

What Motivates Retailers to offer Financial Services?

South Africa case study



9th International Microinsurance Conference:
Business Case for Retailers, 13 November 2013



25 retailers operating in the low income market

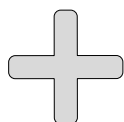


Study revealed as many as 50% of Retailer clients were unbanked

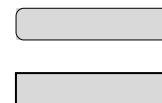


Drivers of type of financial services offered

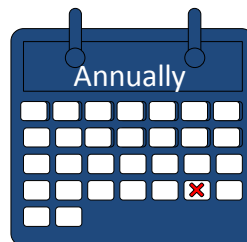
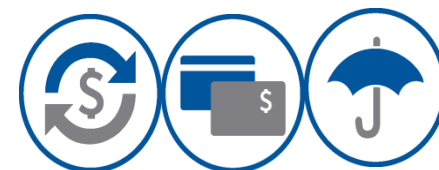
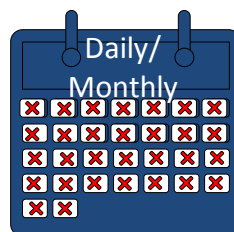
Retail offering and payment type



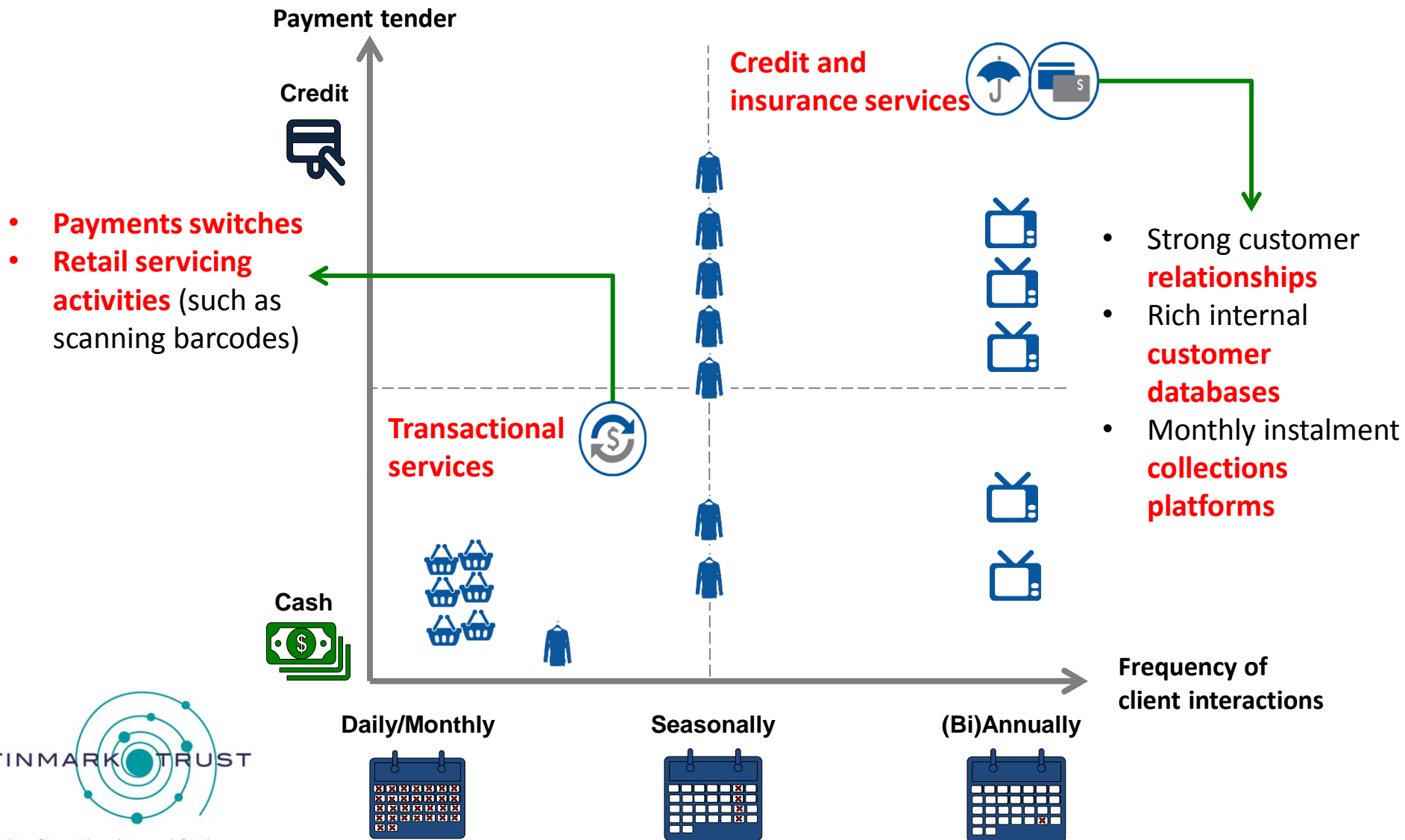
Frequency of interactions



Type of financial service offered

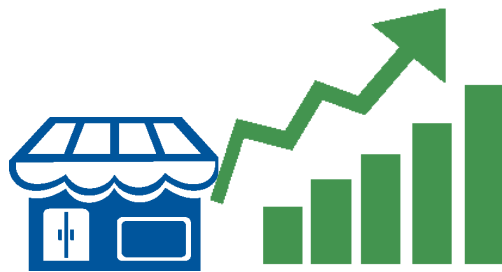


Map of financial services offered by Retailers in South Africa

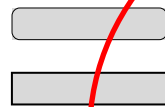


Why are financial services offered by Retailers

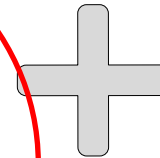
One Retailer derived USD 54 million per annum in profits from financial services



Increased revenue and bottom line profits



Direct revenue from financial services



Increased merchandise sales and profitability



Increased sales and profitability:

Business case in 3 broad categories



Increasing footfall:

- New clients
- Retain and increase interactions w/ existing clients



Driving more profitable behaviour:

- Increased basket size
- Higher margin products



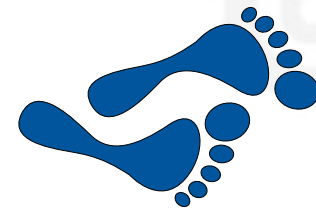
Leveraging existing investment:

- Trusted brand
- Payment infrastructure
- Client data

Drivers for increased profits



Business case for Retailers: Increasing Footfall



1. Increase client acquisition



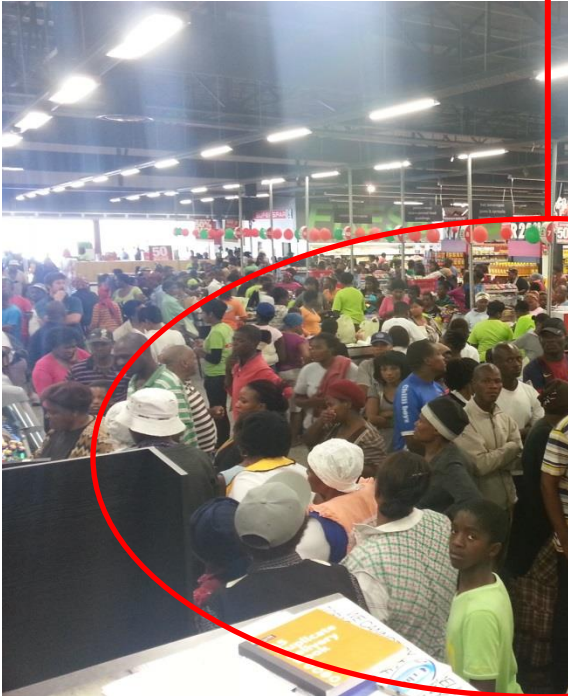
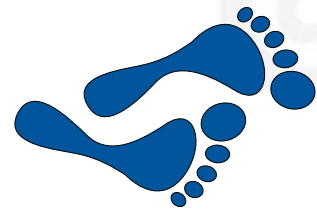
2. Increase the number of interactions with clients



“Money Market forms part of the Group’s non-core value-added strategy aimed at **increasing consumer traffic** in its stores. The main focus of the services offered is adding value to consumers’ shopping experience by providing convenience and saving the consumer time, so **turning outlets into destination stores**”

- Shoprite Annual Report (2007)

Increasing footfall: When a destination backfires



g footfall is
ff for many

Negatively
impact on the
shopping
experience of
other
customers

high
ce for
al
es



Business case for Retailers: Driving more profitable behaviour



1. Increase basket size



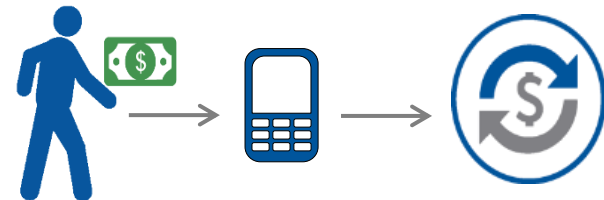
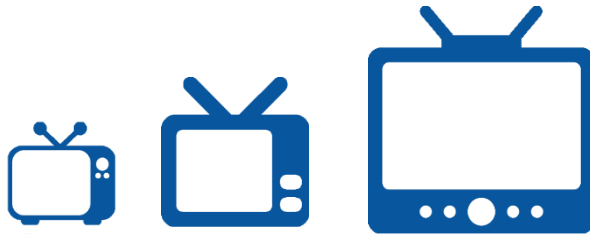
Min. spending of \$5.00 to withdraw cash at the point of sale



2. Sale of higher margin products



Financial services conditional on purchasing a specific good (ex. Loyalty schemes for airtime)



Driving more profitable behaviour: Pep loyalty programme



Pep Club's **free funeral cover** is specifically linked to the **customer's purchase of airtime** and the length of time that the **sim card** has been active

Average airtime usage					
Months sim activated	R0-R50 (\$0 - \$5)	R50-R75 (\$5 - \$7.50)	R75-R150 (\$7.50 - \$15)	R150-R500 (\$15 - \$50)	R500+ (\$50+)
0-6*	Accident cover of R500 (\$50) only	Accident cover of R500	Accident cover of R500	Accident cover of R500	Accident cover of R500
7-12	R0	Drives persistency & higher basket sizes			
13-24	R0				
25-36	R0				
37+	R0				
		R1 500 (\$150)	R2 000 (\$200)	R2 500 (\$250)	R3 000 (\$300)
		R2 500 (\$250)	R3 000 (\$300)	R3 500 (\$350)	R4 000 (\$400)
		R3 500 (\$350)	R4 500 (\$450)	R5 500 (\$550)	R6 500 (\$650)



FINMARK TRUST

Making financial markets work for the poor

Business case for Retailers: Leveraging existing investment



1. Trust brand



2. Client data



3. Existing payments infrastructure



Pick n Pay's switch enable it to offer third party bill payments to customers



Leveraging existing investment: Edcon group



Edcon **markets** their **financial services** through their Edgars (1.6 million readers) and Jet Club (4.3 million readers) magazines



START HERE!

Insurance:
what do
you need?

Take our quick lifestyle quiz to help figure it out

OR SIMPLY CLICK ON ONE OF OUR INSURANCE PLANS BELOW FOR DETAILS:

<p>Funeral Plans <i>Imishuwatense Yomngcwabo</i></p> <p>This pays out to a nominated beneficiary if you pass away.</p>	<p>Individual & Family Funeral Plans <i>Imishuwatense Yomuntu Ngamunye & Nomndeni</i></p> <p>Depending on the plan, this pays out if you, your partner or children pass away.</p>	<p>Cellphone Insurance <i>Imishuwatense weseleula</i></p> <p>This insures your cellphone against loss, theft or damage.</p>
<p>Hospital CashBack Plan <i>Umshuwatense Wokubuyelwa Yimail Uma Ulaiswe Esibhedlela</i></p>	<p>Commuter Travel Insurance <i>Umshuwatense Wokuhamba Ngesithuthi Somphakathi</i></p>	<p>Legal Plans <i>Umshuwatense Wezomthetho</i></p>

Edcon used **client data** from its credit sales to **design individual insurance products**. In 2012 it had **5.6 million active policies**.



Data Game: financial services and merchandise



Thank You!

Please contact us at...

Tel: +27 (0) 21 913 5910

E-mail: herman@cenfri.org

www.cenfri.org

