Mobile Money for the Unbanked

Building, Incentivising and Managing a Network of Mobile Money Agents:
A Handbook for Mobile Network Operators

Introduction

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Why do agent networks matter?

The press likes to claim that mobile money services offer users "a bank in your pocket." But as any practitioner knows, this is not a good metaphor. Although customers can generally conduct some transactions, like initiating a peer-to-peer payment, using their mobile phone, it is only when physically present with an agent that customers can convert cash to e-money and convert e-money to cash. Particularly in the early days of a mobile money deployment, these services will be in high demand. Users will need to sign up and purchase e-money before they can perform any other transactions; moreover, they will often want to convert e-money into cash as soon as they have performed these other transactions because they aren't yet comfortable with storing value in the system.

Less tangibly, but equally importantly, agents are the front-line, human face for an operator's mobile money service. When users have questions, they are as likely to pose them to their local agent as to a call centre. And customers will have questions, given that mobile money is unlike any service they will have used before. Indeed, it is typically agents who teach users how to perform transactions using the mobile phone – even transactions which can be performed without the participation of the agent. Conversely, if an agent makes a mistake, or commits fraud, it may be difficult to for users to distinguish between the agent and the service he represents. For these reasons, building a good agent network is an essential precondition to launching a successful mobile money service.

What does a good agent network look like?

Before sitting down to design a distribution strategy for mobile money, operators can identify the characteristics of a good agent network. In every market, operators and customers alike will want agents that are ubiquitous, trustworthy, low-cost, and liquid.

Ubiquitous

Customers will be more likely to start using a mobile money platform if agents are close at hand. After all, financial inclusion levels are low in many developing countries in part because bank branches are inconvenient to poor people. According to the CGAP-GSMA Mobile Money Market Sizing Study, customers are more likely to be frequent users of mobile money if there is a mobile money agent near their home.

This handbook is divided into three sections: "Building a Network of Mobile Money Agents," "Incentivising Mobile Money Agents," and "Managing Mobile Money Agents." Each section is organized as a list of questions and answers, so that it is easy to quickly locate topics of interest. Complementing this handbook is an article which reviews ways that regulation can shape the ability of mobile network operators to build and manage effective agent networks.

The content contained in this report has been gleaned from conversations with dozens of mobile network operators and other ecosystem participants. We are grateful to all of the operators named in the course of this document for sharing their experiences and insights with us.

This report was prepared by the Mobile Money for the Unbanked (MMU) programme, one of the initiatives of the Development Fund at the GSMA. With funding from the Bill and Melinda Gates Foundation, the MMU programme aims to accelerate the availability of mobile money services to the unbanked and those living on less than US$2 per day. Bringing together mobile operators in developing countries, banks, microfinance institutions, governments, development organisations and the private sector, MMU has the goal of reaching 20 million previously unbanked people with mobile financial services by 2012. The best way to keep up-to-date with the work of the MMU programme is to read the MMU blog at http://mmublog.org.

(Note, however, that users' desire for ubiquity must be balanced with the requirement that each agent be adequately compensated for participation. As we discuss in this document, oversaturation of a market with agents means that agents will be unable to perform enough transactions to earn enough commissions to compensate them for their investment in mobile money. As such, a good agent network is grown in proportion to the number of active users.)

Trustworthy
Customers will never use mobile financial services if they do not believe that their money will be safe. Fraudulent financial services, although usually on a small scale, do emerge in developing markets from time to time, leading customers to be skeptical about trusting someone else with their money. Moreover, even if customers have a high degree of trust in the mobile network operator that brands the offering, they will also need to feel comfortable with the local representative of that brand.

Low-cost
Mobile money services are heralded as a way of offering financial services to previously unbanked people. Since poor people do not have large sums of money to deposit or otherwise transact with, the argument goes, it is impossible for traditional bricks and mortar banks to serve them profitably. This implies that the cost structure of a mobile money agent must be dramatically lower than that of a bank if it is to profitably serve poor customers.

Liquid
One of the main functions of a mobile money agent is to perform cash-in/cash-out, transactions which cannot be executed without sufficient reserves of both cash and electronic value. Because both are forms of value, we will refer to both cash liquidity and e-money liquidity in this document. With respect to e-money, however, it is equally valid to think in the terms of traditional distribution channel analysis: agents must maintain inventory of electronic value that is sufficient to preclude stock-outs most of the time.

What is the relationship between mobile money distribution and airtime distribution?
It is widely understood that offering financial services using the mobile channel is significantly less expensive than using bricks and mortar branches because the mobile infrastructure of handsets, base stations, etc. has already been laid. Just as an internet business like Amazon.com would have been economically unviable had the physical infrastructure of cable, routers, and so on not already been in place, so too mobile money is only feasible once the mobile network infrastructure is in place.

When it comes to mobile money, however, mobile network operators arguably have an even more valuable asset than their communications networks. In markets around the world, mobile network operators have developed extensive distribution networks to sell airtime, either in the form of vouchers or electronic top-ups. Although it is often possible to purchase airtime in formal retail channels (supermarkets, etc.), these outlets typically do not offer operators the reach into rural areas (and poorer parts of urban areas) where many of their customers work and live. As such, many MNO's have built from scratch distribution networks that can encompass tens of thousands of agents, allowing their product (airtime) to achieve a degree of ubiquity in the marketplace that is often matched only by Coca-Cola – putting airtime, along with Coke, "within an arm's reach of desire."

It is distribution networks like this that the most successful mobile money deployments in the world have leveraged. As such, it makes sense for mobile network operators to seek to leverage at least parts of their existing airtime distribution network when it comes time to build a mobile money agent network. This is because the airtime distribution network has the same characteristics that users and the operator alike value:

- *Ubiquity:* The airtime distribution channel has an extraordinarily reach into even remote parts of most countries.
- *Trustworthiness:* Every day, thousands of customers willingly hand over cash to their local airtime distributor, confident that they will receive airtime in return.
- *Low-cost:* Airtime retailers typically have low or no fixed costs, and, as sole proprietors, do not distinguish between profits and take-home pay.

- *Liquidity:* Airtime resellers already manage airtime and cash liquidity in coordination with their distributors. Moreover, those resellers who engage in other kinds of business are likely to generate significant "cash in the till" from those sales.

However, leveraging this infrastructure for mobile money has turned out to be a formidable challenge. It turns out that many airtime agents (and channel intermediaries, like superdealers) find that the economics of distributing mobile money are less attractive than those of distributing airtime, and so choose to pass on the opportunity. We discuss this dynamic in the second section of this handbook, and describe the other kinds of retail outlets that can serve as mobile money agents instead.

In any case, however, many of the management processes that we describe in this document are different from those which govern airtime distribution. For one thing, agents must maintain two kinds of interrelated inventories, e-value and cash, rather than just one (airtime). This requires more sophisticated liquidity management systems. For another, mobile money is a service that must be offered differently from the way airtime is sold. This requires more intensive training, and oversight, of agents.

For these and other reasons, operators typically need to think about mobile money distribution as a separate challenge from airtime distribution, even though in certain cases they may be able to realize some synergies between the two channels. In practice, nearly every mobile money deployment in the world has embraced some outlets that sell airtime and some that don't as mobile money agents, and we make the assumption that this will be the case for most operators making use of this handbook.

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