



AGRIFIN ACCELERATE

Tackling the Rural Agent Network Challenge: 10 Cases & Learnings

Leesa Shrader & Christabell Makokha
AgriFin Accelerate Program

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Case Contents

01 AFA Program & Project Background

02 Case Study Findings

(i) Approach

(ii) Business Models

(iii) Lessons Learned

03 Summary and Recommendations

01 AFA Program & Project Background

AFA Program Objectives



THE GOAL

1 Million Farmers Increase Productivity & Income by 50% Leveraging Technology

AgriFin Accelerate is a 6-year, \$25 million program working in Kenya, Tanzania and Zambia

AgriFin Accelerate will **support the expansion of digital financial services to one million farmers in Sub-Saharan Africa over six years, delivered by growing ecosystems of diverse service providers.**

TARGET GROUP

AgriFin Accelerate's underserved **smallholder farmers** living on less than **\$2.50/day**

With outreach to 50% women & youth focus



Approach: Innovation Focus



**FOCAL AREAS FOR
INNOVATION**

Products & Services for SHF

Last Mile Distribution

Farmer Capability Tools

Technology Start Up Acceleration

Alternative Data & Credit Scoring



Project Background: Zambia

Background

- Zambia is AFA’s “pioneer” country with population of 16 million, **60% living in rural areas**
- 60% of adults are financially included and **35% actively use DFS** (including both accounts and OTC payments)
- Zambia just over **11,000 active DFS agents and very few in rural areas** (UNCDF 2017)
- There are multiple DFS providers in Zambia, Zoono having the largest market share and MTN the highest number of agents
- Zambia has specific rural challenges: very sparsely populated, with 1 primary annual harvest
- Working in an AFA-UNCDF technical partnership, **this study aimed to identify successful cases of rural agent development** around the globe to support **Zambian market stakeholders**



% of adults with active DFS accounts –

18% **



% of adults with active mobile money accounts –

8% **



Number of active agents –

11,025 **



Number of ATMs –

998 *

DFS Account – Active customer accounts refers to customers that have performed at least one Person to Person payment, bill payment, bulk payment, cash in to account, cash out from account, or airtime top up from account for at least the past 90 days using a digital channel e.g. mobile phone, internet, card or agent

** Source – UNCDF, * Source – Bank of Zambia data

02 Case Study Approach & Findings

Approach: 10 agent networks selected for review (1/2)

Case study	Reason for selection
 <p>Kenya</p>	<ul style="list-style-type: none"> Safaricom owns Kenya's largest mobile money network built by outsourcing this to exclusive 3rd party master agents PEP is Safaricom's largest master agent, formerly exclusive but now shared as legislation now bans this
 <p>Zimbabwe</p>	<ul style="list-style-type: none"> EcoCash built its own agent network EcoCash also operates a seasonal model, providing bulk payments services to cotton farmers, twice a year
 <p>Tanzania</p>	<ul style="list-style-type: none"> Selcom is a 3rd party payments aggregator that allows providers (e.g., MNOs) to plug-in to their agent network Selcom was originally exclusive, then moved to a shared model due to demand and regulatory enforcement
 <p>Uganda</p>	<ul style="list-style-type: none"> EzeeMoney is a 3rd party payments aggregator that allows providers (e.g., MNOs) to plug-in to their agent network 65% of agents are located in rural areas

Approach: 10 agent networks selected for review (2/2)

Case study	Reason for selection
 <p>Yo! YO UGANDA LIMITED Uganda</p>	<ul style="list-style-type: none"> Yo! is a tech company that developed a 3rd party agent network for coffee bulk payments for on behalf of MTN Yo!'s is exclusive to MTN but may move to a shared model
 <p>tigo cash Rwanda</p>	<ul style="list-style-type: none"> Tigo Rwanda built its exclusive agent network by hiring internal master agents and recruiting 3rd party master agents Tigo incorporates a roving agent model, to reach rural customers
 <p>cellulant Nigeria</p>	<ul style="list-style-type: none"> Cellulant is a DFS company which facilitated G2P payments in Nigeria but was unsuccessful as these were seasonal (quarterly) payments and did not offer a strong enough value proposition to agents
 <p>Ruma Rekan Usaha Mikro Anda Indonesia</p>	<ul style="list-style-type: none"> Ruma is an Indonesian social enterprise which applies a roving agent model to sell products to organized savings groups through their group leaders
 <p>Bim Peru</p>	<ul style="list-style-type: none"> An MNO which partnered with the government to rove on a boat and make G2P payment to citizens living along the Amazon River

Approach: Core Questions

1

What strategies have worked for agent network expansion in rural areas, particularly in low population density contexts?

2

Who are the best master agents for client acquisition?

3

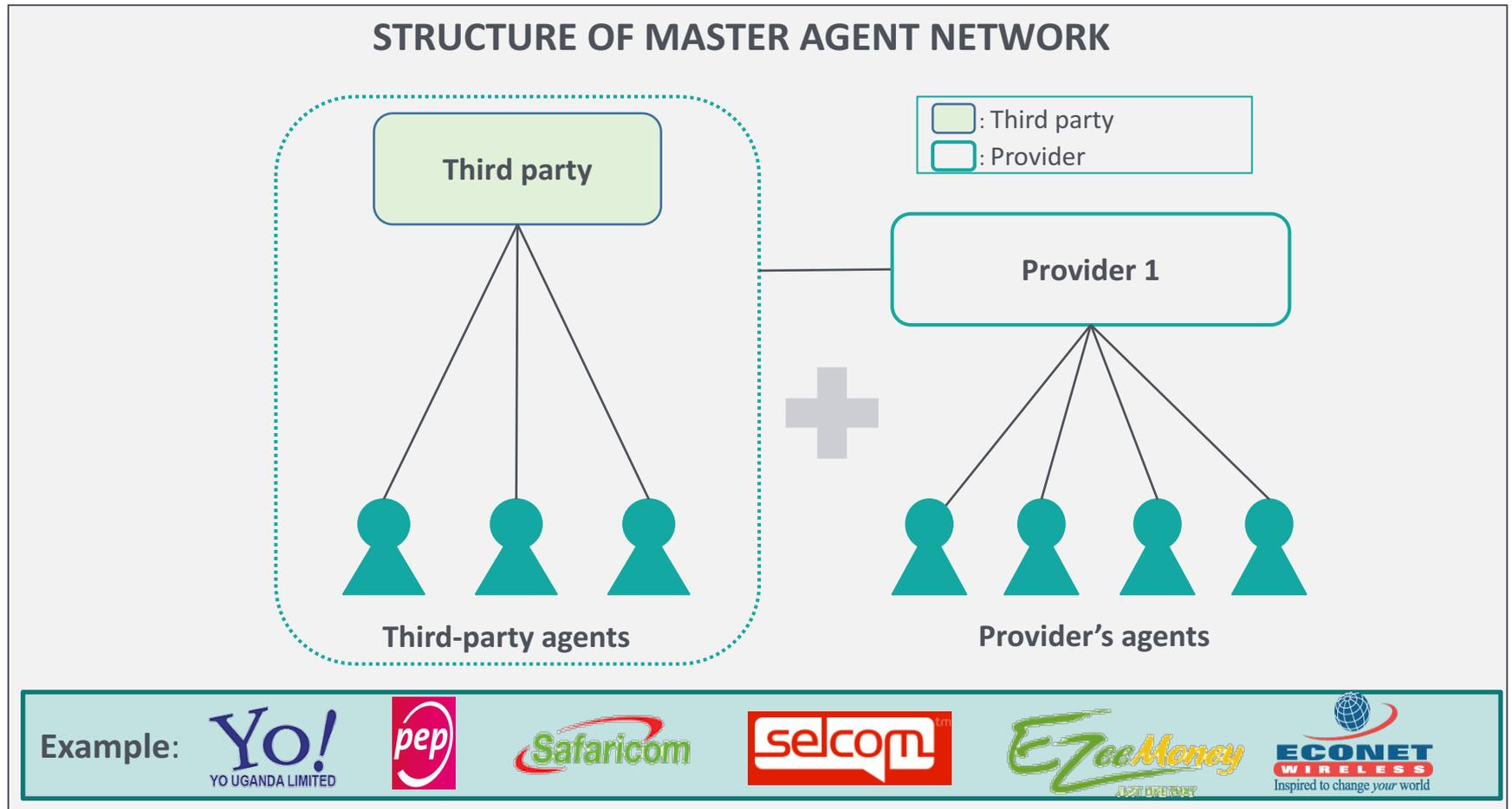
Who are the best & worst master agents for liquidity management?

4

What specific master agent incentives have worked for rural areas?

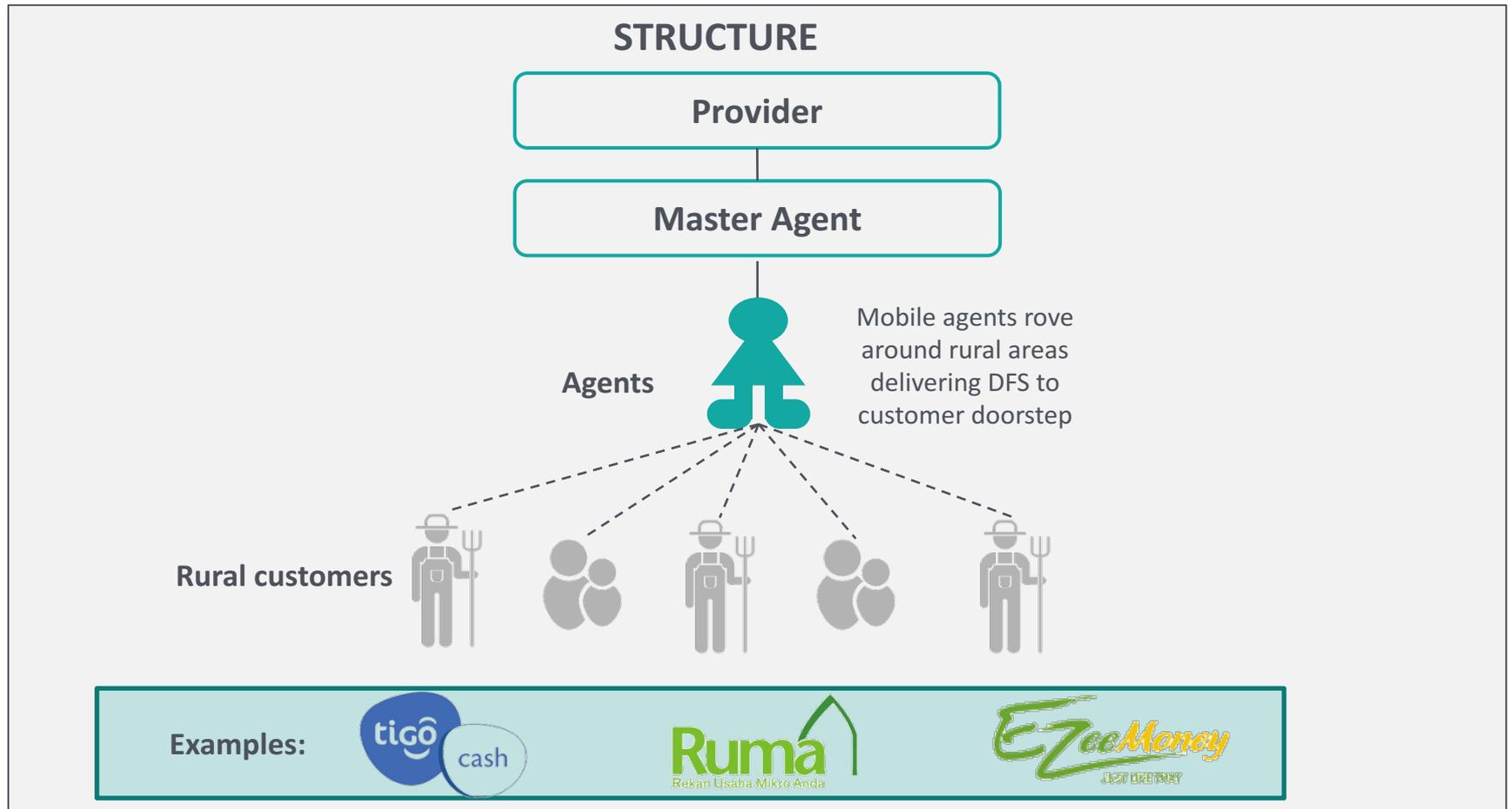
Strategies for Rural Network Development

Most DFS providers engage a 3rd party and/or master agent to build and operate their agent network in rural areas



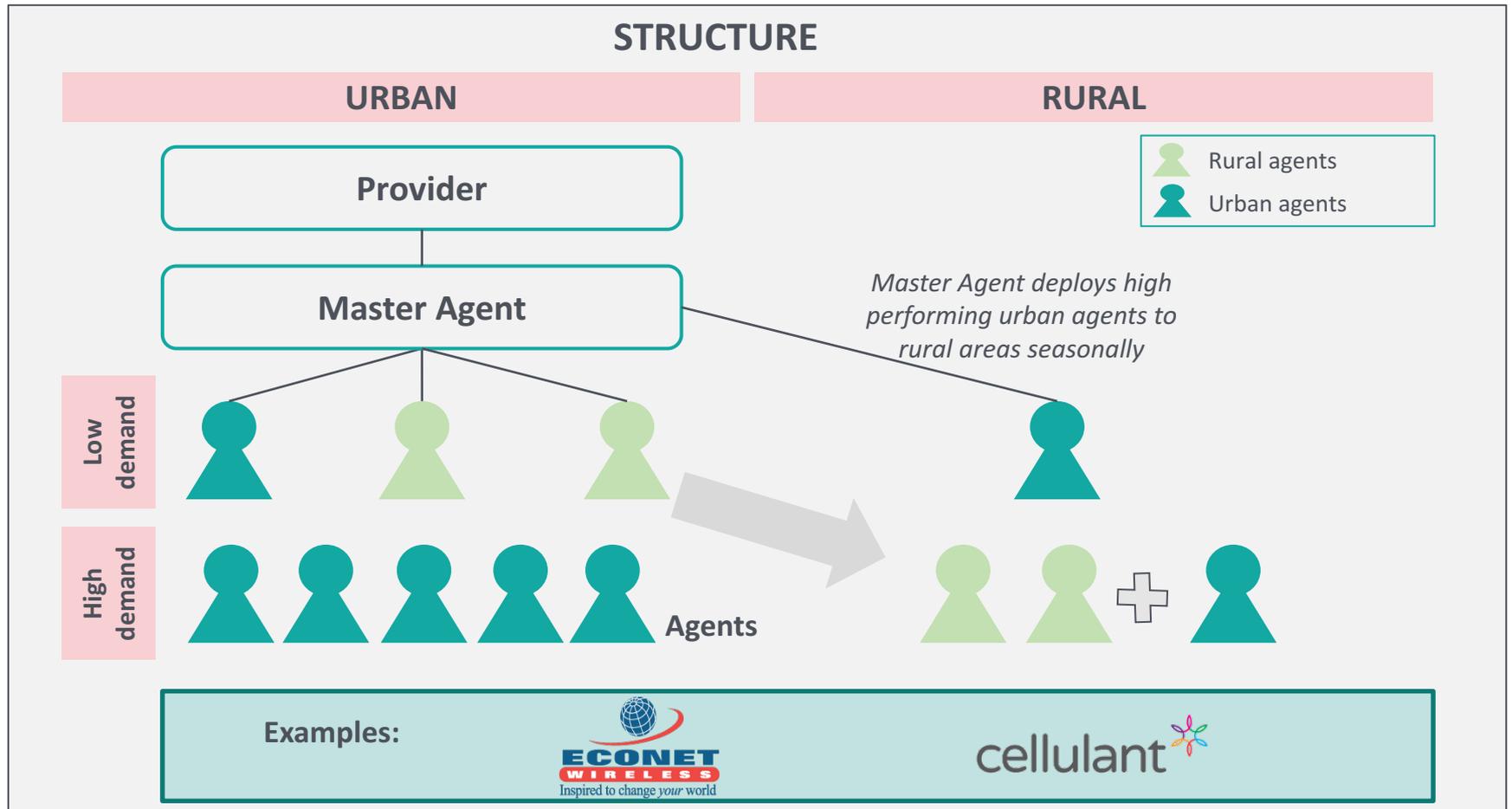
Strategies for Rural Network Development

Some providers also offer roving agents bringing DFS to the client



Strategies for Rural Network Development

Seasonal agents are deployed for financial services surges



Selection of good master agents

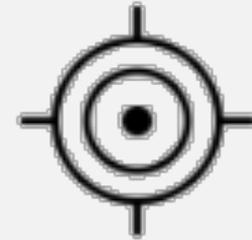
Common characteristics of good master agents are primarily centered around their dependability



Trusted



Liquid



Focused



Low barrier to entry



**Access to ready
customer pool**

Selection of good master agents

Most DFS providers prefer to engage fewer, larger master agents such as supermarket, petrol stations etc.

Pros

- ✓ Able to scale the agent network by recruiting a large pool of agents
- ✓ Likely to have sufficient capital to provide liquidity support smaller agents
- ✓ Have experience in liquidity management
- ✓ Have access to a wider customer pool
- ✓ Reduce the agent network operational cost

Cons

- ✗ Re-investment into the agency business is not guaranteed
- ✗ May get too powerful and negotiate for higher commissions



Strategies for managing liquidity in rural areas

Banks with existing rural presence/a rural expansion strategy, post offices & large retailers can provide liquidity partnerships if focused

Banks with existing rural presence and a rural expansion strategy

- › EcoCash uses banks with rural reach to support with agent rebalancing and acquired a bank to also provide working capital loans to its agents
- › Where banks do not have rural outlets, EzeeMoney uses a roving model on specific days and times as done by in partnership with the Rural Dev. Bank

Post Offices:

- › EcoCash partnered with post offices because of their high rural penetration (mobile money provided a new revenue stream for post office)

Large retailers:

- › Safaricom, EcoCash and EzeeMoney prefer to select large non-dedicated businesses to serve as master agents as they have adequate cash flow to meet agents' liquidity needs and the financial expertise to manage liquidity
- › On the contrary, Tigo does not select big retail businesses as master and super agents as they were found not to invest into growing the mobile money business and even took money out of agency to finance competing business lines
- › EcoCash and Safaricom avoid recruiting agents and master agents running low cash flow outlets, such as hair salons and mom and pop shops, as they struggle to meet the cash out needs of customer

Professional management firms

- › Yo! outsources liquidity management to a professional firms that monitor agent liquidity and support agents in re-balancing their float. This channel may be most attractive in rural areas lacking other liquidity management infrastructure



Strategies for master agent support and incentives

Agent receive continuous support, from identifying opportunities in rural areas, setting up, and running the agency

Mobile Money Operator	Incentive for agents	Mobile Money Operator	Incentive for agents
	Conduct feasibility studies and develop a business case for agents to operate in target areas		Provide liquidity management support by lending e-float to agents
	Provide detailed training on agency operations		Provide both ATL and BTL marketing on agents' product offering
	Provides transportation from village to village every two weeks to serve customers		Identifies and address agent pain points e.g., subsidizes the cost of security grills and CCTV cameras
	Offers higher commissions to their rural agents in comparison to urban agents		

Strategies for selecting the right master agent for scale, client acquisition and service (1 of 2)

Master agents with local experience, enough capital, and trusted brands are typically more successful

Qualities	Key Insights
<p>Experience</p>	<p>Master agents that exhibit good knowledge and experience of the agent network business can assist providers to roll out and scale in rural areas. Experienced master agents reduce the cost burden for training, and can be used to train incoming agents</p> <ul style="list-style-type: none"> • Selcom and Tigo Cash only select master agents from pool of top-performing agents. As such agents help to sustain quality performance, and set high standards for subsequent agent selections
<p>Established operations and brand</p>	<p>Master agents with established operations within the communities being served are trusted and can successfully acquire clients and agents. These agents are also able to understand the language and idiosyncrasies of the people in their communities</p> <ul style="list-style-type: none"> • Safaricom’s rural master agent recruitment strategy targeted established businesses that had built positive relationships within the local community. The company’s internal sales team conducted due diligence in prospective growth areas to identify such master agents • EzeeMoney also used local entrepreneurs as master agents <p>Master agents working within third party distribution networks or within established brands have access to an existing customer base, easing the barriers to entry</p> <ul style="list-style-type: none"> • EzeeMoney successfully established an airtime distribution network using Coca Cola retail agents
<p>Dedicated agents</p>	<p>Dedicated mobile money master agents make good master agents as they are more focused on providing DFS services</p> <ul style="list-style-type: none"> • Tigo Cash prefers to use dedicated master agents

Strategies for selecting the right master agent for scale, client acquisition and service (2 of 2)

Master agents with local experience, enough capital, and trusted brands are typically more successful

Qualities	Key Insights
In-house agents	<p>Alternatively, client acquisition can be performed as an internal function by the provider</p> <ul style="list-style-type: none">• EcoCash and Yo! both hired internal sales teams to recruit and educate customers about their products, to ensure that high standards are maintained during the first interaction between the provider and customers• Initiatives such as customer self registration are being tested by EcoCash
Sufficient capital	<p>Financially stable master agents reduce the cost to finance liquidity and assets in the network. Such master agents can purchase their own POS terminals and manage their own and other agents' liquidity needs</p> <ul style="list-style-type: none">• Tigo and Selcom require that their master agents have sufficient capital to maintain inventory and e-float• EzeeMoney requires that master agents have sufficient human resources and infrastructure to adequately serve customers• Eco Cash and Safaricom tend to select big retailers (mostly super markets) to be their super agents as these retailers have strong liquidity and good rural reach. On average these master agents need US\$1,000 minimum e-float to be signed up

Products that drive scale in rural areas

Products	Key findings
	<p>Airtime is the first product to scale in rural areas as it helps users to meet communication needs, both in normal and emergency situations. Most providers have been able to provide airtime top-ups using e-wallet or vouchers</p> <ul style="list-style-type: none"> • M-Pesa, EzeeMoney, Tigo Cash and Selcom sell airtime as value add to agents and customers • Safaricom provides short-term airtime credit (I.e., Okoa Jahazi tariff) based on users' airtime usage data and potential to repay. Amounts can be as low as US\$ 0.10 and as high as US\$1.00
	<p>Frequent bulk payment services help capture demand and drive scale in heavy-agricultural rural areas.</p> <ul style="list-style-type: none"> • Yo! Uganda provides bulk payment services to farmers on behalf of a coffee company in western Uganda to create demand for DFS • Tigo Cash facilitates transfer of bulk payments from SACCOs to farmers' e-wallets - the success of this product has seen Tigo Cash nominated for a GSMA award
	<p>P2P payments have been driven by urban-rural remittances</p> <ul style="list-style-type: none"> • EcoCash provides international remittances service between Zimbabwe and South Africa (over 2 million Zimbabweans live in South Africa) to grow local transactions particularly in rural areas • Peer to peer lending is popular with Eco Cash customers. Customers do this due to lack of a P2P credit facility
	<p>G2P services, mostly as pensions payouts and revenues collections have driven scale for providers with good relationship with local and national governments</p> <ul style="list-style-type: none"> • EzeeMoney assists county governments in Uganda to collect revenues in return for commissions • Roving boats agents in Peru provide government pension payments to villagers in cycles of 40 – 60 days

03 Summary and Recommendations

Summary of key learnings

Based on these case studies, we have identified the following three crucial steps providers have taken to scale rural reach:

1. Establish Business Case

Across all case studies, providers have **established the business case for the network** before rolling out:

- › Safaricom uses its regional sales teams to conduct feasibility studies in target areas before liaising with master agents to set up M-Pesa outlets
- › EzeeMoney uses its sales and distribution teams to scan demand in the ecosystem and set up the first 100 agents for each master agents to manage and grow
- › Tigo Cash supports master agents (team leaders in this case) to determine regions where customers need agent services before deployment

2. Train Agents

After establishing the business case (and aggregating products/ services), providers typically **recruit and train agents** in readiness for deployment

- › Providers typically select master agents from a high performing pool of agents and require that they have sufficient capital to run the business
- › Major providers like Selcom and Safaricom then train the master agents on how to use POS terminals, conduct transactions, manage liquidity and approach customer service

3. Develop Go-to-Market Strategy

The next step is usually to **develop a vibrant customer activation and channel management team** as well as a backroom staff

- › Customer activation usually involves providers running powerful campaigns to build awareness of the brand and products/ services
- › Providers like Eco Cash also use their sales team to identify the correct agents by engaging community leaders, the community and by observing market trends
- › Providers like Safaricom carry out radio and TV commercials to activate customers

Recommendations moving forward

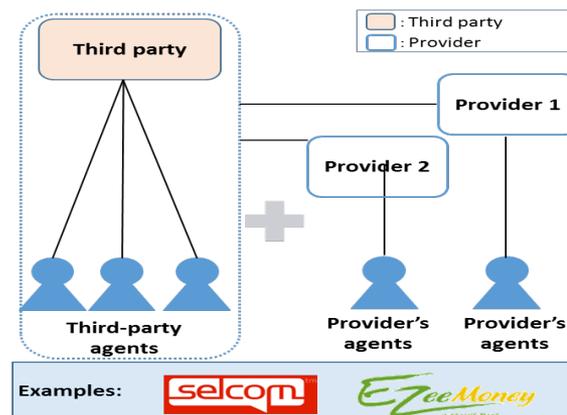
In collaboration with UNCDF MM4P program, AFA developed this case to support the Zambian DFS ecosystems to build robust rural agent networks, driving financial inclusion

Recommendations

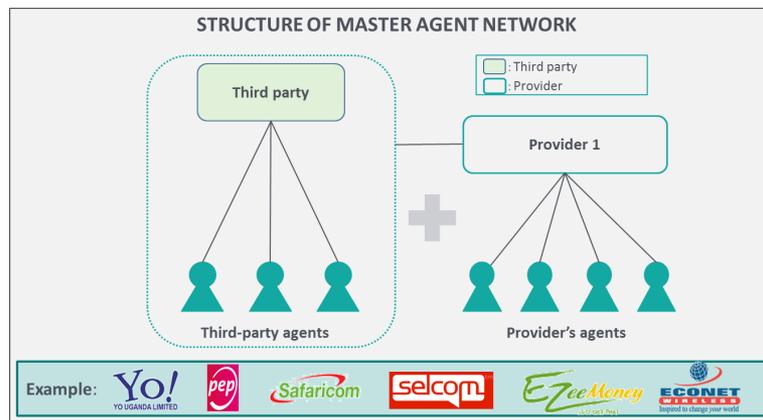
- ✓ Pursue partnerships (bank, MNO, master agents) to build toward viability in sparsely populated areas
- ✓ Conduct market scans to identify master agents with trust, infrastructure, and liquidity
- ✓ Determine if roving agent model meets Zambian regulatory approval
- ✓ Develop products that can drive adoption in Zambia, including rural solar
- ✓ Potentially build shared agent networks, as we have seen with Selcom, EZeeMoney and others

Proposed models

Shared Agent Network



Master Agent Approach





Thank You!