Growth of self-service banking channels across Africa will spur retail, wholesale sectors

The demand for online, multi-channel solutions by an increasingly mobile consumer base is a key trend that will drive the growth of self-service banking channels across Africa. This in turn will create new opportunities for South Africa's retail and wholesale trade sector to maximise growth.

Picture: ITNewsAfrica.com

"We expect growth to continue in the mobile contactless space across Africa in the future. While off a low base, we have seen annual increases in volumes of more than 50% and, as we roll out solutions such as Masterpass, we expect to see a higher percentage of our user base using mobile devices to transact and shop in the future," says Vuyo Mpako, head digital channels and e-commerce at Standard Bank.

The recent *Ericsson Mobility Report* says that total mobile subscription penetration in Sub-Saharan Africa is estimated around 80% in 2015. Five years ago, mobile penetration was just above 50%. By 2021, it is expected to reach 100% in the region. Rising urbanisation levels, as well as growing investment in rural network coverage by mobile operators will drive this growth.

In South Africa, Cisco says internet usage will grow from 710 megabytes a month to 7.2 gigabytes in 2019, of which most of this will be on newly purchased smartphones and their related devices. Notably, mobile-device owners engage in online research and purchases at higher rates than the overall population.

New digital payment service solutions allow users to set up an account once and then skip checkout forms forever, with innovations continuing to add to the user experience.

"The ability to shop with confidence online at any store, large or small, is becoming a reality with new cashless solutions and innovations now being made available. For example, consumers receive added security at any store that displays the 'Buy with Masterpass' button thanks to multi-tiered security built in, which makes shopping safe and convenient.

"Developments in markets such as Australia, Singapore and New Zealand are likely to be matched in Africa."

Rise in contactless payment card transactions internationally

According to a report by NFC World, based on research by RFi Group, two thirds of Australians are now aware they own a contactless payment card and 53% have made a contactless transaction, taking the country to the top of a leaderboard for both contactless awareness and usage rates.

The *Global Payments Evaluation Study*, based on 32,000 respondents in 16 countries, found Singapore to be the second largest market with 54% owning a contactless card and 45% having made a purchase using one. Taiwan came in third place, with 41% of its population now having used their contactless card to pay and 37% of Canadians having paid using contactless, compared to 29% a year previously.

New Zealand registered the highest growth in contactless card ownership and usage compared to 2014, reaching 52% from 34% and 35% from 18% respectively. The US is currently the western country with the lowest penetration, with just 14% of Americans owning a contactless card, up from about 10% in 2014, and 9% have used their contactless cards to

make a payment.

Expanding merchant reach

The ability to help merchants expand their reach is a key driver of this growth trend.

“Any merchant will be happy to increase revenue in the tough economic climate. Pain-free checkouts can help reclaim the large percentage of sales lost to a checkout process that was too confusing or took too many steps. Moreover, with the risk of customers taking to social media to target a retailer that fails to offer modern solutions online, the same streamlined checkout experience across all connected mobile devices is needed,” continues Mpako.

However, wholesalers and retailers will need to continuously evolve to ensure they are not left behind as the lines between the traditional linear way of getting goods to market is becoming increasingly blurred.

An example that speaks to the ability of independent wholesalers to adapt in the face of market challenges is evident in recent changes to their trading models.

“The traditional route for consumer goods is generally linear in nature – from manufacturer, to wholesaler, to retailer, to shopper. But a new direct-to-market strategy is changing this landscape, allowing wholesalers to target end-consumers.”

One rising trend is for online price comparisons to be used, as well as booking and purchasing and then collecting in store. “This makes sure the goods are available before traveling to the store. In contrast, some consumers prefer to go in store to view the product and then go online to purchase. This trend is named ‘show-rooming’.”

Need to adapt quickly

It is becoming increasingly evident that design, sales and support are now less strongly linked, with small, niche entrants drawing from a range of flexible options. Wholesalers and retailers both need to adapt quickly.

“To compete effectively, traditional retailers should reimagine how they create and capture value, thinking past omnichannel positioning to examine and find the best uses for their assets. Going forward, another opportunity for many large retailers is to become industry infrastructure providers.

“Because sourcing and procurement, inventory management, store operations, marketing, and fulfilment become more efficient as they scale, established retailers can extend these capabilities to support smaller, more fragmented niche players. Another key point is that those retailer that fail to provide online solutions could also face a backlash from customers.

“I think many retailers are aware of the reputational damage that could follow if a disgruntled customer takes to social media to complain. The best way to prevent this will be to move with the times by ensuring high-end contactless offerings are made available in their stores,” concludes Mpako.