

Switching on mobile wallets in South Africa retailing

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The biggest obstacle to making a mobile phone a wallet has always been the sheer complexity of electronic transactions. However, new technology is bringing this dream closer to reality.



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Currently, every time one presents a credit card at a till, one initiates an intricate dance between the retailer, one's bank, the retailer's bank and a financial switch. It only takes milliseconds, but the system behind that deceptively simply action is the carefully tended product of decades of development.

Introducing new actors into the dance is hard but not impossible.

Much of the behind-the-scenes infrastructure needed to make mobile transactions a reality is already in place. The final, hardest hurdle is the point of sale itself. Any retailer, who wants to accept mobile payments including mobile vouchers and coupons, has to physically enable those transactions on every single one of the tens or hundreds or thousands of till points across the country and then train the operators in how to use.

This is an expensive exercise but it is one that retailers are willing to undertake - if they can be assured that it will pay off. However, if the return on their investment depends on the success of any one application or mobile payment system, it's dead in the water. No matter how brilliant that one app or system might be, it will never capture 100% of the market and there will always be another one along next week that could suddenly overtake all the others in popularity.

Customers who get told, "Sorry, we only accept mobile payments from X wallet or Y bank," will complain loudly or take their money elsewhere - not the outcome any retailer wants.

This is why the take-off of mobile transacting has been delayed for so long and is also why it is now finally gaining traction.

Key is open platform layer

The key has been to reduce the risk to retailers by removing the need for them to make an exclusive, all-or-nothing commitment. By installing a platform layer that any app, system or mobile payment services provider can plug into, retailers such as Shoprite Checkers and Pick n Pay are making in-store mobile transacting a success.

How an open platform like this works is easiest to understand with the analogy of mobile phone app stores. Apple completely changed the world of mobile phones with its first App Store in 2008. For the first time, phone owners had access to a wide variety of apps that could make their phone do just about anything and were easy to install. On the other side of the equation, it was the first time app developers - whether established companies or 15-year-olds coding in their bedrooms - were easily able to reach millions of potential customers. The result was an explosion of creative innovation that is showing no signs of stopping. Since the first day the App Store opened with few hundred apps, it's grown to more than 900,000 apps have been downloaded a collective 50 billion times. Apple has paid out \$10 billion to developers.

The mobile transaction platform, currently being pioneered by South African retailers, works on the same basis. For banks, mobile app developers and payment service providers it provides a single interface through which they can reach any retailer and its customers. For the retailers, it means they can enable any mobile transaction method at the till quickly and easily through a single integration, helping them to respond flexibly to new opportunities and changing customer demand.

The results are impressive. At Shoprite's Hungry Lion fast food franchise, for example, customers have already redeemed well over a million mobile coupons for discounts, free extras or purchase upsizes; at Pick n Pay, MTN Mobile Money transactions are growing phenomenally by the day. To date, the platform has processed transactions worth over one and a half billion rand.

What happens next? That's limited only by our imaginations.

ABOUT HOWARD MOODYCLIFFE

Howard is Head of Marketing and International at wiGroup. He has 15 years' experience in B2B and B2C marketing and operations across a range of industry sectors from ICT (Logica - UK), to publishing and media (News Corporation - Australia) and mobile (wiGroup - South Africa). He has built up significant experience in marketing online and mobile platforms with his most recent role being CEO of Australia's largest peer-to-peer car rental online marketplace, Drivenycarrentals.com.au.
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