

By LAURA DURHAM

20 'sophisticated' wallets have been launched in the last five years in South Africa, but it seems that lower income consumers prefer the easy-to-use value-based offering of prepaid vouchers.

This is according to Herman Singh, CEO of Beyond Payments, the payment innovation arm of Standard Bank.

Standard Bank launched their wallet (mowaly) and vouchers at the same time to see which solution would take off in the South African market. "Standard Bank's prepaid vouchers – Instant Money – work exactly like airtime and with R1 billion per month in money 'spent' with this and other vouchers, it is the single biggest voucher based system in the world," says Singh.



According to the UN, having a bank account is the fourth most important requirement (after child mortality, water and electricity) to grow a country.

Vouchers versus wallets

According to Singh, the explosive growth in money vouchers, which make up about a sixth of the traditional prepaid airtime voucher business, has killed the mobile wallet as a viable payment instrument, as they are simple to use, have real monetary value and are approved by the South African Reserve Bank. Vouchers also work on all phones, sim cards and networks.

One of the biggest limitations of wallets is their closed system, where consumers have to be a client of a particular bank or cell phone provider to use the service.

mPesa, a mobile wallet launched in Kenya generated revenues of R700 million in the



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last fiscal year, while in South Africa, mobile vouchers generated R400 million in revenues. The differences between the Kenyan and South African markets are numerous and Singh contends that it is for this reason that the launch of mpesa by Vodacom-Nedbank in SA has been slow on the uptake. Where there were only one million banked consumers in Kenya, South Africa has 25 000 ATMs and 200 000 point-of-sale (POS) machines, as well as four big retailers with extensive footprints across the country and beyond. Besides the fact that South Africa has a much more sophisticated banking structure, there are far more options available to consumers.

Prepaid vouchers will be a success, says Singh, for a number of reasons: "This is all due to simple customer-centric solutions that are cash-based, simple and intuitive to use, available at thousands of retail points to the unbanked and located where clients actually live and work."

Standard Bank has recently launched Muvo, the first Near Field Communication (NFC) transit card in South Africa where no ticket or cash is required. The pilot project is currently taking place in Durban, where taxi, bus and train have been combined into one touch point. Commuters are able to load money onto the card by ATM, internet banking, cash, debit or credit card at ticket selling kiosks. He says for just R20 a card, which is valid for five years with no monthly fee, the Muvo card is essentially a prepaid bank account. With a maximum balance of R1 500, this is also a wonderful banking solution for the current unbanked, numbering at least 20 million in South Africa alone.

Retail banking

Furthermore, Singh believes that banks and retailers are a natural partnership. "Banks have to help retailers minimise cost, maximise commerce (through convenience and speed), mitigate risk and maximise customer satisfaction," he says.

"A quiet banking and retail revolution is taking place in many locations from bank branches and ATMs to spaza shops and large retail chains in South Africa," he says, adding that this revolution is essentially embodied in prepaid vouchers, which are issued by banks. In order to reach all shoppers through the retail interface, Standard Bank has launched bank shops, a bank branch franchise or 'branchise' where an i-terminal allows a spaza shop owner to essentially become an ATM. This gives customers the opportunity to deposit, withdraw and transfer money while they pick up their daily groceries. The terminal also becomes a POS device, which accepts all debit and credit cards. In addition, the terminal helps the spaza shop owner to sell airtime, electricity and Lotto without the owner having to pre-buy or physically keep stock. Singh says Standard Bank has already rolled out 10 000 of these bank shops nationally, focusing particularly on underserved areas.

It seems like a win-win situation with Standard Bank's only requirement being that the spaza shop owner must open a bank account. To open one, they need to comply with FICA light by handing in their ID book and understanding that the maximum transfer is R5 000 and the maximum balance is R25 000. Interested spaza shop owners simply need to call 083 1138.