



Risk of non-payment in online retailing lower for women than for men

Latest Pago Retail Report by Deutsche Card Services gives European online merchants valuable information on how to avoid non-payment by customers

COLOGNE, 13 March 2009 – In European online retailing, risks of non-payment are much lower for women than for men. This is indicated by a lower chargeback ratio, which describes the share of credit card transactions which had to be charged back after the cardholder rejected the transaction. At roughly 0.10%, female consumers' non-payment ratio for online purchases paid for by credit card is only half that of male customers (0.19%). One year before the opposite was true. This is one of the results of the Pago Retail Report 2008, which was recently published by Deutsche Card Services, a subsidiary of Deutsche Bank.

Chargeback ratio remains low in the retail sector

The Pago Retail Report 2008 underlined the encouraging fact that the overall chargeback ratio in European online purchasing remained very low, at 0.34%. A look at the reasons for chargebacks reveals an important difference between retailing and overall e-commerce (which is analysed in detail in the Pago Report 2008). In retailing, one out of five chargebacks (just below 20%) is the result of "unclear transactions", in contrast to only 8.57% in overall e-commerce. This reason of rejection might be avoided easily, for example by executing the order in a timely fashion and clearly stating the recipient of the payment – the online merchant – in the debit statement. This is a point where online merchants themselves have to do better – and in addition, they should educate their customers better about how they can avoid data entry mistakes.

Use of 3-D Secure reduces chargeback ratio

By using 3-D Secure European retailers can reduce their credit-card-related chargeback ratio, i.e. the risk of non-payment, to 0.24%. In other words: Only one out of 400 purchases paid for by credit card or Maestro fails. The 3-D Secure technology allows online merchants to protect themselves against misuse of credit cards and against wrongly entered credit card numbers. The procedure consists of the authentication stage and the actual credit card transaction. During the authentication stage the identity of the cardholder is verified by the card issuer's checking the cardholder's password, so potential fraudsters will fail to identify themselves correctly. Even though 3-D Secure is not yet offered by all banks, using it makes sense for merchants. If the procedure is used, it is no longer possible to insist on chargebacks by arguing that the cardholder has not initiated the transaction. And merchants will not be exposed to this risk either 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. It should be noted that 3-D Secure is obligatory for Maestro transactions, but voluntary for credit cards.

Lower chargeback ratio for consumers from outside Europe than in the year before

The favourable overall development in chargeback ratios is particularly evident among consumers who, in the Pago Retail Report 2008 categorisation, come from the “rest of Europe”. This term covers European customers who are not living in the e-commerce strongholds Germany and UK. In the rest of Europe the comparatively high chargeback ratio registered in the year before (1.03%) fell to a favourable 0.19%. The chargeback ratio is lowest for German customers, at only 0.08%.

Pago Retail Report 2008 an expansion of the Pago Report 2008

The Pago Retail Report 2008 differentiates between customers from Germany, the UK, the rest of Europe and regions outside Europe. In contrast, all merchants are domiciled in European countries – a logical restriction in that this is Deutsche Card Services’ licensing area. Evaluations of new payment methods such as giro pay and Maestro are particularly important at the European level, and the Pago Retail Report 2008 gives them for the first time ever. The analysis only covers online merchants which offer goods, i.e. whose business is similar to traditional mail-order retailing. Thus the Pago Retail Report 2008 supplements the Pago Report 2008, which deals with e-commerce as a whole.

The Pago Retail Report 2008, which is entitled “Purchasing and Payment Behaviour in Online Retail”, gives numerous evaluations of European trends in purchasing and payment behaviour and non-payment risks and explains developments in retailing, one of the most important e-commerce sectors. This covers online shops which offer goods, i.e. pursue a similar business model as traditional mail-order business – a sector which should have blossomed in the Christmas shopping spree lately. The database consists of about seven and a half million retail transactions settled via the Pago platform between October 2006 and September 2007.

The Pago Retail Report 2008 is available at a price of EUR 250 (excl. VAT). For more information please see www.ecommerce-report.de.

Please note: Media professionals can obtain the Pago Retail Report 2008 for free on request. Please get in touch with the contact set out below if you want to use the report for your work.

For more information please contact:

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About Deutsche Card Services GmbH:

Deutsche Card Services, part of Deutsche Bank's fast growing Global Transaction Banking ("GTB") business, extends the cash management of GTB. The new foundation offers international full service solutions for non-cash and card payment transactions including all major credit cards, Maestro, electronic direct debit and giro pay (German online payment method) - all from a single source. It builds on the longstanding expertise and the well-established technical platform of Pago eTransaction Services. Tried and tested risk minimization systems ensure the smooth, swift and secure processing of cashless payments in e-commerce, mailorder business and Point-of-Sale retail. Unique online management systems allow customers worldwide to keep track of their transactions at all times.

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