

Q&A: African entrepreneurs should realise value of USSD

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Entrepreneurs across Africa are rolling out apps catering to every aspect of life, and no self-respecting tech startup doesn't have a responsive website - right? Well, according to new research by the GSMA Ecosystem Accelerator, Africa's entrepreneurs are vastly limiting their reach by failing to focus on basic technologies such as USSD.



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In this Q&A, Maxime Bayen, senior insights manager at the GSMA Ecosystem Accelerator, takes us through the findings of [the new research](#).

To what extent should entrepreneurs currently ideating new solutions focus on USSD?

According to [GSMA Intelligence](#), smartphone adoption – that is, smartphone connections expressed as a percentage share of total SIM connections, not population – in Africa is at 35%. In some of Africa's most populated countries like Ethiopia or DRC, this figure is actually still below the 25% mark.

This ratio is expressed as a percentage of connections, meaning that those figures expressed as percentage of total adult population would be even lower. What this means for tech entrepreneurs in Africa today is that if they develop, for instance, a B2C service only running online through a native mobile app (Android and iOS) or a mobile responsive website, their maximum addressable market will be below 30% of the total population. In addition, this number still assumes that everyone with a smartphone also has a data bundle, which is not the case at all.

As a consequence, startups should definitely be looking at other platforms to reach their audience, more universal platforms like SMS, voice and of course USSD. In this context, the advantage of USSD compared to the other two is that it gives startups more flexibility in terms of usage, as in nature it is similar to an extremely light version of a website, with menus, navigation etc. A good example of this would be [Biscate](#) from Mozambique, one of our [Innovation Fund portfolio startups](#). Biscate is a platform that connects skilled workers from the informal sector with customers. On the workers' side, the service runs entirely on USSD and [is synchronised in real-time](#) with the web-based platform.

Is USSD not “outdated”? How can such an old technology be at the forefront of innovation?

Technically, the USSD technology itself is clearly not at the forefront of innovation. What “brings it back” to the innovation stage these days is that tech entrepreneurs increasingly realise that USSD – despite being basic – is one of the few really inclusive mobile technologies out there in most emerging markets. In a recent [IPSOS survey](#) on “The perils of perception”, one analysis looked at smartphone penetration.

When asked about their estimation of smartphone penetration in their respective countries, respondents – who answered online, hence most likely smartphone owners themselves – from emerging markets (Indonesia, Philippines, India, South Africa, among others) all believed the figure was around 80% on average, while the actual figure for these countries is closer to the 30% mark as mentioned previously. Due to this incorrect perception, tech entrepreneurs in emerging markets could be tempted to simply launch their services online... and miss out a significant part of their target market.

The good news is that startups are starting to understand this issue. Based on data gathered from more than 550 startups that applied in July of 2017 to the second round of our [GSMA Ecosystem Accelerator Innovation Fund](#), one in five startups across Africa and Asia-Pacific are leveraging USSD technology to meet their customers’ needs.

Should startups be focusing specifically on USSD as a channel, or should they rather opt for a multi-channel model?

As highlighted in our report, the answer is clearly to opt for a multi-channel model. To come back to the example of Biscate in Mozambique, they understood that necessity very early on and launched a mobile-responsive website, a native mobile app (both on Android and iOS) and a USSD service, ensuring by this multi-channel approach that they would reach the widest target population.

The question for African tech startups today – especially those operating a B2C model – is not whether to launch through a mobile responsive website or through a native mobile app, but how to best reach all potential users: the ones equipped with smartphones and the ones who are using feature phones. If they need to have a strategy to reach both types of customers, this could be “USSD + mobile app” but it could also be “mobile responsive website + SMS” depending on your service.

What are the benefits for mobile operators in startups making use of USSD?

There is indeed an opportunity for both startups and mobile operators to collaborate on this point. Across Asia and Africa, several mobile operators have been opening their USSD APIs to allow local startups to leverage on this channel. In our report (but also in a previous one: [APIs: A bridge between mobile operators and start-ups in emerging markets](#)) we highlighted, among others, the interesting work done by Orange in Africa and Dialog Axiata in Sri Lanka. We are constantly calling for mobile operators to pursue their efforts in this area and at a programme level, we are looking forward to seeing more mobile operators across emerging markets opening their USSD APIs as part of their open API portfolios.

Looking to the future, in what areas could USSD unlock hitherto untapped value?

In the report, we feature a number of startups across Asia and Africa that are using USSD technology to run their services.

A good illustration of the diversity of these services is the number of Sustainable Development Goals (SDGs) they actually tackle: no less than 10. This ranges from agri-tech to startups in utilities, and from health-tech to transport tech. Basically, any startup that targets the mass market, should be looking at the USSD technology to power their service. We, therefore, encourage emerging markets startups developing mobile services for the mass market to look carefully at the opportunities offered by USSD technology and engage with local mobile operators to unlock them.

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