



# LIFELINE MOBILE

Safaricom CEO Michael Joseph has guided the Kenyan company from a subscriber base of fewer than 20,000 to over 10m today. M-PESA, designed as mobile money mechanism for the unbanked, is a runaway success and used by everybody. In launching this product, his company has leapfrogged the West. What's the secret of this success?

have been asked that question many times and there is no one-sentence answer to this. We have about 80% market share by numbers and maybe 85% by revenue. We have just done the right things. We are a Kenyan company and we always emphasise our Kenyan brand and Kenyan roots.

One of the secrets of our success is that we make sponsorship really part of our strategy. We spread our giving across the whole of Kenya - if you go to any village in Kenya probably Safaricom will have been there and done something.

It is really spreading our giving across the whole community which makes us stand out from the crowd.

“ 70% of our market is in the grey area ”

#### What are the key trends in mobile in the region?

When we started out there were only two of us, in the last year two other competitors have joined in, so it has become a very competitive market. The key trend here is voice pricing coming down, the growth is still strong in terms of subscriber growth. As a company we need to not just focus on mobile voice and mobile data, we need to focus on fixed wireless voice and fixed wireless data as well.

#### What do people use their phones for?

Everything. In our environment the mobile phone is all you have. So you use your phone for business, for your social life, your family life. If you look at Kenya, if you look at the

GDP and you look at the official statistics, you really don't get a good picture of Kenya. 70% of our market is in the grey area. Those people that are working in the informal sector could not do that business unless they had a mobile phone.

#### You have done pioneering work in the area of mobile payments – how does your M-PESA service work?

We originally trialled M-PESA here together with Vodafone in 2006. The original idea was to have a way in which you could disburse and repay micro-finance loans.

When we saw the product we realized it could be used in the mobile money transfer business. We officially launched it in March 2007, it's a huge success.

A charity called Concern is using it to send small payments to families who are suffering currently under our serious drought conditions here, and we used it during the election violence to send money to people who were in the IDP camps. Now SMEP [Small and Micro Enterprise Programme] is the next innovation.

We are actually going back to our roots which is the first deal that we signed with a micro-financing institute where people can actually save or repay their loans using M-PESA.

### How much is being transferred over this system?

The figure is about EURO 1.5m a day. We have 6.6m people registered as M-PESA customers. They are using it not just for money transfer, they are using it for buying airtime, for paying for goods and services, to pay their electricity bill, TV bill, for making bulk payments for their workers.

The most marvellous thing about M-PESA is that it has a major social impact on people's lives, much bigger than the mobile phone. To me this is one of the biggest products of the decade. We are the first in the world to launch this type of product. Many people are trying to do the same now but they don't really understand how to make it really work.

### So you have leapfrogged the West?

It was originally designed as a mobile money mechanism for the unbanked, for people who don't want to be banked and never will be banked. Now it's being used by everybody. The technology of course must work extremely well, it must be 100% reliability and 100% integrity. But the secret of the success is the distribution of your agents. If you want to send someone some money or put some money into your account, the agent must be conveniently nearby.

We have nearly 10,000 agents now across the country, they need to be continually monitored, trained, supplied with material, know how to handle their customers and make sure they don't steal from their customers. I have to tell you one other story about M-PESA which is really exciting for me. Normally, in

countries like Kenya, when you give aid for something like building boreholes or dams it's being neglected because you got it for nothing.

We are installing a big pump in a very remote area and you can only get water from this pump if you M-PESA money to the pump - imagine using your phone going to a pump and with a few SMSs the pump gives you some water! That money is then used to pay back the loan that this pump company has made to the community to make the borehole, provide the pump and all the apparatus. Once the loan has been repaid, the revenue then goes to the community.

### VOA is using Safaricom for daily updated audio and video on mobiles. What opportunities are there for broadcasters?

VOA is probably the first to use the system this way but there are many other people using Safaricom for many different things. The opportunity is here, it just has to be consistent. You tend to find these broadcasters blow hot and cold.

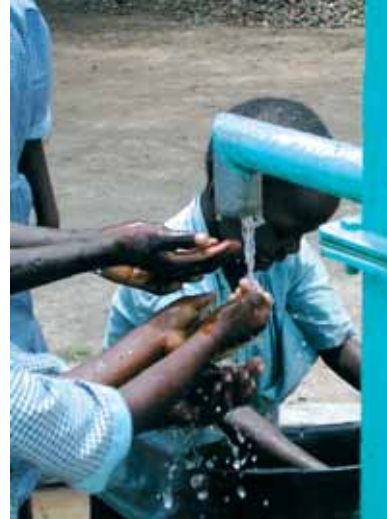
### What is your strategy for providing content on mobiles?

Ask me last week and it was one strategy - ask me this week, it's another strategy. But in general I prefer to work with partners and buy content from them, and we provide it to our subscribers. We have a partnership with BBC where we provide BBC news flashes on the mobile phone and things like that. And we are working with the local media, and also with Google to provide content, mostly in English. We are also now beginning to provide content ourselves.

### Is quality content a driver?

I see it as a nice thing to have, you must do it because your customer wants it, but do I see it as a very important part of our strategy - no, I don't. I think the most important thing is that we are a reliable provider of service and provide digital functionality to our customers. Let me give you a quick example. Some months ago we launched an emergency top-up. A lot of people here suddenly don't have

**M-PESA is one of the biggest products of the decade**



any money on their phone - if you are a customer of a year's standing you can get an emergency loan from us and then when you next buy your airtime that amount of money is deducted. It's been a huge success and only our company has launched this.

### And the outlook?

We are going through some tough times now, obviously. But I think there are tremendous opportunities because the mobile phone is the medium with which they all communicate, that's all they have. I think the future is very bright for us.

Michael Joseph, thank you. ■

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