

In search of coherence



CONTINUED GROWTH IN E-COMMERCE ACROSS EUROPE HAS INCREASED THE DEMAND FOR PAN-EUROPEAN MERCHANT ACQUIRING SOLUTIONS. DETLEF HENKEL AND JENS MAHLKE EXPLAIN.



Executive summary

Merchant acquirers have traditionally focused on their home market. But retailers are requiring multi-country services with the need for the banking sector to offer a holistic approach. Deutsche Bank has launched a card service product which aims to minimise cost while offering added-value services in an innovative way.

across national boundaries – especially online – many are seeking something more coherent than the current patchwork of solutions on offer. And retailers – faced with having a different merchant acquirer in each country where they make sales – are increasingly demanding multi-country acquiring services.

Indeed, the current situation can be partly attributed to many acquirers focusing on their home market. The need has thus developed for a truly pan-European bank to offer a more holistic approach to this type of business. Certainly, as the credit card business continues to show double digit growth in Europe, the demand for end-to-end acceptance and processing services will continue to rise.

Given this, 1 October 2008 saw Deutsche Bank's Global Transaction Banking (GTB) launch Deutsche Card Services, expanding its offering into the merchant acquiring business and completing the bank's suite of products for the receivables value chain. This addresses corporate demand for holistic pan-European solutions for card services and complements the bank's role and supports the introduction of the Single Euro Payments Area (SEPA).

The bank's launch is also timely with respect to internet use, which is reaching record levels of penetration across Europe. Online shopping – a sector that shows little heed to national boundaries – is gaining ever greater popularity. And as the predominant means of payment worldwide, the credit card is even more indispensable when it comes to e-commerce. For example, in 2007, 85% of all international e-commerce purchases were paid for by cards.

For these retailers – as well as those in the conventional

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point-of-sale business – minimising the total cost of sales while offering a broad range of payment channels in order to generate repeat business will be crucial. In retail especially, the impact of card payment systems on margins will be an area of concern for many corporates. This will make the choice of a merchant acquirer with the size and scale to offer one-stop acceptance and processing crucial.

ADDED-VALUE SERVICES Deutsche Card Services has been launched on the basis of the expertise and tried-and-tested platforms of Pago eTransaction Services, which is now wholly owned by Deutsche Bank. Established in 1999 as a joint venture between Deutsche Bank and BHS Holding GmbH&Co.KG (part of the Metro Group), Pago was the technology leader in terms of card-based online payments, offering systems for processing electronic payments to both the e-commerce sector and traditional bricks-and-mortar retailers.

Leveraging the platforms and expertise of Pago has allowed Deutsche Bank to offer a range of value-added services for its card-business clients. Protection mechanisms are designed to detect attempts to make fraudulent transactions – even during data input – and largely exclude the risk of non-payment. Indeed, thanks to the use of systems such as these, losses in traditional point-of-sale business in 2006 due to credit card non-payment were lower than those due to shoplifting.

Deutsche Card Services also distinguishes itself through its unique online chargeback processing system. A chargeback is the reversal of a card transaction initiated by the card-holder or the card-issuing institution, and they are particularly prevalent in the world of online retailing. A chargeback differs from a refund – which is agreed to and initiated by the merchant – and often occurs because of a dispute between the card-holder and their bank or card-issuer. Deutsche Card Services' online reporting tools allow merchants to monitor transactions independent of time or location and the chargeback processing systems permits online intervention in the event of card chargebacks. Responding swiftly in this way can eliminate unnecessary costs and allow a merchant to gain an advantage when defending against chargebacks of this kind since most of the interventions fail simply due to the fact that deadlines were not met. Indeed, Deutsche Card Services is able to handle the entire accounts receivable accounting activities for payments, with services on offer that range from account monitoring through to dunning – the process of communicating with customers to ensure the settlement of accounts receivable – and debt-collection.

Figure 1: Western Europe: E Commerce revenues per country, 2004-08 (in billion euros)

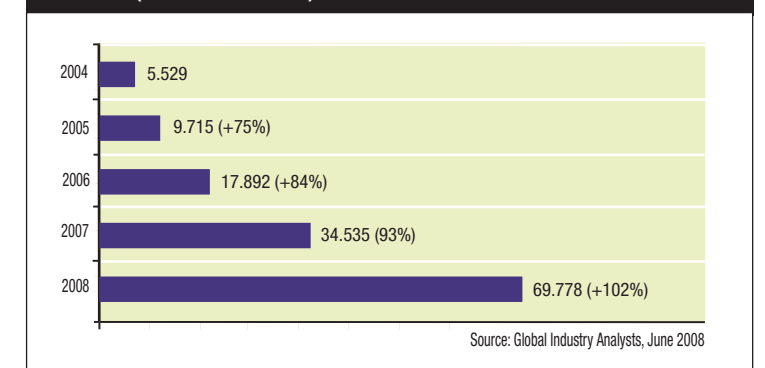
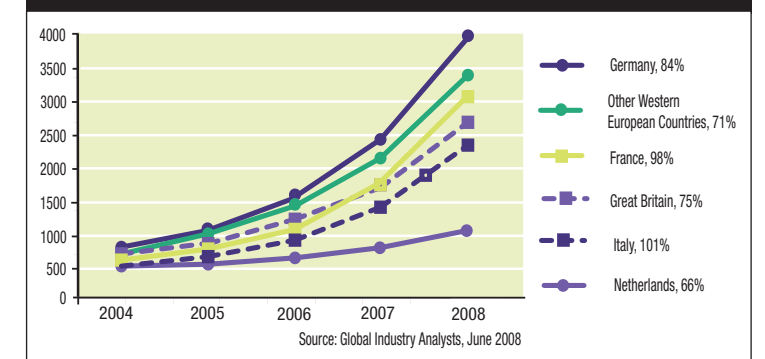


Figure 2: Worldwide E Commerce revenues (billion euros) and percentage growth in comparison to previous year, 2004-08



QUALITY TELLS In common with other areas of transaction banking, the merchant acquiring business is consolidating throughout the world, with economies of scale and reach becoming increasingly important. Indeed, the current climate has accentuated the differences between providers and the ensuing flight-to-quality is benefiting those that have made the necessary investment in systems and have the global network to offer a one-stop-shop to corporate clients.

Indeed, with its global network and local expertise, Deutsche Bank has the knowledge and resources at its disposal to implement the most efficient and effective solutions for transaction processing. And the launch of Deutsche Card Services on the basis of Pago's proven technology platform, in combination with already existing acquiring solutions of Deutsche Bank in Germany, Spain, Italy and the Netherlands, represents the next stage in ensuring that the bank's clients have access to the full range of products and services for the receivables value chain.

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For more information on Deutsche Card Services, please visit www.deucs.com

