

# Payment solutions and retail automation: Digital transformation, accelerated

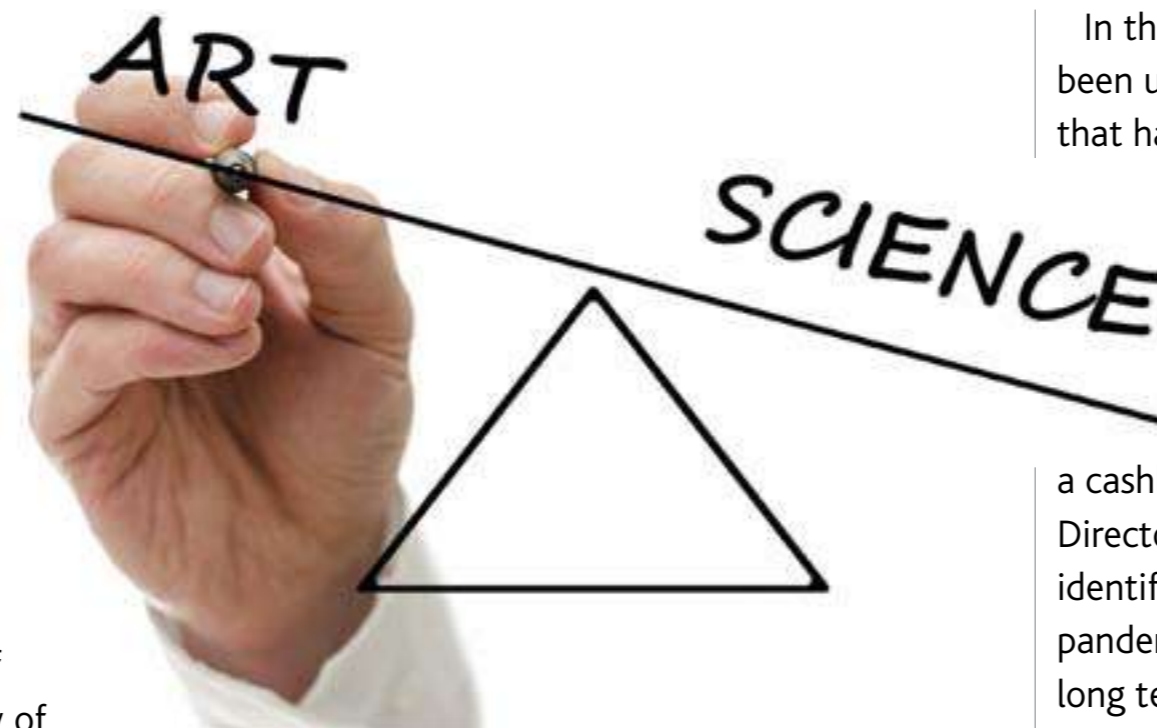
## Provide your customers with a seamless payment experience in an increasingly digital world

**F**or years now there has been talk about a cashless society. While cashless payment methods, eCommerce and retail automation have become the norm for B2C trading in first world countries, it still only accounts for a fraction of trading in South Africa and other developing countries.

### Contactless payments surging as pandemic continues

Safety and hygiene measures that have been put in place to combat the spread of COVID-19 are accelerating the availability of alternative, cashless payment solutions in South Africa. A wide range of mobile money transfers, online, and debit and credit card transactions are being encouraged as opposed to cash, which has been identified by the World Health Organization as a possible source of transmission of the virus.

All South African retailers are open for business, but with stringent Covid-19 protocols in place, the pressure is on for stores to make greater provision for contactless payments. In addition, businesses



**It is crucial that retailers keep up with the trends in balancing the science and art of retail automation as it interfaces with nearly every aspect of business.**

that had not been recognised as essential services by the government's strict preventative approach had been pushed to quickly provide online alternatives or face complete ruin – which has sped up digital transformation for many businesses.

In this way, the notion of a cashless society has been unceremoniously accelerated by the measures that have come to mark our daily come and go.

### Global trends: The top ways in which Covid-19 will impact payments

Besides the strong push towards a cashless society, Sulabh Agarwal, Managing Director of Global Payments at Accenture, identifies seven more ways in which the Covid-19 pandemic will impact payments globally in the long term.

Here we have a look at how these global trends will affect your business, and what you need to keep in mind with changing consumer behaviour.

#### 1. A new need for fraud protection

According to Agarwal, the increase in online traffic, and the radical change occurring at high speed around the world, also increases the opportunities for fraudsters and scammers. In response, retailers will need to make significant investments to improve fraud prevention and detection.



## 2. A changing trust equation

The pandemic may change the nature of trust in payments for two reasons: The first is the rise in fraud, while the second is the generally higher level of economic distress worldwide. As money gets tight for businesses and individuals alike, payments will be watched very closely, says Agarwal. For businesses, this will result in more pressure on their customer service departments. Building and keeping the trust of customers will become more difficult – and more important – than ever before.

## 3. A tougher economic environment

As spending takes a downturn, consumers and businesses alike will have increasing expectations regarding customer experience and service delivery. Cashless or contactless payment options will be expected – and will need to be presented to the customer as easy alternatives.

## 4. Tighter cashflow management

The pandemic has pushed a huge proportion of the world's population, along with businesses of every size, into challenging financial situations. As a result, general scrutiny of all outgoing cashflows is likely to increase. Agarwal goes on to say that, on the level of individual consumers and small businesses, the use of payment instruments like direct debits and recurring card payments is likely to shrink and be replaced by 'request to pay' and other tools that allow for greater control.



Ukheshe provides anyone with the means to accept contactless payment via Smartphone scan. (Image courtesy of Mastercard)

## 5. Growth for tokenized mobile wallets

Agarwal expects the use of token-based digital wallets like Apple Pay and Google Pay to grow in the future, while the use of physical payments cards may shrink. However, Brendon Kleynhans, Head of Research and Development at GAAP point-of-sale solutions, mentions that such digital wallets have only recently appeared as viable options in South Africa, and it will still be years before it become commonplace.



## CASHLESS OR CONTACTLESS?

Yes, there is a difference between 'contactless' and 'cashless'. While 'cashless' payments are often 'contactless' as well, distinguishing between the two mainly comes down to information flow.

So, what is meant by these two terms, and why are they important?

**Cashless payments** can include payments by SMS, mobile payments via applications like Apple Pay, Android Pay, Google Pay and other e-wallets or preloaded cards, as well as payment with loyalty points like Discovery Miles, FNB eBucks, or PicknPay Smartshopper points.

One of the major benefits of cashless payments is to provide retailers with the opportunity to capture their customer's information. Keeping this data enables understanding customers' spending habits, frequency, and needs, creating relevant and timely opportunities to grow revenue.

**Contactless payments** include payment by debit, credit, or smartcards ('tap and pay') enabled with radio-frequency identification (RFID) technology, or smartphone apps like Zapper or Snapscan making use of near-field communication (NFC) technology.

Contactless payment solutions, where customers pay with their existing bank-issued debit or credit cards, send all the data and information about transactions to the participating banks. Companies are not in control of their own financial ecosystem, and cannot gain insight into their customers' behaviour.

## 6. An explosion in online shopping and other digital checkouts

There are two major implications of the explosion in the use of online shopping and delivery systems for payments providers and their customers, says Agarwal. Firstly, any business providing a sub-standard online shopping and checkout experience is now under scrutiny. Such providers will have to urgently improve their systems. Secondly, as more consumers turn to online ordering for everyday purchases like groceries, some are likely to be annoyed by how repetitive the process is. If your grocery order is mostly the same each time, why should you have to enter it anew every time you order? As an aside, these online shoppers may be more open to ordering their routine items using devices such as smart fridges enabled by the Internet of Things (IoT). This could include, for example, automatically scheduling a grocery purchase once certain items in the fridge are low in stock.

## 7. Changing customer behaviour will drive digital innovation

Innovations in the payments industry will have a key role to play in revamping the economy post-Covid-19. According to Agarwal, such innovations will include opportunities for:

- Replacing cash with digital payment systems
- Building infrastructure to support more merchants working remotely
- Adopting digital currencies into universal payment solutions
- Embracing cloud-based infrastructure, automation and analytics to reimagine scale



Online shopping and e-commerce is likely to stay well after Covid-19.

(Image courtesy of @Mediamodifier on Pixabay)

“ Although it is estimated that South Africa is approximately 20 years behind first world countries in terms of implementing technological innovations such as these, it is important to keep these future trends in mind when deciding which payment vendor to go with. ”

### Are South African consumers ready to go cashless?

While many consumers still have reservations about cashless or contactless payments, due in a large part to the fact that they are not familiar with how it works, or distrust the security of contactless or online transactions, the benefits seem to far outweigh the drawbacks.

From a consumer perspective, cash is inconvenient, dangerous to carry, and expensive. For businesses, accepting cash also comes with several risks, such as increased crime risk and internal theft. But for some older-generation consumers, and those of low-income households or residing in rural communities, cash is preferred, because they understand it and trust it. Such financial and regional restraints have hampered the growth and feasibility of cashless payment methods.

According to the Global Findex, 57 percent of people in sub-Saharan Africa are 'financially excluded'. Without access to formal financial tools, these people remain locked out of many economic activities, have extremely limited retail choices, cannot access credit, and often pay more for goods and services.



Rulof Burger, Behavioural Economics Director at Predictive Insights, notes that there is an important education job to be done to raise people’s awareness of the cost of withdrawing cash. “The accumulated costs of relying on cash are expensive. There are also many indirect ‘costs of cash’ to consider – like convenience and time. Drawing cash means you must travel to an ATM to get it, and then wait in the queue to be served. You also lose out on interest by withdrawing your money, instead of keep in an interest-earning account.”

Across Africa, there has historically been a heavy reliance on cash, with around 95 percent of retail transactions taking place in cash. So, in a world where the trend is to go cashless, with countries like India already having fully cashless villages, how does South Africa fare?

A Twitter poll conducted by Capitec in 2019 found that 35 percent of South Africans could picture themselves transacting purely digitally, while a further 10 percent said ‘maybe’. The poll was conducted by Capitec as part of its #GoCashlessChallenge, an initiative to draw attention to the cost of cash. One of the results indicated that people still pay cash for several essentials, predominantly, transport (59 percent of respondents), food (25 percent), and services (7 percent), because they have no other choice.

In contrast to this conservative view, DPO Group (formerly Paygate) CEO Eran Feinstein was reported as saying that a “massive paradigmatic shift” in the payments field is already underway in certain parts of Africa. East Africa specifically,



Automated cash-handling machines at President Hyper. (Image courtesy of Arch Retail Systems)

he notes, offers a good example of this. As of today, a little under 13 years after the launch of M-Pesa in Kenya, there are nearly 200 million consumers subscribed to mobile money services. At the beginning of 2020, 80 percent of the population already carried a mobile device and by 2025, two-thirds will have a smartphone.

**Innovation in local in-store payment solutions: a response to Covid-19**

South Africa can expect significant growth in contactless and cashless payments on the back of Covid-19. It is also likely that the public’s newfound (and sensible) aversion to contact will

spur additional innovation, especially given the uncertainty around second and third waves.

“There is no doubt that an unintended consequence of the coronavirus will be the fast-tracking of the cashless society we have all been talking about for years,” says Brendon Williamson, Chief Security Officer at DPO SA. “We expect to see contactless payment methods like MasterPass, Zapper and SnapScan gaining a lot more traction.”

These technologies allow customers to securely download a free digital wallet from any of the major South African banks to their mobile phone. Customers can then safely and simply pay for their purchase by scanning a QR code at the till from

the app and entering their bank PIN on their phone. This means that customers and cashiers don't have to exchange a bank card, and the payment pin pad is avoided.

But many payment methods never take off, warns Kleynhans. Some providers of QR payment solutions might believe that their systems will be used frequently, but then almost never get used – leaving the companies who paid for the integration of that system at a loss. 'Nowadays, there are so many payment methods available. Our technicians have integrated a number of new payment methods on the request of clients, which then barely get used,' he says.

Some retailers who have taken measures to incorporate contactless mobile payment systems include Pick n Pay and the Shoprite/Checkers group. In April 2020, Pick n Pay launched its 'Scan & Pay' technology at all till points nationwide, to allow customers to go completely contactless when paying for their shop. The Shoprite Group also started introducing the ability for customers to make payments using mobile payment solutions in April this year. The QR payment method is currently available in 29 Checkers stores and will be rolled out to all stores including Shoprite, USave, Checkers and Checkers Hyper stores across South Africa within the next two months.

### What about smaller retailers?

While bigger retailers and corporate retail groups are spoilt for choice when it comes to options for expanding, integrating or implementing contactless

payment systems, many informal traders and micro-businesses, and their customers, do not have the means to easily conduct business without physical cash.

Clayton Hayward, co-founder of Ukheshe, a micro transaction platform, says that internet banking, electronic transfers, mobile banking apps and USSD transfers are better alternatives for controlling the spread of coronavirus, while also providing extended value to users: "With a good understanding of what the majority of the market is currently facing, Ukheshe has launched a 90 day 'zero rating cash management fee' to assist merchants and consumers using the platform." Launched in 2019, Ukheshe provides e-money services and is the only micro-transaction platform to align with the South African Reserve Bank's requirements set out in 2009. Hayward mentions that the initial intent for launching the service was to address the 11 million unbanked or underbanked consumers in Southern Africa, and that the startup aims to resolve complex financial challenges in the region.

"Thanks to a strong partnership with Nedbank and Mastercard, Ukheshe is the only card association acquiring platform that does not require a merchant to have a bank account and can offer consumers from all income groups a diverse range of e-money services," says Hayward.

Another problem smaller retailers and merchants often face is the cost of renting or buying a card machine. Not all customers are able to, or know how to, conveniently make an EFT or QR payment.

Products such as PayPoint – a virtual point of sale card machine – offer merchants the ability to manually process credit card payments without having to use a physical POS (Point of Sale) machine. The payment is processed in real-time and the transaction status is displayed to the merchant.



Arch eStore allows retailers to integrate their online shopping with their existing POS systems. (Image courtesy of Arch Retail Systems)

### Automated cash management

Contrary to many predictions, the days of physical cash are not numbered. According to Richard Phillips, automated cash handling saves money and time, and allows the business owner to focus on his business.

Erik van As, Head of Research and Development at Arch Retail Systems, agrees. "Automated cash handler machines have significantly reduced time spent on cash-ups and disciplinary actions taken against cashiers as a result of suspected theft. This automation has, in turn, reduced management overhead and cashier turnover."

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In addition, cash handling machines also reduce the number of hands touching the cash. Retail automation is an integral aspect of innovative payment solutions, and integrating in-store business processes is one of the best ways to increase operational efficiency. Likewise, to manage retail systems successfully, business owners require versatile management modules that offer multiple functionalities, providing operational order and discipline, while meeting customers' shopping expectations.

A successful store solution should provide more than a speedy check-out process. It's all about stock and margin management – by ensuring your store carries optimal stock of the right products; sells them at the correct prices; knowing which products to order, when to order them, and at what price; and having timely access to store performance reports, which are critical in making sound business decisions. "Integrating in-store business processes into a single centralised system means you incorporate versatile management modules with multiple functionalities. This means all modules or applications work together, with data synchronised across your business, and you can manage everything from one system," explains van As.

For retail stores looking to expand their in-store processes online, Arch developed the recently launch Arch eStore. This enables stores to seamlessly interoperate their POS systems via its ecommerce application programming interface

(API) with Snappistore, an existing ecommerce platform. Arch eStore allows consumers to shop and pay online, merchants to manage order picking and dispatching in Arch, and delivery via its delivery app.



**Delivering convenience, savings or both will likely prove most effective at driving in-store app usage.**

### **Innovations in payment solutions for eCommerce**

Choosing an e-commerce payment vendor that will best serve your business and customers can be a daunting task under normal circumstances. The rise in demand for online solutions for retailers has created many opportunities for scammers, as well as companies looking to take advantage of retailers pressured to make hasty decisions.

Leon Swartz, CEO of Frontpage Media, recommends that you choose an eCommerce platform that integrates well with your chosen payment

gateway. A payment gateway facilitates a payment transaction by the transfer of information between a payment portal (such as a website, mobile phone or interactive voice response service) and the front-end processor or bank on the other side.

Swartz advises that, before you build your eCommerce store, you should consider taking a free 14-day trial with Shopify, as most of the top South African payment gateways are supported on the platform, and the support and additional plugins are, in his opinion, the best on the market.

However, retailers should also do some investigating before deciding on a payment gateway, as some banks do not supply sufficient backend service for consumers. Accessing your money then becomes a long and arduous process. Kleynhans mentions that, in terms of eCommerce and other digital payment solutions, FNB and Standard Bank stand out as the two banks providing the most comprehensive service.

### **How to select the right payment vendor for your business**

With so many new innovations in cashless payment options, how do you decide which solutions will work best with your business model and serve your customers best?

"There is no 'one-size-fits-all' solution for retailers," says Erik van As. 'Based on their individual business models and margins, each retailer should decide what works best for them. Retailers will have more options if they partner with a provider that offers a broad range of integration solutions."



New POS systems can be linked with CCTV footage. In the case of theft or inaccuracies, all areas where a certain product was handled can then be retrieved by simply entering the SKU on the system.

### Are contactless payments here to stay?

The Covid-19 lockdown has escalated consumer use of contactless and cashless payments. But, will it have staying power?

“Right now, none of us are certain about second or third waves or further lockdowns, although the medical experts are certainly warning about them. However, even as we emerge from this first

lockdown, we can be sure that most customers will prefer to not hand over their cards or input their pin at paypoint machines, ATMs and other shared devices,” Williamson explains.

The generational resistance to digital commerce might just have been surpassed by practical needs. All available data indicate that online shopping, and cashless / contactless payments will remain

popular, due to the newly gained consumer confidence in such systems. But that shift – from cash to cards and from cards to contactless – will be an eventuality on the horizon rather than a quick pivot.

### A smooth and seamless experience

For many merchants, whether you are taking the leap of going completely cashless / contactless, or just incorporating a new payment solution that takes your store further along the journey, this process will require a mind-shift in how we do business.

While most consumers will do what is convenient, we are also seeing a movement towards an ever-increasing number of discerning customers who consciously decide where – and how – they shop.

As a merchant, you can either be commended for leading the way by anticipating what your customers want, or you can be dictated to by your customers if you don’t take action.

Whether you are expanding your business’s existing payment options, online presence and operationality, or moving into the realm of eCommerce for the first time, it is essential to ensure that your payment solutions provide a smooth checkout experience for your customers. Understanding how each payment method functions, and knowing who your customers are, will allow you to decide what to look for when deciding which payment solutions to integrate into your business. **SR**