

## European payment landscape

# A new deal, and the winners are...

*Sepa or not Sepa, the European Electronic Payment market has definitely become multi-channel, multi-facet and borderless.*

**By Angelo Caci** Partner ADN'co

[angelo.caci@adn-conseil.com](mailto:angelo.caci@adn-conseil.com)

**N**o mistake, the payment landscape will never be as it used to be in the last decades. Why?

The conjunction and acceleration of four forces are indeed reshaping the whole payment industry:

- 1) The regulatory and compliance measures (Sepa/Euroland, EMV, PCI-DSS, E-identity, Risk Control...) are erasing any local exception, increasing the level of requirements/investments and making Europe a "domestic" and much more competitive market,
- 2) The performance of new technologies and networks (Internet, IP, broadband, Web 2.0, mobile, multi-application micro chip, contactless, biometry...) are facilitating the genesis of innovative purchasing, consumption and payment mechanisms,
- 3) The customers have more choice and power than ever (social networks and comparative systems, PtoP, value for money, intensive use of e-channels ...) and are crucial in the success or failure of any current/future payment products,
- 4) Due to increasing globalization and demanding clients, all stakeholders are looking for more efficiency, scale and added-value in their offers, and have to build new revenues streams or to change their business models.

As such, the European Electronic Payment market has definitely become multi-channel, multi-facet and borderless.

The acquiring and Issuing Value Chains are changing as well: traditional players are fearing disintermediation, others are pushing more attractive packages or leveraging new Payment



**Angelo Caci**

Institution or e-money status, nearly all technical services providers (POS manufacturers, Software vendors and Integrators, Telco operators, Processors) are looking right or left to enlarge their presence and value proposition and to make their services more appealing and less ordinary.

What is also at stake today is to succeed in recruiting new clients and keeping existing ones loyal, and to survive in a world where revenues and margins are under pressure (e.g. interchange fee on cards or Sepa Direct Debit, credit rate, annual fees and other charges...) and where borders/differences become thinner because of regulators, tougher competition or consumers' better awareness.

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***The customers have more power than ever and are crucial in the success or failure of any payment products***

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Last, as an additional evidence of the search for scale and the willingness to clarify one's position, many banks have sold their stakes in co-operative/interbanking bodies and many M&A and JV have been sealed in the last years in all payment sectors (e.g. Ingenico/Sagem, Hypercom/Thalès, Digital River/Netgiro, Atos/Banksys, HSBC in JV with Global Payments, First Data in alliance with many European banks and owner of many ex-interbanking processors, JV between Accor Services and MasterCard...).

**Who will benefit from such moves and trends?** First of all, as we have just said, clients, be they end-users, merchants or corporates who will

challenge any offer and select their partners/suppliers carefully.

- New comers and niche players who have already anticipated these changes and have entered fast growing or promising segments (e.g. internet payments, pre-paid, e-wallet, mobile payments, money transfer, multi-country acquiring, ...), e.g. Cybersource, PayPal, Safepaycard, Moneygram, Monitise, Elavon, ...

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- Then, the stakeholders which will ideally succeed in mixing some key success factors, like:
- Size and global footprint (by transactions, clients, geographies),
- Flexibility (by combining large volumes of commoditized products and small-medium series),
- Innovation (technological, functional and marketing).

So that their services can be cheap when it's mandatory or can become smart and different when they propose added-value services (reporting, CRM, e-invoicing, stronger customization/segmentation...).

- Last but not least, the brand power will make, like consumer product goods, some companies more visible and more indispensable than others.

**So, who will be the winners today or tomorrow?**

Amongst financial services providers, we can mention Crédit Mutuel, JP Morgan Chase, RBS, Citibank, Deutsche Bank, Barclays, HSBC... Amongst Technical/IT Services Providers, US stakeholders are leading the race in many regions and domains and have been very much acquisitive, chiefly across Europe (e.g. First Data, TSYS, FIS/Metavante Technologies, CSC, Global Payments, Verifone, S1, ACI...), some European companies are resisting quite well so far (e.g. Gemalto, Ingenico, Atos Worldline, Accor Services, SIX Multipay, Equens, Clear2Pay...).

Obviously, Visa and MasterCard Worldwide are top guns in this battle since boosted by their successful IPOs, they have enough resources, connections and money in order to stick their logo on hundreds of millions of cards Europe/World- wide and to extend their reach on many segments/services (processing, clearing, fraud, authorization, mobile payments, money transfer...).

In the end, the payment war will probably oppose global players and specialists, traditional FSPs and new entrants who could leverage a base of captive clients, a strong innovation or an attractive business model... with an ideal combination of user friendliness and uniqueness.

But, fortunately, all die are not cast yet because, beyond traditional payment instruments, many others are still to be invented and many territories still to be conquered.

In such a context, who knows whether some "new" names will also emerge in the payment and transactions arena like Google, Nokia, Orange, Amazon or Apple? ■