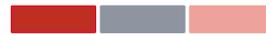




AGRIFIN ACCELERATE
Tanzania Learning Event
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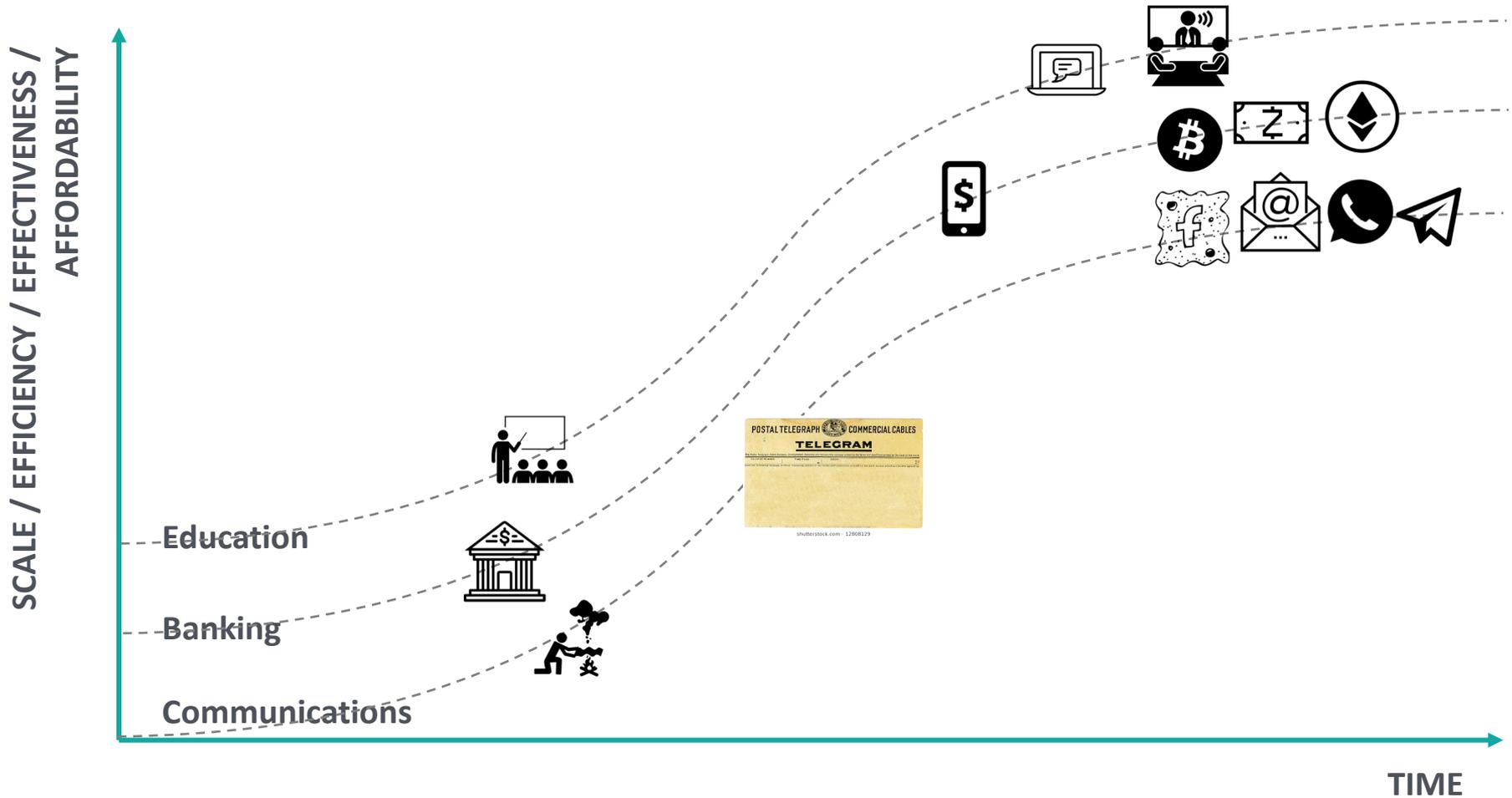
**The Promise of Digital Platforms for
Agriculture – *Learnings from the Region***

Christabell Makokha – Director Strategic Learning



AGRIFIN

Technology is transforming how we live



At the same time, we are facing unprecedented challenges in the world





Can digital platforms revolutionize smallholder agriculture?

What is a Digital Platform?

Technology has revolutionized the go to market strategy of modern businesses. According to a recent Accenture report “While it used to take Fortune 500 companies an average of 20 years to reach a billion-dollar valuation, today’s digital start-ups can get there in four years. Digital platforms are largely responsible for this shift.”

a few examples:

- **Google search engine:** “advertising” business model.
- **Social platforms:** Facebook, Twitter, Instagram, LinkedIn – “advertising” business model.
- **Knowledge platforms** aka forums such as StackOverflow – “advertising” business model.
- **Application stores:** Apple/Google Play – “digital good” business model.
- **Market places:** Amazon market place, shopping engines: “ecommerce” business model.
- **Media platforms:** Spotify, Deezer – “subscription” business model.
- **Crowd-sourcing platforms:** Uber, BlablaCar, AirBnB – “pay as you go” business model

So, what is a **platform**?

“

A platform is a plug-and-play business model that allows multiple participants (producers and consumers) to connect to it, interact with each other and create and exchange value.

”

Cracking the platform code

What Could a
Digital
Platform Look
Like For
Agriculture?

Can Digital Platforms Help:

- Smallholder farmers access a **full range of services**?
- Service providers reach farmers at **scale**?
- Transcend **weak rural infrastructure**?
- Businesses along agricultural value chains **become profitable**?
- Establish more **stable markets**?
- Establish **more transparent** markets?
- **Increase income** for farmers?
- Drive higher **productivity rates**?
- Drive **financial inclusion**?
- Promote **food safety**?
- Support **climate-smart agriculture**?
- **Enable government** to support and manage policy for agriculture?
- Build **rural economies**?
- Drive **job creation**?

Leveraging a telco to build an ag platform

Launched in 2017, **DigiFarm** is Safaricom’s integrated mobile platform of digital services for farmers. DigiFarm, accessible on a basic feature phone and smartphone, provides farmers with access to products and services enabling them to conveniently source, transact, learn, and grow their farms. Over time, additional services are added onto the platform to make DigiFarm a one-stop shop for Kenyan farmers, including the recent introduction of **DigiSoko**, an open marketplace for agricultural produce



1. Order inputs
DigiFarm allows farmers to purchase inputs through selected vendors

4. Connect with buyer
DigiSoko connects farmers to buyers in specific value chains

2. Engage in Learning
DigiFarm provides access to educational content for best farming practices and financial literacy

5. Soil / farm testing
DigiSoko tests soil to understand required inputs and suitability for value chain production

3. Order inputs
DigiFarm provides digital credit products based on alternative credit scoring

6. Aggregate produce
DigiSoko will facilitate aggregation of produce / Masoko may deliver produce

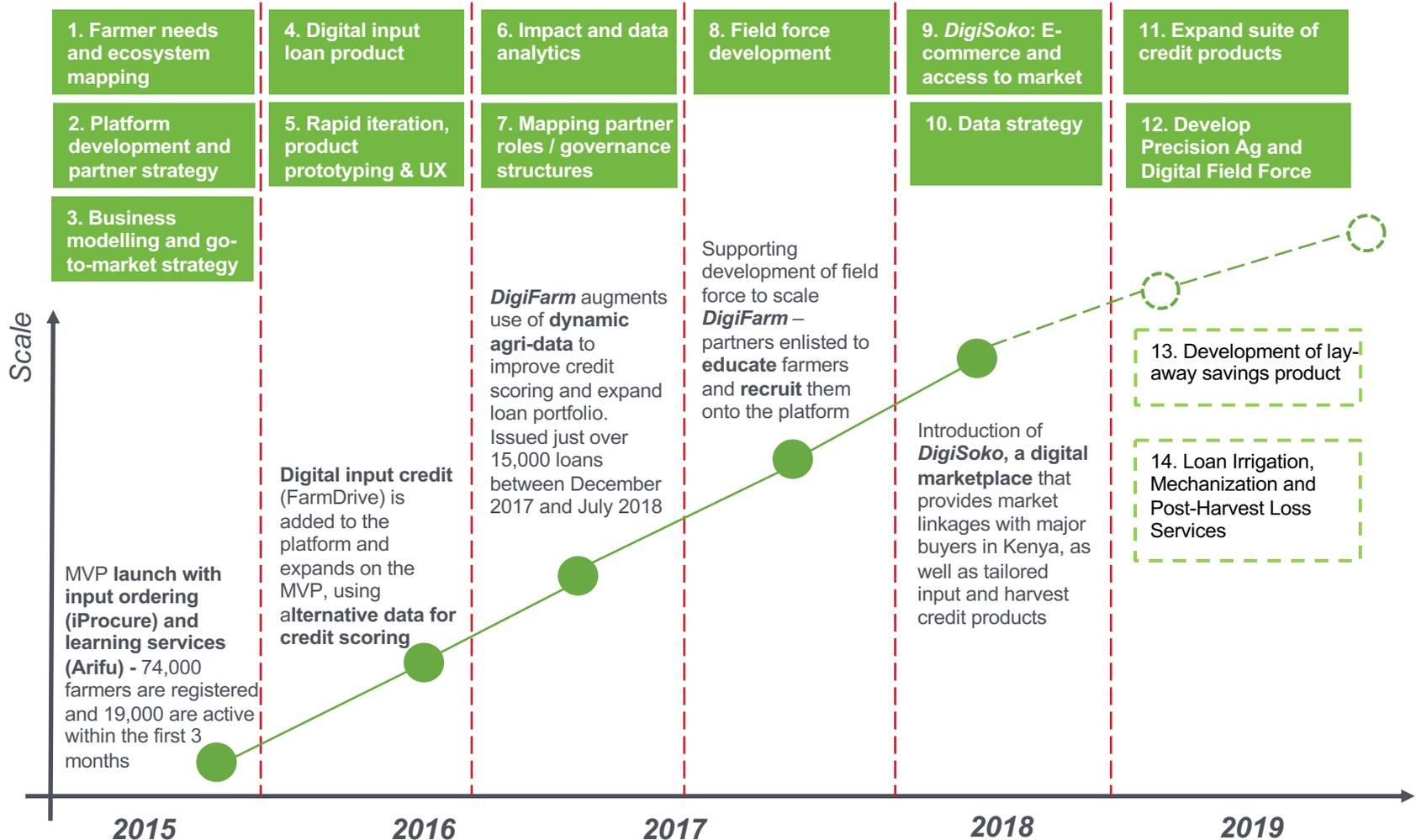
Key: Current services Planned services

DigiFarm is owned and led by Safaricom, drawing on a wide range of capabilities from other partners

The **integrated** nature of the platform and its **intensive use of digital data** seeks to leverage each partner's strengths, **reduce risk** for each partner, and **drive higher revenues** across the partnership

						
Core activities	<ul style="list-style-type: none"> Manage platform and provide payment services, communications, 	<ul style="list-style-type: none"> Provide low cost inputs to farmers through input depots 	<ul style="list-style-type: none"> Manage loan book, including application, credit scoring, approval, and repayment 	<ul style="list-style-type: none"> Provide learning content for farmers on platform 	<ul style="list-style-type: none"> Provide learning content for farmers on platform 	<ul style="list-style-type: none"> Digital and video learning content Web-based budgeting tool Call centre support
Revenues	<ul style="list-style-type: none"> M-Pesa transaction fees Interest income Market access trading fees 	<ul style="list-style-type: none"> Fees on input sales 	<ul style="list-style-type: none"> Interest income and late penalties 	<ul style="list-style-type: none"> Content development Fees per active learner 	<ul style="list-style-type: none"> Content development Fees per active learner 	<ul style="list-style-type: none"> Content development Fees per active learner
Costs	<ul style="list-style-type: none"> Customer acquisition ATL/BTL marketing Tech development / maintenance Software licensing / hardware Customer service 	<ul style="list-style-type: none"> Cost of goods sold Warehousing/ delivery vehicles and logistics Tech platform Customer service BTL marketing 	<ul style="list-style-type: none"> Credit scoring and loan approval Loan management and administration Customer service 	<ul style="list-style-type: none"> Tech platform Data analytics Customer service 	<ul style="list-style-type: none"> Tech platform Data analytics Customer service 	<ul style="list-style-type: none"> Tech platform Data analytics Customer service

AFA has provided product innovation support in a phased approach across more than 25 engagements



* This slide is not an exhaustive list of support provided by AFA to Safaricom and its partners on DigiFarm

DigiFarm's journey in building an innovative digital platform provides key lessons to inform future replication of digital offerings for farmers (1 of 3)



Offering bundled services reduces costs and risk, and drives uptake and loyalty

From the start, *DigiFarm* intended to build a bundled service offering, layering on new services one by one.

These services included learning info, discounted inputs, and direct distribution channels for future sales. Including diverse and “end to end” services helped attract more customers and expanded the pool of individuals that could potentially benefit from the DigiFarm platform. Moreover, by offering a more holistic solution the efficacy and impact of each of the individual tools is reinforced, creating a more sustainable and resilient system



A platform approach can reduce development costs and crowds in diverse capabilities

Safaricom did not want to build out new service capabilities from scratch and instead made a “platform play” to leverage other service providers.

For example, the time and costs associated with building out logistics and infrastructure for distribution of inputs were high and would have taken Safaricom away from their core business. Instead, Safaricom has developed a versatile platform which diverse service providers can plug into and reach new markets with their products and services.



A farmer-centric / user experience approach is crucial to ensuring product-market fit

Designing a product with farmer value proposition front and center ensures product is tailored to farmer needs.

This is the case across HCD, pilot launch, UX design, rapid iteration and customer feedback loops. A responsive and knowledgeable tech team that can properly analyse and respond to feedback from the field is an instrumental part of building and maintaining a farmer-centric approach.

DigiFarm's journey in building an innovative digital platform provides key lessons to inform future replication of digital offerings for farmers (2 of 3)



Trusted, high-touch channels can drive customer uptake and improve stickiness

Farmers respond best to trusted channels – in particular other farmers. Also, having reliable physical touchpoints for in-person engagement makes a difference.

Enlisting farmers or group leaders is most effective for successful marketing and registration. iProcure's network of depots enabled *DigiFarm* to take its product to more people. In-person interaction at the depots provided a forum for engagement with farmers to explain how the system worked. This allowed *DigiFarm* to establish trust and credibility in its platform with its customers



Patient capital and a process of trial and adjustment is crucial in underserved markets

Patient capital enables immature markets to be developed, a process that takes time and requires iteration.

DigiFarm used its platform to first develop buy-in and trust from farmers through its educational services and input purchases and only moved forward to lending in the second phase of the project.

Thereafter different lending approaches were trailed to identify the best way to successfully lend to smallholder farmers. This process provided time to adjust the platform and identify further additions that would be needed to potentially de-risk lending in the future



Establishing the value of data upfront is critical to expanding financial access

Putting data at the forefront –is essential for digital finance services in agriculture. *DigiFarm* has the potential to be a major data platform but the intricacies of data sharing continue to be a challenge.

DigiFarm's data platform has the potential to provide lenders with new insights and information on farmer businesses, which provides an alternative credit score to use in assessing lending viability. *DigiFarm* aims to further expand the quantity and quality of data collected in order to expand loan sizes for smallholder farmers.

DigiFarm's journey in building an innovative digital platform provides key lessons to inform future replication of digital offerings for farmers (3 of 3)



Building a robust and transparent partnership structure is key for success

DigiFarm's partnership was based on a clearly mapped out set of required inputs and expected returns, which helped partners move forward in trust and with an awareness of each partner's responsibility.

All partners had clear value propositions for the solution, and MoUs were signed to ensure roles/responsibilities were outlined and each partner could identify a separate commercial revenue stream within the solution. This transparency was critical to enable each partner to achieve individual goals while still working towards the longer-term shared goal of the platform itself



Credit scoring for smallholders can benefit from diverse mobile and farm-level data

DigiFarm can leverage Safaricom's extensive mobile transaction data as well as purchase / sales history with partners on the DigiFarm platform. Traditional banks are reluctant to leverage this data, while specialist digital lenders are filling the gap.

A digital data trail of crop input purchases and/or sales objectively verifies a farmer's track record working with a given crop. A history of purchases and sales with other actors in a given value chain indicates the ability to honor agreements. Such digital transactional data, as well as other digital data that is directly relevant to farming (i.e. satellite and weather, e-learning, etc.), can be used for digital credit scoring



Loan product structure is critical given farmer income is lumpy and volatile

Loans require longer tenors and flexible repayment structures to match crop cycles. Appropriate structuring can significantly increase repayment rates.

DigiFarm found that farmers were often falling behind on its 30 day loan product. However, actual defaults were quite low, as many farmers would pay in later months when they harvested their crops. DigiSoko is currently piloting a three-part loan product, with a cash loan at planting (to cover labor and other costs), as well as a later cash loan at harvest to ensure farmer have cashflow to get their produce to market

Leveraging a bank to build an ag platform

The AgriFin Accelerate Program worked with the ZANACO team to identify the opportunities to drive **transactional volumes** and **long term client acquisition** for its digital customers in smallholder farming

3

innovation
opportunities for
ZANACO

1. Offering a holistic suite of financial services – full value chain financing

How can Zanaco leverage its digital platform to extend digital financial services (DFS: credit, savings, insurance, and payments) to smallholder & emerging farmers?

Includes both farmer accounts (digital banking dept.) and corporate accounts (commercial and agriculture banking dept.)

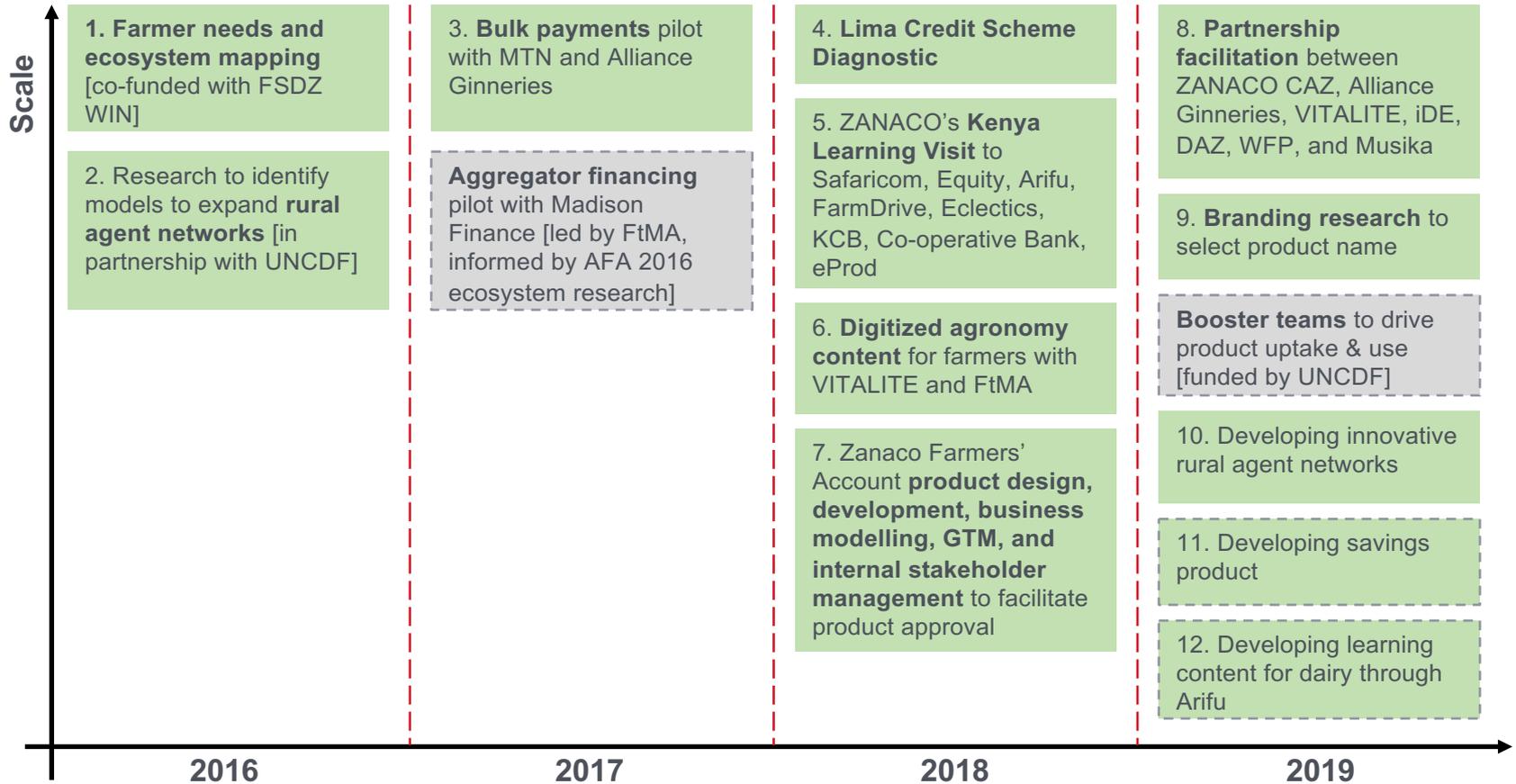
2. Empowering farmers to grow

How can Zanaco work with partners to extend access to information and markets in order to enable smallholder and emerging farmers to improve their overall income and productivity? This increases customer "stickiness" to Zanaco

3. Expanding Zanaco's agent footprint

How can Zanaco leverage the agrodealer network in to deepen its reach in peri-urban and rural Zambia?

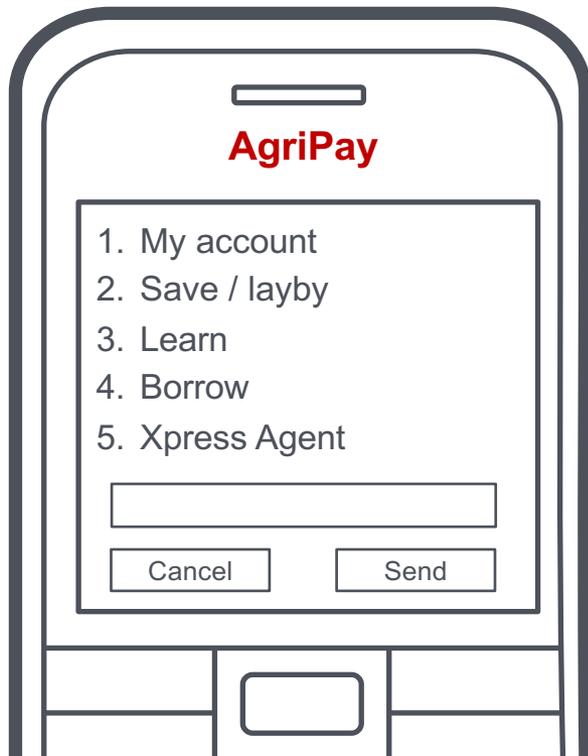
AFA has provided product innovation support in a phased approach across more than 10 engagements over the past 2 years, leading to the design and launch of AgriPay



FSDZ WIN: Financial Sector Deepening Zambia, Women's Financial Inclusion Programme
UNCDF MM4P: United Nations' Capital Development Fund, Making Markets Work for the Poor
WFP: World Food Program **FtMA:** Farm to Market Alliance **CAZ:** Cotton Association of Zambia
GTM: Go to Market Strategy **DAZ:** Dairy Association of Zambia

AgriPay is a holistic customer value proposition that includes account opening, access to markets, access to agronomic information, and suite of digital financial products for farmers

Minimum Viable Product (MVP)

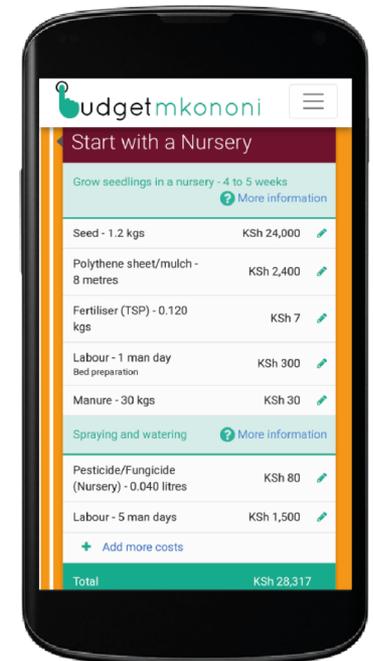
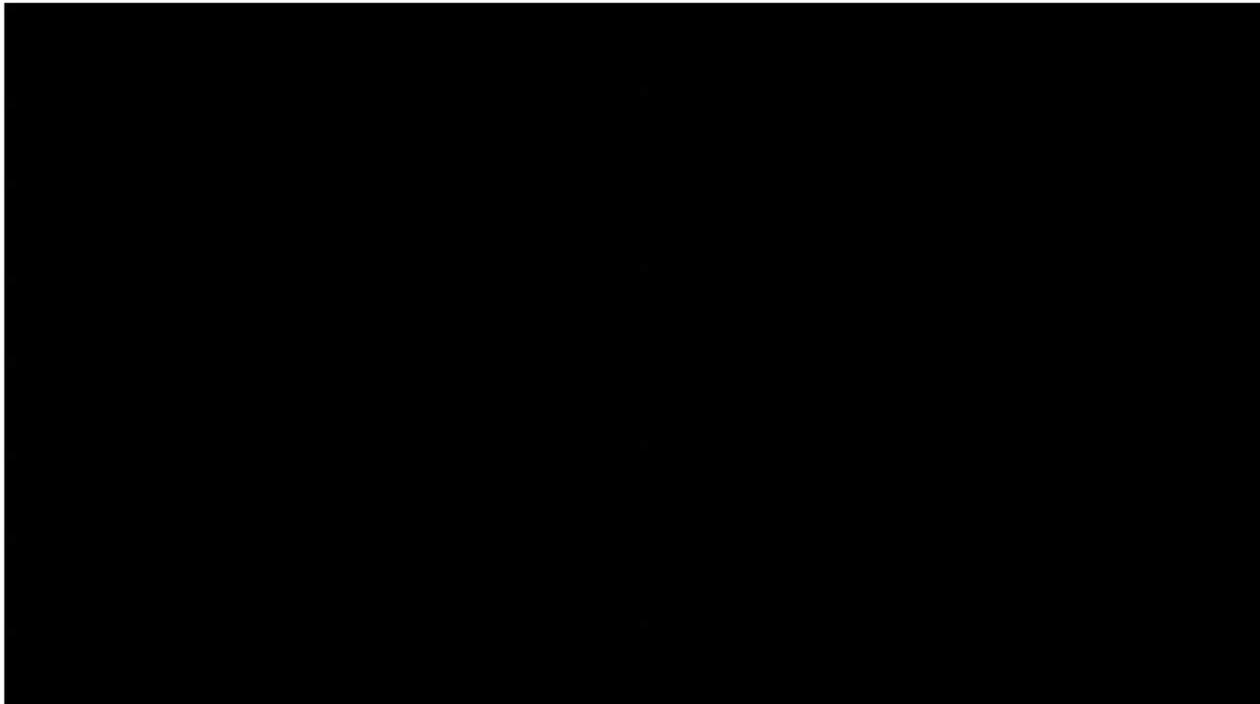


Brief description of MVP Features

- 1. My account**
This is a zero-cost transactional account that allows oftakers to pay farmers; there is no maintenance fee
- 2. Save / layby**
This is an interest-earning account that allows farmers to save towards an identified goal (inputs, school fees, asset purchase etc.)
- 3. Learn**
Zanaco will partner with Arifu to provide easy access to educational informational content for smallholder farmers, via SMS.
- 4. Borrow**
Based on transactional history with the bank and other partners, ZANACO will be able to extend general micro-credit to smallholder farmers.
- 5. Xpress Agent**
ZANACO is recruiting agribusinesses, aggregators, cooperatives, agrodealers, distributors, savings groups and farmer groups as agents to expand rural footprint. Growing the agent network is critical for successful uptake and use of the product

Use of TV and social media channels for farmer capability building

Don't Lose the Plot (DLTP) was a pilot agricultural support platform built around a weekly television program that followed the lives of select youth farmers. DLTP aimed to increase youth interest and participation in agriculture as a viable business in Kenya, Tanzania, and Uganda. DLTP was complemented by an online budgeting tool “**Budget Mkononi**”



Significant reach and impact on farmer productivity

4.1M

- 1.4 high-intensity viewers (>6 episodes);
- 1.7 million viewers in Kenya;
- 2.4 million viewers in Tanzania

15,000

downloads of the budgeting tool

80%

viewers considered farming as a viable source of income after watching DLTP

“It actually **made me think that farming can be a great source of employment** if you work hard. It can give good products and profits. Considering that those are young people who have decided to venture into it and considering what they did there, **it is not actually for the low class.**”

- James, Nairobi, Kenya

“I am used to doing one type of farming where I depended on the rain. Through watching the program “Don’t Lose the Plot”, **I saw you can also start doing irrigation farming** and life will continue.”

- Ondieki, Morogoro, Tanzania

Key takeaways

Business case for platforms:

- ❑ **Platforms mitigate the inherent risk** in smallholder financing by allowing multiple players to plug-and-play into an ecosystem
- ❑ Platforms drive **scale**

Go-to-market strategies:

- ❑ **Technology is an enabler but human interface is still critical**; create product awareness and interest through trusted channels e.g., village agents
- ❑ **Trusted & high-touch channels** such as farmer associations and outgrower schemes can play a significant role in drive product uptake e.g., in farmer organising, sensitisation, training and driving general product uptake
- ❑ **Sensitisation is key** to ensure farmers are ready to adopt digital products.

Product design:

- ❑ **Customer-centric research** is important to inform the product design process, defining the business case, and selecting the right go-to-market strategy for products targeting smallholder farmers, a segment that is often de-prioritized by commercial entities
- ❑ **Adopting an agile** approach allows for the provide to address the end-user's needs, hence delivering business value which drives adoption



Thank You!