



# Marketing Strategy for TransferWise

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# 1. Executive Summary

While maintaining financial interests in both the UK and Estonia, with one living in each, business partners Taavet Hinrikus and Kristo Kaarmann realized they were seeing a 5% (or higher) fee penalty when transferring money between countries. Using the median exchange rate provided by Reuters they created a partnership where the business partner in each country would leverage their accounts in that same country to make appropriate payments. In doing so, the partners were able to bypass the fees assessed by the bank for exchanging currency.

Similar to the partnership above, TransferWise was established by Taavet and Kristo to offset the banking fee structure and make transactions more transparent. Contrary to the existing model that reflects up front transaction fees as well as unfavorable exchange rates, the TransferWise model creates local pools of money in each supported country to both collect funds coming from that country and distribute funds go to that country. For example, when John wants to send money from the UK to Estonia, he submits the appropriate account information to pull the money from and the information where the money is going. TransferWise then matches that request with Bob who wants to send a similar amount from Estonia to the UK. The money from John in the UK enters the common money pool and then gets distributed to Bob's friend in the UK. Only local transfers are required.

When evaluating the remittance market, the trends indicate an increase in migrant levels throughout the world corresponding to anticipated increase of money being transferred back home. With the total remittance in 2015 to be ~\$215B and an increase in migration of ~2.9% forecast there exists a significant business market. Further comprehension of the market reveals a large business need with large sums of money and specific regulatory restrictions as well as individuals. Typically the business needs deal only with banking accounts, however, a fairly large market in the consumer space prefers, for various reasons, to work only with cash. Our TransferWise segment of interest only includes those individuals that have established banking accounts and would be willing to interact through electronic apps or via established TransferWise accounts.

When comparing the TransferWise product against the primary competition we see a significant reduction in fees corresponding to improved transparency of the cost structure. Other important aspects being addressed include security concerns due to the online requirement as well as customer service and educational needs meant to match or improve existing frustrations. In general the overall cost structure should make our product highly desirable by our target market. This will be reflected in the reasonable ramp in market share and expected increase in revenue to ~\$58M in 2020. This will be accomplished by a targeted ad campaign with ties into social media outlets and heavy word of mouth opportunities. Key educational strategies will be required as the general market may not fully understand the existing fee structures in the industry. However, once educated will look for less expensive alternatives.

## **2. Company Analysis**

### **2.1 Background**

As the need for money transfers abroad continue to rise, the awareness of the banking process and a certain level of frustration among consumers has slowly risen as well. Certain school requirements, ex-patriate work opportunities and an increasing global investment trend have spurred new levels of human migration and more individuals looking to send money outside of their country of residence.

Taavet Hinrikus was one of those individuals with business interests abroad and a need to exchange or transfer money between bank accounts using different denominations. In this case, both the British pound and the Euro. Hinrikus, a founder of Skype, and his financial consultant Kristo Kaarmann quickly realized the painful process of consistently converting money. Having moved to the UK while still being paid in Euro's from his Estonian Skype position, Hinrikus need a better way to convert the money without paying such a larger fee. "I was losing five percent of the money each time I moved it", stated Hinrikus [14]. His business partner, Kaarmann, was similarly seeing high fees when having to transfer money from the UK into accounts in Estonia. It occurred to both of them there might be a way to avoid the fees altogether if they collaborated. In short, the two of them simply paid the investment bill of the other avoiding the costly transfers altogether. Kaarmann put pounds into the account of Hinrikus and Hinrikus put a recipicol amount of funds into Kaarmanns euro accounts.

Although the idea above seems quite simple to execute, there remained a fundamental problem. At what exchange rate would both parties feel fairness? The answer came in the form of the mid-market rate on Rueters. Both partners agreed that on the transfer day the mid-market rate would be used to facilitate the exchange. Now, the two of them had not only avoided the bank fees but also the horrific exchange rates the larger exchanges companies would take advantage of. After slowly expanding the process to include a number of close friends, it became apparent that the idea could/should be used to help the broader public and the crowdsourced currency exchange service called TransferWise was conceived [15].

### **2.2 The Concept**

The concept of TransferWise was fairly simple: work to bypass the banks expensive and hidden transaction and conversion fees while provide a simple low cost and transparent exchange model. The exchange rate is the real on and all fees are clearly posted and understood. There are some additional requirements, at least initially, that could be prohibitive to certain individuals, whom for various reasons, prefer to only deal with cash transfers. For instance, similar to other online banking opportunities, the user must maintain or establish a valid bank account with linkages to your new TransferWise account. Once completed, the recipient is also required to maintain or establish a bank account linked to a TransferWise user profile. Any transactions involving direct cash are not allowed unlike some of the largest competitors

Western union and MoneyGram. Additionally, personal and business accounts must be kept separate per certain regulations in several countries.

Unlike the more typical banking transitions, the key effective principal in the process to avoid consumers paying the high transaction fees, relates to the creation of local pools of money. In the case of TransferWise these local pool accounts can both collect initial local transfers coming in and also disperse local transfers going out. In this way, the money actually stays locally and is simply deposited or added to an existing account. See figure 1 diagram below for an example of the differences [16, with permission].

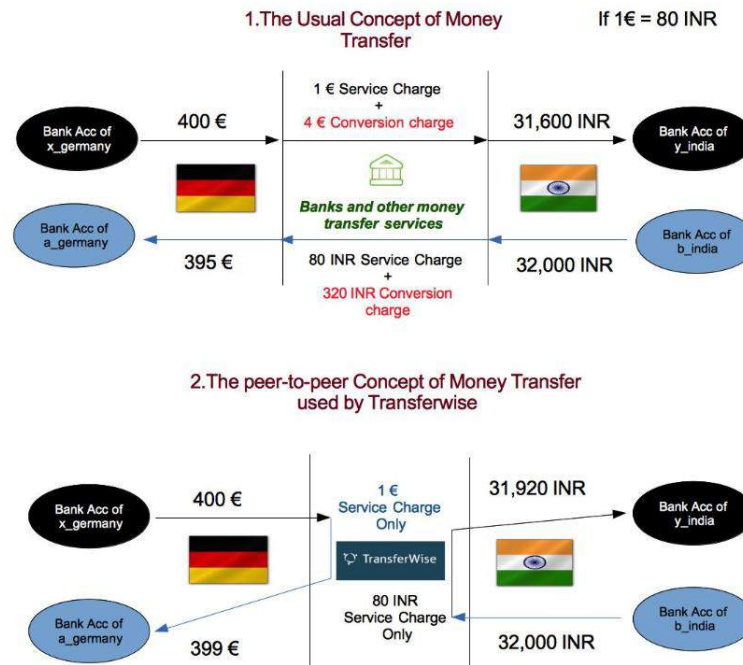


Figure 1: Transfer Comparison

## 2. 3 Security

Although the intention of this alternative is to avoid the banking system and the associated fees, the system does in fact leverage the security protocols of the banking system. Thus the requirement of account to account transfers with all the typical “know your customer” banking requirements. In addition, appropriate licensing, such as for the FSA in the UK, for transferring and guaranteeing money have also been granted to resolve any security concerns. To make the endeavor successful, the development of a world class website portal, teaching curriculum, and first rate customer service have also been developed over time ensure customer satisfaction.

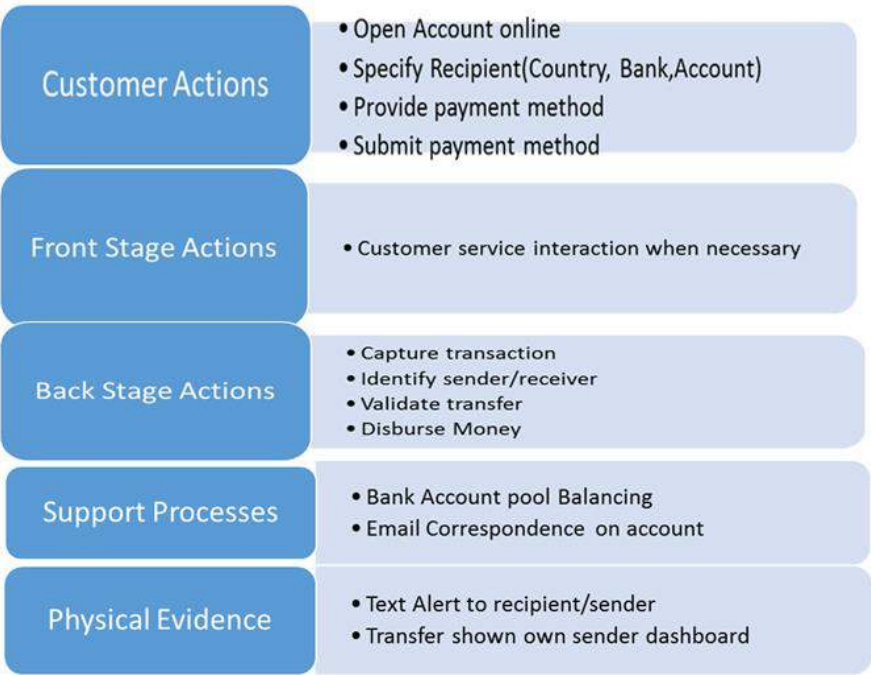
## 2. 4 Current Bussiness

Currently TransferWise employs over 100 employees and continues to grow at a rate of ~15-20% annually. With well over \$1B transferred through 2014 and over 242 currently operating currency routes [17], the company continues to invest in its infrastructure while

quickly becoming the viable alternative to the established remittance system. New investments totally over \$91M have certainly also helped making TransferWise one of the top ten in global disruptors in 2015 by CNBC [18].

**2. 5 A Blueprint - How TransferWise works**

The goal of a money transfer customer is to be able to send money from country A to B in a very easy and convenient manner. For that to happen, certain actions take place for the customer, the money transfer agent, such as Transferwise. In addition to that there are various support and backstage processes which makes it possible to transfer money. The general process for Transferwise is depicted in the figure 2 below.



*Figure 2: Services blueprint*

**3. Market Analysis**

Migration is the bedrock for remittance services [1]. Most people migrate because they seek a better life in other countries with better economies, the desire to support their families and also to start small scale businesses in their home countries [5]. In 2013, international migrants comprised about 3.2% of the world population, compared to 2.9% in 1990. International migrants signify a huge customer base for the worldwide remittance industry. Over US\$160 billion have reached rural families in developing countries. Driven to various socio-political and economic factors, the same is expected to steadily grow in the near future. This is further anticipated to prove instrumental in the growth of the global remittance market [1].

### 3. 1 Remittance flow Trends

The global remittance flow is projected by World Bank to grow to about \$515 billion from \$427 billion in 2013. This growth is something that is expected to continue to increase as more immigration reforms makes it easier for people to migrate. This makes the remittance market to be extremely buoyant and attractive if the right solutions are offered to facilitate the sending and receiving of such.

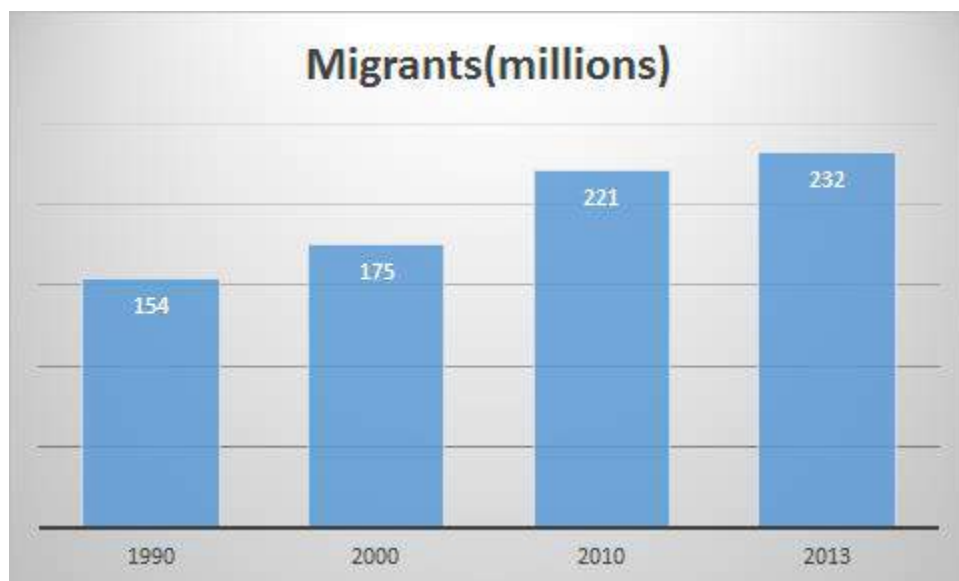
### 3.2 Competitive Strength of the players:

Western union, MoneyGram, Xoom, RIA, Rego and others have dominated this market for several decades and have created standards every new remittance services provider needs to adhere to. Further, these companies have in the past gained expertise in handling the complexities of foreign exchange, security breaches and adherence to government policies. These makes a market with a solid competitive strength, which needs to be properly schemed, in order to gain a share as a new entrant. An extensive competitor analysis is discussed in a later section.

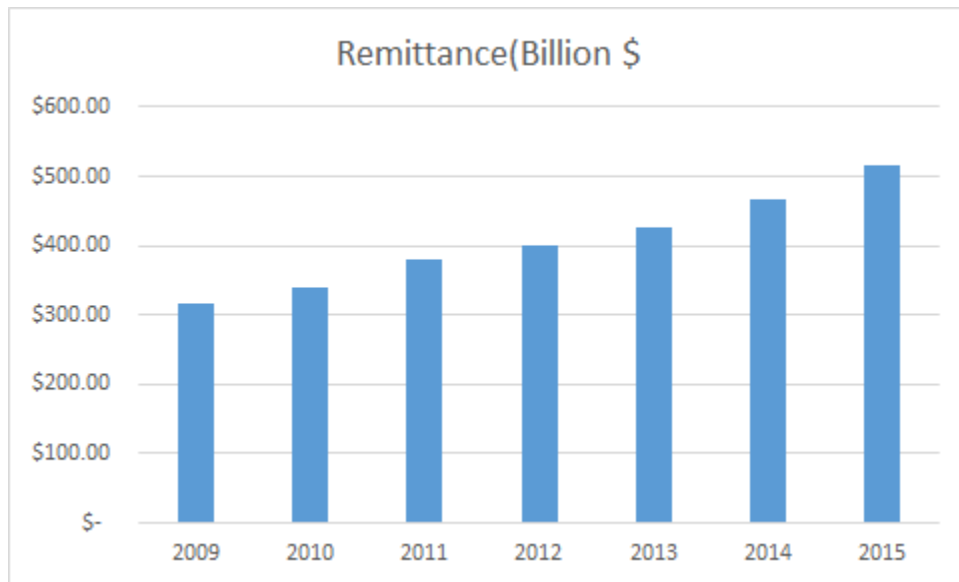
### 3.3 Market potential

The remittance services market is very broad and has a growth trend, based on migration growth, new ways of doing cross border businesses and development in global trade. Global remittance is expected to be over \$515 billion in 2015 from over \$468 billion [1]. As matter of fact these remittances are only those currently using formal channels. One source show that there are lots of remittances that go outside of the United States using informal channels [2]. Key drivers and profit potential for this market is determined by:

1. A growing migration from developing nations to developed nation such as America; America is shown to be the largest source of global remittances[1]
2. Increased cross-border business activity
3. General world economic outlook



*Figure 3. Graph of global migration*



*Figure 4. Showing remittance growth in the past 10 years*

### 3.4 Seasonality and Cyclicality

The money transfer or remittance is one that is not seasonal or cyclical. As long as there is migration to places where people can get jobs and earn money, this market is one where there is always going to be a need to send remittance to home countries. This characteristic makes the market very attractive and of a great potential.

### 3.5 Market Segments

There are a variety of customers and channels through which remittances are transferred from country A to B. The next section looks at the characteristics of these customers and which channels are used, based on which a targeted segment can be reached with Transferwise solution. The market segmentation is done based on ways customers send money abroad and the characteristics of segments are analyzed to help determine ways and intervention by which Transferwise can position itself better to gain market share in other segments it is currently not serving.

**Business-to-Business/Customer-to-Business:** This segment involve large transactions that go on between organizations or organizations and individuals (customers) in two countries. The segment has the following characteristics:

1. Transfer amount usually above USD \$3,000
2. Transactions are commercial in nature
3. More efficient online execution of the process
4. Larger profit margins due to size of transfers
5. Lower customer acquisition cost

## 6. Mostly bank account based

**Customer- based Transfers/Small business:** This segment covers all kinds of cross border money transfers which are person-to-person or related to small businesses and adhoc in nature. Immigration remittances are a great chunk of this segment. The characteristics:

1. Transfer amount below USD \$3,000
2. Migration-based and small scale venture
3. Mostly cash-based (about 80%)
4. Lower profit margins per transaction
5. High customer acquisition
6. Agent based money transfer process

### 3.6 Target Market/Customer Characteristics

This market strategy is formulated to better position Transferwise in the Person-based segment. The company from its inception has been focused on helping small international business transfers to occur without the physical transfer of money across national borders. In recent times, efforts are been made to adapt to person-to-person money transfers, which has lots of volumes. The person-to-person segment is dominated by immigrants who send money to their home countries to support their business. The adaptation will also allow person-to-person transfers in both directions. Table

Characteristics	Opportunity	Happening?	Who is serving the need
Mostly Immigrants	Cultural Adaptation in marketing	No	None
Most senders unbanked	Adapt to cash-based system	Cash-to-Cash, prepaid, Money Orders	Western Union, MG, RIA
Unbanked Receivers	Increase the ease of disbursement, Mobile Banking?	Agent-based Model	Western Union, MG, RIA
Dominated low value \$	Provide transparent fees	differently priced and shady	Transferwise? Xoom, Paypal

*Table 1: Target Market Characteristic and opportunity*

To better understand what customer needs were for the selected segment interviews were conducted with people who had used remittance services and had sent at least \$3000 to their home countries within the past 2 years. An analysis of the responses revealed the following trends as depicted in Table 2, Appendix B.

### 3.7 Market Opportunity

Analysis of the data as show in Table 1, and Table 2 reveals the following market needs.

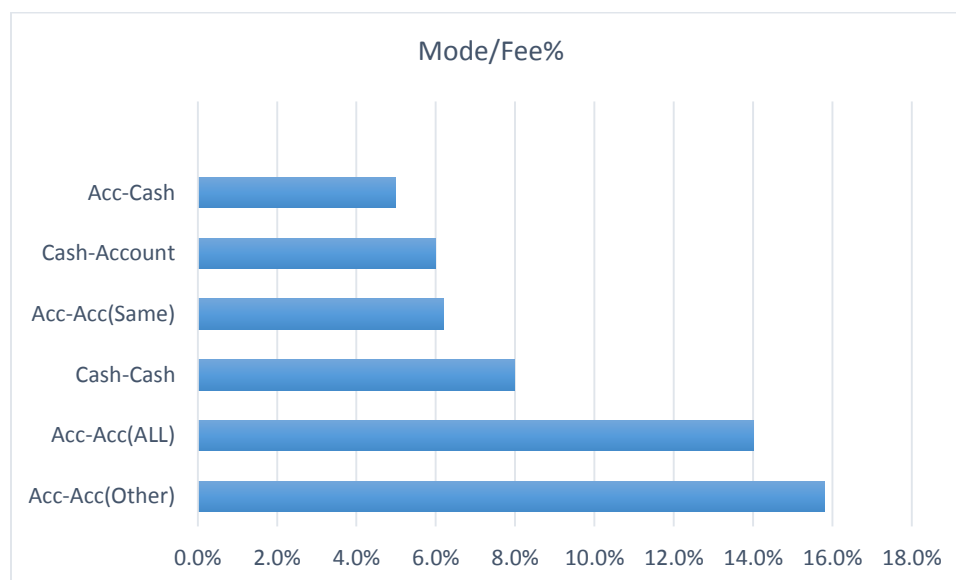
- A) Since most of the remittance in the Customer-based (Person-to-Person) segment are of a low transaction amount, a more subtle transaction fee can be a great way to draw customers, which lead to a gain in market share.
- B) The concerns raised about ease of disbursement of funds to the receiver show that a platform that brings the funds to the receiver the easiest will be the winning platform.



- C) It is established that most of the remittance flow is due to immigrants living mostly in developed countries who transfer remittance to developing countries. A new strategy that relates with these beyond a single transaction can be a 'winning way'.

### 3.8 Market Revenue

Revenues in this market are generated through transaction fees and exchange rate differences between the sending country and the recipient country. The fees charged are shown below and are based on the channel used. That is, although all these channels are meant to achieve the same aim of sending money from country A to B, the mechanism of sending the money can dictate how much cost a customer will occur for sending money. For instance, of all the global remittance vehicles, cash-to-cash services are the dominant mode and are priced competitively (with an average price of 7.6%) when compared with other products. Account to-account services are the most expensive, with an average cost of 14.10%. Though not widely available, prepaid cards and account-to-cash services are the cheapest products, at 4.2% and 4.91%, respectively [3]. The graph of cost incurred by users by mode of transfer is shown in Figure 5.



*Figure 5: Cost of transaction by mode of transaction*

Service providers usually charge a fixed fee for a given range of money sent. For instance, transfer between \$100 and \$500 are charged a fee of \$10.99 while a transfer between \$501 and \$1200 is charged \$24. This fixed fee usually constitute about 70% of the revenue per transaction. Another way revenue is generated is through exchange rate differences between the sender currency and the receiver currency. This usually constitute about 30% of the revenue [2][3].

The operating margin of the traditional money transfer firms is estimated at 25%. Cash-to-cash products account for 80% of global remittances, mostly due to the under-banked and

unbanked segments of the global immigrant population. This makes a margin of 25% quite huge and makes the companies very profitable.

### 3.9 Market Cost Structure

The cost structure for most of the competitors is divided into fixed and variable as shown.

#### Fixed Cost (35 -45 %)

- Administrative
- Regulation/Compliance
- Processing
- Staffing

#### Variable Cost (55-65%)

- Bank Charges
- Sender Agent Fee
- Receiving Agent Fee

Of these costs shown, TransferWise has a great cost advantage since it does not have any 'brick and mortar' locations and agents for which commissions need to be paid. Also, staffing cost is far lower as it only has to deal with about 300 employees compared to over 10,000 for Western Union [7].

## 4. The beachhead - Mexico

### 4.1 Background

On a per person basis, Mexico receives more worker remittances than any other major country in the world [2]. In 2013, Mexico emerged within the top 4 countries where migrant money transfers were sent, with about \$24 billion sent in that year alone [2]. It is particularly chosen as beachhead because it receives more than 40% of all remittances from the USA to Latin America, and 98% of all remittance comes from the USA. The numbers are continually increasing and present it as an attractive target for new and existing remittance services delivery.

#### Total Remittances Received in Latin America and Mexico, 2000-2013

*In millions, 2013 U.S. dollars*

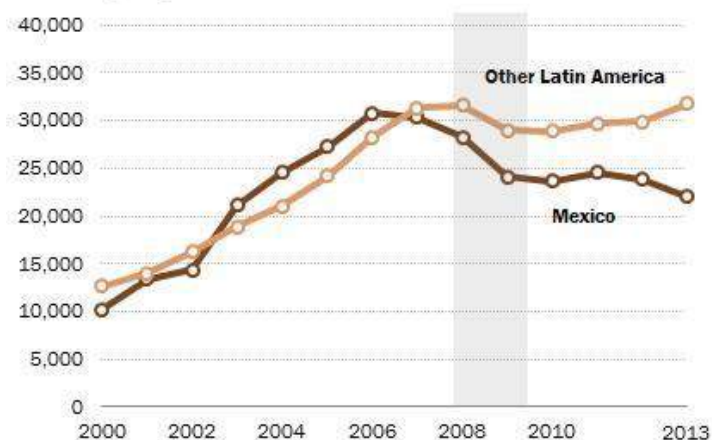


Figure 6- source : <http://geo-mexico.com/?tag=remittances>

Consequently, the growth of remittance to Mexico seems to be positively correlated to how good the US economy is faring. This continues to show how the entire industry is anchored on migration into developed nations. Mexico chosen for the initial market penetration of Transferwise because it has no presence there yet. And also largely, because of the volumes of remittance sent per year (typically in the range of \$20-23 billions) are huge and present an opportunity to strategically launch, without the fear of having too less margins. A bulk of these remittance are sent using cash-to-cash channel. The strategy will show how Transferwise can compete with the incumbents better by gaining more customers who are cash-to-cash based. Moving from the beachhead, experiences and similar strategies can used in other target destinations with similar Characteristics.

#### **4.2 How people send money to Mexico**

Looking a little bit at the beachhead to decipher ways people send money to Mexico, it was found that People send money to Mexico using the following ways [6].

- a) Bank Wire
- b) C-Draft (Money Order)
- c) Western Union
- d) US Mail

Key drivers to which method people use in sending money to Mexico are:

- a) Ease of disbursement to receiver(how many locations people can receive money in)
- b) The sender's convenience
- c) The time it takes to deliver the money
- d) Security of the transfer
- e) Fees charged for transaction

#### **4.3 Bridging the Chasm**

TransferWise can be a solid force to contend with if it can address these factors by providing a service which is fast, reliable, secure, convenient and very well priced. The current offering of Transferwise clearly addresses the pricing aspect, since it is the cheapest in the market right now. In fact, it currently helps to save about 90% of the fees charged by traditional banks and that definitely places it on a more enviable position as a comfortable low fee service. This is made possible by the lower operating cost [7].

### **5 Competitive Analysis**

The remittance market has a huge number of both big and small players, ranging from traditional banks, post offices and other non-bank financial institutions. In this section, the segments and the key competitors are presented.

## 5.1 Competition & Segment Matrix

Segments/Company	Western Union	MoneyGram	XOOM	Transfer-Wise	Dwolla	RIA	PayPal	REGALII	Banks	International Payment Specialists
Customer to Customer (C2C)	X	X	X	X	X	X	X	X	X	
Customer to Business (C2B)	-	-	X	-	-	-	-	-	X	X
Business to Customer (B2C)	-	-	-	-	-	-	-	-	X	X
Business to Business (B2B)	-	-	-	-	-	-	-	-	X	X

Table 3: Companies versus Market Segment

1. Transferwise is already in the targeted Customer-to-Customer (Person based) segment with an account-to-account mode of transfers only. It is noted that less than 20% of this segment use the account-to-account channel. Consequently, Transferwise does not command much yet. However, it is currently seen quite disruptive among the listed competitors particularly because of the drastic reduction in fees. The market strategy is aimed at helping Transferwise to gain more market share in the Customer-to-customer segment, by particularly attracting cash-to-cash channel customer which take 80% of the entire segment.

2. The cash-to-cash channel customers is the largest and commands about 80% of the entire formal remittance sent around the world. This channel's customers are the major target that the market strategy is addressing because its volumes are over \$400 billion as of 2014. The dominant forces in this channel are Western Union and MoneyGram who currently hold about 17% and 5% respectively. The projection of this market plan is to gain about 1% within the next 5 years.

## 5.2 Competition Matrix

There are important customer centered attributes which impact the quality of service offered in this remittance market. The factors were obtained and extracted from one-on-one interviews conducted in this strategy formulation. Information from Transferwise website and public records were then used to place Transferwise on the matrix with other competitors.

## 5.3 Attribute Definitions

a) Transparency – This attribute is in relation with customer perception about the operations of a service provider in the remittance market. For instance, some customers thought some of providers did have hidden cost during the transactions. For some major competitors, the fees estimation was not consistent especially with respect to the exchange rate used in transferring money from country A to B. This factor was selected to reflect how customers will be well satisfied about the clarity of the transaction fees.

b) Security – This definitely plays a part in choosing a mode of money transfer. The authors of [6] show that the risk of being able to send money securely without the risk of losing the check or

money order by sending it using any of the older ways money is sent, especially in the case of Mexico. This shows how customers will feel about security in using any of services.

c) Fees – This factor is about customer perception of direct or indirect cost incurred to move money to their expected destination. The interviews reflected this as a major consideration to choose a service provider.

d) Ubiquity – The ease of using a service provider is based on whether the sender can easy access the service from many locations and also that the receiver does not need to stress to collect the funds. This factor was clearly extracted from customer interviews. Customers showed concern about how many agent locations the service provider has, as that will dictate how easy it is for the receiver to gain access to the funds.

e) Experience – How long the service provider has been in business could generate lots trust for customers. This factors shows a customer’s perception on how that impacts their choice of a given service

f) Speed of Delivery – How long does it take for the receiver to get access to the funds? This is shown to impact some customer’s decision. Other customers feel that, once they can plan about when they want the receiver to get the funds that is not usually a problem.

The importance of each attribute was also denoted by weights. This weights were obtained from the interviews we conducted through the subjective opinions of what customers think play a role on their decision to use a given service provider. The resultant matrix is shown below.

<i>Attribute/Company</i>	Weight(1-5) 1=worst, 5=Excellent	<i>Western Union</i>	<i>MoneyGram</i>	<i>XOOM</i>	<i>Transfer-Wise</i>	<i>Dwolla</i>	<i>RIA</i>	<i>PayPal</i>	<i>REGALII</i>	<i>HSBC bank</i>
<i>transparence</i>	4	1	1	3	5	3	4	3	2	3
<i>security</i>	5	5	5	4	4	4	4	4	4	5
<i>fees</i>	5	2	2	3	5	4	4	3	4	2
<i>Ubiquity</i>	2	1	2	5	2	2	2	2	2	2
<i>Experience</i>	2	5	5	2	1	1	1	4	2	5
<i>Speedy Delivery</i>	3	4	4	3	2	3	3	3	3	2
<i>Recovery</i>	1	1	1	1	1	1	1	1	1	1
<i>Rate</i>		0.64	0.66	0.71	0.78	0.68	0.72	0.69	0.66	0.68

Table 4: Competitor Matrix

## 6 Marketing Strategy

The way to succeed in this market is hinged on clear strategy on how to structure the operations, in order to provide the best of service to keep the existing users in the Europe region where it currently is becoming a major force. After

## 6.1 Growth Strategy

TransferWise has a more attractive pricing and hence capable of gaining market share. Transferwise is currently operating through the existing banking infrastructure. Sending and receiving the money currently hinges around the sender and receiver having to own a bank account. Competing with the bigger competitors like Western Union and MoneyGram, who own most of the market share requires Transferwise to expand its mode of operation to complement its aggressive pricing so as to win more market share. The estimated growth in revenue per month in its existing market is between 15-20% [8] and has already generated revenues of at least \$68 million as of 2015. The projection for market share within the next 5 years in the Cash-to-Cash channel of the target segment is 1%. Assuming the remittance growth is steady and at rate of 1% globally, Transferwise will be able to command transfer volumes of at least \$4 billion USD a year (global yearly remittance cash-to-cash is about \$400 billion USD). To achieve such a market share, a yearly growth rate of 0.2% is required.

Accordingly, these interventions are suggested:

1. On the sending side, Transferwise will utilize prepaid cards; this can attract some of customers who send cash and do not intend to use debit/credit card or bank account. With competitive transfer cost than the incumbents, this will attract a good market share.
2. On the receiver side, the way to expand will be to provide an easier way for disbursement of the funds. Currently, the receiver needs a bank account to receive money. Mobile money infrastructure in the receiving countries can be used. Specifically, mobile money technology such as M-PESA is growing in many parts of African and the South American region [9]. This platform will allow the receiver to access their funds with thousands of mobile money agents and can be much flexible than the incumbents who have around 1500 Agents in Mexico.
3. Building more trust with the cash-to-cash channel customers, most of whom are unbanked will be instrumental for achieving the market share projection. Radical education programs need be pursued at the strategic level. This will have to go beyond normal advertisement by reaching out and demonstrating the huge cost difference between this service and others.

## 6.2 Pricing Strategy

Transferwise way of delivering the money transfer service is very cost effective and here the reason why.

1. It does not require third parties and agents to offer the service. Agent commission are therefore eliminated from the operations, unlike the competitors, who either pay a commission or allow their third parties to charge on top of the exchange rates. This is important for Transferwise to keep its service relatively cheaper.
2. Since Transferwise only has to deal with few internal staff and not many third party relations, the employee remuneration cost is relatively lower – only has about 300 employees as of 2015. Competitors are dealing with several thousands of employees,

Western Union has at least 10,000 employees and over 550000 locations (most of which are third parties); this huge connections come with huge administrative cost [4].

Transferwise has less cost to incur in this regard.

3. Again, since Transferwise operations are simpler and do not involve many third parties, compliance cost is much lower.
4. Transferwise can sustain its low price strategy by diversifying into other businesses in local country it operates in. This will help generate revenues in each country and will not have to send money for disbursement as many competitors do. The cost involved in cross-border transfers is usually about 10% of revenue – Transferwise is currently able to avoid most of this fee by using local pools in reconciliation of money transfers. To be able to maintain this strategy, local income generation in operating countries will go a long way to consolidate this low cost strategy.

The pricing model for Transferwise as compared to competitors is shown in table 5 below

Company/ Attribute	Western Union	Money Gram	XOOM	TRANSIFER WISE	RIA	REGAL11	Contry(From-To)
Hidden fee	1	1	3	5	1	4	
Stated fee	4	4	3	5	2	4	
Exchange rate	1.23118	1.231490		1.233550			UK to Germany[GBP-EUR]
Rated Quote	1.17200	1.196890		1.233550			
Exchange rate	97.1910	97.19100		97.19100			US-Kenya [USD-KES]
Rated Quote	92.6550	93.99300		93.99300			
Exchange rate	15.2600	15.26000		15.26000			US-Mexico[USD-PESO]
Rated Quote	15.0950	15.09400		15.26000			
Exchange rate	3.09430	3.094300		3.094300			US-Brazil[USD - BRL]
Rated Quote	2.90660	2.907600		3.094300			
Exchange rate	3.67000	3.670000		3.670000			US-United Arab emirate[USD -AED]
Rated Quote	3.64940	3.649400		3.670000			
Total revue \$	5.7 Billion	1.5Billion	0.112 Billion	1.6Billion	0.37 billion		

Table 5: pricing model

### 6.3 Marketing Communication

Since most of the global remittance is tied to migration, it is clear that to reach customers there has to be a much targeted approach. It is shown throughout the plan that majority of the customers or potential customers are either unbanked or underbanked. Research show that over 30% of immigrants in the US have not completed high school [10]. Reaching this population with an online money transfer such as Transferwise require an extraordinary strategy.

- a) Targeted campaigns through community based programs: many immigrants tend to concentrate in certain regions. For instance, it is estimated that over 55% of Hispanics in the US are concentrated in California, Texas and Florida [11]. Similarly, almost one-third of Indian immigrants to the US are concentrated in California and New Jersey [12]. The communication strategy to use for reaching this immigrants can be through marketing campaigns through cultural programs and engagements. Sponsoring some festival

celebration will be a great avenue to demonstrate the service, in terms of its ease of use and low transaction fees.

- b) Another great avenue will be to do advertisement on TV channels which target immigrant populations, such as a favorite Latino TV channel (e.g. Telemundo).
- c) A good number of customers can be reached through mobile and online advertisements, such as Facebook, Google ad words and others.
- d) A great channel will be 'word of mouth' and customer referrals. Transferwise can offer gifts or free money transfer services to customers who lead others to use the service.

## 7. Financial Projection

### 7.1 Growth Potential

A year market share growth rate of 0.35% is estimated for Transferwise current operations; this based on the 2014 volumes of funds processed, which is about USD \$1.6 billion [8]. Transferwise attracts an average fee rate of 0.7% on each transaction [13]. Using these as the base, the financial projections and spending are shown. This table assumes the market size of \$515 billion per year is stable for the next 5 year (which is hardly the case). Projections for market share gain 0.32% to 0.35% of the Customer-to-Customer per year is done based on the table below. The average profit margin for this industry is between 25% and 35%. Since Transferwise operations are expected to not use Agent-based distribution, a profit margin of 35% is assumed for the projection.

Year	Mkt Share	Volumes	Revenue
2016	0.35%	\$ 1,802,500,000.00	\$ 12,617,500.00
2017	0.70%	\$ 3,605,000,000.00	\$ 25,235,000.00
2018	1%	\$ 5,150,000,000.00	\$ 36,050,000.00
2019	1.3%	\$ 6,695,000,000.00	\$ 46,865,000.00
2020	1.62%	\$ 8,343,000,000.00	\$ 58,401,000.00

Profit Margin	Net Profit	Mkt/Admin Cost(25%)	Staffing/Other(40%)
35%	\$ 4,416,125.00	\$ 3,154,375.00	\$ 5,047,000.00
35%	\$ 8,832,250.00	\$ 6,308,750.00	\$ 10,094,000.00
33%	\$12,617,500.00	\$ 9,012,500.00	\$ 14,420,000.00
30%	\$16,402,750.00	\$ 11,716,250.00	\$ 18,746,000.00
32%	\$20,440,350.00	\$ 14,600,250.00	\$ 23,360,400.00

*Table 6: Financial projections (in US Dollars)*

From the projections, an extension of this will lead to a net revenue of over \$2.9 million US in the fourth quarter of 2017 in the current segment alone, assuming no more customers have been from that point. However, market share gain of 0.3% of the cash-to-cash (515 billion dollar per year), will amount to over \$8 billion dollars per year in transfers and over \$ 20 million in net profit after the fifth. This is with the assumption that the average fee percent is maintained at 0.7% per transaction. This fee is far lower than what the incumbents charged currently (see pricing table).



## **8. Performance Measurement**

### **8.1 Success Indicators**

As with many activities, indicators to document improvements vs what might not be working can be very important. In the case of TransferWise as a successful business there are several key areas to monitor that will help determine strategies in the long term.

- a) Overall TAM growth vs. TransferWise market share: Typical research publications may reference this data on an annual basis in relation to global currency transferred.
- b) Customer sign-ups: With incentivized programs to add partners, the total customer base size can be established to show both the number of active accounts and also the retention of customers. This can also be used as part of the customer satisfaction indicator.
- c) Customer satisfaction through surveys or interactive blog sessions will help to determine what weak points exist.
- d) Partnership indicators for country inception (broader market) and banking network.

## **9. Future Opportunities**

### **9.1 Technology uncertainty and partnerships:**

TransferWise can look to improve partnerships and collaborations with companies like Xero [19]. Leverage their individual strengths and utilizing Xero's improved integration accounting software an improved response, ease of use, and indicator package could be developed.

### **9.2 Market expansion:**

TransferWise is limited in technology, infrastructure and partnerships to include all currencies and countries,. Therefore the business is limited in the interim. Additional financial services and training collateral may also be an option to create trust in their brand and encourage users to use this service vs. others [20].

## **10. Conclusion**

In conclusion, the total market for remittance payments by consumers in the foreseeable future is expected to grow considerably. TransferWise is targeting the consumer with the willingness to bank online or using mobile apps. Through targeted advertising, educational promotions, and significant word of mouth incentives, we believe we can successfully grow the existing business into new markets such as Mexico. In doing so, we expect to maintain the annual gains in market share corresponding to a ~25% annual increase in revenue. Goals and targets will be established and monitored in relation to both the industry and the customer base to ensure our targets stay on track.

# **Appendix A:**

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## **Appendix B**

<b>Consumer adoption factors</b>	<b>Interview Response</b>
<b>Transaction fee</b> - Are you concerned about the transaction fees?	<p><i>"Previously I didn't know and was always using provider A, till I checked the exchange rates for company B. Then I realized it was far better"</i></p> <p><i>"I didn't know much about the exchange fees, but I will definitely change if there is a new way of sending money cheaper than the existing services"</i></p>
<b>Convenience and Ease of use</b> - Why do you not use online channel but just Agent location?	<i>"Online is supposed to be simple, but it seems to be more complex than going to an agent. I do not want to fill too many forms online or have to provide my social security number just to send money"</i>
<b>Fee transparency</b> - Do you think with your current service provider their fee structure is transparent to you?	<p><i>"I tried to check the exchange rates for a given service, but I found three different rates and I was told it will even depend on the agent location I intend to send the money from"</i></p> <p><i>"I think the exchange rates are transparent to me, because I use the online fee estimator to calculate the rates prior to sending money"</i></p>
<b>Broad distribution channel</b>	<i>"The service should have a lot of agents for receipt of the money (at least comparable to what company A and B has)"</i>
<b>Security Concern</b>	There were no security concerns raised during customer interviews.

Table 2. Customer interview response analysis

## **Appendix C**

## Market Research Log

### Key Learnings:

- Gaining a true understanding of your end customer is far more difficult than expected. It becomes very easy to use existing stereo typed groups as the segment boundaries when it could be either much more broad or specific.
- You cannot please everyone so must choose carefully
- General research is far easier than developing a true marketing strategy.
- People look at situations differently. In our case, we saw multiple backgrounds and ethnicities which often created differing viewpoints.
- There is a well of knowledge out there for each industry which does not appear on the surface. Many assumptions about this consumer remittance industry had to be shelved due new knowledge.

## Appendix D

### TransferWise can send and receive these currencies:

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**EUR - Euros** - TransferWise can send out and receive Euros anywhere within SEPA. *(Please note that we can only make transfers with conversions - we **can't** send money from EUR to EUR.)*

**GBP - Pounds Sterling** - Within the UK (including Gibraltar, the Channel Islands, and the Isle of Man).

**USD - US Dollar** - TransferWise can only send out USD to checking accounts in the USA. TransferWise can receive USD via ACH bank debit, domestic wire, and international SWIFT payment.

**AUD - Australian Dollar** - TransferWise sends out AUD via local transfer within Australia. TransferWise can only receive AUD via [SWIFT international payment](#) (this direction is opt-in).

**CHF - Swiss Franc** - Within Switzerland and Liechtenstein

**CAD - Canadian Dollar** - TransferWise sends locally within Canada, but receives CAD via [SWIFT international payment \(opt-in\)](#).

**PLN - Polish Złoty** - Within Poland

**SEK - Swedish Krona** - Within Sweden.

**NOK - Norwegian Krone** - Within Norway.

**DKK - Danish Krone** - Within Denmark.

**HUF - Hungarian Forint** - Within Hungary.

**CZK - Czech Koruna** - Within the Czech Republic.

**BGN - Bulgarian Lev** - Within Bulgaria.

**GEL - Georgian Lari** - Within Georgia.

**RON - Romanian Leu** - Within Romania.

**TRY - Turkish Lira** - Within Turkey.

### TransferWise can only send out these currencies (via local transfer)

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**INR - Indian Rupee** - TransferWise sends out INR via RTGS, NEFT, TPT (as appropriate) to INR-denominated accounts in India.

**SGD - Singapore Dollars** - Within Singapore.

**NZD - New Zealand Dollars** - Within New Zealand.

**HKD - Hong Kong Dollars** - Within Hong Kong.

**MYR - Malaysian ringgit** - Within Malaysia.

**PHP - Philippine Peso** - Within Philippines

**BRL - Brazilian Real** - Within Brazil - TransferWise can send payments to private recipients within Brazil. Currently we are unable to send business payments to BRL.

**NGN - Nigerian Naira** - Within Nigeria

**PKR - Pakistani Rupee** - TransferWise can send payments to private recipients within Pakistan. Currently we are unable to send business payments to PKR.

**MAD - Moroccan Dirham** - Within Morocco

### TransferWise can send out and receive these currencies only via SWIFT

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**JPY - Japanese Yen** - TransferWise sends out and receives JPY [via SWIFT international payment \(opt-in\)](#).