

FINTECH

Crossgate aims to dominate bank-card market

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Crossgate Technologies, a unit of fintech group Crossfin, is betting that its new R25m bank-card production facility in SA will help it to better compete against international rivals.

The company recently opened its EMV card personalisation facility in Cape Town, the first 100% SA-owned entity of its type. EMV is the global standard used by Visa, Mastercard and other payment providers to ensure that chip-based payment cards, which store and encrypt sensitive cardholder information on a microprocessor chip, can work between platforms.

“Crossgate was approached by various banks to provide an alternative local solution for in-country card personalisation and processing as well as last-mile distribution,” CEO David de Coning said.

“As the Johannesburg-based, foreign-owned multinationals

are situated in close proximity to one another, this has created a supply chain concentration risk. Without a backup option at least 1,000km away, should an event unsettle the city, the entire banking card issuing industry could be brought to a standstill.”

Local banks have shown concern about having to send sensitive card and banking information outside SA. At the same time, having such a local facility means the industry can reduce its reliance on a small set of international suppliers. Supply chain risk has come to the fore in recent years, spurred on by Covid-19, the Russian invasion of Ukraine war and 2021's riots in KwaZulu-Natal and Gauteng.

Founded in 2007, Crossgate specialises in the supply and programming of banking and other cards. The company has supplied more than 300-million cards to the retail and banking sectors in SA and to Mastercard's Middle East Africa unit. Customers include FNB, Stan-

dard Bank and Old Mutual, with more than 30-million cards used in R49bn of transactions.

Parent Crossfin Technology has ambitions to become the continent's largest fintech group.

In 2021 a consortium led by Ethos Capital's Mid-Market Fund I including the founding Crossfin executives, EMMF I co-investors, Ethos Artificial Intelligence Fund I and African Rainbow Capital, bought Crossfin for R1.5bn. Part of this was used to set up the Cape Town facility.

In addition to making cards for financial services players, Crossgate supplies cards for retailers that are distributed for loyalty and gifting programmes.

“We have about 90% market share across every large retailer: Clicks, Shoprite, Pick n Pay, Dis-Chem and Woolworths – the loyalty cards, private label account cards, recharge cards and gift cards,” said De Coning, Crossgate founder 15 years ago.

Retail business provides a base and finances “to invest be-

hind our secure card business”, which until recently relied on a partnership with a US card maker to supply locally.

“Since we had an offshore supply chain which we had perfected, we started looking at how to bring that supply chain into banks in SA. We pioneered [the concept] of taking a debit card, putting in a secure pack and putting that into our retailer network ... across 3,000 stores. We've done this for two large banks, which then allowed customers to ... get a card without having to go to the bank.”

The new facility, 35km outside Cape Town, is where the new cards will be encoded before being sent to banking customers and other cardholders. Crossfin said it is looking to leverage the local facility to expand into the rest of Africa and other emerging markets, for which it has rolled up Crossgate and a number of its businesses under a new unit called AKELO.

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