

MXit mixes mobile networks with social conscience

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The South Africa-based wireless service is gaining millions of developing-world users by emphasizing social change, not just music and games.

Herman Heunis isn't your typical social-media startup founder. He's 50 years old, was raised on a sheep farm in Namibia, and is a veteran of the South African Navy. Little surprise that the company he built is no garden-variety social network either.

The company is called MXit Lifestyle and offers a range of mobile social networking tools, including instant messaging and music downloads. Since its launch in 2005, MXit has attracted more than 14 million users across the developing world, from Buenos Aires to Beijing, and it's adding 25,000 users a day. Initially funded by Heunis alone, the company broke even in its second year of operation.

Part of the appeal is MXit's dirt-cheap fees; for example, it doesn't charge users to register, as do rivals such as South Africa's The Grid. But what keeps many users loyal is its mix of civic-minded services, such as low-cost book downloads, education tools for kids, and even real-time drug counseling.

Heunis sees MXit as a vehicle for change—a social network with a social conscience—in countries where many people remain unconnected to the Web. In some parts of Africa, in-home high-speed Internet access can cost as much as eight times more than Web connections over wireless networks. MXit can play a key role in "unleashing the educational potential of Africa," Heunis says. "For a true entrepreneur, the satisfaction of creating outweighs the money rewards."

Obama connection

What he's creating is getting wide attention. When U.S. President Barack Obama visited Africa in early July, he leaned heavily on MXit—not just larger, more established tools such as Facebook or Twitter—to connect with the continent's youth. "We were very happy to be engaging in the newest of new media on the mobile phone," says Mark Davidson, the State Dept. official who coordinated the effort. MXit users sent more than 200,000 messages to Obama. "Do you believe you are the Nelson Mandela of the 21st century?" one user asked. The U.S. Embassy in South Africa recently signed a yearlong partnership with Stellenbosch-based MXit to broaden U.S. government outreach in Africa.

But Heunis' strategy isn't just good citizenship; it's good business, too. Heunis, a shaggy-haired South African of Dutch descent, founded the company with his own money, generated from sales of earlier tech startups. He won't disclose financial specifics, but says MXit gets half its revenue from selling such content as music, games, and digital accessories, and half from advertising alongside content. In 2007, Heunis sold a 30% stake to Naspers, an African media giant, for an undisclosed sum. "I don't know of any other (company) that has focused its strategy on being a community-cause network first, entertainment second," says Christine Perey, a mobile social networking consultant in Montreux, Switzerland. "It's a unique differentiator."

Standing out is vital in a field dominated by bigger mobile social networking companies that have more money and better technology. Tencent Holdings' Tencent QQ Mobile last year generated about \$200 million from sales of such content as avatar downloads, while Mig33, based in Burlingame, Calif., provides a widely used Internet-based calling service akin to eBay's (EBAY) Skype.

At the same time, some MXit users complain that the service is crash-prone. Heunis says the problem has abated after the two years of costly software upgrades that ended in February. Still, users grumble that MXit freezes up when traffic is heavy.

Global appeal?

And while MXit is trying to adapt its platform to each of the 120 countries where it's available, it faces a stiff challenge from local rivals such as China's Tencent QQ that cater primarily to a specific language and culture. Analysts also question whether MXit's menu of services—which are oriented toward African issues—will resonate in Latin America and Asia. What's more, MXit needs to guard against promoting social services such as counseling at the exclusion of entertainment features that have a wider appeal, says Frost & Sullivan's Vikrant Gandhi. "To be a global network, you simply can't have just one strategy," Gandhi says.

Still, Heunis must be doing something right. South Africa's biggest telecom providers hope to replicate his company's success. Vodacom and MTN have created MXit copycats—so far, to little avail. MXit continues to soar in popularity, with fast-growing bases in Indonesia, Nigeria, and Kenya.

MXit has an advantage over telecoms in understanding social behavior because that's "the core" of his business, Heunis says. "The telcos battle with these mind shifts and mistakenly believe they can do it as well since they own the airwaves," he says. Another feather in its cap: With only about 100 employees, MXit is nimbler than big telecom providers. And MXit prides itself on letting everyone from within the company, from the receptionist on up, have a say in how the business is run. MXit also welcomes input from users. After seeing his brother go to jail in South Africa for drug and gang activities, Marlon Parker, a professor at the Cape Peninsula Institute of Technology, pitched a MXit-based drug counseling program in 2007 to help poor communities on the Cape Flats, a suburb of Cape Town. Heunis gave Parker the go-ahead. "With just six computers, we've reached 10,000 people," Parker marveled. "For me, having Herman's endorsement was a great encouragement to continue."

Heunis continues to roll out new community initiatives every few weeks. In April, MXit partnered with the South African Education Dept., Nokia (NOK) South Africa, and a Finnish funding agency to create a pilot math program that gives students access to online tutoring and quizzes. Less than three weeks later, MXit launched a channel that lets users download books for less than \$2, says International Marketing Manager Juan du Toit. Now, MXit is touting an application that helps young people prepare for their driver's license test—a notoriously long process in South Africa. A steady stream of such vital, out-of-the-ordinary tools like these will help MXit hold its own, whatever the competition, Heunis says, adding: "We like to rock the boat."

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