



Mobile Money for the Unbanked

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

Managing a Mobile Money Agent Network

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This is the third and final section of a handbook on agent networks developed by the GSMA. Other sections discuss building and incentivising agent networks, and there will be an accompanying article on the regulation of agent networks. You can find the rest of the handbook at <http://www.mmublog.org/agent-networks>.

Introduction

In this article, we explore how mobile operators can ensure that the agent networks they have built and incentivised are managed effectively. A well-managed agent network can help operators build brand awareness, educate customers, and meet system-wide liquidity demands, all of which builds confidence among users in a service that is initially unintuitive. A poorly managed one, by contrast, will be characterised by widespread low-quality customer experiences, which in turn erode trust and drive away business.

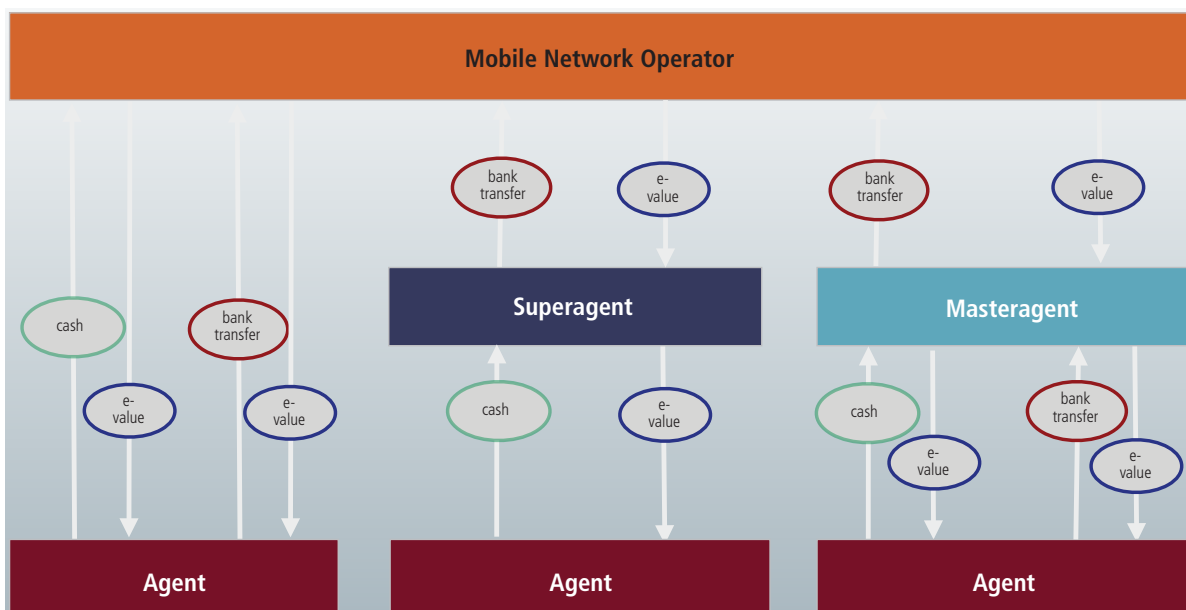
We address two broad questions in this section about agent network management. First, we consider the ways that operators can ensure their agents consistently deliver positive customer experiences, including the various mechanisms that can be used to ensure agent liquidity. Second, we identify the ways that operators have safeguarded their agent networks from being abused.

How do operators ensure agents are liquid?

Most agents will regularly need to restock their inventory of electronic value or cash in order to continue serving their customers. Agents who primarily perform cash in will need to restock their inventory of electronic value; agents who primarily perform cash out will need to restock their inventory of cash.¹

Operators have developed a host of liquidity management processes, and most operators employ more than one. In part, the options that will be available to operators are shaped by their existing relationships with stakeholders like airtime dealers – as well as the quality and extent of the banking infrastructure in their markets and the willingness of banks to play an enabling role for mobile money. **All of these mechanisms have a cost, whether explicit (bank transfer fees) or implicit (time, capacity at company-owned stores, etc.), and whichever entity assumes these costs will need to be compensated for them – whether it is the operator, the agent, or an intermediary.**

Selling electronic value to the channel: a set of options



¹ The few agents who find that they perform about as much cash-in as cash-out will have to restock much less frequently; the hypothetical agent whose electronic value float requirements were exactly equal to her cash float requirements would find it necessary to restock only when her business is growing.

Option 1: Selling and buying electronic value directly to and from agents

The simplest arrangement is for mobile operators to sell and buy electronic value directly to and from agents. Many operators have company-owned retail locations in the markets in which they trade, and they can use these outlets as mobile money and cash distribution points to agents (although they would also typically serve as agents to users as well). However, this approach requires agents to physically present themselves at one of the operator's outlets, which, particularly for far-flung agents, can take up a large amount of their time.

If the existing banking infrastructure in the market is sufficiently developed, an operator can leverage it to make selling and buying electronic value to and from remote agents easier. For example, MTN Uganda allows agents to buy electronic value by depositing cash into a bank account at its partner bank. Once the deposit has been confirmed, MTN Uganda transfers the electronic value to the agent. Since making deposits is free, this mechanism does not have any explicit costs, but it still takes up agents' time – again, for rural agents who live far from a branch of MTN Uganda's bank partner. This approach is a good option for operators who have partnered with a bank that can settle cash deposits in real time. It is also relatively straightforward: this approach does not require any modification to the bank's ordinary deposit-taking processes. Note, however, that buying electronic value from agents using this mechanism requires the agent to have a bank account, into which the operator can deposit funds (which the agent can then retrieve as cash).

In Thailand, where the banking infrastructure allows for instantaneous intrabank transfers, a True Money Express agent can buy electronic value by transferring money from her bank account to True's (a transaction that is completed on a mobile handset), after which her account is immediately credited with electronic value. (True enables this functionality by holding bank accounts at roughly a dozen banks in the country.) However, unlike the previous options, this approach has an explicit cost: a bank transfer fee of about 1%, which the agent pays. In addition, it works only for

selling electronic value to, rather than buying it from, agents – although since True Money Express agents do not yet facilitate cash out, which would entail accepting and potentially accumulating a large volume of electronic money from customers, there is rarely a need for agents to sell electronic value back to True.²

Option 2: Using superagents and masteragents

In most markets, however, it is unrealistic to expect agents to travel to an operator-owned outlet or a branch of the operator's bank partner and impossible for the banking system to facilitate instantaneous transfers and thus purchase of electronic value. **In these cases, operators appoint intermediaries to whom they will sell and from whom they will buy electronic value, who, in turn, will sell and buy electronic value to and from agents.** Like wholesalers in other distribution systems, these entities earn a somewhat lower commission than regular agents do, because they deal in bulk, but nevertheless they must be compensated for their role.

The most obvious candidates for this role are banks, ideally those with a relatively large network of branches, and banks who agree to perform this function are sometimes designated superagents. **For a fee, superagents agree to buy and sell electronic value in exchange for cash.** Safaricom has signed agreements with several banks in Kenya to perform such a role.³ In this model, the restocking fee can be paid either by the agent or by the operator. While this model still requires agents to physically present themselves at a bank branch as they would in Option 1, it does enable an operator to partner with multiple banks – and leverage multiple networks of branches – to provide agents with more options. It also allows agents to convert cash into electronic value and vice versa instantaneously.

While banks occasionally play this role, more commonly, it is taken on by figures called masteragents, who agree to manage the liquidity of a set of agents. (Masteragents are almost always the same entities as aggregators, but for clarity we distinguish these roles from each other, since in theory their functions could be delivered by different entities.⁴) This means a masteragent buys electronic

² For more information, see "True Money and M-PESA: Two Unique Paths to Scale" by Paul Leishman at <http://mmublog.org/south-east-asia/new-gsma-case-study-on-thailand's-true-money/>.

³ See "Three keys to M-PESA's success: Branding, channel management and pricing," a forthcoming article by Ignacio Mas and Amolo Ng'weno, for a more detailed discussion of the liquidity processes that Safaricom has put into place.

⁴ For more on aggregators, see "Building a Network of Mobile Money Agents", the first section of this handbook, at <http://www.mmublog.org/agent-networks/>.

value from the operator and then resells it to agents under its umbrella. If a masteragent supports a group of agents who, net, perform more cash out than cash in, the masteragent will purchase electronic value from agents and sell it to the operator. To minimise the frequency with which masteragents need to trade directly with the operator, operators can insist that masteragents support agents in both urban and rural areas, balancing cash-in and cash-out requirements.

Sometimes, masteragents employ staff who can shuttle cash to and from agents. More generally, they can be expected to take responsibility for ensuring that their agents are liquid and thus ready to transact with customers. It is for this reason that most operators give masteragents tools to monitor the electronic value balances of its agents. That allows masteragents to act pre-emptively when an agent may need to buy more electronic value soon. Of course, it is not possible to electronically monitor cash balances, but operators can encourage close communication between agents and their masteragents to ensure that cash doesn't run out: Vodacom Tanzania has recently issued its masteragents with mobile numbers that are toll-free for its agents so that they can communicate their liquidity needs freely, without worrying about incurring the cost of airtime.

This difference in degree of responsibility between superagents and masteragents is reflected in the way that they are typically paid. Superagents are paid each time they buy or sell electronic value from or to an agent, while masteragents are paid for liquidity management indirectly, by sharing with the agent a cut of the commissions that the agent earns by transacting with customers.⁵ By tying the compensation of a masteragent to the success of its agents, operators motivate masteragents to ensure that their agents are liquid. Banks cannot assume this responsibility (and in any case are not usually tasked with managing particular agents, as masteragents are) so it makes more sense to pay them on a per-transaction basis.

Aside from liquidity, what are the other elements of a positive customer experience that operators must control?

In mobile money, operators have to rely on independent service providers to cover the last mile in the distribution chain and to own the face-to-face relationship with the customer. This keeps costs low and allows operators to develop agent networks that are ubiquitous. However, **it does create a risk that the service will be delivered inconsistently or poorly if agents are not well trained and closely monitored.** And as we describe in "Building a Network of Mobile Money Agents," offering mobile money is as unfamiliar to most new agents as using it is to most customers, so there is significant scope for things to go wrong. That makes it essential for operators to put an appropriate channel-management structure in place. **In addition to ensuring that agents are liquid, this structure needs to ensure that agents are prominently and consistently branded and observe relevant business processes – keys to a high-quality customer experience.**

Branding and merchandising

To ensure agents can be easily identified by customers and to build brand awareness for the service, it's important that mobile money agents be clearly branded in the marketplace. As such, operators usually require that its agents adhere to certain branding standards. **It is important that agents are visited regularly to ensure that these standards are being met.**

Branding and Merchandising True Money Express agents

Each True Money Express agent in Thailand receives a starter kit that includes all of the collateral required to start facilitating transactions. An entry-level kit includes mini-posters and stickers that new agents can use to advertise in their area, while advanced kits include a light box that can be installed outside a high-traffic agent's location. Also included in each type of starter kit is a method of making a physical record of each transaction: agents who select entry level kits are provided with logbooks, which build trust by offering customers an important tangible record of their transaction. The kits also include stamps, which can be used to stamp bills that have been paid at the counter (to replicate more closely the experience of paying a bill at the bank, where a stamp is also used) and a manual for agents that includes step-by-step instructions for each transaction type.

⁵ Unlike airtime superdealers, mobile money masteragents sell electronic value at the same price at which they buy it from the operator.

Creating a mobile money brand

As noted in the introduction to this handbook, one of the assets that mobile network operators bring to the mobile money business is a powerful brand. However, operators vary in the extent to which they leverage this brand. **In general, we find that customers are most comfortable with mobile money sub-branding that is related, but clearly differentiated, from the operator's core brand identity.** When the mobile money brand is barely distinguishable from that of the operator, it becomes difficult for users to identify at which agents they are able to perform mobile money transactions (as opposed to purchasing airtime). At the other end of the spectrum, when the mobile money branding departs too radically from that of the operator, then the opportunity to capitalise on the strength of that core brand is missed.

Consistency

So far, we have discussed aspects of the customer experience that are easy to observe: is the shop properly branded, and is the agent liquid? **But it is often more intangible capabilities that distinguish good agents from bad ones:** can the agent's staff explain mobile money clearly to customers? Are they conscientious in completing the logbook at every transaction? Do they adhere to pricing guidelines?

To ensure that these and other such questions are answered affirmatively, operators or their designated proxies need to visit agents on a regular basis, to monitor their adherence to prescribed business processes and provide additional training as needed. Additional training means both offering "refresher" training on the basics of mobile money service provision, particularly to new staff, as well as training agents in new features or services that are launched on the mobile money platform.

Responsible parties

Since regular site visits are needed to ensure that agents comply with business processes and maintain proper branding and merchandising, operators often tap one single entity to deliver both functions. But just which entity is chosen varies between deployments.

Option 1: Existing Airtime Sales and Marketing Staff in the Field
Until recently, Zain's field airtime sales team was responsible for monitoring Zap agents in Tanzania. Zain relied on this approach because budget was unavailable for any other option. But Zain discovered that it was difficult to get their sales team to focus

on Zap training and branding given that they were responsible for meeting a number of other targets as well. Moreover, since in many markets sales teams are compensated based on airtime sales in their region, it can be difficult to design an incentive structure that will encourage them to allocate the necessary proportion of their time to monitoring agents.

Even if such a compensation structure could be developed, it is not clear whether the skill set of a good airtime sales representative is the same as that which is required for monitoring and training mobile money agents.

Option 2: New Team of Dedicated Mobile Money Field Staff

MTN Uganda recently created a new in-house team to monitor their mobile money agents. The key difference between this approach and Zain's in Tanzania is that MTN teams are dedicated to the service and therefore do not have conflicting objectives that might cause them to de-prioritise mobile money. This approach addresses the incentive misalignment that comes with using in-house airtime sales teams, and it allows the operator to hire representatives who are conscientious, can explain complicated subjects (such as mobile money) well, and so on – i.e., who are well-suited to monitoring and training agents. The downside, from an operator's perspective, is that this approach requires a major increase in employees or contractors on the payroll.

Option 3: Outsourced Third-Party Agency

Vodacom Tanzania uses Afrikings, a third-party agency, to monitor their network of M-PESA agents. (Vodacom Tanzania also outsources airtime field marketing support to Afrikings, but Afrikings employs two separate sets of employees in the field: one dedicated to airtime, and the other to M-PESA.)

This arrangement provides Vodacom with the flexibility to quickly scale the number of field staff they require up or down, without having to hire a large number of new in-house staff. Vodacom also benefit from Afrikings' specialist skill-set in field marketing. And since the field representatives are dedicated to mobile money, their attention is not divided between M-PESA and airtime.

Option 4: Masteragents

In theory, deployments that manage the liquidity of their agent network through masteragents could

equally task these entities with monitoring branding and adherence to business processes. For instance, in scenarios where masteragents physically visit their agents on a regular basis to manage their liquidity, they could also take the time to perform monitoring duties. But while it's clear that synergies exist between these two activities, it is unclear whether masteragents will always appreciate the importance of agent monitoring and training and be prepared to engage.

Regardless of which stakeholder is ultimately selected, it's important that mobile operators retain control and oversight of their activities. Operators should insist on evaluation tools that are easily traceable, like checklists that must be completed for every agent visit, and develop management processes that will flag agents with problems so that they can be dealt with quickly. Operators should also quality check the entity responsible for agent oversight by conducting random "mystery shopper" visits to agents, and providing feedback to their representatives about those visits.

How can operators protect against abuse?

It is beyond the scope of this paper to comprehensively document every variety of fraud that has been observed in mobile money deployments. But it is worth noting the three broad types of abuse that can occur with the complicity of, or at the expense of, agents:

■ Money laundering and terrorist financing

Customers, agents, or both working together might seek to launder money or finance terrorist activities using a mobile money system.

■ Defrauding customers

Unscrupulous agents might attempt to defraud customers, sometimes by altering the fees they charge for providing a service, or more seriously by stealing a customer's money outright by, for example, faking a cash-in transaction.

■ Defrauding or abusing the system

Opportunities to abuse a mobile money system often stem from pricing and commission structures designed by operators. For instance, in cases where an agent has the opportunity to maximise their commissions by separating

a single customer deposit or withdrawal into multiple smaller ones, they may attempt to do so. Customers, too, can abuse such loopholes: for instance, some customers may attempt to complete a money transfer without paying a fee by having the sender and recipient deposit and withdraw funds from the same account.

To effectively protect against the different types of fraud or abuse that might fall within these broad areas, operators can:

1. **Invest in agent training:** Well-trained agents are the first line of defence against various types of fraud or abuse. For instance, in the Philippines SMART Money and the central bank spend a full day training new agents and additional time supporting them. One outcome is a network of agents who consistently adhere to KYC processes, which virtually eliminates the opportunity for customers to obscure their identity when transacting.
2. **Scrutinise pricing and commission models:** When designing their pricing and commission models, prudent operators spend time considering the various ways that an unscrupulous agent or customer might attempt to 'game' the system and try to minimise opportunities for such abuse.
3. **Educate customers:** Customers can protect themselves from fraud if they abide by a few key rules, such as never disclosing their PIN and always insisting on receipt of an official SMS confirmation when cashing in. Operators should find ways of communicating these messages to users through channels other than agents, since it is agents who might try to exploit users' ignorance to commit fraud. Some operators do this using point-of-sale posters and marketing collateral in registration kits.
4. **Implement technology:** Back-end transaction monitoring can help identify other forms of fraud. In the Philippines, for example, GCASH has implemented a sophisticated fraud monitoring technology solution that has the ability to screen billions of transactions, identify suspicious transaction patterns and flag them for investigation.



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