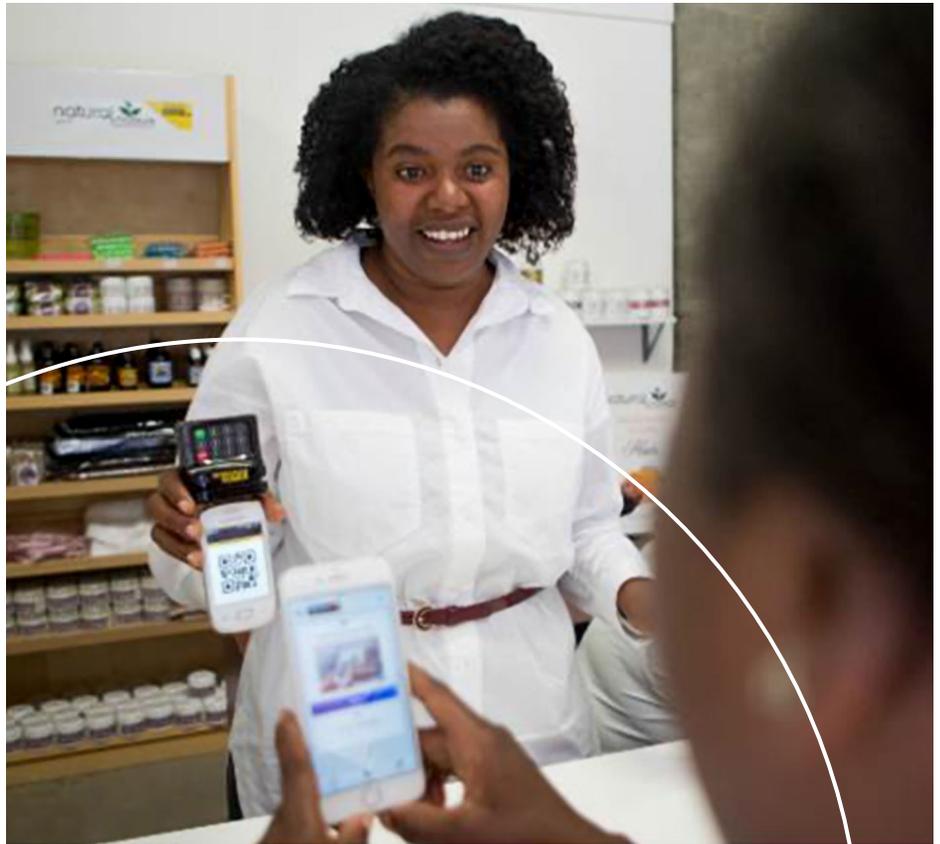


## Case study: mobile point of sale

# Consumers enjoy secure, cashless payments as merchants grow their sales with the help of a South African FinTech



### Challenge

The number of consumers in South Africa who prefer the security of payment cards is on the rise, especially since the introduction of the SASSA card. But smaller businesses, like food shops and hair salons, which serve high volumes of customers and tend to attract cash-related crimes, lacked an affordable means to accept electronic payments.

### Solution

Working with UniCredit Bank, iKhokha is a brand-agnostic mobile payments solution that enables a merchant to work with one service provider to accept cash, cards, digital payments and multiple tokens via smartphone or tablet. iKhokha-enabled merchants also accept Masterpass®, so South Africans can use the Mastercard® digital wallet to pay in their favorite stores.

### Results

iKhokha has activated 4,500 merchants to date and is growing at a rate of 10 percent per month. The application is used by a range of businesses, including beauty salons, fashion boutiques, groceries, healthcare practitioners, and legal firms. Many have seen sales increase by 20 percent since accepting card payments.

Now able to accept card payments with the iKhokha Mobile POS solution, many merchants have seen sales increase by **20%**

## Growing sales by enabling consumers to use credit and debit cards

South Africa's traditional cash-based economy is evolving as consumers see the advantages of making purchases with payment cards—and avoiding the risk of carrying large amounts of cash. At the center of this movement toward secure electronic payments is iKhokha, an innovative FinTech in Durban that enables small and medium-sized enterprises (SMEs) to accept card payments. Just a few years ago, most merchants were unable to process card payments. But armed with iKhokha's low-cost, mobile payment device, linked to a smartphone or tablet, millions of South Africans can now buy goods and services from their favorite merchants with a credit or debit card. South Africa's merchants benefit too, from increased sales and access to working capital from iKhokha to grow their businesses.

The shift from cash to card began in 2012, when the South African Social Security Agency (SASSA) launched a chip-and-PIN debit card to provide social grants to nearly 17 million South Africans. The card is popular, and people began to use it to pay directly for goods and services, rather than withdrawing cash at ATMs.

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### Challenge

More and more South African consumers want to switch from cash to card payments, especially with the success of the government-issued SASSA debit card. However, as in many emerging markets, card penetration in South Africa has been stymied by the inability of small-and medium-size merchants (SMEs) to acquire affordable POS terminals. Acquirers and issuers typically have not served the SME market, and those businesses need affordable mobile payment devices, as well as education and support in how to implement electronic payments.

### Solution

Payment facilitators, like iKhokha, are filling the gap. The low-cost iKhokha card reader attaches to a smartphone or tablet and works with an app, compatible with most mobile phones, that the merchant downloads. The customer inserts the card into the reader, while the merchant enters the transaction information and follows on-screen prompts to complete the sale. In addition to processing credit and debit cards, merchants can use the iKhokha device to capture cash, sell airtime for a rebate, and get cash advances to support their business.

The iKhokha solution offers considerable advantages:

- Portable and adaptable for all types of merchants
- Affordable, rapid deployment, and scalability to grow with the merchant
- Low investment and minimal technology requirements
- Ability to manage inventory, as well as analyze sales
- Simple user interfaces for both seller and consumer encourages activation

"Many customers spend more with me now they can swipe their cards on my iKhokha device. They aren't restricted by the cash in their purses."

RUTH MAFUPA,  
SMALL BUSINESS OWNER

"Through our collaboration with Mastercard and Masterpass, we are helping merchants walk the journey from cash to card to digital acceptance."

MATT PUTNAM,  
MANAGING DIRECTOR, IKHOKHA

Because iKhokha understands that education and customer support—the last mile—is critical to making SMEs successful with its mPOS solution, the fintech has an extensive support program that includes rigorous training, ongoing monitoring of SMEs' activation and usage rates, and a call center that speaks multiple languages, among other efforts:

**Omni-channel marketing** – iKhokha markets the solution to South Africa's small business community via multiple channels. Portals in Game stores, a major electronics chain in South Africa, allow small business owners to apply online and receive confirmation almost immediately from iKhokha's dedicated onboarding team. If approved, the merchant can leave with an activated iKhokha device in less than an hour. Marketing is also conducted via a 25-person team of sales agents and a telesales force that, between them, are signing up around 65 new merchants per month.

**Driving high activation** – iKhokha has rigorous after-sale support to ensure readers are activated and the merchants are successful with the devices. An iKhokha customer support specialist phones each merchant, and offers to guide them through their first transaction over the phone, conducting a test transaction to help them gain confidence. Newly signed merchants receive an educational mailer every few days with information on using the solution. Social media is employed as well, with how-to YouTube videos and an active Facebook page.

**Masterpass-ready** – When shoppers choose to pay iKhokha retailers using Masterpass, they open the Masterpass app on their mobile device, and scan the unique QR code generated on the iKhokha retailer's smart device. After shoppers enter their bank PIN number or 3DSecure code and CVV/CVC number on their own device, the transaction is complete. Unlike other similar solutions, each Masterpass transaction is classified as an Authenticated Mobile Transaction by South African banks, ensuring that consumers enjoy the highest protection from fraudsters.

## Results

**Increased sales** – Merchants who implement the iKhokha solution typically see an increase in sales volume, with many reporting at least 20 percent higher receipts. Card acceptance gives consumers greater confidence, and enables them to make purchases even when they have no cash on hand.

**Expanded financial options for low-income consumers** – Low-income earners generally withdraw their entire monthly income from an ATM, and then carry cash for the month, since card acceptance is limited in informal settlements. iKhokha extends financial inclusion to more merchants and consumers, while educating them on the benefits of using payment cards instead of unsafe and costly cash.

**Cash advance to grow the business** – This innovative feature enables merchants to receive a cash advance from iKhokha, based on their sales volume, which they can use to buy additional inventory or make other investments in their businesses.

**Online reporting lets merchants easily track sales and reconcile transactions** – iKhokha merchants can easily reconcile their monthly sales through the iKhokha.biz insights platform. This site allows merchants to track sales with real-time graphs, view and download a full transaction history including receipts, view all settlements, download tax invoices, track referrals, and create unique staff logins.

## Everyone benefits from greater payment security

Increasing payment efficiency is a win-win for both consumers and businesses. That's why more companies are turning to Mobile POS solutions. Juniper Research forecasts that the use of MPOS systems will account for more than one in three POS terminals by 2021,<sup>1</sup> driven by larger retailers adopting MPOS as part of an array of point-of-sale options. With Mobile POS, companies are finding it easier to increase sales and grow their businesses.

For more information, please contact the Mastercard Mobile POS Team at [mobilepos@mastercard.com](mailto:mobilepos@mastercard.com)

1. Juniper Research, POS Terminals: Market Strategies & Segment Forecasts 2016–2021, August 2016.