



### **Credit card increases lead over other payment methods in online retailing**

*Latest Pago Retail Report by Deutsche Card Services shows significant differences in payment behaviour between online retailing and e-commerce as a whole*

COLOGNE, 27 February 2009 – As in overall e-commerce, credit cards are clearly the preferred payment method in European retailing. Their share rose almost 6 pp year-on-year, to now 81.57%. In other words: Consumers use credit cards to pay for more than eight out of ten purchases in European online retailing. This is one of the results explained in the Pago Retail Report 2008, which was recently published by Deutsche Card Services, a subsidiary of Deutsche Bank.

#### *Offline payment methods and direct debiting lose importance in favour of credit cards*

Despite the predominance of credit cards offline payment methods such as invoice purchases, COD and prepayment as well as direct debiting still play a more important role in online retailing than in overall e-commerce (payment behaviour in overall e-commerce is described in detail in the Pago Report 2008). Just like the sector-specific Pago Retail Report 2008, the Pago Report 2008 is based on real-life transactions, not on surveys. That is what makes the Pago Reports different from other e-commerce studies. The report highlights that 5.04% of all retail transactions were paid for by offline methods and 11.97% by direct debiting. The shares of these payment methods in overall e-commerce are only 0.77% and 8.34%, respectively. However, offline payment and direct debiting lose ground to credit cards in online retailing; in fact, the latter increased their lead, largely due to the success of Visa, whose share rose by more than 4%, whereas competing credit card brand MasterCard lost more than 2%.

#### *Consumers from the UK and from outside Europe pay almost exclusively by credit card*

The predominance of credit cards as most important payment method in retailing is even more visible among consumers from the UK and outside Europe than among German customers. Traditional payment methods such as invoice purchasing or direct debiting are almost non-existent for this consumer group. UK consumers use their credit cards even more often in retailing than in overall e-commerce. The share in overall e-commerce is already very high, at 91.50%, and it rises to 94.90% in retailing. Maestro, the leading international debit payment method, which is gaining ground in e-commerce in comparison to credit cards, is the only other payment method which seems acceptable to British consumers, with a share of 5.10%. Shops which also target customers outside Europe do well to offer credit card payment, which has a share of almost 100% among these consumers.

*Upward potential for new payment methods Maestro and giropay in European retailing*

In general, retail consumers are still reluctant to adopt newer payment methods such as Maestro and giropay (which is based on the well-established PIN/TAN electronic banking method) – at least more reluctant than e-commerce customers as a whole. giropay meets with even less approval than Maestro. Maestro has a share of 0.77%, but giropay undershoots even this low mark with a share of only 0.65%. This is probably due to the fact that, using this new payment method, it is still difficult to process retail good returns and the crediting procedure for returned purchases is complicated.

*Visa increases its lead over MasterCard as top credit card brand*

Visa, which is the leading credit card brand in overall e-commerce, was able to confirm and even improve its leadership position in retailing, too. While the gap between Visa and MasterCard was just above 19pp in the preceding year, it is now more than 25pp. Visa has increased its lead again at the expense of the other credit card brands, whose share dropped from 7.35% to 5.48%. In the meantime Visa has overtaken its rival MasterCard in retailing with German consumers, too: While MasterCard was ahead of Visa in the preceding year with a share of 41.69% (vs 33.95%), Visa is now in front of MasterCard (44.40% vs 35.40%). In other consumer countries such as the UK, where the lead is an impressive 36.20 pp, Visa is even more predominant than in Germany.

*German men prefer credit cards as method of payment in the retail sector*

In Germany, male consumers use their credit cards for online retail purchases even more often than in overall e-commerce (50.40% vs 36.90% of all transactions). In general, they are quicker to use their credit cards than women when they buy low-priced retail goods. 17.80% of all orders made by German men and paid for by credit card belong to the transaction value category of “less than 10 €” – even though shipping charges are usually expensive in relation to the value of goods in this category. For German women, the relevant share is only 10.80%. For them, direct debiting is less attractive in retailing (share: 31.40%) than in overall e-commerce, where it has an incredible share of 45.40%. In addition, a remarkably high – and above-average – share of German female consumers uses other credit card brands (i.e. neither Visa nor MasterCard). In many cases German women prefer retailer credit cards. Based on the total number of retail payments by credit card, retailer credit cards have a share of 42.70% in this customer group.

*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 giropay 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](http://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.

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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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