PPRO
the payment professionals

E-commerce:
achieving success in international markets

Foreword

Dear reader,

The unparalleled global growth of the internet has made the world a much smaller place for merchants and consumers alike. International e-commerce, with the cross-border movement of money, is one of the most pressing challenges facing online retailers, but also one of the biggest opportunities.

This e-book from The PPRO Group offers practical guidelines for online merchants on establishing their international market presence - from drafting business strategy to preparation and planning and finally the operational commissioning of an international online shop. It deals with all the important questions that retailers have to consider. Which criteria do I use to select the right international target market? What opportunities does online retail have in neighbouring countries, and further afield, in more distant markets such as China, the US and Brazil? What are the differences in country-specific payment habits for international customers and what does this mean for the retailer? Which legal requirements must be observed in cross-border trade? What are the tasks for which retailers should get advice or operational support from internationally experienced partners?

On these and many other subjects relating to cross-border trade, proven experts share their knowledge so that you can be best prepared for your international e-commerce adventure.

We hope you enjoy reading this e-book and wish you every success when internationalising your online shop.

Simon Black

CEO, PPRO Group

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THE PAYPERS

Editorial

Author: Adriana Screpnic, Editor-in-chief, The Paypers

Merchants looking beyond the domestic market: a simple take on a complex story

E-commerce has evolved from a nice-to-have to a need-to-have stance, developing into a multi-billion euro industry. In fact, e-commerce is revolutionising retail, blurring the distinction between online and offline channels, thereby creating an omni-channel ecosystem. In such a dynamic landscape, things rarely stay the same for a long period of time, especially when new players, technologies, business models and rivalries emerge almost every day. Additionally, there are other standpoints to consider, such as cross-border e-commerce, regulations driving or impeding further industry development, and last but not least, disruptive innovation.

International e-commerce has been developing at such a rapid pace that it has already become one of the key generators of future business growth for nearly all participants in the industry, including payment gateways or technology providers, merchants, postal operators and logistics companies.

It is no longer a secret that e-commerce can grow at an even faster rate if alternative payments are made more widely available, because relying on credit cards to make all purchases online is not enough. Therefore, merchants are demanding extra payment services to expand their business internationally and boost revenues. At the same time, they are driving the e-commerce market to the next level, not only to their own advantage, but also to the benefit of all stakeholders within the dynamic global e-commerce landscape.

When expanding internationally, merchants need to pay attention to different aspects that can nevertheless bring about increasing challenges, such as identifying the most promising markets for their products and services, local habits and traditions, locally preferred payment methods, VAT regulations, distribution and logistics, as well as fraud and risk. All these aspects bring high complexities in the payments mix. However, the selection of an experienced payment service provider (PSP) can help offload some of these hurdles.

Conversely, when evaluating the opportunities that international markets present and defining technologies and strategies for expansion, the most important thing that merchants should have in mind is the consumer and how to create the best customer experience. According to the 'Retailing 2015' study released by PwC, consumers will set the norm with regards to purchase habits in 2015, as they increase demands for interactivity, segmentation, localisation and customisation. However, it may be premature of us to say that the whole industry is finally ready to tailor its offerings to its customers and thus enable them to become more pro-active and selective in their buying decisions. To deliver the best customer experience, merchants will have to bring a diverse and appealing perspective to the table and intensify collaboration with all industry players.

Internationalisation as a corporate strategy

Philipp Nieland, Co-founder, PPRO Group

E-commerce has seen constant growth over recent years. More and more retailers of all sizes have decided to also sell their products online. In addition to online giants such as Amazon, AliExpress, Zalando and ASOS, a host of traditional, offline retailers such as Wal-Mart, Tesco, H&M, and Butlers, marketplaces such as eBay, as well as innumerable small and medium-sized online shops are jostling for online business. The goods on offer over the internet are becoming ever more varied and competition is growing between the individual retailers. As such, companies must adjust their business strategy in order to be able to hold their own in an online marketplace. One possible way to secure the future competitiveness of your business is to increase reach by opening up new markets in other countries.

Online customers are increasingly buying internationally

The consumer trend is already moving towards cross-border e-commerce. Customers, in particular younger target groups, are increasingly buying from online shops in other countries, as was demonstrated by a representative sample survey on behalf of the PPRO Group[1]: well over half (61.5 per cent) of German users under 29 years, for example, have already bought at least once from a shop based in another European country; even in the over-50 age range it was still more than a quarter (27.8 per cent). 23.4 per cent had visited an online shop although they had not yet purchased internationally.

The growing willingness to buy from shops in other countries should apply similarly to customers around the world, particularly when you consider that in many smaller European countries and developing markets such as India and Brazil, the density of online local shops is lower. As a result of the limited offering in their own country, these customers are just as willing – if not more so – to order online from other regions. European shop operators should consider these potential customer groups outside their native countries and, as part of their business development plan, think about how to internationalise their business. The potential revenue is there: according to a current survey by Forrester on behalf of logistics company FedEx, global e-commerce revenues are now worth over USD 1 billion[2]. A survey for DHL also determined what percentage of distance selling customers in various countries order from abroad[3]. The percentage for Austria was particularly high at over three quarters (79 per cent) – customers can order from German shops without hitting a language barrier. In Britain 60 per cent of distance selling customers order from other countries, 43 per cent in Russia and 40 per cent in the US. In developing countries such as India and China, international online retail is also on the increase: here 30 per cent and 20 per cent of customers respectively order internationally.

Internationalisation as a strategic objective

Online retailers wanting to secure market share in other countries should take the plunge now – whilst the trend towards internationalisation is still young and various market niches are free. Shops with a very specialist range have a good opportunity to

1 https://www.ppro.com/market-research/

2 http://about.van.fedex.com/newsroom/global-english/world-shops-cross-border-2/

3 http://www.dhl.com/en/campaigns/globalmail/shop_the_world_de.html

be pioneers and position themselves as the long-term market leader in their product segment in the relevant countries. However, the move towards internationalisation is particularly interesting for suppliers with a portfolio aimed at a wider target group. Gaining a foothold in as yet unsaturated international markets could cost less in the long-term than maintaining your own market position at home in the face of stronger competition. It is therefore important to consider some basic issues first – the most important of which is logistics: is it even possible to send the goods to another country at a reasonable price? For additional information on this, please read the article entitled "Selecting international target markets".

Gaining a foothold in the target market

Another important question is to ask whether there are adequate resources in place to advertise your offering successfully in the relevant target country. It is important to find out which marketing channels are most important there. The FedEx survey mentioned above shows that the ability of search engines around the world to find the site is an important criterion for brand success but the importance of individual channels may vary between countries – in Latin America, for example, online advertising and social media are particularly important. Using these channels successfully requires additional marketing resources, in particular if the local languages in the target markets are different from your own. Those daunted by the thought of building a brand presence from scratch in another country would be better served by moving to a retail store on a virtual marketplace. Just as numerous retailers sell successfully via eBay or Amazon Marketplace, the Rakuten e-commerce platform and or the Chinese Taobao auction portal are very popular too. Alternatively, cooperation with established brands can also provide initial assistance, e.g. in the form of a cross-promotion campaign.

Research the target market thoroughly

Whether via a marketplace or under your own steam – going international must be planned carefully every time and there must be an adequate lead time. Retailers must be aware that their new international customers have the same demands for service and quality as their local ones – or even higher ones. This starts with customer support in the relevant local language, moves on to quick and not too costly delivery of the goods and ends with local peculiarities, for example the preference of users for a certain local payment method. Attention must also be paid to the retail and brand legislation in the target countries. Retailers who handle all of these challenges with determination and with the aid of competent partners can benefit quickly from the internationalisation trend in e-commerce.

Yearly growth rate in e-commerce retail 2013 – 2018

China: 24.4 per cent
Australia: 16.4 per cent
Brazil: 13.6 per cent
Turkey: 12.4 per cent
India: 11 per cent
USA: 7.3 per cent
UK: 4 per cent

(Source: DHL)

Payment preferences in different countries

Ralf Ohlhausen, Chief Strategy Officer, PPRO Group

For online shops it's easy to hit the international stage. But caution is advised when it comes to the e-payment systems offered as payment preferences and cultures vary drastically between countries. To help simplify the decision making and planning process, here we show you the preferred payment methods of various countries.

The fact is that when it comes to paying online, credit cards have quickly become the method of choice. Throughout the world no other payment method is so readily accepted when shopping online. But anyone who runs an online shop knows that it's not enough just to offer credit card payments. In Europe especially, the credit card is nowhere near as popular an online payment method as it is in the US. 41 per cent of transactions in Europe are made without using plastic[1], which is based on average use across the continent. However, credit card usage varies widely between European countries. In the UK, for example, 78 per cent of online purchases are made with plastic cards, but in Germany it's just 21 per cent.

An internationally active online shop should definitely look into national preferences when provisioning electronic payments, even if they look strange at first glance. In the Netherlands two out of every three online payments are made using the iDEAL payment system. Germans still prefer paying with cash on delivery and direct debits, while Finns favour direct transfers via their online banking sites[1]. Yet one key question remains unanswered. Why do these huge differences exist when it comes to choosing how to pay online?

How do you like your coffee?

There is no single reason or explanation for national payment preferences throughout the world. The subject of online payments is best seen as a development that is at the mercy of cultural, political and economic influences in every country. Just as with coffee, neighbouring countries have different preferences when it comes to online payment systems. Germans favour their bitter filter coffee, whereas Italians prefer a strong espresso.

Let's begin our look at the differences in payment systems in the US, the ultimate credit card country. The credit card achieved its breakthrough in the US at the beginning of the 1950s. True, the credit card principle existed much earlier, but this period is considered by experts to be the one that paved the way for the credit card as we know it today. Since these pioneering days credit cards have enjoyed great popularity in their country of origin.

If the UK is regarded as the credit card heartland of Europe, then the fact that the UK and the US share a common language is on its own a plus factor for the credit card. The cultural influence of the US on Europe is still strong today and strongest in the UK.

It's important to note that in the US and the UK, an immense credit card infrastructure has been established since the foundation for it was laid back in the 1950s. During this period in time, Germany and many other European countries were still focused on the economic impact and necessary regeneration following WWII and were simply not in a position to invest in such a new and unproven technology.

Political influence on payment systems

After the UK, within Europe credit cards are most popular in Spain and France and to a lesser extent Italy[1]. Italy is a good example of the influence of politics on the payment methods and payment habits of its people. Traditionally, Italians love to pay in cash. But politics promoted the use of credit cards with some ground-breaking decisions. To combat crime and money laundering, cash transactions of over EUR 1,000 have been made illegal, leading to a sharp increase in the number of credit cards in circulation[2]. This increase in circulation has boosted the acceptance of credit cards, which in turn is leading to increased demand.

1 http://www.worldpay.com/global/alternative-payments-2nd-edition
2 http://www.bloomberg.com/bw/magazine/italys-cap-on-cash-payments-12082011.html

Economic reasons

Of course, economic reasons also play a large part in deciding which payment systems become established in different countries. The banks have a leading role here. Take Spain for example, where the banks offer credit cards primarily as account add-ons. If a user has more than one account, it follows that they have more than one credit card. Therefore, the circulation of credit cards in Spain is very wide and the proportion of credit card payments is high compared to other payment methods. However, only 13 per cent of payments in Spain are made via debit cards, as these are much less common.

The Netherlands is another example of how great the influence of banks is. Here the iDEAL system is very popular for online payments. This payment method allows customers to pay by direct transfer from their own bank. The reason why this system has become so firmly established in the Netherlands since 2005 is because the majority of local banks there support it and promote it well.

Technological reasons

One modern factor that influences payment preferences in individual countries is new technology. This can be seen in Kenya for example, where the mobile payment system M-Pesa has a very high market share. The technology associated with this system has helped to provide secure financial services to a largely unbanked population. This problem does not exist in the US and Europe, but nevertheless modern technology still influences payment habits, if nothing else because it is easy to use. Therefore in many countries it is the fast payment methods such as direct transfer or e-wallets that are gaining most ground.

For years many experts have seen a lot of potential in mobile payment systems, because smartphones have become constant companions for the majority of people in developed markets. All you have to do is integrate a payment function into the mobile phone and you have everything you need to make a payment. Nevertheless, paying by smartphone has not yet become widespread. In theory, ApplePay could be the technology that encourages the whole mobile and payment industries to adapt at a faster rate and has the potential to position Apple as the most powerful force in mobile payments.

Apple has stated it won't store any transaction details, but security is still an issue that people need to be aware of, especially considering the significant amount of loss and theft associated with mobile devices and the increase of targeted attacks. This development is driving the need for biometrics as a confirmation process, providing customers with an easier, more efficient experience which they've come to expect, and which will be a major change within the industry.

Internationalisation – a world full of rules

John Fernandez, Legal Counsel, PPRO Group

Expanding online international sales can be a quick path for retail businesses to capitalise on the purchasing power of internet users in global markets. However, potential opportunities for growth can be rapidly jeopardised if online retailers are hit with large tax bills or large numbers of consumer complaints. Remaining compliant with a host of rules, laws and regulations ranging from consumer protection to tax and payment acceptance is a key consideration when securing the right strategy for launching in new markets.

A starting point for most e-retailers is assessing the extent to which their terms of business are on par with local consumer protection laws, for example affording cancellation and refund rights. Within the EU, the position is clear under the Consumer Rights Directive 2011/83/EC which extended the cooling off period for cancelling an online contract from seven working days to 14 calendar days. As the directive is implemented on a domestic level across all EU member states there is little room for derogation, so EU based e-retailers must comply.

Local regulation compliance

On an international (non-EU) basis, foreign entities are not obliged to comply with such laws, however many retailers do so out of goodwill in order to build trust and protect brand reputation. In China for example, new legislation in 2014 obliges online retailers to provide a seven day unconditional right of return to customers and a full refund. Foreign retailers who do not adjust their terms and conditions accordingly could be at risk of being named and shamed on "World Consumer Rights Day", an annual televised event in China during which the illegal business practices of foreign and domestic companies are paraded and publically decried. The threat to business reputation is so great that companies targeted in previous years, including Apple, Volkswagen and Nikon, have issued public apologies and initiated recalls in direct response to their inclusion in the event.

Complying with local rules can therefore be important from a strategic perspective. Within Germany for example, setting up a website entails including a so-called "Impressum" in accordance with the Telemedia Act of 2007 ("Telemediengesetz"). An "Impressum" carries the retailer's name, address, legal form, authorised representative and contact details. There is no consistent legal term used in English-speaking media but the closest might be "legal notice" or "about us". Although not a mandatory requirement for entities established outside of Germany, including an "Impressum" on a website may provide a German consumer base the confidence they are used to when dealing with local service providers.

Revenue tax payments

Additionally, though not always directly applicable, local tax law is an important factor for online retailers to be aware of, especially as they grow. The steady growth of e-commerce has led to traditional brick and mortar retailers protesting at what they see as unfair tax advantages for their online competitors, and governments are increasingly looking towards ways of obtaining tax revenues from an otherwise unreachable sector.

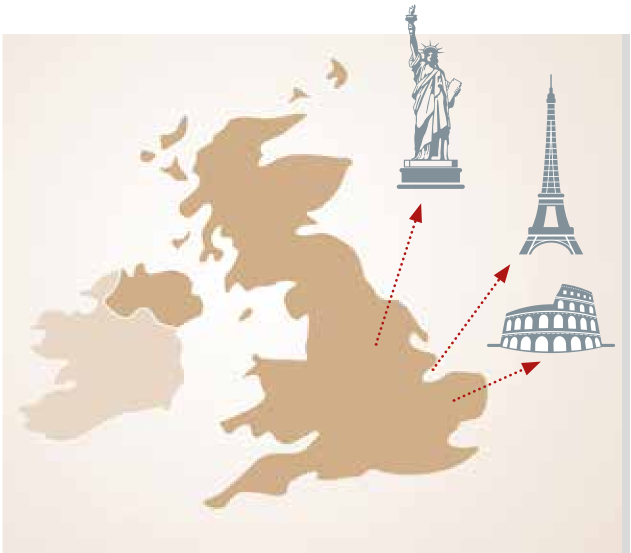
In Australia, goods purchased from overseas online retailers worth less than AUD 1,000 are not subject to Australian goods and services tax (GST). Australian retailers claim the GST loophole gives their overseas counterparts an unfair price advantage and have been lobbying state and federal governments to reduce the tax-free threshold, something that is being considered in 2015. In the US, the proposed Marketplace Fairness Act (MFA) would require US states to tax retailers for their internet sales. Theoretically, foreign companies selling to residents of a given state would then be subject to that state's sales-tax laws, and could face the same enforcement remedies that states are able to marshal against domestic debtors. Within the EU, non-resident sellers are obliged to be properly registered for VAT prior to EU sales taking place. This means registering for VAT in each European country in which the seller expects to have customers, in order to comply with European compliance obligations. The obligation to file VAT returns and pay VAT arises with the very first euro the seller earns. Although a weak point is the lack of an enforcement mechanism, the European model has been praised by the Organisation for Economic Co-operation and Development (OECD) as a global VAT system of taxation and could be adopted by other countries.

Keeping informed of further developments in this space alongside relevant local laws is an important factor for retailers to consider when going international with their online business.

Selecting international target market

Frank Breuss, Director International Sales, PPRO Group

Reaching international customers has never been easier than on the internet. But not every online shop has the right approach to a global strategy.



The hottest trend for online shops over the next five years will be international business[1]. Frequently moving across national boundaries happens automatically. An online shop, even without an English language website, has a natural catchment area that stretches beyond its native country. Austrians, the majority of the Swiss and other German-speaking neighbours can use a German online shop without language difficulties; even the Dutch and Polish often go shopping on German sites. If a retailer decides to internationalise their online shop, there are some important issues to consider because expansion is not always worthwhile for all countries. In the worst case scenario you can even get into legal problems if you offer your existing business model exactly as it is in other countries. We provide some tips on selecting international target markets below.

Shipping goods or not?

Internationalising your shop to apply beyond national boundaries is usually very simple, particularly over the internet. But the question of where to sell and whether this step is even worthwhile depends to a large extent on the products and services on offer. The basic rule is that retailers should start their shop in their home market, gather experience and resolve initial problems before facing the challenges of various international markets. The next recommended step is to expand to neighbouring countries where, ideally, people speak the same language, before tackling more distant markets or even continents.

The internationalisation strategy depends heavily on whether you are sending physical goods or offering online products like downloads. If you do not need to send goods, you can expand into other countries much more quickly and easily. But retailers should not underestimate the fact that those in customer service need to have the necessary language skills. Otherwise internationalisation can quickly become a costly trap. You should also take into account that payment practices are different in other countries from those in your initial markets. So methods with guaranteed payment are preferable, as payment reminders and collections frequently turn out to be tiresome and costly in other countries. Last but not least, there must be suitable, low-cost advertising forms for your shop in the target countries.

1 Sage Pay E-Commerce Benchmark Report 2015

Expansion is all the more complicated if the business model includes sending physical goods. It is obvious that sending a wall unit or fridge from Central Europe to Australia is not usually worth the effort. However, what about the specific products in your online shop? Mobile phone covers usually come from China and they often only cost a few US dollars. So you are therefore unlikely to be able to sell them for cheaper in Europe and the transaction itself would not be profitable. High-priced goods, such as customised products on the other hand, may be a slightly different case. But caution is required if the goods are not simply sent by post. If they require a complete transport logistics system, the costs of international transactions may rise so steeply that even wealthy customers are put off.

Licensing law problems and regulatory barriers

If it is worth sending the goods to another country, the second step is to check the target markets for import restrictions and legal conditions. The effect of national regulations should not be underestimated, for example when it comes to protecting young people and consumers. Not all products that people can, for example buy in Germany from the age of 16 can be purchased at the same age in other countries like the UK. Some products are even subject to special labelling regulations or even sales bans. For example, there is a deposit on cans in Germany and Austria levies a charge to dispose of particular electrical devices. There can also be regulations and fees relating to particular packaging types. In addition, textile care labels that are voluntary in other countries are compulsory in Austria. You also need to pay attention to seemingly small issues: national differences in size descriptions for clothes and different standards for electrical currents and plugs – a British customer is not going to love an electrical device with a French plug.

Even retailers not sending physical goods must be well-informed. For example, there are licensing restrictions on downloads and tax regulations change regularly. And don't forget: a new Value-Added Tax Act came into force in 2015 covering the sale of digital goods in the EU[2].

Assess market opportunities

If selling abroad will pay off and there are no regulatory barriers, retailers should assess the market opportunities before internationalising their online shop. Since operating an international online shop is frequently interesting for small and medium-sized companies who do not have large business development departments, both pragmatic solutions and an analysis of the target market are required. Can you offer the goods at a competitive price? Is there demand for the goods in the new target market? Are there any unique selling points? This sounds more complicated than it actually is but protects you from making mistakes. Large platforms such as eBay and Amazon are suitable for basic market research. Are similar products offered at comparable prices there? And when it comes to platforms, if you are not offering particularly trendy products, it is necessary to overcome a certain entry barrier in the new market. It can be useful to appear initially as a partner shop on Amazon or eBay, using them to take the first steps towards an international platform. Once you are established you can move customers away from the big suppliers and towards your own shop.

2 www.ppro.com/blog/changes-to-the-multilateral-interchange-fee/

Checklist: Strategy

- [ ] First expand your business across the border into countries that share a similar culture and the same language. For example, if you are an Austrian company and are already selling your products in neighbouring countries such as Germany, Switzerland and Poland, first optimise your shop for your existing international customers by using appropriate, country-specific payment methods.
- [ ] As soon as you feel ready to venture into more distant countries, select an international target market with a favourable competitive situation in your goods segment. Conduct careful market research.
- [ ] Obtain information on the commercial and trademark requirements that affect sales of the relevant goods in the target country. These include import restrictions, rules on child and consumer protection, labelling obligations and licensing requirements.
- [ ] Ensure that you have sufficient financial and human resources to build up the international website.
- [ ] Check whether you can send your products to the target country at reasonable cost.
- [ ] Consider whether it would be appropriate to initially enter the target market with a retail shop on a platform such as Amazon or Rakuten.
- [ ] Decide whether you want to get support with selecting the ideal country-specific payment mix, integrating the payment methods, transaction processing, fraud prevention and risk and claim management from a payment service provider.
- [ ] Discover which marketing channels are important in your target country and provide sufficient resources to advertise your offering via these channels in the local language.
- [ ] Ensure available budget for setting up customer services in the relevant local language.

It's all in the mix

Frank Breuss, Director International Sales, PPRO Group

As soon as the strategic part of the business plan for your international online shop is in place, you can start planning implementation. A crucial part will be selecting the right mix of local payment options.

Imagine you run a shop on one of Europe's busiest high streets. You have spent a lot of money on your furnishings and fittings, not to mention marketing. And your business has really taken off. Lines of locals and tourists with armfuls of merchandise wait their turn to pay. But before they come to the cash desk, they see a small sign: "We only accept payment by Visa or MasterCard!" In other words, you can forget about paying by cash, cheque, EC card or voucher. So the tourists put away their American Express or UnionPay credit cards. Or imagine that you run a restaurant, travel agency or workshop, and you only accept cash.

By excluding certain payment options you are bound to lose sales, because some customers will have no choice but to leave without purchasing what they wanted. They will simply go elsewhere – and probably will not bother coming back to you. You might not think that any merchant would damage their own business in this way. Nevertheless, most online traders do exactly that – whether they are retailers, travel companies or service providers.

Proven correlation between conversion rate and payment method

Recent studies have shown a clear link between conversion rates, customer reach and the right mix of electronic payment methods. 83 per cent of online shoppers have said that choosing between different ways to pay is important to them, while 42 per cent declared that a wider range of payment schemes would result in them spending more. Credit card fraud was the number one online shopping concern for 81 per cent of the respondents, with 83 per cent of this group saying that they would shop online more often and spend more if they could use secure payment methods[1].

The message is clear: merchants need to offer a wide range of online payment methods that meet customers' expectations and needs if they want to increase site traffic and revenue. For international online stores in particular, a variety of payment methods is a key success factor. Across the world, credit cards are still the most common way to pay for goods and services online, but they are not equally favoured in all countries. Alternative payment methods – i.e. payments that are not made by credit or debit card – are becoming more and more popular around the world. In 2013 alone, transactions using alternative methods increased by 21 per cent compared with the previous year, representing EUR 165 billion in sales. Analysts agree that the share of alternatives will continue to increase in the coming years. Payment method preferences vary by region first and foremost, but also by target group and product group. In the Netherlands, for example, around 65 per cent of all transactions are carried out using the iDEAL online banking system. In Germany and Austria on the other hand, most digital buyers prefer payment on account and direct debit. In Russia, e-wallets have become popular, and cash is king in most of South America[2].

Does this mean that you should just offer 20 or more online payment methods at checkout to be on the safe side? Unfortunately, it is not that simple. Online merchants need to take several factors into consideration, for example, the most common and popular payment methods in their target markets. A mature consumer from France purchasing a designer sofa online will naturally prefer a more secure method of payment than a Brazilian teenager downloading

1 http://www.worldpay.com/global/alternative-payments-2nd-edition
2 https://www.cybersource.com/resources/collateral/Resource_Center/service_briefs/CYBS_Global_Payment_Services.pdf

an online game. So aside from regional trends, merchants will also have to consider target group preferences and the suitability of various methods for different product categories. Merchants can consult a large number of studies and surveys, for example Cybersource.com and Harris Interactive to establish payment preferences across countries, target groups and product categories. Checking what the competition is doing is also worthwhile. Simply look for a shop with a similar portfolio and a comparable target group and see what payment methods they are offering in each country.

It's all in the mix

There is no point in offering 20 international payment methods to each customer. Instead, the ideal choice would be five to seven of the most popular payment methods for that country, target group and product type. The available options could be filtered through technical parameters (e.g. the shopper's country of origin) or by asking the shopper to select their country from a drop-down list. Differentiating between new customers, non-registered customers and regular customers is also an option, if for example the trader wants to offer only risk-free payment methods with guaranteed payment to non-registered customers.

Ultimately, it is not about the number of payment methods offered – the key is to find the right mix for each market and target groups. In the ideal checkout, the choice of payment methods offered will vary – based on the user's country at the very least. For most US-based customers, credit cards, an e-wallet, and a cash option for those without a bank account should suffice. In the Asia-Pacific region wallets have a particularly large market share at just over 40 per cent[3]. German customers are fond of payment on account, direct debits and e-wallets; in Finland around half of online purchases are made by online bank transfer; almost one in five online transactions in Portugal are paid by offline bank transfer; and around 45 per cent of Russians favour cash on delivery. So it is clear that the differences between countries and regions are as varied as their cultures.

3 http://www.harrisinteractive.com/vault/Harris%20Poll%2084%20-%20Mobile%20Payments_11.15.2013.pdf

Mobile payments in international e-commerce

Frank Breuss, Director International Sales, PPRO Group

With the use of mobile devices such as smartphones and tablets constantly on the rise, the existing issue of mobile payments remains as more and more customers are using their mobile devices for online purchases. For retailers this means that they not only need to optimise their website for mobile use but must also offer the appropriate payment methods so that the customers can successfully complete their purchases.

It is important to consider here that not all payment methods that are used online – on a home or office computer – are also suitable for mobile devices. Who wants to enter all 33 digits of their IBAN on their mobile phone screen or log onto their bank's online banking system when travelling? So the ideal mix of payment methods must be different for online purchases.

Which payment methods are suitable?

Basically mobile payments should be quick and easy. E-wallets are particularly suitable, where payment is initiated with a click. In this arena – in addition to the existing providers such as PayPal – there are new providers crowding onto the market place, including Apple Pay, Samsung Pay and Google Wallet. It remains to be seen which providers will succeed internationally.

Offering credit card payments is, of course, essential for mobile shopping – especially if the card details are already stored in the online shop and payment can therefore be made on the move with just a few clicks. Other payment methods such as direct transfers (including iDEAL or SOFORT banking) can be used on mobiles but their practical use is often restricted.

New payment methods designed for mobile use

Whereas most payment methods have been designed for conventional online use and have only been optimised to a limited extent for mobile use, new methods that were primarily designed for mobile payments are increasingly being developed. This does not mean value-added or SMS services, which existed in the past and are used for online gaming, but are not highly relevant for online retail due to fees and restricted transaction values. Rather this concerns payment methods that enable existing consumer preferences to be transferred to the mobile world. Examples include PugglePay and Paylevo/Kriita – both from Scandinavia – which have developed a mobile payment method for invoiced purchases. By entering a small amount of data on the mobile device, the payment is approved in real time and the buyer can pay for the purchase after receiving an invoice. As these suppliers credit check the buyer before approving the purchase in real-time, the online retailer also has a payment guarantee for this transaction and can send the order completely without risk.

ZAPP was also designed for mobile use – a payment method that should launch in the UK in 2015. Here the end customer can easily complete the payment with their bank via a mobile app. At the same time the customer with ZAPP will be able to pay both online and at the POS. ZAPP will therefore support retailers with a multi-channel strategy (online and physical store). This addresses target groups in the UK with a particular affinity with mobiles and later also those in continental Europe and the USA.

Even with a high level of activity and development around mobile payment methods over the next few years, it is important to think about the right payment methods to turn mobile buyers into "payers" now.

Did you know…

…the global transaction volume of mobile payment methods?

2012: USD 18 billion
2017: USD 117 billion
Forecasted growth of 550 per cent between 2012 and 2017

…the revenue share of m-commerce of the total e-commerce revenue?

Germany: 7.3 per cent
UK: 7.9 per cent
The Netherlands: 6.0 per cent
Turkey: 6.0 per cent
Russia: 5.9 per cent
Brazil: 2.5 per cent
China: 5.7 per cent
USA: 4.2 per cent

(Figures for the year 2012, source: Worldpay)

10 golden rules for international payment methods

Ralf Ohlhausen, Chief Strategy Officer, PPRO Group

Retailers who lump all customers together when it comes to payments in international online shops are throwing away good money. This is because, when it comes to payments, customers in each country work differently. According to a recent survey, 47% of customers in the UK and 49% of customers in Germany have already abandoned an online transaction as they weren't offered the option to pay the way they wanted[1]. We have, therefore, assembled the ten most important rules when it comes to international payment methods.

Rule 1: Offer appropriate payment methods

Do not simply offer any old payment methods to your international customers. And do not only choose those that offer the most advantages for you as the retailer. Our top tip: Select the most appropriate or most frequently used payment types in the relevant country. You should have at least the top three for each country you are selling to. This fulfils the requirements of most buyers. You reach an even higher rate with the five to six most popular local payment types. Opportunities for fine tuning arise from a more precise analysis of the payment preferences of particular target groups or industries – seeing what competitors do in each country can be helpful here.

Rule 2: Optimise conventional payment options.

Payments in advance are a red flag for many customers but, in contrast, direct debits are frequently ignored by dealers. However these conventional payment types can be optimised, as demonstrated by some variants that are available in the marketplace. For example, dealers can provide a mobile one-click payment using a SEPA direct debit that is ideal for integrating into a mobile web shop. Or you can facilitate payment in advance, which is slow and subject to errors, by using an optimised advance payment product, thus ensuring higher levels of customer satisfaction.

1 PPRO B2C study "The role of the payment process in boosting sales conversion rates", https://www.ppro.com/market-research/

Rule 3: Remember push payments

Of course it is advisable to offer the more conventional pull payments because credit cards and direct debits are very popular with customers and are widely used payment types. But always keep an eye on the mix of payment types – and include push payments. Direct transfers are advantageous for you as a retailer because you do not have to think about defaults due to back charges. In addition, you do not have to deal with the safe storage of payment data.

Rule 4: Go mobile – but do it right

The percentage of online shoppers who buy via smartphone or tablet varies between countries, but on average one in five purchases is now made via a mobile device. This means that m-commerce still has to catch up as one in three people access the internet from a mobile device[2]. One reason for this could be poorly designed mobile versions of online shops. In addition to a web shop optimised for mobile buyers, this also requires appropriate payment systems, such as one-click payments. The lower conversion rates when compared with PCs and notebooks demonstrate that many shops have not yet found the right mobile strategy[2].

Rule 5: Act local

International shops should not confuse customers by offering all available payment types on the selection page. This only makes the buyer uncertain, reduces trust and leads them to abandon their basket. Instead the aim must be to detect where the customer is located via geo-targeting and give them the feeling, in terms of what is on offer and payment types, that they are visiting a local shop. For payment methods this means that you should offer customers five to seven of the most relevant payment types for the relevant country – perfectly written in their local language.

2 http://www.ecckoeln.de/Themenfelder/Payment.php (German only)

Rule 6: Rely on partners

The integration of payment services is not only a technical issue. It is first necessary to get over the barrier of acquiring them, i.e. to clarify the acceptance and other contractual details with the suppliers of various payment methods. Anyone who has attempted to open a bank account in another country knows how strenuous and complicated that can be. It is also necessary to answer the regulatory questions. Above all international shops need clever cash flow management to quickly access their money with low ancillary costs. In most cases it is a good idea to rely on a special payment service provider (PSP) to quickly and easily bring payment types to the online shop.

Rule 7: Automate

Use the available payment automation options as much as possible. Many shops still assign transactions to orders manually. What may work with ten orders per day is destined for failure when international business really takes off. Complicated back-end processes delay orders unnecessarily and long waiting times frustrate customers. So make sure you use automation tools.

Rule 8: Ensure security

When it comes to security, dealers must balance the security needs that they have with those of their customers. It is vital to minimise the potential risks of fraud and still work quickly. Here, too, partners such as credit agencies provide useful services relating to fraud prevention.

Rule 9: Read the statistics

Question the payment types in your shop at regular intervals because people's habits change. Detailed statistics about the shop – both on revenues and drop-out rates – help here. Problems can be detected quickly and, for example, payment types can be substituted or checkout processes adapted to local requirements.

Rule 10: Keep an eye on trends

You do not have to modify the payment options in your shop every day but you should keep an eye on trends. Is Apple Pay the next big thing? Do not wait for the competition to try it out but rather assess the trends for yourself and be one of the trendsetters.

Advice for merchants: top tips for finding the right payment service provider

Philipp Nieland, Cofounder, PPRO Group

Discovering the best payment methods for particular markets and target groups is costly, time-consuming and requires a certain level of experience. That is why online merchants usually turn to payment service providers (PSPs). Ideally, PSPs should not only provide a wide-ranging portfolio of payment methods, but also offer valuable experience of international markets. Looking beyond technical onboarding and transaction performance, factors such as experience, a reasonable selection of payment methods and a comprehensive portfolio of value-add services generally outweigh even attractive fee structures or the size of the portfolio. E-merchants who want to expand their business internationally would therefore be well advised to look closely at the solution partner for payments. Ultimately, this is a defining factor when it comes to increasing reach and conversion rates.

These are the questions online merchants should ask themselves when looking for a suitable partner:

- In what markets is your shop established or where do you plan to expand?
- What are your (future) target groups?
- Who are the suitable payment partners for these markets?

Your potential payment service provider should be able to answer these questions:

- What are the payment preferences of your target groups?
- What are the preferred payment methods in your target markets?
- What is included in the payment solution provider's product portfolio? More specifically, does it include your desired methods of payment and any additional services you may require (e.g. acquiring and collection)?
- What licenses and certifications does the PSP hold?

Moreover a payment partner should be able to answer the following questions:

- Do you need to purchase additional payment-specific software?
- Does the provider build check-out pages in all languages you require?
- Which currencies can transactions be run in?
- Does the partner offer so-called Dynamic Currency Conversion (DCC) that allows credit card users to pay in their own currency based on the official daily exchange rate?
- How flexible is the partner when it comes to integration of further payment options such as alternative payment methods (APMs)?

Did you know…?

International alternative payment methods are not very popular with UK online merchants: Although 79 per cent of online merchants are familiar with cash alternatives only 57 per cent offer European favourites, such as giropay (50 per cent). Just under half offer MasterPass (48 per cent) and SOFORTbanking (46 per cent).

(Source: PPRO Group. The study can be downloaded for free at https://www.ppro.com/download/?type=market&id=4114)

Aderhold

Supervisory-law implications when issuing vouchers

Frank Müller LL.M., Aderhold Rechtsanwaltsgesellschaft mbH

Brick and mortar retailing has been using voucher programmes for a long time to acquire new customers, as well as for customer retention measures, marketing campaigns and incentives of all kinds. In e-commerce too, such programmes are enjoying increasing popularity – it is in particular online platforms that use voucher programmes, for example as part of national and/or international expansion. While retailers issue paper vouchers increasingly rarely, the issue of vouchers in the form of generic codes or bar codes is increasing. Printed on a plastic card (pre-paid telephone credit or credit to make purchases in online shops for example), by email (for example a voucher for an overnight stay at a hotel or a food order) sent or made available to the voucher holder by means of an app (for in-app purchases or taxi journeys for example), such vouchers are saved and identified electronically on the retailer's servers or by third parties.

Anyone who wants to spend electronic money (e-money) in Europe needs permission from the relevant supervisory authority – in Germany, this is the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin). Anyone who issues e-money without such a permit is at risk of imprisonment for up to five years. The German Federal Financial Supervisory Authority has increasingly been looking at voucher programmes for some years, because vouchers can be considered e-money under certain circumstances. When this is the case and what alternative action is possible, is explained below.

E-money is "any electronic, including magnetic, saved monetary value in the form of a receivable from the issuer that is issued against payment of a cash amount in order to carry out payment processes within the meaning of section 675f paragraph 3 (1) of the German Civil Code, and which is also accepted by natural persons or legal entities other than the issuer[1]". Whether a voucher is considered e-money in this sense is difficult to assess in individual cases, in particular by a layperson unfamiliar with the law. Before issuing vouchers, in order to get a feel for whether this is electronic money in the sense of the law, the retailer, as the provider of the voucher (issuer), should consider the following questions[2]:

Is a monetary amount demanded for the issue of the voucher?

- If the issuer always issues the voucher free of charge, for example as a goodwill measure or as a loyalty bonus for regular customers, the answer to this question is no.
- However, the answer to the question is yes if the issuer does not only issue the voucher free of charge, but also issues such vouchers upon payment.

Is the value of the voucher saved electronically?

- The answer to the question is no for simple paper vouchers that are not saved electronically.
- If the voucher is saved and identified electronically (for example in the form of a generic code, a barcode or a magnetic strip), the answer to the question is yes, even if the voucher is printed on paper.

1 German Payment Services Supervision Act, (ZAG, Zahlungsdiensteaufsichtsgesetz) 1a, paragraph 3
2 www.prepaidverband.de/de/e-geld (German only)

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Is it possible to obtain products or services from third-party providers?

- The answer to the question is no if it is only the issuer that accepts the voucher (a two-party system).
- If third-parties also accept the voucher (a three-party system), the answer to the question is yes. Third parties in this sense are legal entities that are legally independent of the issuer, for example parent companies, subsidiaries or associate companies of the issuer. Non-independent branches are, in contrast, not a third party in this sense.

If the retailer can answer no to all of these questions, generally a voucher is not e-money. However, if one or more of the questions are answered with yes, a voucher could be e-money. In such a case, the retailer should seek out legal advice in order to avoid economic disadvantages, such as having their business operations shut down by the German Federal Financial Supervisory Authority and criminal consequences such as monetary fines or imprisonment. As part of this legal advice, retailers can also discuss any contractual wording options that may prevent a requirement to obtain permission. In the event of doubt, there is also the possibility of enquiring about any obligation to obtain authorisation and obtaining this from the German Federal Financial Supervisory Authority, therefore receiving a decision on this as part of a negative clearance confirmation.

If, as a result of the legal advice or the application for negative clearance confirmation, it becomes apparent that a permit is required for the planned issue of vouchers and there are no contractual formulation possibilities, there are alternative possibilities for action. The retailer could apply for a permit in order to be able to carry out e-money transactions or could work with an e-money institution or a financial institution to issue the vouchers. The preferable alternative depends on many factors and the respective framework conditions. However it is advisable that you consult a specialist legal advisor.

Applying for a permit only pays for itself financially under certain circumstances where the issuing of vouchers is a core area of business activity for the retailer. This is because applying for a permit can incur significant costs and organisational work that must not be underestimated. If the retailer does not want to carry out this work, it could start cooperating with an e-money issuer. Cooperation with an issuer of e-money is also recommended if the retailer does not (yet) have the necessary resources or the required expertise to roll out the announced voucher program, such as on an international basis for example.

When selecting a suitable e-money issuer, the retailer should ensure that the issuer has the necessary resources to implement the planned business processes and, at the same time, is able to implement the regulatory requirements that are part of the measures to avoid money laundering. Before retailers work with an e-money issuer, they should clarify who is due the economic proceeds of the voucher issue, for instance when customers do not use a voucher. In addition, retailers, before they sell vouchers in the sense of e-money, must check which due diligence obligations they must meet in terms of money laundering regulations. This is because both issuers and their distribution partners are subject to German money laundering laws.

Perfecting the checkout process

Frank Breuss, Director International Sales, PPRO Group

Once the customer has filled their shopping basket, they still have to checkout. This is the highest barrier to a sale: 40 per cent of customers break off their purchase here. Optimising the checkout process is therefore an investment that quickly pays off for shop operators[1].

The most difficult step in online shopping is the checkout process. The customer has enjoyed their shopping experience, found their favourite products and is now ready to spend money on them. But the willingness to buy disappears with yet another form to complete. If the customer journey does not match the customer's expectations they can disappear as quick as a flash – competing shops are, after all, only a click or a Google search away. Online retailers can lose a lot of money with a poorly designed checkout process. A survey conducted at the start of 2015[1] looked at the 1,000 largest German online shops. The sad fact is many online shops play on the good nature of their customers as they reach the finishing line: the average break off rate in the checkout process is over 40 per cent.

Variety is the trump card – this applies to the payment methods and of course to how the customer can order. Many customers do not want to create a new customer account for each shop and you can benefit from this as a shop operator. If the customer does not want to store sensitive data with you, you do not have to worry about their security. In addition, customers purchasing as a guest tend to prefer push payment methods that are advantageous for suppliers, i.e. payments that the customer actively initiates. One example of this is pre-payment, which is completely risk-free for you as a retailer. So, give your customers the opportunity to buy from your online shop as a guest.

Errors during checkout, e.g. an incorrect delivery address or forgetting to enter an email address, are particularly annoying for users because this kind of error delays the purchase. Alert the customer clearly to incorrect entries and insert an explanatory text – because what is even more upsetting for a customer than the error itself is not understanding why you cannot complete the purchase. With clear and factual descriptions you guide users through the entry forms more quickly. The survey mentioned above demonstrates that one of the main reasons for breaking off purchases in the checkout process is superfluous entry fields so you should avoid an unnecessarily long checkout process, if at all possible. It is interesting in this regard that the checkout process for the 1,000 online shops surveyed is between one and nine pages long; in some shops, due to other checks, it even takes eleven pages before the customer can finally complete their purchase. For the majority of shops it is around five pages long. The rule of thumb is, if you require more than six pages for the checkout process you should have a good reason for doing so – or shorten the checkout process.

1 EHI Retail Institute "Shop systems in Germany 2015" https://www.ehi.org/nc/pressemitteilungen-rechte-spalte/detailanzeige/article/make-or-buy-analyse-der-shopsysteme-im-onlinehandel.html (German only)

Do not pre-select

Another optimisation tip: do not pre-select ticks for the user. Confirming the T&Cs is essential for the purchase but it should not be pre-ticked automatically; this also applies to ordering newsletters or other additional offers. In fact, in some European countries this approach is even prohibited. In the worst case scenario, an unsolicited newsletter can generate such a negative response that the buyer purchases elsewhere next time. You should also be cautious with time-outs. Of course it's not possible to reserve the contents of a shopping basket eternally for a customer, but if they are briefly distracted or have to do something else quickly, the checkout should be able to handle a short time frame of inactivity without difficulty.

More than usability

When talking about checkouts in online shops, you frequently hear the term "usability". It is true that you should not confuse the customer here; it should always be obvious where they should click next to pay quickly. The relevant purchase information, in particular prices, delivery charges, additional taxes and expected delivery data should be clearly displayed. But usability alone does not make for a good checkout process. Surveys[2] show that the checkout is anything but an emotionless space. Right at the finishing line some customers question whether they would be better off buying elsewhere or delaying the purchase. These doubts can be resolved by an optimised checkout process that creates trust, ensures secure data transfer, refers to quality seals and provides an easily accessible hotline. A clearly visible reference to the right of return is also a good option for showing the customer that the purchase is the right decision. Shops should always try to clearly demonstrate their advantages in the checkout process, for example with checkboxes or icons for free delivery, express orders or guarantees. Important: when optimising the checkout, you should always be aware that this area is the most uncomfortable for the user – after all it's about their money. So the checkout process should motivate the user or emphasise the advantages of the products in the shopping basket again. For example, for a holiday the message could be "only three minutes to your dream holiday".

Measure the purchase cancellations

You can spend a lot of time optimising the checkout. But it should not be a haphazard process. You should activate a tracking function in the shop that clearly shows you where in the checkout process customers stop. This is the only way you will know where to focus the optimisation.

Did you know…?

Almost 50 per cent of online merchants lose up to 10 per cent of their potential customers at the point of payment. Shipping costs payable by the international consumer (61 per cent and the payment page (42 per cent are the key reasons why they fail to complete the transaction.

(Source: PPRO Group. The study can be downloaded for free at https://www.ppro.com/download/?type=market&id=4114)

2 www.konversionskraft.de/tipps/persuasive-checkout.html (German only)

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How to design the best possible checkout process for international customers

Peter Schaeffer, CEO, E-Shop Solutions GmbH

A good checkout process is the most essential part of an online shop, as it has a direct effect on the conversion rate and therefore the retailer's success. However, if a process works well in the UK, will it also work well in Spain, Australia or Sweden? What special features are important?

The good news is many online shops around the world use the same basic software. It might be Magento, PrestaShop, WooCommerce or another well-known platform. This is good for retailers as these systems set a certain framework and there are no major changes to the sales processes in the various countries. In addition, the more familiar the buying path, the lower the drop-off rate.

The bad news is that there are differences in terms of what customers in each country are familiar with, some of which are more significant than others. If laws in France stipulate certain explanations and descriptions (revocation, basic prices, button solution etc.) and these are set as standard, this may unsettle visitors from other countries who are unfamiliar with these practices. It is therefore particularly important to optimise the sales process on an ongoing basis for each country and obtain information on new provisions in the individual countries. Retailers must take the following issues into account:

1. Entry of delivery and invoice addresses

- Have entry fields been validated for each specific country? For example, German postcodes have five digits, but postcodes are only four digits in Switzerland.
- Is the customer aware of the descriptions of the address fields? In Spain, for example, addresses contain an apartment number for a building, but in Russia they also frequently have a number for the relevant entrance.
- Are error messages correct and have they been translated in an understandable manner?

2. Translations

- Are they correct, including warnings and error messages in all offered languages?
- Is the text correctly displayed in each language? The length of a text varies in each language. This may result in unintended line breaks.
- Do important terms ("shopping cart", "checkout" etc.) match the country-specific standard? Compare terms in shops from the target country.
- Have all emails been correctly and completely translated? Are emails from integrated service providers such as logistics or payment companies also available in the local language?

3. Trust

- Which country-specific trust measures can be integrated, e.g. common trust marks?
- Do you offer the most common payment methods used in the target country?
- Can the customer write to you in the local language and do they know that they can?
- Do you provide support in the local language?
- Have the right to revocation and return been clearly defined for all countries?
- Do you have the right domains for an international strategy?

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4. Shipping

- Does the customer know immediately whether they can receive deliveries to their country?
- Is it clear to the customer how much they will pay in shipping costs to their country?
- Can you save on shipping costs by using other shipping service providers?
- Can you alleviate concerns about potential import charges and give the customer advice about what to do if customs charges are imposed?
- Does your shipping service provider also offer international tracking?

5. Payment options

- Do you know where your customer is from? For example, Portuguese people may also buy from a Spanish shop. This can be determined via the delivery address or analysis of the IP address.
- Does your shop only show the payment options available in the relevant country?
- Are the payment options offered accepted and familiar in the country of purchase?
- Do you have the right payment options for your target group? Not every payment type is right for the product being offered and relevant target group.
- Does the display and payment in national currency comply with the relevant statutory requirements? For example, in Switzerland there is the "five centime rule": Final amounts are always rounded up or down to the next five centimes – less than three is rounded down, more than three is rounded up.

You should also test whether it is technically possible in your system to select certain country-specific choices in advance. For example, you can determine very reliably via IP addresses or other methods, where the customer is located and automatically display the prices in the right currency.

Another important note if you sell digital goods is that, effective 1 January 2015, there are new regulations for calculating the value-added tax (VAT) on telecommunications, mobile, TV and other services provided electronically. Such services are no longer charged the VAT rate for the EU member state where the service provider is located, but rather the rate applicable in the recipient's country. This means, for example, that since the beginning of 2015 a company with its head office in Spain that sells an e-book or app can no longer charge a fixed VAT rate of 21 per cent. This rate can only be applied if the customer is also based in Spain. Swedish customers must pay 25 per cent, Luxembourg customers 15 per cent, German customers 19 per cent etc. Here too geo-tagging can help to find out where your customer is located.

Take a close look at what large online shops are doing in their own home markets as this can provide a very good model. If you use tracking tools such as Google Analytics, you can quickly filter by country and analyse your traffic. This may also help you discover potential weaknesses in your international shop and enable you to resolve these before the purchase is stopped.

Did you know…?

The PPRO Group has questioned 150 British online merchants about international e-commerce. Although 19 per cent of all transactions are made by international customers, 90 per cent are more interested in domestic customers!

(Source: PPRO Group. The study can be downloaded for free at https://www.ppro.com/download/?type=market&id=4114)

Checklist: Planning

- ❑ If you intend to work with a payment service provider, when making your selection ensure that they are experienced, technically able to connect to your shop and familiar with the requirements of international markets, and also offer comprehensive services with a wide range of payment methods.
- ❑ Focus on automation.
- ❑ Offer the five-to-seven most relevant and popular country-specific payment types – depending on the target group and product.
- ❑ If you offer vouchers, clarify in advance whether they are considered e-money. This is an issue that could easily lead to legal difficulties.
- ❑ Enable your customers to make orders as a guest with push payment methods that are risk-free for you as the retailer – such as payment in advance.
- ❑ Guide your customers through the entry forms at the checkout (approximately five pages) with clear and factual descriptions and provide clearly visible instructions about input errors.
- ❑ Do not preselect options for users in the checkout process; this is even prohibited in some European countries.
- ❑ Ensure that shopping baskets remain reserved for an appropriate period of time.
- ❑ Clearly display the relevant information on purchase prices, delivery charges, additional taxes and expected delivery dates and use tick boxes or icons to indicate free delivery, express delivery, warranties, right of return, secure data transfer, seal of quality and customer helpline.
- ❑ Enable your customers to make payments quickly and easily via their smartphone or tablet with only a few clicks.
- ❑ Activate a tracking function that clearly shows at what point customers stop the checkout process.

International payment methods: what retailers can do in-house and when they should work with a PSP

Bernhard Schmidt, Director of Operations, PPRO Group

Make or buy? International web shop operators frequently ask this question, but it is particularly pressing when it comes to integrating international payment solutions. The alternative to doing the integration work oneself is to use a payment service provider (PSP). They know the preferred payment methods in each country worldwide and can submit proposals for the ideal payment mix for the target industry and customers. PSPs offer a broad selection of services, ranging from technical integration to comprehensive, full-service packages where the PSP provides help for all important issues. These may include acceptance for international payment methods, managing the flow of funds or extra added-value services such as risk and debt management. It goes without saying that such a service provider has its costs and not every online retailer can or wants to afford services of this kind at first. There are no clear rules on when an online retailer should use a PSP. The basic rule is: the further away from the home country you are planning to expand your online shopping adventure, the more important the partners are.

Basic issues

The most important question for all retailers is: how do I get my money? You first have to clarify whether you have to open an account in the other country for the desired payment type, or if this is not required. Unfortunately there are no generally applicable answers to this question as in practice it varies between suppliers. Of course it is easier if you don't need an account. In this case all that is needed is a contract with the PSP. If you are working with a good PSP a single contract often covers a lot of payment types.

It is also important for international business to know the regulatory requirements and whether the company must have a registered office in the relevant country or not. PSPs can usually provide prompt information on such questions.

Questions about currency are easier to answer. For example, are the collected funds in a foreign currency and can they be exported? The cost of converting foreign currencies should be checked in advance. Retailers selling in ten different countries do not usually want to collect the funds in ten different currencies. It goes without saying that it is more practical if you can convert all of the foreign currencies, e.g. into euros, and have them paid out centrally. Another question is therefore: how expensive is it to convert the currencies?

Avoiding money problems

Before a dealer finally decides to integrate a particular payment type, they should check the specific characteristics of each method. Is there a payment guarantee? Which default scenarios are possible? For instance, is it possible that the payment never reaches the retailer due to payment recalls or fraud? And are there still opportunities to get to the money even in cases of default on payment?

In practice, international retailers are always one step behind the local providers. It is therefore particularly important to discover the legal options that you can pursue to collect the money. To avoid unpleasant surprises, one should estimate the costs that may be incurred through these eventualities in advance.

No matter whether you finally decide on a PSP or not, the ultimate question should be: what does the individual payment method really cost?

Answering technical questions

Once the questions stated above have been answered, you get to the technical implementation. This is usually easier than you think, but the devil is often in the detail. Therefore, retailers should clarify how the desired payment methods are to be integrated and operated on a technical level. Do you want to do the integration yourself – which usually results in time and effort spent on programming and of course later on maintenance – or will a partner do this for you? The alternative is to use complete modules for shops. However, it is not always possible to find a suitable add-on module for every combination of shop payment methods. The corporate strategy plays an important role for the decision: those programming the complete shop and organising the whole technology themselves can also integrate the payment methods. For most shops, however, it is better to concentrate on the core business, i.e. the sale of goods and services. At the end of the day, the numbers should make the decision easy and cost estimates should be conducted.

Nevertheless, working with a partner also offers some important advantages, for example, you do not need to concern yourself with updating the payment types because the service provider will do this for you. Many retailers tend to underestimate the issue of updates, but this is not resolved with a one-off integration of the payment method. If, for example, the interfaces (APIs) need to be updated, dealers often find it difficult to receive this information promptly so that they can act accordingly. If this does not happen, it may result in revenue losses because the payment type simply no longer works.

Service provider or DIY?

In summary, service providers spare an international retailer a lot of work, but also cost money. The calculations will show whether a do-it-yourself initiative will pay off or not. Those not starting out in several countries around the world at the same time can gain experience in a neighbouring country and thus test whether it is worth doing the work themselves. However, as soon as the number of international shops grows, resulting in a commensurate increase in legal requirements and the number of payment methods required, it is advisable to rely on partners.

Fraud prevention on international retail platforms

Karsten Witke, Head of Payment Services Risk, PPRO Group

The simplest entry to international online retail is usually by using a sales platform. However, to be able to sell in another country, the retailer must pass a Know Your Customer (KYC) check, which can be undertaken with only a little preparation.

An online shop which is sucessful in one country is usually starting from scratch in a new country. Initial assistance can be provided by familiar retail platforms that are widely used in the new country. Before a retailer can sell its products via an international web platform they must, however, comply with various notification duties. Why? The regulations of various countries oblige retail platforms to run checks on their retailers and fulfil certain duties of care in the process. In most cases however, these rules are not specifically laid down, but the purpose is clear: operators of platforms must identify retailers by proving that the company really exists and determining what it sells, to whom it belongs and who controls it. This normally takes place in two steps: first, the relevant documents are requested and then the information collected is verified.

Prepare important documents

For a retailer with international ambitions, this means that some documents are requested during the so-called onboarding process (i.e. inclusion in the platform). In general, these are official documents such as extracts from the commercial register, identity documents and articles of association, which in the simplest cases can be sent by email or fax. International KYC processes can be tricky and require preparation to ensure the process does not take too long. In practice, the biggest hurdle is the language barrier because official documents are usually only available in the official national language. Undertaking a checking process in another country requires certified translations of the necessary documents; English is usually accepted as a universal language. The best method is to contact a professional translator because, even if your English is good, individual specialist terms can cause problems. In many countries the translation must also be certified by a notary. Ensure that the entries in the commercial register are up-to-date. If the KYC process is taken seriously, data may be also be obtained from credit agencies, or the commercial register will be queried directly in order to verify the submitted documents. In many countries, such as UK and Germany, such queries are not expensive and it is possible to quickly and easily check the information provided on companies.

In general well-translated and certified standard documents are sufficient to complete a KYC process. There are exceptions however. If, for example, there is not a common address format in a country, this makes identifying people more difficult. In order to identify retailers reliably despite this, platform suppliers often use the “risk approach” for KYC and demand additional documents from a retailer. In addition to a copy of the passport and commercial register extract, this may include a copy of a utility bill. These are used for further comparisons to ensure everything matches up. You may have to submit other documents – particularly if you are involved in financial products or services. In this case you can assume that the KYC process will be more complicated as the retail platforms have to comply with additional duties of care.

International risk management: how retailers protect themselves from payment defaults

Interview with Dr. Marcus Siegl, CEO of Deutsche Multiauskunftei GmbH

What must online retailers be aware of in relation to risk management?

Retailers need to take care of risk management as soon as they accept certain payment methods for which there is a risk of default – this primarily concerns purchase on account (payment after delivery), but also SEPA direct debit and credit card purchases and, to a lesser extent, alternative payment methods, which can have payment default risks. Purchase on account is very popular mainly in Germany, Austria and Switzerland, which is due not least to the traditional catalogue business of German mail order retail. Retailers must therefore evaluate the creditworthiness and willingness to pay for each customer and put measures in place to minimise payment default, for example, payment methods offered on a customer-specific basis, depending on risk.

In principle, retailers have two possibilities: either they have the risk of default protected by a specialised provider for a fee, or they carry out a creditworthiness check on the customer themselves during checkout. I recommend to use internal data from the customer's order and payment history or – for new customers – to consult a credit agency. In Germany for example, there are five market-leading credit agencies, which offer services that the retailers should check individually. This is because the coverage of what are known as negative attributes, and also the quality of the forecast, respective credit scores, vary considerably. With high-value goods, a combination of two credit agencies could be worthwhile.

Which variants would you recommend to dealers?

Both have advantages and disadvantages. If the retailer wants certainty about their calculations and they do not have country-specific expertise in risk management for international sales, it can make sense to devote part of the profit margin to safeguarding payments. For example, the fee charged by the payment service provider (PSP) for this, the commission, is generally two to five per cent of the value of the goods, depending on the industry and the retailer's product range. The PSP takes over risk checking, invoicing and credit management. However, the disadvantage is that the retailer generally hands over the task of customer communication as well and can only have a very limited influence on the conversion rate, because the service provider decides whether a customer is offered the corresponding payment option or not. In Germany, Austria and Switzerland, potential customers frequently break off their purchase if their preferred payment option, payment on receipt of invoice, is not offered. A retailer must therefore weigh up whether they handle risk management as a core competency or outsource it. Shops with high revenues frequently handle risk management in-house. As a result of their large customer base, they have comprehensive information on orders and payments and can thus estimate the willingness and ability of customers to pay very accurately.

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What advice do you give retailers who want to sell their goods internationally?

Internationally, there are major differences in the types of payment that are preferred by e-commerce customers. Purchase on account is not as popular and widespread in all European countries as it is in Germany; in Europe as a whole, credit cards and country-specific e-payment processes dominate, especially in Scandinavia and the Benelux countries. Debit cards are very widespread in France and Italy; in Italy, Spain and Poland, cash on delivery has an important role as a payment method. Only in Sweden is payment on receipt of invoice as popular as it is in Germany, Austria and Switzerland. However it is also becoming increasingly widespread in other European countries too, by means of special service providers, which offer it as a secure payment method.

If retailers want to allow international customers to make purchases using risky payment methods, they should be supported by a specialised PSP for their risk management. This provider can often safeguard the payment method itself or advise the retailer on payment processes with a payment guarantee. Alternatively, retailers can also get information from credit agencies in other European countries. By doing so, the retailer itself does not need to develop and operate a number of technical interfaces; it can – as part of a "multi-credit-agency approach" – use a central interface for specialist providers in order to retrieve information from market-leading credit agencies domestically and abroad.

Basics for international online shops

Frank Breuss, Director International Sales, PPRO Group

Selling via online shops in several countries significantly increases your target customer group. But before an online retailer takes on the major players in the industry, they should do the basics - including when it comes to payments.

To be honest there is only good news for those operating online shops. Are you already selling internationally? Congratulations! You are at the forefront. Are you not selling internationally yet? No problem, you can still lead the way. A study by the PPRO Group[1] clearly demonstrates that, on average, every fifth transaction (19 per cent) in a UK online shop is now made by a customer in another country. For 8 per cent of retailers, 31 per cent of transactions or more come from international buyers. However, 99 per cent of British retailers are still more interested in domestic customers! So having an international presence is worthwhile for most shops. Nevertheless, we can only advise you to start with the basics and not to rush into the venture. There is no point optimising shops or chasing after the newest e-commerce trends at great expense until you have the right foundation in place. So do the foundation work first and then add in further optimisation.

Decide on the payment methods

Only those who understand and implement the principles of international online shops have the opportunity to be among the most successful shops. Many shop operators have never even heard about payment cultures, but Brits have different online payment preferences from the Germans, Dutch, Polish or Swiss for example. It is important to offer the appropriate payment methods for each country. You should at least offer the top three payment methods in each country where you are actively selling. This enables you to reach the highest proportion of buyers. You can reach an even higher percentage and distribute your risk by using the top five or seven payment methods. The selection depends on the target group and the products sold. In general, for example, a conventional online retailer should offer German customers the following payment methods: SEPA direct debit, invoicing, pre-payment, SOFORT banking, giropay, credit card and PayPal. For Austria, eps e-payment should replace the German giropay. The “electronic payment standard” (eps) is an online transfer process developed by one of the largest Austrian banks. Those wanting to sell in the Netherlands will not be able to avoid iDEAL. The payment options for Poland should include Przlewy24 - SEPA direct debits do not work here. So each country has an ideal mix of payment methods to reach as many customers as possible and optimise the conversion rate.

Geo-targeting: detecting users automatically

In order to show customers the relevant payment methods, you should look at geo-targeting. This is not really a new issue, but in practice, this is frequently neglected. There are several ways of knowing in which country precisely the customer is located. The simplest method is just to ask for the buyer’s country on the shop site, for example via a selection field for the delivery address at the checkout. Alternatively, geo-targeting can be applied invisibly for the user by reading the browser or system language and analysing the IP address. However it is possible to circumvent these detection methods using technical means. If users are using virtual private networks or proxies, they appear on the shop site with IP addresses from other countries. As geo-targeting can be very simply achieved using JavaScript, you can either develop this method yourself at a reasonable cost or retrofit the

1 PPRO Group B2B Study E-commerce without borders (2014), https://www.ppro.com/market/uk-b2b-study/

appropriate modules for shop systems. No matter how the problem is resolved, you can always offer each customer the right payment methods that are relevant to them. Do not, under any circumstances, make the mistake of simply listing all of the payment methods. A long list of payment methods including those that do not work in the customer's country is unclear and confusing. In particular, in the checkout process, the customer should be able to find "their" payment methods quickly and easily in order to avoid purchase cancellations. This is one of the recipes for success used by big online shops such as Amazon and can be implemented by any retailer no matter the size.

Taking industries and target groups into account

Another step that takes you closer to a perfect payment mix is including the industry and target group. The more precisely you know your customers the simpler it is to select the right payment methods. If you consider payment processes by types of goods it becomes clear that credit cards work very well when buying services - for example when booking travel. For this type of service, one in two purchases are made by credit card no matter the country. Credit cards are also important when buying digital goods such as music or downloads. In contrast, conventional invoicing is preferred when buying physical goods because customers fear incorrect or damaged deliveries. In Germany, one in four sofas purchased are paid for by invoice; invoices only account for around six per cent of digital goods[2].

Use the expertise of others

Those preferring to "buy" rather than "make" and who outsource services to payment service providers (PSPs) for example, should take advantage of their local expertise as well as using them to offer new payment services. In addition to knowing which payment methods are right for which target group in which country, a PSP also helps the retailer to "collect" the money so that payments also arrive in the retailer's account in foreign currencies such as euros or dollars. In general, PSPs also offer risk management and comprehensive reporting.

Complete precise analysis

On average 10 per cent of international customers do not complete their purchase, but drop off during the payment process[2]. This means there is something wrong with the checkout procedure. You should use tracking methods to find out what this is. 31 per cent of retailers cannot determine at which point the international customers drop off because they do not use web tracking. 61 per cent of retailers using tracking methods report that the most frequent drop-off point is the page where they tell customers the shipping costs. The payment page is also critical. 42 per cent of retailers indicate that there is a tendency for buyers to drop off here. Whatever makes them stop, find out what it is and try to remove the barriers to them completing the transaction.

Did you know…?

On average, UK retailers apportion 16 per cent of their total revenues to marketing costs with around one in five (21 per cent) spending between 21 and 30 per cent of their budget in this area. When it comes to attracting international customers, the majority of businesses spend up to a fifth on targeting this potentially lucrative audience.

(Source: PPRO Group. The study can be downloaded for free at https://www.ppro.com/download/?type=market&id=4114)

2 http://www.ecckoeln.de/Downloads/Themen/Payment/Payment-inE-CommerceInternetPaymentsfromthePerspectiveofRetailer-sand-ConsumersIZ2013.pdf (German only)

10 tips for international online shops

Ralf Ohlhausen, Chief Strategy Officer, PPRO Group

Embarking on international internet retailing is perfectly possible, but there are a few things you should be aware of:

Tip 1: Modify your T&Cs

Different countries, different consumer protection rules: even those who restrict their online shop to the European Union do not use a common framework of regulations; there are different rules for each country. In the case of the EU however, there are always minimum standards to comply with in each member state. In practice, online retailers should still check how these rules are implemented in the individual countries because anyone selling in Country A must also comply with the consumer protection rules in Country A. Sound T&Cs, including rights of return and data protection declarations that meet the current requirements, are important. There are lawyers who offer a kind of update service for in-country T&Cs.

Tip 2: Optimise the payment mix

Another basic rule for international online shops is to offer country-specific payment mixes. As demonstrated by a PPRO Group study, this is not done as a matter of course. The majority of online retailers do not think about payment issues for international customers[1] and so fail to exploit massive potential revenues. The right payment mix should be created for each country as payment preferences do not change quickly. It is however important to keep an eye on payment trends and respond to changes. Read more about this in our article on the "10 golden rules for international payment methods".

Tip 3: Business analysis

Just as it is quite easy to offer an online shop in a new country, you can easily discontinue your involvement there if business is not progressing as planned. So analyse your business activities very precisely and do not be afraid to admit mistakes and make changes. It makes sense to focus only on really successful countries and not waste time with others.

Tip 4: Fine tune customer service

Only with the right customer service can you ensure international customers remain loyal over the long-term. For an international strategy, the first step is to offer English language customer service. But for deeper questions or products requiring a lot of explanation, the service should be in the local language.

Tip 5: Keep an eye on the legal situation

Those active internationally with their online shop should also keep an eye on the political situation in these countries. The Ukraine crisis, for example, has made transactions in Russia and Ukraine more difficult for online shops. Notwithstanding extreme political crises, there are also constant changes in day-to-day business - whether it's new food labelling regulations, a new EU regulation on light bulb labelling or minimum pricing for e-books in Austria.

1 PPRO Group B2B Study E-commerce without borders (2014), https://www.ppro.com/market-research/

Tip 6: Adapt language and settings

Nothing looks more unprofessional than spelling mistakes in an online shop. It is not just about annoying certain groups of people, it can also reduce customer confidence. So it's important when building international websites to optimise the language and other national settings, such as how you display the date or address. There should be no room for confusion, particularly at the checkout.

Tip 7: Search engine optimisation

Entry to a new market works well via platforms such as eBay or Amazon, but if you want to stand on your own two feet you will need an online shop with a high recognition factor. You are only well-known in the western world if you can be found on the country-specific version of Google - or on baidu.com in China. Another step towards a successful international online shop is search engine optimisation (SEO) and search engine marketing (SEM).

Tip 8: Go mobile

The number of buyers with smartphones and tablets is increasing every year so online shops have no excuse not to offer a mobile version of their shopping site. In most cases the basic functions of current shop systems can be used perfectly well on mobiles, but it is also important that firstly the operating logic works on a small screen and secondly the checkout process works without requiring a lot of effort. A one-click payment solution is appropriate here so that customers can pay with stored data. Read our article on "Mobile payments in international e-commerce" for more on this issue.

Tip 9: Analyse customer feedback

Customer feedback is very easy to obtain after ordering, e.g. by email, and you must be interested in what customers think about your shop. If the feedback remains negative for some time, your shop may require optimisation.

Tip 10: Think global, look local

You have already taken a big step towards your international online shop, but the business strategy should no longer be locally based. Make decisions on a global basis, e.g. when selecting new products, integrating new payment methods or for the shipping options. Be careful though: don't scare away customers by showing the international character of your shop at every opportunity. In fact, tweak the international elements so they look like a local shop.

Checklist: Operational tasks

- [ ] Find out about regulatory requirements, such as whether you need a branch in the target country.
- [ ] If you are entering the target market using a locally-successful trading platform: find out which documents you must provide for the Know Your Customer (KYC) check - and in which language.
- [ ] Amend your general terms and conditions.
- [ ] Clarify whether you need to open an account abroad for the desired payment type or whether a contract with the payment service provider (PSP) is sufficient.
- [ ] Calculate how much you actually need to spend for your desired payment types, taking into account the planned volumes, the risk of failure and the costs of currency conversion.
- [ ] Decide who is to take on the integration and the technical operation of the payment types – your own IT department or a PSP? In the process, also think about the updates to the payment methods, which you may not be informed about automatically.
- [ ] Provide your international customers with at least the top three most popular payment processes in their respective country. With the top five or the top seven, you reach even more customers and spread the risk further.
- [ ] Use geo-targeting to show customers the correct country-specific mix of payment methods.
- [ ] Design your international online presence in such a way that the customer has the impression that it is a local shop.
- [ ] Consider the fact that the checkout page is the most critical point in the payment process. This must be quick and no irritations should arise.
- [ ] Use responsive design so that your shop is also displayed optimally on mobile devices.
- [ ] Ideally you should also offer international customers customer service in their national language, but, as a minimum, in English.
- [ ] Analyse the customer feedback and the payment break-off process using web-tracking. Optimise your international shop on the basis of your findings.

Conclusion

Do you want to get to work and start internationalising your online shop now? The information in this e-book already gives you an idea of the range of issues that you have to consider – from selecting the right target market to legal concerns and country-specific payment habits. We hope that you will find the articles from various experts useful as practical guidelines for your internationalisation project and as an essential tool for approaching such a demanding project in strategic, planning and operational terms.

The step to international e-commerce comes with great challenges, but also creates enormous opportunities for online retailers. Expansion into international markets offers massive potential for building the customer base, particularly for a specialist product range. Nevertheless, even retailers who offer a wide range of goods can significantly increase their revenues by developing international buying groups. Neighbouring countries are often the perfect place to begin your internationalisation project. For example, Germany's closest neighbours – the Netherlands, Austria or Luxembourg, in particular have a limited number of national online shops, and customers there are already comfortable with ordering goods over the internet from other countries – especially Germany.

Yet conversely, expansion beyond national borders is not for every retailer. An online shop should only branch out into one or even several parallel shops for international target markets once the business is operating stably in the home market – it is imperative that the infrastructure as a whole must operate seamlessly. Another important requirement is that enough additional resources are in place to implement and keep the project running with the necessary care.

If you meet these important basic requirements, there is nothing to stop you breaking into the international market scene. It is also helpful during all project phases to take a look at how other people are doing it. Get inspired by your competitors. You will find many examples – both positive and negative – from which you can learn. Last but not least, it is of course important to get professional support from a specialist partner for tasks where the necessary expertise is lacking in-house.

I wish you a successful start to your international e-commerce adventure.

Simon Black
CEO of the PPRO Group

Guest authors

The Paypers, Adriana Screpnic

Adriana Screpnic has been indulging in her passion for innovation in digital transactions by editing and enriching The Paypers content for over 7 years. Experienced editor, researcher, reporter and writer, she has been managing The Paypers team as Editor-in-Chief since 2012.

The Paypers is the Netherlands-based leading independent source of news and intelligence for professionals in the global payment community. Its products are aimed at merchants, payment service providers, processors, financial institutions, start-ups, technology vendors and payment professionals and have a special focus on all major trends and developments in payments-related industries including online and mobile payments, online/mobile banking, cards, cross-border e-commerce, e-invoicing and SEPA. The Paypers is also keen on keeping its readership informed with regard to online fraud prevention innovations and the most significant trends in the e-identity space. www.thepaypers.com

Aderhold Rechtsanwaltgesellschaft mbH, Frank Müller

Frank Müller advises clients in the areas of civil and regulatory law, specialising in cashless payment-systems and innovative e-payment solutions (e-money, e-wallets, mobile payments, gift cards, prepaid products). This includes the drafting and negotiating of all relevant legal documents and contracts. Frank Müller is especially experienced in counselling clients on matters relating to license requirements in Germany, regulatory and anti-money laundering issues including the representation to the German supervisory authorities (BaFin and Deutsche Bundesbank).

Frank Müller studied law at the University of Regensburg and the University of the Western Cape (Cape Town, South Africa). He started his legal career as a lawyer at SKW Schwarz in Munich in 2008. He has been working as a lawyer at Aderhold Rechtsanwaltsgesellschaft mbH since 2014.

Aderhold Rechtsanwaltsgesellschaft mbH is a law firm specialising in all significant areas of business law with around 50 lawyers who have many years of experience in legal advice and representation. Aderhold's clients include successful German family-run companies, prominent medium-sized companies, banks, insurance companies, finance and payment service providers as well as internationally active and listed conglomerates in various industries. At their Munich location, Aderhold advises clients primarily in the areas of banking law, banking supervision law, finance law, payment transaction law, company law and tax law.

Guest authors

Shopmonauten, Peter Schaeffer

Peter Schaeffer studied business IT at Mannheim University and worked as a Java software engineer for many years. He has supported and advised online shops in a wide range of industries for over 14 years and is a co-founder and director of E-Shop Solutions GmbH.

Shopmonauten.com is operated by E-Shop Solutions GmbH in Germering near Munich and provides comprehensive support for online shops. It has been certified as a gold partner for the PrestaShop online shop system. The innovative company's portfolio includes implementation, technical support and individual module developments. The available range of services is rounded off by such revenue-enhancing measures as professional newsletter marketing, SEO and checkout process optimisation. www.shopmonauten.com

Deutsche Multiauskunftei, Dr Marcus Siegl

Dr Marcus Siegl studied IT at Karlsruhe University and completed his doctorate in business studies at Freiburg University with a thesis on creditworthiness information for assessing credit risks. He has over 11 years of detailed market knowledge and expertise in credit risk and claim management. Dr Marcus Siegl is a co-founder and director of Deutsche Multiauskunftei GmbH, a GFKL Group company.

Deutsche Multiauskunftei (DMA) specialises in assessing and managing credit risks and advises companies that extend credit on how to optimise their credit risk and claim management processes. Since November 2014, DMA has been part of the GFKL Group.

The GFKL Group is one of the leading corporate groups for claims management in Germany. It has around 950 employees who currently manage receivables worth around EUR 16.6 billion. The services provided by GFKL are aimed at retail groups, banks, insurance companies, energy suppliers, telecommunications companies and public institutions, as well as small and medium-sized companies. GFKL's competence in claims management covers a wide range of services working to high quality standards. The Standard & Poor's rating agency has awarded it the highest possible rating for a service provider: "Strong, Outlook Stable".
www.gfkl.com/gruppe/

PPRO Group authors

Simon Black
Chief Executive Officer

Simon joined the PPRO Group as CEO in March 2015 following a decade with Sage Group PLC, over 7 years of which he held the CEO position at Sage Pay. Simon led the company through dramatic growth to become the UK's leading payment gateway for SMEs. He also led the creation of Sage One, the leading online accounting and payroll application.

Simon has an MBA from Georgetown University and has extensive experience in consulting and business, and in his early career founded a marketing software start-up company as well as holding senior strategy and brand consulting roles both in the USA where he lived for six years, and in the UK.

Simon has provided expert commentary on live TV and radio, has been published widely in payments and e-commerce media and has spoken at events such as Internet World and eCommerce Expo.

Frank Breuss
Director International Sales

Frank Breuss has a Master of Marketing & Sales and many years' experience in international sales and marketing activities. Before joining the PPRO Group, he was Country Manager Austria and Sales Manager Europe at SafetyPay. He has also worked for switch energy GmbH, CyberTron Telekom AG, Amazon.de and Sodexo Motivation Solutions Austria, where he held the role of Director Sales, Business Development & Marketing for over six years.

At the PPRO Group, Frank focuses on customer and partner relationship management as well as customer acquisition. He will also be looking after the integration of products and services such as innovative payment methods for new countries and target groups. His mission is to systematically raise customer satisfaction ratings by constantly optimising the PPRO Group's service portfolio.

John Fernandez
Legal Counsel

John is a legal professional with a Bachelor of Laws (LLB) from the Victoria University of Wellington. He has comprehensive experience in compliance across e-commerce, new payment technologies and online payments for an international financial institution. His practice areas are financial regulatory law, cross border, e-commerce, e-Money, AML and financial services.

John has worked for the PPRO Group since 2010 as a Legal Counsel. In this role, John is responsible for advising on retail client business matters and market regulatory developments, as well as advising on corporate matters, board/shareholder processes and intercompany arrangements. John also monitors adherence to internal compliance procedures and processes (KYC, AML, FATCA) and oversees all EEA financial licensing applications.

PPRO Group authors

Philipp Nieland
Co-founder

Philipp Nieland studied economics and computer science at university and founded the PPRO Group in 2006. He is responsible for the company's business operations and business development. In 2003, he founded

his own consultancy firm and ran the company as CEO. From 2000 to 2003, he was Manager Systems & Applications at Telefónica. Nieland founded his first company, a consultancy firm for internet technology, at the age of 19 while still at university.

Building on his entrepreneurial skills and wealth of expertise in information and network technologies, Nieland is committed to driving the growth of the PPRO Group.

Ralf Ohlhausen
Chief Strategy Officer

Ralf Ohlhausen, MSc in mathematics and Master of Telecommunications Business, has over 25 years' experience in ecommerce, financial services, mobile telecommunications and IT. Before joining the PPRO Group, he was President Europe at SafetyPay. Other management positions on his international career path took him to Digicel, O2, British Telecom and Mannesmann-Kienzle.

At the PPRO Group, Ralf is responsible for increasing PPRO's global reach, focusing in particular on the addition of new payment choices to the company's portfolio.

Bernhard Schmidt
Director Operations

Bernhard Schmidt has worked at the PPRO Group since the company's inception, having joined in 2008 as its first employee in Boarding and Operations. Previously, he was employed as Head of Department and Project Manager for a number of companies, including Telefonica Deutschland and Ecotel Communication AG, and due to his expertise was recruited as an independent IT consultant for the implementation of large-scale IT projects.

At the PPRO Group, Bernhard is responsible for the integration of alternative payment options and the smooth operation of payment processes for customers, while also serving as technical consultant for corporate clients. His leadership has seen the expansion of the area concerned with operations for the process optimisation and integration management of new payment options, which represents the link between sales and development.

PPRO Group authors

Karsten Witke
Head of Payment Services Risk

Karsten Witke has many years of risk management experience in the financial industry. Before joining the PPRO Group in 2011, Karsten worked for six years in Risk and Operations at Wirecard Payment Solutions and INATEC Payment AG.

In his position at the PPRO Group, Karsten Witke leads the Risk and Boarding Team and as Head of Payment Services Risk is responsible for all processes related to risk management and fraud prevention. This includes the onboarding of new customers and the accompanying KYC processes, as well as the analysis of potential risks and cases of fraud. He works in close collaboration with customers and PSPs and is one of the key contacts for corporate clients. As a specialist in alternative payment options, Witke provides advanced training in this area to customers and partners worldwide.

Glossary

1-click®

see one-click check-out

3D Secure

3D Secure is an authentication method for credit card payments. It is a method to make sure that a transaction is being activated by the legitimate card holder and is being received by the legitimate online merchant. Therefore during the payment process the card holder will be asked for a password by the issuing bank which is only known to the card holder and his bank. This security standard is called "MasterCard Secure Code" by MasterCard and "Verified by Visa" by Visa."

3MLD

see the anti money laundering directive

4MLD (4. money laundering directive)

see the anti money laundering directive

Acquirer

An acquirer is a financial institution that provides online merchants the possibility to offer their customers certain payment methods. The most popular example is credit card acceptance, but merchants may also be provided the opportunity to offer alternative payment methods [see alternative payment methods]. An acquirer is always regulated by the local financial supervisory authority and can be a bank, but does not necessarily have to be a bank.

Acquiring

Acquiring is the conclusion of a contract between a financial institution and an online merchant which sets out the permissions to provide payment methods and related obligations of both the merchant and the acquirer (such as collection, reconciliation and settlement of payments) [see acquirer]. The most popular example is credit card acceptance contracts, but merchants also require similar permissions to offer alternative payment methods [see alternative payment methods]. Acquiring involves receipt, clearing and settlement of funds as well as handling refunds and chargebacks if applicable.

Acquiring bank

see Acquirer

Alipay

Alipay is the leading alternative payment method for online transactions in China. If a customer wants to pay with Alipay, they first have to log into their Alipay account, and then pay with any of the payment methods on file. For example, debit card, credit card or direct debit.

Alternative payment methods

Alternative payment methods (APM) are electronic payment methods that are not based on credit or debit cards. APM have become popular around the world - In 2013 alone, transactions using alternative methods increased by 21 per cent from 2012[1]. This is predicted to soar to 59 per cent of all transactions by 2017. Although credit and debit cards currently remain the most popular payment method, this varies from country to country. In the Netherlands, for example, around 60 per cent of all transactions[2] are carried out using the iDEAL online banking system. In Germany and Austria on the other hand, most digital buyers prefer payment on account and direct debit. In Russia, e-wallets have become popular and cash is the preferred method in most of South America.

1 http://www.worldpay.com/global/alternative-payments-2nd-edition
2 http://www.ideal.nl/en/

Glossary

AML

see Anti-Money Laundering Directive

AML directive

see Anti-Money Laundering Directive

Anti-Money Laundering Directive

Anti-Money Laundering Directives are enacted in order to prevent the use of the financial system for the purpose of money laundering and terrorist financing [see money laundering]. Currently the third Anti-Money Laundering Directive is in place within the European Union (Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005). In February 2013 the European Commission introduced an overhaul of this Directive with a proposal for a fourth money laundering directive in active consideration. A new money laundering directive is proposed to come into force in 2015 and will implement several obligations on member state supervisory authorities in regards to specific sector based risk analyses.

API

API is an abbreviation of ”application program interface”. It specifies how software components interact. In the electronic payments industry APIs are often used for the interaction of a merchant’s online shop and the payment method.

APM

see alternative payment methods

Apple Pay

Apple Pay is an electronic payment method based on near field communication technology that was introduced by Apple Inc. in 2014. Users of the iPhone 6, iPhone 6 Plus and Apple Watch are able to use their devices for contactless electronic payment. Apple Pay is planning to introduce the service in Europe in autumn 2015.

AstroPay Card

AstroPay Card is a prepaid voucher [see prepaid voucher] that is mainly used in Latin American markets.

AstroPay Direct

AstroPay Direct is a payment method that enables customers to pay their purchases online via direct debit.

Bancontact/Mister Cash

Bancontact/Mister Cash is a widely popular debit card in Belgium that is connected with a local bank account and that also allows electronic payments.

Biometrics

Biometrics is the science and technology of measuring and statistically analysing biological data. In the e-payments industry, biometrics usually refers to technologies for measuring and analyzing human body characteristics such as fingerprints, eye retinas and irises, voice patterns, facial patterns, and hand measurements, especially for authentication purposes.

Boarding

Boarding means connecting merchants to new payment methods. On the one hand it is the technical integration of the online shop with the payment methods via an API [see API], on the other hand it describes the regulatory integration of merchants as they close contracts with payment service providers [see payment service providers].

Boleto Bancario

Boleto Bancario is one of the most popular payment methods in Brazil. It has online banking options but can also be used to pay online-purchases in cash.

Glossary

Card not present transaction

A "card not present" (CNP) transaction is a transaction via credit card during which the customer does not or cannot show his physical credit card, for example when paying online.

CNP

see card not present transaction

Card validation code (CVC)

The card validation code is an additional safety feature for credit cards. It is a three or four digit code that is printed on the back of every card. It can be requested during the transaction process but is not allowed to be stored.

Chargeback

Chargeback is the reversal of a payment at the request of customers. This is usually permitted for pull payment [see pull payment] methods such as direct debit or credit card, within certain conditions. The customer bank pulls the amount back from the merchant account.

Check out page

The check out page of an online shop is usually more than just a payment page. It is a select number of web pages which includes the entering of shipping and invoicing details, selecting the payment method and confirmation of purchase. It is a big challenge for online shops to optimise the check out page in a way that the least possible amount of customers abort the purchase on this last mile.

Clearance

see settlement

Closed loop

Closed loop payment systems (also known as two-party systems) are closed payment systems in which a means of payment such as a voucher is only accepted by the issuer of that particular means of payment.

CNP

see card not present transaction

Conversion rate

Conversion rate describes the proportion of online shop visitors and actually performed purchases. It is probably the most important key performance indicator for online shops.

Cookies

Cookies are small text files that are placed on your computer by websites that you visit. They are widely used in order to make websites work, or work more efficiently, as well as to provide information to the owners of the site.

Credit agency

Credit agencies are commercial companies that merchants can use to obtain credit ratings for potential customers.

Credit card

A classic credit card is a plastic card used to pay for goods and services. It is very popular worldwide, in brick and mortar shops as well as online. Credit cards are either issued directly by credit card schemes or by banks and other similar financial institutions. Credit cards are often tied to bank accounts but there are also prepaid cards available (often tied to an e-money account). Nowadays credit cards can also exist in virtual forms, a physical plastic card is not necessarily required.

Glossary

Credit card acceptance

Credit card acceptance is very high worldwide with about two billion acceptance points to date. An acquiring contract [see acquirer] is needed to be able to accept credit card payments in online as well as brick and mortar shops.

Credit card acquirer

see acquirer

Debit card

A debit card (or check card) is a payment card that deducts funds directly from the users' accounts (within a couple of days). It can be used for electronic payments as well as to withdraw money from an ATM.

Direct debit

Direct debit is a payment method that authorises a bank to pay an amount of money directly to a third party. This payment needs to be preauthorised by the account holder.

Electronic payment

Payment with electronic money [see e-money/ see alternative payment methods]

EMD

see e-money directive

E-money

Electronic money (e–money) is an electronically (including magnetically) stored monetary value, represented by a claim on the issuer (see issuing bank), which is issued on receipt of funds for the purpose of making payment transactions, and which is accepted by a person other than the electronic money issuer. Types of e-money include pre-paid cards and electronic pre-paid accounts for use online.

E-Money Directive

The new E-Money Directive (2009/110/EC) aims to "enable new, innovative and secure electronic money services to be designed, to provide market access to new companies and to foster real and effective competition between all market participants"[1].

E-money institution

E-money institutions are organisations that are not banks and that receive funds and issue electronic money in exchange (e.g. as a balance on an electronic purse). An important criterion is that the electronic money can be used to make payments to parties others than the issuer (see issuing bank). Thus an e-money institution is a supplier of the financial product 'electronic money'.

EMR

see e-money directive

E-payment

see electronic payment

eps

The eps e-payment standard has been developed by STUZZA alongside Austrian banks, the Ministry of Finance (BMF) and the CIO (Chief Information Office, www.cio.gv.at) of the Austrian government. eps is a bank transfer system that is based on the online banking account of the consumer's bank and enables simple and secure processing of e-payment transactions over the internet. Merchants use the standardised eps e-payment as an online payment method. Over two million Austrian bank customers can use eps e-payment immediately via their internet banking.

1 http://ec.europa.eu/finance/payments/emoney/index_en.htm

Glossary

E-wallet

An e-wallet can either be a prepaid account where a consumer stores money that can be used to pay online when required or it can be a virtual purse in which a consumer stores e-payment data. This could include credit card data or direct debit information. Depending on the purchase the customer selects the payment method of choice.

giropay

giropay is an online payment method that is supported by more than 1,500 German banks, and can therefore potentially be used by 35 million Germans. A key differentiator to other payment method is the product's payment guarantee for purchases up to 10,000 EUR. Until 2014 giropay and eps [see eps] were purely national online banking payment methods. In summer 2014, however, both systems have been cross-linked which now enables customers to make cross-border online credit transfers.

Google wallet

Google wallet is an e-wallet [see e-wallet] by Google Inc. The customer can use it as a mobile payment instrument for purchases in stores or online and it works with credit or debit cards.

IBAN

IBAN, the international bank account number, is a number that is attached to a bank account. It is used by all EU countries including Switzerland, Norway, Liechtenstein and Hungary. IBAN is meant to standardise international bank transactions.

IBAN-on-demand

IBAN-on-demand is a payment method developed by the PPRO Group. It uses a specific IBAN for each online transaction and thus automatically matches all transactions and purchases with 100% certainty. The customer receives one unique IBAN for each transaction that will only be valid once.

iDEAL

iDEAL is a very popular online payment method in The Netherlands. Customers pay online through their online bank account.

ING HomePay

ING HomePay is a very popular online payment method in Belgium. Customers pay online through their online bank account.

InPay

An online payment method that is available in many different European countries. Customers pay online through their online bank account.

InstantTransfer

A payment method by the PPRO Group that is available to 99 per cent of German online banking users. Customers pay online through their online bank account.

In-store pickup

An additional service provided by online merchants. Customers are allowed to purchase and pay online and are able to pick up their goods in a shop nearby.

Glossary

Internet of Everything

Internet of Everything (IoE) describes a future state of the internet in which not only technical devices like computers and smartphones are connected to the internet, but also everyday objects like fridges, washing machines etc.

IoE

see Internet of Everything

Issuer

An issuer is a financial institution that provides its customers with payment instruments such as payment accounts, credit cards, prepaid cards, prepaid vouchers or debit cards. In most cases the issuer typically provides a payment account to its customers linked to a card or voucher however is not necessarily always the case. Issuers must be authorised for the particular financial activity they undertake and among other prudential and regulatory obligations are subject to certain minimum capital thresholds for their business.

Issuing

Issuing is the provision of debit and credit cards. In addition to physical cards, virtual cards can also be issued.

Issuing bank

see issuer

KBC/CBC on-line

An online payment method for customers of KBC and CBC banks.

Klarna

Klarna is a Swedish company that offers solutions for payment on account. Since 2014 SOFORT belongs to the company, too.

Know your customer

Know your customer (KYC) is the process used by financial institutions to verify the identity and legitimacy of new customers. It is based on the prevention of money laundering and terror financing [see anti money laundering directive].

KYC

see know your customer

Loyalty program

A loyalty programme is a marketing tool for customer retention. It can be realised in various different versions. The most common way is to give regular customers discounts after a certain amount of purchases or after a certain amount of money spent. These discounts can come in different ways, e.g. vouchers or additional special offers.

MIF

see multilateral interchange fee

Mobile commerce

Mobile commerce is electronic trade performed via mobile devices such as smartphones, tablets and wearables [see wearables].

Mobile payment

Mobile payment describes electronic payment through mobile devices such as smartphones, tablets and wearables [see wearables].

Glossary

Money laundering

Money laundering is the process in which an individual or an organisation abuses the financial system in order to legitimise or disguise their illegal activities. The money laundering process involves three distinct phases: the placement of proceeds of crime into the financial system; the layering or structuring phase whereby illicit money is separated from its source through layering of financial transactions; and the integration phase where “dirty” money is returned to the criminal in a manner that appears legitimate. In summary, criminals carry out money laundering to disguise the origins of money obtained through illegal activities so it looks like it came from legal sources, in order to be able to use the funds without the risk of it being seized.

MULTIBANCO

A standardised debit card system [see debit card] in Portugal.

Multichannel commerce

Multichannel commerce describes a business strategy that addresses customers through different communication channels such as a store, online or with a printed catalogue.

Multilateral Interchange Fee

The Multilateral Interchange Fee (MIF) is paid by the merchant’s acquirer to the card issuer (bank) to compensate their effort in enabling, authorising and clearing a card transaction. The cost of such a transaction is usually paid for by the merchant to the acquirer. The acquirer then pays the other players involved, in particular the Scheme Fee (e.g. Visa, Mastercard) and the Interchange (the issuer of the card, i.e. usually the shopper’s bank). Reducing the MIF will therefore reduce the merchant’s cost and the hope is that they will reduce their prices accordingly, which is the whole purpose of the exercise.

MyBank

MyBank is an e-authorisation solution which enables safe digital payments and identity authentication through a consumer’s own online banking portal or mobile application. It is an infrastructure which facilitates real time e-commerce services between seller and buyer banks across Europe.

Near field communication (NFC)

NFC technology enables simple and safe two-way interactions between electronic devices, allowing consumers to perform e.g. contactless payment transactions. NFC can be compatible with existing contactless card infrastructure and it enables a consumer to use one device across different systems.

NFC

see near field communication

Omnichannel commerce

Omnichannel commerce is the advancement of the multichannel strategy [see multichannel commerce]. It assumes that consumers do not only use one but many of the communication channels provided in parallel.

OmniCommerce

see omnichannel

One-click check-out

One-click check-out means paying for goods or services with only one click and therefore without circumstantially entering payment details. It is mainly provided for shopping via mobile devices [see mobile commerce].

One-click buying

see one-click check-out

One-click payment

see one-click check-out

Glossary

Online payment

Online payment is payment via electronic payment methods in e-commerce (therefore online). It includes conventional electronic payment methods such as credit cards but also more and more alternative payment methods [see alternative payment methods] that, as opposed to credit cards, were developed for exactly this purpose.

Open loop payment system

Open loop payment systems (also known as three party systems) are open payment systems in which payment methods such as credit cards are being accepted through many different acceptance points.

Overlay method

Contrary to the redirection method [see redirection method] the overlay method does not lead the customer to their online banking account to put the transaction through themselves but asks for the customer's bank credentials to finalise the transaction automatically in the background. The customer then only has to authorise the transaction via a TAN (transaction authentication number). The overlay method is usually used for bank transfers and is said to be a very secure and relatively cost efficient technology.

Overlay transaction method

see overlay method

PaaS

see payment as a service

Payment aggregator

see payment hub

Payment as a Service (PaaS)

Payment as a Service (PaaS) describes a method (in line with Software as a Service, SaaS) that integrates many different international payment systems via an API [see API] into e.g. online shops.

Payment collection

Payment collection means the receipt of customer (consumer or corporate) funds by a licensed or authorised financial institution.

Payment facilitation

see payment facilitator

Payment facilitator

A payment facilitator is an organisation that contracts with its sponsored clients (sub-merchants) for a suite of services that includes payment processing (directing funds between buyers and sellers) [see payment processing services].

Payment gateway

A payment gateway is the online equivalent of a POS terminal in physical stores, i.e. a service provider that authorises card payments for online merchants. Payment gateways encrypt the sensitive card details to ensure that information is passed securely between the parties involved. The payment gateway forwards the transaction information to the payment processor [see payment processor] used by the merchant's acquirer, and then passes back the return message from the payment processor to the merchant, which authorises or denies the payment.

Payment hub

The PPRO Group understands a payment hub as a connecting organisation between the fast-growing community of payment service providers, online merchants and software platform partners with the even faster-growing number of national and international payment formats. The PPRO Group sells APM (see alternative payment methods) to PSPs (see payment service providers) and thus acts as a wholesaler.

Glossary

Payment Institution

The term "Payment Institution" refers to a category of payment service provider [see payment service provider] which came into being as a result of the enactment of the Payment Services Directive (PSD) [see PSD]. Amongst others Payment institutions can offer their customers the following services: Executing payment transactions, issuing and/or acquiring of payment instruments, money remittance and FX services.

Payment method

Payment methods are all online payment systems using online banking services i.e. giropay, SOFORTbanking, eps or iDEAL and combined offline/online procedures such as direct debit and forms of credit card acceptance.

Payment on account

With payment on account the customer receives goods and services purchased before he has paid for them. He usually receives an invoice alongside the delivery of the purchase stating a due date for payment. Payment on account is particularly popular in Germany and some Scandinavian countries.

Payment page

see check out page

Payment processing services

Payment processing services are the provision of technical and financial services allowing for the electronic transfer of funds.

Payment processor

Payment processors handle electronic payments on behalf of the acquirer [see acquirer]. They technically route payment requests via the payments schemes (card or alternative) to the issuing bank [see issuer] of the consumer and the return message, authorising or denying the payment, back to the merchant via the payment gateway [see payment gateway]. They do not handle the settlement process, i.e. moving funds from the consumer account to the merchant account unless they also have the requisite financial authorisation to do so.

Payment schemes

Payment schemes are entities operating a specific payment method, defining and policing its rules and regulations, and granting licences for the connection to the scheme and offering it to the market.

Payment service provider

Payment service providers are companies that offer payment services to their customers. Within the online space, these services can include acceptance for alternative payment methods and credit cards but also services such as risk and collection management or logistics.

Payment Services Directive

see PSD

payout

Payout is the redemption of merchants' funds to the customer. Examples are refunds or the payment of winnings from sport bets.

paysafecard

paysafecard is a prepaid voucher consumers can pay completely anonymously with and don't have to give away their sensitive data at any stage of the payment process. This gives fearful consumers the opportunity to pay online. paysafecards represent a highly secure way to pay online.

Glossary

PCI Data Security Standard

The Payment Card Industry (PCI) Data Security Standard (DSS) was developed to encourage and enhance cardholder data security and facilitate the broad adoption of consistent data security measures globally. PCI DSS provides a baseline of technical and operational requirements designed to protect cardholder data. PCI DSS applies to all entities involved in payment card processing – including merchants, processors, acquirers, issuers, and service providers, as well as all other entities that store, process or transmit cardholder data. PCI DSS comprises a minimum set of requirements for protecting cardholder data, and may be enhanced by additional controls and practices to further mitigate risks.

PCI DSS

see PCI Data Security Standard

POLi

POLi is offered by POLi Payments Pty Ltd and is said to be Australia's most popular online real-time debit payment system. The company currently process in excess of AUD 1 billion per year in payments.

PostFinance

PostFinance is one of the favourite online payment systems in Switzerland that can be used by consumers who possess either the PostFinance Card or a bank account with PostFinance (E-Finance). The bank account uses online banking PIN/TAN credentials. While E-Finance is used by more than 3.7 million end customers, more than 3 million end customers use the fast internet payment facilities of the PostFinance Card.

Prepaid card

Prepaid cards are payment cards for cashless payment. The are used like "real" credit cards, the user is, however, not provided a credit line. They work on a non-borrowing basis and need to be topped up before used. The advantages are higher security, as the cards are usually not tied to the user's official bank account, and full cost control.

Prepaid voucher

Prepaid vouchers are vouchers on a non-borrowing basis that can be purchased with different nominal values. Contrary to prepaid cards [see prepaid cards] they cannot be loaded again after being used.

Pre-payment

Pre-payment means that the customer pays for the goods or services in advance of receiving them. Pre-payment is said to be the most secure payment methods for merchants as the purchases are only sent out once the money has arrived in the merchants' accounts. Moreover the customer does not have the possibility to charge the money back [see chargeback].

Processing

Processing means the transaction of a money flow through a technical payment gateway (see payment gateway) of a financial institution.

Processor

see payment processor

Przelewy24

Through the Przelewy24 payment method over 95 per cent of Polish online banking customers can securely and easily make purchases online. It is identical to using the standard PIN/TAN process for online banking in Poland. Over 8,000 Polish online shops accept the Przelewy24 payment method.

Glossary

PSD

The Payment Services Directive (PSD) provides the legal basis for a harmonised approach throughout the EU for the regulation of payments. The PSD aims to establish a modern and comprehensive set of rules applicable to all payment services within the European Union. The target is to make cross-border payments as easy, efficient and secure as 'national' payments within an EU Member State. The PSD also seeks to improve competition by opening up payment markets to new entrants, thus fostering greater innovation, efficiency and cost-reduction. At the same time the PSD provides the necessary legal platform for the Single Euro Payments Area (SEPA).

PSD II

The European Commission is in the process of updating the Payment Services Directive [see PSD] in response to fast developing technological changes taking place within the e-payment industry. PSD II has been extended to include third party payment providers, a step that will increase competition in the market and is meant to strengthen innovation. PSD II is expected to be finalised during 2015 and allow EU member states two years to implement local legislation accordingly.

PSP

see payment service provider

Pull payment

Pull payments are payment methods whereby the payee, e.g. the merchant, initiates the transaction, i.e. pulls the money from the payer's account. This method requires payers to disclose their personal data to the merchant or its payment service provider [see PSP]. However, it also gives payers the right to reverse the payment within certain terms [see chargeback]. Most traditional payment methods, e.g. credit card or direct debit, are such pull payments.

Push payment

Push payments are payments which are initiated by payers themselves. There is no disclosure of personal data required. Examples for push payments are real-time bank transfers or cash payments.

QIWI

QIWI is the number 1 e-wallet in Russia with over 15 million virtual QIWI wallets in circulation. 28 per cent of all B2C e-payment transactions in Russia in 2013 were executed via QIWI services. QIWI operates their own cash-collecting terminals and kiosks and has more than 70,000 registered providers.

QIWI payout

QIWI payout is a payout solution [see payout] by QIWI [see QIWI] for the Russian market.

RABERIL payout

RABERIL payout is a payout solution [see payout] for the Latin American market. RABERIL Trading is one of the most recognised industry brands across Latin America.

Reconciliation

Reconciliation is the comparison of booked transactions to received funds.

Redirection method

The redirection method is a technology with online banking systems. During the payment process, the customer is redirected to the website of his bank where he carries out the transaction himself (in contrast to the overlay method), [see overlay method]. The redirection method involves much more effort on the development site of the payment method provider since it needs to be integrated with the banks' IT structure.

Glossary

Refund

Refund means returning payment partially or fully to the customer, i.e. because the delivered goods were damaged.

Responsive design

Responsive design describes the design of websites that are optimised for different devices and that adapts to those devices (they "respond" to other environments). This is particularly important to online shops and check out pages in order to provide the customer with a comfortable shopping and check out experience.

Risk management

Risk management is very important for all areas of the financial industry, but particularly for e-payment. It is mainly about fraud prevention and the avoidance of shortfalls in payment. Risk management is usually operated partly automated (e.g. real time credit rating by credit inquiry companies) [see credit inquiriy] and partly manual (e.g. KYC processes) [see KYC].

SafetyPay

SafetyPay is an online payment solution that enables online banking customers to make internet purchases from merchants worldwide, and pay directly through their local bank account, in their local currency. SafetyPay was developed in response to the growing need for a safe and secure online payment method, which could also be used internationally.

Samsung Pay

Samsung Pay is a contactless payment system supported by Galaxy S6 and Galaxy S6 Edge that was introduced by Samsung during Mobile World Congress 2015. Contrary to Apple Pay [see Apple Pay] Samsung Pay is supposed to use the existing magstripe terminals at POS for contactless payment.

Single Euro Payments Area (SEPA)

Single Euro Payments Area (SEPA) is a European project to harmonise pan-European international Euro payments. The SEPA region currently (April 2015) covers 34 member states and will grow further in the future.

SEPA direct debit

As a 'local' payment instrument for the entire Eurozone, SEPA Direct Debit replaces the many different national direct debit schemes that existed until recently. For the cross-border collection business this is a significant innovation since previously there has not been a standardised pan-European product for direct debits. SEPA Direct Debit transactions are based on a direct debit mandate, which the debtor (payer) gives to the creditor (payee). The latter submits the direct debit to his bank for collection. With the enhanced PPRO Group SEPA Direct Debit method, mandates and pre-notifications are sent out to the customer automatically via e-mail.

SEPA payout

SEPA payout is a payout solution [see payout] for the SEPA region.

Settlement

Settlement (aka clearance) is the payout due from the payment service provider to a merchant after collecting from a merchant's consumer. The payment service provider usually pays the merchant in predefined settlement cycles such as monthly, weekly, or even daily.

Skrill

Skrill is one of Europe's leading online payments companies and among the world's largest independent e-wallet providers with 36 million account holders. With Skrill, customers are enabled to make online payments securely, as well as send and receive money online cost-effectively.

Glossary

SOFORT Überweisung

SOFORT Überweisung is an online payment system particularly popular in Germany. Customers can pay for goods and services using their own online banking credentials. SOFORT Überweisung is a real time direct debit method meaning that the merchant receives transaction confirmation in real time.

SSL encryption

Secure Socket Layer (SSL) is a protocol that enables secure connection between internet browsers and websites by the transmission of encrypted data. In e-payment, SSL encryption is being used especially for transmission of personal payment information.

Teleingreso

Teleingreso is a Spanish payment method that enables Spanish customers to pay for goods and services online using a variety of offline payment methods. These include more than 3,000 ATM machines, 2,000 post offices and 300 retail outlets throughout Spain.

Three party payment system

see open-loop payment system

Ticket OnLine

Ticket OnLine is cash/bank payment method, that is used to pay for online purchases in Mexico and Chile. The difference to real-time bank transfer systems is that the customer can also pay for their online purchases in cash, via ATM or banks.

Tokenisation

Tokenisation is a security process for authentication that is becoming more and more popular in e-commerce. Tokenisation is meant to decrease the data volume that a company actually needs to store. In order to do so critical data is exchanged by unique indentification symbols (tokens) that represent the necessary data without determination of that critical data being possible. In that way it can be proved if, for example, a credit card is being used for different transactions, without the need to store the credit card number in the transaction details.

TrustPay

TrustPay is an e-payment method that mainly focuses on Eastern Europe. Since most of the countries in the region do not use Euro, the payers are not able to take advantage of SEPA payments and can use this intra-bank transfer method instead.

Two party payment system

see closed loop payment system

Ukash

Ukash is an online cash payment provider enabling customers to use cash as vouchers [see voucher] to shop, pay and play online safely and securely.

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