REPORT | JUNE 2018

M-Akiba Post Issuance Survey

REDUCING POVERTY
THROUGH FINANCIAL SECTOR DEVELOPMENT

fsdafrica

The National Treasury

UKaid
from the British people

Project partners

Project funders

Project consultants

Cover image and layout: Kristina Just

M-Akiba Post Issuance Survey

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Abbreviations

BFA	BFA Global
CATI	Computer assisted telephone interviewing
CDSC	Central Depository Settlement Corporation
FSD Africa	Financial Sector Deepening Africa
KASIB	Kenya Association of Stockbrokers & Investment Banks
KSh	Kenyan shilling
NSE	Nairobi Securities Exchange
US$	US Dollar

Executive Summary

Mobile money is pervasive in Kenya: one study found that 96% of households outside of Nairobi had an M-PESA account in 2016[1]. Given this environment, it is not surprising that the Kenyan government was the first to pioneer a bond issue via mobile money in 2017. The government hoped that issuing bonds via mobile money would provide them with access to low-cost capital, while also giving low-income Kenyans an additional means for saving.

Launched in 2017, M-Akiba (M-Savings, in Swahili) required a two-step process: first, the individual needed to register their mobile money account, and then they had to purchase the bond. The minimum purchase amount was KSh 3,000 (US$30) and the bond earned 10% interest annually, with disbursements made every six months directly into the individual's mobile money account.

Although there was a lot of excitement and interest when the bond was piloted, purchase rates proved to be low. During the pilot in March 2017, 102,632 people registered their mobile money accounts and the government raised their target of KSh 150 million ahead of schedule. When the full launch took place three months later, a total of 303,534 people registered, yet the government raised KSh 247 million (US$2.47 million) against a target of KSh 1billion (US$10 million) (24.7%). While registration rates were successful during both the pilot and full release, only 4% (11,697) of people who registered went on to actually purchase the bond.

FSD Africa commissioned BFA to study the reasons for the unexpectedly low uptake. BFA undertook a phone survey of 500 people who had bought the bond, and 500 who had registered but not bought. In addition, BFA conducted qualitative research with customers who did not buy, as well as interviews with stakeholders involved in designing and implementing the bond offering.

Although investment did not meet expectations, the study found that the product was fairly successful in bringing a new broad-based investor group into the market for government paper: 85% of customers had never bought a bond before and buyers were distributed across virtually all of Kenya's 47 counties. However, 51% of buyers were from Nairobi and those who purchased the bond were more likely to have a higher education and be employed in the formal sector.

59%

Educated

Those who invested had a higher education with 59% having gone to university.

61%

Formally employed

Those who invested were more likely to be employed in the formal sector. 61% of those who bought are formally employed. Investors were more likely to be working in government, as compared to the other sectors – 19% of all buyers worked in government.

51%

Urban

People living in Nairobi and Nyeri were more likely to buy, with 51% of buyers coming from Nairobi.

71%

Regular income

Investors were more likely to be receiving income regularly. 71% of those who bought receive a regular salary on a monthly basis.

While the researchers found that people liked the product (84% of those who bought the product would recommend it to others and 73% of those who registered but didn't purchase would recommend it), they discovered a range of problems with timing, communication, and customer service that hindered uptake.

1. **Poor timing:** In the two years between the soft launch and product launch, deposit regulations changed, forcing banks to increase interest rates paid on savings from 0% to 7%, thereby diminishing the advantages of the bond. Furthermore, the bond launch coincided with national elections, so media advertising about the product was swamped by election coverage.

[1] http://science.sciencemag.org/content/354/6317/1288.full

2. **Poor understanding of product:** Those who registered but did not ultimately purchase the bond were less likely to know the interest rate, tenor, closing date, or other details about the product. That said, understanding was also poor among those who eventually bought the product: less than 2% knew to call the Nairobi Securities Exchange if they needed their money.

3. **Confusing purchase process:** While registration was simple, the second stage of the process was confusing and gave no clear, immediate instruction for how to complete the purchase. Moreover, screenshot displays were sometimes misleading and/or confusing, so individuals may not have realised their purchase was not complete after registration.

4. **Lack of prompts/reminders:** Over 60% of individuals interviewed did not receive a single reminder message after registering; and 70% of those who registered but didn't purchase did not know when the investment round was closing.

5. **Agents focused on registration:** When agents visited offices, markets, and groups, there was a marked uptake in registrations. However, the agents did not encourage people to actually invest after registering. In addition, it was difficult for customers to get help from agents when they had follow-up questions after registration.

6. **Weak customer care practices:** The only helpline available to customers, many of whom did not fully understand the product, was a landline, which was difficult to access and confusing, given the mobile nature of the product. Furthermore, when fraudulent messages circulated about the product, there was no easily accessible customer service available to refute them.

7. **Concerns about minimum investment:** Some customers felt the KSh 3,000 minimum investment would be better allocated to savings groups or trading opportunities that could provide quick returns or access to credit. However, it is not clear that a higher minimum investment would have more success, since 78% of those who purchased the product invested less than KSh 6,000.

With a database of over 300,000 registered users who have yet to purchase a bond, there is a huge opportunity to test improvements to the product and process. BFA's research points to several ways to increase purchase rates:

Product awareness

Help users understand the characteristics of bonds and investment rounds

Interface

Ensure the PIN is secret and avoid terms such as 'broker', to build trust in the product

Click to pay

Facilitate immediate purchase after registration

Payment installments

Allow users to make contributions to build up to the minimum investment, mimicking savings group mechanisms

Customer service

Create a mobile phone customer care line

Reminder messages

Send additional messages to prompt purchase

Top-up messages

Encourage users to invest more after they meet the minimum threshold

Deadline messages

Utilise deadline pressure to encourage purchase

1. Background

Over the last couple of years, there have been new products coming into the Kenyan market that ride on the high penetration of mobile money in the country. The products range from savings to credit to insurance. It was therefore not a surprise that the country innovated a bond product that could be sold using mobile money.

When the government came up with the idea of M-Akiba (M-Savings in Swahili), they wanted to broaden the investor base while growing the country savings culture and more importantly, opening government bonds to local Kenyans – banked and unbanked. M-Akiba had the potential to reach over 28 million registered mobile money account holders. Before M-Akiba, the minimum investment amount for a bond was KSh 50,000 (US$490). There were only 10,000 retail investors in government bonds, accounting for only 2% of the outstanding holdings of bonds.

M-Akiba is meant to be simple: anyone who is a registered mobile money user could register using any type of phone. The minimum amount to buy is KSh 3,000 (US$29). The interest rate is 10% disbursed every six months over mobile money, with a three year tenor. The product was developed by the government in collaboration with Nairobi Securities Exchange (NSE), the Central Depository Settlement Corporation (CDSC), Mobile Network Operators (MNO), and the Kenya Association of Stockbrokers & Investment Banks (KASIB).

In 2017, the product was finally launched, two years after the soft launch. During the pilot, 102,632 people registered raising the KSh 150 million (US$1.45 million) target ahead of the timeline. When the main launch was announced, 186,643 additional people registered, bringing the total unique registrations to 303,534. In the end, however, only 8% of the target amount of KSh 5 billion (US$50 million approximately) was raised. Even though there was a high registration level, the investment was made by only 5% of the people who registered in the pilot and 1.97% of the people who registered during the main launch.

A study was commissioned by FSD Africa to better understand how the bond was issued and how it was perceived by investors.

We aimed to test three different hypotheses on why people signed up but did not invest:

- **Individual attitudes:** This includes their attitudes to savings, requirements for return, trust in government etc.
- **Subjective norms:** As a new product, we didn't necessarily expect much in the way of feedback on this, but questions included whether their social networks are investing in the bond, beliefs about the macro climate and political factors.
- **Behaviour control:** What was the user experience of marketing, registration, purchase process?

1.1. Methodology

The research comprised a phone survey supported by qualitative focus group interviews to better understand why people did not invest in M-Akiba in the end.

The quantitative research relied on computer assisted telephonic interviewing (CATI). Using CATI was dictated by not knowing the location of the respondents, making face-to-face interviews prohibitively expensive and time consuming. Since the product offer was through mobile phones, we were still reaching the populations of interest. Five hundred phone numbers were randomly selected from the database of customers who registered but did not buy, and a further 500 were randomly selected from the database of customers who registered and invested. As such, the sample was representative of each of the groups. In the end, we were able to conduct 1,029 complete interviews segmented as shown below.

The phone calls each lasted between 15 to 20 minutes and were conducted in either English or Swahili. The exercise helped us create profiles of the different segments and assess whether they are different or not. More detail of the sampling is provided in Annex A.

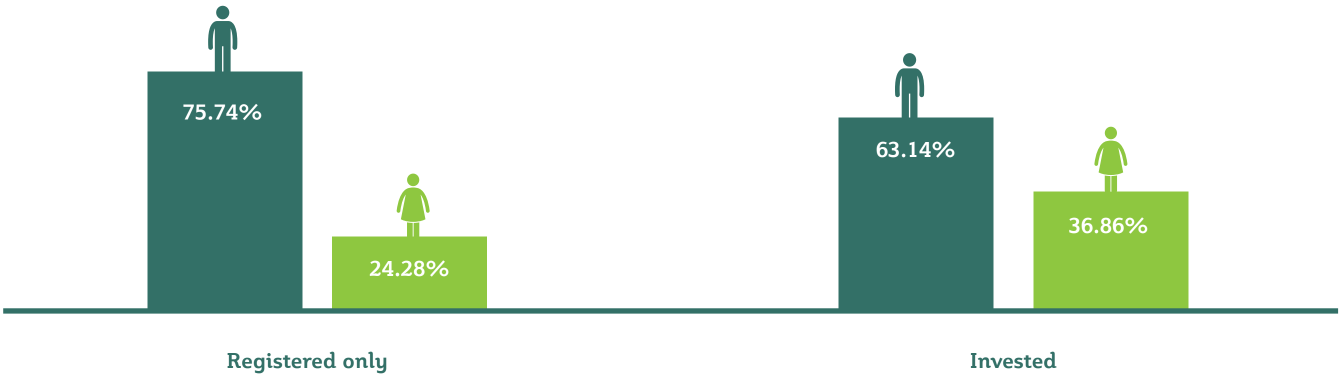
After reviewing the phone survey results, we conducted four focus group discussions in Nairobi to explore in depth how and why people registered and invested in M-Akiba. We recruited from the respondents who had agreed to be interviewed in the phone survey.

Finally, we conducted in-depth interviews with the chair and vice chair of the marketing team and the director at Smart Youth, the organisation involved in M-Akiba activation. A meeting was also held with the Treasury to go through the draft findings, at which we received comments, in addition to those from the Capital Markets Authority and the Central Bank of Kenya.

2. Demographics

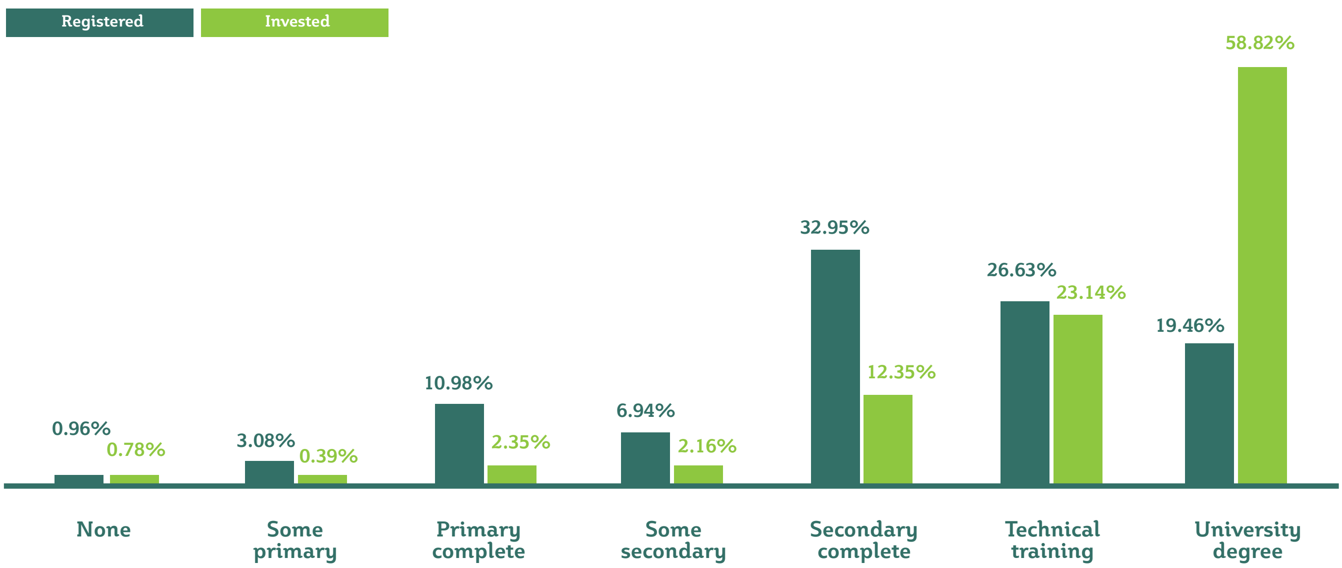
We found age, relation to head of household and marital status to be similar within the two groups. The mean age of those who only registered was 32 years, while the mean age of those who also invested was 37 years. The people age distribution is similar to the age distribution of Kenya, which has a relatively young population. In the two groups, participants were more likely to be heads of households and married. However, women were more likely to actually buy the bond after registration as seen in Figure 1.

Figure 1: Break down by gender



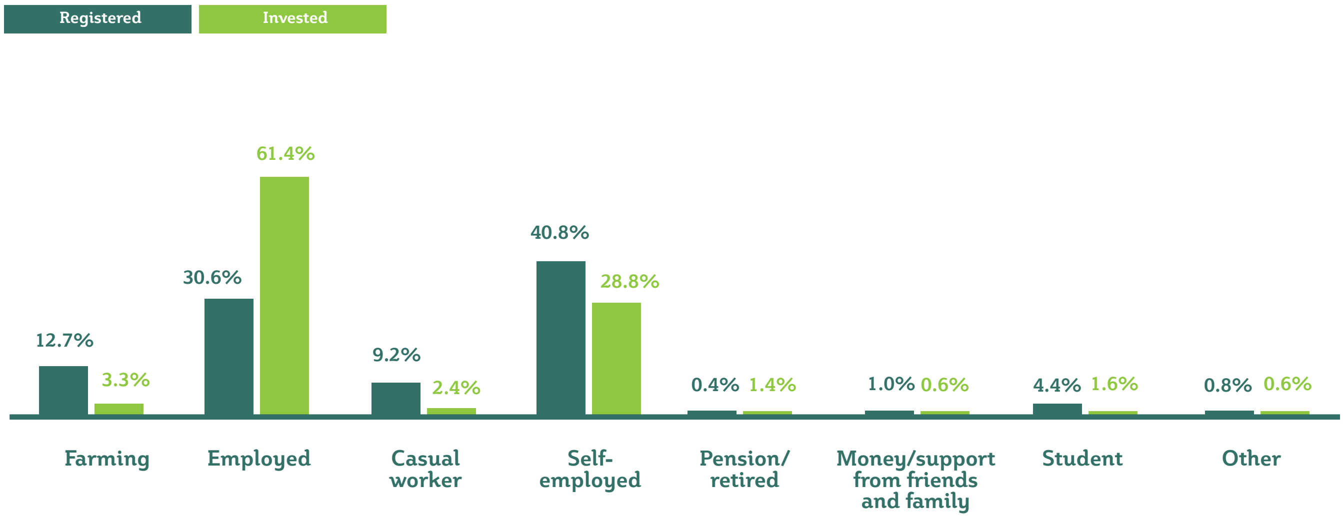
The demographics of the M-Akiba product are similar to the profiles of the mobile money active users who are mainly men. Women made up 36.8% of those who invested. Even though people who were interested in the product were more likely to have a secondary certificate or higher, more than half of those who invested had a university degree as shown in Figure 2.

Figure 2: Participation by education level



In terms of main source of income, the people who were interested in the product were either employed, or self-employed. Those who finally invested were more likely to be employed than in any other group as shown in Figure 3.

Figure 3: Participants main source of income



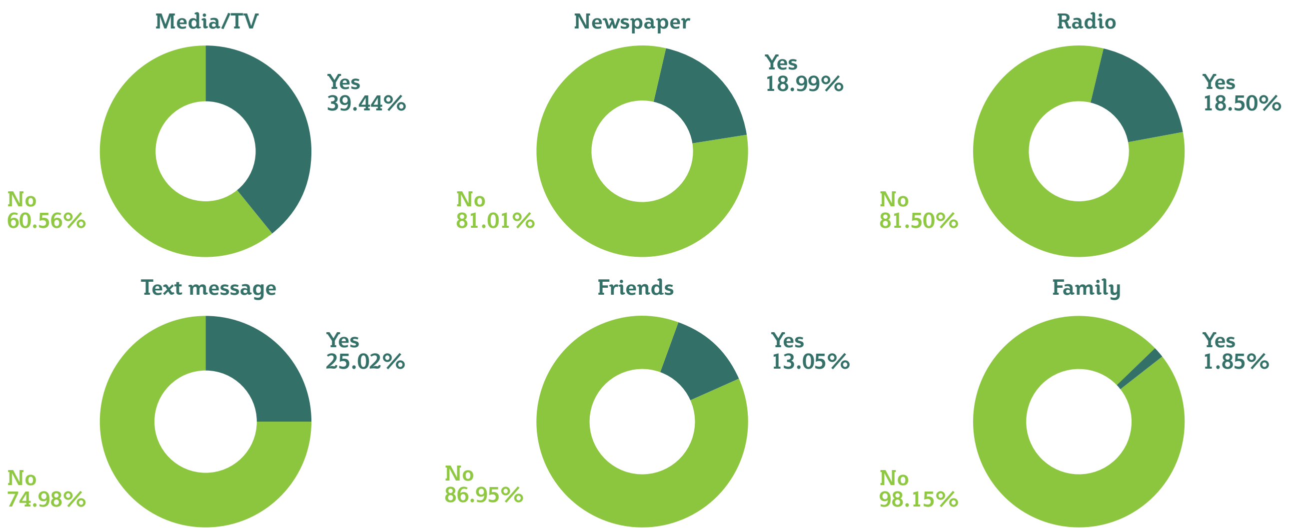
The interest in M-Akiba by the employed was emphasised by the agents used in mobilising registration. They noted that although M-Akiba was a mass market product, it was likely to appeal more to the employed who tended to have cash deposits in banks and regular income.

The agents tried to focus on the employed people who they noticed were constantly moving their cash around for quicker and higher returns than those offered by M-Akiba. The perceived target for M-Akiba from the agents' perspective was:

- Those with at least Ksh 100,000 to spare
- Men of between 30 to 50 years, who were more likely to understand the concept of a bond
- The employed who leave money sitting in the bank, rather than business people whose cash is in a constant cycle
- Those with a savings culture, prepared to be patient.

The mainstream media was useful in creating awareness. Just over 39% said they heard about the product from the TV, almost 19% from the newspaper and 18% from the radio. Just over 25% mentioned that receiving text messages is how the learnt about the product. Very few people mentioned having heard about it from family and friends.

Figure 4: Where respondents heard about M-Akiba



3. Did M-Akiba reach the target market?

One of the main purposes of M-Akiba was to reach Wanjiku, or the ordinary citizen, who has never had any experience with a bond issue. The study shows that the product did indeed reach people who had no previous experience with government bonds, as shown in Figure 5.

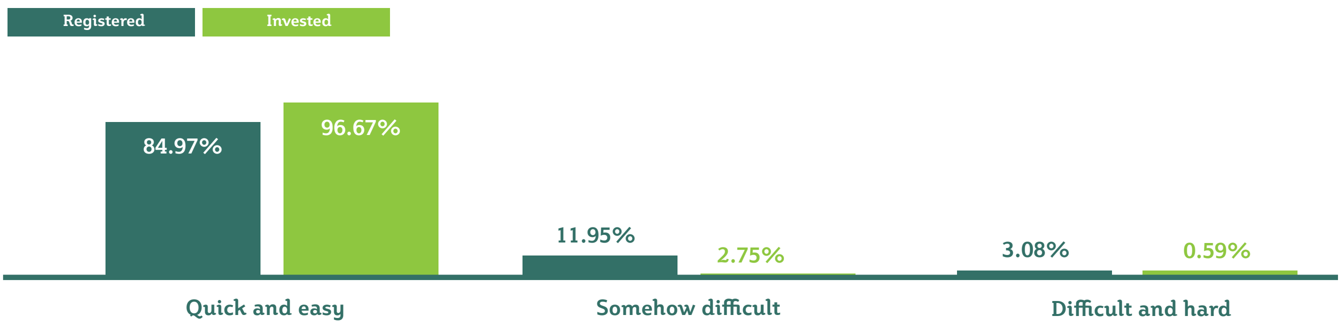
Figure 5: Those who had previous experience with government bonds

Nonetheless, 57.25% of the people who invested had experience with shares, while only 17.92% who registered but didn't invest, had experience with the stock market. This shows that familiarity with the stock market made people more able to understand and adopt the product. Nonetheless, more than 40% of those who bought the bond had never invested in either stocks or bonds (see Figure 6).

Figure 6: Those who had previous experience in the stock market

Familiarity with the mobile culture means that Kenyans are used to using the USSD short code method, especially for buying airtime and doing mobile banking. Therefore, it was not surprising that they found the registration easy. The registration process had only five steps and was pretty straight forward. Respondents loved that it was done over the phone (see Figure 7).

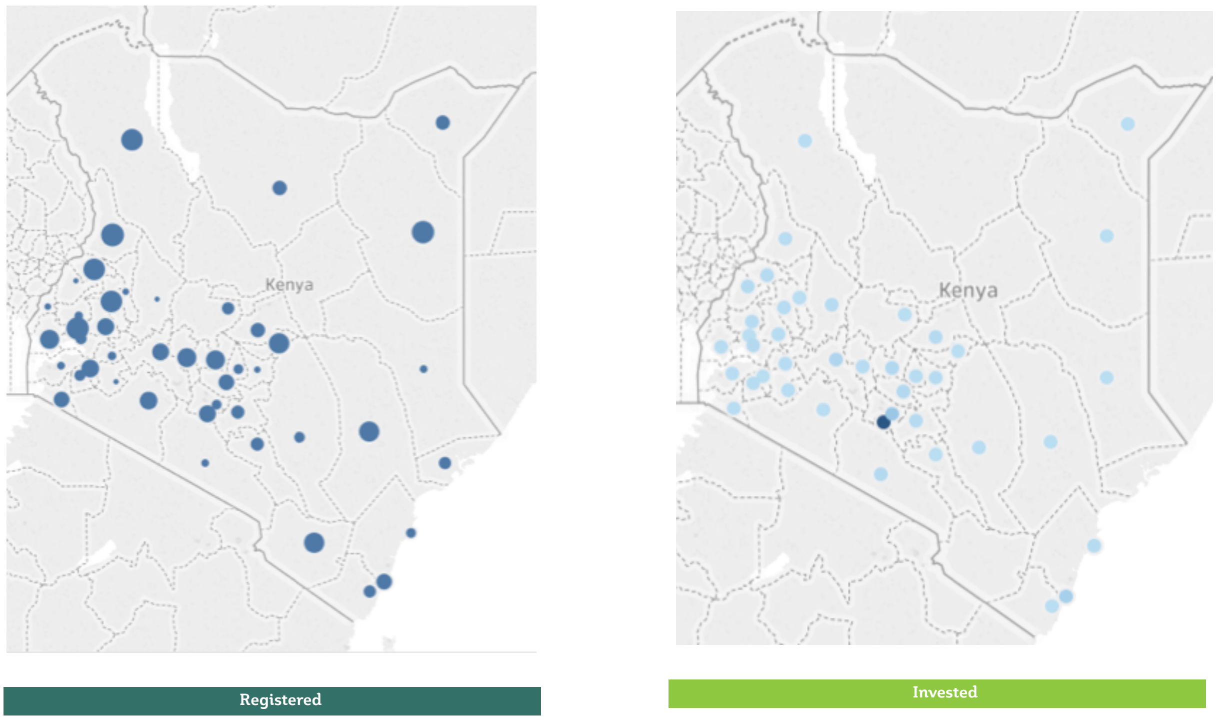
Figure 7: Experience with the registration process



The product reached across the country. Within our sample, 45 of 47 counties had people who either registered or invested (see Figure 8). We also had several respondents from Tanzania and Rwanda.

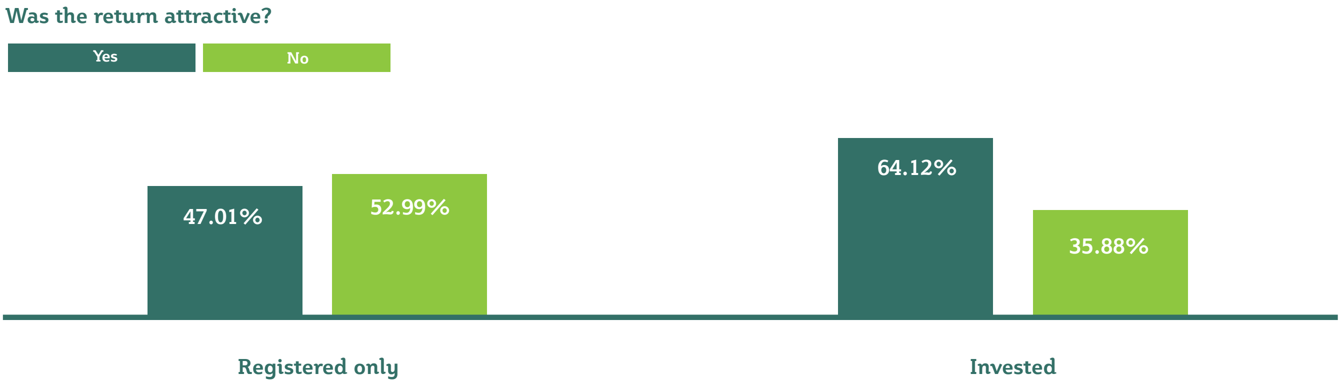
From the qualitative interviews, the geographical reach was partly attributed to the activities of agents.

Figure 8: Country wide distribution



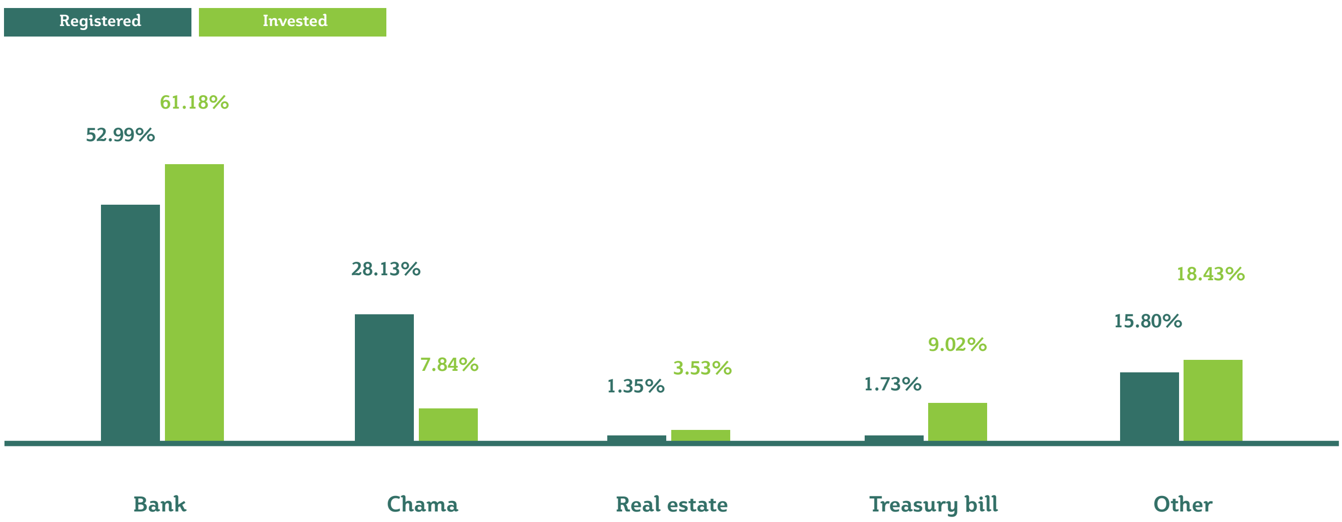
Just over 64% of those who invested found the return attractive, while 47% of those who registered but did not invest, found the return attractive as shown in Figure 9 below.

Figure 9: Evaluation of the return attractiveness



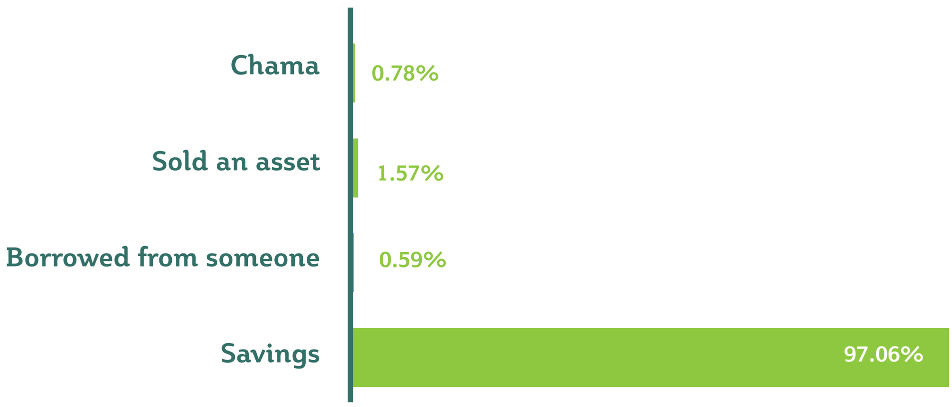
When people heard about the product, the majority of them compared the investment return to that offered by banks. Few compared it to either treasury bills or real estate. This was even lower for the people who registered but did not invest (1.73% and 1.35%). Just over 28% of those who only registered compared the investment to their *chama* (savings group). See Figure 10.

Figure 10: What other market products was it comparable to?



M-Akiba was seen as competing closely with savings. Just over 97% used their savings to buy the bond as shown in Figure 11.

Figure 11: Source of money to buy the bond



Similar sentiments were expressed in the qualitative study. M-Akiba was a saving product competing closely with bank savings and agents used this line to convince investors. The respondents targeted differentiated investments and savings as follows:

Investment = Quick return, what you invest in business or a hustle; no transaction fee
Savings = Long term, goal and time bound, regular top-ups, transaction fee a possibility

Since M-Akiba was perceived as competing closely with bank savings, chama members were seen by the marketing strategy as an ideal target market, since they typically hold cash without necessarily having an immediate need.

4. Who finally invested in M-Akiba?

Figure 12: Profile of investors

59%

Educated

Those who invested had a higher education with 59% having gone to university.

61%

Formally employed

Those who invested were more likely to be employed in the formal sector. 61% of those who bought are formally employed. Investors were more likely to be working in government, as compared to the other sectors – 19% of all buyers worked in government.

51%

Urban

People living in Nairobi and Nyeri were more likely to buy, with 51% of buyers coming from Nairobi.

71%

Regular income

Investors were more likely to be receiving income regularly. 71% of those who bought receive a regular salary on a monthly basis.

It is worth mentioning that the demographics for this first M-Akiba offering are not very different from other new financial products. New products are usually taken up by early adopters, who tend to be of a higher income, higher education and ordinarily male. However, if the product is well designed for the ultimate target market, adoption will rapidly spread to other segments (see Table 1 below).

Table 1: M-Akiba early uptake compared to other new mobile financial products

Comparison with the first 3 months of other new mobile financial products	M-PESA (from 2009 report)[2]	M-Shwari (from FSDA study)[3]	M-Akiba registrations
Total uptake at month 3	~300,000	2.9m	300,000
Average age of early customers	Early 30s	15-34 years	34
Average education of early customers	University	University/high school	University
Gender balance of early customers	More male	More male	63% male (investors) 75% male (registrations)
Access to bank account	More likely to have a bank account	More likely to have a bank account	More likely to have bank account
Poverty profile of early customers	Higher income	Higher income	Higher income
Urban/rural spread of early adopters	More urban	More urban	At least half urban
2-year subscriber base	~6m	~5m	Unknown

[2] Mas & Radcliffe, 2009
[3] FSD Africa, 2016

Enormous goodwill for the product

Respondents really liked the product. In the telephone survey, 84% of those who invested would recommend it to someone else, as would 73% of those who registered but didn't buy. Of those who would recommend it, over 80% had already done so, recommending to friends (50%) and family (30%).

If the product were offered today, 80% of those who invested said they would buy it today, as well as 72% of those who only registered. So we can see that even amongst those who did not end up buying, three quarters still feel that it is a great product and they would want to buy it if it were available today.

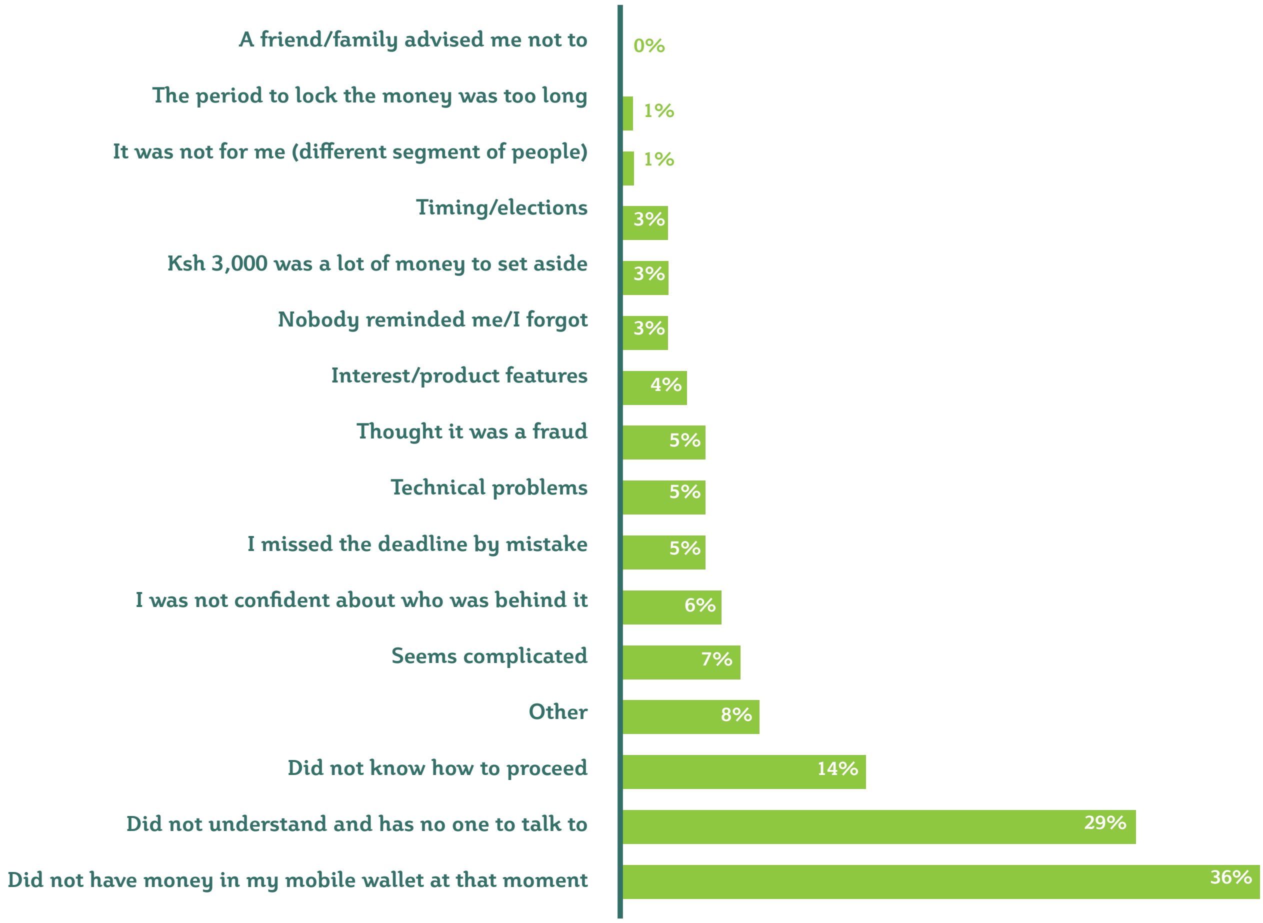
Product-market fit seemed good

- Respondents were positive about the product size of KSh 3000 although a majority felt they would invest more.
- Although the tenor was not well understood, there were few complaints or concerns about keeping money locked up for a period of a year or more.
- The interest rate was not seen as too low.
- Additional features they would like to see include build/save for the initial investment, and top-up afterwards.
- In comments to the Treasury hotline, they also mentioned they would like interest to be reinvested.

5. So why did people not invest?

The main reasons that people cited for not investing are shown below in Figure 13. While insufficient money was the most common reason, BFA felt that this did not reflect that the product was unaffordable, but rather that due to the lack of communication, people had not prepared well enough to have money available to make the investment. Also, the product did not support some typical financial behaviours such as 'saving up' by putting a small amount into the account each day or week leading up to the deadline.

Figure 13: Reasons for not investing



Other reasons related to the product itself – the size of the investment, the tenor and the return – were negligible. Issues of product understanding, technical issues, and trust concerns loomed larger.

The main reasons for not investing, identified from the telephone survey as well as from the qualitative interviews were as follows:

5.1 Poor understanding of product specifics

Those who registered but did not invest did not know the interest rate, tenor, closing date, or anything about secondary trading. The majority of the people who only registered thought that the product was for one year and were unclear about the interest rate. Eight percent of the total respondents believed they could get their money back anytime; 33% thought they could access their money in a year; and 30% thought they could access their money in three years.

Even among those who did invest, awareness was poor: 47% of those who invested did not know whom to call if they needed their money. Only 1.57% mentioned the NSE. This was also reflected in the qualitative sessions. Those that signed up as a result of prompting from an agent did not have the full details.

They knew that M-Akiba was a savings product but the terms were unclear.

Since the product was perceived as a savings product, secondary trading did not elicit much interest as the general public has come to understand locked savings products.

M-Akiba was launched during the election period.

5.2 Wrong timing for the launch

In the first place, timing of when to launch a product is very important. Delays may lead to lower return than expected on products and this was no different for M-Akiba. M-Akiba had a soft media launch in 2015; at that time there was no interest-capping law and when compared to the bank products of the time, M-Akiba offered a return of 10% interest per annum, compared to 0% return by the banks. Interest capping was introduced in late 2016, meaning that banks now had to pay an interest of 7% for deposits. In 2017, when M-Akiba was officially launched, compared to the bank the difference in interest was only 3%. The 2015 product was more preferable and might have had more investors if launched then.

Second, 2017 was an election year in Kenya. When M-Akiba was launched, it was only 135 days until the election. There was too much noise around politics for people to really take heed of the M-Akiba advertising. Similarly, people were unclear about who would constitute the next government and had worries about how the money would be used. There were concerns that it was a scheme to collect money for the election. All of these issues surrounding the election may have made people hold on to cash instead of investing.

In addition, there were different agents on the ground at the same time. This created confusion as it was unclear to the people who the agents represented, especially as they included political agents as well.

"If it's government which government will be in power? If I support (**) and I might be investing if they are in power what if the situation changed after election and we get (**)?" **Registered**

"People were asking me, the government has already asked me for my vote and I will give them then they ask me for my money?" **Agent**

One potential challenge with the above-the-line media was that messages could have been drowned by the political pre-election mood. The general public and agents felt that the M-Akiba campaign lacked strong visibility; yet for agents strong media presence should complement their activities. Strong media visibility was seen as a validation of authenticity. Despite the widespread media coverage, many people did not recall seeing media advertising.

"… like there are agents recruiting people for SACCOs how can this be different if they can't see it on TV?" **Agent**

"… you know there is also M-tiba so it can be difflcult if you don't see it anywhere." **Agent**

"When you see people only talking about a product but don't see it anywhere being advertised that is how Deci investment conned people." **Non-investor**

Nonetheless, the patriotic appeal of supporting government in building the nation while earning a return was appreciated and could be embedded in future communication messages.

Third, user experience is important for the customer. M-Akiba has a two-step process. One had to register first and wait awhile before one was able to buy the bond. This lag between registration and purchase may have led people to abandon their intention to buy.

5.3 Confusing user interface and purchase process

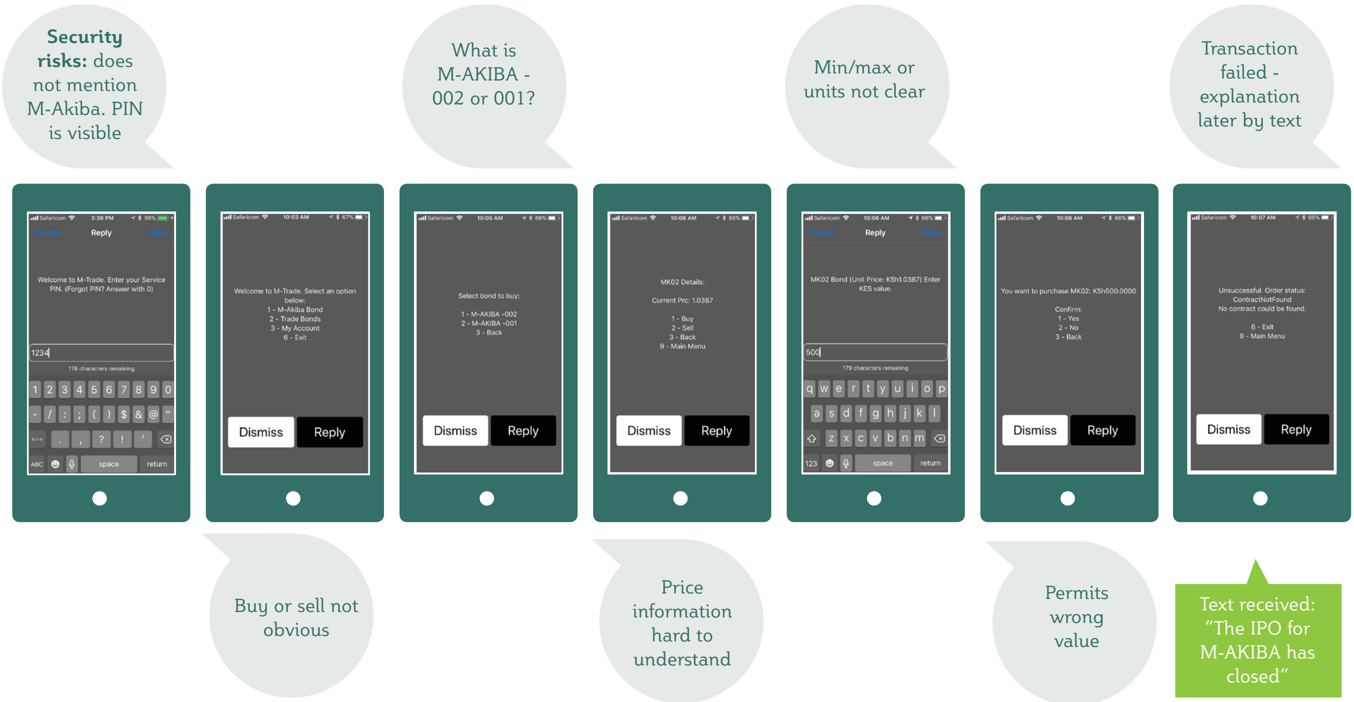
The registration process was simple and people had no trouble registering on the phone as mentioned in Figure 7 above. However, after registration many people were not sure what to do. There was no immediate follow-up or 'click to pay' option to buy the bond as soon as they had registered. People expected to receive more information about how to buy the bond, but as mentioned in the next section, most received no further messages and there were no outgoing phone calls.

The confirmation message caused some confusion and doubts, especially around the role of the broker (see Figure 14, below). The word 'broker' itself has a negative connotation in Kenyan society. There is no information on their role (if any).

Figure 14: M-Akiba confirmation messages after registration

The purchase process was also confusing (see Figure 15 below: screenshots accessed in December 2017).

Figure 15: Screenshots of purchase process, December 2017



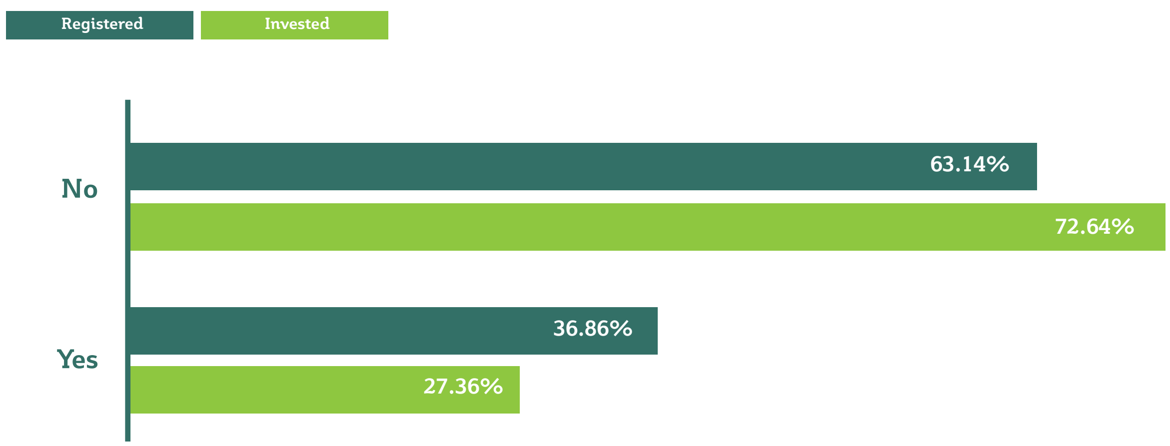
It should be noted that there has been a subsequent improvement in the information provided, (see Figure 16 below with screenshots accessed in February 2018). However, many important aspects are still hard to understand and undermine confidence.

Figure 16: Screenshots of purchase process, February 2018

5.4 Lack of prompts and reminders

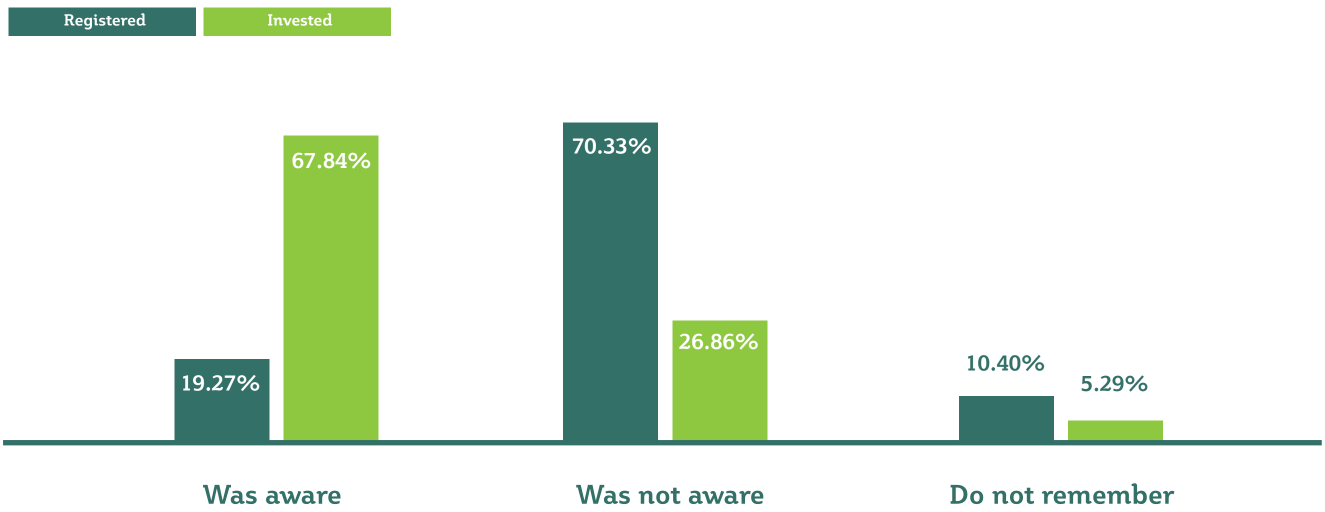
Over 60% of all respondents did not receive any message subsequent to the confirmation message, as shown in Figure 17. There was no prompt to encourage them to invest or to remind them when the investment was closing. Of the people who received a message, 90% received only 1 to 3 additional messages and 66% would have preferred additional messages, especially on how to invest and whom to contact in case of questions.

Figure 17: Who received an additional message after registration?



Seventy percent of those who registered and did not invest, did not know when the investment was closing (see Figure 18 below). A prompt might have helped some people convert and invest, as 14% of those who registered could not continue since they did not know how to proceed.

Figure 18: Awareness of close of investment



5.5 Agents did a great job in recruitment but were not there for conversion

The marketing team had deployed agents across the country to help with recruitment. The agents were based at the Huduma centres[2] and their work was mainly to mobilise for registration. They visited offices, markets, institutions and youth groups. The agents did a great job in recruitment and according to the CDSC there was a visible uptake in registrations when they were deployed. From the interviews with both agents and stakeholders, it seems that they focused on registration with little effort towards encouraging people to actually invest. Since the agents had no permanent physical location it was hard for customers to follow up in case they had further questions. In some cases, some of the people who wanted to buy went to the Huduma centre and did not find anyone who could assist them in buying the bonds.

5.6 Customer care was not at the level expected

Customer care is critical, especially for products that are new in the market. It is usually helpful to have someone who can guide you on what to do next. Twenty eight percent of those who only registered and did not invest, mentioned that they did not really understand the product and had no one to talk to ask questions. The only helpline that was offered was a landline number, which confused people, as this was a mobile product. They wondered why M-Akiba did not have a customer care line from one or all the telcos. Several respondents ended up calling the mobile network operators (MNOs) to find out more. Huduma centre staff were not able to give information and usually directed people to the agents, who most of the time had to step out to recruit more people.

"I heard it on classic FM Maina Kageni and what I understood is you start with 3000 and keep topping up. I wanted to keep putting in 3000 every week. After the first time I tried to deposit 3000 it was difficult, I went to Huduma they did not know. They pointed at brochures, I went to CBK then they sent me to the Treasury where I was told what to do. The lady said she will call me, she never did. The second top-up was difficult." **Investor**

After the product launched, there were fraudulent messages circulating purporting to be from M-Akiba, offering loans and soliciting deposits. M-Akiba did not have an easily available customer service helpline to verify or refute these messages.

5.7 M-Akiba was not perceived as the ideal channel for a KSh 3,000 investment

During the qualitative survey we probed whether the KSh 3,000 was seen as an investment or a savings option.

[2] Huduma Kenya is a 'one stop shop' programme created by the Government of Kenya providing citizens access to various public services and information through centres called Huduma Centres.

Based on the feedback, with KSh 3,000 the respondents needed an option that:

- Yields quick returns – "I would rather put on sportspesa single game with known odds, put in BitClub Advantage (short term Cryptocurrency trading), shoe retail business."
- Builds social/credit capital – "I would put in my chama at least I can get a loan."
- Is accessible for emergency, like M-PESA and M-Shwari.

Nonetheless, we should not jump to the conclusion that the minimum investment amount was too low:

- 36% of people who invested said they invested KSh 3000, and 78% said they invested less than KSh 6000.
- During the qualitative interviews, many respondents mentioned that they would like to be able to top up the initial investment on a weekly or monthly basis, similar to the way they contribute to their chama. This would also be an attractive feature for chamas.
- 26% of those who actually bought (and 38% of those who didn't buy), did so not because they wanted a return as such, but because the product was new and exciting. Catching this market means having a low barrier to entry.

Image: Kristina Just, 2018

6. Conclusion

There was enough awareness about the product through both the mainstream media and the agents. We found that there was good understanding about the general product, but the specific details were unknown. The registration was fairly simple and people liked that they were helping the government and building the nation. Even though there was a generally good understanding of the product, there was poor specific knowledge about it. The biggest challenge was that people did not know how to buy the investment. There was also no knowledge of the secondary market trading. From the study, it can be seen that the opportunity to convert the goodwill to sale was not realised and this may be due to a series of incremental missteps that in the end led to poor conversion.

Several missteps led to poor conversion

Government?

Many who did not buy the bond said they were unclear who the government was and who the bond was supporting. Political allegiance made people hesitate in making the decision to invest.

PIN

Respondents mentioned that having a non-secret PIN made them hesitant to invest. It reduced the trust in the system.

Broker

When one registered, they were given a name of the broker. The word broker can be misunderstood, implying a 'middleman' who may not necessarily be licensed. This also created mistrust in the product.

Click to pay

There was no option for 'click to pay'. Rather, people had to make an additional seven steps to buy the bond.

Build up

There was no facility for someone to deposit money until it reached the minimum KSh 3,000 that they had to pay.

How to buy

Respondents mentioned that one of the key issues to no investment was the lack of knowledge on how to buy.

Customer service

Having no one to answer questions made respondents decide not to invest. The only available customer care line was an offlce land line, even though everything was meant to be done on mobile phone.

Individual message

There were no additional messages to push the people who registered into investing.

Top up

Once a person invested, there was no encouragement to invest more.

Deadline pressure

The advertisement and message did not capitalise on deadline pressure, which is a major sales tool. A lot of the respondents who only registered did not know when the investment was closing.

Reasons for missteps

During our meetings with stakeholders, several reasons were given for some of the important missteps that took place:

- **Timing:** Although the team was well aware of the election pressure and timing, the preparation to deliver the product took two years. It was decided to go ahead regardless of the elections, especially after the successful pilot.
- **Marketing under-spend:** While media advertising was widespread and successful, it had been expected to be even greater. However, the total funds available to deliver on the marketing plan proved less than expected.
- **Lack of pro-active messaging:** Stakeholder complexity and stakeholder competition may have caused some of the pro-active messaging not to be sent (especially outgoing SMS messages).
- **Process complexity:** Capital markets regulation, added to stakeholder complexity, created some of the obstacles in the customer interface, such as the introduction of the broker into the process. This occurred despite the team understanding the need for extreme simplicity, given the fact that most people were first-time participants in the bond market.

7. Recommendations

There are several recommendations highlighted, including improving the customer journey, product recommendations and taking advantage of the fact that there are more than 300,000 registered customers with high goodwill for the product. We believe it is possible to convert a further 20-30% of them into purchasing the bond, although the sooner the better, while the concept is still fresh in their mind.

1. Customer journey

Based on the customer feedback, the main recommendations on improving the customer journey are summarised in Figure 19 below:

Figure 19: Customer journey

Awareness and advertising	Registration	Conversion	Secondary trading	Customer service
• Emphasise building the nation • Clear and simple product messaging • Explain return as Ksh 300 not 10%	• Worked well • Remove 'broker' from customer visibility	• No waiting after registration • Click to pay option • Pro-active SMS and voice • Use deadline pressure to drive conversions	• Show customer simple BUY-SELL interface • Open 24 hours	• Better information at Huduma centres • 24 hour customer support (chat bots?)

2. Messaging and user interface

As described above, the user interface for registration was simple and customers appreciated it. However, following registration, both messaging and the trading interface undermined trust, provided confusing information, and missing an opportunity to drive conversions.

The recommendations would be:

a. Redesign customer messaging with an emphasis on building trust and driving conversions:

- Following registration, send messages to customers about the buying process
- If possible messages should include a way for customers to immediately buy
- Reinforce patriotic messages and restate product features in simple terms
- Consider using chatbots to provide immediate 24-hour responses to simple queries
- Strongly emphasise deadline pressure, similar to sales promotions in other industries
- Following investment:
    - Explain about secondary trading. Do not use the term 'secondary trading' but focus on simple buy-sell language
    - Remind about interest amounts and dates.

b. Re-design the user interface so that it is extremely simple and guides the user through the purchase process in a reassuring way

- Welcome message should include the word 'M-Akiba' to reassure customers they are at the right location. With fraudsters trying to phish for M-Akiba customers, this is important.

- PIN should be hidden
- Remove options on the type of product – MK01, MK02 – as the terms are similar for both products and it was confusing to the customer
- All other menus should be explained in clear, simple language without jargon ('coupon') and abbreviations ('GoK').

Overall, the user interface should hide the back end from the customer. Unless they have to interact with them, the customer does not need to know about the broker.

How to redeem to the bond should be simple within the M-Akiba interface.

3. Product recommendations

M-PESA feedback from customers indicates that they are interested in some features that were not available in this first M-Akiba offering:

- **Build-up:** Customers would like to be able to build up to the Ksh 3,000 minimum investment by putting small amounts of money into their account.
- **Top-up:** After purchase, customers would like to be able to top up their investment in a regular way and potentially for smaller amounts than the Ksh 3,000 bond unit.
- **Reinvest interest:** Interest is currently paid out to the customer's mobile money or bank account. However, customers would like to be able to reinvest the interest.
- **Chama product:** Investors would like to act jointly as a chama, using a joint account. Stakeholder interviews revealed that this has been considered and is for release further down the product development path.

Customers who reached out to the M-Akiba customer care offlce also had recommendations, including: providing email statements, allowing for standing orders (similar to top-up), and ensuring market liquidity. A full list can be found in Annex D.

Another recommendation would be to consider further simplifying the bond, so that (for example) there is less the customer has to learn. For example, could all bonds issued in 2018 carry the same price, as well as interest payment amounts and dates, regardless of the date of issue? That would make it easier for the customer to understand exactly what they are buying.

Furthermore, do away with the secondary market trading of the bond, which removes the mark-to-market aspect that further complicates the process. A more straightforward method should be adopted; for example, the investor should only get back their principle if they sell before interest payment date, and any accumulated coupon for the period the bond was held should be paid to the liquidity provider as part of the compensation. This will eliminate the complexity of secondary market trading and the involvement of brokers who may not be liquidity providers, and may consequently reduce inherent market trading costs.

4. Testing conversion approaches using experiments

With a database of over 300,000 registered non-investors, it is possible to test different approaches to driving conversations. This low-cost A/B testing approach is heavily used by the online and mobile industries to learn which advertising works best in converting customers.

For example, one set of messages could go to 10,000 randomly-selected registered non-investors, while another set goes to 10,000 others. The most effective messages could then be refined against another 10,000 test customers. Only after several rounds of testing would the absolutely most effective messages be sent to the remaining hundreds of thousands of registered customers.

Annex A • Methodology

The quantitative research relied on computer assisted telephonic interviewing (CATI). Using CATI was dictated by not knowing the location of the respondents, which would have made face-to-face interviews prohibitively expensive and time consuming. Since the product offer was through mobile phones, we were still reaching the populations of interest.

Questionnaire

The full questionnaire was structured to include sections on demographics, awareness, registration, investments and experience.

Sample

We intended to collect data from 1,000 full-length interviews with approximately 500 respondents in each category (registered only, and registered and invested). The CDSC supplied the full list of phone numbers of those who invested, as well as which bond they bought (MK01 or MK02). Based on the list and using Excel, we selected 1,500 random numbers in each category: registered only, and invested. Based on previous experience, there is usually a 20-30% response rate, hence the randomisation of more numbers than those questioned.

The total number of interviews exceeded 1,000. The table below shows the response rate for each category and reasons why other numbers were not reached.

Call status N=2165	Pilot (MK01)				Main launch (MK02)			
	Invested	%	Only registered	%	Invested	%	Only registered	%
Accepted	297	13.7	186	8.6	213	9.8	333	15.4
Call later	85	3.9	31	1.4	60	2.8	51	2.4
Declined	41	1.9	27	1.2	29	1.3	54	2.5
Died	0	0.0	0	0.0	1	0.0	0	0.0
Has never registered with M-Akiba	1	0.0	19	0.9	0	0.0	50	2.3
Incomplete	6	0.3	12	0.6	2	0.1	16	0.7
Line busy	0	0.0	1	0.0	0	0.0	1	0.0
No longer in service	0	0.0	2	0.1	0	0.0	4	0.2
Not answering	57	2.6	26	1.2	41	1.9	63	2.9
Out of the country	0	0.0	0	0.0	1	0.0	0	0.0
Phone off	54	2.5	164	7.6	25	1.2	212	9.8

Annex B • More results

What is your relationship to the head of household?		
	% of Registered users	% of Invested users
Head of household	66.09	72.35
Husband/ wife	18.11	19.8
Son or daughter	13.29	6.47
Parent	1.73	0.39
Other	0.39	0.78
Brother or sister	0.39	0.2
	100	100

Marital status		
	% of Registered users	% of Invested users
Married or living together	68.0%	73.7%
Divorced/separated	1.5%	2.4%
Widowed	0.8%	1.2%
Never married/living together	29.7%	22.7%

In which sector is your main source of income?		
	% of Registered users	% of Invested users
Agriculture	20.0%	7.3%
Mining and quarrying	0.0%	0.4%
Manufacturing	6.0%	3.1%
Water supply, sewage	1.3%	0.6%
Construction	9.4%	3.7%
Wholesale and retail	19.3%	14.1%
Transport and storage	7.1%	3.1%
Accommodation and food services	6.2%	1.8%
Information and communication	1.2%	5.3%
Financial and insurance	3.3%	9.4%
Real estate	0.4%	1.2%
Education	5.2%	7.6%
Government	5.2%	19.0%
Professional, scientific and technology	9.8%	16.1%
NGOs	2.1%	5.1%
Arts, entertainment	3.5%	2.2%

Frequency of income		
	% of Registered users	% of Invested users
Daily	30.1%	13.3%
Weekly	21.0%	11.4%
Monthly	44.5%	72.0%
Once every few months	4.4%	3.3%

Did you have any help in the registration process?		
	% of Registered users	% of Invested users
Yes	8.67	8.04
No	91.33	91.96

Have you ever had or do you now have a fixed deposit account in a bank or savings policy with an insurance company?		
	% of Registered users	% of Invested users
Yes	36.42	56.08
No	63.58	43.92

Are you a member of a chama?		
	% of Registered users	% and Invested users
Yes	43.35	41.57
No	56.65	58.43

Who did you think the money was going to?		
	% of Registered users	% Invested users
Government (CBK, Treasury)	49.9	93.14
Political party (Jubilee, NASA)	0.39	0.59
Company (Safaricom, Airtel)	19.85	3.14
Other	29.87	3.14

How were you planning to pay?		
	% of Registered users	% of Invested users
M-PESA	90.75	95.88
Airtel money	5.59	2.75
Pesalink	0.39	0.59
Other (specify)	3.28	0.78

How much were you planning to invest?		
	% of Registered users	% of Invested users
3000	48.36	36.67
6000-50,000	43.74	42.16
over 50,000	7.9	21.18

Was the return attractive?		
	% of Registered users	% of Invested users
Yes	47.01	64.12
No	52.99	35.88

Where else could you have kept the 3,000?		
	% of Registered users	% of Registered and invested users
Chama	22	10
Betting	1	0
Bank account	27	39
Insurance savings product	0	4
Stockmarket	3	17
M-PESA	15	5
M-Shwari	18	7
Other	14	19

If the bond was offered now would you buy?		
	% of Registered users	% of Invested users
Yes	72.45	80.59
No	27.55	19.41

Did you expect physical evidence of your investment?		
	% of Registered users	% of Invested users
Yes	49.52	47.06
No	50.48	52.94

Who should be behind such initiative?		
	% of Registered users	% of Invested users
Government-Treasury	70.13	87.25
Mobile network operators	18.5	3.92
Banks	10.02	6.47
Nairobi Securities Exchange	1.35	2.35

Annex C • References

FSD Africa. (2016). The Growth of M-Shwari in Kenya – A Market Development Story, (November). Retrieved from http://www.fsdafrica.org/wp-content/uploads/2016/11/M-Shwari_Briefing-final_digital.pdf-9.pdf

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Annex D • Customer care report

M-AKIBA CUSTOMER CARE

The following is a list of Concerns raised by M-Akiba bond investors in their trading experiences and a set of recommendations from the customer support team:

1. Delayed reversal of money upon failed purchase of the bond.
2. Delayed refund of money upon sale.
3. Conmen using availability of M-Akiba loans to cheat people out of their money.
4. Difference between the IPO and secondary market – most people are not aware that they can buy and sell the bond in the secondary market and how.
5. Issues with M-Pesa registration affecting M-Akiba registration.
6. Slow response in getting confirmation messages upon registration – this has improved.
7. Sometimes there were issues of 'No listed bonds available' yet the market was open e.g. on Wed, 31^{st} Jan 2017 at around 1pm.
8. Sometimes the M-Akiba statement does not reflect the number of units one has. It could either show nil or if the client bought in the secondary market, it does not reflect those purchases.
9. Ability to change phone numbers without having to go to CDSC.
10. Allocation of bond units - especially for the customer who bought through Pesalink. The bonds are not always allocated immediately. This is in the IPO.

Recommendations

1. Customer should have the option of rolling-over the interest.
2. Request to receive one's statement e.g. via email.
3. Have money automatically deducted from one's salary i.e. standing order.
4. Request for next of kin details to ensure upon death or any other disability, the money goes to someone.
5. A specified extra amount of bond units should be added in addition to the amount purchased during the IPO to allow those who want to buy to do so. The only way one is able to buy currently is if initial bond holders sold their bonds. This would remove the issue of 'not enough bond units available at the moment'.

Compiled by the Call Centre Team

About FSD Africa

FSD Africa is a non-profit company which aims to increase prosperity, create jobs and reduce poverty by bringing about a transformation in financial markets in sub-Saharan Africa (SSA) and in the economies, they serve. It provides know-how and capital to champions of change whose ideas, influence and actions will make finance more useful to African businesses and households. It is funded by UK aid from the UK Government.

FSD Africa also provides technical and operational support to a family of ten financial market development agencies or 'FSDs' across sub-Saharan Africa called the FSD Network.

About the FSD Network

The FSD Network is an alliance of organisations or 'FSDs' that reduce poverty through financial sector development in sub-Saharan Africa.

Today, the FSD Network:

- Comprises two regional FSDs in South Africa (est. 2002) and Kenya (est. 2013) and eight national FSDs in Kenya (est. 2005), Ethiopia (est. 2013), Mozambique (est. 2014), Nigeria (est. 2007), Rwanda (est. 2010), Tanzania (est. 2005), Uganda (est. 2014) and Zambia (est. 2013)
- Is a leading proponent of the 'making markets work for the poor' approach
- Specialises in a number of themes from agriculture finance and savings groups to payments, SME finance and capital market development
- Represents a collective investment of $450+ million by DFID; Bill & Melinda Gates Foundation; SIDA; DANIDA; Foreign Affairs, KfW Development Bank; the MasterCard Foundation; RNE (Netherlands); Trade and Development Canada; and the World Bank
- Spends $55+ million per year, predominantly through grant instruments
- Employs over 130 full time members of staff and a uses wide range of consultants

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