

How to Expand the Reach of Client X's Mobile Money Product

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The focus

- Client X's aim is to expand its reach in the mobile money space, which is currently dominated by Safaricom's M-Pesa product.
- Our aim is to support Client X generate innovations that they can use to capture a larger market share.

What we need to know

1. Who are the customers?
2. How do they behave?
3. What behavioural barriers may dampen the uptake of a Client X mobile money product?
4. What strategies are there to increase the uptake of Client X mobile money?
5. Recommendations

1. Who are the customers?

We focus on 399 M-Pesa lower-income customers in Nairobi.

- We analysed customer behaviour through:
 - Survey: 399 respondents; collected Dec 2014
 - Transaction data: 399 transactions; collected June –Dec 2014
- Aim of data collection:
 - To understand the customers' mobile money usage, attitudes, and preferences
 - To assess how behavioural or cognitive barriers might be impeding product adoption, comprehension, and usage.

All customers own a mobile phone and 99% use it multiple times a day.

- 74% are aged 20-40
- 57% are educated beyond form 4
- They work as:
 - Market vendors (13%), watchmen (5%), housewives (5%), businesspeople (food, hairdressing), casual workers
 - 6% are students and 12% are unemployed and searching for work

1. How do they behave?

a) Mobile phone habits

b) Mobile money habits

c) Other mobile products habits

98% of customers use Safaricom most often.

- 45% use Safaricom for voice, SMS and data
- 91% of respondents use Safaricom for voice and SMS
- And respondents who don't use Safaricom for data are mostly not using any data at all

It is difficult to evaluate whether using a provider for one service makes you more likely to use them for another because there is little variation in the data.

Most choose to use Safaricom because of the SIM.

- The SIM card (54%)
- The chat (21%)
- The calls (19%)
- The network (16%)
- The internet (4%)

The high percentage of customers citing the SIM card suggests that other associated services may play a role in their choice.

Most customers chose their primary line because of the higher quality service or because it's used by people they want to communicate with.

- It provides a better service (47%)
- It is used by friends (43%)
- It is used by family (37%)
- Of a promotion (6%)
- For another reason (17%)
 - e.g. the only one available; mobile money

Note the importance of quality service and the relative unimportance of promotions. Customers want to be on the same network as family and friends: communication with them is much more important than with business contacts.

If the customer chose their line because of:

- The SIM card,	they are	27%	less likely to choose...	Airtel
	they are	7%	less likely to choose...	Orange
- Reliability in an emergency,	they are	18%	more likely to choose...	Airtel
- The network coverage,	they are	9%	more likely to choose...	Airtel
- The calls,	they are	21%	more likely to choose...	Yu
	they are	11%	more likely to choose...	Airtel

Safaricom's selling point is their SIM card services whilst Airtel's is their network coverage and calls. These factors are probably linked with their reliability in an emergency. Yu's selling point is their calls.

34% do use multiple SIMS from different providers.

- Customers choose their secondary line because:
 - It is less expensive (25%)
 - Friends (17%) and family (15%) use it
 - It provides a better service (14%)
 - Of a promotion (3%)

Safaricom may not be the cheapest provider but is chosen as a primary provider because of its quality service and associated services. When considering a secondary line, price becomes more important. The secondary line also needs to allow the customer to communicate with all the family and friends not using their primary line. Note again the low importance of promotion.

1. How do they behave?

- a) Mobile phone habits
- b) Mobile money habits**
- c) Other mobile products habits

Customers all use Safaricom M-Pesa and a few use other services.

- 99% use their Mpesa account more than once a month
- 14 customers have used Airtel money
- 2 have used Yu cash
- 1 has used Tangaza pesa
- None have used Orange money

It is difficult to tell whether mobile provider predicts mobile money provider as there is little variation in the data but it is clear that there is low market penetration of mobile money products from other providers.

Customers don't use other providers mostly because they don't know about them.

I don't use another provider because...	Percentage citing the reason
I don't know the provider	68
Of poor reliability	51
Of unavailability of agents	48
Of lack of trust	23
Of poor reliability of network	17
Of high fees	14

It is also difficult to tell whether these reasons predict choice of mobile money provider as there is little variation in the data. But it is clear that there is little brand awareness of the other providers. Being able to find an agent, trust them and rely on the payment going through are all important. Note again, how fees are less important.

Customers mostly use mobile money at small scale retail shops.

Type of sender / receiver	%
Other e.g. Goodweek Interservices, Slopes Developers John Shop, Rasasi Inv Mafuta Taa kiosk	42
Self	28
Communications shops	19
M-Pesa	5
M-Shwari	3
Financial institution	2
Markets / supermarkets	1

The high percentage in 'other' indicates purchases at small scale retail shops that could not be identified by their name. Coding the transaction data indicates that customers use mobile money for themselves (all transactions in this category were for buying airtime). At communications shops , customers are mostly depositing or withdrawing money.

1. How do they behave?

- a) Mobile phone habits
- b) Mobile money habits
- c) Other mobile products habits**

Safaricom has a competitive advantage in loans but its M-Shwari lock accounts aren't successful saving devices.

Use	%
M-Shwari to save money	61
M-Shwari to borrow money	48
M-Shwari to borrow and save money	40
Lipa Na M-Pesa	40
M-Shwari to deposit money	34
Transfer from bank account	18
School fees	18
M-Shwari lock account	11

Safaricom uses the data from the mobile service and M-Pesa to assess loans and so would be very difficult to compete with in this service. The median M-Shwari loan amount was 500Ksh, and 51% of customers paid back the loan on time. As of February 2014, Safaricom blacklisted 140,000 borrowers with the Credit Reference Bureau but this is a small number given that they made 30,000 loans a day at the time*.

M-Shwari lock accounts provide a commitment device for savers but are achieving low saving rates with 45% of those with an account having saved 1-1000Ksh and 40% having saved nothing at all. A further 46% don't know what interest rate to expect with some expecting very high returns (5000%!).

* <http://www.itwebafrica.com/mobile/309-kenya/232389-140000-default-on-kenyas-m-shwari-loans>

Lipa Na M-Pesa rates are comparatively cheaper than sending mobile money and paying school fees is comparatively expensive.

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The most common uses for Lipa na M-Pesa are to pay for the AFB credit card, food / alcohol, Go Tv, NIHF and microfinance loans. The most common amount spent was 400-600Ksh, and the median fee was 20Ksh (about 30% of peer-to-peer transactions). Most paid school fees via peer-to-peer transfer to the teacher for a fee approximately 5 times that to send money otherwise. The comparative fees suggests that it may be difficult to compete on business transactions but may be possible on the payment of school fees.

3. What behavioural barriers may dampen the uptake of a Client X mobile money product?

- a) Comparing prices**
- b) Switching providers
- c) Sending money to another network

Over half of the customers think it is difficult to compare prices between mobile money providers.

How easy or difficult is it to compare the costs of sending mobile money with different providers?		How often do you compare your current mobile money provider's offerings with others?	
	%		%
Very easy	21	Never	56
Somewhat easy	16	Rarely	18
Neither easy nor difficult	4	Often	16
Somewhat difficult	22	Very often	10
Very difficult	32		
Don't know	6		

The fee customers were charged per transaction varied substantially anyway, making it objectively difficult to compare prices across network.

This perceived and objective difficulty translates into 74% into customers never or rarely compare prices. The difficulty may contribute towards price being relatively low on the list of factors considered in the choice: the hassle may mean that they use other choice heuristics.

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Customers advise others to change mobile money providers but few have themselves.

- 67% have advised family or friends to switch providers...
 - 73% told them to switch because it's easier / cheaper to transact with them
- And yet only 2% have ever changed providers...
 - They changed because of a better agent network, the features, the prices, peers changed, new service

5/7 who switched said it was very easy....

- But it's telling how few do actually switch.
- As one customer put it:

“It's somehow difficult because one get used to the procedure of withdrawing and sending and the trust of agents on transact with. So adjusting to new procedure of transacting and creating a new relationship with agent can be challenging”

Those who do switch are likely to be highly motivated. The rest may be encumbered by procrastination. We also see very few customers switching mobile providers – only 4%. 10 / 15 who do switch say it is very easy but again they are likely to be the highly motivated ones.

3. What behavioural barriers may dampen the uptake of a Client X mobile money product?

- a) Comparing prices
- b) Switching providers
- c) Sending money to another network**

Sending money to someone on a different network is perceived as a more difficult process.

- 64% perceive it to be more expensive to send to a different network
- 54% said there was something different about sending money to another network (costs, delay, different process)
- 32% reported there were extra steps (e.g. looking for agents)
- Estimated mean fee (Mpesa to Airtel): 42Ksh (vs 29Ksh for own) for 500Ksh; 52Ksh (vs 29Ksh for own) for 1000Ksh

These behavioural barriers mean that we need to...

- **Make it easier for customers to compare pricing**
 - The factors on which customers choose their provider do not become evident until a brand is more established
 - Although low prices are not a key determinant, this may be because they are currently difficult to compare
 - This could be a way to enter the market (just like secondary mobile providers)
 - And most crucially this transparency would help build trust in Client X
- **Encourage more customers to actually switch**
 - Customers may see the Client X product and think it is a good idea to switch but may procrastinate and delay actual switching
 - Customers tend to stay with their first provider. A way to build a customer base would be to target first mobile money users
- **Overcome the perception that sending money to another network is more expensive and more hassle**
 - The 'early adopters' of the Client X product will be sending money mostly to those on other networks and this may discourage them
 - This will continue until there is a 'network effect' where the entire social group switches

4. What strategies are there to increase the uptake of Client X mobile money?

- a) **Pricing**
- b) Promotion
- c) Product Improvement
- d) Product Development

Depending on the costs, one strategy would be to compete with Safaricom on price...

- The median costs of primary provider to beat are:
 - Voice: 3Ksh/min; SMS: 1Ksh Data: 5Ksh/10MB
- **However** being perceived the cheapest on voice, SMS or data does not predict choice of (primary or secondary) provider except: Airtel for voice and Orange for data

This suggests that customers are not very sensitive to prices (within reason) for their primary line but may consider it more for their secondary line (25% cite it as their reason for choosing their secondary line). Most customers also rarely or never compare prices. However, we suspect this is somewhat driven by the perceived difficulty of comparing prices and procrastination in switching networks.

Although the majority of customers don't compare prices, the mean predictions were very accurate.

- To send:
 - 500Ksh using M-Pesa:
 - 29Ksh (perceived, mean)
 - 29Ksh (actual, mean)
 - 1000Ksh using M-Pesa:
 - 29Ksh (perceived, mean)
 - 30Ksh (actual, mean)

This may suggest that customers are very familiar with amounts that are relatively common to send. It may also suggest a 'wisdom of the crowd' as these are mean estimations.

Making it easier to compare prices and easier to switch networks whilst competing on price could be an effective strategy to increase the market penetration of Client X mobile money.

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- b) Promotion**
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Few customers remember promotions.

- % of customers remembering the promotion:
 - Mpesa price changes: 48% (71%)
 - Did not remember any promotions: 40%
 - Airtel promotion: 3% (19%)
 - Mpesa Equity's forthcoming promotion: 1% (60%)

There are too few customers starting to use a service in the past year to predict whether the promotions had any effect on taking up a service. However, 40% did not remember any promotions suggests that promotions may be a poor strategy for increasing market penetration. 48% noticing the price change in their own provider is not surprising as it affects them directly.

% in orange = when prompted by interviewer

Promotions had a small to medium effect on mobile money usage but did not encourage changing provider.

Promotion	Promotion affected mobile money usage	I changed provider
Mpesa	26% <ul style="list-style-type: none">- More often: 11%- Less often: 18%- Used other providers: $\approx 2\%$	0
All (Mpesa, Airtel, Equity)	27% <ul style="list-style-type: none">- Excluding Mpesa: 3%	0.002% (1/399)

This result is partly due to the most memorable promotion being the M-Pesa promotion and all have an M-Pesa account already. The small effect size for all promotions excluding M-Pesa is not surprising given how few respondents remembered the promotions.

These results suggest that a promotion would be a poor strategy to increase the market penetration of Client X mobile money.

4. What strategies are there to increase the uptake of Client X mobile money?

- a) Pricing
- b) Promotion
- c) Product Improvement**
- d) Product Development

Trust and a good agent network are the most frequently mentioned factors in choosing a provider...

Factor	Number mentioning the factor as important
Trust in the provider/service	141
Agent network	134
Same provider my friends and family use	73
Same provider I use for voice/SMS	71
Brand	62
Proximity of an agent to my home	59
Availability of float /cash at agents	58
Other products/services e.g. Lipa na M-Pesa	54
Same provider as those I send/receive money	53
Price	33
other	18

Trust, agent network and a customer's friends and family being on the same provider are crucial to get right in the design of the service. The first two are more directly controllable. 97% use the same provider for mobile money and voice / SMS but this partly is just a reflection of Safaricom dominating both the mobile and mobile money market so it is difficult to evaluate whether having the same provider is actually important. 67% who use M-Pesa say that another provider would be cheaper or that they don't know the price of other providers, suggesting price is not a determining feature or that it is too difficult to get this information.

And agent network and trust are the top 2 factors cited as **the most important** factors in choosing a network.

Factor	Number mentioning factor as most important
Agent network	78
Trust in the provider/service	66
Same provider as those I send/receive money	56
Proximity of an agent to my home	39
Availability of float /cash at agents	36
Price	30
Same provider my friends and family use	29
other	25
Other products/services e.g. Lipa na M-Pesa	25
Brand	14
Same provider I use for voice/SMS	1
Total	399

These results suggest that an effective strategy for increasing market penetration of Client X mobile money would be to hire a large network of agents who are widely distributed and have available float. Trust could be increased by being very transparent on price. Being on the same provider as those I send / receive from is more difficult to achieve at first. However, we suspect that this is important because of the perceived expense and difficulty of sending across networks. Making cross-network transactions the same price as same-network transactions for a limited time could nudge the customers to encourage their friends and family to switch to Client X also.

4. What strategies are there to increase the uptake of Client X mobile money?

- a) Pricing
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Client X could develop associated products to kick-start mobile money provision which have a greater likelihood of being more competitive than the available alternatives.

- Chat on mobile network: none of the providers evaluated had this as their selling point => focus on high quality chat function
 - **However** this could mean this is less important to customers
- Sending school fees is comparatively more expensive => focus on market niche of parents
 - This would target only 18% of customers but could be starting point

Product development is always difficult and may reduce focus on main mobile money product.

A product focusing on sending school fees via mobile money should not take too much adjustment and may provide a good starting point to increase the market penetration of Client X's mobile money product.

5. Recommendations

Create Client X mobile money as a trusted product with a high number of agents.

- How to create trust?
 - Make prices transparent
 - Place emphasis on trustworthiness in recruitment of agents
 - Trial among a small social network e.g. school fee payment product for parents or new mobile money users
- What characteristics do the agents need?
 - Large network of agents who are widely distributed and have available float
 - To make this feasible cost-wise, trial in a specified area

Overcome the behavioural barriers.

- Make it easier for customers to compare pricing
 - Perhaps by having fixed fee formula for the amount transacted
 - Perhaps by publishing prices in posters in communications shops, and providing a free comparison request by text
- Encourage more customers to actually switch
 - By reducing steps to those absolutely necessary
 - By training agents in the process well
 - By clearly communicating the steps to the customers
 - By communicating that the majority find it very easy to switch
- Overcome the perception that sending money to another network is more expensive and more hassle
 - By reducing steps to those absolutely necessary
 - By training agents in the process well
 - By clearly communicating the steps to the customers
 - Perhaps by making cross-network transactions the same price as same-network transactions for a limited time to nudge the customers to encourage their friends and family to switch to Client X also