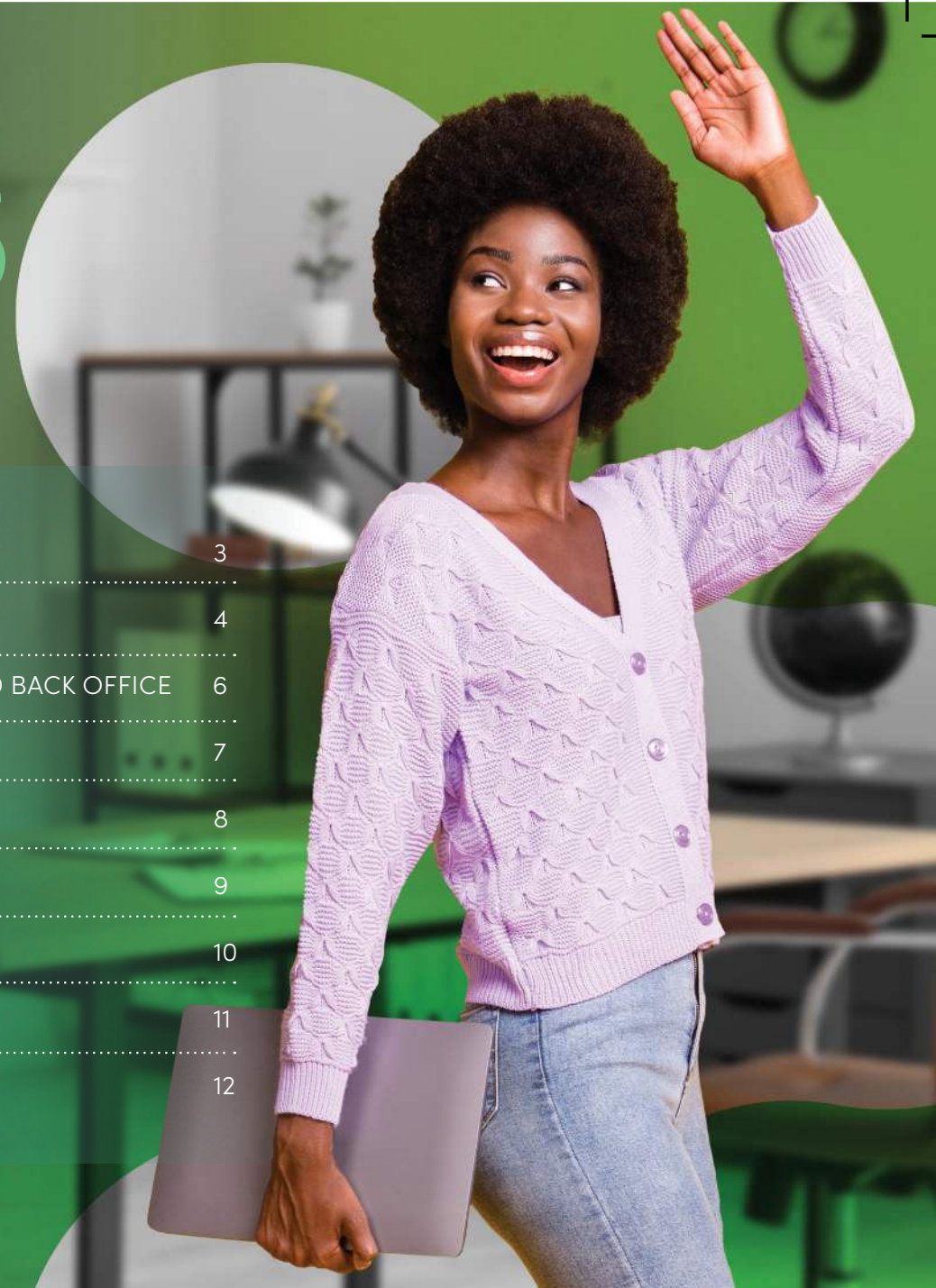# braintree

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THE FUTURE OF RETAIL
STARTS TODAY

Bespoke, remotely delivered software implementations
fast-track local and African retailers' journeys into
integrated hybrid–physical retail.

CONTENTS

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SETTING THE RETAIL SCENE

It may well have seemed a stretch to imagine a post-pandemic world just a few short years ago - but here we are, within touching distance of a post-pandemic planet. While the disease certainly won't disappear from the face of the earth, countries and their economies have had time to adapt, adjust and plan for a new future, or, as was bandied about like an unwanted cliche between 2020 and 2021: the new normal.

Let's take a look at what this new normal looks like. Masks are gone and slowly but surely retail stores are removing clear perspex shields from their point-of-sale (POS) stations. While hand sanitiser stations exist at physical store entrances, it has evolved from mandatory to being available for those who choose to use them. There have been signs of a rebound across sectors.

However, just as luck would have it, as retailers started unleashing pent-up growth after a difficult two years, economic conditions - driven by various global and local geopolitical factors - took a turn, placing consumers under increased pressure. Citing Statistics SA, Trading Economics put South Africa's retail growth in May 2022 from the year prior at just 0.1%. This comes after a 4.3% increase in the previous month compared to the year prior. On a monthly basis, retail trade fell by 1%, compared to a revised 0.6% increase the month prior.

Make no mistake, it's not just consumers under pressure. Margins are under increasing pressure as retailers juggle absorbing increasing input costs with passing them onto the squeezed consumer.

That's the bigger picture, but the other side of the coin was the much-touted migration to online commerce, accelerated by the pandemic. While the pandemic forced many small and medium retailers to reconsider their digital strategies, the larger retailers were increasingly investing in e-commerce long before Covid-19 shut down most of the world.

According to ecommerceDB, a division of Statista, South Africa is the 41st largest e-commerce market in the world, with an industry worth $ 5 billion by the end of 2021. According to this source, South African eCommerce grew 19% compared to the global rate of 15%. South Africa, it says, is poised to outperform the global growth average growth of 6% over the next few years. South Africa, it says will enjoy 8% yearly growth between 2021 and 2025.

Closer to home, World Wide Worx, supported by Mastercard, Standard Bank and Platinum Seed, produced the Online Retail in SA 2021 report, which found that the online retail industry in the country more than doubled in just two years. This is astounding growth, but testament to the broad acceptance that no retailer can afford not to have an online presence - a trend we will dig a little deeper into a little later.

According to World Wide Worx, the total growth for online retail in South Africa in 2020, the year before the Statisa figures, was 66%, resulting in total online retail of R30,2 billion. World Wide Worx MD Arthur Goldstuck said of this finding: "The most astonishing aspect of this total is that it is more than double the R14,1-billion reached in 2018, in just two years." This performance was higher than forecasts to the tune of 50%.

The picture emerging is clear - the snowball that is e-commerce is gaining momentum and is unlikely to stop any time soon. What, then, of the broader online commerce performance throughout the continent?

According to Statista, in 2020 - at the height of the pandemic, Africa generated an estimated $27,97-billion revenue from e-commerce. According to the source, this represented a $6-billion increase from the year before. Just like with South Africa specifically, Statista estimates that e-commerce will continue growing year-on-year to 2025, where it says the sector may be valued at more than $ 46,1 billion.

No matter where the final figures land, the scene is set and the trajectory is clear even in the context of increasingly pressured consumers and a flatter global environment where threats of recessions make the news regularly, and central banks around the world increase rates to try to keep inflation in check. Online retail is expected to grow hugely in South Africa and the rest of the continent over the next few years. This trend is driven by consumer behaviour changes, as well as the need to keep up, and compete with, other retailers.

The question then arises: where is the industry headed?

SETTING THE RETAIL SCENE

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Whenever a new technology or innovation is introduced there's a healthy mix of excitement and trepidation - almost in equal measure. A casual browse of what's hot and new will see a myriad of articles espousing the virtues of doing business in the metaverse, for example. This is good as it allows us to start thinking and planning for a future that's around the corner, so to speak. Predictions don't always come true, but they set the scene for planning, where at least some elements come to pass as expected.

Ecommerce is no different. Countries in the West and East have driven the tsunami of online retail, with the likes of Amazon and Alibaba changing the world of commerce and having a profound effect on the design of supply chains and much more. In markets such as South Africa and the rest of the continent, we have looked on - while our own markets have made substantial moves - and tried to predict where we would end up in the global e-commerce gravy train.

Even before the pandemic, there was a widely held view that people were going to move away from brick-and-mortar retail and invest fully in digital sales. This hasn't materialised to the extent that many thought it would.

During the height of the pandemic many retailers, large and small, scrambled to develop an online presence. They had no choice and many implementations were rushed leaving flaws in the design process, resulting in frustrations for customers and a less-than-perfect e-commerce experience.

So, where are we today? We know that in order to be relevant and survive, every single retailer in SA and the rest of the continent absolutely must have a website presence. However, and this is very important, in Africa brick-and-mortar remains very big and is a crucial part of every retailer's business. This means that while they absolutely must provide an online shopping option, retailers must be able to have this sync and communicate seamlessly with their back office, and this is the genesis of our presence in the retail sector.

Take a moment to consider a walk through a retail space in South Africa. Many physical retail stores are becoming an advertising space for the retailer's website. It is not unusual to see physical stores not carrying the full product range. On the contrary, they carry far more online than they do in-store, where the physical space is used to display new arrivals and key products.

It is the considered view of Braintree that the brick-and-mortar space in South Africa, and other countries on the continent, is evolving into a window-dressing opportunity for retailers. Customers will be encouraged to touch and feel, and try on, new arrivals and select star-performing products, and then be directed to the full catalogue online. This is important, as it marks a significant shift away from the previous belief that e-commerce would render the physical store irrelevant. Brick and mortar are here to stay, and your website absolutely must be in sync with what's happening on the ground.

Here, we will see customers browsing shop windows and entering clothing stores - as these are good candidates for this model - and try on clothes or shoes, feel the fabric, and touch and hold the

WHERE IS THE INDUSTRY HEADED?

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product. Once they know their ideal size, they can move to the online store and find the right colours and combinations and order online.

Of course, accepting this general trend also acknowledges that there is no one-size-fits-all approach for all industries. Some businesses, by their very nature, are predominantly online, such as our client Arcstore. However, even so, they invest in physical spaces called hyper stores with a big square meterage to accommodate large volumes of stock. In this scenario, we see a reversal in consumer behaviour. Here, the customer goes online to see what's available and to get a sense of what they think they'd like to purchase. However, being cosmetics - where skin tone changes how products look - customers need to go into the physical store to test what they found online. Again, as should be blatantly obvious by now, none of this would be possible without the front-end and back-end is in sync.

However, it won't end here. Consumer behaviour and digital innovation means that Acrstore, and others, will be investing in technology where the customer can generate an avatar of their own photos, and digitally test how products will work based on their own complexion. This digital value-add may well drastically change the design of product delivery, but, for now, the in-store trend remains.

Braintree has significant experience, and along with our partner LS Retail, we are on the leading edge of agile software development. However, it is important not to think in boxes, and presume that e-commerce is hurtling ahead only in the clothing and fashion retail space. Fast-moving consumer goods (FMCG), butcheries and pharmaceutical businesses - often divisions of larger retailers - are also experiencing rapid changes

but with the same proviso that it will only work when the in-store POS terminals and ERP software are tightly designed and integrated so that whatever the customer sees online in real-time is, in fact, happening in the back office, in real-time.

There are various off-the-shelf e-commerce platforms available to retailers. In addition to this, there are a number of POS and ERP solutions, from enterprise level to smaller, more agile best-of-breed solutions - which is the space where we operate.

The biggest mistake that local retailers are making is that while they invest in tier one or big name solutions, they don't ask the simple, fundamental question: will the front end and back office be integrated? At Braintree, we don't believe these two can or should be separated. The fact that so many organisations have standalone storefronts with no correlation to what's happening in the back end, including stock availability, product descriptors, specials, loyalty programmes and costing, is resulting in a fragmented and frustrating experience for consumers.

The frustration is not just felt by consumers, many retailers are trying to innovate but are hamstrung by bespoke e-commerce platforms that are anchored with a one-size-fits-all enterprise ERP solution, where layers of complexity between the back-end and front-end limit deployment of innovation. We expect a big trend toward agile solutions that have this front and back-end communication built into their actual design.

Finally, one can't talk about the local market without touching on the pending arrival of Amazon. While the incumbent giant, Takealot, has broadly done well, the arrival of Amazon is going to reinvent the market, especially in terms of the distribution network.

WHERE IS THE INDUSTRY HEADED?

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TALK TO ME: THE IMPORTANCE OF INTEGRATION BETWEEN FRONT-END AND BACK OFFICE

When we understand that there isn't, and won't be, mass migration to online commerce at the expense of physical retail, we then understand that retailers absolutely must be able to coordinate what happens on the website versus what happens in-store and in their warehouses.

This sounds obvious, but many large and very important re-tailers have not ticked this box, essentially running two different businesses: one online and one in-store. This is in contrast to consumer trends and needs and results in frustration for both the customer who can take their business elsewhere and the retailer who has to deal with demand and supply headaches.

How many times have you been to a retailer where you found something on the e-commerce platform, but when you visit the shop floor you find out it is not available to purchase in-store, rather it's only available online? For all the arguments one can make in favour of this setup, it is not in sync with what consumers want and need.

The reason a product is available online and not for in-store purchase is that there is a disconnect between what happens on the online platform and what is going on in the back office.

The reverse is also true and a source of immense frustration for South African consumers. Even very big and well-known retailers succumb to this scenario: a customer browses and buys something in the online store that is not available in the warehouse.

Why does this matter? Theoretically, you cannot take someone's money unless you can provide the product they are paying for. What one sees happen often is that a customer orders and pays for a product, and then receives communication that it will be shipped within 14 days, or some other defined timeframe. In the background, the retailer is scrambling, trying to find stock in various depots and moving it around the country to fulfil the order. Besides the irritation of waiting when it's unexpected, not knowing exactly when a product will be delivered makes parcel delivery planning a nightmare for the customer. How many times have you received an SMS or email stating that a courier attempted delivery and will try again at another time you can't control? This hurts customer loyalty.

With our e-commerce solution, we have solved this problem seamlessly. If we show an item on the online store, then you know with certainty that the item is available in the relevant warehouse and can be delivered promptly. This was not by accident, but rather a very carefully designed solution to solve real pain points in the market. We have built this integration very tightly, and have witnessed first-hand the competitive advantage it affords retailers when they have an integrated solution.

TALK TO ME

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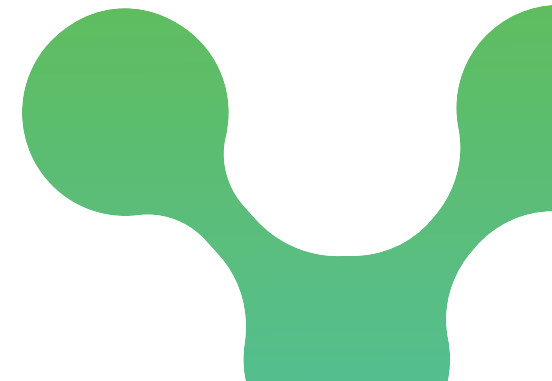
COST MATTERS

South Africa, like many markets around the world, is going through rough economic waters. Inflation is at its highest rate in more than a decade and has forced increases in interest rates, which, in turn, has a knock-on effect on all sectors of the economy.

Oil prices and other geopolitical factors have played havoc with prices. The net result is that consumers are stretched and retailers are navigating an environment where the cost of doing business is as high as ever.

Traditionally, there is a great deal of negotiation before a project is agreed upon. There is back and forth and tussling around the expense of project implementation, time considerations and the moving of key resources. It's obvious why this happens - because these costs are loaded onto the client.

Now, retail is a frontline industry. What do we mean by this? Retailers are at the coalface, so to speak. Their input costs are squeezing margins all the while trying to satisfy under-pressure consumers. Because of this, retailers are not shy to push back on price when negotiating with partners.

Braintree has picked up on an important trend among retailers in Africa. We are finding that everything is being boiled down to cost per transaction. Some markets are under more pressure than others, especially those where margins are at the lowest. Essentially, what this means is that retailers are finding it increasingly difficult to build a business case for SAP, Oracle or other tier-one ERP solutions.

This means that they start looking towards the best-of-breed in mid-market. It's for this exact reason, the need to boil down to the lowest possible cost per transaction while enjoying the same - and often more agile - functionality, that Microsoft Dynamics Business Central, along with our strong partnership with LS Retail, becomes crucial in the experience we have built, and trans-border growth we are enjoying in the retail space.

The cost per transaction is lower, while from an enterprise perspective it provides the functionality an organisation needs. This template has proven successful in South Africa, and it's the engine driving our expansion across Africa.

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COST MATTERS

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OUR LS RETAIL PARTNERSHIP

Broadly, in the retail software industry, enterprise-level implementations are centred around tier one thoroughbred platforms from the likes of Microsoft, SAP and Oracle.

In the midmarket space, we have partnered with LS Retail, probably the largest independent software vendor for retail solutions in the Microsoft Dynamics Business Central arena. Our partnership with LS Retail is strategic in that it enables us to deliver and implement lower-cost solutions with enterprise-level functionality and agility.

LS Retail specialises in unified software solutions for the retail, hospitality, pharmacy, Food & Beverage and forecourt industries. Braintree forms part of the LS Retail Partner Advisory Council, which means we are able to provide technical and functional input on product design. Braintree is the only partner in Africa to receive this accolade - to be so intimately involved in the product development space.

As validation of the effectiveness of the partnership, Braintree has won platinum and diamond LS Retail partner awards for three consecutive years.

The net result is that Braintree is well-positioned with LS Retail to make an important difference in the retail software and ERP arena in South Africa and abroad.

RETAIL PARTNERSHIPS
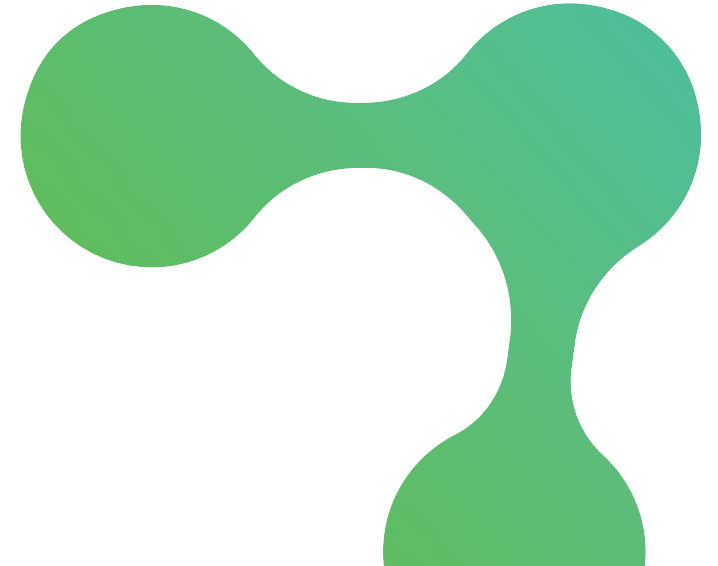
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Power Fashion

Braintree's journey started with Power Fashion. The go-to-market strategy for Power Fashion was low transaction costs. This means the entire infrastructure design and build were based on cost per transaction. All the products in the Power Fashion stable are low margin and high volume. The brand Power Fashion has an established presence in lower LSM retail spaces in South Africa.

Success with the Power Fashion implementation, therefore, hinged on low transaction costs, low cost of ownership, and a lower level of infrastructure requirement at store level. We were able to achieve all these with an implementation that allowed the business to successfully integrate its retail operations. It was this experience that set Braintree Up on a Growth Trajectory in the Retail Sector in the retail industry.

Mr Tekkie

Mr Tekkie, another Braintree customer, introduced premium brands into traditional markets and Braintree designed a full, end-to-end solution that included everything from warehouse management, procurement and pricing, to stock availability management, and more.

Busby Group and FrontierCo

Fresh from the end-to-end implementation at Mr Tekkie, Braintree worked with the Busby Group in its different iterations, to provide a solution for the management of its network of fashion brands and apparel.

Its latest iteration, FrontierCo includes a stable of highly sought-after brands such as Guess and Forever New. If a retailer offers a wide array of brands, it is paramount for retailers to adhere to brand requirements. In this instance, Guess and Forever New may not be displayed in the same location, among others. As one would imagine, this can become expensive as the business needs to have numerous stores in the same location. It's not unheard of for one business to have five or more stores in the same shopping mall.

Braintree deployed Microsoft Dynamics and LS Retail across all 12 brands, held together in a single platform. At the same time, we worked closely with their e-commerce platform which built up effective communication between the online store front and back office, as well as the physical stores.

Arcstore

The next customer to partner with Braintree for Retail and eCommerce solutions was Arcstore, which is a cosmetic and fragrance branding store. When one visits acrstore.co.za the first thing you're greeted by is the work Braintree delivered on the eCommerce platform.
That Braintree platform covers all areas of the business, from an in-store POS back office ERP Financial and Distributions solution which extends to the Dynamic Web eCommerce portal.

This evolution of being hands-on and participating in Back to Back Retails, projects all the while, working closely with our partner LS Retail on product design and trends, means that Braintree has come to appreciate the value of being able to co-ordinate what happens on the website versus what is happening in real-time in the physical stores and warehouses. Arcstore operates with full confidence that what their customers see online reflects in real-time and is a representative of the reality on the ground - this is a competitive advantage.

The Braintree journey of Business Solutions Project delivery catering for various retail environments and business context in SA has placed us in a very powerful position to be confident in our integrated solution that not only speaks to real-world cost and logistics pain points but which takes into consideration the customer journey and frustrations. This represents the future of retail software and is the reason we are deploying across borders. Furthermore, this leads to the next chapter of the Braintree story - the deployment of FMCG retailer solutions into Africa.

OUR RETAIL JOURNEY

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NORTH OF THE BORDER: EXPANSION INTO AFRICA

After Arcstore, Braintree secured two new partnerships in Zimbabwe, which was the precursor to wider deployments across further regions of the African continent.

Spar Zimbabwe
First was Spar Zimbabwe, which marked our entry point into the FMCG market. The partnership started with a rollout of 12 stores in Harare as the first project deliverable.

The Braintree Microsoft LS Retail solution in this paper already, unique contexts and situations mean that the needs or requirements in different African markets are not necessarily the same as elsewhere. By mere virtue of our experience in managing complex multi-brand customers, as well as high volume, low margin customers, our solution has evolved to be highly attractive to many retailers on the continent. Spar Zimbabwe was no different.

Spar is a European brand, with a presence in South Africa. In South Africa, they have chosen to deploy SAP for their retail solution. However, as mentioned, what Braintree is increasingly finding is that everything is increasingly being boiled down to cost per transaction and if you start looking at the cost per transaction in Africa where margins are lower and volumes are potentially lower, Braintree finds that many retailers just can't make the business case for a traditional tier one POS or ERP solution.

The Braintree Retail Offering comprises Microsoft Dynamics Business Central ERO and the LS Retail partnership, complemented with a Dynamic Web eCommerce offering, which means that Braintree is able to offer this lower cost per transaction solution while not compromising on functionality. This is why Braintree has been so successful in Zimbabwe and is being introduced into other African markets.

Spar Zimbabwe has a separate butcher entity, and through our partnership with LS Retail, Braintree has a solution that perfectly fits the butchery trade. Unlike a shelf with identical barcoded dishwasher bottles, for example, everything in a butcher is

quality and weight-based. This means that a product is defined on quality and size of cut - and that unique product ends up with the barcode. This requires meticulous management and the deployment across the Spar Zimbabwe butcheries has stood Braintree in good stead looking ahead.

Beyond this, our pharmaceutical solution is tailor-made for the host of requirements of that industry, from source and traceability to customer identity and prescription management, and more.

Essentially, our partnership with LS Retail and our work with Spar Zimbabwe has seen us deploy and become proficient in FMCG, butchery and pharmaceutical, which adds immensely to our fashion, clothing, accessories and cosmetics experience in South Africa.

OK Zimbabwe
This partnership follows Spar's success and includes a full FMCG section, clothes and products. In other words, this deployment is across a full department store environment, with many of the same considerations and requirements from an enterprise perspective.

Africa is sitting on the cusp of an explosion in retail advancement. This is not only from an in-store POS perspective but, as market-size predictions have shown, it includes online commerce. While the requirements of African retailers are similar to those of other regions, cost per transaction and the actual implementation cost - from a time and resources perspective - are vitally important.

As with every step of our retail journey, experience and hands-on deck at the coalface in Africa have developed our business and our offering. Our latest evolution, and one which we believe to be one of the most crucial, is the ability to disrupt the entire concept of implementation, covered in the next section.

No Retailer is the same. If you find yourself frustrated by the current environment please contact Braintree to enquire about the Braintree Retail Solutions offerings.

EXPANSION INTO AFRICA

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Our journey across the country and continent has taught us valuable lessons and led to crucial insights into what retailers want and need. Digital transformation is, by its very definition, a time and cost-intensive exercise. In difficult economic times or markets where margins and volumes are under pressure, cost is the primary driver of decision making. But it should not be that by saving on cost one loses out on quality.

As everyone with any experience will attest, the quality of a solution can be traced back through the negotiation, design and implementation phases. The implementation team is as important in the selection criteria to secure success as the chosen Retail Business solution. The customer's requirements must be aligned to system functionality and business processes which leads to the functional delivery specification document. There is a global demand for high-quality retail system skills to implement accordingly. The

Global Market demands emphasise high-quality resource skills relocating to work on-site during the implementation.

If one were to consider a cross-border implementation that includes both POS and ERP deployments, this can become costly for the customer who needs to bear the burden of these costs - exchange rate fluctuations notwithstanding.

Braintree configured all the physical POS terminals and shipped them, and implemented the full ERP solution for Spar Zimbabwe, 100% remotely. This is a crucial ability that we have developed which massively reduces the cost, time and logistical investment needed from customers and is, we firmly believe, the future of deployment across the continent, and even in South Africa.

We implement locally, support locally, and licensing is derived locally - every step of the process is remote and this opens an entirely new world of possibility.

Traditionally, many businesses have struggled to expand throughout the continent as they have needed feet on the ground in-country. This comes with a number of challenges, cost being only one, while sourcing local skills or negotiating with existing staff to uproot their families and relocate, is another. A fully remote project implementation removes obstacles and opens horizons.

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IMPLEMENTATION AT A DISTANCE

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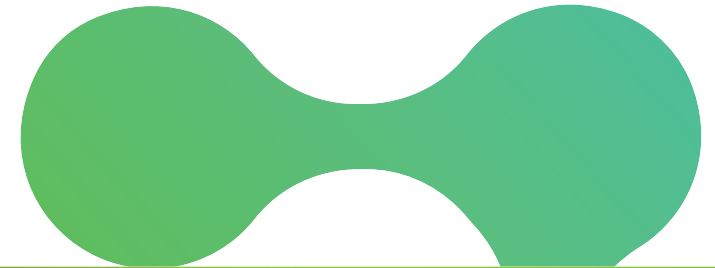
CONCLUSION:
THE FUTURE OF RETAIL SOFTWARE IMPLEMENTATION

Braintree can, therefore, with the weight of our growing retail experience and careful analysis of the broader local and African landscape, propose that the future of retail software implementation, across POS, ERP and e-commerce platforms, will:

- Be cost-sensitive
- Be driven by the best-of-breed mid-market
- Offer full functionality more affordably without compromise
- Ensure that real-time communication between the front-end and back office is built into the platform design and implementation
- Be agile enough to evolve rapidly and add customer-centric, value-adds to the existing platform
- Reduce the cost per transaction
- Boast the ability to implement ERP and other solutions at a distance / remotely

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Who is Braintree?
Braintree, powered by Vivica, is a trusted Microsoft partner and product optimiser for the business and home. They equip businesses and home users with the best, most-suitable Microsoft products to help your business grow and that positively improve your home, for work or play.