



Survey Highlights
including FSM Model

FinScope™
South Africa 2006



FINMARK TRUST

MAKING FINANCIAL MARKETS WORK FOR THE POOR

Introduction to FinMark Trust

Established in 2002, FinMark Trust is an independent trust whose business is controlled by six trustees from countries within Southern Africa.

In pursuit of their goal of “making financial markets work for the poor”, FinMark Trust promotes and supports institutional and organisational development which will increase access to financial services for the un- and under-banked in Africa.

The two main strategies in achieving this end are:

- ensuring improved functioning financial markets by addressing legislative obstacles
- promoting ‘pro-poor’ innovation in the financial sector by supporting organisations which seek to develop new products or processes

Underwritten and co-ordinated by FinMark Trust and participating syndicate members, the FinScope™ research programme was initiated to achieve a measure and understanding of consumer demand within the financial services arena.

The objective of the FinScope™ South Africa initiative is to catalyse the creation of a new, universally accepted and authoritative benchmark of money management matters amongst South Africans, emphasising the market needs and attitudes to both informal and formal financial offerings and product usage.



Why more FinScope™?

FinScope™ is a consumer perception study which looks at people’s interaction with, and engagement in, the financial sector as a whole. First run in South Africa in 2003, the study has evolved into a powerful research tool for anyone concerned with or interested in effective interaction with South Africans. The evolution has afforded those with access to the data, both a snapshot measure of the current financial climate in the country, and a very valuable view of how this climate is changing over time.

One of the impactful changes seen this year is growth in the number of people banked in South Africa, contributed to by Mzansi. There has also been some movement in informal services – especially burial societies. Other sectors remain constant.

This information allows us to better understand the financial products offered and the people who use them.

cont...

Furthermore, the study gives insight into people's awareness and understanding of these products and can assist in determining where communication channels are failing and how best to repair, or in some cases build, them. For example, communication is not reaching the poor, especially those living outside of urban areas, and financial knowledge in the poorer segments is declining. The numbers of people associating financial service providers with "don't understand" is testament to this. Reasons for this and possible solutions suggested in the dataset may well release latent sparks for revolutionary products and solutions to aid the task set by the Financial Sector Charter which is embodied in the statement "making financial products work for the poor". Already, various service providers have successfully used this information to update and renew their services and offerings. Over and above Sector Charter requirements, this growth could have positive spin offs as the largely uncaptured poorer segments start to use products and services – volume driven rather than value driven profitability.

The study also looks at underlying belief structures and goes further by trying to uncover the decision tree and solution path that people follow in situations involving finance. For instance, risk factors are important in understanding what challenges people face – these are centred around the loss of income stream into families, especially the poor who tend to be supported by one wage earner – either through remittances, or sharing of money within families/communities. People, out of necessity, often take out loans for survival (food and the like), but do not like to do so. People also acknowledge their lack of financial knowledge, and hope their children will be educated and be more financially astute. Knowing how to save is also an important aspect for people, savings could help to alleviate financial stress in times of need.

Clearly this is an ongoing process and requires perpetually rigorous research. As FinScope™ grows and expands into the rest of Africa (already having been implemented in Uganda, Tanzania, Zambia, Botswana and Namibia, with plans for other countries) it will increase in value exponentially. Cross country comparisons and sharing of findings will be key to assisting ongoing growth and strengthening of any developing financial market.

SA 2006 Syndicate Members

- Aside from funding the survey, syndicate members form an integral part in questionnaire design and offer valuable insights into consumer demand behaviour.



Sampling and Methodology

RESPONDENT PROFILE

- Universe = South African residents 16+ years
- 50% male and 50% female
- 65% non-metropolitan and 35% metropolitan

COVERAGE AND METHODOLOGY

- 3 894 face-to-face interviews (target sample 3 900)
- Representative sample at a national level, drawn by Enumerator Area (EA); SA is divided into 89 000 EAs
- Sample and weighting conducted by Professor D.J. Stoker (leading expert in the field of complex sampling)
- Fieldwork: July to September 2006
- Key elements of questionnaire translated into vernacular languages

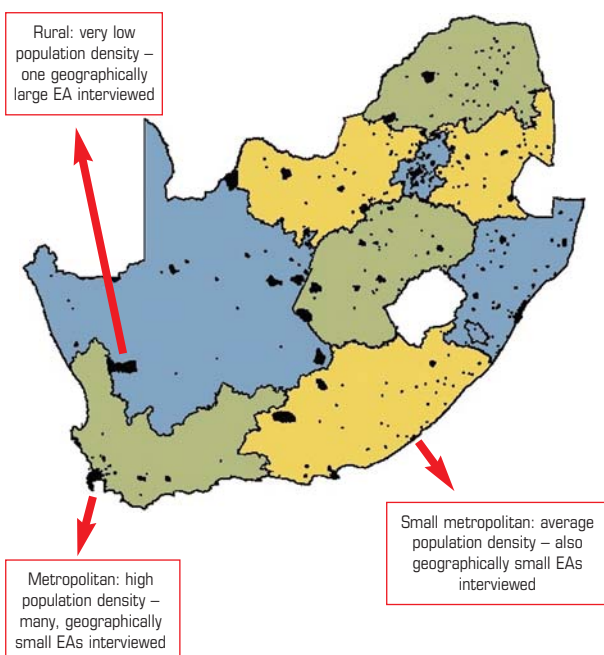
SAMPLING METHODS

- Sample drawn systematically with Probability Proportional to Size (PPS)
- Enumerator Area (EA) based
- Nationally representative sample (weighted and benchmarked to Census 2006 mid-year estimate information)
- Complex sample design = stratification and multi-stage sampling procedure using GIS
- Selection of individual respondent per household by Kish Table method (to ensure random selection of those who are 16+ years of age)

MAP OF EA DISPERSION

FinScope™ sample coverage

Black dots represent the 650 enumerated areas where interviews were conducted.



Validity of the study

PROFESSOR D.J. STOKER - LEADING EXPERT IN THE FIELD OF COMPLEX SAMPLING

- “Based on the benchmarking that was done, no indication of any unusual adjustments was found. All adjustment factors of the weights were within acceptable limits. The benchmarking programme that [is used] clearly indicates any abnormality that might exist in the data set.”

SUBSTITUTION AND SHORT CLOSES

- The complex sampling methodology allows for limited substitutions and short closes on EAs, which are virtually unavoidable on a study of this size.
- It is preferable to minimise these as they play a part in the accuracy of the inferences that can be made.
- The fieldwork for FinScope™ SA 2006 resulted in 10 substitutions (down from 34 in 2005) and 2 short closes (down from 5 in 2005) to achieve a total sample of 3 894 (up from 3 885 in 2005).

COMPARISON SUMMARY

- The FinScope™ data is validated against various national studies, two of which are included here for reference.
- AMPS (All Media and Products), run by SAARF (South African Advertising Research Foundation) is a single source survey of 12 500 adults (16+) and is used to compare basic demographic profiling of the sample (race gender, age, LSM, province).
- HSRC's 2005 SASAS (South African Social Attitude Survey) has been used to validate various variables including marital status, housing, education and language spoken most often.
- In all cases, the FinScope™ data adheres to the precision required of a study of this nature.

AMPS AND FINSCOPE™ SAMPLE COMPARISON

	AMPS 16+ data	FinScope™ 16+ data
Total Population	30903002	31136800
Race:	%	%
Black	75	77
White	13	11
Coloured	9	9
Asian	3	3
Gender:	%	%
Male	50	50
Female	50	50
Age:	%	%
16 - 17	6	4
18 - 29	33	33
30 - 44	31	33
45 - 59	18	18
60+	12	12
LSM:	%	%
1 - 2	18	20
3 - 4	27	27
5 - 6	28	31
7 - 8	14	12
9 - 10	13	9
Province:	%	%
Eastern Cape	15	14
Free State	6	6
Gauteng	21	21
KwaZulu Natal	21	20
Limpopo	11	11
Mpumalanga	7	7
Northern Cape	2	2
North West	7	8
Western Cape	10	11

SASAS AND FINSCOPE™ SAMPLE COMPARISON

	HSRC 16+ data	FinScope™ 16+ data
Marital status:	%	%
Single	55	51
Divorced	2	3
Widowed	7	7
Housing:	%	%
Town/cluster house	4	4
Shack in backyard	2	1
Informal shack	10	11
Education:	%	%
No schooling	6	6
Some primary	9	9
Some secondary	44	40
Matric	27	25
Degree	2	3
Language spoken:	%	%
Sesotho	8	8
Setswana	8	9
Sepedi	10	9
Siswati	2	2
IsiXhosa	15	16
IsiZulu	23	23
Xitsonga	3	5
Tshivenda/Lemba	2	2
Afrikaans	16	15
English	9	9

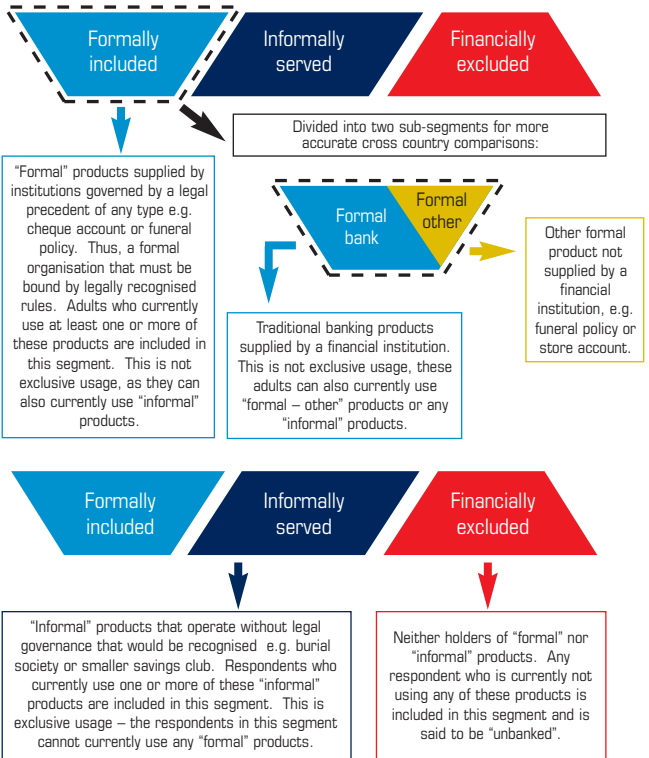
SA Survey Content

	2003	2004	2005	2006
● Demographics		✓	✓	✓
● General money matters	✓	✓	✓	✓
● Decision making		✓	✓	✓
● Money sources		✓	✓	✓
● Money transfers			✓	✓
● General banking – Mzansi	✓	✓	✓	✓
● Credit and loans	✓	✓	✓	✓
● Long-term insurance	✓	✓	✓	✓
● Short-term insurance	✓	✓	✓	✓
● Funeral cover	✓	✓	✓	✓
● Investments and savings	✓	✓	✓	✓
● Stokvels and savings clubs	✓	✓	✓	✓
● Medical			✓	✓
● Retail			✓	✓
● Cell phones			✓	✓
● Housing		✓	✓	✓
● Financial Services Measure (FSM)	✓	✓	✓	✓
● Everyday Quality of Life (EQLi™)	✓	✓	✓	✓
● Afrobarometer/poverty measure	✓	✓	✓	✓
● LSM	✓	✓	✓	✓
● Wildfire™				✓

The Financial Access Strand

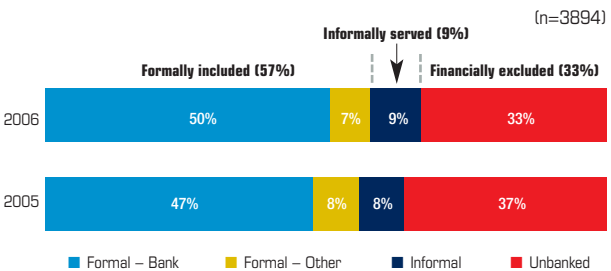
- The hypothesis focuses on the financial system in its broadest sense and assumes all adults in a country will fall into one of three broad segments across the ACCESS STRAND. The segments are differentiated by current product usage indices ranging from people who are formally included, to those people who use informal products and finally to those people who use no financial products.

The Access Strand is segmented into the following three broad segments:



Access strand of financial services

- Growth is being driven by formal banking products and although we see an increase in informal product utilisation, this is only marginally increasing the informal only segment as these people tend to be banked as well as using an informal product.



Skews:

White (91%), Asian (58%), Male (52%), 30-44 years (59%), 45-59 years (59%), Urban Formal (65%), LSM 5-6 (60%), LSM 7-8 (79%), LSM 9-10 (93%)	Coloured (17%), Female (8%), 60+ years (24%), Rural Formal (14%), LSM 1-2 (11%)	Black (11%), Female (11%), 60+ years (15%), Tribal Land (17%), LSM 1-2 (12%), LSM 3-4 (16%)	Black (38%), 16-17 years (75%), 18-29 years (41%), Rural Formal (39%), Tribal Land (46%), LSM 1-2 (56%), LSM 3-4 (42%)
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Financial Services Measure (FSM)

■ What is the FSM (Financial Services Measure)?

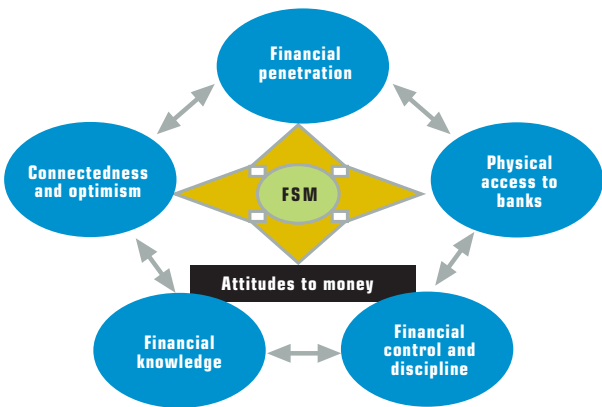
The measure is designed to segment the market not only on what consumers have or earn, but also on key psychological elements. This is to provide a holistic understanding of a person's current engagement with financial services, as well as his/her motivation and capacity to engage in the future.

■ How is it different to LSM?

Apart from the clear difference of FSM being essentially a financial services measure whereas LSM is a living standards measure, there are a few key structural differences that warrant mentioning. LSM is calculated at a household level, FSM at an individual level. LSM is highly correlated with household income and measures things that people have whereas FSM is not necessarily correlated with personal income as it measures people's perceptions as well as the products they have. Essentially, LSM is a "here and now" measure; FSM looks to the future and takes into account potential future take-up in the financial sector.

■ What does the measure cover?

The FSM measure classifies people into eight tiers based on a variety of measures. The model includes the combination of five broad components:



FSM SUMMARIES

Statistics are to be read as column percentages.

Example 1: Of all black adults 16+ years, 20% are in FSM 1

Example 2: Of the currently banked people, 5% are in FSM 8, whereas 24% are in FSM 4

FSM 1 17%



Profile:

Black (20%), 16-17 years (32%), 60+ years (23%), Rural Formal (26%), Tribal Land (26%), LSM 1-2 (39%), LSM 3-4 (20%), Eastern Cape (29%), Kwazulu Natal (24%), Limpopo (21%)

Education levels:

No formal education (44%), Some primary/primary complete (30%)

Income:

Average income: R321, Have other type of government grant (32%), Pensioner/retired (23%), Student/learner (22%), Unemployed (27%)

Financial activity:

Financially excluded (40%), Previously banked (30%), Never banked (35%), Don't want a bank account (45%)

Overall skews:

Not involved in decisions (24%), Have no assets (25%), Use a public phone (21%), Have no cell phone in the home (32%), Home is a traditional hut (37%)

FSM 2 17%



Profile:

Black (24%), 16-17 years (33%), 18-29 years (26%), 60+ years (25%), Tribal Land (33%), LSM 1-2 (32%), LSM 3-4 (32%), Eastern Cape (27%), Kwazulu Natal (25%), Mpumalanga (28%), Limpopo (29%), Northern Cape (31%), North West (27%), Live in a hostel (41%)

Education levels:

No formal education (33%), Some primary/primary complete (27%), Student/scholar (33%)

Income:

Average income: R420, Government old age pension (29%), Pensioner/retired (25%), Student/learner (33%), Unemployed (32%)

Financial activity:

Financially excluded (42%), Previously banked (40%), Never banked (42%), Don't plan to borrow (23%), Least likely to have investments (35%)

Overall skews:

Opinion asked for decisions (39%), Made use of public transport to get to the bank (25%), Don't know if they own their dwellings (39%), Have no assets (31%), No/only one radio (24%), Worried about money when older (24%), Gone without shelter (32%), Gone without food (31%), Gone without medicine (31%)

FSM 3 14%



Profile:

Black (16%), Asian (20%), 16-17 years (20%), Urban Informal (22%), Tribal Land (16%), LSM 3-4 (18%), LSM 5-6 (16%), Live in squatter shack (18%)

Education levels:

Some primary/primary complete (20%), Some high school/high school complete (15%)

Income:

Average income: R678, Death of main wage earner (29%), Buy or make goods to sell (31%), Student/learner (17%), Unemployed (18%)

Financial activity:

Previously banked (22%), Never banked (18%), Burial society (20%), Avoid ATMs as much as possible (19%), Funeral cover through undertaker (21%)

Overall skews:

Made use of public transport to get to the bank (16%), Make decisions with family (19%), Cell phone in house (18%)

FSM SUMMARIES

FSM 4 15%



Profile:

Black (16%), Asian (18%), Urban Formal (16%), LSM 3-4 (16%), LSM 5-6 (20%), Gauteng (22%)

Education levels:

Some high school/high school complete (17%)

Income:

Average income: R1 318, Child grants (23%), Self employed (27%), Work full time (18%), Work part time (24%), Self employed (21%)

Financial activity:

Currently banked (24%), Mzansi (29%), Currently borrowing (19%), Use public transport to get to the bank (31%), Never seem to be able to pay off debt (22%), As soon as money is deposited it is withdrawn (29%), "Trust your own advice rather than others" (17%), Don't feel in control of finances (21%), Informal loan to build/improve house (51%), Loan from friends/family (28%)

Overall skews:

Children attend government school (17%)

FSM 5 15%



Profile:

Coloured (20%), 18-29 years (16%), Urban Formal (19%), LSM 5-6 (22%), LSM 7-8 (23%), Gauteng (23%), Western Cape (18%)

Education levels:

Some high school/high school complete (16%), Post matric (21%)

Income:

Average income: R2 060, Work for salary/wage from company (28%), or as farmworker/domestic (22%), Lottery and other gambling (31%), Work full time (26%), Work part time (19%)

Financial activity:

Currently banked (28%), Mzansi (33%), Plan to borrow (26%), Want bank account to access loans (23%), Contributed to family funeral in last year (19%), Post office savings (37%), "People ask your advice" (22%), "You go without things so you can save" (28%), Would like loss of earnings insurance (21%), "You make sure you have enough money in your account to pay your debts" (27%), Cell phone banking can be trusted if backed by MTN etc (21%), Would consider having salary paid into cell phone account (25%), Loan from microlender (39%), Store card (28%), Funeral policy with bank (31%), Savings clubs (20%)

Overall skews:

Make decisions alone (21%), Eaten out at branded restaurant (23%), Microwave (22%), Rent (20%)

FSM 6 9%



Profile:

White (26%), 45-59 years (12%), Urban Formal (14%), LSM 7-8 (18%), LSM 9-10 (25%), Gauteng (14%), Western Cape (13%)

Education levels:

Post matric (24%), Children attend private school (24%), Completed apprenticeship (43%)

Income:

Average income: R4 035, Work full time (20%)

Financial activity:

Currently banked (18%), Money market account (52%), Home loan (34%), Government housing subsidy (47%), Loan from friends/family to build house (43%), Loan from employer (33%), Loan from informal lender (32%), Funeral policy from shop (30%), Debtors insurance (66%)

Overall skews:

Own car (23%), Telkom telephone at home (17%), Stayed in 2/3* hotel (28%), Stayed in caravan park (32%), Single person in the house (52%)

FSM SUMMARIES

FSM 7 6%



Profile:

White (23%), Coloured (10%), Asian (18%), Urban Formal (11%), LSM 7-8 (19%), LSM 9-10 (27%), Western Cape (15%)

Education levels:

Post matric (20%)

Income:

Average income: R6 256, Work full time (15%), House-wife/husband (9%), Self employed (9%)

Financial activity:

Currently banked (12%), Most likely to want a bank account to provide a credit record (14%) and to pay for insurance (29%), Retirement annuities (36%), Company pension (30%), Cheque account (32%), Credit card (32%), Fixed deposit account (38%), Home loan (36%), Loan from microlender for a house (60%), Loyalty card (34%), Funeral policy with broker (35%), Funeral cover with employer (36%), Vehicle insurance (29%), Credit insurance (35%)

Overall skews:

Own car (29%), Children attend private school (13%), Have collectibles like carpets etc (79%), Investment in vacant land (79%), Hire self catering cottages (39%), Contract cell phone (36%)

FSM 8 3%



Profile:

White (17%), 30-44 years (4%), 45-59 years (5%), Urban Formal (5%), LSM 7-8 (4%), LSM 9-10 (23%), Gauteng (4%), Western Cape (7%)

Education levels:

Post matric (15%)

Income:

Average income: R11 828, Part of wealth is overseas (57%), Self employed (27%), Work full time (6%), Self employed (8%)

Financial activity:

Currently banked (5%), Voluntary contributions to provident fund (32%), Pay bond faster (49%), Shares (98%), Unit trusts (55%), Petrol card (45%), Overdraft facility (43%)

Overall skews:

Own car (17%), Children attend private school (27%), Have caravan/trailer (32%), Holiday or second home (50%), Investment in business (51%), Overseas holidays (35%), Member of golf course (48%), Internet at home (44%)



FSM 2



FSM 4



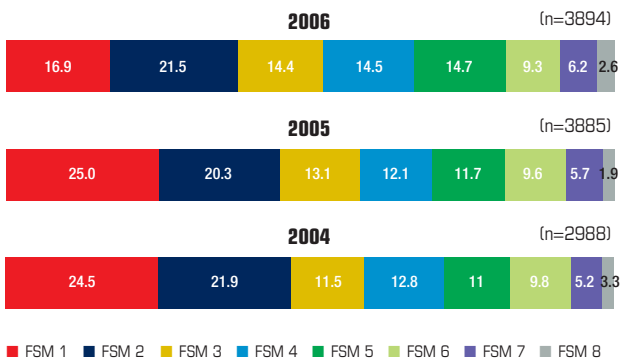
FSM 5



FSM 7

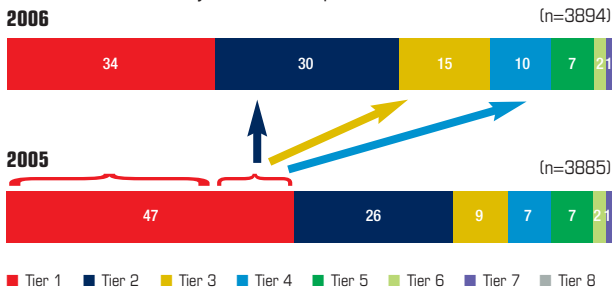
WHAT ARE THE SIZES OF THE FSM SEGMENTS?

- FSMs are based on key elements relating to the financial and emotional experiences of people, therefore minor movements are expected.
- The end goal is to reduce substantially the number of people in the lower FSM groups over time as these people become more aware of financial products and start utilising them, as well as increasing their knowledge and discipline.
- There is a significant decrease in the lowest tier, with minor increases across almost all the other seven tiers.



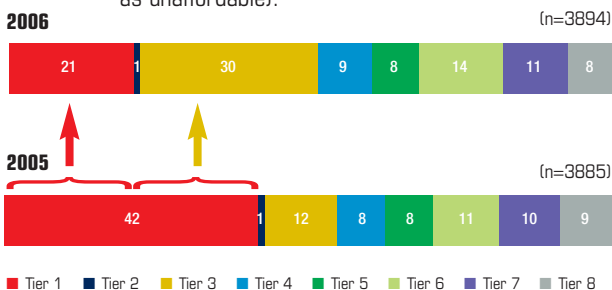
CHANGES IN THE FINANCIAL PENETRATION INDEX

- Possibly because of the effect of Mzansi 2005 - 2006, people moved out of FSM 1 and spread across FSMs 2-5.
- Upper tiers are unaffected by Mzansi – since Mzansi is mostly a FSM 3-5 product.



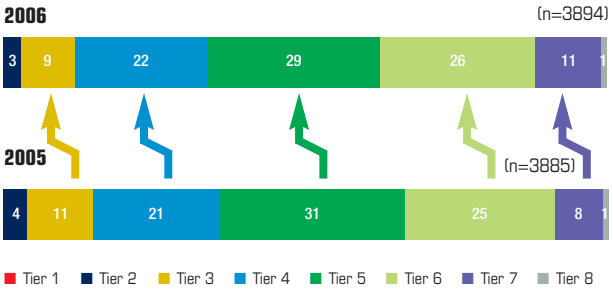
CHANGES IN THE FINANCIAL ACCESS INDEX

- According to the algorithm, financial access tiers 1-3 share the majority of the unbanked; an increase in banked respondents results in a decrease in these tiers.
- Tier 1 is largely about physical barriers – we are seeing a decrease in physical barriers to banking.
- Tier 3 is the psychological barrier – respondents whose physical barrier to banks has been reduced still have a psychological barrier to overcome (i.e. they prefer dealing in cash or banking is perceived as unaffordable).



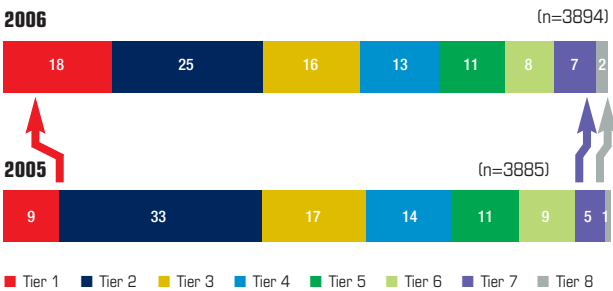
CHANGES IN THE FINANCIAL CONTROL AND DISCIPLINE INDEX

- This index measures psychographic statements regarding discipline and control of respondents' finances.
- This index remains relatively stable between 2005 and 2006, with a small overall lateral shift to being more disciplined.



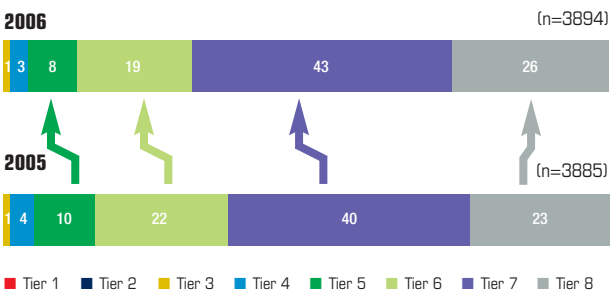
CHANGES IN THE FINANCIAL KNOWLEDGE INDEX

- This index measures psychographic statements regarding respondents' knowledge of financial matters.
- Shifts in lower two tiers and upper end (the ignorant becoming more ignorant; the knowledgeable become more knowledgeable, possibly due to the relative abilities to assimilate changes in the financial segment) but relatively stable index.



CHANGES IN THE CONNECTEDNESS AND OPTIMISM INDEX

- This index measures psychographic statements about overall well being and proximity of life to "ideal".
- Small improvement in overall optimism of country.



EQLi™ summary

EQLi™ EXPLAINED

- EQLi™ stands for Everyday Quality of Life. This is influenced by many things – your wealth, your health, where and how you live, your friends, your job, your own approach to life. The EQLi™ suite of measures has 14 indices measuring all these things. Your quality of life acts as a permanent backdrop and filter to all the information that your senses receive about products and brands. It influences every decision you make.

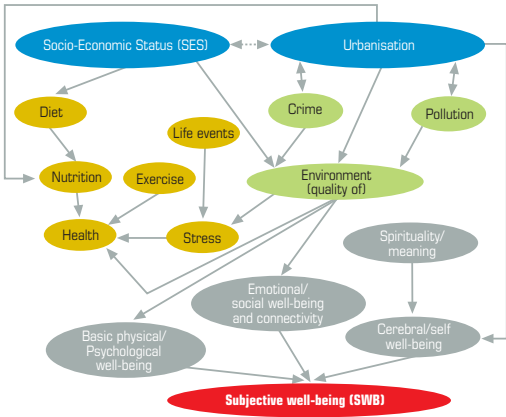
USING THE EQLi™ APPROACH

- At one level, one could say that all marketers, communicators and decision-makers need to know their target market's quality of life. It fundamentally affects how people make decisions about their daily lives. It is as fundamental as knowing their wealth and education level. Without this basic knowledge of where people's lives are at, it is almost impossible to understand their hopes, dreams, aspirations, frustrations and obstacles in anything other than the most superficial way. There are also some of the indices that will have special interest to certain people:
- For direct communication planning, the "State of Mind" (SMi) and "Connectivity" (Ci) measures are invaluable. They are also invaluable to anyone trying to understand brand and communication dynamics at all levels – in essence, everyone.
- The "Health" and "Stress" (OHi and SPi) measures are central to the food, beverage and related industries, to the pharmaceutical industry, and anyone marketing any well-being product or service – this also applies to any media in this arena, all the medical aids, gyms and health and fitness centres, many entertainment, leisure and technology offerings, major retailers, and any marketer using lifestyle-related platforms.
- The needs satisfaction index will have a similar broad appeal.
- "Optimism" is important to anyone in the financial arena (to marketers of durables and motor vehicles, especially bigger ticket items, to those in the travel industry) and to those looking to understand the broad trend of the "consumer" market. This is allied to the concept of "consumer" confidence, an indicator closely tracked in most major first world countries.
- Technology marketers will also be interested in urbanisation levels, connectivity and either SWB ("Subjective Well Being") or state of mind.

This is just a small sampling of the possibilities for the application of this set of measures.

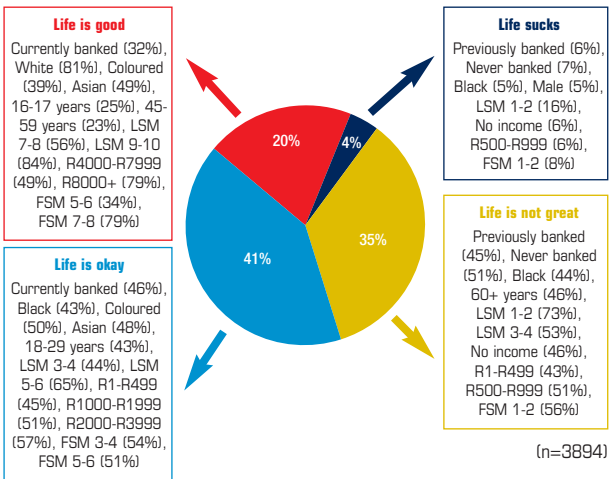
EVERYDAY QUALITY OF LIFE INDEX

The matrix of the quality of life index is as follows:



OVERALL EQLi™

The above matrix is summarised in an overall quality of life index. Broadly there are typically 4 groups:



EQLi™ SUB-INDICES

Most of the sub-indices are highly correlated along race, income and LSM demographics. The most noticeable exception is age, where the young are more positive, healthy and connected but poorer; the elderly tend to be more sickly and negative, but also suffer most from poverty; and the middle aged feel the most stressed but are most well off when it comes to quality of life, basic needs being met and keeping above the poverty line.

(n=3894)

States of mind	
Positive Currently banked, White, Asian, 16-17 years, LSM 5-10, R2000+, FSM 5-8	Negative Previously banked, Never banked, Black, 60+ years, LSM 1-4, R0-R999, FSM 1-2
Overall health	
Fit a fiddle Currently banked, White, Coloured, Asian, 16-29 years, LSM 7-10, R2000+, FSM 5-8	Sickly Previously banked, Never banked, Black, 45+ years, LSM 1-4, R0-R999, FSM 1-2
Connectivity	
On the pulse Currently banked, White, Coloured, Asian, Male, LSM 7-10, R2000+, FSM 5-8	Loose end Never banked, Black, Coloured, 16-17 years, LSM 1-2, R0-R499, FSM 1-4
Stress/pressure	
Surfing Currently banked, White, Asian, 16-17 years, LSM 7-10, R2000+, FSM 5-8	Drowning Previously banked, Never banked, Black, Male, 45-59 years, LSM 1-4, R0-R499, FSM 1-2
Quality of environment	
In the deep blue Currently banked, White, Coloured, Asian, 45-59 years, LSM 5-10, R2000+, FSM 5-8	Fish out of water Previously banked, Never banked, Black, LSM 1-4, R0-R999, FSM 1-2
Poverty level	
Just dandy Currently banked, White, Coloured, Asian, 45-59 years, LSM 7-10, R2000+, FSM 5-8	Desperate Previously banked, Never banked, Black, Male, 16-17 years, 60+ years, LSM 1-2, No income, R500-R999, FSM 1-2
Basic needs	
Sorted Currently banked, White, Coloured, Asian, 45-59 years, LSM 5-10, R2000+, FSM 5-8	Not there Previously banked, Never banked, Black, 60+ years, LSM 1-4, R0-R999, FSM 1-2

SPREADING LIKE WILDFIRE

WildFire™ is a fantastic new innovation that reflects the need to consider non-traditional marketing options in South Africa. The index was developed by Neil Higgs for Research Surveys as a tool to look at viral marketing, networks, connectivity and other elements that help explain how information and imagery can be passed along amongst groups like WILDFIRE!

Wildfire™ marketing and messaging...

- Is much more than just word-of-mouth, it embraces all aspects of network, viral and influence marketing.
- It combines understanding of a person's state of mind, personal networks and their influence over these networks.
- With this knowledge it allows one to identify those individuals who can ignite a brand or product concept ('igniters').
- Uncovers a brand's strong areas, and helps one understand the builders of a brand that will encourage news of the brand to spread like wildfire.
- Provides science and measurability for Wildfire™ marketing strategies.

Why Wildfire™ on FinScope™?

- It is obvious that without being aware of products/services people will never engage with them. Traditional marketing techniques do not necessarily get through to the very poor living in tribal lands or other isolated communities.
- One of the strongest options is to use "viral marketing" or "word of mouth" to get the message to this market sector. This can only be done if we know who the brand ambassadors are – people who would positively carry the message – we may be able to better understand who to approach in these areas to carry the messages/knowledge to those less likely to see and consume above the line awareness techniques.

TWO TYPES OF WILDFIRE™ MARKETING

Organic Word-of-mouth

Occurs naturally when people become advocates because they are happy with a product and have a natural desire to share their support and enthusiasm.

Practices that enhance organic word-of-mouth activity include:

- Focusing on customer satisfaction
- Improving product quality and usability
- Responding to concerns and criticism
- Opening a dialog and listening to people
- Earning customer loyalty

Amplified Word-of-mouth

This occurs when marketers launch campaigns designed to encourage or accelerate word-of-mouth marketing in existing or new communities. This is the important issue for financial service providers – we need to find people who will spread the word and knowledge.

THE WILDFIRE™ SEGMENTS



- Work-hard, play-hard group of people
- Two broad types:
 - calmer, more ordered
 - more vigorous – preferring excitement and extremes
- Make a very deliberate choice as to which type they are
- Live by 'intent' and tend to drive themselves hard as they want to be their best

- Are on the cusp of being go-getters
- Have fulfilling lives and are happier and healthier than average
- But they are clearly a second tier when it comes to influencing and motivating others
- Great people but not yet on fire

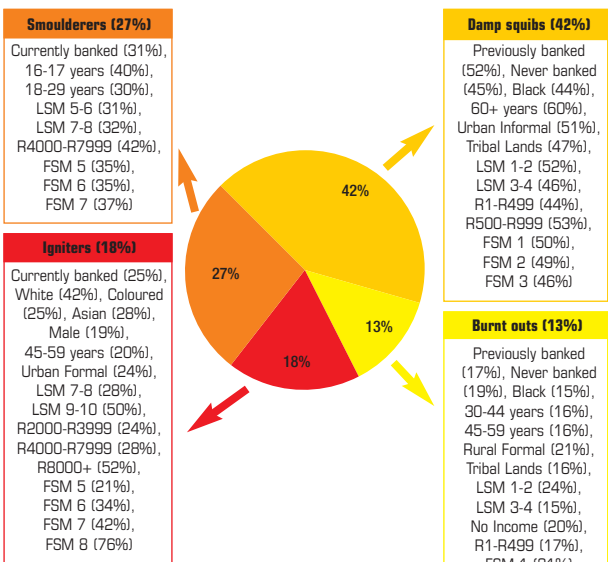
- Tend to be average or just below average on the network and connectivity attributes
- Have less leisure time than average
- These people are less driven than average
- Lower than average on all health, fitness and happiness attributes
- People who are less likely to spread word about a brand

- Very low expectation of achieving their dreams and most believe that their lives have no meaning or purpose
- Their lives tend to be boring and lack any degree of variety
- More than a third feel like failures and nearly half are lonely
- Networks, influence levels and sense of self esteem are very much lower than average

(n=2000)

WILDFIRE™ SEGMENTATION IN FINSCOPE™

Overall igniters tend to be wealthier, banked and living in better (formal) environments. This does not mean that there are not igniters in tribal lands; in fact 8% of people in tribal lands are considered igniters. The segmentation can be used to identify who is an igniter in any segment (LSM, FSM, area, gender and the like) so that these key people can be given the "message" to spread – as long as their engagement with financial service providers is positive.



(n=3894)

FINSCOPE™ 2006 SURVEY HIGHLIGHTS

These are some of the 2006 SA Survey highlights. A more comprehensive understanding can be obtained by mining the FinScope™ database. Information contained herein was proudly produced by Research Surveys.

Banking status

HOW MANY PEOPLE ARE BANKED?

Population estimates 16+ years

- Greater rate of growth in banked adults than in the population growth from the available population estimates in 2005 to estimates in 2006.
- Approximately 1.5 million moved into the 'banked' population in comparison to only 400 000 new people entering the 16+ age market in 2006 year.

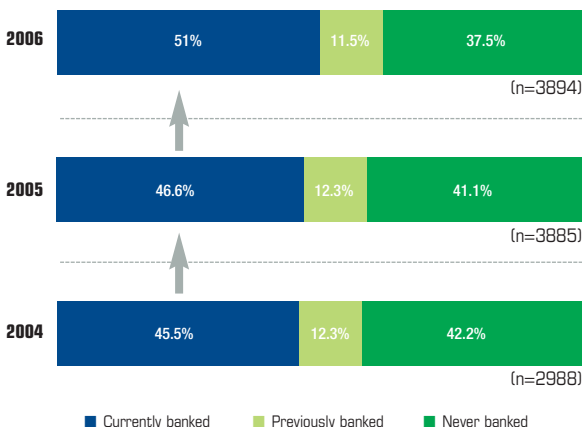
2006		2005		2004
No. of banked adults in South Africa				
15 868 856	↑11%	14 324 508	↑4%	13 765 690
No. of previously banked adults in South Africa				
3 580 557	↓5%	3 765 935	↑1%	3 721 274
No. of never banked adults in South Africa				
11 687 387	↓7%	12 621 808	↓1%	12 767 299
No. of unbanked adults in South Africa				
15 267 944	↓7%	16 387 743	↓1%	16 488 573
Total population size				
31 136 800	↑1%	30 712 251	↑1%	30 254 264

* Based on 2004/2005/2006 mid-year population estimates (Census 2001 base data)

** Population estimates for 2004 multiplied by banked/un-banked percentages from FinScope™ 2004 – caution approximations

TRACKING THE BANKED MARKET – 2004 TO 2006

- There is a 4.6 percentage point increase in the proportion of currently banked people from 2005 to 2006, with a resultant decrease in the 'never banked' proportion; "previously banked" is relatively constant.



THE GROWTH IN BANKING STATUS

	Banked in 2006		Banked in 2005		Banked in 2004
Race	%		%		%
Black	45 (n=2135)	↑5	40	↑2	38
White	91 (n=707)		91		92
Coloured	53 (n=759)	↑10	43	↑2	41
Asian	58 (n=293)	↓10	68	↓15	83
Gender	%		%		%
Male	52 (n=1947)	↑2	50	↑2	48
Female	50 (n=1947)	↑6	44		44
Area definition	%		%		%
Urban formal	66 (n=2694)	↑9	57	↑2	55
Urban informal	52 (n=264)	↑16	36		36
Rural formal	41 (n=258)	↑5	36	↑4	32
Tribal land	30 (n=678)		30	↓2	32
LSM	%		%		%
LSM 1-2	21 (n=502)	↑1	20	↓4	24
LSM 3-4	35 (n=837)	↑3	32		32
LSM 5-6	61 (n=1232)	↑12	49		48
LSM 7-8	80 (n=694)	↑5	75	↓6	81
LSM 9-10	93 (n=629)	↑3	90	↓4	94
Personal monthly income	%		%		%
No income	15 (n=736)		16		
R1-R499	35 (n=643)	↑14	21		
R500 - R999	38 (n=607)		37		Income breaks not directly comparable
R1000 - R1999	74 (n=372)	↑2	72		
R2000 - R3999	94 (n=345)	↑2	92		
R4000 - R7999	96 (n=304)		95		
R8000+	98 (n=242)		97		

Tribal lands not showing growth. Growth mostly evident amongst black people, females and those living in urban areas

Financial service consumption

- Steady growth in credit cards could mirror the growth in consumer spending as a result of low interest rates and the variety of companies outside of the 'normal' financial sector – e.g. medical aids, airlines, issuing credit cards.
- Growth in ATM cards and savings accounts could be linked to Mzansi depending on how people classify its functionality.
- Nominal growth in home loans could be as a result of steady interest rates (pre-August) and property sector growth.

	2006 (n=3894)	2005 (n=3885)	2004 (n=2988)
Bank	51%	47%	45%
Mzansi account	6	2	N/A
ATM card	48	44	39
Debit/cheque card	15	14	10
Savings book at a bank	3	3	5
Post Bank account	4	4	4
Savings/transaction accounts	38	33	35
Current/cheque account	7	7	6
Credit Card	7	6	5
Fixed deposit account	3	4	4
Personal garage/petrol card	2	2	2
Money market account	1	1	1
Cell phone banking	1	N/A	N/A
Housing	7%	6%	6%
Home loan/bond/mortgage to buy	6	5	5
Home loan/bond/mortgage to build	1	1	N/A
Loan from microlender to buy a house	0	0	N/A
Loan from microlender to improve a house	0	0	N/A
Loan from government to buy a house	0	0	0
Loan/subsidy from government to build/extend a house	0	0	N/A
Loan from employer/friend/family to buy a house	1	0	1
Loan from employer/friend/family to build/extend a house	0	0	N/A

- Relative stability in loans and retail, except a nominal percentage growth from 2005 to 2006 in loans from friends or family.
- Given the low interest rate consumer holiday in 2005, the decrease in 2006 possibly on the back of talks of interest rate hikes, could be seen as positive.

	2006 (n=3894)	2005 (n=3885)	2004 (n=2988)
Loans	11%	10%	12%
Personal loan from a bank	3	2	3
Loan from friend or family	4	3	4
Loan from an employer	0	1	1
Loan from a micro-lender	1	1	1
Loan from an informal money lender	0	0	0
Borrowed money from a stokvel/umgalelo/savings club	1	1	1
Loan from local spaza	0	0	N/A
Vehicle or car finance through bank or dealer	2	2	N/A
Vehicle or car finance from elsewhere	0	0	N/A
Vehicle finance	N/A	N/A	3
Overdraft facility	2	1	1
Retail	20%	23%	20%
Store card where you buy on account	18	19	18
Loyalty card that gives you cash back	4	5	6
Other club or loyalty cards	1	1	2
Retail/HP store account for household goods	3	6*	N/A

* **Hire purchase" not included in last year's product description

- Overall growth seen in funeral services in 2006, largely driven by an increase in the usage of burial societies – this could be as a result of deepening concern at the impact of HIV/AIDS, increasing people's worries about the need to provide for funeral costs.

	2006 (n=3894)	2005 (n=3885)	2004 (n=2988)
Funeral	39%	32%	34%
Funeral policy from a shop or store	2	N/A	N/A
Funeral cover through an undertaker/funeral parlour	9	8	N/A
Funeral policy with an insurance company	8	N/A	N/A
Funeral policy with a broker	2	N/A	N/A
Funeral policy with a bank	6	N/A	N/A
Funeral policy with an administrator	1	N/A	N/A
Funeral policy with a big institution	N/A	13	15
Funeral cover/insurance from your current employer	2	3	2
Belong to a burial society	19	14	21
Asset insurance	9%	9%	11%
Vehicle or car insurance	7	7	7
Insurance for a caravan or trailer	0	N/A	N/A
Insurance for jewellery	1	N/A	N/A
Insurance for a boat	0	N/A	N/A
Insurance for hand tools or agricultural equipment	0	N/A	N/A
Household content insurance	4	6	6
Shack insurance	0	N/A	N/A
Cell phone insurance	2	2	3
Travel insurance	0	0	1
Home owners' insurance	4	3	6
Credit insurance	1	1	N/A
Legal insurance	1	N/A	1

- Life insurance is showing a slight decline in 2006, possibly due to minor changes in insurance definitions in the 2006 questionnaire, but perhaps also because of negative perceptions about the industry.

	2006 (n=3894)	2005 (n=3885)	2004 (n=2988)
Life insurance	10%	12%	12%
Life insurance policy with institution	9	11	11
Life cover/credit life	3	3	2
Loss of earnings insurance	4%	4%	7%
Disability insurance with an institution	2	3	4
Disability cover from your employer	2	1	3
Dreaded disease/critical illness insurance	1	1	1
Professional insurance	1	0	N/A
Debtors insurance	0	N/A	N/A
Retirement	10%	10%	13%
Retirement annuity	6	6	7
Provident fund	4	3	6
Pension fund	6	6	9

- Declines in medical cover and investments between 2005 and 2006 – the decline in investments could be driven by substantial change in the list of questions for this section.
- Increase in the number of people belonging to a savings club, reflecting growth in the informal markets as seen in burial society increases.

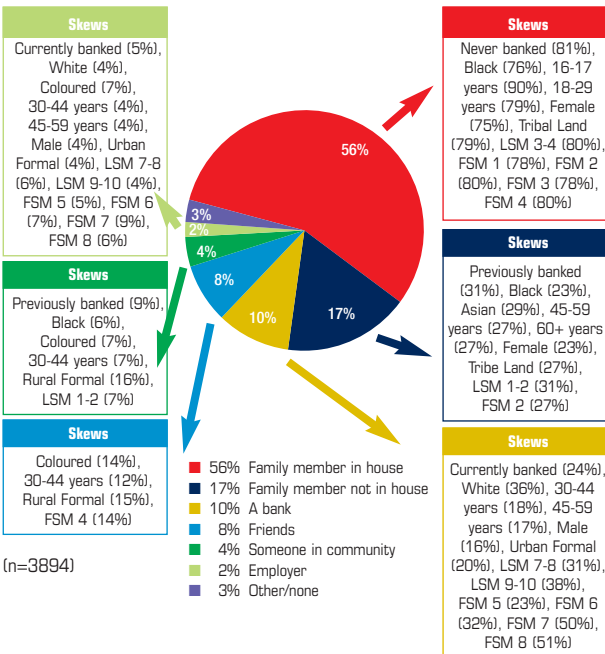
	2006 (n=3894)	2005 (n=3885)	2004 (n=2988)
Medical	9%	10%	11%
Medical aid/scheme	8	9	10
Hospital plan	2	3	3
Medical insurance	1	2	2
Investments	5%	6%	7%
Unit trust	1	N/A	N/A
Education policy/plan	1	2	2
Investment/savings policy	2	N/A	N/A
Endowment policy with death/disability cover	2	N/A	N/A
Endowment/investment/savings policy	N/A	5	7
Saving clubs	7%	5%	7%
Stokvel/umgalelo/savings club	7	5	7
Other savings club	1	1	N/A

Lifestyles and living conditions

DECISION MAKING

- Family networks/community are still the main source of discussion/information, as well as survival structures. This is particularly evident amongst the poor.
- Efforts to communicate the ability of financial service providers to help in situations, and in financial aspects in these communities may need to be addressed. If poorer people don't get knowledge of contingencies such as insurance – why would they use them?
- Family/relatives may only provide stop-gap fixes to the problems, or limited information on financial questions. In order to facilitate prudent planning and contingencies, people need access to, trust in, and understanding of what is on offer to them from financial service providers.

SOURCE OF FINANCIAL ADVICE



FINANCIAL ASPECTS WHICH COULD IMPACT ON FINANCES

- FSM 1 and 2 most likely to cite no risk from the list impacting on their finances – possibly because they have nothing to lose.
- FSM 3 more likely to cite death of a main wage earner as a financial concern, as well as having to contribute to a funeral – and these people have no insurance, so the impact is probably far higher than for the higher FSM skews seen for these.

	%	2006 (n=3894)	2005 (n=1962)	2004 (n=2988)	Skews
Theft, fire or destruction of household/property	25	33	43	FSM5 (29%), FSM6 (36%), FSM7 (36%), FSM8 (52%)	
Loss of job of main wage-earner	23	35	40	FSM5 (28%), FSM7 (27%), FSM8 (33%)	
Serious illness or accident of a member of the household	23	33	31	FSM7 (28%), FSM8 (35%)	
Death of main wage-earner	22	32	35	FSM3 (25%), FSM7 (27%), FSM8 (37%)	
Flood destroying house or property	19	24	24	FSM4 (24%), FSM7 (24%), FSM8 (27%)	
Illness or accident so that main wage-earner can no longer work	19	21	23	FSM6 (24%), FSM7 (23%), FSM8 (34%)	
Having to contribute to a funeral or a family member outside of the household	12	16	-	FSM3 (19%), FSM8 (17%)	
Theft, fire or loss of car/vehicle	11	14	8	FSM6 (22%), FSM7 (28%), FSM8 (52%)	
Drought	6	11	14	FSM7 (11%)	
Receiving money as a result of someone in your family dying and leaving you money	6	9	-	FSM7 (13%), FSM8 (23%)	
Increase in fuel/petrol price	6	12	-	FSM6 (10%), FSM7 (15%), FSM8 (27%)	
Interest rate increase	4	9	-		
None	40	25	17	FSM1 (51%), FSM2 (44%)	

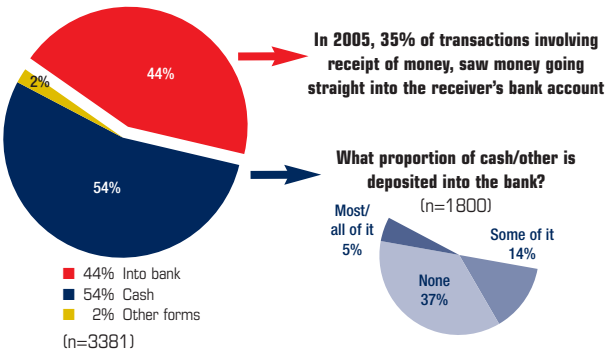
SOURCE OF MONEY

- More people are claiming to receive money from friends or family than from company wages and salaries, indicating fewer income earners supporting larger family and friend networks.
- Government grants comprise 25% of claimed source of money – a substantial portion.
- People claiming no money are more likely to be extremely poor and living in tribal lands – the people who may find grant application most difficult due to lack of education, ID books, and the like.

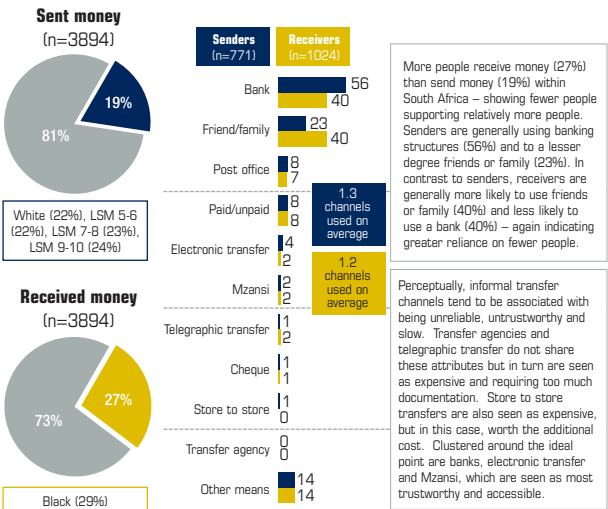
	2006 Total (n=3894) %	2005 Total (n=1952) %
Money from family member/friends	23	29
Work for a salary/wage from company	19	19
Child grant	11	12
Government old age pension	9	9
Work for a salary/wage from an individual	9	8
Piece work/job	5	6
Self-employed (informal sector)	5	5
Any other type of state grant	3	3
Disability grant	2	N/A
Self-employed (formal sector)	2	3
Company pension	2	2
From privately selling goods	1	1
Lottery and other gambling	1	1
Unemployment insurance (UIF)	1	1
Living off the returns on your investment	1	2
Lobola/dowry	0	0
Sub-letting rooms, shack, house	0	0
Other	1	3
I do not get money	17	12

MEANS BY WHICH MONEY IS RECEIVED

- 37% of money received does not end up in a bank – showing a positive decline (the corresponding figure for 2005 is 47%).
- This 'unbanked' money is observed most frequently in the poorer segments.



SENDING AND RECEIVING WITHIN SA REMITTANCES



LIVING CONDITIONS IN SOUTH AFRICA

- Lower LSMs have difficult lives – a full 48% of LSM 1-2 and 34% of LSM 3-4 have gone without food at some point in the last year.
- The impact of fuel price increases is evident in the increase of claims of having gone without fuel.
- Crime input also seems to be on the up and skews towards lower LSMs – probably due to the high costs of security measures.

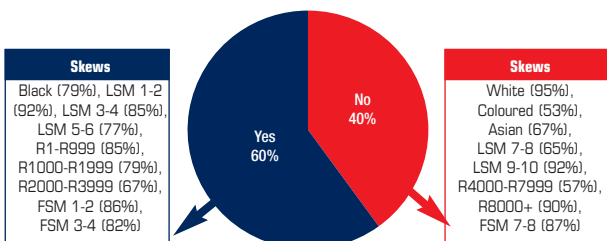


ACCESS TO AMENITIES

- On average, it takes someone who is LSM 1-5 and banked approximately 28 minutes to get to a bank compared to 15 minutes for the wealthier LSM 6-10 segments – accessibility is still an issue for lower LSMs – both in cost and in time.

	Average mins to bank	Average mins to food and grocery store
Race:		
Black	25.3 (n=1089)	25.2 (n=2135)
White	10 (n=660)	9.9 (n=707)
Coloured	16.1 (n=388)	15.7 (n=759)
Asian	14.9 (n=200)	14.6 (n=293)
Geographical area:		
Urban Formal	17.1 (n=1868)	17 (n=2694)
Urban Informal	24.7 (n=149)	22.1 (n=264)
Rural Formal	22.8 (n=88)	25.1 (n=258)
Tribal Land	32.2 (n=232)	30.1 (n=678)
FSM:		
FSM 1-2	40.7 (n=48)	26.4 (n=1191)
FSM 3-4	26.7 (n=626)	23.6 (n=1026)
FSM 5-6	20.1 (n=1085)	19.1 (n=1099)
FSM 7-8	9.3 (n=578)	9.6 (n=578)
LSM:		
LSM 1-2	33.7 (n=123)	33.3 (n=502)
LSM 3-4	28.4 (n=300)	24.9 (n=837)
LSM 5-6	22.5 (n=760)	20.1 (n=1232)
LSM 7-8	15.1 (n=565)	14.3 (n=694)
LSM 9-10	10.2 (n=589)	9.8 (n=629)
Overall:		
Total sample	21.1 (n=2337)	22.2 (n=3894)

Use of public transport to get to bank



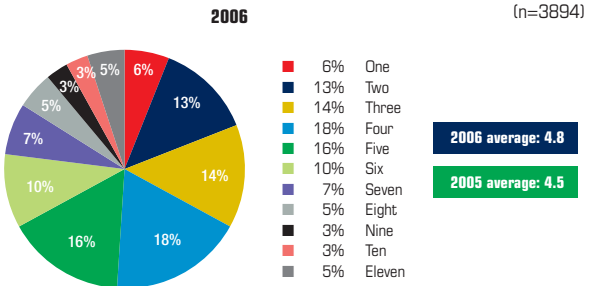
Average cost of a return trip to bank for those using public transport: R 11.58

HOUSING

- Only 7% to 8% claim to currently utilise a bond (which requires the borrower to take out home insurance), therefore most homes are not necessarily covered/insured.
- The predicted income gained from rental premises seems isolated to small numbers in South Africa so cannot be claimed as a large informal income sector.
- Booming property prices seen in the past few years would seem to have only positively affected a few people. However, we have seen steady growth in the percentage of people claiming home loans – 2004 (4%), 2005 (5%), 2006 (6%). Only 26% of people think their homes will grow in value. The vast majority live in homes that are inherited, cannot be sold, or are just not considered valuable – extremely important, but not valuable.
- Government initiatives seem to be showing some growth resulting from the aggressive housing policy, but this is difficult to track due to slight changes in this year's questionnaire.

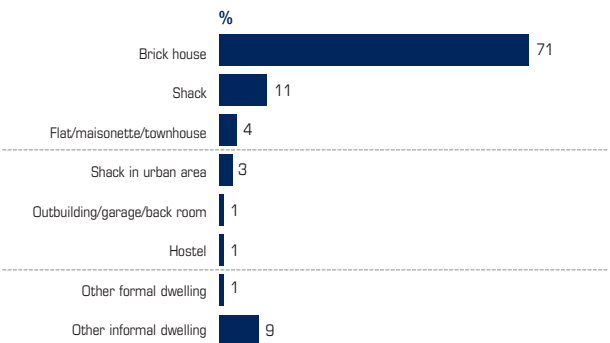
HOUSEHOLD SIZES

- Larger families often have less money to go around – indicative of support required from wage earners and the potential devastation of the loss of that income flow.
- Interestingly, average number of people per household peaks at household income of R2 000 - R6 999.
- Average number of people in the home has increased in 2006.

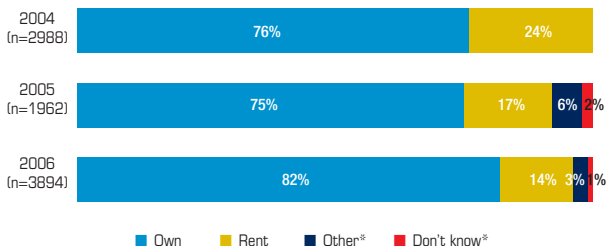


HOUSING TYPES

- Most people claim to live in a brick dwelling.
- Those living in informal dwellings predictably are likely to be poor.

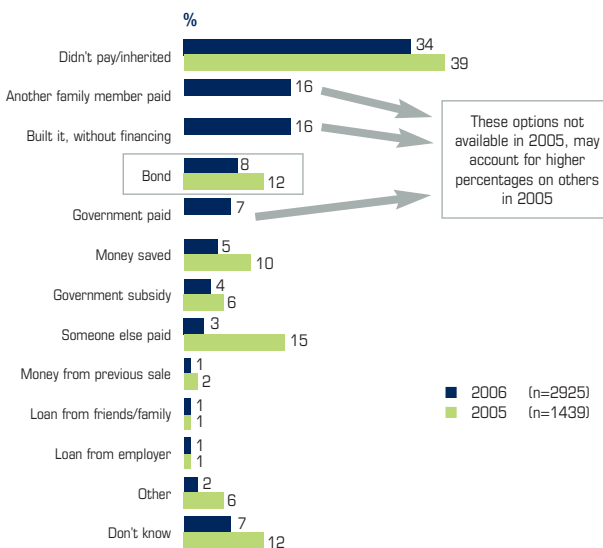


HOUSING OVERVIEW



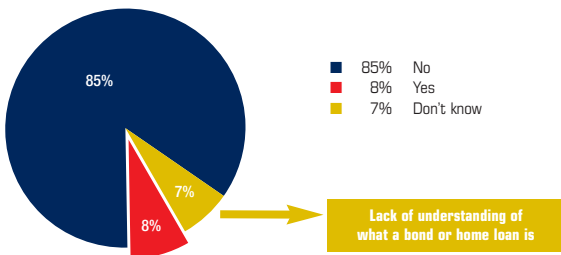
* Caution when tracking – lists changed from 2004 to 2005 questionnaire

HOW OWNED HOMES WERE ACQUIRED



INCIDENCE OF CURRENTLY MAKING BOND REPAYMENTS

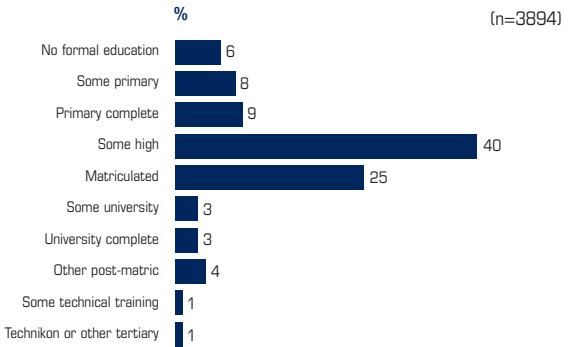
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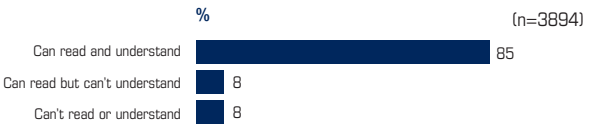
Education and literacy

- Predictably there is a direct correlation with education/literacy and wealth levels.

EDUCATION LEVEL

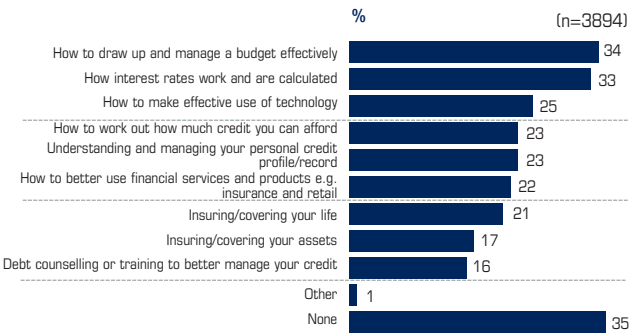


LITERACY LEVEL



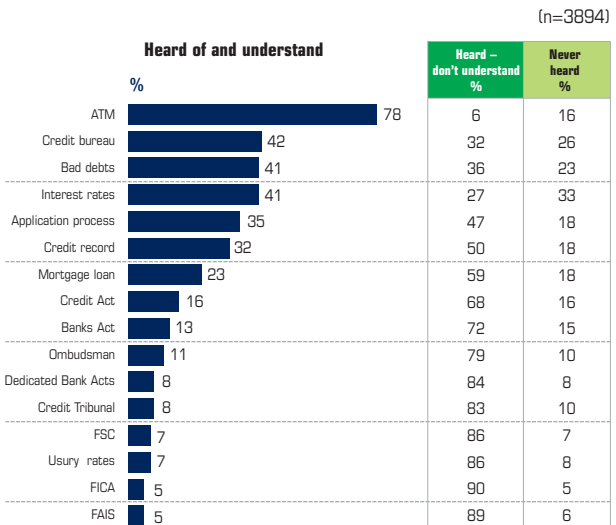
DESIRED FINANCIAL KNOWLEDGE

- The factors that people are interested in tend to mirror the areas of finance they are most interested in developing e.g. people want to know about saving, and also are likely to claim that the reason they would like to be banked is to having a savings mechanism – “how do I cope if things impact on my finances?”



KNOWLEDGE OF FINANCIAL SERVICES TERMS

- There is still a lack of understanding of financial terms, and if people are going to engage this market, they would first have to understand what the product is about.



Imagery perceptions of financial service providers (FSP)

WHO IS THE IDEAL FINANCIAL SERVICE PROVIDER?

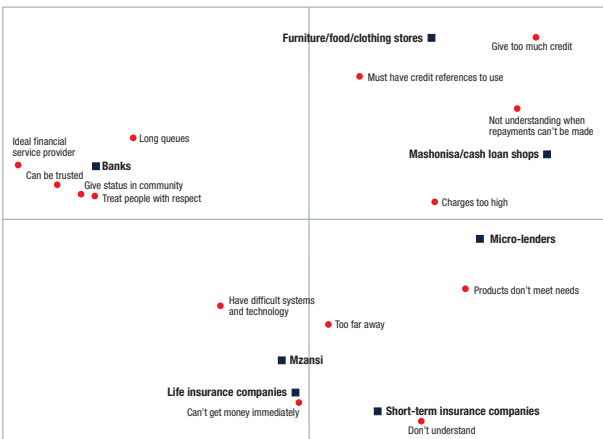
	2006 (n=3894)	2005 (n=3885)	2004 (n=2988)
Bank (excluding Mzansi)	49	47	52*
Life insurance companies	5	4	3
Mzansi account	4	3	N/A*
Short-term insurance companies	2	2	3*
Furniture, food and clothing stores	2	3	1
Micro-lenders	1	2	2
Mashonisa/cash loan shops	1	2	2
None/not sure	43	45	44

* 2004 questionnaire did not separate "Bank" and "Mzansi" as "Mzansi" did not exist at this point

IMAGERY PERCEPTIONS

- Banks are seen as the ideal financial service provider again in 2006.
- Associated with safety/security, status and respect.
- People don't understand how Mzansi, life insurance and short term insurance companies work – apparent need for consumer education?
- People also link these organisations/products with "not getting money immediately/not easily accessible."

(n=3894)



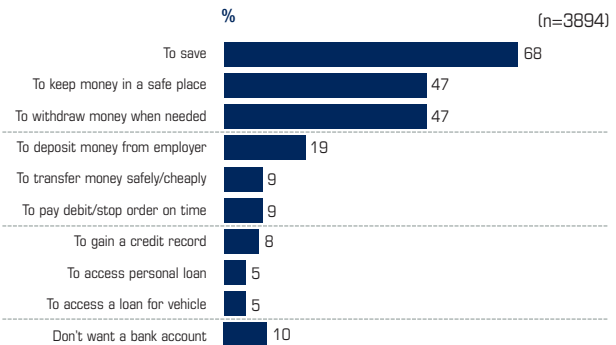
Inertia = 0.48

Banking

- The percentage of people banked has increased to just over half of the adult population – a significant and positive development. This is mostly driven by growth in Mzansi, and in the lower LSM tiers – indicative of service providers trying to meet the mandate of the charter. However the less wealthy still claim banks are too far away, and just too expensive for them.
- People see branches as being quite expensive, and ATMs cheaper – however they would still prefer to conduct deposits in branches – probably to ensure the money is really “in”. It does indicate the technology is not widely understood by some, and the perception of losing cash in the machine still, to an extent, exists.
- Other banking methods – cell phone banking, internet, self service terminals are generally not known or understood, and linked to being confusing and difficult to use. If these are to be used in developing the “access” frontier – especially cell phones – the technology needs to be simple to use “only two clicks” and easily communicated. Safety is a key concern, and people must be able to trust the technology, or have some perceived guarantee of using it.
- The key issues for any banking product extension is not to erode the product or brand, or position it simply as “cheap”. Affordability is important, but as banking is so important in terms of being trustworthy and giving one status, cheapness could erode this “aspirational” utility for bank brands.

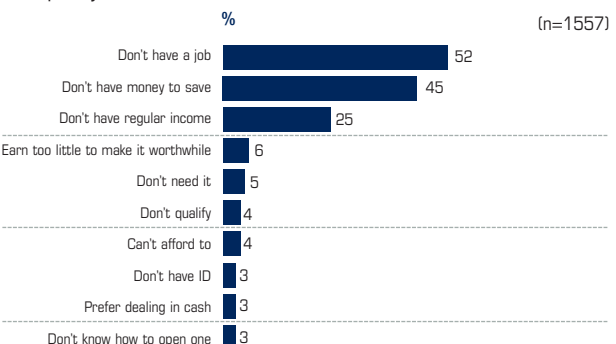
REASONS FOR WANTING A BANK ACCOUNT

- The overriding reasons for wanting a bank account encapsulate the need for safety and security.
- Following this is the need for transactional convenience.
- The ability to borrow money, though mentioned, falls lower down on the list of market needs.



REASONS FOR NOT HAVING A BANK ACCOUNT

- Although affordability is the main issue cited for not having a bank account, potential exists in communication – ‘don’t know how to open a bank account’ and process – ‘don’t qualify/don’t have an ID’.

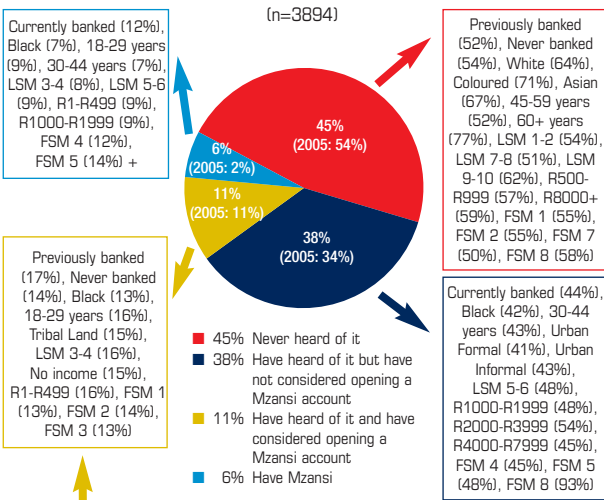


Mzansi

- Mzansi is contributing to growth in banking penetration. With just under an estimated two million claimed accounts, it still has potential for further growth but communication and understanding remain key barriers.
- Overall perceptions are more positive and it is seen as an affordable option – there is still some negative “poor man’s account” perception which undermines the strength banks have in owning the attribute of giving status in the community.
- Communication of product features is also very important – awareness and functionality communication could be improved. 81% are using Mzansi for withdrawals with far lower mention for anything else.

AWARENESS OF MZANSI

- Lower LSMs have not heard of Mzansi, nor have people in FSM 1, conversely nor have the upper LSMs / FSMs.
- Black people are most likely to be considering the account.



Potential – affordability is an overriding reason for not opening an account

TOP TEN REASONS WHY HAVEN'T OPENED AN MZANSI ACCOUNT

- 'Have other bank account' is the top reason for not opening a Mzansi account, and is skewed up by those who have heard of the account but not considered it.

	Total (n=1667)	2005 (n=1362)	Have heard of it and considered it (n=324)	Heard of it but not considered it (n=1343)
Have other bank accounts/ don't need	33	27	11	39
Don't have a job	29	33	42	25
Don't have a regular income	19	28	28	16
Don't have money to save	12	7	16	11
Doesn't appeal	11	5	4	13
Don't have enough money to open it	9	5	17	7
Don't need a bank account	5	4	2	5
Don't know how to open an account	3	6	6	3
Earn too little to make it worthwhile	3	3	4	3
Have to keep a minimum balance	2	2	4	1
Don't know	4	4	3	4

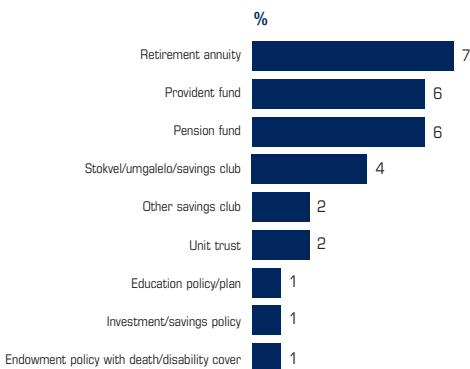
For those who have considered the product but not taken it up, affordability is a key issue

Investments and savings

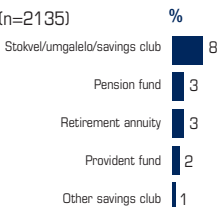
- Looking at products categorised as investments people are most likely to say they have a retirement annuity (7%), followed closely by provident (6%) and pension (6%) funds. Black people are twice as likely to belong to a stokvel than any one of these three investment mechanisms. There is potentially still a divide in the understanding of savings mechanisms versus investments.
- The biggest claimed perceived savings mechanism is a savings account at a bank (28%). 39% of people are claiming no saving mechanism – this skews towards the lower LSMs and FSMs. If lower LSMs and FSMs are saving, it is through informal offerings such as investments in cattle or livestock, stokvels or burial societies.
- People who belong to stokvels are saving for emergencies (38%), funeral costs (29%) and food (28%) – this mirrors the risks that people see as potentially affecting their finances. These savings mechanisms could be viewed as informal coping mechanisms to deal with these risks.
- 45% acknowledge retirement savings as a surety option for credit extension, but only 6% of people have used it as such. 25% claim to be thinking of using this as surety in the future, but this may be due to the prompting nature of the questioning. Given the potential bias, there is still a fair proportion (30%) admitting to not understanding this financial option.

WHAT INVESTMENTS DO PEOPLE HAVE?

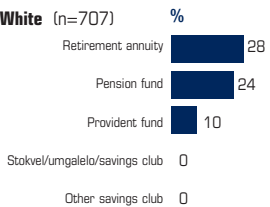
Total (n=3894)



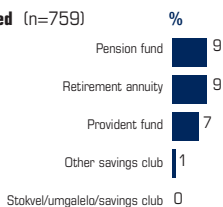
Black (n=2135)



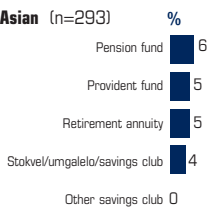
White (n=707)



Coloured (n=759)

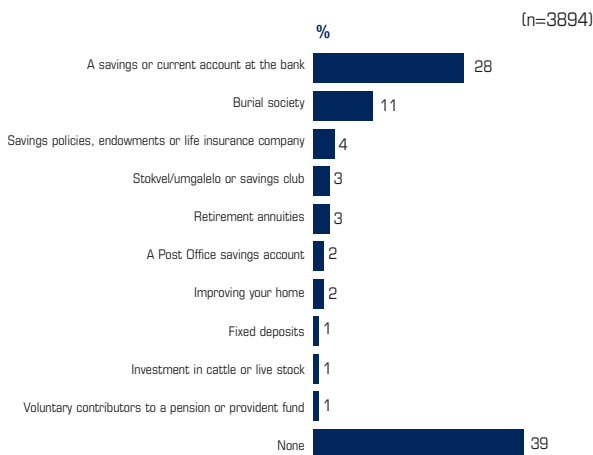


Asian (n=293)



WHAT ARE PEOPLE CURRENTLY PUTTING MONEY INTO?

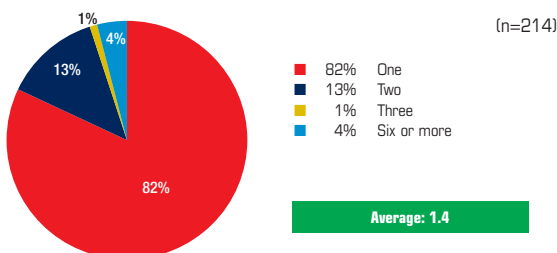
- Differing perceptions exist about what actually constitutes an investment or savings mechanism – e.g. 7% of the population claim to have retirement annuities, but only 3% claim to be investing in annuities.



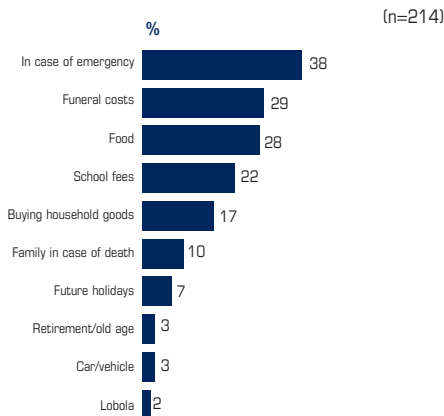
TYPICAL BEHAVIOUR – STOKVEL/SAVINGS CLUB/UMGALELO

- Most people only belong to one savings club which is used for emergencies, funeral costs and food.
- This saving mechanism can be viewed as an informal coping mechanism for the risks affecting finances that people face.

How many savings groups/clubs belong to?



Why are people currently saving?

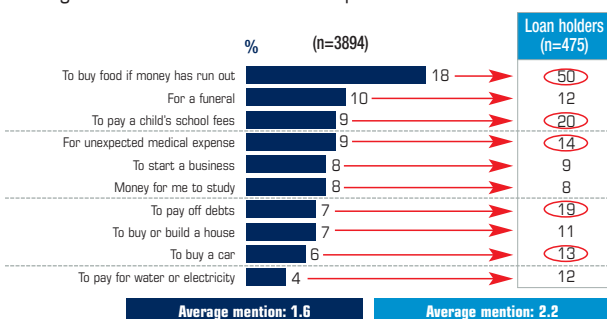


Credit and loans

- Family/friends remain the first point of call for loans. Short-term loans are often taken to feed families, showing clearly the “hand-to-mouth” or reactive financial systems used by most people – especially the poor.
- Conceivably, loans should only be utilised to “bankroll” asset purchases (proactive) rather than life needs (reactive). The sheer claimed volume of debt used for reactive purposes shows limited other products in the financial market dealing with risk. It is disturbing that poorer people rely on debt to survive rather than having access to (and an understanding of) savings or insurance mechanisms that would be less expensive in many cases and which would allow people to deal with sudden financial shocks.

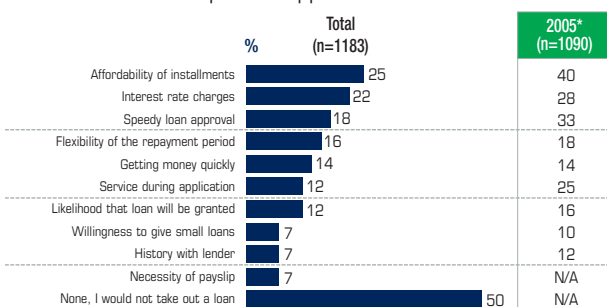
REASONS FOR BORROWING MONEY OR WANTING TO BORROW

- Certainly there is potential for savings and insurance products to cover funerals and tuition so as not to have debt covering these eventualities.
- People currently borrowing money are more likely to claim higher number of reasons than potential borrowers.



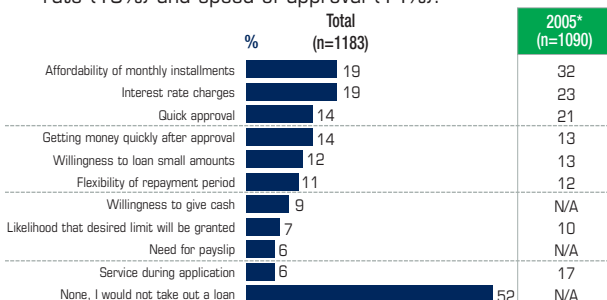
FACTORS DETERMINING WHERE TO TAKE LONG-TERM LOAN

- The most cited factors determining where long-term loans are taken out are affordability of payments (25%), interest rate (22%) and speed of approval (18%).



FACTORS DETERMINING WHERE TO TAKE SHORT-TERM LOAN

- The same three factors appear at the top of the list for short-term loans: affordability of payments (19%), interest rate (19%) and speed of approval (14%).



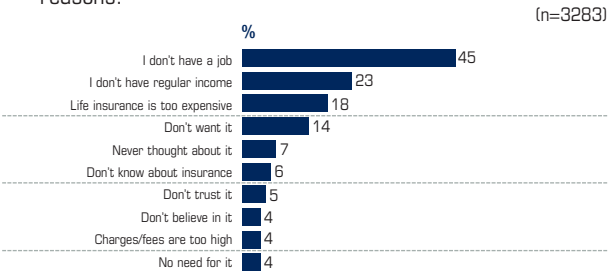
* Caution when tracking – question reworded

Long-term insurance

- There would seem to be potential for an affordable “loss of earnings” product to address the high perceived risk of the job loss of the main wage earner.
- Communication and de-shrouding the complexity of insurance is required to appeal to the poorer segments of the market.
- Wealthier people tend to have made the decision to take out insurance based on want/need rather than simply understanding – this is often due to the perception of expense.

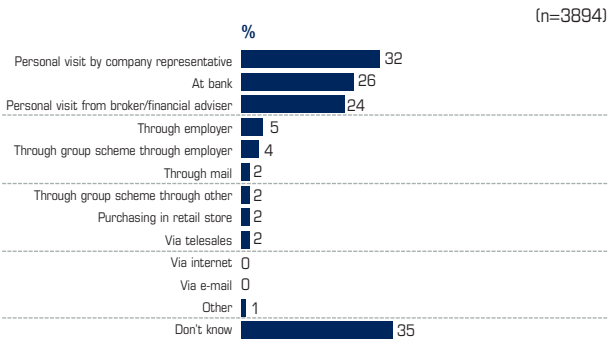
MOTIVATION FOR NOT HAVING LIFE INSURANCE

- Upper LSM/FSMs more likely to claim lack of need/want reasons whereas lower LSM/FSM tend claim affordability reasons.



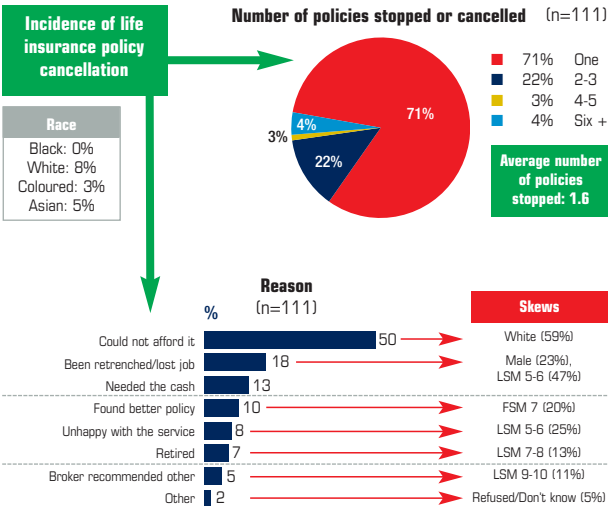
PREFERRED PURCHASE LOCATION FOR LIFE INSURANCE

- Personal interaction is considered the preferred way to purchase insurance – possibly due to the lack of understanding of the product.



INCIDENCE OF LIFE INSURANCE POLICY CANCELLATION (CLAIMED)

- Relatively low incidence of policy cancellation – and when cancelled it is an affordability issue.

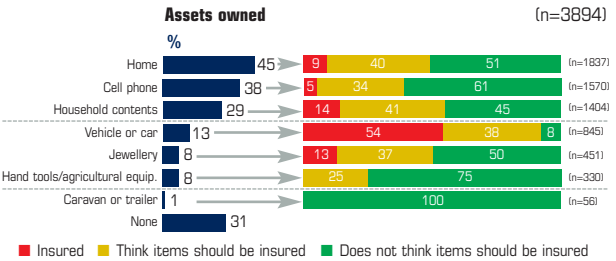


Short-term insurance

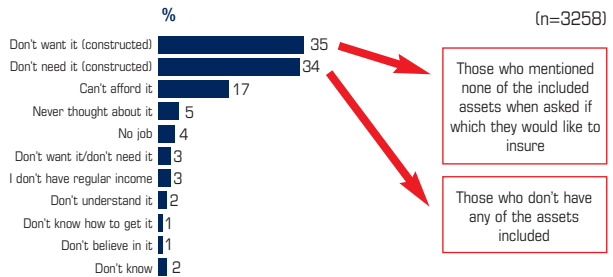
- There is certainly appetite and want for insurance on assets.
- Barriers are:
 - People don't consider possessions worth covering (or don't understand the terminology (e.g. household contents))
 - Products are not always seen as suitable
 - Accessibility
 - Understanding how they work

ASSET ASSESSMENT

- Percentage of the population with travel insurance: 0%
- Percentage of the population with credit insurance: 1%
- Percentage of the population with legal insurance: 1%



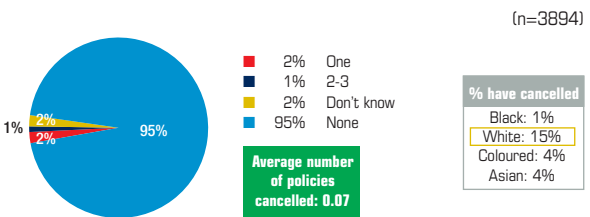
REASONS FOR NOT HAVING SHORT-TERM INSURANCE



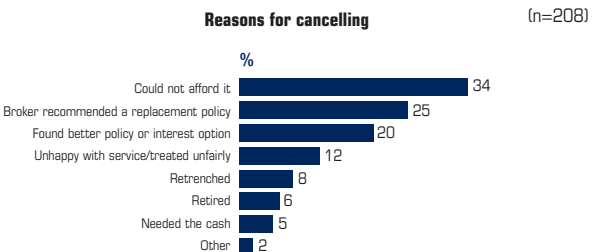
INCIDENCE OF SHORT-TERM INSURANCE POLICY CANCELLATION (CLAIMED)

- Money and competing policies are the main reason for cancellation of short-term insurance policies.

Short-term insurance policies or investments ever stopped or cancelled?



Reasons for cancelling

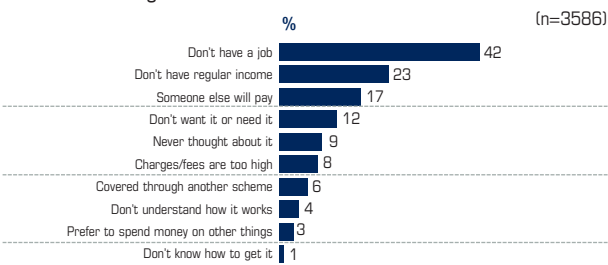


Funeral cover

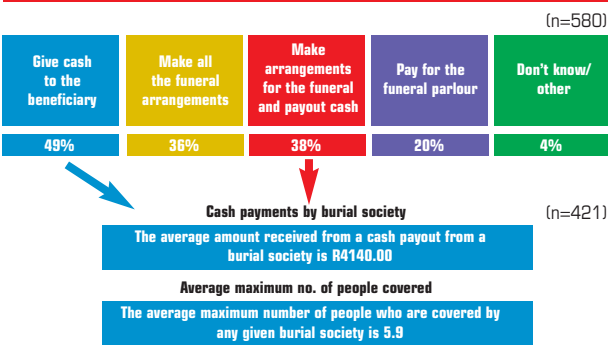
- Informal burial societies dominate the funeral cover sector. Given the importance to a large household of a main wage earner, and with 5% claiming to have lost a main wage earner in the past year, this service is very important in the overall financial issues people face.
- Burial societies have high positive correlations, and seem to be used for more than just funerals – there is a social element, a lending element, and certainly a high level of compassion.
- However, money spent on funerals out-weighs the amount paid out by the burial society on the death of a family member, meaning that the families affected have to pay in additional money on top of that received from their cover.

MOTIVATION FOR HAVING NO FUNERAL/BURIAL COVER

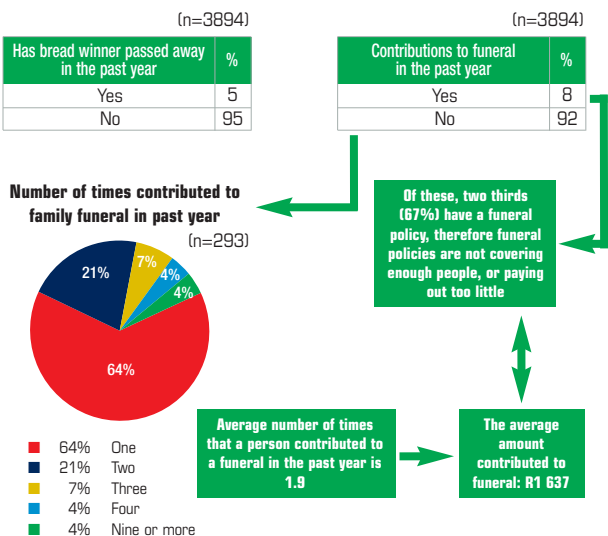
- Higher LSMs more likely to claim someone else will pay the brokerage.
- Interestingly, higher LSMs are also more likely to claim they hadn't thought about it.



PAYMENT OPTIONS OFFERED BY BURIAL SOCIETIES



CONTRIBUTIONS TO FAMILY DEATHS

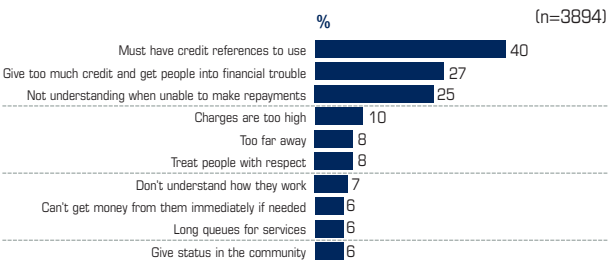


Retail

- Paying with cash is the most highly mentioned way of paying for purchases. Credit is more likely to be used for clothing purchases and installments for large appliance purchases.
- Interestingly, the number of retail cards/accounts claimed has not changed dramatically in 2006. Approximately 18% of people claim to have a store card that allows them to buy on credit.
- Affordability remains the main reason for not having a store account (66%) – and this is particularly evident amongst the poor. 13% of people do not have retail accounts as they prefer paying in cash.
- The number one perception about retailers accounts is that one must have a credit reference/history to apply (40%). 27% say that they are given too much credit and people get into trouble as a result. Credit providers are not understanding when payments become an issue (25%).

WHAT DEFINES FURNITURE/FOOD/CLOTHING RETAILERS?

- Retailers are seen to require credit references when opening accounts and, once opened, they provide too much credit.



HOW DO PEOPLE FUND THEIR RETAIL PURCHASES?

- Groceries, clothing and appliances most likely to be bought with cash.
- Cash is the claimed preferred payment method for all types of retail purchases.

(n=3894)

	Groceries %	Clothing %	Large appliances %
Pay using cash	91	80	21
Pay by debit card	4	2	1
Pay using credit card	3	3	3
Pay with store credit card	1	10	1
Pay with vouchers	1	1	0
Pay by cheque	1	1	1
Pay by lay-buy	1	13	14
Pay using store account	1	6	7
Pay in installments	0	1	10
Pay via internet	0	0	0
Other	0	0	1
Have not bought these items	7	6	52

The way forward

Finscope™ SA 2006 has once again proved to be able to speak eloquently to the changing complexion of SA's financial markets. This year has seen some significant positive changes, most notably in a material increase in the percentage of people with a bank account.

However, such progress as there has been can only be sustained with constant innovation and cooperation between service providers and regulatory authorities, based on a common understanding of the realities of SA's financial markets. We humbly offer Finscope™ as a tool that can contribute to the greater understanding of the financial needs of SA's citizens.

This brochure only scratches the surface of the database and Finmark Trust invites interested parties to contact them if there is a requirement for data analysis or interpretation.

Going forward we, at Finmark Trust, believe it is critical for Finscope™ to stay relevant to the lower income segments of the population whilst at the same time maintaining full credibility as a national study.

Finally, Finmark Trust continues to seek out an appropriate partner to which the management of the annual survey can be outsourced.



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