

## 5 MINUTES WITH

Daniel Csoka, Founder and CEO, aKos Technology Corporation  
Interviewed by Gene Retske



Mobile Payments is hot, very hot, evidenced by the number of companies that are jumping in, and the interest shown by the financial community, mobile carriers, distributors, retailers, and, oh yes, consumers. Daniel Csoka founded aKos Technology Corporation, for the sole purpose of marrying wireless services with money transfer technology. Here are Daniel's thoughts on mobile remittance and its future.



call mom and say, "Mom here's this transaction number. Go across town to the Western Union or MoneyGram, give them this number, show a picture I.D. and you can pick up your money." We said wait a minute, this same customer is going to the carrier location to put \$20 or \$30 on their cell phone.

**GR: They're calling to tell them he's transferred the money.**

**DC:** Exactly. Why don't we let him, instead of putting \$20 or \$30 on a cell phone, just put \$320 on the cell phone? The \$20 goes to the minutes or however much for the minutes and when he needs to transfer the money to his mom he can just transfer the funds that he has loaded onto his cell phone.

**GR: Okay so how do you do that?**

**DC:** We integrate with the carrier's billing system. We don't require any kind of a financial instrument like a bank account or credit card and that's kind of a key differentiator because of the other hundred companies out there trying to do mobile money transfers, every single other one requests a bank account, a credit card, a stored value card, or an ATM card or some type of card. Well the thing is all these individuals are unbanked. They don't use these financial instruments.

**GR: If they were banked they would do it a different way anyway.**

**DC:** And it would be much cheaper. So to get them to use a financial product to try this transaction you're already limiting adoption from day one because you're trying to teach them a new trick. So from our perspective what we've

**GR: So, how much money is sent internationally using money transfer?**

**DC:** Last year \$350 billion was sent internationally.

**GR: From the U.S.?**

**DC:** No, internationally, globally, with about \$100 billion of that originating from the U.S. So the U.S. has about a third of the market share of all the money that's sent worldwide. They say that one in every ten people in the world has either sent or received a money transfer.

**GR: Wow, that's interesting, one out of ten.**

**DC:** So the question is this. These are migrant workers, the majority of them tend to be cash based and unbanked. So what options do they have for transferring their hard earned dollars back home other than a traditional money transfer operator like Western Union or MoneyGram?

**GR: Because they're unbanked, right?**

**DC:** There are a number of

banks that are trying to bank these customers. But what options do these unbanked individuals have? There's really not an option.

**GR: And Western Union has been one of the bigger players in this, right?**

**DC:** Correct. From a global perspective Western Union and MoneyGram combined have less than 20% market share. From the U.S. to Latin America, they are the lions in that market because that's their chief bread and butter. Western Union just reported that they sent \$57 billion of the \$360 billion last year. But that's what's reported. We don't know how much is being sent when someone says, "Hey, you going to Mexico? Here's \$1,000, give it to my nephew. Hey you're going to Europe? Here's \$800, give it to my cousin," or through FedEx.

**GR: And most of this is cash based?**

**DC:** When I look at this unbanked immigrant, he's cash based. He's unbanked but he has a cell phone. What kind of cell phone

does he have? He has a prepaid cell phone obviously.

**GR: Why do you think that is?**

**DC:** Because he can't have a contract. So he has a prepaid cell phone. He's using this cell phone on a daily basis to communicate with his loved ones back home. He'll go once a month or twice a month to the carrier's retail location, put \$20 or \$30 on his cell phone to make calls. He'll call his mom back home or his wife and they will say, "Hey I need money." Then on Friday when they get their cash from their work in the fields, they go to a local money transfer store, put \$300 down, and are often charged 10-20% for that transaction.

**GR: Wow, that's a lot. Is that because they are sending small amounts?**

**DC:** Well the average amount is around \$325.

**GR: Oh that's pretty high, okay.**

**DC:** So then they get a transaction number and they take their phone, their cell phone, and they

done is we have integrated an ecosystem that allows an individual to add funds to their prepaid cell phone, send those funds immediately in cash internationally, and have the recipient receive those funds almost immediately at tens of thousands of merchants and retail locations that they already frequent.

**GR: What does a retailer who wants to offer mobile money transfer have to do?**

**DC:** Number one, the service needs to match the current customer behavior as much as possible. Don't try and teach them new things as you're trying to have them adopt a new service. So if these guys are cash based, the solution has to be cash based. Number two, you need to get the customers accustomed to the fact that their phone can be used for more than just texting. Text is by far the number one data application on a phone. Ten years ago people were barely starting to use text. People, again, were accustomed

to just using their phone for voice. So gradually over time as they understood that they can also use it for other applications such as text then you start to see the adoption. Same thing on mobile financial services, this is a foreign concept for most people that they can use their phone for banking or for purchases or for whatnot.

**GR: All right, so you have to take it slow, I guess?**

**DC:** Yeah, so number three was don't just throw technology at the customer and expect them to use it. You want to gradually introduce technology over time and indicate comfort, and of course this is demonstrated by adoption, and by gradually introducing technology you're letting them make it easier. The fourth point is marketing is vital to success and this is where the retailers come into play.

**GR: So, marketing is the key, no surprise.**

**DC:** For any retail service to be successful, for every dollar spent on technology you need to spend

at least \$1-2 on marketing. You need to inform the customer, educate them on how it works, and the store employees need to be trained because they're the ones explaining to the end users. When a guy walks in and says, "I want to put \$300 to send to Mexico," [the clerk] has to explain to him how this works.

**GR: You said that money transfers account for, what, \$350 billion a year? What is the potential for this?**

**DC:** Today we talked about the money transfer market being a \$350 billion market. Some have forecast that market is going to hit a trillion dollars by 2012. In Mexico the number one source of revenue to the country is sale of oil and number two is from inbound money transfers. [The growth] is going to be directly driven by this new channel being able to let people send money faster, easier, more convenient, safer, more secure, and cheaper, think about it. The 10-20% that people are paying today by going to Western Union

or whatnot if we charge \$9 let's say, it's a huge lift. \$10 more is going into the pocket of the recipient.

**GR: What about from a mobile carrier's point of view? How important is this to them?**

**DC:** From the carrier's standpoint we're talking about dollars per transaction that can be added to the average revenue per user of these people, of these customers and that's a significant impact because the typical prepaid Average Revenue Per User, ARPU, is around \$20-26. I think Virgin's was \$20-21 before they were sold. So if you're able to give them a \$2-3 lift on ARPU per customer, that's 10-20% lift on their bottom line revenue.

**GR: And with very little expense or capex or anything else.**

**DC:** Exactly, it's just basically providing more value added services.

**Daniel Csoka is Founder and CEO, aKos Technology Corporation. Visit aKos online at [www.akoscorp.com](http://www.akoscorp.com).**