

# CARDS IN THE EVOLVING EUROPEAN PAYMENTS LANDSCAPE

A REPORT BY PAYMENTS EUROPE



PAYMENTS  
EUROPE

# ABOUT PAYMENTS EUROPE

Payments Europe is an association of global and European card-based payment solutions providers created to strengthen the voice of the industry. Our mission is to promote a better understanding of the complexity of card-based payments and the inherent value it brings to society. We support a vibrant, innovative, and competitive European payments market, that is based on a balanced regulatory framework and puts consumers and consumer protection at the heart of everything.

Payments Europe's members are card issuers, card acquirers, card schemes and other stakeholders that offer card-based payment solutions, active throughout Europe.

[www.paymentseurope.eu](http://www.paymentseurope.eu)

[@paymentseurope](https://twitter.com/paymentseurope)

The European payments landscape has undergone a profound transformation over the past few years. According to an April 2019 report by the European Central Bank (ECB), electronic payments have grown significantly in Europe. Card payments have made an enormous contribution to the digitalisation of commerce and society as a whole. In 2017, almost 70 billion payments were made. Cards were the most used electronic payment method, equalling 52% of all non-cash transactions in the EU; credit transfers accounted for 24% and direct debits for 19%. Meanwhile, new forms of payment are emerging across the EU through fintechs, opening up more possibilities within the market.

Payments Europe has produced this report to evaluate the landscape and the opinions of both consumers and retailers regarding their preferred payment method. This report aims to provide more insight into where the market stands today and where it is heading in the future.

## TOPLINE FINDINGS



The European payment market has significantly evolved



Cards are the most popular payment method with both consumers and retailers



Consumers and retailers find significant benefits in card payments



Retailers believe that the value of cards outweighs the costs



Consumers still trust traditional institutions the most with their data and money

# 1. THE EUROPEAN PAYMENT MARKET HAS SIGNIFICANTLY EVOLVED

Over the past few years, most consumers and businesses have gained access to multiple payment methods beyond a single card, cash and cheque. This evolution has been driven by consumer demand and is expected to continue for both online and offline purchases across Europe.



## Access

- Our research shows that access to debit cards is at the same level as access to cash across Europe.



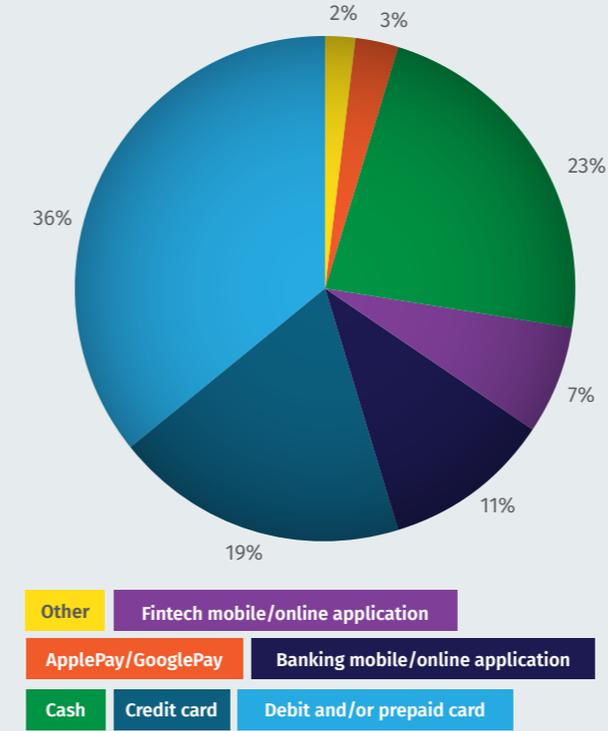
## In store and online use

- Consumers estimate that they use cards for around half of their purchases in stores, with other payment methods such as cash, fintech and banking applications constituting the remainder.

- Online, the use of fintech and banking applications to make payments is almost as common as payment via cards; however, in-store transactions are still focused on cards and cash.
- Payment methods developed by bigtech are still not widely used. The general view is that this will likely increase.

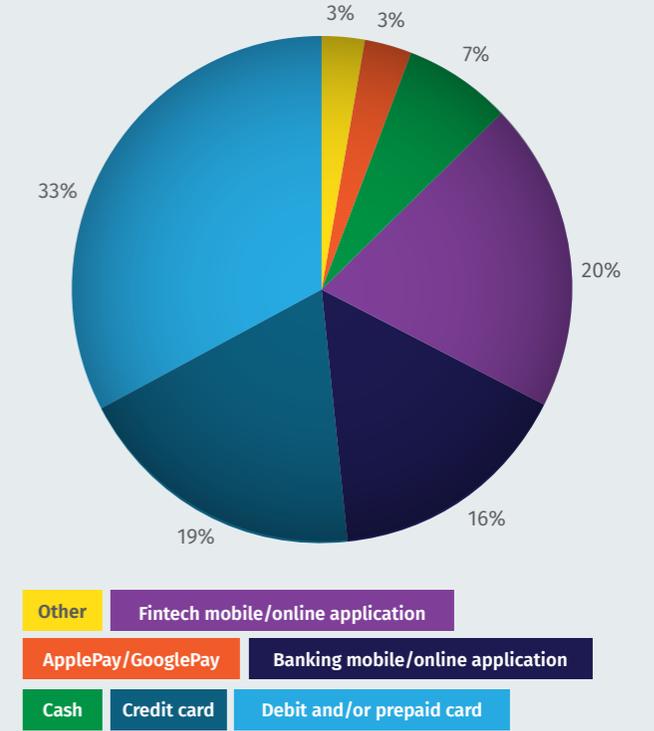
## USE OF PAYMENT METHODS IN STORE

How would you divide the following methods you use to make payments in-store?



## USE OF PAYMENT METHODS ONLINE

How would you divide the following methods you use to make payments online?



## What this shows:

The payment market has evolved. In the past, only cash and cards were competing; now, there are new ways of paying. As commerce is increasingly moving to the online world, consumers and retailers are offered more and more choice. All of these payment types have different features and functionalities and consumers are increasingly choosing the payment that is best for them, or a specific purchase.

## 2. CARDS ARE THE MOST POPULAR PAYMENT METHOD WITH BOTH CONSUMERS AND RETAILERS



### Consumers prefer cards and cash

- The most popular payment method in-store is debit (36%) and credit (19%) card payments, along with cash (23%).
- Cash is less popular in France and Sweden, where card payments take up 72% and 65% of respondent preferences, respectively.
- Three-quarters of respondents believe that card payments provide added value compared to other payment methods (76%).



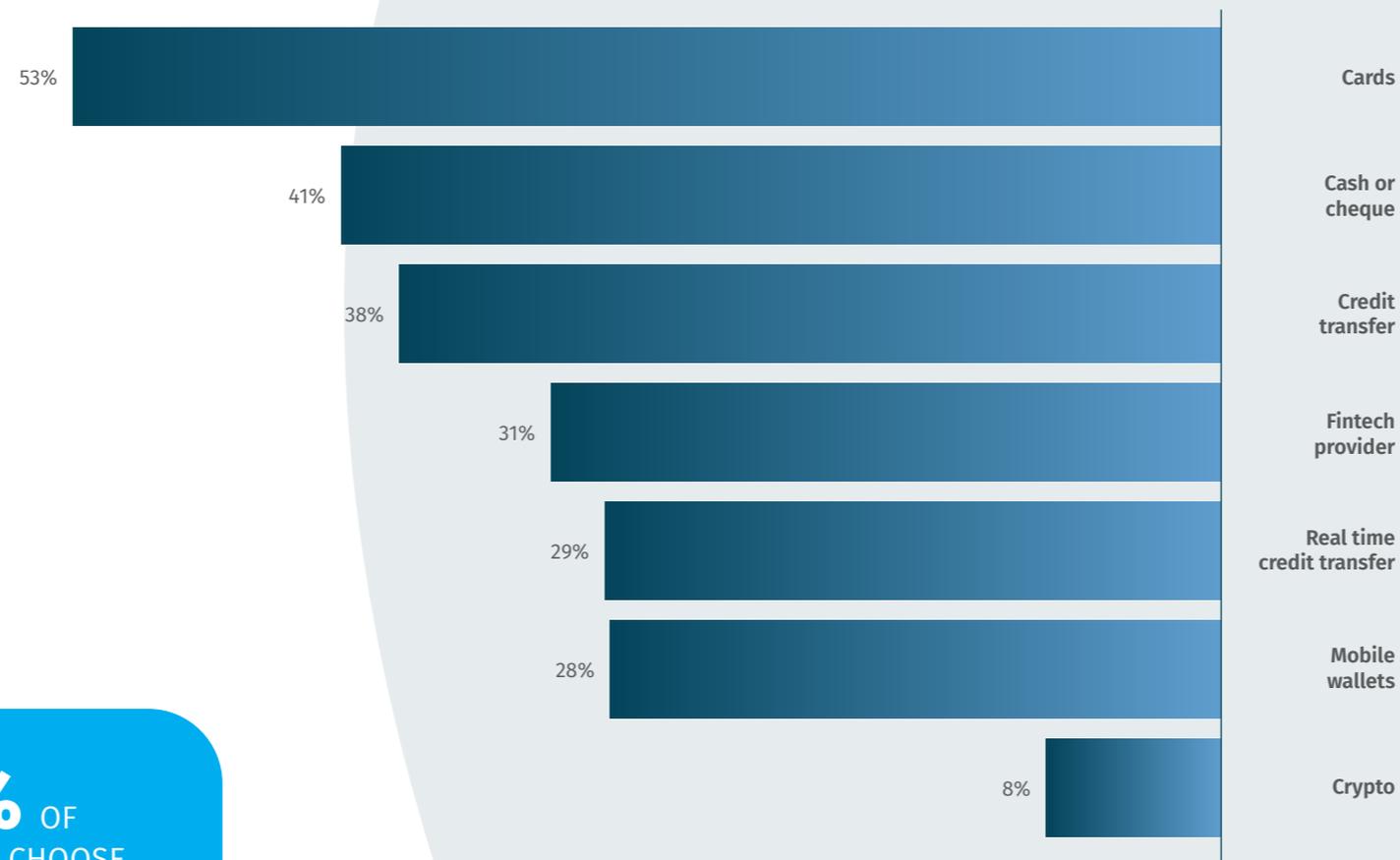
### Card payments are the most popular with retailers

- Retailers in Italy and France are most keen on accepting card payments.

**53%** OF RETAILERS CHOOSE CARDS AS THE MOST PREFERRED PAYMENT METHOD TO ACCEPT.

### PREFERRED PAYMENT TYPE TO ACCEPT BY RETAILERS

Which of the following payment methods do you prefer to accept?



## COMMERCIAL CARDS

Commercial cards are used for B2B transactions and can come in the form of prepaid, debit or credit. Commercial cards bring added value to businesses, and they offer benefits such as access to credit, tools for tracking and controlling business expenses. They also have a higher spend per transaction which equals more sales for the retailer. In line with this, our research shows that large retailers prefer four-party commercial cards over other forms of payment when transacting with another business. The top three benefits retailers associate with accepting commercial cards are security, guaranteed payment and convenience.

### 3. CONSUMERS AND RETAILERS FIND SIGNIFICANT BENEFITS IN CARD PAYMENTS

Merchants overwhelmingly agree that card payments provide added value compared to other payment methods. The most important benefits were guaranteed payment, increased sales, and access to a broader customer base.



#### Convenience and speed

- Consumers believe card payments are the best for convenience (49%) and speed (35%).
- Almost 2/3 of retailers (61%) said that card payments are the most convenient method of payment.



#### Innovation

- European retailers consider innovation and customer experience as the third highest priority for choosing a payment type to accept (43%). In terms of the best payment types for innovation and customer experience, four party card schemes (24%) are considered the best for this, particularly in Poland (36%).



### PAYMENTS INNOVATION IN POLAND

Payments innovation is a priority for Polish retailers and cards are rated highly. The Polish payment market also stands out compared to its European neighbours when it comes to adoption of new technology. As an example, 99.9% of all payment terminals in the country can accept contactless payments. In our research, over 90% of Polish retailers see contactless transactions as a key benefit associated with card payments. One explanation to the dynamism of the Polish payment market could be that since the early 90s, the country has remained open for businesses from other parts of Europe and the world. The roll-out of new solutions has happened quickly and with the support of both retailers and consumers.



#### Safety and security

- Over 80% of European consumers believe card payments are safe.
- When it comes to card fraud, three in four consumers are aware that their money will be reimbursed in such an event (75%), with the UK again feeling safer (81%).
- A third of retailer respondents believe that the reduction in risk of theft/fraud is the most important benefit of card payments (31%). Compared to other methods, cards score the highest as the best fraud prevention payment type (33%).
- Retailers in France (40%) Italy (44%) and Poland (41%) consider it even stronger, while those in Germany and Sweden put a lot more weight on fintech (19% and 17% respectively, considerably more than in the others). Cash is still king for UK retailers, with a quarter of respondents finding that cash or cheque are the best at preventing fraud (24%).

**90%** OF EUROPEAN CONSUMERS FEEL COMFORTABLE PAYING BY CARD AS IT ENSURES SAFE AND SECURE TRANSACTIONS



### WHY CARDS OFFER THE BEST DEAL ON TRAVEL

When travelling abroad, consumers are better off using a card to make purchases - from booking tickets to buying souvenirs. Compared to other forms of payments, card payments offer the most protection for the consumer. As an example, should an airline go bankrupt, an airline ticket will be reimbursed if paid by card. Many credit cards also offer complimentary travel insurance which will protect passengers if flights are delayed, luggage is lost, or if urgent assistance is needed. Card fraud is uncommon, but if it happens (while travelling or at home), consumers are protected from unauthorised transactions, and cards are monitored for suspicious transactions 24/7.

Despite this, our research suggests that not all European consumers are aware of the benefits card payments offers when travelling, and many consumers exchange cash prior to their trip. This is particularly the case in the UK (47%) and Poland (41%).



## CARDS VS REAL TIME TRANSFERS

70% of respondents believe that real-time credit transfer payments offer the same level of protection as card payments. This is not necessarily the case. A fraudulent instant transaction often leads to the loss of funds for the merchant. The consumer is also less protected, and reimbursement is much more limited in case of a problematic purchase (fraud, non-delivery of goods, etc.)

When referring to real-time payments, we are often talking about a bank transfer done faster and more efficiently – for instance, through an application on a mobile phone. While these types of payments have benefits, it is also essential to know the difference between this and card payments. A card payment is done quickly and efficiently but runs on a different infrastructure than real-time payments. The system is operated by the card schemes and the participating banks together and has been developed over decades. The system works all over the world and is underpinned by a comprehensive set of rules which among others guarantees payment and reimbursement in case of fraud. Through its worldwide reach, card payments are also at the forefront of delivering innovation and solutions to combat fraud, money laundering and cybercrime to the benefit of all participants in the payments ecosystem.

## 4. RETAILERS BELIEVE THAT THE VALUE OF CARDS OUTWEIGHS THE COST



### Cost vs. value

Retailers overwhelmingly believe that accepting a card as a form of payment ends up being cheaper than handling cash.

- Retailers estimated a higher cost of accepting cash regarding labour/time spent to deposit (14% more expensive to handle cash) and complete the transaction (11%), bookkeeping (10%) and risk of loss/theft (10%).

- Three quarters (76%) agree that the cost of handling cash (and its associated risks) works out to be pricier than paying card payment fees.

Our research also shows that a vast majority of retailers (81%) understand the fees for accepting card payments and how the cost of card payments is set (83%).

**91%**  
OF RETAILERS BELIEVE THAT THE BENEFITS BROUGHT ABOUT BY CARD PAYMENTS OUTWEIGH THE COSTS



The cost for electronic payments with debit cards has fallen in recent years, despite the perception that sometimes still exists with merchants. In past years, the payments market has seen various technological innovations and therefore became more competitive. It is in the interest of the merchant to compare the different tariff formulas as often cheaper alternatives exist.

**KRIS PEETERS**, MEP and former Belgian Deputy Prime Minister and Minister of Economy and Consumers



## THE COST OF CARD PAYMENTS FOR RETAILERS HAS SIGNIFICANTLY DECREASED

A recent study by the Belgian Prize Observatory commissioned by the former Deputy Prime Minister and Minister of Economy and Consumers Kris Peeters found that the acceptance cost for retailers of card payments decreased significantly between 2015 and 2019. It found:

**1.8% to 26% cost DECREASE:** There has been a decrease in cost for the retailer for card payments of between 1.8% to 26%, depending on the profile of the retailer.

**COST = LOWER THAN CASH PAYMENT:** In three out of four of the analysed merchant profiles, the cost of a card payment is lower than the cost of a cash payment.

**HEALTHY COMPETITION:** Competition in the payments, including in the acquiring, market has increased over the past years.

**HOW?** This decrease is a result of increased competition and the reduction in cost per transaction following the introduction of European regulations, which cap interchange fees (EU Interchange Fee Regulation of 2015).

### what does this mean:



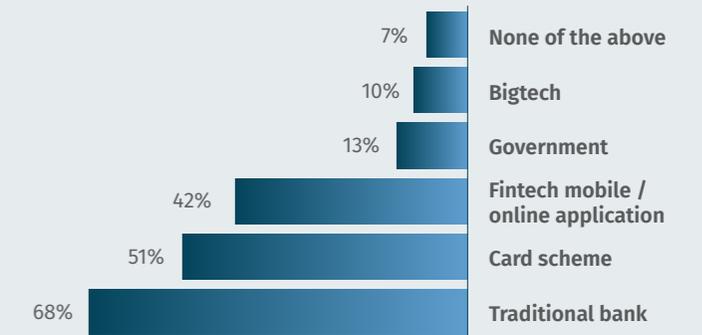
The payments industry is currently functioning well, and is continuing to perform better and better by bringing value in line with costs.

## 5. CONSUMERS STILL TRUST TRADITIONAL INSTITUTIONS THE MOST WITH THEIR DATA AND MONEY



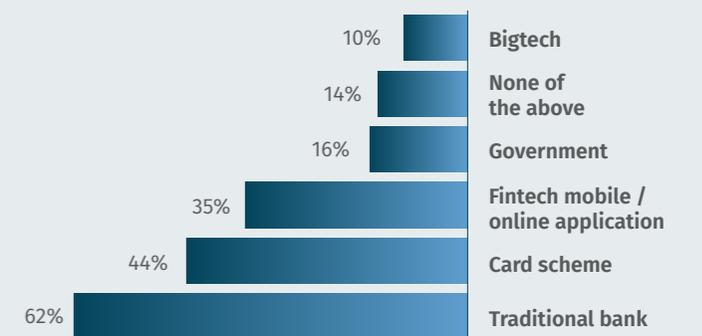
### Trust

- Consumers still trust traditional players such as banks and card schemes with their money over new players in the payments space such as fintechs, bigtech and governments. Almost half of Europeans would trust a fintech business with their money, but less with their data.
- Younger consumers are more likely to trust fintechs with their money and data than older generations.
- Bigtech scores low on trust.



### INSTITUTIONS TRUSTED WITH DATA

*Which of the following institutions do you trust with your data?*



### INSTITUTIONS TRUSTED WITH MONEY

*Which of the following institutions do you trust with your money?*

# CONCLUSION

There's no question that the European payments landscape has significantly evolved. New ways of paying are continuing to emerge, especially online, providing more choice for consumers. This change has been driven by consumer behaviour, innovation and technological advancements and competition. The growth of a differentiated set of payments options in Europe has also been aided by regulation encouraging an open, dynamic and competitive payments landscape.

Our study finds that in today's landscape, cards have expanded over the past few years to be the most popular payment method for both consumers and retailers due to their significant benefits, including convenience, speed, innovation, safety and security and even cost. Retailers overwhelmingly believe that cards payments end up being more cost effective than cash payments due to the labour and risk involved with cash. Notably, consumers still trust traditional players such as banks and card schemes with their money and data over new players.

All these payments have different features and functionalities, and consumers are increasingly choosing the payment that is best for them or a specific purchase. This is one of the reasons why payments should be driven by consumer demand rather than regulations that would steer consumers in one direction or the other. Regulation and policy should always be technology-neutral in a field like retail payments that is linked to retailer and consumers habits.

Payments Europe welcomes and drives innovation and competition in the payment market. We also believe in a level playing field where all players operate under the same regulatory conditions. This should allow for multiple payment methods to operate at scale alongside each other. This will lead to competition for the use of a method by consumers and businesses in both the physical and online world. It will drive better innovation and technological advancement with new and established providers increasingly looking for solutions that can offer increased speed, convenience and safety.

**Methodology:** This report is based on a research commissioned by Payments Europe and conducted by FTI Consulting from 5th – 20th September 2019. A survey was completed by 3,120 consumers in France, Germany, Italy, Poland, Sweden and the UK (520 in each) and by 680 retailers (110 in France, 110 in Germany, 111 in Italy, 120 in Poland, 120 in Sweden, and 109 in UK).

[www.paymentseurope.eu](http://www.paymentseurope.eu)

[@paymentseurope](https://twitter.com/paymentseurope)

Contact: [secretariat@paymentseurope.eu](mailto:secretariat@paymentseurope.eu)

