

Master Agent Value Proposition



It is not about what the MFSP's master agents and retail agents can do for them, it is about what the MFSP can do for its channel partners.

The mobile money industry keeps asking, “What is the value proposition for agents?” We want to know what it is going to take to get the agents to put out significant amounts of effort for the MFSP, but rarely have we tried to understand the agent’s businesses. These challenges are described in the Retail Agent Value Proposition in Part 8. It is even more important when considering the roles, responsibilities, and businesses of master agents.

While mobile money may provide attractive direct and indirect financial returns to retail agents, the amount of effort required by master agents to provide a MFSP with sustainable, successful sub-networks is non-trivial and could take a substantial amount of the master agent’s time and resources. Thus, managing their agent network needs to be a very compelling financial proposition for master agents, because it will be far more core to their business – if not their primary business.

When dealing with the value proposition to master agents, MFSPs can take some lessons from fast moving goods companies and other corporations that have built successful distribution channels. Experts in the distribution business say that master agents, or any distribution company, will have the following requirements from their suppliers.¹

1. Quality products or services that customers want
2. Adequate compensation that aligns with margins received on other products sold by the master agent
3. Committed sales people from the MFSP who work to achieve success for the master agent, stand up for the master agent during conflicts, and coach the master agent’s staff in how to proficiently sell the services
4. Internal support systems that enable top-quality customer service, technical support, training, and marketing services
5. Branding that reflects well on the distributor in the eyes of competitors and customers
6. Trust across the value chain

These six elements are the “must haves” of any successful distribution relationship. Developing a master agent value proposition that addresses these key requirements will go a long way toward success.

¹ Rolnicki, K. “Managing Channels of Distribution: The Marketing Executive’s Complete Guide.” 1998. American Management Association

Tying Agent Roles to Expected Returns

The amount of time that a retail agent or master agent will spend on selling a vendor's products, or promoting those products, is directly related to the percentage of total income that the agent receives from that vendor's product line. The following table can be applied equally well to retail and master agents.

Consider the roles and responsibilities that are being asked of the retail and master agents. Where on the table will the MFSP's agents fall based on those requirements? What does that mean in regards to the level of income they need to receive from their mobile money business line? How likely are they to achieve those income levels?

Mobile Money Importance to Agents²
Percentage of Agent Sales Represented by MFSP products

Low Importance	Medium Importance	High Importance	High Strategic Importance
1% of sales	5% of sales	10% of sales	40% of sales
Fill orders	Sells mobile money products	Sells mobile money products proactively	MFSP is strategically linked to the agent's future
Probably use MFSP's support minimally	Will use MFSP's support if it easily incorporated into the agent's business	Will use MFSP's support enthusiastically	Requires MFSP's full support for success
Agent unlikely to change any aspects of its business for mobile money	Agent will rebel if the MFSP is difficult to do business with	Agent may modify components of its business to improve relationship with MFSP	Agent considers itself strategically aligned with MFSP

² Adapted from Rolnicki, K. "Managing Channels of Distribution: The Marketing Executive's Complete Guide." 1998. American Management Association. p15

There are a number of actions that MFSPs can take to ensure that the requests they are making of their retail and master agents' time and resources align with the remuneration that those agents are receiving from their mobile money businesses.

Quality Products and Services

First and foremost, the mobile money services need to be attractive to customers. Customers have to want to use the money phone for financial transactions. This means that the MFSP has to get the customer valuable proposition right. If customers are not using the solution, there will be no incentives for the members of the distribution channel no matter how attractive their value proposition looks on paper.

Refer to Parts 4 and 5 in the Toolkit to address issues about market research and customers requirements.

Financial Compensation

Since master agents will be spending a substantial amount of their time providing support to the retail agents in their network, the financial value proposition is even more important for them than it is for the retail agents. If the MFSP cannot or will not meet the master agents' financial requirements, the agent will decline the opportunity to work with the MFSP or they will tell the MFSP that they will provide the level of support requested, but then will not. It is that simple.

When discussing the opportunity to become a master agent with prospects, it is incumbent on the MFSP to demonstrate, with spreadsheets and other tools, the financial return that a master agent can expect to obtain. This analysis will need to include the commissions, margins, and transaction volumes that are expected to be achieved. It is important not to exaggerate the numbers in the hope of winning master agents, as the truth will become obvious very quickly and if expectations are not matched by reality, then trust will be badly eroded. If the financial return is not going to be substantial initially, the MFSP needs to be honest and provide other qualitative value propositions for the short term to win over prospective master agents.

For the entrepreneurs that agree to become manual distribution centers (MDCs) for Coca-Cola Sabco, the training, financial assistance, and business support they receive from Coca-Cola are strong incentives for them to engage in this effort. *(Refer to the Coca-Cola Sabco Case in Part 6 of the Toolkit for additional information.)*

Because start-up costs are higher for master agents than they are for retail agents, credit may become even more of a consideration. The amount and duration of the loans may not need to be very long. P&G has three tiers of agents, each of which receive different credit terms. Small retail establishments have to pay for their inventory in cash. Those retailers that are visited weekly by a P&G sales representative are eligible for a 7-day credit. And P&G's equivalent of master agents can obtain credit for up to 14 days, because these distributors offer 7-day lines of credit to the retail agents in their network and P&G helps them cover those credit lines.

MFSP Commitment and Support

Without question, the ultimate success, or failure, of the distribution channel lies with the level of support that is provided by the sales team that interfaces with the retail and master agents. The importance of

this team cannot be overstated. All the companies interviewed for the Toolkit, which have built networks with tens of thousands of agents, spend significant time and money supporting their channel.

Support from the vendor comes in the form of a sales team that meets distribution partners at least once a week, management technology, training, credit, and other essentials that the members of the network require to achieve results.

Management Tools

Providing software and management tools for master agents helps these individuals manage sales, cash flow, and other elements of their mobile money businesses. Both Coca-Cola and P&G offer these types of internal support systems. In the case of Coca-Cola, MDC owners are eligible for monthly bonuses based partly on adherence to a software management tool.

While measures, such as the development of electronic management tools, may seem premature in an industry that still has not achieved widespread profitability, M-PESA, the industry leader, is implementing management tools within their network. And EMIDA, a technology provider in the space, is building layers of management tools into their mobile money solution because they recognize the importance of having these mechanisms available as distribution channels and customer volumes grow.

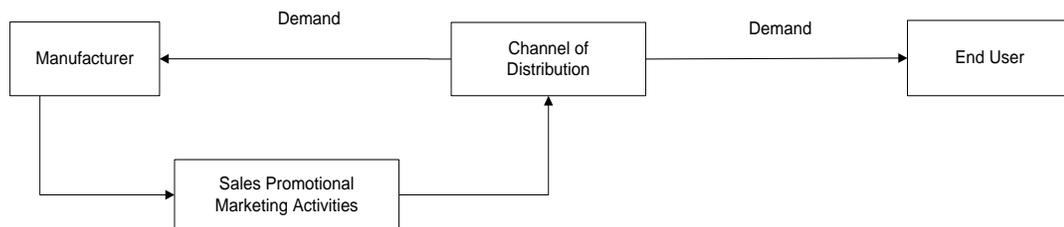
Branding & Customer Pull

No matter how willing retail and master agents are to support an MFSP strategy, they will not be able to acquire the number of customers required on their own. Agents can push mobile money products and services by acquiring customers, selling services, and promoting mobile money products. But they need assistance.

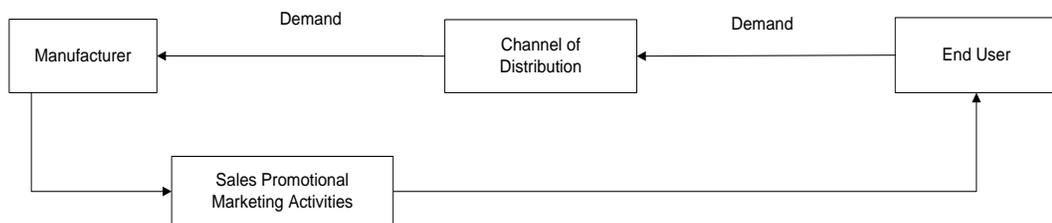
If the MFSP's brand is well recognized, this will go a long way to drawing customers to the solution. Experience shows that entering the market with a recognized and trusted brand accelerates the pace of customer uptake.

Implement Push and Pull Strategies

Push Strategy



Pull Strategy



Regardless of the strength of their brand, MFSP must help their agents pull customers into the retail outlets through comprehensive above-the-line and below-the-line advertising campaigns that engage with customers, enabling them to understand the benefits of mobile money. What is more, MFSPs can help draw customers to agent outlets through financial literacy campaigns and targeted consumer activities.

One of the most important services that VISA offered its bank partners in the early days of the credit card industry was a broad-based advertising campaign that built an association in the customers mind of VISA, simplicity, and credit cards. None of VISA's bank partners had the resources to undertake the level of campaign that was required on their own, so VISA took on that role for the banks that were its members – and for the industry. Without aggressive marketing, card cards would have taken much longer to penetrate the market.

Not all retail agents or master agents are the same, so not all of them should be treated equally or with the same level of support. This section of the document discusses different approaches that an MFSP might want to take with its master agents based on their size, scale, and revenue potential. P&G will be used as an example.

P&G has three different levels of distribution partners, each of which obtain different levels of support from the company.

Distribution Companies

Distribution companies represent P&G's high frequency channel. These are companies that P&G partners with to obtain retail reach across a country. The number of distribution partners depends on the reach required as well as existing infrastructure in the country. When P&G enters a new country or region, they evaluate their distribution needs, figure out how many distributors are required, and then qualify leads. At the end of this process, P&G could end up with anywhere from a handful of distribution partners to several hundred. In Vietnam, for example, P&G only needed 10 distribution partners to obtain reach across 190,000 retail stores.

P&G embeds 2 to 3 of their sales people in each distribution company. P&G staff spend more than 50% of their time training the distributor, which in turn is responsible for training all the retailers in their network. Thus P&G uses a train-the-trainer model that is systematic and continuous to ensure that retailers are performing in a way that will maximize P&G sales.

In addition to the direct support provided by embedded staff, P&G also provides its distribution partners with financial management tools, lines of credit, sales models, systems models, financial models, and software. This level of support is essential so the distributors can run their businesses smoothly, which ultimately results in successful push of product through the retail outlets these partners manage.

Major Accounts

A major account would be a supermarket chain or other company that owns its own outlets. P&G provides at least 1-2 full time staff to manage each of these accounts and to work with their buyers. In addition to these in-house staff, P&G also has outsourced operations people who work within the major accounts at the retail level to make sure that product is being properly positioned, priced, and is moving through the accounts outlets.

Cash & Carry

In addition to managing distribution partners and major accounts, P&G also provides warehouse facilities that allow smaller wholesalers to purchase products that they can then either sell directly to customers or through small distribution networks of their own. P&G provides training on financial and operations for these wholesale enterprises to help them maximize through throughput. =

A special category of distribution partners in the mobile banking space are financial institutions. The value proposition for banks and microfinance institutions is unique and quite different than the categories of master agents described above.

Reduced Cost of Doing Business

Research has shown that ATMs are less expensive than branches and mobile phones are less expensive than ATMs. So, mobile money can provide financial institutions with a mechanism to serve customers in a less expensive manner.

In the case of microfinance institutions the cost of business is lowered when customers can obtain loans (disbursement) and repay loans through the mobile phone rather than through visits by loan officers. *Refer to the Appendix in the Globe & MABS, Philippines case in Part 6 of the Toolkit for calculations that demonstrate the impact mobile money had on microfinance institutions in the Philippines.*

Value Added Services

Financial institutions can offer additional value added services, such as bill payment, insurance, top-up, and international remittances to their customers more effectively than they can through more traditional means. FERLO, a payment service provider in Senegal, claims that the opportunity to provide financial services that were previously unavailable is a powerful incentive to their microfinance partners.

Acquisition of New Savings Customers

Although there is still only tangential evidence in the market, there are some indications that financial institutions that provide mobile money services through partnerships with mobile operators or third-party partners are attracting new customers. More time will be required to determine the extent of this phenomenon.

Float

In some mobile money business models, the float is shared with the banks that hold mobile money assets on behalf of the MFSP. Not surprisingly, this is a strong incentive for financial institutions participation.