

Be prepared to cater for the cash and cashless customer

Ensure you keep up with the latest on payment technology

BY LISA DEWBERRY

Branchless banking, cellular banking, money transfer systems, in-store ATMs, internet banking and swipe machines are fast changing the payment landscape for retailers in South Africa. More banking options are now available than ever before, making it easier for customers to make payments and purchases. Retailers need to stay on top of these technology trends to keep sales up and customers happy.

E-currency and money transfer systems replace cash

It is estimated only about 11 million South Africans have a bank account, which is just over a fifth of the country's population. In contrast, over 45 million people own a cellular phone. For this reason money transfer solutions have become most popular among the lower LSM groups. The solutions being widely adopted by the African market are not necessarily bank-free but more like pay-as-you-go banking. Purchases and payments are made via the cellular phone, without the need of a bank account for either the sender or recipient.



More retailers in rural areas are rolling out ATMs to meet the urgent demand for thousands of ATMs to be used for financial services.

Most e-currencies have also been developed in a way that the service can be done using the simplest cellular phone models across all networks. People from rural areas who work in the cities often need to send money from the cities where they work to relatives living in outlying areas. Virtual currency helps speed up this money transfer process.

According to Chris Rolfe, CEO of Mobilitrax, the key factor favouring cellular phones as a strong platform in the rural and township sector is its wide reach and reduced cost. "It has 100% reach into all households and a broad choice of cost effective channels including app, web/WAP and text. Retailers can use the mobile channel to build direct relationships with customers across all market segments which will have a big impact on how and where shoppers shop," he says. Lyndsay

Webster-Rozon, Pick n Pay's general manager for e-tailing, says Pick n Pay believes mobile payments will be a required tender type in the not too distant future. Over the next 12 to 18 months they will enable e-currencies and m-payments through their Point Of Sale (POS).

An example of a money transfer system is the Instant Money service that Spar launched in March 2010, which costs R9.95 per transfer. It is currently growing at 40% month-on-month and includes 380 Spar stores. The sender, who does not need a bank account, goes to a Spar and hands the cashier the money to be sent, providing a copy of his ID to comply with FICA rules. The cashier accepts payment and charges the sender the fee to send the money voucher to the recipient's cellular phone. The sender gives the recipient a pin number to enable them to release the voucher and

IN-STORE ATMs, EFTs & AIRTIME ►

the recipient cashes out the voucher they receive on their cellular phone at the Instant Money counter at any other Spar.

Employers can also pay staff with virtual money vouchers as an alternative to cash, cheque or bank deposits and they can use this technology with the 'bulk issue' service, enabling them to send multiple mobile cash vouchers to staff. This can be useful for businesses that pay out weekly wages where paying cash is typically a risk and challenge as most of these employees do not have a bank account.

Mimoney, the e-currency powered by Standard Bank, is free to get and free to spend with no transaction fees

Incredible Connection and over 20 of South Africa's premier online stores such as www.kalahari.net, www.wantitall.co.za and www.netflorist.co.za. now offer customers the service of paying for purchases using virtual currency Mimoney. The e-currency,

When it comes to customers preferring to use hard cash for their transactions or any other method it seems cash is still king among the large majority despite the trend towards using e-currency.



powered by Standard Bank, is free to get and free to spend with no transaction fees. When shopping in store, customers produce their cellular phone number and Mimoney voucher code at the checkout counter to purchase a product. The e-currency can be bought at Incredible Connection stores, Ster Kinekor, Standard Bank's online Autopay facility, and the Mimoney website. Jayson Moodley, value added services manager for Boxer, says Boxer is consulting with banks about various options of instant money transfers but have not yet introduced any. Money transfer services will probably be slow to start because the lower LSM market which the store targets still prefers hard cash. Webster-Rozon says Pick n Pay is looking to enable a number of e-currencies across banking, telecommunications and private providers, which will all be enabled in a similar way to ensure an enhanced shopping experience for the customer.

Mobile banking leads in Africa

The newest trends in mobile payments include Pocit and Mowaly – services that use cellular phones to facilitate payments directly to and from accounts. These payment options are working well in Kenya where the banking landscape is not well developed. Mr Price and Truworths are starting to use this method for payment of bills. Retailers send their store card clients a message to pay their monthly statement ►



Most rural South Africans live many kilometres from their nearest ATM and drawing cash involves a long journey so more retailers are supplying ATMs in these areas.

Interesting facts about the latest payment technology

- Banks are currently piloting cheaper branchless banking options using cellular phone banking, internet banking, ATMs and Point Of Sale devices at retailers to address the needs of millions who are unbanked or underbanked.
- More than 45 million people own a cellular phone while only 11 million South Africans have a bank account making cellular phones the preferred way for money transfers to be done.
- Thousands of automatic teller machines (ATMs) are urgently needed in rural South Africa to meet the demand for financial services, retailers in outlying areas can capitalise on this need.
- The Spark Cash Index indicates that consumers withdrew more cash in April and May 2011 than in April and May 2010. April figures were up 4.78% while May figures were up by 1.00%.
- The Genesis analytics report of January 2011 states that middle income to high income segments use debit and credit cards to make payments at retail outlets more than once a week and a minimum of once a month.

IN-STORE ATMs, EFTs & AIRTIME ►

via sms. Customers then have the option to pay via Pocit (immediately online) or to come into the store and pay. These methods are also being used to buy prepaid electricity, pay fines and purchase airtime.

SA must deploy thousands of ATMs to meet rural demand

"In 2002, the Financial Services Charter required that basic financial services such as Automated Teller Machines (ATMs) be provided to 80% of South Africa's poor by 2008. The financial services industry has not yet met this goal," says Marc Sternberg, MD of Spark ATM Systems, an independent ATM operator. Thousands of ATMs are urgently needed in rural South Africa to meet the demand for financial services.

Most rural South Africans live many kilometres from their nearest ATM and drawing cash involves a long journey that can cost R50 or more

"There are about 20 000 ATMs scattered across South Africa. However, most of these are concentrated in urban areas. Most rural South Africans live many kilometres from their nearest ATM and drawing cash involves a long journey that can cost R50 or more. People in rural areas will have more disposable income if they don't need to spend on a lengthy journey to get cash and research shows cash withdrawn from rural ATMs tends to be spent in the local economy.

Sternberg says an in-store ATM is a great way to stimulate much needed sales with studies showing sales can be increased by an average of 10% and as much as 25% in this way. An ATM attracts more feet through the front door and once inside, customers are likely to spend their cash in-store. For some retailers, space to place the machine within a retail outlet can be a problem but many companies offer a



Trevor Wilkins

Self-loading ATMs have become a popular choice for retailers whereby retailers fill their in-store ATM with their own cash as opposed to the more costly option of Cash in Transit (CIT) companies filling their ATM.

compact design of ATM where little space is taken up. There are a number of installation options to avoid space constraints.

Self-loading ATMs have become a popular choice for retailers where retailers fill their in-store ATM with their own cash as opposed to the more costly option of Cash in Transit (CIT) companies filling their ATM. An in-store ATM is far more secure than an outside one as it can be watched at all times while the business is open. A self-loading ATM can be filled at a time convenient and most secure for the retailer – usually outside trading hours.

These ATMs are easy to install and the retailer can save on bank charges by using the ATM as a deposit facility. Retailers can empty the cash cassette at night and leave the ATM safe door open, protecting themselves against the threat of vandalism. They also offer additional convenient transactions such as prepaid and top-up vouchers for cell phones. Wireless technology is used, allowing for ease of connectivity making them perfect for processing transactions in remote areas

through any device type to any host.

A retailer can also match the supply and demand for cash which can be an advantage in terms of sales, cost savings and increased profits. CIT-filled machines, put the retailer and his clients more at risk of attack while the machine is being filled and these machines hold more cash and are filled less frequently than merchant-filled ones.

Boxer's Jayson Moodley says Boxer has ATMs in place in all their stores across the country and in most they even have the ATMs of four major banks side-by-side for customers to choose. In the past year Boxer deployed hundreds of machines with the result of transaction numbers increasing and customers are even now demanding four or five more machines per store.

In some areas banks don't have the CIT service facilities available so Boxer makes use of self-loading ATMs. The retail chain is changing back to having banks feed the machines as there is not enough money in store to keep feeding machines due to pension payouts at the end of the month. Banks are able to fill the machines

constantly and the security risk is removed from the store owner to the bank. Pick n Pay's Lyndsay Webster-Rozon says none of their corporate stores have self-loading ATMs but a few of their independently-owned franchise stores do. "It is not part of our strategy due to security concerns. We have evaluated the financial advantages of using self-loading ATMs and no real benefit is derived. Pick n Pay is embarking on a national in-store ATM rollout which will bring the convenience to our rural (as well as metropolitan) customer base," she says.

The remote opening of accounts is a paperless, online solution where a smart phone device is used to open an account in less than 10 minutes and a banking card is issued immediately



The needs of millions of people in South Africa who are either unbanked or underbanked are now being addressed through cellular phone banking, internet banking, ATMs and POS devices at retailers.

Branchless banking brings in customers

Absa is currently piloting a cheaper branchless banking option that will benefit millions of the unbanked and underbanked. The needs of an estimated 13 million people in South Africa who are either unbanked or underbanked will be addressed through cellular phone banking, internet banking, ATMs and POS devices

at retailers. Account holders of the bank's Mzansi, Flexi, prepaid or Sekulula debit cards will all benefit largely from branchless banking and the CashSend cardless banking solution will now be used by customers to conduct real-time money transfers via 7 500 ATMs.

Branchless banking combines many out-of-branch banking offerings including basic banking such as withdrawals, balance ▶



INTEGRATED RETAIL MANAGEMENT SOLUTION

Arch offers a range of cost effective Value-Adds, in the form of third party software, which integrate seamlessly with Arch Retail Systems for extended functionality. Value-Adds can be installed during new Arch installations, or added to existing Arch systems.



Airtime

- Comm Express Services
- Wide range of pre-paid products
- Pre-loaded stock on local server
- Stock automatically topped up
- No dial-up connection required for remote authentication
- Weekly sales reports provided
- Soon to come, pre-paid tollgate vouchers and universal pre-paid electricity

EFT

- Nomad EFT (market leader)
- Bank supplied pin-pads at each POS
- Activated with card transaction on Arch POS
- Quick, easy and convenient

Other Value-Adds

- Accounting Integration
- Loyalty Card Systems
- Butchery Systems
- Recipe Systems



Address: Unit 2B3, The Avenues, Parklands Main and Village Walk, Parklands, Cape Town
 Tel: +27 (0)21 556 2724 Fax: +27 (0)21 556 5673 Email: info@archsoftware.co.za www.archsoftware.co.za
 Contact: Wynand Small on +27 (0)84 259 4436 (National Sales & Marketing Manager)
 Branches: Cape Town, Johannesburg, Durban, Port Elizabeth, Bloemfontein, Windhoek (Namibia), Gaborone (Botswana)

Prevent security risks

According to Rob Rogan, commercial director at ATM Solutions, there are a number of ways to prevent potential ATM security risks:

- Conduct regular inspections on the ATM and surrounding area.
- Point all CCTV cameras to the ATM and store the footage for at least three months.
- Connect the shop alarm to the ATM alarm.
- Give specific instructions to the armed response companies to inspect the premises at all entry points, especially the roof area.
- Merchant should uncash the ATM every day after hours (6pm to 6am) between the 22nd of the month and the 5th of the next month. The safe doors of the ATM should be left open to indicate there is no cash in the ATM.
- Close roller shutter doors and P100 doors daily after hours or according to schedule.
- Make sure the ATM is well lit at night – especially if outside facing.

enquiries and deposits while purchasing airtime and prepaid electricity and can be done using debit cards. "Our pilot study into the sustainability of branchless banking shows great promise. Branchless banking transactional fees are much cheaper for the customer," says Daphne Motsepe, Absa chief executive of unsecured lending.

Residents of outlying areas where branchless banking is available in stores won't have to incur the expense or inconvenience of travelling to a branch in the city and wait in queues to conduct banking. They will be able to make use of the remote opening of accounts which is a paperless, online solution whereby a smart phone device is used to open an account in less than 10 minutes and a banking card is issued immediately. "More than 200 field agents will assist the process and the bank aims to increase the number of retail partners to over 1 000 by the end of the year," says Motsepe.


She emphasises that retailers in the community should partner with banks as it will bring more customers into stores and provide an additional service to customers. "Branchless banking also benefits a large number of the bank's two million social grant recipients who receive payments through AllPay, a subsidiary company responsible for managing payments to social grant beneficiaries," adds Motsepe. AllPay has partnered with Pick n Pay, Spar and Boxer in high-density areas to facilitate cash payments. Millions of rands are currently being paid monthly to social grant beneficiaries through retailers who are open seven days a week.

Cash is still king

When it comes to customers preferring to use hard cash for their transactions or any other method it seems cash is still king among the large majority despite the trend towards using e-currency. According to Sternberg, the Spark Cash Index (SCI) indicated that this year's April withdrawal figures were up 4.78% on April 2010 and May's withdrawal average was up 1.00% on May 2010. The SCI increases are well above current inflation levels showing that consumers are withdrawing more cash in real terms which is good for the economy. The trend also confirms an increase in consumer spending and a positive consumer outlook. The Spark Cash Index is a real-time indicator of consumer spending using the Spark ATM Systems' network of over 1 200 ATM points countrywide to reflect accurate, broad and timely cash utilisation data.

Spark records indicate that over time the average amount of cash withdrawn at the network of ATMs corresponds with general economic conditions in the country and particularly with variations in the prime interest rate.

Swipe machines key in middle and high income areas

Middle income to high income segments use debit and credit cards to make payments at retail outlets more than once a week and a minimum of once a month, according to the Genesis analytics report of January 2011. The Genesis 2010 analysis report states that 84% of middle income areas and 92.2% of high income areas accept cards as a means of payment. This indicates the importance of accepting cards in store in the middle and high income areas. The benefits to the retailer offering this service is that it generates more business and income for stores as customers have daily limits on drawing cash but are able to spend more using a debit or credit card. Another benefit is the safety as most armed robberies of stores take place because criminals know there are large amounts of cash on the premises. It is also costly to deposit large sums of cash, as opposed to direct transfers via card machines into the business account. The major risk with having a card-swiping machine is fraud, however if retailers partner with the right supplier, it can be eradicated. 

An in-store ATM is more secure than an outside one as it can be watched at all times while the business is open and can be filled at a time convenient and most secure for the retailer.

