



Value-added services: follow the money?

When it comes to VAS, RAHIEL NASIR wonders if there's life beyond mobile money for MNOs struggling with flatlining ARPUs.

Mobile operators need to offer their customers more than just basic voice and text services if they want to boost average revenues per user. And here, there can be little doubt that the continent leads the way in one particular aspect – mobile financial services.

MFS, especially mobile money, has long been hailed as an African success story, and the one operator whose name consistently comes up here is Safaricom. In March 2017, the cellco marked 10 years of *M-PESA* in Kenya with the publication of a study that revealed that when the platform was first introduced in March 2007, it attracted 20,000 customers. By March 2016, that had grown to more than 16 million users, while the value of transactions had risen from KES10.3m (USD101,764) to KES5.2 trillion (USD5.1bn) over the same period.

Rwanda is perhaps hoping to emulate that success as it seeks to move from a cash-based economy to a digital one. According to Ecobank, the number of digital transactions in the country increased by 11 per cent from 1.37 million in the first half of 2016 to 1.53 million in 1H17.

Speaking at the *Africa Tech* summit that took place in Kigali in February 2017, Nshuti Lucy

Mbabazi, assistant VP of push payments at the Ecobank Group, said Rwanda has witnessed a 26 per cent increase in the volume of digital transactions, from 8.6 million in 2016 to 119 million in 2017. She said this represents a 33 per cent rise in value from RWF469bn (USD552m) to RWF622bn (USD732m).

Ecobank said millions more people on the continent now have access to financial systems thanks to cashless systems using digital technology, and more are seeing the benefits of mobile banking.

“Going digital provides not just better services and connectivity, but enables banks and businesses to unlock productivity and play a role in development,” said Mbabazi. “Africa is now at the forefront of financial technology with 57.6 per cent of the world’s 174 million active registered mobile money accounts (100.1 million) in sub-Saharan Africa. Fintech in Africa is predicted to grow from USD 200m to US3bn by 2020.”

Anil Krishnan, head of Africa Region at India-based global VAS specialist Mahindra Comviva, believes mobile money’s role in the socio-economic transformation of millions of people on the continent can no longer be ignored. “In Kenya, Tanzania, and Zimbabwe, mobile money

is banking the unbanked, which is allowing them to pay their bills on time, access government services, send their children to school, secure micro-credit and loans, [etc.].

“Mobile money is also helping in the preservation of old customs and traditions. For example, it is helping to digitise traditional savings club in Zimbabwe known as *Maround* or *Mukondo*.

Cashing in

Thomas Chalumeau, MEA strategy director at Orange, says Africa still has a low banking rate, and that mobile-based services are heavily relied upon given the lack of physical infrastructure compared to the huge appetite for services.

But he also points out that although providing mobile financial services has been the most prominent and pervasive of diversified services in Africa, it is certainly not the only one, and nor is it the only one that’s rapidly growing.

Vaibhav Mehta, SVP of new business at Sterlite Tech – Software, agrees that mobile money and mobile financial services are the fastest-growing segments of the industry, adding that this not just in Africa but across the world. “It is truly said that

fortune lies in the bottom of the pyramid, and so banking the unbanked is good for African MNOs.

Tola Mobile is a UK-headquartered mobile payment service provider with offices in Ghana, Kenya, Tanzania and Uganda. The company lists Airtel, MTN, Mcel and Vodacom as some of its mobile customers in Africa, and last October it announced that 15 million monthly transactions are now processed across the continent via its *Tola Wallet* platform.

Simon Pepper, Tola Mobile's head of product, reckons VAS has long been associated with 'premium services' from European MNOs who wanted to build out their product portfolios and grow ARPU through additional services on top of just minutes and texts. He believes they tried to introduce services with high price points, such as MMS and LBS, only to find that OTT services have relegated them to just bit pipe providers.

But in Africa, Pepper says MNOs in Africa have a different opportunity. "The customer's handset is so important because it holds their funds through mobile money wallets. It is also fully inclusive in that financial services and a payment method/instrument can be provided to anyone in ownership of a phone, as opposed to them holding a bank account, credit cards, etc."

According to Pepper, mobile subscribers in sub-Saharan Africa are not as available to OTT service providers as smartphone penetration is

not so high. "The use of the Nokia 'candy bar' is still how many people make and receive calls and texts, and access their mobile money wallets. Plus, data packages are expensive and limiting."

Few would dispute that 'banking the unbanked' is a worthy quest. But is there life beyond mobile money for African MNOs who want to cash in on other kinds of value-added services? Of course, MFS and VAS are not mutually exclusive and one can lead to the other.

Pepper says that unlike developed markets, Africa does not have the widespread availability of desktop PCs, laptops or tablets that can offer a platform for mass advertising and commerce, so there remains a huge opportunity to address the MNO's customer base with digital marketing and services.

Mahindra Comviva says it is beginning to see its operator customers move away from 'traditional' VAS to mobile commerce. "It is mainly because mobile money and mobile financial services are solving real problems on the ground that have a bearing on the day to day life of the ordinary people," says Krishnan.

As an example, he says when Tanzania was going through a 'small change' problem, a leading telecom operator stepped in with an innovative solution using contactless payments technology. Krishnan adds that the growing popularity of micro-lending is following a similar pattern in

Anil Krishnan,
Head of
Africa region,
Mahindra Comviva



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many African countries. "There was a gap in service (in this case, credit) which was filled by mobile money where the subscriber's airtime usage helped in qualifying a credit limit."

Meanwhile, Orange's Chalumeau believes providing VAS across the continent is more important than ever before because it is a land of continuing growth. "If you look at the population, it is younger than other regions in the world (average age is less than 30), and they are driving a huge demand for digital services. Furthermore, the middle class is developing and represents a third of the population, and more families are online."



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Chalumeau says Orange is developing new services and usages in areas as diverse as B2B, e-commerce, energy, e-health, agriculture, cyber security and digital services for education and teaching, just to name a few. He also cites energy as an example: "In Africa, very few companies have, until now, thought of deploying an electricity grid in rural areas. But today, for USD50 to USD200, you can buy a kit including solar panels and a battery."

Lumos Mobile Electricity Service is doing something similar in Nigeria's energy market after launching its service in partnership with MTN last year. The Abuja-based firm recently announced that it has now deployed its 60,000th *Y'ello Box* device that enables users to pay for solar electricity in their homes via their mobiles. As a result, Lumos claims more than 300,000 people across Nigeria are now benefitting from affordable, reliable, clean electricity.

The *Y'ello Box* system comprises an 80W solar panel and cable, an eight-socket power unit, USB mobile phone adapter and two LED lights. Once an MTN subscriber joins the service, they pay their monthly subscription fee for power from their mobile airtime account by texting a simple code. Lumos points out that there's no need for mobile money, bank accounts or expensive machines.

Chalumeau continues by saying that mobile operators also have a role to play in the energy market in regions that are already electrified. Here, he says cellcos such as Orange can support smart meters to help energy providers combat the big issue of electricity theft and fraud. Such meters are also designed to help customers manage their energy spend. "For example, it is possible for a bar owner to purchase two hours of electricity to enable them to broadcast a football game, which can be paid for by mobile payment," says Chalumeau.

Away from energy, he goes on to say that around 400,000 farmers in Mali currently rely on mobile applications to check weather forecasts or track market prices for selling their crop or purchasing fertiliser.

There is no doubt that the rise in data traffic will result in the continued development and launch of innovative VAS. In fact, there is a widely

regarded view that operators will actually have no choice but to do this. As is all too familiar in mobile markets the world over, stiff competition and declining revenues from SMS and voice have led to collapsing ARPU's. Therefore, in order to stay relevant and profitable, MNOs are left with no other option but to offer VAS to monetise their network investment.

"According to Persistence Market Research, the global mobile VAS market is set to reach USD698,900m by 2022," said Sterlite's Mehta. "In the past, developing economies have followed the trend laid by the developed economies, and that holds true for Africa as well. And so the region's MNOs have to invest in upgrading their network, systems, and processes to offer VAS in their region."

Cashing out?

Earlier, Tola Mobile's Pepper spoke about the "huge opportunity" MNOs have to address their customer base with digital marketing and services. However, he also warns that the subscriber will quickly become "desensitised and overcome", so careful targeted advertising, based on personal profiling, behaviour, location and preference is certainly the way forward.



"The use of the Nokia 'candy bar' is still how many people make and receive calls and texts, and access their mobile money wallets."

Mahindra Comviva's Krishnan agrees: "The era of voice and SMS as the main growth areas for operators is slowly diminishing. They need to focus more on non-voice revenues through locally relevant value-added services to grow their incomes."

Here, more needs to be done in Africa in order to create the ecosystem that is needed to develop locally relevant VAS, and Krishnan calls for more collaboration between the various stakeholders to create long-term benefits.

"For example, silos in mobile money services are affecting its reach and scope. In this regard, greater account-to-account interoperability can help the users of different mobile money services to move funds between all mobile money and bank accounts."

Pepper also highlights the importance of interoperability, particularly when it comes to running VAS on any type of phone. "The ecosystem needs to be established so that everyone can avail of the service, and that it can operate on every type of mobile device handset, in good and poor coverage situations," he says.

That requires a solid mobile device management (MDM) according to Sicap which specialises in this area. Magnus Moller Petersen, its EVP of sales and marketing, says operators are not knowledgeable about what is needed here and that MDM is not a focus area for them. "If you buy this kind of solution to have in-house, you need to have dedicated people working with it. Otherwise, it will be a black box and operators will lack the knowledge to maintain and manage that solution.

"It is very old school to do these things with this kind of solution. It needs to go into the hands of the vendors or those who can deliver a managed service. You minimise your operational costs and have a reliable partner that you can engage with and get help and training. The operator can also have discussions with the vendor about how to maximise data penetration and create strategies. That is the way forward."

Orange believes that encouraging, supporting and nurturing local, entrepreneurial innovation is essential. Chalumeau says that's why the company created new R&D centres and

development teams, including *Orange Fab*, its accelerator programme that offers selected startups three months of support to allow them to develop their products and services. In Africa, Orange has opened incubators in Senegal, Mauritius, Niger, Mali and Guinea. In June 2017, the operator also launched a new investment initiative of EUR50m devoted to startups in Africa (see *News*, May-June 2017).

“Orange’s investment in Africa is around EUR1bn each year, making us one of the largest private investors on the continent,” says Chalumeau. “We also invest heavily through research and development because we know that by boosting growth in Africa, we can create new income not just for Orange but for the countries. We help to create jobs, support locally grown talent, help skills development and create new opportunities and usages for Africans.

Tola Mobile says it works extensively with MNOs in Kenya, Tanzania, Uganda, Ghana, Mozambique, Rwanda and South Africa to integrate its platform with their networks. “Our developers have already integrated and deployed additional services in each of these countries, processing many millions of financial transactions and SMS messages, as part of service delivery offerings to the subscriber base in these countries,” says Pepper.

As well as MNO, the company’s platform is also used by other digital service providers. For example in Tanzania, online sports betting company *Mkakabet* is said to be using *Tola Wallet* to streamline mobile payments, fuel expansion and simplify admin.

Tola claims its services enable companies looking to receive payments from mobile money. It says a single API connection allows organisations to receive and make real-time payments at the same rates as bank or credit card transactions. The company adds that it can also reconcile transactions that would previously have been delayed or even potentially lost when mobile network outages and downtime occur.

The future

On the subject of network infrastructure, without greater access to mobile broadband and more affordable smartphones, does Africa’s VAS future look bleak?

Sterlite’s Mehta says high-speed internet and the affordability of smartphones are the basic infrastructure requirements to

launch innovative VAS services anywhere in the world. Chalumeau agrees when he says that smartphone penetration and access to very high-speed broadband networks are key for a better customer experience. But he also points out that operators can and have already deployed VAS through USSD and SMS and call centres to bring value to users. “These are equally important as they enable us to keep providing valuable services to customers while we continually improve network bandwidth, coverage and access to smartphones for our African customers.”

Mahindra Comviva’s Krishnan supports this

view when he says that USSD is a key growth driver in VAS, adding: “USSD-based services are allowing Africa’s VAS providers to offer products to both feature phone as well as smartphone users.”

Pepper is also in no doubt that Africa does not necessarily need mobile broadband and sophisticated phones to capitalise on VAS. “We support communication methods that operate on all handset regardless of being smartphones or not. In fact, for many subscribers, their package doesn’t include a data provision thereby rendering a smartphone and its focus on internet-based communication null and void. ■

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