

18TH SACCA CONGRESS

23RD TO 27TH OCTOBER 2017

LILONGOWE, MALAWI



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THEMATIC AREA: FINANCIAL INCLUSION MECHANISM: SAVING MOBILISATION

TOPIC: The Best way to Predict the Future is to Create it
– Future member's needs

25th October 2017



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PREDICTING THE FUTURE



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World Population Prospects:

The current world population is **7.6 billion**.

The United Nations uses this data to then predict that the world population is expected to reach 8.6 billion in 2030, 9.8 billion in 2050 and 11.2 billion in 2100.



DATA BASED PROJECTIONS:

Depending on your intentions, be it Political, Economic or Social, you can, by studying data like this, be able to make very accurate predictions of e.g.

- ✓ How many voters a country will have by year 2050
- ✓ How many housing units will be needed by 2050
- ✓ How many gallons of water the 9.8 billion people will drink a day
- ✓ How many members will your Co-operative Society or Credit Union have
- ✓ The level of National savings per head required to ensure well funded development
- ✓ How many people will need to be included into the financial mechanisms to stimulate adequate national savings

This list of predictions is endless.



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HOW DO YOU CREATE THE FUTURE?

Old school of thought:

A business owner/manager must take themselves out of the day-to-day operations and focus on the bigger picture. – John Cord

New school of thought:

Its not the ability to spot the trends that are already here that is important. It is the ability to predict trends that haven't happened yet. And above all, the willingness to take action when everyone else thinks you're crazy is what makes genius – Dan Blacharski

Example : Branson, Virgin Group owner- what is he currently working on?



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HOW DO YOU CREATE THE FUTURE?

Professor William Barnett states:

Any one can get better at predicting how markets will evolve if they are able to :

1. Define the market
2. Divide total industry demand into its main components
3. Forecast the drivers of demand in each segment and project how they are likely to change
4. Conduct sensitivity analysis to understand the most critical assumptions and to gauge the baseline forecasts.
5. Use of Business Analytics (Business Intelligence), from our database to analyze trends and predict the future



HOW DO YOU CREATE THE FUTURE?

A story is told of how Steve Jobs, the creator of APPLE, one day took his original Macintosh team on its first retreat, and one member asked whether they should do some market research to establish what the customers want.

“No!” Jobs replied, “because customers don’t know what they want until we’ve shown them.” he invoked Henry Ford’s line “If I’d asked customers what they wanted, they would have told me, ‘A faster horse!’”

According to Steve Jobs Mantra:

“Our task is to read things that are not yet on the page.”



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THE CREDIT UNIONS IN 2025

According to a Study commissioned by Filene Research Institute, a US based Finance Think-Tank dubbed “Trending: Credit Unions in 2025”.

“In the Year 2025 Credit Unions will operate on a financial landscape that bears little resemblance to the system of today. Technological disruption, increased regulation, changing consumer behaviors and asset growth will all contribute to the reshaping of the global financial ecosystem.



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CREDIT UNIONS IN 2015

The study paints an overall optimistic picture of the future. Assets will grow and the number of institutions will shrink BUT credit unions should focus first on the incremental changes that can be made today to ensure sustainability and growth in the future.

The report points us to 5 key areas that Saccos/Credit Unions will see dramatic change in, namely:

- 1). Technology – Physical branches will still play an important role in fulfilling the credit union mission in future, but there will be an increased emphasis on delivering service excellence via digital interactions/platforms.



- 2). Payment – By 2020 card and cash usage will decline rapidly as digital payment methods become more practical and mainstream.
- 3). Lending – No credit union activity is at more risk than core lending... sophisticated start-ups are nibbling away at unsecured loans, auto loans, mortgages and business loans.
- 4). Consolidation – As consumer appetite for technology grows, credit unions of all sizes will be challenged to make the necessary investments to satisfy their young member base.
- 5). Regulation – the next 10 years will be crucial in coming to terms with regulatory burden and developing sustainable internal and collaborative ways to deal with it .



CREATING THE FUTURE



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HOW DO YOU CREATE THE FUTURE AND IS IT NECESSARY TO CREATE THE FUTURE ?

According to Professor Vijay Govindarajan:

“Great innovators **Create** the **future**, **Manage** the **Present** and **Selectively Forget** the **Past**”:



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THE THREE-BOX SOLUTION MODEL

Professor Vijay Govindarajan states:

“For a long time, I have been troubled to see how often organizations fail to invest wisely in their future instead placing dominant emphasis on the present. To be sure, the present is vitally important. Your current business is the performance engine. It both funds day-to-day operations and generates profits for the future.

Where problems arise is when the present crowds out the other strategic priorities - for example, when the only skill brought into a business are those that serve today’s core”.



What is missing from the managerial toolkit is a way for managers to allocate their—and their organization’s—time and attention and resources on a day-to-day basis across the competing demands of managing today’s requirements and tomorrow’s possibilities.

But as anyone who has ever tried to lead innovation knows, the challenge goes beyond being able to use both hands equally well enough to manage today’s business while creating tomorrow’s.

There is a third, and even more stubborn problem: letting go of yesterday’s values and beliefs that keep the Sacco stuck in the past.



CAN YOUR FUTURE PREDICTIONS BE WRONG?

Let us review 2 examples:-

Example 1 – USA electric utility companies:

In 1974 US electric utilities made plans to double generating capacity by the mid 1980s based on forecasts of a 7% annual growth in demand. Such forecasts are crucial since companies must begin building new generating plants 5 to 10 years before they come on line. But during the 1975 -85 period, load actually grew at only a 2% rate. Despite the postponement or cancellation of many projects, the excess generating capacity has hurt the industry financial situation and led to higher consumer rates.



CAN YOUR FUTURE PREDICTIONS BE WRONG?

Example 2: The collapse of the oil industry in the 1980s:

The petroleum industry invested \$500 billion worldwide in 1980 – 81 because it expected oil prices to rise 50% by 1985. The estimate was based on forecasts that the market would grow from 52 million barrels of oil a day in 1979 to 60 million barrels in 1985. Instead, demand had fallen to 46 million barrels by 1985. Prices collapsed, creating huge losses in drilling, production, refining and shipping investments.



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WHAT WENT WRONG?

According to Prof William Barnett of Stanford University:

“The inaccurate assumptions did not stem from a lack of forecasting techniques; regression analysis, historical trend smoothing, and other techniques were available to all the players. Instead, they shared a mistaken fundamental assumption: that relationships driving demand in the past would continue unaltered.

These companies didn't foresee changes in end-user behavior or understand their market's saturation point. None realized that history can be unreliable as domestic economies become more international, new technologies emerge and industries evolve.



COMPANIES THAT PREDICTED THE FUTURE AND GOT IT RIGHT FROM THE ONSET – Google

Google is now worth billions and has its own place within the Oxford English Dictionary as a verb, but it took two men with a big dream to turn a small idea into a reality that has made a significant contribution to how the world uses the internet. Larry Page and Sergey Brin met in 1996 at Stanford and came up with the concept of a search engine, that was officially registered as a domain name on 14th September 1997.

The main aim of both men was to organize all of the information that could possibly be gathered around the world and present it in the form of an index, and this is exactly what they did.



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Alibaba

After the biggest IPO in history, Alibaba founder and chairman Jack Ma is now the richest person in China, worth about \$25Bn, a true rags to riches story.

He grew up poor in communist China, failed his college entrance exam twice, and was rejected from dozens of jobs, including one at KFC, before finding success with his third internet company, Alibaba.

Alibaba- the world most valuable retailer, has no inventory



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UBER

Five years ago, a company called Uber Cab made a splash in San Francisco by letting you hail a car with your smartphone. Since then, the company, now known as Uber, has spread like wildfire throughout the globe.

Uber currently operates in 58 countries and is valued at over \$60 billion.

Uber- the world largest taxi company, owns no cars

Airbnb- the world largest accommodation provider, owns no real estate:
Hilton Hotels

FaceBook: - world most popular media owner, creates no content



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EQUITY BANK – KENYA

In 1984, what many now know as Equity Bank was registered as Equity Building Society in Kenya and was in 2006 transformed into a Bank.

33 years later, Equity Bank is now listed at the Nairobi Securities Exchange as one of East Africa's largest bank by market capitalization.

Equity Bank is now executing the "Equity 3.0" strategy, a bold step that will ensure the Group is able to leverage on breakthrough technology and innovation to achieve a convergence of financial products and services, in addition to seamlessly integrating the channels.

Closed ATM lobbies and stopped branch expansion (brick and mortar) to concentrate on mobile banking thru Equitel, expected to rival Mpesa soon.



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The Safaricom story:

Michael Joseph, the former CEO of Safaricom says;

“In mid 2000s I was the CEO of Safaricom, Vodafone’s associate in Kenya, and I encouraged a small team of people to focus on building innovative products for our customers. I asked for developments that no-one else had ever done in Kenya, would be interesting and add value for our customers.

The team set about to create a straightforward financial service that people could easily use from a basic feature phone. What we found in practice was that people who received loans were sending the money to other people hundreds of miles away.

In hindsight , we had inadvertently identified one of Kenya’s biggest financial challenges, and started Mpesa”.



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The Safaricom story:

Mpesa is now on its 10th year and it continues to serve nearly 30 million customers through 287,400 agents across 10 countries.

In 2016 the platform processed 6 billion transactions, peaking at 529 transactions per second.

Google, Uber, Alibaba Airbnb, Facebook, Equity, Mpesa : disrupted their markets. They identified the unmet needs (**did they ask customers?**) and went on to satisfy those needs.



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HARAMBEE SACCO PROFILE:

Set up by a handful of low income earners and subordinate staff of the Office of the President (OP), way back in 1969; Harambee Sacco has today grown into an asset base of Kes.22 Bn. with over 80,000 members across the country.

The projections below are based on our strategic plan for 2016 -2020.



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DATA BASED PROJECTIONS:

year	2016	2020
Membership	80,662	120,000
Loans	Kes. 13.5 billion	Kes. 23 billion
Deposits	Kes. 14.5	Kes. 24 billion
Revenue	Kes.2.3b	Kes. 8.7 billion
Dividend	7%	12%



DATA BASED PROJECTIONS:

membership		
Age sets	Members	%
55 – 60 years	13,796	17.2
50 – 54 years	9,963	12.4
40 – 49 years	19,134	23.9
30 – 39 years	21,974	27.4
18 – 29 years	12,904	16.1

Is this a normal curve??



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FUTURE NEEDS OF MEMBERS



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WHAT ARE THE FUTURE NEEDS OF MEMBERS:

Challenges shaping Future: Technology, Regulation, Economic prosperity, and Customer Behaviour :Adapt to ever changing customer needs

- ✓ Easy virtual lending and loan process
- ✓ The Saccos/Credit Unions will need to go paperless
 - loan applications to be on-line based
- ✓ Easy and enhanced communication between members and their Sacco
- ✓ Convenience of mobile technologies and internet



WHAT ARE THE FUTURE NEEDS OF MEMBERS

- ✓ Alternative to guarantorship e.g. collateral lending especially for HNW (high net worth) members
- ✓ Increase the loan repayment period: now 60/72 months
- ✓ Access mortgage facilities
- ✓ Increase transparency – not opaque – fees, interest, charges, members participation (education days)
- ✓ Governance – accountability, sustainability & social reporting
- ✓ Keeping your Brand Promise – “we keep our promise”, “we executive with speed”; instore experince
- ✓ Increased Individualism vs. Collectivism (People helping People?? Challenged!!)



HARAMBEE PERSPECTIVE - WHAT WE ARE DOING

- ✓ Invested in a new Enterprise Resource Planning system
- ✓ Created convenience around the technology i.e.
 - M-boosta loan – mobile based loan
 - Members balances and inquiries
 - M-sacco platform for all Sacco transactions
 - Web-portal – members can download their statements and dividend slips



HARAMBEE PERSPECTIVE - WHAT WE ARE DOING

- ✓ Electronic data management system:
 - Going paperless
 - Reduce time spent looking for files
- ✓ Partner with banks and other financial providers
 - To help reduce investment in brick and mortar
 - Agents – use banks’ agents for cash transactions: deposit and withdrawal
 - Branches of banks – use partner banks to enable our members access cash



In conclusion

The future will be shaped by:

- **Big Data** – block chain from Bitcoin, The **Internet of Things**, **Artificial Intelligence (robotics and analytics): Chicago riots**

In the face of the unknown, entrepreneurs act in the following ways:

- They figure out what they want
- They take a small step towards making it a reality
- They pause to think about what they learned from taking that step, in other words – **they Act, Learn, Build and Repeat.**

Mpesa- was it a big bang or incremental?

As Cooperative Movement we must establish the future needs of our members and then take those necessary steps, predict and secure our future.



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Thank
You

