

Safaricom's Rita Okuthe tells George Stenitzer how mobile money filled a void, transforming lives and building the economy of Kenya

# Why Kenya leads the world in mobile money

Rita Okuthe: We listen to and understand our customers. We speak to each and every customer individually through our products and brand



It may seem unlikely, but the most successful mobile money on earth comes from Kenya. Mobile operator Safaricom filled a void in a country where more people have mobile phones than bank accounts.

Mobile users in the United States and Europe are just now getting acquainted with mobile money. But Kenyans began to enjoy its utility and convenience in 2007 when Vodafone, which owns 40% of Safaricom, launched MPesa (Swahili for “cash”) at Safaricom.

MPesa has since spread to Afghanistan, Tanzania, Zanzibar, India and Romania. Yet it remains most successful in Kenya, says Rita Okuthe, formerly the marketing director of Safaricom, the largest operator in Kenya, and now general manager of its enterprise business unit.

MPesa's success has spawned a raft of competitors. Copycat services are springing up across Africa. Apple Pay has launched in the US, and soon it's coming to the EU. Google, Facebook and others are introducing mobile money too. What can they learn from the MPesa experience?

Not every country will prove as fertile for mobile money as Kenya. The conditions need to be right.

One key is that Safaricom takes a customer-centric approach to its strategy and marketing. “We listen to and understand our customers,” Okuthe says.

“We speak to each and every customer individually through our products and brand.”

In the years leading up to MPesa, Safaricom started to recognise that customers were using mobile minutes as a currency of exchange. The question became how to expand on what customers were already doing.

Before MPesa, money moved differently in Kenya. Going to the bank meant standing in long queues, perhaps for hours. With more than 40 million people, the country had fewer than 1,000 bank branches. To put this in perspective, today more than half the world's adults, or 2.5 billion, have no bank.

## Public transport

Before MPesa, Kenyans used to send money via public transport vehicles. Sometimes the bus would be robbed and people would lose their money. As Safaricom CEO Bob Collymore notes, unbanked Kenyans may hold as much as \$3.4 billion in cash savings that earn nothing and are at risk of theft.

While those conditions provided fertile ground for MPesa, many other things also had to go right.

- Regulators needed to allow an experiment with mobile money to proceed.
- Mobile money had to work on the simplest mobile phones.
- Mobile money had to be as easy to use as sending a text.
- Mobile money had to be backed by a highly trusted brand.
- Any problems with individual transactions had to be addressed immediately to uphold customers' trust.
- The e-float had to be easy to convert into Kenyan shillings and back again. So Safaricom built a large agent network to cover a country about the size of France, but with only half of France's population density.

With those conditions met, mobile money evolved quickly. “MPesa emerged as a cheaper option to send money faster, between people's handsets,” says Okuthe. “It offered users a safe and quick means to transfer cash across distances, without the need for a formal bank account.”

When political unrest affected banks in 2008, MPesa took on an even greater significance in Kenya's economy. For many people, it was the only way they could deliver money to family members in need.

## Marketing insights from Safaricom

- Safaricom offers many actionable insights on mobile money:
- Recognize how customers already use your services.
- Imagine how big an impact a telecom can have on a developing economy.
- Earn and build customers' trust in your brand.
- Get started with a single simple service. Make your service as easy as sending a text.
- Make your service cheap, compared to alternatives.
- Offer broad distribution through agents who exchange currency and e-float.
- After establishing an initial service, partner with a bank to expand.

Safaricom's moves in mobile money reflect the company's larger purpose: to transform the lives of Kenyans. As Okuthe says, "We are focused on being our customers' business partner of choice, through providing a relevant and innovative set of information, communications and technology solutions."

MPesa is woven into everyday life in Kenya. People use MPesa to buy vegetables in the market, to pay for taxis, utilities and school fees, and to receive payments from customers, employers and the government. Today MPesa serves 18.5 million active customers, or more than three out of four adults, in Kenya.

"Mobile money has made a significant contribution to the lives of our customers and has accelerated Kenya towards a cash-light economy," Okuthe says. Monthly MPesa payments amount to 121 billion Kenyan shillings, equivalent to about \$1.2 billion.

"What we have achieved is the creation of the country's largest payment system. Mobile money transfer services now transfer the equivalent of one-third of Kenya's gross domestic product," Okuthe says.

### Rise in income

Most important, the availability of mobile money improves the lives of average Kenyans. One study estimated that MPesa has contributed to a 5% to 30% increase in household income in rural Kenya.

MPesa has caught on as Safaricom cultivated a reliable, trusted, growing network of 85,000 agents who exchange MPesa e-float for Kenyan shillings.

Now Safaricom is advancing mobile finance beyond simple transfers. "The dynamism of MPesa keeps evolving," Okuthe notes. "It is dynamic enough to accommodate emerging customer needs much faster than any other financial product has been able to in this market."

In 2012, Safaricom extended the power of MPesa by adding a disruptive new set of financial services called M-Shwari — Swahili for "cool" or "calm". M-Shwari adds savings accounts with no minimum balance, offered with the Commercial Bank of Africa.

M-Shwari also offers microloans that enable entrepreneurs to start or expand a business. The average loan is about \$12. Since the costs of handling cash are lower, M-Shwari microloans offer lower interest rates too. Customers make loan payments on time to avoid the risk of defaulting and losing a phone number.

The new M-Shwari services have caught on quickly as millions of Kenyans take advantage of convenient savings accounts and easily accessed microloans. So far M-Shwari has attracted over 7 million customers, garnered Ksh 4.0 billion in deposits, and issued Ksh 1.2 billion in loans per month.

Safaricom has big dreams for the future of Kenya. To stimulate technology entrepreneurs in Kenya's Silicon Savannah, Safaricom is challenging developers to identify needs and develop early-stage mobile technology companies. For example, developers are rapidly creating new applications that build on the core MPesa services.

"We are committed to ensuring that local ICT start-ups have the opportunity to scale and grow," Okuthe says. "We want to grow the use of mobile technology in transforming lives. Through mobile technology, we hope to complement government

efforts, attain our economic blueprints, and help Kenya become a middle-income country by 2030."

To support that thrust, Safaricom is accelerating construction of its fibre network for fixed calling, in addition to offering new managed services for enterprises.

### Sport and music

As steward of the Safaricom brand, Okuthe deploys a wide range of marketing activities, with heavy emphasis on sporting and music events. Safaricom is the biggest sponsor of sports and music in Kenya, contributing much to its cultural development. Sponsorships and events are helping to find tomorrow's most promising athletes and musicians, giving them unique opportunities to develop their talents. To highlight just a few:

The Safaricom Athletics Series of events enables new sports talent to be found and nurtured. The best athletes from the series move up to represent the country on the global stage at events such as the Olympics.

Kenya has a profound passion for running, and the Safaricom Marathon attracts participants from all over the globe who come to Kenya to compete and raise funds for a good cause. It's grown from 180 runners who raised \$50,000 in the year 2000, to 1,200 runners who raised \$725,000 in 2014. This year's Safaricom Marathon on 27 June at the Lewa Wildlife Conservancy is expected to be even bigger. In all, since the inaugural marathon in 2000, the Safaricom Marathon has raised a total of \$4.9 million.

To connect with rugby lovers, Safaricom took on the title sponsorship of the Safaricom Sevens — previously known as the Safari Sevens — in 2010. This annual tournament, run by the Kenya Rugby Union, is one of the biggest seven-a-side competitions in Africa.

Safaricom is a growing force in Kenyan music. Niko Na Safaricom Live is now Kenya's top music property, focusing on growing and nurturing local music talent. This event provides upcoming artists and talents with the opportunities to enhance their skills by performing on a global stage.

Similarly, the Safaricom Youth Orchestra offers opportunities to underprivileged youths, ages 10 to 18, with budding music talents. Safaricom also backs the Groove Awards, the premier Gospel music awards showcase in East Africa. And the Safaricom International Jazz Festival is raising the bar of jazz performance in Kenya.

### Transforming lives

To fulfil its mission to transform the lives of Kenyans, Safaricom plays a large role in charity and community development. Some small communities' only source of electricity is a Safaricom generator. The Safaricom Foundation is working to impact communities by supporting projects in the arts, culture, health, sports, education and the environment. Safaricom also sponsors the Michael Joseph Centre, which exposes Kenyans to new technologies.

With mobile money, telecom services and cultural development, Safaricom is playing a pivotal role to help realise Kenya's dreams of becoming a middle-income country over the next 15 years. ■