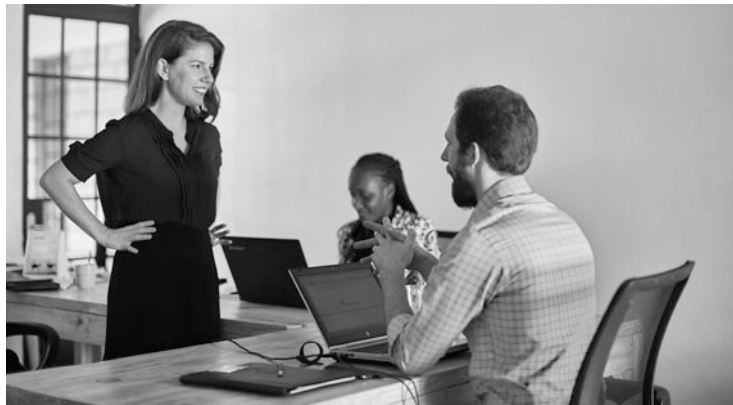


# Conversation #5

To Keep Disrupting, You Have to Listen  
Closely to What the Client Wants

Elizabeth Rossiello of BitPesa



***Elizabeth Rossiello** is the founder and chief executive officer (CEO) of BitPesa, a Pan-African digital payment platform that uses bitcoin for settlement with its international partners, enabling low-cost international payments and transfers. Before founding BitPesa, she was the deputy director of Planet Rating's East and Southern African office, conducting microfinance institutional ratings and analysis across the region. She started her career at Credit Suisse in New York, London, and Zurich, and worked at Goldman Sachs and the German Bundestag as a Robert Bosch Fellow. She is an alumna of Columbia University's School of International and Public Affairs. She speaks four languages and has two children. Elizabeth is a native New Yorker but has lived in Kenya for the last seven years.*

**What is the story behind BitPesa?**

We began BitPesa with a focus on developing a remittance product that reduced the average cost of sending money to Kenya from 12 % to 3 %. We wanted to replace traditional money transfer services by having senders purchase bitcoin in their origin country via an exchange and selling it in their destination country to us. Our first corridor of focus was the UK, specifically working with the Kenyan diaspora, who we believed sent home regular remittances to support household expenses for their families and friends.

What we learned, however, while we were doing our focus groups and talking to customers, was that many in the diaspora were actually sending money to themselves. We started to question the term “remittances” and wondered how much of the USD1.4 billion sent to Kenya was for families and friends and how much was for small and “home” business operations and investments. Many in the diaspora whom we spoke with were sending money from abroad to their own accounts in Kenya. They would then use this money to invest, pay salaries, or buy supplies for businesses they ran semi-remotely.

A lot of our early customers were young businessmen, between the ages of 18 and 35, who understood how the technology can be used to run more efficient businesses. They were tech savvy and really excited about a new, digital way to send or collect payments. Our customers could not use credit cards for their purposes, and mobile money was not working internationally for them. Before BitPesa, these customers would often have to use middlemen, fixers, *hawala* (traditional informal broker networks), or expensive bank transfers to run their businesses.

We create liquidity in markets where there was previously low liquidity or only liquidity if you used informal cash payments. We buy or sell African currencies at a better price and quicker settlement than local banks can offer. Now businesses working in or across Kenya, Tanzania, Uganda, Nigeria and the DRC can easily make or receive global payments from their African currency banks and mobile money accounts. BitPesa accepts local bank transfers in local currencies and pays our bitcoin to global brokers to settle in foreign bank accounts in foreign currency. Bitcoin is used only between the brokers,

removing any volatility from the end-user experience. Payments start and end with local bank transfers.

**What other user cases did you identify?**

The initial product was started without necessarily a user-centered design. It imposed a use case on the customer, suggesting that there was a personal or social connection for payments. Our latest iteration introduced more business and trading features to support our users' buying and selling bitcoin for commercial uses. We also offer bulk payments, bank transfers, and quicker trading times. We marketed these features as "BitPesa for Business." Before using BitPesa, these businesses told us, they had to deal with many counterparties, both banks abroad and in Kenya, as well as mobile money providers. They either went through multiple aggregators or spent time and money building custom integrations. They experienced forex (foreign-exchange-market) losses associated with long settlement times and were forced to hire more staff and oversight to facilitate international and domestic steps of the payment process. By using BitPesa, they have a one-step option of sending international payments into local African currency accounts; either in one country or across several countries.

**How easy was it to establish a new and disruptive technology in the market?**

It is hard to be one of the first adopters of a new technology. There are few people to compare notes with and share the task of educating regulators and potential partners. When we started BitPesa, I continually heard the message that "Kenya was not ready for bitcoin." This surprised me, especially because I heard it from members of the ICT community and innovation teams at local banks. Kenya is famous worldwide as an innovator in digital payments. But in the end, we saw super-fast uptake of the product in focus groups.

To stay motivated and on track, we used a customer-centric approach. Even if a potential partner did not believe the market was ready, we listened to our customers in product sessions and demos. We looked at our growing transaction volume rather than the opinion of managers in traditional financial institutions.

**How did you find out what your future customers really wanted?**

In early 2014, we started to organize meet-ups at the iHub in Nairobi. These were casual meetings over samosas and beers, where we talked about bitcoin and BitPesa. We held demos and traded between friends. The first meet-up was with five people who already knew about bitcoin. The next meet-up was with 20 people, and then, the next was with 40. In a few months, we had a long contact list. At our kick-off party during the World Cup, we had 170 people and we had only a skeletal product. But all of these people were really excited about it!

Simultaneously, we had team members in London meeting regularly with community leaders in the diaspora community. We held market research sessions, teach-ins, and demonstrations. We were ever-present in the community through agents and brand ambassadors. We had a large funnel of information from our contact with potential customers. I saw what the customers wanted—I mean, real people who wanted to use it from day one. So even if someone said, “Oh, they’ll never like it” or “That doesn’t make any sense” or “You don’t know the market,” I would then go back to the focus group and people would tell me the opposite. So I would just listen to the customers rather than the talking heads and partners.

**What is the future for digital assets?**

I believe that money transfer operators and telcos, companies like MoneyGram and Safaricom, will use decentralized payment systems and adopt technology like bitcoin in the next five to ten years. All of the major banks, payment companies, and FinTech companies are filing patents, making investments, and developing products. Billions of dollars are being spent on exploring the use of this technology. Those products will enter the market in the next few years and leave all the other companies behind that refused to take the time to understand the technology.

People are not going to send physical cash when they can send digital cash. A bank in Zambia and a bank in Hong Kong need to communicate in the same way. You cannot expect that a local mobile payments company, like Zoono in Zambia, will have spent the time and money to integrate

with a digital e-money network based in Hong Kong. All of these local companies need one uniform rail to link into and act as a decentralized ledger. I do not think that the global payment infrastructure should be owned by a single company, like Mastercard or Vodacom, but rather, use decentralized ledger technology to be robust, secure, and unbiased.

**How much could you rely on investments from Kenya to finance BitPesa's operation?**

I would love to have had local investors invest the whole amount, but I have not found that much financing available for FinTech (financial technology) start-ups. I would love to have not traveled so much away from my family and my business to find investors. There are very few early-tech investors in the region. We have just received financing from a few Nigerian investors, which is exciting because their expertise is essential to our growth across West Africa.

**What do you think is the missing puzzle piece to get more Kenyan or African investors on-board?**

Well, there is currently a lot of opportunity in relatively familiar investment options, like real estate. So why would an investor go into an unfamiliar, and seemingly higher-risk, area like tech? Why would they want to invest in a “very first of its kind” business? We still need to see more buyouts and M&A activity in the sector—some successful exists. I think those exits will act as data points for Kenyan and African investors to realize that FinTech is a viable investment opportunity.

**You are one of the few tech companies with a female executive team. Was that a coincidence or a deliberate decision?**

I hired people that were talented and experienced and that I was convinced would work hard to build something new. In Kenya, you often find tech start-ups with groups of friends from high school. I did not go to high school here, so my first hire was a fellow financial services consultant, Charlene Chen, with whom I had worked on a few projects over the years. Similarly, our second hire was forex trader Amy Ludlum, who had a stellar finance background at a major global bank but was highly motivated to work for a start-up. Once we had three women leading the team,

we became a magnet for other talented female professionals who knew there would be nothing standing in their way for career advancement. We now have a 50/50 gender split and work hard to create an exciting and rewarding environment for our team.

We have tried to build a company that is fair, open, and welcoming. We do work very hard and expect all our team to perform at a high level. However, we reward our employees for their work and dedication.

**What excites you about Kenya's tech scene?**

It is interesting to be in Kenya at this particular time. I mean, there are a lot of hardworking people who are very entrepreneurial and starting these amazing businesses. I feel honored to be part of it. I think the banks have a hard time keeping up with all this innovation. There is just so much innovation coming out of this ecosystem. People are almost like, "What do I focus on next? An e-ledger or new digital money or something else?" I, however, wish there would just be way more support out there for entrepreneurs by other entrepreneurs. There are private clubs for the very wealthy, but nothing where techpreneurs get together regularly. We are a diverse group of women and men from all sectors living across a sprawling metropolis. We connect a lot over WhatsApp in a few techpreneur groups and are just now starting to organize events and meet-ups for founders across sectors. We are all really busy building our business. As our companies mature and our incomes rise, we can then start investing in the next wave. This is the next evolution! I think it is going to be even more exciting once the founders grow up and now are able to invest. It is an exciting time to see this graduation.

**What was your biggest "Aha!" moment during your time with BitPesa?**

It came when we started to sell bitcoins. We struggled to project our first few months of sales numbers, because the product was so new to the region. We had an intern at the time who encouraged us to start selling bitcoin instead of just buying it as part of our first remittance flow. He told us his friends were interested in buying bitcoin and he had been trading informally. We started selling bitcoin, and our volume growth went through the roof! We asked ourselves, "Why didn't we do this four

months ago?” That was definitely an “Aha!” moment. It reminded me that I needed to keep my ear to the ground and listen to what the market wants—rather listening to what my bigger, financial institution partners think the market wants. To keep disrupting, you have to listen closely to what the client wants!

**Thank you, Elizabeth!**



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