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# A better future for SA retailers: Self-enablement



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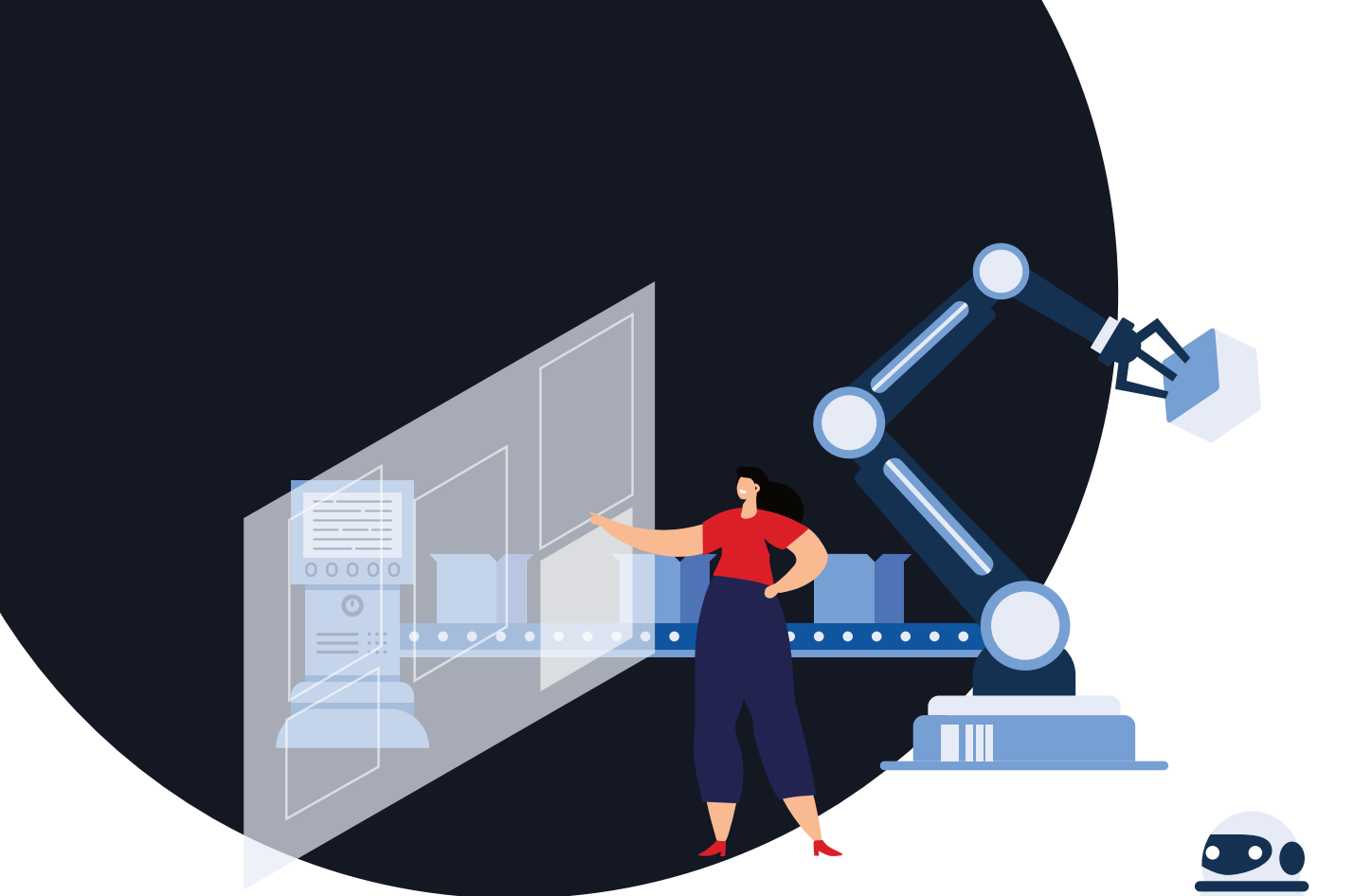
## Challenges faced by South African retailers

Suggesting it has been a difficult time for retailers would be an understatement. South African businesses have had to weather very difficult conditions over the past few years. And yet, while there is a renewed sense of optimism accompanied by positive signs among many retailers over the previous Black Friday events and festive season, there's still uncertainty globally, especially about changes in the larger economies and what it will mean for different countries. Certainly, from a South African perspective, one only needs to read the media to get a sense of jitters.

redPanda Solutions' engagements with retailers in South Africa sits precisely where the rubber hits the road, so to speak. At the coalface. This has been, and by all measures still is, a tough economy. This is not unique to South Africa – the world's economy can best be described as going through uncertain times.

The long and short of it is that South African retailers are dealing with a somewhat more positive, but still distressed, consumer who has been battling a cascade of rising costs. At the same time, the retailer is forced to navigate its own rising costs to continue servicing that distressed consumer – all the while battling volatile exchange rates.

Now, in order to remain competitive, everyone knows that retailers need to invest in technology that improves their operations and customer experience. Every retailer needs to remove as much friction as possible. In a world where technology evolves quicker than ever, retailers need to make important decisions around how, and where, to invest in technology.



## International service providers in South Africa

South Africa is not a cookie-cutter copy of the markets abroad where international retail software service providers ply their trade. International service providers do not all understand the nuances and challenges broadly, and retail specifically. The South African market has diverse consumers, while there are also regional differences that are second nature to local partners, but which international vendors don't understand.

The country's fragile distribution network can cause prolonged electricity outages which has a knock-on effect on connectivity and the ability to trade. Some areas go without power for days or even weeks. Some international vendors are not used to the concept of power infrastructure being vandalised – causing yet more power cuts.

Crime levels are among the highest in the world. Securing your store in South Africa is a different ballgame compared to securing a store in Europe, for example. Beyond this, we have one of the most volatile and highly traded currencies on the planet.

Again, while different markets deal with their own unique challenges, these are South African realities that have a very real impact on South African retail.

International service providers, through no fault of their own, may not always fully appreciate the importance of building real resilience, in other words, solutions that can function through local challenges so that retailers don't end up losing money.



## Typical deployment challenges and the rise of SaaS

A retailer in a city hub, complete with its own power backup and fast connectivity, can deploy a fully cloud-based solution. This is not much unlike the markets that international vendors understand.

However, we are speaking about our unique South African context. redPanda Solutions can say unequivocally that you do not want a cookie-cutter approach that says: “I can do the same thing everywhere”.

Many local retailers that have made the decision to migrate to the cloud have tried to go into the local cloud. However, this is typically more expensive.

A retailer outside of the major city regions, with smaller stores in some of the more remote areas, needs the flexibility to work in the cloud and have in-store servers. They need full redundancy to deal with connectivity and power challenges. Retail is unforgiving – an inability to trade can close doors.

Unfortunately, when a retailer invests in a new software vendor there is often an acknowledgement that they are going to lose a significant number of staff because they need to be replaced with new skills to deal with new technologies. Essentially, the retailer needs to move a substantial portion of the services to the vendor, who is that technology stack expert. This gives rise to Software-as-a-Service (SaaS) environments and the loss of valuable skills and IP within a retailer.

Software vendors are pushing retailers into SaaS models. Sales teams are incentivised to do this. Sure, they bring expertise in their fields of knowledge, but this model comes with challenges.

In the recent past, we've witnessed massive outages that had serious consequences for South African retailers, and the outages have taken down major payment providers – precisely because of this reliance on the north.

## The loss of valuable skills and IP

As we already know, there is no one-size-fits all environment in South African retail. This means all retailers have different strategies and different requirements, and so large internal IT teams are a consistent feature across the sector, as retailers seek to differentiate themselves through their technology capabilities. These skilled IT people become crucial to the functioning of retailers. They know and understand the business. They understand the systems and processes. Put simply, they know why things have been designed and executed in specific ways.

Now, consider what happens when a large retailer with hundreds of stores, or more, wants to buy a new commerce platform, for example. Typically, after a lengthy process of weighing various options, a commerce platform provider will be chosen. This provider comes with a large professional services division. This team embeds itself into the business and moves its consultants in. The retailer loses many staff as the new consultants bring new skills to deal with new technologies. This compounds and before long, the retailer has moved much of its services to the new vendor.

When a retailer finds itself in a situation where it no longer retains valuable IP, it loses the ability to do what it once could. If processes fail, no one can remember why something was done in a specific way. There most likely is a very good reason things are as they are — but because the IP is gone, no one can answer why.



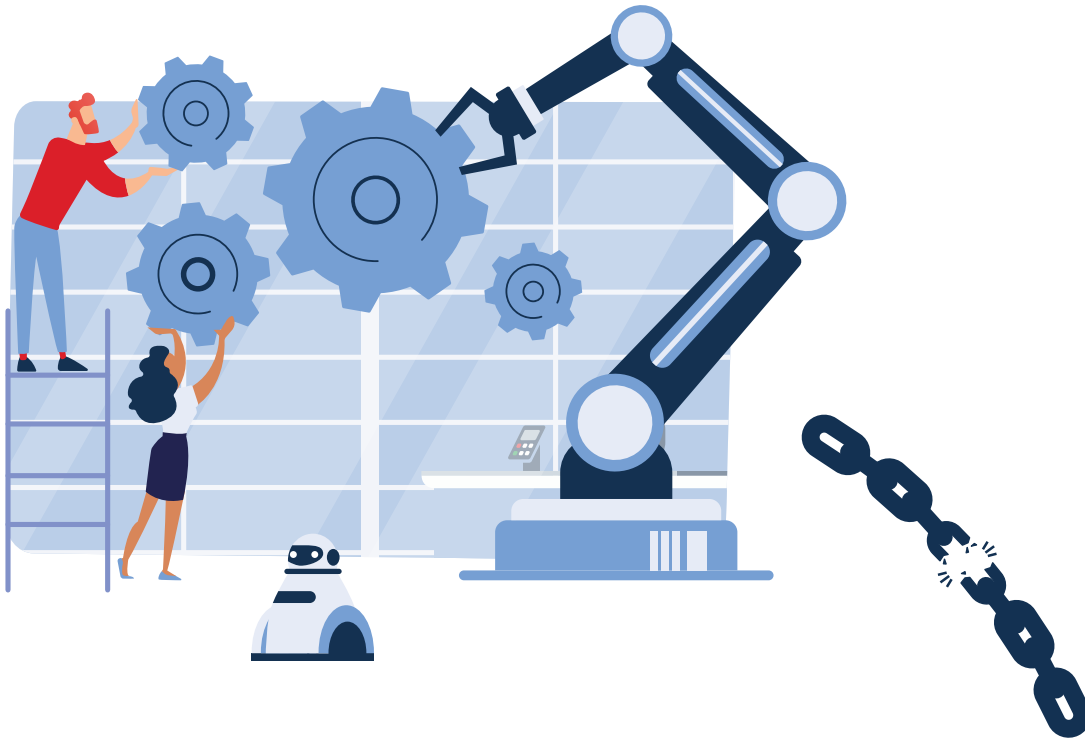
The people that have been lost had developed a cadence with retail operations. They understood the support, they understood the dynamics.

They applied their insight to plan for the future. This is not a small problem. It is massive.

Let's look at the alternative. A retailer that retains its critical skills, and vital institutional knowledge, ensures continuity, productivity, and the ability to make informed decisions. This helps prevent knowledge gaps, process inefficiencies and an increased reliance on external vendors, which can ultimately undermine a retailer's competitiveness.

By establishing centres of excellence or competency hubs, internal teams can develop deep expertise in core systems and processes, enabling them to troubleshoot issues, optimise performance, and drive continuous improvement.

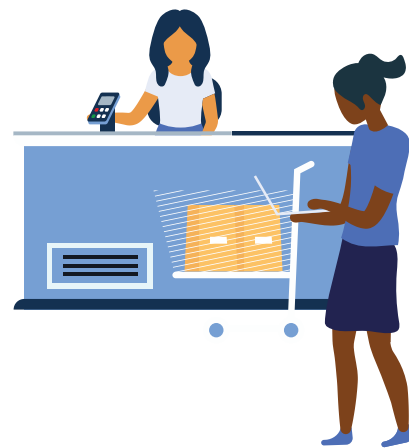
Effective IP management also protects the organisation's unique competitive advantages, prevents vendor lock-in, and ensures the long-term viability of the technology ecosystem. It ensures skills retention, business continuity, supports customer satisfaction and boosts employee morale, and, importantly, it protects the employer's reputation.



## The risk of vendor dependencies

Many retailers in South Africa are dependent on international vendors. Relying on international vendors to provide critical technology solutions and support can further compound the uniquely South African challenges that retailers face.

Obtaining timely information and prioritising issue resolution becomes difficult when working with overseas-based providers who don't appreciate our local context and the severity of the disruptions. International vendors are also more likely to prioritise their larger global customers, leaving smaller South African retailers waiting for support and struggling to maintain operations during crises.



Unfavourable vendor dependencies can lead to significant business continuity issues, revenue losses, customer dissatisfaction and reputational damage, especially during high-volume periods such as Black Friday.

However, switching vendors when not self-enabled can turn into a costly affair which, in turn, locks organisations into suboptimal relationships.



## Understanding the costs that lock retailers into suboptimal relationships

Let's take a closer look at the financial and operational costs of switching vendors:

Every retailer will understand that there are termination penalties for ending contracts with vendors early. Now, while these may change between vendors and depending on the actual contracts, these fees range anywhere from 10% to 50% of the remaining contract value. Put in real terms, cancelling a contract early can cost a retailer millions of rands. This, by design, is a high barrier to switching vendors.

Changing vendors is more than just exiting one contract and signing another. There are costs involved in migrating data, integrating and implementing new systems, licensing software, data conversion and more. Large-scale migrations can easily reach hundreds of millions. No matter which way you look at it, this is a substantial upfront investment that makes transitioning to alternative solutions challenging at best, and impossible at worst.



Another factor that puts the brakes on change is the potential need to write off existing technology investments. If an existing system is not compatible with a new vendor's offerings, a retailer is forced to retire its existing systems which results in significant sunk costs. This has discouraged many retailers from making much-needed changes or upgrades.

It's not just the technology that costs money. People need to use it, and so there are significant expenses associated with change management in general and training staff on new systems. This includes the direct costs of training programmes as well as lost productivity during the transition between systems.

With all hands on deck trying to keep the ship afloat during a vendor migration project, many retailers divert resources and attention away from strategic initiatives that would otherwise drive innovation and growth.

Retailers often need to make additional investments to ensure ongoing compliance with regulations after system changes.

Retailers risk financial and reputational damage if they are unable to maintain uninterrupted operations during vendor migrations. They need to be prepared to deal with all sorts of operational challenges as the business adapts to new systems and processes.

There will be a drop in productivity as employees adapt to new tools and processes. Estimates suggest that it is not uncommon to see a 10% to 20% drop in productivity for the first six months to a year. This speaks directly to efficiency, profitability and competitiveness.

Modern, competitive retailers rely on accurate, uninterrupted data to make real-time and strategic decisions. A retailer that is not self-enabled risks encountering significant challenges in maintaining data integrity, which in turn will impact reporting, analytics and decision making.

While this list is not exhaustive because no transition or situation is identical, it is abundantly clear that there are significant costs associated with switching between vendors. These costs become a barrier to change, locking retailers into suboptimal vendor relationships.

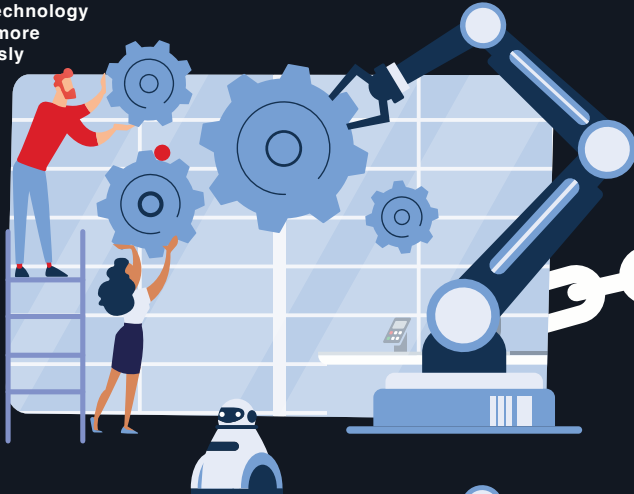
This is precisely why it is essential for retailers to start their journeys towards self-enablement.



# PATH TO SELF ENABLEMENT



1 Leverage technology to operate more autonomously



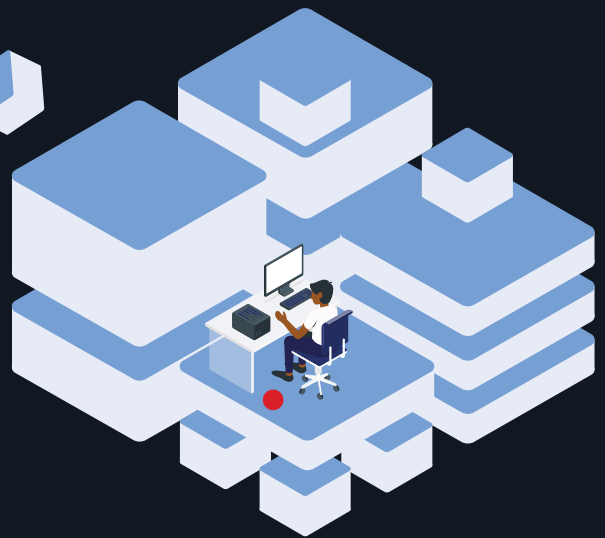
2 Break away from 3<sup>rd</sup> party dependency



3 Understand business needs & set clear goals based on automation & improved decision making



4 Aim for platforms that are efficient, flexible & scalable



5 Adopt modern software (ERP, CRM, Retail Management Systems)



6 Iterate & innovate always, through data-driven platforms. Achieve this by empowering your teams - upskill / experts / continuity



7 This leads to enhanced customer experience



All with the end goal of building independence

ENABLE



# Achieving self-enablement

A retailer is self-enabled when it can take control of its technology ecosystem, reducing its reliance on external vendors. Retailers can achieve this by working with a self-enablement partner on a few, key strategies:

## 1. Adopt open, modular architectures.

This allows easy integration and replacement of individual components, which in turn reduces the complexity – and cost – of future migrations.

Open standards and modular designs minimise the business disruption and expenses associated with adopting new technologies when the need arises at some point down the road.

## 2. Develop in-house expertise and maintain control over core systems and processes.

This minimises a retailer's need to engage with external vendors, as well as the associated switching costs. An organisation can dramatically reduce, if not eradicate, its dependency on vendors if it builds deep specialised knowledge within its own teams. This prevents the dreaded vendor lock-in.

## 3. Negotiate vendor contracts that protect against excessive termination fees, price escalations, and other lock-in mechanisms.

The point of this is to ensure favourable terms for the retailer. A self-enablement partner will assist a retailer with proactive contract negotiations, designed to avoid punitive costs or constraints that often accompany vendor relationships.

## 4. Diversify vendor relationships.

This is important as it provides a retailer with the flexibility it needs to transition to alternative providers without significant disruption to the organisation.

## 5. Continuously invest in upskilling and retention of internal teams.

As covered already, this ensures the organisation has the necessary expertise in-house to manage the technology ecosystem and any future transitions. This, by design, reduces a retailer's reliance on external support. In other words, the business maintains control over its technology stack. A focus on attracting top talent, alongside growing talent, ensures continuity while maintaining a highly skilled team

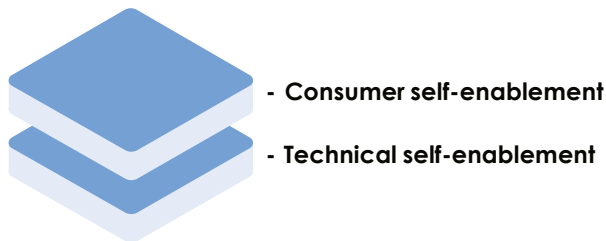
Self-enablement, then, protects retailers from both suboptimal dependencies and the high switching costs and disruptions associated with switching between vendors. The net effect of this is a retailer that's able to take advantage of the rapid advancements in retail technology more effectively and efficiently.

These include advancements in areas such as cloud computing, edge computing, artificial intelligence, and the Internet of Things. The result is improved agility, scalability and innovation as retailers adapt to changing customer behaviour, demands and market conditions.



# Delving deeper into true self-enablement

There are two layers of self enablement:



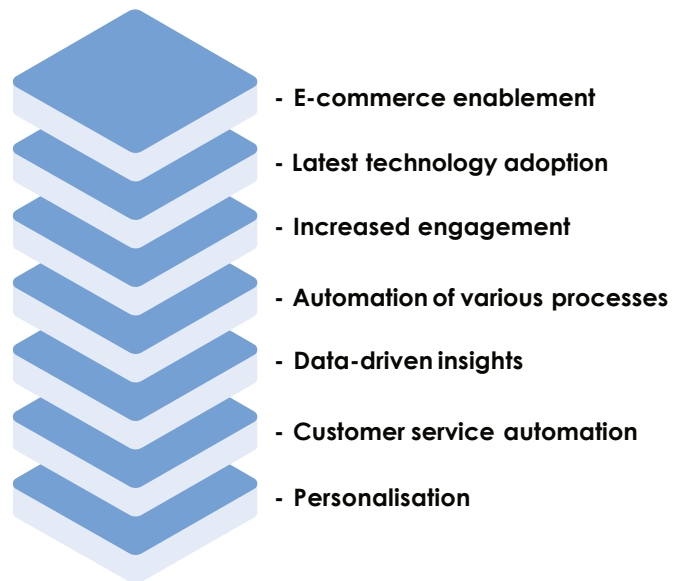
Technology self-enablement refers to retailers using the best, fit-for-purpose technology, tools, platforms and processes to deliver business outcomes and innovate – independent of vendor lock-in. Once this is achieved, consumer enablement means customers and employees are able perform tasks independently and seamlessly, without relying heavily on additional human intervention.

## Consider how this could look in practice:

Self-checkout and automated payments is going to gain traction in the South African market in the near future. While the technology has critics who bemoan job losses, the reality is that self-checkout lanes typically make up less than 5% of a retailer's point-of-sale options and there should be no impact as these often experienced team members can be repurposed to other impactful operational roles. The technology, then, should be seen as a tool to give customers more choice and to reduce wait times in-store, it improves customer experience. With an enablement team, all this is done in-house with the help of a specialist partner, this improved customer experience – which is a competitive advantage – can be unlocked exceptionally quickly. This speaks to agility and speed to market.

The potential use cases for genuine self-enablement make for exciting reading as retailers seek to attract and retain ever-more discerning customers who have more choice than ever before.

## They include, but are certainly not limited to:



If a retailer is free of vendor dependency, and works instead with a specialist local enablement partner, it can properly employ the latest in artificial intelligence and other cutting-edge technology. Without expensive vendor lock-ins and long reaction times, it can react immediately to market changes and remain in control. This will lead to increased revenue, reduced costs and higher customer satisfaction.

## What does the future of a self-enabled retailer look like?

It involves procuring and deploying modern, global best-in-class platforms. These platforms are designed to continually grow as means to future-proof the retailer.

The platforms are deployed with the retailer's independence front and centre.

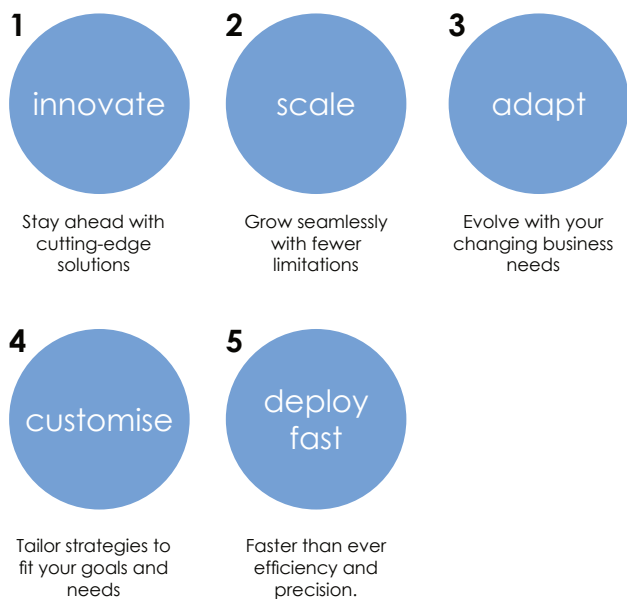
They are localised and maintained with lots of room to innovate.

The self-enabled retailer reduces all external reliance to only third-level support, and then for the skill sets required that are not within the retailer's expertise, a local expert partner – that understands retail and knows the retailer's markets – steps in to support, in real time.

The self-enabled retailer is cautious of resellers that don't add value, it is cautious of products owned by venture capital companies, and it steers clear of prescriptive vendors that are "addicted to services".

In essence, self-enablement removes friction and enables retailers to regain control of their technology stack. This is the polar opposite of being stuck in unfavourable vendor lock-ins.

## The net result is a retailer with the ability to



These capabilities are delivered through a mature and agile software development approach underpinned by DevOps practices and a modular microservices architecture. This enables rapid iteration, continuous integration and deployment, and scalable integration with existing systems — allowing the business to respond quickly to evolving retail requirements while ensuring high reliability and performance.

Retailers who work with redPanda Solutions gain access to a range of self-enablement platforms as we continually build strategic partnerships with best-in-breed, globally leading providers. As the self-enablement partner, redPanda Software ensures the retailer gets the best out of the platform on terms suitable to the business, and in a way that enables it to stay in control of its technology and, ultimately, its competitiveness. Importantly, the retailer retains its skills and IP. This all enables operational agility, cost efficiency and enhanced customer experiences.



Contact us today so that our specialised local self-enablement team can talk to you about retail technology solutions that are right for your own business, your own context and your own customer experience. You're one step closer to genuine self-enablement.