**TOWS EXAMPLE CAPITEC BANK PTY LTD**

*Developed by Mzoxolo Gulwa for education purposes only, May 2019*

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|  | **Strengths**S1. Strong shareholder backing as seen in share price growth S2. Simplified offering (Global One account), which is also seen as transparent in terms of its fee structure S3. Perception of being ‘cheapest bank’ / low transaction costsS4. Perception of being innovative and ‘trend setter’ | **Weakness**W1. Highly reliant on unsecured lendingW2. No rewards programme W3. Low market share in the civil servant space W4. Fewer products and services |
| **Opportunities**O1. Price sensitive consumers, across segmentsO2. Higher income clients looking for credit O3. Major banks are limiting exposure to unsecured lending O4. Only 1.8 million people have mortgages out of 15 million South African with credit records | **SO OPTIONS*** S2, S3 + O1: Capitec can use its low-priced transactional offering to attract price sensitive middle and high income clients. This can be done through in-branch marketing e.g. posters in windows at the Capitec branches situated in affluent locations as well as advertising in media channels favoured by middle and higher income clients. Result will be Capitec gaining market share in these important segments.
 | **WO OPTIONS** * W1 + O4: Capitec can diversify its credit book by entering the secured lending space i.e. provision of home loans. Doing so, and if successful, the bank will reduce reliance on the unsecured lending market, which is too risky as seen in the failure of African Bank. We suggest a home loans strategy focused on higher earning civil servants and middle-affluent clients with very good credit records.
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| **Threats**T1. Replication of its affordable Global One account by other banksT2. Competition from other banks in attracting retail deposits T3. Online providers of ‘easy’ loans e.g. Wonga T4. Slow economic growth leading to client struggle in repaying loans  | **ST OPTIONS** * S2 + T1: To neutralise competition on their Global One transactional offering, they can exploit the perception of being simple and transparent, a position they own in comparison with other banks. This can be punted through advertising and in conversations with customers whom will in return spread the word, through ‘word of mouth’ – in defense of Capitec!
 | **W & T OPTIONS** * W1 - Fast track introduction of new products to diversifying income
* T4 - Tighten lending criteria in light of bleak economic climate so that credit is only extended to clients who are able to service debt. With regard to struggling clients, the bank should enter repayment agreements at reduced monthly instalments – a medium term measure that can be revisited in 6 months’ time.
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