Eko Grows Agent Network Tenfold Through Open APIs

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From 15,000 to 150,000 agents in just three years

Eko India is a fintech company founded by brothers Abhishek and Abhinav Sinha in 2007. Its core business model uses agents to offer customers, who pay cash over the counter and remittance services provided by banks and other services providers. Its target customers are low- and moderate-income earners in urban areas.

When Eko launched, it planned to build its own agent network, which would have been a capital-intensive undertaking. However, as more players entered the market and money transfer services became hypercompetitive, it refocused its business model to better leverage its core competencies, which included (i) an excellent technology platform, (ii) expertise in onboarding and partnering with multiple banks, and (iii) the ability to ensure agent compliance with myriad regulations and bank risk management practices.

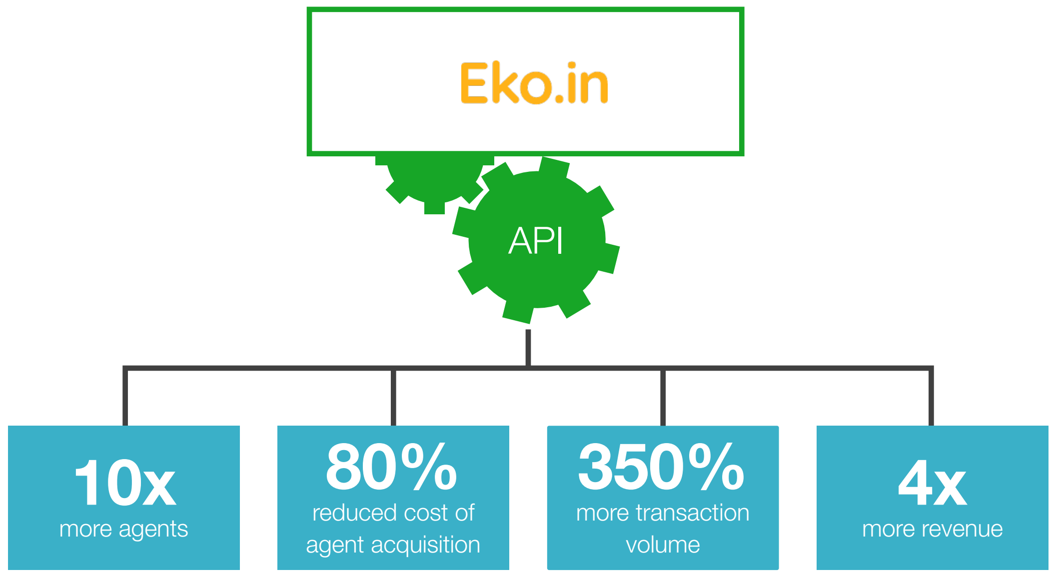
While Eko maintained its agent channel, it also used open APIs to enable a variety of third-party businesses to incorporate Eko services into their offering. Each third-party business provides services to retail shops and has local knowledge and support structures in place, which enable Eko to expand outside large cities into less urban and more rural areas across India.

Intrigued by the Eko story, we met with Eko leadership to take a closer look at how Eko leveraged open APIs as a key part of its business transformation to connect its platform with over 300 third-party businesses. Connecting with these third parties allowed Eko to scale its distribution reach from 15,000 to 150,000 agents within three years and expand its coverage to every state in India. Currently, more than 11 percent of its agents are in rural India. See Figure 1.

Eko used open APIs to become a platform business, which enabled it to expand at considerably lower operational cost than its traditional agent business would have. Importantly, its new platform generated four times more revenue than its previous business model did.

Eko's open API-fuelled expansion has kicked off a virtuous cycle. The increase in the number of agents has made Eko's platform more attractive to providers offering other services, such as online education, entertainment, and insurance. These services providers can use the Eko platform to reach a large pan-India population of cash-based customers. This, in turn, has enhanced Eko's attractiveness to agents, because agents

FIGURE 1. **Eko Platform Services: Using open APIs to create a new business model**



can offer additional services and take advantage of additional revenue opportunities. Consumers benefit from access to a significantly larger and more relevant agent network that extends into more remote areas and offers a growing range of services.

Eko's business model pivot

When Eko launched in 2007, it was a financial services agent network manager for leading Indian banks. Those banks integrated with Eko's technology platform to support their agent banking businesses. Through this experience Eko realized that there was enormous latent demand for domestic money transfer among urban-based migrant workers who sent money back to their families. Eko, together with its bank partners, became one of the pioneers in the over-the-counter remittance business in India.

By 2015, Eko had recruited 15,000 agents, which enabled about 1 million customers to send money home to their families every month. However, due to the capital intensive nature of signing up their own agents, Eko needed to make a significant up-front investment to create a pan-India agent network, and it began to look for another way to grow quickly.

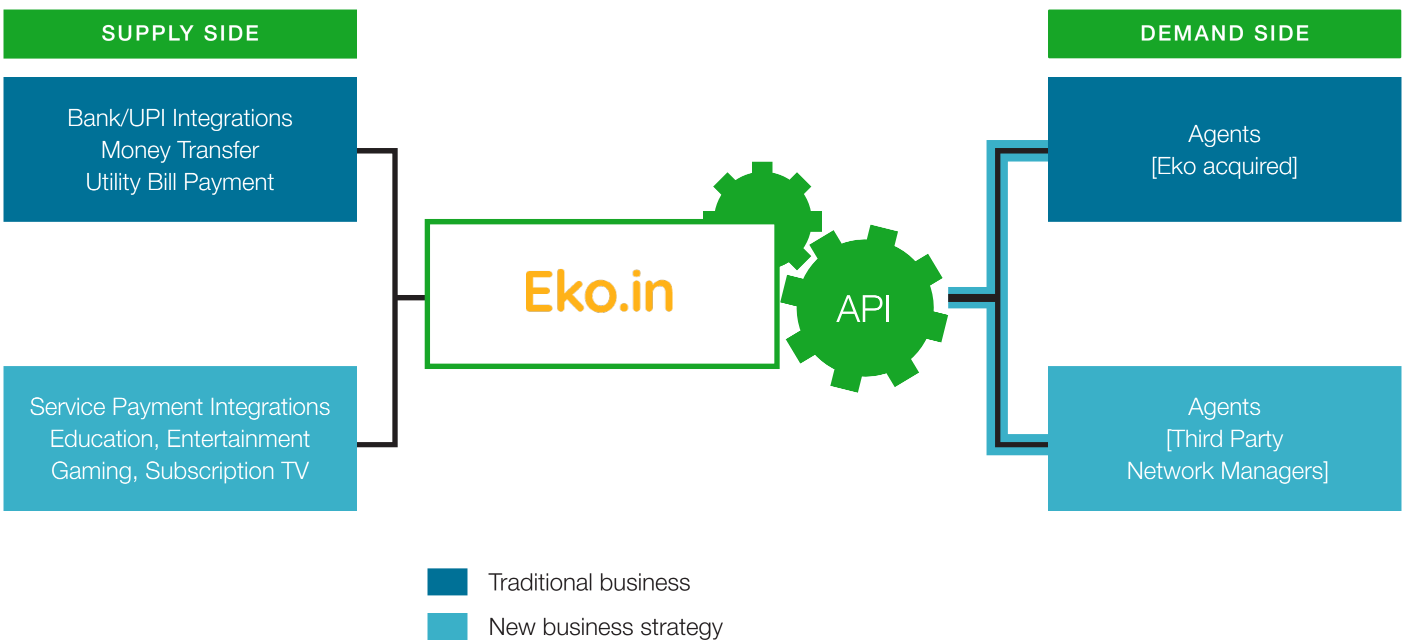
Eko's founders, brothers Abhishek and Abhinav Sinha, reflected on the company's core strengths, and they boiled them down to technology, high-quality bank integrations, and relationships:

- Eko's technology was purpose built for agents to facilitate over-the-counter payments on behalf of customers and to support those digital payment flows into the banking system. A key differentiator was Eko's user-friendly and reliable agent technology portal.

- Because Eko integrated several different banks and payment infrastructures, if one of the payment services connections failed, agents could be switched automatically to another payment channel.
- Eko's longstanding relationships with key banks and their strong track record of compliance management served to build bank trust in its agent management operations. With the Reserve Bank of India's increased focus on regulatory compliance, other agent management businesses, especially those that were new to the market or those that distributed products other than financial services, found it difficult to create the bank relationships required to support domestic money transfers.

To capitalize on these assets, Eko launched a two-sided platform strategy called Eko Platform Services (EPS) in 2015. On the **supply side**, the platform aggregated services providers - including banks for money transfer, insurers, lenders and education providers - for any business that wanted access to cash-paying customers. On the **demand side**, the platform provided access to cash-paying customers through third-party agent network managers. See Figure 2.

FIGURE 2. **Eko Platform Services: Connecting money transfers, bill payments, and other payments**



To make EPS attractive to supply-side services providers, Eko first needed to add more agents so that it could serve a large customer base.

To scale the demand side, Eko identified and approached third-party businesses that already had or were in the process of expanding their own agent networks. These third-party agent managers were in the business of distributing nonfinancial products through retail shops that already sold airtime; fast-moving consumer goods, such as household products and food; or other physical products. The third-party businesses had commercial and distribution relationships with retail shop agents. Eko provided additional services that the third-party agent managers could offer to their agent network. The services included domestic money transfers, utility bill payments, and payments for emerging online services such as insurance, credit, entertainment, education, and gaming.

Because the larger third parties had their own tech platforms that they used as agent channels, Eko connected to these third parties through open APIs and widgets that it embedded into these third-party platforms. For smaller agent managers, which often did not have in-house technical expertise to connect the service APIs, Eko planned to leverage India's large developer communities to support their integration. This would allow Eko to scale without having to take on a prohibitive operational and employee cost base.

HOW THE PIVOT HAS PANNED OUT

Supply side

Today Eko has over 300 services providers. The chief operating officer of one of them, Nachiket Pantvaidya of ALTBalaji, said: "Partnering with Eko is a way to bring the offline consumers into the online world. With ALTBalaji now being a part of their Eko Store, we are expanding our reach to a whole new audience."

One of Eko's initial goals was to allow services providers to self-manage their integration through Eko's open APIs, much like how Google enabled app developers to build and place their solutions on Google Playstore. However, as Eko engaged with services providers, it found that the providers were not experienced with the cash-to-digital payment flows supported by agents, and therefore, they were not able to integrate this payment type into their business processes. To address the typical large size of services providers and their unique requirements, Eko's technology team provided dedicated onboarding support and extensive documentation to ensure that the services providers could easily leverage EPS to scale their services to cash-based customers. See Box 1 and Box 2 for examples. Eko refers smaller partners to external developers that have experience working with Eko's APIs.

BOX 1. **Eko Platform Services: Online education supplier**

englishbolo

Business overview. Englishbolo is an English learning app that uses artificial intelligence (AI). The app is designed to help learners improve their spoken English. It was launched by Schoolnet India Limited and is targeted at employed Indian youth who wish to improve their English for both personal and professional reasons.

Why Eko? Previously, Englishbolo's customers were required to pay online through the company's website using a debit card, credit card, online bank transfer, or e-wallet transfer. Englishbolo wanted to extend its services to those who don't have access to, or trust in, digital payment mechanisms. Partnering with Eko enabled Englishbolo to use 150,000 agent points to accept cash payments from customers.

Eko integration experience. Eko's technology team supported integration with Englishbolo. Eko helped Englishbolo understand how to structure the payment service flow that supported the customer-to-agent cash payment process. The process was new to Englishbolo and different from the one it used for customers who make digital purchases online. Importantly, the process for cash payments was intuitive for Eko agents, which made it easy for agents to service customer payment requests.

BOX 2. **Eko Platform Services: Online entertainment supplier**

Business overview. ALTBalaji is a subscription-based video-on-demand service. It can be accessed through several interfaces ranging from desktops, laptops, tablets, and smartphones to internet-ready television. The videos are in various languages and cater to regional language speakers across India.

Why Eko? ALTBalaji wanted to extend its service reach to the large segment of the population that does not have digital payment accounts or is not confident and comfortable with paying for a subscription online. Partnering with Eko enabled ALTBalaji to gain access to 150,000 agents that can both market ALTBalaji subscriptions and accept cash payments from customers.

Eko integration experience. Integration was supported by Eko's technology team. Eko also helped to design the payment-service exchange flow to make it as easy as possible for agents to sell subscriptions to customers. This process was different from the one ALTBalaji uses for online purchases.

Demand side

In three years, Eko has grown the number of agents using the platform 10 fold to 150,000 agents and has extended its reach from 10 states to all 36 states and territories in India. Overall transaction volumes have increased by 350 percent, with more than 70 percent generated through the new third-party agent manager channel. See Box 3 for a demand-side example.

BOX 3. **Demand side: Examples of third-party agent network manager profiles**

Business overview: Rocket in Pocket has a network of more than 28,000 agents. Its core business is the distribution of airtime and railway tickets. It integrated with Eko for domestic money transfers and remittances to Nepal.

Why Eko? Eko provides access to several bank integrations, payments infrastructure, and electronic know-your-customer biometric gateways that facilitate money transfer. Eko provides the following value-added services:

- Onboarding agents onto Eko's platform in support of money transfer services is easy and streamlined through automation.
- Ongoing management of Eko's services with agents is easy with agents is simplified with clear issue-resolution processes.

Eko integration experience: Rocket in Pocket's in-house development team found integration to be straightforward. Integration took two weeks to bring it in line with an internal release cycle.

Operations

Eko supports its own agent-managed business and EPS with a total staff of 60 people, an increase of just 10 staff since implementing EPS. This has allowed Eko to keep its operational costs low. Based on its experience to date, Eko expects to continue to grow EPS without adding staff proportional to the growth in business.

IMPACT ON PROFITABILITY

Agent acquisition has scaled at substantially lower cost than if Eko had acquired agents directly. Eko's EPS strategy is to scale its distribution reach through third-party agent networks. Since implementing this strategy, Eko's total agent reach has rapidly expanded by an additional 135,000 agents, including 17,000 based in rural locations. Its third-party agents now contribute 70 percent of its total transaction volume. Eko spends ₹2100 ($28) on average to acquire an agent through its own agent network but just ₹360 ($5) to do so through third parties. This significantly reduced cost has allowed Eko to scale agent acquisition. See Figure 3.

Transaction volumes have scaled. Transaction volumes have scaled as more agents have access to EPS services. EPS volumes are growing four times faster than those of Eko's traditional business channel and contribute to significant revenue growth.

Eko shares 50 percent of the EPS transactional wholesale revenue fee with the third-party agent manager, who in turn directly remunerates the agent. While Eko's share of revenue is significantly lower than what it receives from the agents it directly acquires, its total profit has increased through the increase in number of transactions. Its gross profit margin has also increased because it does not have the cost of directly acquiring agents and has only nominal operational costs associated with supporting agents through third-party managers.

The growth in number of agents, which extends Eko's reach across all states of India, has made it attractive for new services providers to integrate with EPS. This provides additional revenue opportunities for Eko, third-party agent managers, and individual agents. Eko's extended agent network has created a single point of integration for services providers that want to connect to India's large population of cash-based consumers. This has allowed Eko to attract new services providers, resulting in an increase in the variety of transactions that its agents offer beyond the core domestic money transfer product.

THE INVESTMENT REQUIRED FOR EKO TO PIVOT

A new team. Eko has kept its development team small by focusing on an open API approach. It created a separate team to deliver its EPS strategy. A team of nine in-house developers focus on improving the EPS platform. Eko has one staff person dedicated to managing third-party troubleshooting during onboarding. Smaller partners in tier 1 and tier 2 cities are referred to one of more than 80 Eko certified external developers.[1]

A new platform architecture. Because the pivot required wholesale changes to its platform architecture, Eko looked to Silicon Valley firms, including Android, Paypal, and Stripe, to understand their business models and designs.[2] It took particular interest in how these companies enable third parties to connect to service APIs and how services providers then offer services through their platforms. Eko's software development team used this research to re-engineer its platform's backend architecture so that it could be used by both partners and Eko's own agent-acquiring business without becoming two systems.

1 Indian tier 1 cities are classified as having a population above 100,000. Tier 2 cities are classified as having a population between 50,000 and 99,999.

2 This primarily involved internet research.

FIGURE 3. **Increased agent coverage, lower acquisition and support costs, and increased transaction volume and growth**

Key lessons

To accelerate the scaling of its distribution network, Eko wanted to make it easy for any third-party agent manager to integrate EPS into its business operations whilst minimizing the need for Eko operational support. Third-party agent managers ranged from large distributors with more than 8,000 agents and engineering staff on hand for managing integrations to small local operators with 20 agents who relied on outsourced developers for integration with EPS. Three key lessons were learned from Eko's open API approach:

- Create different integration approaches for different classes of consumers.
- Make it easy for third parties to integrate their systems with EPS independently through self-service features.
- Foster and incentivize a developer community.

Create different integration approaches for different classes of consumers. Eko created three different ways that an agent manager can integrate to EPS based on its technology requirements. See Table 1 and Figure 4.

TABLE 1. **Integration options for third-party agent networks**

Integration method	Typical third-party partner profile	Third-party developer experience	Eko level of effort
White label of Eko's own front end	Agent networks that have limited technology capability. Small networks. Allows entrepreneurs to operate their own agent networks with minimal technology costs.	No requirement for developers. Eko uses its own front end and applies simple customization: third party's logo, color scheme, product/features.	Live within 1–3 working days.
API widgets (also referred to as plugins)	Agent networks that have their own user experience (UX)/website and want to access Eko payments and other services through a simple integration on the partner's UX/website.	API widgets require only a front-end web developer and no coding on the back end. Integration time is 1–2 days.	Live within 5–7 working days.
APIs	Large agent networks that have more sophisticated requirements and better technology capacity. Prefer to integrate Eko's payment and other services into their own technology platform and service offerings.	Requires back-end systems developer and front-end web developer. Integration time is 2–7 days.	Live within 15–30 working days.

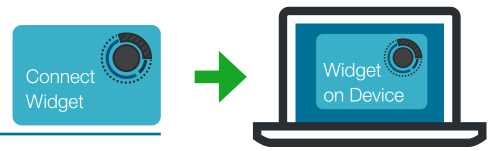
Make it easy for third parties to integrate their systems with EPS independently through self-service features. Developer self-service was key to allowing Eko to scale to many third-party agent managers at a low operational cost. Developers can access documentation and test APIs without Eko's involvement. Developers need to engage with Eko only when they need a production key to go live.[3] See Figure 5. Eko's approach includes the following:

3 A production key allows a user to shift from the test to the production environment and go live with the services.

FIGURE 4. **Eko's widgets allow partners to integrate services into their own website**

1. Pick a Widget
   - Money Transfer and other Widgets
   - Complete pre-designed process

2. Insert into your Website
   - Just copy-paste a few lines of code
   - Easily debug any issues



3. Security
   - Validate your users before a transaction
   - End-to-end encryption of sensitive data from your server to our server

4. You are LIVE
   - Complete money transfer and other workflows available on your website!
   - Modern fast UI, smart validations

FIGURE 5. **Partner onboarding process**

1. Discussion for tailor-made plans
2. Onboard KYC documents
3. E-sign agreement
4. Integration
5. UAT sign off
6. Start transacting

- Third-party access to a developer portal, which includes well-organized information on APIs, instructional guides, and highlighted key information.[4]
- Third-party access to API widgets and software development kits created by Eko's in-house team across popular software development languages. This ensures quality and speed of integration.
- Access to API testing through Postman, an API development environment. API testing allows developers to confirm expected API responses and how these will interact with the third-party platform.

Foster and incentivize a developer community. A developer with experience in integrating EPS APIs can onboard a third-party agent manager in as little as two days. This significantly accelerates Eko's ability to scale while reducing the cost of developer support. This also reduces the time and cost for third parties to integrate with EPS. To support this, Eko has cultivated a pool of 80 developers whom it recommends to new agent network partners to speed up integration.

Initially, Eko envisaged that the agent managers would have in-house developers who would be able to integrate to its API services. In reality, most external developers did not have experience in payments services flows. This made EPS integration difficult, time consuming, and costly for Eko partners. To address these issues, Eko began to recommend developers who had experience with EPS integration. As new developers engage with EPS, Eko continues to organically build a pool of experienced developers. Eko communicates any changes to these developers through blogs, which keeps ongoing support costs low, regardless of the size of the developer pool.

In addition, some developers became an informal acquisition channel by recommending Eko to their own clients who were not yet Eko partners. To encourage this, Eko has created a revenue-share incentive for developers that introduce and integrate new partners to EPS.

Challenges and risks

EPS created competition with Eko's agent channel. Eko chose to maintain its agent business channel because the revenue it generates continues to be an important contributor to overall revenue. However, the number one risk for Eko with EPS was that it effectively created a wholesale pricing mechanism that a competing service could use to cannibalize Eko's revenue from its agent business. To manage this risk, Eko ensures that its own service standards are strong enough to maintain its relationships. However, if EPS continues to outgrow Eko's ability to acquire agents directly, Eko may need to assess whether it should focus on its platform business and forgo its agent business. One complicating factor is that in addition to losing the revenue generated by its agent business, leaving its agent business behind would mean forgoing first-hand knowledge of the needs and pain points of its EPS customers—information that contributes to the success of EPS.

4 Eko's developer portal is available at https://developers.eko.in/docs (accessed on 22 September 2020).

At risk of being copied by competitors and developers. By publishing its APIs, Eko created a risk that its business model might be copied by competitors. This risk is enhanced because Eko's agent management business does not require a license, which presents a low barrier to entry for competitors that have the capital to invest in the technology. However, one of Eko's competitive advantages is its long and trusted relationship with key banks. The banks hold licenses for domestic money transfers, which Eko performs on their behalf. Banks tend to be reluctant to manage multiple new independent services providers.

The strategy pivot required organizational change and commitment from management. It affected the whole of Eko's business: all staff were required to shift their thinking to focus on building for external partners rather than for internal consumption. It required enormous commitment from the management team to recruit a new team with a different skill set, manage their existing teams to adapt to the new direction, maintain Eko's own agent-managed business, and combine it all under a single company vision. Co-founder and Chief Operating Officer Abhinav Sinha said: "The management team have constantly reinforced the company vision in weekly all-staff meetings and how the two business lines support each other. We started doing this at the start of launching EPS and we are still doing it today."

Conclusion

India's large demographic is diverse both culturally and in its use of cash, digital payments, and other financial services. Over the past 10 years, Eko has carved out a niche segment of end customers who earn in cash but have not yet adopted digital payments and thus prefer agents to facilitate transactions on their behalf.

Eko's success in implementing a platform strategy based on open APIs has enabled it to extensively scale the number of agents with minimal investment. In parallel, its target customer group is increasing its consumption of digital services, including online education, entertainment, insurance, and other services. As the digital economy grows, Eko's expanding agent network has become a critical connection point for online services providers to accept payments from hundreds of millions of cash-earning customers.

Growth in these services and the resulting revenues will feed the virtuous circle of agent profitability, attracting new agents. It will likely act as a gateway for consumers to build trust and adopt digital payment services themselves as their needs and confidence in these payments increase over time.

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