



Frontier Agents Learning Agenda
Selcom Tanzania Case Study
Focus on Aggregation

Jacob Winiecki

October 2017

Disclaimer

This work was funded in whole or in part by CGAP. Unlike CGAP's official publications, it has not been peer reviewed or edited by CGAP, and any conclusions or viewpoints expressed are those of the authors, and they may or may not reflect the views of CGAP staff.

Executive Summary

- Selcom demonstrates that provider aggregation is a powerful strategy, building the largest non-exclusive agent network in Tanzania with **17,000+ agents, around 1/4 of market share.**
- Selcom agents have become **de-facto shared agents**, enabling an efficient use of the same financial infrastructure to more than **30 MNOs, banks and utility companies.**
- Aggregation is a **better value proposal** for agents and super-agents, increasing the number of transactions that can be processed through a single account.
- Selcom is in the early stages of applying this strategy for **frontier and rural expansion** adding more local providers.

- Selcom Tanzania Overview
- The case for Aggregation in Agent Network Management
- Appendix

Selcom Tanzania

An overview of their Agent Network Management business (ANM)

Tanzania Market Overview

- Democratic Republic with 45M people, of which 27M are adults
- **Tanzania continues to contest Kenya for the #1 spot on MM:** \$2.9bn in 129m transactions each month, compared to \$3.1bn in 122m txns in Kenya
- **Interoperability continues to grow:** Off-net P2P transactions now at 22-23% on volume and value—with virtually no marketing. IFC just launched a campaign to promote interoperability (June 2017)
- Tigo unilaterally launched **interoperability on merchant payments.**
- **Competition is growing further:** Halotel became the 5th MM operator in the market; The 3 big operators already have close market shares (40% / 34% / 23%)
- **Big government push on national ID,** the lack of which has been a major barrier not least to expansion of digital credit
- **Accurately estimating active agents is challenging** given different methodologies: Helix Institute estimates 65,000 active tills in Tanzania

The Selcom Journey

From airtime distribution to aggregation, agent network management, VAS

Selcom Tanzania

launched as an airtime scratch card distributor for Celtel

Diversifies into mobile gaming, apps, and value-added services

Launch of Selcom POS Agent Network

Launch of Selcom PayPoint app, Selcom Card

2001

2003

2005

2009

2010

2012

2014

2017

Becomes a super-dealer for multiple MNOs

Begins to aggregate payments for multiple utility billers and payment providers

Launches mobile banking solutions

2,000 POS Agents

17,000 POS Agents

Selcom Business Model Overview

Aggregation is at the core of the different services offered by Selcom

Aggregation is a development strategy focused on maximizing transactional volumes by providing services on a non-exclusive basis. Aggregators seek to work with as many providers as possible in the back end, and to have as many access points and customers on the front end.

Services offered by Selcom:



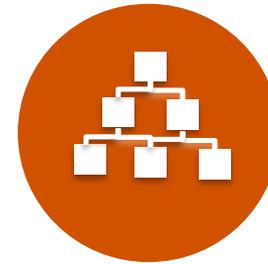
Technology Provider

Develops and maintains hardware and software to enable payments aggregation, switching, mobile banking, and a POS agent network



Integrator

Builds integrations to enable payment instrument providers (MNOs, banks) to connect with third parties (e.g. utilities) who want to send or receive funds from end-customers



Agent Network Manager

Manages a network of 17,000+ non-exclusive agents equipped with POS terminals or smartphones

ANM business is the focus of this study

Selcom ANM business is based on two-way aggregation

+30 providers are aggregated on the back-end & 17000 retailers on the front-end*



Two-way aggregation: Back-end

Aggregation on Selcom's transactional platform enables multiple businesses

See [CGAP's Payment aggregation research](#) for further insight



Payment Aggregation

- Selcom integrates the payment instrument provider (banks, MNOs) with the back-end of third parties (i.e. utilities)
- Without an aggregator, each integration could cost the Bank/MNO \$10K-\$30K

Account-to-Account (A2A) Aggregation

- Switching to integrate MNOs and 35 banks and a turn-key offering to enable the mobile banking offering
- Enables end-customers to push between mobile wallets and bank accounts
- Provides for seamless collection, disbursement, and circulation of digital payments
- Some banks absorb the A2A costs while others pass a portion on to the end-customer

Value Added Services

- Pre-funding, reconciliation, settlement, reversals, connectivity, uptime

Two-way aggregation: Front-end

Thousands of retailers are acquired as agents by connecting to Selcom's platform

Selcom-branded agents are non-exclusive by definition:

- 17,000 agents using either a mobile or retail POS device process transaction on behalf of the wide range of entities aggregated in the back-end.
- Selcom also actively develops the agent network, permanently seeking to acquire new retailers, in order to maximize the transactional volume and the overall efficiency of the business.
- Over half are concentrated in Dar es Salaam. Remaining network covers the next 5 largest urban centers in Tanzania (Arusha, Mwanza, Mbeya, Morogoro, Moshi).

Example of Selcom's front-end aggregation



Agent Deployment Models

Agents connect to Selcom's transactional platform by three different models

Deployment Model	Description
POS Terminal	<ul style="list-style-type: none">• Pax S90 POS terminal with standard magnetic card, EMV, and contactless NFC reader• Full range of Selcom services + generate paper receipts• Highest investment to become an agent (POS terminal / float / signup fee) and ongoing paper and data costs• Requires reliable electricity and data connectivity• Recently introduced a lower-cost POS terminal that further reduces the investment for this deployment model and allows Selcom to capture margin on the device sale
Smartphone App	<ul style="list-style-type: none">• Free Android/iOS application can execute most Selcom services• Introducing a push printer that can be linked to the smartphone app to print receipts• End-customers can also download the app and conduct transactions• Lower investment as no POS terminal is required• Requires reliable data connectivity and ability to charge the phone's battery daily
Basic Handset (USSD)	<ul style="list-style-type: none">• *150* initiates Selcom USSD menu on all mobile operators in Tanzania• Enables agents and end-users to recharge via their mobile wallets• Limited range of Selcom services / cannot generate paper receipts• No data connectivity required, only have to charge phone every few days

The case for aggregation

*On Selcom's Agent Network
Management business*

Aggregation and Non-Exclusivity implications

Expand share of the transactional pool that agents can capture

Better Value Proposition to Agents

- **Increased transactions:** Agents are able to capture an increased share of the transactional pool at any given location
- **Simplified operation:** Through one device and a single Selcom float account, agents can conduct transactions across dozens of billers and payment providers, lowering operational costs, and improving agent economics

Efficient Agent Network Management

- **De-facto sharing:** Selcom agents are de-facto shared agents, enabling an efficient use of the same infrastructure
- **Increased efficiency:** operational costs are spread across a wider range of payment instrument providers and billers
- Value proposition to agents is **analogous for super-agents or distributors**, increasing the viability of cash replenishment points.

Transaction Examples

Agent process multiple transaction types, each of them on a non-exclusive basis

Service	Examples
Remote Bill Pay	Electricity, water, television subscription, internet services, rent, taxes (P2G)
Pay for Travel	Purchase airfare, bus and ferry tickets
Agency Banking	Deposit and withdraw from bank accounts
Cash-in / Cash-out	Add or withdraw from a mobile wallet, usually related to P2P transactions, and loan disbursements
Airtime	Purchase airtime and data bundles
Insurance	Sign up for and contribute to insurance and retirement/pension plans
Bulk disbursements	Receive salary or government payments (G2P)

Aggregation and rural expansion

Selcom is now focusing on aggregation to increase rural coverage.

- There are opportunities to enrich the rural transaction pool through partnering with entities that require bill pay and bulk disbursement for rural consumers, such as agriculture input value chains, pay-as-you-go electric providers and rural development entities.
- Rural expansion is also driven by Selcom's partnerships with banks who want to push agency banking into frontier areas.
- As of 2017, CGAP is partnering with Selcom to test frontier agent models through aggregation in rural Tanzania in partnership with Off-Grid:Electric, a leading pay-as-you-go solar provider.

Appendix 1: Sources Used

- Selcom [website](#) and [twitter](#) account - accessed April 2017
- Android Play Store, Selcom app [screenshots](#) - accessed April 2017
- Agent Network Survey: [Tanzania Country Report](#), The Helix Institute, 2014
- Where Aggregators and Open APIs Fit Into Financial Inclusion, [NextBillion](#), November 2016
- Pax Company [Website](#) - accessed April 2017
- Lessons from Aggregator-Enabled Digital Payments in Uganda, [CGAP blog](#), February 2016
- Colombia's Recipe for 100% Agent Coverage: Aggregation & Sharing, [CGAP blog](#), May 2016
- The Business of Aggregators: A Changing Market, [CGAP blog](#), February 2016
- Aggregators: The Secret Sauce to Digital Financial Expansion, [CGAP blog](#), January 2016



THE GOVERNMENT
OF THE GRAND DUCHY OF LUXEMBOURG



mastercard
foundation



Norad



European
Investment
Bank



platform for
inclusive finance



Federal Ministry
for Economic Cooperation
and Development



UKaid
from the British people



IFC | International
Finance Corporation



Michael & Susan Dell
FOUNDATION



UN
CDF
Microfinance • Capital Development



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Agency for Development
and Cooperation SDC



BILL & MELINDA
GATES foundation



USAID
FROM THE AMERICAN PEOPLE



IFAD
Investing in rural people



Sida



FORD FOUNDATION



IDB
Inter-American
Development Bank



MetLife Foundation
Ensuring Access. Empowering Communities.



Ministry of Foreign Affairs of the
Netherlands

giz



UDENRIGSMINISTERIET
MINISTRY OF FOREIGN AFFAIRS OF DENMARK



THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP



Global Affairs
Canada



Fondo Multilateral de Inversiones
Miembro del Grupo BID



KFW



OMIDYAR NETWORK™



Australian Government
Department of Foreign Affairs and Trade



Entrepreneurial
Development
Bank



Citi