

African businesses must ensure they benefit from evolving online payments

Payment solution offerings are advancing at a rate of knots, especially with the integration of technologies like AI, biometrics, and voice payments. No longer is it an option for small-scale businesses to offer their wares online without the ability for consumers to pay for their goods via a web-based portal.



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In fact, PricewaterhouseCoopers' recent [research](#) into payment systems found that there will be a 42% growth in cashless transactions by 2025, with Asia-Pacific taking the lead at 109%. This region will be followed by Africa, which will see a gain of 78% between 2020 and 2025.

In terms of volumes, global cashless payment numbers are set to increase by more than 80% from 2020 to 2025, moving from about a trillion deals to almost 1.9 trillion. The volume of online sales is then set to almost triple by 2030, according to analysis by PwC and Strategy&.

At the same time, research by [Mastercard and World Wide Worx](#) shows that there is a demand from shoppers who became accustomed to shopping online during Covid-19 and have since adopted this as part of their lifestyles. The research indicated that online retail in South Africa expanded to be worth more than R50bn last year, growing by 30% year-on-year.



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Natasha Parmanand 5 Dec 2023



"While still a small percentage of overall retail sales, which were R1.2tn last year, the gains in online shopping show that this is the place to be," says Joel Bronkowski, country lead South Africa at Paystack.

“The surge in the web-based environment offers great opportunities for entrepreneurs who are seeking to expand in an increasingly tenacious and economically difficult environment,” says Bronkowski. He adds that growth in payment systems and their simplicity of use for consumers and merchants alike means that one of the hurdles of setting up an online shop, such as the costs involved, as well as shipping products, is removed.

Benefits for sellers and shoppers

Here’s how payment technologies are evolving to meet the needs of sellers and shoppers:

One aspect that has already been making life easier for entrepreneurs is that payment systems are enabling simpler digital transactions for consumers, providing a level of stickiness. One need only look at how far things have come since South African e-commerce first made its tentative steps in the 1990s. Back then, the only form of payment available was credit cards.

From there electronic fund transfers (EFTs) gained traction in the late 1990s and early 2000s. By the mid-2000s, payment gateways entered the scene, making it easier for online merchants to accept payments in general as well as from a wider variety of sources, including debit card payments.

By the 2010s, mobile payments had entered the market. While initially primarily utilised for brick and mortar payments, they’ve become an integral part of the e-commerce sector. That same decade also witnessed the growth of instant EFTs, which offer a seamless and secure way for customers to make online payments directly from their bank accounts.

More recently, digital wallets, and cryptocurrencies, and services have come to the fore, further expanding space.



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While those changes have been absolutely essential, the sector must continue evolving. Bronkowski explains that, for example, many customers get fed up with checking out when it’s too complex and simply abandon their carts.

“A good, yet simple, check out process, such as providing a one-click system, minimises the risk that someone will not wrap up their purchase,” he says. “This also means that consumers are more likely to come back to a website that offers a simpler process rather than a competitor that makes transacting difficult.”

In addition, making it easier for customers to pay for their selected items allows businesses to grow their sales. “We have also seen a lot of what is known as BNPL, or buy now, pay later, solutions,” explains Bronkowski. These purchase plans are generally interest free and allow customers to make payments over three or six months, for example, yet receive their

products within a few days.

“The payment system simply securely gathers the consumer’s credit or debit card details and then charges them each month,” he explains. “Beyond these tweaks to current solutions, there are several more in the offing that will further revolutionise online shopping,” says Bronkowski.

“We have recently seen a move to allow consumers the option of scanning a QR code as a payment method via their banking app in a totally secure environment,” says Bronkowski. Customers can also make use of a mobile wallet linked to their bank account through an app such as Apple Pay, Google Pay, and Samsung Pay, all with a high level of security.



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Real-time payments may still be in its infancy in several countries, but these instant money transfer solutions are rapidly gaining ground, says Bronkowski. “Another contender for revolutionising the way we shop and sell online is a blockchain-based payment system.”

Still in the early stages of adoption, this peer-to-peer computerised registry of transactions could well disrupt the entire payments ecosystem.

Beyond this, says Bronkowski, advances in AI and machine learning mean that, as hackers get smarter, so too will the payment systems, as they will not only create new fraud detection systems but also improve customer authentication while making the entire experience seem more personal.

“Many banks are now also making use of biometrics for their customers to log into the app, either through fingerprint identification or facial scanning,” says Bronkowski. Voice commands, too, will be playing a role in checking out online in the not too distant future, he says.

“As technology continues to evolve, so too will payment processes, making the online world not only a safer place to shop, but also more convenient for consumers and online merchants as well. These advances will also be spurred on by the online retail environment’s growth, which will boost the opportunities for those who want to get into this space,” Bronkowski concludes.

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