

Transforming retail finance and insurance with technology

Technology is very much front of mind when it comes to finance and insurance for retailers

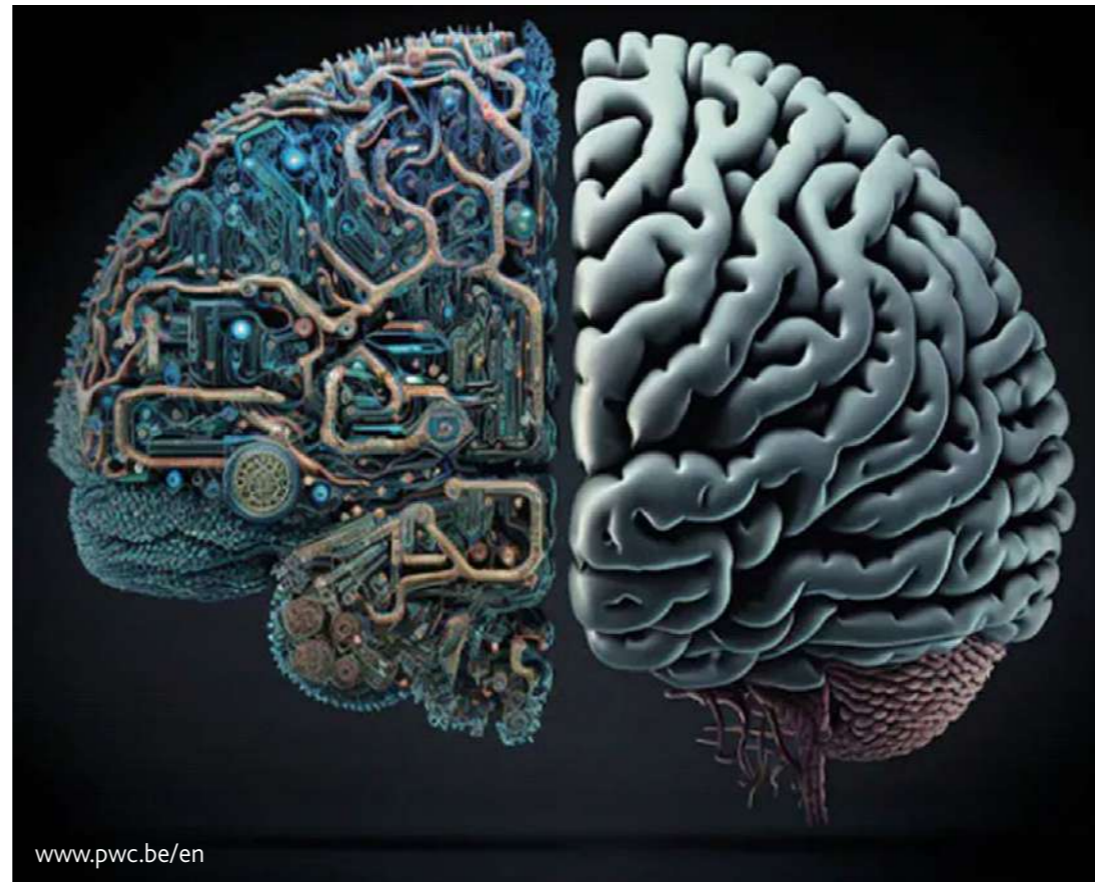
To capitalise on modern financial solutions takes more than just business savvy – retailers and wholesalers need to be tech-savvy, too. Thankfully, as technology advances, it's also becoming easier and more accessible to stores, especially those who have had a less than warm relationship with technology in the past.

Not only that, but consumers have also become more confident with technology, and so the interplay between the technology solutions that retailers and wholesalers adopt for their business finance on the back end is often seamlessly integrated with popular consumer applications on the front-end. If structured properly, this can have knock-on benefits for the entire operation from till point to back office.

In this feature, we'll take a look at some trends shaping retail finance and insurance, and specifically at the related technologies available for retailers and wholesalers to capitalise on their business operations.

Digital transformation in retail

According to Huge Connect, the year 2023 "laid the groundwork for the digital transformation in South African retail." With consumer confidence at an all-time low following the Covid pandemic, coupled



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with declining household expenditure, retailers and wholesalers had to confront changes in consumer shopping patterns, highly constrained budgets and much higher demand for online buying, and adapt their operations to meet the 'new normal'.

To meet and exceed the new expectations of a changed landscape, many retailers and some wholesalers are transforming their operations, both financially, and using technology-based solutions to do so.



Sumay Dippenaar,

General Manager Marketing for retail finance solutions provider

Capital Connect,

says the retail finance sector is being redefined by digital transformation.

"We have seen the rise of a new class of client-centric fintech companies that work closely with businesses to offer seamless, tech-fuelled solutions that address their pain points in areas such as business financing and payment acceptance," says Dippenaar.

“ For example, they offer solutions that auto-manage cashflow for stock purchases and enable retailers to manage cash and cashless payments in one ecosystem to support customer choice.

They also offer easier access to instant growth capital for retailers via an app. ”

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What is digital transformation?

Digital transformation is the integration of digital technology into all areas of a business, fundamentally changing how you operate and deliver value to customers. It's also a cultural change that requires organizations to continually challenge the status quo, experiment, and get comfortable with failure. <https://enterpriseproject.com/>

Connecting retailers to cash

Today's financial technology solutions are designed to connect retailers to cash, capital, card and prepaid value-added products and services. As digital transformation accelerates, fintech companies are developing more sophisticated mobile payment platforms, contactless payment solutions, and digital wallets.

The 2024 State of Small Business Report from Xero found that 26% of small businesses report that access to funding is a barrier. New transformative technologies are therefore designed to offer seamless, secure, and fast transactions, catering to the increasing consumer demand for convenience and the need for retailers to process payments efficiently.

Fast fintech funding, which allows small and medium sized retailers to effectively manage their cash flow, presents a significant opportunity for business to grow and it grants speedy access to necessary funds.

For a small or medium business (SMB) retailer,

waiting weeks for a traditional lender to approve and pay out a loan when an opportunity arises is not feasible. The solution is to offer local retailers speedy and cost-effective funding, ensuring they never miss a chance to expand their businesses.



This level of 'opportunity capital' enables an SMB retailer to move the needle and boost profits by ...

- Acting quickly to make a bulk purchase of goods at a discounted rate, such as a time-limited price offer from a wholesaler or manufacturer.
- Stocking up in good time for a seasonal event like Easter, Black Friday, festive season, or back-to-school.
- Diversifying products or services or adding in-store profit centres such as bakeries, fish shops, cheese bars, and delicatessens.
- Giving a store a facelift with new fittings and décor to increase foot traffic.

Fintech companies are also developing digital lending platforms that allow retailers to access credit more easily and quickly. These platforms often use alternative data to assess credit-worthiness, making it easier for smaller or newer retailers to

obtain the financing they need to grow.

Retailers want to be able to apply for an unsecured business loan within minutes, simply by using an app available on iOS or Android. Innovative use of technology that makes this possible is therefore at the heart of any commercial finance business's success.

Fintech leaders are utilising analytics and data modelling to promptly assess and approve loans, enabling clients to obtain the necessary funds for innovation, outpacing their rivals, and ultimately thriving in a tough market. Algorithms and model-based lending refer to the use of sophisticated mathematical models and algorithms to assess creditworthiness, determine lending risk, and make decisions about granting loans in a matter of minutes. Access to rich, online data sources enables the lender to assess whether a retailer is a sound borrower without the usual requirement for audited financial statements and prolonged processing.



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Connect to cash within minutes, using technology

Examples of how leading fintech companies in the retail sector use technology to quickly connect their clients to cash include:

A modern cash vault is a hardened device with proven technology for safe and efficient daily cash handling. Once the retailer deposits their cash into the cash vault, the funds are guaranteed in their bank account – same day, with an immediate risk transfer. An Instant Access facility enables retailers to access the cash in real-time, whenever they need it.

SuperWallets are becoming a game-changer for retailers in the formal market. Once a retailer deposits cash into the retail cash vault, the funds reflect in real-time in the merchant's SuperWallet. They can cash funds out to their bank account instantly or use it to pay over 450 pre-loaded suppliers without having to pay a cash deposit fee, saving them time and money.

A wide range of payments options is important for retailers to offer customers, including cash, card, and digital wallets. There has been an increase in scan-to-pay, contactless card and tap-to-phone adoption since the pandemic.

Fintech payments companies also offer a wide range of card and digital payments acceptance solutions – including phone-based apps for smaller retailers, value-added services (VAS) terminals, and devices that enable merchants to sell virtual products like airtime, as well as accept card payments.

Mobile technology is one of the keys to this new fintech world.

A leading fintech provider will offer retailers a mobile app that enables the retailer to easily transact in real-time, view and manage the cash in their retail cash vault or ATM recycler, or even borrow millions of rands in working capital without red tape or needing to go through a drawn-out and complicated credit process.



Image by Jaydeep Joshi from Pixabay

Advanced and alternative payment methods

Some of the key tech enablers in retail today are the various integrated payment solutions that allow retailers to manage multiple payment methods, ranging from traditional credit/debit cards to digital wallets and even cryptocurrencies. This integration not only streamlines the checkout process but also provides retailers with valuable data on customer preferences and spending habits.

As first reported in News24, (4 Sept 2023, compiled by William Brederode), Pick n Pay is one of the few retailers currently pioneering Bitcoin payments in-store. Customers who want to pay for groceries, municipal bills, electricity, airtime, or other services or goods at Pick n Pay using Bitcoin can now do so through the Luno or VALR app by scanning a QR code.

According to ITWeb (13 June 2024, Simnikiwe Mzekandaba, IT in government editor), Pick n Pay's cryptocurrency payment option has become so popular, it recently hit the R1m threshold per month, and the trend shows no signs of abating.

The article quotes Deven Moodley, Pick n Pay's head of value-added services, financial services and mobile division, as saying that crypto was previously something only computer boffins knew about, but Pick n Pay has paved the way for its customers to be early adopters by using their digital currency as a method of everyday payment.



HARNESSING TECHNOLOGY FOR SMARTER SUPPLY CHAINS

In an increasingly interconnected and competitive world, staying ahead of the curve with innovative technology solutions will be key to sustaining growth and achieving long-term success. Traditional supply chains, often characterized by linear processes and manual workflows, struggle to keep up with the dynamic demands of modern business, therefore leveraging technology is no longer an option but a necessity for building smarter, more resilient supply chains. Our courses designed to equip you with the knowledge and skills needed to foster personal and professional growth, empowering your business with expertise to thrive forward with innovative, technology-driven solutions.

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“Crypto payments, which continue to grow month on month, fit into our Ways2Pay strategy of giving more customers mechanisms to pay in our stores,” he says. “This is part of Pick n Pay’s journey to an economy that is less dependent on cash, and one that drives financial inclusion, which is a priority for the company.”

Similarly, blockchain technology is increasingly being offered as a solution for secure and transparent financial retail transactions.

A blockchain is a database that maintains growing records of data. It consists of a set of protected ‘information blocks’ that are chained sequentially to one another. The purpose of the blockchain is to share information amongst users that access it via an application.

Access may be unrestricted (‘permissionless’) or restricted (‘permissioned’). Once information is recorded on the blockchain, it is considered immutable because it is so strongly protected.

Blockchain originated with Bitcoin and is now used for many other applications. Fintech companies are leveraging blockchain to provide retailers with tamper-proof records of transactions and assets, which is particularly useful in preventing fraud and ensuring data integrity.

Retailers are using blockchain for organising, securing and sharing data, and to provide innovative solutions to engage consumers and build trust in products and brands.



<https://www.hulkapps.com/>

CHOOSING A FINTECH PARTNER

In terms of best practice, what should retailers be looking for from a finance and insurance technology partner?

One-stop-shop. Retailers can simplify operations by partnering with a fintech company that offers a complete suite of cash, card and prepaid value-added products and services.

Vertical industry insight. A partner that focuses on verticals such as retail will be able to offer more customised solutions that are designed to address specific industry pain points.

No red tape. Leading fintech companies remove friction from the business relationship. The waiting time for a loan application to be approved is considerably shorter, and no audited financials should be required. For example, Capital Connect uses the data they have about merchant transactions on their card payment machines and

cash vaults to grant funding in just 24 hours – up to 50% of the applicant’s average monthly cash and card turnover with a maximum up to R5m.

Digital convenience. Retailers should be able to manage most aspects of their relationship with their provider online or via an app.

Affordable and flexible. Today’s fintech solutions are flexible to accommodate a retailer’s cash flow requirements, so retailers can choose a short-term loan repayment period that suits their pocket. Automated cash vaults allow the retailer to repay their loans with small daily deductions straight from cash deposited into their onsite vault (or the fintech lender may debit directly from the bank account, depending on the terms of the loan. Small daily instalments help to manage cash flow and provide an option that is less strenuous than large debit orders at the end of the month.

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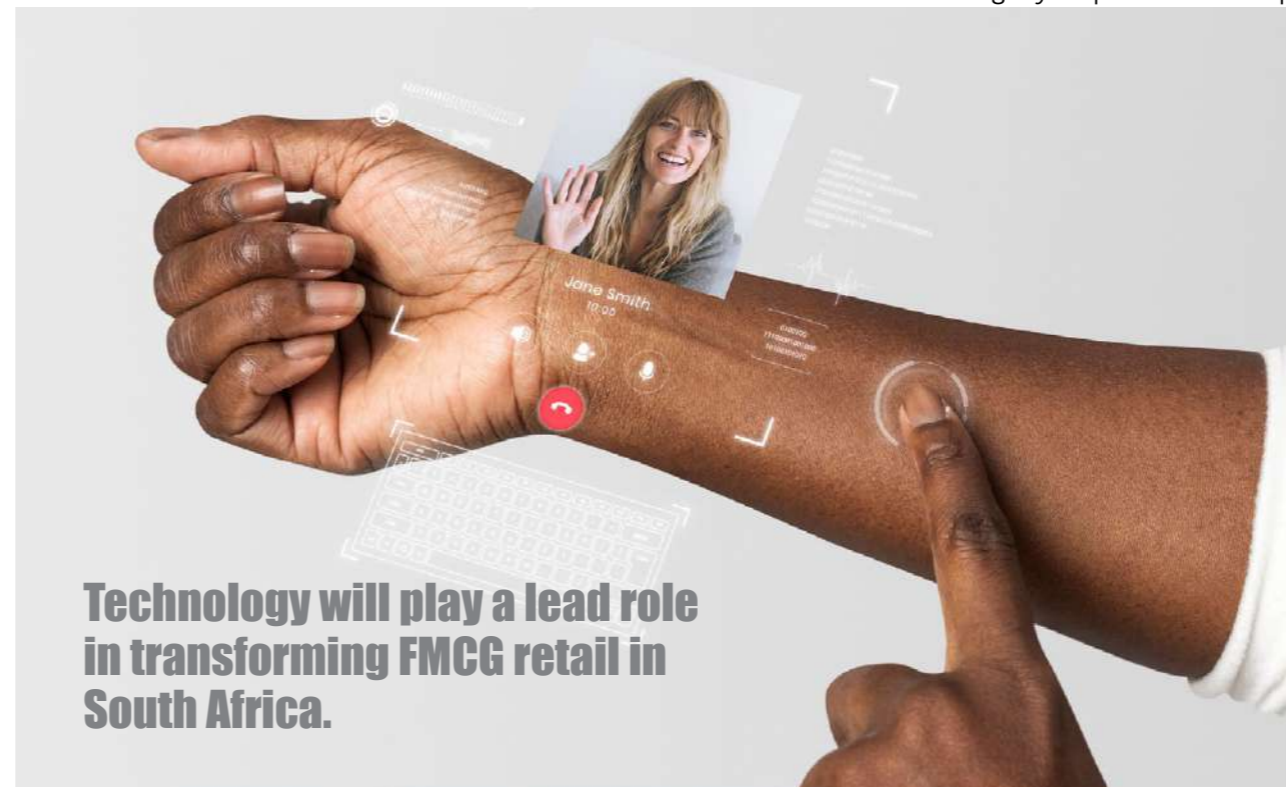
Business finance is not the only focus of innovative technology solutions. Fintech companies are starting to offer InsurTech platforms that provide tailored insurance solutions for retailers and their customers.

“These platforms often use big data and AI to offer personalised insurance products, such as cyber insurance or business interruption coverage, which are specifically designed for the retail sector.”

According to insurance news, research and skills development experts Cover, major retailers are at the forefront of this transformative trend ...

“The seamless integration of insurance policies into existing products and services is allowing retail groups to branch out into new revenue streams and enhance value for their customers.”

Also known as embedded insurance, or the real-time bundling of insurance with a purchase or at the point of sale, this concept was first popularised by cellular providers offering built-in insurance options with their devices, which are generally competitive with similar services offered by specialised insurers. That it's taken off in South African retail circles is not surprising. Deloitte expects the embedded insurance market alone will reach US\$700b globally by 2030.



Technology leads the way in retail finance and insurance solutions

Looking ahead, financial technology companies are working towards even more tailored solutions for different segments of the retail market. Take for instance lending options designed to meet the ever-changing requirements of retail industries characterised by rapid stock turnover, narrow profit margins, and ongoing issues with cash flow. As fintech advancements continue to evolve, there will also be opportunities for customised financing solutions that leverage real-time information through artificial intelligence and machine learning, enabling retailers to obtain quick access to capital.

Whether the required solution is a basic financial package for a back office, an advanced and integrated solution for financial payments, data analytics to customise the shopping experience, online app

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As artificial intelligence and machine learning become more sophisticated, fintechs will also be able to offer more tailored financing products for retailers that use real-time data to unlock even faster access to capital.

development and online shopping, or a value-add differentiator like embedded insurance solutions at the pay points, technology will, without doubt, play a lead role in transforming FMCG retail in South Africa. **SR**

Sources:

Digital Transformation in Retail: South Africa's 2024 outlook
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