

# The Status of Agents in Kenya: Proliferation, Dominance, Evolution & Impact

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*MicroSave*  
Market-led solutions for financial services

BILL & MELINDA  
GATES foundation



## Project Description

Through the financial support of the Bill & Melinda Gates Foundation, *MicroSave* is conducting a four-year research project in the following eight focus countries as part of the **Agent Network Accelerator (ANA)** Project:

### Africa

- ▶ Kenya
- ▶ Nigeria
- ▶ Tanzania
- ▶ Uganda



### Asia

- ▶ Bangladesh
- ▶ India
- ▶ Indonesia
- ▶ Pakistan

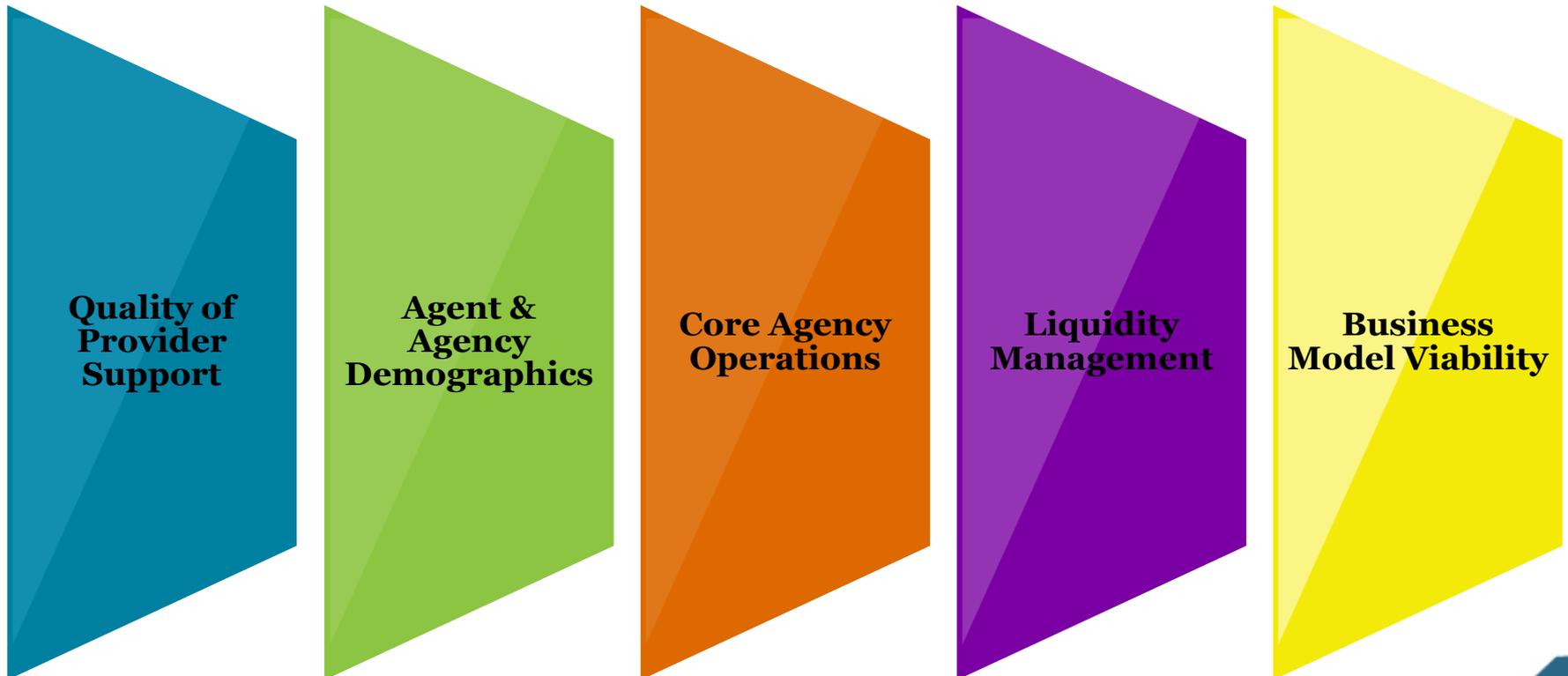
Research findings are disseminated through ***The Helix Institute of Digital Finance***. ***Helix*** is a world-class institution providing operational training for digital finance practitioners.



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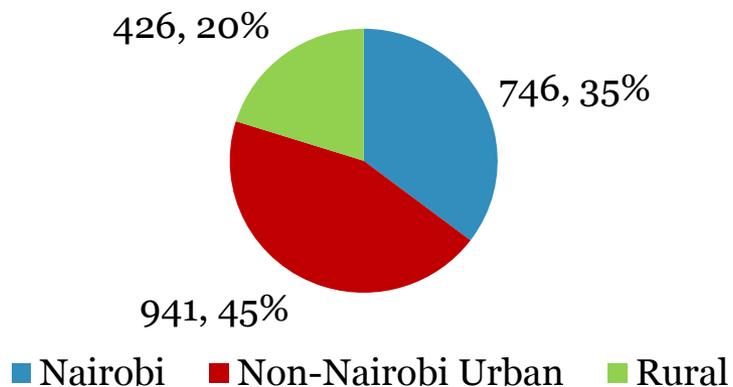
## Focus Of Research

**The research focuses on operational determinants of success in agent network management, specifically:**



# The Research Is Based On 2,113 Nationally Representative Agent Interviews

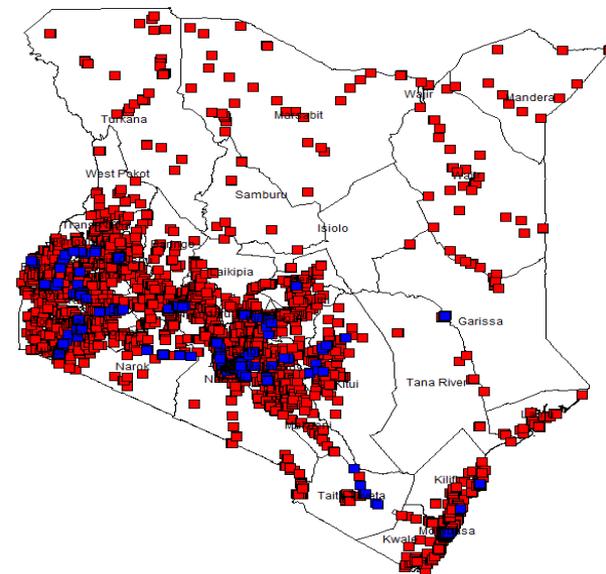
## Achieved Sample



Data collection occurred in September/October 2013, using a random route methodology based on the displayed agent census.

Red points represent a census of agents conducted by Brand Fusion in 2013.

Blue ones are the ones interviewed for this research.



## Sample Profile\*

Total Sample Size	Location			Exclusivity		Dedication	
	Nairobi	Non-Nairobi Urban	Rural	Exclusive	Non-Exclusive	Dedicated	Non-Dedicated
2,113	746	941	426	2,024	89	967	1,146

\*Note that this table is shown to give you an idea of the resulting sample sizes along some of the major dimensions. Note that it is in a different format from the Tanzania and Uganda reports and is therefore not directly comparable.

## Note On Sampling & Provider Representation

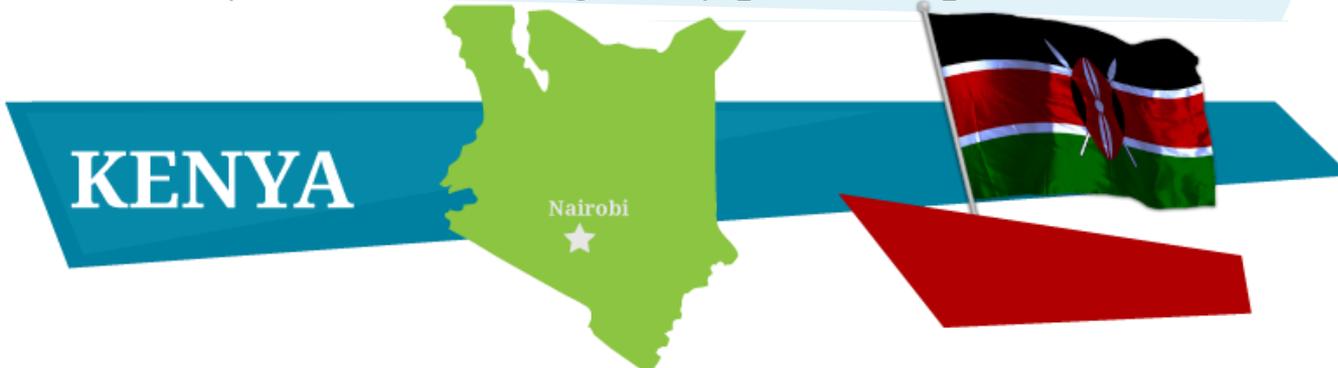
**There are some important issues to understand about the sampling and therefore the representativeness of provider data.**

- ▶ 40% of the sample was pre-determined to be rural, therefore under sampling smaller, predominantly rural networks (i.e. banks).
- ▶ It is possible that rural and remote agents were under sampled.
- ▶ Only agents that had signs posted were interviewed.
- ▶ The census data used for sampling did not match provider reported figures.



# Agenda

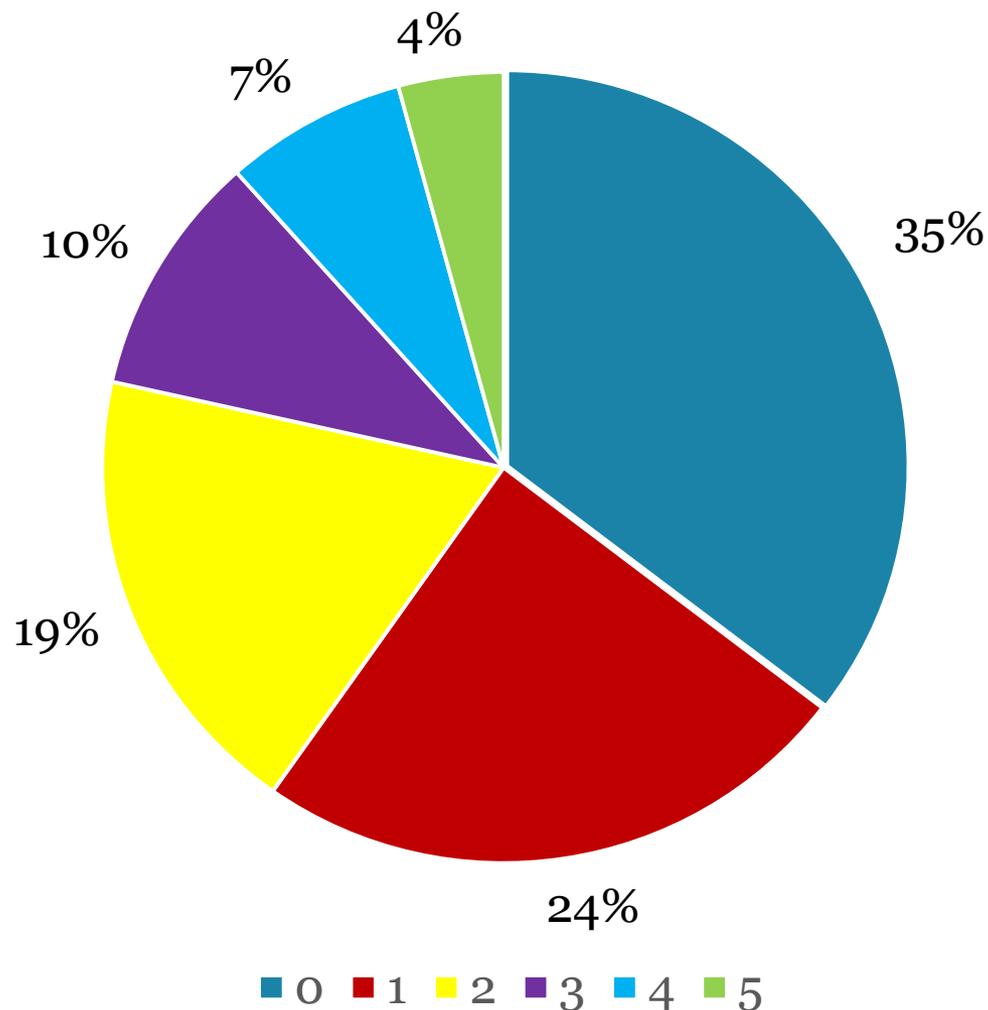
- ▶ **Proliferation:** There are a lot of new agents on the market, causing crowding.
- ▶ **Dominance:** About 90% of agents offer M-PESA and almost the entire market is exclusive.
- ▶ **Evolution:** Banking agents are maturing and changing the landscape of agency.
- ▶ **Impact:** While Kenyans have access to more financial touch points for longer hours, geographically agents seem concentrated, and they are not offering many product options.



# Proliferation

# The Agency Model Is Mature But Most Agents Are Not

Years Of Operation As An Agency



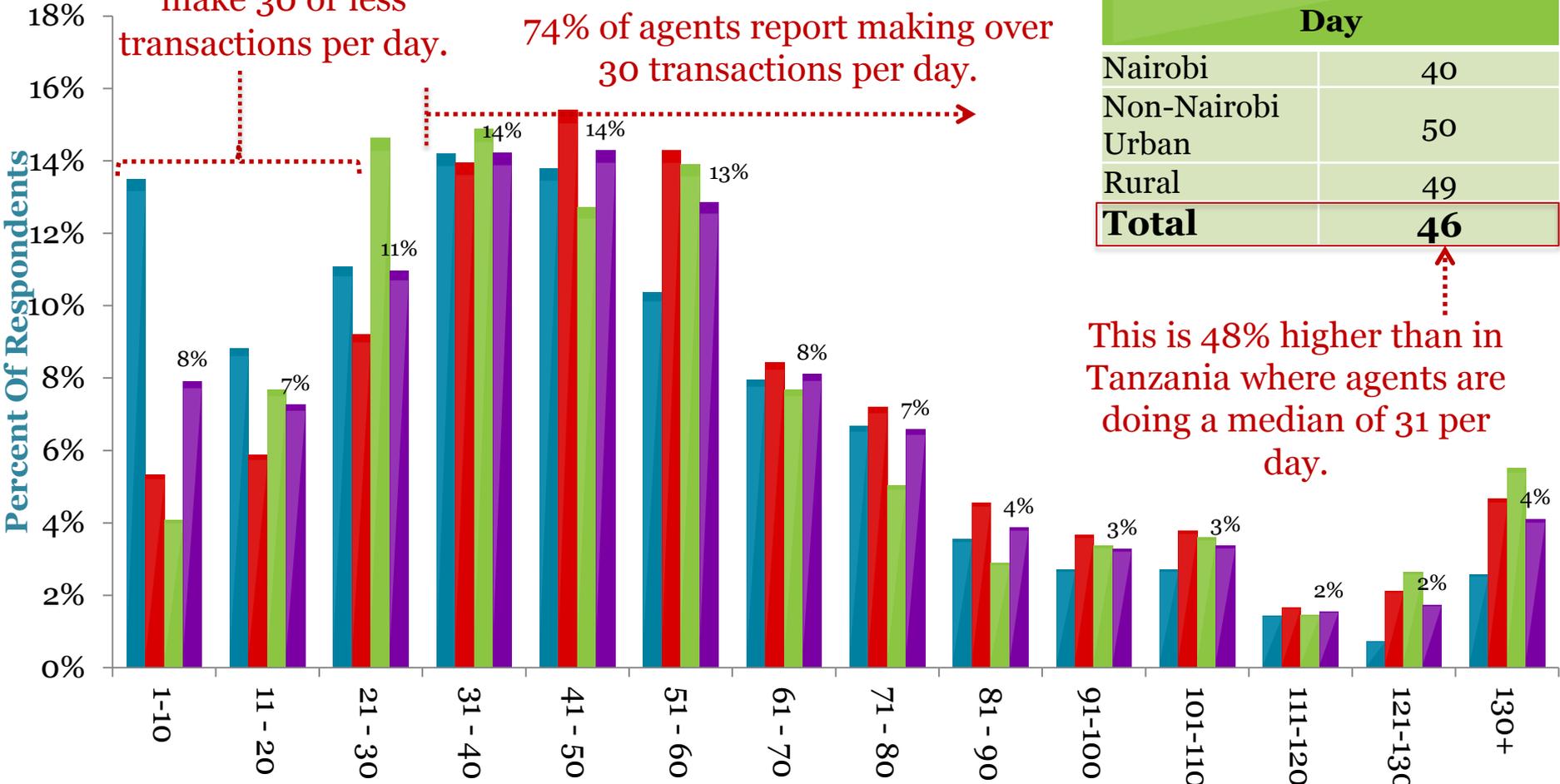
- 35% of agents are less than a year old, compared to approximately 50% in both Tanzania and Uganda.
- Only 58% of agents said they thought they would be an agent in one year's time, which is significantly lower than Uganda and Tanzania and shows dissatisfaction.

# Daily Transaction Levels\* Are Highest In East Africa

A third of agents in Nairobi make 30 or less transactions per day.

## Transactions Per Day

74% of agents report making over 30 transactions per day.



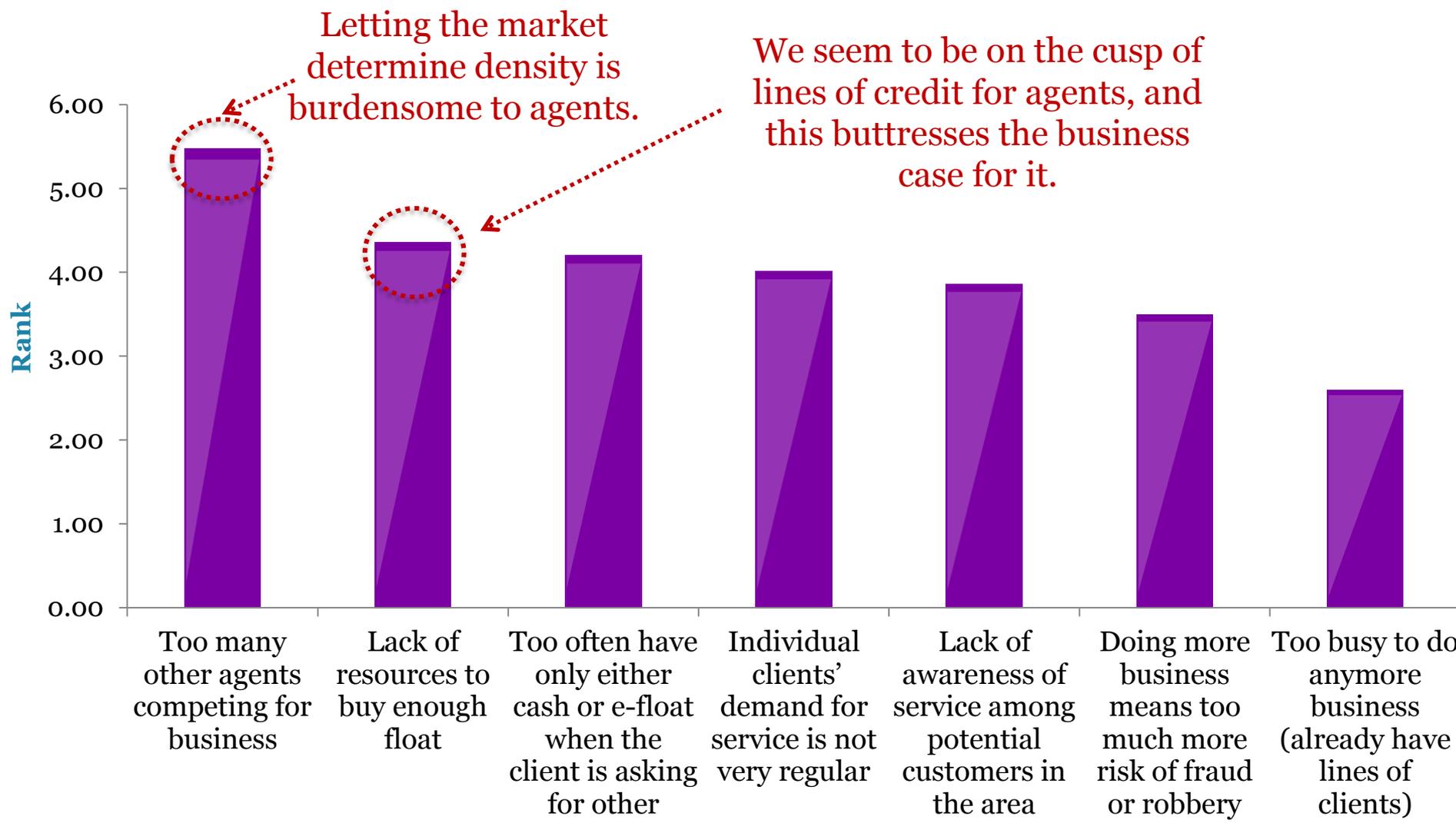
Median Transactions Per Day	
Nairobi	40
Non-Nairobi Urban	50
Rural	49
<b>Total</b>	<b>46</b>

This is 48% higher than in Tanzania where agents are doing a median of 31 per day.

■ Nairobi ■ Non-Nairobi Urban ■ Rural ■ Total

\* Numbers represent transactions per day by selected provider, not overall volumes for the agency.

# Largest Stated Barriers To Daily Transactions\*

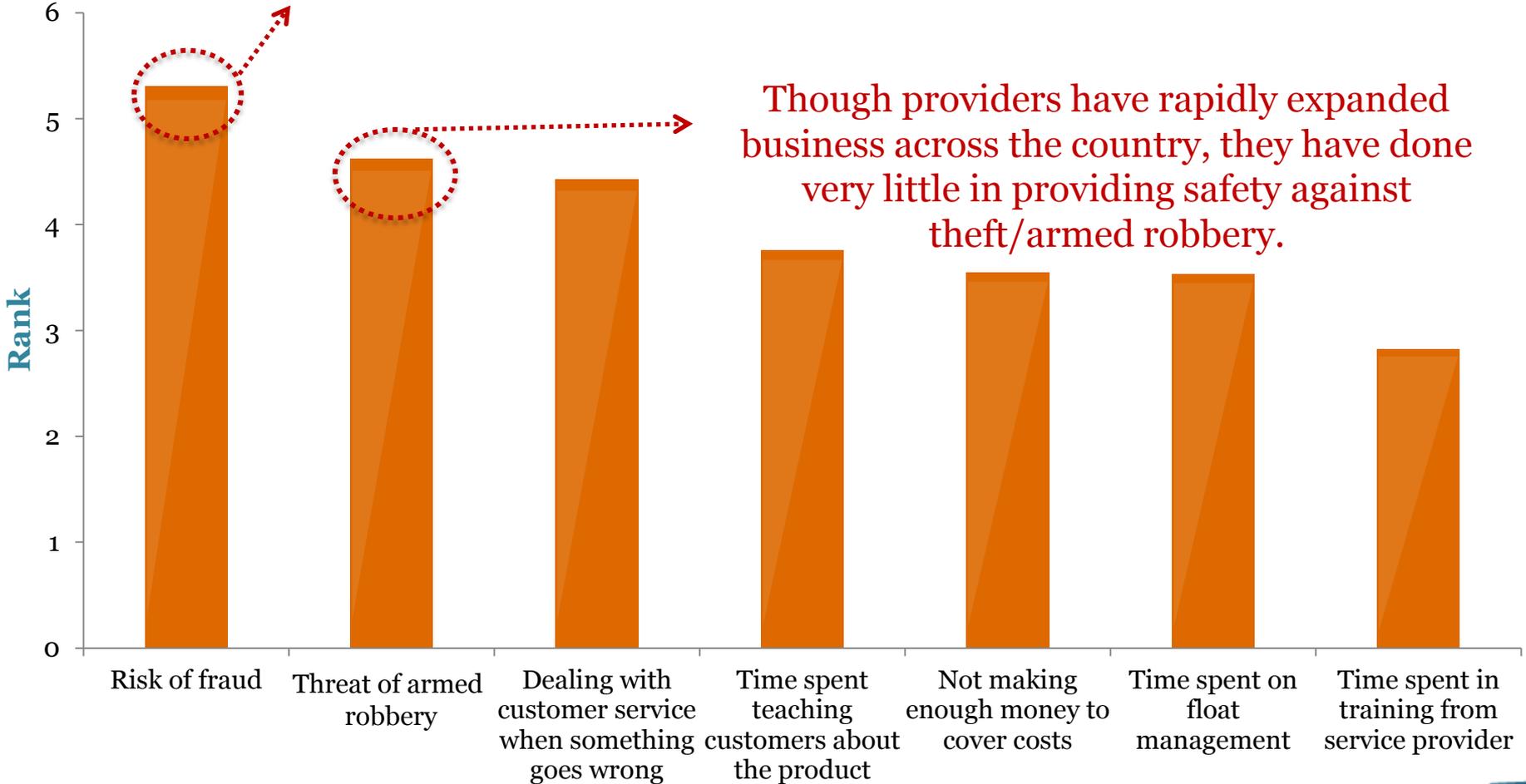


\* Agents ranked a minimum of three of these seven dimensions. The above figures are a weighted average of the first three choices, where taller bars mean a higher relative ranking.

# Risk Of Fraud Most Burdensome To Agents' Business\*

## Biggest Operational Burden to Agents

This is the number one burden across East Africa.

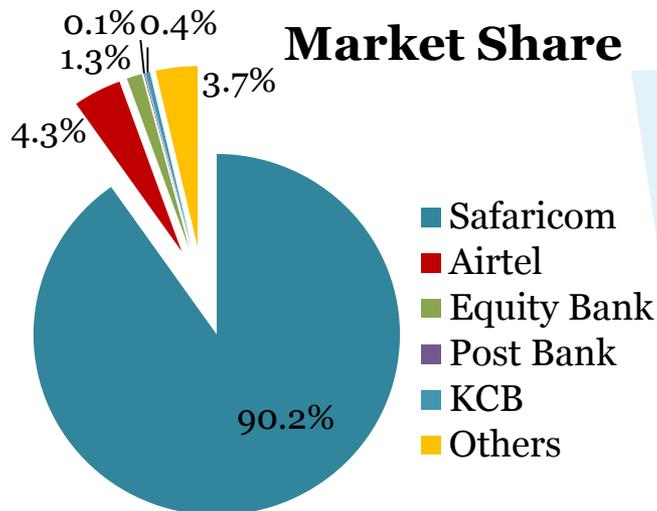


Though providers have rapidly expanded business across the country, they have done very little in providing safety against theft/armed robbery.

\* Agents ranked a minimum of three of these seven dimensions. The above figures are a weighted average of the first three choices, where taller bars mean a higher relative ranking.

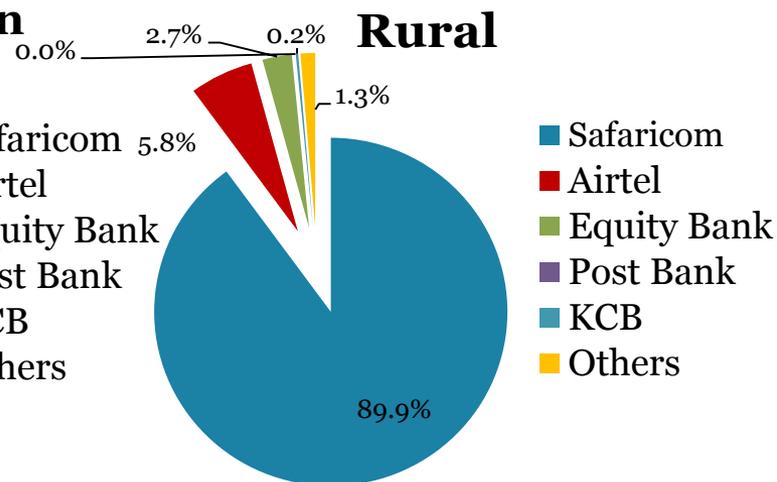
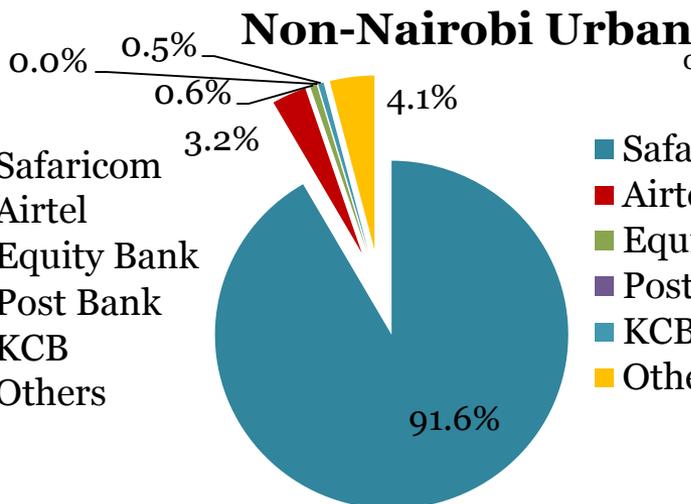
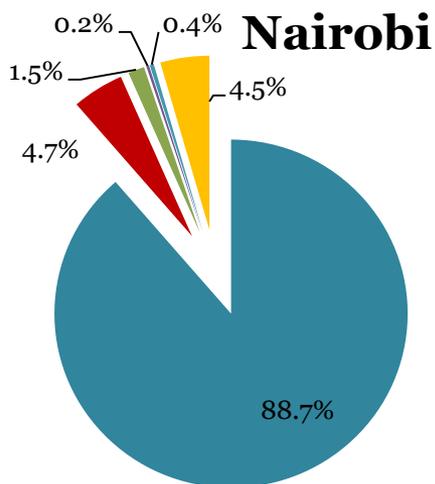
# Dominance

# Providers' Market Share\* Of National Agent Network



In Uganda, 63% of agencies offer MTN services, and in Tanzania 55% offer services for Vodacom, making Safaricom the most dominant provider with regards to agency in East Africa.

While Airtel, KCB, Coop and Equity are expanding their agency footprints, very few agents sampled reported offering their services. Brand Fusion found 13% of agents were bank agents.



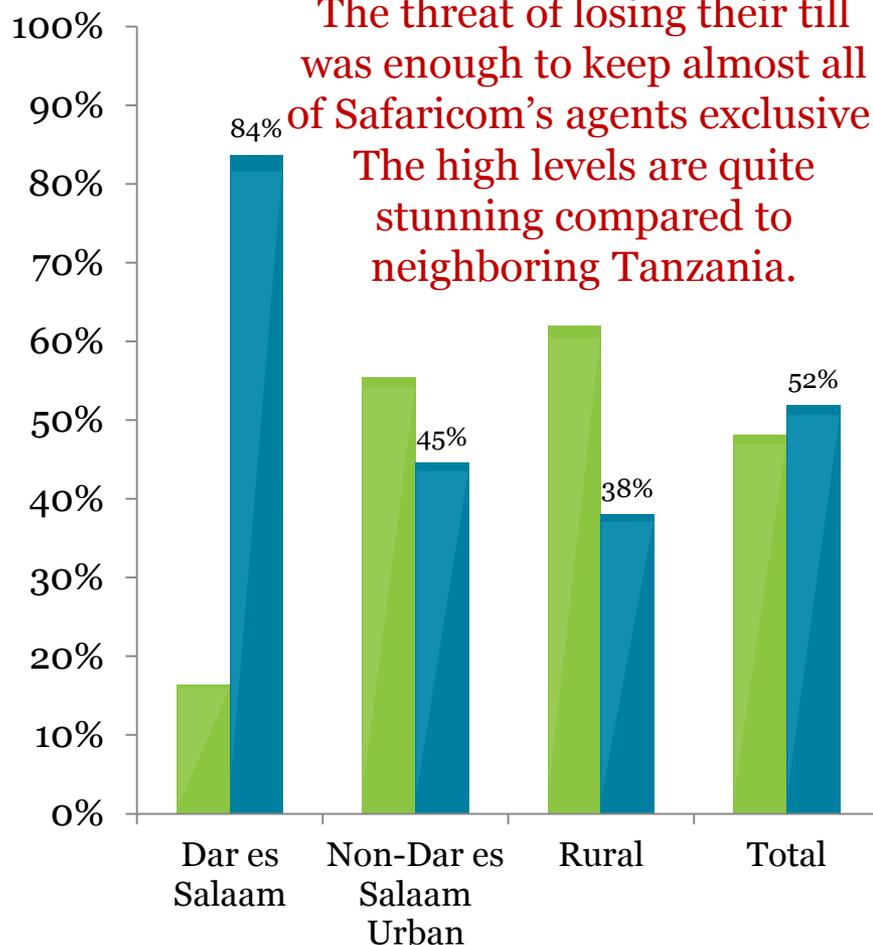
\*Agent market share is defined as the proportion of cash-in/cash-out (CICO) agents by provider. Numbers here are provided on a till basis not on the outlet level. Hence, if an agent serves three providers it is counted three times. This method therefore discounts smaller exclusive networks like most bank agents.

# Kenya Has Remarkably High Levels Of Exclusivity

## Exclusivity Of Agents By Location

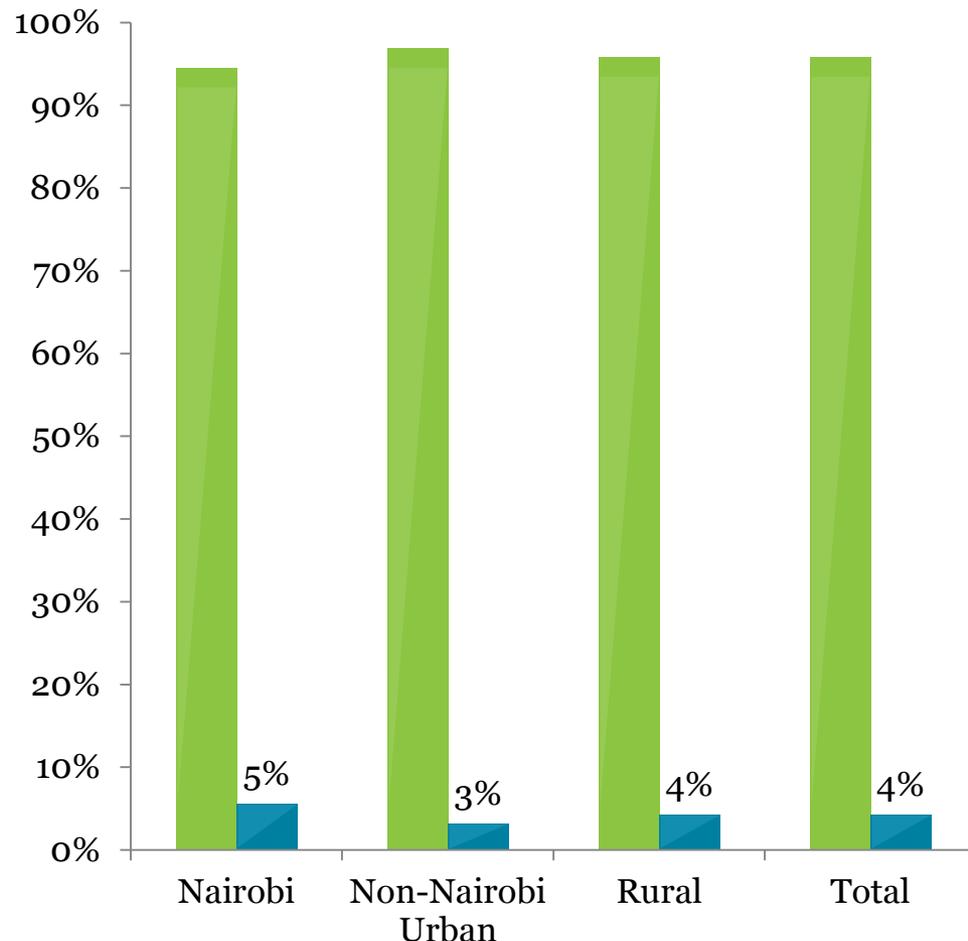
### Tanzania

The threat of losing their till was enough to keep almost all of Safaricom's agents exclusive. The high levels are quite stunning compared to neighboring Tanzania.



■ Exclusive ■ Non-Exclusive

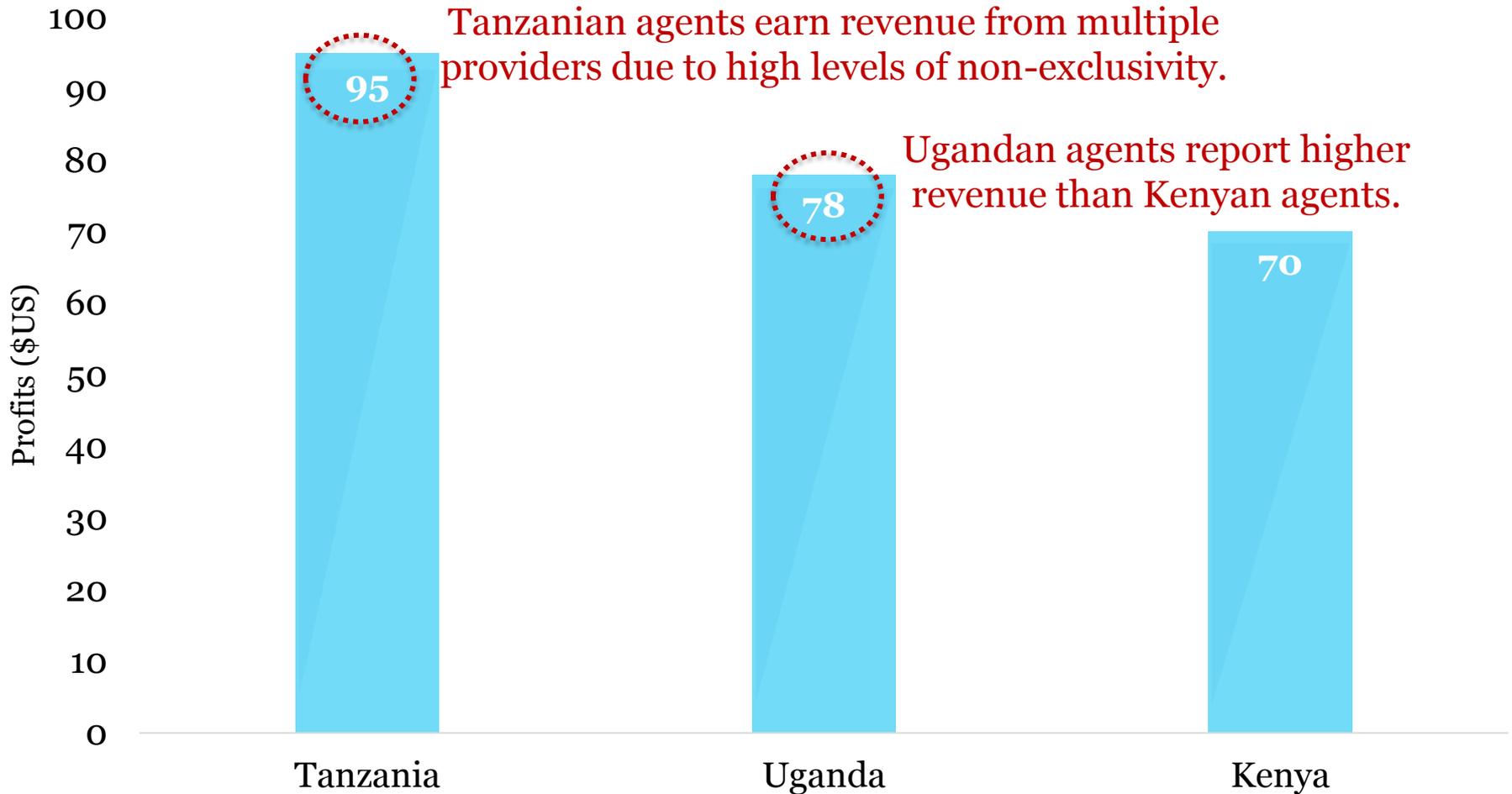
### Kenya



■ Exclusive ■ Non-Exclusive

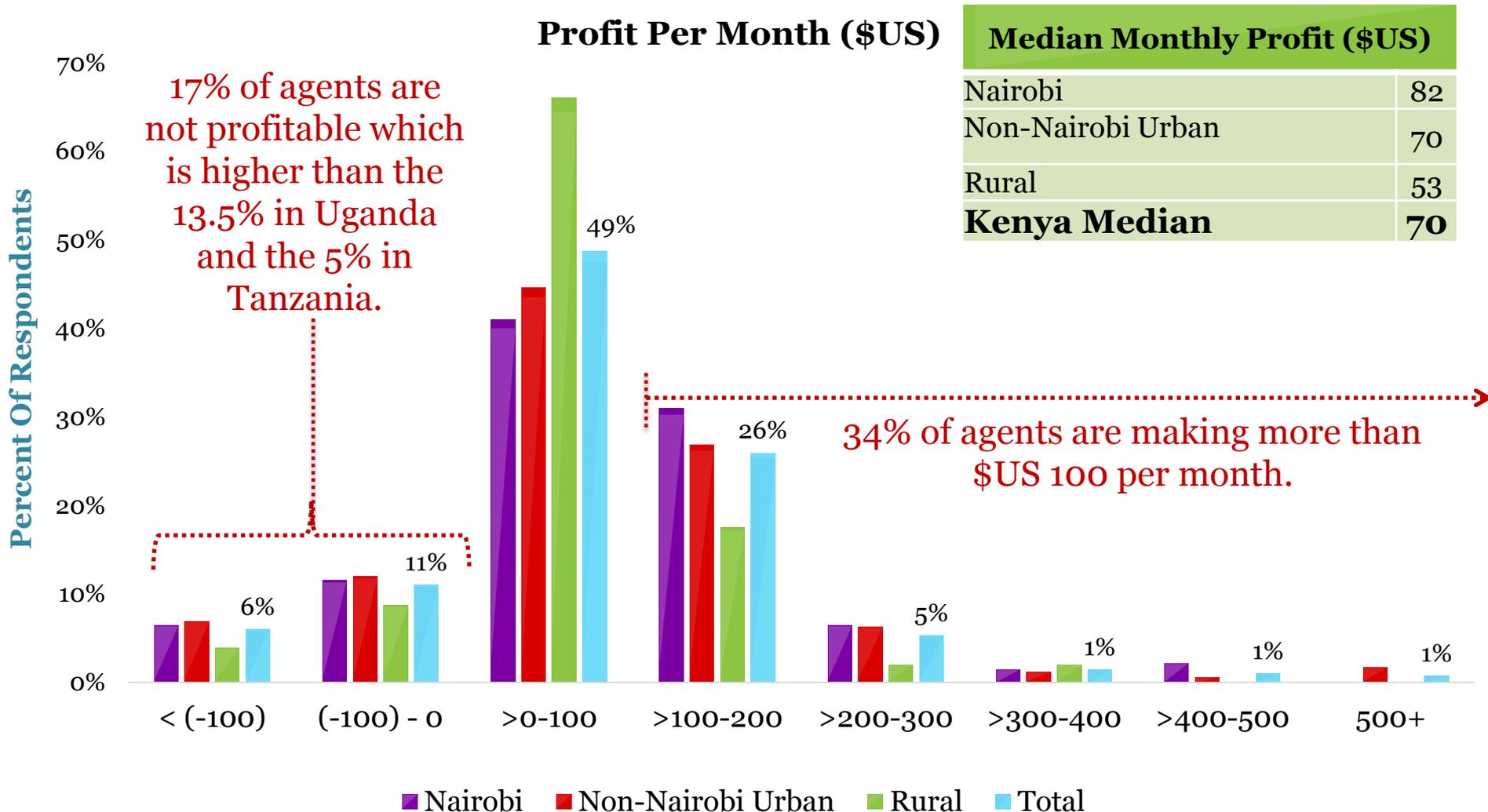
# Agency Profitability Is Low For East Africa\*

Median Profits by Agent Outlet (\$US)



\* Is calculated by subtracting expenses from total earnings from all the providers served. Only agents that reported both earnings and expenses are included here.

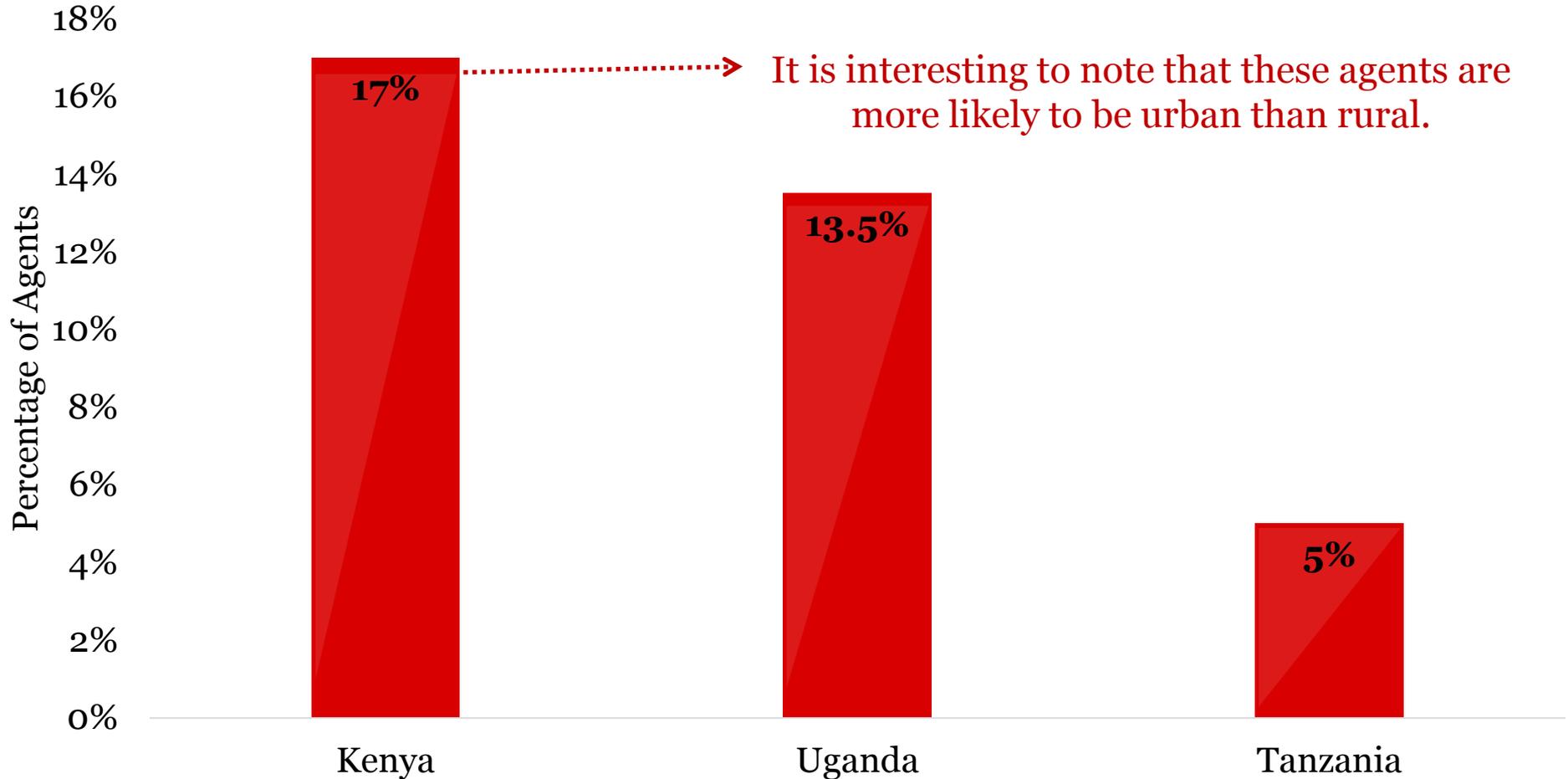
# Agency Profitability Is Low For East Africa\*



\* Is calculated by subtracting expenses from total earnings from all the providers served. Only agents that reported both earnings and expenses are included here.

# Kenya Has The Highest Percent Of Unprofitable\* Agents

Percent of Unprofitable Agents



It is interesting to note that these agents are more likely to be urban than rural.

\* Profitability is calculated by subtracting expenses from total earnings from all the providers served. Only agents that reported both earnings and expenses are included here.

# The Quality Of Agent Support Is High, But There Are Targeted Areas For Improvement



## Training

**92% report receiving training**

- 54% from a provider
- 15% from master agent
- 38% from an employer

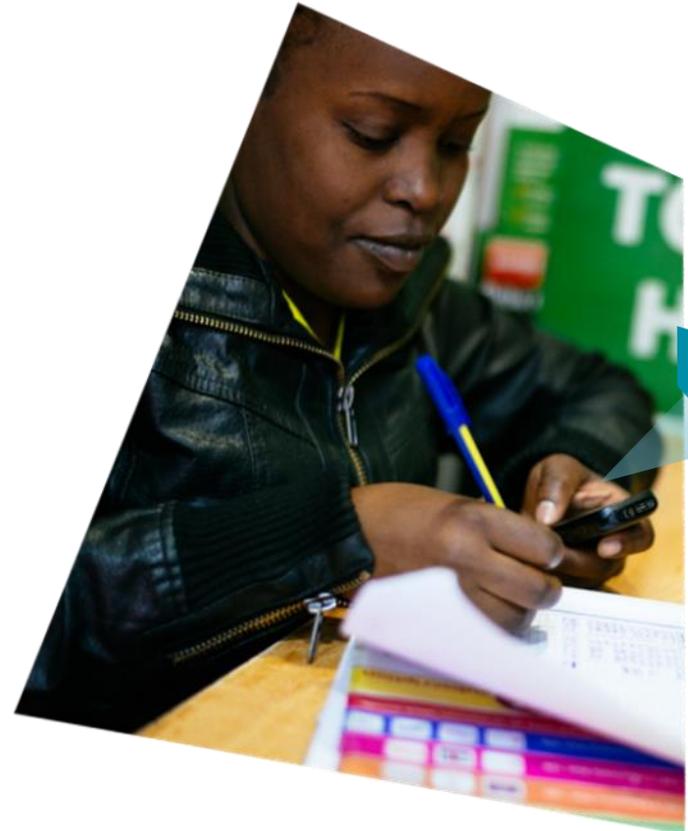
61% of agents have never undergone refresher training compared to 55% in Tanzania, and 57% in Uganda.

## Operational Support:

**86% of agents report being visited compared to Uganda (54%) and Tanzania (74%).** Of those visited a third are visited at least weekly, and almost three quarters are visited at least once a month.

## Call Centre:

98% of agents were aware of a call center, call it a median of four times a month and rated it a 5 out of 7 in terms of its ability to resolve their issues.



# Evolution

## Focus On Agency Banking In Kenya

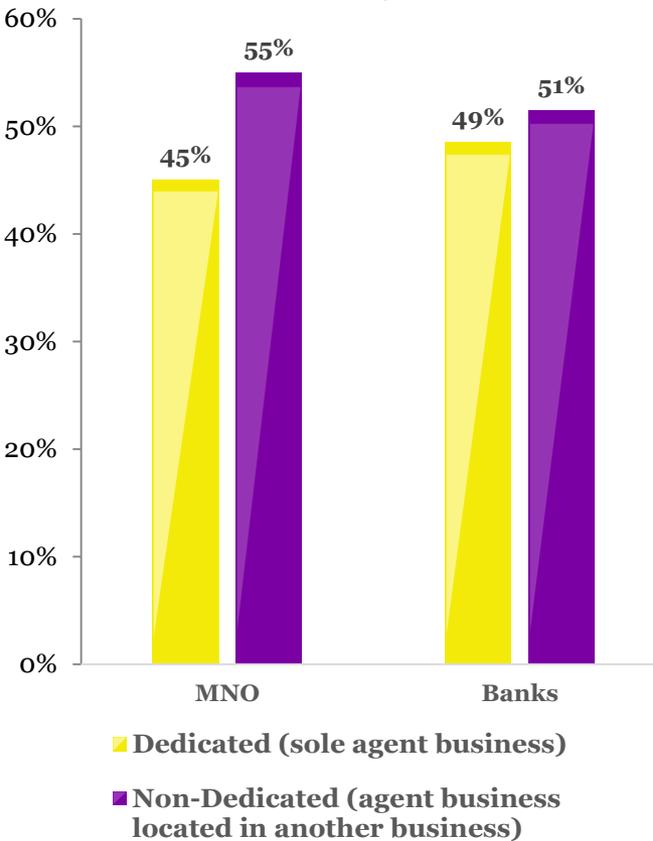
While the national sample did not have a significant portion of bank agents in it, an additional sample of 748 banking agents was conducted for leading bank providers. The next three slides compare the two leading bank networks to the two leading telecom networks.

Metric	Comparison of Bank vs. MNO Agents in Kenya
Location	<a href="#">FSP Maps</a> shows 83% of bank agents and 76% of MNO agents are rural in Kenya, while only 30% of Tanzanian and 44% of Ugandan MNO agents are rural.
Demographics	Both models have similar metrics for agent gender, dedication, and exclusivity, but bank agents are more educated than MNO agents.
Transactions	MNO agents do more transactions per day, but data indicates that bank agents might do larger sized transactions.
Liquidity	Both models locate close to rebalancing points, and rebalance at similar costs and frequencies.
Support	Both models extend high quality levels of support to agents, visiting often and regularly.
Maturity	While the MNO networks of agents have been around longer, both models heavily recruit new agents and therefore are dominated by agents lacking operational experience.

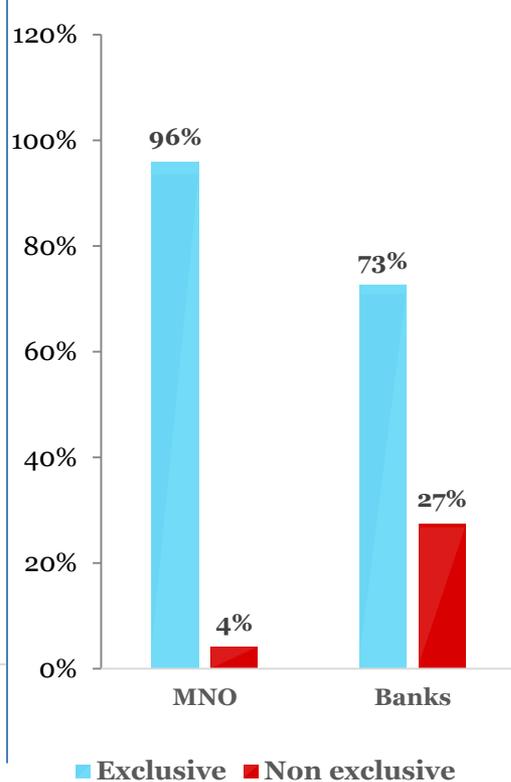
# Mobile Money Vs. Agent Banking: Similarities

**There are a surprising amount of similarities between agents managed by these two different types of providers, including agency demographics and metrics of support.**

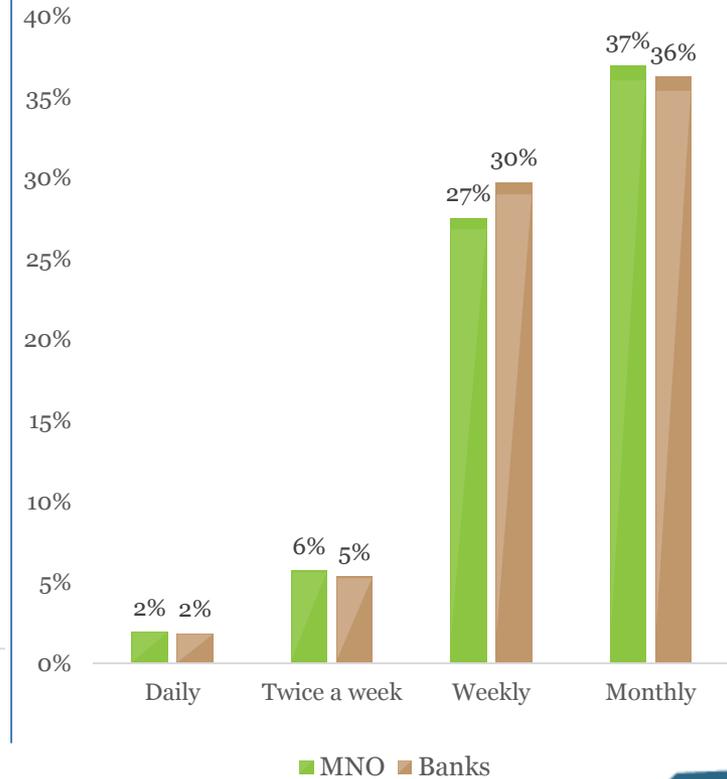
### Dedication By Model



### Exclusivity By Model



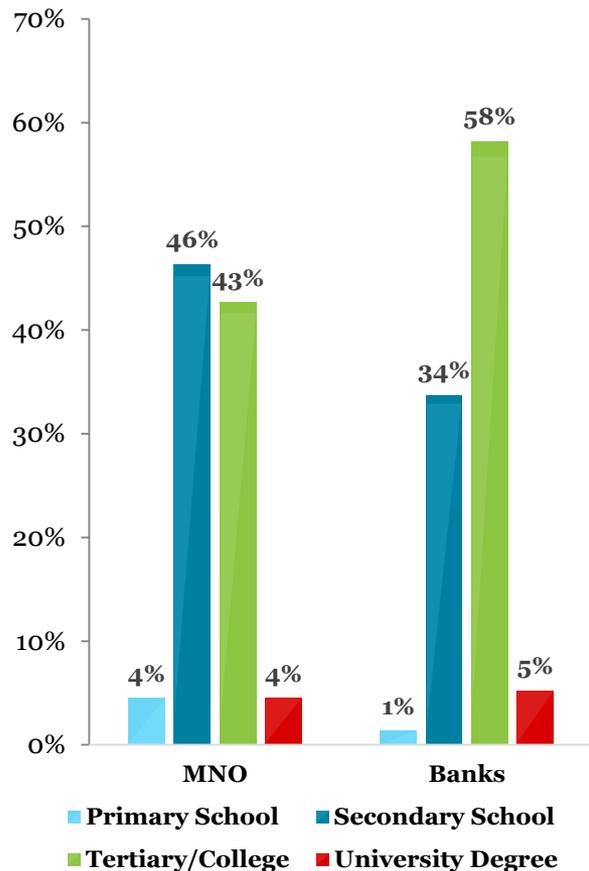
### Frequency of Support Visits by Model



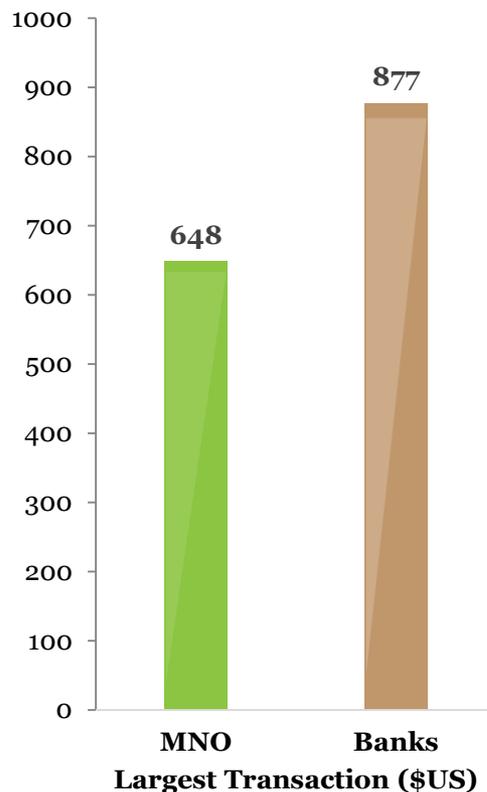
# Mobile Money Vs. Agent Banking: Key Differences

However, there are also some key differences to understand between agents serving banks and telecoms, with bank agents being more educated, generally prepared to do larger transactions, and still experiencing some network growing pains.

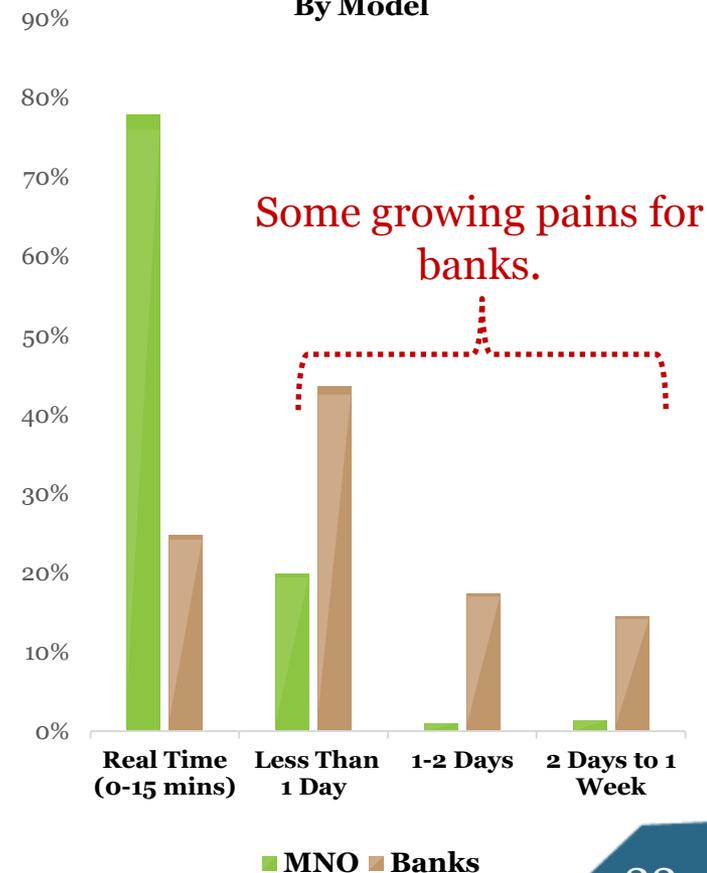
Level of Education By Model



Mean Largest Transaction Value Willing To Be Done Per Till - By Model (\$US)



Time Taken Between Customer Enrollment And Account Activation - By Model



# Mobile Money Vs. Agent Banking: Health Comparison

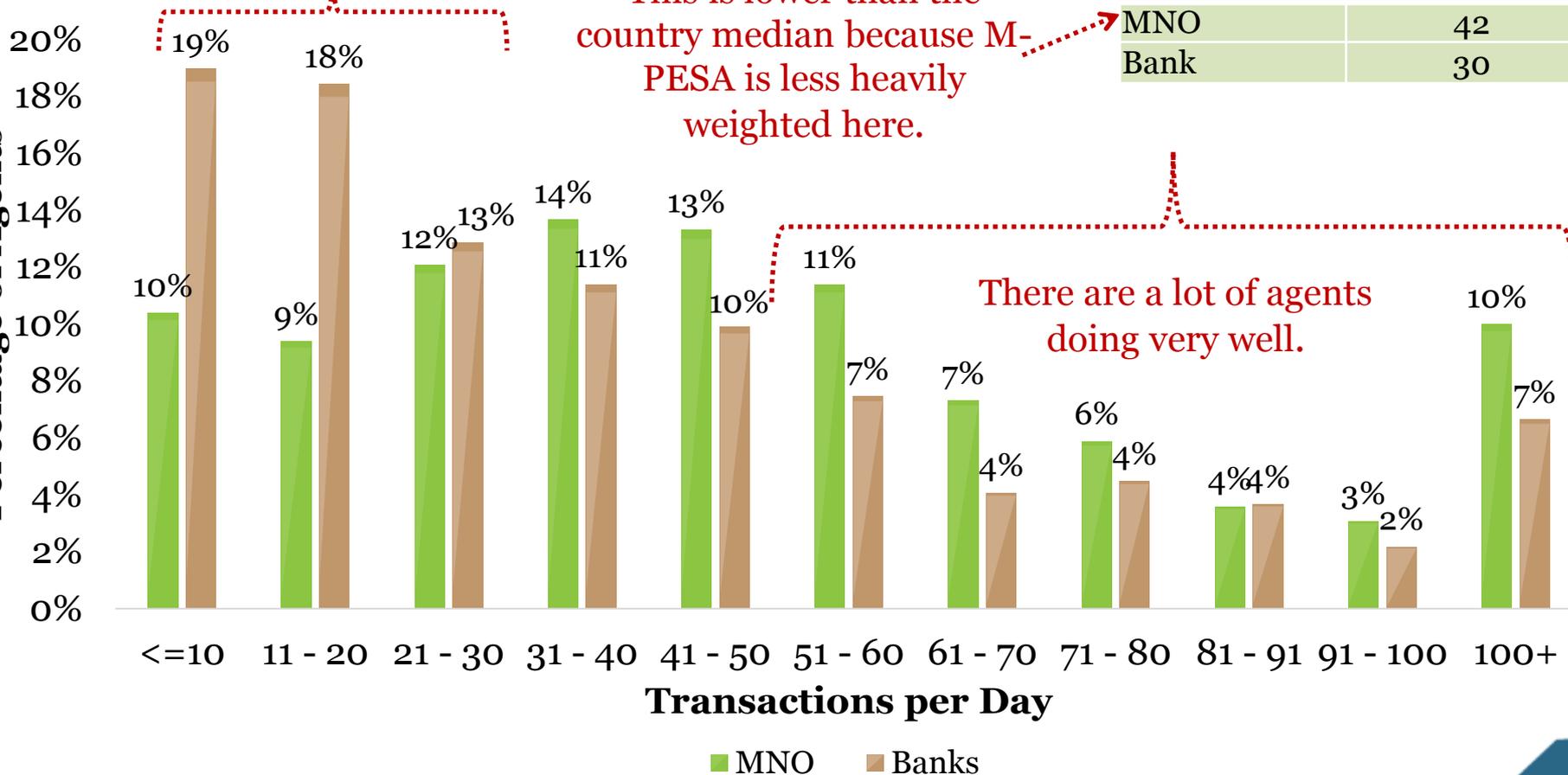
## Total Daily Transactions - By Model

50% of bank agents make 30 transactions or less per day.

This is lower than the country median because M-PESA is less heavily weighted here.

Median Transactions Per Day	
MNO	42
Bank	30

Percentage of Agents



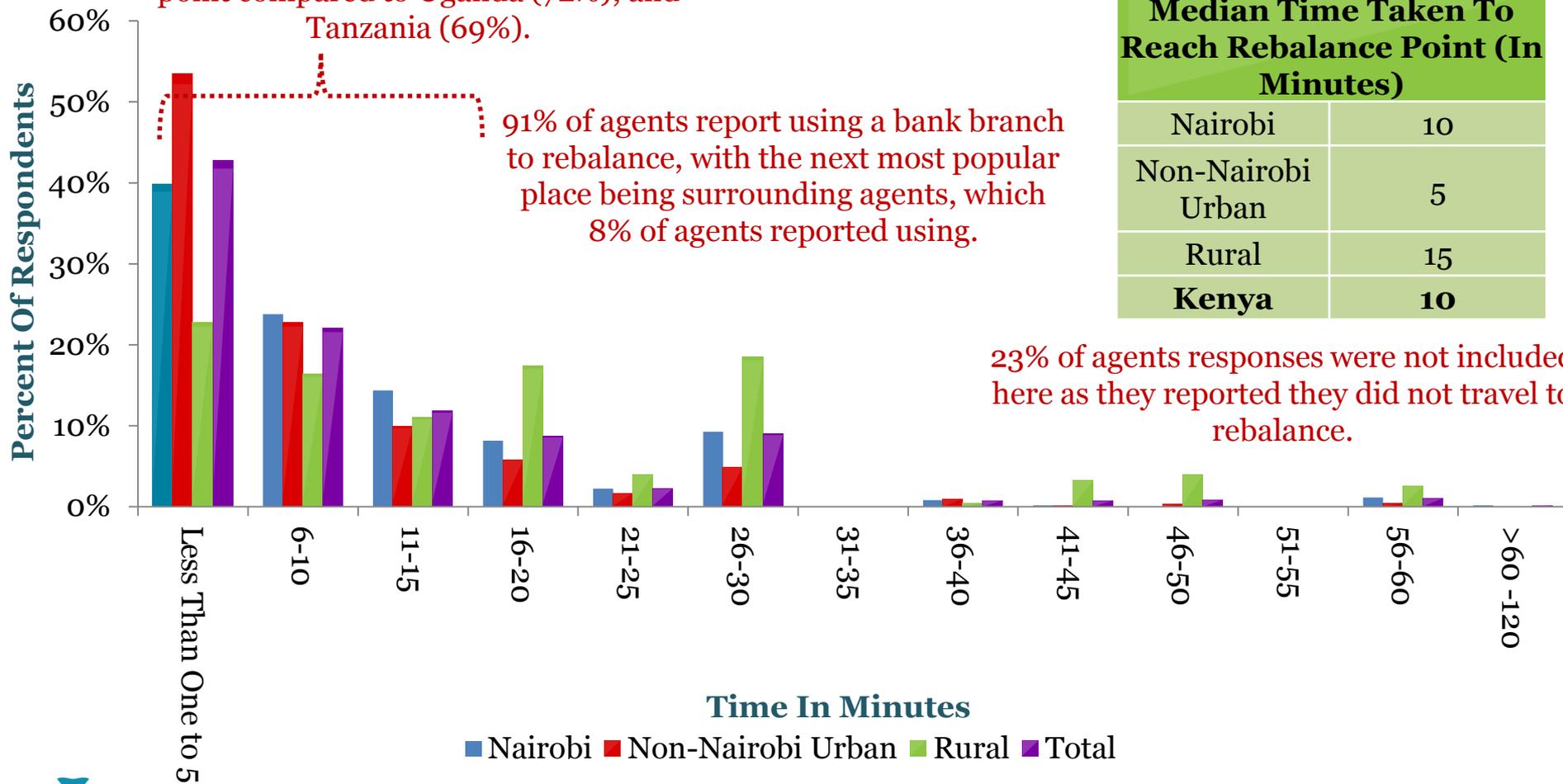
There are a lot of agents doing very well.

# Impact

# Rebalancing Is Easy For Agents In Terms Of Time And Money

Of agents that travel to rebalance, 77% take 15 minutes or less to reach their rebalance point compared to Uganda (72%), and Tanzania (69%).

## Time Taken To Nearest Rebalance Point

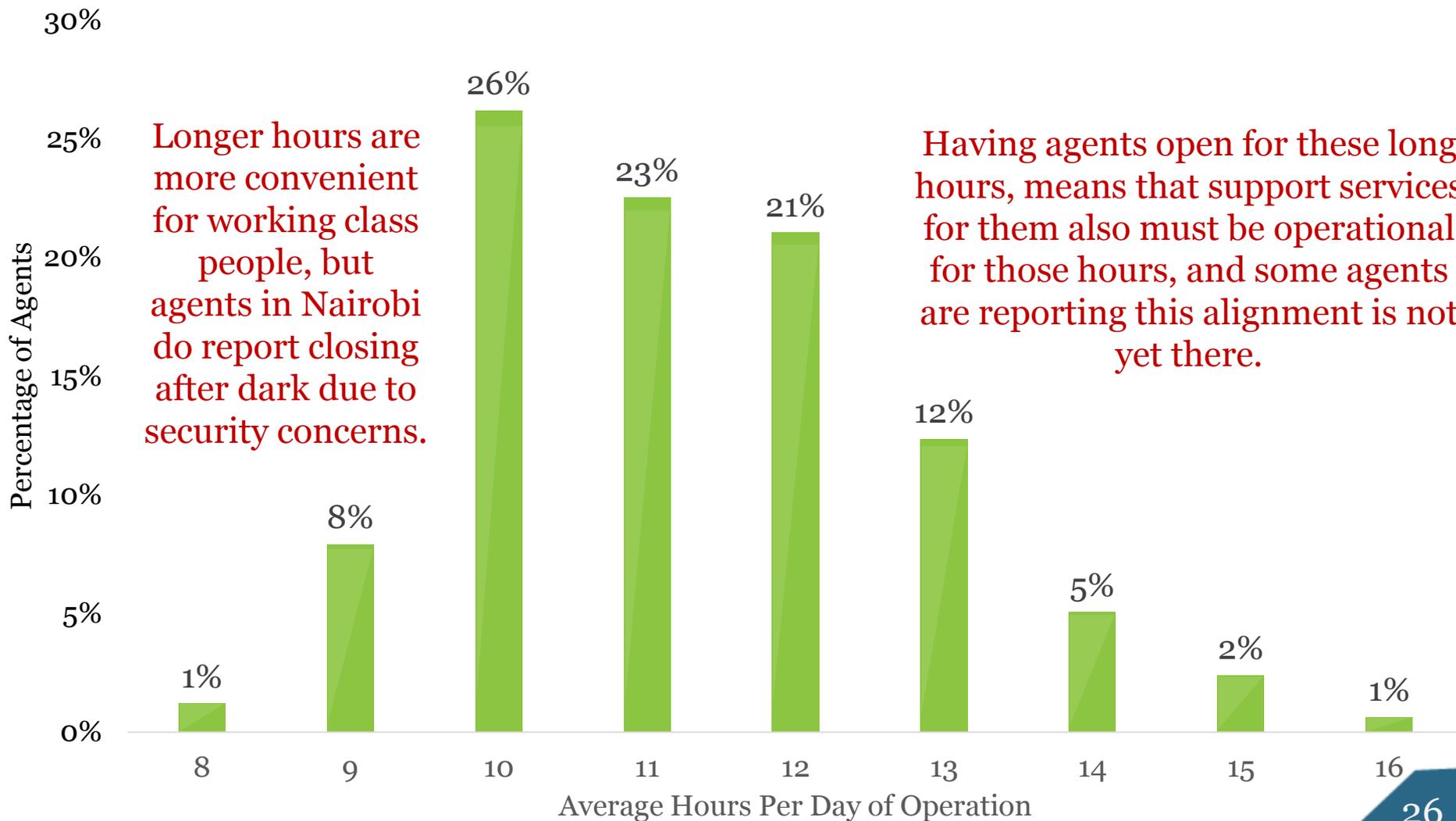


**Agents tend to pay little or nothing to rebalance:** 48% have costs of less than \$US1, this is much lower than Tanzania though, where the corresponding figure is 81%.



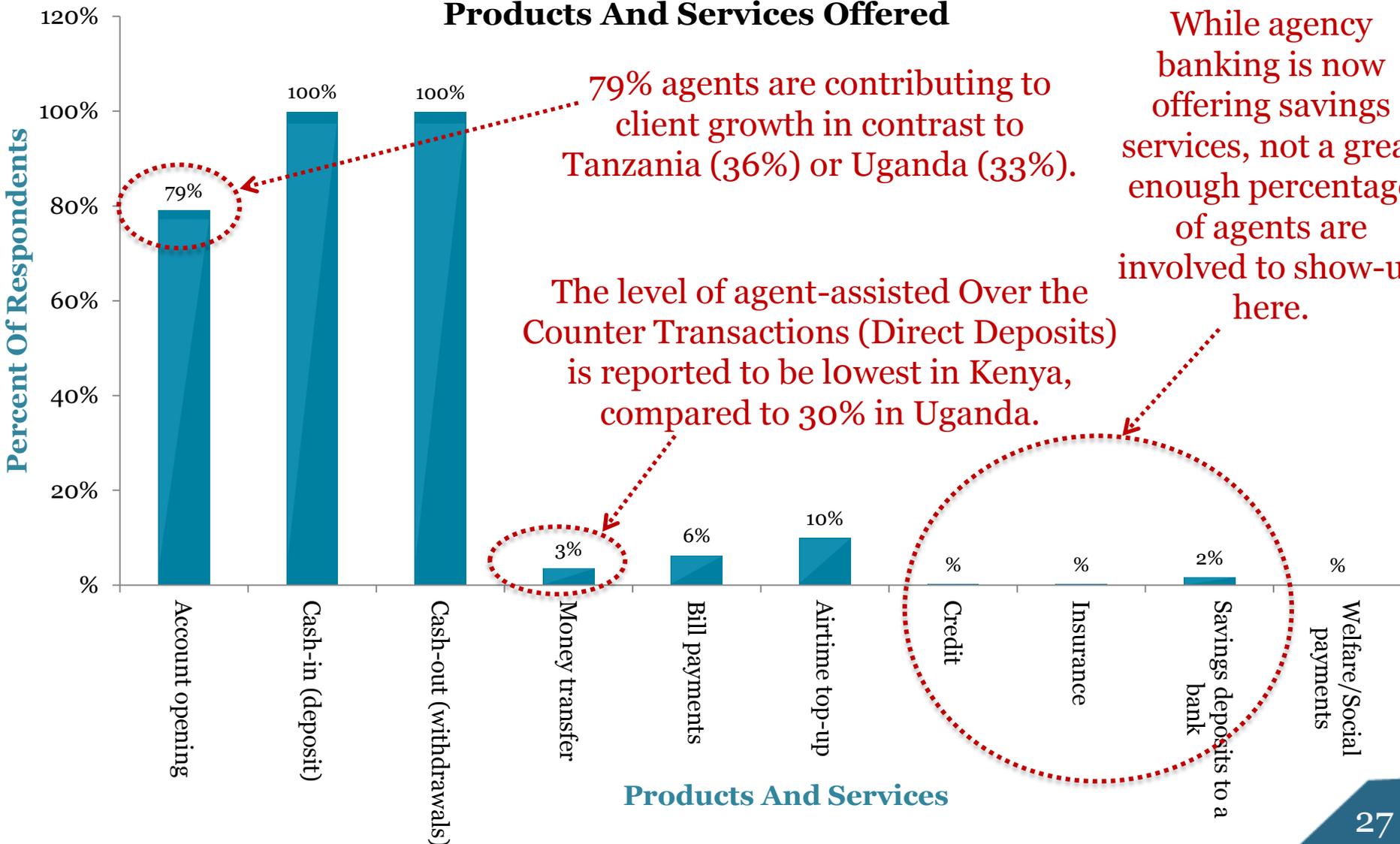
# Agents Offer Much More Convenient Hours Than Traditional Banks

Average Hours per Day of Agency Operation



# The Lack Of Offerings Means Potential For Product Innovation

## Products And Services Offered



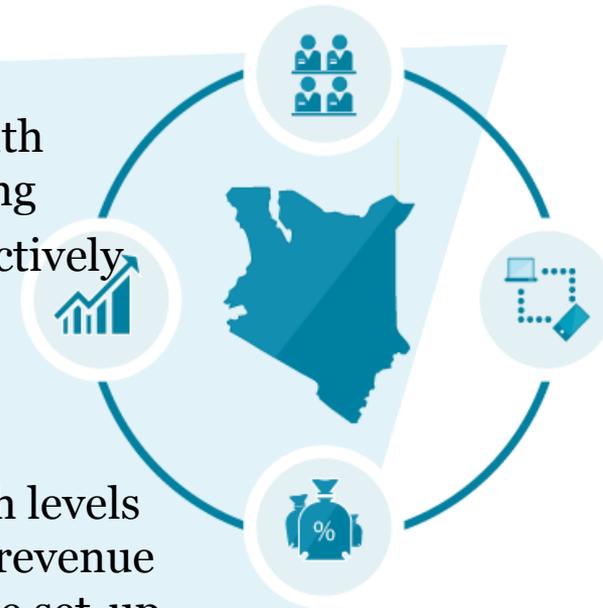
79% agents are contributing to client growth in contrast to Tanzania (36%) or Uganda (33%).

The level of agent-assisted Over the Counter Transactions (Direct Deposits) is reported to be lowest in Kenya, compared to 30% in Uganda.

While agency banking is now offering savings services, not a great enough percentage of agents are involved to show-up here.

# Overview of Proliferation & Dominance

- Agents generally perceive the market to be saturated with agents, yet providers seem to still be aggressively growing agent numbers. **Improving the quality of agents**, actively addressing fraud and discontinuing low performing agents seems to need more focus.
- Market dominance from Safaricom seems to lead to high levels of **exclusivity**, limiting agents' ability to earn multiple revenue streams, and meaning parallel agent support systems are set-up by providers that could be made redundant.
- Despite the large number of agents, and large market power of Safaricom, agents seem to be well supported, particularly in terms of having **regular support** visits.

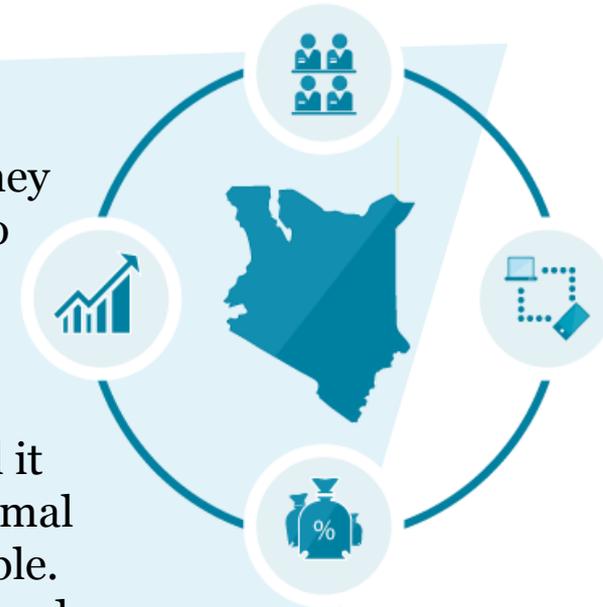


# Overview of Impact & Evolution

The networks are evolving as **bank agents are expanding**, but many still have low activity rates. They share many fundamentals with the MNO agents, but also seem to be bringing more higher value dynamic to the market.

Examining impact on three different dimensions, overall it seems positive in that there are many places to go for formal finance, and more hours in the day when they are available. However geographic expansion could probably be improved as many **agents seem to be located in halos around rebalance points**, and products offered by agents are very basic.

New **products seem detached from the agents**, even though they are becoming more sophisticated. These products will likely need to be more integrated with the network so agents can explain and build trust in them.



# Thank You

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