

Value added services essential in downturn market

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Smart retailers are looking for ways to get more out of each hard won customer, as lacklustre retail statistics come under further pressure from ever-rising petrol prices, job cuts and diminishing consumer confidence.

Technology can be the answer, with even smaller retailers benefiting from game changing value added services (VAS).

A few short years ago, most retailers understood VAS to be the sale of anything that was not core to their offering. Airtime and electricity sales at checkout were a good example of this. Advances in technology soon saw the introduction of a host of new offerings that gave the perceptive retailer a distinct advantage over its competitors. It also meant a shift in mind-set about what its core offering really is.

These new products, such as the sale of financial services, gift cards, couponing and loyalty schemes have taken the retail space into a new and complex space in which retailers are often not specialists.

However, these products, while complex, are giving many retailers a distinct competitive advantage - if used properly. More than another product to sell, value added services could hold some of the answer to surviving this sluggish economy.

Three key questions

Trading in an often-saturated market, retailers should be asking themselves three key questions: How can I enhance my customer experience? How can I increase my incremental revenue? How can I gain competitive advantage?

To answer the first question, retailers need to know their customer first. Creating an improved customer experience can give retailers the edge. Convenience is a key driver, along with creating an experience based on satisfaction, surprise and delight. Retailers must find an offering that will bring the customer back to their stores and convert occasional customers into loyal supporters.

By understanding how each customer behaves, stores can tailor their service offerings and ensure they address the needs of their customers.

Addressing the second question is paramount in a downturn economy. Stores need to get more customers through their doors, but must also ensure that each customer who enters their establishment spends more money, more frequently. Again, this requires retailers to understand the needs of their patrons better.

Collecting and interpreting data from value added services such as loyalty schemes, couponing, gift cards and pre-paid services gives the retailer precisely the information he is looking for. By knowing the customer and understanding behaviour patterns, stores can launch new services faster and in a strategic fashion.

There are many variables in retailing. Location, product offerings, regional economic climate and other issues all affect user patterns. The smart retailer must be able to respond to these quickly if they want to leverage opportunities.

Need to match offering to market

However, one size does not fit all. Some stores will benefit from a complex set of offerings, including the sale of sophisticated financial service offerings such as insurance and credit offerings. Others would be best served by focussing on practical necessities such as utility payments and airtime.

Knowledge of the customer, gained from VAS will allow retailers to make the right choice of offering, at the right time. Retailers should also determine what channel they deliver their services over. Some stores would greatly benefit from self-service kiosks, while others should ensure they address the growing mobile application options.

Understanding their market at an individual customer level will not only give retailers the competitive edge, but also allow them to manage their own growth and expansion strategies better.

It is clear that value added services are much more than just a way to sell more goods. By implementing VAS, retailers are laying the foundation which will give them the ability to not only survive a lacklustre economy, but also ensure they are positioned to be first to benefit when the economy turns.

ABOUT IAN STEYN

Ian is the Product Executive: Customer Engagement at Innervation PAN African Payment Solutions. He has over 15 years experience in the integration and operation of large range Value Added Services and Payments into various tiers and verticals within retail. Ian was part of a team that deployed the first online and real-time prepaid electricity vending in South Africa in 1998.

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