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Uber Africa: Making Cash and Alternative Payments Work in Kenya through Contextual Leadership

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On September 30, 2017, Alon Lits, general manager of Uber Technologies Inc. (Uber) for sub-Saharan Africa, used his Uber application (app) to arrange a pickup from the airport to Uber’s offices in Nairobi, Kenya. The Uber app indicated that a vehicle was two minutes away. As Lits watched the virtual car on the screen of his smart phone, the driver-partner pulled up in front of him. He felt tangible excitement about the interface between the real world and virtual reality. Lits was grateful that the driver-partner’s air-conditioned car offered relief from the scorching heat and sticky humidity, allowing him to work while the driver skilfully manoeuvred through highly congested traffic. When he arrived at Uber’s offices, Lits paid the driver-partner in cash and appreciated the new feature—initiated in Kenya—which made cash payments available to riders.

Lits was considering how he could continue to improve Uber’s business model on the African continent. While the cash payment option offered new business model opportunities in Africa and other emerging markets (see Exhibit 1), Lits realized that it also presented challenges; for example, driver-partners had fears about safety when they were transporting both potentially large amounts of cash and passengers at the same time, and these fears had to be managed. The majority of Kenyans did not have credit cards and mistrusted e‑commerce, so without a non–credit card payment option, a large part of the population would be excluded from using Uber. However, since the safety of its riders and driver-partners was important to Uber, Lits realized that this was a priority. He considered how to utilize the company’s access to large amounts of data on rider behaviour and driver patterns and routes in resolving this issue.

Lits was meeting with Uber’s general manager of East Africa, Loic Amado, who had studied finance at Stellenbosch University in South Africa. Amado did not own a car and had not driven in three years; he relied entirely on the Uber app to get around the city. Amado believed there were huge growth opportunities for Uber in East Africa.

Nairobi was the second most congested city in the world, after Calcutta, and people in the city sat in traffic for 40 days a year on average. Because the sharing-economy[[1]](#footnote-1) principle of sharing vehicles would decrease the number of cars on the road, Uber offered highly congested cities a solution that came with a lower carbon footprint and reduced pollution. Uber’s technology promised to help solve other safety issues; for example, Uber’s communication manager for sub-Saharan Africa, Samantha Fuller, noted that the feature that simultaneously displayed vehicle and driver details on users’ mobile phones contributed to the safety of both riders and driver-partners. Uber’s founder, Travis Kalanick,[[2]](#footnote-2) had also stressed the importance of the company’s technological solutions in safeguarding its stakeholders.

**BACKGROUND**

Lits liked solving problems, so he studied actuarial science and mathematical statistics, which taught him sound principles for problem-solving. Because Lits felt that a very technical degree lacked real-world relevance, he completed an honours degree in advanced mathematics and finance. While completing a graduate internship program at Investec, South Africa, Lits enjoyed learning about capital markets and identifying the corporations with viable business models that would enable them to pay back bank loans. He qualified as an associate actuary and gained extensive experience in various industries, learning about managing different stakeholders. He was keen to gain international exposure and was accepted into a master of business administration (MBA) program at the INSEAD Asia Campus in Singapore. Lits wanted to become an entrepreneur and have more hands-on experiences than consulting allowed for. His goal was to get involved in an early-stage company and help shape and grow the brand and business.

In June 2013, Lits was contacted via LinkedIn by an Uber recruiter who was looking for MBA graduates with banking or consulting backgrounds. He became Uber’s first employee on the African continent. At the time, Uber was not well known, operating in only 12 countries and employing 300 staff members globally. (As of 2017, it employed over 16,000 people and operated in over 74 countries.)

Uber was founded in 2009 in San Francisco and expanded to France, the United Kingdom, Australia, Germany, Sweden, and the Netherlands. Lits, who joined Uber in August 2013, was thus recruited relatively early during Uber’s expansion. He was interviewed by the former chief executive officer, Travis Kalanick, and the chief operating officer, Brian Graves, who was to be Lits’ first manager. His interview took place the day before Uber introduced test cars into Johannesburg, South Africa, and he received an offer the next day.

The service, initially called Black Car, was an expensive premium service similar to a limousine hire service. Uber had strong investors, including Goldman Sachs, behind the business. In January 2015, Uber launched its service in Nairobi, Kenya. Lits became personally involved in that business in May 2015, when he began to manage the Kenyan and Nigerian businesses as well as the business in South Africa.

Amado had started at Uber in 2014, working as an international launcher in charge of setting up Uber in new countries. Amado launched Uber in Germany, Croatia, Greece, Morocco, Egypt, and Pakistan, and was then in charge of expanding across sub-Saharan Africa. The company launched in Uganda, Tanzania, and Ghana. Amado was then offered a position managing the Uber business in East Africa. Amado observed that the price of the service was affordable in Nairobi and that people were beginning to think twice about using their own cars, since Uber was a reliable and affordable way to get from one place to another without driving their own cars into the city, paying for parking or fines, or sitting in traffic.

There were 13 Uber employees working in the Nairobi office, focusing on policies, communications, and legal compliance for East Africa. They were joined by the local marketing team for Kenya and the operations team. There were 30 Uber experts providing support in the driver centre. Uber employed two full-time employees in Uganda and two in Tanzania and had 15 Uber experts in both countries. This was fairly lean, considering the size of the East African business; the teams were centralized to be as efficient as possible while still ensuring that the company had local knowledge and resources on the ground.

**INNOVATION BORN OUT OF NECESSITY**

Until it launched in Kenya, Uber had been credit card–based. Uber started considering other payment options because of the keen response to Uber in Nairobi. Kenyans thought it was a great product and enjoyed it immensely, but very low rates of credit card usage, discomfort with online credit card transactions, and a general distrust of e‑commerce in the country created a challenge. While Kenyan passengers who used Uber required cash or other options at the end of the trip, paying with cash was simply not done in the Uber context. The magic of Uber was based on passengers’ ability to request a car to their destination and get out of the car without needing to exchange cash. Cash was a foreign notion that interfered with the concept of a “magical” cashless, on-demand service, which was one of Uber’s unique selling points at that time. The innovation of a cash or alternate payment option was driven by necessity because of the African context.

INFLUENCING UBER GLOBAL TO ACCEPT a NEW BUSINESS MODEL

Lits and his executive team had to promote the idea of cash and alternate payment options to the global executive team—all the way up to Kalanick—to really unlock the growth and potential in African cities. A non–credit card option would complicate the product flow, as the business model at the time involved Uber collecting fares on behalf of drivers, deducting its service fees, and then paying the balance to the driver-partners. There were therefore a number of operational factors to consider. It took time and persistence, but the Africa team ultimately convinced the organization and received the go-ahead for a pilot project to test the cash or alternative payment option in the field. The pilots took place in Nairobi and in Hyderabad, India.

Reflecting on the methods employed to convince the global organization to run the pilots, Lits said he used available public data, which showed very low credit card adoption and usage in Kenya— specifically in Nairobi. The team also received a lot of anecdotal feedback from riders saying they would love to use Uber but did not have credit cards and wanted a cash alternative payment option. Uber learned the importance of listening to customers and delivering what they required.

**UBER AS A YOUNG TECH COMPANY OPEN TO INNOVATION**

Lits realized that the company had to adapt its product to local needs rather than introduce a one-size-fits-all approach to doing business in all countries. Uber welcomed experimentation and testing, and this characteristic worked in favour of the adoption of the cash and alternative payment option. As a relatively young, technology-driven company, Uber could use technology to measure things; it could run very structured experiments to assign growth rates to the appropriate factors and guard against incorrectly perceiving certain aspects as game changers—as there were typically many factors that could contribute to growth. Lits ran structured experiments with experimental and control groups and discovered that passengers who were able to use cash were converting and taking trips more often than those without access to this option. The data enabled the team to make an informed decision around whether offering cash and other payment options was indeed a real solution. During the two-month pilot, business tripled. Uber learned valuable lessons about the drivers’ interactions with the app and the payment flow for riders. Following the pilot, it was crystal clear that Uber should launch cash and other payment options. The majority of new riders from that point onward signed up to take rides with cash rather than with a card. Rider behaviour indicated that some passengers would first take a cash trip, to gain trust in the system, and would later convert to the credit card option. However, the vast majority of riders did in fact opt for cash because they preferred it or did not have access to credit cards.

**M-PESA PAYMENTS AT THE END OF A TRIP**

Nairobi was the first market globally where the company piloted a non–credit card payment option. After the cash option was introduced, the number of riders increased. Amado went to the founder and said, “Look, look at the numbers; we just went through the roof!” After the cash payment option was launched, Uber’s business in Kenya grew massively. This created a sufficient business case for rolling out cash payment options all over the world.

More than 50 per cent of non–credit card payments were made by riders who paid through Vodafone Group’s mobile money service, M-Pesa.[[3]](#footnote-3) The global brand M-Pesa, which incorporated the Swahili word *pesa* (“money”) into its name, was started in Kenya in 2007 by Safaricom, a unit of Vodafone Group’s subsidiary Vodacom Group Limited unit.[[4]](#footnote-4) Riders who used M-Pesa could pay drivers through this mobile money service at the end of their trips without needing to make transactions with hard cash. M-Pesa payments were counted as cash payments because they were not integrated in the Uber app. M-Pesa payments represented a massive opportunity in Kenya because nearly half of the country’s gross domestic product went through M-Pesa.[[5]](#footnote-5)

In India, the Uber app had integrated with Paytm, a mobile wallet company. There, riders could choose to pay via credit card, cash, or Paytm, and they could track exactly how many transactions were made through their Paytm wallets. Similarly, in Brazil and other Latin American countries, there were requests to integrate wallets. If Uber Africa made a case to business engineers to integrate M-Pesa, in the future, people would have the ability to pay with M-Pesa directly through the app.

EXPANDING CASH PAYMENTS TO OTHER COUNTRIES

Given the success that Uber had experienced with the cash payment option in Kenya, the company was looking to roll out a cash payment option in Nigeria in early 2016. During this period, Nigerian banks had started to implement foreign exchange restrictions on many of their credit cards, and this presented challenges with credit card transactions for many online merchants, including Uber. The cash payment option was actually an unintentional saviour for the business; while it was just a test, having a localized solution was critical to the business at that time.

Uber then launched a cash payment option in South Africa in June 2016. The cash payment option became a key to the company’s growth in South Africa. A pilot in India at around the same time also indicated very strong results. Cash became an important payment method for Uber globally. Cash options were made available in every country in which the company was operating on the African continent, including Egypt and Saudi Arabia, as well as most parts of Latin America. The solution was relevant not just in emerging markets but also in other places where it gave riders options. While many people paid with credit cards, university students, for example, did not always have credit cards. Having the cash payment option reduced barriers and made the service more accessible to a larger market.

CHANGING THE BUSINESS MODEL FOR LOCALIzED SOLUTIONS

The change was extensive, since Uber’s branding was based on a cashless approach, where riders would use their credit cards. With the implementation of a cash system, Uber changed its value proposition to its customers.

Lits believed that the company had to question everything it had believed was core to its payment strategy. Uber realized that if it had not changed, its business in Africa, India, and Latin America would be only a fraction of the size of its current business in those regions; the company would have been limited by maintaining the principle that the business was a “magic” service all about cards—a principle it came to adapt over time. However, integration of non–credit card payment options took time, especially as a scalable, localized solution. While requiring everyone in the company to buy into the idea meant that it had not been an easy decision, it was very important that the company had decided to accept cash payments.

Cash payments were ubiquitous across the African continent, so the availability of a cash option was therefore an important demonstration of localized solutions. This option in turn led to an increase in the utilization of Uber’s products in African countries (see Exhibit 2).

addressing DRIVERS’ SAFETY CONCERNS

Several questions remained regarding safety and the anonymity of riders. However, these were all concerns that the company could mitigate by using technology. Some drivers were not comfortable accepting cash trips, especially in South Africa. Uber therefore introduced a product called Cash Indicator, which let the driver see—when a trip request came through—whether it was a cash or card trip; if it was a cash trip and the driver was not comfortable accepting it, the driver could ignore the request, knowing this would not be held against them. The company also introduced a rider verification process based on feedback from drivers, who said they felt more comfortable with card riders because they had credit cards linked to their accounts. While there was mobile verification in place for cash riders (riders registered with their phone numbers and received personal identification numbers that they needed to enter into the app), this posed a problem because people who were visiting would not have numbers, and the driver-partners wanted more verification. Multiple methods, such as identity verification through TransUnion, were investigated, and the company ultimately chose Facebook verification.

Facebook verification offered checks and balances based on certain variables, including the age of the account, the number of friends the person had, whether there were pictures uploaded, and so on. While nothing could be 100 per cent foolproof, legitimate Facebook accounts offered less anonymity and made drivers feel safer because they knew that there was a person linked to each cash account.

Another safety innovation was the way Uber used data to understand whether a trip request might be risky. Variables considered included the time of day when an account was created and the area where the trip request was coming from. Using this data, certain requests might be flagged as risky, and the system would prevent risky requests from being forwarded to drivers. All these provisions were in line with the company’s global priorities of standing for safety and using technology to make Uber safe for both riders and driver-partners, while at the same time adapting to conditions and delivering local solutions.

**GOING FORWARD**

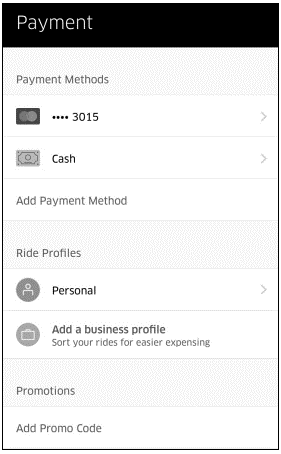
Amado noted that a product like Uber Pool, whereby riders shared rides, would have an even greater impact, as it would mean there would be even more people in fewer cars at a more affordable cost. The Uber East Africa team members were actually quite excited about these prospects. Although they had UberX, the most affordable four-seater car transportation product on the market, their intention was to one day offer UberPool and work with cities to reduce congestion. For several years already, UberPool had been live in San Francisco and London, where its impact, in terms of remarkably decreased congestion, had been demonstrated.

In Mombasa, there were more *tuk-tuks* (auto rickshaws) roaming around the streets than there were in Nairobi. Introducing tuk-tuks or *boda-bodas* (bicycles or motorbikes used as taxis) was something the company was investigating for the market in Kenya; the idea had been on its radar for some time. Uber’s aim had been to introduce the product early in the year; however, heavy rains prevented the launch. Near the end of year, during the dry season, it would be something to consider. Lits believed that offering transport via tuk-tuks and boda-bodas would be a valuable service because it would provide an affordable mode of transport and allow people to avoid traffic challenges. He thought about the number of people across the city who walked large portions of their commutes; a shared bicycle model could be interesting.

Uber’s developers could alter the app so that drivers could be informed whether customers were paying by cash or card. Lits was excited about the possibilities that this option, called cash indicator, would offer the company’s drivers. For instance, when drivers were in areas with high crime rates, they could decline rides, and this would go a long way in protecting drivers. Lits considered how else the company might use its access to data to improve safety and combat the fears of its drivers. The Uber team had been closely tracking the increase in riders between May 2015 and May 2016; just in Nairobi, these numbers showed remarkable growth.

Lits loved experiencing safaris and looked forward to catching an Uber with Amado to take a convenient half-day tour of Nairobi National Park, where they could see free-ranging wildlife against the backdrop of the Nairobi skyline. He hoped to spot black rhinos, lions, giraffes, leopards, and—his favourites—hundreds of bird species. Meanwhile, he considered the various changes Uber had made in Africa in response to local concerns and thought about how these could benefit the company as a whole.

EXHIBIT 1: screenshot showing UBER PAYMENT OPTIONS



Source: Authors’ screenshot, used with permission from Uber Africa.

**EXHIBIT 2: UBER SUB-SAHARAN AFRICA METRICS**

|  |  |  |
| --- | --- | --- |
| **Countries** | **Riders** | **Drivers** |
| South Africa | 52% | 33% |
| Kenya | 17% | 17% |
| Nigeria | 10% | 25% |
| Ghana | 14% | 17% |
| Tanzania | 4% | 5% |
| Uganda | 3% | 3% |
| Total | 100% | 100% |

Note: The percentages indicate the proportion of riders, drivers, and riders from other countries in specific countries in sub-Saharan Africa. For example, of the total riders in sub-Saharan Africa, 52% are in South Africa.

Source: Company documents, used with permission from Uber Africa.

1. The term *sharing economy* described platforms that sold or rented unused product or service capacity. See Sharon Poczter, “Move Over, Uber. Here Are the 2 Things Successful Sharing Economy Companies Are Doing Now,” *Inc.*, April 3, 2018, accessed October 27, 2018, [www.inc.com/sharon-poczter/move-over-uber-here-are-2-things-successful-sharing-economy-companies-are-doing-now.html](https://www.inc.com/sharon-poczter/move-over-uber-here-are-2-things-successful-sharing-economy-companies-are-doing-now.html); Kim Kibum, Baek Chulwoo, and Lee Jeong-Dong, “Creative Destruction of the Sharing Economy in Action: The Case of Uber,“ *Transportation Research Part A: Policy and Practice* 110 (April 2018): 118–127. [↑](#footnote-ref-1)
2. “Leadership: Executive Team,” Uber Newsroom, accessed January 18, 2019, [www.uber.com/en-ZA/newsroom/leadership/](https://www.uber.com/en-ZA/newsroom/leadership/). [↑](#footnote-ref-2)
3. The people who used the Uber app in Nairobi mainly paid through M-Pesa. [↑](#footnote-ref-3)
4. “M-Pesa FAQs,” Vodafone Group, accessed January 18, 2019, [www.vodafone.com/content/index/what/m-pesa/m-pesa-faqs.html#](https://www.vodafone.com/content/index/what/m-pesa/m-pesa-faqs.html). [↑](#footnote-ref-4)
5. “[Kenya] Mobile Money Payments Hit Sh3.7Trn in 12 Months,” Africa Data, May 3, 2018, accessed October 28, 2018, <https://africabusinesscommunities.com/africadata/kenya-mobile-money-payments-hit-sh3.7trn-in-12-months/>. [↑](#footnote-ref-5)