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The transformation of the transfer payment industry – Western Union’s competitive  
response to the dynamic changes of industry from 2009 to 2020

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# Abstract

A transfer payment is a one-way payment to a person or organization where no goods or services have been provided or exchanged. In general, the term "transfer payment" is used by social welfare programs such as welfare, scholarships, and social security to describe government payments to individuals. The Transfer Payment industry is under a transformation driven by COVID-19 pandemic, innovative technologies, and international changes and movements of growing customers. There has never been a more important time to build resilience into the core of the transfer payment industry. Numerous changes in the international arena are encouraging the development and deployment of international payments around the world; events such as expanding international trade and FX trading are leading this evolution. For many years in fact the biggest banks, credit companies and financial giants have ruled this sector but in recent times their influence seems to have been challenged. Since 2014, in fact, various investors have begun to invest in blockchain and mobile payments. This has generated strong concerns on customer data and the resulting regulatory changes. Thanks to next-generation payment methods that surpass banks and credit cards, the unbanked and underbanked have increased their economic activity. As the years go by, people and the economy, thanks to technological development, are becoming increasingly digitized and more likely to use international payments. The development of e-commerce is driving expectations for faster and simpler transactions. In recent years, companies have begun to digitize their processes and business models and the COVID-19 emergency is encouraging the economy towards this new goal, also due to security factors. The crisis is accelerating industry trends and competitive forces: multicultural and transformation competencies, innovation, digitization, sustainability, and compliance. Western Union (WU) is one of the leading global money transfer and financial services companies in the world. This research contribution aims to analyze which are the competitive forces

transforming the Transfer payment industry. Then the research will investigate which competitive strategies have been implemented by WU and if these strategies have been successful through stock exchanges prices analysis in the period 2009-2020, important period of transformations. I will analyze Company's annual reports, perform interviews and questionnaires with some executives to understand the effectiveness of implemented strategies. In addition, this study will analyze if cash flows generated by the company have been invested or returned to the shareholders through buy-back or dividends during the last ten years.

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# Chapter 1: Introduction

## 1.1: Research Overview

In 2009, Western Union and MoneyGram were the largest money transfer providers and influenced the market share with 17.7% and 5.9%. However, since 2009, the money transfer business has changed by the entry of several new fintech start-ups into the industry such as World Remit (2010) Flywire (2011), TransferWise (2011) and many others that have tried to limit Western Union's control. This thesis will highlight the strategies implemented by Western Union to defend themselves from their competitors and maintain their leadership position.

WU in recent years used some strategies to maintain his role in the market. Pressure from new market entrants since 2010 has resulted in a decline in WU's market share. This has forced the company to develop competitive responses which are rooted in its intangible resources and capabilities.

This research identifies main actionable steps companies might use to retain market share.

## 1.2: Research Aims and Objectives

The overall objective was to study Western Union's strategies to defend itself against the entry of new players and, in so doing, stabilize its market share and to strategic responds to international changes like Covid-19, digitization, innovation, partnership, and contraction of retail's market. The specific objectives of this thesis were:

- to analyze the changes from the strategic point of view put in place by the company especially over the years, to keep pace with changes in the international market, (COVID-19 19, innovation, importance of digital and online platforms, partnerships, contraction of the retail market)
- To judge whether the strategies implemented by Western Union have generated a competitive advantage over competitors useful to analyze this point considering the resource-based theory. This theory emphasizes the importance of the company's resources in gaining and maintaining competitive advantage and for the company's success. To this

end, resources must be idiosyncratic and difficult to imitate; consequently, there is a strong emphasis on the company's competencies and skills that are realized through the integration and combination of individual capabilities [76].

### 1.3: Research Rationale

There is a lot of literature on the possibility of new players entering a market and how companies already present in it can defend themselves in order not to lose market share. This information may be useful considering that this situation occurs in various sectors that especially in recent years are evolving influenced by the increasing importance of technology and digital.

The idea is that this information should be considered and be of help to Western Union itself: it would allow to have a clear picture of the business and of the main strategies that have been more successful in recent years, always making a comparison with other competitors. Finally, on a broader level, the hope is that this report will also help other types of companies such as start-ups that are entering the market for the first time and must face the choices of larger companies.

### 1.4: Research Context

To realize this research, I followed some major steps.

- 1) Gather data by collecting literature information and major government sources on industry and the company; find trends and competitive forces leading the transformation of industry and which business models are adopted by the company.
- 2) Evaluation of the implemented strategies by the company during the last 10 years through financial ratios and cash flow analysis of company's annual reports, stock exchange data.
- 3) Proceed with interviews with some executives of the company to obtain information on company performance and strategies useful to compare with financial performance retrieved Company's annual reports.
- 4) Comparing the information retrieved company performance analysis. Then perform a gap analysis of research results and discussion of Q&A with WU executives.

4) detailed presentation of the results with the use of graphs and diagrams with conclusions of research results and recommendations for company future performance

## 1.5: Outline of Chapters

The objective of this thesis was to study the strategies implemented by Western Union to defend itself from new players and retaining its market share and to strategic responds to international changes like COVID-19, digitization, innovation, partnerships, and contraction of retail's market. Which strategies and capabilities/change management capabilities, etc. does WU possess to respond to disruptive changes?

The paper will analyze the main competitive strategies employed by Western Union to retain market share and it describes through financial analysis and market stock prices if these strategies have been successful or not.

The first chapter gives a brief introduction to the work. it provides important details about objectives, aims, methodology and context.

The second chapter will explain the literature used by this work by examining in detail the money transfer industry and its evolution. In the chapter there will also be an analysis of the resources and capabilities that bring competitive strategies and therefore competitive advantage through the adoption of the RBT model and Porter's five forces model.

The third chapter will explain the methodology chosen to carry out the work will be analyzed in detail. Important reference will be made to the work of data collection, with attention paid to interviews and methods of data collection while always bearing in mind the privacy put in place by the company being listed on the market. the positivist philosophy used in the writing of the thesis should also be mentioned.

The fourth chapter will focus on the research findings. Specifically, firstly, the paper will examine Western Union's pricing strategy, explaining the pricing strategy implemented by the company. After that, the omnichannel strategy will be analyzed considering the various channels used by WU. The chapter will also analyze the strategies in terms of digitization, covid-19, Brexit and the strategy

used to cater to the unbanked and underbanked market segments. It will also study the partnership strategies with service providers and large institutions and evaluate their effectiveness in relation to that of competitors. Finally, the paper will analyze the impact that M&A strategies have on the firm's business and their impact on market share.

Chapter 5 will focus on the discussion of results. Considering the results deriving from the analysis of the performance indicators and the tables of the various reclassified financial statements. At the end, a focus for future result has been done.

Chapter 6 focuses on the conclusion and recommendations. After a summary of the work is added the research is concluded.

## Chapter 2: Literature

### 2.1: Literature review and the money transfer industry

A transfer payment is a one-way payment to a person or organization for which no goods or services have been provided or exchanged for it. This is a difference with a payment, which refers to a transfer of money in return for a product or service in economics. Many other types of transfer payments exist. They can be made for an organization from one person to another or even from an individual. These can include individual donations or even a simple cash gift from one person to another to charities or non-profit organizations. During severe economic recessions, transfer payments are often introduced or expanded. Social Security, for example, was created during the Great Depression by the Roosevelt administration.

More recently, although smaller in scale, Congress voted in March 2020 to provide most Americans with direct cash payments of \$1,200 billion, totaling some \$250 billion, as well as additional direct assistance to U.S. workers affected by the economic collapse driven by the coronavirus. (Congress also approved bailouts of \$500 billion for U.S. corporations.)

To support those in need and stimulate the economy, many countries provide direct cash assistance to people during economic recessions. There is a "multiplier effect" on transfer payments, according



to Keynesian economics, meaning every dollar in payments stimulates a chain reaction that results in more spending than just the original dollar.

Two main types of transfer payments exist.

A bank transfer from the government is received by more than 100 million poor people around the world. An estimated 90 percent of high-income nations make these payments through methods of electronic transfer, while more than half of developing countries in the world use paper payments such as cash or checks. The most common method of transferring benefits to beneficiaries is payment by wire transfer.

In-kind transfers consist of individual goods and services provided by government agencies and non-profit household serving institutions (NPISHs) to households that are bought on the market or produced by government agencies or NPISHs as a non-market product.

The included items are:

- Allowances for social security, reimbursements
- Other in-kind social security benefits (e.g., food stamps)
- In-kind social assistance benefits
- Transfers of individual goods or services which are non-marketable.

In countries such as India, Canada, Australia, the USA and China, transfer payments are most often used.

In Keynesian economics, when there is an increase in transfer payments (e.g., social spending, unemployment payments), the multiplier of transfer payments is the multiple by which aggregate demand will increase. Transfer payments do not fall into the same theoretical category as government spending on goods and services, because this type of payments is not causally linked to the market for goods.

One dollar of transfer payments results in the recipient spending up to one dollar. In turn, the recipient of that expenditure has experienced an increase in revenue and spends a portion of it on more products, giving part of the income of the next person of which is spent, etc. The result of this chain reaction may be that aggregate spending has increased more than the origin.

As the recipient of the transfer payment does not necessarily spend all the original dollar, the resulting multiplier is likely to be somewhat lower than the multiplier for government spending on goods and services.

Analyzing the transfer payment industry, it is worth mentioning the Hall of Payments,[50] created by ABI and ABI Events in 2016 with the aim of bringing together a rapidly evolving sector such as payments, has immediately become the most important national event on the topics of innovation in the financial sector and has assumed the role of key event not only for insiders but also for the dialogue with citizens and for the financial education of new generations.

Top 5 goals of the payment hall are:

1. To offer an open cultural appointment, on the themes of innovation and digitalization
2. To spread awareness of new payment products and solutions
3. Involve all relevant players in the sector, along with citizens and students-
4. Promote networking, skills exchange, and financial education.
5. Help start-ups and fintech's to become known.

## 2.2: Porter's five forces model and Resourced-Based Theory

According to Porter, one of the leading academics on business strategy, the goal of the business should be to achieve and maintain a sustainable competitive advantage over time, as measured by the ability of the business to achieve a higher and more stable profitable performance than other companies in the same industry. In addition to this another important element is to ensure proper consistency between the business objectives, resources, business competencies and the characteristics of the environment or context of business operations.

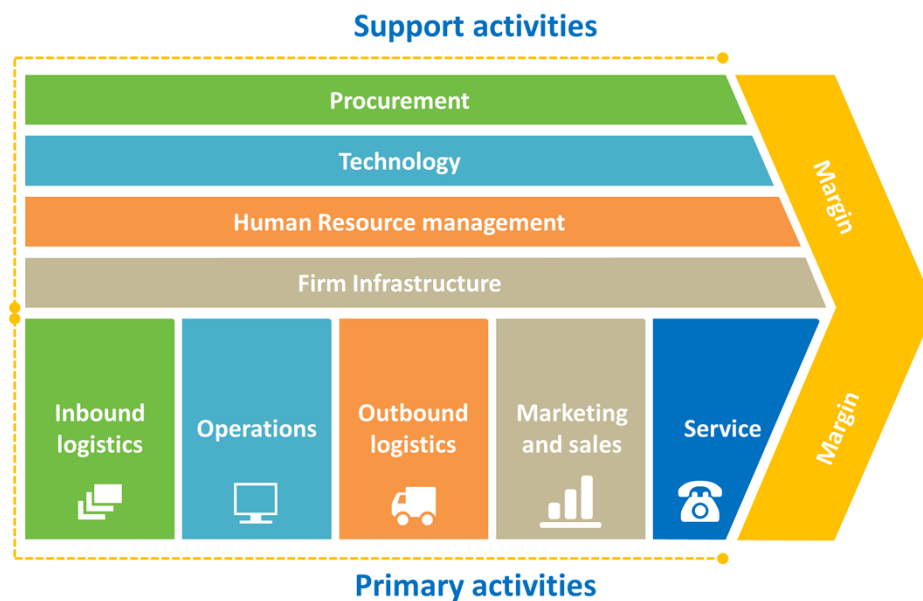
## Porter's Five Forces – Payment Industry



**Fig.1 – Porter's five forces**

Two analyses can be conducted to identify a competitive advantage.

**Inside-out analysis:** Porter here states that competitive advantage grows primarily from the value that a company can create for its customers to exceed its cost of creation. Value is regarded as what buyers are willing to pay and greater value is created by offering lower prices than competitors for the same benefits or by providing unique benefits that more than compensate for higher prices. Thus, we can deduce that competitive advantage derives not only from the ability to perform certain types of activities in a manner more efficient or effect than that of the competitors, but also from a more particular condition, namely that which derives from customers attaching value to these activities and at the same time increasing value for buyers as well. The tool used by Porter is the value chain.



**Fig.2- The value chain**

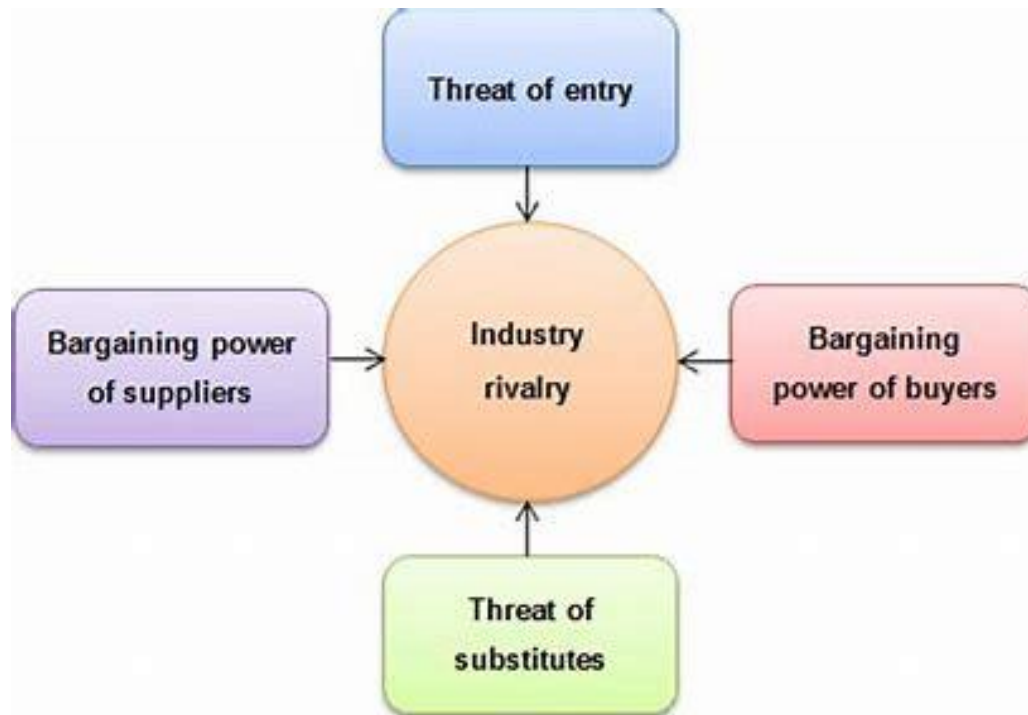
In the figure the value chain visualizes the total value and includes two elements: value generating activities and the margin. The first cover all the activities carried out by the business to plan, produce, sell, deliver, and lastly provide post-sales support to customers after purchases. They can be divided into five primary and four secondary or supporting activities. Primary activities essentially refer to the physical movement of materials and finished goods (logistics) and those that make up the production and sales cycle (manufacturing, marketing and sales and services). Secondary activities refer to the support of primary activities, necessary to carry them out effectively and efficiently (business infrastructure, human resource management, procurement, and technology development). Both primary and secondary activities produce value for the customer and consequently the price consumers are willing to pay for goods. The margin is the difference between the actual value created for the customer and the total cost incurred by the firm to perform the value-generating activities, a cost that can be reduced in both the primary and supporting activities segments. Competitive advantage, however, exists only when the value created for the market is greater than that created by competitors at the same cost or at the same value but with lower costs. The value chain model therefore represents a useful diagnostic tool for analyzing the value

generation model of the business and a lever for building a business model that can achieve and sustain a competitive advantage.

**Outside-in analysis:** it refers to the external analysis. For Porter, the starting point in the strategy formulation process must derive from analysis of competition in the company's operating environment.

Porter emphasizes the importance of the sector in which the company operates. For him, the sector is a dynamic space in which forces act to influence the company's conduct and results, and which constitute the extended competition with which the company must relate and measure itself. Therefore, he proposes to analyze the sectors and evaluate the attractiveness of the sector (in terms of medium/long-term profitability by operating in it) using the Five Forces Model. The model is composed of five forces:

- 1) direct competitors
- 2) customers
- 3) suppliers
- 4) substitutive products
- 5) threat of new entries



**Fig.3 - Five Forces Model [35],[64]**

### **Competition in industry**

The first of the five powers refer to the number of rivals and their ability to undercut a business. A firm has greater power to enforce higher prices to obtain higher prices and sales from buyers and suppliers when competition is low. Conversely, when competition is high, a firm obviously has less power to undercut suppliers and buyers, who will then obtain concessions and the firm's profits will then be lower.

### **Potential for new entrants in an industry**

The power of a company is also influenced by the strength of the new entrants in its market. The easier it is for a company to enter the market, the weaker the position of the existing company in the industry will be. Obviously, an industry with high barriers to entry is ideal for existing companies in that sector, as they can more easily maintain control of the market and not suffer declining margins and profits.

### **Supplier power**

The factor examined concerns the bargaining power of suppliers vis-à-vis the company in the industry. Supplier power is influenced by the number of key input suppliers to a good or service, how distinctive these inputs are, and how much it would cost a business to switch to another

supplier. The fewer suppliers in an industry, obviously, the more dependent a business is on a supplier, resulting in more power in the hands of suppliers who will be able to drive up input costs and push for other trade benefits. Conversely, a company can enforce its input costs lower and increase its profits when there are many suppliers or low switching costs between rival suppliers.

### **Customer power**

This force reflects the ability of clients to lower prices, or one of the five forces is their power level. It is affected by how many buyers or customers a business has, how important each customer is, and how much it would cost the business to find new customers or markets for its manufacturing. A smaller number of clients and many clients are obviously forcing the company to impose lower prices and better offers. On the other hand, a business that has many smaller, independent clients will be more likely to charge higher prices to boost profitability.

### **Threat of substitutes**

The threat posited by goods and services was explained through the last of the five forces, which can go on to replace those of the company. Firms producing goods and services that are alone and do not have a threat of substitutes, will have more leverage and be able to raise prices and obtain more favorable terms. When substitutes do exist, clients will be able to opt out of buying the product of a company, and the power of a company may be weakened.

Understanding Porter's Five Forces and how they apply to an industry can enable a company to adjust its business strategy in the best and most efficient way possible to use its resources and generate greater returns for its investors.

In the case of Western union, Porter five forces model was used to better understand the structure of the Industry in which the company operates and its profitability in order to gain as much competitive advantage as possible. Starting with the company's typical resources and competences, Western union was able to develop strategies such as pricing, digitization, omnichannel and M&A to gain a competitive advantage and growth in market and performance. In detail, Porter's model in this paper will be used to study in depth the sector in which the company operates and how the implementation of the strategy will be useful to obtain a competitive advantage. Through Porter's model, hypotheses will be implemented and validated.

Going into the details of competitive advantage, three main strategies can be highlighted: cost leadership, differentiation, and focus.

Each of these involves creating or modifying the corporate value chain to enable its implementation.

### **Cost leadership**

If a company follows a cost leadership strategy, it will become the cost leader in the industry. To be successful with this strategy the company will have to be able to manage the so-called cost drivers; economies and diseconomies of scale, learning economies, the degree of capacity utilization, the interrelationships between business units, which determines the opportunities to exploit synergies by implementing horizontal strategies, the degree of vertical integration, the geographical location of production units, institutional factors. In conclusion, the cost leadership strategy is an effective defense against the five forces of Porter's model.

### **Differentiation**

A firm pursues a differentiation strategy when it offers customers a value that is perceived as superior to that offered by the firm's competitors. The success of this strategy depends on the firm's ability to develop determinants or factors that can have a highly distinctive impact. It is also necessary that the customer recognizes and perceives the value element brought by the company through the differentiation strategy. Essential in this process are branding tools, such as advertising, corporate reputation, product image and branding.

As in the case of the cost strategy, differentiation improves the position of the firm with respect to the five competitive forces for several reasons.

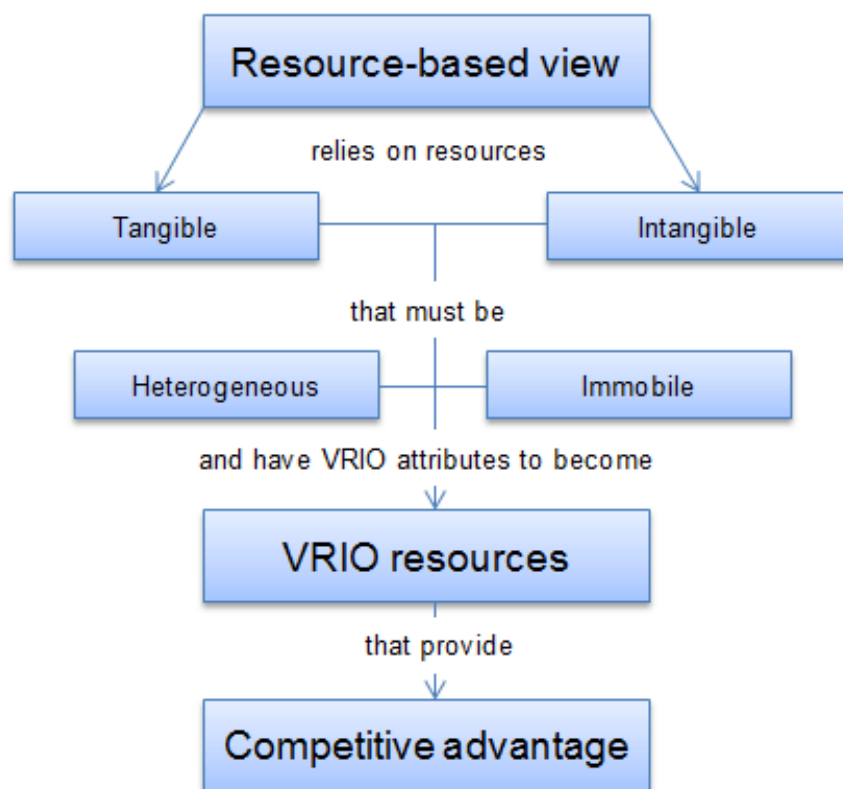
- 1) relative to competitors, differentiation decreases product replicability, increases customer loyalty, and decreases customer price sensitivity.
- 2) by obtaining more loyalty from consumers, the entry of new competitors will be made more complicated.
- 3) higher margins allow the firm to cope with increases imposed by suppliers, thus holding more power.



## Focus

Focus is a strategy that allows the company to pay attention to the most interesting and promising markets and avoid wasting competitive resources to gain cost leadership or differentiation in the whole market. It may be focused more on a cost strategy or on a differentiation strategy. Porter suggests some more precise bases of market segmentation such as: product line, buyer group, distribution channel, geographic location of the buyer. Company must also be ready to face possible transformations in the market. [35,64]

The Resource-Based View is a model that considers resources as a key element in achieving improved business performance. RBV is a useful approach to achieve competitive advantage that emerged in 1980s and 1990s after the publications of some authors. This figure highlights well the structure of the model and the key points:



**Fig.4- Resource based view** [35],[39]

As evidenced from the model great importance comes given to the resources, divisible in two types: tangible and intangible.

The tangible resources are physical elements like Land, buildings, machinery, equipment, and capital. The physical resources moreover can be easily obtained on the market, therefore they allow little advantage to the companies in the long run, because the rivals can soon acquire the same assets.

Intangible assets, on the other hand, are all the items that are not physical but are owned by the company. Brand reputation, trademarks, and intellectual property are all intangible assets. Unlike physical assets, these types of assets cannot be obtained from the marketplace and usually remain within the company, representing the main element of sustainable competitive advantage.

Condition in RBV is that the resources Must be heterogeneous and immobile. [35],[39]

The first assumption of RBV is about the differentiation that must exist between skills, capabilities, and other resources across organizations. If absurdly, organizations had the same amount and combination of resources, strategies that would allow them to outperform each other could not be implemented.

RBV's second assumption is that resources are immobile and do not move, at least in the short term, from one business to another. Companies cannot replicate the resources of rivals and implement the same strategies because of this immobility. Brand equity, procedures, knowledge, or intellectual property are some examples of intangible resources.

While it is critical to achieve a competitive advantage to have heterogeneous and immobile resources, if the company wants to sustain it, it is not enough on its own. The authors identified the framework of VRIN that examines whether resources are valuable, rare, costly, and non-substitutable to imitate. Sustained competitive benefits are the resources and capabilities that confirm all this questions.

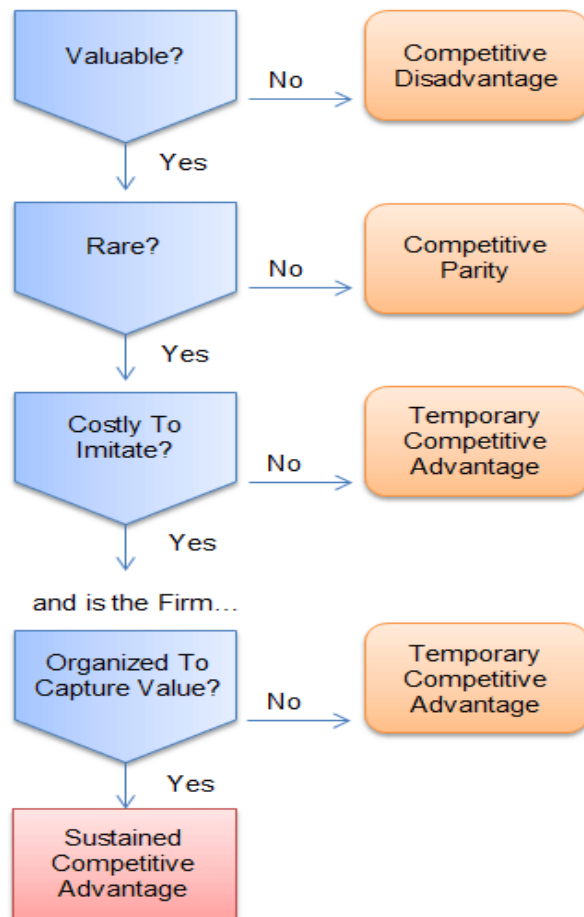


Fig. 5 – VRIO framework [35],[39]

**Value.** If they help businesses boost the value offered to customers, resources have value. By increasing differentiation or/and decreasing manufacturing costs, this can be achieved. A competitive disadvantage is caused by resources that are unable to satisfy this condition.

**Rarity.** It is considered that resources acquired by one or a few businesses are rare. Competitive parity is determined when more than a few businesses have the same resources or capacity.

**Imitability.** At least a temporary competitive advantage may be gained by a business that has a valuable and rare resource. However, for a competitor to imitate or replace the resource must still be costly; if these conditions are met, the firm in question has a competitive advantage.

**Organization.** If it is not organized to capture value, the resources themselves are not sufficient to create an advantage for a business. It can only gain a competitive advantage if the company is able to exploit valuable, rare, and hard-to-imitate resources.

In the case of Western Union, RBT was used to identify the specific resources, capabilities, competencies, know-how and distinctive traits of the company to develop competitive strategies such as pricing, omnichannel, M&A and digitization that would defend the company from its competitors. This has also been useful in responding to the challenges and transformations of the transfer industry, ultimately resulting in competitive advantage and improved performance. In this paper the model will be used to validate the hypotheses highlighted in the empirical part and to ascertain the presence of a competitive advantage obtained through the implementation of the single strategy.

## Chapter 3: Empirical part and Research Methodology

### 3.1: Research methodology

This paper combines data obtained through interviews with Western Union executives, with quantitative data obtained from analysis of annual company reports, company releases, videos, interviews, and with data obtained from a thorough web search.

In this paper, the research approach I intend to use is based first on the question to be answered based also on my personal interests. Next step will be to proceed with a thorough literature review with a careful analysis of the area of interest. Next, I gathered the data to carry out the paper in a certain order, analysis of secondary data, interviews with some WU executives, analysis of some key cases in the last few years of the company, and a careful web search for information relevant to the paper. Finally, I identified and analyzed in detail some key strategies of WU such as pricing, omnichannel access, M&A, partnerships, digitization, Covid-19, Brexit and targeting.

### 3.2: Research Philosophy and approach

The research philosophy is based on the strategy by which data are collected, analyzed, and used. It is primarily concerned with the evolution of knowledge and the way in which data is generated using the primary and secondary research used to carry out the elaboration [24]. This elaboration

uses a positivist trend. Positivism is based on the observation of knowledge carried out in an objective manner and is also based on deductive methods and the quantitative analysis of data. The main thrust of this philosophy is that research should be primarily empirical in nature, carried out through the human senses. The inductive method should be used to formulate hypotheses to be tested during the research work' [22]. According to positivist philosophy, sociologists study the connections and relationships between variables. In this paper, I will study how Western Union over the past few years has managed to preserve profitability despite the entry of new players into the market. Then, I will examine the strategies it has employed, looking for relationships between decisions and outcomes.

The research approach is a multi-stage program designed at the initiative of the company for certain methods of data collection and analysis [15]. There are two ways of studying data which are inductive and deductive reasoning. The former is based on the analysis of specific observations that highlight relationships and patterns and then formulating hypotheses that will be validated by strategies. On the other hand, deductive reasoning consists of investigating an existing theory on a topic and then, for example, developing the hypothesis with a strategy to confirm it [22].

The thesis will identify an inductive reasoning approach in that it will consider the specific observations of managers and economists about Western Union and the methodology by which the company has been able to maintain market share over the years.

The thesis will examine and evaluate the following strategies implemented by Western Union where the type of reasoning, whether inductive or deductive, will be identified.

	Reasoning	Explanation
Pricing Strategy	Inductive	Through interviews with Western Union partners, we determined year on year what changes were made and thus determined the overall pricing strategy over time.  We analyzed data collected from Western Union and other

		competitors across money transfer corridors to extrapolate a general argument about Western Union's relative competitiveness.
Underbanked and Unbanked Customers	Inductive	We looked at data collected from Western Union and competitors across specific channels to verify relative edge in serving unbanked and underbanked individuals.
Omnichannel Strategy	Deductive	Through interviews with Western Union staff members, I worked out that Western Union applies an omnichannel strategy for consumer access to services. I then checked for each specific access point whether there was a competitive edge over competitors.
Mergers and Acquisitions	Inductive	Both were done inductively as the overall strategy was inferred by analyzing several case studies that show Western Union's desire to gain market share through M&A and a competitive advantage through partnerships.
Build Partnerships	Inductive	

**Tab. 1- Analysis of main strategies [91]**

### 3.3: Research Strategy and Data Collection Methods

A research strategy is a program of action that directs the ideas and considerations that help manage research and produce qualitative results. There are various research strategies that include various data collection methodologies (interviews, action research, literature review) and they all attempt to analyze and comment on the data. For the purposes of this paper, I will use the following:

	<b>Justification</b>
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Literature review	Western Union, being a publicly traded company must annually provide many documents useful in describing the company's business. All these documents were key in deriving the data to determine an evaluation of the strategies implemented from 2009 to 2020.
Interviews	As the period considered is very recent, some key data especially related to 2020 is absent. Therefore, to compensate for this absence of data, interviews played a fundamental role in my paper.
Case studies	Western Union has made numerous partnerships over the years. Each one is unique in that the companies included in the agreements are as varied as the characteristics of the countries in which they operate. Therefore, it was essential to analyze them in depth to determine a general model implemented in the sector.
Online data analysis	Currently, there are no simple and reliable methods for comparing the rates imposed by Western Union to those of its competitors. Although there are some sites that deal with this topic, they are often not reliable, so I had to do a thorough job of extracting as much reliable information as possible from the web.

**Tab. 2- Research organization [91]**

Data collection methods included interviews with Western Union's top managers, studying articles, taking literature to analyze strategies adopted by similar companies in similar situations, and data taken from Western Union.

Step	Method	Explanation
1.	Analyzing secondary data and articles	I considered existing publications in the academic literature to identify strategies used by other companies and applied them to WU's business. Through this process, I was able to draft questions to ask WU executives.
2.	Interviews	Interviews to executives with skype calls of some hours giving me suggestions and useful materials to see
3.	Web sites analysis	I collected data and information from the interviews, especially on topics such as transfer fees, company business, financial analysis, and consideration of the company's future.
4.	Case studies	I consulted for the drafting of the paper and the identification of information through, press releases, reports, and articles information on the partnerships made by WU, doing the same with competitors.
5.	More Interviews	I also carried out other interviews to analyze together with the managers of the company the results of the case study and the considerations deriving from the results obtained by me.

**Tab. 3- Research's steps [91]**



### 3.4: Ethical Considerations

Many of my interviews were aimed at acquiring information not yet made public. However, WU is a listed company, which means that there is a lot of regulation in information disclosure. It was therefore important to maintain a high degree of confidentiality and all interviews were first approved by head office.

### 3.5: Research Reliability and Validity

Reliability and validity of research are two fundamental aspects that must be considered when writing an article. They determine the quality and validity of the information reported. Reliability is the consistency with which data is reported, while validity is the degree of accuracy of the data obtained from the research.

Method	Reliability	Validity
Analyzing secondary data and articles	The secondary data examined are public and it was possible to use them for this research.	these reported data come from authoritative and reliable sources such as peer-reviewed articles and advice from market leaders
Interviews	However, the persons interviewed cannot be named due to disclosure problems.	Qualitative data from interviews and discussions with managers were reviewed by the company, approved, and found to be totally reliable and in full compliance with company policy.
Case studies		An analysis of the nominated case studies was supervised and approved by authoritative company sources.

Data collection	Of course, it is possible at any time to verify the information given by referring to the websites used and listed in the bibliography.	the quantitative data used were identified and taken from the company's financial records, thus representing accurate and reliable indicators.
Case studies	Information about the case studies has been made public and can be found on the internet.	The case studies developed in the research were reported based on information found on various websites and articles. Most of them are reported in detail on the Western Union website and are described with lectures and interviews with the managers and the president of the company, which can be easily found on the internet.
Conclusion	The study is one of the first attempts to review the last few years of the company from a strategic point of view. It will undoubtedly be replicated and much of the information and deductions reported here will be validated and thus confirmed...	The validity of the information reported here appears to be consistent and straightforward in relation to the research methods used.

## Chapter 4: Case study: data collection and findings

The Western Union Company has existed for over 162 years and was one of the first companies to be listed on the stock exchange. Founded in 1851 by Ezra Cornell, it quickly became the largest telecommunications and telegraph provider in the US. Over the years, the company's business expanded by acquiring various companies over the years. In 1988, because of global phenomena such as globalization and technological innovations, the company's business changed to focus on money transfer operations. Today, WU counts as one of the world's largest companies with over 12,000 employees based in Denver. It has seen revenues grow significantly in recent years, managing to move \$304 billion in 130 currencies around the world.

The company's business is all about offering a fast, secure, and reliable service to move money around the world. The business is divided into three main segments:

Consumer-to-Consumer (C2C) service, which enables customers to send money worldwide via digital, mobile, and retail channels with thousands of agents, ATMs and kiosks around the world serving customers.

Business-to-Business (B2B) services enabling payment and foreign exchange services between small and medium-sized enterprises. WU also facilitates transactions.

And finally, consumer-to-business (C2B) services.

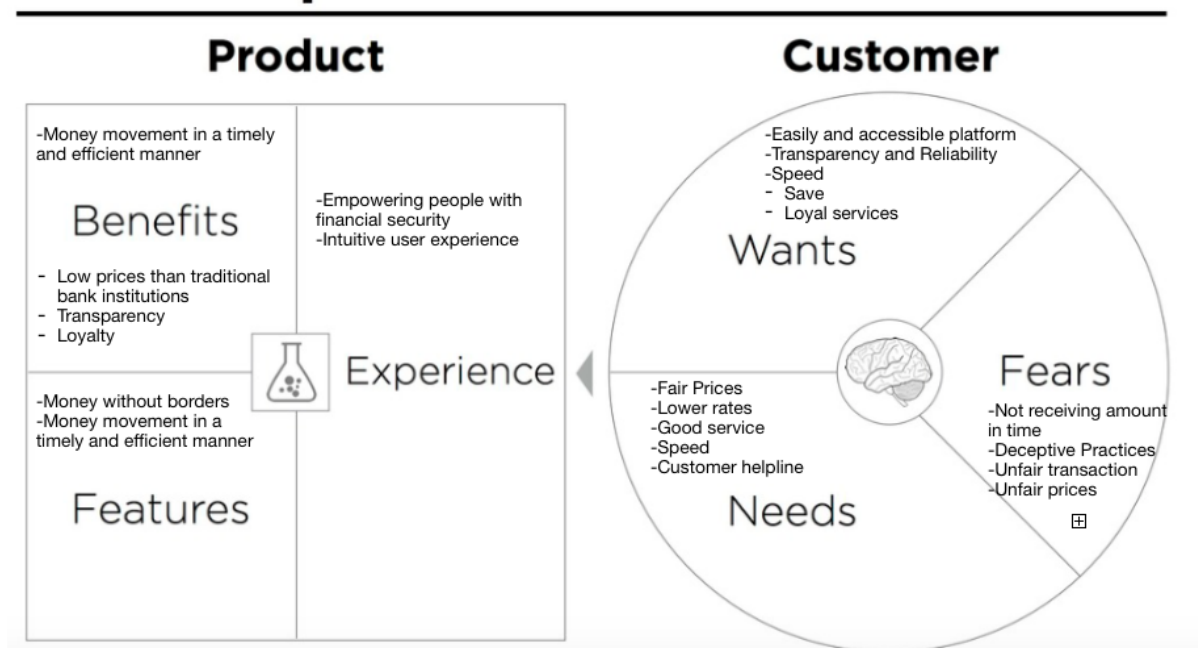
In each country, WU holds several currencies on its account, currencies that customers can use to send money using the channels provided by the company. When sending, customers identify the recipient, the destination country, and the amount to be entered. WU in detail applies a transfer fee and an exchange rate spread if the recipient wants to receive the money in cash form at WU's offices. for example, on a money transfer of 200 euros from Italy to India, the recipient will receive an amount equal to 161.77 GBP as reduced by the fee of 17 euros plus the spread of 10%. If a bank

account is used, only the spread would be deducted from the amount. The main clients of WU are besides individuals also educational, financial, NGO, legal and health institutions.

Clients are individuals and institutions, whether educational, financial, NGO, legal or healthcare. to proceed with the analysis of the company it is useful to dwell on the value proportion canvas. The Value Proposition Canvas (VPC) is a tool that allows you to empathize with customers, identify needs and desires to identify which products or services they are willing to buy.

It is a tool to better define the characters of the start-up idea, of the Business Model Canvas; it is an in-depth analysis of two sections, composed of the block dedicated to the customers and the one dedicated to the product value, which allows you to identify the best correspondence between the needs and desires of a specific customer and the products and services that your start-up offers.

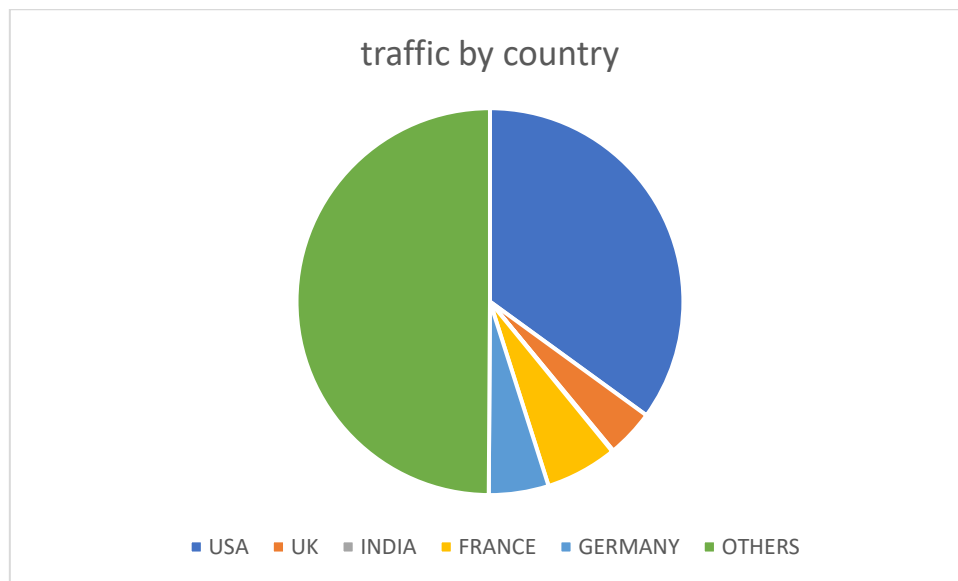
## Value Proposition Canvas



**Fig. 6- The Value Proposition Canvas [91]**

The Western Union brand is known globally and has a significant presence in the digital sector. Western Union in detail has a stable market share of about 12.8% in the money transfer sector, using the three implemented business models C2C, B2B and B2C. The market share varies according to countries in the world. The United States, for example, generates most of the company's revenue at 35%. This is followed by France with revenues of 6%, Germany with 5%, the UK with a contribution

of 4% and finally India with 0.01%. The remaining 49.9% of revenues originate from remittances from various countries around the world.



**Fig. 7 - Traffic by Country [91]**

Who are Western Union's customers?

C2C	B2C	B2B
<p>this business is mainly centered on migrant workers who send remittances home. These are mostly underbanked workers sending the cash to underbanked families.</p> <p>These are known as "Double Belongers": those who live</p>	<p>Households: people who pay bills, electricity. These are onetime payments for products or services offered of small kind, therefore, customers use WU' B2C service for online transactions.</p>	<p>Small Medium Enterprises (SMEs) who send invoices in countries where Western Union operates, and who prefer to receive money and pay money in WU's exchange rates, to save on the banking exchange rate.</p>

in two countries		
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**Tab.5 - Western Union customers** [91]

### Western Union in the market

The competitive landscape is made of businesses offering similar services to the ones of Western Union. Regarding the Consumer-to-Consumer segment of Western Union's core services, the company faces robust competition. It competes with several remittance providers: global and regional money transfer providers, electronic channels, banks, post offices and alternative channels.

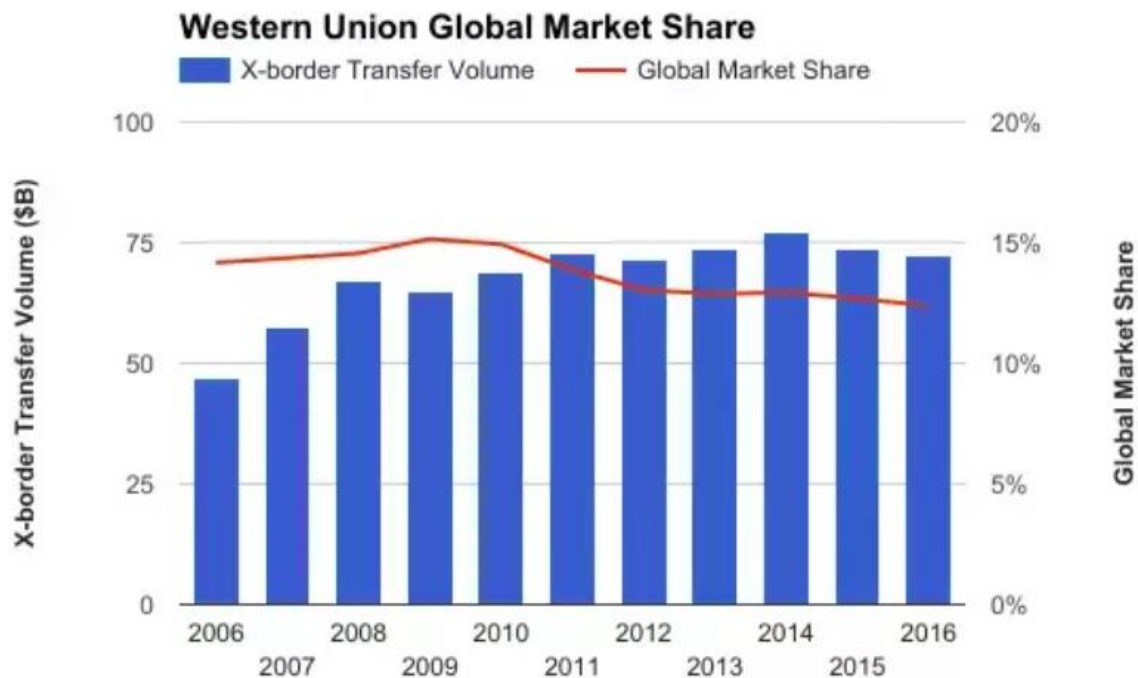
Their competitors include:

<b>Company</b>	<b>Foundation</b>	<b>Market share</b>
<i>Western Union</i>	1851	12,80%
<i>MoneyGram</i>	1940	3,11%
<i>PayPal</i>	1998	4,33%
<i>Xoom</i>	2001	3,84%
<i>Ebury</i>	2009	1,10%
<i>TransferWise</i>	2011	4,30%
<i>World Remit</i>	2010	2,07%
<i>Remitly</i>	2011	2,06%
<i>Flywire</i>	2011	3,26%
<i>Azimo</i>	2012	0,33%
<i>Finabl</i>	2014	1,70%
<i>Euronet</i>	1994	3%

**Tab.6 - Western Union and main competitors** [91]

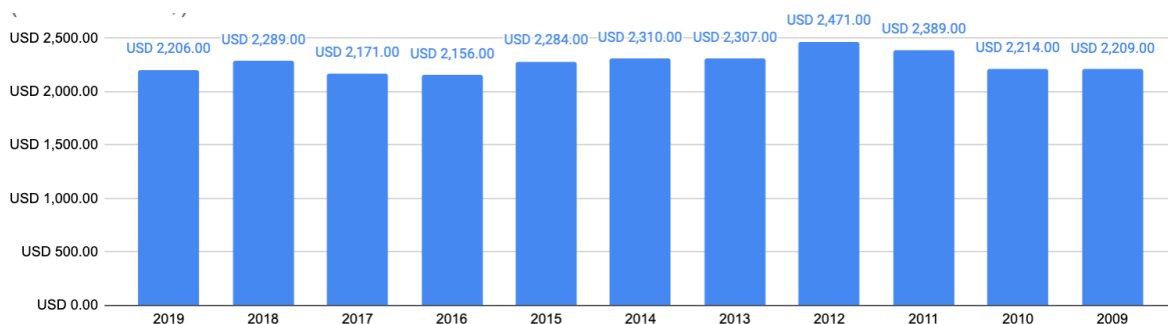
As the table shows there are many competitors of Western Union. In detail, these companies are mainly active in commissions and customer care. As shown by the dates of foundation of many of these companies in recent years many companies have entered the sector. From the interviews carried out with WU managers, I have been able to understand how this has come about because of the considerable growth of the remittances market and the more favorable conditions given by

the drop in tariffs on suppliers for sending money between countries. In fact, this project will focus mainly on WU's ability to defend its market share from the threat of new entrants through the implementation of certain strategies.



**Fig.8- Western Union's Global Market Share [91]**

Interestingly, WU's profitability, according to Macrotrends, has remained constant over the years, even amounting to 2.2 billion in both 2009 and 2019.



**Fig.9- Western Union's annual gross profit [91]**

To meet the challenges of the market and external factors such as the pandemic, WU focuses its strategy on three key areas: families, communities, and businesses. The company's first distinguishing feature is its ability to be present worldwide with more than 500,000 agents. WU is also present in more than 200 countries and territories, a key element to be always close and

available to customers as well as to increase the value and the company brand. Thanks to its systems, WU is also able to execute many transactions per second and manage billions of dollars. Today's world, especially in this type of business, requires companies to continuously evolve, especially from a digital and IT point of view. Thanks to its transcontinental communications links and software, WU allows a continuous direct relationship with the customer and aims at maximum satisfaction by achieving high levels of efficiency and security. It has its own application and for direct contact customers can rely on the various agents present throughout the world. In addition to these services WU also help with cash flow, market insight and risk management. Another interesting and unique aspect of WU is the company's ability to create enterprise partnerships. Western Union's Cross-Border Partnership Team works directly with merchants and offers a suite of developer tools that make it easy for anyone to take their business worldwide. In addition, WU strongly believes in the need to make and facilitate the movement of money as quickly, effectively, and easily as possible to support fundamental development. Thanks to this, individuals can stay in touch, make deals, and grow the world economy. To facilitate this, WU places great emphasis on the regulatory aspect, conducting a strict anti-fraud policy thanks to its systems and corporate culture, which carries out checks before and after transactions. Finally, for the community, WU has created a foundation over the years with the support of business partners, employees, and agents to help the poorest people connect with the global economy through the power of education. The foundation has worked with non-profit organizations to move money easily around the world, aiding economic recovery especially in countries affected by disasters, humanitarian crises, and communities in crisis. In these months considering the situation we are in Western Union is recommending customers to follow carefully the local restrictions following the covid-19 emergency.

Porter's Five Forces model can be identified to study the industry in which Western Union operates, considering the possible profit generated. The information derived from Porter's model can help in outlining an effective strategy of Western Union.

### **Threat of new competitors**

Economies of scale are key to gaining a competitive advantage but in the industry in which Western Union operates they are not easy to achieve. Only Western Union due to its corporate structure can reduce costs by exploiting economies of scale. This makes it more complicated for possible new



entrants to enter the industry due to high costs. This makes the threats of new entrants a weaker force.

Product differentiation is an important component within the industry in which WU operates. Customers have high product expectations and look for highly differentiated products. A lot of attention is paid to advertising and customer services. These factors contribute to the weakness of the threat of new entrants.

The capital requirements within the industry are extremely high, in fact, to maintain their business in the industry companies must invest in quality and high service to the companies are high, thus resulting in a more complicated entry by possible market players. These aspects make this strength weaker in the sector.

Access to distribution networks is another particularly important aspect. Because of the difficulty for new entrants to use and develop their own distribution channels, it is difficult and particularly costly for new players to enter the sector. This then leads to a weakness in the threat of new entrants to the sector.

Finally, government policies on industry within the sector impose strict requirements and licences on market participants. This makes it difficult for companies to enter the market.

All these considerations therefore determine that the threat of new entrants in the retail and digital sectors in which Western Union operates is a weak force.

### **Bargaining power of suppliers**

Particular attention must be paid to the bargaining power of suppliers:

The number of suppliers in the sectors in which Western Union operates is much greater than the number of buyers. This therefore leads to less bargaining power on the part of suppliers with the consequent imposition of lower prices. This results in lesser strength of suppliers.

Another aspect is the products that suppliers supply to buyers. The product offered is often quite standardised and this leads to greater substitutability of products and thus to less bargaining power on the part of suppliers.

The last aspect concerning suppliers is the importance of suppliers for Western Union. The company's profits are intricately linked to those of its suppliers. Suppliers must therefore impose reasonable prices, to the benefit of both. This diminishes the bargaining power of the latter.

Considering these aspects therefore, the bargaining power of suppliers is not a threat to WU.

### **Bargaining power of buyers**

As the number of companies operating in the sector and offering their services to customers is low, customers have little opportunity to change companies. This results in low bargaining power on the part of the customers.

Product differentiation within the industry is high, which makes it more complicated and costly for the customer to change products. This poses little threat to Western Union.

Product quality is one of the most sought-after aspects by customers. This is an advantage for WU, which has always focused on the quality of service and products offered. For Western Union, therefore, the bargaining power of customers is low.

Another aspect is the attention to price shown by customers, who are therefore sensitive to price changes. This represents a threat to Western Union, which is generally more expensive than its competitors.

Considering these aspects, for Western Union the bargaining power does not represent an immediate threat. The only aspect that is offset by the quality and loyalty of consumers towards the company is that of prices, which are higher in most parts of the world than those of its competitors.

Threat of substitute products or services

### **Threat of substitute products or services**

In the market Western Union operates in, there are very few products that are supported, considering the low number of companies in the industry. Western Union also has economies of scale and market leadership as well as consumer confidence and is not under this threat.

The substitutes on the market are of extremely high quality, but at an extremely high cost. Considering most customers have low incomes, this does not pose a threat to Western Union and the industry. The very few substitutes available are of high quality but are much more expensive.

Considering these aspects therefore it can be seen that the strength of substitutes is low in the industry Western Union operates in and does not affect the company's business.

### **Rivalry between existing enterprises**

The number of competitors operating in the Western Union industry is exceptionally low. The market shares are in the hands of few companies and the undisputable leader is Western Union. This makes it more complicated to enter the industry thus making inter-company rivalry a weaker force for the industry.

In this aspect we consider the possibilities of growth and development of digital and retail, sectors in which WU operates. In digital, the market still offers room for new entrants, thus diminishing the rivalry between competitors. In the retail sector, on the other hand, which is almost completely saturated, there is considerable rivalry between competitors to preserve and increase their market share. The force of the rivalry between the competitors for WU depends on the field taken in examination.

The fixed costs to the inside of the company are high, this therefore determines a situation of rigidity of prices, then difficult they can be lowered with strategies of price. This therefore determines an intense rivalry between the competitors that try to be more efficient possible diminishing the prices to obtain a competitive advantage. This force therefore threatens the present companies in the fields.

The products offered by companies in the market in which WU operates are highly differentiated. This determines a situation of high rivalry between the companies that try to obtain the greatest number of customers possible.

Exit barriers within the market are a problem for companies in the industry. Due to the high capital investment required and the strict regulations and licenses imposed, this aspect represents a significant force for the industry in which WU operates making the rivalry between competitors extremely high.

The strategies of the companies present in the market are very varied and implemented to obtain a competitive advantage over competitors. This results in a high level of rivalry between companies in the industry.

Therefore, considering all these aspects, rivalry between competitors is a major threat to the industry and to WU.

After analysing the industry in which Western Union operates, it is important to identify the key resources your company uses to gain a competitive advantage. To do this I will use the VRIN model to identify them and highlight a possible competitive advantage.

<b>competencies</b>	<b>Rare</b>	<b>Valuable</b>	<b>inimitable</b>	<b>non replaceable</b>	<b>conclusion</b>
innovation technology	yes	yes	no	yes	competitive adv
network competences	yes	yes	no	yes	temp competitive adv
supply chain with integrated technology	yes	yes	no	yes	competitive adv
superior logistical system	no	yes	no	no	competitive adv
large sales volume ability	no	yes	no	yes	temp competitive adv
strong culture	no	yes	yes	yes	sust competitive adv
management practice and routines	no	yes	no	yes	sustainable adv
strong brand portfolio	no	yes	yes	yes	competitive adv

**Tab.7 – WU's VRIN Framework**

Western Union's typical resources and competencies that differentiate it from its competitors are. Innovation technology, which allows the company to develop increasingly innovative and cutting-edge technologies, an essential activity especially in the digital sector to gain new market shares. The innovation technology certainly represents rare resources, valuable for the company but also for the customers, they are not inimitable because other companies after having seen them implemented can make use of them and finally they are not replaceable because they are essential and unique for the company. All characteristics that determine a competitive advantage for the company.

They can generate a temporary competitive advantage, temporary because it must be followed by a long-term strategy that guarantees its full effectiveness.

we then have the supply chain with integrated technology, which is essential to maintain a high degree of product research and specialization. This is a rare competence, generating value, it is imitable and not replaceable. This competence generates a competitive advantage for the company that holds it.

Then it is considered the superior logistics system capable of implementing effective strategies. This type of resource is not rare, value generating, imitable and replaceable. Essential to determining a competitive advantage.

Then consider the ability to manage a large volume of sales, this ability is not uncommon, generates value, is imitable but not replaceable and determines a temporary competitive advantage. In fact, it is necessary to flank it with a strategy capable of disposing of the large volume of sales over time (omnichannel, for example).

Then consider a strong company culture, which is not a rare resource, which generates value, is not imitable as it varies from company to company and is replaceable. It determines a sustainable competitive advantage.

Then we have the management practices and essential routines that make WU's business as efficient as possible. these skills are not rare, they are valuable, not imitable, and replaceable. They drive sustainable advantage.

Finally, we have perhaps the most important asset - a strong portfolio brand. WU excels in this respect by maintaining high levels of trust and satisfaction among customers. This aspect is not uncommon, generates a lot of value for the company, is not imitable by competitors and is not replicable. It generates an important competitive advantage for the company.

Having studied the industry in which Western Union operates analysed through Porter's five forces and the fundamental resources analysed through the VRIN framework, it will now be essential to evaluate the strategies implemented by the company to achieve a competitive advantage.

#### 4.1: Pricing Strategy

A pricing strategy aimed at reducing prices is certainly linked to the various models previously analysed that are fundamental to obtaining a competitive advantage. Reducing prices in fact allows the company to obtain more customers. This strategy is made possible by the technological efficiency achieved by Western Union, which allows them to keep costs low so that they can charge attractive prices and increase performance. This type of strategy can certainly have positive effects to defend against some of the five forces of Porter's model. In detail, this strategy is effective in protecting against the entry of competitors in the market, thus acting as a barrier to entry. Since there are less competitors in the market, consequently also it increases the power of the company towards the customers but also towards the suppliers. The price reduction strategy has been implemented by Western Union along with a cost reduction policy; in fact, operating margins have

remained unchanged over the years. The strategy of cost reduction represents one of the three major strategies useful to maintain a competitive advantage. This was achieved through a policy of lowering and minimising costs. While considering quality as an essential element, cost is the main item on which to base an effective strategy against competitors. Porter points out that a cost reduction policy also protects the company from its influential suppliers by providing greater flexibility to cope with possible increases in input costs. Low costs naturally constitute important barriers to entry in terms of economies of scale. Obviously, a low-cost policy gives an advantage over competitors. This type of strategy is also effective towards customers as through cost leadership you can offer a lower price to powerful buyers. This strategy is also effective towards suppliers as they are better insulated from powerful suppliers.

Since WU began operating in the money transfer business for billions of people many competing companies have tried to challenge WU's market dominance. This created a need for the company to implement strategies to maintain its market share and influence in the industry. In detail Between 2009 and 2010, new entrants tried to enter the digital sector, however not influencing the retail sector representing a large part of the company's business with operators and locations around the world thus not creating the need for the implementation of a pricing strategy. This is highlighted in the blue part of the graph.

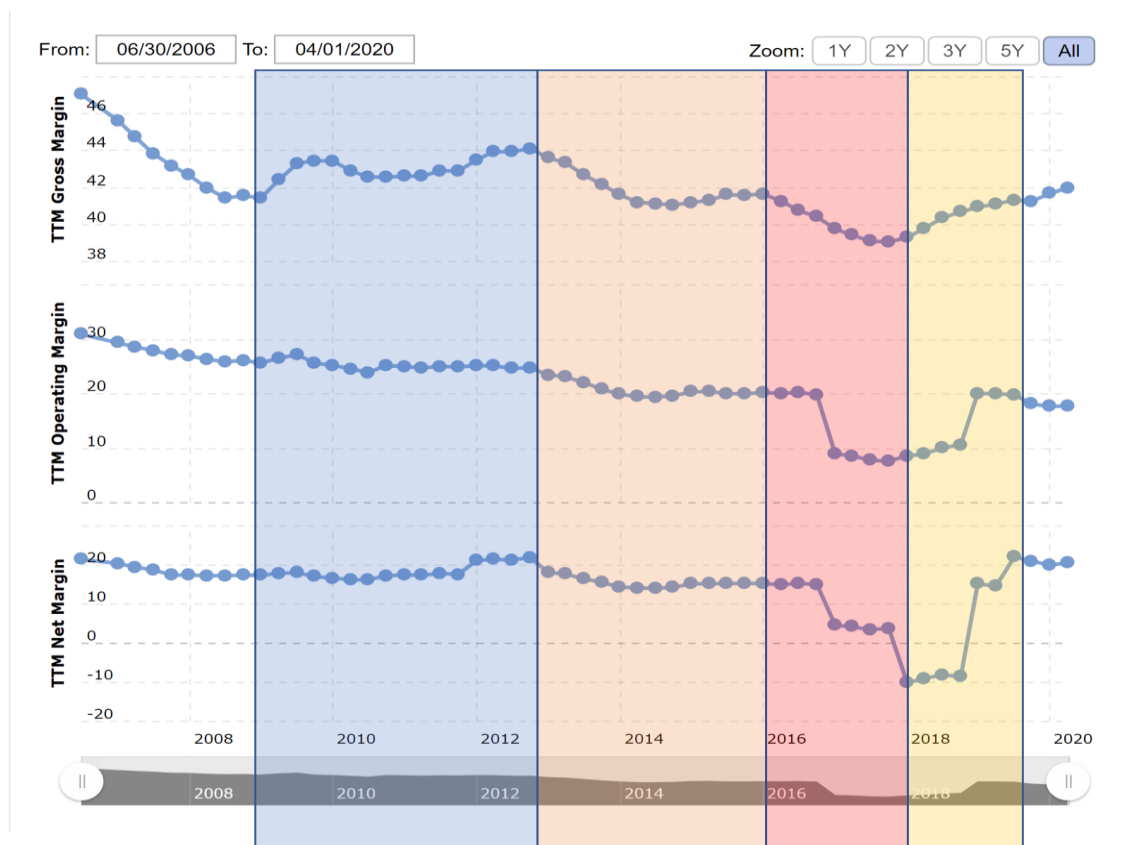


Fig.10 - Western Union's margins from 2008 to 2020 [91]

However, market share data show that a decline began as early as 2010.

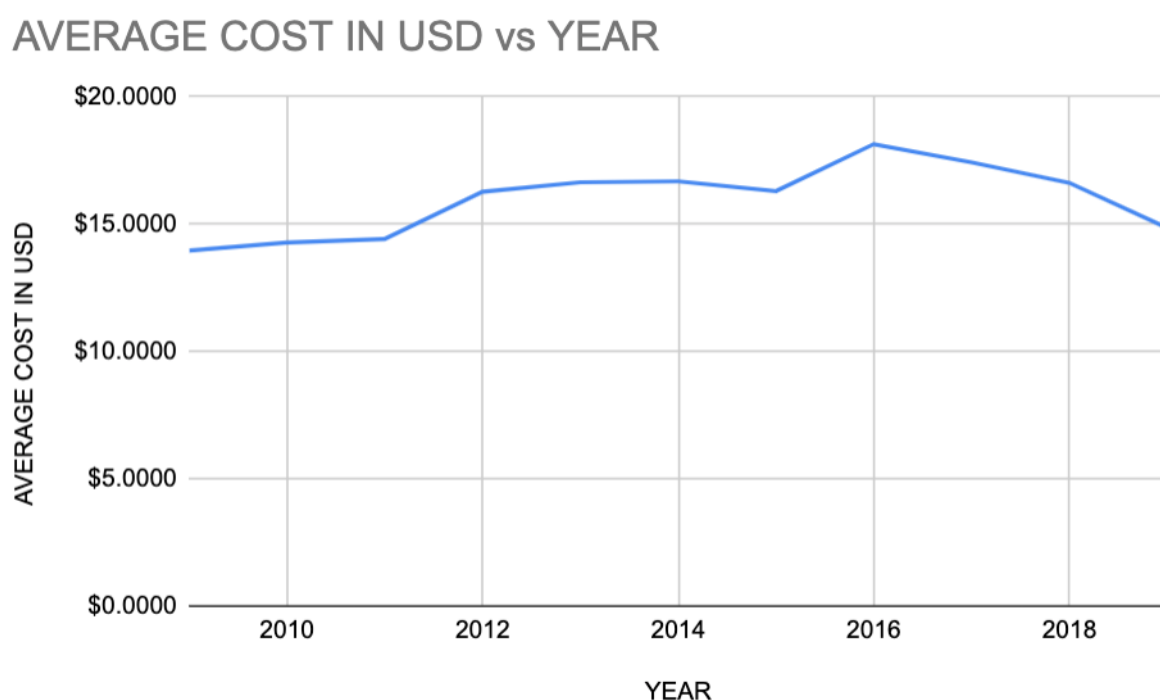


Fig. 11- Western Union Global Market Share 2006-2015 [91]

The trend continued between 2010 and 2012. Thus, since 2013, Western Union has chosen to decrease prices to gain customers and move closer to the rates offered by new entrants.

Price decreases began by the end of fiscal year 2012 in some corridors and continued into the following year. Management argued that lower prices would reduce margins and worsen short-term financial results, and indeed this is reflected in the lower margins. However, management suggested that lower prices would increase transaction volumes and, as a result, more operating income in the long term. CEO Hikmet Ersek said the plan would "drive revenue and profit growth in 2014 and beyond." After the strategy was announced, the stock price fell 33%. In fact, early results were negative. Revenues in the first quarter of 2013 declined 5% on a constant currency basis to \$1.33 billion primarily in the C2C segment (down 7%). Earnings fell from \$247 million to \$212 million [37]. In addition, management said it expected extra expenses of \$45 million while a cost-saving strategy was being developed.

However, the company expected this situation mainly aiming to increase profitability from 2015 by staying with a competitive price compared to competitors and starting a cost reduction policy. Western Union in fact already since 2016 (another one in 2019) has started with an important cost reduction with the main commitment to decrease variable costs to keep low remittances thus gaining market share. In a short time, the average cost of the company has fallen by 18%.



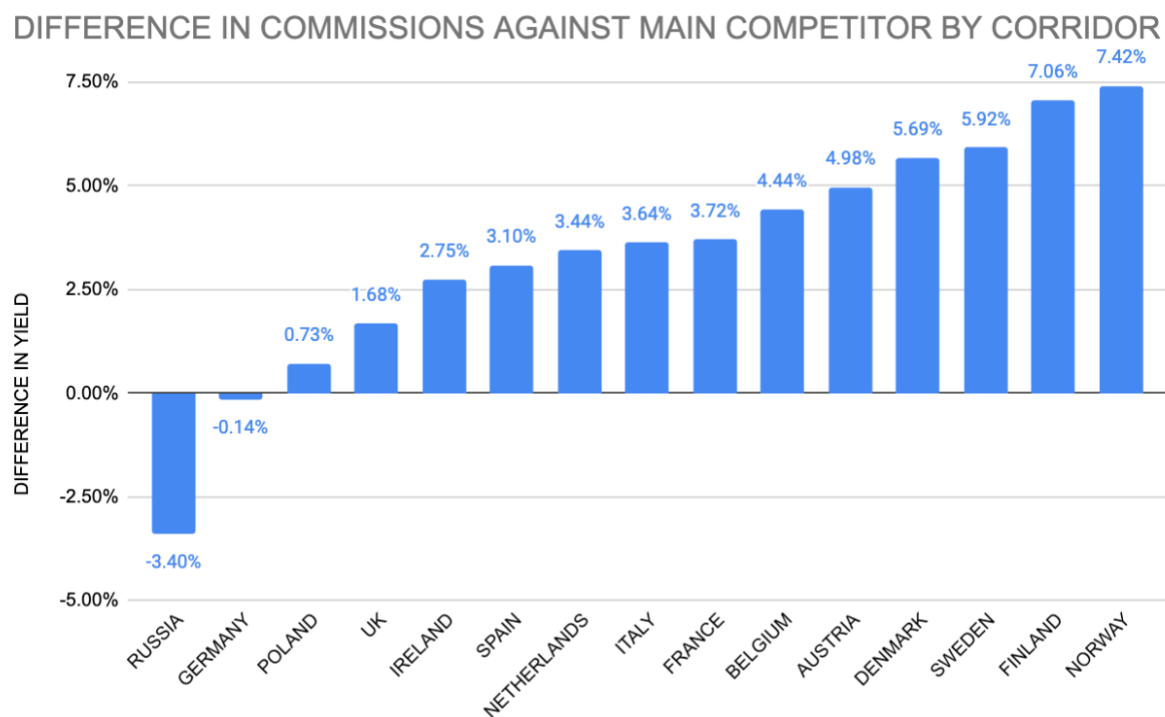
**Fig. 12 - Western Union's Average Costs 2010-2018 [91]**



To achieve this in 2017 WU cut jobs by 10%, following a plan that will cut \$100 billion of annual costs from 2021.

Analyzing the company's margins of the company have always grown while considering a lower price over the years. Therefore, this shows how the pricing strategy has been effective and has not negatively affected the company's profitability.

Despite having lowered prices and fares from the analysis I conducted I found that WU generally remains more expensive than its closest competitors.



**Fig. 13- Difference in Commissions against main competitors [91]**

This chart highlights how WU is cheaper than competitors only in Russia and Germany.

Analyzing western union's strategy then shows how the company does not achieve cost leadership in the world. Only in Russia and Germany WU is the company with the lowest costs compared to competitors.

Despite the policy of cost reduction with consequent lowering of the prices, WU still does not possess the leadership of cost and therefore it is not still in the best condition to obtain a

competitive advantage under this point of view. To obtain an advantage towards the competitors the company will have to pursue still this type of strategy reducing still the costs and the prices. A lot will depend on the investments made in the coming years and the growth of the company's driving sectors such as digital.

#### 4.2: Targeting unbanked and underbanked individuals.

The purpose of such a strategy is to focus on a specific type of customer. Porter establishes how the focus strategy is centred around serving, as best as possible, primarily a particular target, buyer, group, and segment. The company then manages to achieve differentiation by meeting the needs of a particular target or by charging lower service costs.

The focus strategy produces numerous advantages considering the five forces of Porter's model. Focusing on the development of core competencies that are important barriers to entry, in fact discouraging new entrants to the industry because of the level of innovation and specificity of these competencies. Another aspect is related to the bargaining power of buyers; large buyers in fact have less power to negotiate as there are fewer alternatives in the sector. From the suppliers' point of view, on the other hand, they have more power as they can supply small volumes, but the implementation of a strategy of differentiation allows them to impose higher prices on suppliers. From the point of view of substitutes, a strategy of focus enables the development of specialized products and core competencies that act as deterrents to substitutes. Connected to it is also the relative discourse to the rivals not in a position to being able to equal the strategy of focus put in field from the company and therefore to intercept the requirements of the customers.

Non-banked individuals represent that section of the population that does not have a bank account or a credit cooperative. People are therefore unable to subscribe to cheques, deposits, and mutual funds. As some studies in the USA show, many people fall into this category about 1 in 5 even. Then we have the underbanked people, those who control their finances using cash transactions, for security reasons or lack of access to banking services. In 2017, even non-banked people in the United States reached a remarkable figure of 8.4 million, according to a survey conducted by the FDIC.

The percentage of underbanked and unbanked people in the 10 busiest remittance corridors is significant. This table shows that the number of branches per head is quite low. Western Union to better satisfy customers has created. The following table shows that there are a very low number of bank branches per capita in the receiving countries of the top 10 busiest corridors.

Western Union has made a strategy to specifically satisfy these individuals, has created many locations by preparing many agents. Only MoneyGram shows how it managed to compete with WU in this area.

Sending country	Receiving Country	Number of bank branches per capita (World Bank Data, 2020)	Number of WU offices in the receiving country (Finservice, 2020)	Number of MoneyGram offices in the receiving country (Finservice, 2020)
Italy	Romania	40.93	1125	263
Germany	Turkey	11.097	192	76
France	Morocco	34.861	494	427
United Kingdom	India	35.568	2935	4098
United Kingdom	Philippines	35.568	898	1005
Saudi Arabia	India	8.321	2935	4098
United Arab Emirates	India	10.647	2935	4098
Australia	Philippines	28.191	898	1005
United States	Mexico	30.899	1807	1605

**Tab. 8- Main countries [91]**

Western Union has attempted to diversify its offering to gain a competitive advantage over MoneyGram by adding solutions such as C2B and B2C to the C2C business line that can more closely engage companies in developing countries.

	Small Businesses						
	B2C	Forex hedging	Mass payment	B2B	Prepaid Card	Lending	Invoice creation
Western Union	YES	YES	YES	YES	NO	NO	
Moneygram	YES	NO	NO	NO	NO	NO	
TransferWise	YES	NO	NO	NO	YES	NO	
Flywire	YES but ind. spec.	NO	NO	YES but ind. spec.	NO	NO	YES but ind. spec.
World Remit	NO	NO	NO	NO but you can pay workers	NO	NO	NO
Remitly	YES	NO	NO	NO	NO	NO	
Xoom	YES	NO	NO	NO	NO	NO	

**Tab. 9 – Services [91]**

The table shows that to maintain its market share it has also engaged in the B2C market. Thanks to the collaboration with ICICI Bank and MasterCard WU has allowed the implementation of prepaid cards in India for Indian sub banks helping them to make payments in the country. This initiative was important because only 35% of Indians have a bank account. Great WU attention in choosing the market to satisfy.

The focus strategy implemented by WU to target customers without bank accounts has resulted in partial success. While on the one hand the company's market share (in the retail sector) has stabilized after an initial drop because of new competitors, on the other hand Western Union remains the company with the greatest market presence. Thanks to its widespread presence throughout the world, WU can offer its services to customers, thus generating value, even for

customers without a bank account. Value is the essential element of the RBT model, created in detail through the company's core competencies and resources. This model is based on the four attributes given to the resources that can determine a competitive advantage. In addition to value, one of the items is precisely the organization of the company that must be adequate to capture the value of resources and support innovation.

Despite these positive aspects, Western Union's main competitor is Money Gram, which is more present in some important countries (UK, Saudi Arabia). Both companies are ahead of their competitors but do not have sufficient scale for the preparation of larger. This represents the main limitation of this strategy, which at present does not allow the company to keep potential new competitors out of the market.

#### 4.3: Customer access points: the Omnichannel strategy

Product differentiation represents an important brand identification, customer loyalty and differentiation that can generate a barrier to entry. In addition, the costs to be incurred for businesses are also an obstacle to entry. Also, worth considering is the issue of the costs to be incurred for a buyer when the product, supplier, or service changes. Access to distribution channels does not encourage new players to enter due to the difficulty of offering their own channels for the destruction of their products. There are also disadvantages of independent costs that hinder new entrants. Established industries, on the other hand, can benefit independently of economies of scale through their own product, favorable access to raw materials and government subsidies.

Following a differentiation strategy can also highlight solutions related to the impact of Porter's five forces: Differentiation first acts as a barrier to entry. This is because through a policy of differentiation the company generates value for customers, who will be more loyal to it and less willing to change companies. With this strategy there is also an advantage to the buyers, as large buyers have less bargaining power if there are few companies offering a product. This strategy also has an advantage from the point of view of the threat posed by substitutes because customers will be more attached to differentiating attributes. Finally, there will also be benefits from the point of view of rivals in the marketplace as customers' loyalty to the company will increase.

An omnichannel strategy allows the various customers of the company to access the company's services in their preferred way (with digital and physical access points). A contribution to this theme was made by a 2017 Harvard Business Review study conducted by Emma Sopadjieva, Utpal M. Dholakia and Beth Benjamin that analyzed 46,000 shoppers showing that as competition increases access to stores increases at the expense of an increase in online experiences [62]. The study also highlighted how this type of strategy not only allows companies to diversify from competitors but also allows to obtain greater satisfaction among customers thus obtaining a competitive advantage. The importance of the omnichannel strategy concerns not only products but also the area of financial transfers. Here, too, an increase in channels allows you to gain a competitive advantage. These are further supported by a study by two professors from the University of Johannesburg, South Africa, Mariette Frazer, and Elizabeth Stiehler [32], who once again stress the importance of this type of strategy to address market developments and technological progress.

Through the interviews I carried out I was able to verify how WU implemented its omnichannel strategy the moment it designed its first digital platform. At first the strategy was focused on cash-to-cash with customers expected to go to the physical location and pay the money to be sent. This then gave way to the possibility of sending money via current accounts or credit cards. WU's ability to implement this strategy was made possible by the excellent relationships established with essential financial institutions this was in order not to lose customers. The company has also implemented an application, with which customers prepare the transaction and then in the physical location pay in cash (stage-and-pay). With the spread of digital channels WU no longer had to invest particularly in physical channels but invested mainly in the application and digital.

This strategy has been implemented to generate a competitive advantage for the company. To sum up, therefore, it can be said that the more digital diffusion increases, the more successful the multi-channel strategy will be. In WU's business, digital will become increasingly important given the future growth of the industry and the wide margins it can offer.

Shown here in the table are the major channels used by WU customers. 20% of the total margin represents the average cost for a customer's service.

Channel	What is it	Year
---------	------------	------

		Introduced
Digital (browser)	the company's digital system allows customers to send and receive money	2012
Retail agents	customers can get money from others sent thanks to the physical location of agents around the world.	1990s
Partnerships with banks	WU allows customers to transfer money through various tools; as a bank transfer and receive them in their bank account.	1990s
ATM machine	Customers have the right to send and receive money using ATMs at kiosks.	2013
App and use of mobile wallet	Customers using the digital application can send and receive money.	2000s
MasterCard	Customers using MasterCard can send and receive money.	2017

**Tab. 10- Western Union's main channels of distribution [91]**

Only Western Union and MoneyGram can use all digital channel distributions. Subsequently, I checked which of Western Union's key competitors offered the same variety of access points to customers. My analysis revealed that only MoneyGram, Western Union's most direct competitor, had the same breadth of access points.

The omnichannel strategy for WU has certainly been a success that has allowed it to gain a competitive advantage and increased profits over the years. In fact, WU is the company in the industry in which it operates (together with Money gram) that can set up multiple access points for customers. Through its digital business, its retail business and its partnerships with numerous banks, WU has been able to reach millions of customers and offer them more services and value. The attention to the customer and the presence of unique, inimitable, and rare resources has allowed the company to gain a competitive advantage by quickly becoming the market leader. This was made possible by the presence of a suitable organizational apparatus, rapidly developing

technology, and considerable networking skills. After the decrease in market share following the entry of numerous competitors, it can be concluded that this strategy is proving effective for WU as well as for its increasingly loyal and satisfied customers thanks to the security and efficiency of transactions.

#### 4.4: Digitization

As mentioned above, closely related to the omnichannel strategy is the digitization strategy. Investing in digitization, in addition to determining an advantage in terms of revenue and market share in the coming years, allows companies to offer more and more value to the customer. The digital sector is also growing strongly, with significant future growth and earnings opportunities. From the point of view of Porter's model, technological innovation, and the shift of the company's business towards digital, determine a significant competitive advantage over competitors. In fact, by offering an increasingly differentiated service and creating greater value for customers, the risk of new market entrants is reduced, followed by significant power over suppliers and customers. Digitizing processes allows companies to reduce costs by making business processes more efficient and faster. The emergence from COVID-19 also provided a stimulus for the development of this type of strategy. Many governmental investments are being made towards this sector, representing the future for several businesses. All these aspects result in competitive advantage and better performance for the company.

Western Union Co. WU, which was once a fully retail money transfer company, is investing heavily in developing its digital money transfer platform to keep up with the rapidly evolving remittance industry.

Digitization is the new way of life, and the remittance industry is undergoing a sea change in the way funds are transferred across borders in real time at significantly lower costs.

Several fintech companies such as OFX, World First, TransferWise, World Remit, Ria, Azimo and Remitly are crowding the remittance market, thus revolutionizing the space with their smart technology offerings that facilitate the transfer of funds via electronic modes.

These fast-moving changes have also created significant competitive challenges for companies like Western Union.



The company's revenues have been under pressure in recent years due to increasing competition. Against this backdrop, the company has prioritized investments in its digital money transfer arm as one of the key strategies to achieve long-term growth.

In fact, the considerable work done on the digital front has enabled the payment processor to overcome the prevailing difficult operating conditions posed by COVID-19.

Over the past decade, the company has invested substantially in building a leading omnichannel platform for money transfers and cross-border and cross-currency payments. The company's vast network, powered by digitization, helps Western Union deliver money and payments effectively through multiple channels around the world.

When COVID-19 hit, strong momentum at Western Union, combined with accelerating digital partnership transactions, drove 50 percent growth in constant-currency digital revenues in the second quarter to approximately \$220 million. Digitally initiated transactions accounted for 31% of C2C segment transactions, up from 15% in Q2 2019.

Importantly, this digital growth is largely additive to the company's business generating high profit. Customers are attracted to Western Union to send money virtually anywhere with confidence given the quality of its network, as most of its agents are well established in essential businesses such as financial institutions, postal institutions, or large retailers [55, 56]

To keep Western Union growth trend alive, the company will continue to invest in customer acquisition and improving services such as real-time payments.

Other companies active in the digital money remittance industry are MoneyGram International Inc. MGI, PayPal Holdings Inc. PYPL and Square Inc. SQ among others.

As mentioned earlier closely related to the omnichannel strategy is the digitization strategy. WU explained that investing in digitization, in addition to determining an advantage in terms of revenues and market share in the coming years, allows the company to offer more and more value to the customer, a customer that is once again put at the centre by WU. In addition to this, always referring to the model of the resource-based view, great importance must be attributed to the organization of the company able to seize the technological changes and adapt to the evolution, especially in recent years, transforming a business focused until recently only on retail. The company's digital systems allow customers to transact worldwide in the most secure and efficient manner possible. Speaking of digital technologies, WU's resources and expertise are also rare and difficult to imitate, allowing the company to gain a competitive advantage by playing a leading role in the market. From the point of view of Porter's model, technological innovation, and the shift of the company's

business towards digital, determine a significant competitive advantage over competitors. Offering in fact a service more and more differentiated and creating greater value for the customers, the risk of new entrants in the market is reduced, followed also from a notable power towards suppliers and customers, being WU leader in the market. All these aspects translate into a competitive advantage and improved performance for the company.

The choice of WU has been a significant success for the company. The decision to invest in this sector represents a great opportunity for WU in terms of revenues and growth in the market. Penalized by a retail sector in crisis, WU strongly needs a sector where it can apply its knowledge, skills, and resources to achieve greater success. The crisis brought about by COVID-19 has driven this transformation even more radically. By establishing partnerships with banks and online platforms, WU can serve an increasing number of customers.

In addition to this, referring to the model of the resource-based view, great importance must be attributed to the organization of the company able to seize the technological changes and adapt to the evolution, especially in recent years, transforming a business focused until recently only on retail. The company's digital systems allow customers to transact worldwide in the most secure and efficient manner possible. Speaking of digital technologies, WU's resources and expertise are also rare and difficult to imitate, allowing the company to gain a competitive advantage by playing a leading role in the market.

#### 4.5: Mergers and Acquisitions

From the point of view of Porter's model, the acquisition of new companies allows the company to expand in the market, assuming a position of leadership. Many technologies are thus produced within the company, thus decreasing the dependence on suppliers who then decrease their bargaining power. New sectors are explored, and the company's investments increase. Customers who are increasingly satisfied with the company's differentiated service are more loyal to the company and more indifferent to major price changes. This allows the company to consolidate its position in the market by discouraging new entrants. This also reduces the possibility of substitutes in the market. Thus, all these aspects show that this type of strategy fosters a competitive advantage and that this strategy also allows the company to perform better.

Western Union has experienced M&A's strategy in recent years in response to the entry of new competitors into the company. In fact, the company has purchased some companies to expand its market share and increase its service offering.

In 2009 WU took a key step towards B2B by acquiring a company (Custom House) that could process transfers from seven countries and payments in 120. Custom House has ROI of 12,6% and the investment would be covered in 9 years. WU President and CEO Hikmet Ersek also stressed the importance of this acquisition. This acquisition has also had a positive impact on the C2C business by favoring and stimulating international payment transactions [93]. This allowed you to enter a market with 40 thousand customers making payments in 150 currencies. Western Union also decided to buy three European agents who were in the process of distributing: Angelo Costa, Finint and Fexco.

Western Union then identified Fexco as the company to buy in 2009. Fexco in 2009 operated and offered services in various countries around the world as launched in 2009 by the UK, Spain, Ireland, Sweden, Norway, Denmark, and Finland. Fexco has a 46,8% of ROI with the investment that would be recovered in 3 years.

Western Union then purchased Angelo Costa S.R.L. in 2010 with the aim of buying the main money transfer network agent [95]. Angelo Costa has a 38% of ROI and the investment would be recovered in 3 years.

In 2011 Western Union then bought Finint S.R.L. one of the most important European agents for 100 million. Finint S.R.L. controlled numerous locations and sub-agents around the world. For WU CEO, this type of acquisition was also key to developing the money transfer business and introducing new products and services. Finint has a ROI of 46,8% and the investment would be recovered in 3 years.

As evidenced by my interviews, this strategy was fundamental to allow the company to consolidate its position in the market and react to the entry of new entrants into the sector that would decrease WU's market share.

The most important acquisition is the one dating back to the transaction with Travelex Global Business Payments (TGBP), a leading provider of international business payments, in 2011 for \$933 Million. [42] Western Union specifically purchased Travelex because WU was only important in the C2C sector, to diversify its offer and reach the B2B market it needed such a company. Travelex has a 4,8% of ROI and the investment would be recovered in 9 years.

WU will reach an estimated 24 billion revenues for global cross-border payments, according to McKinsey and Co estimates. The president and CEO of Western Union stressed the importance of this acquisition by stating how this acquisition will add additional essential skills and capabilities to the company's business. This acquisition has also fostered greater popularity in the WU world. It has increased its activity in 16 other countries.

Certainly, through the strategy of mergers and acquisitions the company can expand by increasing its market share in the industry. This type of strategy determines a competitive advantage to be attributed to various aspects depending on the type of operation conducted. In fact, it can be a cost strategy, but it can also be a differentiation strategy, offering greater value to the client. Thanks to an M&A, resources and capacities can be produced that respond to the VRIO model but are also able to respond adequately to the five forces of porter. In addition, Western Union with this acquisition increased profitability as the investment was recovered in a short time.

The Mergers and Acquisitions strategy has been a success for WU in recent years. In fact, thanks to the company's new business concept, which focuses on digital development, numerous acquisitions have been made in a strategic manner in pursuit of this goal. Over the years, this strategy has significantly improved B2B and C2C business, as well as laid the groundwork for other strategies such as omnichannel and targeting.

From an RBT point of view, the mergers and acquisitions strategy pursued by WU allows the company to gain a competitive advantage. WU already possesses competences, resources and capabilities and through these market operations aims to expand, thus widening its offer by innovating and improving its technologies. All these aspects determine the creation of more value to be offered to customers. In a similar way to that of partnerships, WU is able to expand and meet the evolution of the money transfer market, obtaining a competitive advantage over its competitors.

## 4.6: Build Partnerships.

Companies can adopt different competitive strategies such as strategic alliances or partnerships where two or more companies come together to achieve a common goal by sharing skills to improve efficiency and satisfy stakeholders and customers. The companies within the partnership remain independent but complement each other. A trade alliance, for example, can provide different services that complement each other and generate a competitive advantage.

From the perspective of Porter's model, creating partnerships with numerous companies allows companies to offer an increasingly diversified and highly efficient service, ensuring high levels of customer satisfaction and consolidating its position as a leader in the digital industry. This ensures the company's high performance in terms of revenue and market share while keeping costs low through corporate policies and technological innovations. New entrants are discouraged from entering the market and customers and suppliers have less bargaining power with the company. All these aspects result in a competitive advantage and better performance of the company.

WU has a long list of relationships with various companies and institutions around the world. We have white label partnerships that are especially important to the company. In this type of relationship, we highlight the manufacturer who is WU who allows you to give your name to other companies that therefore attribute the paternity of the service with the WU brand.

We have White label partnership:

- Safaricom (2018)
- Saudi Telecom Company (2018)
- KEB Hana Bank (2018)
- UK Digital Post Office (2019)
- Italian Post Office (2019)
- Kyodai Remittance. (2019)

There are then some partnerships with companies of physical location:

- German Post Bank (2006)
- Correos (2007)

- Kroger (2009)
- Walgreen (2010)

Fundamental has been also the partnership with Amazon that has been fundamental for diversification services (2018).

Western Union works with these companies to build an omnichannel and P2P offerings that combine cash and digital processes. WU's goal is to enable more payment options for consumers around the world, hence building a greater network. In addition, partnerships like Dollar General create brand awareness through services as Stage-and-Pay. Western Union has managed to establish a strong network and therefore consumers are more likely to meet the company even if they have never used WU's services. In fact, this strategy is another way to buy market shares compared to other companies.

#### Partnership case study: Dollar General

First, in April 2019, Western Union announced its exclusive partnership with Dollar General. This company has more than 16500 stores in the USA. This allows WU's stage-and-pay service to initiate transactions directly on the company's application or site and pay at one of the Dollar General stores. The relationship between the two companies allows you to get money in stores by selecting Pick-up Cash on the application or on the website. This strategic alliance has allowed WU to expand and ensure the company that the network of agents allows access to customers as well as pushing the company digitally.

#### Partnership case study: Amazon Services

Western Union in 2019 formalized a business partnership with Amazon Web Services Inc regarding the provision of services for the strategic cloud. Pay Code is a service usable for Amazon customers at more than 100,000 cash loading locations in the U.S. It is a service that was born out of the need for individuals to pay cash instead of paying online. In fact, Western Union provides the cash payment service at WU agent locations in the United States increasing the number of customers for both corporations. this allows Amazon customers to be able to pay with the currencies of their respective countries. Around the world Western Union and Amazon have worked together in other countries such as Chile, Colombia, Hong Kong, Indonesia, Kenya, Malaysia, Peru, Philippines, Taiwan and Thailand. This relationship has allowed customers to enjoy a better, more efficient and reliable

service. AWS will have the role of converting some of WU's operations to a microservices architecture that will gain the ability to build and support its own applications and innovate its platform through AWS' highly efficient infrastructure and security tools. Money Transfer is working to support AWS machine learning and analytics services to automate business operations, create self-healing capabilities in its money transfer platform, increase transaction capacity and accelerate payment processes, thereby increasing competitive advantage.

#### Partnership case study: Toronto Dominion Bank

Third, listening to Western Union Senior Vice President and General Manager Global Head of Money Transfer Giovanni Angelini, certainly for WU one of the key partnerships has been with one of Canada's largest financial institutions, Toronto Dominion Bank (TD Bank). The two companies established the relationship to enhance the service they offer customers using WU's channels. The bank's customers can complete cross-border transactions from their account and then proceed to pick up cash from a Western Union store. TD managers also emphasized the importance of and excitement about this partnership with Western Union. The partnership has served WU to develop the link between the online and offline sectors by building innovative customer-centric services.

#### Partnership case study: La Banque Postale

Fourth, Western Union has an ongoing partnership with La Banque Postale, a French local service bank that works as a subsidiary of La Poste, the national postal service. The partnership began in January 2020 to develop the global cross-currency digital payment and money movement service generated by the money transfer company. The developed service will ensure that the 10.3 million active customers registered on La Banque Postale's mobile app or website who use the bank's card or payment service can make international payments through these platforms. The president of WU said he was excited about the collaboration between the two companies, especially pleased with the advantage for the omnichannel strategy offered to customers.

#### Partnership case study: Saudi Telecom Company

Finally, as a final case study, since 2018 Western Union has been partnering with Saudi Telecom Company (STC), Saudi Arabia's largest telco, to connect Western Union's money transfer services into STC Pay, the fintech platform that caters to domestic and international financial services. By serving the STC Pay digital mobile app, customers can make payments without needing to have a bank account. This allows all customers, even those without a bank account, to take advantage of

the services. Saudi Arabia is the second largest remittance sending nation in the world, so this business has allowed Western Union to enter a highly profitable market.

Other important partnerships have been made with other major banks including: Concord Bank, Poltava Bank, Kredit Dnepr, Diamant Bank, Concord Bank, Neos Bank, Dy bank, Citibank PJSC, VTB Bank.

These partnerships allow Western Union to gain a significant advantage, because they enlarge the company's business by partnering with banks, post offices, and large retailers around the world and at the same time increase market share among competitors that have entered the payments field in recent years.

Western Union is undoubtedly the company that has made the most partnerships with banks and other companies, only MoneyGram and TransferWise among the competitors can boast of a series of partnerships useful for the company's business. Western Union has developed relationships with some important banks such as EQ Bank, N26, Group BPCE and an important partnership with the Stanford Federal Credit Union.

Interesting in this graph underlining number of partnerships for each competitor.

Number of partnership by provider

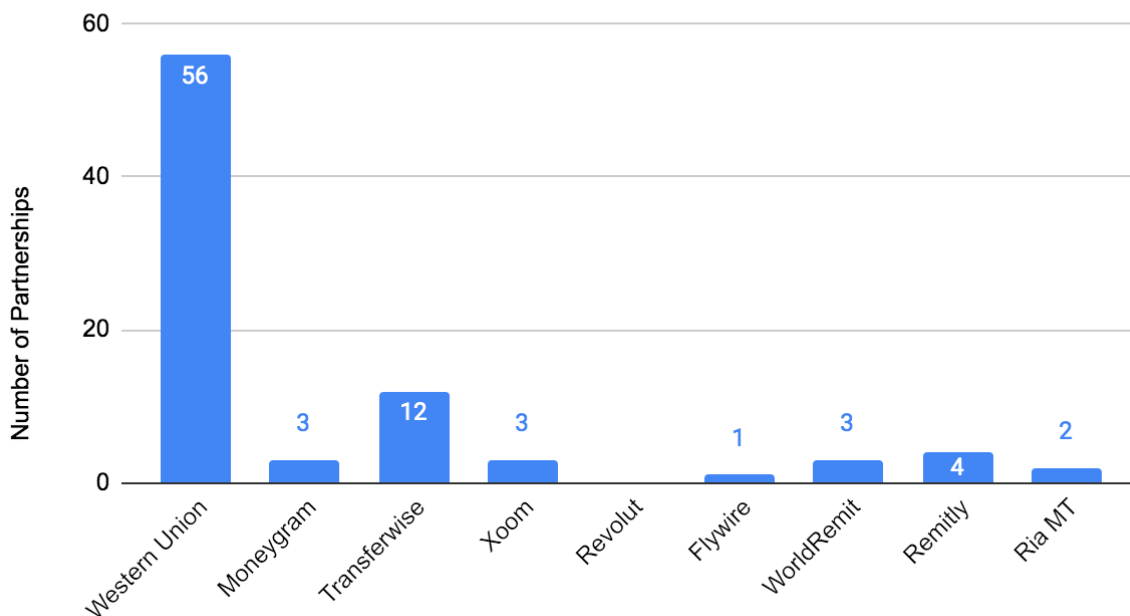


Fig.14 - Number of partnerships by provider [91]

The partnerships strategy implemented by WU in recent years has proven to be a success. Numerous agreements that have facilitated the implementation of new technologies and strategies have been made. Through partnerships with banks, online services, online platforms and retailers,



new impulses have been given to the retail and digital sector. New stimuli have been given to B2B and C2C business, becoming more and more important and profitable for the company. As a market leader, WU is also the company in the sector with the highest number of partnerships, underlining once again its commitment to expand and gain a competitive advantage over its competitors. From the point of view of the RBT model, the use of a partnership strategy allows WU to enrich and deepen resources, skills, know-how and competencies already possessed by the company. Thanks to the comparison with new business realities, new technologies and business models are implemented to offer the customer a service as different as possible. Thanks to the affiliation with banks and online platforms, the company is able to innovate and face the evolution of the transfer payment market. Also important are the networking skills needed to identify suitable partners. All these aspects allow the company to increase the value offered to customers.

#### 4.7: Western Union and COVID-19

To help fight COVID-19 and alleviate the problem in all affected countries, Western Union leaders in cross-border monetary movement and payments and the Western Union Foundation have announced a \$1 million global matching challenge. There will be up to \$500,000 for the combined Western Union and Western Union Foundation match. Until April 14, 2020, the Western Union Foundation accepts contributions from Western Union staff, agents, customers and the public worldwide. Aid for ongoing relief efforts in China and other affected countries around the world, including the purchase of supplies, equipment, and frontline medical care, will be pledged to local and global NGOs, including Give2Asia and International Medical Corps\*.[8]

According to the World Health Organization, as of February 13, 46,997 individuals are estimated to have been infected with COVID-19, with 1,368 deaths worldwide (46,550 cases and 1,368 deaths in China).

Hikmet Ersek, CEO of Western Union underlined the importance to support communities affected by COVID-19: "Being a responsible global company means not only serving and benefiting from an interconnected world but taking steps to care for vulnerable communities in terrible times. We encourage everyone around the world, including our employees, agents, customers, and partners, to step up and show their support".

Donations can be made for the \$1 million challenge via:

- Appeal for collective donations via a donation portal from the Western Union Foundation
- Donations made via the Western Union mobile app between March 1 and April 14 in the United States
- It is possible to organize corporate contributions through [wufoundation@wu.com](mailto:wufoundation@wu.com)

In addition to supplying cash for field operations to deter and fight the dissemination of COVID-19, the Western Union and Western Union Foundation also initiated a global initiative to raise visibility and promote voluntary contributions, both from workers, agents, and clients of the Western Union. Elizabeth Roscoe, Executive Director of the Western Union Foundation and Head of the Corporate Identity & Mission of Western Union, said, "We are committed to helping our partner organizations combat this virus in whatever way is most appropriate in their locations," We recognize the significance of doing our small part to put together the global community to tackle this contagious epidemic that, regardless of location, race, or social class distinctions, may threaten everybody equally.

Give2Asia said she is thankful for the global community's assistance and encouragement, but more is still welcome. "We are grateful to all those who are taking action in this time of need," said Give2Asia President and CEO Birger Stamper dahl. "Frontline health workers are risking their lives to help control the spread of the virus." Give2Asia sees the global community's deep dedication to promoting their efforts and helping families and neighborhoods impacted by the outbreak.

Western Union expects the 2021 forecast to strengthen when individuals adapt to the current coronavirus and the U.S. government's hopes of more stimulus to assist the economy, the chief financial officer said Tuesday.

This year, remittance flows, a vital source of external financing for developing countries, have plummeted as new migration slowed down and, after losing their jobs, some existing migrant workers return to their home countries.

Last week, Western Union, which relies on such transfers for its business, reported revenues of \$1.3 billion in the third quarter compared to an IBES Refinitiv estimate of \$1.25 billion and restored its financial outlook for the full year 2020 with earnings per share in the range of \$1.72-\$1.77 from generally accepted accounting principles (GAAP).

"In general, I would expect a better 2021 than we have seen this year," Raj Agrawal said in a video interview with Reuters. We should get some economic stimulus here in the United States at least. The elections will be behind us, all these things will help the United States, which is an important

part of our business, and I think people have learned to live with the pandemic a little more, and next year we will see better times.

The World Bank predicts that in 2020, remittance flows will decrease 7 percent to \$666 billion, before a further 7.1 percent drop in 2021. The estimated contraction of the World Bank in 2020 was less severe than the nearly 20 percent drop in April forecast.

While the loosening of COVID-19-related blockages contributed to a recovery in the retail business of Western Union in the third quarter, the company was also boosted by the faster-than-expected growth of its digital business, which includes money sent via the Internet, mobile or its digital partners.

Western Union's digital business has grown in the 40 to 50 percent range in the last two quarters, Agrawal said, adding that digital revenues accounted for about 21 percent of its total consumer revenue, with the remaining 79 percent being driven by retail.[3]

- Western Union continues to closely monitor COVID-19 developments (Coronavirus). The primary concern is the safety of staff, clients, and the well-being of those who have had an impact worldwide. Given the dynamic situation, customers in affected areas are encouraged to use digital services: send or receive money by visiting the digital channels of our mobile app, WU.com, or banking partners.
- Western Union understands that in areas with a high concentration of COVID-19 outbreaks, agent retail locations may temporarily close their activities or may have altered their operating hours. They encourage their clients to check the locator of the agent for the most accurate information and to call to confirm the availability of services and operating hours before visiting. The goal is to keep digital and retail services, subject to local regulations and guidelines, operational around the world.
- Due to the use of COVID-19 WU.com and the Western Union mobile app, Western Union advises clients with local restrictions to facilitate payment transactions on bank accounts and digital wallets, currently available in over 100 countries.
- Western Union and the Western Union Foundation have launched a \$1 million global appeal and are accepting donations until 14 April 2020. Up to \$500,000 will be the combined match between Western Union and Western Union Foundation and will go to supplies, equipment and frontline medical care.

In accordance with local regulations and guidelines, the objective is to keep digital and retail services operational worldwide. Given the dynamic situation, Western Union is recommending customers

with local restrictions to facilitate payment transactions to bank accounts and digital wallets, currently available in over 100 countries, due to the use of COVID-19 WU.com and the Western Union mobile app. Because of the dynamic situation, due to the use of COVID-19 WU.com and Western Union mobile app, Western Union is recommending customers with local restrictions to facilitate payment transactions to bank accounts and digital wallets, currently available in more than 100 countries. Only the designated recipient can withdraw a transfer for security reasons. However, to request a refund, you can ask the sender to contact Western Union customer service. The sender can send someone else a new money transfer or initiate a digital money transfer on WU.com or, where these services are available, through the Western Union mobile bank account payment app. When submitting online or at an agent's premises, select Bank Account Service. You will need the bank account details of the recipient.

Requirements vary by country, but usually include the name of the bank, the name or branch code of the recipient, the name and number of the account [31]. As shown by the quarterly results for 2020, WU was particularly affected by the pandemic in terms of revenues during the second quarter. The third quarter shows a significant increase in profitability, revenues (with strong growth in the digital business) and earnings per share, underlining the strength of the company.

The strategy for dealing with the pandemic also brings competitive advantages to the company. Thanks to the proximity to the customer, e.g., through the creation of the foundation, but also the widespread presence of the company's agents around the world, the customer can always conduct operations safely and despite the difficulties of the moment, thus generating enormous advantages and value for the customer. This allows the company to get more and more customers who will develop more and more solid loyalty towards it.

#### 4.8: WU And BREXIT

WU operates in the UK and is preparing for possible scenarios posed by an exit from the European Union. Specifically, through Western Union International Bank (WUIB), an Austrian credit institution controlled by the Austrian Financial Markets Regulator, the organization operates in the UK and most of Europe (FMA). The business has 'passported' its license to the United Kingdom and in the EU, where it acts as the Irish registered agency division.

In anticipation of Brexit, WU submitted to the FMA and the Prudential Regulation Authority (PRA) of the United Kingdom and the Financial Conduct Authority (FCA) to issue a "Third Country Branch" license to WUIB UK. Once Brexit is in effect and WUIB lacks the right to acquire a license, this move would enable business to begin in the UK. The license was acquired by Western Union a few months back.

Another aspect to be considered is that it is unlikely that the UK will no longer be a member of SEPA due to Brexit, which could have an impact on fees for managing UK euro accounts. WUIB is drawing up contingency plans should this happen and the company to protect customers suggests that they speak to their bank(s) if they hold a UK euro account. The final aspect that is still difficult to assess socially and economically is the effect Brexit will have on the value of the pound.

#### 4.9: Financial Performance Analysis

In these tables are grouped all the economic, patrimonial, and financial data of western union from 2009 to 2020. in the first excel sheet i have made the reclassification of the balance sheet of the company. It is essential to do this to divide the balance sheet into various areas necessary for the calculation of numerous indices useful for calculating the financial performance of the company. In the reclassified balance sheet as can be seen from the table, the first relevant division is between assets and liabilities. further division is then required to divide between current and non-current assets and liabilities the last item in this balance sheet equates to outstanding stakeholder transactions. fundamental to the accuracy of the balance sheet, that total assets equate to total liabilities plus capital.

the second reporting format is the reformulated income statement. Here the objective of the reclassification is the final identification of net income. To calculate this, the first step is to identify the revenues and expenses, after which tax and interest expenses are subtracted from the result. After calculating the net income, the reformulated income statement also contains important information regarding the number and value of the company's shares.

The third reclassified financial statement format is the comprehensive income calculation. This is a fundamental value for the calculation of the company's ROCE (Return on Capital Employed). To calculate this value, the net income found in the balance sheet table analyzed above is taken from which certain values relating to losses and gains on assets and securities are added or subtracted.

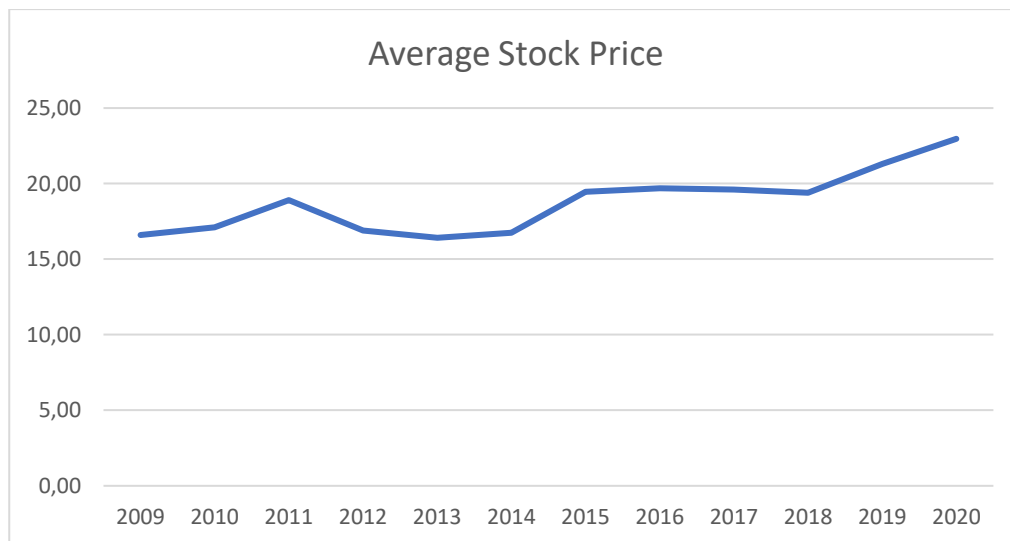
another reclassified balance sheet format is the equity statement format. Here the various net transactions with shareholders are shown. The balance sheet opens with the final balance sheet of the previous year to which the various items relating to transactions with the company's shareholders are added and subtracted. net income, losses and gains on assets and securities are also considered in this calculation. The balance sheet format ends with the final balance sheet.

The final analysis is the identification of cash flows and their classification according to the operational, investment and financial use of cash.

This reclassification considers the use of cash flow in the various areas of the company's activities. the sum of the three areas of use of cash flow determines the net change in cash at the end of the period.

Stocks go up in price for several reasons: a favorable news report, a whole industry upswing, the presence of undervaluation based on fundamental historical evidence or trading based on positive price and volume trends by technical analysts.

One will have to anticipate sales and profit increases for a stock to maintain a high price rise. But is anticipated growth appropriate on its own to determine if a successful valuation reflects a company? Not obviously. To decide if it reflects a high value relative to the company's projected growth, you will have to look at the share price.



**Fig. 15- Western Union's average stock price [91]**

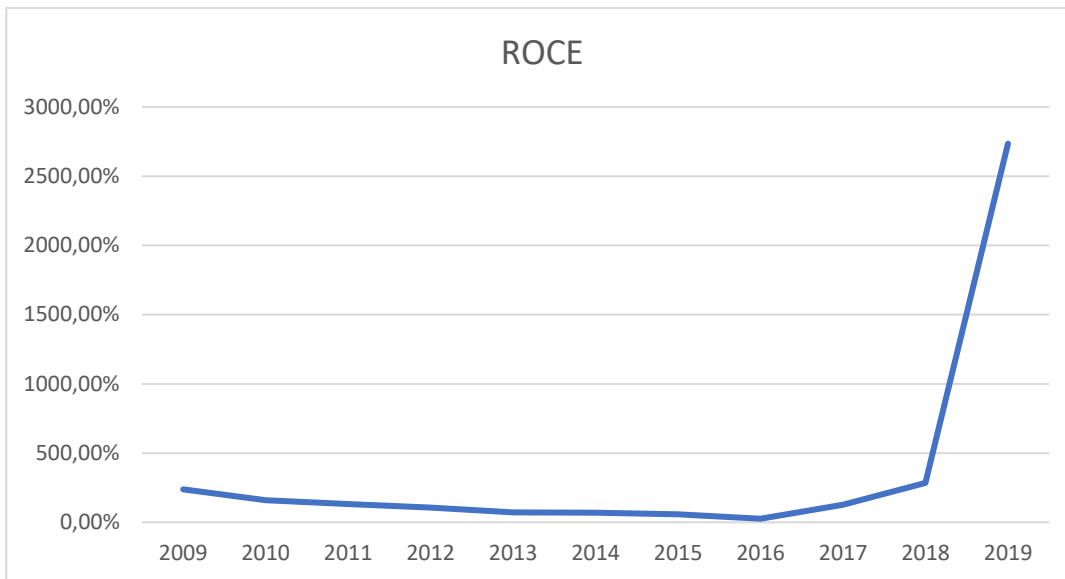
As can be seen from the graph of Western Union's average share price, in 2015 first but especially in 2019 there has been a significant increase in the price per share of almost 25% with a tendency, from the first data available in 2021, for a further increase.

Various causes have led to this positive reaction of financial merchants. First, in early 2019, western union announced that it would increase its dividend per share. This immediately increased the demand for the shares on the market and made them more attractive to investors, thus leading to a price increase. Another action put in place by WU is the partnerships the company has signed as previously highlighted in the thesis, which have increased the company's reach and coverage of the market. The main activity for the company was the announcement of a major cost restructuring plan with a staff cut of about 10%. This program will result in an annual cost cut of 100 from 2021 onwards. The company also plans to save \$50 million in 2020. The company had around 12,000 employees at the end of 2018, according to regulatory filings this will therefore lead to a reduction in staff by around 1,500 employees already this year.

The company also unveiled its new strategy at an investor day held on 24 September in Denver, where the company is based.

Given the restructuring, the company lowered its earnings guidance for the year. It now expects earnings per share of between \$2.47 and \$2.57. It had previously guided for \$2.66 to \$2.76. It expects adjusted earnings per share of \$1.70 to \$1.80 on a consistent basis for the next few years as well.

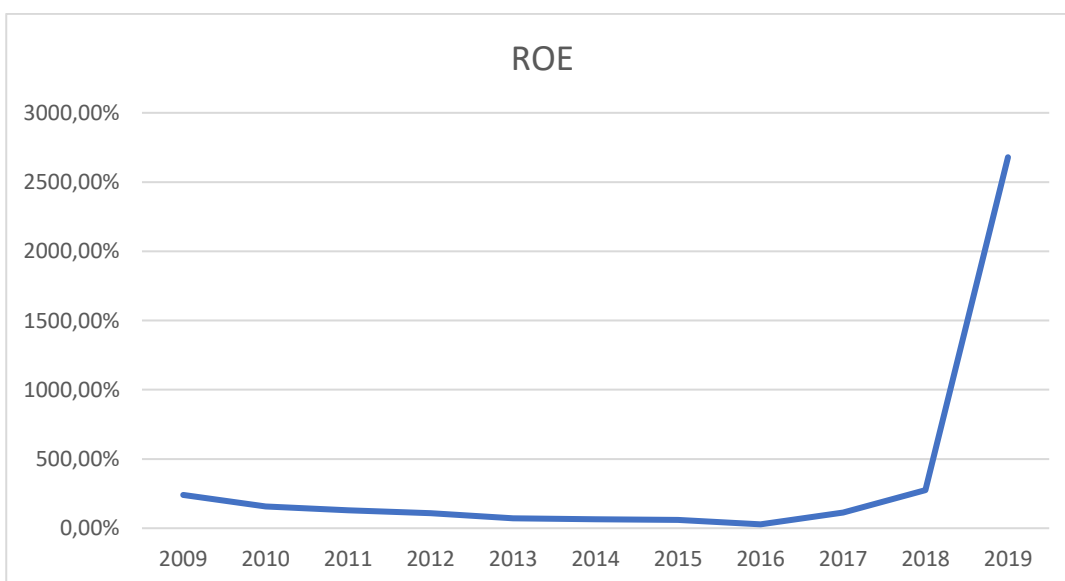
Return on capital employed, or ROCE, is a long-term profitability ratio that measures how effectively a company uses its capital. The metric indicates the profit generated by each dollar or other unit of currency used. ROCE can show whether a company uses its capital efficiently. Analysts often use ROCE to analyze a company's performance. In most cases, an increasing ROCE value implies an increase in profitability over the long term. As highlighted in this chart, Western Union through 2017 has maintained consistent, positive levels of ROCE, staying at optimal levels given the type of company. Since 2018, however, as a result of new company policies (increased dividends, increased investments) ROCE has increased a lot, which is very important especially in 2019.



**Fig. 16- Western Union's ROCE [91]**

ROE, or Return on Equity, is an indicator of the profitability of the capital brought into the company by way of risk. It is therefore equal to the ratio between net income and net capital.

In recent years, however, because of the financial and economic crisis in the more developed economies, inflation has fallen, and market yields themselves have fallen, making a 2%, whereas a 5% Roe would be considered optimal under ordinary market conditions. As shown in the graph, ROE, following the trend of the ROCE graph, also remained at constant and positive levels until 2017, and then from 2018 started to increase, with a sharp grow in 2019 because of the new corporate strategies.



**Fig. 17- Western Union's ROE [91]**



Net operating assets (NOA) are the operating assets of an enterprise less its operating liabilities. NOA is calculated by reclassifying the balance sheet so that operating assets are separated from financing assets. This is done so that the operating performance of the business can be isolated and evaluated independently of the financial performance.

NOPAT, Net Operating Profit After Taxes, can be defined as Net Operating Profit after taxes. It measures a company's operating profit after tax. NOPAT is of fundamental importance in understanding how profitable a company is. The value of shares should reflect just such a measure.

The meaning of EBIT, also called operating income, is literally Earnings before Interest & Tax, i.e., the company's earnings before interest and taxes. EBIT is also defined as Operating Income Before Taxes. EBIT is considered a measure of the operating result of the company by examining cash flows.

EBITDA; Earnings Before Interest, Taxes, Depreciation and Amortization. It is a measure of gross operating profit which is obtained by adding EBIT to the value of depreciation and amortization. EBITDA is the indicator most frequently used by analysts who exploit its characteristics when it is necessary to communicate estimates and forecasts linked to the target price of a share, considering it as a real reference in the valuation of a share.[26]

The Return on Net Asset (RONA) ratio compares a company's net income to its assets and helps investors determine how well the company is generating profits from its assets. The higher a company's earnings are relative to its assets, the more effectively the company is using those assets.

The profit margin is one of the profitability ratios commonly used to measure the profitability of a company or business. It represents the percentage of sales that have turned into profits. There are different types of profit margin, most used in general is the net profit margin. The net profit margin is equal to how much profit or net profit is generated as a percentage of revenues and it is typically expressed as a percentage but can also be represented in decimal form.

The more effective a corporation is at extracting income from its investments, the greater the inventory turnover level. Conversely, if a corporation has a poor inventory turnover level, it means

that it does not employ its assets sufficiently to produce revenue. The asset turnover ratio is usually measured on an annual basis.

For businesses in certain sectors, the inventory turnover level continues to be greater than for others.

Return on sales (ROS) is a ratio that is used to determine a company's operating performance. This calculation gives an idea of how much profit per dollar of revenue is made. A rising ROS suggests that a business is growing more successfully, whereas a declining ROS could signify financial difficulties that are inevitable.

Return on Investment (ROI) is a calculation of success used to calculate the efficacy of an investment or to compare the effectiveness of a variety of different investments. ROI aims to calculate the rate of return on a given investment explicitly, according to the expense of the investment.

Return on assets (ROA) is a form of metric of return on investment (ROI) that calculates a company's profitability in comparison to its total assets. By measuring the profit (net profit) it produces with the money it has spent in properties, this ratio shows the success of a business. In the utilization of economic capital, the higher the return, the more effective and successful management is.

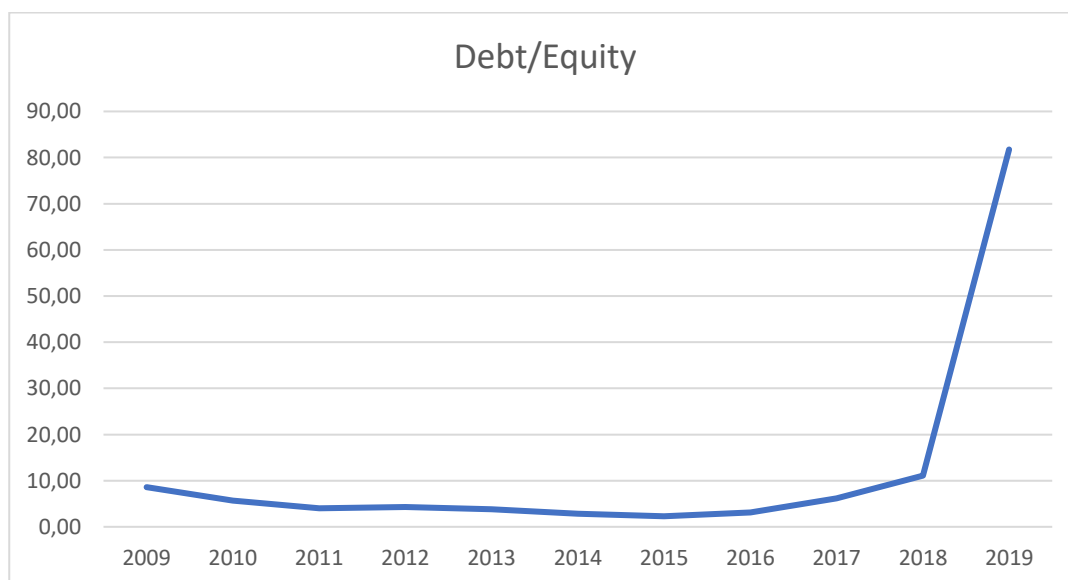
A fundamental index, measured as the gap between non-current liabilities and non-current assets, is a net financial liability. If the variance is good, we are talking about net financial liabilities; if the difference is negative, we're talking about net financial assets. The financial situation, defined as a company's debt, solvency and liquidity that eventually contributes to the business's ability to thrive, is an essential element in both large and small businesses.

The current ratio is a liquidity ratio that calculates the willingness of a business to compensate within one year for its short-term liabilities or those due. It informs investors and shareholders how far a firm will fulfill its existing and other obligations by optimizing the current assets on the balance sheet. In certain situations, a business with a current ratio of less than one would not have the funds sufficient to satisfy its near-term commitments if all of them are due at once, while a current ratio of more than one implies that the organization has the financial capacity to stay viable in the short term.

The receivable turnover ratio of customers is an accounting method used to calculate the productivity of a business in recovering its receivables or money owed by clients. The ratio demonstrates how effectively a firm utilizes and handles the credit it provides to consumers and how easily it receives or pays short-term debt.

The turnover ratio payable to accounting is a short-term accounting indicator used to calculate the pace at which a business pays its vendors. Accounts payable turnover determines how much in a time a corporation payment its debts. Debts are short-term, it should be remembered.

The debt turnover ratio tells investors how much, each year, a business payment its debts. The debt turnover ratio can be used by investors to assess if a firm has enough capital or income to satisfy its short-term obligations. A falling turnover ratio suggests that a business needs longer than in previous times to pay its vendors. As seen in the graph, the debt ratio (debt over capital) stayed at positive levels until 2016 and in a gradual pattern from 2017, when the indicator began to climb to clearly positive levels from 2018 onwards.



**Fig. 18- Western Union's Debt/Equity Ratio [91]**

A business's working capital period is the duration it takes to turn total working capital into cash (current assets minus total liabilities). To maximize cash flow, liquidity and market performance, businesses usually aim to handle this loop by selling products rapidly, receiving money from

consumers quickly, and paying bills slowly. The longer the working capital period, the poorer the likelihood of rapidly earning cash and the shorter the working capital cycle, the better the turnover level, providing more cash for the company. Thus, the requirement for leverage or foreign borrowing is minimized, which boosts the company's productivity quotient.

Gross profit is the net profits of a business less the sales price (COGS). That is the sales income that a corporation holds until the direct expenses involved with the manufacture of the items it produces and the services it offers are incurred. The larger the profit margin, the more money a corporation holds on each dollar in revenue that it will then use to fund extra expenses or satisfy debt obligations.

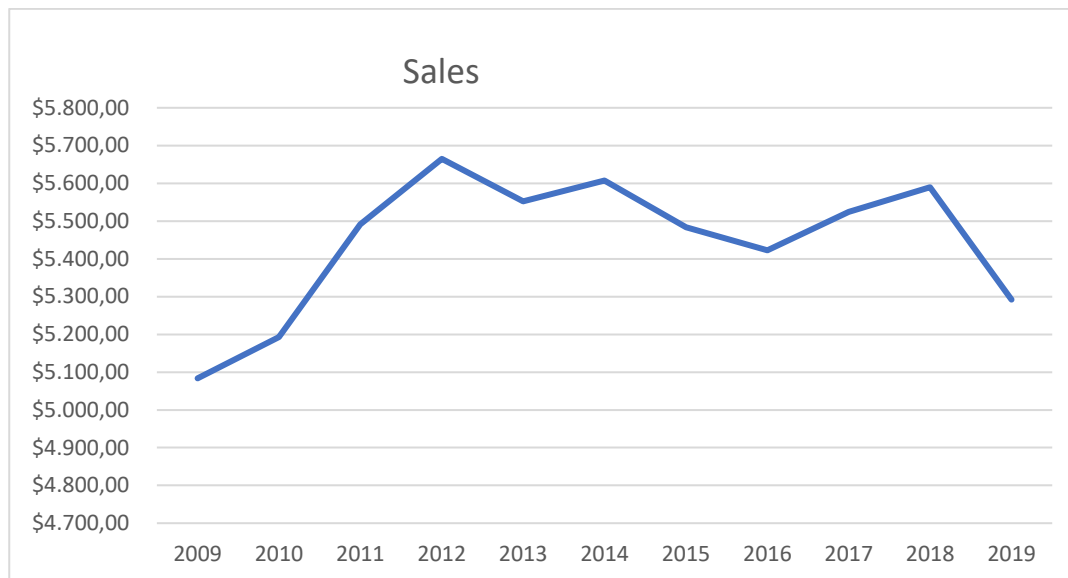
After paying variable manufacturing expenses, such as salaries and raw materials, but before paying debt or taxation, gross margin calculates the amount a business generates from a dollar in revenue. It is determined by measuring the operating profits of a company by its net revenues. The operating profit of a company, often referred to as revenue return, is a strong indication of how well it is managed and how dangerous it is.

A key predictor of market danger is extremely volatile operating margins. Similarly, looking at the historical operating margins of a business is a successful way of determining whether the efficiency of a company is improving. Via tighter management controls, more productive utilization of capital, better pricing, and more aggressive promotion, profit margins can be increased.

Net profit margin is proportional to how much benefit or net profit as a percentage of sales is generated. The net profit margin is the percentage of a company's or a market segment's net profit to sales. Typically, the net profit margin is expressed as a percentage but may be interpreted in decimal form as well. The net profit margin indicates how much of a sales dollar a corporation earns turns into profit.

A selling is a contract between two or more parties in which, in return for money, the consumer receives tangible or intangible products, facilities, or properties. Such assets are, in certain instances, billed to a vendor. In the capital markets, a transaction can often apply to a deal on the price of a security between a buyer and a seller. The original revenue pattern for Western Union

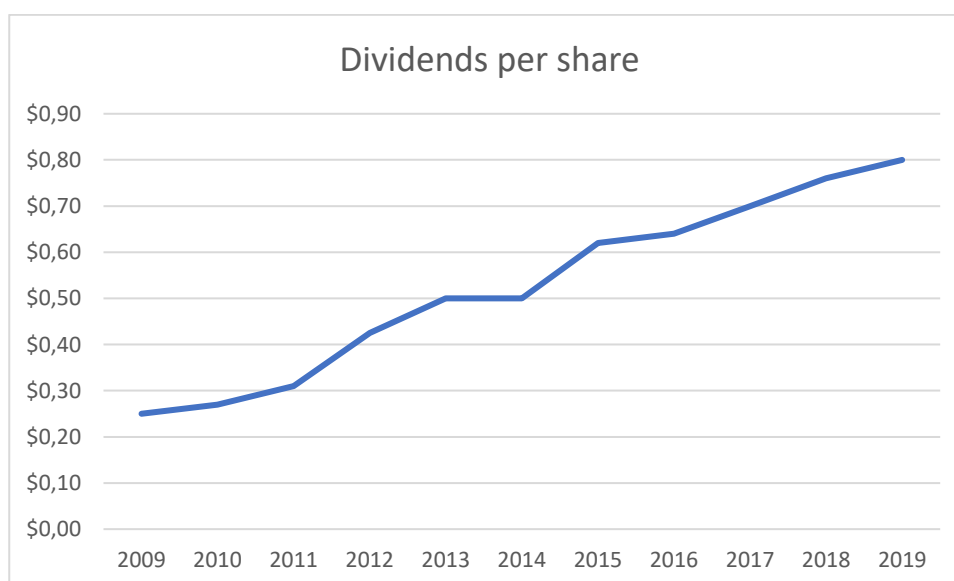
was up until 2012 (the year of highest retail market domination for the company), as indicated by the sales graph, and then consolidated until 2018, when sales decreased in 2019.



**Fig. 19- Western Union's Sales in millions [91]**

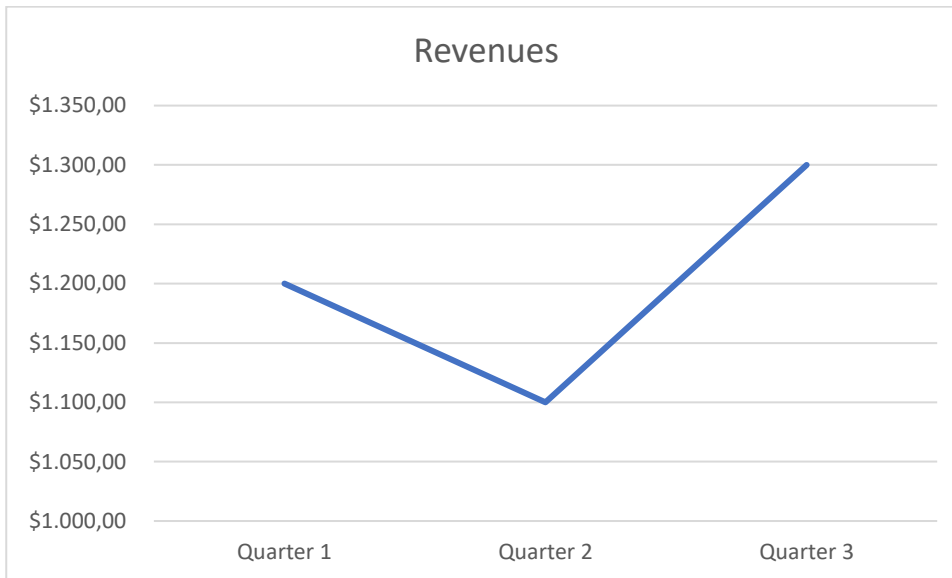
If decided by the board of directors of the corporation, a dividend is the allocation of some of the profits of a company to a subset of its owners. Dividend-paying companies' common shareholders are usually liable if they own the shares prior to the ex-dividend date.

Dividends can be paid out in the form of cash or extra stock. The dividend strategy adopted by Western Union saw, as seen in the graph, a general rise in dividends given to shareholders per year to enable them to subscribe to new shareholdings.



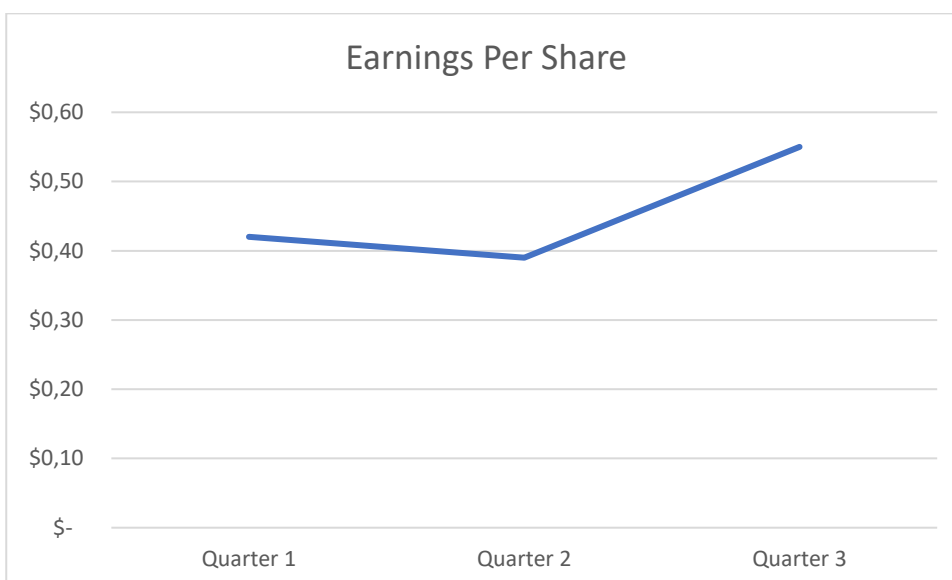
**Fig. 20- Western Union's dividends per share [91]**

The impact of the coronavirus on the company's business is not yet precisely quantified, as the annual report for 2020 has not yet been drawn up. However, the first three quarterly reports have already been published and have shown interesting results.



**Fig.21- Western Union's revenues in 2020 [91]**

As can be seen from the graph referring to revenues in 2020, in the second quarter, corresponding to the start of the pandemic wave in the world, there was a marked drop in revenues, a trend that was then strongly reversed in the last quarter thanks to the company's policies.



**Fig.22 – Western Union's earnings per share in 2020 [91]**

Earnings per share were also affected by the pandemic. In the first quarter there was already a drop compared to the previous year, a trend that was confirmed in the second quarter. The trend then changed in the third quarter where there was a marked improvement in this data.



**Fig. 23- Western Union's operating margin [91]**

Also, must be considered is the effect of the pandemic on operating margin. In the first four months of the year there was a sharp drop compared to the previous year, followed by an increase in the second quarter, a trend which increased sharply in the third quarter.

## Chapter 5: Discussion of Results

One of the most interesting results achieved by Western Union, as shown by the financial analysis, is undoubtedly the increase in the average price per share. The increase in 2018 showed that the strategies implemented by the company over the last two years (at least in this respect) have been highly effective. Thanks to the creation of partnerships with important banks (with an ever-increasing push towards digitalization) and, above all, the announcement that the company intends to increase its dividends per share, the company has been able to make itself more attractive on the market by raising its price per share. Obviously, this type of strategy can be costly for the company as it must sacrifice part of its profits to finance investors (the drop in net income over the last two years is evident), but it is essential to maintain a good stock market listing and to attract more and

more investors by increasing its share capital. A decisive factor in 2018 was also the decision to cut personnel costs by around 10%. This is also evident in the figures shown in the table, where the company has significantly reduced its corporate costs since 2018 but has also reduced revenues. Another important result is certainly the analysis of ROE. The ROE is an index of capital profitability (defined as the ratio of net income to common equity) and as shown in the profitability analysis over the last two years it has reached positive levels. This is certainly explained by a decline in common equity because of the new dividend policies implemented in recent years. Net income, on the other hand, after a period of decline, has risen sharply back to the levels of 2012, one of the best years for the company from a financial point of view. EBIT is one of the most relevant indexes in the financial evaluation of a company. it represents the operating income before interest and taxes, it is therefore the simple difference between revenues and costs. as shown by the balance sheet of Western union, a company that has always been dedicated and focused on a policy of cost reduction with little investment to preserve net income; EBIT after a sharp decline between 2016 and 2017 has returned to the levels of previous years; this was determined by a strong reduction in the company's overheads. WU, especially, has been moving its activity and its business towards digital In recent years now has a 22% of revenues of business from digital; although it still has a strong retail connotation (a sector in crisis due to the global trend towards e-commerce with poor profit margins due to intense competition from various competitors of the company), thanks to the partnerships put in place, it is expanding its online platform, thus aiming at an increasingly digital business, making investments in this field. Digital technology, driven by globalization and above all by the pandemic, will play a key role in the next few years, and Western Union's investments and revenues will be very profitable. This aspect will be essential for the company in terms of market share. At present, the company has a market share of 12%-13%, making it a market leader. However, the market is constantly expanding and being enlarged by new entrants, and Western Union must continue to apply effective and innovative business strategies. An increasingly digital-oriented strategy in the coming years will certainly increase the company's revenues and, above all, its market share, making western union an increasingly important market leader. To achieve these objectives, the company is also thinking about new acquisitions or partnerships, and the acquisition of a fintech company could be important, as it would greatly help the process of digitizing the company's business. The stock exchange listing and the estimation of the most important rating agencies will also reward western union. in fact, these agencies do not yet rate the company very highly, since most of the revenues derive from the retail sector, a sector that is stationary or in slight



decline, while only a small part of the revenues derive from the digital sector, which instead has a considerable prospect in terms of revenues as well. another relevant aspect in the evaluation of western union that has emerged is undoubtedly its attention to the customer. it is very attentive to fraud and the control of transactions that are carried out in a short time and in complete security. Each transaction, as explained by the company's CEO in an interview with Bloomberg in august 2020, has an average value of 300 dollars and specifies how the work of moving money between customers is a very delicate operation that often has a significant impact on people's lives and therefore reiterates the importance of how fundamental it is that this takes place in complete safety and in accordance with the compliance rules imposed in the company, operations made possible by data security and artificial intelligence.

Other important indices that help us to better understand the financial situation of the company are: The RONA, calculated as the ratio between the operating income after taxes and the NOA. As can be seen from the financial analysis, WU has had an extremely positive value of this index, a trend that has been reversed especially in recent years due to a NOA that has reached negative levels due to an increase in current liabilities that have therefore made the RONA negative, an effect partly mitigated by an increase in the OI after taxes especially in the last two years. Thus, generating a situation of difficulty for the company to make profit from its assets.

Another important result shown by the financial performance of the company is the ROI. Here, as in the case of the RONA, there is a negative trend of the index in recent years; this index is particularly important for all companies but for Western Union because it determines the level of profitability of the investments made by the company. if the value is negative, this represents a wake-up call for the company, and Western Union, a market leader that has invested heavily in recent years with acquisitions and partnerships, represents a major problem to be solved. The drop in the index here also comes from a sharp drop in NOA to negative values and a trend of declining EBIT on a five-year basis.

The trend of recent years has been negative. since 2015, revenues have been declining and this has been caused by several factors: lower profit margins in the retail market, increased competition in the market, reduced investment in retail and a consequent increase in investment in digital, which has only recently been playing a leading role in terms of revenue growth and sector growth.

Another important result relates to the company's indebtedness, especially the ratio of capital to debt. The ratio, which over the years has been just under 1, has risen particularly sharply, with values close to over 1 in the last three years. This is due to the company's new management policy, which in 2018, especially, embarked on a path of cost reduction by cutting personnel and maximizing the efficiency of its business processes. It has also reduced investments in the retail sector, which has poor margins and few opportunities in contrast to digital. By cost reductions the company has also reduced its reliance on debt resulting in lower interest expense.

With the results obtained, therefore, with reference to certain key indices and the strategies implemented by the company in recent years, it is possible to provide an estimate of future performance. In estimating the company's performance, I would certainly start with the revenue aspect. As already mentioned in the analysis of the ratios, the company has been on a downward trend over the last five years, due to a rethinking of the company's business, which in recent years has focused more on digital than on retail. However, this has led to a fall in revenues because of a decrease in investments in the retail sector, which is limited by high competition and greatly reduced by the advent of digital and external factors such as COVID. WU, which still has retail as its main source of revenue, has seen its revenues fall, but with the high profitability of the digital sector on the rise. The forecast for the next few years will certainly be a recovery in revenues, with the company shifting more and more of its business to digital at the expense of retail. This growing trend in revenues will also lead to a significant increase in operating income, which is the difference between revenues and costs; WU will continue to follow a line of cost reduction, as it has always been very attentive to costs, for example personnel reduction costs, costs that will however increase because of ever greater investments in digital, the company's real source of income in the next 10 years. However, the increase in revenues should be greater than the increase in costs, thus maintaining an overall growing operating income. Other considerations and estimates can be made regarding the share price. The average price per share has been growing strongly in recent years, an effect that will be further amplified in the coming years, as Western Union will continue its policy of high dividends to its shareholders, and above all by the improvement of its business performance, which, because of increased investment in digital will be viewed favorably by rating agencies that will evaluate the company in an increasingly positive manner. Other important aspect is that relating to market shares; WU has seen a steady decline in market shares in the retail sector, while in the digital sector is the undisputed market leader, a shift of business to this sector will lead to a decline

in market share of retail but with an increase in digital where even after partnerships with other companies (this line already followed with other companies and banks) can become the undisputed leader of the sector for many years.

Based on the balance sheet analysis, it is also possible to determine the level of capital on debt. the capital will certainly increase over the next few years, capital obtained from an ever-increasing number of shares that will be placed on the market at ever-higher prices, thus increasing the capital significantly; the most interesting aspect is that of debt. In recent years, the company has greatly reduced its use of debt, partly because of the large amounts of money that can be spent every year, but also because of a drop in investments in the various areas of the company's activities. However, I am strongly convinced that in the coming years, to make the most of the potential arising from the exploitation of the digital sector, major investments will be made both in terms of mergers and acquisitions and in investments to make the company more efficient and improve it. The ratio will therefore remain constant at just over 1 in my estimation.

Other essential indices in the valuation of a company, ROE, RONA, ROA, and ROI, will also undergo various changes and much will depend on the company's net income performance. The company's net income, which has fallen significantly in recent years, is returning to its previous levels. My forecast is that this value will increase steadily, favored by a general increase in income more than proportional to that of expenditure. As net income increases, many indices will improve, starting with ROE, which assesses the profitability of capital employed. ROE has fluctuated significantly in recent years, settling at an extremely positive level; my prediction is that this value will gradually return to previous positive values, although this will depend very much on the company's performance.

Is certain that the net income will increase over the years, and to see an increase in ROE it will be necessary to see the trend of the denominator, the common share, which should increase because of new subscriptions, but it is difficult today to provide a certain estimate.

Another fundamental index is that relative to ROI; here it is essential to evaluate the trend of EBIT, expected to increase significantly over time and this will allow this index to grow a lot. The only doubt remains that of the NOA, NOA to be reiterated as the difference between current assets and current liabilities, here the speech is complicated because it will be evaluated the amount of current assets and liabilities. according to my estimates, current assets will increase because of short-term investments increasingly. this will then allow the ROI to remain at stable levels or slightly increasing. ROA is another remarkably interesting index here because of a growing net income and fast-growing

total assets it could even fall over the years mainly because of investments placed in increasingly large non-current assets. The last index to be analyzed is the RONA. Here the estimates converge towards a general increase in this index determined by a more than proportional increase in Ebit after taxes compared to NOA. The last analysis to be conducted is that relating to the cash flow of the company. there are three cash flows, operating, financial and investment. the first flow to be analyzed is the operating one containing item capable of influencing the cash flow in the short term; Last analysis to be conducted is the one related to the cash flow of the company. there are three cash flows, operating, financial and investment. the first flow to be analyzed is the operating one containing item that can influence the cash flow in the short term; according to my estimates and following the general trend of the company in recent years the value should remain constant or slightly increase. more interesting changes will concern the cash flow from investment and financial aspects. Regarding investments, the company will make numerous investments acquiring both materials for the company but also and above all investments in digital acquiring also other companies in the sector. this will cause a strong heat of the cash flow from investing in the order of 20/30% compared to current levels. In the end regarding the cash flow from financial activities here should occur a generally stable trend, with an increase in dividends for shareholders offset by a decrease in debt with a relative decrease in interest expense. In general, therefore, it can be said that the net change in cash will be slightly negative considering the main effect due to investment activities.

Clearly the emergency spread throughout the world will damage the business of western union especially in the retail sector, with stores that will remain closed for a long time around the world. Depending on the duration of the pandemic and the spread of the situation around the world, it will be possible to provide an accurate estimate of the damage done to the company's business. As previously stated, however, the change in business underway at the company, with a transition to digital and therefore the remittances market, will allow the company to reduce its losses, in addition to the various countermeasures put in place by the company, as previously mentioned.

## Chapter 6: Conclusions and Recommendations

This research aimed to show the impact of the strategies implemented by Western union on the company's business in the years 2009-2020. In these years, Western Union, to maintain its

leadership in the sector in which it operates, has faced the advancement of numerous competitors by implementing new strategies, especially in recent years. Among the most important are pricing strategies, cost reduction, omnichannel strategy, partnerships, and during 2020 the measures taken to deal with the COVID-19, Brexit.

The results shown through the analysis of the company's balance sheets and through interviews with some of the company's top management have highlighted the problems and the many successes achieved by the company and the prospects. If, on the one hand, the digital sector represents an opportunity to be seized by making significant investments to achieve important successes and revenues, on the other hand, WU is still too anchored to the retail sector, with most of its business, activities and revenues linked to a market that is now saturated, with a high number of competitors and negative revenue margins. In detail, western union's business is developed on 4 main businesses; retail which generates 60% of revenues, digital which generates 20% of revenues, B2B with about 10% and finally C2B and bill payment with 10% revenues.

The future challenges for the company will be many, from the impact that Brexit may have on the company's business to the difficulties caused by the pandemic that we still do not know how long it will last and what the actual damage will be, concluding with the difficult transition from retail to digital.

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# Appendices

## Appendix 1- Ratio Analysis

RATIOS ANALYSIS	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
ROE= net income/common equity	240,11%	156,15%	130,24%	109,07%	72,27%	65,55%	59,63%	28,06%	113,37%	274,98%	2679,2%
ROCE= Comprehensive inc/com equity	238,56%	158,61%	131,84%	105,44%	70,79%	69,40%	57,85%	25,97%	126,62%	284,12%	2734,9%
NOA= OA - OI	665,00	1280,40	533,50	1002,00	1217,30	1016,50	497,80	-659,40	-1132,30	-645,50	-171,10
OI AFTER TAXES	848,80	909,90	1165,40	1025,90	798,40	852,40	837,80	253,20	-557,10	851,90	1058,3
EBIT	1282,70	1300,10	1385,00	1330,00	1107,40	1140,50	1109,40	483,70	475,80	1122,10	934,0
EBITDA	1436,90	1476,00	1577,60	1576,10	1370,20	1412,40	1379,60	750,20	1202,70	1386,80	1191,7
RONA= OI after taxes/NOA	127,64%	71,06%	218,44%	102,39%	65,59%	83,86%	168,30%	-38,40%	49,20%	-131,98%	-618,5%
PM = OI after taxes/Sales	0,17	0,18	0,21	0,18	0,14	0,15	0,15	0,05	-0,10	0,15	0,20
AT =Sales/NOA	7,64	4,06	10,29	5,65	4,56	5,52	11,02	-8,22	-4,88	-8,66	-30,93
ROS = EBIT/Vendite	0,25	0,25	0,25	0,23	0,20	0,20	0,20	0,09	0,09	0,20	0,18
ROI = EBIT / NOA	1,93	1,02	2,60	1,33	0,91	1,12	2,23	-0,73	-0,42	-1,74	-5,46
ROA = net income / total assets	0,12	0,11	0,13	0,11	0,08	0,09	0,10	0,03	-0,06	0,09	0,12
SALES	5083,60	5192,70	5491,40	5664,80	5552,00	5607,20	5483,70	5422,90	5524,30	5589,90	5292,1
NET FINANCIAL OBLIGATION	311,50	697,70	-361,30	61,40	112,60	-283,90	-907,10	-1561,60	-640,90	-335,70	-131,60
CURRENT RATIO	1,20	1,36	1,14	1,26	1,30	1,25	1,12	0,88	0,82	0,88	0,97
ACC REC TURNOVER = sales/ acc rec	2,13	1,97	1,78	1,82	1,70	1,69	1,66	1,45	1,32	1,47	1,61
in days	169,19	182,69	202,65	197,93	212,06	212,75	217,21	248,88	272,98	245,62	224,26
ACC PAY TURN = cgs/ acc pay	5,74	5,52	5,37	5,17	4,50	4,79	4,74	2,55	4,00	5,09	4,78
in days	62,76	65,17	66,99	69,65	80,00	75,18	75,96	141,45	89,97	70,74	75,37
duration work cap cycle in days	106,43	117,53	135,66	128,29	132,05	137,57	141,25	107,43	183,00	174,88	148,89
long term debt/ capital	0,90	0,85	0,80	0,81	0,79	0,74	0,70	0,78	1,19	1,10	1,01
debt/equity ratio	8,62	5,65	4,00	4,28	3,81	2,86	2,29	3,09	-6,17	-11,08	-81,75
gross margin	0,43	0,43	0,44	0,44	0,42	0,41	0,42	0,40	0,39	0,41	0,42
operating margin	0,25	0,25	0,25	0,23	0,20	0,20	0,20	0,09	0,09	0,20	0,18
net profit margin	0,17	0,18	0,21	0,18	0,14	0,15	0,15	0,05	-0,10	0,15	0,20
book value per share	0,51	0,89	1,44	1,64	2,01	2,49	2,80	1,87	-1,07	-0,70	-0,09
stock price	13,47	13,47	13,47	10,31	13,47	14,42	14,89	18,65	16,92	15,79	25,71
NET EPS	1,21	1,36	1,84	1,69	1,43	1,59	1,62	0,50	-1,25	1,87	2,45
p/e ratio	11,13	9,90	7,32	6,10	9,42	9,07	9,19	37,30	-13,54	8,44	10,49
sales per share	7,23	7,74	8,62	9,26	9,88	10,40	10,57	10,96	11,71	12,24	12,24
p/s ratio	1,86	1,74	1,56	1,11	1,36	1,39	1,41	1,70	1,44	1,29	2,10
price/book ratio	26,41	15,13	9,35	6,29	6,70	5,79	5,32	9,97	-15,80	-22,49	-272,06
average stock price	16,60	17,11	18,90	16,90	16,41	16,76	19,46	19,69	19,61	19,39	21,29

## Appendix 2- Reformulated Comprehensive Income

Ref Comprehensive Income	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
net income	1058,3	851,9	-557,1	253,2	837,8	852,4	798,4	1025,9	1165,4	909,9	848,8
other c.income											
unrealized gains on inv sec	25,8	-4,3	6,5	-11,6	-1,1	4,8	-3,6	2,8	1,8		
unrealized gains on hedging act	-11	50,3	-74,4	-7,6	-7,2	81,6	-11,1	-27	27		
unrealized losses on inv sec										1,8	-3,3
unrealized losses on hed sec										27	-4,9
foreign currency translation adj		-19,5	-6,2	-4,7	-16,8	-27,6	-13,1	-2,2	-2	-2	6,6
defined benefit pension plan adj	7,2	1,8	9	5	0,1	-8,7	11,4	-7,7	-12,5	-12,5	-3,9
total other c.income	22	28,3	-65,1	-18,9	-25	50,1	-16,4	-34,1			
comprehensive income	1080,3	880,2	-622,2	234,3	812,8	902,5	782	991,8	1179,7	924,2	843,3

### Appendix 3- Reformulated Balance Sheet

<b>Reformulated Balance Sheet</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>assets</b>											
<b>cash and cash equivalents</b>	1450,5	973,4	838,2	877,5	1315,9	1783,2	2073,1	1776,5	1370,9	2157,4	1685,2
<b>settlement assets</b>	3296,7	3813,8	4188,9	3749,1	3308,7	3313,7	3270,4	3114,6	3091,2	2635,2	2389,1
<b>Property and equipment, net of acc depr</b>	186,9	270,4	214,2	220,5	231,8	206,4	209,9	196,1	198,1	196,5	204,3
<b>goodwill</b>	2566,6	2725	2727,9	3162	3163,8	3169,2	3172	3179,7	3198,9	2151,7	2143,4
<b>other intangible assets</b>	494,9	598,2	586,3	664,2	705	748,1	833,8	878,9	847,4	438	489,2
<b>other assets</b>	762,9	616	675,9	746,3	733,7	669,8	562,1	319,9	363,4	350,4	442,2
<b>total assets</b>	8758,5	8996,8	9231,4	9419,6	9458,9	9890,4	10121,3	9465,7	9069,9	7929,2	7353,4
<b>liabilities and stockholders' deficit</b>											
<b>liabilities</b>											
<b>account payable and accrued liabilities</b>	601,9	564,9	718,5	1129,6	606,6	600,4	638,9	556,2	535	520,4	501,2
<b>settlement obligation</b>	3296,7	3813,8	4188,9	3749,1	3308,7	3313,7	3270,4	3114,6	3091,2	2635,2	2389,1
<b>income taxes payable</b>	1019,7	1054	1252	407,3	211,5	166,3	216,9	218,3	302,4	356,6	519
<b>deferred tax liability,net</b>	152,1	161,1	173	85,9	272,6	305	319,2	352,1	389,7	289,9	268,9
<b>borrowings</b>	3229,3	3433,7	3033,6	2786,1	3225,6	3720,4	4213	4029,2	3583,2	3289,9	3048,5
<b>other liabilities</b>	498,3	279,1	356,8	359,4	429	484,2	358,2	254,7	273,6	254,5	273,2
<b>total liabilities</b>	8798	9306,6	9722,8	8517,4	8054	8590	9016,6	8525,1	8175,1	7346,5	6999,9
<b>stockholders' deficit:</b>											
<b>preferred stock</b>											
<b>common stock</b>	4,2	4,4	4,6	4,8	5	5,2	5,5	5,7	6,2	6,5	6,9
<b>capital surplus</b>	841,2	755,6	697,8	640,9	566,5	445,4	390,9	332,8	247,1	117,4	40,7
<b>accumulated deficit</b>	-675,9	-838,8	-965,9	419,3	977,3	968,7	877,3	754,7	760	591,6	433,2
<b>accumultaed other comprehensive loss</b>	-209	-231	-227,9	-162,8	-143,9	-118,9	-169	-152,6	-118,5	-132,8	-127,3
<b>total stockholders' deficit</b>	-39,5	-309,8	-491,4	902,2	1404,9	1300,4	1104,7	940,6	894,8	582,7	353,5
<b>total liabilities and stockholders' deficit</b>	8758,5	8996,8	9231,4	9419,6	9458,9	9890,4	10121,3	9465,7	9069,9	7929,2	7353,4

### Appendix 4- Reformulated Income Statement

<b>Ref Income Statement</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>revenues</b>	5292,1	5589,9	5524,3	5422,9	5483,7	5607,2	5542	5664,8	5491,4	5192,7	5083,6
<b>expenses:</b>											
<b>cost of service</b>	3086,5	3300,8	3353	3270	3199,4	3297,4	3235	3194,2	3102	2978,4	2874,9
<b>selling,general and administrative</b>	1271,6	1167	1231,5	1669,2	1174,9	1169,3	1199,6	1140,6	1004,4	914,2	926
<b>goodwill impairment charge</b>			464								
<b>total expenses</b>	4358,1	4467,8	5048,5	4939,2	4374,3	4466,7	4434,6	4334,8	4106,4	3892,6	3800,9
<b>operating income</b>	934	1122,1	475,8	483,7	1109,4	1140,5	1107,4	1330	1385	1300,1	1282,7
<b>other income/(expense):</b>											
<b>gain on divestitures of business</b>	524,6										
<b>interest income</b>	6,3	4,8	4,9	3,5	10,9	11,5	9,4	5,5	5,2	2,8	9,4
<b>interest expense</b>	-152	-149,6	-142,1	-152,5	-167,9	-176,6	-195,6	-179,6	-181,9	-169,9	-157,9
<b>derivative gains,net</b>			7,1	4,5	1,2	-2,2	-1,3	0,5	14	-2,5	-2,8
<b>other income,net</b>	8,5	14,1	4,2	2,5	-11,8	-5	7	12,4	52,3	14,7	0,1
<b>total other income/expense,net</b>	387,4	-130,7	-125,9	-142	-167,6	-172,3	-180,5	-161,2	-110,4	-154,9	-151,2
<b>income before income taxes</b>	1321,4	991,4	347,5	341,7	941,8	968,2	926,9	1168,8	1274,6	1145,2	1131,5
<b>provision for income taxes</b>	263,1	139,5	904,6	88,5	104	115,8	128,5	142,9	109,2	235,3	282,7
<b>net income</b>	1058,3	851,9	-557,1	253,2	837,8	852,4	798,4	1025,9	1165,4	909,9	848,8
<b>earnings per share</b>											
<b>basic</b>	2,47	1,89	-1,19	0,52	1,63	1,6	1,43	1,7	1,85	1,37	1,21
<b>diluted</b>	2,46	1,87	-1,19	0,51	1,62	1,59	1,43	1,69	1,84	1,36	1,21
<b>weighted-average shares outstanding</b>											
<b>basic</b>	427,6	451,8	467,9	490,2	512,6	533,4	556,6	604,9	630,6	666,5	698,9
<b>diluted</b>	430,9	454,4	467,9	493,5	516,7	536,8	559,7	607,4	634,2	668,9	701
<b>cash dividend declared per common share</b>	0,8	0,76	0,7	0,64	0,62	0,5	0,5	0,425	0,31	0,27	0,25

## Appendix 5- Reformulated Equity Statement

Reformulated Equity Statement	shares	amount	capital surplus	ret earnings	acc other compr loss	total stock equity	comprehensive income
balance december 2009	686,5	6,9	40,7	433,2	-127,3	353,5	
net income				909,9		909,9	
stock based compensation			34,6			34,6	909,9
common stock dividends				-165,3		-165,3	
repurchase and retirement of common shares	-35,7	-0,4		-586,2		-586,6	
shares issued under stock based compensation plans	3,2		44,1			44,1	
tax adjustments from employee stock option plans			-2			-2	
unrealized losses on investment securities, net of tax					-3,3	-3,3	-3,3
unrealized losses on hedging activities , net of tax					-4,9	-4,9	-4,9
foreign currency translation adjustments, net of tax					6,6	6,6	6,6
pension liability adjustment, net of tax					-3,9	-3,9	-3,9
comprehensive income							904,4
balance december 2010	654	6,5	117,4	591,6	-132,8	582,7	
net income				1165,4		1165,4	1165,4
stock based compensation			31,2			31,2	
common stock dividends				-194,2		-194,2	
repurchase and retirement of common shares	-40,5	-0,4		-802,8		-803,2	
shares issued under stock based compensation plans	5,9	0,1	98,7			98,8	
tax adjustments from employee stock option plans			-0,2			-0,2	
unrealized losses on investment securities, net of tax					1,8	1,8	1,8
unrealized losses on hedging activities , net of tax					27	27	27
foreign currency translation adjustments, net of tax					-2	-2	-2
defined benefit pension plan adjustments, net of tax					-12,5	-12,5	-12,5
balance december 2011	619,4	6,2	247,1	760	-118,5	894,8	1179,7
net income				1025,9		1025,9	
stock based compensation			34			34	
common stock dividends				-254,2		-254,2	
repurchase and retirement of common shares	-51,3	-0,5		-777		-777,5	
shares issued under stock based compensation plans	4		51,9			51,9	
tax adjustments from employee stock option plans			-0,2			-0,2	
unrealized losses on investment securities, net of tax					2,8	2,8	
unrealized losses on hedging activities , net of tax					-27	-27	
foreign currency translation adjustments, net of tax					-2,2	-2,2	
defined benefit pension plan adjustments, net of tax					-7,7	-7,7	
balance december 2012	572,1	5,7	332,8	754,7	-152,6	940,6	
net income				798,4		798,4	
stock based compensation			34,2			34,2	
common stock dividends				-277,2		-277,2	
repurchase and retirement of common shares	-26,1	-0,2		-398,6		-398,8	
shares issued under stock based compensation plans	2,8		28,6			28,6	
tax adjustments from employee stock option plans			-4,7			-4,7	
unrealized losses on investment securities, net of tax					-3,6	-3,6	
unrealized losses on hedging activities , net of tax					-11,1	-11,1	
foreign currency translation adjustments, net of tax					-13,1	-13,1	
defined benefit pension plan adjustments, net of tax					11,4	11,4	
balance december 2013	548,8	5,5	390,9	877,3	-169	1104,7	
net income				852,4		852,4	
stock based compensation			39,7			39,7	
common stock dividends				-265,2		-265,2	
repurchase and retirement of common shares	-29,8	-0,3		-495,8		-496,1	
shares issued under stock based compensation plans	2,5		14,8			14,8	
unrealized losses on investment securities, net of tax						4,8	
unrealized losses on hedging activities , net of tax						81,6	
foreign currency translation adjustments, net of tax						-27,6	
defined benefit pension plan adjustments, net of tax						-8,7	
balance december 2014	521,5	5,2	445,4	968,7	-169	1300,4	
net income				837,8		837,8	
stock based compensation			42,2			42,2	
common stock dividends				-316,5		-316,5	
repurchase and retirement of common shares	-25,7	-0,3		-512,7		-513	
shares issued under stock based compensation plans	6,6	0,1	78,9			79	
unrealized losses on investment securities, net of tax					-1,1	-1,1	
unrealized losses on hedging activities , net of tax					-7,2	-7,2	
foreign currency translation adjustments, net of tax					-16,8	-16,8	
defined benefit pension plan adjustments, net of tax					0,1	0,1	
balance december 2015	502,4	5	566,5	977,3	-194	1404,9	
net income				253,2		253,2	
stock based compensation			41,8			41,8	
common stock dividends				-312,2		-312,2	
repurchase and retirement of common shares	-25,8	-0,2		-499		-499,2	
shares issued under stock based compensation plans	4,9		32,6			32,6	
unrealized losses on investment securities, net of tax					-11,6	-11,6	
unrealized losses on hedging activities , net of tax					-7,6	-7,6	
foreign currency translation adjustments, net of tax					-4,7	-4,7	
defined benefit pension plan adjustments, net of tax					5	5	
balance december 2016	481,5	4,8	640,9	419,3	-212,9	902,2	



net loss				-557,1		-557,1
stock-based compensation			43,9			43,9
common stock divid declared (0,7 per share)				-325,6		-325,6
rep and retirement of c.shares	-25,7	-0,2		-502,5		-502,7
share issued under stock based comp plans	3,2		13			13
other comprehensive loss					-65,1	-65,1
balance december 2017	459	4,6	697,8	-965,9	-278	-491,4
adoption of new acc pronouncement				30,7	-31,4	-0,7
net income				851,9		851,9
stock.based compensation			47,7			47,7
common stock div declared (0,76 per share)				-341,7		-341,7
repurchase and retirement of c.shares	-20,9	-0,2		-413,8		-414
share issued under stock based comp plans	3,1		10,1			10,1
other c.income					28,3	28,3
balance december 2018	441,2	4,4	755,6	-838,8	-281,1	-309,8
net income				1058,3		1058,3
stock-based compensation			48,9			48,9
common stock div and div equiv declared (0,80 per share)				-342,6		-342,6
rep and retirement of c.shares	-27,6	-0,2		-552,8		-553
share issued under stock based comp plans	4,4		36,7			36,7
other c.income					22	22
balance december 2019	418	4,2	841,2	-675,9	-259,1	-39,5

## Appendix 6-Cash Flow Analysis

Cash Flow Analysis	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>cash flow from operating activities</b>											
net income	1058,3	851,9	-557,1	253,2	837,8	852,4	798,4	1025,9	1165,4	909,9	848,8
adjustments to reconcile net income											
depreciation	79,6	76,9	77,1	74,2	67,7	66,6	64,2	61,7	61	61,5	55,9
amortization	178,1	187,8	185,8	189	202,5	205,3	198,6	184,4	131,6	114,4	98,3
goodwill impairment			464							28,6	-20,8
gain on divestitures of business	-532,1									35,9	31,9
def income tax prov	-24,5	-15,1	69,5	-174,2	-39,9	-26,8	-39,3	-35,2	21,2	2	44,1
gain on revaluation of equity interests									-49,9		
other non cash items	118,4	66,2	124,2	98,3	63,7	49,5	53,3	77,2	29,8		
<b>increase in cash</b>											
other assets	7,5	-31	-68,7	-71,4	-107,4	-31,1	-55,4	-27,8	-27,7	28,1	-31,4
account payable and accrued liabilities	94,3	-126,5	-417,6	522,8	14,2	-29,4	81,1	9,3	-43	10,5	75,5
income taxes payable	-36,8	-193,1	850,4	190,9	47,1	-39,3	3,4	-79,9	-62,3	-159,2	138,3
other liabilities	-28,2	4,2	8,2	-40,9	-14,6	-1,3	-15,7	-30,3	-51,2	-37,3	-22,5
<b>net cash provided by op activities</b>	<b>914,6</b>	<b>821,3</b>	<b>735,8</b>	<b>1041,9</b>	<b>1071,1</b>	<b>1045,9</b>	<b>1088,6</b>	<b>1185,3</b>	<b>1174,9</b>	<b>994,4</b>	<b>1218,1</b>
<b>cash flow from inv activities</b>											
payments for cap contract costs	-46,6	-150,3	-74,8	-107,3	-122,8	-73,1	-119,3	-174,9	-96,7	-35	-27,3
payments for int use software	-33	-52	-33,2	-53,7	-49,3	-38,1	-41,8	-32,4	-13	-25,4	-11,9
purchases of property and equipment	-48,1	-136,7	-69,1	-68,8	-94,4	-67,8	-80,2	-60,9	-52,8	-53,3	-59,7
purchase of variable for sale non settl related investments	711,7			-64,7	-110,9		-100				
proceeds from sale of available for sale non settl related inv				53,2	100,3	100,2		10	-1218,6		
proceeds from divestitures of bus									20,8		
<b>acquisition of business</b>											
purchases of non settlement related investments and other	-6,8	-24,2	-192,1	-39,7	-9,3						
proceeds from maturity of non settlement related inv and other	23,4	13,7	203,8	9,9							
purchases of held to maturity of non settlement related inv	-1,3	-2,8	-42,7								
proceeds from held-to-maturity non settlement related inv	33	23,5	28,4								
proceeds from increase in receivables for securities sold										36,9	255,5
repayments of notes receivable issued to agents										16,9	35,2
acquisition of business, net			-24,9			-10,6				-4,7	-515,9
<b>net cash provided by/(used in) investing activities</b>	<b>632,3</b>	<b>-328,8</b>	<b>-204,6</b>	<b>-271,1</b>	<b>-286,4</b>	<b>-89,4</b>	<b>-341,3</b>	<b>-258,2</b>	<b>-1360,3</b>	<b>-64,6</b>	<b>-324,1</b>
<b>cash flows from financing activities</b>											
cash dividends paid	-340,8	-341,7	-325,6	-312,2	-316,5	-265,2	-277,2	-254,2	-194,2	-165,3	-41,2
common stock repurchased	-552,6	-412,4	-502,8	-501,6	-511,3	-495,4	-399,7	-766,5	-803,9	-581,4	-400,2
net proceeds from commercial paper	120	125						-297	297		-82,8
net proceeds from issuance of borrowings	495,9	685,4	746,2	575			497,3	742,8	696,3	247	496,6
principal payments on borrowing	-824,9	-414,4	-500	-1005,4	-500	-500	-300		-696,3		-500
proceeds from exercise of options	36,7	10,1	11,7	35	75,8	14,2	28,9	53,4	100	42,1	23,2
other financing activities	-4,1	-9,2									
<b>net cash used in fin activities</b>	<b>-1069,8</b>	<b>-357,2</b>	<b>-570,5</b>	<b>-1209,2</b>	<b>-1252</b>	<b>-1246,4</b>	<b>-450,7</b>	<b>-521,5</b>	<b>-601,1</b>	<b>-457,6</b>	<b>-504,4</b>
<b>net change in cash, cash equivalents, and restricted cash</b>	<b>477,1</b>	<b>135,3</b>	<b>-39,3</b>	<b>-438,4</b>	<b>-467,3</b>	<b>-289,9</b>	<b>296,6</b>	<b>405,6</b>	<b>-786,5</b>	<b>472,2</b>	<b>389,6</b>
<b>cash,cash equiv, and restricted cash at beginning of year</b>	<b>979,7</b>	<b>844,4</b>	<b>877,5</b>	<b>1315,9</b>	<b>1783,2</b>	<b>2073,1</b>	<b>1776,5</b>	<b>1370,9</b>	<b>2157,4</b>	<b>1685,2</b>	<b>1295,6</b>
<b>cash,cash equiv,and restricted cash at the end of year</b>	<b>1456,8</b>	<b>979,7</b>	<b>838,2</b>	<b>877,5</b>	<b>1315,9</b>	<b>1783,2</b>	<b>2073,1</b>	<b>1776,5</b>	<b>1370,9</b>	<b>2157,4</b>	<b>1685,2</b>
<b>supplemental cash flow information:</b>											
interest paid	151,3	142,5	128	159	161,8	170,8	193,7	181,8	191,3	175,5	150
income taxes paid	318,9	339,4	-11,6	68,4	92,8	179,4	158	257,1	144,9	365,4	162,8
non cash exchange of 5,4% notes due to 2011 for 5,253%										303,7	
cash paid for lease liabilities	53,8										
non cash lease liab arising from obtaining right-of-use assets	269,1										
restricted cash at end of year	6,3	6,3	6,2								

## SUMMARY

The transformation of the transfer payment industry – Western Union's competitive response to the dynamic changes of industry from 2009 to 2020

A transfer payment is a one-way payment to a person or organization which has given or exchanged no goods or services for it. Generally, the phrase "transfer payment" is used to describe government payments to individuals through social programs such as welfare, student grants, and even Social Security. The Transfer Payment industry is under a transformation driven by COVID-19 pandemic, innovative technologies, and international changes and movements of growing customers. There has never been a more important time to build resilience into the core of the transfer payment industry. Numerous changes in the international arena are encouraging the development and deployment of international payments around the world; events such as expanding international trade and FX trading are leading this evolution. For many years in fact the biggest banks, credit companies and financial giants have dominated this sector but in recent times their dominance seems to have been challenged. Since 2014, in fact, various investors have begun to invest in blockchain and mobile payments. This has generated strong concerns about customer data and regulatory changes resulting from this. Thanks to next generation payment methods that bypass banks and credit cards, the unbanked and underbanked have been increasing their economic activity. As the years go by, people and the economy, thanks to technological development, are becoming increasingly digitized and more likely to use international payments. The development of e-commerce is driving expectations for faster and simpler transactions. In recent years, companies have begun to digitize their processes and business models and the COVID-19 emergency is encouraging the economy towards this new goal, also due to security factors. The crisis is accelerating industry trends and competitive forces: multicultural and transformation competencies, innovation, digitization, sustainability, and compliance. Western Union (WU) is one

of the leading global money transfer and financial services companies in the world. This research contribution aims to analyse which are the competitive forces transforming the Transfer payment industry. Then the research will investigate which competitive strategies have been implemented by WU and if these strategies have been successful through stock exchanges prices analysis in the period 2009-2020, important period of transformations.

The objective of this thesis was to study the strategies Western Union implements to defend itself from new players and, by doing so, retaining its market share and to strategic responds to international changes like COVID-19, digitization, innovation, partnerships, and contraction of retail's market. Which strategies and capabilities/change management capabilities, etc. does WU possess to respond to disruptive changes?

This paper will analyse the main competitive strategies employed by Western Union to retain market share and it describes through financial analysis and market stock prices if these strategies have been successful or not. This research was also carried out with the help of interviews and conversations with top management.

The first chapter provides a brief introduction to the work. It provides important details on objectives, aims, methodology and context.

The second chapter will explain the literature used by this work by examining in detail the money transfer industry and its evolution. In the chapter there will also be an analysis of the resources and capabilities that bring competitive strategies and therefore competitive advantage through the adoption of the RBT model and Porter's five forces model.

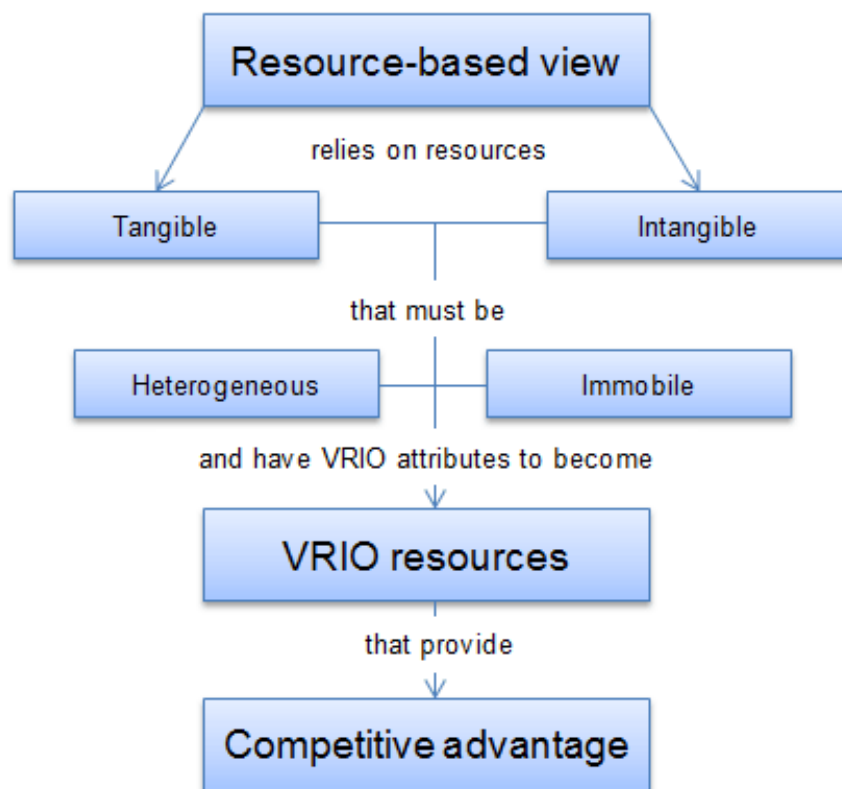
The third chapter will explain the methodology chosen to carry out the work will be analysed in detail. An important reference will be made to the data collection work, with a focus on interviews and data collection methods always keeping in mind the privacy put in place by the company when listing on the market. the positivist philosophy used in the writing of the thesis will also be mentioned.

The fourth chapter will focus on the results of the research. Attention will be paid to the analysis of the strategies implemented by WU (omnichannel, pricing, digitalisation, COVID-19, M&A, and partnership). An analysis of the financial performance and stock market response will then be conducted to verify whether the implemented strategies were successful.

Chapter five will focus on the discussion of the results. Considering the results from the analysis of the performance indicators and the tables of the various reclassified financial statements. At the end, a focus on future results is made.

Chapter six focuses on the conclusion and recommendations. After a summary of the work done, the research is concluded.

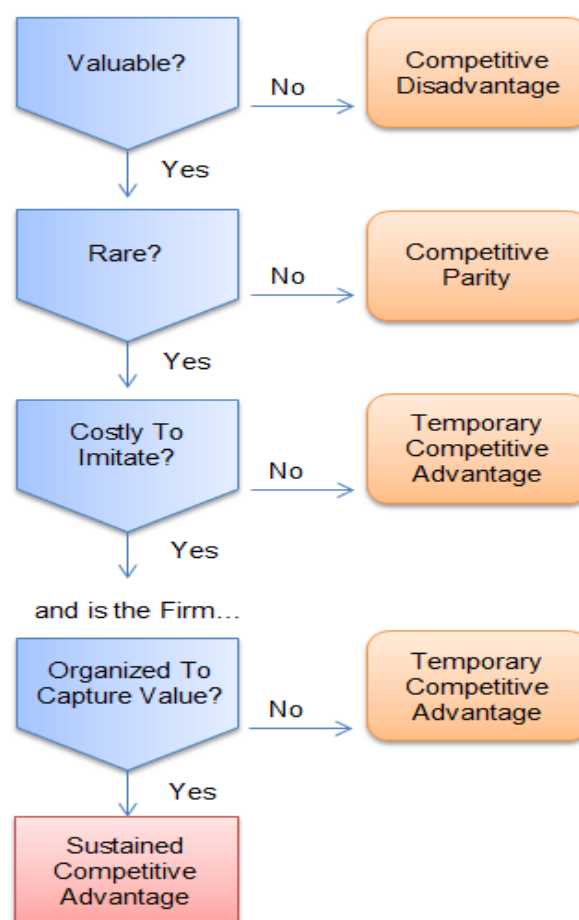
The resource-based view is a model that considers resources as a key element in achieving improved business performance. RBV is a useful approach to achieve competitive advantage that emerged in 1980s and 1990s after the publications of some authors. This figure highlights well the structure of the model and the key points:



The first assumption of RBV is about the differentiation that must exist between skills, capabilities, and other resources across organizations. If absurdly, organizations had the same amount and combination of resources, strategies that would allow them to outperform each other could not be implemented.

The second assumption of RBV is that resources are immobile and do not move from one company to another, at least in the short term. Because of this immobility, firms cannot replicate rivals' resources and implement the same strategies. Some examples of intangible resources are brand equity, processes, knowledge, or intellectual property.

Although, having heterogeneous and immobile resources is critical in achieving competitive advantage, it is not enough on its own if the company wants to sustain it. The authors identified the VRIN framework that examines whether resources are valuable, rare, expensive to imitate, and non-substitutable. The resources and capabilities that answer yes to all questions are the sustained competitive advantages.



**Value.** Resources possess value if they help companies increase the value offered to customers. This can be achieved by increasing differentiation or/and decreasing production costs. Resources that are unable to meet this condition led to a competitive disadvantage.

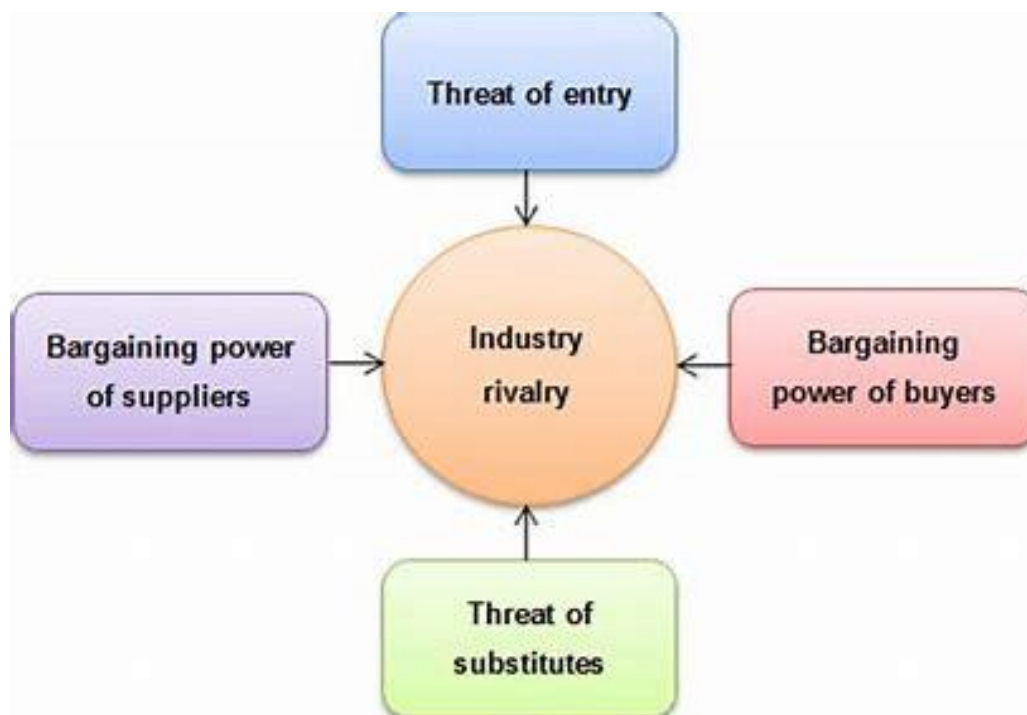
**Rarity.** Resources acquired by one or a few companies are considered rare. When more than a few companies have the same resource or capability, competitive parity is determined.

**Imitability.** A company that has a valuable and rare resource can gain at least a temporary competitive advantage. However, the resource must still be expensive for a competitor to imitate or replace; if these conditions are met, the firm in question has a competitive advantage.

**Organization.** The resources themselves are not sufficient to create an advantage for a company if it is not organized to capture the value. Only if the company can exploit valuable, rare and difficult to imitate resources can it obtain a competitive advantage.

According to Porter, one of the leading academics on business strategy, the goal of the business should be to achieve and maintain a sustainable competitive advantage over time, as measured by the ability of the business to achieve a higher and more stable profitable performance than other companies in the same industry. In addition to this another important element is to ensure proper consistency between the business objectives, resources, business competencies and the characteristics of the environment or context of business operations.

Porter emphasizes the importance of the sector in which the company operates. For him, the sector is a dynamic space in which forces act to influence the company's conduct and results, and which constitute the extended competition with which the company must relate and measure itself. Therefore, he proposes to analyse the sectors and evaluate the attractiveness of the sector (in terms of medium/long-term profitability by operating in it) using the Five Forces Model. The model is composed of five forces:



### **Competition in industry**

The first of the five forces relate to the number of competitors and their ability to undercut a company. When competition is low, a firm has greater power to charge higher prices to obtain higher prices and sales from buyers and suppliers. Conversely, when competition is high, a firm obviously has less power to undercut suppliers and buyers, who will then obtain concessions and the firm's profits will then be lower.

### **Potential for new entrants in an industry**

The power of a company is also influenced by the strength of the new entrants in its market. The easier it is for a company to enter the market, the weaker the position of the existing company in the industry will be. Obviously, an industry with high barriers to entry is ideal for existing companies in that sector, as they can more easily maintain control of the market and not suffer declining margins and profits.

### **Supplier power**

The factor examined concerns the bargaining power of suppliers vis-à-vis the company in the industry. Supplier power is influenced by the number of suppliers of key inputs to a good or service, how unique these inputs are, and how much it would cost a company to switch to another supplier. Obviously, the fewer suppliers there are in an industry, the more dependent a company is on a supplier, resulting in more power in the hands of suppliers who will be able to drive up input costs and push for other advantages in trade. Conversely, when there are many suppliers or low switching costs between rival suppliers, a firm can keep its input costs lower and increase its profits.

### **Customer power**

This force represents the ability that customers must reduce prices, or their level of power is one of the five forces. It is influenced by how many buyers or customers a company has, how significant each customer is, and how much it would cost the company to find new customers or markets for its production. Obviously, a smaller number of customers and many customers forces the company to impose lower prices and better offers. A company, on the other hand, that has many smaller, independent customers will be more likely to charge higher prices to increase profitability.

### **Threat of substitutes**

The last of the five forces focuses on the threat posed by goods and services that can replace those of the company. Firms producing goods and services that are alone and do not have a threat of substitutes, will have more leverage and be able to raise prices and obtain more favourable terms.

When substitutes do exist, customers will be able to opt out of buying a firm's product, and a firm's power may be weakened.

Understanding Porter's Five Forces and how they apply to an industry can allow a company to adjust its business strategy to use its resources in the best and most efficient way possible and generate higher returns for its investors.

Going into the details of competitive advantage, three main strategies can be highlighted: cost leadership, differentiation, and focus.

Each of these involves creating or modifying the corporate value chain to enable its implementation. The Western Union Company has existed for over 162 years and was one of the first companies to be listed on the stock exchange. Founded in 1851 by Ezra Cornell, it quickly became the largest telecommunications and telegraph provider in the US. Over the years, the company's business expanded by acquiring various companies over the years. In 1988, because of global phenomena such as globalization and technological innovations, the company's business changed to focus on money transfer operations. Today, WU counts as one of the world's largest companies with over 12,000 employees based in Denver. It has seen revenues grow significantly in recent years, managing to move \$304 billion in 130 currencies around the world.

The company's business is all about offering a fast, secure, and reliable service to move money around the world. The business is divided into three main segments:

Consumer-to-Consumer (C2C) service, which enables customers to send money worldwide via digital, mobile, and retail channels with thousands of agents, ATMs and kiosks around the world serving customers.

Business-to-Business (B2B) services enabling payment and foreign exchange services between small and medium-sized enterprises. WU also facilitates transactions.

And finally, consumer-to-business (C2B) services.

C2C	B2C	B2B
this business is mainly centered on migrant	Households: people who pay bills, electricity. These are	Small Medium Enterprises (SMEs) who send invoices in



workers who send remittances home. These are mostly underbanked workers sending the cash to underbanked families.	onetime payments for products or services offered of small kind, therefore, customers use WU' B2C service for online transactions.	countries where Western Union operates, and who prefer to receive money and pay money in WU's exchange rates, to save on the banking exchange rate.
These are known as "Double Belongers": those who live in two countries		

### Pricing strategy

A pricing strategy aimed at reducing prices is certainly linked to the various models previously analysed that are fundamental to obtaining a competitive advantage. Reducing prices in fact allows the company to obtain more customers. This strategy is made possible by the technological efficiency achieved by Western Union, which allows them to keep costs low so that they can charge attractive prices and increase performance. This type of strategy can certainly have positive effects to defend against some of the five forces of Porter's model. In detail, this strategy is effective in protecting against the entry of competitors in the market, thus acting as a barrier to entry. Since there are less competitors in the market, consequently also it increases the power of the company towards the customers but also towards the suppliers. The price reduction strategy has been implemented by Western Union along with a cost reduction policy; in fact, operating margins have remained unchanged over the years. The strategy of cost reduction represents one of the three major strategies useful to maintain a competitive advantage. This was achieved through a policy of lowering and minimising costs. While considering quality as an essential element, cost is the main item on which to base an effective strategy against competitors. Porter points out that a cost reduction policy also protects the company from its influential suppliers by providing greater flexibility to cope with possible increases in input costs. Low costs naturally constitute important barriers to entry in terms of economies of scale. Obviously, a low-cost policy gives an advantage over competitors. This type of strategy is also effective towards customers as through cost

leadership you can offer a lower price to powerful buyers. This strategy is also effective towards suppliers as they are better insulated from powerful suppliers.

### **Targeting unbanked and underbanked individuals**

Non-banked individuals represent that section of the population that does not have a bank account or a credit cooperative. People are therefore unable to subscribe to cheques, deposits, and mutual funds. As some studies in the USA show, many people fall into this category about 1 in 5 even. Then we have the underbanked people, those who control their finances using cash transactions, for security reasons or lack of access to banking services. In 2017, even non-banked people in the United States reached a remarkable figure of 8.4 million, according to a survey conducted by the FDIC.

The percentage of underbanked and unbanked people in the 10 busiest remittance corridors is significant. This table shows that the number of branches per head is quite low. Western Union to better satisfy customers has created. The following table shows that there are an extremely low number of bank branches per capita in the receiving countries of the top 10 busiest corridors.

Western Union has made a strategy to specifically satisfy these individuals, has created many locations by preparing many agents.

### **Omnichannel strategy**

An omnichannel strategy allows the various customers of the company to access the company's services in their preferred way (with digital and physical access points). The importance of the omnichannel strategy concerns not only products but also the area of financial transfers. Here, too, an increase in channels allows you to gain a competitive advantage. Through the interviews I carried out I was able to verify how WU implemented its omnichannel strategy the moment it designed its first digital platform. At first the strategy was focused on cash-to-cash with customers expected to go to the physical location and pay the money to be sent. This then gave way to the possibility of sending money via current accounts or credit cards. WU's ability to implement this strategy was made possible by the excellent relationships established with essential financial institutions this was in order not to lose customers. The company has also implemented an application, with which customers prepare the transaction and then in the physical location pay in cash (stage-and-pay). With the spread of digital channels WU no longer had to invest particularly in physical channels but invested mainly in the application and digital.

This strategy has been implemented to generate a competitive advantage for the company. To sum up, therefore, it can be said that the more digital diffusion increases, the more successful the multi-channel strategy will be. In WU's business, digital will become increasingly important given the future growth of the industry and the wide margins it can offer.

### **Digitization**

Western Union Co. WU, which was once a fully retail money transfer company, is investing heavily in developing its digital money transfer platform to keep up with the rapidly evolving remittance industry.

Digitization is the new way of life, and the remittance industry is undergoing a sea change in the way funds are transferred across borders in real time at significantly lower costs.

Several fintech companies such as OFX, World First, TransferWise, World Remit, Ria, Azimo and Remitly are crowding the remittance market, thus revolutionizing the space with their smart technology offerings that facilitate the transfer of funds via electronic modes.

These fast-moving changes have also created significant competitive challenges for companies like Western Union.

The company's revenues have been under pressure in recent years due to increasing competition. Against this backdrop, the company has prioritized investments in its digital money transfer arm as one of the key strategies to achieve long-term growth.

In fact, the considerable work done on the digital front has enabled the payment processor to overcome the prevailing difficult operating conditions posed by COVID-19.

### **Mergers and Acquisitions**

In 2009 WU took a key step towards B2B by acquiring a company (Custom House) that could process transfers from seven countries and payments in 120. Custom House has ROI of 12,6% and the investment would be covered in 9 years. WU President and CEO Hikmet Ersek also stressed the importance of this acquisition. This acquisition has also had a positive impact on the C2C business by favoring and stimulating international payment transactions [93]. This allowed you to enter a market with 40 thousand customers making payments in 150 currencies. Western Union also decided to buy three European agents who were in the process of distributing: Angelo Costa, Finint and Fexco.

## **Build Partnerships**

WU has a long list of relationships with various companies and institutions around the world. We have white label partnerships that are especially important to the company. In this type of relationship, we highlight the manufacturer who is WU who allows you to give your name to other companies that therefore attribute the paternity of the service with the WU brand.

We have White label partnership:

- Safaricom (2018)
- Saudi Telecom Company (2018)
- KEB Hana Bank (2018)
- UK Digital Post Office (2019)
- Italian Post Office (2019)
- Kyodai Remittance. (2019)

There are then some partnerships with companies of physical location:

- German Post Bank (2006)
- Correos (2007)
- Kroger (2009)
- Walgreen (2010)

## **COVID-19**

Given the dynamic situation, Western Union is recommending that customers with local restrictions due to the use of COVID-19 WU.com and the Western Union mobile app to facilitate payment transactions to bank accounts and digital wallets, currently available in over 100 countries. Due to the dynamic situation Western Union is recommending to customers with local restrictions due to the use of COVID-19 WU.com and Western Union mobile app to facilitate payment transactions to bank accounts and digital wallets, currently available in over 100 countries.

## **Brexit**

WU operates in the UK and is preparing for possible scenarios posed by an exit from the European Union. Specifically, the company operates in the UK and much of Europe through Western Union International Bank (WUIB), an Austrian credit institution regulated by the Austrian Financial Markets

Authority (FMA). The company has 'passported' its licence into the UK and across the EU, where it operates as the Branch of the Irish licensed entity.

WU in anticipation of Brexit has applied to the FMA and the UK Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) to grant WUIB UK a licence as a "Third Country Branch". This transition wills business to continue in the UK once Brexit is in place and WUIB loses the ability to obtain a licence. Western Union obtained the license, few months ago.

### **Financial Performance**

Thanks to the financial analysis of western union balance sheets many findings can be highlighted. Western Union's average share price, in 2015 first but especially in 2019 there has been a significant increase in the price per share of almost 25% with a tendency, from the first data available in 2021, for a further increase.

Various causes have led to this positive reaction of financial merchants. First, in early 2019, western union announced that it would increase its dividend per share. This immediately increased the demand for the shares on the market and made them more attractive to investors, thus leading to a price increase. Another action put in place by WU is the partnerships the company has signed as previously highlighted in the thesis, which have increased the company's reach and coverage of the market. The main activity for the company was the announcement of a major cost restructuring plan with a staff cut of about 10%

ROCE is a long-term profitability ratio that measures how effectively a company uses its capital. The metric indicates the profit generated by each dollar or other unit of currency used. ROCE can show whether a company uses its capital efficiently. Analysts often use ROCE to analyse a company's performance. In most cases, an increasing ROCE value implies an increase in profitability over the long term. Western Union through 2017 has maintained consistent, positive levels of ROCE, staying at optimal levels given the type of company. Since 2018, however, because of new company policies (increased dividends, increased investments) ROCE has increased a lot, which is especially important especially in 2019.

ROE, or Return on Equity, is an indicator of the profitability of the capital brought into the company by way of risk. It is therefore equal to the ratio between net income and net capital.

In recent years, however, because of the financial and economic crisis in the more developed economies, inflation has fallen, and market yields themselves have fallen, making a 2%, whereas a 5% Roe would be considered optimal under ordinary market conditions. As shown in the graph, ROE, following the trend of the ROCE graph, also remained at constant and positive levels until 2017, and then from 2018 started to increase, with a sharp grow in 2019 because of the new corporate strategies.

The debt turnover ratio shows investors how often a company pays its debts per period. Investors can use the debt turnover ratio to determine whether a company has enough money or revenue to meet its short-term obligations. A declining turnover ratio indicates that a company is taking longer to pay its suppliers than in previous periods. as shown in the graph, the debt ratio (debt over capital) until 2016 remained at positive levels and in a constant trend, from 2017, when the index started to increase reaching decidedly positive levels from 2018 onwards.

A sale is a transaction between two or more parties in which the buyer receives tangible or intangible goods, services, or assets in exchange for money. In some cases, other assets are paid to a seller. In the financial markets, a sale can also refer to an agreement that a buyer and seller make regarding the price of a security, the initial sales trend for Western Union was up until 2012 (the year of maximum retail market dominance for the company), and then stabilized until 2018, when there was a decline in sales amplified in 2019.

A dividend is the distribution of some of a company's earnings to a class of its shareholders, as determined by the company's board of directors. Common shareholders of dividend-paying companies are typically eligible if they own the stock before the ex-dividend date.<sup>1</sup>

Dividends may be paid out as cash or in the form of additional stock. As shown in the graph, the dividend policy implemented by Western Union has seen a general increase each year in the dividends granted to shareholders, to encourage them to subscribe to new shareholdings.

### **Pandemic effect (2020)**

revenues in 2020: in the second quarter, corresponding to the start of the pandemic wave in the world, there was a marked drop in revenues, a trend that was then strongly reversed in the last quarter thanks to the company's policies.

Earnings per share were also affected by the pandemic. In the first quarter there was already a drop compared to the previous year, a trend that was confirmed in the second quarter. The trend then changed in the third quarter where there was a marked improvement in this data.

Operating margin. In the first four months of the year there was a sharp drop compared to the previous year, followed by an increase in the second quarter, a trend which increased sharply in the third quarter.

With the results obtained, therefore, with reference to certain key indices and the strategies implemented by the company in recent years, it is possible to provide an estimate of future performance. In estimating the company's performance, I would certainly start with the revenue aspect. As already mentioned in the analysis of the ratios, the company has been on a downward trend over the last five years, due to a rethinking of the company's business, which in recent years has focused more on digital than on retail. However, this has led to a fall in revenues because of a decrease in investments in the retail sector, which is limited by high competition and greatly reduced by the advent of digital and external factors such as COVID. WU, which still has retail as its main source of revenue, has seen its revenues fall, but with the high profitability of the digital sector on the rise. The forecast for the next few years will certainly be a recovery in revenues, with the company shifting more and more of its business to digital at the expense of retail. This growing trend in revenues will also lead to a significant increase in operating income, which is the difference between revenues and costs; WU will continue to follow a line of cost reduction, as it has always been very attentive to costs, for example personnel reduction costs, costs that will however increase because of ever greater investments in digital, the company's real source of income in the next 10 years. However, the increase in revenues should be greater than the increase in costs, thus maintaining an overall growing operating income. Other considerations and estimates can be made regarding the share price. The average price per share has been growing strongly in recent years, an effect that will be further amplified in the coming years, as Western Union will continue its policy of high dividends to its shareholders, and above all by the improvement of its business performance, which, because of increased investment in digital will be viewed favourably by rating agencies that will evaluate the company in an increasingly positive manner. Other important aspect is that relating to market shares; WU has seen a steady decline in market shares in the retail sector, while in the digital sector is the undisputed market leader, a shift of business to this sector will lead to a decline

in market share of retail but with an increase in digital where even after partnerships with other companies (this line already followed with other companies and banks) can become the undisputed leader of the sector for many years. Based on the balance sheet analysis, it is also possible to determine the level of capital on debt. the capital will certainly increase over the next few years, capital obtained from an ever-increasing number of shares that will be placed on the market at ever-higher prices, thus increasing the capital significantly; the most interesting aspect is that of debt. In recent years, the company has greatly reduced its use of debt, partly because of the large amounts of money that can be spent every year, but also because of a drop in investments in the various areas of the company's activities. However, I am strongly convinced that in the coming years, to make the most of the potential arising from the exploitation of the digital sector, major investments will be made both in terms of mergers and acquisitions and in investments to make the company more efficient and improve it. The ratio will therefore remain constant at just over 1 in my estimation. Clearly the emergency spread throughout the world will damage the business of western union especially in the retail sector, with stores that will remain closed for a long time around the world. Depending on the duration of the pandemic and the spread of the situation around the world, it will be possible to provide an accurate estimate of the damage done to the company's business.

To conclude results shown through the analysis of the company's balance sheets and through interviews with some of the company's top management have highlighted the problems and the many successes achieved by the company and the prospects. If, on the one hand, the digital sector represents an opportunity to be seized by making significant investments to achieve important successes and revenues, on the other hand, WU is still too anchored to the retail sector, with most of its business, activities and revenues linked to a market that is now saturated, with a high number of competitors and negative revenue margins. In detail, western union's business is developed on 4 main businesses; retail which generates 60% of revenues, digital which generates 20% of revenues, B2B with about 10% and finally C2B and bill payment with 10% revenues.

The future challenges for the company will be many, from the impact that Brexit may have on the company's business to the difficulties caused by the pandemic that we still do not know how long it will last and what the actual damage will be, concluding with the difficult transition from retail to digital.



