

# Best Practices in DFS: Serving Women Agent Networks

Susie Lonie & Lesley-Ann Vaughan  
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# Providing Digital Financial Services To Women

# What do we know about women and phones?

## The Facts

- Across the world, women are 14% less likely than men to own a phone
- Women use phones less often for sophisticated services such as mobile internet
- Fewer women than men use messaging and data services

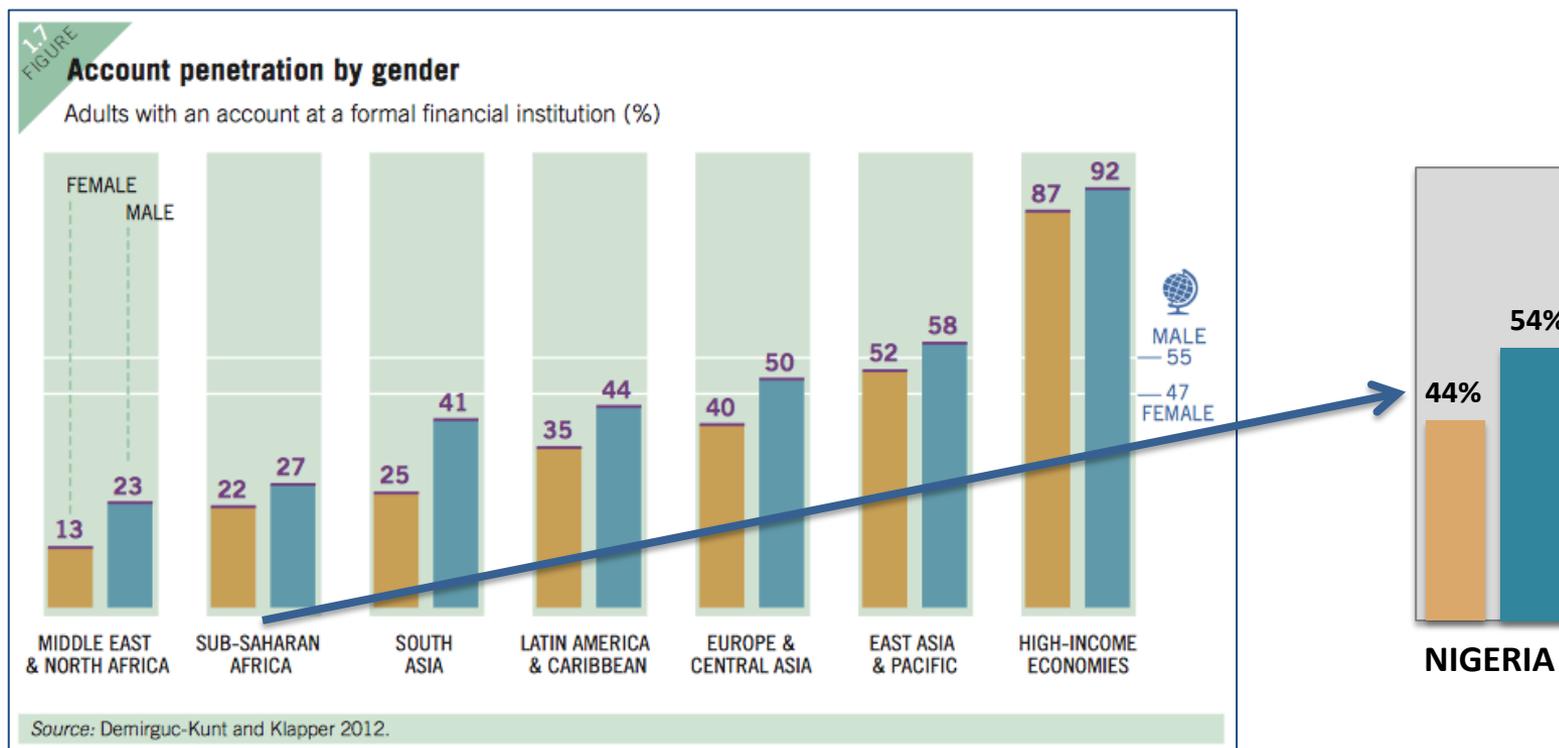
## The Causes

- Cost remains the greatest barrier to ownership of a phone
- “Security and harassment” emerged as one of the top five barriers
- Women also cite service delivery issues (network quality/coverage and agent or operator trust)
- Technical literacy and confidence are key barriers
- In some cultures, social norms influence women’s access to and use of mobile technology

**Women understand the inherent value of mobile phones and a ‘lack of perceived value’ is no longer a top barrier to mobile phone ownership**

# What more do we know about women and financial services?

Across the world, women are less likely to have an account with a formal institution

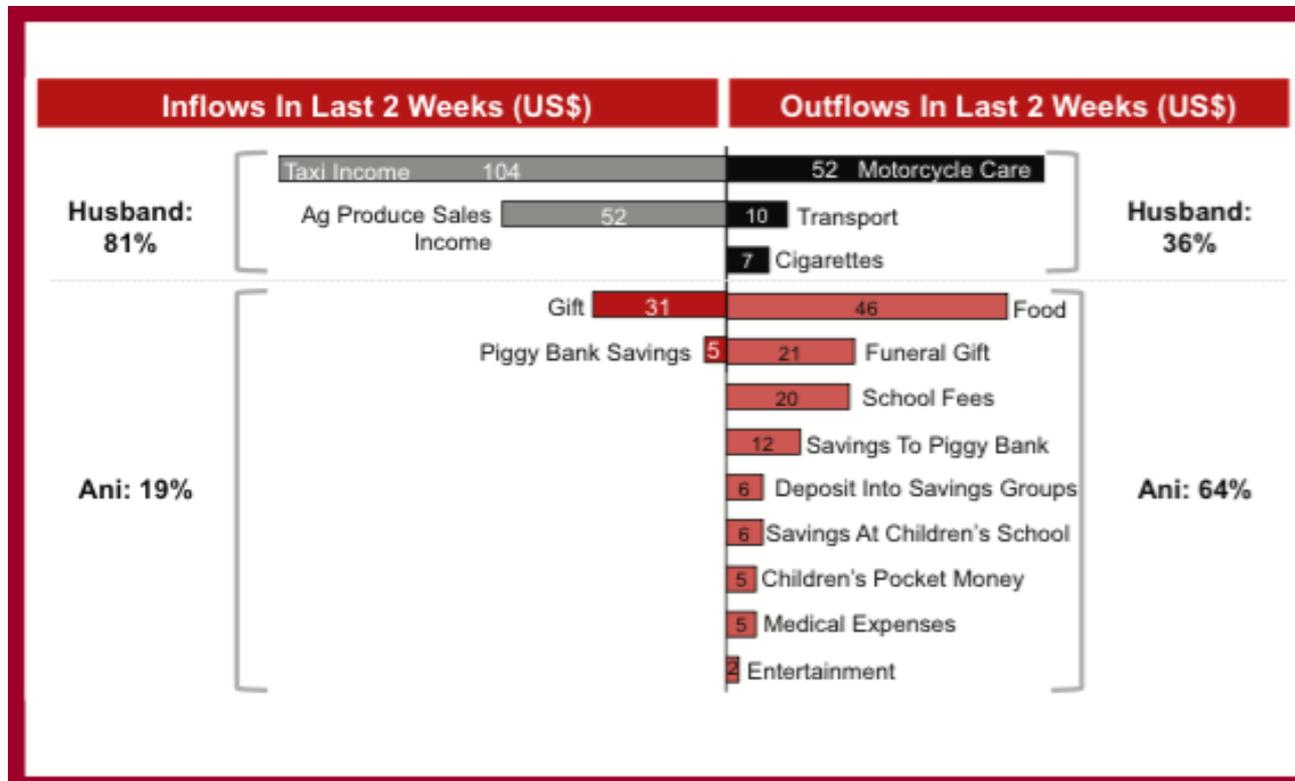


The EFInA study shows that the gender gap is bigger in Nigeria than the African average

# What is the opportunity from engaging women?

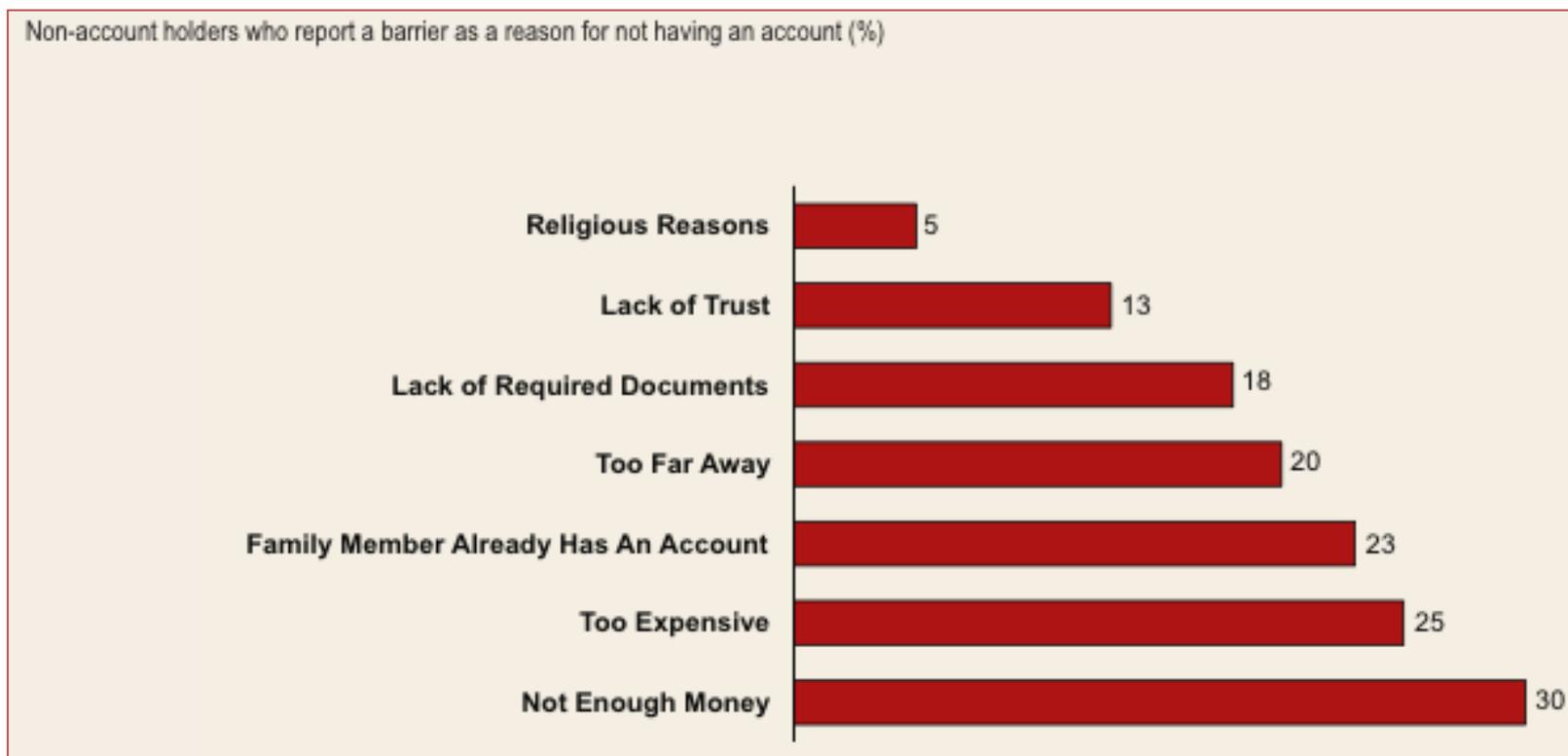
## Women in developing markets are an important customer base for DFS providers

- Active household financial managers – in some ways more active than men
- While men bring home more of the household income, women often contribute supplementary income
- Women are frequently in charge of the large volume of smaller transactions:



# Women's Barriers to Use of Formal Accounts

Reasons reported for not having an account are similar in all markets



## The barriers for women are greater than for men

*GSMA 2013: Women's wants and needs from financial services*

**Convenience**

**Reliability**

**Security**

**Privacy**



*Stretched for time and responsible for both children's daily expenses and unanticipated household economic shocks, **women are often risk-averse when it comes to money management** As a result, they value convenient, reliable, secure, and private financial tools.*

## How do you overcome women's natural caution?

- Perform research on women's wants and needs
- Tailor above-the-line marketing to include women
- Invest in consumer education to reassure potential users
- Invest in agents to improve awareness, education and service quality
- Streamline registration
- Deliver convenience, reliability, security and privacy

# Women often run small businesses as well as homes

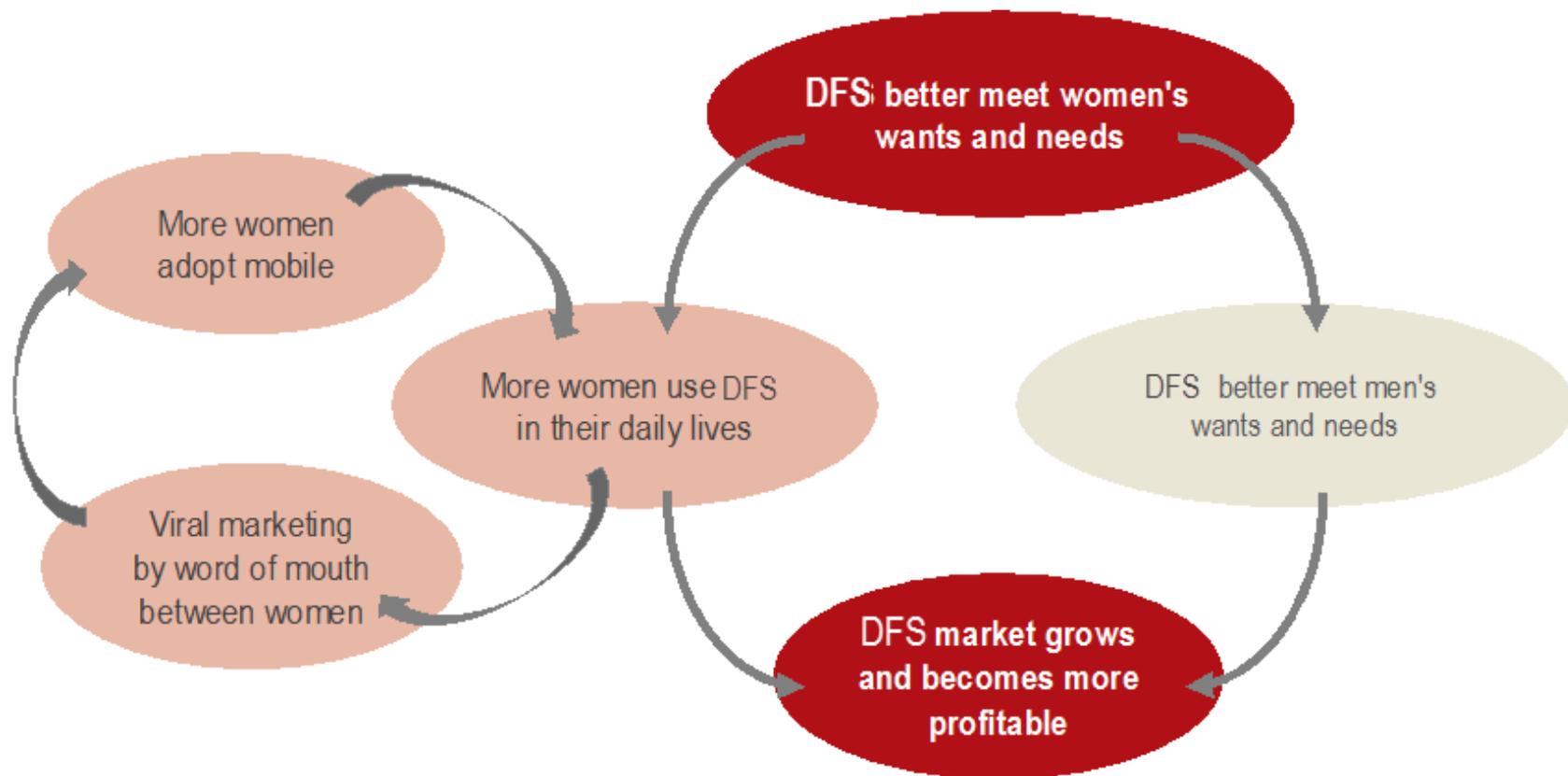
**WWB estimates that over 70% of women-led SMEs are either unserved or underserved financially.**

## **6 Global Best Practices in Banking Women-led Small Businesses**

1. Know your market and customer
2. View women-led businesses as a distinct group
3. Build internal capacity to serve the women's market
4. Adapt credit processes, lending methodologies and delivery models
5. Offer women a comprehensive mix of financial and non-financial services
6. Invest in proving the business case through disaggregated data

*WWB: The banks that are acting on the market opportunity are already reaping the benefits, through an increase in the share of women-led SMEs, a decrease in non-performing loans, and the ability to cross-sell products to women-led SMEs at double or more the rate of other segments.*

# What's good for women is good for everyone



Services need to gather critical mass to start the “virtuous circle”  
– women are a key part of building this

Etisalat launched a rural brand, Weena, aimed at rural women. Weena offers a bespoke value proposition for rural women including:

- **Tariff Plan** – offering discounted rates on calls to other community members
- **Loyalty mechanism** – consumption based bonuses for individuals and for community loyalty schemes for local projects
- **Distribution** – dedicated network of ambassadors & agents to promote the brand, register new users, and manage group loyalty bonuses
- **Marketing** – comms and branding aimed at rural women
- **VAS** – free access to SMS information services about health, agriculture and business training

**Launched in Benin in in November 2013**

**Launched in Togo 2014 and being rolled out to other markets**

## Case Study: Ugandan Womens Savings Groups

### **Case study:** Partnership between Airtel & Grameen Foundation

- Developing a mobile solution for women's savings groups using the Airtel Money platform
- They have conducted in-depth research into the activities and needs of these groups and has identified key pain points

The new product will directly address these pain points by making the savings groups' processes more secure, efficient and transparent

# Case Study: Indian Women Farmers Union Inventory Management

Led by SEWA [union] and a women's cooperative using Vodafone M-PESA

- The development of a low-cost, user-friendly inventory service targeted at women micro-entrepreneurs
- Could have significant implications for the work of other development organisations

A successful mobile product for the cooperative could be modified for other SEWA networks such as savings groups

# Profitable Pervasive Agent Networks

## What do we know about agent networks?

- A good agent network is considered any DFS providers strongest asset
  - *and little data is publicly available about the successful ones!*
- In most markets, over 50% of agents are inactive
- Agent inactivity is a vicious circle:



# AGENT Responsibilities: what type of business are they serving?

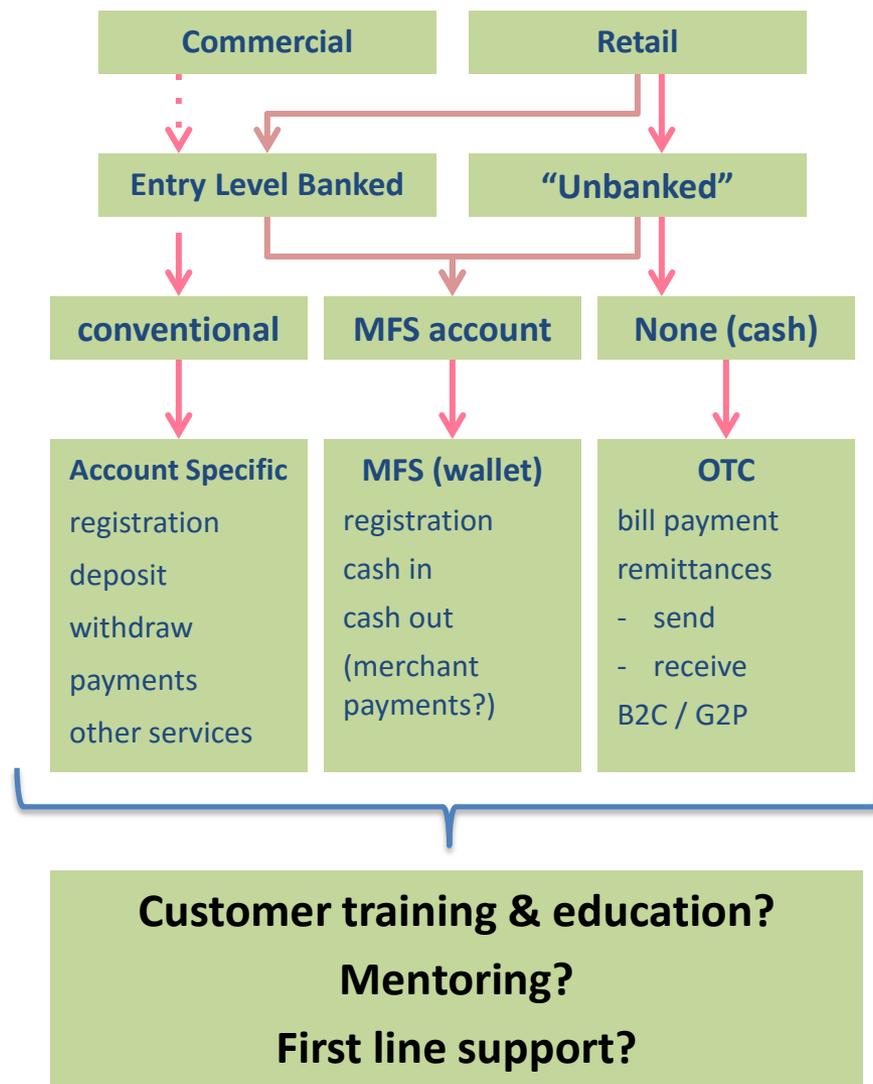
Which sector are you targeting?

What kind of customers are you targeting?

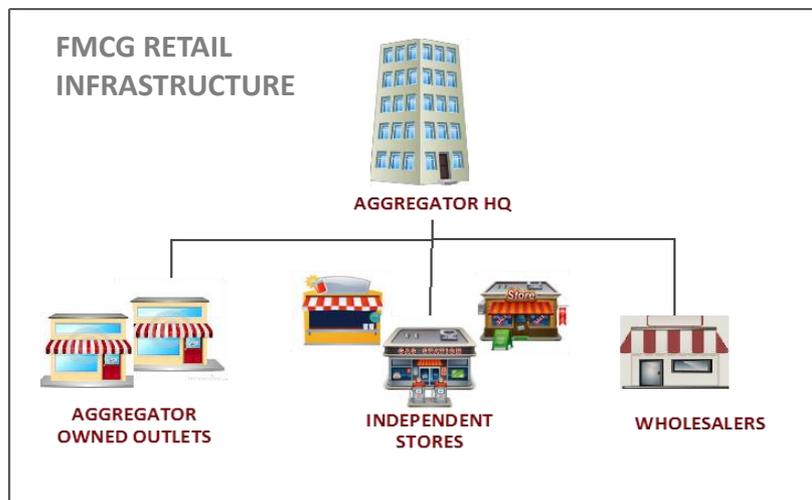
What kind of account do your agents service?

What kind of service do they provide?

What other value can they add?

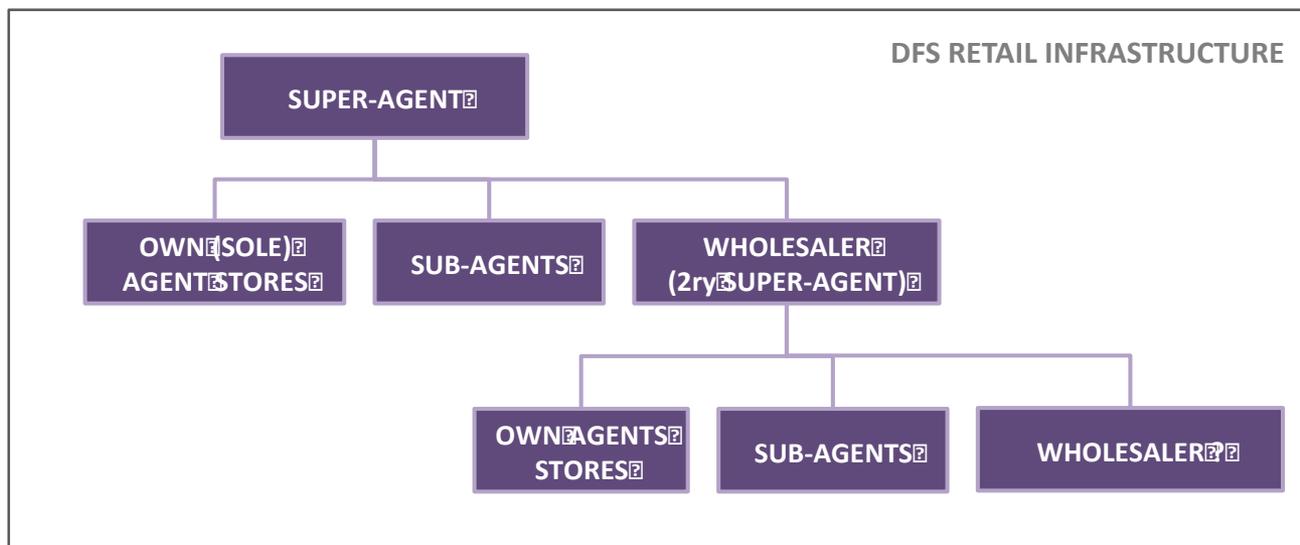


# AGENT Structures



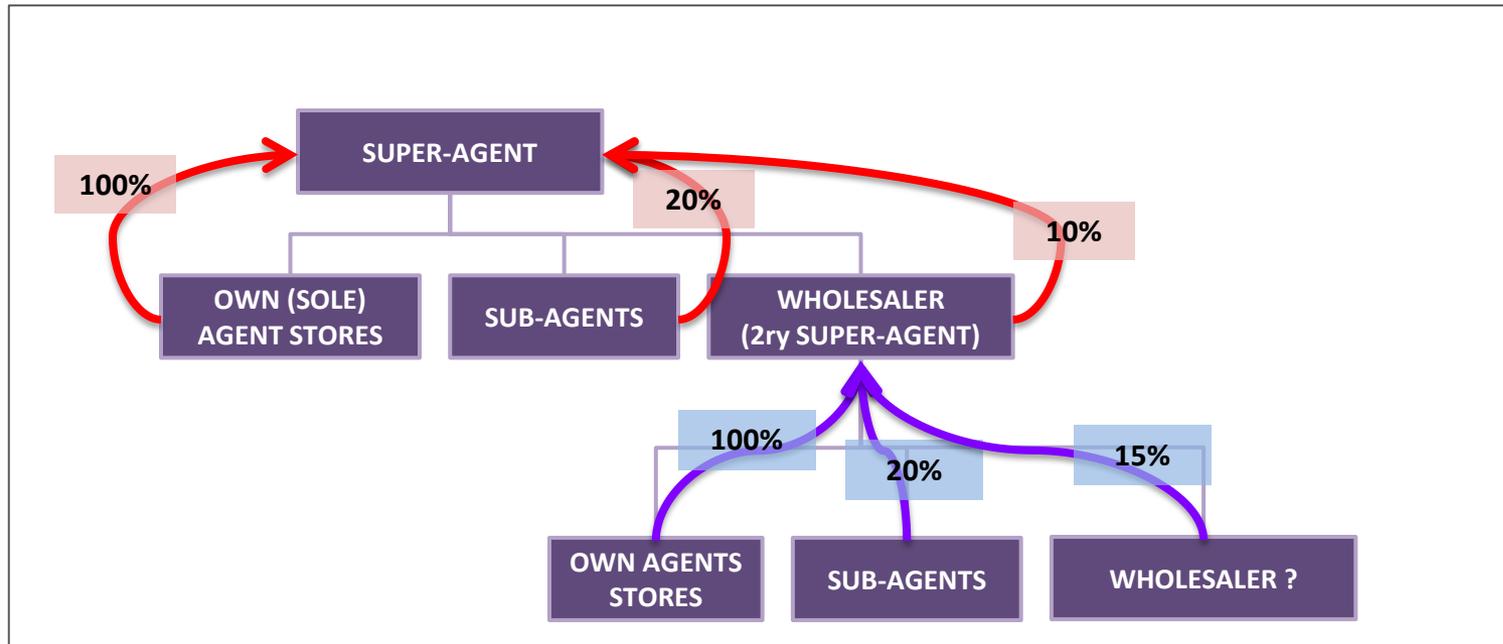
The retail market is complex

All participants need to earn an acceptable return for their effort & their costs



# Super-agent Commission Structure

- The super-agent main source of revenue is usually taking a cut of the transaction revenue earned by the agent
  - The agents pay for the aggregator service from their commission
  - Super-agents are incentivised to ensure that their agents are performing well
- Super-agents may receive different amounts of commission from different parts of the agent structure



## Ongoing agent maintenance

Once live, the agent needs to be managed...some need more attention than others

Task	Why?
Training	<p>Intensive care for the first few weeks to ensure that trained staff are serving customers correctly</p> <p>New staff need to be trained</p> <p>FATF* requires AML training to be refreshed periodically</p>
Merchandising	<p>POS materials need to be replaced and updated</p> <p>Physical paperwork needs to be sent to the bank</p>
Performance monitoring	<p>All stores performance must be monitored by transaction type</p> <p>Remedial action taken for poorly performing outlets</p>
Promotions	Both national and local initiatives should be supported by agents
Customer Care	<p>A help line is needed for issues</p> <p>Sales support is needed to help resolve some issues</p>
Disputes	Resolution of settlement and other issues

# LIQUIDITY MANAGEMENT is the greatest challenge in rural areas

Topic	Considerations
Getting cash into / out of the bank	Is there a branch easily accessible to the agent? If not, what alternatives are there for providing liquidity?
Using other banks	Is it feasible for the agent to use a competitors branch? Or ATM? Is it affordable?
Super-agents	Does the agent have a Super-agent that can provide cash delivery?
bank e-money issuance upon receipt of funds	How quickly can e-money be issued to an agent that has deposited cash? Ideally this should be automated.
Bank <> wallet functionality	Can the agent use his phone to transfer funds to and from his bank account. This is important for e-money access.
Agents as MFS merchants	Can the agent (as a retailer) accept payment for goods by e-money? This relieves the pressure on the e-money float.
OTC	Can the agent perform both OTC and wallet transactions? This assists greatly in float management.

## Core Reports

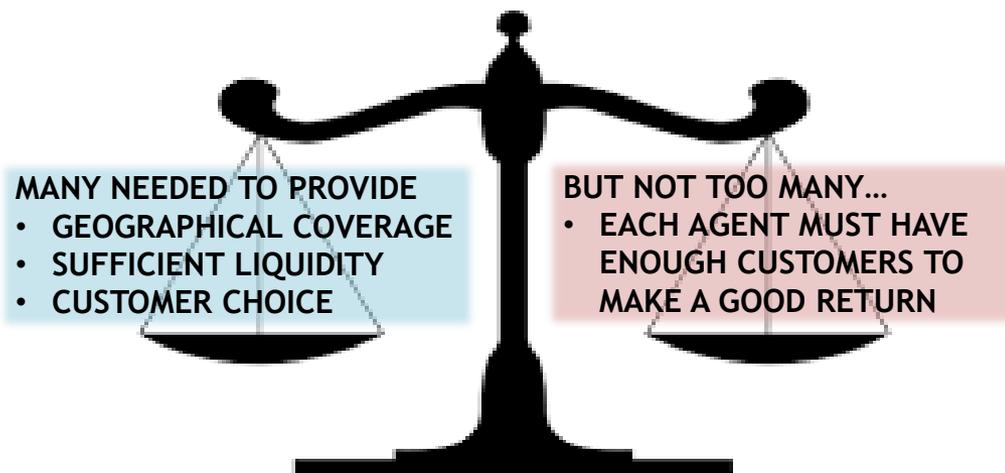
- Transactions by type – Volume & Value
  - *Is the agent providing **all** of the MM services offered*
- Average float levels/ how frequently below acceptable minimum/ zero
- Registered vs Active customers – are Agents recruiting REAL customers
- Revenue – OTC services only. MFS agents are not a major source of revenue.
- Suspicious activity reports
- Reports available broken down by Sales Rep/ Supervisor/ Region

## Reports from other data sources

- Number of new assistants trained and retrained per store
- Number and type of calls to Call Centre – what are their issues?
- Frequency of general / merchandising visits & Agent availability during the visit
- Compliance in returning required paperwork
- Information by Agent type eg banks vs large chains vs mom-&-pop/ kiosks etc

# How many agents do you need?

The number of agents needed is a balance between quantity and quality:



A common mistake is to recruit large number and assume this means a good agent network.

\*Over 50% of agents in most markets are dormant due to lack of customers so:

- they do not maintain their e-money float
- assistants forget how to use the service
- customers get turned away (often being told that the service is “not working”)

The reputation of the service is undermined and customers lose confidence in it.

**Depending upon the size of the agent, the fees, and the maturity of the market, between 200 – 600 active customers per agent gives sufficient transactions to give a good agent business**



## MANAGING POORLY PERFORMING AGENTS

### Act when issues are identified including

- Agent inactivity
- Suspected direct deposits
- Incorrect or incomplete customer registrations
- High registration to transaction ratio
- Intermittent float availability
- Customer complaints

### Types of action

- Additional training
- Better float management arrangements
- Claw back of commission
- Moving to a better superagent
- Closure of agent

## REWARDING HIGH PERFORMING AGENTS

Some agents put a great deal of effort into the business and produce great results

They should be encouraged and rewarded

- Fund agent marketing activity
- Invite to road shows
- Promotional support
- Profile in sales events
- Over-riders
- First call on new initiatives
- Staff incentives

# Agent Business Case Guidelines

## **Revenue (commission) is earned by serving customers**

- Deposits
- Withdrawals
- Customer registrations
- OTC transactions

## **Commission must be sufficient to cover agent costs**

- Cost of liquidity / float
- Staff – also busier agents might need extra staff
- Equipment and connectivity
- Account administration – in store & back office [phone / PC based]

1. The amount earned per Naira “invested” must be competitive with the net margins he earns from the core business eg selling airtime, groceries, fuel etc
2. Agent activities are new, incremental business to grow the total revenue
3. Driving footfall and the resulting additional core sales opportunity should be emphasised
4. In rural areas the cash out service can assist with management of excess cash
5. Some agents will ask for assistance with security or insurance given the higher risk associated with being seen as a source of cash. Assistance may be based upon their performance?

## Agent Measures of their own success

- Revenue earned: in total and by transaction type
- Volume: number of customers / number of transactions in total and by type
- Value: value of transactions in total and by type



- Float requirements – daily / weekly / monthly
- Performance of individual assistants

It is therefore vital that payments & incentives are linked to ACTIVE customers.

## Agent Profitability: What is the benchmark?

The agent return must be competitive with his other stock items for the business to be worthwhile. For example, in a small grocery store trading 24 days per month:

Monthly Sales & Revenue	Airtime	Groceries	Mobile Banking Cash In
days of stock held	4	18	6
No of sales per day	20	32	10
Average value of a transaction \$	1.00	5.00	20.00
Revenue from sales %	5%	10%	2%
Cost of sales per month \$	456	3,456	4,704
Cash tied up in stock \$	76	2,592	1,176
Revenue per month \$	24	384	96
Return on investment per month	32%	15%	8%

[It is improbable that the agent in this model would want to offer DFS]

*Note that cost of e-money [bank deposits, clearing time, replenishment by customer withdrawal, etc] has not been factored in this model so the net agent return will be rather lower than shown*

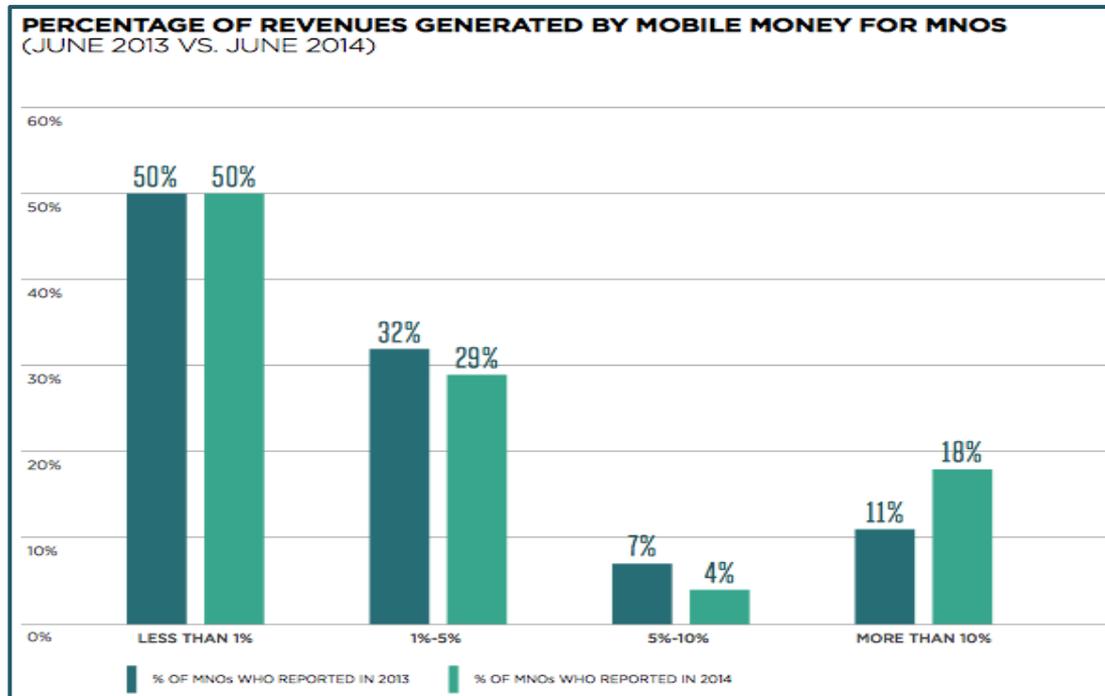
# How can agent profitability be improved?

1. The best solution is to reduce the amount of e-money the agent needs for stock
  - Having a fast & inexpensive (free?) way to turn cash into e-money eg by using bank<>wallet transactions, Super-agents, float sharing between stores etc
  - Higher numbers of withdrawals - but ideally the DFS provider seeks to reduce withdrawals and encourage more e-transactions
2. Increasing the transaction revenue will also help
3. Increasing the number of transactions just makes the liquidity issue worse

Mobile Banking Cash In	Base Case	Reduce amount of stock holding	Increase revenue per transaction	More transactions per day
days of stock held	6	3	6	6
No of sales per day	10	10	10	20
Average value of a transaction \$	20.00	20.00	20.00	20.00
Revenue from sales %	2%	2%	3%	2%
Cost of sales per month \$	4,704	4,704	4,656	9,408
Cash tied up in stock \$	1,176	588	1,164	2,352
Revenue per month \$	96	96	144	192
Return on investment per month	8%	16%	12%	8%

## DFS Profitability for DFS Providers

- The revenues generated by mobile money services grew over three times as fast as transaction volumes in 2014 (126.5% CAGR)
- Nearly 40% of respondents more than doubled their revenues in the nine months between September 2013 and June 2014



*Indirect benefits such as churn reduction, increases in ARPU on the GSM business, and savings on airtime distribution, also strengthen the overall business case for MNOs.*

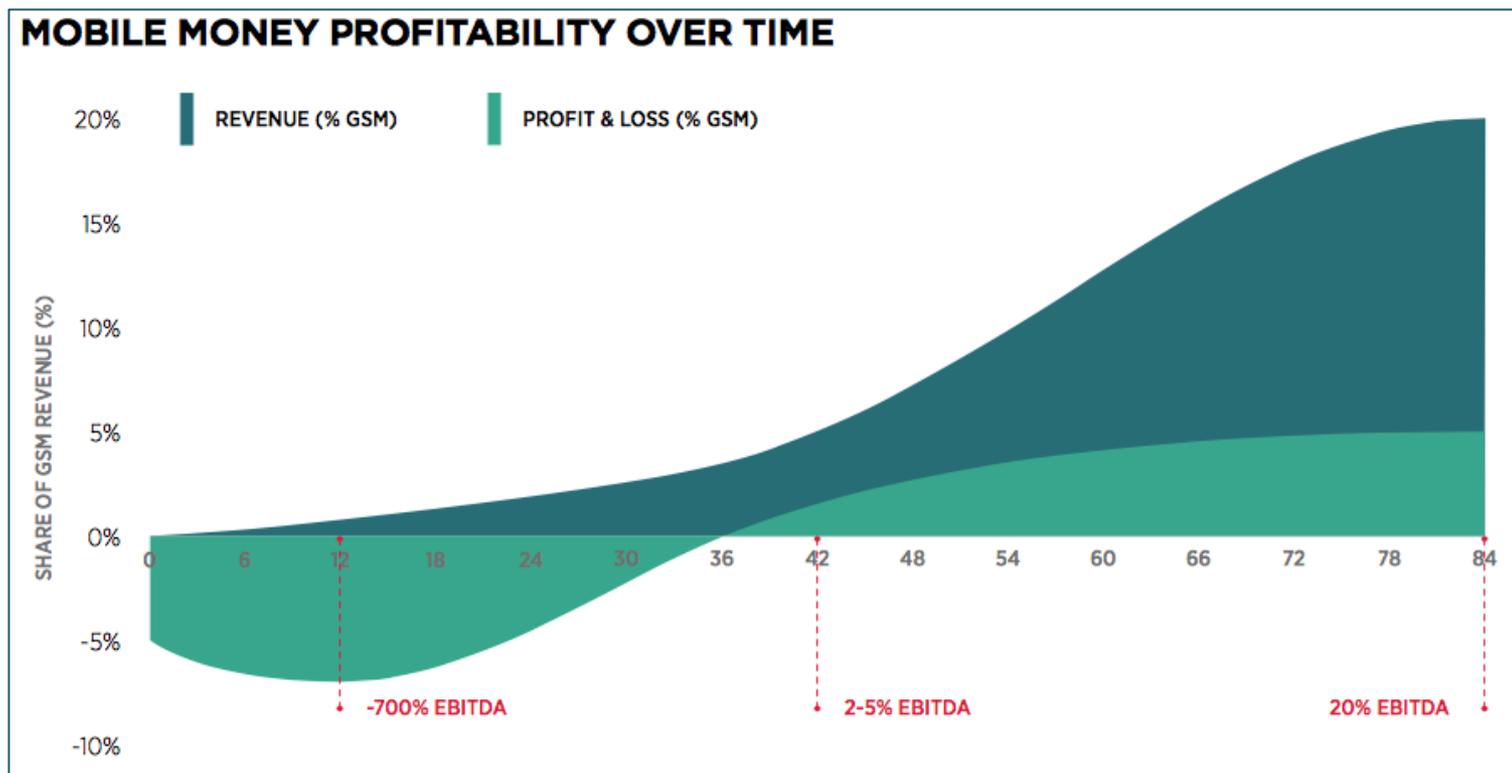
## CONCLUSIONS – MFS Agent Key Learning

1. Quality is more important than quantity
2. There must be a reasonable business case for the agents
3. You must have sufficient resource to manage the agents effectively
  - Address inactive and poor agents quickly
  - Reward good agents and spread best practices
4. You must provide low cost and effective tools for liquidity management
5. You must provide back office tools for agents to manage their MFS business
6. Incentivise agents based upon transactions, not registrations
7. The technology must be compatible with the agents existing technology
  - POS device, Tablet, Smartphone, Dumb phone...?

## CONCLUSIONS – MFS Agent more key learning

7. The technology must be compatible with the agents existing technology
  - POS device, Tablet, Smartphone, Dumb phone...?
8. There are several sources of agents that may need different types of management
  - Existing corporate customers – probably managed internally
  - Aggregated agents – aggregators managed internally?
  - New corporates – eg fuel stations, retail chains, fast food
9. Training and refresher training is an on-going operation, not just a start-up task
  - Training store staff needs to be hands on and done in store
  - Head office staff training can be classroom based, but also hands on
  - Training may need to be outsourced due to the scale of the task
10. User Experience for agents needs to be simple and intuitive
  - Administration should be kept to a minimum

# DFS typically take some time to become profitable



Any bid for funding must take account of the time taken and demonstrate an ability to support the service until it reaches profitability

# Any Questions?