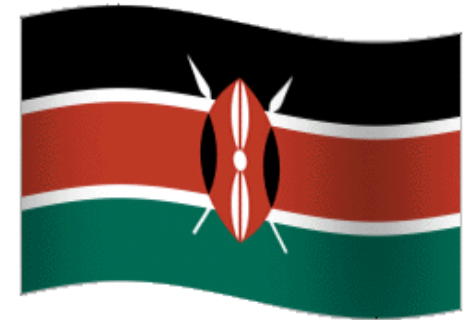




# Agent Network Accelerator Survey: Kenya Country Report 2014



May 2015

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**With Special Thanks to: Research Solutions Africa**

**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

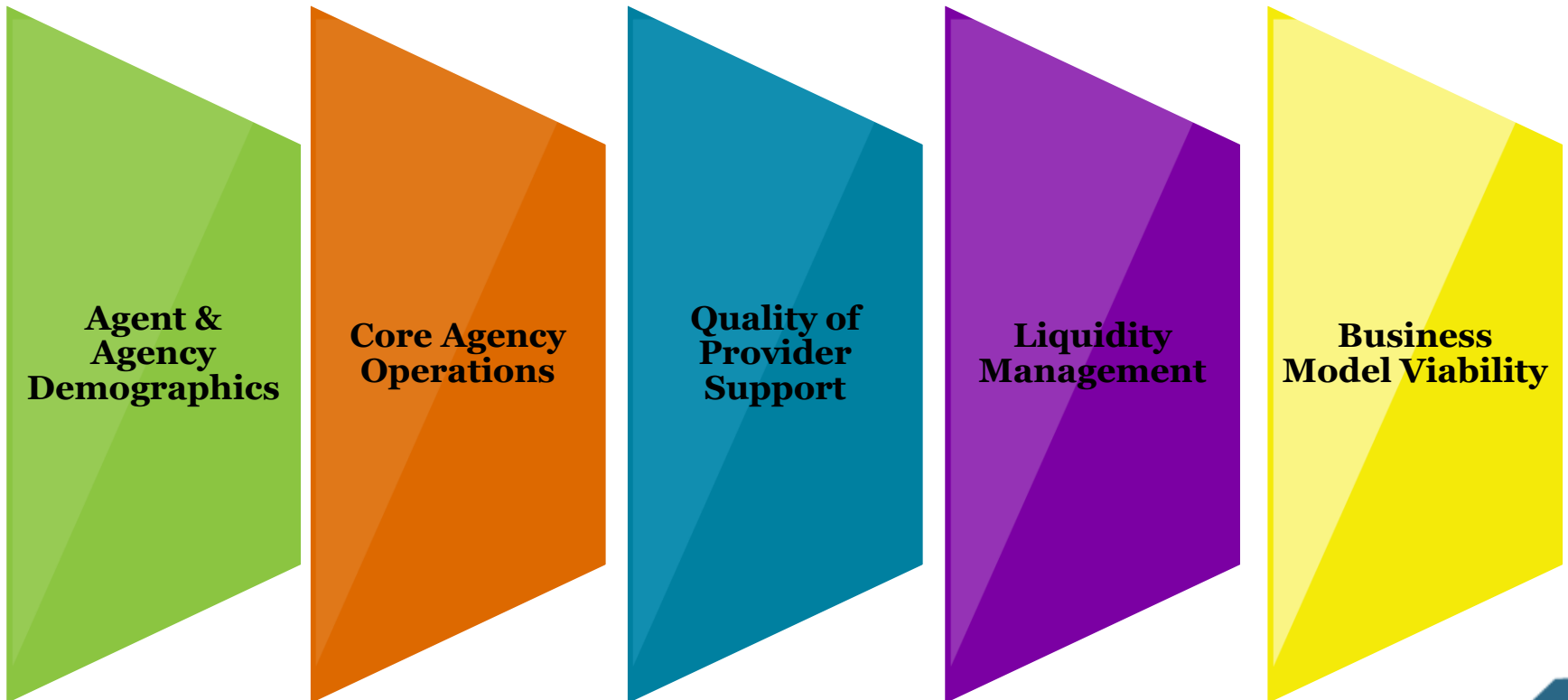
Research findings are disseminated through **The Helix Institute of Digital Finance**. *Helix* is a world-class institution providing operational training for digital finance practitioners.



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# Focus Of Research

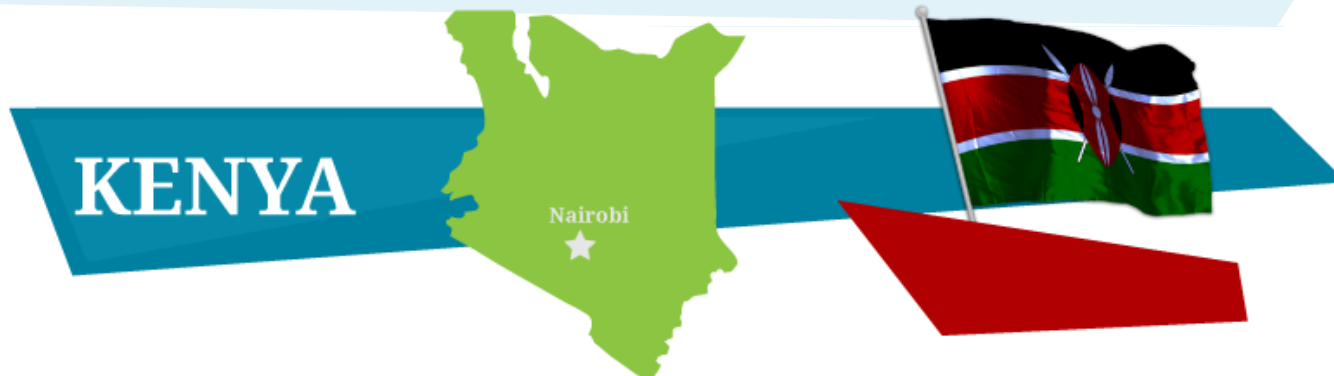
**The research focuses on operational determinants of success in agent network management, specifically:**



## Kenya Overview

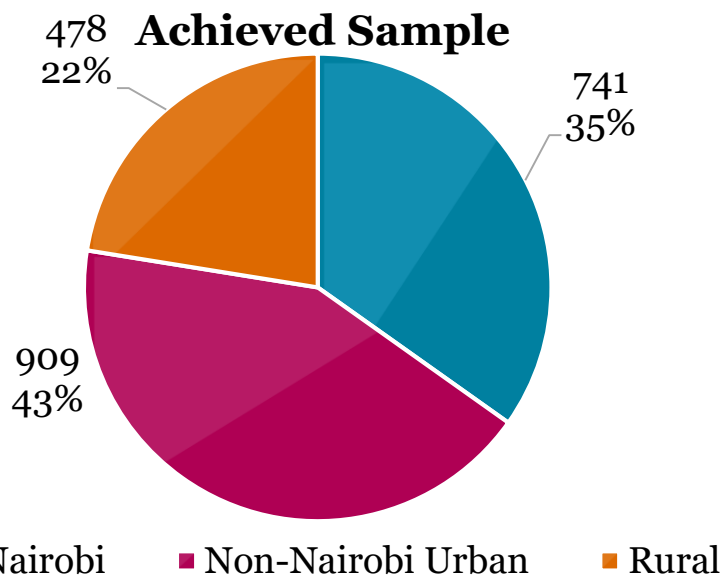
**Since 2013, banks have aggressively grown their agent networks in Kenya, decreasing exclusivity, fracturing the market more than ever before, and doing so by offering different services at the agent level. Agents report being optimistic, and also spending much less on the agency business while still maintaining similar levels of transactions and actually increasing profits since 2013.**

- ▶ Banks now account for 15% of the market presence in Kenya, which is a three fold increase from the previous year, and seem to be using a strategy of recruiting existing agents to also offer their services.
- ▶ While agents serving MNOs are conducting a higher number of transactions, bank agents are offering a greater array of services at the agent level, and conducting larger sized transactions, which means revenue for both models is now on par and there is significant interest in the market for becoming a banking agent.



# Agent and Agency Demographics

# The Research Is Based On 2,128 Nationally Representative Agent Interviews



Exclusivity dropped from 96% in 2013 to 87% in 2014 (-9%). The decrease is accentuated in Nairobi: from 95% exclusivity in 2013 to 80% in 2014 (-15%).

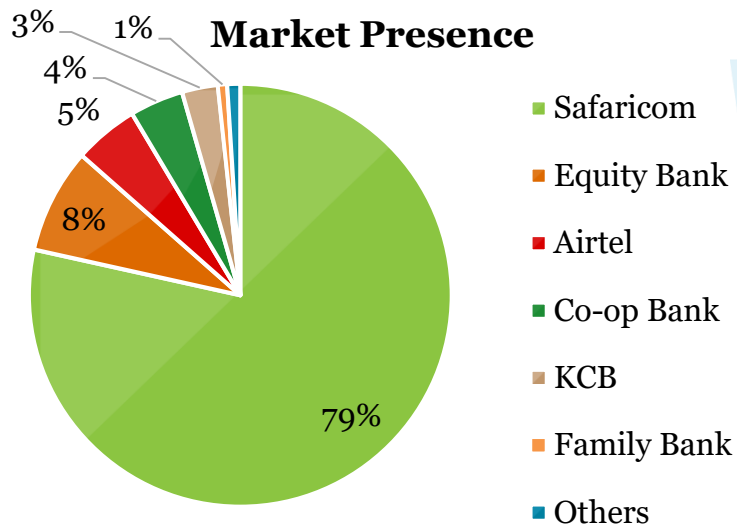
Non-Dedication increased from 54% in 2013 to 64% in 2014 (+15%), meaning more agents are diversifying their sources of income.

Sample Profile*						
Total Sample Size	Ownership Of DFS Business		Exclusivity**		Dedication	
	Owner	Operator	Exclusive	Non-Exclusive	Dedicated	Non-Dedicated
2,128	721 34%	1407 66%	1,857 87%	271 13%	775 36%	1,353 64%

\*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 2013 reports and is therefore not directly comparable. However, it is directly comparable with the Kenya 2013 format. Data was collected in November & December 2014.

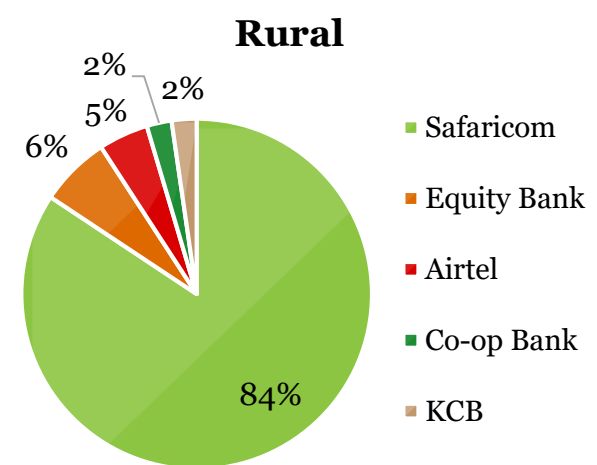
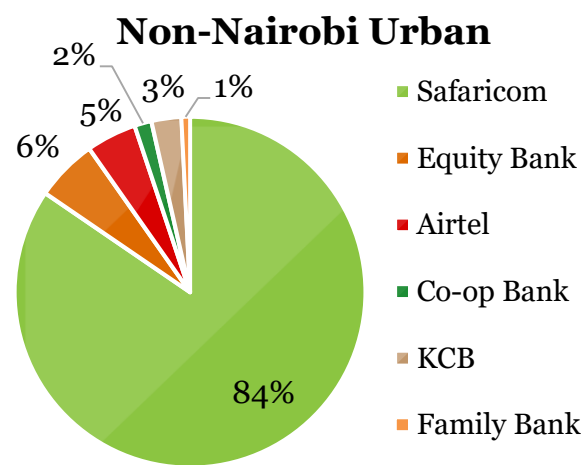
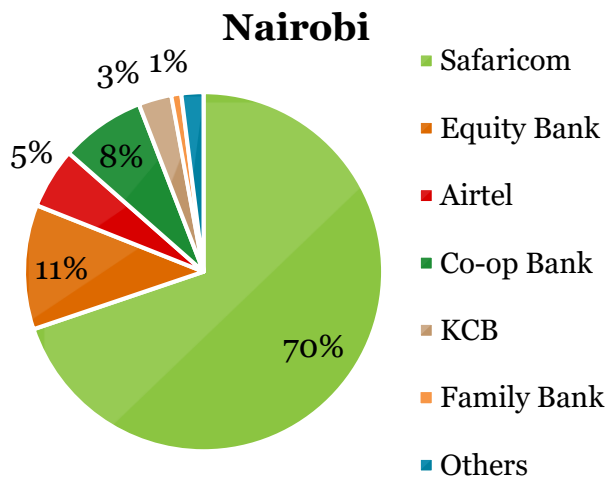
\*\* Note that exclusivity simply refers to agents serving only one provider.

# Providers' Market Presence\* Of National Agent Network



While Safaricom is still the largest provider in Kenya, it has experienced a substantial drop in its market presence from 90% in 2013 to 79% in 2014, including a 19% drop in Nairobi.

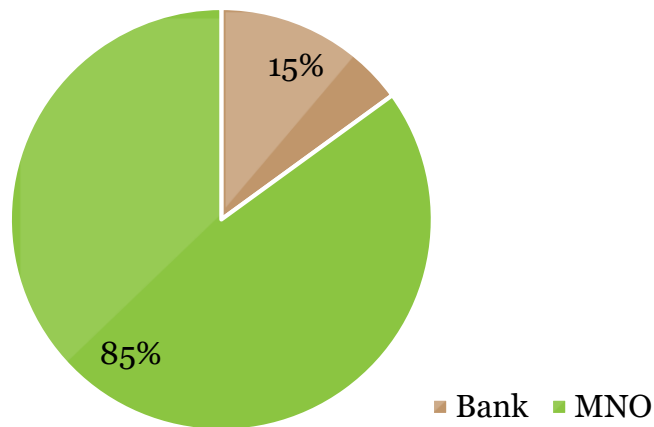
Equity Bank has drastically increased its footprint now comprising 8% of total market presence in 2014 compared to 1.3% in 2013.



\*Agent market presence 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. In 2013 we used the term "market share" as opposed to "market presence".

# The Shift In Market Presence\* Is Driven By Banks

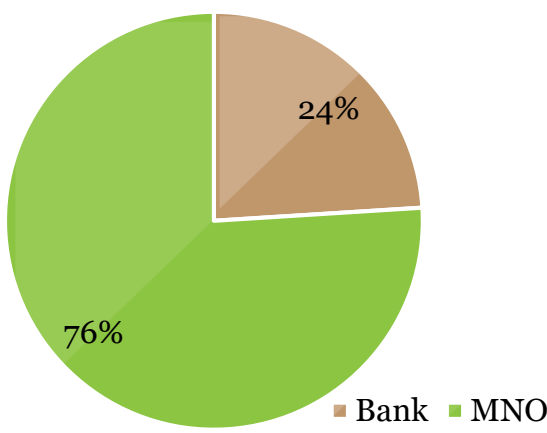
**Market Presence**



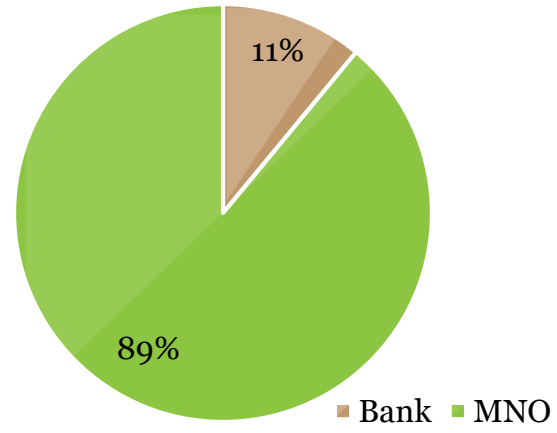
Since the 2013 ANA baseline was done in Kenya, banks have aggressively expanded their networks, accounting for about 5% of market presence in 2013 and now holding 15%.

While bank market presence has doubled outside of Nairobi, it has increased most rapidly in Nairobi, jumping from under 6% in 2013 to 24% in 2014 – a four fold increase. 50% of bank agents are in Nairobi.

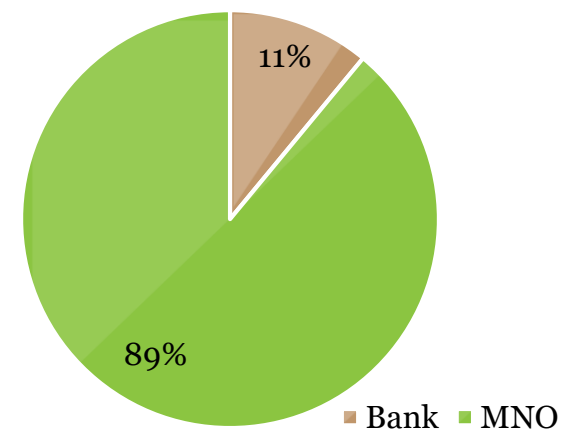
**Nairobi**



**Non-Nairobi Urban**



**Rural**

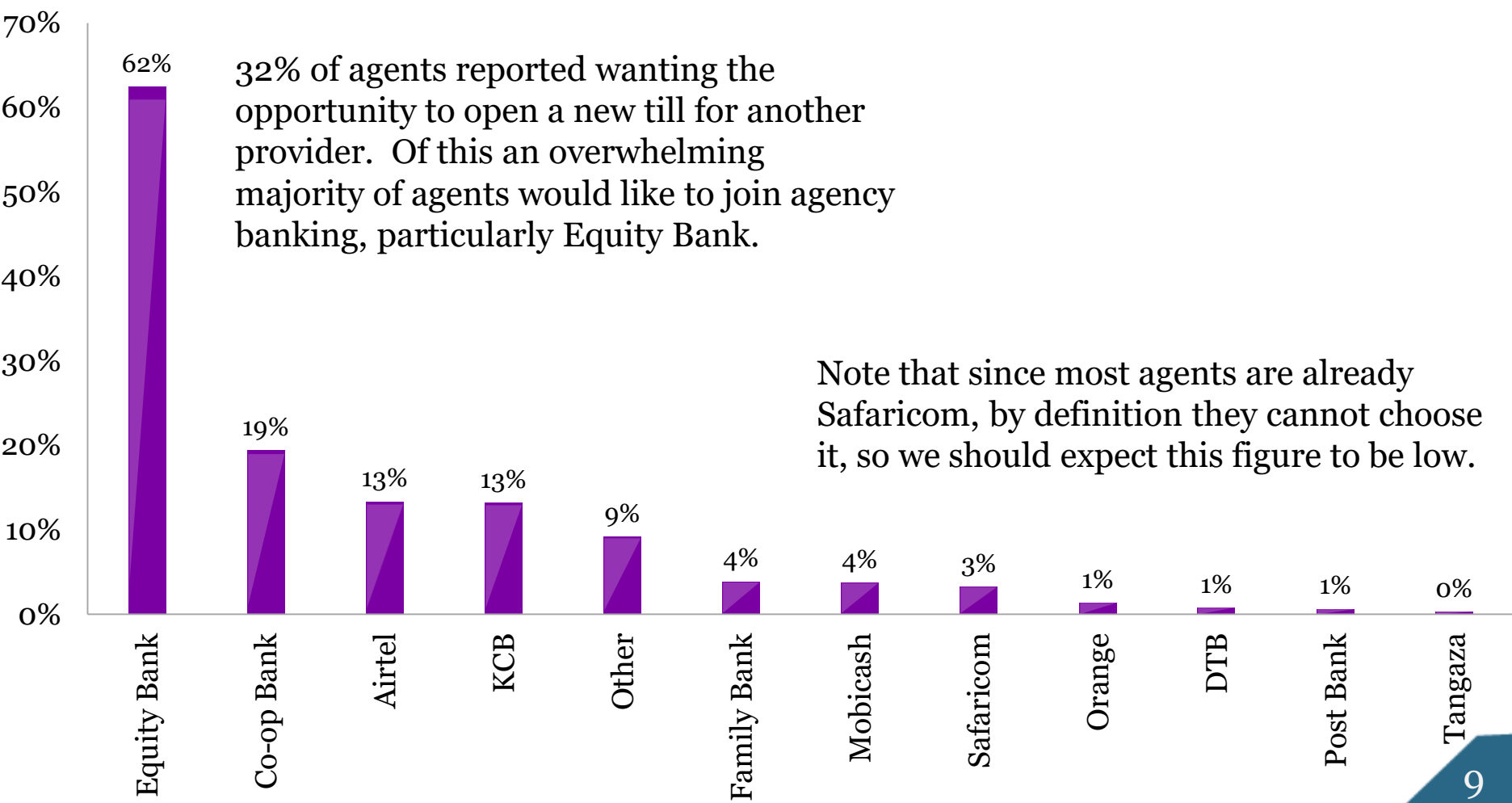


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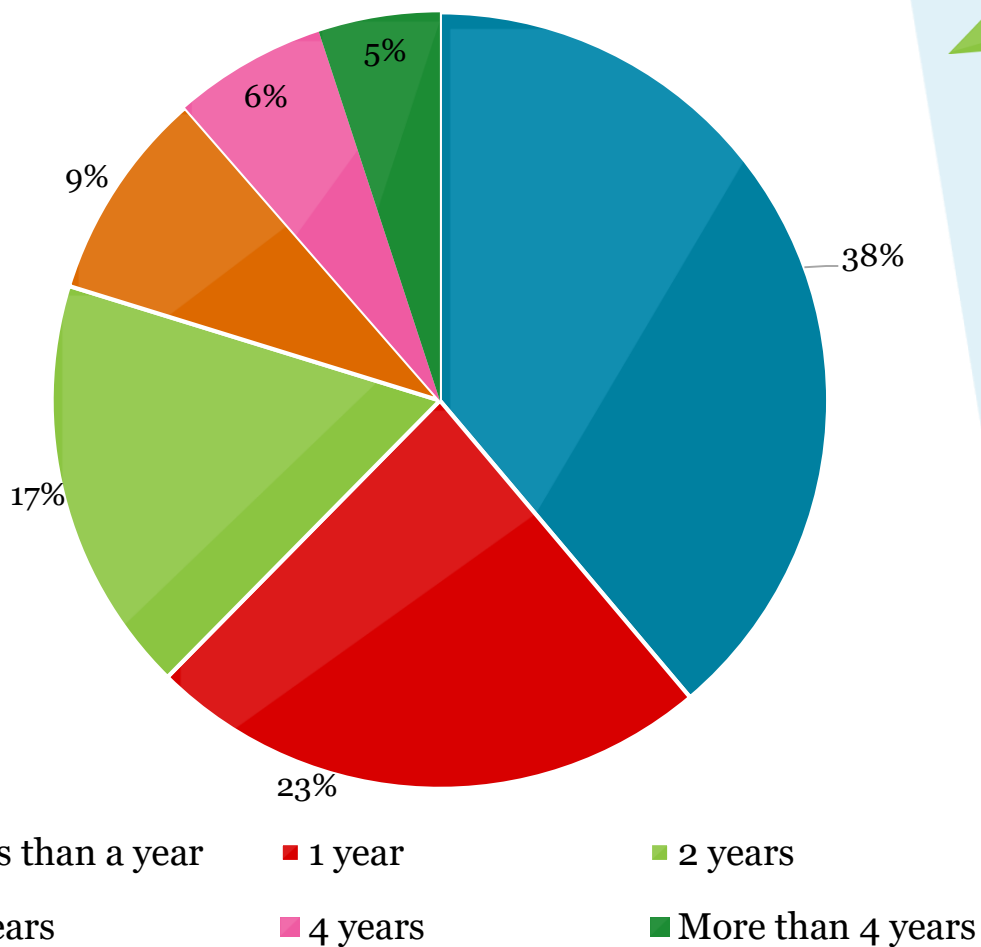
# Equity Bank Is A Popular Choice For Agents Wanting Another Till

## If Given An Opportunity To Serve Another Provider, Which Provider Would Agents Choose?



# The Number Of Years Of Operation Is Largely Unchanged

**Years of Operation**



▶ The number of years agents have been operating is very similar to 2013, meaning while the network is now a year older, agents do not report more years of experience.

▶ While bank agents only comprise 15% of overall agents, they account for 47% of agents with less than a year of operations, and 64% with a year of operations, showing their recent and robust growth.

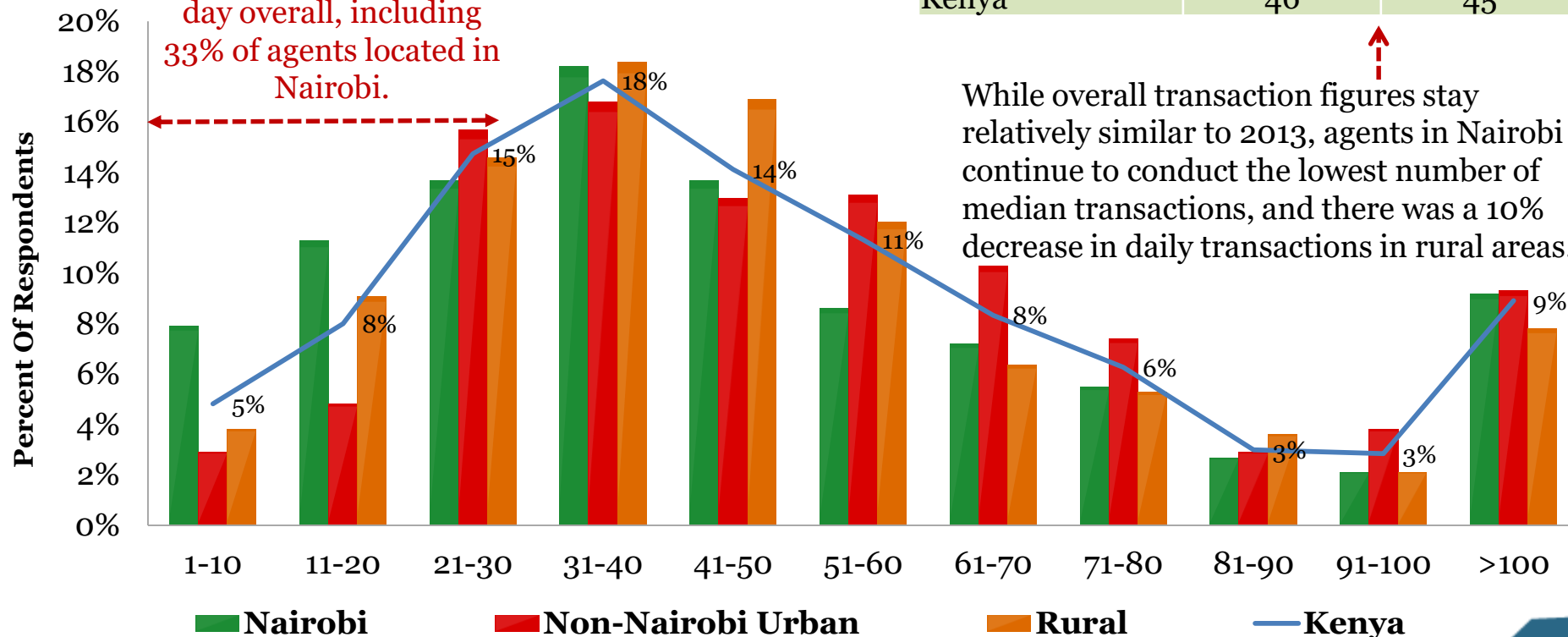
# Core Agency Operations

# Daily Transaction Levels\* Are Similar To 2013

72% of agents report conducting more than 30 transactions a day (vs. 74 in 2013) and 40% conduct over 50 transactions per day (vs. 46 in 2013).

Median Transactions Per Day		
	2013	2014
Nairobi	40	40
Non Nairobi		
Urban	50	50
Rural	49	44
Kenya	46	45

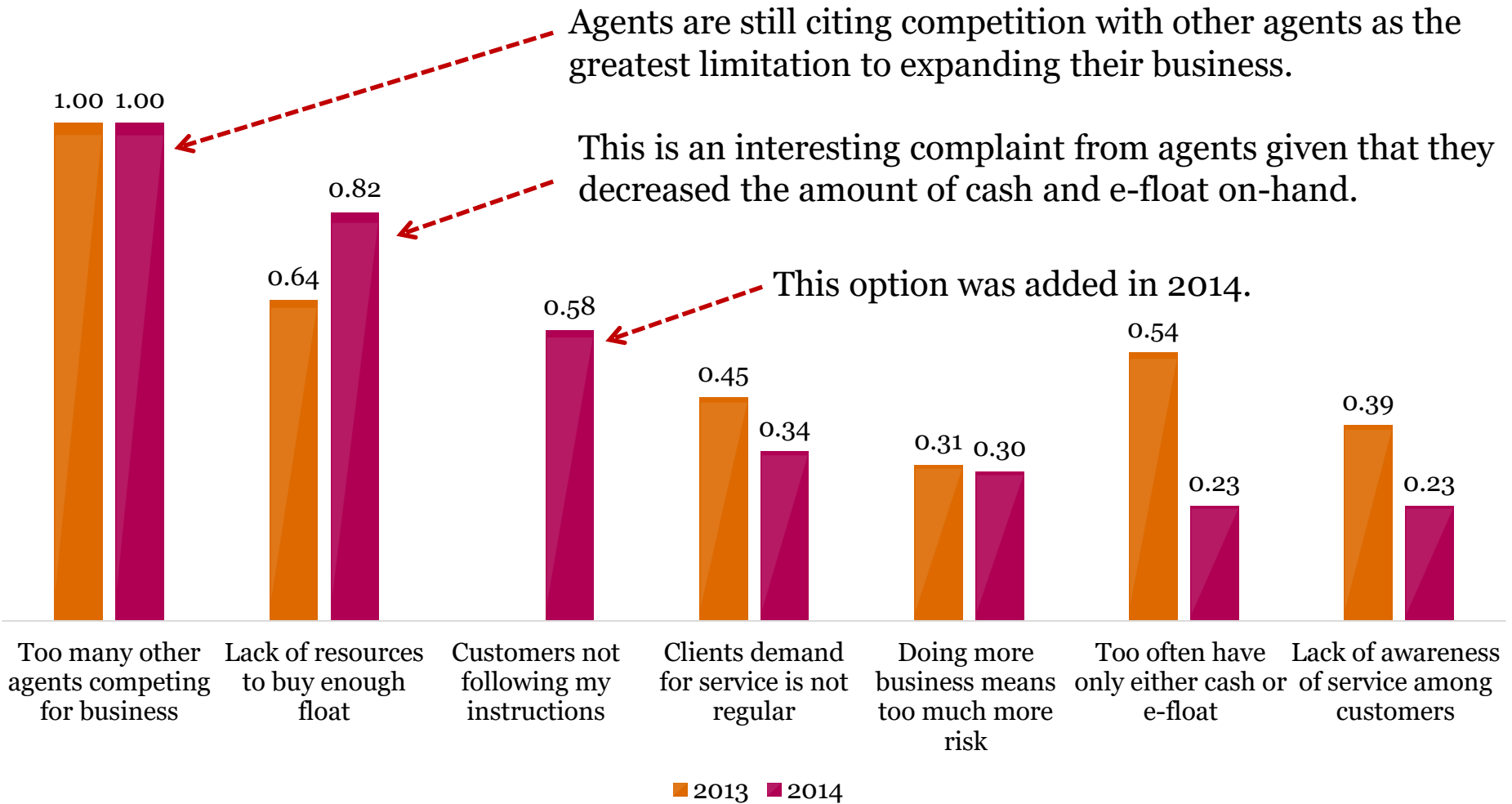
28% of agents make 30 transactions or less per day overall, including 33% of agents located in Nairobi.



While overall transaction figures stay relatively similar to 2013, agents in Nairobi continue to conduct the lowest number of median transactions, and there was a 10% decrease in daily transactions in rural areas.

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

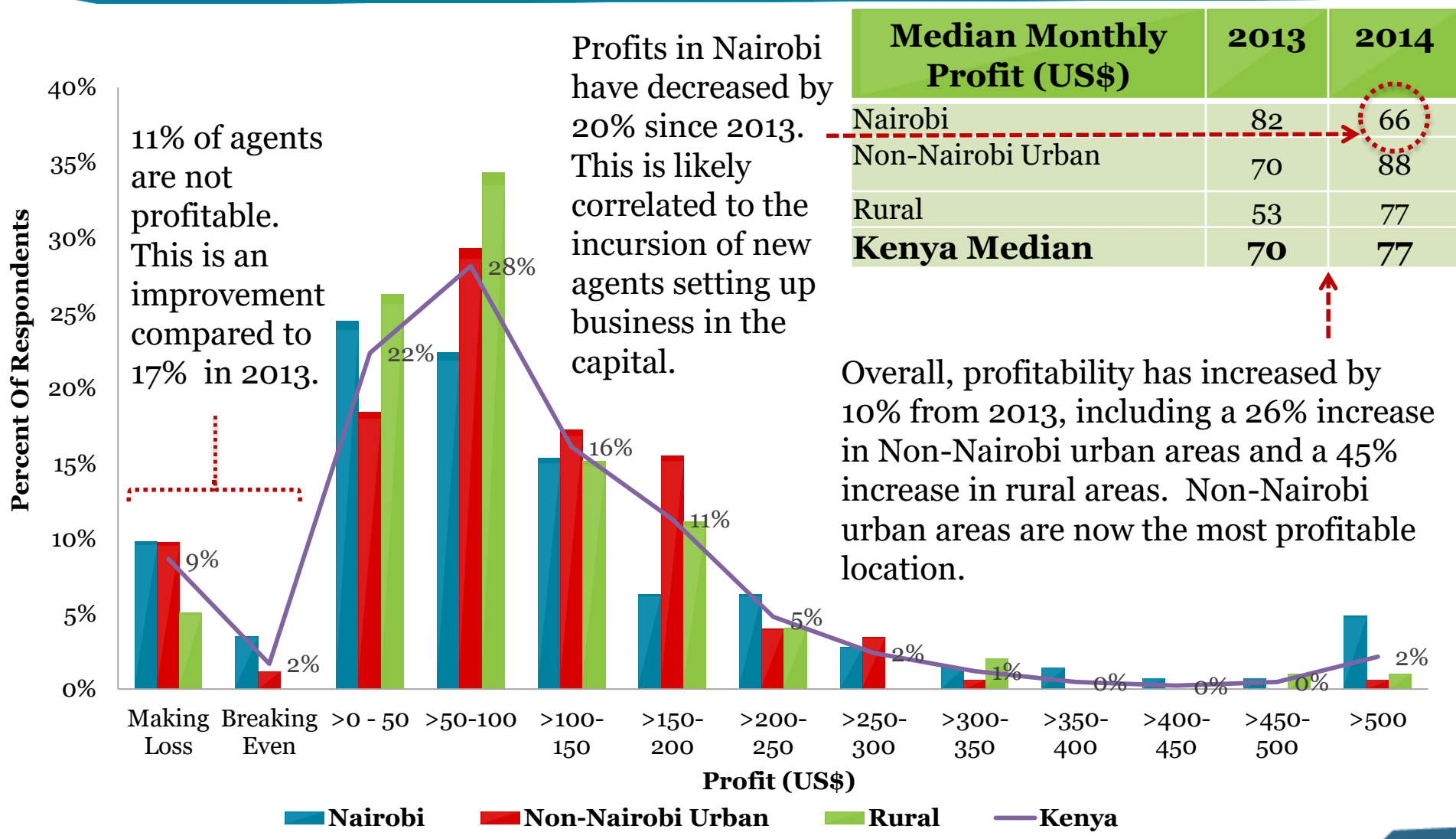
# Competition Is Ranked The Biggest Barrier To Daily Transactions\*



\*Agents ranked the top three barriers out of eight dimensions in 2014. In 2013, agents were asked to rank all seven dimensions. The above figures are a weighted average of the first three choices for both years and then converted to an index in order to draw comparisons. The taller bars mean a higher relative ranking.

# Business Model Viability

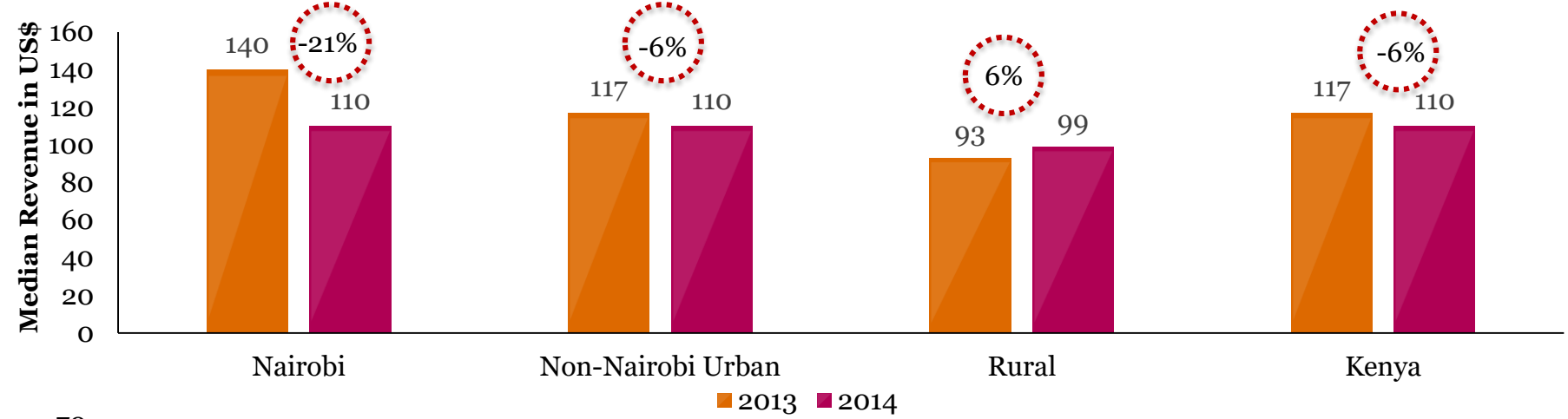
# General Profitability\* Has Increased



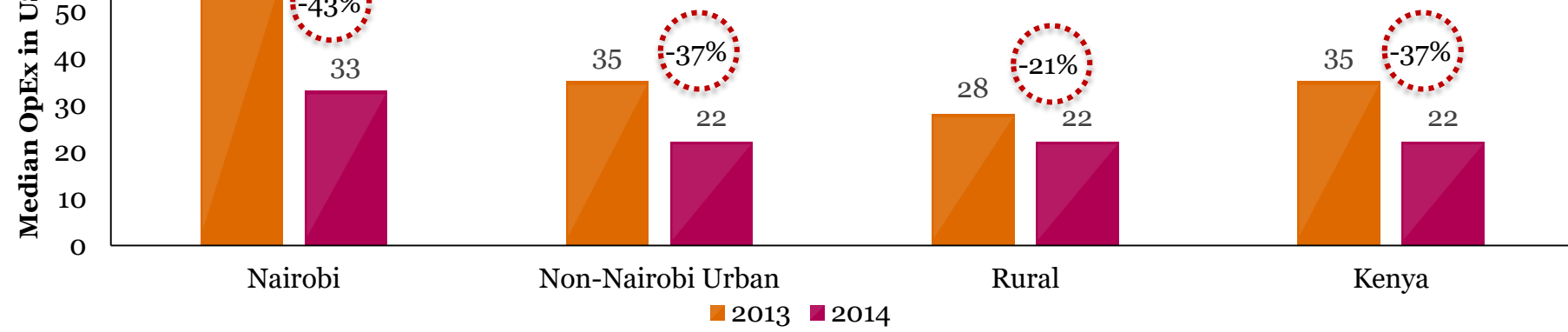
\* Is calculated by subtracting expenses from total earnings from all the providers served. Only agents that reported both earnings and expenses are included here.

# Both Revenues And Operating Expenses Have Fallen In 2014

### Revenues Earned from all Providers Served



### Operating Expenses



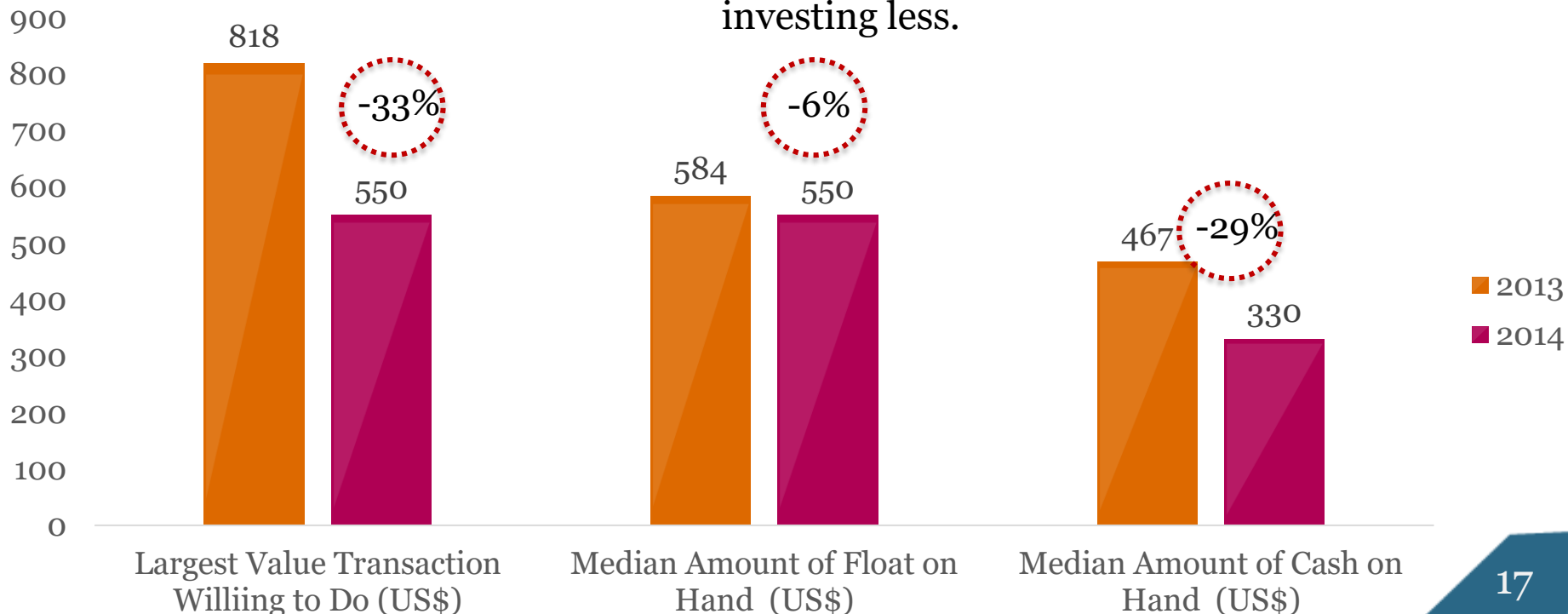
\* Total monthly revenue reported here pertains to all providers served. Therefore for non-exclusive agencies, their revenue is reported here with regards to all the providers they serve. Since not all agents report revenue and/or expenses, samples sizes for these variables, including the profit variable calculated from them are different, and therefore in this report revenue minus expenses do not equal profit exactly.



## Agents Seem To Be Making Money By Investing Less

▲ The number of non-dedicated agents increased to 64% (+15%) of agents, and non-dedicated agents reported spending a lower percentage of their time on their DFS business (50%) relative to 2013 (60%), a decrease of 16%. Therefore agents are diversifying their business and spending less time on DFS.

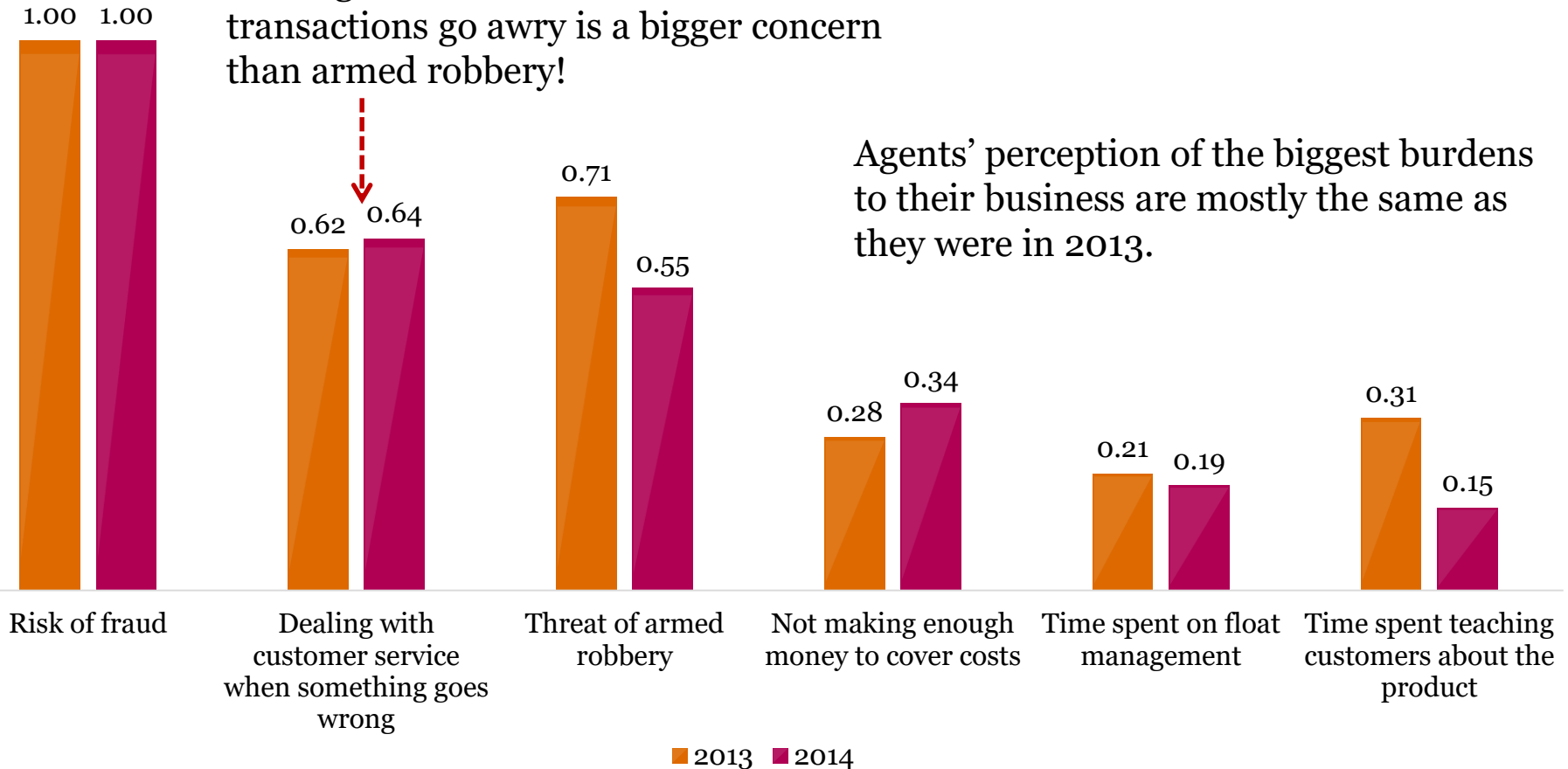
▲ The chart below also shows agents are allocating less resources in terms of float and cash, yet conducting about the same number of transactions, and with profits increasing since 2013, overall agents seem to be making more by investing less.



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

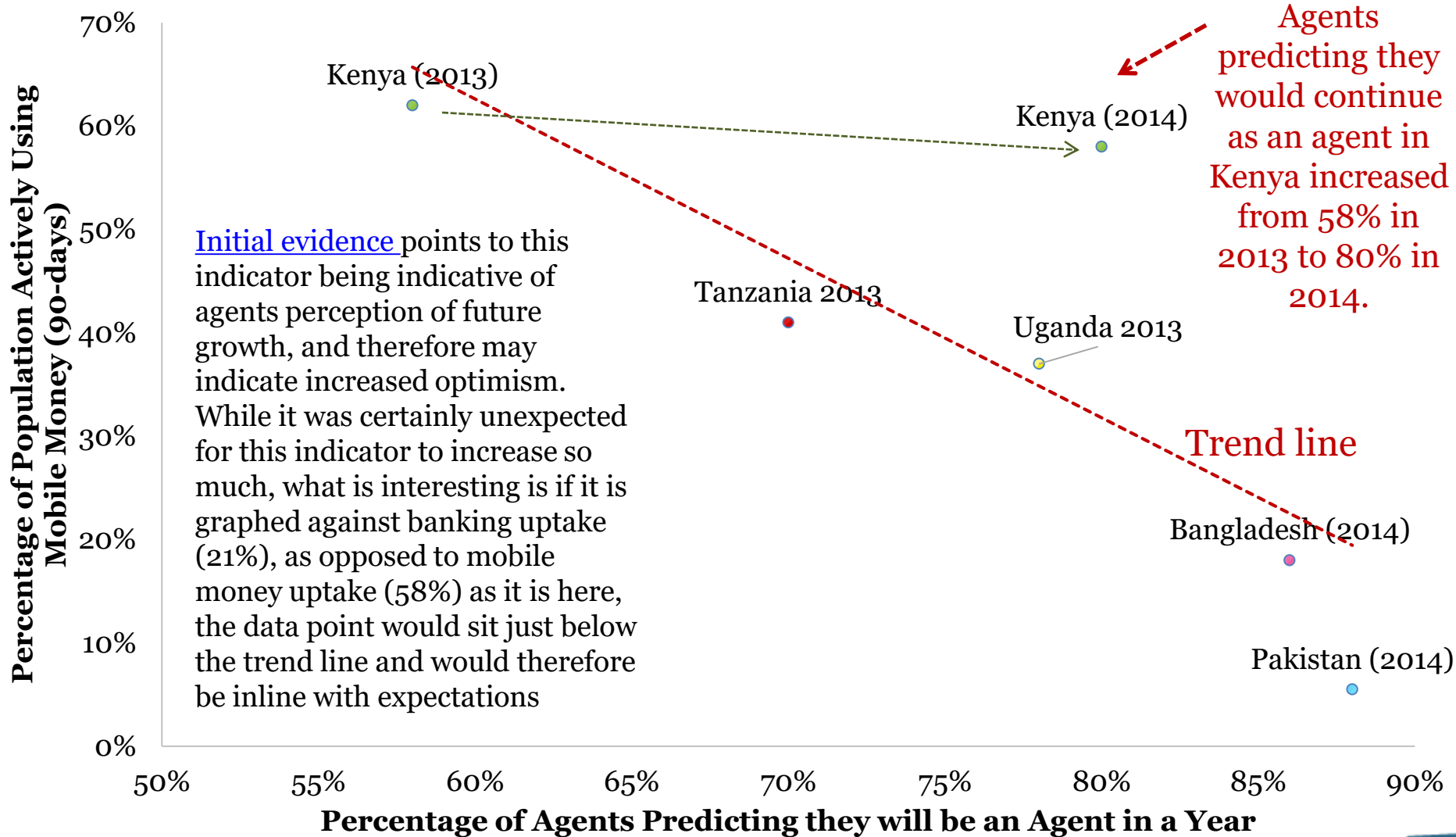
Dealing with customers when transactions go awry is a bigger concern than armed robbery!

Agents' perception of the biggest burdens to their business are mostly the same as they were in 2013.



\* Agents ranked the top three barriers out of eight dimensions in 2014. In 2013, agents were asked to rank all seven dimensions. The above figures are a weighted average of the first three choices for both years and then converted to an index in order to draw comparisons. The taller bars mean a higher relative ranking.

# Agents Seem Significantly More Optimistic



\* Note: Data on the x-axis is taken from report from respective country reports published by [The Helix Institute](http://www.helix-institute.com), while the y-axis data is from [InterMedia's Finclusion research](http://www.intermedia.com).

# Liquidity Management

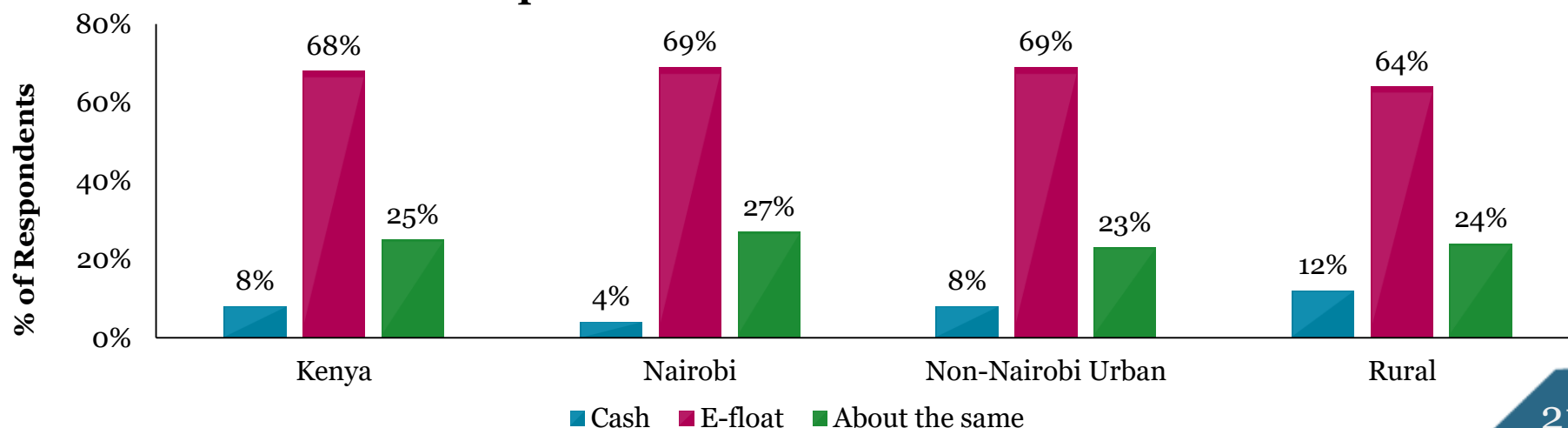
# Rebalancing Is Close, Mostly Done At Banks And Less Expensive Than 2013

95% agents take 30 minutes or less to reach a bank for rebalancing.

The cost of rebalancing has decreased by 49% from 2013, with an increased number of agents reporting using supermarkets to rebalance and a decreased number of agents saying they rebalance with other agents.

Rebalancing		
Metric	2013	2014
Median cash deposits for rebalancing/Mo.	4	4
Median cash withdrawals for rebalancing/Mo.	3	2
Transactions Denied /Day	3	2
Median Time taken to reach rebalancing point	10 mins.	10 mins.
Percentage that use a bank for rebalancing	91%	88%
Mean cost of rebalancing (US\$)	1.29	.66

## Float Requirement



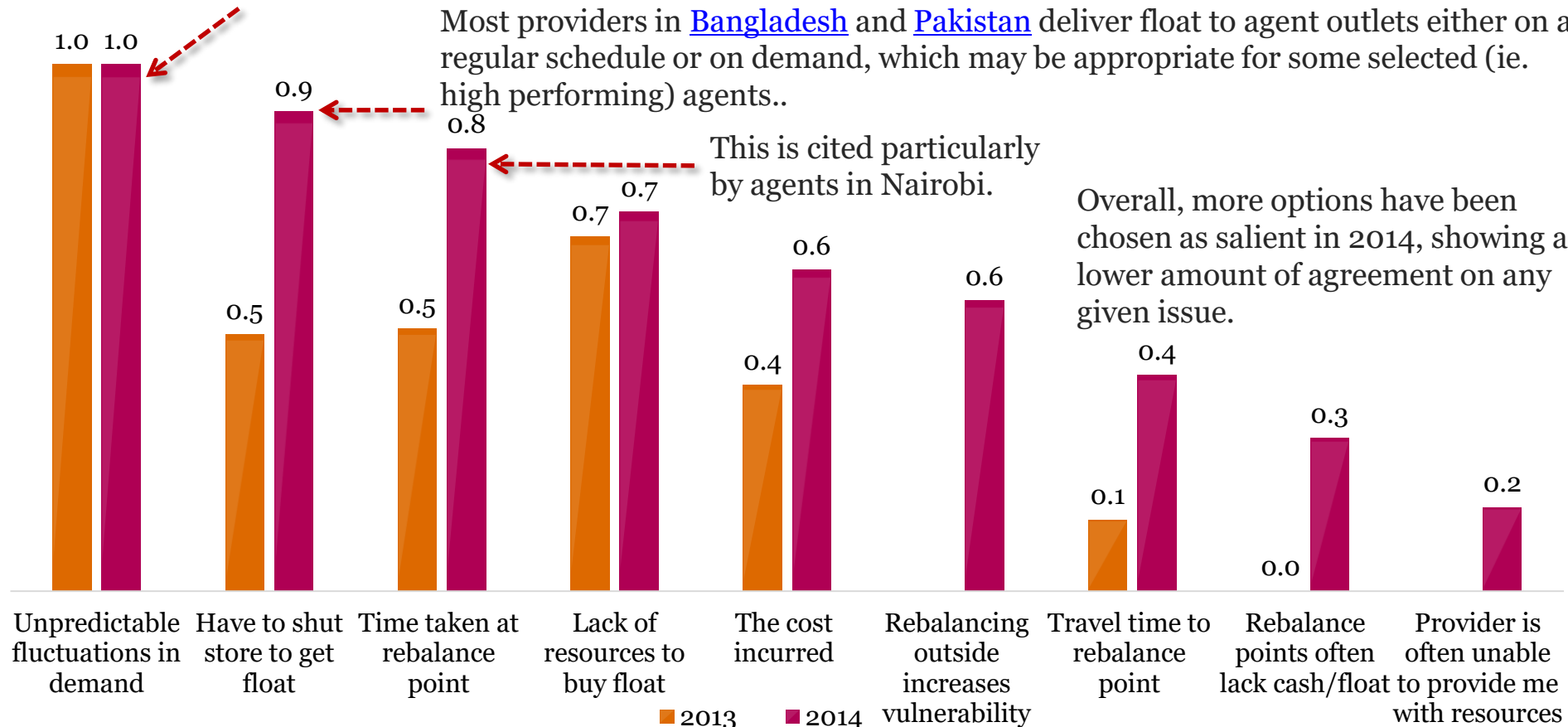
# Impediments To Float Management\*

It will be important to analyse the frequency and magnitude of these fluctuations as demonstrated [by this analytical framework](#).

Most providers in [Bangladesh](#) and [Pakistan](#) deliver float to agent outlets either on a regular schedule or on demand, which may be appropriate for some selected (ie. high performing) agents..

This is cited particularly by agents in Nairobi.

Overall, more options have been chosen as salient in 2014, showing a lower amount of agreement on any given issue.



\* Agents ranked the top three barriers out of eight dimensions in 2014. In 2013, agents were asked to rank all seven dimensions. The above figures are a weighted average of the first three choices for both years and then converted to an index in order to draw comparisons. The taller bars mean a higher relative ranking.

# Quality of Provider Support

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



## Training\*

89% report receiving training (92% in 2013)

- 37% from a provider (54% in 2013) (39% for MNOs and 78% for banks)
- 45% from employer (38% in 2013) (43% for MNOs and 18% for banks)
- 10% from a master agent -- called aggregator in Kenya (15% in 2013) (9% for MNOs and 2% for banks)

Only 29% of the trained agents report receiving a refresher training (for 2013 the figure also stood at 29%).



## Call Centre:

95% of agents were aware of a call center, call it a median of three times a month (vs. four times in 2013) and 60% thought it was “very helpful” in terms of its ability to resolve their issues.

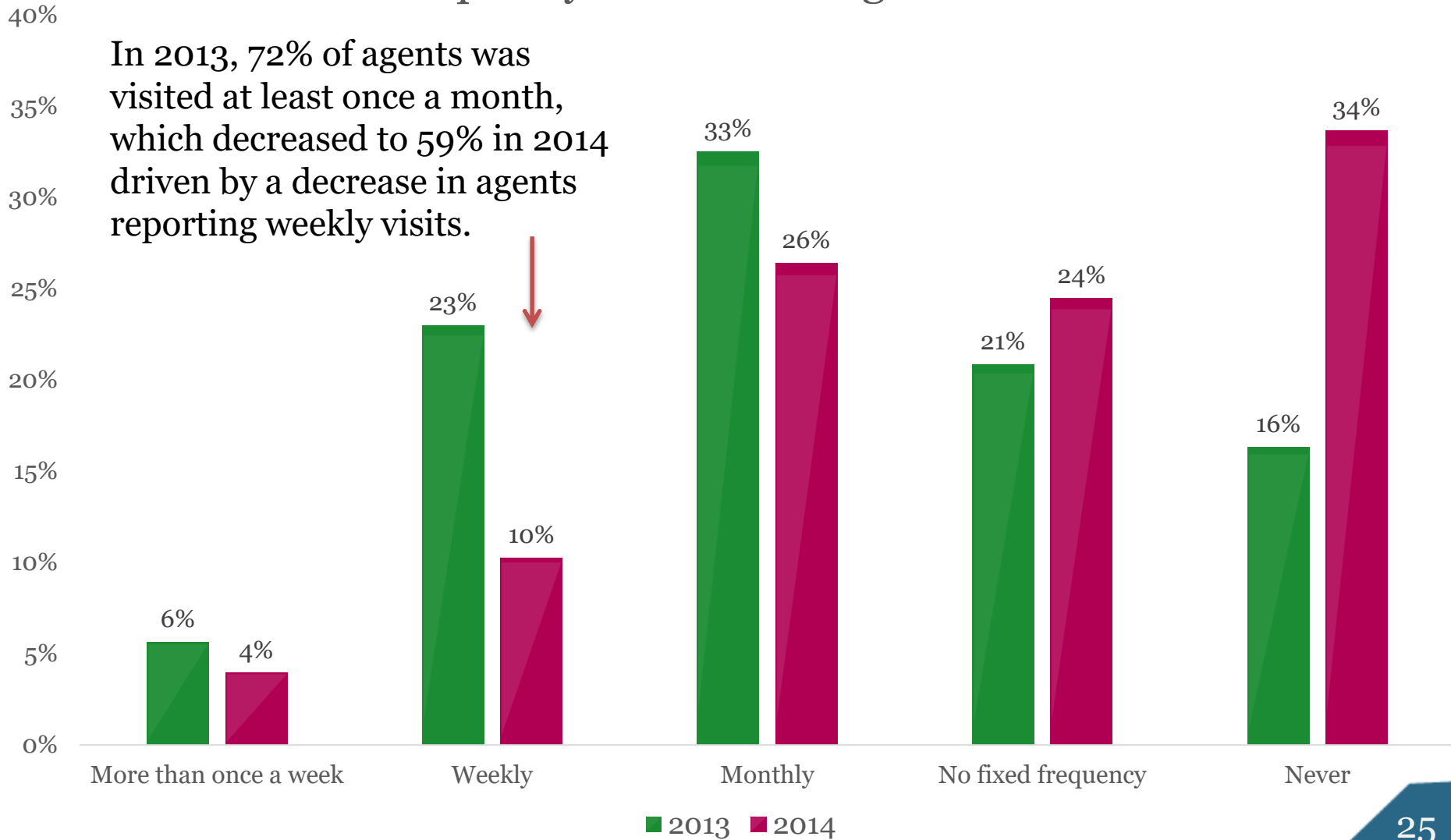
\*Agents were allowed multiple response on the question of who trained them.



# The Frequency Of Support Visits Is More Erratic

## The Frequency with which Agents are Visited

In 2013, 72% of agents was visited at least once a month, which decreased to 59% in 2014 driven by a decrease in agents reporting weekly visits.



# Service Downtime & Communication About It Has Improved

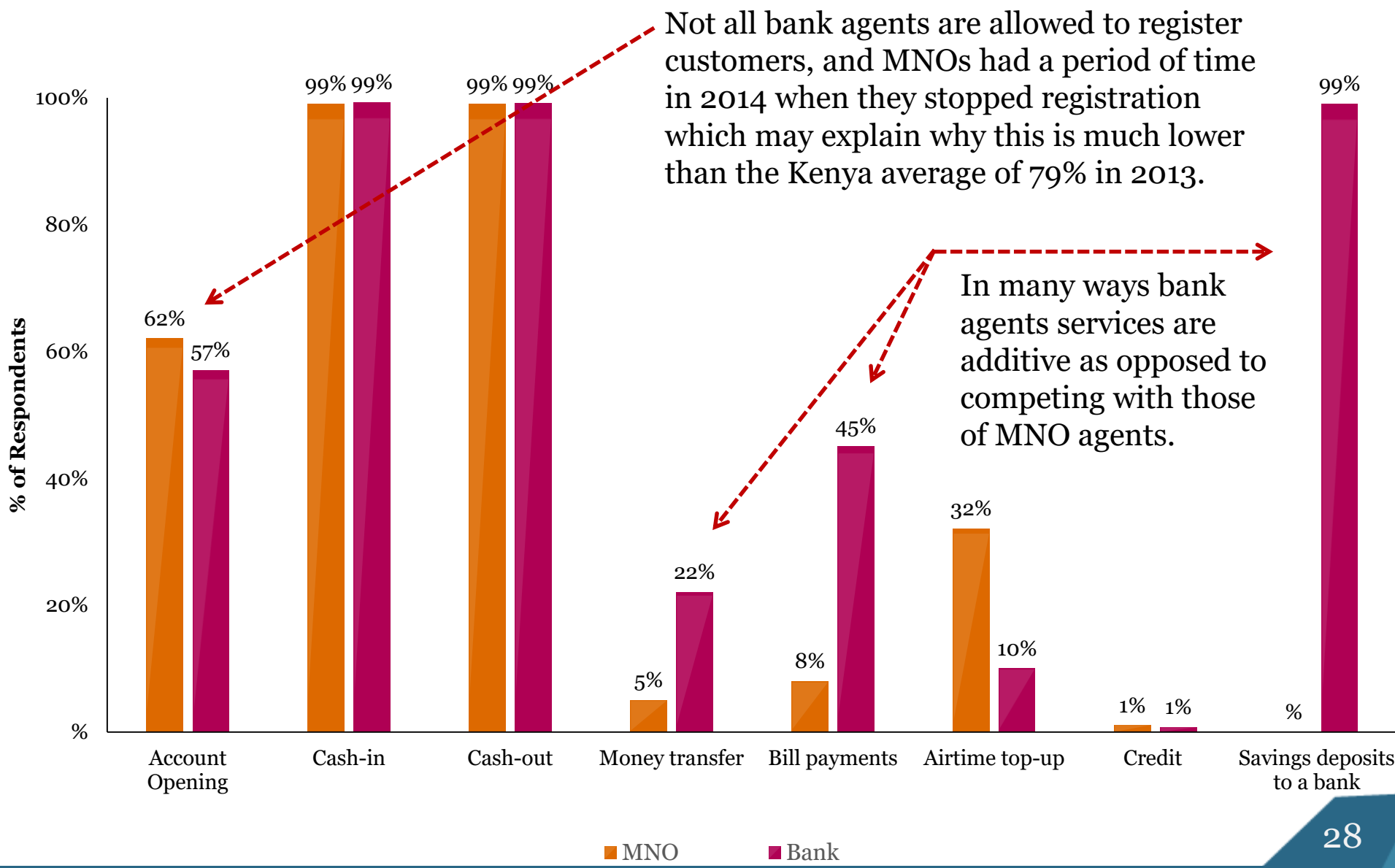
- ▶ 45% (44% of MNO and 52% of Bank) of agents reported facing service downtime a median of two times per month (improving from a median of 9 in 2013).
  
- ▶ Only 77% of agents (84% of MNO and 17% of Bank) report receiving prior warning (improving from 26% in 2013) about downtime, and 83% report that information given is accurate.
  
- ▶ Agents report turning down a median of five transactions (same as 2013) per occurrence of service downtime.



# MNO vs. Bank Agency Comparison

This section compares a sample of agents offering services from the leading banks to those offering services for the leading MNOs. It combines additional interviews done with bank agents beyond the random sample to increase the power of the analysis. Therefore while figures cannot be added to calculate country totals, they can be understood to represent agents serving Banks and MNOs respectively in Kenya.

# Banks Are Bringing A Greater Diversity Of Services

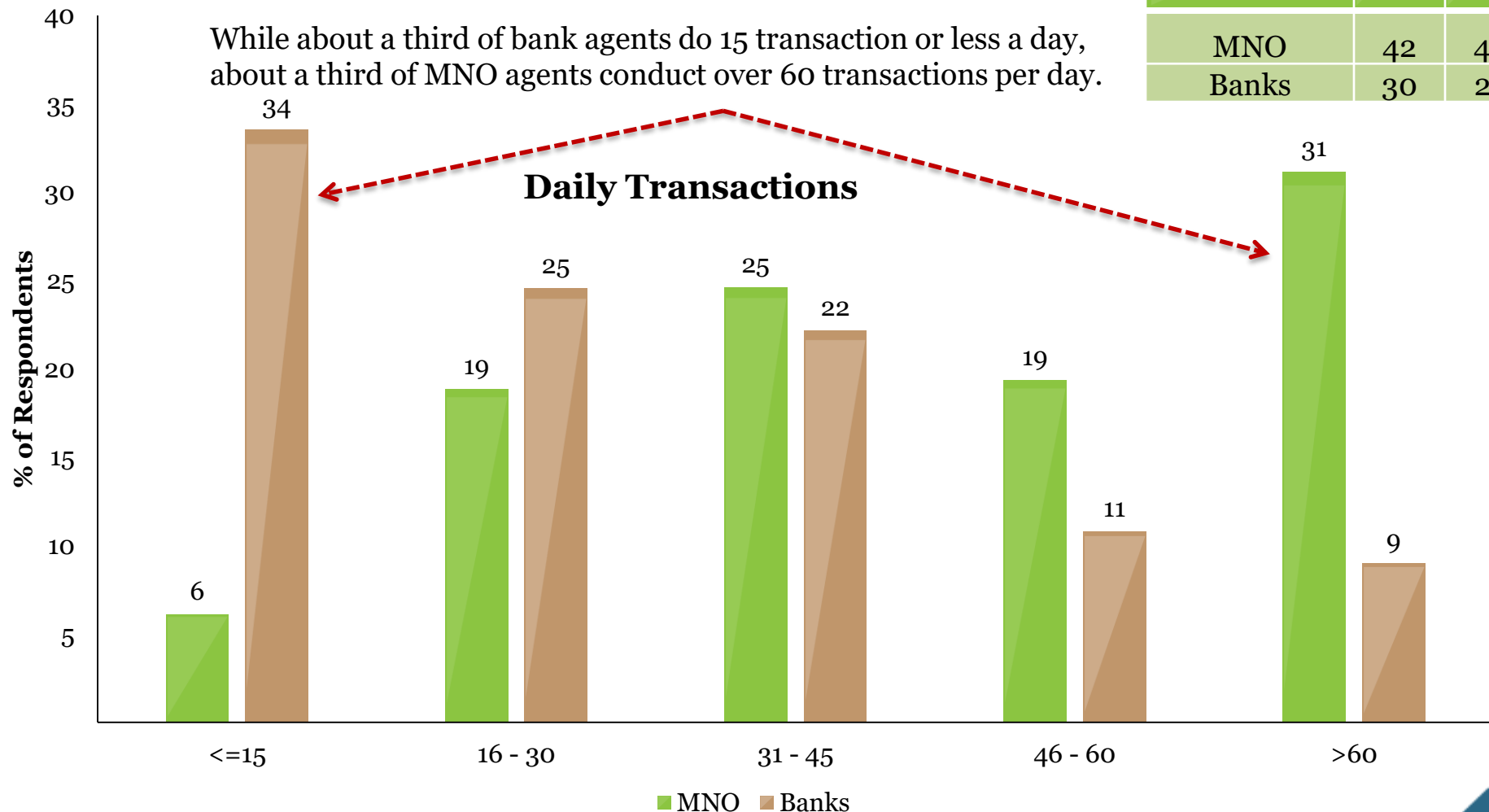


# Daily Transaction Levels\* For MNO Versus Bank Agents

The median number of transactions per day has actually increased for MNOs, while it has decreased by 17% for banks since 2013.

Median Daily Transactions	2013	2014
MNO	42	46
Banks	30	25

While about a third of bank agents do 15 transaction or less a day, about a third of MNO agents conduct over 60 transactions per day.



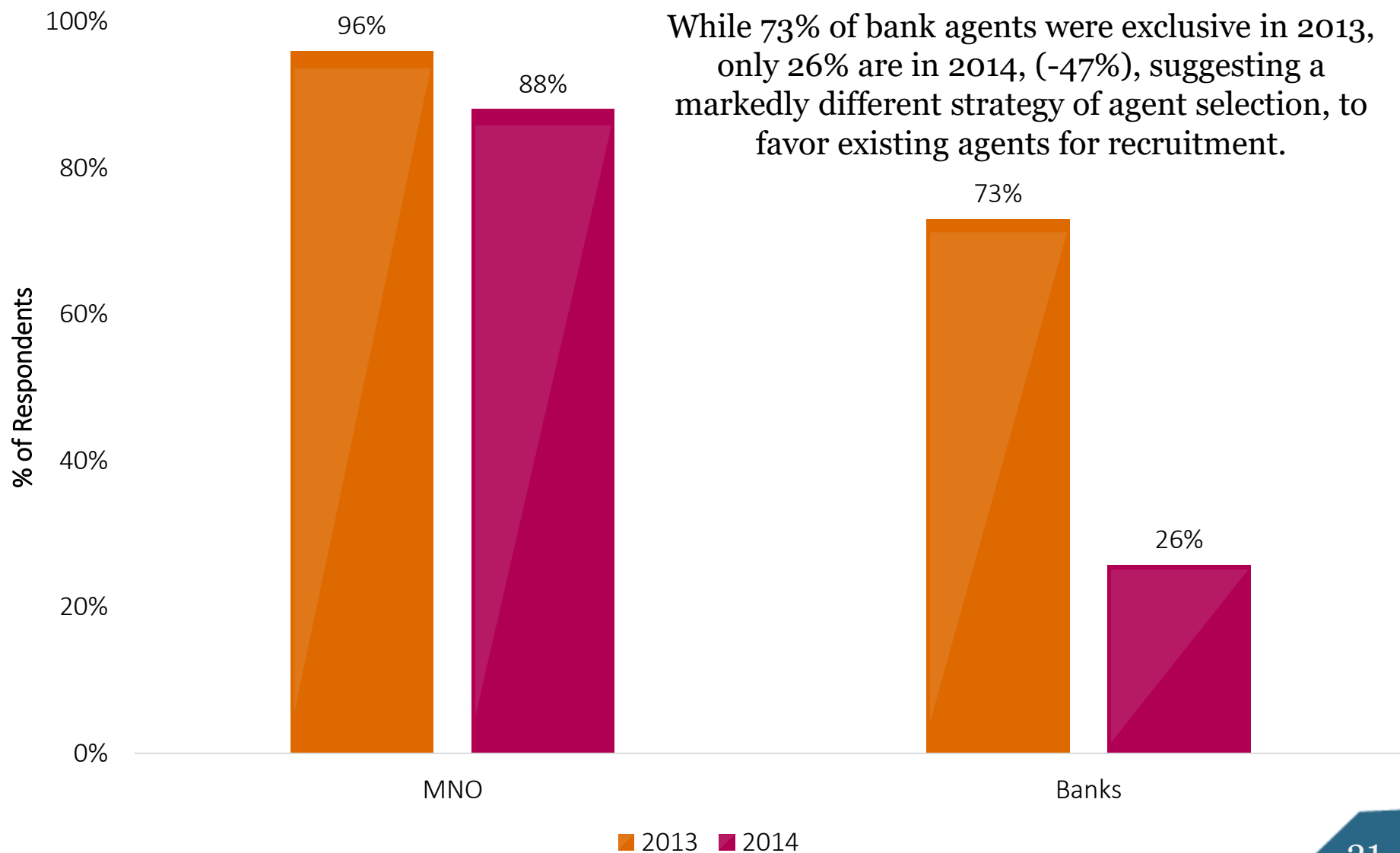
\* Numbers represent transactions per day by selected provider, not overall volumes for the agency outlet.

# Volume & Value Of Transactions By MNO Versus Banks\*

	Median Number Of Transactions		Median Value of Transactions (US\$)	
	MNO	Bank	MNO	Bank
<b>Daily</b>				
Cash-In/Day	20	8	22	33
Cash-Out/Day	20	8	22	33
Airtime Top Up/Day	20	1	1	1
<b>Monthly</b>				
Account Opening/Mo.	13	10	N/A	N/A
Bill Payment/Mo.	5	10	11	33

The median value of cash-in/cash-out transactions is 50% higher for bank agents than MNO agents. This helps explain why the revenue is the same for MNO and bank agents (\$88 per month), even though MNOs agents conduct more transactions than bank agents.

# Exclusivity Among Bank Agents Is Decreasing Drastically



# Key Accomplishments & Opportunities



# Outstanding Attributes Of Agent Network Management

- 
 Reported operating costs have decreased by 37% in the last year, driving a 10% increase in profits across the country. Agents seem to be investing less time and resources and making more money.
  
- 
 Banks aggressively expanding their agent networks, which is increasing the diversity of services offered at the agent level.
  
- 
 There are now more providers with significant market presence in Kenya.
  
- 
 The cost of liquidity management has decreased, and the service downtime has improved.



# Opportunities For Improvement

- ▶ As service offerings become more diverse and complex it will become increasingly important to identify sophisticated segments of agents that can help explain and sell these offerings.
- ▶ As competition at the retail level intensifies, providers will find it increasingly important to keep high performing agents loyal which can be done through offering credit and loyalty programmes.
- ▶ It appears that customers are using MNO and Bank agents in different ways, and therefore they are not necessarily in competition, and might coordinate to reduce redundancies in support services (monitoring visits, call centres, trainings).
- ▶ While [75% of the population is rural](#), only 22% of the agent network is, and therefore this might be an opportunity for further network expansion.



# Thank You

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