

Research reveals how South Africans are embracing digital payments

As the world went into pandemic lockdown in 2020, consumers shifted their spending habits to embrace contactless tap-and-go payments and online shopping. As stores closed and social distancing took hold, retailers worldwide moved their businesses online, embraced e-commerce and explored the potential of new ways to pay.



Credit: Tim Douglas from Pexels

More than a year later, research from Mastercard shows that the adoption of new payment technologies is rising, and consumer appetite for new, fast and flexible digital experiences continues to grow.

The *Mastercard New Payments Index* shows 95% of South African consumers will consider using at least one emerging payment method, such as cryptocurrency, biometrics, contactless or QR code in the next year. Over two-thirds of respondents (66%) agree they have tried a new payment method they would not have tried under normal circumstances, but the pandemic has galvanised people to try flexible new payment options to get what they want, when they want it.

Providing choice and flexibility

With this interest and consumer demand also comes a greater expectation for businesses to provide multiple ways to shop and pay. In fact, more than half (57%) of South African consumers say they would avoid businesses that do not accept electronic payments of any kind. Additionally, just over two-thirds (77%) of South African respondents say that digital payment methods help them save money.

“The pandemic made us think differently, partly out of necessity,” said Craig Vosburg, chief product officer at Mastercard. “To deliver the choice and flexibility that consumers need – and increasingly expect – retailers worldwide need to offer a range of payment solutions that are easy to access and always on. As we look ahead, we need to continue to enable all choices, both in-store and online, to shape the fabric of commerce and make the digital economy work for everyone.”



Contactless technology was the digital catalyst to explore new payment options because of its fast, secure and touch-free experience. Between the first quarter of 2020 and the same period in 2021, more than 100 markets saw contactless as a share of total in-person transactions grow by at least 50%*.

A year into Covid-19, contactless is showing its staying power and dynamism – in the first quarter of 2021 alone, Mastercard saw 1 billion more contactless transactions globally as compared to the same period of 2020. All signs point to a continued growth path for contactless, with nearly 7 in 10 consumers globally anticipating using a contactless card this year.

Looking to the future, digital currencies, mobile wallets, wearables, biometrics, contactless and QR codes are trending as emerging payments technologies as people's comfort with them and understanding of them increases. In fact, 86% of South African consumers have more ways to pay compared to this time last year.

Expanding checkout options

The exploding interest in new payment technologies may encourage businesses to expand their options at checkout. The Mastercard New Payment Index found:

- **Cryptocurrency gains ground:** As interest in digital currencies continues to accelerate, 4 in 10 people (41%) in South Africa say they plan to use cryptocurrency in the next year, with more than half (60%) noting they are more open to using it than they were a year ago. While consumer interest in cryptocurrency – especially floating digital currencies such as Bitcoin – is high, work is still required to ensure consumer choice, protection, and their regulatory compliance.
- **Biometric payments are more trustworthy:** Perceptions of safety and convenience have been front and center for people over the past year. Thirty-eight percent of South African consumers say they plan to use biometric verification methods like fingerprint authorisation in the next year. In fact, 6 in 10 consumers say they are excited about the potential of biometric verification methods such as gait or walk assessment and fingerprint authorisation, and 56% feel safer using biometrics to verify a purchase than entering a pin. Gait or walk assessments can be used to pay based on a person's manner of walking.
- **QR codes are cleaner and more convenient:** Consumer desire for clean and convenient ways to interact with merchants will remain post-pandemic, with 46% of South Africans expecting to use more payment technologies like QR codes in the next year. In South Africa, the majority of respondents perceive new payment methods like QR codes to be cleaner (74%) and more convenient (70%) than cash for in-person payments as it is likely that consumers are using their own mobile devices.
- **Contactless cards and digital wallets become more popular:** Driven by hygiene concerns, consumers are opting for contactless payments at checkout. Sixty-three percent of South African consumers said they used their contactless card, and 52% said they tapped their smartphone mobile or digital wallet more than other payment methods in the last year. This trend is set to continue with 60% of South African respondents saying they are likely to tap a smartphone to pay in the coming year.



Businesses must adapt to emerging payment trends

With consumer interest around new payment technologies, the expectation for businesses to adapt for the long-term is here to stay. More than eight in 10 South African respondents (83%) agree that they prefer to shop at stores that have both an in-person and online presence. In fact, 75% say they are more loyal to retailers who offer multiple payment options and 77% say they would shop more frequently at small businesses if they were offered more diverse ways to pay.

“Businesses and retailers – both large and small – are faced with the challenge of ensuring fast, simple and secure payment options across channels as consumers increasingly want to shop and pay how they want. For those that are willing and able to adapt, this is an opportunity to build competitive advantage and a memorable customer experience,” said Suzanne Morel, country manager at Mastercard South Africa.

This behaviour shift is reinforced by the desire for consumer choice – with 87% of South Africans saying they expect to make purchases when they want and how they want. The businesses that can provide multiple ways to shop and pay are best positioned to meet these expectations. As the demand for emerging payments and choice continues, it requires a wider range of payment solutions, insights, and products to meet the accelerating enthusiasm of the future state of pay.

***Growth calculated between the first quarter of 2020 and the same period in 2021. Source: Mastercard Data Warehouse anonymised and aggregated transaction data.*