

Exploring market opportunities in Zambia

Agenda

An overview of Zambia

Banking

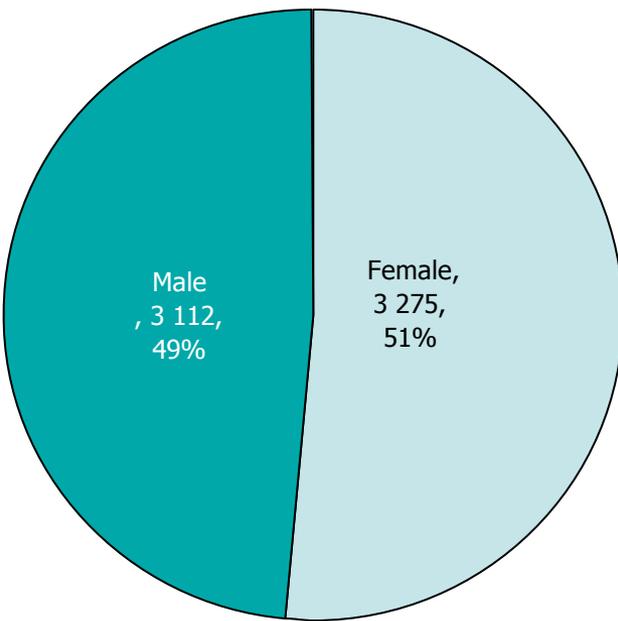
Credit

Insurance

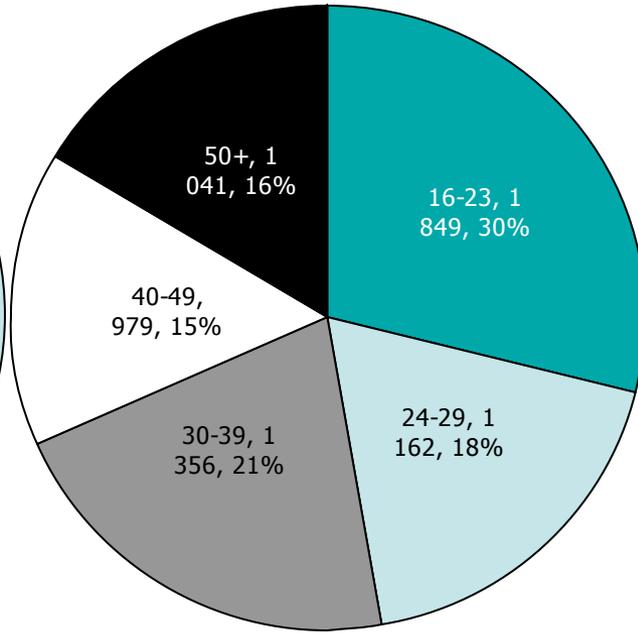
Payments

According to FinScope 2009 there are almost 6.4 million adults aged 16 or more in the country

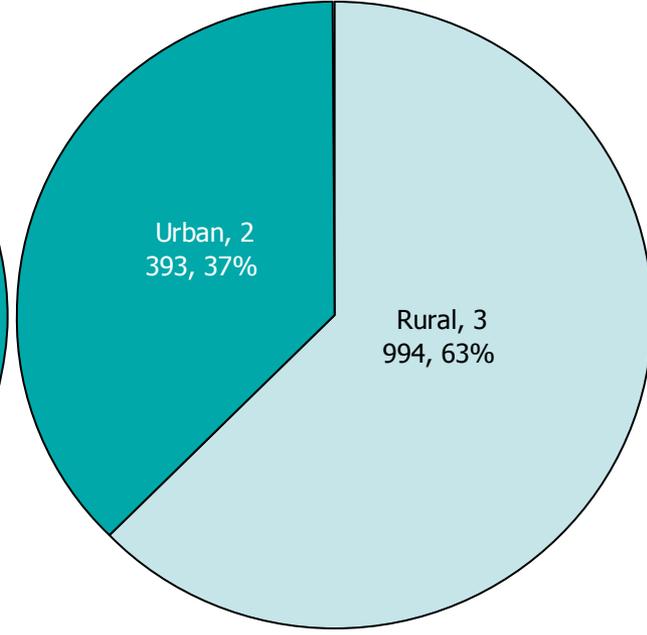
Gender
(Adults 16+)



Age
(Adults 16+)



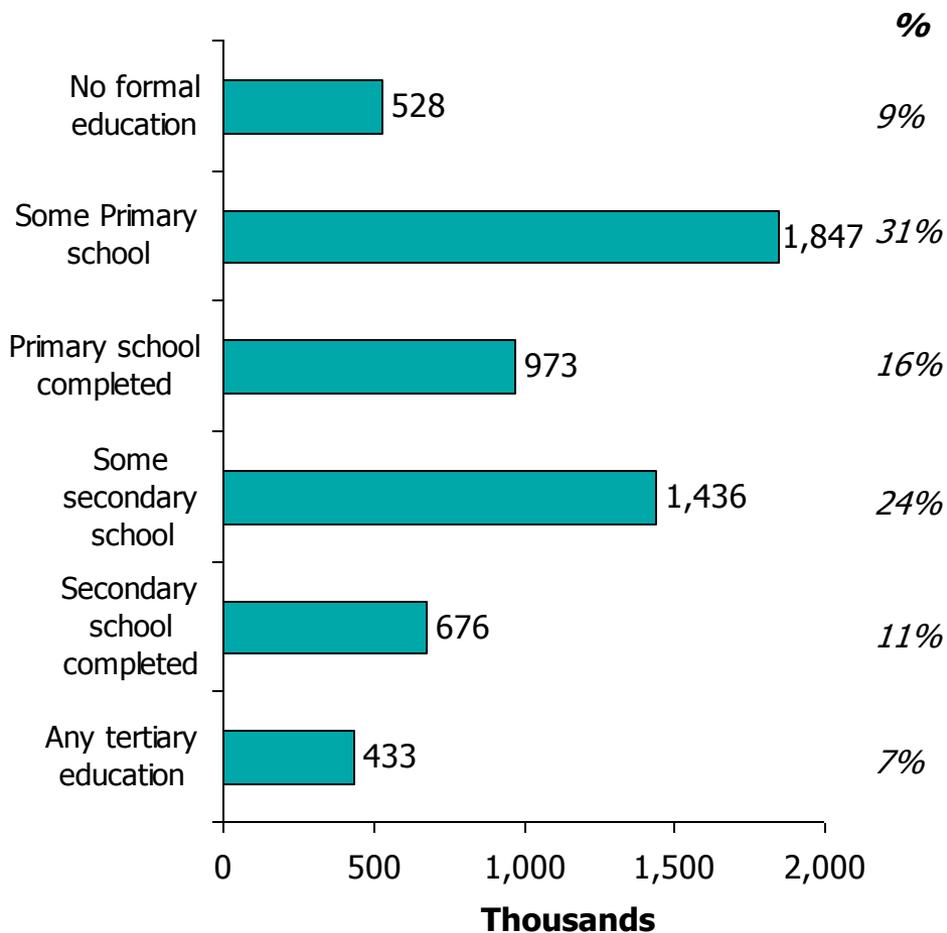
Rural / urban
(Adults 16+)



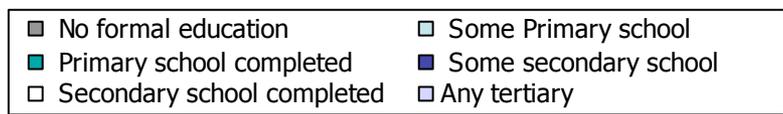
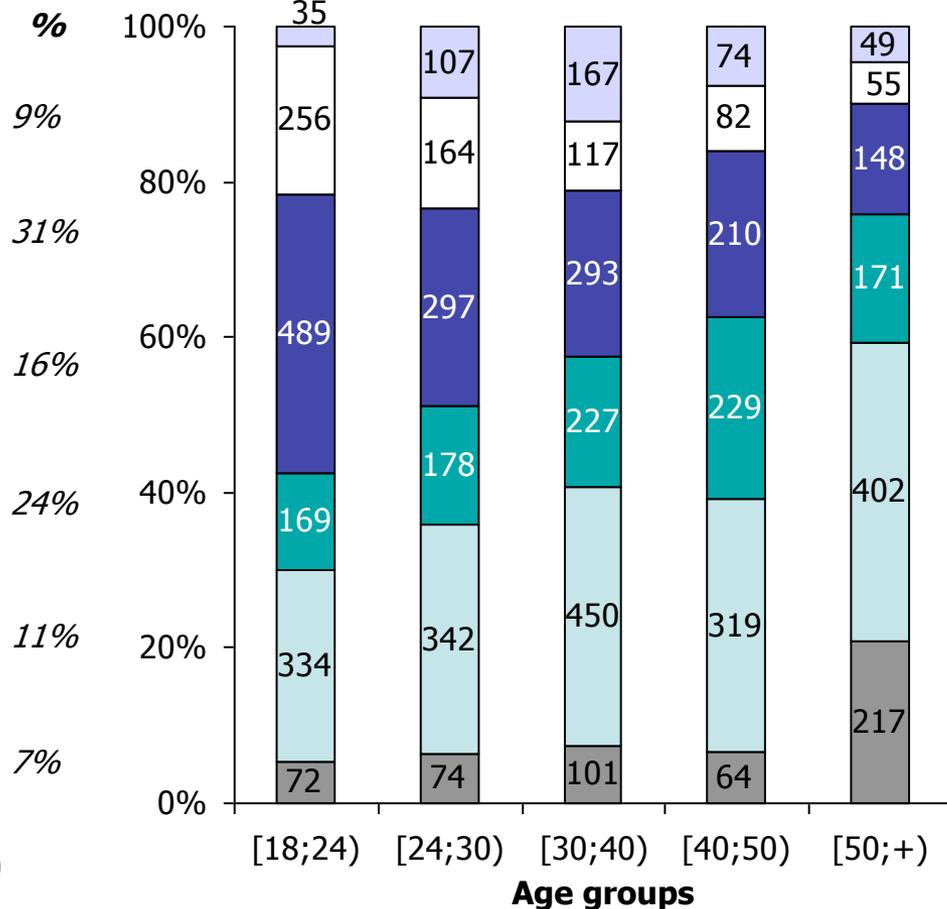


Overall, the education level in Zambia is low. However, education levels are higher among 18-30 year olds

Highest level of education
(Adults 18+, 5,897,278)



Highest level of education
(Age distribution of adults 18+)

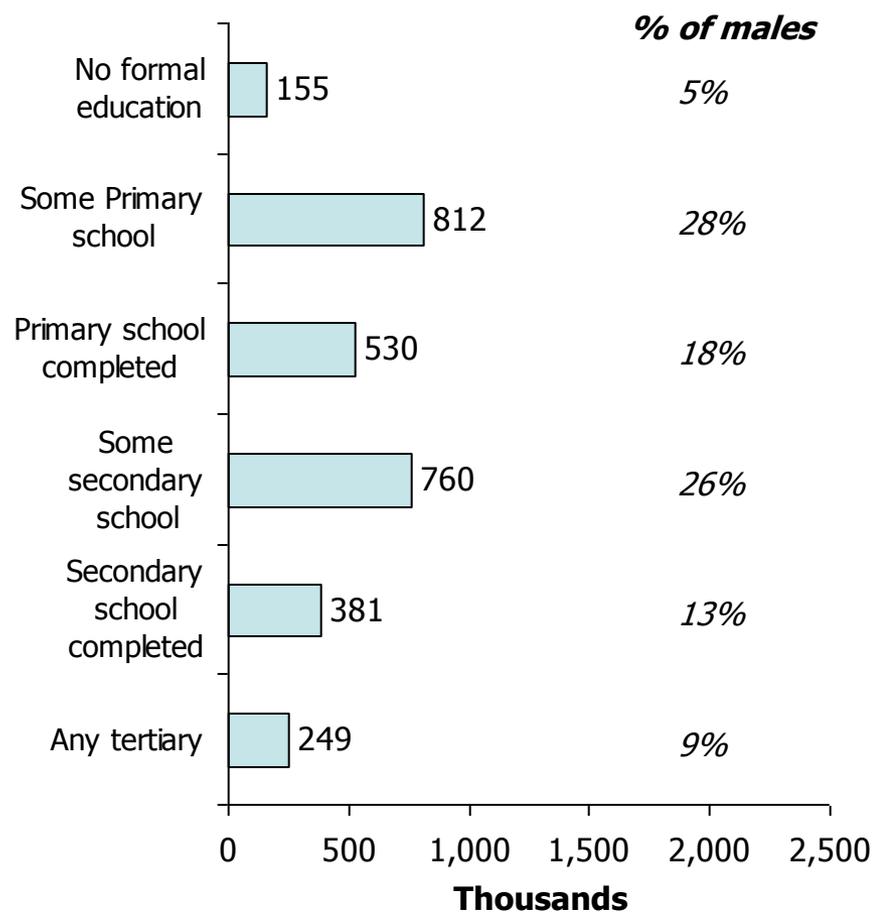


Source: FinScope Zambia 2009
Note: Those that did not have a response to the level of education have been excluded.

67% of males 18 and above have at least a primary school education while for women the proportion is 54%

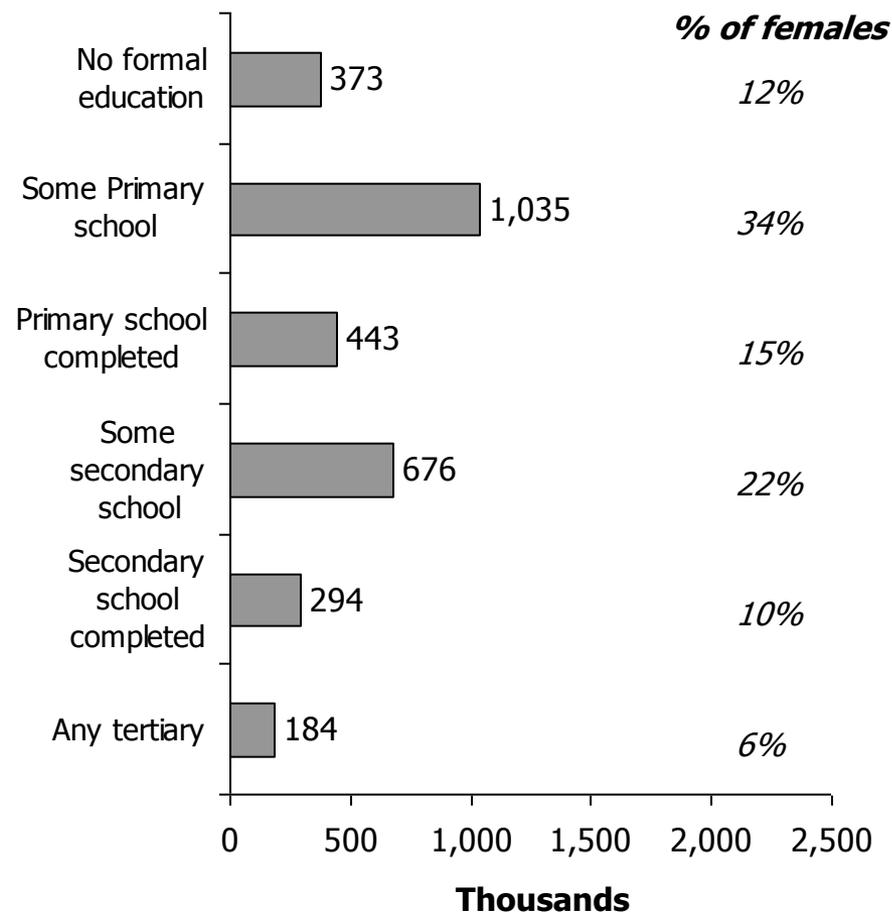
Highest level of education

(Males 18+, 2,889,252)



Highest level of education

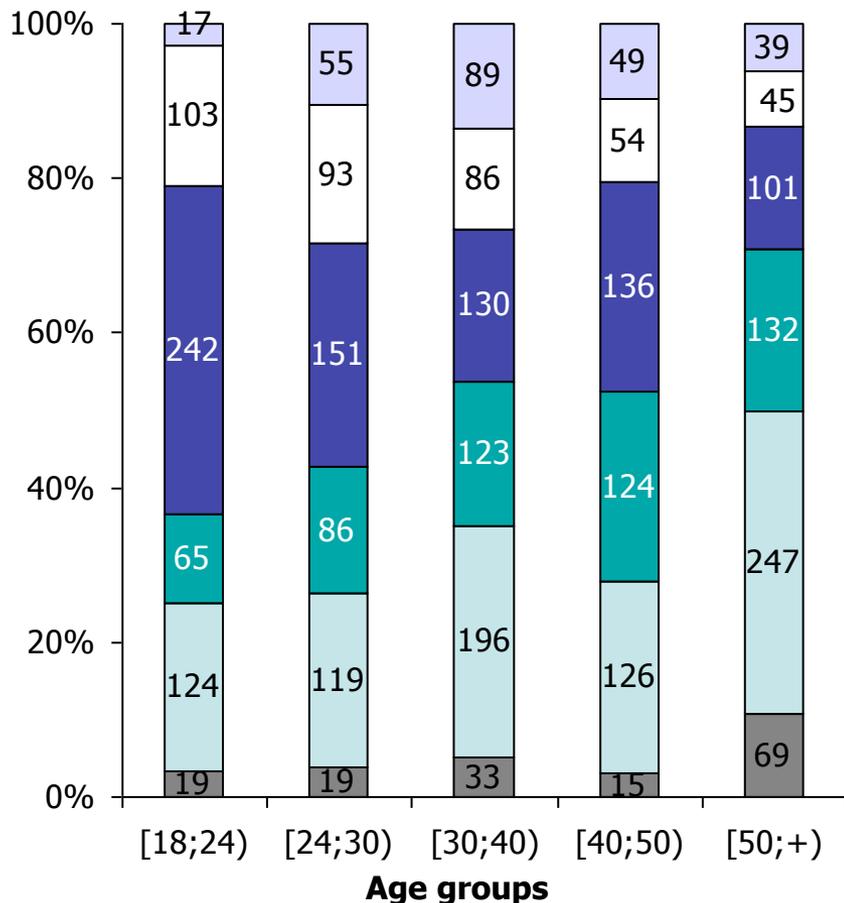
(Females 18+, 3,008,026)



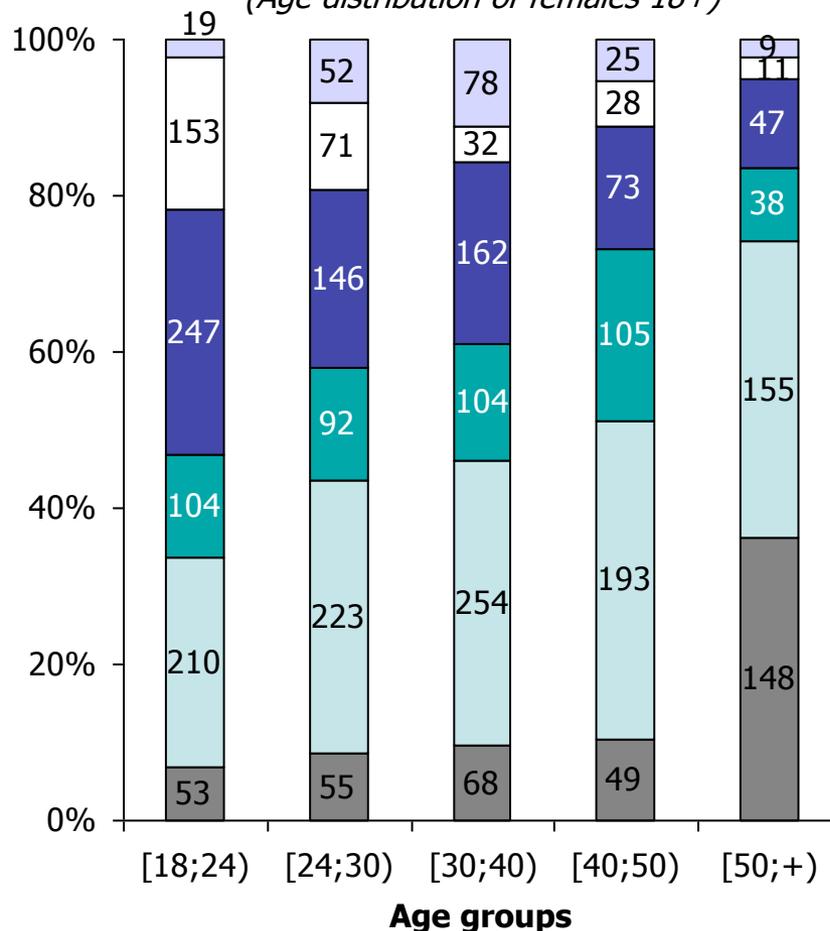


The gender gap in education is smaller in younger market segments

Highest level of education
(Age distribution of males 18+)



Highest level of education
(Age distribution of females 18+)



No formal education
 Some Primary school
 Primary school completed
 Some secondary school
 Secondary school completed
 Any tertiary

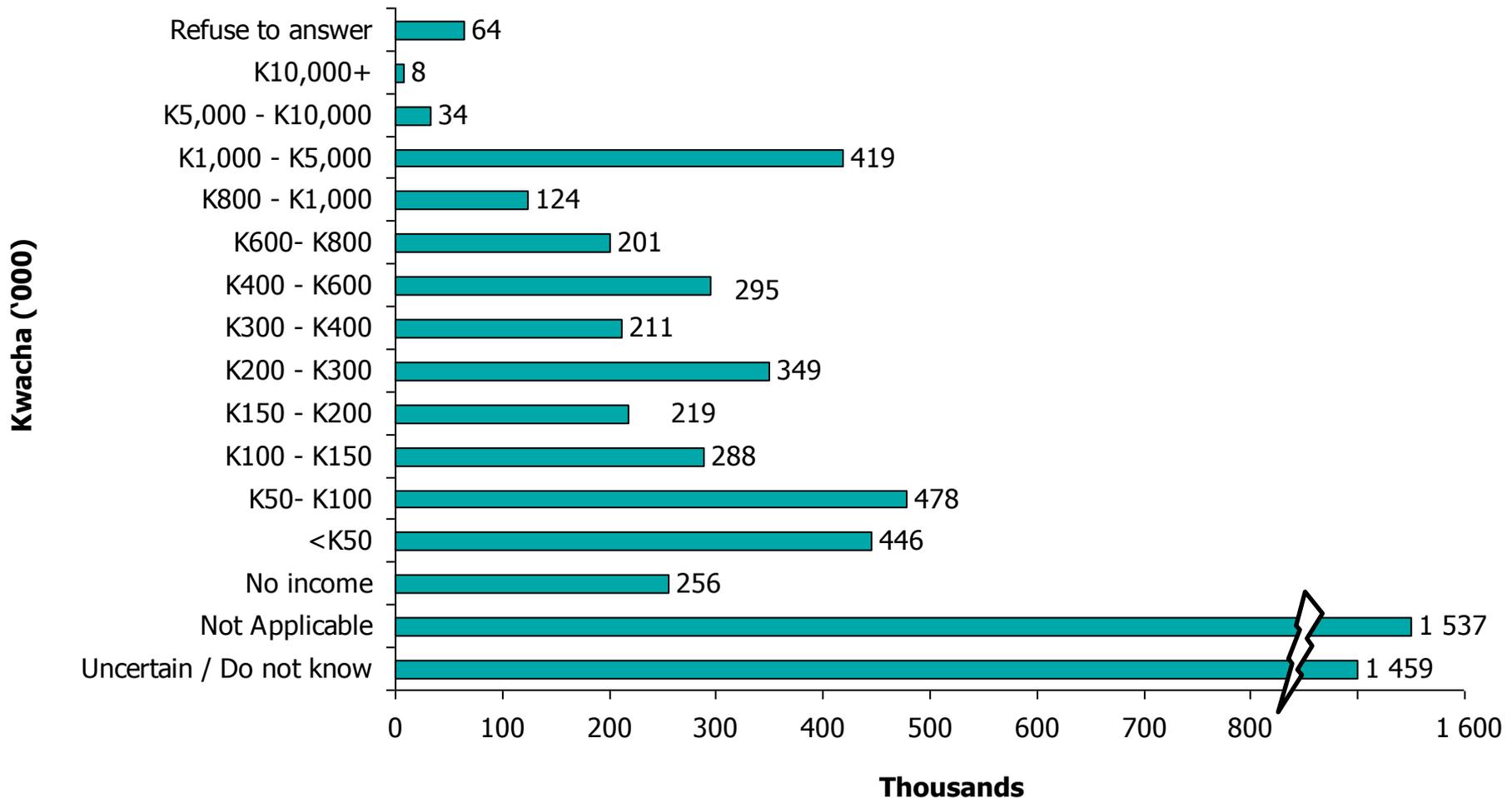
Source: FinScope Zambia 2009

Note: Those that did not have a response to the level of education have been excluded.

2m adults have a personal income of less than K300 000 per month while 4% do not have an income. 48% of respondents would not or could not provide income data

Personal monthly income

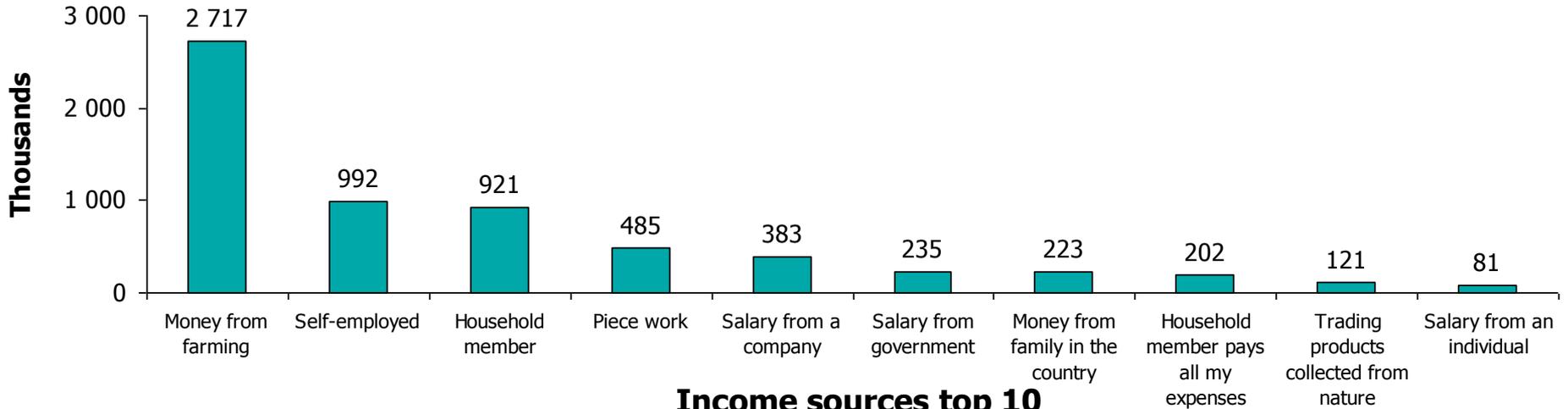
(Adults 16+, 6,387,885)



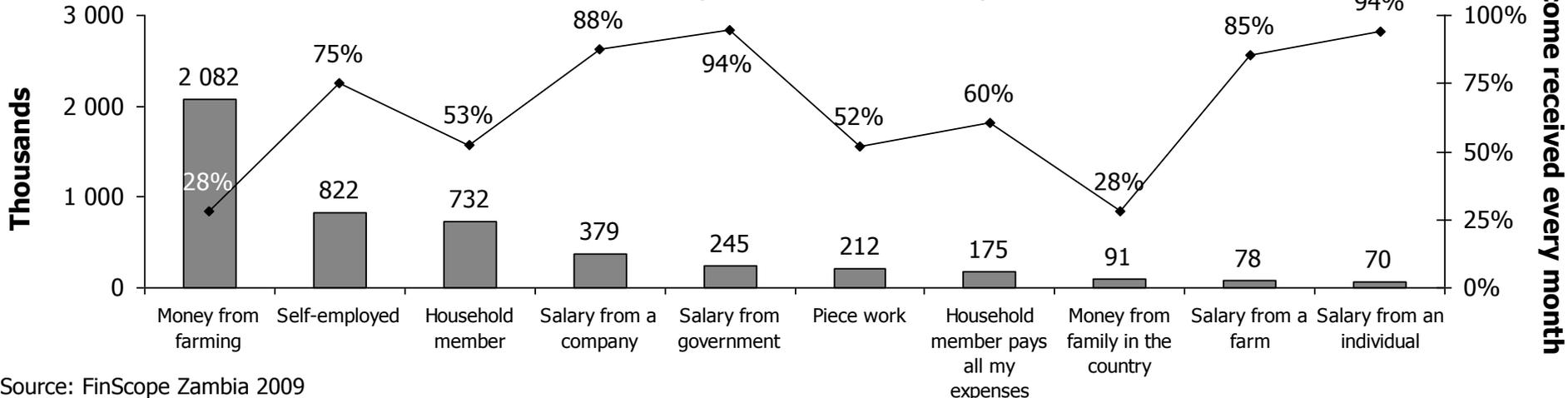


As would be expected company or government employees have the most stable income and farmers have the least. The self-employed also have fairly consistent income profile

Income sources top 10
(Regular income sources)



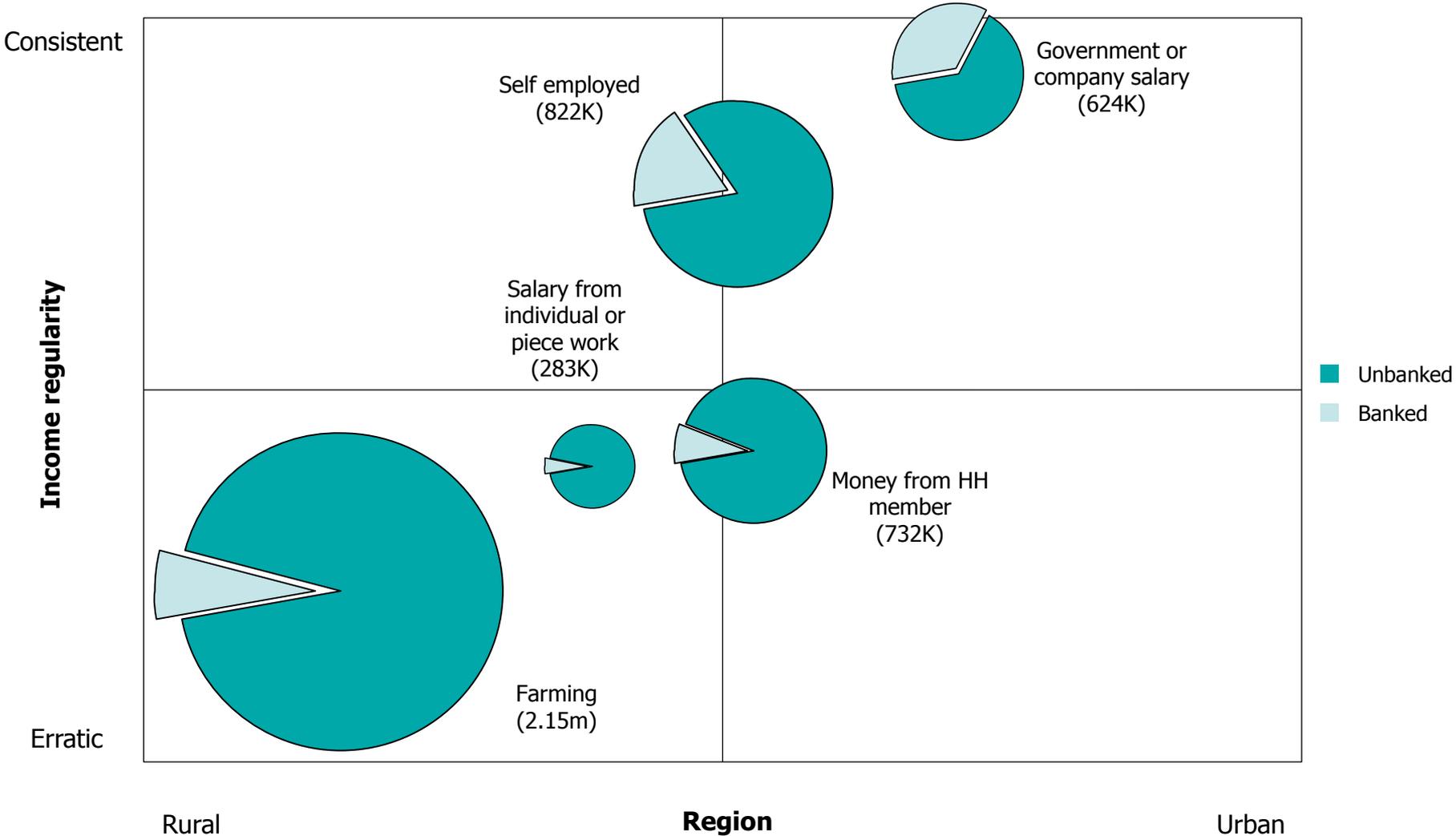
Income sources top 10
(Income most reliant on)



Source: FinScope Zambia 2009

12% of salaried adults receive and income from more than one work related income source. The same figure for rural farmers is 25%.

Aside from income source and regularity, location also has a critical impact on access

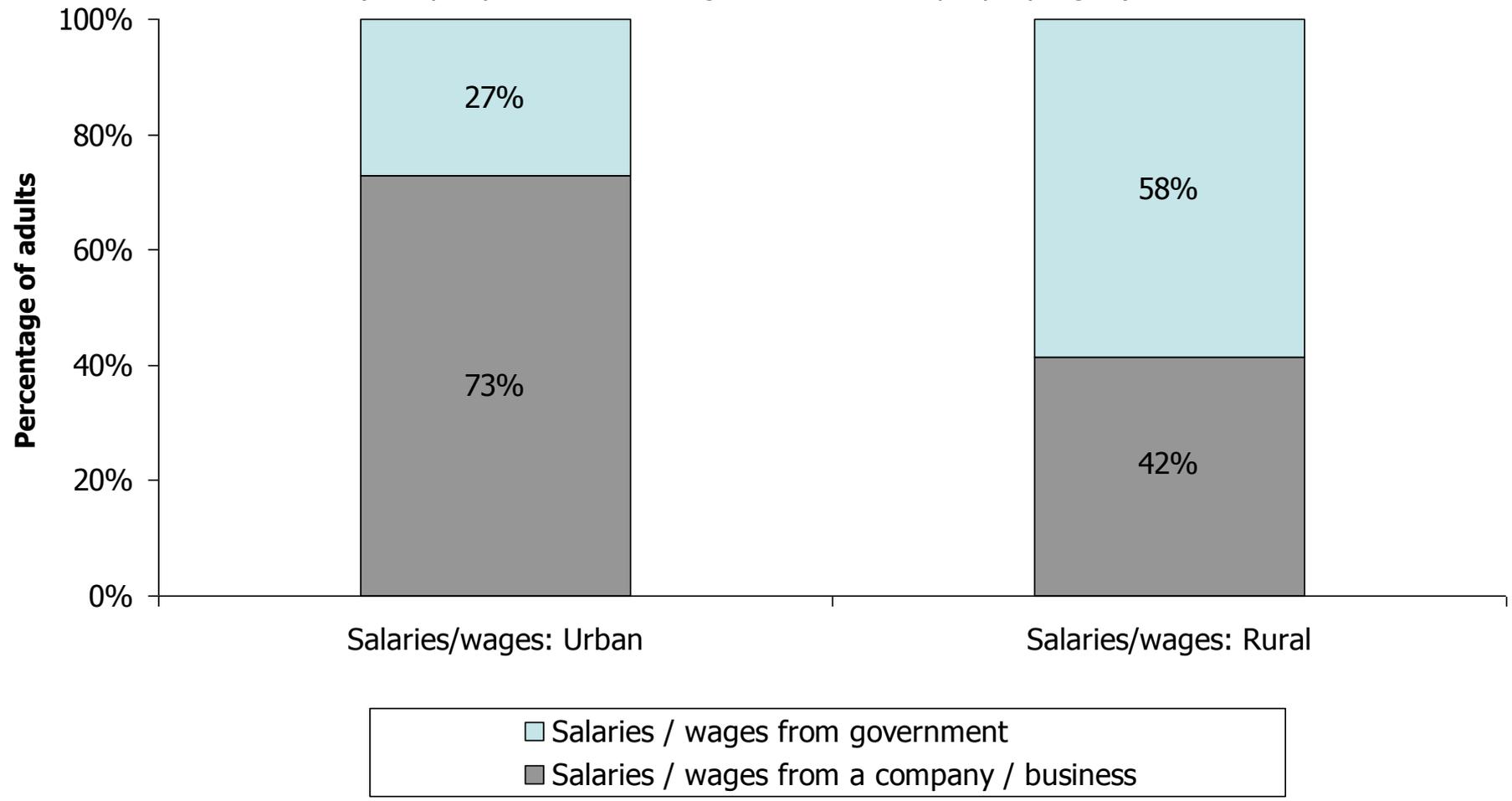


Source: FinScope Zambia 2009
 Note: Income regularity is the percentage that receive their income monthly



For those adults who rely most on salaries/wages as their source of income, those living in urban areas rely most on a company/business, while those in rural areas rely most on government

Source of income most rely on
(Mostly rely on salaries from government or company, by region)

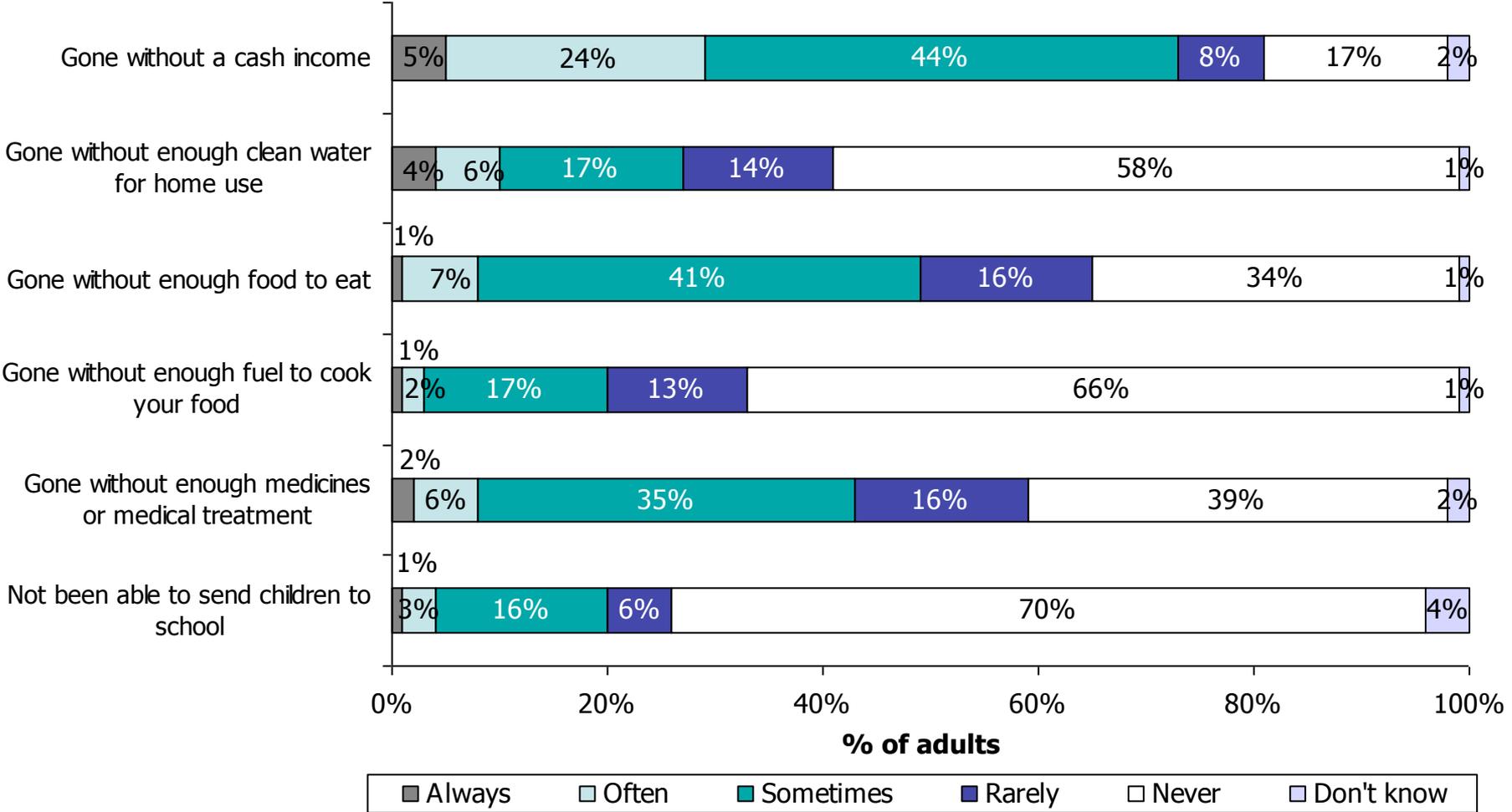




Other indicators can be used to assess poverty levels. Almost 30% say their households go without a cash income always or often. 8% go without enough food to eat always or often

Poverty

(Adults that say their household has gone without in the past year)

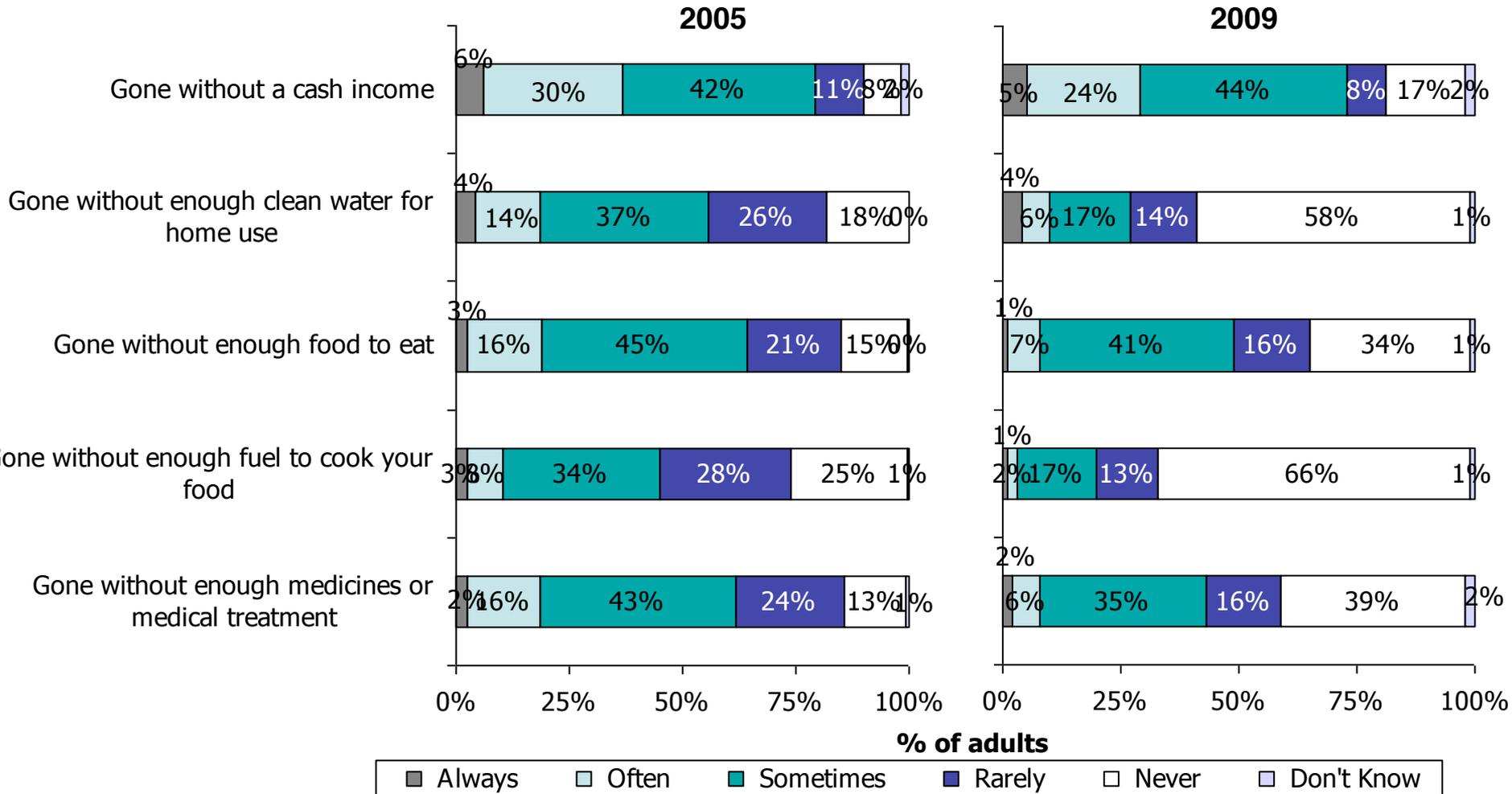


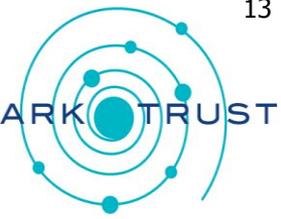
A comparison between poverty questions from 2005 and 2009 reflect an improvement in living standards despite the economic crisis



Poverty

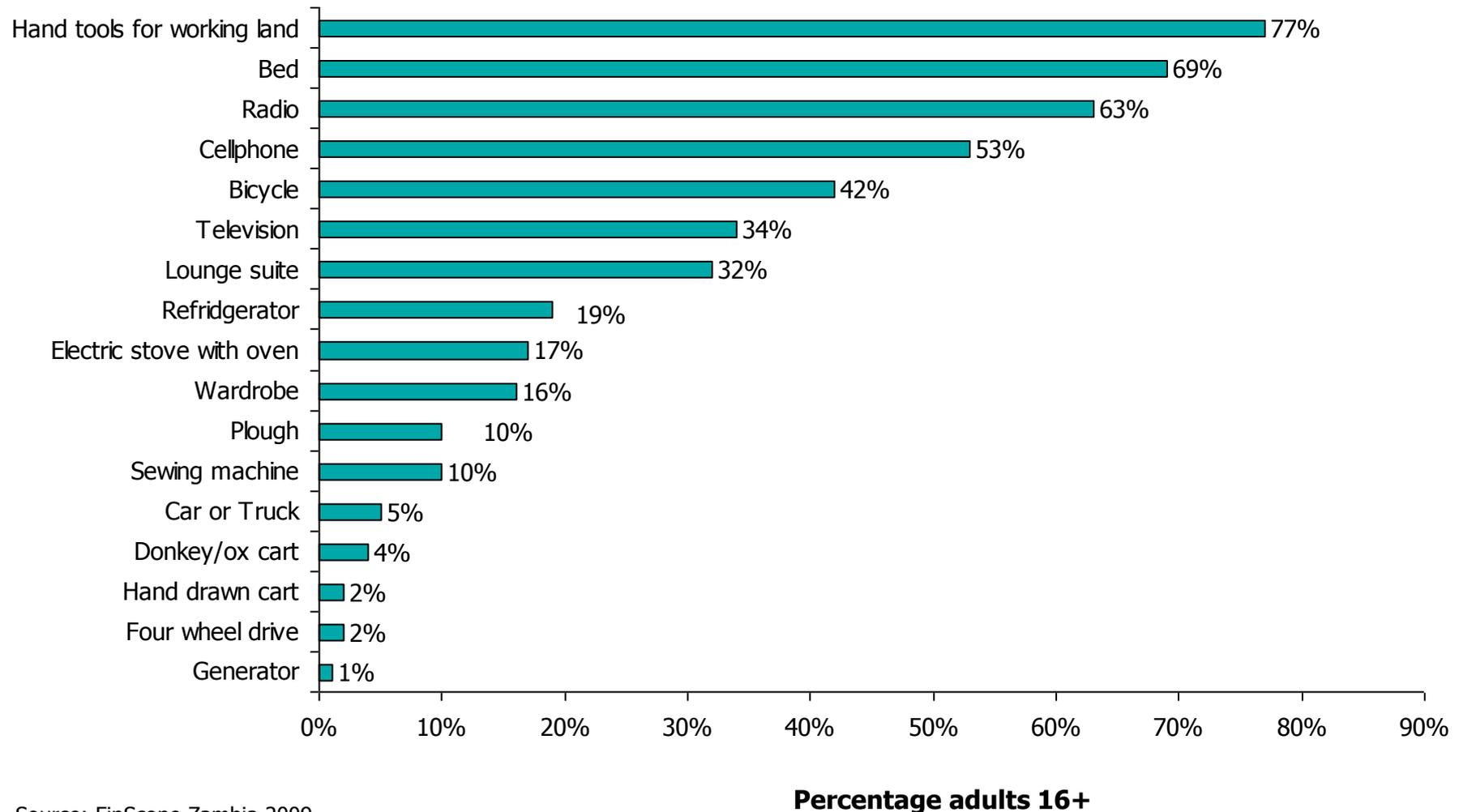
(Adults that say their household has gone without in the past year)





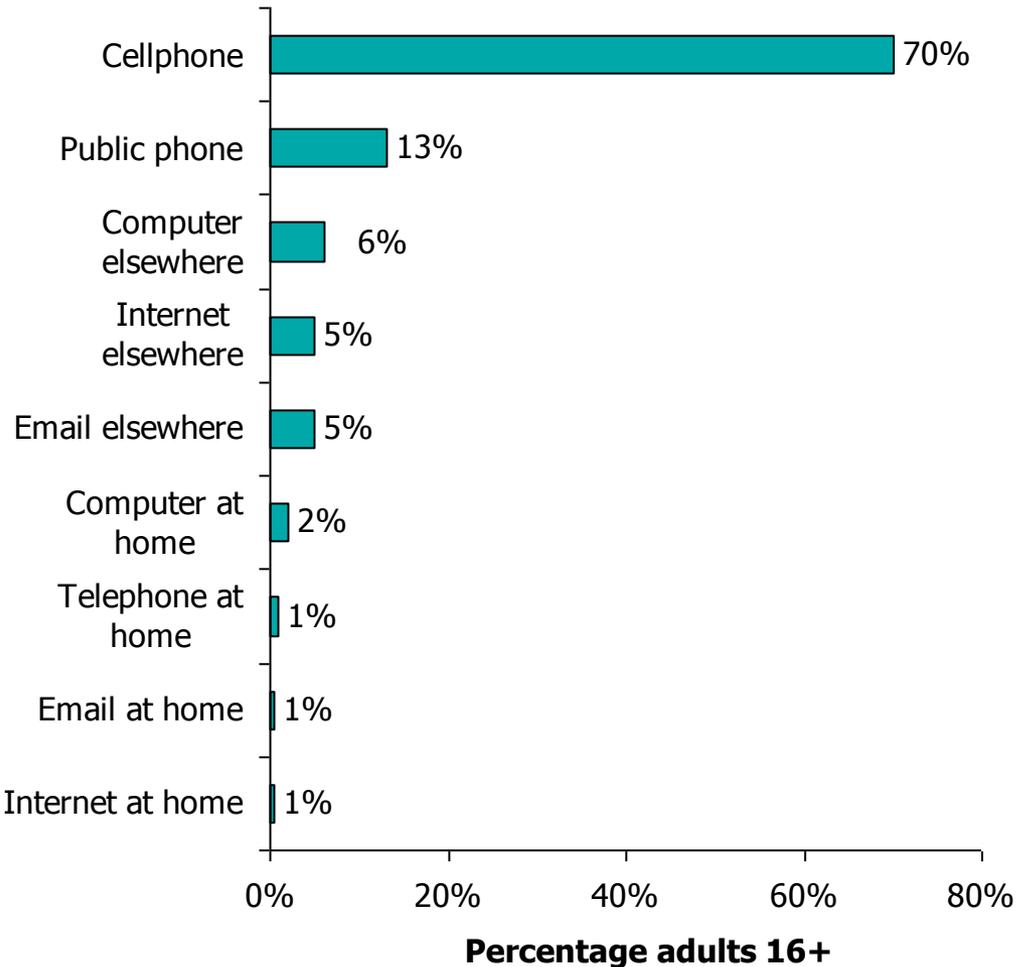
The survey also contains data on assets owned by respondents' households

Household assets (Adults 16+)

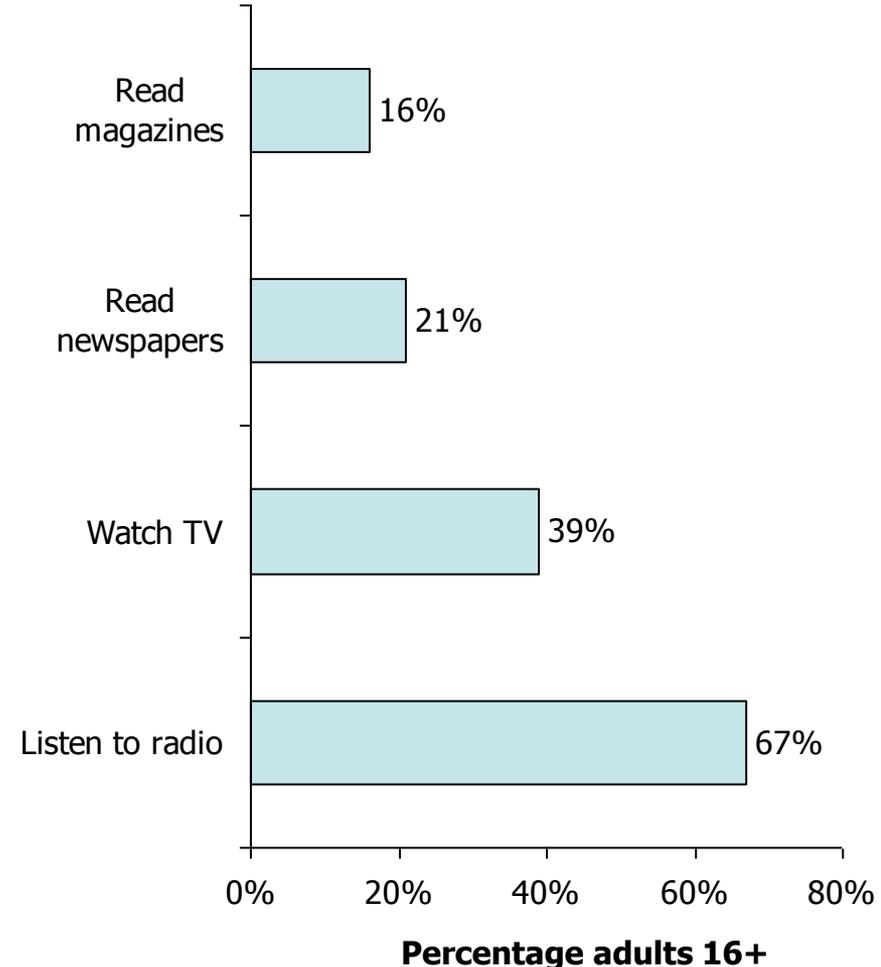


As well as data relating to access to technology and media

Have access to technology
(Adults 16+)



Media activities in the last month
(Adults 16+)

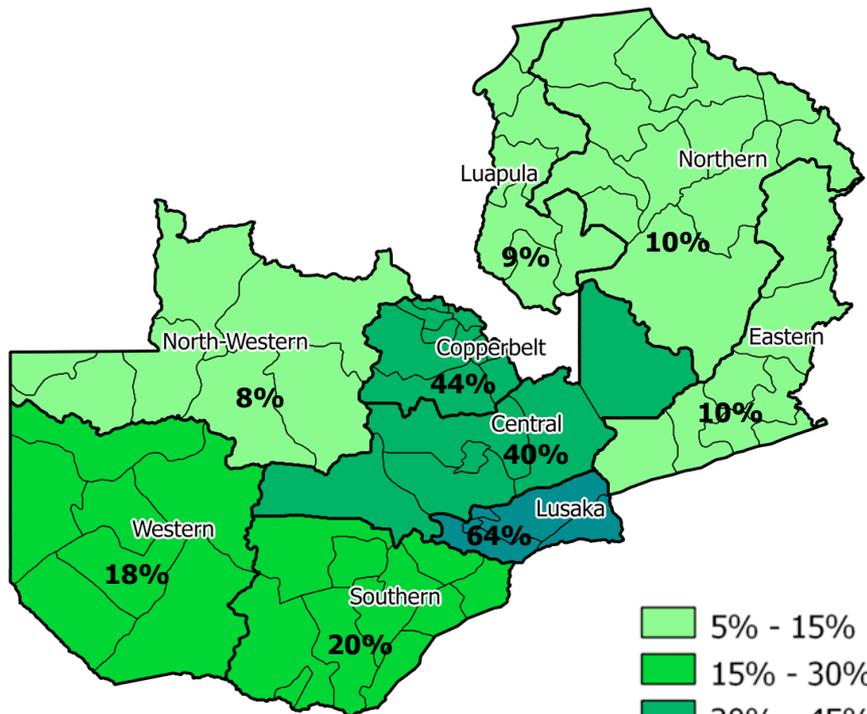




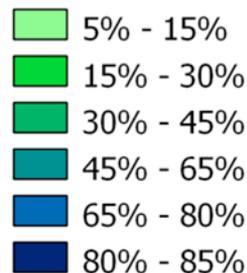
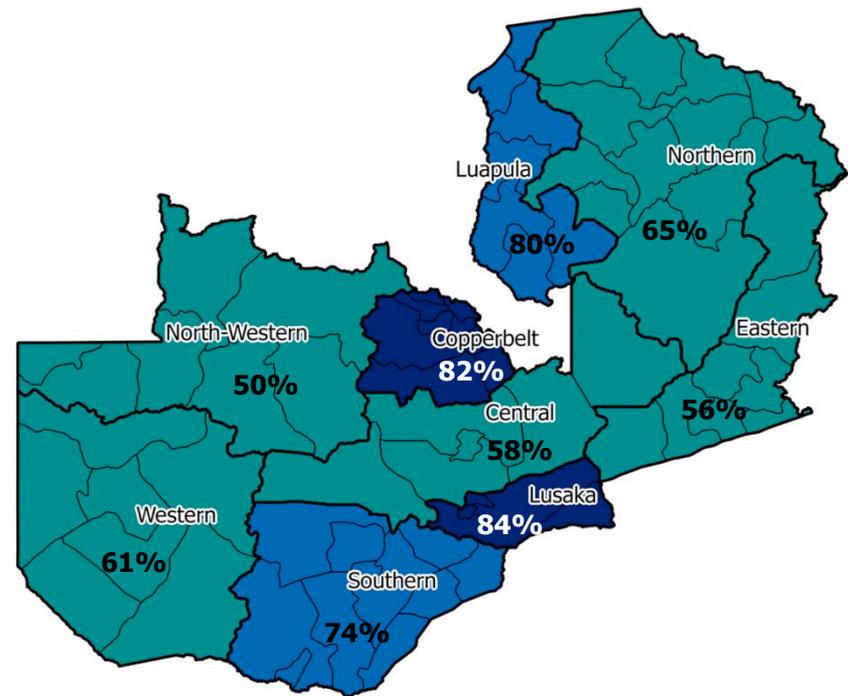
In 2005 28% of the population had access to a cellphone, in 2009 this increased to 70% of the population.

Adults with access to a cell phone (% access to cell phone , Zambia provinces)

2005



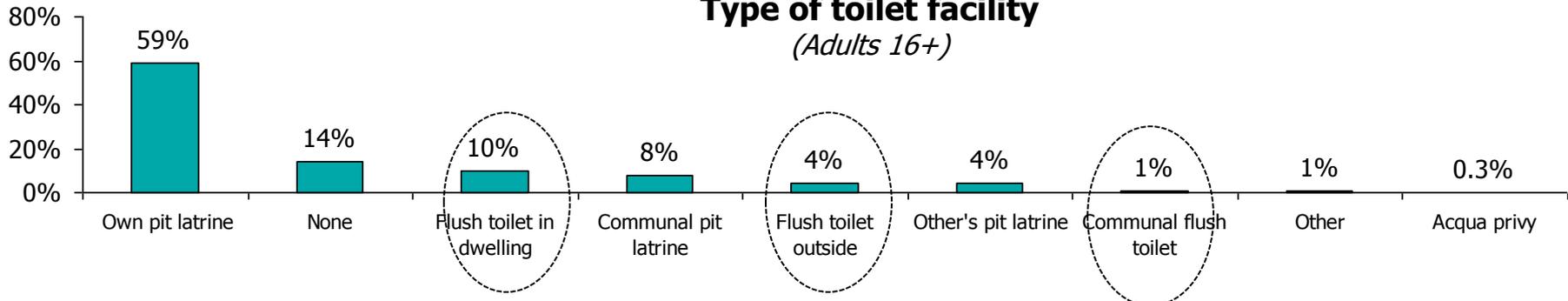
2009



There is also rich data on living conditions

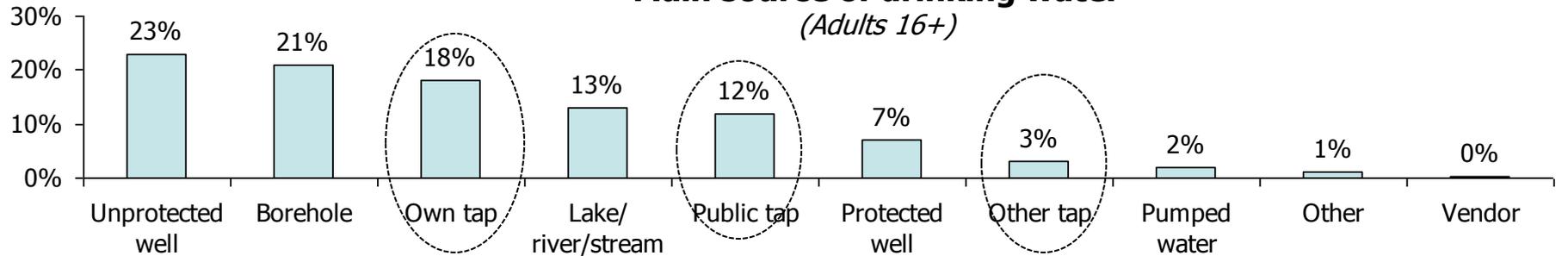
Type of toilet facility

(Adults 16+)



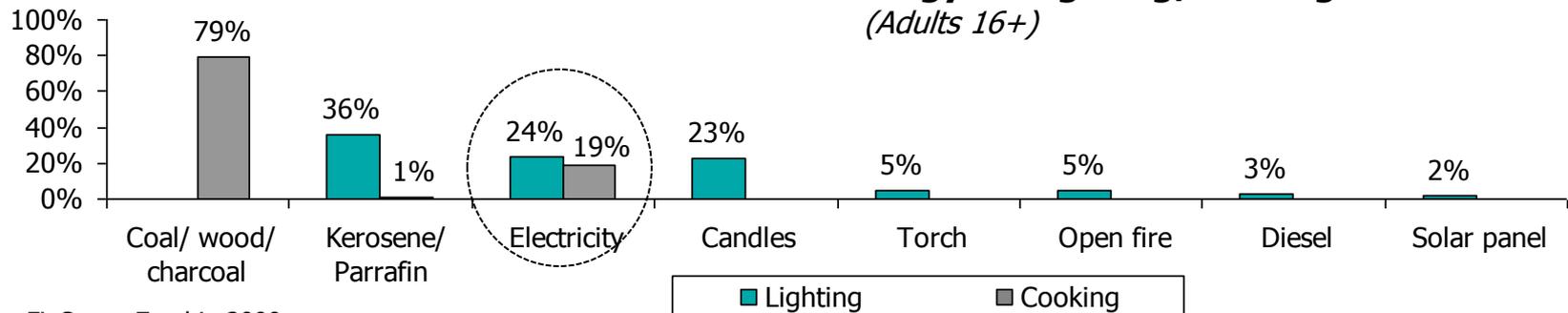
Main source of drinking water

(Adults 16+)



Main source of energy for lighting/cooking

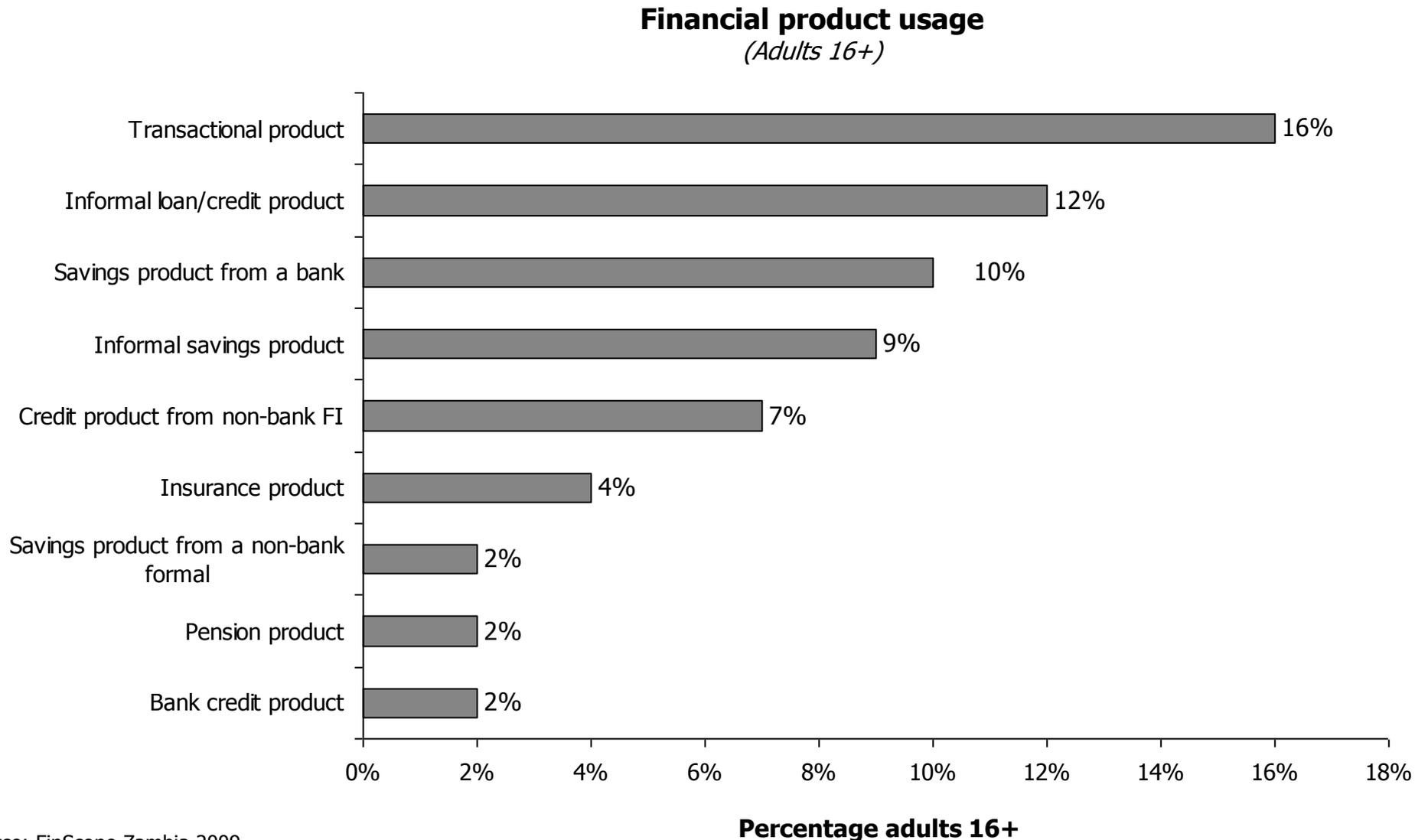
(Adults 16+)



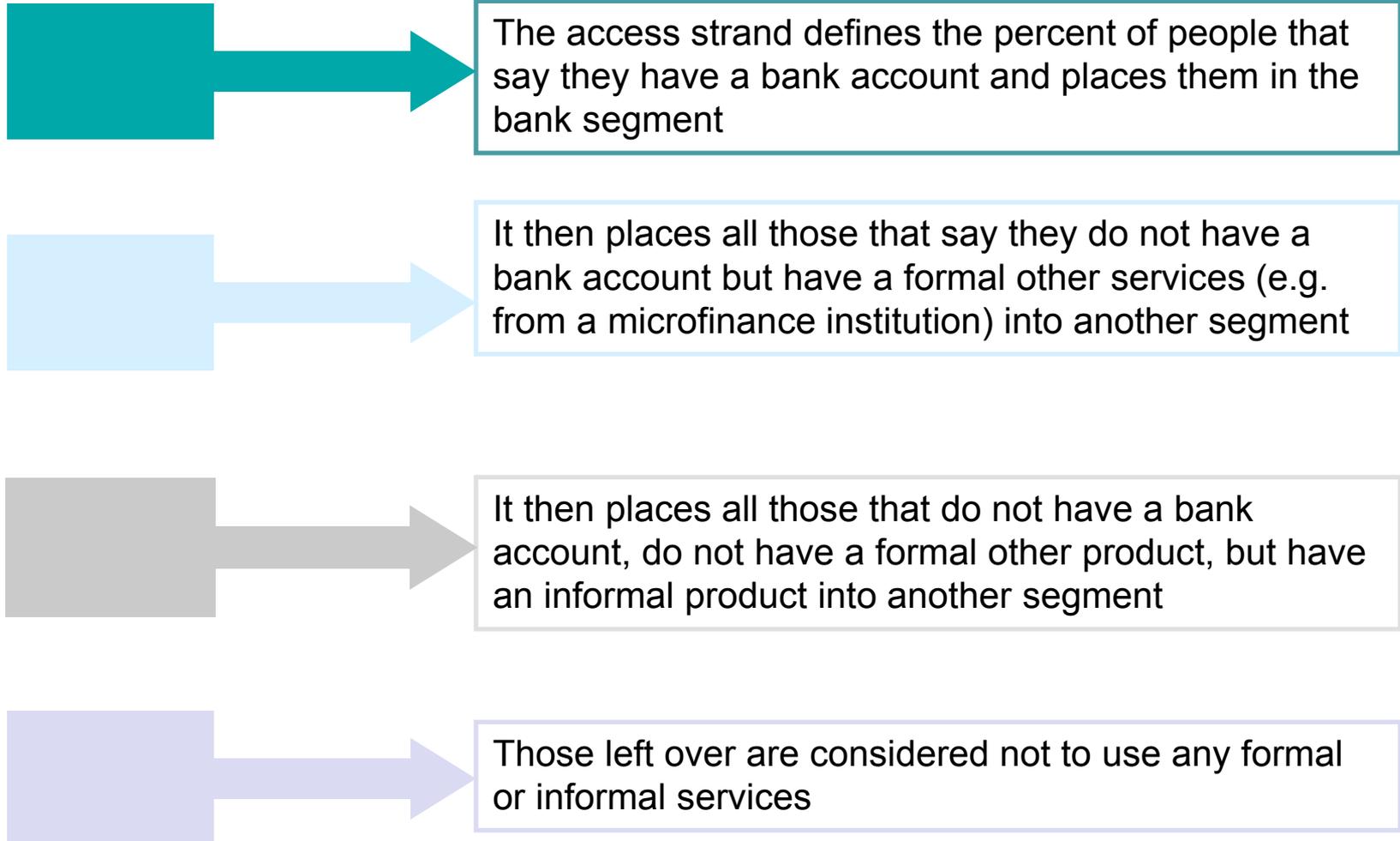
Source: FinScope Zambia 2009

Note: Only showing the top 8 sources of energy for lighting/cooking

The focus of the survey is on financial product usage and perceptions



Product usage can be summarised in the form of an access strand



Financial access strand: continued



= **Banked**



= **Formally Included**

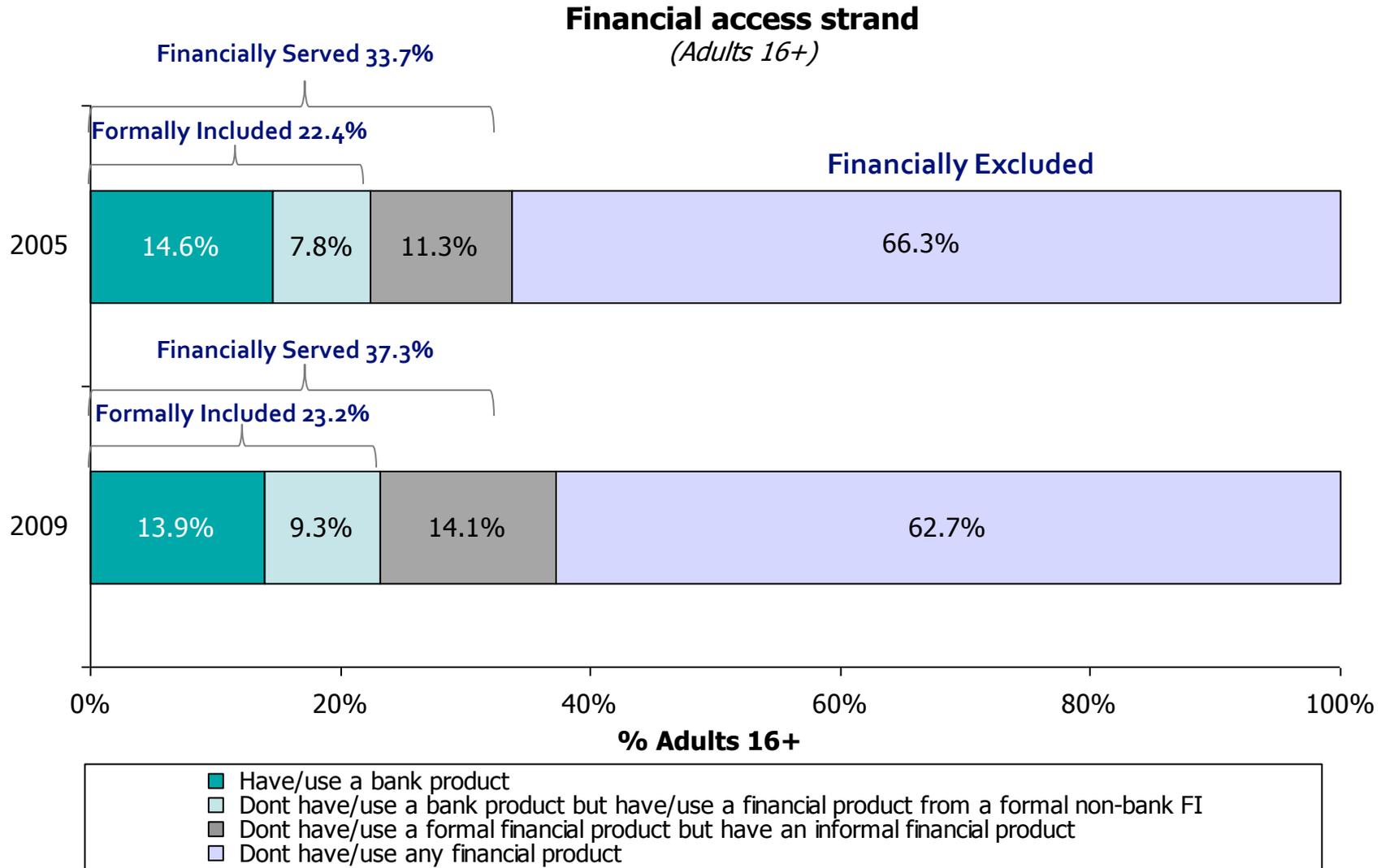


= **Financially Served**



= **Financially Excluded**

There has not been a significant shift in formal access although informal participation has grown



Indices can be useful to summarise large sets of data, giving us a concise overview of the market

- **Correspondence analysis**

Correspondence analysis takes a data set and examines the relationship between the data points. It allows us to tell whether a variable is a weak or strong discriminator of what we are trying to investigate. It will return weights that we can use to create our index.

For example, if we are investigating technology use in Zambia, a cellphone would be a weak discriminator because many people have one while internet access is a strong discriminator because not many people have it. When creating an index with correspondence analysis a variable that is a strong discriminator will add more to your score than a weak discriminator.

- **Methodology for creating indices**

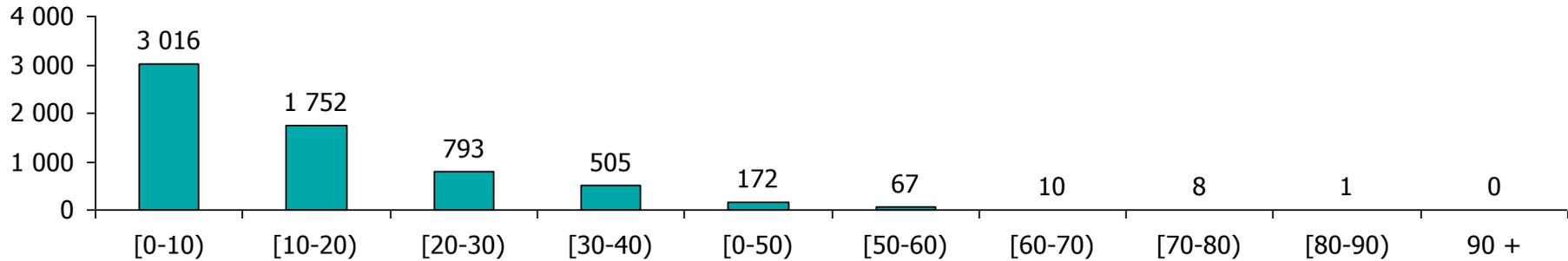
- Decide what indices you want to create and select questions relating to those indices
- Recode the questions as yes/no variables
- Run correspondence analysis
- Use the weightings returned by correspondence analysis to determine the index

- **Indices created**

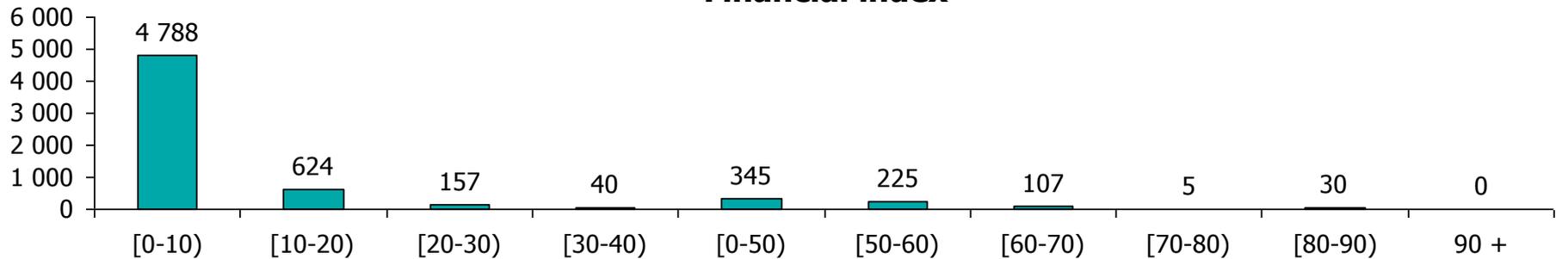
- Asset
- Financial
- Tech
- Media
- Living conditions

Distribution of index scores

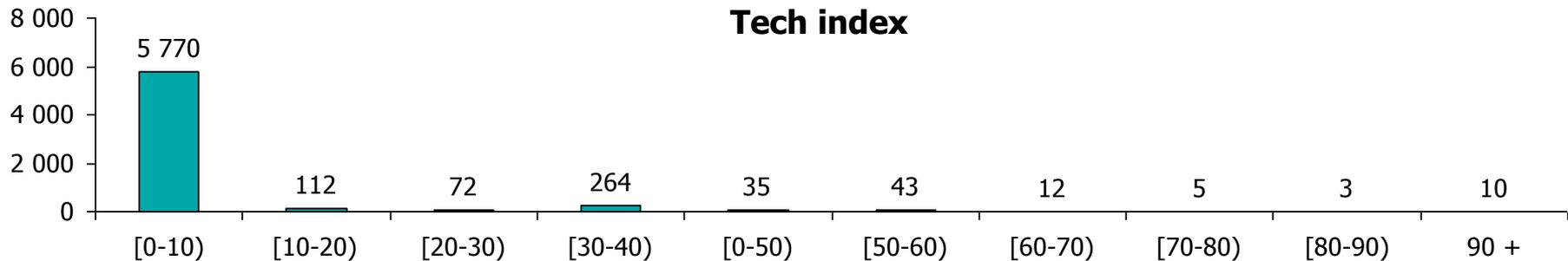
Asset index



Financial index

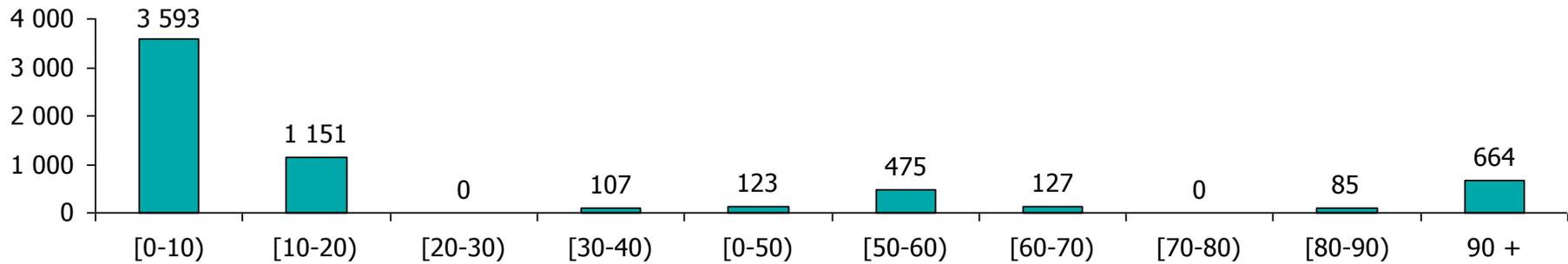


Tech index

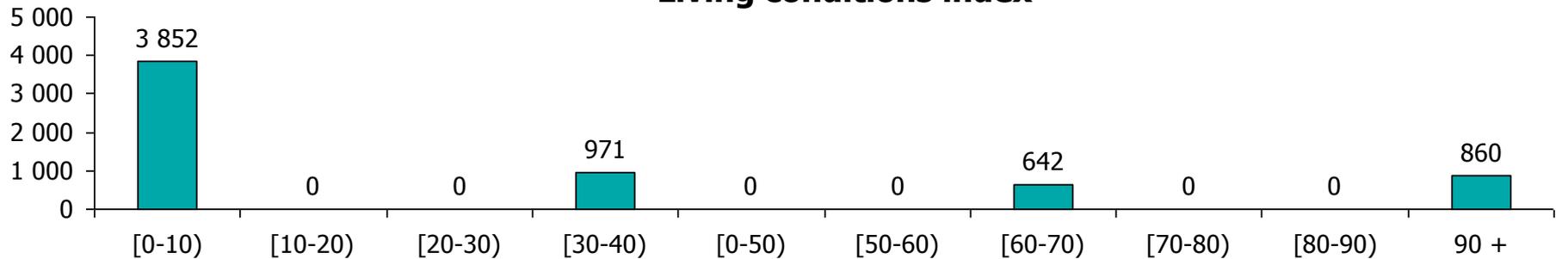


Distribution of index scores

Media index



Living conditions index





Because the market is so diverse we have chosen to focus on a few segments. These segments are mutually exclusive and ranked

- **Salaried urban**
 - Receive a salary from a company or government
 - Urban
- **Self-employed urban viable**
 - Self-employed
 - Urban
 - Receive income at least monthly
 - Positive about the future
- **Young and educated**
 - Age 18-24
 - Have at least finished secondary school
- **Rural farmers**
 - Rural
 - Rely mostly on farm income (including crops, poultry and live stock and by-products like eggs and milk)
 - Score < 50 on the asset index
- **Very poor**
 - Household head
 - Always or often go without food

Segment overview – mutually exclusive segments

Zambian market segments

Salaried urban

Segment size: **382,055**

% of population: **6%**
 % females in the segment: **32%**
 % of the segment banked: **62%**
 % of the segment very poor: **3%**



Self-employed, urban and viable

Segment size : **383,379**

% of population: **6%**
 % females in the segment: **51%**
 % of the segment banked: **34%**
 % of the segment very poor: **6%**



Young and educated

Segment size: **264,756**



% of population: **4%**
 % females in the segment: **59%**
 % of the segment banked: **9%**
 % urban: **70%**
 % of the segment very poor: **4%**

Rural farmers

Size: **1,841,436**



% of population: **29%**
 % females in the segment: **42%**
 % of the segment banked: **6%**
 % of the segment very poor: **11%**

Very poor (not in the segments above)

Segment size: **124,875**

% of population: **2%**
 % females in the segment: **40%**
 % of the segment banked: **3%**
 % urban: **20%**

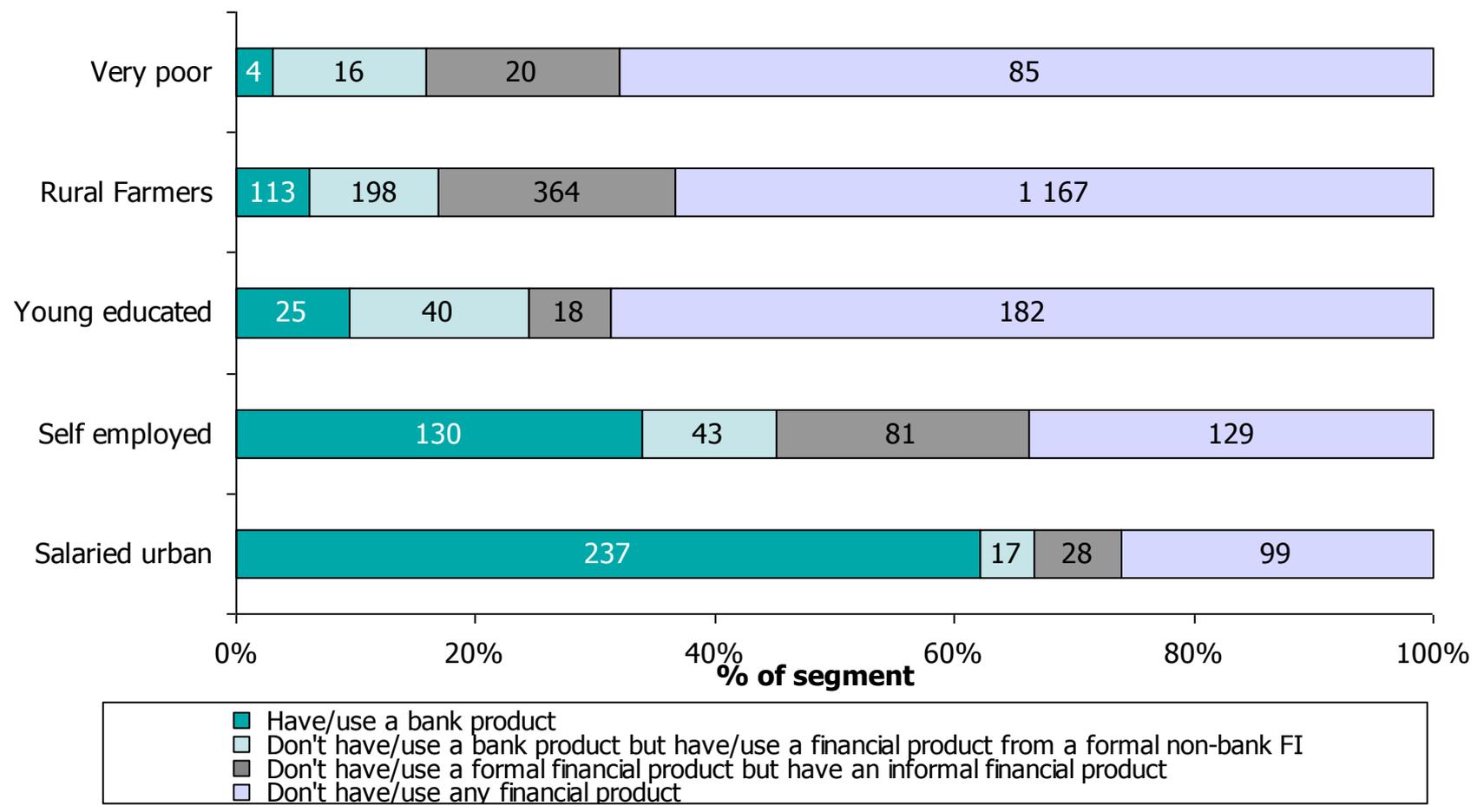


Source: FinScope Zambia 2009

Note: Very poor is calculated by taking the adults whose households have gone without enough food to eat in the past year either often or always. In total there are 527,994 Zambian adults classified as very poor, this is approximately 8% of adults.

We can use the segments to review the financial access strands

Financial access strands
(Adults 16+:000s)





The urban salaried are the most connected in terms of media and technology access and have the best living conditions. The young educated and self-employed also score fairly well in comparison to the rural farmers and very poor

Average index scores
(Market segments)

	Asset	Financial	Tech	Media	Living conditions
Salaried urban	20.9	36.4	12.3	57.5	64.7
Young educated	23.0	5.8	6.7	51.1	55.7
Self-employed urban	14.7	13.2	6.4	32.5	42.7
Rural farmers	10.2	3.4	0.9	6.2	1.0
Very poor	5.6	3.0	2.5	5.1	9.0

Source: FinScope Zambia 2009

Note: The maximum score for each index is 100. For some indices a high score is very difficult to get as it requires access to things that are not easily accessible, such as internet

Agenda

An overview of Zambia

Banking

Credit

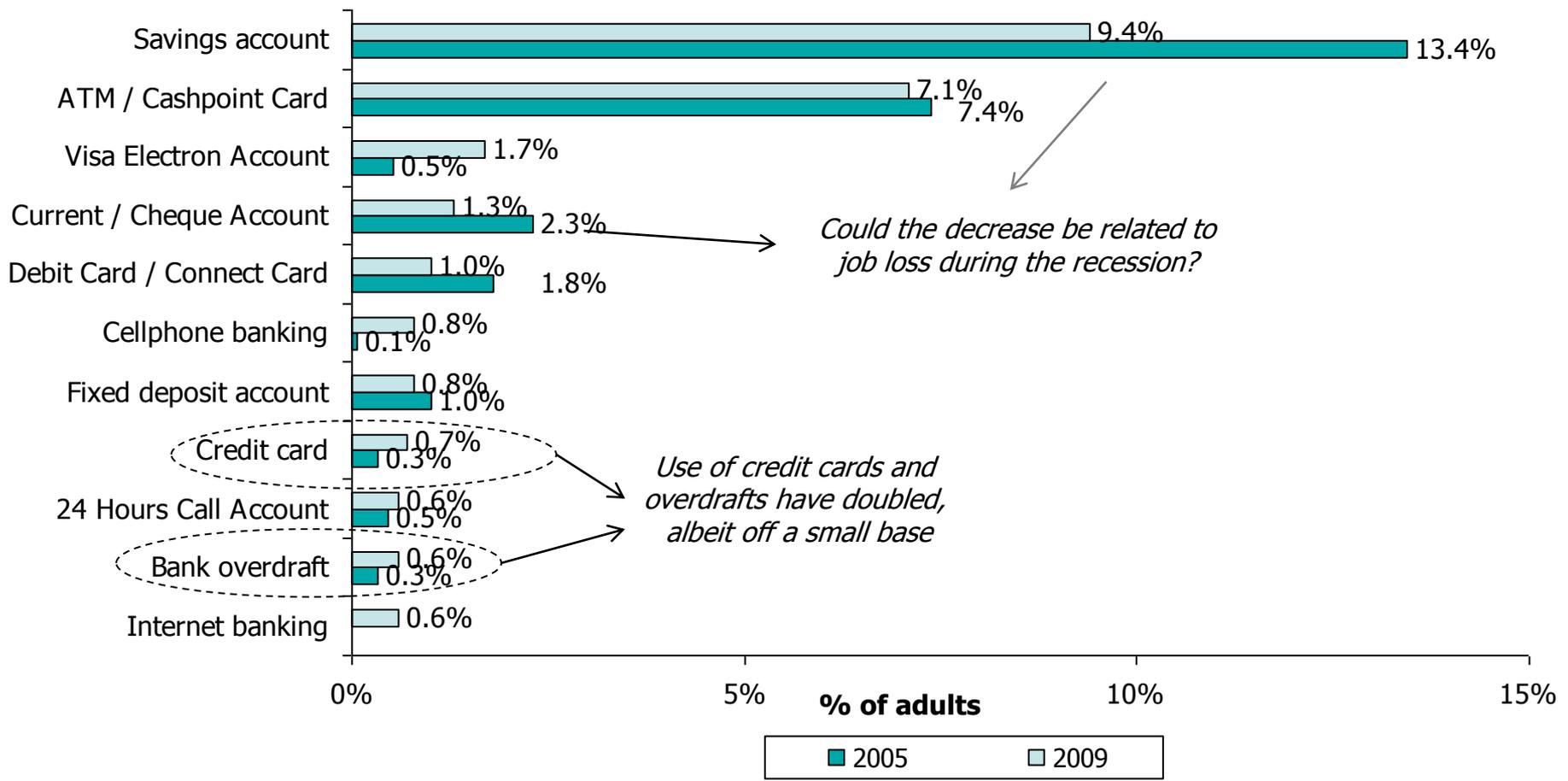
Insurance

Payments



14% of adults are banked, the same level as in 2005. Savings account usage has shown the biggest decrease while there has been an increase in credit product usage

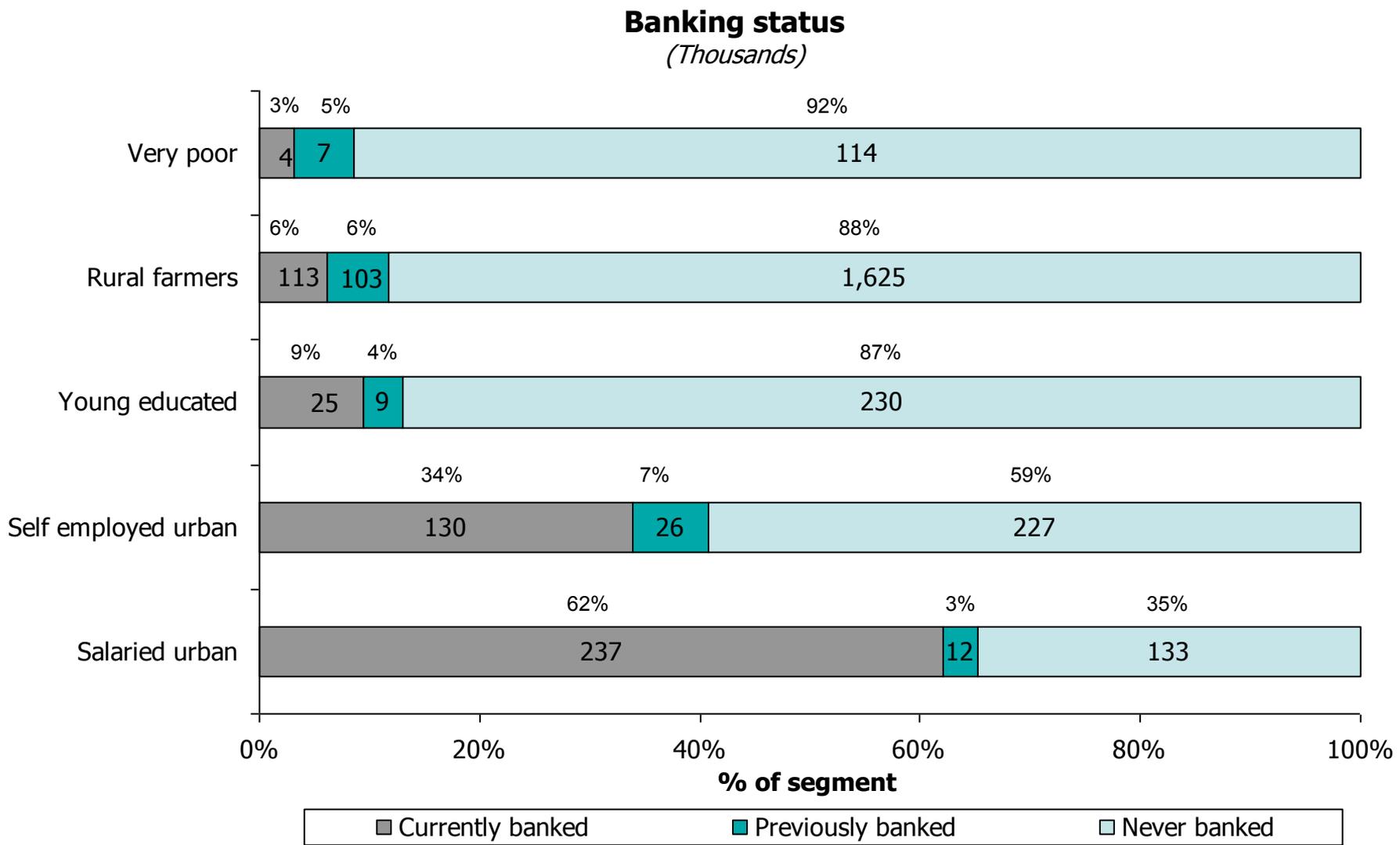
Comparison of banking products adults currently have
(2005, 2009)



Source: FinScope Zambia 2005 and 2009



The salaried and self-employed urban segments have the highest banking product usage while the levels for the other segments are significantly lower



Source: FinScope Zambia 2009

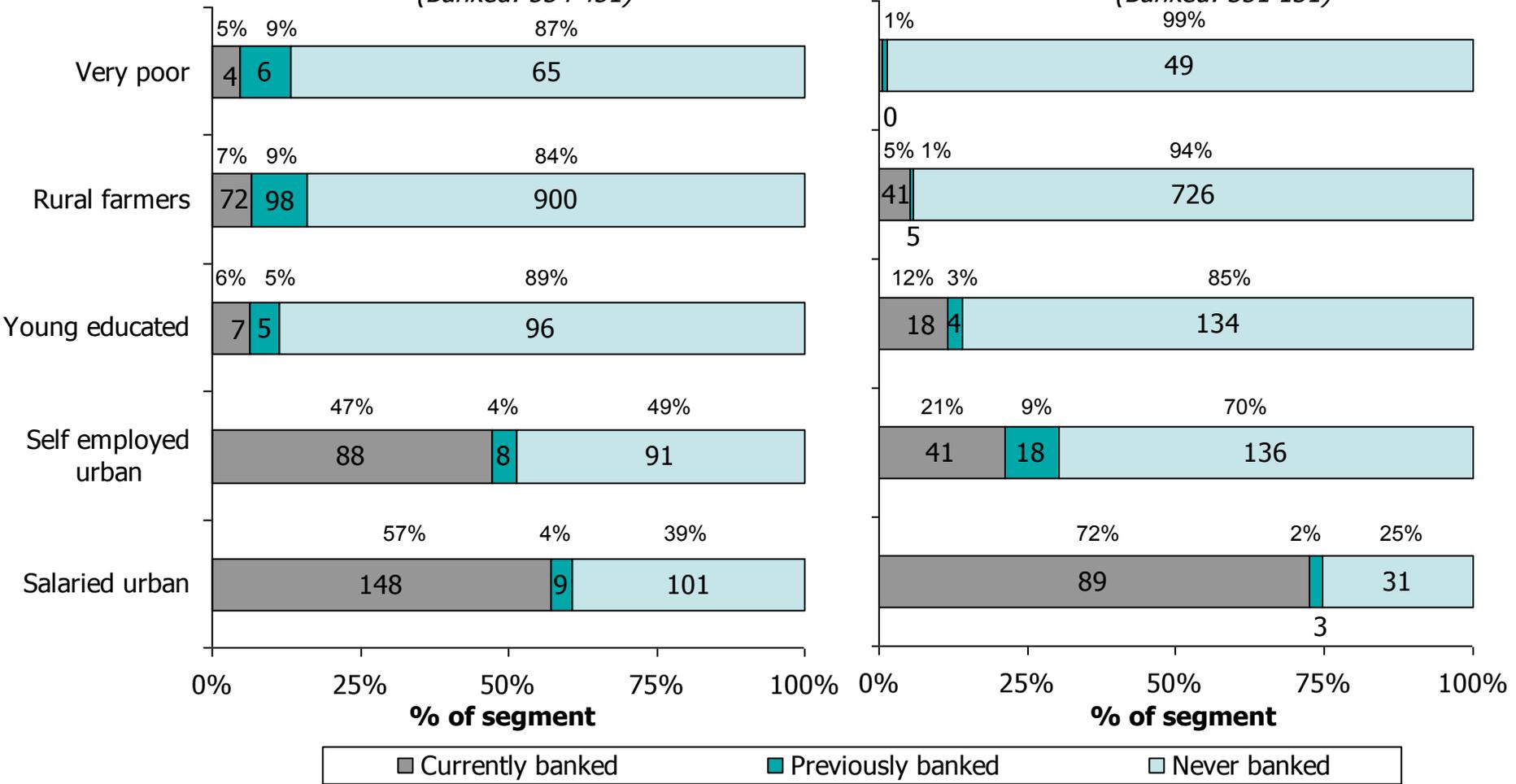


There are noticeably more banked women than men in the salaried urban market while in the other segments there are twice as many men as women

Banking status by gender
(Thousands)

Male
(Banked: 534 451)

Female
(Banked: 351 131)

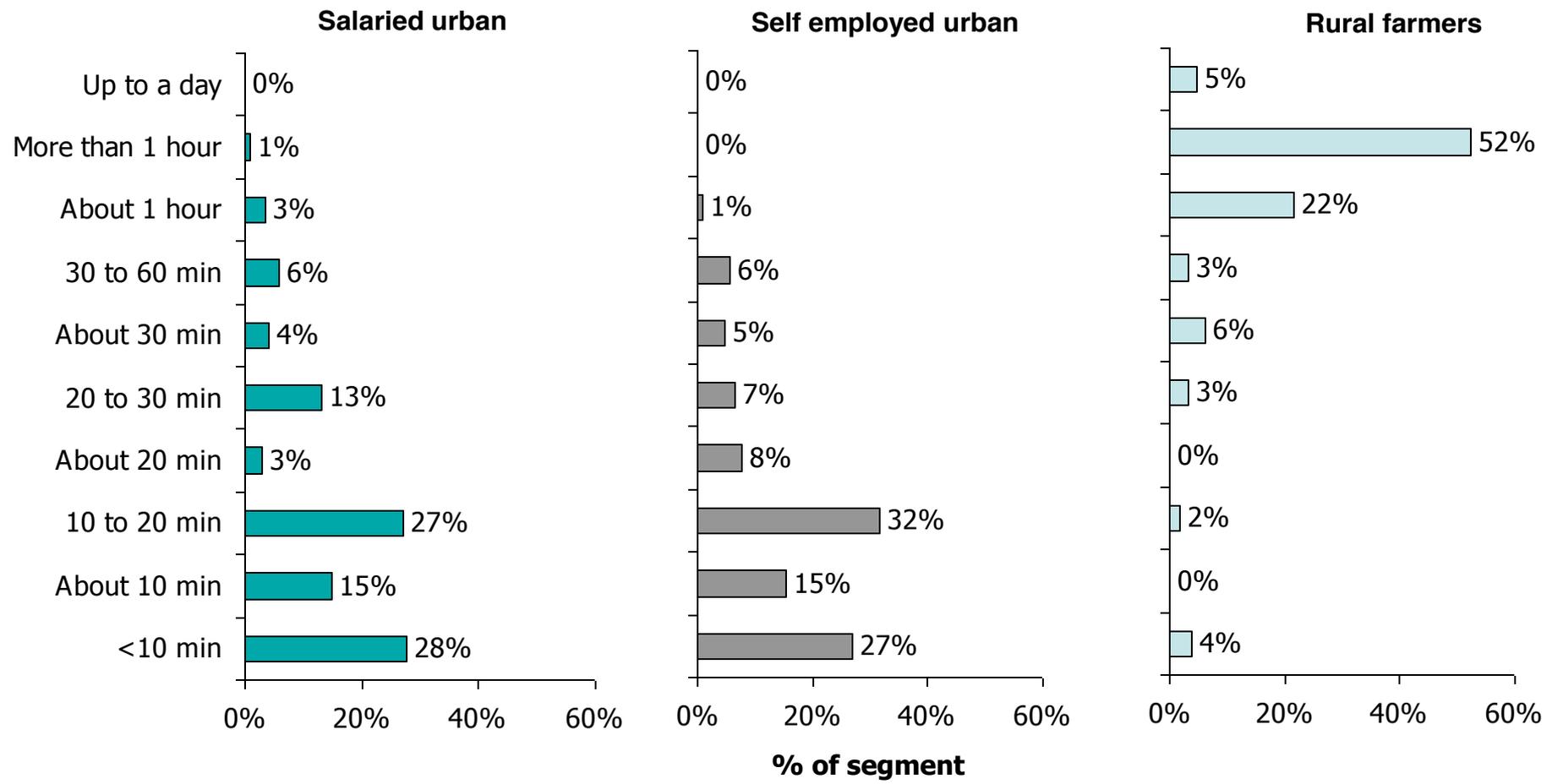


Legend: Currently banked Previously banked Never banked



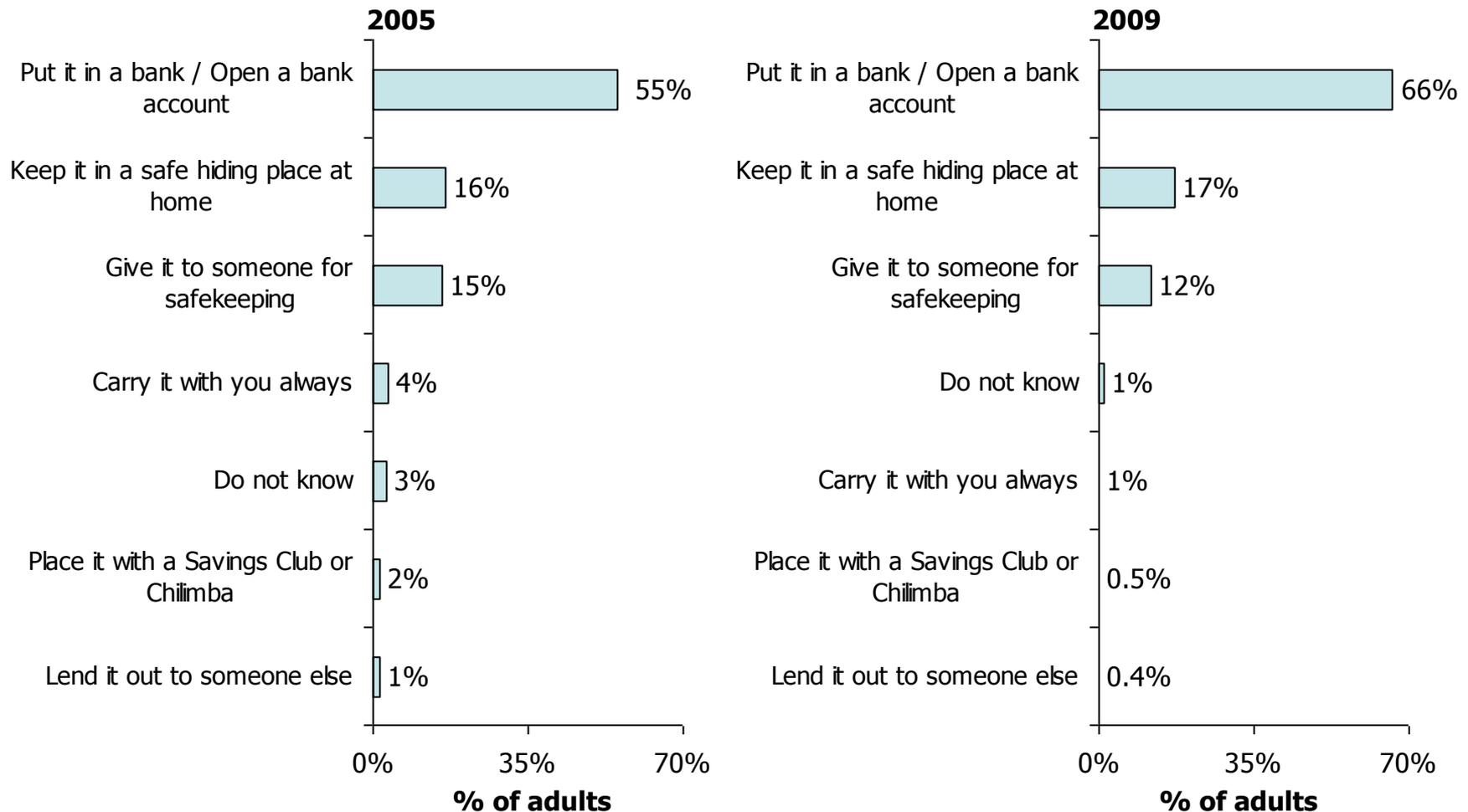
Over half of rural farmers live more than an hour away from the closest bank while approximately 70% of the salaried and self-employed urban are 20 minutes or less from a branch.

Time taken to get to nearest bank
(Banked, Nearest financial institution is a bank)



By and large it appears that banks are associated with keeping lump sums safe

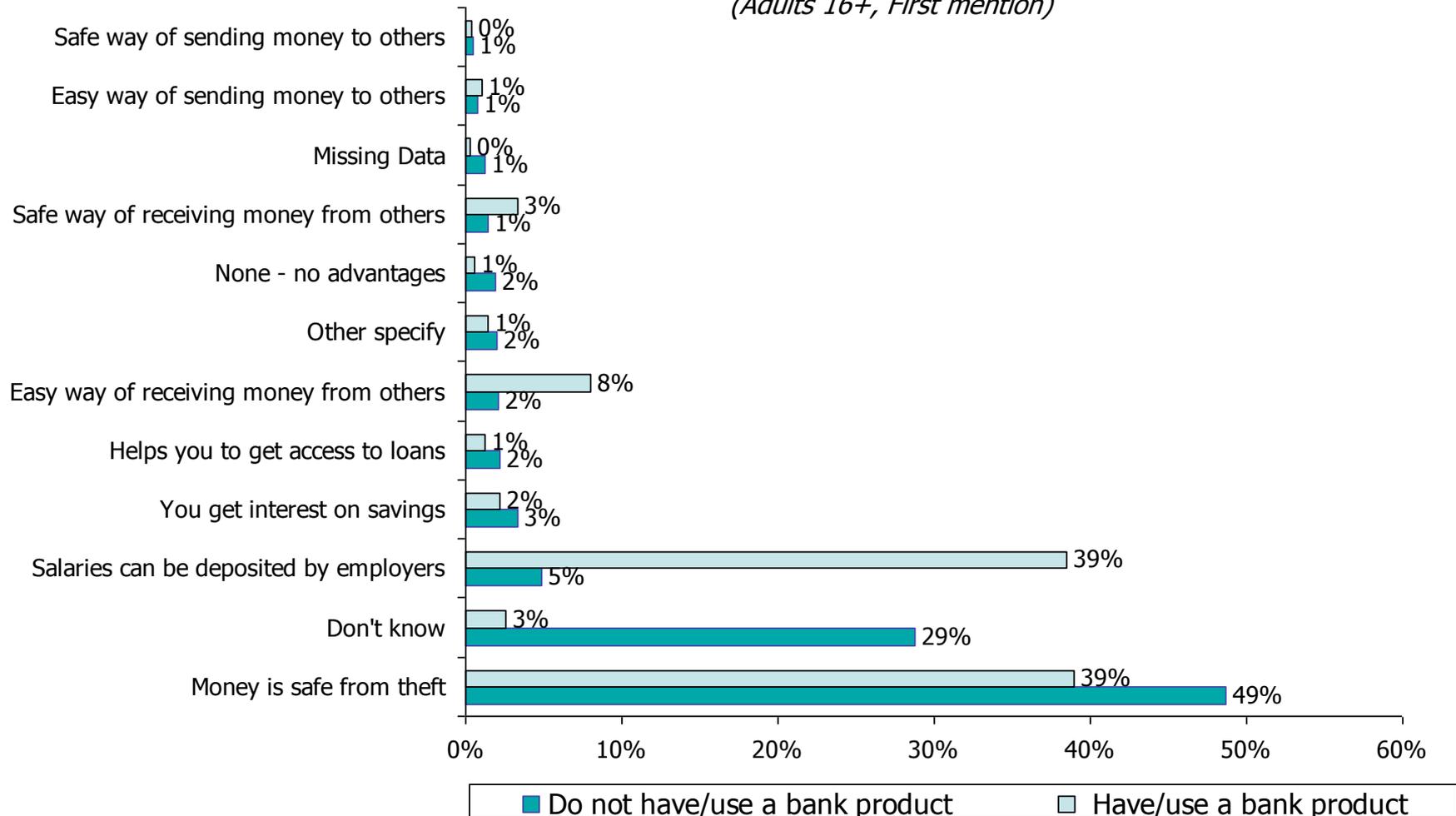
What is the first thing you would do with K10m / a large sum of money? (2005, 2009)



Both those who have a bank account and those who don't primarily see a bank account as a way to keep money safe

Advantages of having a bank account

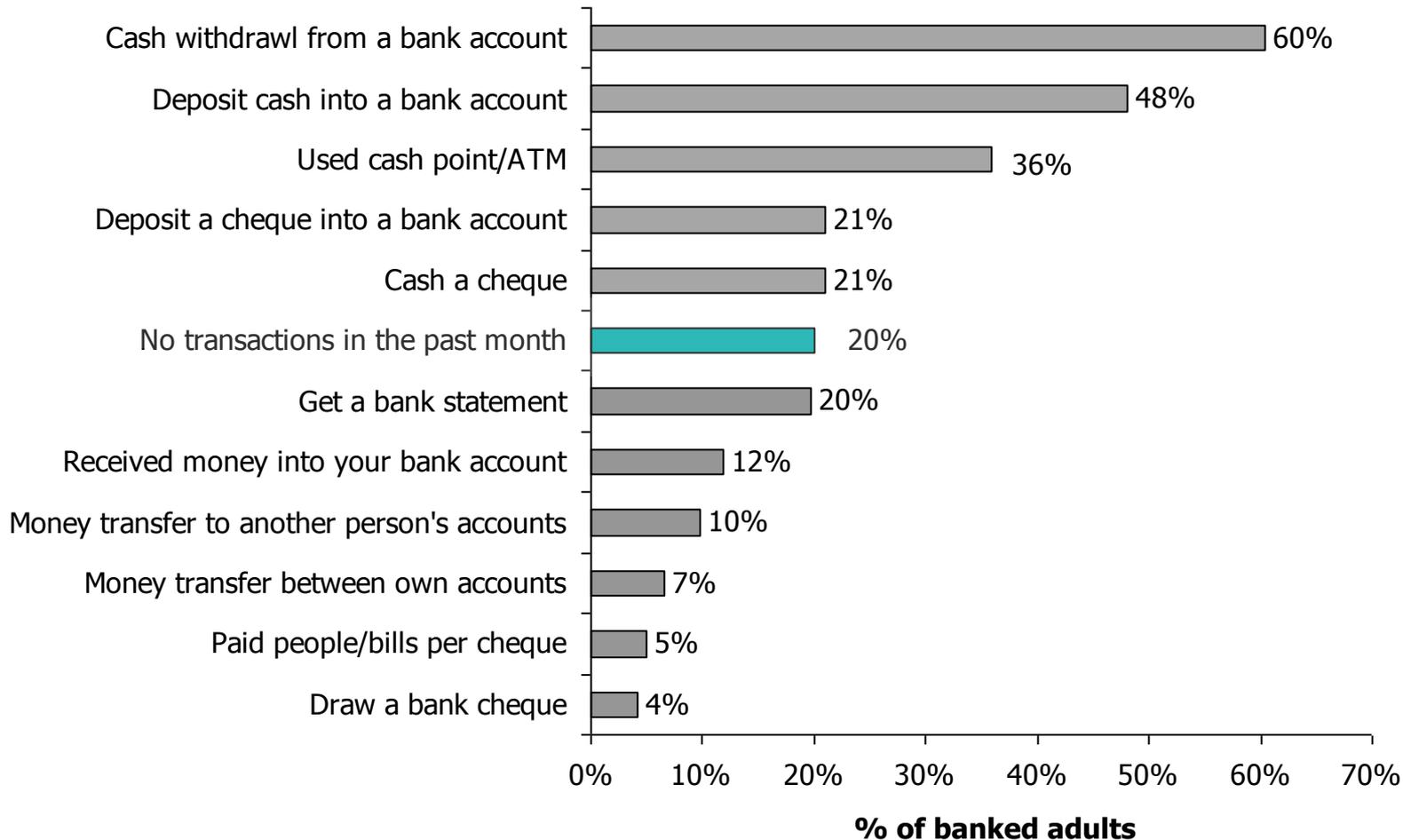
(Adults 16+, First mention)





Under-utilisation of accounts is a problem with 20% of banked individuals not performing any transactions in the last month

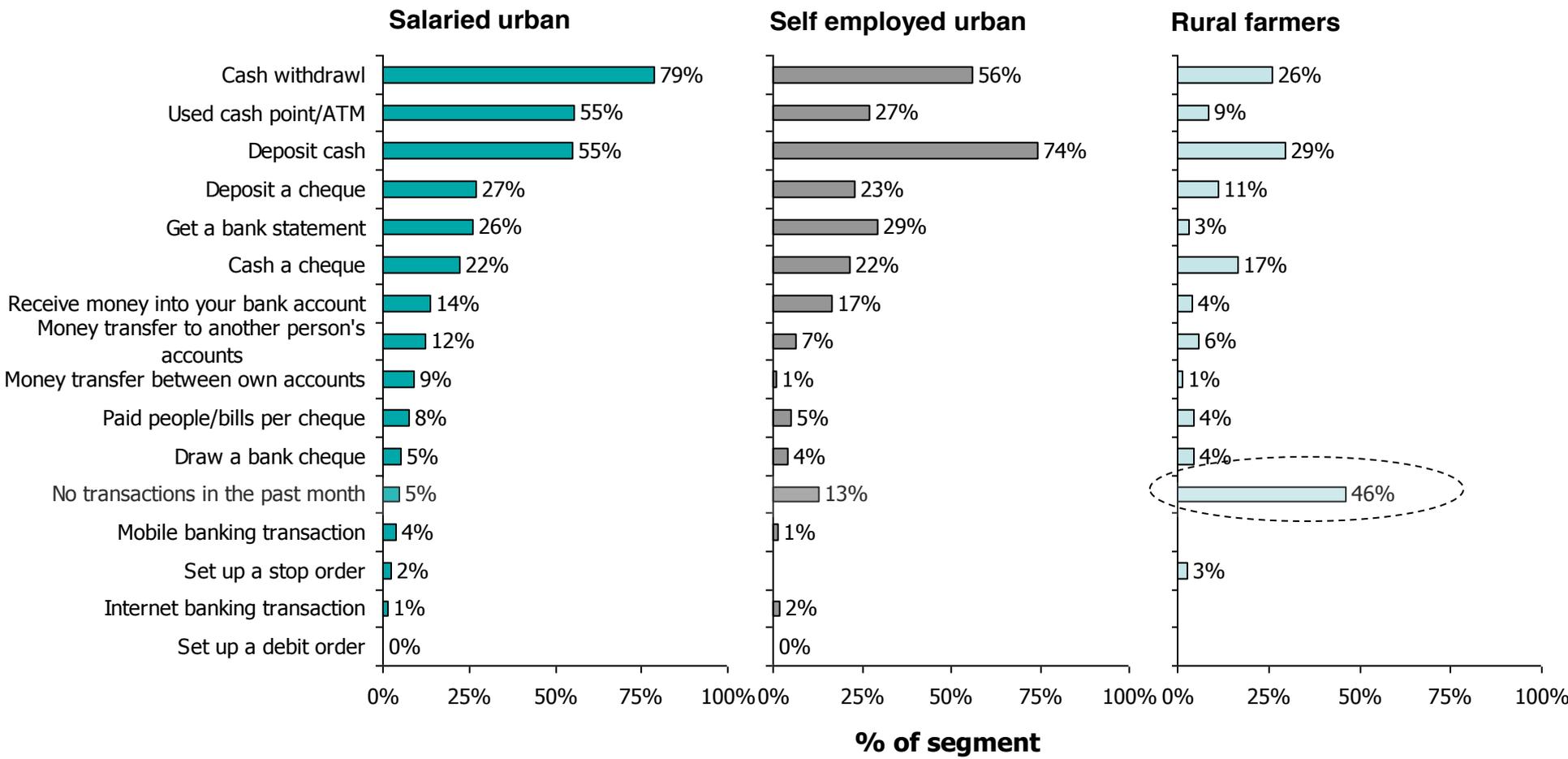
Transactions performed in the last month (Banked)





Rural farmers have the biggest problem with under-utilisation. Is this because physical access to branches is a problem or because they don't use their accounts as a transaction mechanism but rather use it to save/store money?

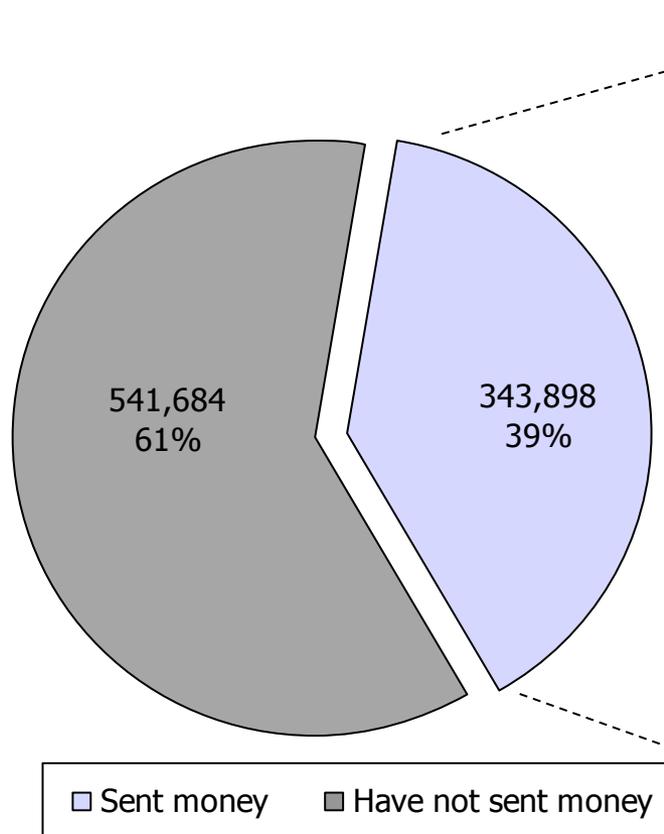
Transactions performed in the last month (Banked)



Over a third of the banked send money but only 20% of them would use a bank to facilitate the transfer

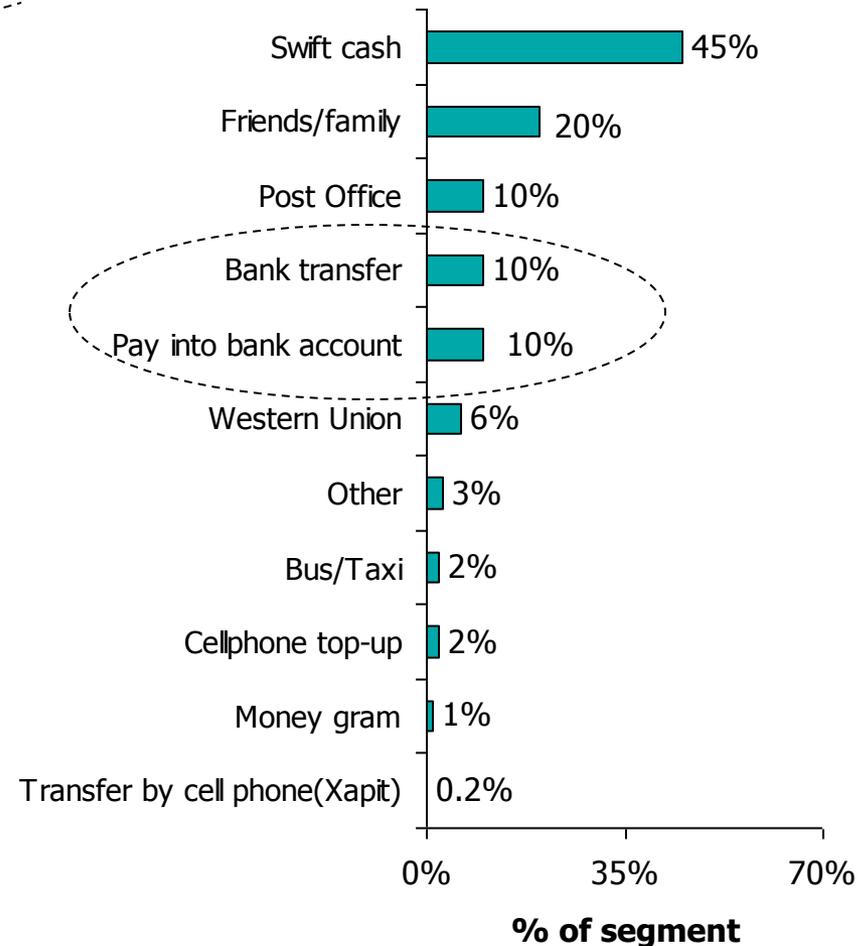
Sent money to someone in the past 12 months

(Banked, 343 898)



Money transfer channels

(Banked, sent money)





Only 2% of rural farmers make money transfers. For the salaried urban and self employed urban these figures are 29% and 22% respectively. This could be an access issue or it may be because they have less income

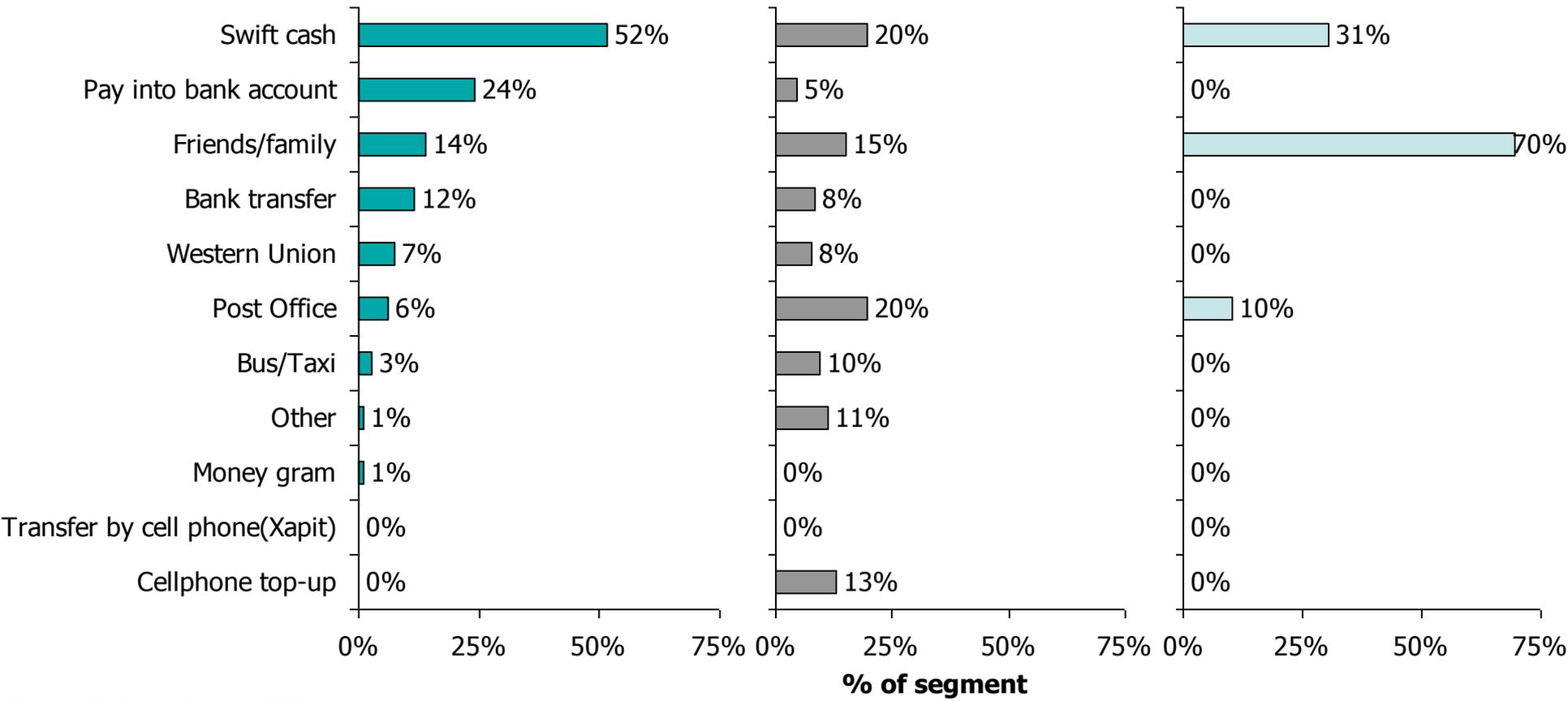
Money transfer channels (Banked, sent money)

% of segment banked and sent money

Salaried urban
(25%)

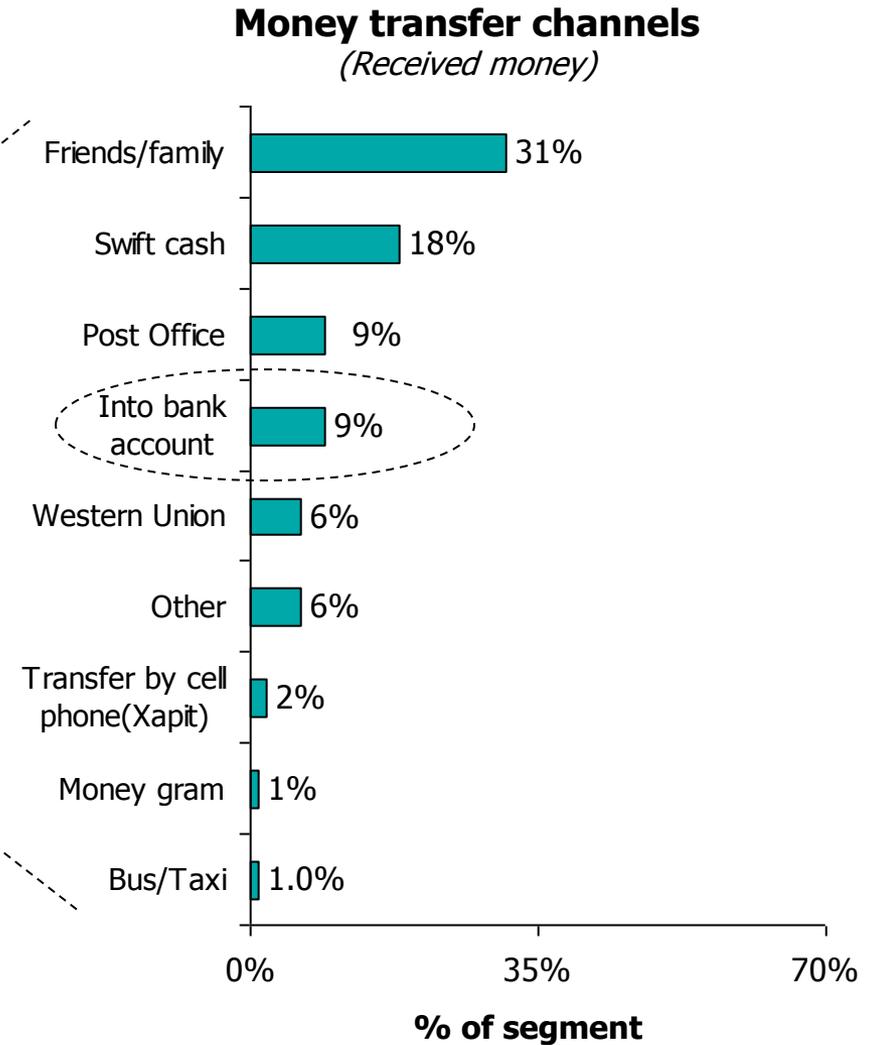
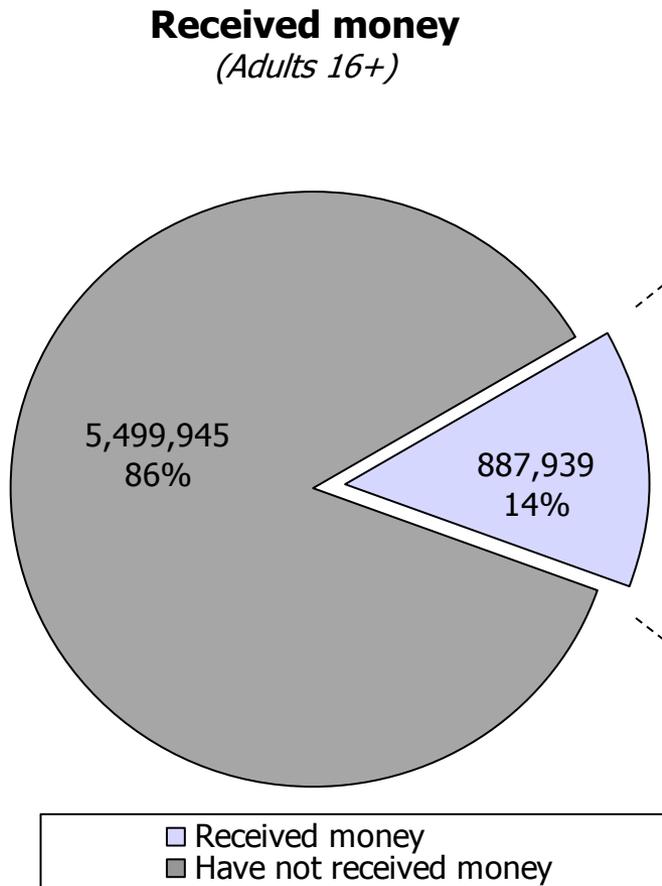
Self employed urban
(13%)

Rural farmers
(2%)



Source: FinScope Zambia 2009

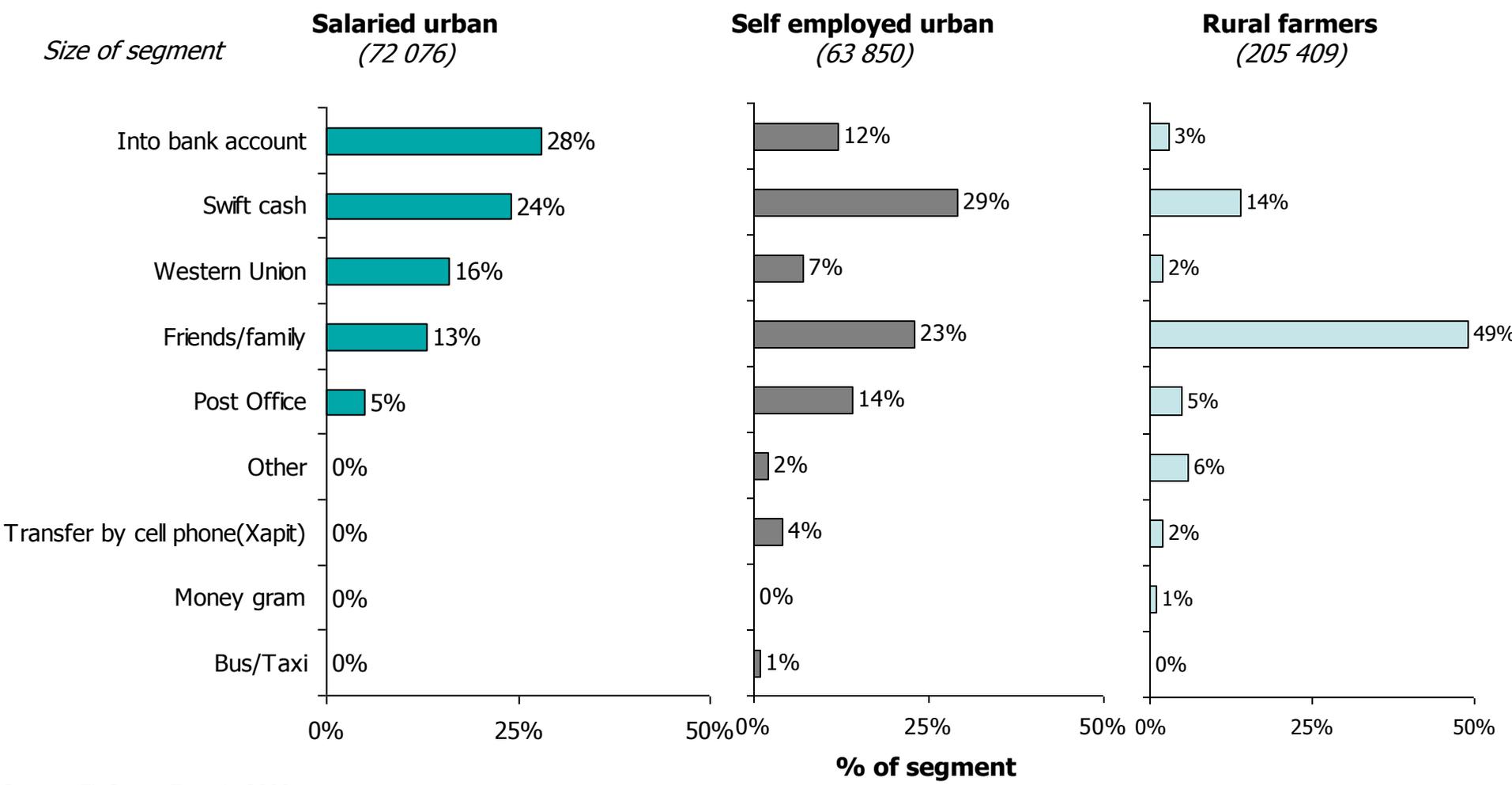
Only 9% of adults that receive money transfers do so into a bank account.



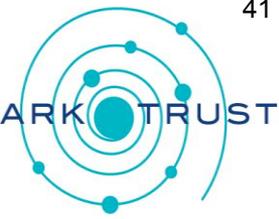


11% of rural farmers receive money. For the salaried urban and self employed urban these figures are 19% and 17% respectively. Rural farmers have a lower sending and receiving rate than both the urban segments

Money transfer channels
(Received money)

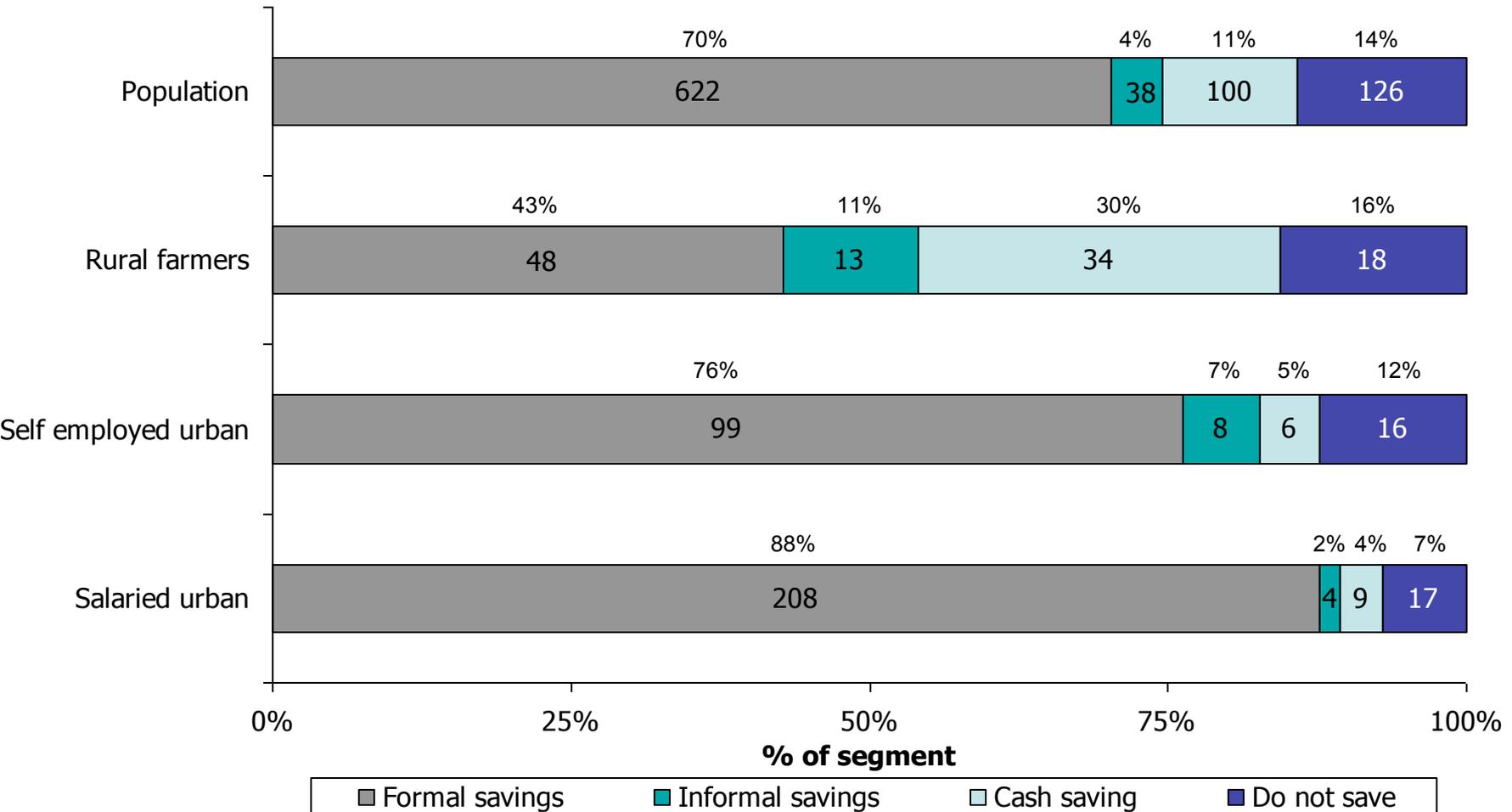


Source: FinScope Zambia 2009



Although bank products dominate the savings methods there are still a significant number of those who are banked making use of informal and cash saving. 13% of the banked self-employed do not have formal savings even though they have bank accounts

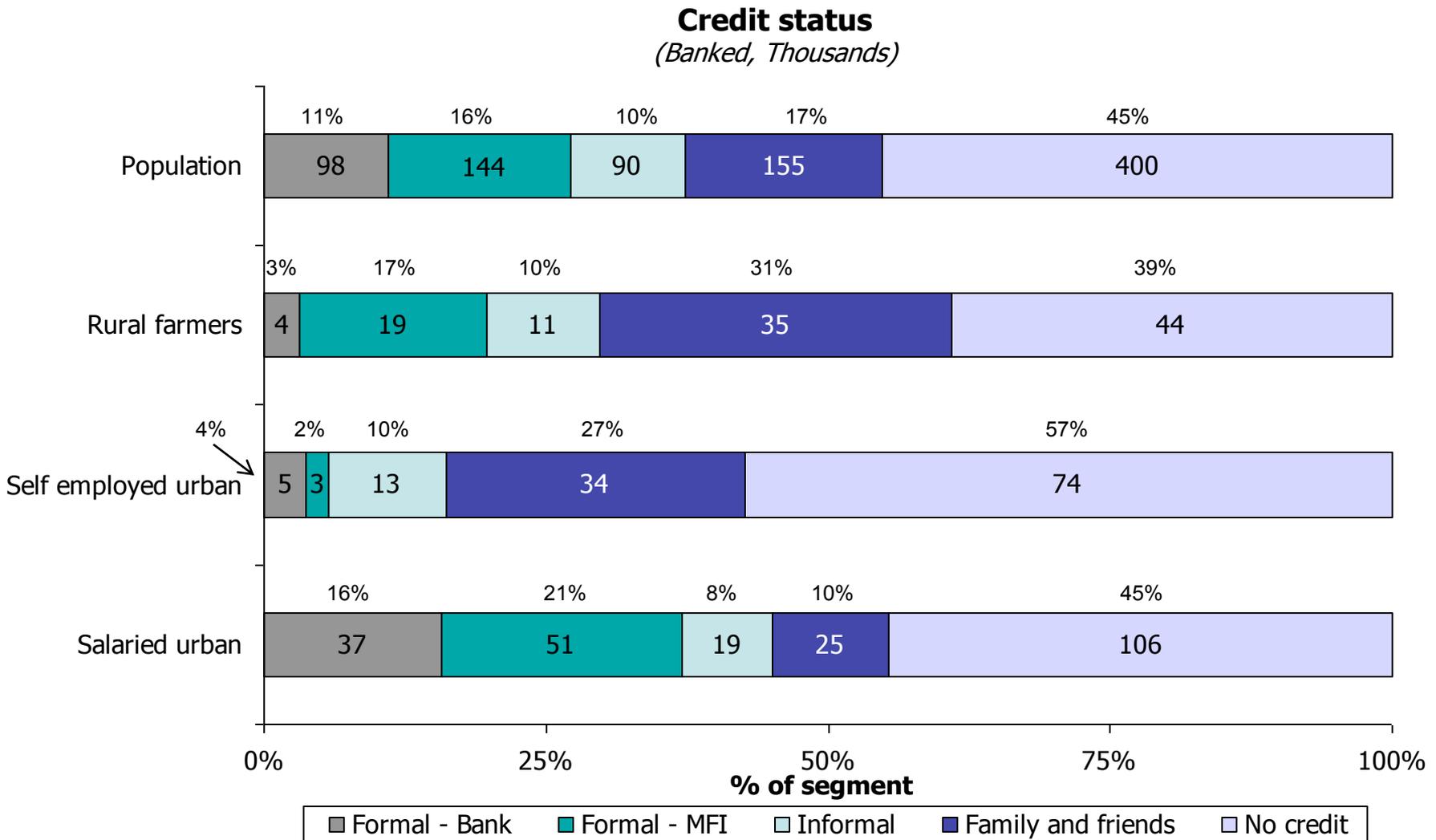
Saving status
(Banked, Thousands)



Source: FinScope Zambia 2009

Note: Percentages may not add up to rounding

Usage of bank credit products is lower than MFI credit for all but the self-employed urban. Bank credit is also lower than informal credit for the self-employed and rural farmers



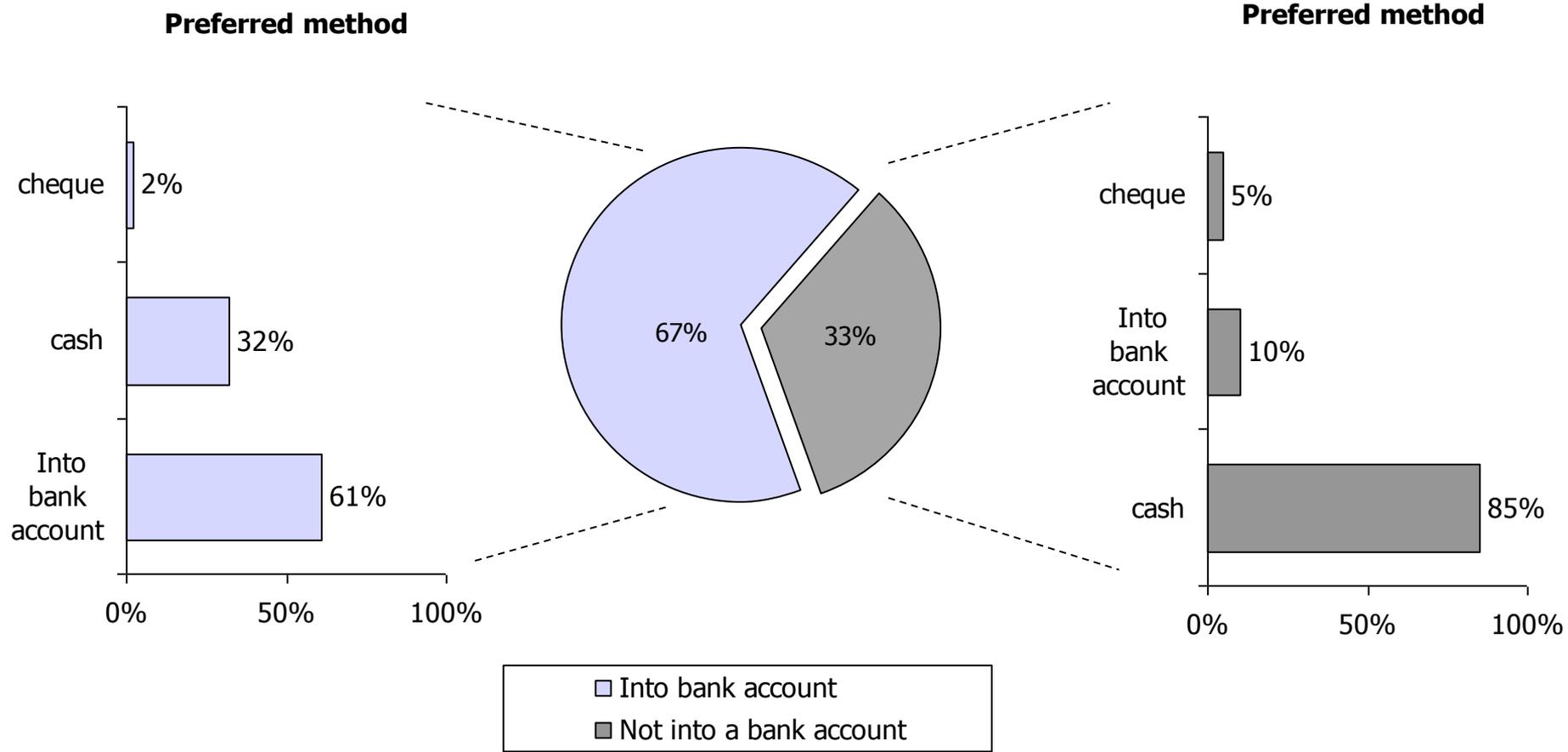
Source: FinScope Zambia 2009

Note: Percentages may not add up to rounding

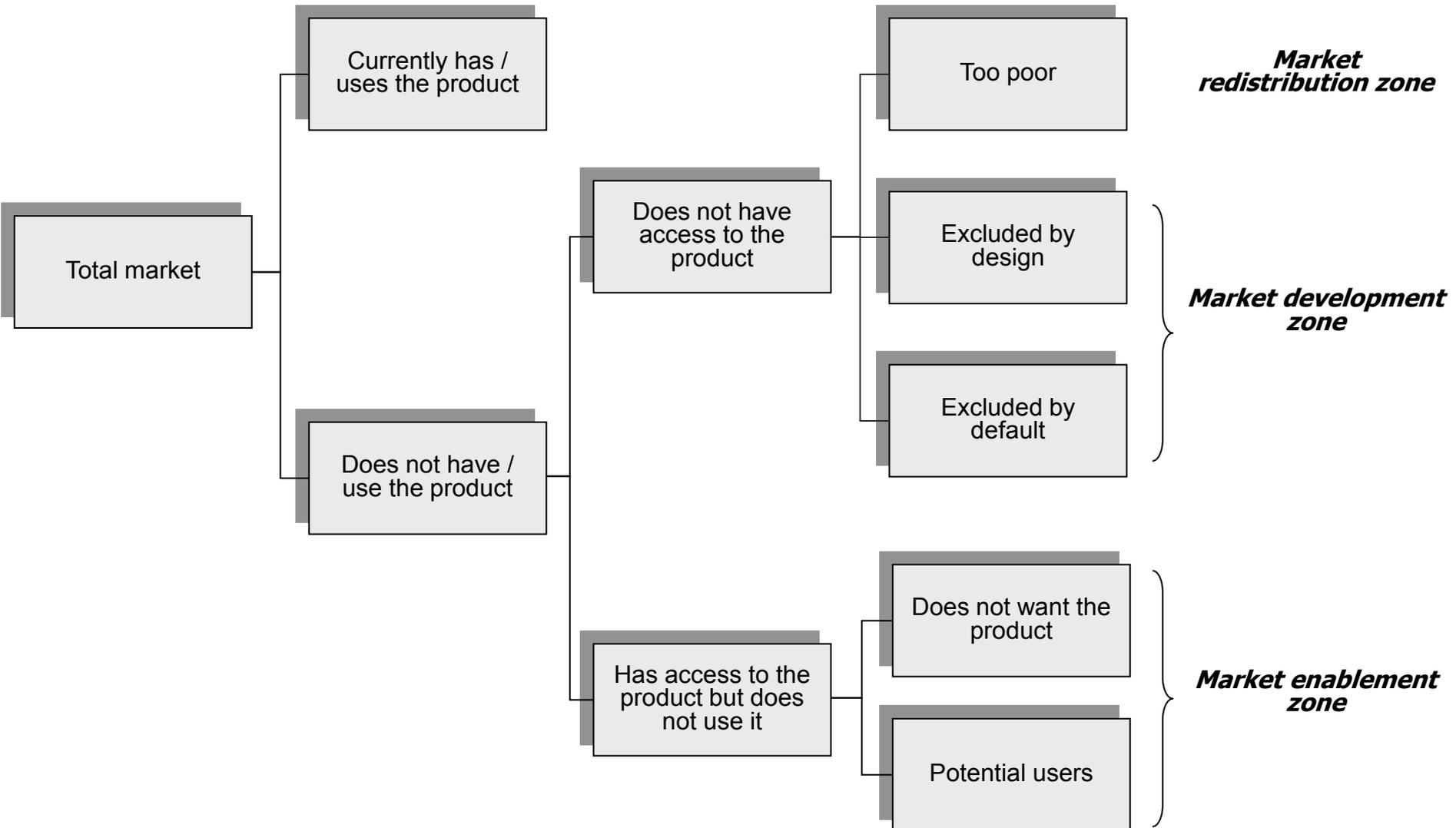


Almost a third of those receiving their salary into a bank account would prefer to receive it in cash while only 10% receiving it in cash would prefer to get it in a bank account. This points to a bank account having low utility, even amongst those who have them

How do you receive your salary *(Salaried urban, banked)*



The Access Frontier Methodology enables an identification and quantification of access barriers. It segments those who do not yet use a product into various market zones



Cavmont Ordinary Savings Account

Basic Product Description

- Basic bank account that facilitates key transactions
- Requirements to open this account are an identity document, two referees to sign application, and a minimum age of 18
- Minimum balance of K40 000 is required for the retail banking product, for community banking this is reduced to K25 000



Fees and Pricing

- Minimum monthly fee of K25 000
- 3% interest rate paid quarterly
- Branch withdrawals: 4 free withdrawals a month, if over this there is a K25 000 penalty fee every time money is withdrawn over the 4 times.
- Deposits: free at branch
- Telegraphic transfer*: K50 000
- Internal Debit Order: Once off set up fee K50 000, transaction fee K10 000.
- External Debit Order: set up is free, transaction fee K50 000.
- Customers can obtain free bank statements and balance enquiries at a branch, Interim statement before month end costs K30 000



Service Channels Available

- Cavmont currently have no ATMS or Point of Sale terminals.
- Deposits can be done through a branch or a telegraphic transfer.
- Withdrawals and transfers must be done through a branch



Zanaco Xapit

Basic Product Description

- Basic bank account that can be accessed from any Visa Electron ATM worldwide
- Requirements to open this account are an identity document, one referee to sign the application, and a minimum age of 18
- Need to have a place of residence.



Fees and Pricing

- To open account need to put K30 000 into it, but can dip below this when using the account.
- No interest is paid on the account.
- Withdrawals: Not able to withdraw at branch, ATM costs between K2100 and K3000 depending on amount.
- Deposits: free
- Transfer: K2 500 by cellphone
- Internal Debit Order: set up cost of K30 000 and transaction cost is free.
- External Debit Order: set up fee of K70 000 and transaction cost is K30 000
- Bank Statement: free at branch, K30 000 from an ATM
- Balance Enquiry: K500 from an ATM or cellphone



Service Channels Available

- Deposits must be made through a branch.
- Withdrawals can be done at ATMs
- Transfers can be done using a cellphone, or at an ATM when a personal account is linked to a Xapit account. Transfers cannot be done at a branch



Barclays Tonse Savings Account

Basic Product Description

- Basic bank account with Visa Electron debit card for use at all ATMs
- Requirements to open this account are an identity document, one referee to sign the application, and a minimum age of 18
- Need to have a place of residence.
- A minimum balance of K40 000 is required.



Fees and Pricing

- K25 000 minimum monthly fee
- Interest works on a sliding scale (Dependent upon how much you're saving), the interest rate is in line with Bank of Zambia
- Withdrawals: Free from a branch and ATM
- Deposits: free at Branch
- Transfer: Free at branch if within Barclays.
- Internal Debit Order: Pay monthly fee of K25 000
- External Debit Order: Pay monthly fee of K50 000
- Customers can obtain free bank statements and balance enquiries.



Service Channels Available

- Deposits and transfers must be made through a branch.
- Withdrawals can be done through a branch or ATM's.
- Banking statements and balance enquiries can be obtained from branch, basic bank statement can also be obtained from ATM's.



Usage Profiles of the different segments

Rural Farmers

Usage Profile per month:

- Deposits: 4
- Withdrawals: 1
- Balance Enquiry: 1

Cavmont:

- 4 Deposits: Free
- 1 Withdrawal: Free
- 1 Balance Enquiry: Free
- Monthly Fee: K25,000

Minimum income for account: K833,333

Zanaco:

- 4 Deposits: Free
- 1 Withdrawal: K3,000
- 1 Balance Enquiry: K500
- Monthly Fee: 0

Minimum income for account: K116,667

Barclays:

- 4 Deposits: Free
- 1 Withdrawal: Free
- 1 Balance Enquiry: Free
- Monthly Fee: K25,000

Minimum income for account: K833,333

Self Employed Urban

Usage Profile per month:

- Deposits: 4
- Withdrawals: 1
- Bank Statement: 1

Cavmont:

- 4 Deposits: Free
- 1 Withdrawal: Free
- 1 Bank Statement: Free
- Monthly Fee: K25,000

Minimum income for account: K833,333

Zanaco:

- 4 Deposits: Free
- 1 Withdrawal: K3,000
- 1 Bank Statement: Free
- Monthly Fee: 0

Minimum income for account: K100,000

Barclays:

- 4 Deposits: Free
- 1 Withdrawal: Free
- 1 Bank Statement: Free
- Monthly Fee: K25,000

Minimum income for account: K833,333

Salaried Urban

Usage Profile per month:

- Bank Statement: 1
- Withdrawals: 4

Cavmont:

- 4 Withdrawal: Free
- 1 Bank Statement: Free
- Monthly Fee: K25,000

Minimum income for account: K833,333

Zanaco:

- 4 Withdrawal: K12,000
- 1 Bank Statement: Free
- Monthly Fee: 0

Minimum income for account: K400,000

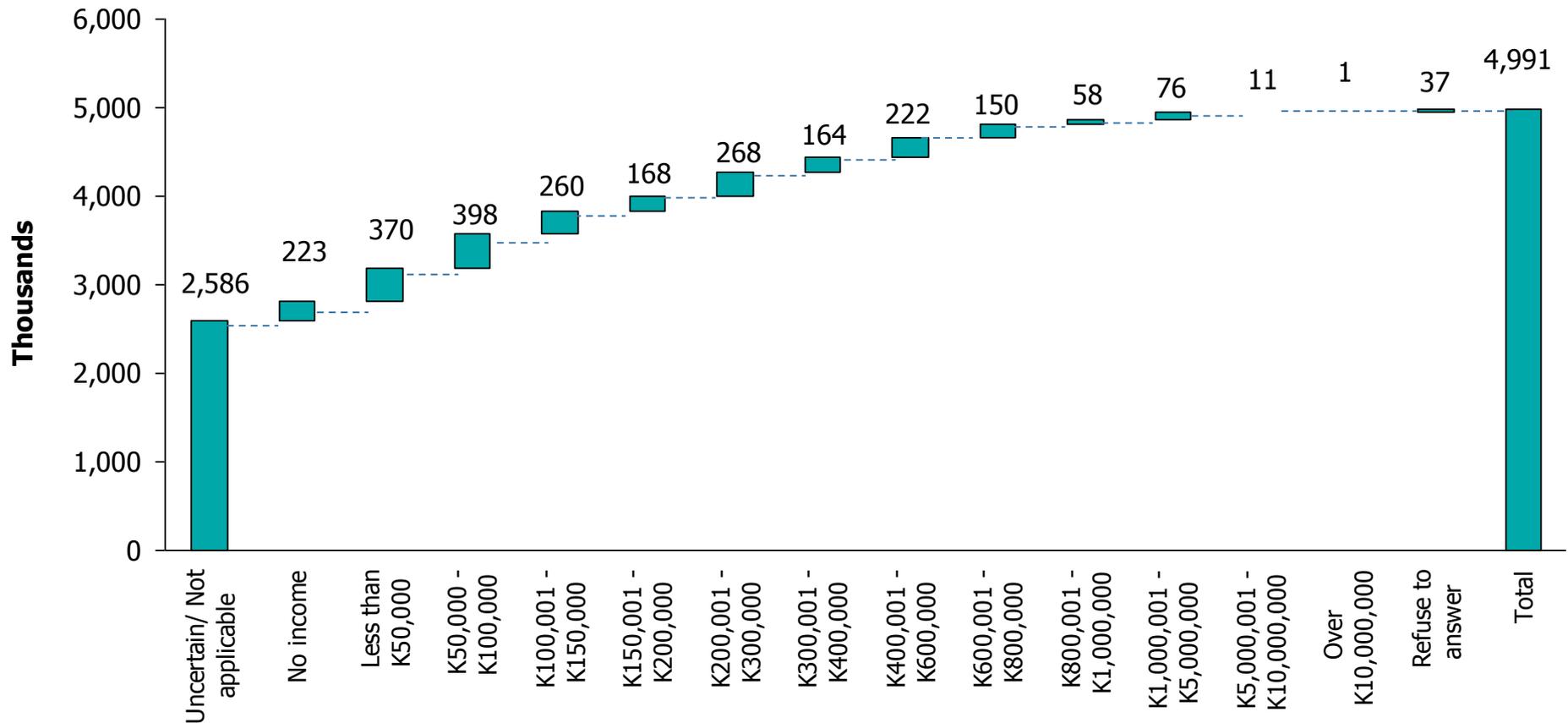
Barclays:

- 4 Withdrawal: Free
- 1 Bank Statement: Free
- Monthly Fee: K25,000

Minimum income for account: K833,333

Making bank accounts affordable yet profitable is a challenge in a country where income levels are so low

Income distribution
(Unbanked, not too poor)

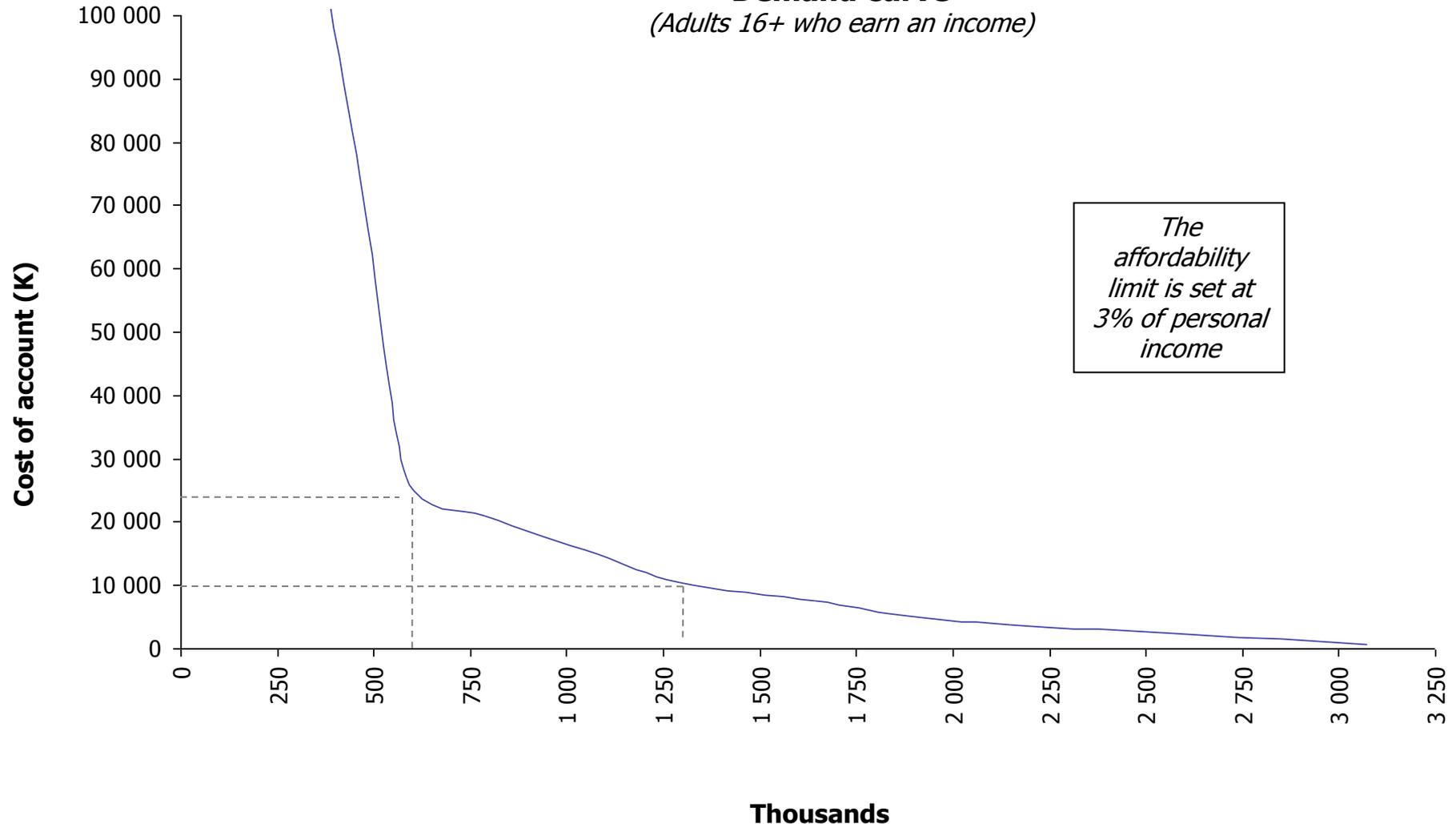




The K25,000 monthly fee on Cavmont and Barclays account is a major constraint on affordability

Demand curve

(Adults 16+ who earn an income)

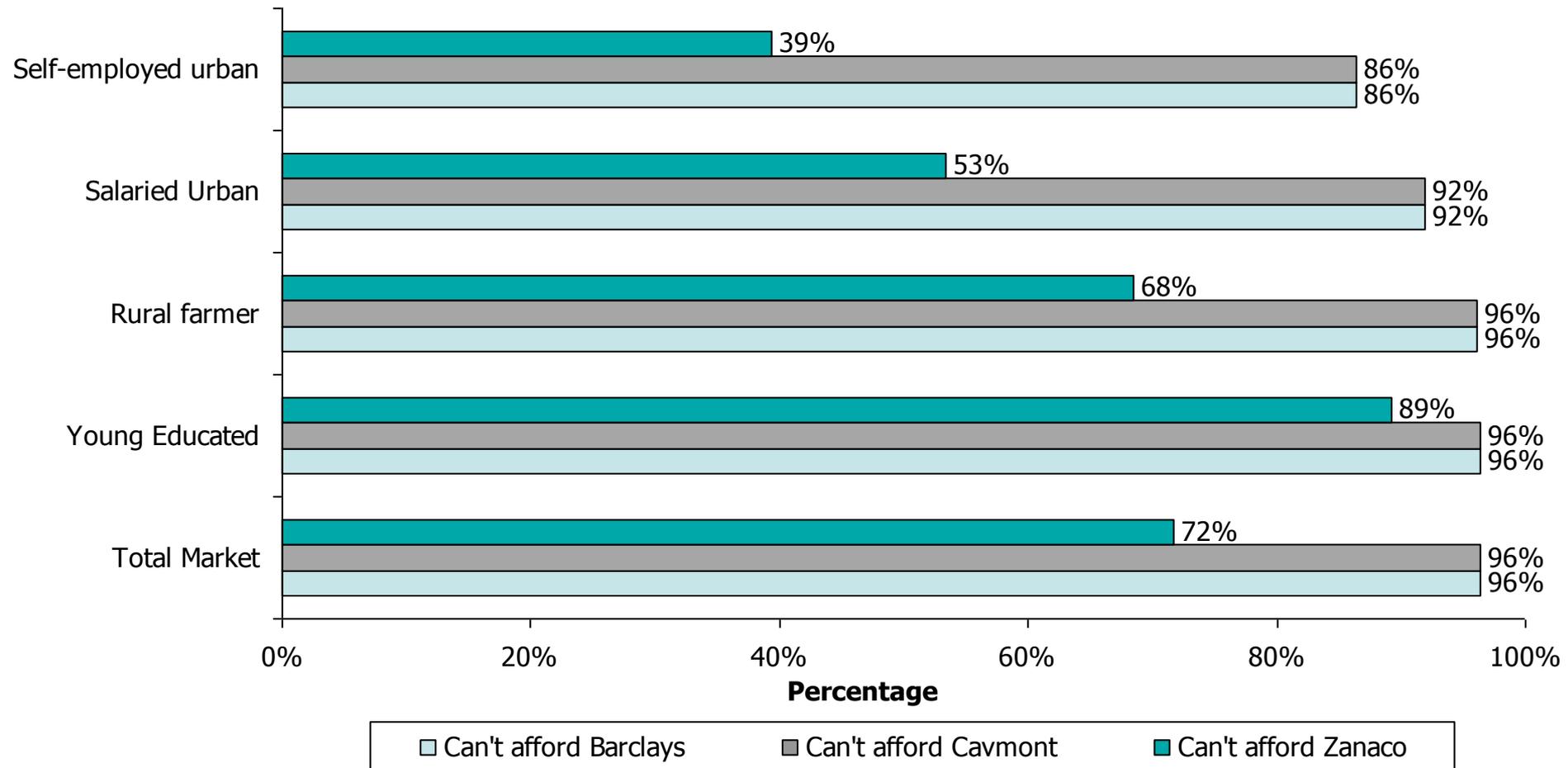


Source: FinScope Zambia 2009

Notes: Excludes "Not applicable", those who refused to provide an income or don't know what their income is

The Barclay's Tonse account and the Cavmont savings account are the least affordable for all segments

Affordability (Unbanked, not too poor)



Source: FinScope Zambia 2009

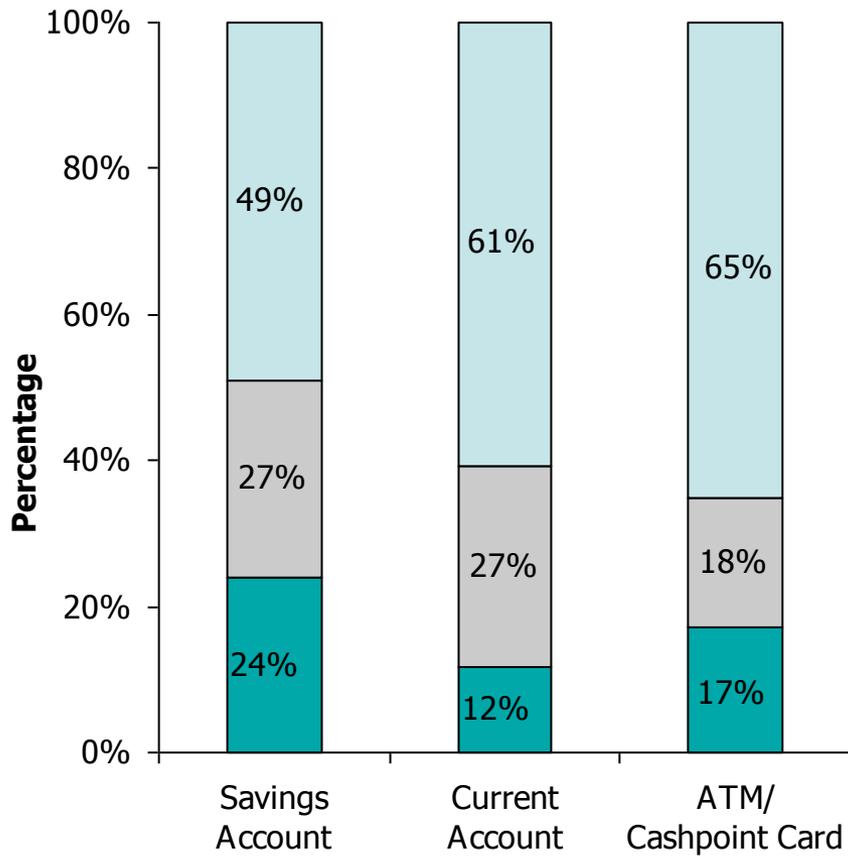
Note: Affordability based on banking fees and minimum balances required

Only a quarter of the unbanked know what a savings account is and nearly a third don't understand the advantages of having a bank account



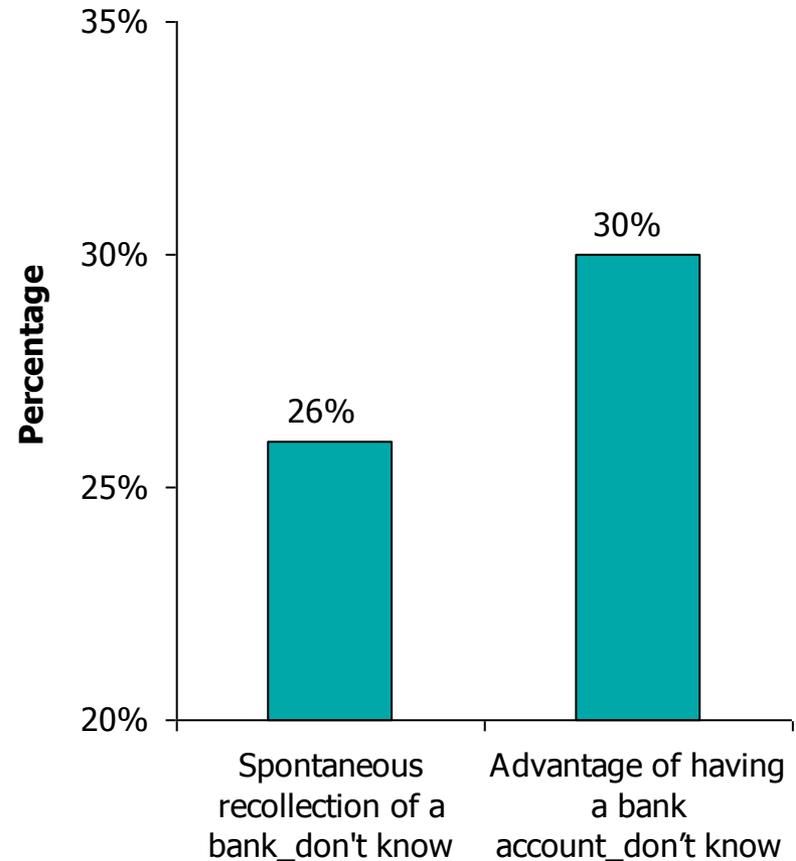
Financial terms

(Unbanked, not too poor)



Awareness

(Unbanked, not too poor)

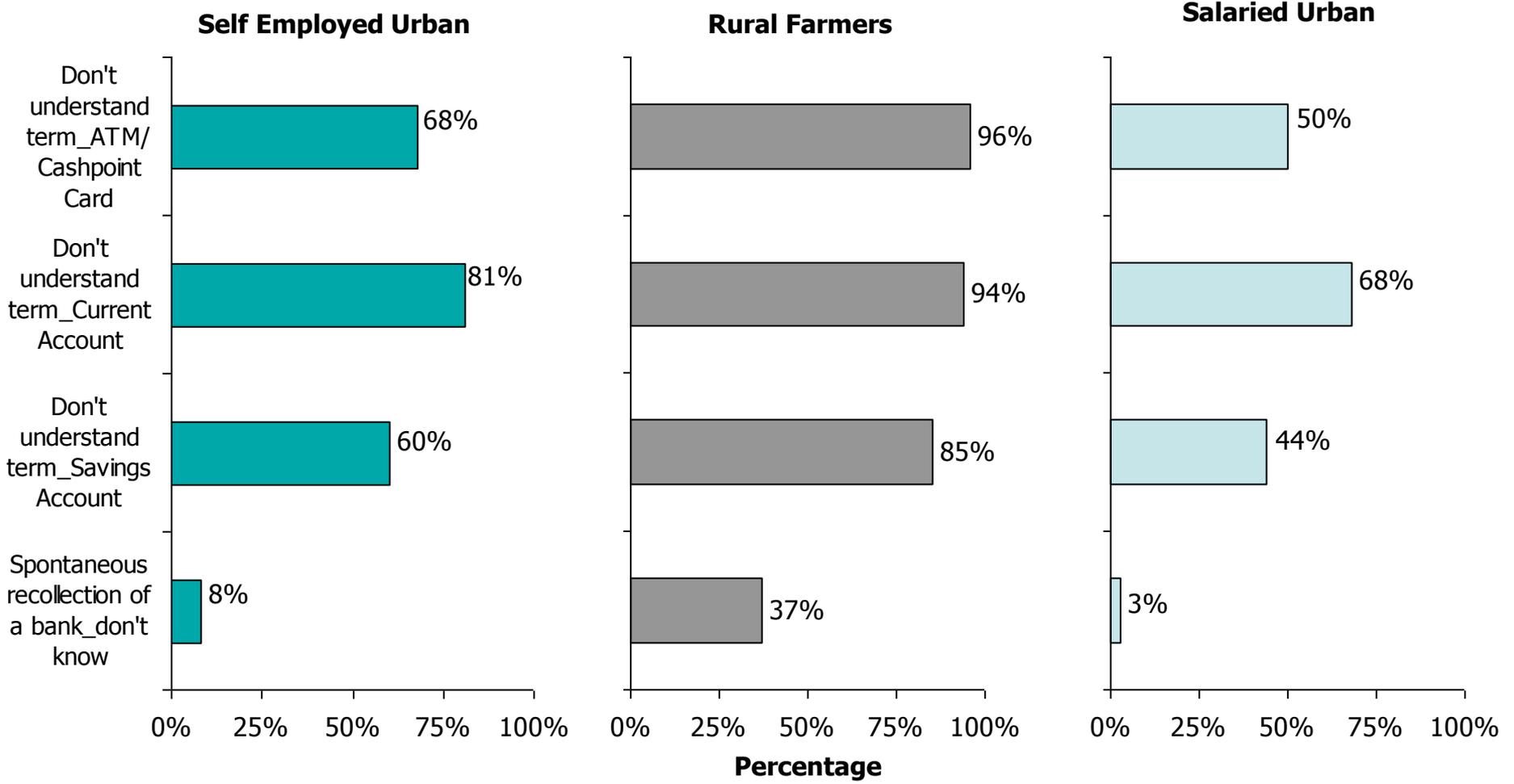


- Never heard
- Heard but don't understand
- Heard and understand



Unbanked rural farmers have the lowest spontaneous recollection of banks, which is unsurprising given the low number of branches in rural areas. 68% of the salaried urban unbanked don't understand the term "current account" even though they are the target market for the product

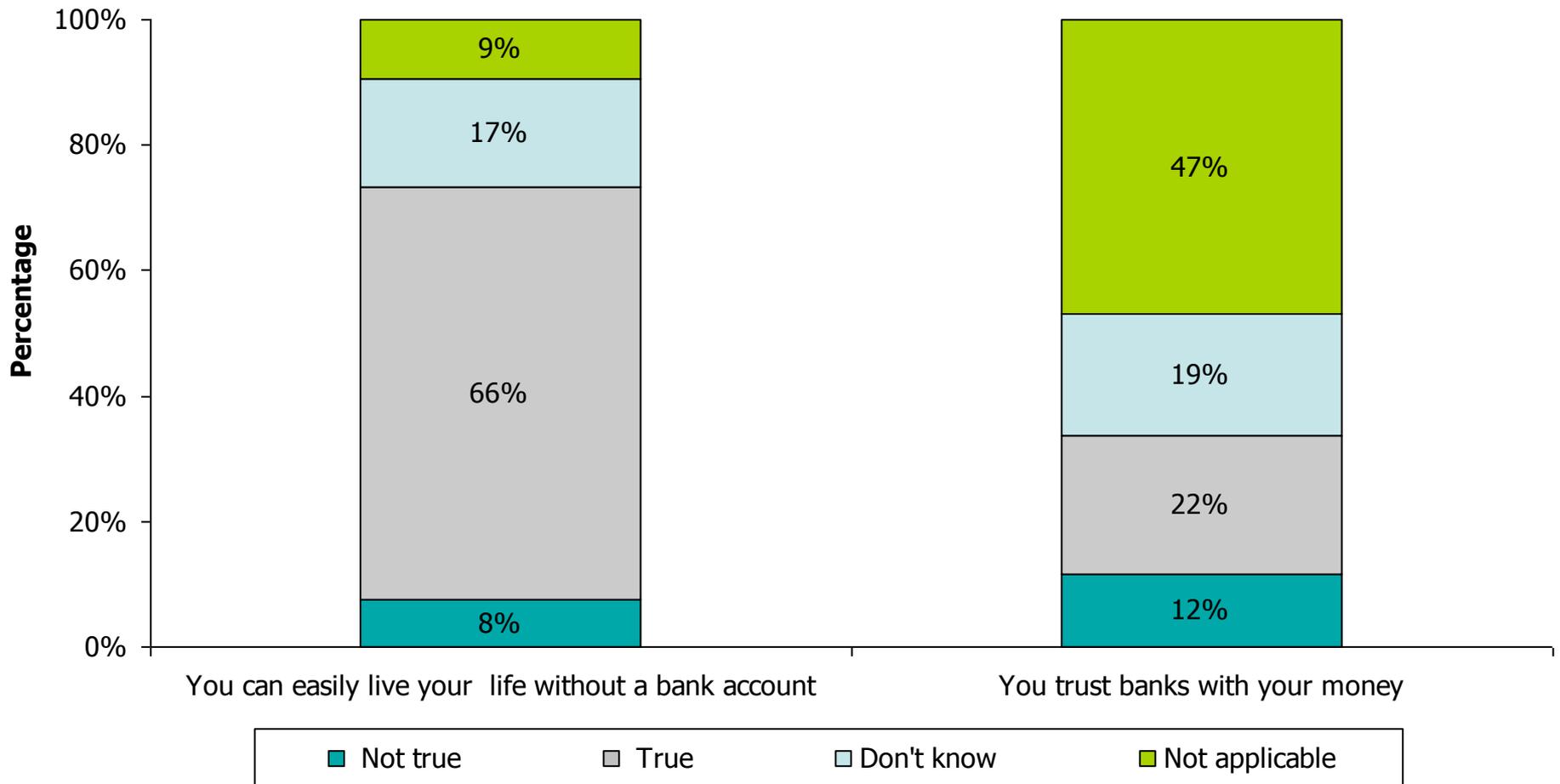
Awareness
(Unbanked, not too poor)



Source: FinScope Zambia 2009

Over two thirds of the unbanked say they can easily live their life without a bank account while nearly a quarter say they do not trust banks with their money

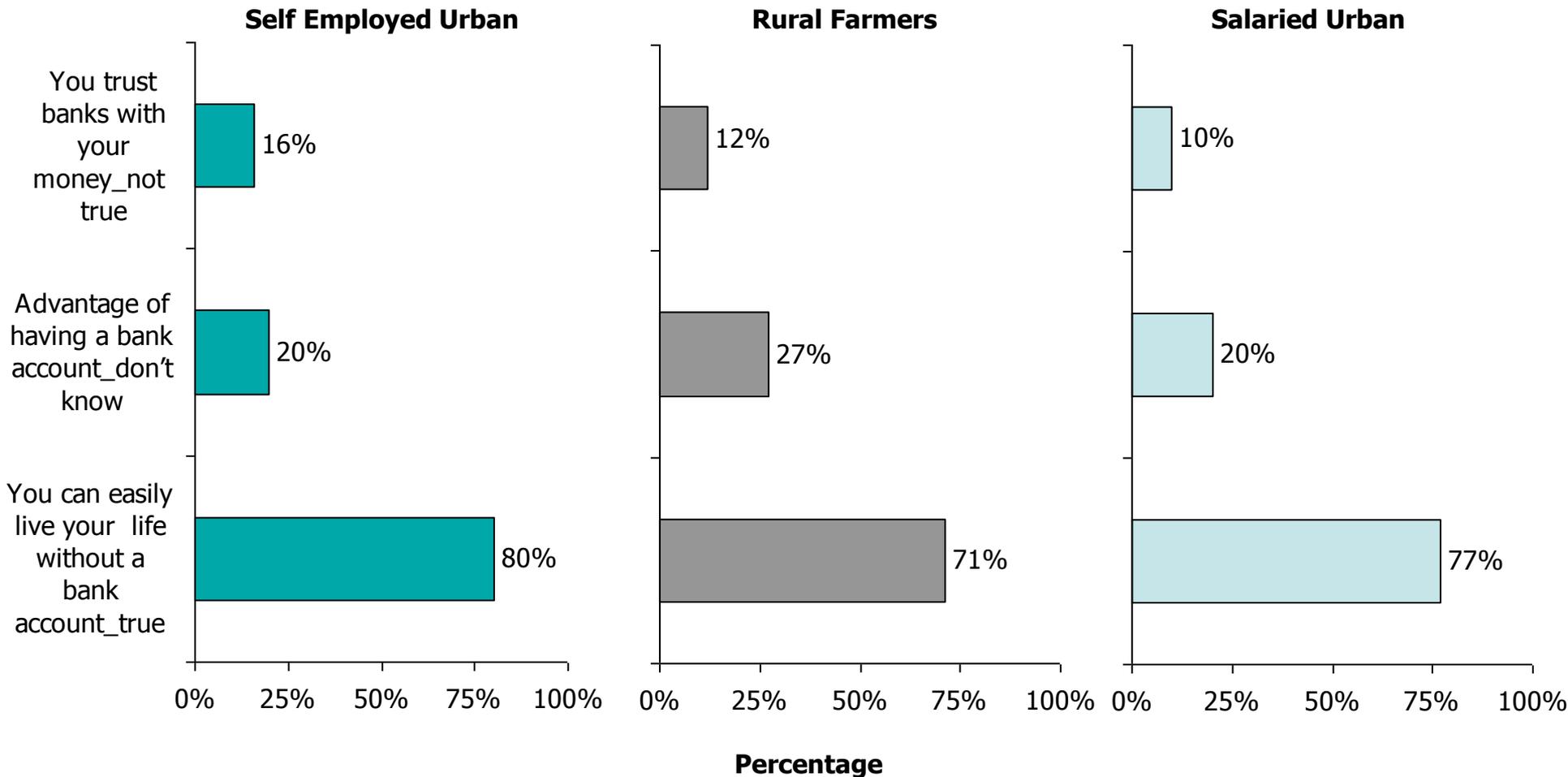
Do not want a bank account (Unbanked, not too poor)





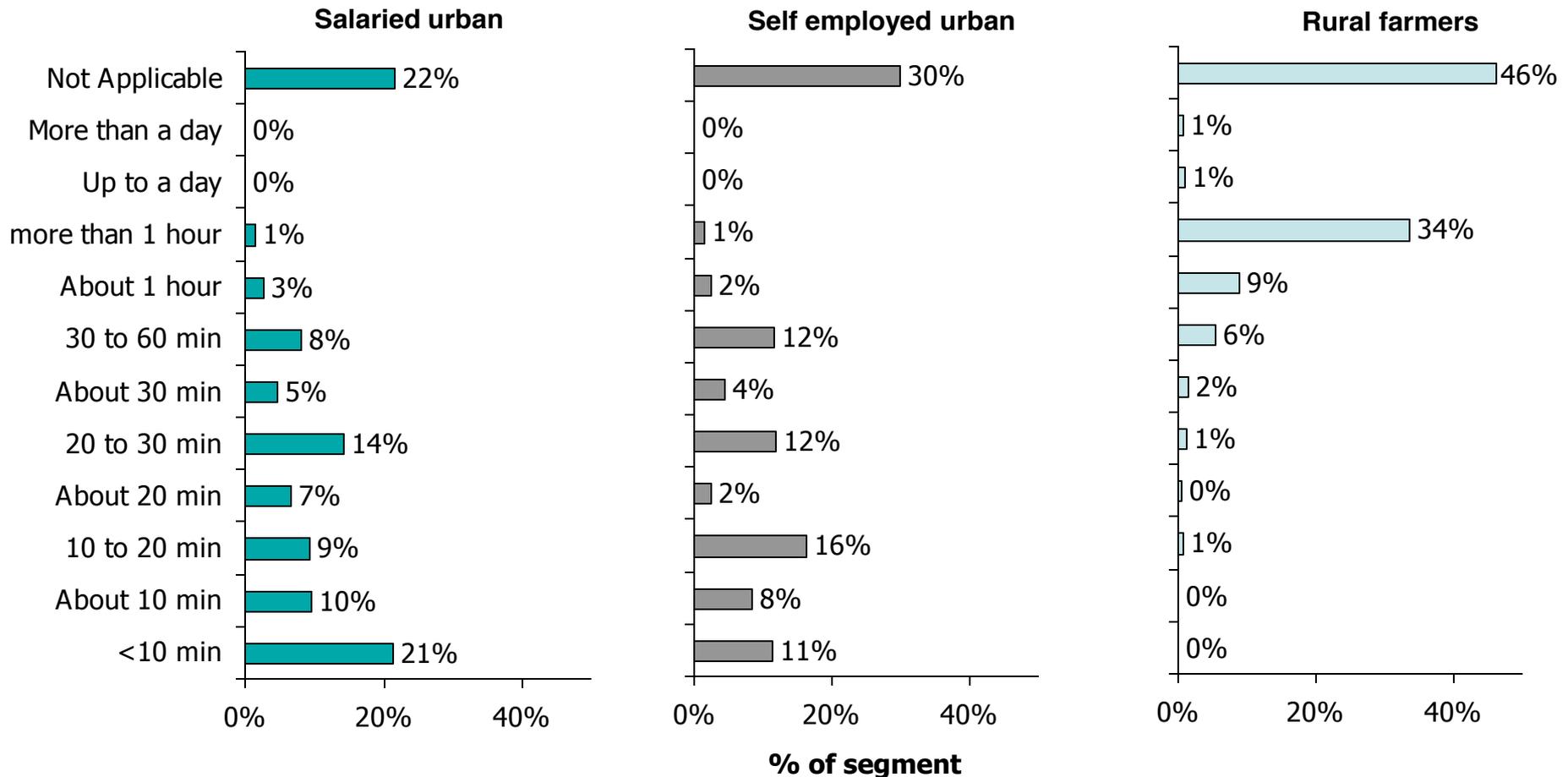
The proportion of people who feel they can live their lives without a bank account is high across all the segments. The self-employed are the most distrustful of banks

Do not want a bank account (Unbanked, not too poor)



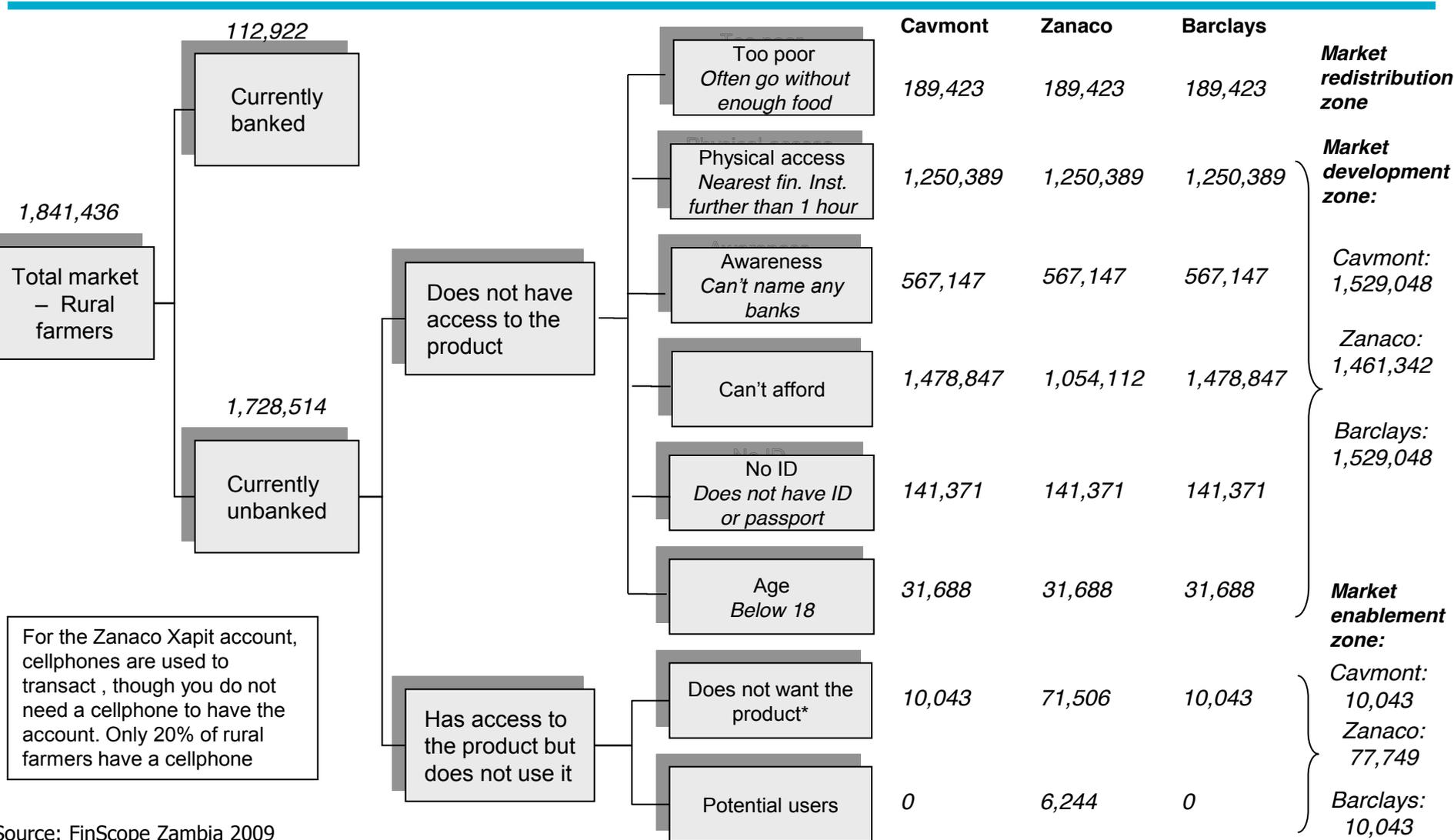
Time taken to get to nearest Financial Institution

(Unbanked, Not too poor)



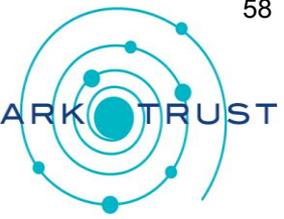


Rural Farmers: Affordability is the biggest constraint followed closely by physical access

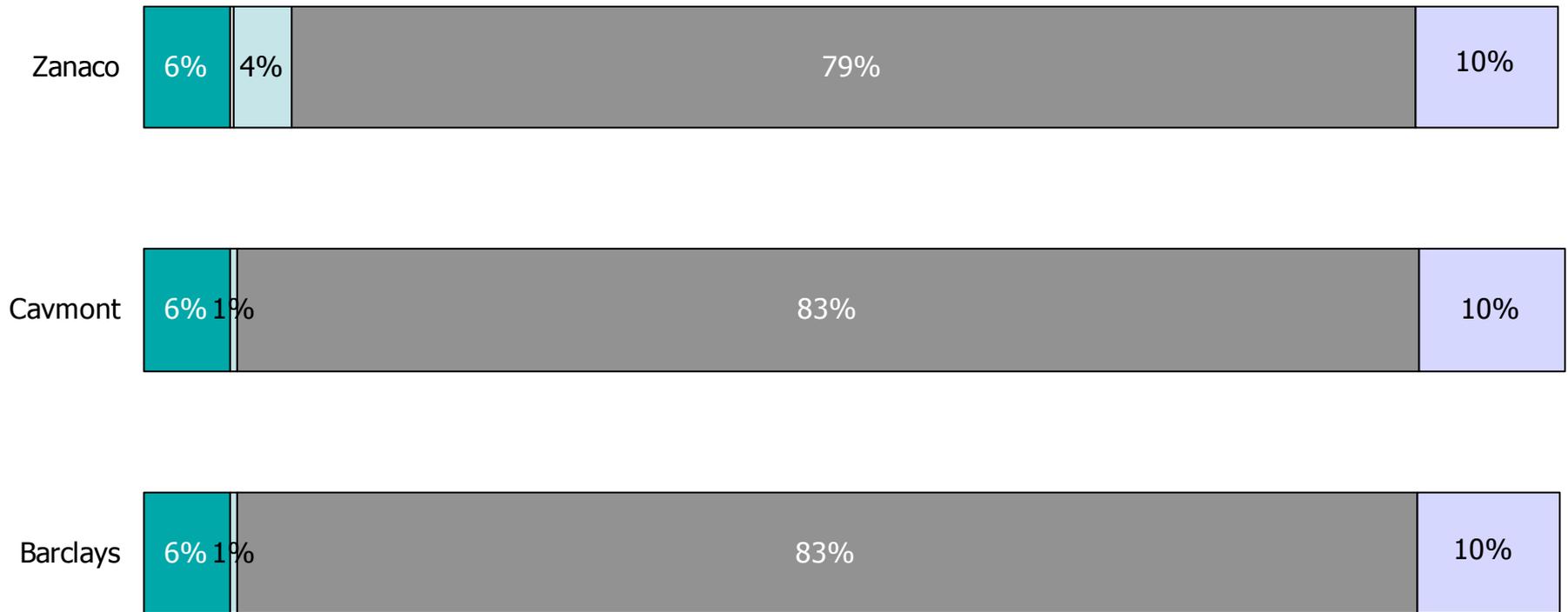


For the Zanco Xapit account, cellphones are used to transact, though you do not need a cellphone to have the account. Only 20% of rural farmers have a cellphone

Source: FinScope Zambia 2009
 * For 'Does not want to use product' used the questions: You trust banks with your money_not true, You can easily live your life without a bank account_true, and Advantage of having a bank account_don't know

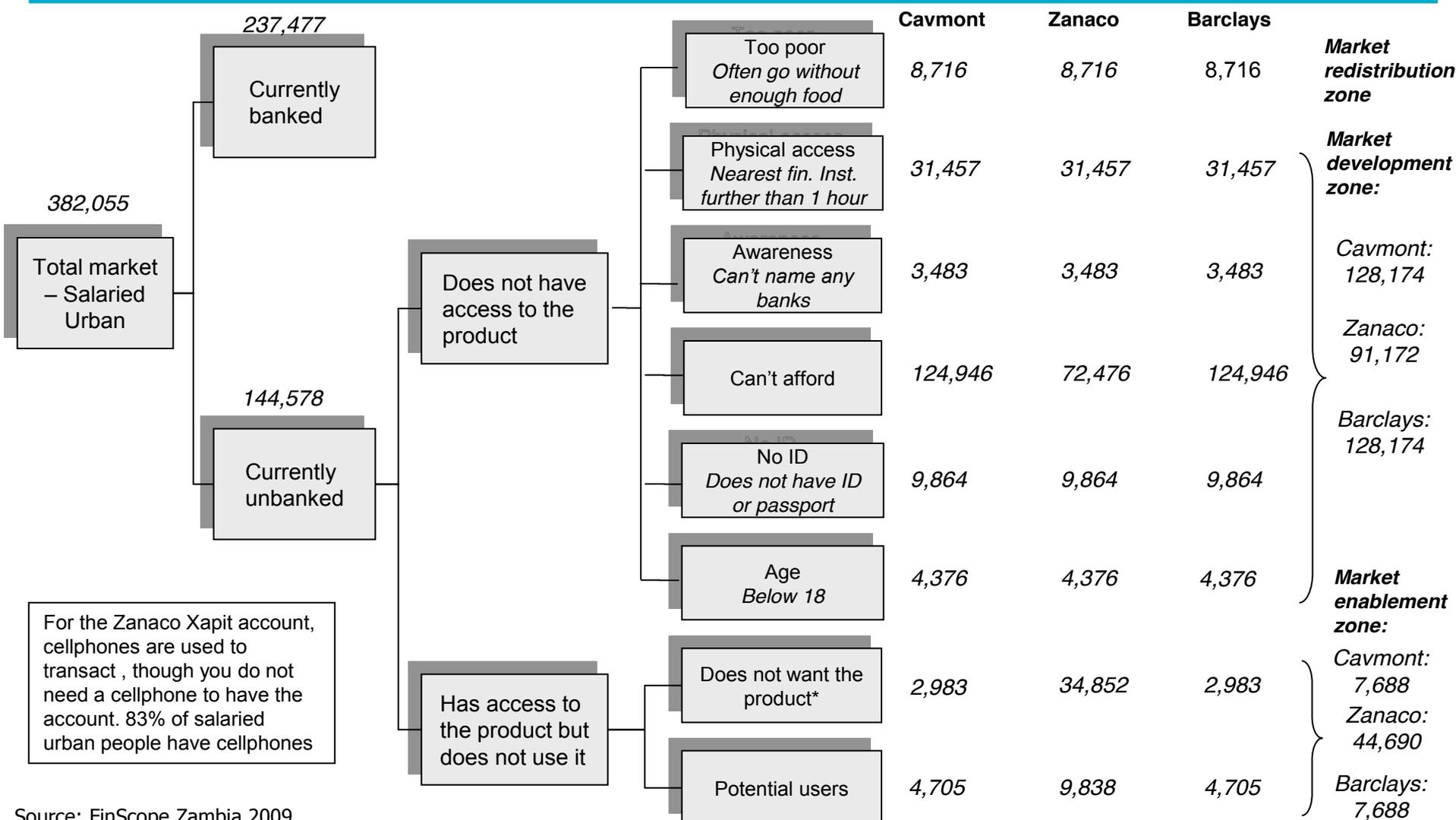


The rural farmers are the hardest segment to reach because of physical access constraints and their low incomes, an alternative to traditional models is needed



■ Banked
 ■ Have access but don't use
 ■ Don't want a bank account
 ■ Not too poor but cannot access
 ■ Too poor

Salaried Urban: Affordability is the biggest constraint in the development zone but a large number of potential users don't want the product

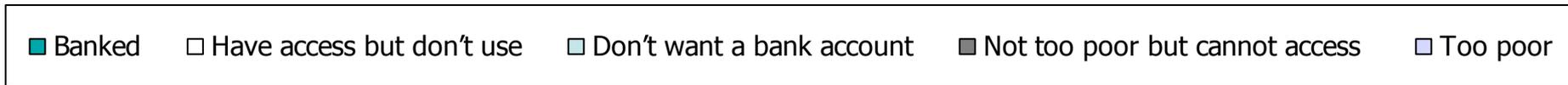
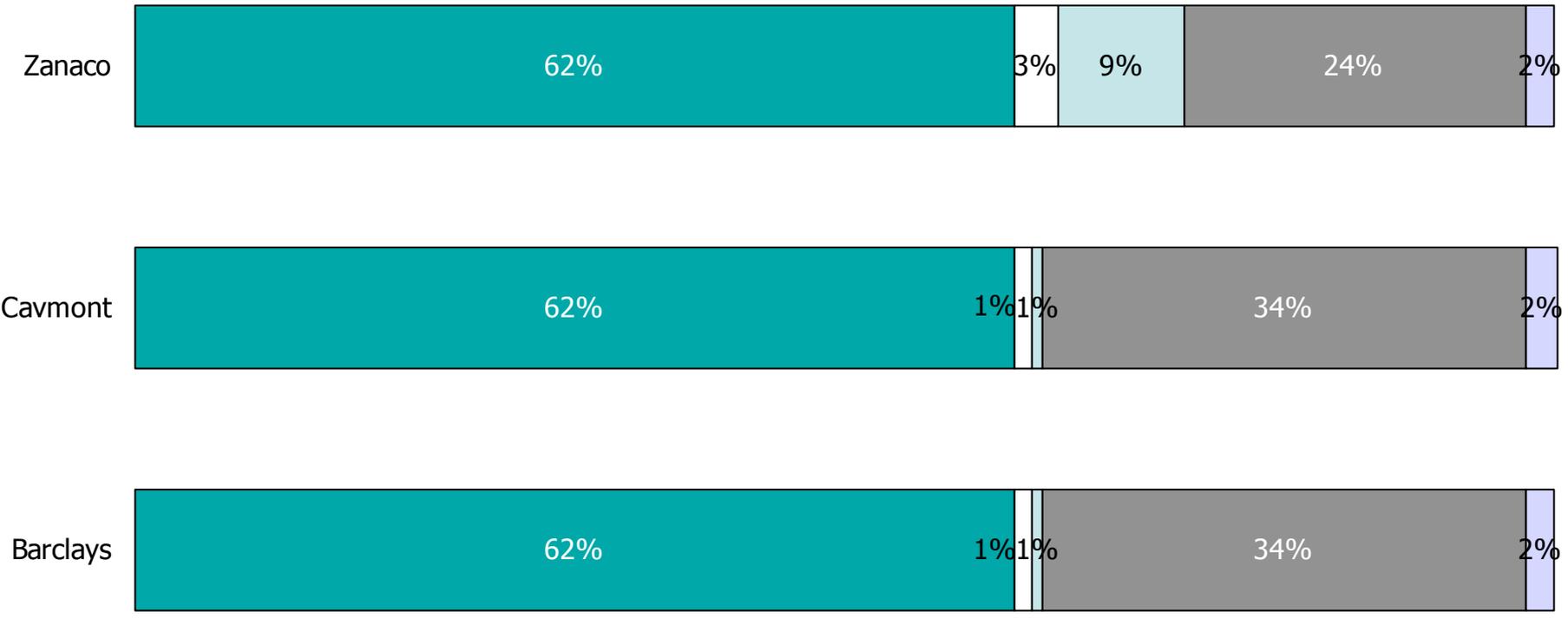


Source: FinScope Zambia 2009

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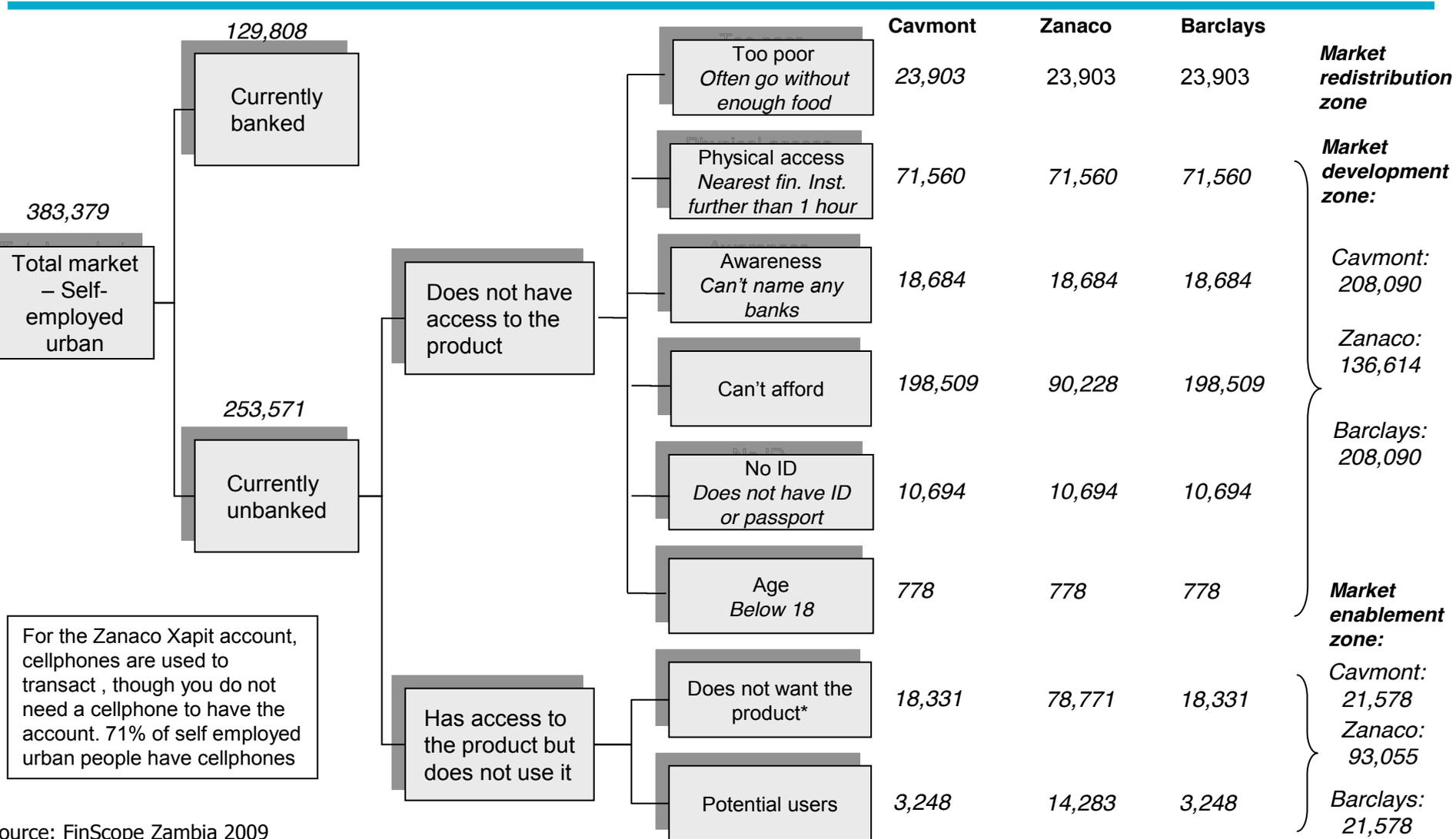


The salaried urban already have a high banking penetration but there is still room for growth. The Zanaco product increases access the most but this is not helpful when most of those who now have access do not want a bank account





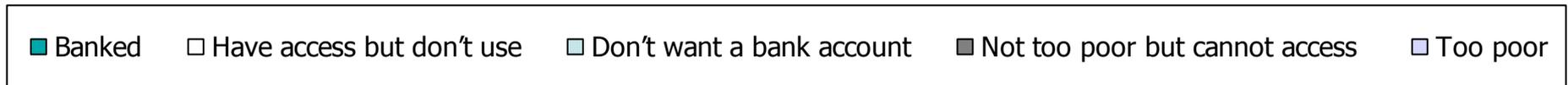
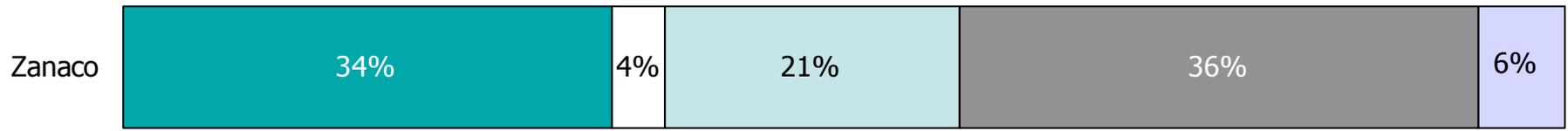
Self-employed Urban: Once again, affordability is the biggest constraint. Like the salaried many potential users don't want the product



Source: FinScope Zambia 2009
 * For 'Does not want to use product' used the questions: You trust banks with your money_not true, You can easily live your life without a bank account_true, and Advantage of having a bank account_don't know



The self-employed market shows a lot of potential for growth with 30% of the segment in the enablement zone for the Zanaco product. However, unless industry can demonstrate the value of their products this potential market will not be willing to use a bank account



How can the offerings be optimised?

The number of banked individuals is low, especially for the rural farmers segment. From the access frontiers the main barriers to opening bank accounts are physical access and affordability. Bank products could be optimised to increase take up by:

Increasing Access

Increase physical access by adding additional channels:

- Correspondent banking
- Cellphone banking

Increasing take-up for those who already have access

- Improve marketing to inform and educate potential users

Increasing Affordability

Make products more affordable for the market by:

- Removing the minimum balance
- Reducing monthly fees



Correspondent banking has been used in a number of developing countries as a way to increase reach. Mobile phone technology has made this easier

Example: Correspondent banking in Brazil

Description

- Refers to bank partnerships with non-banks to provide distribution outlets for financial services.
- Usually partnerships are with retail commercial outlets such as lottery kiosks, pharmacies, post offices, construction goods stores, etc.

How it works

- Private contracts are set up with each outlet where each contract determines the scope of the services, fee paid, risk shared and so on.

Services offered

- Focus primarily on transactions and payments services (invoice payments, collection services and payment orders).
- Some also offer other banking services, such as making deposits to and withdrawals from savings accounts.
- Credit services have been more limited, but correspondents authorised to offer banking services are able to take loan and other financing requests.

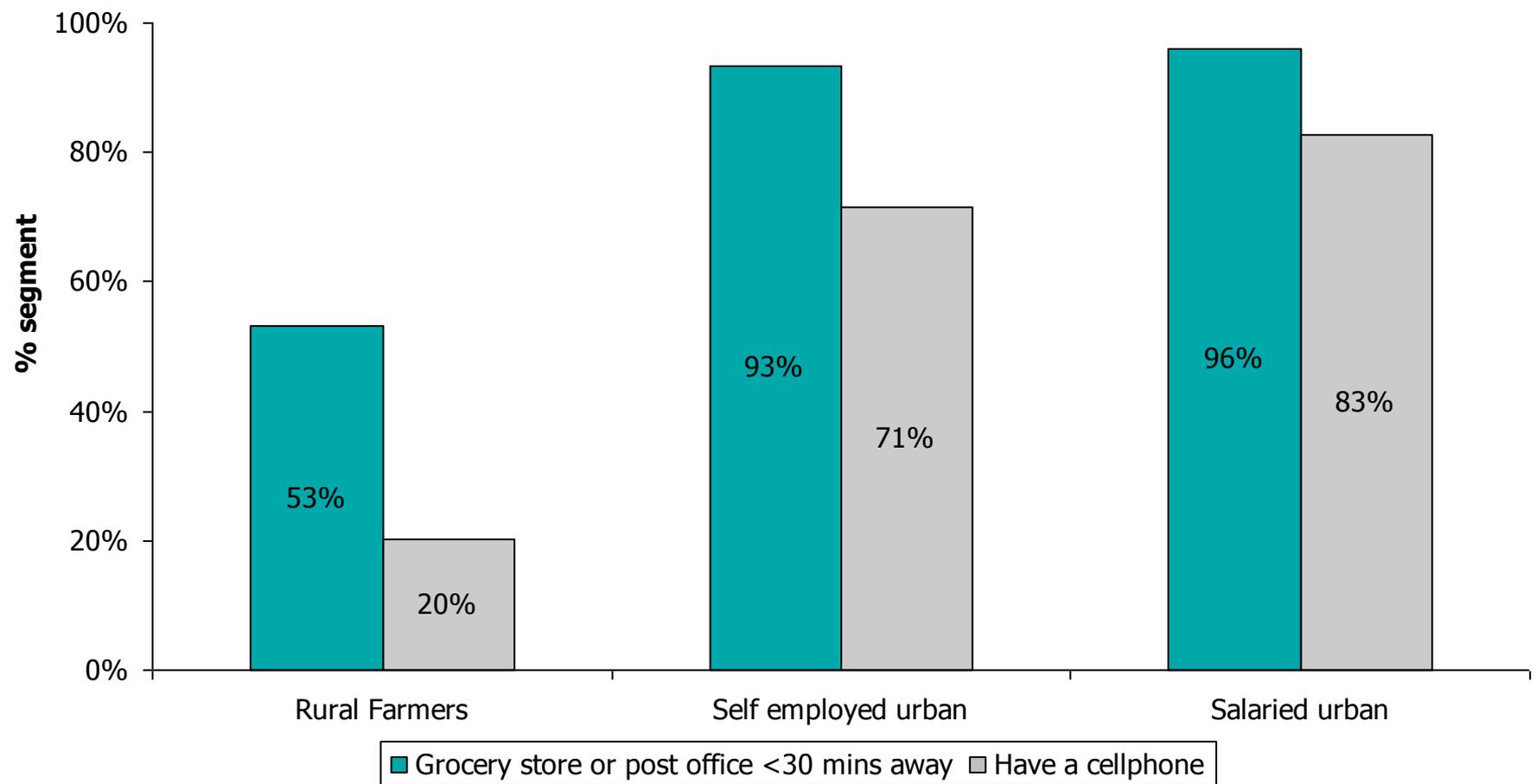
Why it is effective

- Benefits to businesses in correspondent contracts include an increase in clientele, increase in revenue, and differentiation from competitors.
- Benefits to the population include access to the financial system, flexibility with business operation hours, easier receipt of social benefits, and reduced travel costs for accessing financial services



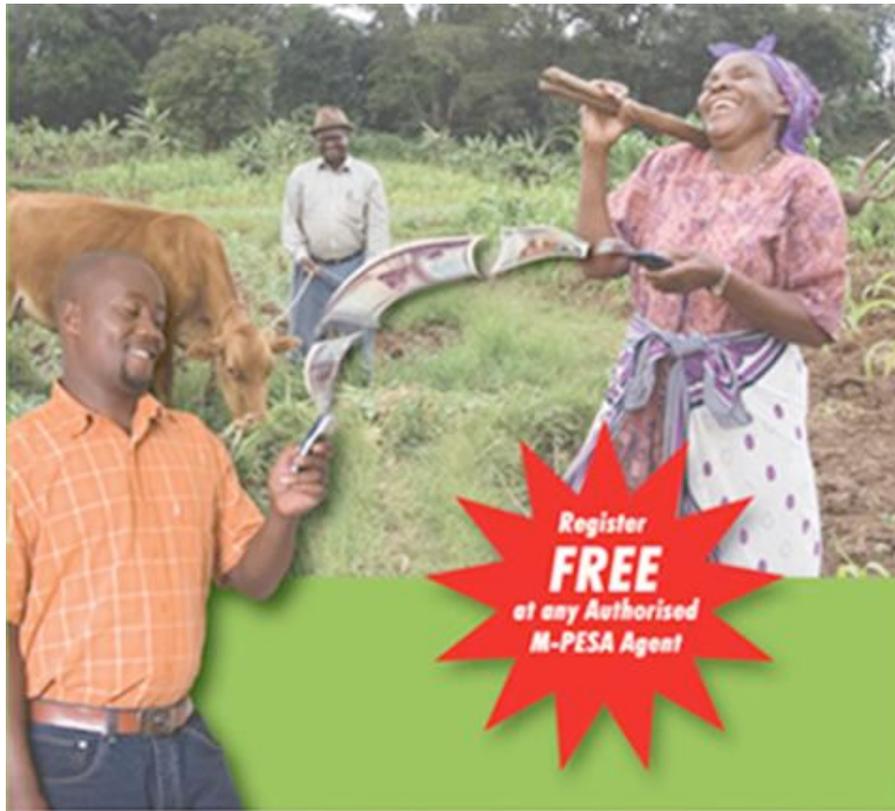
To increase access to the segments banks could use correspondent banking. For the optimised product, a person has access if it takes them 30 minutes or less to get to a grocery store or post office

Alternative channels
(Unbanked, Not too Poor)



Source: FinScope Zambia 2009

This model was pioneered in Africa by M-Pesa in Kenya



vodafone

Making products more affordable – or are there already affordable products?

To make product more affordable remove monthly fees and minimum bank balance. Charge customers for transactions:

- Deposits: Free
- Withdrawals: K3,000
- Bank Statement: K1,000
- Balance Enquiry: Free

Rural Farmers:

- 4 Deposits: 0
- 1 Withdrawal: K3,000
- 1 Balance Enquiry: 0
- Monthly Fee: 0

Minimum income for account: K100,000

Self-employed urban:

- 4 Deposits: 0
- 1 Withdrawal: K3,000
- 1 Bank Statement: K1,000
- Monthly Fee: 0

Minimum income for account: K133,333

Salaried urban:

- 4 Withdrawals: K12,000
- 1 Bank Statement: K1,000
- Monthly Fee: 0

Minimum income for account: K433,333

Usage Profiles of the different segments

Rural Farmers

Usage Profile per month:

- Deposits: 4
- Withdrawals: 1
- Balance Enquiry: 1

Cavmont:

- 4 Deposits: Free
- 1 Withdrawal: Free
- 1 Balance Enquiry: Free
- Monthly Fee: K25,000

Minimum income for account: K833,333

Zanaco:

- 4 Deposits: Free
- 1 Withdrawal: K3,000
- 1 Balance Enquiry: K500
- Monthly Fee: 0

Minimum income for account: K116,667

Barclays:

- 4 Deposits: Free
- 1 Withdrawal: Free
- 1 Balance Enquiry: Free
- Monthly Fee: K25,000

Minimum income for account: K833,333

Self Employed Urban

Usage Profile per month:

- Deposits: 4
- Withdrawals: 1
- Bank Statement: 1

Cavmont:

- 4 Deposits: Free
- 1 Withdrawal: Free
- 1 Bank Statement: Free
- Monthly Fee: K25,000

Minimum income for account: K833,333

Zanaco:

- 4 Deposits: Free
- 1 Withdrawal: K3,000
- 1 Bank Statement: Free
- Monthly Fee: 0

Minimum income for account: K100,000

Barclays:

- 4 Deposits: Free
- 1 Withdrawal: Free
- 1 Bank Statement: Free
- Monthly Fee: K25,000

Minimum income for account: K833,333

Salaried Urban

Usage Profile per month:

- Bank Statement: 1
- Withdrawals: 4

Cavmont:

- 4 Withdrawal: Free
- 1 Bank Statement: Free
- Monthly Fee: K25,000

Minimum income for account: K833,333

Zanaco:

- 4 Withdrawal: K12,000
- 1 Bank Statement: Free
- Monthly Fee: 0

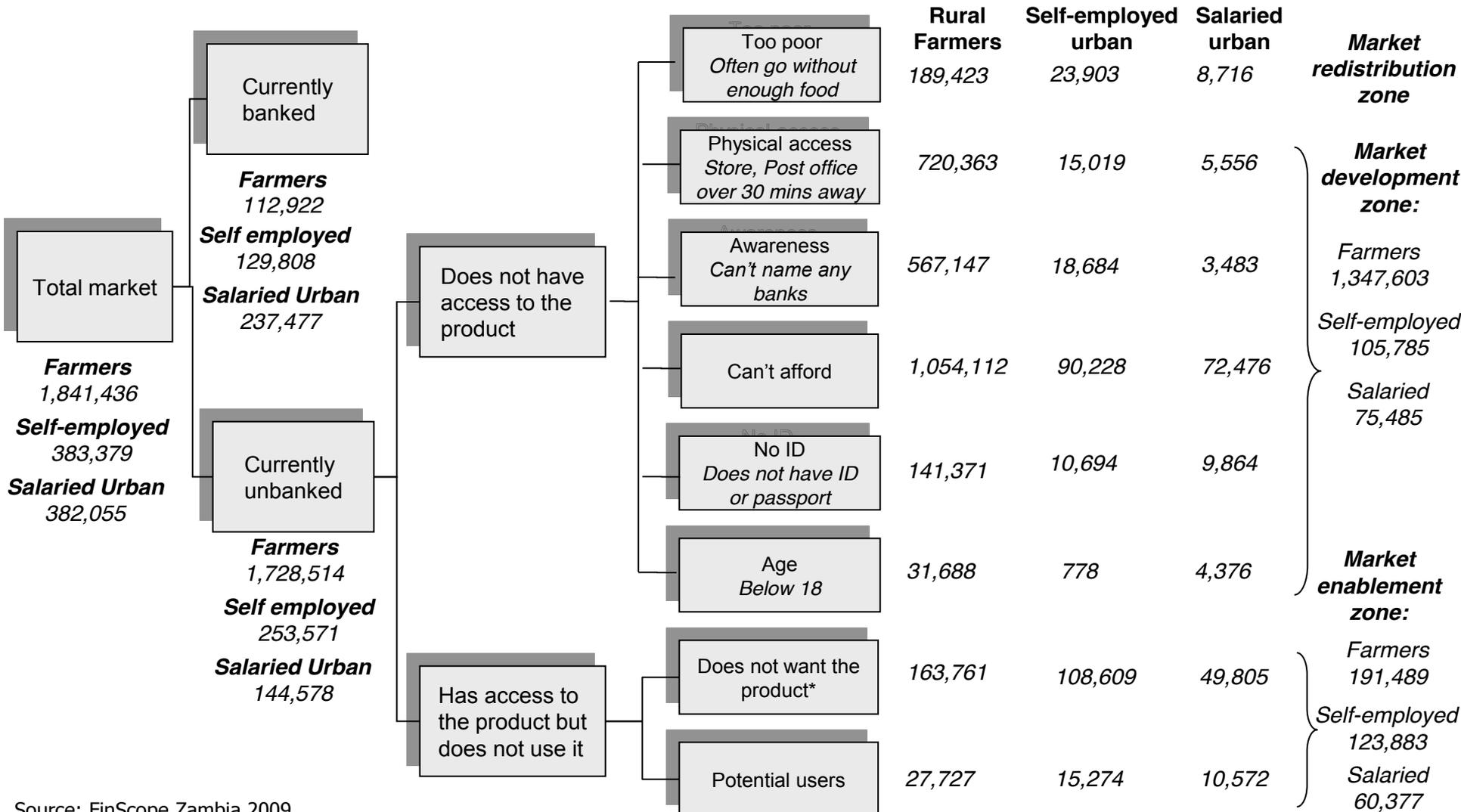
Minimum income for account: K400,000

Barclays:

- 4 Withdrawal: Free
- 1 Bank Statement: Free
- Monthly Fee: K25,000

Minimum income for account: K833,333

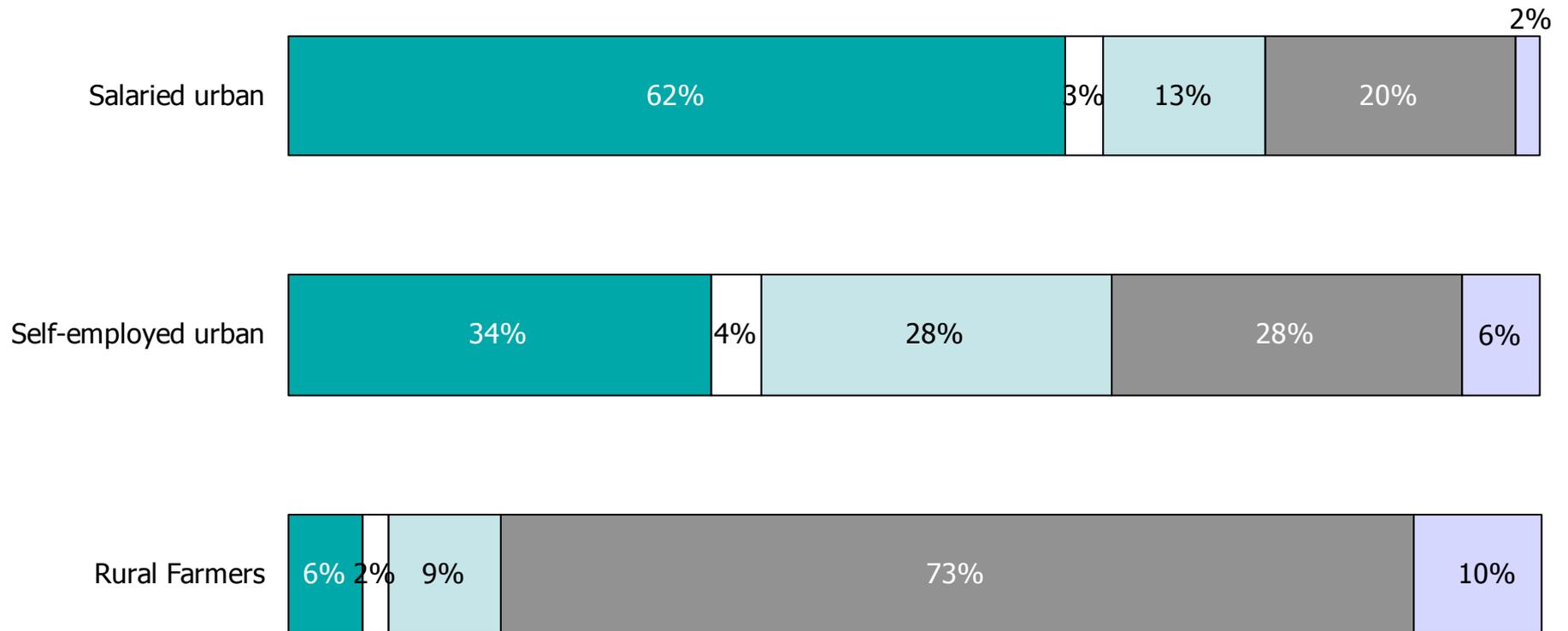
Optimised product:



Source: FinScope Zambia 2009

* For 'Does not want to use product' used the questions: You trust banks with your money_not true, You can easily live your life without a bank account_true, and Advantage of having a bank account_don't know

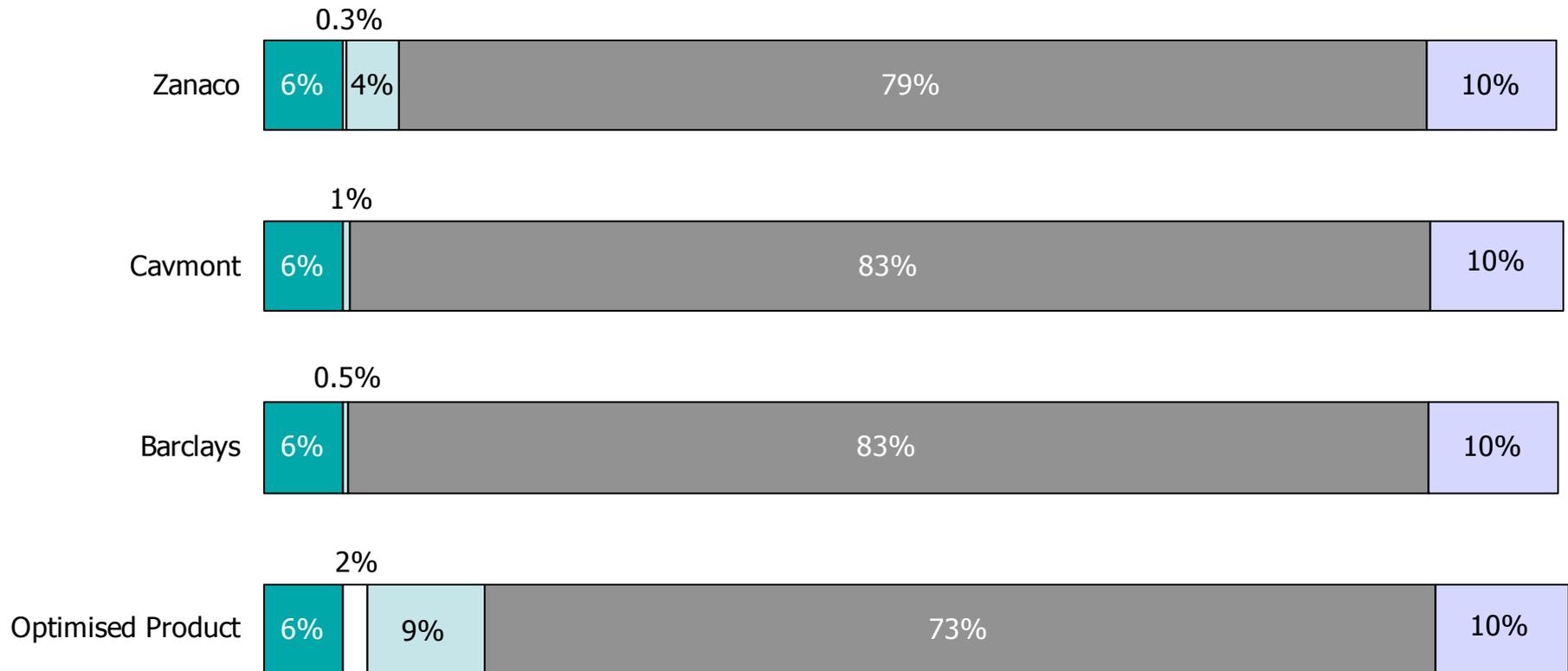
Optimised Product: access for rural farmers remains low



■ Banked
 ■ Have access but don't use
 ■ Don't want a bank account
 ■ Not too poor but cannot access
 ■ Too poor



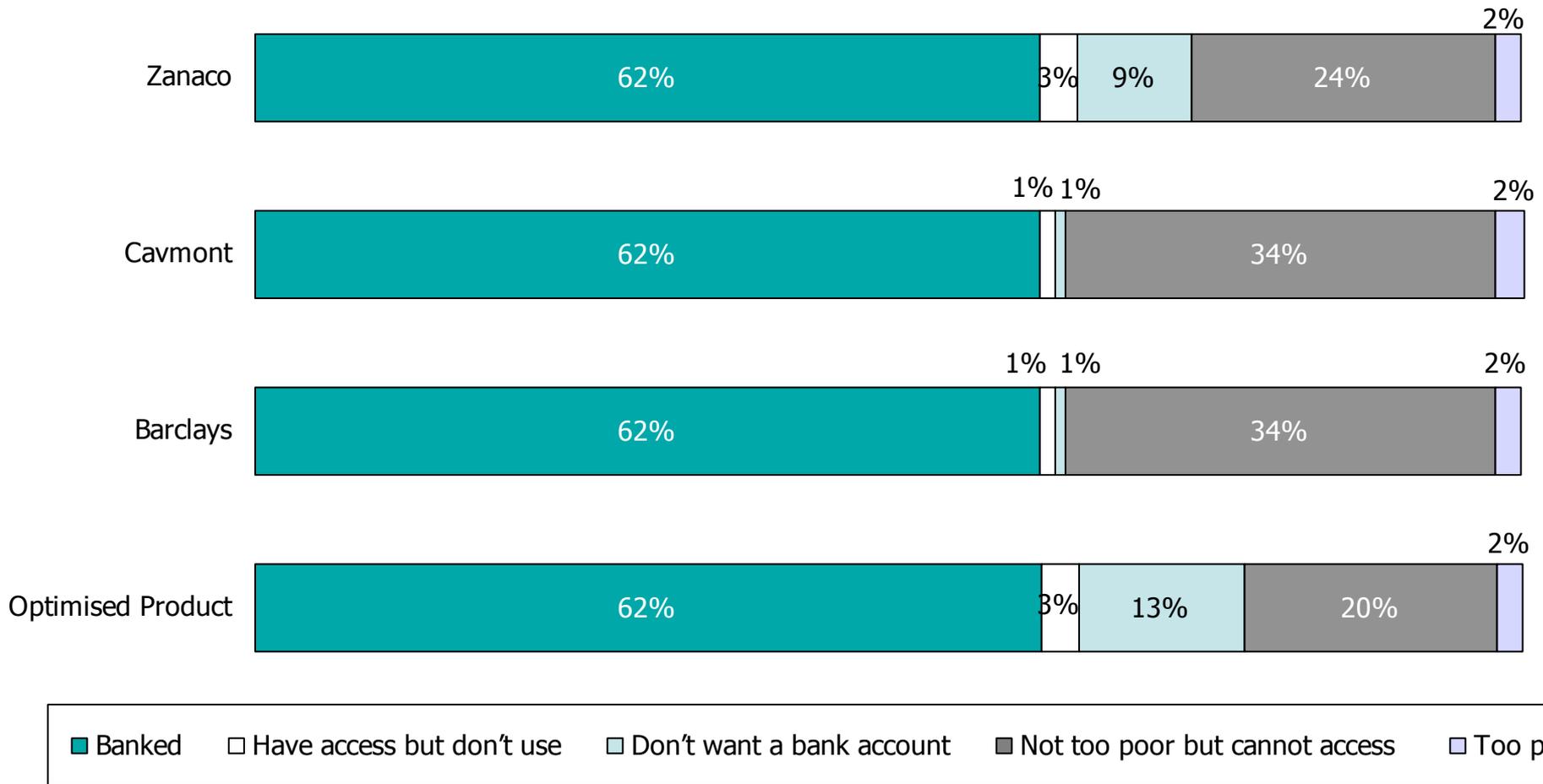
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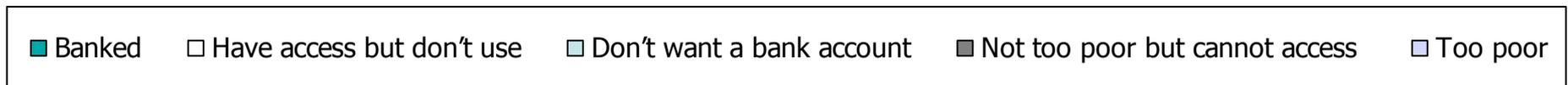
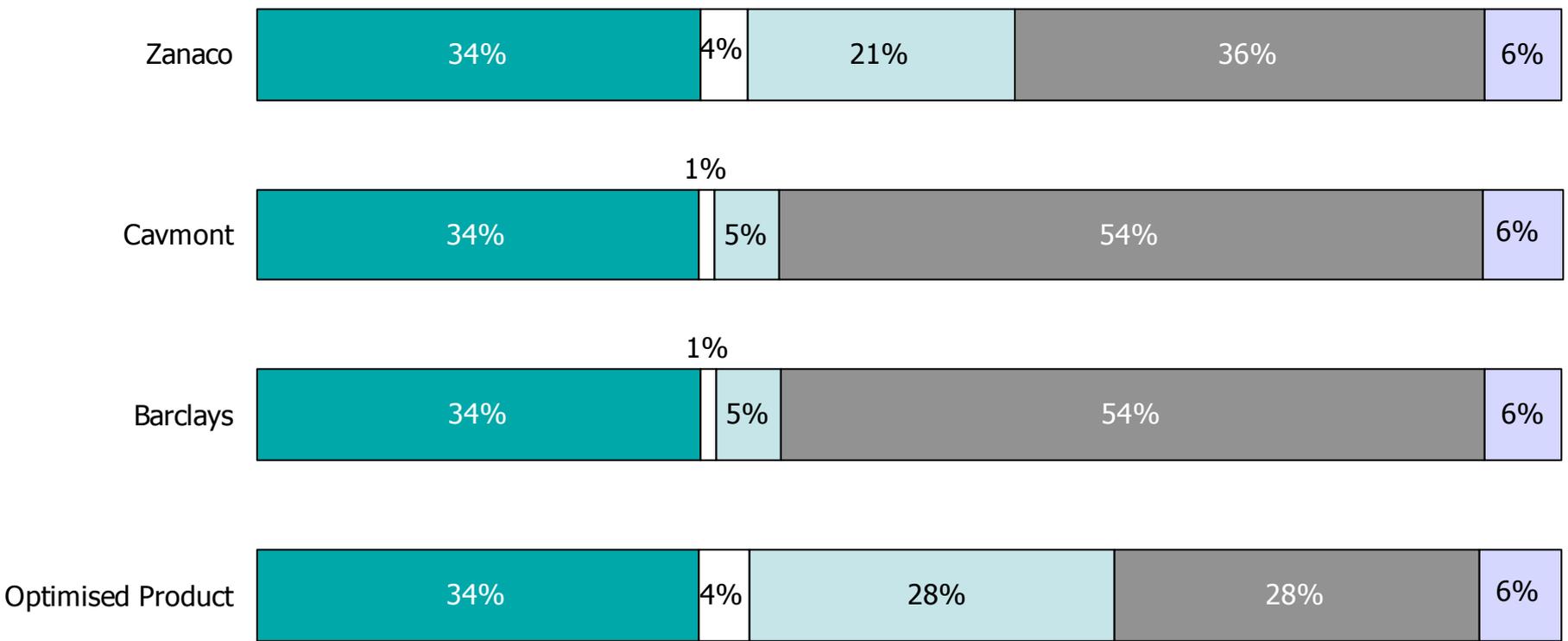


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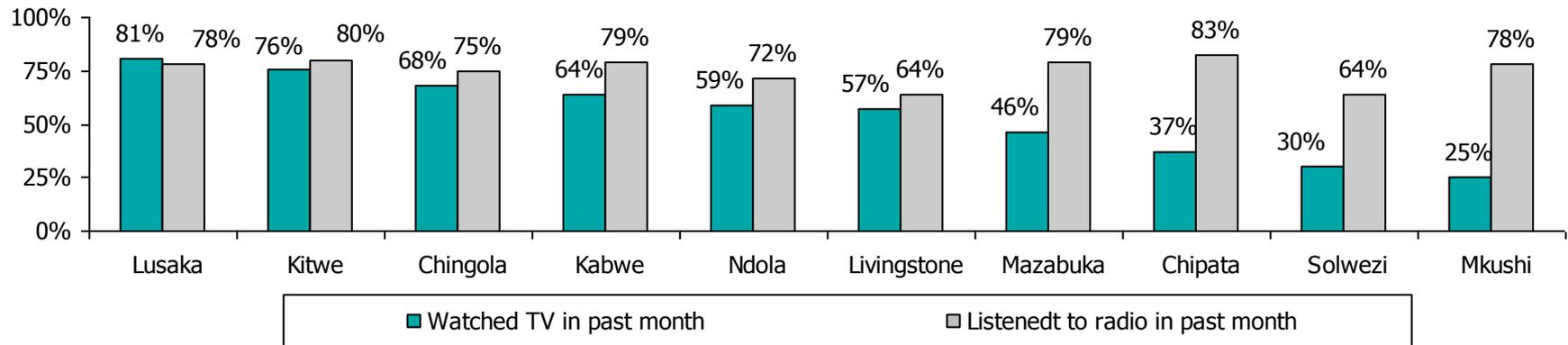


The self-employed market shows a lot of potential for growth with 30% of the segment in the enablement zone for the Zanaco product. However, unless industry can demonstrate the value of their products this potential market will not be willing to use a bank account

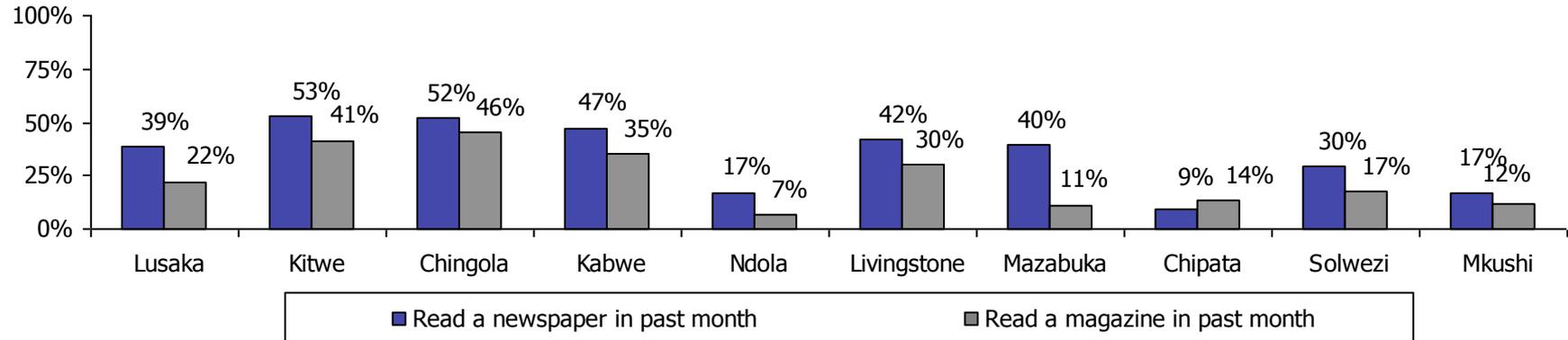


Perhaps an equally significant challenge is to encourage take-up in the market

Media Usage in the past month



% segment



There is also a need to leverage multiple channels to create useful services

ABSA Cashsend



- Launched in September 2008. Facility to send cash from any Absa account (including Mzansi) via ATM or internet banking to any Absa ATM
- The sender creates a 6 digit code and enters the recipient's cell phone number. The sender then needs to give the recipient the 6 digit code
- To receive the money the recipient selects the 'CashSend Withdrawal' option. Enter the 10 digit code received via sms, the 6 digit code that the sender chose and the exact amount of money to be received
- The sender must have an Absa bank account. The sender pays - R6,50 + R1,00/R100
- The recipient does not have to have a bank account but must withdraw funds from an Absa ATM. Withdrawing money from an Absa ATM is free.

FNB eWallet



- FNB eWallet allows FNB customers to send money to any individual with a valid South African cell phone number. The recipient does not need a bank account or bank card
- The sender can send the money to the chosen cell phone number via Cell phone Banking, Online Banking or at an FNB ATM (each at a cost)
- The money is transferred instantly and stored in the eWallet
- The receiver can withdraw the money, send the money to another cell phone, buy prepaid airtime, pay for goods and services online using Cell Pay Point, check the balance and get a mini statement
- When withdrawing money from an FNB ATM, the receiver can get all of the money sent as there are no ATM charges to do so
- The eWallet balance cannot exceed R1,000 at any given time
- After sending money to a cell phone, if the receiver has not activated his or her eWallet within 13 days, the money will be returned to the sender

Video clip – FNB ATM



Agenda

An overview of Zambia

Banking

Credit

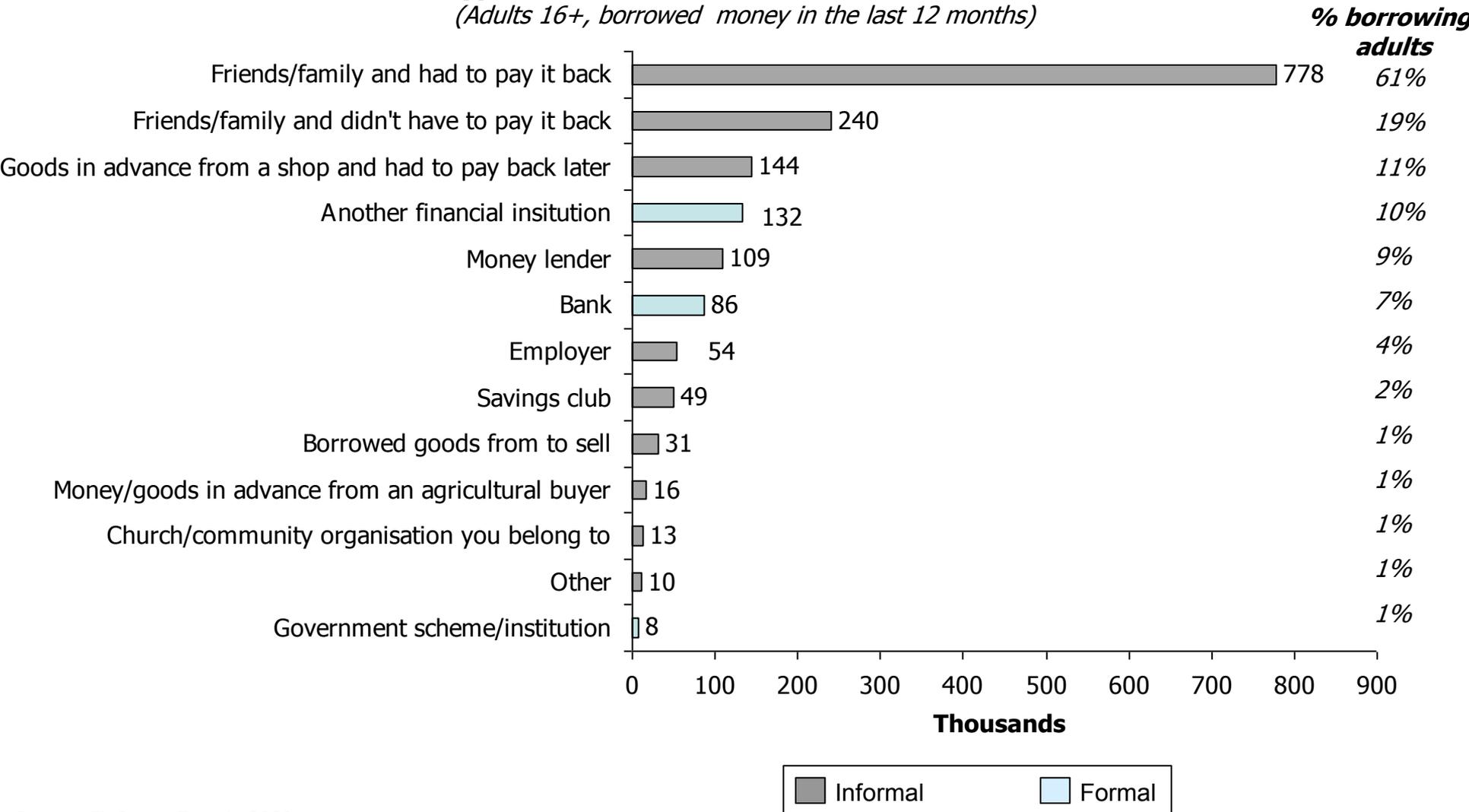
Insurance

Payments

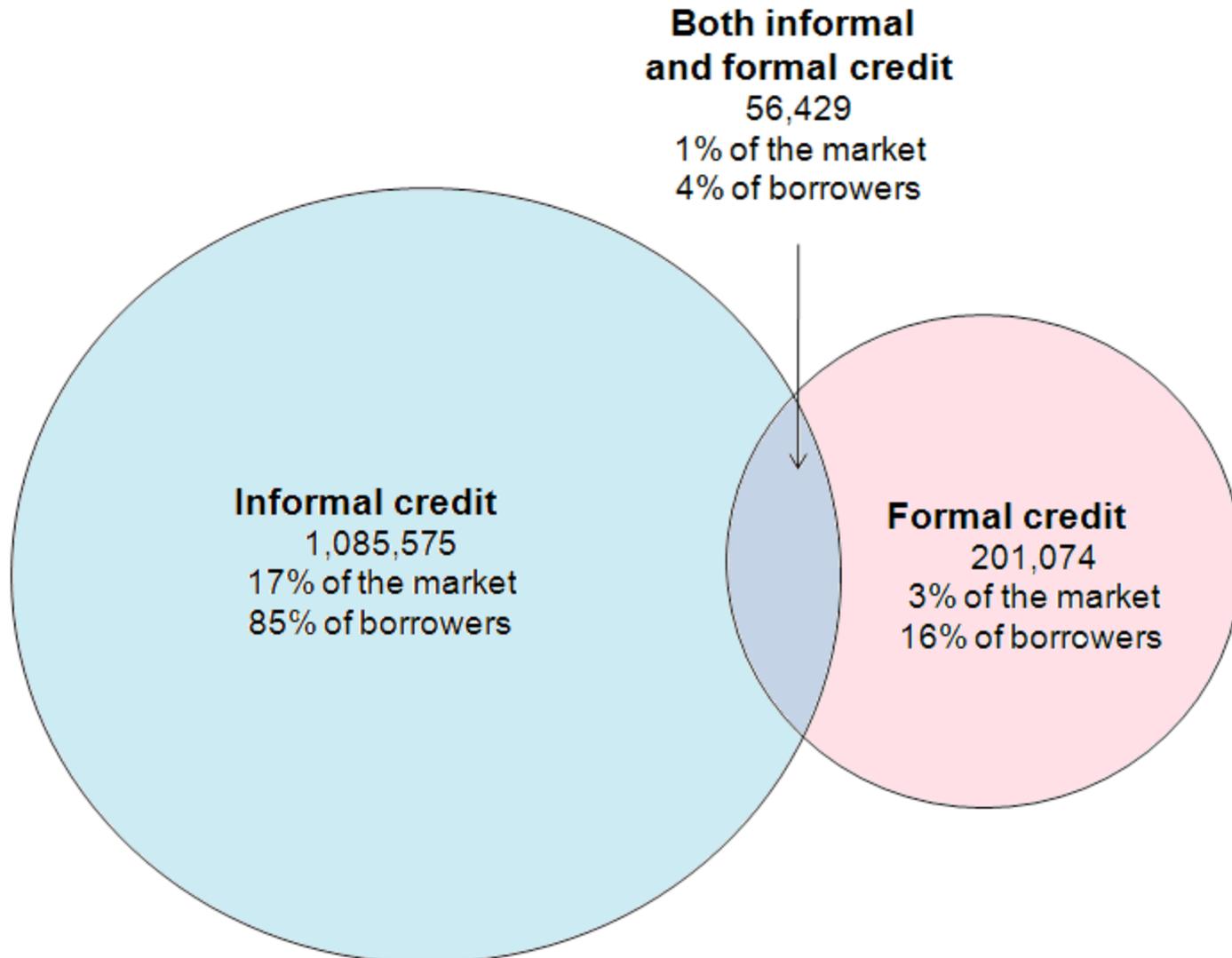
Credit usage in Zambia is mostly informal. 23% of Zambian adults have borrowed in the last year with only 16% of borrowing adults using formal credit

Types of credit used in the last 12 months

(Adults 16+, borrowed money in the last 12 months)



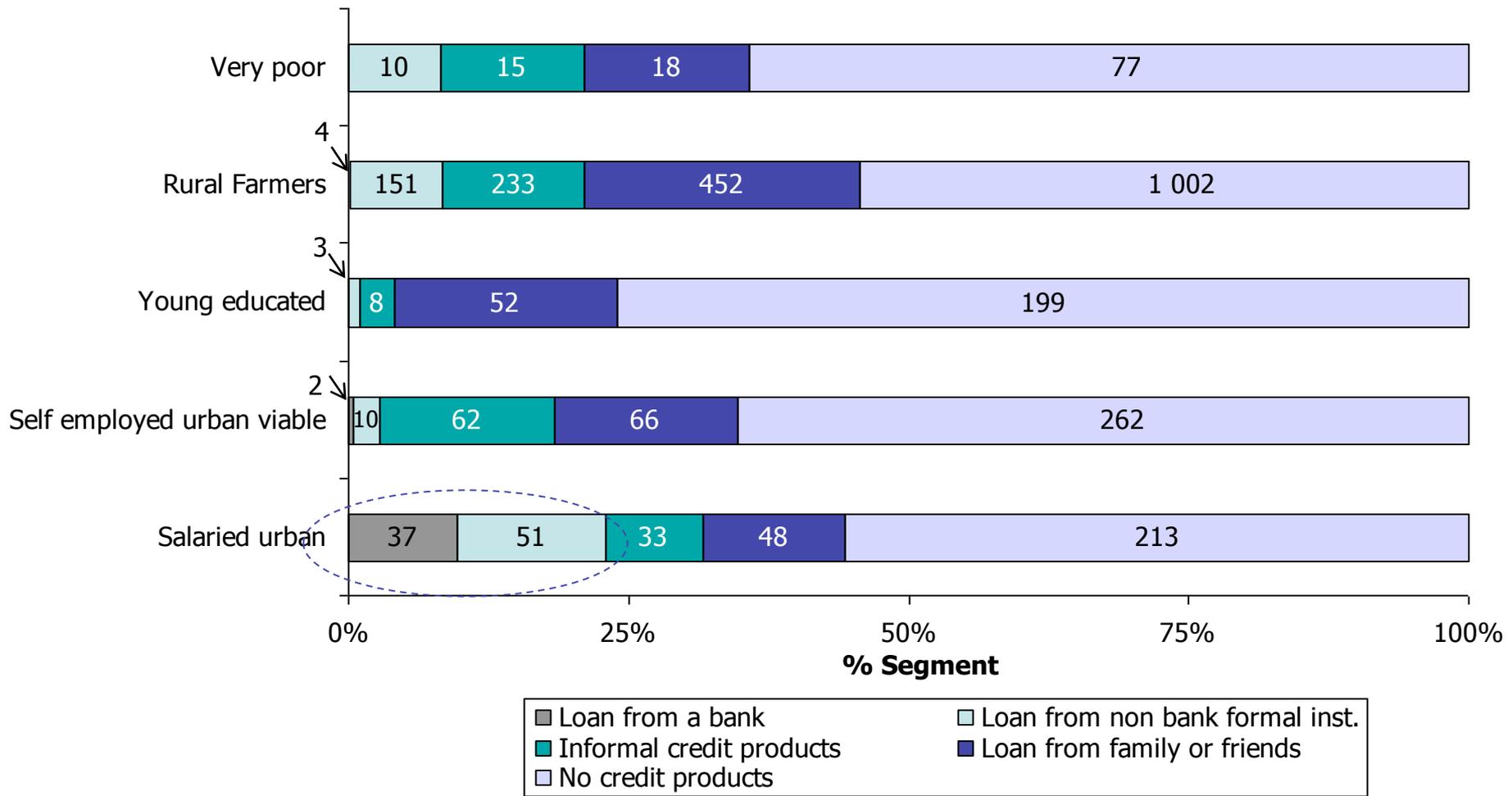
5% of informal credit product users make use of a formal product while 28% of formal product users make use of an informal product





Almost one quarter of urban salaried adults have used formal credit in the last 12 months. 8.6% of the segment only makes use of informal credit

Credit strands for each segment
(Thousands)



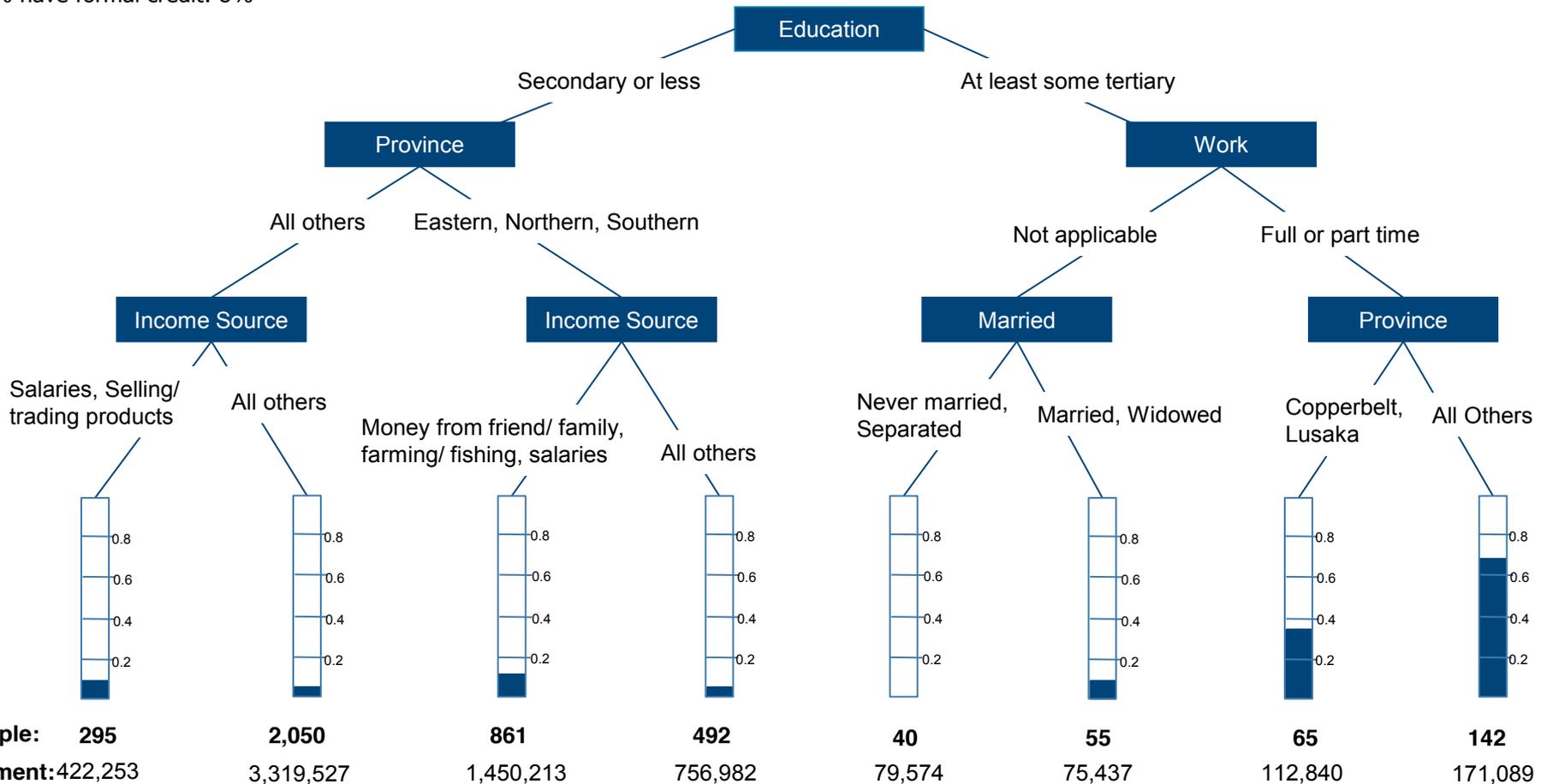
Source: FinScope Zambia 2009



Education is the biggest determinant of credit usage. Physical location is also very important along with the more obvious income related variables such as work and income source

- Total banked population: 6,387,885
- Have formal credit product: 508,644
- % have formal credit: 8%

Classification tree- Credit



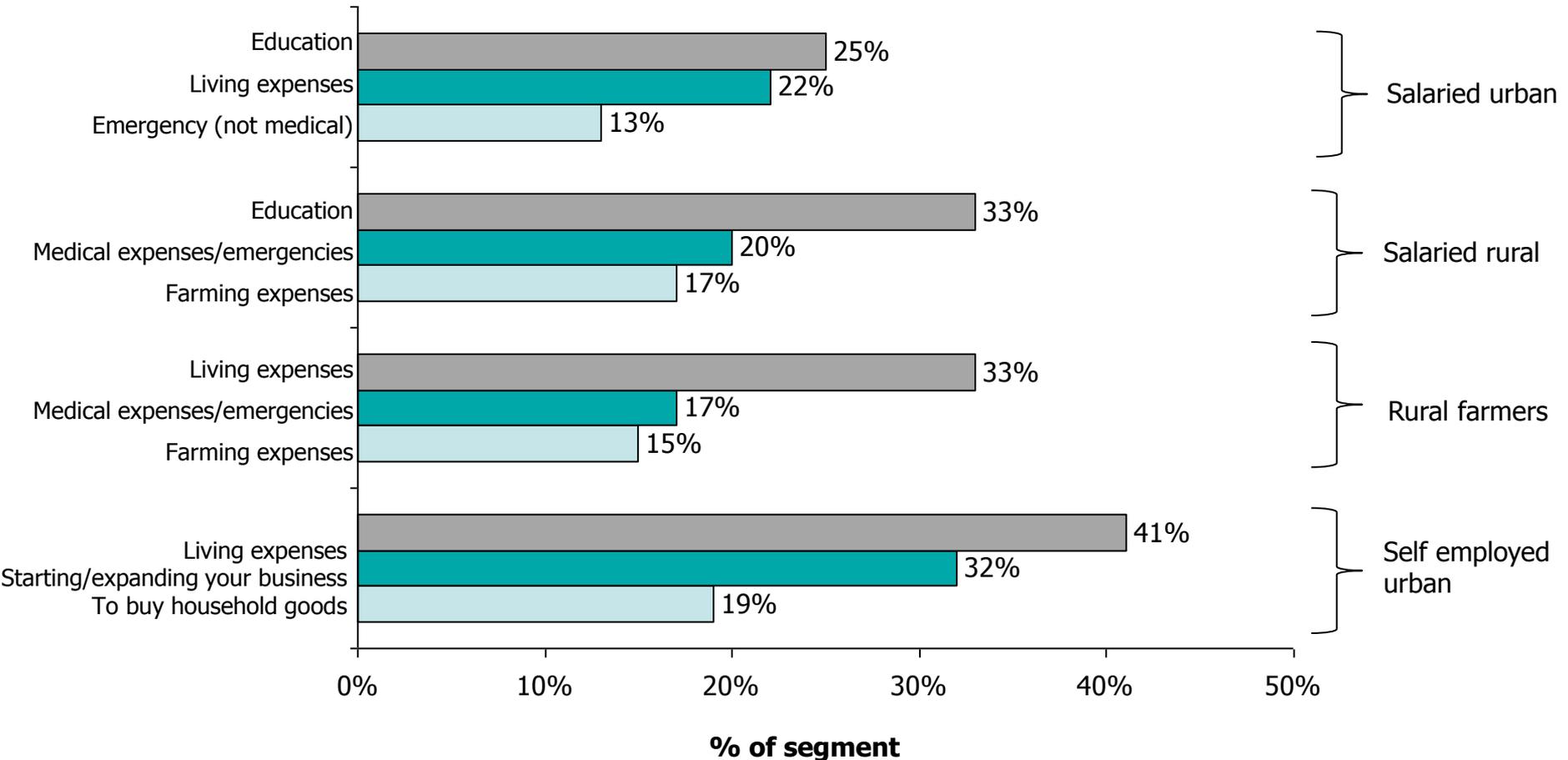
Source: FinScope Zambia 2009



“Living expenses” is cited as one of the top three reasons to borrow in all the segments, pointing to difficulties in making ends meet. Respondents also borrowed to meet emergency needs

Reasons for borrowing
(Borrowed money in the last 12 months)

Segment



Source: FinScope Zambia 2009

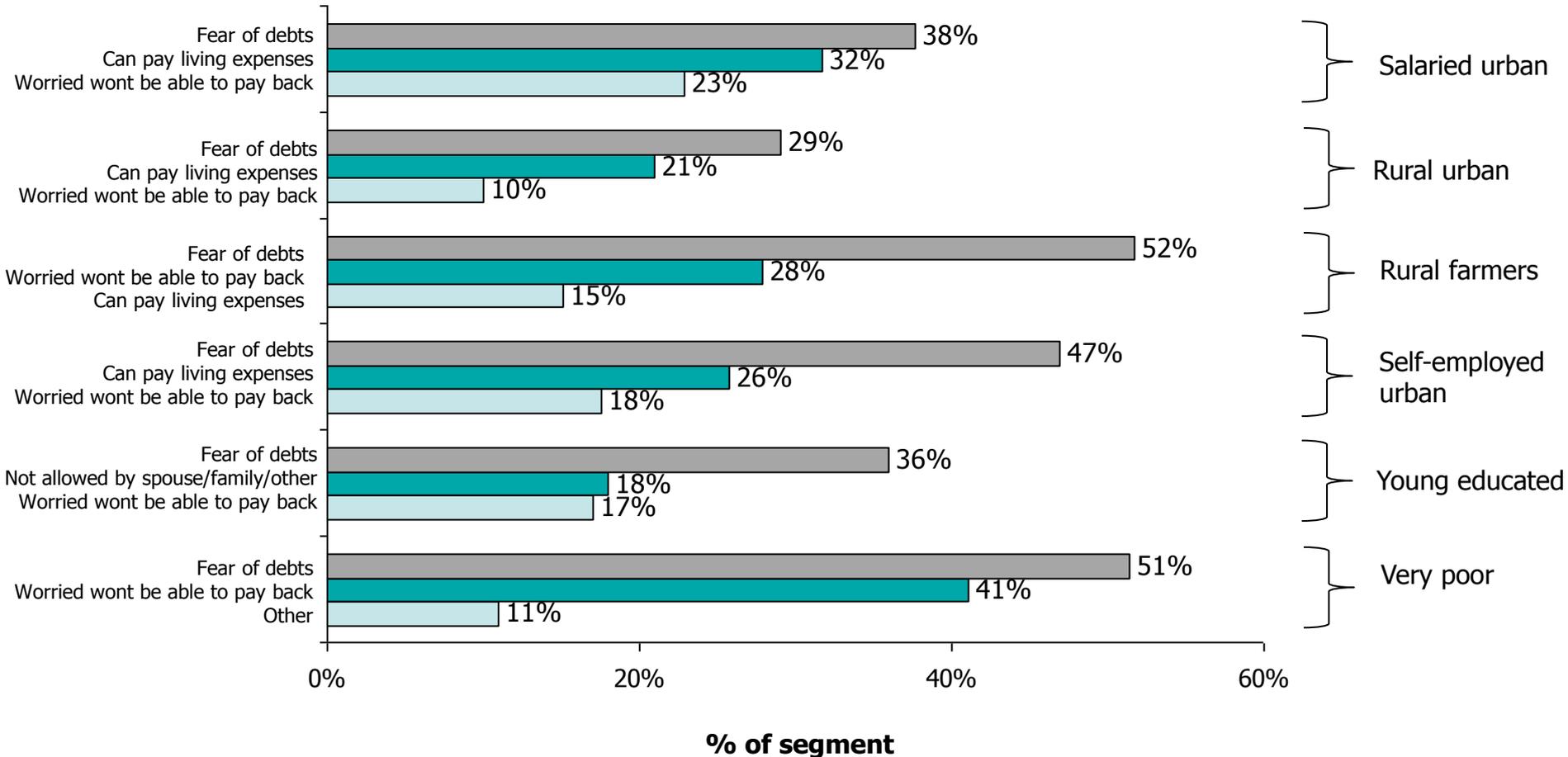
Note: The “Too poor” and “Young and educated” segments are not shown because there were too few respondents to analyse the data

For those who have not borrowed (77% of adults) most cite fear of debt as their biggest reason for not borrowing. Many also say they can pay their living expenses with what they have. But is this the main function of credit?



Reasons for not borrowing
(Has not borrowed money in the last 12 months)

Segment





Cetzam agricultural loan

Cetzam agricultural loan

Basic Product Description

- Provides agricultural equipment/inputs instead of cash
- The maximum loan amount is K5 million and a typical loan is K2 million – K5million
- Loan term varies. The loans officer determines when they will be able to start paying back based on the season, type of farming and when they go to market. A typical loan term would be 8 months.



Fees and Pricing

- Administration fee of 3.6% of loan amount
- Interest rate is 4-5% p.m. flat interest, depending on loan term
- No credit life

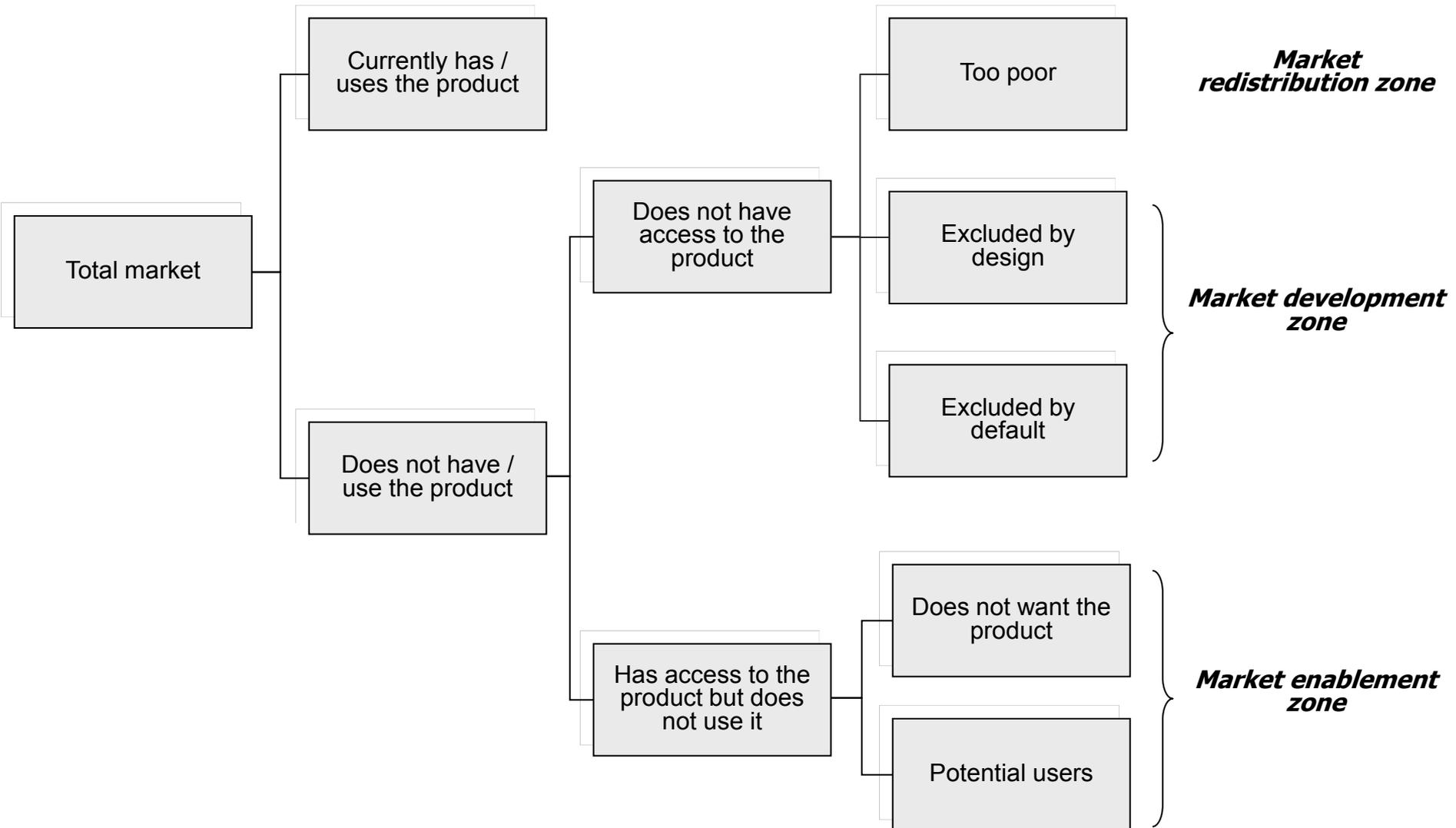


Service Channels Available

- Loan application is done at the branch
- Verification of farming activity and the farm's viability is done on-site by the loans officer
- Loan is paid in goods not cash so no need to have bank account to receive loan
- Loan repayment can be made in cash to branch teller, or debit/transfer from savings account to loan account



The Access Frontier Methodology enables an identification and quantification of access barriers. It segments those who do not yet use a product into various market zones

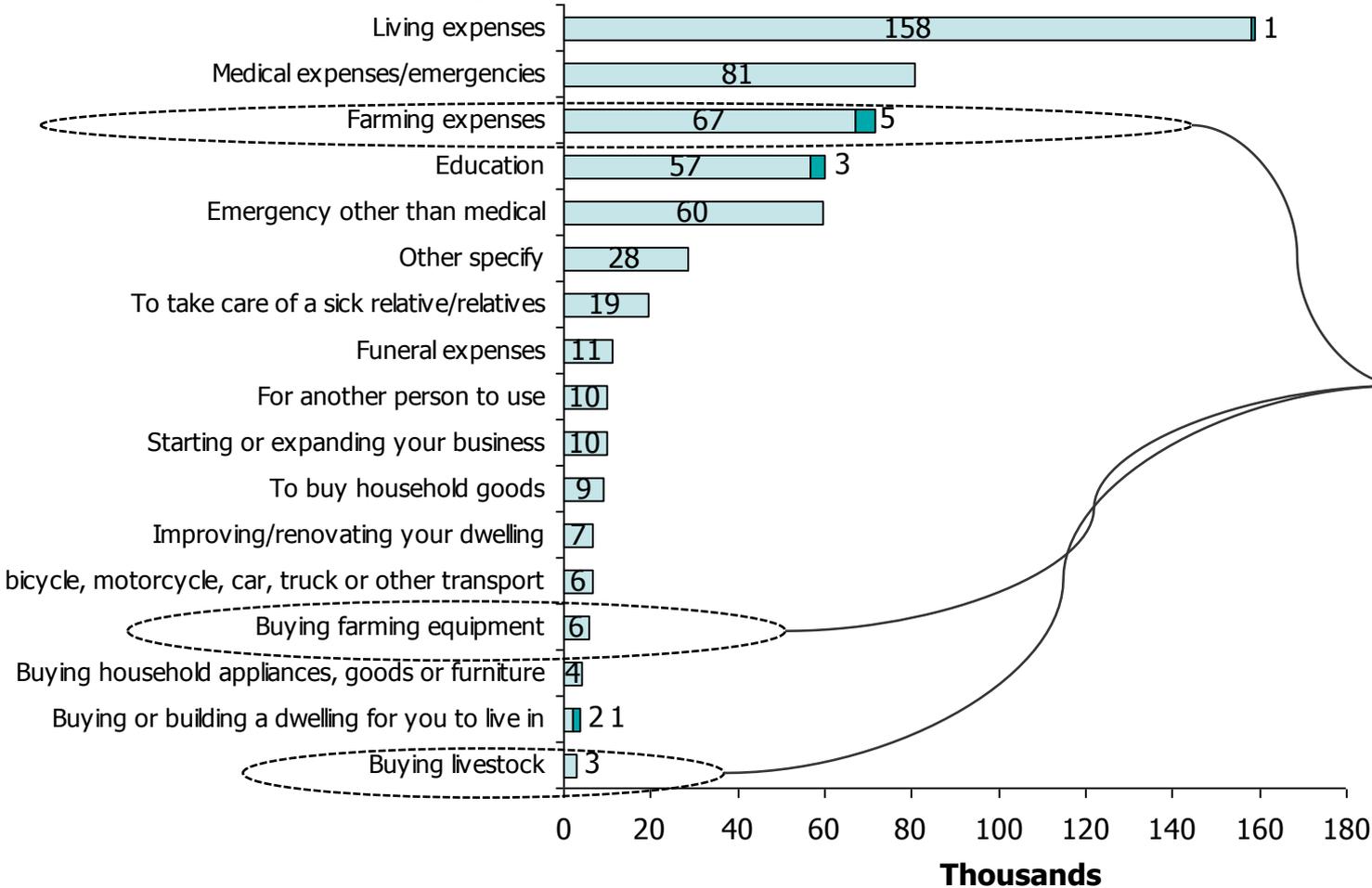




26% of rural farmers have borrowed in the last 12 months. Only 0.2% of those farmers have borrowed from a formal source for agricultural purposes and so fall into the current market

Reasons for borrowing

(Rural farmers, borrowed money in the last 12 months, 480,342)



4,562 rural farmers have borrowed to get inputs or equipment for their farm and have used formal credit sources

Thousands
 Informal Formal

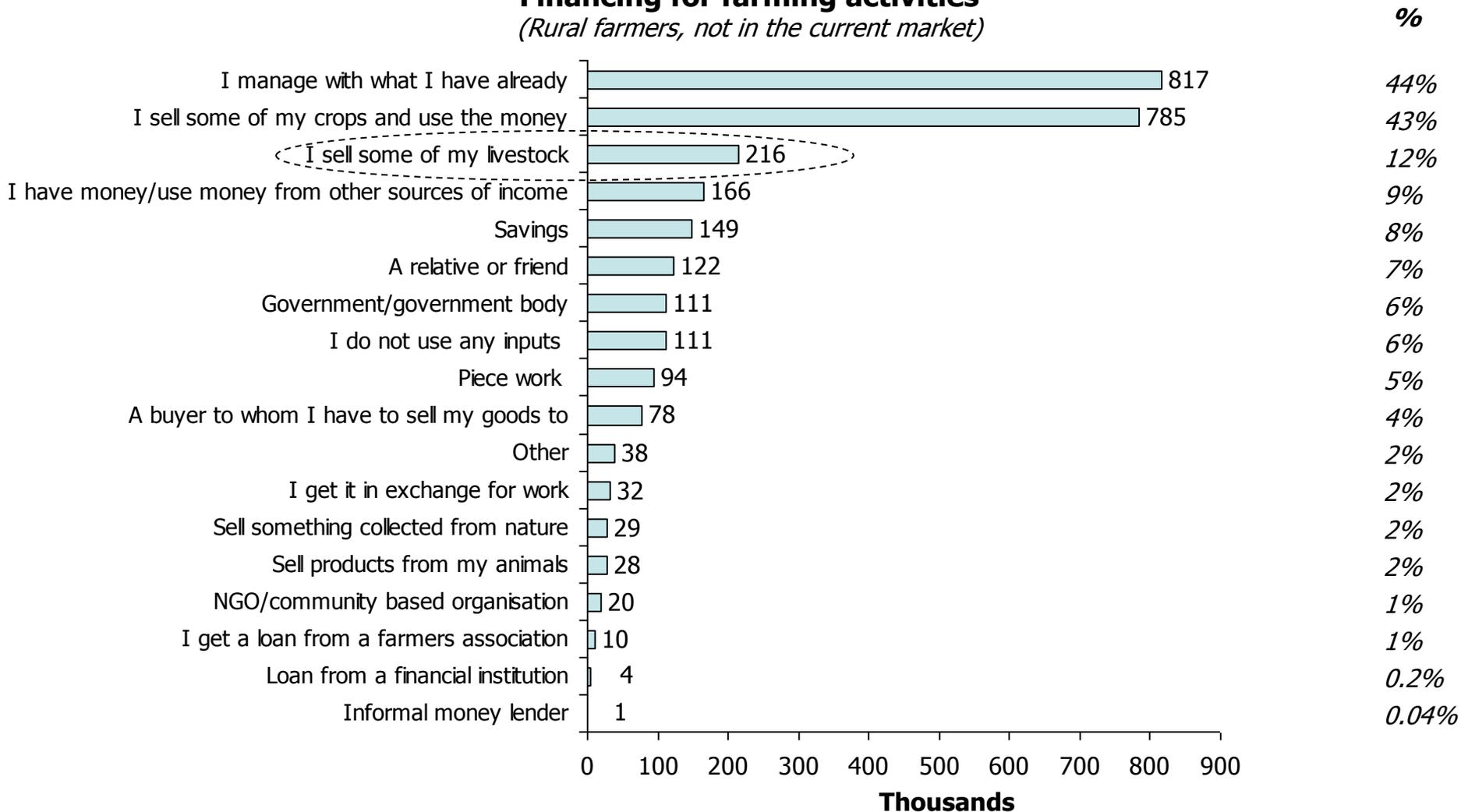
Source: FinScope Zambia 2009

Note: A formal credit source includes a loan/borrowing from a bank, other financial institution or a government scheme. Credit sources cannot be linked to reasons for borrowing but it was assumed that reasons for borrowing are related to formal credit if it has been used in the last 12 months

12% of rural farmers say they deplete assets to fund farming activities. 44% use existing stock to farm, making expansion of their activities more difficult



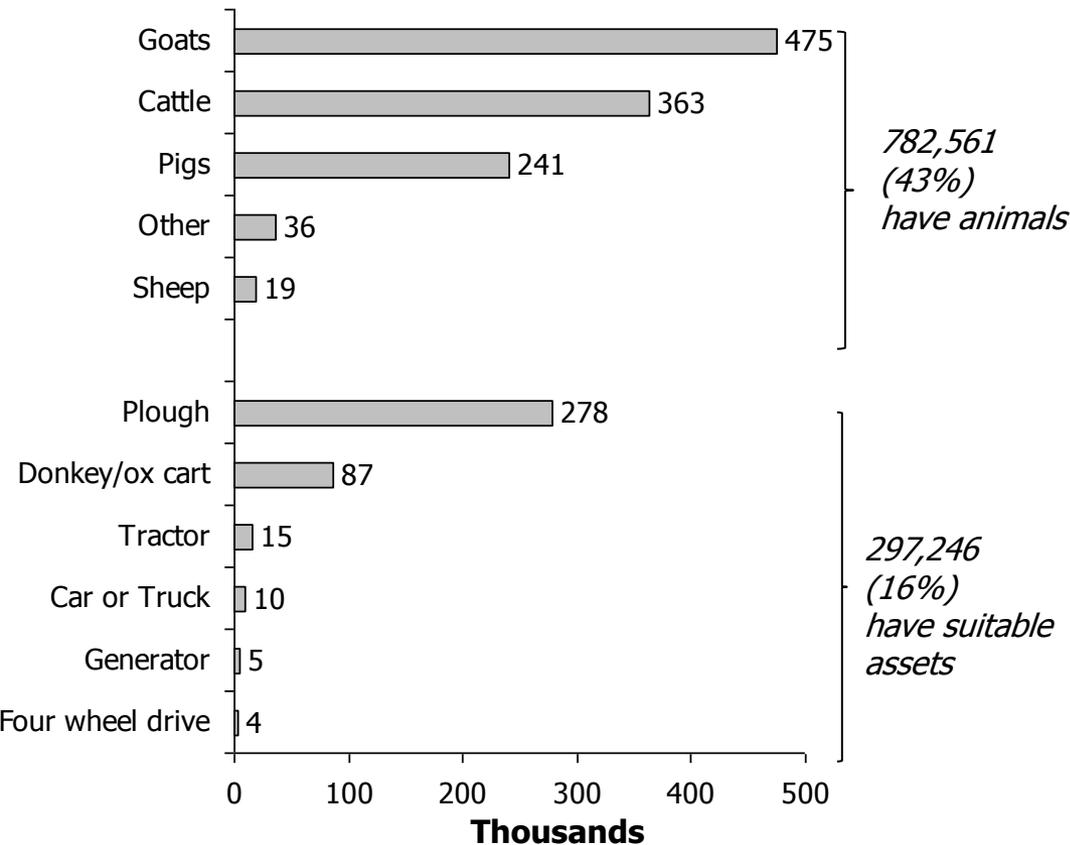
Financing for farming activities (Rural farmers, not in the current market)



45% of rural farmers appear to have assets that could be used as collateral -43% in the form of livestock. Only 1% of rural farmers possess title deeds to their land

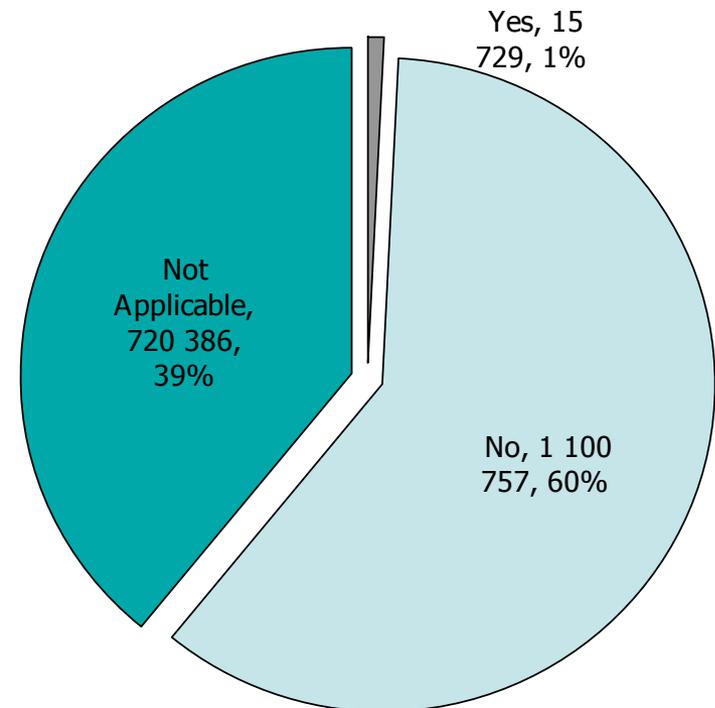
Household assets and livestock

(Rural farmers not in current market)



Has title deed for land/plot dwelling is on

(Rural farmers not in current market)



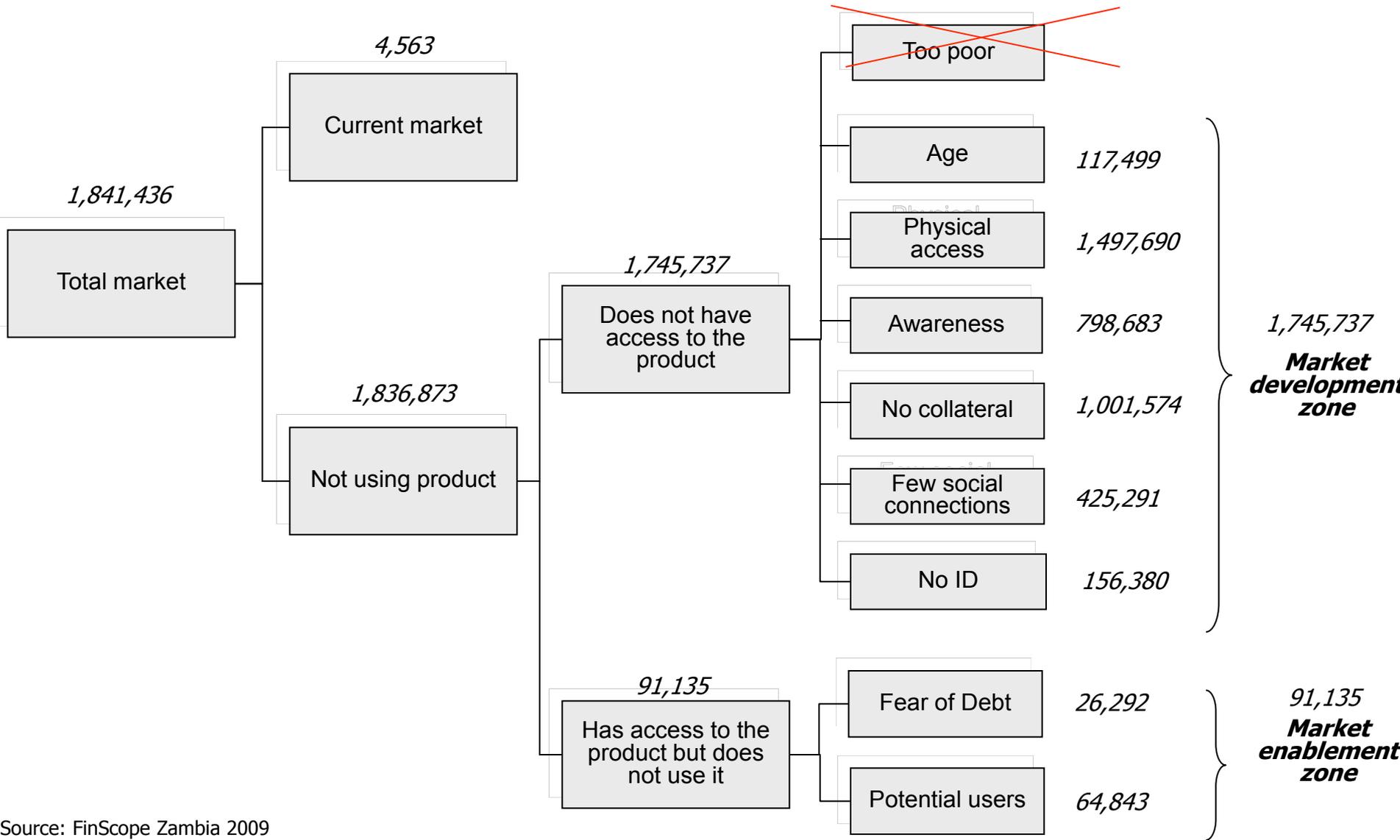
The following constraints are used to construct the frontier.
Note there is no redistribution zone, nor is there an affordability constraint



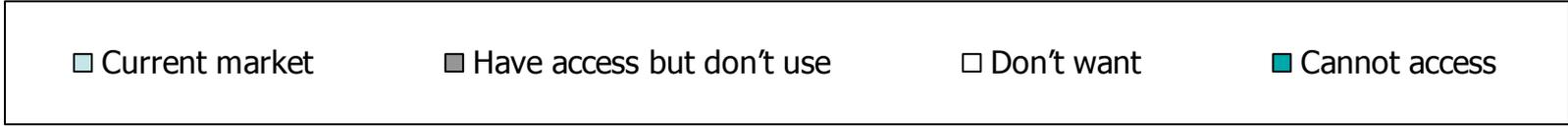
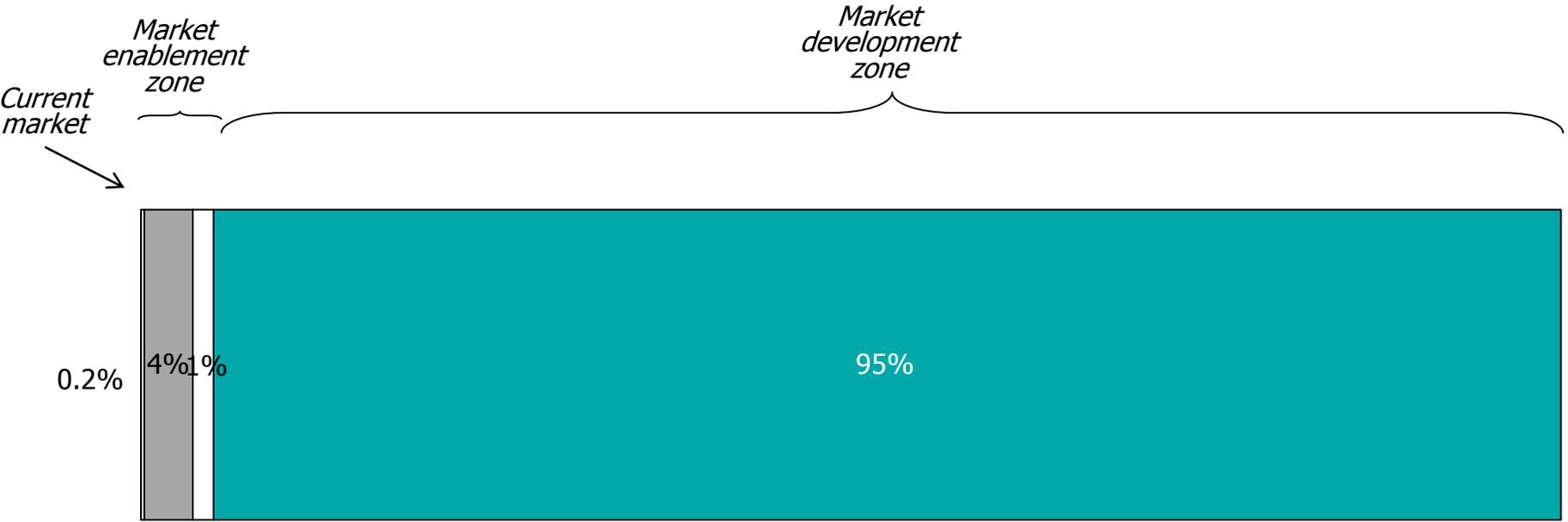
- **Current market**
 - Borrowed from: a bank, another institution, government/government scheme **AND**
 - Reasons borrowed: farming expenses, buying equipment, buying livestock
- **Age**
 - Age: 21+
- **Physical access**
 - Province: Copperbelt, Lusaka, Southern Province
- **Awareness**
 - Media activities: Listened to the radio in the last 12 months
- **Collateral**
 - Have title deed for land/plot where dwelling is
 - Household owns: Plough, generator, tractor, four wheel drive, donkey/ox cart, car or truck
 - Types of farming or fishing involved in: Cattle, goats, sheep, pigs, other
- **Social connections**
 - You don't know very many people: false
- **ID**
 - Document you have in your name: National registration card
- **Fear of debt**
 - Reasons have not borrowed: Fear of debt



Proximity is the biggest barrier to accessing the product as most rural farmers are located outside the provinces that Cetzam operates in. A lack of collateral is also a major constraint if required

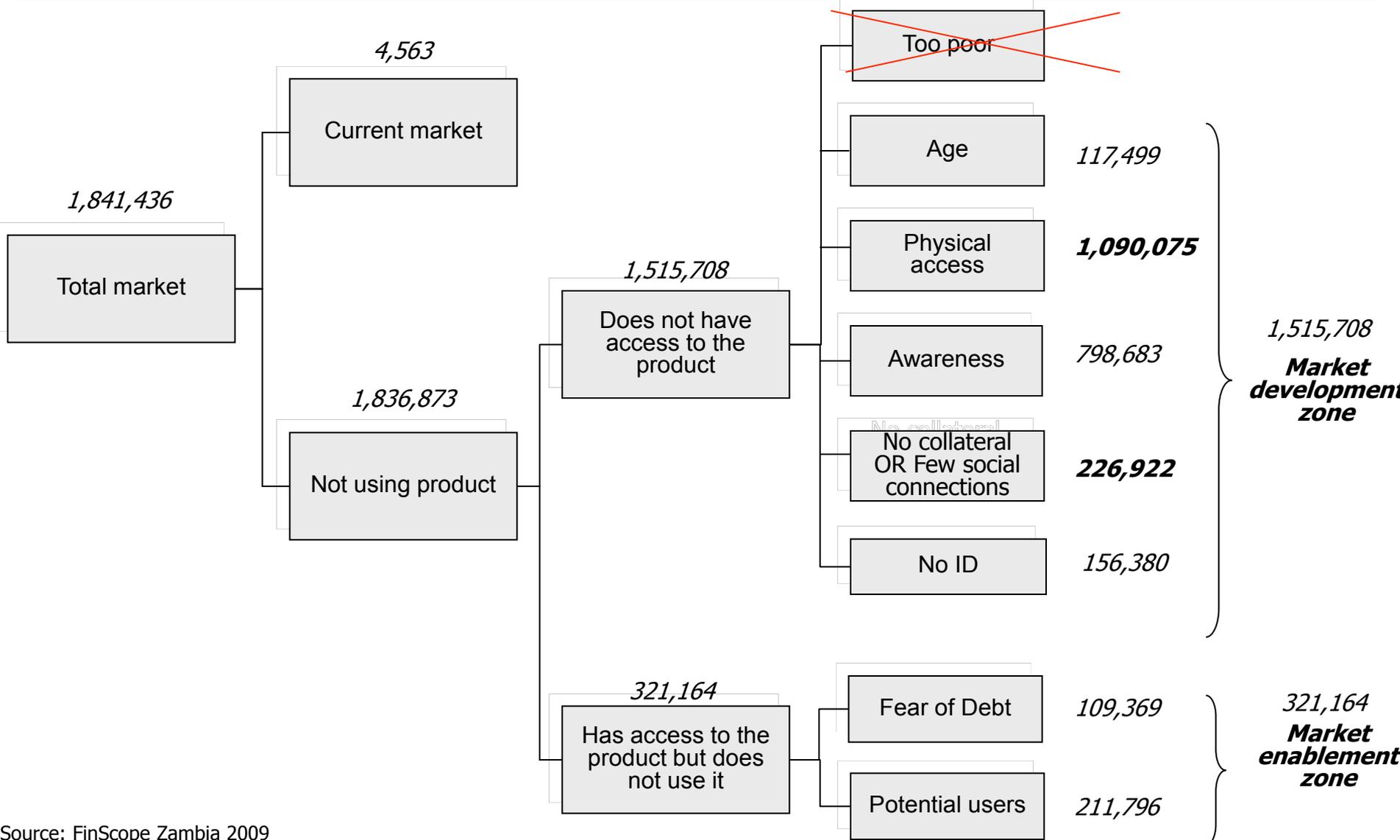


The frontier can be summarised as a strand



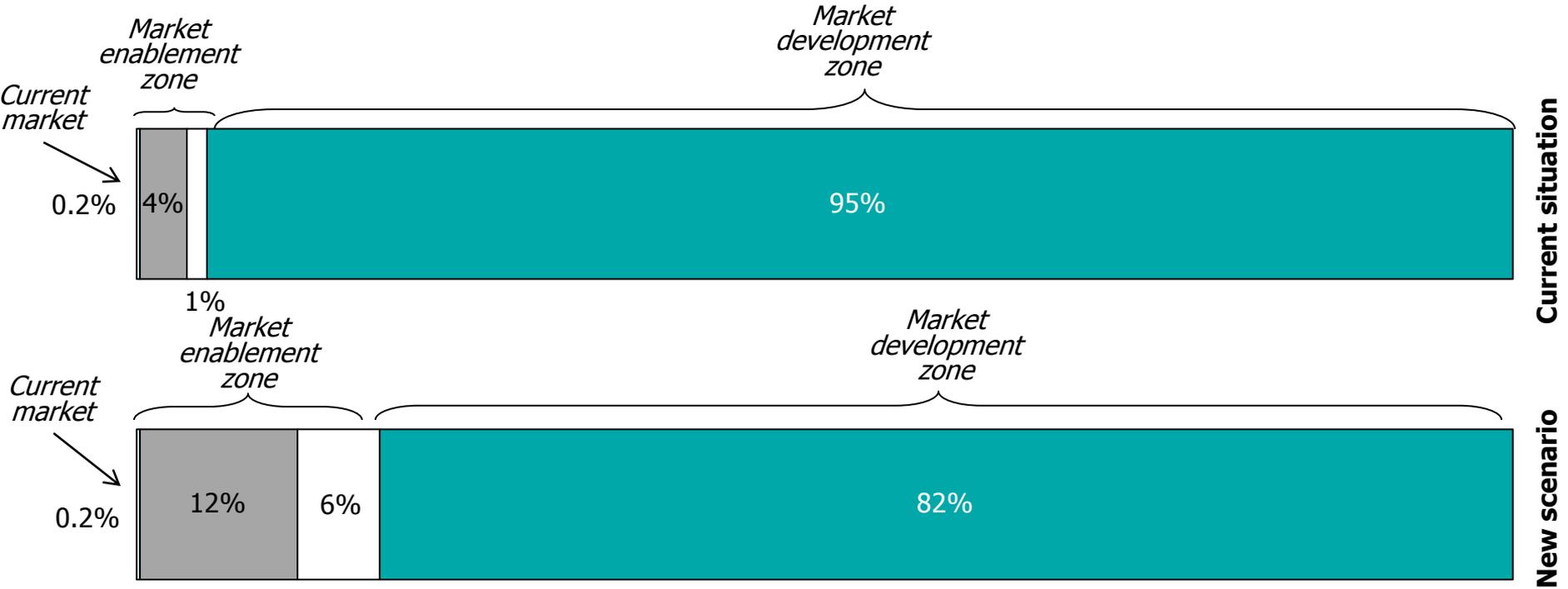


This frontier shows what would happen to access if Cetzam opened a branch in the Northern Province and allowed farmers to either form groups OR provide collateral.



Source: FinScope Zambia 2009

Changing the scenario increases the enablement zone from 5% to 13%. This equates to 230,209 rural farmers





Bayport payroll loan

Bayport payroll loan

Basic Product Description

- Loans are administered through the payroll
- The minimum loan size is K100,000
- The maximum loan size is affected by the maximum instalment allowed by the employer. Government stipulates that its employees must be able to take home 40% of their net pay. The figure is usually 50% for other employers.
- Loan terms range from 1 to 24 months



Fees and Pricing

- An insurance charge is levied each month (6% of each instalment)
- The interest rate ranges from 3.3% to 7.5% monthly depending on the term and size of the loan



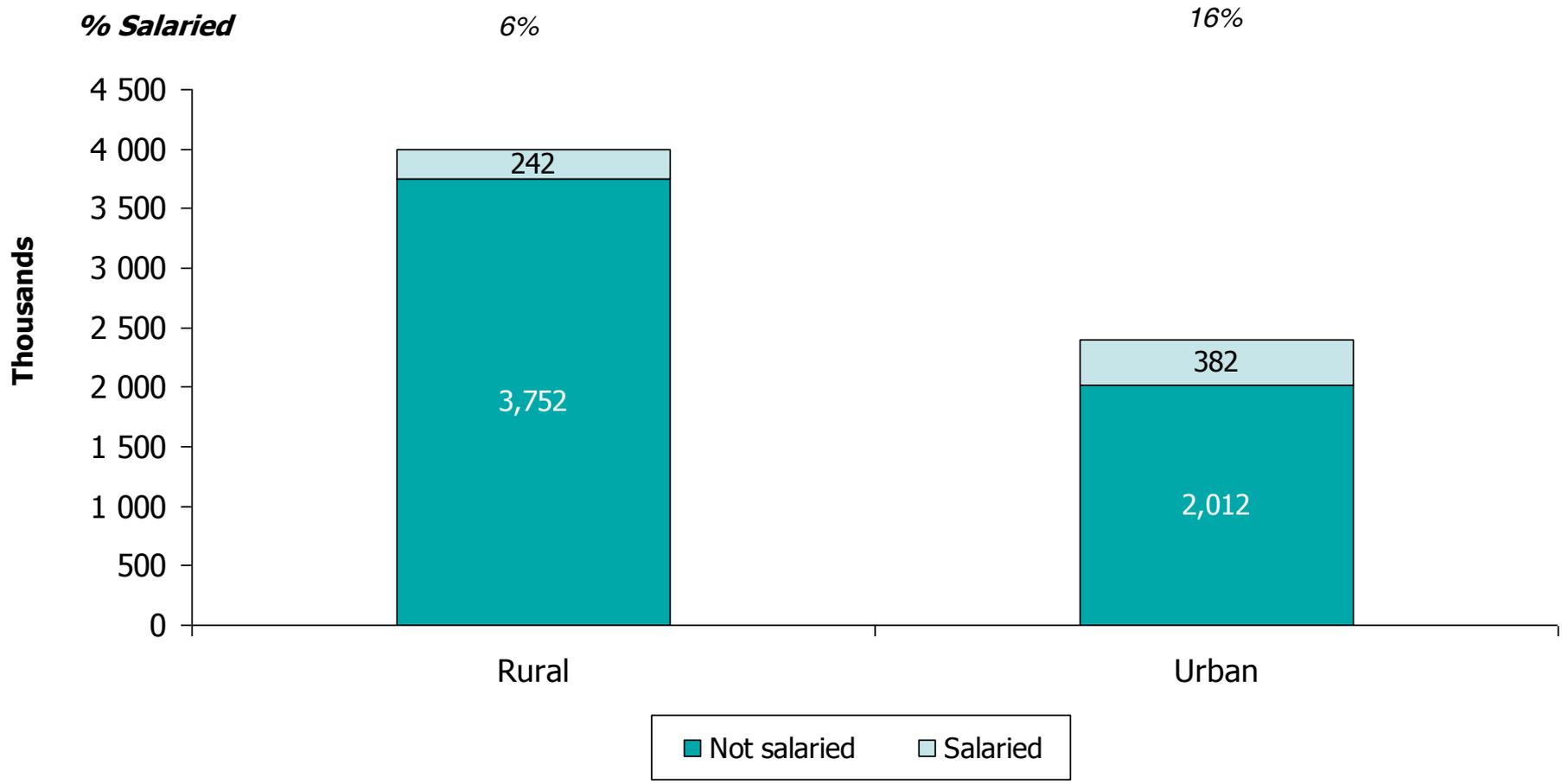
Service Channels Available

- Loan is applied for through the employer
- The loan amount is collected in cash from a branch
- Instalments are collected via the payroll



The rural salaried market, while harder to reach, is also significant

Region and income type
(Adults 16+)



Source: FinScope Zambia 2009

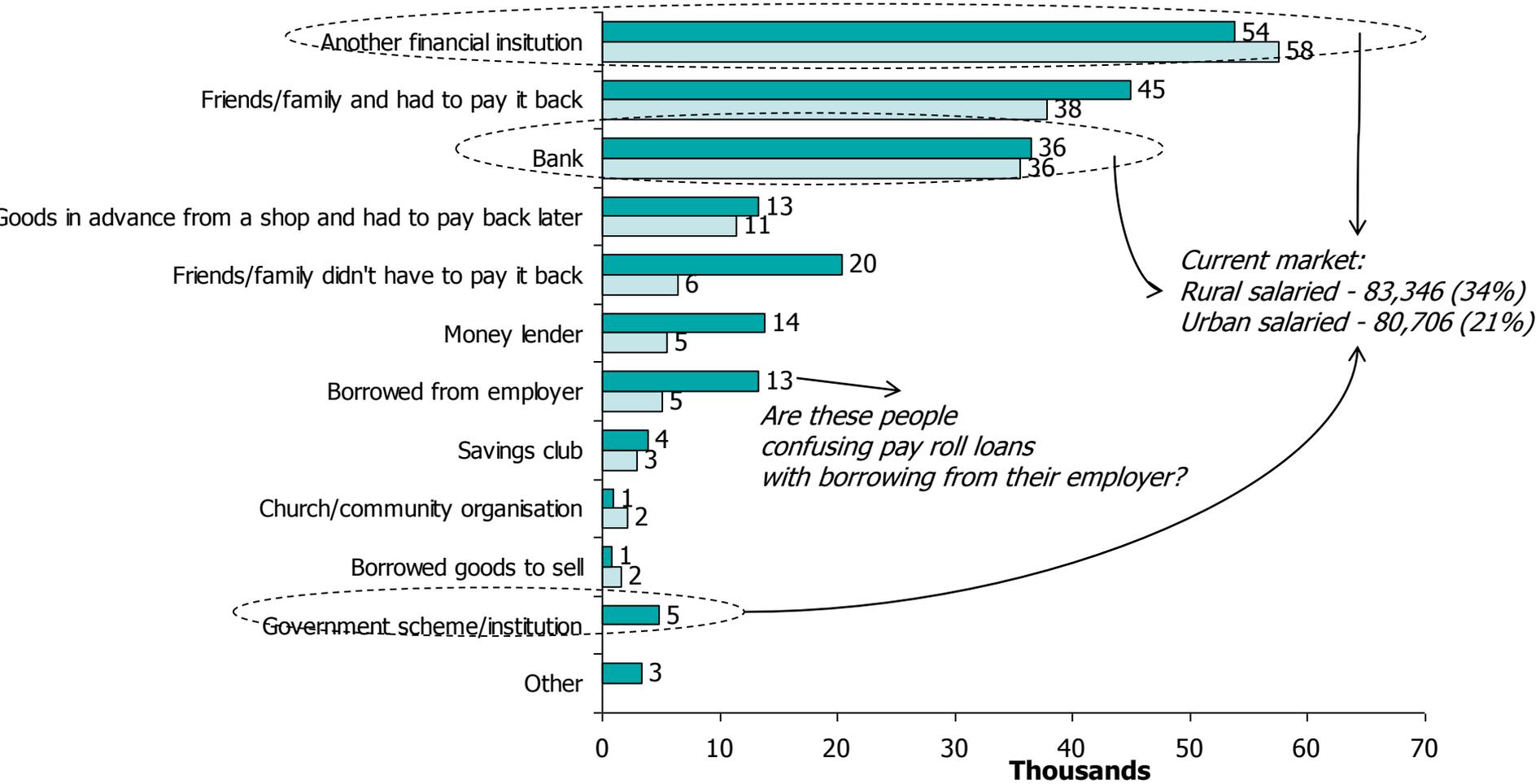
Note: Workers who say the income source they most rely on is salary/wages from the government or business are considered salaried



Both the rural and urban salaried markets make significantly more use of formal credit markets than the general population. 34% of the rural salaried have formal credit compared to 21% of the urban salaried, although the rural salaried are a smaller market

Types of credit used in the last 12 months

(Salaried, borrowed in the last 12 months)



Source: FinScope Zambia 2009

Legend: █ Rural █ Urban

The following assumptions have been used to determine an affordability constraint

Assumptions

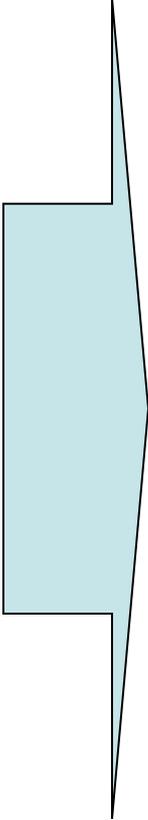
- K2 million principal loan amount
- 9 month loan term

Costs

- 6.5% interest per month
- Insurance premium is 6% of each instalment

Affordability

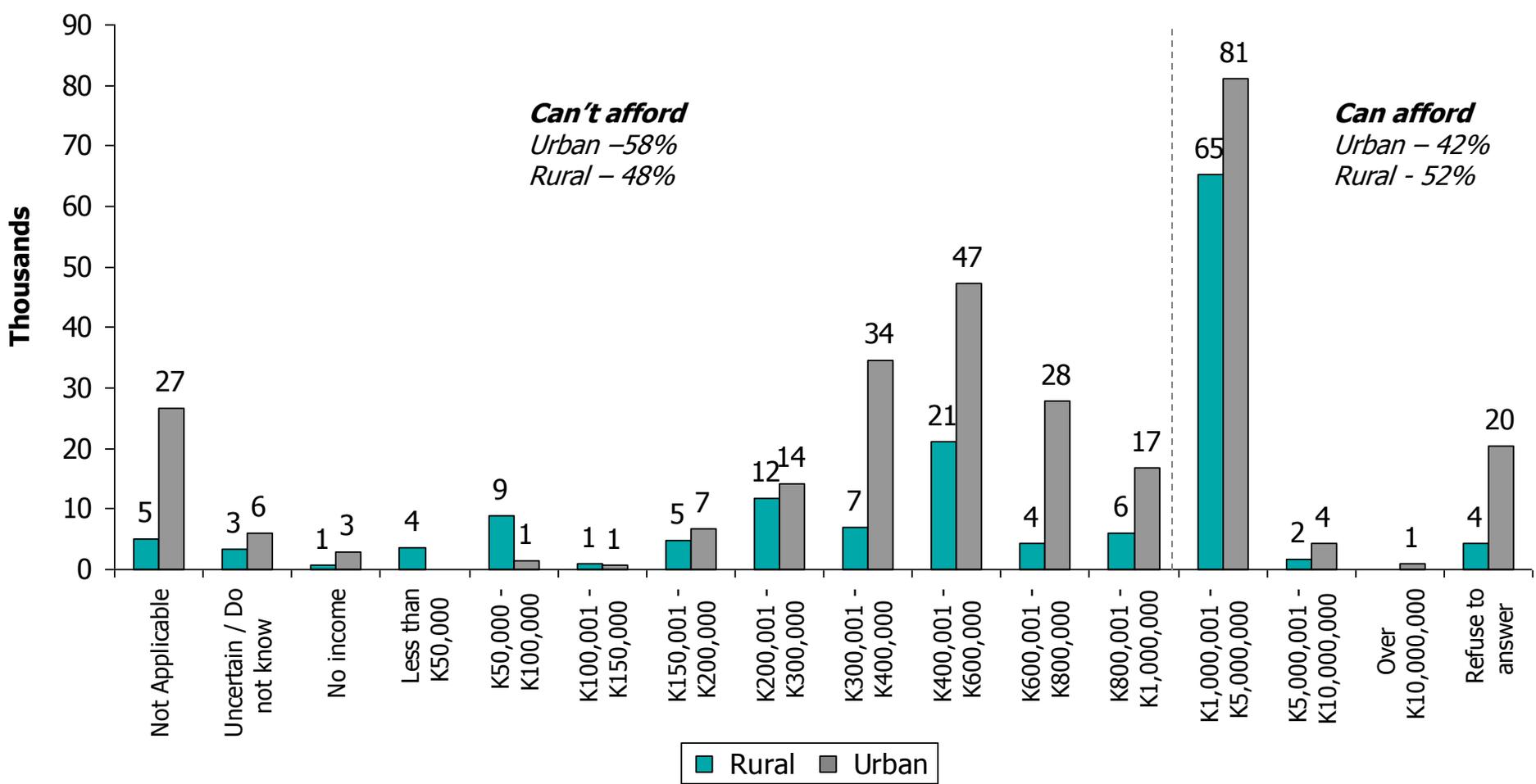
- 30% of monthly income should be spent on debt repayment

- 
- Total monthly repayment = K300,476
 - Minimum monthly personal income required
 $= \text{K}300,476 / 30\%$
 $= \text{K}1,001,586$
 - Cut-off used = K1,000,000

A higher proportion of rural salaried workers can afford the product

Monthly income

(Salaried workers, not in current market, not too poor)



Can't afford
Urban - 58%
Rural - 48%

Can afford
Urban - 42%
Rural - 52%

■ Rural ■ Urban

Source: FinScope Zambia 2009

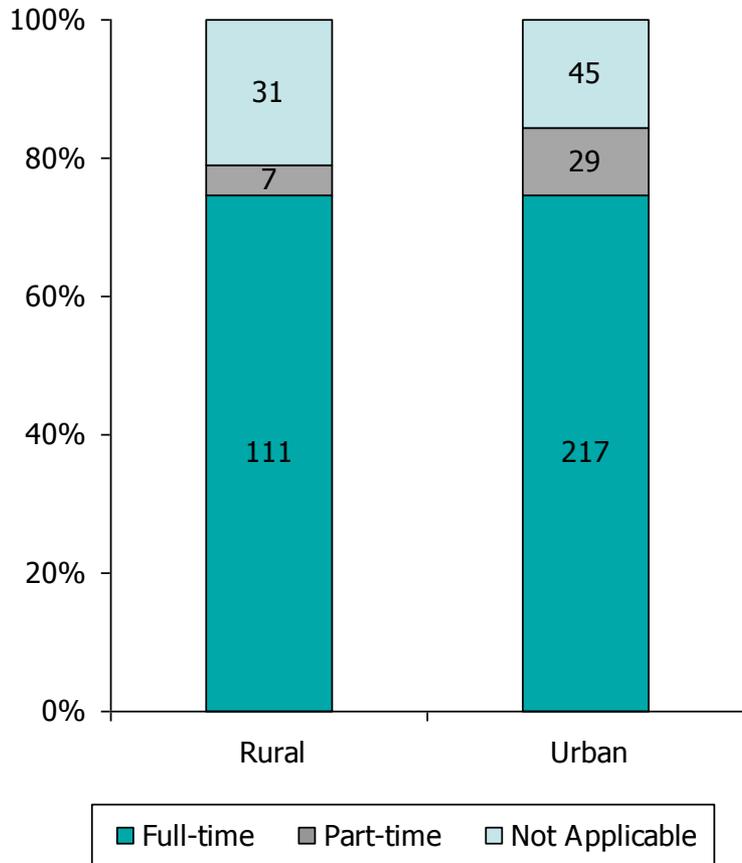
Note: Where the respondent says they do not have a monthly income the annual income, divided by 12, is substituted.



Even though they are salaried employees, 56% of urban workers and 55% of rural workers do not receive pay slips. They are not likely to work at employers who would warrant the attention of payroll lenders

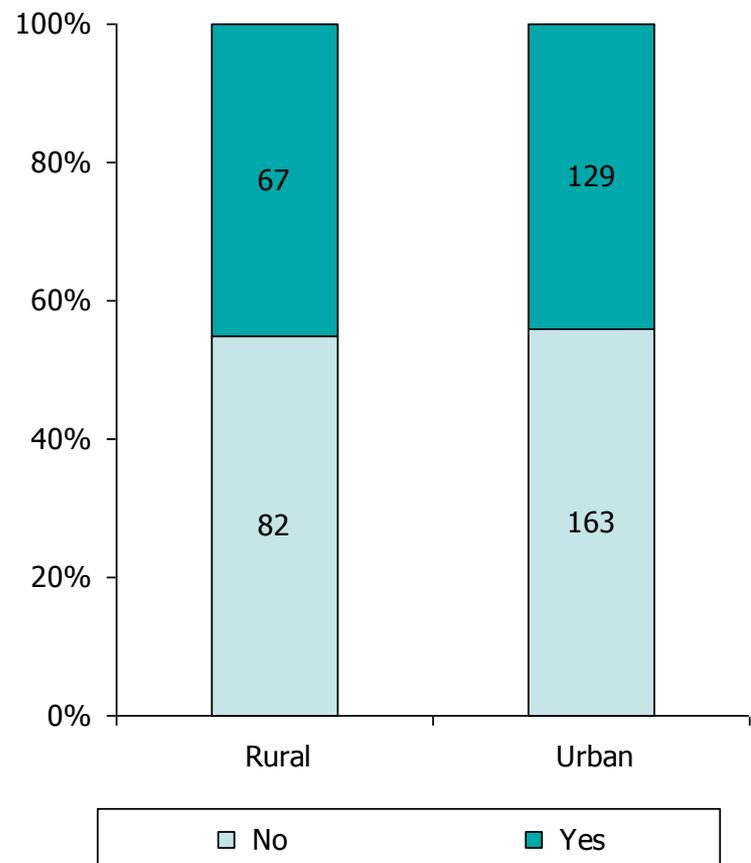
Full-time or part-time worker

(Salaried, not in the current market, not too poor)



Have a salary slip from employer

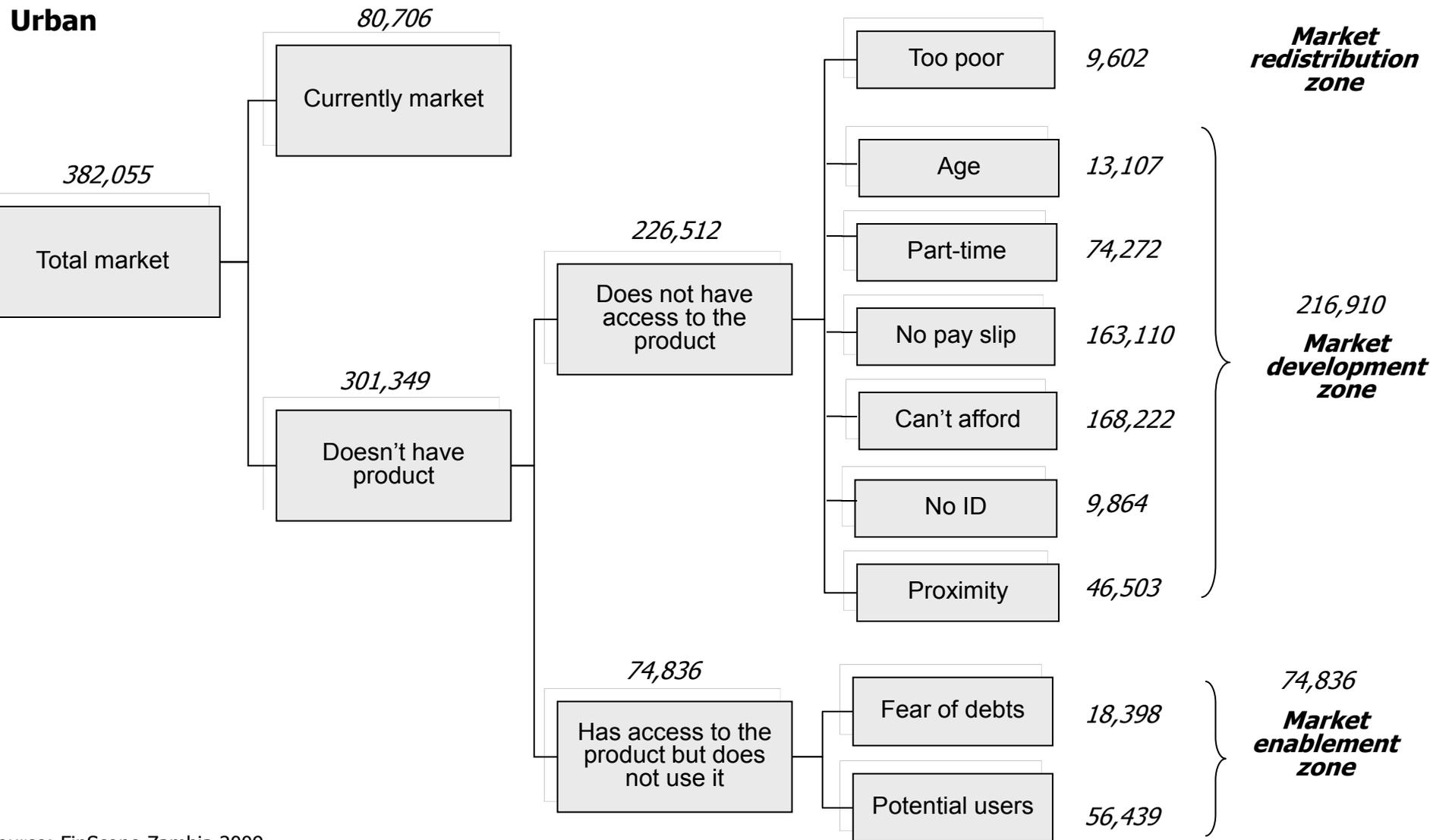
(Salaried, not in the current market, not too poor)



Constraints used to construct the frontier

- **Current market**
 - Borrowed from: a bank, another institution, government/government scheme
- **Too Poor**
 - Gone without food to eat: Always or Often
- **Age**
 - Age: 21+
- **Proximity**
 - Must be within an hour of nearest financial institution
- **Part-time / full-time**
 - Work part-time or full-time: Full-time
- **Pay slip**
 - Document you have in your name: Pay slip from employer
- **ID**
 - Document you have in your name: National registration card
- **Affordability**
 - Monthly income: greater than K1 million
- **Fear of debt**
 - Reasons have not borrowed: Fear of debt

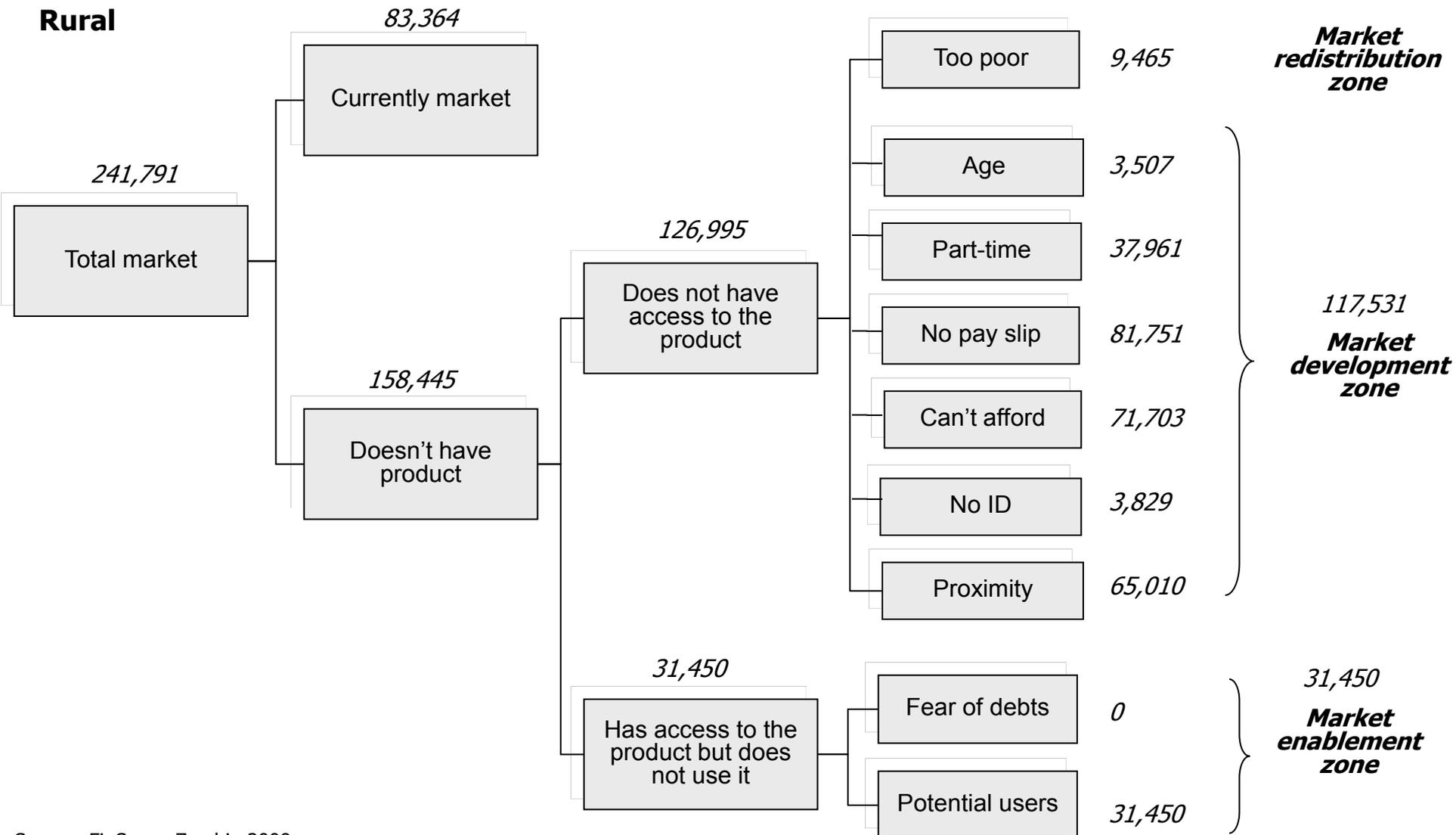
Affordability and lack of a pay slip present the biggest barriers to access for the urban salaried

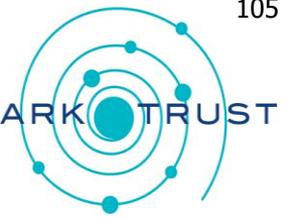


Source: FinScope Zambia 2009

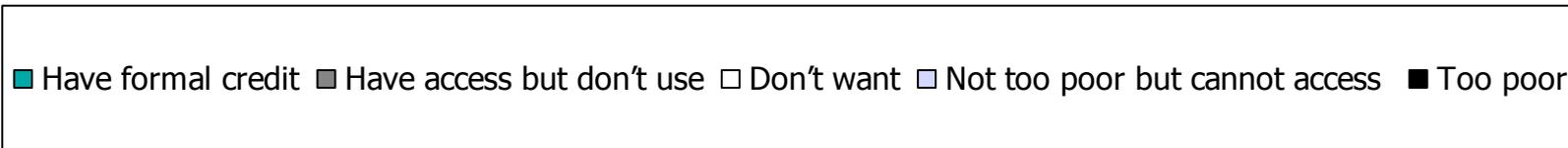
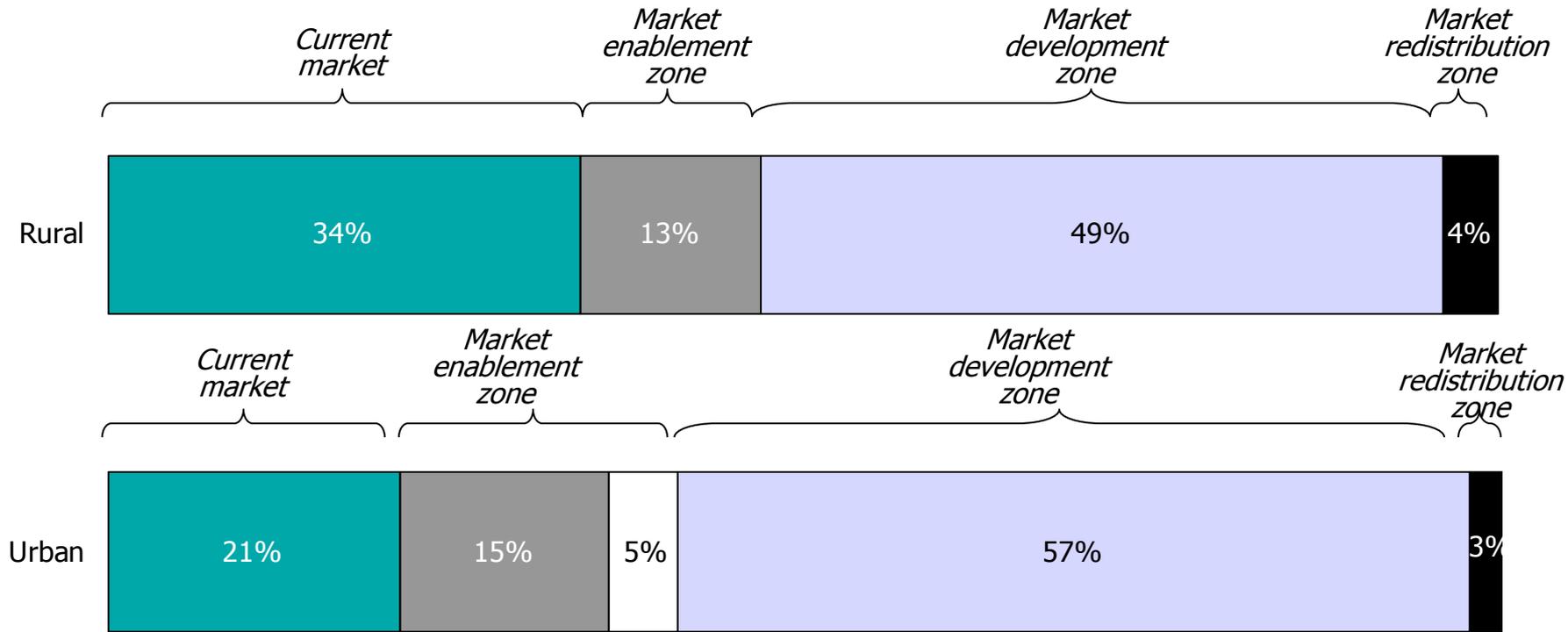
Proximity, lack of a pay slip and affordability are the most significant access barriers for the rural salaried

Rural





The frontiers can be summarised as a strand. They indicate some scope for growth in urban markets – assuming the current market is accurately captured by the survey

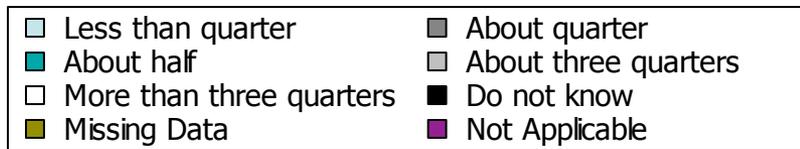
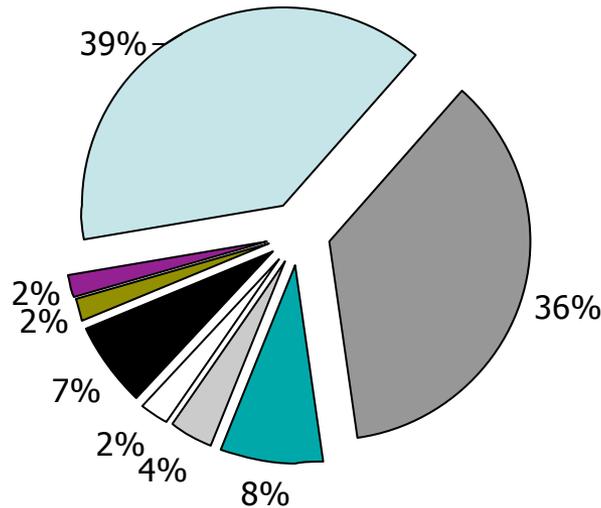




Sometimes credit access problems manifest as too much rather than too little access. 14% of credit active salaried workers use half their income or more to repay debts and 11% have missed a payment in the last year (likely to be understated)

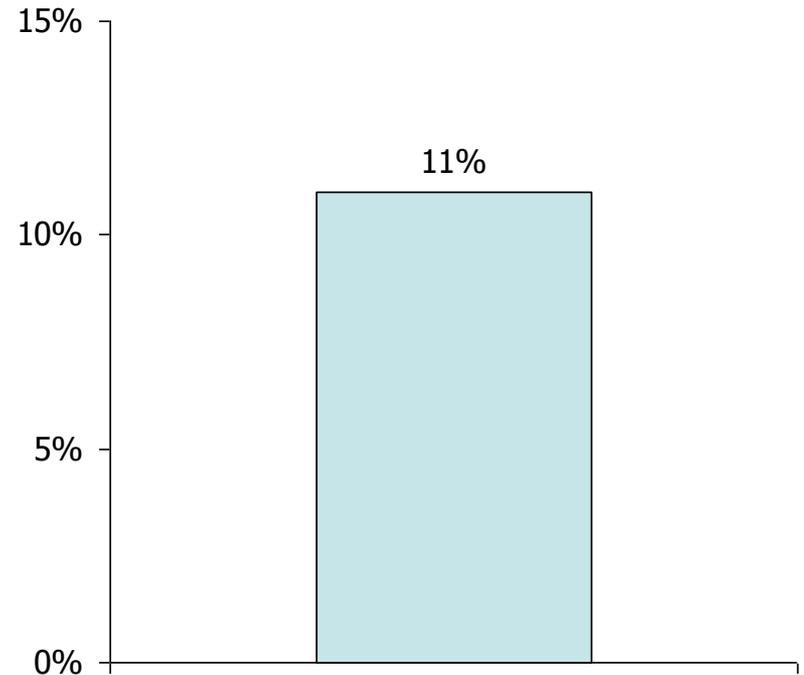
Proportion of income used to repay debt

(Salaried, Borrowed money in the past 12 months)



Missed a payment in the past 12 months

(Salaried, Borrowed money in the past 12 months)

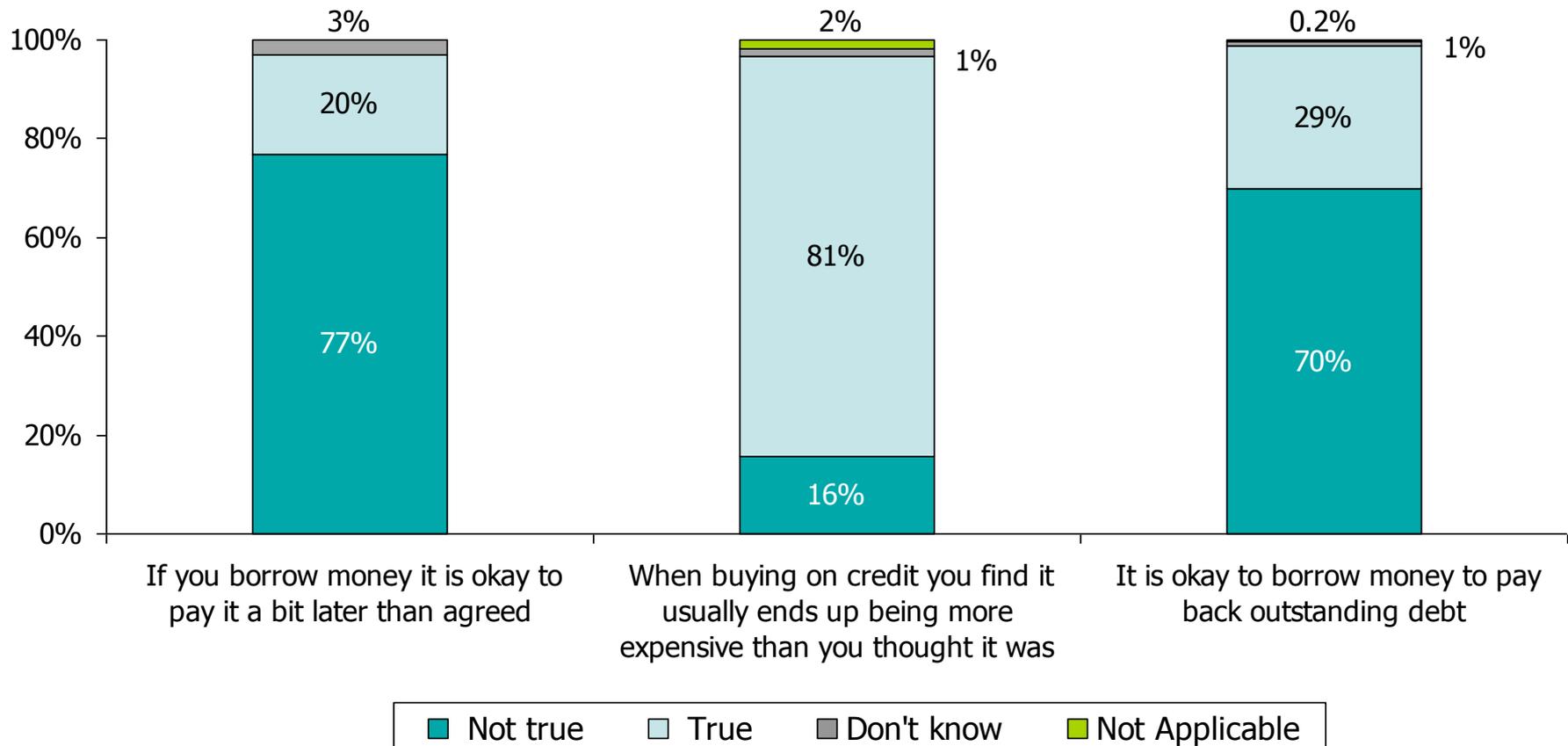


Missed a payment

While awareness could limit access to pay roll loans, a lack of awareness could lead to over-indebtedness

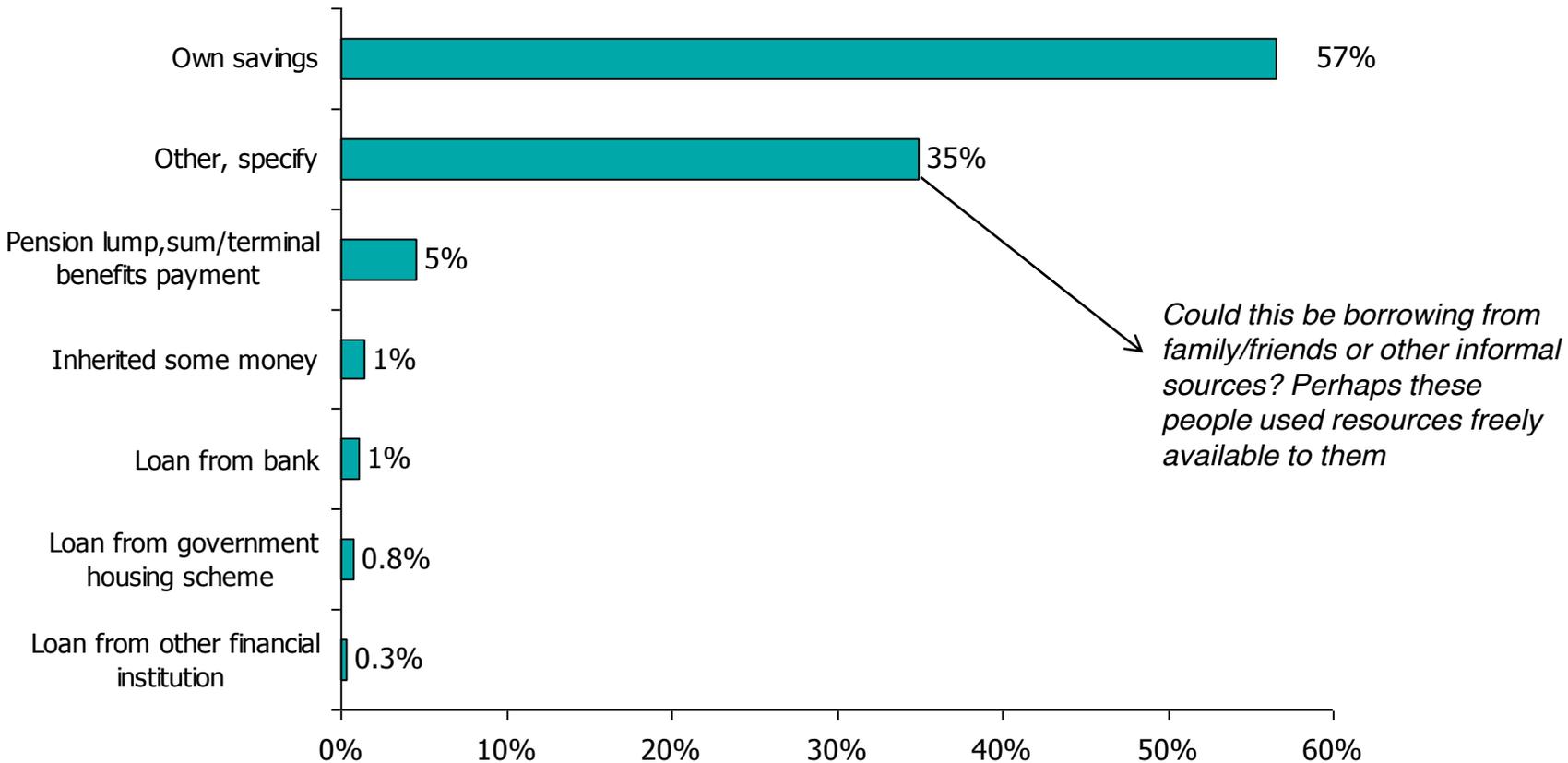
Credit statements

(Salaried, Borrowed money in the past 12 months, 252,373)



20% of Zambian adults have built or bought their home. More than half have used their own savings to do so. Is this because of a lack of access to housing finance ?

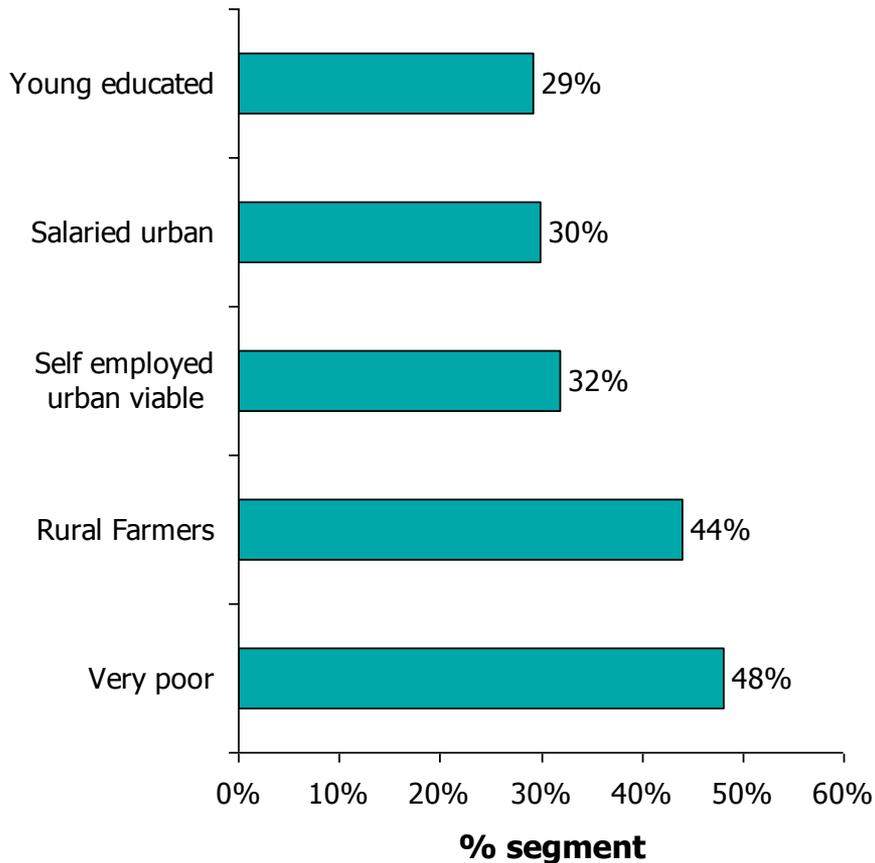
Main source of money for acquiring home
(Bought or built own home, 1,899,793)



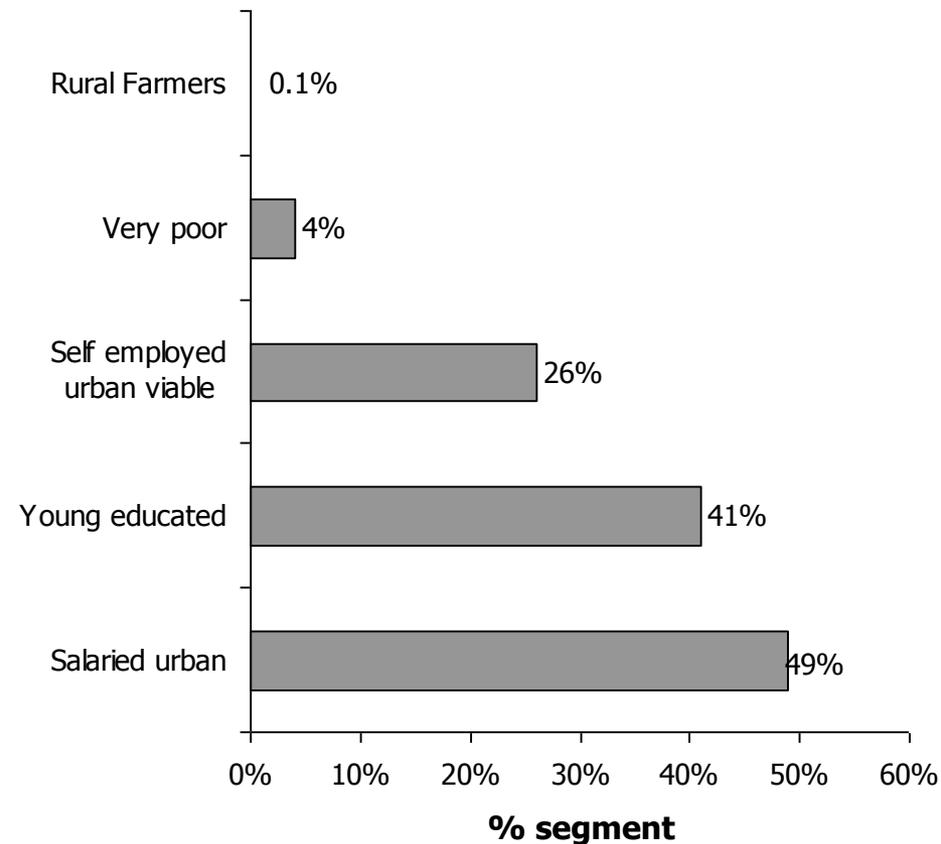


40% of Zambian adults live in a home with more than 3 people in a room and 84% do not have access to a flush toilet. There is potentially a market for finance to extend and improve homes

3 or more people per sleeping room



Access to a flush toilet



Source: FinScope Zambia 2009

Note: Access to a flush toilet comes from "Q1.15 Toilet facilities". A respondent has access if they have a flush toilet in/outside their dwelling or a communal flush toilet

Biogas is fuel made from waste materials in a structure known as a bio-digester. A basic bio-digester consists of an air-tight container with an inlet for the waste and outlets for gas and by-products



Source: Agama Energy



Source: www.ruralcostarica.com



Aside from impacting directly on the wellbeing of households, biogas can provide significant environmental and economic benefits

Capacity (6m³ digester)

- Using human waste and kitchen/garden refuse a family of four will produce enough biogas for 4 hours of cooking time every day
- The addition of animal dung can increase capacity to allow use for lighting and even fuel for a small generator, provided there is enough waste

Barriers

- High cost of materials
- Higher interest rates
- Community acceptance

Private sector involvement

- Can purchase carbon credits that will fund scheme
- A 6m³ digester that makes use of cow dung will save about 70 tons of CO₂ emissions per year
- This equates to 70 carbon credits a year at an approximate value of ZAR 9,450

Public sector involvement

- Subsidise construction, cheaper than connecting area to grid
- Used in municipal sewerage facilities to produce energy that can be fed into the grid
- Low cost housing – 1/3 cheaper than centralised sewerage system
- Increases capacity of sewerage plants if used as a pretreatment

A solution from Rwanda



BIOGAS - INDUHURAMURYANGO

A sustainable solution to domestic energy needs

BIOGAS - INDUHURAMURYANGO is a new loan product of BPR SA, in collaboration with MININFRA, to facilitate its customers to obtain Biogas energy in their homes. Biogas is a new system which transforms cow dung or other wastes into energy to use for domestic purposes. A well built biogas system functions for of at least 20 years

Advantages

- Access to energy for cooking and domestic lighting;
- Reduced domestic workload, especially for women and children;
- Reduced respiratory diseases among women and children exposed to smoke from firewood;
- Reduced deforestation and soil erosion;
- Biogas wastes are used as organic manure.

Conditions of eligibility

- To meet the conditions set by MININFRA through its National Domestic Biogas Program (NDBP), namely:
 - To have at least 3 exotic cows or 4 local cows which are kept in a permanent cattle shed under zero grazing conditions;
 - To have an easy access to water;
 - To have a personal contribution in cash or materials worth at least 200.000 Rwf;
- To open an account in the BPR SA;
- To meet the usual conditions of loan eligibility applied by BPR SA.

Cost of the Biogas project

- The total cost of the project is estimated at 800.000 frw subdivided as follows:
 - Contribution of the borrower : 200.000Rwf or in kind
 - Government subsidy : 300.000Rwf
 - Bank loan : 300.000Rwf

Terms of the Loan

- The loan is granted at an annual interest rate of 13%;
- The loan term is three years.

Do you think you meet the eligibility conditions? Approach your local authorities or BPR branch for more information.

Agenda

An overview of Zambia

Banking

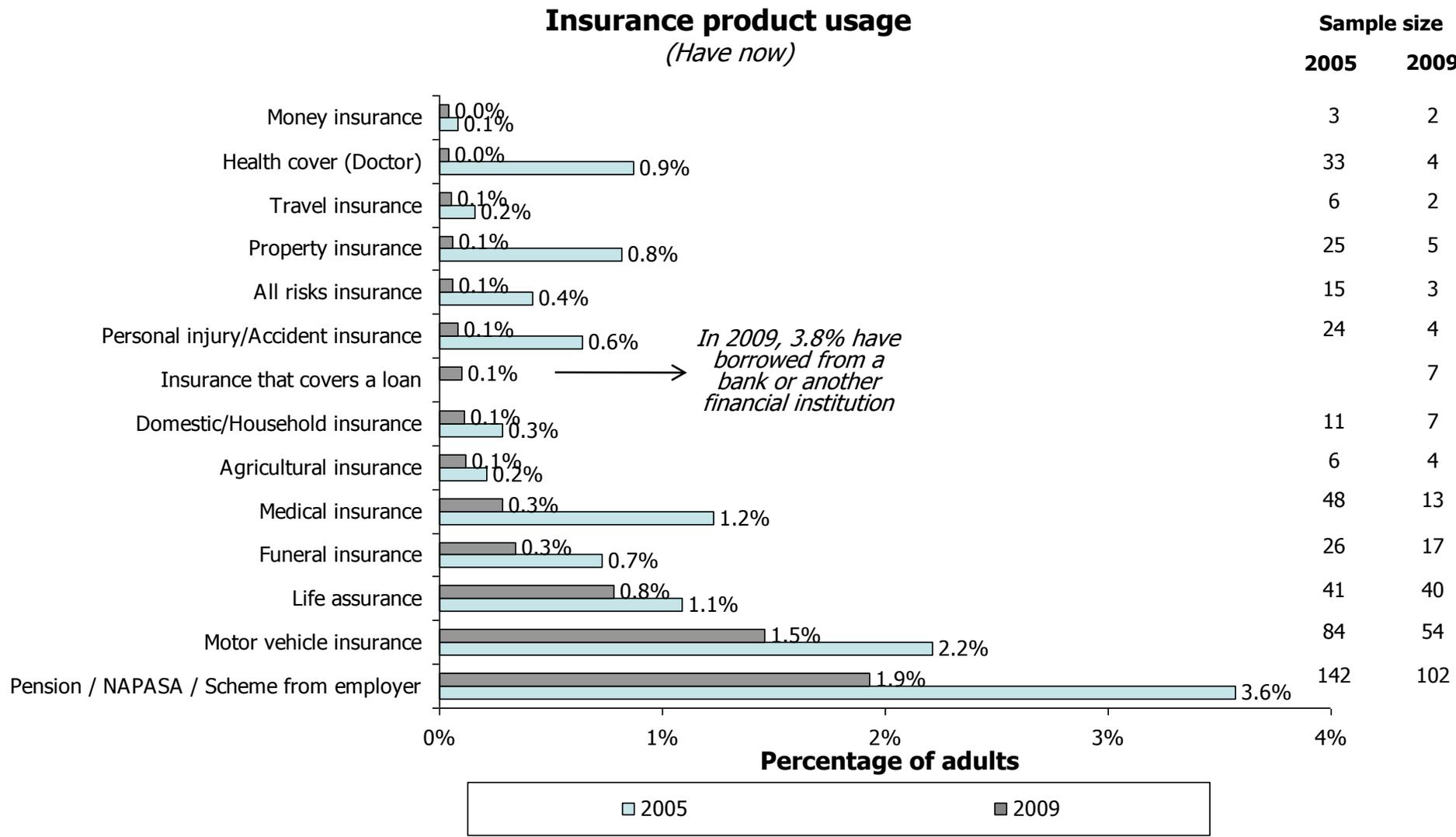
Credit

Insurance

Payments



In 2005, 5% of adults had at least one of the insurance products below. In 2009, this fell to 3%. Both of these figures exclude pension / NAPASA



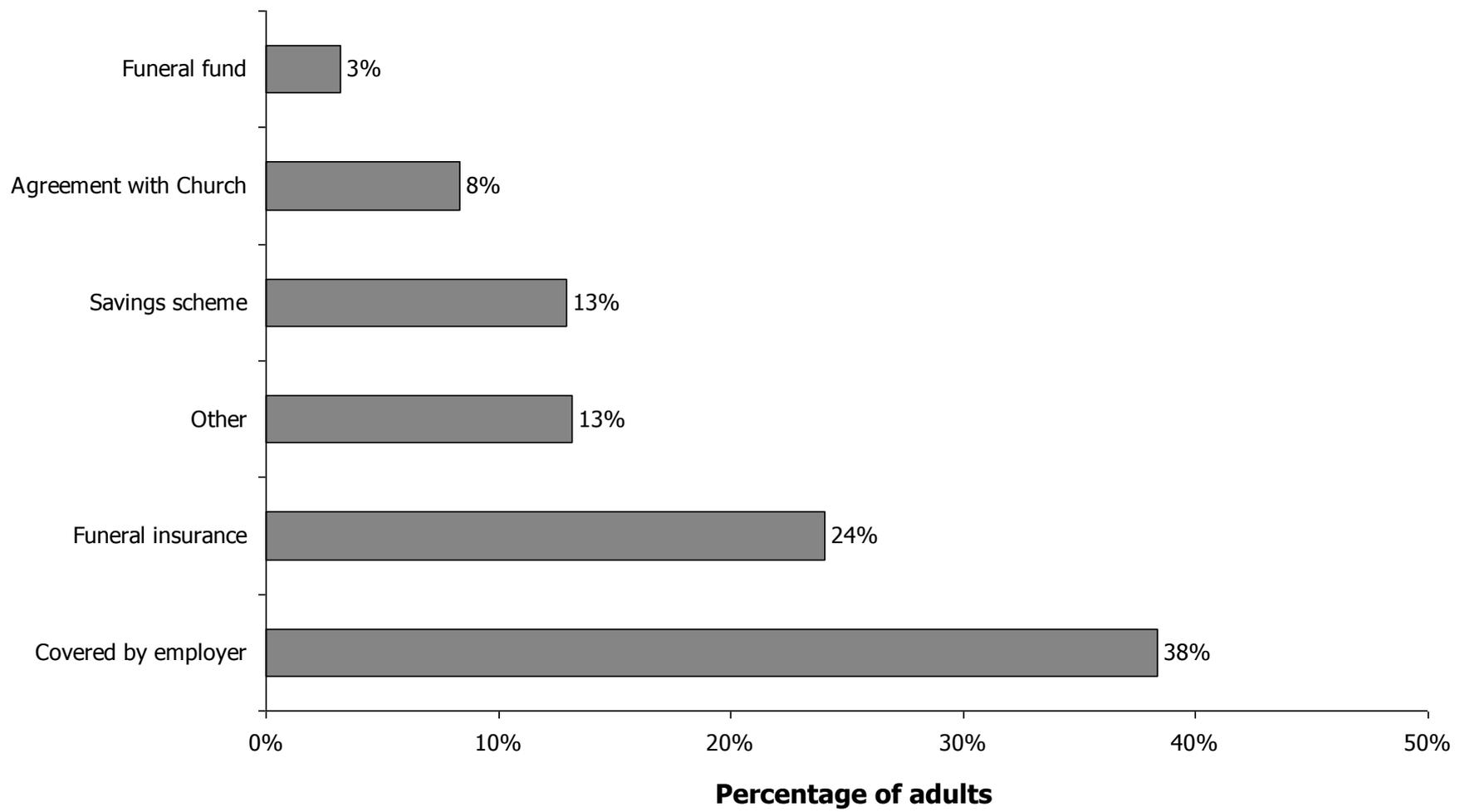
Source: FinScope Zambia 2005 and 2009



Just 2% of adults have made provision for their own funeral. Of those that have employers dominate, followed by funeral insurance

Provisions made for funeral

(Those who have made provisions to cover their own funeral expenses)



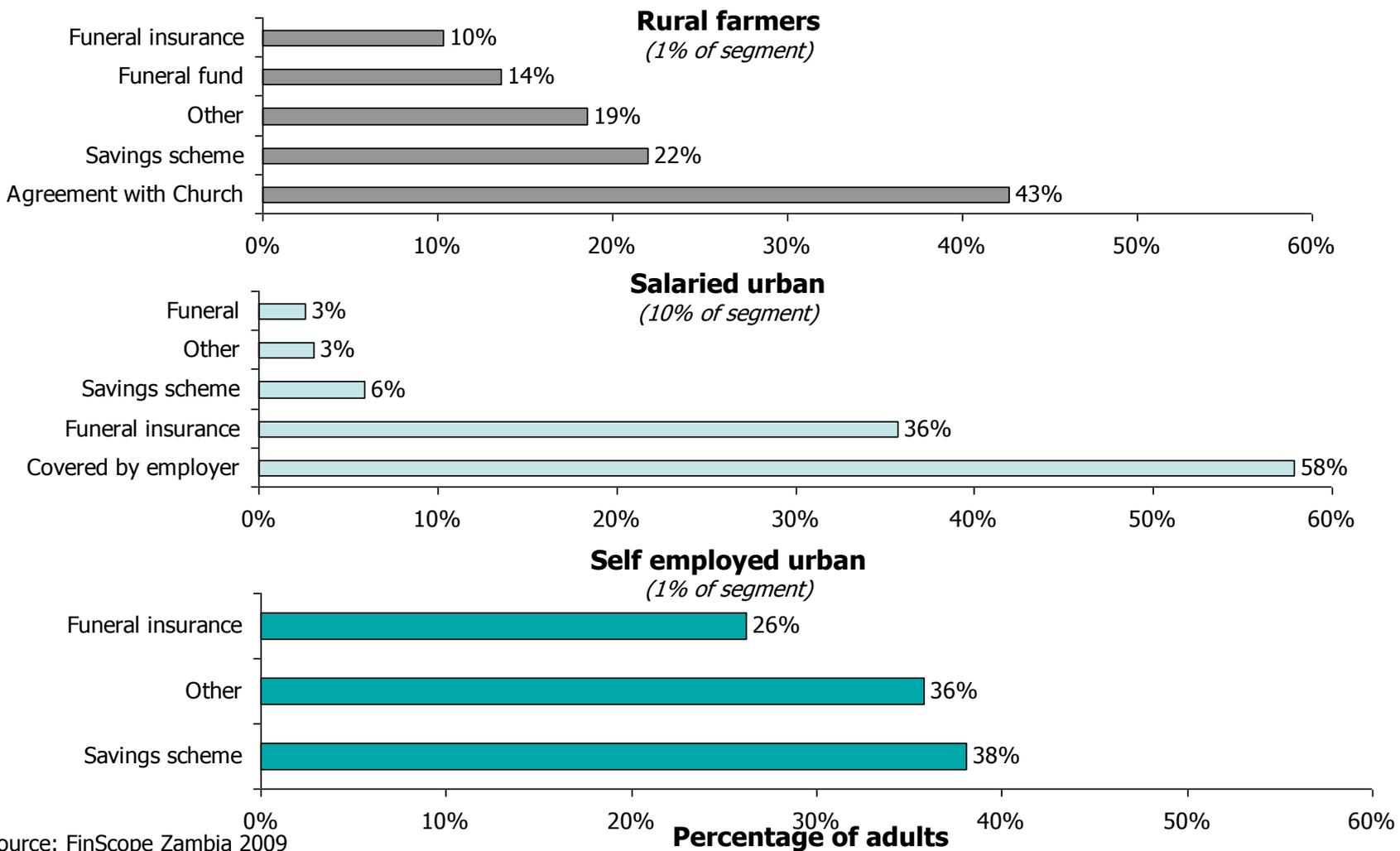
Source: FinScope Zambia 2009



Just 1% of rural farmers and 1% of the self employed urban have made provisions to cover the expenses of their own funeral. For the salaried urban market, this is higher at 10%

Provisions made for funeral

(Those who have made provisions to cover their own funeral expenses)

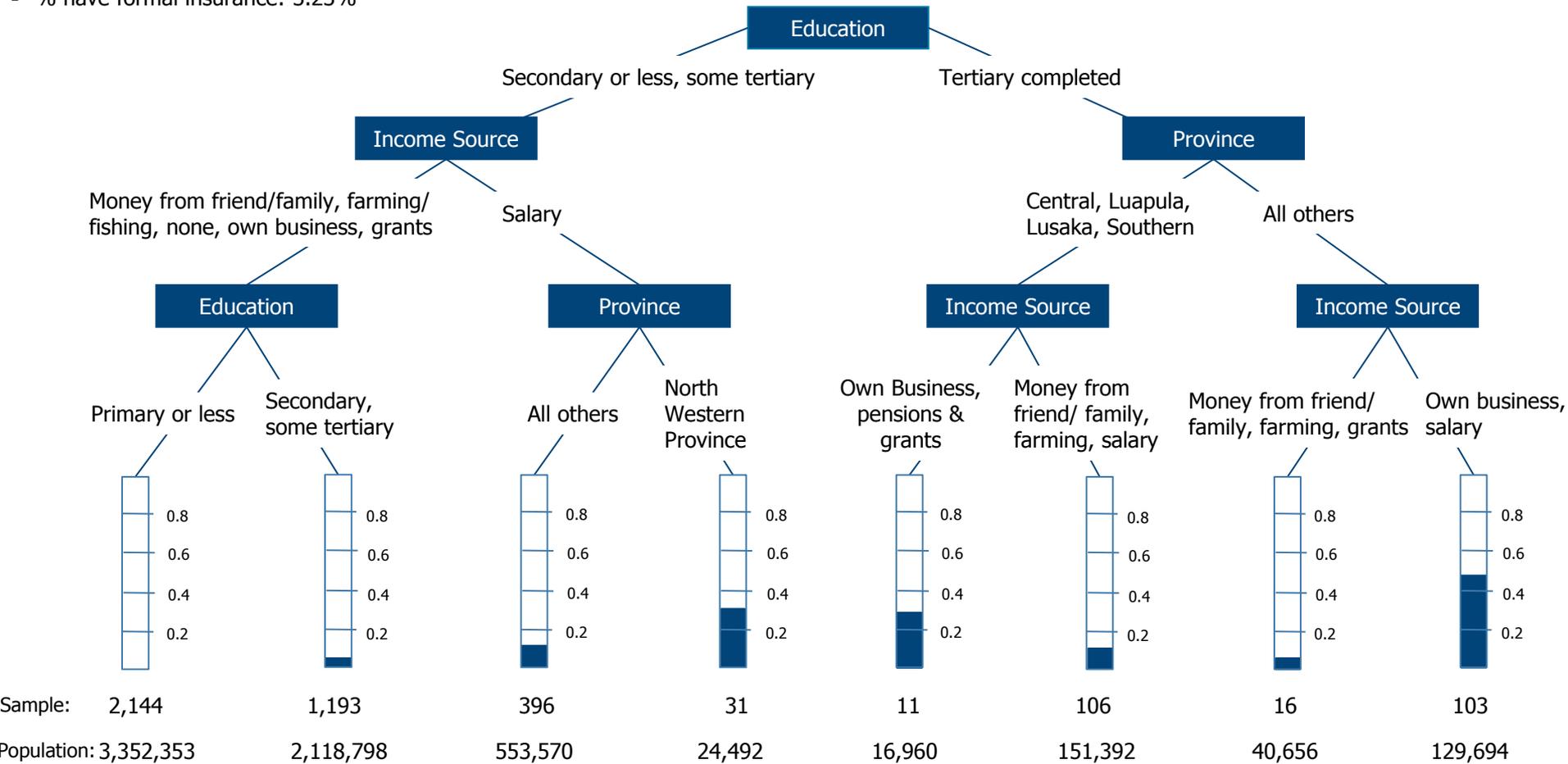


Source: FinScope Zambia 2009

Formal insurance classification tree

- Total population: 6,387,885
- Total have formal insurance: 206,201
- % have formal insurance: 3.23%

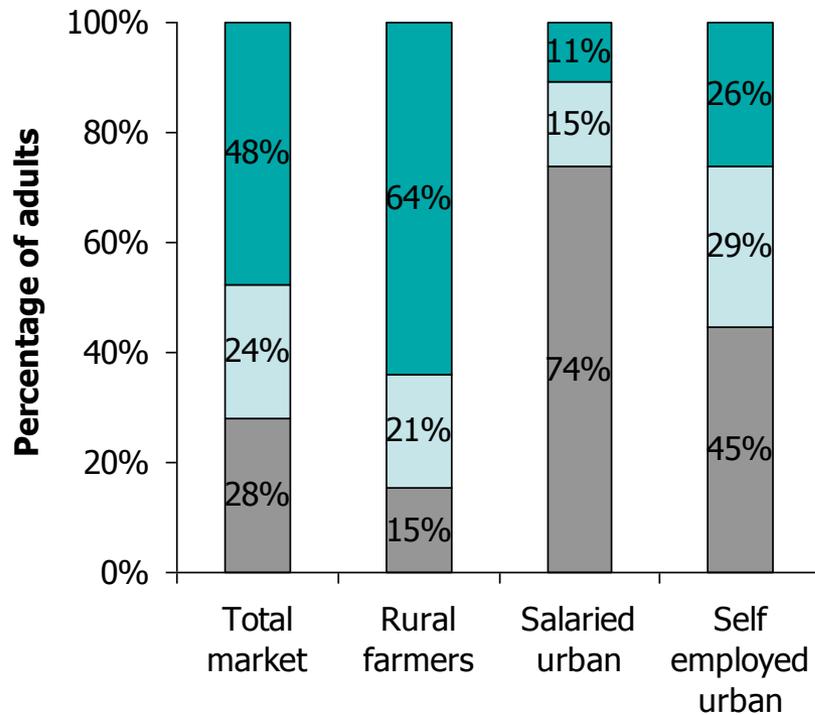
Classification tree – Formal Insurance



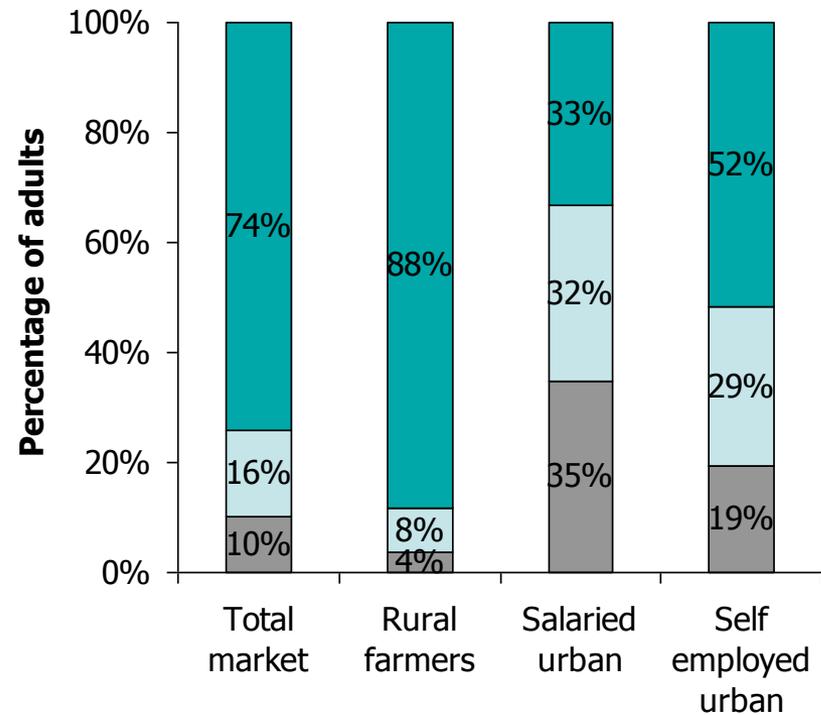
Awareness of financial terms such as “insurance” and “premium” is generally very low across the market. A notable exception is the salaried urban market

Awareness of financial terms

“Insurance”



“Premium”

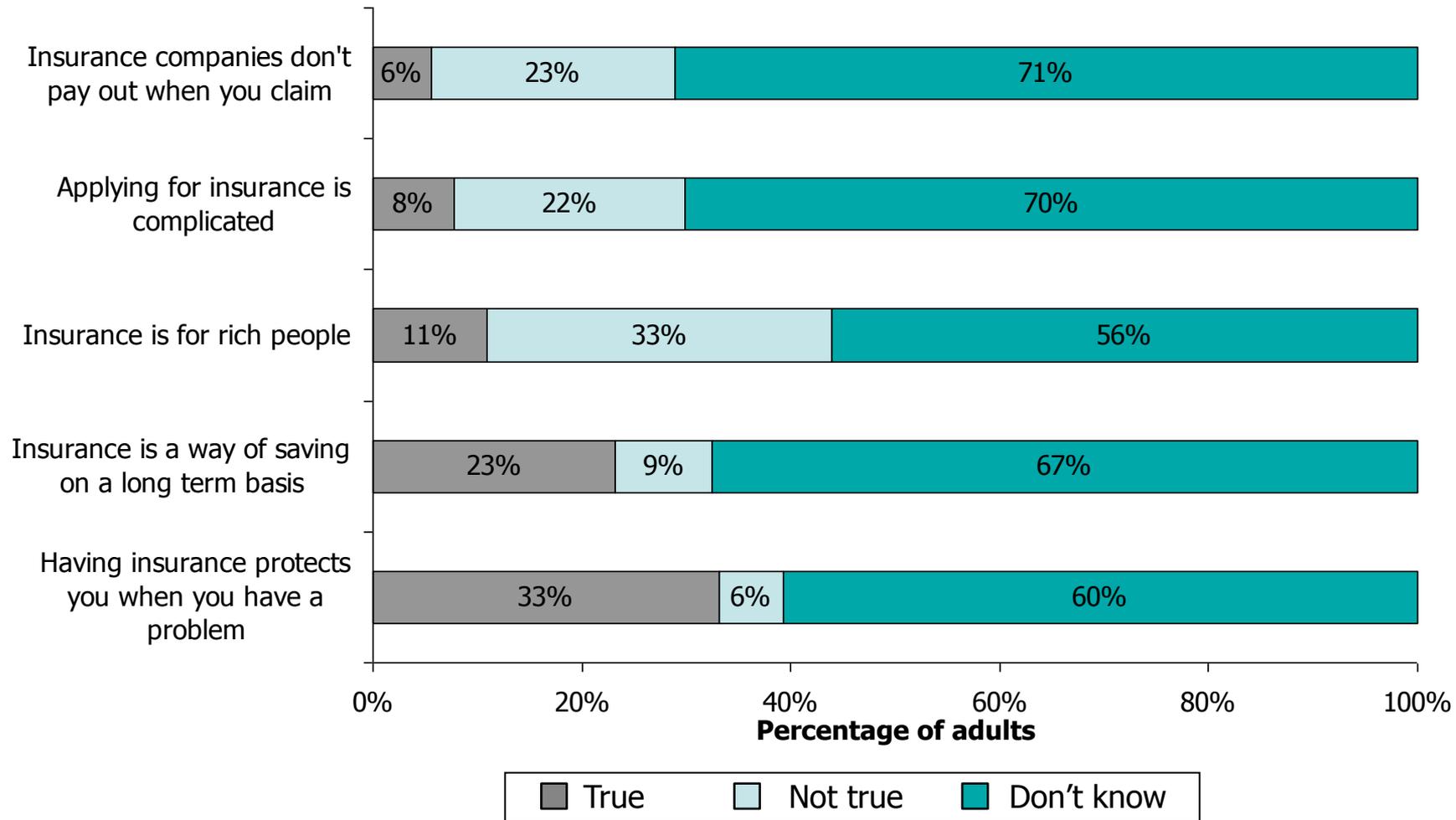


Heard and understand
 Heard but don't understand
 Never heard



There seems to be a general lack of awareness of insurance and its purposes

Perceptions of insurance



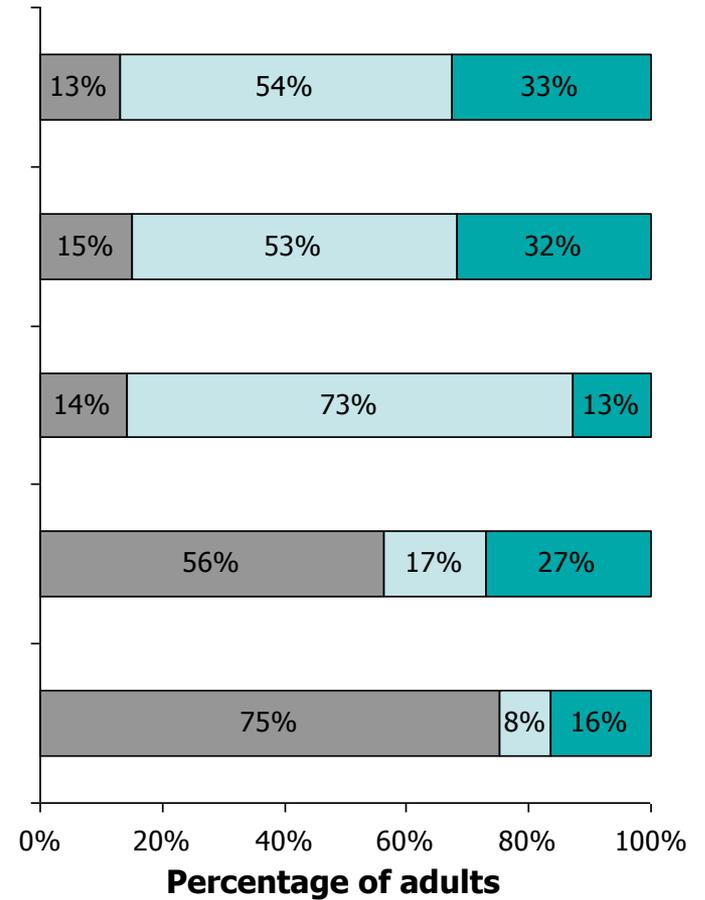
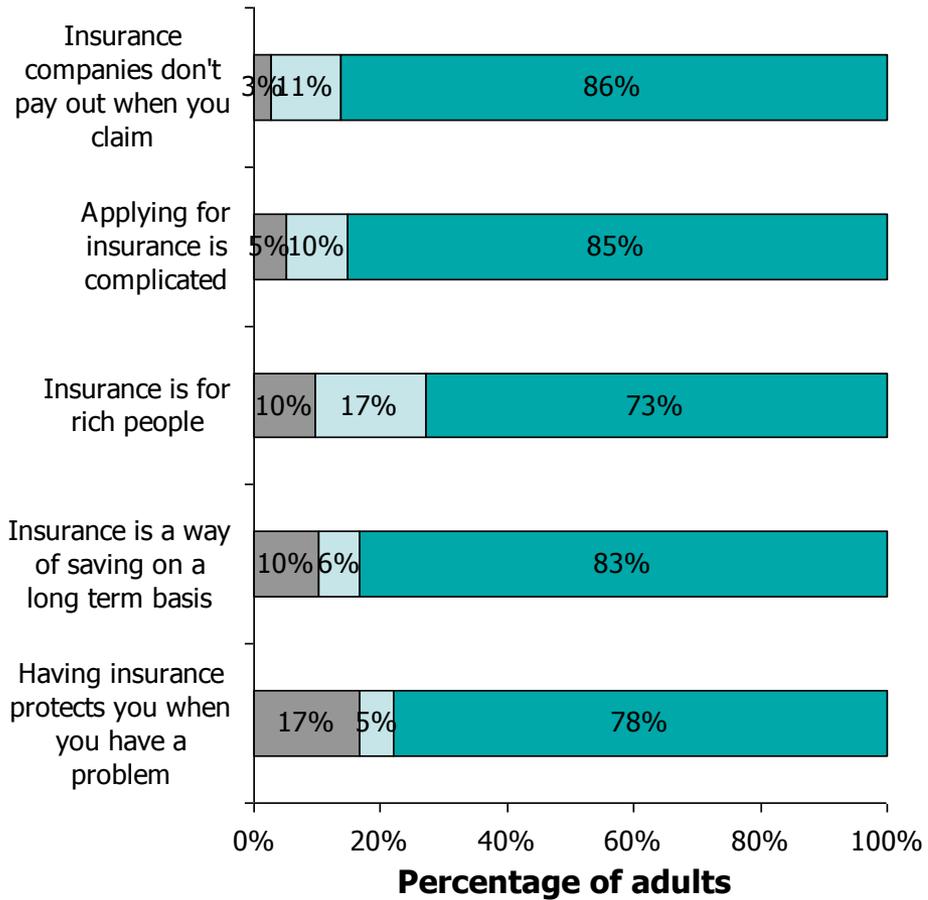


Restricting the analysis to those individuals who know what insurance is, a large proportion agree that insurance is there to protect you during bad times

Perceptions of insurance

Never heard of or don't understand "Insurance": 72%

Heard and understand "Insurance": 28%



True
 Not true
 Don't know

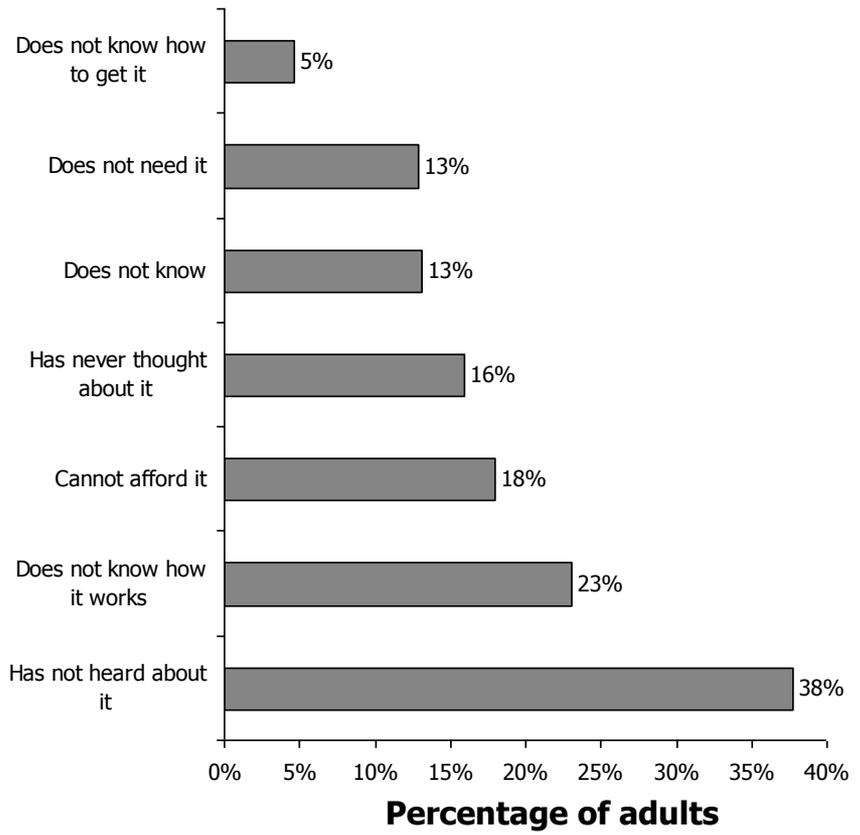
Source: FinScope Zambia 2009



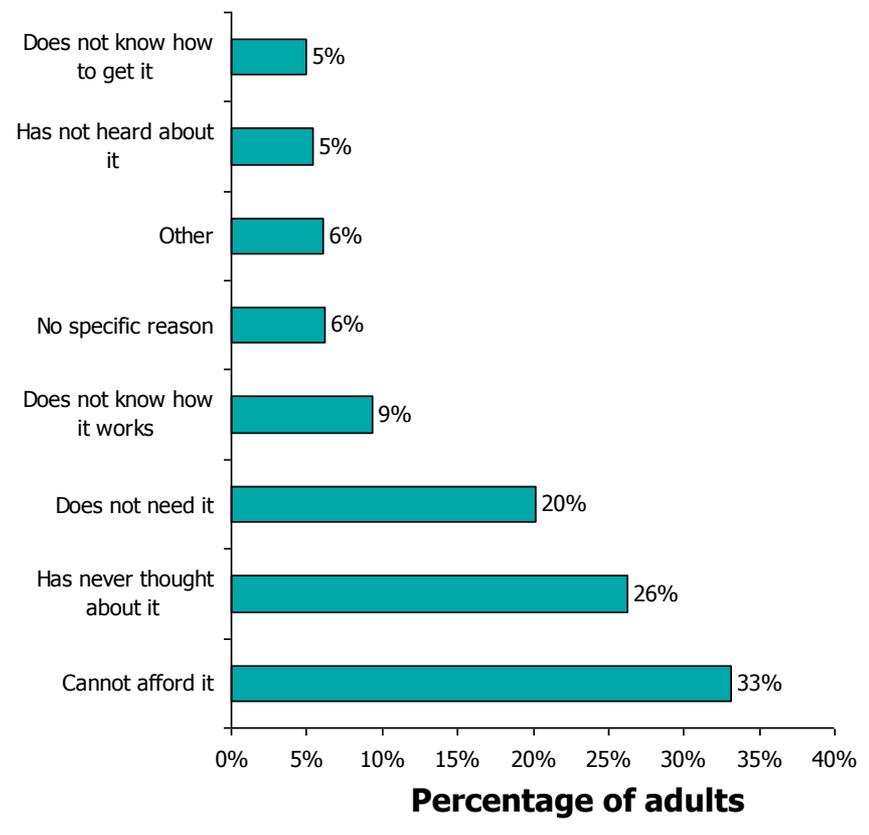
Affordability dominates reasons for not having insurance for those who say they know what insurance is

Reason for not having insurance *(Those that do not have insurance)*

Never heard of or don't understand "Insurance": 72%



Heard and understand "Insurance": 28%



Source: FinScope Zambia 2009
Note: Some of the sample sizes are too small to be reliable

Illness within the household or family or death of a family member are the two most commonly cited unexpected events

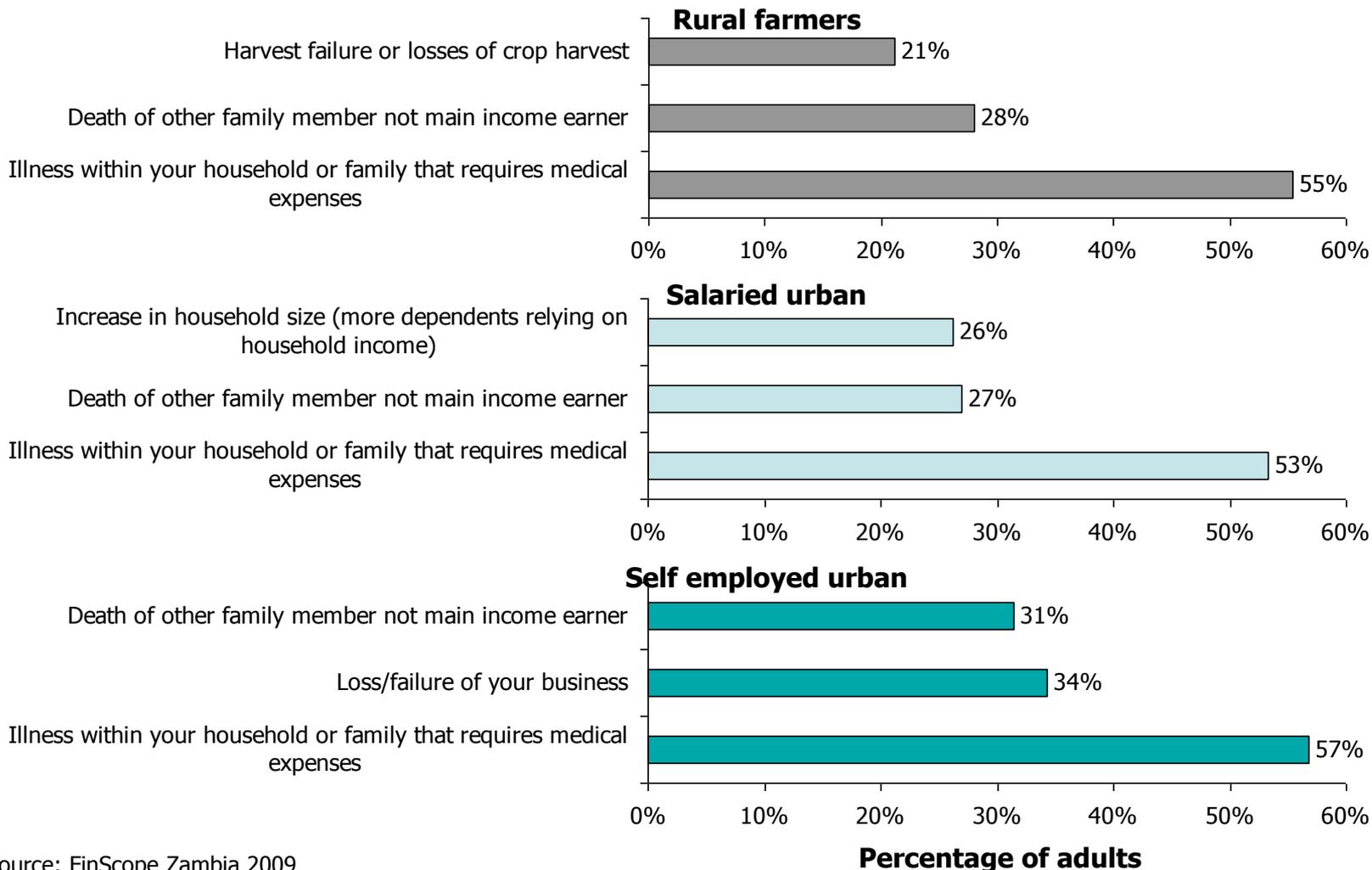
“Unexpected things sometimes happen that affect your income. What things can you think of that would affect your income?”





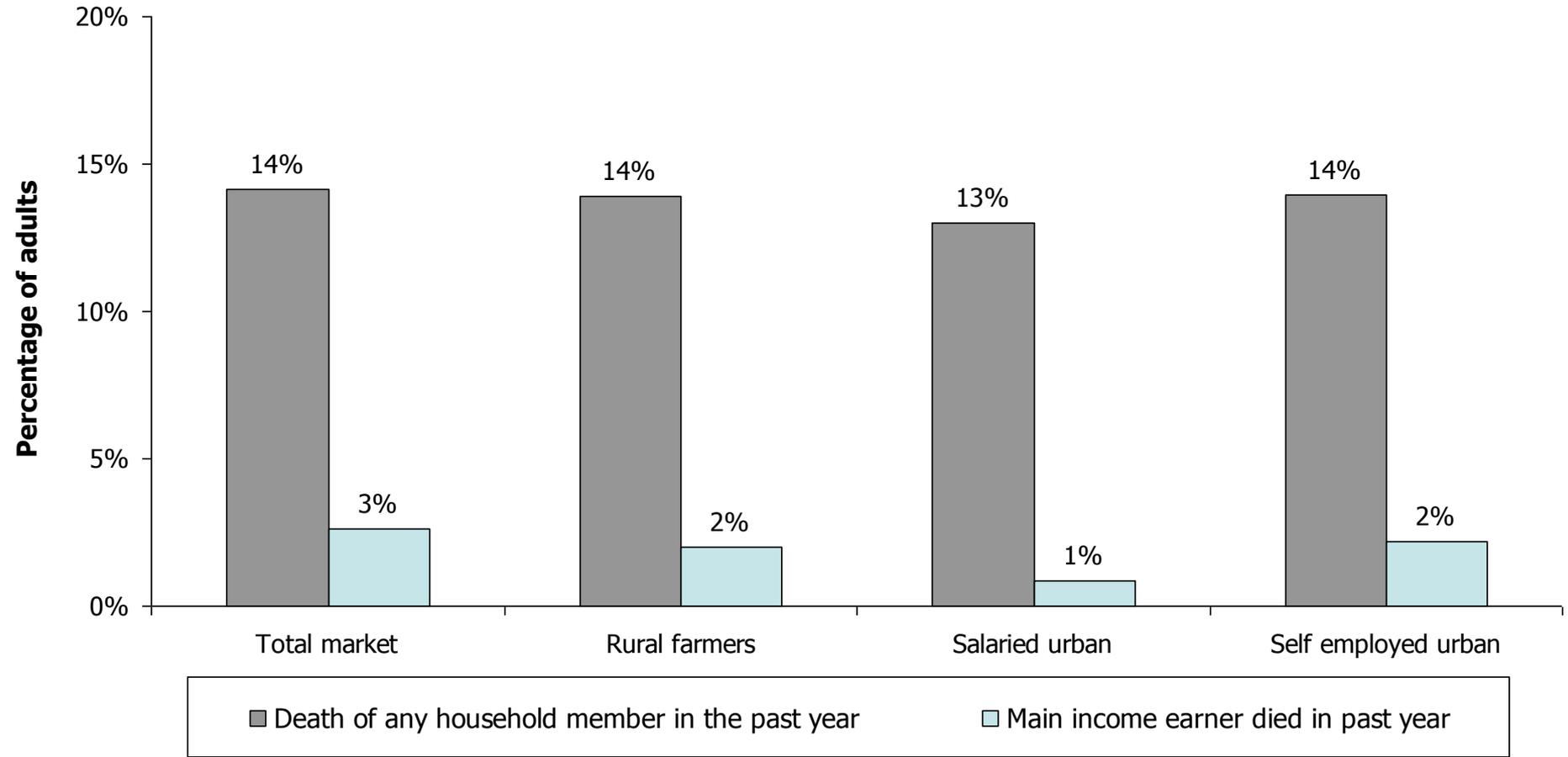
All three segments cite illness within the family or household as their greatest risk factor that could affect income

Risk factors / unexpected events that could affect income (Top 3)



There appear to be relatively high mortality rates, even in the salaried urban segment

Death of family members in the past year



Source: FinScope Zambia 2009

Note: These are questions 13.5.1 "Would you please tell me, in the past year did any member(s) of your household pass away?" and 13.5.3 "Did you lose the main income earner/breadwinner of the household?"

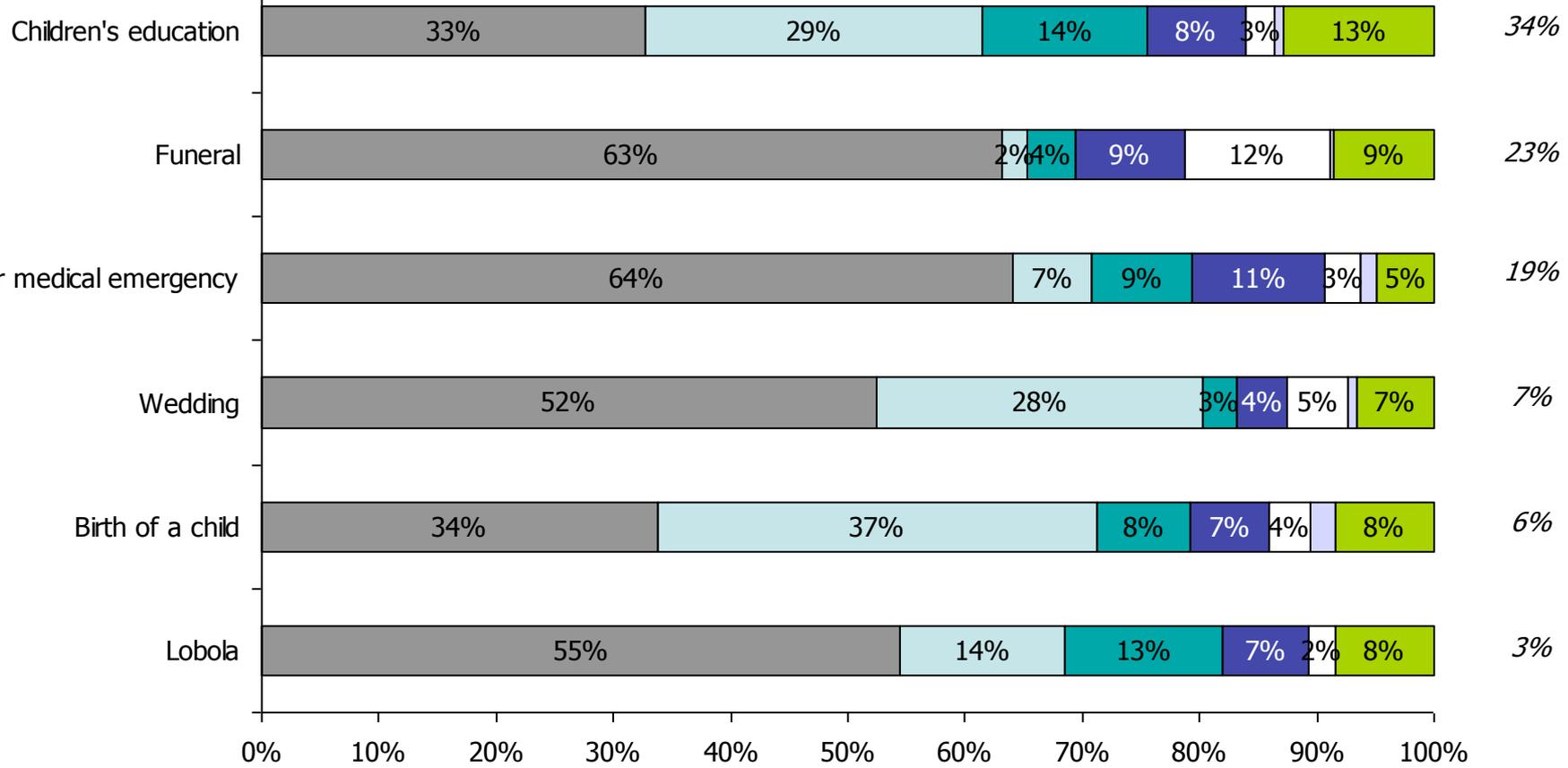


Children's education, funerals and illness are considered the three most costly events. For most categories, family and friends are relied upon most

Method used to pay for most costly event: Main means

(Ordered top to bottom by most costly event)

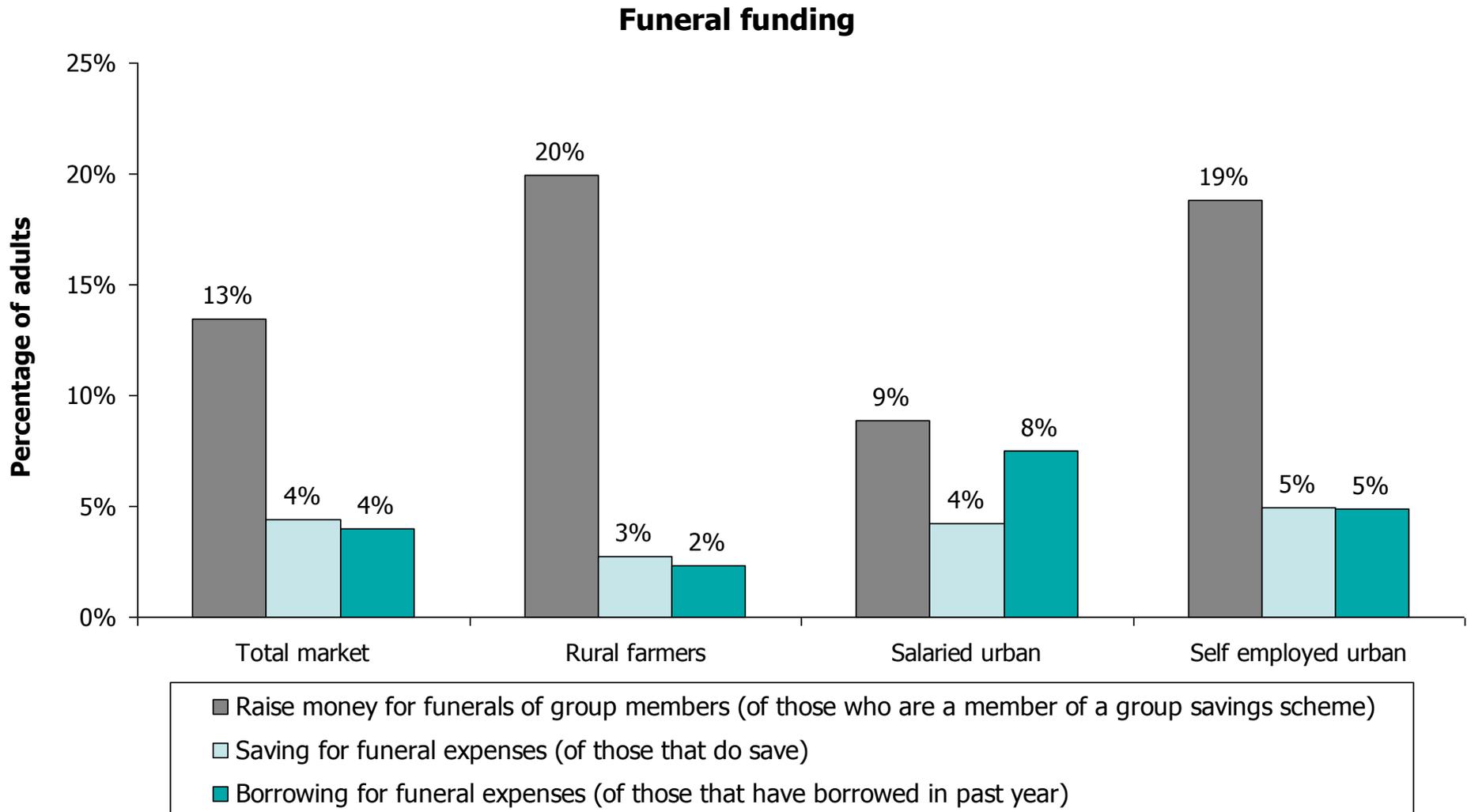
% who say this is the most costly event



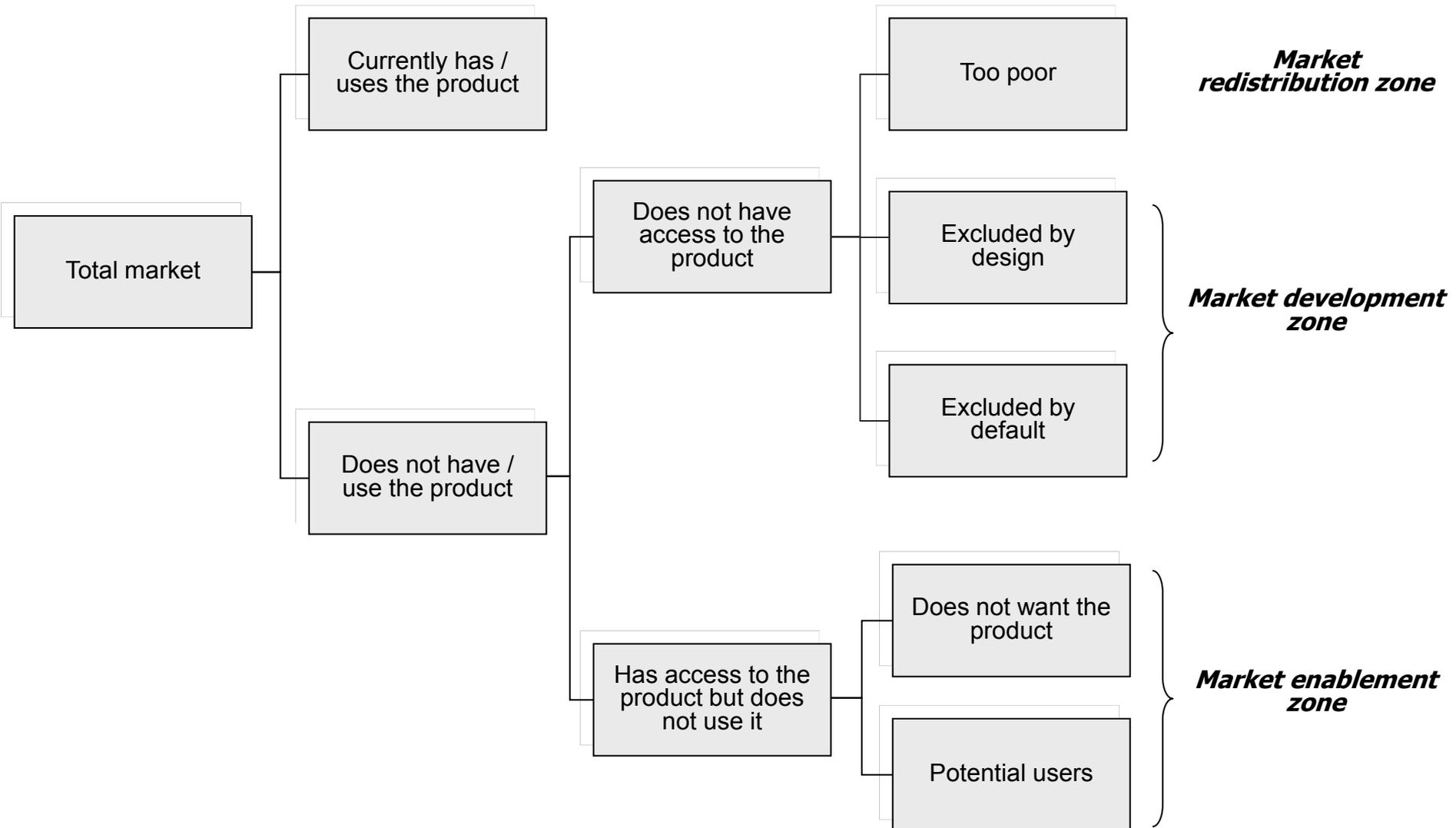
- Rely on family/friends
- Save for it
- Sell something to cover the costs
- Borrow money at the time
- Rely on community
- Rely on saving club
- Other*

Source: FinScope Zambia 2009
 Note: Other* includes other, don't know, missing data and not applicable. Questions are: Q3.10.1 "Which of the following events is the most costly? Single mention" and Q3.10.2 "How would you pay for it? (Mention the main means) Single mention"

13% of adults who belong to one or more group savings schemes say the club raises money for funerals of group members. In the salaried urban market 8% of those who have borrowed in the past year have done so for a funeral



The Access Frontier Methodology enables an identification and quantification of access barriers. It segments those who do not yet use a product into various market zones



This presentation uses the FinScope data to explore access to funeral cover. Two entry-level funeral insurance products have been analysed.



Cover	<ul style="list-style-type: none"> ■ K2,500,000 – K10,000,000 for each person covered, but may not exceed cover for main life assured 	<ul style="list-style-type: none"> ■ K1,000,000 – K15,000,000 for each person covered
Minimum monthly premium	<ul style="list-style-type: none"> ■ K10,750 for main life assured; K10,000 for spouse; K3,800 per child ■ Premium may not exceed 15% of income 	<ul style="list-style-type: none"> ■ K4,500 for main life assured; K4,500 for spouse; K3,200 per child
Sales channels	<ul style="list-style-type: none"> ■ Blue branch or sales agent goes to client 	<ul style="list-style-type: none"> ■ Madison branch or sales agent goes to client
Premium collection	<ul style="list-style-type: none"> ■ Debit order ■ Commercial stop order ■ Government deduction 	<ul style="list-style-type: none"> ■ Debit order / Payroll stop order ■ Cash at branch or they collect from you – can pay several months lump sum in advance
Waiting period	<ul style="list-style-type: none"> ■ 3 months 	<ul style="list-style-type: none"> ■ 6 months for natural causes of death; after first premium for accidental causes of death
Grace period	<ul style="list-style-type: none"> ■ 2 months 	<ul style="list-style-type: none"> ■ 3 months
Marketing	<ul style="list-style-type: none"> ■ Pamphlets, brochures, posters 	<ul style="list-style-type: none"> ■ Internet, radio, newsprint, brochures

Note: All the information collected was based on a family with a main member and spouse and three children

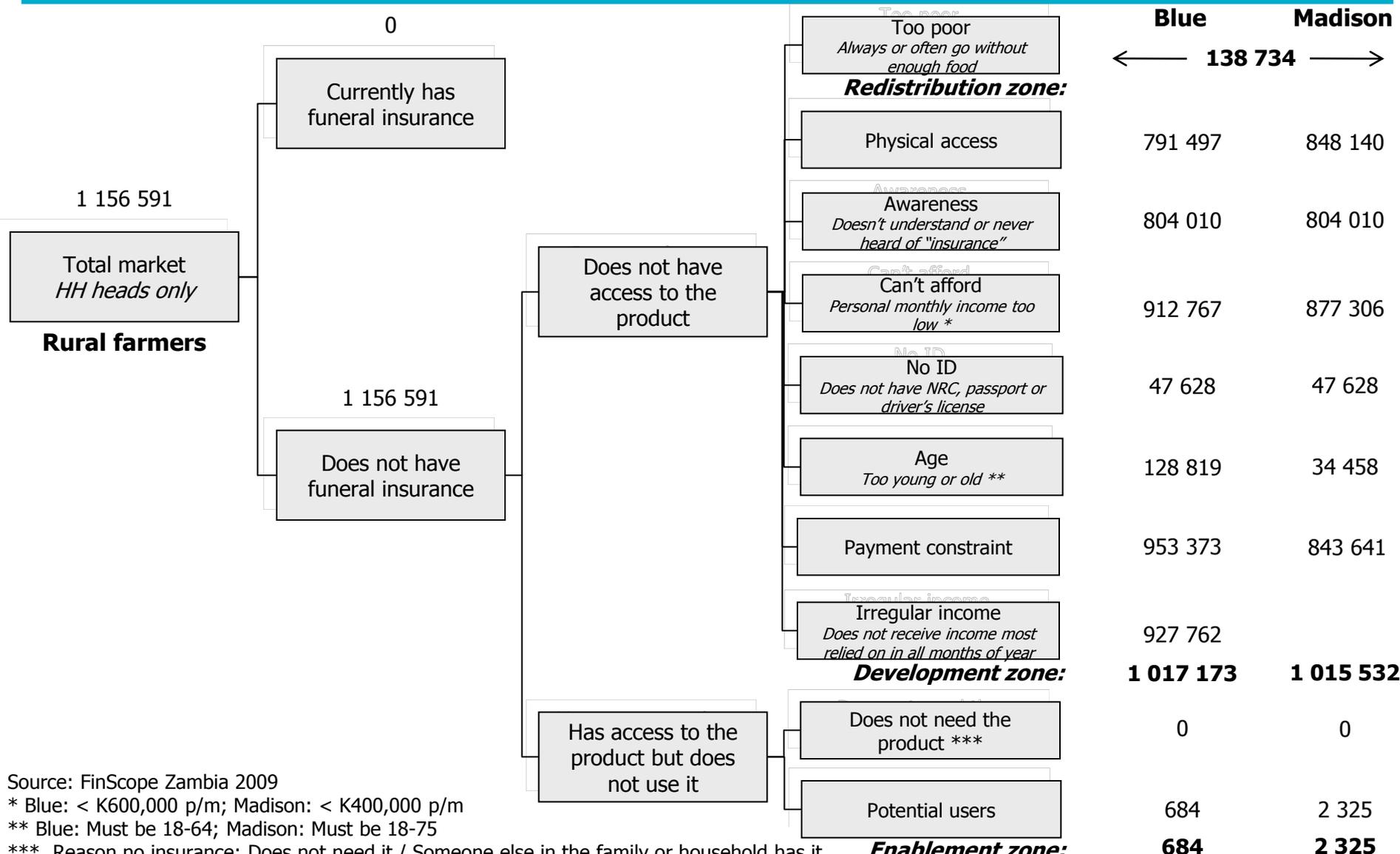


In reality, not every individual will purchase the product – it does, after all, provide cover for the household. We therefore restrict the analysis to household heads to get a more realistic picture of the addressable market.

- **Age**
 - In order to obtain the entry-level Blue funeral policy, the main member must be 18-64; for Madison this is 18-75
- **Affordability**
 - All information collected was based on a family with a main member, spouse and three children
 - The total monthly premium for all five family members is K32,150 for Blue and K18,600 for Madison
 - It is by no means clear what an affordable premium would be. For the purposes of this analysis we have assumed a 5% affordability threshold. Thus, if the premium amounts to 5% or less of personal income it is regarded as 'affordable'. For Blue the minimum monthly income required is K643,000 (rounded to K600,000) while for Madison it is K372,000 (rounded to K400,000)
- **Awareness**
 - The individual must understand the term "insurance"
- **Physical proximity**
 - The individual must live in one of the provinces containing a Blue or Madison branch respectively, and also live within an hour of a financial institution (bank, MFI, insurance company, or building society)
- **Identification**
 - Identification must be provided to obtain the product (National Registration Card, passport or driver's license).
- **Regular income**
 - The Madison funeral policy will lapse after 3 missed payments; however, premiums may be paid several months in advance and therefore sporadic income is not an issue
 - Blue requires monthly payments and after 2 missed payments the policy will lapse. A constraint has therefore been included for this product – the individual must receive their most relied upon income source in all months of the year
- **Payment constraint**
 - The Madison product allows for cash payments (the individual lives in a province containing a Madison branch and resides within an hour of any financial institution) OR debit orders (the individual is banked) OR payroll stop orders (the individual receives a salary slip from their employer)
 - The Blue product requires monthly payments via debit order (i.e. the individual must be banked) or a commercial or government payroll stop order (i.e. the individual receives a salary slip from their employer)



For rural farmers, the payment constraint and irregularity of income represent the biggest barriers to access for the Blue funeral insurance product. For Madison, affordability is the biggest barrier



Source: FinScope Zambia 2009

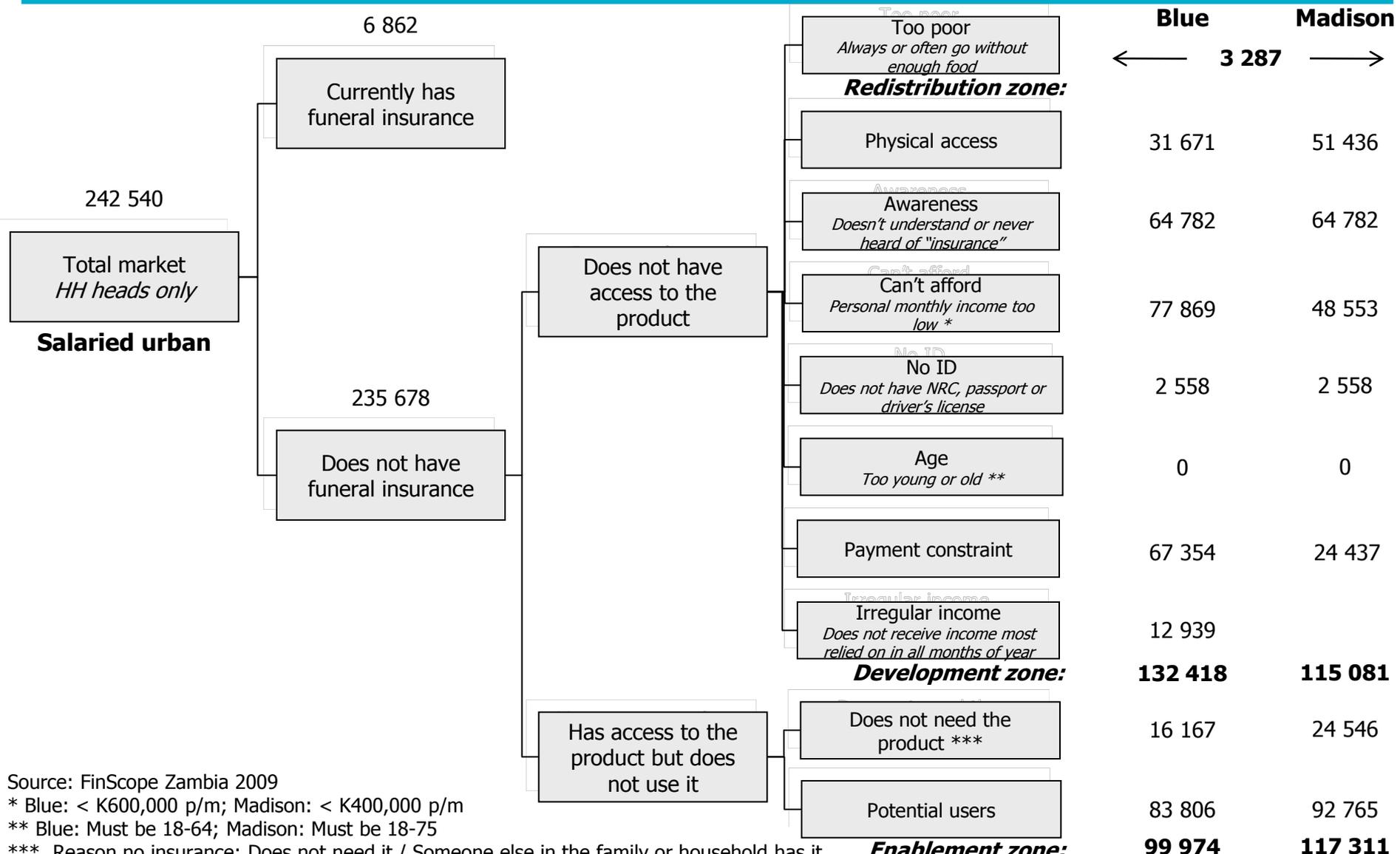
* Blue: < K600,000 p/m; Madison: < K400,000 p/m

** Blue: Must be 18-64; Madison: Must be 18-75

*** Reason no insurance: Does not need it / Someone else in the family or household has it



For the salaried urban, affordability is the biggest barrier for Blue while for Madison the biggest barrier is awareness



Source: FinScope Zambia 2009

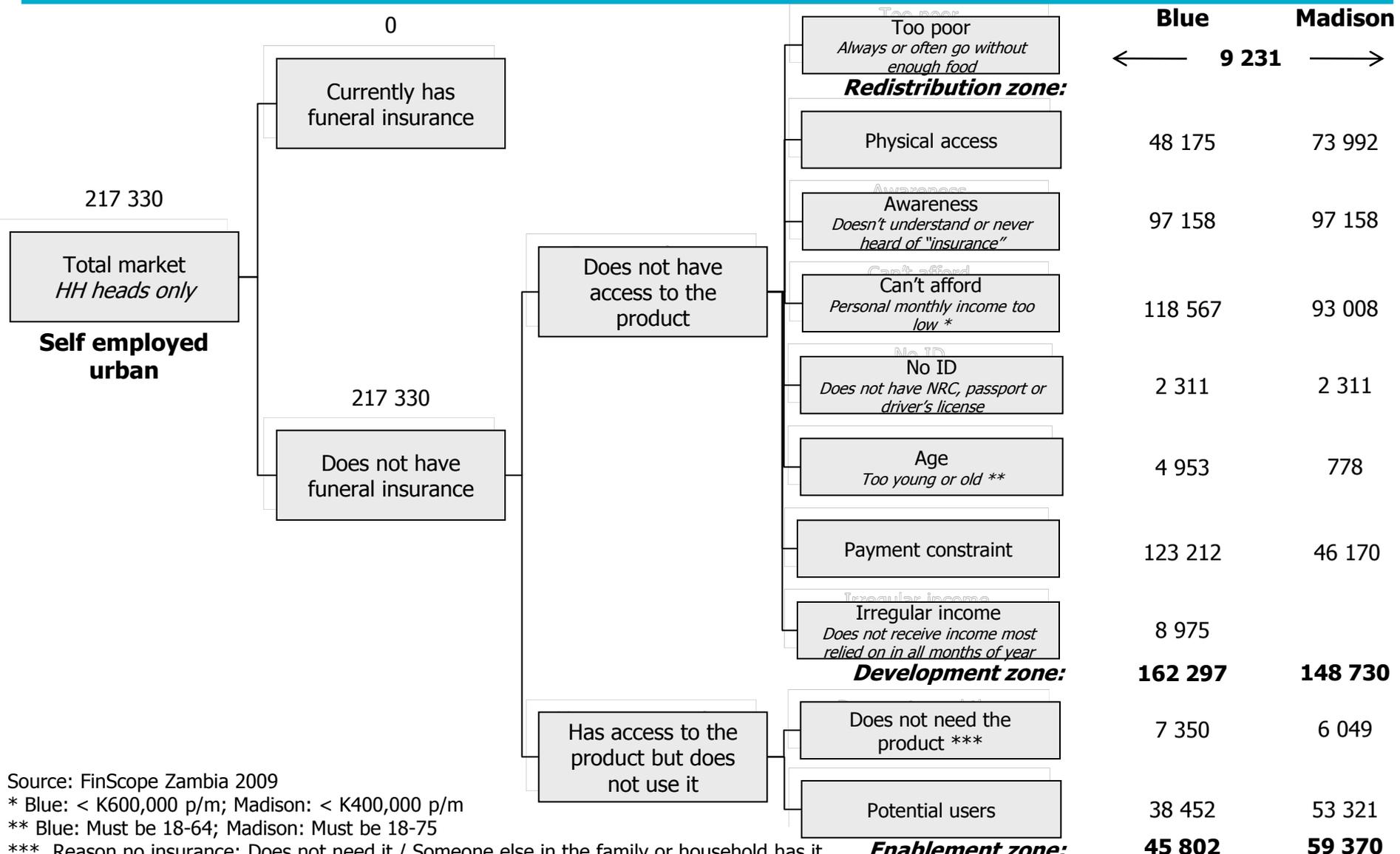
* Blue: < K600,000 p/m; Madison: < K400,000 p/m

** Blue: Must be 18-64; Madison: Must be 18-75

*** Reason no insurance: Does not need it / Someone else in the family or household has it



For the self employed urban market, the biggest barriers for the Blue product are payment and affordability. For Madison, awareness and affordability are the most significant barriers



Source: FinScope Zambia 2009

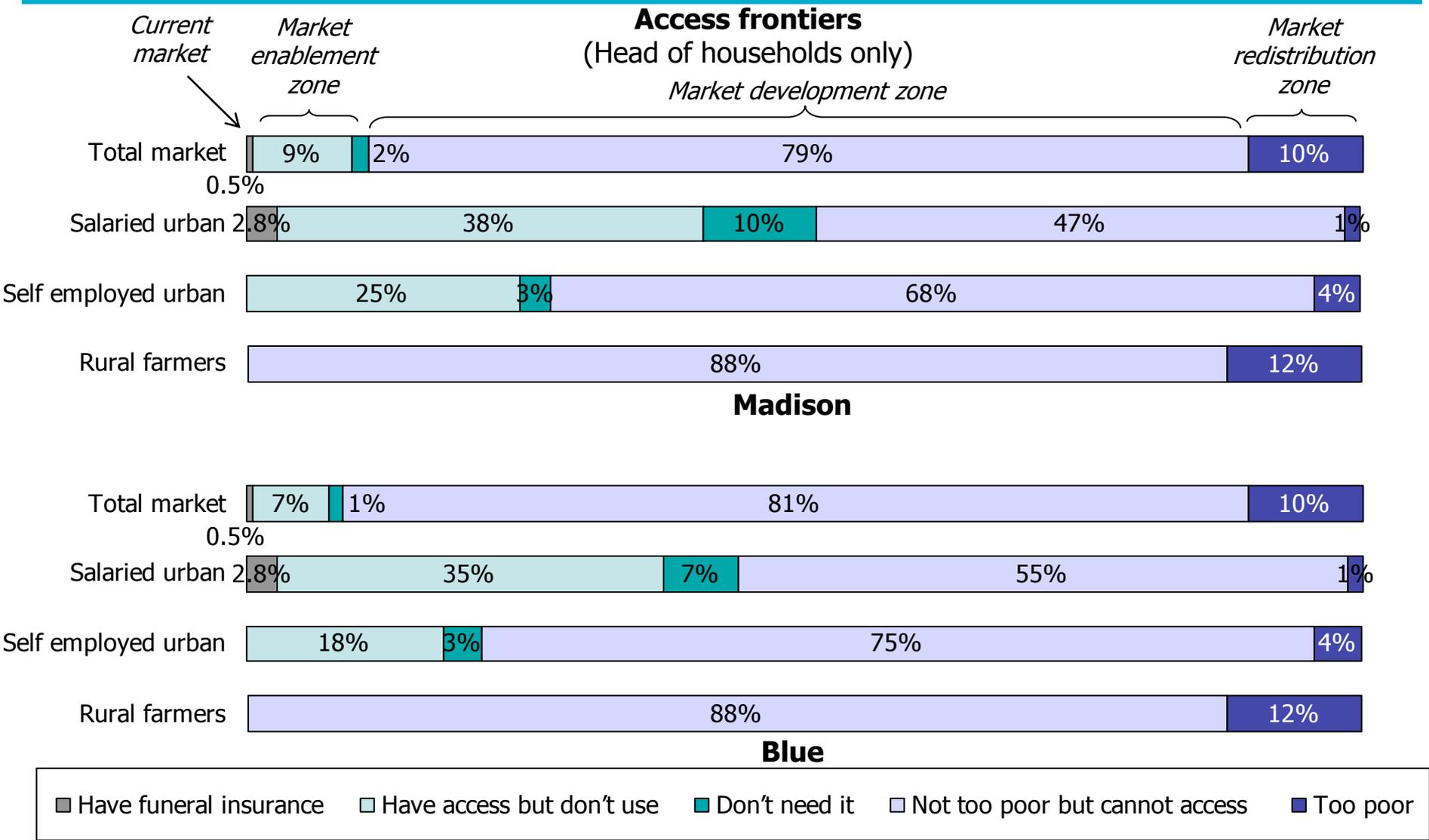
* Blue: < K600,000 p/m; Madison: < K400,000 p/m

** Blue: Must be 18-64; Madison: Must be 18-75

*** Reason no insurance: Does not need it / Someone else in the family or household has it



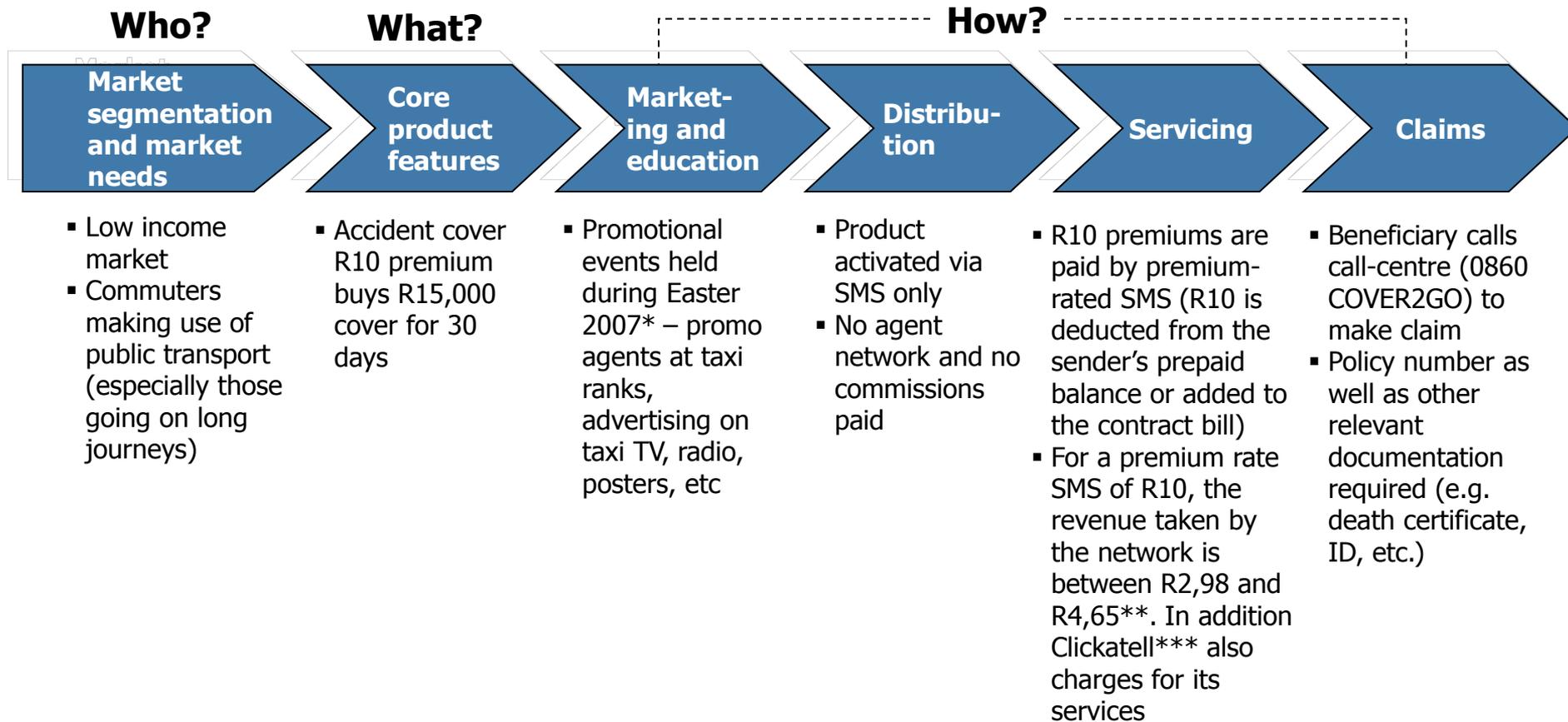
The frontiers can be summarised as a strand. In terms of policy holders (assuming one policy per household) there appears to be some scope for growth in urban markets



Metropolitan used cell phones for its Cover2go product



Metropolitan's Cover2go was a limited-period accident plan



Source: www.cover2go.co.za; G Samuels – Cover2go representative; www.clickatell.co.za

*Promotional campaigns were held over the Easter and Christmas periods

**Depends on the network and contract / package

** Costs for using Clickatell include a once off setup fee (R500 to R2000), monthly rental (R300 to R500), and messaging costs (9c to 11c per incoming message) *Prices as per Clickatell website*

Old Mutual launched a single premium, pre-paid insurance product in November 2007 distributed through Shoprite Checkers

pay when you can *simple!*

From
R9.95



SHOPRITE 
MEMBERS LTD

- Shoprite Group's turnover was R34.6 Billion for FY 2007
- It has a network of 992 stores (including Shoprite, Checkers, OK, U-Save)
- According to AMPS 2007, 17.3 million adults (16+) purchase groceries at least once a year at Shoprite Group stores. 43% are unbanked, 60% are in LSMs 3 - 6

pay-when-you-can

Registration Pack
Under 65's only

R9.95

Register Now at a Money Market Kiosk



Register now and get these immediate benefits

- R5 000 Family Accidental Cover for 60 days from registration
- Access to financial education workshops
- Access to affordable, flexible, financial products

Turn over to find out about the Family Funeral Cover and the Family Accidental Cover



OLD MUTUAL

simple solutions for success

Register Now! *No registration, no cover!*

Take your ID and client card (included in this pack) to any Shoprite or Checkers Money Market Kiosk to register you and your family and to activate your R5 000 60-day Family Accidental Cover.

PLEASE NOTE: If seal is broken, you must register before you can claim a refund.

When you have registered, you can buy pay-when-you-can **Top-Ups:**

• **Family Funeral Cover Top-Up**
Premium rates and cover options

pay-when-you-can Premiums	For accidental death (from month 1 to 12)	For death due to any other cause (from month 7 to 12)
R13.95	R500	R500
R27.95	R1 000	R1 000
R67.95	R2 500	R2 500
R129.95	R5 000	R5 000

• **Family Accidental Cover Top-Up**

R5 000

Family Accidental Cover

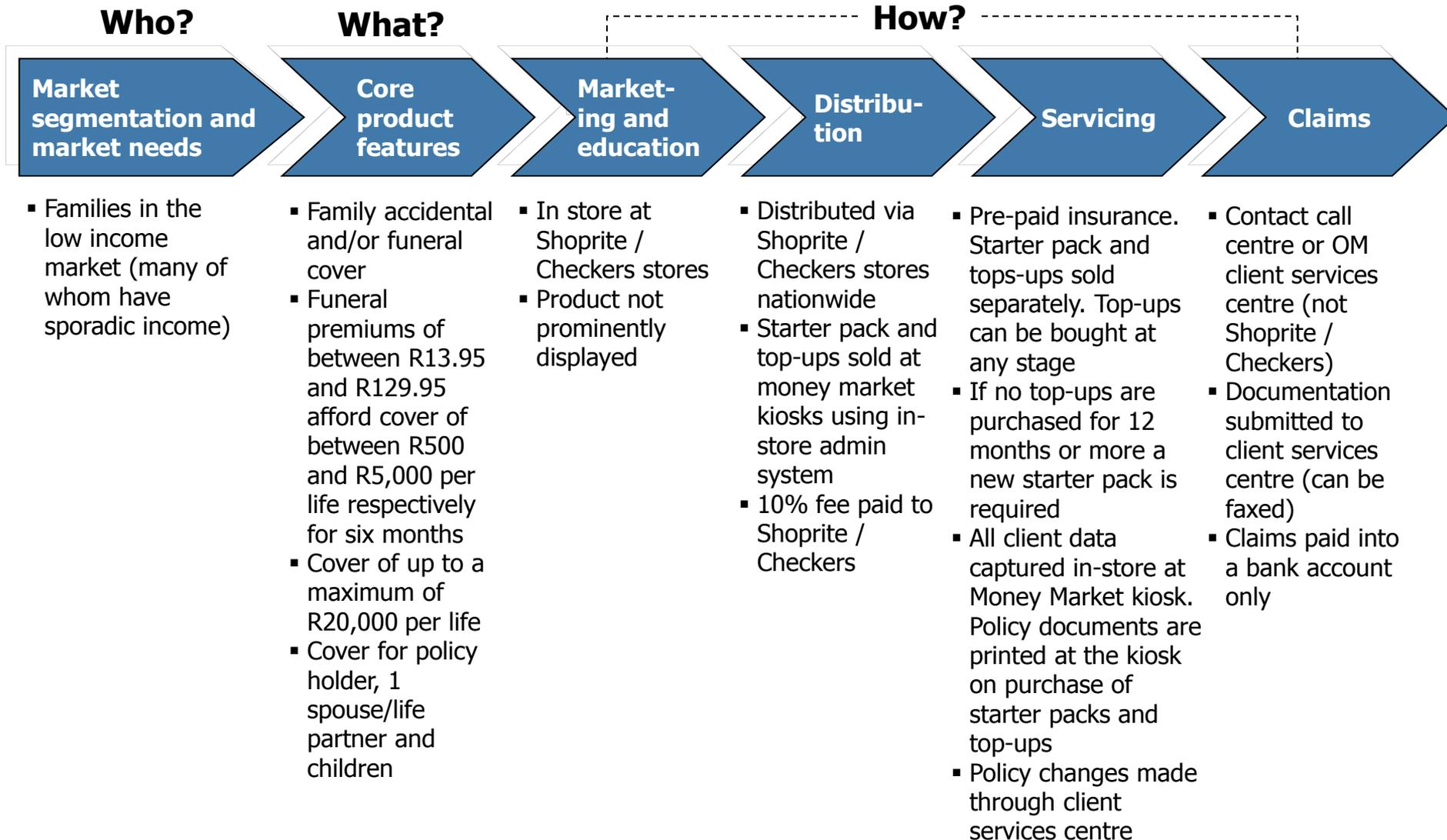
R6.95 Top-Up buys another R5 000 Family Accidental Cover for you and your family. This cover is valid for 60 days, for death due to accidents, from the moment you top-up.



OLD MUTUAL

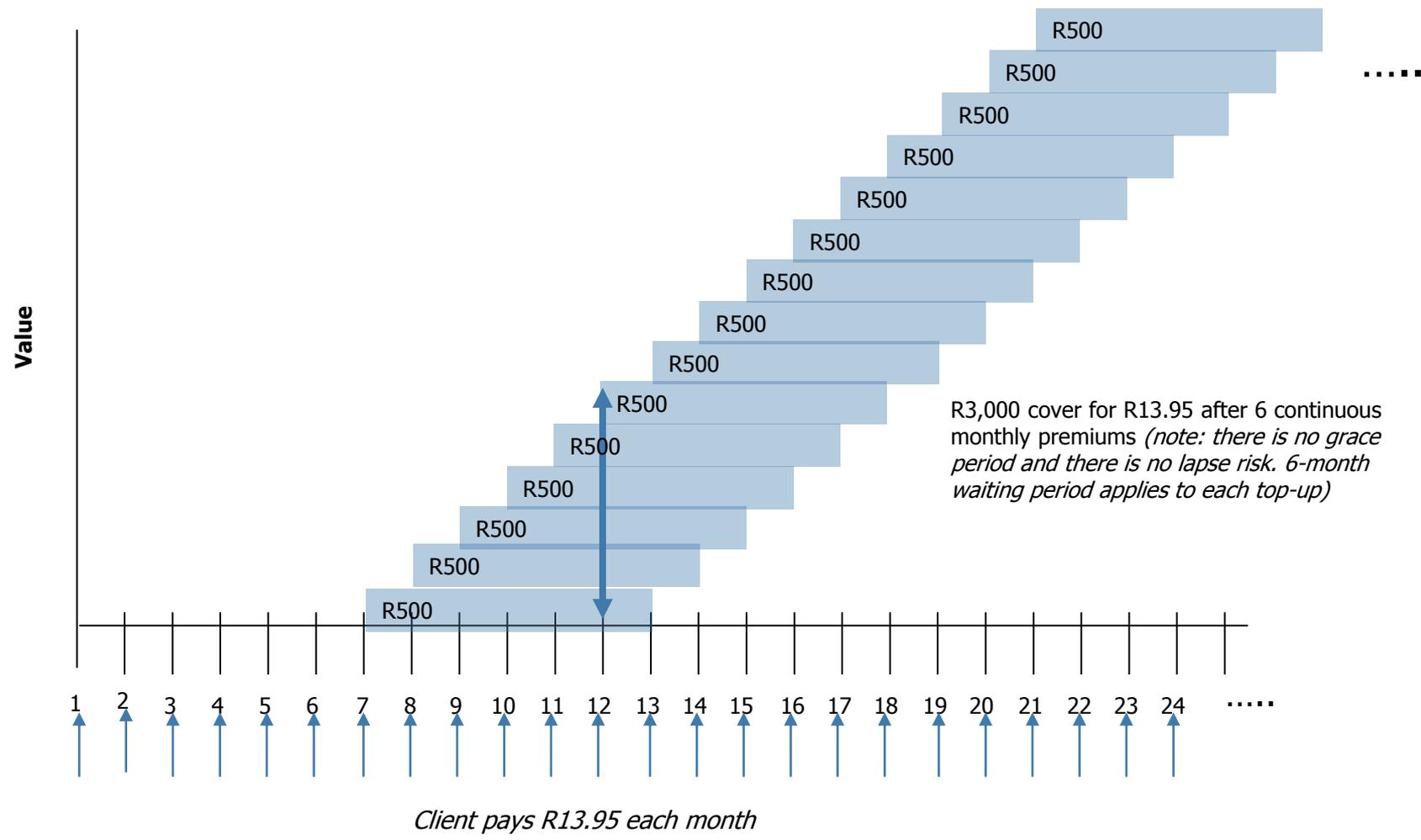
General Financial Services Provider

The Pay-when-you-can product facilitates premium payments as and when



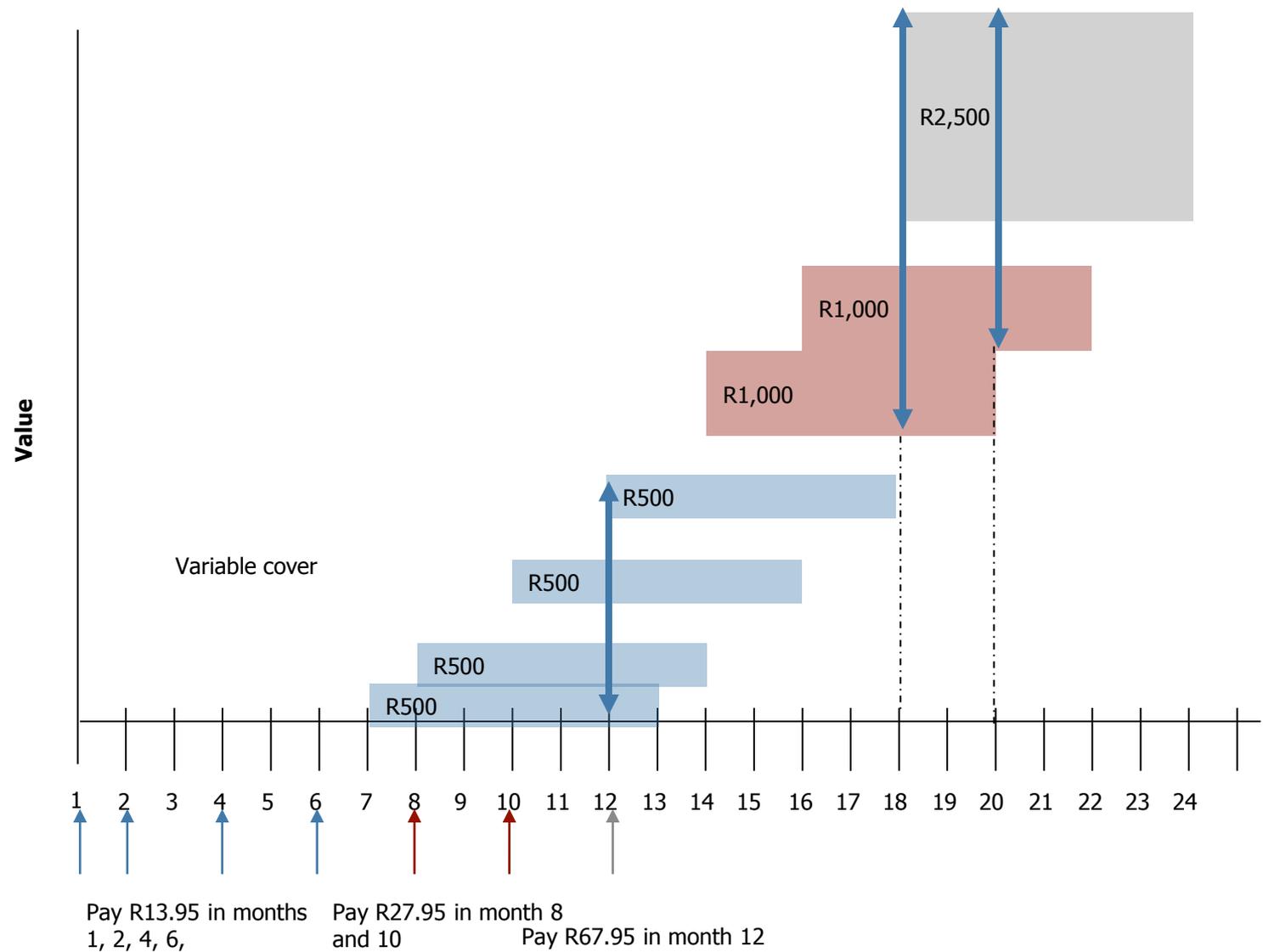


By paying monthly, it is possible to mirror the premium / benefit profile of a typical insurance product using PWYC



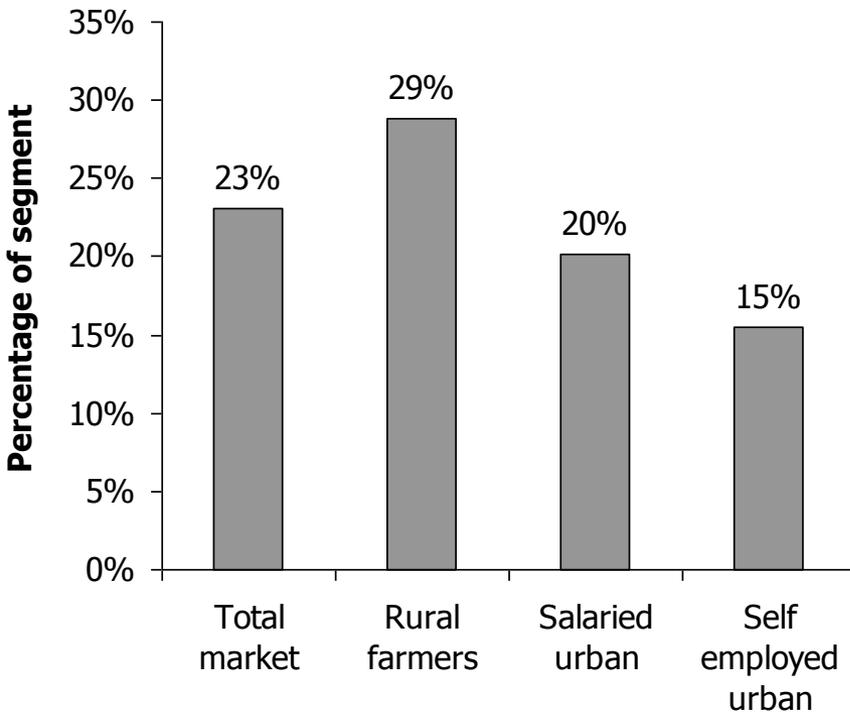


If a client misses a payment, cover is reduced. If more funds are available, cover can be increased

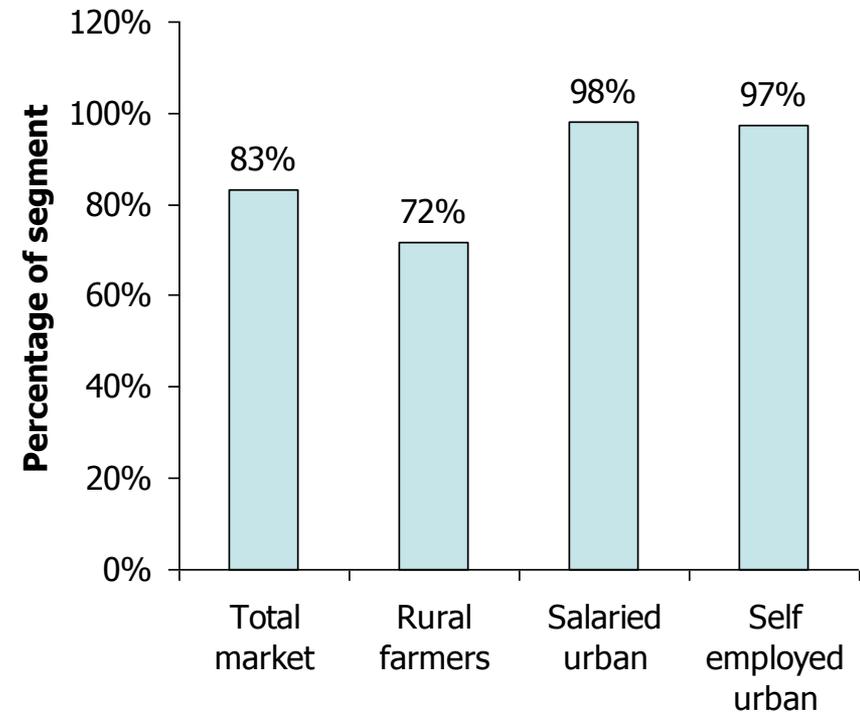


Alternative distribution

Membership of church of religious group
(% members)



Time taken to travel to food or grocery store
(% take less within 60 minutes)

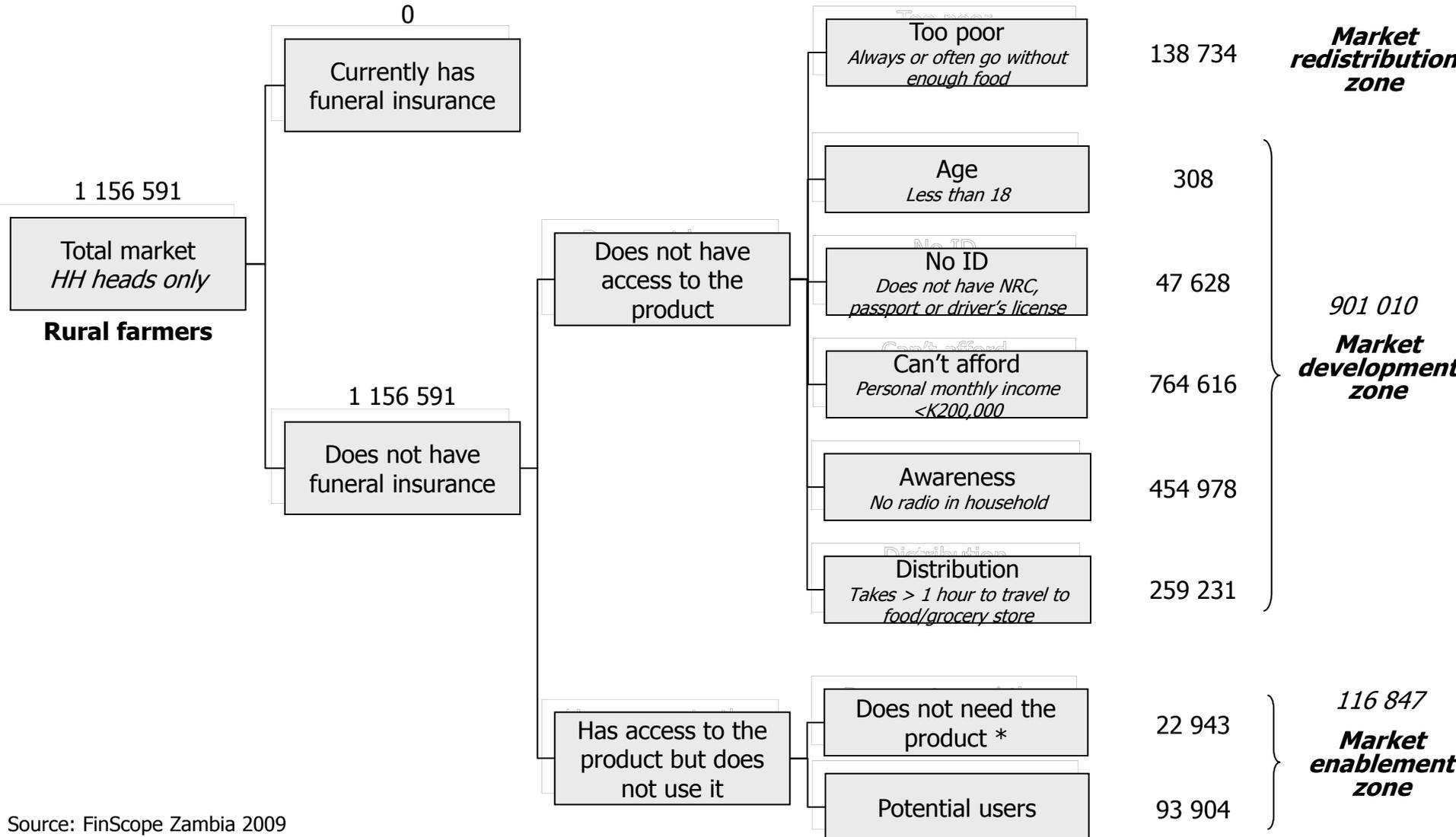




In order to develop an accessible funeral product we can look to Old Mutual's Pay-when-you-can product. Again, we look only at household heads as the product will provide cover for the household

- **Age**
 - The main member must be at least 18 years old
- **Identification**
 - Must be able to provide at least one of the following: National Registration Card, passport or driver's license
- **Affordability**
 - Monthly premium is K10,000
 - It is by no means clear what an affordable premium would be. For the purposes of this analysis we have assumed a 5% affordability threshold. Thus, if the premium amounts to 5% or less of personal income it is regarded as 'affordable'
 - The individual must therefore have a personal monthly income of at least K200,000
- **Regularity of income**
 - There is no lapse risk and premiums can be paid several months upfront, therefore sporadic income is not a constraint
- **Awareness**
 - Extensive radio marketing for this product
 - Any person who has a radio in their household is considered to be aware of the product
- **Distribution**
 - Distributed through any grocery store
 - Must take within an hour to travel to a food/grocery store

For rural farmers, affordability and awareness are the biggest barriers to access. Distribution is also a significant barrier

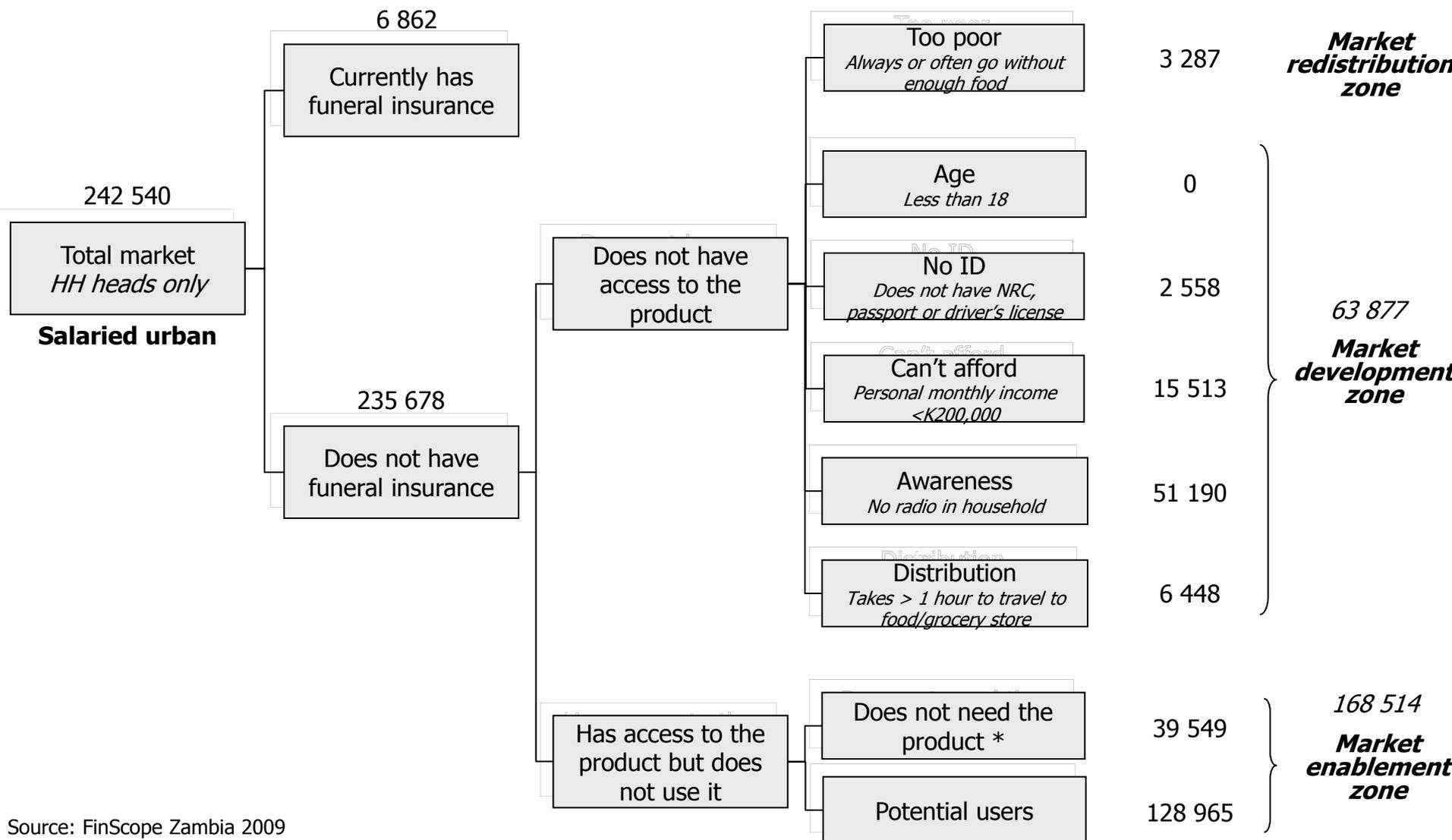


Source: FinScope Zambia 2009

* Reason no insurance: Does not need it / Someone else in the family or household has it



Awareness is the biggest barrier to access for the salaried urban segment

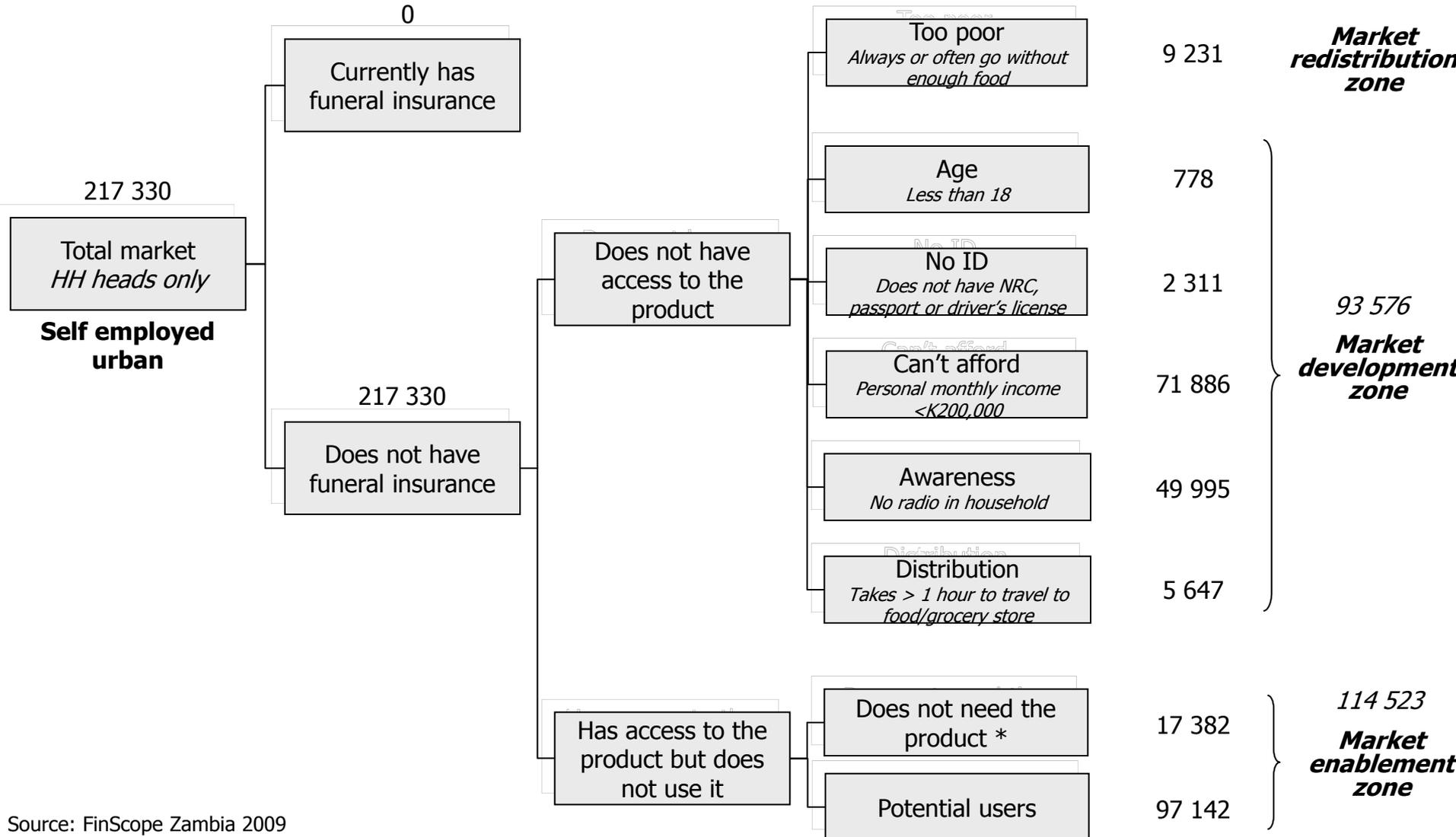


Source: FinScope Zambia 2009

* Reason no insurance: Does not need it / Someone else in the family or household has it



Affordability is the biggest barrier to access for the self employed urban market segment. Awareness is also a significant barrier

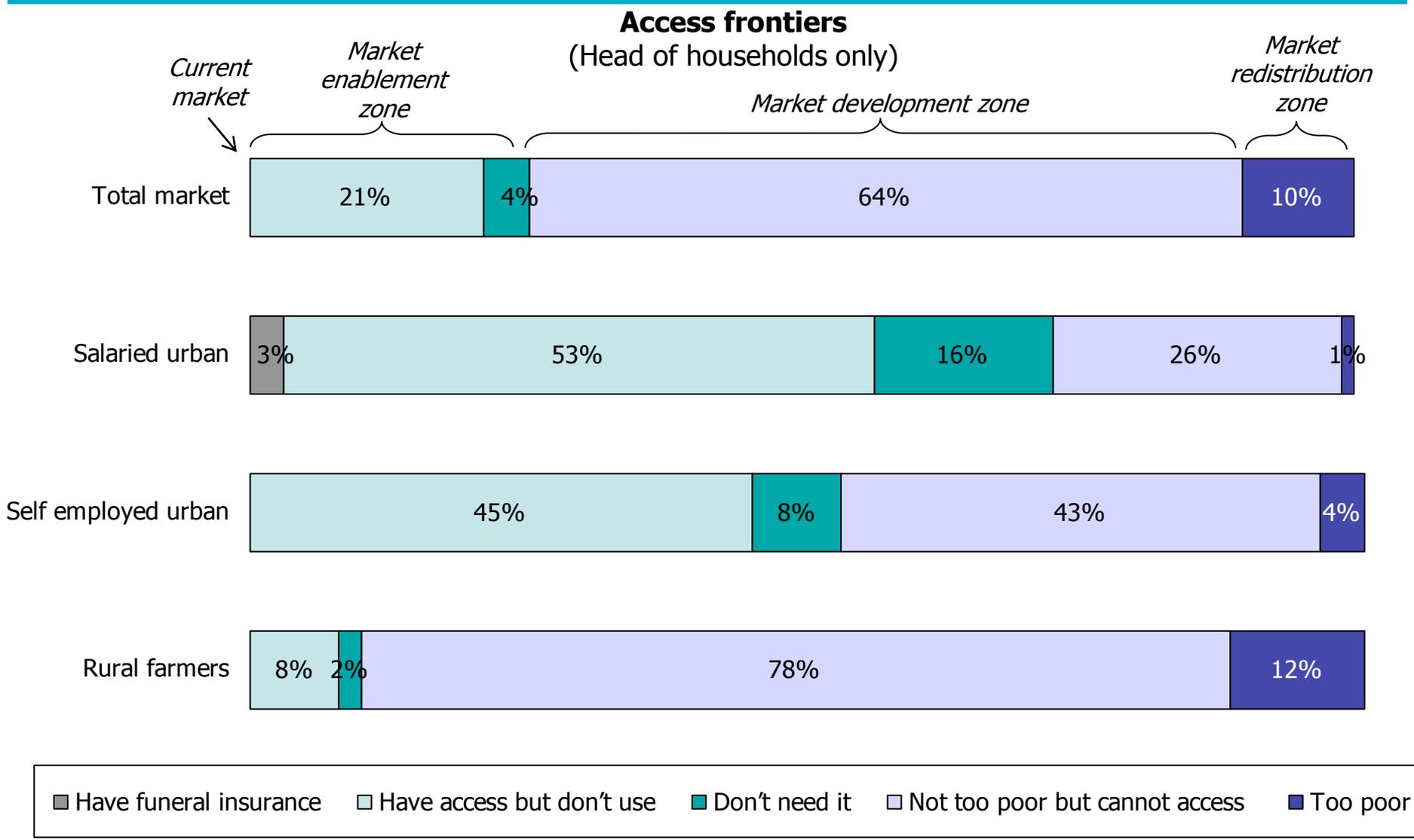


Source: FinScope Zambia 2009

* Reason no insurance: Does not need it / Someone else in the family or household has it



The frontiers can be summarised as a strand. In terms of policy holders (assuming one policy per household) there appears to be significant scope for growth in urban markets



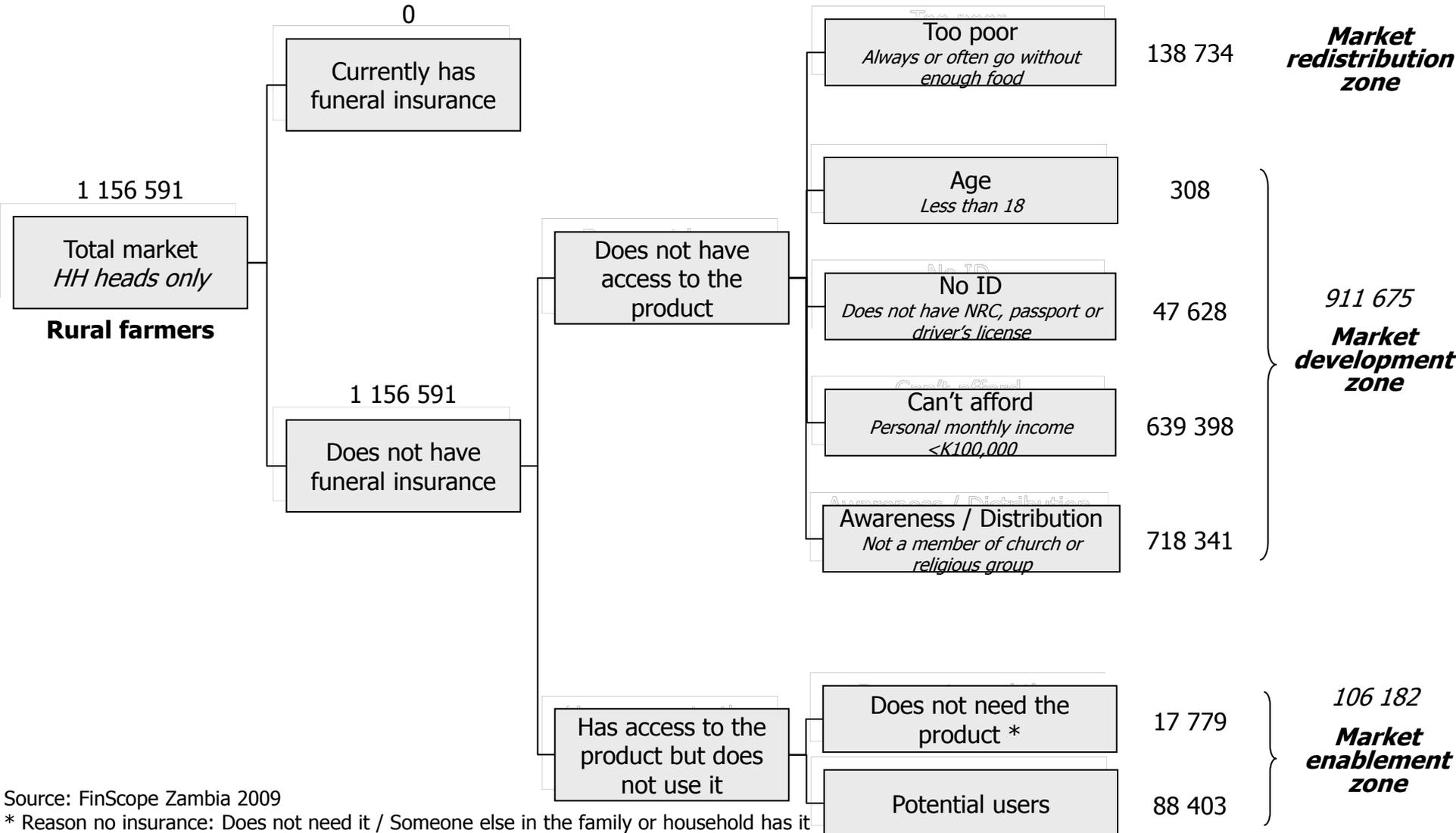
Source: FinScope Zambia 2009



Another easily accessible funeral product can be based on an African Life Church-based distribution. Again, we look only at household heads in order to get a more realistic picture of the addressable market

- **Age**
 - The main member must be at least 18 years old
- **Identification**
 - Must be able to provide at least one of the following: National Registration Card, passport or driver's license
- **Affordability**
 - Monthly premium is K5,000
 - It is by no means clear what an affordable premium would be. For the purposes of this analysis we have assumed a 5% affordability threshold. Thus, if the premium amounts to 5% or less of personal income it is regarded as 'affordable'
 - The individual must therefore have a personal monthly income of at least K100,000
- **Regularity of income**
 - There is no lapse risk and premiums can be paid several months upfront, therefore sporadic income is not a constraint
- **Awareness**
 - Workshops through churches using church-based facilitators
 - Must be a member of a church or religious group
- **Distribution**
 - Uses a church-based distribution system to sell and service the product
 - Must be a member of a church or religious group

For rural farmers, church membership and affordability are the biggest barriers to access

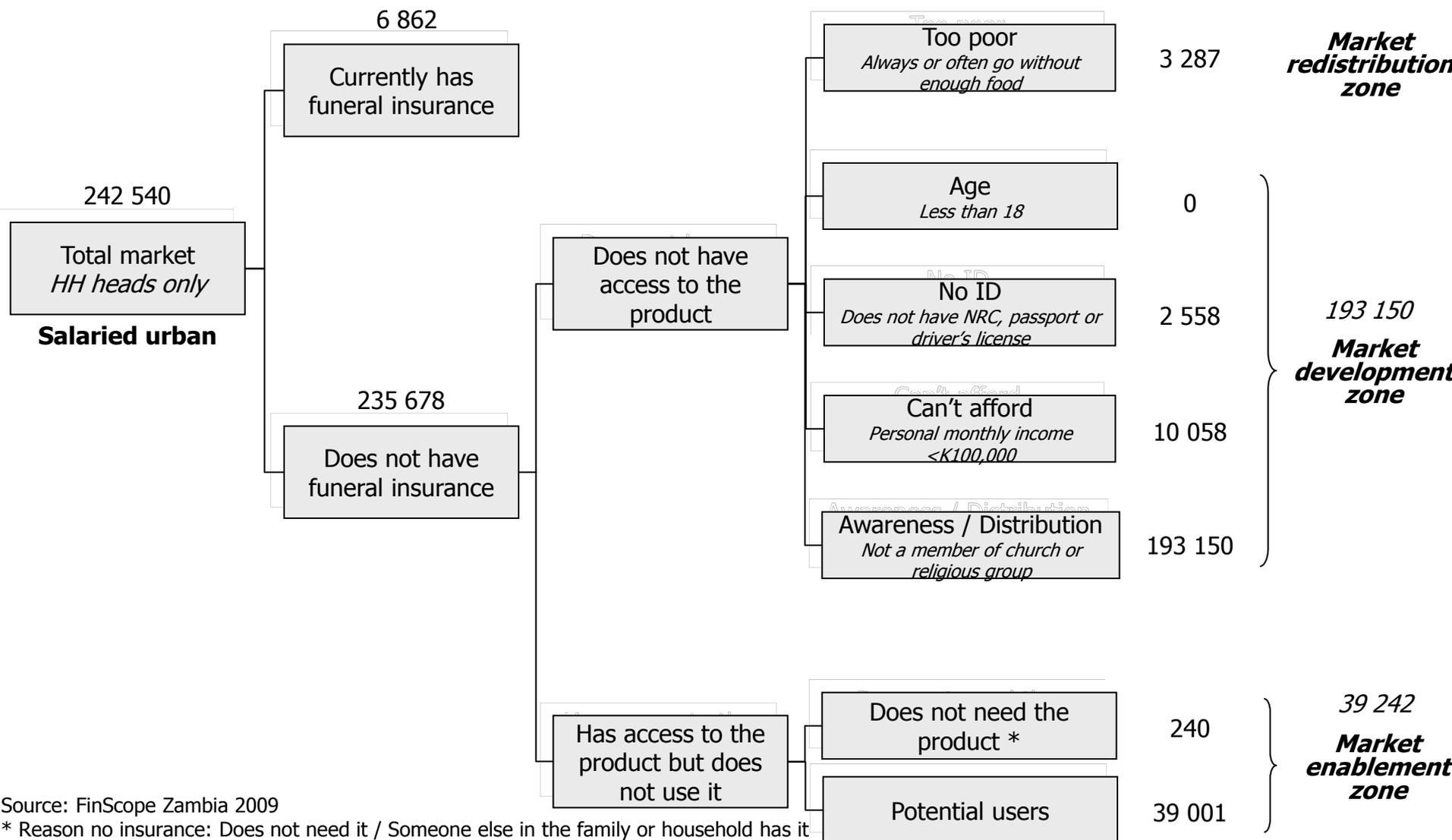


Source: FinScope Zambia 2009

* Reason no insurance: Does not need it / Someone else in the family or household has it

Note: The awareness and distribution constraints are the same for this product

In the salaried urban market segment, church membership is by far the most significant barrier to access



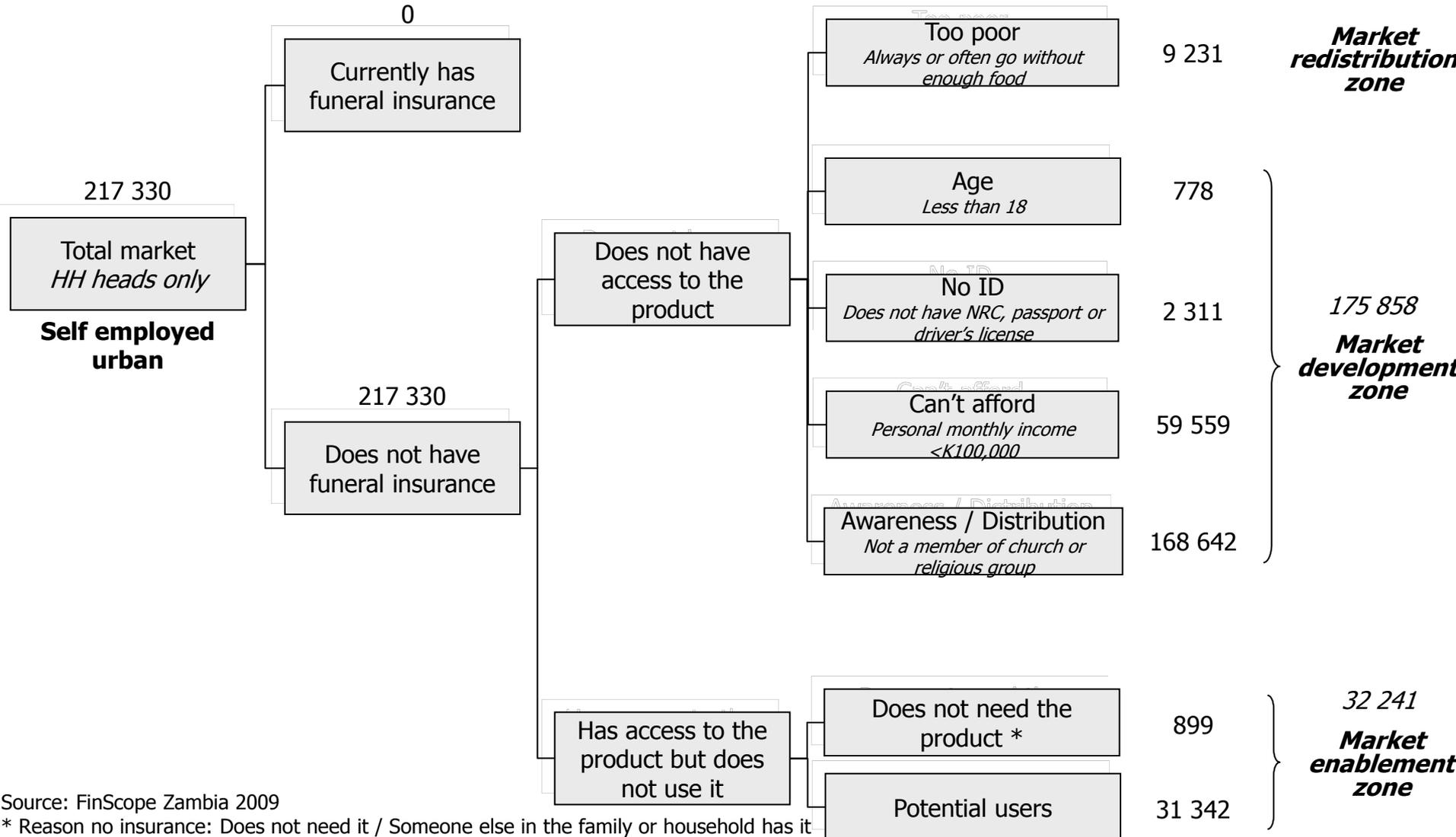
Source: FinScope Zambia 2009

* Reason no insurance: Does not need it / Someone else in the family or household has it

Note: The awareness and distribution constraints are the same for this product



In the self employed urban market segment, church membership is by far the most significant barrier to access



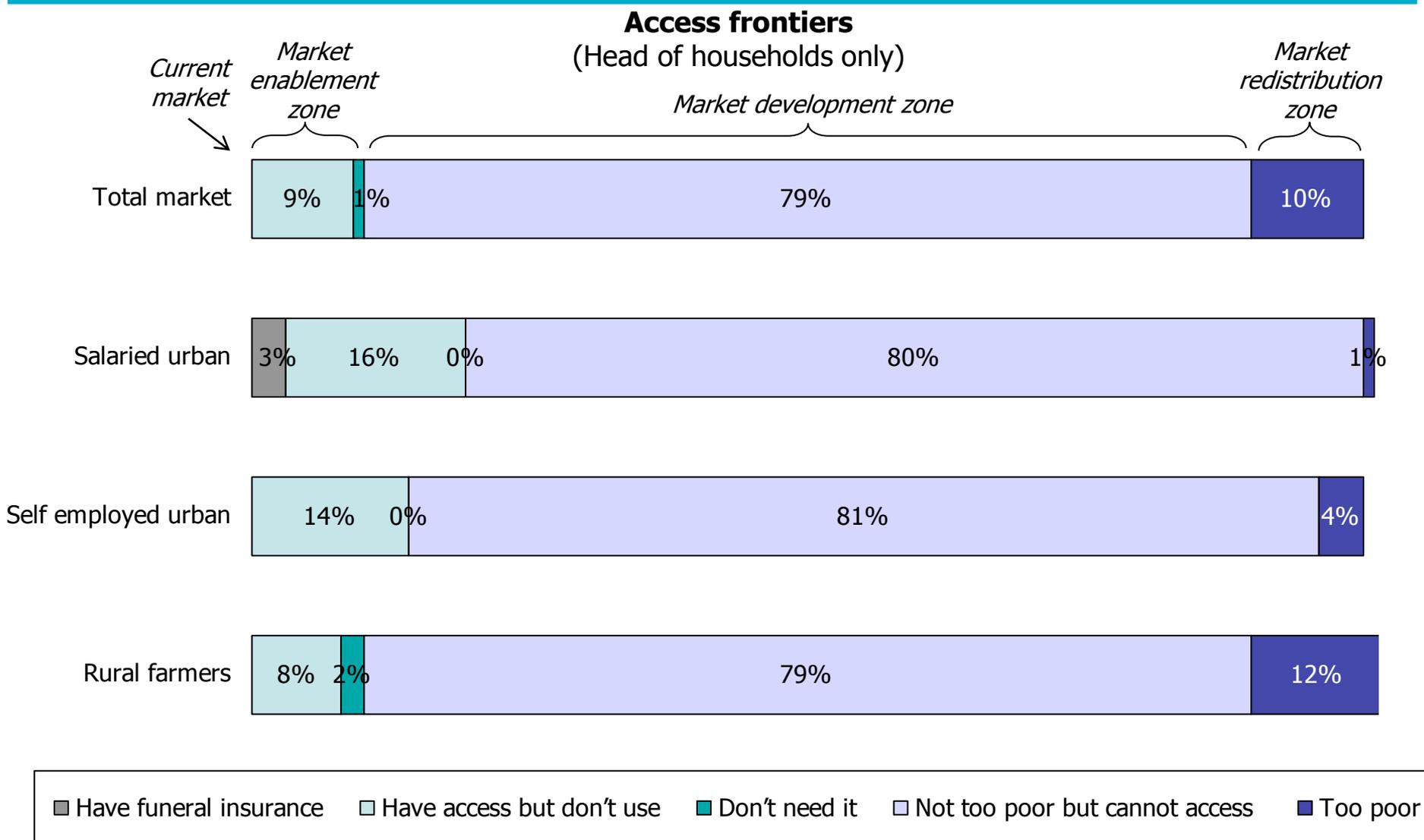
Source: FinScope Zambia 2009

* Reason no insurance: Does not need it / Someone else in the family or household has it

Note: The awareness and distribution constraints are the same for this product



The frontiers can be summarised as a strand. In terms of policy holders (assuming one policy per household) there appears to be some scope for growth in urban markets



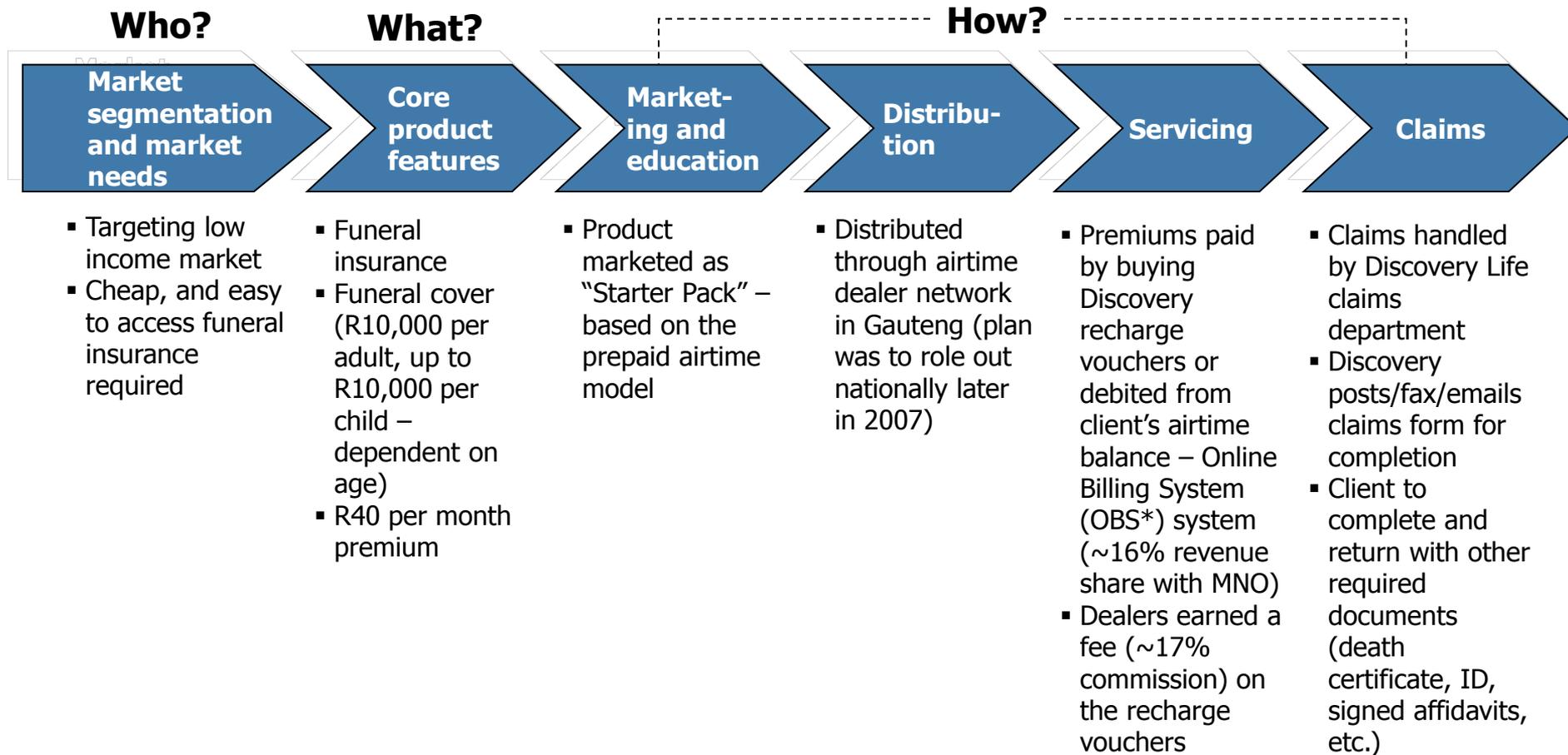
Discovery launched a prepaid Funeral Plan together with SmartCall



Source: www.SmartCallservices.co.za; Discovery Annual Report 2006

* SmartCall was the trading name used by Smartphone SP (Pty) Ltd, a 70% subsidiary of Vodacom Group, distributing products to prepaid customers. It is no longer a subsidiary of Vodacom – C Fleischer, SmartCall GM

The product (which has been discontinued) provided R10,000 cover for R40 per month



Source: www.SmartCallservices.co.za; C Fleischer (SmartCall GM)

* OBS – payment system offered by networks. Works on similar principal as debit orders from banks: client gives authorization for MNO to make monthly deductions from account be it prepaid or contract, MNO passes on deduction and keeps share for itself

Agenda

An overview of Zambia

Banking

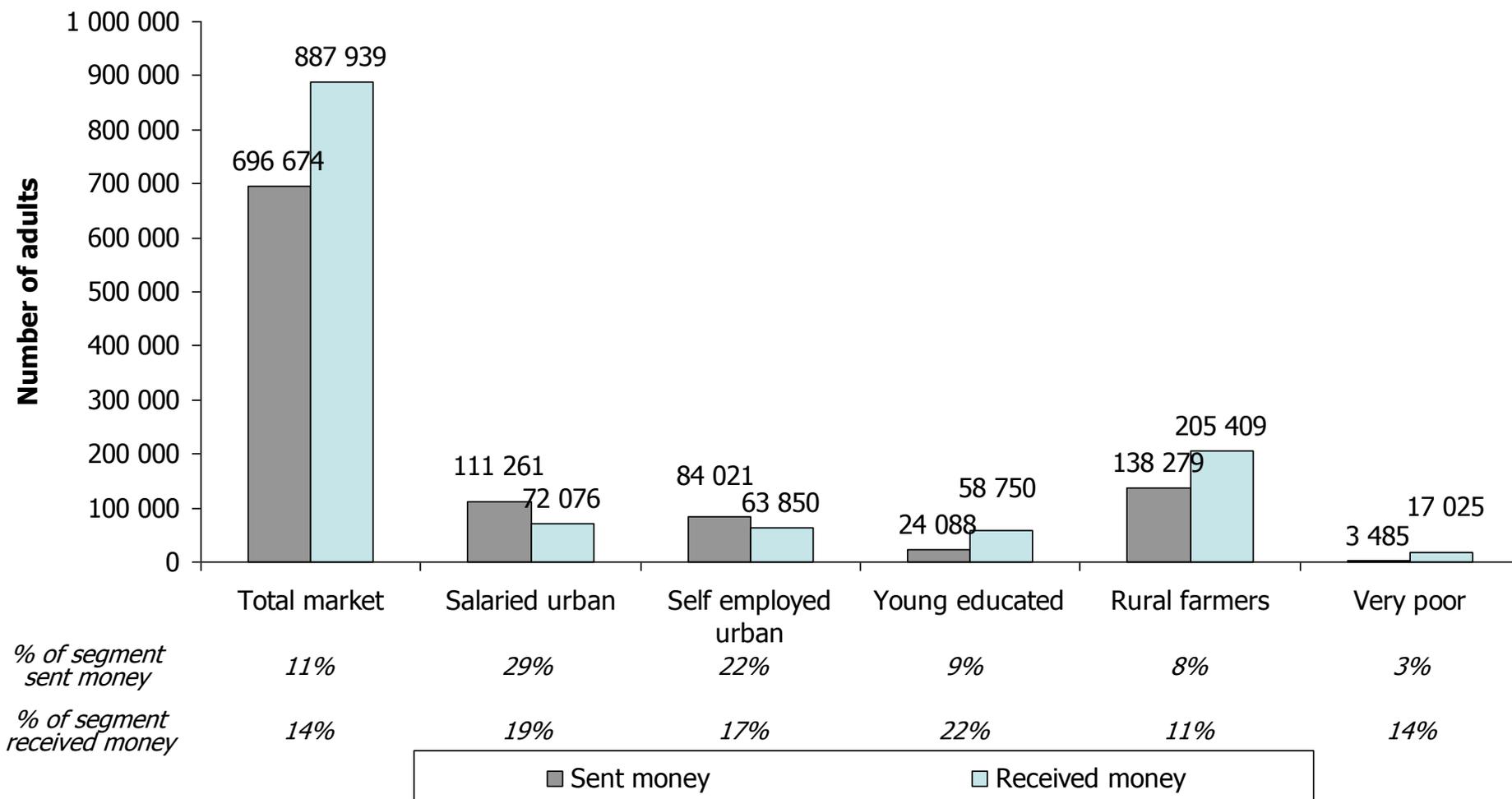
Credit

Insurance

Payments

11% of adults have sent money to someone living elsewhere while 14% have received money from someone

Adults who have sent or received money in the past 12 months



Source: FinScope Zambia 2009

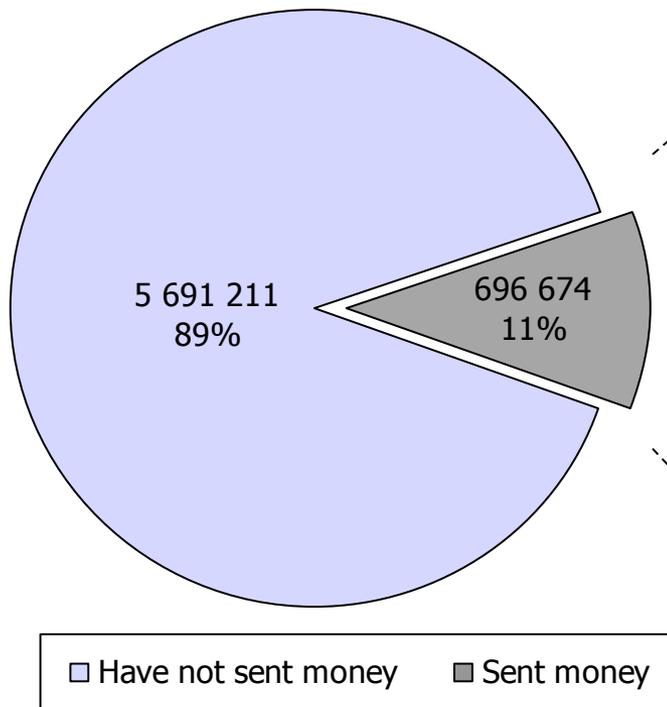
Note: The sample sizes for the Young Educated and Very Poor segments are too small to be reliable



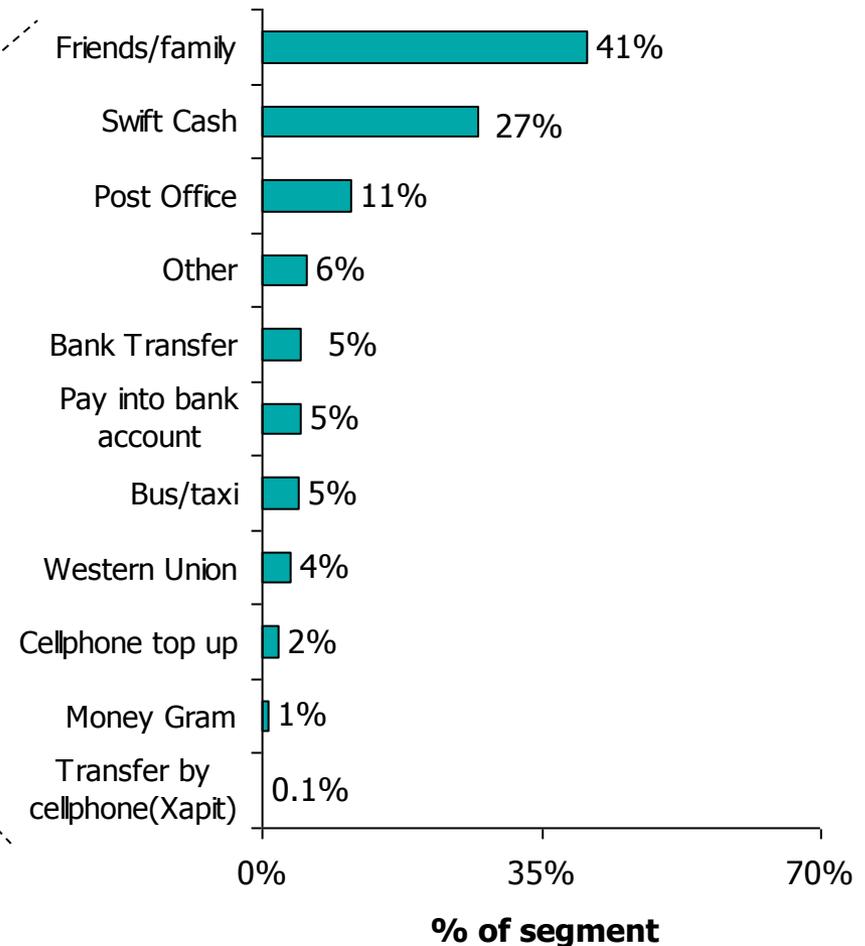
One in ten adults have sent money to someone in the past 12 months, the most common method of transfer being friends or family

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Sent money to someone in the past 12 months (Adults 16+)



Money transfer channels (Those who have sent money)

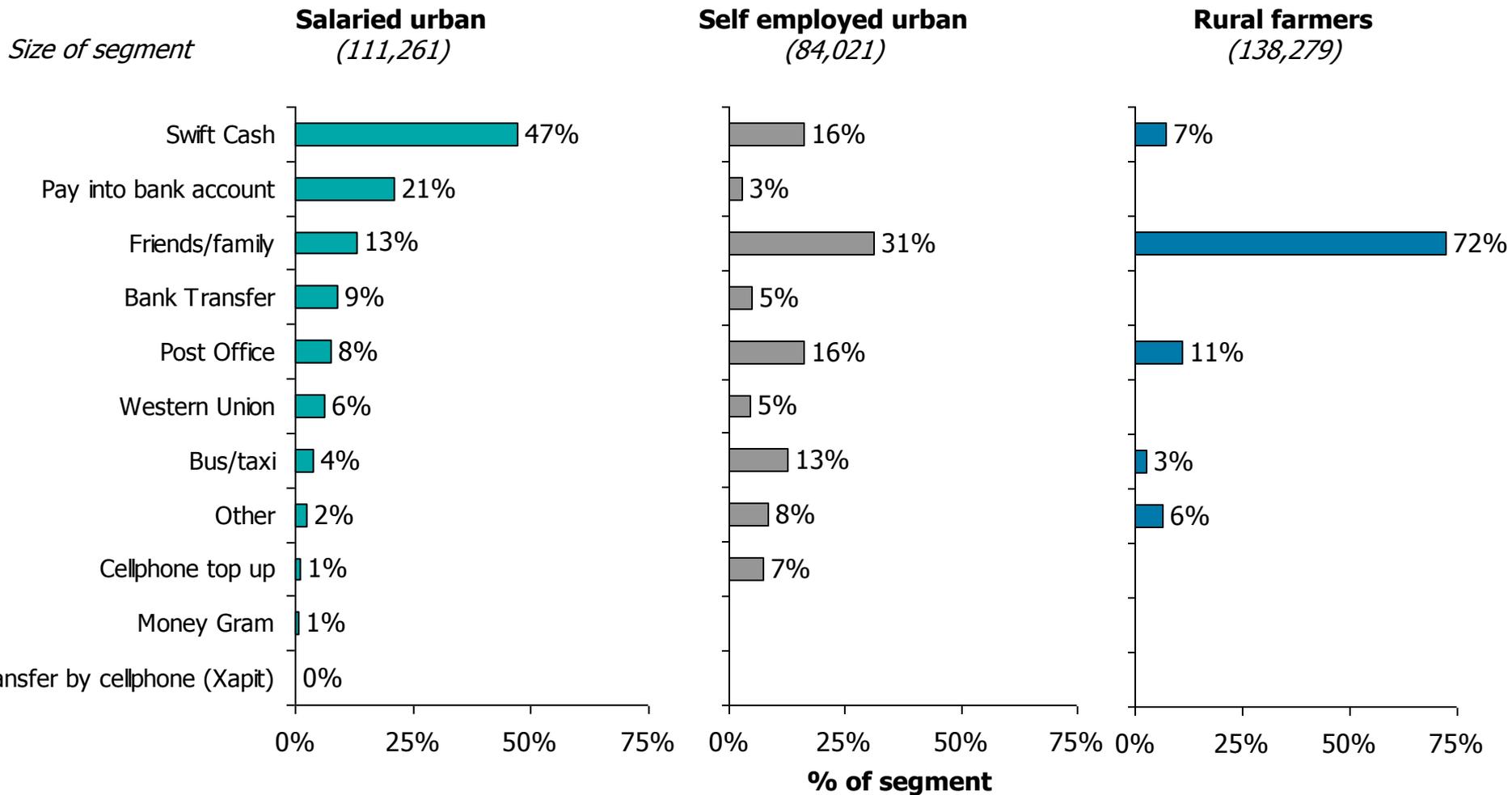


The salaried urban mostly make use of Swift Cash when sending money, while for rural farmers the most common method is via friends or family



Money transfer channels

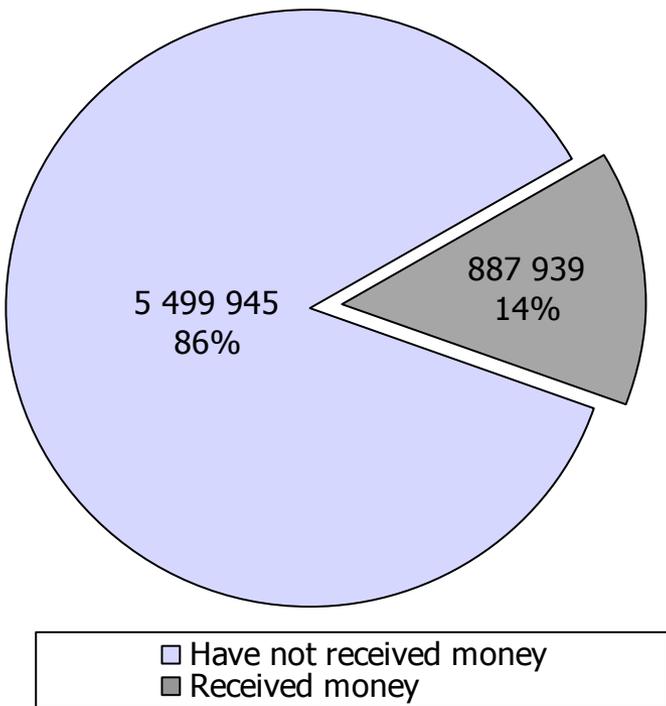
(Those who have sent money)



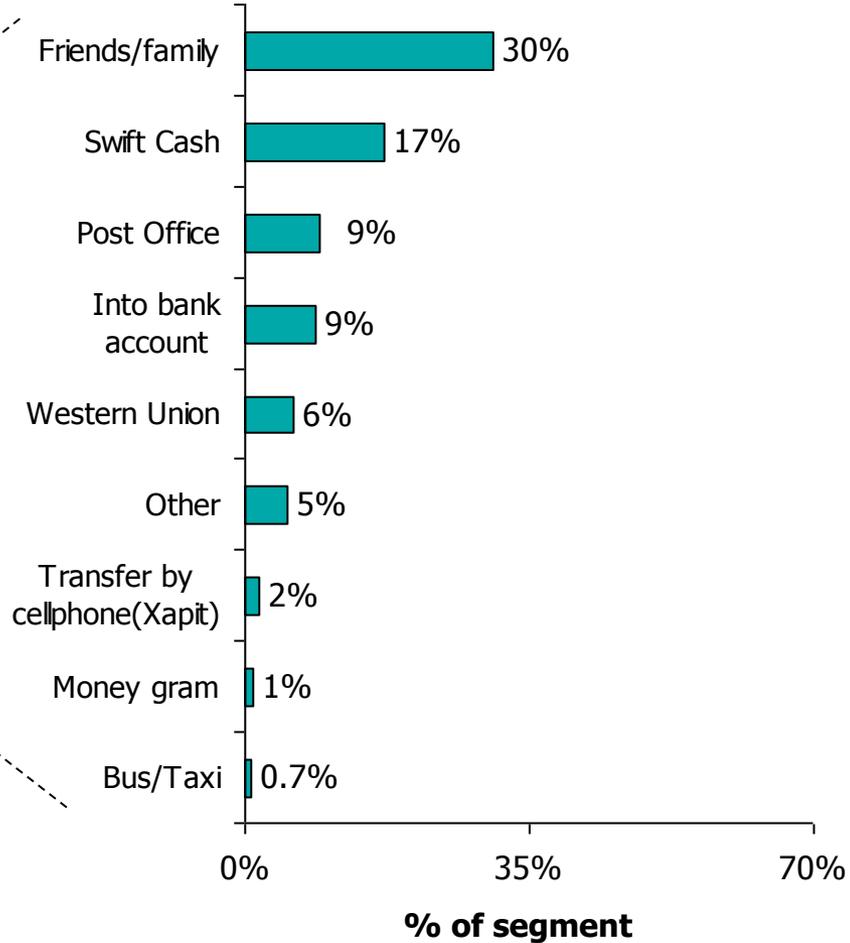


One in seven adults say they have received money from someone in the past 12 months. The method most commonly used to transfer this money is via friends and family

Received money from someone in the past 12 months
(Adults 16+)



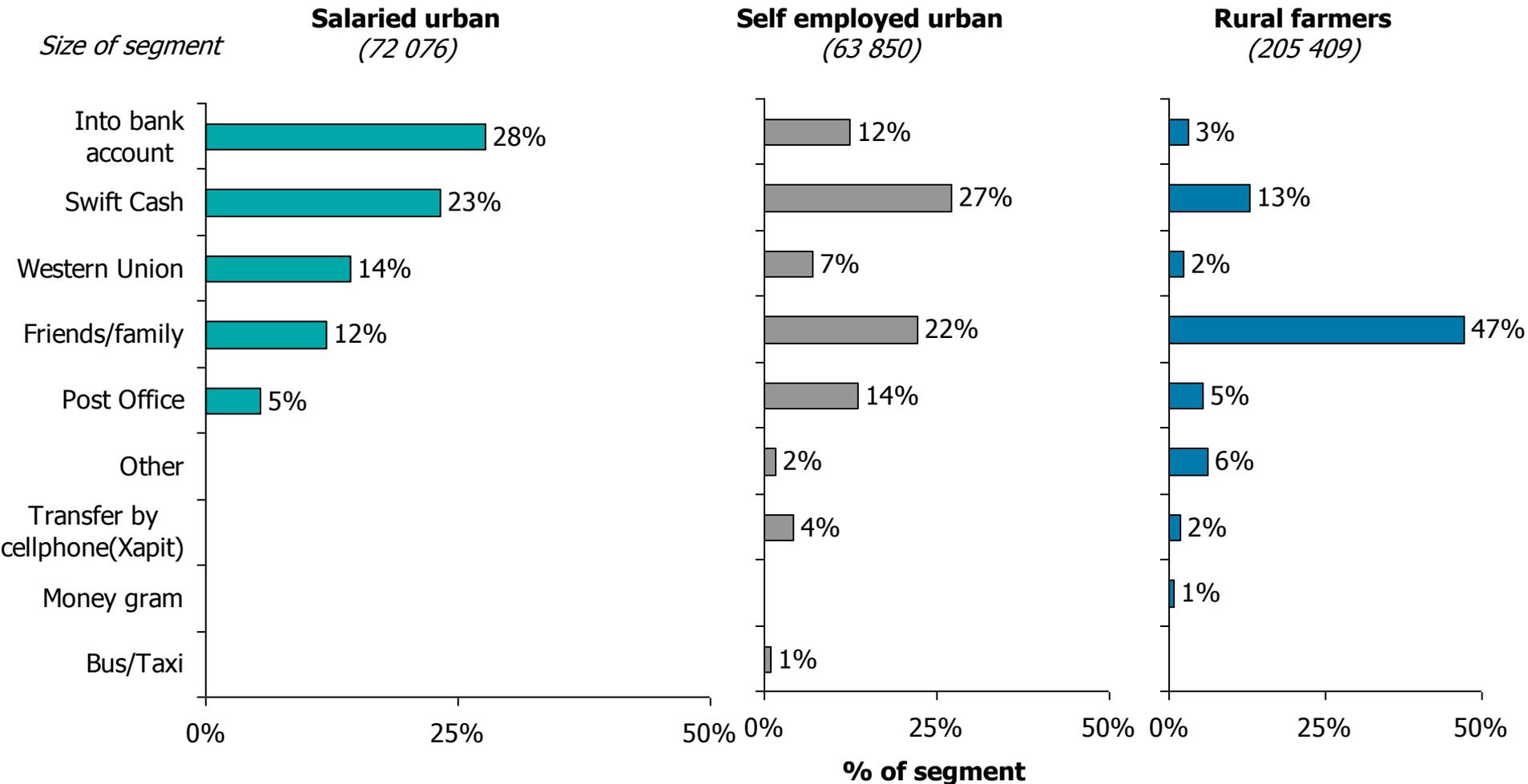
Money transfer channels
(Those who have received money)





11% of rural farmers receive money. For the salaried urban and self employed urban these figures are 19% and 17% respectively. Rural farmers have a lower sending and receiving rate than both the urban segments

Money transfer channels
(Those who have received money)

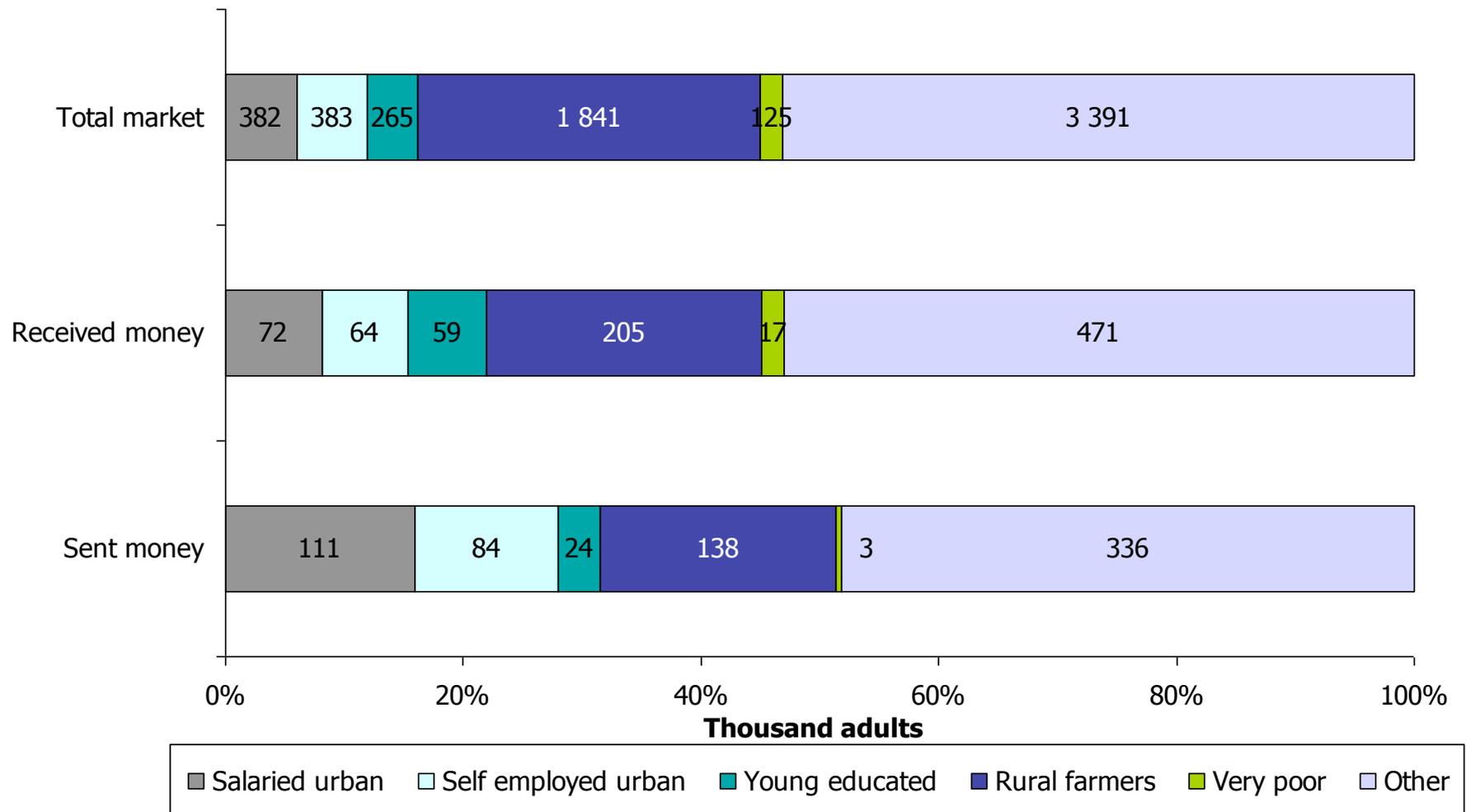


Source: FinScope Zambia 2009



The salaried and self-employed urban represent a larger proportion of those who have sent money in the past 12 months than those who have received money during the same period

Market segment of adults who have sent or received money in past 12 months

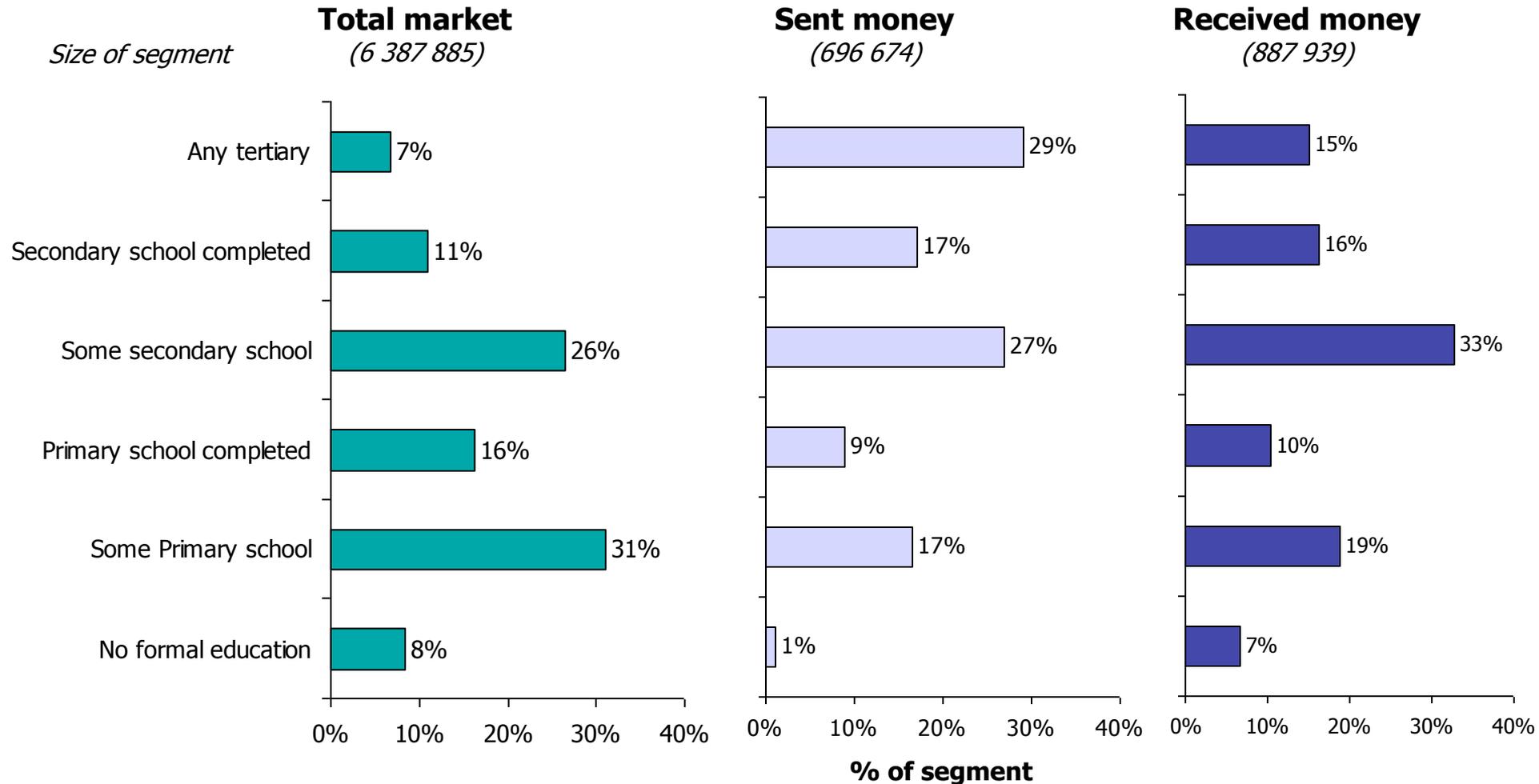


Source: FinScope Zambia 2009

Note: This chart excludes those adults who do not belong to one of the assigned segments

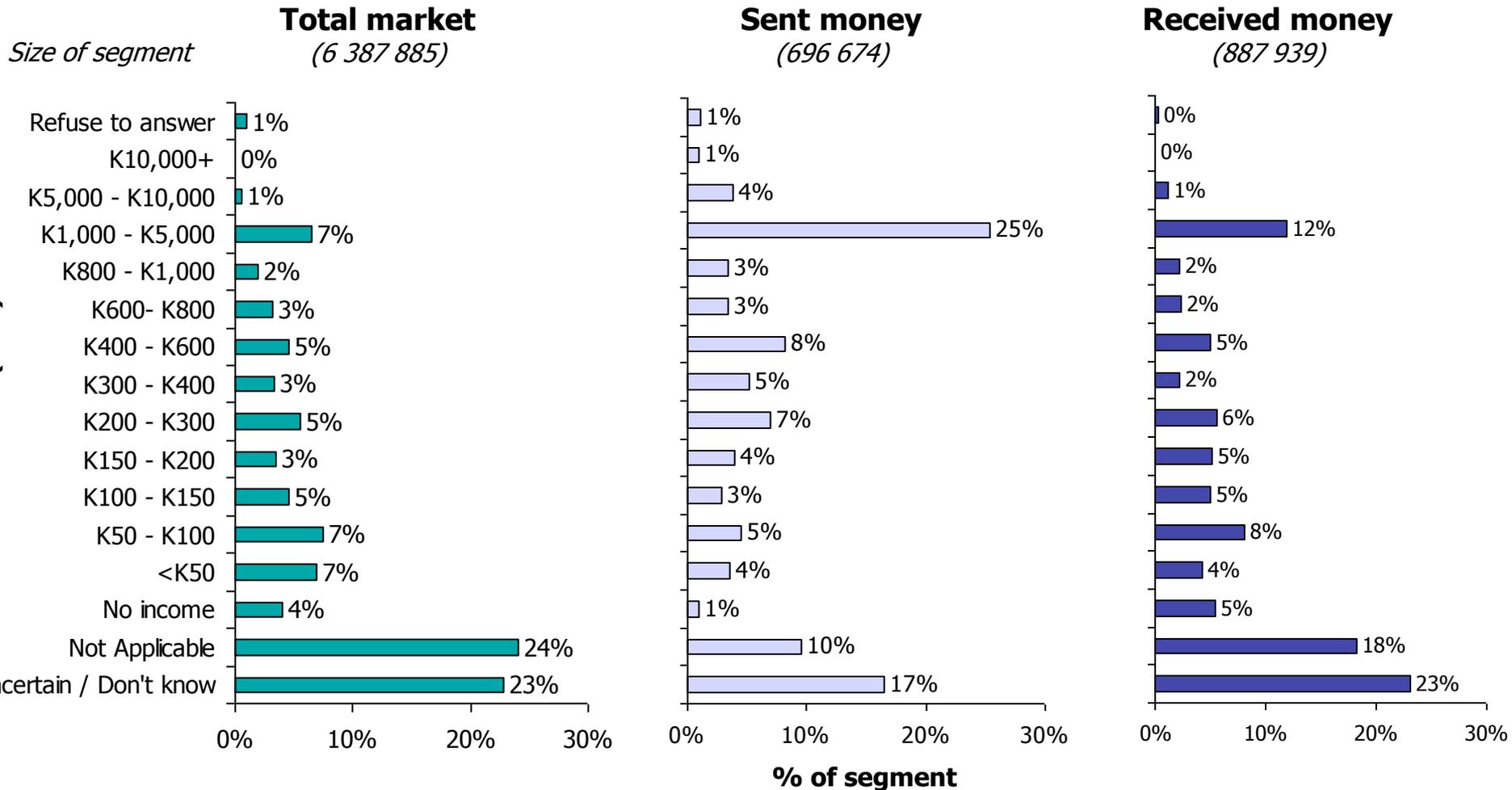
A bigger proportion of individuals who have sent money have had some post-secondary education compared to those who have received money

Highest level of education



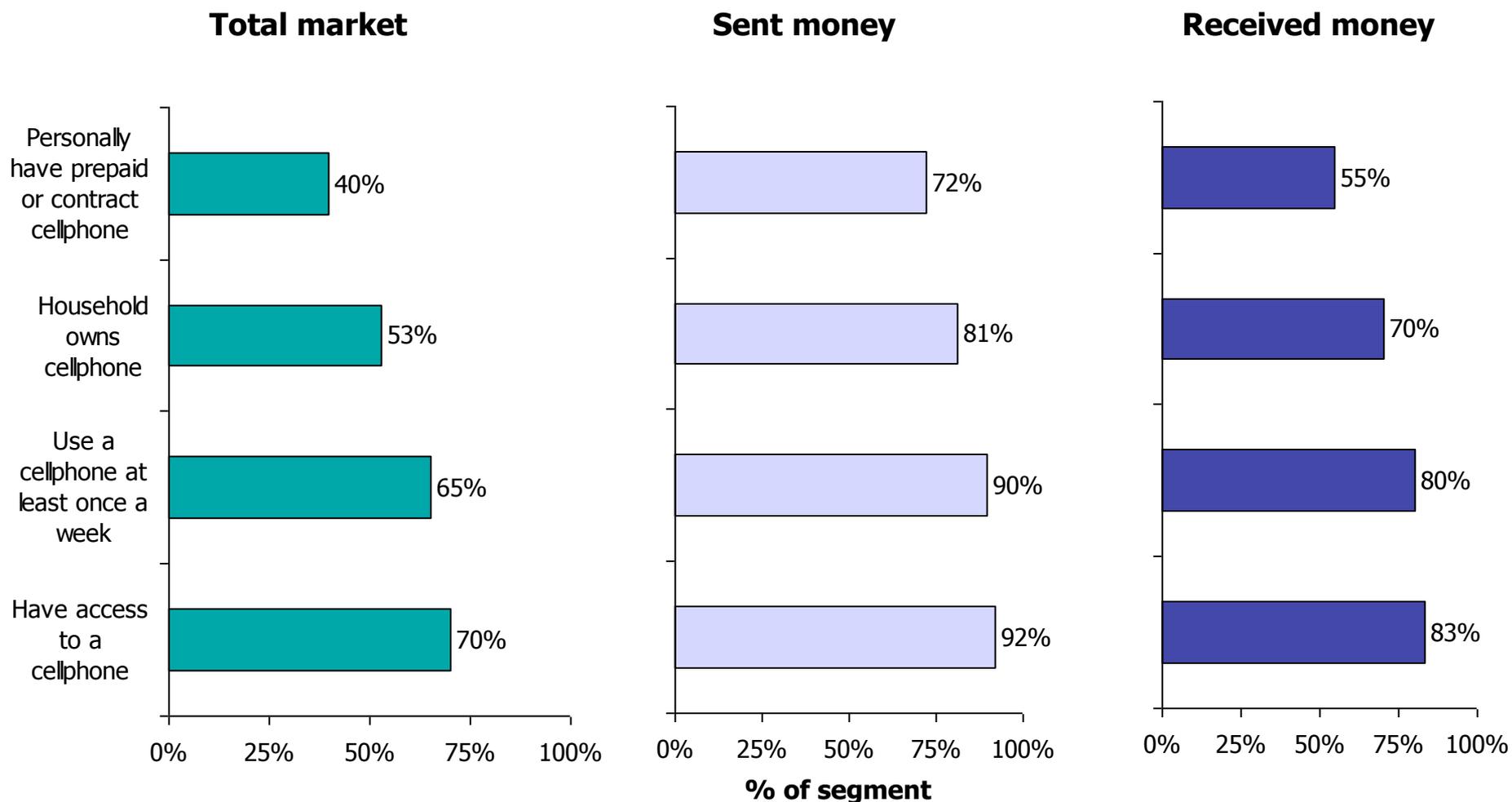
As expected, a larger proportion of adults who have a higher personal income are those who send more money

Personal monthly income



There is a higher penetration of cell phone technology for those that have sent money in the past 12 months

Access and usage of cell phone technology

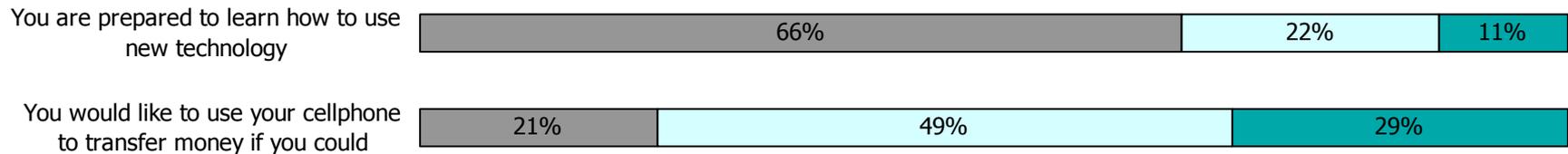




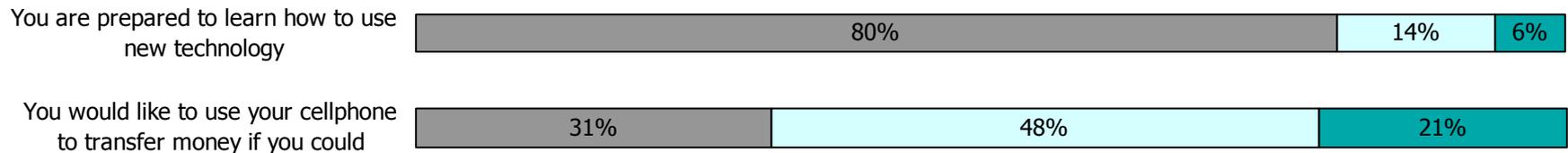
It appears that senders of money are more open to adopting new technology

Perceptions of technology

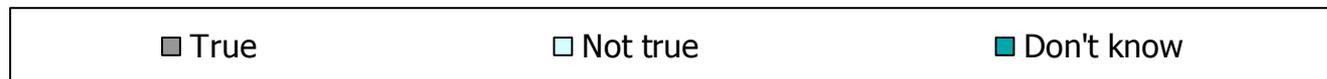
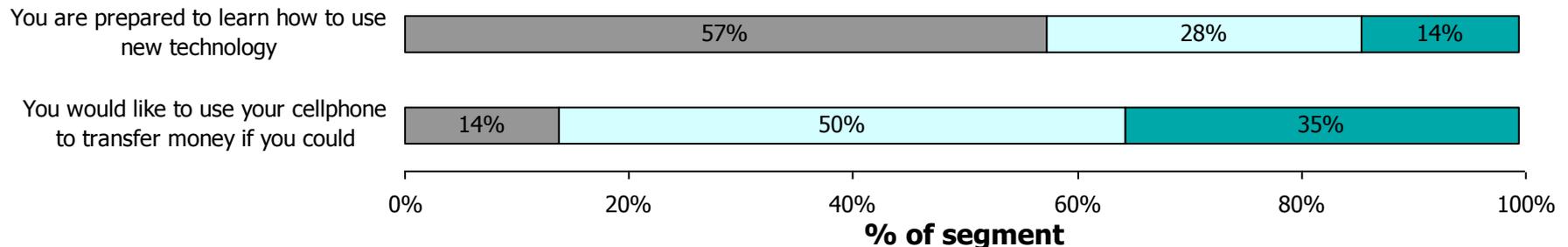
Total market:



Sent money:

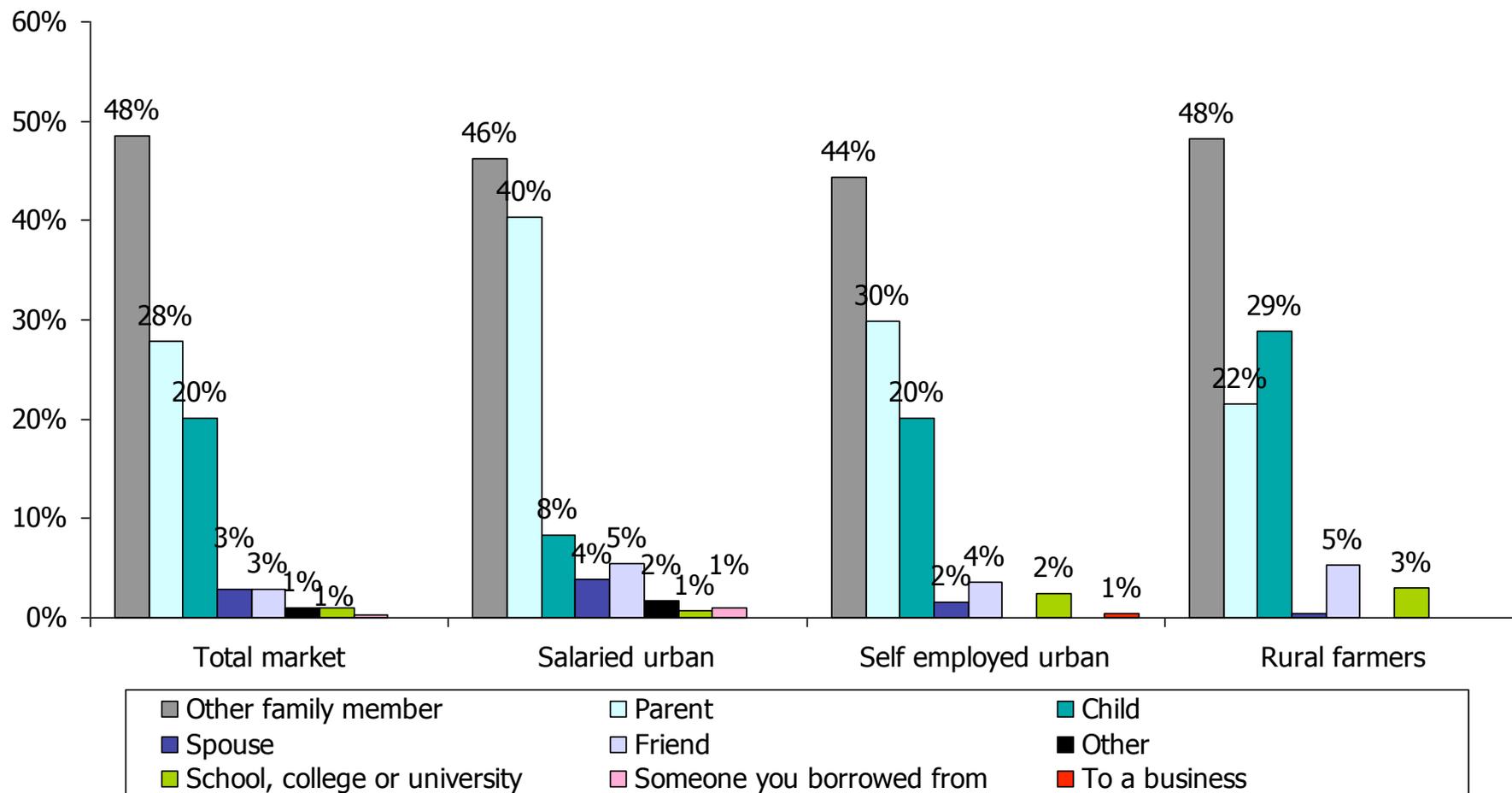


Received money:



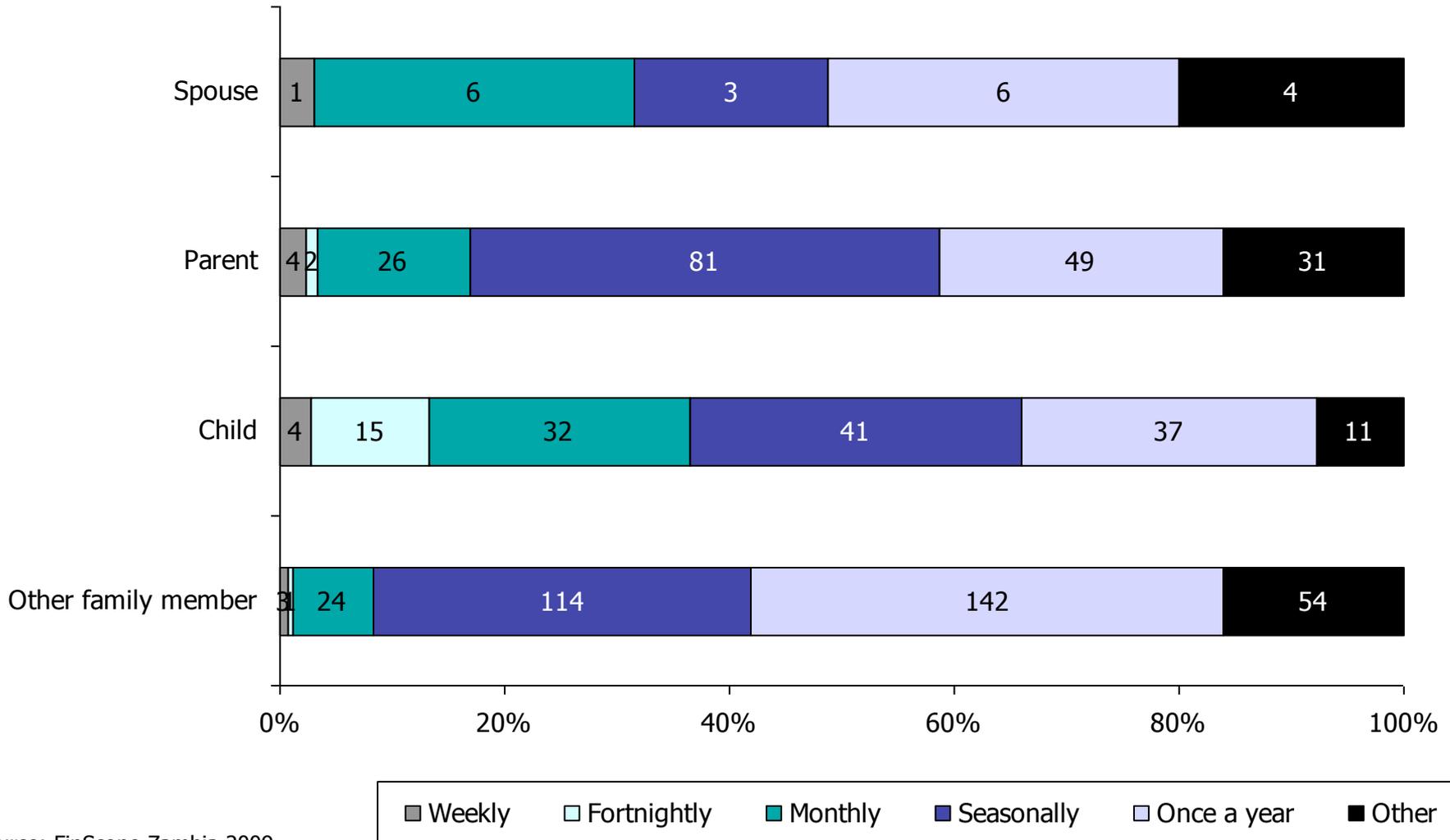
Family members dominate the recipient list

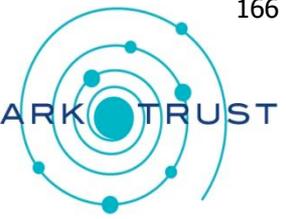
To whom have you sent money to in the past year?
(Those who have sent money)



A sizeable proportion of those who send money do so regularly although the majority seem to send money infrequently

Frequency of sending money
(Those who have sent money, Thousands)



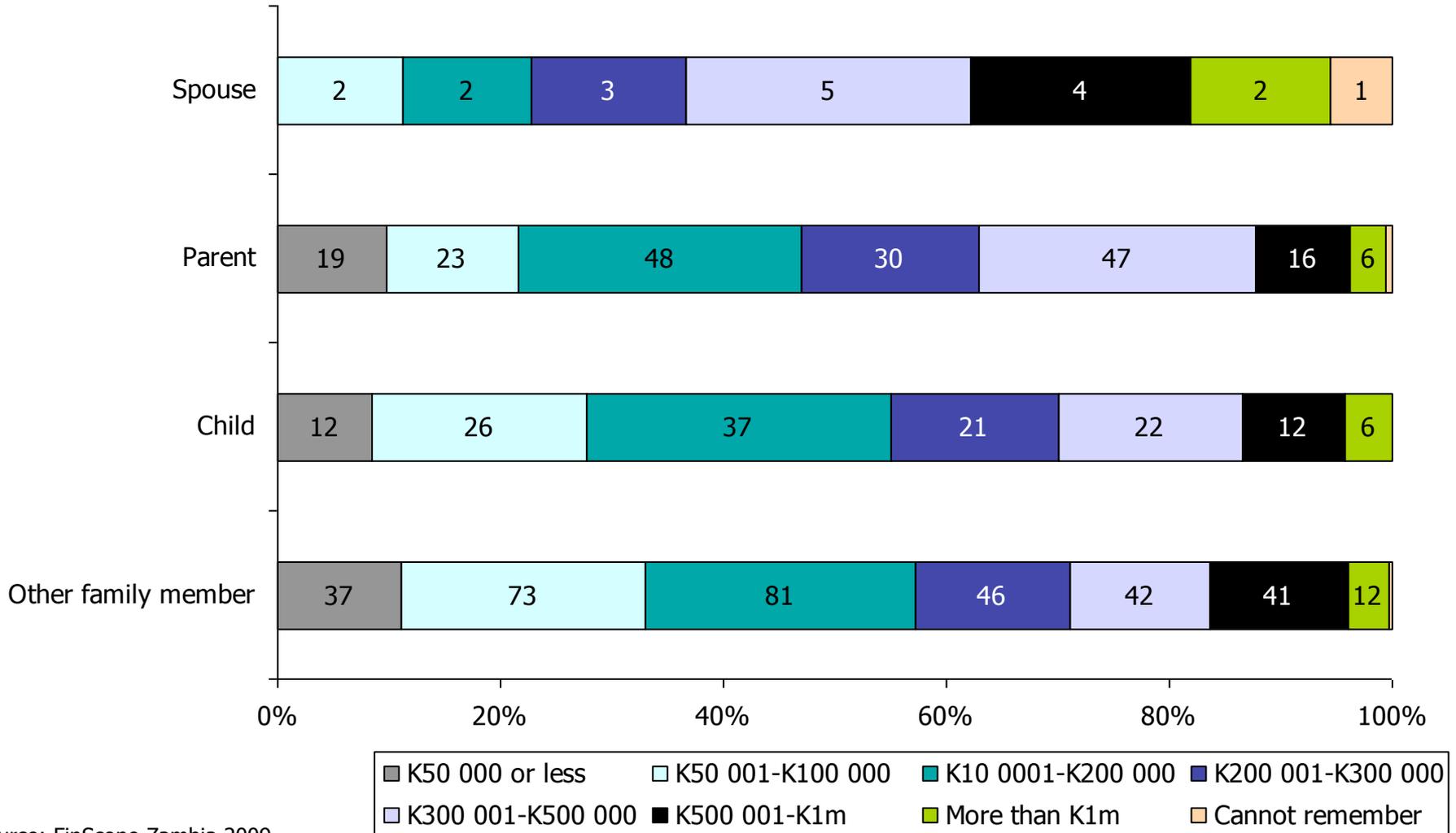


Most payments appear to be relatively large. Is this a function of the cost of sending money – or the availability of funds at certain times of the year

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Amount sent the last time sent money

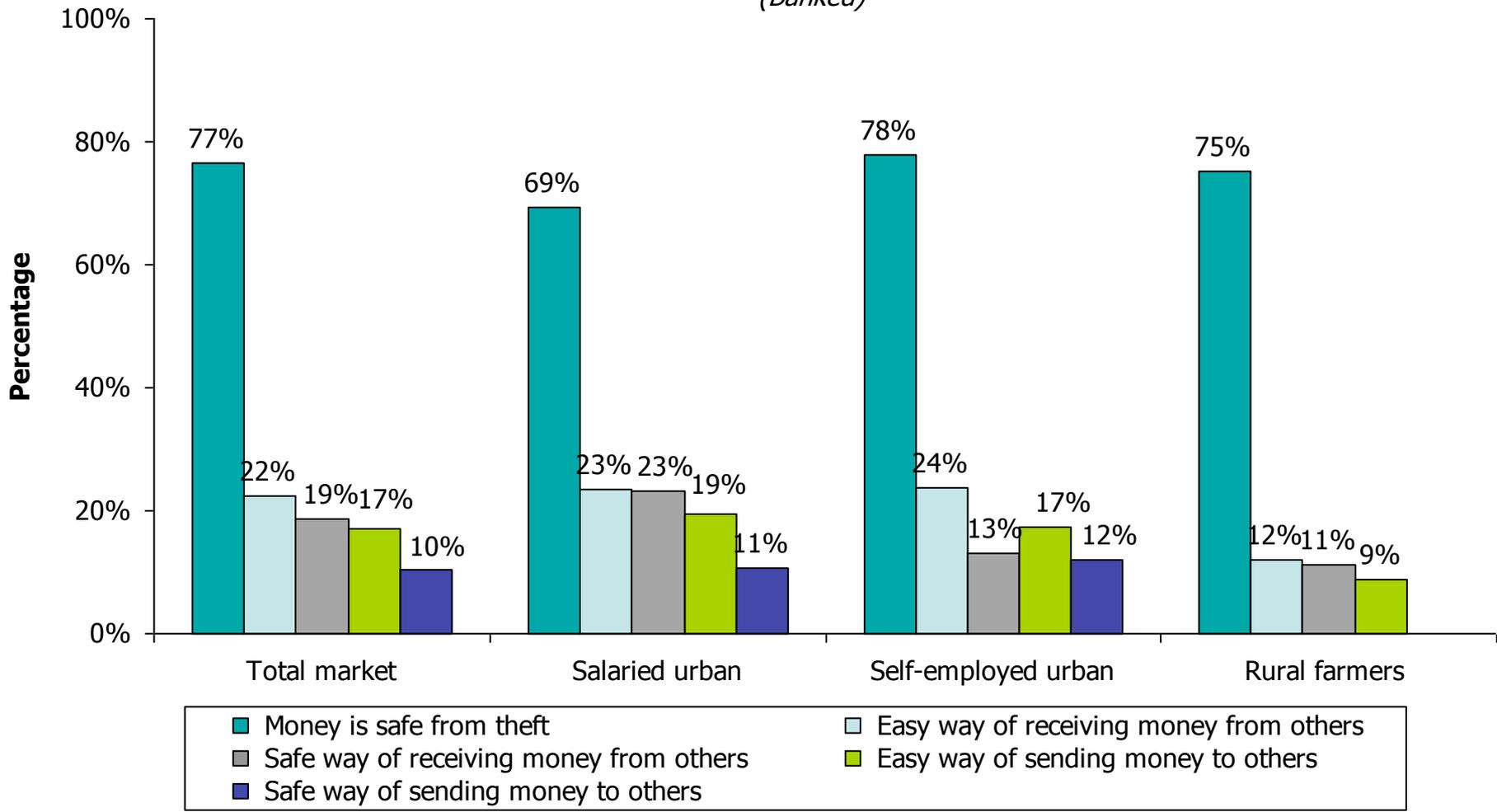
(Those who have sent money, Thousands)

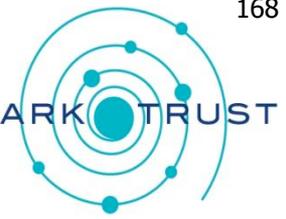




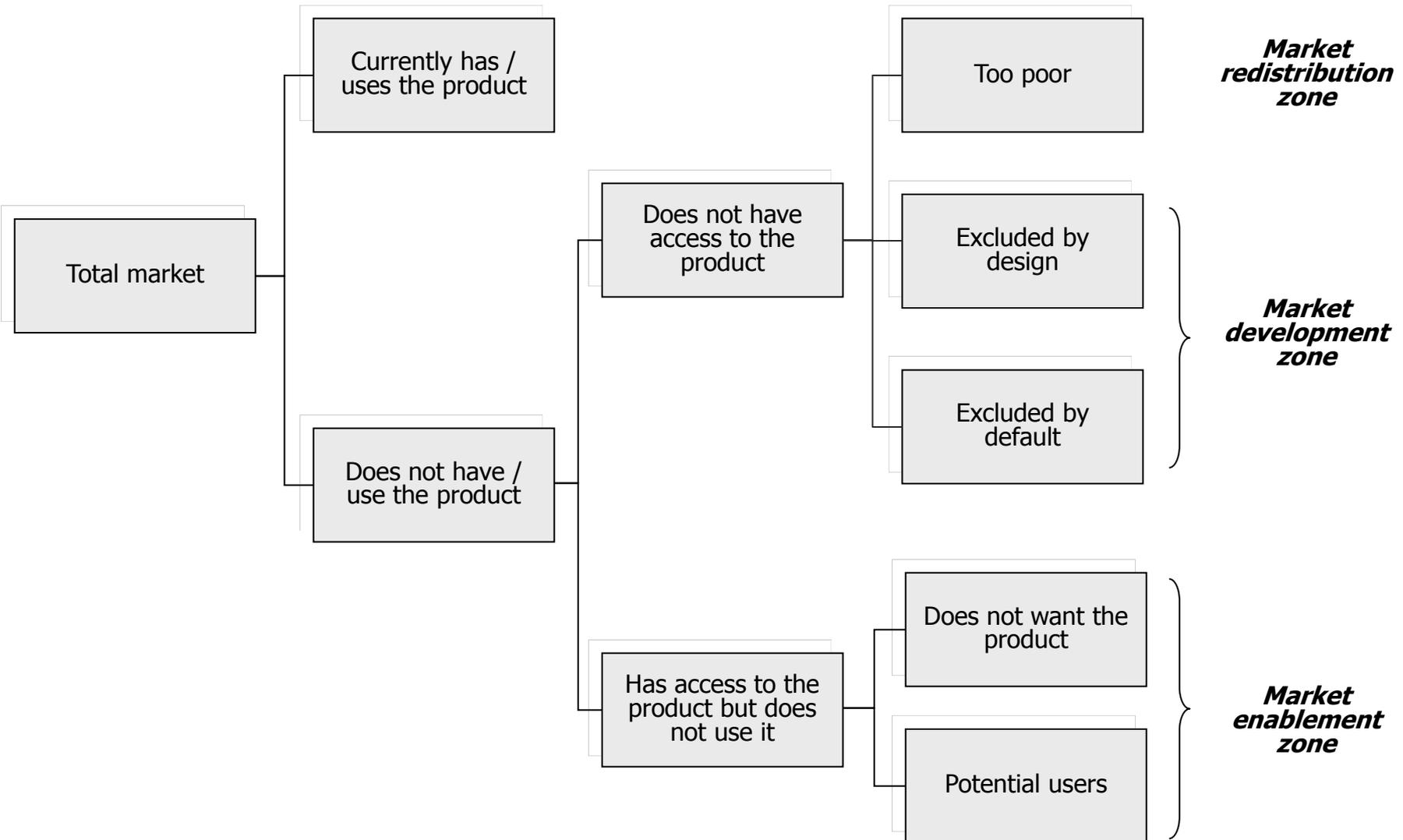
While it may be possible for people to send and receive money using their bank accounts, this is not as widely acknowledged as an advantage of having a bank account as keeping money safe

Advantages of having a bank account
(Banked)





The Access Frontier Methodology enables an identification and quantification of access barriers. It segments those who do not yet use a product into various market zones



This presentation uses the FinScope data to explore access to the money transfer service by Mobile Transactions



Brief description

- Over the counter money transfer service. The sender goes to a participating agent and gives over the money to be sent (incl. the fee). The recipient goes to their nearest agent with their NRC in order to receive it. Cell phones are used to communicate any information between the users.

Fees and transfer amounts

- The bands are as following: K50 – K50,000 (fee K5,000), K50,001 – K150,000 (K10,000), K150,001 – K275,000 (K20,000), K275,001 – K475,000 (K30,000), K475,001 – K1,000,000 (K40,000), K1,000,001 – K3,000,000 (K50,000). Send a maximum of K3 million a day.

Documentation required

- The only documentation that is required to send and receive money is the NRC or other form of identification, such as passport or driver's license. No registration is required.

How money is sent/received

Send money

1. Go to local agent with cash(incl. fee) & NRC
2. Give agent money, NRC & confirm destination town. Cell phone numbers are optional.
3. Enter in a 4 digit pin
4. Collect receipt from agent with ref. number
5. A confirmation SMS will be sent to sender & recipient if cell phone numbers provided.
6. Send the recipient the pin and ref. number.
7. On collection sender receives SMS.

Receive money

1. Go to local agent with NRC
2. The recipient needs to know the ref. number, amount sent & the pin.
3. Enter in pin when prompted.
4. Receive money and receipt.

Agent location

- There are over 150 agent locations across Zambia.

A more detailed look at the fee structure

Value band	Fee as a percentage of lower threshold	Fee as a percentage of higher threshold
Band 1	10000%	10%
Band 2	20%	7%
Band 3	13%	7%
Band 4	11%	6%
Band 5	8%	4%
Band 6	5%	2%



The following constraints are used to construct the frontier.
Note there is no current market (an individual is not bound by another money transfer service) nor a redistribution zone

- **Affordability**

- It is difficult to know up to what percentage of the transfer amount an individual is willing to or even can afford
- For the purposes of this analysis, an individual cannot use this service if he or she has no money to send. That is, often or always go without a cash income
- The receiver does not have this constraint

- **Awareness**

- An individual is considered to lack knowledge of this service if the individual did not read newspapers or magazines, listen to radio, or watch television in the last month
- The receiver does not have this constraint as the sender should let them know when, where and how to collect

- **Physical access**

- Both the sender and receiver must go to a participating agent in order to send or collect their money. There are over 150 agent locations across Zambia
- If the individual lives more than an hour from their nearest financial institution or post office, they are considered to be constrained.

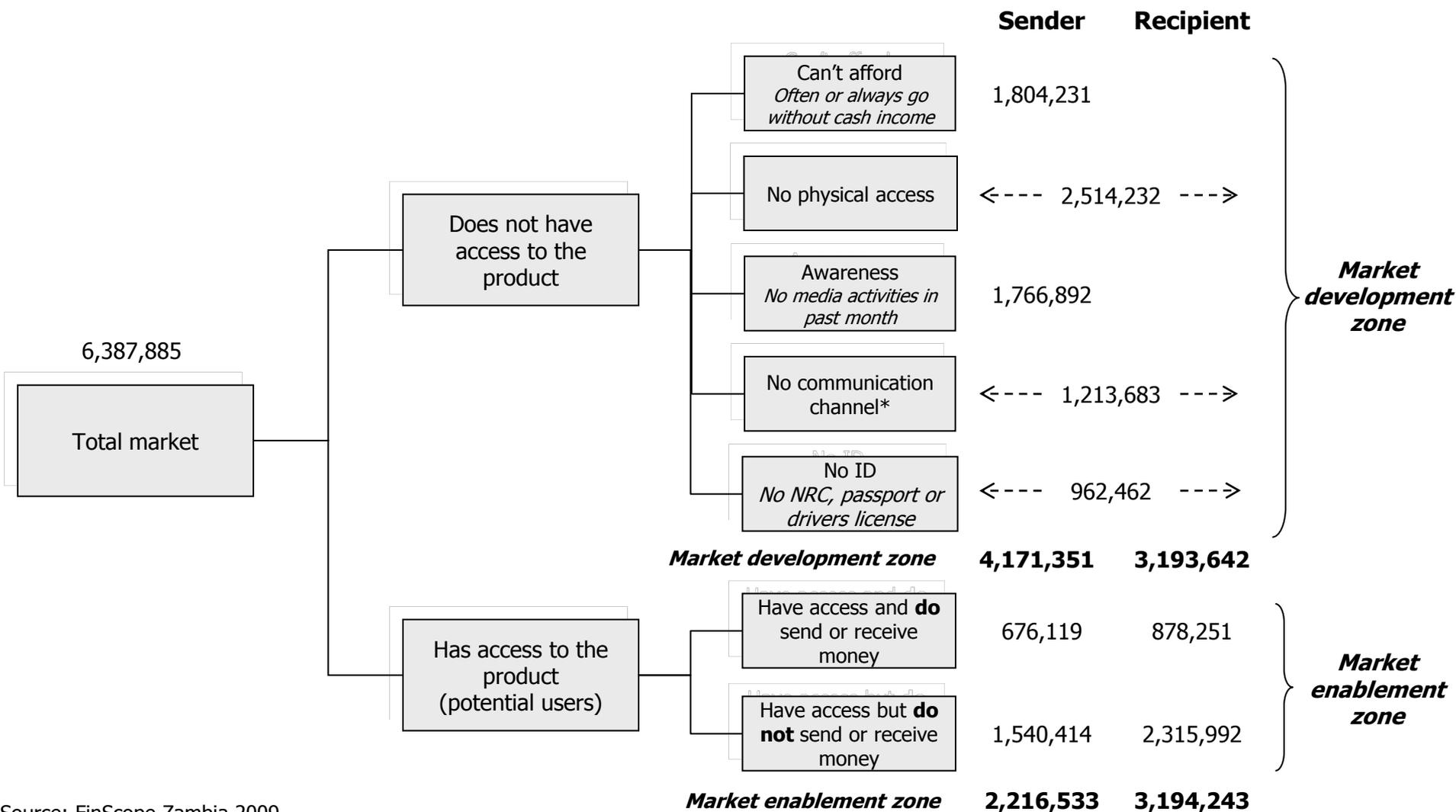
- **Identification**

- In order to send and receive money using this service, an individual must be able to provide a National Registration Card, passport or driver's license as proof of identity

- **Communication**

- There needs to be some form of communication between both the sender and receiver in order to have necessary information (amount sent, pin and reference number).
- An individual is considered to have access to communications if they live within an hour of a post office or have access to a cell phone, home or public phone, the internet or email

Mobile Transactions access frontier

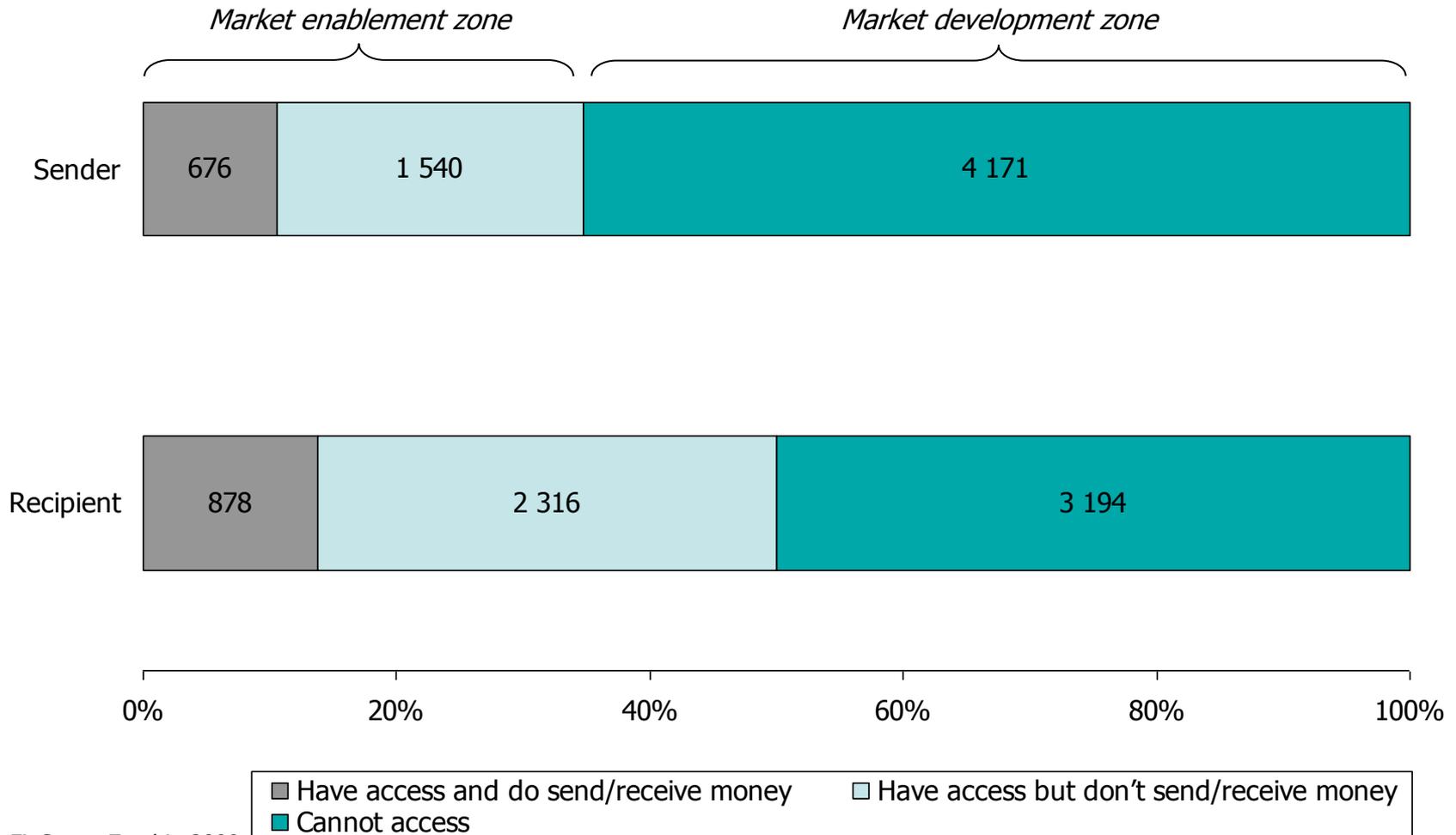


Source: FinScope Zambia 2009

*An adult is considered to have a communication channel if they live within an hour of a post office or have access to a cell phone, home or public phone, the internet or email.

The frontiers can be summarised as a strand. There appears to be scope for growth and improvement from both the perspective of recipients and senders

Access frontiers
(Adults 16+, Thousands)





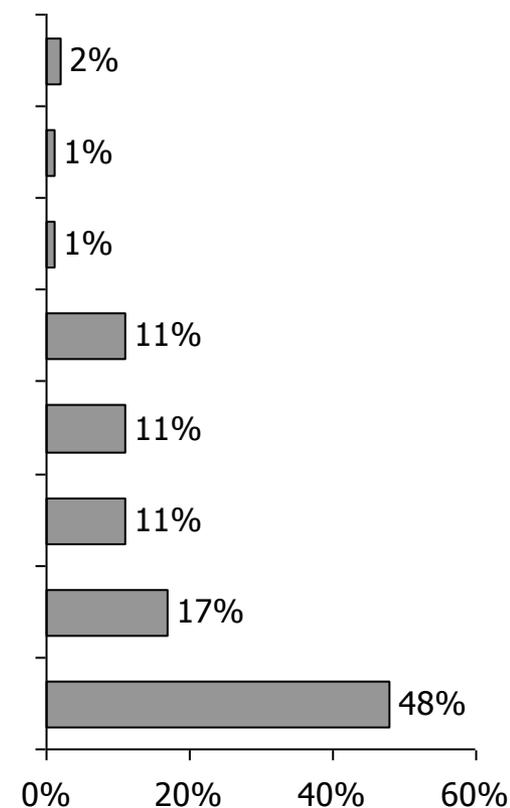
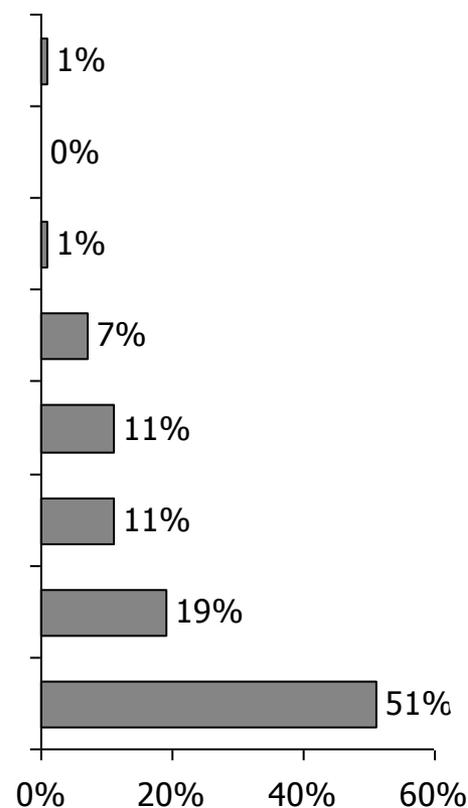
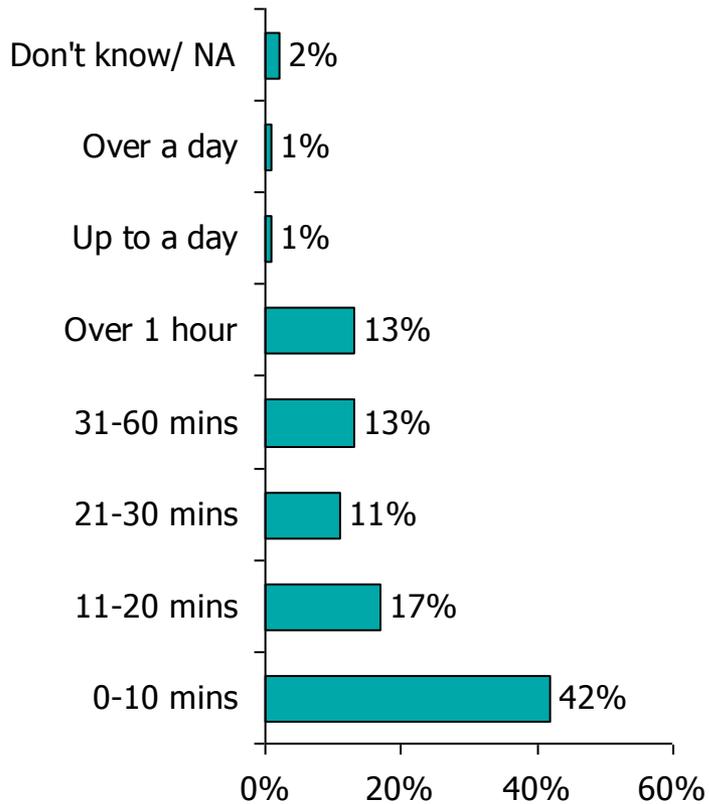
In order to develop an innovative product, it would ideal for the physical access constraint to be reduced, not restricting access only to those near a Mobile Transactions agent. 83% of adults live within an hour of a grocery store

Time taken to nearest food and grocery store

Total market

Sent money

Received money



% of segment



43% of adults in Zambia live within 60 minutes of the nearest financial institution

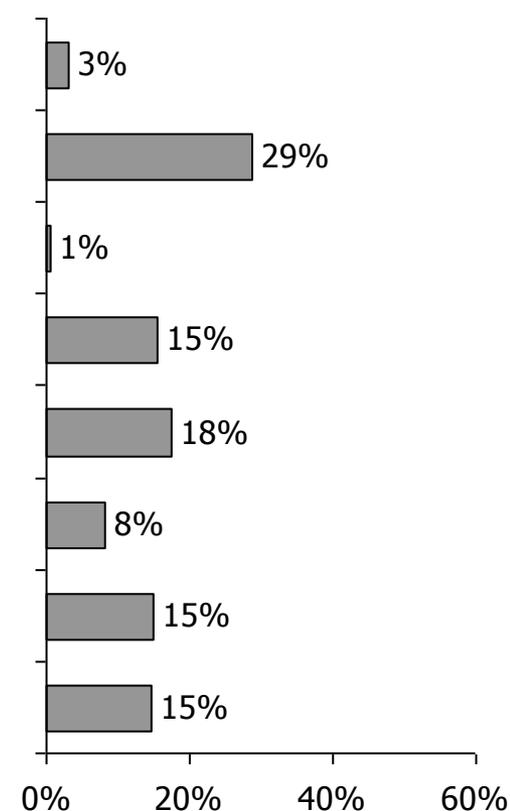
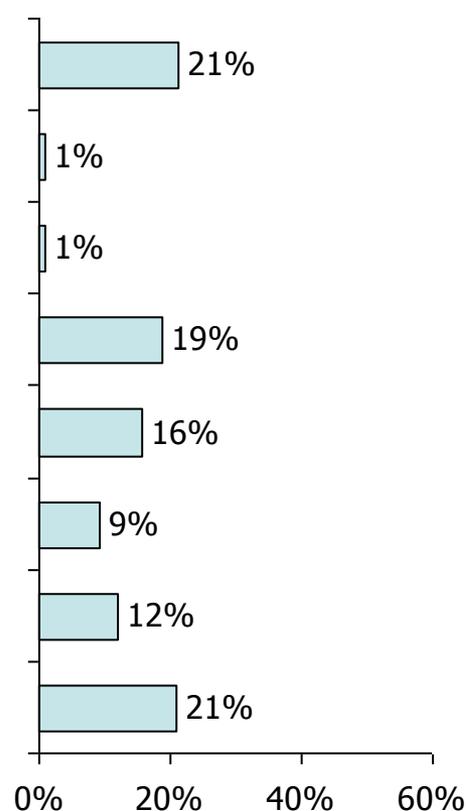
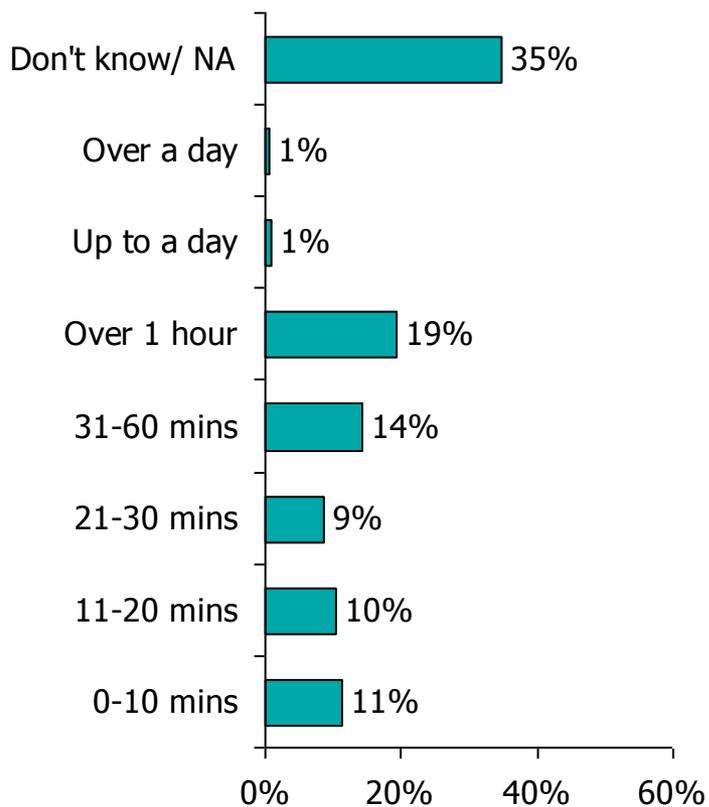
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Time taken to nearest financial institution

Total market

Sent money

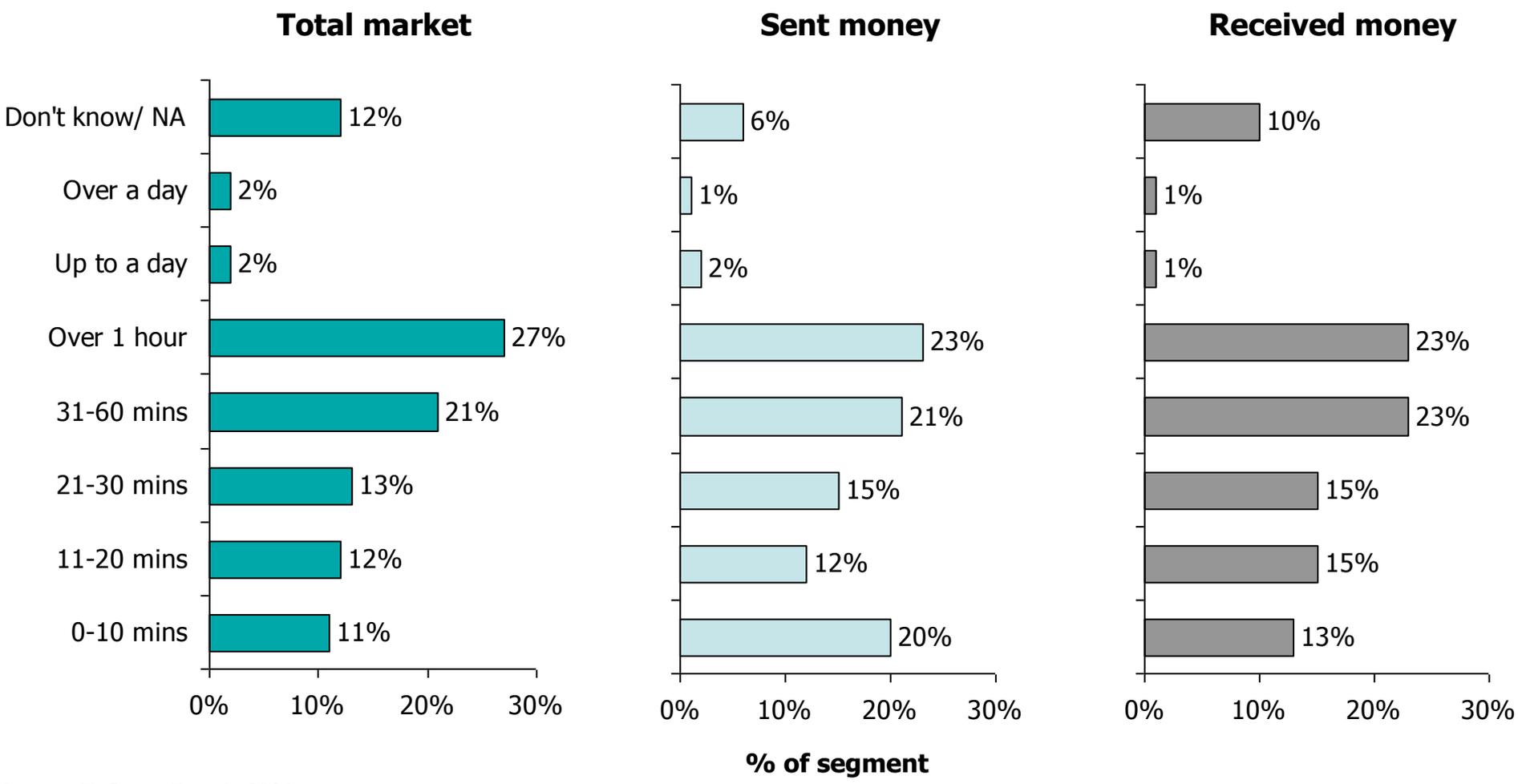
Received money



% of segment

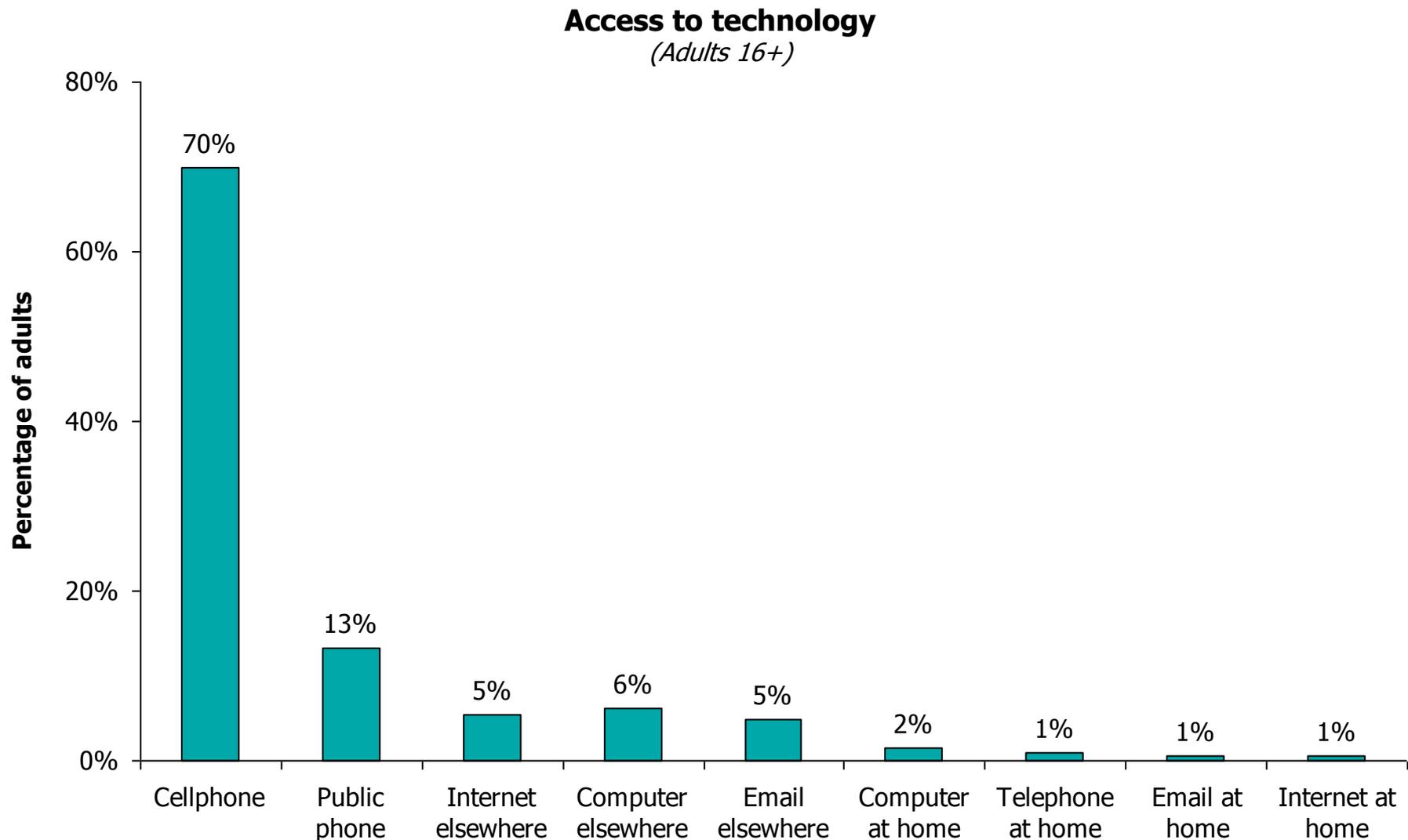
57% live within half an hour of a post office

Time taken to nearest post office



Source: FinScope Zambia 2009

Access to communication technology is also critical

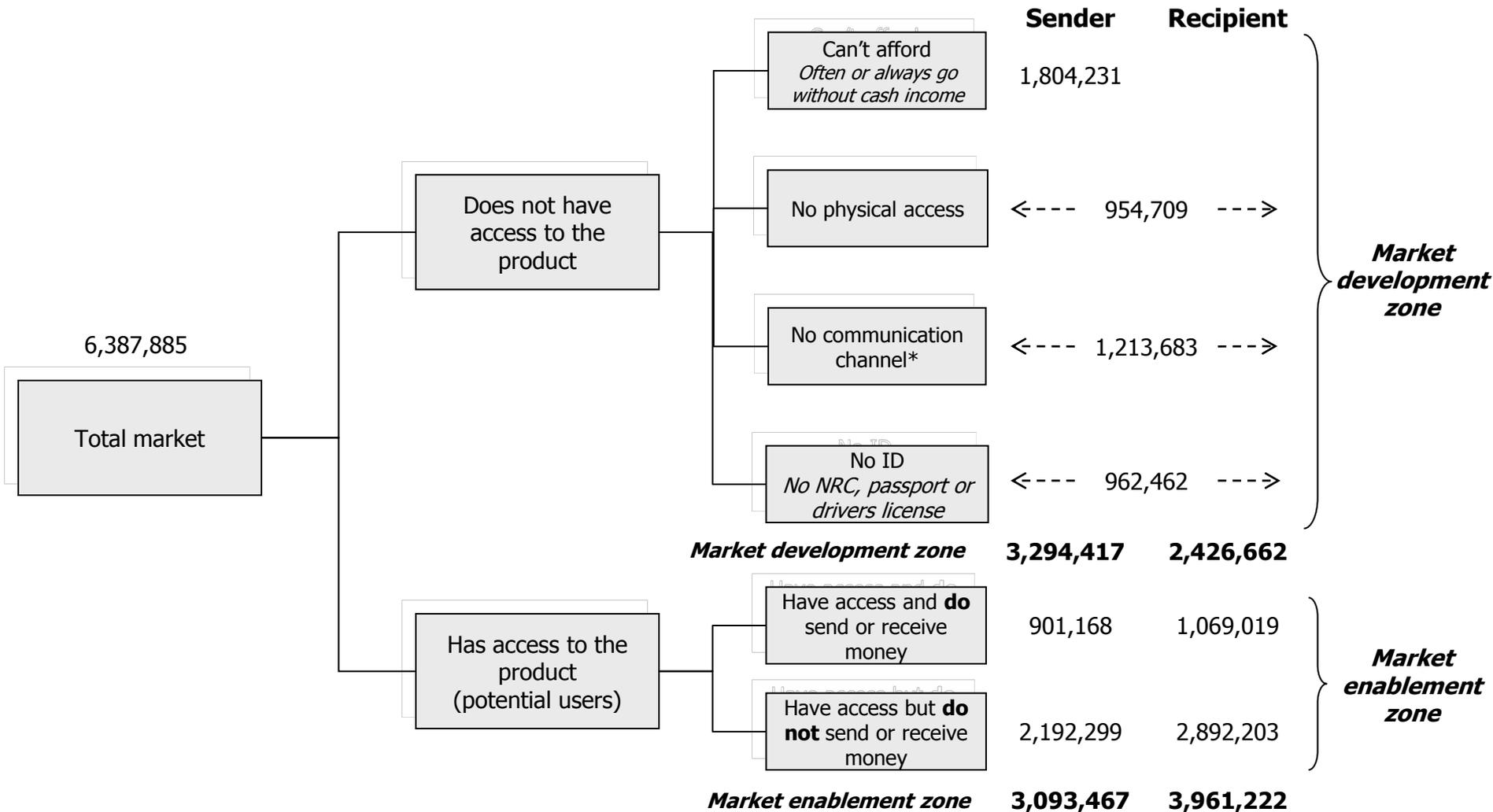




In order to develop an innovative payment service, several changes have been made to the frontier. Note there is still no current market (an individual is not bound by another money transfer service) nor is there a redistribution zone

- **Affordability**
 - **This constraint remains the same**
 - Ideally product pricing should be a percentage of the amount transferred
- **Awareness**
 - **This constraint has been removed given the wide footprint**
 - This is thought to be a 'non-binding' constraint and has been removed
- **Physical access**
 - As it stands, if the individual does not have a participating agent in their home district, they cannot use this service
 - However, if this payment service were to be offered in a greater number of locations frequented by adults this would substantially improve access
 - An individual would therefore have physical access if they live within an hour of either a financial institution, food/grocery store or post office.
- **Identification**
 - **This constraint remains the same**
 - In order to send and receive money using this service, an individual must be able to provide a National Registration Card, passport or driver's license as proof of identity
- **Communication**
 - **This constraint remains the same**
 - There needs to be some form of communication between both the sender and receiver in order to have necessary information (amount sent, pin and reference number).
 - An individual is considered to have access to communications if they live within an hour of a post office or have access to a cell phone, home or public phone, the internet or email

Ideal product access frontier

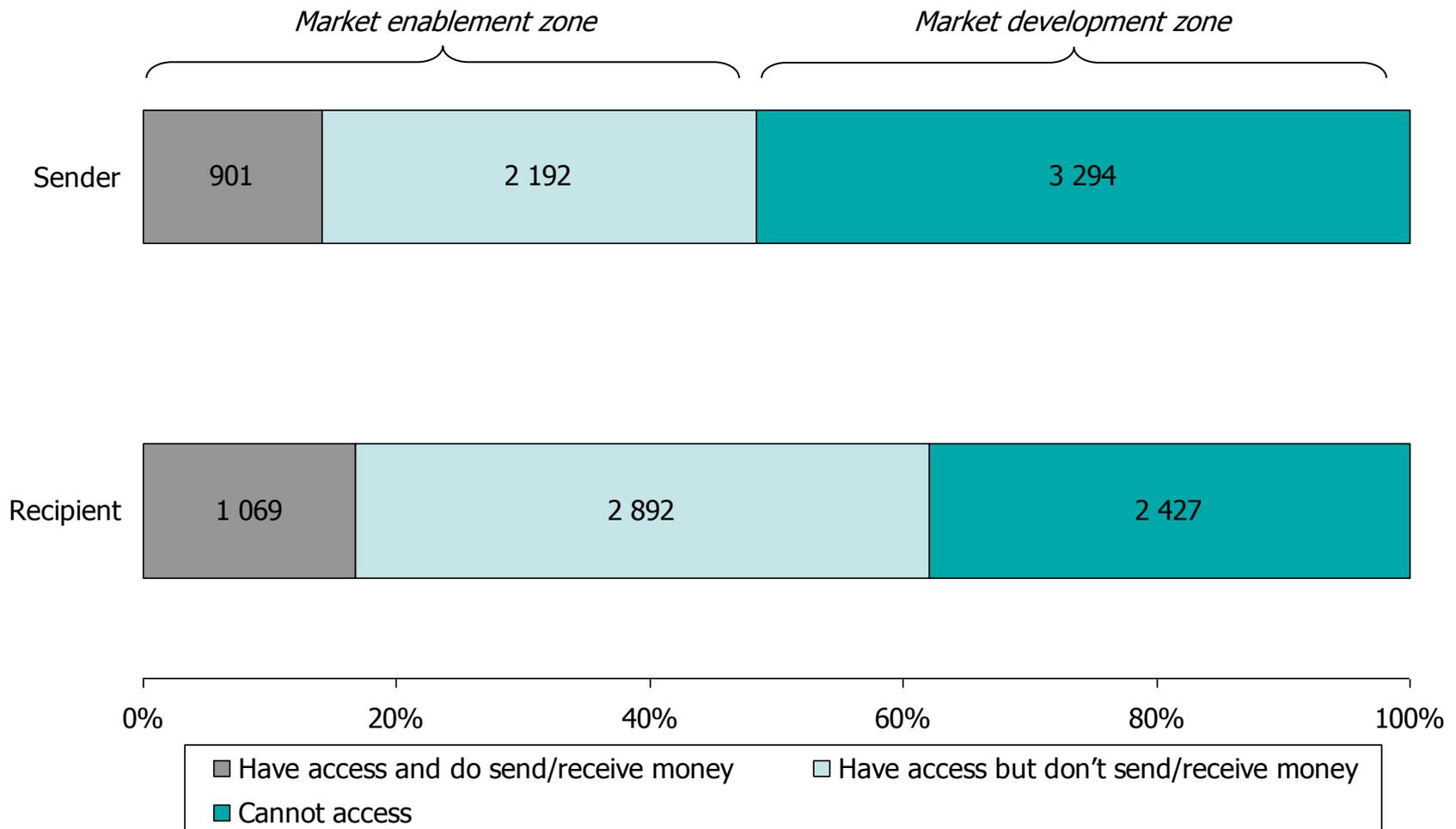


Source: FinScope Zambia 2009

*An adult is considered to have a communication channel if they live within an hour of a post office or have access to a cell phone, home or public phone, the internet or email.

The new frontiers can be summarised as a strand. There appears to be a higher scope for growth and improvement from both the perspective of recipients and senders

Access frontiers
(Adults 16+, Thousands)



Key lessons: Payments

The importance of verticals

Industry specific payment solutions that become ubiquitous:

- Diner's Club
- American Express
- i-Tunes
- Healthbridge (Pocit)



Multiple devices

Adoption of new devices
Alignment across devices



Strategic partnerships within a network and the importance of relationships

But who captures the customer?





Thank you