The MasterCard Foundation Symposium on FINANCIAL INCLUSION 2014 with the Boulder Institute of Microfinance

The MasterCard Foundation Symposium on Financial Inclusion: Clients at the Center

Day 2 ~ July 17, 2014

Keynote: Building a Client Base –The Econet Experience

Roger Morier ~ Emcee

We are going to move on now to our keynote speaker. The theme of this address is, "How does a service provider achieve widespread awareness with its population, and combine that with access to a product and service, how do you do those things and then use that to develop long term profitability of the product or service? So in this keynote address, we're going to hear about Econet Wireless and how it used a number of trust-building activities to build a client base among people who were not as familiar with mobile transactions as they might have been. Key to this whole thing was efforts to inform that population and to engage with them around the value of mobile transactions. Econet is a global, diversified tele-communications company, and it's had some real successes in different parts of the world. One example that we're going to look at today is through its mobile money service called Ecocash. Ecocash and Econet has seen one of its African businesses in Zimbabwe reach about 40% of all the adults in that country in less than three years which is quite remarkable. And they did this through a totally client-centric approach to product development.

Strive Masiyiwa is the Chairman and the Founder of Econet Wireless. He serves on a number of boards, including the Rockefeller Foundation, the Council on Foreign Relations Global Board of Advisors, and the Africa Progress Panel. He has many other titles, but one I would like to note in particular, he's also the Chair of AGRA, which is the Alliance for Green Revolution in Africa.

So in short, Strive is at ease both in the world of private sector competition, but also in the broader discussion on economic growth, development, poverty reduction. Strive will be here at the podium in a few moments to offer some thoughts, and then he will engage in a dialogue with Bob Christen. But first, we wanted to show you a little video about Econet Wireless.

[Econet Video]

Thank you. So ladies and gentlemen, please welcome Strive Masiyiwa.

Strive Masiyiwa ~ Econet Wireless

Good morning. How do you like Italy? They love football here, but they need to win the World Cup again. Thank you. It's great to be here, and thank you for inviting me.

As was mentioned in the introduction, we have operations in quite a number of countries and our own experiment as a company with mobile money began actually in the nation of Burundi just after the problems of the civil war. We're one of the major operators in the Burundi market. And some of the donors approached us for a solution. They said, "Can you do something similar to M-Pesa for us? And we said we don't do things that our competitors do. But we kind of sneaked in, sent some spies to look around in Kenya, and they came back and said, "You know, this is actually quite a smart idea." So we built something for the donor community in Burundi. Then we decided at that stage, our senior management began to find it quite a fascinating concept from selling telephone service, and we decided that we needed a market which we could call our sandbox, somewhere we could experiment and develop this concept. And we chose Zimbabwe for a number of reasons which I will not bother to go through with you.

When we decided to go into the Zimbabwe market, it was just after the country had experienced an extraordinary trauma. As you know, there was a major political and economic crisis in the late 90s which went on for almost a decade. And the result of that was the country hyperinflated as it faced international sanctions. Inflation hit at one stage estimated almost 100 billion percent. What that basically means is that if you buy something, before you get out of the door, the price has doubled. So it was a very, very difficult situation. And in order to end that hyperinflation, what the country did was to abandon its own currency. And so they introduced the US dollar, and probably the US dollar mostly, but they also accepted the South African rand, they accept the Chinese Yuan, they accept the Swiss franc. It's called multiple currency regime. Of course, inflation disappeared. The biggest danger now is deflation. Inflation in Zimbabwe is running at less than one percent. But one of the challenges that creates, particularly for the poor, is the lowest denomination in the economy is actually a US dollar, one dollar. Now imagine in a country which more than 50% of the people live on less than two dollars a day, if the minimum denomination is a dollar, it's quite a strain on the poor. And one of the major issues as well is the central bank no longer controls denomination.

So there's total absence of the central bank in the introduction of money in the economy. So what then tends to happen is liquidity, particularly bank notes, almost disappeared from the rural areas.

Now we, as the biggest consumer organization in the country—we are the largest business in the country. Out of the country's 12 million people, we have 9 million customers. So we feel anything that happens in the economy. And we quickly realized that there was a major problem in our customers accessing liquidity, and we did all sorts of things. I can tell you, we even minted our own coins and distributed them in a bid to deal with this. But eventually, we focused our attention on creating a mobile money platform.

So where are we? We started this platform about three years ago, 2011. Zimbabwe, according to the World Bank, has a GDP of about $12 billion. We as of now are processing transactions valued at about $400 million a month, which this year we will process just over $5.2 billion dollars. And we are growing that transactional base at the rate of 7% compounded a month. So we expect on the current trajectory that we will be carrying almost all the transactions. We are growing quicker than M-Pesa did in the same period. In terms of actual registered users on our platform, we have 3.5 million customers actively registered and using the platform on a day-to-day basis. On top of that, we have 1.2 million customers that have savings accounts. But I'm probably moving a little too quickly here.

Let me take a step back. The key elements of our platform. We have seven key areas in which we have deployed this platform. We have mobile money transfer, which is your classic platform for such a service. And we call, it's your entry point, moving money between two people. We call it P2P and most of you are well familiar with that. Eighty percent of the money that is moving people to people is between urban and rural areas. We then have merchant payments. For instance, public transport. More than 50% of all public transport is carried on our platform. People pay to move on combis or matatus, as they call them in Kenya, using their cell phones. We have a payroll platform. The informal sector makes most payments now through our payroll platform. We have a savings platform. We have loans. We now provide loans to our customers. We can turn around a loan application in less than an hour. We are working to get that down to just a couple of minutes. We work in remittances, cross border remittances, moving money from across the world. Most of the mobile money agencies have now concluded agreements with us into what we call the "last mile." So whether you are Western

Union, Money Gram, all those, we're now offering them the last mile to our nine million customers.

We are just about to roll out a debit card for any of our customers who transact more than $5 a month. They can get a plastic version, a debit card, which is MasterCard. We are releasing the first one in a half million cards in the next two weeks. We expect to release about four million cards by the end of the year.

Our biggest competitor is cash. We want to get rid of cash. We don't like cash. I know some people like cash, but we don't like cash. Let me just talk briefly before I open it for our interactive session about what I see as the key elements for us being able to successfully roll out this program.

We didn't invent this, but we went out to study the work of those who have gone before us. Once we decided that we wanted to be in this business—you've got to remember we are a plain old telephone company as they call us, POTS—and we are very comfortable in the business of selling phones and airtime and it wasn't easy to integrate the kind of management teams that come from microfinance. You know, hiring people from the world of microfinance into our world was not easy, but we had to. We had to recruit people from outside our industry. We went out and we recruited people from all over the world. We brought people for this from the Philippines, from India, from Kenya. Of course, we had to go and approach some people from Kenya.

So we had to build a very strong management team. One of the key early preparatory work that we had to do was getting the regulators and the policymakers to buy into this, and it's a major issue and I wish I had more time to discuss it. But we knew, if you take Zimbabwe for instance, Standard Charter Bank and Barclays Bank entered the country just over 100 years ago. There are 17 commercial banks. Between them, they have about a million customers. We were about to change their world upside down, and we needed to ensure that the policymakers and the regulators understood what was happening, why it was happening, what were the benefits. And so we started with workshops. We brought people from all over the world to get our policymakers to understand what this was all about. We met everybody from the police to the generals, everybody that mattered you had to bring them in because we knew that there would be resistance once we get going and people needed to understand this from their own perspective.

Then, we turned our attention essentially to understanding our customers. In a consumer business like ours, scale, whatever we do we have to do on scale. We have to communicate on scale. And I'll just give you an anecdote of one of the ways in which we approached our customers on this. We had focus groups that went down to the village level where we gathered reports on what people saw as their challenges. And these reports we would sit and discuss them in our management forums. But when we finally launched the service, it wasn't with high technology advertising. We hired 300 young people and we said to them that they were to get on the combis, the mini buses or *matatus* if you are from Kenya. And each one of them was required to ride the *matatu* in pairs. They were to go two of them, just as ordinary passengers, and they were to ride the *matatu* at least 15 times a day and talk about the new service. So they would just jump on and say to each other, "Have you heard about this new thing?" (Laughter). And we knew that one and a half million people get on those combis every morning. And that's what we did. These young people were required, they would get on a combi, jump off, and two people said, "But weren't you talking about this yesterday?" (Laughter). And then, after doing this for about a month or two, they went back now and they were wearing tee shirts and bibs, and they started to register people.

Sometimes simplicity is the key. Even in the design of the platform itself, one of the first things that we realized was the hyperinflation had destroyed people's confidence in financial institutions. Never mind that people were outside the financial system. They had no confidence in it, in even going near this. So trust was the key. Whatever you do, we had to win on trust. And so we began by saying to people, "The system only moves one dollar." So people said, "Just one? You can move a dollar? Why can't I move ten?" We kept quiet. We said, "Why don't you try moving a dollar?" And some of our customers, we would give them the dollar, and say, "We would like you to send it to a relative." So we'd spend $100,000, open people's wallets, and say, "Send the money." And they would send the money and say, "Why can't I sent two dollars?" We'd say, "Send a dollar." And then we said, "Oh, because you have pressured us, we'll let you send ten." (Laughter). Today, they send $30,000.

I'm going to stop there because I see from our time that it will be better if we interacted a little bit. So, simplicity in tariff structures. For instance, we realized that working in percentages created an anxiety. People did not know how much it was going to cost them, so we got rid of the percentages. We gave them ranges. We say, you pay a dollar for this. For example, if you send under a dollar, we don't charge you. And

people do send 50 cents, 20 cents, and that sort of thing. And so people had to know up front what it was going to cost them.

And finally, mobile money works because of a partnership. It actually isn't our money. The money belongs to the agents who are our partners. We have 13,000 agents, 80% of whom are in the rural areas. The selection and the recruitment of the agents, they have to be trusted within their community. If the trust falls for the agent, there is nothing we can do. We can build a Rolls Royce of a system, but if there's no trust with the agent, and if the agent doesn't trust us to recruit, to give them back their money, the whole thing collapses.

And finally, let me say, if you send money to your relative, and that relative cannot find an agent who can pay them, the system collapses. So we bought a bank just to ensure that our agents never run out of money. I'll stop there. Thank you very much, and God bless you. (Applause)

Robert Christen

Very nice, thank you. We had a nice conversation last evening before dinner, and you were talking a little bit about savings and credit. One of the things that struck me was how you're so careful about doing one thing and then the next thing. Could you talk just a little bit about the experience with savings, what you're expecting from it, what you hope for it as a service? It's different from sending money.

Strive Masiyiwa

At the end of the day, we want our customers to feel that they can do just about anything you can do at the bank. People do know what banks do, that I should be able to save money, that I should be able to borrow money. But of course, Bob, what we needed to make sure of is in execution. This is where a lot of things fall over, people must first get through one step at a time. So we held back the savings platform. It took us about two years before we launched the service platform. We could see now that people are actually informally saving with us. We had over $100 million dollars sitting in float. So we said, okay, let's create another wallet for you where you can save. We still find it strange that the float is still bigger than the savings accounts. But there's a lot of activity now around the savings. It's 1.5 million savings accounts.

Robert Christen

As distinct from just a transactional account where it floats.

Strive Masiyiwa

That's right. What we do is we encourage them to save as little as a dollar, and if you keep the money, the system computes interest at 4% per annum. And this is dollarized interest. If it's been there for a month, for 30 days, the system computes interest. So it was phenomenal, the growth of that, and what we are again seeing is initially people use that transactionally. They will put money in, and a few days later, they would take it out. What we're seeing now is the volumes are increasing. What we are also observing is that the informal sector has really taken to this. They are using it. But what they tend to do is to use it for building up money to buy something. So you will see a kind of build-up $200 and then it's gone, which means that they were using it to buy something.

Robert Christen

So it's like stokvel behavior where you save for some time and then you have a major purchase in mind. And on the credit side we talked a little bit. You said you've got some credit products. What do they consist of?

Strive Masiyiwa

About three months ago we finally launched our credit plan. And basically you can borrow between $5-100 at the moment. We use an algorithm, we have quite a complicated computer algorithm which looks at your usage on your phone, your calling patterns, and uses that to project a loan for you. And the system can turn it around in a couple of minutes. So we have people now, we've probably lent in three months, I understand we've done about $2 million. And range between $5-100. So we are simply at the moment testing how people repay, how they're reacting to it, fine tuning it. But it's a very big piece of our strategy which is the savings must be lent back to the people.

It's their money. So we want to be able to lend back into that community. You know, what's been fascinating is the corporate sector knowing we have this money keep coming to us and saying, you know, we'd like to borrow. Can we borrow $20 million? We say, "No, no, no. You have your banks. This belongs to…" (Laughter).

Robert Christen

Well, that's good. Last night, you said you were willing to talk about some of the difficulties that you've had taking something very successful in one place, and doing it elsewhere, that it isn't so easy to just copy something, to just clone something. A lot of the folks here in the room are trying to do the same sorts of things with their own institutions. It would be very interesting to hear what some of those challenges were maybe that you didn't expect in going from one place to another where something had worked very well.

Strive Masiyiwa

That is true. We have operations in many markets, and we haven't been successful with this as we've been successful in Zimbabwe. And you know just about every mobile operator in Africa has got a payment platform of this kind. You know, from our observations, one of the key things we saw particularly in the Zimbabwe case was if senior management is not sold into it, you're not going to get it done. Because even if you look, we're doing $400 million a month now, but it wasn't always like that. It sort of runs like this. You know, it was quite embarrassing at the beginning. You know, $2 million a month, $3 million a month, and you are eight months into this, and it clogs up all your systems. The call centers in particular completely get clogged with people asking questions, how does this work, and management just wanted those people out of their stores. And it's a very different type of customer to the type that you have in your stores. And there are queues, and your other customers are complaining, and so it took a lot of time to redesign all those systems, build customer support structures where these people felt confident to come forward and to begin to interact with us.

Robert Christen

You're talking about the clients coming forward? What about your own staff with something so new? Was that a challenge to train staff?

Strive Masiyiwa

It was a massive challenge. You can't even begin to deal with it. The customer service staff in a telephone company, you just need to go down the street to go into one of our stores. So we had to build a completely different concept around customer support. And that was one of the great challenges for us. And the recruitment of agents. Oh my

goodness. If you get that wrong, there is nothing you can … they have to be people that people know in their community that, "That one has money, I can go to him as an agent. He's not going to run away with my money." People were concerned about losing their money. We were concerned about hacking. And we got hacked a couple of times. And when you are dealing with volume and that kind of money, it's a big concern.

Robert Christen

So when you talked about things that were difficult in other countries, was it that it was just hard to get other management teams to have the same vision? It's always tough as a leader. Is that what some of the fundamental issues were?

Strive Masiyiwa

Part of the way our business works is for us to operate in so many different countries is because we have to empower management. So, we have to leave them to make the decision. But it then makes it difficult, you can't talk down, "We want you to do mobile financial services." They give you their reasons, "We're not ready to do that, we're looking at it," and so forth. So this has been one of the challenges. But now what we're beginning to see, of course, is that in our markets the number of customers, the penetration as we call it is maturing. I mean, we gave Zimbabwe as an example. It's got 103% penetration. So there are no more customers to be had. So now we have much more engaged management because they're looking to meet key performance indicators, and this is an area where they can begin now to see there's a real business here.

Robert Christen

So kind of wrapping up this session, we were talking here about *Clients at the Center*. It's a phrase we're using for this Symposium. We're trying to focus more on the customer experience, the customer journey. What are the ways in which you would understand that in the manner in which you're managing both Econet and specifically EcoCash. What are the ways in which you think are most powerful that you're living that sort of concept?

Strive Masiyiwa

Well, at the end of the day, success for us is reaching out to meet people's needs. And sometimes people don't always … you know, we have to sell a service where people haven't even realized something is missing. You know, when I went into this business 20 years ago, I had to do it by way of a Supreme Court hearing because the government of Zimbabwe refused to issue us a license. And in the hearing we had to submit evidence as to why we wanted the state monopoly removed. And I'll close with this one where we put in our paper that 75% of the African people had never heard a telephone ringing. And we had these five Supreme Court justices in their wigs as you know because we are Anglo-phone, you know, so we keep these wigs. I don't know why, but they were these men in wigs. And one of them, for three days, they hadn't said a word. We had no idea. And then suddenly the Chief Justice reached out and said, "Is your client really saying that 75% of the people have never heard a telephone ring?" And I almost jumped up and my lawyer held me down because you can go to jail. He says, "Yes, my lord." He says, "We've got to end this." (Laughter). So I'm glad to tell you, Bob, 75% of the people of Africa have a cell phone. (Applause). And I want 75% of the people of Africa to have a bank account on their cell phone.

Robert Christen

Thank you, thank you very much. That was great.

Roger Morier ~ Emcee

Wow, I've been monitoring our Twitter feed, the Twitter feed #SOFI2014, and a lot of you are tweeting about that. I just want to read one tweet. "Caribou Digital"—so Caribou Digital whoever you are—"Strive Masiyiwa yet again hits it out of the park with his keynote at symposium. He's an inspiration and a phenomenal speaker." I think we all agree with that, inspiration and a phenomenal speaker. So Strive. (Applause).

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