



### **Non-payment risk in European e-commerce has reached a record low**

Cologne, 12 November 2009 – The non-payment risk in European e-commerce has fallen to the lowest level in seven years. The chargeback ratio – the share of credit card payments charged back after an objection by the cardholder – is down to just 0.26%, from 0.34% in the year before. This is a record low in the history of the annual E-Commerce Report, which has been published since 2002 on the basis of payment transactions processed via the platform of Deutsche Card Services. This is one of the results described in the latest issue of the study by the Deutsche Bank subsidiary. In contrast to other research, the report on “Trends in E-Commerce Purchasing and Payment Behaviour” is based on real-life transactions, not on surveys. The database consists of roughly 30 million purchase transactions processed via the platform of Deutsche Card Services between October 2007 and September 2008.

#### *Use of 3-D Secure technology helps to reduce the chargeback ratio further*

Using the up-to-date security technology 3-D Secure considerably reduces the risk of fraud for merchants. This is evident from a look at the chargeback ratio for the new online payment method Maestro, where the use of the security technology is obligatory. The overall ratio is only 0.10% and declines to 0.07% if 3-D Secure is used. Even though 3-D Secure is not offered by all banks, using it makes sense for merchants. Merchants will not be exposed to the risk of a high number of credit card payment chargebacks if they want to use 3-D Secure, but an authentication is impossible because the cardholder or the cardholder’s bank do not support the system.

#### *Chargeback ratio particularly low for German consumers*

The decline in the chargeback ratio is largely due to the fact that the ratio for Germany fell from 0.19% to 0.12%. Most chargebacks occur because the cardholder has not authorised the transaction or because the card was not presented. 3-D Secure prevents such events, which are usually fraud attempts. 77.32% of all chargebacks are due to attempted fraud. The most important reason for a rejection of a credit card transaction in European e-commerce is that the financial institution or the authorisation system reject the card. The share of that reason rose by almost 2pp again. In contrast, the E-Commerce Report 2009 found that the importance of errors connected with card use (“card invalid”, “CVV not given or invalid”) had declined.

#### *Ratio of fraud attempts much smaller in German e-commerce than in bricks-and-mortar trade*

The chargeback ratio can be compared to the shoplifting ratio in stationary retail trade. The well-known EHI Retail Institute found that, in 2008, one out of 200 shopping baskets was not paid for. This is equivalent to a shoplifting ratio of 0.5% in Germany. This ratio is 0.38pp than the fraud ratio in German e-commerce, where only one out of 833 transactions is obviously a fraud attempt. This is equivalent to a chargeback ratio of 0.12%.

#### *Risk of non-payment of direct debits declining*

German consumers in particular still like direct debiting as an online payment method. However, from the merchants’ vantage point this payment method entails the risk of chargebacks. The debit charge may not be honoured because of a lack of funds in the debited account, because the account does not exist at all or because the account holder objects to the payment and questions its legitimacy. While the direct debit chargeback ratio fell from 4.27% to 3.24% in Germany, it is still much higher than the non-payment ratio for credit card payments. Lack of

funds is still the main reason why direct debits are not honoured in Europe. The percentage of chargebacks on account of closed accounts has declined most, by about 2pp.

*Chargeback ratio in UK shops has halved*

British merchants saw the risk of non-payment halve when their customers used credit cards. This suggests that British merchants increasingly use fraud prevention measures. 3-D Secure is already obligatory for Maestro, so it seems the procedure was extended to credit cards. The fact that the direct debit chargeback ratio of consumers from the rest of Europe fell from 1.946% to 0.032% is probably due to the fact that these consumers have adapted online payment methods.

*Rising transaction values increase the risk of non-payment for credit card transactions in e-commerce*

According to the E-Commerce Report 2009 by Deutsche Card Services, the chargeback ratio rises in parallel to the transaction value. This was less evident in the preceding year. However, the trend is not visible for direct debits, where the chargeback ratio is highest for the transaction value category "below 10 €". The direct debit chargeback ratio (4.802%) is highest for transactions worth less than EUR 10 in German shops. In other words: almost one out of 20 payments fails. It seems that merchants try to do without additional security measures in this low-price segment.

*Non-payment risk of credit card transactions effected by German men doubles that of transactions effected by women*

In Germany, the non-payment risk nearly doubles for credit card transactions effected by men in comparison to those effected by women. In contrast, in Europe as a whole, chargeback ratios are roughly equal for men and women. In all other regions analysed in the E-Commerce Report 2009 (UK and outside Europe) the chargeback ratios are lower for men. The direct debit chargeback ratio is nearly the same for both sexes. A clear difference only appears in the transaction value category above EUR 500, where the non-payment risk of direct debits is clearly higher for men.

*E-Commerce Report 2009 segues seamlessly from former issues*

The E-Commerce Report 2009 segues seamlessly from the former issues published as "Pago Reports". The study only sheds a light on purchase transactions in European shops, since only merchants domiciled in Europe use the Deutsche Card Services platform. The transactions are initiated by customers from all over the world. The E-Commerce Report 2009 distinguishes between consumers from Germany, the United Kingdom (UK), the rest of Europe and countries outside Europe. It covers both traditional payment methods such as credit cards, direct debiting and offline payment methods (e.g. COD) and ever more popular new online payment methods such as giro pay and Maestro.

The E-Commerce Report 2009 is available at a price of EUR 500 (excl. VAT) from the online shop of Deutsche Card Services from now on. For more information please see [www.deutsche-card-services.com](http://www.deutsche-card-services.com).

Please note: Media professionals can obtain the E-Commerce Report 2009 for free on request. Please get in touch with the contact set out below if you want to use the report for your work.

*Deutsche Card Services*  
Marketing & Communications  
Tobias F. Hauptvogel  
Tel. +49 (0) 221 99577-728

<http://www.deutsche-card-services.com>  
E-Mail: [pr.deucs@db.com](mailto:pr.deucs@db.com)

**About Deutsche Card Services GmbH:**

Deutsche Card Services, a part of Deutsche Bank Group, broadens the range of cash management services offered by the Group's Global Transaction Banking ("GTB") department. The newly established company offers international one-stop full-service solutions for non-cash card payment transactions, including credit cards, Maestro, direct debiting and giro pay. In doing so Deutsche Card Services relies on the proven experience and the well-established technical platform of Pago eTransaction Services. Proven risk minimization systems ensure that non-cash payment in e-commerce, in mail-order retailing and at the point of sale is easy, quick and secure. Unique online steering systems enable customers world-wide to monitor all of their transactions at any time.

[www.deutsche-card-services.com](http://www.deutsche-card-services.com)