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Lessons from Africa
The Mobile device and Banking

Models of M-Commerce

Open

- ❖ BANK - Open Systems
 - ❖ Any Bank
 - ❖ Use of open payment standards like Visa & MasterCard
- ❖ TELCO – Open Systems
 - ❖ Any Network
 - ❖ Any Phone

Closed

- ❖ BANK - Closed
 - ❖ 1 x Bank = Proprietary
 - ❖ Normally requires a deposit (not from normal account)
 - ❖
- ❖ TELCO – Closed
 - ❖ 1 x Telco = Proprietary
 - ❖ Normally is closed technology - STK

Mascom Botswana (Success since April 2004)



Welcome to 109

DIRECT TOP-UP

MASCOM
IN TOUCH WITH YOUR LIFE

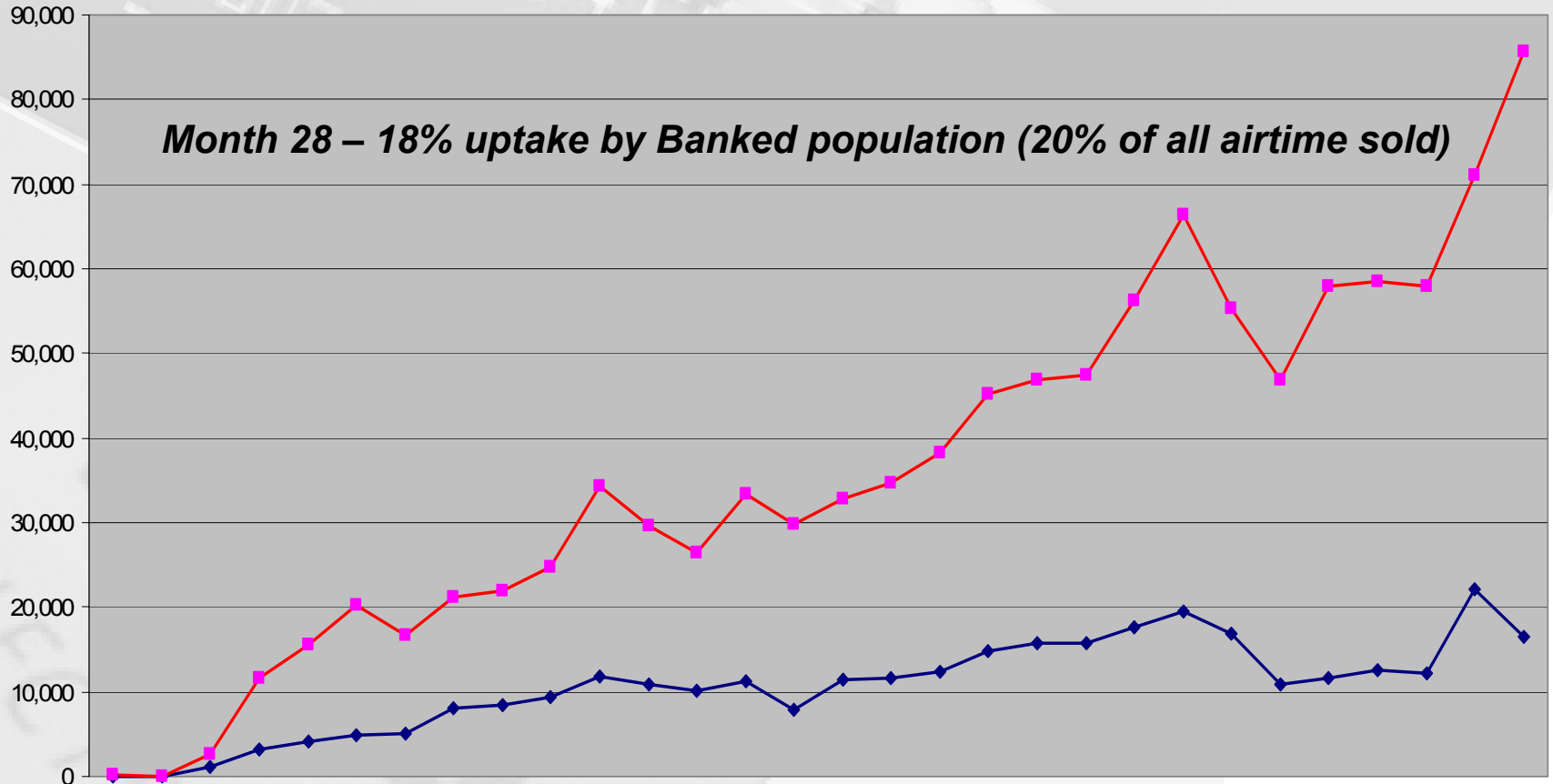


3rd world adoption of M-Commerce

PAYM8 Botswana is arguably the most successful deployment of M-Payments in the developing world, by percentage take-up.

Monthly Active Users & Transactions

Month 28 – 18% uptake by Banked population (20% of all airtime sold)



“Struggling” Paymate 150 - Kenya

M-Commerce solution “Paymate 150”

Launched 19 October 2005



Paymate 150

Your guide to the convenient way
to top up

11 of 12 Visa Banks



Looking after your interest!



MTN Banking South Africa

❖ Claimed as a world first for allowing for the opening of a Bank account without visiting a bank branch.



❖ 550,000 subscribers (4% of base)

❖ Mobile Banking + MasterCard

❖ Is it a success?

❖ Why?

❖ New SIM card – major barrier

❖ Not interoperable – limits usage

M-PESA - Kenya

- ❖ Vodafone Kenya (Safaricom)
- ❖ Money Transfer initiative (P-2-P)
- ❖ Virtual account linked to the phone



- ❖ Successful
- ❖ 2 million users
- ❖ 19 Billion Shillings paid
- ❖ 5 million transactions per month

WIZZIT – South Africa

- ❖ Provides a full bank account
- ❖ Includes a Maestro card to access funds
- ❖ Innovative Mobile Banking system



Live.life.anywhere

With **WIZZIT** you have your **bank** in your pocket.

Transact from wherever you are, whenever you want to - 24/7.

World of WIZZIT 0861 WIZZIT (949 948).

(our help desk which speaks your language)



- ❖ Successful but slow
- ❖ 100,000 users
- ❖ 16 transactions per user per month

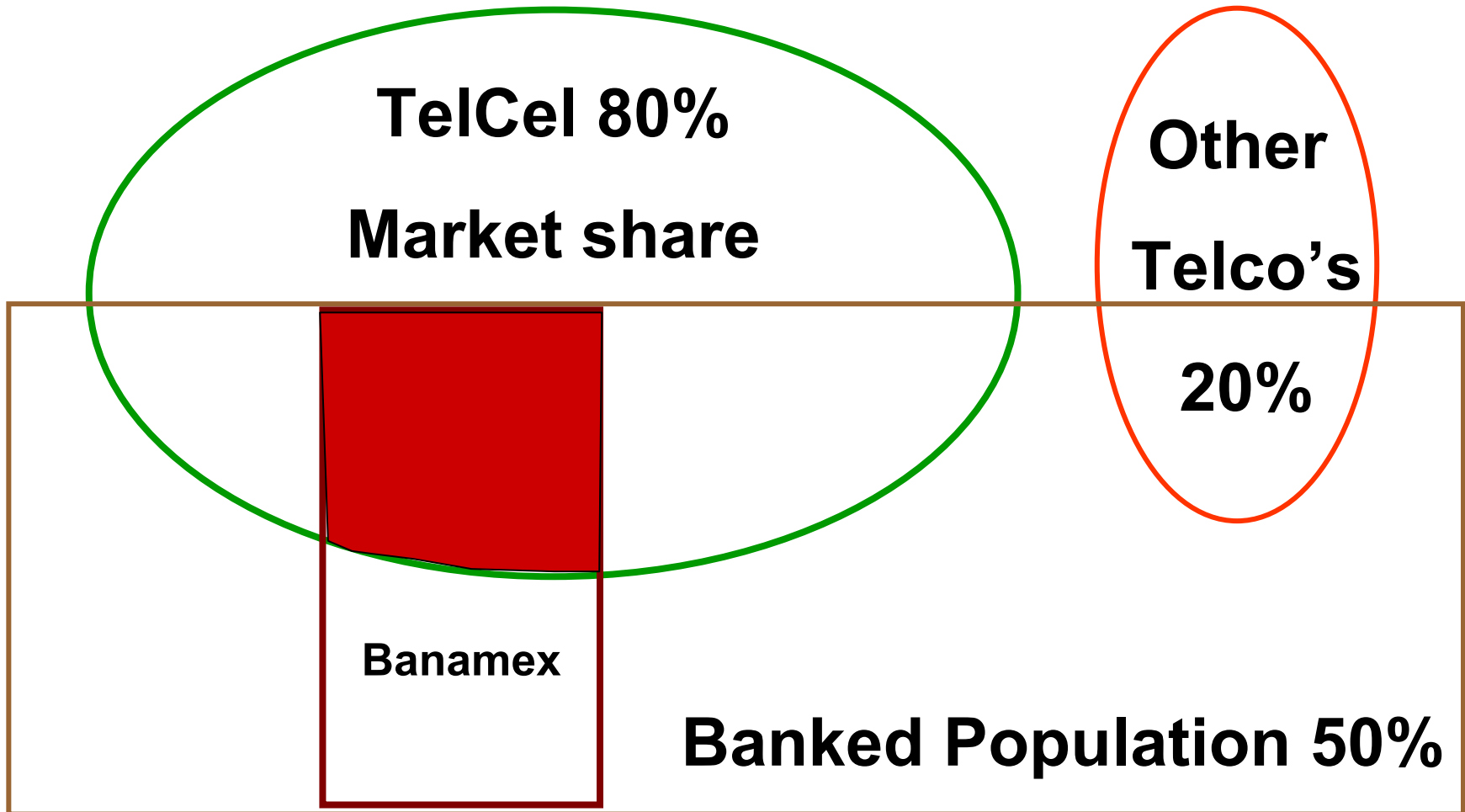
Visa Mobile Service (2002 to 2003)

Visa with ABSA Bank (Barclays) & Vodacom South Africa

- ❖ A Person-to-Person money transfer (card to card) system
- ❖ Technical Success but required ...
 - ❖ ABSA ePIN registered users only
 - ❖ Vodacom 32K SIM only
- ❖ Results: 3500 > 500 > 50 > 11



Decisions on Partners and Technology seriously affects your chance of success !



The narrowing of reach through poor decision making - Mexico

TelCel 80%
MEXICO

Mar

Proprietary
Technology
(STK)

Registration Barriers
(in-branch)

Market Size

$$80\% \times 50\% = 40\%$$

$$40\% \times 25\% = 10\%$$

$$10\% \times 50\% = 5\%$$

$$5\% \times 50\% = 2.5\%$$

From 80% market share to **2.5%** is bad decision making

*STK = SIM Tool Kit (menu on phone SIM card)

Get the basics right first

❖ “it is the presence of a solid foundation of intermediate technology that determines whether the latest technologies become widely diffused.” The World Bank, 2008

Source “The Economist”

❖ In laymen terms “what’s the use of PC’s without electricity?”

❖ More relevantly “what’s the use of M-payment technology in an economy dominated by cash?”

The Basics - “Being Banked”

❖ Being banked is the key component to making Money Transfer work:

But must be ...

- ❖ Affordable (Funds must be digital)
- ❖ Fast (If possible must be real-time)
- ❖ Interoperable (Must work across systems & borders)
- ❖ Guaranteed (The deposit money is likely Pre-paid)
- ❖ Pervasive (As many users as possible)

Banking in Africa – errors in the past

- ❖ Most banks continue to compete “based on infrastructure and not service” leading to Proprietary systems.
 - ❖ E.g. - Kenya Commercial Bank
- ❖ Many Donor’s have allowed their funds to be used to purchase or develop proprietary systems and technologies.
 - ❖ E.g. - CRDB Bank Tanzania
 - ❖ E.g. - M-PESA Kenya
- ❖ Lack of Competition and Price collusion makes banking unaffordable to the general population
 - ❖ E.g. – South Africa “The big four own the switch”

P2P Technology – errors in the past

❖ Barriers to adoption and a lack of interoperability are the biggest problems

Avoid:

- ❖ One Bank or Specific Banks
- ❖ Specific Phone Technology (e.g. Java phones)
- ❖ Specific Channels (STK / WIG)
- ❖ Specific Networks
- ❖ Complex registration
- ❖ *Even the biggest player will dilute it's chances of success by diluting it's reach ... e.g. Mexico*

YES to ...

- ❖ Many or all Banks
- ❖ All phones, old and new must work
- ❖ All Channels (SMS & IVR)
- ❖ All Networks
- ❖ Many points to register if not none at all

What's the answer for M-Commerce?

- ❖ From both Sides – Operators and Banks have two options:
- ❖ Opt-in or Opt-out
 - ❖ Bank Opt-Out: The Bank can choose to opt-out of Operator Co-operation by using a generic technology like SMS or WAP, Java App.
 - ❖ Telco's can Opt-out of Bank co-operation by:
 - ❖ 1) Deploying it's own Payment system
 - ❖ 2) Using already accepted banking standards that they currently must support – e.g. Visa or MasterCard
 - ❖ Example: Upaid Serbia or PAYM8 Botswana

Thank You

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