

MicroSave Briefing Note74

Managing Agent Networks to Optimise E- and M-Banking Systems (2/2)

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Briefing Note 73 analysed the agents of e-banking and m-banking systems in the context of product, price and processes. This note extends the analysis into an additional 5Ps of marketing.

Place

Convenience is usually the unique selling proposition of e-/m-banking systems, and so the location where the service is provided is very important. Clients responding to *MicroSave* research often note that the location of agents - usually a close-by local shop - is the main advantage of the product as it provides convenience and safety.

But the convenience of proximity needs to be rationed if the agents' value proposition is to be maintained. Too many agents in one locality will mean inadequate transactions for all. Typically the agents in the bank-led models prevalent in Brazil and South Africa conduct an average of 50-60 transactions per day. By comparison M-PESA agents conduct an average of 80-90 transactions per day, on the basis of an average agent-client ratio of 666 customers per retail outlet.

At the same time, of course, if remittances and other P2P transactions are to be a central part of the business model (and these are what have driven M-PESA's success), then the m-banking system needs a large number of agents. These agents need to be spread across both ends of the remittance transaction - for remitters to deposit and receivers to withdraw. Safaricom has entered into collaborative agreements with a large number of partner banks (including Equity, K-Rep and Family banks as well as PostBank) to act as M-PESA super agents. This provides even more access than the PesaPoint ATM network.

Physical Evidence

The nature of the agents' outlets also plays an important role - both in terms of trust and of customer service. For customers a larger outlet not only makes the agent appear more permanent and reliable, but also offers them confidentiality inside an outlet (as opposed to leaning over a counter facing the street) and the perception of increased security.

However, initially at least, small outlets are more likely to agree to becoming agents for e-/m-banking systems as their business volumes are low and they are looking for some extra income. If the e-/m-banking systems ask their agents' outlets to standardise appearance, layout and/or size to a minimum prescribed standard, there are cost implications - either for the agent or for the bank ... or for both. Nonetheless, as discussed below under "Position", the

appearance of the outlet, the branding etc. is tremendously important for the customers' trust in the system.

The proof of transaction is also essential for building trust and to reduce fraud. Most e-/m-banking systems do not provide proof of transaction in physical hard copy. Even when they do, it is usually using thermal paper printouts, the print on which fades rapidly. And, of course, SMS confirmations can be stored on a mobile handset only to the limit of the SIM's memory capacity.

Position

Trust is essential for the provision of financial services, and doubly so for e-/m-banking systems. Clients have to believe the agents are operating a reputable system and that the thermal paper print out or SMS confirmation is enough to rely on. This is why remittances are such a powerful entry point for m-banking systems - the receipt of e-money, and its conversion into cash, can be confirmed almost instantaneously. For the same reason, savings-focused systems typically experience that balance enquiries represent over 70% of their transactions at start-up as clients check, re-check, and check again if their balance is still as expected.

Of course, trust is significantly enhanced by large-scale branding of the large corporations associated with the e- or m-banking system. So the role of the reputation of Globe, Safaricom, Smart or the State Bank of India cannot be underestimated - indeed agents, recognising this, often demand that additional brand collaterals be deployed in their outlets.

While the bank and e-/m-banking system provider, perhaps together with the agent, can attempt to influence the service's "market position", it is the customer that ultimately decides it. What matters is how the clients perceive the service being offered, both in terms of the core product, and in terms of the delivery of that product. Different e-/m-banking systems are seen variously in terms of their products: as a money transfer service; as a savings account provider; as a bill payment system; or as something else. At the same time they are assessed by clients in terms of security, trust, accessibility and other key aspects of delivery.

Agents have a key role to play in determining the market position on an e-/m-banking system: how they communicate the products; the appearance and layout of their outlet; how they serve the customers; whether they have the liquidity to respond to requests for withdrawals etc.

Promotion

In addition to branding, agents seek above the line promotions of the e-/m-banking products to support their below the line person to person selling of the products. Agents in India demand promotional campaigns like account opening camps and TV/radio spots, as well as brochures and related collaterals to deploy at their outlets in order to support their efforts. However, India is yet to see targeted/contextual promotion campaigns to support e-/m-banking primarily because of the regulation-enforced, wafer-thin margins.

M-PESA was backed with a hugely successful multi-media campaign with a very powerful image of a stream of cash flowing between two mobile phones. Furthermore, M-PESA has benefited enormously from collateral advertising since the M-PESA logo, appears in every Safaricom advertisement (even those that have nothing to do with M-PESA and the service it provides). This provides the product with massive promotion at marginal cost.

WIZZIT's "WIZZkids" and WING's "Pilots" are young people who often work in teams as direct sales agents to support the rollout of their systems. WIZZkids are usually young, low-income individuals residing in the areas where they enrol their customers. Their job is to educate potential customers about the service, open accounts and train the customer on how to make transactions on the WIZZIT platform.

Part of promotion is likely to need to focus on security issues – to encourage customers not to reveal their PINs. Much of this may need to be an above the line effort to help (and also reduce reliance on) agents to communicate this important information.

People

Agents are the face of the e-/m-banking system – and the front-line interface that can make or break it. Indeed, for all the big brands backing the systems, many clients will only transact with one specific agent that they feel they know and trust. This is why most e-/m-banking systems seek reputed agents such as chemists, airtime/mobile phone retailers, MFIs; and super agents such as banks that also conduct larger transactions for which they provide a formal receipt.

Agent selection, training, management and retention remain a focal point for all successful e-/m-banking systems. Inappropriate agent selection can lead to widespread client – and ultimately agent – dissatisfaction. Most e-/m-banking systems have developed checklists to identify the most suitable agents. These checklists typically assess the prospective agent on the basis of: age, education and personality of the agent; how long they have been in business; their cash handling ability their ability to maintain a float; footfall at the outlet; layout of the outlet; and the community's perception of the agent.

Successful e-/m-banking systems pay great attention to the training of their agents, but a wide variety of approaches are used. Safaricom manages the agent development

programme itself, but an outsourcing company conducts the training. Drishtee provides on-site, one-on-one training, whereas Eko trains its agents in batches. All successful systems place great emphasis on customer service and maintaining liquidity to meet demand for withdrawals.

In addition to high quality induction training, agents need back-up to help resolve queries and issues that they, and their customers, have. M-PESA agents are backed up by a huge customer support team at the Safaricom customer service centre. While call centres can provide some of this agent support (and represent a significant proportion of the expenses of running an m-banking system), as is being quickly learnt in India, there is no substitute for visits and reviews by staff from the organisation running the e-/m-banking system.

Celpay's team managing their agent network conducts regular audits to ensure that agents are adhering to brand guidelines, have a functional POS terminal, and deliver a good customer experience. Safaricom territory managers monitor super agents and retail agents on a monthly basis with on-site visits. M-PESA agents are assessed and rated on the basis of:

1. Visibility of branding, agent number and tariff poster;
2. Quality of record-keeping and processes followed;
3. Availability of cash and M-PESA electronic value to meet customer transactions; and
4. Availability of replacement SIM cards for new customers.

No sanctions are applied on the basis of the assessment: the intention is to allow discussions with the agent and to motivate them to improve the service provided. In India, *MicroSave* conducts regular reviews of agents' service and premises, including mystery shopping. The reports are then used to further enhance support for agents and to identify opportunities for, or challenges to, customer delight.

Many e-/m-banking systems use a system of super agents or master agents – derived from, or riding on, telcos' agent networks. These super agents play an extremely important role in managing agents locally since it is difficult to oversee and assist a large network of agents directly from head office. Super agents can assist with customer service; perform quality reviews; provide important internal control functions; help with the management of liquidity challenges; and make larger transactions, where necessary.

Agent retention is also tremendously important for continuity of service and to maintain trust. But agent retention remains a problem. For example, of Banco Do Brasil's 1,200 correspondents, as many as 20% are inactive and ten leave the network each month.

Conclusion

Agents are emerging as the key challenge for e-/m-banking systems: they are the human interface with the clients, and providing support to them, as well as regular assessment of their performance, is essential.