THE MZANSI BANK ACCOUNT : DETERMINING ITS SUCCESS AND THE WAY FORWARD

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Hierdie dissertasie en die twee voorlopende jare van studie word opgedra tot die nagedagtenis van my oorlede pa, Hurrinanan Ramsamooje Orie. Sy wysheid, voorsorg en oneindige opofferinge om my geleenthede te gun, ongelukkig nie vir homself beskore nie, sal altyd die basis van my inspirasie bly.

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(v) Die werknemers by elkeen van die takke en afsetplekke waar kliente mee onderhoud gevoer word.

Opsomming

Die Mzansi bankrekening, einde Oktober 2004 op die been gebring, het uit die finansiële dienste grondwet ontstaan, en is gemik op lae inkomste, voorheen ongebankte individue en huishoudings. Sedert die aanvang daarvan is dit deur die volgende finansiële institusies ondersteun: Verenigde Banke van Suid Afrika (ABSA), Standerd Bank van Suid Afrika (SBSA), Eerste Nasionale Bank (FNB), Nedbank (hoofsaaklik die vier mees vername kleinhandelsbanke in Suid Afrika) en die Posbank ('n filiaal van die Poskantoor). Hierdie studie ondersoek die prestasie van die Mzansi rekening van beide die klient en ondersteunende finansiële institusie se perspektief.

Die primêre objektiewe van hierdie navorsing fokus daarop om vas te stel hoe toeganklikheid van finansiële dienste (en tot die rekening self) vir die kliënt bewys mag word, vas te stel wat Mzansi kliënte nodig het, en hoe die rekening uitgebrei of verbeter kan word om aan hierdie behoeftes te voldoen. Die sekondêre objektiewe konsentreer op probleme wat die finansiële institusie in die oë staar: verbetering van toeganklikheid vir kliënte (sonder 'n kostelike belegging in ondersteunende infrastruktuur), onderskeiding van die produk en diens van ander kompeterende institusies, beperking van produk kannibalisme (waar die Mzansi rekening gekies word oor hoër orde kleinhandel bank produkte) en die beperking van algemene koste van die rekening om profitabiliteit te verseker.

Die navorsingsmetode is saamgestel uit 'n literatuur studie en proefondervindelike navorsing wat administratiewe opname-vraagstukke aan huidige Mzansi kliënte omvat. Die literatuur studie fokus op beide nasionale en internasionale probeerslae om die ongebank te bank, suiwer gemene kennis van hierdie probeerslae en uiteindelik verduideliking van beste praktyke met spesifieke verwysing na die verbetering van toeganklikheid tot finansiële dienste en die pasklaar maak van finansiële dienste opsies om die mees noodsaaklike behoeftes van die ongebankte mark te ontmoet. Die literatuur studie het ook

gevind dat 'n besliste besigheidsaak vir finansiële institusies wat gewillig is om die mark na te jaag, bestaan, as die kern waarde posisie doelmatig aangepas is.

Die proefondervindelike navorsing vat die ontwikkeling van 'n opname vraagstuk, gemik daarop om die vyf kern navorsing areas te verstaan, saam: die Mzansi kliënt profiel (vir 'n monster van een honderd sewe en veertig huidge kliënte en sakedoenendes by Gauteng takke en afsetpunte en eweredig versprei oor elkeen van die ondersteunende finansiële institusies), om te peil hoe goed kliënte hul rekeninge verstaan, bepalend van die diens wat die kliënte ontvang het, om kliënte transaksies en die waarde wat hul aan die transaksies heg te verstaan, en uiteindelik om die kliënte die geleentheid te gun om maniere voor te stel hoe die rekening verbeter kan word. Die vraagstuk het uit beide ope- en toesluitende vrae bestaan (die laasgenoemde het 'n vyf-punt Likert-tipe skaal gebruik om punte te bepaal).

Die resultate, behalwe dat dit die algemene demografiese profiel van die kliënt gewys het, het ook gewys dat noemenswaardige werk steeds deur die finansiële institusies uitgevoer moet word om te verseker dat kliënte hul rekeninge en die onderskeidelike transaksies en kanale beskikbaar aan kliënte, verstaan. ATM transaksies, byvoorbeeld, het probleme by kliënte veroorsaak tot so 'n mate dat hulle bereid was om amper dubbel soveer vir tak transaksies te betaal. Die dienste deur kliënte ontvang is ook bewys om gemiddeld te wees, met veel meer kliënt georiënteerde demonstrasies, en 'n groter hoeveelheid tyd gedurende die oopmaak van die rekening prosedure bestee, gesien as waardevolle wyses om dienste wat oor die algemeen ontvang is te verbeter.

Kliënte heg grootste waarde aan kontant onttrekkings transaksies, met die tak-kanaal as gunsteling aangewys. Kliënte se behoeftes is geïdentifiseer as primêr op krediet gebaseer; met verskillende krediet fasiliteite wat benodig word. Kliënt gemotiveerde verbeteringe is ook uitgebrei tot 'n groter reeks gratis transaksies op die rekening, verbetering van rentekoerse op kredietbalanse en 'n vorm van lojaliteit-gebaseerde afslag op sekere transaksies.

Praktiese wyses om die toeganklikheid tot die rekening te verbeter sluit in proliferasie tegnieke (waar derde partye die opening van Mzansi rekeninge namens die kliënte onderneem) en die gebruik van mobiele bank fasiliteite. Dit is ook voorgestel dat die produk werking uitgebrei word deur beperkte getalle debiet- en stoporders vir kleinhandel banke te offer, terwyl 'n sterk fokus geplaas is op naderings om die kliënt se finansiële geletterdheid te verbeter deur middel van opvoedingsprogramme wat gemeenskapsgebaseer is. Die latere aspekte was ook gesien om sterk beginpunte te wees wat die finansiële institusies kan gebruik om tot 'n groter mate hul dienste en produkte te differensieër.

Die objektiewe van die navorsingstuk word gesien as nagekom, ondanks die geografiese vooroordele, kliënte wat moontlik 'n wanindruk gee van hul inkomste en moontlike transaksie vooroordeel.

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(v) The staff at each of the branches and outlets where customers where interviewed, and the customers themselves.

Abstract

The Mzansi bank account, launched in the latter part of October 2004, arose out of the financial services charter and is aimed at low income, previously unbanked individuals and households. Since its inception, it has been supported by the following financial institutions: Amalgamated banks of South Africa (ABSA), Standard Bank of South Africa (SBSA), First National Bank (FNB), Nedbank (essentially the four major retail banks in South Africa) and the Postbank (a subsidiary of the Post Office).This study investigates the performance of the Mzansi account from both the customer and supporting financial institutions' perspective

The investigation's primary objectives focused on determining how accessibility to financial services (and to the account itself) may be improved for customers, determining what Mzansi customers needs are, and how the account may be expanded or enhanced to meet these needs. The secondary objectives concentrated on problems the supporting financial institutions faced: improving accessibility for customers (without too costly an investment in supporting infrastructure), differentiating the product and service significantly from other competing institutions, limiting product cannibalisation (where the Mzansi account is chosen over higher order retail bank products) and limiting overall costs of the account to ensure profitability.

The research methodology consisted of a literature study and empirical research that in turn encompassed administering survey questionnaires to current Mzansi customers. The literature study focused on both national and international attempts at banking the unbanked, distilled common learnings from these attempts and ultimately described best practices with particular reference to improving accessibility to financial services and tailoring financial services options to meet the most critical needs of the unbanked market. The literature study also found that a definite business case exists for financial institutions

willing to pursue this market, provided that the core value proposition was adequately adapted. Previous findings on how to avoid product cannibalisation, as well as how to differentiate products and services to entrench greater customer appeal completed the literature study.

The empirical research encompassed the development of a survey questionnaire aimed at understanding five core research areas: the Mzansi customer profile (for a sample of one hundred and forty seven existing customers and transacting at Gauteng branches and outlets and evenly distributed across each of the supporting financial institutions), gauging how well customers understood their accounts, determining the service customers had received, understanding customer transaction and the value they attach to these transactions, and finally affording customers the opportunity to suggest ways in which the account may be improved. The questionnaire comprised both open and closed ended question (the latter questions used a five point Likert-type scale to determine scoring).

The results, apart from compiling an overall demographic profile of the customer, showed that significant work still needs to be accomplished by the financial institutions to ensure customers understand their accounts and the various transactions and channels available to customers. ATM transaction for instance caused customers problems; to the extent that customers were willing to pay almost twice as much for branch transactions instead. The service received by customers also proved to be average, with more customer orientated demonstrations and a greater amount of time spent during the account opening procedure being seen as valuable ways to improve the overall service received.

Customers valued cash withdrawal transactions the most, favouring the use of the branch channel. Customer needs were identified to be primarily credit based; with different credit facilities being required. Customer motivated improvements also extended to a greater range of free transactions on the account, improved interest rates on credit balances and some form of loyalty based discount on certain transactions.

Practical ways suggested to improve access to the account included account proliferation techniques (where third parties may initiate the opening of an Mzansi account on behalf of a customer) and the use of mobile banking facilities. The product functionality was also recommended to be expanded to include limited numbers of debit and stop orders for the retail banks' offering, while a strong emphasis was placed on approaches to improving customer financial literacy by way of education programs that are community based. The later aspects were also seen as strong departure points that the supporting financial institutions could leverage to significantly differentiate their service and product offering.

The objectives of the study were deemed to have been met, despite the fact that the study's geographical bias, customers possibly misrepresenting their income and possible translation bias.

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Chapter one: Nature and scope of study

1.1 Introduction

The Financial Sector Charter, arising out of the National Economic Development and Labour council (NEDLAC) Financial Sector Summit in August 2002, committed the financial sector to the development of a Black Economic Empowerment (BEE) charter (Mason, 2003:17). Core to this charter, was the aspect of access to financial services, wherein specific actions were undertaken to, specifically, ensure the provision of first-order, entry-level retail financial services and sustainable institutions to serve poor communities, the regulation of Credit Bureaux and supporting higher levels of overall savings and investment.

The Mzansi bank account, commonly described as a simple, easy to use and highly affordable transaction product and aimed primarily at low income, previously unbanked individuals (Higham, 2004:2), was thus borne out of the charter. The account, supported by Amalgamated Banks of South Africa (ABSA), First National Bank (FNB), Nedbank, Standard Bank of South Africa (SBSA) and Postbank, was launched in October 2004. The account's core structure is intended to ensure access and affordability to entry level clients, while being central to ensuring commitment to the core objectives of the charter (Clayton, 2005:4).

This study investigates how successful the Mzansi account has been, whether customer needs are being met, and what further scope for improvement exists in ensuring customer satisfaction, continued profitable support by the financial institutions and fulfilling the charter objectives. The study focused primarily on interviewing Mzansi account holders for each of the supporting institutions, and was conducted at branches and outlets in Gauteng.

1.2 Problem statement

A number of problems arise from the current positioning of the Mzansi account and may be stated in terms of both the bank and customer perspective. For this study, the possible resolution of the problems facing the customer ranks as the primary objective, while the secondary objective aims to address the problems facing the financial institutions.

1.2.1 Primary objective: Problems from a customer perspective

(i) Access to financial services and transactions remains difficult for customers. The Financial Services charter makes provision for the allocation of automatic teller machines (ATM) and other suitable mechanisms for delivery of services to customers to be no greater than twenty kilometers to eighty percent of the customers (Mason, 2003:22). Although the supporting institutions have a fairly wide footprint in terms of reach, customers are still required to be within predominantly urban areas to make use of either branches or conventional ATMs. Other transaction methods need to be investigated to make the product suitable to circumstances facing customers.

(ii) Customer financial needs are currently also not fully addressed. The market is segmented using, solely, the demographic variable of income, without due regard to other segmentation criteria (Kotler and Armstrong, 2003:240). Other customer needs must be incorporated into an offering for the customer that represents a much wider and comprehensive value proposition to encourage deeper customer penetration and cross-sell opportunity. Currently, customers are unable to borrow credit, say, from an established, credible financial institution, are left with no other alternative but to approach micro-lenders and loan sharks. The need for formulating an adequate customer financial education and literacy program is thus also critical if these customer needs are to be correctly serviced.

1.2.2 Secondary objective: Problems from a financial institution perspective

(i) The discounted price of the Mzansi account in relation to other transaction products offered by the financial institutions may lead to possible losses or less than currently acceptable profit margins. The profitability of the account needs to be managed such that the overall loss, if any, can not be too great. The Mzansi account, in order to ensure success for the customer and the financial institutions, needs to be strategically positioned to allow for increased customer product holdings and provide financial institutions with a market that is profitable.

Closely coupled to the relatively low cost, is the fact that the distribution channel remains largely that of the branch network for the major banks. This, the banks' costliest resource, should be used to generate its greatest value. Using the branch network to open accounts, as well as service queries from this customer base does not make for the most financial sense. Ideally then, Mzansi customers should be serviced by way of a different channel, the account opening process made significantly simpler and less time consuming while the operation of the account should lead to minimal queries or complaints.

(ii) As with access issues for customers, the financial institutions are also faced with addressing the need for accessibility within the requirements of the charter. The accessibility issues are two-fold : firstly, the costs of any new channel needs to be balanced against how profitable it can be, and secondly, not addressing the accessibility issue implies that banks are willing to allow their existing branch network to deal with higher volumes of customers.

Even if new or existing service and transaction channels were to be implemented based on proximity to customers, the location of these channels would need to be carefully thought out. Safety for instance, needs to be ensured regardless of location. Proximity can thus not be a sole consideration factor. The solutions to improved, safe and viable accessibility thus need to take into account more than solely charter requirements.

(iii) More specific to banks, is the issue of potential product cannibalisation. The Mzansi account may be liable for abuse by customers who would ordinarily qualify for other transaction accounts. These customers, attracted by the significantly lowered costs thus pose a potential cannibalisation risk to the bank. This not only results in revenue leakage, but also alters the transactional usage patterns of the account, thereby escalating the cost of the account and further contributing to diminished revenue and margins.

Thus, banks, in attempting to meet expanding customer needs, must guard against the features and benefits of the Mzansi account increasing to such an extent, that significant overlap occurs in functionality between account styles that customers would, by default, opt for the lower cost Mzansi account.

(iv) The Mzansi account has similar characteristics, features and benefits across each of the supporting institutions. There thus exists sufficient scope for each of the offering institutions to differentiate their Mzansi account to attract a greater percentage of sales and customers.

1.3 Objectives of the study

This study thus sets forth as its key objectives, examination of the extent of these highlighted problems as well as to, where appropriate, find potential solutions. The primary focus is on how to meet customer needs and accessibility issues, while the secondary objectives are aimed at the problems facing the supporting financial institutions. These objectives may thus be stated as follows :

(i) Determine whether the current needs of the Mzansi customer are being met with the product features, benefits and functionality currently offered by the five supporting institutions. These needs also extend to the service received in day to day transactional banking using the institutions' different available channels.

(ii) Determine which of the current features and benefits offered by the Mzansi account are used most frequently, and to which customers attach the most value.

(iii) Determine how the Mzansi account may be evolved to offer a more comprehensive product portfolio that meets more of the customer's needs.

(iv) Considering the evolution of the Mzansi account, to suggest practical steps for the supporting institutions to change and enhance the product to cater to more customer needs, while ensuring cost containment and improved cross-sell and customer penetration.

1.4 Research methodology

1.4.1 Literature study

An extensive literature study was undertaken to firstly examine how countries with similar social problems of unbanked individuals and households, dealt with the problem, consolidating common learning's and applying the findings to the Mzansi account and customer. The literature study then went on to examine how the primary and secondary objectives of this study, where applicable, were attempted to be solved in other studies. The express goal was to ensure that ideas and methodologies tried in other instances could be applied unilaterally in this country. Best practices were also studied.

1.4.2 Survey questionnaires

The empirical research, using the literature study as a basis, then examined how current Mzansi customers transacted with their accounts, and to understand if their financial needs were being met. The questionnaire, consisting of 25 questions, concentrated on obtaining customer input on five key focus areas : demographic profile of the customer, determining their understanding of their Mzansi account, understanding the quality and completeness of the service they had received from staff, determining which of the features of the account they attached the most value to and overall usage patterns thereof, and finally what features they would appreciate most for the product to be extended to include.

The questionnaire was then administered to a total sample of one hundred and forty seven customers. These customers were approximately evenly distributed for each of the supporting financial institutions; about 30 customers for each of the institutions. Customers were approached outside branches and outlets of the supporting institutions and for the most part the questions were read out to customers, with the assistance of the interpreter, and their responses recorded. It was found that this verbal approach to completing the questionnaire ensured that the process was significantly quicker (thereby creating not too great an inconvenience for the customer), and overcame suspected problems of poor literacy with customers.

1.5 Research limitations

Although a significant number of people were interviewed as part of the empirical research, it must be accepted that personal finances is generally considered a private matter and individuals may have been sensitive to certain questions, particularly regarding income and employment. There may thus be an element of misrepresentation surrounding these results.

Customers interviewed also expressed a degree of uncertainty and intimidation. A large number of customers, who initially voluntary agreed to complete the questionnaire, decided midway through the questionnaire that they would rather stop. This may have been due to feeling a degree of uncertainty and having safety concerns and perhaps doubting the aims of the research being undertaken. Thus, a much greater number of customers needed to be approached and interviewed in order to obtain a suitable sample population.

Furthermore, a large number of the customers also elected to make use of the interpreter. Although the majority of the questions required rating a particular aspect, questions that required qualitative answers may be subject to translation bias or lost certain nuances.

1.6 Layout of the study

A schematic layout of the investigation is detailed in Figure 1.1. The study thus comprises of the following key areas :

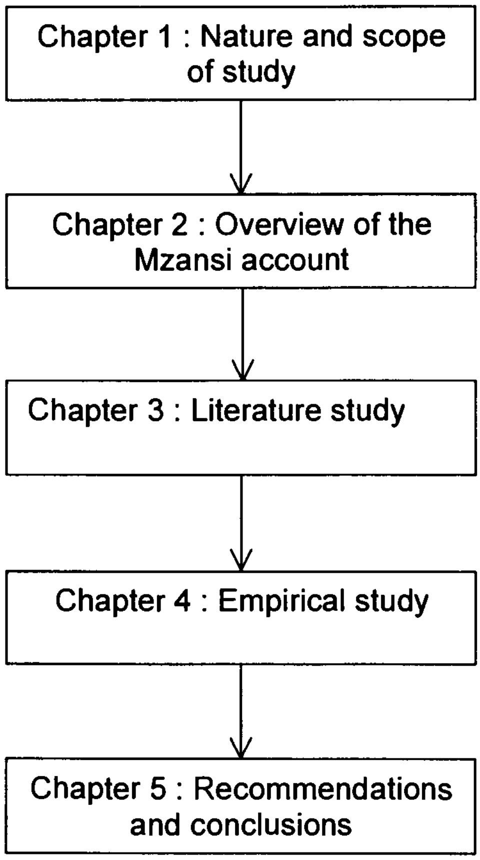
Chapter two provides an overview of the Mzansi account, detailing what the initial published reaction to the Mzansi account has been, what factors influence how and where the account is positioned, and where the account fits in the hierarchy of available financial services products; thus providing a view on how the product should be developed further. The current performance of the account is also reviewed.

The literature study, in chapter three, focuses on previous efforts in attempting to bank unbanked individuals and households from both a national and international perspective, together with access to these financial services, the perception of costs of retail banking in South Africa, how product cannibalisation may be prevented and how technology may be used to bridge access issues.

Chapter four focuses on the core methodology and survey work completed in the empirical study, the results of trying to gauge what aspects of the account find favour, what aspects need work, and what aspects, if any, have failed the customer. The results and analysis of the questionnaire thus provides the foundation of what should be addressed most urgently from a customer perspective, and to determine if any one institution has embedded in its offering significant differentiation elements that may influence positive customer acquisition trends.

The final chapter, five, attempts to resolve the concerns, by focusing on how the problems identified may be potentially solved, as well as what growth opportunities exist for this banking account to be further development. This product development and growth is not solely limited to added features and benefits of the account, but also considers the Mzansi account as the foundation of a set of products that not only will meet customer needs, but that also puts in place the fundamental building blocks to ensure that the Mzansi customer has available to themselves adequate financial services and products that also allow the financial institutions the opportunity to leverage profits.

Figure 1.1 : Layout of the study



1.7 Summary

The Mzansi account, a low cost bank account aimed primarily at irregularly employed and unemployed individuals and households, was launched in October 2004. The account has been supported since its inception by the four major South African banks (ABSA, SBSA, FNB and Nedbank) and Postbank. This study undertakes to investigate the success of the account by focusing on whether customer needs have been met and how the product may be evolved (primary objectives), while the secondary objectives concentrate on investigating how the problems faced by the supporting institutions may be resolved.

The study was based principally on a comprehensive literature study of how banking the unbanked in circumstances similar to the South African landscape has been approached, while the empirical study focuses on administering a questionnaire to current Mzansi customers. The questionnaire aimed to determine how the account has met their customer needs, what features, benefits and functionalities are valued the most, and to gauge customer opinion on what the product evolution may be extended to. The responses to these questions, combined with the literature study, were then be used to suggest possible resolutions.

Chapter 2: Overview of the Mzansi account

2.1 Introduction

South African retail banks and financial institutions offer a wide variety of personal financial products and services to customers, with the Mzansi banking account being one of them. This chapter describes the origins of the account and the background leading to its launch. Next, the context of the Mzansi account is examined, as it relates to the overall hierarchy of personal retail banking products (aimed at individual customers as opposed to businesses), together with how a typical customer, at various life stages, may find appeal in, and need for, the different products and services offered.

The performance of the account in terms of market share is analysed, firstly in the context of how each of the supporting retail banks have performed, and then the analysis is expanded to include the Postbank's share. Possible reasons, together with a summary of the features and benefits as offered by each of the supporting institutions, are documented, with a view on how the survey work may be preempted. The overall landscape of the Mzansi account is finally explored to highlight what the key drivers for the account, going forward are likely to be.

2.2 Origin of and background to the Mzansi account

The core of the Financial Services Charter was the aspect of access to financial services. These actions, as promulgated by the charter, principally hinged on being able to make available by 2008, appropriate and affordably priced retail financial services, through accessible physical and electronic infrastructure. A set of metrics (based on population percentages on life stage measures (LSM) one through five) were proposed that would be used to gauge effective access to transaction products and services (accessing and transferring cash for daily purposes), savings (savings accounts, endowment policies, collective investments and community based savings schemes), life assurance industry products, and access to short term risk insurance products.

Cartillier (2004, 3) quotes comparative survey results determined by the Reserve Bank during the course of 2003, that 72% of black South Africans did not own bank accounts, while 90% of whites did. The survey further revealed that most of these so-termed 'unbanked' individuals were either unemployed gainfully or that those with jobs lived in informal settlements in rural areas. The need for a low cost, easily accessible banking product was thus of prime importance, not only to meet the charter requirements, but also to ensure economic and social upliftment.

In addition to this being the origin of the Mzansi bank account, the charter further stipulated effective access. Effective access, as used in the context of the charter was defined as :

- eighty percent (80%) of customers being within a distance of twenty kilometers of the nearest service point at which first order retail financial services can be undertaken, and includes ATM and other origination points;
- eighty percent (80%) being within a distance of twenty kilometers to the nearest accessible device at which an electronic service may be undertaken (other than an ATM);
- offering a sufficiently wide range of financial products and services to meet first order market needs, and which are aimed at, and are appropriate for, individuals who fall into the All Media Product Survey (AMPS) categories of LSM 1 through 5. These financial products and services are to consist primarily of life assurance, formal collective investment savings and short term risk insurance.

The Mzansi account (a Zulu word that is colloquial for 'South' and implying South Africa (Cartillier, 2004:4)), was initially meant to be offered as a joint offering (facilitated by the Banking Council of South Africa, to which each of the major financial institutions belong) with the participating financial institutions working on the launch as a collaborative effort, and with a view to a joint launch, with pre-determined and fixed features, benefits and, more importantly, pricing.

This was to ensure economies of scale, drive common protocol and a product that could be used at any of the financial institutions' branches or outlets without significant differentiation of the experience for the customer. The thinking was also based on the fact that it would be easier for customers to transact with a common bank account recognised and developed by way of each of the systems and infrastructure, while also at the same time, ensuring simplicity of understanding for customers (Cartillier, 2004:3). After a year, this time frame being decided as sufficient to ensure that the product was successfully launched and initial teething problems resolved, the Banking Council would then allow the different supporting institutions to become more competitive.

However, toward the latter part of September 2004, the Finance Minister confirmed that neither he nor the ministry would support the plans by the supporting institutions to collude on the common aspects of the account as well as the fixed price. The fixing of the price would in effect run foul of competition laws (Higham, 2004:2).

This announcement by the ministry thus prompted the subsequent decision to proceed with the joint venture (where their efforts in determining common Mzansi protocols, particularly with regard to use of all banks' ATMs), but with each determining their own competitive pricing model. The charter Council would then make the ultimate decision on the definition of what the standard of affordable pricing would constitute, with the penalty of points loss on the Financial Services sector charter metered to errant pricing (Higham, 2004:3).

Despite the changes to the institutions' joint intended pricing strategy, their approach to introduction, launch and initial education of customers, remained a coordinated effort. Each of the supporting institutions launched the account at the same time, by way of a broad-based campaign focusing on educating the public on the importance saving and banking. And thus, the Mzansi banking account was launched on the 25th October 004.

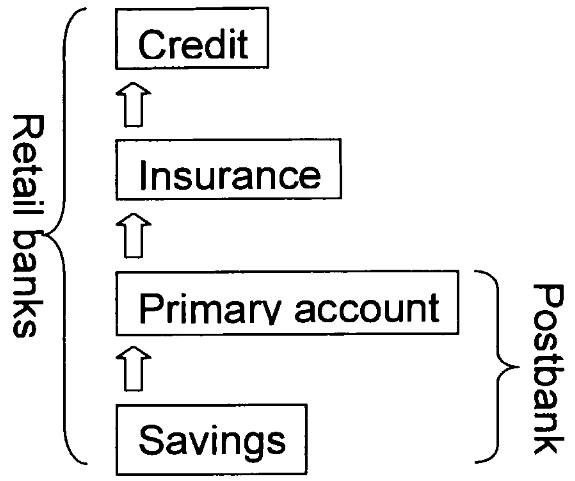
2.3 South African personal Retail Bank products and customer needs

Personal retail transaction products encompass the following financial products and services :

- savings products : these products would be basic accounts that allow for regular, fixed sum, or a combination thereof, payments in order to realise capital yields over a period of time, with the initial capital protected,
- a primary bank account allowing for day to day transactions. These transactions could vary in complexity and sophistication, for example a simple cash deposit into the account at a branch, to transferring funds to a beneficiary via Internet banking. The primary transaction account may also provide for a cheque book, and be combined with credit facilities. However, these latter options are optional and require lending decisions to be made, based on the quantitative scoring of a customer,
- short term risk insurance and life assurance that allow for, respectively, assets to be insured against damage and theft, and the life and well being of an individual to be insured against harm, and
- credit facilities that are inclusive of personal loans, overdraft and credit card facilities, and asset based financing for primarily houses and vehicles.

Burgelman *et. al* (2004:1095) suggest a product map to derive products, and to map product evolution. In the same manner, figure 2.1 below (Product hierarchy), is a simple, intuitive attempt to diagrammatically represent this personal retail product hierarchy.

Figure 2.1 : Product hierarchy



Source : Burgelman et.al (2004:1095)

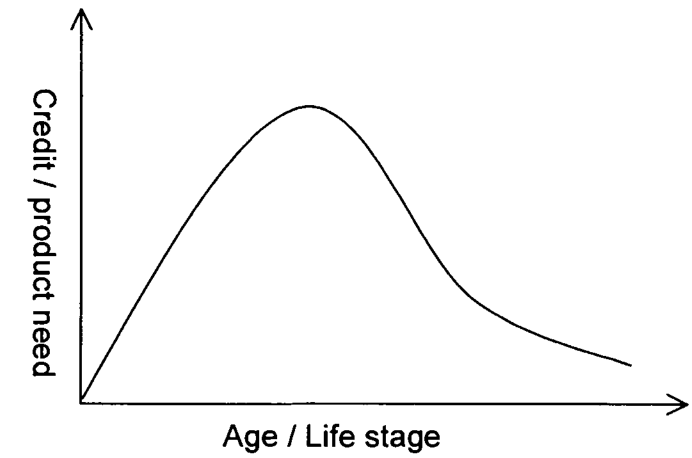
This product hierarchy is based on how customers would typically be qualified for, for each of the different product sets and the respective costs of the products. Thus, savings products would be the easiest to qualify for, for the customer, while credit facilities would require substantially more effort on the part of the customer, with a quantitative decision being made by the bank as to whether the customer would qualify for the credit facility.

Furthermore, the hierarchy is also representative of the relative costs required for each of the products sets. Savings, typically, have very low or no costs related to the management of the account, the primary transaction account attracts costs based on the number of transactions used or permitted on the account together with a monthly management fee of that account, insurance costs relate directly to the value of the item being insured as well as the risk involved in insuring it, while credit facilities require, typically, the greatest amount of costs (primarily by way of interest) to be paid.

The diagram also shows what products and services are offered by the institutions supporting the Mzansi account. The classic retail banks either directly, or through a subsidiary or sister company, offer the complete range, while the Postbank is limited to savings and primary accounts. The Mzansi account, in this product hierarchy is in fact a combination of the savings and primary transaction account tiers, but because of the fact that no fees or costs are required to be serviced by customers, it is positioned as a simple, entry level product with both savings and transactional functionality.

Figure 2.2 below (Customer life-cycle needs) further positions the relevance and applicability of the Mzansi account. Kotler and Armstrong (2004:330) suggest a product life cycle typical for any product brought to market. Applying the same logic to customers for financial services industry, Figure 2.2 may be derived.

Figure 2 : Customer life-cycle needs



Source : Kotler and Armstrong (2004:330)

The figure attempts to explain that for a typical financial services customer, the need for credit and other higher order financial services and products will increase as the customer's age increases and hence stage of life alters. Thus, as a customer's life stage changes, linked ultimately to age for the average, typical customer, the number and extent of financial service products will increase. So, tracing through a typical customer life-cycle, the savings account (either in the form of youth or adult account) is the first financial services product that a customer will be exposed to. As a customer's needs evolve, based primarily on age and life-style changes, the need shifts to a transaction based account able to fulfill day to day transaction needs (cash and cheque deposits and withdrawals etc.).

Simultaneously the need for life assurance and insurance arise, as a customer's net worth begins to increase. The final tier of product and financial service reached is typically the need for extended credit as the lifestyle expands to include marriage and children – car and house loans, personal loans and credit cards. The cycle is completed as the customer begins to age, settles any outstanding debt and becomes reliant on returns on savings, and insurance type products.

The Mzansi customer and account represent a challenge in that the typical customer lifecycle and product set evolution, as explained above, is somewhat displaced for a low income customer. Mzansi customers, even though their financial product needs are not too dissimilar to higher income customers, are however penalised by their limited income. These customers, thus may span a variety of ages, and life-cycles, have credit needs but all share a common trait in that the Mzansi account is in all probability their first financial product or service. The need for a more comprehensive value proposition, taking into account customer credit needs, is thus obvious. However, this value proposition needs to factor that lower income is prohibitive to credit needs.

2.4 The success of the Mzansi account

Initial concerns about the viability of a low cost bank account aimed primarily at low income customers were founded based primarily on whether customers would find the product appealing (Higham, 2004:3). Higham also highlighted concerns focusing on poor customer financial literacy, overall South African apathy toward saving, and with the majority of unbanked being unemployed, and raised doubts as to whether the account would truly produce all that it initially promised (Higham, 2004:4).

However, despite the concerns over whether and how successful the account would be, just four months after the account's launch, more than five hundred thousand customers had opened their accounts (Preuss, 2005:2)
Accounts were being added at a rate of close to 9000 per working day.

Of greater consequence, and probably dispelling concerns about how successful the account would be and what use it would serve, an average balance of R290 was being held in each account. Across all the supporting institutions combined, a total balance of over R160 million was being brought into the formal banking sector (Preuss, 2005:2). Even more impressive was that 65% of the account base were transacting regularly (within the past month), with 92.7% of the accounts having a positive balance.

Planting (2005:1) further described the typical profile of the Mzansi account customer; 62.5% of customers were between 25 and 54 years, 27.1% between 16 and 24, 8.3% were 55 and above and 2.1% below 16. Furthermore, the majority of accounts were opened by people who hand never banked before.

2.5 Current performance of the Mzansi account

As at May 2005, well over a million Mzansi Accounts had been opened, with almost the same number of unbanked South African's gaining access to formal banking services (Preuss, 2005:3). This rate of account opening translates into an average daily statistic of almost six thousand accounts, across the country, since the product launch. Analysis further shows that to date 91.3% of the Mzansi accounts opened are held by previously unbanked customers, showing significant confirmation that the account is achieving its aim of providing an accessible banking option for the targeted market.

Table 2.1 below shows what the market share percentages for each of the major retail banking institutions supporting the Mzansi account, is.

Table 2.1 : Market share for the retail banks	
Financial institution	**Market share (%)**
ABSA	38
SBSA	31
FNB	22
Nedbank	10

Source : Banking Council of South Africa, 2005.

What is immediately apparent from the market share penetration for each of the banks is that it fairly closely mirrors the strength and market penetration for that bank in other financial product comparisons. Thus, for example, ABSA is acknowledged to be the leading bank in terms of personal retail market share across the majority of product styles and types, with the SBSA second, First National Bank (FNB) third and with Nedbank rounding off the top four performing banks in South Africa.

The breakdown of the Mzansi figures in Table 2.1 would seem to follow a similar pattern; leading to the probable conclusion that the same strengths and weaknesses exhibited by these four banks also filter through to the Mzansi account, and are thus the primary drivers for why customers choose one bank over the other. Thus, ABSA with the largest combined and branch footprint in the country (almost 5500 ATMs and 671 branches) would touch the greatest number of customers, and it would stand to reason that customers are thus more easily drawn to the bank because of convenience and proximity.

Similarly, the size of the bank, as per market capitalisation and value of the brand (here again, the ranking of the bank hierarchy mirrors the Mzansi market share, with ABSA being the biggest and Nedbank the smallest in the retail space) may also be a factor in determining why customers follow a similar pattern in their decision making. The exact reasons why Mzansi customers choose one bank over the other, and indeed one institution over another, will be investigated further in this study by way of analyzing the exact offering each of the institutions has made available in their Mzansi account, as well as the survey work designed to gauge current customer behaviour.

Table 2.2, however, shows the net market share penetration for each of the financial institutions, but now with the inclusion of the Postbank. The Postbank's market share rates as the highest, with the banks' shares being adjusted downward with this introduction.

Table 2.2 : Market share including Postbank

Financial institution	**Market share (%)**
Postbank	28.2
ABSA	26.9
SBSA	22.4
FNB	15.5
Nedbank	7

Source : Banking Council of South Africa, 2005.

The Postbank's performance is surprising not only because of its rather diminished role as a financial services heavyweight in comparison to the four major banks, but also because it lacks its own automatic teller machines and, one would assume, the brand credibility of a bona fide financial institution.

Again, the reasons as to why the Postbank enjoys the highest market share will be examined in greater detail when the various Mzansi offerings are examined, coupled with the survey results. However, at this stage, it should be noted that the number of Post Offices in the country greatly exceeds the number of bank branches that even ABSA has (in excess of 2000 outlets countrywide). The number of outlets, and the depth of that reach (in considering that the Post Office serves far more non-urban areas than a typical bank would) thus also allows for greater contact points with potential customers.

Also noteworthy is that the Post Office, unlike the banks, offers an individual more than one reason to visit a branch. For banks, the customer's need is purely for a financial service. The Post Office however, will attract different customers, and for different reasons (postage requirements, gambling – either the national lottery or scratch cards, opening of savings accounts, the payment of various different types of bills, and stationery needs), and thus indirectly probably also attracting customers to the Mzansi account.

Thus the Post Office, apart from conventional channels of marketing, also has its multi-purpose functionality as a possible feature that makes the Postbank's Mzansi offering known to customers who would not ordinarily be aware of the existence of the product. While the banks would require conventional marketing media to communicate the existence, features and benefits of their Mzansi offering, for customers who are not touched by these marketing campaigns, awareness of the Mzansi account is simply not raised to a significant level. Individuals not aware of the account, and this would refer specifically to individuals of low to no financial literacy, would ordinarily have no reason to enter a branch. For the Postbank however, individuals are made aware of the Postbank's offer based on indirect exposure.

2.6 Differentiation table

Table 2.3 below briefly summarises and compares the Mzansi offering for each of the supporting financial institutions, as well as the most recent costs for the various transaction (as of May 2005). The table content was summarised for each of the main types of transaction, information and penalty costs from various brochures, marketing and advertising documents sourced from the institutions themselves. These document sources are available to any potential customer, and if a potential Mzansi customer was to make price, features and benefits comparisons between the different offerings, this would no doubt be their first point of call.

The table also includes the interest rates for different credit balances in the account. The account also serves as a store of value for money, hence the need for the inclusion of interest rates on credit balances maintained.

Table 2.3 : Comparison of key features					
Aspect	**Financial institute**				
	ABSA	**FNB**	**Nedbank**	**Postbank**	**SBSA**
Name	Mzansi	Mzansi	Mzansi	Mzansi Flexi Card	Mzansi BlueAccount
Fees					
Opening deposit	Free	R 20	R 20	R 10	R 20
Account opening fee	Free	R30 (R5 over 6 months)	Free	Free	Free
Monthly fee	Free	Free	Free	Free	Free
Minimum balance	No limit	R 20	No limit	No limit	R 20
Transaction fees					
Withdrawal - branch cash	R 10.00	R 10.75	R 10.00	R 9.75	R 8.00
Withdrawal - ATM cash	R 3.25	R 4.50	R 5.00	R 4.75	R 4.00
Deposit – branch cash	R 10.00	R 10.75	R 5.00	Free	R 8
Deposit - ATM cash	R 10.00	R 10.75	R 5.00	R4.75	R 4
Deposit – branch cheque	Free	R 10.75	R 19.00	Free	Free
Deposit - ATM cheque	R 10.00	R 10.75	Free	Not applicable	Free
Information fees					
Branch full statement	R 2.35	R 2.75	R 3.00	R 4.00	Up to R10.00
Branch mini statement	R 2.35	R 2.75	R 3.00	R 2.00	R 4.00
Branch balance enquiries	R 2.35	Free	Free	R 2.00	R 4.00
ATM mini statements	R 1.00	R 1.00	R 2.00	R 1.00	R 2.00
Penalty fees					
Card replacement fees	R 30	R 30.00	R 30.00	R 25.00	R 20.00
Rejected ATM transactions	Free	R 1.25	R 1.00	R 1.85	R 2.00
Exceeding transaction limits	Free	R 8.00	R 8.00	Not applicable	Twice applicable fee

Table 3.1 : Comparison of key features (continued)

Differentiators					
Stop orders	No	No	No	R 3.00	No
Debit orders	No	No	No	R 3.50	No
ATM airtime recharge	R 2.90	R 1.50	R 5.00	Not applicable	Free
Maestro	Yes	Yes	Yes	Not applicable	Yes
Purchase	R 2.30	R 1.50	R 2.30	Not applicable	R 2.00
Other free transactions		1 free deposit per month	1 free branch statement per month	Unlimited free cash and cheque branch deposits	1 free balance enquiry and full statement per month 1 free deposit every month
Interest rates					
R 0 to R 500	0.25%	0.25%	0.25%	0.25%	0.25%
R 501 to R 1000	0.75%	0.75%	0.50%	0.75%	0.75%
R 1001 to R 2000	1.00%	1.00%	1.00%	1.00%	1.00%
R 2001 to R 5000	1.50%	1.50%	1.50%	1.50%	1.50%
Above R 5000	2.00%	2.00%	2.25%	2.00%	2.00%

Source : Brochures, information leaflets from the supporting financial institutions, 2005.

The table shows comparisons across the key features of the account, while illustrating that although the institutions offer the same core functionality, differentiation exists by way of pricing and a few benefits. As discussed earlier, the initial framework for the development of the Mzansi account was completed as a cooperative effort, and the account, up until very close to launch, was meant to be launched as a common, uniformly supported initiative. The similarities are thus fairly obvious, with few differentiators being evident particularly when comparing the banks' offer.

The core differentiator though is that the Postbank offers stop and debit orders, thereby providing the account with significant transaction functionality as compared to the banks. Whereas the banks need to be careful to guard against the Mzansi account substituting for other more high end transaction accounts (such as current accounts and savings accounts), the Postbank has significant leeway in this regard. The financial services and product range for the Postbank is much more restricted than the banks, catering for lower end saving and transaction products. The success in terms of market share for the Postbank is thus clearer, if considered in the light of the wider footprint, more opportunities for potential customers to enter a Post Office, and the added functionality of the Mzansi Flexi card offering. The use of Saswitch ATMs at the same price regardless of the bank, also plays into the favour of the Postbank; there is no need for the institution to attempt to roll out costly ATM supporting infrastructure.

Further differentiators, but this time in the favour of the banks, is their ability to offer a debit card facility with the use of the Mzansi account as well as offering the purchase of cellular airtime at an ATM. The debit card is a safe and reliable substitute for cash, while the purchase of airtime allows for convenience. Thus, the added feature of the debit and stop order functionality, would however need to be balanced against the debit card and airtime purchasing availability and functionality that the Postbank is unable to offer.

The different institutions also price the features and benefits of the account to a similar extent. The potential Mzansi customer would be hard pressed, when confronted with a summary of prices in Table 2.3, to choose one institution over another. The most obvious method of comparison would be to sum the various prices for different transactions over a fixed time frame and then to rank each of the institutions, but this approach would be flawed since not all transactions and penalties would be incurred in that fixed time frame.

Whereas the banks offer various pricing options based on customer behaviour for higher end transaction products, the Mzansi pricing structure is one dimensional – all Mzansi customers, regardless of transaction behaviour, are treated the same. Thus, if the choice of the Mzansi account is based solely on price, this customer choice should rather then be based more so on specific transaction behavior.

So for instance if a customer were to use the ATM for the majority of their transactions (from depositing funds, withdrawal of cash, checking balances and statements), SBSA would rank as their best possible choice regardless of the number of transaction (in this scenario, the penalty charge that SBSA charges for more than five withdrawals per month is still cheaper than the Postbank's cost structure of unlimited numbers of withdrawals). If, however, the customer's transaction behaviour favoured the use of the branch as the main channel for transactions, Nedbank would a cheaper alternative. And if the customer were to use the Mzansi debit card, as offered by the banks, as a secure, reliable payment method, then FNB would be the first choice.

Thus, the transaction behaviour of a specific customer would provide a much clearer cost breakdown to determine which institution to choose. This is an important factor, and needs to be incorporated into customer education, in order to ensure that the most cost effective option for the customer is chosen.

2.5 The competitive forces facing the Mzansi account

Thompson *et al.* (2005:50) suggest Porter's five forces model of competition to analyse the kinds of competitive forces confronting industry members. In the case of the Mzansi account as a whole, irrespective of which supporting institution, the competitive forces may be summarised as follows.

Rivalry among competing sellers : Planting (2004:1) highlights the fact that due to legislation, the financial services charter, political pressure and new technology have combined to rouse innovation in low-cost banking. Planting further elaborates that the supporting institutions will also concentrate their substantial resources to improve process and delivery innovation. To this effect, SBSA's bank-in-a-box (which allows for high degrees of mobility in account acquisition and transactability), FNB's mini-ATM that doubles as a point-of-sale device, and ABSA's remote opening mechanisms, all serve to demonstrate how aggressively the banks are pursuing market share in this market.

The success of the account, particularly in the arenas of balances maintained and frequency of transactions, will also intensify competition, as this low-cost market is beginning to prove much more lucrative than initially anticipated. The supporting institutions will also, apart from process and delivery innovation, also no doubt increase the number of features and benefits of the account to significantly differentiate their offering. Each of the supporting institutions also has other financial services and products that they may decide to use to migrate Mzansi customers to, thus also proving the strength of this competitive force.

Firms in other industries offering substitute products : Clayton (2005:3) describes how MTN and SBSA's joint venture, MTN Banking, allows banking to enter into the cellphone age. The product, coupled with ATM infrastructure, offers account opening, bill payment, deposit making and withdrawal facilities. The need to visit a bank branch is almost completely obviated. Scott (2005:1) reports that there are almost 10 million MTN subscribers in South Africa alone (with plans underway to reach into the rest of Africa). The portability, easy access and wide range of features and benefits makes this a very competitive alternative to the Mzansi product. The other cellphone operators are sure to offer similar products in the near future, making this type of bank account a significant threat.

FNB's Million-A-Month account may also be seen as a substitute offering to the Mzansi account. The account, in return for a deposit of as low as R100, offers the opportunity of winning a million rands, as well as secondary prizes of as much as R100 000. The account has recently being changed to offer an interest rate on balances in the account, making it an attractive alternative to the Mzansi account.

Potential new entrants : a number of new entrants targeting the lost-cost banking segment are possible. The Dedicated bank's bill (Derby, 2005:2) allows for second tier financial institutions to also offer financial services and products that may be targeted toward this segment. Bridge (2005:2) reports on the impressive growth of earnings of Capitec Bank, one such second-tier bank, specialising in small loans to consumers. Other entrants are also imminent, such as micro-lenders etc.

Buyers : the Mzansi customer at this stage does not exert significant force to alter the Mzansi offering substantially. However, as the market develops, as customers become more financial literate, and as their financial needs develop further, this too will become a stronger force.

Suppliers : this force is not present to any relevant degree. The same supply side forces for all other financial services and products would apply equally to the Mzansi account (for example infrastructure supplied by Telkom for ATMs).

2.6 Summary

The Mzansi account, as an entry level savings and limited transactional account was contextualised in this chapter; its origins and background explained in detail. A hierarchy of personal retail transaction services and products was also proposed together with how customer needs evolve relative to age and life stage.

The performance of the account thus far, was also examined, with each of the supporting institutions' market share analysed. The performance for each of the institutions was also attempted to be explained, primarily by way of the institution size, brand and market capitalisation value, as well as accessibility for the customer. The chapter concluded with investigating the competitive forces facing the Mzansi account.

Chapter three: Literature study

3.1 Introduction

The literature study contained on this chapter focuses on relevant literary work pertaining to the primary and secondary objectives of this study. The chapter begins with defining the unbanked, with similarities being identified in the defining characteristics in individuals and households across different countries. The reasons for banking the unbanked are then examined, with the reasons extending to beyond just social obligation of financial institutions; studies have found that there is a compelling business case to adequately serve this market.

The role of pricing for South African retail banks is discussed next, with analysis having found that the prices charged by local banks are far in excess of similarly sized mainstream United Stats and United Kingdom banks. The value perceptions of South African customers are also considered. The literature shows that South African banks are easily able to absorb any subsidy that is offered on the Mzansi account, without substantial erosion of profits.

Previous studies on efforts to bank the unbaked are then discussed, combined with documenting the important results and findings from these initiatives. A number of key findings regarding how products and education geared toward this market are also discussed.

The evolution of technology in the financial services industry is also studied, together with what practical measures and considerations need to be resolved in order to use technology as a suitable mechanism to bridge the disparities in banking this market. The chapter is concluded by examining how product cannibalisation affects organisations, together with how organisations may suitably differentiate their products to maintain, or improve, market share.

3.2 The need to bank the unbanked

Orozco (2003:1) explains that Latinos in the United States performed more than $30 billion worth of international remittance transfers in 2002, due to family obligations. The costs associated with these transfers were very high, simply because of limited access to banking and financial institutions.

The case for United States banks entering the remittance market is three-fold : to encourage a greater number of Hispanic customers, lowering the costs associated with these remittances, and entering into a new revenue stream. In this market, the case for banking large numbers of unbanked customers, to cater almost exclusively for a specific customer need, had a strong business case; shifting the social aspect of upliftment to a secondary factor.

In the same way, the Mzansi customer market may have the same appeal to banks. Customer needs may similarly be lying dormant, and a quick, inexpensive solution may be able to generate significant revenue. For example, in the Mzansi customer base, the need for money transfers to family (migrant labourers sending money to family in rural areas) may also be a strong revenue driver.

Sharma and Reddy (2003:296) propose an empirical model of bank market exclusions, the results of which clearly show that profits may be increased, socio-economic exclusionary effects reduced and social image improved by reconsidering both pricing and other bank sanctioned exclusionary measures.

In deriving their model, Sharma and Reddy (2003:296) identify different forms of exclusion. One is socio-economic, where a person's socio-economic status and the distance from the nearest banking outlet may be significant determinants of access to a bank account. Similarly, strategies by retail banks to pursue increasingly more technological prerequisites for home banking, in lieu of full service branch banking, ahs also meant excluding individuals of lower socio-economic statuses.

Another form of exclusion, is self-imposed, where typically low-income earners, the unemployed, the elderly, and ethnic minorities, create psychological self-exclusionary barriers. Their negative views, mistrust, and feelings of intimidation resulting in the view that banks are not for them. The final form of exclusion, was that of developing economies, where neither the industry nor the government was interested in the welfare of customers.

The model, however, showed convincingly that the intentional strategies implemented to exclude socio-economically disadvantaged groups (because of the suspected difficulty in managing them, and the underlying belief that they are unprofitable) were indeed incorrect. Furthermore, the authors examine a case study of First National Bank in the USA. One of the bank's branches, located in an all-black area with the lowest per capita incomes, was transformed into the most profitable successful branch, even undergoing expansion.

Sharma and Reddy (2003:296) conclude by suggesting the following focus areas:

- cost of using a bank's services is generally the greatest deterrent and thus requires the most attention,
- service compatibility to the knowledge levels of users, and continual education of them,
- simplicity, transparency, safety and less stringent risk assessment procedures.

3.3 Banking the unbanked

Schoombie (2000:4) surmises that banks do not generally serve the poor because of a combination of high risks, high costs and low returns associated with this market. He identifies three strategies (that have evolved internationally when attempting to confront the problem) that banks can use to serve the poor in a sustainable manner :

(i) specialist banks are established to serve the poor; in South Africa, the Community Bank in the mid 1990's was an attempt in that direction,

(ii) creation of specialised divisions or program exclusively aimed at serving the poor, and

(iii) linkage banking, where a bank is linked to financial subsidiaries such as stokvels.

Schoombie (2000:11) concludes that apart from the strategies above, government's role in assisting banks to bank the unbanked and the poor is critical. He suggests direct control of pricing (where interest rates are controlled to make credit more affordable for the poor) and redirection of capital, where banks are committed to direct a certain percentage of their loan portfolios to particular sectors of the economy.

Schoombie's (2000:11) suggestions, particularly, (i) and (ii) have appeal in the context of the Mzansi account and the study being undertaken here. A specialised division of any of the financial institutions will not be encumbered by the high costs associated with traditional channels and distribution models. Rapid deployment of temporary facilities even, in rural or remote areas can be used to make financial services and products available.

Prahalad and Hart (2000:8) suggest radical innovations in both technology and business models to service the approximately (worldwide) four billion poor at the 'bottom of the pyramid'. They suggest a number of strategies to create entirely new markets. In the context of banking the poor and unbanked, the most pertinent of these strategies are :

- creating mechanisms that shift the poor from organized to an organized sector,
- educate latent customers to make choices among more sustainable financial services and products,
- creation of a low cost, high quality distribution system, and
- creating access to credit on a commercial basis.

Village banking programs, founded by the International Fund for Agricultural Development in 1994, have been proliferated in almost seventy countries, as at 1999 (Painter and MkKelly, 1999:2), reflecting substantial success. The underlying principles of the model assume the following :

- entrants to the program will remain on the program for three years (four nine month cycles),
- village banks will grow in size, as new members, encouraged by others, also join,
- customers will save 20% of their loans, during each of the cycles,
- loan borrowing start around $50 (US) up to a ceiling of $300 by the end of year three, and
- the projected loan size growth rate is 500% over a 28 month period.

Painter and MkKelly (1999:7) show through empirical research, that the model is sustainable, with loan amounts not stagnating over the 3 year period. They do however note that continued flexibility and innovation is required to ensure that the village banking programs evolve to meet the challenges of sustainability.

Nigrini (2001:4) further defines village banking as self-sustaining financial institutions owned, financed and managed by the respective community with the purpose of providing deposit, credit, banking and other financial services to their members. Village banks are found throughout Africa, including South Africa, Bénin, the Congo-Brazzaville, Gabon, Guinea, Mauritania, Uganda and Kenya.

In a South African context Nigrini (2001:6) sees village banking as meeting the following needs of the rural people :

- the safe keeping of cash and saving opportunities,
- short term credit,
- transmission services extending to electronic facilities.

Nigrini (2001:14) concludes his study by reporting on the successes of village banking in South Africa, but also suggest that better marketing and knowledge of these institutions will result in increased participation from both villagers and commercial banks. This in turn should promote the provision of tailor made financial services to poor rural villages, empowering them to help themselves.

Stegman (2003:8) describes the importance of having access to a bank account and mainstream financial services. He identifies the following problems that individuals and households encounter without the appropriate access :

- high fees for day to day transactions such as cheque encashment,
- implications on savings and long-term sustainability – individuals with bank accounts are more than twice likely to save than those without, and
- implications on positive net financial asset holding.

Stegman (2003:14) further identifies the problem of financially excluded and asset deprived individuals and households to have global dimensions; extending from his study (American based), to the United Kingdom, and eastern Europe.

Caskey *et al.* (2004:14) compared how Mexican and American low-income households obtain basic financial services. The study, despite the differences in the two countries' population sizes and typical household incomes, showed that the majority of unbanked individuals (almost 70% of the sample size) made use of the same informal savings methods. These methods included : savings being kept in money orders, uncashed cheques, cash, jewellery, loans to others, and by participating in a savings circle.

Caskey (2002:2) in an American study of how to help unbanked households become part of mainstream financial services, found the unbanked to be disproportionately represented by lower-income individuals, households headed by African-Americans and Hispanics, households headed by young adults and households renting their homes. Their strategies, to bring the unbanked into the financial fold, focus on the creation of specialised bank branches and outlets (apart from traditional channels) providing specific services (such as cheque cashing) to ensure direct contact being made with customers thereby encouraging trust and relationship building.

Furthermore, Caskey (2002:8) recommends that the accounts, targeted at unbanked households and individuals, should also offer deposit taking, low minimum balance requirements, low-cost money orders, and structured to encourage savings. Customer credit needs should offer deposit-secured emergency loans for customers ineligible for mainstream credit and finally, community based partners coupled with these non-traditional outlets should offer financial literacy programs.

3.4 South African bank charges and customer perception of Retail Banking

Whitfield (2005:10), in a study of bank charges in South Africa, concluded that the four major South African retail banks made on average between eight to fourteen times more in bank charges and fees for an average upper-middle class family than similarly sized banks in Britain and the United States. Whitfield (2005:12) further posits that the interest expressed in South African banks from foreign banks, is primarily because of how lucrative the banking sector is. The study found that while major retail banks (Barclays and Bank of America respectively), waive significant fees and charges for multiple product holdings, South African banks charge, individually, per product held. Customers who defaulted on payments are also charged penalty fees, despite generating more than sufficient additional revenues from customers who conduct their financial affairs more prudently. A point of departure in the examination was however the fact that fees were waived for the lower cost Mzansi account.

The Falkena report (Falkena *et. al*, 2004:22) investigating competition in South African banking, and conducted on behalf of the National Treasury and South African Reserve Bank (SARB), concluded that a lack of competition in the country's banking sector was evident, and recommended that the four major banks' apparent complex monopoly be further investigated. A further recommendation of the report was that greater clarity be provided by the banks in their reporting of banking fees, charges and returns particularly on Savings accounts. The Competition Commission, as of this year, has also undertaken to investigate further.

Bick *et al.* (2004:300) found that customers of South African retail banks were not satisfied with the service, products and level of customer intimacy delivered to them by their banks. Their survey work concluded thus, that customers were not getting the value expected (Bick *et al.*, 2004:309).

In the context of high prices, this lack of value and customer intimacy takes on a special cause for concern for the Mzansi customers. If customers, who are paying, what is commonly accepted as too high bank charges, or at the very least not deriving expected value from their banks, can Mzansi customers, who are paying significantly reduced fees, expect service levels to meet their needs? The recommendations from Bick *et al.* focus on operational excellence (that will also allow for driving costs lower), becoming more customer and market aligned by initiating research beyond their existing client data, and using information technology as an enabler to advance market leadership.

A final note on costs merits mention. Harris (2005:16) estimates South African total insurance premiums ranks as the eighth highest in the world (in terms of premiums per capita in United States dollars), but more disconcertingly so, as overall highest in terms of premiums as a percentage of GDP. As an ancillary product, promulgated by the Charter, assurance and insurance costs need to be managed as the Mzansi account is, in order to facilitate low income earners using the services.

All indications are that the cost structures of the major banks, in particular, are sufficient to absorb the discounted costs of the Mzansi account, provided that their current market share performance is not drastically altered, nor that product cannibalisation is significant.

3.5 The role of technology in improving access to banking

Cullen (2001:311) observes that the digital divide is used to describe the perceived disadvantage of those who are unable to make use of technologies such as the world wide web, Internet and other information communication technologies in their daily life. This digital divide identifies specific groups of people especially disadvantaged : people on no or low incomes, few or no educational qualifications, low literacy levels, elderly people, people in rural or isolated areas and people with disabilities.

Two key points from Cullen's work (2001:317) is especially pertinent in trying to suggest solutions to access for the Mzansi customer; she cautions that technology in itself does not solve social and economic discrepancies, and that new technologies co-existing with old, enhance the range of human experience.

Thus, any attempt to solve or improve accessibility issues for customers, using technology, must be contextualised on how applicable the technology is.

Hayashi and Klee (2003:176) in investigating technology adoption and consumer payments, found that payment choices depend on two key factors :

- a customer's propensity to adopt new technologies, and,
- the nature of the transaction (including the transaction value).

The results, when viewed together with Cullen's findings (2001:311), would suggest that the choice of technology for Mzansi customers would likewise need to be carefully chosen. Customers, who are uncertain of the safety of the technology being used, would avoid the mechanism (regardless of how simple it made the transaction, or how accessible it made the bank account). Thus, if accessibility is to be improved using technology, the technology would need to be familiar, or at least offer guaranteed safety.

Mols (1999:295) differentiates bank customers in two primary banking distribution channel segments – an Internet banking segment and a branch banking segment. Mols (1999:299) shows that the latter is decreasing while the former is increasing, with the result that retail banks face a strategic rethink focusing on which segment to target, and which geographical area to aim to serve.

In the case of the South African financial services industry, Mols' study (1999:295) holds equally well, with the slight modification that the Internet distribution channel may be extended to include all indirect distribution channels as well – ATMs, telephone, and mail. Mol (1999:297) further documents different strategies that banks may pursue. These strategies are a combination of national, international, Internet cannels.

Mols (1999:301) suggests a future distribution channel structure that may be determined based on three core factors :

- consumer needs in terms of service output from the distribution channel, and the costs attached that they are willing to pay,
- the provision of the wanted service,
- the costs of the alternative distribution channel.

For the Mzansi customer, this holds equally well, and the survey work, in determining the current accessibility issues, will take into account how these three factors are interpreted by customers.

The positive growth effects of using information technology in the banking industry in Nigeria, was examined by Idowu *et al.* (2002:5). Their study, based on responses of customers of the five major banks of Nigeria, showed that customers believed improvements, enhancements and developments in information technology has added great value to banking services, which in turn has contributed to the growth of the banking sector in the country as a whole.

Of particular relevance to the South African Mzansi account, were questions regarding whether service, access and simplifying banking transactions were made possible by the applicable deployment of information technology and systems. Customers believed that the use of computers, telephone, electronic funds transfer and VSAT had simplified their transactability, and had helped contribute to the growth of banking in Nigeria. Furthermore customers believed that some banks, not making use of similar technologies, were being patronised by fewer customers, leading to poor turnover.

Slack and Rowley (2002:249), propose the use of online kiosks as a significant alternative to mobile technologies for the consumer away from fixed technology in the home or workplace. These kiosks provide information and service delivery to customers on the move. The study documents a number of live applications of online kiosks, ranging from quick check-in at airports, internet provision, hotel check-in and information, and a pharmaceutical application.

The findings reveal that kiosks area viable alternative to mobile technologies, and that various applications are possible ranging from information, internet transactability and service delivery. Applied to the Mzansi customer base, the case for such kiosks also appears viable. Similar to ATM units, but with enhanced functionality to extend to opening of accounts and broader transactability, online kiosks would alleviate foot flow in the branch network, while being able to be fairly quickly installed in commonly frequented areas, such as malls, taxi, train and bus ranks.

Birch and Young (1997:120) observe that the financial services industry is undergoing a period of unprecedented change comprising new products, new entrants, mergers and acquisitions, and probably the most important, that of a new delivery channel in the form of the Internet. In identifying the Internet as a major technological driver for change, their discussion also centres on how organisational failure was not because of the new technology, but rather that they listened to their customers too much.

Birch and Young (1997:123) thus caution, that when dealing with technological change, organisations must be careful that they are aware of the fact that customers are constrained by their own existing environments, and do not, in general, value the performance attributes of the new technology. In the arena of retail banking, when confronted by the onslaught of accelerating technological change, banks run the risk of allowing technology to deliver their markets to new competitors, and not other competing retail banks. Thus the evaluation of new technology in the context of their current business models, is a danger banks need to be very aware off and to guard against.

Birch and Young (1997:124) also contrast the ATM and internet product cycle, showing that the ATM is on the decline, with costs being borne by existing banks and not the newest competitors (in the South African landscape, Investec is a prime example). In the same way, Birch and Young (1997:125) envisage a competing technology to the Internet, to be realised in ten to fifteen years (by the year 2008).

The overview of the Mzansi account, in chapter two, identified a number of potential new entrants, particularly in the Mzansi segment space, and the supporting financial institutions need to be aware of these entrants using new technology to hone in on market share.

Finally, Birch and Young (1997:125) list, from a customer perspective, what the important elements of the financial services are : convenience, basic transactions to be performed correctly (efficiently, effectively, and reliably, courtesy), competitive prices and returns, choice, respect for consumers, provider to understand the consumer and their circumstances, and privacy and confidentiality.

A brief analysis of cellular telephone banking by Jekwa (2005:102) posed the question of whether mobile transactions could be a bigger growth source for South Africa's banking sector. The common consensus among the four major retail banks was that mobile banking offered a unique value proposition, in that it addressed varying needs of all customers across the customer base, from the entry level market (for the purposes of this study, read Mzansi account holders), to the high affinity and wealth segments.

The analysis also showed that the use of mobile banking has thus far enjoyed an exponential surge in the number of cellphone banking users. With almost 250, 000 registered cellphone users, the market is seen to offer significant growth prospects in the coming years. Also of note, was the fact that the costs of the infrastructure required, were relatively low, with fairly quick launch and deployment.

Turner *et. al* (2003:40) focus on the use of educational programs to meet the variety of needs of unbanked consumers. Their study (Turner *et. al* (2003:40)) found that almost 94% of American banks provided some form of low-cost banking product (savings, cheque or both), while greater numbers of banks were also beginning to provide programs to meet the education needs of the unbanked to go along with the products on offer. These educational programs provided complete financial education along with basic banking information, and were found by the authors to be key in helping families build assets.

Of the educational programs sampled, Turner *et. al* (2003:40) found the following to be of greatest benefit to unbanked customers, creating attention and approval:

- outreach activities including seminars, festivals and health fairs in community centres, schools and churches for initiatives focused on targeted communities,
- financial literacy programs that help low and moderate income earners make sound financial decisions by changing their behaviour (such as using banks to cash cheques instead of going to pawnshops),
- financial education programs for newcomers to the United States of America to assist them in understanding American banking, wire transfer and credit systems.

Turner *et. al* (2003:48) conclude that the majority if the unbanked in the United States of America are bankable, but in order to ensure that this occurs, the financial institutions, social service and community groups need to work together to reach the unbanked. Turner *et. al* (2003:45) see financial literacy training as being key to these outreach efforts, and that banking products and services alone can not bridge the divide.

3.6 Product cannibalisation

Cravens *et. al* (2002:257) explain the logic of cannibalisation as the reality that exists when changes in market requirements and customer value opportunities that create threats for existing products and technologies. Cravens *et. al* (2002:257) further recognise that company executives often avoid cannibalisation actions for established products, and that although understandable, is short-sighted.

Cravens *et. al* (2002:261) propose a different view of product cannibalisation, suggesting that a proactive cannibalisation strategy. This may be defined as a strategy where the company pursues ongoing and deliberate development of new products and processes meant to encourage and attract customers of existing products of the same company. Cravens *et. al* (2002:257) recognise however, that this type of strategy underlies the concept and rationale of offering customers a better solution to a need currently being satisfied. Although proactive cannibalisation is not always viable, complacency and failing to evaluate potential threats is dangerous.

3.7 Product and service differentiation

Valikangas and Lehtinen (1993:72) present strategies for services and marketing to differentiate a service for competitive advantage. Valikangas and Lehtinen (1993:74) postulate that a certain service is perceived by customers to have distinct properties which in turn lead to a differentiated advantage. Valikangas and Lehtinen (1993:77) identify service differentiation conceptually into two parts:

- differentiating across competitors, where unique or superior service is delivered in some aspect(s), and
- service differentiation across markets / customers, where segmentation catering to needs of various target segments is applied.

In the case of the differentiating service from competitors, strategically three scenarios arise:

- low price, basic services targeted at customers who do not wish to pay for 'extra frills' (which would by implication be what the Mzansi account is based upon),
- specialised services by proving superiority in service through better technology, product innovation or unique service offerings, and
- customised services, where careful focus on customers exists by increased tailoring of the service proposition.

In the case of the Mzansi account, a generic service and product is offered, since the target market is unsegmented. The focus is a broad market one, is provided to each customer in the same manner, with no customisation applied at any level. It is commoditised to a large extent, customers are treated in almost the same way, and require little participation from the customer.

As a point of departure to how the Mzansi account has been structured, Valikangas and Lehtinen (1993:77) discuss how long term customer relationships are cultivated. Valikangas and Lehtinen's (1993:77) key finding is that a customised service offering conceptualised around the needs of the target customer or customer segment results in long-term lock-in. These customised services are indeed highly interactive and personal.

Pelham (1997:276) investigates whether organisations should be product research and development focused, or whether they should emphasise process competencies. Questions pertaining to the ranking of functional competencies (product, research and development and marketing principally) in considering an organisation's success, are also attempted to be answered.

In discussing product and customer differentiation, Pelham (1997:278) notes that markets with a low level of product and customer differentiation (as is seen in the Mzansi offering), there should be production orientation, where the focus is on low costs, and that this in turn would lead to a sustainable competitive advantage. It is argued that undifferentiated products sold to a homogenous customer base are less likely to experience the same customer satisfaction problems associated with products tailored for a heterogeneous customer base.

However, Pelham's (1997:279) counter argument is a more compelling one, especially when viewed in light of the Mzansi offering. The focus on cost and inter-organisational processes masks opportunities for differentiation. These opportunities lie principally in creative linkages with sellers (the branch network), distributors and overall value chains. Thus non-price sources of competitive advantage are especially important.

Beal and Lockamy (1999:71) further observe that price is no longer the sole criteria for creating a sustainable competitive advantage, but that instead, organisations need to develop and deploy competitive strategies that are driven by market requirements. Beal and Archie's (1999:71) recommendations centre on using quality as a differentiator. The same may be applied to the Mzansi account, where quality in the customer service aspect may be focused upon.

Kyj and Kyj (1994:41) in investigating customer service in an oligopolistic environment (much like the South African retail banking landscape, and more so for the financial institutions supporting the Mzansi account) found that different service packages and levels are feasible and desirable for customers. Kyj and Kyj (1994:43) state that service providing firms that can identify a niche for a particular customer service and then deliver on that expected service, have an opportunity to gain a competitive edge. Further, Kyj and Kyj (1994:45) state that organisations that view the customer service element as homogenous run the risk of missing important market segments, leading to either lost market share, or worse still offering a service that does not contribute to customer satisfaction.

3.8 Summary

The literature study concentrated on the investigating the relevant literature pertaining to the primary and secondary objectives of this study. The chapter commenced with understanding the unbanked individual and household, while documenting the need for banking the unbanked market; this need is not only social, but also has a strong business value component.

It was found that unbanked individuals and households is not unique to South Africa, or third world countries, but that countries across the world experience the same problems with bringing these households into the financial mainstream.

Efforts at banking the unbanked were studied, with common successes and experiences documented. These solutions are viewed in the context of how the Mzansi offering may be enhanced. The role of pricing for South African retail banks was, with studies having found that the prices charged by local banks are far in excess of similarly sized mainstream United States and United Kingdom banks. The value perceptions of South African customers were also considered. The literature showed that South African banks were easily able to absorb any subsidy that is offered on the Mzansi account, without substantial erosion of profits.

The evolution of technology in the financial services industry was examined next, combined with what practical measures and considerations need to be resolved in order to use technology as a suitable lever to proliferate banking to the target market segment.

The chapter was ended by studying how product cannibalisation affects organisations, together with how organisations may suitably differentiate their products and services to maintain, or improve, market share.

Chapter four: Empirical research

4.1 Introduction

This chapter covers the empirical research completed. The purpose of the empirical research was to determine, primarily, how current Mzansi customers, for each of the supporting financial institutions, transacted on their accounts, which features and benefits they made use of the most, and valued, the level of service they had received, and what features or benefits they would like to see added to the account.

The information gathered was by way of a survey questionnaire administered to (approximately) equal numbers of existing Mzansi customers for each of the supporting financial institutions. A total sample size of one hundred and forty seven customers was interviewed as part of the empirical research.

The survey covered five broad sections :

- Determining the overall Mzansi customer demographic profile.
- Investigating how well customers understood their accounts.
- Examining the quality of service Mzansis customers received.
- Understanding their transaction behaviour, and what transactions they attached value to.
- Examining what improvements to the account customers believed would add further value to their account.

4.2 Survey questionnaires

4.2.1 Sample size

The sample considered in this study refers to the one hundred and forty seven Mzansi customers surveyed by way of administrating questionnaires. The sample size was almost equally divided amongst each of the supporting financial institutions. Thus, thirty existing Mzansi customers of FNB and the Postbank were questioned while twenty nine each for ABSA, SBSA and Nedbank. The questionnaire consisted of a total of twenty four questions, divided into five sections. A total of 250 survey questionnaires were distributed, thus representing a return ratio of about 59%.

4.2.2 Collection of data and feedback

The questionnaires and survey work were completed during the months of August and September 2005. Customers of the Mzansi account, for each of the supporting financial institutions were approached outside various branches and outlets, and the purpose of the questionnaire was explained to potential participants. Once participants had indicated their agreement and willingness to participating in the study, they were asked to complete the questionnaire, either in English, or in a language they felt most comfortable in.

In some instances, it became obvious that participants were either not comfortable completing the questionnaire themselves, or struggled with understanding the questions. A translator was then used to bridge the apparent gaps in understanding. This ensured that the main objective of the questionnaire was not lost because of English being used as the sole medium of communication, while verbally explaining each of the questions and recording the results on behalf of the participants ensured that customers who were not literate were not excluded from the study.

It was initially intended to purely administer questionnaires to the customers, with a brief introduction to the nature of the study being conducted. It was anticipated that the customers would then complete the questionnaires themselves, and the completed questionnaires collected. However, practically, it was found that the questions required explanation, and in most instances translation, while the customer's answers in turn needed to be recorded. Each questionnaire thus took, on average about 25 minutes to complete, leading to a smaller sample size than originally envisaged. However this more interactive form of administering the questionnaire, allowed for more detail to be recorded, thus offsetting to an extent, the intention to interview more customers.

Customers interviewed also expressed a degree of uncertainty and intimidation. A large number of customers, who initially voluntary agreed to complete the questionnaire, became reluctant midway through the questionnaire reevaluated their decision to participate and instead opted to not continue. This may have been due to feeling a degree of uncertainty, having safety concerns and perhaps doubting the aims of the research being undertaken. Thus, a number of questionnaires could not be completed. It then became evident that a much greater number of customers needed to be approached in order to obtain a suitable sample population.

4.2.3 Questionnaire design

The basis for the questions were founded on two key factors : the primary and secondary objectives of the study, and the findings from the literature study. The questions were thus grouped into the following research areas :

- Section A: Demographic profile of the customer. This section sought to understand more about the customer's specific circumstances, employment status and income source and quantum.

- Section B: Customer understanding of their Mzansi account. This section sought to examine whether customers understood their account and transactions offered, how they found out about the account.
- Section C: Quality of service received. These questions examine the service experienced by the customer, how they rated the service experienced at the account opening stage and subsequent service visits, and to determine if any improvements in the service could be suggested from a customer perspective.
- Section D: Value of transactions, aimed to investigate the transactions customers used the most, and to determine the value of any features and benefits of the account that they qualitatively attached to.
- Section E: Improving the Mzansi account was the last section in the survey questionnaire, and served to provide customers with the opportunity to recommend any additional transactions, features and benefits on the account, that they would like to see implemented. This would then form the basis for suggestions on how the account evolution may progress, from a customer perspective.

The questions used were a combination of both closed and open ended. For some questions it was necessary to determine the relative ranking of a particular attribute (for example, determining the level of service received), while some questions required a customer specific response (for example, what additional features to the account they believed would add to the functionality and use). For questions where a certain aspect required rating, a five point Likert-type scale was applied to be able to quantify the result scored.

4.3 Results

The survey questionnaire developed and administered to the Mzansi customers in attached below, as table 4.1. The results for the research are summarised in two main focus areas. Firstly, the results for each of the supporting financial institutions is shown (for each section into which the questions have been grouped), and then summarised to reflect an overall weighted average for all the financial institutions together. This allows for the individual financial institutions to be compared against each other, and the weighted average to show the overall sample size performance.

Table 4.1 : Survey questionnaire administered to customers

Number	Question	Options (where applicable)				
Section A: Demographic profile of customer						
1	What is your age?	18 to 24	25 to 31	32 to 40	41 to 55	> 55
2	What is your race?	Asian	Black	Coloured	White	Other
3	What is your average monthly income?	No income	< R250	R250 to R500	R501 to R1000	> R1001
4	Have you previously had a bank account?	Yes	No			
5	Do you have access to a cellular telephone?	Yes	No			
Section B: Understanding your Mzansi account						
6	How good is your understanding of your account?	Very good	Good	Average	Not so good	Poor
7	Why did you open an Mzansi account?	Savings	Safety	Transactions	Other	
8	How did you find out about the account?					
9	What is the most difficult transaction or benefit to understand?	ATM	Maestro	Statement	Dr order	PIN
10	Why did you choose this financial institution?	Brand	Trust	Location	Other	
Section C: Quality of service received you have received						
11	Please rate the account opening service quality.	Very good	Good	Average	Not so good	Poor
12	How well was the account explained to you?	Very good	Good	Average	Not so good	Poor
13	Please rate subsequent service requirements.	Very good	Good	Average	Not so good	Poor
14	How can the service be improved?					
15	How can the account be better explained to you?					
Section D: Value of the transactions used						
16	Which transaction do you use most?	Deposit	Withdrawal	Debit order	Maestro	Other
17	What is the average value of your most used transaction?	<R100	R101 to R200	R201 to R500	R501 to R1000	>R1001
18	What is the most important feature to you?	Deposit	Withdrawal	Debit order	Maestro	Other
19	What is the least important feature to you?	Deposit	Withdrawal	Debit order	Maestro	Other
Section E: Improving the Mzansi account						
20	How can the account be improved?					
21	What other features would you like to see added?					

4.3.1 Section A: Demographic profile of the customer

(i) Purpose of questions one through to five

These questions sought to construct an elementary framework from which to examine the demographic profile of the typical Mzansi customer.

(ii) Results

The results for this section are shown for each of the supporting financial institutions separately, as well as consolidated by way of a weighted average. Tables 4.2 through to 4.5 summarise the results obtained for Section A.

Table 4.2: Section A summary results – Age distribution

Age (years)	Financial institute ABSA	SBSA	FNB	Nedbank	Postbank	Weighted Average
18 to 24	13.79	10.34	6.67	13.79	13.33	11.56
25 to 31	27.59	24.14	4.35	27.59	13.33	19.25
32 to 40	31.03	34.48	36.67	34.48	16.67	30.61
41 to 55	13.79	13.79	10.00	17.24	40.00	19.05
> 55	13.79	17.24	13.33	6.90	16.67	13.61

Table 4.2 (summarising the age distribution for the sample surveyed) shows that the largest percentage of customers who have Mzansi accounts fall in the age range between 32 and 40 years old. There is a fairly similar distribution for each of the other age ranges (a low of 11.56 for the lowest age grouping, through to a high of 19.05 for the 41 to 55 age range). This shows that the account is well subscribed to throughout the age ranges for customers.

Table 4.3: Section A summary results - Race distribution						
Race	Financial institute					Weighted
	ABSA	SBSA	FNB	Nedbank	Postbank	Average
Asian	6.90	13.79	3.33	6.90	0.00	6.12
Black	58.62	62.07	53.33	41.38	63.33	55.78
Coloured	27.59	10.34	23.33	31.03	16.67	21.77
White	6.90	13.79	20.00	20.69	20.00	16.33

Table 4.3 shows the summarised results for the race distribution for the sample surveyed. The account enjoys its greatest support from Black customers (55.78%), followed by Coloured (21.77%) and White customers (16.33%). Asians hold the lowest number of accounts at 6.12%.

Table 4.4: Section A summary results - Average income						
Income	Financial institute					Weighted
(rands)	ABSA	SBSA	FNB	Nedbank	Postbank	Average
No income	3.45	6.90	3.33	0.00	0.00	2.72
< R250	17.24	20.69	16.67	17.24	13.33	17.01
R250 to R500	24.14	20.69	26.67	31.03	33.33	27.21
R501 to R1000	44.83	48.28	36.67	37.93	46.67	42.86
> R1000	10.34	3.45	16.67	13.79	6.67	10.20

The average monthly income for Mzansi customers lies in the salary band between R501 and R1000 (42.86% of customers) as shown in Table 4.4 above. A small percentage of customers have no monthly income at all.

Table 4.5: Section A summary results - Questions 4 and 5						
Question	Financial institute					Weighted
	ABSA	SBSA	FNB	Nedbank	Postbank	Average
4	37.93	34.48	36.67	37.93	33.33	36.05
5	62.07	65.52	60.00	62.07	63.33	62.59

What was most noteworthy in this section, was the fact that as a weighted average, 36.05% of current Mzansi customers have previously held, or currently hold, another type of bank account, and are thus not new to banking (as shown in Table 4.5 above, where the results to positive answers are shown). This is a higher than expected percentage, considering that the account is positioned as an entry-level product. Two possible reasons may explain this finding.

Firstly, these customers may have been using other bank accounts and products simply because the Mzansi account did not exist. In this respect, the introduction of the Mzansi account has addressed a customer need that was previously overlooked for customers already in the financial services fold. Their move to the Mzansi account thus means that they are now transacting on a bank account that truly fulfils their needs, without a cost penalty. Thus the Mzansi account has in effect fulfilled two separate needs : offering an entry level bank account, while also allowing customers with bank accounts not adequately meeting their needs (either because of costs or limited functionality) to move to a more appropriate product.

The other reason may be because of either a product cannibalisation effect, or a revenue leakage effect from the institution perspective. In this case, previously banked customers may be using the Mzansi account to perform a number of their day to day transactions, thereby enjoying the lower costs of the account, while having another type of bank account (such as a current account) to perform other transactions that the Mzansi account may not support. Thus by using a combination of two accounts will, overall, yield a lower monthly cost. This is a factor that only the supporting institutions will be able to confirm, by being able to cross-check how many Mzansi customers also hold a higher level bank account.

Table 4.5, also shows that a relatively large percentage of customers (weighted average of 62.59%) have access to a cellular telephone. This has favourable implications for the product in terms of evolution, going forward. The cellular telephone can play a significant role in contacting customers, as well as being used to perform a number of transactions, without the need to visit either a branch or ATM. Thus, any improvements in functionality in the account, as well as increasing its reach in terms of accessibility, needs to take cognisance of the fact that the availability of a cellular telephone can have a positive impact. Already, cellular banking has seen rapid improvements in serving as a ubiquitous, pervasive device, with a number of banks (both nationally and internationally) offering transaction functionality. Using cellular banking transactions in the Mzansi market segment is thus also an option.

4.3.2 Section B: Customer understanding of their Mzansi account

(i) Purpose of questions six through ten

The questions in this section aimed to measure primarily the customer understanding of their Mzansi account, together with their reasons for opening as well as why they chose their financial institution.

(ii) Results

Customer understanding of the account proved to be fairly average (weighted average score of 3.05) across the supporting institutions. Postbank and ABSA customers indicated that they had the best understanding of their account (3.15), while FNB customers indicated that they had the poorest understanding of their account (2.90). Table 4.6 summarises the results.

Table 4.6: Section B summary results - Questions 6 through 10						
Question	**Financial institute**					**Weighted Average**
	ABSA	**SBSA**	**FNB**	**Nedbank**	**Postbank**	
6	3.15	3.10	2.90	2.95	3.15	3.05
7	Savings (58.62%)	Safety (41.38%)	Savings (33.33%)	Safety (41.38%)	Transaction (43.33%	Savings (34.65%)
	Safety (27.59%)	Savings (37.93%)	Safety (30.00%)	Savings (41.38%)	Safety (23.33%)	Safety (33.91%)
	Transaction (6.90%)	Trans (3.45%)	Rewards (6.67%)	Transaction (3.45%)	ATM card (23.33%)	Transaction (13.1%)
8	Radio (75.86%)	Radio (72.41%)	Radio (70.00%)	Radio (72.41%)	Radio (63.33%)	Radio (70.61%)
	News (13.79%)	News (10.34%)	News (13.33%)	News (13.79%)	Advert (26.67%)	News (10.65%)
	Friends (3.45%)	Friends (3.45%)	Friends (6.67%)	Friends (6.90%)	News (3.33%)	Advert (5.66%)
9	ATM (44.83%)	ATM (48.28%)	ATM (30.00%)	ATM (34.48%)	ATM (46.67%)	ATM (41.27%)
	Maestro (27.59%)	Maestro (20.69%)	Statement (20.00%)	Maestro (17.24%)	Dr Order (36.67%)	Maestro (17.85%)
	Statement (13.79%)	Deposits (6.90%)	PIN (16.67%)	PIN (10.34%)	PIN (6.67%)	PIN (12.56%)
10	Brand (79.31%)	Brand (82.76%)	Brand (80.00%)	Brand (82.76%)	Location (56.67%)	Brand (75.81%)
	Trust (6.90%)	Safety (10.34%)	Safety (6.67%)	Trust (6.90%%)	Safety (23.33%)	Safety (10.91%)
	Safety (3.45%)	Trust (6.90%)	Location (3.33%)	Safety (6.90%)	Brand (20.00%)	Location (10.55%)

For questions 7 through 10, also summarised in Table 4.6, the top three reasons as ranked by customers, together with the respective percentages is shown.

The reasons customers chose the Mzansi account were primarily because of the savings functionality offered (34.65%) and the safety offered (33.91%). Customers indicated that the interest rates offered to them would allow for significant saving. Customers also opened the account to keep their cash in, and believed that it was safer to have a bank account with a major financial institution than keeping cash on their person. These reasons were especially true for the retail banks supporting the account, while the transactions being offered by the

Postbank account gave rise to 43.33% of their customers choosing the account. The added debit and stop order functionality on the Postbank account is thus significant enough to rank higher than the other reasons. Interestingly, 6.67% of FNB customers, mistakenly unfortunately, believed that the account led to some form of reward or loyalty program.

Customers heard about the Mzansi account (question 8) primarily on the radio (70.61%), followed by advertising in newspapers (10.65%). Word of mouth, from friends or family members who had heard about the account, also ranked highly for the retail banks. In the case of the Postbank's offering, 26.67% of customers also found out about the Mzansi account while at the Post Office (presumably while waiting to post a letter), due to advertisements in the Post Office itself.

The most difficult to understand transactions (question 9) were ATM based (41.27%), presumably because of the languages used on the ATMs as well as trying to understanding the steps in pressing the correct buttons. Maestro transactions ranked second most difficult (at 17.85%), while remembering and using their personal identification numbers (PIN) was next at 12.56%. For Postbank customers, the use of debit orders also posed concerns for 36.67% of customers.

The reason for choosing their financial institution was essentially because of recognising the brand, its strength and size (75.81%). Safety and trust (believing that there funds were safe with the institution chosen) also ranked high, as did location.

4.3.3 Section C: Quality of service received

The questions in this section aimed to measure primarily the service experience of customers, both at account opening stage and subsequent service interactions. It also seeks to understand what customer service needs are, and how these needs may be met by, if applicable, improving current service levels.

(ii) Results

Table 4.7 summarises the results for Section C, covering questions 11 through to 15.

Table 4.7: Section C summary results - Questions 11 through 15

Question	Financial institute					Weighted
	ABSA	SBSA	FNB	Nedbank	Postbank	Average
11	3.28	3.25	3.45	3.53	3.52	3.40
12	3.02	3.08	3.12	3.07	3.10	3.08
13	3.15	3.21	3.30	3.21	3.18	3.21
14	Queuing (37.93%)	Language (37.93%)	Queuing (43,33%)	Language (31.03%)	ATM (45.36%)	Queuing (37.48%)
	ATM (34.48%)	Queuing (34.48%)	ATM (33.33%)	Queuing (27.59%)	Queuing (42.49%)	ATM (22.39%)
	Tellers (10.34%)	Time (13.79%)	Other (10.00%)	Tellers (27.59%)	Tellers (8.45%)	Tellers (9.46%)
15	Demo	Demo	Demo	Demo	Demo	Demo

At account opening stage, the service received was marginally higher (at 3.40) than for other service interactions (at 3.21). The explanation of the account during the account opening process also reflected a fairly average score, at 3.08. There is thus definite scope for improvement when it comes to service and explaining the account better to customers during the account opening stage.

The three top ranking factors that could be improved for customers, across the supporting financial institutions, were: improved queuing times (37.48%), ATM assistance (22.39%) and assistance with personal identification numbers (PINs) and lost cards while at the teller (9.46%). Customers expressed a need for the simple cancellation and re-issue of the card used to transact on the account, in the event of the card being stolen or lost.

The language barrier at some of the institutions as well as the time spent waiting for service for resolving a query also featured as problems for some customers.

Question 15, although structured as an open ended question requiring the customer to provide their own input, was surprising in that the responses reflected almost a unanimous desire for more time to be spent demonstrating the features and benefits of the account. Simply put, customers believed that too little time was spent during the account opening procedure.

4.3.4 Section D: Value of transactions

The primary factors investigated in this section were the value attached to the different transaction available on the account, what the quantum of transactions undertaken by customers and which features and benefits were perceived to be of little or no value to customers.

(ii) Results

Table 4.8 summarises the results for Section D. The transaction used most often by Mzansi customers is cash withdrawals (question 16). This transaction is distributed between the branch and outlet network and the ATM (64.21 and 29.47% respectively), with customers preferring the use of the branch based tellers. This is interesting, since customers would rather wait in queues for tellers in branches, while also restricting their access, as opposed to using ATMs.

Table 4.8: Section D summary results - Questions 16 through 19						
Question	Financial institute					Weighted Average
	ABSA	SBSA	FNB	Nedbank	Postbank	
16	Branch Withdrawal (62.07%)	Branch Withdrawal (65.52%)	Branch Withdrawal (60.00%)	Branch Withdrawal (62.07%)	Branch Withdrawal (73.33%)	Branch Withdrawal (64.21%)
	ATM Withdrawal (31.03%)	ATM Withdrawal (27.59%)	ATM Withdrawal (33.33%)	ATM Withdrawal (31.03%)	Statement (10.00%)	ATM Withdrawal (29.47%)
	Statement (3.45%)	Statement (3.45%)	Statement (3.33%)	Statement (3.55%)	Debit order (6.671%)	Statement (5.09%)
17	R 50	R 50	R 50	R 50	R 50	R50
18	Interest (44.83%)	Free (55.17%)	Interest (53.33%)	Interest (41.38%)	Interest (43.33%)	Interest (42.15%)
	Maestro (34.48%)	Interest (27.59%)	Statement (23.33%)	Statement (20.69%)	Dr order (23.33%)	Free (24.52%
	Free (13.79%)	Maestro (27.59%)	Maestro (10.00%)	Free (20.69%)	Free (23.33%)	Maestro (12.48%)
19	ATM (44.83%)	Balance (62.07%)	Balance (60.00%)	Fee (44.83%)	ATM (40.00%)	Fee (31.47%)
	Fee (41.38%)	ATM (24.14%)	Fee (33.33%)	ATM (37.93%)	Fee (36.67%)	ATM (30.40%)
	Other (6.90%)	Other (6.90%)	Limit (6.67%)	Other (6.90%)	Other (13.33%)	Balance (29.54%)

Closely linked to withdrawals was the need to obtain statements providing information on the account; this thus rated as the third highest transaction used by customers (5.09%). Postbank customers used the debit order functionality (6.67%) as their third highest ranking transaction.

The average value of the most widely used transaction was R50 (which was unilaterally for branch and ATM based cash withdrawals). Although each of the supporting financial institutions charge a significant premium on the use of the branch network in comparison to the ATM for cash withdrawal, customers are still willing to pay this. This again alludes to customers not being comfortable with the ATM machine to use it instead of the branches. Customers are seemingly also willing to limit their access by using the branch network instead of the ATMs; all the banks' ATMs are available at no extra cost penalty.

Customers found the interest for credit balances maintained in the account to be the most important feature of their Mzansi account (question 18). The free transactions offered by the various financial institutions were also important to customers. The Maestro feature (for the retail banks) was important enough to be ranked third. For the Postbank, the debit order feature was ranked as second most important, with 23.33%.

In determining what customers disliked most about their account, the penalty fees (such as replacement card fees) charged for some transactions ranked the highest at 31.47%. The ATM as a method to transact, also scored high at 30.40%. For the financial institutions that stipulated that either a minimum monthly balance needed to be held in the account (SBSA and FNB), this ranked as the most disliked. Customers so disliked this condition, that as an overall ranking, this was rated third highest, even though the other institutions did not prescribe a minimum account balance.

4.3.5 Section E: Improving the Mzansi account

The questions in this section provided the customers with the opportunity to suggest what enhancements and developments the Mzansi account should undergo to increase both its appeal and improve its functionality.

(ii) Results

Table 4.9, below, summarises the results for this section.

Table 4.9: Section E summary results - Questions 20 through 21						
Question	Financial institute					Weighted Average
	ABSA	SBSA	FNB	Nedbank	Postbank	
20	Loan (51.72%)	Credit card (44.83%)	Loans (50.00%)	Loan (51.72%)	Loan (52.65%)	Credit card (46.32)
	Credit card (48.28%)	Loans (20.69%)	Credit card (50.00%)	Credit card (48.28%)	Credit card (42.74%)	Loan (46.09%)
		Housing (17.24%)			Store card (2.76%)	Housing (3.28%)
21	Dr orders (41.38%)	Dr orders (39.65%)	Dr orders (36.67%)	Dr order (51.72%)	Discounts (45.64%)	Dr order (33.69%)
	Interest (37.93%)	Interest (38.20%)	Balance (30.00%)	Discounts (48.28%)	Free (36.56%)	Discounts (21.69%)
	Discounts (13.79%)	Free (14.65%)	Rewards (26.67%)		Interest (15.73%)	Interest (20.42%)

The highest ranking suggestion across each of the financial institutions was the need for credit facilities on the Mzansi account. Different types of credit facilities were seen as being required by customers, ranging from credit cards (46.32%), loans (46.09%) and housing (3.28%). Customer need for credit is thus evident, particularly when considering that credit facilities are so difficult to obtain. Customers in this market segment currently only have micro-lenders to approach for credit requirements.

In considering how the current Mzansi account may be improved (question 21), customers focused on the need to add debit order functionality for the retail banks' offering (leading to a weighted average of 33.69%, but for the retail bank customers, a much higher ranking of closer to 40%). Their suggestions also centred on additional free transactions being offered on the account (21.60% of customers felt this way), while improved interest rates were also thought to be appealing (20.42%).

4.4 Summary

The empirical study, detailed in this chapter, used survey questionnaires to investigate five primary areas of the Mzansi customer and Mzansi account. These sections (spanning a total of twenty one questions) extended to understanding the Mzansi customer demographic profile, investigating how well customers understood their accounts, examining the service customers have received, determining the transaction profile of customers and finally allowed for customers to suggest what improvements or additional features they would like to see the account encompass.

The key findings from the results show that significant scope exists for improving the service metered to and the understanding of Mzansi customers. The biggest challenge facing Mzansi customers centres around education of the facilities offered by the account; primarily the use of the ATM. Customers would also like to see the account extend to allow for credit facilities and greater interest rates.

Chapter five: Conclusions and recommendations

5.1 Introduction

This concluding chapter documents the most practical approaches to resolving the problems investigated and revealed in the study. It commences with generic recommendations for further study and investigation of the Mzansi account (related to investigating the account's performance as it progresses through its life-cycle), and then focuses on specific recommendations and interventions that address the primary objectives of this study.

Recommendations for improving accessibility to the Mzansi account, addressing customer needs, and how the various supporting financial institutions may tailor their product and service offering to differentiate the Mzansi account while preventing undue product cannibalisation, are suggested. These recommendations encompass account proliferation techniques, using mobile banking facilities and technologies, improving the account's functionalities and the use of education and demonstration programs to improve financial literacy.

5.2 Conclusions and recommendations

This study has examined the performance of the Mzansi account approximately eight months since its implementation. Although the account has performed successfully up to this point, its relative infancy means that the product is still in its entry phase of its life-cycle. As such, the first recommendation must refer to a similar study being conducted at a later stage in the life-cycle of the account, or after a longer time-frame has elapsed. The account is also currently undergoing several transformations (such as the Mzansi money transfer mechanism, designed to allow money transfers from an Mzansi account) and its performance will be affected as it changes.

The binding obligations of the charter, the primary reason for the account's existence, also needs to be factored into further studies, particularly with regard to what active steps have been taken to make financial services available within a proximity of twenty kilometres. The account needs to be analysed in greater detail to determine if the charter objectives have been met.

Other recommendations, as listed below, address the key objectives of this study, as well as the main findings resulting from the empirical research.

5.2.1 Improving accessibility

Accessibility to the Mzansi account may be improved by way of account proliferation techniques, and satellite banking.

Account proliferation may, for the purposes of this study, be simply defined as being able open an account on behalf of somebody else. With regard to the Mzansi account, account proliferation may be used to ensure that the customers who require, and qualify for, an Mzansi account are provided with one, via a third party.

For example, an employer may initiate and facilitate the account opening process for an employee, by way of an established channel other than the branch network (for example: ATM, Internet or telephone banking). The account proliferation process will then allow for the Mzansi customer to sign for and collect the account itself at a branch outlet. The major steps and process in the account opening process would then be completed prior to the Mzansi account recipient even visiting the branch. Bank and Postbank personnel would then, thus only need to explain the terms and conditions of the account, perform basic account education and hand over the account information, brochures and relevant cards (ATM / debit card).

This would ensure that employers willing to accept greater social responsibility for their employees' financial well-being, are able to facilitate the opening of the account through perhaps their most convenient channel. Thus an employer, of say domestic workers and, or, gardeners who would qualify for an Mzansi account, would be able to initiate the opening of the account. Employers could also thus explain the benefits of the account and of banking in general, thereby again removing time consuming steps in the account opening process, while also ensuring that Mzansi customers are not unduly rushed during account opening, and that they understand the full extent of the bank account and the features and benefits it offers.

This form of account proliferation would also be to the advantage of the financial institutions offering the Mzansi account. Account proliferation would lessen the amount of foot-flow in the branch and (Postbank) outlets, thereby allowing branch staff to concentrate on their core functions. This impact would not only be felt in lowered foot-flow, but also fewer queries from customers wishing to open accounts, and instead from already existing customers.

Thus branch personnel's focus would move from assisting new customers with account opening queries to that of helping existing customers, the emphasis being on more in-depth service and demonstrating how the different transactions, features and benefits work. Mzansi customers in the branch network would thus spend a reduced amount of time completing application forms, and use that time saved instead, on gaining better understanding the account functionality. The customers would also be required to be processed in terms of only needing to sign the relevant documents, confirm their understanding of the account (as explained by their employer) and collect the relevant product paraphenalia (ATM card, brochures etc.).

The same proliferation process could also be extended to governmental institutions to facilitate opening of Mzansi accounts for recipients of social (pension and disability) grants. This would serve a multitude of purposes: social responsibility in teaching recipients about banking and the use of a bank account, ensure safe and seamless grant deposits (as opposed to queuing which in turn is time consuming and unsafe), as well as preventing fraudulent deposits and theft. Recipients could then receive electronic deposits on a monthly basis through their Mzansi accounts.

Access to the Mzansi account may also be improved using satellite or stand-alone banking concepts.This would entail using remote, moveable ATM machines as well as using mobile personnel to initiate opening of Mzansi accounts in rural areas and communities. A few of the major retail banks are already pursuing this avenue of Mzansi account acquisition and providing banking facilities within a closer proximity to customers.

5.2.2 Meeting customer needs

The results of the empirical study relating to how the Mzansi account could be improved (Section E, questions 20 and 21) reflected a definite customer need for debit orders on the account (in the case of the retail banks) and an overall need for credit type facilities.

In the case of the Postbank, the institution already offers debit orders on their account. The four major banks should also consider offering debit order functionality on the account. The banks supporting the Mzansi account are, however, faced with possible product cannibalisation if the functionalities, features and benefits of the account begin to rival those of other accounts offered by the bank (such as higher level savings and transaction accounts). As explained earlier, the overall low cost structure of the Mzansi account would attract customers who ordinarily qualify for higher order transaction accounts, thereby leading to revenue leakage for the banks.

However, the results of the survey show that Mzansi customers of the major retail banks require added functionality, particularly in the form of debit and stop orders. This seemingly difficult to solve conundrum, may be approached in either, or combination of, two ways :

- debit and stop order functionality may be introduced to the Mzansi account supported by the four major banks, but with a limit attached to this type of transaction. Thus, a maximum limit of say, three debit and stop order transactions (combined) should only be allowed on the account. This would allow for primary debit and stop order functions to be enacted; typically for services that support the charter (short term insurance, savings and other products).

This restriction will also prevent any form of product cannibalisation of higher level accounts. Combined with the fifteen thousand rand transaction limit already imposed on the account, this could adequately enough allow use of debit and stop orders, but discourage product cannibalisation.

- Alternatively, the debit and stop orders could be restricted to a fixed list of beneficiaries, as well as a maximum number of these transactions. Thus, the beneficiaries of the debit and stop orders could be restricted only to insurance and assurance providers, thereby encouraging the use of higher order, yet necessary, products. Similarly, this added functionality would lead to meeting the other core requirements of the charter; that of offering a greater number of products and financial services catering specifically to life assurance and insurance. Other beneficiaries would be prevented access to the Mzansi account, thereby again preventing other product cannibalisation.

Offering different numbers of debit and stop orders would also offer the supporting retail banks a means of differentiation, something that as this stage they do not really possess. Pricing the debit and stop orders differently, based on the number offered (for instance allowing Mzansi customers more debit orders but at a higher premium) would allow for revenue generation that would combat product cannibalisation.

For the Postbank, the introduction of debit card functionality would afford convenient payment facilities and the elimination of the need to carry large amounts of cash. The introduction of debit card functionality would thus be a recommendation for the Postbank. A joint venture with one of the existing retail banks offering a debit card would work well, and would give rise to additional revenue streams.

The second important customer suggestion (as reflected in the results to question 20 in the empirical study) showed that the majority of customers surveyed believed that added functionality for the Mzansi account should extend to offering some form of credit. Even though this is recognised as a legitimate customer need, care needs to be taken to make any form of credit facility available to customers.

The supporting financial institutions need to offer a product that meets customer needs, but at the same time also offers the customer protection. This would be especially true for any credit facility. To this end, while recognising that a credit facility would assist customers in being able to improve the standard and quality of their lives, it is imperative that adequate customer education is provided.

Proactive education in financial literacy is thus strongly recommended for current and potential Mzansi customers. It is important to educate customers in realising the risks that result when unable to meet credit repayment terms. What is also concerning, is that customers seem to realise only the importance of credit facilities. They need to be educated that other financial goals can also be met, without the use of credit. In this regard, the need for other important financial services, such as insurance policies, funeral and death benefit plans, are seemingly being ignored by customers.

Structured education programs, as identified in the literature study, must thus also serve as a basis for improving overall financial literacy, as well as improving understanding of the Mzansi account. These programs could entail simple, easy to understand roadshows and sketches that frame financial literacy interventions in an entertaining format, thereby contributing to easier understanding. Banks, together with perhaps education grants from government could greatly further the reach of the Mzansi account, and help empower potential customers with the knowledge required.

Turner *et. al* (2003:40), as identified in the literature study, found the following to be of greatest benefit to unbanked customers, creating attention and approval; these initiatives could equally well be applied to the Mzansi customers:

- outreach activities including seminars, festivals and health fairs in community centres, schools and churches for initiatives focused on targeted communities,
- financial literacy programs that help low and moderate income earners make sound financial decisions by changing their behaviour (such as using banks to cash cheques instead of going to pawnshops),
- financial education programs for newcomers to the United States of America to assist them in understanding American banking, wire transfer and credit systems.

The need for improved education also extends to the current Mzansi customer's transaction profile. The key findings from the empirical research showed that Mzansi customers use the branch and outlet network as their primary means of cash withdrawal. Despite branch initiated transaction carrying a greater cost for the customer (an ATM cash withdrawal for the retail banks, for example, costs as much as two times as much as a branch withdrawal for each of the supporting institutions), customers still use the branch or outlet as their main service channel.

The problem is thus two-fold; the branches and outlets experience higher volumes of foot-flow, while the Mzansi customer ends up paying more than they should be. Education programs and demonstrations (as suggested by the majority of the customers themselves) can aid significantly in reversing the trend; essentially to the benefit of both the institutions and the customer.

Customer needs identified in the survey questionnaire also extended to being able to qualify for a greater number of free or discounted transactions. This need may be incorporated into the Mzansi account, if the supporting financial institutions made provision for loyalty based banking. So, for instance if customers maintained a predetermined balance in their accounts over the duration of a fixed period, further discounts could be applied to certain select transactions. This would encourage both saving, as well as increased account activity.

5.2.3 Time taken during the account opening procedure

The answers to the questions in the empirical study focusing on service obtained by Mzansi customers as well as how well they understood their account, showed that significant scope for improvement exists in these areas. The account opening procedures currently in place, can not nearly provide sufficient time for the customer to understand all the transactions available on the account, as well as the features and benefits when considering the limited financial literacy of this target market. It must thus be recommended that the amount of time spent during the account opening procedure needs to be extended.

This customer need, however, must be carefully balanced with the education programs suggested earlier. Too much time spent on the account opening procedure for the supporting financial institutions will add to their cost overheads, and make them less profitable (branch and outlet consultants need to optimise the amount of time spent between an Mzansi customer and other more profitable customers). Similarly, the use of demonstrations for the various transactions need to be planned in the education programs, as recommended earlier.

5.2.4 Product and service differentiation

A number of opportunities exist for the different supporting financial institutions to significantly differentiate their Mzansi account on the basis of both service and product functionality. Many of the recommendations listed above may serve this purpose, and are briefly summarised here for completeness :

- the number and cost of debit and stop orders offered on the account (in the case of the supporting retail banks),
- the use of proactive education programs to enhance financial literacy of potential customers,
- the use of account proliferation techniques to improve accessibility and differentiate the service aspect of the Mzansi account,
- the use of loyalty and reward mechanisms to further discount certain transactions, while promoting saving and investment behaviour for customers.

5.3 Problem researched

The study focused on problems facing customers (primary objective) and problems confronting the Mzansi account supporting financial institutions. These objectives may be detailed further as follows :

5.3.1 Problems from a customer perspective

- Improvement in accessibility to financial services and transactions for Mzansi customers.
- Investigating customer needs and how these may be met.

5.3.2 Problems from a financial institution perspective

- Investigating accessibility options for the supporting financial institutions without too great an increase in the underlying costs of the account.
- Investigating improved account transactions and functionality, but without courting product cannibalisation risks,
- Examining how the account may be differentiated.

5.4 Methodology

The methodology comprised essentially two techniques; a detailed literature study, and the administration of a survey questionnaire to existing Mzansi customers of each of the supporting financial institutions.

5.4.1 Sample size

The sample considered in this study refers to the one hundred and forty seven Mzansi customers surveyed by way of administrating questionnaires. The sample size was almost equally divided amongst each of the supporting financial institutions. Thus, thirty existing Mzansi customers of FNB and the Postbank were questioned while twenty nine each for ABSA, SBSA and Nedbank. The questionnaire consisted of a total of twenty one questions, divided into five sections.

5.4.2 Collection of data and feedback

The questionnaires and survey work were completed during the months of August and September 2005. Customers of the Mzansi account, for each of the supporting financial institutions were approached outside various branches and outlets, and the purpose of the questionnaire was explained.

It was initially intended to purely administer questionnaires to the customers, with a brief introduction to the nature of the study being conducted. It was anticipated that the customers would then complete the questionnaires themselves, and the completed questionnaires collected. However, practically, it was found that the questions required explanation, and in most instances translation, while the customer's answers in turn needed to be recorded. However, it was found that this more interactive form of administering the questionnaire, allowed for more detail to be recorded, thus offsetting to an extent, the intention to interview more customers. The questions used were a combination of both closed and open ended.

5.5 Critical evaluation

Although a significant number of people were interviewed as part of the empirical research, it must be accepted that personal finances is generally considered a private matter and individuals may have been sensitive to certain questions, particularly regarding income and employment. There may thus be an element of misrepresentation surrounding these results. However, in terms of results for questions aimed at customer transactions, service and account understanding, and customer input on how the account may be improved, the results are more likely to be free of any particular bias.

Customers interviewed also expressed a degree of uncertainty and intimidation. This may have been due to feeling a degree of uncertainty and having safety concerns and perhaps doubting the aims of the research being undertaken. Thus, a much greater number of customers needed to be approached and interviewed in order to obtain a suitable sample population.

A large number of the customers also elected to make use of the interpreter. Although the majority of the questions required rating a particular aspect, questions that required qualitative answers may be subject to translation bias or lost certain nuances.

The nature of the target segment is such that geographical bias may also be evident. The study focused on branches, outlets and essentially customers in Gauteng; customers in other parts of the country with less financial service infrastructure and support and hence somewhat even more constrained access, may very well have identified other problems that required resolution. For example, the number and concentration of bank and Postbank facilities vary across the country, and in regions where there is little or less representation, limited accessibility to financial services may have ranked much higher than it did in this study.

However, despite the identification of these constraints and possible bias induced in the survey results, the overall goals and objectives must be viewed as having being successful.

5.6 Summary

This chapter reconciled the study objectives, the findings from both the lierature and empirical study, to recommend a number of practical measures to resolve some of the problems investigated.

A generic set of recommendations are documented that suggest further research into the account's success as the account progresses through its life-cycle; this study's focus has been on the entry phase and as such many of the findings will change as the account gains greater traction and mileage. Also, the performance of the account in terms of the financial services charter needs further investigation, particularly in measuring how accessibility has improved; again this has a time element to it, and can only be attempted in the medium to long term.

More detailed recommendations encompassed account proliferation techniques, the use of mobile banking facilities and technologies, improving the account's functionalities and the use of education and demonstration programs to improve financial literacy.

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Appendix A: Survey Questionnaire

Dear Mzansi customer.

Please take a few minutes of your time to complete the questions listed below, to the best of your understanding and as completely as possible. The results will be used to better understand how you use your Mzansi bank account. Your answers are completely confidential.

Some of the questions need you to select from the options available. Please use an 'X' to choose the most suitable option. Other questions require you to write down an answer.

Section A: Please tell us about yourself.

1. What is your age?	18 to 24	25 to 31	32 to 40	41 to 55	Over 55
2. What is your race?	Asian	Black	Coloured	White	Other
3. What is your average monthly income?	None	< R250	251-500	501-1000	>R1001
4. Have you previously had a bank account?				Yes	No
5. Do you have access to a cellular telephone?				Yes	No

Section B: Please tell us about your Mzansi account.

6. How good is your understanding of the account?	Very good	Good	Average	Not so good	Poor
7. Why did you open an Mzansi account?		Savings	Trans -actions	Safety	Other

8. How did you find out about the account?

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9. What is the most difficult transaction or benefit to understand?

	ATM	Maestro	PIN	State -ments	Debit orders
10. Why did you choose this financial institution?		Brand size	Trust	Locat- ion	Other

Section C: Please tell us about the service you have received.

11. Please rate the account opening service quality.

Very good	Good	Average	Not so good	Poor

12. How well was the account explained to you?

Very good	Good	Average	Not so good	Poor

13. Please rate subsequent service requirements.

Very good	Good	Average	Not so good	Poor

14. How can the service be improved?

____

____

15. How can the account be better explained to you?

Very good	Good	Average	Not so good	Poor

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Section D: Please tell us about the value of transactions you perform.

16. Which transaction do you use the most?

Deposit	With-drawal	Debit orders	Maestro	Other

17. What is the average value of your highest used transaction?

< R100	R101 to R200	R201 to R500	R501 to R1000	> R1001

18. What is the most important feature to you?

Deposit	With-drawal	Debit orders	Maestro	Other

19. What do you dislike the most about the account?

Deposit	With-drawal	Debit orders	Maestro	Other

Section E: Please tell us how you would like to improve the account.

20. How can the account be improved?

____

____

21. What other features would you like to see added?

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Thank you for your time and honesty in answering the questions. It is greatly appreciated.