



Mobile Money
for the Unbanked



Mobile Money in the Democratic Republic of Congo:

Market insights on consumer needs and
opportunities in payments and financial services

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Contents

3	Executive Summary
5	Project overview and introduction
7	Key findings
7	Market context: use of financial services limited in the DRC
8	Preference and prevalence of financial services in the DRC
8	— Insights from household decision-makers
18	— Insight from small business owners
20	Opportunities and challenges for mobile operators moving into mobile money
27	Conclusions and recommendations
29	Appendix 1. Household decision-makers' survey: sample demographics
31	Appendix 2: Research methodology

Figures

8	Figure 1 – Percentage who received a transfer in each province
9	Figure 2 – Destination of transfers sent and origins of transfers received
10	Figure 3 – Percentage who sent money for each reason “most often”
10	Figure 4 – Percentage who received money for each reason “most often”
11	Figure 5 – Percentage who used each method to send money in previous three months
12	Figure 6 – Reasons for using each transfer service (Percentage for each)
13	Figure 7 – Percentage who paid each type of bill in the previous three months
14	Figure 8 – Of those who had paid a bill, the percentage who had paid each type of bill in the previous three months, by province
15	Figure 9 – Percentage of each sector who received a salary or wage payment in the previous three months
16	Figure 10 – Reasons respondents save money
16	Figure 11 – Of the households who save, percentage who save with each method
20	Figure 12 – Percentage of respondents using mobile operators in last 30 days
23	Figure 13 – Sources of awareness of mobile money services
24	Figure 14 – Percent of respondents who had ever used mobile money
25	Figure 15 – Mobile money perceptions





About GSMA

The GSM Association (“GSMA”) represents the interests of the worldwide mobile communications industry. Spanning 219 countries, the GSMA membership consists of nearly 800 of the world’s mobile operators, as well as more than 200 companies in the broader mobile ecosystem, including handset makers, software companies, equipment providers, internet companies, and media and entertainment organisations. The GSMA is focused on innovating, incubating, and creating new opportunities for its membership, all with the end goal of driving the growth of the mobile communications industry.

The GSMA Foundation and Mobile for Development exist to accelerate economic, social, and environmental development in underserved markets through the use of mobile technology, leveraging the industry expertise of the GSMA and its members, as well as the expertise of international agencies and non-profit organisations. The GSMA Mobile Money for the Unbanked (“MMU”) Programme is an initiative within GSMA Mobile for Development, implemented through the GSMA Foundation.

About Mobile Money for the Unbanked

Traditional financial institutions have been unable to reach low-income customers, especially those living in remote areas, due to the cost structure of retail financial services. Bricks-and-mortar branches have high fixed costs and it is rarely economical for banks to build and operate them to serve the poor. Even if such a branch were busy all the time, the fees they would have to charge their clients to cover their costs, relative to the size of those clients’ transactions and/or deposits, would exceed customers’ willingness or ability to pay. This problem is exacerbated in rural areas, where the population density is low.

In contrast, mobile money leverages the ubiquity of the mobile phone and the extensive coverage of mobile operators to offer a profitable means of serving these customers. Over 40% of people on low-incomes in Africa have access to a mobile phone; moreover, there are over a billion customers in developing markets who already have access to a mobile phone, but do not have a formal bank account.

Through leveraging mobile technology, and the existing distribution networks that mobile operators already use for selling airtime, low-income customers at the base of the pyramid can have access to convenient and affordable financial services which they didn’t have before, and can make cash-in and cash-out transactions at the same distribution points where they buy airtime. A huge opportunity exists to impact the lives of millions of the financially excluded through leveraging mobile operators’ expansive distribution networks and trusted brands to deliver such financial services.

Mobile Money for the Unbanked (“MMU”) aims to make mobile money a scalable and sustainable business for mobile network operators, and for mobile money to be extensively available to those who have been previously unbanked.

About InterMedia

InterMedia (www.intermedia.org) is a consulting group with expertise in applied research and evaluation. We help clients understand, inform, and engage people worldwide – especially in challenging environments. InterMedia’s offices are located in Washington, D.C., London, and Nairobi, and we work with a global network of research partners.

Clients active in international development, global media, and strategic communication come to us for insight on how people gather, interpret, share, and use information from all sources and on all platforms. We provide guidance and impact assessment for strategies focused on engagement, behaviour change, content delivery, and the use of communication technologies for social benefit.

InterMedia promotes knowledge sharing through a range of online and offline resources, including AudienceScapes (www.audiencescapes.org) – a research dashboard providing data and analysis on a variety of topics in developing countries. We are also committed to strengthening research capacity in the countries where we work.

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All materials and data produced from this study are the property of GSMA, but the findings and conclusions presented in this report are those of the authors and do not necessarily reflect the positions or policies of GSMA.



Executive summary

Given the potentially large user base and low penetration of financial services, the Democratic Republic of Congo (DRC) seems to hold significant commercial opportunity for mobile money. At 17.5%,¹ the penetration of mobile exceeds the reach of financial service, with only 4% of the population having an account at a formal financial institution.² However, the DRC market is complicated by security concerns, economic and political instability, minimal infrastructure, and a dispersed population. Given the challenging context, the purpose of this study was to better understand the competitive landscape and opportunity for mobile money in the DRC. The insights from this research will help enable operators to adapt their product portfolio, service offering, and distribution strategy to best meet the needs of the market.

Based on a mixed method research approach, the main findings of the study are:

- The DRC remains a predominantly cash-oriented society, with minimal access to formal financial service.
- While domestic remittances were common among DRC households, “Send money” is unlikely to trigger households to try mobile money in the short term due to the strength of local alternatives. Unlike other mobile money markets, the DRC has a strong network of local and international remittance companies offering affordable fees and satisfied customers. Thus, in the short term, operators face an uphill battle getting customers to switch to a new and unfamiliar channel. While the remittance market may have been a difficult entry point during the early days of mobile money, this study did reveal an active P2P market, which means that as mobile money moves towards scale there is longer term commercial opportunity.
- In the short term, findings reveal there is greater opportunity and necessity for mobile money as a means for alternative forms of payment. At the household level, salary payments and bill pay could be more promising points of entry for operators.
- Small businesses have also shown to hold strong commercial potential as cash is the only direct competitor to mobile money at this stage. Small businesses have specific payment needs for both salary and supplier payments and are currently meeting these needs with cash only.
- Due to banking crises that occurred in the 1980s and 1990s, this study found that respondents considered banks unstable and untrustworthy. To build customer trust, mobile operators will need to consider how they can position themselves vis-à-vis formal financial services.
- Regardless of product entry strategy, mobile money faces challenges around GSM system reliability, customer education, and building trust. While operator brands are considered “trustworthy”, findings show this does not translate to trust in mobile money. Operators need to explore tactical and strategic solutions, including considering the potential of partnerships to build a stable mobile money ecosystem.

1 GSMA Wireless Intelligence.

2 Global Findex (Global Financial Inclusion Database) Accessible online: http://databank.worldbank.org/Data/Views/VariableSelection/SelectVariables.aspx?source=1228#c_c



Project overview and introduction

As part of its core activities, MMU works closely with mobile network operators to overcome barriers to reaching commercial scale in mobile money. Often one of the most difficult barriers to scale is a lack of information about their customers. Due to cost or logistics, mobile money operators in some markets have been unable to unilaterally invest in the necessary research to understand the unique needs and behaviours of their customers. In an effort to address this, MMU undertook a market research study in the Democratic Republic of Congo (DRC) where lack of information is a potential barrier to scale. The insights from this research are aimed to help enable operators to adapt their product portfolio, service offering, and distribution strategy to best meet the needs of the market.

Despite challenges stemming from a lack of information, the DRC is one of the most promising mobile money markets in Sub-Saharan Africa, due both to an enabling regulatory environment and the potential for commercial scale in a country with 70 million people. However, due to poor infrastructure, low literacy levels, and a dispersed population, it has been challenging for a single operator to adequately invest in research to understand the use cases for mobile money in the DRC. To help overcome this challenge, MMU commissioned InterMedia to conduct a research study to understand and analyse (1) user demands and (2) the formal and informal competitive market landscape for remittance and financial services.



Based on the feedback of operators and local stakeholders, the research focused on four key regions: Kinshasa, Bas-Congo, Katanga, and North Kivu. Each of these regions is commercially interesting due to relatively high population density and/or economic activity. Therefore, the findings are not meant to be representative of the DRC as a whole,³ but rather illustrative of these four economic hubs, which are more likely to be the source of scale for mobile money.

This study targeted two subgroups defined by GSMA: (1) small business owners⁴ making payments to suppliers and (2) household decision-makers sending and receiving money, paying bills, and savings, all with a mobile phone.

The key research questions of this survey are:

- 1) What is the competitive landscape for payments, remittances, and financial services?
- 2) What are the frequency, volume, purpose, and destination/origin for sending/receiving money including bills, supplier payments, and remittances?
- 3) What are the broader needs for financial services (i.e. savings, credit, insurance)?

InterMedia applied a mixed methods approach made up of several interlinked research components. This methodological approach identified the available financial services and providers in the DRC and measured the financial behaviours, experiences, and demands of target groups. InterMedia's research design utilised several qualitative and quantitative components, including:

Quantitative and Qualitative Research Components

Research component	Respondents	Location
Desk research		
In-depth interviews	14 key informants	Kinshasa only
In-depth interviews	12 small business owners paying suppliers	Kinshasa, Matadi, Lubumbashi, Goma, and surrounding rural areas*
Mini focus groups	80 participants, including potential and current mobile money users	Kinshasa, Matadi, Lubumbashi, Goma, and surrounding rural areas*
Survey	120 small business owners	Kinshasa, Matadi, Lubumbashi, Goma, and surrounding rural areas*
Survey	400 household decision-makers	Kinshasa, Matadi, Lubumbashi, Goma, and surrounding rural areas*

* For the purposes of this study, rural areas are defined as areas located within 30 km of each major city.

A full description of the methodologies used in the study is provided in Appendix 2.

³ See Appendix 1 for details on sample demographics.

⁴ "Small businesses" were defined as companies with one to five employees.

Key findings

3%

of respondents who sent money in the last three months did so via a bank transfer or direct deposit into a bank account.

Market context: use of financial services limited in the DRC

The use of both formal and informal financial services is limited in the DRC. Only 4% of adults have an account with a formal financial institution and 1% used a formal account to save money in the past year, according to a World Bank survey.⁵ Informal financial services are more common, but are still limited to only a minority of DRC citizens. According to the same survey, 8% of adults save through an informal, community-based savings method, and 30% had obtained a loan from a family member or friend in the past year.

The low usage rates of formal financial services likely reflect a lack of access, among other factors. The DRC has fewer than two bank branches for every 1 million residents.⁶ In many parts of the country, a lack of infrastructure limits the expansion of bank branch networks. The prohibitively high “bricks and mortar” cost of banks means that there is an opportunity for mobile to play a pivotal role to increase access to financial services across the DRC.

This issue of access has moved financial inclusion to the centre of the government’s and policymakers’ agendas. In 2011 the government established a “national microfinance fund” to encourage further growth of the microfinance sector and to strengthen the regulatory framework surrounding the sector. In addition to the enabling regulation for mobile money, the central bank is also working with development partners and MFIs to develop a central credit register for the microfinance industry.

More than 80%

of respondents report paying bills in cash at the provider’s office.

However, the DRC remains a cash-oriented society. Both individuals and businesses operate primarily in cash, and the financial services available in the market remain limited. Of the small percentage of the population who can access financial services, most do so via local or informal financial services, including sending money, paying and receiving salaries, savings, and credit. The findings of our study showed that only 3% of those who had sent money in the last three months had done so via a bank transfer or direct deposit to a bank account.⁷ The rest had used some form of cash-based transfer. Similarly, a mere 4% of those who received money did so via a bank transfer. Salaries are paid almost exclusively in cash as well: 76% of household decision-makers reported receiving their remuneration in cash at work or elsewhere. Only 1.3% had made utility payments (water or electricity) at a bank; in contrast, more than 80% of household decision-makers who paid bills in the past 3 months report paying their dues at the provider’s office.⁸

As such, there is an opportunity for mobile money to not only increase access to formal financial services, but also to resolve security risks around operating in cash.

⁵ Global Findex (Global Financial Inclusion Database) Accessible online: http://databank.worldbank.org/Data/Views/VariableSelection/SelectVariables.aspx?source=1228#c_c

⁶ Paul-Harry Aithnard, George Bodo, Sulemana Mohamed, Susan Zindogo, January 2013, “Banking in Central and West Africa: A Growth Story,” European Investment Bank.

http://www.bei.org/attachments/efs/economic_report_banking_africa_en.pdf

⁷ n=210.
⁸ n=233.

Preference and prevalence of financial services in the DRC

“Payments are a good way to get large numbers of previously unbanked people on the system in a hurry, without slowing down to figure out who is a good credit or insurance risk, who is going to save above a certain amount, or who to trust with hard earned savings money. But which approach should we take in developing the market for payments services? There are different paths, and it looks like they are not all equal.”

– Jake Kendall, Financial Services for the Poor Initiative, Bill & Melinda Gates Foundation⁹

Analysing access to basic financial services in the DRC provides an indicative picture of how people conceptualise financial services. More importantly, examining customer perceptions and behaviours will highlight opportunities that mobile money operators can use to position their service. The two segments – households and small businesses – are outlined separately to better understand the differences in their behaviours and needs with regard to financial services. In order to understand and quantify the potential of consumer demand, we considered three axes: the frequency of activity, the volume of activity, and the implicit benefits that could be derived from network effects. Overlaying demand with the current alternatives in the market provided insight into the short-term opportunity for mobile money in the DRC.

Insights from household decision-makers

53% of households in target regions send remittances, but given the competitive local market, operators will need to think beyond a “send money” entry strategy.

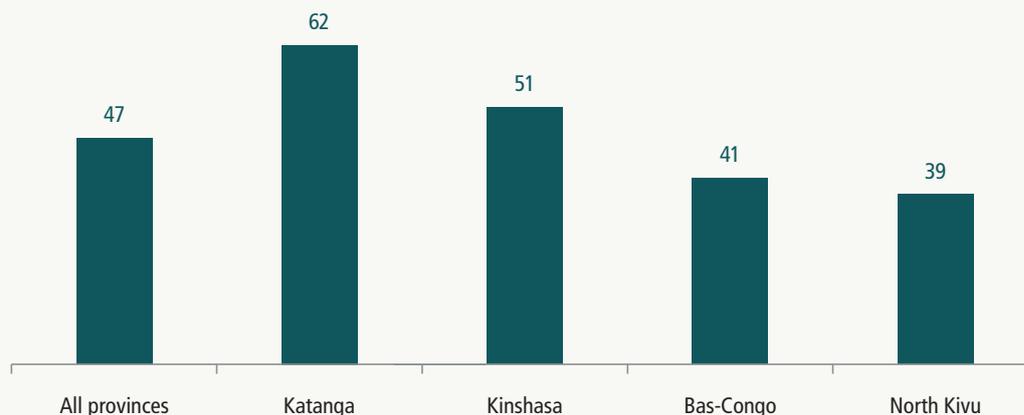
Money transfers are, at least in terms of frequency, the most common activity for households¹⁰ overall, but the money transfer market is also the most competitive financial market in the DRC. Mobile money operators may find greater traction by focusing on other forms of payments (salary or bill pay) and/or consider partnering in order to enter the remittance market directly.

Sending and receiving money

Strong demand from households holds long-term opportunity

Money transfers accounted for the bulk of financial activity among respondents. More than half (53%) of the household decision-makers polled for this study had sent a money transfer in the three months prior to the survey. About half had also received money in the previous three months.

Figure 1: Percentage who received a transfer in each province

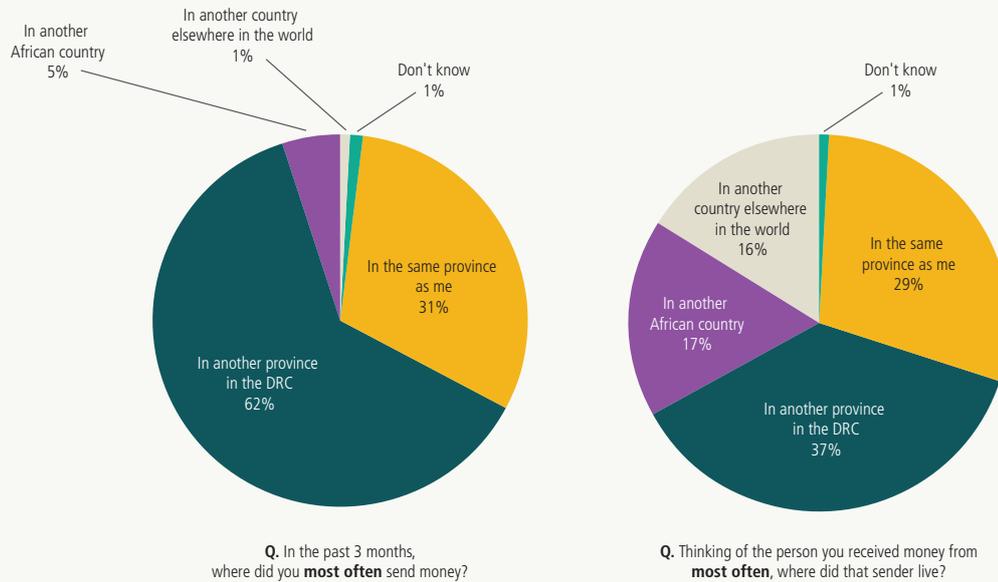


Source: InterMedia survey of household decision-makers, April 2013; Weighted n=400; Unweighted base for each province n=100.

⁹ Excerpt from CGAP blog “Bank-led or Mobile-led Financial Inclusion?” March 2012, Accessible online: <http://www.cgap.org/blog/bank-led-or-mobile-led-financial-inclusion>
¹⁰ See appendix 1 for details on sample demographics.

In our target regions, domestic remittance activity overshadows any international remittance, globally or within Africa. 93% of transfers sent to either the respondent’s home province or another province in the DRC. 67% of the transfers received are also domestic.

Figure 2: Destination of transfers sent and origins of transfers received



In terms of targeting corridors, one-third of the remittance activity (sending and receiving) occurs intra-regionally, and all regions were active senders, with a slight bias towards Katanga for receivers.

Following intra-regional activity, Kinshasa is the second most common destination for transfers coming from Katanga, North Kivu, and Bas-Congo. More specifically, half of the respondents who sent money inter-regionally reported sending remittances to Kinshasa.¹¹ This was particularly true for senders in Bas-Congo. 90% of respondents who sent money in Bas-Congo sent it to Kinshasa. Analysis of recipient flows complemented the sending findings and underlined the importance of Kinshasa both as a destination for remittances and an origin for remittances. (See map for key sender corridors in DRC).

Key sender corridors in DRC



77% of respondents report sending in USD versus CDF and **81%** report receiving cash in USD.

11 n=127.

Respondents tend to receive larger transfers than they send. They also send and receive transfers in USD more often than in CDF, with 77%¹² sending in USD and 81%¹³ receiving transfers in USD. Almost all others send and receive transfers in CDF. In terms of volume, we asked respondents to provide the lowest remittance and highest remittance in order to understand the range of volumes sent. The range for households was wide for both amounts sent and received. For example, the amount for the lowest transfer sent varied from \$1 to \$500.

Median smallest transfer in last 3 months:

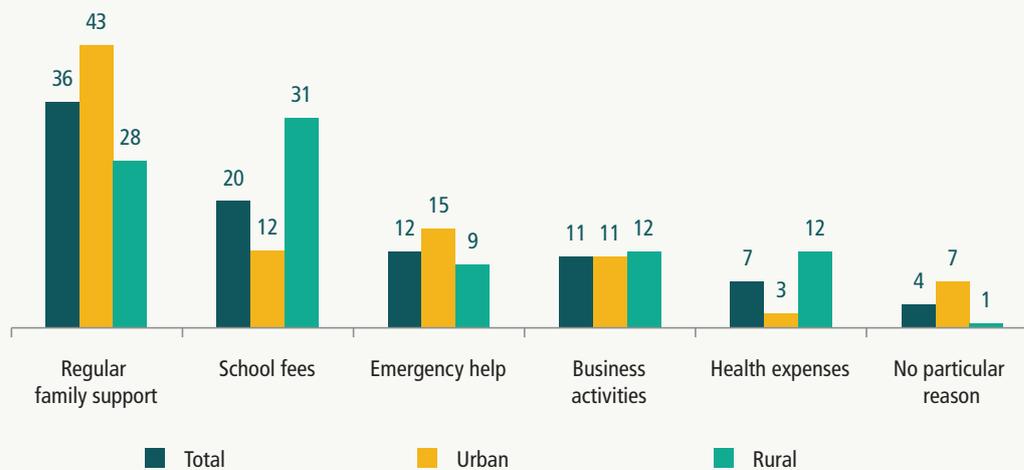


Median largest transfer in last 3 months:



The most common reason respondents send money is for regular family support, followed by school fees and sending money for emergency help. Urban residents were more likely to send transfers for regular family support, while rural residents were more likely to send money for school fees. Many focus group participants spoke of sending money to family members studying in Kinshasa, which may explain the many rural residents sending money for school fees and it is also consistent with Kinshasa being a key hub in the quantitative research findings.

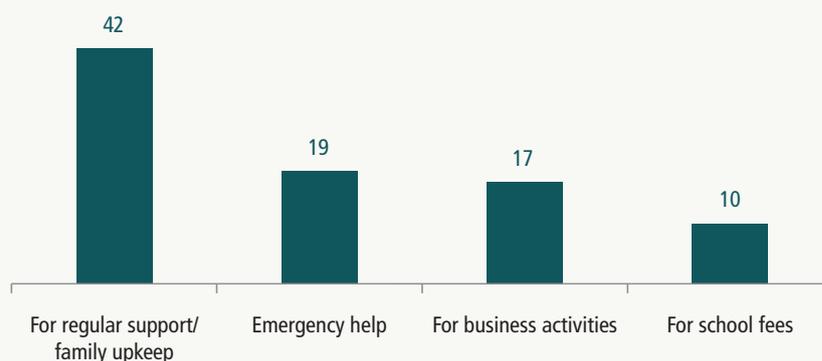
Figure 3: Percentage who sent money for each reason "most often"



Source: InterMedia survey of household decision-makers, April 2013; n=400; Base n=210.

The urban/rural distinction did not hold true on the recipient side, however. This indicates that household decision-makers who send money may have more varied reasons for doing so than household decision-makers who receive money.

Figure 4. Percentage who received money for each reason "most often"



Source: InterMedia survey of household decision-makers, April 2013; N=400; Base n=190.

12 Question: What was the highest amount that you sent in the past 3 months?, n=203.

13 Question: What was the highest amount you sent in the past 3 months?, n=180.

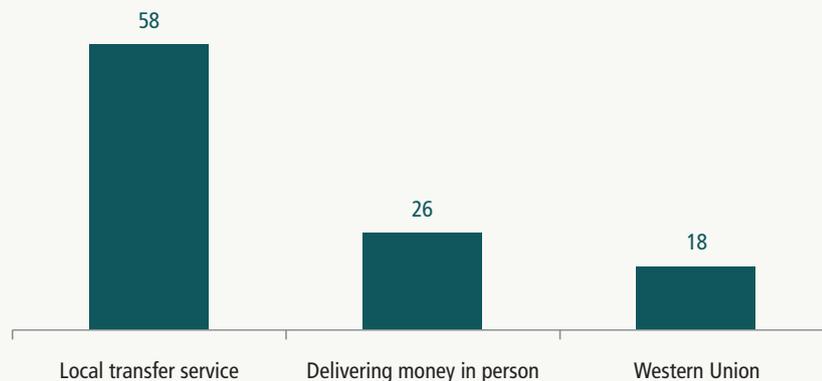
Most focus group participants said they send money either monthly or once every couple of months. Throughout the analysis, aside from the urban/rural distinction for reasons to send, there was minimal variation when segmented by region or by income level. At least within these target regions, there is consistent demand across segments for remittances.

All of the data tell a compelling story about the commercial opportunity for sending and receiving money. Looking only at the demand side suggests that mobile money, in the longer term, may be able to offer a fast, secure channel to meet local remittance needs. However, as attractive as this market is from a demand perspective, there is also a sophisticated network of local and international remittance companies meeting customer needs.

With numerous alternatives and generally happy customers, the local remittance market in the DRC is highly competitive, making P2P a challenging market entry strategy

While the DRC is an active market for senders and receivers, it is also highly competitive. A number of local companies offer transfer services, including Amis Fideles, STC, Soficom, Solidaire Transfert, and Agence de Freres. For international transfers, people in the DRC generally use either Western Union or MoneyGram, although both of these businesses offer local remittance options as well. Sending money through one of these local transfer services was the most commonly used method. 58% of respondents sent money via local transfer companies¹⁴ as they charge lower fees than banks, have good agent networks making them easily accessible, and are seen as reliable. Transfer companies also accept very small transfers, unlike banks which often have minimum transfer sizes, making them popular among the majority of people who transfer small amounts of money at a time.

Figure 5. Percentage who used each method to send money in previous three months¹⁵



Source: InterMedia survey of household decision-makers, April 2013; n=400; Base n=210.

Participants in focus group discussions revealed they tried to avoid using informal transfer methods such as sending money with friends, family members, or other individuals. Having lost money in the past, participants viewed these methods as insecure. The availability of a variety of reliable transfer companies, allows customers to meet their needs without turning to these informal delivery methods.

¹⁴ N=213.

¹⁵ The 18% of decision-makers using Western Union are mostly using it for domestic remittances.

In addition to being prevalent in the market, customers also are satisfied with the local transfer companies' level of services. During the quantitative survey, senders and receivers seemed generally satisfied with distance and transaction time, as most considered the total time required as either short or very short compared to other daily activities. Even in terms of pricing, focus group participants estimated sending \$100 would cost 1%–5%, which would be competitive with mobile money offerings.

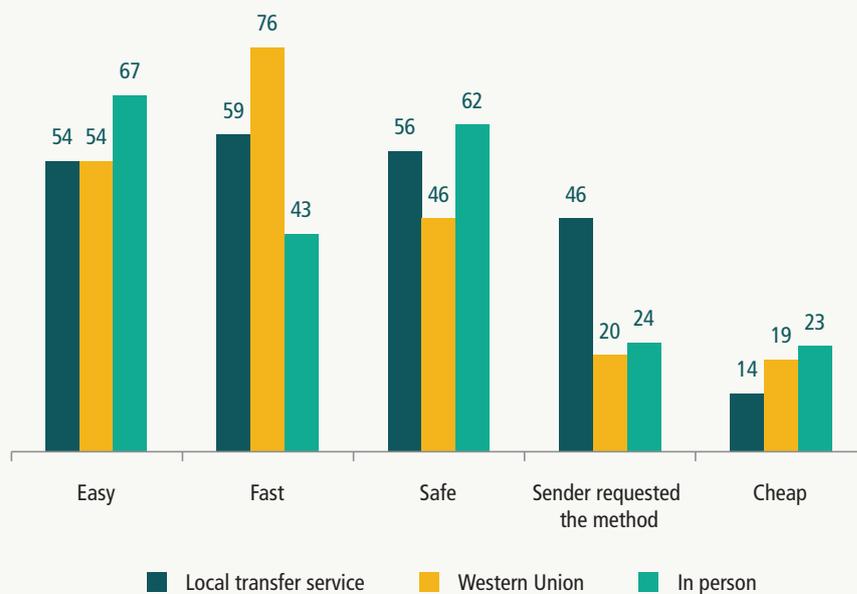
Given the opportunity to probe deeper, focus group participants expressed some complaints about the available services. Many focus group participants said they wasted a great deal of time at local transfer offices waiting in long lines to make a transfer. Also, when receiving money, participants said local transfer offices are often not open late enough to collect their money. Some participants were concerned about security after receiving money, fearing they could be robbed after leaving the transfer office. This was expressed primarily by the groups in Kivu, where there have been recent security issues. Other frustrations from the focus groups included lack of liquidity and KYC issues on the recipient side. However, many of these issues are not uncommon in nascent mobile money markets, so for operators to convince customers to switch to mobile money for sending/receiving purposes, they will need to prove that the cash-in/cash-out experience of mobile money is significantly better than a local alternative. While there is a need for sending money in the DRC, the reality is with multiple local and international providers serving satisfied customers, operators face an uphill battle getting customers to switch to a new and unfamiliar channel.

“We are wasting too much time in [the local transfer company’s] premises waiting to be served. – Male Focus Group Participant, Katanga”

“Cheap” is not a deciding factor for most customers sending money

Ease, safety, and speed are the priorities when respondents choose a transfer service. Those who use local transfer services to send money said they do so because the services are easy, safe, fast, and because the recipient requested the local transfer service.¹⁶ Very few participants said they chose their transfer method because it is cheap. Across the board, easy, fast and safe proved to be stronger determinants for use than price. This suggests that, at least within these target regions, low-price messaging is unlikely to resonate as powerfully as educating customers on the ease and security mobile money offers.

Figure 6. Reasons for using each transfer service (Percentage for each)



Source: InterMedia survey of household decision-makers, April 2013; n=400; Base n=121 for local transfer service, n=39 for Western Union, and n=55 for in person.

¹⁶ N=141. Respondents were allowed to give multiple responses.

Considering market entry strategies for mobile money

In terms of volume and frequency, money transfer is an attractive segment in the DRC, but it has proved to be a saturated market where supply seems to be capable of meeting demand. Unlike other markets where informal services such as hawala networks are the only option, mobile money operators in the DRC may find competing directly with the local transfer service challenging. Wide agent networks will be necessary for operators to compete on proximity as most respondents used local transfer services located close to their homes.

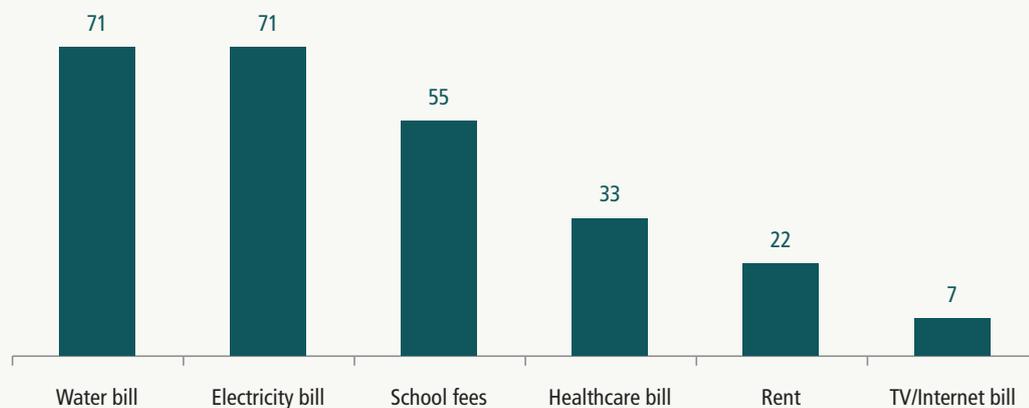
Market-entry strategies are crucial because mobile money operators need to drive scale and network effects as quickly as possible. Understanding the competitive landscape is a necessary exercise in order to best position the mobile money service to meet the needs of customers. Operators may need to consider alternative market entry strategies or focus on a specific pain point among consumers (waiting times, speed, reliability, etc.). Operators could also market services for specific uses, such as regular support transfers or school fees.

Bill payments

Mobile money may have potential to build traction through offering bill pay as way to introduce customers to the service. A large percentage of respondents reported paying utility bills, and current payment options are limited with almost all paying in cash at the provider's office. Mobile money could offer a payment option that is both faster and safer than carrying cash to a provider's office.

Utility bill payments provide mobile money operators a large captive audience: nearly three-quarters of respondents pay water bills and electricity bills and more than half pay school fees. Urban residents and those in higher income brackets are more likely to pay utility bills, making them a good initial target audience.

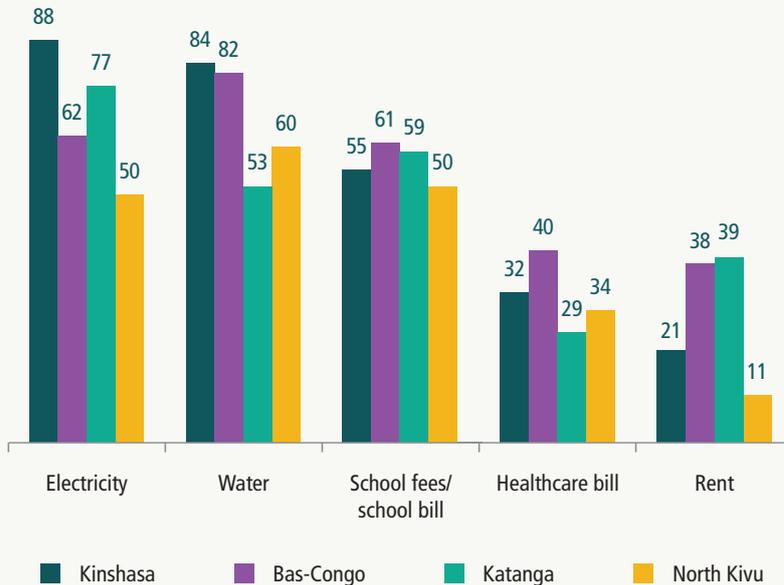
Figure 7. Percentage who paid each type of bill in the previous three months



Source: InterMedia survey of household decision-makers, April 2013; n=400.

Kinshasa has the largest market for bill payments, though in all provinces a majority of respondents paid utility bills.

Figure 8. Of those who had paid a bill, the percentage who had paid each type of bill in the previous three months, by province



Source: InterMedia survey of household decision-makers, April 2013; n=400; Unweighted base for each province, n=100.

Almost everyone (80% and over) reported paying their bills at the provider's office, for all bill types. Mobile money could therefore provide an alternative that saves customers from having to travel and wait at an office in person. Over one-quarter of household decision-makers reported having to spend between 30 minutes and two hours to pay their bills.¹⁷ Added to that, roughly one-third of respondents had a travel time of up to 30 minutes to get to the utility company's office.

Focus group participants highlighted two common problems they experience paying bills, both of which have implications for mobile money. First, many participants said they pay their water or electricity bill, but the following month the company claims the previous month's bill was never paid. If the customer lacks proof that they have already paid the bill, they must pay again or their utilities will be turned off. Second, in an apparent scam, a few participants had experiences in which an individual came to their door claiming to be a utility company agent. The "agent" requested the utility payment, the customer gave the agent the payment, but the bill was never paid.

You can pay your bill normally but the next month, they will still ask you to pay the same bill as if it has never been paid.
 – Male Focus Group Participant, Katanga

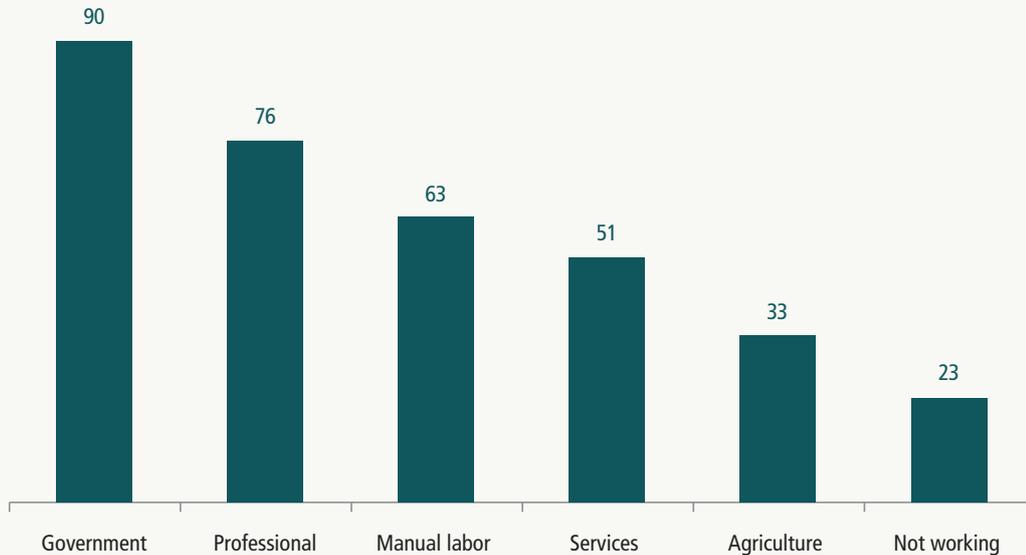
Mobile money can help to avoid scams such as the false agent requesting payments. Mobile money does not, however, provide a physical receipt or sufficient proof of payment, so customers are not able to prove they paid previous months' bills. Focus group participants said the SMS message confirming a mobile money transfer was insufficient proof that a payment had been made. Launching bill pay will require partnership, and operators will need to develop a better proof-of-payment than mobile money's current SMS confirmations.

Salary payments

Salary payments also represent commercial opportunity for mobile money operators. Most respondents who receive salaries are paid once a month in cash. In focus group discussions, many said they prefer cash, but this is primarily because direct deposit in the bank is their only alternative. They do not want to wait in line or pay fees as is required at a bank. More than half of respondents had received a salary or wage payment in the previous three months, and professionals and government employees were the most likely groups to have received a payment. Among focus group participants, about half were paid in CDF and half were paid in USD. Both currencies are commonly used for salary payments.

¹⁷ Reported by 30% of respondents who paid electricity bills and 27% who paid water bills.

Figure 9. Percentage of each sector who received a salary or wage payment in the previous three months



Source: InterMedia survey of household decision-makers, April 2013; n=400; Bases n=42 for government employees, 91 for professionals, 40 for manual labour, 135 for services, 36 for agriculture, 50 for not working.

Partnering with the government and gaining access to the government's salary distribution system would allow mobile money operators to reach a large, consistent, payment-receiving customer base. Equally, offering a fast, reliable salary-payment service, and capitalising on the relative safety of mobile money compared with cash, operators could reach a large captive audience. However, during focus groups, participants did highlight concerns about the fees they would be charged for using mobile money to cash out their salaries. Operators will need to provide a clear value proposition and use case for mobile money to increase potential users' willingness to pay for the reliability of receiving a salary digitally.

Building an ecosystem of mobile money through merchant payments?

The value of mobile money is dependent on the number of users connecting to the service. Therefore, one of the most significant advantages of building a "send money" market is the opportunity to leverage positive network effects to reach scale quickly. Thus, a disadvantage of bill pay and salary payments is the more limited scope for network effects: a consumer receives a salary from an entity and cashes out or pays a bill and the float exits the system. These services do not encourage customers to refer friends and family and, in that sense, they do not benefit from connectors. So without immediate network effects, how do operators build an ecosystem? One opportunity may lie in merchant payments, especially if operators begin to target and incentivise the small business segment.

For the purposes of this study, we did not explore the potential of merchant payments because the concept would have been too hypothetical. However, our findings did uncover that there are concerns and frustrations around operating in cash. So far, merchant payments have not taken off in any one market, with merchant payments representing less than 1% of global mobile money transaction value for 2012, according to the GSMA Mobile Money Adoption Survey.¹⁸ However, at least 45 operators have bet on the potential of merchant payments. The commercial benefits and social impact of keeping cash digital through mobile money are significant. Could the challenging market context of the DRC provide the right environment for the merchant payment bet to pay off?

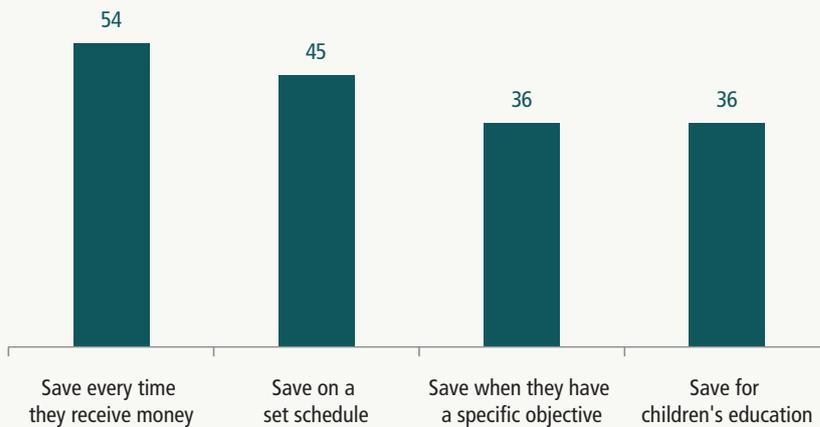
¹⁸ Penicaud, Claire, 2013, "State of the Industry: Results of the 2012 Global Mobile Money Adoption Survey," GSMA Mobile Money for the Unbanked Programme. Available online: http://www.gsma.com/mobilefordevelopment/wp-content/uploads/2013/02/MMU_State_of_industry.pdf

Money storage and saving alternatives

Storing and saving money are common among respondents and most put money aside when they are able. Among financial services, respondents seem least satisfied with the options available to them for storing and saving money. Just under two-thirds of respondents (65%) had saved money in the three months prior to the survey. A majority of these¹⁹ saved every time they received money, and just under half saved on a set schedule. Rather than saving for long-term needs, much of their “savings” is actually short-term storage of cash, until an emergency or other need arises.

I am not interested at all [in saving at a bank]. A bank can go bankrupt and leave with its customers' money. We have already experienced such situations. – Male Focus Group Participant, Katanga

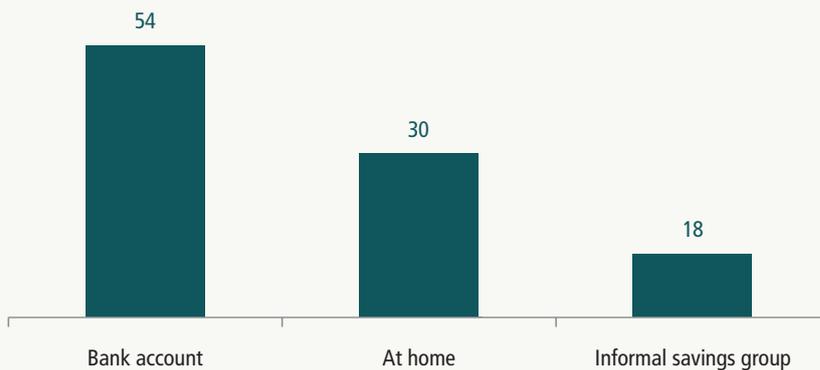
Figure 10. Reasons respondents save money



Source: InterMedia survey of household decision-makers, April 2013; n=400; Base n=260. Multiple answers were allowed.

While “savings” is a complicated term, what is clear from the data is that customers are frustrated with their current means of cash storage. Despite the fact that many respondents saved at a bank (54%);²⁰ our findings also showed there is a pervading lack of trust due to perceived economic instability.²¹

Figure 11. Of the households who save, percentage who save with each method



Source: InterMedia survey of household decision-makers, April 2013; n=400; Base n=260.

19 n=260.

20 n=260.

21 Also, the survey sample focused on household decision-makers in financial hubs, a group more likely to use banks than the average Congolese citizen.

Many respondents reported a distrust of banks after losing money in the 1980s and 1990s when a number of banks went bankrupt and closed without returning deposits.

In addition to banks, respondents saved at home and with informal savings groups. Savers also found these options unsatisfactory. Focus group participants complained of losing money through cooperative savings groups when other members did not contribute as they were supposed to. Others said shopkeepers who offer Bwakisa cards²² have disappeared with the deposits. Most participants said they prefer not to use such informal methods any longer.

Those who save at home said they do so largely because of bad experiences with both formal banks and informal savings methods such as savings groups. They save at home despite acknowledging the dangers, citing thieves, fire, and the temptation to spend as threats to their savings.

Given the problems with all savings methods available in the DRC and the lack of alternatives, mobile money operators should consider marketing mobile money as a safe and secure money storage option. While “savings” is unlikely to be an entry point for customers, over time there may be a value proposition for customer to use mobile money as an alternative to both the formal and informal options available.

Credit and insurance

Credit and insurance currently lack potential for mobile money use

Both credit and insurance are relatively uncommon in the DRC, and the market conditions do not lend themselves to entrance by mobile money operators. These two sectors seem unlikely to build traction for mobile money in the DRC in the short term.

For credit, the challenge is not necessarily a lack of demand, but there is resistance to formal lending options. While 37% of respondents had sought a loan in the past three months, just over half (51%)²³ had received it from a friend or acquaintance, mostly for emergency use, and 41% paid off the loan in one payment. From focus groups, participants said they prefer not to go into debt and are therefore not interested in borrowing money.

Insurance is the least used financial service in the DRC. Very few respondents had any kind of insurance. Car insurance was the most common type, with only 8% holding coverage. SONAS, a public sector insurance company, is the only insurance provider in the country. There is very little trust in SONAS, and its costs are thought to be too high for most people in the DRC. There are reportedly plans to liberalise the insurance sector, however, and respondents were hopeful that increased competition will make the service more accessible.

Addressing regional concerns: security in North Kivu

Focus group participants in North Kivu have experienced additional problems with storing money because of instability and recent rebel incursions. They said that if violence breaks out and they have to flee, money they had in a bank account would be trapped and they would have no way to retrieve it. In this environment, storing money in a mobile wallet could offer a safe and easily transportable alternative.

²² In the DRC a common form of savings is a Bwakisa card: a person gives money to a shopkeeper or business owner who marks off the “deposit” on a card. The saver can then go to the shopkeeper, show the card, and “withdraw” money when needed, though the money earns no interest.

²³ n=147.

Insight from small business owners

Operators have an opportunity in small businesses that work entirely in cash and need to regularly pay employees and suppliers.

Our research of small businesses was based on in-depth interviews and a quantitative survey. Small businesses are a diverse group and represent a significant portion of DRC's economy. Thus, the findings are not meant to be representative of small business throughout the DRC. Instead, these results are meant to give an indication of the range of needs and behaviours of this segment in order to provide operators with some insight into the commercial potential.

Payments to suppliers

Payments by small business owners to suppliers may offer significant commercial opportunities for mobile money operators. Small business owners represent a large segment of the economy, so the potential customer base is sizeable and there is currently little competition for payment services.

Small business owners reported paying suppliers almost exclusively in cash and in person, and business owners acknowledge that the time required can be significant.²⁴ Mobile money can offer a more time-efficient and safer payment option by reducing or eliminating the required travel time and allowing business owners to avoid carrying large sums of cash. Respondents also said that the supplier often chooses the payment method, so operators may need to target suppliers, persuading them that receiving payments through mobile money is better than through cash.

Our in-depth interviews with small business owners showed that supplier payments, and therefore business owner needs, vary among small business owners. Owners tend to pay between one and six suppliers. Some make payments more than once per day while others pay only once per month, and the volumes range from US\$65 to more than \$2,000 per month. Mobile money operators should address the differing needs of business owners, perhaps offering "frequent transfer" benefits so that those who make more frequent payments become consistent customers.

[Mobile money] is a beneficial system for people like me who have to be at the store. It allows me to be here and serve clients instead of having to waste time in a long line. – Small business owner, Katanga

Only a couple of the respondents had used mobile money to pay suppliers. Interestingly, even one business owner who used mobile money cashed-in and then cashed-out at his supplier point so he could trust the payment arrived (See box on Page 19: "A day in the life of a small business owner.")

Business owners reported an awareness of both the mobile money offering and the value proposition of the service. They cited speed, security, and affordable transaction fees as the main advantages, and withdrawal limits as a key disadvantage. They also said the need for both the supplier and owner to have a mobile phone and use the same mobile money provider posed problems.

Salary payments

Salary payments are another significant area for market potential among small business owners in the DRC. Nearly all (88%) of small business owners surveyed made a payment to an employee in the three months prior to the survey, and most paid in cash at work. Most wages were paid once per month (87%). The median highest amount paid to an employee in a single payment was \$70 USD and the median lowest amount was \$40 USD.

As paying wages requires a relatively short amount of time, and paying in cash is easy for business owners, mobile money will need to be heavily marketed to grow in the wage payment arena. Promoting mobile money among employees, rather than employers, might be more effective. If employees are convinced that receiving their wages through mobile money is safer than in cash, they could persuade their employers to switch methods.

Some respondents had considered using mobile money to pay wages but in the end decided against it for two main reasons. First, not all employees had access to a mobile phone and second, those who did have access often did not subscribe to the same provider.

²⁴ Roughly one-quarter of small business owners reported spending at least an hour to pay suppliers. Including transaction time, 22% considered this a long or very long time compared to other daily activities.

Other financial services

For financial services beyond supplier and salary payments, the perspectives of small business owners in large part reflected the perspectives of household decision-makers. The opportunities and barriers for mobile money use are therefore similar in the areas of utility payments and money storage products. Few respondents had taken out a loan or used microcredit, indicating limited potential for mobile money in this area.

A day in the life of a small business owner

Jean, an active business man with diverse financial needs from Matadi

Jean is 40 years old, an outgoing and confident owner of a couple of small businesses in the service sector. His businesses employ two to five people each. His monthly expenditures include salary payments, payments for suppliers, electricity bills, and rent. The proportion of supplier payments to revenue varies depending on the type of supplier. For some suppliers, Jean uses up to 100% of revenue as he is expanding his business.

Jean has five suppliers he pays up to several times a week depending on the volume of business. In the month prior to this study, the amount of supplier payments varied between US\$700 and \$4,000. Jean has formal contracts with his suppliers and he is able to choose the method of payment. Jean also decides on the method of payment for his employees, whom he pays on a set schedule once a month.

“Providers of financial services should be able to do two things: offer a quick and efficient service and educate their customer about how to use their products.”

Jean’s current payment choices involve cash only

Jean uses informal providers to settle payments in his native province of Bas-Congo, and mobile money to pay suppliers in Kinshasa. However, even when he uses mobile money, Jean still cashes in and then cashes out at his supplier point so he could trust the payment arrived. Alternatively, he transfers money to a trusted person with a mobile money account, who then pays Jean’s suppliers in cash. All his other regular business-related payments are made in cash as well.

“With mobile money you can do business at any time of the day – and night.”

... however, Jean would gladly embrace other methods if they were available

Although cash is now king in Jean’s world, he is willing to try out new methods. After learning about mobile money through TV and discussing it with a friend who uses mobile money and a mobile money agent, Jean registered for a mobile money service and had been using mobile money for six months prior to this study. Jean had quickly grasped the main advantages of mobile money: 24-hour access to payment means, safety, and speed. In his personal life, he regularly uses the service to send money to his nieces and nephews who are students.

“If the suppliers start using mobile money, I will be very happy... I wish mobile money providers had an awareness campaign for suppliers...”

Jean is enthusiastic about mobile money as a tool to pay suppliers and employees

Paying suppliers and employees are clear opportunities for mobile money to meet Jean’s needs and improve his payments experience as Jean is in control of the payment method in both cases. However, as much as he is the deciding figure in these two-way business relationships, Jean is hamstrung by a few (currently) insurmountable difficulties:

- His suppliers and employees do not have mobile phones, subscribe to a different provider or do not have the “culture” to use mobile money.
- The \$500 limit on withdrawals is discouraging as it limits the facility of a cash-out for his suppliers.

Opportunities and challenges for mobile operators moving into mobile money

Mobile operators have reach...

Mobile phone ownership has grown rapidly in recent years, averaging a 42% growth rate between 2003 and 2009.²⁵ In Q1 2013, the DRC had 12.4 million unique subscribers, representing a market share of 17.5%.²⁶ It is estimated that mobile network coverage reaches between 50% and 60% of the population in the DRC. In terms of market penetration, mobile operators have substantial reach into this otherwise difficult to access consumer base. As in many other developing countries, however, mobile phones are used predominantly for voice calls. While operators are providing 2G services and 3G data is starting to become available, reliable access to data is still limited.

... and mobile phones are commonly used for more than just voice

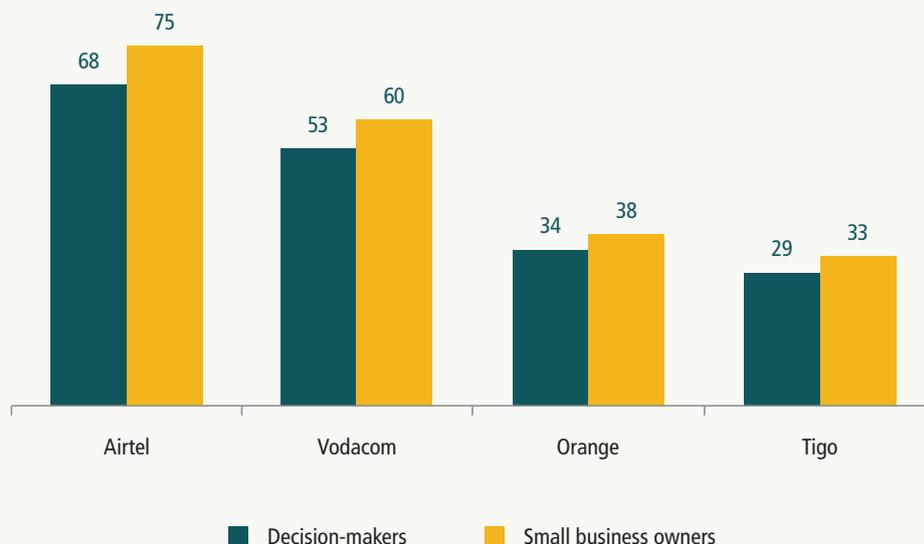
Almost all decision-makers surveyed in this study (99%) own a personal mobile phone. Apart from making and receiving calls, 78% also use their mobile phones for sending and receiving SMS messages.²⁷ The usage pattern is similar among small business owners: 87% of this target group use SMS in addition to making and receiving calls, but use of other data services is limited.²⁸ For the purpose of this study, SMS penetration was considered as one measurable indicator for evaluating technological literacy. From this perspective, mobile operators have a relatively sophisticated base of "early adopter" users who may be more comfortable interacting with a USSD or STK menu. However, the onus is still on the mobile operators to teach customers how to use mobile money menus.

Mobile providers are popular and trustworthy among study participants

Mobile providers are well known among the study's target groups. Majorities of household decision-makers reported using Airtel or Vodacom in the 30 days prior to the survey, and over one-quarter had used Orange and Tigo. Airtel was the most frequently used provider, with slightly less than half of respondents (45%) reporting using it most often in the last 30 days.

78%
of household respondents use their mobile phone for sending and receiving SMS messages.

Figure 12. Percentage of respondents using mobile operators in last 30 days



Source: InterMedia survey of household decision-makers, April 2013; n=400 decision-makers; n=120 small business owners.

25 Ondiege, Peter., 2010, "Mobile Banking in Africa: Taking the Bank to the People," AfDB. Available online: http://www.mikrofinanzwiki.de/file/848/african_development_bank_mobile_banking_in_africa_2010.pdf
26 GSMA Wireless Intelligence.
27 Other data services are not as commonly used: 15% use their phone to access the Internet and 13% to download music, applications, videos, or games.
28 Less than one-fifth, 18%, use their phone to access the Internet and 19% download applications.

Airtel and Vodacom were the most widely used providers among all age groups, men and women, and different occupations in the household decision-makers' group. Both providers have greater coverage compared with Tigo and Orange.

Similarly, Airtel was the best-known operator among small business owners, with 75% of respondents having used it in the past three months. 60% reported using Vodacom and smaller proportions had used Orange and Tigo.

Four responses topped the list of reasons household decision-makers chose their mobile provider, with about 20% choosing each option. The reasons include the reliability of the network, family and friends using the network, lowest airtime cost, and availability of service. While Vodacom and Airtel appealed to the respondents with the reliability of their networks, Tigo attracted customers by offering the lowest price for airtime.

What makes a mobile operator a favourite?

- Reliability of network
- Family/friends using network
- Lowest airtime cost
- Availability of service

Small business owners select carriers primarily because other family members and friends use that operator (27%). Other top reasons include lowest price of airtime (18%), reliability of network (16%), and availability of service (14%).

Almost all household decision-makers consider their provider trustworthy with, overall, 48% considering them “very trustworthy” and 38% considering them “somewhat trustworthy”. The proportions of respondents who described their prime operators as “very trustworthy” were highest in Kinshasa and Bas-Congo and lower in Katanga and North Kivu, indicating higher satisfaction among customers in the former two provinces. Tigo was singled out by its customers: 68% described it as “very trustworthy” compared with 59% for Vodacom and 44% for Airtel.

Small business owners are equally trusting of their carriers: 48% deem their providers very trustworthy and 41% somewhat trustworthy.

The high levels of trust in mobile providers potentially bode well for mobile money as mobile providers can build on existing trust in their mobile brand. However, qualitative research shows that consumers perceive mobile money as a financial service and therefore associate it with financial institutions rather than mobile providers.

Trust in the brand does not translate into trust in mobile money...

In the DRC context, customer adoption will hinge on a high degree of trust in the mobile money providers. Given the recent history of political and financial instability in the country, trust is in short supply in every sphere of life. Respondents in focus groups and in-depth interviews repeatedly expressed concerns about the stability of the mobile money services and of the financial system in general. Interestingly, the trust that mobile providers enjoy does not translate into trust in their mobile money services. Respondents view mobile money as a financial product and therefore are concerned that it may not survive in the long term. These are fears that are shared by all respondents, irrespective of their sex, age, or occupation.

Mobile money agents are the first line of defence for building trust with customers

In order to build trust, consumers need to be able to rely on the service, including the ability to cash-out. Agents with insufficient cash for withdrawals have already posed problems for customers. In focus group discussions, some mobile money users mentioned problems with agents who did not fully understand the services; at times agents were unable to register customers because the agents did not understand the registration process. Agents also do not always understand how mobile money works, so operators need to develop a robust agent training programme to educate agents about the business of mobile money.

Regardless of how operators decide to position the product in the market, trust will be critical to success in this market, perhaps even more so than in other markets. Customers need to be educated in order to have confidence not only in how to use the product, but also in the reliability of the service. Given the size and complexity of the DRC, in order to effectively educate customers, operators will need to make both tactical and strategic decisions.

Tactically, relying on ATL will not achieve adequate depth of customer education and operators will need to shift resources towards more “on the ground” marketing campaigns. These BTL campaigns afford customers the opportunity to interact with the product, build relationships with their agent, and understand the value proposition of mobile money. Equally, a high-quality agent network will be critical in developing long-term trust with customers (See box: “Mobile agents are the first line of defence.”)

...and unreliable GSM network coverage is one of most common complaints among customers, which also may be a barrier to rapid mobile money adoption

Large majorities of respondents (78% among household decision-makers and 64% among small business owners) complained of technical problems, such as the network going down, in the previous three months.²⁹ This finding was consistent across all mobile providers. North Kivu had the fewest decision-makers experiencing technical problems, followed by Kinshasa. Katanga and Bas-Congo had the highest rate of technical problems.

Network failures were also a major concern among focus group and in-depth interview participants. While a dropped call may be just a nuisance, a network outage in the middle of a mobile money transaction is not a trifling matter and consumers are not prepared to put up with it.

I used to send money through mobile money but there were problems with network disruption; I stopped using it.

– Female Focus Group participant, Bas-Congo

Network failures are also a major source of worry for those respondents who use mobile money. Mobile money users—decision-makers and small business owners alike—were particularly vocal about the discomfort network failures cause them. The question, “What happens with my money if I am in the middle of a transaction and the network goes down?” came up repeatedly in conversations with decision-makers and small business owners. All focus group participants, including current mobile money users, discussed connection problems and network failures as a significant disadvantage to mobile money use as these failures, at the very least, delay customers’ ability to complete a transaction. Some mobile money users, discouraged by repeated connectivity problems, simply give up the service.

A closer look at customer adoption: awareness of mobile money services high among study participants...

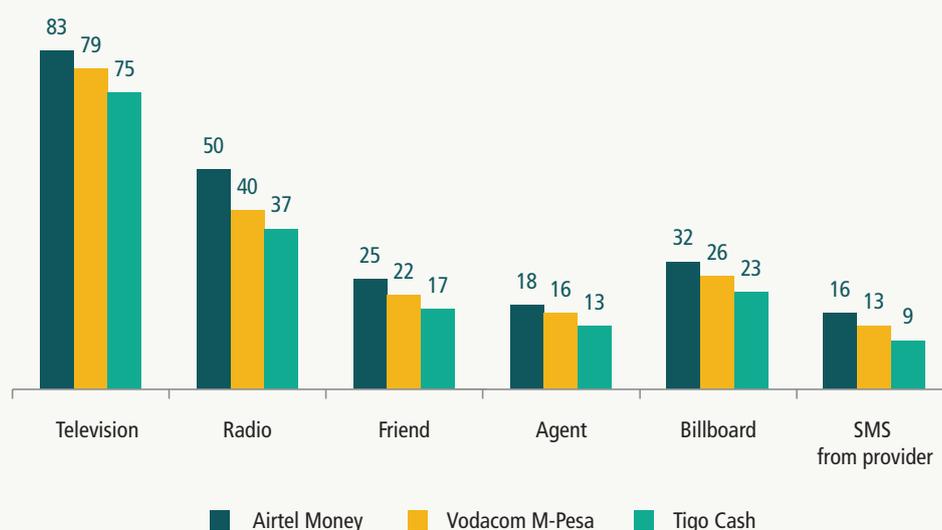
Most decision-makers and small business owners alike had heard of mobile money and could name at least one mobile money provider. Airtel Money is the best known service, with 66% of decision-makers and 73% of small businesses mentioning it unprompted.

Most respondents had heard of mobile money for the first time on television. Radio was the second most common way to find out about mobile money services, followed by billboards and friends. Television and radio are the two most widely used media among the study participants, as well as the top sources of information about financial products and services. Television is also the most trusted media followed by radio. Interestingly, few respondents had learnt about mobile money from their SMS providers or mobile money agents, or at a SIM registration center (not shown in the chart below), a finding that indicates the need for mobile operators to invest greater effort in promoting their services through means that are readily available to them.



Source: InterMedia, 2013

Figure 13. Sources of awareness of mobile money services



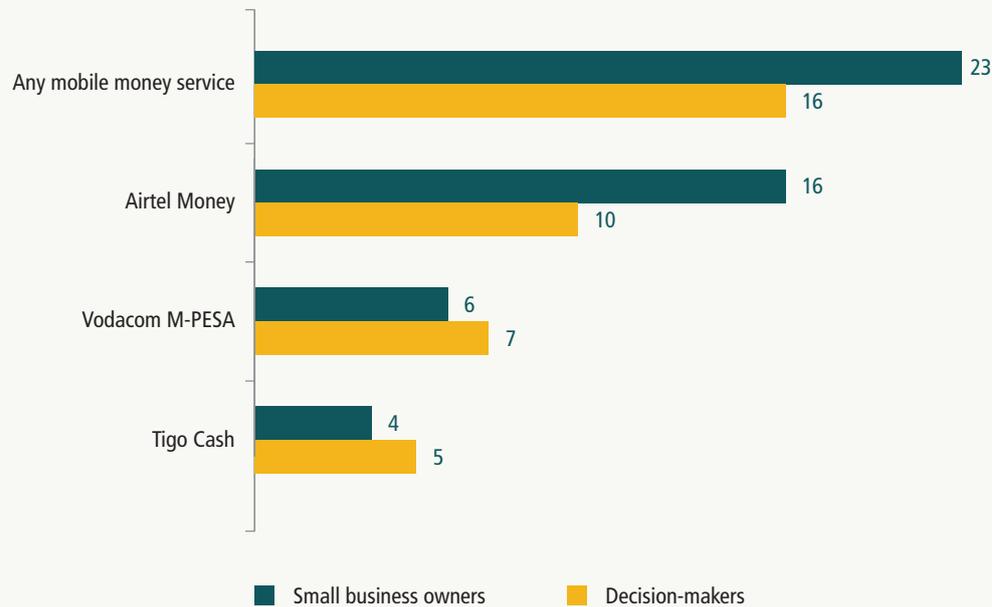
Source: InterMedia survey of household decision-makers, N=400; Base n= 354 for Airtel Money, 344 for Vodacom M-Pesa and 307 for Tigo Cash, April 2013.

When asked if they had seen advertisements about mobile money services, majorities of respondents—household decision-makers and small business owners alike—said they had seen an advertisement about mobile money on television, and many had heard a radio ad. Overall, television and radio advertisements seem to have been effective in raising awareness of existing mobile money services, and in communicating basic messages about the product—that is it safe, easy and quick. However, ads are unlikely to resolve fundamental issues that are holding respondents up along the customer journey: lack of technical knowledge about how to use mobile money and overall mistrust bred by the chequered history of the financial sector in the DRC.

... however, awareness has not yet translated into use

As in other African countries, high awareness of mobile money does not translate into use. In Tanzania, for example, where awareness of mobile money is almost universal, with 99% of survey respondents being able to name at least one mobile money provider, use stood at 45% in the fall of 2012. In the DRC, as per figure 14, few respondents had ever used mobile money. While lower usage may be due to the DRC's recent launch of mobile money, providers need to ensure they are driving customer education through effective BTL campaigns in order to convert high awareness to regular use.

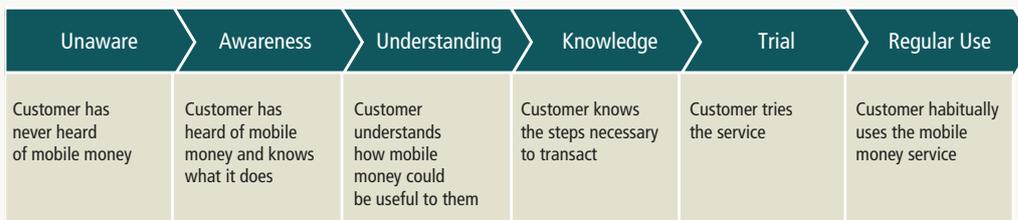
Figure 14. Percent of respondents who had ever used mobile money



Source: InterMedia survey of household decision-makers, April 2013; n=400 decision-makers; n=120 small business owners.

The DRC market is in the early stages of the customer journey toward mobile money adoption

In order to start using mobile money, consumers need to undertake a long journey which, as the experience of other countries has shown, does not always take them to the final destination. GSMA has identified six different stages in the journey, from awareness to regular use: unaware, awareness, understanding, knowledge, trial, and regular use.³⁰



Understanding and knowledge of mobile money

Overall, despite a high level of awareness, respondents' understanding of mobile money was limited. Some of the most frequently asked questions about mobile money included:

How do I access mobile money?

Few understood where to access mobile money. Indeed, 42% of respondents said they did not know how they could access mobile money services. Just over half (54%) said they could access services at a mobile provider's shop and 34% said they could access services at an agent location. The respondents also had limited knowledge of the mobile money agents and shops nearest to them. When asked to name the brand of the nearest mobile money agent or shop, six in 10 respondents said they did not know while 24% named Airtel Money, 12% named Vodacom M-Pesa, and 4% said Tigo Cash. Among small business owners, one-third did not know how to access mobile money services. Another 33% know that they can go to an agent to access mobile money services and 62% know they can do so at a mobile service provider shop.³¹

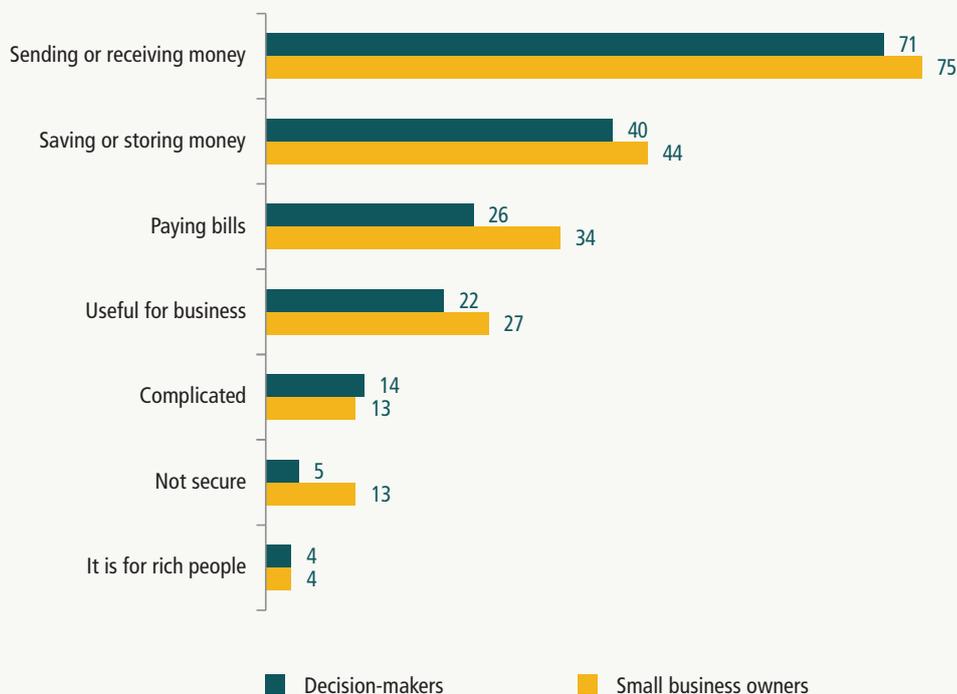
What is mobile money?

In the minds of the majority of household decision-makers, mobile money is a service for sending and receiving funds; fewer (40%) understand that it can be used for saving/storing money. Other applications are even less well known: just over one-quarter of decision-makers are aware that mobile money can be used to pay bills, and a little over one-fifth consider it useful for business. Small business owners have similar perceptions of mobile money: a majority believe the service is mostly for sending/receiving money and smaller proportions are aware of other potential applications.

42%
of household decision-makers reported they did not know how to access a mobile money service.

³⁰ Neil Davidson and M. Yasmina McCarty 2012, "Driving customer usage of mobile money for the unbanked," <http://www.gsma.com/mobilefordevelopment/wp-content/uploads/2012/03/drivingcustomerusagefinalowres.pdf>
³¹ Respondents could give multiple answers, so some of the respondents believed you could access mobile money at both types of locations.

Figure 15. Mobile money perceptions



Source: InterMedia survey of household decision-makers, April 2013; n=400 decision-makers; n=120 small business owners

Only 14% of decision-makers and roughly as many business owners thought mobile money is complicated; this finding may be misleading though, in view of the feedback from qualitative research. Indeed, in focus group discussions and in-depth interviews, many respondents described the service as easy to use, but then went on to say that it does require a level of technical knowledge or some practice before one feels comfortable with it and starts using it on a regular basis.

How would mobile money benefit me?

Consumers are generally aware of the advantages of the service: some have used or are using mobile money, others have seen or heard advertisements. The basic messages that mobile operators have been trying to convey seem to have reached current and potential customers: mobile money is quick, safe, easy, accessible, reliable, and cheap. Fortunately, few see mobile money as insecure or something reserved for the urban rich. Current users also appreciate that mobile money is convenient – money can be sent from home or, alternatively, agents are often open at times when formal transfer agencies are not, such as late at night.

... But I wonder if I can keep trusting them with my money. I wonder if one day I will not wake up in the morning and find out that there is no money in my account. – Small business owner, North Kivu

However, as relatively few customers are aware of the possibilities of mobile money, they are also not sure how mobile money can fit into their daily routine and how it performs compared to their current providers. For example, many participants in focus group

discussions were interested in receiving their salary through mobile money, but not if fees would be deducted from their pay. They would prefer to receive their full salary in cash than pay fees for an alternative method. They also expressed interest in paying utility bills through mobile money. However, they were concerned that the service does not provide sufficient proof of payment.

Small business owners eye existing opportunities with caution

Small business owners have similar experiences. While all respondents interviewed for the study had positive experiences with mobile money, they expressed interest in trying out new service options. Advantages of mobile money included speed, safety, affordability, the convenience of being able to transact from home instead of lining up for long hours, and the possibility of transacting without disrupting normal business. However, the respondents also voiced a number of reservations that could potentially stand in the way of expanding mobile money use. Major concerns included:

- Inability to send money to suppliers and employees on different GSM networks
- Network connection problems
- Fear of forgetting their PIN number, or having their phones hacked or stolen
- The need for more technical education on how to conduct transactions
- Fear that SMS messages can be easily deleted, leaving no proof of payment
- Limit on withdrawals of US\$500 per day
- The absence of a way to reverse a transaction without help from a mobile money agent (who may not be readily available). For example, one of the users cited an incident in which he made a mistake and selected the “buy credit” option instead of the “transfer money” option from the menu.

Given all existing questions and doubts, small business owners urged the mobile money providers to invest in an awareness campaign to promote their services and explain the benefits of mobile money to potential and even current users, especially in comparison with similar financial services. In addition, providers need to educate the public about how to use mobile money, including technical issues and product details. Providers also need to find a way to maintain the trust of the public in view of the country’s history of financial disasters.

Strategically, operators will need to define the most efficient route to increasing customer education; building trust and tapping into valuable network effects for both small businesses and households. Based on the challenging context in the DRC, it is unlikely that any one operator will be able to achieve this objective unilaterally. While operators may be competitors in this market, it is in the interest of all operators that mobile money is perceived as a trustworthy and reliable product. Therefore, while operators need to continue to invest in distribution and customer education, operators also need to be aware of the strategic opportunities in building a mobile money ecosystem beyond their individual offering.

Conclusions and recommendations

The DRC is a challenging market. A lack of infrastructure and a low-income, dispersed population who speak multiple languages mean that positioning and managing a mobile money service effectively requires significant investment and understanding from any operator entering the space. However, with a population of more than 70 million people spread across the second largest country by area in Africa, the DRC holds enormous commercial opportunity. Moreover, mobile will play a critical role in providing access to financial services in a country where less than 4% of the population has an account in a formal financial institution.

The objective of this study was to help mobile money operators understand and navigate the early days of mobile money in the complicated context of the DRC. This research has revealed that there are sophisticated and pervasive financial service demands of households in the DRC where mobile money can play a pivotal role. Markets like Kenya and Zimbabwe have been able to build a mobile money customer base from a “Send money” campaign, but this message is unlikely to be an initial hook that brings customers to mobile money in the DRC. While households reported to be active in sending and receiving remittances, the competitive landscape means that operators will have an uphill battle positioning mobile money as a better alternative in the short term. However, the opportunity around salary payments and bill payments suggest that the opportunity may lie in first developing partnerships in order to build a captive audience of customers.

In terms of recommendations, what is clear in this challenging market is that the foundation of best practice does not change. In fact, because customers are cognizant of the difficulty in accessing cash consistently, it is even more important that operators invest to ensure they offer a reliable service that meets the needs of their target population. Based on the findings, we have identified five key recommendations that operators will need to consider in order for mobile money to reach commercial scale in the DRC.

- 1) **To build trust with customers, operators need to consider how they position themselves vis-à-vis formal financial services.** Given the chequered history of banks, it is unsurprising that a strong distrust of formal financial services exists among customers. Operators need to position themselves carefully as a formal service without associating too closely with the tarnished reputation of banks.
- 2) **Partnerships may prove valuable for mobile money in this market.** Operators should consider partnerships to build a customer base through payments beyond P2P in the short term in order to access salary payments and bill pay products as an entry point. As operators continue to invest in the foundations of mobile money, such as distribution and product positioning, they should also start exploring the potential benefits of interconnection in order to exploit commercial opportunities that no one operator could access unilaterally.

- 3) **Operators need to invest in BTL strategies to help move consumers through the customer journey.** After more than a year since the first operators launched, most customers are aware of mobile money, but few understand what it offers and how it could benefit them. Operators need to shift focus from ATL campaigns (such as TV and radio) and re-focus on BTL campaigns, including implementing brand ambassadors, introducing referral programmes, and/or incentivising agents to educate customers through competition campaigns.
- 4) **Mobile money operators need to provide a reliable GSM network.** The most common complaint from customers by far was related to the unreliability of the GSM network. Operators need to ensure the reliability of the GSM network in order to win the small business sector and for customers to feel confident transitioning towards digital currency. As mobile money penetrates into the low-income segment of the population, customers' needs for reliable access to their accounts will amplify.
- 5) **Operators need to deliver high-quality agent networks to eventually compete in the remittance market.** While the money transfer market is, at least in terms of frequency, the most common activity overall, it is also the most competitive financial market in the DRC. Mobile money operators may find greater traction by focusing on other forms of payments (salary or bill pay) and/or consider partnering in order to enter the remittance market directly. For operators to convince customers to switch to mobile money for sending/receiving purposes, they will need to prove that the cash-in/cash-out experience at mobile money agents is significantly better than a local alternative.

Appendix 1. Household decision-makers' survey: sample demographics

The “typical” financial decision-maker is 30 to 44 years old, male or female, who has completed at least secondary education. He/she is employed full- or part-time, and has a monthly household income of less than US\$200. He/she speaks or understands French, but uses a local language to communicate with household members. The typical respondent has access to terrestrial TV and radio, but not necessarily to a computer or the internet. He/she has a personal mobile phone and uses it for voice calls and SMS, but not for any other data services.

Gender	%
Male	75
Female	25
Residence	
Urban	60
Rural	40
Age group	
19-29	15
30-44	50
45-59	27
60+	8
Median age	41
Banking status	
Banked	37
Unbanked	63
Employment	
Working (full- or part-time)	84
Non-working	11
Unemployed	5
Education	
None/some primary	6
Completed primary/some secondary	29
Completed secondary/some college	47
Completed university	19
Monthly household income	
Less than \$100	22
\$100 to \$199	39
200 to 499	28
Over \$500	11

The sample for this survey was not designed to be representative of the DRC's population or the general population of the four provinces of interest to GSMA. As the survey targeted a specific subgroup of the population—household decision-makers with access to a mobile phone—the sample aimed to be representative of that group only, and not the population at large. In addition, given the poor physical infrastructure in the DRC, the survey covered only the four main cities in each province, as well as the rural areas surrounding them. Mindful of the logistical difficulties of conducting research outside of urban centres, for the purposes of this survey we defined rural areas as areas located within 30 km of a city. To ensure adequate representation of the targeted population, we applied random selection procedures at every stage: from areas within cities down to the selection of individual respondents. Given the absence of population statistics for the specific group targeted in this survey, it is difficult to assess whether and how the sample differs from the targeted population subgroup. However, compared to the general population, these household decision-makers have a more reliable income and have had more access to both education and financial services. This is not surprising given that financial decision-maker and access to a mobile phone were the main qualification criteria.

Appendix 2:

Research methodology

To address the key research objectives of this study, InterMedia applied a mixed methods approach made up of several interlinked research components, as shown below.

1. Market research review

The competitive landscaping exercise at the start of this study provided much-needed background information and a general overview of the financial services landscape in the DRC and mobile money's place in the existing financial infrastructure. This stage encompassed two components:

- Desk research
- In-depth interviews with experts and local stakeholders

InterMedia conducted a comprehensive overview of existing market research, as well as research conducted by organisations and companies such as the World Bank, GSMA, the World Economic Forum, CGAP, Better Than Cash Alliance, as well as academic publications. The desk research took the form of online and document literature reviews.

In addition, InterMedia conducted 14 interviews with industry insiders knowledgeable about existing financial services regulations, system of payments, and cost structures in the DRC. In particular, the discussions focused on existing services for sending/receiving money, including remittances, mobile money services and how they fit into the existing landscape, as well as services related to savings, credit, and insurance.

The key informants were selected from among experts and local stakeholders, including senior managers from the DRC's biggest banks, and senior managers in charge of the mobile money services at each of the three mobile operators: Tigo Cash from Tigo, Airtel Money from Bharti Airtel, and M-PESA from Vodacom.

InterMedia developed an interviewer guide in consultation with GSMA. Each interview lasted about 60 minutes. The interviews were conducted by professional researchers and transcribed for analytical purposes.

2. Qualitative research to understand behaviours, attitudes, and perceptions among the target groups

Our qualitative approach encompassed two elements:

- 12 in-depth interviews with small business owners paying suppliers
- 20 mini focus groups with household decision-makers for sending/receiving money, paying bills, and savings.

2.1 Small business owners paying suppliers

After consultation with GSMA, for the purposes of this research we defined “small businesses” as companies with one to five employees. Most small businesses in the DRC are informal with no headquarters and/or offices. Small businesses are involved in a range of sectors, including services, retail, convenience stores, mining, and others.

Given this diversity, to probe the existing range of opinions we recruited small business owners engaged in different sectors: services, retail, and industry. A total of 12 interviews were conducted, three in each of the four targeted markets. Most of the small business owners interviewed had used mobile money for business or personal purposes.

The interviews were conducted by professional interviewers using a discussion guide developed by InterMedia in consultation with GSMA. The purpose of the discussions was to find out what payment methods small business owners use to pay suppliers, what service providers, as well as what other financial services they use for business purposes. We also probed their familiarity with mobile money, including awareness, understanding, knowledge, trial, and use. The future needs and demands of small business owners and the potential opportunity for mobile money in this space also featured in the discussion.

2.2 Household decision-makers for sending/receiving money, paying bills, and savings

To understand the financial needs and behaviours of households, especially with regard to sending/receiving money, paying bills, and savings, we conducted 20 mini focus groups made up of four to six participants each, five in each of the four target regions.

To better probe how mobile money fits into the financial behaviour of households, we conducted focus groups with both current and potential users of mobile money services. For the purposes of this study, current mobile money users and potential users were defined as follows:

- Potential users: Participants who were aware of mobile money services but have never used it or have used more than three months ago;
- Current users: Participants who have used a mobile money service at least once in the past three months.

Each of the focus groups met for 1.5 to 2 hours, and was led by a professional moderator. The moderators received special training on the research topics involved in this study prior to the launch of fieldwork. All group discussions were transcribed for analytical purposes.

Since men are typically the decision-makers in rural areas, we conducted fewer focus groups with women in rural areas than in urban areas. Similarly, since mobile money is still nascent in the DRC, and rural residents are even less likely to be using a mobile money service than urban residents, we conducted focus groups with current mobile users in urban areas only. The final composition of the focus groups was as follows:

- 16 groups with potential mobile money users, including
- 8 groups with males and 8 with females
- 8 groups in urban and 8 in rural locations
- 4 groups with current mobile money users (males in urban locations)

3. Quantitative research to measure the footprint of financial services, including mobile money among the two target groups

To measure the availability and reach of financial services, including mobile money, as well as behaviours and attitudes among the targeted groups, we conducted two quantitative studies: one among small business owners and the other among household decision-makers. The interviews were face-to-face, and lasted for up to two hours. The surveys covered the main cities of the targeted markets— Kinshasa, Matadi, Lubumbashi, and Goma—as well as surrounding rural areas. InterMedia developed screening questionnaires to identify eligible respondents among the two target groups.

3.1 Small business owners paying suppliers

We interviewed 30 small business owners in each market, or a total of 120 respondents. Given the absence of a reliable sampling frame of small businesses, and that it was unfeasible to compile one given the short time frame of this project, we approached and interviewed small business owners paying suppliers in areas where they were most likely to be found. For example, markets (such as Grand Marché de Kinshasa and Marché de la Liberté) and business areas (such as Commune de la Gombe, Kintambo Magasin, and Place de la Victoire) in Kinshasa.

Given the smaller number of small businesses in rural areas compared to urban areas, we conducted 20 interviews in urban locations and 10 interviews in rural locations, as shown in the table below.

Distribution of interviews, n=120

Region	Interviews in urban areas	Interviews in rural areas	Total
Kinshasa	20	10	30
Bas-Congo	20	10	30
Katanga	20	10	30
Kivu	20	10	30
Total	80	40	120

While the findings from this survey cannot be generalised to the entire population of small business owners in the four markets (given the lack of sampling frame information), the research provided measurable indicators and built upon the findings of qualitative in-depth interviews.

3.2 Household decision-makers for sending/receiving money, paying bills, and savings

InterMedia used a random sample to study the population of household financial decision-makers. The survey was conducted face-to-face among 100 respondents in each of the four targeted markets, or a total of 400 respondents.

Interviewing locations included Kinshasa, Matadi, Lubumbashi, and Goma, and rural locations around each city. Given the poor physical infrastructure in the DRC, for the purposes of this survey we define “rural areas” as areas located within 30 km of each city.

The table below shows the distribution of the interviews. Given the lack of regional statistics on access to/ownership of mobile phones, the split of interviews between urban and rural areas was based on the urban/rural population proportions within each region.

Distribution of interviews, n=400

Region	% urban population	% rural population	Interviews in urban areas	Interviews in rural areas
Kinshasa	80%	20%	80	20
Bas-Congo	40%	60%	40	60
Katanga	60%	40%	60	40
Kivu	40%	60%	40	60
Total			220	180
				400

Source: National Statistics of DRC (2005).

In all locations, we used the random walk technique and selected every *n*th household. At the household level, the household head or a knowledgeable adult within the household was asked initial screening questions to determine who was making decisions in the household. Only one person per household was interviewed. The final data were weighted by province based on estimated mobile phone penetration.



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