

Mobile payments will unlock new business for banks in Africa

Mobile payments and other phone-based transactions represent a must-win opportunity for banks in Africa. The estimated market in facilitating payments alone is \$500bn and, providing access to energy, healthcare, education and transportation, offers new business prospects.



Tijsbert Creemers, managing director and partner, Boston Consulting Group

By using digital platforms it offers the potential to develop more holistic solutions that solve deep-rooted customer friction points for African consumers. Such mobile ecosystem solutions have been extremely successful in China and South East Asia. We believe Africa is the next foreground for exponential growth,” says Tijsbert Creemers, managing director and Partner at Boston Consulting Group, and co-author of [*Five Strategies for Mobile-Payment Banking in Africa*](#).

“The other key factor is customer awareness: Africans are increasingly likely to have mobile phones and are eager for services that contribute to a higher quality of life. Already, 400-million consumers in sub-Saharan Africa use mobile payment banking systems. By 2025, the mobile payment market could reach 650- to 750-million customers.”

As African economies continue to evolve and with the Covid-19 crisis rapidly raising peoples’ interest and need for contactless transactions, the mobile device will become the payment vehicle of first resort – and banks need to embrace this reality to forge a path to success.

There are five potential strategies that banks in Africa may adopt to harness the possibilities that mobile payments present – depending on the bank’s size, capabilities, technological experience, and the role that it might play in its local or regional business ecosystem.

Three strategies for large banks

1. Ecosystem leader

The bank typically shares an interoperable platform and orchestrates a group of operations and services. Ecosystem leaders should have a strong retail focus, a broad base of current and prospective customers including SMEs, and the ability to coordinate activities on a broad scale. Only a handful of ecosystem leaders are likely to emerge in the mobile payments business in Africa.

2. Customer relationship builder

The bank uses its own brand, focusing on customer-facing mobile payments solutions with a broad reach. A bank that follows this path may have to disrupt its existing business model by relying less on high fees paid by affluent customers for banking services and transactions, and more on a broader revenue base with a wider range of services, more customers, and ecosystem support. The bank may also have to provide a distinctive customer experience on mobile devices.

3. Back-office champion

The bank provides the services and support needed on the back-end of other companies' ecosystems. A bank in this category uses other banks' brands to develop the scale it needs to reach retail customers, and plugs into application programming interfaces (APIs) to enable different computer systems to interrelate. The contributions of the back-office champion enable the front-end players to upsell a wider range of banking services to mobile wallet customers.

Two strategies for small banks

1. Ecosystem contributor

The bank provides technically adept, API-ready services, connecting closely with the offerings of one or more front-end mobile money players. Small banks tend to play this leading-edge "bank of the future" role because they do not have the scale to compete otherwise.

2. Niche market master

The bank focuses on particular offerings such as wealth management, where the bank can take advantage of its customer insight and innovate on highly functional solutions.

"By picking the most appropriate strategy, banks can build a viable, sustainable growth business and open significant new revenue streams. These opportunities arrive at a pivotal time, as several African countries welcome deeper investment in mobile services, and mobile emerges as a way to drive recovery from the Covid-19 crisis by making social distancing easier and cutting day-to-day expenses at a time of financial stress," says Creemers.

"Banks must move as quickly as they can to position themselves in this space and to acquire the necessary capabilities to recover from this year's difficulties and shape their destinies in the long run."