



# Three Key Considerations for Agent Banking

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*MicroSave*  
Market-led solutions for financial services

BILL & MELINDA  
GATES foundation



## Project Description

Through the financial support of the Bill & Melinda Gates Foundation, *MicroSave* is conducting a four-year research project in the following eight focus countries as part of the [Agent Network Accelerator \(ANA\)](#) Project:

### Africa

- ▶ Kenya
- ▶ Nigeria
- ▶ Tanzania
- ▶ Uganda

### Asia

- ▶ Bangladesh
- ▶ India
- ▶ Indonesia
- ▶ Pakistan

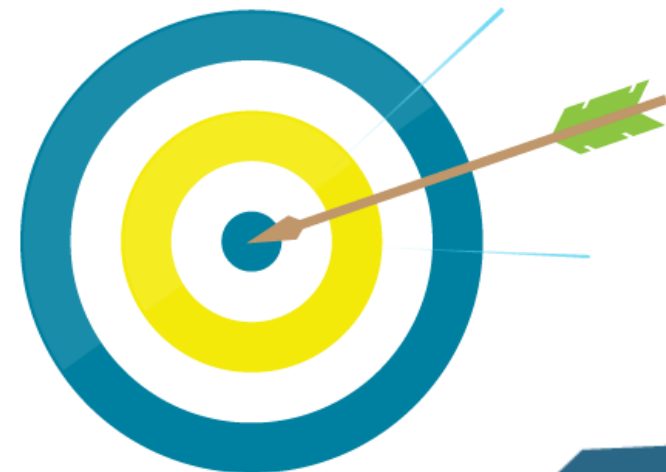
Research findings are disseminated through [The Helix Institute of Digital Finance](#). *Helix* is a world-class institution providing operational training for digital finance practitioners.



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## Three Key Considerations

1. The Value Proposition to Anchor Your Service
2. The People & Management Structures
3. The Character of Your Agents



# The Value Proposition

# Product Offering – Still Focus on Airtime Top-Up & P2P

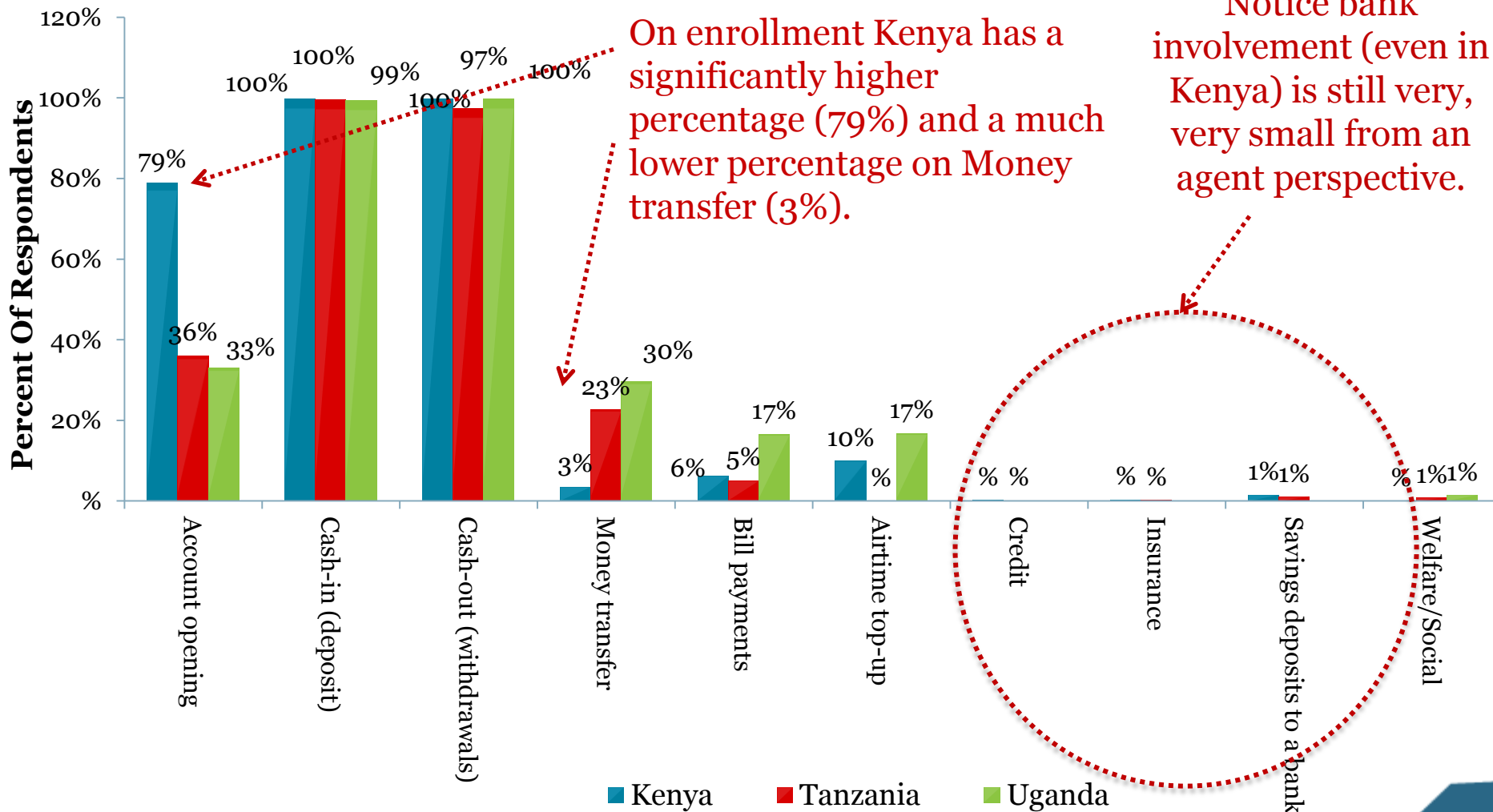
## Products Currently Offered by Providers:

- **Airtime Top-up & P2P transfer** most adopted product in terms of offering and usage.
  - *‘Airtime top-up represents almost three-quarters of the total number of mobile money transactions performed in June 2013\*.’*
  
- **Bulk Payment & Merchant Payments** are fast growing.
  - *‘Offered by 60% of services while another 30% are planning to add them to their product mix next year\*.’*
  
- **Mobile credit, saving and insurance** slowing gaining traction.
  - *‘123 mobile insurance, credit and savings services are live of which 27 were launched in 2013’, however focus needed on customer education.*

\*GSMA MMU State of the Industry 2013 – Mobile Financial Services for the Unbanked




# Non CICO Products Include Enrollment, Money Transfer, Bill Payments And Airtime

## Products & Services Offered



## Tier I Client Acquisition: Low Hanging Fruit

**Banks already have relationships with high potential customers. Focus on them first, then go to mass market acquisitions.**

- 
**Salary Disbursements:** Banks have corporate clients who can help cash-up the system by paying salaries directly into the system.
- 
**Bulk Payments for Retailors:** Retail clients often have to make many payments to distributors and collect payments from small stores. Digitalize them.
- 
**Bill Pay for Urban Clients:** Many banks already offer bill pay options. Push them through the digital channel.



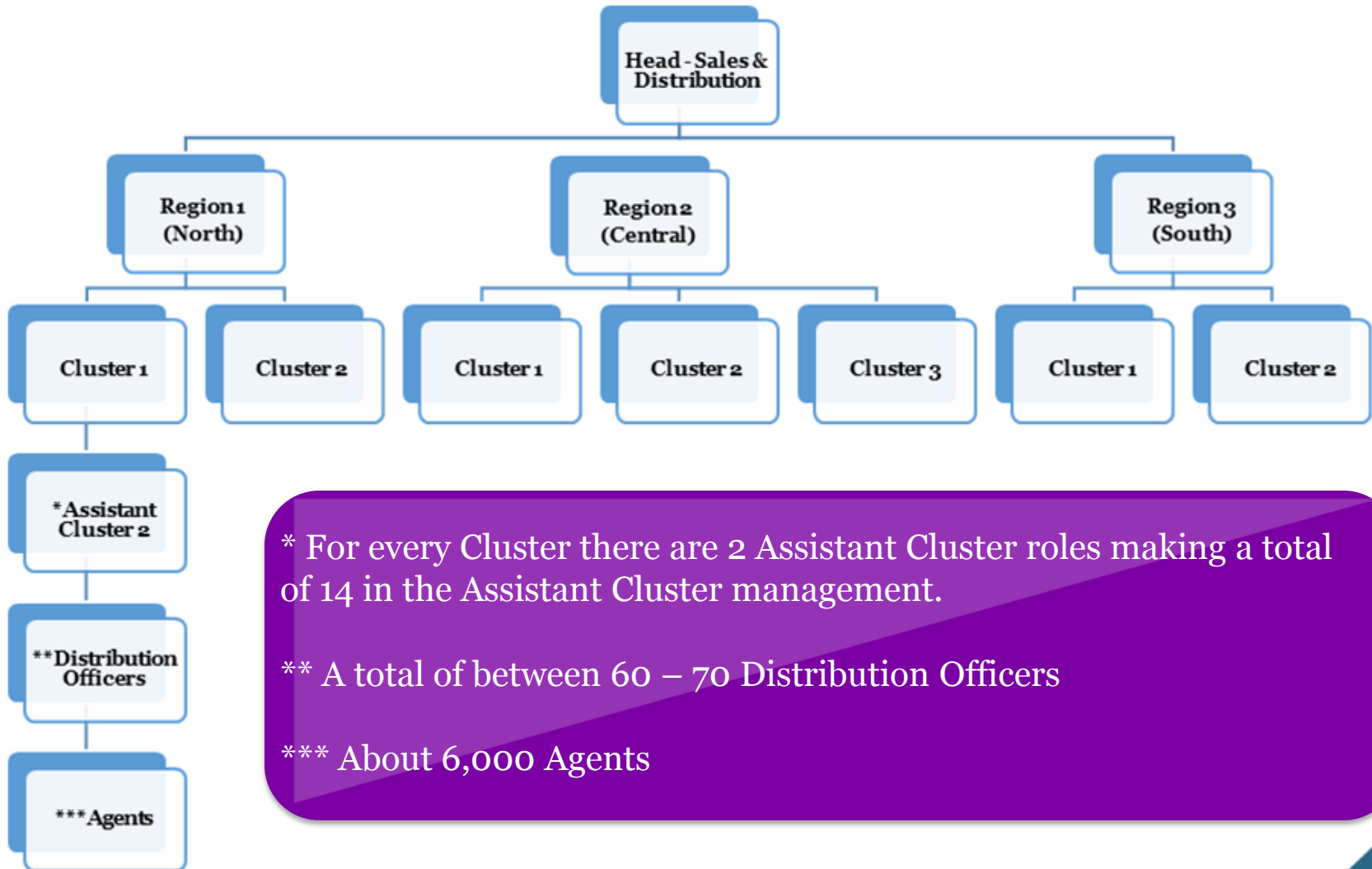
**Start with what you know!**

# The Team & Structures



# Agent Network Management Structures

## 1. Proposed Phase 1 Structure



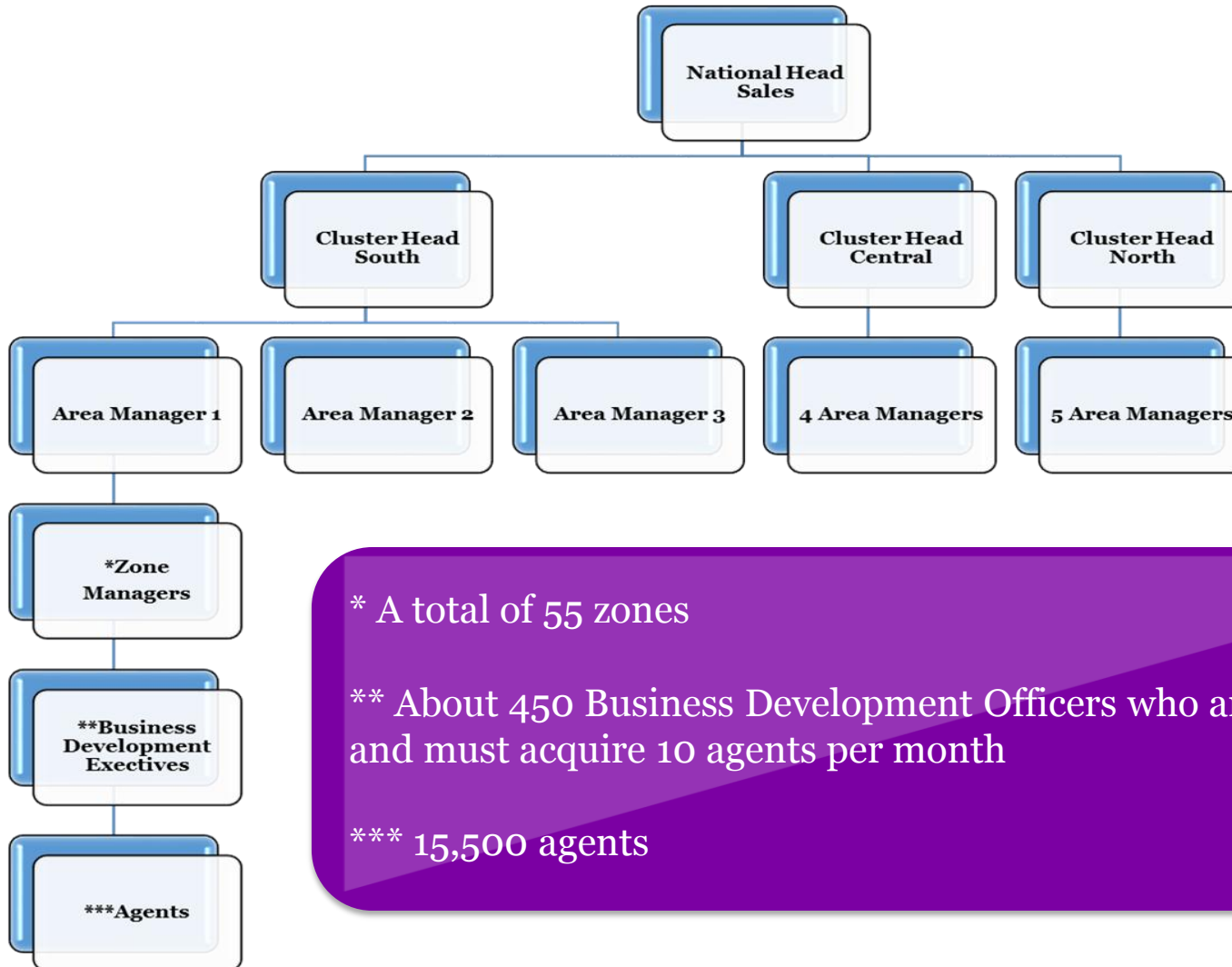
\* For every Cluster there are 2 Assistant Cluster roles making a total of 14 in the Assistant Cluster management.

\*\* A total of between 60 – 70 Distribution Officers

\*\*\* About 6,000 Agents

# Agent Network Management Structures

## 2. Proposed Phase 2 structure



\* A total of 55 zones

\*\* About 450 Business Development Officers who are a third party and must acquire 10 agents per month

\*\*\* 15,500 agents

# Besides Success, What Is The Common Denominator?



# Fast Moving Consumer Goods (FMCG)



# The Preparation Of A Distribution Strategy

Concept	FMCG	DFS
<b>Understanding of the consumer</b>	Understanding ability and willingness to pay	Understanding direction and velocity of transactions
<b>Knowledge of number of outlets</b>	To try and be in everyone	Incisive channel selection
<b>Customer service policy</b>	Product warranty and return policy	Reversal policy and call center policies
<b>Sustainable investment</b>	Understand sales & logistics	Understand sales & finance
<b>Management routines and processes</b>	Stock management	Float management

# The Character of Agents

## Tier I Agent Selection: Low Hanging Fruit

*“We decided to start recruiting from our small and medium enterprise borrowers, as they were entrepreneurs and had good marketing skills. We picked people who were already familiar with buying and selling mobile airtime for others.”*  
 ~ Shahid Ullah, BRAC Bank

- ▶ BRAC Bank started with itself, scaling to 500 initial agents, and then 5,000 using this strategy. It now reports over 80,000 agents.
- ▶ You should have extensive records, of SME clients that should if the agent profile. Data mine!
- ▶ Remember even M-PESA in Kenya started with a few hundred agents at first. Quality comes far before a scale to quantity.



**Practice Small, and Partner Later!**

## Focus On Agency Banking In Kenya

While the national sample did not have a significant portion of bank agents in it, an additional sample of 748 banking agents was conducted for leading bank providers. The next three slides compare the two leading bank networks to the two leading telecom networks.

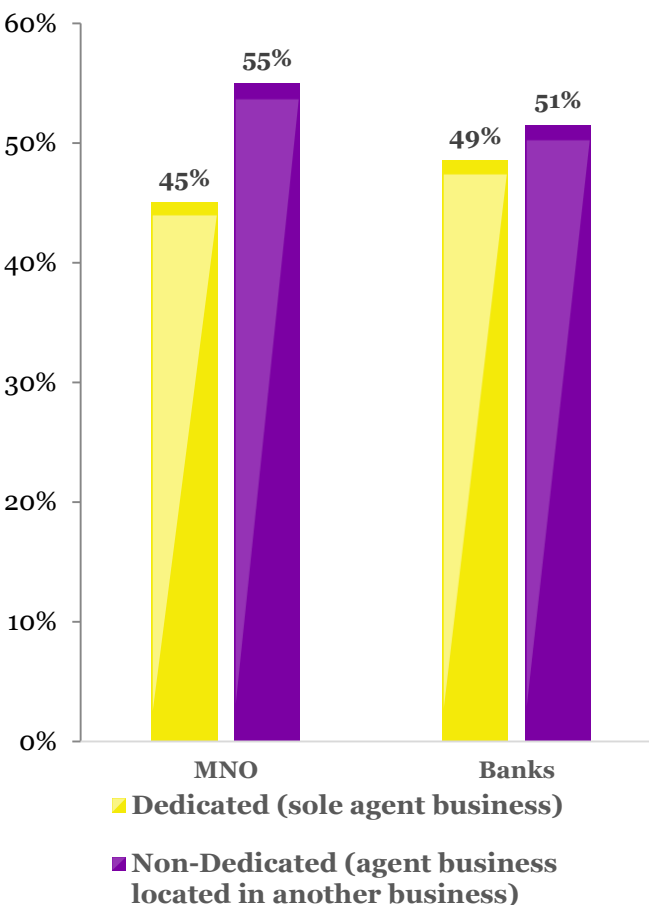
Metric	Comparison of Bank vs. MNO Agents in Kenya
Location	<a href="#">FSP Maps</a> shows 83% of bank agents and 76% of MNO agents are rural in Kenya, while only 30% of Tanzanian and 44% of Ugandan MNO agents are rural.
Demographics	Both models have similar metrics for agent gender, dedication,, and exclusivity, but bank agents are more educated than MNO agents.
Transactions	MNO agents do more transactions per day, but data indicates that bank agents might do larger sized transactions.
Liquidity	Both models locate close to rebalancing points, and rebalance at similar costs and frequencies.
Support	Both models extend high quality levels of support to agents, visiting often and regularly.
Maturity	While the MNO networks of agents have been around longer, both models heavily recruit new agents and therefore are dominated by agents lacking operational experience.



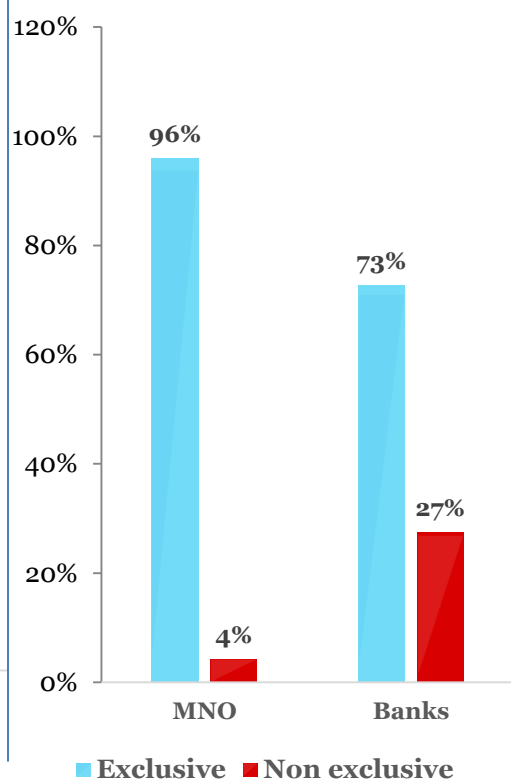
# Mobile Money Vs. Agent Banking: Similarities

**There are a surprising amount of similarities between agents managed by these two different types of providers, including agency demographics and metrics of support.**

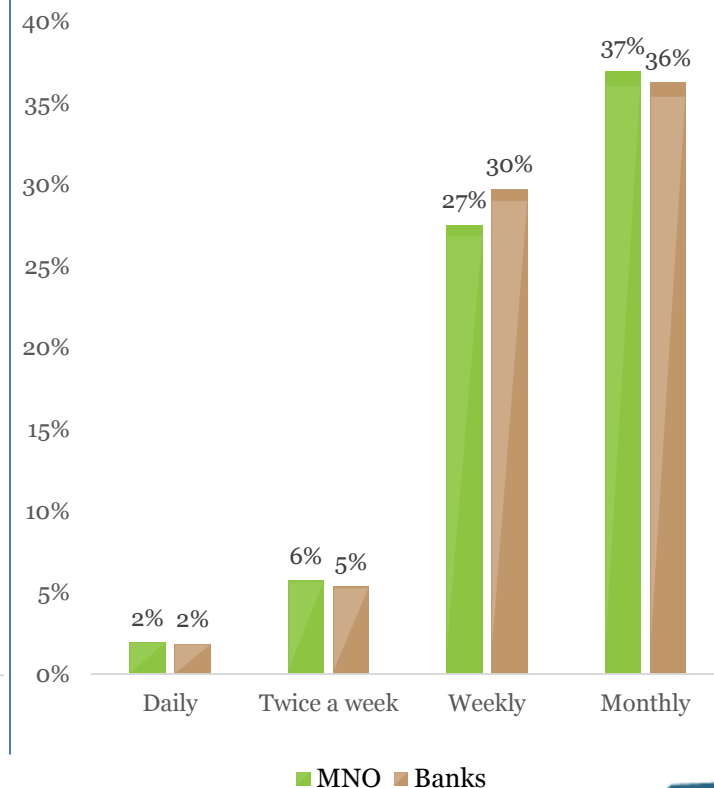
**Dedication By Model**



**Exclusivity By Model**



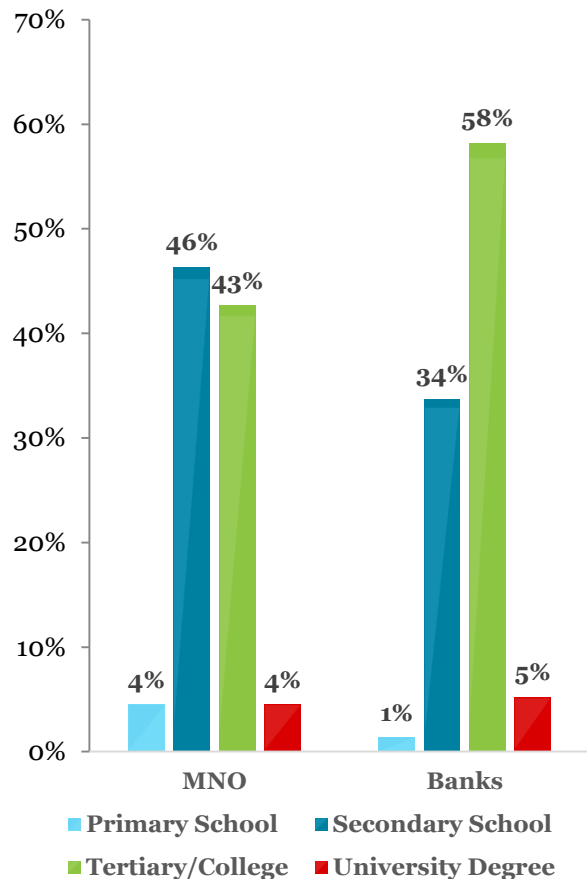
**Frequency of Support Visits by Model**



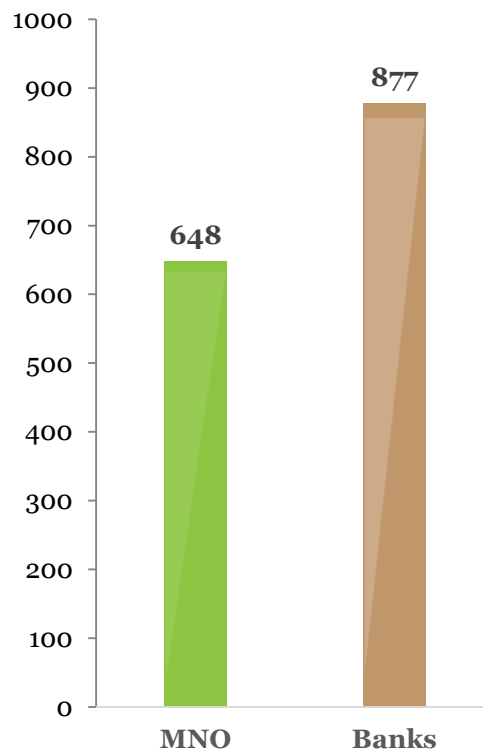
# Mobile Money Vs. Agent Banking: Key Differences

However, there are also some key differences to understand between agents serving banks and telecoms, with bank agents being more educated, generally prepared to do larger transactions, and still experiencing some network growing pains.

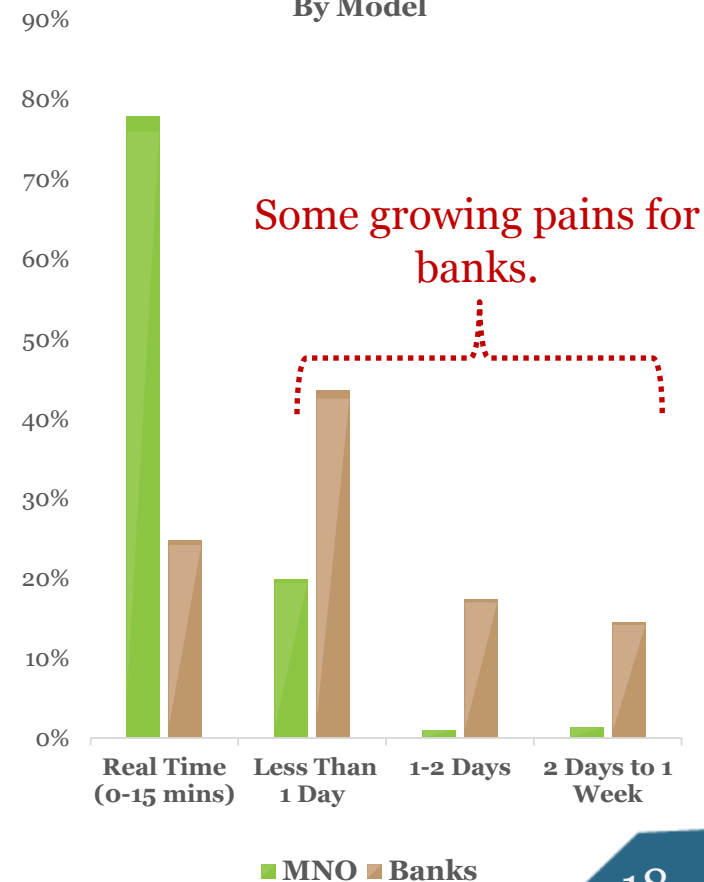
Level of Education By Model



Mean Largest Transaction Value Willing To Be Done Per Till - By Model (\$US)



Time Taken Between Customer Enrollment And Account Activation - By Model



# Mobile Money Vs. Agent Banking: Health Comparison

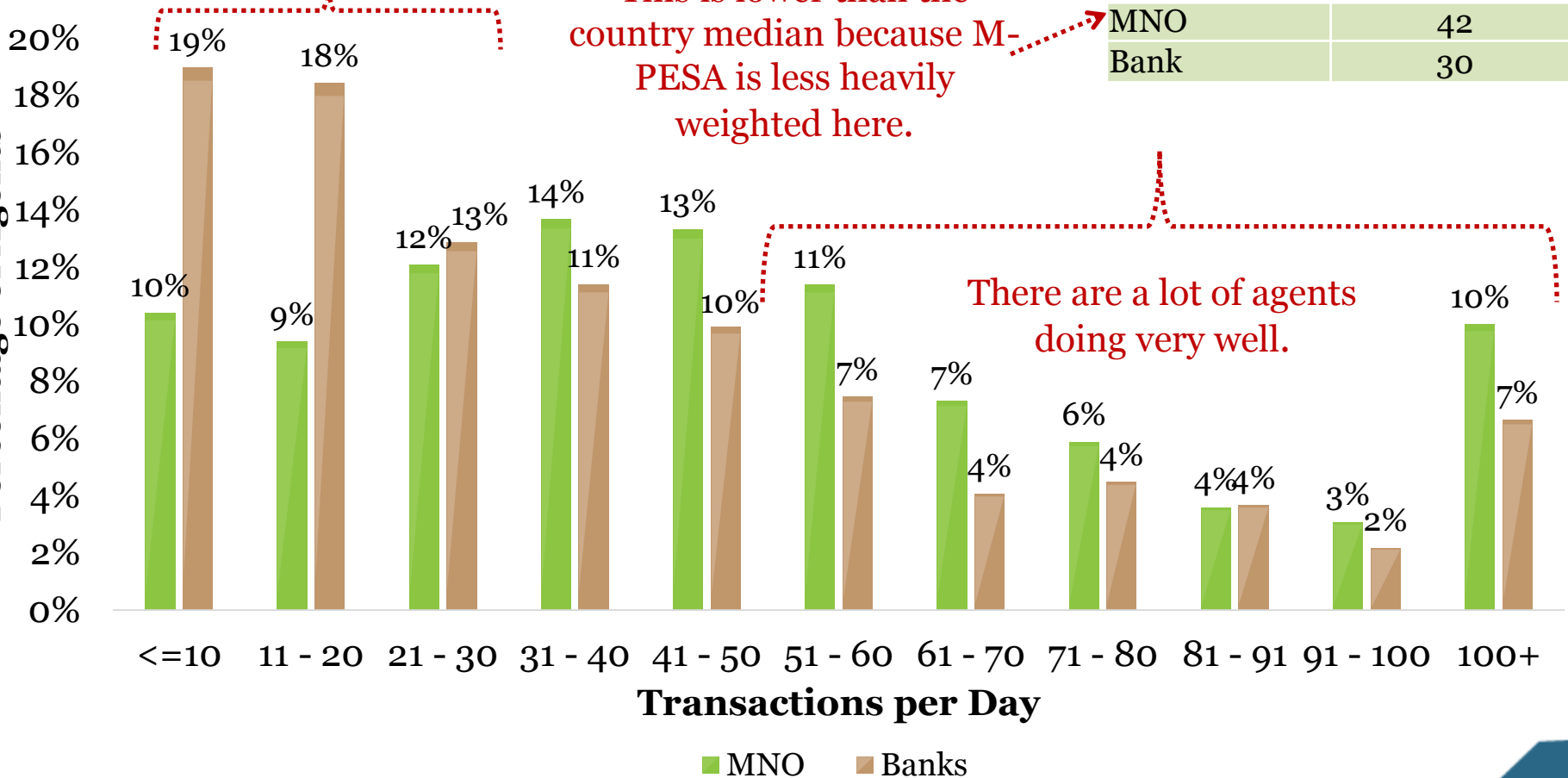
## Total Daily Transactions - By Model

50% of bank agents make 30 transactions or less per day.

This is lower than the country median because M-PESA is less heavily weighted here.

Median Transactions Per Day	
MNO	42
Bank	30




Percentage of Agents



There are a lot of agents doing very well.

## Summary of Key Considerations

**Banks have different competitive advantages than telecoms and their strengths need to be focused on while their weaknesses will need to be supported. The result should be a an agent network with unique characteristics.**

- 
 Mobile money generally moves value through space, but banks' core competency is **moving value through time**. Therefore person to person transfers are not the obvious place to start.
  
- 
 Historically banks have not offered products to mass market customer segments, and have not developed the distribution systems to do so. Building these agent networks **takes large teams and specialized knowledge**. Hire it.
  
- 
 Your agents are the face of your service and represent your brand. Banking brands need to maintain high levels of trust with customers and therefore need representatives who can convey that. This means banks must focus closely on the **quality of the agents** in their networks.



# Thank You

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