

Banked but Underserved: Revolut's Strategic Case for South Africa in 2026

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Instructor: Dr Katrin Tinn

Surya Jade Edakunni

Revolut

As Porter argues, strategy is not about being better, it is about being different.

I.) Introduction

Revolut was founded in London in 2015 by Nik Storonsky and Vlad Yatsenko with a simple premise: replace the traditional bank account with a single, borderless financial app. A decade later, it serves over 60 million customers across 39 markets, generating £4.5 billion in revenue and topping finance app charts in 26 countries. As it approaches a potential IPO at a $75 billion valuation, Revolut's next phase of growth relies on its ability to penetrate markets where its European playbook cannot be applied unchanged. South Africa, where Revolut announced plans to apply for its first African banking licence in September 2025, is the clearest test of that ambition.

Simply arriving with a cheaper app would be operationally smart but strategically insufficient. This report argues that Revolut's success in South Africa depends on building a genuinely differentiated position, through blockchain, tokenization, and AI, rather than converging with competitors on the same dimensions. Revolut has committed capital, hired local leadership, and begun the regulatory process.

II.) Revolut's Business Model

Revolut operates as a financial super-app, consolidating current accounts, foreign exchange, crypto, savings, credit, and business banking into a single platform. Unlike traditional banks, Revolut was designed from inception as a technology platform, with financial services layered on top. This distinction is not cosmetic. As Porter argues, it represents a fundamentally different set of activities, not merely a cheaper way of performing the same ones.

Financially, the model has also proven itself. In 2025, Revolut generated £4.5 billion in revenue with a profit before tax of £1.7 billion (Revolut Group Holdings Ltd., 2025, p. 4). Crucially, 76% of revenues are fee-based, drawn from fees rather than interest income. This structure distinguishes Revolut fundamentally from traditional banks, whose margins are tightly coupled to interest rate cycles. Eleven distinct product lines each exceeded £100 million in annual revenue in 2025, evidencing structural resilience across revenue streams (Revolut Group Holdings Ltd., 2025, p. 13).

The platform's competitive logic rests on network effects and a data flywheel. Each additional user generates transaction data that improves fraud detection, personalizes product recommendations, and strengthens credit underwriting, advantages that compound over time and are difficult for incumbents to replicate. Importantly, these are indirect network effects the value accrues to Revolut through better models, not directly between users, distinct from the direct network effects that strengthen its P2P payment products as the user base grows. In 2025, the number of customers designating Revolut as their primary bank increased 45% year-on-year, a signal that the platform is beginning to displace traditional banking relationships (Revolut Group Holdings Ltd., 2025, p. 9). For IPO investors evaluating the $75 billion valuation, South Africa represents precisely the kind of underpenetrated, high-growth market entry that sustains a premium multiple beyond Revolut's already-profitable European core.

III.) South Africa's Financial Space

Jacques Meyer, Revolut's South Africa CEO, has framed the opportunity plainly: “the market is primed for disruption.” Full authorisation is expected no earlier than late 2026, meaning Revolut’s current South African consumer base is made up of travellers via Mastercard and Visa, while the licensing process runs its course.

A.) Financial History and Market Structure

South Africa's financial sector has undergone a structural transformation over the past two decades that few emerging markets can match. According to the Center for Financial Inclusion's analysis of FinScope survey data, the share of adults holding a bank account in their own name rose from 52% in 2003 to 84% by 2023, with 98% of adults served by the formal financial system in some capacity (Mutsonziwa & Berkowitz, 2025).

These headline figures, however, don’t reveal a more complicated reality. Near-universal formal access has not translated into meaningful financial participation for most South Africans. Living expenses make up approximately 84% of monthly income for the average adult, with groceries alone accounting for over 30%, leaving negligible room for savings or investment (Mutsonziwa & Berkowitz, 2025). The formally included majority remains largely unserved on the dimensions that matter most for financial wellbeing: development financing, long-term savings vehicles, and protection against financial shocks.

This distinction is central to Revolut's strategic framing. The M-Pesa model achieved transformational scale in Kenya by targeting the genuinely unbanked with radical simplicity. South Africa presents the opposite challenge. The population is banked but underserved in value and assembling fragmented products across multiple providers to meet needs that a single integrated platform could serve. Revolut serving the lower-income segment would require a fundamental product rebuild that would dilute the proposition for the segment it actually serves well. The strategic choice, consistent with Porter's argument against competitive convergence is to resist chasing breadth and occupy a distinct position: the banked-but-underserved, internationally mobile, digitally fluent consumer whose financial life already exceeds what any single South African bank currently accommodates.

PayShap, launched by BankservAfrica in March 2023, grew from 4 million to 35 million transactions between March 2024 and March 2025 (SARB, 2024, p. 20). By August 2025, BankservAfrica confirmed PayShap was actively expanding to licensed fintech participants (TechAfrica News, August 5, 2025). For Revolut, PayShap represents what Brazil's Pix represented for fintechs in that market, an open rail that allows a new entrant to compete on product quality rather than payment infrastructure. In both cases, a regulator-backed instant payment system structurally reduces the proprietary infrastructure advantage that incumbents have historically used to deter entry.

B.) Competitive Landscape

South Africa's banking sector presents Revolut with a layered competitive environment: a concentrated incumbent oligopoly, digital challengers, and a history of coordinated pricing.

The Big Five (Standard Bank, FirstRand, Absa, Nedbank, and Capitec) collectively hold approximately 90% of total banking sector assets, a level Simbanegavi, Greenberg, and Gwatidzo (2015) find consistent with oligopolistic pricing behaviour. FirstRand is the most valuable institution on the Johannesburg Stock Exchange at a market capitalisation of

approximately R450 billion (BusinessTech, 2025). Yet size has not translated into satisfaction. Sagaci Research's SagaBrand tracker finds Standard Bank's net satisfaction score fell from 40% in 2024 to 30% in 2025, with FNB and Absa recording similar declines, reflecting rising consumer expectations around a digital experience the incumbents are not consistently meeting.

The Competition Commission found that from at least 2007, major banks including Standard Bank, Absa, Investec, Nedbank, and FirstRand coordinated bid prices and spreads on rand/dollar spot trades through Bloomberg chat rooms. Prosecution shifted the behaviour toward tacit collusion, sustaining elevated margins (Petersen, 2023; "Why South Africa's," 2015). Incumbents therefore have legacy margin to protect in foreign exchange and cross-border transfer product lines. However, Revolut does not. This means genuine retaliation from main competition requires them to cannibalise their own profitable product mix, a strategic commitment they are unlikely to make.

Among digital challengers, Discovery Bank is the most proximate competitive threat. Its CEO Hylton Kallner confirmed in September 2025 that the bank already offers foreign exchange and multi-currency accounts and is actively exploring cryptocurrency, a direct signal of pre-emptive positioning (TechCentral, 2025). This illustrates the prisoner's dilemma of imitation: Discovery has the incentive to copy Revolut's product surface before Revolut arrives, but as Porter argues, imitation without genuine repositioning is competitive convergence. Discovery's position is anchored in its Vitality ecosystem, behavioural rewards, insurance, health data, and adding multi-currency features at the margin does not replicate Revolut's cross-border infrastructure across 160 markets or its 68.3 million global customer base, through which UK-SA diaspora users may already be Revolut customers before the local bank launches (Revolut Group Holdings Ltd., 2025, p. 4).

C.) Consumer Profile and Tolerance for Financial Institutions

South African consumers concentrate 73% of their retail banking revenue with their primary bank, the highest share of any country studied including the United Kingdom, United States, and Australia, and the highest among any market Revolut currently operates in (Accenture Global Banking Consumer Study, p. 34). This is not evidence of satisfaction, as the declining scores shown in the previous section demonstrate, but of inertia and switching costs regardless of service quality.

M-Pesa succeeded in Kenya by targeting people banks had ignored entirely, building a payment network in a vacuum where no primary bank relationship existed to displace. Revolut faces the structural opposite: a market where consumers are banked, digitally active, and concentrating the majority of their financial lives with a single institution. Where M-Pesa filled a vacuum, Revolut must earn a transfer of trust, a harder task, but one the satisfaction data suggests is increasingly plausible.

The demographic profile of that target user is well documented. Ramsundra, Mason, and Dobbelstein (2025, p.193) find that higher-income South Africans earning above R8,000 per month show significantly stronger preference for exclusive digital banking, with a mean preference score of 4.30 compared to 3.90 among lower-income consumers. The same study finds that high digital banking users are older (24 and above), with higher education and higher income, while low digital banking users are younger (18 to 23) with lower education and income, exactly the consumer profile Revolut's super-app model is designed to serve.

South Africa's 19.6% crypto ownership rate is third highest globally behind Turkey and Brazil (DemandSage, 2026).

As Revolut brings its full product suite to South Africa, its banking licence unlocks the ability to leverage internal network effects: consumers who adopt one product, whether currency exchange, crypto trading, or savings, are drawn deeper into the ecosystem, increasing switching costs and making Revolut progressively harder to displace.

IV.) Strategic Recommendations

Revolut must resist replicating its European playbook and instead deploy existing infrastructure to solve distinctly South African problems.

A.) Undercut Big Five FX margins via PayShap to build trust ahead of the licence

The most immediate strategic priority for Revolut in South Africa is not customer acquisition, it is trust acquisition, as 73% revenue concentration reflects inertia, not loyalty. Revolut's licence is not expected before late 2026, meaning the window before authorisation is not waiting time, it is when trust must be built, since a licence alone cannot enforce it.

The Pix case offers the clearest parallel. In Brazil, a handful of major banks held 80% of market share and deliberately avoided modernising their payment infrastructure to protect elevated margins where wire transfer spreads ranged from 17 to 21 percentage points between 2013 and 2020. Here it was fintechs who moved first on the open rail converting early adoption into switching costs before incumbents could respond. On PayShap rails, Revolut can offer genuinely transparent, low-cost FX at a price point the Big Five cannot match without cannibalising their own margins.

Revolut's strategic logic here is deliberate loss-leadership on a product line where it can absorb margin compression that incumbents cannot. Foreign exchange accounts for only 13.4% of Revolut's global revenues, a contained share within an eleven-product revenue structure. The coordinated FX margins documented in Section III mean incumbents cannot match Revolut's pricing without cannibalising their most profitable product lines.

Each user who adopts Revolut for a single FX transfer generates transaction data that improves Revolut's fraud detection and personalisation capabilities in the South African market, data that compounds once the full product suite launches. The PayShap route is the first node in a network that hardens as more South Africans experience a better alternative to the Big Five.

B.) Launch a stablecoin-based remittance corridor on existing crypto infrastructure to convert the UK–SA diaspora into a captive user base ahead of the banking licence

Remittance uptake among South African adults rose from 35% to 56% between 2003 and 2023, the second largest category increase in the formal financial system over that period, exceeded only by credit (Mutsonziwa & Berkowitz, 2025).

Ripple's core argument was that crypto rails could serve as a bridge currency, settling transfers in seconds at near-zero cost rather than through slow, fee-heavy correspondent banking. Unlike volatile cryptocurrencies, a USDC-pegged stablecoin offers the price

stability remittance senders require, the core lesson from the Libra case. Revolut is not currently operating a stablecoin remittance corridor, but the foundation for one exists. In 2025, Revolut received a MiCA licence enabling regulated crypto services across Europe (Revolut Annual Report, 2025, p. 9).

With its existing global base and the UK as one of its most established markets, a meaningful share is likely already on one end of the UK–SA corridor. Inverting the M-Pesa dynamic, Revolut enters South Africa with one side of the corridor already populated. The M-Pesa case also demonstrates that once the remittance method achieved critical mass, they were responsible for approximately 47% of all Kenyan remittances, at which point every prior alternative had effectively collapsed. Revolut's window is now, before the banking licence creates the visibility that prompts incumbents to respond.

These two recommendations are connected. A South African user who receives a remittance through Revolut is already inside the ecosystem. When the banking licence is granted and the full product suite launches, that user has a transaction history, a Revolut account, and a demonstrated willingness to use digital financial products. As Porter would argue, it is not any single activity that creates sustainable competitive advantage, but the fit between activities that makes the overall system difficult to replicate. PayShap-based FX transparency builds trust domestically; a stablecoin remittance product builds the diaspora corridor internationally; together they pull the target customer toward Revolut as a primary financial relationship before the Big Five have any structural reason to respond.

V.) Risks and Mitigations

The first and most immediate risk is regulatory tax exposure on cross-border digital transactions, particularly for the crypto remittance corridor. When Kenya announced a 10% mobile money transfer tax, Safaricom passed the cost to customers, damaging affordability and trust at the worst possible moment. Revolut's decision to incorporate as a locally domiciled South African entity rather than operating as a foreign branch reduces this double taxation exposure (Kingsley, 2025). However, local incorporation does not fully insulate Revolut from a future transfer tax applied domestically.

The second risk is the compliance burden of operating within South Africa's layered regulatory environment while the banking licence remains pending. Operating in South Africa requires approvals from the SARB, FSCA, and SARS, plus AML and KYC compliance, a process prone to significant delays (Kingsley, 2025). The mitigation here is already partly structural. Jacques Meyer, Revolut's South Africa CEO, previously held senior roles at both Discovery Bank and TymeBank, bringing direct institutional knowledge of South Africa's regulatory frameworks. Dr. Gaby Magomola, appointed chairman, previously served as CEO of African Bank and held senior positions at Citibank, Barclays, and FNB. This provides board-level oversight from people who have operated within the SARB's supervisory environment across multiple institutions and market cycles (Fraser, 2026).

Crypto trading differs significantly from stablecoin-based remittance settlement. The former is a consumer investment product; the latter is payment infrastructure, and bridging that gap requires substantial engineering, regulatory coordination, and consumer education. That said, the technical feasibility of using crypto as a settlement mechanism for real-world value transfer is no longer theoretical. Guest speaker Julien Mbony, CEO of Adopto Technologies, described crypto settling a land transaction outside traditional banking rails, demonstrating the technology works at smaller scale. The remaining execution risk is the oracle problem:

any stablecoin corridor requires reliable off-chain data feeds to trigger on-chain settlement, and Revolut must either partner with an established oracle provider or accept that this infrastructure gap is the binding constraint on the corridor's timeline.

VI.) Conclusion

South Africa's banking licence will not guarantee Revolut's success, it will only open the door. The strategic choices made in the interim are the ones that matter. PayShap-based FX transparency builds domestic trust at a price point incumbents cannot match without cannibalising their own margins; a stablecoin remittance corridor populates the diaspora end of the network before the licence creates the visibility that prompts retaliation. The licence is a threshold, not a strategy.

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