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## Tunisia: The Post and financial inclusion through mobile telephony

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## Table of contents

Acknowledgments	5
<b>I. Introduction</b>	<b>6</b>
<b>II. General context in Tunisia</b>	<b>6</b>
<b>III. Financial inclusion in Tunisia</b>	<b>6</b>
1 Financial system and banking market	8
2 Microfinance market	10
3 Mobile telephony market	10
<b>IV. Tunisian Post</b>	<b>11</b>
<b>V. Legal framework for mobile postal financial services</b>	<b>12</b>
<b>VI. Business model: financial inclusion through mobile telephony</b>	<b>13</b>
1 Reasons for the adoption of the business model	15
2 Analysis of the business model: key questions and success factors	16
3 Results of the model	21
4 Differences between MobiFlouss and MobiDinar	22
<b>VII. Challenges</b>	<b>22</b>
<b>VIII. Lessons for the postal community</b>	<b>23</b>
<b>IX. Conclusions and recommendations</b>	<b>24</b>



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## I. Introduction

Posts in the developing world have responded differently to innovations in mobile telephony. The Tunisian Post was at the forefront, tapping into the potential of this technology very early on – starting in 2001 – to create a new type of Post–customer interaction. Through mobile telephony the Post can offer its financial products and services via a more practical and efficient channel for both itself and its customers.

The business model presented here is based on a strategy promoting partnerships between the Post and telecommunications operators. In forming partnerships with telephone companies, the Tunisian Post was able to increase the number of consumers of its financial services and, in turn, its revenue. Although most Posts engaged in financial services envision harnessing mobile technology at some point to modernize their offer, this paper seeks to explain the key success factors in the Tunisian model and the lessons that can be extrapolated for the rest of the postal sector.

## II. General context in Tunisia

Tunisia is the smallest North African country with a population of 10.88 million. It is considered by the World Bank as an upper-middle-income country. In 2012, it had a GDP of around 45.66 billion USD.

The country went through a deep transformation in 2011, when the regime in power for decades was overthrown as part of the Arab Spring. This revolution affected the economy, resulting in instability and causing the GDP to shrink by 2% that same year.<sup>1</sup> In addition, the Libyan conflict had a negative impact on the Tunisian economy. According to the International Monetary Fund, "The economic downturn and the return of Tunisian workers from Libya helped push the unemployment rate to 19 percent, with the youth unemployment rate reaching 42 percent".<sup>2</sup>

In response to this situation, the Central Bank of Tunisia injected cash into the economy, increasing the credit offering. The credit-to-GDP ratio increased from 60% in 2007 to almost 70% in 2011.<sup>3</sup> On the other hand, savings decreased (total savings represented 15.9% of GDP, compared with 20.5% in 2010 and 21.3% in 2009).<sup>4</sup> In 2012, thanks to a rebound in tourism and foreign direct investment, Tunisia's GDP grew by 3.6%, and the GDP per capita increased by 2.6%.<sup>5</sup>

## III. Financial inclusion in Tunisia

Generally speaking, Tunisia shows higher levels of financial inclusion than other Middle-Eastern or North African countries. However, the comparison with other middle-income countries shows that a great deal of progress can still be made, especially in terms of access to financial services for the poorest segment of the population. In Tunisia, only 16% of the poorest 40% have an account in a formal financial institution, compared with 57.25% in upper-middle-income countries overall. It should be noted that, compared with other middle-income countries, Tunisians are not accustomed to saving through formal institutions.<sup>6</sup>

<sup>1</sup> World Development Indicators – World Bank.

<sup>2</sup> Tunisia: Financial System Stability Assessment. Available at: [www.imf.org/external/pubs/ft/scr/2012/cr12241.pdf](http://www.imf.org/external/pubs/ft/scr/2012/cr12241.pdf).

<sup>3</sup> Ibid.

<sup>4</sup> World Development Indicators – World Bank.

<sup>5</sup> Ibid.

<sup>6</sup> Global Findex – World Bank.

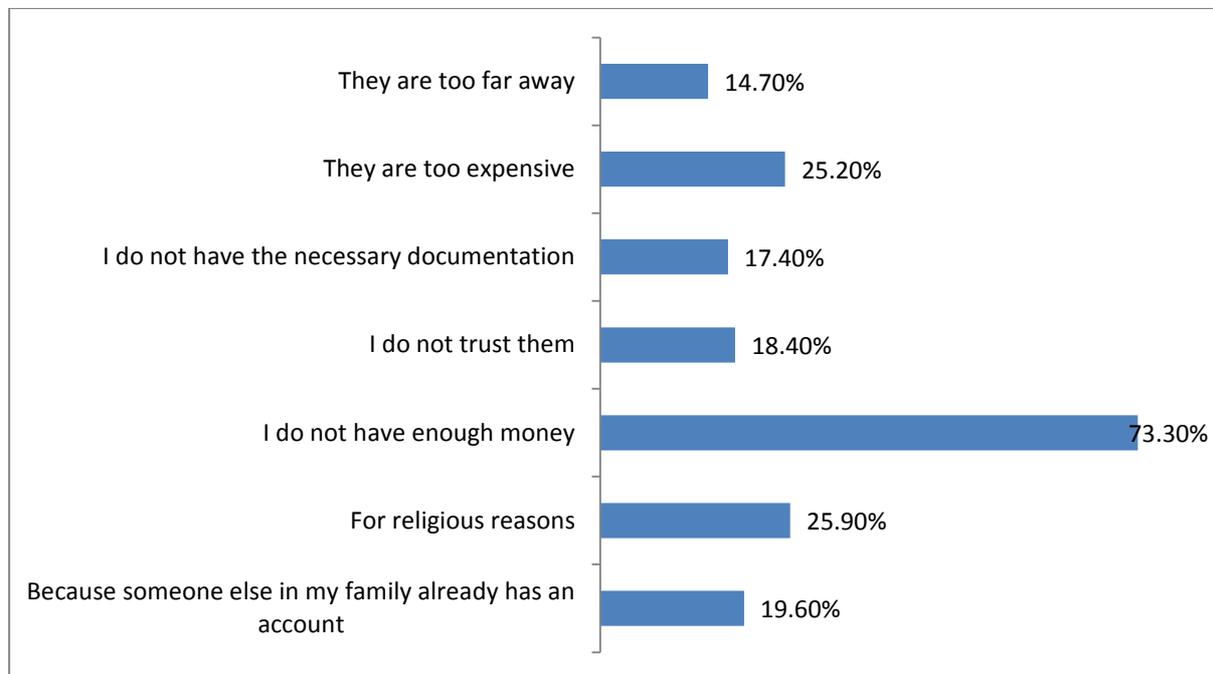
Figure 1: Tunisia and financial inclusion (regional and international comparison)

	Tunisia	Middle East and North Africa	Upper-middle-income countries
Do you, either by yourself or together with someone else, currently have an account at a formal institution? (% with an account, age 15+)	32%	18%	57.25%
Do you, either by yourself or together with someone else, currently have an account at a formal institution? Income, bottom 40% (% with an account, age 15+)	16%	9%	42%
In the past 12 months, have you saved any money with a financial institution? (% having saved, age 15+)	5%	5%	24%
In the past 12 months, have you borrowed any money from a financial institution? (% having borrowed, age 15+)	3%	5%	8%
In the past 12 months, have you borrowed any money from family or friends? (% having borrowed, age 15+)	21%	31%	23%

Source: Global Findex – World Bank

The World Bank's Central Microdata Catalogue presents the key reasons why most Tunisians do not have a bank account. Interviews conducted among a representative sample of 1,021 individuals point to lack of money as the most common reason: for 73.3% of respondents, this was an obstacle. However, religious reasons (25.9%) and the high cost of holding an account (25.2%) were also frequently cited.<sup>7</sup>

Figure 2: Obstacles to the possession of a bank account in a formal financial institution



Source: Central Microdata Catalogue – World Bank

<sup>7</sup> Central Microdata Catalogue – World Bank. Available at: <http://microdata.worldbank.org/index.php/catalog/1109/datafile/F2>.

## 1 Financial system and banking market

In 2012, Tunisia had a commercial bank network of 9.34 branches per 1,000 km<sup>2</sup> and 12.07 ATMs per 1,000 km<sup>2</sup>, namely, 17.71 branches and 22.88 ATMs per 100,000 adults.<sup>8</sup> These figures are high and show the strength of the Tunisian banking network. In comparison with other countries in the region, Tunisia is in a similar position to Morocco and is well ahead of Algeria. The table below presents the Tunisian banking network in the context of the situation in neighbouring countries.

Figure 3: Tunisian banking network compared with other countries in the region, 2012

	<i>Tunisia</i>	<i>Morocco</i>	<i>Algeria</i>
Branches per 1,000 km <sup>2</sup>	9.34	7.69	0.59
ATMs per 1,000 km <sup>2</sup>	12.07	7.70	0.68
Branches per 100,000 adults	17.77	23.41	5.80
ATMs per 100,000 adults	22.88	23.45	5.06

Source: Financial Access Survey – International Monetary Fund

The Tunisian banking system includes the Central Bank of Tunisia, 21 credit institutions with banking licences, two investment banks, eight off-shore banks, three factoring companies and 10 leasing companies, in addition to the Tunisian Post. The financial system also includes the Financial Market Council (CMF), the Tunis Stock Exchange, Tunisian Depository and Clearing (STICODEVAM), investment companies, and collective investment undertakings.<sup>9</sup>

The 21 banks are considered universal. As indicated in the table below, the sector is very concentrated, with a strong public bank presence – public banks hold 39% of all assets.<sup>10</sup> Also noteworthy is the importance of foreign capital in most Tunisian banks.

<sup>8</sup> Financial Access Survey – International Monetary Fund.

<sup>9</sup> Ministry of Finance.

<sup>10</sup> African Economic Outlook. Available at: <http://www.africaneconomicoutlook.org/en/countries/north-africa/tunisia/>.

Figure 4: Main banks in Tunisia

Bank	Domestic capital		Foreign capital
	Public	Private	
Union Internationale des Banques		48%	52%
Banque de Tunisie		77.20%	22.80%
Banque de l'Habitat	56.7%	43.3%	
Union Bancaire pour le Commerce et l'Industrie		50%	50%
Amen Bank		97.59%	2.41%
Arab Tunisian Bank		35.76%	64.34%
Banque Tunisienne de Solidarité	100%		
Banque Nationale Agricole	64.18%	35.82%	
Société Tunisienne de Banque	52.5%	36.2%	11.3%
Attijari Bank		41.01%	58.98%
Banque Internationale Arabe de Tunisie		92.14%	7.86%
Banque Tuniso-Koweitienne	20%		80%
Tunisian Qatari Bank			100%
Stusid Banque	50%		50%
Arab Banking Corporation			100%
Banque Tuniso-Libyenne	50%		50%
Banque de Financement des Petites et Moyennes Entreprises	100%		
Banque Zitouna		100%	

Source: Banking activity reports

Under the previous regime, the Tunisian banking system was controlled by the President and his entourage; the decisions to grant loans and the shareholding structures often served political interests. The poor management of the banking sector is reflected in its results. According to the African Development Bank, the Tunisian banking sector faces a relatively high rate of non-performing loans (13% at the end of 2010), insufficient funds (58% at the end of 2010) and a weak capital ratio (12.4%). Three state-owned banks control about one third of the Tunisian banking system (38.7% of all assets, 43.5% of loans and 36.5% of all deposits at the end of 2009), pushing average performance down.<sup>11</sup> However, in May 2011, the Central Bank took a step in the right direction by publishing a circular on best governance practices for banks.<sup>12</sup>

The Tunisian Post plays a fundamental role in the country's financial system. It offers its products and services through a network of 1,043 post offices (554 urban offices, 444 rural offices and 45 mobile offices).<sup>13</sup> In 2012, the Post reported 1.75 million postal chequing (giro) accounts and 3.52 million postal savings

<sup>11</sup> Tunisia: Economic and Social Challenges Beyond the Revolution – African Development Bank. Available at: [www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Tunisia%20Economic%20and%20Social%20Challenges.pdf](http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Tunisia%20Economic%20and%20Social%20Challenges.pdf).

<sup>12</sup> Circular 2011–06.

<sup>13</sup> Tunisian Post, Statistical Yearbook 2012.

accounts.<sup>14</sup> In terms of percentage, 53% of the banked adult population in Tunisia has an account with the Post, and 34.9% has only a postal account. Moreover, the Post offers transfer and payment services to agencies, as well as online payment services, and is studying the possibility of expanding its service offering, in particular in the area of credit. For the moment, the business model has not yet been defined, and an international call for tenders is being prepared by the supervisory ministry to determine the future strategic directions of the Tunisian Post. When viewed in the context of the banking network, the postal network has a significant presence: 6.39 postal branches per 1,000 km<sup>2</sup>, compared with 9.34 in the banking network. Two points warrant mentioning here: first, the banking network is made up of a large number of banks that are not necessarily interconnected, and, second, it is primarily concentrated in cities. The banking network's strong average belies the huge disparity between rural and urban areas. The table in section VI.2 shows that in certain governorates, the Post has a much stronger presence than the banks, thus confirming the wide reach of the postal network.

## 2 *Microfinance market*

According to the Ministry of Finance, Tunisia's potential market for microfinance services amounts to 2.5 to 3 million individuals or businesses.<sup>15</sup> As a result of the regulatory framework in place until 2012, Tunisia's microfinance was focussed on microcredit. There are over 270 operators offering microcredit services.<sup>16</sup> However, Enda Inter-Arabe<sup>17</sup> accounts for nearly a third of the market:<sup>18</sup> at 30 April 2012, it had a little over 200,000 clients across 65 branches.<sup>19</sup>

Enda Inter-Arabe is an international non-profit organization founded in Tunisia in 1990. It initially focussed its activities on environmental projects. In 1995, it moved into microcredit. The organization is part of the Enda Third World (Enda Tiers Monde) family based in Senegal.<sup>20</sup>

In January 2013, the European Union delegation and MicroCred Group signed a grant contract in the amount of 1.8 million EUR (approximately 2.43 million USD) for the creation of MicroCred Tunisia in the very near future. This project, totalling 3.6 million EUR (approximately 4.86 million USD), seeks to reach more than 250,000 beneficiaries over the next five years.<sup>21</sup>

Moreover, in early 2013, the Central Bank published an order on the procedures for granting licences to microfinance institutions and on their institutional development, providing for a relaxation of the rules.<sup>22</sup> This constituted a step forward in the development of microfinance in the country, which is still strongly focussed on microcredit.

## 3 *Mobile telephony market*

Tunisia has a mobile penetration rate of 118.6%.<sup>23</sup> The only three players in this market are Tunisiana, Tunisie Telecom and Orange Tunisia. As shown by the table below, international stakeholders account for a large proportion of the capital in the telecom sector.

<sup>14</sup> Ibid.

<sup>15</sup> Vision concertée pour le développement de la microfinance en Tunisie 2011–2014 [Concerted vision for the development of microfinance in Tunisia 2011–2014] – Tunisian Ministry of Finance. Available at: [www.microfinancegateway.org/fr/library/vision-concert%C3%A9e-pour-le-d%C3%A9veloppement-de-la-microfinance-en-tunisie-2011-2014](http://www.microfinancegateway.org/fr/library/vision-concert%C3%A9e-pour-le-d%C3%A9veloppement-de-la-microfinance-en-tunisie-2011-2014) (French only).

<sup>16</sup> Ibid.

<sup>17</sup> Environmental Development Action in the Third World.

<sup>18</sup> International Finance Corporation – Member of the World Bank Group. Available at: <http://www.ifc.org/wps/wcm/connect/eaf900004a052ba48ae7ffdd29332b51/Mobile%2BMoney%2BScoping%2BReport%2B-%2BTunisia.pdf?MOD=AJPERES>.

<sup>19</sup> Enda Inter-Arabe ([www.endarabe.org.tn/index.php?option=com\\_content&view=article&id=92&Itemid=154&lang=en](http://www.endarabe.org.tn/index.php?option=com_content&view=article&id=92&Itemid=154&lang=en)) and Mix Market ([www.mixmarket.org/mfi/country/Tunisia](http://www.mixmarket.org/mfi/country/Tunisia)).

<sup>20</sup> Enda Third World (<http://endatiersmonde.org/instit/index.php?lang=en>).

<sup>21</sup> MicroCred – PlaNet Finance Group ([www.microcredgroup.com/microcred-group/the-group-2/?lang=en\\_us](http://www.microcredgroup.com/microcred-group/the-group-2/?lang=en_us)).

<sup>22</sup> Order: [www.finances.gov.tn/images/arr%C3%A9t%C3%A9\\_du\\_22janvier2013.pdf](http://www.finances.gov.tn/images/arr%C3%A9t%C3%A9_du_22janvier2013.pdf) (French only).

<sup>23</sup> National Telecommunications Body.

Figure 5: Origin of capital

	Public	Private – domestic	Foreign
Tunisiana	10%		90% (Qtel)
Tunisie Telecom	65%		35% (TeCom-DIG)
Orange Tunisia		51% (Groupe Mabrouk)	49% (Orange)

Source: Operators' websites

The newest participant in the Tunisian telephone market is Orange Tunisia. The company was created in October 2009, and the commercial launch took place in May 2010. This addition created an interesting shift in the composition of the market. Orange seems to have attracted Tunisie Telecom's customers, whereas, for more than three years now, Tunisiana has held onto first place without a major change in its market share (around 50%).

Figure 6: Market share and mobile penetration rate in Tunisia

	December 2009	December 2010	December 2012
Tunisiana	53.2%	53.3%	52.6%
Tunisie Telecom	46.8%	40.8%	35.5%
Orange Tunisia	–	5.8%	11.9%
Penetration rate	93.4%	104.7%	118.6%

Source: National Telecommunications Body (INT)

The December 2012 report by the National Telecommunications Body (INT) shows that Tunisiana has an overall base of 6.7 million customers. The operator offers mobile telephone, fixed and mobile Internet, and even mobile television services. The Tunisiana Banka service enables clients to pay their bills and top up their phones, in addition to other Tunisiana services, from their bank accounts. Tunisie Telecom and Orange Tunisia offer very similar services, as well as landline telephone services.

In May 2010, the Tunisian Post launched a service called "MobiDinar", which enables its customers to pay their bills, top up their phones, transfer money and manage their e-DINAR SMART electronic wallets, another postal product. The MobiDinar service is offered in partnership with Tunisie Telecom. Today, the Post offers a very similar service called "MobiFlouss" in cooperation with Tunisiana and is in the process of setting up a new partnership with Orange, which will enable it to provide its financial services to all mobile telephone users in the country.

#### IV. Tunisian Post

The Tunisian Post is a solid company with a long history of offering postal financial services. Moreover, since 2010, the Post has been offering its customers a range of mobile financial products and services. The table below summarizes milestones in the history of the Tunisian Post.

Figure 7: Milestones in the offer of postal financial services

<b>1918</b>	Creation of postal chequing service in Tunisia
<b>1956</b>	Creation of the Tunisian national savings bank
<b>1998</b>	Creation of the Tunisian Post (Office National des Postes), which began operations on 1 January 1999
<b>2000</b>	Launch of e-cash business and the first electronic money service in Tunisia – e-DINAR – for payments over the Internet
<b>2000</b>	Development of an electronic platform enabling public and private organizations (e.g. insurance companies) to make payments to their members ("mandat organisme" product)
<b>2001</b>	Launch of the DINAR POST payment card in cooperation with Visa for postal current account holders
<b>2002</b>	Launch of an "instant" domestic money transfer service ("mandat minute")
<b>2002</b>	Partnership with Western Union for urgent money transfers
<b>2004</b>	Launch of online giro services (CCPNet)
<b>2006</b>	Launch of life insurance services in partnership with the CARTE insurance company
<b>2008</b>	Launch of the e-DINAR SMART card linked to a virtual account
<b>2009</b>	Launch of the Post's SICAV product
<b>2010</b>	Creation of the new MobiDinar service in partnership with Tunisie Telecom
<b>2012</b>	Creation of MobiFlouss in partnership with Tunisiana
<b>2014</b>	Launch of mobile financial services with Orange, Tunisia's third operator

Source: *Tunisian Post*

Currently, the Post has a network of 1,043 financial service sales points (versus 1,455 bank branches), corresponding to 42% of all bank and postal branches in Tunisia. Of these postal branches, 42.5% are located in rural areas, and 76% are already computerized. Regarding the number of ATMs, the Post has a fleet of 174 ATMs, representing 8% of the total number in the country. In addition, to reach the most isolated, the Post uses 46 mobile offices (vehicles fit out to bring services closer to communities). As part of a strategy to strengthen the financial service offering, the Post installed 32 "Poste Finance" spaces in offices, where advisers sell financial products of high added-value (new accounts, currency exchange, savings/investment, insurance) in a dedicated space, thus also raising the visibility of its financial services.

The Post has a permanent customer base of nearly six million. Every day, nearly 800,000 customers are served in the Post's offices – an enormous figure meaning that 7% of the Tunisian population visit the Post daily.

## V. Legal framework for mobile postal financial services

The Tunisian Post was created by order No. 98–1305 of 15 June 1998. According to article 2 of the order, the Post's responsibilities include operating savings and chequing account services, which are governed by law No. 90–97 of 1 November 1990. Regarding the regulatory framework for mobile financial services, current activities are based on:

- Central Bank circular No. 2011–01 of 6 January 2011 regarding conditions for offering mobile payment services;
- Law 2000–83 of 9 August 2000 relating to electronic commerce and trade;
- Law 2004–05 of 3 February 2004 relating to the security of computer data; and
- Law 2005–51 of 27 June 2005 relating to the electronic transfer of funds.

There is thus a well-established regulatory framework governing postal financial services in Tunisia, in particular mobile financial services. In contrast to other countries in which the legal framework for mobile payments is very loose, Tunisia has a very clear framework, and the Post is permitted to participate in this market.

## **VI. Business model: financial inclusion through mobile telephony**

In establishing partnerships with all the telephone companies in Tunisia, the Tunisian Post has been able to reach a wide user base. These partnerships with Tunisie Telecom, Tunisiana and Orange<sup>24</sup> make it possible for the Post's e-DINAR SMART customers to access a wide range of financial services on their mobile telephones without having to go to a post office.

This strategy was developed in response to modernizations on the financial market and the development of card-based systems and e-cash, but also on the basis of a clear regulatory framework that opened the way for the Post to develop this new business line. The Post's revenue sources have already shifted considerably. In 1999, before the creation of the first mobile initiative, 40% of turnover came from financial services. The remaining 60% was related to traditional postal services. In contrast, in 2012, financial services accounted for nearly 70% of turnover, with total turnover up 20%. This is therefore not simply a case of substitution of mail; in recent years, the Tunisian Post has experienced growth driven by financial services – a clear demonstration of the strength of its model.

The Tunisian model was built step by step, starting with the launch of the electronic payment platform and the first electronic wallet in Tunisia (e-DINAR) in 2000. This platform enables the Post's customers to make online purchases. It was part of a large government e-commerce programme that sought to encourage this activity through awareness campaigns, and by facilitating Internet access through public Internet centres and developing new payment methods (e.g. e-DINAR).<sup>25</sup>

In 2008, a new card was launched: e-DINAR SMART. This product uses smart card technology, which offers clients greater versatility while ensuring the highest level of security.

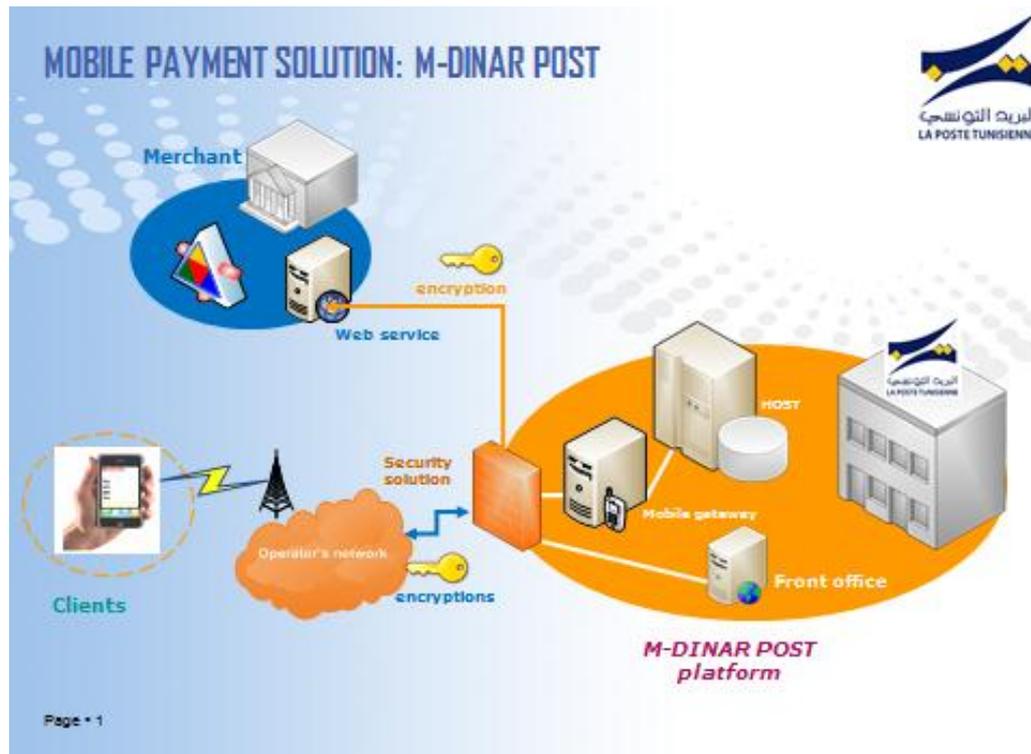
It is rechargeable (cash, transfer, mobile), multi-channel (Internet, ATM, point-of-payment terminal, mobile) and multifunctional (transfer, payment, payment receipt).

Two years later, in 2010, the Tunisian Post developed its own mobile payment platform, "M-DINAR POST", offering a range of services based on mobile technology and leading to partnerships with telecom operators in the country.

<sup>24</sup> The Tunisian Post and Orange are negotiating this partnership.

<sup>25</sup> Touzani, M. Profiling Early Adopters of a Virtual Currency: The e-Dinar Case. *The Internet Business Review*. Issue 1 – October 2004.

Figure 8: M-DINAR POST platform



Source: Tunisian Post. Taken from presentation given by the Post at the Global Forum on Financial Inclusion for Development (Geneva, 2013)

The Post launched its mobile financial services product in partnership with Tunisie Telecom. Tunisie Telecom customers can manage their e-DINAR SMART account through the MobiDinar service. In addition to the financial services offered by the Post (bill payments, account-to-account money transfers), MobiDinar users can also top up their prepaid fixed and mobile Tunisie Telecom phones. In 2012, the same model was rolled out in partnership with Tunisiana under the commercial name "MobiFlouss". MobiFlouss includes a wider range of services, as presented below:

Figure 9: The Tunisian Post's mobile financial services

	
Top-ups for prepaid mobile phones from Tunisiana	Top-ups for prepaid fixed and mobile phones from Tunisie Telecom
Payment of bills	Payment of bills
e-DINAR SMART account-to-account transfers	e-DINAR SMART account-to-account transfers
Management of the e-DINAR SMART account (consultation, blocking and renewal)	Management of the e-DINAR SMART account (consultation, blocking and renewal)
Receipt of instant transfers ("mandats minute") to e-DINAR SMART account	
Receipt of grant transfers ("mandats bourse") to e-DINAR SMART account	
Receipt of Western Union transfers to e-DINAR SMART account	

Source: Tunisian Post

The Post plans to relaunch MobiDinar to give the service a boost. As of December 2013, the two services covered 400,000 customers, of which 278,000 were active users. However, as indicated in the section on the results of the model (VI.3), MobiFlouss performs much better than MobiDinar, accounting for 80% of the business.

#### 1 *Reasons for the adoption of the business model*

The Tunisian Post's business model built around mobile telephony promotes wider use of its financial services, while freeing up existing channels, namely, the physical network of offices and ATMs. Staff can thus be moved to advisory roles.

For e-DINAR SMART cardholders, mobile transactions are very practical, since mobile phones are more widely accessible than the Internet in Tunisia.

The Tunisian model is based on a strategy that promotes partnerships with, for example, telecom operators in a win-win relationship. Services are developed and proposed by both partners. Commissions are shared according to the technological contribution of each party and according to the nature of the service: a percentage of the transaction amount for certain services and a fixed commission for others. The Post sees mobile operators as a way to create a multiplier effect for operations on the M-DINAR POST platform, using their capacity for promotion and marketing.

Through this model, the Tunisian Post offers a number of services, including top-ups, money transfers, receipt of domestic and international money orders, account management and bill payment. The model can also be adapted to the needs of the partner and the Post, with the addition of other services, such as micro-payments or microfinance in general.

The solution chosen by the Post is based on simple technology (USSD), accessible to all citizens from any type of mobile phone. To use the services offered by the Tunisian Post, individuals must be a customer of one of the partner operators.

#### *Box 1 – Comparison of the Tunisian model with other business models for postal financial services via mobile phones*

Three main models exist for Posts offering mobile financial services.

##### i *Postal MVNO (Italy)*

In 2007, the Italian Post launched a mobile virtual network operator (MVNO). The operator does not own its own mobile telephone network but rather uses the network of another operator, which it pays for use of its bandwidth. In the Italian model, postal financial services, whether they be prepaid cards, current accounts or other financial services, can be directly linked to the PosteMobile SIM card. As the Post produces its own SIM cards, it automatically includes the application for mobile financial services. This business has been successful, and today over 75% of PosteMobile customers use the Post's financial services by means of their mobile phone.

##### ii *Partnership agreements with each telephone operator (Tunisia)*

The case of Tunisia is very representative of this model; the Post was able to set itself up as a key partner for mobile payment products in the country. Through its unmatched network in Tunisia and its large customer base in financial services (5 million accounts), the Post has a strong bargaining position with operators seeking a partner for the customer service and virtual account/mobile wallet side of things. As mentioned earlier in this report, the Tunisian Post currently has strategic partnerships with each of the three mobile telephone operators in the country.

##### iii *Multi-operator postal platform not requiring agreements with operators (Morocco)*

In contrast, the Moroccan model is based on a platform open to all operators and therefore interoperable. The mobile product of the Moroccan postal bank, Al-Barid Bank, uses a smart phone-specific downloadable application that is not compatible with all types of mobile phones and does not depend on the telephone operator. The platform offers two service options: mobile banking services for Al-Barid Bank account holders, and a mobile wallet service. The latter enables unbanked individuals to open a low-cost virtual account that is easy to use and access.

In terms of revenue, mobile financial services are not a major revenue source but rather a way to increase the use of already existing services like the e-DINAR card.

However, the many advantages for the Post include:

- a Increase in direct revenue: The Tunisian Post does benefit directly from this partnership through increased turnover. This additional service requires little investment after the initial expense but is a good potential source of revenue, since the Tunisian Post receives a commission for each transaction.
- b Lower costs (e.g. fewer counters): The Tunisian Post's mobile and e-cash services increase profits by reducing operating costs. The advantage of mobile services is that they reduce congestion in post offices. With mobile services, customers no longer have to physically go to the post office. In the medium term, this thus leads to savings, since fewer counter staff are required, and the extra waiting room space can be rented out to other service providers wishing to take advantage of the post office traffic.
- c Client loyalty and new clients (banked and unbanked): The Tunisian Post's mobile offer for virtual accounts is an effective way to increase customer loyalty, especially among young customers, who tend to migrate to banks once they become employed. A modern offer on mobile devices may help stem the loss of young clients. Moreover, for Tunisia's significant unbanked population, the mobile payment system could be a gateway to the formal financial system. These new channels thus serve a double purpose, increasing the financial viability of the Post and promoting financial inclusion.
- d Image of an innovative institution: Finally, through the offer of innovative payment methods, the Post projects an image of a dynamic institution firmly focussed on the future. This is important in the context of the decline of letter post around the world, with some Posts seeming to lose their relevance in the national economy and in the eyes of citizens.

## 2 *Analysis of the business model: key questions and success factors*

### a *Network*

The Tunisian Post's network is one of its most valuable assets, as in many countries. With 1,043 post offices, the Post's network is spread out across the country: 42.5% of offices are located in rural areas, and 53% in urban areas, in addition to the 46 mobile offices. By way of comparison, there are a total of 1,455 bank branches. As shown below, in 15 governorates out of 24, the Post has a greater presence than the banks.

*Figure 10: Breakdown of post offices and bank branches by region*

<i>Governorate</i>	<i>Post offices</i>	<i>Bank branches</i>
Tunis	63	351
Ariana	24	114
Ben Arous	31	99
Mannouba	24	31
Bizerte	47	58
Nabeul	68	120
<i>Zaghuan</i>	22	15
Sousse	48	126
Monastir	54	68
<i>Mahdia</i>	46	28
Sfax	82	155
<i>Gabès</i>	52	36
<i>Medenine</i>	66	55

<i>Governorate</i>	<i>Post offices</i>	<i>Bank branches</i>
<i>Jendouba</i>	43	28
<i>Kef</i>	30	18
<i>Beja</i>	33	24
<i>Siliana</i>	35	12
<i>Kairouan</i>	50	27
<i>Kasserine</i>	46	16
<i>Sidi Bouzid</i>	43	18
<i>Gafsa</i>	43	22
<i>Tozeur</i>	20	13
<i>Kebili</i>	34	9
<i>Tataouine</i>	39	12
Total	1,043	1,455

Source: *Tunisian Post (Statistical Yearbook 2012)* and *Tunisian Professional Association of Banks and Financial Institutions (APTBEF)*

Because of its vast network and resulting large client base, the Post is a very interesting potential partner.

#### *b Human resources*

The Tunisian Post's staff has a high level of education compared with the staff of other designated postal operators. In 2013, the number of managers (level bac +4 and higher) represented 38.46% of all staff, compared with only 7.3% in 1999 when the Tunisian Post was founded.<sup>26</sup> Supervisors (bac +2) accounted for 49.57% of employees, and other staff (secondary or post-secondary), 11.97%. This increase in the professional categories is in response to the Tunisian Post's new focus on electronic services.

The Post offers its employees training and development opportunities through annual training plans incorporating various types of training: internal or in-house training cycles, inter-company seminars, placements abroad, evening classes, summer school and degree courses. However, the number of participants in these training cycles has dropped two years in a row. The duration of training has also gone down considerably in recent years. Of course, the Arab Spring meant that 2011 and 2012 were politically and socially complicated years in Tunisia, largely explaining this decrease.

*Figure 11: Staff training*

	1999	2010	2011 <sup>27</sup>	2012(*)
Number of participants in training and re-training cycles	4,500	5,005	3,032	1,047
Number of training days	26,500 <sup>28</sup>	25,021	12,139	2,089
Days/participant	5.88	4.99	4	1.99

Source: *Tunisian Post*<sup>29</sup>

<sup>26</sup> Tunisian Post, Statistical Yearbook 2012.

<sup>27</sup> The decrease in 2011 and 2012 is attributable to the socio-political climate following the revolution in Tunisia.

<sup>28</sup> This figure was mistranscribed in the 2012 Statistical Yearbook.

<sup>29</sup> Ibid.

The Post has also set up a virtual school to provide its staff with ongoing training online. This is another example of the mechanisms used by the Tunisian Post to promote continual staff development.

For the supervision of the M-DINAR POST platform, the Post set up a team made up of three computer engineers on the technical side. With regard to the training of the team, the Post primarily used its own human resources, with a small amount of external assistance. The existence of internal capacity for the development of financial services is an important aspect of the Tunisian model.

To encourage increased productivity among its employees, the Post launches challenges for value-added products.

### *c Financial capacity*

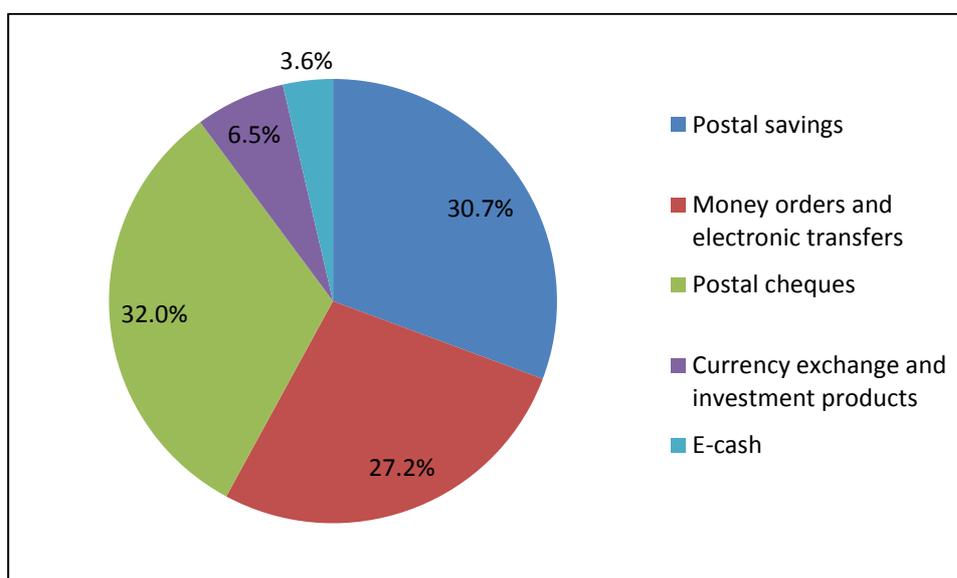
With regard to its financial performance, the Post presents remarkable figures. Financial services greatly contribute to its turnover and profits.

In 2011, the Post reported a turnover of 229.5 million TND (approximately 156 million USD). In 2012, the turnover reached 247 million TND (or 147 million USD), representing 7.6% growth. This was the fourth year in a row that the Post reported positive net results, pointing to solid financial health that should enable it to invest in innovative activities that generate growth.

Financial services play a very important role in the Post's financial structure. In 2012, 68.4% of its revenue came from financial activities, up slightly from 67.5% in 2011, thus showing stable participation in this area.

As depicted by the chart below, postal cheques are the most important service, corresponding to 32% of all financial services revenue.

*Figure 12: Breakdown of revenue by activity (2012)*



*Source: Tunisian Post, Annual Report 2012*

The share of the e-cash service (e-DINAR and all mobile services presented here) is still very small. However, the encouraging results with MobiFlouss point to the potential for significant growth in the participation of mobile and e-cash services in general.

*d Trust*

The Post has a strong presence in all of Tunisia's governorates. This long-standing presence, combined with the provision of basic financial services for disadvantaged populations in rural areas of the country, has won citizens' trust. This trust can be seen by the number of regular customers of the Post's financial services: over 6 million customers in 2012, 400,000 of whom had prepaid cards.

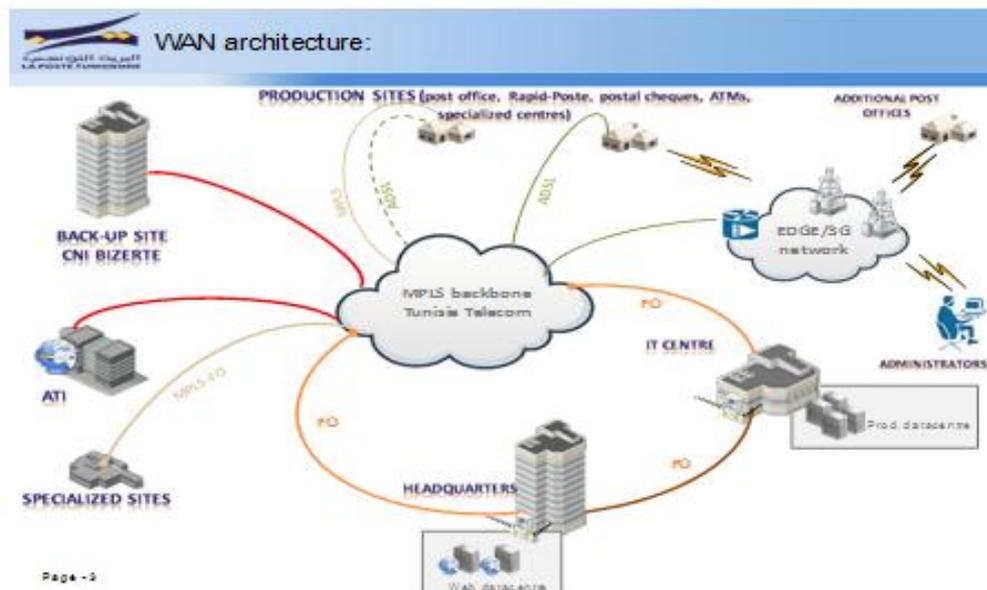
*e Automation and information systems*

As mentioned above, 76% of all post offices are computerized. The Tunisian Post's computer network is made up of over 5,000 workstations and more than 800 computerized sites (post offices, "Rapid-Poste" and parcel post offices, and specialized centres).

Moreover, the Tunisian Post's financial services system has a high level of security in terms of data and access. The system ensures the easy scalability of services according to the business needs of the various users in the front or back office.

The Tunisian Post uses only one system for its main financial services, serving as the hub for the Post's financial products. This platform is based on a single repository of the Post's customers (chequing and savings accounts) and on three main business modules: chequing, savings and credit.

To ensure the security of the system, the Tunisian Post set up a secure platform through a duplicate production site and a remote site. This central system is based on a high bandwidth network infrastructure (MPLS), as shown below.



Source: Tunisian Post (2014)

*f Support of authorities for financial inclusion through the Post*

The Ministry of Finance ensures the existence of the universal service. The government finances the creation of new sales points if they are not profitable. The Post collects deposits on behalf of the Treasury under agreements between the Post and the Ministry of Finance. The Ministry thus has every interest in promoting the use of new services that increase the deposit base.

The supervisory ministry, the Ministry of Higher Education, Scientific Research and Information and Communication Technologies, promotes the use of technology among all operators of the country, including the Post. It was through the government's e-commerce programme that the electronic and mobile payment solution was developed within the Post. The supervisory ministry also heads a strategic study on the future of the Post and the business model to be adopted for financial services.

In terms of the Central Bank, the regulatory framework allows for the participation of the Post in the various clearing and settlement systems, including the interbank switch for POS and ATMs. The Central Bank sits on the board of directors of the Post and the Tunisian interbank switch and is therefore kept abreast of new mobile products launched by the Post.

In general, innovations come from the Post and are supported by the supervisory ministry and the Ministry of Finance.

#### *g Governance between the Post and postal financial services*

Postal financial services are an integral part of the Post's structure. The Central Financial Products Directorate is responsible for developing and operating financial services and promoting partnership agreements, under the supervision of general management.

There is currently no governance problem in sight, since postal financial services are a well-defined entity in the Post's organizational structure. However, with the possible creation of a microcredit institution belonging to the Post and potentially a postal bank, the Post's management should be careful and ensure that postal financial services remain attached to the Post, avoiding at all costs a separation of these two entities. Many countries have made that serious mistake.

#### *h Legal and regulatory framework*

As indicated above, the current regulatory framework for postal and financial services in Tunisia is generally favourable, enabling the Post to offer a wide range of financial services. The regulatory framework also makes way for a mobile virtual network operator. For the time being, through partnerships established with the various operators, the Post can offer its services and thus increase demand for its own financial products. However, the vision of the Post is to eventually offer its own mobile financial services as an MVNO through partnerships with mobile operators, as is already the case in Italy and will soon be the case in Brazil.

#### *i Marketing*

Contractually, both parties (the Tunisian Post and the mobile operator) undertake to publicize and promote the service through an annual budget set aside for that purpose.

In the case of the mobile financial services offered by the Post, the key to success lies mainly in the marketing efforts of the partner operator.

The marketing differences for MobiFlouss and MobiDinar are considerable. Tunisia has made every effort to advertise the new services, in the manner that it and the Post feel best suits the target audience and the nature of the service.

#### *j Flexibility and accessibility*

The mobile business model adopted by the Tunisian Post is very flexible. The purpose is to bring services closer to clients. The business model is based on simple and secure technology (USSD), accessible by all citizens from any type of mobile phone, at all times. The flexibility of the Tunisian Post is strengthened by the existence of mobile (travelling) offices and the efforts of sales representatives in the regions, to bring services closer to clients.

#### *k Scalable and dynamic model*

The business model offers a number of services (top-ups, money transfers, receipt of domestic and international money orders, account management, bill payment) and is scalable and dynamic; the partner or the Post can add other high-added-value services (micropayment, microfinance, etc.) and other payment methods (cards tied to a giro or bank account, etc.).

#### *l Non-exclusivity*

The model is not based on exclusivity between partners. A partnership between the Post and the operator does not prevent the Post from forming partnerships with other operators. Once the partnership is established, the Post and the operator can expand the range of products available by bringing a new provider of

financial services on board (e.g. in the case of Tunisia, debt repayment with microfinance institutions). The recent partnership with Orange for the development of mobile financial services is a good example.

### 3 Results of the model

With two existing partnerships and a third with Orange in the process of being finalized, the Tunisian Post will soon be able to serve all mobile telephone users of the country – all they need is an e-DINAR SMART account with the Post. The goal is to increase customer loyalty, especially among young people, by offering innovative services, and the virtual account could provide incentive for opening a traditional account with the Post. Clients can manage their virtual account directly from their mobile phones. However, the fact that virtual accounts are not integrated with traditional savings accounts is a problem that should be resolved as soon as possible, even if virtual accounts can already be topped up from giro and bank accounts. The Post is looking to open up the mobile service to holders of traditional bank accounts, such as giro accounts (for which a study was launched in late 2013), as well as to bankcard holders with a view to interbankarity.

The results below (figure 13) show that mobile services, especially those offered by MobiFlouss, are seeing significant growth in the number of users. However, MobiDinar's growth is still quite limited. MobiDinar, created in 2010, is no longer a new service, but has a very small client base compared with the number of Tunisie Telecom subscribers (4.5 million). This shows the potential for MobiDinar to expand its customer base. By applying the same logic to the MobiFlouss case, we can hope that the service will continue to report strong growth.

It should be noted that a number of services already available on the MobiDinar and MobiFlouss platforms are still not very popular, especially the bill payment service. For that service in particular, the transaction is complicated (the bill reference is a 16-character alphanumeric code), and the service has not been well publicized. The Post has already started studying how to make improvements to increase client use.

Figure 13: Some results of mobile financial services offered by the Tunisian Post

				
	Total 2012	Total 2013	Total 2012	Total 2013
Number of customers	132,312	260,943	4,051	5,678
Balance inquiry	8,375,306	13,882,981	54,518	49,801
Phone top-ups	742,924	1,878,630	24,815	24,232
Amount of phone top-ups (in TND)	1,061,389	2,766,207	58,900	60,730
Transfers	21,188	92,458	580	1,106
Amount of transfers (in TND)	878,845	4,332,666	47,022	109,804
Direct bill payments	249	517	182	362
Amount of bill payments (in TND)	11,338	25,476	7,568	14,264
Number of "mandat minute" payments	241	3,810		
Amount of "mandat minute" payments (in TND)	19,848	346,602		
Number of "mandat bourse" (for grants) payments		27,529		
Amount of "mandat bourse" payments (in TND)		4,714,284		

				
	Total 2012	Total 2013	Total 2012	Total 2013
Number of Western Union money order payments		1,160		
Amount of Western Union money order payments (in TND)		286,085		

Source: *Tunisian Post*

#### 4 Differences between MobiFlouss and MobiDinar

As indicated in figure 13, the only difference between the two products in terms of functionality is that users can send and receive money orders directly via phone in the case of MobiFlouss. However, the results show a clear difference in terms of performance.

The differences between the customer profile of Tunisie Telecom (MobiDinar) and that of Tunisiana (MobiFlouss) are one of the main reasons for this disparity and one of the success factors to be considered. However, the incumbent operator Tunisie Telecom has not taken full advantage of the potential since 2010 and is now losing some of its customers to other operators. Conversely, Tunisiana seems to be concentrating on a younger client base, who more easily adopt valued-added services via mobile phone.

Moreover, it is important to note that the two operators approached promotion of the services quite differently. Tunisiana was more active, launching targeted advertising campaigns to attract the attention of its customers. Tunisie Telecom was quite passive in this regard.

Work started at the end of 2013 to relaunch MobiDinar, to align it with MobiFlouss in terms of technology and service offering. Marketing activities are planned for 2014 to promote the use of MobiDinar.

## VII. Challenges

The Tunisian Post's main challenges with respect to its mobile offer are the following:

### 1 Increasing the number of users

Despite the success of MobiFlouss, the number of users of mobile services is still limited. The two active partnerships represented a total of 267,000 clients in 2013, 261,000 for MobiFlouss and 6,000 for MobiDinar. In comparison with the adult population in Tunisia (8.36 million), this figure is quite low, especially considering that only 32% of the adult population has an account. The number of mobile accounts (267,000) is also extremely low compared against the five million traditional accounts held with the Post. There is thus room to further develop the partnerships to increase the rate of use and the number of users, which would in turn increase financial inclusion in the country. The MobiDinar partnership has the ability to attract as many customers as MobiFlouss, but this requires marketing efforts.

### 2 Better communication from the Post to customers

For its partnerships, the Post essentially relies on the mobile operator to inform customers and market products. The Post must also play a role in this area. It has the capacity to do so, given its vast presence and large customer base. For example, the Post communicated directly with its customers regarding the new service for receipt of Western Union money orders. This communication was effective and should serve as an example for other services.

### 3 *Continuity of service at the level of IT (security, supervision, interruptions)*

A third key challenge relates to the operational continuity of services provided under the three partnerships. Although the Tunisian Post might be capable today of ensuring the security and supervision of payments under the existing partnerships, increasing the number of partnerships presents an IT challenge that should be quickly resolved.

### 4 *Financial inclusion of excluded populations through financial education activities and a presence in regions shut out of the banking system*

At the moment, mobile service users are mainly people who have previously had some contact with a financial institution. The Tunisian Post and its partners must now seek new customers among unbanked populations. Although this might be a more complicated process, the results could be significant.

### 5 *Interoperability of systems*

The various e-cash products of the Tunisian Post are not interoperable. Since a single institution is offering the three products, interoperability should be easier and more viable from a financial point of view. The advantages of interoperability are numerous, especially for users, as interoperability allows customers to transfer money from a mobile wallet to another account without the expense of converting the funds to cash. An effort should be made by the Tunisian Post to develop interoperability between its three products.

## **VIII. Lessons for the postal community**

The Tunisian Post is an excellent example of a Post that saw the potential in developing partnerships with mobile operators to give its customers easy access to the Post's services using mobile phones as a portal. The lessons the postal community can draw from this experience include the following:

- i Trust of population: The Post's long tradition of offering financial services to the entire population made it easier for the Post itself, and of course also customers, to accept the offer of new financial products via mobile phone. This model therefore does not represent a complete shift in direction, but rather can be perceived as a natural step in the development of the Post's diversification strategy. The history of financial services was also important in helping existing customers adopt these new services. Indeed, the Post is a highly respected institution, trusted by its customers.
- ii Large customer base and network density: The large customer base and high post office traffic played an important role in attracting potential partners. However, it is only possible to achieve this customer base through a dense and extensive network covering both rural and urban areas. In a number of governorates, the Post's presence is greater than that of banks.
- iii Business model based on partnerships: One of the keys to success for the Tunisian Post was not establishing an exclusivity contract in its first partnership. This enabled the Post to subsequently negotiate with all mobile operators in Tunisia, leading to more successful and better performing partnerships.
- iv Flexibility and accessibility: The flexibility and accessibility of these services mean that they can be adapted to all types of mobile phones and to new products. MobiFlouss and MobiDinar are services that enable the Post's customers that are also mobile phone subscribers to access certain financial products and services offered by the Post.
- v Scalable and dynamic: The Tunisian Post created partnerships with all operators on the basis of a unique strategy that seeks to:
  - set up a range of services as part of a coherent launch policy, from the most basic services to more sophisticated services;
  - add other high-added-value services (micropayment, microfinance);
  - add other payment methods (cards linked to giro and bank accounts, giro accounts).

In the future, other financial products such as insurance could be offered through mobile phones or the e-DINAR card.

- vi Marketing and role of the partner: Despite the excellent performance of MobiFlouss, which confirms the relevance of mobile services, MobiDinar has not yet been able to achieve similar results, although it has been around for longer. This difference highlights the importance of marketing, which in the

business model developed by the Tunisian Post, remains primarily the responsibility of the partner operator.

- vii Card plus mobile phone approach: In the Tunisian case for the time being, customers must have an e-DINAR card to access financial services via mobile phone. Only then can they use their mobile phone for transactions on their card. It is very possible that the still-limited presence of the service is due to the fact that customers wishing to use MobiFlouss or MobiDinar must fulfil two conditions: be a mobile phone subscriber and hold an e-DINAR card. In this context, and to extend the use of postal financial services via mobile phone to other segments of the Tunisian population, the Post and its mobile operator partners are looking to open up the service to holders of traditional accounts (e.g. giro accounts) and to bankcard holders with a view to interbankarity, in addition to all telephone operators with a view to interoperability. The lesson for the postal sector would be to develop an approach or model that is interoperable and allows existing accounts to be connected to virtual accounts (tied to prepaid cards).

## **IX. Conclusions and recommendations**

The business model developed and implemented by the Tunisian Post uses mobile telephony to create a new type of Post–customer interaction. This innovation enables the Post to offer its financial products and services through a more practical channel that is more accessible to customers, namely, the mobile phone.

To apply this model, the Post had to establish partnerships with the main mobile phone operators of the country. Through these agreements – two services are already up and running and the third, with Orange, is in the pilot phase – the Post will be able to offer its virtual financial products and services to all Tunisians with a mobile phone. As mentioned above, the services are currently limited to virtual e-DINAR accounts but will be opened up to current account holders during 2014. The model thus serves as an example of technological and entrepreneurial innovation for Posts. Indeed, the Post is a leader in this area, and banks are several years behind.

The model as developed over time by the Post relies on the active cooperation of the partner for marketing. A motivated partner, alert to the needs and preferences of its customers, is essential. Postal operators from other countries that would like to learn from the Tunisian example thus have to be careful when choosing a partner. After its initial choice of partner resulted in limited success, the Tunisian Post selected a more proactive partner the next time. Today, the Post is looking to put in place partnerships with all operators. Eventually, this could lead to interoperability between networks, since the three services will be based on the same platform, with the same financial partner, in this case, the Post.