



# THE REMITTANCE REVOLUTION

How to Win in Cross-Border Money Movement

By **Paymentology and Fincog**

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# REPORT PREFACE



**The remittance industry is currently facing a wave of disruption similar to the invention of the telegraph 180 years ago. Once-dominant banks and money transfer firms are losing market share to global fintechs, local remittance firms, superapps, and non-financial firms like retailers and telcos.**

Government-backed domestic payment initiatives and central bank digital currency (CBDC) programmes around the world are creating an entirely new category of direct or indirect competition. Stablecoins and cryptocurrencies are developing an alternative ecosystem that gives individuals new cross-border payment options either fully or partially outside of the traditional financial system. The remittance industry has become far more competitive.

The traditional remittance business model is also rapidly evolving. Remittance firms are transitioning from relatively straightforward money transfer businesses into more complex organisations that sell multiple products and services. A “race to the bottom” on cross-border money transfer fees is forcing firms to develop a more “sticky” relationship with their customers by offering additional products and services.

The goal of the Remittance Revolution report is to help remittance firms thrive in the face of all of the disruption buffeting the industry. The report will first help readers understand the current state of the industry, including the top trends and the new business models. Remittance Revolution will then outline how remittance firms are working to deepen the relationship with customers in the face of major disruption.

The report concludes with a discussion around what the future holds and how firms can adapt. The leading global remittance firms of 2030 will offer cross-border money transfers as part of a holistic and compelling suite of products and services. This includes many non-financial products and benefits, like shopping-related services or discounts on local events.

The future state of the industry in 2030 presents remittance firms with four broad strategic options: A.) invest in developing an “all-in-one” comprehensive product offering B.) focus on a specific market/niche C.) maintain a position as a low-cost option D.) develop a premium service for high-end customers. Remittance Revolution ends with an outline of a three-step process to move from evaluating the four strategic options into an implementation phase.

Navigating the industry’s transformation over the next few years will be difficult. Developing a new long-term strategy and a new value proposition – and then building that future vision – represents a multi-year undertaking for most remittance firms. It is important that your firm starts this process as soon as possible in order to ensure that your firm is positioned to thrive in the 2020s and beyond.



# CHAPTER ONE

The Industry is Evolving in the Face of Competitive Pressure

**Ever since currency was invented more than 3,000 years ago, individuals and businesses have looked to move money across borders in the safest and most efficient way possible.**



As society developed over the centuries, humanity gradually developed better ways to move money. Inventions such as paper-based money, short-term bills, and cheques all made international money movement faster and easier.

But it was the advent of the telegraph in 1844 that led to the creation of the modern money transfer industry. The telegraph and wire transfers enabled individuals and institutions to move money within and across borders faster than ever before. One of the largest remittances firms in the world – Western Union – started life as the New York and Mississippi Valley Printing Telegraph Company. The New York and Mississippi Valley Printing Telegraph Company was a pioneer in the development of telegraph communications.

From the first successful use of the telegraph in 1844 until the start of the fintech phenomena in the 2010s, the remittance industry was largely dominated by banks and a group of large international money transfer agencies like Western Union. Fees tended to be high and service was often slow. Compared to other industries – like travel agents and stock trading – the remittance industry was slower to be disrupted by the power of the internet and the global proliferation of mobile phones.

Over the last decade, however, a variety of new competitors have shaken up the once-stodgy remittance industry. Cross-border money transfers have become faster, cheaper, and more transparent. Below, we will provide key background information on how the remittance industry operates as well as an overview of the key trends that are transforming the industry.

# Global remittance flows create different use cases

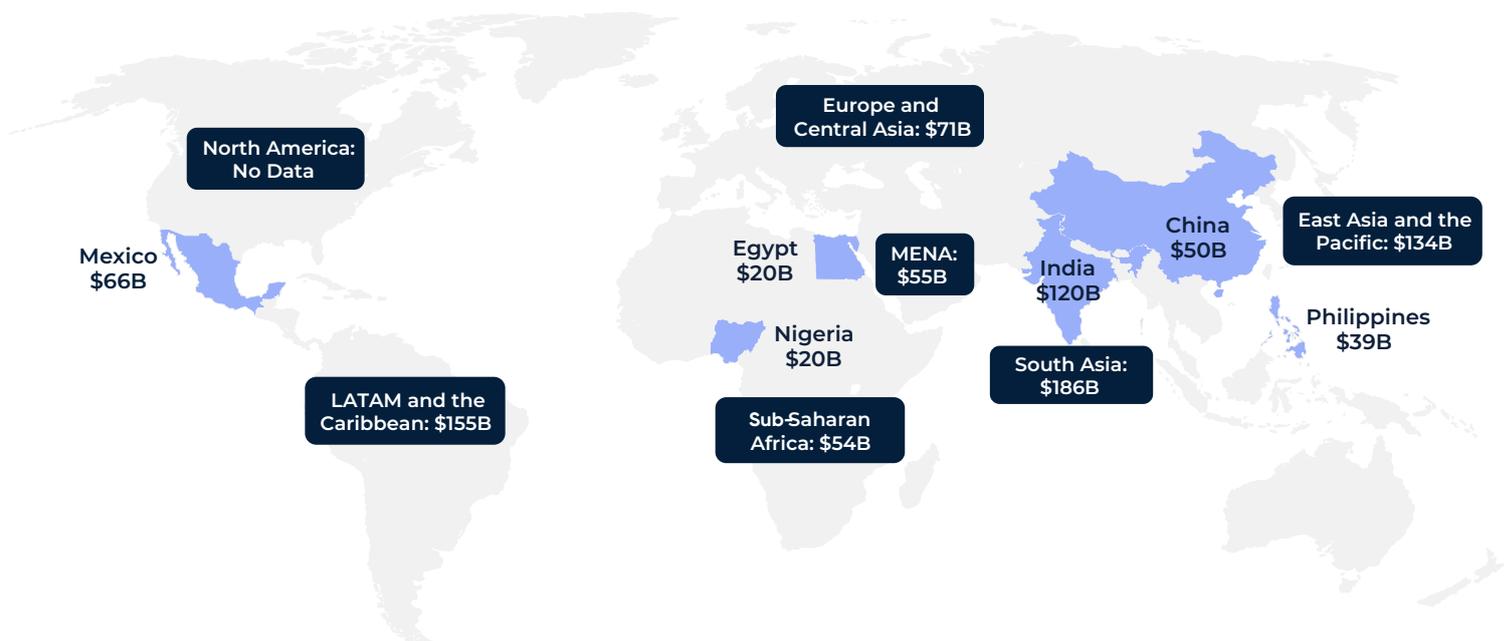
Remittances are not evenly distributed around the globe. The peculiarities of cross-border money transfers generate a variety of use cases with different needs. To broadly generalise, countries can be divided into three groups. First, there are countries that send large volumes of outbound remittances, like the United States or countries in Western Europe. The United States sends more outbound remittances than any other country in the world. Second, there are countries that are primarily inbound recipients of remittances, such as Mexico or India. According to the World Bank, in 2023 the top five remittance recipient countries were India (\$120 billion), Mexico (\$66 billion), China (\$50 billion), the Philippines (\$39 billion), and Pakistan (\$27 billion).

Finally, there are countries that both send and receive large volumes of remittances. For example, South Africa receives remittances from South Africans working abroad. South Africa also hosts many workers from neighbouring countries like Zimbabwe and Mozambique, and these workers need to send outbound remittances to family members in their home countries.

## Exhibit 2

### Top Regions and Countries for Inbound Remittances in 2023

Source: World Bank Migration and Development Report, June 2024



## The different types of remittance flows around the world translate into specific use cases and customer profiles. Below are five illustrative use cases that showcase the nuances of the remittances industry.

### Expatriate

A relatively high-income Millennial or Gen Z individual is working in a foreign country on a temporary assignment. This individual is looking to transfer large amounts of money back to their bank account in their home country. This person would likely shop around online looking for the lowest costs and the best digital experience. As a result they would likely end up using one of the leading fintech remittance firms.



### Migrant worker

This individual is working in a developed country on a seasonal or short-term basis. In some cases, this individual may be an illegal migrant with limited access to formal remittance channels. This individual needs to send money back to their home country for a short period. Depending on the country of origin, family members receiving the money may use in-person services. In-person services are necessary in many regions around the world since a large portion of humanity is underbanked and has trouble opening traditional bank accounts. Therefore, family members may rely on in-person offerings like cash pickup locations, pawn shops, or home delivery to receive the funds.

### International entrepreneur

This self-employed person works with clients around the globe and needs an international bank account. This entrepreneur or gig worker needs a bank account that makes it easy to send and receive different currencies. Low costs and a high-quality digital experience are valuable to this individual. This person will likely end up using a business bank account at a fintech like Wise or receive payments via PayPal.



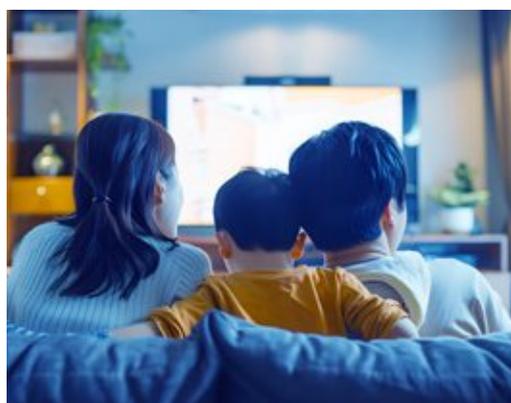


### **Individual seeking a stronger currency**

Many individuals living in countries with an unstable local currency seek to move savings into a more stable currency like the U.S. dollar or the euro. Alternatively, they may wish to receive payment for their services in a foreign currency. If the individual lives in a country that also has very weak rule of law and/or strict capital controls, they may instead opt for stablecoin-based solutions that operate outside of the traditional financial system. These individuals are not sending money across borders, but are instead seeking to exchange unreliable local currencies for stronger alternatives.

### **Family in a new country**

A family relocates and permanently settles in a new country. The family plans to support relatives in their home country on an ongoing basis. Looking to continually send money over the long term, the family likely opts for a relatively low-cost digital option. They may use one of the top global fintech firms like Wise or Revolut, or they may end up using a more regional remittance player like Mukuru that is popular in their home country.



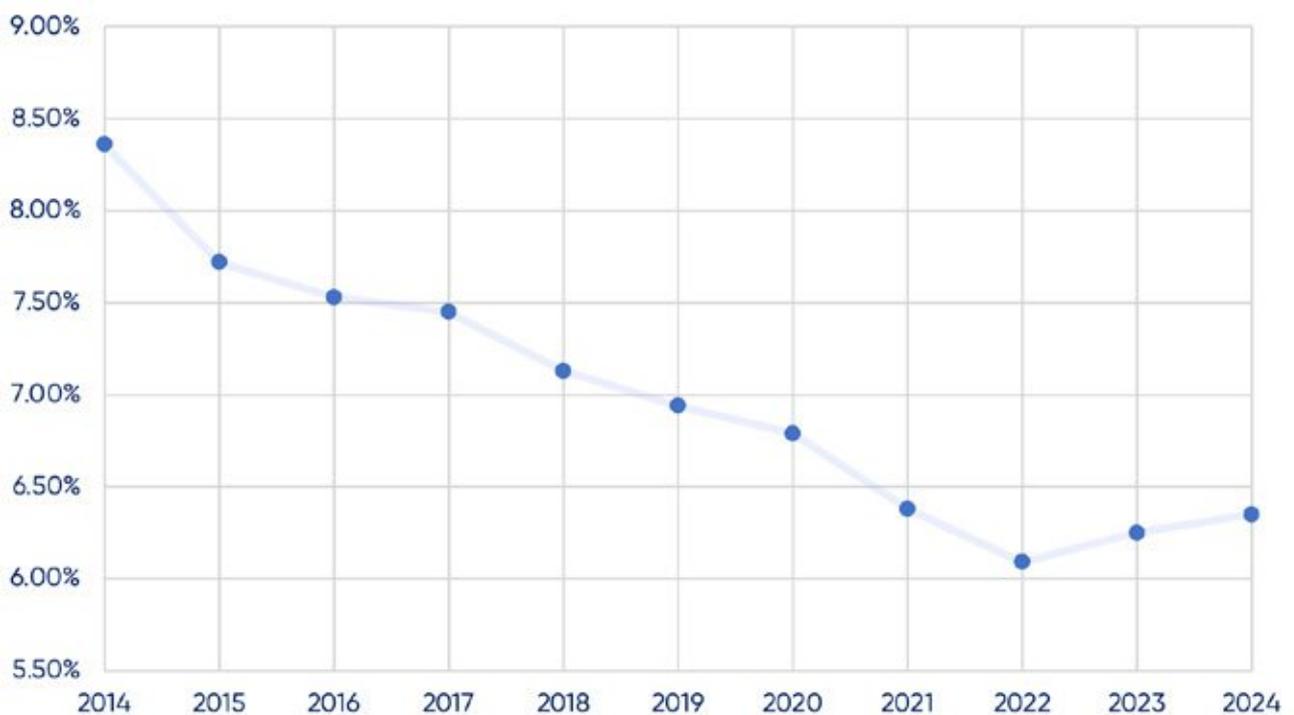
## The industry faces strong downwards pressure on fees

For decades, the remittance industry charged high fees to move money across borders. High fees have a significant negative impact on families around the world. In order to put pressure on the remittance industry, in 2010 the World Bank started publishing quarterly reports on remittance fees and created the **Remittance Prices Worldwide Database**. The World Bank is not the only international organisation concerned about the costs of sending money across borders. The United Nations' 2030 Agenda for Sustainable Development includes a **target to reduce remittance transaction fees to less than 3%**.

Over the last decade, remittance industry fees have started to fall. The World Bank's data showcases this decline. For example, the **Q1 2014 World Bank report** noted that the average cost of sending a remittance was 8.36%.

The **Q1 2024 World Bank** report noted an average global cost of 6.35%.

### Exhibit 2



**Source:** World Bank Remittance Price Database

Despite the downward pressure on fees, the overall global remittance industry continues to grow. Long-term growth projections vary, but go as high as an industry worth \$1.3 trillion by 2032. The largest banks and money transfer agencies still generate significant remittance-related revenues, but a variety of trends (outlined below) are transforming the industry.

## Key trends disrupting the remittance industry

Downward pressure on fees is not the only challenge facing the industry. Below is an outline of the top global trends buffeting the remittances industry.



### Convergence around the user experience

Technology has made it easier for digital upstarts to offer an experience that is similar to the industry's established giants. Relative newcomers can offer fast speeds and a wide selection of currency pairs, eroding some of the competitive advantages of the largest banks and money transfer agencies.



### Emergence of new competition

New fintech firms focused exclusively on digital remittances have taken market share from the industry incumbents. Beyond fintech firms, superapps (like **Alipay** in China) and companies from outside industries have also started offering remittance services. Sub-Saharan Africa provides a good example of non-financial firms entering the remittance industry. Major local retailers like **Shoprite, SPAR, and Pick N' Pay** as well as telcos like **Orange, MTN, Airtel, and M-Pesa** all provide international money transfer services. It is also worth noting that two of the world's largest card networks – Visa and Mastercard – are pushing into remittances services with enterprise solutions. Mastercard has rolled out **Mastercard Move** and Visa has launched a **Currencycloud** product. Notably, **Mastercard acquired Transfast** in 2019 and in 2024 **Visa announced a remittance partnership with Western Union**. While Mastercard Move and Visa Currencycloud are currently enterprise solutions, it is possible that one or both of these firms will expand into consumer-facing remittances services at some point in the future.



## Rise of regional champions

Local remittance firms often offer a product that is better tailored to the needs of local consumers. In addition, local remittance firms usually do a better job of serving underbanked populations. In many regions around the globe, a large portion of the population struggles with the identification and know-your-customer (KYC) requirements of traditional financial institutions. Local remittance services have stepped in to fill the gap.

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## Downward pressure on remittance fees

The cost of cross-border money transfers continues to fall. The gradual decline of remittance-related fees is forcing firms to develop new products and revenue streams.

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## Bundling of services

Given the downward pressure on cross-border transfer fees, remittance firms have been rolling out additional products and services to increase their revenue per customer and increase “stickiness.” Remittance firms have started offering savings accounts, debit cards, credit cards, digital wallets, bill pay services, crypto trading, and more. Leading firms are also packaging cross-border money transfer services with non-financial products that appeal to their region/customer base. The remittance industry is gradually evolving from a standalone industry focused on a single product into a service that is packaged alongside a variety of other products and services.

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## Rollout of perks and loyalty programmes

As remittance firms look to increase customer retention, they are launching various perks, benefits, and loyalty programmes. These programmes make the battle to attract and retain customers even fiercer.

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## Rise of stablecoins and government initiatives

The growth of stablecoins that mimic the value of a traditional fiat currency (such as the U.S. dollar or the euro) have created a direct challenger to traditional remittance services. Simultaneously, governments around the globe are backing new domestic payment initiatives and/or are exploring CBDC programmes. Brazil's Pix service and India's UPI system are arguably the two best-known examples of government-backed domestic payment initiatives. While most central banks are still at the exploratory phase of CBDC development, in the future some governments may offer citizens the ability to open a CBDC account directly at the national central bank. Stablecoins and government-backed initiatives are creating entirely new types of competitors that did not exist ten years ago.

## Exhibit 3 - Mukuru

### CASE STUDY

Mukuru, South Africa



# 14 Million

Customers served

**Profile:** Leading remittance firm in Sub-Saharan Africa

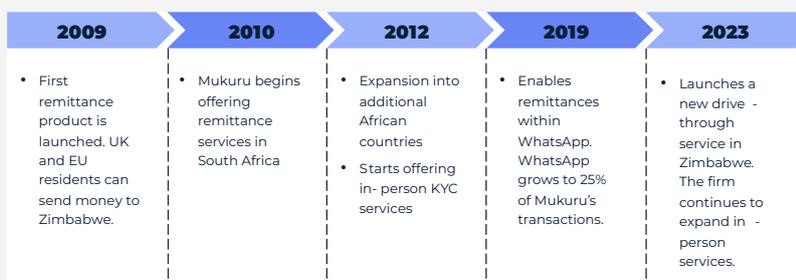


Founded in 2004, Mukuru has gradually grown to become a leading remittance service in the region. Remittances were the main driver of the company's initial growth, but Mukuru has since expanded their product lineup. The firm has started offering additional products and services, such as a digital wallet and a Mukuru - branded prepaid card for South African customers.

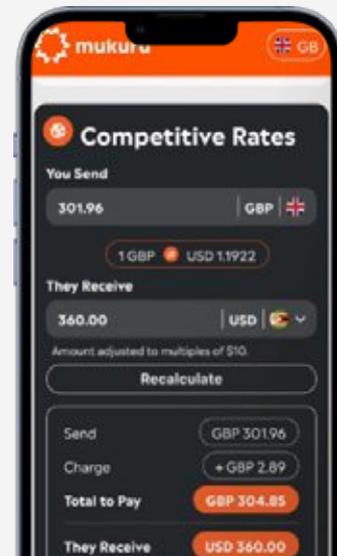
**Key Differentiator:** Localised services that cater to African customers

- The firm offers products popular in the region ([like funeral insurance](#)) and a variety of in-person account servicing options, including in relatively remote locations.
- Mukuru pioneered an in-home KYC process where company agents come to the client's home to verify documents. This helped underbanked individuals open a Mukuru account.

### KEY MILESTONES IN MUKURU'S JOURNEY



Source: Company website/news articles



### KEY TAKEAWAY

As a regional leader, Mukuru has been able to tailor their services to local markets. The firm has won market share over global rivals with a relatively generic offering.

**Mukuru has achieved remarkable results. The financial service provider successfully eliminated barriers to money transfers, making financial services more accessible to unbanked and underbanked populations.**

The result is also visible in numbers; millions of cards have been issued since the launch. In just the second year, about R300 million (19 million USD) were loaded onto Mukuru's prepaid cards. The numbers show a significant shift from informal remittance channels, enabling customers to take control of their finances. Furthermore, Mukuru has extended its services to businesses, becoming a payment partner to many fintechs and companies aspiring to expand their value proposition with easy-to-use remittance services.

# CHAPTER TWO

New Business Models are Upending the Remittance Industry

**The traditional remittance business model offered high costs, little-to-no price transparency, slow processing speeds, and a poor customer experience.**

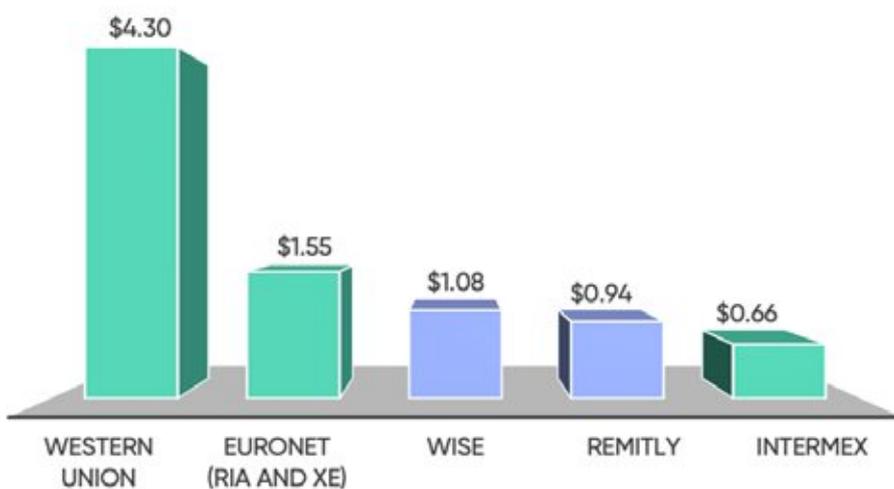


Cross-border money transfers were a lucrative business for the large banks and money transfer agencies that have long dominated the industry and acted like a near monopoly. But the old-fashioned remittance industry faces disruption from a variety of new business models that are upending the industry.

The largest banks and money transfer agencies still generate significant remittance-related revenues, but new lower-cost digital challenges have captured meaningful market share at both the global and regional level. 2023 revenue figures provide an example of the changing market share dynamics in the remittance industry. In 2023, industry stalwart Western Union (founded in 1851) generated \$4.36B in revenue. For comparison, Remitly (founded in 2011) generated \$944.3M in revenue and Wise (founded in 2011) generated \$1.08B in revenue. The relatively rapid rise of Remitly and Wise demonstrates how lower-cost alternatives are rapidly gaining market share.

➔ **Exhibit 4**

**2023 Total Revenue (\$B) for Select Publicly-Traded Remittance Firms**



■ Incumbents founded before 1995      ■ Disruptors founded in 2011

† All total revenue figures include revenue from non-remittance services. Note that many of the biggest players in the international money transfer industry are either not publicly traded (MoneyGram) or do not publicly disclose remittance-related revenue in annual reports (PayPal, Visa, Mastercard, and most major global banks). The five firms profiled in this chart are not meant to represent a comprehensive picture of the global remittance industry.

**Broadly speaking, when compared to the big banks and the established money transfer agencies – like Western Union and MoneyGram – digital newcomers offer lower fees, faster speeds, a better user experience, and/or a more tailored value proposition that appeals to particular use cases and/or regions. Below, this report will walk through four new types of remittance business models and how they are creating an unprecedented level of competition.**

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## **A Fintechs offer a superior value proposition**

The remittance industry is being disrupted by new fintech challengers that have developed a better value proposition for customers. The fintech value proposition can be divided into two main elements – a better customer experience and lower remittance costs.

Leading fintech firms offer a superior customer experience compared to the established giants of the remittance industry. Fintech firms offer a modern and streamlined website/app, fast transaction speeds, and online tools catered to the needs of their customer base. For an example of the strength of the customer experience at digital challengers, **Wise** claims that 62% of their remittance transfers arrive in under 20 seconds and 94% of transfers take less than 24 hours.

When it comes to fees, fintech challengers are disrupting the industry with a lower-cost business model. Some fintech firms are even pioneering a fixed-fee business model. For example, African fintech **Wave** offers remittances for a fixed 1% fee. U.K.-based **Atlantic Money** offers a flat £3 fee for remittances and Chile-based **Chek** offers \$1.75 remittances for select countries. Fintech firms can offer lower costs thanks to a focus on technology, the lack of an in-person distribution network, and/or a willingness to accept lower margins to achieve scale.

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## **B Superapps continue to expand into financial services**

The term “superapp” rose to prominence as a description for mobile apps that pioneered the combination of instant messaging and a digital wallet. The term has evolved and is now used to describe apps that provide a wide range of services – from payments to ride hailing to concert tickets. There are now dozens of superapps around the globe. Examples of high-profile superapps include **Alipay**, **WeChat**, **Paytm**, **Grab**, **Gojek**, **MercadoLibre**, and **Rappi**. Depending on how one defines superapp, some leading fintech firms (like **NuBank**) may also be considered superapps.

Superapps typically sell a variety of financial products and services. Offering financial products within an integrated superapp ecosystem gives superapps several advantages over traditional financial services firms. Superapps have more data on client behaviour and preferences, have significantly higher rates of daily user engagement, and can create an appealing holistic experience across a variety of products and services. These advantages make it easier for superapps to sell financial products with little-to-no distribution costs.

Superapps like **Alipay** and **MercadoLibre** offer cross-border money transfers. Even superapps that do not yet offer remittance services still “loom large” in their local markets, as their scale alone means that they can quickly grab market share should they choose to enter the remittance space.

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### **C Non-financial firms have entered the remittance industry**

The remittance industry doesn't just face competition from fintechs and superapps. Firms from outside industries have started offering financial products and are now competing directly with established remittance players. The Sub-Saharan Africa region provides good examples of this trend. In South Africa, major retailers like **Shoprite**, **SPAR**, and **Pick N' Pay** have started providing international money transfer services.

The largest telcos in the region have offered international money transfers to clients for years.

**M-Pesa** – a partnership between Vodacom and Safaricom – is the most famous example, but other African telcos like **Orange**, **MTN**, **Airtel** are also offering remittances.

The entrance of non-financial firms into the remittances space means many consumers around the globe can now send and receive money via a firm whose value proposition is not centered around financial services.

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### **D Stablecoins and government programmes create new competition**

Remittance firms face new competition from government-backed payment initiatives, CBDCs, and stablecoins. Across the globe, governments are rolling out initiatives to make money movement easier within their borders. Brazil's Pix service and India's UPI system are arguably the two best-known examples. For an example of the power of payment initiatives either fully or partially backed by the government, **India's UPI handled 73% of all non-cash payments in the country** over the 12-month period between March 2022 and March 2023. **UPI is expanding abroad**, and over time UPI will likely become a direct competitor to remittance firms serving Indian clients.

Consequently, several central banks around the world have announced plans to develop CBDCs. In addition, some central banks are collaborating to develop cross-border CBDC services. For example, the Bank for International Settlements' **Project mBridge** “aims to explore a multi-central bank digital currency (CBDC) platform shared among participating central banks and commercial banks.”

Most CBDC initiatives have no clear timetable for widespread rollout. So while CBDCs are not widely available today, in the long-term they will likely become more common in major developed markets. Some governments could also choose to strongly incentivise CBDC adoption to capture market share. For example, a government could pass a law offering a tax discount if citizens open a CBDC account at the central bank.

Finally, there are stablecoins that mimic the value of traditional fiat currencies such as the U.S. dollar

or the euro. To broadly generalise, stablecoins can either be used within the traditional financial system or in a more decentralised manner. An example of stablecoin use within the traditional financial system, an individual could use **PayPal's PYUSD dollar stablecoin** within the PayPal app.

Alternatively, an individual could use a decentralised stablecoin like **DAI** or **FRAX** and manage their holdings via their personal hardware crypto wallet. Holding a decentralised stablecoin in a personal wallet sees individuals largely operate outside of the traditional financial system.

But regardless of the manner in which they are used, stablecoins present a challenge to the established remittance industry. Stablecoins can be moved anywhere in the world at very low cost and often at faster speeds than traditional remittance transfers. Services like **Yellowcard** have sprung up to help businesses send stablecoins across borders, and consumer-facing services like **Dolarapp** and **Prex** support stablecoin-based remittance transfers.

### ➔ Exhibit 5 - PalawanPay

#### CASE STUDY

PalwanPay, Philippines



## 25k branches

Across the Philippines

**Profile:** A Philippine pawn shop chain becomes a major remittance player



Palawan Pawnshop was founded almost 40 years ago and is one of the largest pawn shop chains in the Philippines. Palawan Pawnshop launched PalawanPay to offer customers financial products and international money transfers.

**What role do Pawn Shops play in the Philippines?**

Pawn shops are relatively common in the Philippines. Since many Filipinos are underbanked, pawn shops have become a location where locals who struggle with traditional bank KYC requirements can open a digital wallet to make payments and receive remittances. [Cebuana Lhuillier](#) is another example of a major pawn shop chain in the Philippines that has expanded into financial services products like remittances. Local pawn shops existing relationships with customers makes them an attractive financial services provider for millions of Filipinos.

#### PALAWAN STRIVES TO BE CUSTOMERS' MAIN FINANCIAL HUB

Palawan Pawnshop and PalawanPay offer a wide variety of financial products and services beyond remittances. The firm offers a digital wallet with [QR code payment options](#), [accident insurance](#), [tools to help pay prepaid phone plans](#), and a [store card](#) that offers discounts on remittances. PalawanPay also offers a [rewards programme](#).

Source: Company Website



#### KEY TAKEAWAY

By leveraging its existing business and distribution network, Palawan has been able to quickly capture remittance market share and develop into a financial hub for clients.

# CHAPTER THREE

How to Deepen the Client Relationship

**Downward pressure on fees, the rise of new competitors, and the convergence in terms of the quality of the remittance experience is forcing remittance firms to develop new ways to differentiate themselves from the competition.**



The remittance market is growing more competitive, and firms can no longer rely on a relatively simple product offering focused primarily on remittances.

Remittance firms around the world are expanding their offering in order to deepen their relationship with the customer. They are creating a sticky client relationship in four ways – by bundling remittances with other products and services, by tailoring their product to specific customer profile(s), by offering perks and loyalty programmes, and by adding innovative new tools and features to improve the customer experience.

➔ **Exhibit 6**

**The Four Key Elements of A “Sticky” Customer Relationship**

**1**

**Bundle remittances with other products**

**2**

**Tailor services to customer needs**

**3**

**Offer perks and rewards programmes**

**4**

**Provide advanced online tools**

## 1 Bundle remittances with other products

Remittance firms both big and small are expanding their product lineups to increase customer “stickiness” and to capture more value from customers. Remittance firms have started rolling out savings accounts, digital wallets, bill pay services, debit cards, credit cards, crypto trading services, and more.

Generally speaking, remittance firms often follow a similar journey when it comes to early product development. The first three non-remittance product launches are usually a digital wallet, followed by a card, and then a lending product. Below is an overview of these three key initial products.

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### Provide a robust digital wallet

Traditionally, when consumers received money via a remittance, they immediately transferred the money to their main bank account. Leading remittance firms are developing a modern digital wallet experience that seamlessly handles multiple currencies and seeks to keep clients' money inside the wallet. This increases uptake of additional products and services. In addition, some leading firms have combined a multi-currency wallet with additional payment options beyond cards – like “tap to pay” – to further entrench the digital wallet as the client's main transactional account.

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### Offer cards with remittance-related benefits

Debit and credit card products are a natural complement to remittance services. Leading firms go beyond a generic card offering by providing cards with remittance-specific perks. For example, **Wise offers a debit card** that includes up to £200/month of fee-free withdrawals at foreign ATMs. Likewise, Travelex offers a card with **no overseas ATM charges**. The card landscape is crowded and very competitive, so remittance-related perks make the product attractive to a remittance-focused customer base.

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### Provide lending services

Remittance firms have started offering established customers short-term loans. For example, FelixPago offers a **Send Now, Pay Later** service to remittance customers that have been with the firm for at least three months. Rewire lets users **set up a CreditClick account** to take out a loan for a period ranging from 6-48 months. These lending services make credit decisions based on the customer profile and transaction history.

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## 2 Tailor services based on local needs and/or customer segments

Tailored services make the product more relevant to the customer base and help remittance firms compete with the largest global remittance firms. Remittance firms tailor their services in three ways: specialised financial products, relevant non-financial products, and in-person services.

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### Develop custom financial products

Leading firms go above and beyond standard financial products to offer the products that are relevant to their customer base. For example, Mukuru offers **African clients funeral insurance** and Rewire is rolling out a service to let Filipinos living abroad create a joint bank account with **family members back in the Philippines**. For an example of catering to a specific customer profile, Flutterwave has launched a service that makes it easy for entrepreneurial Africans to **create a payment link** to receive funds.

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### Offer appealing non-financial products

While remittance firms traditionally only offered financial products, the barriers between industries are starting to break down. An example, shopping-related services are becoming increasingly common at remittance firms in certain regions around the globe. Some remittance firms have even launched a major non-financial product. PuntoPago offers an **online marketplace** and Flutterwave helps entrepreneurs set up an **online storefront**. Non-financial products help remittance firms entrench their relationship with the customer.

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### Provide in-person services where relevant

In many regions around the world, the offline experience is just as important as the online experience. A large portion of humanity is underbanked, and leading firms have developed innovative ways to serve local underbanked communities. For an example from innovative Neobanks, both **Tyme Bank** in South Africa and **Punto Pago** in Panama have placed kiosks in convenient locations around their respective countries via local partners. These kiosks let customers open an account via a combination of the mobile app and the kiosk. Customers receive their new debit card at a kiosk. Localised in-person services give firms an advantage over global rivals.

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### 3 Offer perks and rewards programmes

Beyond new products and services, leading remittance players are developing perks and membership programmes that create customer loyalty. Industries ranging from airlines to credit cards to restaurants have offered loyalty programmes and perks for decades. The remittance industry is catching up with a best practice that is already common in other industries.

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#### Rewards and loyalty programmes

The remittance industry can broadly be divided into two categories: rewards based on usage and discounts based on certain criteria unrelated to the number of transactions. For example, **MoneyGram** and **TNG's** rewards programmes offer clients discounted remittances after they reach a certain number of transactions. In contrast, Africa-based **Hello Paisa** offers no-fee remittances so long as the customer has an account with Hello Paisa.

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#### Perks and benefits

Create value for customers and increase their loyalty. Shopping-related vouchers and coupons are increasingly offered by remittance firms in some regions around the globe. Cell phone plan and SIM card-related benefits are another common perk offered by remittance firms. For example, remittance firm Chipper Cash offers **2% back on airtime** purchases.

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### 4 Provide advanced online tools and features

Outside of products, perks, and rewards programmes, remittance firms look to attract and retain customers by offering a high-quality customer experience. Since there are hundreds of millions of underbanked individuals around the globe, a good customer experience in the remittance industry often involves both digital tools and in-person services. Below are some examples of how leading remittance firms are creating a high-quality customer experience.

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#### Offer “quality of life” online tools

Features that delight customers increase customer loyalty. There are a variety of online tools that can help customers manage remittances, such as a transfer status tracker or the ability to set alerts around exchange rate movements. But some leading firms go above and beyond and offer powerful tools catered to customers' specific needs. For example, Rewire helps Filipino users make **contributions to the Philippines Social Security system** while Prex offers tools to help Uruguayan customers **collect benefits** and **navigate the rules around shipping foreign purchases** to Uruguay.



## Provide advanced bill pay features

Cross-border transfers are often sent to support relatives and friends in other countries. This makes online bill pay tools an especially valuable feature for customers. For example, Xoom has developed a bill pay service specifically designed to help **manage the bills of family members in the home country** and Flutterwave has developed a service to help African students **pay tuition when studying overseas**. Mukuru has even developed a grocery service that lets clients pay for **groceries for relatives or friends in Zimbabwe**.



## Integrate remittances into other channels

Firms should integrate their remittance services into any relevant external channels. WhatsApp integrations are the most prominent example of worthwhile connections into external channels and services. WhatsApp is used by families around the globe to communicate across borders. Leading firms like **Felix Pago** (Latin America) and **Hello Paiza** (Africa) have developed a WhatsApp integration that allows users to make remittance transfers within WhatsApp. For a non-WhatsApp example of integrating with relevant external parties, Wise has developed an integration with **QuickBooks and Xero**.

### Exhibit 7 - Prex

**CASE STUDY**  
Prex, Argentina



**2.2 Million**  
Users

**Profile:** A disruptive remittance player with localised tools and services

### Prex

Prex provides a strong example of a remittance firm with both a disruptive business model and highly localized services. The firm offers very low cost remittances ([a \\$0.99 commission](#)) and accepts [stablecoin-based remittances](#). Prex also provides products and services that appeal to the South American market and several “quality of life” online features.

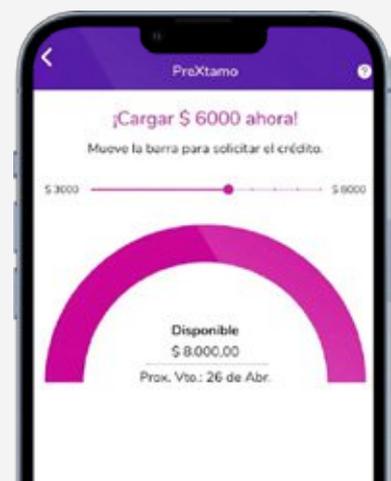
**Key Differentiator:** Tools and products for the South American market

- The Prex app offers helpful tools that cater to the needs of their customer base, such as tools to help clients [collect benefits](#) or [navigate buying goods abroad](#).
- The firm also provides products that appeal to the local market, like [short-term loans](#), [P2P transfers](#), [crypto trading](#), and [shopping-related discounts](#). Prex goes as far as organizing “[Prexweek](#)” that promises special discounts

### INTERNATIONAL GROWTH

Prex launched in 2015 in Uruguay. The firm has since expanded, launching in Argentina in 2019 and Peru in 2021. The firm reportedly plans to launch in Chile and Paraguay in the near future.

Source: Company website, news articles



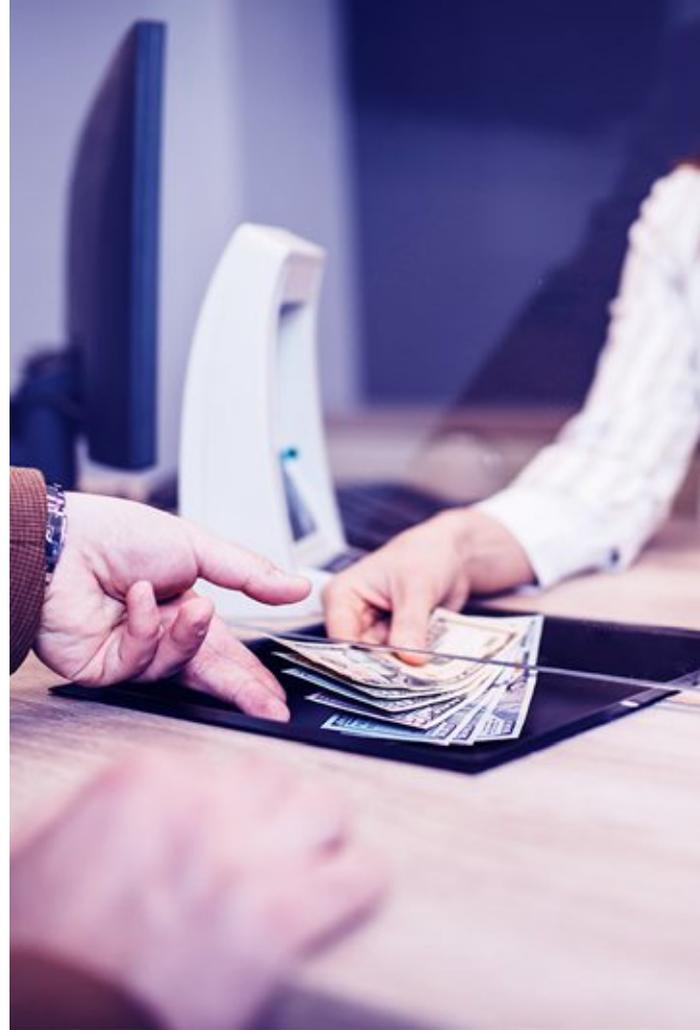
### KEY TAKEAWAY

An innovative fintech firm has leveraged a unique business model and a robust suite of online tools to develop a relationship with customers that is “stickier” than the typical remittance service.

# CHAPTER FOUR

How to Thrive in the 2020's and Beyond

**This report has outlined all of the forces that are transforming the remittance industry. Taken together, these trends paint a picture of what the leading remittance firms of 2030 will look like. Broadly speaking, the leading remittance firms of 2030 will offer a three-pronged value proposition.**



### **1.) Cutting-edge remittance experience:**

The remittance experience will continue to improve over time. The leading firms of 2030 will offer remittances as part of a digital wallet that feels “borderless” and is capable of holding multiple currencies and offering multiple payment options. The remittance process itself will be fast, low-cost, and with multiple options to send and receive the funds. Future consumers will be offered a greater number of send/receive remittance options – ranging from account-to-wallet transfers, account-to-account transfers, account-to-prepaid card transfers, account-to-cash pickup options, etc.

### **2.) Remittance services packaged alongside other products and services:**

The industry is moving away from remittances as a standalone product. The leading firms of 2030 will offer remittance services as part of a compelling package of financial products – from debit and credit cards to loans to stock and crypto investing. Relevant non-financial products and services that appeal to local customers will also be positioned alongside financial products.

### **3.) Powerful online tools and a robust rewards programme:**

Beyond the product lineup, leading firms of the 2030s will use two other tactics to attract and retain customers. First, they will offer a high-quality customer experience that includes both powerful online tools and robust in-person services where relevant. Second, they will provide attractive perks and a loyalty programme to keep customers within their financial ecosystem.

## Remittance firms need to choose their strategic direction

The remittance industry is rapidly evolving and is facing significant disruption. The growth of new competitors and the future state that the industry is heading towards by 2030 (outlined above) means that remittance firms must develop a long-term plan to remain competitive. **Remittance firms have four broad strategic options in the face of this disruption.”**

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### Develop an “all-in-one” solution

One option is to build out a full suite of products, services, and perks that can rival the holistic experience offered by superapps and leading fintechs. This approach is a very expensive and complex undertaking, and your firm needs to carefully consider if it has the capital and talent necessary to undertake this kind of major transformation.

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### Focus on a specific market or customer segment

An alternative approach to building out the full suite of products and services is to instead focus on developing a strong competitive moat in a specific market, theme, or distribution channel. For example, building out the largest network of in-person service points in a particular geographic region can create a strong competitive advantage over global rivals. This strategy involves a detailed assessment of the target market to understand how your firm can maintain a competitive moat over generalist remittance services.

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### Focus on cost leadership

Just like any other market, one strategic option is to strive to maintain a position as one of the lowest-cost options. Even if remittance fees fall faster than expected over the next few years and get closer to zero, there will still be opportunities to stand out with lower fees. In a world where the average remittance fee gets close to \$0, remittances can be packed alongside other products offered at a low cost to maintain an overall cost edge. This strategy requires companies to determine how they can improve their efficiency and reduce costs. For example, could your firm maintain relatively expensive in-person services as a low-cost provider?

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### Offer a premium service

The final strategic option is to look to develop a premium offering that caters to the needs of high-end customers. High-touch services for lucrative customers hold some competitive advantages over generalist rivals. Pursuing this strategy involves an exercise in determining if your firm can profitably provide high-cost services for a small but lucrative subset of customers. For example, can your firm maintain profitability after hiring the relatively expensive specialists needed to support these services?

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**There are many different considerations behind the four strategic options.**

**The best way to navigate these various considerations is a three-step process outlined below.**

**A structured process to develop a new long-term strategy will maximise your firm’s chance of success.**



## Remittance firms should follow a structured process to develop a new strategy

There is no “easy answer” to remaining competitive in the fast-changing world of remittances. Instead, your firm should follow a three-step process to determine the path forward. First, develop a long-term market strategy. Second, develop a unique value proposition. Third, move to the design and build phase to implement the new strategy.

The first step is to undertake a planning exercise to create the firm’s long-term market strategy. Work with key stakeholders in the organisation to develop an estimate of the costs, timeline, potential revenue, regulatory hurdles, and risks associated with each of the four strategic options. This research will enable your firm to map out the various pros and cons of the different strategic options in detail, empowering your executive team to make an informed decision about the firm’s long-term market strategy.

Once your firm has decided on a long-term market strategy, the next step is to determine the customer value proposition. This step involves investigating how to create a unique and compelling value proposition that will attract and retain customers. This exercise should involve customer feedback and focus groups. Customer feedback can help identify opportunities to put a unique “twist” on the value proposition and standard products and services to better appeal to your customers.

After the company’s strategy and desired value proposition is in place, the next step is to move to the build phase. This step sees your firm design and build the technology and operations that support the new strategy and value proposition. The engineering work begins with developing the long-term engineering roadmap to build the necessary products and services. It also likely includes starting an evaluation process to select necessary third-party vendors. On the operations side, move to implement the organisational changes that are needed to support the transition, such as new corporate governance frameworks and the hiring and onboarding of needed talent. Across both technology and people, your firm needs robust programme management infrastructure to monitor and supervise the entire process.

It is important to follow this structure in sequential order. Organisations sometimes work on these efforts simultaneously, which can lead to mistakes. For example, organisations sometimes sign an agreement with a technology vendor before realising that the vendor cannot meet the requirements of the fully realised value proposition.

## **As the industry is at a turning point, firms must act now.**

200 years after the invention of the telegraph, the remittance industry is undergoing a similarly rapid transformation. By the end of the current decade, the remittance industry will look drastically different than it does today. The growth of new types of competitors and the march towards more holistic and bundled services means that remittance firms that fail to adapt will gradually lose market share.

Navigating the industry's transformation over the next few years will be difficult. Developing a new long-term strategy and a new value proposition – and then building that future vision – represents a multi-year undertaking for most remittance firms. It is important that your firm starts this process as soon as possible in order to ensure that your firm is positioned to thrive in the 2020s and beyond.



# About This Report



**Paymentology is the leading next-gen global issuer-processor. It gives banks, fintechs and telcos the technology, team, and experience to easily issue and process any type of physical or virtual card; debit, prepaid, credit, BNPL, revolving, and more. Anywhere in the world, rapidly and at scale.**

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