

stc pay is the most popular operator-branded mobile wallet in the Gulf region, according to our survey

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The results of Analysys Mason's consumer survey in Kuwait, Oman, Saudi Arabia and the UAE show that nearly one-third of smartphone users in Saudi Arabia use stc pay mobile wallet (m-wallet). This is the most penetrated, operator-led mobile financial service (MFS) in these countries.

stc pay's popularity has been driven by the favourable regulatory environment and the large, young tech-savvy population in Saudi Arabia as well as the accelerated shift to contactless payment during COVID-19. Other groups in the region, such as e&, Ooredoo and Zain can adapt stc pay's start-up model, emphasis on customer experience and incremental feature development to scale up their m-wallet propositions and accelerate their adoption.

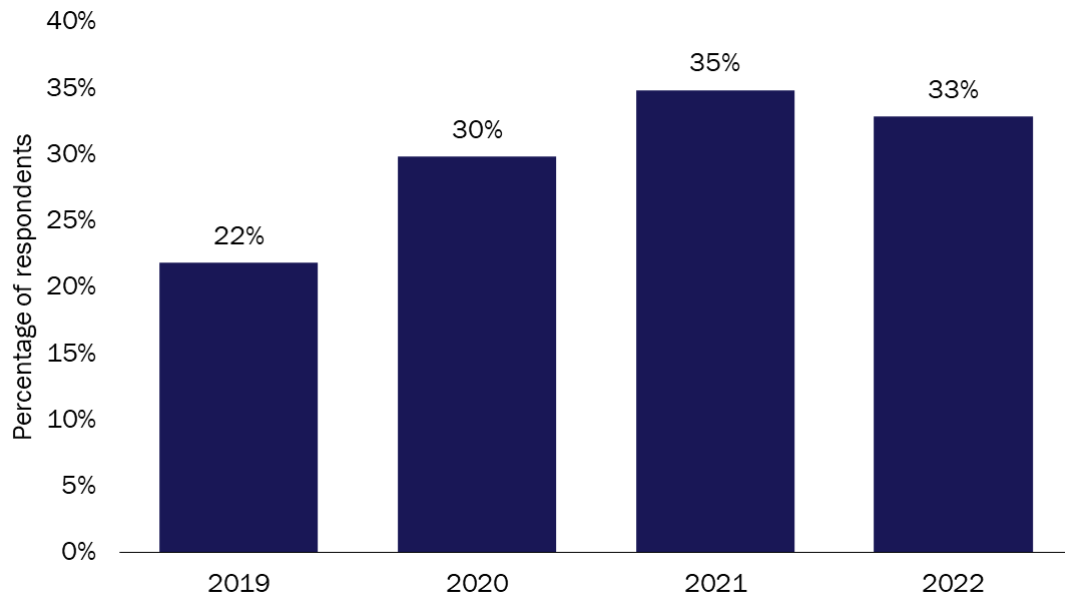
stc has been successful in growing its active user base but has yet to report positive cash flows

stc launched the stc pay m-wallet as part of its revenue growth and diversification strategy and to contribute to Saudi's development plan to increase the share of digital financial transactions to 70% by 2030. It has grown from a basic m-wallet app to a sophisticated B2C and B2B payment services platform as well as a marketplace. It also acquired a digital banking licence in Saudi Arabia in 2Q 2021.

stc pay had more than 8 million active users in Saudi Arabia and Bahrain by the end of 2022, up from 500 000 in 2019. It also issued 3.7 million stc pay-branded payment cards by February 2022 (up from over 1 million in May 2021). This rapid rise of stc pay was confirmed by our consumer survey (Figure 1). stc pay is the top operator-led m-wallet used by smartphone users. The penetration peaked in 2021, likely related to the onset of COVID-19 and the surge in contactless payment and ecommerce, but the adoption remained strong in 2022.

stc became the first fintech unicorn company (USD1.3 billion valuation) in Saudi Arabia after Western Union acquired a 15% stake for USD200 million. Its revenue reached SAR834 million (USD222 million) in 2021, but it is not yet profitable: it reported SR440 million (USD117 million) in losses as it continues to invest in developing its payment infrastructure and growing its network of merchants.¹

¹ stc pay has not yet released its 2022 results to gauge if its financial situation has improved.

Figure 1: Reported penetration of stc pay by surveyed smartphone users, Saudi Arabia, 2019–2022

Source: Analysys Mason

Question: "Do you have a mobile money or wallet service provided by any of the following providers?"; n = 750

stc pay benefited from favourable conditions that accelerated the switch to digital payments

stc pay benefited from external factors that acted as a catalyst to drive its app adoption, more so than for other operator-run MFS in the region such as Etisalat's eWallet, Ooredoo Money and ZainCash.

- **Access to a large addressable market.** It has a large, young population (24 million are under 34) with a high level of smartphone penetration and a sizeable proportion of adults that are considered 'unbanked'.
- **Proactive and innovative regulatory support.** stc pay benefitted from a supportive regulatory regime in Bahrain and Saudi Arabia which encouraged the emergence of fintech companies in 2017 and 2018, respectively, ahead of other countries in the region. For example, the Qatar Central Bank only issued the first digital payment licences to Ooredoo and Vodafone in September 2022.
- **Accelerated shift to cashless transactions during the pandemic-related lockdown.** The growth of stc pay's user base coincided with the pandemic which sped up the switch to contactless payment. It also took advantage of the shift to online shopping.

Other operator groups that aspire to scale up their m-wallet propositions can still learn from stc pay's initiatives and approach

The m-wallets of e&, Ooredoo and Zain offer similar core services (such as support for local and money transfers and bill payments) to stc pay. However, their apps have not yet achieved the same scale. stc pay had a first-mover advantage in Saudi Arabia and benefited from a favourable environment. These conditions may not

be present in other countries, but other operators can still learn from stc pay's approach to make their apps more attractive and trusted.

- **Run the fintech venture as a separate business.** stc pay is positioned as a separate product from stc's connectivity offerings and available to non-subscribers. It also runs as an independent entity while maintaining close ties with the parent company; this gives it autonomy while benefiting from stc's resources and brand. In contrast, Ooredoo Money is still presented as a value-added service that targets mostly Ooredoo's customers.
- **Raise visibility and instil confidence through partnerships.** stc pay quickly integrated local and international payment systems (mada in Saudi Arabia and Visa globally). It has also signed MoUs with payment solution providers (such as Checkout, Paylink and Tap) and regional online retailers (such as Cartlow) to grow its partner ecosystem and raise its profile among consumers and merchants.
- **Deliver good customer experience.** stc emphasises the ease of use of its app to reduce friction and encourages customers to engage with its functions. The app has a cleaner, more intuitive and more engaging user interface than that of other banks or m-wallets providers in the region.
- **Focus on features that address consumers' pain points.** The stc pay app is not cluttered with third party non-financial services. It implements simple and clear use cases that offer convenience to its customers, such as Qattah, introduced in 2022, to split the bill or buy a joint gift, and an integrated marketplace to purchase goods and services directly from the app.

e&, Ooredoo and Zain have started incorporating some of these best practices into their m-wallet propositions (for example, e& created a separate brand for its m-wallet in 2022 and added a gifting feature to its app, Ooredoo Money become available to non-subscribers and Zain (Iraq) added international money transfers) to make their platforms more accessible and useful. stc may be a step ahead in its journey to becoming a regional digital bank, but other operators are well-placed to scale up their MFS across their operating markets and offer more sophisticated financial products judging by their strong ambitions and recent initiatives.