

Internet Payments in D-A-CH from the Consumer Perspective – Results of the IZV11 Survey

A summation of the ECC study about the online payment market in Germany, Austria and Switzerland.






















Executive Summary

E-commerce is continuously growing not only in Germany but also in its neighbouring countries of Austria and Switzerland. The purchasing of goods and services over the Internet is increasingly becoming part of consumers' everyday life. Online purchasing is not limited to national borders, and so the online traders are often active internationally. For the latter, it is important to position themselves to meet customer requirements in the specific countries, and found their business model by being targeted more towards the Internet. The use of a customer-friendly payment method is one of the key factors in the success of an international online store. For this reason, the ECC conducted the IZ (Internet-Zahlungsverkehr, Internet payments) series of studies for several years about Internet payments from a consumer perspective (IZ aus Verbrauchersicht, IZV), and from a sales point of view (IZ aus Händlersicht, IZH), and this will continue with the present study and be extended to the D-A-CH region. For the focus of the "Internet Payments in D-A-CH from the Consumer Perspective" (IZV11) study, the following questions were posed:

- Which payment methods do the **consumers** know of in Germany, Austria and Switzerland, and which ones have they already **used**?
- What is the **share** of each method available on the market **to the B2C transactions** in the online shops?
- What experience have consumers already had with mobile online shopping and various approaches of **mobile payment systems**?
- Which **criteria** are relevant from the consumer's point of view regarding the choice of payment methods, and how are the individual methods **assessed**?
- Which **country and target group specific requirements** show with regards to preferences and payment habits?

The study was based on an anonymous online questionnaire of 1,978 Internet users from Germany, Austria and Switzerland, carried out in December 2012. The following payment methods were taken into consideration in the study:

Table 1: Payment methods taken into consideration in the study.

Payment methods		Payment methods	
Amazon Payments		Cash on delivery	
Cash payment when collecting goods instore		PayPal	
ClickandBuy		PostFinance E-Finance	
eps online transfer*		Pre-paid cards (e.g. Cash-Ticket, paysafecard, GeldKarte)	
Finance / instalment plan		Invoice (payment upon delivery)	
giropay*		Skrill (Moneybookers)	
Google Checkout		SOFORT Überweisung*	
Credit card		Escrow (e.g. iclear, S-ITT)	
Direct debit		Advance payment	
Mobile payment (e.g. mpass)			

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More than 80 per cent of the Internet users in D-A-CH have already paid an invoice online once

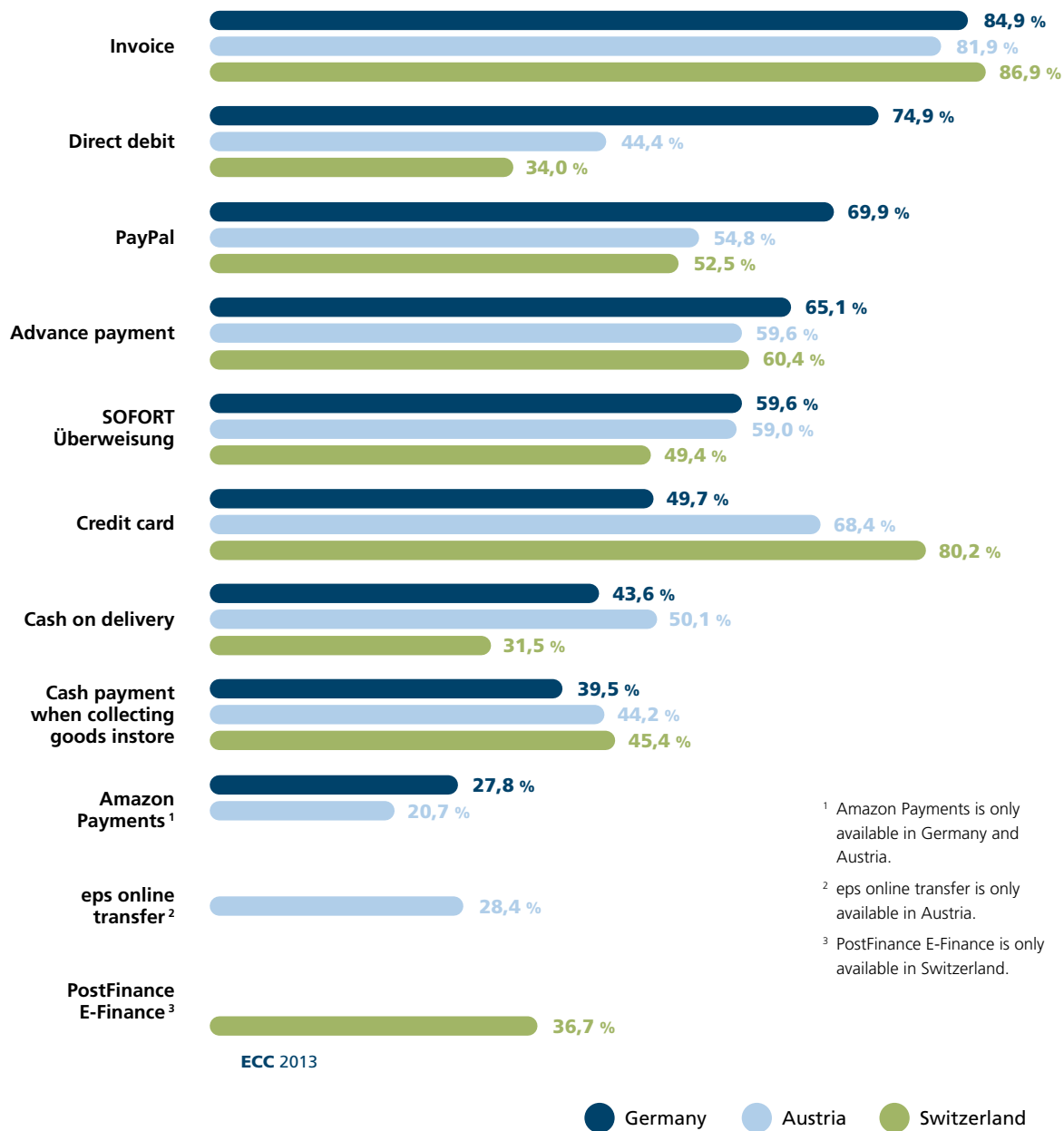
In the entire **D-A-CH region** payment via **invoice** was in the top place of payment methods already used. **Traditional payment methods** that are already known from the stationary and mail ordering businesses dominated overall (*invoice, cash on delivery, advance payment, credit card, direct debit*).

A clear difference became apparent here **between Germany and the other two Alps countries**: In Germany around 70 per cent of Internet users had already paid via **PayPal**, but in Austria and Switzerland it was only 54.8 and 52.2 per cent respectively. It was similar for payment via **direct debit**: In Germany, 3 out of every 4 online shoppers had already paid once via online bank transfer, but in Austria it was only 44 per cent and in Switzerland 34 per cent of online shoppers that used online bank transfers as a payment method. In Austria and Switzerland there was a clearer majority of people who preferred to pay via **credit card** than in Germany. Whilst two out of three Austrians and eight out of ten Swiss had already used a credit card as a method of online payment, only half the Germans had done the same.

³ The ECB refers to these payment instruments as "online banking-based e-payment solutions".

Figure 1: Top 10 payment methods already used in D-A-CH; n_D = 1.005; n_A = 493; n_{CH} = 480 (Representation of the response option “already used once”).

Question text: „Which payment methods do you know of, or have already used when buying and ordering via the Internet?“





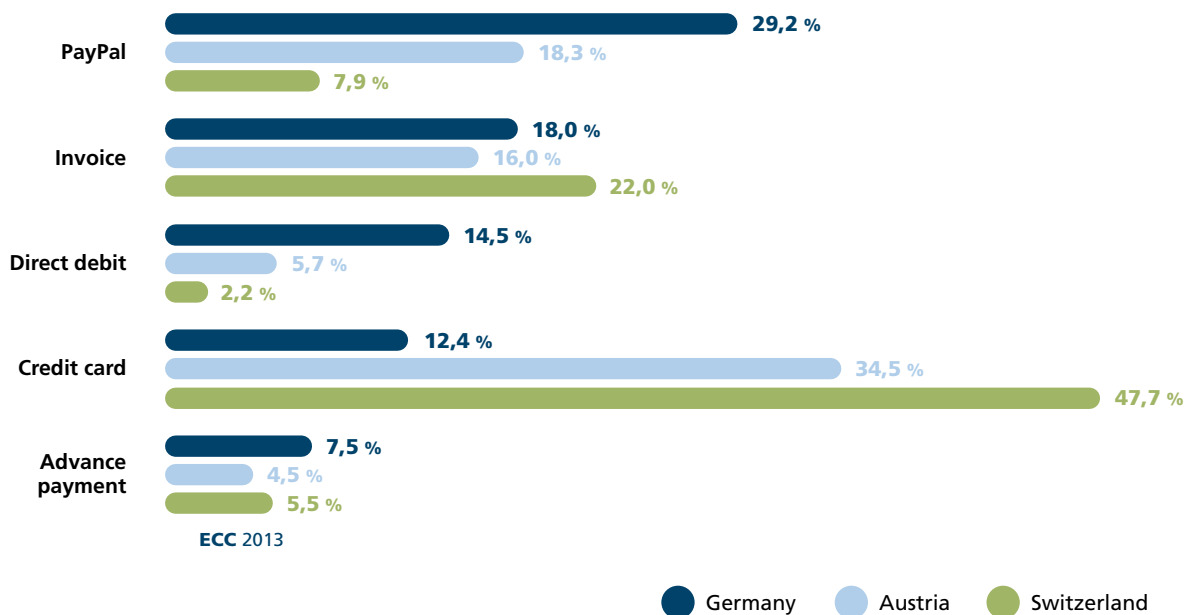
Measured in terms of the number of transactions, PayPal dominated in Germany and the credit card in Austria and Switzerland

The questionnaire participants revealed how many online purchases they had made for private use over the past three months, and which payment methods they used. Based on this information, it was determined what percentage the individual payment procedures for all online payment transactions make up in the B2C segment.

In terms of all **B2C-transactions**, *PayPal* topped the list in **Germany**: On average, around 30 per cent of the transactions were carried out using *PayPal*, followed by *invoice* with 18 per cent, and *direct debit* with approx. 15 per cent, followed by *credit card* with around 12.5 per cent. Conversely in **Austria**, the *credit card* dominated the market – approximately 35 per cent of the payment transactions in Austria were made via *credit card* – followed by *PayPal*, coming in at around 18 per cent and *invoice* with 16 per cent. In **Switzerland** the *credit card* also dominated – with around 48 per cent of the transactions, making it even more so than in Austria. In second place in Switzerland, *invoice* scored 22 per cent of the transactions, *PayPal* got around 7.9 per cent to come in at third place.

Figure 2: Estimated share of Top 5 payment processes in all purchase transactions in D-A-CH; n_D = 7,958 transactions by 993 internet users; n_A = 4,375 transactions by 492 internet users; n_{CH} = 4,530 transactions by 479 internet users (estimate based on information regarding the number of purchase transactions and use of payment processes).

Question text: „How often have you purchased the following goods or services on the Internet for private purposes in the last 3 months?“ together with „How often have you used the following payment processes for these transactions?“



PayPal and credit cards lead the way in mobile purchasing

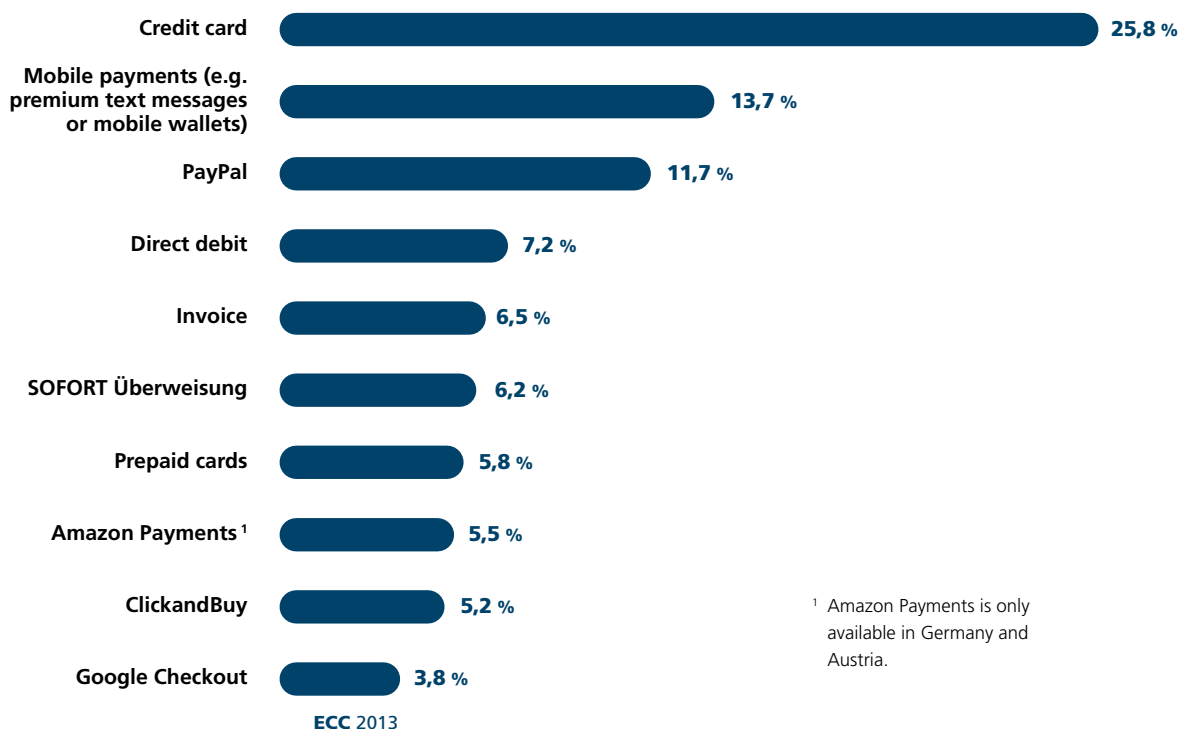
Up to now, when it comes to **mobile online purchases**, consumers have been using cross-border, primarily internet-specific processes and credit cards to make payments. Newer payment processes such as Amazon Payments and mobile payments via an app or text, for example, have already been more widely used by mobile shoppers than traditional processes such as advance payment or cash on delivery.

In contrast, the use of **mobile payment methods by high street retailers** is still in its infancy: 5.8 per cent of those surveyed stated that they have paid at a high street retailer using a mobile device before, and 6.8 per cent have already used a mobile device to pay at a vending machine. More than half of non-users cannot envisage using mobile devices for payment in the future, irrespective of whether it is their own device or that of the retailer.

Overall, the results of the study show that, on the one hand, there is great potential for new payment solutions specially developed for mobile devices but also make it clear that there is a need for more information here, and that some scepticism remains among consumers that must first be resolved.

Figure 3: Top 10 payment processes already used when making mobile purchases of digital goods in an app store; $n_G = 291$.

Question text: "Which payment methods have you already used when purchasing or ordering digital goods in an app store using a smartphone?"

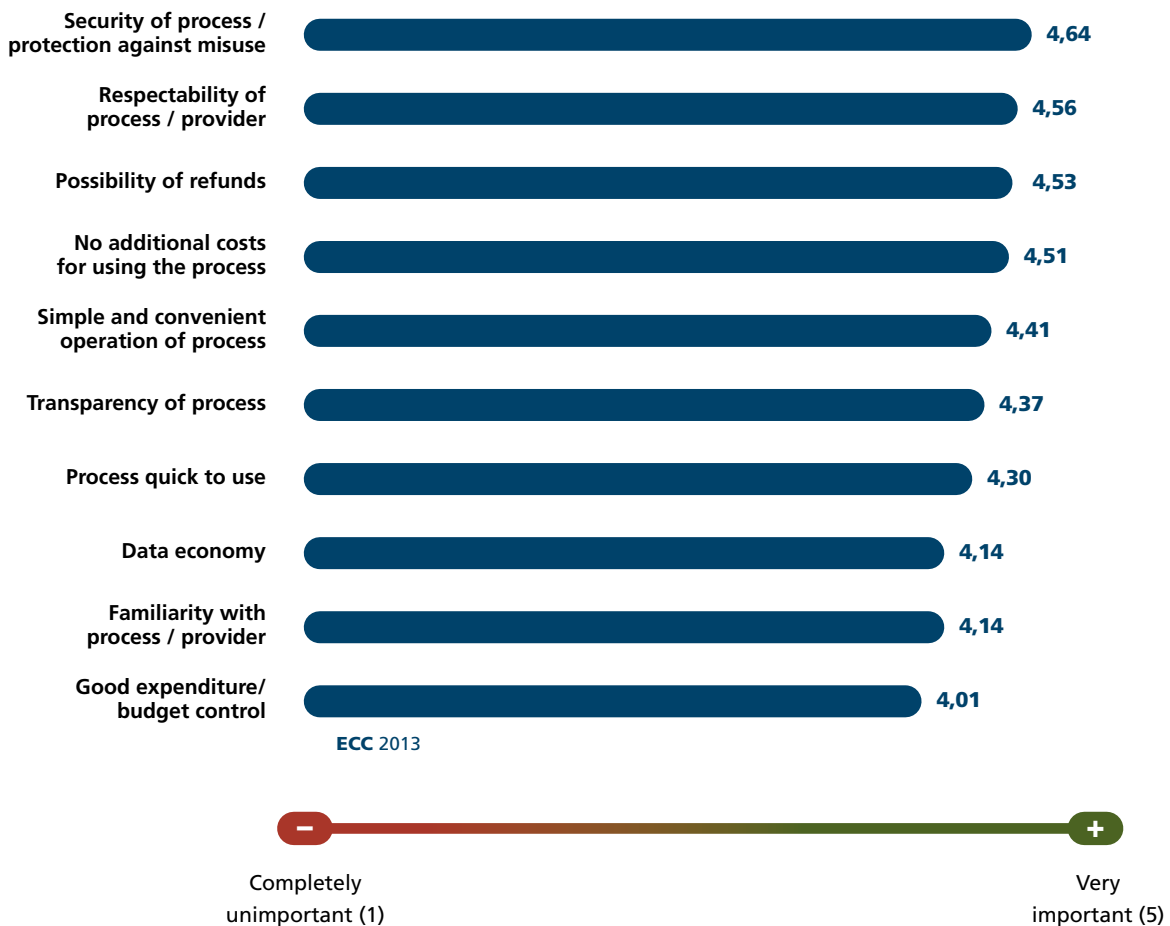


Customers demand high standards of payment processes

The question of which payment process consumers choose when shopping online depends on a variety of subjective criteria and preferences. Figure 4 shows the Top 10 criteria when selecting a payment process across all countries. All criteria considered show an average value of more than 3 to 5 points. This illustrates the high expectations of internet users with regard to the security, cost, confidence, distribution and user-friendliness of a process. Above all, the **security of the process and/or protection against misuse**, the **respectability of the provider**, the **possibility of refunds** and **costs** are of greatest importance.

Figure 4: Top 10 criteria for selecting payment processes; $1.834 \leq n_g \leq 1.908$.

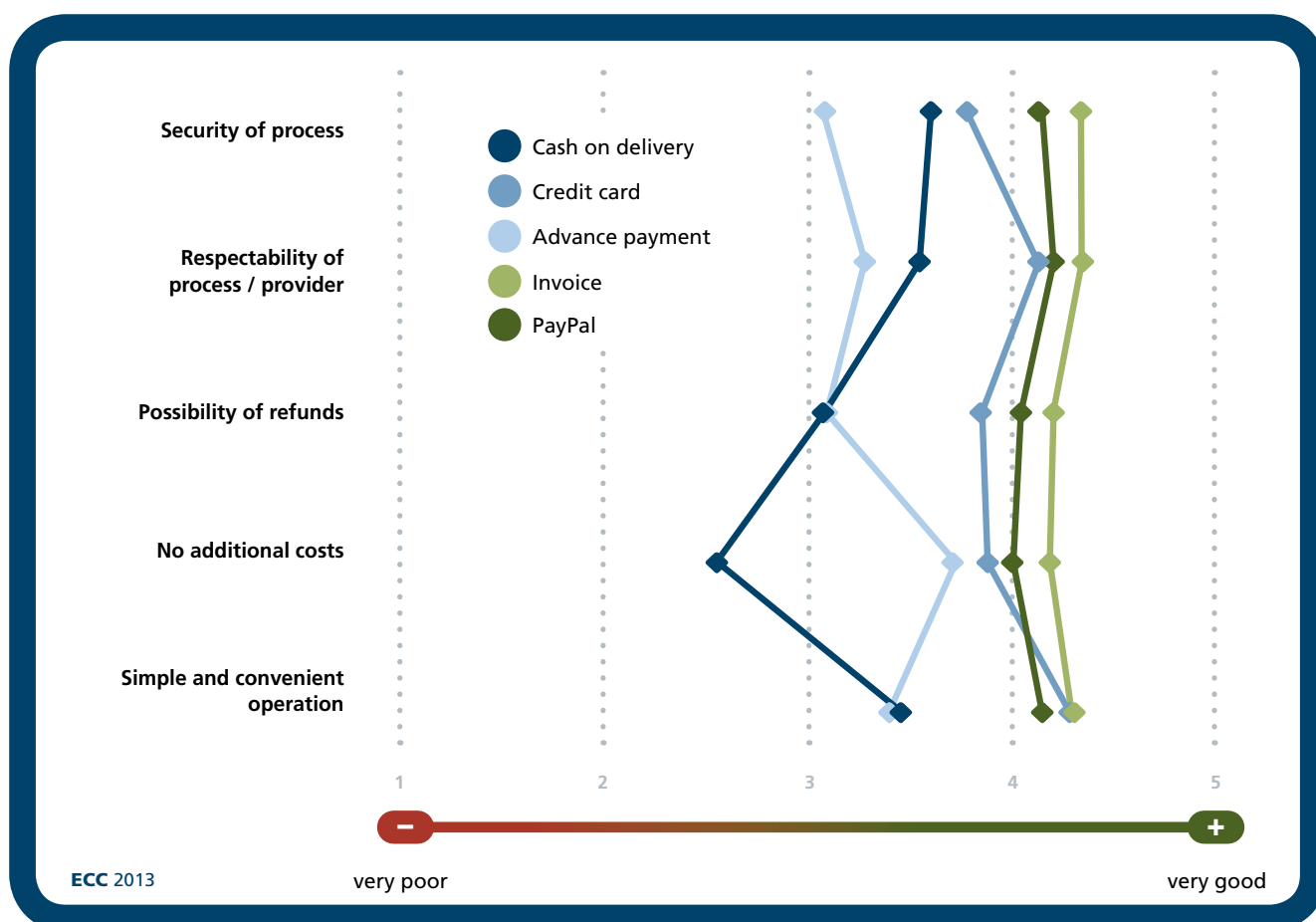
Question text: „How important are the following criteria to you in selecting a payment process when shopping online?“



When assessing the most common process across all countries based on the five most important criteria, it is apparent that PayPal and invoice payment, both already popular processes, demonstrate very similar assessment profiles. On average for all countries, credit cards are assessed as positively as PayPal and invoice payment, with those surveyed only assigning somewhat lower marks regarding security. Although advance payment scores well when it comes to simple and convenient operation, it is perceived to be comparably unsafe and untrustworthy; not surprising, given that consumers are required to transfer their money before the merchant dispatches the goods. In contrast, cash on delivery is primarily criticised for being cumbersome to use and for the additional costs usually associated with cash on delivery.

Figure 5: Assessment of the five most common internet payment processes based on the five most important criteria; $408 \leq n_g \leq 546$ (alternative „Don't know“ option not shown).

Question text: „How would you assess the following payment processes with regard to [...]?“

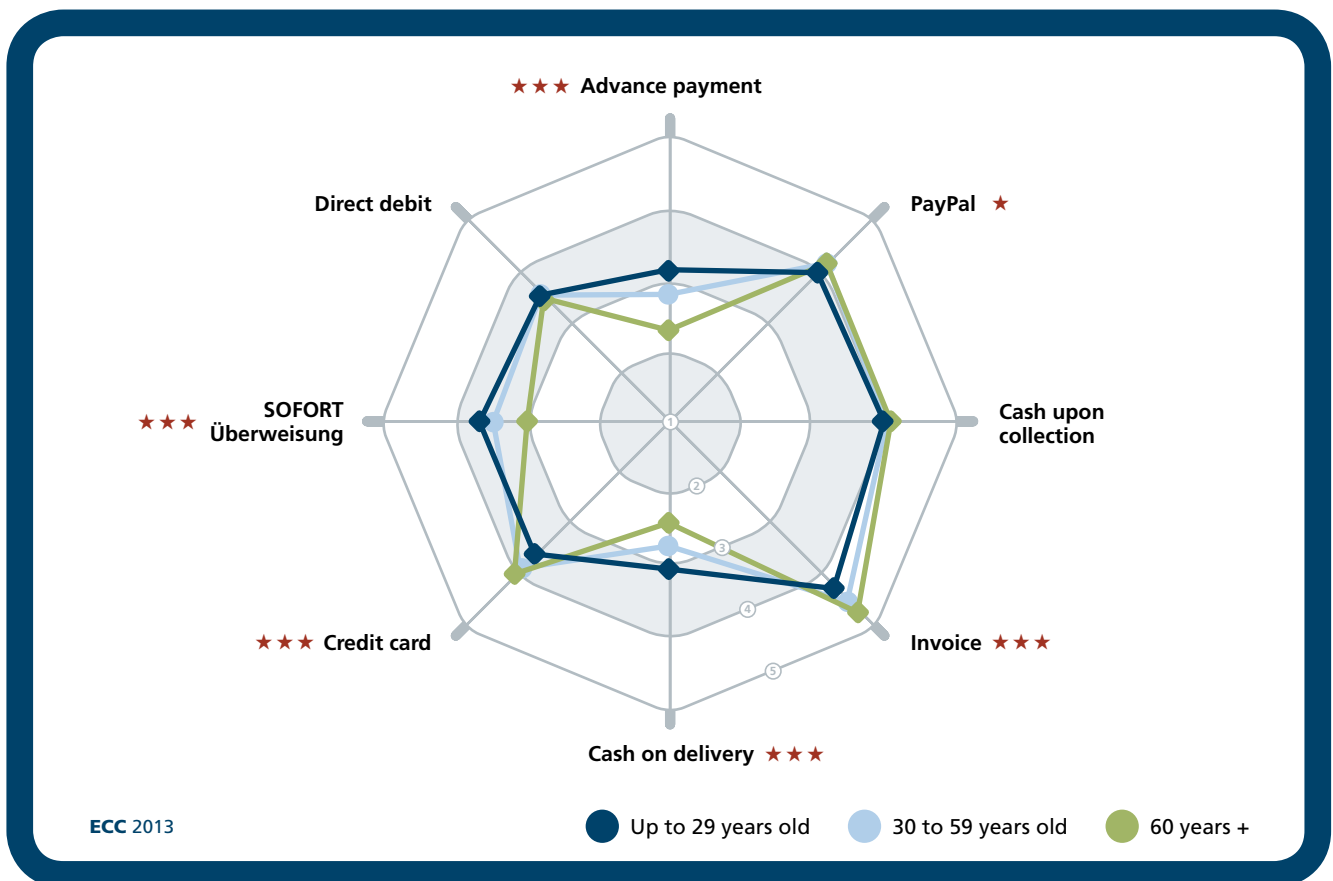


Silver surfers have higher security requirements

Invoice payment received top marks of 4.70 out of 5 on the scale amongst silver surfers. PayPal and cash upon in-branch collection of goods also received very good marks between 3.94 and 4.14 points but (still) could not keep pace with invoice payment, particularly among older online shoppers. It is also clear that older online shoppers are more strongly opposed than younger on-line shoppers to those processes, cash on delivery and advance payment, that are common but less popular from the consumer perspective. SOFORT transfers are also regarded less positively by silver surfers than by digital natives and digital immigrants who already have more experience with online purchasing. Overall, the assessments illustrate higher security requirements among older online shoppers.

Figure 6: General assessment profile of the eight most common processes by age; $193 \leq n_g \leq 1.121$; ANOVA with statistical significant at a level of **★★★** $p \leq 0,001$, **★★** $p \leq 0,01$ und **★** $p \leq 0,05$ (scale from 1 = „Very poor“ to 5 = „Very good“ (Illustration of the assessment of the eight most common processes in Germany/Austria/Switzerland (based on knowledge and use)).

Question text: „How do you rate the following payment processes overall?“



Your contact

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ABOUT THIS STUDY

The study „Internet Payments in D-A-CH from the Consumer Perspective“ (IZV11) is a joint project by the E-Commerce-Center, the Aschaffenburg University of Applied Sciences and PaySys Consultancy

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The E-Commerce-Center (ECC) at IFH Cologne

The E-Commerce Centre at the IFH Institut für Handelsforschung GmbH (Trade Research Institute) has focused on online commerce since 1999. The online experts work on scientific studies, commissioned projects and events posing questions concerning the issues of multi-channel, payments, mobile and online marketing, amongst others. The ECC's customers include both trading companies as well as service providers and manufacturers, who benefit from the empirically based research and practice-oriented consultation by online experts.

For further information: www.ecc-handel.de