitioners
- Assess candidates’ fit with best-practice criteria
- Rank all candidates | Matrix positioning all candidates’ performance relative to one another |
| 3    | Invite thought leadership in best practices | Perform in-depth examination of all candidates | - Confirm best-practice criteria
- Examine eligibility of all candidates
- Identify any information gaps | Detailed profiles of all ranked candidates |
| 4    | Initiate research director review | Conduct an unbiased evaluation of all candidate profiles | - Brainstorm ranking options
- Invite multiple perspectives on candidates’ performance
- Update candidate profiles | Final prioritisation of all eligible candidates and companion best-practice positioning paper |
| 5    | Assemble panel of industry experts | Present findings to an expert panel of industry thought leaders | - Share findings
- Strengthen cases for candidate eligibility
- Prioritize candidates | Refined list of prioritised award candidates |
| 6    | Conduct global industry review | Build consensus on award candidates’ eligibility | - Hold global team meeting to review all candidates
- Pressure-test fit with criteria
- Confirm inclusion of all eligible candidates | Final list of eligible award candidates, representing success stories worldwide |
| 7    | Perform quality check | Develop official award consideration materials | - Perform final performance benchmarking activities
- Write nominations
- Perform quality review | High-quality, accurate, and creative presentation of nominees’ successes |
| 8    | Reconnect with panel of industry experts | Finalise the selection of the best-practice award recipient | - Review analysis with panel
- Build consensus
- Select winner | Decision on which company performs best against all best-practice criteria |
| 9    | Communicate recognition | Inform award recipient of award recognition | - Present award to the CEO
- Inspire the organisation for continued success
- Celebrate the recipient’s performance | Announcement of award and plan for how recipient can use the award to enhance the brand |
| 10   | Take strategic action | Upon licensing, company may share award news with stakeholders and customers | - Coordinate media outreach
- Design a marketing plan
- Assess award’s role in future strategic planning | Widespread awareness of recipient’s award status among investors, media personnel, and employees |
About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best in class positions in growth, innovation and leadership. The company’s Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best-practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages almost 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from 31 offices on six continents. To join our Growth Partnership, please visit http://www.frost.com.