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finance, banking & insurance

like never before

contents

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Executive Summary

Making waves in finance, banking and insurance.

Written by Dawn Rowlands, CEO of dentsu SSA

It’s a whole new financial services sector out there, with the pandemic having disrupted many of the ways finance professionals and institutions used to operate – along with what consumers now expect from the service providers in which they choose to invest their hard-earned cash.

Making waves in finance, banking and insurance

A recent article on Forbes.com describes a few unique trends that are steering industry direction. These include the need for modern, agile, scalable, secure, resilient and technological infrastructures; the demand for contactless payments and mobile apps (a market that is set to grow from US$10.3 billion in 2020 to US$18 billion in 2025); the hyperpersonalisation of insurance products (which, due to data analytics and AI are able to assess an individual's risk profile way more accurately than ever before); and the harnessing of a new culture of innovation – including Cloud-based systems – that make ways of working and the customer experience safer, cheaper and more inclusive resulting in an increasingly equitable global financial market.

Making waves in finance, banking and insurance

Here in Africa, according to the GMSA State of the Industry Report on Mobile Money 2021,"Not only are customers using their accounts more frequently, but they are using them for new and more advanced use cases. This suggests that more and more people are moving away from the margins of financial systems and leading increasingly digital lives."Indeed, sub-Saharan Africa has been leading the mobile money niche for over 10 years now, with most of its growth in 2020 attributed to new accounts, and 43 percent of all accounts worldwide being opened in this region. "Many of the socio-economic and developmental challenges arising from the pandemic are being tackled with mobile money tools,"enthuses director general of GSMA, Mats Granryd.

Making waves in finance, banking and insurance

For those who love the data, registered accounts in Africa grew 12 percent to 562 million last year, while monthly active accounts increased by 18 percent to 161 million. With a total of 171 active mobile money services trading on our continent, total transactions reached 27.5 billion (up 15 percent) and were valued at US$495 billion (up 23 percent). It's clearly not a sector of the market to ever underestimate.

At this point, it's interesting to look back on where the financial services began: people eons ago placed or attributed a value on an item and, whether it was a coin, shell or piece of paper, as long as somebody else coveted it, it could be traded for something else.

This brings us to the notion of the "fungible": something that is mutually interchangeable, or can be replaced by another identical item. Think swopping one US$5 bill for another. You probably wouldn't notice a difference.

Heard of an NFT or non-fungible token? This is something unique and considered irreplaceable within the blockchain, leading to extremely high values being placed on them. Find out more by reading our piece on the subject on page 285.

Essentially, for customers to be able to embrace all the new developments our digital era is throwing at them, they have to be able to understand – and place their trust – in the virtual world. To assist, we look at the concept of "utu", a Maori word describing the concept of balance or reciprocation, on page 281.

It doesn’t pay to forge ahead with virtual developments and, in the process, to forget the humanity that underpins them all. We trust that you’ll find value in this commercially astute white paper

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Contributors

our expert panel

Dawn Rowlands,
CEO,
dentsu SSA

Anne van Rensburg,
Head of Insights and Audience Strategy, dentsu SA

Ashleigh Sayle,
Account Executive,
Carat SA

Caroline Ndirangu,
Business Unit Director,
iProspect East Africa

Edem Dzokoto,
Director of Strategy,
Carat Ghana

Elzahn Vermaak,
Accountant,
dentsu SSA

Jaco Lintvelt,
Managing Director,
DDL SSA

Clare Trafankowska-Neal,
Managing Director,
iProspect SA

Johané Carstens,
Account Manager,
iProspect SA

Kevin Gibson,
Account Director,
Vizeum SA

Lani Carstens,
Group Managing Director,
John Brown SA

Lisa Matthewson,
Client & Strategy Director,
dentsu SA

Muchaneta Madavo,
Senior Campaign Manager,
iProspect SA

Paul Stemmet,
Chief Data Scientist,
DDL SA

Revina Acheampong,
PR & Comms Specialist,
Vizeum Ghana

Roxanne Boyes,
Managing Director,
Vizeum Kenya

Shamiesa Miller,
Account Executive,
Vizeum SA

Sikhanyiso Mdlalose,
Head of Digital,
Vizeum SA

Valeriana Itenyo,
Business Unit Head,
Isobar Kenya

Yambandiwe Mbizule,
Head of
Digital Marketing,
dentsu Zambia

Yetunde Adegbite,
General Manager,
Posterscope Nigeria

Samuel Abichele,
OOH Media Executive,
dentsu Nigeria

Andrew Kakoma,
Finance Manager,
dentsu Zambia

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Access to Finance and Insurance

Home and car finance by market – Lisa Matthewson

Africa’s fin-brand landscape – Dawn Rowlands & Elzahn Vermaak

Changing up the insurance industry – Kevin Gibson & Shamiesa Miller

Insurance by market – Lisa Matthewson

HOME AND CAR FINANCE BY MARKET

by Lisa Matthewson

Bond Accessibility by Market

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Introduction

"Africa's cities are crowded and not economically dense. Investments in infrastructure, and industrial and commercial structures, have not kept pace with the concentration of people, nor have investments in affordable formal housing."

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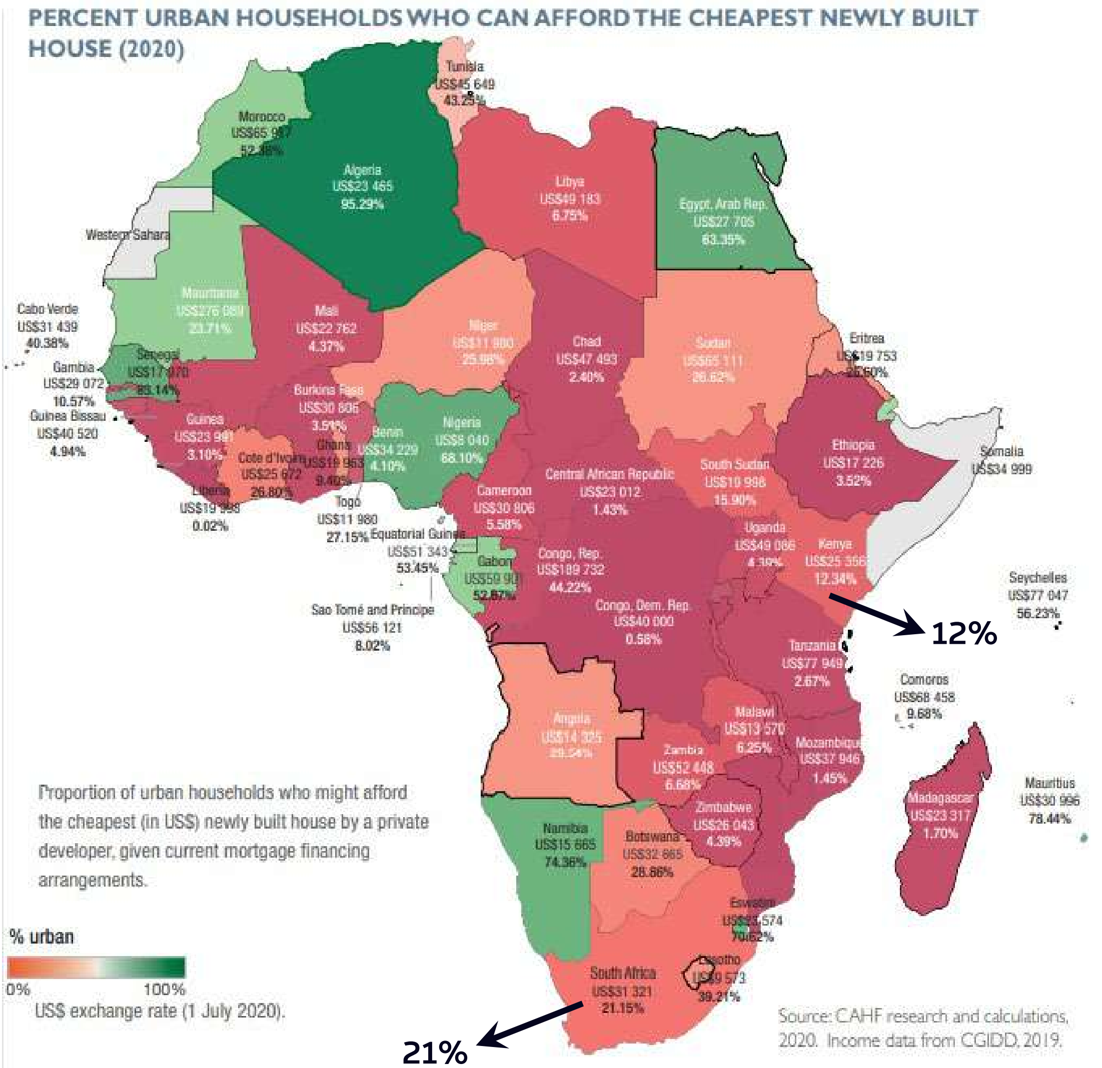
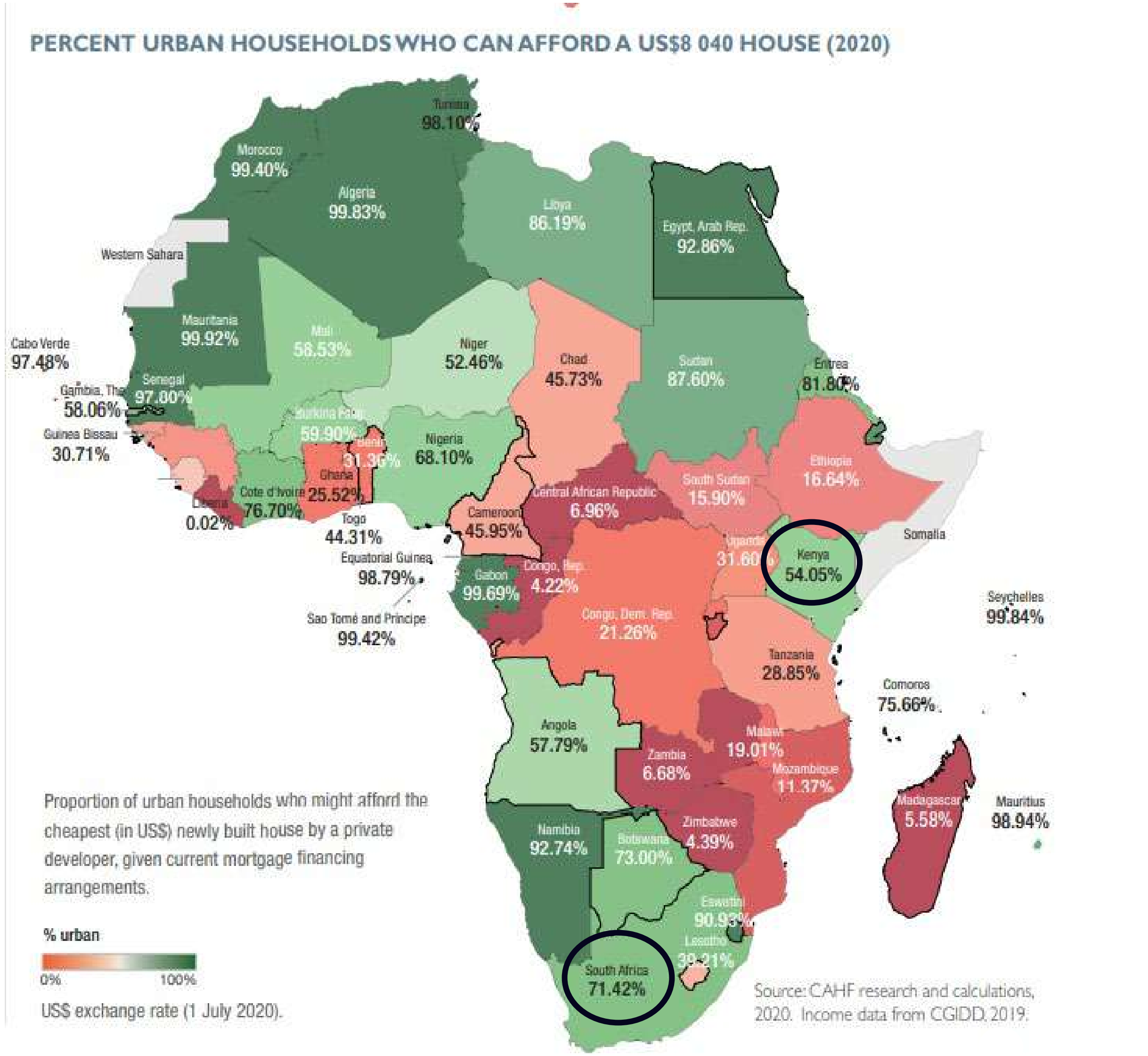
Africa's affordable housing challenge



- The COVID-19 pandemic has exposed and exacerbated the persistent state of disaster in which a majority of the urban households across the continent live.
- According to UN-Habitat, over 60% of African urban households live in slum conditions.
- Across Africa, unattractive interest rates, consumers' inability to pay an upfront deposit, the lack of efficient credit check systems and a lack of long-tenured debt instruments have been amongst a handful of challenges facing the industry – resulting in very low housing affordability!
- There are very few countries where the cheapest newly built house by a private sector developer serves the majority of the population.
- The challenge is to improve the macroeconomic conditions that reduce the cost (and increase the availability) of mortgage finance, and thereby enable a wider population to access affordable housing. While finance subsidies may address affordability in the short term, these are unlikely to be sustainable.

Africa’s affordable housing challenge



In Nigeria, the Millard Fuller Foundation has developed a 32m², one bedroom semi-detached unit for US$8 040 – the cheapest house in Africa.

If this property were available for sale across the continent, financed by local mortgages, the percentage accessibility of the urban population would be vastly improved.

Mortgage density by select countries

COUNTRY	VALUE OF MORTGAGES US$ MILLION	NUMBER OF MORTGAGES	MORTGAGE TO GDP	NUMBER OF MORTGAGE PROVIDERS	TYPICAL MORTGAGE RATE	TYPICAL MORTGAGE TERM	TYPICAL DEPOSIT REQUIRED
SOUTH AFRICA	56 765	1 699 634	16.2%	15	12%	20 yrs	20%
NIGERIA	2 240	535 000	0.5%	57	25%	20 yrs	30%
KENYA	112	26 504	2.2%	33	13%	10 yrs	15%

It must be noted that South Africa is the largest country in Africa for mortgages, being 14 times higher than the 2nd highest country, Tunisia.

Considerations to overcoming Africa’s housing challenge

INFRASTRUCTURE

- **Local manufacturing** of building materials can extend the economic impact of the housing sector into the manufacturing sector, while also promoting sustainable construction that doesn’t include the transport costs (both environmental and financial) of getting the product to site; or the foreign exchange-rate risk that comes with buying imported goods.
- 2020 was a very difficult year for construction –putting pressure on house prices, challenging housing affordability but mostly because it was reliant on building materials from overseas (steel, cement, sanitaryware, rooftiles etc) all at inflated prices.

REGISTRATION OF LAND

- UN Habitat claims that only 10% of total land in sub-Saharan Africa is registered.
- This, together with incomplete land administration systems, inhibits the use of land as collateral – which then constrains the ability of developers and households to access finance with which to build.
- How can households and businesses invest in land when they can’t clearly assess who owns what?

GOVERNMENT SUPPORT

- It's in the interests of every government to drive and support the housing boom – both in terms of fiscal spending and lending rates, and also ito the legislation and regulation thereof.
- Municipal taxation of properties supports sustainability of local authorities. As properties increase in value –through the combined investment efforts of households, businesses and the municipal government – this value is taxed, creating a revenue stream for municipalities, thereby enabling further investment that supports more growth. Win-Win!

Considerations to overcoming Africa’s housing challenge

TECHNOLOGY

- The land management systems across the continent are old and incomplete; only four countries on the continent are engaged in some level of comprehensive digitisation.
- The process of realising full digitisation is long and complex. The Electronic Deeds Registry System (EDRS) in South Africa was first discussed in Parliament during 2003. The EDRS Act was finally passed in December 2019 to provide for electronic deeds registration, however it has not yet been fully implemented!

SUSTAINABILITY

- Climate action, and affordable and clean energy, are targets that can be explicitly addressed through the housing construction process, improving the sustainability and affordability of housing and urban living.
- Renewable energy, sustainable sanitation and the use of sustainable building materials all contribute towards the realisation of the sustainable goals at the household level.
- Green financing offers a key lever to effectively realising these goals.

FINANCIAL INCLUSION

- The challenge for lenders is to develop a micro-mortgage product of around US$8 000 to US$20 000 that suits first-time homebuyers in this market (but of course it cannot be achieved in a vacuum).
- Achieving this would stimulate much-needed economic growth across the continent!

Innovation and countries that are getting it right

- The **Kenya Mortgage Refinancing Company (KMRC)** was established to support the affordable housing programme.
- The facility offers primary lenders cash for onward lending to households, at an interest rate of five to seven percent for properties of certain values.
- The facility, which has raised funds from financial institutions, also plans to issue bonds in the capital markets. The facility will require vigorous fundraising to ensure sustainability of the lending rate, thus feeding the lenders with long-term funding and boosting housing finance.
- The Government has supported housing affordability through policy reforms, such as expanding individual tax rate bands and increasing the individual annual personal relief by 70 percent to KSh28 800 (US$270), with the aim of increasing disposable income – part of which is for meeting household needs.
- Also, banks are restructuring home loans to ease the financial burden on borrowers.

- Staying with Kenya, the Affordable Housing Programme (AHP) is a government initiative under the Big 4 Agenda, aimed at delivering 500 000 affordable housing units by 2022.
- The Government is working with several Chinese companies as developers, and continues to lobby for partnerships with local strategic partners in implementing the projects.
- AHP introduced incentives such as a 50 percent corporate tax break for developers of over 100 units, and exemption of VAT on importation and local purchase of goods for the construction of houses under the scheme.

Innovation and countries that are getting it right

- Developers and mortgage lenders are using blockchain technology as a mechanism for managing “paperless mortgages” in environments where the deeds registry is less accessible or less trusted.
- For example, SESO Global has been working with developers and lenders in Ghana and Nigeria, providing a sales platform that is underpinned by a blockchain register.
- An initiative being driven by consulting company 71point4 in South Africa, is exploring how a blockchain-based platform could support land title regularisation, also in informal settlements, thereby improving the administrative efficiency of low-value residential property transactions.

- Habitat for Humanity and the MasterCard Foundation have joined forces on a longterms project “Building Assets, Unlocking Access” to provide technical assistance to six leading financial institutions in Uganda and Kenya. This project is developing housing microfinance products and non-financial support services for people living on less than US$5 per day.
- Already, over 37 000 low-income customers have accessed these housing microfinance loans, to a total value US$ 30 million, impacting over 150 000 individuals since the inception of the project.
- This is already a huge success for the housing microfinance market in sub-Saharan Africa, if we take into consideration that over the last decade the housing mortgage market, in Kenya alone, had issued approximately 23 000 loans.

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Car Finance Accessibility by Market

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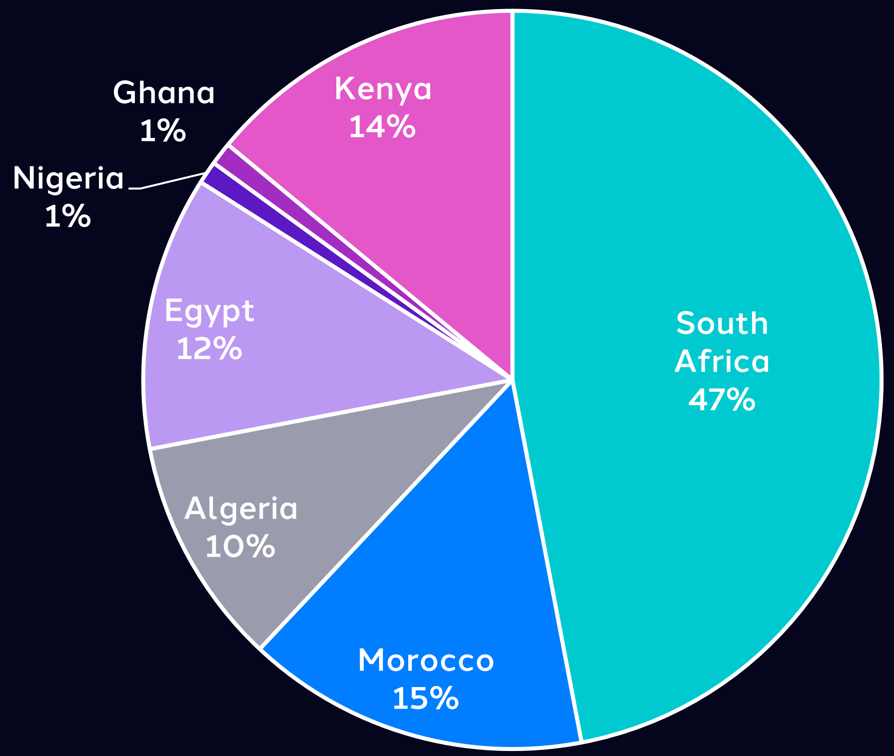
Eighty percent of urban dwellers in Africa do not own a car

- The African automotive market was valued at US$28.5 billion in 2020, and is expected to reach US$40 billion by 2026.
- For a continent with more than one billion inhabitants, it only features in one percent of global new car sales.
- More than 650 million people walk, bike or use public transport.
- Sub-Saharan Africa is the lowest contributor to global emissions, putting out a total of only 3.8 percent of all greenhouse gases.

  The World Economic Forum calculates that the richest sub-Saharan African households spend less than eight percent of their income on transport, whilst the poorest income group typically spends up to 70 percent of their income on getting around.

- The lack of affordable mobility solutions restricts economic improvement opportunities.

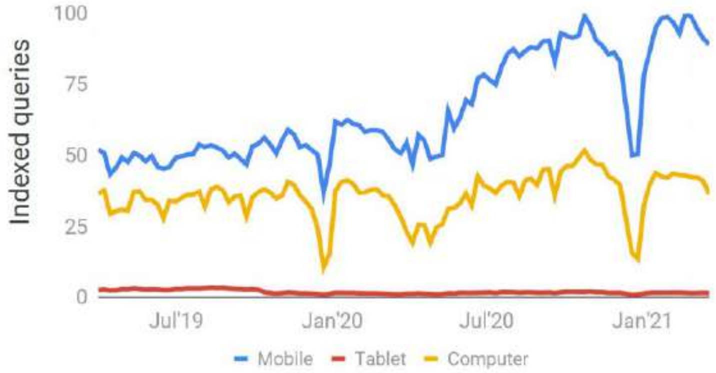


Africa's Automotive Market revenue share percentage, as of 2020

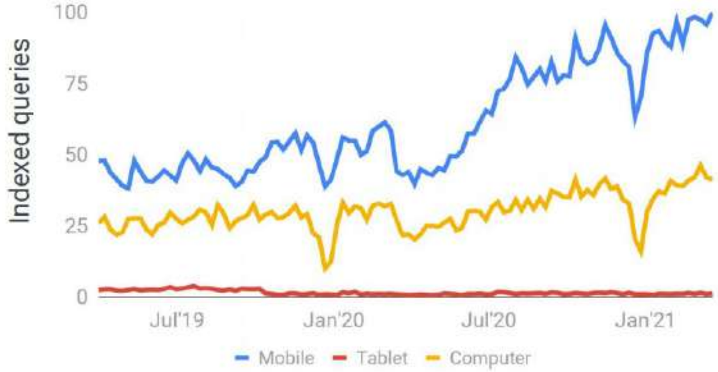
Vehicle ownership by selected countries is very polarized

COUNTRY	NUMBER OF CARS PER 1 000 PEOPLE	NUMBER OF REGISTERED VEHICLES	RATIO OF NEW : USED VEHICLES	CAR FINANCE	MARKET NUANCE	HOW CONSUMERS FUND CARS	BARRIERS TO GROWTH AND ACCESSIBILITY
SOUTH AFRICA	200 (1 in 5); 20 percent penetration	12 697 734 (2020)	42% : 58%	Mature and favourable interest rates, especially post-COVID; multiple finance options; must meet National Credit Act Regulations	Wide range of choice for affordable vehicles, both locally produced as well as imported	Ninety percent of new car sales are financed	Unemployment; ESKOM crisis; sluggish economy; FOREX; taxation
NIGERIA	85 (1 in 12) eight percent penetration	11 800 000 (2018)	10% : 90%	Immature; 20 percent-plus interest rate; four-year term 10 percent deposit	Car depreciation value quicker, owing to poor road infrastructure. Rife with smuggling and grey imports of second-hand vehicles. Preference to financing organisations over individuals	Owing to smuggling and grey imports, suggested funding is through cash	Government policy and enforcement; stimulating local production with an unstable power supply; volatile trading environment
KENYA	30 (1 in 30) three percent penetration	3 280 934 (2018)	20% : 80%	Maturing; better interest rates; five-year term; deposit preferred	Vehicles older than eight years are not permitted for import into Kenya	Second-hand cars are bought via cash and savings	Import taxation; stimulating local production and consumer demand

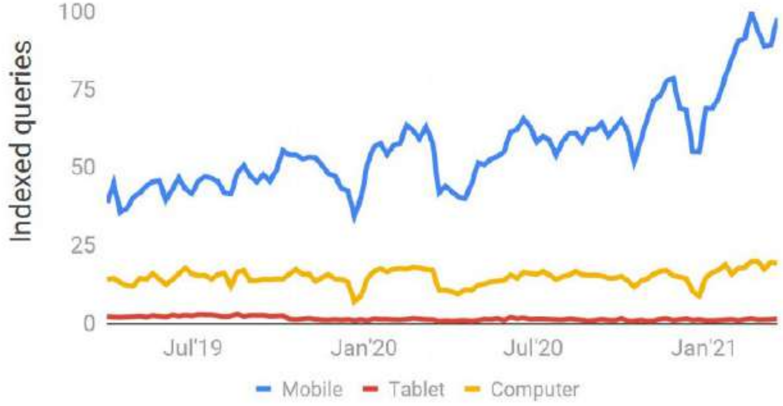
Despite car finance being a niche offering, the pandemic has accelerated Auto Financing search intent which, in part, could be attributed to lower interest rates (in SA, particularly)



	YoY growth (Q1'21-Q1'20)
Mobile	58% ▲
Tablet	12% ▲
Computer	13% ▲
Overall	40% ▲



	YoY growth (Q1'21-Q1'20)
Mobile	75% ▲
Tablet	1% ▲
Computer	33% ▲
Overall	59% ▲



	YoY growth (Q1'21-Q1'20)
Mobile	51% ▲
Tablet	-4% ▼
Computer	9% ▲
Overall	41% ▲

Trends for the new mobility era

ENFORCED GOVERNMENT POLICY FRAMEWORKS

- In February 2021, the Federal Government of **Nigeria** announced plans (as part of their five-point **National Automotive Industry Development Plan**) to launch a vehicle finance scheme that would help Nigerians to own cars, via a lower then normal deposit, on **vehicles produced locally.** If enforced, this will go a long way towards 'cleaning-up' the grey import market that is halting local growth.
- In July this year **South Africa** will open up the aftermarket sector, stimulating economic growth beyond conventional original equipment manufacturers (OEMs). If enforced, it will allow for economic inclusion of previously disadvantaged individuals.
- Under **Vision 2030**, the **Kenya National Industrialisation Policy Framework** aims to both stimulate sector growth and attract foreign investment.

CO^2 EMISSIONS AWARENESS

- Although many African countries have placed age limits on imported second-hand vehicles, these regulations have been weakly enforced and cars as old as 25 years are being imported into Africa.
- The African continent could easily become a "dumping ground' for **older, higher emissions cars**.
- An additional complication is that **low-fuel quality in Africa** will still contribute to higher emissions, even if high-quality and cleaner cars are exported here.
- With the impact of **climate change** already felt on the continent, governments can't afford to ignore this issue any longer. Farming is just one of its life-bloods that will suffer enormous consequences.

E-MOBILITY = SUSTAINABILITY

- Although technology is leading towards the development of **electric vehicles** (EVs) and autonomous vehicles (AVs), there is **limited infrastructure** to support these developments in sub-Saharan Africa.
- However, the technological convergence between automotive, electrical and information technology companies can also create new jobs. Sub-Saharan African countries are seeing this as an opportunity to invest in research and development to tap into these emerging industries.
- Many African governments are promulgating acts to support **climate change**, while **tax incentives** will stimulate the shift over time.
- It must also be noted that global OEMs are ear-marking future dates on which to **halt** the production of **combustion engines.** Governments will be left behind if they don't have suitable infrastructure to boot.

MICRO-MOBILITY

- The micro-mobility industry in Africa is forecast to grow **more than 13.2 percent per annum** until at least 2027.
- The pandemic has actually provided an additional boost, drawing even more people out of Africa's crowded buses and towards individual modes of transport.
- As an effective way to democratise mobility while helping to **reduce** the **pollution** and **congestion** endemic in most African cities, the continent's micro-mobility industry looks set on continuing its path towards **innovation** and **growth** – especially when the continent awakens to the economic potential of exporting African mobility know-how to the rest of the world.

Case studies : mobility disruptors

WeTu

Link to video: https://www.youtube.com/watch?v=1YnerbzP7CE
Link to website: https://wetu.co.ke/

Case studies: mobility disruptors

- SOLUTIONSplus is a global project that brings together 46 partners, as well as 150 associated partners, from Asia, Africa, Latin America and Europe.
- It brings together highly committed cities, industry, research, implementing organisations and finance partners and establishes a global platform for shared, public and commercial e-mobility solutions to kick start the transition towards low-carbon urban mobility.
- Demonstration actions will be launched in two African cities soon, these being: Kigali (Rwanda) and Dar es Salaam (Tanzania).

- In **Dar es Salaam**, **Tanzania**, 60 electric three-wheelers will be integrated with the existing Bus Rapid Transit (BRT) system.
- Infrastructure in this bustling city will be developed in a way that enables parking areas for three-wheelers at or in close proximity to BRT stations, with solar-charging infrastructure. Safe pedestrian walkways will also be provided to connect BRT passenger platforms and parking areas.
- In **Kigali, Rwanda**, the project will take a systemic approach – integrating the planned BRT with the introduction of e-buses, in combination with electrified feeder services, provided by 30 e-moto taxi and 100 shared e-bikes.

In closing

Without a shift to low – or zero-emission vehicles, strong vehicle fleet growth will lead to a massive increase in air pollution, a massive increase in oil-import expenditure and a massive increase in greenhouse gas emissions.

The United Nations Agency for Housing and Urban Development (UN-HABITAT) and the United Nations Environment Programme (UNEP) both promote policies and models to achieve sustainable urban transportation systems across the globe… their mission being sustainable urban mobility.

A call for e-mobility innovators will be launched in the second half of 2021. Kenya, Mozambique, Zambia, South Africa, Cameroon and Nigeria have already been identified as replication countries.

The challenge to OEMs is that, without working in unison with government / international agencies, they are sure to be left behind by a stale conventional model of mobility. Securing strategic partners now will be the only way to ensure their survival.

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AFRICA'S FIN-BRAND LANDSCAPE

by Dawn Rowlands & Elzahn Vermaak

Africa’s Fin-Brand Landscape

There are some fascinating product developments in our region and admittedly most of those are in the mobile, fintech and money transfer space. The focus remains on how to bank the unbanked, reduce cost and create an ease of use. More established institutions focus on the top end but there is stiff competition in the banking category due to innovation and digital offerings. Competition in insurance is really steep in South Africa and things are hotting up in the rest of Africa, too. There is already a very wide product range and insurance is now being offered seamlessly via mobile money suppliers and retailers (at Shoprite Checkers, this is so much the case that it is now encroaching on traditional insurance and banking services).

During this chapter, we’ll unpack the market nuances in insurance and mobile money. We’ll also attempt to give you a top-line overview of the competition, currently already at play, within the industry regionally. We asked our partners in Africa to share data on all financial institutions, their product offerings and any innovation they are seeing locally. Through the dentsu network, we collected over 1000 lines of data from nine countries in the banking, insurance and mobile money categories. Whilst there is a great deal going on in the banking category, we found the insurance and mobile sectors to be the most agile and innovative. We’ll delve into these categories in this chapter but do have robust data on the banking offering as well, if you would like to know more.

Insurance

The African insurance market reached a value of US$61.1 billion in 2019. Insurance refers to a contract or policy that protects the insurer from financial losses. **Some interesting facts about the African Insurance landscape are as follows:**

1.
Morocco is the largest life insurance market in Africa by premium volume.

2.
The Nigerian Insurance Industry is valued at US$1.8 billion.

3.
The biggest driver of growth for insurance companies is GDP growth.

4.
An estimated 66 percent of value is driven by life Insurance in the region.

Globally the pandemic has had an effect on the financial category, but in emerging markets we are still seeing growth in the insurance category.

Insurance

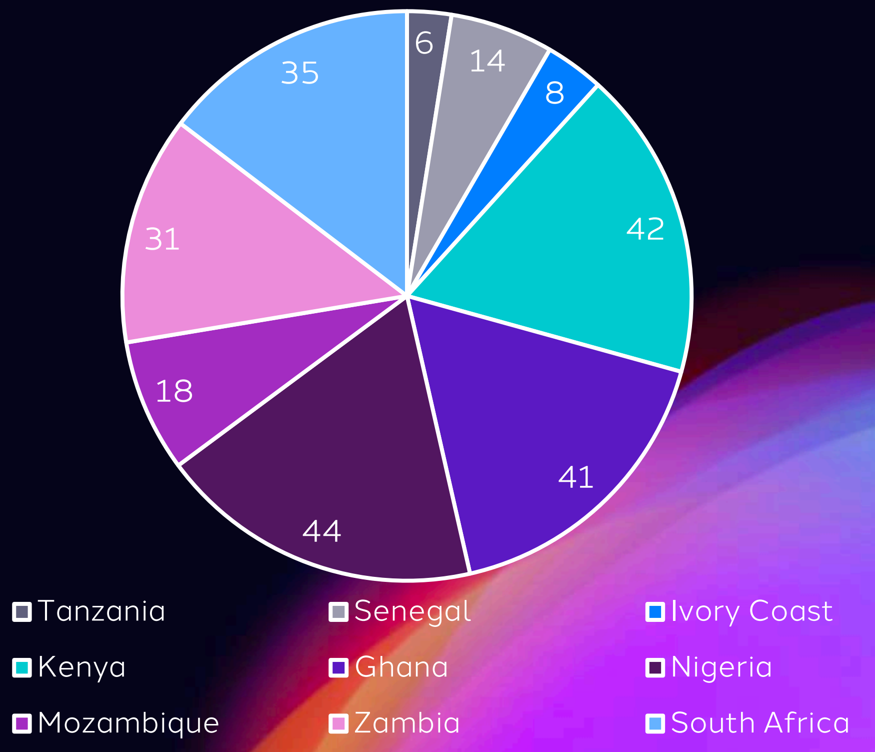
Global nonlife premiums falter in advanced markets, but keep growing in emerging countries

MARKETS	2009-2018A	2019	2020E	2021F
Advanced	2.6%	2.7%	-1%	3%
Emerging	7.7%	7.7%	3%	7%
World	3.2%	3.5%	0%	3%

Note: A denotes average, E denotes estimate, and F denotes forecast.

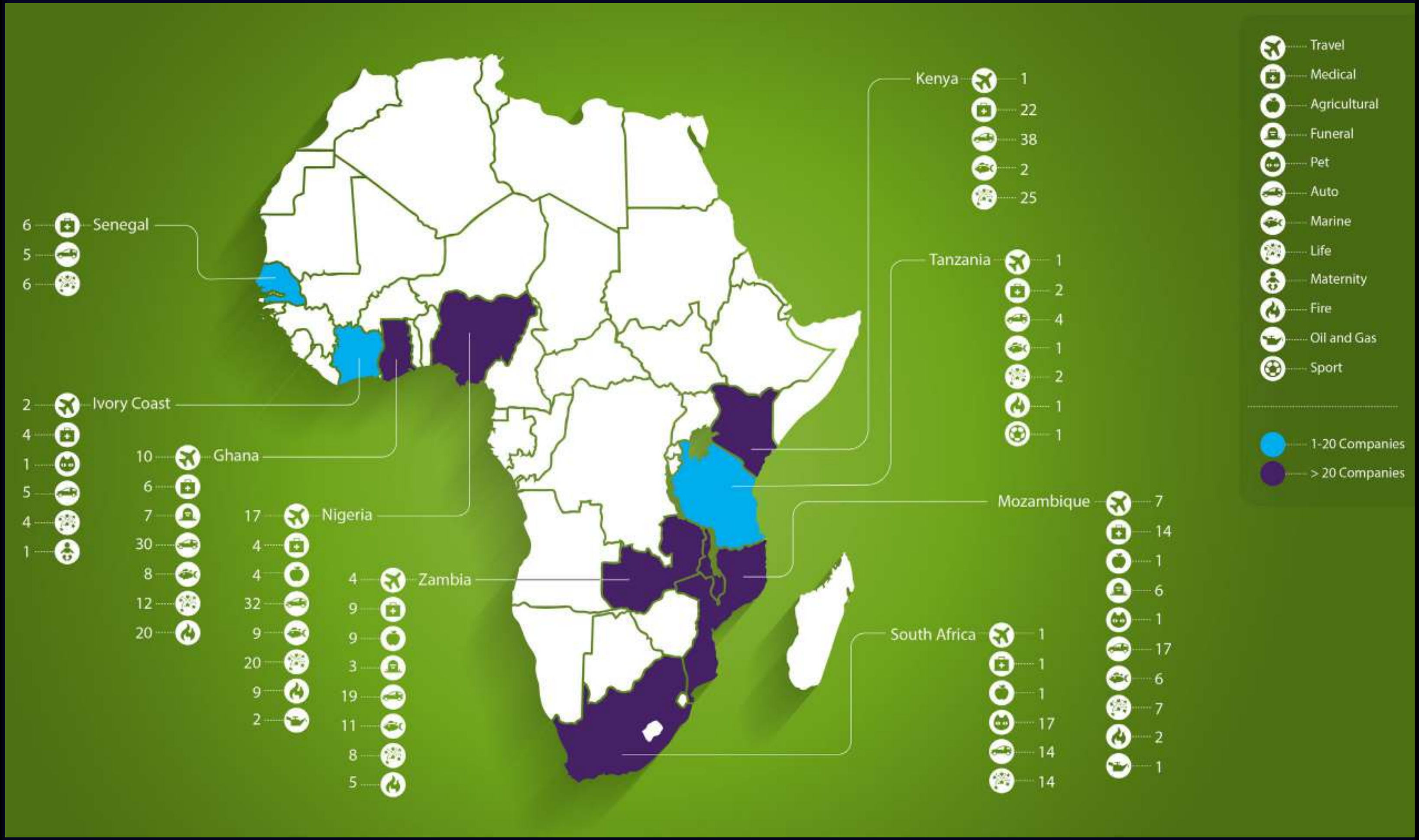
Source: Swiss Re Institute, *sigma* No: 4/2020.

With sustained growth, we are seeing tougher competition arising in some markets. The diagram below outlines the number of insurers and short-term insurance suppliers by markets that we could identify.



Insurance

The short-term insurance and insurance categories used to be dominated by Medical, Life, Funeral, Household and Motor offerings. This has diversified into niched offerings aimed at specific genders (i.e., 1st for Women), as well as pet owners. What is interesting is how the uptake of these niched offerings differs by market regionally – highlighting where the opportunities lie.



Insurance

What really jumped out at first glance was the number of companies in Zambia offering Marine Insurance. Why would a landlocked country place their focus here? A quick look at Google Earth showed the impact of water bodies on Zambia's economy. What was surprising to us is the number of lakes in Zambia and how reliant the Zambian nation is on the fishing vessels based at Lake Kariba; fish farming is a massive industry. We also noted specialised apiary and hatchery insurance, highlighting the growth – either through Zamhatch or other bespoke businesses – in chicken and fish farming within the country. We were comforted by the fact that each country's largest sector, for example mining, industry or agriculture, featured in its respective market. What peaked our interest, though, was the emergence of pet insurance in markets beyond South Africa (SA). Côte d'Ivoire highlighted one brand in this space, Caisse Nationale D'Assurance Maladie. Pet insurers in SA are plentiful and pet cover is now being offered via retailers like Shoprite Checkers and ecommerce pet stores. See interesting data in the mobile money section below, revealing the trust in retailers versus mobile providers.

Insurance

The South African market is dominated by Motor and Household Goods insurance, which speaks to the country's high crime rate. In fact, local SA vehicle tracking business, Tracker, claims that of the 13 million estimated registered cars on the road, 50 are stolen each day.

Whilst VW Polos are in high demand, it's worth noting that the Toyota Range ranks as the highest risk brand and is stolen 30 percent more than the average vehicle in the VW range. Key to these vehicles being so high on the hitlist is not only their popularity, but also what they may contain.

So, if you're insuring your BMW X5, it pays to also add cover for your handbag, smartphone and any other devices you carry with you.

Insurance

We are also seeing very specialised services in SA, emerging from the likes of King Price, which cover cyber, engineering and community services. Insurance aggregators are also the order of the day, with Hippo.co.za leading the pack. Hippo has extended its offering to include comparisons on other services.

Most recently, it concluded a deal to provide comparisons on fibre deals. Over the last five years, Hippo has moved beyond being a functional brand into one that South Africans are emotionally attached to and trust.

View Hippo's latest TV Ad here.

We mentioned the emergence of bespoke insurers focusing on women, who tend to have a much lower risk profile than men, making them an attractive market for insurers. 1st for Women offers a very compelling business case for women, advising that they should not have to carry the cost of the more-risky male market. They also provide a compelling emotional component, by championing the gender-based violence issue in the country.

Insurance

In Ghana, we found over 35 insurance companies with numerous product offerings. It is a highly competitive space. What jumped out was the higher number of products for Fire Insurance versus other insurance types. In studies from 2013 onwards, it was highlighted that in general the rate of fire incidence increased each year. This increase was attributed to several factors: rate of population growth and industrialisation, unstable electricity, urbanisation, negligence, illegal electrical connection, etc.

The cause of fire was then categorised into domestic, industrial, vehicular, institutional, electrical, commercial, bush, and others. Among these causes, domestic fire accounted for 41 percent of the total number of fire incidents in the country.

No wonder Fire Cover stood out so strongly.

Some Ghanaian brands had excellent product descriptors for brands, and this really drew our attention. Some of our favourites were: "The Dream Project Plan" and "Farewell Plan", proving that sometimes you just need to tell people exactly what you offer to ensure you stand out.

Insurance

The Kenyan insurance market is as competitive as the Ghanaian market and, similar to Zambia, Marine Insurance was highlighted. Kenya has a coastline but is also reliant on lakes and fish farming as a major source of protein.

Agriculture, motor and medical featured highly in the Kenyan market. Motor insurance can be fully understood if you've ever driven in Nairobi. Local Kenyan insurer ICEA Lion has been noteworthy in the development of their brand over the last four years. Read more here.

We are seeing insurance aggregators grow in the Kenyan Market, with brands like PesaBazaar and others. They are mostly focused on Motor Insurance if their search campaigns are anything to go by.

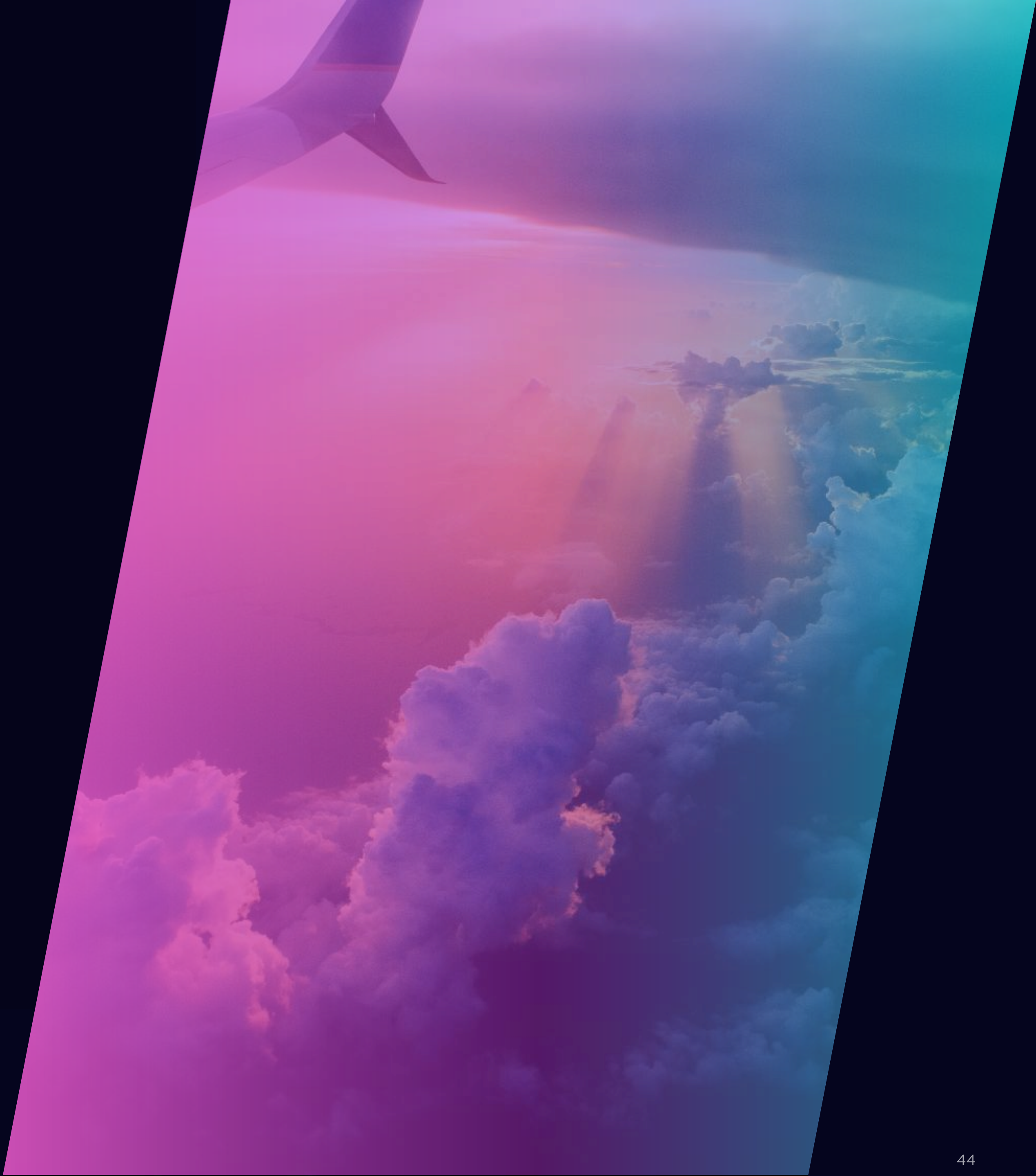
Insurance

Maternity cover featured in Ivory Coast and this is certainly to supplement the 14 weeks of paid maternity leave given by law in **Côte d'Ivoire**. It was the only notable market where we saw this prominently.

Maternity leave is largely underrepresented in the region and we found this piece of work done in Kenya by Nestlé, highlighting the need for additional maternity leave days or higher levels of cover. Nestle case study here on breastfeeding

Insurance

Travel Insurance featured highly in Nigeria, which makes complete sense knowing Nigerians ADORE the opportunity travel. Having driven in Lagos, we can fully appreciate the high prominence of Motor Insurance and Life Cover. What we did expect to see more of in Ghana and Nigeria were Wedding and Funeral policies, considering the major investment most families make in this space. Oil and Gas insurance naturally featured in Nigeria, and Agriculture insurance featured highly in South Africa, Kenya and Zambia.



There is such a rich and diverse set of needs in the region and with GDPs still growing despite the pandemic, there is a massive opportunity in insurance. It does, however, require more innovation and a high level of insight into local needs. As mobile money becomes ubiquitous in most markets, if it isn't already, there will be many micro-insurance opportunities driven by e-commerce, e-learning and less informal trading environments.

Mobile money

In 2020, the number of registered mobile money accounts grew by 12.7 percent globally to 1.2 billion. Sub-Saharan Africa added the most users last year – 43 percent of all new accounts.

The global increase was, in part, as a result of changes in consumer behaviour, with more people open to digital transactions. Global transaction value increased by 22 percent to $767 billion, more than doubling in value since 2017, with 64.5 percent being in Africa.

Over 548 million accounts reside in Africa.

In 2020 alone, there where over 178 billion mobile money transactions in East Africa. The 2020 value of mobile money transactions in sub-Saharan Africa were US$490 billion.

The value of mobile money transactions in Tanzania amounted to US$3.9 billion. There are over 24.5 million mobile money subscribers in Uganda. Safaricom's Revenue from M-PESA in 2020 was US$ 784 million.

Mobile money

Lawmakers in Kenya have labelled Safaricom as a dominant market operator and have called for its separation from M-PESA.

If this comes about, it means Safaricom's voice and data unit would come under the regulation of the Communications Authority of Kenya (CAK), while M-PESA would remain under the control of the Central Bank of Kenya (CBK) – just like FinTech's.

Not only does Safaricom have the largest market share in Kenya (both in terms of telecoms and related to mobile money), but it also has the best telecoms infrastructure.

M-PESA now offers the following products in their line-up, clearly showing the need for more financial inclusion and ease of use. They are utility personified. See these on the next page:

Mobile money

PRODUCT	DESCRIPTION
M-PESA TRANSACTING TILL	• The M-PESA Business till is an enhancement of the existing Lipa Na M-PESA till that enables business owners to collect payments on the till and use the money collected to make other transactions directly from their till such as: Pay to another Buy Goods Till, Pay to a mobile number, Pay to a utilities (Paybill) till, withdraw cash at an M-PESA agent, Sell Airtime and earn commission.
MERCHANT APP	• M-PESA for Business App allows you to have better visibility of your business, enabling you to view your collections and payments, see full statements and transact directly from your M-PESA Business till using the app. It's an alternative to the USSD service *234# Option 2.
SHIRIKI BUNDLE	• The Safaricom Shiriki Plan for Business is a post pay subscription service that enables SME business owners and their employees to share communication resource depending on their changing requirements for calling, browsing and SMS. Business owners can choose from 3 subscription packages.
M-PESA CONSUMER APP	• A new M-PESA App that will have mini-apps within it enabling consumers to consolidate a lot of their apps in one. Also both fingerprint and Face ID enabled for added security.
POCHI LA BIASHARA	• Pochi La Biashara is a simple, convenient and easy to use solution to MSME's that enables them to separate business funds from personal funds, whilst achieving other menial objectives such as safety around cash transactions and preventing the reversal of funds paid through M-PESA to business owners.
M-PESA BILL MANAGER	• This is a service that allows you to save and pay bills in one transaction, memorizing all pay bill and account numbers and better still, a way to be reminded of the bill payment due dates.
SHORT TERM PAYBILL	• M-PESA came up with a savings and contribution pool that allows for accountability around the short term shared goals such as birthdays, weddings, graduations and funerals. The campaign is yet to kick off.

Mobile money

PRODUCT	DESCRIPTION
M-PESA PAYPAL	• This is a service offered to M-PESA customers where in partnership with Safaricom and PayPal, consumers can transfer their funds from their M-PESA account to PayPal.
INTERNATIONAL MONEY TRANSFER	• Mobile Money Transfer (MMT) refers to mobile-enabled money transfer services both domestic and cross-border. Essentially, it's sending and/or receiving money with your mobile phone.
M-PESA VISA	• Safaricom and Visa have partnered up to offer M-PESA customers the ability to do so much more on a global scale in the form of the: M-PESA VIRTUAL CARD. This enables consumers to pay with their M-PESA on any digital platform that they would normally use their Visa credit cards on.
MERCHANT OVERDRAFT	• Provide businesses with credit to allow them to purchase stock and make other business-related payments.
FULIZA	• Fuliza is an innovation available to all M-PESA customers that allows the completion of M-PESA transactions when you have insufficient funds in your M-PESA account.
DARAJA 2.0	• Daraja 2.0 portal offers a one-stop end to end portal where partners and developers integrate their system to M-PESA system.
M-PESA GLOBAL	• Service that enables M-PESA registered consumers to send and receive money globally through partnership with Paypal and Western Union, consumers can send and receive funds from millions of bank accounts globally.
MSHWARI	• Mshwari is a micro-savings product that allows consumers to both store money and take small loads payable in 30-day durations.
DIGITAL SCORE	• Digital Score is a score that financial services lenders will use to decide a customer's likelihood to pay a debt. It will also be used to determine the interest rate that a customer will be charged when they take a facility.

MOBILE MONEY LANDSCAPE

There are a number of service providers by country and the products are growing exponentially.

South Africa

Snapscan
- Receive & make online payments

Zapper
- Contactless payments

Ipay
- Personal
- Business
- Affiliates

FNB e wallet
- Personal mobile phone banking

Checkers money market
- Personal

Sassa cash pay
- Personal

Std Bank instant money
- Personal

Pep money transfer
- Personal

Absa cash send
- Personal

Yoco
- Business

Tymebank
- Personal
- Business
- Buy now/pay later

MTN momo
- Personal

Vodapay
- Business

Zambia

MTN
- Money transfer
- Mobile Payments

Airtel
- Mobile Payments (Mobile Payment services and money transmission services)

Zamtel
- Mobile Payments
- Payment services and money transmission services

Spenn Mobile
- Personal/ Agent
- Mechant
- Business

Zoona
- Mobile Payments (Mobile Payment services and money transmission services)

Mukuru money transfers
- Money transfer

Zazu Africa Limited
- E-money issuance/ Prepaid cards

FINCA Zambia Limited
- Money Transfer Services

Western Union
- Money Transfer Services

Moneygram
-Money Transfer Services

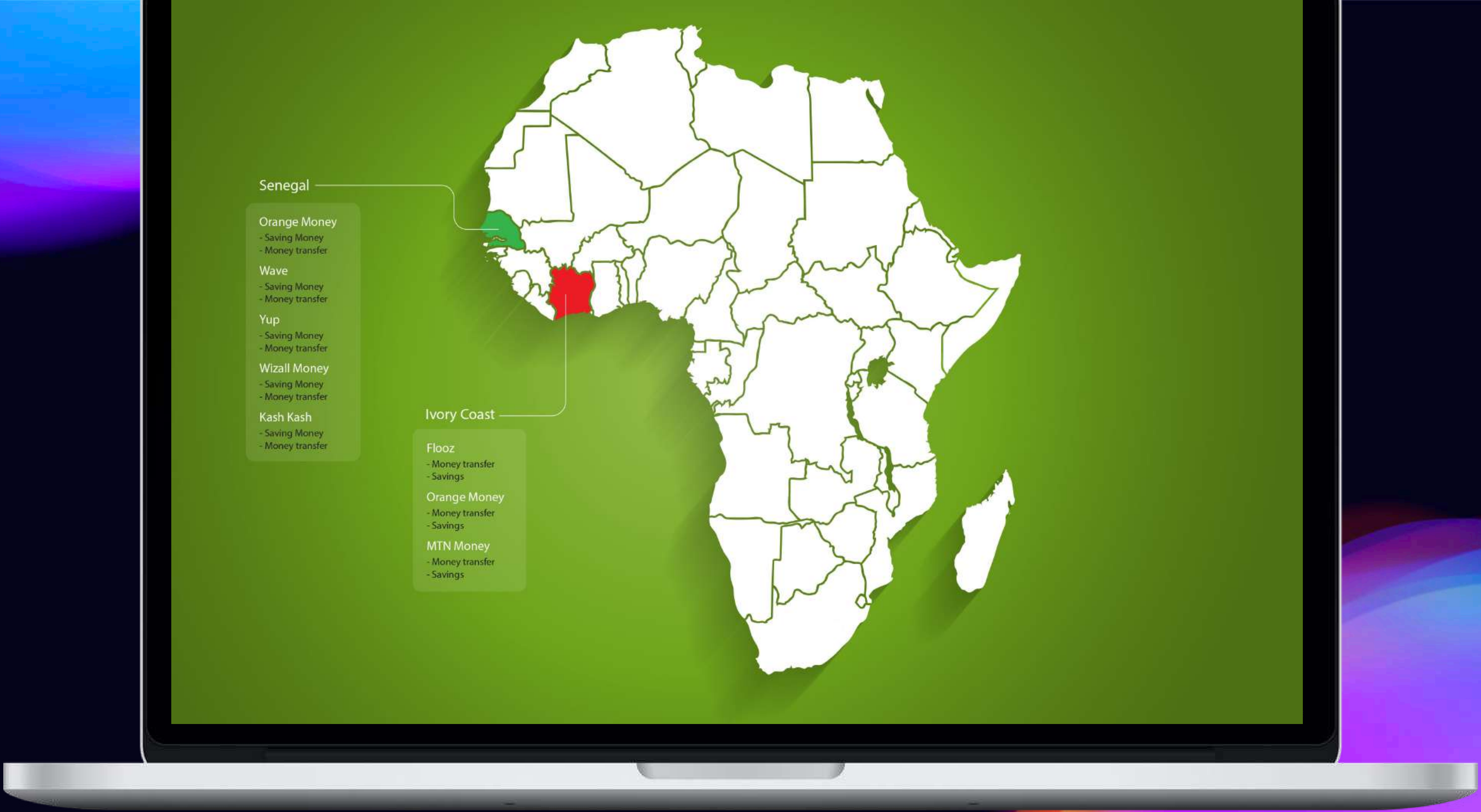
Mozambique

M- Pesa
- Money transfer

M-mola
- Money transfer

Mkesh
- Money transfer


Tanzania
Vodacom "M- Pesa"
- Money transfer: (Local, IMT, Standing Order) and Transactional: Local (Lipa Namba) & International Payments (Mastercard)
- M-Koba (group savings)
- M-Pawa (Savings, Earn Interest and Take Loans)
Tigo "Tigo Pesa"
- Money transfer (Local & IMT)
- Transactional: Local (Lipa Namba) & International Payments (Mastercard)
- Bima Mkononi (Insurance)
Airtel "Airtel Money"
- Money transfer
- Transactional: Local (Lipa Namba) & International Payments (Mastercard)
- Timiza Akiba (Savings)
Halotel "Halo-Pesa"
- Money transfer
- Transactional: Transactional: Local (Lipa Namba) & International Payments (Visa)
- Smart Banking
Kenya
M- Pesa
- Money transfer
- Payments
- Savings/Investments
Airtel
- Money transfer
- Payments
- Savings/Investments/loans
T-kash
- Money transfer
- Payments
- Savings/Investments/loans
KCB Mobile Vooma
- Money transfer
- Payments
- Savings/Investments/loans
Equity Eazzy App
- Money transfer
- Payments
- Savings/Investments/loans
Standard Chartered Bank App
- Money transfer
- Payments
- Savings/Investments/loans
Co-op Mco-op Cash
- Money transfer
- Payments
- Savings/Investments/loans
NCBA Loop
- Money transfer
- Payments
- Savings/Investments/loans
Family Bank Pesa Pap
- Money transfer
- Payments
- Savings/Investments/loans
Absa Bank App
- Money transfer
- Payments
- Savings/Investments
Ecobank Mobile Banking
- Money transfer
- Payments
- Savings/Investments
Stanbic Bank App
- Money transfer
- Payments
- Savings/Investments
Diamond Trust Bank DTB24/7
- Money transfer
- Payments
- Savings/Investments


Senegal
Orange Money
- Saving Money
- Money transfer
Wave
- Saving Money
- Money transfer
Yup
- Saving Money
- Money transfer
Wizall Money
- Saving Money
- Money transfer
Kash Kash
- Saving Money
- Money transfer
Ivory Coast
Flooz
- Money transfer
- Savings
Orange Money
- Money transfer
- Savings
MTN Money
- Money transfer
- Savings

Mobile money

As discussed, the number of providers will grow by market as mobile money separates from mobile network operators in many markets. The diagram below represents the current landscape.

We are seeing the growth in mobile money across all markets and socio-economic brackets. The slowest moving market is South Africa, but its growth has been taking off as the products become fully integrated into commerce offerings.

Mobile money

Around 49 percent of Zimbabweans are registered with a mobile money service. The reliance on mobile money is less in markets where formal banking institutions are popular.

Looking at southern African markets, this holds true for South Africa and Namibia. Mozambique seems to be striking a happy medium, with one in every five people having a mobile money account and one in three a bank account.

A large portion of the Mozambican population seems to be underserved by both banks and mobile money solutions. Given that there are said to be 14 million mobile subscribers, it is possible that mobile money could end up being equal to, or overtaking, the banking sector in the country.

Mobile money

COUNTRIES	POPULATION	MOBILE MONEY SUBSCRIPTIONS	MOBILE MONEY USERS AS % OF POPULATION	% OF POPULATION WITH BANK ACCOUNTS
BOTSWANA	2,351,627	1,150,240	49	45
LESOTHO	2,142,249	1,261,985	59	33
MOZAMBIQUE	31,255,435	6,600,000	21	33
NAMIBIA	2,540,905	1,083,600	43	77
SOUTH AFRICA	59,308,690	1,000,000+-	2	75
ESWATINI	1,160,164	703,980	61	44
ZAMBIA	18,383,955	4,852,040	28	36
ZIMBABWE	14,862,924	7,334,639	49	28

Mobile money

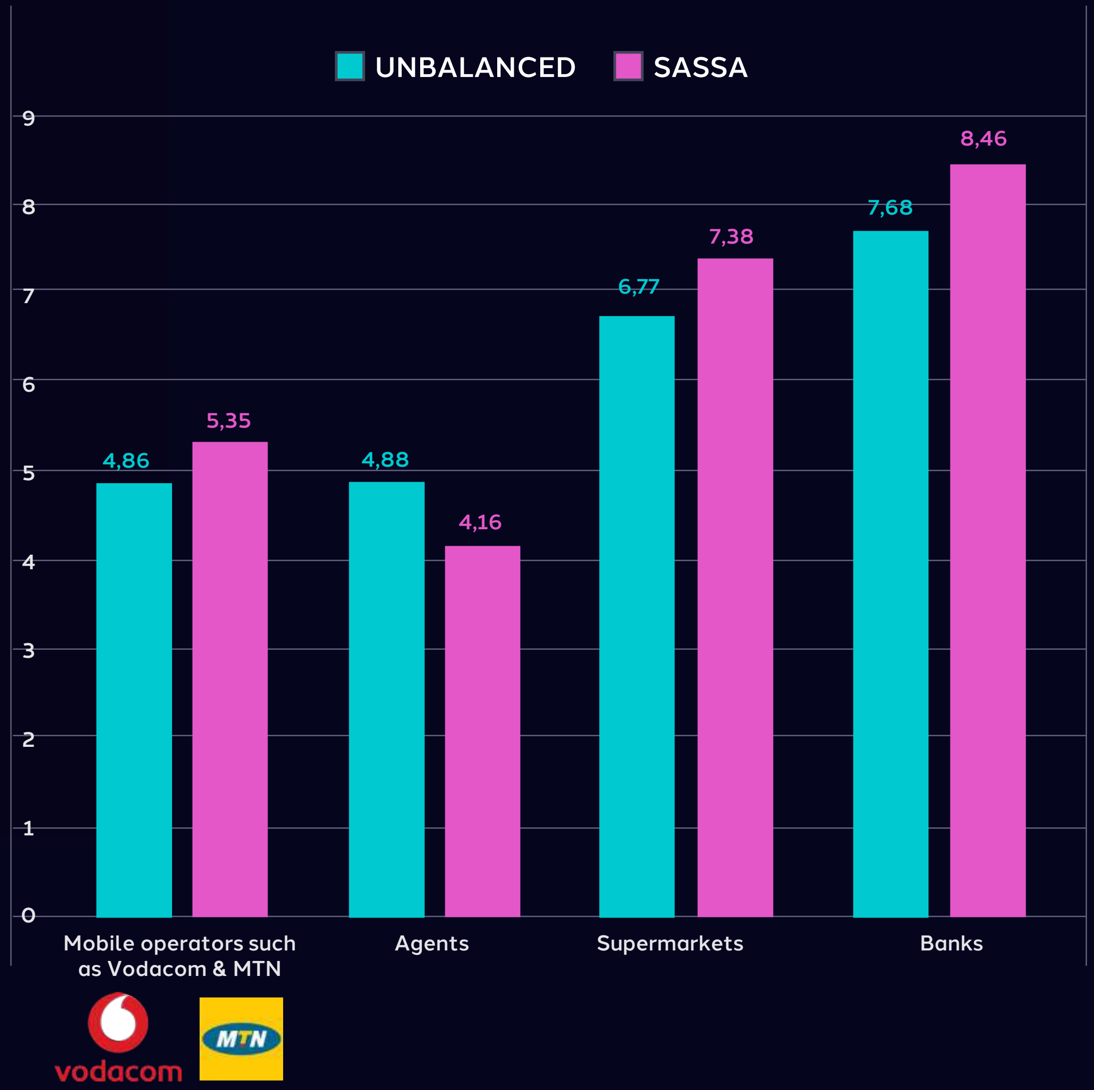
South Africa has low financial exclusion, but one could argue that mobile money provides value to both the unbanked as well as the underserved. Seventy-seven percent of South African adults are banked. This figure includes SASSA cardholders, i.e. those who receive grant payments from the government. South Africa has high levels of unemployment and, as there is no flow of income to these individuals, having a bank account and maintaining the fees needed to service such an account can be a challenge. What is interesting to note within this cashflow system is how over 14 million South African adults withdraw their cash as soon as it is deposited, effectively using their accounts as mailboxes. As many as 6,1 million SASSA cardholders withdraw their money as soon as it is deposited, and 8,4 million non-SASSA cardholders do the same. South Africa has a well-established financial sector but the stats above indicate the dire need for more trustworthy mobile money solutions in the market. The chart below, while of a limited sample size, shows the trust of mobile operators versus banks and retailers in SA.

Mobile money

There is clearly a need for mobile operators in SA to regain the trust of consumers and create more utility in services to capture the 14 million SASSA beneficiaries.

MTN is also considering launching its fintech unit as a standalone business. Its CEO believes the market is undervaluing the business – which processed R2.3 trillion in transactions last year.

Also last year, the number of active mobile money (MoMo) users increased by almost 12 million to 46.4 million in 15 countries. More than 12 000 transactions are processed every minute.



MTN also has an insurance joint venture, which had 11 million registered policy holders and six million active policies at the end of last year. This telecoms group reported its results for last year, which showed a 52 percent increase in its headline profit, with a 12 percent rise in service revenue to R170 billion. Its number of subscribers increased by 28 million to 280 million across 21 markets.

Mobile money

We are seeing ecommerce players entering the financial space already, offering longer-term payment options and credit – with everyone in the food chain wanting a clip of the transaction.

As a retailer, Shoprite Checkers in South Africa is already offering money transfers but, as ecommerce further democratises the market and large ecommerce players scale their own financial services, fintech/mobile money is going to be one of most exciting spaces to occupy in Africa. And it is only going to get more creative and user friendly.

What is confusing the average mobile shopper is the number of payment facilitators, such as VISA, Mastercard, PayPal and PayFast. While they are not all offering a technically identical product, they all often appear in the same choice list.

Mobile money

Many people are thinking, "PayPal's great, but it's not a complete solution." Some key drawbacks of this payment solution have been highlighted by a number of clients:

- It doesn't provide protection for sellers offering digital products and services.
- Many alternatives charge lower fees than PayPal's 3.7 percent plus US$0.30.
- PayPal has been known to freeze accounts for up to six months without prior warning.
- It can take a long time to withdraw money from your bank account – three to five days is the standard.

Mobile money

So, what exists out there beyond PayPal? Not all payment facilitators may be available in your country or region, so it's important to do the research and review the fees/security in order to settle on the best offering.

TransferWise

- Ideal for individuals and service-based businesses with a high volume of international transactions.
- Dubbed as "a cheaper way to send money internationally" and a fantastic PayPal alternative if you make many international transfers.
- The payment solution claims to provide the "real" exchange rate, without inflating it with additional unseen fees. In one transaction of US$2 000, TransferWise cost a UK recipient £106.47 less than PayPal.
- The service's Borderless account provides users with a debit card, allows you to manage money in more than 40 currencies, to run your payroll, batch payments, charge clients, and more.
- With TransferWise for business, you're able to invoice your customers in their own currency.
- So how does TransferWise provide such low fees for international transfers? A good example is if you want to send US$1 000 to your friend in the UK. Your US$1 000 would be deposited into TransferWise's American account. Then, they would send your friend the equivalent in British pounds from TransferWise's UK account, using the real exchange rate. This means the money never actually crosses borders and international transfers can happen extremely fast.
- **Pricing:** For a USD to EUR transfer, TransferWise charges 0.6 percent of the transaction amount, plus US$1.00.
- **Apps:** iOS and Android.

Mobile money

G Pay

- This service is a fast, simple way to pay on websites, in apps, and in store using cards saved to your Google account. Simply add your credit and debit card payment details to your account, and enjoy faster, more convenient payments wherever you're based.
- Google Pay enables businesses to streamline the payment process for customers.
- Businesses can also use Google Pay to deliver special mobile offers and recommendations to customers, and to provide gift cards.
- This payment solution is largely free for customers and businesses, in that you're charged your normal fees by current service providers.
- **Its pricing is simple:** use of linked debit cards and bank transfers are free. Credit cards are charged at 2.9 percent of the transaction amount.
- **Apps:** iOS and Android.

Mobile money

stripe

- This is ideal for businesses needing an intuitive and flexible application programming interface (API).
- This payment solution believes payment problems are “rooted in code, not finance” and they consider themselves a “developer’s first” business.
- For this reason, the service is easy to integrate and customise using their simple API. And it’s no surprise that many large digital business tools, like Shopify, have fantastic Stripe integrations.
- You can accept payments from all over the world. Stripe automatically deposits your money into your bank account – plus, mobile payments can be made.
- The downside? Unfortunately, the transaction fees are very similar to PayPal’s.
- All in all, Stripe’s strength lies in its flexibility and customisable nature. However, this could be an issue for those with little programming knowledge.
- **Pricing:** Stripe charges 2.9 percent of the transaction value plus $0.30.
- **Apps:** iOS and Android.

Mobile money

Payoneer®

- Supported by small to medium-sized businesses looking for an all-round solution, this PayPal alternative places a special focus on market sectors such as e-commerce, online advertising, freelancing and vacation rentals.
- Like TransferWise, Payoneer provides a debit card to go with their online account, so you can withdraw funds from your bank account or ATMs worldwide.
- Unlike Stripe, this service doesn't require any programming knowledge and it doesn't take long to set up an account.
- Payoneer's pricing is simple, too. The payment solution bills your fees monthly and transactions are free between Payoneer accounts. Unfortunately, credit card transaction fees are slightly higher than some other services, and you generally have to pay a fee when transferring money to another bank account.
- **Pricing is managed in the following way:** payments from other Payoneer customers are free; credit card transactions from customers are charged at three percent, and eChecks are charged at one percent.
- **Apps:** iOS and Android

Mobile money

shopify

- Shopify Payments allows ecommerce businesses to accept credit and debit cards directly on their Shopify store, without a third party.
- Although this tool is only useful if you have a Shopify store, it's worth baring in mind if you're looking to progress in ecommerce.
- This PayPal alternative makes payments extremely easy for sellers. It's completely integrated with your Shopify store, simple to get started, and allows you to accept all major credit cards. Plus, customers can sign up with Shopify Pay to make checkout easier.
- Shopify Payments also work with Facebook Shops, Pinterest Buyable Pins, Facebook Messenger, Amazon and eBay, among others.
- What's more, if you decide to sell in person, you can take card payments with Shopify POS.
- **Pricing is packaged as follows:** plans start at US$29 per month for a basic Shopify account, while credit cards are charged at 2.9 percent plus $0.30.
- **Apps:** iOS and Android.

Mobile money

Authorize.Net®

- Despite not being as large or well-known as some other PayPal alternatives, Authorize.Net has noteworthy benefits.
- The service is a subsidiary of Visa and has been mooted as the best user support in the business – provided free, from real people, 24/7.
- The payment solution has also been repeatedly praised for its reliability and security.
- Businesses will also be glad to know the service provides invoicing, recurring billing, point-of-sale checkout and a robust API.
- The interface is intuitive, and the service also integrates with other payment providers – such as Visa Checkout, PayPal and Apple Pay.
- However, this PayPal alternative isn't particularly good for personal use as you are not given have the ability to send and receive payments from family and friends.
- Plans start at US$25 per month gateway fee, with fees being 2.9 percent plus $0.30 per transaction.
- **Apps:** iOS and Android.

Mobile money

Square

- Their roots are in mobile point-of-sale transactions, although you can also use this PayPal alternative for online payments via invoice or your website.
- The point-of-sale service is highly flexible, allowing you to accept cards, cash, cheques, and even gift cards. You can also print receipts or send them to customers online. When you sign up, you'll receive your free reader to get started. You can even swipe cards without being online.
- This PayPal alternative also provides invoicing, recurring payments, real-time inventory management and payroll tools.
- Square Checkout integrates with your ecommerce store, and allows you to accept payments online using a simple checkout workflow.
- Their pricing varies per transaction, but point-of-sale transactions are charged at 2.75 percent.
- **Apps:** iOS and Android.

Mobile money

Skrill

- Supported by gamers, and those who deal in cryptocurrencies or play games online.
- The service is incredibly simple to use. You can send and receive money, store your card details for faster purchasing, link your bank accounts and make payments with just your email address and password.
- This payment solution also provides a prepaid debit card that you can use around the world. Plus, moving money to your bank account takes no time at all.
- Skrill was created with cryptocurrencies in mind, from Bitcoin and Ether to Litecoin. It's also set up for gambling, and other online games which require funds.
- Like PayPal, the service's strict fraud prevention tools have been known to inconveniently freeze a user's account.
- The main benefit is the low fees. Skrill charges 1.45 percent plus $0.50 to send and receive funds; while withdrawing money to a bank account is free.
- **Apps:** iOS and Android

Mobile money

Braintree
A PayPal Service

- This PayPal service is worth considering as a PayPal alternative.
- It's geared for large businesses, with companies like Uber, DropBox, GitHub and Yelp making use of this payment solution.
- The main benefit of Braintree is their focus on helping businesses to reduce friction, and to "increase conversions with a seamless checkout experience".
- Braintree makes it easy to accept online payments from more than 45 countries in over 130 currencies.
- The service also provides a host of advanced features that PayPal lacks.
- It has all of the standard features a larger business would expect, such as recurring billing and hands-on customer support. The system integrates well with PayPal, as well as other large payment providers such as Apple Pay and Google Pay.
- Due to its customisable nature, you'll need programming knowledge to integrate it with your website.
- **Pricing:** Standard pricing is 2.9 percent plus $0.30 per transaction.

In conclusion, the financial category is a highly disruptive and exciting space in which to play right now. The African continent will need to focus heavily on understanding customer needs and making the category easier to access, understand and engage with. Trust is key to the entire process; there is a major opportunity to build on the trust that financial institutions still retain. We are seeing a trend globally of the "Full Lifestyle Brand", where sought-after brands are beginning to offer consumers a full range of products and services beyond their own capabilities via strategic partnerships. Most of us are already buying an increasing number of services from Apple or Samsung, and this may soon include insurance via other ecommerce and high-end lifestyle brands. That new Louis Vuitton handbag may be worth insuring before you leave the store!

Link to interview: https://youtu.be/Ed4Pi_OyrhO
(Dawn Rowlands dentsu SSA CEO chats to Marie Jamieson, ABSA Head of Marketing and Communications Africa Regions)

CHANGING UP THE INSURANCE INDUSTRY

by Kevin Gibson & Shamiesa Miller

Global Changes and Trends

Adaptive Insurance & Telematics

The next step in insurance is likely to be the widespread availability of "adaptive insurance – insurance that adapts to real-life situations with minimal input from policy-holders" where, through the use of telematics, insurers are able to track multiple data points related to their policyholders. Such insurers are then able to offer more accurate and personalised premiums, process claims more accurately, and implement rapid accident response regimes.

In early May 2020, JD Powers conducted a survey in the US that found that "more than 40 percent of consumers were interested in telematics-based auto insurance options". However, only five insurers (limited to selected states), currently offer the pay-per-mile option despite the clear desire for this among consumers.

Unfortunately, most US consumers are under the misconception that pay-per-mile will save them money. They are either unaware of how much they actually drive, or of the fact that the only drivers who are likely to save on pay-per-mile insurance are the infrequent drivers – as the cost per mile plus the base rate can add up quite quickly, making the model less cost efficient than consumers envision it to be.

Source: FA News ; Insurance Thought Leadership ; Value Penguin

Adaptive Insurance & Telematics

Pay-per-mile and Standard Car Insurance Rates by Mileage

TYPE	INSURER	MONTHLY RATE AT 0 MILES	MONTHLY RATE AT 125 MILES	MONTHLY RATE AT 825 MILES
PAY-PER- MILE	Metromile	$26	$31	$59
STANDARD	Geico	$31	$31	$31
STANDARD	State Farm	$59	$59	$59

Source: Value Penguin

Shifting From Broker-Based Business

It was already a trend in the industry that various brands were looking to introduce more direct-to-consumer offerings over being predominantly broker-based; but the past year or so has accelerated this trend for a number of reasons.

One of the strengths of a broker was having a personalised face-to-face approach – but with COVID-19 imposing severe limitations on the ability to meet in person, the industry has needed to bring in a more virtual approach along with smart underwriting and claims handling.

Acting as enablers for insurers to connect with primarily small businesses and consumers, insurtech companies are partnering with insurance providers to help improve costs, efficiencies and their customer engagement and processes, through the use of technology innovations – essentially disrupting the role of brokers as a direct-to-consumer approach.

Source: Insurance Business Mag ; Business Insider ; WNS

Shifting From Broker-Based Business

Insurtech innovations that are shifting the approach to insurance include:

Advanced Analytics and Proactivity – using data gleaned from tech, such as apps and wearables, to improve personalisation, response times and help insurers be more active in risk management. For example, the usage of drones can help quickly and safely assess property damage after a storm or other natural incident, or the use of telematic devices to track driver behaviour.

AI, Automation and Machine Learning – providing scale to advanced analytics and speeding up the claims process, AI can assist in modelling behaviours and likelihoods to quickly determine risk and profitability; while bots can automate claims management. As an example, US-based insurer Lemonade has a claims bot that can assess and pay out property claims in just three seconds.

Source: WNS

Millennials and Insurance

Millennials (i.e. those born between 1980 and 1994) now make up the largest segment of the workforce, with a Gallup poll finding that this market is more than twice as likely to buy insurance online rather than through a third-party (as us older consumers do) – making digital accessibility increasingly important as the Millennials' buying power increases and the Baby Boomers head towards retirement.

In addition, Millennials are delaying or avoiding the traditional milestones (e.g. marriage, children, home ownership), which may result in traditionally less popular insurance products gaining more importance and traction in the market – think Pet Insurance, Travel Insurance (post-COVID) etc.

Source: Itonics ; Gallup

Millennials and Insurance

The Gallup poll also found that Millennials are actively disengaged with their primary insurer and, as a result, may be less loyal as engaged consumers tend to be less price sensitive when selecting financial offerings; tend to buy a larger variety of products; and are likely to recommend their primary insurer to others. Building and maintaining engagement with this market can be challenging, especially for insurers with a diverse customer base to attract – but there are key similarities across generations:

- Family is key. Millennials are likely to follow the example of a family member, especially if this person values their insurer – so, by building loyalty with the older generation, you can secure Millennial acquisition.
- Millennials are more likely to buy insurance online but, in spite of this, they are also the least satisfied of all generations with the online experience.

Source: Gallup

Blockchain Moves Beyond Crypto and NFTs

The insurance industry has to deal with a large amount of customer data as a core part of their business, so there's a definite need for improvement in managing this data easily, securely and – ideally– in real-time.

The security aspect is particularly important in moving data between organisations – so with these needs as drivers, blockchain technology is being researched as a means to provide secure data management and other benefits – from smart contracts to Decentralised Autonomous Organisations (DAOs) – thereby bringing blockchain into the mainstream.

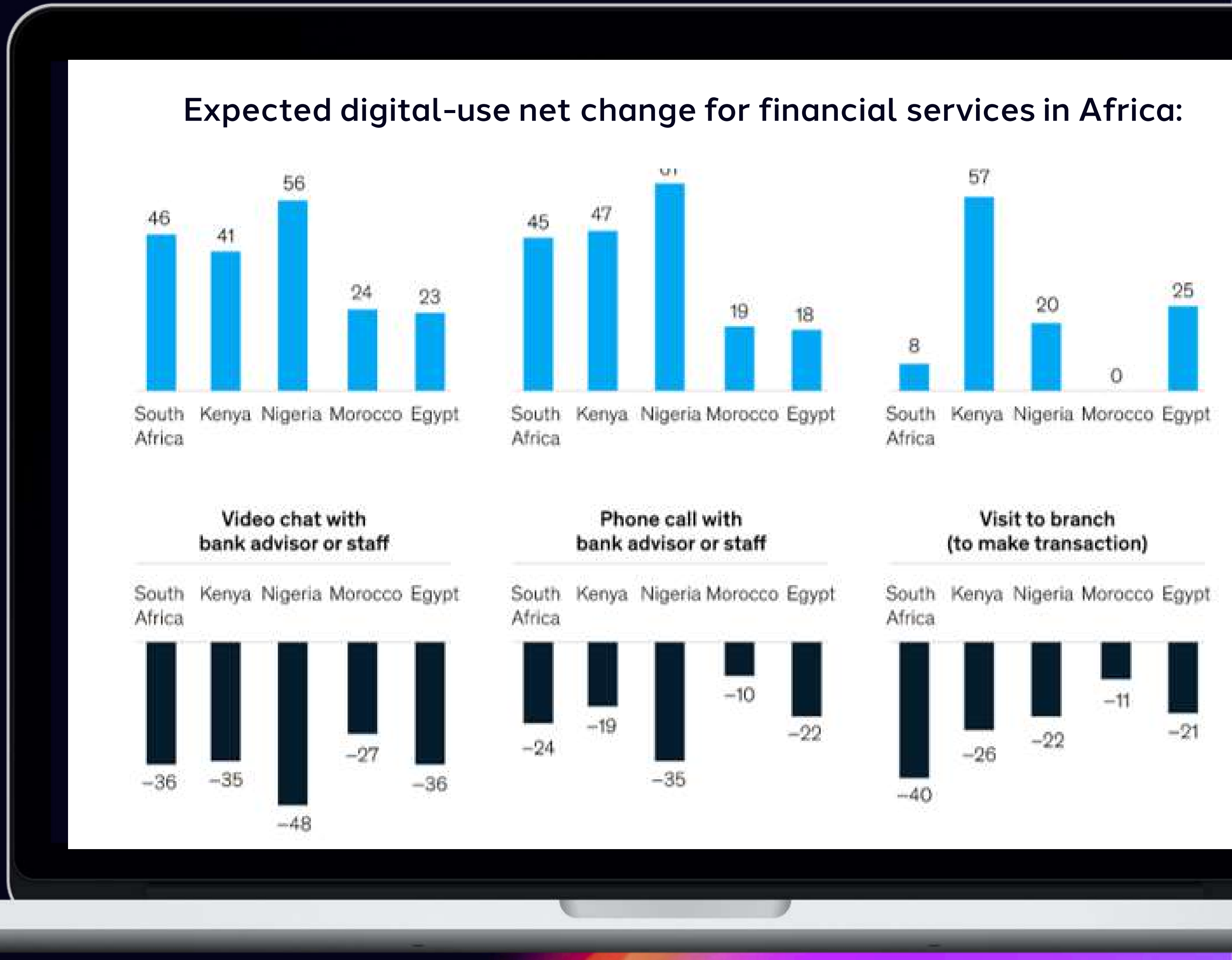
Source: WNS

Africa Changes and Trends

COVID-19 Has Accelerated Digital Adoption In Africa

One impact of the crisis has been a dramatic shift from digital-first being an option for some... to it now being a necessity for all, particularly driven by the need to work from home and introducing more digitally-enabled and flexible work environments / interactions.

In terms of the financial sector, this has led to increased usage of apps and changes in approaches to payments (e.g. using tap-to-pay or the mobile phone as a wallet), as has apps in the insurance industry in terms of facilitating quotes, premiums and claims, along with a higher degree of customer self-service or increasing tools that agents and brokers can access.

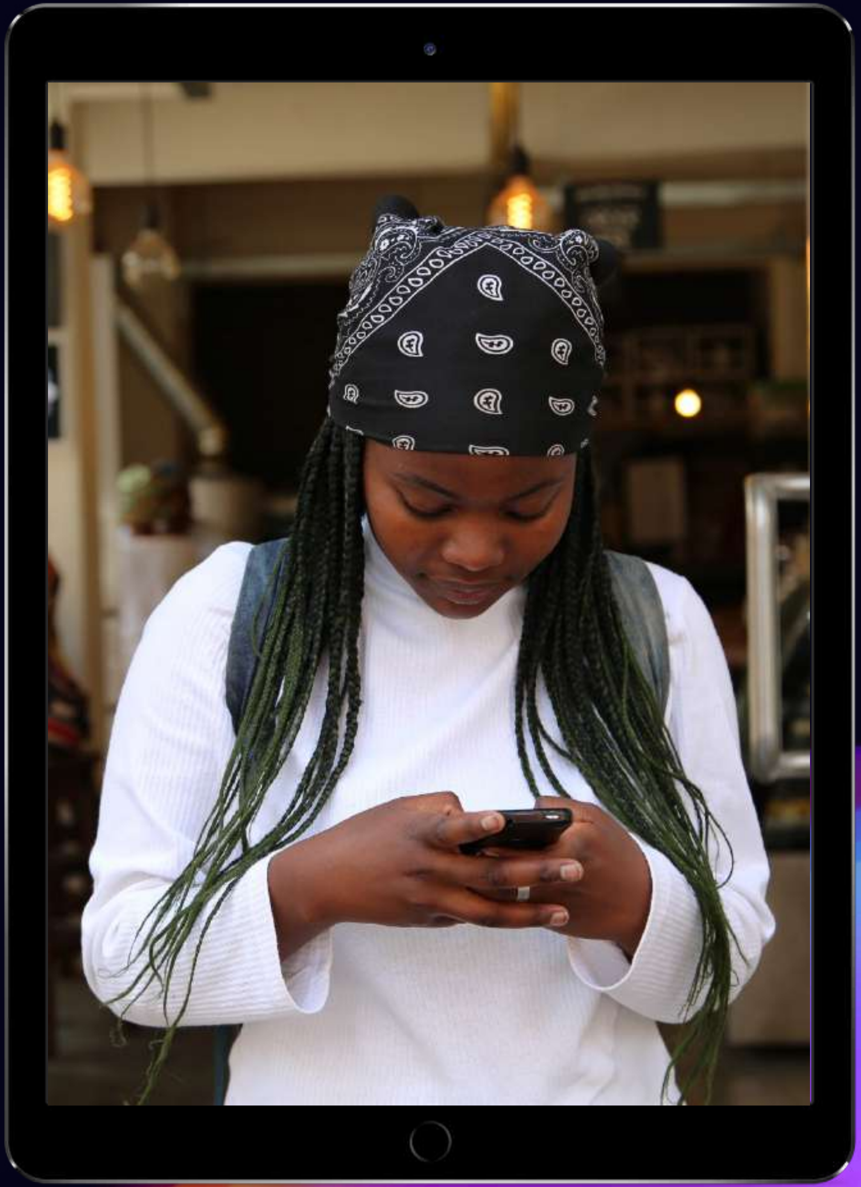


Source: McKinsey & Company

Fintech Applications in Africa

Referred to as insurtech overseas, and more commonly known as fintech in Africa, the same benefits applying to overseas markets would also be relevant in an African context – with added usefulness in terms of the technologies allowing for higher degrees of customisation and making it possible for those in low-income brackets, who've traditionally been under-insured, to have some level of customised cover.

As indicated by Ms Thokozile Mahlangu, chief executive of the Insurance Institute of SA, non-financial tech companies are disrupting the industry with offerings that put control in the hands of consumers, and let them both compare and monitor insurance products with ease.



Source: [Middle East Insurance Review]

South Africa Changes & Trends

Usage-Based Insurance

While usage-based insurance has been around in South Africa for some time already, the 2020 Pandemic Lockdown has catapulted the industry into a situation where an increasing number of insurers are suddenly offering this benefit to their policyholders – in an attempt to build loyalty and retain customers.

A prime example of this fast track into offering consumers new solutions is King Price's launch, in June 2020, of the Chilli Insurance pay-per-km offering, which was conceptualised from product to launch advertising within five weeks during Hard Lockdown.

The pay-per-usage model is likely to stick around for the foreseeable future though, as traffic in South Africa is still down 30 percent in early 2021 and insurers will need to constantly evaluate their offerings – especially since most offers are discount-based, provided drivers do not exceed a set volume of mileage per month. In the US, companies such as Slice and Metromile offer pay-as-you-use or pay-per-mile products, which are likely to make their way to SA shores with more insurers offering a pay-per-km model rather than products that focus on specific mileage ranges.

Source: Cover ; Bizcommunity ; Times Live ; Insurance Thought Leadership

Shifts in Risk

Aside from the standard risk categories of property, assets, casualty and liability, SA has been seeing numerous new or shifting risks coming in from different business, personal and environment angles. These range from severe weather driven by climate change, to the COVID-19 pandemic, cyber hacks, riots, personal liability, fraud, increases in organised crime and class-action lawsuits.

COVID-19 has had the most notable impact over 2020 and 2021, with large-scale job losses and businesses closing down, driving uncertainty around the SA economy. The pandemic has also increased different facets of risk (though, some risks have decreased as a result e.g. working from home meaning less likelihood of claims for car damage).

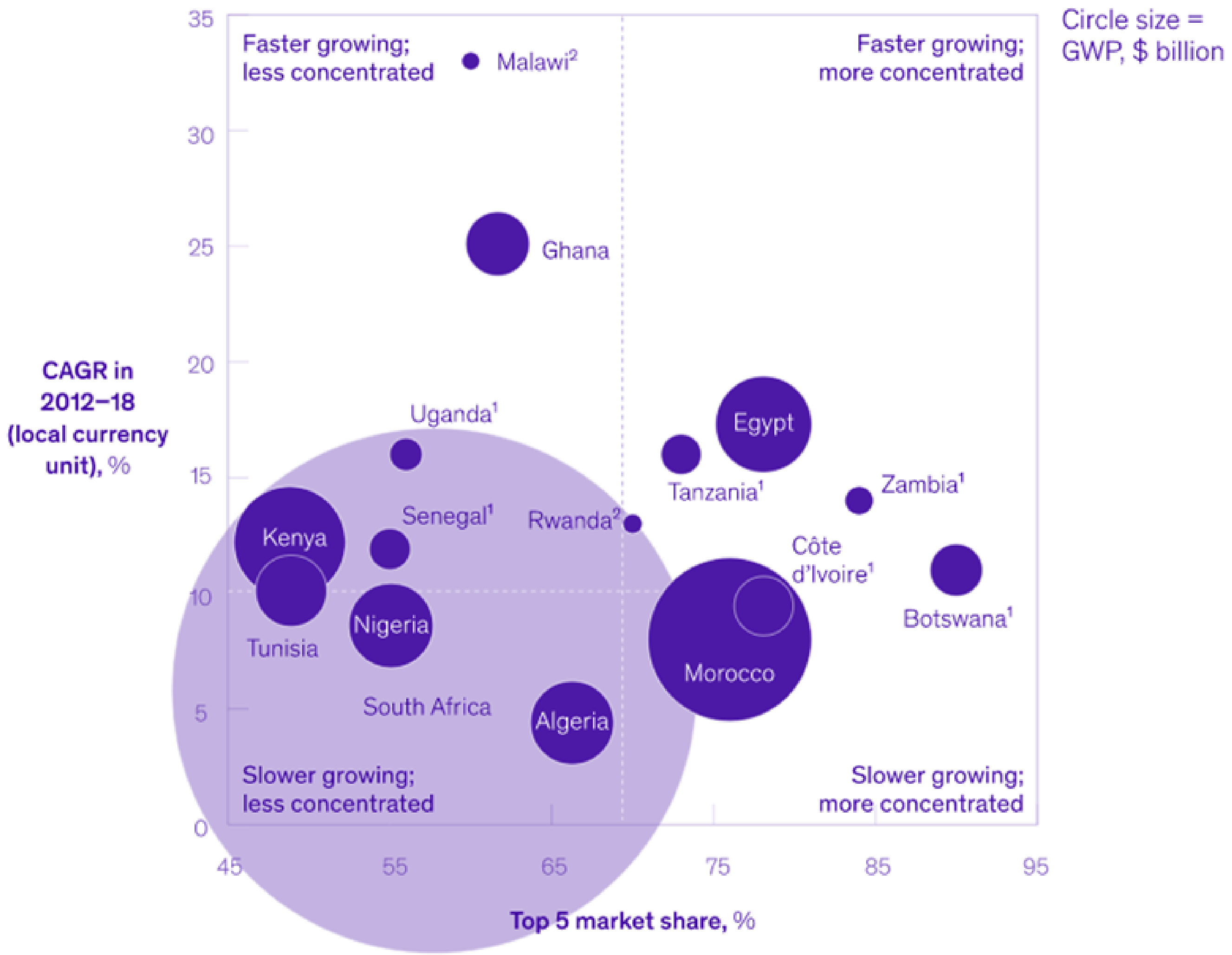
Working from home and increased reliance on digital systems have also meant a dramatic increase in risk from cyber attacks – affecting both businesses and individuals; and requiring comprehensive cyber-risk management to be implemented by organisations to ensure data safety, while insurance companies are required to tailor their offerings to provide additional cover.

Source: [FA News]

INSURANCE BY MARKET

by Lisa Matthewson

Africa is the 2nd fastest growing region for insurance globally



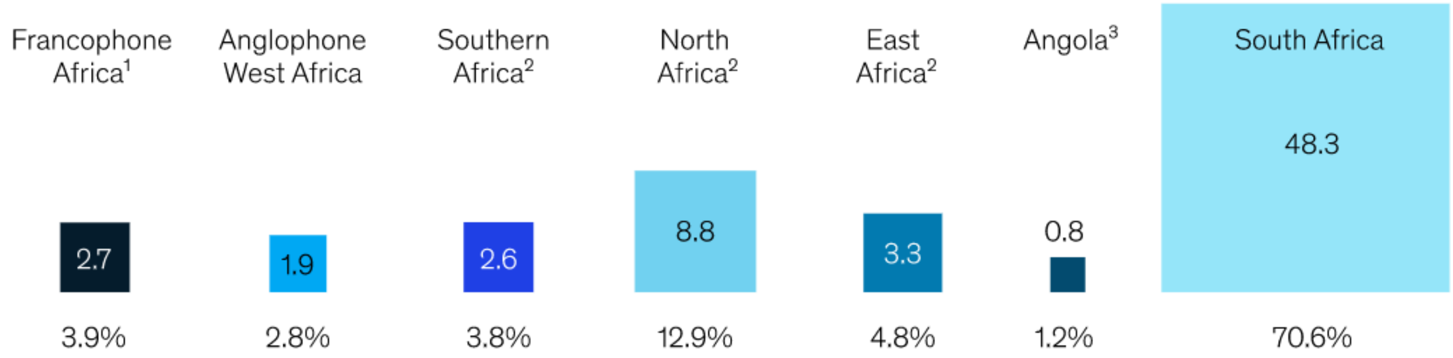
It is valued at about **US$68 billion** in terms of **gross written premium (GWP)** and is the **eighth largest** in the world.

Steady economic growth in most countries, combined with a largely underdeveloped insurance sector, have positioned the African continent as having the second-fastest growth after Latin America.

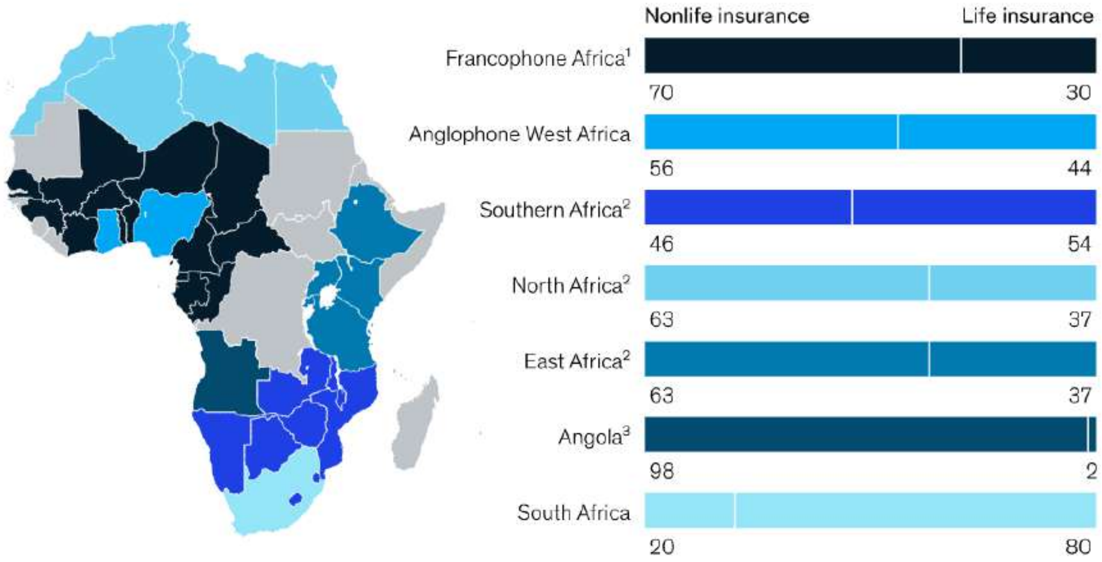
Prior to the impact of COVID-19, the insurance market was expected to grow between 2020 and 2025 at compound annual growth rates (CAGRs) of **seven percent per annum** – nearly twice as fast as North America, over three times that of Europe, and better than Asia's six percent.

South Africa constitutes 70% of Africa's GWP

Gross written premium (GWP) in Africa by region (as share of Africa total) in 2018, $ billion



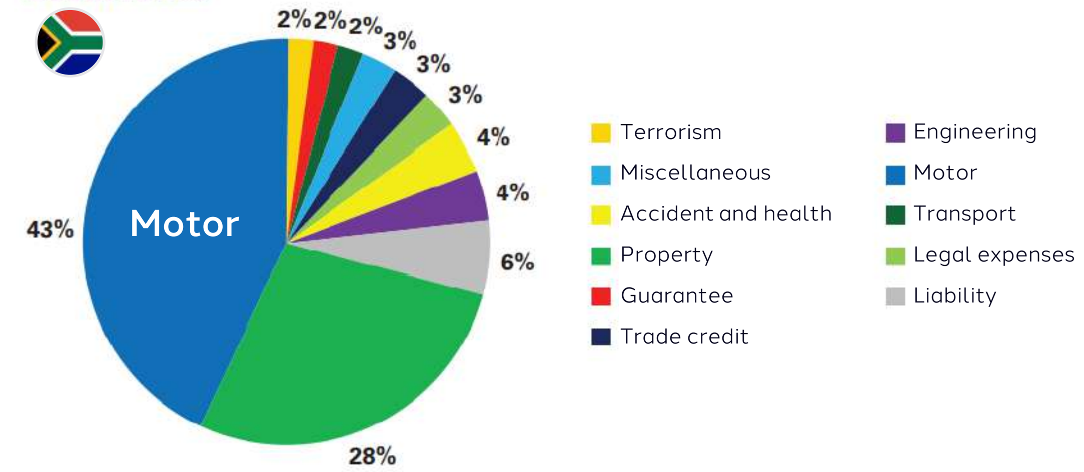
GWP type in Africa by region in 2018, %



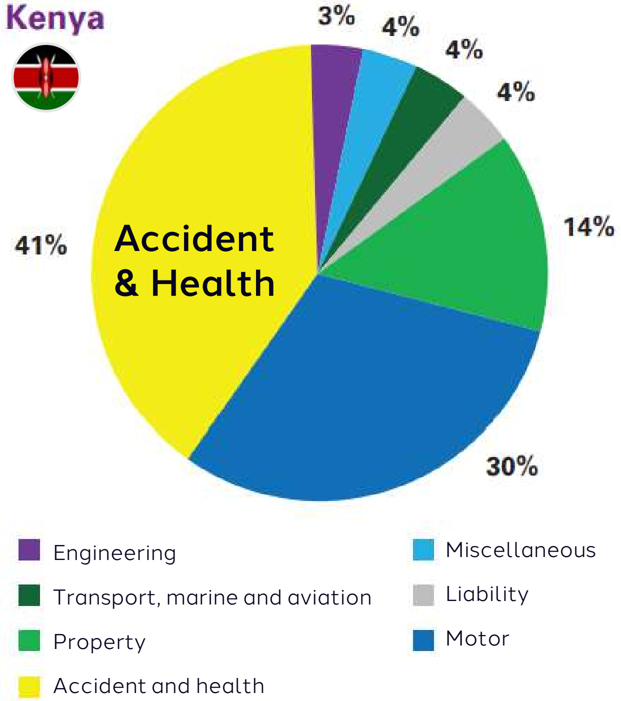
Yet the makeup of insurance is quite nuanced throughout Africa

Non-life insurance is incredibly unique

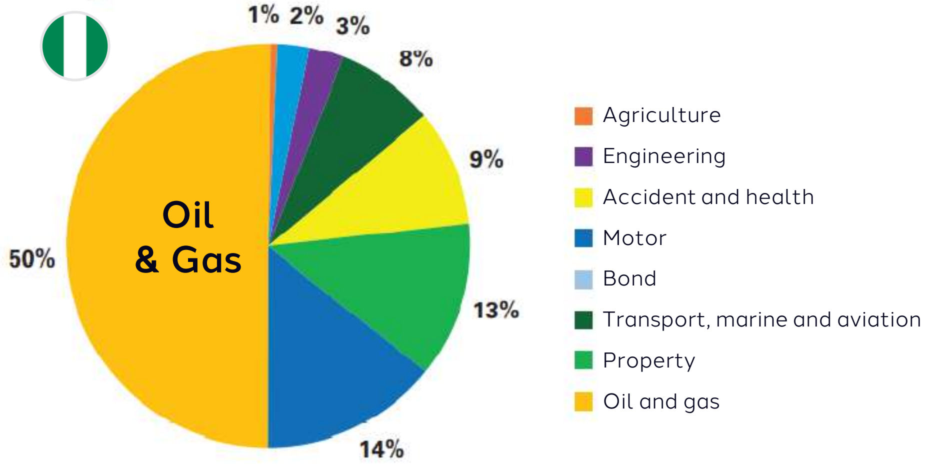
South Africa



Kenya



Nigeria



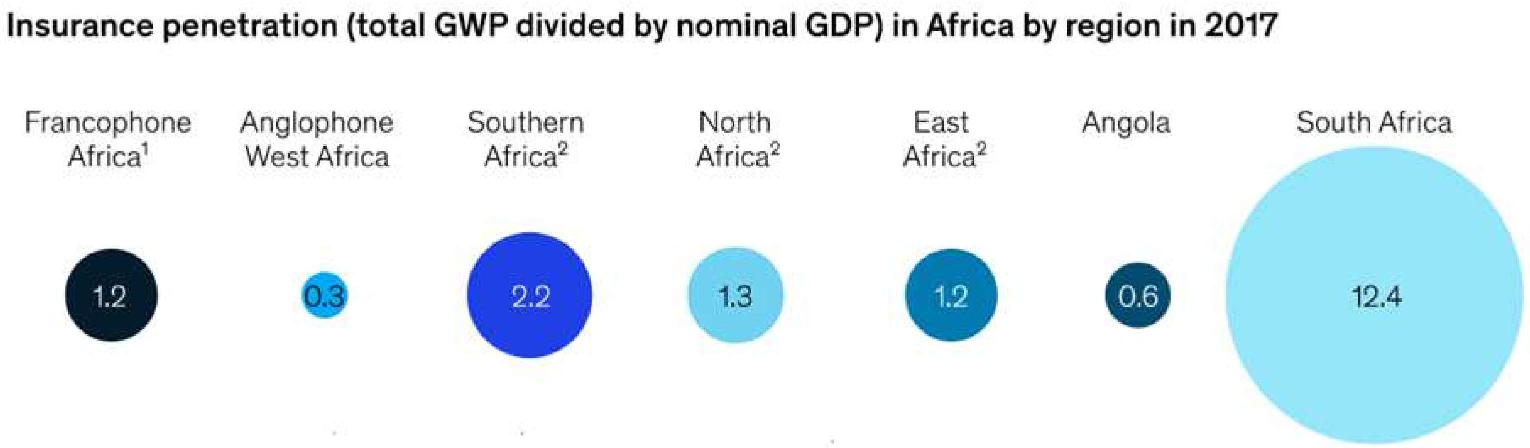
Insurance landscape by selected countries

COUNTRY	VALUE OF GWP US$	# REGISTERED INSURANCE COMPANIES	CONSUMER PENETRATION RATE	MARKET NUANCE	NON-LIFE : LIFE RATIO	MATURITY
SOUTH AFRICA	48 billion 2018	32	13%	Funeral cover is a cultural necessity, the market is highly saturated; All financed vehicles must be insured; Private medical insurance is reserved for the elite few.	20%:80%	Mature
NIGERIA	1.3 billion 2019	57	1.5%	Compulsory group life and motor-vehicle insurance are poorly regulated; Voluntary, individual insurance policies are still very limited; Lack of awareness and low trust in insurers compounds challenges.	70%:30%	Immature
KENYA	2.1 billion 2019	49	2.4%	Life insurance premiums have grown rapidly in recent years as pension-related compulsory savings have developed, and private savings products have become more popular.	61%:39%	Maturing-Mature

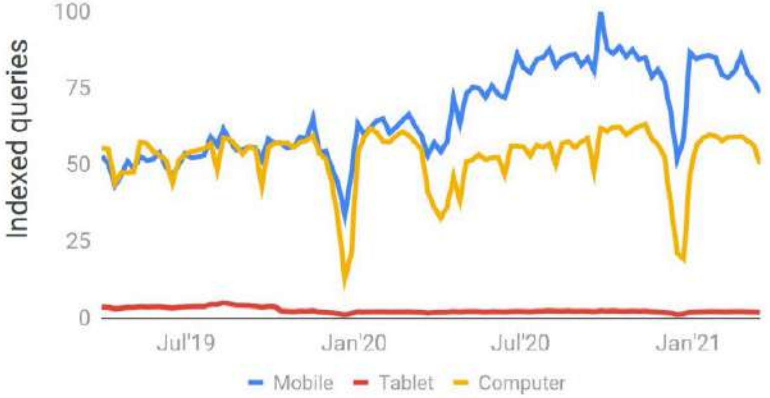
For the most part insurance in Africa is largely under-served

- **Premiums are financially out of reach for many and education/financial literacy has been relatively low. One can't deny a degree of mistrust, in an industry rife with fraud and controversy over unpaid claims (certainly, most recently in South Africa, this has come under the spotlight over unpaid retrenchment and death claims).**

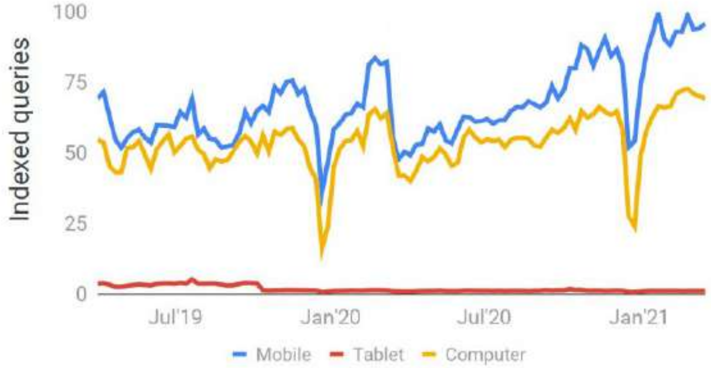
- **While COVID-19 may have halted growth in the short term, there are a few ingredients in place for an insurance revolution:**
    - growth of the black middle class;
    - an increasing workforce… Africa is set to see a larger working-age population, by 2034, than either China or India;
    - a boom in mobile coverage; and
    - a thriving digital economy (we've seen evidence of this in our recent E-Commerce Whitepaper).



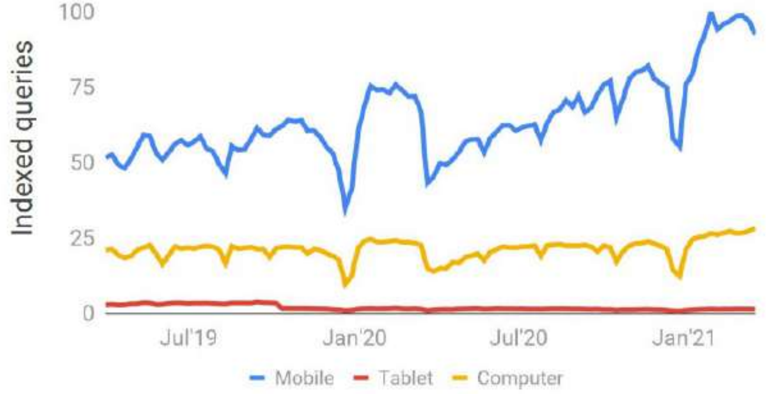
Despite a rocky 2020, insurance intent is growing – consumers are seeking better prices but equally realising the value of protecting loved ones and looking after their future



	YoY growth (Q1'21-Q1'20)
Mobile	31% ▲
Tablet	1% ▲
Computer	1% ▲
Overall	17% ▲



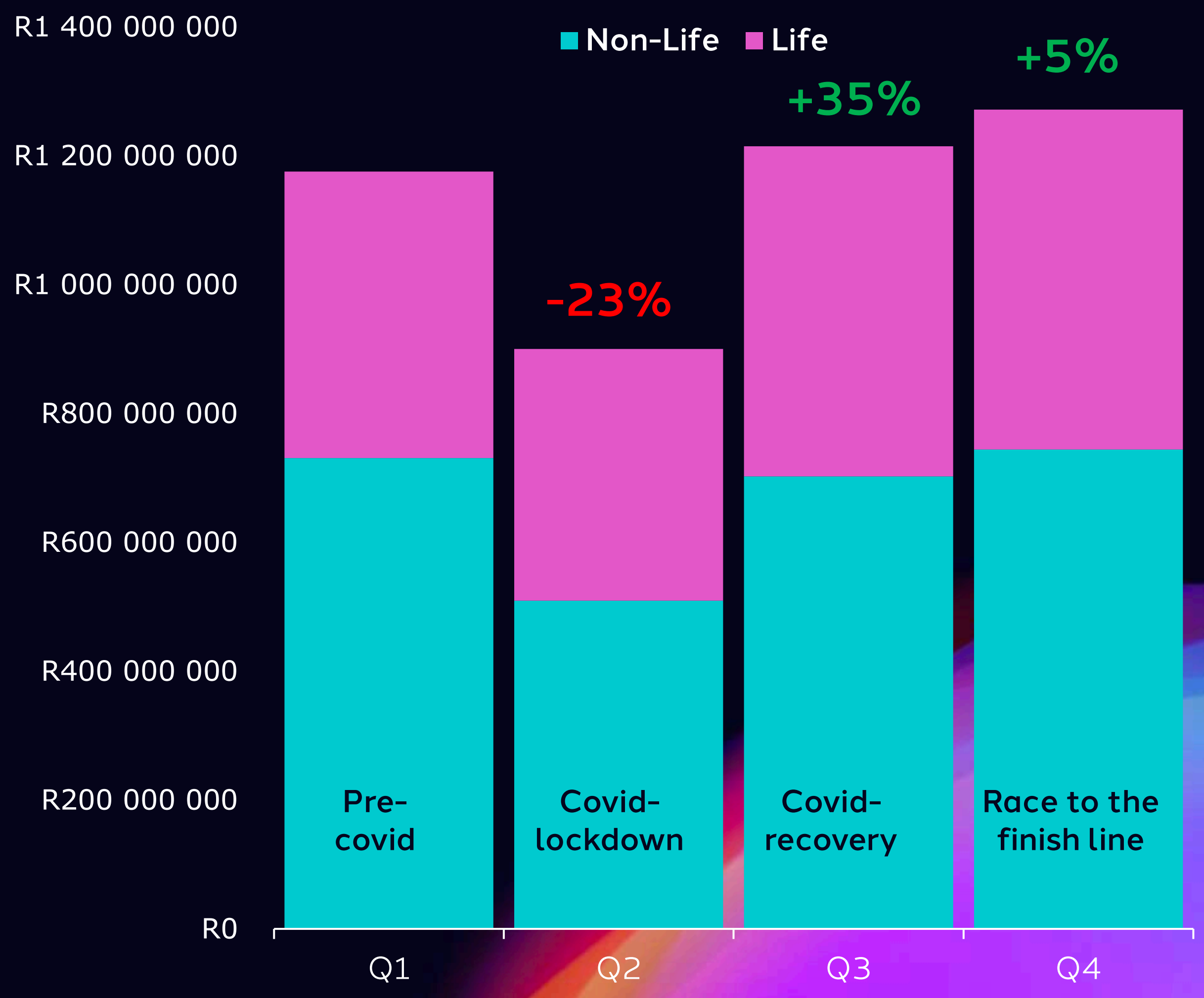
	YoY growth (Q1'21-Q1'20)
Mobile	35% ▲
Tablet	-8% ▼
Computer	20% ▲
Overall	28% ▲



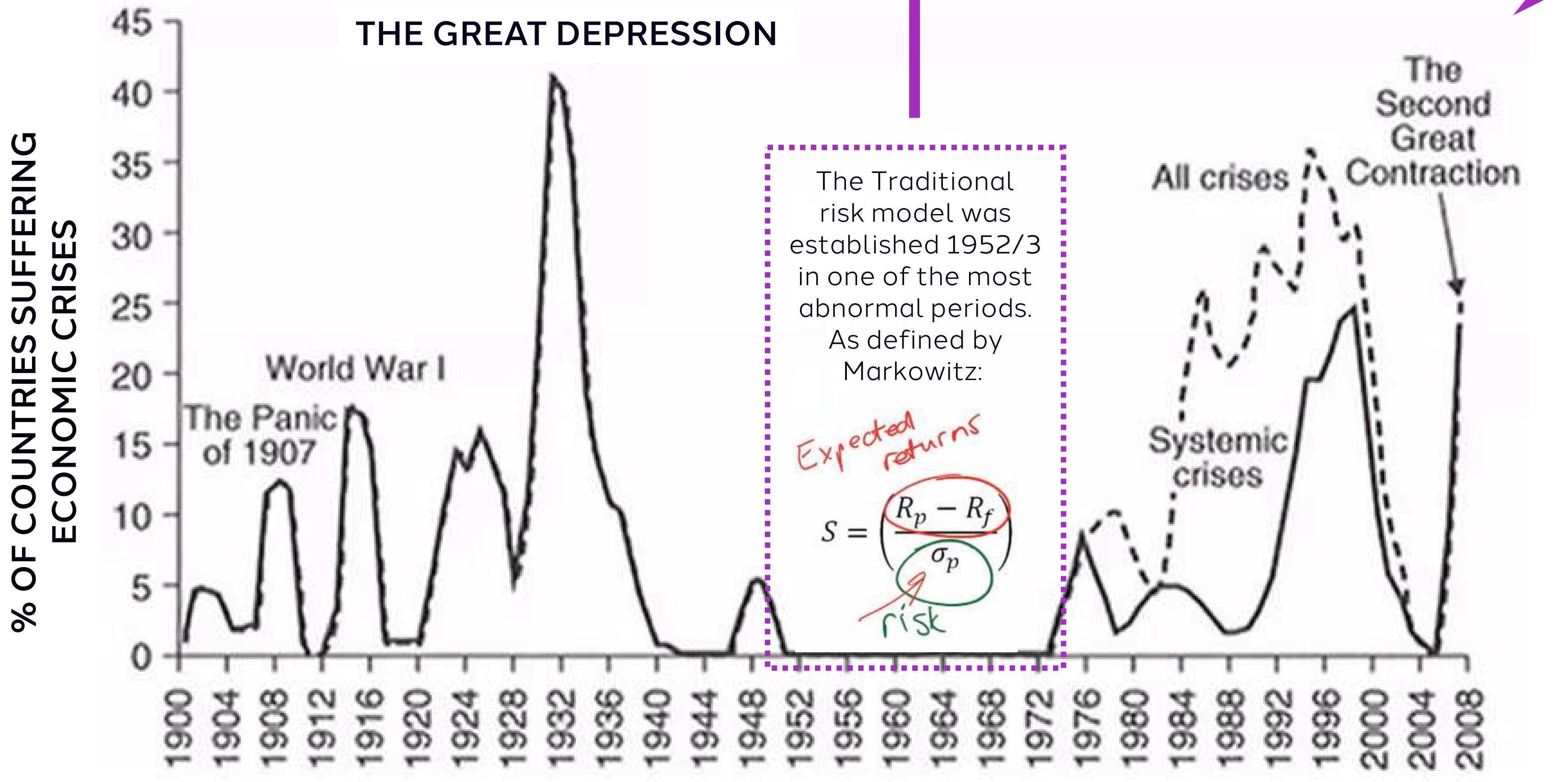
	YoY growth (Q1'21-Q1'20)
Mobile	35% ▲
Tablet	-10% ▼
Computer	15% ▲
Overall	29% ▲

South Africa’s insurance adspend injection must be noted

- In 2020, the insurance category spent **R4.6 billion** on ATL advertising.
- This is only a **four percent** decline in spend versus 2019.
- It is the **biggest** spending category in SA, when ordinarily this would have been made in retail.
- The **quarterly trend** in spend over 2020 indicated the scale and momentum to year-end recovery, second highest to retail.
- Despite the increase in spend, it is to no avail if negative press such as unpaid claims continue to eat away at consumer perception/trust.
- Brands will have to dig deep in terms of how they genuinely position themselves i.e. as ‘for the people’ versus ‘for themselves’.



Pause and reflect … the evolution of risk



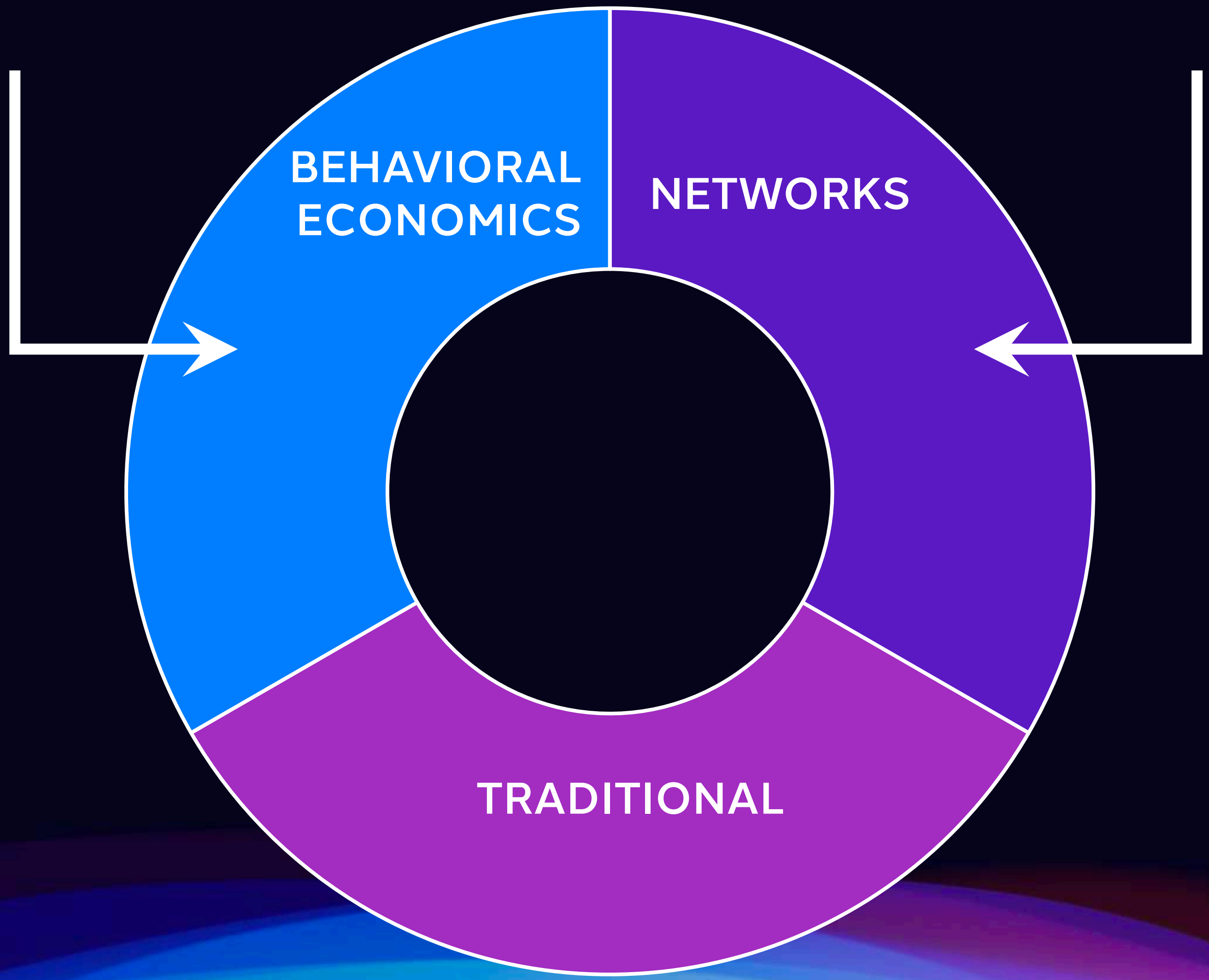
Giving rise to some traditional risk modelling tools such as :

- Traffic Light Systems
- Value at Risk (VaR)
- Extreme Value Theory
- Auto-Regressive Conditional Heteroskedasicity
- Black Scholes
- Vector Auto Regression
- Monte Carlo Simulations
- Delphi Protocols
- Dimensional Factor Models
- G-Zero Models
- MAGICC
- Bespoke, internally generated models

However, as the world economy grew and evolved, the traditional risk model failed to predict these catastrophic events

- Black Monday (October 1987 market crash)
- Asian Crisis (July 1997)
- Russian Crisis & LTCM (August 1997)
- Dotcom Crash (March 2000)
- 911 Terrorist Attacks (September 2000)
- US Market Crash (October 2007)
- Global Financial Crisis (September 2008)
- Dubai Debt Standstill (November 2009)
- EU Sovereign Debt Crisis (April 2010)
- Flash Crash (May 2010)
- Fukushima Daiichi Nuclear Accident (March 2011)
- Chinese Stock Market Crash (June 2015)
- 2015/16 Stock Market Sell-Off (August 2015)
- Brexit (June 2016)
- Trump's Election Victory (November 2016)
- Crypto-Currency Crash (September 2020)
- COVID-19 (February 2020)
- Climate Change (e.g. Australian/Californian 2020 bush fires)

Any traditional risk model now needs to be supported by behavioural economic and network-based models



Simply put, risk likelihood and severity has evolved significantly over 14 years

Top 5 Global Risks in Terms of Likelihood

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1st	Infrastructure breakdown	Blow up in asset prices	Asset price collapse	Asset price collapse	Storms and cyclones	Income disparity	Income disparity	Income disparity	Interstate conflict	Involuntary migration	Extreme weather	Extreme weather	Extreme weather	Extreme weather
2nd	Chronic diseases	Middle East instability	China economic slowdown	China economic slowdown	Flooding	Fiscal imbalances	Fiscal imbalances	Extreme weather	Extreme weather	Extreme weather	Involuntary migration	Natural disasters	Climate action failure	Climate action failure
3rd	Oil price shock	Failed and failing states	Chronic diseases	Chronic disease	Corruption	Greenhouse gas emissions	Greenhouse gas emissions	Unemploymen	Failure of national governance	Climate action failure	Natural disasters	Cyberattacks	Natural disasters	Natural disasters
4th	China hard landing	Oil price shock	Global governance gaps	Fiscal crises	Biodiversity loss	Cyberattacks	Water crises	Climate action failure	State collapse or crisis	Interstate conflict	Terrorist attacks	Data fraud or theft	Data fraud or theft	Biodiversity loss
5th	Blow up in asset prices	Chronic diseases	Deglobalization (emerging)	Global governance gaps	Climate change	Water crises	Population ageing	Cyberattacks	Unemployment	Natural catastrophes	Data fraud or theft	Climate action failure	Cyberattacks	Human-made environmental disasters

Economic Environmental Geopolitical Societal Technological

Figure 1: Source WEF Global Risk Report 2020

Trends that will shape the insurance sector

INNOVATION

Innovative fintechs and microinsurers are providing insurance to millions of Africans for the first time, allowing for financial inclusion and making a positive difference in people's lives. What started out as largely targeting under-insured people, has the ability to disrupt the traditional insurance sector.

What is this surge?

Simply put, financial products being placed quickly and easily in the palms of their hands ... leveraging multiple partnerships via the smartphone, offering agility, flawless user experience (UX) and product customisation.

Peer-to-peer is another model that has taken off in many markets. Friendsurance, in Germany, allows people to insure one another for home contents, private liability and legal expenses, while offering a cashback bonus of up to 40% of premiums for participants who remain claimless .

PURPOSE BEFORE PROFIT

We now live in a meaning economy. Over the past year, we have seen across many research pieces that consumers actively want to support brands that give back.

Empathy and purpose are driving strategy in boardrooms these days... Hippo Comparative Insurance is one example of actively driving 'meaning' as a lead pillar in their business model.

Earlier this year, a community initiative enabled a local team of out-of-work seamstresses to support their families through the COVID-19 lockdown. The women, all from Mitchells Plain, were hard at work handcrafting 1 000 plush toys based on Hippo.co.za's popular mascot. The result: a campaign that has set the premise for future community initiatives and ignited brand love in a way that quite simply can't be bought.

DIGITAL FIRST, DIGITAL NOW

Hyper-personalised policies, omni-channel experiences and the use of big data to accelerate artificial intelligence (AI)-driven product offerings are becoming increasingly important

Hyper-personalised policies are possible only via the use of digital innovations to enable smart pricing and underwriting.

Insurers still have some ground to cover in using real-time customer data to personalise policies and create customised policies; most notably, customers want to self-manage in an easy and simple way at the touch of a button.

Lest we forget: a suitably capable talent pool of digitally minded individuals is required to help bring this vision to fruition.

REGULATORY COMPLIANCE

As insurers adjust with the changing times, they need to also keep in mind critical government regulations.

Here in South Africa, applicable acts coming to fruition are POPAI / COFI and IFRS17, which will impact the business reporting and financing framework.

Several African governments are strengthening the regulatory and capital requirements of insurance companies to ensure their solvency and sustainability. This is expected to help create stronger and larger companies, as well as to boost job creation and capability building in the industry.

Such reforms are also crucial for building consumer trust and public awareness, which lay the groundwork for governments to achieve a transformation agenda.

STAYING ABREAST OF RISK EVOLUTION

The risks faced by businesses of all sizes, and across all sectors, are more complex and integrated than ever before. It's not just about the risk of property, assets, casualty or liability that most of us are familiar with, but also risks that touch every facet of a business and its environment.

Risk has evolved beyond the traditional loss or theft of property, equipment and other assets, to weather catastrophes, pandemics, cyber hacks, riots, personal liability, fraud, organised crime and class action lawsuits ... to ignore the evolution, is to do so at your peril.

Case Studies: Insurance Industry Disruptors

Pineapple

Pineapple in South Africa got together as part of an innovation competition during 2016, in an effort to find disruptive models for the reinsurance / insurance space.

What is it? A multi-award-winning app based product allowing users to insure anything from cellphones to bicycles in the snap of a picture – resulting in a quote in just 60 seconds.

In 2020 and with a customer base of 50 000+, Pineapple launched a next generation vehicle insurance offering and signed a partnership to be underwritten by Old Mutual Insure.

CURACEL

Founded in **Nigeria** in 2017, **Curacel** is the number one AI claims and fraud-detection platform in Africa, as it enables insurers to automate claims seamlessly and also to track fraud, waste and abuse.

It works with some of the biggest insurers on the continent, as well as more than 800 hospitals in Nigeria, Ghana and Uganda. Additionally, Curacel plans to expand into 10 new African countries by the end of 2021.

To date, Curacel has processed over 700 000 claims and helped insurance companies save more than $320k in FWA claims – thereby reducing claim payouts by 25%.

PULA

Winner : **InsurTech of the Year** at the African Insurance Awards in **2020**, this **Kenyan** startup, **PULA**, offers a lifeline to African farmers hit by climate change/ weather patterns and the land on which they depend, by offering insurance bundled with inputs (such as seeds and fertilizer) and farmer advisory services to help increase their yields and to boost (and protect) their income.

With an average premium subscription of just US$4 for small-scale farmers in Africa, PULA actually markets the insurance product to banking partners rather than directly to farmers. The banks make the insurance mandatory before they approve loans to the farmers.

To date, PULA has reached 4.4M farmers across 13 countries via 57 distribution partners – including NGOS, governments and (48) insurance partners.

With new funding raised, expansion plans are now ahead across Asia.

BLUEWAVE
INSURANCE • EASIER • BETTER

Blue Wave in **Kenya** is servicing the mass market, making microinsurance products accessible via mobile phone.

Founded in 2019 with US$300k in seed funding, Blue Wave generates revenue by collecting administration fees from every subscriber and a commission from each premium.

The company partners with insurers and aggregators – such as mobile network operators, banks and microfinance institutions – to sell its products.

It also leverages a mobile-based payments solution to reach customers.

Solutions are offered in multiple languages, using simple terms and clear explanations, and avoiding jargon to facilitate easy access.

Sources

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Banking Disruption

Capitec and the role of content marketing by Lani Carstens

How consumers need to be known and understood by Jaco Lintvelt

Through the marketing lens: B2B versus B2C by Clare Trafankowska

Commercial banks versus mobile money by Andrew Kakoma & Yambandiwe Mbizule

CAPITEC AND THE ROLE OF CONTENT MARKETING

By Lani Carstens

Capitec opened for business in 2001 and has been disrupting the banking industry in South Africa since day one.

As a result, Capitec is the strongest banking brand in the country and the third strongest banking brand in the world.

For the last two years,

John Brown has been their content partner.

Building a bank consists of hard work, focus and consistent delivery to build trust. “What we have done over 20 years, is to consistently build consumers’ perception of what Capitec is,” says Head of Communications Charl Nel, who has been with Capitec since 2008. But how does this work in practice?

Becoming South Africa's biggest digital bank

From the beginning, the founders wanted to build a financial institution that would still be in place 100 years later. They wanted to become the best bank in the world, which would ultimately help clients to also have a better life.

Capitec has been built on four fundamentals: accessibility, affordability, simplicity and personalised service. "If we talk to accessibility, many years ago that meant people were able to go to the bank outside their own working hours. That's why we opened our branches on Saturdays and Sundays, and remained open until 5pm when other banks were only open during the week and closed early. At the same time, we also situated our branches opposite big transport nodes to make them easy to reach."

"Our vision was always to be the best. We wanted to work with systems, processes and product offerings that could hold their own anywhere in the world."

Becoming South Africa's biggest digital bank

Today, accessibility means something different. "Now, accessibility refers to digital accessibility. People want a choice – they don't necessarily want to go into a branch anymore; instead, they want to use their smart phones. It's important to them to be able to do everything they would previously have done at a branch, on their phones."

When Capitec made the decision to focus on digital, they knew that they wanted to be the most accessible digital bank. "So that is what we set out to build," says Nel. "We built an app that is easy for everyone from the age of 16 to the age of 90 to use, easy to understand and to transact on. This, undoubtedly, helped to make us the biggest digital bank in South Africa."

It was about simplifying digital banking to make it easy for clients to make the switch to digital banking. "As we speak, we have almost 16 million clients, more than half of which bank with us digitally. I think that says something," says Nel. "It says our digital offering is easy to understand, that it's user-friendly, that it's usable and that it's relevant. That's how you become the country's biggest digital bank."

Becoming South Africa's biggest digital bank

In 2020, Capitec was also named the third strongest banking brand in the world. In these types of surveys, Nel explains, brands are usually measured by the gap between clients' expectations and their experiences.

"I believe we've got it right," says Nel.

"The promises we make to our clients marry the expectations they have. That is what you need to build a brand of international stature. Worldwide, it's the brands that have the smallest expectation gap that become world leaders."

Capitec: industry disruptors

Nel compares the banking industry to advertising. “How advertising agencies work and what they bring to brands hasn't really changed since the ’70s. The system is archaic, and banks are even more archaic than the advertising industry.”

For instance, most banks still close at about 3:30pm.
Why? “All banks used to get together at 3:30pm and exchange clients’ cheques. They then spent the rest of the time until 5pm on accounting admin. Cheques have been phased out or are on their way out, yet the banking system still works that way. Most banks have not adapted with the times. We simply looked at the pain points experienced by clients and said, ‘Ok, let’s find a solution.’” Their solution was to open on more days and stay open later. Simple.

Capitec: industry disruptors

Fingerprint biometrics is another example. “If a client came in and signed a document or cheque, the bank manually checked it against the ‘master’ they had on file. It was time-consuming and open to mistakes or fraud.” That’s what South Africa’s banks were still doing when Capitec, back in 2009, introduced biometrics to verify client identities.

“We used fingerprints to identify clients by linking our system with that of the Department of Home Affairs. It allowed us to check, in real time, that someone’s fingerprints and ID number matched the Department’s records.”

This technology allowed Capitec to reduce the risk of identity fraud. It also made banking simpler and faster for clients, and both have now become standard in the industry.

Capitec: industry disruptors

Even now, two decades later, many of the new features rolled out by Capitec have been adopted by other banks. Nel believes this to be a massive feather in Capitec's cap. He says, "Clients know where they first saw something, they know where the innovation originated – so it's a good rub-off for our brand."

> "Nowadays, most banks have fingerprint biometrics, but if we didn't come to the market with it at the time, it probably would not be as common as it is now."

Disrupting the industry: a consideration or natural progression?

It's important to understand the background of the people who started Capitec. "There were two groups," Nel explains. "One group came from the old Boland Bank, which is now part of Nedbank; while the second group came from the liquor industry. Interestingly enough, the people who came over from Boland Bank also previously worked in the liquor industry."

What is interesting to note is that the liquor industry really understands their market well. "They understand what clients want and how clients interact with products. I believe that bankers have lost touch with how people actually use and need their products, and when Capitec started it did so on the fundamentals of accessibility, simplicity, affordability and personal service."

Part of the simplicity fundamental was transparency, and transparency was part of simplicity. When you look at those four fundamentals, they're already disruptive. How?

"Look at the concept of affordability – banks weren't offering affordability to consumers. Accessibility?

We made banking accessible to everyone, from our longer operating hours to where our branches were located. It was very much these fundamentals that disrupted the whole banking experience."

Fast forward 20 years, and Capitec's fundamentals are still as relevant as ever. "For instance, accessibility when we first started meant we were close to public transport, such as opposite taxi ranks. Today, accessibility is in our digital offerings."

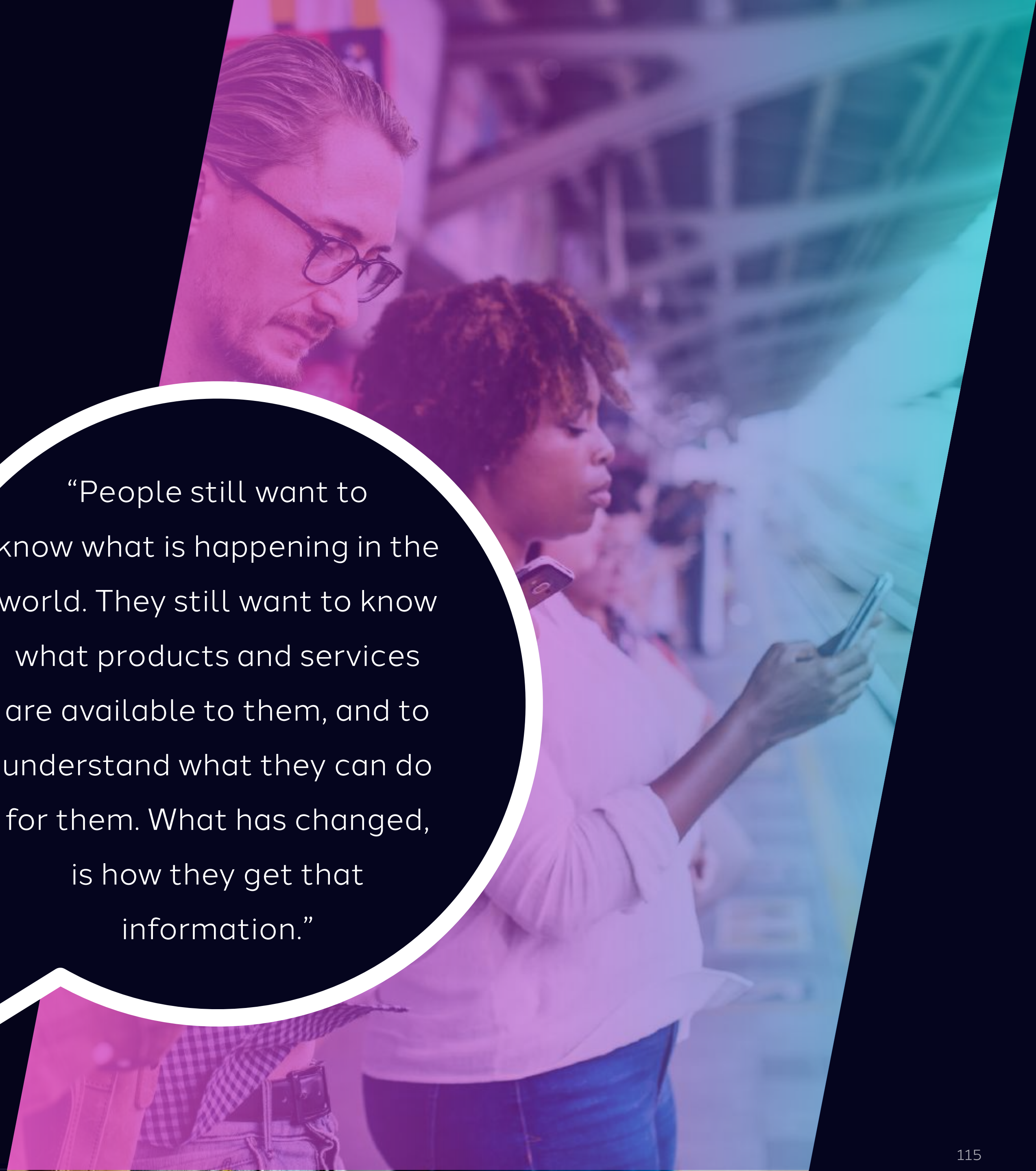
Capitec's vision was to build a bank for everyone based on these four fundamentals; and it was a natural progression to, in turn, disrupt the entire industry.

The role of content marketing in Capitec's growth

"When you've been around for as long as I have, you realise that the more things change, the more they stay exactly the same," says Nel. Although communication channels have changed, the principles are the same.

He recalls a picture taken in the 1800s of people on a train. "They were sitting and reading newspapers. Compare that to today – people probably aren't reading newspapers but they have their phones or tablets. Their behaviour is exactly the same, it's just the delivery channels that have changed.

"People still want to know what is happening in the world. They still want to know what products and services are available to them, and to understand what they can do for them. What has changed, is how they get that information."



The role of content marketing in Capitec's growth

When it comes to content marketing in the financial industry, there has been a huge change – particularly over the last eight years. In this regard, Capitec were one of the first to try it.

"Unfortunately, it didn't work because we were not being authentic. It was forced and we used our website only. Content marketing was new to us and we didn't understand that authenticity is key. Otherwise the consumer will disregard it."

Only in the last three years has Capitec cracked content marketing. "Part of our success has been working with internationally well-known partners, such as John Brown," says Nel. "We started to place more focus on building a content marketing team in the communications department to help deliver authentic content to consumers."

Since then, content marketing has become one of the main channels for communication with their audience. "When we design a campaign or any form of communication, content marketing is always one of the three top ways of getting the information out there. Compared to where we were eight years ago, this gives you a good indication of the importance of content marketing and how it has changed over time."

The role of content marketing in Capitec's growth

One example of using content marketing to its fullest, was Move!, an award-winning campaign (conceptualised by John Brown) to encourage existing clients to use Capitec as their primary bank and to also sign-up new clients. By leveraging Capitec's core message of simplicity through various channels, including newsletters, social media and native content, it contributed to more than 1.3 million new accounts being opened and 104 500 clients making Capitec their primary bank.

Disrupting an industry takes courage and being bold. Does a business outgrow being a disruptor as it matures? Nel doesn't believe so. "I think it's part of who we are to question what is and how we're doing things, and what it can be or how it could be done. We disrupt ourselves the whole time. I would say it's a way of life that becomes even more entrenched as you mature. It's a way of looking at things that becomes part of your DNA."

HOW CONSUMERS NEED TO BE KNOWN AND UNDERSTOOD

By Jaco Lintvelt

Account-Based Marketing in Africa for Financial Institutions

Organisations around the world are responding to a consumer need; a need to be known and understood by the brands they engage with on a daily basis. This is especially true in the financial services industry, as it is one of the most competitive marketing environments for brands.

More agile and digitally native banking clients are putting pressure on traditional marketing departments to attain a new level of understanding of the people buying their products and services.

Financial institutions are always among the top advertising and media investors in every market globally, and even the slightest of improvements in their marketing efforts can make a major impact on their bottom line. But they do not just have a client market to set their sights on; most banks have a corporate business department that requires a focused business-to-business marketing model. Their focus is on a select few large accounts, but the pressure and competition are shared between marketing departments of different institutions so as to convert these businesses into clients.

Account-Based Marketing in Africa for Financial Institutions

The financial losses are great if these leads are lost.

B-to-B marketers use account-based marketing to identify, target and convert these valuable accounts.

Modern Account-Based Marketing (ABM) practices rely on the use of data, technology partners and a brand's agency partners. It also requires a brand's sales and marketing teams to work together to achieve the required goals.

Why is ABM marketing in the spotlight again?

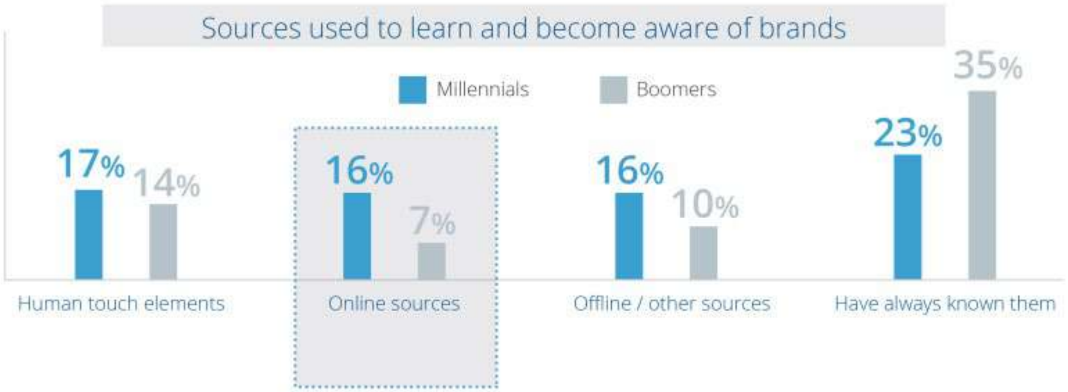
The needs of millennial decision-makers in procurement departments differ vastly from other generations, and these decision makers are not new to digital marketing.

The tactics of yesteryear like personalised desk drops, catered for marketing and product launch events are not so efficient and effective anymore in the world of today.

This has forced marketers to think differently as to how they will find, nurture and close new business leads to grow their organisations.

It is no surprise to learn that Millennials rely much more heavily on online sources to learn and become aware of brands, compared to various older generations.

Global research shows that 16 percent of Millennial decision-makers use online sources throughout the purchase journey, compared to just seven percent of Boomers.



Source: https://www.b2binternational.com/publications/b2b-digital-transformation/

Why is ABM marketing in the spotlight again?

A key component of account-based marketing is to derive long-term value from a corporate client account, which means marketeers are focused on keeping a client as long as they possibly can.

Whilst churn on the consumer side of the business will not significantly impact profits, the loss of one or two big corporate clients can have a huge material impact on a business – so the room for error in the relationship is minute and can be costly.

What is ABM and how can it help my financial organisation?

ABM brings together marketing, sales, sales development and customer success activity, in one coordinated effort to engage and convert these target accounts.

IN ITS SIMPLIST FORM:

- Identify accounts you'd like to convert
- Market to those accounts
- Measure results of campaign

Source: https://www.merkleinc.com/thought-leadership/white-papers/b-b-marketers-guide-new-age-account-based-marketing

What is ABM and how can it help my financial organisation?

It is not something new.

B-to-B purchases involve many people, so ordinary marketing programmes – aimed at converting one person – simply do not work. ABM considers these complexities to convert valuable accounts. When sales and marketing are aligned in their goals, ABM becomes a powerful driver of return on investment (ROI).Because this calibre of corporate client is high net worth, there are many marketers fighting for their attention, so if a company wants to stand out in their efforts, they will need to embrace key trends to make their marketing efforts superior.

There are two tactics that can be incorporated into the ABM approach to make it increasingly successful:

IntentData
To capitalise on online behaviour

Artificial Intelligence
To personalise your execution and increase efficiency

Source: https://www.merkleinc.com/thought-leadership/white-papers/b-b-marketers-guide-new-age-account-based-marketing

Intent Data:

Utilising intent data from the accounts you have identified can make your marketing efforts smarter and more personalised.

Intent data is online behaviour that indicates interest in a brand, such as consuming relevant content or searching for related terms. This can help a great deal in better informing the targeting strategy, so as to:

- Find new audiences for a brand's campaigns, which is otherwise un- or under-considered;
- Consider data that is easily appended in most DSPs;
- Be patient when results are not immediate; and
- Give due diligence to programmatic and data expertise.

AI brings automation to your ABM campaigns:

Artificial intelligence and machine learning will personalise experiences for your target accounts across all devices and media, both online and offline. This can really help you to improve on the customer experience strategy, such as:

- More data (due to Internet growth) feeding AI algorithms results in more precision and less waste;
- Marketing staff can focus on the bigger picture;
- Consumer distrust and backlash can be handled;
- Poor algorithms can be looked at; and
- The high initial cost in developing technology can be handled over time.

Consider the entire buyer journey:

Rather than viewing your accounts' activity through a narrow lens, remain in contact with them as they progress throughout their buyer journeys.

How does ABM help sales versus marketing?

SALES

- Provides intelligence about target accounts
- Attains new contacts and business decision influencers
- Assists in closing big accounts

MARKETING

- Helps define winning products
- Encourages buy in on marketing programmes from internal teams and the C-suite
- Holds sales accountable

ABM really helps in aligning a company's efforts at securing new business from the correct clients. It links all planned marketing efforts for converting new business, to the exact corporate clients which a sales team is focused on closing. The approach is highly targeted, niched and personalised.

Source: https://www.merkleinc.com/thought-leadership/white-papers/b-b-marketers-guide-new-age-account-based-marketing

How does it work?

STEP 1: Determine your target accounts:

Marketing and sales must work together to define and prioritise their accounts. The goal is to create a process that allows you to easily refresh and refine your list.

KEY TIPS:

- Audit your current account list.
- Define whitespace “star profile” accounts based on intent signals.
- Use predictive modelling to prioritise your strategy.

How does it work?

STEP 2: Be clear about your goals:

Marketing and sales must also align on their goals at ensuring campaigns are set up to report back on their specific metrics of success. Consider revenue and non-revenue goals, such as:

REVENUE GOALS

- Pipeline health; MQLs, SQLs
- Closed won accounts
- Contract value; lifetime value

NON-REVENUE GOALS

- Engagement
- Market penetration
- Improved sales/marketing relationships

Source: https://www.merkleinc.com/thought-leadership/white-papers/b-b-marketers-guide-new-age-account-based-marketing

How does it work?

STEP 3: Determine your messaging and media:

The Messaging Strategy: This will answer the "What"

Tailor your creative, content, and website to address:

- Account-level insights;
- Account-level messaging; and
- Automated delivery of messaging to align with the position in path to purchase.

Media Strategy: This will answer the "How"

Look beyond display media and tactics:

- Choose formats that make the most of a message and align to the path to purchase;
- Diversify formats based on awareness or engagement goals; and
- Decide as to whether you believe in always-on/high-impact digital supplements or traditional formats.

Channel Strategy: This will answer the "Where"

Personas and audience behaviour tell you where to run your media"

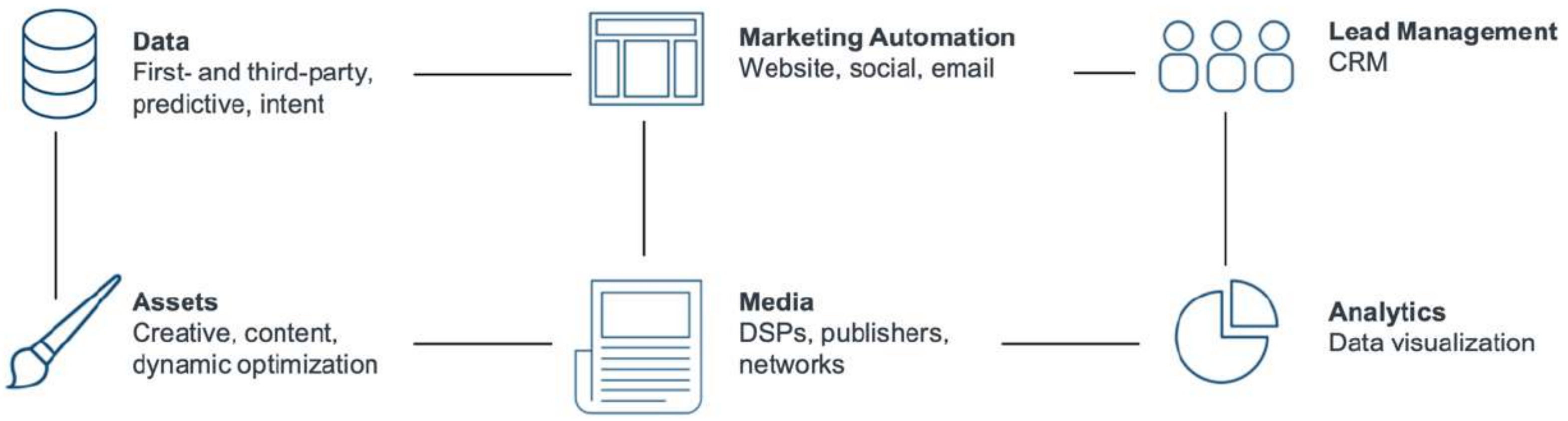
- Map your channel strategy back to your goals; and
- Context is key – your targets are likely to engage with your brand in relevant settings to their online behaviours and interests.

How does it work?

STEP 4: Determine how you'll activate the campaigns:

Build a tech stack that addresses your goals and can easily scale.

Consider technology that allows you to manage:



Source: https://www.merkleinc.com/thought-leadership/white-papers/b-b-marketers-guide-new-age-account-based-marketing

How does it work?

STEP 5: Determine how you'll measure:

Most of the ad tech and MartTech platforms you'll leverage for your ABM campaigns will provide analytics. The real challenge is tying together data points to form a cohesive, actionable picture.

MEASUREMENT BEST PRACTICES:

1. Make sure your media agency designates a **key** to tie together data across multiple reporting platforms
2. Determine which KPIs map back to your company's **overall business goals**
3. Your media agency will determine **proxy metrics** that correspond with future sales to measure performance in the short-term
4. Determine **a reporting cadence** with your media agency that will allow you to adjust your spending or goals, or to refine your account list

How does it work?

STEP 6: Address potential roadblocks:

The following organisational roadblocks will impede a successful execution.

- Lack of cohesion and agreement among internal teams
- Siloed ABM software adoption that isn't shared among internal teams
- Reluctance of internal teams to embrace new forms of media and to diversify tactics

Therefore, the current environment is a crucial time to nurture this interest, in order to best support sales with long-term pipeline fulfilment. Marketers are doing this by turning their attention towards customer experience and engagement activities, as well as rethinking how success is measured.

Source: https://www.merkleinc.com/thought-leadership/white-papers/b-b-marketers-guide-new-age-account-based-marketing

The future of B2B

A common refrain over the past few years, "B2B marketers must embrace digital transformation," has grown from a suggestion to a demand over the past seven months and again the competition is steepest in the financial sector. Institutions are moving faster than their competition in making more profits, delivering better customer experiences, and building better and more sustainable brands and businesses.

As B2B International notes (https://www.b2binternational.com/), the new B2B buyers don't necessarily want exclusively online experiences with brands.

What they do want, however, is a high degree of personalisation across every customer touchpoint, whether it's delivered online or in person. The avenues through which buyers complete their purchases should be easy to navigate and tailored to their needs.

To illustrate this point, B2B International is seeing increased interest among B2B marketers in direct-to-consumer channels that eliminate friction in a buyer's journey, and give brands more control over their data and their audiences' paths to purchase.

Getting Started

Whether you're advancing your current ABM strategy or starting from scratch, it's important to remember the following:

- ABM should incentivise marketing and sales teams to embrace and execute an aligned plan of action. If this relationship crumbles, so will your efforts;
- When vetting shiny new objects, make sure you get to the root of what the technology does, and understand whether it fits into your marketing stack;
- Measurement can be tricky. Make sure the KPIs you measure are tied back to your most pressing business goals;
- Make sure you have a key to tie together disparate data sources; and
- Think outside of just your marketing and sales teams to evolve into an account-based "everything" model.

HAVE PATIENCE.

Even the most flawless ABM campaigns take a while to influence the key decision-makers.

THROUGH THE MARKETING LENS: B2B VERSUS B2C

by Clare Trafankowska

Through the Marketing Lens:

A closer look at the distinction between B2C and B2B financial marketing solutions across the region

Through the Marketing Lens

- Business-to-Consumer (B2C) marketing is centred around consumers, whereas Business-to-Business (B2B) refers to the marketing, services, or products offered to other businesses or organisations. Given these differentiators, there are several key distinctions when marketing each.
- **Introducing the B2B market in the region by understanding the scale of opportunity of current corporate financial (B2B) markets.**

Through the Marketing Lens

Before we venture into the marketing lens, it is important to begin with a sound understanding of the current landscape.

The traditional B2B ecosystem is far smaller than that of traditional retail financial solutions (B2C) in all regions. To create context, the most natural platform to commence with is LinkedIn – the global professional networking platform of choice.

Through the Marketing Lens

The purpose of sizing the volume of LinkedIn profiles currently employed in either banking, or insurance companies, is to better understand the scale of opportunity available to corporate financial institutions.

REGION	LINKEDIN MEMBER (BANKING/INSURANCE COMPANIES)
SOUTH AFRICA	260 000
NIGERIA	190 000
KENYA	73 000

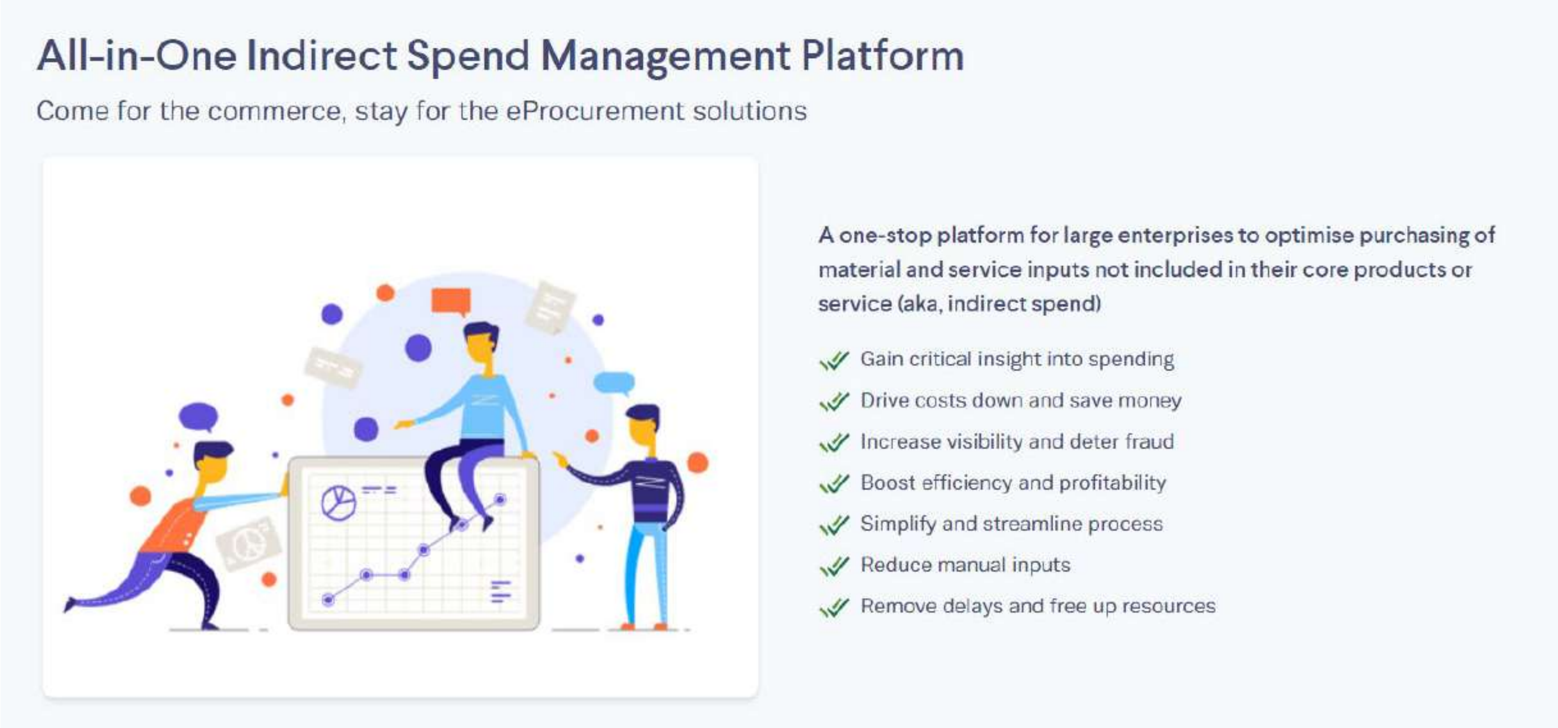
Through the Marketing Lens

With this in mind, it is also critical that we unpack the definition of B2B when honing in on Kenya and Nigeria. These two regions offer a vastly different commercial landscape to that of South Africa: whereas in South Africa, B2B marketing would see financial institutions engaging with large and often global corporations; Kenya and Nigeria, in particular, have expanded the corporate landscape through 'SME-Friendly-Microfinance' solutions, thereby creating an opening for a greater number of SMEs to emerge after gaining from lower interest rates on loans.

Enter modern marketing and the rapid adoption of e-commerce: with rising trends in m-commerce (mobile commerce) and s-commerce (social commerce), we see this financial landscape flexing into a virtual marketplace. This, however, is nothing new. *Many B2B marketplaces, such as Amazon Business, Alibaba, ExportHub and Global Sources, are playing an essential part in helping businesses of all sizes and types by providing a B2B portal that connects them with each other regardless of which country they are operating from* – leading to greater integration between markets.

Research underway by Input Tax Credit (ITC) on the African marketplaces shows a healthy number of African-owned and -operated marketplaces: in fact, about 80% of all marketplaces operate only within national boundaries. These home-grown platforms are either generalist B2C (such as Jumia, Konga, Takealot, etc), specialised B2C (business to consumer – for example, car sales on Cars45, Webuycars, or Yeebia), or C2C (consumer to consumer – such as OLX, ROAM and Gumtree).

Through the Marketing Lens



Example: Gloopro is a Nigerian company operating what it calls an e-procurement system as an intermediary for its B2B customers, and providing anything they may need from office supplies to industrial equipment.

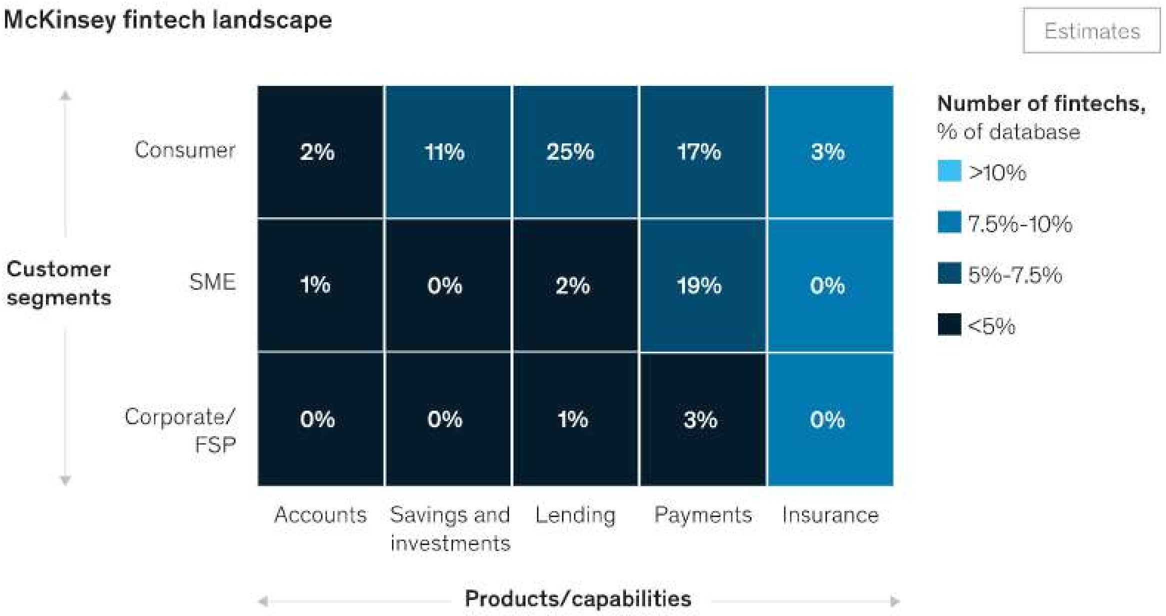
Through the Marketing Lens

As financial services, payment solutions and customer lending lead the way in most markets; and the continued evolution of the virtual marketplace gives rise to an increased need for alternate and versatile payment solutions; so creating heightened competition for traditional financial institutes as innovative fintech activity gives rise to a greater pool of choice for businesses.

Through the Marketing Lens

Nigerian fintechs are primarily focused on payments and consumer lending.

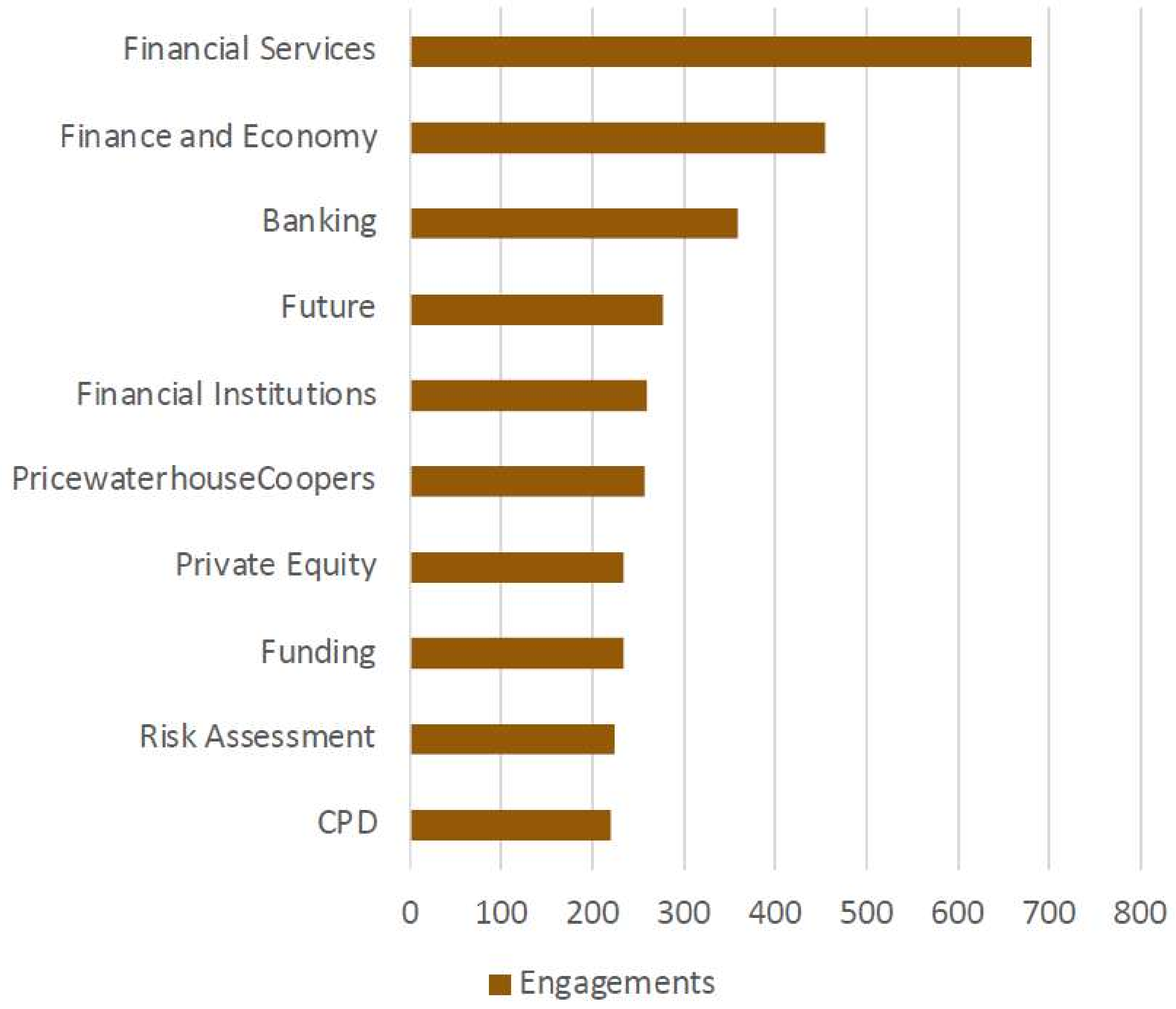
Payment solutions currently represent around 15 percent of banking revenue pools in the country and continue to grow. Beyond this, consumer lending – and, increasingly, asset management – are focal points for fintech activity, while insurance, across all segments, is an untapped opportunity for those that can leverage technology to provide affordable healthcare premiums, enhance insurance distribution, and also create differentiated pricing based on customer data.



Referencing the South Africa Financial Services industry, [4] more than 90 percent of B2B marketers leverage LinkedIn over all other platforms and, whilst Nigeria's B2B universe size (on LinkedIn) is smaller than that of South Africa's, this B2B audience is 30 percent more engaged and 39 percent more engaged than that of Nigeria's average LinkedIn member.

Through the Marketing Lens

In South Africa, the top topics tagged by the Financial Services industry and engaged with, are:



Outlining the portfolio of marketing solutions available, with a core focus on the harder-to-navigate B2B ecosystem

A critical component of successful B2B marketing is a financial institute's ability to gain access to decision makers; to tap into their state of 'cost-aversion' with a clearly defined value proposition; and to only operate when there is demonstrable proof of their ability to deliver profitable business results.

The traditional Earned, Owned and Paid Ecosystem, often considered most relevant for B2C marketers, is still used in most corporate B2B financial marketing environments; but with a few nuances:

Earned Media enables marketers to elevate *brand credibility* through:

- SEO rankings;
- **Press coverage;**
- Online (and other) reviews;
- **Awards earned; and**
- **Word of mouth (WOM) through expert validation.**

Owned Media creates a brand ecosystem and has the potential to culminate in a superior customer experience. It tends to focus on:

- Product, such as Cryptography, Terminal Deployment, Sim & Smart Cards;
- Websites and Apps;
- Value-added services (VAS), such as dedicated Forex Trader/ Commercial Banker;
- Podcast content; and
- Thought-leadership/ perspective pieces.

Paid Media serves as the conduit to delivering the most relevant brand content, to the most relevant B2B consumer and in the most *valuable and relevant* means possible, these being:

- **Content marketing;**
- Social media (Twitter & LinkedIn);
- **Out of Home (OOH), such as Airport and Transit Media;**
- Pay Per Click (PPC); and
- Referral.

With marketers across the region embracing e-commerce, digitisation and disruption, coupled with the rise in challenger brands, and with the current boom in fintech and start-up business development across the African continent, this space is poised to deliver on more innovative and cost-effective solutions over the next 18 months.

Sources

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[2]https://ecomconnect.org/news/279821

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[4]LinkedIn Chief Marketer: 2019 B2B Marketing Outlook | Audience Analyser report: South Africa, Nigeria, Kenya

COMMERCIAL BANKS VERSUS MOBILE MONEY

by Andrew Kakoma & Yambandiwe Mbuzile

Commercial banks vs mobile money – competition or opportunity?

Mobile banking exploded onto the scene with the introduction of M-PESA in Kenya. In 2009 the idea of this service, which has now become a way of life for millions of people in Africa, was conceptualised in Ghana – however, the strict regulatory stance against branchless financial services meant that the fruits of this genius method of money management would not be realised until Safaricom added it to their financial services offering in 2016.

At the most basic level, mobile money is the provision of financial services through a mobile device. The connectivity of the device allows a range of services, including money transfers, bill payments, insurance and basic banking services such as saving and borrowing.

The benefits of mobile money quickly caught the eye of many entities across Africa and spurred the age of mobile banking innovation – with products such as FNB's eWallet service, MTN's MoMo (mobile money), Airtel Money Wallet, and Zamtel's Mobile Money and ZamPay solutions.

Suddenly, the financial playing field opened up to new competition for the traditional banking fraternity. This came in the form of the telecommunications companies (telcos), whose simple premise was easy money management options without all the regulatory red tape that commercial banks forced upon customers and, more importantly, geographic scale and availability of withdrawal/deposit points.

Once again, the power was back in the hands of the consumer, who now had better ways to send money to loved ones near and far; and of business owners needing a payment gateway but who did not meet the traditional banking requirements to access them.

Commercial banks vs mobile money – competition or opportunity?

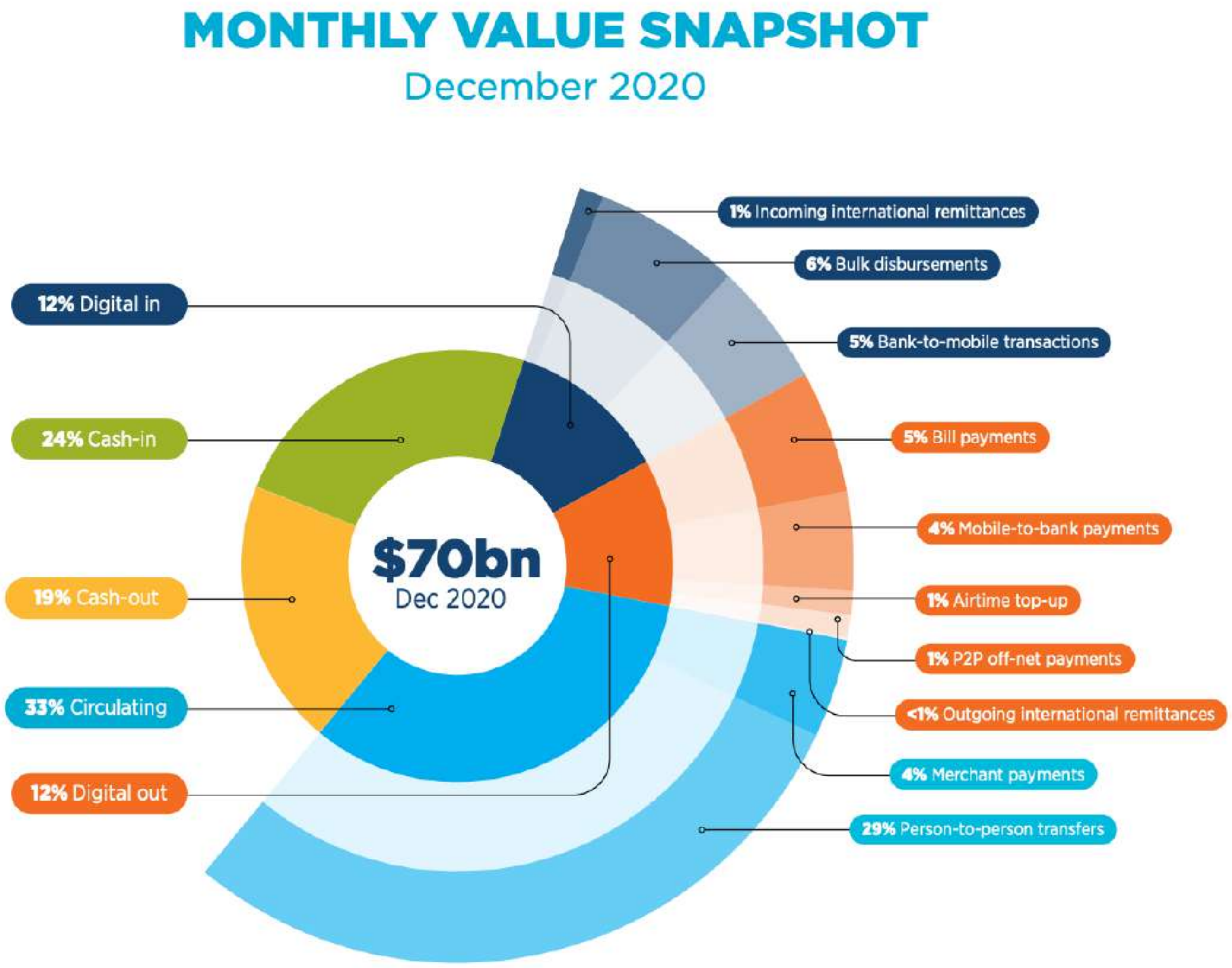
Simply put, mobile money service availability means that more individuals and businesses can gain access to useful and affordable financial products and services that meet their transactional needs. Incredibly, there is no limit on the things we can do if the technology is applied to areas such as: bill payments, savings, micro loan facilities and insurance. All we would need to do is deliver them in a convenient, affordable and sustainable way to provide value for our customers.

Fast forward to 2020 and the Covid-19 pandemic brought life to a standstill and registered a profound impact on the digital landscape around the world. This presented a wonderful opportunity for the mobile industry to take center stage and gain further foothold, as the emerging technology space saw an increase in demand for alternative solutions to cope with the strain on life and business. As daily transactions crossed the US$2billion mark, mobile money steadily became a part of a new daily practice for 300 million+ people around the world. This figure is expected to increase to US$3billion per day by the end of 2022.

In sub-Saharan Africa, we did just that and rose to the challenge of keeping individuals connected and able to perform daily duties.

More importantly, we were able to ensure they could carry out their normal transactions safely, securely and conveniently.

Commercial banks vs mobile money – competition or opportunity?



However, as Ndela Sichizya, Marketing Expert at Zamtel, points out: "In developed countries, mobile banking had already become a general platform that has transformed entire economies; it is already widely adopted across commerce, healthcare, agriculture, and other sectors".

But this new way of managing money posed a challenge for the Zambian banking sector, whose main drive was centered around ensuring that financial literacy increased across the board through the vehicle of the commercial banks. However, this missed a critical stakeholder in the growing value chain – the telcos.

Source: State of the industry report on mobile money, 2021 – GSMA

Some context on the local banking scene:

In an article penned for the Zambian Institute of Marketing's publication, *The Zambia Marketer*, Mr Sichizya commented: "Low financial and general literacy levels and limited physical banking facilities in peri-urban and rural communities have also greatly contributed to the exclusion of a bankable audience. For example, loan interest rates in Zambia are as high as 30 percent or more, in comparison to other countries like the UK and Japan that offer [interest rates] as low as two percent."

Further, and for context, 19 international and local banks make up the commercial banking sector in Zambia, with the Bank of Zambia (Central Bank) serving as the chief banking regulator and supervisor in the country. The Central Bank is also in charge of formulating and implementing monetary policies. Most of the banks operating in the country are either foreign owned or have a significant foreign shareholding status.

The culture of banking with formal financial institutions has been developing slowly. Some of the factors that have led to the slow pace include: the perceived high cost of banking through bank charges and interest rates; and the apparent elitist positioning banking occupies in the minds of the majority.

Some context on the local banking scene:

The banking system in Zambia has been undergoing constant developments, including great innovations that have enabled several banks to leapfrog from the traditional banking models. This includes the introduction of the National Strategy on Financial Education (NSFE II) for Zambia, 2019–2024, launched by the Ministry of Finance of the Republic of Zambia in conjunction with the Bank of Zambia.

The Strategy sets out the framework for improving financial education in Zambia. Its primary objective is to empower Zambians with knowledge, understanding, skills, motivation and confidence to help them to secure positive financial outcomes for themselves and their families. Its goal is to have a financially educated Zambian population by 2030. This goal dovetails with and supports Vision 2030: “Making Zambia a prosperous middle-income nation by 2030”.

Some context on the local banking scene:

In 2021, the BAZ pledged to continue collaborating with the government and other stakeholders towards achieving an increase in financial literacy and financial inclusion levels. The association that governs the 19 banks' affairs and conduct stated that its key strategic objectives included: increasing financial literacy, and fostering innovative and technologically driven payment channels to ensure a financially included population in the country. The vision was laid out for a cashlight eco-payment system driven by a digital-first approach.

This further built on the stage set for improved financial access, and the opportunity to allow mobile money and other similar technologies to claim their place in the financial ecosystem – with the requisite regulatory support.

Some context on the local mobile tech scene:

There are three main telcos in Zambia, with a fourth in the pipeline but facing major delays in establishment. These are MTN, Airtel and Zamtel; the latter being a parastatal entity that services the nation and the former boasting the largest subscriber base in the country.

"Zambia has seen a fast-growing emergence of alternative financial systems (mobile money services) over the last five to seven years, which the masses have jumped on. Mobile financial services are among the most promising mobile applications in the developing world," says Sichizya.

Some context on the local mobile tech scene:

As at Q1 2021, there were 19 261 230 mobile subscriptions in Zambia, representing a 104.7 percent population penetration. More astonishingly, mobile internet users totaled 10 350 671 (or 56.3 percent of the population). This shows that mobile money and mobile technologies have a willing/able and connected consumer base, allowing them to tap into a clear path for growth and opportunity to scale.

Betty Wilkinson, CEO Financial Sector Deepening (FSD) Zambia – an organisation working to ensure that all Zambians are financially healthy, particularly the most excluded – supports this, adding: “Mobile money uptake is essential considering the current global pandemic situation.
This is a market that has exploded in less than five years. A FinScope study measured the percentage of the population using mobile money in Zambia. In 2015, it was 14 percent. In 2020, it was 58.5 percent.”

She said that when she came back to Zambia in 2016, you wouldn’t even think about going to the market and paying for goods with mobile money. You would always have to have cash. However, now you can buy your vegetables on the side of the road at any time and pay using your mobile device – a remarkable shift in such a short period.

To the Mobile Network Operators (MNOs), this has provided a gold mine of opportunity and growth!

So, why the fuss?

One would think it fortuitous then that the mobile money industry exists at the intersection of finance and telecommunications, and has quickly been surpassing the banking system. This is also because of the vast population that can easily access and can afford basic telecommunications services via a mobile phone.

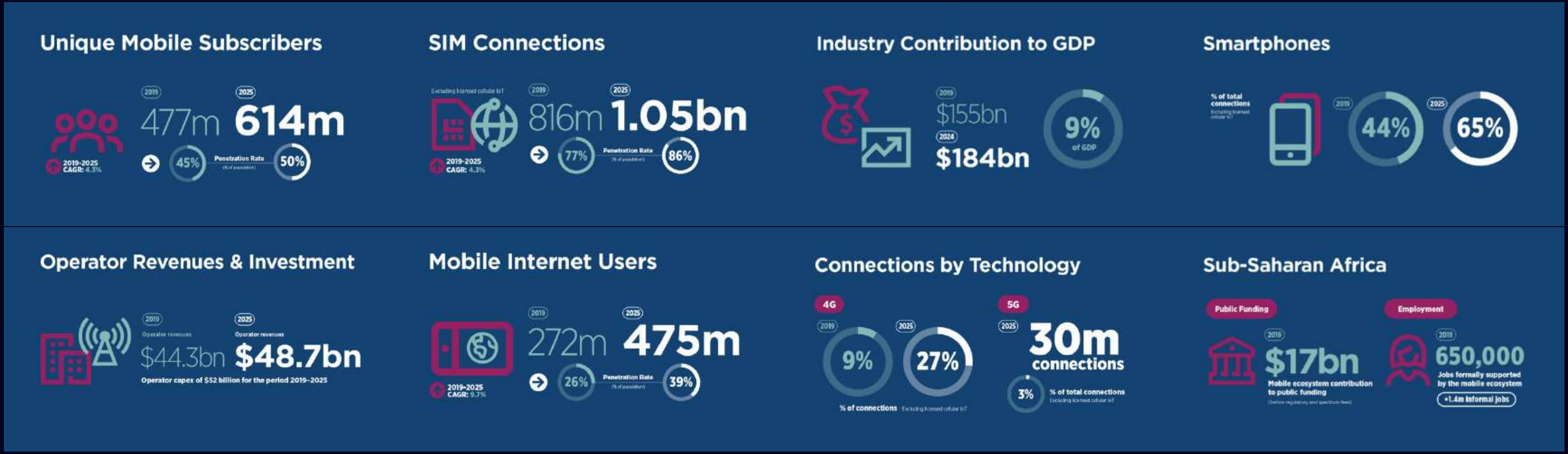
However, this is not a true reflection of the visions of, and relationships between, these potential symbiotes. The challenge lies in the regulatory grey area and the initial feeling from both camps that the other side was hindering their progress or reducing their market share, instead of them operating side by side in a "level playing field" – a point of competition.

THE MAIN REASONS FOR THIS STATE OF AFFAIRS INCLUDED:

1. **Banks had additional regulatory requirements that made the customer journey less appealing;**
2. **MNOs had the advantage of lighter rules and a larger base; and**
3. **Regulation did not truly provide for this kind of competition – something which has since changed with the introduction of new pieces of legislature to govern these transactions.**

So, why the fuss?

Further highlighting the challenge, the Global Systems for Mobile Communications Association (GSMA), which represents the interests of mobile operators worldwide by uniting more than 750 operators with almost 400 companies in the broader mobile ecosystem – including handset and device makers, software companies, equipment providers and internet companies, as well as organisations in adjacent industry sectors – shared the following predictions for the African market:



Therefore, it’s clear to see that the race for as much market share as possible for these two corporate-driven industries is truly on.

The potential revenue, ever-growing pool of customers and economies of scale represented by the mobile money and tech space are too large to pass up.

How do we solve this?

The GSMA further recommends that "governments and policymakers expedite the implementation of new legislation or improve existing policies that further enhance access to connectivity and drive investment in more resilient digital infrastructure for the future. This is crucial to reactivating the region's economy post-COVID-19, despite the sizable contribution mobile technologies and services generated in 2019 at nine percent of regional GDP."

Additionally, the entity believes "efficient and effective management of spectrum is also key to maximising the opportunities that mobile connectivity can bring to society. Making sure the required spectrum resources are available under the right conditions will lower broadband costs, increase coverage and boost connectivity.

The 2020s will see strong growth in the number of Africans connected to mobile broadband. As 4G and 5G grow together throughout the decade to come, spectrum preparation can drive cost efficiency and promote growth."

How do we solve this?

The opportunities are clear for all to see. **For Zambia particularly, the following applies:**

1. **More accounts mean increased activity.** The growth in unique mobile subscribers through to 2025 should allay fears of a dwindling market, and instead inspire financial institutions and MNOs to innovate more and meet the changing transactional needs of their consumers.

2. **Accelerating the expansion of agency networks.** The MNOs have largely pioneered this strategy and several commercial banks have begun to follow suit. Access and availability are a crucial influencing factor for consumers.

3. **Fully embracing the shift to digital.** According to the GSMA, the value of mobile money merchant payments grew by 43 percent compared to 28 percent in the previous year. On average, merchant payments totalled US$2.3 billion per month in 2020 and QR codes became the second-most offered channel for merchant payments after USSD. Therefore, as smartphone penetration increases, due to boosted supply and lower cost of handsets, the opportunity is ripe for businesses to partner with MNOs and financial service providers to integrate payment systems and gateways.

4. **Accelerated integration and partnership.** The value of transactions between mobile money platforms and banks has grown steadily over the last decade. In Zambia, the regulatory environment requires MNOs to hold balances with commercial banks, further highlighting the beneficial relationship between the two.

5. **Unlocking sector growth.** Mobile money has allowed for untapped communities to be reached with essential services. An example of this is the renewable energy sector's ability to reach remote areas, and couple their solutions with affordable and flexible payment options and channels. Similarly, more areas of the country and economy can benefit from increased partnership and integration.

How do we solve this?

One thing is certain – the future is here, and we will all be better off by accepting the new options that electronic money offers. However, some of the challenges we will need to overcome include:

1. Cyber Crime – e.g.: phishing, identity fraud, etc;
2. Client education on basic safety protocols to protect themselves against cybercrime; and
3. Separation of duties and regulatory responsibilities.

How do we solve this?

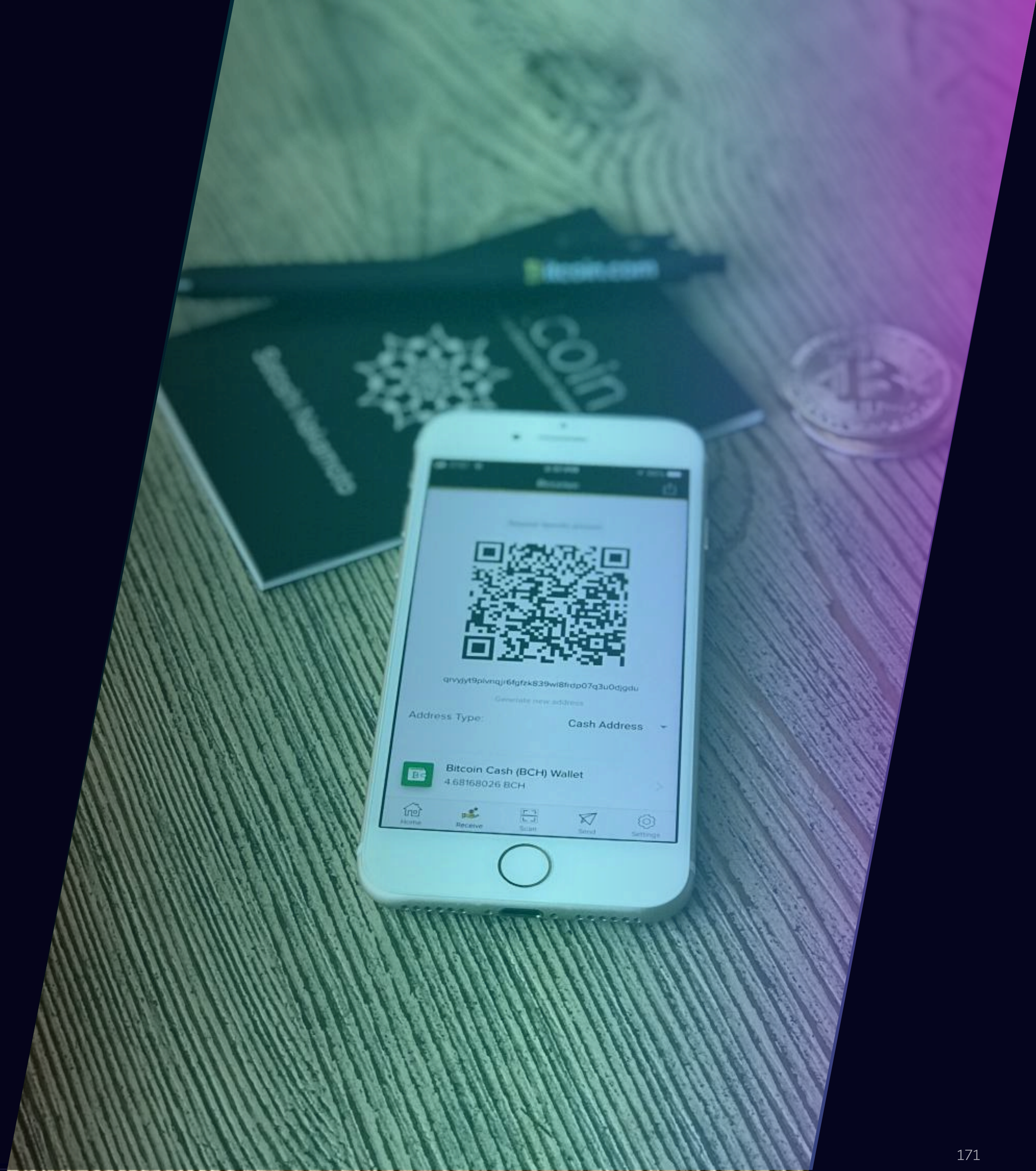
Therefore, we will need to:

(1) Change our view of competition. The general consensus is wise and bodes well for the future. It is this – competition is healthy;

(2) Look at this nexus in financial management and services, and identify ways to collaborate for growth. There is enough space for entities to innovate and capture market share;

(3) Address the key concern of all stakeholders (commercial and consumer) i.e., the right to safety and protection; and

(4) Ensure that customers can continue to explore newer ways of integrating technology in the way they manage their personal and business lives; financial literacy will be key to ensuring this can happen.



Mobile money and mobile technologies offer a great way to transact smartly and to improve people's lives. To truly reach their full potential and meet the real needs of the growing 18 million+ Zambian populace, the financial and mobile telecoms sectors need to adapt rapidly and earnestly to remain relevant, profitable and, ultimately, sustainable.

Link to interview: Interview 1: Banking disruption | Commercial banks vs mobile money – competition or opportunity
(Ms Betty Wilkinson CEO – Financial Sector Deepening Zambia)

Link to interview: Interview 2: Banking disruption | Commercial banks vs mobile money – competition or opportunity
(Mr Ndela Sichizya Marketing Expert Zamtel)

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Cashless Transactions

How mobile money is driving financial inclusion by Revina Acheampong & Edem Dzokoto

M-PESA: A true companion for Kenyans by Caroline Ndirangu & Valeriana Itenyo

New-age payment solutions in Nigeria by Yetunde Adegbite & Samuel Abichele

HOW MOBILE MONEY IS DRIVING FINANCIAL INCLUSION

by Revina Acheampong & Edem Dzokoto

Deep dive into MPESA, MTN and Orange for West Africa

Mobile Money is driving financial inclusion in Africa as the technology enables financial transactions through mobile phones without a bank account.

With little to no formal education, anybody can own a Mobile Money account.

How mobile money is driving the region

For a developing country, such as Ghana and other countries in the region, this technology has paved the way for the usage of financial products and services: it gives more people a chance to use these, without having to enter a banking hall. Mobile Money wallet is mainly used to transfer value from one person to another person (P2P), for the payment of goods and services such as buying airtime, paying for utility bills, Gold and DSTV bills, salaries of some workers, taxi fares, micro-credit, savings and micro-insurance.

How mobile money is driving the region

While banks are going digital, they often require that users sign up on an app, thereby cutting off those who do not have access to smartphones and/or a reliable internet connection. As commendable as this move is by the banks, the scope of the service is unlikely to include those already excluded from existing banking infrastructure – then enter Mobile Money.

A GSMA report remarks on Nigeria's awakening to its market potential. Sixty percent of Nigeria's 114 million adults are unbanked, making it a fertile ground for deploying the kind of agent banking services that have boosted financial inclusion in East Africa over the last decade.

Mobile Money (MM) has enhanced the efficiency and effectiveness of transactions – bringing about significant modifications in traditional banking. And Mobile Money has proved popular because of its advantages: people can transfer money or make payments wherever they are, in a convenient, fast, flexible and affordable way (GSMA, 2013).

In June 2016, the Central Bank released figures showing that Mobile Money transactions in Ghana had grown 20 percent since the end of 2015, reaching 679.17 million Ghanaian Cedi ($177.9 million). By 2017, Ghana had over 11 million active Mobile Money accounts.

The store of value function of Mobile Money leads to quarterly payments of interests on balances on Mobile Money float. Total float balance was GH¢1,257.40 million at end-December 2016 compared to a float balance of GH¢547.96 million at end-December 2015. This reflects growth of 129.5 per cent (PSD 2016). Total interest paid to holders of electronic money wallets in 2016 amounted to GH¢24.79 million.

How mobile money is driving the region

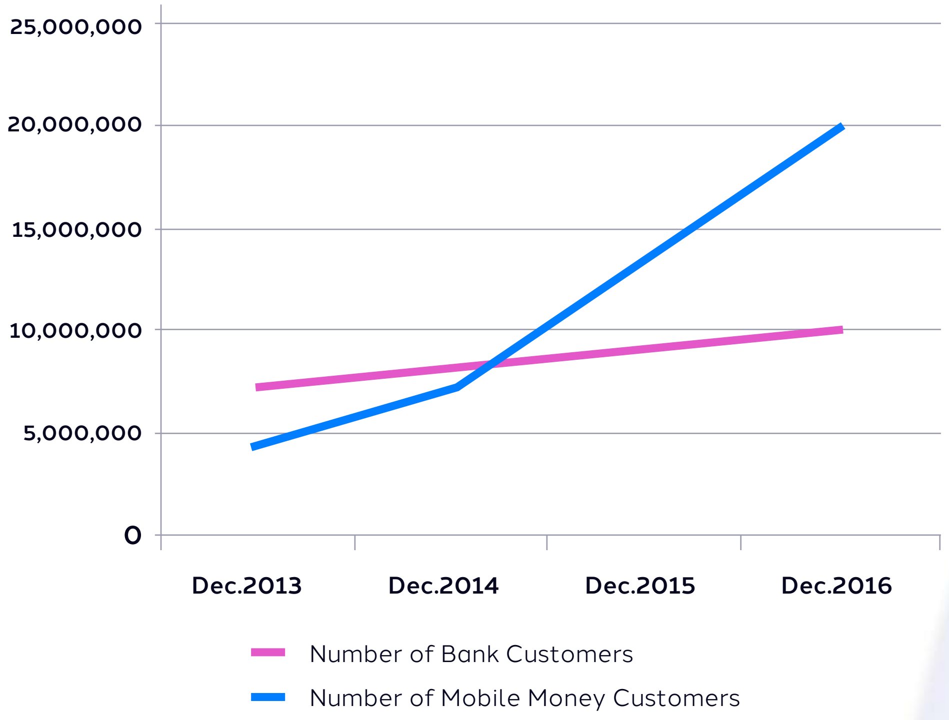
At an event on 17 May 2021, the vice president of Ghana disclosed that the total value of Mobile Money transactions in 2020 was GHS569 billion.

He added that the introduction of the service and its inter-operability feature has rendered Ghana one of the fastest-growing Mobile Money markets in Africa, with registered accounts increasing six-fold between 2012 and 2017.

This success story is not exclusive to Ghana: in the past few years, the unprecedented growth of mobile financial services in sub-Saharan Africa has defied all expectations; Kenya is often cited as a leading example of digital transformation.

According to the 2017 Global Findex database, access to formal financial services rose from 41 percent of adults in 2014 to 58 percent in 2017. This was largely attributable to mobile accounts, with 20 percent of digital-wallet users being previously unbanked. These users now represent about 40 percent of all account holders, compared to 13 percent in 2014.

Chart 1: Number of mobile money and bank customers 2013-2016



GSMA report

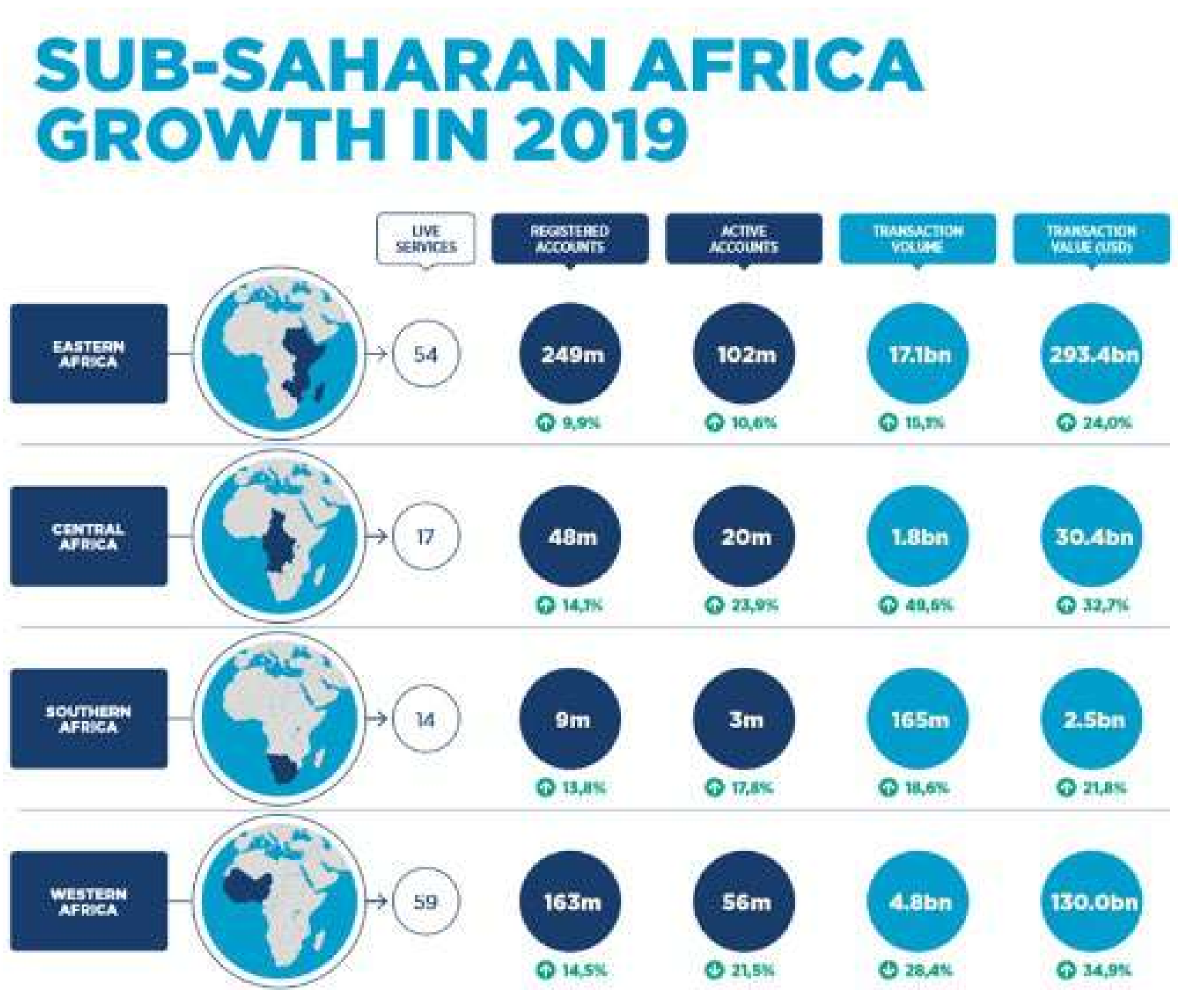
In 2019, the number of registered accounts globally surpassed the US$1 billion mark for the first time as 50 million new Mobile Money accounts were opened in Africa.

According to the GSMA State of the Industry Report on Mobile Money 2019, Safaricom's MPESA remains number one in the world in terms of transaction volume and value. The region's 102 million active accounts are the highest in any sub-region; its 17.1 billion transactions generated an unmatched $293.4 billion in value, a 24 percent increase from 2018.

The Central African region stood out for registering a 49.6 percent increase in transaction volume, the highest year-on-year growth on the continent.

GSMA report

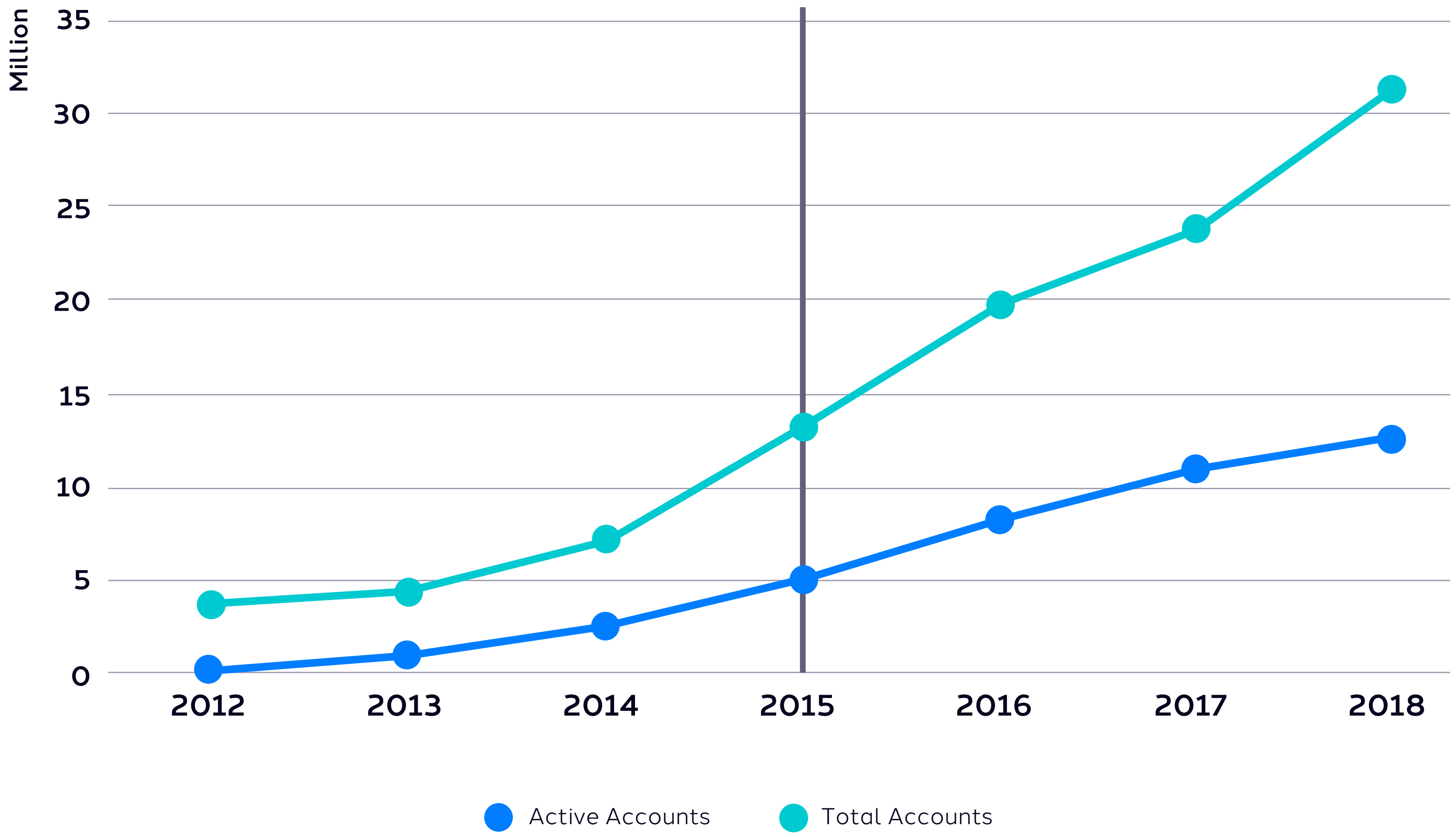
But while East Africa had more transaction volume and total value, Mobile Money transactions in West Africa had an average value of $27, compared to less than $18 per transaction in other regions in Africa.



Source: GSMA

GSMA report

Mobile money account adoption in Ghana, 2012-2018



Source: [Bank of Ghana]

Indeed, West Africa has become a force in Africa's mobile money revolution.

This sub-region witnessed the highest increase in number of registered accounts (14.5 percent) and transaction value (34.9 percent). Also, there are now more live Mobile Money services offered in West Africa (59) than in any other region worldwide.

Since the launch of MPESA in 2007, more than 144 Mobile Money services have been operational in Africa.

Driving employment – Mobile Money agents at the core of the revolution

Overall, in Africa and the rest of the world, agents remain the backbone of mobile money transactions.

In 2019, agents digitised $176 billion worth of cash-in transactions, surpassing the total value of formal international remittances flows to sub-Saharan Africa, Latin America and the Caribbean combined in the same year. Agents collect cash and transform it electronically to facilitate money transfer and lending across the world.

Driving employment – Mobile Money agents at the core of the revolution

The high importance of agents is underscored by their availability relative to ATMs and bank branches. For 100 000 adults in the world, there are 228 Mobile Money agents ready to provide digitised financial services. But there are only 11 banks and 33 ATMs for the same number of people.

The ripple effect of Mobile Money is changing the lives of people in Africa and beyond.

Mobile Money provides two streams of financial empowerment. The first is that with a small sum of cash and a mobile phone, the youth which make up the majority of Africa can become Mobile Money agents. MTN Mobile Money is working with 400 000 agents. The second stream is for innovative entrepreneurs who leverage Mobile Money to collect payments.

Driving employment – Mobile Money agents at the core of the revolution

"When you've been around for as long as I have, you realise that the more things change, the more they stay exactly the same," says Nel. Although communication channels have changed, the principles are the same.

He recalls a picture taken in the 1800s of people on a train. "They were sitting and reading newspapers. Compare that to today – people probably aren't reading newspapers but they have phones or tablets. Their behaviour is exactly the same, it's just the delivery channels that have changed.

> "A simple app, a few organisations working together, a continent full of talents and entrepreneurs and millions of people in need of financial services have contributed to the creation of 400 000 Mobile Money jobs by MTN".

Driving employment – mobile money agents at the core of the revolution

Orange Money cash payments are handled through a network of more than 50 000 point of sales. Orange Mali, for example, has estimated that several thousands of jobs have been created as a direct result of Orange Money.

A study in 2017, published by Sciencemag.org, on the long-run effects of mobile money on economic outcomes in Kenya, provided useful insights.

The study found that increased access to Mobile Money has reduced poverty in Kenya, particularly among female-headed households. Rapid expansion of Mobile Money has lifted an estimated two percent of Kenyan households (some 194 000 people) out of extreme poverty.

It has also enabled 185 000 women to move out of subsistence farming and into business or sales occupations.

Players on the field of Momo

MTN and Airtel Tigo have helped drive six-fold growth in Ghana between 2012 and 2017, making it an exemplary fast-growing market.

In Côte d'Ivoire, MOOV, Orange and other players leveraged a 2015 regulation, which authorised non-banks to issue electronic money – spurring a 20 percent increase in financial account ownership across the country.

In Nigeria, a foremost example is Paga, the fintech that serves 15 million users through a consumer channel and agent network of over 24 000 agents.

When Mobile Money was first introduced in Ghana in 2009, it took a while to gain as much traction as in other African countries due to the Bank of Ghana's restrictive 2008 Branchless Banking Guidelines. Five years later, however, the Bank of Ghana revised regulations and eventually released new agent and e-money guidelines. These new regulations permitted mobile network operators (MNOs) to own and operate mobile money services under the supervision of the Central Bank

At the time, the World Bank reported that an estimated 70 percent of the country's population was unbanked with only 35 percent owning a mobile phone.

This presented a market opportunity for the urban-rural divide, by providing low-cost domestic remittance services.

Shortly after that, new players – such as the telecommunications giant MTN – began investing heavily in awareness creation, aiming to educate customers, recruiting agents and merchants.

"In 2015, MTN Mobile Money agent stalls alone outnumbered bank branches in the country by a factor of almost 20:1, according to the Bank of Ghana. It is estimated that 3 to 4 million Ghanaians are living abroad, many of whom regularly send money to their families back home via Mobile Money".

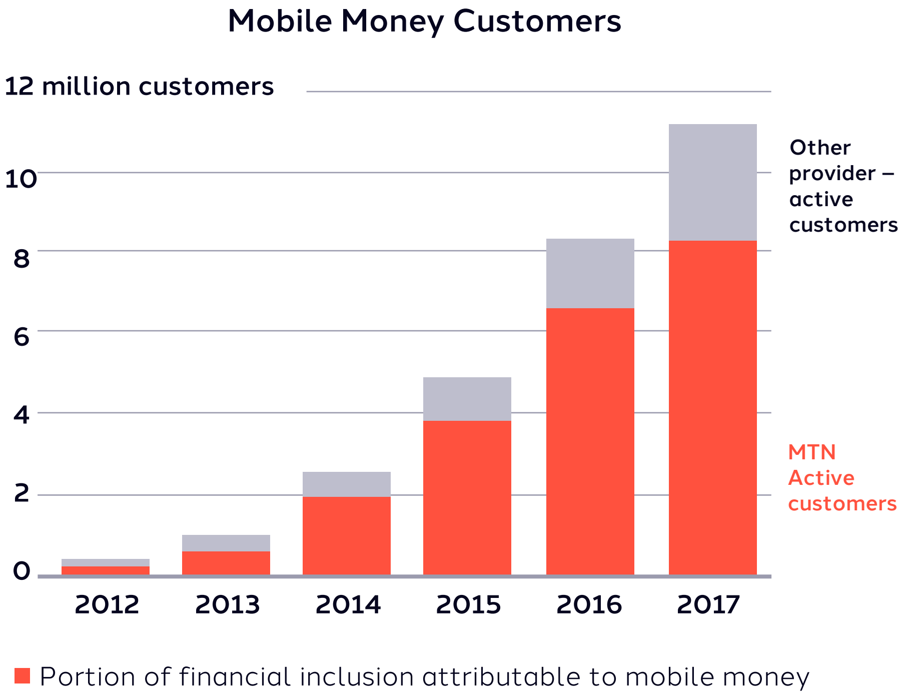
MTN Mobile Money

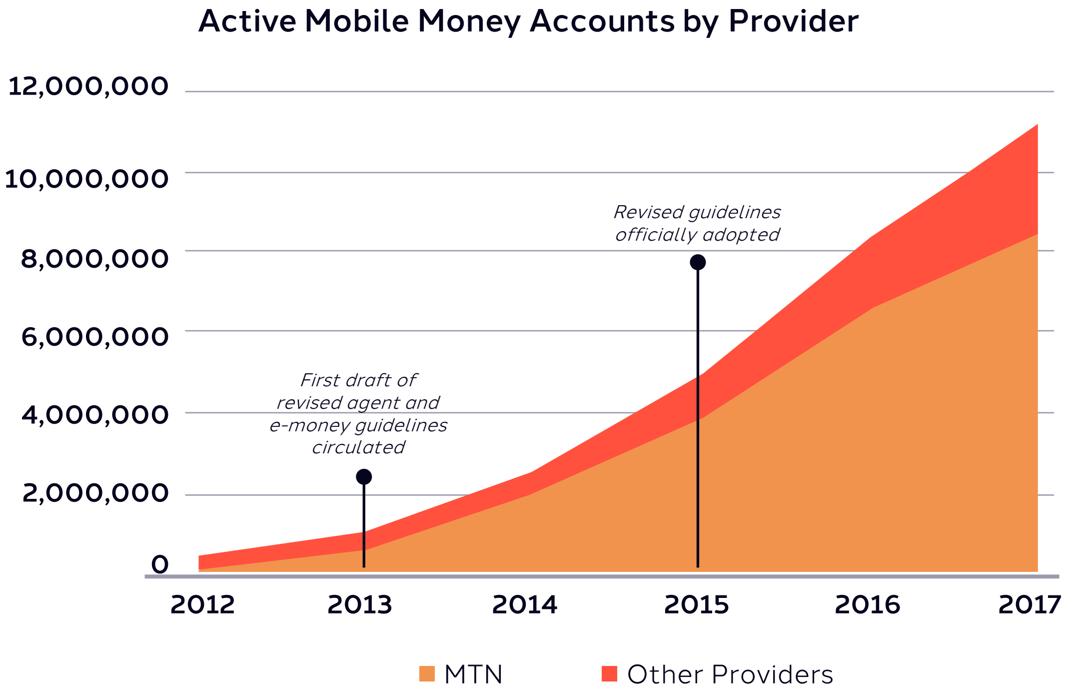
The rapid growth in Mobile Money usage in Ghana is partly on account of increasing penetration and application of mobile phones, particularly in the rural areas. The widespread proliferation of Mobile Money among the unbanked and underserved is premised on recent advances in handset functionality, chip and mobile network technologies, and an upgrade in Point-Of-Sale (POS) infrastructure.

World Remit's money transfer service makes sending money to Ghana simple and affordable for the Ghanaian diaspora. Mobile Money is now one of the most important services for these transactions, creating financial access, social impact and economic opportunity for Ghanaians nationwide and worldwide.

MTN Mobile Money

According to a Summary of Economic and Financial Data published by the Bank of Ghana, there are now 14.7 million active Mobile Money accounts and 235 000 active agents.





Source: Bank of Ghana, MTN Ghana

MTN Mobile Money

However, a Findex, 2017 report showed that less than 34 percent of women in Ghana have a Mobile Money account and MTN is working to solve this. As part of the GSMA's Connected Women Commitment Initiative, MTN Mobile Money has committed to increase the proportion of women in their MoMo Pay customer base to 40 percent by 2023.

Fewer than 34% of women in Ghana have a Mobile Money account

Findex 2017

MTN Mobile Money

MTN is targeting women in female-dominated segments – including the general goods market, petty traders, wholesale and retail corridors, the farming value chain and any other activity that involves buying and selling. The goal is to get them to use MoMo Pay, and to leverage on MTN's varying products and services to manage their daily interactions and improve overall financial literacy.

Globally, females make up a little over half of the world’s population, but their contribution to economic activity and well-being is far below its potential – resulting in socio-economic consequences. Women play a pivotal role in contributing to the growth of the economy, and we are therefore committed to ensuring that we bridge the gap in women's participation in financial services.”

– Eli Hini, General Manager, Mobile Financial Service, MTN.

Orange Money

Orange Money was rolled-out for the first time in Côte d'Ivoire, during December 2008. The basic services offered were cash-in and cash-out, airtime top-up, and Orange bills payment. After an inconspicuous launch, Orange organised a large advertising campaign in 2009 and reached between 100 000 and 150 000 subscribers within a year.

The planned roll-out for Mali and Senegal was delayed however, and had still not happened in January 2010, when competitor MTN announced its own deployment in 15 African countries. In 2011, Orange Money reached three million subscribers and was launched in Senegal, Madagascar, Mali, Niger, Kenya, Botswana and Cameroon; and then in Mauritius and Jordan between 2011 and 2012.

The service now includes water- and electricity-bill payment in most countries, and the possibility of accessing savings and insurance products. In 2013, Orange Money offered the option of making payments via VISA card and withdrawals from ATMs, a service first deployed in Botswana. By then, Orange Money was available in 13 countries (the latest additions being Morocco, Uganda and Guinea) and counted eight million subscribers.

In September 2015, Orange launched the first African mobile crowdfunding service in Côte d'Ivoire, dedicated to Orange Money customers.

At the start of 2016, Orange was accredited as an Electronic Money Issuer (EMI) in four countries: Côte d'Ivoire, Mali, Senegal and Guinea; and a few months later, too, in the Democratic Republic of Congo.

In June 2016, Orange announced the launch of the service in France, with a strong emphasis on transfers to West Africa, as well as hitting the 18 million customers' mark.

To ensure optimal management of its activities, Orange inaugurated the Orange Money Centre for Compliance Expertise (CECOM) in Abidjan during September 2016. Its role is to guarantee compliance for the Orange Money service in countries with EMI accreditation.

Orange Money

Orange Money is also a core component of "Mobile Money" interoperability in Africa. Telma, Orange and Airtel announced on 9 September 2016 that their respective mobile payment services are now all mutually compatible. That same month, the Orange Money offer reached 20 million customers in the Africa and Middle-East zone (up 30 percent in a year).

Subscription is free, at any point of sale displaying the Orange Money signage. Customers complete a subscription form and present their ID. To credit their account, users can deposit cash at an Orange Money point of sale, receive money transferred by another user, or have their salary paid directly into their account (depending on the country).

As of October 2020, Orange Money is available in eighteen (18) countries: Botswana, Burkina Faso under the Airtel Money brand, Cameroon, Central African Republic, Democratic Republic of the Congo, Côte d'Ivoire, Egypt branded as Orange Cash, Guinea, Guinea Bissau, Jordan, Liberia under the Smile Money brand, Madagascar, Mali, Morocco, Niger, Senegal, Sierra Leone under the Airtel Money brand and Tunisia.

M-PESA

M-Pesa was first launched by the Kenyan mobile network operator Safaricom, where Vodafone is technically a minority shareholder (40 percent). It captured a significant market share for cash transfers, and grew to 17 million subscribers by December 2011 in Kenya alone.

It has since expanded to Tanzania, Mozambique, DRC, Lesotho, Ghana, Egypt, Afghanistan and South Africa. M-Pesa allows users to deposit, withdraw and transfer money, pay for goods and services (Lipa na MPESA), and access credit and savings – all with the use of a mobile device.

The growth of the service forced formal banking institutions to take note of the new venture. In December 2008, a group of banks reportedly lobbied the Kenyan finance minister to audit M-Pesa, in an effort to slow the growth of the service. This ploy failed, as the audit found the service to be robust.

As of November 2014, M-Pesa transactions for the 11 months of 2014 were valued at 2.1 trillion KSh, a 28 percent increase from 2013, and almost half the value of the country's GDP.

In September 2010 Vodacom and Nedbank announced the launch of the service in South Africa, where there were estimated to be more than 13 million "economically active" people without a bank account. M-Pesa has been slow to gain a toehold in the South African market compared to Vodacom's projections i.e. that it would sign up 10 million users in the following three years. By May 2011, it had registered approximately 100 000 customers.

According to Moneyweb, a South African investment website, "A tough regulatory environment with regards to customer registration and the acquisition of outlets also compounded the company's troubles, as the local regulations are more stringent in comparison to our African counterparts. Lack of education and product understanding also hindered efforts in the initial roll out of the product."

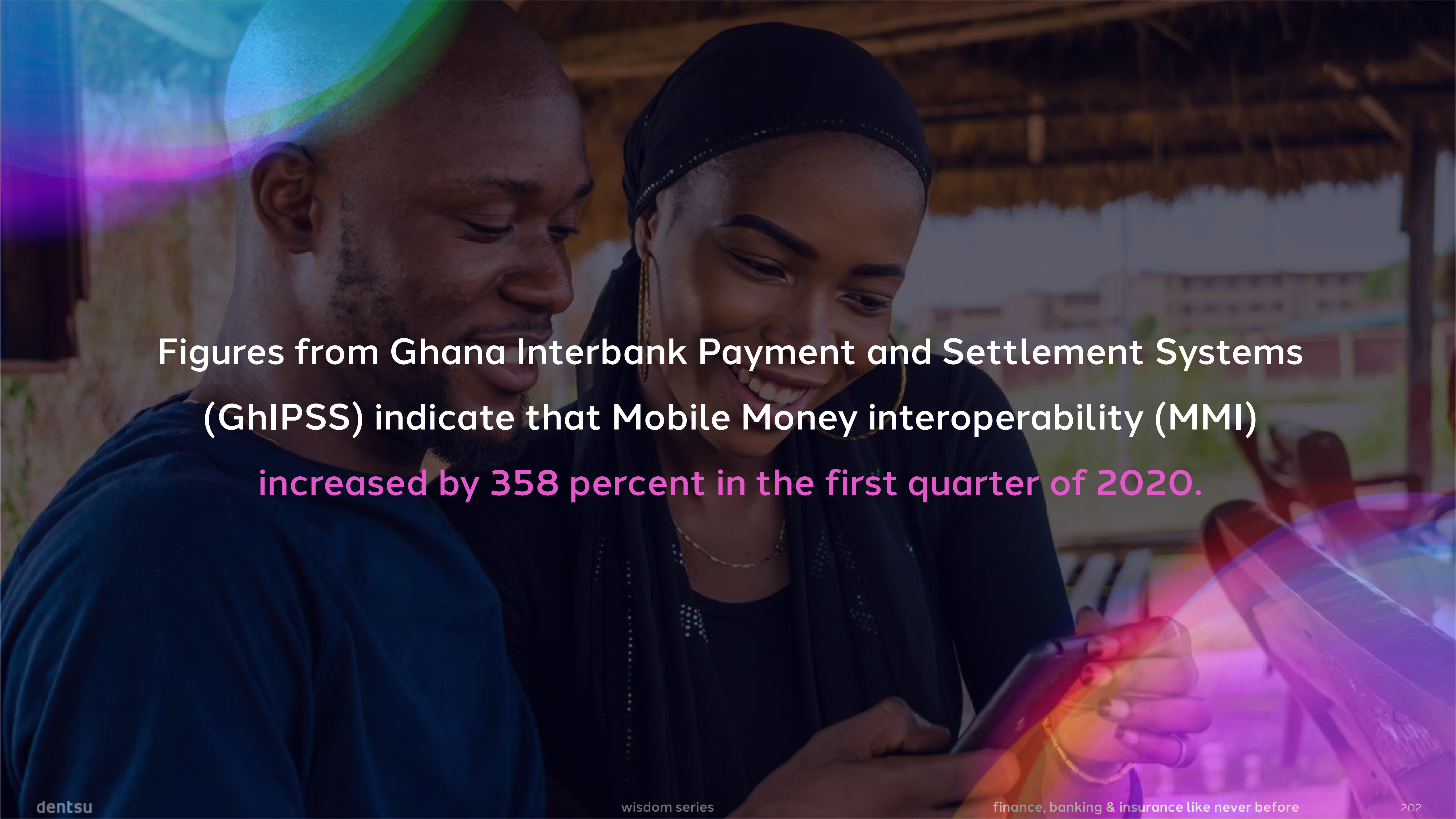
Why mobile money is so popular

Mobile money delivery differs by geography, available infrastructure and market behaviour. While new fintechs and banks play a significant role in Africa, telcos are the operators looking most capable of sustaining the Mobile Money boom, according to Wiza Jalakasi, a technology and financial services analyst.

Customers access the service directly from their phone, using an Unstructured Supplementary Service Data (USSD) menu. Through this menu, they can check their balance, change their password and carry out all the transactions offered by the operator. These transactions are all protected by a four-digit password chosen by the user. The main services are cash deposits and withdrawals, domestic and international transfers, and bill payments (water, electricity, TV, telephone, school fees). Professionals (companies and freelancers) can also receive payments via Mobile Money.

Operators have joined forces with banks to enable customers with bank accounts to use their mobiles to transfer money easily, and at any time, between their bank account and their Mobile Money account.

In just a few years, Mobile Money has become one of the most preferred payment methods.



Figures from Ghana Interbank Payment and Settlement Systems (GhIPSS) indicate that Mobile Money interoperability (MMI) increased by 358 percent in the first quarter of 2020.

Why mobile money is so popular

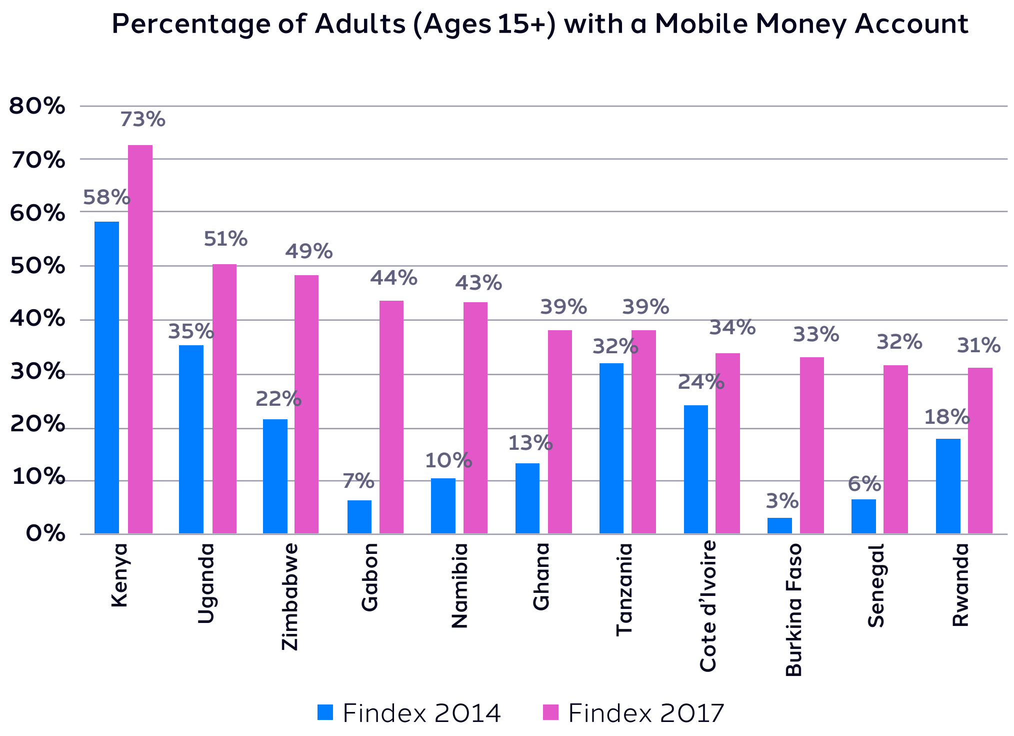
One of the main reasons why Mobile Money services are increasing in popularity is their convenience. Mobile Money subscribers enjoy the ease of having instant access to their money at any time, and wherever they may be located.

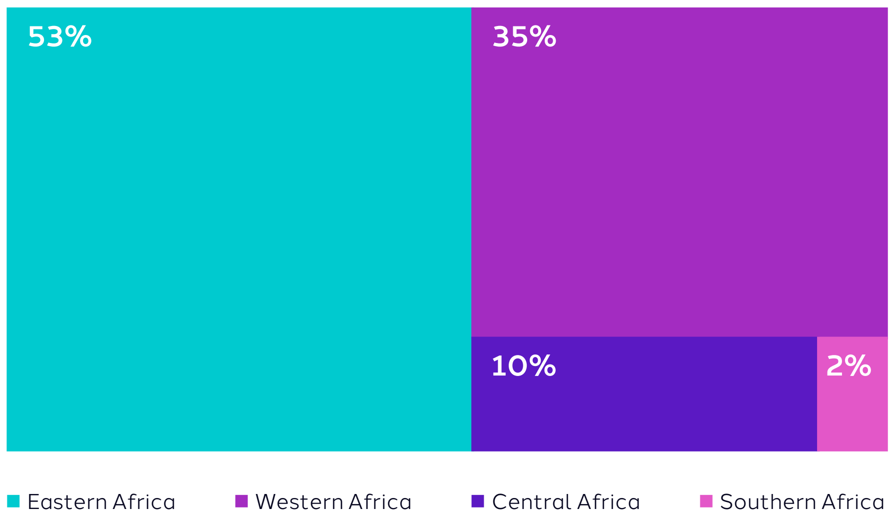
The rise of Mobile Money's popularity also provides employment opportunities – offering unemployed individuals the opportunity to work with service providers as registered merchants or agents.

Mobile Money services initially emerged on the global scene as a tool to further financial inclusion – enabling people who were initially excluded from the formal financial system to gain tools and access to more mainstream services. Then, further innovations in the Mobile Money industry have revolutionised, to great effect, the way in which people interact financially.

Why mobile money is so popular

Mobile Money interoperability, for example, introduced in Ghana two years ago, now allows for the seamless transfer of money from one Mobile Money account to another, across all networks.





More than half of the Mobile Money accounts in sub-Saharan Africa are in the MPESA-dominated East Africa – GSMA

Sources

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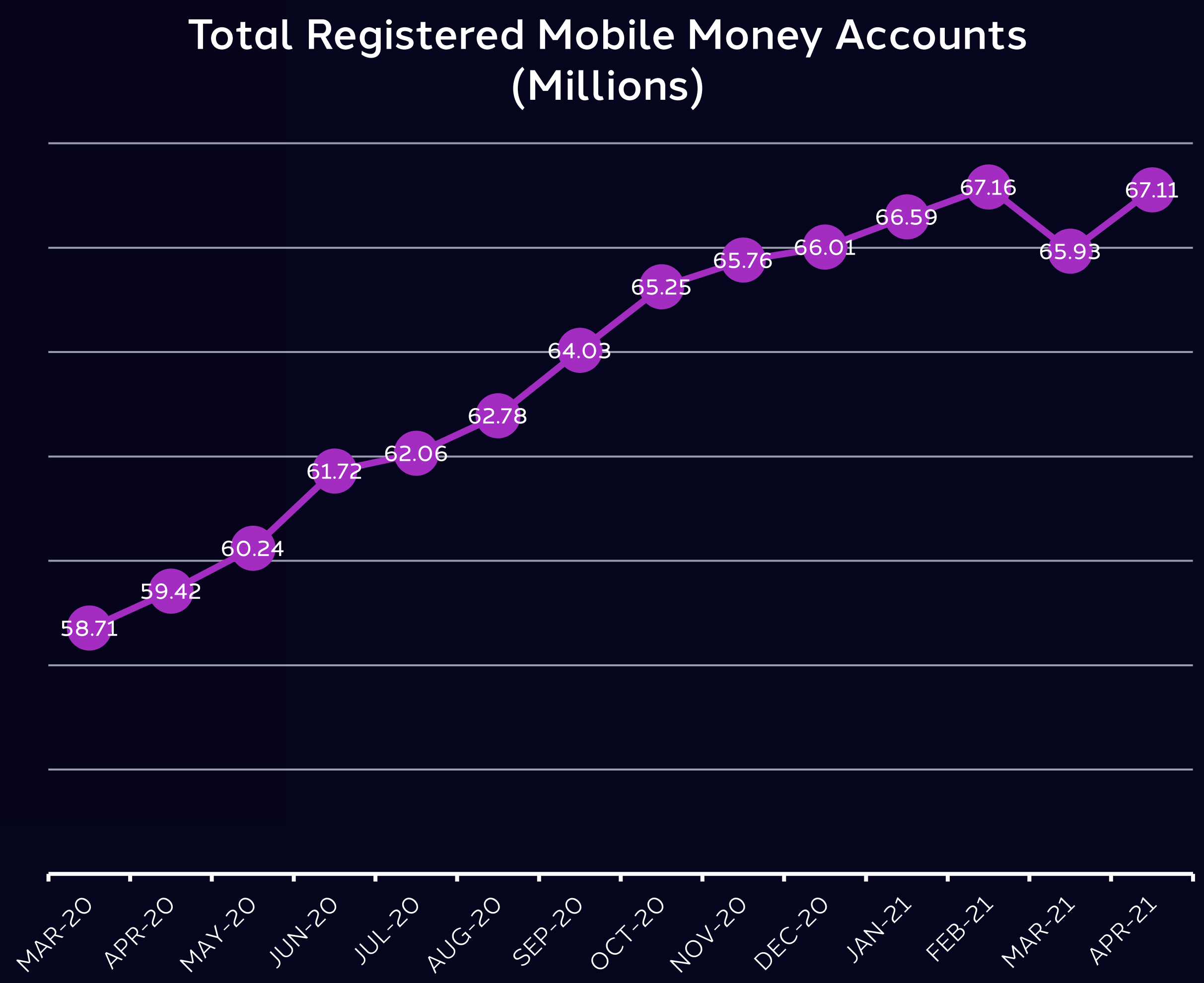
M-PESA: A TRUE COMPANION FOR KENYANS

by Caroline Ndirangu & Valeriana Itenyo

M-PESA – A True Financial Companion for Kenyans

According to the Central Bank of Kenya, in a country whose population is 54 million, there were 67.2 million active Mobile Money subscriptions by April 2021 with a 98 percent share held by Safaricom M-PESA and a transactional value of US $502 billion in that month. This has been a growing trend month on month, which makes a strong case for how much M-PESA has revolutionised the financial industry in Kenya and most of the rest of East Africa. This product is also currently in use within seven other African countries, and has helped millions of Africans to connect to the digital world.



A financial revolution by inclusion of the unbanked

Before the 2000s, the majority of Kenyans had very few options for managing their money. Bank accounts were impossible to access, and they were not customised to serve the rural population who had little disposable income. The nearest banks or financial institutions were kilometres away and the only alternative was to carry cash around, which left many Kenyans vulnerable to theft.

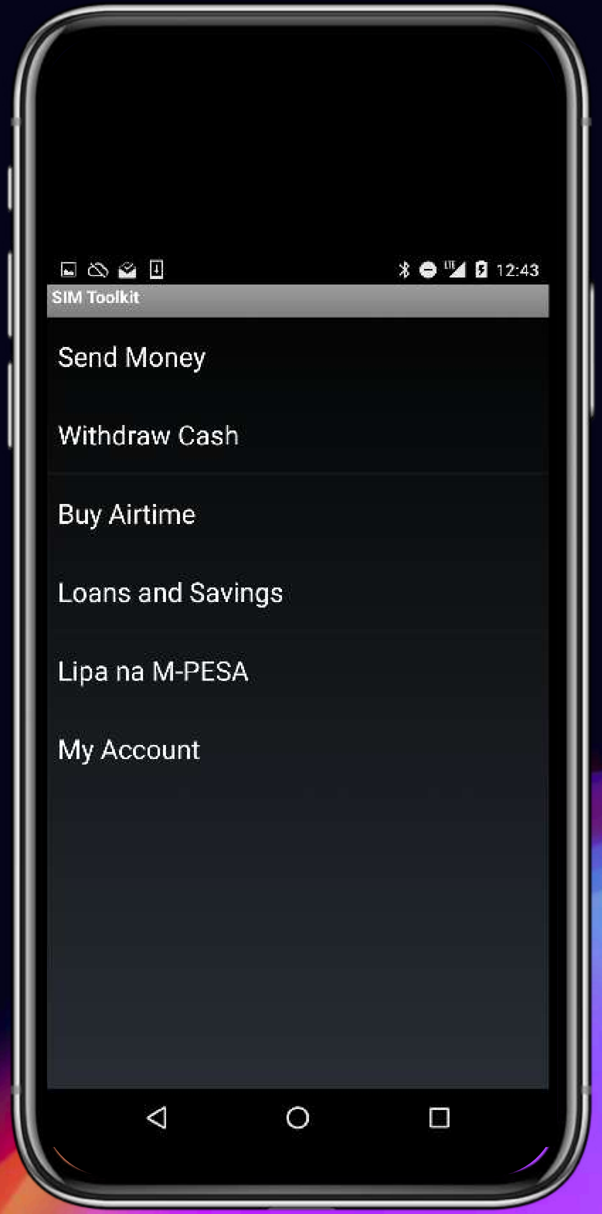
Cash transactions dominated the financial sector as the main mode of transaction for goods and services, and over 80 percent of Kenyans were unbanked. Today the story is different – thanks to the introduction of cell phone-based banking pioneered by Safaricom's M-Pesa, the majority of Kenyans now have access to banking facilities via their mobile phones.

With its inception in the early 2000s, cell phone-based banking in the country has in many ways surpassed payments systems across the globe; and has led to significant economic growth in the country with over 86 percent of people having Mobile Money accounts.

A financial revolution by inclusion of the unbanked

M-Pesa was the first Mobile Money service run through simple text-based & USSD technology, and enabled every Kenyan with a cell phone to access mobile banking.

In a country where over 70 percent of the population resides in the rural areas, Mobile Money opened a world of possibilities to rural people by enabling remote access to banking services – such as sending and receiving money, making payments, saving money and gaining access to credit facilities through Safaricom's partnership with banks and M-shwari services – without the need for them to physically visit a financial Institution.



This, particularly, played a big role in empowering the SME owners and small-scale farmers, as we know in Kenya agriculture is the backbone of our economy which benefits from the ripple effect of farmers having being empowered.

A financial revolution by inclusion of the unbanked

Small business owners can now access credit facilities, seamlessly receive payment from their customers, pay for goods and services, and maximise on supply chain efficiencies without the need to close up shop to visit a physical store or financial institution.

The speed of transacting when using Mobile Money has allowed for faster and more consistent payments, and in turn helped in fostering better business relationships.

Families in the rural areas are now able, in an instant, to access financial assistance from their relatives in the cities, and this has helped bridge the divide between city and country.

A financial revolution by inclusion of the unbanked

The less fortunate with access to Mobile Money now experience more stability in their lives, as mobile banking has given them the ability to save money, access small credit facilities and get transfers from friends and family when they need something to fall back on.

The minimisation of use of cash helps reduce corruption; when people transfer money directly to each other, there is simply less cash floating around. People do not have to worry about being robbed, as they are no longer transporting cash from their business premises for safe keeping in a bank.

Over the last 20 years, Mobile Money technology has been replicated across East African countries and beyond as an acceptable mode of transacting and has proved particularly effective in situations of national emergency. Some years back, after the fall of its currency, Zimbabwe adopted USD to try and stabilise the economy. However, due to insufficient notes and coins, the currency was not sustainable and Mobile Money banking came to the rescue. Today, over 80 percent of Zimbabwe's transactions are made digitally.

With increased access to technology and innovation, new and productive uses for cell phone-based technology will undoubtedly become even more powerful – creating a world of more convenience and easy access to a greater range of products and services.

Helping small business rise during the pandemic

In a 2020 report, the Communications Authority of Kenya showed that B2B mobile payments in Kenya had surpassed peer-to-peer (P2P) payments for the first time in the history of M-Pesa. In the same year, Safaricom revealed that it had a huge focus on empowering medium and small-sized businesses as they make up 70 percent of new opportunities – with 40 percent of Kenyan GDP locked up in SMEs.

When the pandemic broke out in 2020, like every other country Kenya's economy came to a standstill because of COVID-19's effect on the small and informal business owners who form the backbone of the country. With its new focus top of mind, M-PESA quickly rallied behind small businesses with innovations to help them through the rough patch.

Helping small business rise during the pandemic

In just three months, **Safaricom had introduced three critical additions to M-PESA to do just that**:

Transacting Till

The M-PESA Business till which allowed business owners to collect payments and use the money collected to make other transactions directly from their till – such as to earn commission or sell airtime.

Business Wallet

(Pochi la Biashara) – A simple, convenient and easy to use solution, the Business Wallet enabled small and medium business owners to separate business funds from personal funds, while achieving other objectives from safety surrounding cash transactions to preventing the reversal of funds paid through M-PESA to business owners.

Merchant App

M-PESA for Business App allows business owners to gain better visibility of their operations, enabling a view of their collections and payments, seeing full statements and transacting directly from their M-PESA Business Till using the app. In addition, the Merchant App is equipped with services that allow merchants to take an overdraft for their business – essentially, gaining access to a loan through the app.

The beauty of M-PESA as a product is not only that it keeps innovating to fit the context of the world in which it exists, but the product is designed to keep top of mind the consumers who use it. This is exactly why there is such a race to create tools fit for this space… Opportunity exists, of course, but can anyone else revolutionise the space as well as M-PESA?

Leveraging on global partnerships: financial pathway to the rest of the world

Over a decade ago, sending money from the UK to Kenya required the person living in the UK to physically go into a Western Union or MoneyGram shop, fill out forms and send the code plus secret question to the person in Kenya; the latter individual could not access the money sent unless they got both those things correct. Not only that, trying to buy something on the internet would mean having a Visa or Mastercard credit or debit card given to you by a bank. For a population that consists mainly out of the unbanked, this was a considerable feat.

However, even with businesses in focus, M-PESA continues to work on products that enhance the financial capabilities of its consumers. Nothing opens up the rest of the world quite like M-PESA global and its myriad products offered through Safaricom's partnerships with global financial companies Paypal, Western Union and Visa. Now, with the expanded access given to Kenyan consumers via these international merchants, sending money from the United States to Kenya involves just a quick transaction on your mobile phone; while eCommerce transactions for those without bank accounts simply means integrating your M-PESA to your PayPal account. This has made a huge contribution to the economy of the country, with e-commerce revenue in 2021 projected to reach $1.5 million.

Bonga for Good

Even with all the M-PESA products, nothing quite showcases the force for good this product has become like Safaricom's Bonga for Good initiative. Safaricom has always had a loyalty programme called Bonga Points, which allows consumers to save points with every purchase of data bundles, SMS bundles and Talk-time (Minutes).

Before 2020, consumers could use these points to purchase additional airtime, data and even devices – really the gold-standard loyalty programme. However, once the pandemic started ravaging Kenya, Safaricom found a way to tie in their mobile banking to consumers' bonga points in a completely unprecedented manner – they turned Bonga Points into actual currency that could be used within shops in Kenya to buy food, or any other products, as long as the merchant had a Lipa Na M-PESA Till.

To take it a step further, consumers could transfer their points to someone in need so that they are able to put food on the table for their families, which saw Kenyans donating over US $330 million in Bonga Points redeemed through M-PESA. This was one of the very first campaigns we worked on at dentsu Kenya, as Safaricom's media agency, and it was a campaign that was wildly successful in every possible way.

Bonga for Good

True to their ethos of being their consumers' companion, Safaricom was able to use their flagship product to be there for Kenyans – at a time when they needed it most.

The Future of M-PESA

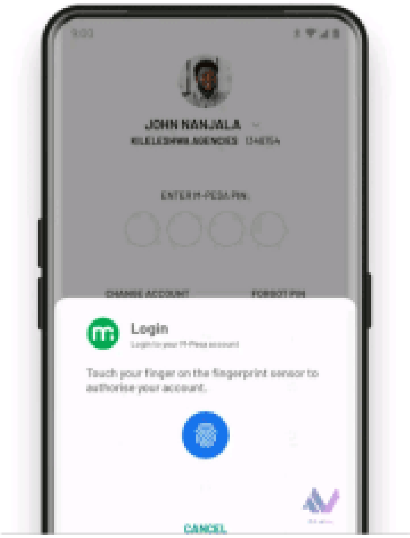
There is no doubt that M-PESA has truly revolutionised the everyday life of millions of Africans, and even more so in Kenya. Even with the challenges that come from using this service – such as what consumers judge to be high transaction fees – it would be hard to imagine a life without M-PESA.

How we use and interact with Mobile Money has become part of our lifestyle, and this is evident in the latest evolution of this product into a lifestyle M-PESA App, which allows you not only to integrate all your banking needs, but which can also be integrated with other mini apps for ease of use in everyday life.

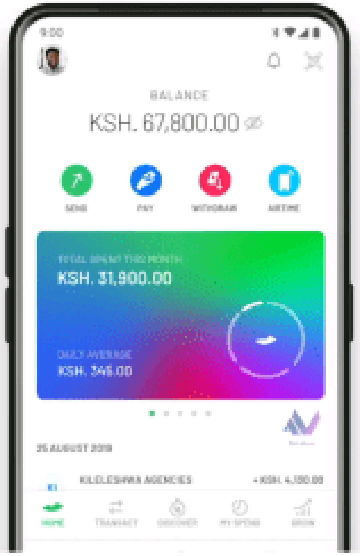
Safaricom is dubbing this 'THE SUPER APP' and rightfully so; it will be great for Kenyans using M-PESA to be able to do everything they need to from one unique platform.

The Future of M-PESA

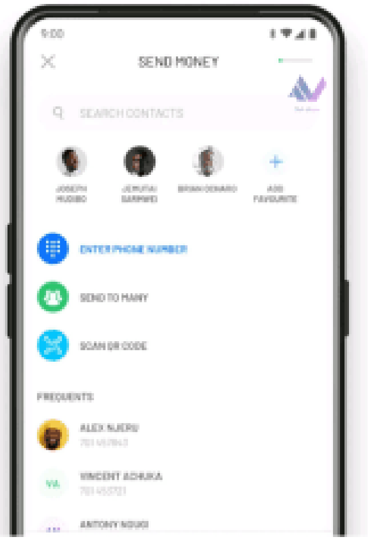
Use finger print or facial recognition to pay conveniently



View your balance on the home screen



Save your favourite features and view your frequent payments for easy access



Has M-PESA reached its peak? The clear answer is "No ways!" Even with all the great leaps the product has made, there is still a great deal that Safaricom can do to revolutionise the product for its consumers. As the company continues to expand outwards into the rest of Africa, M-PESA continues to be the financial product to watch.

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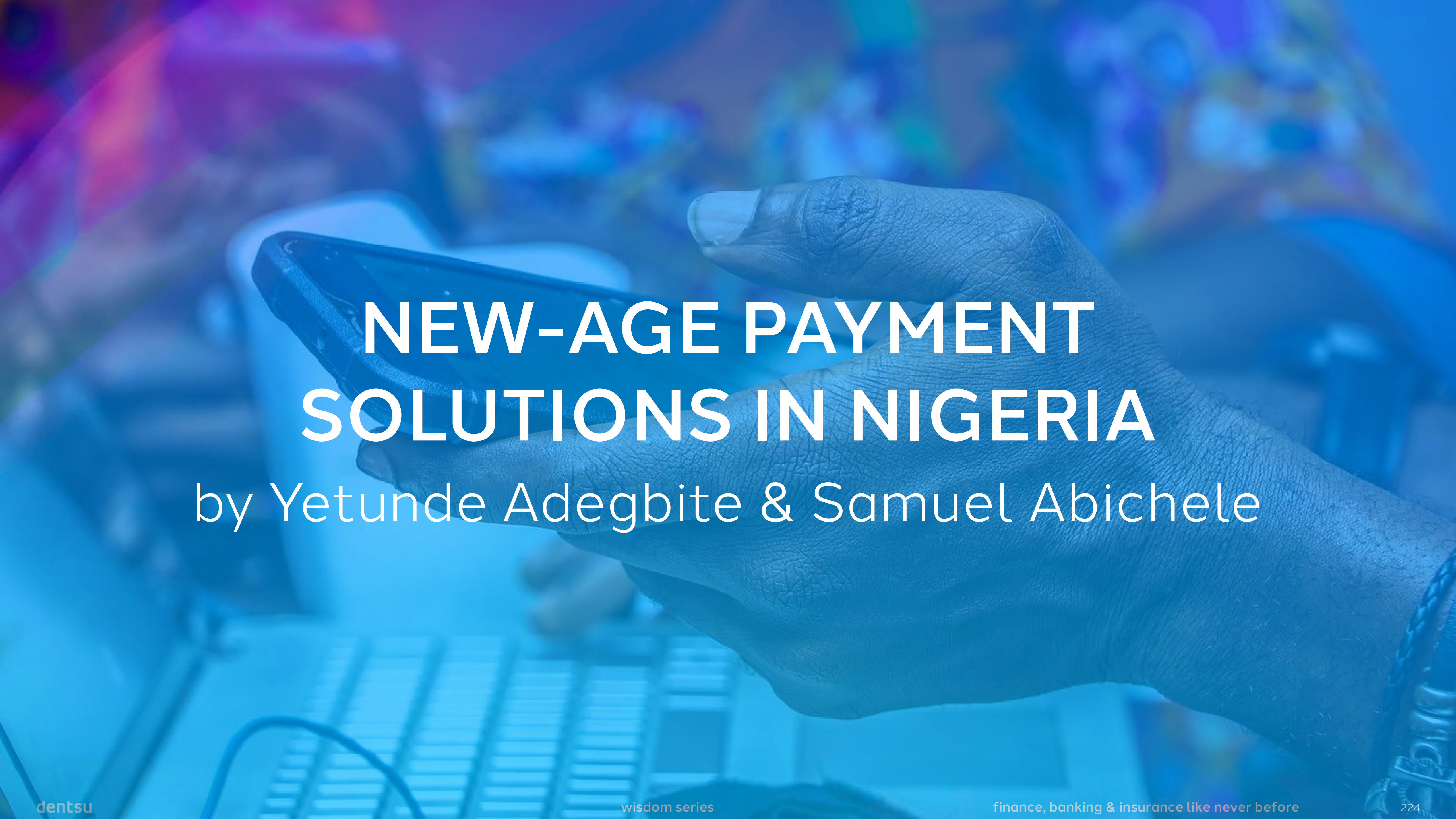


NEW-AGE PAYMENT SOLUTIONS IN NIGERIA

by Yetunde Adegbite & Samuel Abichele

Introduction: Nigeria Payment Landscape

Nigeria's payments systems in the time past were heavily cash dependent and largely characterised by their inability to cater for the financial service needs of a large part of the nation's population (mostly rural dwellers). This was the case despite the huge potential present at the micro level for financial services, which some researchers would argue was broadened by the 2005 bank recapitalisation that further increased the unbanked population. It is estimated that over 40 million members of the Nigerian adult population is unbanked. According to Business Day, "A high poverty rate, the cost of account maintenance, the lack of trust in financial service providers and the proximity to service points are key reasons why half the country's adult citizens are excluded from the formal financial system."

The recapitalisation policy of 2004/2005 by the central bank of Nigeria was a major reform in the history of the country's banking system. It is likened to a double-edged sword, which on one hand strengthened the banking system and on the other increased the numbers of those financially excluded. It resulted in the merging of banks in order to meet the leap in the minimum paid-up capital from N2 billion to N25 billion in asset base, which resulted in a closure of non-performing branches, most of which were situated in rural areas.

Teaming to tap into this untapped opportunity at the micro level have been government, IT companies, the financial services and telecommunications providers, who have risen to the challenge of pushing the boundaries of financial inclusivity – thereby making more financial products available to individuals, organisations and SMEs. Their impetus has been to push for seamless financial solutions, by creating a framework – through regulations and innovative thinking – that fosters an environment intent on new age payments solutions.

Introduction: Nigeria Payment Landscape

This landscape, though still evolving, is becoming more integrated with deliberate and concentrated efforts being made towards integration and the modernisation of payment infrastructures so that financial inclusion becomes a possibility for a previously untapped market.

Financial inclusion, which is defined by Investopedia as "efforts to make financial products and services accessible and affordable to all individuals and businesses, regardless of their personal net worth or company size", strives to remove the bottlenecks that exclude people from participating in this sector and from using these services to improve their lives. It is also called inclusive finance.

This scenario is driven by factors that range from demographic metrics, such as education level, location (rural or urban), age, employment status and income level, to accessibility of financial services, availability of technology, and local government policy.

Introduction: Nigeria Payment Landscape

An early move by the Nigerian government in driving financial inclusion during 2007, was the introduction of Payment Systems Vision 2020 (PSV 2020) by the Central Bank of Nigeria (CBN). It birthed the Cashless Policy, which later gave rise to various new age payment options.

The Cashless Policy was introduced by the CBN in January 2012 in a bid to limit the volume of physical cash in circulation and to encourage the advancement of alternate payment systems in the country. **This policy has three major objectives**:

- The development and modernisation of Nigeria's payments system to drive economic growth;
- The provision of more efficient transaction options and wider reach to achieve cost reductions in banking services while driving financial inclusion; and
- Increasing the efficacy of monetary policy in managing inflation and driving economic development.

Introduction: Nigeria Payment Landscape

The policy prescribed cash-handling charges on daily withdrawal above five hundred thousand Naira (N500,000.00) for individuals and three million Naira for corporate bodies (N3,000,000.00); with daily transactions above these bounds attracting three percent and two percent charges for withdrawals and deposits, respectively. The policy was enforced not to eliminate the use of cash, but to reduce the volume of cash in circulation.

To lessen the impact of the policy on individuals and ensure the goal was achieved, the CBN introduced mobile money and facilitated access to finance to the aged, rural/small scale farmers, the unemployed and SMEs. POS banking systems, mobile payments, direct debits, internet banking and electronic fund transfers are some of the additional instruments that have been driving financial inclusion as a result of the cashless policy.

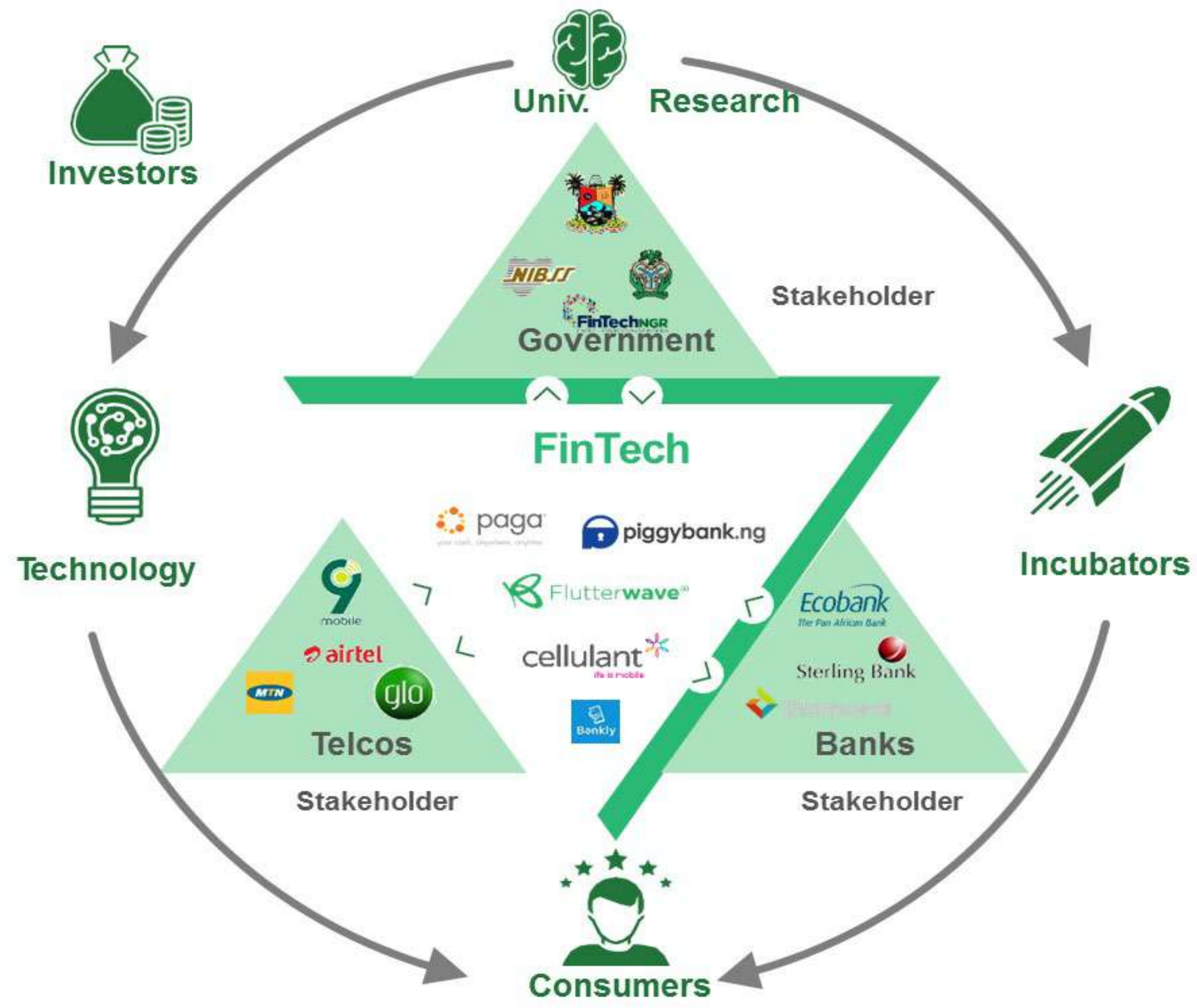
Three major companies (Interswitch, Etranzact and Systemspecs) played dominant roles in driving this policy – from its embryonic stages to the reality we are experiencing today. The preliminary works of the fintech firms set the stage for commercial banks in Nigeria to ride on years later; launching the Unstructured Supplementary Service Data (USSD), internet banking and mobile banking App. Since those days, fintech has enjoyed rapid development in the country and is still on the increase.

The general fintech space includes categories such as artificial intelligence, (AI) asset management, advisory services, big data, biometrics, peer-to-peer lending, crowd computing, digital payments, and blockchain – among others.

Introduction: Nigeria Payment Landscape

A growing population of smartphone users, coupled with a heightened effort by government to increase financial inclusion and cashless payments, are serving as the perfect combo for a burgeoning Fintech sector in Nigeria.

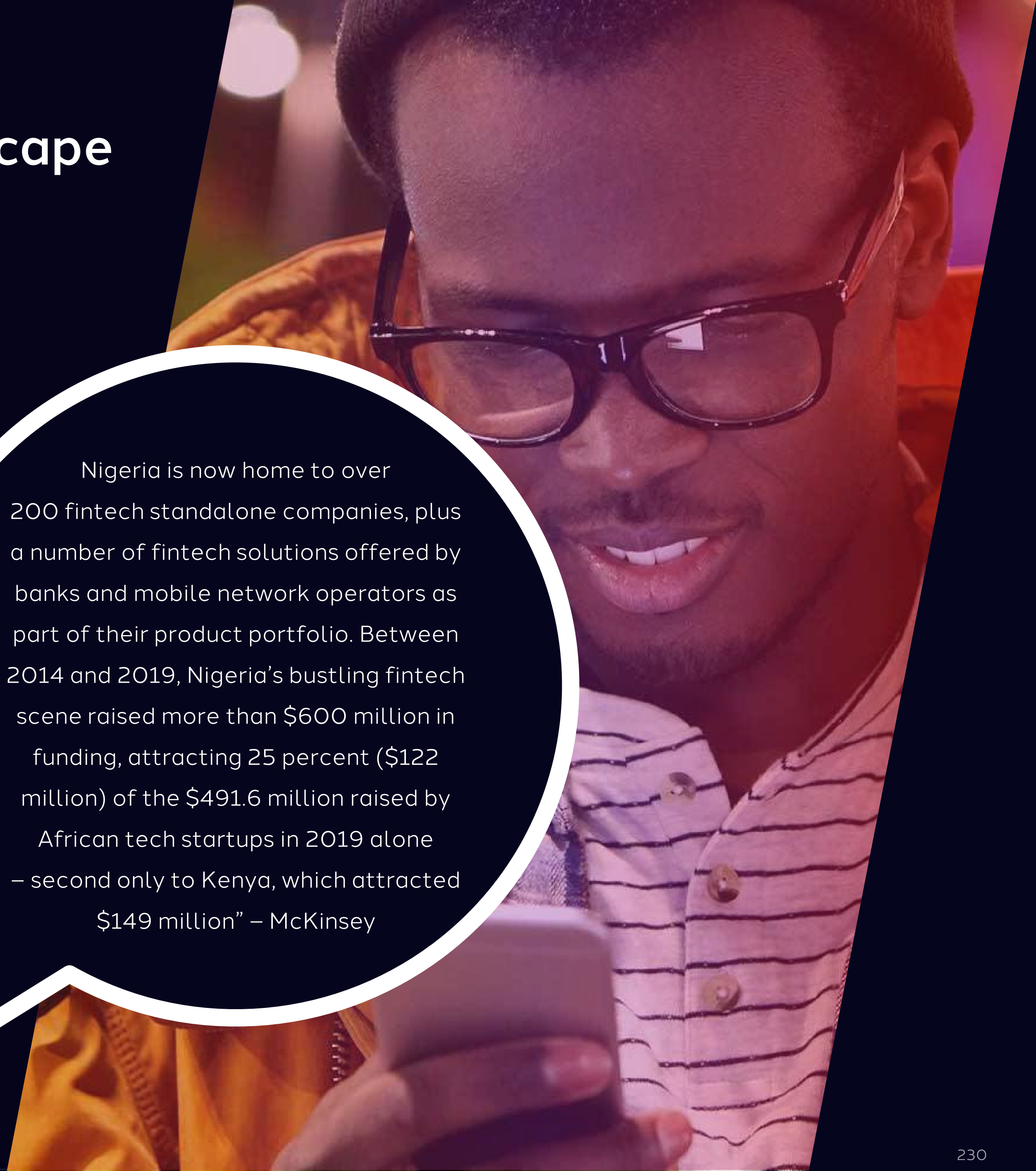
FinTech Ecosystem Framework



Introduction: Nigeria Payment Landscape

"Fintech, as a payment service provider, is a catalyst for contactless financial services. The fintech space in Nigeria is unique compared to that of South Africa and Kenya – the two other fintech hubs in Africa. Kenya had an early start with Safaricom's M-Pesa, launched in 2007; while South Africa has a large and sophisticated financial and banking sector. The Nigerian financial sector has grown stronger and better over the years after the recapitalisation of the sector, in 2004, by the apex bank of Nigeria. Furthermore, innovation, entrepreneurship and technology have helped in birthing the newer phase of Nigerian financial services.

Fintech have expanded the scope and reachability of financial inclusions and further propelled the motive for the enactment of cashless policy in Nigeria and beyond. Payment services, be they via self-service (mobile banking) or agent banking (POS terminals) have come a long way, relaxed the rigidity in financial transactions; with lesser need for physical cash.



Nigeria is now home to over 200 fintech standalone companies, plus a number of fintech solutions offered by banks and mobile network operators as part of their product portfolio. Between 2014 and 2019, Nigeria's bustling fintech scene raised more than $600 million in funding, attracting 25 percent ($122 million) of the $491.6 million raised by African tech startups in 2019 alone – second only to Kenya, which attracted $149 million" – McKinsey

The Nigerian fintech space is highly competitive, with international and local players constantly innovating to offer better services. OPay is a major player in the industry, launching in Nigeria during 2019 with exciting offers and consistently offering exciting services to drive financial inclusion across social, economic and geographic lines. Paystack, a Nigeria fintech startup acquired by Strip, a US payments giant, late in 2020, at a reported fee of US$200 million, is another major player in the industry. Flutterwave, Interswitch, Paga, Remita and Kuda are other significant players in Nigerian fintech space.

Introduction: Nigeria Payment Landscape

The following are some constraints affecting the efficacy of cashless policy:

- Erratic power supply, which poses a heavy challenge to cashless payment – especially in African countries where power failure is unfortunately the norm.
- Prevalence of e-fraud/inadequate consumer protection policy and practice.
- Literacy, in Africa, which is still at a worrisomely low level.
- Inexplicable and multiple bank charges for the use of cashless payments.
- The fact that cashless policies encourage excessive withdrawals, instilling a poor savings and investment culture.
- Inaccessibility of information technology by most rural dwellers in Africa.

Drivers of Financial Inclusion

The principle of financial inclusion is perceived as being a driver of economic growth. This perception is responsible for the importance and priority accorded to it. Giving people access to financial services, who are currently excluded from these, provides the possibility for the creation of a large depository of savings, investible funds, investments and future wealth generation.

With a global financial inclusion average (the number of adults with access to financial services around the world) being less than 50%, it's safe to say achieving financial inclusion is a global challenge. This is considerably worse in developing countries. Several factors –including government policies, activities of financial service providers, technology and telecommunication service providers, plus education level of the populace, location (rural or urban), age, employment status and income level – are contributors to the growth of financial inclusion. To achieve compete financial inclusion, these barriers have to be removed.

Apart from the regular form of financial intermediation, financial inclusion takes care of:

- A basic, no frills, banking account for making and receiving payments;
- Savings products suited to the cashflow of a less affluent household;
- Money transfer facilities; and
- Insurance (both life and non-life).

Drivers of Financial Inclusion

This paper focuses on the activities of Nigerian government, financial service providers, fintechs and IT/telcos in providing more financial services to the Nigerian people. Previous attempts by the CBN to grow financial inclusion include the rural banking programme – which directed banks towards opening branches in rural areas, thereby encouraging Nigerians to use more financial institutions and products. Financial institutions are also enticing the unbanked by:

- Removing all barriers in account-opening processes;
- Credit and loan option;
- Mobile Money, as a great apparatus for financial inclusion;
- Decreasing reliance on physical banking;
- Offering free financial awareness and education; and
- Offering prepaid products as stepping-stone impetus.

Drivers of Financial Inclusion

Aside from Cashless Policy, below are other policies offered by the CBN to extend financial services to the excluded:

FINANCIAL STABILITY STRATEGY 2020 (FSS2020):
This is a strategic roadmap for developing the Nigerian financial sector to enable it to become a catalyst for achieving Nigeria's vision 2020. This envisions making Nigeria one of the 20 most developed economies by 2020. Six (6) stakeholders were identified to champion this policy – banking institutions, non-bank financial institutions, insurance companies, capital market players, pension institutions, technology providers and the regulatory bodies in charge of each.

MICROFINANCE POLICY:
This policy, launched in 2005, was aimed at facilitating the growth of privately-owned microfinance institutions, permitting and facilitating the participation of mostly third-sector institutions, including market associations, co-operatives, non-governmental organisations and self-help groups in the microfinance mode.

NON-INTERNET BANKING:
In June 2011, CBN introduced a new framework for Non-Interest Financial Institutions (NIFIs). This launched the Islamic Banking system, which serves the financial services needs of a large population who have steered away from conventional financial services because of their aversion towards interest and interest-based products.

E-BANKING PRODUCTS AND ELECTRONIC PAYMENT SYSTEM:
This policy was aimed at developing and modernising the banking system, reducing banking costs to drive financial inclusion, and improving the efficacy of monetary policy. It gave rise to an increase in low-cost branchless channels, such as ATMs and points-of-sales, and is in furtherance of the Cashless Policy.

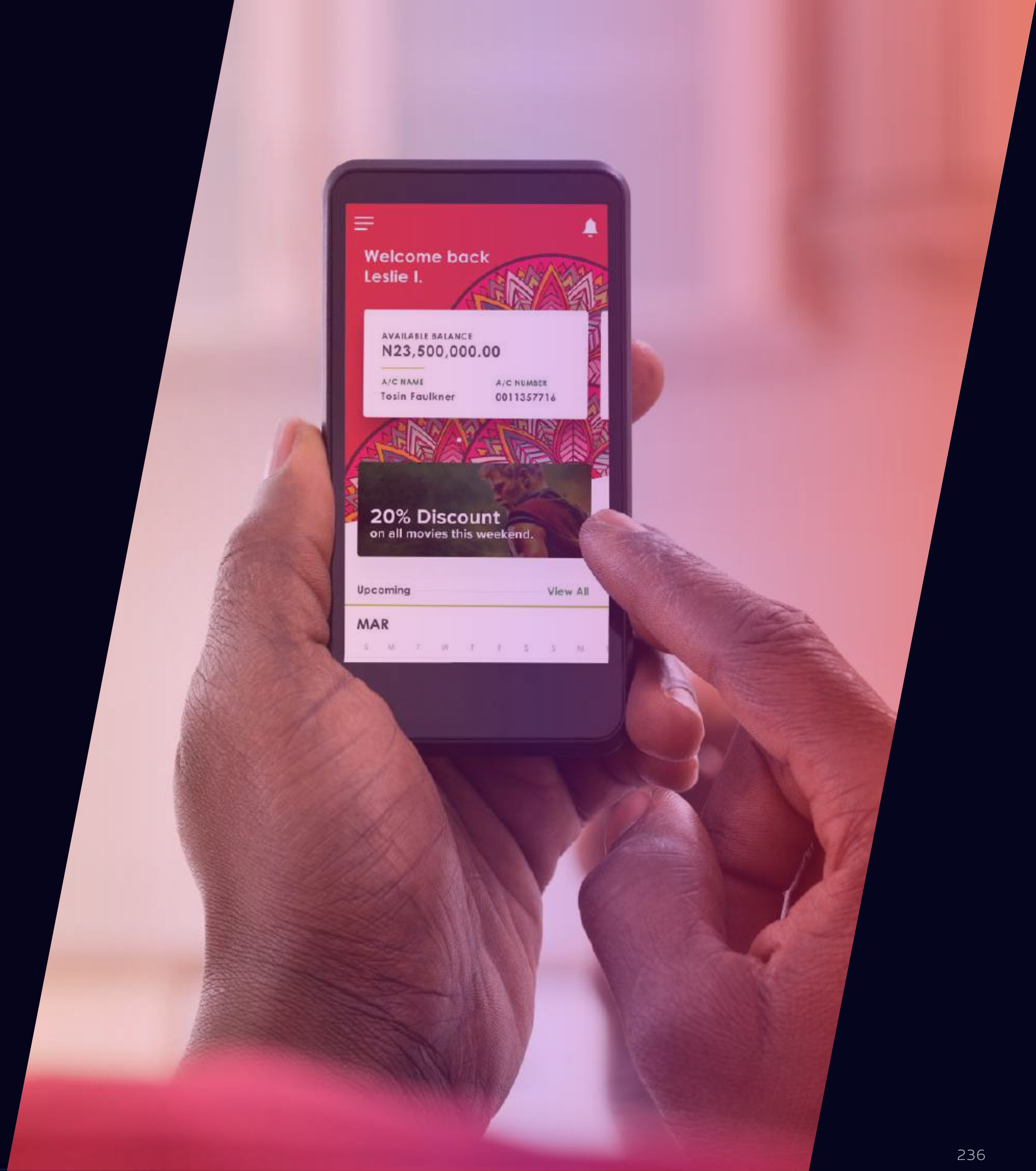
Contributions from other stakeholders include Mobile Banking, Islamic Banking, Microfinance, Blockchain, and many more. The scope of this paper will only cover contributions from Mobile and Islamic Banking policies.

Mobile Banking

Prior to the advent of mobile web services, mobile banking was carried out primarily through text or SMS; it was known as SMS banking. Mobile banking was birthed by European banks using mobile web via WAP support.

Before 2010, SMS banking and mobile web were the most popular mobile banking products. With the development of smartphones using iOS or Android operating systems, mobile banking apps began to evolve. Users were able to download the banking apps onto their smartphones, so as to take advantage of more sophisticated interfaces and improved transactional abilities.

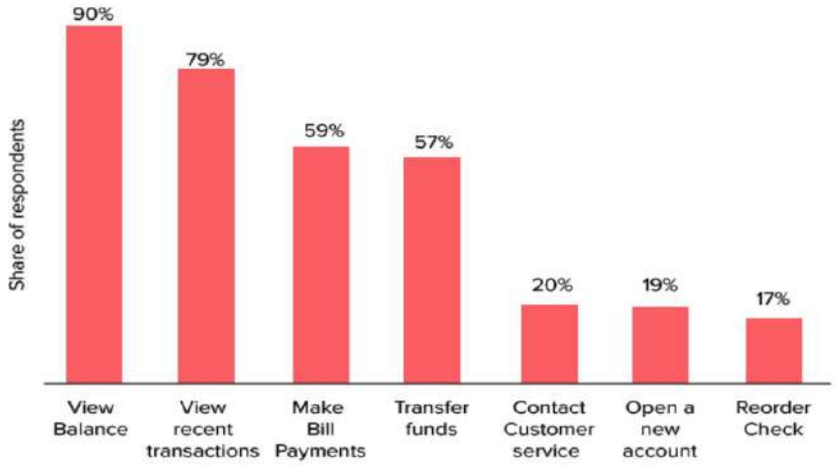
Many financial institutions now make use of both SMS and mobile applications to keep their customers informed of their account activities, and to send out alerts regarding possible fraud, updates and /or maintenance of service provision.



Mobile Banking

Mobile banking has added pleasant customer experiences to financial services, but not without various lacunas – network failure during transactions, chances of fraud, lack of information privacy, concerns related to non-delivery of transactions, system security not being guaranteed in the case of a phone being lost, and more – as per those identified by Nigerian banking services when using a mobile device.

RESEARCH FROM CBN: See below finance-related activities carried out via mobile device in Nigeria over 2008.



Statistics On Mobile Banking Usage In Nigeria

Benefits of Mobile Banking

ACCESS BANKING SERVICES

CONVENIENCE

SECURITY

EASY FINANCE TRACKING

TIME SAVING

HELP ON THE GO

Islamic Banking

Nigeria is home to the largest Islamic population in sub-Saharan Africa. It is estimated that the majority of the unbanked population of Nigeria are located in the northern part of the country, which coincidentally hosts the highest Muslim population in the country.

Islamic banking is a financial system that offers non-interest banking and is based on adherence to the Sharia or Islamic law. It offers services, products and instruments based on compliance to this Divine Law. Sharia prohibits the payment or acceptance of interest charges (riba), for the lending and accepting of money – as well as carrying out trade and other activities that provide goods or services considered contrary to its principles. Money in Islam is not regarded as an asset from which it is ethically permissible to earn a direct return. It tends to be viewed purely as a medium of exchange. Interest can lead to injustice and exploitation in society.

This form of banking caters to the financial needs of Muslims, who are against riba.

Islamic Banking

The Banking system in Nigeria is generally regulated by the Banks and Other Financial Institutions Act (BOFIA); the Cap B3 Laws of the Federation 2004; the Central Bank of Nigeria Act (CBN Act) 2007; and the Companies and Allied Matters Act (CAMA) Cap C20 Laws of the Federation 2004.

Over the past few years, Nigerian authorities have announced a number of regulatory initiatives that will prepare the landscape for the development of a strong Islamic finance hub. **These are**:

- Guidelines for the Regulation and Supervision of Institutions Offering Non-Interest Financial Services in Nigeria; and
- Guidelines on the Regulation and Supervision of Non-Interest (Islamic) Microfinance Banks in Nigeria.

Pursuant to this Guideline, there are only two institutions that currently provide Islamic finance services in Nigeria – Stanbic IBTC, a unit of South Africa's Standard Bank, and Jaiz Bank, a full-fledged Islamic lender which has operated in Nigeria since 2012. Sterling Bank has been granted approval, in principle, to launch an Islamic finance arm.

Three Benefits of Islamic Banking

TRANSPARENCY

- A clear idea, for the account holders , of the investment made in different areas and the profit realised from these investments.

ETHICAL AND MORAL DIMENSION

- Strong ethical and moral aspect of doing business and selecting business activities to be financed, so as to promote socially desirable investments and better individual / corporate behaviour.

BANKING FOR ALL

- Although based on Shariah principles to meet the financial needs of Muslims, these banking products are not restricted to Muslim individuals.

Benefits of New Age Payment Solutions

According to Alan Greenspan's (2007) "The Age Of Turbulence", if you wanted to cripple the US economy, take out the payment system – such that banks are forced to fall back on inefficient physical transfers of money.

Research has it that a 10% increase in the efficiency of the national payments system, leads to a one percent increase in GDP – all else remaining equal.

Related benefits include;

- Increased financial inclusion and a reduction in society's unbanked population.
- An increase in the velocity of money, leading to economic growth.
- A reduction in the cost of printing or producing physical cash.
- A reduction in corruption and other sharp practices, which tend to require physical cash.
- A reduction in the overall computer simulation technology (cst) of banking and payments.
- Ability to provide banks with high liquidity rates for lending.
- Increased convenience and a better payment experience.

Recommendations

For new-age payment solutions to have sustained and socially desirable effects, it is recommended that the following be implemented:

- Adequate and well-functioning infrastructural facilities, especially regarding issues of power stability.
- Regular awareness campaigns to educate the public, especially on the best channels and security measures available.
- Consistent and effective appraisal of cashless-banking operations.
- Harmonisation of monetary and fiscal policies.
- Continuous implementation of effective regulatory measures.
- Addressing challenges associated with the use of automated teller machines, and striving to meet international standards when depositing money.
- Increased penetration of point-of-sale devices, especially in rural areas.

Conclusion

Financial inclusivity and integration are fueled by the availability and accessibility of cashless transactions; with full support and drive by the banking system, government, technological firms and other stakeholders.

For a waterproof new age payment solution to subsist, there must be a staunch financial system to back it up. Furthermore, this can be seamless and effective if there is an uninterrupted power supply – as e-payment requires this to function.

Financial literacy levels, especially in rural settlements, are still a matter for concern. The acceptability of new age payment solutions, which are an important tool for driving financial inclusion, also depend on the financial literacy of the general populus.

Under the right set of circumstances, innovative cashless payments have the potential to transform economic activities and achieve multiple developmental goals.

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dentsu

CIO Considerations

Aligning tech and business drives pandemic recovery by Paul Stemmet

ALIGNING TECH AND BUSINESS DRIVES PANDEMIC RECOVERY

by Paul Stemmet

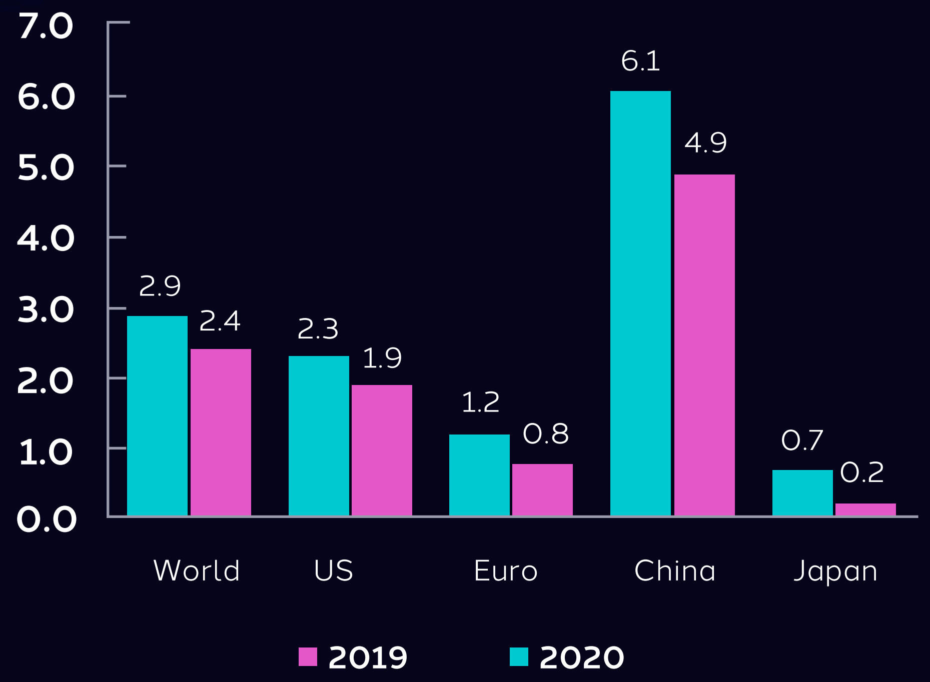
Summary

The economic recovery from the COVID-9 pandemic is set to be powered by rapid changing technology and purchase behaviour changes. Chief information officers (CIOs) are pivotal in this regard, as they provide the link between business and IT.

To take business on this journey of digital transformation, digital skill sets are required by business stakeholders.

Introduction

Revising global growth forecasts



OECD downgraded its 2020 real GDP growth projections for almost all economies on back of anticipated economic slowdown

"Covid-19 is likely to cost the world economy $1 trillion and has put tremendous pressure on an already struggling financial sector."
(EY, 2020)

Source: OECD

Introduction

The role of the CIO has been brought to the forefront during the COVID-19 pandemic, when businesses were forced to adapt rapidly and change their process to work quickly within the realm of the new “normal”. Automation and the ability to sustain remote work have been two of the most prominent tasks adopted by CIOs over this time (Gartner, 2020), when the finance sector alone saw a 65 percent increase in remote work to 70 percent, as per fig.1 (McKinsey, 2020).

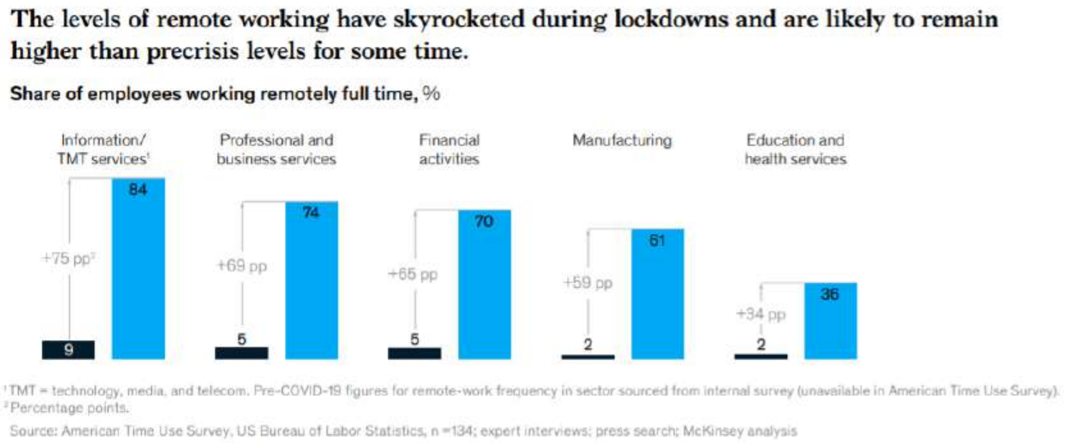


Figure 1: % increase in remote work

The pandemic has also spotlighted the urgent need for an increase in digital business skills (Gartner, 2020). The unprecedent pace of change has highlighted how the finance sector needs need digital skills and training to support its business and future strategies.

How we help clients?

DDL is a consultancy firm focused on marketing technology, data and technology management that aims to deliver better analysis and insights for our clients on their audience, media and sales data.

We offer holistic and technical independent consultations which are tailormade to each customer's business vertical, data and technology infrastructure objectives and purpose.

Our people-based marketing and data approach drives better business results, in a world where data is an increasingly important competitive tool.

Our team of data scientists, data engineers and audience analysis specialists collaborates with companies in a very close partnership. This enables them to steer financial services companies in the right direction when it comes to collecting, analysing and utilising their data; telling their brand stories; and in the one-on-one experiences most financial services companies are trying to provide for the end customer.

The changing landscape post-pandemic

There has been a rapid shift in consumer patterns towards digital channels over the last 12 months (even before COVID-19), with 21 percent of consumers in the US finance industry now using digital channels for the first time ever. Engagement via digital is, in fact, up to 73 percent in the country (McKinsey, 2020) as per figure 2.

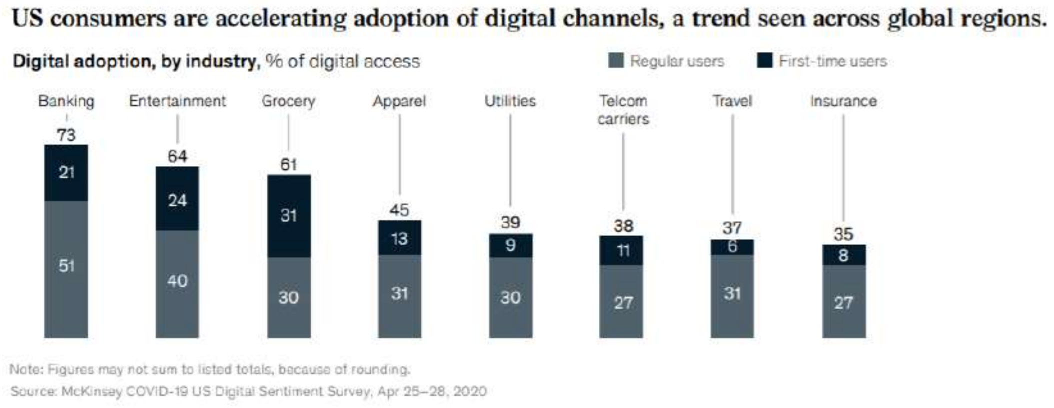


Figure 2: Us Digital Sentiment 2020 **(McKinsey, 2020)**

The changing landscape post-pandemic

According to Andre Pronk, chief technology officer of Hippo, “We have moved a large number of call centre agents online ... and would not move them back once this returns to normal”.

This is in line with countries that are already moving towards recovery, with overall consumption patterns remaining uneven. (McKinsey, 2020)

With the push towards more digital channels, customer user experience is taking precedent and tech chiefs are expected to focus more on consumer technologies for customer and employees (Castellanos, 2021).

In addition, CIOs have begun wading deeper into product development. Pronk highlights that at Hippo, the technology team has always been involved in product development and its life cycle. This approach, he says, allows for a more seamless roll out and the connection of products with company and business targets.

CIOs have to align their workforce and budgets to support new business demand and requirements.

Opportunities emerging for financial institutions

1. Achieve a lower and more agile cost base

2. Increase workforce flexibility

3. Maximise customer access

4. Ensure a fully digital enterprise

New digital capability post-pandemic

(McKinsey, 2020) highlights four steps aimed at launching, improving and sustaining digital capability and advantages that have been built during the pandemic.

New digital capability post-pandemic

1. REFOCUS DIGITAL EXPECTATIONS TOWARDS CUSTOMER EXPECTATIONS

It's important not to mistake a company's business objectives with those of the client's user experience. The crisis has put tremendous pressure on companies to drive financial and operational efficiency, while the drive towards digital channels is happening at lightspeed. It's important not to confuse an organisation's optimisation requirement with the user experience, forcing the user to adapt to new channels that are not beneficial to their experience.

2. USE NEW DATA AND AI TO IMPROVE BUSINESS DECISIONS

Large data sets have accumulated over the years, due to companies collecting data from every interaction with the customer. This, however, has presented its own unique challenges, with businesses often unable to make sense of or explore these quantities of data. Fortunately, artificial intelligence (AI) and human machine assisted technologies allow businesses to train and model decisions – such as for what-if scenarios, next best product modelling and user retention models – and to take decisions rapidly to adjust business process and automation.

New digital capability post-pandemic

3. SELECTIVELY MODERNISE TECHNOLOGY CAPABILITIES

Selecting and implementing IT solutions have historically been costly, demanding years of time and investment in capital expenditure, and with limited capability to adjust direction at any moment – such as when market direction and trends change. Cloud computing, cloud API and microservice present a framework and way of working through which a CIO can focus, right size and zone in on selected big wins. This is a view Pronk confirms related to when Hippo Insurance expanded its cloud infrastructure (it's call center already having moved into the cloud previously.)

4. INCREASE ORGANISATIONAL DRUM BEAT

The world has changed forever, with organisational speeds in changing and adapting becoming the new normal. The challenge is likely to be how they will set about maintaining these speeds and levels of agility. Companies with flatter, more agile organisational structures have shown a greater ability to adapt to change. This is again illustrated by Hippo Insurance, with its small integrated team, ability to rapidly take decisions and adapt to market circumstances.

Misalignment between business and IT

Now that we've establish what it would take to drive permanent change within a financial organisation, let's investigate the skill sets needed to drive this change. Although increasing digital skills inside companies was already a priority pre-COVID-19, the epidemic has necessitated an even faster turnaround.

(Gartner, 2020) reveals that digital skills are one of the most important types of skills or "languages" needed by C-Level and traditional business stakeholders within finance.

These digital skills allow employees to leverage technologies that augment work by automating process. For example, AI forecasting tools and process automation systems have been found to assist tremendously in finance-related activities.

Gartner emphasises that to bridge this gap between business expectation and IT, a digital training curriculum is of the essence.

Dentsu's services offering for CIOs

DENTSU DIGITAL CURRICULUM

As the marketing and communications world becomes increasingly data driven to meet growing customer expectations, Dentsu Data Labs are focused on ensuring our people and clients are set up for success. Together with our customer experience experts, our aim is to **create Master Data Consultants (MD)** across sub-Saharan Africa (SSA) to accelerate business by means of a common language and understanding of digital and data capability.

Dentsu's services offering for CIOs

Design and automation of existing processes

When designing a product, it's imperative to take into account the full user experience, as well as how automation can cut costs in establishing customer trust. Dentsu can assist by relooking your existing processes, with the use of visualisation.

Risk management

One of the most important factors in product design is establishing an understanding of product risk, its data and the compliance associated with it, and how it can be implemented and localised. Dentsu offers a bespoke auditing capability tailored to tackle this aspect of risk management.

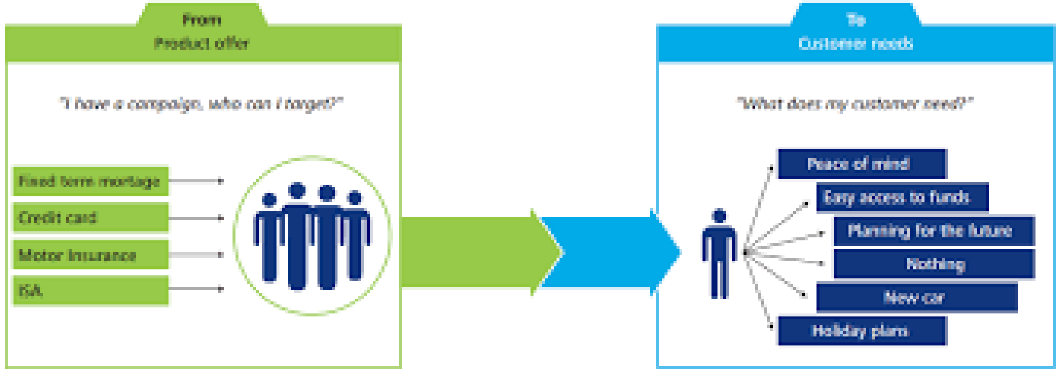
GDPR Readiness

DESCRIPTION	MAX SCORE	GDPR SURVEY SCORE
Do you store sensitive information	10	2
Do you keep date stamps on the data	10	0
Do you have a data policy	10	0
Is the data stored securely	10	2
Is there a process for deleting data	10	0
Do you have document of consent	10	5
Do you have a data officer	10	4
TOTAL	**70**	**13**

Controls in digital

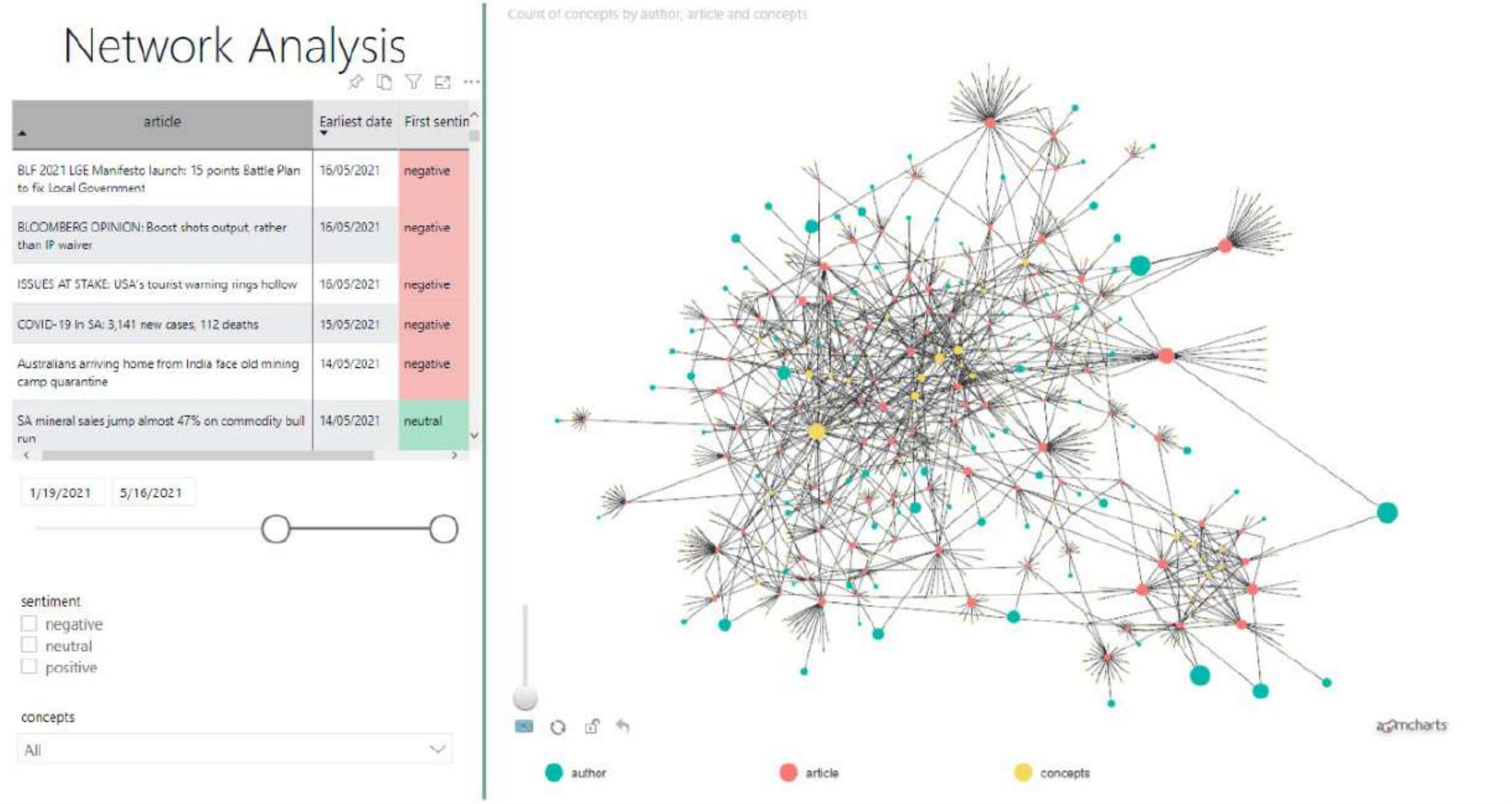
Understanding the kind of data being collected across an organisation and the IT systems that can control, visualise and drive decision support allows business stakeholders to create the stories and narratives around the digital controls that, in turn, drive efficiency and compliance. Advance analytics for decision making

It's vital that business decision makers understand and use the advanced analytics capabilities offered by their IT departments to drive decision support and input. This enhances the speed of decision making, as well as directional changes.



Data visualisation and storytelling

Visualisation and the ability to convert data into narratives / stories that easily translate across an organisation are two of the most important digital skills that have emerged recently.



Creating value through digital business models

Organisational processes and systems are rapidly becoming obsolete because they no longer add value. It's mandatory for businesses to inject new ideas into their operational models, by embracing a new digital way of doing things (Zott, 2017).

Dentsu can assist in transforming your existing business models into digital first channels.

SUMMARY

Partner with Dentsu through our focused Master Data Consultancy curriculum to infuse digital skills across your business and to drive long-term sustainable digital transformation.

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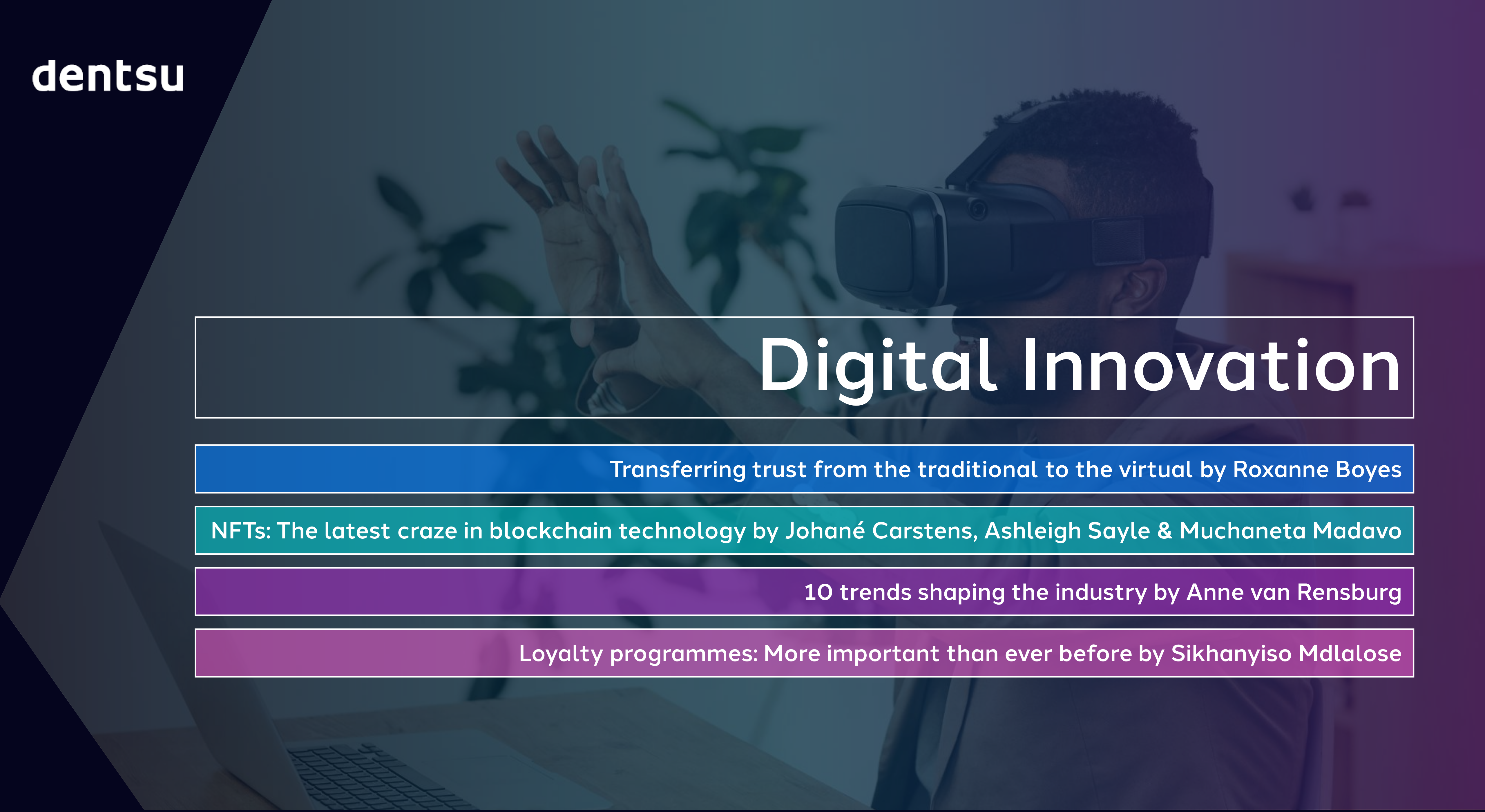


Digital Innovation

Transferring trust from the traditional to the virtual by Roxanne Boyes

NFTs: The latest craze in blockchain technology by Johané Carstens, Ashleigh Sayle & Muchaneta Madavo

10 trends shaping the industry by Anne van Rensburg

Loyalty programmes: More important than ever before by Sikhanyiso Mdlalose

TRANSFERRING TRUST FROM THE TRADITIONAL TO THE VIRTUAL

by Roxanne Boyes

Transferring trust from the traditional to the virtual worlds

At present we are living across two parallel dimensions, the real and the virtual, and we do this so seamlessly that we've tricked ourselves into thinking it's all one.

But these worlds are not the same. One is governed by systemic social norms, powers and traditional systems, whereby the other is being co-created by us, for us, to the point where we insist on doing almost everything online.

For industries, this can be both exciting, to imagine endless possibilities, and daunting, to imagine the unknown that lies ahead. However, the financial services industry is leaning ever so slightly towards the latter as the virtual world creates its real-time replacement – decentralised finance and cryptocurrencies.

The exponential growth of cryptocurrency witnessed within its first five years, from a piece of free social technology software to an internationally known concept, valued equally to gold, signals a shared desire across populations for an alternative option to traditional money and governing monetary authorities.

CRYPTOCURRENCY

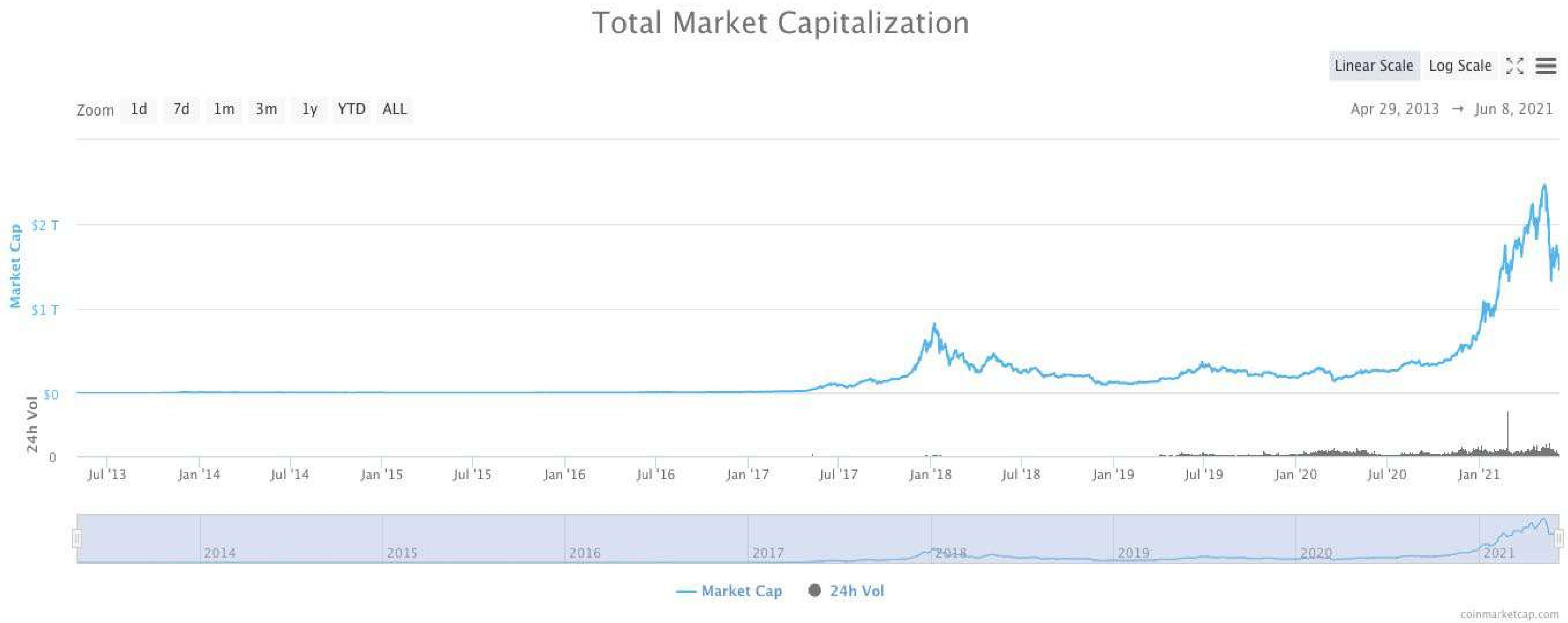
noun

1. a digital currency in which transactions are verified and records maintained by a decentralised system using cryptography, rather than by a centralised authority. "Decentralised cryptocurrencies, such as bitcoin, now provide an outlet for personal wealth that is beyond restriction and confiscation"

Cryptocurrency

The upward trend, surrounding the value of crypto that we continue to see today, is said to be far from a bubble, but in fact an inevitable evolution within the financial industry that will gain more traction still. It is one that traditional banks are highly recommended to take note of and to evolve with in order to maintain the market.

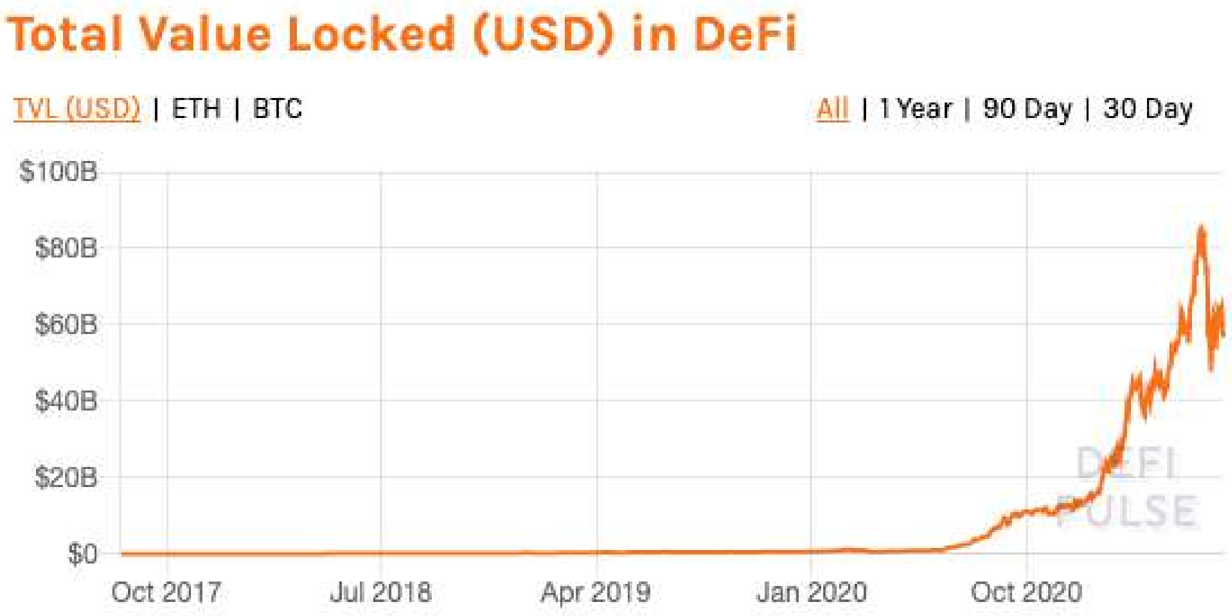
Cryptocurrency



Source: https://coinmarketcap.com/charts

Cryptocurrency

This evolution tends to become more interesting and complex, the more one explores it. However, despite the myriad of layers and questions surrounding it, one unexpected element in particular grabs our attention: a shared pain point, present across both DeFi and banking, that reveals an opportunity for the side that can solve it first.



Source: https://defipulse.com/

Cryptocurrency

This shared pain point revolves around a deeply embedded human emotion that is difficult to earn and keep, easy to lose, and extremely challenging to win back if lost. This emotion is trust – and the ability to build, maintain and harness it, primarily in the new virtual world.

Both sides are lacking in it, but both need it to survive and grow into the future. Because consumers have a choice surrounding the allocation of their hard-earned money for the first time in decades, they will no doubt sway towards where their trust takes them.

"76% of CEOs say citizen trust is critical to business competitiveness. A new model that facilitates trust among everyone involved – businesses and consumers – is now a requirement for the new digital era."

The current areas of trust and distrust are displayed differently across the two categories, which highlights different jobs to be done – some larger than others:

Crypto Currency

TRUST (+)

- Consumers trust that the large traditional authorities are not involved.
- They trust that they have more control over their money and the chance to manage it more efficiently, and effectively, than banks with various options available to them – one being stable coins that are pegged to gold / dollars / yen / a basket of major currencies.
- They trust that it is a diversification from 'the system'.
- They trust that it will very likely continue to grow and become part of life as we know it.

DISTRUST (-)

- Consumers' lack of understanding surrounding the technology and cyber security creates uncertainty.
- Coin value volatility tends to reflect large swings, as a result of speculation.
- Many project teams are anonymous, with no centralised entity from which to seek recourse. A lack of traditional regulations and governance could result in losing all of one's investment in the form of a 'rug pull', whereby crypto developers abandon a project and run away with the money.
- The newness of crypto currencies in itself plants an element of mistrust, until it stands the test of time – which lasts more than just a few years.

Traditional Banks

TRUST (+)

Consumers trust that the longevity of traditional banking systems and governing authorities will not disappear overnight with all of their savings.

Consumers trust that banks are a safe angle of diversification, alongside crypto.

Consumers trust that banks offer stability in an array of areas such as retirement annuities, loans, etc. Consumers trust brands.

Consumers tend to trust what they know and are familiar with, and have relied on in the past, as opposed to the new and unfamiliar.

DISTRUST (-)

Consumers are skeptical as to whether banks are handling and investing their money most effectively.

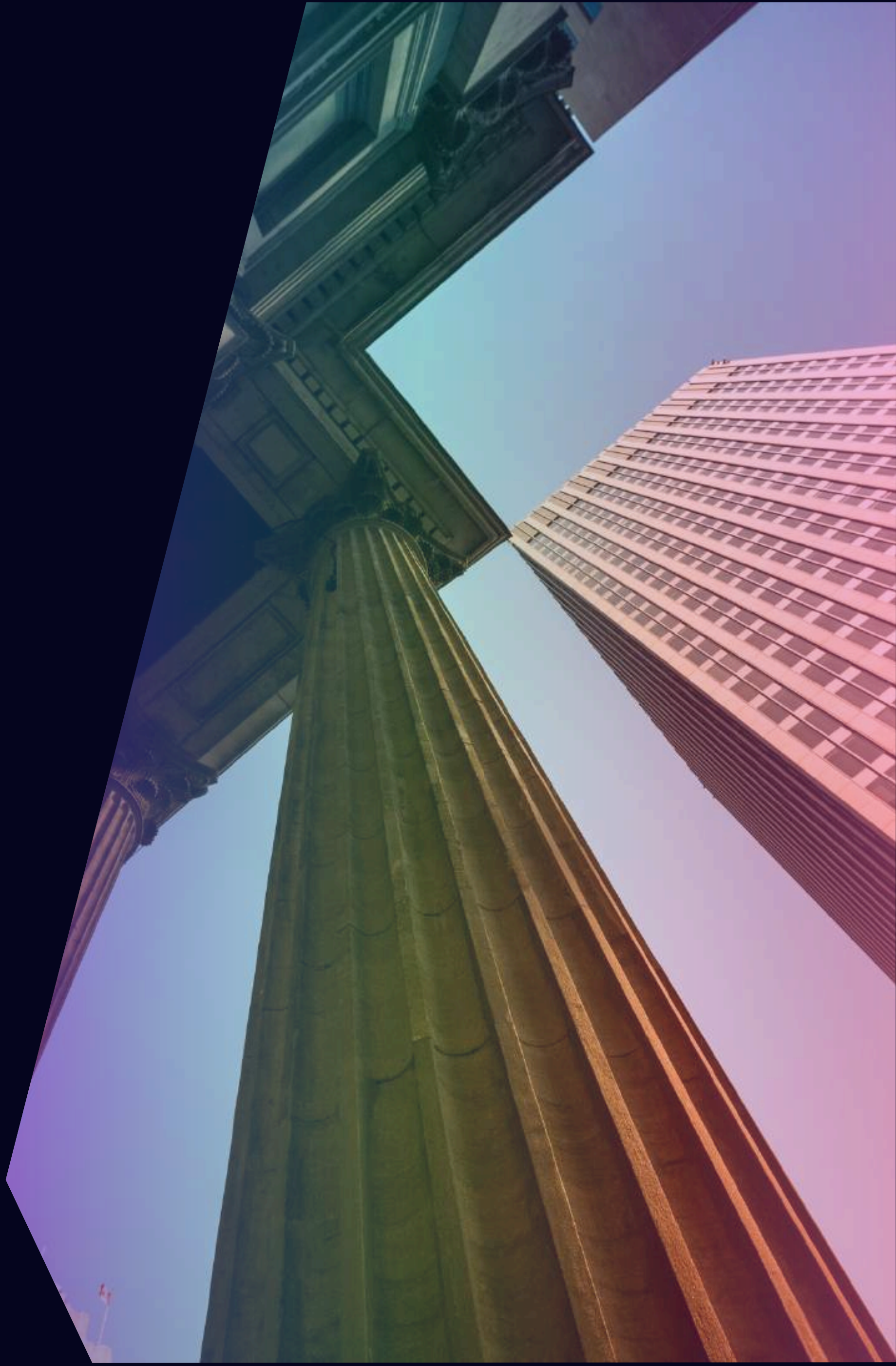
Consumers question if banks are acting in their best interests.

Consumers are not all convinced that traditional banks are necessarily the best option when alternatives – such as crypto – are coming up as viable options with higher returns and greater flexibility and control of their assets.

Traditional Banks

Looking at the scale of trust-based challenges facing each, traditional financial institutions have a clear and critical window of opportunity. Their longstanding trust foundations are already in place, whereas trust in decentralised finance systems is still in the process of being developed and secured on a global scale. This will naturally take time, given the current concerns – one of which is the possibility of losing an entire investment in a matter of seconds with absolutely no recourse.

While crypto tries to bridge this gap of consumer buy-in and increased trust, banks can actively reconnect with and reassure consumers, building on the foundations already in place. If done well, banks have the unique prospect of not only strengthening their positions but an added opportunity of playing across both spheres – diversifying business streams just as consumers become keen to diversify their investments.



Now that these promising prospects of building trust for traditional banks have been established, where do we start with the actual building of interpersonal trust in a virtual domain?

This is where UTU comes into the picture, a startup trailblazing in the trust arena.

UTU has built trust models based on the very origins of trust, these being authentic relationships and connections with those we most relate to. These dynamics are then remodelled to fit within the new digital constructs of our virtual lives, using data-based algorithms to make meaningful matches that matter most to an individual when in the process of making a decision. For example, choosing a babysitter online who was recommended by your sister and best friend, as opposed to considering a babysitter who was recommended based on a star rating by strangers whom you have never met and who are likely to have completely different standards and expectations from you.

Link to interview: https://www.youtube.com/watch?v=z1fwZ34RVec
(Meet the founder of UTU, Jason Eisen)

Traditional Banks

As we continue to explore ways in which banks can build more trust into their infrastructure, with a growing understanding of the arena, our Sustainable Business Strategy director, Roxanne Boyes, discusses the practical products and processes available to clients that are centered around five key focus points:

BUILDING SOCIAL TRUST

- Maintaining consumer trust in financial service authorities
- Using trust to expand and build on current services
- Market expansion and maintaining authentic trust in the virtual world
- Making trust part of media and marketing practices

BUILDING TECHNICAL TRUST

Linking data management and consumer control for elevated trust and transparency among target consumers

Link to interview: https://www.youtube.com/watch?v=F4baJ8v4nhs
(In conversation with Roxanne Boyes Managing Director, Vizeum Kenya & Jason Eisen of UTU)

The possibilities are truly endless within this domain. While almost everyone is scrambling to build a better understanding within this territory, the most important thing is to make a move – big or small – that incorporates this new technology and the opportunities it presents into the way we choose to move forward. Critical to all the above, is not to forget the underlying human truths that drive people, behind the platforms, where the highest valued social currency is TRUST.

NFTS: THE LATEST CRAZE IN BLOCKCHAIN TECHNOLOGY

by Johané Carstens, Ashleigh Sayle & Muchaneta Madavo

NFT's – What are they?

The latest craze in the ever evolving and sometimes difficult to follow world of blockchain and cryptocurrency is NFTs or Nifty's. NFTs are currently taking the digital art, gaming and collectibles world by storm, with some being sold for millions of dollars. Some speculate that they may even be the future of digital payments, but what are they exactly? And is this just a fad within the art industry or could this revolutionise the way transactions are made?

An NFT is a Non-Fungible Token – a collectible digital asset managed on a blockchain. But, unless you are a keen economist or crypto trader, this description is unlikely to make it any clearer. To better understand the term, it is important to address the elephant in the room: the meaning of "non-fungible".

Fungibility is an economic term that refers to the ability of the same type of goods or assets to be exchanged and interchanged with one another. A fungible object is one that is mutually interchangeable, indistinguishable, and replaceable by another identical item, whereas a non-fungible object is one that is unique and cannot be replaced or replicated.

Essentially, a Non-Fungible Token is a one-of-a-kind collectible digital asset that can be thought of as an encrypted digital certificate that can be attached to a piece of content to establish ownership, which can be bought and sold like any other piece of property but has no tangible form.

NFT's – What are they?

Dan Calladine's "Bitcoins are like banknotes, NFTs are like snowflakes" analogy may better explain this concept. Bitcoins are fungible like banknotes – each one is exactly the same as the other and can easily be exchanged at equivalency. The value of $100 remains the same whether it is made up of one $100 note or of two $50 notes. Comparably, one Bitcoin can be easily exchanged for another Bitcoin. On the other hand, NFTs are unique like snowflakes; no two are the same and they cannot be interchanged for one another, making them non-fungible.

Still confused? NFTs can take on a multitude of forms – including unique digital artworks, unique sneakers in a limited run fashion line, in-game items, digital collectibles, domain names, tickets that give you access to specific events, coupons, and so the list goes on.

Examples of NFT's

Below are a few examples of some of the most popular and headline-making NFTs that have been sold:

ART

Digital artist, Beeple's NFT titled "Everydays: The First 5000 Days" made history in March 2021 when it sold for over $69 million on auction at Christie's. This is currently the highest price an NFT has ever sold for. Prior to this historic sale, Beeple sold his art for as little as $100. The sale included a jpeg file made up of a digital collage of 5 000 daily futuristic images collated by the artist from May 2007 to January 2021, as well as a blockchain code. What the sale did not include was the copywrite ownership of the art. The copywrite holder remains the artist, Beeple, who has the right to continue to sell the images from his work for a profit.

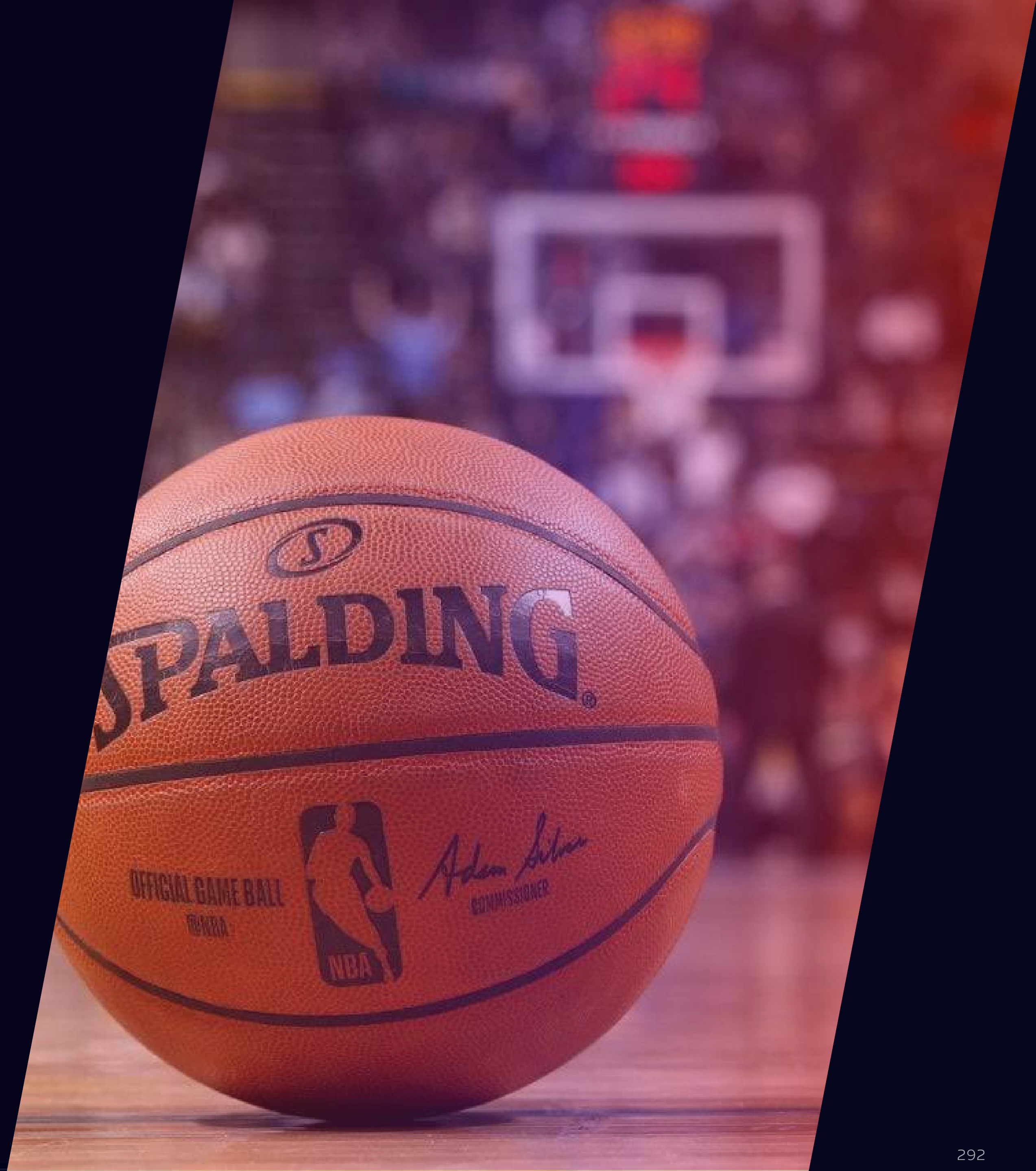
One of the most controversial NFT art sales has been the Fyre Festival logo, which was sold by festival founder Ja Rule for $122 000. The purchaser will receive the digital token, along with the original artwork commissioned for the festival.

Video

The beloved "Charlie Bit My Finger" viral video, which was one of the first on YouTube to cross over into mainstream culture, has been removed from YouTube and sold to the highest bidder as an NFT. According to the family behind the video, the NFT winner will become the "sole owner of this loveable piece of internet history" – all for only $760 999.

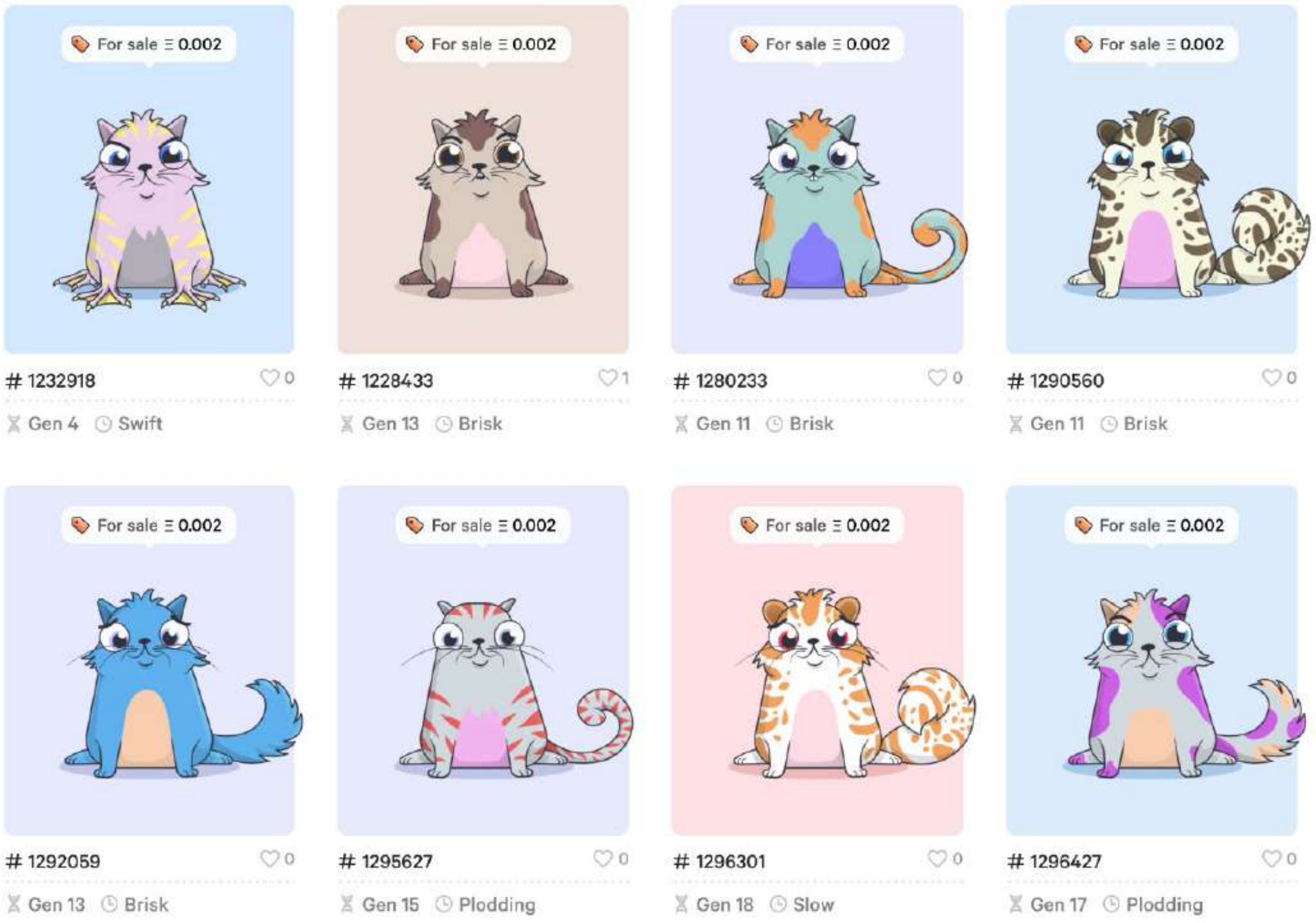
Collectibles

A few years ago, the NBA partnered with blockchain company Dapper Labs to create a new digital platform that is currently at the forefront of the evolution into sports collectibles. NBA Top Shot is an NFT marketplace where fans can buy, sell and trade NBA highlight videos, essentially acting like a new age trading card. Top purchases include a Lebron James dunk against the Houston Rockets – which sold for over $387 000. Unlike the Charlie Bit My Finger video above, which has been removed from YouTube, the NBA Top Shot videos are free to watch on the same platform.



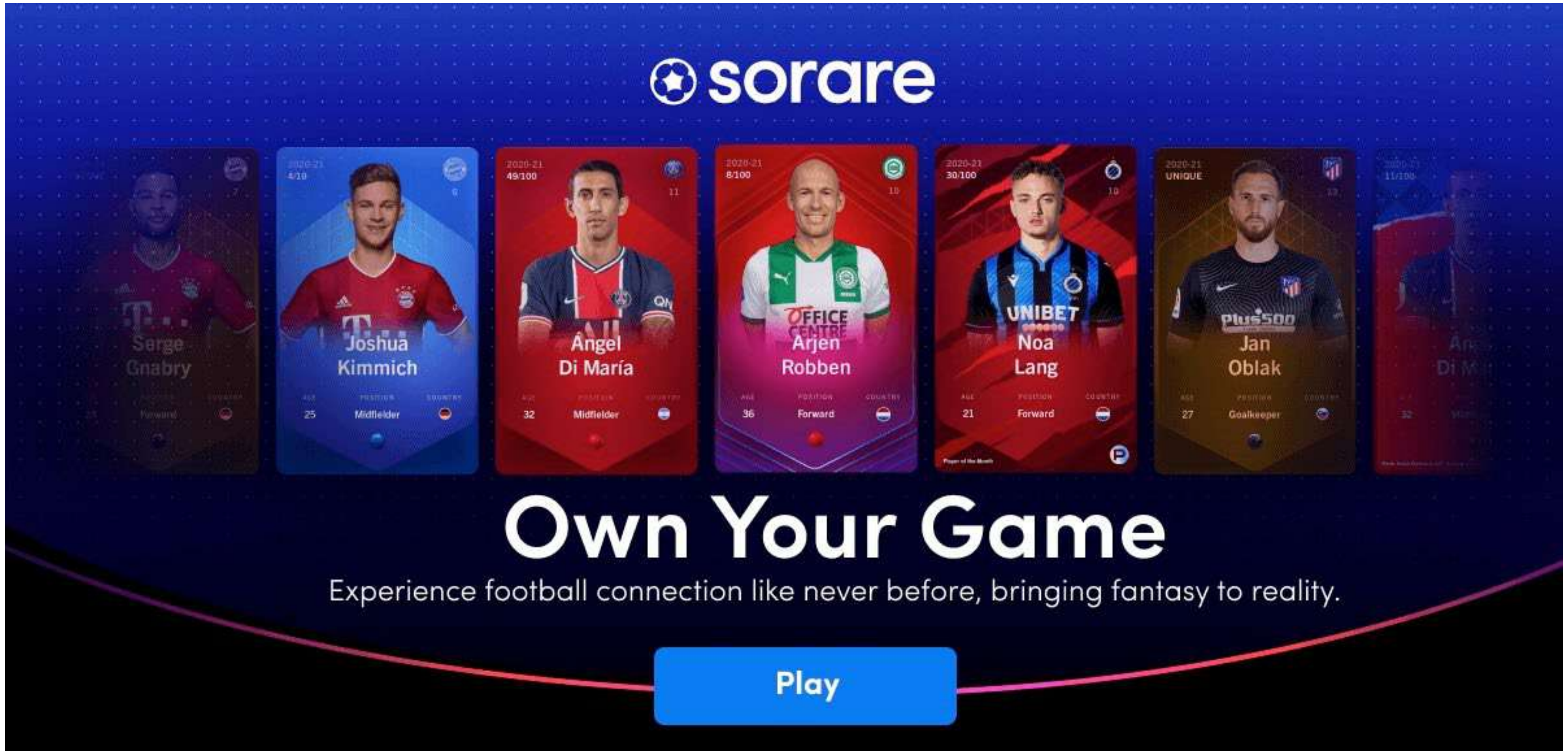
Collectibles

One of the most famous collectible games and first causes of the NFT boom was a game called CryptoKitties, which allowed users to purchase, collect, breed and sell virtual kittens. Each kitten is one-of-a-kind with a digital genome that is stored as an NFT, so it cannot be replicated or destroyed and is 100 percent owned by its creator.
In the most expensive sale to date, a CryptoKitty named Dragon was sold for over $170 000.



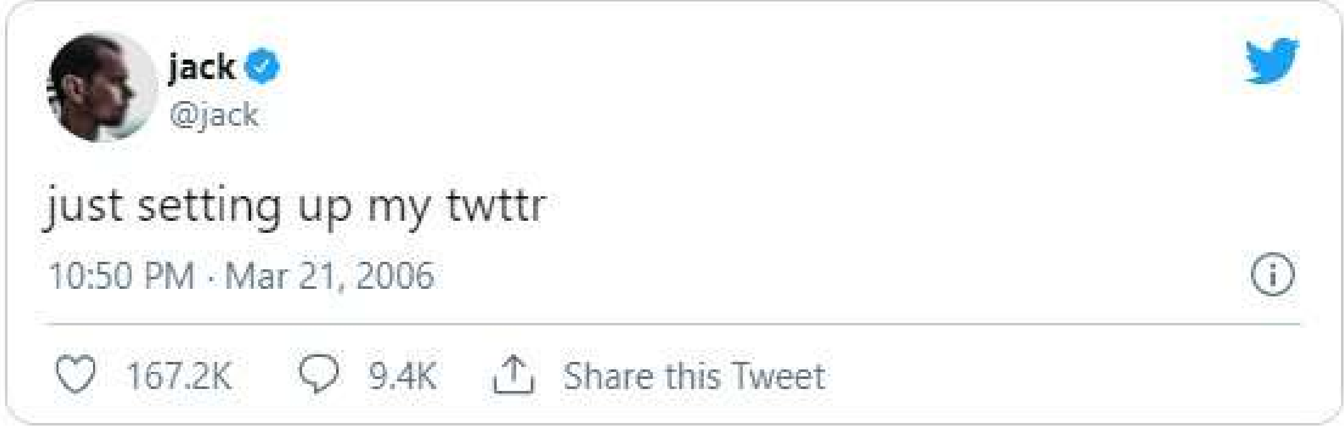
Collectibles

Ethereum-based football game Sorare allows users to collect and trade the digital cards of players in NFT form, featuring world famous clubs such as Liverpool and Real Madrid. The advantage with digital collectibles is that they retain their quality – as compared to physical collectibles that are sure to experience wear and tear.



Tweets

Jack Dorsey, co-founder and CEO of Twitter, sold his first-ever tweet as an NFT for over $2.9 million. While the tweet will live on, on Twitter, the winning bidder will own the NFT – which is essentially a virtual autograph, signed and verified by the creator.



Real Estate

There has even been debate as to whether NFTs have a place within the physical real estate niche. Recently, there have been multiple "virtual" real estate sales – such as the digital "Mars House" which sold for $500 000, as well as sales within virtual worlds such as Superworld and Decentraland. "Tokenising" property rights will certainly make the trade and management of them easier than the current transactions used to transfer property ownership.

Now that we have a slightly better understanding of what a Non-Fungible Token is, the question remains as to how they are traded and how their value gets assigned.

Since 2017, a total of $174 million has been spent on NFTs that can be bought and traded just like any other cryptocurrency. However, instead of buying a certain number of tokens, you are just buying one single token.

A variety of currencies can be used to purchase NFTs. The NBA Top Shot platform allows you to buy them with a credit card, but most platforms require you to use some form of cryptocurrency – such as Ethereum.

How NFT's are purchased and traded

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A variety of currencies can be used to purchase NFTs. The NBA Top Shot platform allows you to buy them with a credit card, but most platforms require you to use some form of cryptocurrency – such as Ethereum. There is also a multitude of platforms through which NFTs can be purchased, depending on what the buyer is looking for.

OpenSea, founded in 2018, is one of the world's first and largest digital peer-to-peer marketplaces for crypto collectibles and NFTs, with other popular marketplaces including Ethernity, Rarible and Superfarm.

Recently, it was announced that popular ecommerce site, eBay has plans to make NFTs available through the platform – with categories including trading cards, music, entertainment and art.

How NFT's are purchased and traded

A blockchain auction operates during allotted times and, once the winning bid is received, the marketplace connects with the new owner. This is mostly done by sending a verified link to their profile on the marketplace, since most of these sites do not provide access via traditional email.

As an NFT creator, you can set both the sale price and the maximum number of replicas of the digital creative work that can be sold. This allows sellers to maintain the scarcity of their product, thereby increasing the value of their product.

Smart contracts written into the code of NFTs allow the artist to code in royalties so, every time the NFT is resold, the creator will receive a percentage of the sale. There is also a distribution of funds, for the payment of royalties to the creator each time the work is resold.

The NFT seller will need to pay a "gas" or mining fee when listing their digital asset, which would need to be factored into the cost in order to make a profit.

How value is assigned

The value of an NFT is driven by consumer interest and, so, the value of each NFT remains in the eye of the beholder. NFTs can be bought or sold based on what others are willing to pay for them. Depending on what NFT you purchase, it may or may not be valuable in the future. For example, if you buy an NFT related to an online game, you could get special rewards in the game which has a once off benefit to the player. An NFT's value is set by the market and by demand. The rarer an object, the higher the demand. Essentially, each item sold as an NFT requires two characteristics: is it unique and can ownership be proven.

The biggest motivation behind the purchase of NFTs is the ownership of the virtual item. Even though the digital file can generally be viewed, downloaded, or copied by any internet user, NFTs grant the buyer ownership.

How value is assigned

As with physical artwork, the artist reserves the copyright and reproduction rights and can thus sell prints of their NFTs. However, this does not diminish the value of the artwork. When it comes to collecting art, ownership of the art is all that matters. After all, anyone can buy a print of a Rembrandt or a Matisse, but only one person can own the original.

Along with ownership, the buyer usually scores a few basic usage rights such as being able to post the image online or being able to set it as their profile picture. The purchase is also recorded in blockchain forever.

The question remains – is there a tangible benefit of purchasing NFTs aside from having ownership thereof? A few companies, brands and artists have connected NFTs to physical objects.

Recently, Kings of Leon became the first band to sell their latest album as an NFT. Their new album “When You See Yourself” is now available for purchase in limited quantities. The series of NF’s include exclusive audiovisual art, a special album package or front-row seats for life. The album will be released on all streaming platforms for anyone to listen in to or download, but only the NFT versions will include the special perks. In this case, the NFT becomes a golden ticket of sorts unlocking special access and benefits.

Nike has also jumped on the NFT bandwagon in a very interesting way, with the purchase of the domain “Nike CryptoKicks” opting to use blockchain and NFTs as an authenticity verification system. When a unique or limited-edition physical pair of Nike CryptoKicks are sold, the buyer also receives a digital (NFT) asset attached to a unique identifier of that specific shoe, verifying the authenticity thereof.

Benefits of NFT's

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Benefits of NFT's

However, the real potential of fashion-related NFTs lies in the widespread adoption of augmented reality wearables, such as Google Glass and Snapchat Spectacles. NFTs can be purchased to make a regular clothing item appear digitally enhanced through AR lenses – think flames flying off a jacket or animated sneakers. Unfortunately, augmented reality has been around for a while and has failed to catch on, making the roll-out of NFTs in this way unlikely.

NFT’s & Advertising

This then raises the question: can brands leverage the growing interest in NFTs to market their products?

The answer is yes, they absolutely can. And some brands have already done so. American fast-food franchise Taco Bell recently sold their digital taco art as a series of NFTs and donated 100 percent of the proceeds to their Taco Bell Foundation. The reason why this campaign was so successful is not only because this new technology drives user engagement, but also because the engagement can be tracked back to a user or media channel without the use of a cookie. This, in itself, is a win for advertisers in the new cookie-less era of digital marketing.

NFT’s & Advertising

With NFTs come new audience possibilities such as Crypto-fanatics and gaming, which are some of the world largest and most influential fandoms. Luxury brands such as Gucci are on the verge of delving into the world of NFTs and are gearing up to launch new virtual product lines to take advantage of the virtual consumer. These brands were behind on the e-commerce trend, which explains their eagerness to jump at this particular opportunity. At this point, it’s a race to see which fashion house launches their NFTs first.

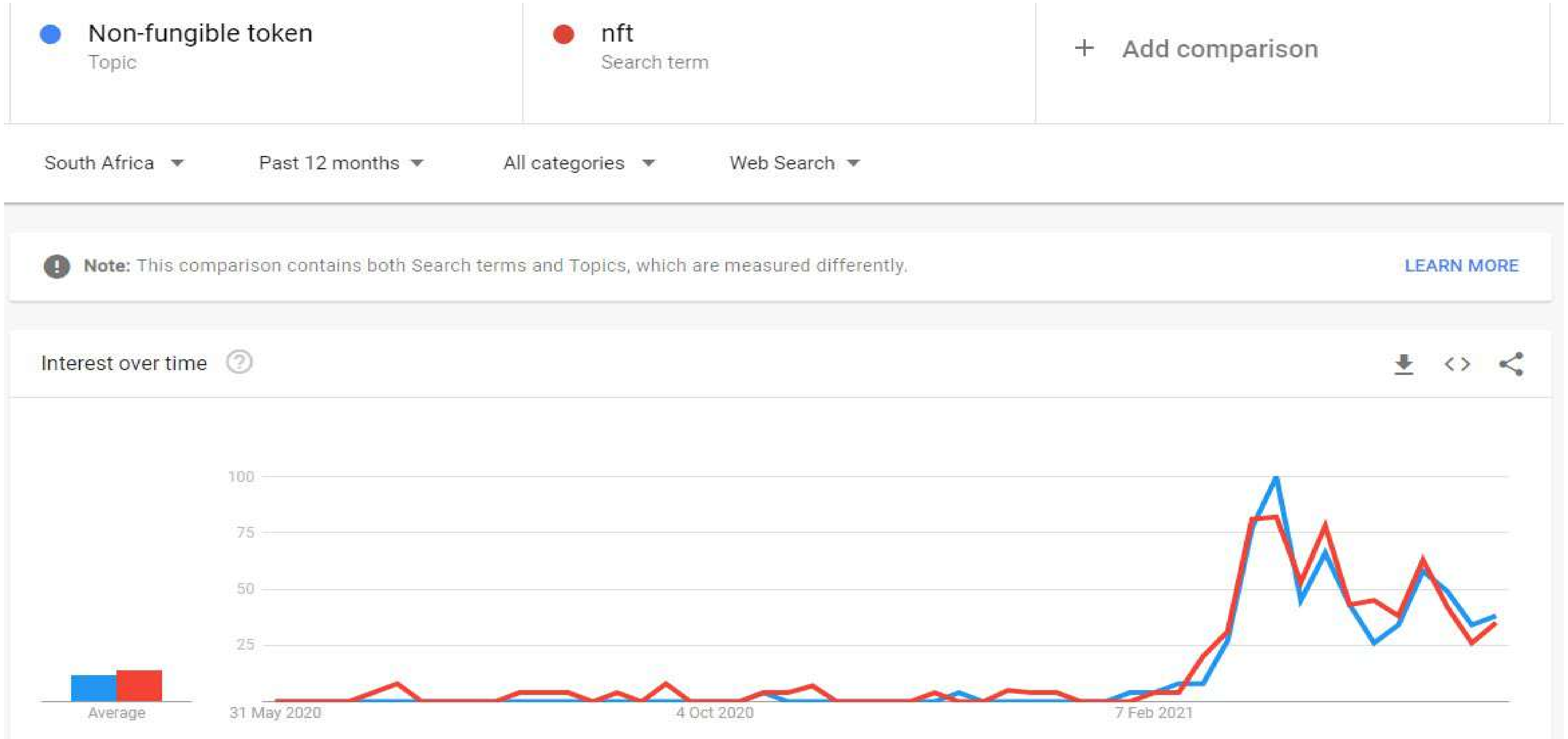
NFT's & Advertising

Luxury brands have experimented with virtual world creations, by designing in-game skins. Burberry recently created a skin for the multiplayer online battle game "Honour of Kings".

The skin showcases the signature trench coat and tartan fabric that the brand is so well known for. The reasoning behind this partnership is quite straight-forward: to leverage their vast audience of around 100 million daily active users worldwide. This kind of reach, paired with audience engagement, is hard to achieve. Unfortunately, the success was short lived as China instructed the suspension of the partnership and removed the skin from the platform; this was after Burberry joined the Better Cotton initiative and suggested that cotton from the Xinjiang region doesn't adhere to fair farming standards and practices.

NFT's in the region

The African region is starting to catch on to the NFT trend, and Google Trends show a spike in interest after the Beeple sale made headlines across the globe.



NFT's in the region

African art sales only make up one percent of the $50 billion global art market. However, a Kenyan-based photographer and filmmaker, Rich Allela, recently noticed the value of NFTs and their potential to grow the region's piece of the art pie. He therefore launched his first crypto art series, on 26 April, in partnership with Picha Images and hosted on OpenSea. Rich's work focuses on African culture and heritage, and only a handful of other Africans have sold NFTs. This includes Eliud Kipchoge, Kenyan marathon world record-holder, who sold video highlights of his career as NFTs for $50 000, as well as Jacon Osinachi, a Nigerian artist, who sold his artwork for $75 000.

South Africa has also recently jumped on the NFT bandwagon, with the launch of the local NFT platform Momint. It provides local content creators, artists and celebrities with the opportunity to monetise their digital assets. During the closed beta testing phase pre-launch, former Springbok rugby player Bryan Habana auctioned his own NFT for R150 000 – of which all proceeds went to the Bryan Habana foundation. As of 30 April 2021, Momint is open to all creators to sell their NFTs locally.

Weighing up the Pros & Cons

As with any investment and new disruptive technology, there are pros and cons to NFTs that need to be considered before parting ways with any hard-earned cash. Some of the pros include:

UNLOCKING NEW REVENUE STREAMS

The decentralised marketplace created by blockchain and cryptocurrency allows for the creation of new business models and unlocks new revenue streams in art, sport, gaming and technology. Here, the buyers are largely independent from the traditional marketplace as we know it, allowing them to revolutionise the way that creative work is sold.

RETHINKING OWNERSHIP

NFTs allow you to carry proof of ownership around in a digital wallet, acting like a key that can unlock a multitude of things within apps and in the real world.

ADDED SAFETY

Traditionally when ownership changes hands, one has to rely on a multitude of middlemen to facilitate the transaction. However, this will no longer be necessary in the future because transactions recorded on blockchain are reliable; the information cannot be altered, resulting in a more direct and transparent market. Ultimately, the immutability and security offered by blockchain technology provides advantages to all creators.

SMART CONTRACTS

A set of commands on the blockchain (executed without human intervention and meeting certain verifiable conditions) can be used in place of lawyers and escrow accounts to automatically ensure that money and assets change hands. They have also been put in place to ensure that both parties honour their agreements, so that the NFT artist or creator can get royalties or commission should the token be resold.

Weighing up the Pros & Cons

On the other hand, a few of the cons include:

DEBATABLE SCARCITY

While NFTs certify the purchaser's ownership of a unique instance of a digital file, often other unique instances created. Looking back at the sale of Jack Dorsey's first tweet, this is comparable to buying a copy of the tweet with a unique and non-alterable ID number, but not to actually owning the original tweet.

THE ENVIRONMENTAL COST

NFTs and blockchain are currently inextricably linked. The non-fungible token concept started on Ethereum, one of the world's most energy-intensive blockchains, raises environmental concerns. The energy consumption required to mine Bitcoin and Ethereum is likened to the annual carbon emissions of Ecuador and is on track, at this growth rate, to equal the city of London's energy consumption. Recently, Elon Musk even went so far as to announce that Tesla would no longer be accepting Bitcoin as a payment method due to the adverse environmental impact that it has, and there have been a few cases where artists have decided not to sell NFTs due to the effects they could have on climate change.

While the platforms facilitating these transactions are ever evolving and have promised to shift to less-energy intensive and more sustainable standards for validating transactions, as things currently stand the positive economic benefits do not outweigh the drastic long-term environmental damage.

Weighing up the Pros & Cons

THE BUBBLE EFFECT

Particularly within the art industry, the NFT craze could be a bit of a bubble. Digital artist, Beeple, who sold a piece for $69 million recently even admitted to this, stating that he sees investing in NFTs as a “huge risk” and “even crazier than investing in crypto”. His views indicate the uncertainty of their future value. There have already been price declines, during April 2021, in the average price of NFTs, and this uncertainty may result in big losses for investors.

ART THEFT

One of the growing issues related to NFTs is art theft. Recently, stories have emerged about artists discovering that their work has been registered as an NFT and thus sold in online marketplaces without their consent.

BARRIERS TO ENTRY

The underlying technologies associated with NFTs may currently be too complicated for a layperson to understand and utilise for themselves. For NFTs to become more widely adopted, simplification is needed to ensure that they are easier to use for people who do not know much about blockchain.

The future of NFT’s

The future of NFTs in unclear, but this speculation-fuelled market is expected to exceed $1.3 billion by the end of 2021 as more artists, creators and brands vie to create their own distinctive tokens; blockchains compete to produce better NFT services; and the range of platforms through which these transactions can be facilitated expands.

In all likelihood the NFT fever will eventually simmer down, but we have to be careful about dismissing NFTs as a passing fad. Whether or not this investment concept is about to burst, bubbles accelerate the adoption of and investment into new technologies. Also, the importance of these innovations often become clearer once the hype dies down.

This is illustrated by US consultancy Gartner’s hype cycle, showing the typical progression of a new technology.

The Future of NFT's

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10 TRENDS SHAPING THE INDUSTRY

by Anne van Rensburg

Top Trends

1. Customer experience in banking
2. Neo banks and central banks
3. AI, smart speakers and voice banking
4. Attracting Gen-Z
5. Privacy in a cashless future
6. Mainstream cryptocurrency
7. Trust in financial services
8. Open banking
9. The future of customer engagement
10. Mobile banking

1. Customer Experience in Banking

With lockdowns throughout 2020, meaning that most financial services had to be performed online, a sharp focus has been thrown onto the customer experience in banking.

A growing trend across many industries is the increased personalisation of services, utilising the vast volumes of data collected to offer products and features that are tailored to an individual's unique needs.

The modern customer demands a more personal and catered service, and one that can be provided to them exactly when they want it, typically at the click of a button. As they say, the customer is king, and there is no exception in financial services.

2. The Age of Neo Banks

COVID-19 has brought with it key changes that have dramatically boosted the need for comprehensive digital-banking capabilities. Its expected that neobanks will play a hugely important role within the global banking industry during the next few years.

A key advantage of neobanking is the ability to quickly adapt to customers' changing needs and wants; needs that may be brought about really quickly in the uncertain times brought on by a pandemic.

With their business models focused entirely on the digital world, perhaps the biggest advantage neobanks hold over traditional financial institutions is that there are no physical bank branches to monitor—or, indeed, to close down. Neobanks thus represent a tempting alternative to traditional banks by offering virtually the same range of products and services to customers without the need for them to visit a branch.

A **neo bank** (also known as an online bank, internet-only bank, virtual bank or digital bank) is a type of direct bank that operates exclusively online, without traditional physical branch networks.

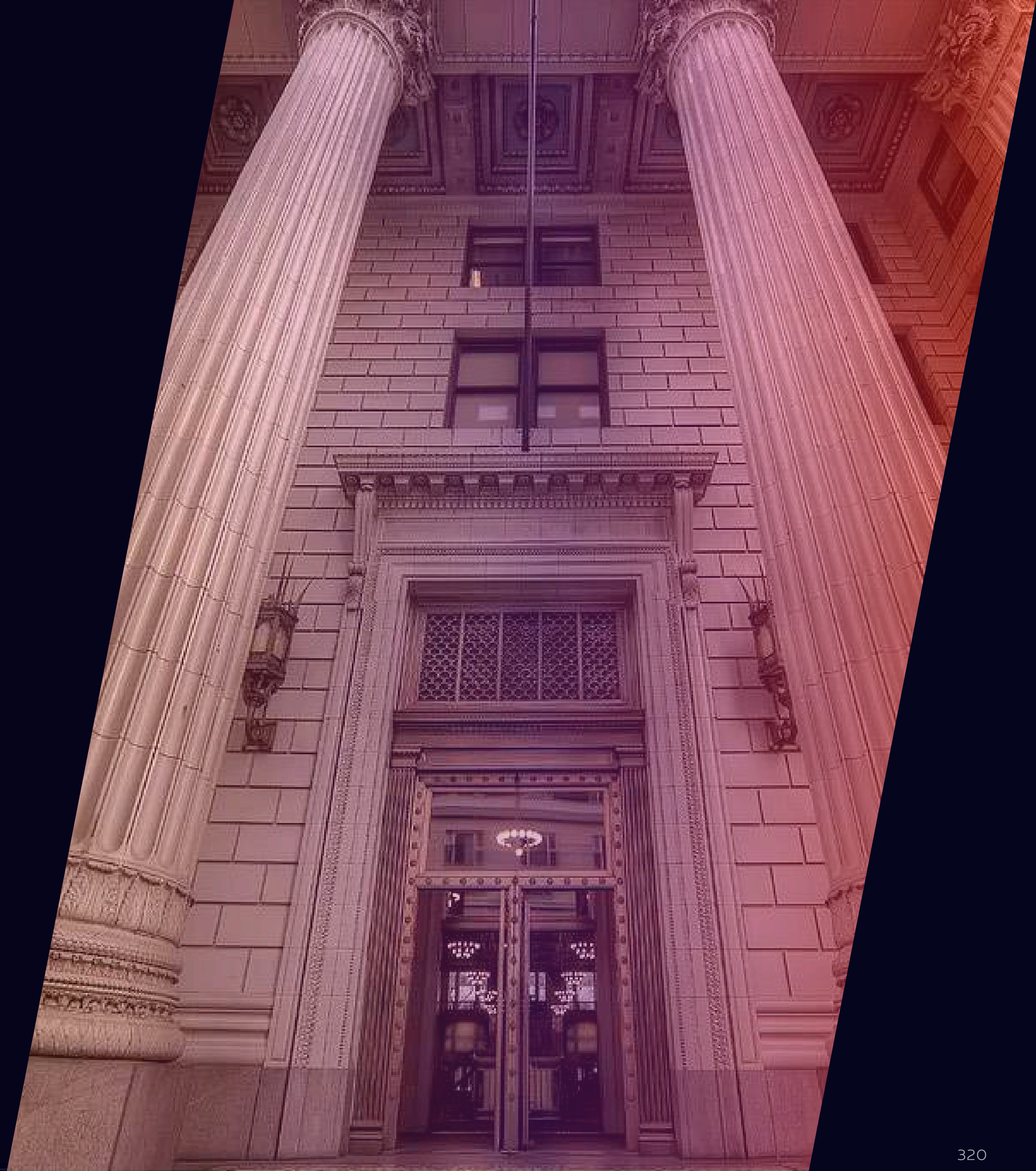
Leading Neobanks in Africa

- Eversend (Uganda)
- Chipper-cash (Uganda)
- SOL Wallet (South Africa)
- Lidya (Nigeria)
- Piggyvest (Nigeria)
- Cowrywise (Nigeria)
- 7Aweshly (Egypt)

Central Bank Digital Currency (CBDC)

Back in March 2020, the Bank of England published a discussion paper around the introduction of a Central Bank Digital Currency (CBDC) – a new digital payment instrument that could be used to make payments by households and businesses alike. This was done in response to the continuing decline of cash over the last few decades and the rise of private cryptocurrencies, such as Bitcoin.

Central Banks are traditionally very slow to change their policy and innovation is rarely prioritised over stability, but here we could be seeing a break from the norm with a recent study revealing how 80% of Central Banks are actively investigating the concept.



3. Voice Banking

“Within financial services, voice technology is going to be so much bigger than using a smart speaker to buy something. And its significance is [going to be] so much greater than the novelty of members being able to use their Amazon Alexa or Google Home to ask, 'What’s my account balance?' For credit unions, the magic of voice technology isn’t about the device … The magic is in how it transforms your members’ relationships with their money and [with] you.

"Yes, consumers will be empowered to purchase, subscribe, buy and reserve using their voices, but the biggest draw of AI-backed voice technology is [going to be] the ability to engage members like never before. And technology that enables intelligent interactions with members, when they’re away from the branch, is [going to be] even more vital during and after the pandemic”.

Michael Boukadakis is the CEO of fintech ENACOMM

Are you there Siri? It's Me, Thandi

As technology inches closer to being humanlike, we've seen it replace various types of jobs and services once performed by human workers. The next evolution, however, is likely to be aimed at providing social interaction and companionship.

At this point, nothing exemplifies the replacement of human interaction with technology quite like voice assistants.

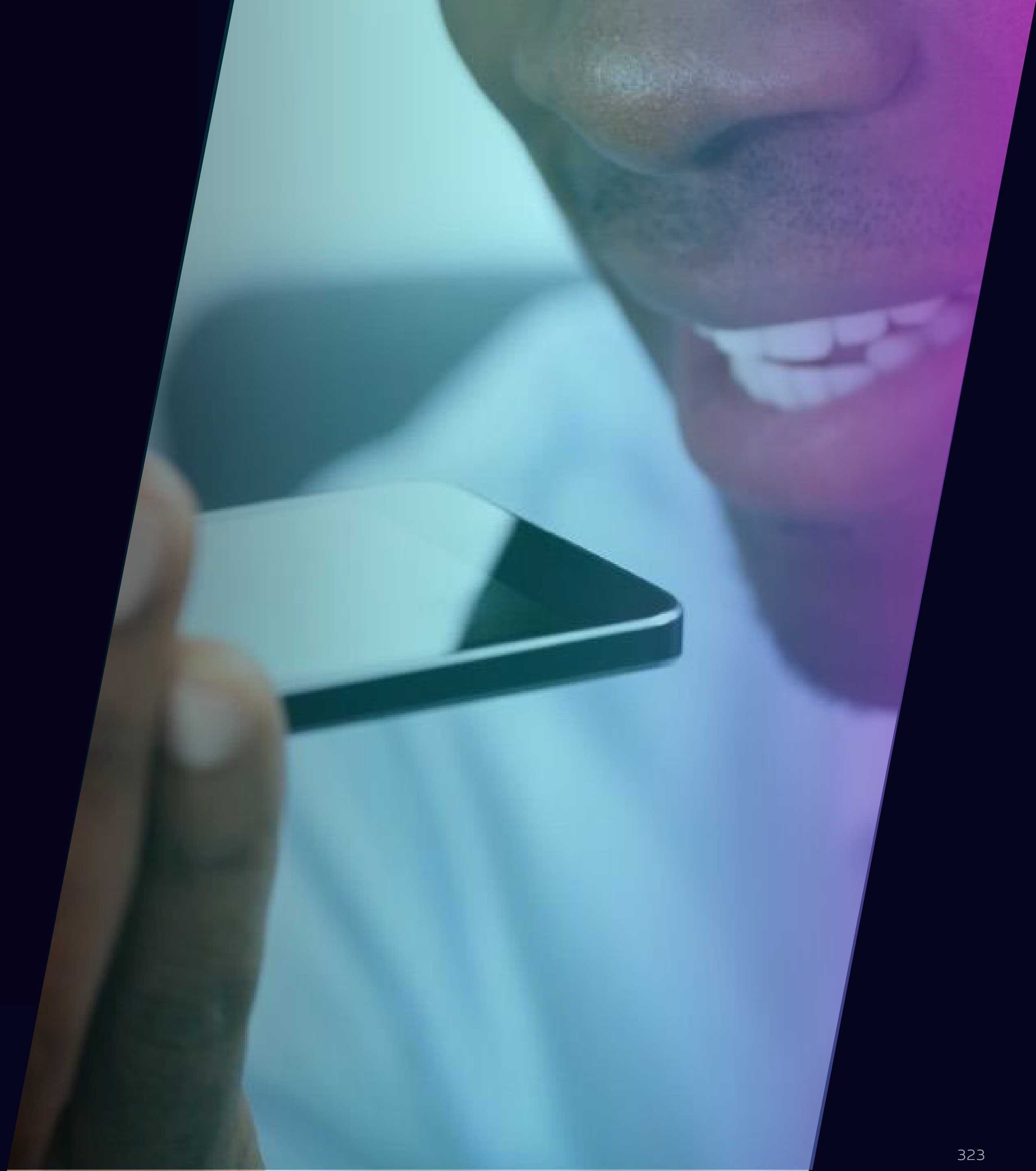
Advancements in AI have improved the recognition and responsiveness of voice assistants, and the uptake of this technology has been explosive. With improved technology and, subsequently more frequent usage, the effects of this technology on our perceptions of AI versus human-based interactions has become striking.

Research from Capgemini suggests that consumers are about as likely to trust product recommendations from voice assistants as they are to trust salespeople.

Getting Smarter

We saw visual content dominate in 2020 as we replaced our human interactions with screens, but audio is an undervalued channel and itsinfrastructure, content and community are all primed for massive growth in 2021.

Each year, more devices get fitted with speakers & mics. 2020 was a particularly big year for smart speakers and devices, with 38 percent of the US population using voice assistants at least monthly.



The average household will have

more than 20 connected devices by 2023

This will create new attitudes and behaviours in the home, and as these devices get 'smarter' we look at what challenges they may that bring.

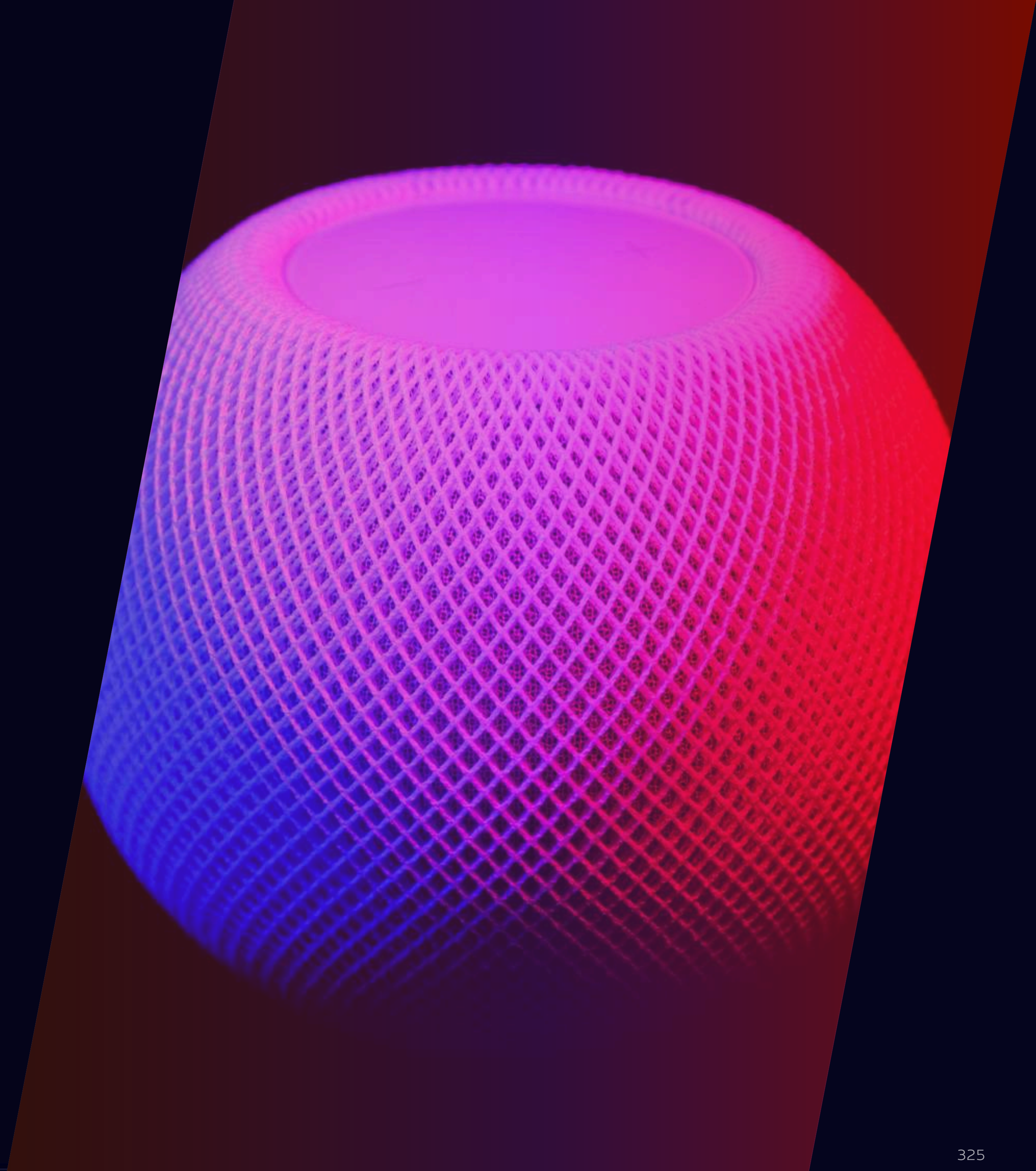
Twenty percent of devices will be voice assistants, with smart TVs, speakers and wearables leading the charge.

Speaker Technology
- A Foundation for the Future

Consumers, especially the 82 million Millennials and more than 90 million Gen Zers around the world, will expect their financial information – going forward – to be securely plugged into their chosen cloud-computing platform.

To attract and retain younger members, credit unions will have to embrace next-generation technology and compete with their peers. Tech-enabled convenience is often the major selling point for challenger banks, who are vying to win the loyalty of customers.

Credit unions adopting smart-speaker technology see the bigger picture; they're not only meeting members' new needs today, but also laying a foundation for the future.



4. Attracting Gen-Z

In order to appeal to Gen Z, financial services need to cater to the attributes which set this group apart from the older generations.

This age grouping has less money, hence they show low financial services uptake and are far more influenced by peers and family than they are by any traditional message – so products should be marketed accordingly.

Social – what truly sets Gen Z apart is that they're most impacted by other people, especially those they care about. Gen Z's largest influencers are friends and family, so social engagement is key.

Authentic – Gen Z is attracted by brands which prove they care about consumers as a result of their actions. They want brands to value their opinion and to feel that they understand them as individuals.

Source: Business Insider Intelligence – how to attract Gen Z

Engaging Gen Z

DIGITAL NATIVES – this market has short attention spans and desires products that provide a tangible benefit. They live and die by their smartphones and shop and bank online, so the user experience of a brand needs to provide simple and clean navigability to hold, and retain, their interest.

EDUCATIONAL – they love to learn and are adept researchers, having never known a world without information at their fingertips. Educating them as to how best to manage their money is the best strategy for financial services brands keen on attracting Gen Z.

Source: Business Insider Intelligence – how to attract Gen Z

Retaining Gen Z

VALUE DRIVEN – this market sees technology as something that benefits their lives. Because they are aware of the value of their data, they want something tangible in return. Incorporating personalised insights, suggestions and advice into a financial services product helps create substantial value over time for users looking to better themselves as they change and grow.

EVOLUTIONARY – they're not particularly loyal, largely because of their youth, and will switch brands quickly and easily. To retain this generation, brands should focus on building a multipurpose offering with coherence which can serve users over time.

Source: Business Insider Intelligence – how to attract Gen Z

Framework for Serving Gen Z

KEY PROVIDER ATTRIBUTES	**SOCIAL**	**DIGITAL-NATIVE**	**OFFERS VALUE**
	• Offers multiple touchpoints to connect • Targets parents, Gen Zers, and their peer networks • Establishes trust through key figures in Gen Zers' lives	• Provides a clean and simple UX • Mobile-first, but also mobile-native • Highly navigable and easy to understand • Grabs users' attention quickly	• Transactional • Gives back to the customer through offerings and services • Uses customer data and insights to offer personalized suggestions and recommendations
	AUTHENTIC	**EDUCATIONAL**	**EVOLUTIONARY**
	• Doesn't pander to current trends • Demonstrates straightfowardness, ethics, and genuine care for the customer • Exhibits honesty about mission • Listens to Gen Zers and implements their feedback	• Provides opportunities to teach financial skills • Offers services or goals that can be unlocked over time • Emphasizes experiences over tasks • Allows users to develop habits through its offerings	• Offers an ecosystem of products • Brands itself coherently across the full product suite • Provides features that can be unlocked • Connections to other services and tools customers may use
STAGES	ATTRACTING	ENGAGING	RETAINING

BUSINESS INSIDER | INTELLIGENCE

Source: Pew, Snapchat, Synchrony Financial, EY, Forbes, Javelin, OCC Strategy, IBM, UniDays, Raddon

5. Privacy in a Cashless Future

We recognise that our online identities and our online actions have value to the companies who track them as far as improving services or selling ads, but to some extent we can control these identities.

The spotlight may however begin to move from what we're looking at online, to what we're paying for in our day-to-day lives, whether that's offline or online.

It might soon be the case that we'll also be increasingly conscious of controlling our financial identities too.

Source: Globalwebindex: Connecting the Dots 2020

6. Cryptocurrency is the New Air Fryer

Everyone's talking about it, everyone's an expert.

One of the factors in the favour of Bitcoin going mainstream is its growing popularity as a method of payment, particularly among younger consumers. Initially a fringe movement, supported by a small fraction of early adopters, the use of cryptocurrencies is following the trajectory of cell phone adoption, online shopping, touchless payment systems, and other technological and behavioural evolutions. The security and privacy offered by cryptocurrencies is also a factor in the growth of consumer adoption.

Trust is driving mainstream adoption

One overarching key to mainstream adoption of Bitcoin and other cryptocurrencies is trust – trust in the concept of cryptocurrencies, trust in the underlying technology, trust in all the participants in the payment process, and trust in the judgment of some of the biggest players in the investment community that Bitcoin and other top-tier cryptocurrencies represent long-term potential as viable investment opportunities.

7. Trust in Financial Services

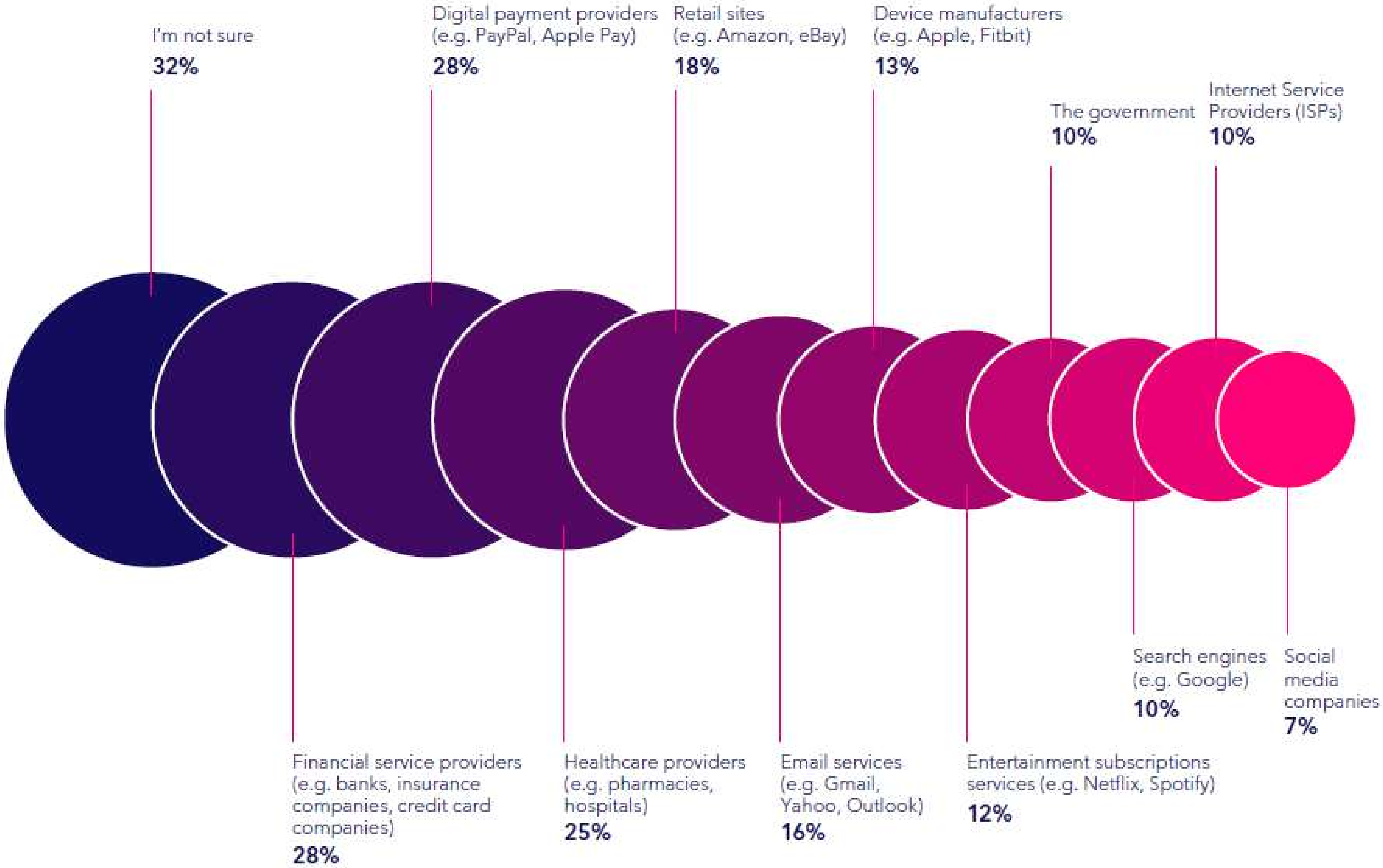
Our recent research within the UK and US markets demonstrates why – when asked which organisations offer the best protection of personal data – social media companies fall behind all other organisations, at just seven percent.

Financial services and digital payment providers (both on 28 percent) are among the most trusted, even above healthcare providers (at 25 percent).

So we can see just how crucial the likes of Visa, PayPal and Mastercard were to the project, before they departed from the Libra Association.

Source: Globalwebindex: Connecting the Dots 2020

In Financial Services we Trust



Source: Globalwebindex: Connecting the Dots 2020

8. Open Banking

One area where we're expected to see noticeable growth over the next couple of years, is through the application and development of Open Banking and its potential uses across the industry.

Open Banking employs an open API model to allow firms to access the financial data of customers on other applications, by gathering and collating this information so as to provide truly unique solutions.

Applications such as Cleo and Plaid have found success in utilising Open Banking's potential and combining it into sleek and smart products. Globally, we are likely to see many more competitors following suit in the coming months.

9. The Future Of Customer Engagement

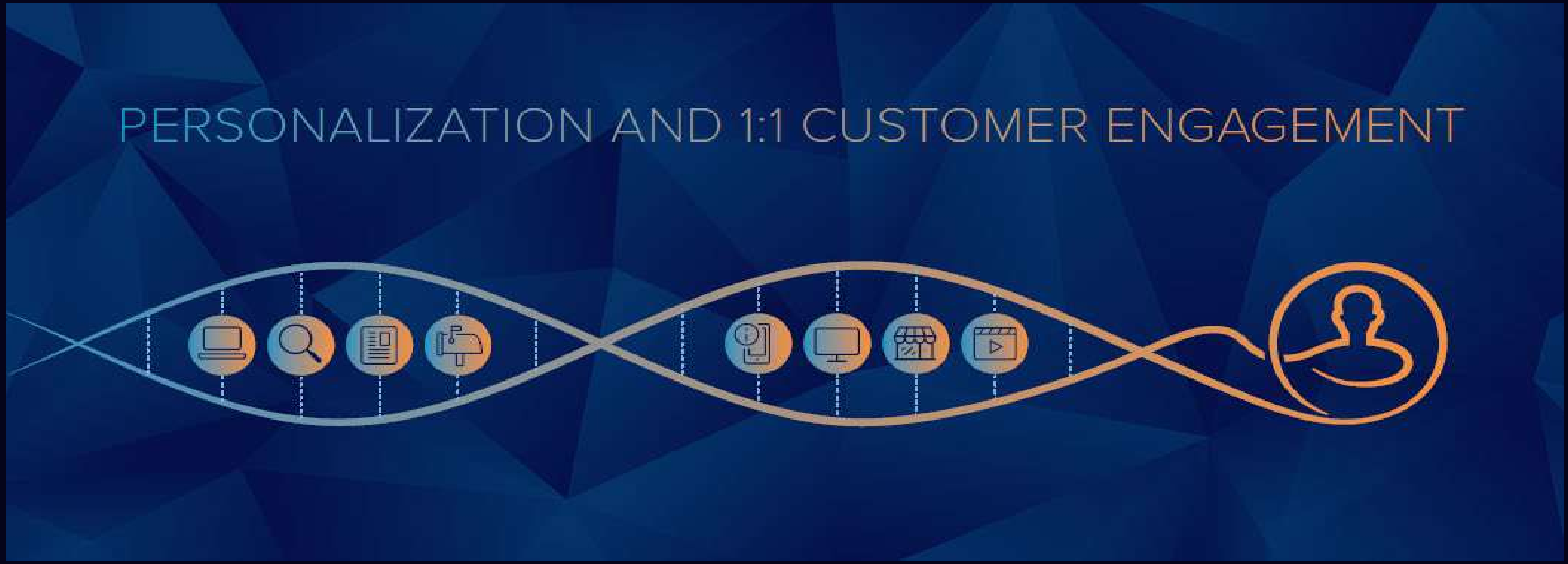
A true omni-channel experience occurs when a customer can interact with your organisation on any channel, at any time, and have a seamless, personalised and highly relevant experience.

For example, when researching credit cards or opening a checking account, a banking customer would get relevant information and advice based on what the decisioning engine determines is the next best action – whether that customer is engaging on the web, with a chatbot, or with a local branch banker.

Consistent Customer Experience

People-centric Banking

How do the most effective companies engage with customers on a deeper, more relevant level? They are people-centric companies, not product centric. Even more than that, they treat each customer as an individual with unique needs and take a personalised approach to engaging with them. People-based sales, service and marketing are “always on” – always collecting data and analysing it to determine critical customer needs as they emerge. Such brands are always engaging in moments of need, on the customer’s time – not yours. Successful companies don’t cater to broad segments of customers based on demographics. They rather focus on each individual, based on lifestyle and context.



10. Mobile Banking on the Rise

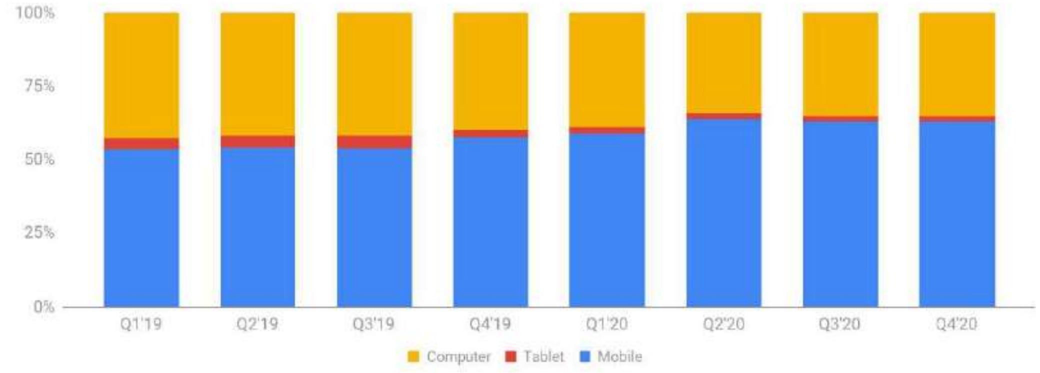
Finance search & device trends in SA

- **34%** overall search growth in Q4 2020 compared to the previous year
- **63%** searches from mobile phones
- **35%** searches from computers or laptops

Source: Google – Finance search query, ads and device trends in SA Jan 2021

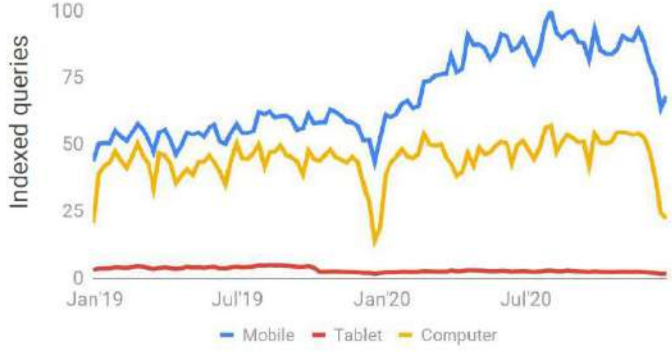
Mix across devices, search queries and growth by device

62.8% of all **Finance** related searches in Q4 2020 were on mobile devices



Source: Google internal data for Finance | South Africa (country). Time period: Q4 2020 - (2020-10-01 - 2020-12-31)

Queries grew **34%** in Q4'20 with **63%** of all searches on mobile.



	YoY growth (Q4'20-Q4'19)	QoQ growth (Q4'20-Q3'20)	% of queries (Q4'20)
Mobile	47% ▲	-7% ▼	63%
Tablet	-11% ▼	-15% ▼	2%
Computer	19% ▲	-6% ▼	36%
Overall	34% ▲	-7% ▼	100%

Source: Google internal data for Finance | South Africa (country). Time period: Q4 2020 - (2020-10-01 - 2020-12-31)

YoY query growth by device in Q4'20 vs Q4'19

Source: Google internal data for Finance | South Africa (country). Time period: Q4 2020 - (2020-10-01 - 2020-12-31)

LOYALTY PROGRAMMES: MORE IMPORTANT THAN EVER BEFORE

by Sikhanyiso Mdlalose

Loyalty Programmes, more important now than ever

As soon as I think of the words "loyalty programme", nostalgia kicks in and I recall how my parents' wallets growing up were filled with loyalty cards – from SAA Voyager to Clicks Clubcard and the Spur Family Card. However, the novelty of loyalty programmes has not changed but evolved to reward programmes, which basically mean the same thing.

In South Africa, you will find it very difficult not to be part of a reward program. If it is not your banking service or your favourite grocery store offering points or monetary value for usage behaviour. It's all about brands leveraging their databases, subscribers, members, foot traffickers, accounts and thereby creating seamless experiences to get you into their rewards programmes.

To back this up, I had the opportunity of speaking to Amanda Cromhout, Founder and CEO of Truth. Amanda's extensive experience in the field of loyalty and customer relationship management (CRM) has put Truth at the forefront of the loyalty industry. Truth has extensive experience in all things loyalty. As part of their thought leadership coverage in the industry, they have developed a Loyalty Whitepaper every year dating back to 2015. We referenced their latest whitepaper from 2019 / 2020 in collaboration with BrandMapp.

To substantiate my earlier statement regarding the ease of becoming a member of a reward programme, 72% of the respondents in the whitepaper stated that they belong to such a programme. Of that 72%, the average number of loyalty programmes South Africans belong to is 5.6 with a slight skew towards more women members.

From a brand perspective, there is no opportune time as we move towards stricter data and privacy laws that protect consumers and their data. In a world where there is no longer a sense of loyalty, it is key to provide consumers with value; a reason to stay with your brand and not switch. Of course, we cannot deny the commercial opportunity to increase usage and ultimately sales/profit.

Loyalty Programmes, more important now than ever

Loyalty programmes provide brands with opportunities to get to know their customers better, by gaining access to first-party data on their behaviour, interests, likes and dislikes. In return, customers receive personalised communication, tailored messaging, value adds and benefits. Cromhout believes loyalty programmes do not replace the traditional marketing mix but rather enhance it, especially if done correctly with the right infrastructure and CRM system.

Loyalty Programmes, more important now than ever

The whitepaper goes deeper into differences of gender and age. Below are two extracts that looks into benefits enjoyed by these demographics. It is interesting to see men enjoying more functional and status-related benefits such as airtime/data and priority boarding and lounge access, while women appear keen on discount vouchers, free gifts and samples. Women were also most likely to have food and fashion retail reward cards in their wallets. From an age perspective, a comparison was made between the youngest and oldest categories. While the older category didn't show any real surprises, the younger category was found to be interested in donating to charity and the ability to share points.

Cromhout attributes the decline in uptake year on year among Millennials to be due to a lack of income, as well as a lack of exciting communication and tailored benefits for the youth.

Regardless of age or gender, one type of reward that is of interest across the board is that of a monetary benefit – i.e. receiving a cash back. This comes as no surprise as South Africans continue to be stretched financially, having just emerged from a recession as a result of the impact of the pandemic

Loyalty Programmes, more important now than ever

Figure 17: Benefits most enjoyed
Gender

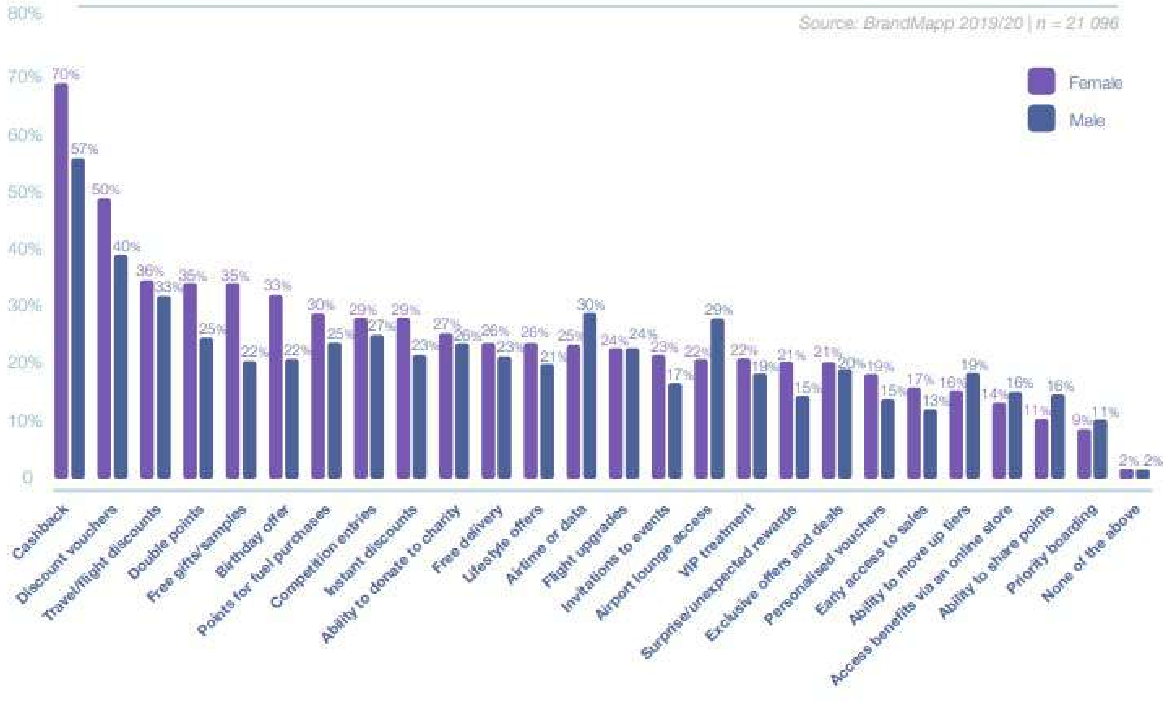
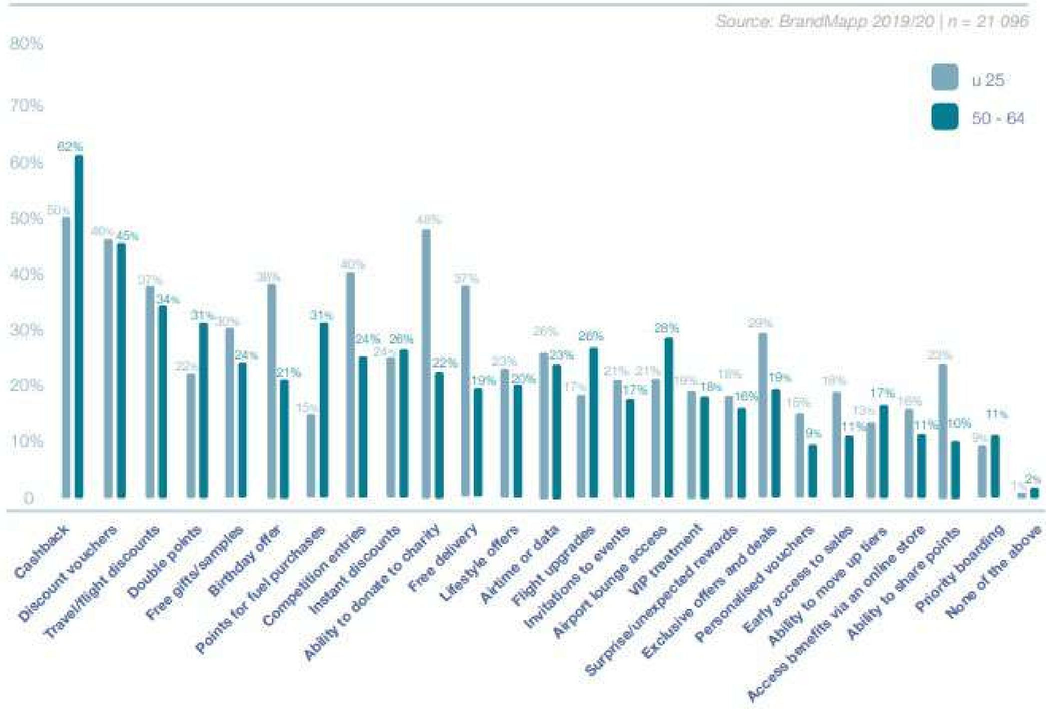


Figure 18: Benefits most enjoyed
Age



Loyalty Programmes, more important now than ever

For the longest time, retail and travel have dominated the loyalty industry – however financial services and restaurants/quick service restaurants (QSR) have also shown exponential growth, innovation and value to customers. Some of the key successes of the growth in value for financial service reward programmes is their ease in joining, ease in accumulating points, cash back options and lifestyle benefits. Instead of an isolated brand experience, brands have formed partnerships built into customers' lifestyle habits. This means that the loyalty programme experience can be enjoyed with benefits from other sectors such as petrol, retail, riding services and more, making it difficult to leave and attractive to join.

Cromhout anticipates that the next trend within the industry will be the move towards rewarding customers for non-transactional activities – whether it be sharing on social media or updating personal details. Of interest is the Old Mutual rewards programme (below), which rewards customers for good financial behaviour. This is the organisation's way of gathering as much info about you so as to be able to come back with a tailored product to fit your needs.

Loyalty Programmes, more important now than ever

POINTS EARNING TABLE

Refer a friend	200
Speak to an adviser	250
Complete MoneyVersity courses	50
Use financial tools and calculators	20
Complete financial assessments	20
Request a credit report	100
Surveys	50
22Seven	1400

While the whitepaper speaks of South Africa only, Cromhout believes the results are most likely applicable across the African region with local market nuances and filters. Some regions, such as Kenya, will be slightly stronger in their mobile adoption due to significant players in the telco industry implementing loyalty programmes. Bonga Points is a loyalty programme for all Safaricom Prepay and Postpay subscribers. The more you use your line, the more points you earn. A rewards programme that Cromhout and his team recently rolled out from beginning to end, is Wiiv in Mauritius – a multiple partner reward programme designed by IBL. Since inception, it has grown into the biggest reward programme in the country, receiving numerous accolades for its achievement.

Source: https://secure.rewards.oldmutual.co.za/web/om/home#points-earning-table)

For more interesting nuggets, download the 2019/20 whitepaper

(https://truth.co.za/articles/whitepapers/)

Link to interview: https://youtu.be/Um1mgwU_1TA
(Sikhanyiso Mdlalose – Head of Digital Media iprospect SA & Amanda Cromhout Funder and CEO of Truth)

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