

CROSSING BORDERS – THE EVOLUTION OF ONLINE PAYMENT METHODS AND THE IMPACT ON INTERNATIONAL TRADE FOR GERMAN MERCHANTS

Insights into the attitudes and adoption of online payment options in German businesses



Both consumers and businesses are increasingly buying online. The potential revenue for merchants offering their products and services on the Internet is immense. After all, using the web, they can do business all around the world. But German merchants unknowingly create obstacles for themselves: many of them concentrate exclusively on making the shopping experience easy for their German customers by offering them the payment procedures they want - and fail to consider that international customers often prefer different payment solutions.

Our latest research uncovers the payment methods favoured by German merchants and their attitudes towards international transactions, as well as their thoughts on future payment trends and the impact they will have on their business. In this paper, we highlight key findings from the research and offer insights into the reality and evolution of online payments as German merchants look to keep their customers happy, both at home and abroad.

METHODOLOGY

The research was commissioned by The PPRO Group and carried out by Coleman Parkes Research in January 15. 150 people who are either responsible for, lead the implementation of or make decisions on online payment solutions within UK businesses were questioned via an online survey. The following industry

sectors were included within the research: clothing, automotive, appliances, books/music/videos, computers/electronics, food/grocery, housewares, health/beauty, toys/hobbies/sport, jewellery, pharmaceutical, and office supplies.

SEPA DIRECT DEBIT, CREDIT CARD AND PREPAYMENT TOP THE PAYMENT OFFERINGS FROM GERMAN MERCHANTS

Which of the following payment options do you offer?



The most common payment solutions German merchants offer in their online shops are direct debit (80 percent), credit card (75 percent) and prepayment (73 percent). Just two-thirds of them (63 percent) also allow customers to pay against invoice. Another 59 or

57 percent of merchants allow their customers to pay cash on delivery or use e-wallet (such as PayPal). SOFORT banking (47 percent), credit voucher (40 percent), customer card (39 percent) and debit card (23 percent) complete the range of payment solutions.

CUSTOMERS OPT FOR E-WALLETS, INVOICING AND SEPA DIRECT DEBIT

Please rank your payment options in order of customer preference, from the most popular to the least popular



© AnitaPomme/shutterstock.com

When asked what payment solution is most favoured by their customers, 38 percent of merchants said e-wallet. 30 percent of customers prefer to receive an invoice, while for 26 percent of customers direct debit

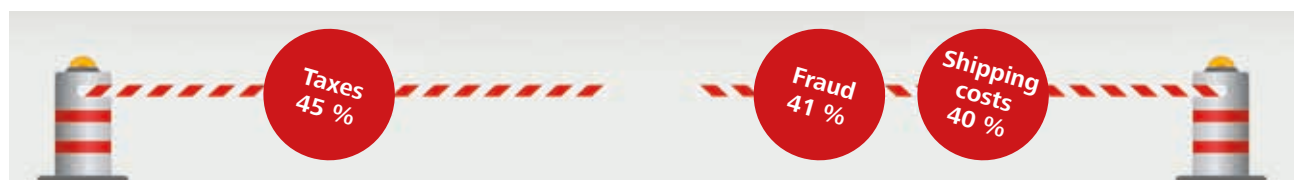
is the preferred option. 18 percent of merchants cite credit card as their customers' preferred option, 14 percent debit card and 13 percent SOFORT banking.

INTERNATIONAL PAYMENTS ARE A CHALLENGE FOR GERMAN MERCHANTS

*Do you adapt/offer different payment options for overseas customers?
What do you see as a key barrier for international payments?*



Three main barriers

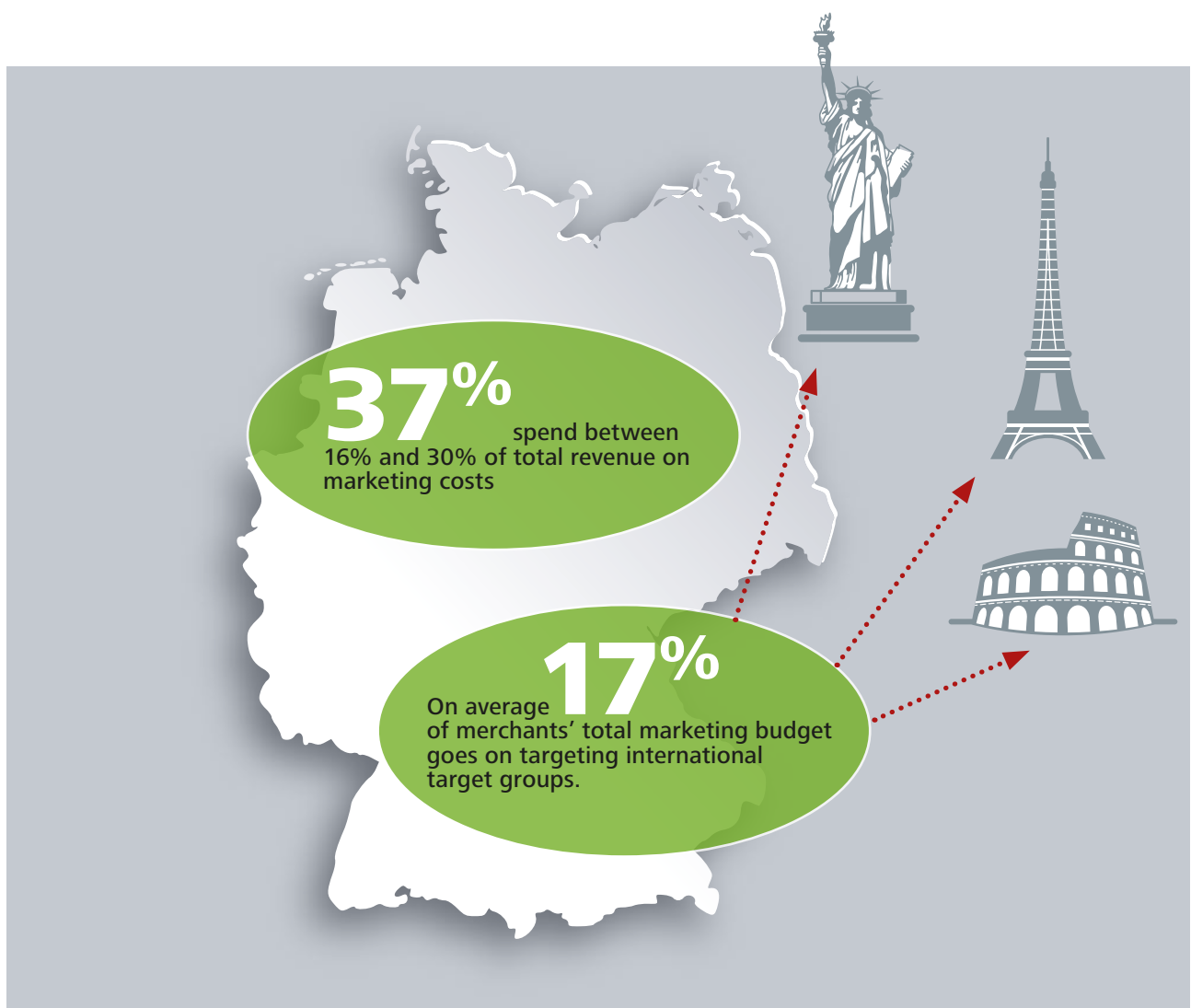


Those merchants that specifically adapt the mix of payment option available in their web shop for international target groups are still in the minority in Germany. Only a third (34 percent) of shop operators offer overseas customers payment procedures tailored to their requirements. But it's not only international payments that present a challenge for shopping and

selling internationally. The biggest hurdle is the taxes involved in cross-border transaction. 45 percent of those surveyed see this as an obstacle for international e-commerce. Many merchants also see fraud (41 percent) and shipping costs (40 percent) as disadvantages of international business.

A FIFTH OF ALL MARKETING SPEND IS ALLOCATED TO TARGETING INTERNATIONAL CUSTOMERS

*Roughly how much of your total revenues is apportioned to marketing costs?
What percentage of your total marketing budget is spent on targeting international customers to buy your goods and services online?*



On average, 14.1 percent of revenues is spent on marketing. In fact, 37 percent of those surveyed invest between 16 and 30 percent of revenues on activities with a marketing focus. As a proportion of the total

marketing budget merchants allocate an average 17 percent to attracting international customers to their online shop.

INTERNATIONAL TRADE ACCOUNTS FOR A FIFTH OF ALL TRANSACTIONS

*How interested is your organisation in attracting international and domestic customers?
What percentage of your total number of transactions comes from international customers?*



On average every fifth transaction in a German online shop is already made by an international customer. In fact, for nine percent of the merchants more than 30 percent of their transactions come from international customers. 43 percent of merchants have already

recognised the potential of cross-border e-commerce for themselves and express a high to very high interest in attracting international customers. 57 percent of merchants, however, said they were not interested in international customers.

GERMAN RETAILERS KEEN TO INNOVATE AND KEEP UP WITH THEIR COUNTERPARTS

How interested is your organisation in keeping up to date with payment methods in general and the payment methods used by your competitors specifically?



Most merchants are eager to provide the latest range of online payment methods. 71 percent of shop operators would like to keep up to date with the range of payment methods available on the market.

Approximately the same number (74 percent) think it is important to know what range of payment methods is offered by their competitors.

INTERNATIONAL CONSUMERS PUT OFF BY PAYMENT METHODS AND SHIPPING COSTS

What percentage of your international customers abandoned their basket at the point of payment?

Where do international shoppers tend to drop out of the process of a full transaction?



Attracting international customers to merchants' online shops is only half the battle. What really counts is a completed purchase, in other words the conversion rate. Almost half of merchants (47 percent) reported that more than 10 percent of their international customers do not complete their purchase but abandon their basket in the course of the payment process. 26 percent of merchants cannot identify at what point

exactly this happens, because they do not use web-tracking software. Of those merchants that do use tracking methods 46 percent say the payment page is the commonest drop-out point. Another critical point is the page where customers are advised of the shipping costs. 52 percent of merchants note that international shoppers tend to abandon the transaction here.

INTERNATIONAL PAYMENT METHODS ARE OFTEN UNKNOWN TO MERCHANTS

*How familiar are you with the following international payment options?
Which of the following international payment options do you offer?*



International payment methods also used by German customers are very familiar to German merchants: 84 percent of shop operators are familiar with giropay, 82 percent know about SEPA direct debit and SOFORT banking respectively, 74 percent of those surveyed knew about cash alternatives such as credit vouchers. If one considers, however, the payment methods that

barely feature for German customers but that are specifically suited to international customers, for many merchants this is entirely new territory. Only 46 percent of them are familiar with the Chinese Alipay system, 44 percent are familiar with the Dutch iDEAL and only 38 percent with the Polish Przelewy24.

COUNTRY-SPECIFIC REGULATIONS AND PROCESSING COSTS DISCOURAGE MERCHANTS

What stops you from offering additional payment options to international shoppers?



What mainly discourages merchants from offering specific payment methods for international customers is the regulations in the various countries that must be complied with when processing the transaction and the processing costs. Two-thirds of merchants (65 percent) cite these two aspects as a turn-off.

63 percent of them also mention tax and other legal aspects as a hurdle. 59 percent of shop operators also find the transaction fees too high and a good half of them (52 percent) are not sure about the right options to add.

REDUCING BASKET ABANDONMENT AND CUSTOMER SECURITY ARE HIGH PRIORITIES

How much consideration does your organisation give to these areas?



© Ismagilov/shutterstock.com

Minimising the number of basket abandonments (and therefore increasing the conversion rate) is a high priority for about two-thirds of online merchants (68 percent). But they place even more importance on

the security aspect. 71 percent of those surveyed are very interested in ensuring customers can buy safely in their online shop.

RETAILERS EMBRACE INNOVATIVE PAYMENT METHODS

Which of the following payment trends/innovations have you adopted/heard of/are you interested in?



	Adopted	Heard of	Interested in	Likely to adopt
Google Wallet	21%	54%	37%	73%
Apple Pay	13%	41%	31%	70%
E-wallet providers, other than PayPal	37%	65%	53%	81%
SEPA direct debit	56%	67%	61%	86%
Buy-Buttons with social networks	9%	24%	19%	72%

Interest in new trends in the e-payment environment and readiness to introduce innovations in their own businesses is high. The new SEPA direct debit method is now offered by 56 percent of merchants, and of the

remainder surveyed 61 percent are interested in it. The new e-wallet alternatives to PayPal are gaining ground. 37 percent of merchants use one or other such system and over half of them (53 percent) are considering it.

THE IMPACT OF FRAUD, REGULATIONS AND COSTS COULD STIFLE FUTURE INNOVATION

How concerned are you about the potential impact the following trends may have on your online business?



Some of the trends also cause headaches for merchants, especially the growing risk of fraud. 82 percent of those surveyed are worried about its impact on their business. Almost as much of a concern is the growing number of legal regulations and rising costs

(81 percent respectively). By and large merchants are interested in using new payment methods for international target markets but are holding off for the time being due to the potential risks.

CONCLUSION: THE MAJORITY OF ONLINE MERCHANTS PAY TOO LITTLE ATTENTION TO E-PAYMENT OPTIONS FOR INTERNATIONAL CUSTOMERS

The study shows that some German online merchants are already fit, or in the process of making themselves fit, for international e-commerce. For most of them, however, there is still a long way to go. Although every fifth purchase is already made by an international customer, the majority of merchants are unaware of significant country-specific payment systems such as Alipay, iDEAL and Przelewy24.

But to achieve maximum conversion rates it is essential to tailor the check-out procedure perfectly to the needs of the respective target group - almost half of merchants lose more than ten percent of international customers during the payment process. The interest in implementing innovations in the payments sphere is certainly there, but when it comes to specific payment methods for international customers, merchants face a number of challenges. Apart from the transaction costs these mainly relate to the legal regulations in the respective countries.

An international, experienced, certified and licensed payment service provider (PSP) is ideally placed to support online merchants in choosing and adding the right payment methods for overseas target groups.

ABOUT PPRO GROUP

The PPRO Group is an integrated solutions provider enabling international electronic payment processes. Positioned as 'The Payment Professionals', the company was founded by Philipp Nieland and Tobias Schreyer in 2006 and is headquartered in London.

Covering the entire value chain from acquiring, through issuing to processing, PPRO makes life easy for its customers with its one-stop, end-to-end offering. Complementing conventional credit card services, The PPRO Group offers payment service providers and partners a fully integrated interactive platform supporting a multitude of national and international alternative payment schemes across more than 100 countries. For ease of service, the company delivers these schemes under umbrella agreements covering all the technical, regulatory and legal requirements of acquiring, issuing and processing. A PCI DSS-certified principal member of MasterCard and Visa, The PPRO

Group offers the full range of issuing services for debit and prepaid cards. Under its own brand name VIABUY, The PPRO Group provides Visa and MasterCard prepaid cards for consumers and

companies. The PPRO Group also offers comprehensive programmes enabling B2B prepaid cards either under its CROSSCARD brand or as cobranded solutions. These cards can be issued both physically and as virtual cards (e.g. vouchers) or NFC devices (e.g. stickers). As part of its e-fulfilment offering, PPRO distributes software, mobile phone top-up cards and online vouchers through its own online platforms. Here customers benefit from secure deliveries, reliable payment processing and transaction support.

WWW.PPRO.COM



Contact PPRO Group:

PPRO Financial Ltd
20 Hanover Square
London W1S 1JY
United Kingdom
Tel: +44-2030029170
info@ppro.com
www.ppro.com

