

Strategic Challenges For UAE Exchange

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The Case Description

The UAE Exchange was founded in 1980 by HE Abdulla Hamid Ali-Mazroei and B. R. Shetty, focusing its operation on providing remittance services to the people of UAE. From the year it was founded, UAE Exchange has enjoyed government support as it was formed by influential people. During its launch, Al-Mazroei was the Minister of Justice in the United Arab Emirates (UAE), and Shetty was a successful businessman who had established the largest hospital chains in Abu Dhabi. With the support of its founders and the government, by 2014, the company had expanded its operations to 800 offices globally. Over the years of its growth, the company has taken several steps to ensure it satisfies the needs of its consumers and expands its operations. In 1993, UAE Exchange became a member of the Society for Worldwide Interbank Financial Telecommunication (SWIFT), which was one of the global providers of secure financial messaging services dedicated to promoting and developing global interactions that are standardized for all financial transactions. Becoming a member of SWIFT helped the firm expand its operations to other geographical regions and launch services related to express transfer, bank notes, and gold cards. By 2015, the company had offices in the UK, Bangladesh, Sri Lanka, Oman, Kuwait, and India. UAE Exchange has other operations in the Asia and African continents, but India currently has the largest consumer base outside the UAE.

Company Profile

UAE Exchange is a company based in Abu Dhabi that focuses its operations on both domestic and international rendering services in the remittance industry. Some of the services provided by the company include foreign exchange services, loan provision, sending and receiving money, and prepaid cards, making its target market consumers interested in services related to the transfer of money, payment solutions, and currency exchange. The company has constantly worked to grow its operation by opening more branches to create convenience for its consumers, which has always been one of its priorities. The company has employed people in its regions of operation by both outsourcing and hiring natives to work in the organization to serve its consumer base, which is estimated to have nearly 150 million customers. To manage and provide efficient services to its consumers, UAE Exchange has partnered with nearly 140 banks and technology companies with whom it works to ensure operational excellence. Historically, UAE Exchange operated in more than 31 countries and reported a network of roughly 800 branches (UAE Exchange, 2016). The company suspended new branch and online transactions in March 2020, and its international holding company later entered liquidation, so the network should not be presented as currently operating.

Vision, Mission, and Goals of UAE Exchange

The core values of UAE Exchange are integrity, commitment, empowerment, and care. The vision of the firm is to be one of the most admired brands in money transfer, payment solutions, and foreign exchange. The employees of the company are guided by the core values and vision of their responsibilities to ensure quality is maintained. The company believes in successful collaboration to help advance the interest of its customers by introducing and using innovative products and services. UAE Exchange is, further, built on trust, value, and simplicity to ensure that the company facilitates making the lives of its consumers easy. The mission of the firm is to explore its realm and explore opportunities that are present in the remittance industry (UAE Exchange, 2018).

Trends Affecting the Remittance Industry

The remittance industry plays a vital role in the development of economies. In 2014, the top countries that sent money in the remittance industry included the United States, Saudi Arabia, and UAE in that order.

Although technological advancement, such as blockchain transfer technology, continues to create modernized opportunities for money transfer across borders, various challenges threaten the growth of the industry. Strict banking laws and their unwillingness to work with blockchains such as Bitcoin have posed a threat to the efficient and secure transfer of money across borders. The high costs associated with sending cash, especially between countries of different geographical areas, have been a common challenge in the remittance industry. Currently, the estimated cost for transferring money is estimated to be 7.4 percent of the total sum of money being transferred. Consumers have complained that the rate is too high, and they expect that the industry should lower this rate to 3 percent. The remittance industry can create more value for itself and facilitate growth if it addresses this customer need that has existed throughout history. De-risking is another threat to the industry. De-risking refers to the practice in which financial institutions take steps to reduce risks by closing the accounts of clients considered to be in the high-risk category. Factors such as anti-money laundering regulations and anti-terrorism financing regulations are the primary cause of de-risking in the industry (Todoroki, Noor, Celik, & Kulathunga, 2014).

Many remittance firms today are unwilling to work or partner with money service businesses in regions that are complicated or exhibit signs of high risks. Failure of the remittance regulators to embrace more efficient and modern ways of identifying senders is a threat to the money transfer industry. The operators in the remittance industry need to embrace innovations such as automated identification, better foreign exchange management, and real-time cross-border settlements. Lack of interoperability among the remittance operators acts as a threat to the industry since it limits cooperation and collaboration to help in addressing the remittance consumer demands. Despite the challenges, reports indicate that the global cross-border remittance volume has continued to grow

from 2012 to 2017 and is expected to continue (Tech Insider, 2015). However, the industry will have to change if it hopes to improve its average growth in the number of cross-border volumes.

Strategic Challenges

UAE Exchange uses a customer-centric approach to deal with the trends that affect the remittance industry. The primary drives of the customer-centric strategy are people, products, and operations (UAE Exchange, 2018). The strategy aims at creating a competitive advantage for the company's brand by focusing on the demands of the customer. The company also makes use of a compliance program to achieve its mission of dominating and becoming the global leader in the remittance industry. Although the strategies seem efficient, various tactics can be initiated to reduce the challenges being encountered by implementing the strategy.

Cost Leadership Strategy

Consumers in the remittance market are demanding a reduction in the prices of money sent using money transfer operators. An effective strategy that the firm can implement to penetrate and assist in the growth of the remittance industry is a cost-leadership strategy. A cost leadership strategy requires a firm to reduce its operational costs so that it can offer its products and services at a considerably lower price than the competitors. Although the strategy is challenging to deploy in most instances, companies that have successfully implemented it, like Walmart, have gained a competitive advantage in their respective markets and created their dominance. For the strategy to work efficiently, companies must ensure that they retain the quality of the products and services they offer. One advantage of cost leadership is the ability of the strategy to attract a large market share segment. A large portion of consumers in any market tend to purchase products and services from companies with lower prices and acceptable quality. Cost leaders in various markets tend to keep their operational costs low by minimizing their advertising, research, and development projects (Chang, Fernando, & Tripathy, 2015). UAE Exchange can apply the cost leadership strategy to fulfill the demand of the remittance consumers by lowering the prices of its products and services. Attracting a large consumer base will help eliminate the challenge of derisking the company. Having a large consumer base will limit the fear of loss possibility, lack of customers, and competitors that can encourage the firm to venture into challenging geographical regions.

Differentiation Strategy

UAE Exchange can use the differentiation strategy to overpower the challenges associated with the remittance market. The differentiation strategy calls for a firm to create sufficient distinct products and services that set the company apart from competitors. Excellent differentiation strategies aim at creating value for a product by making it unique in the eyes of consumers that, in the long run,

provide a competitive advantage to the firm. Apart from products and services, firms can use pricing and the general organization to differentiate themselves in their markets. Pricing is aimed at supporting the organization and is usually based on supply and demand. Firms can differentiate themselves by using price by considering the lowest value or higher prices to create superior or innovative products. Organizational differentiation involves maximizing the brand's power using specific advantages such as location, name recognition, and customer loyalty. Virgin Airlines and Nike are good examples of companies that have gained a competitive advantage in their markets by implementing a differentiation strategy (Leinwand & Mainardi, 2016). The differentiation strategy can help UAE Exchange overcome the challenges in the remittance market and achieve its goal, vision, and mission. The firm can decide to differentiate its price, organization, and services to a superior quality compared to the competitors to maintain its service prices at the current market prices. Although consumers in the remittance market consider the prices for the service high, lack of embracement to the modernized tools and platforms is the primary reason for the law services in the industry. The money transfer market, for example, can take a broad step and partner with one of the blockchain firms, such as Bitcoin. Although risky, the partnership can provide numerous opportunities for UAE Exchange to overcome the challenges in its industry and fulfill its goal.

Defensive and Alliance Strategies

Defensive and alliance strategies can help UAE Exchange maintain its competitive advantage and leverage the challenges in the remittance industry. Defensive strategies refer to those tactics that a firm puts in place to distance itself from competitors to maintain and increase its competitive advantage. Defensive strategies have closely been linked to differentiation and cost leadership since they tend to keep the benefits gained by a firm in check. The major difference between the defensive and the two other strategies is that the latter is offensive. Defensive strategies are used by firms in the category of global leaders (Reeves & Haanaes, 2015). UAE Exchange is considered one of the global leaders in the remittance industry as a result of its achievement. Western Union and MoneyGram are its main competitors, providing leverage for itself for the implementation of the defensive strategy. Alliance strategy involves creating a competitive advantage by seeking strategic alliances with other companies in the same market or from other sectors. Strategic alliances are considered joint ventures that require the involved businesses to combine their operational activities to pool resources and provide exposure to themselves at the expense of competitors. Strategic alliances are meant to bring organizations together so that they can accomplish a common goal. The agreements between the involved parties can either be formal or informal, but each of the companies must have responsibilities that must be performed. Strategic alliances further allow businesses to pursue opportunities in their markets at a faster rate than they would if they did so individually. Additionally, both companies are guaranteed access to additional knowledge and resources. Strategic alliances must not necessarily involve the merging of assets and funds, reducing the complexity of the strategy. UAE Exchange can use this strategy to deal with the problem of interoperability in the remittance industry. Currency, there is a lack of information sharing between the money transfer

operators, which has created blindness in clearly seeing the demands of the consumers. UAE Exchange can try to create partnerships with other businesses to overcome the challenge of interoperability.

Customer-Centric Approach

Customer-centric strategies aim to provide customers with positive experiences to help drive profit and provide a competitive advantage for the firm. The right customer-centric strategies help a company gain customer loyalty. Achieving customer loyalty is vital for any organization that wants to be valued in its markets (Kumar, Lahiri, & Dogan, 2017). The vision of UAE Exchange is to be one of the most admired brands in the remittance industry. Achieving customer loyalty is, therefore, vital for the company to the realization of the vision. The customer-centric strategy applied by the firm focuses on improving customer experience with UAE Exchange's products and services. The company has put in place innovative features in its products and services and has hired customer care professionals to deal with customer complaints. The tactics applied by the firm are vital since they pose the ability to help the firm gain the consumer's loyalty. Customers prefer to purchase products and services from an organization that values their challenges and continually works to improve them. Having customer care professionals assist consumers with their challenges is a tactic that will help create value for the UAE Exchange.

To achieve its goal of becoming the most valued brand in the remittance industry, UAE Exchange will have to satisfy its customers. One way of achieving customer satisfaction is by addressing the demands of the consumers. A customer-centric strategy can help UAE Exchange improve its customer satisfaction. Successful customer-centric strategies aim to reveal to an organization the customers' preferences and help it tailor its operations in a way that fulfills the needs of its consumers. Research indicates that customer-centric approaches help a firm have a clear view of its consumers so that it can segment them and know those with the highest lifetime value. Excellent customer-centric strategies focus on nurturing relationships with customers that exhibit high customer lifetime value. Companies that profit from customer-centric approaches increase their bottom line and experience profit growth from their operations. UAE Exchange has already started benefiting from its customer-centric approach. The company has spotted the need for innovative features in its products and services, and it has currently started introducing these features to its consumers. Recently, in the Digital Leader Awards Ceremony, UAE Exchange won the Emerging Digital Award, which proves that it is working towards overcoming the demand by remittance consumers wanting innovative products and services. The company was recognized for encouraging an innovative culture in its operations and work by adopting the latest technology, such as the contactless wearable (Gigabit, 2017). Modern consumers in the remittance market are more digitalized and demand services and products that are digitalized and efficient. By adopting a rich, innovative culture in its customer-centric approach, UAE Exchange will increase its level of customer satisfaction, which can help it create value for itself.

Compliance Program Strategy

The benefit associated with compliance programs is the proactive nature of the strategies. Compliance programs create structures regarding the obligations and risks of the company's operation in specific areas. Good compliance strategies help employees and the organization proactively understand what is required of them. Through compliance programs, organizations can avoid crises such as monetary loss, financial penalties, and legal issues. Such prevention will help a company build and retain its reputation in the eyes of consumers. Reputation is vital for a company that visualizes creating and maintaining value for itself in the market. However, effective compliance strategies require the management to dedicate themselves to the strategy and follow up on compliance incidents, which can be time-consuming. To create value, UAE Exchange will have to maintain the good reputation that it has created itself by becoming one of the global leaders in the remittance industry. A good compliance strategy initiated by the company is an excellent tool for achieving the company's set objectives, mission, and vision. The compliance program initiated by the company sensitizes the employees to specific key issues in their areas of operation. UAE Exchange compliance strategy initiates tactics such as following the chain of command, adhering to state laws, and engaging in ethical practices in and outside the workplace. UAE Exchange compliance programs take into consideration the communities in the region in which it operates by hiring natives and supporting community service institutions such as education and healthcare.

Differential-Focus Strategy

Today's modern markets have changed, and applying one strategy to achieve organizational objectives is insufficient. The strategy of UAE Exchange focuses on providing exceptional services to its customers in the market. The compliance program is another strategy that is meant to guide employees on how to behave to create a good image for the company. The customer-centric approach guides the overall operations of UAE Exchange in handling customers. Analyzing the tactics applied reveals the presence of the focus differentiation strategy. A focused differentiation strategy involves a firm offering unique features in its products and services to its consumers in a specific market to fulfill their demands. Focus differentiation strategies can concentrate on particular channels, such as sales or specific demographic groups. The focus differentiation strategy concentrates on demographics as its market niche, which are the consumers of the remittance industry. Excellent focus differentiation strategies aim to create uniqueness in a brand to provide it with a competitive advantage in the market (Dobni, 2016). UAE Exchange creates uniqueness in its products and services by incorporating technology as it tries to fulfill the demands of its consumers. The focus is also on improving the customer experience, which the firm hopes will differentiate it from its competitors such as RIA and Western Union. UAE Exchange hopes that creating a different experience for its customers will assist in making its brand unique in its market and gain value. The differentiation strategy seems to work in its favor as it expands its operation to other regions.

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Appendix A

The remittance industry is comprised of systems such as Remittance Service Providers (RSP), Remittance Corridors, Money Transfer Systems, and Remittance Networks. The services in the remittance market are divided on the basis of how the network access points are created and linked. The four categories of remittance systems are negotiated services, franchised services, open services, and unilateral services. The key factors for the growth of the remittance market are international migration, growth in urbanization, economic growth, and rising employment.

Appendix B

Figure 1: Top Remittance Sending Countries

Figure 2: Global Cross-Border Remittance Volume