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SELLING OUT TO THE MAN
OLD MUTUAL BUYS 22SEVEN

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AND AFRICA

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DIGITAL DIVIDE?

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THE PITFALLS
OF BYOD

DTT DELAYS

SOUTH AFRICA'S
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SELLING OUT TO THE MAN

For all its pretensions at independence, personal money visualisation service 22seven survived on its own for only a year, before a financial services giant made it an offer it couldn't refuse. What will the Old Mutual man do with it? by Ivo Vegter

The feisty Cape Town startup 22seven, which provides visualisation tools for personal financial information it gathers from users' bank accounts and card transactions, has been snapped up only a year after its launch for an undisclosed price by corporate giant Old Mutual.

It now looks set to rapidly expand its functionality, as well as its geographic footprint, by looking at African countries and the UK, where Old Mutual has a strong retail customer base and there's little by way of heavyweight competition in the personal financial management (PFM) space.

According to Carlton Hood, director of strategic marketing at the larger financial services firm, the price is immaterial in terms of stock exchange rules.

Another detail that neither Hood nor Christo Davel, 22seven's founder and CEO, wanted to discuss, was how many paying customers it acquired since coming out of beta and starting to sell its service as a monthly subscription priced at R70. Hood described the number of customers as 'nowhere near enough for Old Mutual'.

"Did we buy 22seven for its massively inspiring customer base? No, we didn't," Hood told *Brainstorm*. "We hope we're going to bring some of that to the party. We bought it for the ability we think it has to enhance the relationship Old Mutual has with its customers, and to help us move the organisation forward digitally."

He says the company had been thinking of developing a similar sort of solution in the UK, but it wasn't simply after a product itself. "We were looking for the capability. Old Mutual doesn't have the skills and capabilities it needs to up its digital game, so when we came upon 22seven, we saw a product we think will help us improve customer relationships. But we also

saw a group of people with an attitude and a set of skills we thought would really help us on the broader digital journey."

Hood says as a business case, Old Mutual wasn't particularly interested in the subscription model either.

"We see value arising in three ways," he says. "One is improving customer loyalty. Persistency, as we call it, has real value on the bottom line for a company like Old Mutual. The second is because they're managing their money better by using this tool, we hope they'll have more to save, and we hope that will come our way. And third, we hope offering services like this will bring more customers into the group.

"I think there's value in the service – and the 22seven people have argued this quite strongly as well. People can be naturally suspicious if you give something away for free, because they think you must be making money elsewhere. We haven't made any decisions on how to price it moving forward. I'm keen to offer it to Old Mutual customers on a very attractive basis, but we haven't decided exactly what that will be. I wouldn't rule out a free service."

When 22seven first launched into the market, there was a great deal of resistance from a few of the big four banks, mostly involving claims about security. Nedbank has already launched a competing product to its customers, and ABSA reportedly has one in the works.

First National Bank was notable for rapidly responding not with a competing product designed to secure customer lock-in, but by offering customers a secure, secondary, read-only profile that they could use for third-party aggregation purposes such as that offered by 22seven.

"I wouldn't say they welcomed us with open arms," says Davel. "There was quite an aggressive response when we launched a year ago. It died down even before Nedbank launched their product, but I think the minute they did, it became clear that there was a need for it, and more and more financial institutions will have to respond in some way or another."

About security-related issues, which used to constitute 80 percent of media questions in the past, Davel adds: "Now if it's ten percent, it's a lot."

"Did we buy 22seven for its massively inspiring customer base? No, we didn't."

Carlton Hood

Moving forward

Christo Davel, 22seven's founder and CEO, wants to see the daily and monthly behaviour-tracking taking on a more long-term aspect.

photography **Sean Wilson**

Lessons learned



Both Christo Davel, the founder of 22seven, and Carlton Hood, strategic marketing director at Old Mutual, have tough lessons in online business on their respective résumés.

Davel is famous in South Africa for having launched 20twenty, an online bank that inspired astonishing loyalty among its customers. It didn't acquire customers fast enough, however, and was well short of its targets when it got dragged down with the collapse of Saambou Bank. After an agonising time under curatorship, it was eventually snapped up by Standard Chartered Bank, only to be unceremoniously shut down.

The model for the name, the informal personal service ethic, and the founder are all that is left of 20twenty.

Hood, also a South African, was most recently CEO of confused.com, a British price-comparison site that was, back in 2002, the first to offer comparative shopping for vehicle insurance. He joined the company in 2008 after a period of rapid growth in which it established a dominant market position, but soon found itself embattled with new competitors, including heavy hitters such as Tesco. In the face of stagnating profit growth, declining market share, and a series of high-profile advertising efforts that failed to staunch the flow, Hood left the company in a management reshuffle in 2011.

"I don't know what the answers are in South Africa, but I'm sure we'll attempt to learn together, and make sure we reach as many of our target customers as we can," Hood says.

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CARLTON HOOD, OLD MUTUAL

Both men say it will be interesting to see how other banks change their approach to third-party tools like 22seven, and to what Davel describes as the consumer push towards gaining better access to information.

"I think the FNB read-only account access is a really nice move," says Hood. "I think it gives customer security and PFM an opportunity to thrive."

Davel emphasises, however, that it isn't just about competing with banking products. "The PFM label almost signifies an old-school way of budgeting and goal-orientated planning," he says, noting that the world has changed, and people realise how their behaviour is often emotional, and changes as their circumstances change.

From the start, 22seven has relied mostly on social media and word of mouth to spread the word, which may account for Hood's lack of excitement about the size of its customer base. Davel says the company will certainly be talking more about the service now that it has corporate backing.

How to market the service is something Hood says they'll learn as they go along. His own background is with a price-comparison service in the UK, known as confused.com. It had 2.2 million customers and a budget of some R700 million a year, but Hood says it's all about 'payback', that is efficiently acquiring customers. "Obviously we have the localised contacts with the Old Mutual customer base, and we'll seek to use that. PR is an incredibly cost-effective way, word-of-mouth is an incredibly cost-effective way, and then you work your way up the marketing value chain and you learn as you go."

The transaction also gives Davel an avenue to international markets. Hood says that outside the US market, where Mint is a large PFM player, the service hasn't really established itself. In the UK market, and the rest of Africa, he says: "There are lots of small players, at a similar kind of stage of development as 22seven in South Africa, but there are no big players

to knock off the perch. One of the things that attracted us to 22seven was the quality of the product and the customer experience. I don't think I've seen anything out there, with the exception of Mint in the US, I would say poses a threat as a competitor."

In an e-mail announcing the transaction, Davel has promised customers that they're "taking bigger leaps forward, sooner." Mobile applications will start with iOS and Android, and have been 'the big missing piece' from the start. He expects most frequent users will prefer this platform.

Personal service ethic

However, he also wants to extend the daily and monthly financial behaviour-tracking to longer-term planning, where it will include major financial decisions such as home loans, investments and insurance products. Both Hood and Davel are careful not to suggest disintermediation of financial planners, however.

"In my view, the question, do I use an adviser or do I go direct is quite old-fashioned," says Hood. "Our customers want access to an adviser face-to-face when they have complex issues to work through, but also require the ability to do things with their own data for themselves."

"At Old Mutual, we've traditionally had the adviser, but we haven't had the information stores you can use in partnership with an adviser, so people can do their own what-if type scenarios, and that's where I see 22seven heading."

Customers who fear 22seven will change may have reason to do so (see sidebar). However, Hood says he would hope the company's informal personal service ethic won't change.

"We'd like some of that informality and fun to rub off on the Old Mutual man," he says. "We'd certainly like the brands to sit side by side in some way. I think the way 22seven relates to its customers is fabulous, and I'd hate it to suddenly just adopt the Old Mutual style just because it's in the same company. I think it has an identity and a personality of its own, and I like it." ■