

Germany: Attitudes to Interchange Fees

Retailers in Germany believe American Express and Diners Club should be treated in the same way as Visa, MasterCard and domestic schemes in the EU-proposed legislation on Interchange

German retailers within high value credit card sectors¹ say they support EU legislation to regulate the cost of payment card acceptance covering all payment cards equally.

A new poll finds that 66% of retailers in a selection of high value credit card sectors in Germany believe that a new rule currently being considered by European policymakers, which would create a cap on merchant fees for accepting bank cards in the EU, should be applied to **all** credit card networks, including American Express and Diners Club while 18% support the legislation if it excludes American Express and Diners Club cards.

¹*This survey is based on 901 telephone interviews with general managers and owner/proprietors from a selection of business sectors within six European markets (Great Britain, France, Germany, Spain, Italy and Poland). Sectors were selected based on likelihood for having relatively high value and volume of credit card transactions and include: airline ticket sales, car rental agencies, department stores, hotel or resorts, jewelry shops, petrol stations, restaurants, theaters, museums or galleries, travel management companies/travel agencies and other high value stores. Fieldwork was conducted between 15th April and 9th May.*

In each market a broad spread of interviews were conducted across these sectors and with different sizes of business. Respondents were screened via the questionnaire based on their familiarity with day-to-day transactions in their branch or outlet, as well as their knowledge of card payment fee processes.

Across all six countries surveyed, 55% of high value retailers report that they would be in favor of EU legislation only if it covered all cards and 34% report they would be in favor if it excluded some cards.

The poll conducted by global research company Ipsos on behalf of MasterCard Worldwide arrives as European policymakers consider new legislation that would involve creating new inflexible interchange rates across Europe and would change how payment cards are used by consumers and accepted by retailers.

The poll surveyed 901 'high value retailers' via telephone between 15th April and 9th May 2014 in 6 countries: France, Germany, Great Britain, Italy, Poland and Spain².

Among retailers in a selection of high value credit card sectors, knowledge of interchange rates is fairly high; more than three in four (79%) high value retailers report that they know "a lot" or "a fair amount" about the different fees charged for different payment methods. In Germany, knowledge is significantly higher with 87% reporting that they know "a lot" or "a fair amount" about interchange fees.

Support for a cap on interchange rates...

High value retailers were asked to consider a new proposal that would create a cap on interchange rates for the use of Visa and MasterCard anywhere in the EU, while exempting American Express and Diners Club. In essence, the proposed legislation would mean potential caps on the rates for use of some payment cards but not others.

² Please see methodology for definition of 'high value retailers'

However, this approach is unpopular with a majority of European high value retailers surveyed. Overall, 34% would support legislation if it excluded some payment card payments (such as American Express or Diners Club) while 55% across all countries indicate that they would support EU legislation to regulate the costs of credit card acceptance only if it included all card networks such as American Express and Diners Club cards.

In Germany, 66% would support new legislation only if the cap applied to all payment cards while just 18% would support legislation that excluded specific brands such as American Express or Diners Club.

Support for the proposed legislation to include all payment cards is highest in Germany (66%) followed by Spain (65%), Italy (59%), France (53%), Poland (44%) and Great Britain (42%).

Use of payment cards and associated fees

Around two in three (63%) high value retailers across 6 European countries accept American Express cards with a greater proportion (75%) accepting American Express in Germany.

In Germany, 63% of respondents rate American Express' fees as 'very or fairly high' while only 35% rate MasterCard's fees as high and 38% rate Visa's fees as high.

American Express is also rated as having the highest payment charge fees across 6 European countries; 69% rate American Express' fees as 'very or fairly high' followed by 47% rating MasterCard's fees as high and 46% rating Visa's fees as high.

Despite assertions that American Express rates are on balance, higher than for MasterCard or Visa; these same retailers are no more satisfied with the services and process than they are with other card brands with perceived lower fees such as MasterCard and Visa.

Satisfaction rates for American Express are slightly lower than those for Visa and on par with MasterCard; 57% of high value retailers claim that they are very or somewhat satisfied with the processes and support received from American Express, with 60% satisfied with MasterCard's support and 61% with Visa's support.

Acceptance of payment cards following legislation...

Should the proposed legislation come into effect, 50% of high value retailers across all countries, claim that they would continue to accept all payment methods while 31% say they would stop accepting the most expensive payment cards.

In Germany, the pattern is similar with 47% claiming that they would accept all payment methods and 29% claiming that they would stop accepting the most expensive cards.

Interest in further education and training...

Finally, two in five (40%) high value retailers would also welcome training on fraud risk mitigation to help better understand the processes associated with debit or credit cards.



Countries which would find this most helpful, in ranked order, are Germany (49%), France (46%), Poland (41%), Great Britain (34%), Italy (33%) and Spain (33%).

Methodology

**These are findings of research conducted by global research company Ipsos on behalf of MasterCard Worldwide.*

The research was conducted via telephone among high value retailers defined as:

- Decision makers regarding payment card transactions*
- Working within a retail sector related to travel, entertainment or luxury goods such as airline ticket sales, car rental agency, hotel/resort, travel management company/travel agency, petrol stations, restaurant, theater, museum/gallery, jewelry shop, department store and other high value stores*
- Have high value single transactions made frequently in branch via payment cards*

The following field dates and sample sizes in each country:

Country	Field Start	Field Close	Sample size
Great Britain	15-Apr	7-May	n=151
France	15-Apr	9-May	n=150
Spain	15-Apr	1-May	n=150
Germany	15-Apr	5-May	n=150
Italy	15-Apr	5-May	n=150
Poland	15-Apr	9-May	n=150

Respondents were provided with background on the issue of interchange rates.

“As you may be aware, there is a cost to the retailer for all payment types that are made whether they are cash, payment cards or cheques. And, when a retailer decides they want to offer customers the ability to pay with credit, debit or pre-paid cards, they negotiate an agreement with a bank to process those payments via a secure network for a fee known as an interchange fee. Interchange helps pay for the secure network, fraud protection, purchase guarantees, value retailers receive from accepting cards, ongoing innovations and customer service. The companies that develop and maintain the technology of the networks set the default interchange rates for using their systems.”

About Ipsos

Ipsos is an independent market research company controlled and managed by research professionals. Founded in France in 1975, Ipsos has grown into a worldwide research group with a strong presence in all key markets. In October 2011 Ipsos completed the acquisition of Synovate. The combination forms the world's third largest market research company. With offices in 85 countries, Ipsos delivers insightful expertise across six research specializations: advertising, customer loyalty, marketing, media, public affairs research, and survey management. Ipsos researchers assess market potential and interpret market trends. They develop and build brands. They help clients build long-term relationships with their customers. They test advertising and study audience responses to various media and they measure public opinion around the globe. Ipsos has been listed on the Paris Stock Exchange since 1999 and generated global revenues of €1,789 billion (2.300 billion USD) in 2012. Visit www.ipsos.com to learn more about Ipsos' offerings and capabilities.