



CASE STUDY //

# Treating Agents as Customers at AMK

A Cambodian  
Microfinance Institution

# Summary

Networks of bank agents are a critical element for financial institutions as they establish and maintain services in poor countries as part of efforts to spread financial inclusion across the world. For service providers, agents offer a lower cost channel beyond the branch structure to acquire and serve customers who often live in remote places. For customers, they offer a convenient way to make financial transactions, such as arranging a loan or regularly receiving remittances, without having to travel great distances. Agents also offer a way into the financial system for those customers who need help, either because they are illiterate, are unfamiliar with technology, or lack the confidence to access services on their own.

This case study provides lessons from the experience of Cambodian microfinance institution AMK. It shows how viewing agents as a special customer segment helped solve serious problems affecting their function, deliver better customer experience, and create business value for both agents and AMK.

COVER PHOTO: Agent enabling money transfer transaction, Cambodia. © AMK

# Financial inclusion in Cambodia

Nestled between Thailand, Laos, and Vietnam, Cambodia has made steady progress on its socioeconomic indicators, shifting from a “low income” to a “lower middle income” country.<sup>1</sup> Not all the progress is equitable, however, and about 29 percent of the adult population remains financially excluded. Nearly 75 percent of people live in rural areas, agriculture is the primary source of income for one third of the population, and 10 percent of all adults depend on remittances sent by family members. More than half of Cambodia’s people live on less than \$150 per month.<sup>2</sup>

One of the reasons for financial exclusion is an uneven population distribution, which impedes initiatives to promote financial inclusion in remote, sparsely populated areas. The population is concentrated in a diagonal band that stretches from the north-western border with Thailand, down around the Tonle Sap lake to the south-eastern plains and the border with Vietnam.<sup>3</sup> Most financial service providers operate only inside this densely populated band and it has not been practical to provide customers with physical banking branches in other areas. This has created a situation in which there is both intense competition and exclusion.

Digital finance can be a game changer in this situation, enabling access to remote areas at a lower cost, safely and at scale.<sup>4</sup> Institutions in Cambodia have been quick to see the opportunity, but they have had to deal with challenges like low literacy rates and low usage of smartphones in rural areas. Agent banking has helped address both these challenges and enabled financial service providers to deliver over-the-counter (OTC) services across Cambodia. The National Bank of Cambodia has been extremely supportive of financial inclusion and has been creative with regulations. Regulations for agent banking continue to evolve and create an open playing field for different kinds of digital finance players.

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1. <http://blogs.worldbank.org/eastasiapacific/cambodia-is-now-a-lower-middle-income-economy-what-does-this-mean>  
2. <http://www.finmark.org.za/results-from-finscope-consumer-survey-kingdom-of-cambodia-2015/>  
3. <https://www.adb.org/sites/default/files/institutional-document/151706/cambodia-country-poverty-analysis-2014.pdf>  
4. <http://www.cgap.org/blog/financial-inclusion-cambodia-trending-digital>





Busy marketplace in Phnom Penh, Cambodia.

Wing<sup>5</sup> and True Money<sup>6</sup> are the largest operators in the payments space in Cambodia with over 5,000 mobile money agents across the country offering services like money transfer, bill payment, and mobile top-up services. AMK, which is Cambodia's largest microfinance deposit-taking institution in terms of customer outreach, received special permission from the National Bank of Cambodia in early 2012 to pilot digital finance through agents.

5. <https://www.wingmoney.com/en/>. Wing was the first mobile money business to launch in Cambodia in 2009. A key growth constraint for Wing was the inability to process the Khmer language on feature phones used across Cambodia. However, they get around this by working through agents who offer simple OTC services to customers.

6. <https://truemoney.com.kh/>



## Business challenge for AMK

AMK Microfinance Institution Plc began as part of the international humanitarian organization Concern Worldwide's microcredit interventions in Cambodia in the 1990s. In 2002, it was set up as an independent company that provided traditional microfinance loans, and since 2010 has shifted from being a rural, credit-only business to offering a wider range of products and services. AMK received a deposit-taking license in 2010 and launched deposit products in mid-2011. It also launched a domestic money transfer product in 2011, followed by micro-health and accident insurance products in 2014. AMK is also known for its innovation with credit products, offering terms that are designed for specific customer **segments**.<sup>7</sup>

AMK's mission is to help large numbers of poor people in Cambodia improve their prospects by delivering them financial services that fit their needs. Its branch and credit officers focus on serving poorer customers in rural areas with an agent-led delivery model that provides access in remote locations and offers a viable business solution. In 2012, after receiving special permission from the National Bank of Cambodia, AMK became the first deposit-taking microfinance institution (MFI) in Cambodia to set up an agent banking system. It launched its network pilot in three provinces, reaching customers not already served by its existing 24 branches. It was able to provide access to a wider range of service than institutions like Wing, which specialized in payments. Customers could open deposit accounts, deposit money into their accounts, transfer money through accounts, repay existing loans, pay bills, and recharge mobile devices at agent locations. By the end of 2016, the network had grown to 2,300 agents across 25 provinces. AMK offered approximately one contact point for every 850 families and served 98 percent of the communes in Cambodia.

However, there were serious problems along the way for the bank agent channel. When AMK began its pilot in 2012 it had seemed logical that the launch of agent services would allow the company to serve existing customers better and acquire more customers in remote locations. However, the number of agent transactions did not grow as expected. At an average of about five transactions per day, AMK began to see a steady drop in agent motivation and an increase in agent attrition. The bank found it hard to acquire new agents, retain existing agents, and increase transactions to establish a viable agent business case.

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7. <http://customersguide.cgap.org/sites/default/files/resource/2018/06/CGAP-AMK-Leadership-Case-Study.pdf>

In mid-2015 AMK's internal research team conducted a survey that showed a high level of dissatisfaction among agents, especially with AMK's IT system and its smartphone application. This prompted AMK leadership to re-evaluate the business model.

Although AMK's agents could offer a wider choice of services than its competitors, low awareness among agents about the range of services meant they often mimicked other providers like Wing and True Money, offering similar domestic remittance services but achieving lower volumes. Awareness among customers was also low. Customers either did not know about AMK's agents or thought they offered similar services to those available from the numerous mobile money payment operators. Agents who had signed up expected customers to walk in and request services without any additional effort on their part. They had assumed when they signed up with AMK that they would serve more than ten customers a day;<sup>8</sup> in reality, the average agent was serving about three to five customers a day.

AMK's internal research team also conducted a mystery shopping inspection of agent locations and gathered evidence that agents were not upholding AMK's brand and image in the same way that the branches did. This resulted in poor customer experience and a further drop in the use of agent locations.

Rather than removing agents, however, AMK leadership decided to take another look at its own agent management principles. AMK is well known for its customer-centric practices in the **microfinance sector**.<sup>9</sup> A core part of AMK's customer centricity approach is treating its staff as internal customers, and empowering them. This had been reflected in consistently high employee satisfaction scores and low attrition rates. Leadership believed that this new, dramatically opposite trend of agent dissatisfaction could be addressed by empowering agents and treating them as a special category of customers. It decided to try to revive the agent network by empowering agents to deliver positive customer experience, not just by focusing on driving more transactions. In early 2016, this led to a partnership between AMK and CGAP which started a process of learning from agents, designing new solutions, and creating a wider organizational transformation to support agent banking.

This case study shows the steps taken by AMK to reinvigorate its agent channel and build business value.

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8. At ten customers a day, an agent can expect to earn about \$85 per month.

9. <http://customersguide.cgap.org/sites/default/files/resource/2018/06/CGAP-AMK-Leadership-Case-Study.pdf>

## AMK: Thinking of agents as customers

AMK's agents are all registered small business owners. They were selected on the assumption that anyone who operated a business had the required acumen to draw in customers (see Figure 1).

AMK leadership assumed that the selection of someone who already operated a business, combined with a location with heavy traffic by potential customers, would translate into transaction volumes. It wasn't clear to AMK why the agents it selected were not performing as well as expected, would not offer services beyond money transfers, or take the initiative to acquire new customers.

New light was thrown on the differences between AMK's older branch business and the newer agent network during a strategy workshop<sup>10</sup> arranged by CGAP with senior AMK leadership in early 2016. AMK's more established branch and credit business staff saw the agent channel only as a means to deliver services like money transfer, which had a low business value compared to credit. Synergies needed to be developed between branch banking and agent banking so that the operations would support each other.

AMK decided to focus on three areas:

1. Building business value for agents by addressing their “pain points”
2. Beginning a process of organizational change to support agent banking
3. Using call center data for business intelligence and decision-making for agent banking

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10. <http://customersguide.cgap.org/sites/default/files/resource/2018/06/CGAP-AMK-Leadership-Case-Study.pdf>



**Figure 1: Selection criteria for AMK's agents**

SELECTION CRITERIA FOR AGENTS	
1.	Must have a registered business as allowed by Cambodian law.
2.	Must be knowledgeable, that is, know how to operate a smartphone and have basic numeracy and literacy skills.
3.	Business location (any one or more of the following): <ul style="list-style-type: none"> <li>a. Near a marketplace</li> <li>b. On a main road/busy road, or be accessible from the road</li> <li>c. High traffic area</li> </ul>
4.	Space: no minimum specifications, but enough to serve customers
5.	Rented/own location. (AMK used to have a rule that an agent own the location, but this created a challenge with recruitment. With rented locations, there is a challenge of tracking agents if they shift location and fail to inform AMK. However, they should be tracked by the MBO when this happens.)
6.	Capital requirements: <ul style="list-style-type: none"> <li>a. \$1,000 (minimum) in small markets/rural area</li> <li>b. \$3,000 (minimum) in large markets/urban area</li> </ul> This is deposited in an AMK interest-bearing account (3.5 percent to 4 percent p.a.). The number of transactions is limited by the amount placed in the account with AMK. For higher volume transactions, agents need to top up their deposit.
7.	Ability to deal with customers: based on an informal assessment and conversations with people in the neighborhood, for example: <ul style="list-style-type: none"> <li>a. Is the person considered friendly?</li> <li>b. Has the experience of visiting their shop been positive in the past?</li> </ul>
8.	Social status/absence of a criminal record: A check is conducted with the local authority to make sure the person does not have a past criminal record or history of falling out with a competitor in the same business.

Source: AMK Microfinance Plc.

## BUILDING BUSINESS VALUE FOR AGENTS

### *Learning from agents*

To better understand the challenges that agents faced, AMK worked with Phnom Penh-based behavioral insights firm 17 Triggers to create a “journey map” that would give a detailed picture of how the agents work (see Box 1). Beginning with the leadership team’s vision that “AMK’s agents should be capable one-stop shops for a wide range of financial services across Cambodia,” AMK’s research team and 17 Triggers categorized agents into six segments according to their performance levels, length of experience with AMK, and location – whether rural or urban. For each segment, they decided to map the journey of agents – get a full account of their working circumstances and the pain points that prevented them from becoming a financial one-stop shop for customers.

**"The agent is part  
of the community  
and AMK partners  
with agents as a  
primary investment  
to fulfill its promise to  
the unbanked in the  
community."**

— Kea Borann, CEO of  
AMK Microfinance

Agent opening an account with  
AMK, Cambodia. © AMK



### Box 1: Mapping the agent journey<sup>11</sup>

A journey map is a tool that captures and communicates a users' journey through a specific product or service experience. In the case of AMK, the objective was to identify the multiple touchpoints that agents used, and the pain points faced by customers and agents as they interacted. The journey a customer takes is unique to each segment, so the first step is to identify segments, create personas, and then apply the journey map.

At AMK, 17 Triggers used journey maps with **both agents**<sup>12</sup> and **customers**.<sup>13</sup> They divided the journey into three stages earmarked as *first impressions*, *courtship*, and *marriage*. Friction arises when there is a mismatch between the user's expectations and experiences at each stage, and between stages. These mismatches result in user pain points or headaches.

The journey map starts with looking at the challenges that affect the primary actor's experience in the organization, but with each step it is used to examine reasons for these challenges. These could be external challenges, such as better services by competitors, which force a financial service provider to examine its own products and the way they are delivered. It also throws light on failures and bottlenecks in internal processes, which need to be addressed to ensure that frontline staff gets adequate support.

Covering three different provinces, teams held interviews, focus group discussions, and observations with 70 agents, 36 customers, 90 people on the street, and nine mobile banking officers (MBOs) – AMK employees responsible for managing agents. Each of the three teams comprised one AMK employee from the research team or agent banking team and one researcher from 17 Triggers. This meant that AMK's internal teams could be engaged and simultaneously learn from the process. AMK has since used the “trigger mapping” technique with internal employees to investigate employee attrition and dissatisfaction by mapping employee journeys with AMK and looking at the mismatch between expectations and experiences at each stage.

### Insights from journey mapping

Conducting field research with business teams immediately gave AMK employees and leadership a new understanding of the situation of agents, who had previously just been numbers in business reports. Now they learned of agents' aspirations, gained an understanding of why they had joined AMK, and heard stories about their loyalty as well as the challenges they faced. (Read the blog and listen to a podcast about AMK's journey mapping with agents [here](#).)<sup>14</sup>

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11. Includes data from <http://customersguide.cgap.org/sites/default/files/resource/2017/12/Customer-Journey-Map.pdf>

12. <http://customersguide.cgap.org/sites/default/files/resource/2018/06/AMK-Agent-Journey-Map.pdf>

13. <http://customersguide.cgap.org/sites/default/files/resource/2018/06/AMK-Customer-Journey-Map.pdf>

14. <http://www.cgap.org/blog/how-transform-agent-banking-agent-centric-approach>



A black and white photograph of a man and a woman standing in front of a mobile phone shop. The man is on the left, wearing a white polo shirt and a striped scarf. The woman is on the right, wearing a patterned top and a striped scarf. They are both looking at the camera. In the background, there are shelves with various mobile phones and a sign that says "hiya".

"Trigger mapping is far more than a focus group discussion or an interview. **It tells us what happened before the problem occurs and creates a timeline.** . . . It allows us to identify what worked and did not work."

— Pheakyny Vong, head of research at AMK

A couple works together to manage an agent outlet, Cambodia. © AMK





**"I thought I would make extra money as an AMK agent since AMK is well-known. . . . I don't get as many customers as I thought I would. Even when I get customers, it takes time because the phone application is slow and gives errors. It also takes time to fill out receipts manually and sometimes other customers walk away."**

— AMK agent interviewed during a journey mapping exercise



Agent uses a smartphone to conduct transactions, Cambodia. © AMK

## Box 2: Viseth's story

Viseth (name changed) lived near a market area in Prey Veng. In an interview with AMK in 2016, he said he lived above his shop where he offered money exchange and transfer services. He was a money transfer agent for AMK and competitors like Ly Hour and True Money. Viseth worked from seven in the morning until six in the evening. He was initially an agent for Wing but decided to end that arrangement because it had an exclusivity clause.

Viseth signed up to become an AMK agent after seeing its banners in his neighborhood and inquiring at the local branch. Viseth didn't just wait for new customers, he converted his former Wing clients into AMK, True Money, or Li Hu clients. As an agent for multiple remittance service providers, Viseth advised his clients on which service to take. He based his suggestions on whether the money receiver had access to the service, the price to be paid by the customer, and the time taken to complete the transaction.

From his extensive experience working with financial service providers he felt that AMK's service was comparatively slow. It took about five to seven minutes for a single AMK transaction on a good day while it took about two minutes with other services. He attributed this mainly to slow network speed and the manual receipt process. Some providers' POS-like terminals also provided receipt-printing and card-swipe facilities. According to Viseth, some customers chose these services purely because they liked the automated system, which they considered safe, and they were impressed by the technology.

Most of Viseth's customers used his service to receive money from relatives living in the city. As a result Viseth often had to top up his agent account from cash deposited with him as part of his local AMK transactions, which meant traveling to an AMK branch. The nearest branch was almost nine miles away and each round trip took him about an hour, or longer if there was a queue at the branch. He made the trip at least three or four times a week, losing four to five hours out of his work week. His wife often called him while he was traveling to tell him clients wanted to see him, and she had to ask them to wait or to come back later. At times when he could not go to a branch to top up his balance, he called a mobile banking officer to help him out. This took even longer because Viseth had to wait for the MBO to physically visit him, collect the cash he had accrued in AMK transactions, and deposit it into his agent account at an AMK branch so he could make new transactions – a process that could take up to half a day. Inevitably, customers did not wait or return to make a transaction in such circumstances, resulting in a loss of business for Viseth. A more efficient process, Viseth felt, would be for the MBO to deposit money to the agent's account first and then come and collect the funds needed to top up his account, effectively giving him a temporary float facility.

Viseth's initial expectation that he would earn about \$100 per month had turned out to be a gross overestimate. His work for AMK, in fact, earned him approximately \$35 per month – just above \$1 a day. For branding he also invested in a light-up board from AMK so that customers could find him after dark. As this was optional advertising material, the board had cost him \$70 – a significant investment. Despite the shortage of AMK customers, Viseth hadn't considered stopping the service because he felt that AMK cared about him, with MBOs visiting him periodically to see how he was doing.

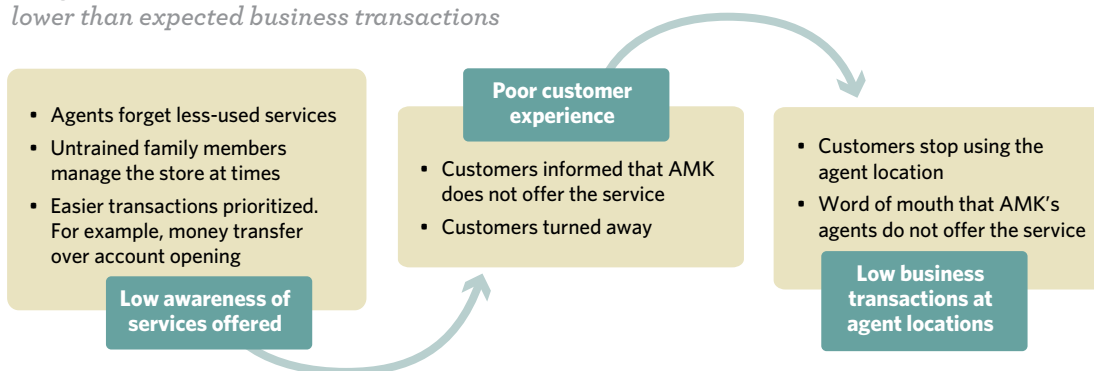
*(Adapted from field work done by Rasima Swarup, Fletcher MALD 2017 graduate.)*



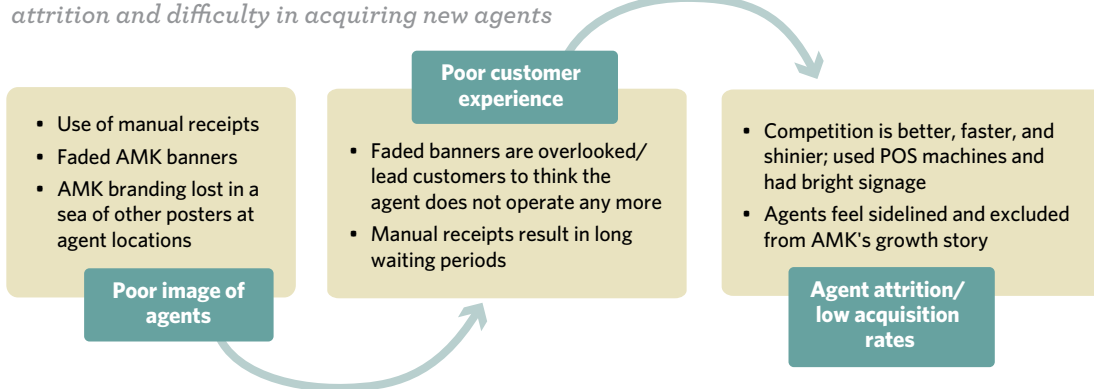
### Agent pain points translate into customer pain points

The journey mapping exercise revealed several challenges with the agent model that translated into poor customer experience and resulted in low transaction volumes.

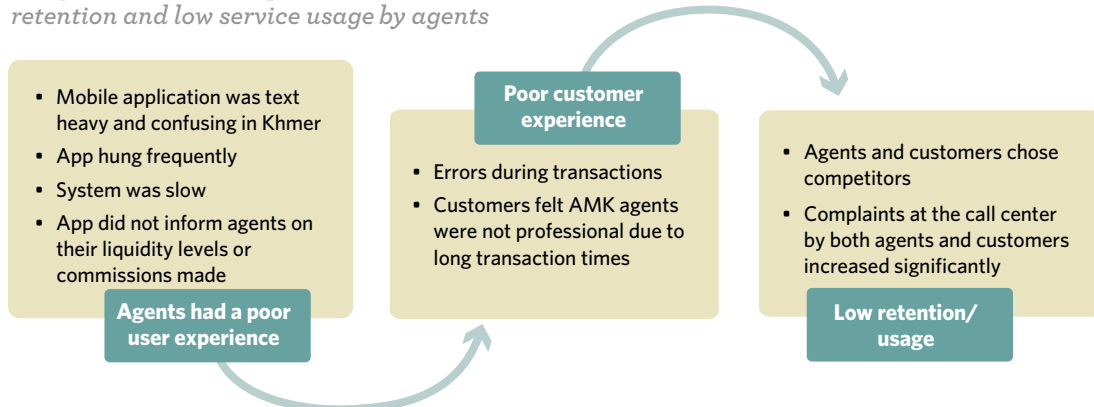
#### Insight 1: Low awareness of services results in lower than expected business transactions

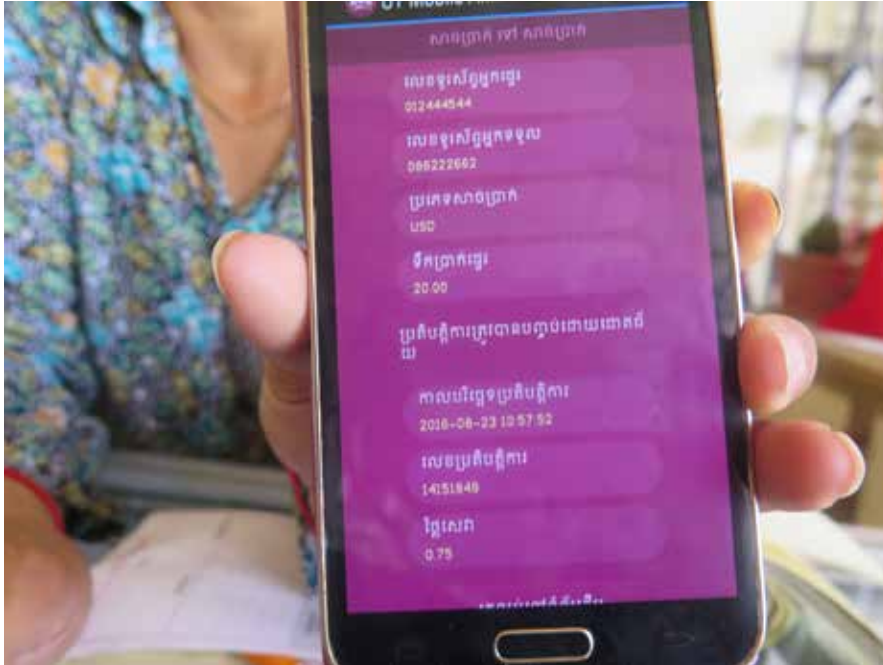


#### Insight 2: Poor image of agents results in agent attrition and difficulty in acquiring new agents



#### Insight 3: Poor user experience results in low customer retention and low service usage by agents





**A text-heavy user interface makes it harder to navigate, especially for users with low literacy levels. © AMK**

Through interviews, the team found that AMK was strongly associated with its credit product among potential users. Most people did not know that AMK had agents, or that these agents offered a wide range of services like savings, money transfer, and bill payment.

However, not everything was broken. AMK discovered innovative practices were being followed by a number of successful and profitable agents (see Box 3). These have been documented by AMK as best practices for agents and shared with agents and employees at town hall meetings.

There were other positive signs. Agents unanimously agreed that they felt respected by AMK MBOs in all their interactions. Several agents who chose to remain with AMK despite low transactions said they did so because they enjoyed being treated with respect by the MBOs. Agents held AMK's call center in high regard and often chose to call its toll free number to get information when their MBO was not available, and they expressed great satisfaction with these interactions.

### **Box 3: Document of best practice for agents**

Not everything in the agent journey was a challenge and some high performing agents undertook initiatives to improve the situation themselves. AMK documented these best practices and shared them with other agents.

**Bright spot 1:** An agent posted signs from the main road to help customers find his location.

**Bright spot 2:** An agent gave a free bottle of water to people who signed up for the first time, or who did transactions above a certain limit. This agent had several repeat customers and was a consistent high performer.

**Bright spot 3:** Customers had to fill in a form to get the agent to initiate transactions. Because the Khmer words for “send money” and “receive money” are similar, one agent created her own forms colored pink and blue to avoid confusion. The pink form was for sending money and the blue form was for receiving money. She was able to reduce errors and more easily keep track of transactions.

**Bright spot 4:** All agents consistently reported positive feedback on AMK’s call center and the quality of assistance they received when they called in with problems.

**Bright spot 5:** AMK’s existing agents, while unhappy about their low business volumes, gave a high rating to their interactions with AMK’s staff. All agents reported being treated with respect in their interactions.

### *From insights to solutions*

To find solutions to the challenges in the agent system, AMK senior management, marketing teams, agent banking team, product team, IT team, and call center team held a brainstorming session with 17 Triggers. This resulted in a number of proposals which were prototyped and tested.

The four key questions asked were:

1. How can we increase customer traffic and therefore increase transactions?
2. How can we create a network of motivated AMK agents?
3. How can we get agents to pitch more AMK products and services?
4. Most important, how can we define AMK’s competitive advantage in the future?

### *Addressing the image issue: Agent in a Box*

AMK’s “Agent in a Box” model came up during a brainstorming session as a way to address poor branding and image issues faced by agents.





Test booth prototype used during trial period, Cambodia.  
— Nget Bunthou, AMK

AMK tested out a fixed booth model called Agent in a Box with about 50 agents for six months. During this period, a number of different materials and designs were tried which enabled AMK to bring down the production cost of the booth to \$400, about one eighth of the initial cost. The bright pink, pre-fabricated booth could easily be put inside an existing shop or set up at a prime location, for example outside a garment factory. It was designed for high visibility to increase customer awareness and created a physically distinct space in which the agent could operate. The physical booth gave the impression the agent was in a mini branch, which created a positive buzz among agents.

AMK's agents were expected to pay for branding materials, in addition to depositing an average of \$1,500 as a float for transactions in their AMK account. Aware of agents' reluctance to pay for branding without first

having a clear idea of the business advantage, AMK designed a low cost test booth that it provided free of charge for a three-month trial period. If agents were convinced of the business opportunity, they could pay the \$400 for the booth.

The policy resulted in renewed interest from agents to sign up with AMK, and has been included in AMK's standard agent on-boarding process.

### *Modernizing agent locations: POS terminals*

AMK's agents are busy business people and the company felt it was important to respect their time. Most competitors such as TrueMoney and Wing were already using point of service (POS) machines, and not providing them to agents was making AMK look old-fashioned. AMK has now launched POS devices at all agent locations. AMK bears the cost of \$153 per device. This has resulted in a lower waiting time for customers



Agent journey mapping helps  
AMK understand pain points. © AMK

at agent counters, with transactions taking no more than a few minutes. Agents have made fewer mistakes because there are no manual receipts to fill in, and they can serve a higher number of customers, resulting in more transactions at agent locations.

### *Creating the right pitch for agents*

A wide range of services was available to AMK's customers at agent locations, including opening savings bank accounts, accepting deposits into the account, withdrawals, sending money across Cambodia, receiving money from other locations in Cambodia, and making utility bill payments and loan repayments. In reality, however, most agents just performed money transfer transactions, and often did not actively offer other services because they were unaware of them or did not recall them. Customer awareness was also a challenge and one that AMK addressed separately.

To help agents recall the range of services offered, AMK developed a simple pitch book using PowerPoint slides that allowed the agents to explain services easily to customers. Agents provided input on this messaging and helped to create the final pitch book with AMK. All agents have begun to use it. Initial feedback is positive and AMK is starting to see an expansion of services beyond just money transfers.

### *Creating a commission calculator*

During AMK's work on improving the agents system, another issue emerged concerning recruitment: MBOs were often not able to explain to potential recruits how soon they would start to make money if they signed up with AMK. With only a small window of about ten minutes to persuade someone to sign up, MBOs needed a tool to help them with the job pitch. With different incentives for different products, agents often did not know how much commission they would make on a transaction or the daily earnings they could expect from operating AMK's business. MBOs found the commission structure hard to explain in a short period of time.

AMK created a commission calculator that agents could use to predict their daily revenue and set business targets. When used systematically, the calculator also helped MBOs plan liquidity requirements at an agent location. In the prototype, the calculator used transaction examples printed out on paper. MBOs realized that even presenting paper-based examples helped give agents a better understanding of the business and made it easier to attract recruits. Initial feedback from agents was positive because they could now easily estimate

#### **Box 4: Resilience in the face of change**

In March 2017, the National Bank of Cambodia issued a *prakasa* (circular) that capped interest on microfinance loans at 18 percent, under the direct orders of the prime minister. The order threw microfinance institutions in Cambodia into tumult, because some had to halve the interest they charged. AMK, with an operating cost ratio of 18.4 percent, was also affected.

Organizations across the country responded in various ways, with some laying off employees and closing branches and others shifting away from loans under \$500 to focus on disbursing larger loans. AMK leadership redoubled its focus on the agent structure as a more cost-effective way to reach poorer customers in harder-to-reach places. Leadership held meetings with all branch staff to reassure them that AMK was not laying off employees. The senior management team including the CEO staged a series of town hall meetings with agents across Cambodia to explain AMK's strategy and the role they were expected to play in making the company's vision a reality.

The result led to a changed perception of agent banking among AMK branch staff, who began to see it as complementary to their work. This resulted in a drop in agent attrition levels, as agents began to view AMK as a stable partner with strong fundamentals and vision.

how much money they could make. Agents have suggested that the live version be translated into Khmer. AMK is further refining the tool based on the feedback and plans to make it smartphone compatible so it can be accessed by MBOs and agents at any time.

The actual breakeven point for an agent working with AMK depends on several factors. AMK works with three categories of agent who make different upfront payments at the time of enrollment (see Figure 2).

#### ***Treating agents as part of the family***

The journey mapping exercise showed that a small number of agents were innovative and went out of their way to provide positive customer experience. Unsurprisingly, these agents were also high performers. Sharing insights on what they did well (see Box 3) would create an instant peer learning network. AMK created a loyalty program that allowed agents to learn from those with a high performance record, and aspire to be part of the loyalty circle. This was an opportunity to showcase examples of AMK's values at work, and allowed agents to understand what it meant to be a part of the AMK growth story.

AMK rolled out this initiative through a series of agent town halls organized in every region, where senior AMK management explained future plans. The town halls provided a critical opportunity to communicate with agents in the aftermath of an interest rate cap which microfinance institutions in Cambodia had to deal with at this time (see Box 4).

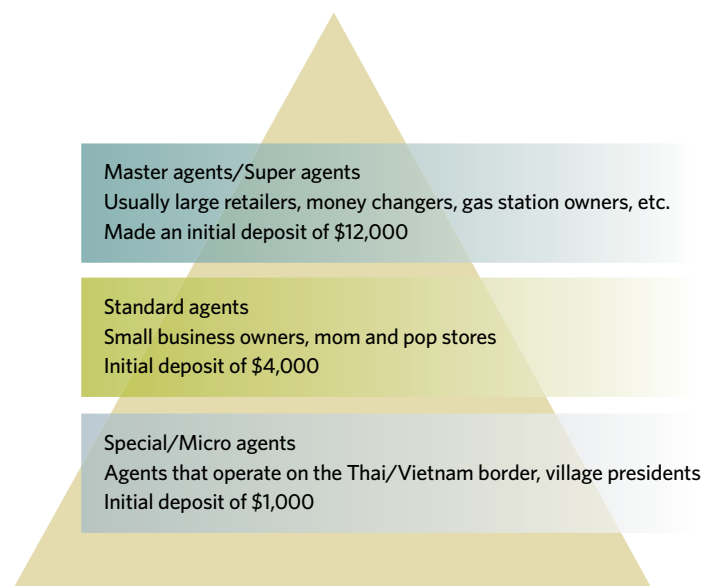
### *Improving the agent business case*

AMK recognized that it had a responsibility to improve the business case for agents by introducing new products and services. For customers in rural Cambodia, payment of utility bills, cable bills, and other regular bills meant traveling a long distance to the nearest district town. AMK realized that agent transaction points offered a convenient way to pay these bills every month.

By September 2017 AMK had partnered with 71 local bill payment companies, which resulted in about 90,000 transactions per month across all agent locations, an average of 33.8 transactions per agent per month. This increase in business volume among existing agents increased the sense of motivation and created a positive buzz about AMK's agency business, making it easier for AMK to recruit agents.

AMK also changed the incentive structure for agents in July 2017. The redesigned plan provides agents with free personal accident insurance cover for one year when they achieve 100 transactions per month. If they exceed 150 transactions per month they also receive a cash bonus. The personal accident insurance policy is a powerful motivator for agents.

**Figure 2: Classification of agents recruited by AMK**







AMK's research team regularly conducts agent interviews, Cambodia. © AMK

# Shifting from product-centric to customer-centric

## BUILDING THE BUSINESS CASE FOR AGENT BANKING

AMK had begun as a single product, credit only, branch-based business. As the organization evolved to add other products and processes, it failed to properly adapt the original operational model and organizational structure, resulting in a number of problems. They included conflicting reporting lines and inconsistent incentives, and this was reflected in the business plan.

AMK's branch managers, who were part of the original credit business, did not consider that ensuring the profitability of the agent structure was their core responsibility and treated income derived from it as additional incidental revenue. The impact on daily business was that MBOs often lacked the support they needed from branches, as well as guidance on a daily basis on planning their work.

The lack of guidance resulted in a skewed work load for some MBOs. This insight emerged from the journey mapping exercise conducted by 17 Triggers, which showed that some MBOs managed as many as 60 to 80 agents, spread over distances of more than 15 miles. This meant they could not attend emergency calls from agents requesting liquidity at short notice, resulting in the loss of business for agents. Agents became dissatisfied and MBOs felt stretched for time.

As a result of the strategic focus on agents, AMK realized that several issues needed addressing, including the level of agent profitability, the strategy needed to manage agents who performed differently, and the structure of incentive plans (see Box 5). A business plan was needed that reflected the realities of the agent business.

### **Box 5: Business questions for agents and AMK**

#### **What did agents want to know?**

1. What is the upfront investment required to become an agent?
2. What running costs can be expected for an agent?
3. What can agents expect from AMK in terms of initial and ongoing support?
4. How much could they expect to earn in a week or a month?
5. When would they recover their upfront investment and start being profitable?
6. How should they plan their daily business?

#### **What did AMK leadership want to know?**

1. What is the threshold below which AMK did not make money on an agent outlet?
2. Are there different kinds of business transactions to be expected from different agents?
3. What are the scenarios for agent break-even, based on cost sharing?
4. What are the break-even scenarios for AMK?
5. How can AMK use information on agent performance to provide targeted training, or on decisions to extend or suspend an agent's contract?

AMK leadership recognized the inherent conflict between the company's current organizational structure and its desire to be a holistic service provider to customers. The challenges and AMK's actions are described in a **case study**<sup>15</sup> on the importance of leadership in building a customer-centric culture.

To address these organizational issues, which translated into business planning challenges, leadership worked on creating a stand-alone agent business plan that explained the business case and its value to AMK's overall business. The company took a number of initial steps to implement the plan.

### ***Refining the go-to-market strategy***

The agent structure helped deliver access to multiple services at the commune level. As with any other business, AMK mapped the potential of communes based on population density, number of markets, and various other factors, to help it assess the potential for an agent location. AMK's existing market penetration in the commune was also considered an important factor, since existing customers could use services at agent locations. Based on

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15. <http://customersguide.cgap.org/sites/default/files/resource/2018/06/CGAP-AMK-Leadership-Case-Study.pdf>



an internal score model, AMK classified communes as having high, medium, or low potential. Matching commune potential to type of agent (micro, standard, or master), helped plan the agent acquisition strategy.

### *Identifying the core drivers of income and expenses*

Every agent represents an opportunity to reach customers. Therefore it is critical to make sure that every agent is able to generate revenue for AMK. Since agents delivered a host of services for which they were paid a transaction fee, AMK reckoned the cost and revenue per transaction per agent, which resulted in a better understanding of agent unit economics for the structure's managers.

### *Listing all shared and dedicated costs*

The agent business comprised dedicated resources, including employees such as MBOs whose salaries and operational expenses had to be recovered. It also benefited from resources shared with branches and the head office, including IT infrastructure, cash management, the call center, and other resources. Shared costs were apportioned according to an understanding of usage by the agent channel. This was an important step to send a message to middle management at branches and the head office that the agent channel was a revenue driver and not a cost center.

### *Realistically defining growth assumptions*

AMK's agent banking business plan assumed a specific number of agents would be acquired every month. This assumption forced the team to fix the number of agents who could be managed by MBOs and plan a recruitment strategy to hire new MBOs at the branch level. This addressed the challenge of providing agent support and ensuring MBOs did not feel overstretched.

The exercise began to reveal areas of cooperation between AMK's existing branch structure and the newer agent channel that made business sense. Since revenues from the agent channel were posted at the branch level, projecting agent revenues helped branch managers see the business potential of supporting agents to conduct their business through referrals by credit officers.

View the agent business calculator [here](#).<sup>16</sup>

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16. <http://customersguide.cgap.org/sites/default/files/resource/2018/05/Business-Case-Analysis-Tool.xlsx>



### *Organizational restructuring*

Since mid 2017, AMK has gradually shifted the organizational structure to promote greater interaction between credit officers, branch staff, and MBOs. AMK has 35 branches, of which 32 employed a branch sales manager who was meant to act as a bridge between the branch manager and MBOs. However, the absence of clear key performance indicators (KPIs) and guidance on their role meant these employees did not contribute to branch business or to supporting the MBOs. Branch sales managers are now reassigned to the agent channel and called channel managers. Their tasks include ensuring liquidity availability from branches, and assisting the MBO with the daily planning of their work. These channel managers will work closely with the branch managers to track agent performance.

KPIs for branch managers and channel managers were added in January 2018 to ensure greater interaction with, and responsibility for, the agent business. For both branch managers and channel managers, financial KPIs include the number of money transfer transactions (aggregated by number of agents they are responsible for) and the number of agents managed by MBOs who are attached to the branch. Customer-centric KPIs include an agent score established through mystery shopping and a score based on an internal audit of the agent. When the two scores are below average, the managers get a score of 1 or 2, which affects their overall performance rating.

Branch managers are responsible for creating a prioritized list of agent locations in the vicinity of their branches. Credit officers attached to branches have been asked to speak about agent services and pass on leads to agents. MBOs are also responsible for agent promotion and have to report to the branch manager about the level of customer awareness of services that are available at agent locations. The channel managers and research team are responsible for an agent quality report using mystery shopping that will indicate agents who need special support.

As a move to further increase interaction between the credit and non-credit teams, there is now a monthly meeting between branch managers, the agent banking team, and the chief business officer. A weekly phone call helps track various indicators on an ongoing basis.



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## សេវាផ្ញើប្រាក់ និង សន្សំ



Mystery shopping at an  
AMK agent location,  
Cambodia. © AMK

# Listening to agents

## Enhancing the call center role

AMK's call center, with a dedicated line for agents and customers, was constantly cited as a bright spot in interactions with agents and customers. Its services were always positively compared with those delivered by competitors and interactions left users with a feeling of trust in AMK.

The call center captured a wealth of information about both agents and customers during calls. This ranged from the agents' ID number, the location they were calling from, the nature of the issue, the transaction type mentioned in the complaint, and other details. All this information, when analyzed systematically, could help identify recurring issues in customer-agent interactions. In addressing these recurring issues, the call center extended its role from being reactive to proactively addressing business issues. For example, repeated calls from agents on incorrect transactions were a symptom of a larger issue with AMK's IT system. Repeated calls from customers about a specific agent were symptomatic of a training challenge at the agent level, and could be directed to the MBO in charge of the agent.

Two challenges prevented scaling the existing call center into a larger customer and business intelligence focus. First, it relied heavily on the personal expertise of the call center head, and her ability to navigate AMK's complex information systems and organizational structure. Second, beyond resolving issues, there was a wealth of unused information that could help in addressing system-related issues, process-related issues, and training-related issues, all of which would strengthen the agent business channel and AMK's business as a whole. Analyzing and using the existing information gathered by the call center had the potential to transform it into a customer care center that relayed information on the broken, and usually invisible, dialogue between agents and customers for business decisions.

To help with this, AMK engaged Consulta, a South Africa-based consulting firm that specializes in customer-centric businesses. Working with a cross functional team drawn from different parts of AMK's business, Consulta created a dashboard that served as a guide for business teams on the action they should take to address existing pain points.



### Implementing the solution and challenges

In designing the dashboard, Consulta and AMK addressed three key questions:

- 1) Who accesses the dashboard?
- 2) What do they see, and what information is required to populate it?
- 3) Where is this information stored?

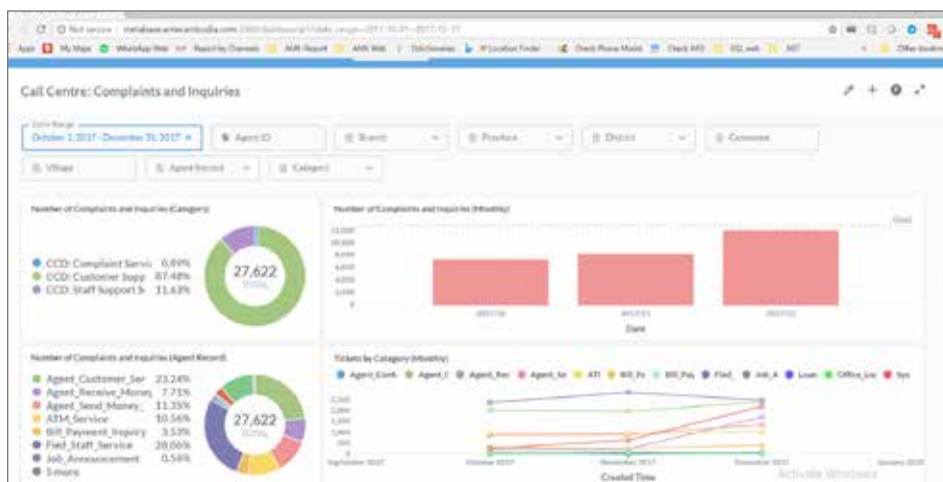
### Defining your audience: who will access the dashboard?

For the dashboard to function well, everyone from the MBO to senior management had to have access, albeit to different levels of detail. AMK implemented the dashboard with live access up to channel managers at branches, with a plan to phase in access for MBOs.

The wide range of people accessing the dashboard meant the user interface had to be simple, easy to understand, and accessible in areas with poor network connectivity.

### Defining the view: what will your user see?

AMK created a dashboard with multiple views, depending on the user who was viewing it. For example, for MBOs and channel managers, it was important to see agent performance by specific type of transaction, complaints made or received, repeat complaints on the same issue, and other details. A drop in a specific type of transaction by an agent would trigger a visit by an MBO to investigate why it had happened. A sample view of the dashboard is shown below.





To define what various users could see, AMK had to understand the data required, identify where the data was stored, and define a formula to use the data and set threshold limits that signal a call to action.

### *Technology architecture*

As AMK began to think about data repositories, it had to think about where and how information was to be stored. As with most organizations, AMK's information was stored on multiple servers, which had to be replicated in a single server that the dashboard could access. A key step in aggregating the data was to list fields like category of transaction, metrics used (number of transactions, time taken to complete, etc.), organizational unit responsible for the data, and unit of metric (time, currency, etc.). (See Box 6.)

As information from various data silos was analyzed, AMK shifted its thinking from transactions to longer term relationships. For instance, while AMK's call center had previously focused on resolving complaints it can now also indicate to business teams that the complaint was only a symptom of some other problem. This in turn can trigger action with business teams.

AMK can now create dashboards that have specific views for teams. For example, a business alert dashboard allows the head of the call center to set thresholds for complaints directed to a particular branch or an agent, which, when breached, activates automatic alerts to relevant business teams.

#### **Box 6: Points of attention for Voice of the Customer**

There were several conditions at AMK that helped make a voice of the customer (VoC) project successful. For FSPs planning to implement a VoC project, here are some questions to ask:

- Are you aware of data repositories in your organization that are currently unused?
- Do you have a map of who manages these data stores, who has access, and how frequently they are updated?
- What is the source of the data and how reliable is it?
- Are there privacy rules in your organization or at a country level that should be considered when providing access to your data?
- Are the insights from the data valuable for understanding your customers better, or do they provide pointers to what needs to be understood better?
- Is there a cost benefit in using this data: are you saving time and effort in getting continuous information about your customers?

For the agent banking team, a business performance dashboard gives key metrics like transactions, liquidity, and complaints per agent, allowing it to identify agents that require support. It also facilitates discussion between branch managers and the agent banking team, the foundation for which was laid through AMK's organizational realignment exercise.

Overall, the dashboard allows AMK to:

- Immediately redress customer and agent complaints
- Track underlying reasons for repeat complaints
- Proactively address agent pain points and provide additional support
- Identify repeat poor performers or potential attrition and address the challenge
- Gather ongoing information for customer insights

Key signs of success from the use of the dashboard:

- A more positive attitude indicated by an increase in calls from prospective agents
- A drop in calls on the same issue from the same agent/customer indicating that the issue has been resolved
- An increase in agent and customer satisfaction over time, to be measured by AMK later this year

Since the completion of the dashboard project in December 2017, the AMK team has been busy launching a new IT system, which has delayed the uptake of the dashboard across all business teams. The new system will provide MBOs with access to the dashboard through smartphones.

The call center has been receiving an increase in calls from agents seeking to sign up with AMK, an early indication of the success of AMK's efforts to provide agents with a positive experience and help build a business case.

## RESULTS SO FAR<sup>17</sup>

Despite a difficult external environment created by the interest rate cap, AMK closed the fiscal year ending December 2017 profitably. In addition to the steps taken to empower agents and realign the organization to deliver positive customer experience across all channels, the company made three strategic shifts that allowed it to lower its operational cost ratio.

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17. AMK Annual Report 2016: <https://www.amkcambodia.com/file-upload/amk-ar-2016-english-149812277531868.pdf> and AMK data for 2017: <https://www.amkcambodia.com/amk-en-performance-highlights-119.html>

**Table 1: AMK's progress 2005-2017**

DESCRIPTION	2005	2010	2015	2016	2017
Number of offices	5	22	146	151	150
Number of villages	912	8,032	12,394	12,513	12,560
Coverage of total villages in Cambodia	7%	57%	88%	89%	89%
Number of staff	108	844	2,126	2,349	2,494
Number of active accounts	73,946	512,460	499,691	587,570	683,354
Number of agents	NA	NA	2,295	2,173	3,174
Operational self sufficiency (OSS)	103.4%	113.1%	119.6%	119.4%	114.8%
Operational cost ratio	36.9%	21.5%	19.5%	18.4%	16.38%
Return on assets (RoA)	0.5%	2.3%	3.7%	3.6%	2.2%
Return on equity (RoE)	0.6%	7.6%	19.2%	20.9%	13.9%

Source: AMK Microfinance Plc.

First was an overall focus on increasing deposits across the customer base. This move was approved by AMK leadership since it aligned well with the overall vision of providing multiple financial products to the poorest, with savings being an important buffer for shocks. Savings accounts increased from 271,077 in 2016 to 575,471 in fiscal year 2017, which resulted in a decline in the cost of funds from 9.5 percent in 2016 to 7.8 percent in 2017.

Second, AMK focused on cross-selling insurance products, which provided revenue in the form of service fees. In 2017, AMK sold over 280,000 microinsurance policies, covering nearly 80 percent of its customer base.

Third, leadership's focus on the agent channel increased, with multiple initiatives to revive agent motivation and increase business volumes through the channel.

The combination of all actions undertaken with the agent business helped AMK increase the number of agents enrolled by nearly 1,000 in fiscal 2017. The total number of agents, which had dropped to around 2,100 in September 2016, grew to over 3,174 by the end of 2017. The number of transactions in the agent channel as a proportion of transactions across all channels increased from 36 percent to 62 percent in the same period.



## Conclusion

AMK's initiative to address challenges in its agent banking channel, while unique, offered a number of lessons. Faced with an external change that affected several MFIs in the sector, AMK leadership decided to continue working with a channel that was widely perceived as being unprofitable. This was spurred largely by the company's guiding principle of making decisions that benefit both its customers and its internal stakeholders – its employees and agents. The role of leadership in steering AMK in this direction in the face of skepticism about the agent model cannot be overstated. At a time when it was forced to take a hard look at its operational expenses to survive, AMK decided to view agents as a specific type of customer, and invest in a channel which would make access to its services easier for customers in remote locations.

Faced with difficult external conditions, AMK's strategic focus on its agent channel and on ensuring that the end customer not be inconvenienced has helped build resilience. This is reflected in the business results for the fiscal year ending December 2017 when AMK ended with an RoE of 13.9 percent at a time when several institutions in Cambodia were struggling to survive.

As a result of AMK's focus on the agent channel, the institution's savings accounts increased by nearly 112 percent from 271,077 in 2016 to 575,471 in 2017, while agent acquisition became easier. AMK now works with over 3,000 agents and has plans to grow the network to about 6,000 agents across Cambodia. Focusing on equipping agents with tools and helping them establish a business case resulted in an increase in transactions from 36 percent to 62 percent at agent locations.

More importantly, what began with addressing challenges in customer and agent experience is now evolving into a larger process of organizational change and transformation.

This case study was written by Jayshree Venkatesan, with guidance from Antonique Koning, Gerhard Coetzee, and Eric Tyler of CGAP; colleagues from Consulta, Ineke Prinsloo, Adre Schreuder, Arne Schreuder, Johan Kruger, and Jannie Els; colleagues from 17 Triggers, Lillian Diaz, Kim Chatterjee, Saher Ghauri, Socheata Kong, and Roswell Thomas; and additional inputs from colleagues at AMK, especially Kea Borann, Huot Sokha, Chea Roattana, Pum Sophy, Mut Chakriya, Pros Buntha, Nget Bunthon, Suon Pisey, Vong Pheakyny, Sok Kosal, Prem Chandraboth, Peaing Pisak, Hak Nitya, Buth Makara, and Sokha Chhieng.

