

SA's oldest buy-aid organisations adopt new payments platform

A new payments services platform called Co-Switch aims to open up the buy-aid market to both consumers and retailers, and it's currently being introduced to Cape Consumers and lemas' members and retail partners.



Cape Consumers, under their Bsmart card brand, and lemas Financial Services are both member organisations that have been in business for 71 and 81 years respectively. Both provide purchasing and payment solutions to members, using their collective buying power to negotiate discounts on purchases at retailers and service providers. Surpluses generated by the organisations are returned to members in the form of benefits, including bonus payments, or are reinvested into the business.

Co-Switch is a 'closed loop' payments platform, which means that money or rewards – such as discounts and coupons – are loaded to a card and can be spent at any of Cape Consumers or lemas' network of retail partners.

Joint venture

Marthinus Fourie, managing director at Bsmart, says: "In our early days, members would receive coupons to make discounted purchases at our network of retail partners. Over time, coupons were replaced by cheques which were eventually replaced by purchase cards. However, our existing payments services provider's system was limited to merchants who were customers of Nedbank and Absa, a total reach of about 12,000 merchants.

"The lack of functionality and support to enable new capabilities, the time and cost involved in making changes to the system, and the restrictions placed on retailers and service providers to be included in the network inhibited our product development, and was an obstacle to our expansion into new markets. This prompted us to look at acquiring an alternative solution that would open up our ecosystem to a greater pool of merchants."

Bsmart and Iemas undertook a feasibility study to acquire its own card management and account management platform, which led to the establishment of The Cooperative Switch (Pty) Ltd, a joint venture between the two organisations.

"Co-Switch was established to immediately provide a reliable, secure, proven and cost-effective alternative to our previous system that could support the growth plans for both organisations," says Louis Volschenk, executive: IT and operations at Bsmart. "In the longer term, Co-Switch will provide the enabling platform for our ambitions as an important provider in the payment ecosystem across the SADC region."

Three-phase strategy

Co-Switch selected South African payments firm Innervation Pan African Payments as its technology partner following an extensive RFP process.

With Innervation's support, Volschenk and his team developed a three-phase strategy for Co-Switch, consisting of:

- A first phase running to December 2019, which seeks to replace the current payment solution and demonstrate readiness to deliver payment acquiring, card management and authorisation services to customers;
- A second phase running throughout 2020, when further functionality and selected value-added services will be introduced while bringing members of three other buy-aid organisations on board; and
- A third phase, during which Co-Switch will seek to become an independent entity that can add further services and grow into new business opportunities and market segments.

"The strategy will establish Co-Switch as a two-sided platform that links retailers to customers through enticing rewards. This enables greater and continued payments innovation for Bsmart and its partners while delivering a better customer experience to its members," says Steyn. "For example, Co-Switch can offer institutions and other communities of customers a secure white-labelled transactional card for use by members, with the option of limiting purchases to pre-approved retail outlets."



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Opportunities for innovation

Volschenk says that there are exciting opportunities for Co-Switch to introduce new innovations to the SA market. "One exciting avenue we're investigating is creating 'anonymous' plastic. When customers receive a new card from their bank, it's usually already a debit or credit card, with the predetermined benefits and limitations for each. We're looking at creating a card whose type is determined by the customer only when they receive and activate it, giving customers complete freedom and greatly enhancing the customer experience."

The rollout of new payment cards to Bsmart customers is currently underway.

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