

Gerrie Fourie, Capitec CEO leads SA's strongest brand from behind



By Katja Hamilton

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Since February 2020 - and despite Covid-19 breaking out and the unrest in KZN and parts of Gauteng - Capitec has had a capital annual growth rate of 16%, it has attracted 4.3 million new clients, and 3.4 million new digital clients - bringing its total client base to 18 million - approximately the population size of New York.



Source: Supplied. Capitec CEO, Gerrie Fourie.

Having reported an 84% jump in full year headline earnings per share, it's no wonder, therefore, that Capitec has been recognised as the strongest brand in South Africa, in the new *Brand Finance South Africa 100 2022* [report](#).

Speaking after his 2022 financial-results presentation this month, Capitec CEO, Gerrie Fourie, commented on Capitec's resilience and success against the backdrop of the volatility, uncertainty, complexity and ambiguity that have underpinned the last two years.

■ ***Well done on your Capitec financial results presentation, and on delivering such strong growth. What would you say has contributed to this success?***

If you build a brand, the words 'consistency' and 'trust' come up over a very long period, and I think it's that consistency and delivering service and products in a very simplistic and transparent manner for over 22 years that has resulted in these accolades.

■ ***You mention in your presentation that Capitec staff are now shareholders. Please could you explain a little more about this initiative and how it has impacted on Capitec's business model and overall performance?***

We decided when we were doing a BEE deal, that we would either give the profits to external people who don't understand the bank, in which case the benefits would go to two or three people who would enrich themselves, or we would structure a framework which enriches all of our staff. We've gone for the second option. To this end, all our staff who have given three years or more service, are eligible to shares. That has been a very positive experience.

I've just returned from KZN branches and had start-up meetings with staff every morning from 7:45 to 8am. We ask the question 'What happened yesterday and what is happening today?' Everyone was referring to the meeting as a

shareholder's meeting and everyone was contributing when we were making decisions, I think the fact that everyone is now basically a shareholder is very important to affecting that dynamic throughout the whole organisation,

■ ***You mention that Capitec will be focusing more on business banking. Could you elaborate on that? How will Capitec's offering in this regard be different to its competitor offering?***

With regards to business banking, we bought Mercantile two-and-a-half years back. Unfortunately Covid struck and our whole focus then was to make certain we get through Covid and understand how to assist new businesses banking with us. We've always said, if you look at Mercantile's business, it's been very manual, very paper-based and people intensified. What we want to build is in line with the Capitec philosophy of transparency, simplicity, and to make certain they've got a very strong digital, very personalised offering.

We plan that that will be completed by the end of the year, then we'll test it and rebrand earlier in the new year. We will change the name Mercantile Bank to Capitec Business Bank.

■ ***Interestingly from your presentation, it seems that while the banking industry is moving towards business applications that are completely digitally driven, consumers and business owners have not wanted to completely eradicate business branches. Could you explain how the bank branch is evolving, and what its current role is?***

There was this idea that you could close all your branches. Capitec was different; we always said we need to open branches, and make certain our branches are open longer hours; we've got 850 branches. For the last year and half, our branch numbers have stayed tallied at 850. My gut feel is that we'll probably go up to 880 maybe 900 branches.

People want that personalised interaction and I think the easiest way to explain that is with funeral policy. Our funeral

pricing on the digital platform is about 30% lower, yet 85% of clients go to a branch to take up a funeral policy because they want to sit with that consultant; they want to understand the product; and they want to make certain their beneficiaries are correctly created. It's that personal touch they're wanting.

What we are doing at our branches, is that a third of the branch floor space upfront is going to be made up of self-help devices, and then two thirds is going to be serving clients. I think more clients will migrate to digital, but I can't see the future without a bank branch.



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8 Apr 2022



■ ***It's refreshing to see that Capitec is changing its business model to incorporate multi-income earners - people who earn a salary and have a side hustle. What products or Capitec services - that in the past would not have been accessible to this category of consumer - are now available, and what opportunities or doors can be opened for them as a result?***

The biggest shortcoming is we had no credit product for them, because we were always very dependent on the payslip of the individual; so if a person didn't have a formal employment payslip, we couldn't provide them with credit. However, using our machine learning and AI capabilities to score a client changes that, and takes into account other facets of income, and changes the context in which Capitec provides clients with a credit card or access to an overdraft facility. It's always been much more difficult to predict or understand a person's income if it fluctuates, but that's the challenge that we've taken on.

■ ***You mentioned that by April 2024, Capitec will be 100% on the Cloud. Could you give us a sneak peek into what logistics have had to be undertaken behind the scenes in order to achieve this?***

It's a massive project; there are over 200 people involved,

There are two things Cloud gives clients. The first thing is their data is in the Cloud, so banks can scale a service to meet their needs much faster, so a bank's speed to market is much quicker, And then a client's computing capabilities increases tremendously. The easiest way to explain this is by means of our provisioning model that used to run in five six days. Now it runs in four hours. So the people behind it can spend quality time on understanding the data and understanding what's coming out, as compared to in the past, when they were just worried about the model and running the model.

We'll use the same concept in client engagement, understanding what the best next action is for the client. We believe there are plenty of opportunities in the cloud space. It's an exciting journey, and I think understanding the client is actually the biggest benefit.



Capitec recognised as SA's strongest brand

11 Apr 2022



■ ***What have been the core traits you've looked for in fintech partners in order to achieve this?***

We've partnered with Amazon Web Services (AWS). It's quite remarkable that in the last couple of years we've worked quite a lot with Amazon Web Services, and the DNA of the two companies is similar: we're very strongly client-centric at our core, so we're quite excited about our partnership with AWS going forward.

■ ***Could you unpack the outcome of this move for me? What does this mean in practical terms for the consumer?***

The consumer probably won't know about all the products or what is the next best action to take. This gives us the capability to understand each client's profile and to pre-empt and recommend the next best move they should take, or product they should consider, to optimise their banking experience. This fits into our Bank Better philosophy to ensure that we can help clients bank better so they can live better.

■ **How do you feel about Capitec's performance and its future?**

I think given that we've grown 16% over a two-year period given the break-out of Covid, and its impact on the economy, as well as the KZN unrest, I think we've done exceptionally well. I don't think there are a lot of companies that can say they have grown their financial results similarly since February 2020 (with Covid starting in March 2020). This resilience underpins our transactional growth, it underpins what our people have done.

I'm quite excited about the future, there's Business Banking which we've already unpacked, and then there's Live Better, We've launched Live Better in its full capacity. Clients who have got a product with us, and who, at a minimum, have three recurring monthly deductions going off their accounts, plus five transactions, get 0.5% interest on their debit card and 1.5% interest on their credit card.

This will ensure clients actually make certain we are first of wallet. This is because many people have two or three bank accounts, and they should be encouraged to take out their Capitec card first. to optimise and use the full benefits of their Global One account.

These are the exciting new things that are going to happen.

ABOUT KATJA HAMILTON

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