



The Health & Profitability of Agent Networks in Tanzania



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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

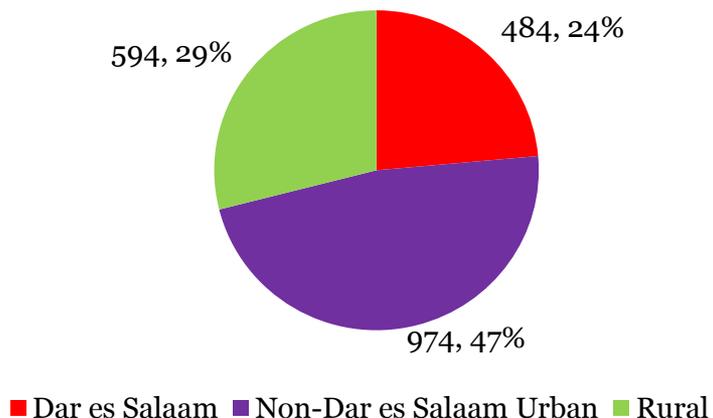
Research findings are disseminated through *The Helix Institute of Digital Finance*. *Helix* is a world-class institution providing operational training for digital finance practitioners.



www.helix-institute.com

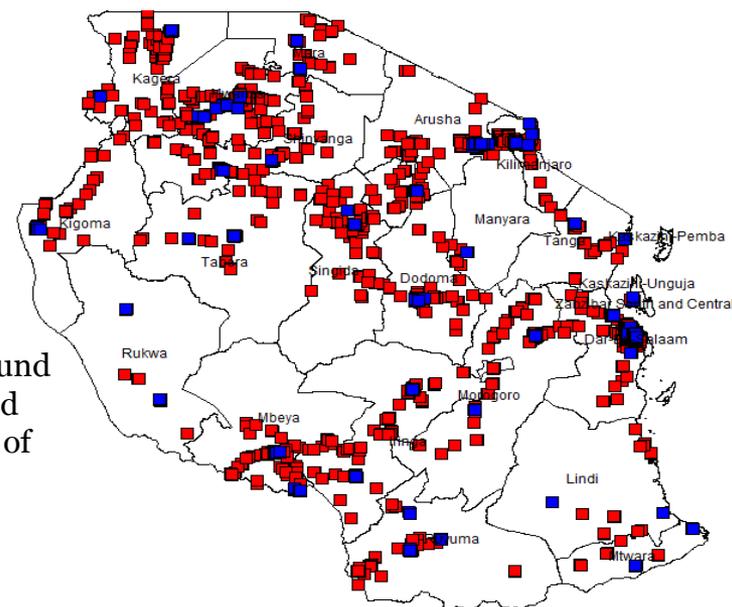
The Research Is Based On 2,052 Nationally Representative Agent Interviews

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.

Trends in Agent Profitability & Health

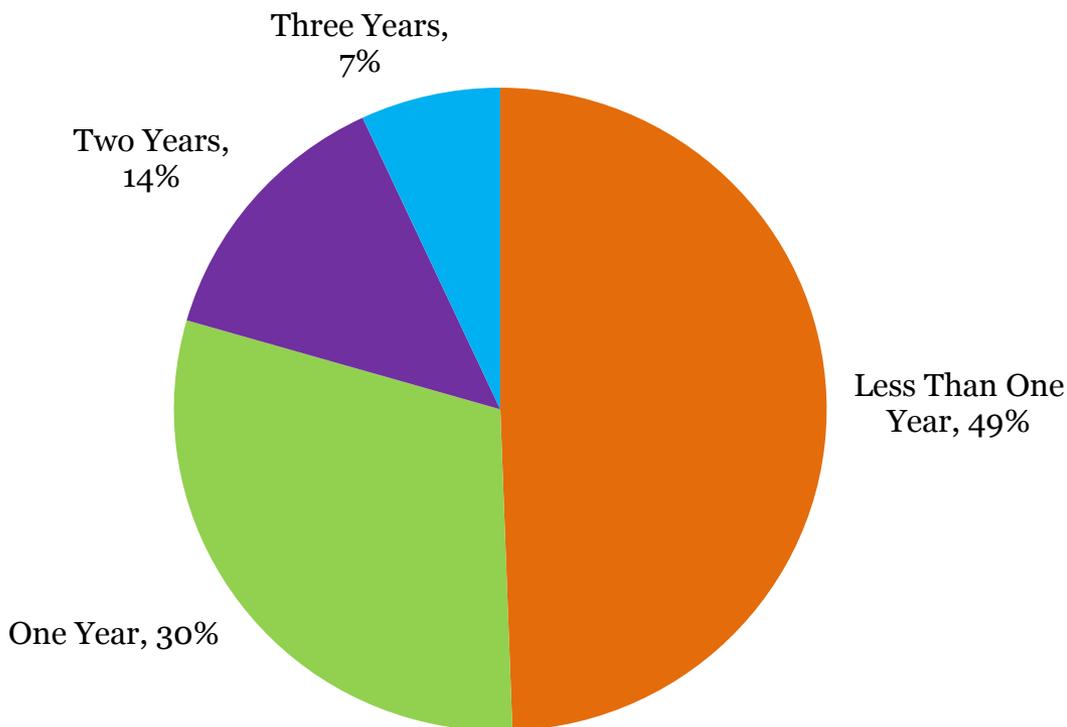
Agent Networks are still growing rapidly, as providers vie for market share. This seems to be leading to networks that are increasingly shared between providers, and very profitable agents, who are struggling to manage liquidity for multiple providers.

- ▶ Competition is fierce in Dar es Salaam, driving non-exclusivity and therefore profitability of agents, which earn revenue from multiple providers.
- ▶ 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 to move agents farther from rebalance points.



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.

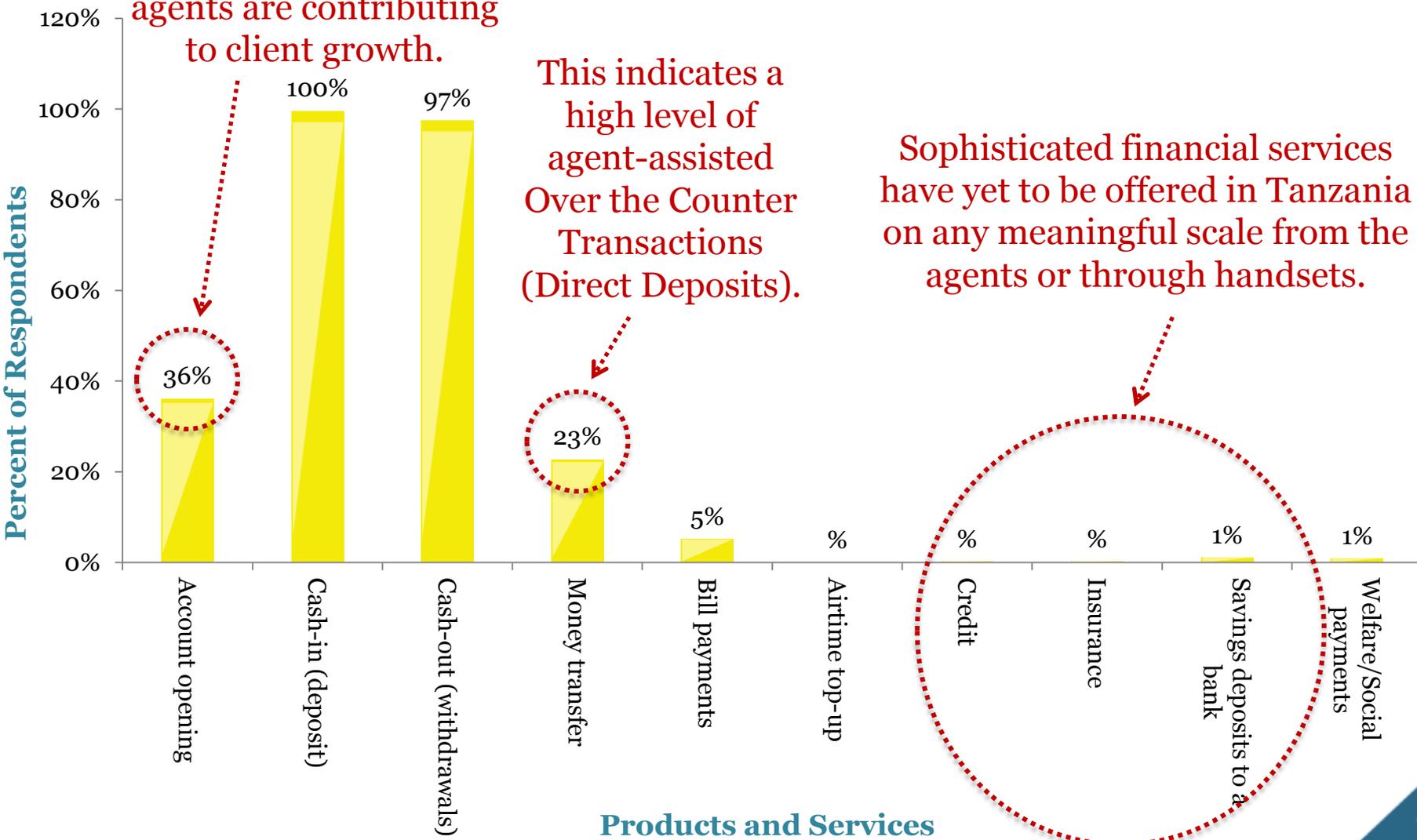
The Lack Of Offerings Means Potential For Product Innovation

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).

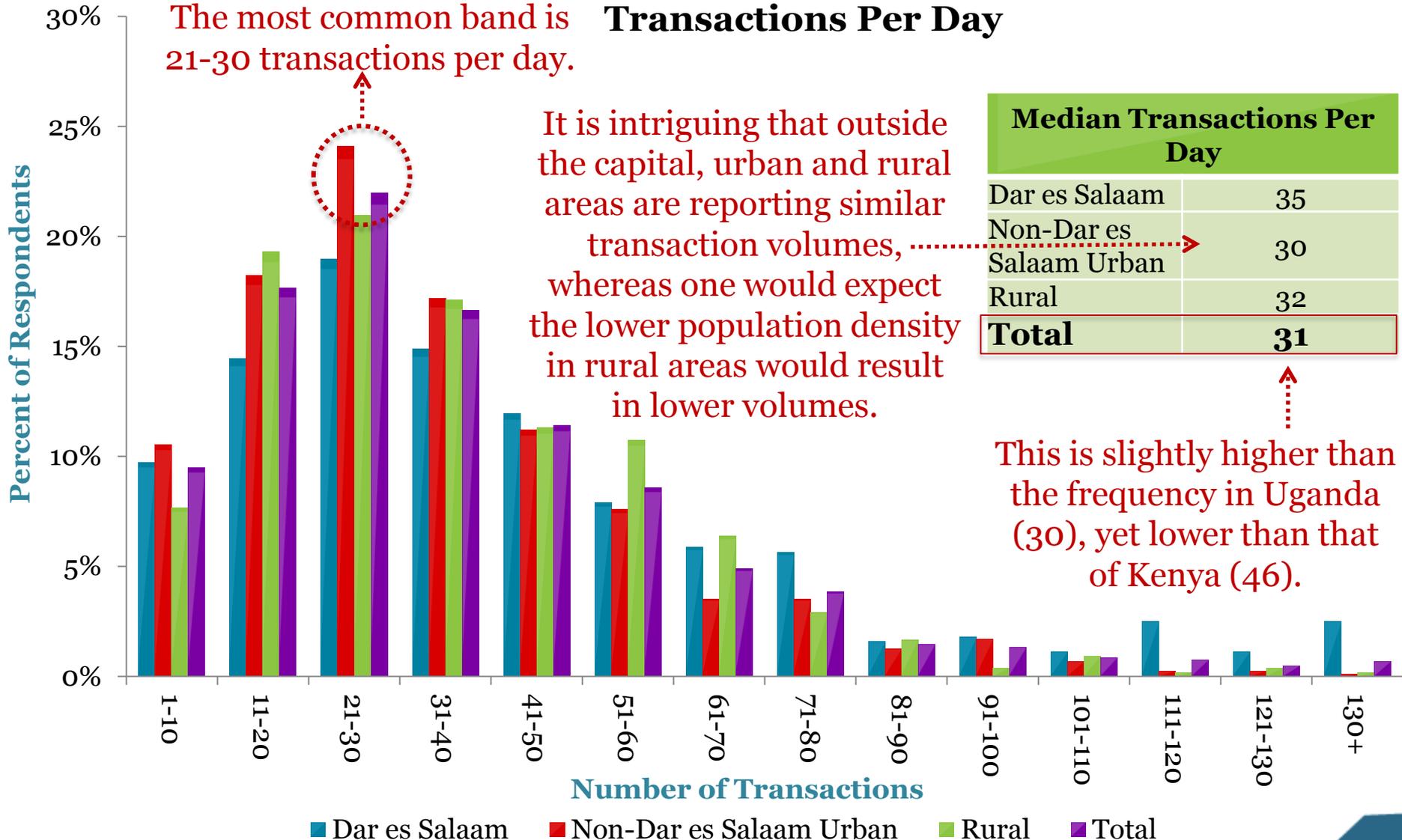
Sophisticated financial services have yet to be offered in Tanzania on any meaningful scale from the agents or through handsets.



Daily Transaction Levels* Show A Healthy Business For Agents

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

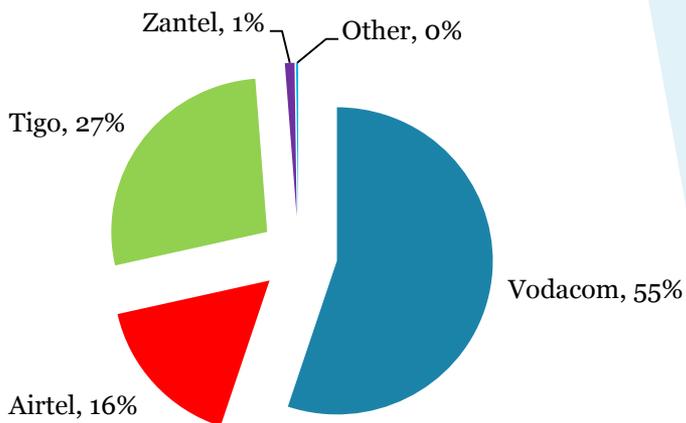
Transactions Per Day



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

Providers' Market Share Of National Agent Network

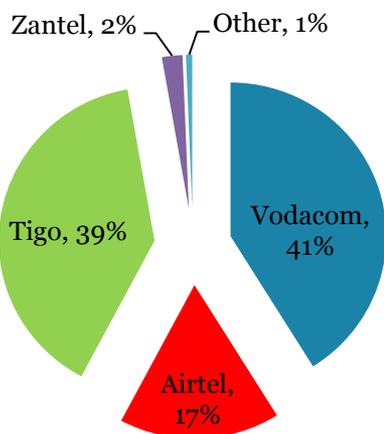
Market Share



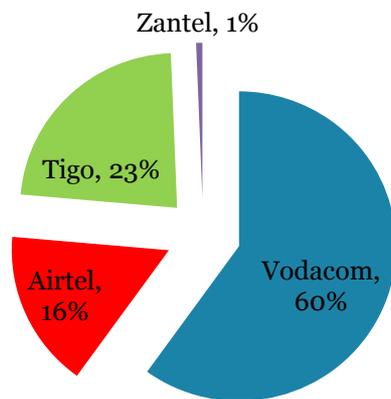
While Tanzania is often cited as a highly competitive market, over half of agents serve Vodacom countrywide, and outside of Dar it is nearly two thirds of agencies.

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

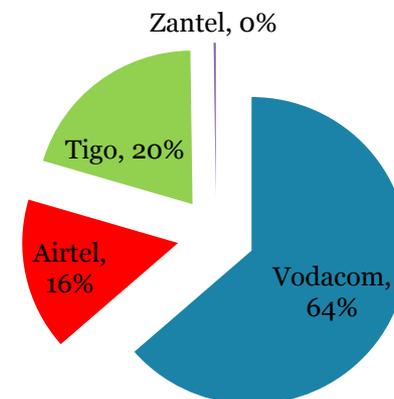
Dar es Salaam



Non-Dar es Salaam Urban



Rural



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

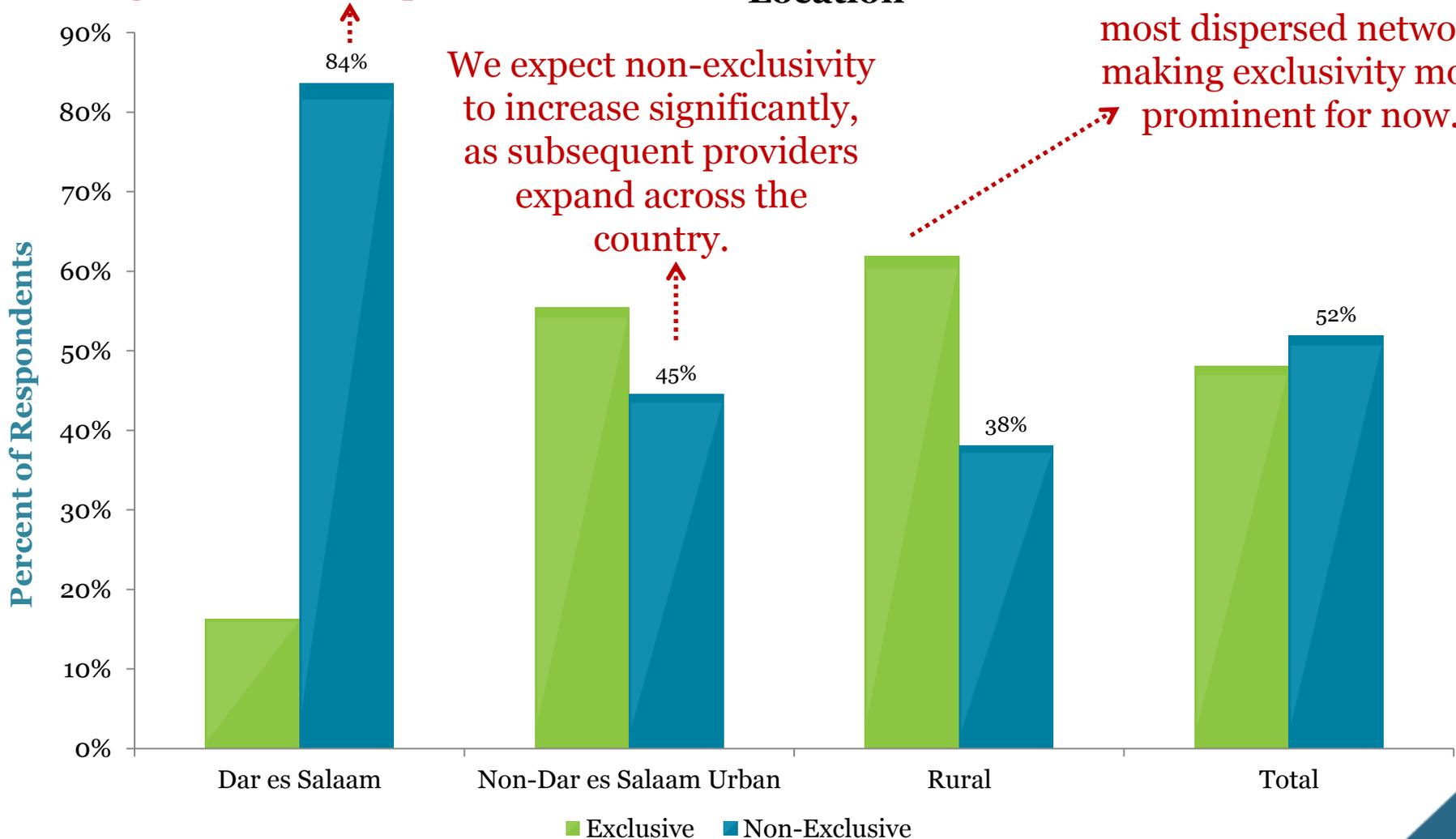
Overall Agents Are Non-Exclusive, But It Varies By Area

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 Are Overwhelmingly Profitable*

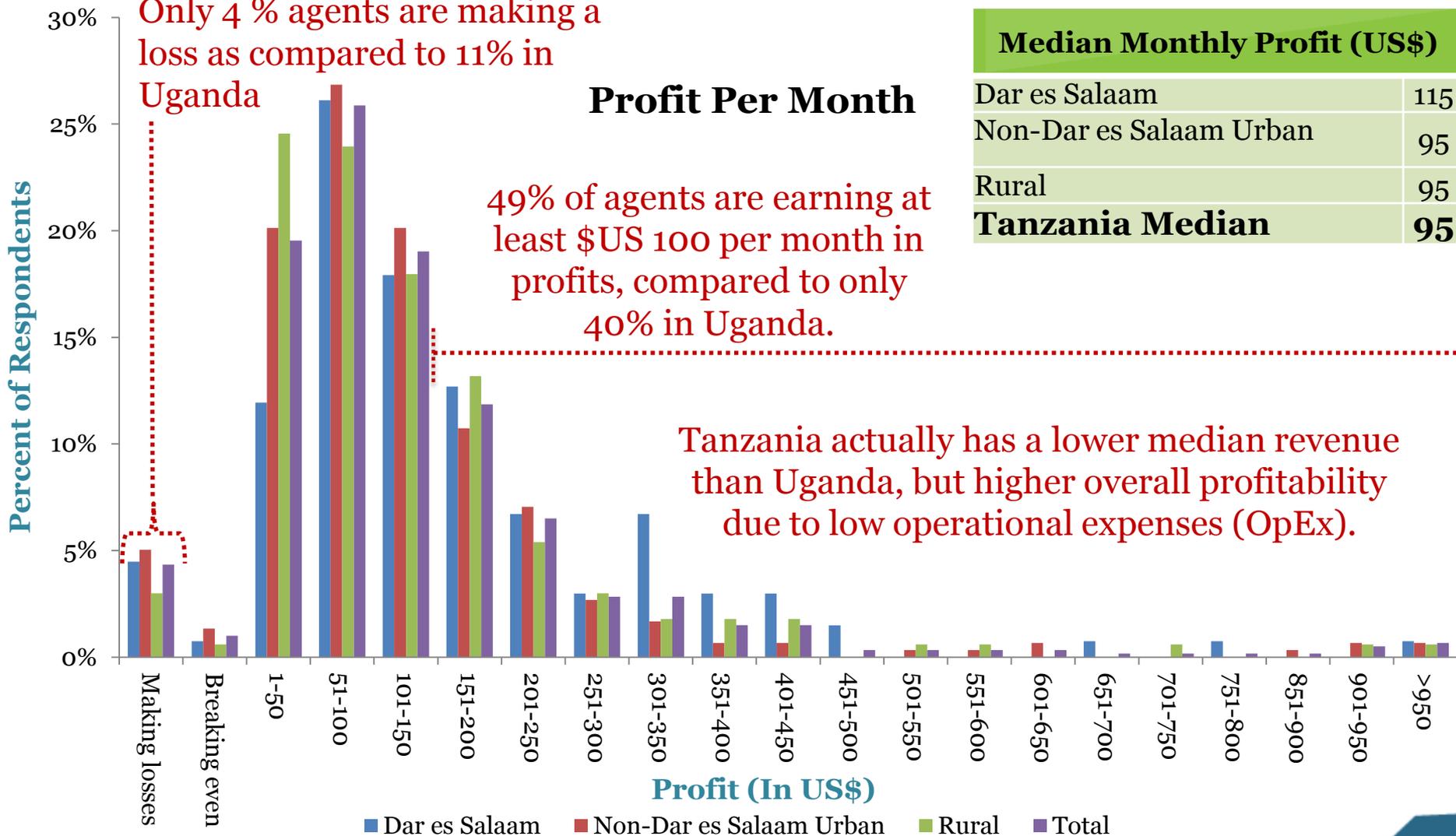
Only 4 % agents are making a loss as compared to 11% in Uganda

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



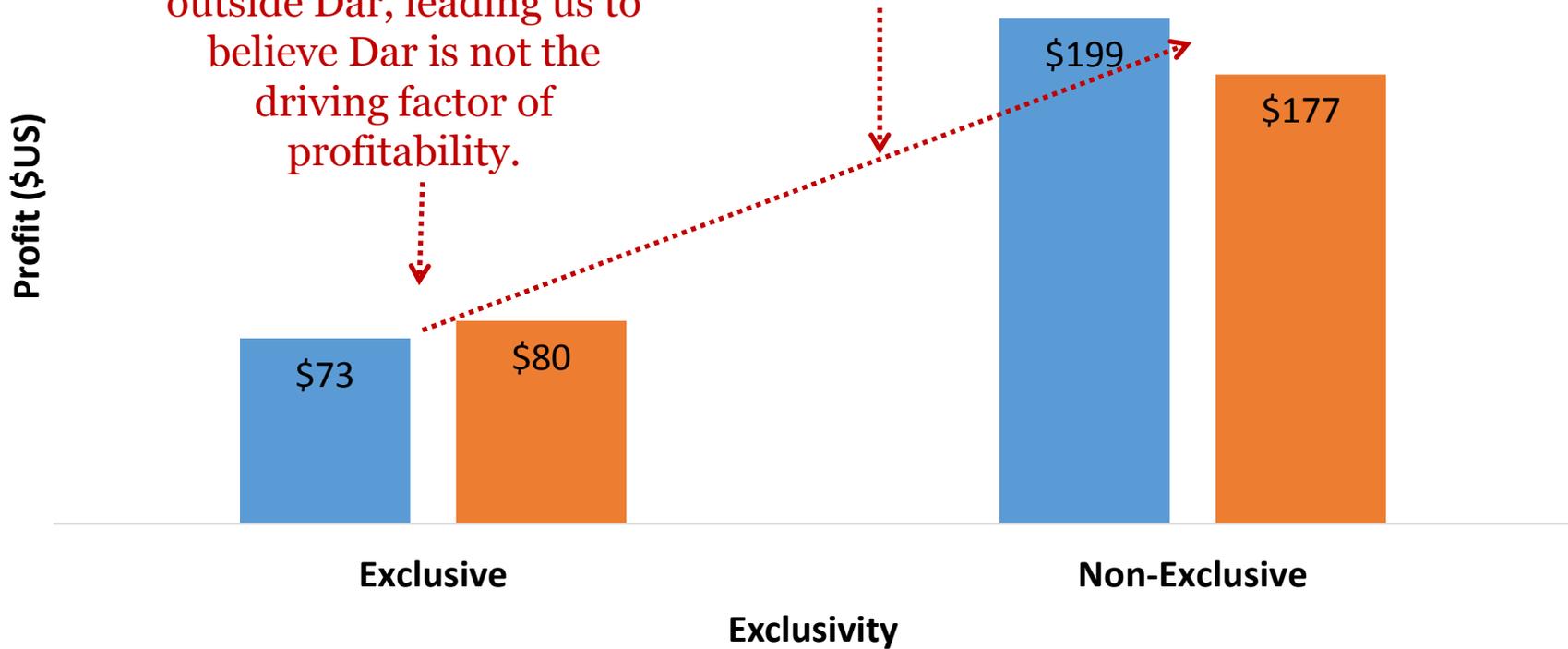
* Is calculated by subtracting expenses from total earnings from all the providers served.

Non-exclusivity Seems To Drive Profitability

Location, Exclusivity, & Profitability

For exclusive agents, those in Dar are actually less profitable than those outside Dar, leading us to believe Dar is not the driving factor of profitability.

While non-exclusive agents in Dar are more profitable than non-exclusive agents outside of Dar, the major difference is shown to be generally between exclusive and non-exclusive agents, regardless of their location.

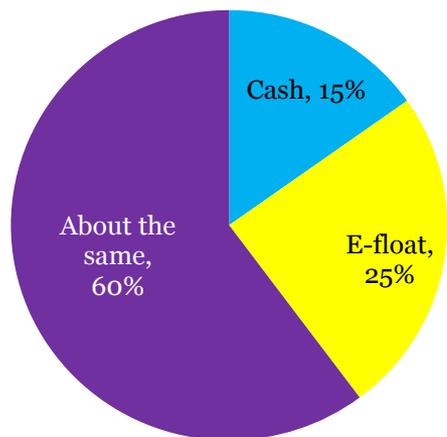


■ Dar Es Salaam

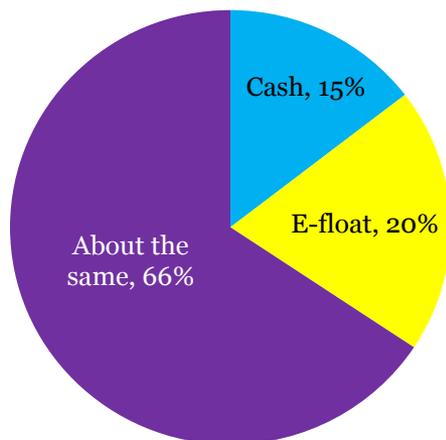
■ Non-Dar Es Salaam Urban

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

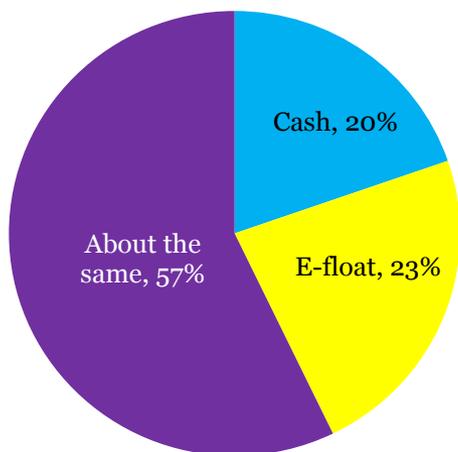
Dar es Salaam



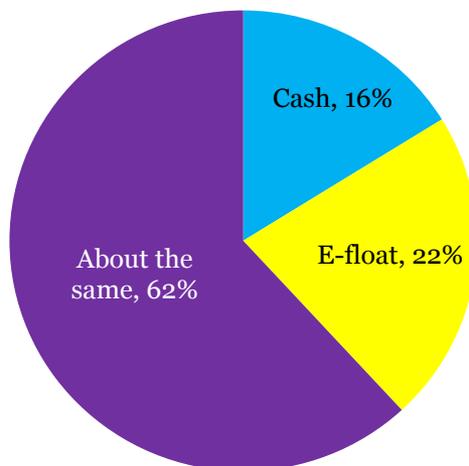
Non-Dar es Salaam Urban



Rural



Total



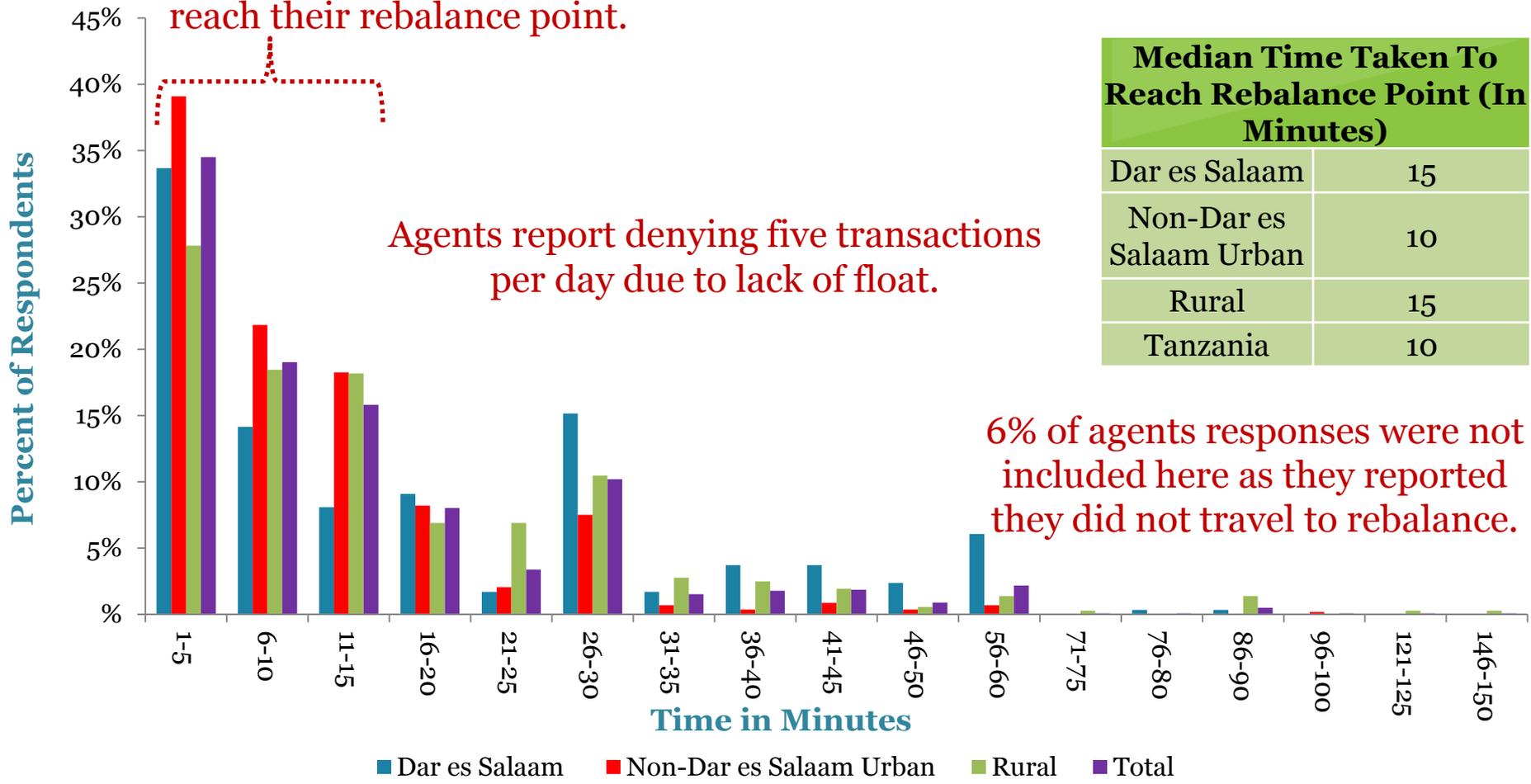
Qualitative research shows agents take an apathetic approach to float management, preferring to wait in the shop until a customer makes a transaction which gives them the needed liquidity.

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

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

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.

- ▶ Even though about half of agents are just starting operations, **almost all are profitable**.
- ▶ Shared agent networks are providing agents with **revenue from multiple providers** which is related to their profitability.
- ▶ Shared networks are putting pressure on liquidity, but agents are **already innovating solutions**, and this is a big opportunity area for providers.



Opportunities For Improvement

The agent's need to hold float for multiple providers, apathetic attitudes and nascent liquidity management systems put pressure in agent float levels, and the ability for them to expand across the country. Tanzania is a vast geography with a low population density which exacerbates this problem:



- ▶ 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.
- ▶ Most agents are close to rebalancing points indicating a **limited geographical expansion** beyond bank branches.



**The Full Agent Network Accelerator (ANA) 2013 Country Report for Tanzania
is available online at: www.helix-institute.com**

Thank You

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