



Agent Network Accelerator Survey: Tanzania Country Report 2013



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Contributing Authors: Mike McCaffrey, Leena Anthony, Annabel Lee,
Kimathi Githachuri, Graham A. N. Wright

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

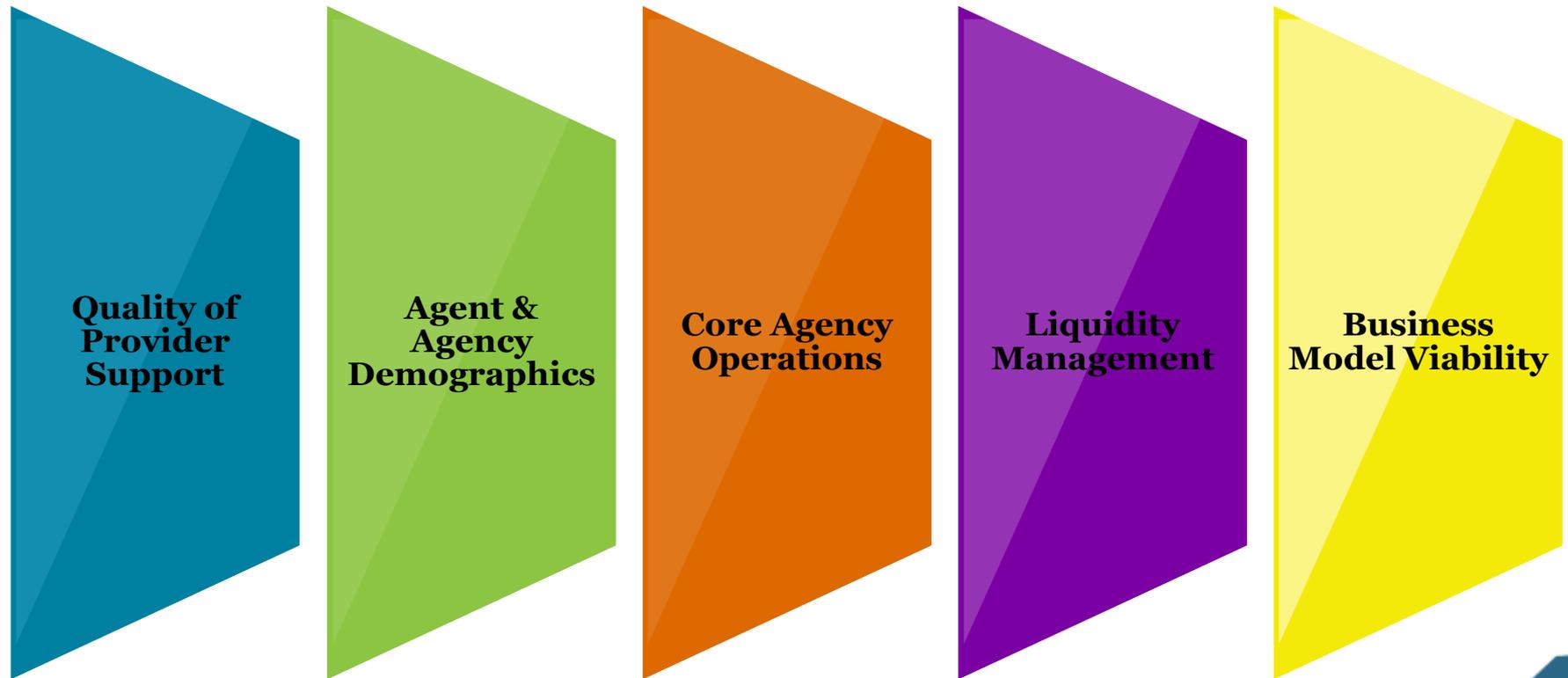
Research findings are disseminated through *The Helix Institute of Digital Finance*. *Helix* is a world-class institution providing operational training for digital finance practitioners.



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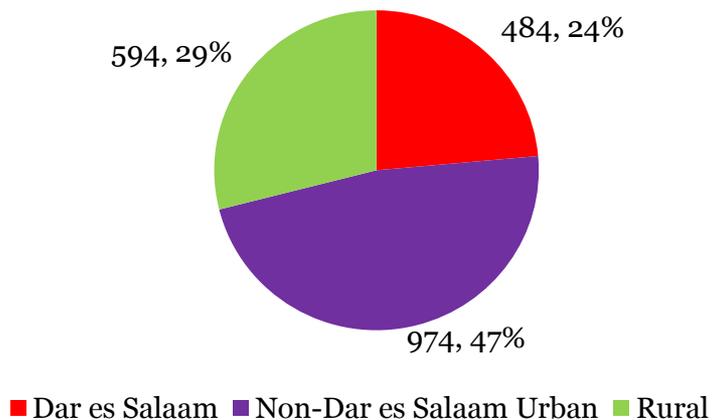
Focus of Research

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



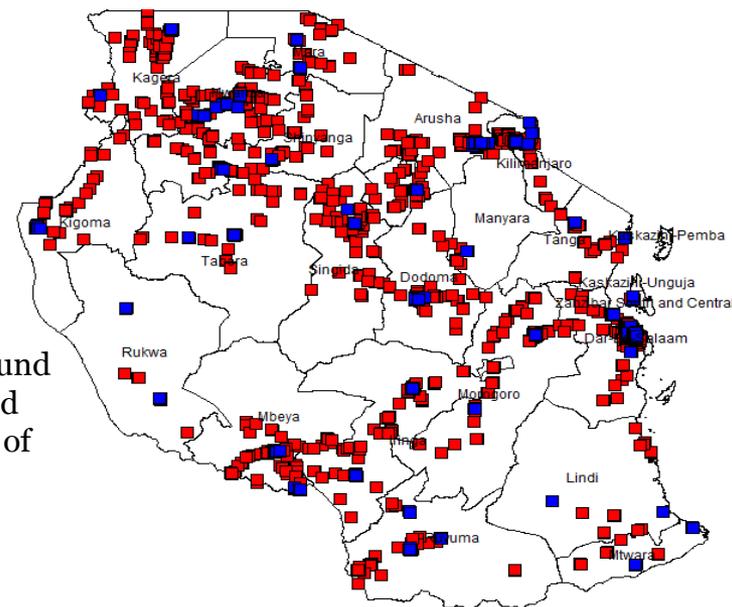
The Research Is Based On 2,052 Nationally Representative Agent Interviews

Achieved Sample



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

Red points represent agents Brand Fusion found in 2012 when it collected geo-spatial coordinates of mobile money agents. **Blue** ones are the ones interviewed for this research.



Sample Profile*

Key Providers**	Location			Exclusivity		Dedication	
	Dar es Salaam	Non-Dar es Salaam Urban	Rural	Exclusive	Non-Exclusive	Dedicated	Non-Dedicated
A	444	934	572	895	1055	1378	572
B	180	256	144	25	555	383	197
C	426	358	182	66	900	669	297

*Note this table shows results only for the top three providers. Numbers in this table sum to 3,496 as they represent all providers served by agents. i.e. if an interview was done with an agent serving three providers, it is counted three times in this table.

** Provider names have been anonymized to maintain confidentiality.

Tanzania Overview

Agents are overwhelmingly profitable, with healthy transaction rates. The three aggressively expanding providers, and the non-exclusivity of agents is putting pressure on liquidity. It is also driving low operational costs and a focus on agent support (relative to Uganda).

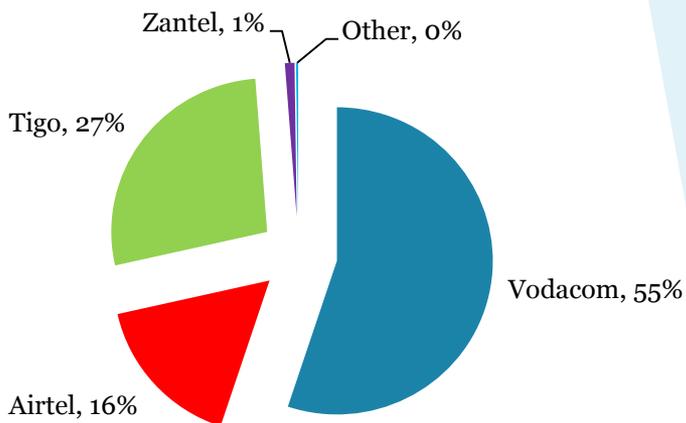
▲ Different players in the ecosystem are offering novel solutions for liquidity management, and providers need to assess what is working best and scale it up.

▲ Agent support indicators are higher than in Uganda. Providers are increasingly looking towards financial products and merchant payments to differentiate their offering.



Providers' Market Share Of National Agent Network

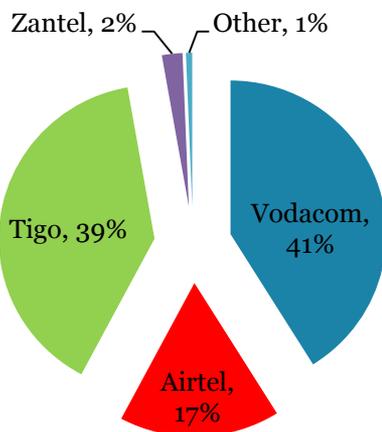
Market Share



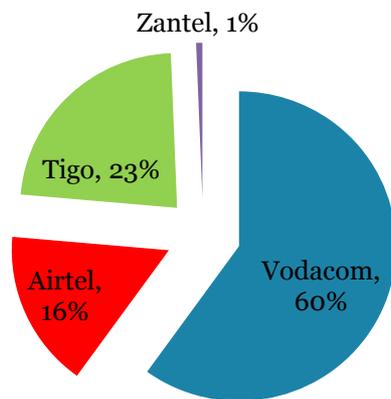
While Tanzania is often cited as a highly competitive market, over half of agents serve Vodacom countrywide, and outside of the capital it is nearly two thirds of agencies.

Tigo is focused in the capital and holds an equal market share there with Vodacom.

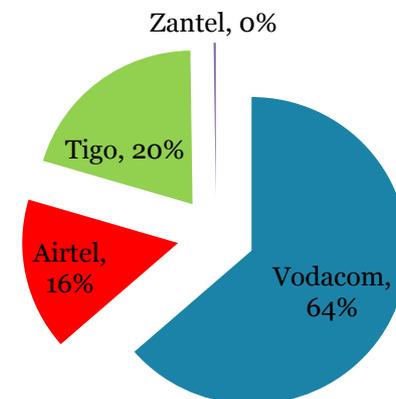
Dar es Salaam



Non-Dar es Salaam Urban



Rural

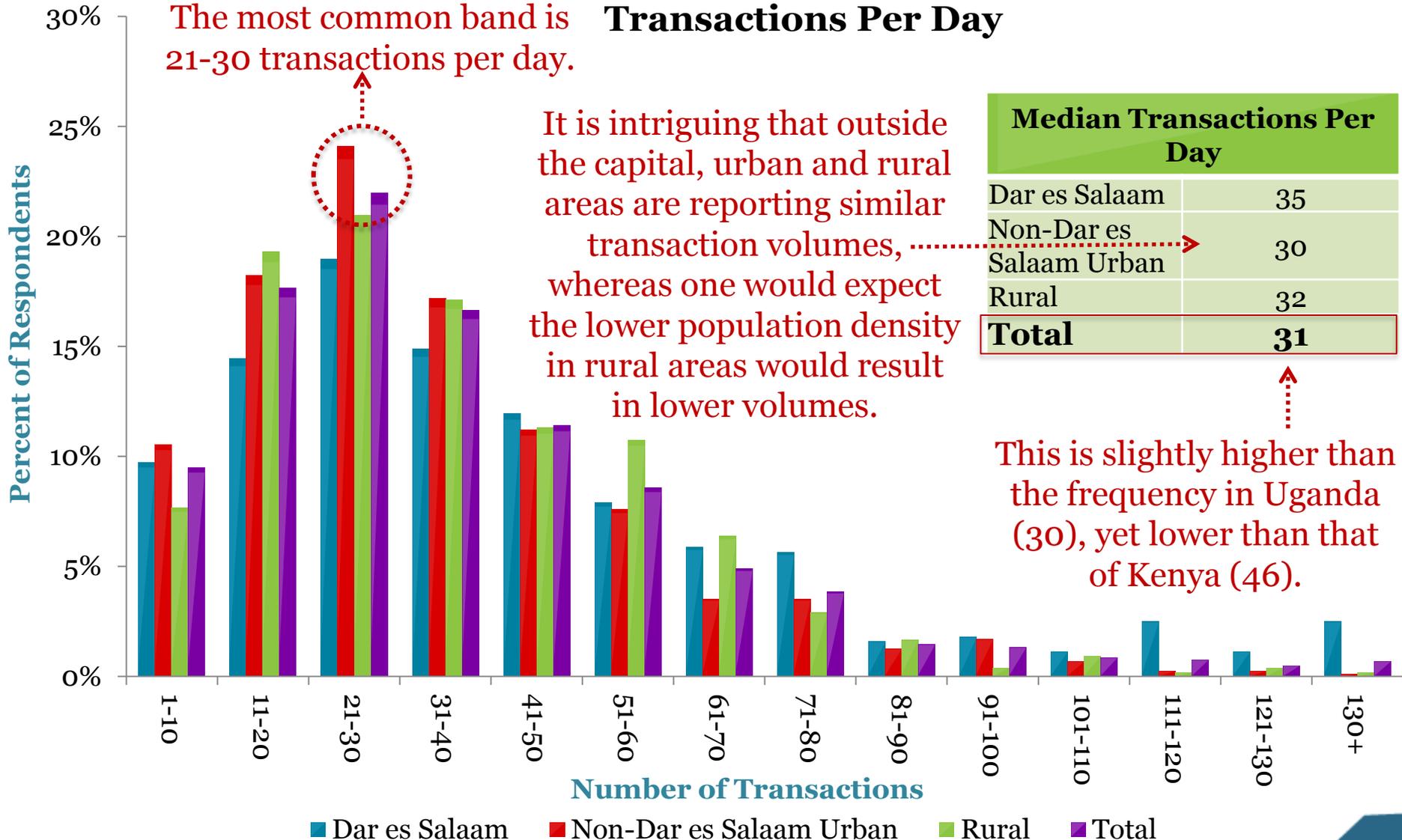


Agent market share is defined as the proportion of cash-in/cash-out (CICO) agents by provider.

Daily Transaction Levels* Show A Healthy Business For Agents

The most common band is 21-30 transactions per day.

Transactions Per Day



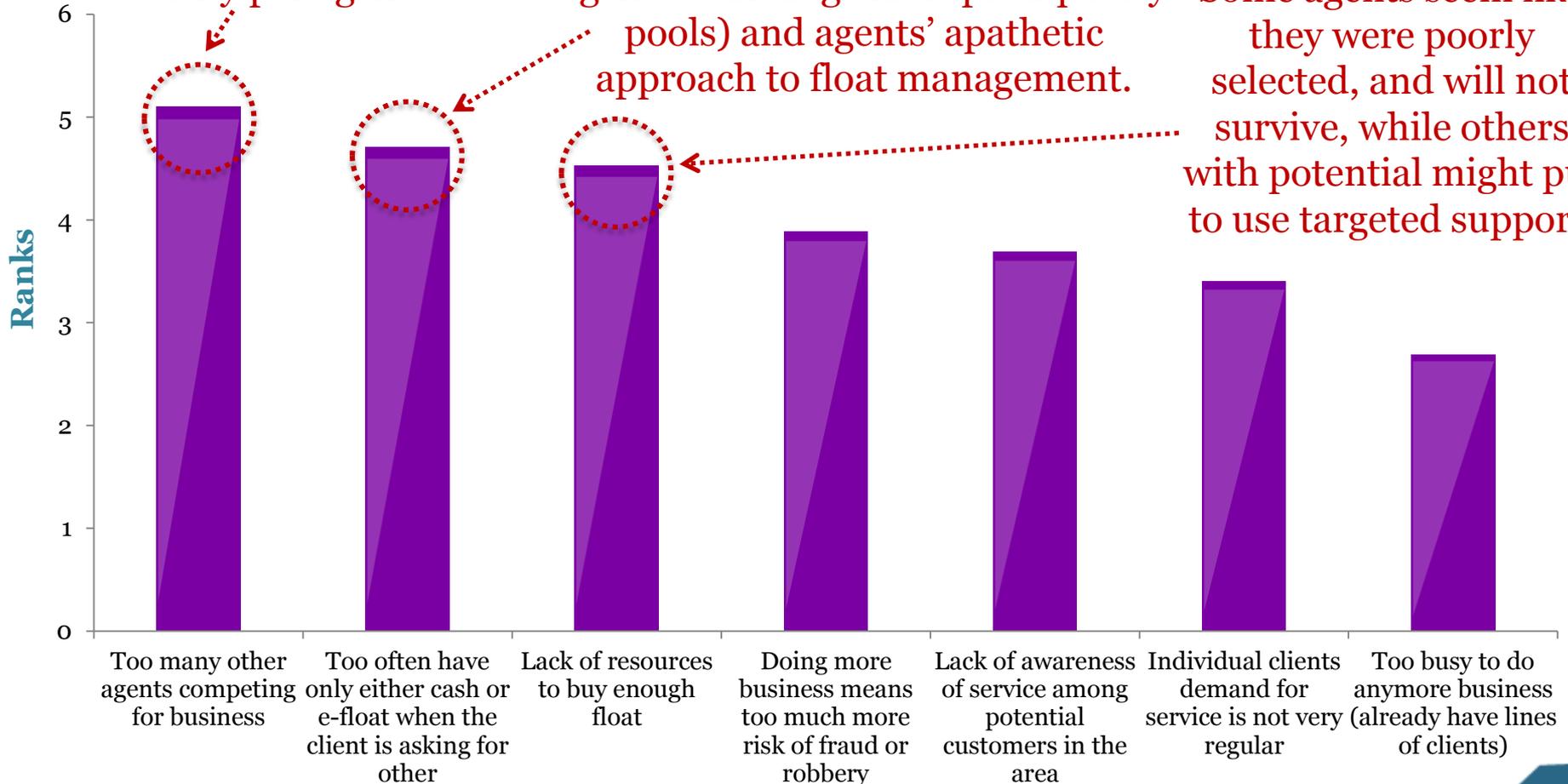
* Numbers represent transactions per day by selected provider, not overall volumes for the agency.

Largest Stated Barriers To Daily Transactions*

Rapid expansion of networks is reportedly decreasing activity per agent.

Liquidity issues are being driven by non-exclusivity of agents (forcing agents to manage multiple liquidity pools) and agents' apathetic approach to float management.

Some agents seem like they were poorly selected, and will not survive, while others with potential might put to use targeted support.



* These scores are weighed averages of rankings, so that higher scores represent dimensions receiving a higher ranking.

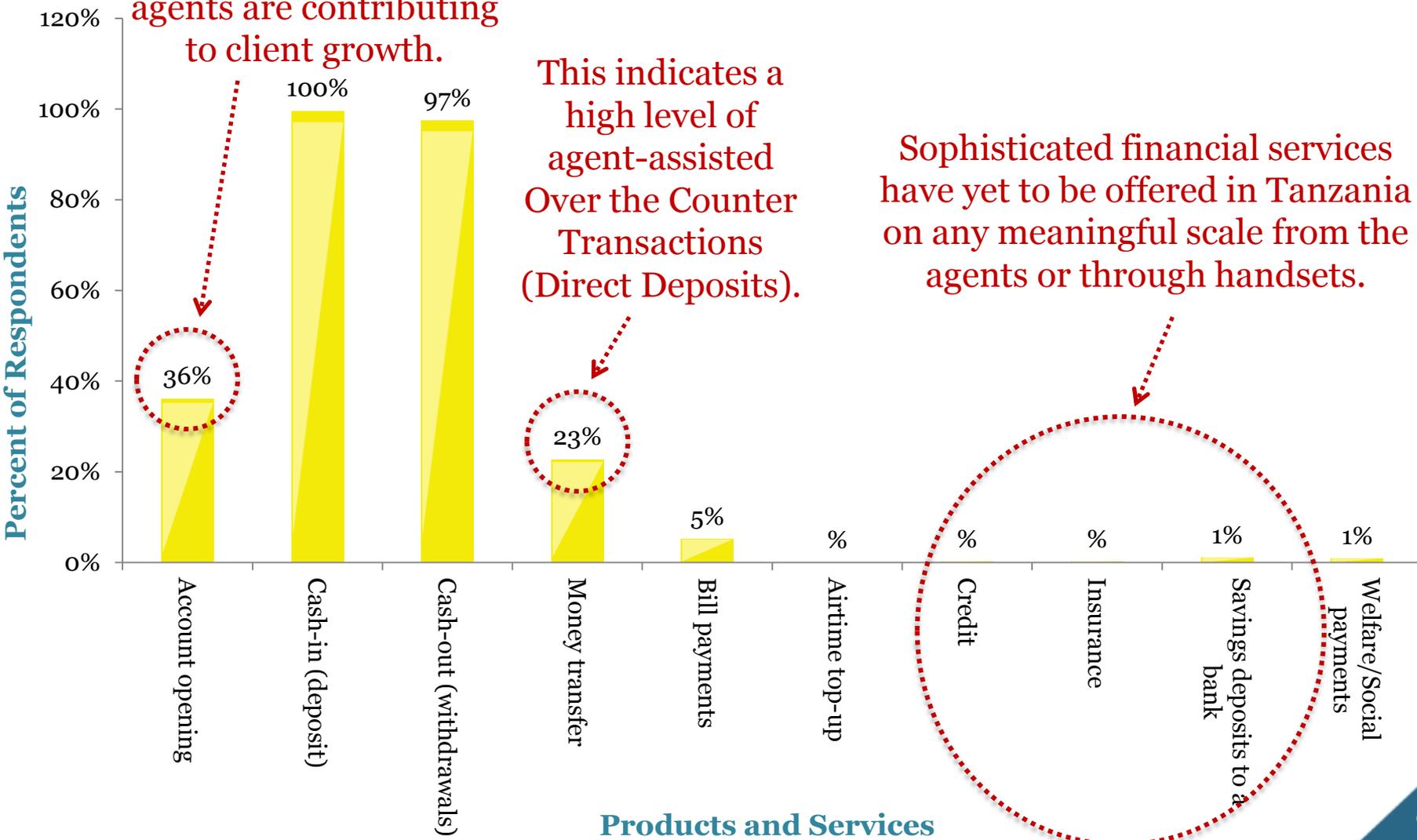
The Lack Of Offerings Means Potential For Product Innovation

Products And Services Offered In The Country

Only about a third of agents are contributing to client growth.

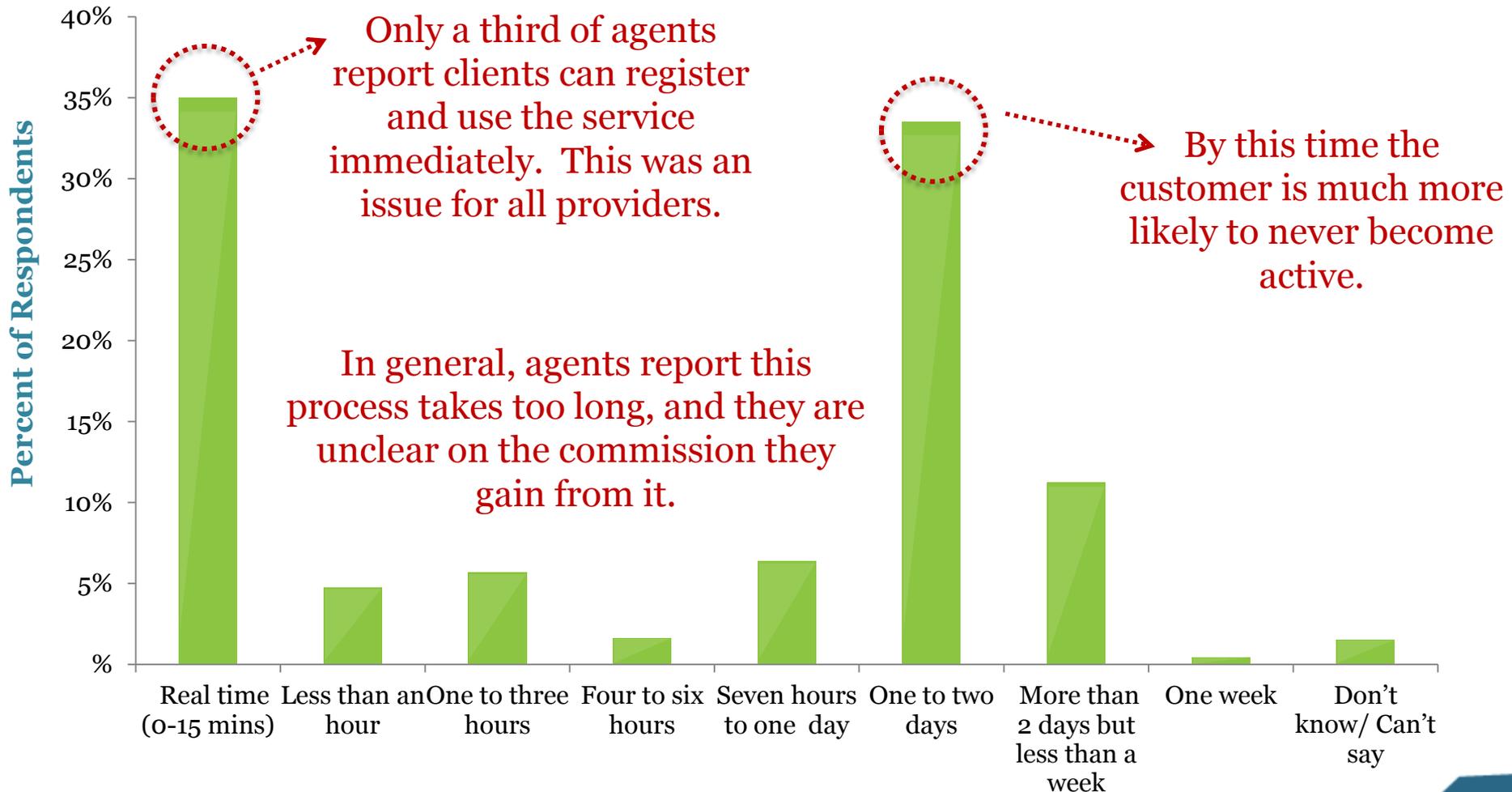
This indicates a high level of agent-assisted Over the Counter Transactions (Direct Deposits).

Sophisticated financial services have yet to be offered in Tanzania on any meaningful scale from the agents or through handsets.



Customer Activation Time A Serious Issue

Customer Account Activation Time



Agents Are Overwhelmingly Profitable*

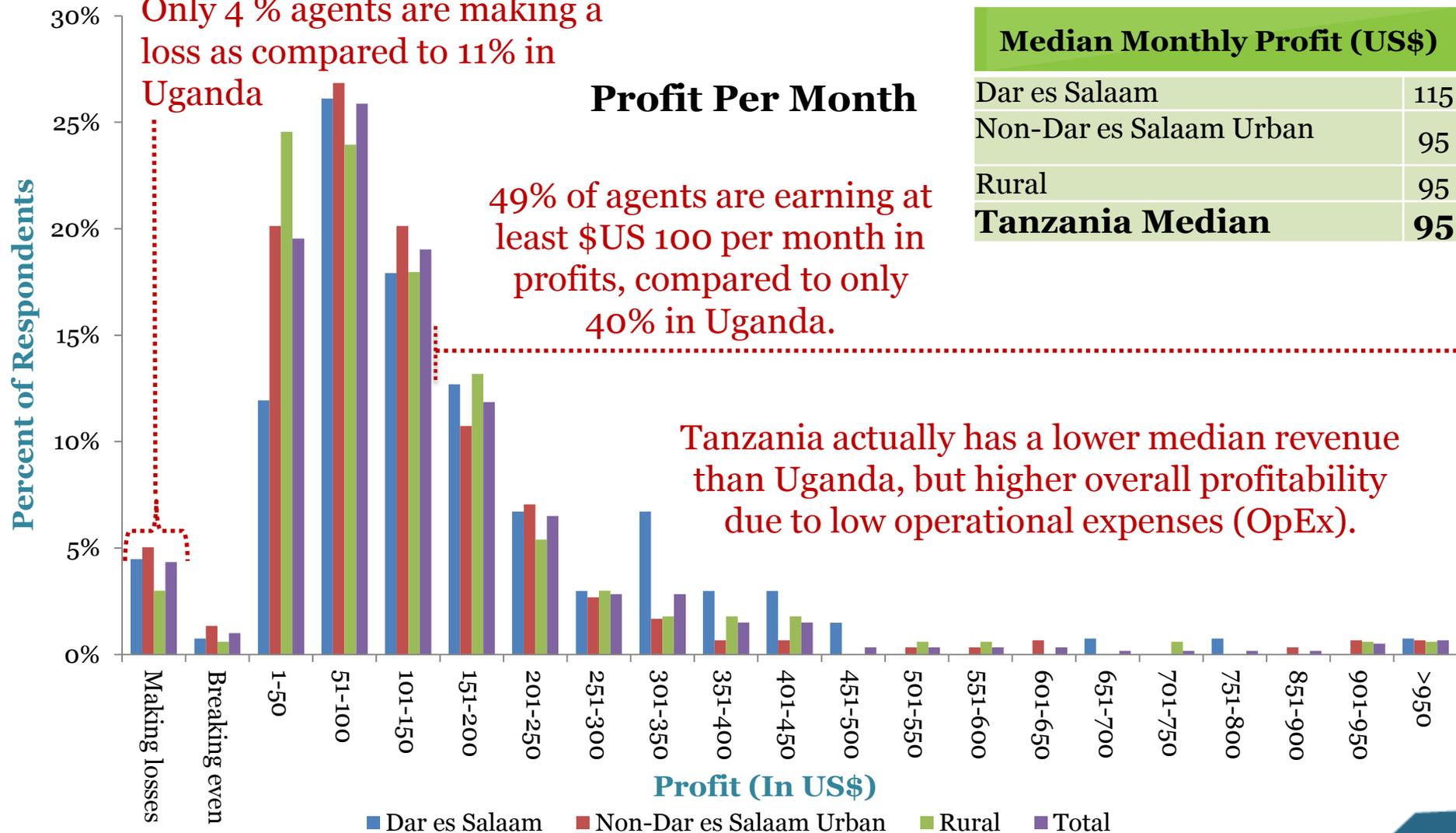
Only 4 % agents are making a loss as compared to 11% in Uganda

Profit Per Month

49% of agents are earning at least \$US 100 per month in profits, compared to only 40% in Uganda.

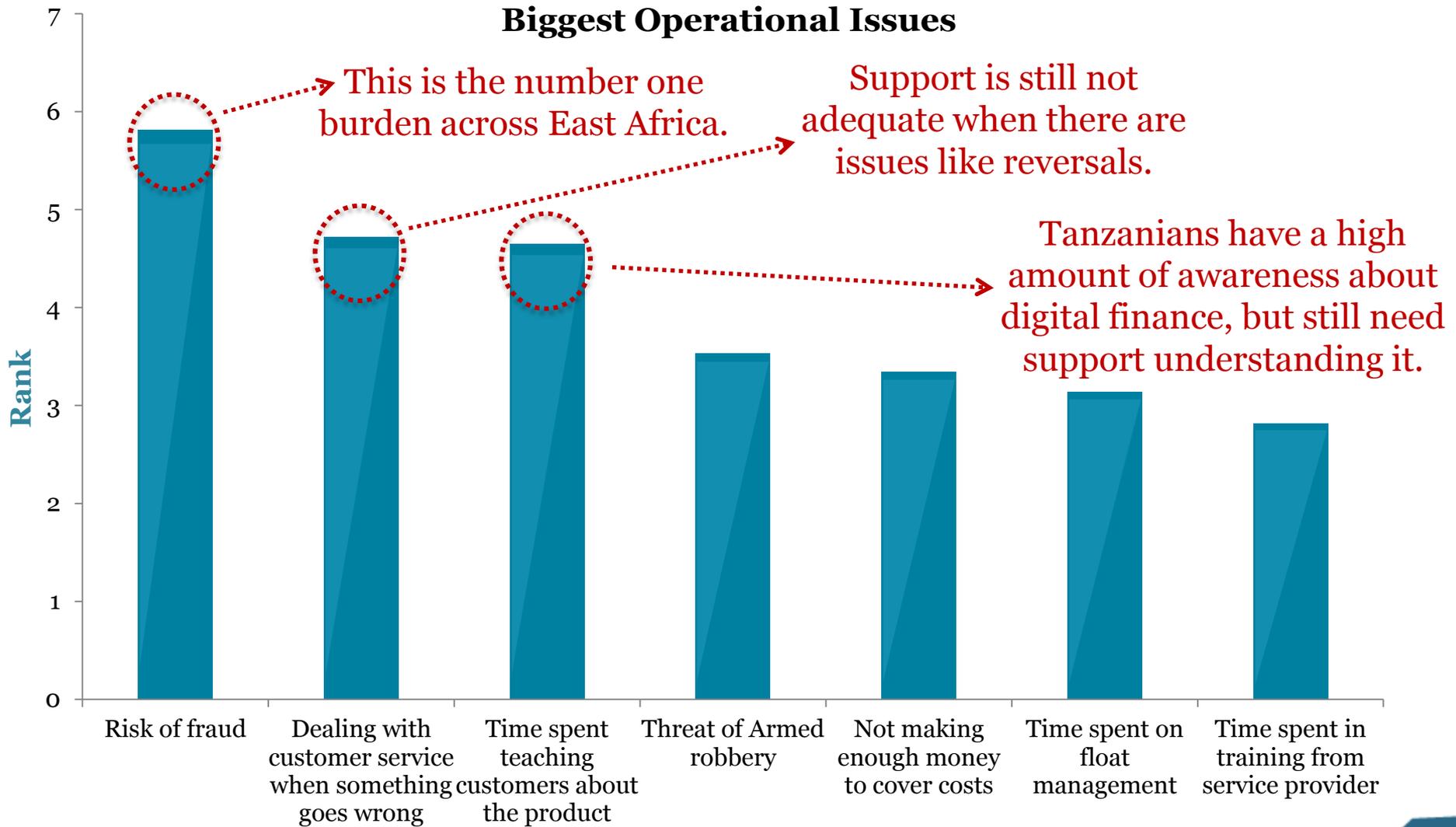
Tanzania actually has a lower median revenue than Uganda, but higher overall profitability due to low operational expenses (OpEx).

Median Monthly Profit (US\$)	
Dar es Salaam	115
Non-Dar es Salaam Urban	95
Rural	95
Tanzania Median	95



* Is calculated by subtracting expenses from total earnings from all the providers served.

Risk Of Fraud Most Burdensome To Agents' Business*



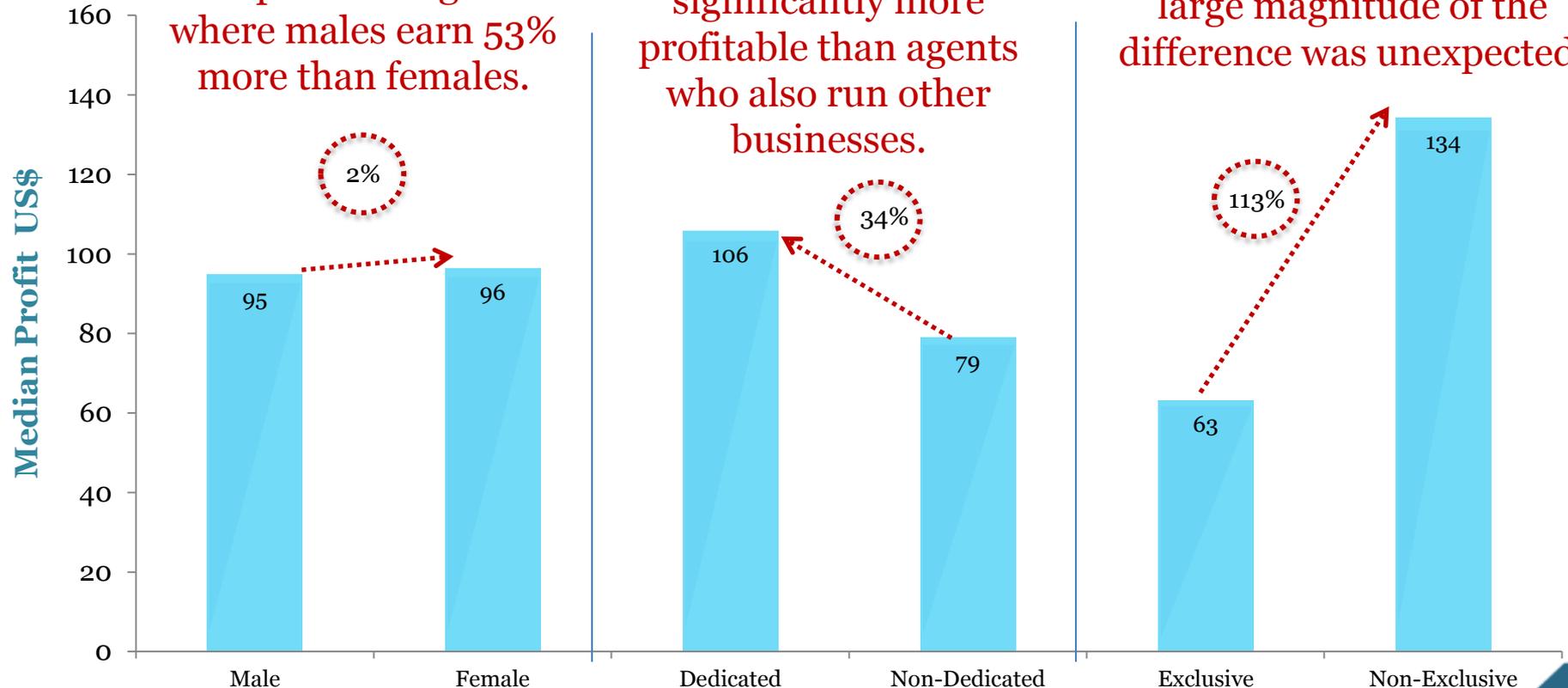
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Comparison of Median Profits* By Existing Dimensions

Female profits are only 2% greater than male's, indicating a more equitable market as compared to Uganda where males earn 53% more than females.

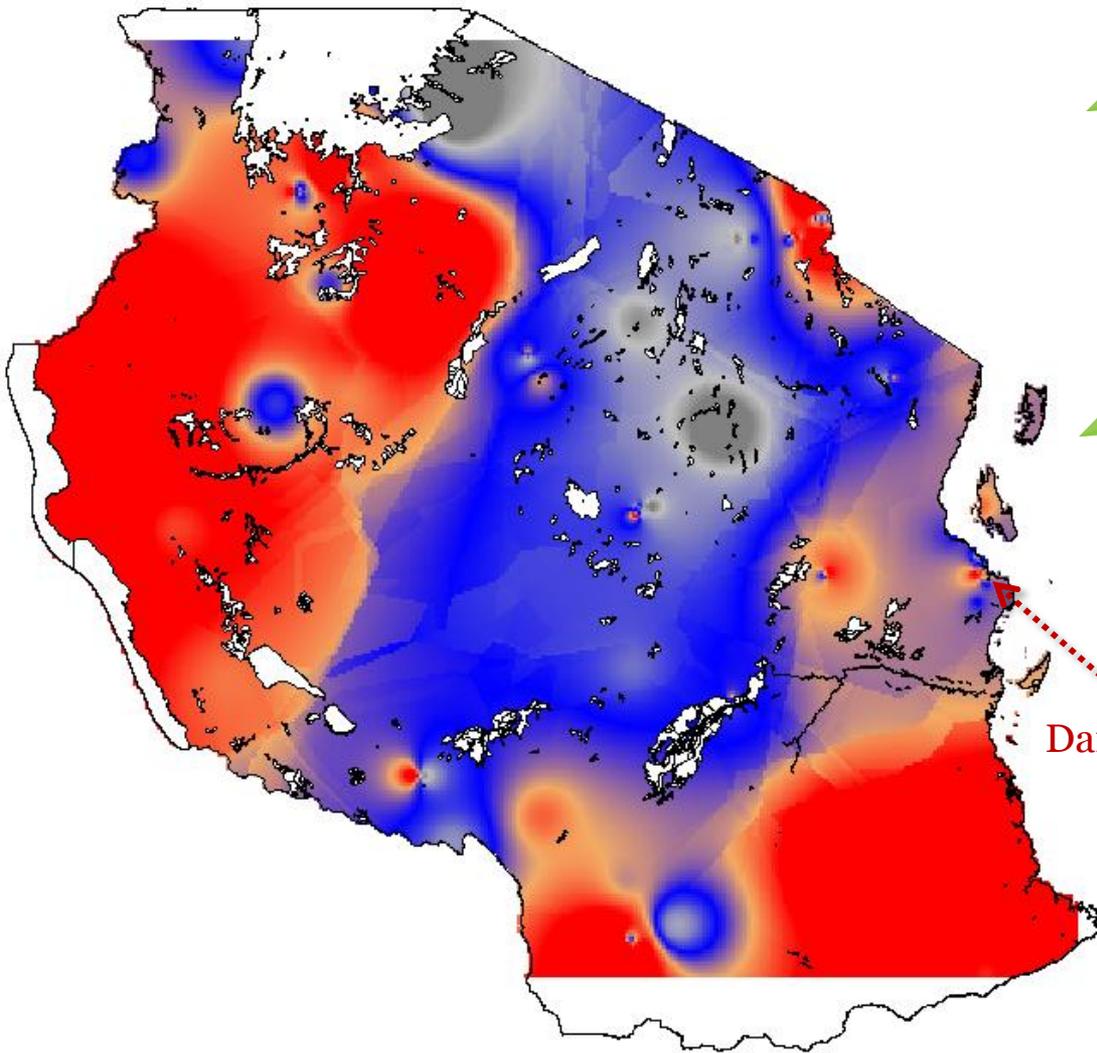
Dedicated agents only perform CICO services and sometimes also sell airtime. They are significantly more profitable than agents who also run other businesses.

Non-exclusive agents serve multiple providers, so it is expected that this value should be higher, but the large magnitude of the difference was unexpected.



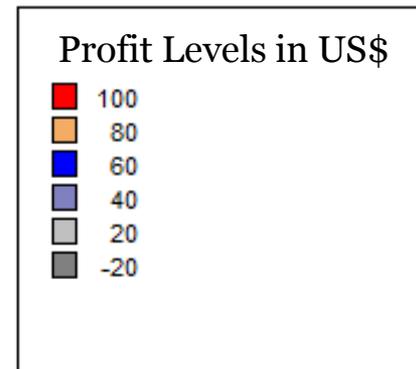
* Is calculated by subtracting expenses from total earnings from all the providers served.

Profitability Across Tanzania



- Profitability is lowest in the sparsely populated center of the country, however, in Tanzania this reportedly fluctuates with the harvest season.
- It is still unclear if the centre of the country does not have a viable business model, or if providers just have not figured it out yet.

Dar es Salaam



Median Profits* Drop After The First Year Of Operation

Impact Of Age Of Agency On Profitability

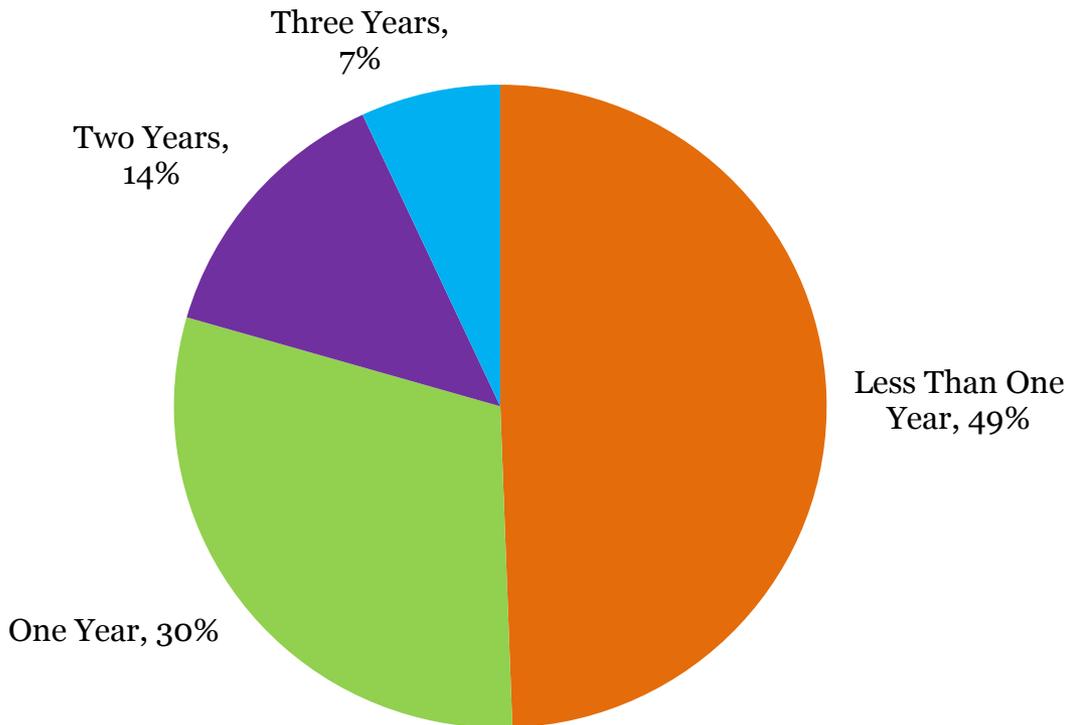
In Uganda profits were greater for agents that had been in the business longer, but in Tanzania the youngest and oldest agencies seem to be most profitable.



* Is calculated by subtracting expenses from total earnings from all the providers served.

79% Of Agencies Have Been Operating For One Year Or Less

Age* Distribution Of Agencies



Major providers all report aggressively growing their agent networks, and therefore there are many new agents in the market.

However 70% of agents interviewed reported they thought they would continue with the business next year, so the small percentage of agencies over two years old probably represents a high-level of agency turnover as well.

* Age here is defined as when the agency was opened irrespective of the providers served. Also note that 9% of respondents have been excluded from the analysis as they did not accurately remember age.

Outside of Dar, Agents Are Earning* Marginally Less Than The Average GNI Per Capita

Median Revenue In US\$

Total monthly revenue from all providers is highest in Dar es Salaam and equal to the GNI per capita. This is primarily because of the dominance of non-exclusive agents.

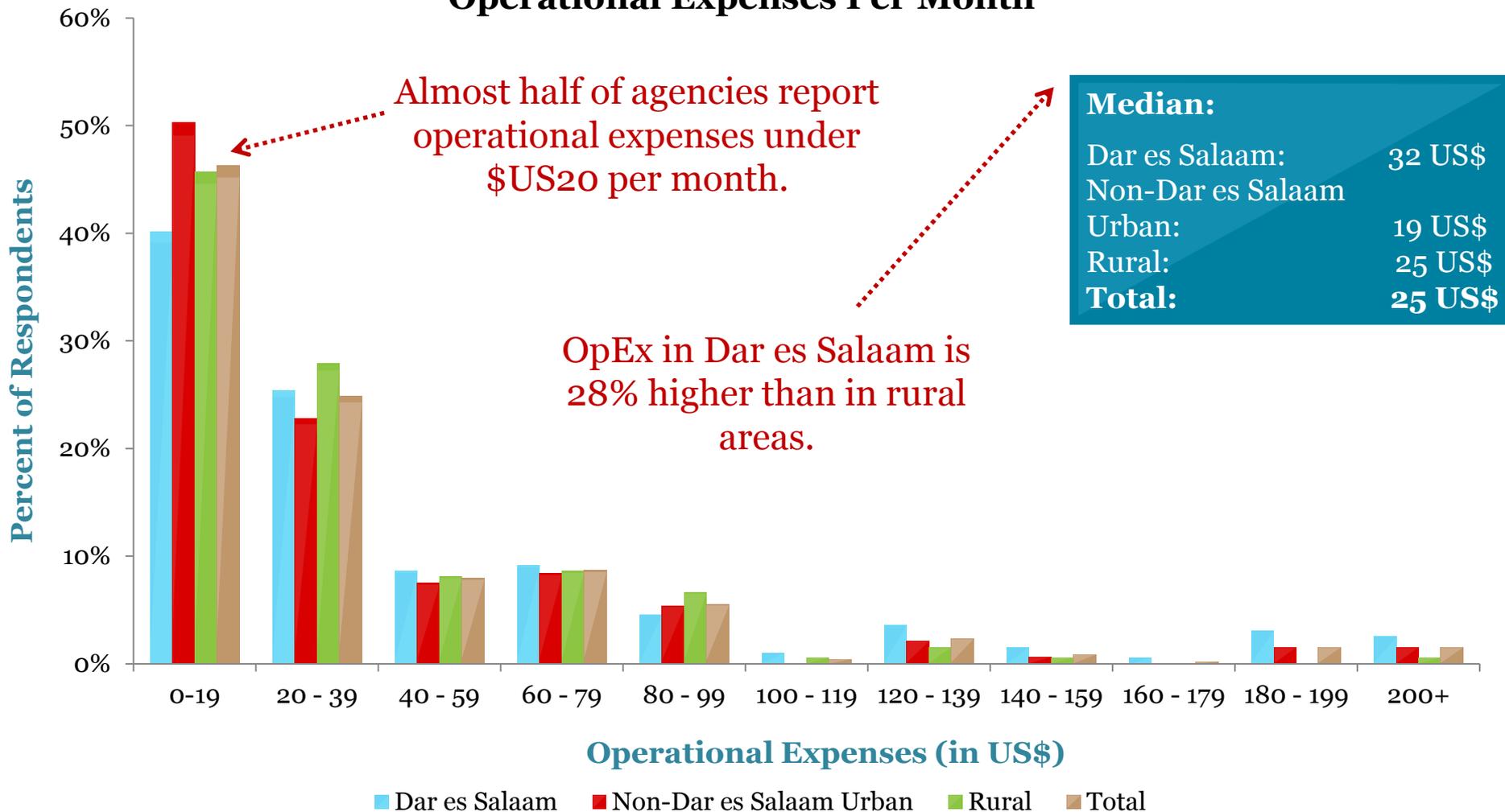
Monthly GNI per capita = US\$133



* Total monthly revenue reported here pertain to all providers being served. Therefore for non-exclusive agencies, their revenue is reported here with regards to all the providers they serve.

Agents Report Low Operational Expenses Across The Country

Operational Expenses Per Month



* The OpEx reported is for the entire agency and not for a particular provider.

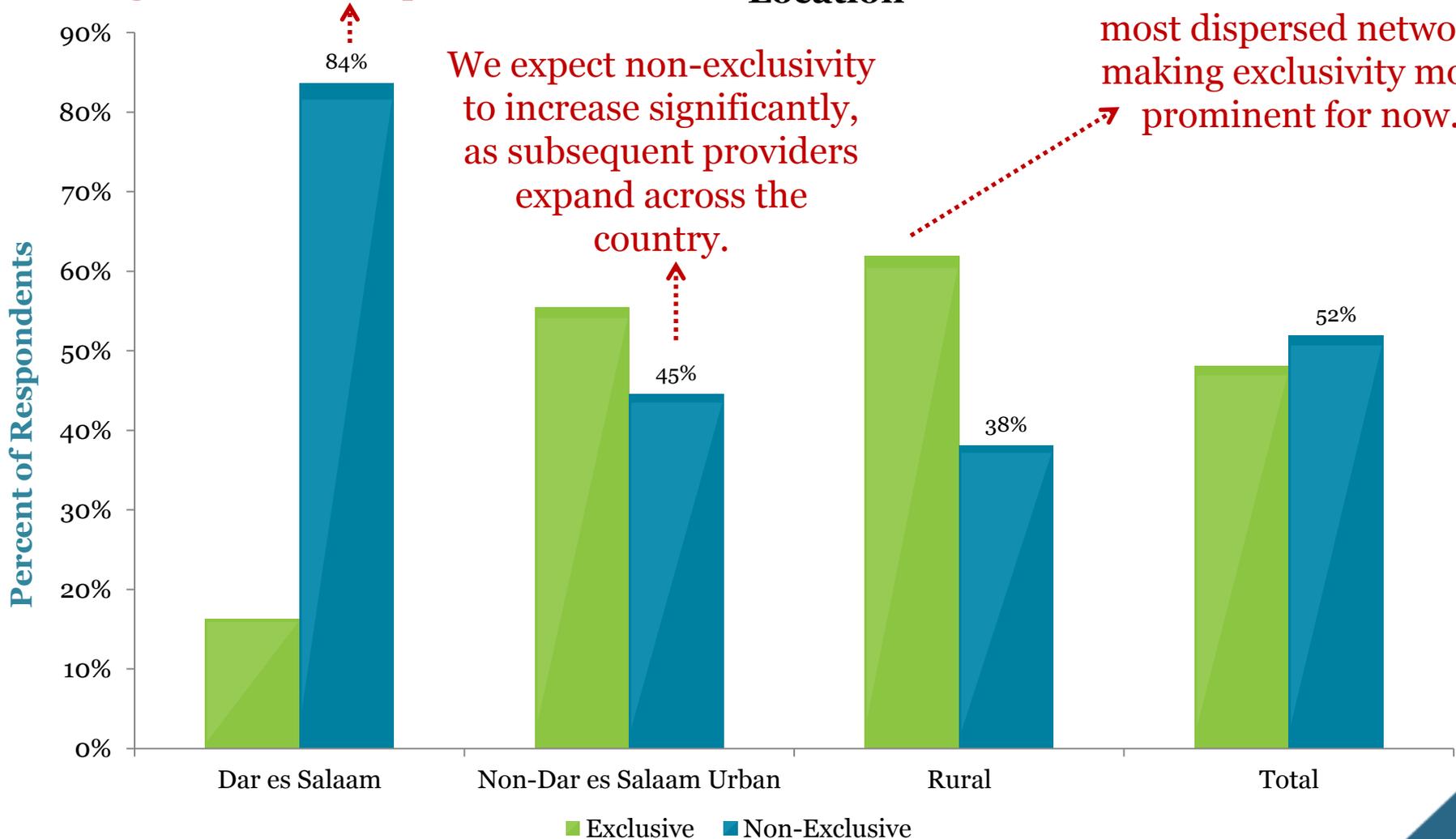
Overall Agents Are Non-Exclusive, But It Varies By Area

84% of agencies in Dar are serving more than one provider.

Exclusivity Of Agents By Location

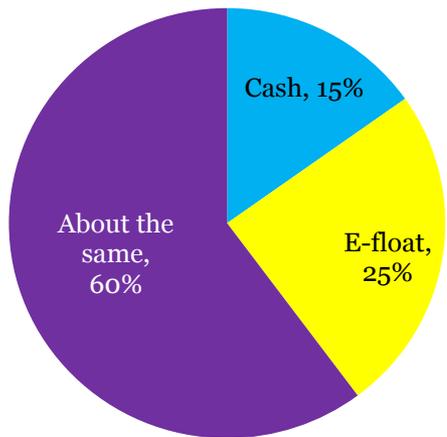
Vodacom still has the most dispersed network, making exclusivity more prominent for now.

We expect non-exclusivity to increase significantly, as subsequent providers expand across the country.

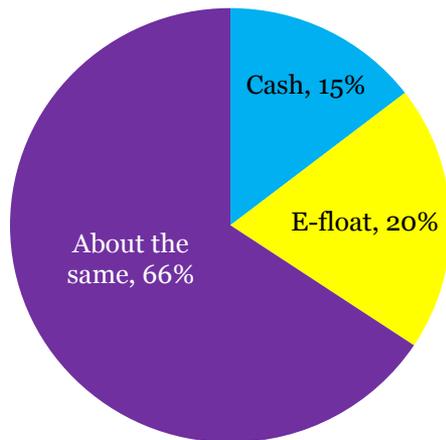


Agents Predominantly Report A Balanced Need For E-Float & Cash

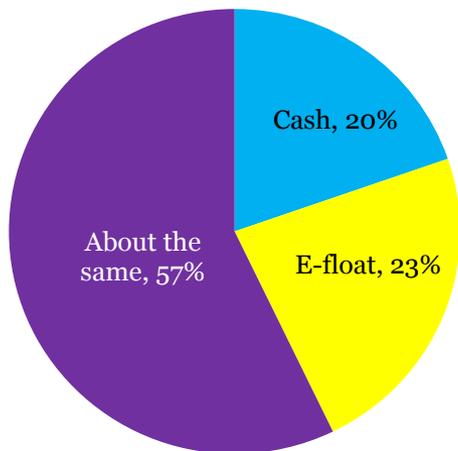
Dar es Salaam



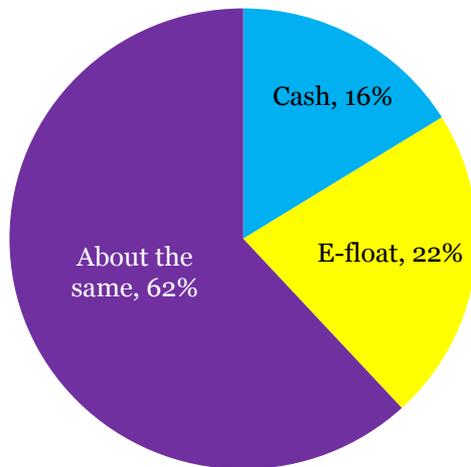
Non-Dar es Salaam Urban



Rural



Total



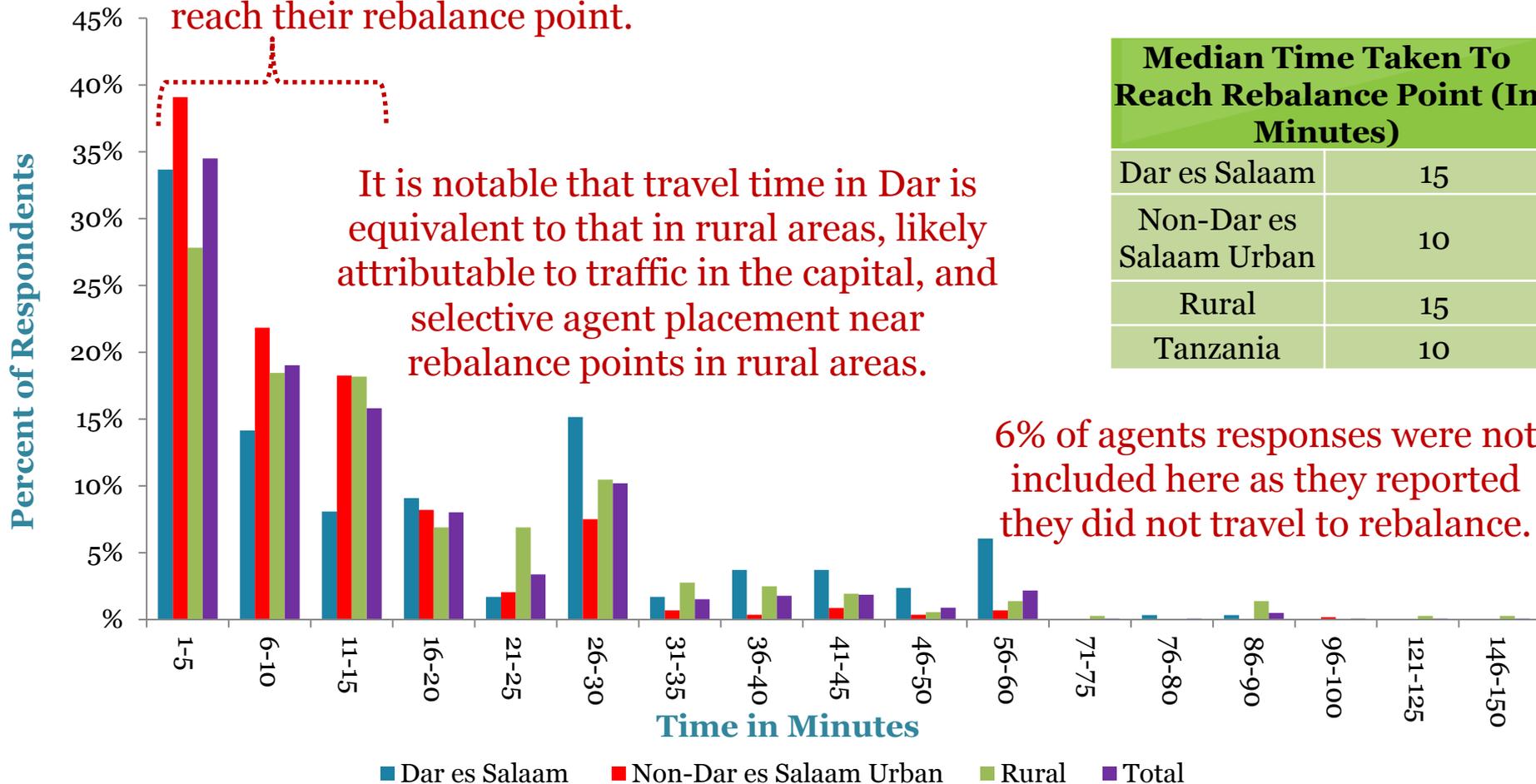
Qualitative research shows agents take an apathetic approach to float management, preferring to wait in the shop until a customer makes a transaction which gives them the needed liquidity.

It is surprising that there is not a higher demand for cash in rural areas, as it is expected that e-float is generally sent from urban to rural areas, and then withdrawn as cash. This needs further exploration.

Rebalancing Is Easy For Agents In Terms Of Time And Money

69% of agents take 15 minutes or less to reach their rebalance point.

Time Taken To Nearest Rebalance Point



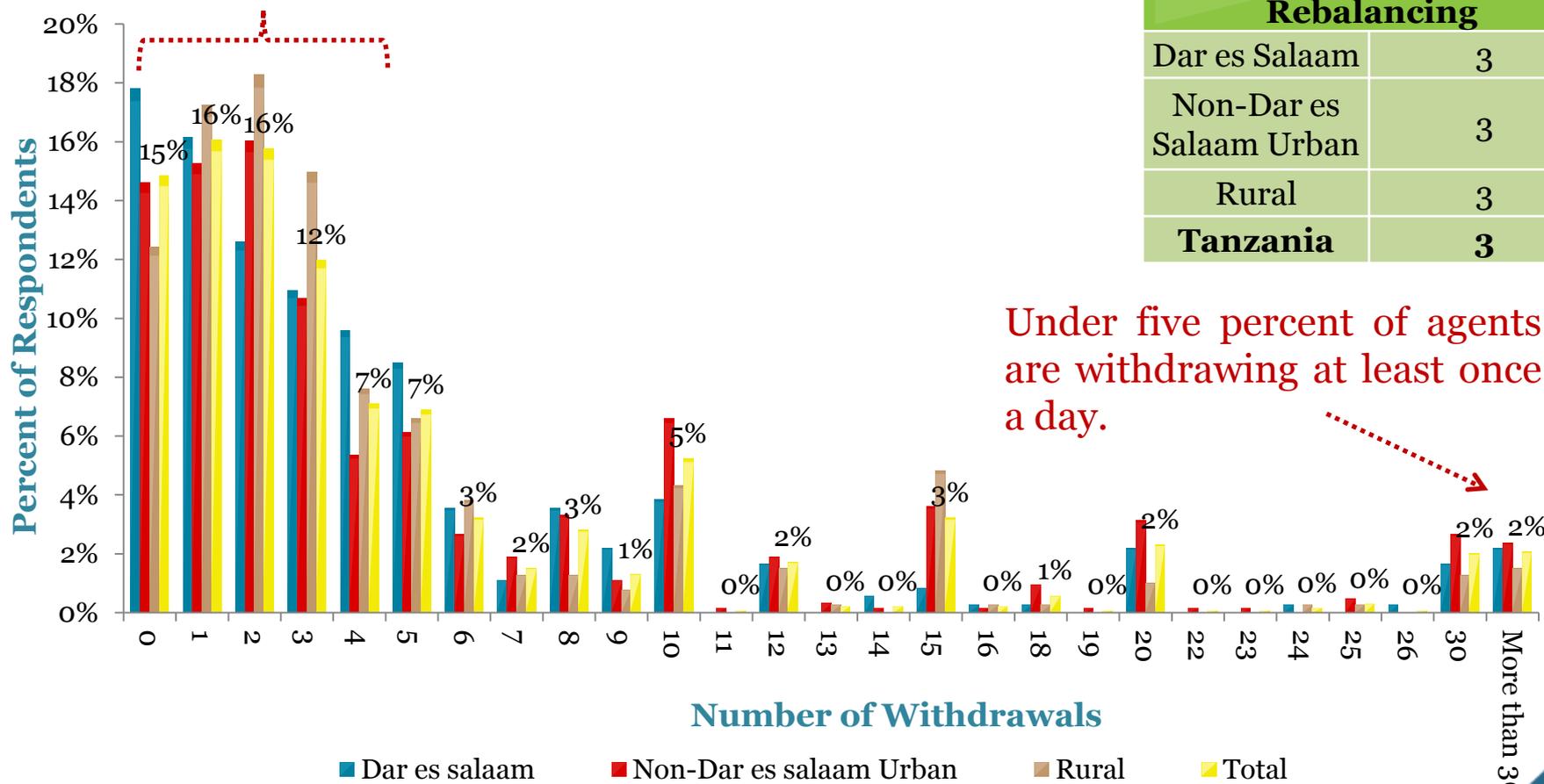
Agents tend to pay little or nothing to rebalance: 81% have costs of less than US\$1

Agents Make Cash Withdrawals Three Times A Month

Two thirds of agents withdraw cash only once a week or less.

Monthly Cash Withdrawals For Rebalancing

Median Monthly Cash Withdrawals For Rebalancing	
Dar es Salaam	3
Non-Dar es Salaam Urban	3
Rural	3
Tanzania	3



Under five percent of agents are withdrawing at least once a day.

Five Transactions Are Denied Each Day Due To Lack Of Float

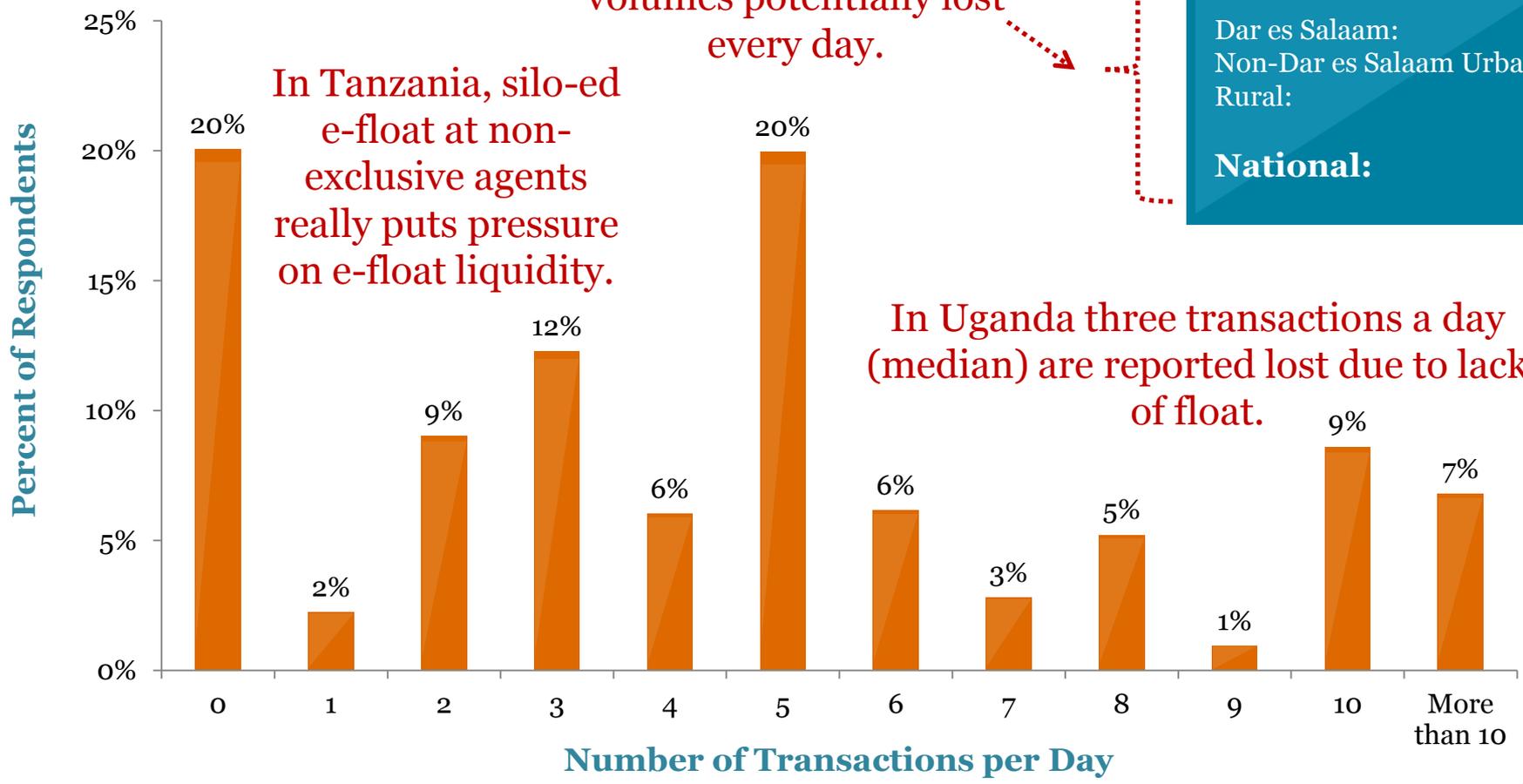
Transactions Denied Due To Unavailability Of Float

Five transactions a day represents 14% of average volumes potentially lost every day.

In Tanzania, silo-ed e-float at non-exclusive agents really puts pressure on e-float liquidity.

In Uganda three transactions a day (median) are reported lost due to lack of float.

Median:	
Dar es Salaam:	4.5
Non-Dar es Salaam Urban:	4
Rural:	5
National:	5



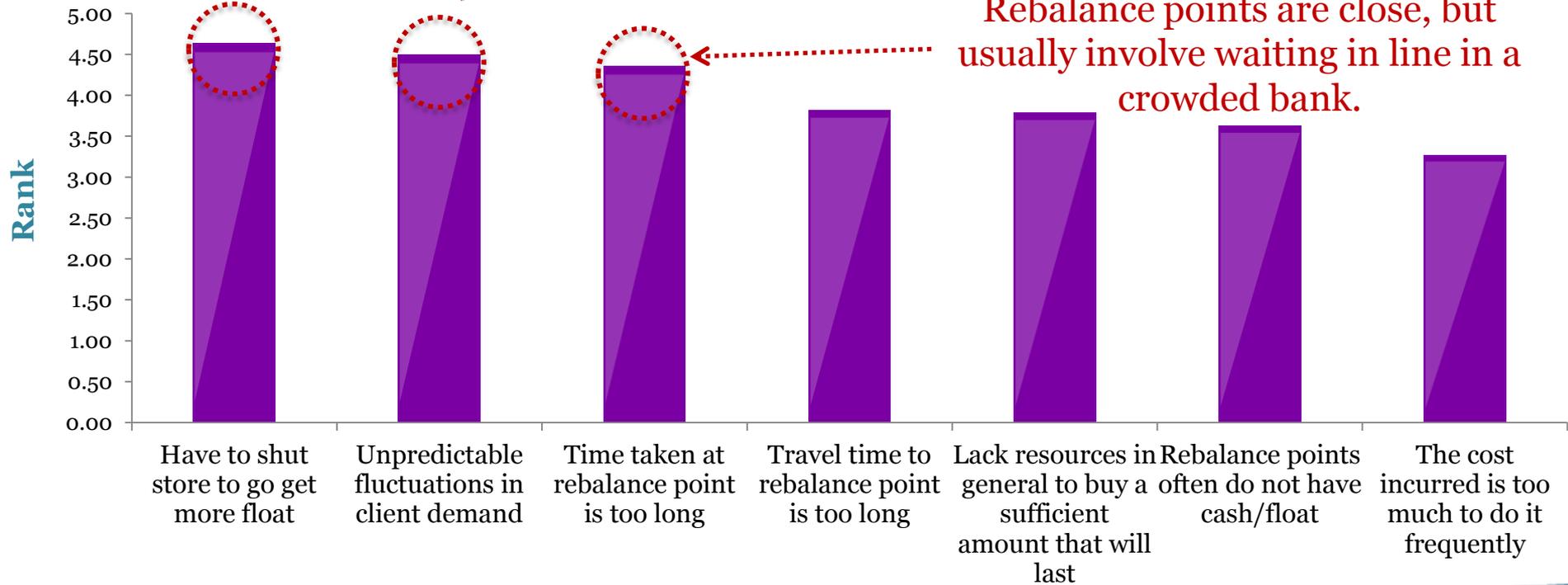
Greater Provider Support Can Address Highly Ranked Issues*

Greatest Impediments To Float Management Reported By Agents

Some master agents are now doing float delivery.

A greater array of products offerings could help smooth these fluctuations, and hopefully with providers implementing platform upgrades, this will soon become a reality.

Rebalance points are close, but usually involve waiting in line in a crowded bank.



* These scores are weighed averages of rankings, so that higher scores represent dimensions receiving a higher ranking.

Informal Innovation In Float Management

Solutions are Self-Manifesting

Master Agent Level

- Deliver float to agents on demand for a fee
- Will hold multiple e-currencies & offer exchange for a fee
- Will send cash to an ATM nearby the agent

Agent Level

- Make informal deals with surrounding retailers
- Make informal deals with surrounding agents (49% of agents reported doing this)
- Call trusted agents to see who has float, have the customer enter the other agent's till number, and then agents settle the loan later

The prevalence of non-exclusivity puts pressure on float management as almost all agents hold e-float for multiple providers and these e-float balances are still difficult to exchange across providers.

Source: Qualitative discussions in Tanzania

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



Training

79% report receiving training

- 61% from a provider
- 41% from master agent
- 7% from an employer

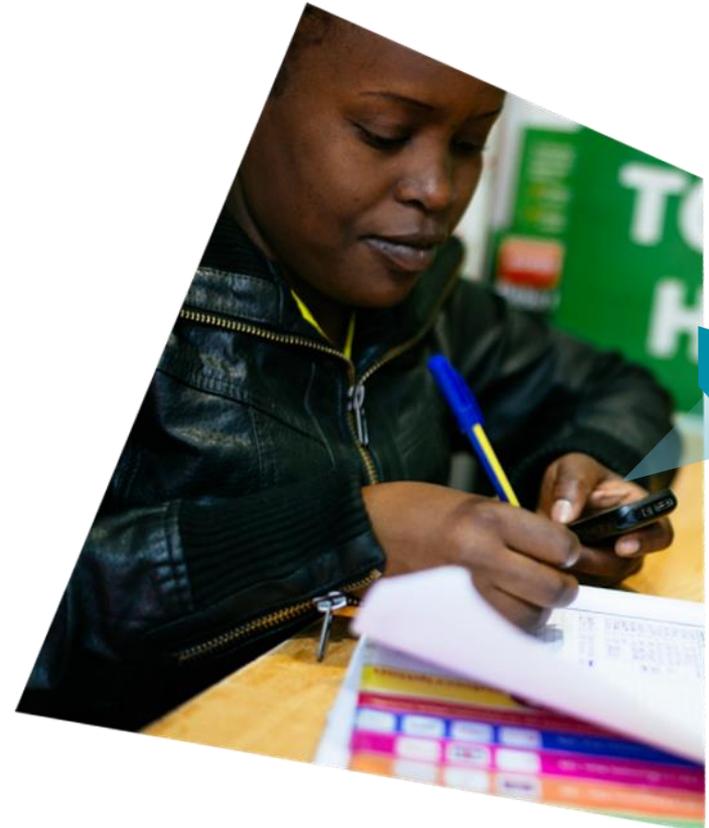
55% of agents have never undergone refresher training

Operational Support:

76% of agents report being visited. Of those visited about three quarters were visited directly by the provider with a frequency of at least once a month.

Call Centre:

91% of agents were aware of a call centre and rated it a 5 out of 7 in terms of its ability to resolve their issues.



Comments On The Quality Of Agent Support

We need a dedicated agent helpline, separate from the customer line.

Flagship stores only operate 9am-5pm, so they are never open during the weekends and evenings when you need them most.

Geographies are too broad for sales teams to supervise my float balances.

Master agents don't support, they take our commissions.

Fraud is common, but if we just knew how to be more cautious, we could overcome it.

Sales teams don't have the tools to help with issues like reversals, so I have to call customer care, but can't always get through.

Sales teams visit agents to provide monitoring and support. They are either directly employed or contracted by the provider.

Source: Qualitative discussions around Tanzania

Recurrent Service Downtime Is Affecting Transaction Levels

Unreliable service is a challenge for most agents:

- ▶ 82% of agents report having experienced downtime in the past.
- ▶ Only 13% of agents report receiving prior warning about downtime, however two thirds report that information given is inaccurate.
- ▶ There is a great reported variation per provider on amount of transactions lost per occurrence of server downtime with the median reported to be 10 transactions.



Outstanding Attributes Of Agent Network Management

Tanzania is pioneering a model in East Africa, where providers share agents. It is moving ahead profitably, and showing that this distinctive model can work, which is important as it will probably be the norm elsewhere in the near future.

- ▶ Transaction levels are high, and operational costs are low, meaning on average almost all agents are profitable.
- ▶ This profit, and the exuberance of providers, is spurring innovation and pushing the networks forward.
- ▶ There are a couple of areas for improvement, but on average the quality of agent support seems high.



Opportunities For Improvement

Competition at the agent level does seem to be resulting in better support than in countries like Uganda. However, the vast geography and low population density makes operationalising it a difficult proposition:

- ▶ Agents handling **multiple providers** have to hold many different e-currencies which are not easily exchangeable, limiting liquidity.
- ▶ Lack of **product diversity** – airtime and bill pay are done on the handset. Sophisticated financial services are still not offered.
- ▶ Large challenges on **fraud** at the agent level.
- ▶ **Centralized customer service support** does not always arrive in time when working across broad geographies.
- ▶ **Most Tanzanians still do not have IDs**, making registrations at the agent level much harder, direct deposits inevitable, and KYC compliance difficult at best.
- ▶ High incidents of **new agencies** that will need support, and a low incidence of old agencies suggesting a very short agent life-cycle.
- ▶ Most agents are close to rebalancing points indicating a **limited geographical expansion** beyond bank branches.



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info@helix-institute.com



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