

ADN'co Study of the European E-commerce Market and Internet Payment Services

Paris, March 2011

A shiny bastion of vigorous activity in a moody global economy, the e-commerce industry pursues unabated two-digit growth. The volume and value of remote electronic transactions are steadily progressing. Borders are being crossed over and new market frontiers conquered. Behind-the-scene, specialised players are ever developing new payment methods and new ways to interact with customers.

As a consulting firm specialized in cards and payments since 1992, ADN'co has put together a pan-European review of trends and novelties in the electronic commerce and remote selling industries. Carried out in about 20 European countries in the course of second 2010 semester, the study brings clarity in this briskly changing landscape.

As an independent expert, ADN'co has focussed its approach on establishing common means of measuring the sector's economic situation. The review covers **electronic commerce** as well as traditional **mail/telephone orders (MO-TO)**. In particular, it describes and compares European countries in terms of:

- Emergence of common trends, albeit with different local paces
- Diversity of payment solutions offered to e-merchants and financial institutions
- Persistence of national/regional specificities
- Rhythm of development in the coming years.

In a domain characterised by a lack of comprehensive and easy-to-compare data, the survey provides up-to-date and consistent insight that eases the understanding of this market's drivers and features.

Average European Checkout Baskets of Around €85

This amount tends to be higher in less developed markets, such as Southern, Central or Eastern Europe. It is significantly lower in mature markets such as the UK, Switzerland and the Nordic countries, where more transactions are made, irrespective of the population size.

Over 65,000 Online Merchants in both France and the UK

Similarly, market maturity was reflected in the number of e-retailers: less than 10,000 in Italy as well as in Spain, versus over 70,000 in the UK. With the same population as the UK, France ranks high with 65,000 online merchants.

Nearly One Billion Transactions in the United Kingdom

The UK comes first with 950 million purchases for electronic and MO/TO sales. Although far behind, Germany ranks second with half a billion transactions, thanks to its developed traditional remote selling industry. France has the third largest figure and is followed by the Netherlands and Sweden.

Travel Still the Most Active Sector Online

Travel and tourism are the largest sectors in terms of sales in Europe, especially in certain countries like Italy and Spain. More developed countries such as the UK or France have a broader range of e-commerce sectors represented, e.g. cultural/leisure goods, consumer IT goods, textile, gifts, food...

Alternative Online Payment Methods Continue to Blossom

As can be expected, general purpose cards remain the preferred payment method in Europe. Germany and the Netherlands are distinct exceptions with less than one out of six transactions settled with a credit card.

In an endlessly creative manner, many alternative payment methods are provided in all countries to circumvent security concerns linked to bank card usage or to ease the shoppers' experience.

However, there is little coordination, which results in a variety of efficient yet proprietary solutions, competing amongst themselves to bring on-board the largest e-merchants.

Among the most successful alternative methods, the Netherlands has set up a collaborative bank-based solution called I-DEAL.

Together with other national banking community, such as eps in Austria or giro pay in Germany, these methods remain a national feature.

In contrast to this are a handful of multi-country established solutions, such as e-wallets (e.g. PayPal, Moneybookers...), pre-paid cards and vouchers (e.g. Ukash, Paysafecard...) and micro-payments.

Only the lesser developed countries have a significant share of cash on delivery purchases.

A Specialised Niche : the e-Commerce Payment Service Providers (e-PSPs)

To streamline the payment process, e-merchants rely on specialised IT and processing companies known as e-commerce Payment Service Providers (e-PSPs). Linking retailers with financial institutions, they also offer a variety of services to monitor orders, receivables and fraud.

A distinction can be made between pure players and diversified players. The latter are often large payment processors or even general IT service providers, and sometimes acquirers. If many of them claim a large coverage, only a handful has significant volumes in the main countries around the world. Most e-PSPs have rather a regional or even a national reach.

ADN'co has analysed 36 e-PSPs and has established the relevant ranking in terms of value and volumes of e-commerce and MO/TO transactions.

In the top 10 European companies, many players hail from the most dynamic countries such as France's Atos Worldline, Monext and Paybox, Britain's WorldPay and DataCash, the Netherlands' Global Collect, Sweden's DIBS and Netgiro, Belgium's Ogone and Germany's Pago.

Due to their early start, Germany and the UK are the 2 European countries with the largest number of e-PSPs, even if subject to an M&A process started years ago, this number is reducing.

ADN'co's research further provides a background picture for the many mergers/acquisitions registered this year in the sector e.g. RBS' partial sale of WorldPay and Ogone to various American private equity firms, MasterCard's purchase of UK-based DataCash, Visa's acquisition of CyberSource and Equens' purchase of German Montrada.

Study's main contents

1. Introduction

2. Synthesis / Key findings

- A few commonalities
- Strong differences between mature and emerging countries
- Volume & value of transactions generated by e-commerce and distance selling in 20 European countries

3. E-commerce & e-payment detailed features for 7 countries : Germany, Italy, France, Spain, Belgium, Netherlands, UK

→ For each of them :

- Payment cards market : organization, roles, major stakeholders, PSPs...
- Metrics : volume, value, average basket, number of e-commerce web sites...
- E-commerce : split by sectors, major e-merchants
- Local payment methods, most used payment methods
- Major e-PSPs and related ranking by volume and value of transactions

4. Top 10 European e-PSPs

5. Corporate profile of the largest e-PSPs in Europe

- Identity
- Services offering
- Strategy
- Clients portfolio
- Strengths / Weaknesses

Notably the following :

- Atos Worldline (FR)
- Ogone (BE)
- DataCash/MasterCard (UK/US)
- Pago (DE)
- GlobalCollect (NL)
- CyberSource/Visa (UK/US)
- DIBS Payment Services (SE)
- SIX Group (CH)
- Paybox (FR)
- Monext (FR)

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ADN'co is a leading consultancy specializing in cards, payment systems and consumer credit.

Established in 1992, ADN'co brings together recognized experts from the banking and payment industries possessing a wealth of experience in the French and European markets.

To help its clients cope with the current challenges of the market, ADN'co offers a comprehensive array of services :

- Strategy, Business Development
- BI, Market studies, Marketing and Innovation
- Regulation
- Project management

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