

CONSUMERLAB



ERICSSON

M-COMMERCE IN SUB SAHARAN AFRICA

An Ericsson Consumer Insight Summary Report,
August 2012

CONTENTS

A REGION OF CHANGE	3
AN UNFAITHFUL LOVE FOR OPERATORS	4
NATIONS OF AMBITION	5
FROM THE MATTRESS TO THE BANK	6
THE FAMILY CFO	7
M-MONEY MAKES HELPING EASIER	8
OPPORTUNITY TO EXPAND THE USE OF M-MONEY	9
TRUST IS CRUCIAL FOR M-COMMERCE	10
M-COMMERCE EXPANSION	11

About this report

The data from this report comes from qualitative, in-depth interviews, complemented with statistical data. The following sources are used:

ConsumerLab Analytical Platform 2011 and 2012

Ericsson ConsumerLab's Analytical Platform is based on annual consumer surveys in more than 40 countries including more than 100 000 interviews. Data used for this report has a representative sampling of the population aged 16 to 60 and is based on 526 face-to-face interviews in Ghana, 502 face-to-face interviews in Tanzania and 1020 face-to-face interviews in South Africa.

ConsumerLab M-commerce Sub Saharan Africa 2012

Qualitative fieldwork and extensive in-depth interviews with 31 consumers evenly distributed in three markets. Ghana (Accra), South Africa (Johannesburg), and Tanzania (Dar Es Saalam). Interview persons were chosen to represent the financial scope of urban consumers, and were both users and non-users of m-commerce.

Introduction

How will m-commerce continue to develop in Sub Saharan Africa, the region that has been home to some of its greatest success stories? Mapping out the potential for further transformation across this highly diverse region, Ericsson ConsumerLab has undertaken qualitative fieldwork in Ghana, South Africa and Tanzania.

Across the African continent, mobile telephony has brought communicative infrastructure to areas previously lacking reliable means of reaching, and connecting with others. The mobile phone has been a connecting technology of immense impact on human life, and in several African nations it has found a powerful incubator.

The study took place in three countries of different levels of infrastructure and wealth, as well as usage of, and interest in, m-commerce. From Tanzania, a developing economy, with relatively widespread use of network operator driven m-commerce, to South Africa, an emerging market with high levels of access to formal banking and well-established communications networks.

ConsumerLab undertook qualitative fieldwork, conducting interviews with consumers in metropolitan Accra, Dar Es Salaam and Johannesburg. Interview persons also acted as guides giving inside access to the places where they did their shopping, or business. Aside from the 31 interviews conducted, fieldwork included visits to local businesses, shopping places, and operator stores and agents.

ERICSSON CONSUMERLAB – THE VOICE OF THE CONSUMER

Ericsson ConsumerLab has more than 15 years' experience of studying people's behaviors and values, including the way they act and think about ICT products and services. Ericsson ConsumerLab provides unique insights on market and consumer trends.

Ericsson ConsumerLab gains its knowledge through a global consumer research program based on interviews with 100,000 individuals each year, in more than 40 countries and 15 megacities – statistically repre-

senting the views of 1.1 billion people. Both quantitative and qualitative methods are used, and hundreds of hours are spent with consumers from different cultures.

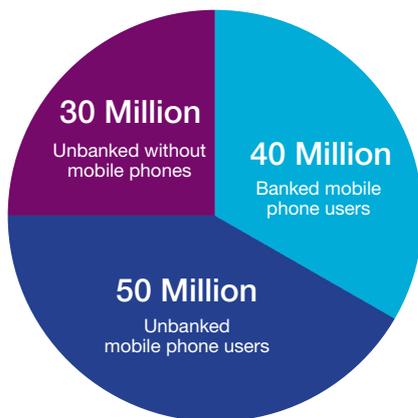
To be close to the market and consumers, Ericsson ConsumerLab has analysts in most of the regions where Ericsson is present, which gives a thorough global understanding of the ICT market and business models.

All ConsumerLab reports can be found at www.ericsson.com/consumerlab

A REGION OF CHANGE

The story of the African continent has changed from one of shortcoming to the realization that across vast differences and hardship, people constantly adapt, utilize and innovate. Where reliable infrastructure was lacking, new technologies have stepped in, and transformed with use.

Figure 1: Consumer Overview: Tanzania, Ghana and South Africa



Source: Finscope, Gallup, CIA World Factbook, Africa Mobile Observatory 2011 (GSMA/A.T. Kearney)

Figure 2: Top three fields of current m-commerce use

TANZANIA

1. Buy airtime
2. Transfer money
3. Pay for electricity

GHANA

1. Buy airtime
2. Access account information
3. Transfer money

SOUTH AFRICA

1. Buy airtime
2. Receive salary
3. Access account information



Source: Ericsson ConsumerLab M-commerce Sub Saharan Africa 2012

KEY FINDINGS

> Hardy and driven consumers

Many consumers are part of relatively poor households, but strive to improve their life situation, constantly looking for new possibilities. Unexpected expenses are managed through budgeting and emergency savings. Consumers also save for major future purchases and investments.

> Sub Saharan consumers ready for m-commerce's next step

Consumers are in need of reliable and convenient infrastructure for money transfers. Many lack access to banking, especially in the less prosperous markets. Driving factors for expansion of m-commerce is the speed and convenience. The remaining barrier is lack of trust; ultimately this is a matter of ensuring that consumers are properly knowledgeable about the services. As women are often given primary responsibility for household finances, they are important for reaching consumers for untapped m-commerce potential.

> Current use likely to expand

Today, mobile money is mainly used for purchasing airtime and long distance person-to-person transfers. Some level of bill payment, such as purchasing electricity is also becoming commonplace. By building on existing behaviors and social structures, consumers are ready to expand their m-commerce usage in three key areas: in-store payment, wage payment and savings.

> Education is key for reaching consumers

Traditional advertising is insufficient to overcome the main barriers for wider consumer adoption. Lack of knowledge about functionality and safety need to be addressed. Encouraging merchants and agents to utilize m-commerce and accept mobile money as payment as well as acting as educators will be key, as they are the main contacts to the consumers.



AN UNFAITHFUL LOVE FOR OPERATORS

Network operators stand for service and expertise

In all three countries, network carriers have a lot of clout with their customers. Feelings are strong. When discussing their operators' competence, it is the technical capacity that consumers refer to when ascribing expertise. The reliability of service, network coverage in rural areas and access of agents and retailers, are other major factors that contribute to trust.

"I just love MTN so much. I don't know why but I've been using them and I don't want to change it."

- Female, 38
South Africa

Multiple operators are common

A tendency that appears more acute with financially strained consumers and in the less prosperous countries is the practice of keeping multiple SIM cards for different operators. Consumers alternate between a favorite number and other numbers, used for specific rates and deals.

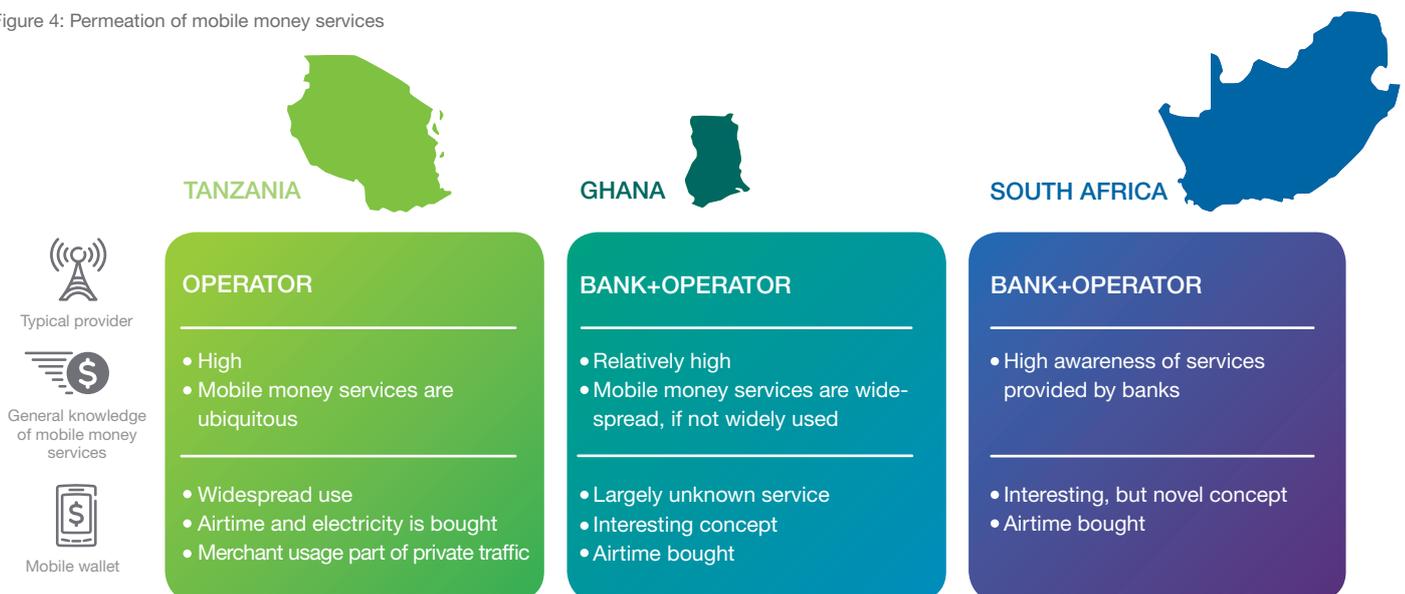
Even if most people are very positive to their primary operator, that operator does not have any exclusivity. When deciding on a new operator, people do not usually give up an old one.

Figure 3: Number of SIM cards among consumers



Source: Ericsson ConsumerLab Analytical platform 2011. Base: Mobile phone users

Figure 4: Permeation of mobile money services



Source: Ericsson ConsumerLab M-Commerce in Sub Saharan Africa 2012



“My studies will go on to the PhD and everything – all those things – I want to do that. Also I would love to travel!”

- Female, 42, South Africa

NATIONS OF AMBITION

Wide-spread aspiration

In all three markets, the overwhelming impression is of people with clear ambitions and goals set out for their futures. Those who have their own businesses usually look to expand and start additional companies. When a successful business takes up too much time, a relative or hired hand is brought in; expansion is a near-constant.

Very often hopes go towards long-term investments such as home ownership and education for one's children or oneself. Of course, the specific content of ambitions changes with the overall prosperity of a country, and with the situation of the person in question.

Extended financial responsibility

Most of the African consumers asked have financial responsibility within their extended family. Rather than a matter of loaning and borrowing money, this obligation is to assist, and to be able to expect reciprocal help. Consumers are seldom alone; either they support somebody else, or they receive money from a relation – often a family member.

Cash economy

In all three countries, household economy is still largely a cash business. Most people deal and pay for goods and services in local currency. The primary exception was wage earning South Africans, who sometimes make purchases by debit cards, and store credit. To the overwhelming majority, however, money is cash, and even those keeping their money in a bank, withdraw cash to pay for goods and services. Bank cards are primarily for ATM withdrawals.

Multi-faceted income

Most consumers interviewed would have more than one source of income. Wage earners often have a better overall situation than to those getting by doing small business, or odd jobs.

Wage earners often maintain established side businesses, but still benefit from the stability of steady cyclic pay. At the same time, those living hand-to-mouth will have to adapt to a wage-earner's monthly payment cycle of rent, bills, etc.

Although the use of credit differs across the markets, resistance to credit is constant. Being indebted is avoided as far as possible, since it implies being in someone else's mercy.

“If there is an opportunity for me and I get some money then I will open another business apart from this... In the next 5 years I would like to have my own company and employ people to work for me.”

- Female, 38, Ghana

FROM THE MATTRESS TO THE BANK

Everybody saves

Although a common response among the interviewed is that they are not good at budgeting, everybody plans for the future to some extent. From the most basic level of making sure that there is some extra money tucked away in case of emergency such as illness, to keeping some profits in a jar or in a bank account, saving for a specific investment.

The interviewed with the most strained economies and least structured budgeting will simply divide money into piles, designating what goes where. Advanced budgeters instead opted for lists, or even spreadsheets, allowing for follow-up over time.

One of the most common ways of saving is to keep money at home, in a purse, jar, or under a mattress. It makes it easy to get to the money, but it also makes it easier for a burglar to steal.

From informal to formal saving

The countries studied feature different forms of saving societies. The level of formality varies, but all are organized around people amassing resources together, including peer pressure as an incentive to keep saving. In this, social ties becomes an infrastructure for economic behavior.

For those earning monthly wages, banks are strongly encouraged, if not mandatory. The purpose of using a bank is not so much to gain interest, but rather to set aside money and avoid spending. Many South African consumers are familiar with bank services via phone, and internet banking is common among computer owners.

The paradox of accessibility

Having access to one's money is described as a double-edged sword. On the one hand, there is a disciplining factor in putting money away. Putting money in a place where it is not immediately available is a way to ensure that it is not spent too readily. On the other hand money is there for being used: not being able to get to one's funds is a distinctly negative scenario.

Saving in m-money

A marginal way of utilizing m-money is to set money aside by depositing it into an m-money account. This works to limit access to it, while at the same time determining what it is to be used for.

“Me and my wife have been together for a time now so we know already what the budget is, we discussed it and just pay it accordingly, we do it together so we know what needs to be done.”

- Male, 28, South Africa

THE FAMILY CFO

Gendered economy

Both men and women work, and work hard across the markets and interview persons of the study. However, in the cases where men and women share a household, men are generally expected to be breadwinners and women responsible for household finances.

Women's secret savings

While men often claimed primary financial responsibility in interviews, and expected to be asked for money, women are making sure that the money lasts. This tendency is more pronounced with those most financially strained. The money may be from a business or from personal savings, but regardless women simply save what they can, in case of unexpected expenses or shortages.

For example in Tanzania, women's hidden savings forms a sort of well-known secret, a field where men do not ask, and women do not tell. It is best for everybody if women are allowed to set some money aside, for tough times.

Interviewed Ghanaian women would generally generate their own income and have personal savings. It is not uncommon for married Ghanaians to live in separate households. Generally among the interviewed women, they financially hold their own. Similarly, South African men and women often plan and handle expenses together, while maintaining separate savings.



"If we are out of money and we have to buy something, my wife will usually solve it somehow. I don't know how she does it, women always have their ways."

- Male, 45, Tanzania



AMONG SMALL TRADERS IN THE STUDY
the most common means of storing money is in one's purse

M-MONEY MAKES HELPING EASIER

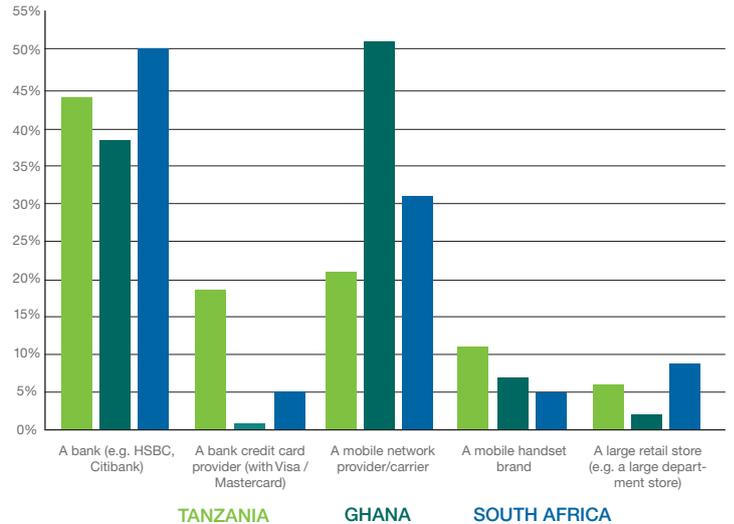
Among consumers interviewed, present use of m-money services is primarily for person-to-person transfers and for purchasing airtime. Additionally, bill-payment and electricity purchases are important fields of use. The use of m-money seems strictly utilitarian, simply constituting an alternative to bank transfers and couriers.

In bill payment, opportunities to use m-commerce often remain limited. Electricity purchases and satellite television (in the case of South Africa and to a lesser extent Ghana) are currently primary fields for bill payment using m-money. Similar to transfers, paying bills with m-money is an alternative to previous models of going to physical offices to pay bills.

Convenient and safe

Availability is a primary driver. Current infrastructure for handling money cannot compete with many of the features of m-commerce. M-commerce solutions save consumers queuing and sticking to service hours. Consumers are attracted to the convenience of reaching money everywhere. Currently, cash is the only truly pervasive form of payment, making ATM withdrawals central for availability of funds. Wider use of mobile payment could possibly offset this need. Competing with regular bank transfers, mobile trans-

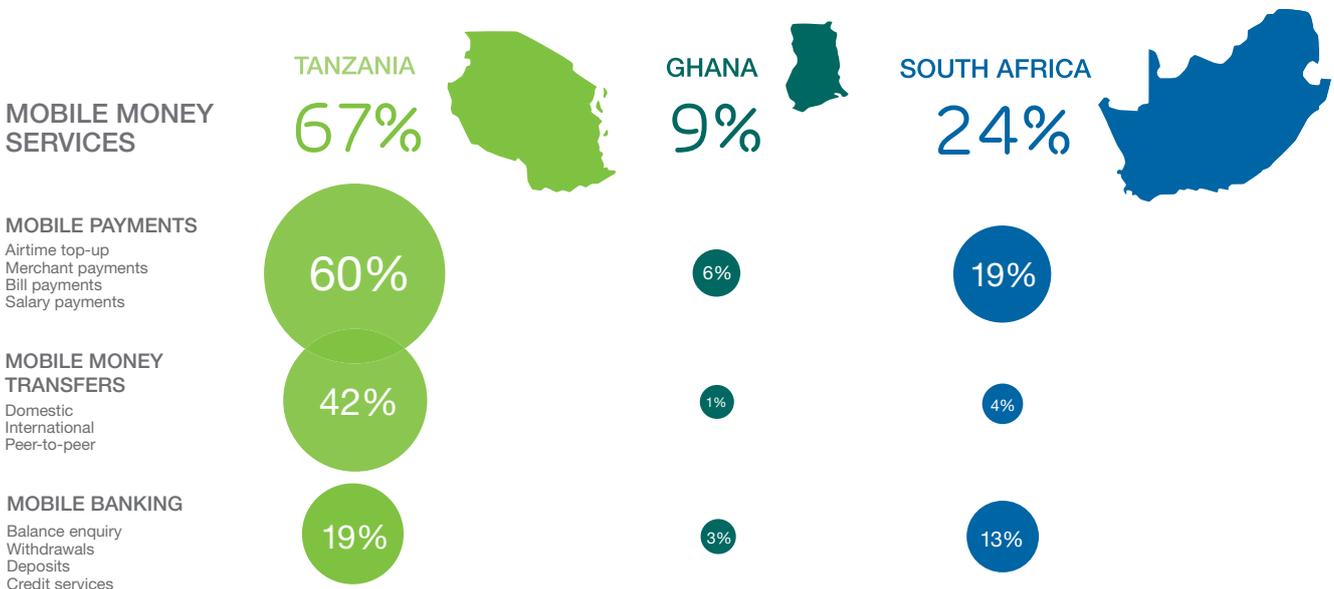
Figure 5: Which type of organization would you like to provide mobile payment options?



Source: Ericsson ConsumerLab Analytical Platform 2012, Base: User or interested in mobile wallet

fers are praised for their speed. Compared to carrying cash, having a virtual account is an attractive alternative to travelers and shopkeepers running the risk of robbery or theft.

Figure 6: M-commerce usage across the markets



Source: Ericsson ConsumerLab Analytical Platform 2012, Base: Mobile phone users

OPPORTUNITY TO EXPAND THE USE OF M-MONEY

There is currently an opportunity to increase usage of m-money, particularly in the area of payments, salary payments and savings. To achieve this, it is important to stimulate consumers' interest in keeping their money within the system. Lack of interest on deposited funds and imposed consumer charges when sending money or paying for merchandise are two areas that need to be addressed by service providers aiming to achieve future m-commerce growth.

Merchant perspective

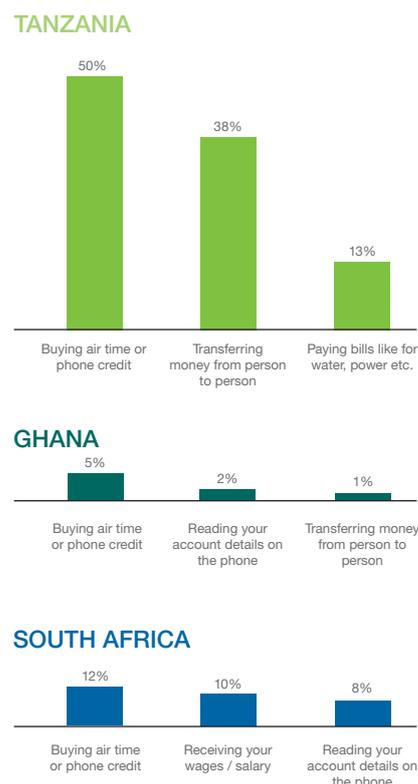
Merchants' usage of m-money is crucial. The reason is the prevalence of people running multiple enterprises, possibly combining paid employment with side businesses.

Many consumers are entirely self-employed. Regardless, the difference between private and business economy is not distinct. When engaged in business many people are prompted to make transfers, often using a private account (as alternatives are seldom available), establishing experience with m-commerce and allowing for private and business finances to bleed into each other.

The role of operator agents

Agents fill the dual role of ambassador and educator. They guarantee availability of funds, as the option of withdrawing mobile money is so crucial. At the same time they often constitute the main face of the service. With many consumers still unsure of the benefits and drawbacks of m-commerce, agents play a key part in sharing knowledge, and ultimately raising acceptance of virtual accounts as means for keeping funds among new groups of people.

Figure 7: M-commerce services used today



Source: Ericsson ConsumerLab Analytical Platform 2012, Base: Mobile phone users

Services must be cheap and reliable to compete

> With an overall cash-based economy, consumers put a high value on easy access to their money. They will also notice costs and charges that set m-money aside from using cash. Consumers weigh benefits against costs, and will stick to the dominating cash economy unless they find the alternative more beneficial. Network reliability is another important field, where concerns have to be completely addressed. Consumers must have no doubt about the status of a transfer or their account balance.

“With Airtel they have it linked to the bank. It is so convenient such that you don’t carry money about because of thieves and so most of the time if I am going to buy something I keep my money on my phone and when I get there I go to any nearby vendor and I get my cash.”

- Male, 41, Ghana

TRUST IS CRUCIAL FOR M-COMMERCE

Trust is a major prerequisite

Many consumers are still unaware of the opportunities offered by m-commerce, and harbor misconceptions about aspects such as safety. Consumers unused to virtual accounts tend to worry about the integrity of their account in case of loss of a phone. General knowledge about costs and benefits of the service must be increased. There is a window of opportunity for operators who already have an established relationship with consumers and for agents that are easily accessible, because they have a wide presence also in rural areas.

Trust lies at the core of expanding m-commerce into more fields of use, and more consumers. Building trust must largely happen in person, especially with those unaccustomed to financial services. Face-to-face introductions to services are crucial. With pro-

“No one has ever encouraged me to open a bank account unlike the mobile money services where everyone does encourage you to do so, even the agents... Bank services are good for handling large amounts of money but for small amounts of money then mobile money services are good.”

– Male, 40, Tanzania

fessional agents or local branches and use of community or congregational workshops, misconceptions about the benefits and drawbacks of the services may be addressed. Many m-commerce users are likely to grow more trusting to the service with time, just as personal access to a bank leads to a higher acceptance of more abstracted bank services, such as online banking.

Why trust in operators:

- > Reliable and technologically adept
- > Personal and available to everybody

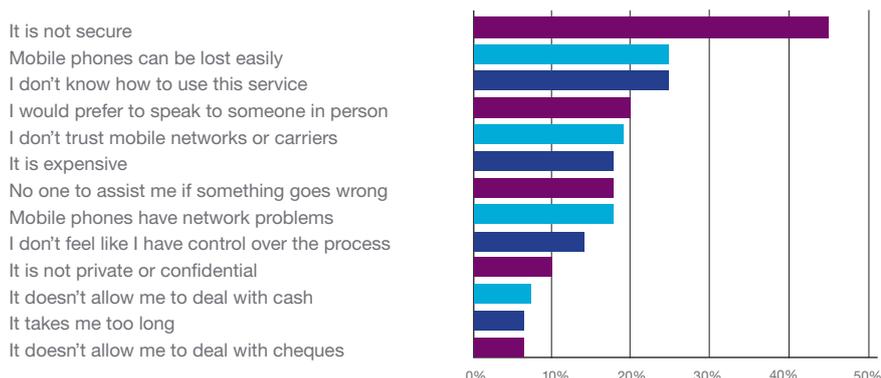


Banks trustworthy but inconvenient:

- > Troublesome to visit
- > Expensive to use



Figure 8: Why are you not interested in banking via your mobile phone?



Source: Ericsson ConsumerLab Analytical platform 2012
Base: THOSE WHO DON'T BANK or WOULD NOT LIKE TO BANK VIA MOBILE

M-COMMERCE EXPANSION

Operators enjoy great trust as actors serving consumers with reliable communication, as well as in taking up financial services. However trust in the service remains to be established. The challenge is to expand the user base, helping people realizing the benefits of using m-commerce solutions as part of their everyday lives.

Another challenge is that m-money today only has an intermediary role. Consumers often go to an agent immediately when they receive a mobile money transfer, and convert the mobile money into cash. Building up for the longer loop, it is important to stimulate users to keep money within the system. This can be achieved by building trust in the system and stimulating usage, e.g. by making more aspects of people's private economy easier serviced by m-commerce solutions than current alternatives. Two such areas of possibilities are enabling in-store payments and offering interest on the mobile money balance.

Using the service must be as simple and fast as possible. Current systems are largely designed to facilitate the activities that have grown to be most common: airtime purchases and long-distance transfers. Interface and functionality challenges are raised by in-store payment, with even lower tolerance for delays and time consuming commands.

> In further developing m-commerce it needs to focus on user aspects in which it is superior to cash.

> Simultaneously users need to be educated rather than merely informed on the scope of possibilities in m-commerce

> Build trust in the service via the personal meeting



Ericsson is the world's leading provider of communications technology and services. We are enabling the Networked Society with efficient real-time solutions that allow us all to study, work and live our lives more freely, in sustainable societies around the world. Our offering comprises services, software and infrastructure within Information and Communications Technology for telecom operators and other industries. Today more than 40 percent of the world's mobile traffic goes through Ericsson networks and we support customers' networks servicing more than 2 billion subscribers. We operate in 180 countries and employ more than 100,000 people. Founded in 1876, Ericsson is headquartered in Stockholm, Sweden. In 2011 the company had revenues of SEK 226,9 billion (USD 35,0 billion). Ericsson is listed on NASDAQ OMX, Stockholm and NASDAQ, New York stock exchanges.

The content of this document is subject to revision without notice due to continued progress in methodology, design and manufacturing. Ericsson shall have no liability for any error or damage of any kind resulting from the use of this document.

Ericsson
SE-126 25 Stockholm, Sweden
Telephone +46 10 719 00 00
Fax +46 8 18 40 85
www.ericsson.com

EAB-12:034229 Uen
© Ericsson AB 2012