



Agent Network Accelerator Survey: Nigeria Country Report 2014



July, 2014

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MicroSave
Marketed 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

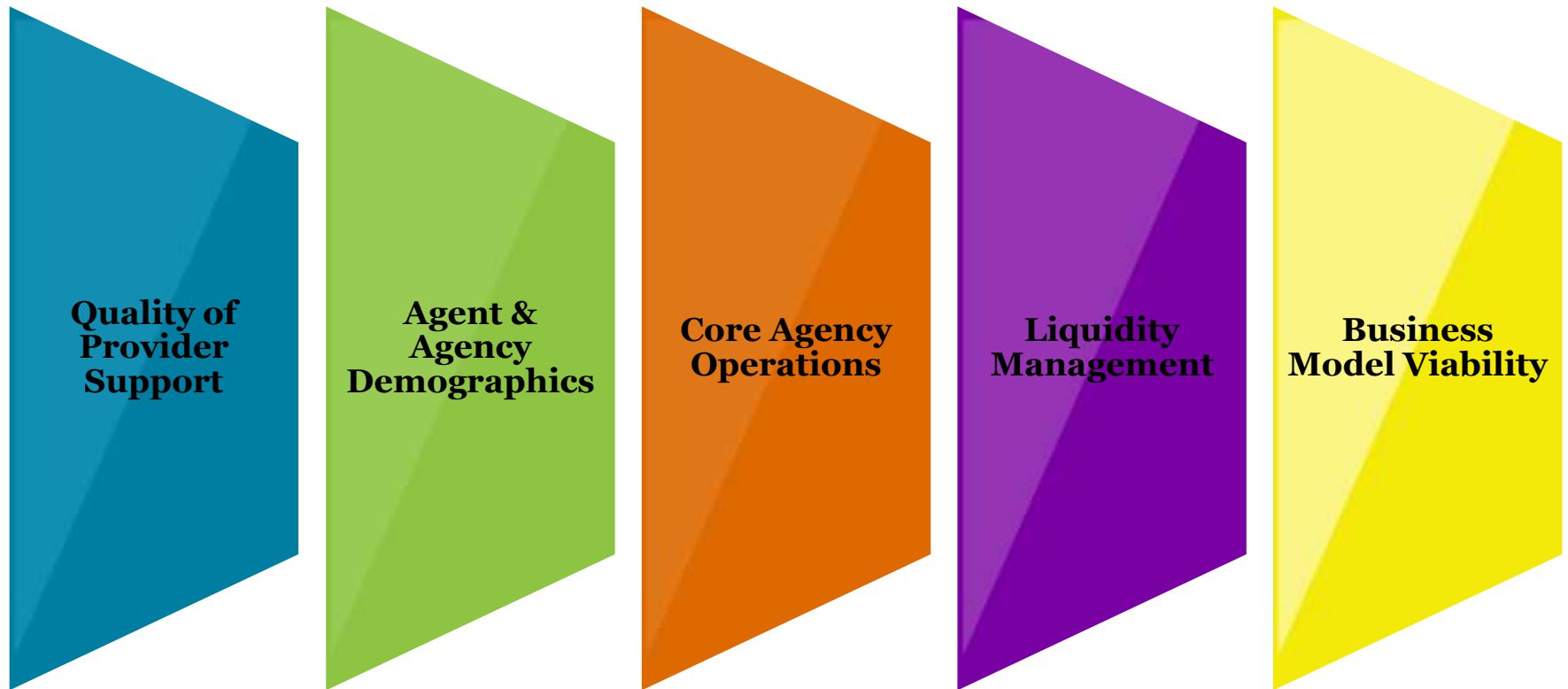
Research findings are disseminated through *The Helix Institute of Digital Finance*. *Helix* is a world-class institution providing operational training for digital finance practitioners.



www.helix-institute.com

Focus Of Research

The research focuses on operational determinants of success in agent network management, specifically:



Methodology

- ▶ The research was conducted by experienced qualitative researchers from *MicroSave*.
- ▶ The management teams of ten providers were interviewed in-depth.
- ▶ Total of 43 agent interviews were conducted in three research locations (Lagos, Abuja and Port Harcourt) with selected leading providers (EcoBank, Paga & FirstBank).
- ▶ Approximately half of the agent interviews were conducted in rural areas, and the other half in Urban areas.



Nigeria Overview

After years of market development, digital finance in Nigeria has still yet to take-off. The market is still experiencing some regulatory impediments, but most of all, providers need improved strategic approaches to their anchor products, core operations and expansion strategies.

- ▶ Regulatory uncertainty is discouraging serious, long-term business deals, and strict limits on Tier 1 transaction levels is increasing the cost of popular use cases.
- ▶ Banks and third party operators are taking the lead, but most have not developed a strategy, or management processes.
- ▶ Core agent operations like agent selection, liquidity management, and monitoring and support are still very nascent.
- ▶ Growth has focused on product proliferation and sheer growth numbers of customers and agents, which is leading to low understanding of the value proposition and low qualities of service.



Regulation:

Permitted Models & KYC Processes

Ecosystem - Regulation

Models

Mobile money guidelines are in place with licenses issued to about 20 financial and third party service based on three models:

- i. **Bank- Led**
- ii. **Bank Focused**
- iii. **Non-Bank Led (excludes telecoms)**




CBN spearheading transformation of NIBSS for interoperability and interconnectivity. Majority of the licensed mobile payment operators (MPOs) are connected and operating live with the Nigeria Central Switch (NCS) facilitating real time MPO to MPO and MPO to Deposit Money Banks (DMB) fund transfers.





CENTRAL BANK OF NIGERIA



Lack of Business Case Impeding Partnerships & Adoption

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 Only non-telecoms can lead in Nigeria, with current players not presenting alluring business cases (high volumes of transactions) enticing telecom involvement.

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 This is compounded by regulator uncertainty where telecoms still think the rules of play may change, and therefore are not pressured to make deals.

- 
 This result in MPO's pushing MNO's into substandard relationships that are expensive for the MPO's and offer poor quality service, impeding mass market adoption.



Bangladesh Vs. Nigeria

Two Key Similarities:

- ✓ Regulation: In both countries telecoms cannot lead.
- ✓ Market: Both countries have about the same market size (*Nigeria with a population of 170m and Bangladesh with 155m*)



Two Key Differences:

- ✓ *Speculation* – In Bangladesh the regulations are set whereas in Nigeria, players are still speculating and therefore less willing to make commitments.
- ✓ *Investment in partnerships* – In Bangladesh players like bKash and DBBL invested aggressively, bringing tangible value propositions to telecoms. The regulator has mentored these relationships, and the relationships have evolved over time.



Leading Nigerian Models: Bank & Third Party Comparison

Comparison	Bank-Led	Third Party Led
Customer base	✓ Already number in the millions	✓ Built from scratch
Brand	✓ Known, & can be leveraged	✓ Recognition growing
Funding	✓ Regulation can burden this, but the brand can facilitate it	✓ Hard to attack, but easy to approve
Decision making	✓ Lots of bureaucracy –delaying processes development	✓ Flexible, agile, risk-taking
Focus	✓ MM seen as additive channel to existing product portfolio	✓ Singular focus on mobile money
Innovation	✓ Limited by a risk averse/rigid structures and traditions	✓ A defining feature of their DNA

Different types of MPO need to capitalize on their strengths!

It Is Difficult To Move Beyond Tier I

Customer registration, as stipulated by CBN regulation, is in three tiers.

Tier	KYC details needed	Verification required	Initiated at	Transaction limit*
1	SIM card based	Name, phone no. (equivalent to sim card)	Agent/Self registration	N3,000 (US\$ 18.5)
2	Partial KYC	Name, phone no., physical address	Bank/Agent	N10,000 (US\$ 61.7)
3	Full KYC	Name, phone no., physical address, physical check	Bank	N100,000 (US\$ 616.8)

- ▲ Agents doing most customer registrations at Tier 1. Process is simple and fast.
- ▲ Tier 2 and especially Tier 3 registration is currently limited, with agents not motivated (or in many cases even sure how) to *upgrade* customers to these levels where they can conduct larger transactions.
- ▲ Transaction limits in Tier I are extremely low forcing transactions to be divided and doubling costs to customers (common with bill pay).

*Exchange rate used US\$ 1= N162

The KYC Process Is Exhibiting Risk

- ▲ Some KYC details provided during SIM registration are NOT verified against an accepted identification. The amount of inaccurate information in the system must be verified, and it must be ensured that enrolment in higher tiers is not based on the same unverified information.

- ▲ *In Kenya, at the beginning, agents split transactions to make more commission on transactions –corrected through monitoring and penalties if found guilty.*

- ✓ *Agents in Nigeria need to be guided and incentivised to drive regular mobile money customers to the banks to upgrade to Tier 2 or 3 levels.*

- ✓ *Regulation should also be revised to allow agents to at least initiate higher tier registration with verification conducted at the bank/head office.*

Strategy & Systems:

Focus on Management & Technology

Pre-deployment Activities – Institutional Preparedness

The principle of doing things right the first time (DRIFT) is essential. Despite the great potential in Nigeria, core agency functions (*see below*) are currently run with very limited resources.

- ▲ Agent selection
- ▲ Agent support
- ▲ Monitoring and supervision
- ▲ Liquidity management
- ▲ Marketing

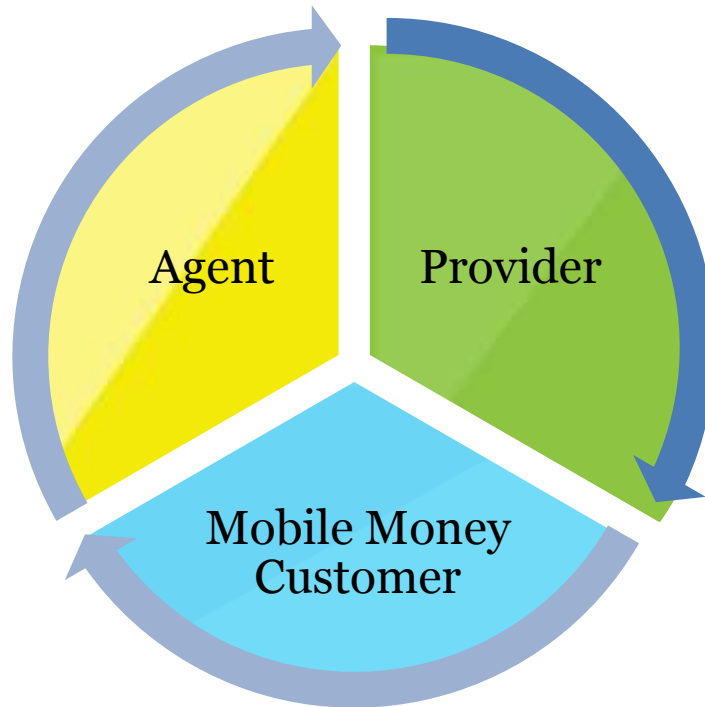
These functions require capital investment and clearly defined roles to address the numerous operational challenges (such as unstable systems/networks, poor agent support) that are faced by agents.

Effective Agent Network Management requires:

- Sufficient resource allocation; human capital and financial resources.
- Fully dedicated and skilled staff
- Shorter communication loops
- Continuous circular loops on market intelligence and feedback
- Systems to:
 - ✓ Select, on-board, equip and train the right agents
 - ✓ Help agents manage liquidity
 - ✓ Monitor agents' compliance with processes, branding, liquidity norms etc.
 - ✓ Support agents with customer service, marketing, fraud management, refresher training etc.

Dynamic Relationships in Mobile Money


- The first point of contact for mobile money customers
- Link mobile money customers to the provider
- Rely on FSPs for float rebalancing
- Customers look up to them for help & support
- Face of the provider on the ground - carries the brand





- Mobile money solution provider
- Problem solver for agent, in terms of technical, marketing, and any support
- Rebalance point for agent (if bank)


- Has closer relationship with agent than provider
- Trusts and relies on agent for transactions and support
- Conducts word of mouth promotion (or demotion) of mobile money services

Technology Systems Are Not Performing Well

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 Unstable networks are one of the greatest challenges in mobile money service provision in Nigeria. USSD users are the most affected due to unstable platforms and networks. Downtimes, in some cases, occur almost on a daily basis. This has begun to erode trust and demotivate agents (and clients) earlier attracted to mobile money.

- 
 Agents are coping by conducting offline transactions (where agents collect customers' cash and conduct transactions later when the system is available). This is risky for customers and providers as it can be abused by dishonest agents.

- 
 Urgent resolution of system challenges is required to build trust among both agents and customers.

- 
 Providers will need to invest in 24 hour customer support, specifically for agents and mobile money customers, to provide guidance and reassurance during downtimes.

“..... it takes God from heaven for you to load money....”

“The truth is they (staff) cannot access the platform so there is nothing they can do when the system is down.”

Operational Framework:

Agent Selection & On-boarding, Liquidity Management,
Agent Monitoring, & Marketing

The Agent Selection & On-boarding Process

- The Agent selection strategy used by providers in Nigeria is varied. Mobile stores, FMCGs and even financial service providers (small microfinance banks) have been on-boarded as agents.
- Paga's agents were also found to be utility company dealers (such as DSTV) or electronic products merchants.
- Most agents are at this point, however, still located near rebalancing points.

Recruiting Agents

Providers use the following techniques to attract and sell agency to potential agents.

- ✓ Use of sales staff - providers have employed temporary / permanent staff employed to recruit agents.
- ✓ Branch recruitment - banks have also placed communication within the banking halls targeting their customers .
- ✓ Online application – where interested agents fill application forms from the providers' website for consideration

Equipment

- Agents in Nigeria typically use either; a simple mobile phone (for USSD based transactions); an android smart phone (for application based transactions) or a web link for internet transactions. *Agents fully own these devices.*

Training

- After on-boarding, training is conducted mostly on site. Training currently focuses on basic transactions with most agents indicating satisfaction on knowledge provided.
- Some providers, after successful agent registration, provide start up packs (mostly comprising point of sale marketing materials).

Proper agent selection and on-boarding is critical to provide the right foundation for a successful agent network and to minimise agent churn.

Many Different Categories Of Agents Were Found In The Field

Type	Characteristics	Current mind-set	Implications for growth
Tech-savvy	<ul style="list-style-type: none"> • Find MM natural and easy thing to get involved with. • Understand it's a high-level push for MM and digital money in Nigeria. • Not really concerned about profitability at the moment. • Optimistic. 	<ul style="list-style-type: none"> • Upbeat: they understand the realities of up and downtimes within technology and networks. • Optimistic that things will eventually work. 	<ul style="list-style-type: none"> • Characteristically in the business to stay. • The strongest of agents in mobile money because of their embrace of technology.
Profit Oriented	<ul style="list-style-type: none"> • Not as excited as they were initially. • Feel they are doing a lot of work with poor remuneration. • Rarely appreciate that the business is a numbers game. • Easily discouraged or give up because of low commissions earned. 	<ul style="list-style-type: none"> • Complaining: because higher commission levels is highly dependent on increasing customer numbers, which will take time. 	<ul style="list-style-type: none"> • Potential dropouts in the beginning. • If they survive the start-up, they can easily pull out and venture into other forms of business.
Community Developers	<ul style="list-style-type: none"> • Driven by the power to "enable people" to meet their financial needs and saving them from having to travel to far away branches. • With the belief of a great chance to serve their community. 	<ul style="list-style-type: none"> • Upbeat: Understand the potential and significance of the business and the help it brings to communities. • Look at the bigger picture despite the initial hitches. 	<ul style="list-style-type: none"> • Focus on the future - therefore are high potential, long term agents.

A Structured Approach To Agent Selection Is Needed*

Attributes	Explanation
Profile – relationship with customers	Ideally the agents should be picked to match the location of target clients and product positioning. Mostly, ANMs target shops where customers visit for low/ medium ticket size transactions, since customers visit these more frequently.
Age, education and experience	The agents’ age, experience in the business and education qualification is a proxy to make sound business decisions.
Agent location	Agent should be located at strategic points where accessibility and trust is built easily for the target customers.
Appropriate premise	Agents location should be at safe and secure location and allow customers to handle transactions easily.
Business activity	Current business activity of the agents would determine amount of interaction with the DFS customers. Also, if the agent is earning more than commission on the DFS, then he would be unwilling to commit more time since it is less profitable for him.
Liquidity	Agents should have the capacity to manage sufficient float to fulfill required liquidity for smooth transactions.

*From The *Helix* Institute’s Agent Network Accelerator Training Curriculum

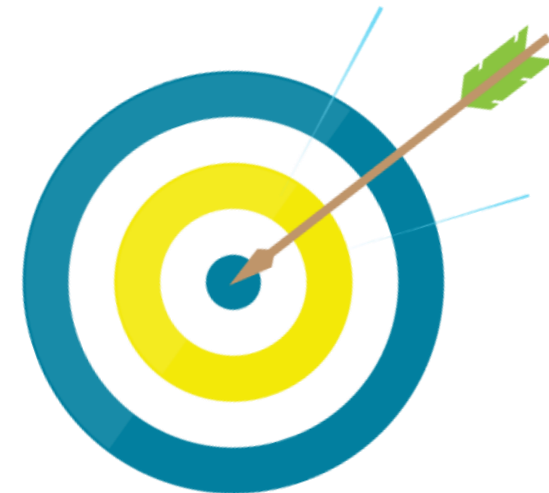
The Value Proposition To Agent Still Needs Improvement

▶ The current value proposition communicated to agents emphasises profit. While an ultimate objective for all businesses, this is likely to lead to high dormancy rates as agents are not likely to achieve this soon after deployment in Nigeria’s nascent market.

▶ As agents in Nigeria are non-exclusive, (not limited to only serving banked/registered existing customers from a particular provider), unbanked customers across all networks can enjoy mobile money services from the several providers.

▶ The value proposition for agents in Nigeria should therefore centre around:

- i. Commissions from customer enrollment, and an understanding of the path to profitability as transactions increase
- ii. Cross-selling through increased footfall
- iii. Ability to be cutting-edge, tech-savvy and a payments pioneer.



Liquidity Management

- Currently, most agents are tethered to rebalance points, mostly banks.
- Due to the low transaction values and the still low numbers of customers, agents find they always have sufficient float to meet their customers' needs. This is going to shift when people start getting the fundamentals right.
- It was also observed that when a customer comes to transact and the agent was without float, customers were not turned away. Agents have developed a clever techniques like collecting customer's cash (with some issuing receipts to confirm transaction) and thereafter rush to the bank to load e-value.
- The rebalancing process however requires agents to queue with the rest of the regular customers.

Effective Liquidity Management

Providers should develop liquidity management and monitoring strategies including:

- ✓ Choosing retail agents that already handle cash
- ✓ Managing agent and customer growth concurrently
- ✓ The use of master/super agents to provide liquidity management support
- ✓ Giving agents priority service at the banks to speed re-balancing
- ✓ Technological robustness - ensuring accurate real time transactions happen
- ✓ Diversifying range of services
- ✓ Staggering payment (salaries, G2P payments)
- ✓ Setting up bank credits and overdrafts

“Rebalancing process is not prompt.... we queue at the bank with the other customers”

Agent Monitoring

- On-site and off-site monitoring of agents ensures that consistent, high quality service is provided to customers.
- In Nigeria, most agents feel that they do not get enough site visits for resolution of problems on a real time basis, especially from bank-led providers.

“Agent visits are important because they improve our performance and resolve some of the issues we face”

- Third party agents interviewed were however quite satisfied with the weekly visits provided by the provider.
- As mobile money matures in Nigeria and the number of agents increase, efficient and frequent monitoring might be a challenge if adequate agent network management strategies are not in place at this nascent stage.

How Providers Should Monitor Agents

- Dedicated team from the service provider working on it full time.
- On-site visits at the agent locations to monitor their compliance with guidelines.
- Periodic monitoring visits by internal audit and control department (quarterly basis).
- Provision for regular MIS and monitoring reports.
- Quantitative parameters should be monitored in real time through MIS.
- Daily transaction monitoring on the platform can be performed by a dedicated audit team.
- Call centres can be leveraged for collecting customer feedback.
- Periodic customer surveys on a quarterly or annual basis can be conducted.

Marketing and the DFS Lifecycle Stage

- **ATL Marketing-** Providers have used billboards and electronic media (radio, television, the press and the internet).
- **BTL Marketing-** Point of sale marketing has been achieved in form of branded stickers, fliers, T-shirts and posters placed at agent premises. Some of the third party operators however also use “market storms” as a means of educating and selling mobile money to the public.
- However, it was found that in some instances, the providers’ own staff also need knowledge on mobile money as well.


“Some bank staff are sometimes also not aware of mobile money. There is a day I wanted to transfer NGN50000 to Ibadan.... those people there (staff) said they didn’t know anything about mobile money”


- At this point in the lifecycle of mobile money, both ATL and BTL are required. Banks can play a key role through referrals from their branches – thus building trust and stimulating trial/use.
- ***But systems must be stabilised first.***


- ATL marketing is used to create awareness, understanding and trust in the product and service. This is still require in Nigeria.
- BTL is more targeted and the message tailored to the audience. It also builds the relationship between the providers’ brand and customers. It is used to deepen knowledge on how to use mobile money and stimulate trial.



Nigeria Overview - Low Awareness

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 Low levels of awareness not just among low income, but also educated, citizens. [InterMedia \(2013\)](#) found only 12% of Nigerian adults aware of mobile money.

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 MPO agents currently *welcome competition* either from similar or different providers agents as it *validates* and *legitimises* mobile money in their communities.

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 Improved ATL is needed at this “Awareness & Understanding” stage of market development.

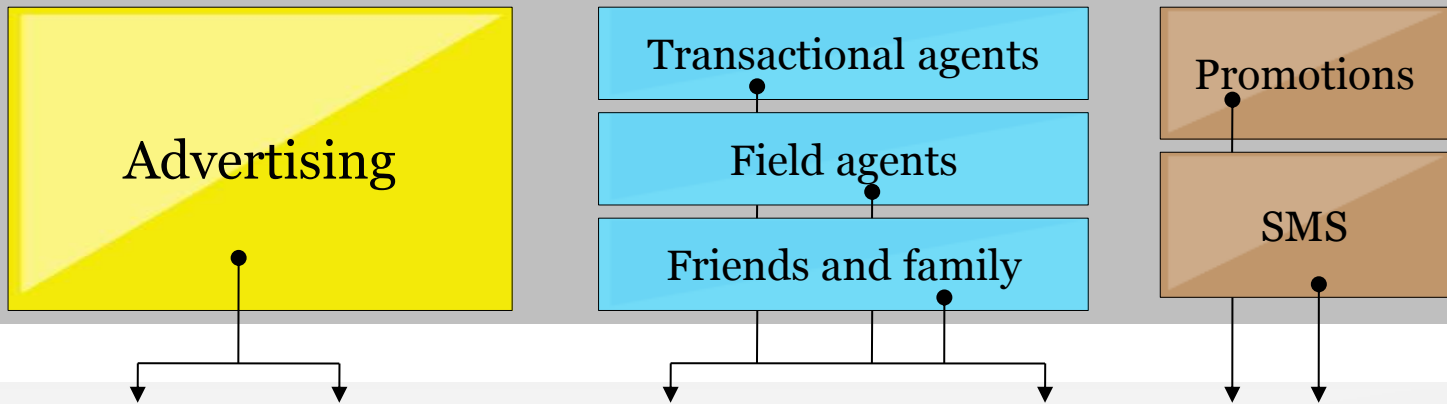


Advertising For Awareness & Understanding Is Needed

1. Market Analysis



2. Marketing Communications



Customer Journey



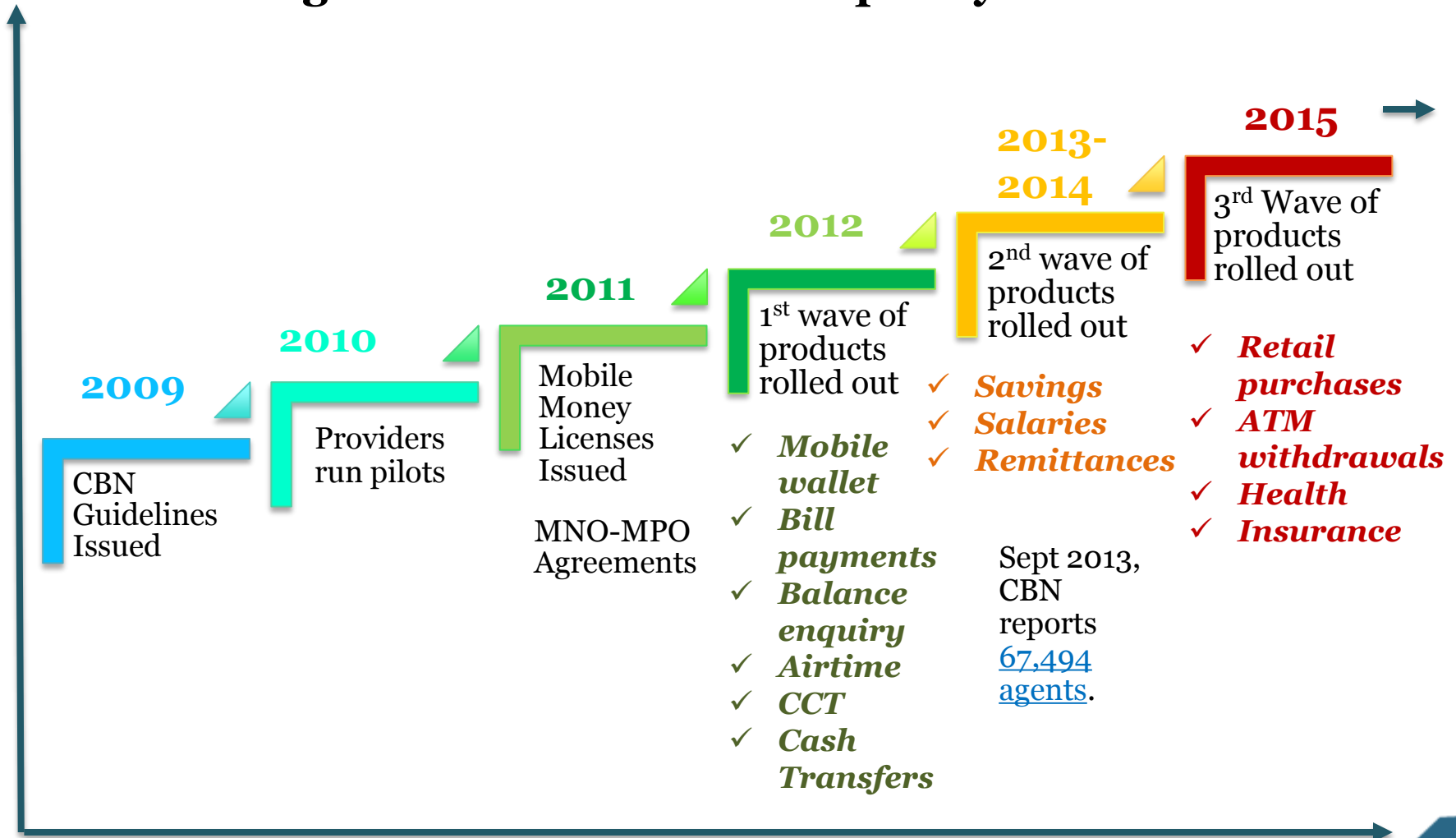
Neil Davidson and M. Yasmina McCarty, "Driving Customer Usage of Mobile Money for the Unbanked", GSMA

Evolution:

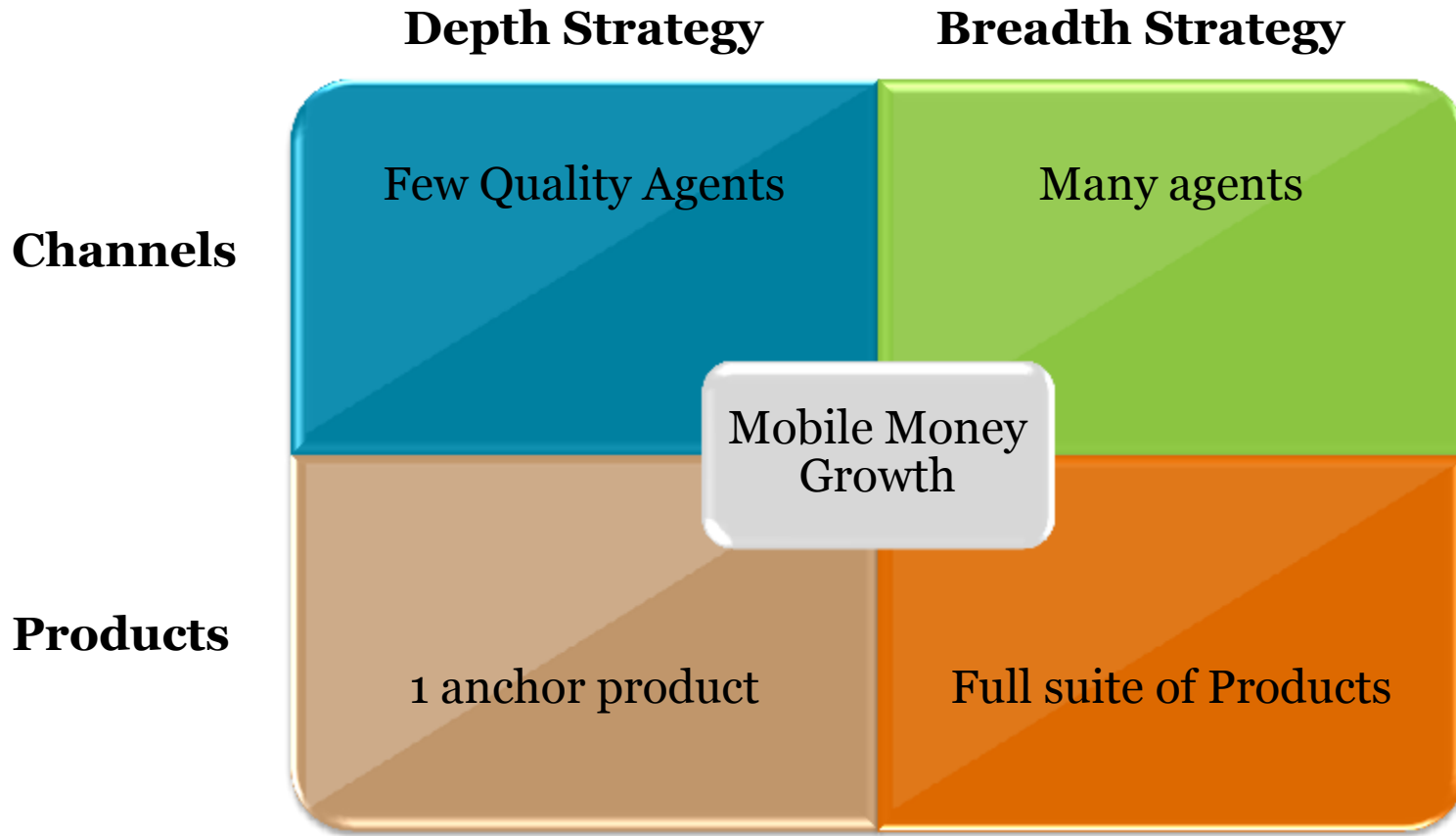
Growth Strategies for the Future

Grow Has Been In Terms Of Products & Agents

Customer growth and standard of quality have still to come.



Mobile Money Growth Strategies



Ideal Approach – These approaches need to be sequenced correctly. Nigerians need to first focus on quality and clarity with a Depth Strategy before moving on to a Breadth Strategy.

M-PESA Story*

M-PESA: Growth in Agents and Customers



Customers Per Agent




M-PESA started by focusing agent commissions on customer acquisition, only on-boarding 2,000 agents in their first year of business.


This drove customers per agents constantly upwards, to a peak of over a 1,000 customers per agent. Currently using CBN figures and data from [InterMedia's 2013 survey](#), The Helix Institute estimates there are 42 customers per agent in Nigeria, meaning the focus of growth must be on customer acquisition.


*Safaricom Annual Report (2011)

Outstanding Attributes Of Agent Network Management

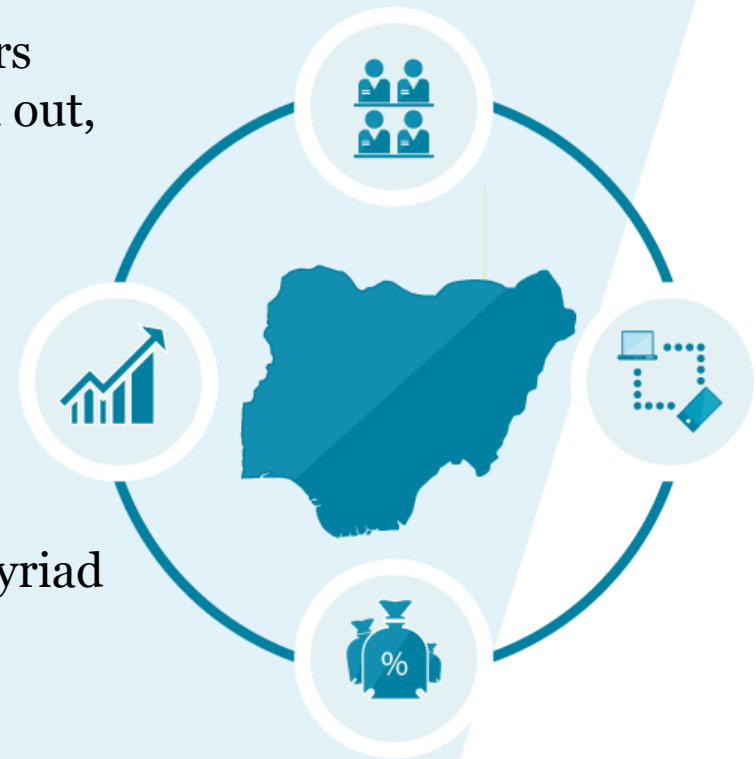
Agent Networks Are Expanding Rapidly Under Multiple Providers.

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There are now around 20 different providers that are licensed, partnerships being inked out, and an ecosystem that required interoperability.
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Providers have aggressively grown tens of thousands of agents in Nigeria.
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Providers have designed and delivered a myriad of different products to the market.



Opportunities For Improvement

The Priorities for Nigeria need to be regulatory certainty, reliable technology, and strategic approaches from providers to ensure quality of the agent networks and service being delivered:

- ▶ **Regulation** prohibits telecoms from leading services, but they are needed in the business model, resulting in **substandard partnerships** that do not yield quality or value for customers.
- ▶ **Technology**, such as provider platforms and USSD channels, is still **not reliable** enough to inspire market confidence.
- ▶ Providers need to more **clearly defined anchor product** and their strategies for managing, designing, and growing their channels to deliver it.
- ▶ There are a **myriad of operational issues** with agent network management, that mostly stem from ill-defined management strategies.
- ▶ Growth now needs to **focus on quality of the service**, and clarity of the communication of it, directed at onboarding more customers.



Thank You

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