

# Esoko Networks Ltd.

## COMPANY BACKGROUND

Esoko Networks Ltd. (Esoko) began providing market information for the agricultural sector in Ghana in 2004 under the name TradeNet, getting its start within the Ghanaian ICT incubator BusyInternet. TradeNet was rebranded Esoko (after the Swahili word *soko*, meaning “market”) in 2009. Esoko is now a holding company that owns, maintains, and licenses the use of a web and mobile platform offering market information and communications services for the agricultural sector in Ghana and 14 other countries in Africa. Esoko also

owns its Ghanaian franchise, Esoko Ghana, and BusyLab, a subsidiary that provides system development, maintenance, and tech support to the company and its franchisees.

Esoko was founded by Mark Davies, a British entrepreneur with a track record of successful technology ventures in the United States, United Kingdom, and Ghana. Esoko now employs 60 staff in Accra and 30 contractors across Ghana.

## ESOKO'S INCLUSIVE BUSINESS MODEL

The Esoko platform is a web-managed system that enables real-time data gathering and dissemination via the Internet and mobile phones. Though it is industry-agnostic, the first and most highly developed application on the platform targets the agribusiness sector. The application allows users to contribute and receive various types of market information through text messaging, and is designed to work on any phone on any network. Primary users include individual farmers and traders, farmers' associations, agribusinesses, and public sector organizations such as national agricultural ministries. The platform handles buy and sell offers, agricultural input and crop prices, extension messages, locations where seeds and fertilizers are available, stock counts, and SMS polling.

Esoko users access content on the Internet and on their mobile phones, choosing from a range of applications to create a personalized interface. For example, farmers can sign up to receive alerts on their mobile phones when new market prices are posted or send one-time price requests for the most recent prices. The ability to tailor the interface allows Esoko to target a diverse range of customers and maintain user-specificity and navigability.

Esoko generates content in two ways: its own collection efforts and users' submissions. Market price information is collected by the company, and goes through an online approval process before it becomes available. Beyond market price information, Esoko allows users to upload and share information, without screening by the company. For example, any user can upload an offer to buy or sell their goods via SMS or the web, and that message will be redistributed to others who have signed up to receive news on that specific commodity. Another example is bulk SMS, where governments, associations, businesses, and other groups can send extension messages to members or suppliers.

While individual subscriptions are available, it is difficult to reach individuals to sign them up, there is no training involved, and it can be challenging for them to pay or make changes on their own. Organizational sales and marketing has, therefore, been an important strategy for Esoko, enabling the company to get a critical mass of users on the system. In Ghana, organizational subscription and SMS fees range from around

\$250 to \$8,000 a year, depending on the scope of the project, number of members, and tools used; prices are similar in other franchises, but tailored to the local market.

Organizations like producers' associations, non-governmental organizations (NGOs), and agribusinesses use Esoko to communicate with smallholder farmers, traders, dealers, and other actors in the value chain more frequently and at much lower cost than would be possible through field visits. Producers associations and government agencies can share weather information, notify farmers of disease and pest outbreaks, and send reminders for trainings. Agribusinesses can track how products are used, market to new customers, conduct polls to estimate crop yields among farmers, and track inventories among distributors.

Esoko's growth strategy is two-pronged: to license country franchises and to facilitate multi-country projects in collaboration with large non-governmental organizations (NGOs) and corporations.

The franchise strategy has grown out of the company's experience with its Ghanaian franchise, where Esoko is learning that deploying management information systems works best when promoted by a local champion.

Multi-country projects establish regional management information systems in collaboration with large NGOs and, in the future, corporations—which interact with producers' associations, agriculture ministries, and others in multiple countries. For example, the International Fertilizer Development Center (IFDC) is using the Esoko platform to collect and disseminate price data on fertilizers, pesticides, seeds, and other agricultural inputs in eight Eastern and Southern African countries.

Esoko has made two additional strategic decisions to position itself for growth. First, from a technology standpoint, it has adopted an open API architecture, which allows any third party to build or customize applications for the Esoko platform. Second, through its support services subsidiary, BusyLab, Esoko will invest in developing local technical knowledge and skills rather than outsource to an international firm, creating stronger links between software developers and the markets they serve.

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## DRIVERS FOR ESOKO'S INCLUSIVE BUSINESS MODEL

- Market inefficiencies in the African agriculture sector
- Rapidly increasing mobile phone penetration
- A ready organizational market of development agencies, NGOs, and agribusinesses that had struggled to develop and maintain their own mobile-enabled solutions

Esoko was created with the goal of addressing market information asymmetries in the African agriculture sector. In Ghana, for instance, agribusiness is a sizeable part of the economy, accounting for 65% of land use and 59% of labor. However, the sector is also characterized by huge inefficiencies that cost both buyers and sellers money. Four million people work as farmers, and 70% of their farms are small—less than three hectares apiece—making it nearly impossible for buyers to estimate which crops are being grown in what quantities, or where. As a result, many buyers resort to importing what they need. At the same time, smallholder farmers are limited in their ability to sell their products at market value because they are unaware which markets need what products; because they are unable to physically get their product there; or because they lack pricing information, reducing their ability to negotiate.

Advances in information technology and rapidly increasing mobile phone penetration throughout Africa have turned these inefficiencies into a market opportunity for Esoko. With Ghana's

mobile penetration rate at 60% and Africa's at 41%, and increasing rapidly, that opportunity will only grow.

Finally, other early efforts to provide agricultural market information via mobile phone have struggled to achieve financial viability, due to the time and costs required to build the technology and the inability to scale. The inability to scale was rooted in several factors, the most important being flexibility and a valid business model. Earlier systems were project-based and limited to specific countries or value chains, while Esoko has developed a product that can be used regionally, in many different languages, and by many clients at the same time. That flexibility allowed the company to envision a solid revenue stream that provided a basis for large investments. Esoko believed that by establishing a platform that could be used across countries and sectors—achieving economies of scale—it could tap into a ready market of development agencies, NGOs, and agribusinesses that would find licensing its platform a more affordable option than trying to develop their own.

## RESULTS OF ESOKO'S INCLUSIVE BUSINESS MODEL

- 4 franchises in Ghana, Nigeria, Mozambique, and Malawi
- 7 international partnership projects spanning 15 countries
- Early evaluations showing 30-40% income increases for farmers using the system

Since Esoko's time in the market is still relatively short, the full impact of its model is yet to be realized. However, early customer feedback indicates increased market efficiencies through more equitable pricing, and better access to markets for farmers and buyers. Early evaluations of Esoko's impact on farmers specifically found that those using Esoko in Ghana have increased their revenues by an average of 30% to 40%.

In 2009, Esoko won the United Nations' World Summit on the Information Society award for e-inclusion and participation, highlighting the importance of locally acquired, relevant content. Esoko was also the runner up for 2009's One Africa Award. The company has been featured on CNN, Voice Of America, and in *The Economist*.



## IFC'S ROLE AND VALUE-ADD

Esoko began operations in 2004 within the Ghanaian information and communications technology incubator BusyInternet, a client of the World Bank's infoDev program. As a client, BusyInternet received funding for specific incubation projects in Ghana, access to a worldwide community of practice on incubation, and exposure for its technology center model. After an incubation period funded by the founder, the company raised its first outside investment in early 2009.

In 2010, IFC made a joint investment with the Soros Economic Development Fund (SEDF) of \$1.25 million in equity each. For IFC, Esoko is a high risk, high development impact investment in an early-stage business. As such, IFC is helping with a number of issues early-stage businesses face, such as building robust financial controls, accounting and reporting systems; ensuring good governance and transparency; and meeting environmental and social standards. IFC's involvement is also expected to help Esoko attract high-quality franchise partners.



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