Accelerating Agent Network Growth: 9 Lessons from the New Model in Zambia

Jennier Ferreri, Senior Project Manager/Consultant, Inclusive Financial Services, MEDA

The slow expansion of mobile money is becoming an ever important topic of posts and papers. Mobile money operators and international development practitioners looking to recreate the successes of Kenya and Tanzania, particularly in rural markets with low population density, often cite the costs and difficulty with agent network growth, agent management and agent motivation as the culprit. Enter: Zoona Zambia. Zoona has demonstrated that a third party provider can push the mobile money frontier, achieving significant month-on-month growth, and devising an agent commission model that traditional mobile network operators (MNOs) are now emulating. However, Zoona has still grappled with how to efficiently scale the agent network and provide effective, but continuous agent management. This is especially difficult in Zambia, a country of considerable geographic scale, low population density, poor road infrastructure and limited financial infrastructure and high capital costs. However, this time, Zoona looked to some of the Master agent models being employed by other MNOs, like Safaricom in Kenya, to see if their agent management model could be adapted to the Zambia context.

With the grant support of Financial Sector Deepening Zambia, Zoona has launched an Aggregator Agent model, commonly referred to by others in the sector as a Master Agent model. Under this model, Zoona is rewarding its top agents by providing them opportunities to earn additional revenue over and above the revenue they earn from their full outlets by having these agents assume much of the responsibility for growing and managing the agent network. The logic goes a little like this – Aggregator agents on the front lines are better positioned to identify who would be a good agent and to provide constant monitoring and training support since they are closer. The Aggregator Agents are responsible for recruiting and training new “Aggregated” agents in exchange for 20% of the new agents’ commissions. They also support new agents by providing a credit guarantee for working capital loans.

Zoona’s pilot started out slowly with 4 Master agents in 4 different areas, each recruiting between 4 to 5 new agents. However, adapting this new model for Zambia presented several challenges to the company– some related to streamlining processes for operationalizing and graduating agents, while others related to agent identification, training and profitability. The following key lessons from Zoona's Aggregator Model experience can help other operators trying to scale agent models.

Lesson #1: Don’t just digitize the money, digitize the paperwork. Early on, one of the key hurdles was establishing a process to collect and transfer Know Your Customer documentation and contracts for new agents. Relying initially on paper meant that the time it took to onboard an agent could be lengthy given distances from Zoona Zambia’s main office in Lusaka. Understanding that limiting the amount of time to onboard agents is key to rapid expansion, Zoona looked to Salesforce and digitizing contracts so that

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Aggregators and Aggregated agents could manage the contract and recruit process entirely via tablet. Now Aggregator agents can upload all new agent documentation electronically, have contracts signed digitally and only have to ensure that they have a data bundle to do so. Understandably changing the process required some additional training support for agents, but most agents have embraced the new method and have reported a significant improvement in their ability to sign up new agents. Now 25 Aggregator Agents are using tablets and recruiting agents on behalf of the network.

Lesson #2: Don't forget the infrastructure. Perhaps not as relevant for the larger mobile money providers who have deep supply chains and ample cash flow to stock paint and booths, Zoona dealt with the enviable problem of having more demand for new agents than supply of mobile money booths. Since most new agents opt to finance a physical booth to start their new mobile money business, Zoona needed to find a new supplier since their previous supplier wasn't able to handle the demand. They also had to improve their stock management and decentralize distribution via regional teams to speed up the delivery of booths to agents. Admirably, application to first transaction time now averages 10 days.

Lesson #3: Not everyone makes a great Master Agent. Zoona's initial selection of Aggregator agents was based on historical agent performance and number of existing outlets. The theory being that successful agents are well acquainted with the keys to achieving success and have demonstrated an ability to manage and monitor numerous outlets. However, the team quickly realized that the quality or commitment of Master agents to provide service and training to aggregated agents varied widely from agent to agent. Not all exceptional agents were as successful as aggregators. Moreover, not all successful agents are interested in becoming aggregators or will continue to be enthusiastic about constant expansion. This last point may be one of the critical reasons why Lesson #5 is so important – some aggregators will plateau and not want to continue growing indefinitely. Please see below.

Zoona will be doing more agent research to better identify and screen aggregators to ensure that they will become good trainers and managers of agents. Part of this will also be examining whether additional incentives are needed to reward Aggregators for their training support or if there are particular characteristics that make some stronger than others on training/monitoring. The over the counter payment company has developed reports, especially for aggregators, to allow them to better track aggregated agent performance and provide better management and monitoring. Next up for analysis: to test whether or not the distance between a new agent and an Aggregator can be a predictor of success. During the pilot, Zoona uncovered anecdotal evidence suggesting that new agents that were located further away from Aggregators tended to struggle with very low transaction volumes and required a lot of support from Zoona distribution teams.

Lesson #4: Selecting the right agent is still key. It's one thing to get the processes down, but selecting the right agents is still an arduous task for any mobile money provider or Aggregator, regardless of their country of operation. Zoona's training team has done much on this front - providing regional in-person trainings to Aggregator agents focused on topics such as how to select a good agent location, how to select and train your agents, agent management and monitoring. During the second phase of the pilot, many agents had started to recruitment agents with little to no support from the distribution teams. They reported using their social networks to find established business people interested in becoming agents. To gauge their seriousness, Master agents conduct interviews with candidates and provide them with introductory training to see whether or not new agents can pick it up easily. The biggest test to see whether or not an agent is serious though – Their suggested location for the Zoona outlet! All of these reiterate Zoona's observation that most agents fail due lack of demand, mismanagement of float, or teller or consumer fraud.

Lesson #5: Don't forget about graduations or equilibriums. One of the items that was initially overlooked in the pilot was defining the process for graduation for Aggregated agents. The initial contracts were only written with termination clauses, which did not describe the process or threshold for an aggregator to ascend to the level of Master agent after proving themselves. Zoona, a company that champions entrepreneurs, realized early on that some of the new Aggregated agents were better than the agents managing them. They had better entrepreneurial and business management skills and were understandably frustrated to cede 20% of their commission profits to another agent whose support they had outgrown. But, it is a delicate balance since Zoona also would like to be careful not to disincentivize Aggregators from investing in new agents for fear that new agents will graduate and their 20% commissions will disappear. Therefore the mobile financial services provider is in the process of evaluating/pre-testing different sets of contract terms that would make both parties satisfied – one that would permit high performing to eventually move out from Aggregators, but only after a certain threshold of profit has been realized by Master Agents.

On the other hand, some Aggregators will express a desire to slow down after having achieved a certain threshold of success/income. In the eyes of one Aggregator, "monitoring agents is often challenging and it is time to take a rest." Thus, a successful Aggregator model must be nimble enough to adapt to letting aggregated agents ascend to the spot of Master agent, while recognizing that certain Aggregators will want to slow expansion or halt new recruitment to maintain quality mentoring and monitoring.

Lesson #6: Don't forget to scale customer care. As noted in the recent CGAP focus note, "Doing Digital Finance Right", customer/agent care and recourse is an often overlooked item[1]. Zoona has distinguished itself in the industry with dedicated customer care team (customers are considered to be agents) and a social network platform for agent queries. Nevertheless, as the agent network has grown during the pilot, so has the need for more agent customer care. During interviews, many Aggregators and Aggregated agents reported that agent customer support was a challenge due to the increased demand for services. For the new agents, many prefer going directly to their Aggregators with issues since they do not always receive fast service from the customer care lines. Master Agents corroborated reports of new agents saying they often call on behalf of new agents because they receive more prompt service.

Lesson #7: Setting the right expectations for profitability is almost as important as providing training support. One item stressed by several Aggregators during interviews is that new agents were frustrated

[1] http://www.cgap.org/publications/doing-digital-finance-right

by a lack of profitability even 6 months after joining. Especially in rural areas, after the 20% commission for aggregators and repayment installments for booths are deducted, new agents often didn't have any profits. To no one's surprise, some new agents have dropped out of the program as a result. Therefore, making sure that both Aggregators and new agents have reasonable expectations for profitability is key attracting and retaining talented entrepreneurs. New agents need to understand what their immediate take home will be and show the commitment to invest in the business before experiencing significant returns. On the expenses side, Zoona is looking to source cheaper booths for new agents to reduce loan repayments. They are also analyzing other types of commission models to help agents become profitable within 15 months of starting.

Lesson #8: Don't forget about the geography. Zoona initially discarded the idea of zoning agents, since they were concerned that zones could provide disincentives for agents to expand rapidly. However, as new agents have been on-boarded, Aggregators have suggested that greater transparency is needed to ensure against oversaturation of areas and dilution of profitability. This is often just a factor of the length of time it takes to recruit, register, collect KYC and secure a business license/council approval for a new Zoona location. Consequently, one aggregator can unknowingly submit an application for a location that is very close to another aggregator's intended spot. As the model expands and ensuring new agent profitability remains a priority, it will be important to create a more transparent system where agents can see the applications in process to avoid oversaturation.

Lesson #9: Sometimes the hardest part is getting started. As Zoona's new aggregator model targets both well-established entrepreneurs and new business people, agent challenges will tend to vary widely. In fact, historically some of Zoona's best agents have been young and emerging business people that needed a bit more handholding at first. For those just starting out, securing council approval for locations and getting a business license has been a formidable challenge. Not only have new agents found it costly, but some are forced to rely entirely on their Aggregators to help manage the process. For Master agents, this can be an extremely time consuming process that slows their ability to recruit. Of those interviewed, some understand the necessity of providing such service, while others decided to weed out those applicants unable to navigate the process. As Zoona evaluates the burden upon Aggregators, it should consider demystifying the process for new agents and providing some written guidance on registration processes and/or providing additional compensation to agents that have to provide this kind of additional support.

Conclusion. Zoona has been able to rapidly test its new model, learning and adapting along the way. Since July 2014, the aggregator program has grown from 4 initial Master agents to 25 agents as of March 2015. More remarkably, though, is that the model has helped the company open up 181 new transacting outlets. While there is still work to be done, in a short time Zoona's new Aggregated agents alone have processed 88,623 transactions for clients sending money and 109,349 transactions for receiving clients, with 30,697 of sent transactions performed on behalf of new customers and 29,238 transactions on behalf of new receivers. Though there is some overlap between customers who send and receive money transfers, these are not numbers to be taken lightly. While the sample size is still somewhat low, preliminary analysis of successful Aggregator characteristics indicate some expected and unsuspected findings. Unsurprisingly, 7 of Zoona's 10 most successful agents are located in urban areas with most Aggregator agents reporting that location is a key driver of profitability. However, perhaps more surprising is female aggregators make up 6 out the top 10 agents by average number of transactions per new agent. Not covered in the lessons learned is the importance of float for the agents to be able to trade effectively. Zoona has continued to expand its credit programs for agents to help ensure that agents have enough start up working capital to transact on behalf of clients and short term liquidity to prevent having to rebalance while customers are waiting. As the company continues to tweak the model, it will continue to analyse transaction data for success predictors to help identify future Aggregators.

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