

Saudi Arabia POS Terminal - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts 2019 - 2029

Market Report | 2024-02-17 | 100 pages | Mordor Intelligence

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Report description:

The Saudi Arabian POS Terminal market was valued at USD 1.42 billion in the previous year and is expected to register a CAGR of 10.62 % during the forecast period to become USD 2.6 billion by the next five years. The POS terminal industry has grown significantly in recent years, owing to its capacity to provide a higher return on investment and ease of use. POS systems, which permit transactions from the key component of organizations in areas such as retail, hospitality, transportation, and banking, have grown in popularity in enterprises of all sizes over the years.

Key Highlights

- When a credit or debit card is used to pay for anything, a traditional point-of-sale (POS) terminal scans the magnetic strip. It determines if there is enough money in the account holder's linked bank account or e-wallet to transmit to the retailer and complete the transaction. The sale is recorded, and a receipt is emailed, printed, or texted to the customer.
- In March 2022, Bank AlJazira partnered with JCB International Co., Ltd. to launch JCB acceptance through its POS and ATM network devices deployed across the Kingdom of Saudi Arabia (KSA). This also highlights the role of Saudi Payments in enabling international payment schemes to operate in the KSA market. This partnership allows Bank AlJazira to accept JCB Cards across their POS and ATM terminals deployed throughout the country.
- Similarly, in March 2023, American Express Saudi Arabia announced a strategic partnership with Riyadh Bank to permit merchants on Riyadh Bank's Point of Sale (POS) network to accept American Express Card payments. Through this partnership, American Express Cardmembers will have access to pay with their Cards at a significant number of new locations, providing greater payment choice and wider acceptance for them.
- The market was expected to witness a significant boost from the hospitality sector as hotels re-opened after the COVID-19 pandemic. Furthermore, the country's focus on tourism is expected to drive the demand for POS terminals. For instance, in May 2022, according to the Saudi Tourism Authority, Saudi Arabia is targeting 70 million visitors in 2022 compared to 62 million

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visitors in 2021. Hospitality point-of-sale systems are computerized systems that incorporate cash registers, computers, and peripheral equipment.

-However, cyber security remains a constant threat to POS terminal devices and their software network, as it shares sensitive information of users, merchants, and banks. According to Kaspersky, the number of cyber-attacks increased by 46% to almost 656,045 in the first four months of 2022, in comparison to 449,082 infections during the same in 2021. This requires stringent measures to ensure data security against such high attacks.

-Because of the COVID-19 pandemic, there was an increased demand for contactless payments, necessitating the installation of POS terminals equipped with NFC, RFID, and other technologies capable of accepting payments contactless. Customers use these payment options and expect more businesses to offer them. According to the Saudi Central Bank and Visa, during the COVID-19 pandemic, contactless payments surged exponentially, making the country the highest in the Middle East and North Africa region.

Saudi Arabia POS Terminal Market Trends

Increased Payments from NFC-Compatible Smartphones and Smart Cards

- NFC is a wireless data transmission technique that allows smartphones, computers, tablets, and other devices to share data. Contactless payments are made possible via NFC technology, which is used in mobile wallets such as Apple Pay and Android Pay, as well as contactless cards. Payment credentials are exchanged when an NFC-enabled smartphone or a credit or debit card is tapped against a POS terminal.

- NFC is also comparable to Bluetooth technology but varies in that NFC doesn't necessitate device detection or manual synchronization like Bluetooth. It also consumes less energy than Bluetooth. NFC can be utilized in three distinct manners: peer-to-peer, card emulation, and read/write.

- Moreover, NFC also provides several advantages, such as enhanced security, improved operational efficiency, convenience, and ease of use. NFC mobile payments are typically simple and intuitive and allow faster payment transactions, which help customers speed up checkout lines and increase customer satisfaction.

- The rampant NFC penetration in the country is evident from the contactless transactions done through POS terminals in Saudi Arabia. This also states how NFC plays a crucial role in driving the country's evolution of the contactless payment scenario. According to the data presented by Saudi Payments in April 2022, more than 5.1 billion contactless payments, amounting to around SAR 473 billion (USD 126.10), accounted for 95% of the total POS transactions, registering an increase of 88% compared to 2020.

- Increased demand for NFC POS terminals is also driven by the growing number of supermarkets, specialized retailers, and hypermarkets. The ease of payment, bolstered with the minimal one-time installation and affordable maintenance and repair costs, helps in a wide-scale adaptation of the payment technology at several retail stores. Thus, the Saudi population's growing demand for NFC-powered payments drives the need for NFC-compatible POS terminals in the country, bolstered by the growth in the number of NFC-enabled smartphones.

- Furthermore, companies are also launching new products and making partnerships to drive the POS terminal market growth. For instance, in February 2023, Mobily announced a strategic partnership with Ericsson to launch Mobily Pay in the Kingdom of Saudi Arabia. Mobile Pay is a mobile financial service that is available to all the users in the Kingdom to conduct personalized financial services like money transfers, contactless payments, digital card payments, international remittances, cash-back, bill payments, mobile top-ups, and more.

- According to a survey conducted by Worldpay, the share of cash in Saudi Arabia declined in POS as credit cards and mobile wallets are increasingly being promoted in the country. The survey predicts that cash will stop being the majority payment method in physical stores by 2025 as wallets like Saudi Telecom's STC Pay are expected to increase user count. The Saudi Central Bank spoke of a major increase in contactless payments by October 2021, with contactless payments adoption being around 94 percent.

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Retail Sector Driving the Market Growth

- The retail industry is one of the significant users of POS terminals in Saudi Arabia. The segment is expected to dominate the region in demand generation and overall sales. The growing requirement for various POS systems with a strong and centralized system among large retailers, supermarkets, and department stores has fueled the retail sector's consistent rise in the POS terminal industry. Because of its consumer mapping application, the greater emphasis on customer behavior has resulted in increased POS implementation.
- Due to substantial discounts and other services, a rising number of retail businesses throughout regions attract clients; however, customer retention becomes a key challenge for them to continue in the market. This rivalry raises the need for companies to change their business models to compete on pricing and find a balance between investing in new technology and revenue. As a result, the demand for client retention and increased competitiveness in the market drive the rise of POS terminals.
- Moreover, according to the Saudi Central Bank (SAMA), the share of e-payments in the Kingdom's retail sector reached 62 % of aggregate payments, including cash. The demand for e-payments has increased due to the rising use of electronic modes of payment. Further, the Kingdom is moving toward a cashless economy.
- The companies collaborate with banks to strengthen their network for payments, enhancing the reach of the POS network to support retail at a larger scale. For instance, in July 2022, UnionPay International Middle East Branch (UPI) recently increased its acceptance in Saudi Arabia due to a collaboration agreement with Bank Albilad (BAB). Coverage of UnionPay card POS terminals in Saudi Arabia is now at 50 percent, while coverage of ATMs is around 68 percent.
- The top players are localizing their retail sites and capturing the Saudi Arabian market. The local players in the POS terminal market are capturing the growing demand by adopting partnerships to grow their network and increase customer acquisition, leveraging mutual benefits for retail deployment.
- For instance, in November 2022, PayTabs announced the purchase of Digital Pay, a Saudi POS technology firm, to execute its presence in both online and offline payment offerings and achieve its commitment to Saudi Arabia's Vision 2030. This partnership will likely allow millions of physical stores, retail and e-commerce enterprises, hypermarkets, and departmental outlets to accept payments via POS.

Saudi Arabia POS Terminal Industry Overview

The Saudi Arabian POS Terminal Market is moderately competitive, with a considerable number of regional players. The companies leverage strategic collaborative initiatives, acquisitions, and product launches to increase market share and profitability.

In January 2023, Ingenico announced a strategic partnership with Klarna to facilitate the rollout of Klarna's flexible payment options at the point of sale utilizing PPaaS, Ingenico's innovative cloud Payments Platform as a Service.

In June 2022, Geidea, one of the leading fintech companies in Saudi Arabia, announced that it entered a strategic partnership with Nayifat, one of KSA's pioneers in the financing space. Through this collaboration, Geidea was expected to provide Nayifat's customers with a full suite of POS solutions. This will likely empower merchants to accept payments via numerous methods - including contactless cards and wearable devices through Geidea's POS terminals and Tap-on-Phone solutions.

Additional Benefits:

- The market estimate (ME) sheet in Excel format

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