Cerise + SPTF

STANDARDS FOR RESPONSIBLE DIGITAL FINANCIAL SERVICES: AGENT MANAGEMENT STANDARDS SECTION

8 April 2022

CERISE + SPTF
Draft Standards: Agent Management
(as of 8 April 2022)

==**Standards for Agent management**==

1. Define criteria to determine how many agents the FSP needs and in what locations, and apply those criteria when deciding which new agents to add to the network.
2. Have an agent code of conduct.
3. Sign a contract with each agent that includes at minimum the following information:
    a. what information that the agent must display in her place of business;
    b. the code of conduct the agent must follow when interacting with customers;
    c. the responsibilities of the agent in terms of recording and reporting transactions data;
    d. the responsibilities of the agent in terms of participating in training;
    e. agent base salary and incentive structure;
    f. the consequences for violating the terms of the contract / under what conditions the FSP would sever the relationship with the agent.
4. Before launching an agent network, create a strategy for managing agent liquidity in each market, at minimum for urban versus rural markets.
5. Raise awareness among customers that they may encounter insufficient liquidity among agents and the implications of that on how they plan or manage their financial lives.
6. Evaluate and mitigate the risk of harm that agents incur because of their work.
7. Train agents up front on the following topics, at minimum:
    a. the provider's policies, processes, products and services
    b. the risks involved in the mobile money business, notably how to avoid fraud, and the mitigation strategies
    c. good customer service
8. Provider refresher trainings on key topic to agents, on an ongoing basis.
9. When introducing a new product, train agents on that product.
10. Assess the effectiveness of agent training.
11. Build agent buy-in to the mission and vision of the organization through continuous engagement
12. Monitor each agent's adherence to the terms of her contract. Use both in-person and remote channels for monitoring.
13. Measure the level of activity for agents on a regular basis, at minimum in the following areas:
    a. what types of transactions the agent completed
    b. what types of transactions were request but the agent could not complete, and why
    c. frequency of transactions
    d. amount of transactions
    e. which platform/app the agent uses to conduct each transaction
14. Use data to monitor early warning sights of agent distress, rather than waiting for actual default or other bad behavior by agents.
15. Analyze customer complaints data for insights on agent behavior.

16. Implement a system of performance evaluation of agents. This system will include at minimum the following elements:
    a. Defining the performance indicators to be used for evaluation
    b. Defining the agent monitoring system
    c. Sharing with agents what the evaluation criteria are and how the FSP will monitor agent performance
    d. After an evaluation, share the results with the agent
17. Invest in experiential learning. Have your staff who are going to be responsible for agent management go into the field and observe how agents work.
18. Provide a channel that agents can use to ask questions/receive support on demand.
19. Conduct annual satisfaction survey with agents.
20. If the FSP operates in a country where the regulator or another stakeholder hosts a database of fraudulent agents, the FSP reports agents that it has blacklisted to that database and uses that database to conduct due diligence before signing a new agent.
21. When a new digital product launches:
    a. Select agents for the pilot test that are among the most active in the network
    b. Establish targets, incentives
    c. Launch an awareness raising program
    d. Provide more than one round of training for agents on the new product
    e. Track data on how many agents are aware of or using the new product.
22. Consult agents about ideas for product design improvement.
23. Pay agents a base salary.
24. Have a business plan that allows for agents to make money.
25. Make it possible for customers to use agents with their same gender.
26. Notify clients when agent locations change or close.
27. Inform customers of the principal ways in which agents can defraud customers (e.g., unauthorized fees) and what channel the customer can use to report any concerns.
28. Define a theory of change for agents. What does the FSP provide (e.g., trainings, incentives, oversight) and how do the agents perform as a result?

Guidance on Agent Management-concepts, examples of real practice, and questions to address

Concepts

- Developing a network is not a linear process, it goes through many phases. The first phase is understanding how the ecosystem will work and to choose a technological platform that is reliable and adaptive to the environment the agents will operate. Two factors in the design include the type of terminal that will be used and the type of identification (biometrics or national ID).
- This is an iterative process. After market research, pilot, and launch, expect to need more research and more adjustments with agent network.
- Make sure you're leveraging technology to help agents in the network.
- The key success factors in launching the network are presence, service simplicity and liquidity.
- Agent network supply must precede demand. FSPs will have to set up the agent network and help clients learn to use it and trust it. After that, demand for it will rise.
- It needs to be very easy for clients to sign-up and use the agent network.

- The agent code of conduct should particularly include or emphasize these elements of client protection: Transparency, Fair Practices, and Grievance Redressal Mechanism.
- Think about using agents as people who deliver training to clients. One expert shared, "I would think it would be very useful to have agents to train clients and in return based on KPIs built, agents get compensated for the efforts by ANMs/MNOs."
- Regarding how to monitor agents, many experts recommended mystery shopping as a form of in-person monitoring, with the recommendation that the mystery shopper vary the time of day and time of month of the visits. Regarding remote monitoring, expert recommend that that FSP set up structures within its IT system to enable the easy collection and analysis of data related to monitoring agent activity.
- Assessing the effectiveness of agent training has multiple elements: the quality of the training materials/trainer, how much information agents retained, whether the training led to changes in agent behavior.
- Regarding setting up agent remuneration so that it is sufficient, The FSP may need to cross-subsidize rural agents with urban ones. Also consider what incentives the FSP will offer to agents and how many agents are appropriate in one area given demand. Ensure that an agent's work as an agent can give her sufficient income.
- One suggestion for promoting good agent quality is to have a probationary period with agents to test their performance before co-branding with them.

Examples of real practice
- [From FINCA] The FSP will also need to build trust by the owners of the stores who potentially will become agents for the FSPs. One way to do this is to hold townhalls so that potential agents can ask their questions and voice their concerns and hear the responses of the FSP.
- [From the Business Correspondent Federation of India (BCFI)] BCFI published an agent code of conduct. Code of Conduct for Business Correspondents: Responsible Agent Management.
- [From MSC] There are a couple of providers who have created their own algorithms to assess liquidity requirement and can predict 98% accuracy that the agent will require a specific amount of money over this weekend. Some institutions are putting these predictive analytics into place and are telling agents how much liquidity they need. If there is a banking agent, large transactions happen. In terms of volume, it would be smaller, but the transaction size is larger.
- [From M-CRIL] To monitor agent activity remotely for fraud, use transactions data to create an understanding of the typical "velocity and value" of transactions and then set up a data analysis system to flag when activity occurs outside of the determined normal ranges.
- [From IPA]: One analysis for identifying possible agent fraud is to flag agents commonly doing transactions right below a whole number. This can be a sign that those agents were skimming cash.
- [Collected from multiple experts] Some ideas for building the strategy to manage agent liquidity:
  - Figure out in advance before launching an agent network what you can do to help agents manage liquidity. Leverage technology in your solutions.

- o Study in advance the liquidity in various businesses and choose the ones that have sufficient cash to be agents.
  - o Monitor which agent locations have high cash outs and take action to ensure liquidity in places where there is a large volume of cashing in and out.
  - o Train customer service agents on what your liquidity shortage response actions and timeline will be, so when they receive complaints, they have a response.
  - o Figure out whose job it is to resolve the issue.
  - o Be aware of seasonal increases in demand. Knowing the level of activity, on average, per season, gives you data on how much liquidity is sufficient.
- [From 4G] Ideas for indicators to use to monitor agent activity and detect early warning signs of distress:
  - o # customers opting in / registered
  - o # active users
  - o Default rate
  - o Value ($) of total transactions
  - o Number of transactions per month
  - o Revenue earned by agents
- [From 4G] Some ideas for building agent engagement with the mission are sharing success stories via a newsletter and offering recognition awards.
- [From a GSMA/MSC study – an example of setting criteria to determine where to open new agent locations] In Uganda, Airtel partnered with insight2impact and Masae Analytics to use data analytics to inform its rural agent distribution strategy. To ensure agents remained viable, Airtel considered seven attributes of the customer call detail record (CDR) data, as well as data on mobile money transactions, agent location, and financial access points to identify key locations and place agents at unserved hotspots. The analysis revealed clusters with low mobile money penetration and the size of the cluster informed the level of resources Airtel could justify allocating to customer acquisition. [NB: the paper has other examples as well.]
- [From a GSMA/MSC study – an example of reporting/sharing data on bad agents] "In Ghana, the regulator, Bank of Ghana, hosts a centralised database in which all providers are expected to share agent details for approval, including the coordinates of their outlets. Upon approval, all agents receive a unique identification number that is referenced by all the providers the agent signs up with. In the event of a fraudulent crime, the list is updated and incidents recorded against the agents' details, which providers can use as a reference when they conduct their due diligence checks."
- USAID case study: Lonestar Cell MTN (Liberia) negotiated the commission percentages that would work for the various actors involved while providing sufficient profit to Lonestar Cell MTN as well.

Questions to address
- Many agreed with the general concept that the FSP should train, recruit, and incentivize agents to position them best to help the FSP achieve customer-centric results, but also noted that we need more specific ideas on how to do this.
- Many mentioned how important it is to pick the right kind of agent from the beginning, but we did not hear consensus on what specifically to look for. Some preliminary ideas:

a) Doing a credit check on that person; b) Town-hall meetings with potential agents to get to know them; c) If the agent asks questions only about how much money s/he will earn, that is a red flag; d) conduct checks of an agent's character and honesty with neighbors and his/her clients.

- o From the GSMA/MSC paper referenced above, an example: "Zoona partnered with Ripple Works to identify the behavioural characteristics of successful agents by examining the traits of Zoona's top-performing agents. Using this information, Zoona now targets agents for selection by comparing the digital profiles of prospective agents against the desirable agent profiles and then recruits agents with the right fit."

- Should the FSP have the responsibility either to procure insurance for the agent's business to protect it from disasters like theft or fire, or play some role in encouraging agents to procure this type of insurance for themselves?
- If an FSP identifies fraudulent behavior by an agent, does it have a responsibility to share that information with external parties, and if so, how and with whom?
- Should the FSP play a role in making sure agents can talk to other agents, to provide mutual support and exchange ideas?