

# INNOVATIVE DISTRIBUTION NETWORKS: TACKLING THE RURAL AGENT CHALLENGE

AgriFin Accelerate (AFA) Zambia & UNCDF MM4P

April 7, 2017

# More than 20 organizations were engaged to provide information for this engagement

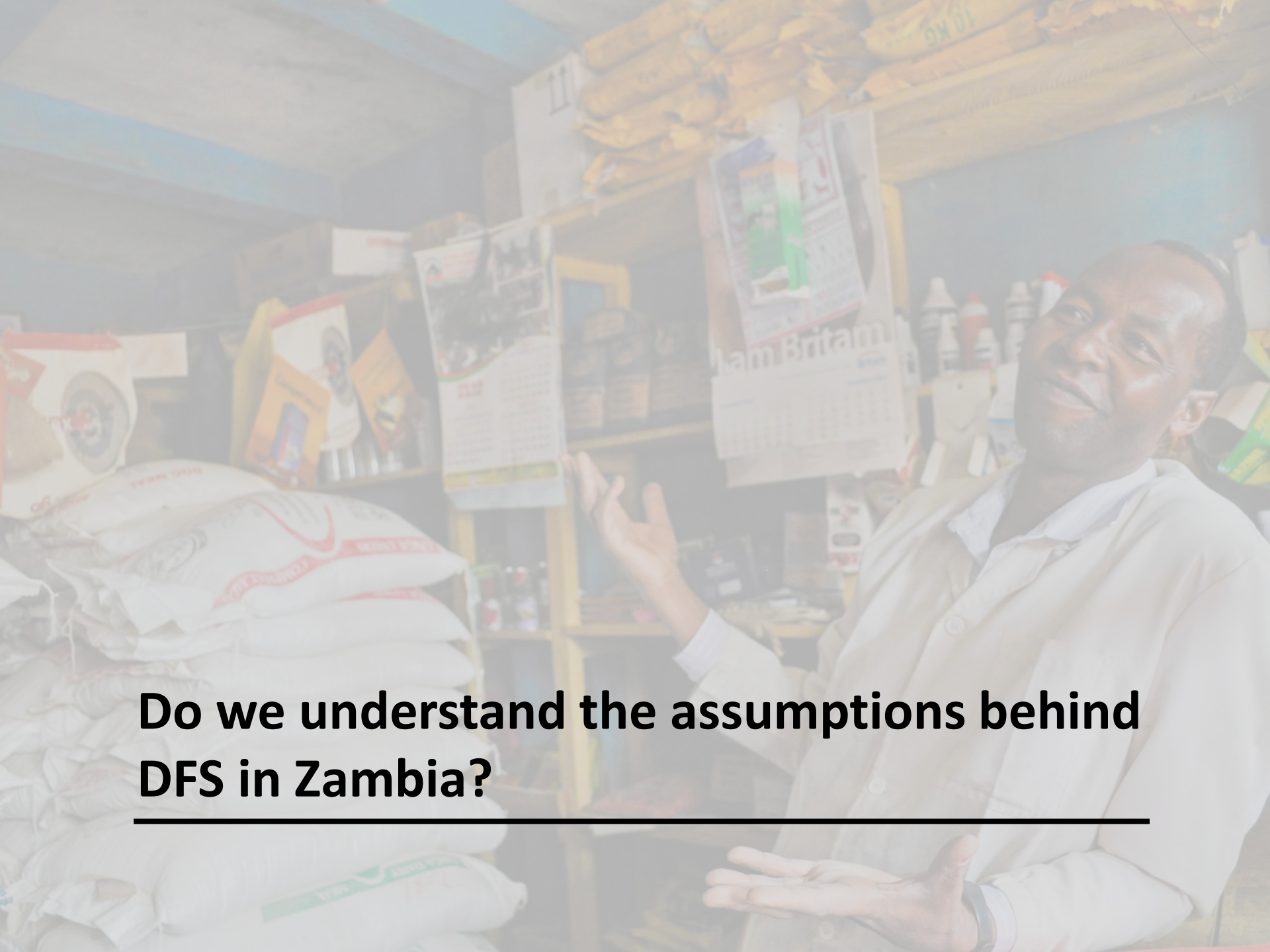
## Organization

1. AB Bank, Zambia	13. MicroSave
2. Airtel, Zambia	14. MTN, Zambia
3. BiM, Peru	15. PEP Intermedius, Kenya
4. CGAP	16. Pygma Consult, South Africa
5. Dalberg	17. RUMA, Indonesia
6. Digital Frontiers Institute	18. Safaricom Kenya Ltd.
7. EcoCash, Zimbabwe	19. Tigo Cash, Rwanda
8. EzeeMoney, Uganda Ltd.	20. Yo! Uganda Ltd.
9. Finca, Zambia	21. Zampost, Zambia
10. GSMA	22. Zanaco, Zambia
11. IFC	23. Zoono, Zambia
12. Investrust, Zambia	

## Workshop Objectives

- 1. Share key lessons learnt from DFS distribution models based on global case studies**
- 2. Together with key service providers in Zambia, discuss and identify suitable DFS distribution models applicable to Zambia**
- 3. Potential pilot partnerships to improve agent network challenges**

Content	Time
<p><b>Do we understand the assumptions behind DFS in Zambia?</b></p> <ul style="list-style-type: none"> <li>• Introduction</li> <li>• Zambia DFS context</li> <li>• Supply side</li> </ul>	<p><b>10:00am – 10:15am</b></p>
<p><b>Did we get this right?</b></p> <ul style="list-style-type: none"> <li>• Feedback from audience</li> </ul>	<p><b>10:15am – 10:30am</b></p>
<p><b>What did we learn from global case studies?</b></p> <ul style="list-style-type: none"> <li>• Presentation of case findings to address challenges in Zambia</li> </ul>	<p><b>10:30am – 12pm</b></p>
<p><b>Q&amp;A with Selcom, Tanzania CEO</b></p>	<p><b>12:00am – 12:15am</b></p>
<p><b><i>BREAK</i></b></p>	<p><b>12:15am – 12:45pm</b></p>
<p><b>Which business models are worth a try?</b></p> <ul style="list-style-type: none"> <li>• Facilitated group discussions on business models for Zambia</li> <li>• Plenary sum-up and receiving feedback as well</li> </ul>	<p><b>12:45pm – 13:45pm</b></p>
<p><b>How can we help you tackle the rural agent challenge?</b></p>	<p><b>13:45pm – 14:00pm</b></p>



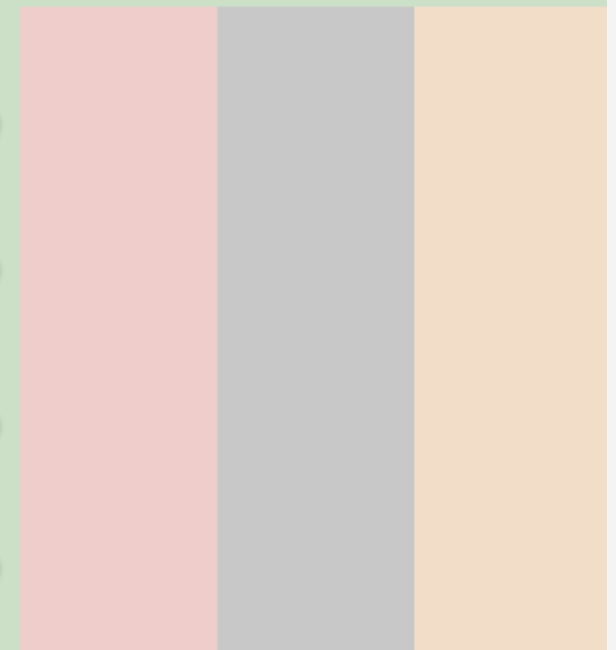
**Do we understand the assumptions behind  
DFS in Zambia?**

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# Of Zambia's population of 16 million, 60% live in rural areas, 60% of adults are financially included and 35% actively use DFS

## Quick Facts

<b>Population</b>	16.21 million
<b>Population density</b>	21.81 people/sq. km
<b>Rural population</b>	59%
<b>Urbanization rate</b>	4.3% per year
<b>Financially included Adults</b>	59.3%
<b>Adults actively using DFS (if OTC is included)</b>	35%
<b>Adults with active mobile money accounts</b>	8%



[www.MercyCorpsAFA.org](http://www.MercyCorpsAFA.org)

# Though it has improved significantly in recent years, the DFS is yet to penetrate the market in Zambia



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

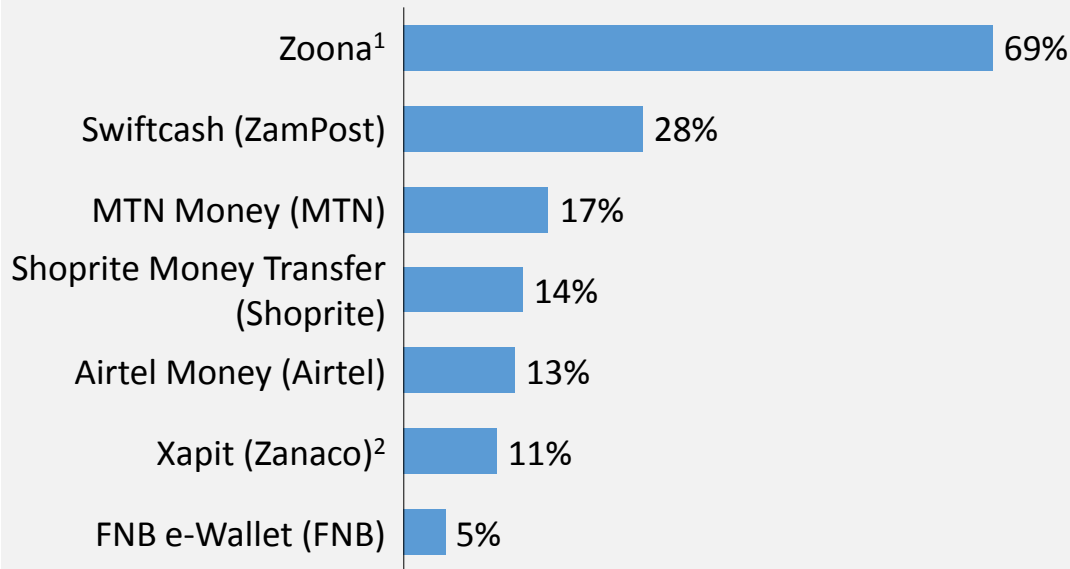
\*\* Source – UNCDF, \* Source – Bank of Zambia data

# There are multiple DFS providers in Zambia, Zoono having the largest market share and MTN the highest number of agents

## Provider mix and market share

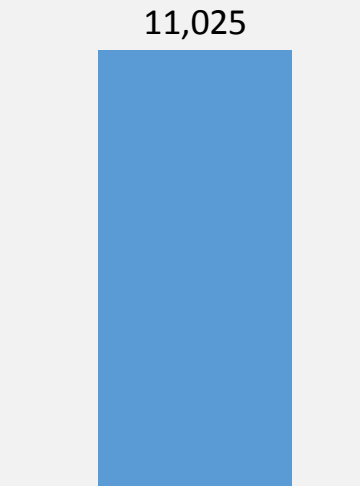
A number of players including banks, retail outlets and postal corporations provide DFS services in Zambia. However, OTC still dominates the DFS market

**Providers' DFS user market share (2015)**



**Notes:** <sup>1</sup>Zoono e-wallet has 1,000 users; <sup>2</sup>Actual usage of Xapit likely higher than this data source (ZITCA, Zambia ICT Report 2015)

**Number of active DFS agents**



**Note:** The breakdown of agents across providers is not available.

An effective DFS distribution network will need to address **Zambia's unique challenges: a heavily rural, very sparsely populated context, with 1 primary annual harvest, and a less developed MNO landscape**

# Demand and supply-side as well as ecosystem barriers have contributed to the slow evolution of DFS in Zambia

DEMAND	SUPPLY	ECOSYSTEM
<ul style="list-style-type: none"> <li>Lack of 'sticky' products</li> <li>Low awareness of DFS products</li> <li>Low digital literacy</li> <li>Few rewards and incentives for to encourage switching from cash</li> </ul>	<ol style="list-style-type: none"> <li>Limited commercially viable distribution channels with sufficient touchpoints particularly for rural populations</li> <li>Limited financial support to agents and merchants particularly with on-going liquidity management</li> <li>Few incentivizes for agents to expand in rural areas as well as low profitability for rural agents within the current commission structure</li> <li>Limited aggregation of products and services in order to maintain relevance and meet customers' needs</li> </ol>	<ul style="list-style-type: none"> <li>Insufficient (e.g. e-money) and stringent (e.g. KYC) regulatory guidelines that may not support the growth of DFS</li> </ul>





**WITH THE AIM OF UNLOCKING SUPPLY-SIDE BARRIERS, THE GOAL OF THIS STUDY IS TO IDENTIFY MODELS FOR BUILDING SCALABLE AND COMMERCIALY VIABLE DISTRIBUTION CHANNELS THAT CAN REACH RURAL POPULATIONS THAT ARE NOT FINANCIALLY INCLUDED**








## **What did we learn from global case studies?**

- **Presentation of case findings to address challenges in Zambia**
-

# 10 agent networks were selected and studied to assess how they managed to overcome similar barriers to those faced in Zambia

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

# 10 agent networks were selected and studied to assess how they managed to overcome similar barriers to those faced in Zambia

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

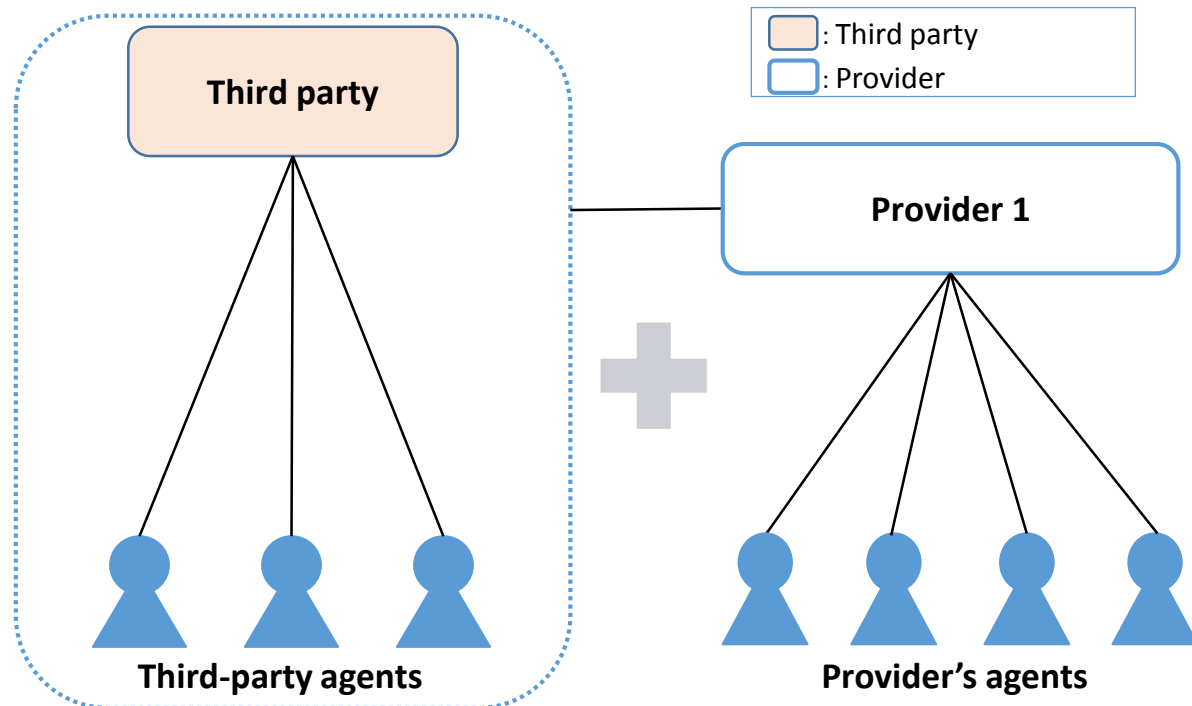
## Supply-side challenge 1

- 1 **Limited commercially viable distribution channels with sufficient touchpoints particularly for rural populations**

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

# Most of the DFS providers engage a 3<sup>rd</sup> party and/or master agent to build and operates their agent network in rural areas

## Structure

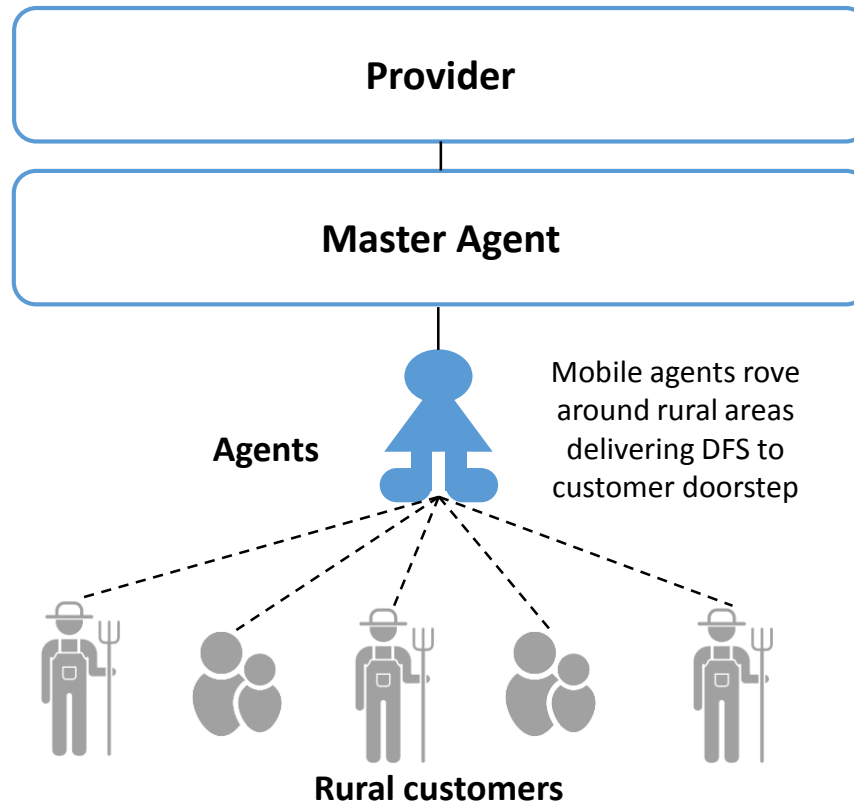


Example:



# Additionally, some providers offer roving services where agents bring DFS to the customer's doorstep in underserved areas

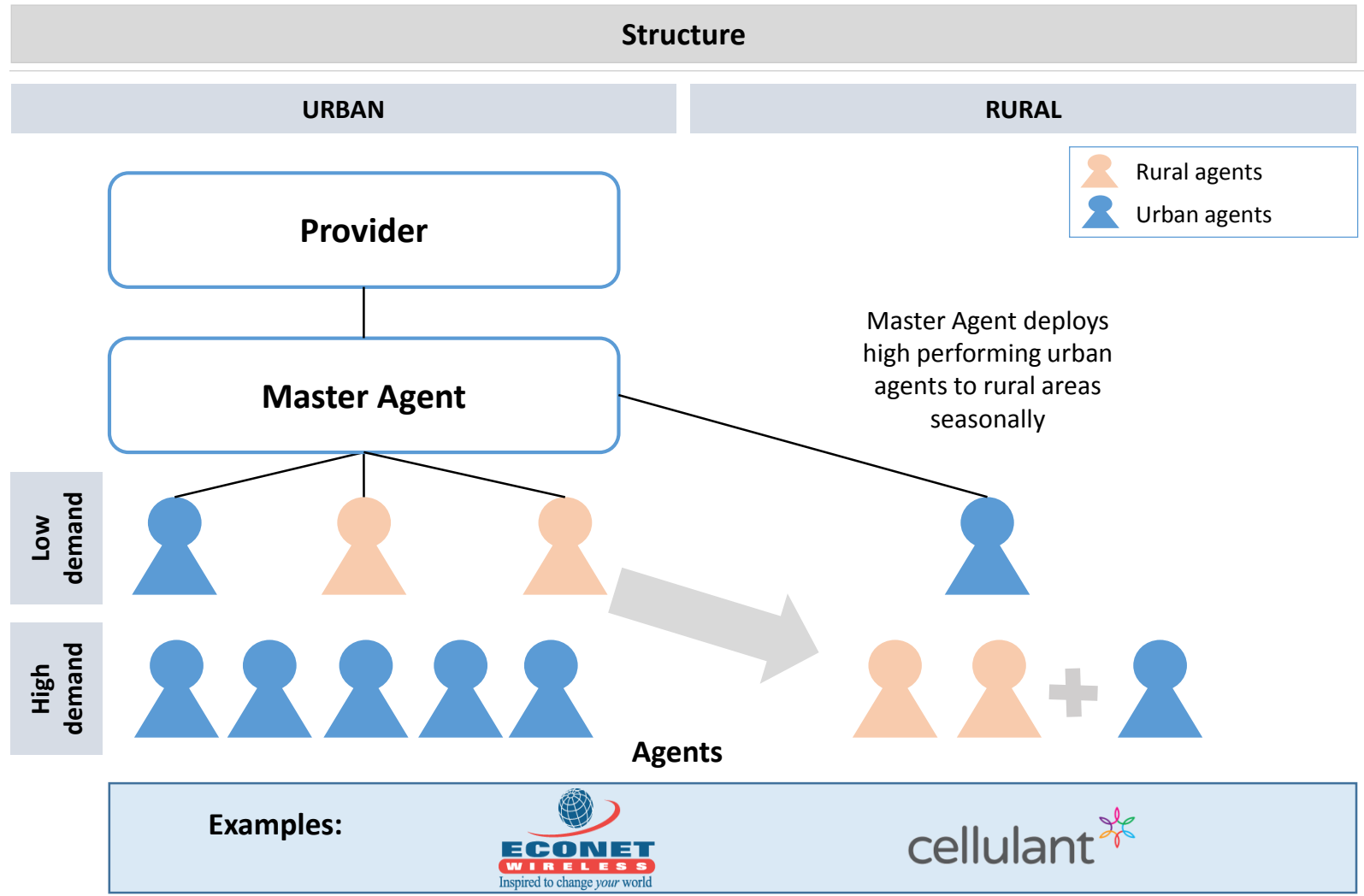
## Structure



Examples:



# Seasonal agents are deployed when demand for financial services surges for example bulk payments for produce



**Who are the best master agents for client acquisition?**



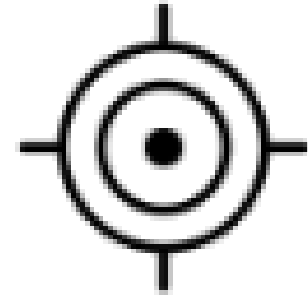
## Common characteristics of good master agents



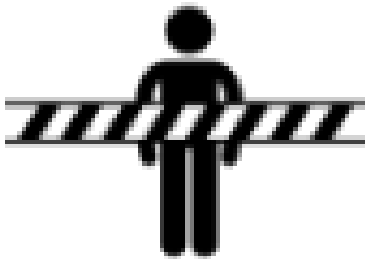
Trusted



Liquid



Focused



Low barrier to entry



Access to ready customer pool

**Should you go with a big or small master agent?**

## Most providers prefer to engage few larger master agents such as supermarkets, 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

## Supply-side challenge 2

2 Limited financial support to agents and merchants particularly with on-going liquidity management

Who are the best master agents for liquidity management?



Who are the worst master agents for liquidity management?



## Supply-side challenge 3

- 3 Few incentivizes for agents to expand in rural areas as well as low profitability for rural agents within the current commission structure

**What specific master agent incentives have worked for rural areas?**

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

Specific incentives which have worked for rural areas include...



Conduct feasibility studies and develop a business case for agents to operate in target areas



Provide detailed training on agency operations



Provides transportation from village to village every two weeks to serve customers



Offers higher commissions to their rural agents in comparison to to urban agents

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

Specific incentives which have worked for rural areas include...



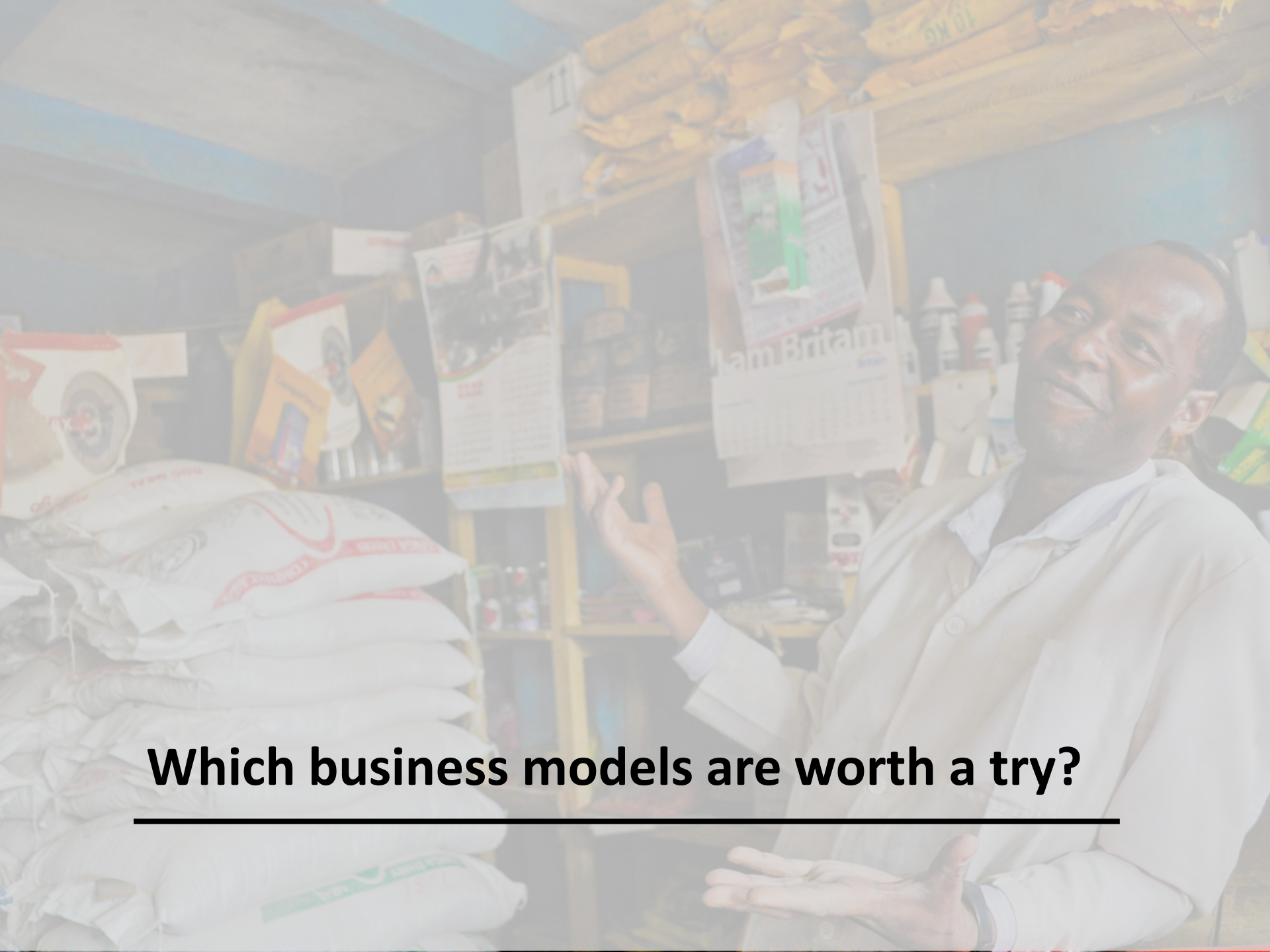
Provide liquidity management support by lending e-float to agents



Provide both ATL and BTL marketing on agents' product offering



Identifies and address agent pain points e.g., subsidizes the cost of security grills and CCTV cameras



**Which business models are worth a try?**

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# Based on Zambia market dynamics, provider interests, and insights from global cases, these models may be most relevant

## 1 3<sup>rd</sup> Party Agent Network

### Exclusive 3<sup>rd</sup> party agent network

- 3<sup>rd</sup> party manages agent network for the service provider but doesn't own agents
- Most 3<sup>rd</sup> parties begun by offering exclusive services but eventually opened up their platform to other providers

### Non-exclusive 3<sup>rd</sup> party agent network

- Service providers pay a fee to plug into an agent network that is built, owned, and managed independently by a 3<sup>rd</sup> party

## 2 MNO-led Agent Network

### Master agent network

- MNO's recruit master agents who in turn recruit, train and monitor agents, as well as provide liquidity management support

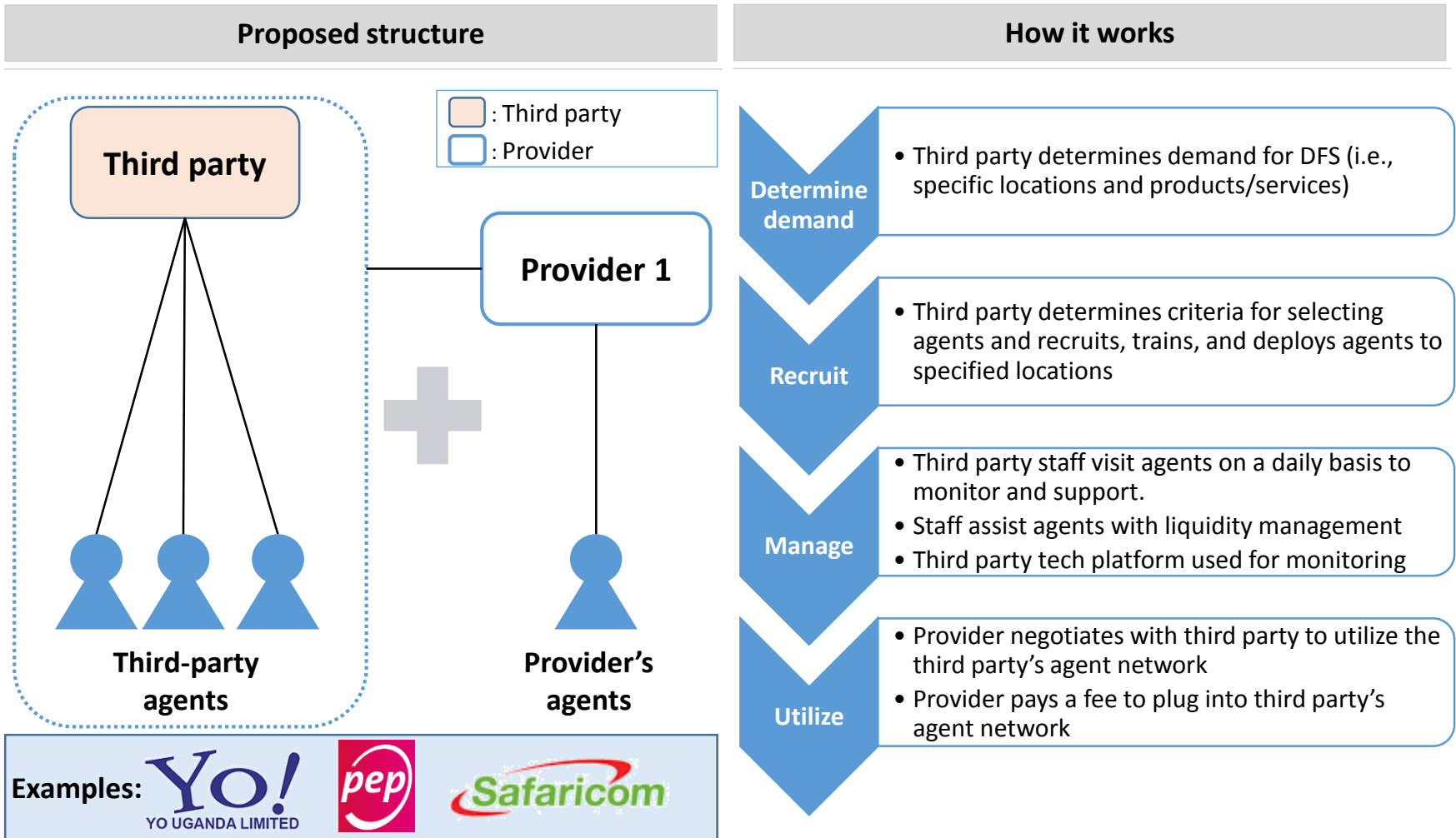
### Shared components of 3<sup>rd</sup> party agent network

- Service providers own their agents but outsource components such training, liquidity management, cash-out points etc.

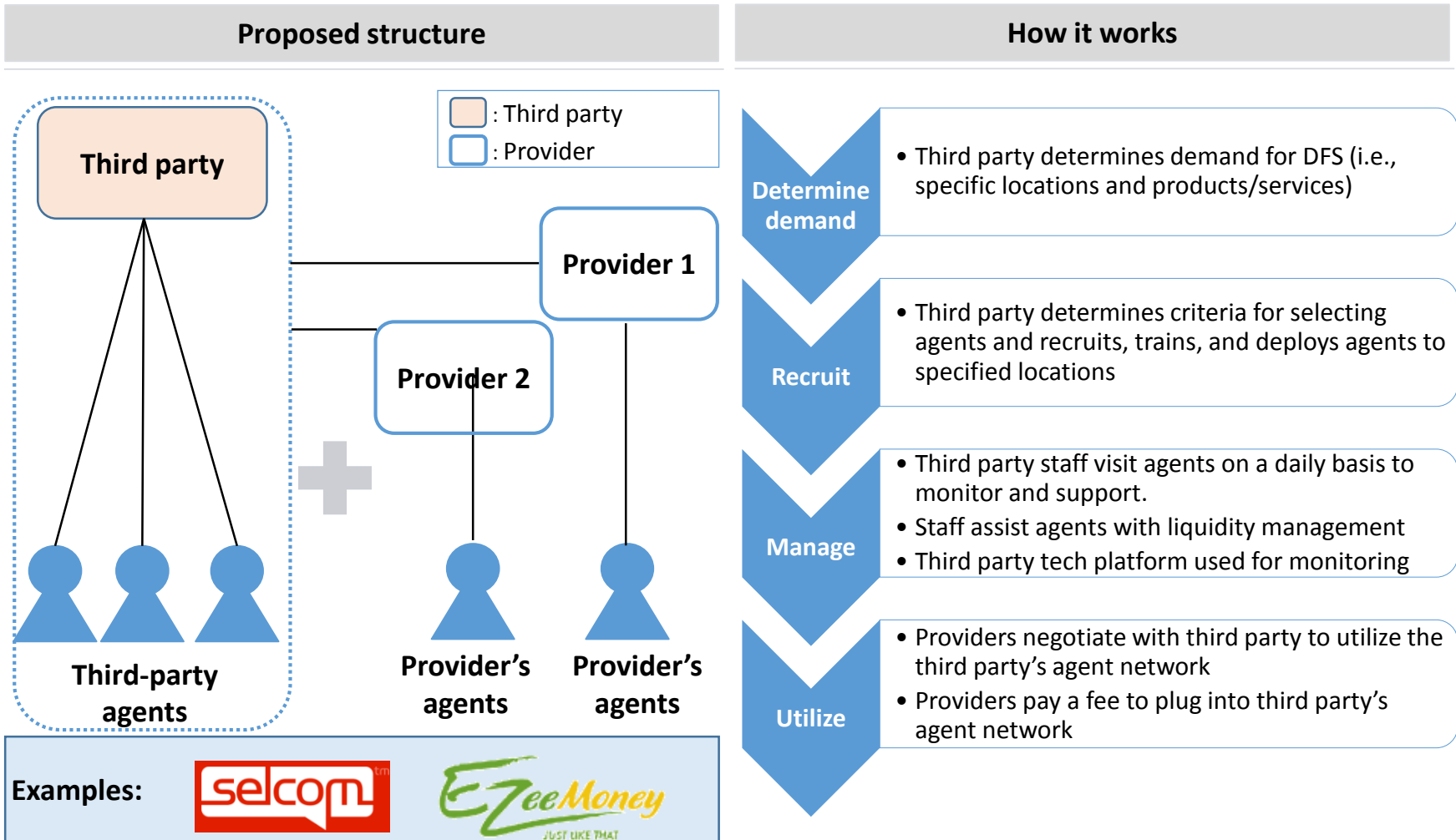
## 3 Potential Add-ons

- **Seasonal agents (surge model):** Master agents send their urban agents to rural areas or recruit local business (such as agrodealers, schools) for a season where cash flow in rural areas is expected to be high
- **Roving agents:** Mobile agents are sent to deliver DFS to rural customers at aggregation points rather than being stationed at a booth

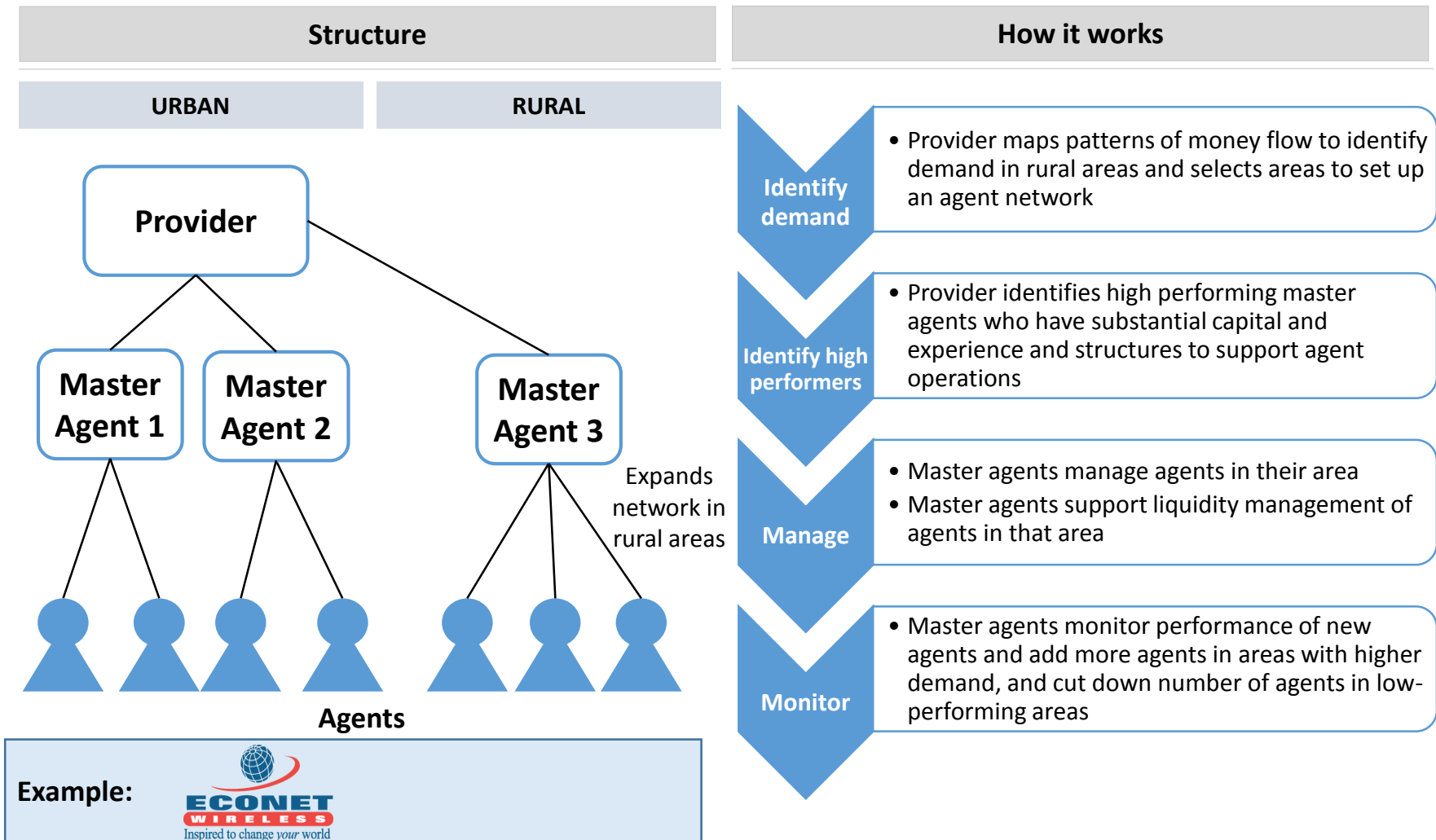
# Exclusive 3<sup>rd</sup> party agent networks; A 3<sup>rd</sup> party builds and operates a DFS agent network on behalf of one provider



# Non-exclusive 3<sup>rd</sup> party agent networks; A 3<sup>rd</sup> party builds and operates a shared DFS agent network

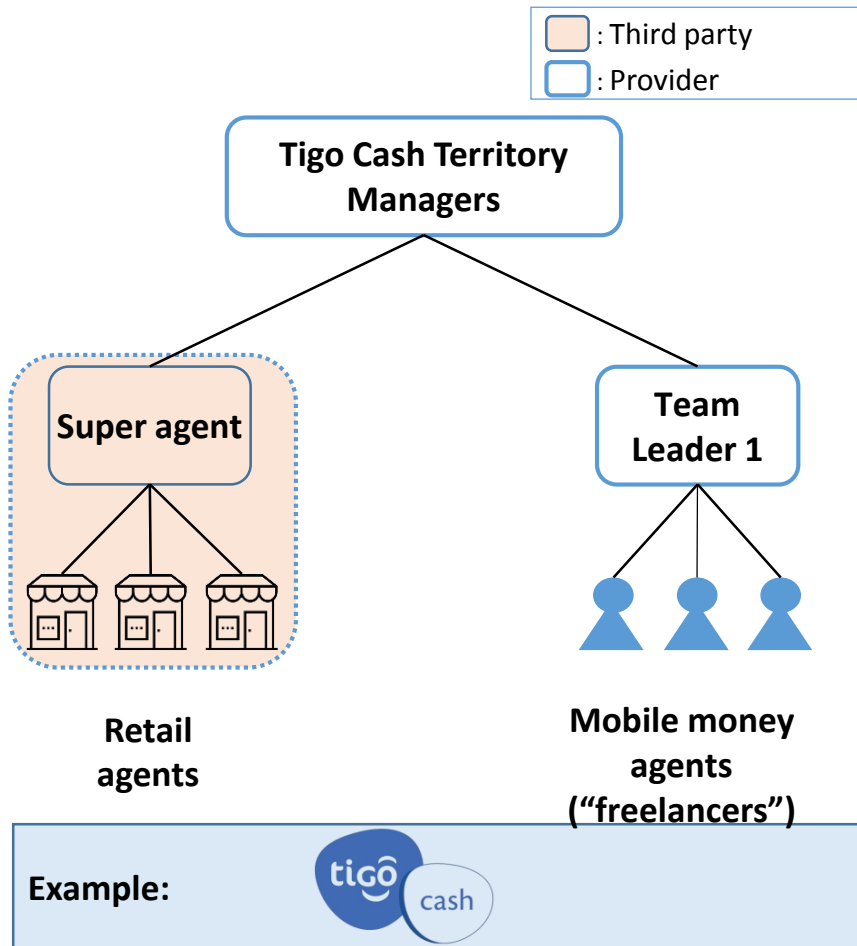


## Master agent networks; A master agent is responsible for the expansion of the agent network



## Shared components of 3<sup>rd</sup> party agent networks; The 3<sup>rd</sup> party is only responsible for recruitment and oversight of retail agents

### Structure

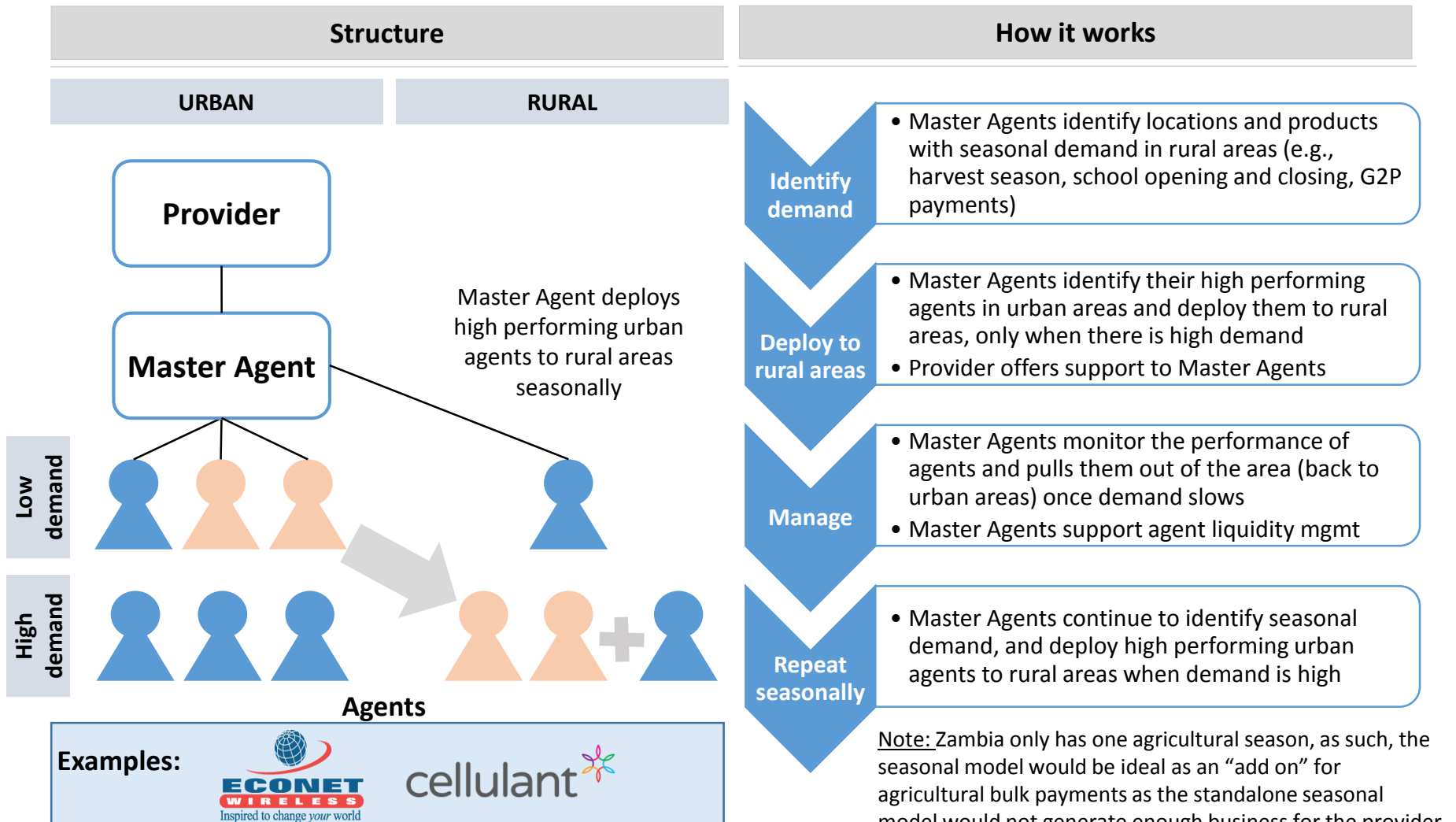


### How it works – Tigo Cash Overview

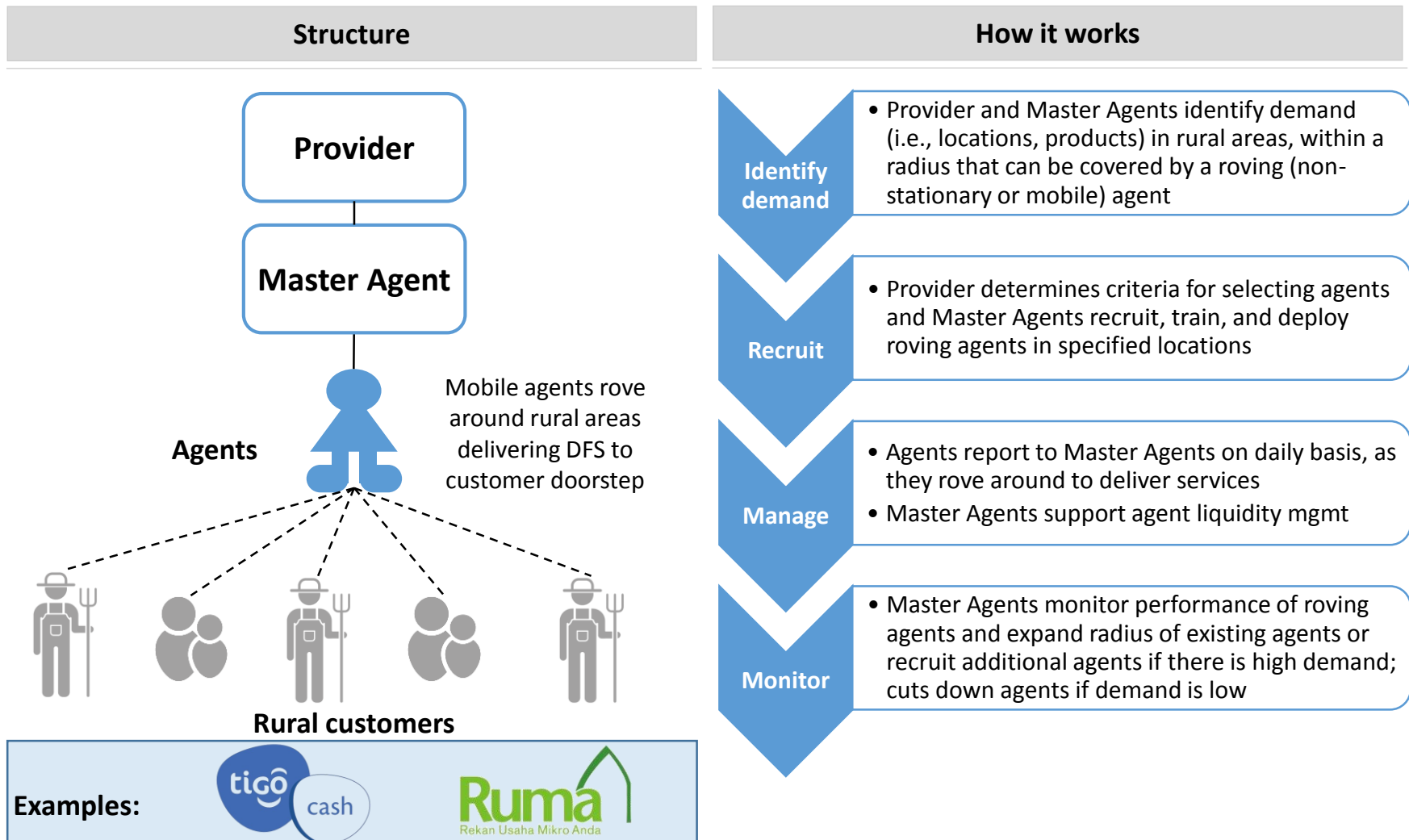
**Tigo has two distribution channels – one built and managed by a third party “super agent” and another direct sales force built and managed in-house by Tigo**

- The **third party super agent** is responsible for recruiting and managing retail agents on behalf of Tigo
- Retail agent provide Tigo mobile money services and are responsible for meeting their own liquidity needs
- **Team Leaders** are responsible for managing Tigo’s direct sales force of mobile money agents (called “freelancers” by Tigo) and act as Master Agents
  - A Team Leader is responsible for not more than 20 freelancers, and educates them about products, sets targets and monitors performance, and provides daily support – including liquidity management
  - Tigo Cash lends e-float to these agents

## Seasonal agents; Agents are deployed when demand surges in rural areas



## Roving agents; Agents bring DFS to the customer's doorstep



## Sample Discussion Questions

1. Which model is favorable for your organization, exclusive 3rd party agent network, non-exclusive 3rd party agent network or fully MNO/MMO-led master agent network?
  - What are its potential opportunities? What are your potential concerns for this model?
  - Why are the other models not desirable to you?
2. Does your desired model enable you to provide liquidity management and other forms of support (e.g., training, quality assurance etc.) to master agents and agents in a way that was not possible before? If so, how?
3. Which functions you would wish to maintain in-house (e.g., agent recruitment, agent training, agent quality assurance, liquidity management etc.) vs. outsource to master agents or 3rd parties?
4. What strategies and incentives are potentially required to attract rural master agents?
5. Which capacity gaps should be filled and resources availed by the provider to have successful rural master agents, through your desired model?
6. If trying a 3rd party, what are the capabilities you would expect from them?
7. If trying the seasonal model, what are the major seasonal transactions you think could anchor the agent?
8. Would you consider developing or trying roving agent model? If so, what are foreseeable challenges?
9. What would be required to create an enabling environment for your desired model to succeed?
10. What support will you need from AFA and UNCDF to expand your network your desired model?

A man in a white lab coat is standing in a store, gesturing with his hands towards shelves of products. The shelves are filled with various items, including bags of flour, boxes of instant noodles, and other packaged goods. The man is looking towards the camera with a slight smile. The background is slightly blurred, focusing attention on the man and the products.

## Annex

- Detailed case-based research findings
-

## What have been the best partners that have driven access to rural liquidity? Why? (1/2)

- ) **Banks with rural presence.** Rural agents in areas with banking infrastructure can apply the traditional super-agent models. These agents can rebalance float at the bank branch at a low opportunity cost since they do not lose time and business when travelling to the bank

  - In Zimbabwe, EcoCash uses banks as super agents to provide liquidity support to rural agents. In one case, EcoCash acquired a bank to provide working capital loans its agents
  - Where banks do not have outlets in rural areas, they can apply the roving model where personnel drive from one place to another at a specific date and time, serving agents. EzeeMoney in Uganda has partnered with the Rural Development Bank to serve its agents in this way
- ) **Retail businesses** with regular cash flow and existing retailer networks assume the role of master agents, providing liquidity management support to agents. For this reason, these businesses are deemed reliable by agents. Different providers prefer varying types of retail businesses to provide liquidity management services depending on the success of their past experiences;

  - EcoCash, EzeeMoney and Safaricom all select large non-dedicated businesses to serve as master agents. The reason for this is that the businesses have the financial expertise to manage liquidity as well as adequate cash flow to meet agents' liquidity needs. Liquidity needs are of particular concern for agents in rural areas, where rebalancing is typically a challenge
  - However, Tigo however selects small dedicated retail businesses as super agents as they are more likely to prioritize re-investing earnings into the business for agent liquidity, and while larger businesses could have larger cash flows, they may take money out of the businesses to finance other competing interests

## What have been the best partners that have driven access to rural liquidity? Why? (2/2)

- › **Post offices** often have outlets in the most remote areas and would be ideal master agents. As there is shrinking use of postal services, mobile money services can provide a new revenue stream for post offices
  - EcoCash partnered with post offices to provide liquidity support to agents in rural areas because of their high rural penetration
  
- › **Professional liquidity management firms.** Some providers outsource liquidity management to professional firms with the technical expertise to provide rural liquidity management. These firms monitor agent liquidity and support agents in re-balancing their float. This channel may be most attractive in rural areas where there lacks other liquidity management infrastructure such as banks
  - Yo! Uganda hired such a firm to provide liquidity management services to its agents in rural Uganda. This firm previously served Airtel agents

## What have been the worst partners that have driven access to rural liquidity? Why? (1/2)

- › **Banks without rural strategies would not be ideal partners as they do not have the experience or dedication to serve rural clients**
  - EzeeMoney, for example, partnered with Diamond Trust Bank to provide liquidity management to its agents. However, while the bank provides excellent SME support, they did not have the expertise in serving rural clients
  
- › **Organizations that do not operate see the agent business as a core business** – These are likely to be large retail businesses with other competing business lines. Such organizations are not likely to dedicate sufficient resources towards the mobile money business. For example, cash might be invested into other parts of the business and not used for agent liquidity
  - Tigo does not select big retail businesses that act as super agents as these tend to take money out of the business to finance other ventures
  
- › **Low cash flow retail outlets** – The decision not to rely on low cash flow retail outlets is driven by providers' previous experiences. Some providers have found that these outlets may not re-invest their cash flow into the mobile money business
  - EcoCash and Safaricom do not actively recruit agents and master agents running low cash flow outlets, such as mom and pop shops as they struggle to meet the cash out needs of customer
  - Organizations like TigoCash provides e-float to such outlets to help them overcome this barrier

## What have been the best types of master agents for rural areas in terms of client acquisition and service? Why?

- ) **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
  - 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
    - Where the master agent does not have existing operations in local communities, they recruit agents (sub-agents) within the local communities who have experience running a business in that area
    - Ambitious master agents with a national outlook, seeking opportunities for investment and expansion in various parts of the country are also key in client acquisition
  - EzeeMoney also used local entrepreneurs as master agents
  
- ) **Dedicated mobile money master agents** make good master agents as they are more focused on providing DFS services
  - Tigo Cash prefers to use dedicated master agents
  
- ) **Master agents working within third party distribution networks or within established brands** have access to an existing customer base, easing the barriers to entry
  - EzeeMoney successfully established an airtime distribution network using Coca Cola retail agents
  
- ) **Alternatively, client acquisition can be performed as an internal function by the provider**
  - 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

## What have been the worst types of master agents for rural areas in terms of client acquisition and service? Why?

- › **Master agents that do not belong to the local community or do not have established outlets in those rural areas** may not be appropriate in serving rural clients
  - EzeeMoney sent urban master agents to rural areas to serve rural agents. However, this became expensive as the master agents incurred transport costs which were often passed on to the customer
  
- › **Master agents and agents performing direct cash-in (OTC)** as they were promoting revenue leakage in the system
  - EcoCash deregistered agents who performed direct cash-in

## What have been the biggest lessons learned about master agent selection? (1/3)

- ) 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
    - Providers like 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
    - Providers like Selcom also select master agents from pool of agents with previous experience working with agent networks as well as strong track record in re-balancing cash and e-float
      - Selecting such agents reduces the risk and mishaps when handling transactions and dealing with customers
- ) Master agents with **sufficient capital** support liquidity in the network and minimize costs associated with financing liquidity
  - Financially stable master agents reduce the cost burden 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
      - Providers like Tigo and Selcom require that their master agents have sufficient capital to maintain inventory and e-float, while EzeeMoney requires that master agents have sufficient human resources and infrastructure to adequately serve customers
  - Master agents with sufficient capital are ideal for expanding into rural areas as they can manage their own logistics and support new agents with credit for cash and e-float
    - 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

## What have been the biggest lessons learned about master agent selection? (2/3)

- Selecting master agents with registered business reduces the regulatory hustles of obtaining operating licences
    - Registered businesses are also a boon as they increase trust with customers (who can locate the business and access services when needed)
  - EcoCash piggybacked on existing network of EcoNet shops in rural Zimbabwe and strategically used them as master agent to manage liquidity for Eco Cash agents
- ) In some cases, **smaller master agents are ideal as they are easier to manage** when compared to larger master agents
- Providers like EzeeMoney and Tigo Cash initially began by contracting large master agents (big retail outlets), but these master agents would divert money from the business to their other ventures, making liquidity hard to manage
  - Tigo Cash decided to reduce the size of the geographical area master agents served, and instead contracted more master agents with smaller geographical operating sizes to manage agent liquidity and other tasks at a district level
- ) For rural expansion, **master agents from the local community** are ideal as they easily establish trust with local users
- Providers like EzeeMoney uses brand ambassadors (local councils) to sensitize local communities about its DFS products/ services
    - In return, ambassadors are compensated about US\$20

## What have been the biggest lessons learned about master agent selection? (3/3)

- › Master agents, in general, **should be carefully selected as they act as the “face” of the provider’s network**
  - Providers like Safaricom are very careful when selecting their master agents, ensuring that these agents are:
    - Honest and ethical
    - KYC compliant
    - Well trained and versant with the M-Pesa brand and products/ services
  - Safaricom specifically carries out background checks and vetting of master agents and dealers for two months before fully contracting them to operate in the M-Pesa system

## What specific incentives that have worked for rural areas? (1/3)

- 1) **Feasibility studies in target rural areas** assist master agents to gauge demand and use case thus incentivizing them to serve in rural areas
  - Providers like Tigo Cash have conducted feasibility studies by analysing customer transaction data (E.g., volumes and values of urban-rural remittances) passing through cell towers to determine the use case/ gauge demand for agent services in those areas
    - After establishing customer demand and the business case for master agents, Tigo Cash usually assists master agents with logistics to move to these areas to serve customers
- 2) After gauging demand/ use case, **logistical and training support to master agents** go a long way to help them establish foothold in rural areas
  - Providers like Tigo Cash provide their freelance agents and team leaders (in-house master agents) with bus transportation to move from village to village every two weeks to serve customers
  - Most providers including EzeeMoney's regional assistants provide capacity development and training on agency operations to master agents and agents for about three months
- 3) **Aggregating sufficient services and products** adds value for both master agents/ agents and customers in rural areas
  - Providers who want their master agents to succeed in rural areas need to include diverse products and services in the POS terminals and e-wallets
    - Selcom has aggregated prepaid cards and airtime sales, services that have demand in both urban and peri-urban areas of Tanzania
      - Selcom is also looking to provide pay-as-you-go option for solar power bills in rural areas

## What specific incentives that have worked for rural areas? (2/3)

- Tigo Cash provides cash in and cash out and mobile loans and savings to customers in urban and peri-urban areas in Rwanda
  - EzeeMoney includes in its service offering, bank deposits and data services
    - EzeeMoney is also currently building partnerships to scale agency banking across Uganda, an attractive proposition to banks, master agents and prospective customers
  - Some providers like Safaricom are looking into aggregating distribution and sales of mobile devices from agent outlets
  - Providers like Safaricom are also keen on testing out agent points as reception outlets for international remittances (currently Safaricom is partnering with Wave to receive international remittances via e-wallet, with withdrawals being done at agent outlets)
  - Some providers like Tigo Cash encourage agents to specialize (e.g., in just cash outs or cash ins) to maximize their revenues
- › Master agents can further be incentivized to grow agent network in rural areas when provided with **attractive options for commissions**
- In addition to normal transaction commissions, providers can offer master agents commissions for registering new agents in rural areas, and for completing the first batch of transaction when they sign up with provider network
    - Providers like Selcom offer master agents with commissions for new agent registrations
    - Providers like Tigo Cash offer higher commissions for their rural compared to urban agents
  - Providers like Eco Cash pay both its master agents/ agents and brand ambassadors about US\$1 to sign up and teach a customer how to use mobile money

## What specific incentives that have worked for rural areas? (3/3)

- › **Master agent liquidity challenges need to be addressed early** through strategic partnerships and systems
  - Providers like Safaricom have created a systematic weekend e-float lending, repayable after 48 hours
  - EzeeMoney partnered with Centenary Bank to provide master agents with working capital loans at no preferential rates (with EzeeMoney acting as guarantor)
  - EzeeMoney also loans e-float to master agents, repayable at the end of the specific loan day
  
- › Master agents also need **marketing and branding support from providers to enhance customer activation**
  - Most providers, including Safaricom, Selcom, Eco Cash and EzeeMoney provide their agents with branding material like customized placards
  
- › Given the risks of conducting money-heavy business, master agents need structures in place to **enhance safety and security** against certain contingencies like theft
  - Theft/ robberies and property losses are common business risks, whether agents are located in rural or urban locales
    - To mitigate against theft and robberies, Safaricom subsidizes standardized safety bars for agent outlets. Recently, Safaricom has begun rolling out CCTV cameras in agent outlets in specific locations with high rates of crime
    - Safaricom is also thinking about developing a micro-insurance scheme to insure against property losses (E.g., for fires and other damages)

## What products have driven scale for rural clients? (1/3)

- ) Certain types of services with ready demand in rural areas should be aggregated in e-wallets, terminals and as OTC services
  - Frequent **bulk payment services** have helped to capture demand in heavy-agricultural rural areas. Bulk payments used to catalyze other payments for the same users may also be drive scale. However, infrequent bulk payment alone will not drive usage
    - Yo! Uganda provides bulk payment services to farmers on behalf of a coffee company in western Uganda to create demand for DFS
    - EcoCash has also partnered with the Cotton Ginners Association of Zimbabwe (Cottco) to provide bulk payments to farmers using roving agents and increase revenue sources for agents
    - 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
    - Safaricom is considering rolling out bulk payments for farmers produce (E.g., dairy and horticulture) via SACCOs
  - **P2P payments** have been driven by urban-rural remittances
    - 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
  - **G2P services**, mostly as pensions payouts and revenues collections have driven scale for providers with good relationship with local and national governments
    - 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
  - Most providers have been able to provide **airtime top-ups using e-wallet or vouchers**

## What products have driven scale for rural clients? (2/3)

- **Airtime is the first product to scale** in rural areas as it helps users to meet their communication needs, both in normal and emergency situations
  - M-Pesa, EzeeMoney, Tigo Cash and Selcom sell airtime as additional value add to agents and customers
  - Safaricom has gone a step further to provide 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
- Some providers have successfully rolled out **sophisticated m-money products**, including mobile savings products
  - Most providers offer data services
    - Providers like Safaricom and EzeeMoney offer data packages to drive access to apps for agribusiness etc.
  - Providers are also rolling out mobile insurance, savings and credit facilities noting that such products drive agribusiness activities in rural areas
    - Eco Cash provides micro-insurance, which is popular in rural areas in the form of funeral assurance
    - Tigo Cash has enjoyed massive success with its mobile money savings product called *Sugira* that targeted rural populations. Sugira is a product partnership with an MFI bank attracting competitive interest rates, and is currently driving stickiness for Tigo Cash
    - Safaricom, on the other hand, is using the M-Shwari Lock Savings Account to drive rural consumer savings, this being crucial as banks are not accessible in most rural area
    - Safaricom is looking into establishing a mobile lending platform to capture rural demand for agribusiness loans (E.g., with livestock farmers and input providers)

## What products have driven scale for rural clients? (3/3)

- Peer to peer lending is popular with Eco Cash customers. Customers do this due to lack of a P2P credit facility
- ) Products/ services that allow providers to **plug into community-based projects** are beneficial to both the provider and the community
- Providers like EzeeMoney realized this early and plugged in to facilitate bill payments for rural water projects. This strategy allowed EzeeMoney to break into mobile money despite tight competition from other providers

## What have been the most important 3 steps you have taken to scale rural outreach?

- 1) Providers across case studies 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) 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) 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