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# 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,



**Reardon Sanderson, group GM: Sales and Marketing at Tiso Blackstar Group.**

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).

Be part of the African Response StokveLink community by dialling \*120\*553\*18#

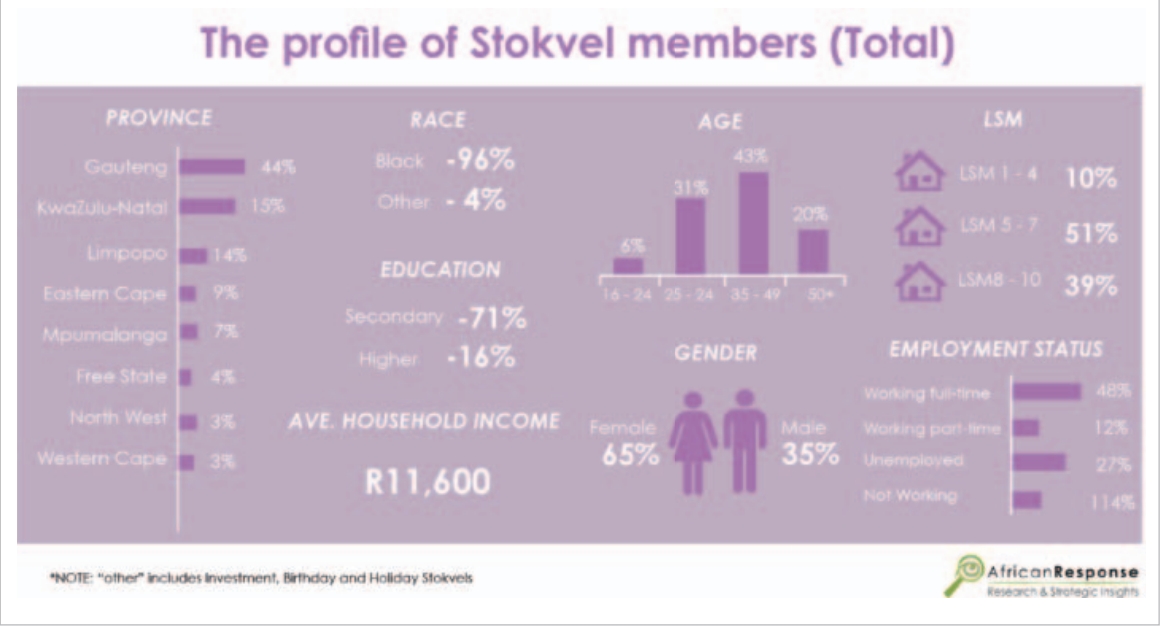




# Age-old saving system now big player in mainstream banking



Simangele Shabalala, a young profesional who credits stokvels with turning her financial life around



Stokvels are becoming a popular investment choice

By **Palesa Vuyolwethu Tshandu**

Stokvels, an old community saving system that was historically the reserve of rural and township communities, has grown in popularity to become the economic vehicle of South Africa’s township communities.

They have become a huge commercial vehicle that is credited with most double storey mansions that are mushrooming in most of South Africa’s townships. The proceeds are often used for purchases of cars, houses and to even send children to university.

Stokvels are described as invitation-only clubs of 12 or more people serving as rotating credit unions or saving scheme in South Africa, where members contribute fixed sums of money to a central fund on a weekly, fortnightly or monthly basis.

According to the National Stokvel Association (Nasasa), English settlers in the Eastern Cape held auctions which were known as “stock fairs”, a word which later evolved into stokvels, which was used to describe pooled resources with which to trade livestock. Today, stokvels apply similar principles, as members pool in financial resources for the benefit of the group.

An estimated 40% of South African households belong to stokvel group saving schemes. Nasasa says more than 11.4-million people in South Africa belong to a stokvel, collectively saving about R49bn a year.

Stokvels have been moving

away from villages to urban areas, from keeping cash inside mattresses to keeping it in bank accounts. They have become an informal way of facilitating payments among members, a trend which dates back to the 19th century.

Ntombi Tisani, head of marketing at Old Mutual Personal Finance, said: “while they continue to play a key role in our communities; the arrangement of stokvels is increasingly reflective of changing social dynamics. These include expanded definitions of stokvels as hubs for socialising, helping to reduce costs, realising shared goals – like savings for holiday travel, building commitment and spreading financial education.

“Stokvels have progressed in the way their role is perceived and in the way they operate. The fact that stokvels are evolving into a modern savings solution is positive news. But it’s imperative that members do their homework and ensure their stokvel solution is efficiently structured and geared for growth.”

The 2017 Old Mutual Savings & Investment Monitor found that more than a quarter of black metropolitan working households prefer to save using a stokvel or savings club. There’s also been an 11% increase in stokvel membership among high-income earners (those earning R40,000 or more), from 46% in 2009 to 57% in 2017. This challenges the perception that stokvels are still predominantly a lower-income phenomenon.

“The increasing buying power and growing stokvel footprint empowers members to demand more from service providers, including financial education, advice and platforms that will grow the stokvel and enrich the overall experience. These add-ons should contribute to members’ ultimate goals for the stokvel,”



Ntombi Tisani, head of marketing at Old Mutual Personal Finance

Tisani added.

But most of these groups have organised themselves based on trust, which is why organisations such as Nasasa have created working relationships with cor-

be traditionally accepted, but because of the trust system, they are able to facilitate the transaction with stokvel members.

As the primary breadwinner in her family, Simangele Shabalala, a 24-year-old professional, is using stokvels as a long-term investment plan.

“It’s like a savings plan with your family and people who understand you and your financial struggles,” Shabalala said.

She is a member of three stokvels and is often the youngest in her group. She has debunked stereotypes that these groups are reserved for older people.

“At the beginning of the year we meet to discuss our needs for the year and we each explain to the members how much we are going to need,” she said.

Shabalala said the main reason for participating in stokvels was because “it is affordable and you don’t get penalised for missing a debit order, like banks do”.

She has been using stokvels for the past three years and describes it as much more effective than a traditional bank.

“Too often we sign too many legally binding documents. If you lose your job there are all sorts of penalties.”

According to the World Economic Forum, more than 70% of adults in South Africa have transaction accounts, yet only 24% make more than three monthly transactions such as withdrawals, deposits or card swipes, with more than 60% of all purchases being paid in cash.

Stokvels have also been the saving grace for those who are no longer recognised by the credit system, making it difficult for them to access certain products.

But for young professionals such as Shabalala, “that’s how our money earns interest. I’m always preaching to young people to join stokvels”.





Banks are also joining in on the increasingly lucrative stokvel sector. PHOTO: MARIANNE PRETORIUS.

# Finance institutions cashing in on stokvels

Offerings of tailored products help banks share the spoils

By **Asha Speckman**

At a time when the financial sector battles to raise South Africa's weak household savings rate through formal commercial products, some banks are reaping rewards through extending tailored products to stokvel groups.

The popularity of joining stokvels as a means to save at cheaper rates has been an attractive option for decades.

Of South Africa's five big banks, Standard Bank's Society Scheme account, a product geared towards stokvels, has become a "cash cow" for the bank, making it one of the products that are considered to have reached growth maturity.

Malefetsane Michael Ramolahlehi, who is manager for the savings products portfolio, retail & business banking at Standard Bank Group, said the product – launched several years ago – was "considered to be a cash cow" as it had fulfilled its expected business imperatives to generate rev-

enue. But there was no intention to introduce a new product.

"We continue to see significant growth of new accounts and deposit balances of over 11% on a year-on-year basis and ahead of household savings industry growth," Ramolahlehi said.

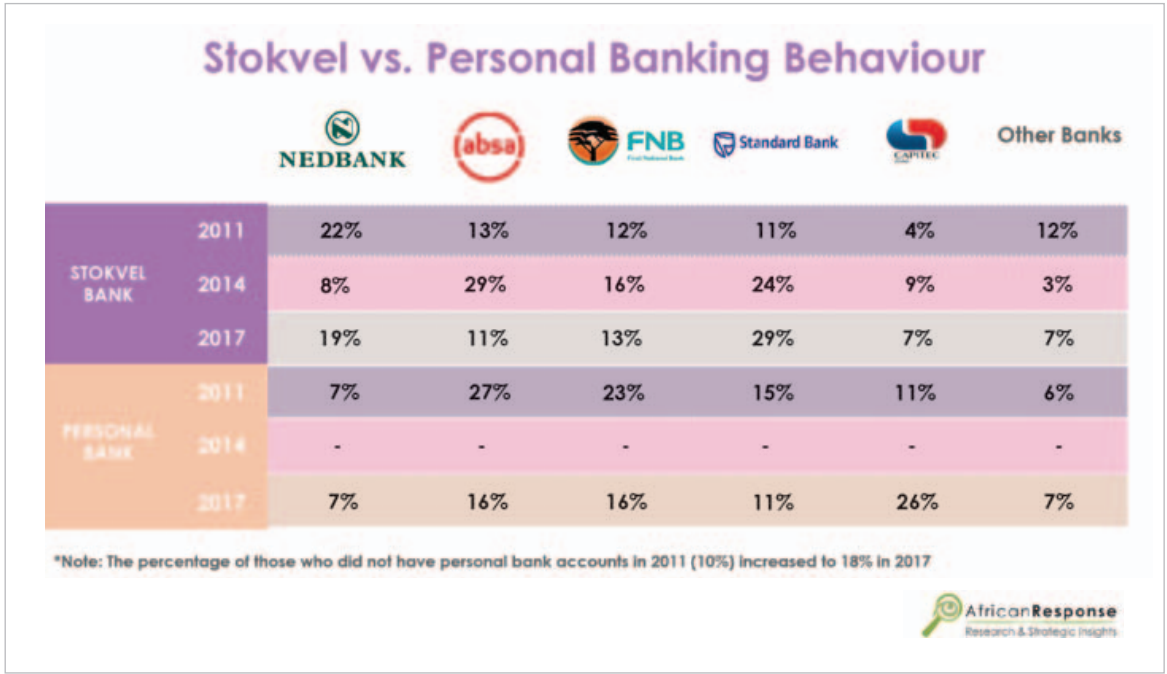
South Africa's household savings to disposable income rate is 0.2% per month, according to the Reserve Bank's December 2017 Quarterly Bulletin.

Ramolahlehi said the stokvel account has been a conduit for Standard Bank to sell other products in its savings portfolio, resulting in a growth of interest in products such as its fixed deposits accounts, notice deposits, Money Market Call and MarketLink.

"The end in mind is that customers want to optimise and grow their savings by benefiting from double interest rates paid from society schemes and investments accounts," he said.

Absa's Club Account requires a R50 opening deposit compared to the R500 opening deposit that Standard Bank's stokvel product requires.

A spokesperson for the bank said in an emailed response that the product range was wide and included a travel club account, grocery club account and investment club through which



stokvels gain access to stock-broking events.

"We do, however, see clubs that take up the fixed deposit and notice select products as well."

FNB is in a closed period until mid-September and could not comment on the growth of its products.

Himal Parbhoo, CEO of FNB retail cash investments, said FNB's stokvel and "traditional" savings products were geared towards encouraging clients to save for their goals. The bank's products cover burial, groceries and holiday savings goals.

Capitec Bank said it did not cater specifically for stokvel groups.

But new savings options are entering the financial services market.

In July this year Franc, a new application for smartphones, hit the market. It provides access to the money market and exchange-traded funds. Launched by Thomas Brennan, the former head of digital innovation at Discovery Health, the service

charges R5 monthly for access to Allan Gray's money market fund and Satrix 40 – an index tracking performance of the top 40 companies listed on the JSE.

But like a stokvel, membership is by invitation only from a user you may know and who is already connected to the application.

A study conducted by African Response, a research and strategic insights consultancy, found that last year, of the funds invested from stokvel contributions, the bulk was mainly deposited into notice deposit accounts, followed by savings bonds. Only 5% of contributions were invested in exchange traded funds, with even fewer contributions going towards dividend paying stocks, endowment policies, property and unit trusts.

There are 440,462 stokvels and 11.8-million members countrywide who collectively generated R54 bn in contributions.

The African Response research shows that Standard

Bank banks the highest share of stokvels by percentage with 29%, followed by Nedbank with 19%, FNB with 13%, and Absa with 11%. The percentage of those stokvel members who did not have personal bank accounts rose from 10% in 2011 to 18% last year, underscoring the importance of stokvels as an alternative savings vehicle.

On the other hand, borrowing through savings clubs is fairly small globally.

A report commissioned by the World Bank indicates that "borrowing semi-formally from a savings club such as a rotary savings and credit association was reported by 3% of adults in developing economies".

However, globally the share of adults reporting formal borrowing, including through the use of a credit card, remained flat between 2014 and 2017 at 23%.

The research was published in "The Global Findex Database 2017 – Measuring Financial Inclusion and the Fintech Revolution" recently.





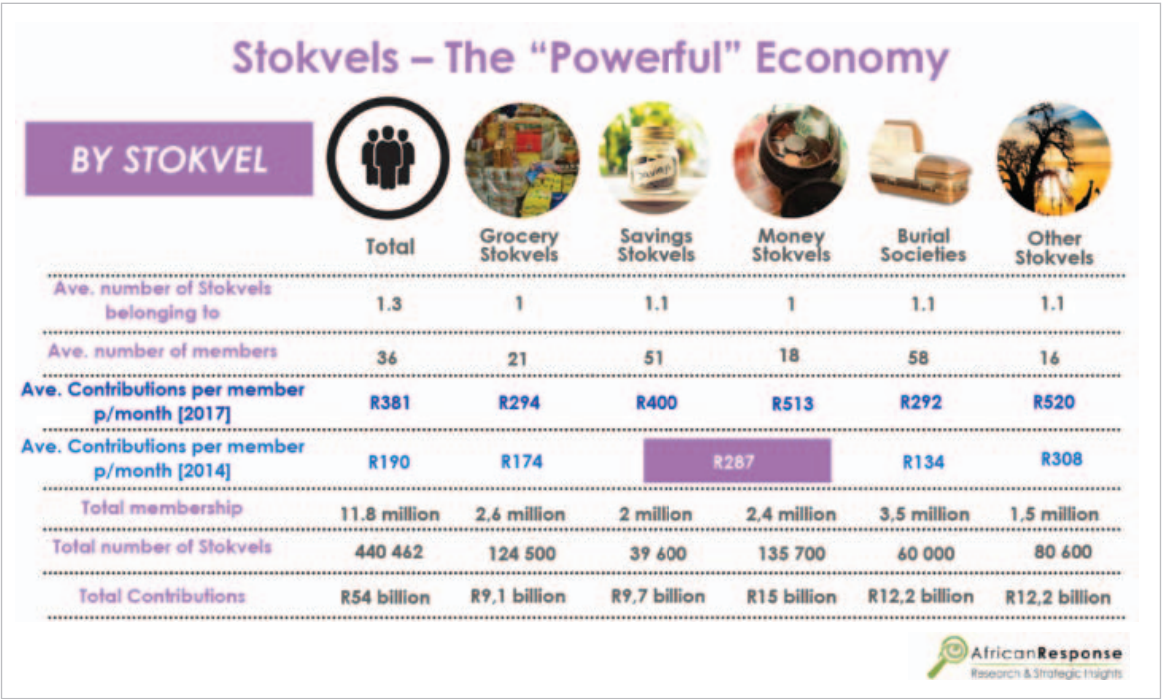
# Carving their own destiny

Most women-run empires started with stokvels

By **Asha Speckman**

It was 1995 and Princess Ubisi was stuck with bills to pay, three daughters to raise and pressure to supplement her income. This was the year in which South Africa hosted and won the Rugby World Cup and government abolished the financial rand, which was traded at a discounted parallel currency to the commercial rand. But interest rates were high at double-digit figures, making borrowing an expensive option. Three years earlier the government had amended a section of the Usury Act that capped the pricing on short-term loans, which had locked many South Africans out of access to short-term credit. The industry flour-

ished following the amendment. But for Ubisi another plan had formed – an investment decision that would unlock other opportunities in later years. Together with a group of women, Ubisi, from Vaal, south of Johannesburg, formed a stokvel in 1995 and called themselves Lady’s Nite. Its members were united by a common interest: all desired to become successful business people. At first they set aside R5000 weekly, meeting every Thursday. But they soon raised the target to R11,000 as they worked harder to make their goals a reality. All have since launched businesses with their proceeds from the stokvel. Ubisi, now a budding entrepreneur, launched a bar in Boipatong township near Vanderbiljpark. This was the same township which was the scene of a bloody and brutal politically-motivated massacre in June 1992. It was a small bar but it led



to Ubisi’s next big break. “Because of a clean credit record I got a loan from a bank for an Engen garage franchise,” she said. Her fellow stokvel members were on the rise too and their businesses also began to flourish. But while at first the group had 12 members, some dropped out along the journey. “We are now nine members,” she said. Research conducted recently by African Response, a research and strategic insights consultancy, indicates that within the stokvel purse the majority of contributions is dedicated towards functional needs. Money towards expansion of business interests ranked lower in priority over and above grocery and clothing purchases.

According to the study there are currently 440,462 stokvels in operation with 11.8m stokvel members country-wide. Gauteng has the largest concentration of stokvels. Collectively stokvels collected R54bn in contributions last year. The stokvel concept exists around the globe as a category known as Rotary Savings and Credit Associations. In South Africa it was thanks to the exclusionary practices under the apartheid regime that saw stokvels rise in popularity as almost no commercial activities were permitted in black townships. This led to almost a non-existent banking footprint in blacks-only residential areas and in homelands. A research project into stokvels as an alternative sustainable and self-sufficient form of microfinance found that there was a gap in the servicing of financial needs in underserved areas such as former homelands and townships. This had led to the creation of informal microfinance institutions. The research was conducted by Hulisani Moliea in a thesis titled “Stokvels as alternative microfinance institutions: Conversation with women from Venda”. It was submitted to the Gordon Institute of Business Science in 2007. “Stokvels are successful because members appreciate the forced savings aspect, and were also preferred by people who did not have access to funds to improve their standard of living,”



Princess Ubisi at the launch of her Engen garage.

Moliea said. He found that participant groups used the money for building houses and educating their children, especially at tertiary institutions. Women have typically also tended to prefer forming a group with other women over and above men. “They have become known as such a strong intermediary in the informal financial sector that the South African Reserve Bank included them in the regulatory framework of financial institutions in 1994,” Moliea said. Yet, following the demise of apartheid and the inclusion of black people in the banking system, stokvels continued to gain popularity. The FinScope South Africa study published by the Finmark Trust in 2017 found that about 77% of the population was now banked. However, an increasing number of South Africans still continue to use informal banking products to meet their financial needs and goals.





# Money-making machine for the poor

Money stokvels give banks a run for their money

By **PENELOPE MASHEGO**

In a country where financial inclusion continues to be a challenge, stokvels are providing South Africans with a platform to save money for their needs and escape poverty.

For decades, black communities have been using stokvels to save money for financial, social and entertainment needs, this practice continues to be popular.

The National Stokvel Association of South Africa (Nasasa), describes a stokvel as a type of rotating savings and credit association, credit union or communal group. Stokvels are made up of a group of people who agree to contribute a fixed amount of money weekly, fortnightly or monthly.

Nasasa estimates that there are 800,000 active stokvel groups in South Africa, with over 11-million members, saving R49bn.

Communities often start or join stokvels based on their needs, recruiting members by word of mouth or through invitations from family and friends who are already members.

The biggest stokvels are grocery, savings and money stokvels, as well as burial societies. As of 2017, according to market research company African Response, burial societies have the most members at 39%, grocery stokvels have the second largest membership at 29%, while money stokvels take up 27% of the membership and savings stokvels take up 23% with 14% going to other types of stokvels, ranging from investment to holidays and property.

Burial societies give a lump sum of money to their members for a funeral. The number of burial societies has decreased from 65% membership in 2014 to 39% last year. This is due to companies such as Vodacom and Edgars now providing funeral covers, which head of research at African Response, Jan Wegelin, said costs about R40 or R90 a month.

“Some people have opted then to do it on their own, rather than being part of a burial society. But in terms of the size of the stokvel industry, burial still has the [highest] number of members.

“The contributions of burial stokvels are quite small, it’s about R100, R150 or R90, whereas grocery, savings and money [stokvels] generally tend to be more per month,” Wegelin said.

With the second-largest mem-



**Jan Wegelin, head of research at African Response.**

bership, grocery stokvels are quite common, with a membership range of five to 60 people. The members contribute an agreed to amount of money during the year, which can be kept in a bank account, at a wholesaler, or with the treasurer until December, when they go and buy what they need.

People join a money stokvel, called *mogodisano* in the townships, to exchange funds for different purposes.

“A money stokvel is where people exchange funds between the members for many different purposes,” said Wegelin.

The collection and circulation of the money takes place within the group and away from banks, making it the least banked type, where only 22% of stokvels keep their money in a bank account. Another characteristic of this stokvel is that it can also operate as a microlender, providing members loans for repayment with interest. Again, this leaves banks out of the picture as there is no expectation for collateral or surety that banks require.

A saving stokvel on the other hand is similar to a money stokvel, in that it provides members with instant access to funds. The only difference is that it may not necessarily rotate every month.

“Everyone on a monthly basis [contributes] R100 or R200, and the stokvel just keeps that money for whenever someone might need something but generally the purpose of it is to put money aside whatever the reasons are,” said Wegelin.

The saving stokvel has the most money banked, and 62% of savings stokvels have a stokvel bank account.

For a woman from Katlehong, east of Johannesburg, trust has kept her money stokvel going for the past 10 years. She said that her stokvel started off with a R1,000 contribution and now the group contribute R2,000 each per month.

The woman, who didn’t want to be named for fear that her stokvel may be targeted for robberies, said they rotate their meetings at each other’s houses every month for safety.

Once there, the hosting member provides a meal for them, which they pay an extra R100 for. She said the R100 is a non-negotiable as “food is expensive” and no one should have to worry about spending a lot of money on food while they are trying to raise money.

The monthly contributions are then handed out around the group and counted by the last person in the circle, who then gives it to the person whose turn it is to receive the lump sum cash. There is no chairman, treasurer or secretary in the group since all the cash is handed out, counted and received on the spot. They have not considered the



**Bulk groceries that are the proceeds from monthly stokvel contributions, often shared by members in December.**

idea of making use of banking services for their stokvel.

“We avoid the bank, imagine the fees for 10 people depositing money into someone’s account,” she said.

The woman said that their system is based on trust and they have never had a member fail to pay or run off after they received

their money for the round.

“We are still doing well, most people who join stokvels [like ours] are people who have children in university or building houses. People have their own visions and plans and there has never been anyone who didn’t understand the importance of this,” she said.

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Pick n Pay, Absa enter the grocery stokvel market

By Merrick Parker

Stokvels continue to be big business for wholesalers and cash & carry businesses but grocery retailers are starting to cash in on the market segment.

Mizi Mtshali, CEO of the National Stokvel Association of South Africa (Nasasa), said while it is not clear when the relationship between stokvels and retailers began, over the past 20 years, the relationship has become more visible.

Mtshali said it is important to understand the types of outlets chosen by stokvels, and the reason for this choice. “If you had to look at your local spaza shop – the owner is able to buy goods in bulk, which works out less expensive. This means that the shop is able to sell these goods and make margins. This spaza shop owner buys these goods at the nearest wholesaler,” said Mtshali. Seeing an opportunity to access the same bulk saving as the trader, stokvels have sought

to build the capacity to make purchases at that level, and from similar outlets. That relationship is built by forming a grocery stokvel with family and friends with a common goal.

Mtshali said stokvels started to follow local traders to their preferred outlets, the wholesalers and cash & carry outlets.

“At first, these outlets understood very little about these groups that would insist on delivering monthly instalments towards a bulk purchase in December. Soon they understood that these were stokvel groups, and that the behaviour was adopted nationwide,” said Mtshali.

Today, arguably all grocery wholesalers and cash & carry outlets have built systems around stokvels. This system starts with taking and recording



Mizi Mtshali, CEO of the National Stokvel Association of SA.

monthly deposits from each group. The funds are locked and accessed through product at the end of the year.

The outlet is able to identify certain product categories as being “stokvel lines”, and are able to order the volumes that will

meet the stokvel season demand. He said the country’s top outlets for stokvels are Makro Alberton and Makro Crown Mines, who each collect roughly R20m a year from such groups.

Stokvels have developed a simple tool, which is their stokvel grocery list, which contains roughly 20 product categories they have agreed to buy.

Mtshali said the group deliberates and votes as to which brands to buy within these categories. Of these categories, some of the top priority items are maize meal, rice, pilchards, sugar, cake flour, hot beverages & creamers, personal care items as well as washing powder.

Leading outlets in this space include the Makro and Big Save chains, as well as independent cash & carry outlets such as Devland, Kit Kat, Tradeport, Front-





line, Advance, Sunshine and Metro.

Phumzile Sibozza, Massmart brand and corporate communication executive said that for the past 20 years Massmart, mostly through its wholesale stores such as Makro and Jumbo, has specifically catered to the stokvel market. She said that business remains robustly healthy and continues to grow.

“Throughout the year we run focused programmes for the stokvel customer in order to assist them in getting the absolute best value for their money,” said Sibozza.

One such programme is Massmart’s special stokvel shopping days. Held before the festive season starts, these events prompt the proactive collection of orders ahead of the peak purchasing period, the securing of bulk discounts, provision of assistance in making payments through direct deposits rather than cash, and ensuring stock availability on collection day, to name a few.

Sibozza said shopping days also provide a platform for suppliers to showcase their goods, and for different stokvels to socialise and share saving and banking tips.



Stokvel members at the Pick n Pay Stokvel Community Indaba held in Soweto on June 9 2018.

Sibozza added that prior to those mass shopping events, stores offer special trading hours, the picking and packing of products and transportation of goods for those who need it.

Mtshali said in comparison to wholesalers and cash & carry outlets, the commercial grocery retailers are less relevant to stokvels, and this is simply due to infrastructure. The retailers are

built for the individual consumer, buying groceries for their family. Wholesalers and cash & carry outlets, on the other hand, have designed their infrastructure to accommodate bulk purchases.

This means for the purpose of the December bulk purchases, wholesalers and cash & carry outlets are the natural choice for the stokvels’ bulk purchase.

But retailers are starting to see the benefits of appealing to stokvels.

Papi Rapolai, general manager for wholesale and stokvel at Pick n Pay, said the group developed a formal programme to support stokvels in 2016.

The programme offers special benefits designed specifically for stokvels, the latest of which is a bespoke account for stokvels in

association with Absa.

The special savings facility offers a competitive interest rate and encourages them to keep their money safe until they need it.

“To support them further, we organise stokvel Indabas, and engage with groups to empower them with knowledge on finance and other issues. We use the opportunity to listen to them carefully about their needs so we can best respond,” he said.

The group also has field campaigns with Pick n Pay Stokvel promoters, who visit communities and offer assistance to stokvel groups, he said.

Pick n Pay has around 15,500 stokvel groups signed up to its stokvel loyalty card.

Rapolai said they also offer great specials to stokvels to attract them as customers, especially during the festive season, a peak period for purchasing.

He said the group’s offering includes things like free delivery to stokvel groups for a R30,000 spend, and from October, stokvels will be able to go to participating Pick n Pay stores and receive quotations for their purchases.



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# The good old burial society vs big business

Businesses and insurers enter the market long held by community groups

By **Merrick Parker**

Burial societies, while still going strong as the largest type of stokvel by membership, are facing a challenge from commercial offerings. Today, you can get a funeral plan with your cellphone

contract or from your bank at a similar price point that people would pay into a burial society.

The first modern stokvel started in 1932. It was called the Bantu Burial Society, according to the National Stokvel Association of South Africa (Nasasa).

According to research conducted last year by African Response, a strategic research and insights agency, there are over 440,000 stokvels with contributions of R54bn annually.

When looking at burial society as a stokvels subset, the research found that there are 3.5m burial society members and a large portion of the overall 11.8m



**Martha Makita Masegela from GaMabotja village outside Polokwane, listens to a presentation about how to invest money during the Stokvel and Burial Societies Indaba at Merupa Casino, Polokwane.**

PHOTO: SANDILE NDLOVU

members of stokvels.

Jan Wegelin, head of research at African Response, said that burial society stokvels tend to feature larger memberships than other types of stokvels

while the contributions of each member are generally smaller than in other stokvel types. The aim of a burial society is to provide for the cost of a funeral upon the death of a member or their dependant.

Like with other stokvels, contributions are generally made on a monthly basis. When a member or one of their dependants die the burial society provides a lump sum to use for burial.

The majority of burial society members are female, with a 66% membership compared to 34% male. 40% of members are between the ages of 35 and 49 while 32% are over 50. The average monthly household income is about R7,800.

Mizi Mtshali, CEO of Nasasa, said burial societies have a number of systems that they adopt. One burial society may be completely self-undrewritten, while another may have a policy with an insurer. What is most common is a hybrid approach, where a portion of the funds go into the group's account, and another portion paid to the insurer.

"The advantage of working with an insurer is that the funds will be available when needed. The disadvantages are the often lengthy claiming processes. If the group has some reserves of its own, it is able to provide the benefit immediately, and collect from the provider," Mtshali said.

Wegelin said that number of businesses offering funeral plans has increased over the past few years, which made policies more readily available. He also noted that price pointed was also generally similar to the one a member would pay into a burial society.

For that reason he said they had seen a decline in the number of burial societies even though membership of existing societies remains high.

Despite having the largest membership among the stokvel subsets, the 2018 Savings and Investment Monitor by Old Mu-

tual published in July found that that burial society membership dropped from 32% of the households surveyed to 25% over the past year. Since 2010 the number has almost halved from 49% of households surveyed reporting they were part of a burial society. The report also showed that funeral policies taken out by households had increased over the same period.

Financial literacy played a part in this as well. As the private sector has made inroads into a market that has been dominated by the burial society, Wegelin said they had found that while the majority of people had one plan, a high number had taken out more than one funeral plan believing that one would not cover all the costs.

But the sense of community and a trust factor make a burial society more attractive with members, according to Wegelin.

"You know who the other people in the group are and they are all elected ... so stokvel groups are very well-structured and organised financial systems," he said.

Mtshali said that in rural areas and townships, friendships and similar bonds are created among people who physically live in close proximity to one another. Once people move into cities, most of these bonds are lost. However, new bonds are formed, which may not rely on proximity.

"Burial societies are formed around the need to help one another at times of bereavement. This help stretches far beyond the contribution of funds, but personal support during these unfortunate times. This is known as 'Izandla', where members of your burial society make themselves available to help with processes such as catering and logistics," he said.

As long as there is a commitment among people to help each other in this way, the concept of the burial society will not die.

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Members of a stokvel group in Johannesburg. PICTURE: WALDO SWIEGERS.

# Built on principles of trust and loyalty

Though informal, stokvels are very formal operations

By **PENELOPE MASHEGO**

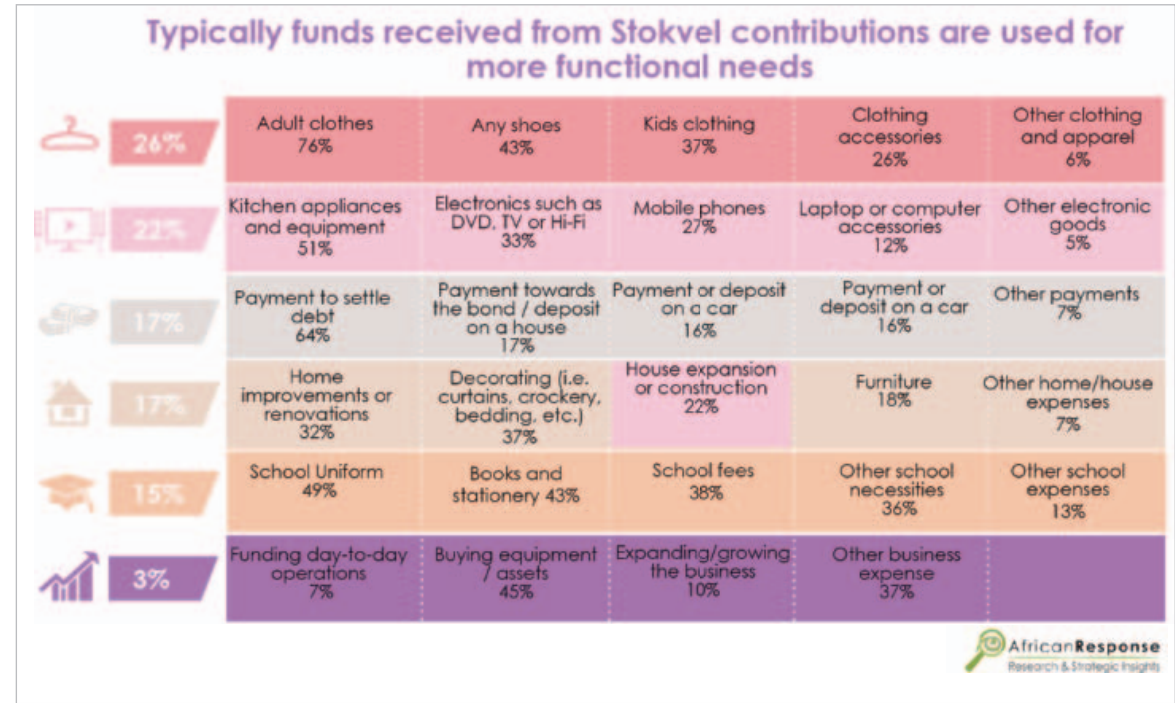
Stokvels are common in many townships and rural communities in South Africa, despite their informal nature; they are managed in an orderly structure based on trust. Miziyonke Mtshali, CEO of the National Stokvel Association of South Africa (Nasasa), which is a regulator of the country's stokvels, said the groups enter into a savings contract, in the form of a constitution, with people they know and trust.

“Contrary to the popular narrative, stokvels conduct themselves in an extremely formal manner, often with a military style of maintaining order. These groups typically convene on a monthly basis where money is collected and recorded, and where other group-related topics are discussed,” Mtshali said.

As part of their structure, members select office bearers comprised of a chairperson, secretary and treasurer.

The chairperson is responsible for the constitution and membership, while the secretary looks after the admin in terms of where members live, who may be moving and which members have passed away.

“They [office bearers] have different roles and even though it is an informal sector type of arrangement, the stokvels are very structured, very organised and



very well-managed on their own. So the reference to [them being] informal, is perhaps only in the financial industry. It is really not informal, haphazard and unstructured,” said Jan Wegelin, head of research at market research company African Response.

The treasurer is perhaps the most important person in the group as they are responsible for the stokvel's finances.

African Response found that 62% of stokvels that have a treasurer deposit their contributions in the bank via the treasurer. However, sometimes the deposits are not made into this is not into a stokvel account, but that of a treasurer.

“The treasurer looks after the

money, whenever stokvel members meet they'll have a book, where you put your name [and details of your contribution]. The treasurer keeps all those, they will take that money either to the bank or the undertaker or I think we see about 17% of treasurers who keep the money, so [some treasurers] have become micro lenders on their own and those are some of the unspoken dynamics of how stokvels operate,” said African Response MD Mamapudi Nkgadima.

She stressed that while some stokvels have the three office bearers, decision-making was still the role of the group and not the office bearers.

“The norm is that the group decision-making is still very key, so

the office bearers are really just helping to put structure and organisation in place,” said Nkgadima.

She added that as a way of ensuring that the office bearers are kept in check, stokvels have assistants for each of the three roles, particularly since there has been collusion between treasurers and chairpersons in the past.

However, there have been calls for the funding groups to be formalised, with some saying they should be paying tax.

“What does formalisation mean? Is there anything that is broken? Is there anything that is not serving the people? A lot of people are saying they are avoiding paying tax but they are saving on the money they paid tax

on already,” she said. Ngadima added that those arguing for stokvels to be formalised need to look how these groups have empowered people, especially women.

The same vision of empowerment and long-term wealth is what led Nicolas Manyike to establish the Property Stokvel Investment club.

“The black community is still suffering the effects of apartheid today ... We created the club because we wanted to create wealth,” said Manyike.

He said that the focus of the club was to purchase land and property, as well as franchise businesses for the group.

As such, for two years, member contribute R2,100 a month which will be used to purchase a franchise of the group's choice following extensive research on which one will suit their needs. The profits from the franchise will be divided equally among the members.

The second phase of the club, which is focused on property will require 30 members to contribute R15,000 a month. This will provide the club with access to R450,000 a month to purchase property for its members.

Manyike said the property would be in the name of the stokvel, until the 30 month rotation is complete, to ensure that members do not renege on their promise.

Since the club does not do cash collections and contributions are deposited into the bank, it has a treasurer who works closely with the secretary and administrator.

“We are not a financial institution, we don't do any credit checks. On [terms of] our constitution, if a member fails to contribute, [they] will be given a three month period [to make their contributions] and if they fail for more than three months then the member will be refunded 30% back and 70% will remain within the stokvel.





# Izandla Ziyagezana

## We're in this together!

### Makro's stokvel success stories...

Bongi Ngcobo is a powerhouse. This 46-year-old single mother supports her son, who currently lives with his grandmother. As a single parent, she has learnt to be enterprising and self-reliant. She makes a living by selling snacks at schools and in the local neighbourhood, but she's had to carefully manage her money. That's why she belongs to no less than two stokvels, where she serves as treasurer for one. Ngcobo is the kind of person who makes things happen. But she couldn't do it alone. She believes in the power of the collective, and that's why her one stokvel is aptly named *Bambisanani*, or "collaboration". "It's all about women coming




Makro stokvel member and single mother Bongi Ngcobo in front of the house she built from the proceeds of her stokvel membership.

together, focused on helping each other. There are 15 of us who meet every month and contribute about R300 per month, depending on our pockets," she says. This stokvel exists solely to sort out school fees and uniforms in January, so that these hard-working women can tick one more thing off their list of abso-

lute essentials. But being the dynamo that she is, Ngcobo also heads the Women in Success Savings Stokvel, which is focused on helping this group of 10 friends get ahead and succeed in life. "We each contribute R1,000 a month, and the money is rotated between members, based on our needs," says Ngcobo.

But, she adds, each member gets their share come year-end. The idea is to enable them to buy high-end items cash without having to pay them off with interest. In addition, these enterprising friends have created a holiday fund. They contribute R100 a month, so that there's always a special reward in Decem-

ber. Bongi says that stokvel allows them to use cash, rather than interest-heavy credit, for their purchases. For the members of her stokvels, it's all about empowerment. "Since I started six years ago, I have managed to build a house, and furnish it with a double-door fridge, bedroom suite, and TV. I could never have bought these without the savings from the stokvel." Ngcobo was raised by a single parent who worked as a domestic worker. There was never money for anything but food and school uniforms. "I wanted more for my child than what my dear mother was able to provide – a home, and a few nice luxuries." And she has been able to provide just that. But it's also about the power of collaboration. "It is important for friends to connect and build together.' For Makro's stokvel managers, stories like these motivate them to do more, helping their customers to fulfil their aspirations, and enabling them to live better lives and save money. Why don't you share your stokvel story with us and give us your feedback? We're in this together! Dial \*120\*553\*10#



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# A lifeline for those seeking a big break

Stokvels have evolved into vehicles used to create wealth

By **Lutho Mtongana**

In an economy where getting a job is close to impossible given the country's high unemployment rate of 26.6%, it helps to start your own business through money one generates from being involved in a stokvel.

For Nomonde Ncamile, a 37-year-old mother of three who juggles a small business with her full-time job as a facilitator at the University of Cape Town, stokvels have given her the power to manage her own finances better.

There are many types of stokvels, the most common being burial stokvels, followed by grocery, money and savings stokvels.

This is according to research by African Response, a research firm that looks at stokvels as an informal economic phenomenon.

Money stokvels used for errands or emergencies. Stokvel savings are never for errands but rather for money to enable short-term needs such as buying furniture. Savings stokvels tend to be used for longer-term investments, such as saving to purchase a car.

It was in 2010 when Ncamile had a debt burden of R100,000, which she accumulated at the time she was working at her previous job. However, joining a savings stokvel in 2016 has helped



**Stokvels have become a life saver for people such as those who are unemployed and looking to start their own businesses. PHOTO: ELIJAR MUSHIANA**

her to finally pay off that debt early this year.

Ncamile runs a fashion stock business where she buys brand clothing, shoes and bags at factory stores in Cape Town where she lives and ships them to sell in Lady Frere, Eastern Cape through the help of her mother who resides there.

Ncamile is a member of three stokvels: a savings stokvel, a grocery stokvel and a burial stokvel.

The savings stokvel is the one that has been more fruitful for her, as it helped her start the fashion stock small business for extra cash.

As the business has its ups and downs, Ncamile credits the savings stokvel to keep it running. "It's something to fall back on and it's helping," Ncamile said.

According to data compiled by

African Response in the category of savings stokvels, last year, there were about 2m members. Gauteng had the highest contribution of 47% and Western Cape, where Ncamile resides had only 4% of savings stokvels members contributing.

Jan Wegelin of African Response said those who start a business using their stokvel funds tend to retain membership of the stokvel to buffer business fluctuations and to potentially extend business practices using stokvel funds.

"The original purpose for starting a stokvel is when a group of people trust one another and share a common purpose, so even if a member decides to start a business, this will not change the initial motivation to join," he said.

Of the three stokvels Ncamile is in, the groceries stokvel was less helpful, she said. She said it used to be useful but the more she is able to generate her own goods the more she finds it wasteful "to have 12 bottles of mayonnaise".

She is considering getting out of that stokvel. She contributes R500 every month and there are 10 members in the group. She took over the groceries stokvel in 2016 from her mother, when she had to move to Lady Frere from Cape Town.

Ncamile said that the burial stokvel was with family members only. She said there are 12 members of her family contributing R150 monthly each and she had not needed to use the burial stokvel funds since she joined in 2016.

As for the savings stokvel, which she joined in 2016 – where her and 10 members were initially contributing R1500 monthly each – and currently contribute R4000 monthly each – Ncamile says she is thinking of branching out with a few friends to start another savings stokvel. She plans to do this with people in her profession in order to augment their existing stokvels and avoid late monthly contributions.

She said the savings stokvel includes members who stay in Pretoria and Cape Town, so communication and accountability has lacked within the group. "People don't pay on time," she said.

Wegelin said that if someone leaves a stokvel it will most likely continue if the original purpose for forming the stokvel still exists. Changing or discontinuing a stokvel is a decision involving all members but particularly the chairperson, secretary and treasurer as well as the constitution it was based upon.

Which is why for Ncamile, instead of exiting the group and moving on with her life, she plans to exit the stokvel that is no longer working for her and start one on the side with the few people who are still interested and willing to commit to the stokvel.

Another option, said Wegelin, is that a stokvel may change from, for instance, a money stokvel to a savings stokvel if it needs to be, and the original purpose no longer makes sense. The purpose of a savings stokvel is usually long-term and with that the commitments and intentions are different. Saving to buy a car, extend an existing house, or buy new furniture requires a different strategy from saving for errands or emergencies.

For Ncamile, her long-term plan with the current savings stokvel she is involved with is to save enough money to move out of her grandmother's house and find her own place to rent. She stayed there with her two youngest children while the older one was at school.

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# Izandla Ziyagezana

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Selvanathan Naidoo: Marketing Manager - Makro Alberton



Makro Riversands storefront in Fourways, Johannesburg

### Bringing customers BIG savings and BETTER lives.

Selvan Naidoo is a people's person. From the moment you meet him, there's a real warmth about him. That's why he's taken Makro Alberton to new heights with the stokvel groups in his area. Naidoo believes that you have to leave the comfort of your desk and get to know your customers' needs. So, every second month, you'll find him sipping tea with a resourceful group of stokvel stalwarts in their living rooms.

"When you take the time to chat to these amazing women – many of them single moms – you are so humbled by their stories, and what they have achieved through stokvels. It's not just the great savings and the bulk buy benefits they get from us. You get this sense

that you are helping them to realise their dreams – to put their kids through university, to build a home, or so that they can take a holiday together," he says.

Naidoo believes in developing one-on-one relationships with his stokvel clients, and in really listening to them. "It's all about building trust, meeting their needs and going the extra mile."

Recently, Naidoo's team delivered a massive order to the South African border. The stokvel member simply couldn't beat the bulk value she found at Makro. But, more importantly, she trusted Naidoo to get her just what she needed. "When you understand your role in the stokvel – when you see yourself as empowering these incredible women – there is really little that can dampen your enthusiasm," he says.

Naidoo believes that it's this level of trust, and the unique benefits that Makro offers, that drives their success.

"Our mCard app and mRewards programme are quite unique – they're a huge boost for bulk buyers. And you'd be amazed at how tech-savvy even our oldest *gogos* are. They know how to use the app, and when they see the substantial cash rewards in their mWallets, they really appreciate it." In October each year, Naidoo's team becomes a stokvel machine. They take in their 1,200

stokvel orders, and, come December, all the items are waiting in store, neatly packed in pallets and ready for delivery or collection.

"If we don't have an item in stock, we'll try to get it by December, or we'll recommend an alternative" Naidoo says his stokvel members can be anyone from top businesswomen to elderly grannies raising their grandchildren singlehandedly."

## Guidelines for a successful stokvel from Nasasa

The main reasons for joining a stokvel are the following:

- Financial support
- Access to credit
- Building up a credit record
- Establishing a social network
- Community reputation
- Saving discipline
- Funding a business: new or existing

**Types of stokvels**

- Basic stokvel – money is exchanged to meet a variety of needs;
- Grocery stokvel – saving for bulk groceries;
- Burial societies – saving for funeral expenses; and
- Investment group – investing money to gain high returns on their funds.
- Birthday

**How to form a stokvel**

Gather people that you know, trust and like. Ask each to invite friends.

**Drawing up rules**

You can make up any rules and even draw up your own stokvel con-

stitution. Decide on the number of times and venues for meetings and agree on contributions.

**Number of members**

Most stokvels limit their membership to monthly or weekly cycles – 12 members or 52 members for burial societies.

**Safety precautions**

It is a fact that, come the festive season, thieves are always ready to pounce on unsuspecting consumers to swell their own coffers. Stokvels are often the easiest targets during December when members receive their dues for the money they saved during the year.

In this world of growing technology, stokvel members are encouraged to:

- Arrange for members to deposit cash directly into the club's account instead of keeping large cash at home;
- Arrange for the payout to be electronically transferred into each club member's personal account.

**For more information please contact Nasasa on [www.nasasa.co.za](http://www.nasasa.co.za) or [info@nasasa.co.za](mailto:info@nasasa.co.za)**





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