

New device enables SMEs and start-ups to process card payments cheaply

A partnership between home-grown fintech-preneurs and one of South Africa's largest discount retailers is set to help small businesses by allowing them to transform their phone into a secure mobile Point of Sale (mPOS) terminal. They will be able to process debit and credit cards, cash and mobile payments with an iKhokha device.

This low-cost payment system, developed by three Durban-based entrepreneurs, the father-and-son team Matt and Clive Putman, and close friend Ramsay Daly, rolled out into flagship Game stores across the country this week.



Jody Forrester, cellular executive of Game, said: "Ordinary South Africans with a business idea can now walk into one of our stores and walk out with everything they need to start trading: equipment, tools, consumables, internet connectivity, and a safe, cashless customer payment device."

iKhokha's MD, Matt Putman, said that iKhokha emerged from their realisation that small and start-up businesses were often overlooked by larger institutions providing financial products and services. "We also recognised the challenges that people starting a business faced when it came to collecting cash and digital payments from customers."

Only a cellphone signal

The iKhokha device is a mobile card machine that allows anyone with a small business to accept debit and credit card payments. The only requirement is a cellphone signal; the buyer then enters his PIN on the device. It is being sold in 11 Game stores nationwide and will be rolled out into 35 stores over the next few months.

“We are empowering entrepreneurs in South Africa by offering them all they need to start or grow their business using the Game Store Card, which gives them the cash-flow flexibility required as a start-up. They can then simply buy what they need, walk out of the store, and immediately start earning and trading using the low-cost, mobile iKhokha device. They can buy the unit, or purchase it along with a SIM card and a smartphone as part of a Vodacom contract or a prepaid option,” said Forrester.

iKhokha’s pricing is far below that of mainstream SME-focussed financial services products, with transactions charged at only 2.75% (excluding VAT) instead of the standard 3.5% that banks typically charge. But Putman said that their device is far more than just a cheap payment device. “It provides the merchant with powerful information on their sales over time and empowers them to track and properly manage the finances of their growing enterprise.

“While cash payments can also be accepted, iKhokha eliminates the need for actual cash, which is expensive to handle, is a security risk, and is harder to track because it quickly gets ‘lost’ with day-to-day purchases not directly related to the business.”

Rigorous international testing

This South African developed and manufactured solution has been through rigorous international testing with regulatory bodies and card schemes to ensure world-class security. “The security certifications were an important factor in our decision to partner iKhokha,” said Forrester.

iKhokha is a gold member of AlphaCode, a Rand Merchant Investments (RMI) club for fintech start-up entrepreneurs.



RMI’s senior investment executive and head of AlphaCode, Dominique Collett, said: “We believe that the SME segment has been largely under-served by South African financial institutions. Yet the market is a significant one. Research shows that only an estimated 17% (+/- 1 million) of SMEs are formal and registered and, therefore, can access formal financial services. This number is even more significant when one sees that the average annual turnover of registered SMEs is around R1.3m with an average annual net profit of R500,000.

“There is very low point-of-sale (POS) penetration in the SME segment (10%), yet there is growing demand from consumers to transact in a cashless manner. This creates an opportunity to close the gap by offering POS solutions to about one million SMEs that do not have card facilities, yet most likely have a need for them. SMEs demand simple, low-cost, convenient product offerings and we believe iKhokha delivers this with its simplified pricing structure and plug-and-play offering. Distribution is always a key element in the success of any financial services business, so the partnership with Game is an exciting one.”

Aligned with Game’s positioning

Forrester added that the incorporation of iKhokha into Game’s product offering is completely aligned with Game’s

positioning as a leading South African discount retailer. “It underlines our strategy continuously to bring innovation into our stores, specifically around our in-store cellular offerings. We also like that Game’s genesis was in Durban, KwaZulu-Natal, and iKhokha is a ground-breaking innovation that comes from young Durban-based entrepreneurs.”

Putman explained: “The name is derived from the isiZulu word iKhokha, which means they, pay, he pays, she pays. Our goal is to transform small businesses through mobile innovation and become the go-to brand for SMEs seeking key financial services in SA. We also realised that we needed a distribution partner to make our device accessible to the majority of SMEs in SA. This partnership with Game is a huge step towards realising that goal.”

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