



PFIP

**Pacific Financial
Inclusion Programme**

Managing a mobile money agent network in Fiji

Lessons learned from improving a rural agent network

Agents, in an agency or mobile banking set-up, provide the critical 'last mile' financial services to people who would normally have to travel far distances to reach the nearest bank branch. Nowadays, instead of using a bank account, people can transact using their mobile money account. And since the launch of mobile money more than a decade ago, agents have been a crucial part of the success of this digital channel, covering the last mile in financial services.

Mobile money providers rely on their agents to open accounts, make sales and provide cash in and cash out services. In order for subscribers to have the best customer experience at these agents, mobile network operators (MNOs) make sure to carefully select agents, train them on various aspects, including liquidity management and monitor their performances closely.

Many lessons have been learned on how to ensure that both the business model for the mobile money provider and the agents remain sustainable, ensuring access to low cost financial services for the 'bottom of the pyramid'. Despite these learnings, challenges on the ground remain.

Leading mobile money operator in Fiji, Vodafone, also faced significant challenges with the management of their agent network, especially with the commercial viability of this network in rural areas.

Therefore, in collaboration with the Pacific Financial Inclusion Programme (PFIP) Vodafone Fiji set out to increase the usage of their mobile money network, providing people in rural areas with basic financial services.

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In October 2017 Vodafone Fiji, with the support of PFIP, set up an Innovation Lab: an environment where solutions could be designed and tested, away from regular operations at Vodafone. One of the first challenges this Innovation Lab took on was the revamping of its rural agent network.

In this publication, we share insights on how the pilot to improve the agent network performance was designed and tested as well as what iterations finally resulted in a growth of the active agents in rural areas in Fiji. These insights are structured along the key elements of agent network management¹.

Agent network management

At the start of the pilot, a third party was managing the entire agent network, in both urban and rural areas, on behalf of Vodafone. As a consequence of their payment structure, this third company logically invested more in urban agents, as these agents have more customers. Rural agents were highly underperforming, if even active at all, and thus rural customers were widely underserved. Investing in rural agents was not considered a priority. Potentially because it was long understood that the deployment ratio of active customers to active agents was propositioned to be relatively high; at a range of around 150-800 customers per agent⁶.

However, more recent research covering leading mobile money markets indicates that this figure maybe much lower. Around the 80-250 range of active customers per active agent⁷. And even 250 seems on the high side, looking from data from five key markets, see page 3.

For players considering developing or managing an agent network in the Pacific, these are crucial findings as many islands are sparsely populated. Achieving a ratio of 200+ active customers per agent or even 100+ in some cases, would simply not be possible, given the fact that the average population density per village in Fiji is around 322. Alternatively, increasing the number of customers per agent would negatively impact the distance to the agent, a key component of the agent network⁸.

Assuming that it should be possible to sustain an agent network on a much lower ratio of active customers per agent, the Innovation Lab wanted to understand the business case, for both the MNO as well as the agent in rural parts of the country.

As part of the pilot, for rural agents, the third-party management company role was considerably reduced and Vodafone 'insourced' the management of the agents back into its own organization again. It positioned field officers to assist with agent onboarding, agent training, liquidity management and agent monitoring.

¹Distribution 2.0: The Future of Mobile Money Agent Distribution Networks, GSMA, July 2018, page 8. [gsma.com/mena/resources/distribution-2-0-the-future-of-mobile-money-agent-distribution-networks](https://www.gsma.com/mena/resources/distribution-2-0-the-future-of-mobile-money-agent-distribution-networks)

²National Financial Inclusion Taskforce, Update on 2018 Financial Inclusion Indicators for Fiji, prepared by the Reserve Bank of Fiji, September 2019.

³Fiji Bureau of Statistics, 2017, <https://www.statsfiji.gov.fj/index.php/census-2017/census-2017-release-1>

⁴By December 2018, according to Reserve Bank of Fiji, data provided by MNOs.

⁵By December 2018, according to Reserve Bank of Fiji, data provided by MNOs.

⁶State of the Industry Report, GSMA, 2013, https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2014/02/SOTIR_2013.pdf

⁷The True Size of Agent Networks in Leading Digital Finance Countries, Helix Institute, Feb 2017, <http://fsdkenya.org/publication/the-true-size-of-agent-networks-in-leading-digital-finance-countries/>

⁸Proximity Matters: Improving the Viability of Frontier Agents; CGAP, June 2018, <https://www.cgap.org/blog/proximity-matters-improving-viability-frontier-agents>

Facts and Figures



Adult population:
625,099²

Rural population:
390,635 
44.1 % of total population³





Mobile Penetration:
113 per 100
people

Commercial Banks



3 Banks with Agency Banking Services

Vodafone and Digicel, 
 both offering a mobile wallet⁴



367⁵ agents in the country



Kenya

Active customers
14.8 million

Active Agent Outlets
67.4 thousand

Ratio: Active Customers to Active Outlets
219



Uganda

Active customers
5.2 million

Active Agent Outlets
33.8 thousand

Ratio: Active Customers to Active Outlets
152



Tanzania

Active customers
12.9 million

Active Agent Outlets
65.1 thousand

Ratio: Active Customers to Active Outlets
198



Bangladesh

Active customers
20.9 million

Active Agent Outlets
117.2 thousand

Ratio: Active Customers to Active Outlets
178



Pakistan

Active customers
4.7 million

Active Agent Outlets
58.5 thousand

Ratio: Active Customers to Active Outlets
80



Agent onboarding

Prior to the agent network revamp, the onboarding of new agents took place in a very ad hoc and informal way. Personal connections and word of mouth determined which merchants were recruited as agents. In this process no standardized selection criteria were applied.

With information from the Fiji Bureau of Statistics and the Reserve Bank of Fiji, villages and settlements in Fiji were identified and listed according to their population size. Larger villages were prioritized as areas where new agents needed to be recruited.

Next, canteen shops and larger merchant shops were scored using three to four other criteria, depending on the type of merchant. Only potential agents with a sufficient score were selected. Besides ensuring higher performance of agents, this scoring mechanism also provided field officers with a tool to increase their accountability, further boosting their confidence. They were now selecting agents on objective criteria, rather than an informal way.

Once an agent is selected, they can be activated within a five-to-seven-day period, during which Vodafone will register the agent at the Fiji Bureau of Statistics, deliver the necessary business tools and provide the new agent with branding materials.

Pilot to proof the business case

Compared to other mobile money products in countries where the mobile wallet has been more successful, it was key for the Innovation Lab team to set proper and realistic expectations, considering Fiji's market size, on expected turnover and revenues for the rural services. Prior to the Innovation Lab, the business case for rural agents was never calculated separately.

By first testing changes to network management in a smaller pilot setting, the team was able to convincingly illustrate that there is a business case for the deployment of an agent network in rural Fiji. A successful pilot that led to the eventual scale up of the 'mobile village agent network', as the Vodafone M-PAiSA agent network is called now.

In the new model, the number of visits to appoint an agent and also the entry barriers were reduced. The float funds that an agent needed to start business operations were reduced up to 65%, with the agent having a facility to incrementally increase this as the business grows. The documentation and KYC requirements were also simplified with forms and the process of on-boarding an agent was made digital (via phones and tablets).

Agent training

Strict selection criteria in agent onboarding also results in the recruitment of agents who need less training. Agents are successful merchants, who already know a thing or two about sales.

Initial training is provided by the field officers, who closely monitor agents, especially during the first three months of their onboarding. Agents are trained on how to open an account and perform cash in and cash out services, as well as other services available on the product suite in order to assist customers if needed. This is also in the interest of the agent, as customers would make new deposits to use other services available.

Field officers maintain a close relationship with their agents. Despite the high costs associated with this, this close contact contributes to the performance of the rural agent network, because it is in line with the local customs and traditions, where personal relationships are highly valued. Also the field officers have a fixed route plan, for every week, ensuring that each agent is regularly visited, the latest promotions and offers are made aware to them and sufficient incremental training is provided.

Liquidity management

To provide reliable cash-in and cash-out services agents should maintain enough mobile money float and cash and if needed, rebalance regularly. However, agents often face high direct and indirect costs associated with rebalancing⁹. Costs incurred are often for travel to the nearest financial service center. During this time agents have to close shop and cannot serve potential customers. For the MNO, this liquidity management is perhaps the most critical factor in making agent deployments in low density populations profitable. The cost and pattern of managing cash in sparsely populated areas and distant agent outlets often makes the difference between operating an agent network that is commercially viable for all stakeholders, and one that is not.

In order to deal with the challenges the mobile village agents face with managing their e-value and cash flows, the Innovation Lab used the following mechanisms:

• Low cash limits

Mobile village agents do not have to invest a lot of working capital in their mobile money float. They can operate with low cash limits, which are sufficient to take care of clients that they serve that they serve for up to five business days. This means that replenishments can be made through transporting small amounts of cash. Small enough to be outsourced to an intermediary for instance, who would be able to make this transaction without undue risks or effort.



• Widely distributed cash collection points

To minimize the travel expenses for mobile village agents, cash management points have been disaggregated. Agents just travel to the nearest merchant. Usually a business with a larger turnover, who can incur larger amounts of cash. Sometimes field officers take care of this for agents. In total three to four layers are used to get the money from the mobile village agent in rural areas to financial centers, located in more urban areas. To mitigate risks associated with cash handovers to any intermediary, super-agent or other authorized personnel, transactions are electronically recorded, where the cash liability is passed up the layers. And field staff can only accept a maximum amount of cash, which is insured.

• Dynamic and pre-emptive management of cash limits

Agent cash limits are administered in a dynamic manner and even pre-emptive replenishments are prompted by the field officer. For instance, during the weekend when banks are closed, field officers would call in to check on agents with low e-float and assist them with replenishments to manage the weekend rush of customers.

In instances where agents will have to close their shops to travel for family duties, health concerns or a funeral, customers are referred to the nearest agent, who will be encouraged to increase their float, with support from field officers. All these measurements are taken to minimize service outages and any additional costs for agents.

It is these mechanisms, in combination with the active engagement of the field officer, that have contributed to the successful piloting of the mobile village agent network of Vodafone in Fiji. Field officers have access to a business intelligence system that provides them with real time information on all transactions at agent level and their e-float balance. Access to this information is crucial for optimal management of agent liquidity.

Agent monitoring

Another key element of the success of the mobile village agent network, is the monitoring modality of agents. Vodafone agents are put through a graduation framework. During the initial three months after onboarding an agent, new agents are closely monitored and receive close support from field officers. Agents are expected to perform a minimum of 75 transactions per month after this three-month period.

Agents who are not performing as expected, will receive extra support for an additional two months. Agents who still underperform after this period, are discontinued.

The intense monitoring of successful agents is gradually moved from 'handholding' to more technology-based observations, as this intense monitoring process is also costly. Instead of frequent visits their performance is monitored from the Vodafone headquarters in Suva, through an online dashboard.

The Innovation Lab firmly believes that this agent centric approach, tailored to circumstances in Fiji regarding agent onboarding, agent training, liquidity management and agent monitoring, are key to running a successful agent network serving rural customers in Fiji.

Product optimization

Next to proper agent management, the mobile money product itself should also serve customers optimally. Customers having a good experience with one service on the wallet, will be more encouraged to use other services as well.

A relevant product suite is always important, especially so, when deploying an agent network in areas with low population densities. A one-size-fits-all approach does not work. Therefore, reviewing the Vodafone M-PAiSA wallet, already offering 35+ payments functions, the Innovation Lab prioritized the marketing of services that would provide maximum utility for the rural customer base.

The Innovation Lab determined that the availability of utility payments on the M-PAiSA product added real value to customers, as there are only four physical points to pay water and electricity bills, besides using a bank transfer. Therefore, mobile village agents promote the usage of M-PAiSA for this purpose and run offers and promotions accordingly. This targeted marketing ensures agents have a sustainable volume of transactions in a relatively short time, showcasing the business case to newly recruited agents.

In addition to the utility payments, Vodafone will prioritize the full integration of the mobile money platform to all banks in the country. Currently, this is already done for HFC Bank as well as Westpac Bank. The integration with Bank of South Pacific will be added soon.

Other services that are in the pipeline for Vodafone are merchant payments as well as a regional money transfer hub for remittances.

This increase of rural agents has led to an increase of customers using the M-PAiSA platform for use cases other than P2P transactions. For example, the platform has had an increase of 6,256 customers using more than one use case on their wallet; mostly to make transfer and bill payments.

61% of customers that use the product for more than one use case, make the deposit into their wallet at a mobile village agent.

These numbers may look small in comparison with leading mobile money countries, but with a small and widely dispersed population these are significant changes that can make or break an agent network.



⁹Distribution 2.0: The Future of Mobile Money Agent Distribution Networks, GSMA, July 2018, page 9. gsma.com/mena/resources/distribution-2-0-the-future-of-mobile-money-agent-distribution-networks

Continue growing the agent network

Vodafone, with the Innovation Lab supported by the Pacific Financial Inclusion Programme, will continue to expand the mobile village agent network. Data on usage of the mobile money platform continues to be analyzed to assess how mobile money is being used and what impact it has on people's lives. More information on this 'Impact Pathway' methodology can be found here <https://www.uncdf.org/impact-pathways>.

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¹⁰September 2019 currency conversion.



Mobile village agents have increased usage of M-PAiSA

data as of May 2019

52

mobile village agents active



Average monthly transactions per agent:

104



compared to 66 transaction per agent before the Innovation Lab

Average monthly transaction value per agent:

FJD 1,396

(US\$ 629.44¹⁰)

increase of 47% compared to rural agents before the Innovation Lab



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