



Frontier Agents Learning Agenda  
Oxxo Mexico Case Study  
Focus on Analytics

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# Disclaimer

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# Executive summary

- OXXO is Mexico's largest corner store retail chain and agent network, as of May 2017:
  - Operates 15 500 outlets.
  - Serves 11 million customers daily.
  - Performs 2 million financial transactions per day.
  - Continues expansion at a rate of 500 new outlets per year.
- For OXXO, the use of analytics was a central element to its development strategy, which has enabled it to achieve large scale as well as continued growth and geographical coverage.
- OXXO's use of analytics has mostly focused on increasing operational efficiency of its store network applying:
  - Aimed at guaranteeing "time optimization" as the core value for their customers.
  - Real-time monitoring systems of data patterns, especially risk related.
  - The main 4 areas of impact identified have been: customer experience, risk management, sales and operational savings.

## Rationale:

# Data Analytics and the case of OXXO in Mexico

- The Inclusive Markets Team within CGAP is developing a global learning agenda on the challenges of expanding agent networks into under-served areas, called Frontier Agents.
- This presentation focuses on agent network manager (ANM) OXXO and its systematic use of operational and business data analytics as a strategy to improve performance (Analytics Strategy).
- For the purpose of this study, we broadly define **data analytics** as the use of data trails generated by the operation of the agent network in order to discover, systematize and monitor meaningful patterns that contribute to reduce costs and increase revenue, boosting overall operational efficiency.

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IMPACT

OPPORTUNITIES  
AHEAD

# Introduction: Why OXXO?

- **OXXO** is Mexico's largest corner store retail chain and agent network with over 15,000 service outlets, contributing nearly 32% to the financial services distribution network nationwide and holding over 50% of agents.\* It acts as a shared channel for 11 commercial banks and has taken on a variety of roles as cash-in/out network, payments aggregator, domestic and international remittances payer, airtime reseller, among others.
- Wholly owned by the beverage company FEMSA, which operates several retail chain stores in Mexico, Chile and Colombia, such as OXXO and Big John; YZA, Moderna, Farmacon and Cruz Verde pharmacies; Maicao beauty stores; gas stations; and fast food chain Doña Tota. Together, retail stores serve more than 11.1 million consumers daily.
- OXXO's first store opened in 1978 in Monterrey, Mexico; by 1999 it had grown to 1,000 outlets countrywide.
- All stores are company-owned, not franchised, but some are operated by commission-based partners.
- In 2010 OXXO began to offer bill payments and online mobile top ups; became a banking agent in 2011; and issues a co-branded savings account—*Saldazo*—in 2012. [see Blog & PPT [here](#)].
- CGAP has been partnering with OXXO on research and pilot projects related to financial inclusion since 2011

# OXXO Overview, as of May 2017



15,500 stores



11 million daily customers



7.3 million Saldazo accounts sold, 66% active\*



4 million registered mobile numbers



Payment platform for more than 900 service providers\*\*



Agent for 11 banks



2 million financial transactions per day\*\*\*



110,000+ employees

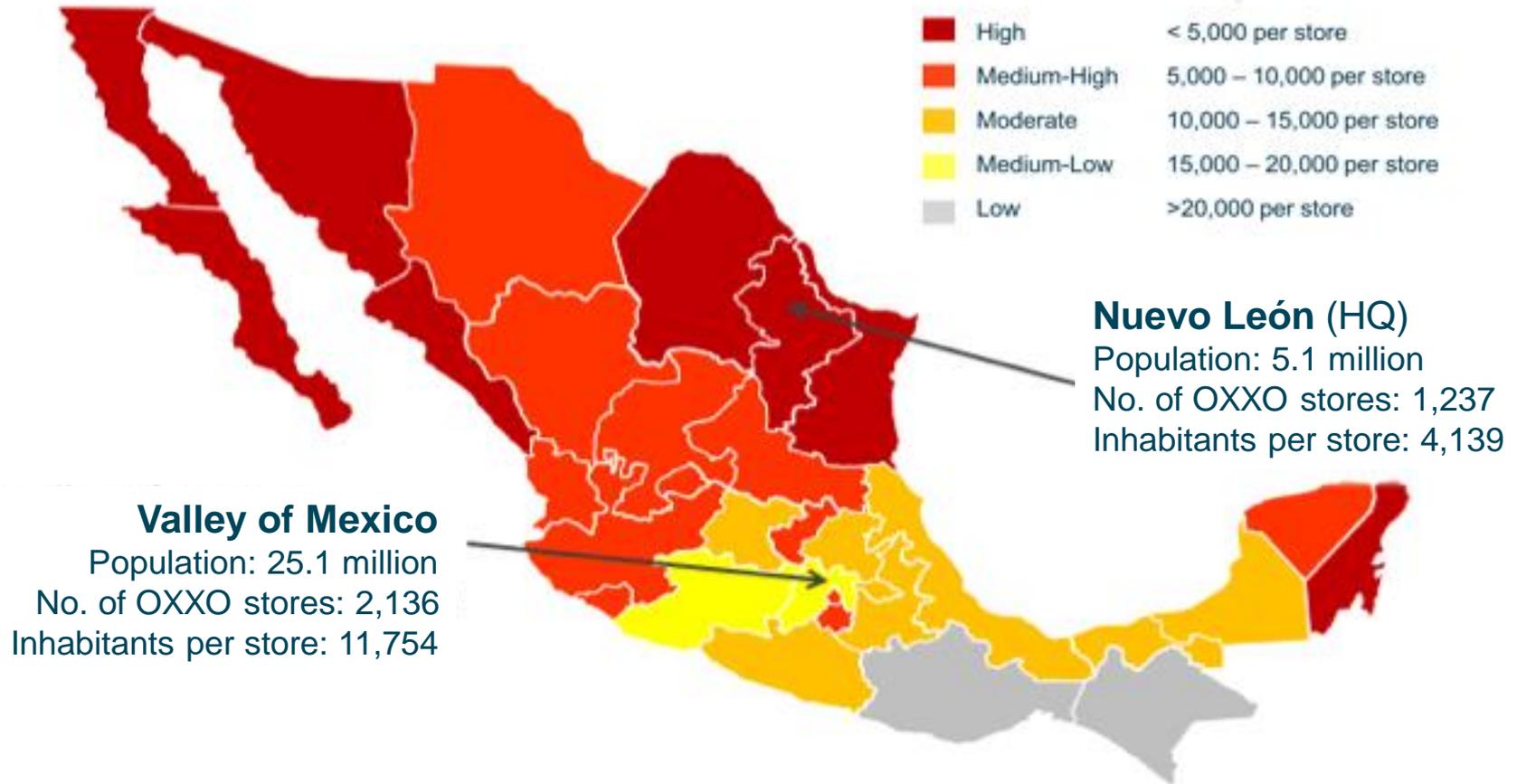
\*Simplified account offered in partnership with Citibanamex. Activity rate: Positive balance in the account or at least 1 trx (monetary or non monetary) in the last 8 weeks.

\*\*Offering 1,100 products, 480 of which have national coverage.

\*\*\*Includes transactions processed on behalf of financial services providers and others (e.g. mobile top-ups, bus tickets)

With a national footprint of 15,500 stores, OXXO is the largest corner store retailer and agent network in Mexico

### Penetration: No. of inhabitants per OXXO store



# Financial services: Quick & easy one-stop shop, high aggregation

OXXO's retail concept offers convenience: proximity and reliability; extended opening hours; diversity in products and services; and high aggregation. Service categories are not exclusive to any provider.



Bill payments



Cash in/  
Cash out



Mobile top-ups



Domestic and international remittances



Online payments



Bus tickets



Prepaid inter-urban transportation cards



Gift cards

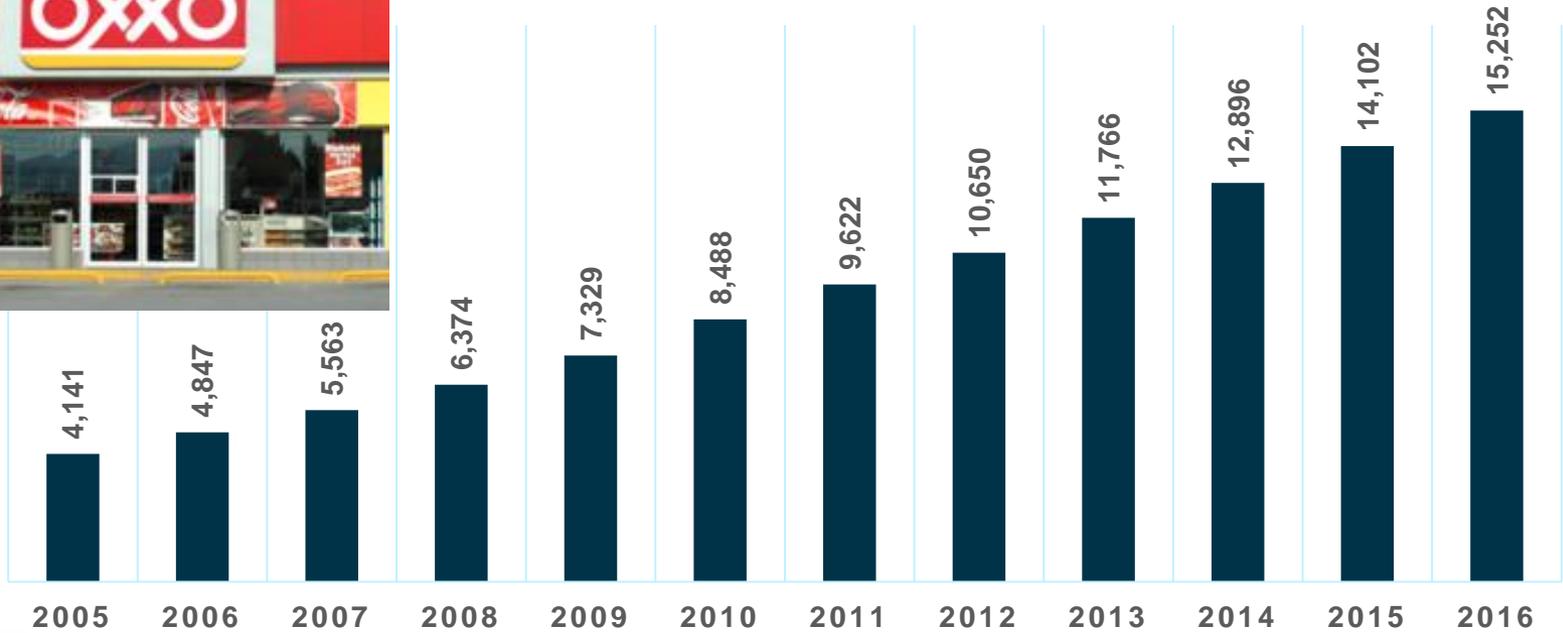


Saldazo  
Co-branded transactional account

# Store growth and key financial services



Number of outlets



Bill payments and online mobile top ups

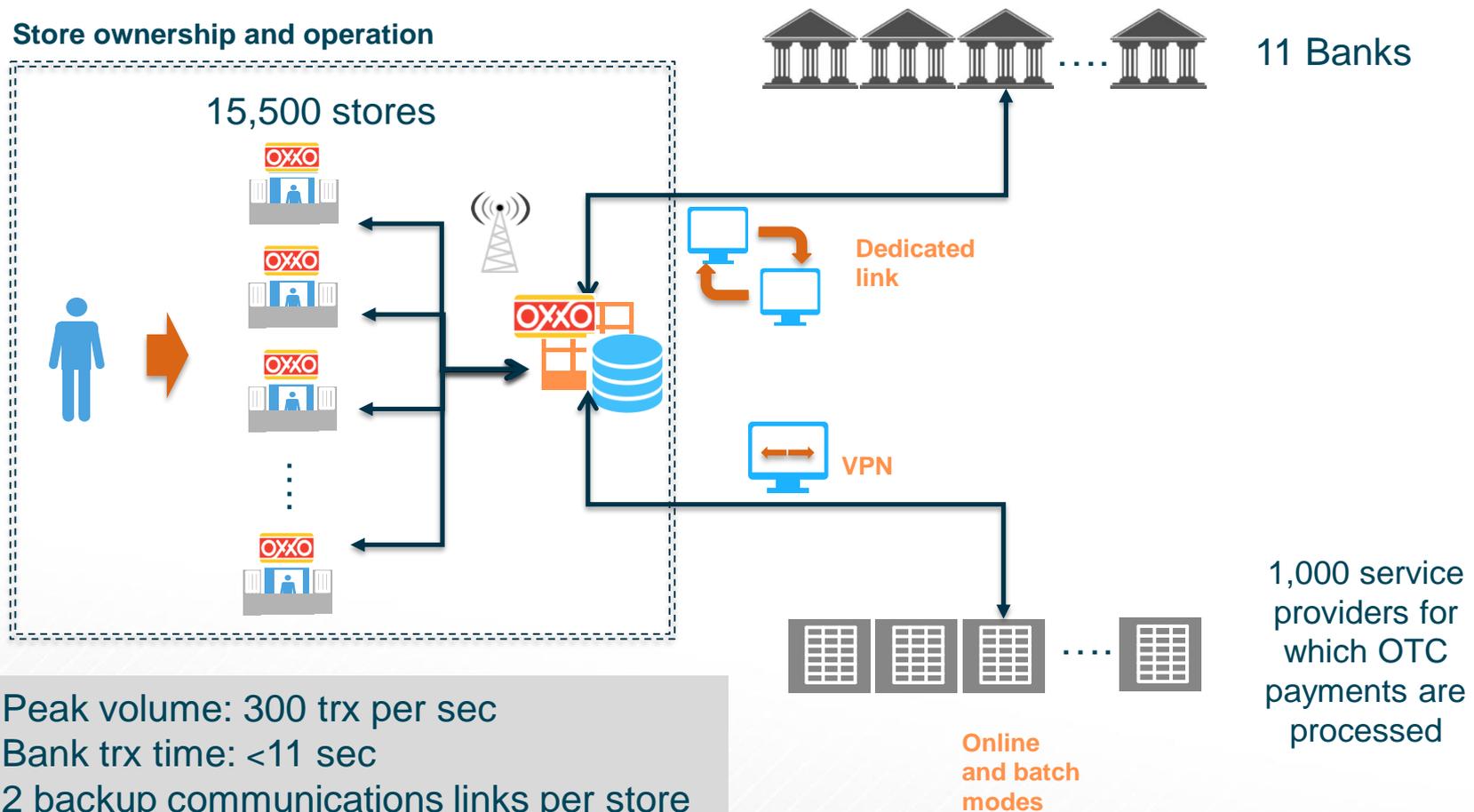
Saldazo

Domestic remittances

- International remittances
- Payments for online purchases (2017)

- Agent banking
- Online bill payments

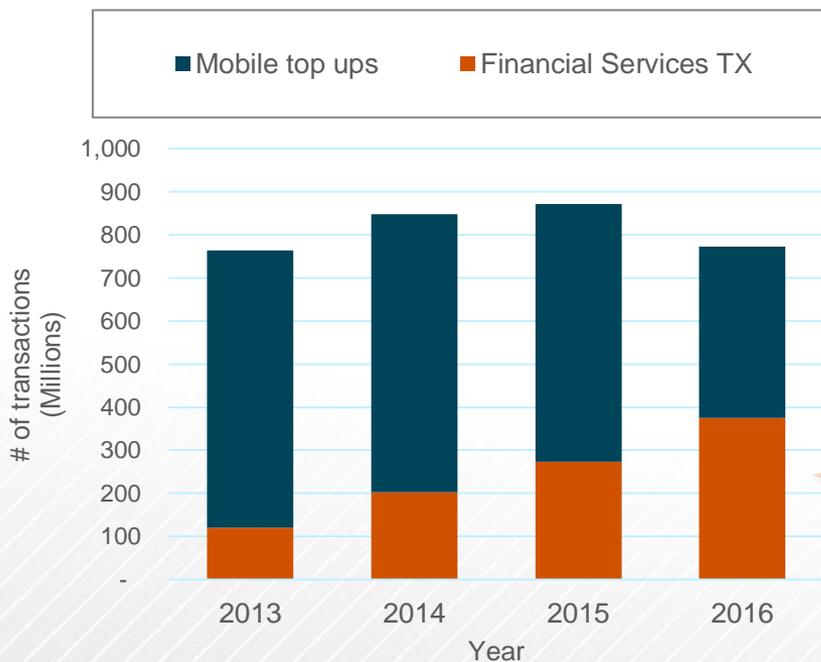
# OXXO's vertical integration spans across store ownership and operation to the financial transactions platform



- Peak volume: 300 trx per sec
- Bank trx time: <11 sec
- 2 backup communications links per store
- In-house system

# Financial transactions, other than airtime top-ups, have become increasingly relevant

In 2016, excluding mobile top-ups, each store made 68 financial services transactions per day, on average, compared to 31 in 2013.



## Share of top-ups vs other financial transactions

■ Bill Payments

■ Cash in/out

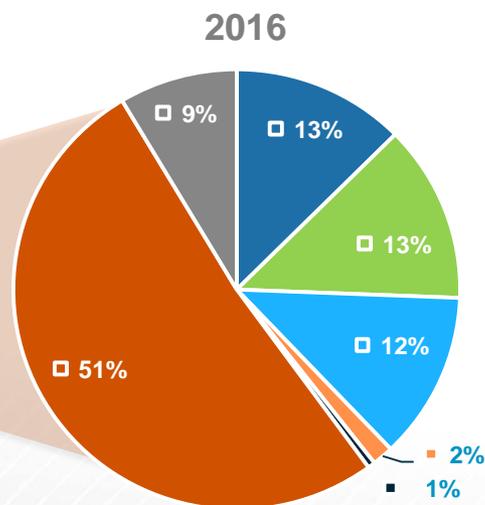
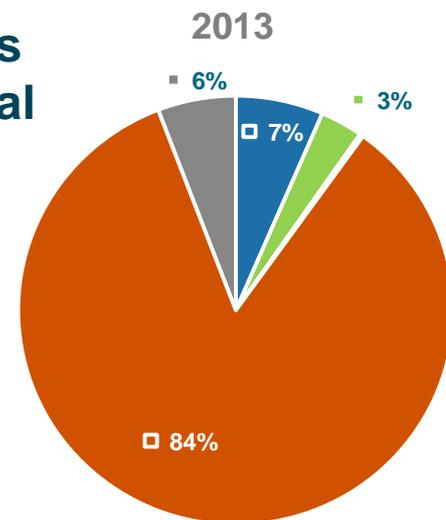
■ Saldazo

■ Domestic/International Remittances

■ Gift Cards

■ Mobile top ups

■ Prepaid urban transportation cards / Bus tickets



# Key attributes of OXXO's business model

## Customer proximity

Geographically distributed network grows by 3 stores per day and serves the equivalent of Mexico's population (122 million) every 15 days.

## Segmentation, category development

OXXO meets a broad range of consumer needs, from quenching thirst and replenishing groceries, to bill payment, cash deposits and withdrawals and cellular airtime purchases.

## Speed, access, service

With familiar floor plans across their network, extended business hours and rapid service, customers rely on OXXO as their one-stop shop for products and services.

## Operating structure

OXXO stores are company-owned, not franchises, giving them direct control of them; most of the retail space is leased, rather than owned.

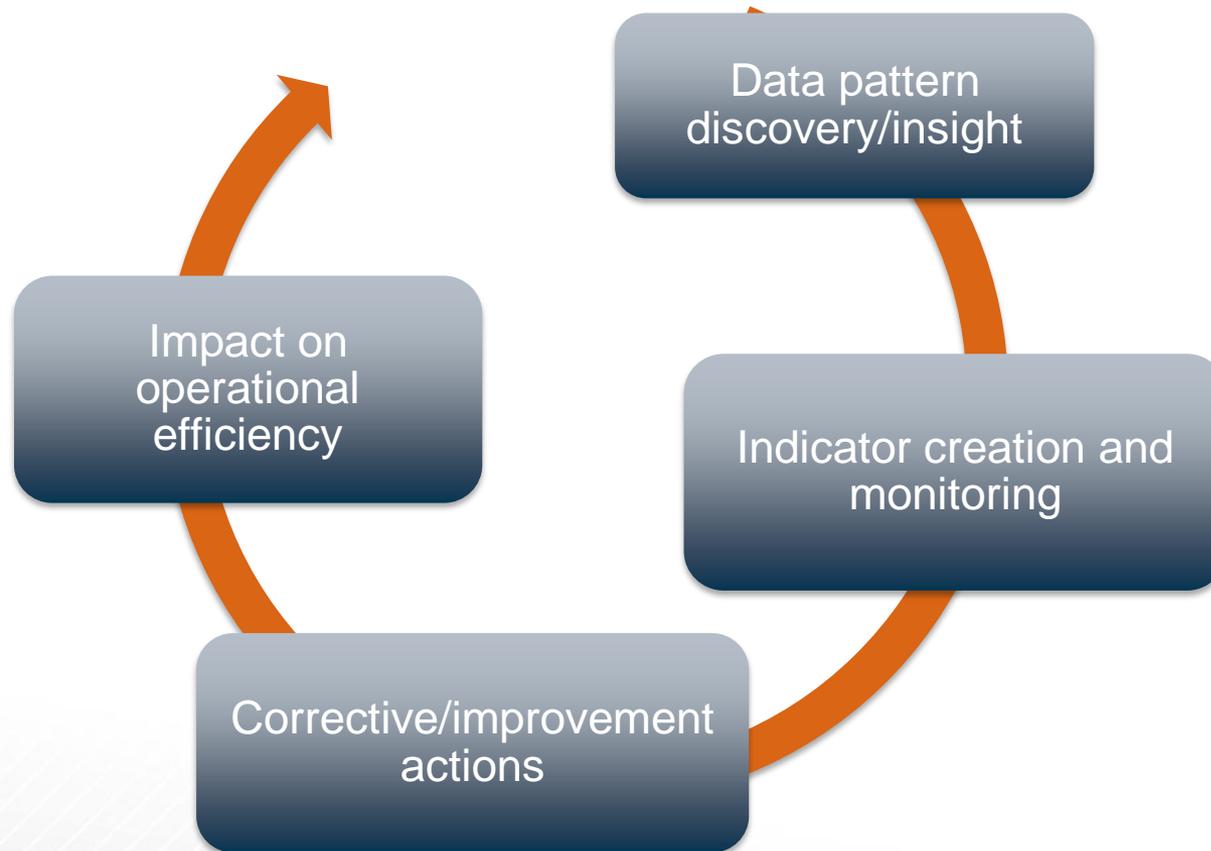
## Working capital requirements

Another feature of OXXO as owner of all outlets is that working capital advances are not required from them, in contrast to other models around the world.

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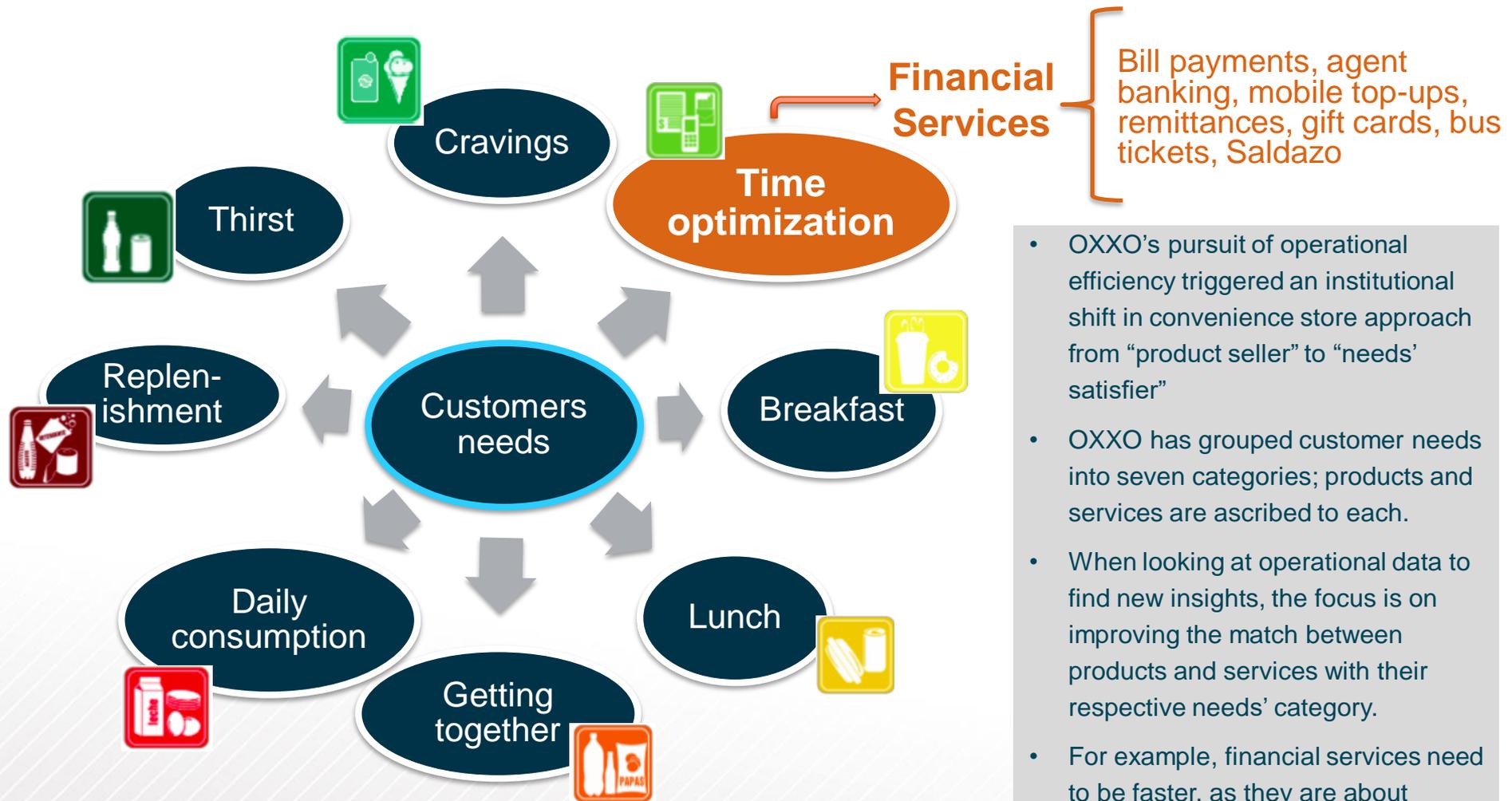


# Systematic use of data-based insights and analysis to boost operational efficiency. Framework and definitions.



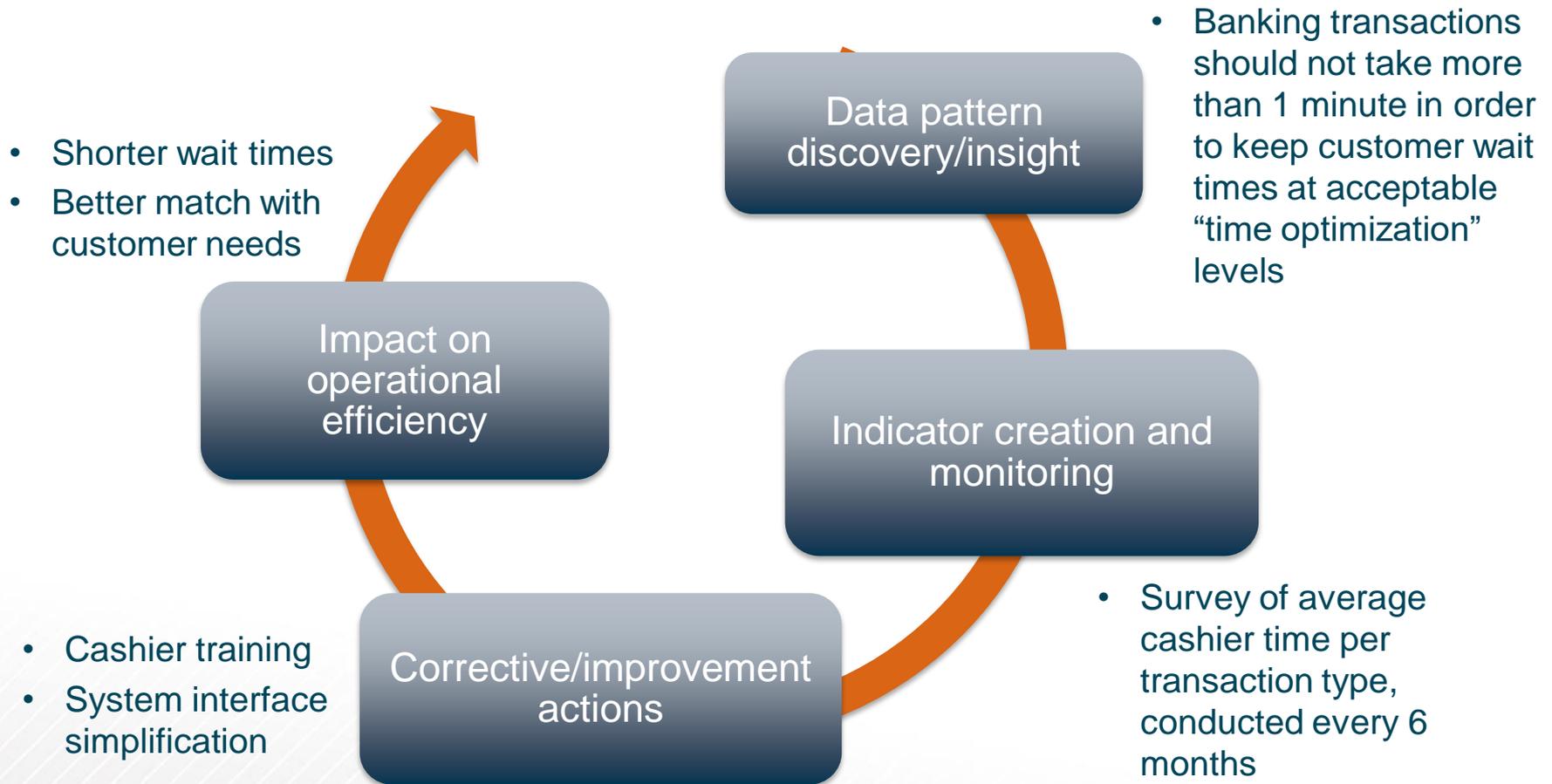
**Analytics:** use of data trails generated by the operation of the agent network in order to discover, systematize and monitor meaningful patterns that contribute to reduce costs and increase revenue, boosting overall operational efficiency.

# OXXO's lens for pattern discovery and insight: Customer needs



- OXXO's pursuit of operational efficiency triggered an institutional shift in convenience store approach from "product seller" to "needs' satisfier"
- OXXO has grouped customer needs into seven categories; products and services are ascribed to each.
- When looking at operational data to find new insights, the focus is on improving the match between products and services with their respective needs' category.
- For example, financial services need to be faster, as they are about optimizing time.

# Example: Banking transaction times at cashier and acceptable wait times for customers



# Examples of average acceptable times per transaction type



**Time optimization = Fast and simple services**

Time in Cashier per TX

**Agent banking services**

**40 sec – 1 min**

**Saldazo account opening**

**3.5 min**

**Long distance bus tickets**

**4.5 min**

# OXXO's analytics 1: Selected implementations

Data pattern discovery/insight	Indicator creation and monitoring	Corrective/ improvement actions	Impact on operational efficiency
<p><b>Trx request delay between OXXO's and banks' system: related to long queues or sales not completed</b></p> <p>OXXO's system response time should be &lt; 3 sec and banks' &lt; 11 sec. Alerts in the system will notify the IT department when response time is longer so the problem is resolved, improving service efficiency.</p>	<ul style="list-style-type: none"> <li>Banks' and OXXO's system response time monitored in real time</li> </ul>	<ul style="list-style-type: none"> <li>IT department will look into the system problem</li> </ul>	<ul style="list-style-type: none"> <li>Customer experience</li> <li>Sales</li> </ul>
<p><b>Trx sequences on terminal: related to increased risk of fraud</b></p> <p>OXXO assumes responsibility for any missing cash owed to either customer or service provider. To avoid loss, an alert system designed to detect and prevent specific suspicious transactions is in place (e.g. the purchase/activation of 3 consecutive gift cards will not enable the 3<sup>rd</sup> transaction).</p>	<ul style="list-style-type: none"> <li># of suspicious transactions monitored in real time</li> </ul>	<ul style="list-style-type: none"> <li>Suspicious cashier service suspension to avoid increased risk</li> </ul>	<ul style="list-style-type: none"> <li>Risk mitigation</li> </ul>
<p><b>Products usually sold together: related to a "traction effect" certain products have on others</b></p> <p>Certain products' performance can be explained by analyzing the different products/services contained in a single ticket: <i>"When milk sales dropped, we found a direct correlation with the decrease in mobile top-ups' sales."</i></p>	<ul style="list-style-type: none"> <li>Cross-selling indicators per ticket monitored monthly</li> </ul>	<ul style="list-style-type: none"> <li>Development of commercial strategy to promote sales</li> </ul>	<ul style="list-style-type: none"> <li>Sales</li> </ul>

# OXXO's analytics 2: Selected implementations

Data pattern discovery/insight	Indicator creation and monitoring	Corrective/improvement actions	Impact on operational efficiency
<p><b>Rising number of total customer complaints: related to employee or product performance</b></p> <p>Constant monitoring of social media and direct customer complaints at call center</p>	<ul style="list-style-type: none"> <li>• Daily monitoring of # customer claims, # social media claims and % resolved claims</li> </ul>	<ul style="list-style-type: none"> <li>• Employee re-training</li> <li>• Analysis of product behaviour and features</li> </ul>	<ul style="list-style-type: none"> <li>• Customer experience</li> </ul>
<p><b>Cash levels at point of sale: related to loss risk and lowering cash transfer costs</b></p> <p>Constant monitoring of cash at the till and cash requirements is relevant to lowering cash transfer costs.</p>	<ul style="list-style-type: none"> <li>• Daily monitoring of cash levels at the till</li> <li>• Cash requirements analysis every six months</li> </ul>	<ul style="list-style-type: none"> <li>• Deposit surplus cash in store safe to reduce risks</li> <li>• Increase or lower cash levels at the till</li> </ul>	<ul style="list-style-type: none"> <li>• Operational savings</li> <li>• Risk mitigation</li> </ul>
<p><b>Stores with atypical financial transactions: related to cashiers possibly denying a service</b></p> <p>Cashier rotation of 116% led to the development of a standardized branch training platform—Procapet—to mitigate it.</p>	<ul style="list-style-type: none"> <li>• Transactional profiles of cashiers is monitored weekly</li> </ul>	<ul style="list-style-type: none"> <li>• Employee re-training</li> <li>• Fully functional cashier passwords verified</li> </ul>	<ul style="list-style-type: none"> <li>• Sales</li> <li>• Customer experience</li> </ul>
<p><b>Cashier time per trx: related to banking transactions lasting &gt;1 minute</b></p> <p>Agent banking trx* on average need to happen in &lt;1 minute to maintain the “quick and easy one-stop-shop” value proposition.</p>	<ul style="list-style-type: none"> <li>• Survey of average cashier time per transaction type, conducted every 6 months</li> </ul>	<ul style="list-style-type: none"> <li>• Cashier training</li> </ul>	<ul style="list-style-type: none"> <li>• Customer experience</li> <li>• Operational savings</li> </ul>

# A broader map of some indicators used for analytics in the case of financial transactions and beyond

IMPACT AREA				
MONITORING FREQUENCY	Sales	Customer experience	Risk mitigation	Operational savings
<b>Real time</b>	<ul style="list-style-type: none"> <li>Banks' and OXXO's system response time</li> </ul>		<ul style="list-style-type: none"> <li># suspicious transactions</li> </ul>	<ul style="list-style-type: none"> <li>Cash levels at point of sale</li> </ul>
<b>Daily</b>	<ul style="list-style-type: none"> <li>Revolving credit line</li> <li>\$ sales per trx, store, category, plaza</li> </ul>	<ul style="list-style-type: none"> <li># customer claims</li> <li># social media claims</li> <li>% stores connected from POS to central system</li> <li>% resolved claims</li> </ul>	<ul style="list-style-type: none"> <li># and \$ of robberies</li> <li># and \$ of electronic frauds</li> <li>\$ missing cash</li> </ul>	
<b>Weekly</b>	<ul style="list-style-type: none"> <li>% active cashiers for financial services</li> <li>% opening 2<sup>nd</sup> cashier</li> <li># card stock in store</li> <li>Retail space</li> </ul>	<ul style="list-style-type: none"> <li>Foot traffic</li> <li>% active cashiers for financial services</li> <li>% opening 2<sup>nd</sup> cashier</li> </ul>	<ul style="list-style-type: none"> <li>Costs (cash transfers, direct costs, overhead, working capital)</li> </ul>	
<b>Monthly</b>	<ul style="list-style-type: none"> <li>% cashier rotation</li> <li>% rotation of in-store managers</li> <li>% trained team</li> <li>% complete team</li> </ul>			
	<ul style="list-style-type: none"> <li>Cross-selling indicators per ticket (on demand)</li> <li>% market share per category</li> <li>Margin per trx, store, plaza</li> </ul>			
<b>Biannual</b>	<ul style="list-style-type: none"> <li>Profitability per store per m<sup>2</sup> (annual)</li> </ul>	<ul style="list-style-type: none"> <li>Time at cashier by service and product</li> </ul>	<ul style="list-style-type: none"> <li>Cash requirements (biannual and on demand)</li> </ul>	

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# OXXO's case on analytics for agent network expansion is an integral part of the development strategy, but there's still ample room for growth

- Despite being at a relatively early development stage, OXXO's analytics strategy has been an integral part of its solid access point expansion in recent years, more than doubling its number of stores.
- While it likely has one of the most advanced analytics implementations focused on agent network management, it can be taken further at least on two fronts:
  - **Access point expansion.** OXXO's geographical coverage still has significant room for growth, especially in the southern states of the country. However, further research is needed to assess its potential for rural coverage.
  - **Customer knowledge.** The use of analytics to continue identifying insightful data patterns, especially those related to consumer knowledge, represents an area of opportunity. The large proportion of cash-based OTC transactions are not conducive to identifying individual customers, but products such as Saldazo can provide a path to start overcoming some of these challenges.



THE GOVERNMENT  
OF THE GRAND DUCHY OF LUXEMBOURG



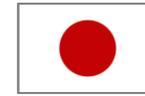
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