



Agent Network Design and Development

UTL Telecom's M-Sente
(Model 4: Build on GSM airtime distributors)

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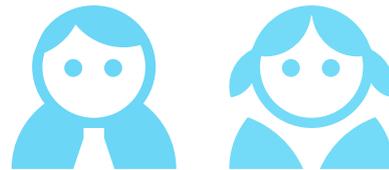
UTL TELECOM'S M-SENTE

31% of [UTL](#) is owned by the Ugandan government and in 2010 it launched a mobile money service called [M-Sente](#). In December 2014, UTL had 1.6 million customers on their GSM platform, 600,000 of which were transitioned to mobile money. Just over 100,000 customers were active on a 90 day basis. UTL chose **to build an agent network directly on top of its GSM network**. Thus far it has registered 8,000 agents, 2,700 of which are active on a 90 day basis.

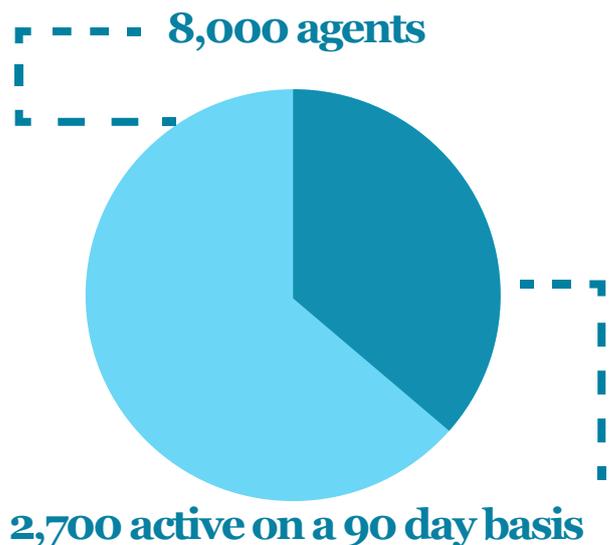
The M-Sente team was designed to increase “customer stickiness” in the GSM customer base, and since they would be targeting UTL customers for mobile money, they thought they should use the distribution channel that was already in place in order to reach that market. It was hard for the team to convince their GSM distributors to offer mobile money as well, as the retailers they worked with did not like the extra burden the Know Your Customer (KYC) regulations placed on making transactions and the fact that it took far longer to explain the service to customers. Furthermore, while all that increased the retailers’ workload, they were being offered lower margins than those they earned on airtime transactions.



Launched in 2010



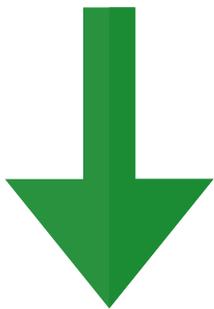
1.6 million customers on GSM
(Data from Dec 2014)





Mobile Money - the business model of the future

“Distributors had
been forced to give
increasing percentages of
commissions to motivate
retail outlets”



**Lower margins
per transaction
basis**



**Higher value
per transaction**

However, commissions on airtime sales in Uganda had been decreasing due to the high levels of competition in the market and the higher overall values of transactions in mobile money offer the chance to earn more. Distributors had been forced to give increasing percentages of the commissions they earned to the retail outlets in their networks to continue to motivate them to reach their sales targets. When distributors achieved their targets, they then received an additional 1-2% of sales, which they had been reduced to relying on given that many of them now give almost all of the margins to retailers to keep them loyal.

M-Sente was able to approach distributors with shrinking margins and convince them that mobile money was the business model of the future, and while it offered lower margins on a per transaction basis, the higher values of transactions in the market would drive higher overall commission levels. As the mobile money market is still much less competitive than the airtime business, revenues from commissions have been reportedly more stable and predictable for the distributors and the retailers they manage.

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Operationally, building on the GSM network has been difficult as airtime distribution came first and offers higher margins and requires less customer interface per transaction, which made mobile money not very alluring as an additional service. In addition, distributors were not able to handle the increased need for retailer training, supervision, monitoring, and liquidity management.

The latter has been especially difficult in Uganda, because of the growing non-exclusivity at the agent level, which means that the small pools of investment in the mobile money business are now being divided into even smaller pools. In order to overcome this, the M-Sente team focuses on building strong relationships with retailers through direct training and support visits. Specifically, M-Sente used to visit agents on a daily basis to offer rebalancing while the network was still small.

“While it may be possible to convert a GSM channel to a mobile money one, it is not designed for many important tasks”



When its network grew M-Sente outsourced this task to the 34 distributors it has working for it, who are paid 30% of the commission their agents earn. In order to boost customer registration it also employs over 700 mobile agents that roam the country activating clients. One of the key lessons from this experience is that while it may be possible to convert a GSM channel to a mobile money one, the channel is not designed for many of the important tasks central to mobile money and channel staff will either need to be trained, or supported significantly.

UTL TELECOM'S M-SENTE

“Mobile money service can penetrate beyond the GSM base UTL services”

In July 2014 M-Sente got a new platform, which enables people with its competitors' SIM cards to sign up for M-Sente. This means that the mobile money service can penetrate beyond the GSM base UTL services. M-Sente is now also expanding the number of services it provides by offering bulk payments for salaries and collections, business to business (B2B) services, school fee payments and the ability to buy selected products like petrol. The existing channel had to be augmented so that these new services could be delivered and so that they could also reach new customers from unserved demographic groups in rural areas.

M-Sente is now establishing direct relationships with specialized distribution channels to expand its reach. It has partnered with agri-businesses like coffee and sugarcane farmers, as well as security companies and non-profit organizations in rural areas, to manage payments for goods and services as well as salaries for employees. It has also formed direct partnerships with banks and fuel stations, who act as its super agents, as the demand for liquidity has increased along with the challenge of ensuring it reaches more locations as it grows to cover larger geographical areas.

UTL TELECOM'S M-SENTE

UTL M-Sente Uganda		
Who They Are & What They Do	Central Team	GSM Distribution Network
Description of who they are	A smaller telecom provider in Uganda with the government holding 31%. M-Sente was launched in 2010.	8,000 registered agents, with 2,700 active on a 90 day basis.
Agent selection & contracting	Provide some guidance on selection metrics.	Select stores within network which are suitable for agency business on the district level.
Training & business advice	Training is done by staff.	
Liquidity management	Monitor agent liquidity levels.	Deliver float to agents daily when they are serving for the GSM business.
Brand & service monitoring	Staff do the majority of monitoring and support, but are now overstretched by the large number of agents.	Do some monitoring during daily visits to replenish the float.
Commissions & reconciliations	Distribute directly to CICO and master agents.	The distributor receives 30% of the commission that the CICO agents earn.
Customer care	Use the GSM call centre.	In-store service

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