

The world of payments is changing fast

By [Paul Kent](#)

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The services offered by traditional banks are too restrictive for what smaller retailers require and many of them are looking for alternative solutions.



Disruption in the financial space is inevitable and company heavyweights such as Discovery and Outsurance are taking advantage of the financial technology (fintech) opportunity and moving into this space. Digital banks are fast becoming a reality.

We are already seeing that you no longer need a bank to transfer money, with fintech companies such as Transferwise, WorldRemit and Mukuru changing the way we send money to friends and relatives in neighbouring countries. In payments, emerging technologies such as SamsungPay, Apple Pay and other mobile wallets are breaking boundaries, and traditional brick and mortar stores like supermarkets are starting to accept these alternative methods of payment. This historically highly profitable area for the bank is under threat with improved options at a better cost to the retailer.

Payment-solution providers (PSPs) have the potential to offer smaller retailers a more flexible and affordable service that traditional banks are unable to offer because of their limiting risk-management policies.

Regulation lags behind innovation

In the South African financial landscape regulation is not keeping pace with innovation. The upside is reduced risk for financial institutions, but the downside is that it stifles innovation, as well as alternative thinking, which impacts economic growth. It does, however, create a perfect space for PSPs like ourselves, because we have the agility to develop innovative new technology in a rapid turnaround time – we can deploy more agile risk assessment processes than the very traditional risk assessments employed by banks.

With over 10,000 Sureswipe card machines in the market and having processed over R40 billion since 2008, we understand the tough economy and challenges that our customers – independent retailers – operate in, and to this end, we provide a flexible and customizable suite of offerings, which includes tools to help them improve sales and enhance customer loyalty.

There has been a lot of hype around the development of alternative-payment options in South Africa, but this trend has somewhat subsided. There were a number of players in the field, but many of them have been unable to achieve economies of scale or achieve enough market share to get off the ground properly, forcing them into a situation where they have become survivalist businesses.

Scope and opportunity for PSPs

But I still believe there is a lot of scope and opportunity for PSPs. There is an opportunity for smaller fintech companies to consolidate, which would be more cost-effective and attractive for the merchant.

There is also room for innovation by PSPs and fintech companies to identify new partnerships and test alternative solutions to see what new possibilities lie ahead. There are still failure points in the technology supply chain, which present opportunities for the industry to collaborate and create more secure and trustworthy payment platforms.

Depending on where you get your statistics from, between 70% and 80% of retail transactions are done in cash. The huge amounts of cash in circulation in the country offer an attractive opportunity for payment solutions.

Internationally it is not that different. In the UK, for instance, the number of electronic transactions only recently surpassed the number of cash transactions. Contactless payments were a big driver for this. In some European markets the use of cash is regulated, for example in France, cash payments are not allowed above €1,000, so these are all drivers of growth in electronic payments.

In South Africa, retailers in the informal sector still rely mostly on cash as the preferred and trusted means of transacting, based on historical habits. PSPs can add value to these retailers, as there is an opportunity to reduce cash in circulation, which decreases the risk of robbery, saves on cash-deposit fees and brings informal traders into the formal economy.

The promise of e-commerce

Another point of growth and opportunity for PSPs is e-commerce. According to a recent Paypal survey, e-commerce spend is predicted to increase in 2018 to R53 billion from an estimated R37,1 billion in 2017. According to World Wide Worx's Online Retail in South Africa report released last year, online retail in this country will reach 1% of overall retail during 2016.

Although this represents a small percentage of the total retail market in South Africa, more and more brick-and-mortar stores are investing in some form of an e-commerce platform – and reliable payment portals for these platforms are crucial. As retailers increase the number of platforms they transact on, they need a payment-solution partner that can offer a full range of payment options on a trusted and secure platform. The increased number of inquiries we have received from retailers reflects this trend.

Africa is a great opportunity to expand beyond our borders, but it presents challenges for fintech companies like ourselves

who offer payment solutions that require a high circulation of bank cards or mobile/digital wallets. You can have cards without payment solutions because people can still use ATMs, but you can't have payment solutions without cards.

The world of payments is changing, and it is changing fast.

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