

# Navigating its complex culture

## An insight into the stokvel 'sector'

*Ubuntu* is one of those uniquely African concepts that, for many, define what it means to be South African. A beautiful word that exemplifies a philosophy of caring for the welfare of every individual in a community – that special acknowledgement that “I am, because we are”. *Ubuntu* is a spirit that ignites people to work together, for the benefit of all.

We live in very exciting, yet challenging times as South Africans. We're all striving for a better future ... where team work and *ubuntu* are essential. It should come as no surprise then that the stokvel phenomenon has become such a large part of our culture: the stokvel is “economic *ubuntu* in action”.

Stokvels are the most prominent informal savings and investment mechanisms in the country. They're regulated by small, intimate groups of friends and family committed to contributing an agreed amount on a

regular basis – to create a savings pot that can be shared for a variety of common purposes. Trust, commitment and responsibility are the shared values that bind members together.

The stokvel phenomenon is one that is proving complex to navigate for retailers, brands, and those in the banking and insurance sectors, and is understandably drawing their increasing interest. Here's why:

These small close-knit groups have a significant impact on the country's bottom-line. Nearly 12-million South Africans participate in 440,000 stokvels that plough R54bn into the economy annually. It's an incredible savings discipline that comes from necessity and represents a formidable spending power. And this is why marketers are sitting up.

It's the informality and diversity of the stokvel “sector” that is challenging for businesses which traditionally operate on volume and value principles. While the purchasing power of the stokvel collective is strong,



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the purposes and motivations for stokvels may be vastly different, and thus marketing approaches need to be fitted accordingly.

In addition, it's important to understand that stokvel members may also act or respond differently to brands and advertising, depending on whether they're purchasing on behalf of

other members, or in their private or individual capacity. The “I am, because we are” philosophy often overrides individual preference for certain brands, products or services when those holding the purse strings need to make the best choices for a larger group. The ability of marketers to understand these motivations and nuances should not be underestimated.

With this in mind, we're very excited to once again partner with African Response in presenting the annual research of the South African stokvel environment. African Response is the leading and pioneering market research agency for stokvel groups, and has conducted a range of qualitative and quantitative surveys to assist businesses to develop stokvel strategies over the past seven years.

The survey is nationally representative, with a randomly selected sample of 2,500 respondents. Thirty percent of the sample covered small towns, rural and deep rural areas whereas the balance covered large towns, cities and metropolitan regions. The survey was designed in line with the national urbanisation rate of 64% (Statistics South Africa), with the data weighted to the 2017 mid-year population estimates, which found that 31.2% of the 56.5m South Africans are 16 years and older.

In this survey we provide an overview of some of the key in-

sights into Stokvels. Over the next few weeks we look forward to taking brand owners and marketers interested in customised sessions on an insightful journey into the stokvel phenomenon.

We'll provide demographic and geographic descriptions that contextualise the various stokvel types, from burial societies that focus on funeral cover or services, through to money, saving and grocery stokvels. We'll also share insights into savings that get funnelled into investment, birthday and holiday stokvels.

Importantly, we'll also highlight relevant brands and businesses mentioned by members when choosing how and where to spend or invest their money.

Tiso Blackstar and its titles have a reputation for delivering credible, transparent news where readers find a safe, protected space – online and in print – where citizens trust what they read. Thanks to the leadership of our editors, fearless journalists, an unwavering dedication to editorial integrity, and a desire to build a healthy democracy, our titles are the go-to platforms for advertisers to extend the reach of their brands. Tiso Blackstar's support of the African Response Stokvel Survey is evidence of our commitment to deliver value for advertisers.

Please join us in learning and celebrating the power of the stokvel, and sharing the spirit of *ubuntu*.

## Research aimed at enhancing them

As a Stokvel member, a marketer and a researcher, I was always curious about the group dynamics and motives: who was actively playing the stokvel game? How were people playing this game? Was it a game? What value was being realised? Who was benefiting? How big was this whole stokvel movement? Was it a growing or a declining movement? There were a lot more questions than answers.

My curiosity was calmed in 2011 when African Response, a company I was leading, agreed to fund a research project to unpack the realities and dynamics of stokvels.

The insights and knowledge gained through personal experience backed by the various research projects undertaken in 2011, 2014 and recently in 2017, necessitated the need to run this publication and share the value of the powerful economy of stokvels.

The dynamics of stokvels; the powerful value of stokvels; their evolution in terms of how they are run, operate, what new types are emerging, what investment platforms are they using and why; what keeps members united and what can be learnt from this; what challenges they deal with and what makes them rele-

# Taking stokvels into the future

vant; why is it critical to build on to stokvels and not only want to “capture them”; and who is winning in this space, and what have they done to achieve success?

The name stokvel originates from the term “stock fairs” dating back to the 19th century, as the rotating cattle auctions of English settlers in the Eastern Cape. The practice was a collective platform to sell cows leveraging on the “economies of scale” – that principle still drives the essence of stokvels.

Call it *mogodishano*, *umgalelo*, *umrholiswano*, syndicate, *gooi*, *gooi*, savings club, investment club, holiday club, family club, etc., what is key is the common goal of pooling resources together for the mutual benefits.

Today stokvels have become synonymous with traditional saving mechanisms where a group of people (who trust each other and have a common goal) pool their limited resources to achieve bigger and better for themselves, their families and their communities at large. The benefits from stokvels are not



**Mamapudi Nkgadima, Managing Director of African Response research agency**

limited to membership but are shared through direct or indirect relations to a family member who is an active stokvel member. This is truly the principle of *Ubuntu* in action: “You are because we are” thus satisfying one of the primary drivers for joining stokvel

The stokvel phenomenon continues to draw interest from individuals and businesses across

different sectors such as retail, consumer goods and financial services. There are several essential and non-negotiable attributes of stokvel groups that continue to challenge conventional, if formal, business practices:

A stokvel is a platform where money is exchanged between members without incurring transaction or service fees. Instead often used to increase the collective pool of funds through a forced saving mechanism through microlending the funds within/or outside membership for mutual group benefit.

The value of stokvel is not only financial but is also about building and nurturing relationships among friends, families, colleagues and other types of groups that get together for a common goal be it church groups, investment etc.

There is always an opportunity to “hit two birds with one stone” so to speak by initiating solutions/products/services that have dual benefit.

July is a savings month. We of-

ten hear comments and reports saying South Africans don't save or South Africans are saving informally, which is not considered good. How true is this?

It is high time we debunk some of the myths and perceptions about stokvels and start to see the value and importance of stokvels. The focus should move away from wanting to capture a share of the stokvel market, but rather to amplify the stokvel way to create an even better value through collaboration, relevant education and co-creation of solutions that address challenges for stokvels.

Stokvels continue to evolve and are playing a significant role in empowering millions of South Africans.

Join African Response, in collaboration with Tiso Blackstar, on this stokvel journey over the next few weeks for an in-depth view of this phenomenon.

The African Response survey was based on a nationally representative, randomly selected sample of 2,500 respondents aged 16 years and older. Thirty percent of the sample covered small towns, rural and deep rural areas whereas the balance covered large towns, cities and metropolitan regions. This design is in line with the national urbanisation rate of 64% (Statistics South Africa).

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