

Is the African retail market ready for the digital boom?

More and more African consumers are coming online and their commercial habits are evolving faster than any other demographic in the world. By 2020, consumer spending in Africa is forecasted to exceed USD \$1 trillion annually according to McKinsey's Global Institute. It is evident that the African market is ripe for a digital retail boom.



Adesh Kisten, head of sales i-Pay.

Internet penetration in Africa is paving the way for online retail growth and is revealing the way African consumers choose to pay. Most of the African e-commerce platforms connect global brands with the continent's emerging consumers.

With the growth in internet penetration in Africa and mobile becoming the primary tool through which people engage, the trend suggests that it's inevitable that African consumers will migrate to e-commerce.

Adesh Kisten, head of sales at instant EFT payment service i-Pay talks to IT News Africa about how new technologies empower African merchants and their customers and how e-commerce is booming in Africa.

1. What can African retailers gain from using technology?

First, they can tap into the underbanked market. In African markets, where credit is often treated with suspicion and cash is still king, low-cost banking providers tend to stay away from lending or credit facilities. Technology is seen as a way to keep the costs that traditional banks have to bear in check – resulting in millions of clients having access to online banking via smart devices but no way to shop online. Instant EFT solutions open the world of e-commerce up to those “uncarded” millions, creating exciting new markets for merchants and consumers alike.

Second, they can tap into the tech-savvy youth market. These 18 to 30-year-olds have grown up with technology, they expect technology, and they're early adopters. So keep an eye out for innovative new technologies that have caught the eye of the younger crowd – it can add tremendously to a retailer's bottomline.

2. What opportunities do new technologies offer African e-tailers?

I'll stick to commenting on new payment technologies, where the biggest opportunity for African e-tailers lie in actually completing the sale. Traditionally, bank-to-bank payments involve an arduous manual process, resulting in a high rate of abandonment. Not only does this impact on the efficiency of collections, but there are safety and security concerns as well. New payment technologies, like instant EFT, offer solutions that are simple and easy, and make it much easier to complete the payment than traditional EFT solutions do. For instance, using i-Pay, transactions are concluded in less than 15 seconds using a scalable Web-based system that is completely cardless.

Technology is also, simply put, the gateway to the youth market – the convenience factor alone (making a payment in seconds rather than minutes) is a huge attraction for them.

New technologies also empower merchants and their customers to embrace a more cost-effective, secure and mobile environment to make the transaction process as smooth as possible.

3. Why is it important that e-tailers have an alternative payment method?

First and foremost, pragmatism. As witnessed over successive Black Fridays in South Africa, traditional payment methods have consistently failed to keep up with surges in transaction volumes, falling over and preventing the sale from being completed – with devastating impact on e-tailers' bottom lines. The hyper-availability of alternate payment methods, which are inherently better-suited to ecommerce, has enabled e-tailers to offer their consumers options to complete the transaction more conveniently, reliably and securely. This is effectively illustrated by the messaging from South Africa's largest e-tailer, Takealot.com, on Black Friday 2018, directing its customers to use instant EFT payment options such as i-Pay.

Furthermore, as more African financial institutions align themselves to meet the unique challenges of the continent by offering digital solutions, the digital payments market in Africa is seeing unprecedented growth. Significant investment in infrastructure and technology has accelerated growth in Africa over the past decade, establishing it as the second-fastest growing economic region in the world. According to the *Digital Access: The Future of Financial Inclusion* report from Mastercard Foundation and IFC, a financial inclusion project run by the two in Africa has seen \$300-million in monthly transactions from 7.2-million new digital financial services users and 45,000 new banking agents since it launched in 2012.

With the global digital payments market valued at \$32.5 billion in 2017, and projected to reach \$86.76 billion by 2023, there is no arguing the potential that alternative digital payment methods offer.

4. What can e-tailers do to deliver a superior shopping experience to customers?

While traditional cash and card payments will still be here for the foreseeable future, alternative digital payment methods are disrupting how online and in-store purchases are done. In a continent where mobile banking is king and there are concerns about having large amounts of cash on hand, the flexibility, security and convenience that digital payment technologies provide both the customer and the merchant set the scene for digital payments to become commonplace.

5. Do you think retailers in Africa are embracing the connected retail revolution?

Yes, and it's paying off for them. For instance, the rising popularity of alternative payment technologies means that merchants often experience a rapid increase in the number of successful transactions being

made on their sites from both existing and new users that enjoy the service. Some merchants have seen user growth of up to 70% month on month since introducing new payment channels. That translates to savings in credit card fees and reduced cash handling fees that go straight to the bottom line.

Given that most alternative payment providers only take a small percentage of each sale, none of the monthly or transaction fees typically associated with online gateways apply. This means that fees will never outweigh profits. For small merchants trying to compete with bigger, well-established brands, this provides further impetus for growth.

6. What will be some of the biggest retail trends in 2019?

Like Nielsen, I believe that in Africa, retail will transcend physical and virtual borders, as internet access across the continent improves. And, as BMI Research indicates, decreased data costs are likely to equal increased e-commerce, omnichannel will be adopted at a much greater rate as consumers demand anywhere, anytime access, and we're likely to see greater adoption of global shopping days like Singles Day, Black Friday and Cyber Monday.

I also believe that we will see some of the trends predicted for the US and UK spilling over into the African market. For instance, in the UK the IGD Retail Analysis identifies seamless stores, where technological advances will drive shopper expectations and the evolution of the physical store. Similarly, Forbes's US prediction of faster shipping in e-commerce is likely to materialise in Africa.

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