

10^{YEARS} BUSINESS REPORT

Wizzit has done its homework, says Mphahlele

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By Ann Crotty

After three years of research and preparatory work, Wizzit Bank was launched last November with the slogan: "My bank in my pocket."

It was the first cellphone-based banking facility in the country and was designed to provide the unbanked and underbanked with an affordable alternative to what was on offer from the mainstream banks.

Pakie Mphahlele, who is the chief executive of Wizzit, is passionate about the product, which he eats, sleeps and breathes. Much of the three years of preparation, he says, was spent designing a product that fitted what members of the target market said they needed from a banking account and also in dealing with the many regulatory and institutional hurdles involved in setting up a small banking operation.



From nowhere a year ago we now seem to have a whole range of cellphone banking products from which to chose. Where does Wizzit fit in the marketplace?

Wizzit can be used by anybody, on any network and any phone, who wants to pay for transactions or get cash out of their account, but it is primarily aimed at the unbanked and the underbanked because it is an extremely easy and cost-effective way of paying for transactions.

For example?

Well, if you want to top up your prepaid cellphone card, you can do it without going anywhere, you can just organise the payment using your cellphone and Wizzit account details.

If you have a Wizzit account, you can use a cellphone to send money to a friend or pay an account. All you need is the other party's account details and bank branch number.

Even better, if they are Wizzit account holders, all you need is their cellphone number. So you don't have to stand in queues and you don't have to carry cash around.

And you can also get your salary paid into your Wizzit account. If you want to deposit money into your account, you can do so at any post office or branch of Absa or the South African Bank of Athens.

But can't I do all that with the cellphone product of First National Bank (FNB) or with MTN Banking?

Yes, you can if you have an FNB account and for MTN you would need a fifth-generation [handset] with a 32k SIM card.

But our product is designed for individuals who don't have a bank account and who might only have one of the early generation cellphones, often with only 16k SIM cards, and who are also probably relying on pay-as-you-go access to one of the three cellphone companies. This is the profile of the average unbanked or underbanked customer that we are targeting.



How do you define underbanked, and what size of market are you looking at?

A lot of people who have bank accounts have them mainly to receive a pay cheque, which they access by queueing up at an ATM and they don't use the account for anything else.

According to Finmark Trust, which is funded by the British government and has done a huge amount of work aimed at bringing more people into the banking community, there are between 14 million and 16 million people in the unbanked and underbanked market in this country.

This represents 60 percent of the estimated 28 million people who are 'bankable'. So far, it's estimated only 12 million of those 28 million are 'banked'.

Why did it take from early 2002 to November 2004 to launch Wizzit?

Our starting point was our determination to find an affordable solution to the unbanked problem. But it wasn't just about affordability, we had to make sure the product was what the market wanted and was appropriate. So we did extensive research, much of which involved talking to people in our target market.

What was needed was technology that involved no additional expense for the customer. This meant that we had to be able to use any cellphone and we certainly could not limit the market to individuals who had cellphone contracts; it had to include pay-as-you-go.

In talking to the unbanked, it became evident that the big need was for affordable transactional banking, not for loans. There is a big need for workers to be able to remit money to their families who do not live with them.

And there's also a need for people to be able to pay expenses such as their rent without having to stand in a queue at a rent office that is miles away from where they work or live.

In addition, the Wizzit account holder is issued with a debit card, which can be used to pay for shopping and also to get cash back. The debit card can be used at any ATM but getting cash back from a retailer is a much cheaper option; it costs R1.99 compared with the ATM cost of R4.99.

And all the other costs?

It very quickly became clear from talking to our potential customers that they could not understand the concept of being charged a monthly fee or of having to keep a minimum balance in their accounts; Wizzit has no monthly fees and no minimum balance requirements, and there are no penalties for non-use and also no penalties for excessive use. You only pay for what you use.

If you're using a cellphone, then purchasing airtime costs 99c, a Wizzit-to-Wizzit transaction costs R2.99 and a Wizzit-to-non-Wizzit transaction costs R4.99. Using the debit card for transactions costs R1.99.



Aren't those charges the same as the new MTN Banking facility?

Yes, interestingly, MTN has announced their prices at 1c more than what we launched with and these are about the lowest charges that are possible given the fees that have to be paid to the bank clearing system. And it's great that now there's a few people competing at this level. It can only benefit the customers.

How did you get access to the clearing system?

We operate as a division of the SA Bank of Athens, which means that we have a licence to accept deposits. The SA Bank of Athens has been fantastic in its support for us.

But getting a licence is only the beginning of the challenges in this particular business arena. Once you've got a licence, you then have to become a player in the national payment system.

This payment system is not regulated by the Reserve Bank but by the banks themselves through a rather large self-regulatory body called Pasa [the Payment Association of SA].

But how do you expect to survive in a market that is so dominated by the four big banks? Presumably they could squeeze you out quite easily if they wanted to; they could just push up the price of using the payment system and then either your customers would disappear or your margins would.

I think there's plenty of room in the market for all of us; it's great that the big banks are moving into cellphone banking and providing some products for the unbanked, but I'm not sure just how committed they are to that end of the market.

We are. Providing banking to the unbanked and the underbanked is our core business. We eat, sleep and breathe it.

Our approach to that market is quite different from the big banks. We employ only previously unemployed people and train people from within the community to market our product and to open accounts.

To date, we've trained 800 Wizz Kids. The model is very people intensive, which is appropriate given that this is a people business; it does restrain the pace of our growth but it also helps to develop confidence in our product and gives it a lot of credibility. I think it also helps that Nactu [the National Council of Trade Unions], with over 450 000 members, owns 26 percent of Wizzit.

That helps with the credibility and also obviously provides us with a good marketing opportunity.

So how profitable is it?

This is certainly not the way to make a fast buck, or to make an easy buck. You really do have to be motivated; we are, that's the only way we were able to get this far.

To date, the number of transactions in the system is ahead of our original budget.

Right now we're budgeting to start producing profit in about 18 months. And when that happens, I'll probably go on holiday. I haven't had one for about two years but management owns 74 percent of the company, which keeps us driven and focused.

