

The diagram illustrates the agency banking model. At the center is a red circle containing three white human figures. Surrounding this central circle is a ring of seven blue circles, each containing a white icon: a smartphone with a dollar sign, a bank building, a circular arrow with a dollar sign, a radio tower, a group of people, a building with a flag, and a bar chart. Lines connect these peripheral circles to the central circle, and additional lines extend from the peripheral circles to small red circles on the background grid.

## Testing the Model of Agency Banking with Ecobank in Benin

Lessons Learned in the Field



## Acknowledgements

This case study is part of a series of publications aimed at addressing the global learning agenda of the UN Capital Development Fund (UNCDF) programme MM4P. The learning agenda includes four areas relevant to digital finance: customer adoption, distribution, high-volume payments, and partnerships for products and delivery solutions. The Ecobank case study focuses on distribution, exploring the opportunities that digital financial services can offer to banks to get closer to their customers in remote areas.

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## Background



Ecobank Xpress point, in Cotonou

Within the West African Economic and Monetary Union, Benin has seen strong growth in mobile money: there was a 12-percent increase in client accounts between 2016 and 2017, corresponding to more than 7 million mobile-money accounts, one third of which were active.<sup>1</sup> Several digital finance players have entered the sector and are working to launch innovative services that cater to the needs of the population.

Among the key players in the country, Ecobank Benin is the leader of the retail-banking sector, holding a nearly 16-percent market share. The bank is a pioneer in digital innovation, boasting a vast network of POS terminals and ATMs, 110,000 card users and 100+ money-transfer agents as well as serving as an issuer of electronic money with the telecom operator Mobile Telephone Networks (known as MTN).



## Challenges and objectives of the project

In January 2017, Ecobank Benin launched Ecobank Mobile, an application to allow its customers to conduct mobile transactions such as transfers and payments from/to their bank accounts. The bank was targeting clients who thus far had been excluded from the traditional banking system (62 percent of the total population).<sup>2</sup> These potential clients had been excluded for various reasons: illiteracy, low income, lack of documentation, distance to bank branches, etc.

In January, Ecobank also launched the Xpress Account to address its target clients' needs, allowing them to withdraw money from the application without the need of a card. The only regulatory hurdle for the account was that the monthly value of transactions could not exceed CFAF 200,000 (~US\$350).<sup>3</sup> However, this amount has seemed suitable to the needs of the Xpress Account's target clients, such as rural women, *zémidjans* (motorcycle taxi drivers), students and small shopkeepers in urban areas.

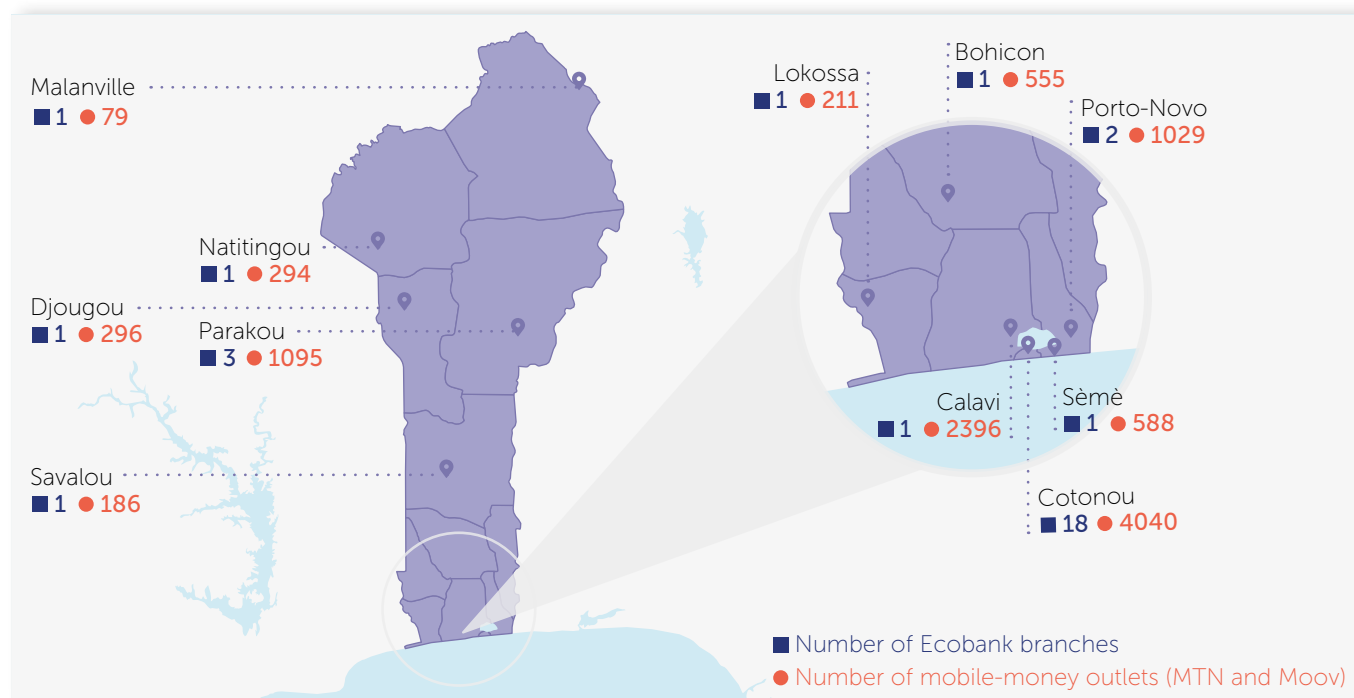
In order to meet its financial-inclusion objectives, Ecobank, which already had a number of branches selling its products, decided to extend its network beyond traditional branches (see figure I) by launching peripheral service points known as Xpress banking agents. The bank formed a partnership with the UN Capital Development Fund (UNCDF) for the deployment of the Xpress agent network with the goal of making Ecobank services available anywhere and anytime. It is with this goal in mind that Ecobank, with support from UNCDF, launched a pilot project to develop an agency-banking network and to strengthen the distribution network of the Ecobank Mobile service in the areas of Calavi, Cotonou, Natitingou and Porto-Novo.

<sup>1</sup> Banque Centrale des Etats de l'Afrique de l'Ouest, 'Rapport annuel sur la situation de l'Inclusion Financière dans l'UEMOA au cours de l'année 2017' (Dakar, 2018).

<sup>2</sup> Asli Demirgüç-Kunt and others, *The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution* (Washington DC, World Bank, 2018). doi: 10.1596/978-1-4648-1259-0. Licence: Creative Commons Attribution CC BY 3.0 IGO.

<sup>3</sup> Conversion rate: US\$1 = CFAF 577.242. Source: <https://treasury.un.org/operationalrates/OperationalRates.php>. 30 June 2019.

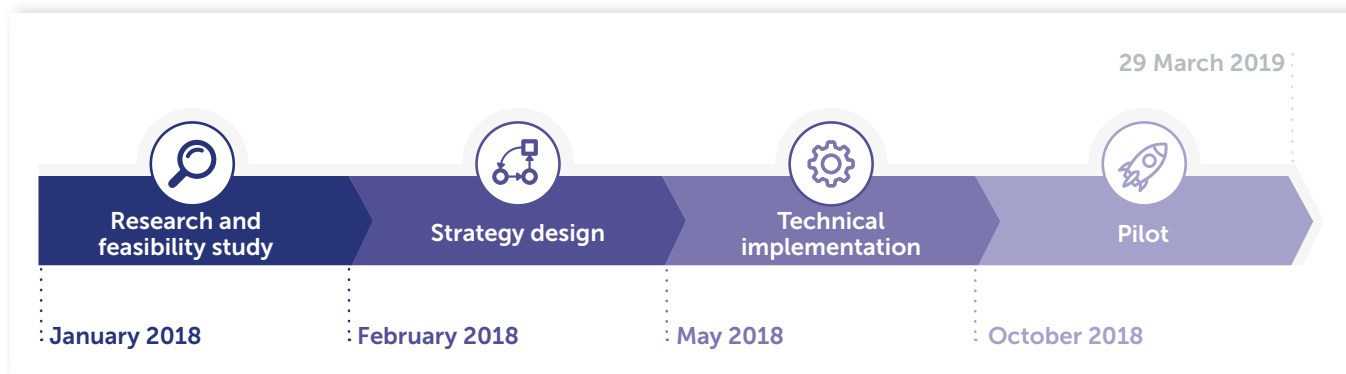
**Figure I** Distribution of Ecobank branches and mobile-money outlets in Benin as of January 2018



## Activities undertaken for the project

UNCDF contracted the digital finance consulting firm Amarante to execute the project. First, Amarante conducted an assessment of the needs and expectations of both clients and agents (see **research and feasibility study** in figure II). One of the main difficulties during this phase was not being able to make a complete diagnosis of the digital platform used by the agents (largely due to inaccessibility of the back end IT systems). As a result, Amarante could not make detailed analysis of the system in place and could not offer detailed recommendations for system improvement. However, their research did reveal issues related to the hierarchy of agents and the payment of their commissions. As a result, Amarante was able to provide initial suggestions regarding the Ecobank agent platform, such as improving the interface icons, strengthening the platform's security, setting up notifications in French, improving the reliability of features and changing withdrawal limits.

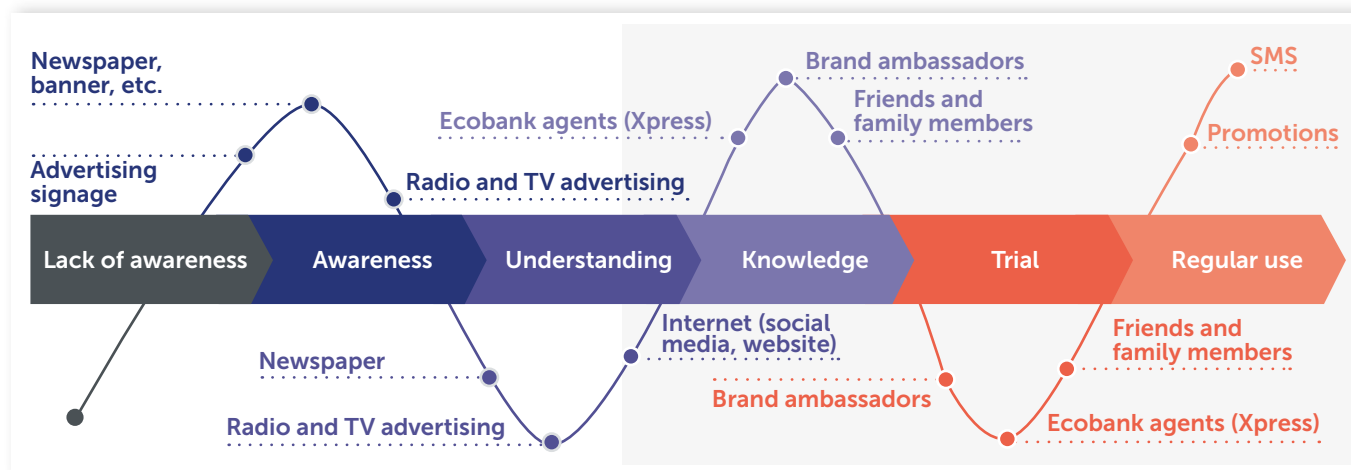
**Figure II** Project phases



During **strategy design**, Amarante developed a distribution and marketing plan for the agent network. In this phase, 18 sales representatives and 3 regional supervisors were recruited and trained. In addition, 2 dedicated officers were recruited to support the supervisors. Since the agents were meant to be the first contact with customers (see figure III for the journey imagined for customers to take), particular attention was paid to the agent recruitment criteria: their knowledge of the business, location, reputation in the catchment area, etc.

During **technical implementation**, partnerships were formed with super agents from different sectors who already had an established reputation and a structured network (sectors such as microfinance, postal services, lottery and oil distribution).

**Figure III** Proposed customer journey for Ecobank Xpress



During technical implementation, a very limited number of recommendations for the platform could be put into effect. Rather, the recommendations that were implemented mainly concerned commercial aspects, such as the modification of the pricing list, the revision of certain transaction limits and the commissions. This phase saw a number of issues arise: delays in activating new agents; less than optimal guidance provided to customers by agents, which resulted in very limited transaction numbers; and, lack of proper investments by the selected agents for the marketing of their new Ecobank Xpress activity (recruitment of mobile and dedicated staff, usage of banners and stickers, prospecting in the catchment area, provision of sufficient working capital, etc.).

During the **pilot**, three major challenges arose:

1. The absence of an agent-hierarchy module in the platform that would allow for the creation of two categories of agents: super agents with more responsibilities, including the recruitment of regular agents in compliance with Ecobank specifications and know-your-customer regulations, and regular agents. Moreover, corporates with their own networks were interested in becoming super agents but required traceability and autonomy for each of their points of sale in order to become super agents for Ecobank. However, Ecobank was unable to offer the traceability and autonomy requested, which meant it was deprived of the ~100 points of sale possible through a single contract with a microfinance institution or oil company.
2. The failure to designate a dedicated staff member to support the back office and at least two other staff members to support agents when they face issues.
3. The lack of a sufficient communication medium both to ensure the visibility of the offering and to support the agents' efforts.



A customer making a cash-out transaction, in Cotonou





## Key outcomes of the project

Table 1 lists the recommendations made during the various phases of the project. These were not always actioned by Ecobank Benin, thus impacting the achievement of targets set in terms of agent and customer engagements.

**Table 1** Recommendations

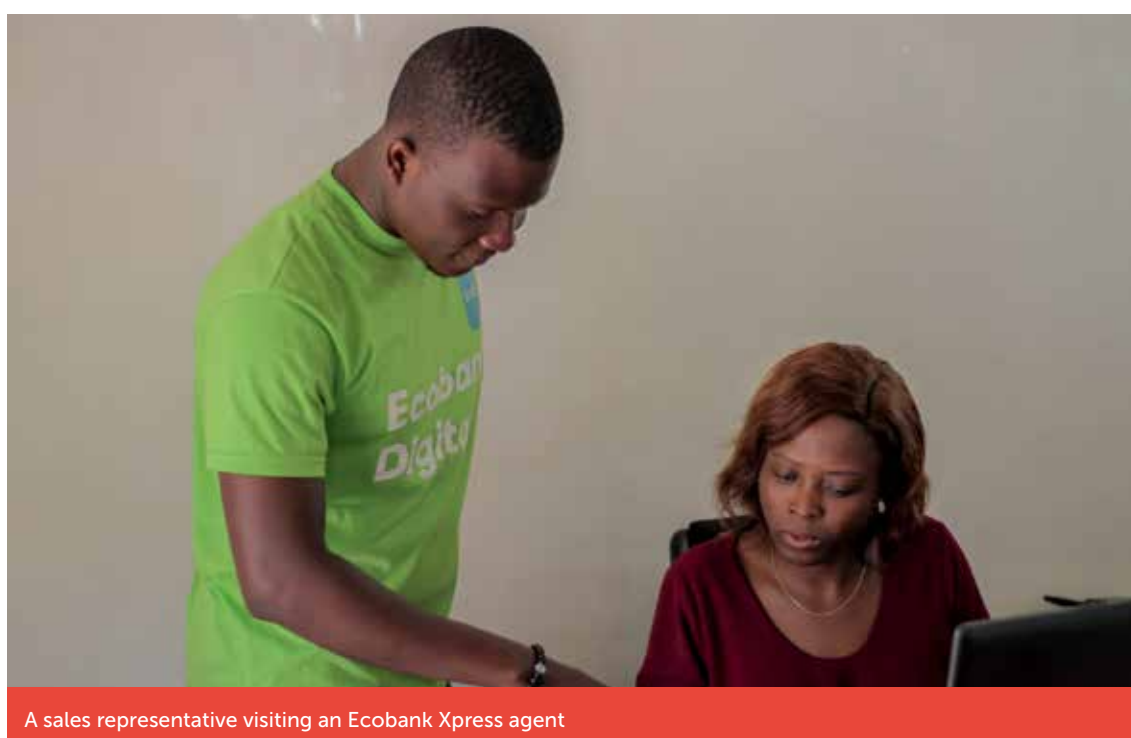
Theme	Recommendations	Validated	Implemented
Regulation	Notify/Inform the regulator ( <i>Banque Centrale des Etats de l'Afrique de l'Ouest</i> ) of the agency-banking model being deployed.	✓	✓
	Classify Ecobank Mobile offering as electronic money, which has the advantage of a clearer regulatory framework.	✗	✗
Commissions	Increase agents' commissions on withdrawals.	✓	✓
	Grant commissions to agents on deposits.	✓	✓
Fees	Be more competitive than direct competitors, MTN Mobile Money and Moov Money, by lowering the fee on withdrawals.	✗	✗
Technology	Enable the Unstructured Supplementary Service Data (USSD) option.	✓	✗
	Deploy a level-one local support service.	✓	✗
	Create a direct customer communication channel (customer service).	✓	✗
Distribution	Create a two-level agent hierarchy in the platform (distributors and sub-distributors).	✓	✗
	Deploy a sales force to monitor the distribution network.	✓	✓
	Make Ecobank Xpress agent approval requests easily accessible, and quickly process them (dedicate a resource).	✓	✗
Product	Review the Ecobank Xpress account UPPER limit for customers with full know-your-customer requirements.	✓	✗
	Make the application more user friendly by improving certain transaction icons.	✓	✗
Entry strategy	Launch an internal challenge/contest with Ecobank staff to boost their commitment to the agency-banking project (corporate engagement).	✓	✗
	Recruit Ecobank strategic partners and the top five partners of mobile operators as super agents.	✓	✗



Table 2 provides performance specifics that resulted from the actions and inactions mentioned above.

**Table 2** Project objectives and achievements

Indicator	Objective as of Dec. 2019	Achievement as of Mar. 2019	Target achievement rate
<b>Clients</b>			
Customer accounts opened	397 926	488 953	123%
Xpress customer accounts opened	300 000	412 886	137%
Active customer accounts (last 90 days)	144 103	334 099	232%
Active Xpress customer accounts (last 90 days)	120 000	154 854	129%
<b>Agents</b>			
Registered agent sales outlets (Xpress points)			
Urban	450	432	96%
Peri-urban or rural	350	24	7%
Active agent points of sale (last 30 days)			
Urban	300	157	52%
Peri-urban or rural	200	11	5%



A sales representative visiting an Ecobank Xpress agent



## Lessons learned from the project

Beyond the organizational troubles encountered (i.e., lack of involvement of the partner and lack of implementation of the recommendations), the pilot revealed interesting lessons for the digital finance industry.

**The use and widespread adoption of the service depends upon the customer experience, which in turn depends largely on the stability of the platform.** A customer becomes a service subscriber when he/she can register, perform his/her transaction and quickly find a functional agent (with enough liquidity).



Every time I request Ecobank support, the waiting time for an issue to be resolved takes several days. It is frustrating for my clients and myself as an agent. I wonder what's the point of promoting Ecobank Mobile?"

– René, an agent in Porto-Novo

**The availability and activation of an agent-hierarchy module in the platform is a major prerequisite for the deployment of non-bank agents.** Indeed, a two-level hierarchy offers the functionality of integrating vast networks that are already established with many points of sale, such as petrol stations, mobile-phone and airtime resellers and postal agencies. In the case of Ecobank Benin, the legal entity is the super agent or master agent who signs an agreement with the bank; each of its points of sale is deployed as an agent in a specific catchment area, increasing the penetration of the Ecobank Mobile service.

**Agency banking is a completely different business for a bank.** It is recommended that a bank create a dedicated business unit that will focus on the deployment of non-bank agents and will work in close collaboration with partners and support departments. This unit would be in charge of recruitment, training, control/monitoring, commission payment, etc.

**The 'state of mind' of a bank that wishes to implement the agency-banking model is essential; namely, it needs responsiveness, pragmatism and commitment of all management.** This mindset is so important because this model requires the bank to operate outside its comfort zone. Marketing and support provided to field agents differ considerably from operations carried out in a traditional branch.

**When selecting agents, preference should be given to those whose commercial activity already generates cash in order to ensure the liquidity of the network since rural customers make more withdrawals than deposits.** Then, to support the agents, it is essential to recruit field sales representatives from the targeted rural area who speak the local language and know the specificities and expectations of agents and customers there.



My sales representative visits me every three days and understands my daily challenges. His presence helps me to gain confidence in the service and to deploy a little more each day here at the large market. All the counters already know me. When I earn my commission, I can check at the end of the day what I earn. It motivates me."

– Sophie, an agent in Cotonou

**Providing commissions is not enough for agents to subscribe clients with the service.** Other levers must be found, such as providing faster payment of commissions to gain agents' trust, improving the visibility of points of service and developing agents' sense of belonging. The bank can also use its financial assets to develop a value proposition that offers agents the opportunity to obtain credit to finance or expand their activities.

**The use of Unstructured Supplementary Service Data (USSD) is an option for a bank to consider to address recurring connectivity problems and low smartphone penetration among targeted populations, as it can facilitate customer recruitment.**



I get a lot of clients who can't read or write. When they come into my shop, they often expect me to wear an Ecobank Mobile t-shirt or cap to confirm that I am the right contact person."

– Sosthène, an agent in Calavi



## Conclusion

**In this project with Ecobank Benin specifically, the following conclusions can be drawn:**

1. The agent activity rate did not increase to the same extent or at the same speed as the client activity rate (see table 2 earlier), showing the inadequacy of communication and marketing efforts for agents.
2. The platform did not completely satisfy the institution (lack of an agent hierarchy, frequent slowdown, etc.). Therefore, Ecobank should customize its distribution strategy according to the specificities observed in urban and rural areas (again see table 2, as it provides information on the level of recruitment of agents in urban areas and their activity rate, which was significantly higher than that of rural agents). Namely, urban populations are more aware of the Ecobank Mobile service and the added value it offers. Ecobank should also address further the issues of accessibility, support, products/services, procedures, control and fraud by applying appropriate strategies.

It is important for any bank interested in the agency-banking model to be prepared to invest in the first few years in the establishment of a reliable and flexible platform for agent management as well as an effective communication and marketing system that provides visibility to and builds popularity of agents. In addition, this model requires significant effort by the bank to train agents and to support agents and customers alike with a dedicated team. The return on investment of such a network is achieved in the medium to long term when the model is efficiently implemented.

Despite the challenges and mixed results of this pilot project, the agency-banking model has generated strong interest from the Ecobank Group, which has indicated that it will apply the lessons learned. In fact, it has already begun deployment of version 2.0 of the platform. The new version includes an agent hierarchy. It has also identified subsidiaries that will duplicate this project (Cameroon, Chad, Côte d'Ivoire, Democratic Republic of the Congo, Kenya and Senegal). Agency banking is becoming, more than ever, the model chosen by Ecobank Group to consolidate its digital transformation.



## About the UN Capital Development Fund

The UN Capital Development Fund (UNCDF) makes public and private finance work for the poor in the world's 47 least developed countries. With its capital mandate and instruments, UNCDF offers 'last mile' finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. UNCDF's finance models work through two channels: financial inclusion that expands the opportunities for individuals, households and small businesses to participate in the local economy, providing them with the tools they need to climb out of poverty and manage their financial lives; and localized investments—fiscal decentralization, innovative municipal finance and structured project finance—that drive the public and private funding that underpins local economic expansion and sustainable development.

By strengthening how finance works for poor people at the household, small enterprise and local infrastructure levels, UNCDF contributes to Sustainable Development Goal (SDG) 1 on the eradication of poverty and SDG 17 on the means of implementation. By identifying those market segments in which innovative finance models can have transformational impact in reaching the last mile while addressing exclusion and access inequalities, UNCDF contributes to a number of different SDGs.

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