

Reflection 27. Learn from M-Pesa

M-Pesa has become an icon within the mobile money and financial technology industry. Almost all Kenyan adults with a mobile phone have an M-Pesa account. It has become an indispensable tool helping us manage our financial transactions. In this blog I will outline some of the positive lessons I have learned from M-Pesa.

1. *Lead*: One of the defining characteristics in the growth of M-Pesa was the leadership shown in the support and development of the M-Pesa product, by Michael Joseph in particular. Investments when required were made in agents, systems, APIs, security, in staffing, in customer support. This contrasts with some other mobile money deployments where I suspect there was significant underinvestment.
2. *Understand the customer*: M-Pesa was developed through extensive testing with potential customers. The pilot test took place over an 18-month period, with a focus on ensuring the solution was usable and easy to understand. The solution scaled more easily because of the pilot test.
3. *Develop the customer value proposition*: M-Pesa built a compelling value proposition built around local realities, the launch proposition – “Send Money Home”, was deeply embedded in Kenyan demographics.
4. *Provide accessibility*: M-Pesa through its solution and a wide network of agents was able to provide accessibility to a level which hadn’t been experienced before. To provide real time payment solutions.
5. *Build Trust*: As a product of Safaricom M-Pesa was already being launched by a trusted company. However, M-Pesa continued to develop solutions to improve UI/UX, backend processes, and security.
6. *Build an ecosystem*: M-Pesa built an interoperable ecosystem with financial institutions, which gave it a significant advantage when launching products and services such as merchant payments, but also gave it a strategic advantage as the centre of gravity of the fintech sector in Kenya.
7. *Evolve*: M-Pesa continues to evolve even as the payment space matures, moving from cash-in, cash-out, to interoperability, to merchant payments, remittances, credit, and facilitating e-commerce, m-health and more.
8. *Exploit the power of payments*: Through M-Pesa I’ve learned about the power of payments, the ability of payments to help to define the financial nature of individuals, and their likely financial requirements. However, the power of payments is not absolute with understanding

the context of the payment especially for businesses, and this is an area where significant investment is required.

9. *Partner*: The need for partnerships is a defining characteristic of the fintech revolution, and at a platform level, it reflects how M-Pesa has been able to build its ecosystem. This doesn't always mean that partnerships are the way to go, but that partnerships offer a way to build products and services that otherwise would not be developed.
10. *Communicate*: In the early days of M-Pesa communication was especially important, not just in marketing, but helping customers understand the solution, to build trust, to provide advice.

Principles verses practices

One of my most significant lessons, came from the rollout of mobile money across Africa and Asia. I was fascinated by trying to understand the difference in the experience of M-Pesa in Kenya, and mobile money solutions elsewhere. Why was M-Pesa so much more successful? In my view, it was partly because of the difference between principles and practices. A principle applies everywhere, a practice is market or context specific. Cash-in, cash-out is a principle, it applies to all mobile money providers. "Send Money Home" is specific to the demographics of Kenya. Understanding this difference helps mobile money providers build on an essential base, and then focus on where and how to customise their offer.

Afterthought

Whilst I've been hugely positive about M-Pesa in this blog, I still think it can be better. There are challenges I believe looking from outside with imperfect knowledge, that can be addressed, areas where more investment could be made or where more research is required. But that is topic for M-Pesa.

First Principles Consulting can help you think about how the M-Pesa lessons can be applied to your financial service.

If this reflection speaks to you... speak to me so that we can inspire change, together.

David Cracknell

Additional reflections in this series can be downloaded from www.firstprinciplesinfinance.com