

February

2023



Consumer digital payments preferences: South Africa

About Stitch

“ Our goal is to help businesses grow faster, by enabling them to build better, more efficient payments solutions, while making it easier than ever for consumers to participate in the digital economy.”

→ Kiaan Pillay
CEO at Stitch

Stitch was created to enable businesses to more easily connect to the financial system – so they can launch and scale more quickly, and operate more efficiently. Today our API enables businesses to accept, send and manage digital payments, with an experience designed to make it easier for consumers to pay.

Stitch launched in February 2021 and is headquartered in South Africa. Learn more at stitch.money.

Introduction

Over the last few years, South Africa has seen a dramatic rise in online spending, which only continues to grow. The e-commerce market is **predicted to reach more than R400 billion** annually by 2025, from more than 1 billion transactions.

This growth can be attributed to a number of catalysts. The COVID pandemic forced businesses and consumers alike to find a way to transact digitally for the first time. Ever-increasing access to connectivity, smartphones and digital financial services is enabling more consumers to pay online, while players like Yoco, Peach Payments, Zapper, SnapScan and others are making it easier than ever for businesses to accept those payments.

As well, the availability of faster, more convenient and more accessible payment methods – such as Instant EFT, which can be leveraged by anyone with a bank account – are removing friction in this process, bringing the digital experience ever-closer to the convenience of paying in cash.

Consumers are becoming increasingly savvy and continue to demand more from their e-commerce experience. And they're demonstrating these preferences through the brands and platforms they choose to shop with.

As competition grows and options increase, trust and security – and a friction-free experience – can significantly differentiate brands vs the competition.

Stitch recently surveyed consumers in South Africa to better understand their online purchasing and payments preferences, reasons for choosing one app or platform over another and how they perceive new payment methods such as Instant EFT.

Key takeaways

→ Online shopping continues to soar

Consumers in South Africa are spending frequently online, with most making a purchase at least once per month – and nearly half once per week

→ Instant EFT is the fastest-growing payment method.

While card remains the preferred payment method, Instant EFT has quickly become a close second, rising well above methods such as manual EFT, debit order and mobile wallet

→ Convenience and speed factor high in choice of payment method.

74% of respondents have made a purchase using Instant EFT and cited benefits including “it’s fast, easy and effective”, “it’s safe and reliable” and “it’s convenient”

→ User experience and trust are key factors when deciding where to shop.

As consumers become more comfortable making digital purchases, and businesses find ways to better meet their needs, a positive user experience and trust in the brand are becoming major differentiators in an increasingly competitive e-commerce environment

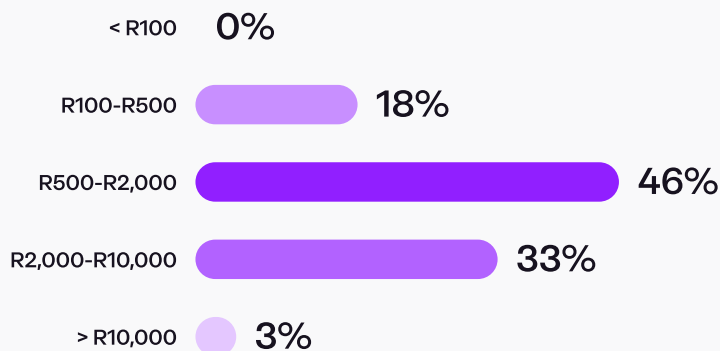
→ Easy checkout, smooth payments and seamless refunds are key indicators of a positive shopping experience.

More than half of respondents said the ability to pay quickly and easily would influence where they decide to shop and whether they’ll return

The continued rise of online purchasing

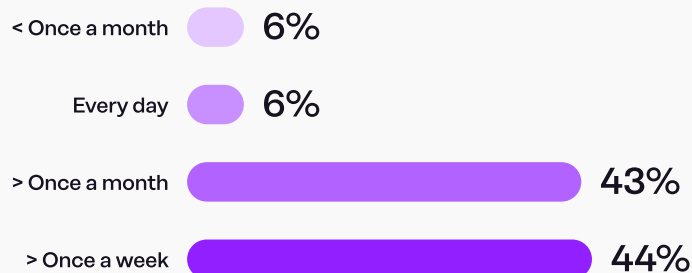
E-commerce and digital spending are here to stay. Of those surveyed, the majority are spending online at least once per month, with 44% making an online purchase at least once per week.

How much do you spend online per month, on average?

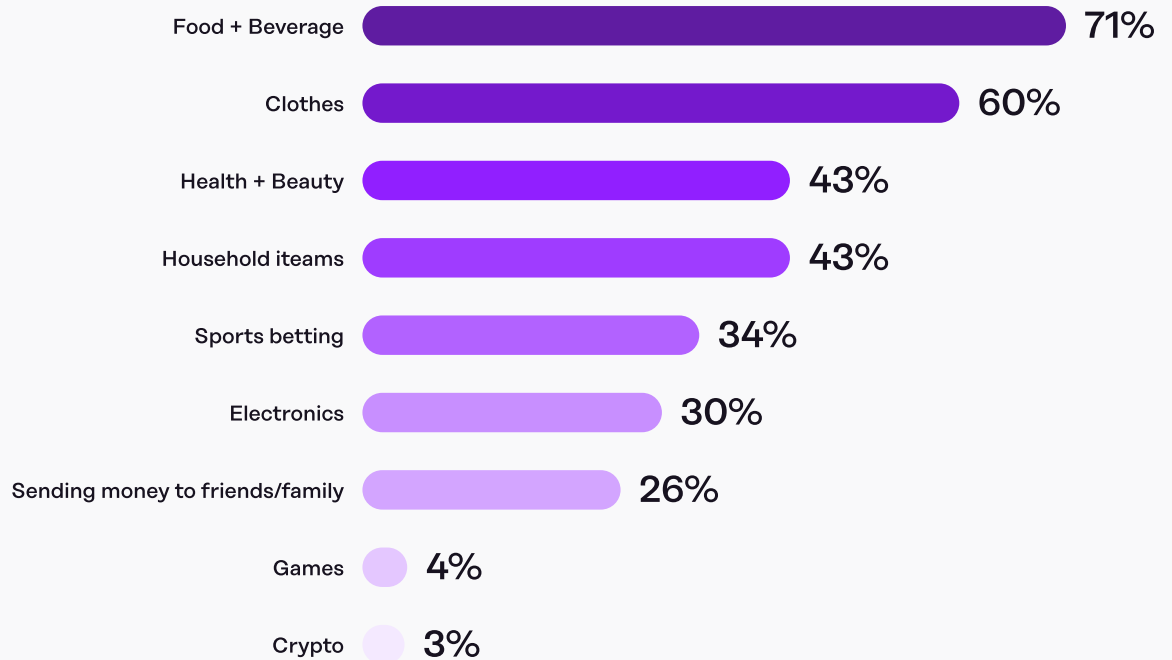


46% of respondents are spending between R500-2,000 per month on online purchases, and another 33% between R2,000-10,000. This is significant given [average disposable income](#) in South Africa was R50,000 as of 2021.

How often do you pay for something online?

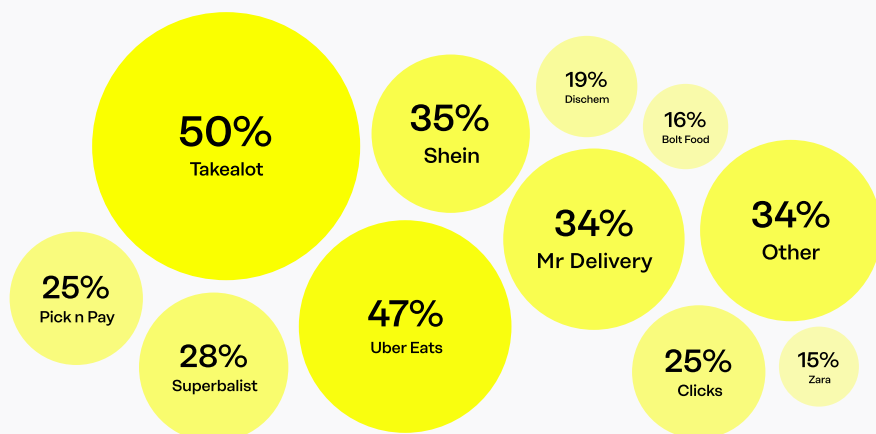


What type of products or services do you pay for online?



With the rise of innovative fintech businesses, apps and entertainment, in addition to purchasing goods online, consumers are more frequently purchasing everyday items such as food and beverage. They're also sending money to friends and family and spending on entertainment such as sports betting and online games.

Which online stores or platforms have you shopped at recently?



Consumer payments in SA: **Insights**

The importance of customer experience and 'invisible' payments

To win in today's crowded digital commerce space, a great product alone is not enough. Looking at the full customer journey, from the shopping experience to checkout and payment, is critical.

In a [study on global trends in paytech](#), the team at EY speaks to the idea of providing "value beyond payment" as a trend that's top of mind for payments providers, who are looking beyond transactions to focus on improving the holistic customer experience.

“ Fundamentally, payments are becoming more instant, frictionless and embedded within customer journeys – hence invisible.”

→ Alla Gancz,
[EY UK Payments Consulting Leader, in The Rise of Paytech Report](#)

While security and trust in the brand remain critical, fast, easy payments ranked high when it comes to influencing where consumers decide to shop.



57% of consumers indicated

"It's easy and fast to pay" would convince them to choose one online platform or app over another.

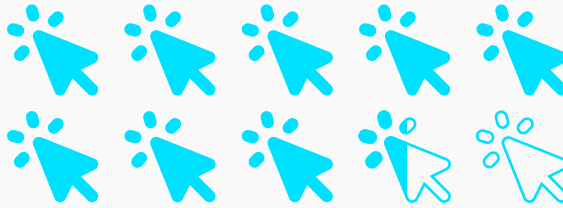
Today, an embedded payments experience that can be easily accessed, with fewer steps to reduce friction, can become a critical differentiator. As more businesses look to meet customers where they are, omni-channel solutions including payment links, QR codes at POS and payment gateways must work together to present a seamless, holistic experience.

	Segment	Service
Enablers + Infrastructure	Real-time payments rails	Overlay payments services
	Cross-boarder payments	Affordable + transparent international payments
Experience layer (overlay services)	Open banking	A2A payments + digital identity
	Buy now, pay later	Instalment payments
	Digital wallets / super apps	One-stop shop and value beyond payments
	Embedded payments	Invisible, experimental payments
	Digital currencies + CBDCs	Alternate payments method

Seven forces shaping the future of the payments industry (source: EY)

Instant EFT payments rise in popularity

Both Stitch LinkPay and InstantPay leverage Instant EFTs – today the fastest-growing payment method in South Africa. 74% of consumers surveyed indicated they've used Instant EFT at least once to make a payment. They cited convenience, ease of use and fast settlement times as key reasons they chose to use the method.

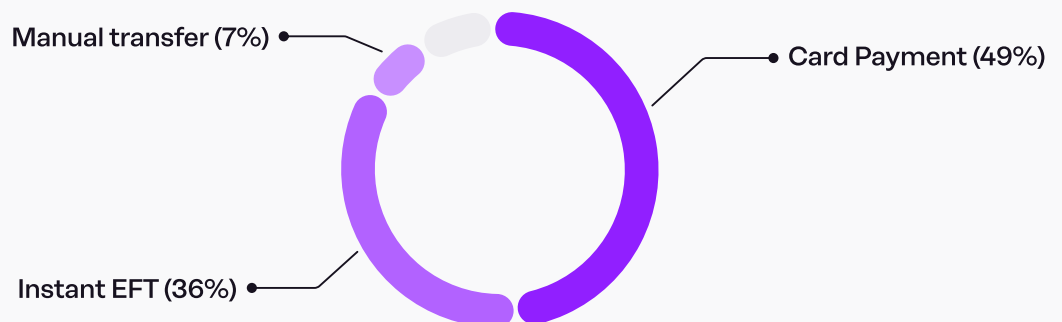


74% of respondents

Indicated they've used Instant EFT at least once to make a payment.

While card still remains the most popular digital method, 36% of consumers chose Instant EFT as their preferred method, vs 7% for manual transfer.

Preferred digital payment methods



Consumer insights: reasons cited for choosing Instant EFT

It's the quickest way to get money to reflect into one's account.

Consumer



Money clears from different banks within an hour. It's quick and easy to navigate.

Consumer



Easy checkout process and reliable in terms of security.

Consumer



It's fast and trustworthy

Consumer



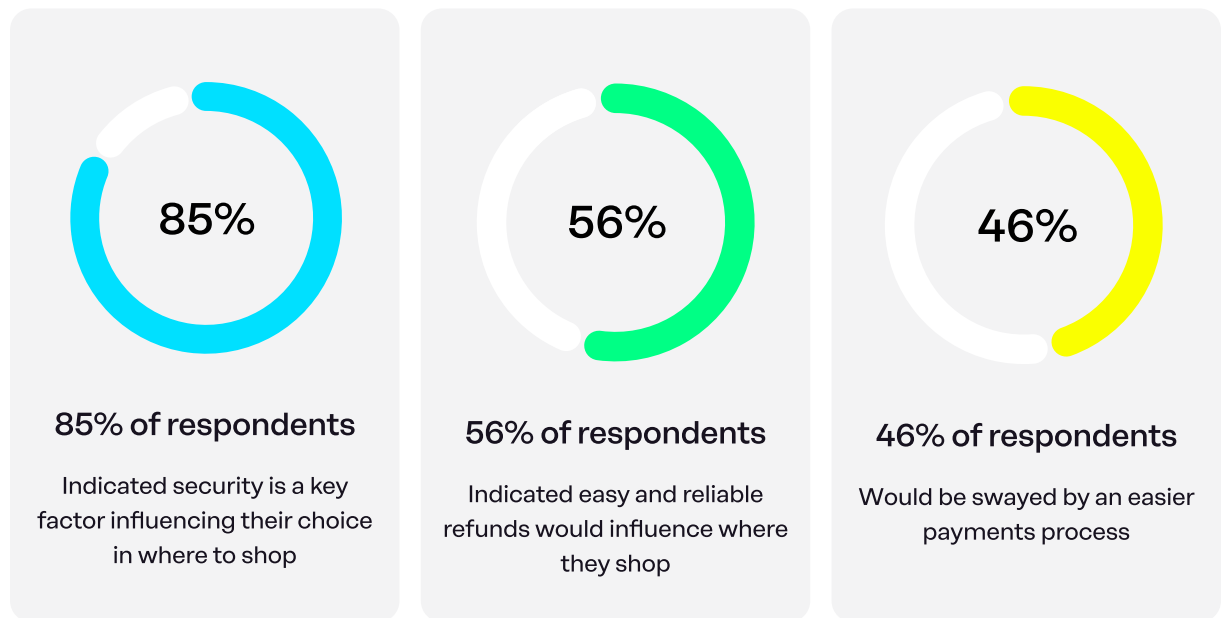
Using Instant EFT is safe and saves time.

Consumer



How to stand out in an increasingly competitive online commerce environment

Consumers cited security and trust, customer service, seamless refunds and returns and an easy checkout and payments process as key factors influencing where they decide to shop.

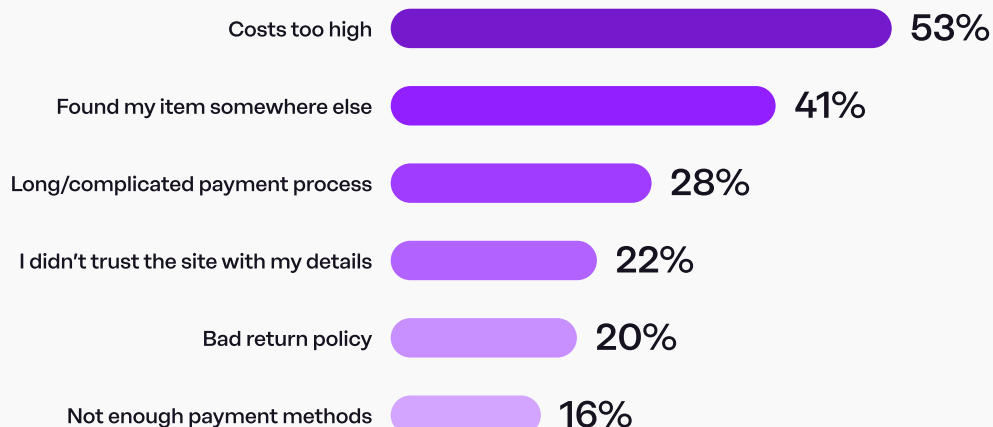


Brands can build trust by reassuring their customers of the security of their payments process, offering a fast, friction-free checkout experience and providing a high level of support. Seamless refunds and returns also factor highly as a core element of a positive user experience, indicating the need to account for seamless processes and payments on both sides of a purchase.

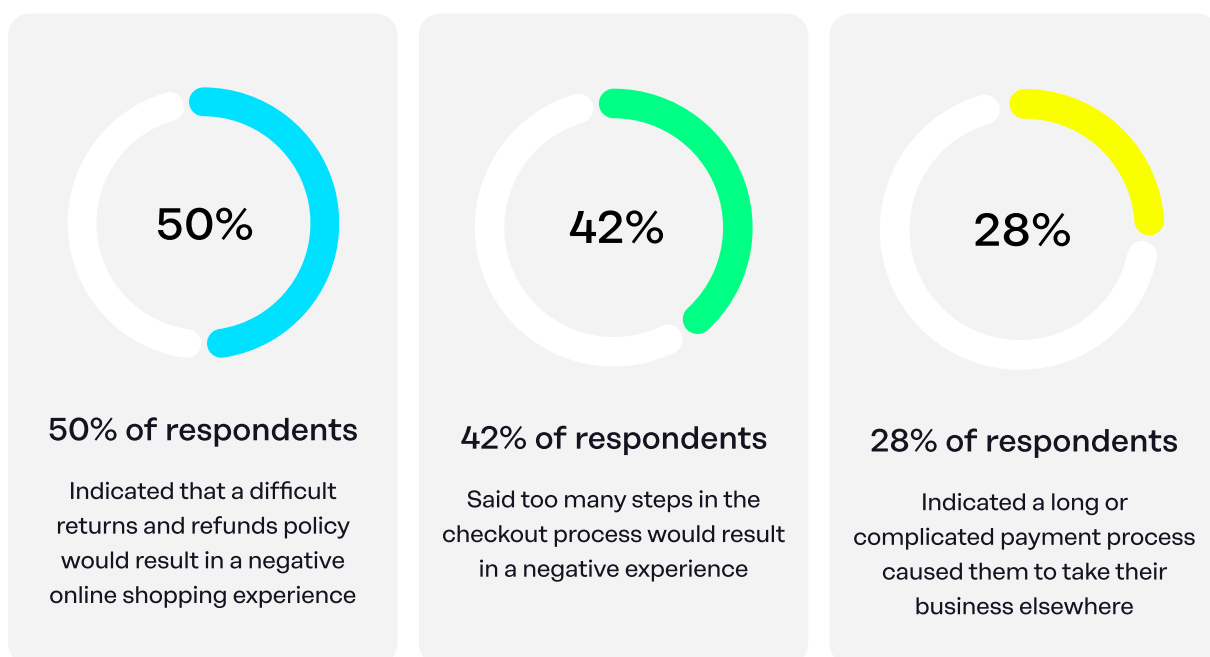
What drives consumers to the competition?

With more options than ever, cart abandonment is increasingly a challenge faced by e-commerce businesses. 75% of consumers surveyed indicated they've abandoned cart. 28% indicated a long or complicated payment process caused them to leave and bring their business elsewhere. A further 22% said they didn't believe they could trust the site with their payment details.

Top reasons for cart abandonment



Similarly, 50% of consumers indicated that a difficult returns and refunds policy would result in a negative online shopping experience for them, impacting their perception of the brand or platform, while 42% said too many steps in the checkout process would have the same effect.



Key factors influencing payment + purchase decisions

Consumers are looking for a seamless experience from start to finish, from a brand or platform they know they can trust. In addition to security, speed, fast settlement times and a seamless checkout experience factor significantly when deciding where to spend their money, how to pay and whether they'll come back.

Security and trust

Consumers overwhelmingly ranked security and trust in the brand or platform as one of the biggest factors influencing their purchase decisions.



85% of consumers said

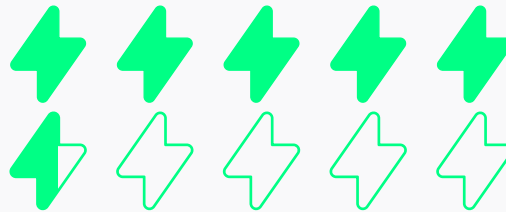
Security and trust in the brand would influence where they choose to shop

Tip

- Build trust with customers by partnering with reliable payments providers that take security and privacy seriously
- Make your data security and privacy policy clear and accessible. For example, Stitch offers consumer-facing information on how we manage data [here](#)
- Make the customer journey as seamless and friction-free as possible, removing barriers to payment or potential cause for concern

A fast, easy payments process

Easy, friction-free payments are core to a positive user experience. Improving your payments process can set you apart from the competition, and encourage customers to keep coming back.



57% of consumers indicated

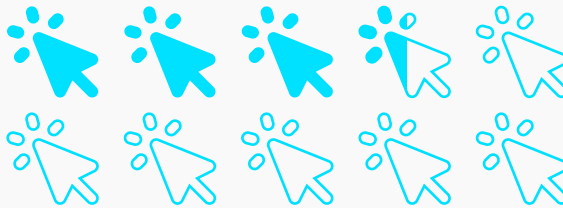
"It's easy and fast to pay" would convince influence their choice in where to make a purchase

Tip

- Make it as easy as possible for the customer to move from browsing to payment
- Remove barriers to payment by reducing the number of steps in the checkout process with solutions like one-click checkout for returning users
- Offer customers the payment methods they prefer, and embed the payments process within the checkout flow

Preferred payment methods

Customers will abandon cart if their preferred payment method is not available. Card and Instant EFT are the most preferred payment methods by far, with Instant EFT rising quickly in popularity.



36% of consumers chose Instant EFT

as their preferred payment method. 74% have used the method before.

Tip

- Make sure customers can access their preferred payment method at checkout
- Optimise digital payments with seamless, embedded solutions that offer an improved UX, and fast settlement times

Seamless refunds and returns

Particularly in the e-commerce space, the customer journey doesn't end with a purchase. Ensure customers can seamlessly receive refunds, and that the return process is simple and clear, to remove any doubt preventing them from making a purchase.



56% of consumers indicated

Easy refunds and returns would convince them to
choose one platform or site over another

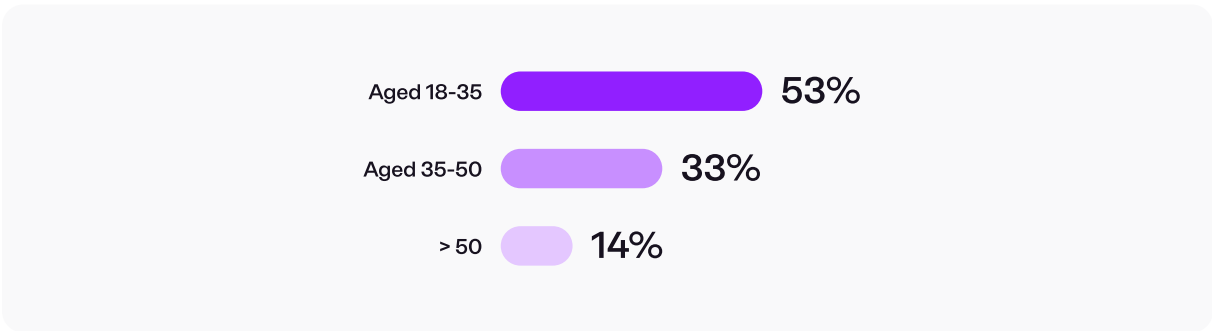
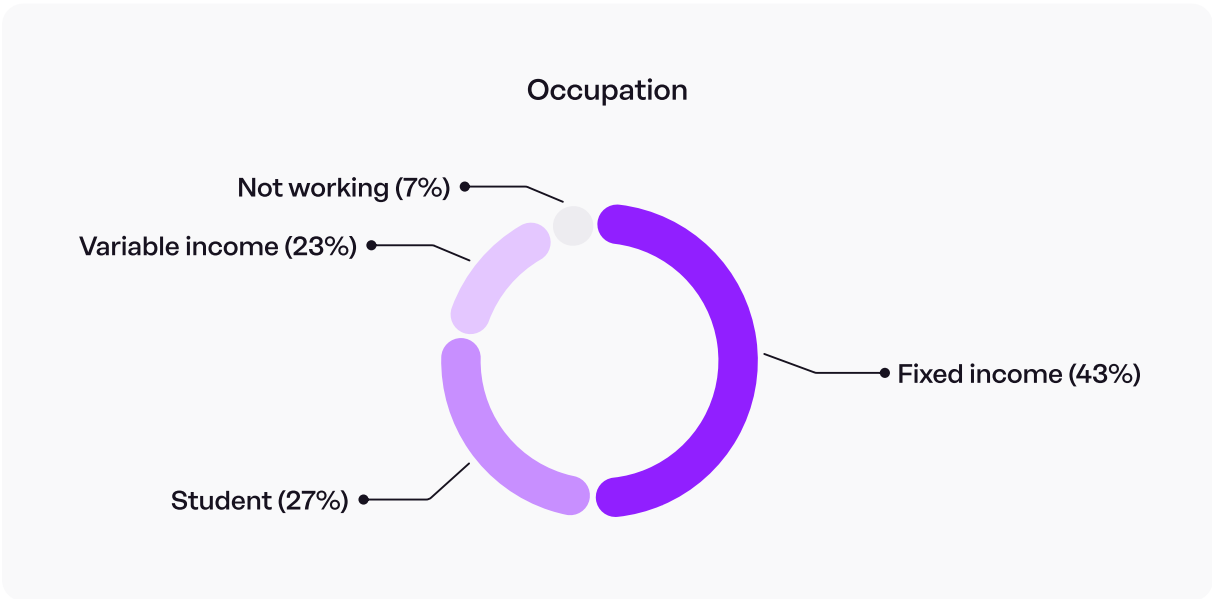
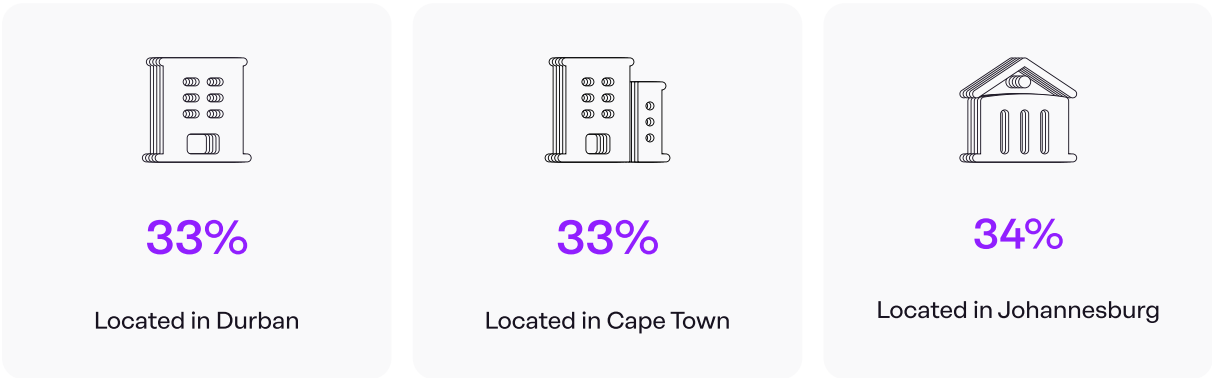
Tip

- Make your refund and return process and policy clear and easily accessible on the site
- Choose payments partners that enable seamless refunds and tracking to ensure your customers aren't left waiting, and to remove admin burden. With InstantPay and LinkPay, Stitch enables fast, easy refunds back to the same account used to pay in

Appendix

Methodology

We worked with research platform Looka to survey a sample of 300 respondents across major South African urban markets in October 2022. The sample was limited to respondents that are banked, and who indicated they make regular purchases online.



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