

Mental models for tech entrepreneurs coming to Africa

By  Alan Knott-Craig

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According to Charlie Munger, Warren Buffet's partner at Berkshire Hathaway, you understand the latticework, or mental model, for the industry/country you're entering, before you enter it.



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Here are some examples of mental models specific to tech in sub-Saharan Africa (SSA):

1. No credit cards

South Africa has the highest penetration of credit cards in sub-Saharan Africa, approximately five million for a population of 55 million.

That's less than 10% penetration.

In other words, there are virtually no credit cards in SSA, which means online companies cannot bill consumers via their credit card.

What is the alternative?

Debit cards.



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Companies like Oltio.com let you take money from debit cards without the cardholder being present. But even debit cards have limited penetration in SA, and virtually no presence in the rest of SSA. The only current means of getting cash from consumers in SSA is via the mobile operators' premium-rated billing services. This can be expensive, varying between 25% and 60% revenues withheld by operators. A looming alternative is crypto.

There are reports of Bitcoin being used as tender in DRC. Crypto as a currency only works as long as its predominantly used as a *currency*, not a store of value.

2. Airtime is expensive

Most Africans access the internet via their mobile phones using 3G/4G via prepaid airtime.

Prepaid airtime is very expensive. South Africa ranks near the top of "most expensive" ranking, usually alongside Zimbabwe and Botswana. At average prepaid data rates, one gig of data will cost you R1,000, or \$90. In a region where the average family earns less than \$350 per month, \$90 is clearly too expensive for most people to use the internet in the same way as the average American.

To be successful, African tech companies need to minimise the size of their web-pages and apps, in order to minimise data throughput. Also, background streaming is a strict no-no. "Disappearing airtime" is a great fear of the average African consumer, and if your product is deemed to secretly be stealing airtime, no one will use it.

3. Privacy is not a big deal

In many Western countries, privacy is a high-profile issue. Not so in SSA.

In fact, in most communities, people want the opposite of privacy. Folks want fame!



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People living in marginalised communities are yearning for attention, which is why services like Mxit's JudgeMe were wildly popular and included a large % of nude photos and the occasional criminal act.

"Look at me!"

Africans want to be heard. Privacy is not a big deal.

4. Anonymity vs pseudonymity

People don't want anonymity, see the previous section.

But people do want pseudonymity. People want the freedom to choose their own identity.

Pseudonymity doesn't mean choosing a different identity every day. It means choosing one different identity and then building a personality and online presence around that identity over many years.

Pseudonymity allows people that feel trapped in their religion, or race, or suburb, to be whoever they want to be, dropping all the "baggage" that comes from their background.

Mxit catered to this and benefited by garnering millions of users, many of whom ultimately fell in love with one another in the virtual world, eventually meeting in the real world and getting married.

ABOUT ALAN KNOTT-CRAIG

Alan Knott-Craig is a South African entrepreneur and author. He is the founder of Project Isizwe as well as executive chairman of Hero Telecoms, Ever Africa, and Happim NPC.

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