

Mats Thorén meets
Santie Botha



interview

MTN's CMO Santie Botha:

Distribution is
the name of the game

African powerhouse MTN has done well for years but needed to break some barriers to reach the true masses of potential customers. Since the company discovered what to offer people who have very little money to spend, things have started to move very quickly.



JOHANNESBURG-BASED MTN operates in 21 markets across Africa and the Middle East (plus Afghanistan), and added a whopping 36 percent organic growth to its subscriber base during 2006 (including the acquisition of Investcom, the addition was 78 percent), while earnings grew by almost 50 percent. The target for 2007 is to reach more than 50 million subscribers. A mere 13 years after its conception, MTN is playing in the big league internationally.

It has taken some unconventional thinking to reach this rate of growth, at least by the standards of mature mobile markets. MTN obviously spans a diverse range of markets, from an affluent city such as Johannesburg, where people expect to find everything they could get in New York, all the way to Guinea Bissau, where GDP per capita is just USD 200, making it one of the poorest nations on earth.

Leading the charge to reach customers in new bold ways is MTN Group's chief marketing officer, Santie Botha.

"Until two or three years ago, market penetration in many of our markets was in the single digits," she says. "So the big thrust was to get it up to double digits and make services affordable, accessible and simple enough for people right at the bottom of the pyramid to use. That's the only way to increase: making communication available to everyone who can potentially afford it."

There is no blanket approach to a market as diverse as MTN's, she says. The common denominator is rather the principles to which they have given a lot of thought over the past few years: affordability, accessibility and simplicity. There is also, of course, the way MTN works with these issues across its organization and implements the solutions.

Starting with accessibility, the problem is how to reach out at low cost and get close to customers in areas with very poor infrastructure. With the exception of South Africa and Syria, where post-paid subscriptions account for 20 percent and 50 percent of revenues respectively, MTN's markets consist to 97-98 percent of pre-paid subscriptions.

"Distribution is the name of the game here," Botha says. "You should be able to get airtime every 500m on the street. That's our challenge."

Empowering people

Electronic voucher distribution (EVD) is a novel feature that has set things in motion on a large scale. It solves many of the hurdles associated with distributing the traditional scratch cards for pre-paid airtime.

"You don't have to buy a physical card," Botha says. "If you want 5 bucks of airtime, you go to the nearest dealer – who could be your neighbor. All he has to do is punch in your number and the amount is transferred. It works from phone to phone."

EVD has substantial benefits for both MTN and its distributors.

Under the previous system, it is sometimes very difficult – and expensive – to ensure the distributors always kept the right range of scratch-card denominations in stock, and to keep the cards safe, since they are virtually a form of cash. EVD has not yet been introduced in all MTN markets, but in Cameroon, for example, it already accounts for more than 80 percent of all pre-paid airtime sold.

"We did not invent EVD, but the way we put it in the market and our tiered distribution structure is unique," Botha says.

She explains EVD's tiered structure: the main distributors engage 10-15 sub-dealers, who in turn engage others, and so on. All the dealers work on a commission basis, and the whole system is very informal because it builds on personal relationships.

"You don't need retail chains with stores; you just set someone up as an authorized MTN distributor. In this way, MTN creates business opportunities for quite a lot of people – thousands – and it is a way of empowering them. We contribute quite substantially to the GDP in these countries and it spurs entrepreneurship."

When asked in consumer studies, the average consumer says that after basic necessities were paid for, they would rather spend

quote

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their remaining money on airtime than on any other form of entertainment. Marketer Santie Botha turns this into a crucial insight:

"What do I do to relax? What are your priorities when there is not much in terms of entertainment or other distractions? That's the crux in emerging markets: consumer behavior is informal and telcos are moving into informal distribution structures. This makes it important to use lower denominations when selling airtime. If I have 5 cents in my pocket, I can still call for three seconds just to say "hello, how are you?" to some one who is 2000km away.

"And that's basically what you see: people recharging their mobiles five, six, seven times a day. You don't know if you are going to have cash tomorrow. The whole notion of per-second



❖ ...Distribution is the name...

billing works because customers know they get what they pay for. There is a great level of trust.”

Per-second billing will soon be introduced in MTN’s new Middle Eastern markets as well. The next thing MTN is looking at is mobile money – “to keep the cash out of the system,” as Botha puts it. “Transferring money is a very good application for emerging markets; it’s fantastic.”

The GSM Association runs a money-transfer project which is aimed at guest workers sending money home. Most of them do not have bank accounts, but if they have accounts with their mobile phone numbers, and the receiving party also has a phone, then they can send money back home over the airwaves.

MTN’s aim is not to offer sophisticated full-service banking; the lending component, for instance, always comes with risk, Botha says. For now, at least, MTN targets savings products and payments.

A lot of service innovation

In South Africa, mobile data – including SMS – accounts for about 9 percent of revenues. A price war on mobile data has made tariffs very low compared with the rest of the world. Voice tariffs, on the other hand, are relatively high.

MTN is looking at bringing mobile content to all its markets. It will also bring its customers into the internet space and get them using mobile broadband. To this end, MTN has secured exclusive mobile content rights for Africa and the Middle East for the 2010 soccer World Cup, and will be able to show video clips from the matches, which will be played in South Africa.

There is definitely a lot of service innovation going on – and it is decentralized, informal and quickly tested on the market: “innovation on the hoof,” Botha calls it.

“Rather than a specific formula for innovation, it is really about learning from successes in all our markets, and making sure these are replicated across the board.”

She points to the public phone concept in Uganda and Rwanda as an example: a phone box on wheels, run by MTN. Sometimes it is on a tricycle: vendors pedal it around in remote rural areas and people come to the tricycle if they want to make a call.

“It’s that type of initiative you want to take from Uganda and use in Cote d’Ivoire. That is best practice and learning.”

“Vocal chat” in Cameroon for pre-paid users works like a conference call for friends – similar to instant messaging, but for voice. You dial in to your friends and ask if they want to share the cost. Then you simply start chatting.

“It’s such a beautiful solution for the pre-paid market. You have to understand your market and the aspirational factor, showing that you are ‘in’ and aspire to a higher social position than the one you have,” Botha says.

Another MTN innovation is “happy hour”, which was launched in Nigeria first – between 12.30am and 5am, subscribers with credit on their accounts talk for free.

“It was a success within a week; the speed of uptake was just enormous,” Botha says. It caught on like wildfire. “Any new funky or ‘gadgety’ type of introduction has a market uptake within days, if it’s relevant.”

Mats Thorén

What mobile data users want

MORE THAN 40 PERCENT of the 3061 consumers surveyed by Circle Research in Europe, North America and Asia regard multimedia messaging (MMS), which allows mobile phone users to swap pictures, music and video, as an indispensable service, while 38 percent see mobile e-mail in the same light. When asked which mobile data services they preferred, respondents ranked text messaging (SMS) first, followed by e-mail and MMS.

The survey uncovered some significant regional differences. North American respondents ranked mobile e-mail as the service they most preferred, ahead of text messaging and mobile instant messaging. In Europe and Asia, text messaging scored highest, followed by mobile e-mail and MMS.



Ranking	Service
1	Text messaging (SMS)
2	E-mail
3	MMS
4	Alerts via SMS/MMS
5	Instant messaging
6	Web browsing and searching
7	Location-based services
8	Mobile radio
9	Financial transactions
10	Downloading content
11	Mobile TV
12	Video calling
13	Video sharing
14	Gambling

Source: Survey of 3,061 consumers in Europe, Asia and North America by Circle Research for the GSMA

BT launches sign language site

UK OPERATOR BT has launched a website for users of British sign language (BSL) to access information about BT products and services in their first language. The site was developed following a consultation process with BSL users, who indicated the need for more product and service information – as well as BT contact information – to be available in BSL.