

Why it's worthwhile to invest in Electronic Prepaid Distribution

By [Philip Stander](#)

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Mobile Network Operators (MNOs) are feeling distribution margin squeeze because of the economic slowdown and they are challenged to maintain profitability while their margins are declining. According to Philip Stander, Globetom MD, the added pressure of declining ARPU (Average Revenue per User) is an added concern to take into account.



Philip Stander, MD of Globetom

Although the South African GSM market has a smaller prepaid segment compared to other African countries, electronic prepaid distribution is quite advanced and very pervasive compared to other emerging markets. South Africa has, by and large, proven the business case for electronic prepaid distribution as a pervasive, successful distribution strategy for prepaid product distribution. At the same time, the business case in the remainder of Africa has lagged behind despite the higher proportion of prepaid customers compared to South Africa.

Emerging markets, for instance, have a need to convert the traditional, physical, scratch card distribution to electronic distribution to ensure future growth and sustainability, but are faced with a number of barriers to enter the electronic prepaid distribution space. Key obstacles include access to technology platforms and financing. However, the Cloud eradicates these barriers, making solutions more pervasive and affordable.

If resellers in rural areas run out of physical scratch cards, there is a significant problem. They have to wait for more stock to be delivered, which takes time, and it means that they have to be more accurate with their sales predictions. Electronic prepaid distribution solution ensures that stock is immediately available wherever the reseller and customers are.

Fierce competition among MNOs

People demand goods and services when they need it, irrespective of where they are. If they don't get it from you, they will simply look elsewhere, to someone who can provide for their needs. Can any company afford losing customers to competitors in the current financial and economic environment? The fierce battles among the MNOs are a clear indication of the competitive nature of their business, which is being impacted by the need for affordable and always available prepaid services.

For MNOs to stay ahead of market changes, as their margins are being put under pressure, they require efficient and affordable prepaid distribution channels and should be looking to consolidate their wholesale distribution channels. Networks are starting (or should seriously consider) to consolidate their fragmented physical distribution partners onto a unified electronic platform, and in the process reduce risk and the cost of distribution.

As the expected financial constraints of world economic fluctuations are mounting and are already having a significant impact on various commercial markets, new cost-effective technology solutions, such as electronic prepaid distribution, are being invested in and the need for it will continue to grow. Electronic distributors are predominantly concerned with revenue assurance protection through the distribution chain, agility for the addition of new products and security and trust.

The ability to vend off smartphones will be on the increase and will further extend the reach of distribution, especially into rural Africa. To ensure that their revenue stream is protected, organisations will have to take note of such developments within the prepaid distribution space and consider investing in and implementing an electronic prepaid distribution model. Globetom has extended its electronic prepaid distribution platform capability over the last year to include a Bring Your Own

Device (BYOD) application. This addition to the platform extends the reach of current clients by allowing them to sell airtime off smartphones. It is particularly beneficial in that it allows mass roll-out of distribution.

The ability to add new products and services are key

Having the ability to, at the drop of a hat, add new products and/or services to your offerings is key to successfully doing business, not only in the future, but right at this moment. Access to prepaid airtime and data are the drivers followed by Value Added Services (VAS) such as prepaid electricity, pay TV and access to prepaid wallets for purchases. The proliferation of VAS services is already having a positive impact on companies' bottom lines.

Wholesale distributors, on the other hand, are increasingly adopting electronic prepaid distribution as they are able to leverage the pervasive use and sale of airtime to build a diverse microeconomic environment that they can then expand on with other value added services. VAS available at retail points of presence, for example, point to point money transfers as well as general mobile money solutions for the unbanked, is a market open for exploration. Additionally, in markets where mobile money exists, Globetom has the ability to introduce deposit-taking capability allowing a reseller, instead of having to spend money to go into town and deposit money in the bank to top-up their account to sell airtime, to do it all via their smartphone using mobile money.

Distributors who are looking at entering the electronic distribution chain should take into account flexibility and if the system they opt for allows them to do retail outlet hierarchy management. It should also offer true visibility of revenue and vouchers sales, as well as offer extensive reporting for management. Of course, the system furthermore needs to have the ability to add new services without having to recall all Point of Sales (POS) devices to reprogram and enable secure device management to curb fraud and allow devices to be remotely turned off if compromised. To take advantage of the many VAS opportunities available, electronic prepaid distribution is the only answer.



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Adoption of mobile money makes electronic prepaid distribution a worthwhile investment

The GSMA Mobile Money for the Unbanked [2014 Global Mobile Money Adoption Survey](#) found that mobile money accounts outnumber bank accounts in 15 African countries (Cameroon, the Democratic Republic of Congo, Gabon, Kenya, Madagascar, Tanzania, Uganda, Zambia, Zimbabwe, Burundi, Guinea, Lesotho, Paraguay, Rwanda, the Republic of the Congo and Swaziland), a rise of six additional countries compared to the 2013 survey. These figures are growing and more African countries will see mobile money accounts overtake that of physical bank accounts in the future. This means that investing in an electronic prepaid distribution solution is, without a doubt, a worthwhile investment.

Electronic prepaid distribution and VAS platform delivery are also contributors to elevating small, informal retail shop owners and street merchants out of the Bottom of the Pyramid (BoP). Some of the users of the Globetom distribution platforms earn commission income that alone, without their other retail income, lifts them out of the BoP income segment. Pervasive electronic distribution can, therefore, be applied to create micro-commerce ecosystems contributing to sustainable development.

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