

How innovative payment solutions are reshaping SA retail

By [Shaun Holley](#) and [Rory Bosman](#)

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Today's consumers have access to a myriad of convenient experiences through mobile apps and online platforms, and they expect a similar level of ease when interacting with businesses and specifically payment interactions.



Shaun Holley, deputy CEO and head of innovation; and Rory Bosman, sales and marketing executive at Ecentric Payment Systems. Source: Supplied

Indeed, consumer demand for better and more diverse payment experiences, coupled with the need to trade across multiple channels, is shaping the midmarket retail sector across Africa.

Notably, industry research indicates that total transaction value in the digital payments segment in South Africa alone is projected to top the [\\$17bn](#) mark by the end of this year.

While in-store payment points are well understood, the rise of e-commerce and mobile payments has made it necessary for merchants to adapt and embrace new digital sales channels. However, the implementation of these new payment channels can be complex, especially for mid-size merchants who may lack the expertise or IT capabilities to navigate this rapidly evolving landscape.

Furthermore, payment providers must cater to the varying needs of different retail segments, from enterprise clients with bespoke requirements to mom-and-pop stores that prioritise affordability and easy enablement. This necessitates a service provider that understands the unique challenges and opportunities within the industry and can tailor digital payment solutions to suit the specific needs of each business.



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Customer experience, agility and growth

Fundamentally, the customer experience is all about empathy – putting oneself in the customer's shoes and walking the journey with them. By identifying patterns and trends in consumer behaviour across various territories and cultures, the right payment solutions provider can deliver tailored solutions to a mid-market retailer that meet their specific needs and those of their customer.

The ongoing success of mid-market retailers in South Africa therefore relies on their ability to adapt and innovate in response to changing consumer trends, technology advancements, and market conditions. In becoming more agile to meet these changing customer expectations, mid-market retailers must not only offer a variety of payment solutions but also need their payments infrastructure scalability to match their business growth.

Demand for omnichannel on the continent

It is noteworthy that up to 85% of commercial transactions at the retail level across Africa still occur in cash, although this is less the case in South Africa. The lower banking penetration in other sub-Saharan African countries highlights the need for more digital payment options to reduce reliance on cash. Mobile network providers and digital wallet providers play crucial roles in addressing this demand, helping to drive financial inclusion.

In order to stay competitive and better cater to the evolving needs of customers, businesses must not only trade online but also offer more payment channels that meet consumers at the different touchpoints in the customer journey. This is why there is a growing need for omnichannel payment solutions.

However, the challenge in many sub-Saharan African countries with smaller populations is the fact that banks issue closed-loop cards instead of Visa or Mastercard-enabled cards. These closed-loop cards can only be used in select locations, adding to the cost and complexity for merchants who need to configure their payment environments to accept them individually.

The proliferation of various payment methods linked to geography in Africa increases complexity for merchants, who must manage the after-transaction process, such as the reconciliation of transactions, refunds, and third-party payments.

Making data sense

It therefore makes sense that digital payment solutions can help reduce this complexity through a more integrated environment. Especially in South Africa, retailers are constantly seeking out opportunities to bolster market share and customer retention.

This means payment solution providers that rely on a data-driven approach to payment processing can enable retailers to gain valuable insights into customer behaviour and preferences, helping them make informed decisions about product offerings, promotions, and pricing strategies.

By leveraging data analytics, merchants can identify trends and patterns in consumer spending, optimise their inventory management, and tailor their marketing efforts to target specific customer segments more effectively. This ultimately translates to a more personalised shopping experience for customers and increased profitability for businesses.



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Innovation drivers

A [McKinsey report](#) reinforced the careful balancing act between enriching the customer experience while understanding the business benefits.

It asserts that while executives are quick to see the end-game benefits of a customer-centric strategy (more satisfied customers, increased loyalty, a lower cost to serve, and more engaged employees), they often do not understand what a superior customer experience is worth - and exactly how it will generate value.

Looking ahead, it is clear that diverse payment solutions across multiple channels will play a crucial role in helping retailers to rise to these challenges - enabling them to offer seamless, convenient, and secure experiences that attract and retain customers.

ABOUT THE AUTHOR

Shaun Holley, deputy CEO and head of innovation; and Rory Bosman, sales and marketing executive at Ecentric Payment Systems.

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