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M-Banking Agent Selection

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Mobile phone banking offers significant potential for lowering transaction costs and providing secure banking services to vast numbers of people across the developing world. It provides low cost services, because it operates a technology based platform through mobile phones and through a network of agents, who can provide convenient, secure and fast service.

Selecting the right agents is critical to the success of a mobile banking initiative, especially during the most difficult introductory period as the solution seeks acceptance in its target market.

Selection criteria are situation dependent: The m-banking Dialogue sponsored by *MicroSave* and MABS in Manila in December 2009 was clear that there is no ideal list of selection criteria as criteria are market and solution specific. Finding the right combination of agent selection criteria is a matter of research, and adaption during careful pilot testing. The following factors are particularly important:

- *M-banking environment*: The m-banking environment in a particular country defines the roles the agent can play. Are agents allowed by Central Bank regulations to sign up customers? What are the Know Your Customer requirements? What information are the agents required to keep on their customers? Are there any restrictions on the size or nature of transactions?

  If agents are able sign up customers, then agents with large social and/or business networks can be particularly important.

- *Maturity of the m-banking solution*: A further factor is the maturity of the solution. A new solution must be carefully marketed to potential agents, as it will take time for any solution to generate significant returns. The brand, image and market position of the promoters of the m-banking solution is critical to early adopting agents. On the other hand, a mature solution is often able to interest chains of agents – for example G-CASH operating through networks of rural banks or pawn shops in the Philippines, or M-PESA in Kenya operating through networks of airtime resellers.

- *Rollout strategy*: Agents must be selected carefully in accordance with a clear strategy. EKO for example in India started their m-banking collaboration with State Bank of India using a strategy which attempted to create a large number of agents on launch. However, EKO quickly moved to handpicking agents along with a clear, localised marketing strategy to develop customers for the agents.

- *Resources*: Available resources can significantly influence agent selection. In Kenya Safaricom launched its M-PESA solution with 300 well trained agents in carefully selected locations which were to facilitate local money transfer transactions. Safaricom was able to use its reputation and significant resources as the leading Mobile Network Operator (MNO) in Kenya to underwrite the expansion of its product. As of December 2009 it has 14,000 agents.

So given a particular m-banking environment what are the criteria that can be considered?

1. *Existing relationship with MNO*: For Safaricom in Kenya, the obvious agents were its existing airtime resellers. These resellers already had a strong relationship both with the MNO and with the community in which they serve. For G-CASH in the Philippines, this channel proved more difficult for two inter-related reasons 1. The commissions paid on mobile airtime top-up were high by comparison to those offered for m-banking transactions. (Commissions to the agent value chain are around 16-17%, split between agents and sub agents) and 2. G-CASH enabled mobile airtime top up through the solution, which benefited customers but took market away from existing airtime resellers.

2. *Age and education of the agent*: The potential agent must be capable of maintaining record keeping according to the standards required by the promoters and the Central Bank. An inability to properly complete records may lead to de-selection of the agent.

3. *Experience of the agent*: The agent should be an experienced businessman with several years experience. The agent should be known and respected in the community. The agent themselves must be trusted by the target market, especially during the initial start up period of the solution. The experience of the agent is furthermore critical in developing trust between the promoters and their agents.

4. *Nature of business / Connection to the customer*: Particular businesses can make excellent agents due to specific cultural or economic factors, so for example in South Asia, the pharmacist is often a respected advisor who can positively influence customer adoption of the solution. For Wizzit in South Africa part of their solution was to target early adopters, through individual sales agents who could clearly relate to their target market, so called "Wizz Kids".

5. *Liquidity*: Agents must have liquidity to be able to cash out transactions whenever m-banking customer requires. The size and frequency of expected withdrawals will significantly influence the liquidity requirement and therefore the nature of the ideal agent. Business turnover can be a proxy for liquidity.

6. *Agent location*: Clearly the agent must be physically close to the target market especially if transactions are of small size. Research has shown (perhaps unsurprisingly) that customers are prepared to move much longer distances to receive or deposit large sums of money than to transact small amounts. If the solution is to be primarily used for smaller transactions this dictates close proximity to customers.

7. *Appropriate premises*: M-banking transactions benefit from a safe secure environment, just like any other banking service. This means that customers will need to be able to transact, securely and safely in a pleasant environment that has the security to handle a particular volume of cash. It is not surprising that in the most mature m-banking solutions, banks themselves are important agents.

   Premises must be sufficiently large to accommodate customers to queue and transact in the midst of the agent's existing business. Where space is at a premium for stock, this may be a difficult trade off.

8. *Target clients of the existing business*: The target market for the m-banking solution should match the core market of agent.

9. *Consistent personnel managing business*: There should be consistency in the personnel operating the m-banking solution. Those responsible for handling transactions will need to well trained, with a good understanding of how the process works. It is therefore important that the person trained, and trusted by clients, is on premises to make transactions at all times possible.

10. *Other agents in the area*: If agents are located too closely, they may cannibalise each others' markets, especially where they need to achieve significant volumes in order to obtain substantial amounts of incentives.

Categories of Agent

Clearly not all agents are created equal. The guidelines above are focused around the basic agent level. However, especially as solutions develop there is often a need for different categories of agents. This is the case for both G-CASH and M-PESA.

Super agents: Such agents can support larger volumes of transactions, greater numbers of clients, can often provide documentary support for the transactions, and can handle larger transactions. Often these agents are dealing with cash as their core business, for examples, banks in Kenya and pawn brokers in the Philippines. Super agents usually have multiple premises of their own which make super agents extremely valuable in m-banking solutions.

Resellers or sub-agents: G-CASH uses individuals to provide limited cash in and cash out transactions to customers, particularly in remove areas. Other mobile banking solutions use a range of sub-agents who are coordinated by a lead agent.

Microfinance institutions as agents: Microfinance programmes, in mature m-banking markets are beginning to use m-banking to receive occasional client payments. However, only deposit taking microfinance programmes like banks can be expected to have sufficient cash on site to be able to process significant cash withdrawals using m-banking.

Agent Retention

Clearly the success of an m-banking solution means not only selecting suitable agents, but *retaining* them. There are emerging lessons in agent retention which must be considered at the time of agent selection:

Agent business case: Agents must be able to make money from offering the solution. There should be a clear business case. This means that commission income from the electronic banking channel itself or improvement in the agent's core business, must be sufficient for the agent to choose to remain an agent.

Supporting agents: Safaricom built its agent network, through transactions, and also through incentivising agents to sign up new customers. Thereby when transactions were low, agents had an important alternative income stream. As the number of customers built the value of the transaction income stream increased significantly.