



Assessment of the Outreach Models of FISFAP Partners in Ghana

Executive Summary

Over the course of six weeks, SIA engaged seven of AGRA's FISFAP Partners (collectively referred to in this report as the "partners") including: Advans Ghana, AgroCenta, Pan-African Savings and Loans, Agro Africa, Trotr Tractor Ltd. (TTL), Farmerline and Success for People Microfinance (SFP). The intention of these engagements and this report is to answer the overarching question:

How can FISFAP partners develop more collaborative and commercially feasible outreach models?

In pursuit of this answer, SIA took a broad view when defining "outreach models" that includes several dimensions, from strategy and investments in physical infrastructure, technology or permanent staff, to service pricing, marketing and the use of agents. SIA's data collection activities began with initial desk research on the product offerings, outreach channels, effectiveness and success of the partners. SIA then conducted high-level remote interviews with representatives from the respective headquarters' teams including CEOs, financial

officers, managing directors, marketing directors and business development directors to better understand the different dimensions of their outreach models.

Following these discussions, SIA went to the field to interview: 1) regional managers 2) agents / field officers and 3) rural customers. During our focus group discussions (FGDs) and key informant interviews (KIIs), SIA engaged a total of 94 people, of which over 50% were women. Our average FGD size was 9.4 participants. SIA also conducted a profitability analysis of agents acquired by three of the four FISFAP partners that deploy agents on a commission earning basis. This analysis led to the development of two rural agent network sharing scenarios specific to the Ghanaian market and FISFAP partners, which are described below in the summary and later on in greater detail in the Recommendations sections.

This summary highlights observations and findings specific to a) similarities or difference in the types of rural outreach models of FISFAP partners, b) gaps and weaknesses vis-à-vis reaching and effectively service rural customer

segments and c) opportunities to strengthen service delivery through collaboration with other FISFAP partners. These observations and findings are organized into three levels: provider, rural agent/field officer and rural customer.

Rural Outreach Models

Provider: The most popular strategy is to leverage existing networks of trust within farmer communities, such as relying on lead farmers or other larger farmers that act as purchasing clerks (PCs) on behalf of large commodity sourcing corporations present in agri-value chains such as cocoa. The financial requirements for rural outreach largely include the operational expenditures to identify, acquire and manage rural agent networks (i.e. staff or agent salaries, agent commissions, agent stipends for transport). Additional requirements include technology costs for developing and deploying remote digital access channels such as USSD, IVR and SMS. Operationally, partners seek out relationships or partnerships with existing farmer-based organizations (FBOs) to disseminate identify potential customers, mobilize and engage them, deliver education or training sessions as well as coordinate customer support services.

Rural Agent / Field Officer: Rural agents and field officers are mostly identified based on their role as lead farmers of FBOs, recommendations from district level agricultural offices, through advertisements and through their employment with agribusinesses that become FISFAP customers. Incentives for becoming an agent vary but mostly take the shape of providing salaries, commissions or stipends. Phone calls are the most common way for rural agents and customers to interact.

Rural Customer: Customers predominantly access the FISFAP partner services by calling agents or field officers, rather than directly interacting with a mobile application or using a USSD short code or SMS menu interface. Rural agents or field officers receive calls and then organize for the delivery or use of the product or service. Farmers have strong trust levels with their agents, who they often view as reliable members of their communities. The customer journeys are also highly driven by the provider,

with little room for customization according to specific, unique farmer needs.

Gaps & Weaknesses

Provider: Rural outreach is hindered by organizing and cementing effective partnerships as well as ensuring agents have adequate transportation to reach customers on a regular basis. Agent performance has generally met expectations; however, all partners cited constraints in terms of service coverage via their agent networks given rural customer location and lack of concentration, high costs of transportation and challenges growing agent networks with qualified candidates.

Rural Agent / Field Officer: Agents are easily accessible to farmers, most of them live in the same communities as farmers and are just a phone call away. However, agents struggle to deliver certain services, such as inputs or tractors, in a timely manner. Of the rural agents SIA engage, most are not profitable, due to: a) the time and distances required to engage rural customers b) inadequate incentives, especially stipends to defray transportation costs and c) weak and unpredictable commission structures.

Rural Customer: Customers exhibited a strong understanding of the FISFAP partner services that they used. However, severe digital financial illiteracy issues were observed, which has led to minimal adoption of remote digital access channels such as USSD, SMS or IVR. In addition, while all partner offerings meet one or more needs of rural customers, most cannot adequately serve all their needs as a stand-alone provider.

Opportunities

Provider: There is a strong case for agent networking sharing between partners, as this was the most common barrier to scale for all FISFAP partners interviewed. Another clear partnership opportunity directly related to agent network sharing is to cross-sell and cross-market other partner products, especially given that our primary research indicates demand among rural customers for most partner offerings. Financial institutions in particular—Advans, Pan African Savings and Loan and SFP—can leverage

the digital identity and transactional history data captured by other partners to offer loan facilities and other financial services to SHFs, agribusinesses clients or other partners directly.

Rural Agent / Field Officer: All agents/ field officers interviewed indicated a willingness and eagerness to cross-market and cross-sell additional products and services. There is significant geographic disparity between the partners' current agent locations, which positions the partners to support greater scale nationwide.

Rural Customer Level: There is potential to cross-sell products as rural customers indicated a need for other FISFAP partners' product offerings. Considering many of the partners rely on an agent / field officer network to deliver their products / services, expanding agent counts will naturally lead to an increase in customer acquisition numbers.

Conclusion

SIA's analysis suggests that the potential for collaboration among specific FISFAP partners is strong, particularly in the area of agent network sharing for service expansion, customer acquisition, as well as product cross-selling and cross-marketing. Given that a majority of

partners rely on staff or agents at the field level to deliver services, collaboration that is well-aligned, understood, and commercially viable can play a key role in further scaling these important rural services. Our analysis further indicates that partner collaborations are well positioned for this scale considering: 1) all the agents interviewed indicated a strong willingness to cross-market products, 2) customers indicated a demand for the services of other FISFAP partners and 3) the current areas of geographic focus are mostly distinct from one another.

Recommendations

Provider Level: The financial institution providers should consider leveraging other FISFAP partners' digital identity and transactional data captured on SHF beneficiaries for the disbursement of agricultural loans. In addition, loans issued directly to the partners should be considered, particularly for companies like Agro Africa that require a reliable stock of tractors.

Rural Agent / Field Officer Level: There is a strong opportunity for agent networking sharing, cross-selling and marketing FISFAP partners' products and services that address the need to scale and acquiring customers efficiently. We've documented scenarios that partners can co-



create and establish sharing of agents as a result of opportunities that exist with their execution. As part of agent network sharing efforts, joint agent / field officer training can also be implemented to decrease training costs.

Customer Level: By cross-selling partners' products / services, agents are solving customer demand for the services of other FISFAP partners, particularly input loans, tractor services and warehouse facilities. Joint customer digital financial literacy training for those organizations that offer digital platforms will reduce expensive customer engagement and training costs.

Rural Agent Network Sharing Scenarios: This report proposes two scenarios for agent network sharing between FISFAP partners as well as an analysis of how these partnerships would affect unit economics at the agent level.

Scenario #1: Advans & Farmerline

Concept Summary: Farmerline agents manage agri-input procurement and delivery for farmers that receive financing from Advans.

Potential Impact on Unit Economics at the Rural Agent Level: Farmerline agents currently receive between 1-3% commission on the inputs sold. The average price of agri-inputs sold is between GHC 300-800 and the observed average commission earned from an existing customer base of less than 50 is GHC 150-600. If Farmerline agents sell higher volumes of agri-inputs, at higher values, and to more customers through collaboration with Advans, these commission ranges increase considerably.

If they bring in 50 to 200 farmers per month and sell inputs worth GHC 600 at 1% commission, they could receive commissions ranging from GHC 250 - 1,000 respectively. Earnings increase further if they sell inputs worth GHC 800 at 2% commission and bring in 50 to 200 farmers, within a range of GHC 400 - 1,600. In a scenario whereby Farmerline agents earn 3% commission and sell to 50 to 200 customers, they stand to earn GHC 450 – 4,800.

Scenario #2: Trotro Tractor Ltd & AgroCenta

Partnership Concept Summary: A partnership between Trotro Tractor and AgroCenta presents an opportunity to expand both agent networks, reach more customers, and cross-sell non-competing products.

Potential Impact on Unit Economics at the Rural Agent Level: AgroCenta agents receive an average monthly commission of 38 GHS. If an existing AgroCenta agent acquires 50 new customers through their partnership with Farmerline, that agent will make 65% more than their current commission. 100 new customers would represent an increase of 131% and 200 new customers represents an increase of 263%. Trotro Tractor agents who offer AgroCenta services will receive customer registration and market pricing information collection commissions. Not including the fuel, motorbike (for senior agents) and airtime stipends offered by AgroCenta, Trotro Tractor agents would see a commission increase of 4.5% for 50 new customers, 7.3% for 100 new customers and 11% for 200 new customers.