Uber: No deal breakers for doing business in sub-Saharan Africa

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Transportation network company Uber had to tweak its developed-country business practices to align with the local realities in African countries such as South Africa, Kenya and Nigeria.



Alon Lits

At the recent Africa CEO Forum – held in Geneva, Switzerland – Alon Lits, Uber's general manager for sub-Saharan Africa, highlighted some of the challenges the company is facing in the region, and how it is overcoming them.

Payments

When Uber launched in Kenya's capital Nairobi, it discovered that a large number of people were hesitant to pay using their bank cards. "When we engaged with these individuals who were signing up and had a clear intention to ride with Uber, the biggest barrier was lack of credit card access or discomfort using a credit or cheque card online," explained Lits.

To circumvent this reluctance, Uber introduced a cash payment option, which according to Lits "really transformed the business". He added the company is slowly seeing cash customers transition to card payments.

Vehicle financing

Many Uber drivers on the continent don't own their cars, but work for the vehicle owners. The inability to access financing is preventing many drivers from buying their own vehicles, and thereby boosting their earnings.

Uber is now using the data its app collects on drivers – such as their earnings and rating – to allow them to qualify for vehicle financing. The company has formed partnerships with lenders such as WesBank (South Africa), Sidian Bank (Kenya) and FirstBank (Nigeria).

"A bank can now look at an individual who previously did not qualify for credit, and give them access to capital on the back of their track record on the platform," said Lits.

Internet connectivity

Internet use in sub-Saharan Africa is on the rise, supported by growing smartphone ownership and connections to multiple undersea communications cable systems. McKinsey estimates broadband uptake grew 34% per year between 2008 and 2015, and penetration is anticipated to reach 80% by 2020, up from 20% in 2015.

But despite this, internet connectivity can still be sketchy at times. This is not a challenge Uber can directly solve, but it has encouraged its drivers to adopt a simple solution: carry SIM cards from more than one network operator, and simply switch networks if one goes down.

“It is not a fancy solution, but it is a practical one which overcomes the challenge.”

Mapping

Another hurdle has been inadequate city maps and underdeveloped address systems. Although Uber drivers don’t necessarily need the exact street address of a user, as they can just drive towards a pin, the company is working on improving its maps of African cities. For example, in Kenya, Uber has worked with local mapping start-up OkHi which incorporates images of landmarks rather than only relying on formal addresses, and in South Africa there are currently cars mapping the roads.

“There is nothing for us at this stage that is a deal breaker to doing business on the continent,” said Lits.

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