

National payment procedures put to the test

Nationale Bezahlverfahren auf dem Prüfstand

Wie werden wir in Zukunft zahlen? Diese Frage stellen sich viele Endkunden im Hinblick auf den immer weiterwachsenden Markt der Möglichkeiten. Nationale Zahlungsverfahren konkurrieren verstärkt mit internationalen Bezahldiensten und neuen, kontaktlosen Bezahlverfahren. Was sich durchsetzen wird, weiß Mirko Hüllemann von der Heidelberger Payment GmbH.

[ixtenso.com/go/30717](https://www.ixtenso.com/go/30717)

How we prefer to pay - and what changes are coming in the future

The politically driven revision of electronic payment transactions prompts action in the German payment market: national payment procedures increasingly compete against international payment services and new, contactless payment options. Having said that, the Girocard, direct debits, and cash won't become obsolete models anytime soon.

International payment systems are one of the major trends in the payment market. Yet the payment preferences and reservations of customers even within Europe are so varied to where retailers quickly reach feasible limits of profitability.

Government regulation aims to encourage competition

There are currently two developments that preoccupy the world of payment systems: the commencement of the European Interchange Regulation (Multilateral Interchange Fee – MIF), also referred to as the "Interbankentgelt" by Germany's 4-party system as well as the end of comprehensive merchant fees for Girocard payments by the German

Banking Industry Committee (Deutsche Kreditwirtschaft, DK). MIF caps fees at 0.3 percent of sales, which is designed to make payments with debit and credit cards online or in brick-and-mortar stores considerably more attractive for retailers. This is also the objective of the abolition of the standard merchant service fee charged since 1989, which according to plans by the German Federal Cartel Office ("Bundeskartellamt"), is meant to be negotiated between the retail sector and the German Banking Industry Committee in the future. Whether this will actually result in benefits is somewhat doubtful: the German Retail Federation (HDE) criticized that especially small and medium-sized enterprises are often not able to negotiate individual contracts with all payment service providers and are therefore dependent on the so-called negotiating "concentrators".

Since the proposed retailer concentrator model by the German Banking Industry Committee has so far not yielded the expected improvements in terms and conditions – quite the contrary, the processes became increasingly complex – competition against the Girocard has so far not materialized. Ironically, the electronic direct debit payment method (ELV) is currently enjoying a comeback in Germany thanks to the self-inflicted uncertainties – several retail companies have already changed over to an EC cash/ELV combined system.

Credit cards are gaining ground

The most frequently used payment method on an international basis is the credit card – though there are also some notable distinctions: while Visa and MasterCard dominate the European market, customers in the U.S. also use American Express cards. Things are yet again very different in Asia. One aspect that's noteworthy today: purchasing on credit is becoming more and more attractive, especially for international companies since credit cards are no longer only accepted at gas stations and on the Internet but also increasingly at retail store checkouts.

Innovators have a hard time

Since payment methods are also strongly driven by national preferences, the newfound freedom to use various types of payment methods still does not have the invigorating effects on the payment market in Germany that it could have: there are several cashless payment methods that dominate the market such as credit cards and PayPal for instance. Aside from the big players and the respective national methods of payment, it is very difficult for providers of new payment systems to gain traction. After all, two things are required for this: on the one hand, retailers need to offer a new payment procedure, while consumers need to use it on the other hand. The rule of thumb, however, is: the simpler and more secure a payment system is to use, the greater its market power becomes – notwithstanding data privacy concerns.

Benefits thanks to a mix of payment methods

There is no one right mix of payment methods. The preferences of customers in the individual countries are simply too varied. Online shoppers in France almost exclusively pay with debit and credit cards. In the Netherlands, approximately 80 percent of transactions in e-commerce are processed through the national online iDeal payment method for example. And while Sweden and Denmark are radically digitizing their payment transactions, German customers still prefer to pay by invoice. Online retailers need to focus on finding the ideal mix of payment methods for the country they are operating in – or would like to operate in.

However, if a new payment method is able to persuade retailers from a cost point of view and if it offers consumers a real additional benefit compared to established methods, it

stands the chance to gain a foothold in the market. The one-click payment method, for instance, has large potential: in an online store, customers can complete a purchase including payment with just one click. If the available payment methods are secure, the express checkout will definitely become accepted since it optimally meets the customer's desire for convenience.

New prospects with paydirekt

That's why the fundamental question retailers need to ask is: which payment method is the easiest to use? NFC technology, that being contactless payments at the point of sale with your own smartphone, has so far not been utilized enough. That's why when it comes to customer retention, more and more service providers emphasize their own smartphone apps that offer more service and additional benefits for consumers. The drawback: paying through apps requires the input of sensitive data and account information that is often resold and can be used by third parties without any regulations.

Unlike PayPal or various app choices, paydirekt enables users to pay via online banking – the payment is then directly processed between the retailer and the customer's bank, while the data is processed in Germany – without detours via any interim accounts or intermediary service providers. The checkout process is simple: payments are triggered by entering your email address and password. Compared to PayPal or various other app choices, information about purchases is not meant to be resold. This may work out for German consumers since data privacy and trust are fundamental pillars of paying German-style. ▶

*Author: Mirko Hüllemann,
CEO at Heidelberger Payment GmbH*

