

# **Agent Banking Breakfast Series: Factors that would motivate merchants to engage**

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# Research Objectives

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- With the aim of supporting the development of pervasive agent networks for financial services in Nigeria, EFInA commissioned TNS-RMS to undertake a qualitative research study to identify key factors that would motivate merchants to engage in agent banking services
- The key objectives of this research were to capture perceptions on using agent banking as a channel for conducting financial transactions to attract existing customers as well as acquire new customers

## 1. Acquisition of new customers

**Primary target:** This is the segment of the population currently not using financial services (predominantly semi urban/rural dwellers). The research seeks to pinpoint existing gaps in these customers' needs and highlight opportunities where banks can fill and contribute to the adoption of financial services by this consumer segment

## 2. Greater usage by existing customers

**Secondary target:** These are existing customers in remote areas who already use banking services. The research seeks to explore opportunities to enhance usage by providing branchless banking within their neighbourhood, thereby effectively reducing travel time & expenses for this target segment

## 3. Product and channel innovation

- Introducing new financial products could potentially drive the acquisition of new customers and increase usage by existing customers
- Using agents as a viable channel for the provision of financial products/services, especially for the unbanked

- Identify and describe the factors that could attract merchants to engage in agent banking
- Determine the value proposition(s) for various market segments based on attitudes, needs and challenges with current channels
- Understand the dynamics and operations of mobile payment services delivery – time per transaction, labour and other critical cost centres
- Understand the income structure of existing mobile money agents
- Segment potential and existing mobile money/agent banking customers based on their financial needs, perceptions and attitudes
- Identify critical path required to encourage new and existing customers to adopt agent banking
- Identify existing merchants that could potentially be used as agents

## Key Business Issue:

How can deposit taking financial institutions and/or mobile money operators effectively roll out agent networks and appropriately sustain positive relationships with their agents to ensure the uptake of its product(s) and sustainability of the business venture?



# Research Methodology

- The research was conducted by TNS-RMS
- The fieldwork was undertaken between 7 and 28 February 2013

- A qualitative approach was chosen because:
  - It is the ideal for idea screening
  - It allows for free flowing discussions which tease out information that structured interviews may not
  - It allows respondents to express their views openly
- With the qualitative approach, TNS-RMS could also use the following projective techniques:
  - “Laddering” which is ideal for getting to core reasons of behaviour as it involves a continuous asking of “why?”
  - Brand mapping/imagery to determine key associations or imagery attributes that may be applicable to agent banking

Two segments were considered for the study which influenced different approaches

Existing mobile  
money agents/  
potential  
agents



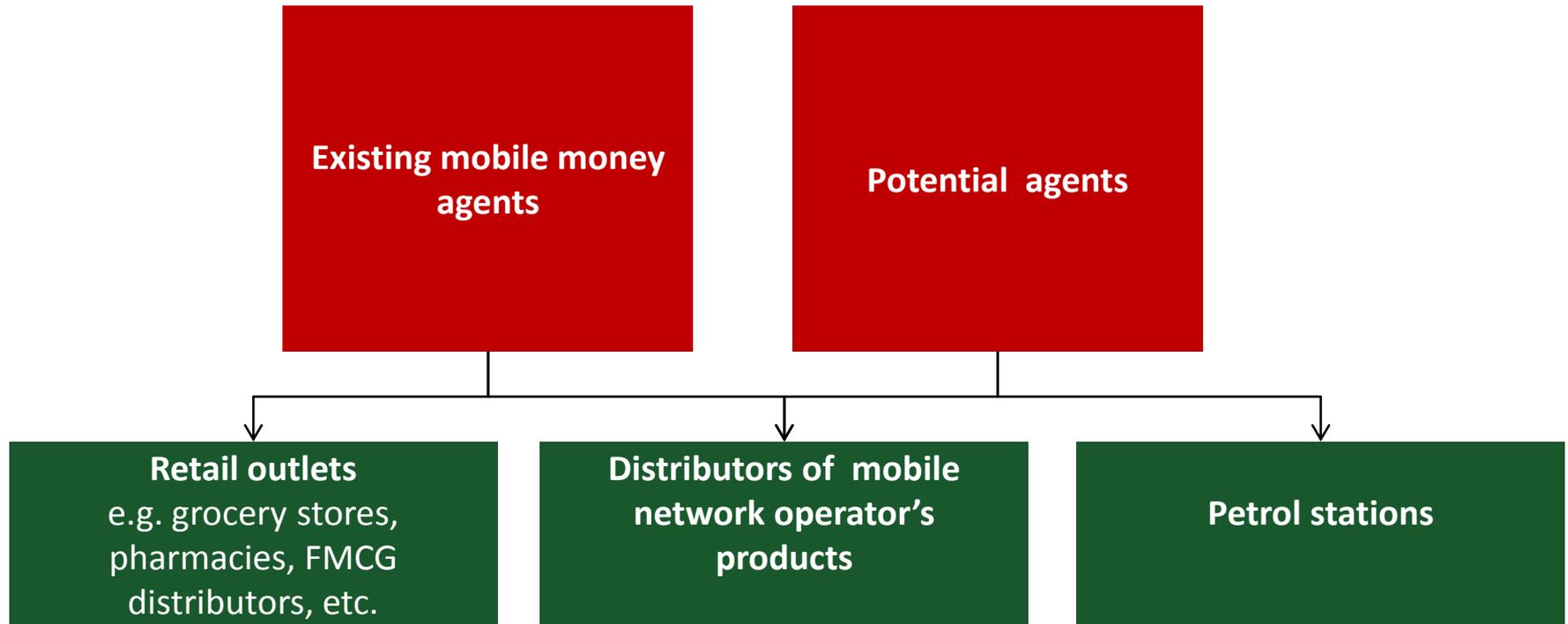
Individual in-depth  
interviews

End users/  
customers



Focus group  
discussions

# Target Sample of the Study



# Key Choice Indicators for Locations and Outlets

High traffic

Around market places/motor parks/key business areas/small companies



Social amenities

Game centres/stadium/natural parks



Structure

Must be a permanent structure



# Detailed Sample Split

## OUTLETS

	Retail outlets		Petrol stations	Distributors of mobile network operator's products	
	Existing	New	New	Existing	New
Lagos	1	9	4	3	2
Aba	-	13	4	-	2
Port Harcourt	-	13	4	-	2
Abuja	-	13	4	-	2
Kebbi	-	13	4	-	2
Ibadan	-	10	4	3	2
Kano	-	13	4	-	2
Kaduna	-	13	4	-	2
<b>Total</b>	<b>98</b>		<b>32</b>		<b>22</b>

- A total of 145 in-depth interviews were conducted in 8 locations, amongst potential agents and 7 existing mobile money agents
- Fewer interviews were conducted amongst existing mobile money agents and mainly in Lagos and Ibadan due to their low numbers

## CONSUMERS

	Age	No of FGDs
Banked	18 – 30 years	1
	31- 45 years	1
Unbanked	18 – 30 years	2
	31- 45 years	1
<b>Total</b>		<b>5</b>

- A total of 15 focus groups discussions were conducted amongst banked/unbanked customers in Lagos, Port Harcourt and Kano

Research was conducted in semi-urban and rural areas in the 8 locations



# Key Research Findings

# **Profiling Retail Outlets and Their Customers**

# Summary – Retail Outlets

## ■ In the North:

- Average daily sales for medium/large sized outlets were between N25,000 and N60,000. Most had been in business for an average of 18 years
- Average daily sales for small sized outlets were between N3,000 and N15,000. Most had been in business for between 13 and 20 years
- Business hours tended to vary across outlets depending on the type of business - grocery/provision stores were open from 10am to 11pm; and other businesses like textile, telecommunications stores were open from 10am to 8pm

## ■ In the South East and South South:

- Average daily sales could not be established, although most had large inventory
- Most outlets had been in business for between 5 and 14 years
- High staff turnover, since most of the businesses were not managed by the owners
- Most outlets were open from 8am to 10pm

## ■ In the South West

- Average daily sales for medium/large sized outlets were in the region of N50,000
- Average daily sales for most small sized outlets were between N3,000 and N18,000
- Most outlets had existed for a period of 7 to 15 years

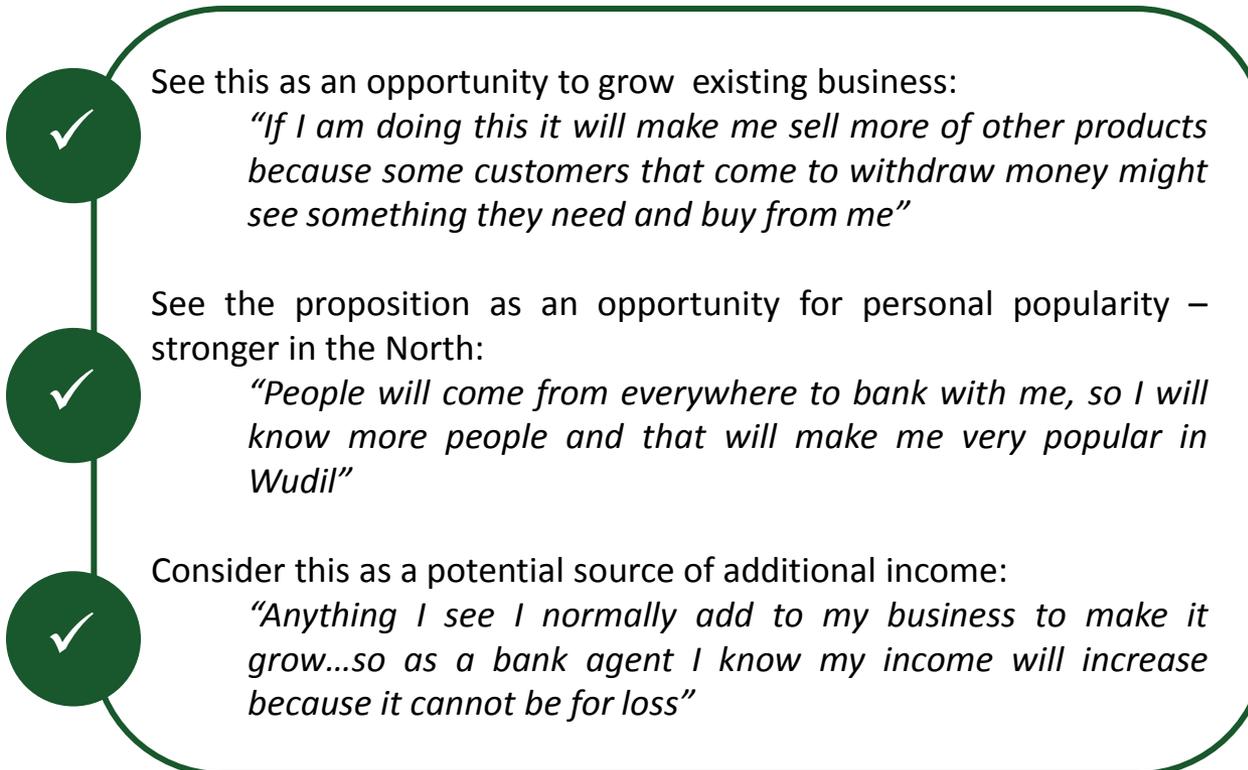
**Across most regions, there was a prevalence of small sized outlets**

# Insights from Retailers Regarding Agent Banking

- Agent Banking had a consistent reaction across outlets in all regions
- The longer the business had been in existence in the locale, the more likely they were to adopt agent banking. The belief is that they are well known, so customers trust and respect is already earned and can be capitalized on
- The idea of agent banking generated more interest amongst retailers/outlets that were managed by owners as opposed to those managed by employees
- However, a few outlets were indecisive about their disposition to undertaking agent banking, as they found it difficult to evaluate the potential upside/downside
- A few outlets were not interested in providing agent banking services

## Positive Attributes

- The majority:



- ✓ See this as an opportunity to grow existing business:  
*“If I am doing this it will make me sell more of other products because some customers that come to withdraw money might see something they need and buy from me”*
- ✓ See the proposition as an opportunity for personal popularity – stronger in the North:  
*“People will come from everywhere to bank with me, so I will know more people and that will make me very popular in Wudil”*
- ✓ Consider this as a potential source of additional income:  
*“Anything I see I normally add to my business to make it grow...so as a bank agent I know my income will increase because it cannot be for loss”*

Across the board, retailers thought that providing agent banking services would be profitable primarily based on the potential impact of increasing their customer base, which would improve sales in other parts of their business

## Positive Attributes

- In the South East, agent banking is perceived as representing an opportunity to partner with a financial institution, thereby providing an opportunity for personal attention from the institution and access to additional benefits



Perception that agent banking will provide an opportunity to gain necessary business skills to improve their business:

*"I am thinking that since this is for a bank they might teach us how to manage our business even better than we currently do now"*



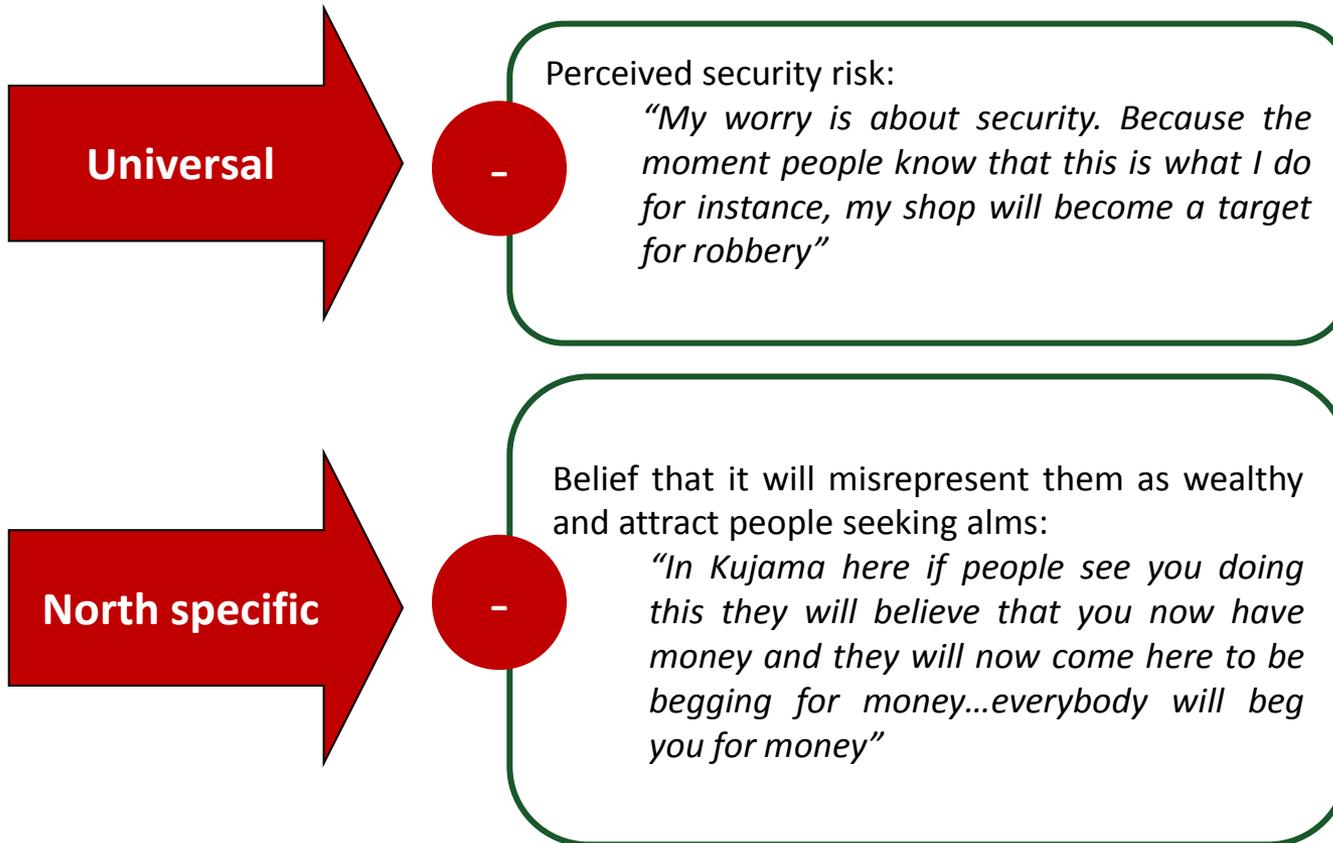
Opportunity to partner with a financial institution thereby increasing access to funding for business expansion:

*"Maybe I can easily get a loan from the bank since I work for them"*

Male business owners in the South East are more receptive to the idea than female owners

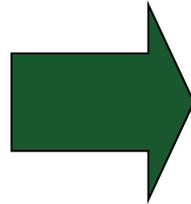
Most females in the South East are somewhat sceptical about agent banking, even though they consider it "doable"

## Key Concerns

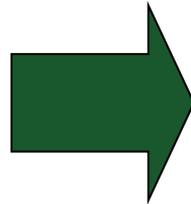


In addition to anxiety about security, outlets in the North are conscious about the misguided perceptions that becoming a bank agent is likely to generate in their environment especially amongst the disadvantaged/less privileged

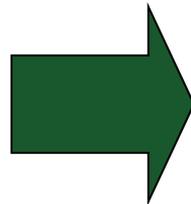
## Expected Impact on Existing Business



- Considered a novel idea
- Expectation that involvement will attract special attention and consequently increase popularity of the outlet



- Belief that customers will develop a preference for the retail outlet where they operate an account – hence driving more patronage and sales opportunities for the outlet



- Perception that agent banking will eliminate/reduce issue of having to provide credit to customers – since the customers accounts can be debited on occasions when they don't have cash available

The primary attraction of providing agent banking services amongst the retail outlets, especially outlets dealing in fast moving consumer goods is the perception of more customers coming to their outlet and buying other products

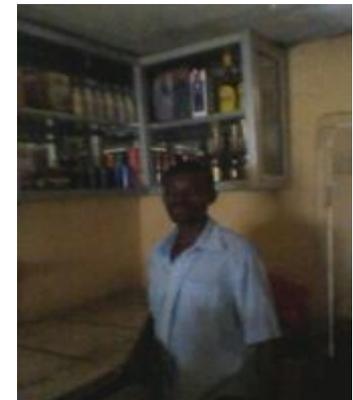
## Expected Impact on Existing Business

- Outlets that are receptive to the concept of agent banking

***“...like most times students here go with my change maybe because I don't have change but if I have this now I will just transfer their change to their account or if I don't have change I can tell them go with the money I will take from your account – provision store, Ake***



***In this business you can't do without credit but with this you will hardly sell on credit because the customers money is with me, so he can drink as he likes at the end of the day I will take my money from his account – bar, Epe ”***



- Customers across the regions especially in the North and South East had low levels of literacy

### Customers in the North

- Predominantly farmers
- Others include petty traders, motorcycle operators, cloth merchants
- Students



### Customers in the South

- Primarily petty traders and motorcycle operators
- Students
- Site workers e.g. construction workers
- Commercial vehicle operators e.g. buses and taxis
- Travellers (petrol stations)

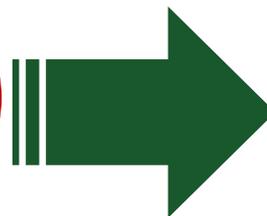
Majority of the customers of retail outlets live on daily earnings/wages

## Customers Relationships with Retailers

- Beyond business, most retailers have personal relationships with their customers
- Retailers offer financial assistance in the form of credit, discounts, savings facilities, etc.



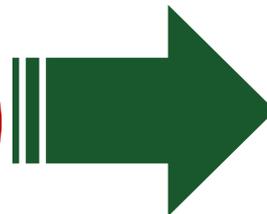
Offer credit facilities



*“Most of my customers are Achaba...they always ask for credit before they go to work but when they return they will now pay me”*

*“Sometimes I borrow my customers money when they have problems...but only the ones I know well”*

Offer savings assistance



*“Most of my customers keep their money with me especially the transport union workers...they don't have time to go to bank”*

Existing trust and the financial relationship between retailers and their customers provides an opportunity for building the agent banking proposition amongst this target

Cases of customers saving money with retailers were mentioned mostly in the North, followed by the South East

## Customers Saving Patterns

- Customers determine what to save based on what they earn daily. Savings are therefore inconsistent from day to day



- Customers in this category stated that they save some amount, which could be as low as N100
- Transport workers tend to save larger amounts – a merchant claimed that a transport worker sometimes saved as much as N50,000 at his outlet

- Customers who save a fixed amount daily are mostly petty traders/motorcycle operators



- Customers in this category have a fixed amount they save on a daily basis through group contributions/thrift collectors
- Savings varied from N100 to N500

If agent banking is introduced, the savings potential for customers is estimated at N100 per day

# Retailers' Expectations for Providing Agent Banking Services

## Key Expectations – Set Up

- Across all locations and outlets, retailers had similar expectations with respect to what banks should do at the initial stage to encourage participation by both customers and the outlets

### Set Up

*“The banks should first create awareness about it so that people will believe it is not 419....”*

#### Corporate branding of the outlet

- To create recognition for the outlet
- Authenticate the outlets – create public trust/ confidence

#### Increased publicity from banks to create consumer awareness

- Public awareness is considered a very critical success factor - especially in the North due to low literacy levels amongst potential customers

There is a need to develop and maintain public trust to encourage the adoption of agent banking

# Key Expectations – Operations

## Efficient Services

The need for efficient services was mentioned the most across all locations and outlets (especially in the North):

- Outlets in the North see Northern customers as impatient and difficult, hence their inability to access funds when required could encourage distrust and therefore weaken adoption of agent banking

## Sustainable

There was some scepticism about the sustainability of agent banking, due to negative experiences of dealing with microfinance banks:

- Adoption of agent banking is more likely with the involvement of a reputable bank, which will give retail outlets a guarantee of continuity

Given retailers' scepticism, corporate image and the bank's reputation appear to be a critical element that will drive retailers to sign on as bank agents as well as engender customers trust to try out agent banking

## Security

The need for security is a major deciding factor for the adoption of agent banking:

- Most outlets want to be guaranteed adequate security measures that protect their lives, property and existing businesses
- Though a universal need, retailers in the South East appear more conscious of security risks, given the peculiarities in their environment

## Mobile Agents

In the North, Lagos & Ibadan, the need for mobile agents was mentioned as being important given the peculiarities of customers:

- Expectations that customers might request that their money be delivered to them at home as currently practised by savings collectors
- For most retail outlets, ability to facilitate the movement of cash to the bank (liquidity management) is an area of concern

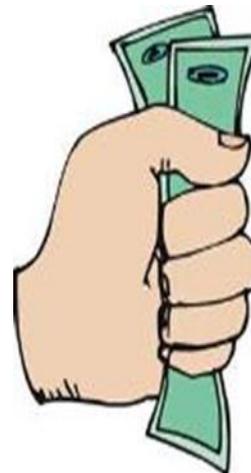
There is need to provide adequate security measures and effective liquidity management processes between the bank and agent, so as to limit their risk exposure

Financial institutions may need to consider providing insurance (life and property) for outlets – to drive the adoption of agent banking and mitigate security risks

## Key Expectations – Remuneration Structure

- All retail outlets expressed the need for an attractive remuneration structure based on commission per transaction
- However, most retailers found it difficult to be specific about what would be an acceptable remuneration structure
- Most retailers were clear about the need for support from banks – such as the initial expenditure for labour (including training for employees) and security
- Few outlets in the North were specific about their preference for a performance-based reward structure i.e. receiving a percentage based on total transactions conducted for the day

***“I will be able to calculate what is good enough when it starts and I see how it is moving, but now I still don’t know much about it”***

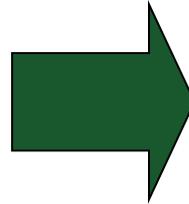


# Key Barriers to Adopting Agent Banking

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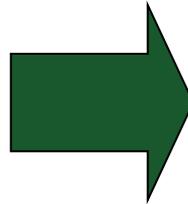
- Few outlets were totally against the concept of providing agent banking services. These tended to be small sized outlets owned and managed by females in the South East and a few in the North

Perceived security risk was the strongest barrier amongst those who opposed the idea



- Security risks in the country, especially in the South East contributed to the rejection of the concept
- Low self confidence (especially in the North), given their low literacy levels
- Most tended to have a negative view of banks as being overly “complex”
- Outside of their comfort zone – they view partnerships with bank as being too risky

Anxiety about partnering with a bank



In most cases, especially among those that are opposed to the concept, involvement in agent banking is perceived as a huge risk given the association with a bank

Low literacy levels/lack of confidence are also major contributing factors to the negative disposition to undertaking agent banking

# Key Barriers to Adopting Agent Banking

- Those opposed to providing agent banking services:

***“ Now even people that don’t have money are being kidnapped ...this kind of thing can make kidnappers to kidnap somebody and even armed robbers too will come – dealer in other petroleum products, Okrika***

***We are happy the way we are, I manage what I have...this bank agent work can now can tempt me to use money and maybe later I cannot replace it...I don’t want to put myself in trouble – provision store, Omoba***

***I don’t like to have anything to do with a bank...I can go there and put my money but I don’t like to work with them because I have heard that banks arrest somebody or they take people to court – provision store, Kebbi ”***



Retailers with very low literacy levels are less inclined to adopting agent banking

# Existing Mobile Money Agents

# Perceptions of Being a Mobile Money Agent



- Appreciated as an additional source of income:  
*"It is just another way of making income"*
- Convenience – can transact from anywhere and at anytime:  
*"I like the fact that it is on my phone so I can be anywhere and do my business"*



- Low public awareness:  
*"Most people still don't know about mobile money especially the market women and people at the motor park even though they are the target...that is why the profit right now is not much"*
- Mobile money operators are seen as not being supportive, especially for cash handling/liquidity management issues:  
*"The banks are the worst, all they care about are the transaction charges, they don't show you that they care about you"*
- Poor network service:  
*"I have had to drop the MTN mobile money because it does not make sense...when you make a transfer it tells you undelivered but later you will see it has delivered and by then the customer has gone and you have lost that money"*
- Most agents consider the current income generated as being very low

Network issues and low public awareness are major bottlenecks to the uptake and sustained usage of mobile money

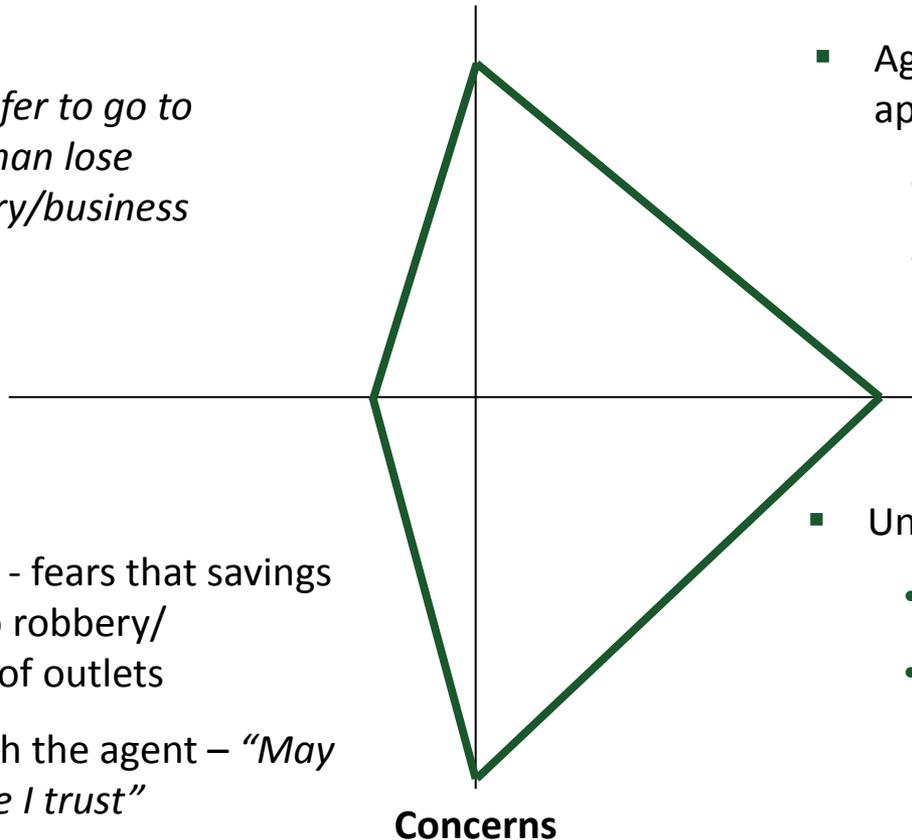
# Customers Disposition to Agent Banking

# Perceptions of Banked Customers

- Low relevance:

- *“I would still prefer to go to a bank rather than lose money to robbery/business collapse”*

**Relevance**



- Agent Banking had moderate appeal:

- Something new
- Easy access to funds/ convenience

**Uniqueness**

- Major concerns:

- Security issues - fears that savings could be lost to robbery/ disappearance of outlets
- Trust issues with the agent – *“May not be someone I trust”*

- Unique:

- Something unique
- Advanced form of microfinance

**Concerns**

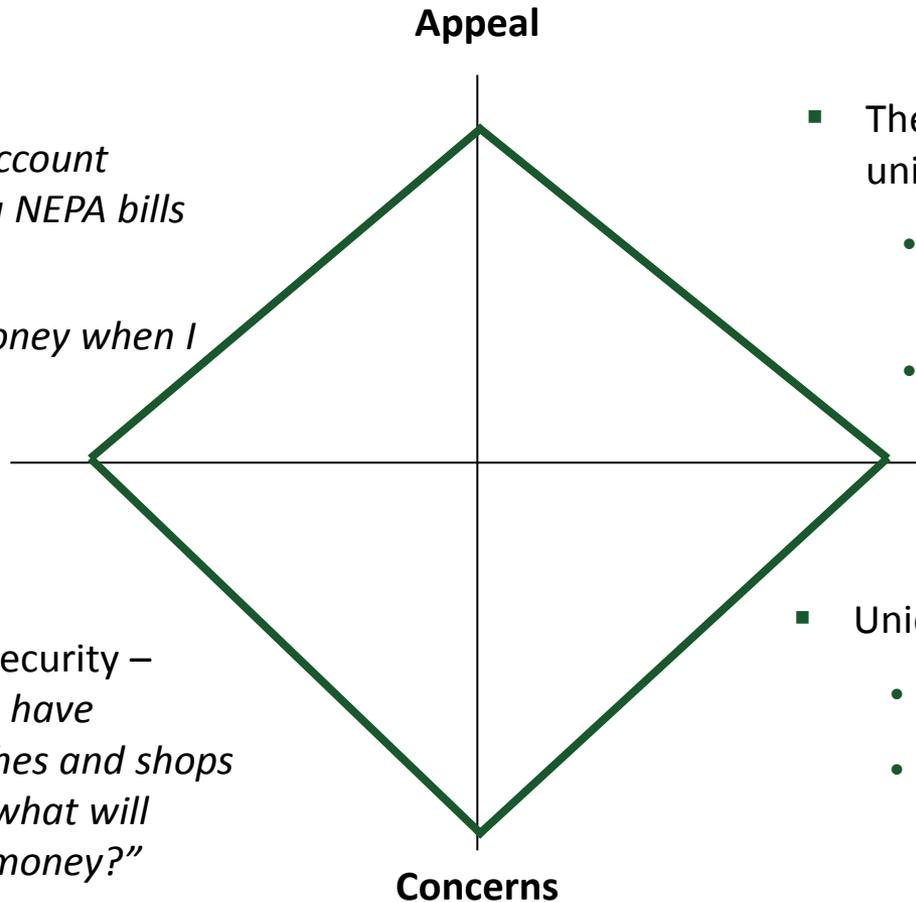
Reactions were consistent among the banked segment. There is a reluctance to adopt agent banking due to security risks and trust related issues

# Perceptions of Unbanked Customers

- High relevance:

- *"I can have an account without bringing NEPA bills now"*
- *"I can get my money when I need it"*

**Relevance**



- The idea had high appeal universally:

- Convenient - within close proximity
- Easy access to funds

**Uniqueness**

- Major concerns:

- Anxiety about security – *"Sometimes we have communal clashes and shops are destroyed, what will happen to our money?"*

- Unique:

- New
- No bank has done this

Propensity to adopt agent banking was relatively higher amongst the unbanked. However, assuring this customer segment that their funds are secure is critical

“

*I will try it only if they involve our Imam and village head because that will make me believe it is genuine – unbanked customer, Kano*

*The owner of the business they want to use as agent must be someone that is trusted so that he won't run away with our money - unbanked customer, Epe*

*They must put in place powerful security to prevent robbery and even sometimes we have communal clashes – unbanked customer, Epe*

*The agent must work like the normal banks, they should always have money and not that they will tell me come back for your money - unbanked customer, Igwurita ”*

Efficient services, access to cash, trust and security are critical issues that need to be addressed to encourage the adoption of agent banking among customers

# Conclusion

## Conclusion

- There is a potential opportunity for deposit taking financial institutions and mobile money operators to build on existing relationships that retailers already have with their customers:
  - Most retailers, particularly in the North assist their customers to save their money
  - Retailers already provide credit facilities to their customers
- Most retailers had a positive disposition towards agent banking. The key benefits they perceive from providing this service include:
  - Expected positive impact on other lines of business as a result of an increase in customer base and popularity of the retail outlet
  - Increase in revenue due to reducing or eliminating coinage challenges and other risks like the provision of credit to customers
- Incentives that will motivate retailers to adopt agent banking include commission on transactions and occasional offers of branded items
- However, concerns about security are likely to be a major deterrent for both retailers and customers

To drive the adoption of agent banking, deposit taking financial institutions should:

- Leverage the existing trust that exists between retailers and their customers
- Put in place measures that mitigate fears concerning security risks and provide appropriate liquidity management
- Leverage existing mobile money agent networks
- Leverage the mostly positive disposition towards agent banking by both retailers and customers by developing innovative products that will ensure the adoption and sustained usage of agents for the delivery of financial services
- Capitalise on their reputation, which is more likely to increase retailers and customers level of trust and confidence
- Roll out agent banking through outlets situated close to motor parks and markets, as these outlets represent the biggest opportunity given the high traffic and volume of cash handled by customers. These locations will also provide access to a large number of customers

THANK YOU