

Payment trends in Africa - driven by tech with an African twist

By [David Noel Lardin](#)

13 Mar 2018

Technology developments will continue to revolutionise payment in both the real and virtual worlds across the globe. As always, though, local conditions will dictate exactly how (and if) global trends affect local markets. African economies, with their quite distinct characteristics, are likely to present some atypical developments - and, if the past is any guide, some innovative lateral thinking.



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While African markets are distinct from each other, there are enough commonalities to make some generalisations possible. Perhaps the most important two characteristics shared by many African markets are the importance of mobile and a highly heterogeneous market.

Poor telecommunications infrastructure meant that Africa never really had to deal with legacy communication technologies. As a result, it has truly been an enthusiastic adopter of mobile solutions.

Africa has also shown an aptitude for developing its own unique mobile payment systems, with M-Pesa being one of the most famous. It is highly likely that the fact that Africans use mobile devices to access the virtual world will continue to drive payment trends in Africa.

The digital divide

A complicating factor is that while African networks are likely to be modern, the fact is that its economies are heterogeneous. Many Africans continue to rely on old cell phones, and there is a digital divide between a growing urban elite on the one hand, and a poorer majority located in rural areas and, increasingly, in “informal” settlements on the fringes of cities and towns. In a real sense, two economies run side by side, one relatively sophisticated and with access to top-end devices and up-to-date networks, the other with lower end devices and older network technologies.

This dichotomy is most apparent in South Africa, but the divide between city and the country/urban fringes is evident to a greater or lesser extent in many of Africa’s high-growth economies such as Nigeria, Kenya, Ethiopia, Botswana and Mauritius.

Bearing these realities in mind, let’s look at some of the important global trends that will affect the African payments arena.

Greater payment choice will enable seamless customer experience

Context-based payments are one trend that could begin to take off in African markets. These are payment processes that require no direct interaction between the consumer and merchant. A perfect example of this is Uber; the app makes a payment when the client calls a ride. These types of payment are one way that retailers and other merchants will seek to make payments easier, both online and in-store.

As more things become smart and the Internet of Things takes hold, it is likely that innovative merchants will use easy payment options to improve the customer experience both in the real and virtual worlds. For example, easy payment using apps like Snapscan and Zapper could be linked to store networks that alert consumers to purchase opportunities based on

their location, and facilitate payment.

Another big payment trend is likely to be one-click paying, such as Amazon uses.



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Many Africans rely on financing to effect purchases, particularly the lay-by system. Some market commentators believe that these types of payments could be digitised for African markets, especially at the lower end. It's likely that this sort of market-led innovation will colour what types of payment solutions take hold in African markets.

Biometric authentication will grow in importance

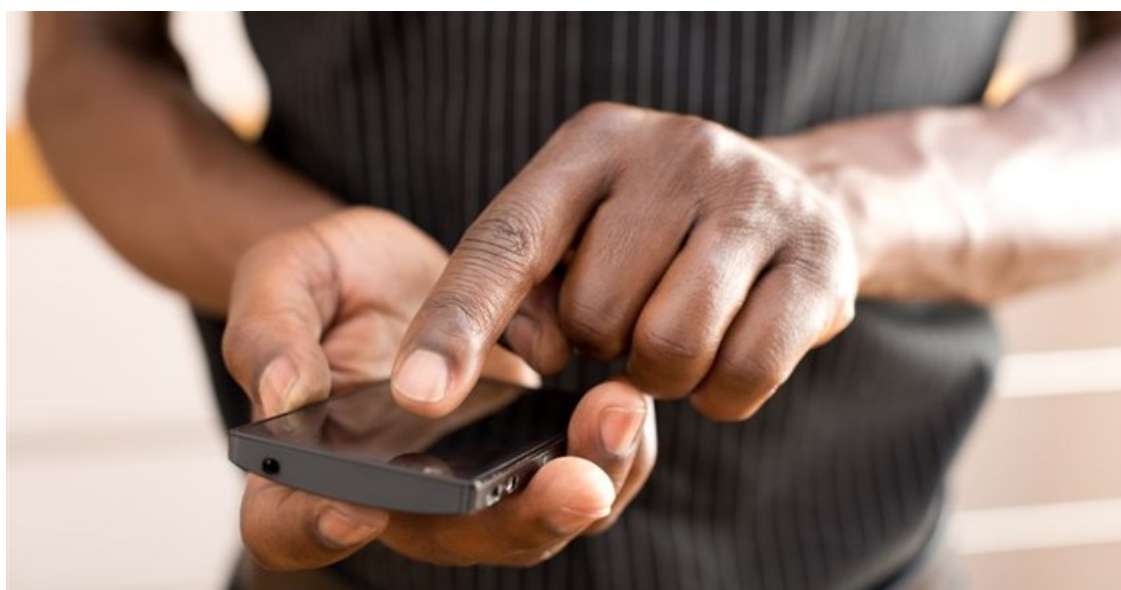
Offering a greater range of payment options is only feasible if authentication is robust. Biometric identification is already well established in mainstream banking and in certain government uses (such as voting and pension/ social grant pay-outs). In African markets, finding practical ways to use biometrics in a greater range of payment apps will yield dividends.

When it comes to biometrics, retailers' financial services could lead the way. Many Africans are already using retailers to finance purchases, and these finance houses have the opportunity to create wider payment platforms.

Mobile payments could generate some surprises

In the world of mobile payments, smartphones are firmly in the lead, but new types of wearables could change that in a limited number of affluent consumer segments. Many wearables are currently used for health and fitness tracking, but manufacturers are now working on incorporating additional features, such as payment functionality in order to make them an everyday essential.

Given that they are immediately available and require no rummaging around in bags and pockets, wearables offer a real point-of-difference over smartphones and contactless cards. So it will be interesting to see how they develop in the next few years. They will, however, remain confined to niche markets within Africa for the foreseeable future.



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Mobile apps for added value

As mobile technology improves, it's becoming clear that ease and convenience are not enough; consumers also want added value. For this reason digital loyalty programmes could be set to grow, particularly if the benefits are carefully segmented to customer groups. As always with loyalty programmes, the trick will be to create value propositions that are desirable and easy to understand.

Again, retailer financial services are perfectly poised to drive this trend as many of them already have links to loyalty programmes or run their own.

In conclusion, Africa's continued growth will depend on its ability to develop cost-effective payment systems that consumers and businesses both trust. Technology will be a key enabler, but expect it to be given a distinctly African twist.

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