

NEXT-GENERATION ACQUIRING IN MEDITERRANEAN COUNTRIES

An open review of key trends, challenges and opportunities from merchant services thought leaders in Spain, France and Italy. **Published by AEVI**



TABLE OF CONTENTS

1. Introduction and credits	3
2. Thank you to our industry experts	3
3. The current market landscape in acquiring	4
4. Stepping up to next-generation acquiring	5
5. Shifting trends in the payments sector	7
6. The acquirer opportunity	8
7. Challenges faced by merchant acquirers in Spain, France and Italy	9
8. Challenges faced by small merchants in Spain, France and Italy	10
9. Country-level view: Spain, France, Italy and Europe overall	11
9.1 Spain	12
9.2 France	14
9.3 Italy	16
9.4 Europe overall	18
10. Closing remarks	19
10.1 About AEVI	20
10.2 Methodology, reading and sources	21

INTRODUCTION AND CREDITS

Europe is experiencing a renaissance of the payments industry fueled by the emergence of FinTech and payments innovation.

Traditional players are being disrupted, while new market entrants have grasped the opportunity to quickly gain market and customer wallet share. The industry is in a period of constant flux and, in a time of uncertainty in Europe, understanding of trends and geographies is becoming ever more pertinent.

This report aims to shed light on new trends in the rapid changes impacting merchant acquiring. Specifically, we look at next-generation acquiring in the individual markets of Spain, Italy and France. The overall objective for the research is that it can be used in designing strategies for adapting to merchant trends on a market and global level.



THANK YOU TO OUR INDUSTRY EXPERTS:

WE ARE GRATEFUL TO THE INDUSTRY EXPERTS WHO SPOKE WITH US FOR THIS REPORT, INCLUDING ANDRÉA TOUCINHO, KAMRAN HEDJRI, MICHAEL C.G. CHARALAMBIDES AND RON VAN WEZEL.



Andréa Toucinho

Payments and financial services expert, Andréa Toucinho worked during 10 years as Journalist - Editor in Chief of Point Banque magazine and Head of „PayForum“ and „Banque et Innovation“ events. She works since 2018 in consulting area with activities in Paris as Director of Studies, Prospective and Training of Partelya Consulting, and Ambassador for France of European Women Payments Network (EWPN). She also developed activities with Portugal and Spain as France Representative of Aefi and Afip Fintech Associations. She realised in 2018 a white paper about instant payment which has been published in November in French payments market.



Michael C.G. Charalambides

Michael C. G. Charalambides is a long-established professional in the banking and e-payments industry, holding key positions in local and global fintech institutions. He serves (and has served) as a Director on boards across the fintech industry: Plis, EMIs and investment firms. Michael specialises in European Electronic Payments, has a deep understanding of PSD 1&2, AML directives, banking regulations, and encompasses this knowledge into an optimistic horizon where blockchain, cryptos, and banking co-exist. Michael has a significant clientele, and specialises in advising his partners on banking and e-payments across the international corporate business, betting, gaming and investment industries. Michael is passionate about upholding the clean, transparent, and evolving high standards of quality for which ECOMPAY's payment services are known, ensuring that all proprietary products and technologies comply with industry regulation.



Ron van Wezel

Ron van Wezel is a senior analyst for Aite Group's Retail Banking & Payments practice. His research covers market and regulatory trends in the payments space, with a focus on Europe. Mr. van Wezel is a renowned expert in payments and digital banking. He brings to Aite Group 30 years of experience in product development and innovation, advising clients on a wide range of topics including mobile payments, digital wallets, cards issuing and acquiring, and DACH solutions.



Kamran Hedjri

Kamran Hedjri has over twenty years' experience in holding C-level roles in the fintech & payments industry. He had built companies across the payment value chain in Europe, North and South America and is currently member of the board at PXP Financial. He has always been focused on driving innovation, accelerating growth and building a great customer experience.

THE CURRENT MARKET LANDSCAPE IN ACQUIRING

DIGITALIZATION IN GLOBAL COMMERCE DRIVES MERCHANT PAYMENT INNOVATION

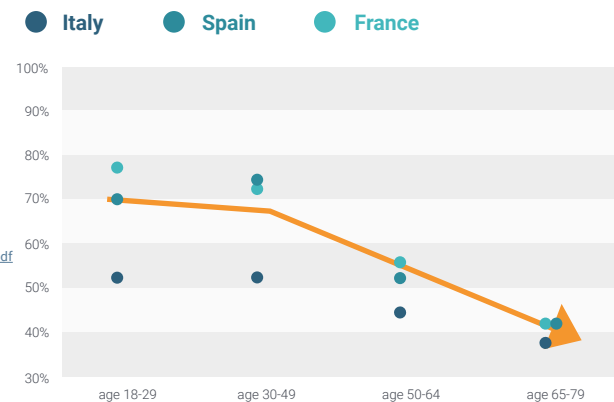
A key driver in digital experiences today is that consumers want and expect different ways of paying; seamless payment experiences in both online and offline worlds; a variety of choice; and fast, secure transactions. The challenging scenario faced by merchants is that consumers, in particular the millennial and Y and Z generations, are demanding more from their retail and in-store experiences. New generations remain open to FinTech providers for daily expenses, and online purchases; culturally, however, they defer to trusted brands for short and long-term savings. In order to allow merchants to cater to these needs, the industry will need to evolve to offer more value-added services to support this.

With the emergence of 5G on the horizon, promising faster access to services and real time data, demand is set to increase further - as smart devices usage and connections will only continue to proliferate as a result. FinTech providers are benefitting from the global adoption of smartphones, which is growing at an extraordinary pace: today the number of people connected to mobile services has surpassed 5 billion globally, with mobile subscribers forecasted to reach 5.9 billion by 2025, the equivalent to 71% of the world's population.¹ In Europe, by 2022 mobile technologies and services are projected to generate 4.1% of the region's GDP, 720 billion euros.² As smartphone connections increase, payment technologies must evolve to meet rapid changes in demand. eCommerce and online retailing, in turn, are drivers for

payments innovation, with technologies such as tablets, smart-phones, cloud, analytics and social media facilitating and driving change. In this new arena, offline merchants are under pressure to compete for customer revenues, yet advancements in payments technology offer new ways for merchants, issuers and acquirers to come together in offering the ideal purchaser experience, as noted by Aite Group analyst Ron van Wezel at the Merchant Payment Ecosystem (MPE) conference, 2019. Overall, consumers are becoming more adept at understanding how seamless payments experiences work, and advantages they present for the daily purchase activities. Industry developments such as the launch of cashierless stores, Amazon Go, and automatic payment services, like those deployed by Uber, have considerably changed consumer expectations around 'frictionless' payments.

FIGURE 1: YOUNGER GENERATIONS ARE DRIVING GROWTH IN ECOMMERCE³

GENERATION GAP DRIVING GROWTH IN eCOMMERCE
PERCENTAGE OF POPULATION WHO SHOP ONLINE, BY AGE GROUP
BASE: HAVE SHOPPED ONLINE



Opinion from the experts:



Kamran Hedjri

When we asked if payments would disappear:

"Ultimately, it's going to happen – people not interacting with the payment, and we are already seeing this model with Amazon."

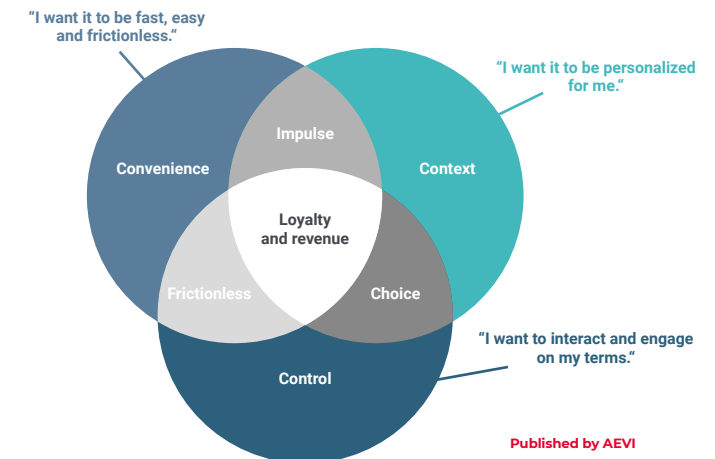


Ron van Wezel

As Ron van Wezel also writes, in his recent Merchant Payments Ecosystem report, MPE 2019: Collaborating to Realize NextGeneration Payments:

"If we had to select one overarching theme for the MPE⁴, it would be the digitization of global commerce and how that drives merchant demand for payment innovation to deliver superior customer experiences."

FIGURE 2: DIGITAL EXPERIENCES ARE BECOMING THE BASIS OF COMPETITION⁵



¹ GSMA Intelligence, The Mobile Economy 2018
<https://www.gsma.com/mobileeconomy/wp-content/uploads/2018/02/The-Mobile-Economy-Global-2018.pdf>

² GSMA Intelligence, The Mobile Economy 2018
<https://www.gsma.com/r/mobileeconomy/europe/>

³ Source: POSTNORD 2018 EUROPE E-COMMERCE REPORT

⁴ The Merchant Payment Ecosystem (MPE) has become the largest conference in Europe focused on merchant acquiring and payments. In 2019, it was organized in Berlin, from February 19 to 21. Situated in the capital city of Germany, for years its habitual residence, the conference attracted more than 1,000 participants

⁵ Source: DISCOVER AT MPE 2019, ADYEN

STEPPING UP TO NEXT-GENERATION ACQUIRING

THE ACQUIRING INDUSTRY HAS EVOLVED DRAMATICALLY OVER THE PAST TWO DECADES.

Card payment transactions were primarily made via Point Of Sale (POS) terminals and the industry was highly localized in nature. Each country presented its own national payment scheme, including Girocard in Germany, Carte Bancaire in France, and CartaSi in Italy.

With the blossoming of eCommerce, alternative payment methods such as PayPal emerged. This furthered the development of cross-border payments, allowing multinational retailers to conduct borderless and international business with greater ease. In the Single Euro Payments Area (SEPA), the European Payments Council (EPC) developed appropriate regulations needed for harmonized credit transfers and direct debits at a pan-European level. This, coupled with the EU Multi-Interchange Fee (MIF) regulation, which came into effect in December 2015, aided the harmonization of interchange fee rates in each state, further encouraging increased cross-border processing services from acquirers. At the end of 2016, international card schemes accounted for 67.5% of transactions made with payment cards issued in the EU.

Consolidation of transactions from multiple channels gave birth to omnichannel solutions, merging online digital and offline physical payments services, enabling digital flexibility throughout all channels. Electronic POS gained considerable traction with small to medium-sized business (SMB) merchants. PayPal galvanized the "Master-Merchant" Model, resulting in the launch of mobile POS (mPOS) in the physical store, and Square, in the US, and iZettle, in Europe, disrupted the traditional POS terminal sales.

Larger retailers, particularly in France, were hampered by local regulations and card schemes that required them to use local providers, go through localized certifications, and pursue a country-by-country approach in order to implement development programs. The numbers of local acquirers prevented economies of scale, resulting in relatively expensive card acceptance. As a result, companies created the nexo Standards, common standards for payments acceptance at the POS, thereby furthering innovation in the sector.

nexo

The nexo Standards organization was established in 2014 out of the merger of three historical card payment specifications contributors: EPASOrg, OSCar, CIR SEPA-FAST. It is a global open standardization association located in Brussels (Belgium) with the mission to unite the members of the card-based payment industry to design, develop and maintain open and common standards, to ensure interoperability and to leverage market best practices.

Opinion from the experts:



Andréa Toucinho

"In the last few years, we have seen a lot of evolution in payments in Southern Europe. For example, in Italy, we have seen many new players entering the payments market. You have also real fintech organisations, such as Italia Fintech, with lots of European collaboration and partnerships with Italian banks and Italian government. There are many developments in Italy in the field of fintech, and new means of payments."



Ron van Wezel

"There were many small to medium-sized players, with few large, international players. There was no MIF (Multi-interchange Fee) regulation, and there were high barriers to operate on a cross-border basis because of price disadvantages."

"What we will see in 10 years' time is that acquirers will become merchant service providers, offering a wide range of services that go beyond payments alone. eCommerce payments will be dominated by alternative payment methods that work in real-time, directly from consumer account to merchant account. At the POS, traditional hardware terminals will be replaced by software solutions running on mobile devices."

"The future of acquiring is that omnichannel solutions will become the norm. Merchants will require their acquirers to support all payments types through all channels. Consolidation will continue, and acquiring will become Pan-European (and global)."

* European Central Bank, Card payments in Europe – current landscape and future prospects: a Eurosystem perspective.
https://www.ecb.europa.eu/pub/pubbydate/2019/html/ecb.cardpaymentsineu_currentlandscapeandfutureprospects201904~30d4de2fc4.en.html

Also significant, Ayden, Square, PayPal, and Amazon, among others, pioneered new models of aggregating or facilitating payments for sub-merchants who were ineligible or would have difficulty obtaining their own merchant ID status. Growing numbers and types of Payment Facilitators or PayFacs, function as intermediaries between acquirers and merchants. That introduced new types of merchant payment service providers, including Independent Software Vendors (ISVs), who can not only offer merchants an intuitive software solution set, such as ePOS, but can also extend transparent payment processing capabilities to smaller merchants.

Innovation in payments is spurring mergers among larger acquirers in order to accommodate the international business demand of merchants. This consolidation is intended to broaden the geographical scope and reduce processing costs of acquirers so they can offer better rates and expand services to their customers. In order to accommodate the diverse physical payment acceptance infrastructures resulting from mergers, more and more acquirers and terminal vendors are supporting standards such as nexo. In addition to acquirer mega-mergers, acquirers are responding to competition from the likes of PayPal, iZettle and Square, among others, by more aggressively addressing the needs of SMB merchants and micro-merchants.

Smart POS plays a significant role in this mix, providing SMBs with payment and related services of greater sophistication and utility that previously were only available to larger companies with greater resources. This is a significant market change for acquirers accustomed to selling cost-based hardware solutions and who must now transform themselves into value-added services providers.



Opinion from the experts:



Andréa Toucinho

"There are many issues in the field of the future of acquiring. On the one hand, we need to understand that acquiring will become more and more based in European standardisation. For example, there is a lot of work going on with nexo standards. I expect there to be many more European initiatives in acquiring from nexo – very famous in French payments sector, but not yet in every European country."



Kamran Hedjri

"Acquirers used to have a high margin of blended pricing that they offered, the merchant service charges, but the merchants put pressure on the market to have more transparency, they are more educated. They moved from a blended pricing model to more of 'an interchange plus plus' – they want to see the components of the cost of the processing, what is charged for the interchange, to the issuer, what is the charge for schemes, what is the processing cost and what is the margin of an acquirer on that transaction."

"The European market will be further harmonized and regulated to allow cross-border acquiring across the SEPA region. There will be more standardization on a European and global level."

SHIFTING TRENDS IN THE PAYMENTS SECTOR

POINT OF SALE APP BUNDLES ARE BECOMING MORE PREVALENT AS A RESULT OF SHIFTING TRENDS IN THE PAYMENTS INDUSTRY:

The high costs and lack of flexibility of traditional POS terminals have galvanized smaller retailers into using alternatives solutions to meet customer demand. POS app marketplaces provide an opportunity to gain flexibility in purchasing and personalizing payment, customer and back-office services that acquirers can more quickly and cost-effectively deliver using cloud infrastructure. These value-added services offer low cost benefits, easy installment processes, and simple pricing offers:

*"The days of the cash register and the stand-alone payment terminal may be counted. The arrival of cloud-based electronic POS (EPOS) applications have brought enterprise-level business intelligence and integrated payments within reach of small and midsize enterprises (SMEs)."*⁷

With retail shifting more and more towards online in Europe (Fig. 3 and 4), smaller retailers are looking for solutions built to handle their omnichannel needs. As the eCommerce channel continues to grow, retailers in Southern Europe will look to acquirers who can offer services that can support their digital commerce capabilities, such as shipping and tracking, and app marketplaces that can offer a plethora of adaptable, scalable and economical back and front office solutions.

New EU regulation around interchange fees and demand for transparency has put pressure on acquirers to provide a better service.

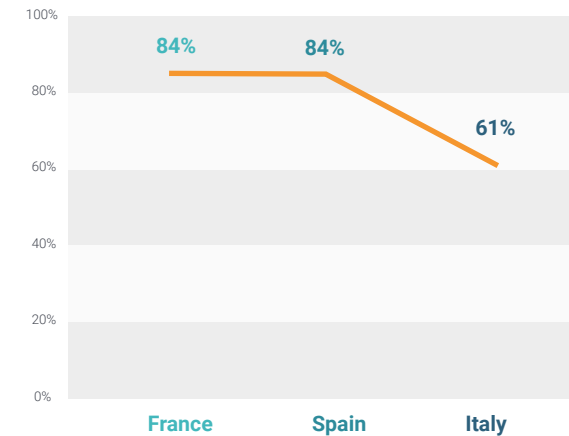
*"Transparency has put pressure on the acquirers. This 'interchange plus plus' has improved the commercial side on the market for the merchants. Acquiring is a volume game, you need to have a huge volume to be successful and be able to get the economies of scale both on the processing side and on the schemes' side to be in a favourable tier from a scheme perspective. Obviously, the bigger acquirers are at an advantage to offer a better and more efficient service."*⁸

⁷ Ron van Wezel, MPE 2019: Collaborating to Realize NextGeneration Payments
https://www.merchantpaymentsecosystem.com/files/documents/mpe_2019_report_collaborating_to_realize_next-generation_payments_note_empiria_group_barclays.pdf

⁸ Kamran Hedjri, industry expert interviewed for the purpose of this report

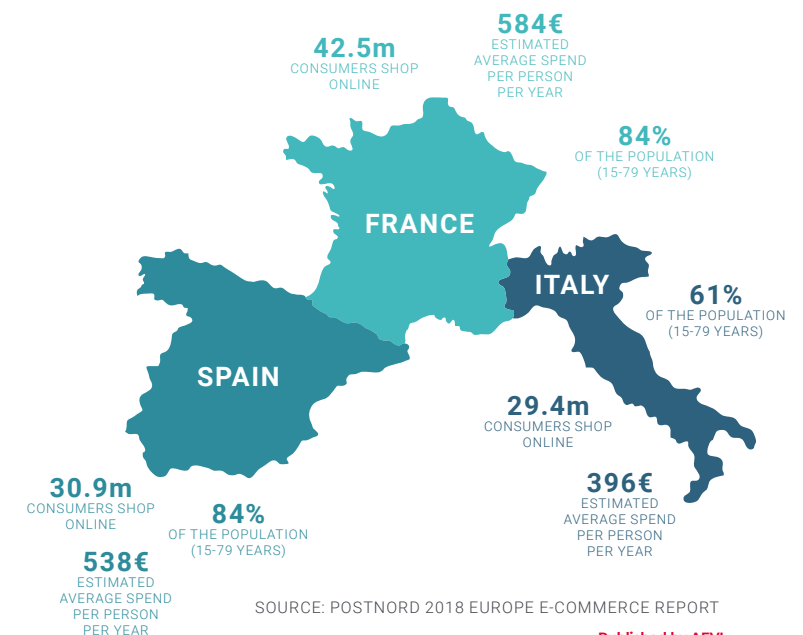
FIGURE 3: MOST EUROPEANS ARE ACTIVE ONLINE SHOPPERS

SHARE OF POPULATION 15-79 YEARS OLD WHO SHOP ONLINE



SOURCE: POSTNORD 2018 EUROPE E-COMMERCE REPORT

FIGURE 4: ECOMMERCE IN EUROPE 2018



SOURCE: POSTNORD 2018 EUROPE E-COMMERCE REPORT

Published by AEVI

THE ACQUIRER OPPORTUNITY

ACQUIRERS ARE IN POSITION TO BECOME TRUSTED ADVISORS REGARDING THE APP OFFERINGS AVAILABLE TO MERCHANTS.

Superior digital and customer experiences, as opposed to price wars alone, are becoming key elements of differentiation for merchants' customer share in the in-store environment. Offering their clients something more innovative is how acquirers can remain competitive. Acquirers need to provide ancillary services, such as customer relationship management (CRM), inventory management, or security back office services that are integrated into POS solutions. Merchants need and want to improve the overall customer experience using both back office and consumer services functions in order to remain competitive and satisfy their customer needs. Smaller merchants are presented with challenges such as time, financial resources, and lack of technical skills when attempting to marry up multiple apps to form a comprehensive solution. In this instance, acquirers would be wise to leverage app marketplaces in bundling together solutions that are scalable and economical. In addition, as Kamran Hedjri, Board Member at PXP

Financial notes, there is pressure on acquirers to provide a smoother onboarding process, which currently is lengthy, and remains unstandardized from one acquirer to another.

Once onboarded for payment acceptance, however, merchants may still be hampered by clunky technical onboarding that impedes their ability to easily and fully utilize their solution. With app marketplaces offering hosted services with quick deployment of apps from initiation, this provides a good solution for acquirers to offer merchants the flexibility they require.

Opinion from the experts:



Nigel Bidmead, SVP Global Sales, AEVI

"Small and large retailers alike are responding by beginning to adopt smart POS technologies, with 87% of small retailers believing they need to innovate to stay relevant."



Ron van Wezel

"Acquiring has become a service business. Merchants are looking for acquirers to do more than just process payments. They want their acquirer to help them increase sales, contain costs in an increasingly complex environment, and provide best-in-class solutions—e.g., for fraud management and data analytics. An acquirer should, therefore, position itself as a merchant services provider rather than as a payments company. This requires the provider's transition to acquiring 2.0. Acquirers must deal with changing customer requirements in a competitive and regulatory environment that is increasingly challenging."



Kamran Hedjri

"There is also pressure on onboarding time, the time that the acquirers give themselves to underwrite a merchant. Typically, it was a long process, it's still long, it's still not standardised, but it's a very different process from one acquirer to another; there is no standard across the multiple segments. If you get underwritten by one acquirer, it doesn't mean that another acquirer you go to is going to accept you. For example, one acquirer might take three weeks to underwrite you, another might take six weeks, so there's no standard process. We did a benchmarking project at one point, the average is anywhere from two to three weeks for the underwritten, across Europe. In Spain and Italy, it is likely to be slower than that."

FIGURE 5: THE ACQUIRER'S AGENDA FOR CHANGE



SOURCE: AITE GROUP

CHALLENGES FACED BY MERCHANT ACQUIRERS IN SPAIN, FRANCE AND ITALY

ADAPTING TO THE NEW EXPECTATION FROM MERCHANTS AND MOVING AWAY FROM PROVIDING A CLASSIC SOLUTION TO A MORE VALUE-ADDED SERVICES BASE STILL IS A NEW WAY OF DOING BUSINESS SO THE CHALLENGES THEY FACE ARE:

Merchant acquirers are faced with the task of supporting merchants in offering customers a high level of flexibility, and a large amount of choice via multiple payment options and services. Merchants also need to integrate these services with payment terminals, including back office functions, in order for them to be easy to use by new staff and maintain good customer service at the front end. Merchant acquirers therefore need to provide links between different technology solutions, and cater for varying client needs, all while maintaining security.



Merchants can be educated by the acquirer about the possibilities of innovation and consolidation of traditional app-based models. *"Merchants might be hesitant in implementing new services because there is a lack of motivation and investment funding. I also believe that the lack of education and specialization plays also an important role."*⁹

Merchant acquirers must avoid the risk of disintermediation. Smaller retailers often gain their information by word of mouth – speaking to one another in their own personal networks regarding new technology offerings in the space, making it easier for new entrants to compete for their payments business. Acquirers must avoid being left out of this loop and must aim to position themselves as a trusted partner to their clients.

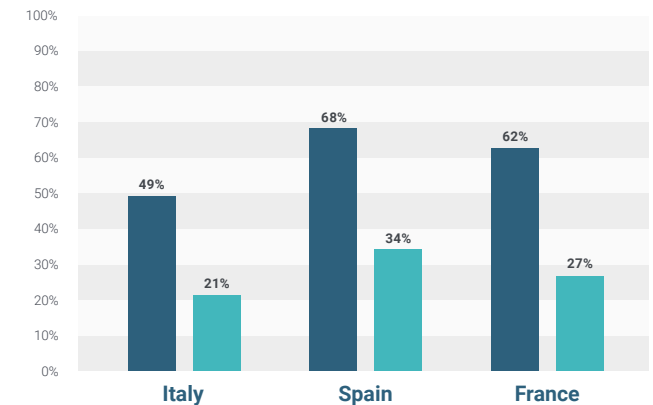
Acquirers compete with other service providers selling smart POS solutions – and therefore innovation in the form of value-added services is key to differentiation in this market.

Merchants are more than willing to switch providers, with as many as half of SMBs saying they are willing to change their payments solution provider if offered a better deal on cost and integration. Therefore, acquirers need to work harder and smarter to retain business as well as win new wallet share, as this trend could well permeate through to the acquiring industry in Europe.

Touristic commerce requires acceptance of new foreign payments. Merchants and therefore acquirers need to cater to international tourists who want to pay with their own payment methods, including their national payment schemes and their own currency (DCC), as well as alternatives such as AliPay and face-2-face. See figure 6 below.

FIGURE 6: PERCENTAGE OF CONSUMERS BUYING FROM ABROAD

PERCENTAGE OF WHO HAVE BOUGHT FROM ABROAD ONCE OR AT LEAST ONCE A QUARTER. BASE: WHOLE POPULATION, 15-79 YEARS



SOURCE: POSTNORD 2018 EUROPE E-COMMERCE REPORT

⁹ Michael C.G. Charalambides, industry expert interviewed for the purpose of this report

CHALLENGES FACED BY SMALL MERCHANTS SPAIN, FRANCE AND ITALY

CONSUMERS' GROWING EXPECTATIONS FROM TECHNOLOGY ADVANCES IN ECOMMERCE AND MOBILE COMMERCE ARE A CHALLENGE FOR SMB MERCHANTS.

Customers want convenience (fast, easy and frictionless), a personalized service, and control over the payment process. *"It is a challenge for small merchants to meet these needs, as they don't have the investment capacity and resources to optimize the payment experience."*¹⁰

Small merchants lack the resources to implement new payment methods and deal with all the complexity.

Here, acquirers can help merchants with out-of-the-box solutions that make such complexity transparent and can add support of alternative payments such as Adyen and Stripe with just a few lines of code.

When partnering with an acquirer, onboarding can present challenges. For the merchants, the underwriting process can be cumbersome. The process is further complicated by EU regulations around Know Your Customer (KYC) and money laundering.

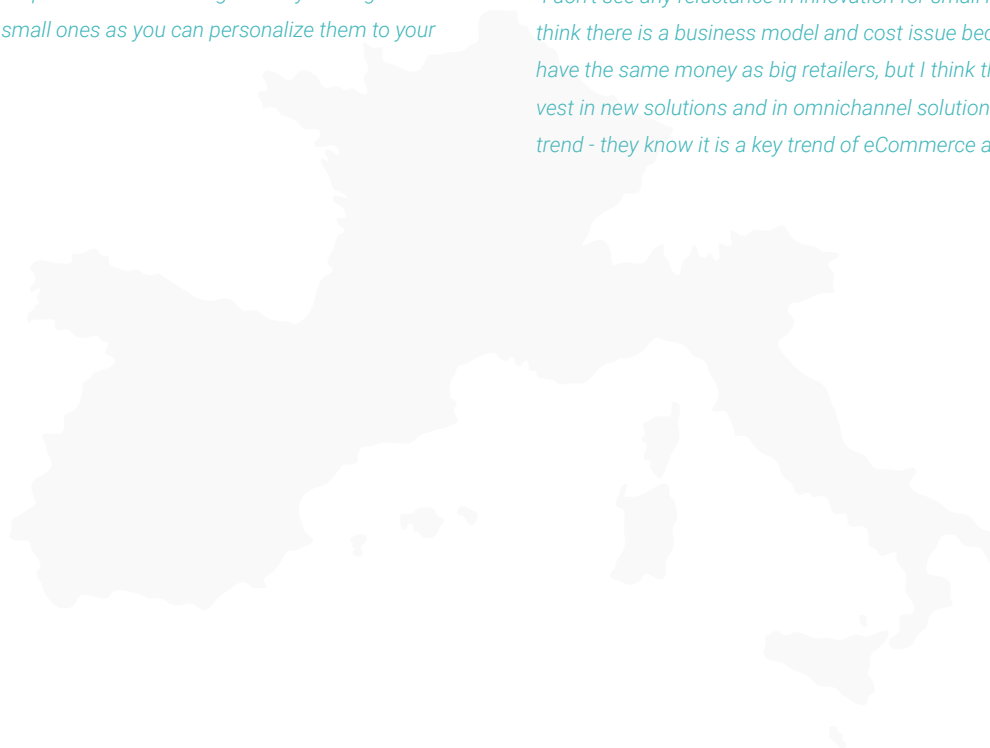
Merchants need and require omnichannel services to represent and report on their increasingly omnichannel businesses. *"The merchants need a consolidated view of performance across all channels, with customer experience aligned to the same holistic approach."*¹¹

Pre-selected app bundles are a good option for smaller merchants looking to innovate: *"As they have less money available, I think they have to invest in smaller solutions, for instance, invest in mobile app solutions [...]*
*I think app marketplaces are interesting not only for large merchants but for small ones as you can personalize them to your needs."*¹²

Although there appears to be a lack of a digital strategy and mobile-first approach in these geographies among merchants, outlook for innovation is positive, as long as cost and security implications are kept in check:

"I think European customers are more and more interested in having new payment solutions offered to them, particularly the younger generations. However, security is high on the customer's priority, and cost is also an issue – they don't want to pay for new methods. Italians want innovation without paying more."

*"I don't see any reluctance in innovation for small merchants. I think there is a business model and cost issue because they don't have the same money as big retailers, but I think they want to invest in new solutions and in omnichannel solutions because it's a trend - they know it is a key trend of eCommerce and in society."*¹³



¹⁰ Ron van Wezel, industry expert interviewed for the purpose of this report

¹¹ Kamran Hedjri, industry expert interviewed for the purpose of this report

¹² Andréa Toucinho, industry expert interviewed for the purpose of this report

¹³ Andréa Toucinho, industry expert interviewed for the purpose of this report

COUNTRY-LEVEL VIEW: SPAIN, FRANCE AND ITALY

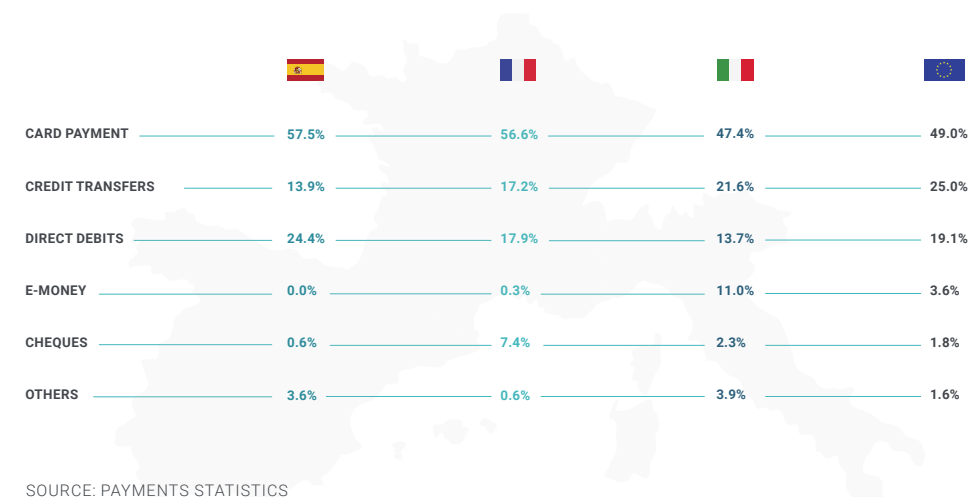
AN OVERVIEW OF THE TOP ACQUIRERS, CARD SCHEMES AND POS PAYMENT METHOD IN SPAIN, FRANCE AND ITALY.

ITALIAN, FRENCH AND SPANISH ACQUIRERS APPEARING IN THE NILSON REPORT, MAY 2019 RANKING OF THE LARGEST MERCHANT ACQUIRERS IN EUROPE 2018, BY NUMBER OF TRANSACTIONS, AND VOLUME OF TRANSACTIONS IN MILLIONS.

RANK 2018	RANK 2017	COMPANY	COUNTRY	TRANSACTIONS (MILLIONS)	VOLUME OF TRANSACTIONS (MILLIONS)
4	5	CRÉDIT AGRICOLE		3,611.60	\$173,612.1
5	4	Crédit Mutuel		3,609.80	\$181,808.7
11	38	Worldline		2,022.50	\$123,869.0
12	10	GROUPE BPCE		2,011.00	\$99,363.9
13	11	BNP PARIBAS		1,844.00	\$96,121.9
14	13	SOCIÉTÉ GÉNÉRALE		1,647.70	\$88,922.2
15	17	Comercia Global Payments		1,451.90	\$59,591.4
18	20	nexi		1,214.40	\$89,350.8
20	31	INTESA SANPAOLO		1,131.50	\$65,559.8
25	22	UniCredit		903.10	\$42,969.3
28	28	Sabadell		730.80	\$34,894.6
29	27	Marketpay		709.70	\$37,050.6
30	30	BBVA		660.20	\$35,235.7
34	37	Banque Paribas		516.20	\$22,364.3
39	36	Santander		478.90	\$23,422.8
40	41	Bankia		444.90	\$21,792.5

SOURCE: THE NILSON REPORT, MAY 2019

RELATIVE IMPORTANCE OF PAYMENTS SERVICES IN SPAIN, FRANCE AND ITALY IN 2018 COMPARED TO EUROPE



SOURCE: PAYMENTS STATISTICS

National card schemes by country:



France: CB, Mastercards, Visa, American Express, Maestro, Diners Club, Discover, Union Pay, JCB, V Pay, e-Bleue

Italy: PagoBancomat, co-badge Maestro, VISA Debit or V PAY ATM, CartaSi, POSTAMAT Diners Club, JCB, Union Pay, American Express

Spain: Sistema de tarjetas y medios de pago S.A., co-badge Maestro, VISA Debit or V PAY ATM, CartaSi, POSTAMAT Diners Club, JCB, Union Pay, American Express

SOURCE: CORE, TECHMONITOR

SPAIN

MOST RECOGNIZED ACQUIRERS ACCORDING TO OUR EXPERTS: COMERCIA GLOBAL PAYMENTS, BANCO SABADELL, SANTANDER



€1,208 billion

GDP in Euro



2,661,791

Number of SMEs in the country

19.56%



SMEs selling online

53%



People shopping on mobile devices*



4.1 billion

Number of payments at terminals (POS transactions at terminals with card provided by both non-resident and residents PSPs)

481 million

card issued by non-resident PSPs

3,715 million

with card issued by resident PSPs



1.64 million

+4.6% (compared to 2017)

POS terminals deployed 2018 (number of terminals provided by resident PSPs)***



53,400

+5% (compared to 2017)

ATMs (number of terminals provided by resident PSPs)



30.9 million

Number of consumers who shop online.**



€180 billion

Value of payments at terminals (POS transactions at terminals provided by resident PSPs + non resident PSPs + e-money payments with card)



€166 billion

Value of card transactions at POS



2,500

Average number of transactions per terminal

Relative importance of payment services as a percentage of the total number of payments in 2018

		Change compared to 2017
57.5%	Card Payments	+16.5%
24.4%	Direct Debits	-10.8%
13.9%	Credit Transfers	-0.7%
3.6%	Others	-16.1%
0.6%	Cheques	-21.0%
0.0%	E-Money	

* Mobile Device Share of E-commerce Sales by country

** Postnord, E-commerce in Europe 2018

*** <http://sdw.ecb.europa.eu/reports.do?node=1000001404>

SPAIN

Did you know?

In Spain, there have been many recent developments around fostering digitalization in retail.

El Corte Inglés, a large Spanish retailer, has entered into a cooperation agreement with Chinese online giant Alibaba in 2018. The partnership covers eCommerce, physical retail, cloud services and payment systems: El Corte Inglés will be opening digital stores using Alibaba platforms such as Tmall Global and AliExpress to reach a worldwide audience with its Spanish products. Additionally, AliExpress will have physical spaces at its disposal in El Corte Inglés department stores, where shoppers can pick up their online orders. This signals a nod towards omnichannel development and partnerships in Europe, which will only continue to proliferate. Digital innovation in Spain was spurred by new regulation in November 2012, which prohibited cash payments above 1,000 Euros between companies, and above 2,500 Euros between shopper and retailer.

Furthermore, Spanish FinTech association AEFI is very engaged in government and public policies, such as negotiating an EU framework for FinTech and new players. It has notably international alliances with LATAM: Ibero America FinTech Alliance, show a more global FinTech view, and an emphasis on international communication and partnerships.

¹⁴ El 80% de los españoles usa el efectivo solo para compras inferiores a 50 euros
https://cincodias.elpais.com/cincodias/2018/10/23/midiero/1540293202_878149.html, October 2018

¹⁵ Adyen, The Spanish Payments Landscape

¹⁶ Adyen, The Spanish Payments Landscape

¹⁷ European Payments Council, The Spanish payment landscape: innovation gains on tradition

¹⁸ European Payments Council, The Spanish payment landscape: innovation gains on tradition

¹⁹ https://www.europeancardpaymentassociation.com/wp-content/uploads/2018/02/Green-Light-to-the-merger-of-ServiRed-Sistema-4B-and-Euro-6000_press-release.pdf

Number of domestic card scheme: 1



80%

of Spanish consumers use cash for transactions under **€50**.¹⁴ There are 1,074 ATMs per million inhabitants in Spain compared to the European Union (EU) average of 878.¹⁵

Although cash is king, **87%** of the population have mobile phones, and Spain continues to be one of the fastest growing mobile commerce markets in Europe.¹⁶



Direct debits represent one third of the cashless transactions in Spain (which makes Spain the second largest country in Europe, behind Germany, in relative terms for direct debits. The EU average is 21%). The average amount is **€240**.¹⁷

The Spanish rely heavily on card payments (they represent **46%** of all cashless transactions, a level almost identical to the European Union (EU) average).¹⁸



In 2018, the merger of the **3** domestic payment schemes *Sistema de tarjetas y medios de pago S.A. (formerly ServiRed, Sistema 4Band EURO 6000)*¹⁹ enabled simplification of the ATM/POS infrastructure and reduced costs.

Opinion from the expert:



Andréa Toucinho

"Innovation from big retailers such as El Corte Inglés, in Spain, means new strategies for small merchants because they have to follow the trends in the market. I think all of this framework will evolve in terms of new technologies and partnerships, as a result of the big retailers."

Omnichannel strategies in retail will continue to proliferate, for example, El Corte Inglés, in Spain, which has signed an agreement with Alipay to foster digitalisation in retail. I think omnichannel will be a huge topic in the field of acquiring in Europe, above all, in Southern Europe."

FRANCE

MOST RECOGNIZED ACQUIRERS ACCORDING TO OUR EXPERTS: CRÉDIT MUTUEL, CRÉDIT AGRICOLE, GROUPE BPCE, BNP PARIBAS



€2,353.1 billion

GDP in Euro



2,960,560

Number of SMEs in the country



15.78%



SMEs selling online

35%

People shopping on mobile devices *



12.09 billion

Number of payments at terminals (POS transactions at terminals with card provided by both non-resident and residents PSPs)

750.4 million

cards issued by non-resident PSPs

11,343 million

with cards issued by resident PSPs



1.82 million

+12.6% (compared to 2017)

POS terminals deployed 2018 (number of terminals provided by resident PSPs)***



54,900

-3.1% (compared to 2017)

ATMs (number of terminals provided by resident PSPs)



42.5 million

Number of consumers who shop online **



€519.6 billion

Value of payments at terminals (POS transactions at terminals provided by resident PSPs + non resident PSPs + e-money payments with card)



478.8 billion

Value of card transactions at POS



6,600

Average number of transactions per terminal

Relative importance of payment services as a percentage of the total number of payments in 2018

		Change compared to 2017
56.6%	Card Payments	+10.7%
17.9%	Direct Debits	+2.9%
17.2%	Credit Transfers	+4.3%
7.4%	Cheques	-9.3%
0.6%	Others	+783%
0.3%	E-Money	+11.7%

* Mobile Device Share of E-commerce Sales by country

** Postnord, E-commerce in Europe 2018

*** <http://sdw.ecb.europa.eu/reports.do?node=1000001404>

FRANCE

Did you know?

France's eCommerce market is forecasted to be worth EURO 104bn by 2021, making it the second biggest market for payment in Europe, after the UK.²⁰

France's payment market is very payment card-focused, however checks are still highly favored at 9% of total transactions, compared to 2% in Europe. The emergence of digital-only banks in France is also likely to create a shift towards electronic payments in this geography.

In December 2015, German-based financial service provider Number 26 launched its mobile-only bank in France. One of the more advanced of the three geographies examined in this report, France has been described as being 'on the verge of a mCommerce boom'.²⁰

Natixis Payment solutions, a subsidiary of BPCE, has already started providing next-generation acquiring solution to small to medium merchants, combining apps with smart POS devices: <https://www.npstore.fr/smartpos>

²⁰ Worldpay, 2017-10 Report

²¹ <https://www.ecommerce-nation.com/merging-a-physical-store-and-an-e-commerce-phygital-store/>

Number of domestic card scheme: 7



18%

Almost **19,000 million** transactions per year in France, representing 18% of the total number of EU transactions.



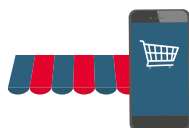
68%

of cheques in the EU are issued in France.



Pre-paid cheques include: Edenred (ticket restaurants), ANCV (cheques vacances), Cheque de table, Cheques déjeuner, Conecs, Moneo, Resto Flash, Sodexo.

It is **obligatory for merchants to accept payment by cash** in France. Payment by card, cheques or cryptocurrency cannot be required.



The rise of the need for merchant to think **"PHYGITAL"**: mixing digital experience in physical store.²²

Cryptocurrency acceptance at the point of sale is being promoted in France. In Paris, all merchants in Passage du Grand-Cerf, 23 in total, offer options to pay in Bitcoin.



Opinion from the expert:



Andréa Toucinho

"I expect there to be many more European initiatives in acquiring from nexo – which is very famous in the French payments sector, but not yet in every European country."

"There are many issues in the field of the future of acquiring. On the one hand, we need to understand that acquiring will become more and more based in European standardisation. For example, there is a lot of work going on with nexo standards."

"The French market is set to experience an mCommerce boom that will see mobile account for more than a third of all retail eCommerce by 2020, powered by the adoption of more mobile-friendly payment methods."

"France is on the verge of a mCommerce revolution, and this presents lucrative opportunities for merchants who can provide intuitive and seamless mobile shopping experiences, and the widest choice of payment options."²⁰

ITALY

MOST RECOGNIZED ACQUIRERS ACCORDING TO OUR EXPERTS: NEXI, SIA, GRUPPO BANCARIO ICCREA



€1,757 billion

GDP in Euro



3,746,109

Number of SMEs in the country*

7.91%



SMEs selling online

34%



People shopping on mobile devices **



3.5 billion

Number of payments at terminals (POS transactions at terminals with card provided by both non-resident and residents PSPs)

524 million

cards issued by non-resident PSPs

3,021 million

with cards issued by resident PSPs



3.17 million

+28.8% (compared to 2017)

POS terminals deployed 2018 (number of terminal provided by resident PSPs)



47,700

-1.8% (compared to 2017)

ATMs (number of terminals provided by resident PSPs)



29.4 million

Number of consumers who shop online ***



€385.6 billion

Value of payments at terminals (POS transactions at terminals provided by resident PSPs + non resident PSPs + e-money payments with card)



375.5 billion

Value of card transactions at POS



1,100

Average number of transactions per terminal

Relative importance of payment services as a percentage of the total number of payments in 2018

		Change compared to 2017
47.4%	Card Payments	+13.8%
21.6%	Credit Transfers	+4.3%
13.7%	Direct Debits	+11.9%
11.0%	E-Money	+26.8%
3.9%	Others	-3.8%
2.3%	Cheques	-8.9%

* 2018 SBA Fact Sheet France

** Mobile Device Share of E-commerce Sales by country

*** Postnord, E-commerce in Europe 2018

ITALY

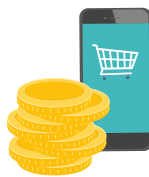
Did you know?

Italy has a very well-developed instant payments market, due to high levels of banking partnerships. Digital payments are also growing at a rapid rate: current statistics show that the digital payments growth rate stands at twice the rate of the European average.²² The country has an influx of new players entering the market, coupled with well-established fintech organisations, such as Italia Fintech. To aid their development, these organizations call upon high levels of European collaboration and partnerships with Italian banks and the Italian government. Overall, there is a high level of engagement and development in fintech in Italy, with many new means of payment being introduced.

In August 2018, Bancomat partnered with SIA and introduced Bancomat Pay to provide mobile payments. Under the deal, Bancomat will integrate SIA's Jiffy services, enabling PagoBancomat cardholder to make in-store, online and P2P payments from their handsets using just a mobile phone number. In the long term, Bancomat is promising to bring Jiffy to all of its 37 million cardholders, through their banks' app or via the Bancomat Pay app.

Italian pay-tech company Nexi has already started offering a forward thinking smart POS solution for its customers in Italy.

Number of domestic card scheme: 1



In 2017, **contactless payments in Italy grew 150%** compared to 2016. The amount of card payments (credit, debit and prepaid) was 220 billion euros out of which 70 million euros (+60%) were processed by smartphone through Apple Pay and Samsung Pay.

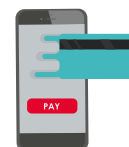
Consorzio Bancomat defines the **security standard** and specifications for Italian POS terminals.



The total number of **POS terminals continues to be high** because of multiple acquirers at the same retail outlet.

mPOS terminal providers include:

JUSTP, Payleven (now SumUp), Ingenico SETEFI, iZettle; and a joint venture of HOBEX, Spire, and TECS started in 2016.



Cryptocurrency is offered as a payment method at the point of sale. More than 70 merchants accepted bitcoin in the city of Rovereto in Northern Italy—the city is known as Bitcoin Valley.

Opinion from the expert:



Andréa Toucinho

"I think Italy will evolve above all in the field of technology, I think Italy is more European-focused, when compared to [other Southern European countries such as] Spain and Portugal. There are a lot of advancements that we can already see in Italy, such as the development of instant payments. And I think that retailers will innovate in technology, too."

"For Spain, Portugal and Italy there are two huge trends in the field of retail and acquiring, we have the opening up of the market which fosters a new framework for all these industry players with investments in the technology side, for example, CRM."

²² Italia Fintech - Italian FinTech Landscape presentation by Marta Ghiglioni

EUROPE OVERALL

KEY DATA & INFOGRAPHICS FOR EUROPE



362,800

-16.4% (compared to 2017)

ATMs (number of terminals provided by resident PSPs)



12.5 million*

-7.9% (compared to 2017)

POS terminals deployed 2018 (number of terminals provided by resident PSPs)**



4,692 million

cards issued by non-resident PSPs

44,197 million

with cards issued by resident PSPs

Relative importance of payment services as a percentage of the total number of payments in 2018

		Change compared to 2017
49.0%	Card Payments	-20.7%
25.0%	Credit Transfers	-9.8%
19.1%	Direct Debits	-14.6%
3.6%	E-Money	+18.8%
1.8%	Cheques	-23.2%
1.6%	Others	+3.8%

* It excludes UK

** <http://sdw.ecb.europa.eu/reports.do?node=1000001404>

CLOSING REMARKS

Spain, Italy, and France share similarities in payments yet each market has major differences. While France remains strong in checks, Italy has experienced a significant growth in instant payments. New regulations have impacted the acquiring landscape and added to an already complex onboarding process, so acquirers focus on streamlining the experience for merchants. Acquirers who improve onboarding will gain competitive advantage over those who do not.

The acquiring market has evolved from its prior focus on only payments to also offer ancillary services as part of an overall solution. To be successful in next-generation acquiring, merchant acquirers must make it easy for merchants to use value-added services integrated with payments. Rather than trying to integrate and connect individually with best-of-breed software developers, they need an open platform that provides the interoperation of services and an app marketplace from which to select the right apps for particular merchant types. This will free acquirers to tailor suites of consumer-facing apps services, analytics, CRM, smart routing, and other business functions, while the platform helps them better manage the delivery, personalization and the aftercare of those solutions.

Let's have a chat

Would you like to learn more about the AEVI Platform, have a query or simply would like to provide feedback?

Contact us

ABOUT AEVI



AEVI lays the foundation for next-generation acquiring by empowering merchant payment solution providers, such as acquirers, merchant banks, independent sales organizations (ISOs) and value-added resellers (VARs), to move and manage their classic payments proposition into a new value-added world of apps, payments and smart devices.

AEVI combines the talent and resources of merchant payment solution providers, app publishers and device vendors in an open, collaborative ecosystem unrestricted by devices, currencies or borders, providing unprecedented flexibility and choice. AEVI simplifies the complex payment landscape with a single integration that results in acquisition of new merchants, increased retention of existing customers, cost savings, and generation of new revenue streams.

WWW.AEVI.COM



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METHODOLOGY

This report was built using both primary and secondary research methods. Primary research was used in conducting first-hand qualitative in-depth interviews with industry experts and analysts. The participants were selected on their understanding of the geographical nuances in the selected European countries, as well as their grasp on fintech and merchant acquiring trends overall.

Secondary research was applied in the sourcing of data, summarizing fintech and merchant acquiring industry trends, and synthesizing other pertinent industry information. All sources have been cited appropriately.

READING & SOURCES:

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European Central Bank: Card payments in Europe – current landscape and future prospects: a Eurosystem perspective →

MPE 2019: Collaborating to Realize Next-Generation Payments, Ron van Wezel, April 2019 →

The Merchant Payment Ecosystem (MPE) has become the largest conference in Europe focused on merchant acquiring and payments. In 2019, it was organized in Berlin, from February 19 to 21. Situated in the capital city of Germany, for years its habitual residence, the conference attracted more than 1,000 participants. The MPE covers the latest technologies, trends, and business models of merchant payment acceptance, checkout and conversion, fraud and security, and the changing customer shopping experience. The audience mainly consists of merchants, acquirers, and payment service providers (PSPs) as well as vendors of technology solutions. The strong presence of the demand side—i.e., the merchant community—underscores the value of the MPE for the business. Discussions that Aite Group held with delegates during the conference confirmed that the MPE organization has been successful in reaching the right mix of delegates. One main reason given for this achievement was the focus on business content for practitioners. This Impact Note summarizes the key themes from MPE 2019. Therewith, it provides an overview of the top trends and issues in European acquiring and payments.

5 key facts about European e-commerce payments →

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Small, cash-loving businesses in Italy may finally be ready for card payments →

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