

Wizzit

WAVING THE WAND

Cellphone banking could transform financial services in SA and the rest of the developing world

It all started with a conversation between businessman and former politician Cyril Ramaphosa and former Educor CEO Charles Rowlinson. The two men were talking about how difficult it was to open bank accounts for their respective sons. If it was difficult for them, imagine the pain most ordinary people had to go through, they agreed.

Their discussion triggered an idea for Rowlinson and his friend, Brian Richardson, with whom he had formed a small consulting business.

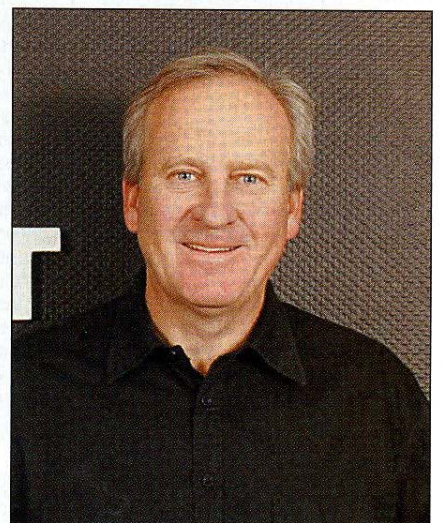
With the assistance of FinMark Trust, a donor organisation whose sole objective is bringing financial services to the poor, the two started to look at why SA has a high proportion of unbanked people. They concluded that affordability (high bank charges) and accessibility were the principal stumbling blocks.

"Research by FinMark Trust says it takes an average of 58 minutes [for a South African] to access a financial services point," says Richardson. This, coupled with the fact that banks only open their branches at inconvenient times, makes it difficult for people, especially the poor who don't have access to electronic channels such as the Internet, to bank.

After investigating the latest developments in payment technologies, Richardson and Rowlinson concluded that the cellphone was the most logical channel to market in SA for mass-market banking services. "For a payment mechanism, there is nothing that is more suited to it," Richardson says.

In fact, if the proponents are right, cellphone-based financial services will revolutionise banking in SA by bringing millions of previously unbanked people into the system for the first time.

There are many times more cellphone users in SA than there are banking customers – a fact that has not escaped the banking industry. Latest estimates suggest there are about 28m cellphone



Brian Richardson and Charles Rowlinson Using cellphones to serve the unbanked

users in SA, a figure that should rise to 43m by 2011, says Vodacom Group CEO Alan Knott-Craig. That would give SA a projected cellular teledensity of almost 90%. Rowlinson says the potential market size for new bank clients in SA is between 13m and 16m. In the rest of Africa, there is an untapped market many times larger.

New research by Gallup International and Boston Consulting Group suggests that payments originating from cellphones could reach US\$4,2 trillion/year worldwide by 2008. A sizeable proportion of these transactions will be done by poor people in developing countries, Rowlinson says.

Realising the potential to build a new kind of bank using cellular technology, Richardson and Rowlinson set about building Wizzit, a new financial service outfit aligned to the SA Bank of Athens. Cellular telephony, says Richardson, is already proving to be an efficient and cost-effective way of delivering financial services to the poor. He is reluctant to say how many clients Wizzit has signed

up since it launched commercially in April, citing competitive reasons. However, it's understood to already number several tens of thousands. He says growth is ahead of initial projections.

Wizzit's model is very different to the way financial services have traditionally been sold. The company, which is 30% owned by the National Council of Trade Unions, does not advertise through traditional channels. Instead, it relies on industrial theatre to get its message across. It also has 1 300 independent agents – called Wizzkids – across the country who help people sign up for the service. Many of Wizzit's customers have never had a bank account so the Wizzkids, who earn a commission on each sale, also play an educational role.

"We think we can achieve what everyone says is unachievable: a profitable transactional bank at the low end of the market," says Rowlinson. "We are aiming this at the unbanked and under-banked market, where the big banks have all said there's no money to be made. I suppose our model isn't yet

proven but we're hoping to reach break-even at 100 000 clients, which we should get to in the middle to latter part of next year."

Profitability will be determined not only by the number of customers, but also by the volume of transactions those customers do monthly. Wizzit uses a "pay-as-you-go" model in which it does not charge any monthly fees. "What's encouraging to us is that the number of transactions per account per month is significantly higher than we had [expected] at the start," says Richardson.

Wizzit uses a technology, supported in all GSM phones, called unstructured supplementary services data (USSD). Response times for interactive USSD-based services are generally quicker than those that use short message service (SMS). USSD is also cheaper than SMS. It costs 20c per 20 seconds on MTN and Vodacom. Cell C is expected to introduce the technology into its network soon.

When Richardson and Rowlinson first mooted their idea of a cellphone bank two or three years ago, they met with the big four banks to discuss opportunities. "It wasn't an area that was high on their agenda," Rowlinson says. When it became clear that the discussions were going nowhere, they approached three of the smaller banks and eventually decided to partner the Bank of Athens.

Wizzit, which launched commercially in April, is already coming up against tough competitors – ironically, in the form of the big banks. First National Bank, which launched a cellphone banking service in March, is an aggressive player in the market. At launch, it said it wanted 100 000 customers – many of them Mzansi account holders – in its first 18 months of operation. And Standard Bank recently launched a cellphone bank with MTN, called MTN Banking.

Rowlinson believes that ultimately cellphone banking could have a huge impact on the lives of the poor. He says many people in SA still rely on cash as their only means of transacting. With Wizzit, which issues all its customers with a MasterCard-branded debit card, people are now able to transfer money instantly using their cellphones and make in-store card-based purchases.

Once Wizzit has firmly established itself in SA, it plans to seek out expansion opportunities elsewhere in Africa. Already, the company has received a number of inquiries from countries as far afield as Latin America and Asia.

Duncan McLeod