

Retail transactions: Customer's payment choice in Germany



- 1. Introduction: DER MITTELSTANDSVERBUND – ZGV e.V.**
- 2. Customer's payment choices – facts & figures**
- 3. Regulatory background**
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1. Introduction: DER MITTELSTANDSVERBUND – ZGV e.V.





1. Introduction: DER MITTELSTANDSVERBUND – ZGV e.V.

- **Leading professional association of cooperations between small and medium-sized enterprises.**
- **Representation of 45 branches from the retail, wholesale, crafts and services sectors as well as production industry.**
- **Facts & figures in brief:**
 - **310 groups**
 - **230.000 independent entrepreneurs**
 - **2,5 million employees**
 - **440.000 trainees**
 - **Total revenue: 490 billion €**

2. Customer's payment choices – facts & figures

Annual Survey 2016

Payment systems in the retail sector



Study field(s)

- Means of payment – shares, transactions, average ticket
- Electronic cash/girocard and Maestro/V Pay (distribution, costs, perspectives)
- EC-debit card
- Credit cards
- In-house-solutions

2. Customer's payment choices – facts & figures

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Investigation period
February – April 2016

Range

- 489 enterprises (80.000 companies)
- Thereof: 356 small and medium-sized enterprises
- 35 branches
- 2015 revenue: 253,5 billion (thereof: 230,3 billion of relevant revenue)

2. Customer's payment choices – facts & figures

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Structure (gross annual turnover)

- 5 billion EUR: 15 enterprises
 - 1 billion EUR – 5 billion EUR: 30 enterprises
 - 100 million EUR – 1 billion EUR: 58 enterprises
 - 30 million EUR – 100 million EUR: 30 enterprises
-
- 5 million EUR – 30 million EUR: 88 enterprises
 - 1 million EUR – 5 million EUR: 95 enterprises
 - Less than 1 million EUR: 103 enterprises
-
- 70 enterprises without data

2. Customer's payment choices – facts & figures

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Structure enterprises

- Department stores
- Supermarkets
- Food-discounter
- Drugstores / perfume stores
- Furniture and furnishing stores
- DIY stores
- Electronic markets
- Toy stores
- Beverage retailers
- Sporting goods
- Petrol stations
- Shoe stores
- Bookstores

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Relevant companies: DER MITTELSTANDSVERBUND – ZGV e.V.



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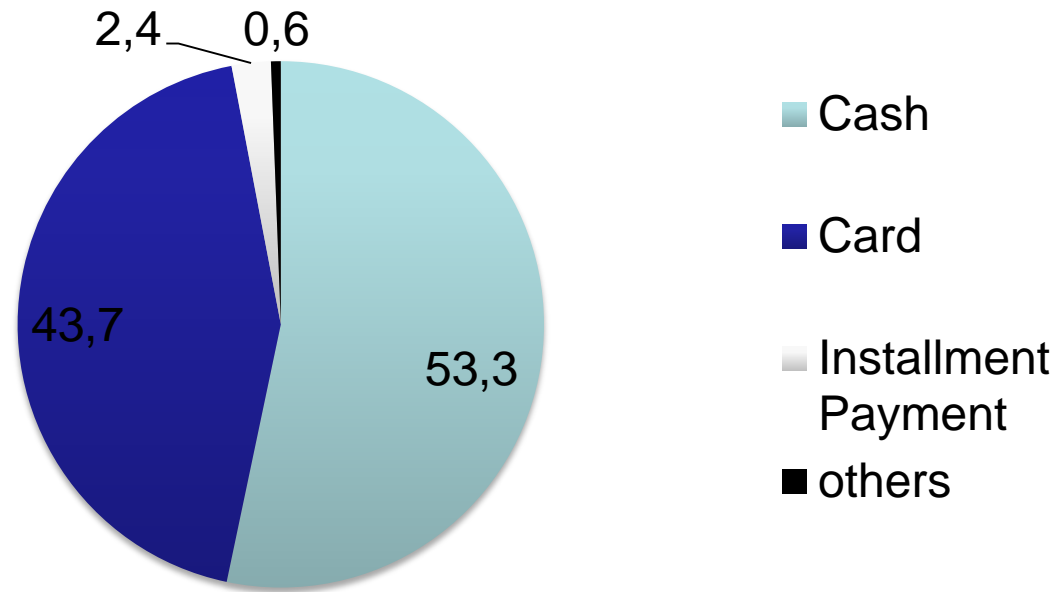
Transactions in the stationary retail – findings

- 18 – 20 billion purchases per year
- 220 – 250 purchases per person and year / 470 purchases per household and year
- 80 % of all purchases are payed in cash
- Electronic cash / girocard transactions raised from 310 million in 2003 to 2,038 billion in 2013 (almost seven times higher)
- In the same time: avarage electronic cash / girocard value has lowered about 34 %

2. Customer's payment choices – facts & figures

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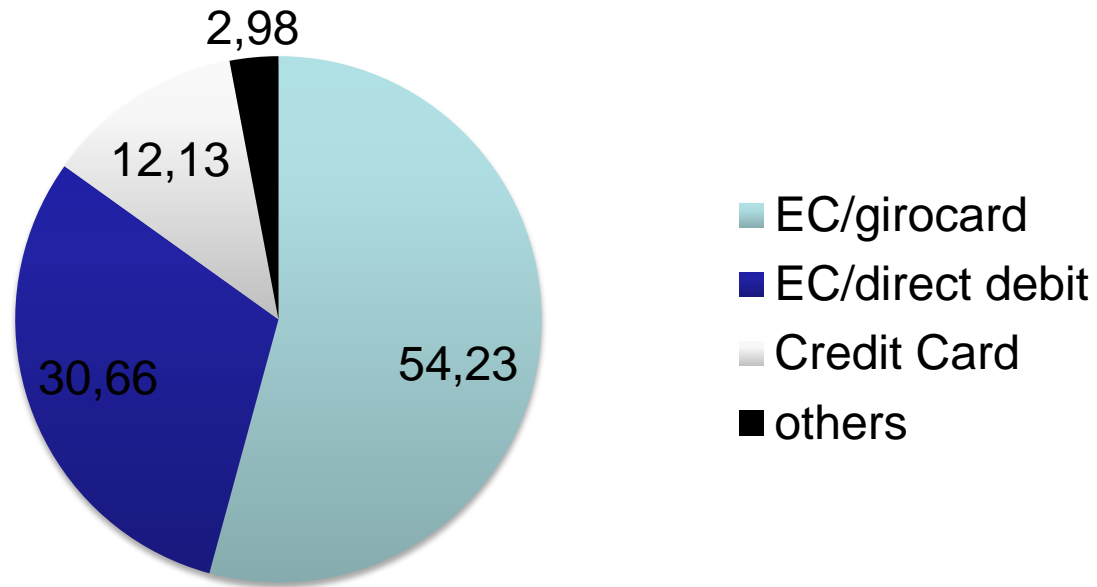
Transactions in the stationary retail - share of turnover (2014)



2. Customer's payment choices – facts & figures

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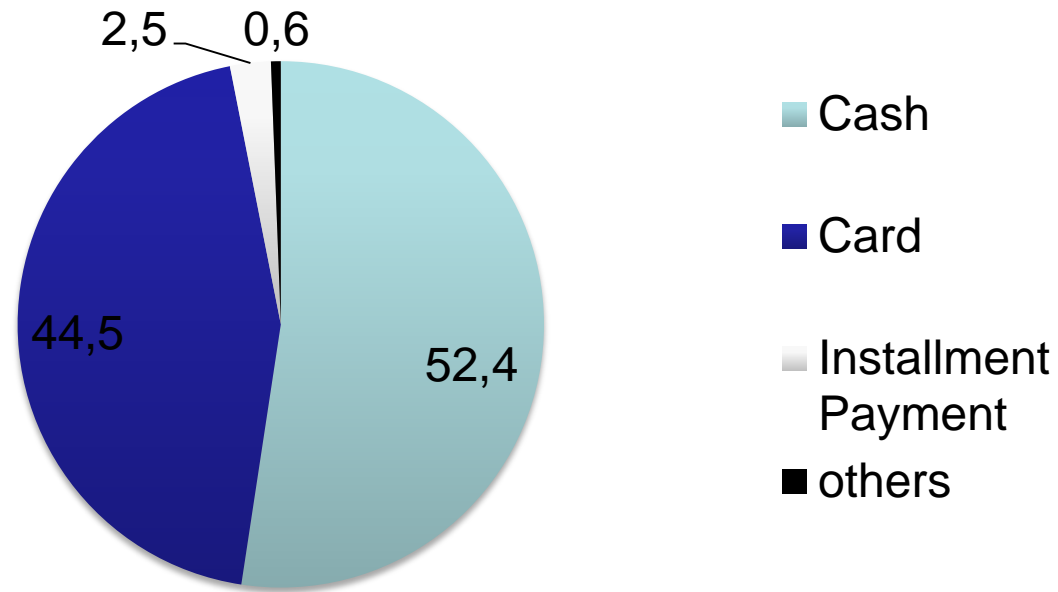
Transactions in the stationary retail - share of card payment (2014)



2. Customer's payment choices – facts & figures

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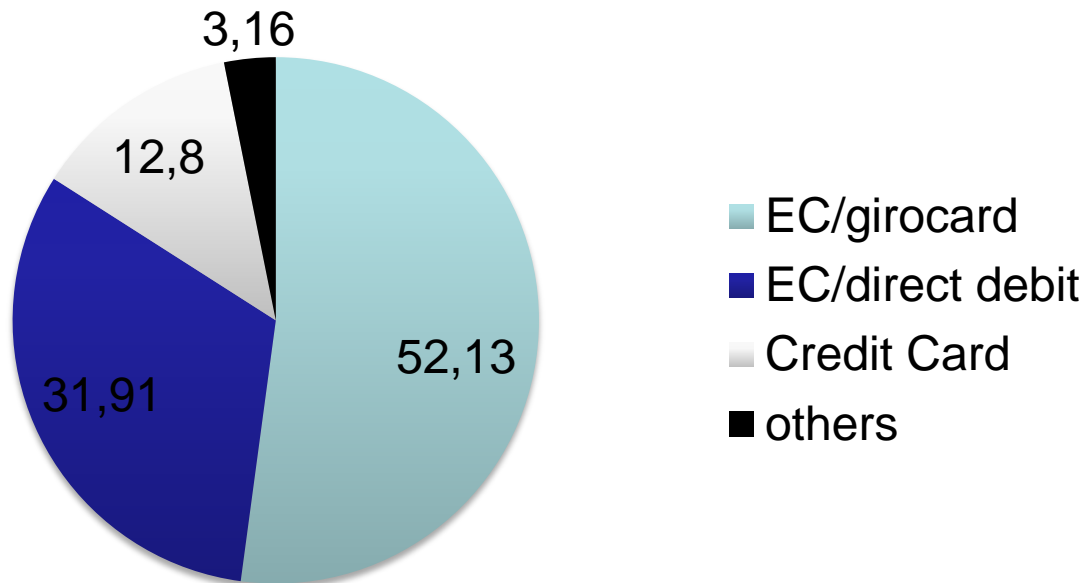
Transactions in the stationary retail - share of turnover (2015)



2. Customer's payment choices – facts & figures

Annual Survey 2016

Transactions in the stationary retail - share of card payment (2015)



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Annual Survey 2016

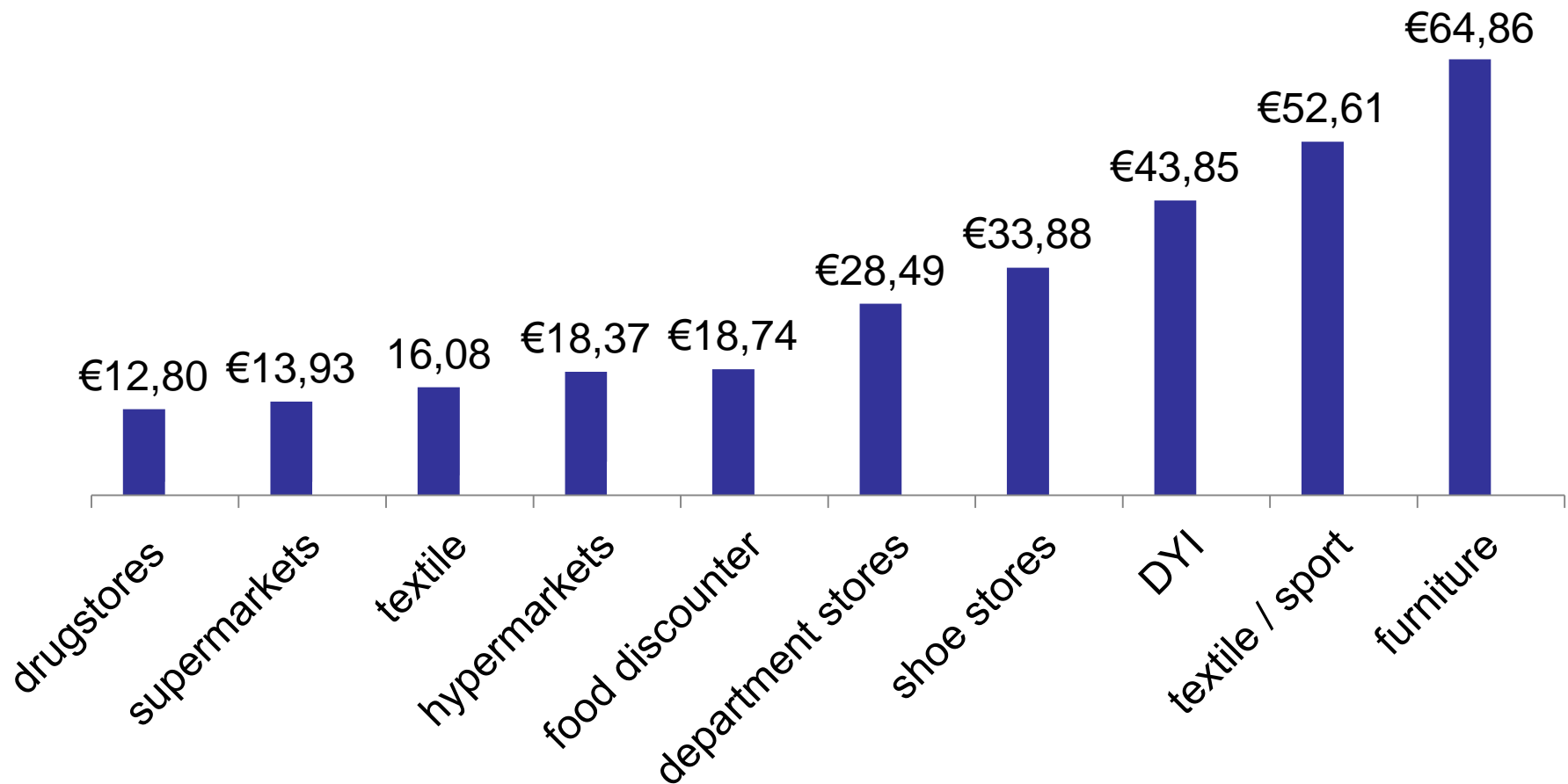
Transactions in the stationary retail - conclusions

- Overall reference value raises from 390 billion EUR to 400 billion EUR
- Cash-share decreases by 0,9 percentage points!
- EC-debit raises by 0,8 percentage points
- Card revenue raises to 177,8 billion EUR (+7,4 billion)

2. Customer's payment choices – facts & figures

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Avarage transactions in different branches



2. Customer's payment choices – facts & figures

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Shares of means of payments in different branches 2015 (2014)

	Cash	EC-Debit	EC Card	Credit card
Drugstores (ca. 17 billion €)	61,5% (62,4%)	13,5% (14,3%)	18,6% (17,6%)	3,4% (3,0%)
Supermarkets (ca. 41 billion €)	62,3% (64,2%)	15,9% (13,4%)	17,7% (18,5%)	2,9% (2,6%)
Hypermarkets (ca. 15 billion €)	59,8% (62,1%)	10,6% (8,9%)	25,5% (25,1%)	3,3% (3,0%)
Department stores Ca. 30 billion €)	53,7% (54,6%)	27,6% (26,1%)	13,0% (13,8%)	4,0% (3,8%)

2. Customer's payment choices – facts & figures

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Shares of means of payments in different branches 2015 (2014)

	Cash	EC-Debit	EC Card	Credit card
Textile / Sport (ca. 8 billion €)	33,1% (34,2%)	18,0% (16,1%)	25,6% (25,4%)	10,8% (11,0%)
Food discounter (ca. 76 billion €)	67,2% (67,8%)	5,6% (5,4%)	33,2% (34,8%)	0,1% (0,1%)
Shoe stores (ca. 8 billion €)	50,3% (51,3%)	14,9% (15,7%)	29,2% (27,7%)	-
DIY (ca. 15 billion €)	41,9% (44,2%)	25,3% (25,3%)	20,4% (19,6%)	5,7% (5,2%)

3. Regulatory Background

Deal German Federal Competition Authority 2014

- Abolishment of fixed retailer fees for girocards and ec-payments
- Retailer fees now have to be negotiated individually
- Hope:
 - Lower transaction fees for retailers
 - push for card-based-systems

3. Regulatory background

Regulatory background: Deal German Federal Competition Authority 2014



Banks cannot handle individual negotiated retailer transaction fees...

3. Regulatory background

Regulatory background: Deal German Federal Competition Authority 2014



- **Solution: „Konzentrator-Modell“**
 - **Network operators shall collect and process individual fees**
 - **Retail confederations and other organisations could do so, too..**

3. Regulatory background

Regulatory background: Deal German Federal Competition Authority 2014



Network operators are the only ones, who have the technology/know-how to do so...

3. Regulatory background

Regulatory background: The interchange fees regulation (May 2015)

- **interchange fee cap of 0.2% for debit cards and 0.3% for credit cards**
- **Discretion of Member States:**
 - **MS can decide to implement lower interchange fee caps for domestic credit card transactions than the caps set out in the IFR**
 - **MS can decide to implement lower caps on interchange fees for domestic debit card transactions than the caps set out in the IFR.**
 - **Weighted average for a period of up to 5 years; and**
 - **MS can exempt three party card schemes that use issuers or acquirers from caps to interchange fees for a period of up to three years, provided that the scheme's market share remains below 3% in that MS.**

3. Regulatory background

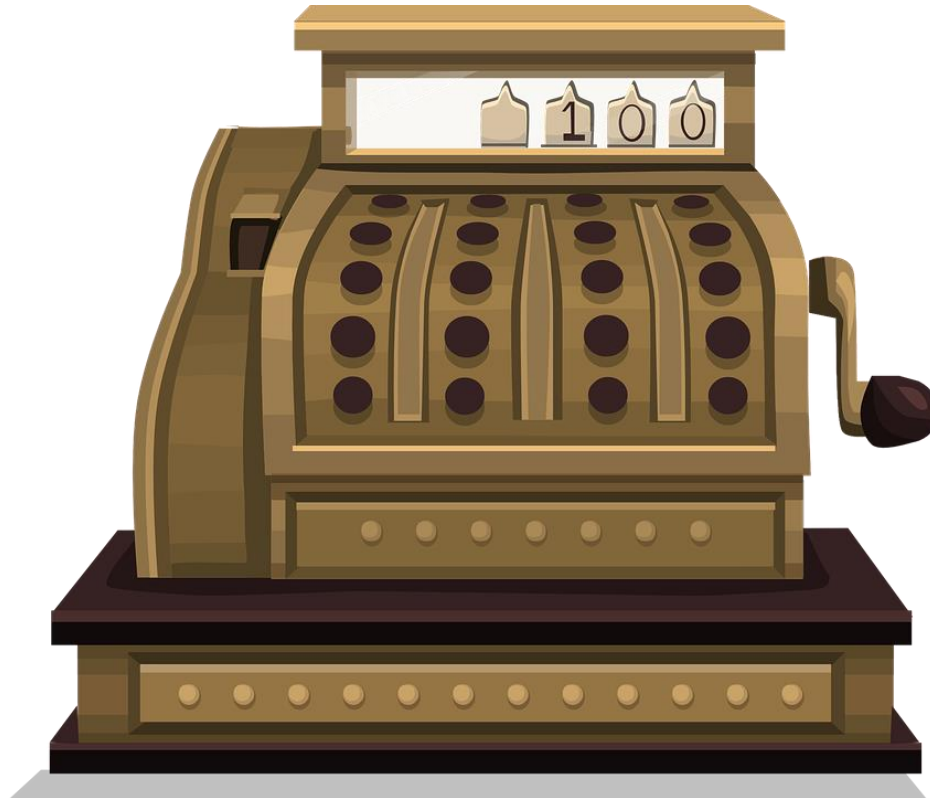
Regulatory background: The interchange fees regulation (May 2015)



Main issue: Application for German EC/girocard system??

3. Regulatory background

Regulatory background: New register cashiers



3. Regulatory background

Regulatory background: New register cashiers - obligations

- **Since 2002: Obligation of retailer to archive cashier data**
 - **No single transaction but**
 - **Day-receipt sufficient**
- **Starting from 2017:**
 - **All electronic data has to be saved**
 - **EC & credit card transactions have to be registered, too**
 - **Maybe: duty to use special system (INSIKA)**

Consumer's side



4. Reasons

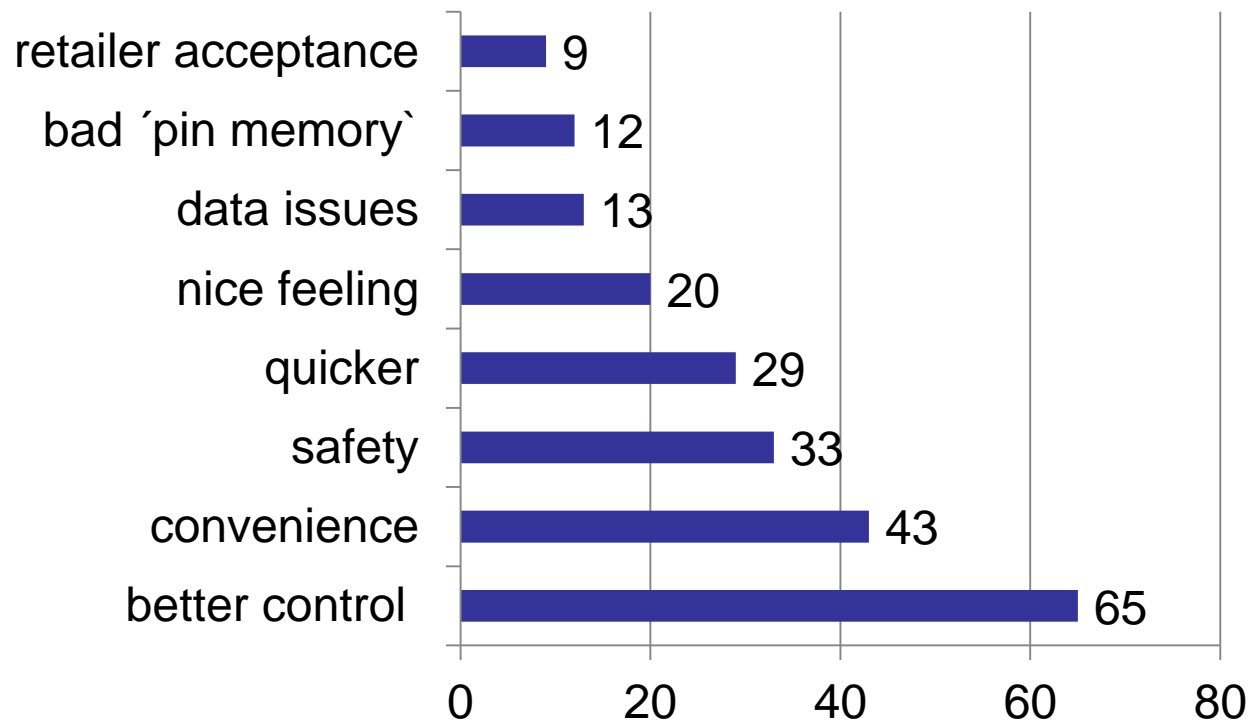
Consumer's side: Study of German Federal Bank (2015)

- Share of payment transaction
- Reasons for consumer behavior
 - 50% of consumers have fixed payment habits (33% cash/ 17% cards)
 - Reasons for fixed payment habits
 - Reasons for dynamic payment

4. Reasons

Consumer's side: Study of German Federal Bank (2015)

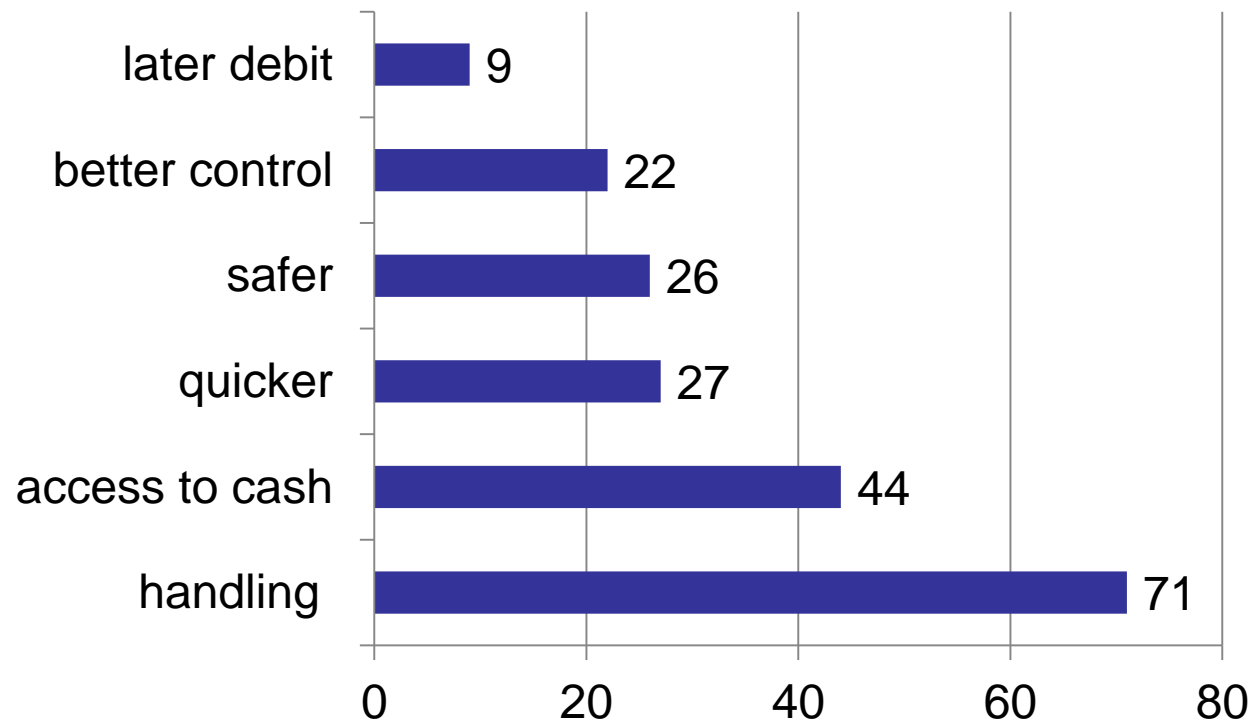
Cash-fixed consumers (%)



4. Reasons

Consumer's side: Study of German Federal Bank (2015)

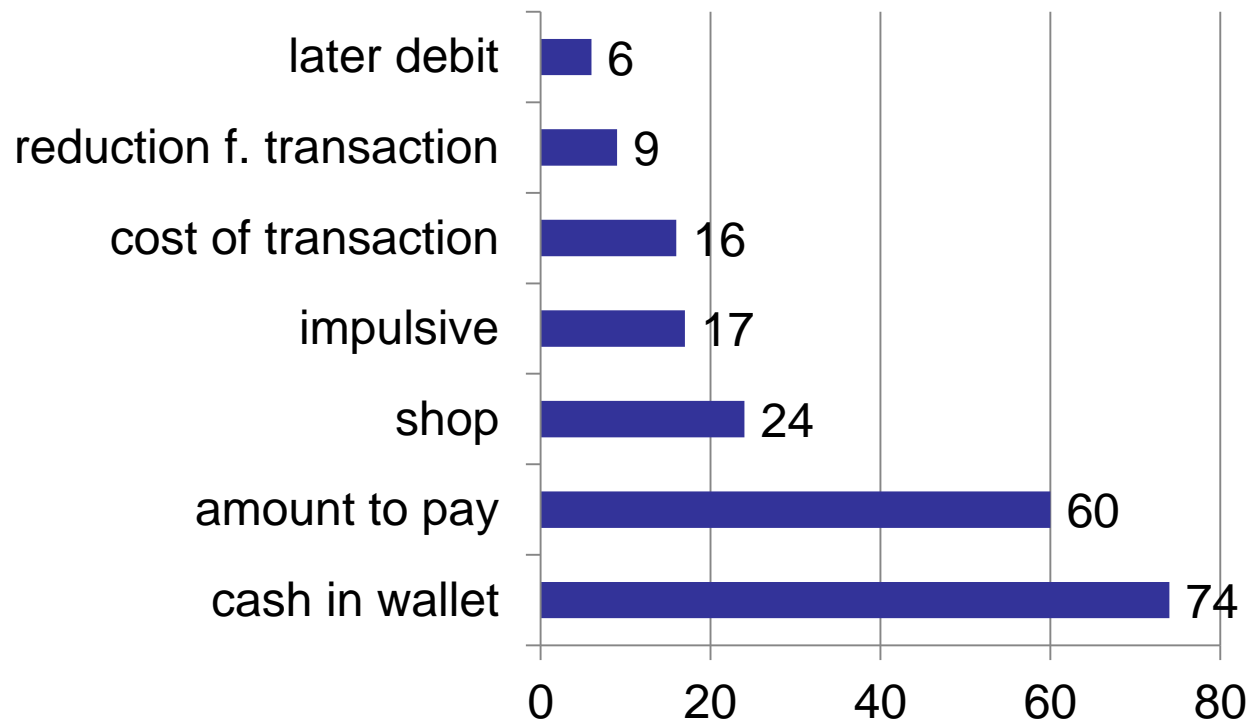
Card-fixed consumers (%)



4. Reasons

Consumer's side: Study of German Federal Bank (2015)

Dynamic consumers (%)



4. Reasons

Consumer's side: Study of German Federal Bank (2015)

Conclusions

- **Cash-payment has stabilised**
- **But: decrease of total transactions**
- **Recognition of mobile payment increases**
- **Cash in average wallet decreases:**
 - **2008: 118 € (6,70 € change)**
 - **2011: 103 € (5,90 € change)**
 - **2014: 103 € (5,73 € change)**

5. Conclusions

- **Cash remains most prominent means of payment.**
- **EC card continues its story of success.**
- **New emerging trends (mobile check-out) on the rise.**
- **Yet: No clear winner.**
- **Complex regulatory framework.**



5. Conclusions

Thank you!