

How Europe prefers to pay:

E-Commerce Payment Report 2021

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Local payment methods:

The key to more growth in e-commerce

For several years now, we have been observing a shift in the global payment behavior of consumers: away from conventional cash and card payments towards alternative payment methods like Apple Pay, Google Pay or PayPal. They meet the consumer's need for comfort and security, and they meanwhile account for more than half of the transaction volume in e-commerce.

More and more payment heroes are emerging

This trend continues to shift: from alternative to local payment methods. Around the world, there are now around 500 different providers. For online merchants, these payment heroes are the key to more growth. After all, consumers are increasingly shopping cross border but continue to hold onto country-specific payment habits. And while these payment habits are continuously changing, more and more local payment heroes are emerging.

In other words: "Think global, act local". Anyone wishing to enter new e-commerce markets needs to understand how consumers prefer to pay – and offer local payment heroes. This quickly boosts revenues and allows a critical competitive advantage to be achieved. It is also important to recognize new trends early and create solutions. This bolsters a sustainable payment method strategy.

We reduce the complexity for you

This is where Arvato Financial Solutions supports you. Thanks to our many years of experience in e-commerce, our licenses and our connectivity with an incredibly wide range of payment methods, we reduce the complexity of tapping into new markets for you. From accepting new currencies to adding the latest e-wallets – we offer the right solution for you with just one contract, one interface and a single contact partner. PPRO – the globally leading provider of local payment infrastructure – stands by our side, helping us with best in class integrations to over 100 local payment methods across the globe.

In our E-Commerce Payment Report 2021, we show you what you need to know about current payment trends in e-commerce and why local payment methods in particular are so important. You will also learn how to equip your shopping system with the right payment heroes quickly and easily, making it fit for the future.

We hope you enjoy these fascinating insights!



Anyone wishing to enter new e-commerce markets needs to understand how consumers prefer to pay – and actively offer local payment heroes.



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European payment transactions in transition

The COVID-19 pandemic has not only shaken people but also the economy. According to estimates, real global GDP declined by 3.5 percent in 2020.¹ At the same time, the lockdowns and restrictions on public life have had a massive impact on consumer behavior. More and more people are shopping online. In France, Germany and the United Kingdom – the three largest European markets – up to 80 percent of customers meanwhile carry out at least half of their shopping online.² According to forecasts, annual revenue growth in global e-commerce will amount to over 6 percent by 2025.³

As a result, e-commerce is among the winners of the pandemic – across the board. Initially, established online retailers began to see significantly growth increase. For example, Adidas generated total revenue of more than four billion euros worldwide through its own e-commerce sales channels. Compared to 2018, the revenue in this segment has more than doubled.⁴ Douglas, Europe's leading premium beauty platform, also recorded a significant rise of 40 percent with a revenue of more than 800 million euros in digital retail for the 2019/20 financial year. The strong growth in e-commerce kept the company's overall revenue relatively stable at over 3 billion euros, despite the massive slump in branch operations following several months of lockdowns.⁵

Did you know?



80%

of customers in France, Germany and the United Kingdom carry out at least half of their shopping online.



**+ 6%
p.a.**

growth in global e-commerce revenue is forecast by 2025.



Small retailers are also benefiting from growth in e-commerce

Smaller merchants with an annual revenue below 10 million euros have also benefited from the increased demand in e-commerce. In Germany alone, 35 percent of online customers ordered from a small store which they had not previously known. 77 percent even intend to continue shopping with at least one of these shops.⁶ It therefore comes as little surprise that more and more companies are now also offering their products on the internet – companies which had not used this channel beforehand. What's more, a wide range of completely new business models are emerging. Apps like Gorillas and Flink deliver supermarket goods in just a short period of time.⁷ On the one hand merchants are able to use the e-commerce channel to tap into new target groups. On the other hand it is a relatively easy way to diversify business across national borders.

But entering e-commerce also increases complexity. Companies are suddenly faced with the need to enable a convenient and well-thought-out shopping experience for their customers. This is where the main market players like Amazon and Zalando set the benchmark. In particular, this includes the payment experience – as the decisive moment for conversion. The average drop-out rate when products are already placed in the shopping basket is over 60 percent.⁸ Of this amount, 20 percent of shoppers abandon the process because their preferred payment method is not available.⁹

In addition tapping into new e-commerce markets also makes accounting processes more complex. New company codes areas need to be set up, new payment methods considered with corresponding accounting mechanisms, and new currencies may also need to be covered. Each additional payment method increases reconciliation efforts and may lead to settlement file issues.

The range of payment methods available is key to closing sales

From the perspective of online retailers, purchases that fail at the payment stage are especially frustrating. After all, it is relatively easy to impress customers with an optimized, user-oriented customer journey – winning them over for one or more further purchases in the future. By contrast, acquiring new customers takes a lot more effort and costs. Anyone wishing to benefit from the e-commerce boom in the long term should therefore align their strategy for payment methods according to the payment preferences of customers.



35%

of German online customers have ordered from a smaller shop for the first time, which they had not previously known.



20%

of shoppers abandon their online shopping because their preferred payment method is not offered.

Payment trends:

How consumers want to pay

As an e-commerce merchant, do you want to exploit new potential for your business – and benefit from up to 20 percent more sales by offering the right mix of payment methods? In many countries, conventional debit and credit cards are surprisingly rare, and bank accounts are not available to everyone. Around the globe, there are over 500 alternative payment methods that can be divided into different categories. They fill this gap, but also increase the workload in the process. That's because they require specific contracts, separate technical connections and local bank accounts. Despite that, there's no getting around those payment heroes. We have therefore compiled useful information on the universe of payment methods.

Global payment methods:

Traditional card systems

Consumers pay online or in store with a debit or credit card.

Interregional e-wallets

Consumers add a balance to an electronic wallet, save a card or their bank details to pay for online purchases.

Local payment methods:

Bank transfers

Consumers pay from a bank account using a transfer.

Local e-wallets

They typically work like their interregional counterparts. Consumers usually use the local e-wallets from a certain region.

Local card systems

Consumers pay with domestic bank cards.

Buy now, pay later

Consumers buy now and pay later – like purchase on account, but often with additional payment options. This includes monthly billing on Amazon, for example. "Buy now, pay later" is booming and many service providers have established themselves in this space.



E-Commerce and Payments:

The European payments landscape in facts and figures¹⁰

E-Commerce is booming: More and more consumers are shopping online – and therefore outside their usual consumer environment. The reasons for this include the store closures due to the pandemic, increased product quality and greater availability. Anyone wanting to benefit from this development can get an overview of current trends and country-specific characteristics here.



United Kingdom

- 11%** E-Commerce growth
- 19%** E-Commerce share in overall market
- 49%** Share of cross-border shoppers
- 19%** Share of cross-border purchases in e-commerce
- Top 3** Shopping markets: China, USA, Germany

Norway

- 15%** E-Commerce growth
- 13%** E-Commerce share in overall market
- 61%** Share of cross-border shoppers
- 25%** Share of cross-border purchases in e-commerce
- Top 3** Shopping markets: China, USA, United Kingdom

Sweden

- 11%** E-Commerce growth
- 10%** E-Commerce share in overall market
- 49%** Share of cross-border shoppers
- 20%** Share of cross-border purchases in e-commerce
- Top 3** Shopping markets: China, Germany, United Kingdom

Finland

- 13%** E-Commerce growth
- 12%** E-Commerce share in overall market
- 61%** Share of cross-border shoppers
- 22%** Share of cross-border purchases in e-commerce
- Top 3** Shopping markets: China, Germany, United Kingdom

Netherlands

7% E-Commerce growth

10% E-Commerce share
in overall market

52% Share of cross-border shoppers

15% Share of cross-border
purchases in e-commerce

Top 3 Shopping markets: China,
Germany, United Kingdom

Denmark

13% E-Commerce growth

13% E-Commerce share
in overall market

55% Share of cross-border shoppers

22% Share of cross-border
purchases in e-commerce

Top 3 Shopping markets: China,
United Kingdom, Germany

Germany

11% E-Commerce growth

16% E-Commerce share
in overall market

35% Share of cross-border shoppers

12% Share of cross-border
purchases in e-commerce

Top 3 Shopping markets: China,
United Kingdom, USA

Poland

11% E-Commerce growth

5% E-Commerce share
in overall market

16% Share of cross-border shoppers

6% Share of cross-border
purchases in e-commerce

Top 3 Shopping markets: China,
United Kingdom, Germany

France

- 13%** E-Commerce growth
- 11%** E-Commerce share in overall market
- 50%** Share of cross-border shoppers
- 11%** Share of cross-border purchases in e-commerce
- Top 3** Shopping markets: China, Germany, United Kingdom

Switzerland

- 13%** E-Commerce growth
- 10%** E-Commerce share in overall market
- 65%** Share of cross-border shoppers
- 15%** Share of cross-border purchases in e-commerce
- Top 3** Shopping markets: Germany, China, USA

Belgium

- 6%** E-Commerce growth
- 15%** E-Commerce share in overall market
- 69%** Share of cross-border shoppers
- 18%** Share of cross-border purchases in e-commerce
- Top 3** Shopping markets: Netherlands, China, France

Austria

- 9%** E-Commerce growth
- 8%** E-Commerce share in overall market
- 83%** Share of cross-border shoppers
- 21%** Share of cross-border purchases in e-commerce
- Top 3** Shopping markets: Germany, China, United Kingdom

Portugal

11% E-Commerce growth

4% E-Commerce share
in overall market

64% Share of cross-border shoppers

23% Share of cross-border
purchases in e-commerce

Top 3 Shopping markets: China, Spain,
United Kingdom

Spain

19% E-Commerce growth

7% E-Commerce share
in overall market

57% Share of cross-border shoppers

20% Share of cross-border
purchases in e-commerce

Top 3 Shopping markets: China,
United Kingdom, Germany

Italy

16% E-Commerce growth

4% E-Commerce share
in overall market

51% Share of cross-border shoppers

20% Share of cross-border
purchases in e-commerce

Top 3 Shopping markets: China,
United Kingdom, Germany

The European payments landscape:

Key findings

Highest e-commerce growth



Highest e-commerce share



Most cross-border shoppers



Highest cross-border shopping share in e-commerce



Top 3 shopping markets with payment heroes

- 1 - China: Alipay, UnionPay, WeChatPay
- 2 - Germany: giropay, pay direct, SEPA Direct Debit
- 3 - United Kingdom: Faster Payments Service, Pay by Bank app, UK Direct Debit

Did you know?

These sectors are among the winners in e-commerce¹¹



+311%
Women's clothing



+285%
Food and drink



+160%
Care and cosmetics



+143%
Furniture and furnishings

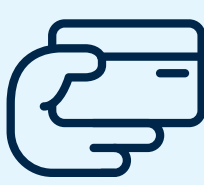
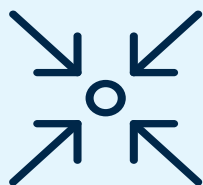


+123%
Electronics

E-Commerce for the future:

Three steps towards an optimized payment system

Never before have merchants had such a good opportunity to sell successfully beyond the borders of their country of origin. You can future-proof your market, target group and payment method strategy in just a few steps.



Step 1

Define the promising target markets and find out which local payment methods are preferred there by consumers.

Determine the most promising target markets for your business model based on the share and growth rate of e-commerce as well as the ratio of cross-border shopping. Consult experts for these countries and discover the payment heroes with their special characteristics.

Step 2

Activate the right payment methods for each target market.

As a rule of thumb for European countries as well as most other countries: there are 5-7 payment methods that consumers prefer and tend to use most often. Implement the relevant payment heroes for each target market in your shopping system together with your payment service provider.

Step 3

Prioritize the payment methods used by new and potential target groups.

Define which consumer groups are especially relevant for your business. In cooperation with your payment service provider, prioritize the payment methods in your shopping system that your most important target groups prefer.

Sources:

- 1 Statista: Growth of real global gross domestic product (GDP) from 1980 to 2022 (compared to the previous year), January 2021.
- 2 Internet Retailing: "Surge in ecommerce will outlive corona across Europe, consumer research suggest", April 2020.
- 3 Statista: E-Commerce worldwide, March 2021.
- 4 Statista: Revenue of the Adidas Group's e-commerce globally in 2010 to 2020, March 2021
- 5 Douglas: Strong growth in e-commerce keeps Douglas's revenue relatively stable even during the pandemic year at over 3 billion euros, January 2021.
- 6 Criteo: Coronavirus: More and more Germans are discovering new online shops for themselves, July 2020.
- 7 Handelsblatt: The next investor hype: Customers receive their groceries in just a few minutes, February 2021.
- 8 Baymard Institute: 44 Cart Abandonment Rate Statistics, 2021.
- 9 PPRO: Payments in a Time of Social Distancing, 2020.
- 10 PPRO: 2019.
- 11 PPRO: Cross-border transaction engine, 2020.

Data methodology

Edgar, Dunn & Company (EDC) uses a combination of sources and methods to support the PPRO database. Where possible, consistent sources are used for all markets to maintain the highest degree of data integrity. EDC data sources can be divided into three main areas:

1. Globally recognized, publicly accessible databases and resources
2. Central banks / national e-commerce associations / national internet associations
3. EDC's internal data and models

By combining these data sources, EDC is able to create a complete picture of the market.



Combined expertise for excellent payment processing

Arvato Financial Solutions: Your backbone for growth.

Arvato Financial Solutions offers professional financial services for international and local companies, allowing them to entrust their financial backend processes to a specialist and focus more on their core business. Our services range from credit risk management as well as payment, factoring, receivables management and debt collection. Our team comprising of around 7,000 experts in 15 countries are united by a common goal: seamless and efficient financial services for the best possible financial results of our customers.

Collecting Service:

Accepting worldwide payments with ease

With the feature Collecting Service on the order-to-cash operation system Aquont, we give merchants access to a wide range of payment methods – with just one contract and one interface. We ensure that customers are offered their preferred payment methods and guarantee the best payment experience. This provides a key contribution to a positive customer journey and has a direct, significant influence on conversion. We keep the operational workload on the merchant side as low as possible with a consolidated payment flow and corresponding processing.

PPRO. Local payments infrastructure.

PPRO (pronounced “p-pro”) provides local payments infrastructure to payment service providers (PSPs) and other businesses so they can break into new markets and gain new customers. Accessible through a single contract and a few APIs, the company’s infrastructure has been designed to help PSPs and their merchants get to market faster, unlock higher checkout conversion rates, and avoid the costs and complexities of doing it all themselves.

Award-winning platform

An expert jury at the Payment Awards 2020 honored PPRO with the award for “Best Cross-Border Payments Service”. The reason: as a comprehensive platform, PPRO helps increase conversion rates and offers access to an abundance of different local payment methods.



Would you like greater insights into local payment methods?
Get in touch with us!

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