12 Steps to Mobile Money Deployment
Agent networks for mobile money are a new form of financial distribution, but the dynamics behind the build out and support of distribution channels are not new. Nor does the process begin with the agents. In order to ensure that the distribution channel works, other important factors related to customer value propositions, product decisions, and marketing also need to be considered. Much has been written about the processes used to build distribution channels for a range of manufacturing companies from Coca-Cola to IBM. This tool describes the 12 steps that are part of the best practices for distribution channels. This material has been adapted from a number of sources.¹

Refer to the Case Studies in Part 6 of the Toolkit for descriptions of how six MFSPs handled the twelve steps outlined in this document.

1. Evaluate macro-market conditions and macro-influencers

   a. Regulations

   i. Establish what retail agents can – and can’t – do
   MTN Mobile Money, Uganda agents can register new customers and are encouraged to do so, paid $0.50 per registration.

   ii. Work with the regulators as early as possible
   MTN Uganda started building their agent network while they were still waiting for approval from the Central Bank.

   iii. Attempt to obtain a letter of non-objection for pilot activities, particularly in those countries where regulations are open but unclear

   b. Competition

   i. Consider other MNOs, MFSPs, and banks that have either already entered the market with financial services or that are likely to enter the market. The speed at which mobile money is moving suggests that even though the market may be wide open today, the situation is likely to change in very short order.

   ii. Consider alternative financial service providers, such as foreign exchange offices, Post Offices, and international remitters

   iii. Remember that CASH is competition. Until mobile money is easier, more accessible, and safer than cash, changing customers behavior will be difficult.

   iv. Take the Competitor Information IQ Test (Tool 4)

   c. Cash “push” opportunities

   i. Determine the best ways to “push” money into the hands of your customers.
   • In the Philippines, microfinance customers were not hooked on the mobile money until loans were disbursed through mobile phones.
   • In India, FINO, built a POS infrastructure that say a dramatic uptake when government subsidies were distributed through accounts linked to that infrastructure.

ii. Salaries, government subsidies, corporate subsidies (as with mining and lumber in the Pacific), and supply chain can all be mechanisms for driving adoption of mobile money.

2. **Identify target market segments and the customer value proposition**
   
a. Before setting up an agent network, know the customer – who they are, their needs, wants, and desires. Every intelligent channel strategy should begin with customer segmentation and market analysis.

   b. Seek the anchor product in the market and for target customers. Identify the need and pain points that the product will fill. Do not assume that money transfer is the solution for a particular market just because it has worked elsewhere. Understand that product simplicity at market entry is a success factor.

      i. M-PESA entered the Kenyan market with one service – money transfer – and very simply messaging around that product.
      
      ii. CelPay started with low hanging fruit, ie business-to-business (B2B) helping companies with large distribution networks manage their cash.

      iii. Based on research in Papua New Guinea and other countries in the Pacific, the anchor product appears to be savings and the ability to remove cash from the system because cash leads to violence, especially in the weeks before school fees are due.

3. **Research and rank end customer satisfaction requirements**
   
a. Assess what the customer is going to require from the MFSP, from the agents in the network, and regarding support.

   b. Interview potential customers, including those in rural areas, to understand the most compelling marketing messages, how far they are willing to travel to perform cash-in/cash-out functions, which outlets they would trust as retail agents, which outlets they would not trust, and how comfortable they are with the technology.

   c. Determine out how much it costs them now to obtain financial services and how much they would need to save through a new service to change their current behavior.

   d. Listen to customer's priorities and fears.

4. **Specify and rank the tasks you want your distributors to perform**

   a. **Determine the roles and responsibilities of the master agents and of retail agents.** Considerations include: acquire customers, perform KYC, train customers, perform financial transactions, accept electronic payments, provide cash-in/cash-out services, display branding, provide brochures, keep transaction logs, manage liquidity

   b. **Combine roles and responsibilities with customer satisfaction requirements to determine the most important agent selection criteria**
i. Refer to Part 7 of this Toolkit for additional information on agent selection criteria, including the criteria most commonly found in mobile money implementations and specific examples of criteria from several other mobile money businesses.

ii. Rank the criteria that are most important, being sure to keep considerations for master agents and retail agents separate.

c. Develop an Agent Scoring Tool and Application Forms to assist in rating and comparing agents in the field.

i. Refer to Section 7 for a Agent Scoring Template

ii. Refer to Section 7 for examples of Agent Application Forms

d. Create legal agreements for the master agents and retail agents

i. Consider exclusivity, particularly if a first mover. Large agent networks will a significant competitive advantage in any market. Ensuring that the time, energy, and resources spent on building an agent network do not result in benefit for competitors is a key consideration.

ii. Refer to Retail Agent Contract Elements and the Retail Agent Contract Template in Section 7 for additional information.

5. Research all existing infrastructural elements that could be leveraged for an agent network, then develop expansion model

a. Study cash flows across the market – consider flows from capital cities to rural areas and rural areas back to capital cities

i. Figure out not only how money moves to potential customers, but what they are spending money on as well as where they are spending their money.

ii. Refer to IFC Report – Cash Movement in Papua New Guinea in Part 4 to review the outcome of such a study

b. Create a matrix that is based on an understanding of money movements within the community as well as the various existing infrastructure that can be used to reach the customers – especially those in rural and remote areas

i. Bank and alternative infrastructures

ii. Determine how far the infrastructure will reach, and whether there is an opportunity to leverage these service centers for liquidity management.

iii. Refer to Figure below, which provides an example of a matrix for Papua New Guinea.
c. Create a strategy for distribution build-out

i. Determine whether it is more important to provide wide national coverage as quickly as possible or whether agents can be selected regionally first, through concentric rings, or starting in larger population centers before moving down in granularity to locations with sparser populations.

ii. Assume that the final agent network will include a mix of small, medium, and large master agents.

iii. Assume that the final agent network will include both regional and national partners.

iv. Seek to sign up national distribution partners before focusing on those at the regional level. This approach results in the ability to create the right deal with regional partners. If regional partners are signed first, those functioning at the national level are likely to be less interested in the opportunity because they may view regional networks as competition.

d. Determine which potential partners should be brought on board first, second, third, and so on.

i. Realize that it will probably not be feasible, due to resource and knowledge constraints, to start with too many potential partners simultaneously.

ii. Seek the “eagle” partners first, ie those that will provide the greatest sales revenue potential, profit possibilities, and that map to the MFSPs ability to provide comprehensive training and support.
e. Develop network through a sustained growth model, expect to start relatively small and build steadily and consistently over time.

i. 14 months after launch M-PESA Tanzania had 280,000 users and 1,000 agents\(^2\)

ii. First Banco Postal branch was opened in March 2002. By the end of 2006 (about 4 years later), there were a total of 5,567 Banco Postal agencies in operation, ie approximately 1,400 per year.\(^3\)

f. Ensure the model has adequate liquidity management structures

i. Refer to Liquidity Management in Part 8

<table>
<thead>
<tr>
<th>Start year</th>
<th>Banco Postal agencies</th>
<th>% of municipalities with BP</th>
<th>% of municipalities without BA</th>
<th>Number of BP in municipalities without BA</th>
<th>Number of BP in municipalities with BP but without BA nor BC</th>
<th>Number of BP in municipalities with BA nor BC</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>2,450</td>
<td>39</td>
<td>42</td>
<td>827</td>
<td>822</td>
<td>15</td>
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<td>2003</td>
<td>3,813</td>
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<td>42</td>
<td>1,130</td>
<td>1,080</td>
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<tr>
<td>2004</td>
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<td>85</td>
<td>38</td>
<td>1,434</td>
<td>1,299</td>
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<tr>
<td>2005</td>
<td>5,444</td>
<td>86</td>
<td>38</td>
<td>1,471</td>
<td>1,134</td>
<td>21</td>
</tr>
<tr>
<td>2006</td>
<td>5,567</td>
<td>87</td>
<td>38</td>
<td>1,525</td>
<td>856</td>
<td>15</td>
</tr>
</tbody>
</table>

Note:
BA = bank agency; BC = banking correspondent agencies (without BP)

6. Determine value proposition for both master agents and retail agents, realizing that each group will have different motivators and different requirements regarding financial incentives

a. Interview potential agents to understand their current business structure and needs. Focus in particular on their existing revenue streams and the potential they have of obtaining attractive new revenue opportunities through mobile money.

i. Refer to Agent Questionnaire – Getting to the Value Proposition in Part 4 for an template that can be used in this part of the process

ii. Find out what the master agents and retail agents will want from the MFSP

iii. Determine the cost of capital for a mobile money business versus the cost of capital for other business lines provided by that agent

iv. Refer to CGAP Tool – Agent Transaction Volume & Cash Flow Calculator in Part 8 to assist in the process of creating the financial value proposition for retail agents

v. Refer to other tools in Section 7 for additional insights into determining the value proposition for agents

vi. Remember that it is crucial to raise the value of the mobile money products in eyes of the agents

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\(^2\) Rasmussen 2009

\(^3\) Source: Toledano, Jose & Anson, Jose (editors). Postal Economics in Developing Countries. Universal Postal Union. Pgs.139-173.
vii. Use this analysis to set agent commissions appropriately. Refer to the Revenue Calculator – Across the Mobile Money Value Chain in Part 9 to assist in this process and to determine the resultant income for all the other members of the value chain

b. Determine level of ability required for agents to become an active sales force with the ability to actively acquire new customers on behalf of the MFSP.

c. Identify their motivations for participating in training regarding the mobile money products. Refer to Retail Agent Value Proposition and Master Agent Value Proposition & Financial Assessment in Part 8 for value propositions that have made a difference in other countries.

d. Consider whether there will be a requirement to provide loans to help master or retail agents cover their electronic float and cash-on-hand balances.

7. Identify master agents and retail agents

a. Expect to have a mix of outsourced master agents and/or distribution partners with an in-house team that provides support and oversight

   i. MTN Uganda has a team of account managers that are responsible for going out and recruiting agents
   
   ii. Both M-PESA and WING have internal staff that select master agents, manage master agents, and perform spot checks on retail agents

b. Do not expect airtime resellers to automatically become retail agents

   i. Being a cash-handling agent is not the same thing as welling airtime top-ups. This is harder to do than most anticipate.⁴
   
   ii. The best agents are turning out not to be airtime resellers due to the different skill sets required as well as the more attractive revenue streams available from phones, SIMS, scratch cards, and top-up
   
   iii. In the Philippines, only 10% to 14% of airtime resellers are functioning as mobile money agents

c. Leverage structured retail networks with cash surplus first, focus on getting a solid core of “super agents” in place and give them the opportunity to recruit 2nd tier agents in addition to recruiting customers

   Consider these your “golden eagles”

d. Leverage bank branches as a means to build network and manage liquidity

   i. Lower density of bank branches to manage cash management has made the uptake of M-PESA in Tanzania slower than in Kenya.⁵
   
   ii. Consider developing a solution that provides both a phone and a white label card so ATMs and POS terminals can be utilized for cash-out. Or create a relationship with a bank so only a number is required to extract cash from an ATM.

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e. **Build an in-house sales team to obtain more agents and to manage current network of agents**

8. **Obtain internal corporate recommitment**

Make sure all the staff that will be involved in developing and supporting the agent network – either directly or indirectly – understands and supports the channel strategy.

9. **Approach and sign targeted master agents and retail agents**

a. **Based on the research and strategic efforts in the earlier steps, compile commission structures, policies, procedures, and support systems into a kit that can be used to entice great agents.**

   i. Realize that the kits will be different for master agents, retail agents, and potentially different parts of the channel
   
   ii. As part of this process, research any competitor’s offerings to ensure that the package the new mobile money operator has developed is equally, or more, appealing.
   
   iii. Be sure to include both financial and non-financial incentives such as brand equity, cost sharing, revenue guarantees, customer information sharing, bonuses, business training, and other benefits.

b. **Train internal and external sales representatives who will be tasked with acquiring high-caliber agents to make a convincing presentation**

c. **As part of the agent recruitment process, obtain a signed agreement between the agent and the mobile money operator or other party that is designated by the regulatory authority (in some countries, legal agreements needs to be signed between the agents and the banks).**

   Refer to Retail Agent Contract Elements and the Retail Agent Contract Template in Part 8.

10. **Train the master and retail agents, train them again, and then retrain them as needed**

   a. **Agents have limited time for meetings and trainings, therefore be completely prepared with true value-added training**

      i. Training may need to be split between technical elements that show the agent how to perform transactions and KYC, and more in-depth training that is carried out away from the retail outlet.
      
      ii. Agents are likely to be seeking ways to improve their overall businesses. Consider building mobile money training into a broader based course on business planning, budgeting, sales skills, and management skills.
      
      iii. Refer to Section 11 for comprehensive training courses for MFSP representatives that manage the agent network, master agents, and retail agents

b. **Perform cost/benefit analysis on providing in-house versus outsourced training for agents**
i. MTN Uganda a team of 33 outsourced trainers that were based across the country. Agents undergo three days of training, which takes place on their premises. The company also provides ongoing training.

ii. WING started with an internal staff of 2-4 people who provide training to sales agents, and conducted agent training in the field. But the company is not getting the level of transactions they expect from the agents, so they are now changing their strategy to increase the level of training for their agents.

11. Manage your channel

a. In most cases, the MFSP will not own its channel partners. Therefore, the MFSP cannot control its channel. The best that the MFSP can do is managing the channel.

b. The MFSP would benefit by regarding its relationship with its master agents as strategic alliances that need to be nurtured. Everyone employed by the master agents and the retail agents is selling the MFSP’s product. All of them should be considered MFSP high-priority customers. If the MFSP communicates with them effectively, a strong support team will be created.

i. Every time the MFSP makes a decision, it should consider the impact of that decision on the company, the master and retail agents, and the customers.

ii. Be sure to discuss changes – in advance – with master and retail agents to ensure their loyalty

c. The MFSP should have internal staff that monitor master agents and retail agents for policy and standard adherence, customer engagement, liquidity management, and satisfaction

i. The early months of the relationship with new channel partners are the most critical! Manage well during this period.

d. Manage liquidity in your network

i. Look to the banks and ATM/POS infrastructures as a means of managing liquidity

ii. Refer to Liquidity Management in Part 8 for more information

12. Market your product to push customers to your retailers. It is all about mind share.

Do not underestimate the importance of marketing and advertising to bring customers to the product.