

Institute for  
High Performance

# Esoko: Empowering low-income farmers with real-time market data

By Raghav Narsalay, Ryan T. Coffey,  
J. Adetunji Adegbesan and Femi Giwa

Case Study



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**Many companies in low-income markets fail to achieve scale. That's because obstacles such as poor infrastructure make reaching a sufficiently large customer pool prohibitively expensive. Yet companies have begun experimenting with partnership models to reduce the costs of scaling up. Take Esoko for instance. After initially focusing on greenfield expansion for its agricultural informatics platform, Esoko's creators adopted a franchise model that has enabled them to connect with more small farmers in 15 African countries.**

### Impact of the inclusive business initiative

Esoko has developed a web-based technology platform and consulting-service tool with a simple but important goal: to facilitate the flow of market data within Africa's agricultural sector. Esoko uses SMS messaging to gather and disseminate market data—such as produce and meat prices—through mobile devices among farmers and traders in Africa. This medium lets users easily and affordably exchange information and do business together, and has sparked an explosion in the usage of mobile devices.

Subscribers pay a small fee to receive up to 10 SMS alerts per month and to upload buy and sell offers directly to the system. In Nigeria, for example, individual farmers and traders can receive a year's worth of SMS alerts for just US\$10. Institutional users, such as agribusinesses, NGOs and government agencies, can purchase a subscription and use the information to advise and train their local beneficiaries.

Over the years, Esoko has expanded its range of services beyond simple price information. Today, its services include automatic and personalized price alerts, buy and sell offers, bulk SMS messaging, stock counts and SMS polling. Employing more than 60 local developers and support staff, Esoko is leading the way in agricultural informatics.

In 2009, Esoko changed its business model in an effort to reach more customers. The company now contracts with agricultural associations, governments, private businesses and NGOs to further connect with individual farmers and traders. Through these arrangements, the associations become franchisees and purchase a license to sell Esoko's services to local farmers. In addition, the service has partnered stakeholders such as equity investors and international development agencies to reach users.

Esoko has helped reduce the costs involved in transacting business and searching for market information. Thanks to the enhanced transparency, farmers have gained the negotiating power needed to secure the most favorable prices for their products. The result has been an increase in income for small farmers, who make up the majority of Africa's farming population. In fact, many farmers reported a 40 percent increase in revenue after they began using the services. Esoko has also helped farmers save money, because they no longer have to send workers to central marketplaces to retrieve price information. Moreover, Esoko's real-time market information has reduced farmers' risk of produce spoilage because it enables them to better match supply to demand. As of 2012, the Esoko platform was facilitating data exchange on nearly 500 commodities and roughly 800 markets, and it accommodates as many as 20 currencies.

### Barriers to scale

**Lack of trust:** Early on, Esoko's founders assumed that farmers and traders used market data originating from centralized sources, such as government-operated price information systems. Accordingly, they procured price data from these sources. However, farmers actually viewed data from the government as inaccurate and obsolete and thus they were initially wary of Esoko's offering.

**Limited infrastructure:** Even though mobile penetration was high in the countries where Esoko was launched, mobile network coverage and quality of service varied significantly across regions and countries within Africa. Moreover, in the earliest days of the initiative, the sharing of cross-border price information was challenging: If a producer in one country sent a price query to someone in another country, the price generated would not automatically be translated into the recipient's currency. To surmount this challenge, Esoko invested heavily in developing software to standardize its offering across markets and currencies.

### Strategies for success

**Winning customers' trust by drawing on local social ties:** Once Esoko learned that farmers did not trust government data, it moved swiftly to gain farmers' trust through other channels. For example, it employed information agents from communities located near the markets. Small farmers knew and therefore trusted these agents, who collected market information from traders and served as ambassadors for Esoko. The agents also registered traders to receive Esoko's SMS services.



**Maintaining key stakeholder relationships by exploring new methods of engagement:** Esoko's founders had initially worked with international agencies and NGOs and therefore had learned something about how to manage stakeholder expectations. Drawing on these experiences, they actively sought to forge partnerships with international and regional agencies that funded agricultural projects. But because many development agencies were not eager to provide direct funding to a profit-driven initiative, Esoko had to find new ways to engage such agencies in its mission.

The USAID-MISTOWA project is a case in point. (MISTOWA: "Market information systems and traders organizations in West Africa"). Esoko captured USAID's interest by showing how its offerings could be effectively woven into USAID's program. MISTOWA was building agribusiness market information points in West Africa—business centers that helped agricultural communities with commercial decision making and business management. The program had provided US\$1 million for ICT equipment and had established more than 150 market information points in the region.

But MISTOWA still required reliable information providers to service its market information points. Esoko's credentials as a profit-driven service provider ultimately played a key role in it securing the partnership, as MISTOWA was wary of the long-term sustainability of providers who relied heavily on donor financing. Through the program, Esoko was deployed across West Africa and has since been implemented in other African countries as well as in Afghanistan. Projects like MISTOWA in essence "open" a country for Esoko and enable other development projects, businesses and individuals to use the service there.

**Adopting a franchise model to further boost scale:** As a profit-driven venture, Esoko needed to rapidly scale up its operations to serve low-income consumers profitably. Esoko's leaders estimated that to become a viable profit-driven business the company would need to reach a minimum of 10,000 subscribers and scale to 2,000 subscribers in each country where it had operations. The venture's leaders realized that they could not reach every corner of Africa; they lacked the funds needed to hire and deploy sales staff on such a large scale. Moreover, partnering with key stakeholders could take Esoko only so far.

Therefore, Esoko launched a franchise model to further extend its reach and secure its long-term commercial viability. Drawing on its technological strength, it encouraged local organizations, including private businesses, NGOs and governments, to take up franchises and build their own agri-information businesses on the technology platform provided by Esoko. Since 2009, Esoko has substantially expanded its franchise model, partnering with franchisees in every country where it operates with the exception of Ghana.

**"New technologies like Esoko can make agriculture smarter, leaner, and more efficient. They can also empower everyone to act more like a decision-maker based on choice and options than a passive producer in the field. When we started years ago, we thought that if we could just deliver prices to farmers, we'd have succeeded. And we did do that, but along the way we learned lessons—and changed our business model time and time again—making Esoko useful for everyone along the supply chain, getting our mix of content vs. tools right in each market, and understanding how to engage with both the public and private sectors. We'd never be where we are today if we hadn't listened closely to our clients, and to the market at large."**

**—Mark Davies,  
Founder of Esoko Networks**

## Company information

Esoko Networks, headquartered in Ghana, is a multi-currency, multi-commodity, multi-market information system that gives farmers, traders, agribusiness and development projects tools to collect and share market information via SMS. Spread across 16 African countries, Esoko began as a simple price discovery tool called TradeNet in 2005, in partnership with FoodNet in Uganda. In April 2009, TradeNet rebranded itself as Esoko, adopted a new business structure and switched to a new platform that offered its users a broader set of tools.

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## About authors:

**Raghav Narsalay** leads the research team in India for the Accenture Institute for High Performance. He is based in Mumbai.

**Ryan T. Coffey** is a senior specialist with the Accenture Institute for High Performance. He is based in Mumbai.

**Dr J. Adetunji Adegbesan** is Director of the Centre for Competitiveness & Strategy at Lagos Business School, as well as a professor of competitive strategy and innovation. He is based in Lagos, Nigeria.

**Dr Femi Giwa** is a Research Associate in the Centre for Competitiveness & Strategy at Lagos Business School. He is based in Lagos, Nigeria.

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