

CASE STUDY

Leapfrogging the banking system

The roads are notorious, the infrastructure under-developed and the continent has more than its fair share of conflicts and crises but as darkness falls, and villagers huddle around paraffin lamps, neon lights come to life as they illuminate the mobile phone masts proliferating across the African landscape. Africa is in the grip of a mobile phone revolution. In the past 10 years, subscribers in sub-Saharan Africa have risen from 72 000 (excluding South Africa) to 25.5 million.

Mobile Internet technologies play a very important role in making Internet services available to many in Africa. According to Mobile Africa the number of mobile phone subscriptions far exceeds fixed-line subscriptions. The International Telecommunication Union reckon that more Africans have begun using phones since 2000 than in the whole of the previous century! Use of mobile phones has been increasing at an annual rate of 65 per cent, more than twice the global average. However, Africans are now using them for more than calling their friends and family: many are using them to do their

banking. For these new banking customers both the mobile phone and the whole system of banking are new to them.

About half a million South Africans now use their mobile phones as a bank. Besides sending money to relatives and paying for goods, they check balances, buy mobile airtime and settle utility bills. Traditional banks offer mobile banking as an added service to existing customers, most of whom are quite well off. Wizzit, and to some extent First National Bank (FNB) and MTN Banking, are chasing another market: the 16 million South Africans, over half of the adult population, with no bank account. Significantly, 30 per cent of these people do have mobile phones. Previously ignored as the bottom of the pyramid and of little commercial importance to the large corporations, such customers are now being courted. Wizzit hired and trained over 2000 unemployed people, known as Wizzkids, to drum up business. It worked: eight out of ten Wizzit customers previously had no bank account and had never used an ATM.

People using advanced technology to manage their finances had until now depended on the archaic system of barter. They have leapfrogged telephony technology and jumped from dealing only in cash or barter to the world of cel-



PHOTO CREDIT: J MARSHALL - TRIBALEYE IMAGES/ALAMY

lular finance. A simplified kind of account called *Mzansi* has been launched to reach the non-banking customers, and portable banks and ATMs have been rolled out in townships and in the countryside.

In most of Africa, only a fraction of people have bank accounts – but there is huge demand for cheap and convenient ways to send money and buy prepaid services such as airtime. In Kenya, a pilot scheme called M-Pesa is being used to disburse and pay micro-loans by phone. Meanwhile Celpay is offering platforms for banks and phone companies in Zambia and Congo. In countries like Somalia, with chaotic conditions, cash transfers by phone could be a boon.

However, there are many difficulties on the way. Not all potential consumers are ready to make the leap. Many think banking too expensive and complicated, and helping new customers become financially literate takes time. The technology remains a problem in some cases, with downloads requiring dozens of text messages. Several rival platforms are still in the fight, but so far those that emphasise simplicity and ease-of-use over state-of-the-art technology and security have made the greatest strides. A lot also hangs on putting the right laws and regulations in place. They need to be tight enough to protect vulnerable users and discourage money laundering, but open enough to allow innovative mobile banking to grow.

QUESTIONS

- 1 From a cross-cultural perspective, do you think the values and motivations of mobile phone consumers in Africa differ from those of their counterparts in other parts of the world?
- 2 From a cultural perspective, how might you develop a promotional campaign in Africa to further develop the cellular banking market?
- 3 What other cultural and behavioural considerations might you take into consideration when designing a strategy for the cellular banking market in Africa? What implications might these have for a firms' global marketing strategy?