

# Handelsverband Deutschland

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Card Scheme Fee Increases  
and the Erosion of Regulatory  
Benefits for Merchants



# ABOUT CMSPI



Advocate  
the needs of  
merchants



Reduce the cost  
of processing  
payments



Optimise your  
approvals



Enhance  
payments  
strategy



Future-proof  
your payment  
arrangements

## Some of Our Clients

Ulla  
Popken



Marriott  
INTERNATIONAL

HILTON  
WORLDWIDE

H&M

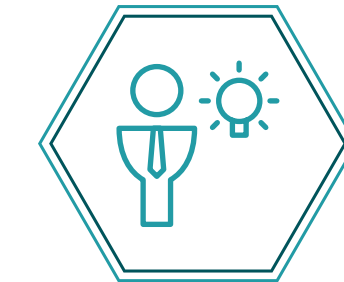
AirEuropa

SUBWAY

ocado

Netto

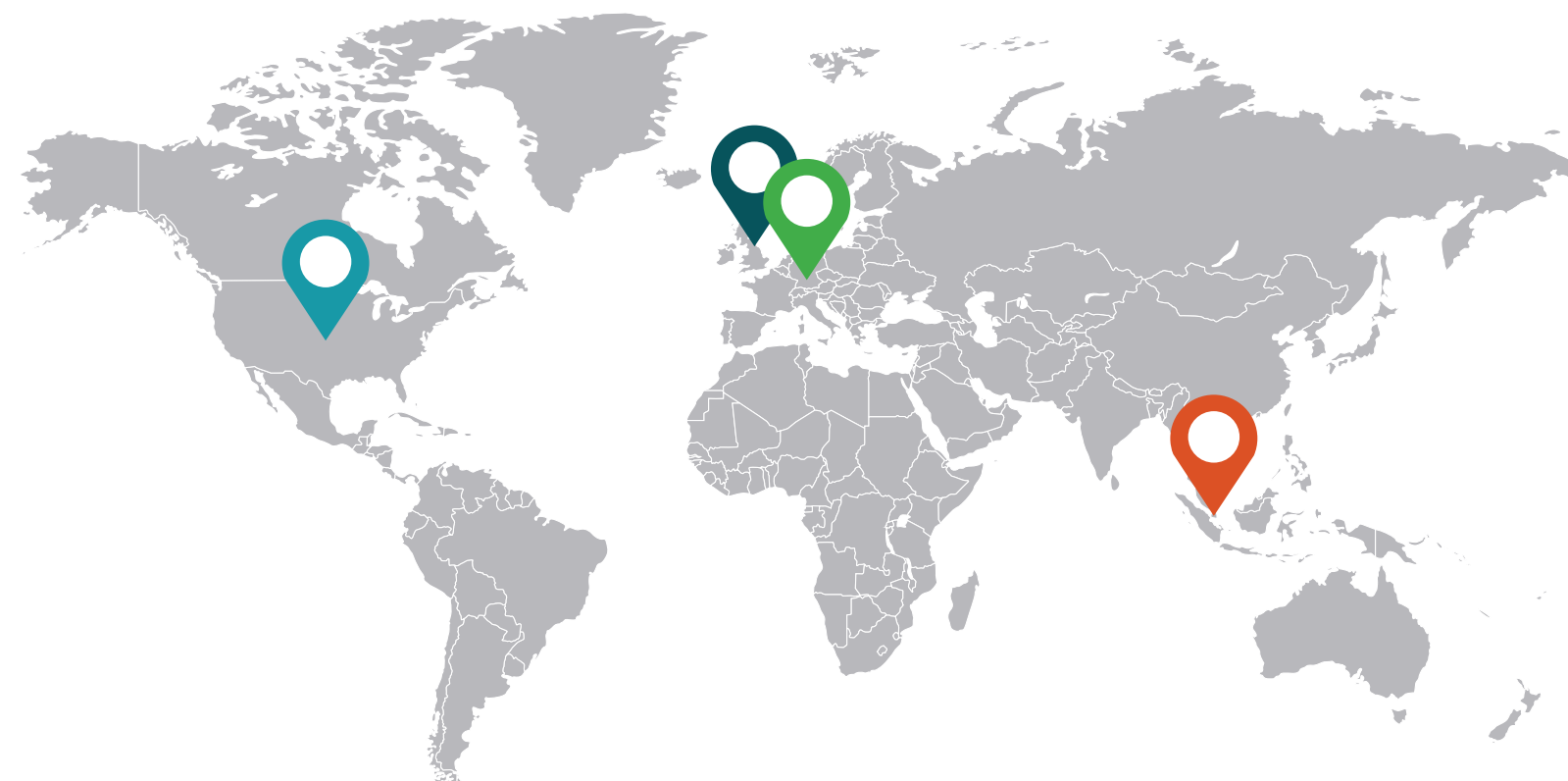
## Experienced



Over 30 years' experience  
in the payments industry

## International

We work in **50+** countries



Office Locations:

- ATLANTA
- DÜSSELDORF
- MANCHESTER
- SINGAPORE



# The growing importance of Visa and Mastercard in Germany

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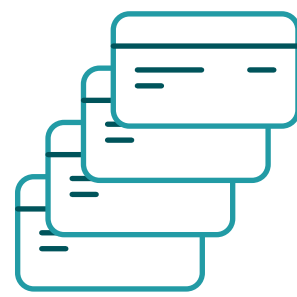
# MARKET SHARE CHANGES YOY

(VALUE, GERMANY)

VISA'S AND MASTERCARD'S MARKET SHARE STEADILY INCREASES, AT THE EXPENSE OF CASH



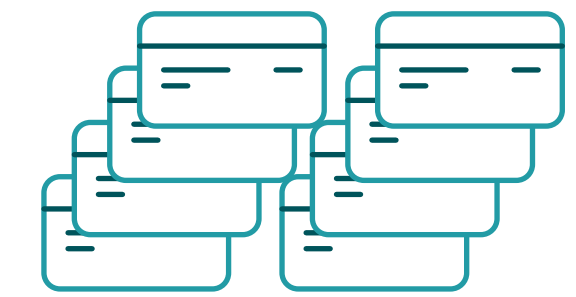
**Visa/Mastercard  
Payments**



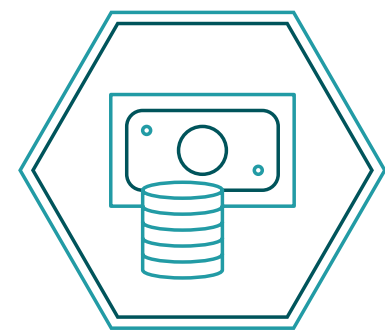
**+1.8%**



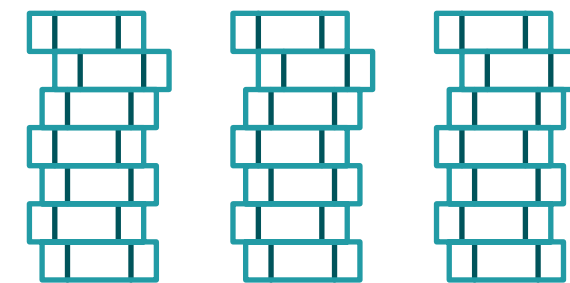
**+4.4%**



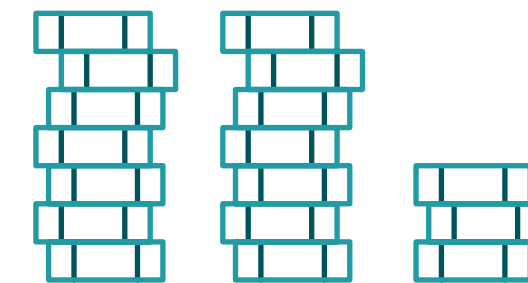
**+10.6%**



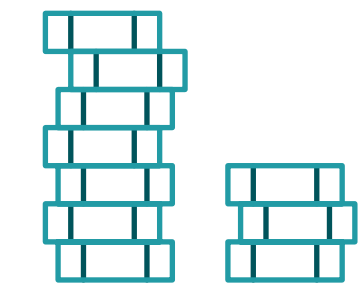
**Cash Payments**



**-3.6%**



**-7.1%**



**-11.4%**

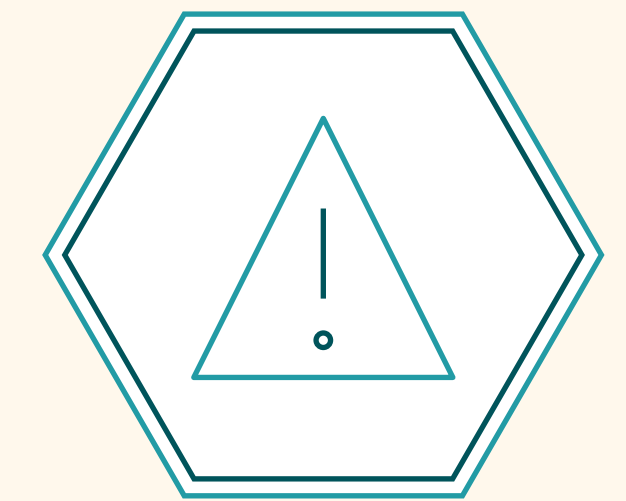
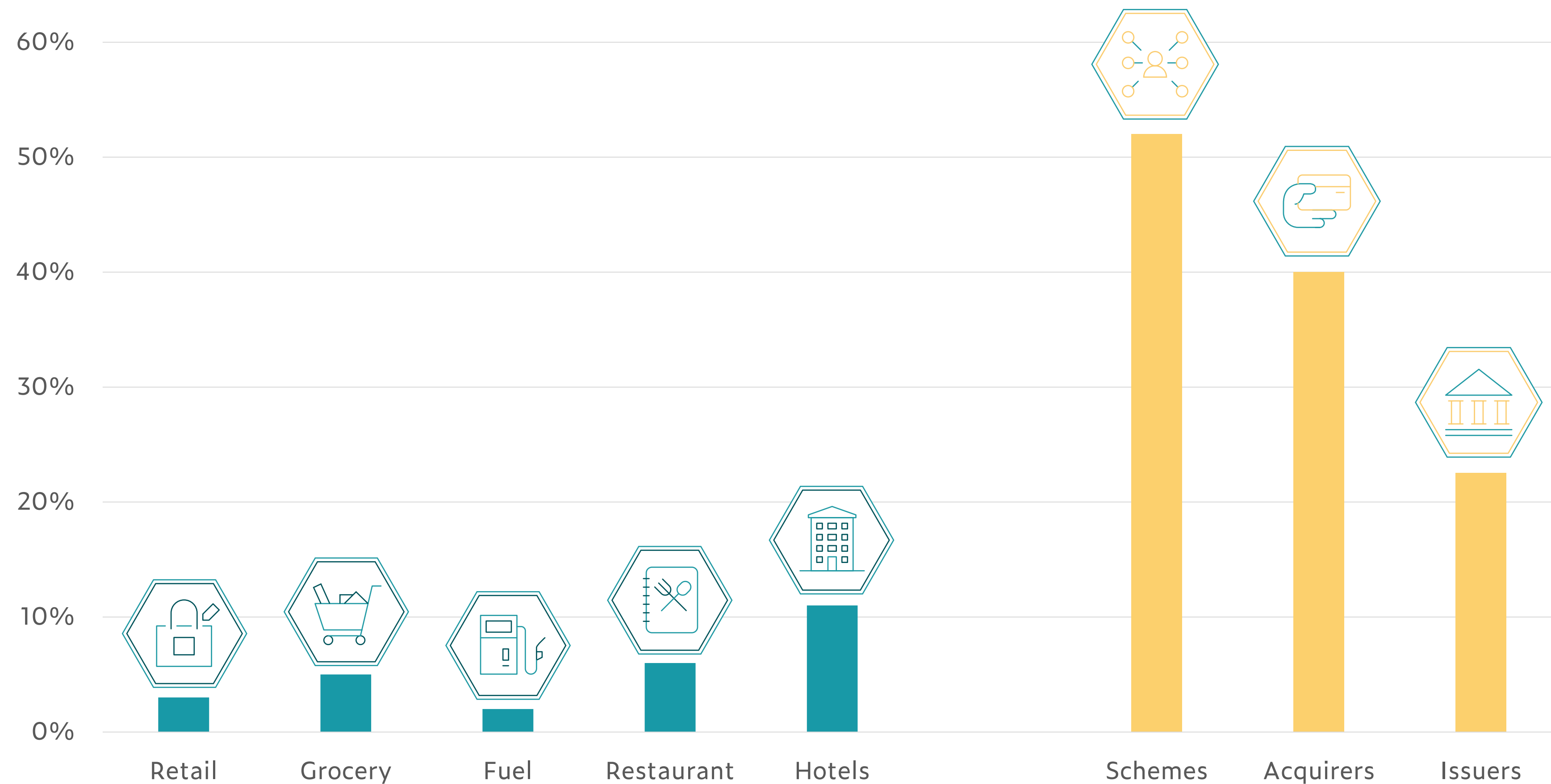
**2014-2015**

**2017-2018**

**2019-2020**

# INDUSTRY OPERATING MARGINS

## Operating Margin Comparison



**88%**

of Scheme Fee  
Revenue is  
Operating Margin



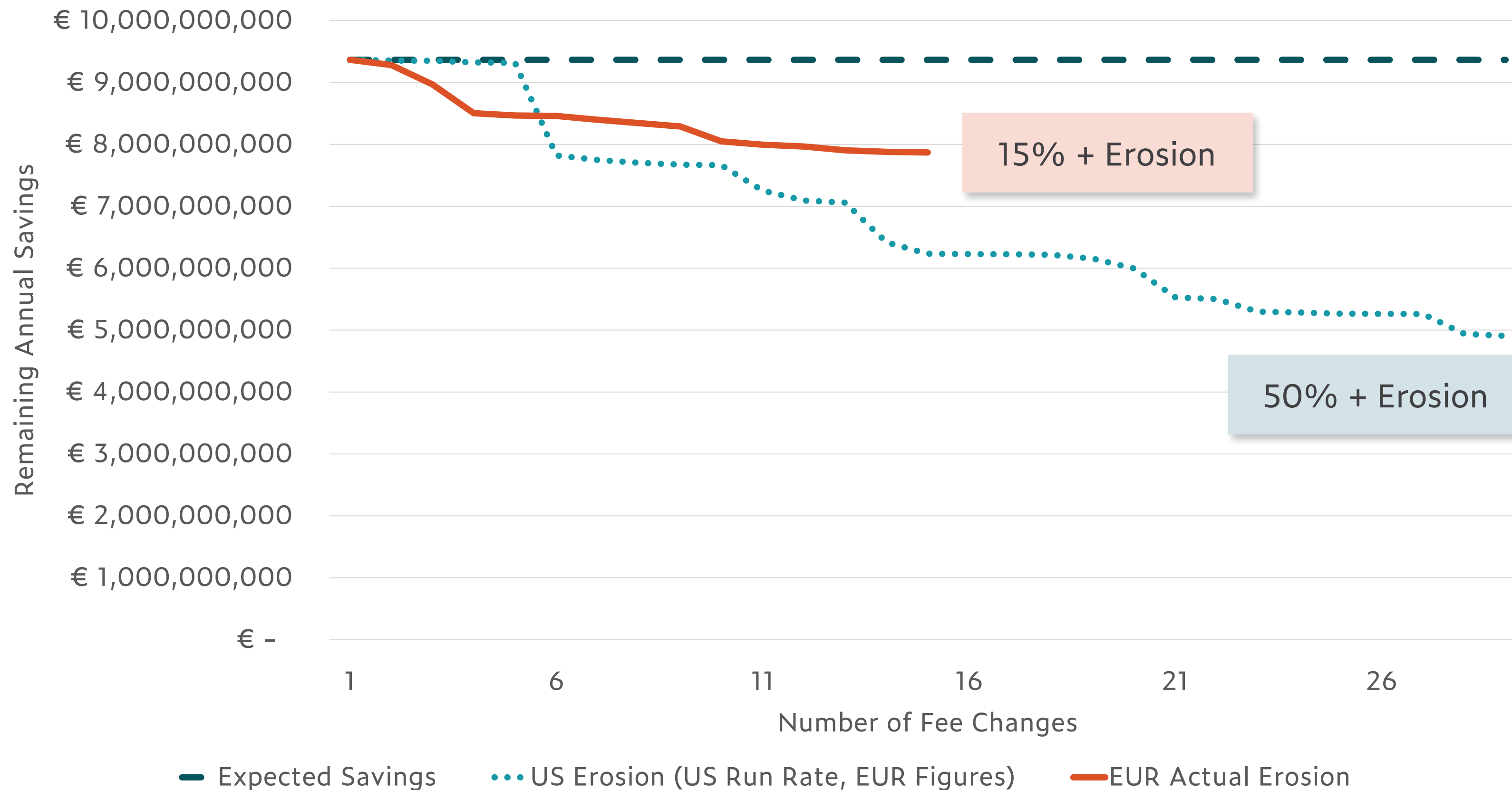
# Visa and Mastercard Scheme Fee Increases

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# REGULATION EROSION

## Europe is Following a Similar Path of Erosion as the U.S.



### Durbin Erosion

From \$9.37bn benefit to \$4.6bn  
30+ fee changes and counting



### IFR Erosion

From €9.4bn benefit to €7.9bn  
13 fee changes and counting

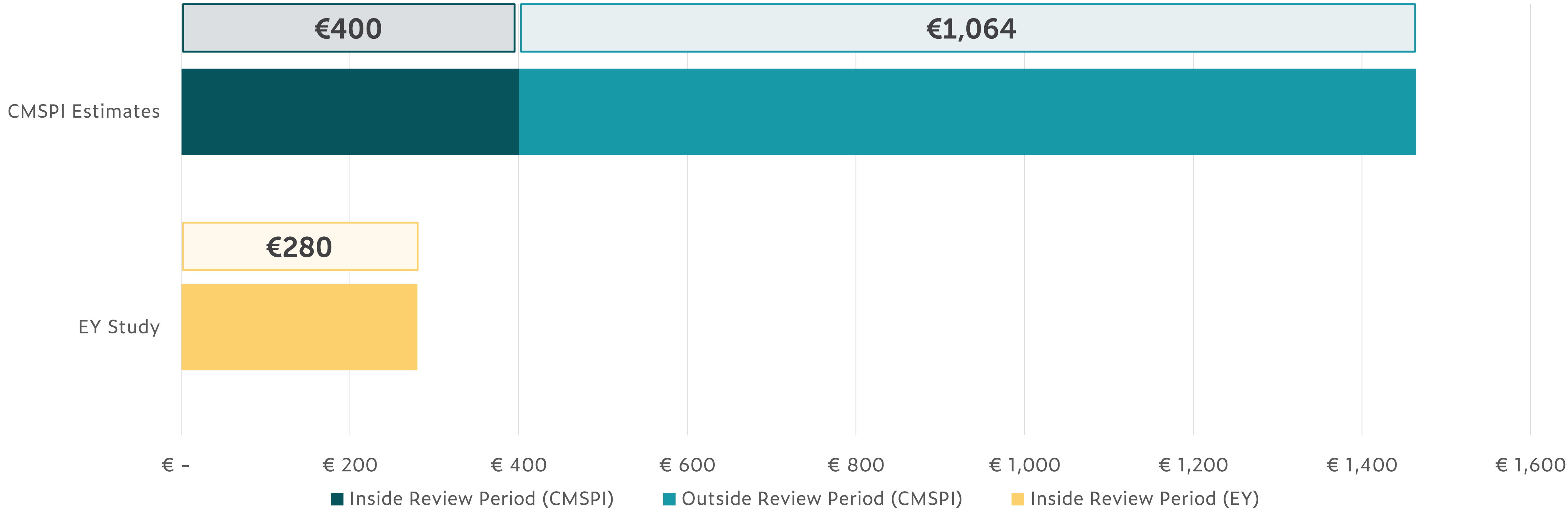
# VISA AND MASTERCARD SCHEME FEE INCREASES

(millions)



€1,064m of annual scheme fee increases have been levied outside the review period.

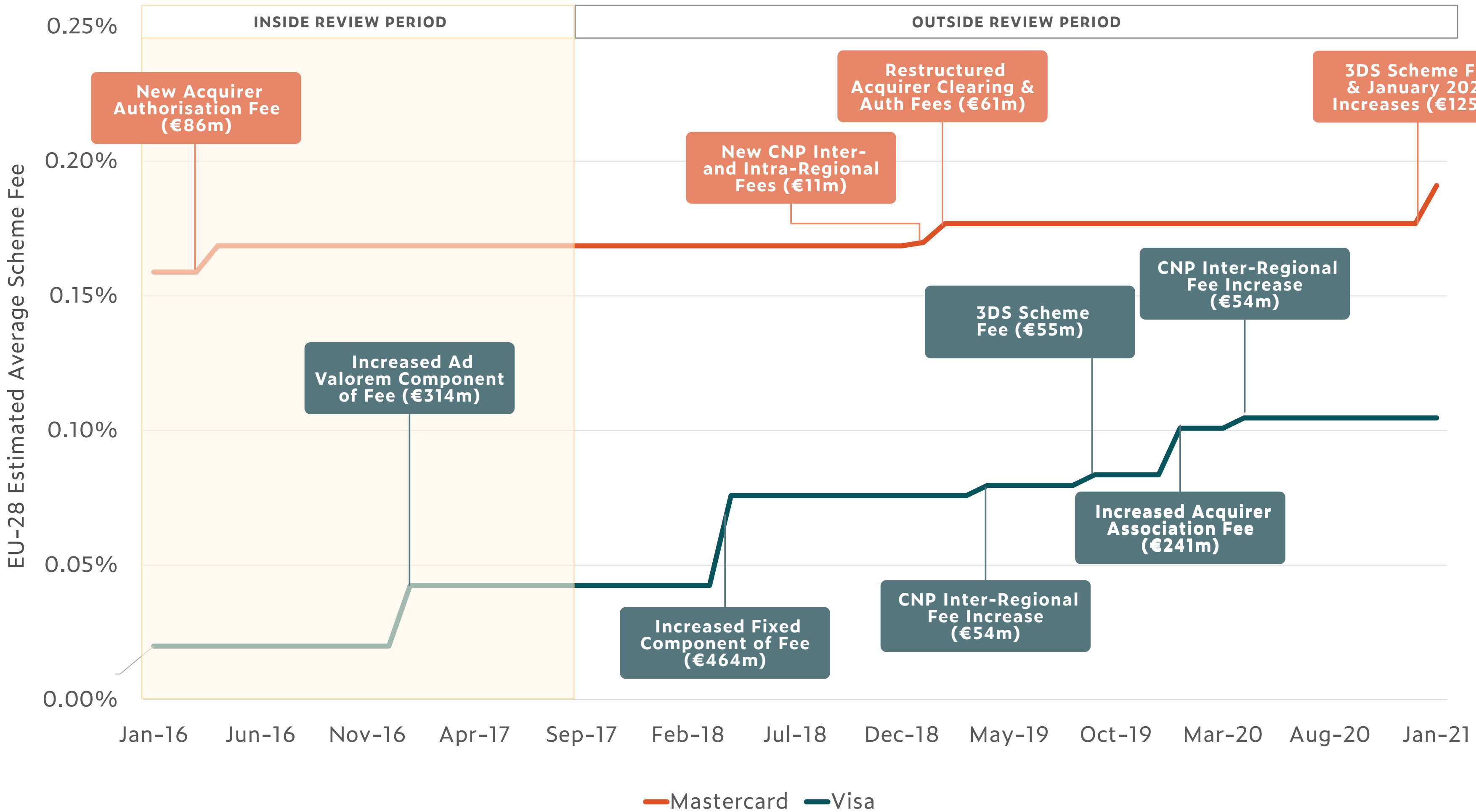
Our analysis is based on 2019 card volumes while the EY study used data from 2015-2017. Given the growth in volumes between 2017 and 2019 our estimate of scheme fee increases within the review period differs to that of EY.



Source: CMSPI & Zephyre analysis and estimates based on retail data



# SCHEME FEE INCREASES IN EUROPE



Total Inside European Commission Review Period  
**€400m**  
 Visa  
**€314m**  
 Mastercard  
**€86m**

Total Outside European Commission Review Period  
**€1.06bn**  
 Visa  
**€867m**  
 Mastercard  
**€197m**

Grand Total  
**€1.46bn**  
 Visa  
**€1.18bn**  
 Mastercard  
**€282m**

# JANUARY 2021 SCHEME FEE INCREASES

**Mastercard Acquiring Volume Fee**

19 countries

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Changes from 1st January 2021

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Affecting all Mastercard transactions

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Estimated additional annual cost to merchants of **€62,610,000**

**Mastercard 3D Secure Fees**

40 countries

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Changes from 1st January 2021

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Affecting all transactions that pass through 3DS V1

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Estimated additional annual cost to merchants of **€25,220,000**

**Mastercard Authorisation Fee**

Introduction of 0.9 bps fee for declined transactions

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Changes from 1st January 2021

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Affecting all Mastercard declined transactions

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Estimated additional annual cost to merchants of **€8,800,000**



**Estimated additional annual cost:**

**€100M**



# Country Specific Scheme Fee Growth

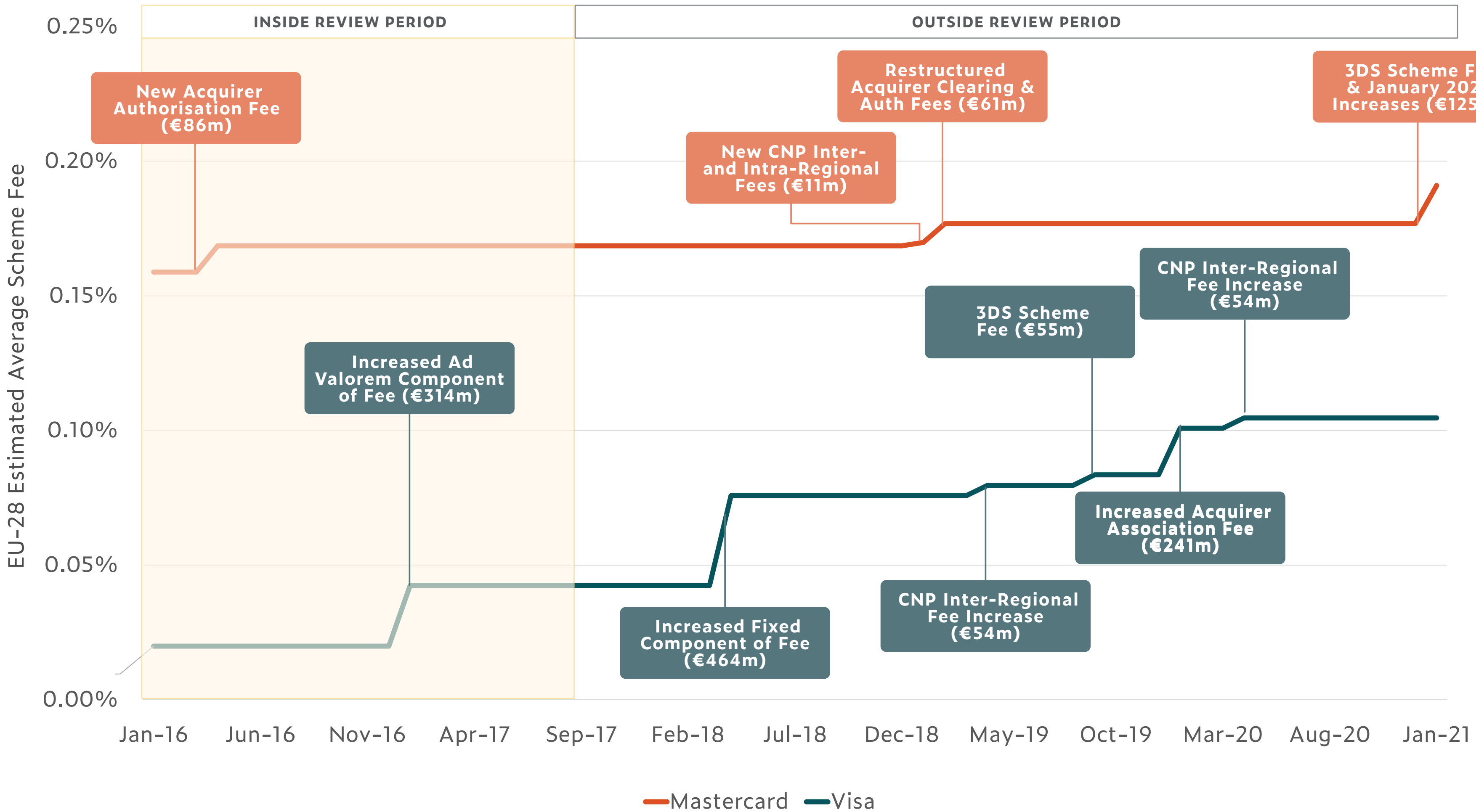
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# SCHEME FEE INCREASES IN GERMANY



## Increases in Germany



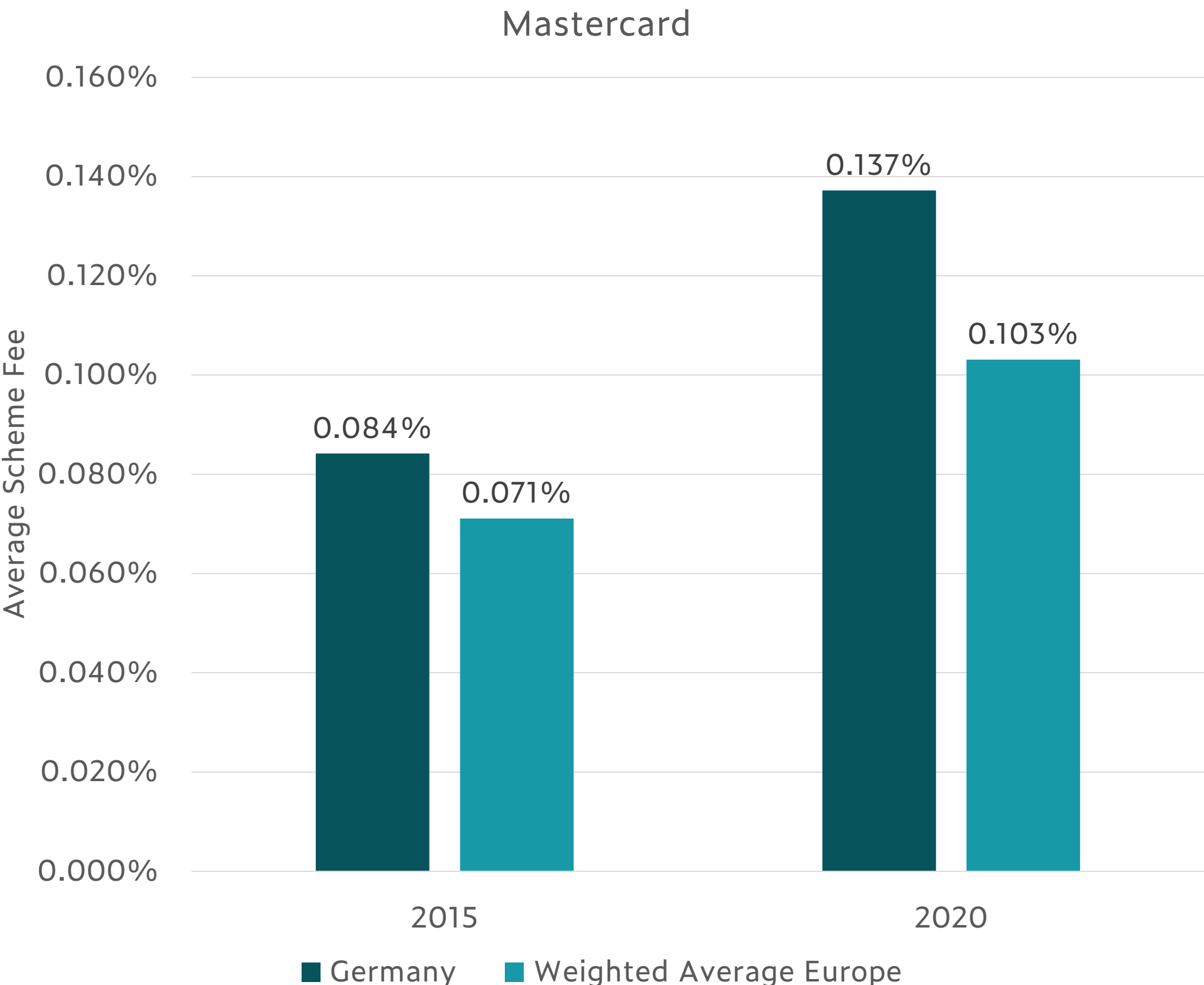
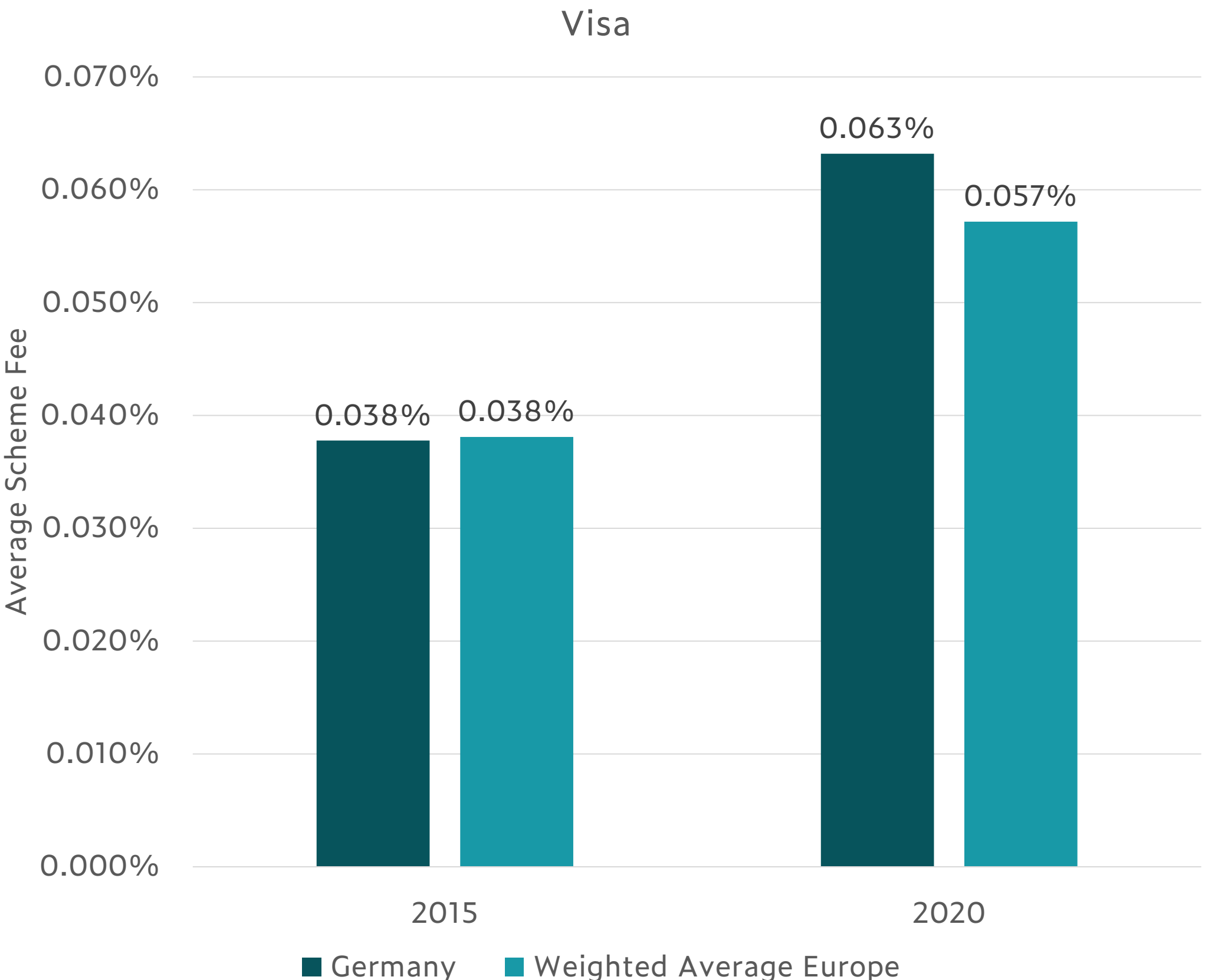
Total Inside European Commission Review Period  
**€41.2m**  
 Visa: **€32.4m**  
 Mastercard: **€8.8m**

Total Outside European Commission Review Period  
**€84.4m**  
 Visa: **€76.9m**  
 Mastercard: **€7.5m**

Grand Total  
**€125.7m**  
 Visa: **€109.3bn**  
 Mastercard: **€16.4m**

# VISA AND MASTERCARD SCHEME FEE INCREASES

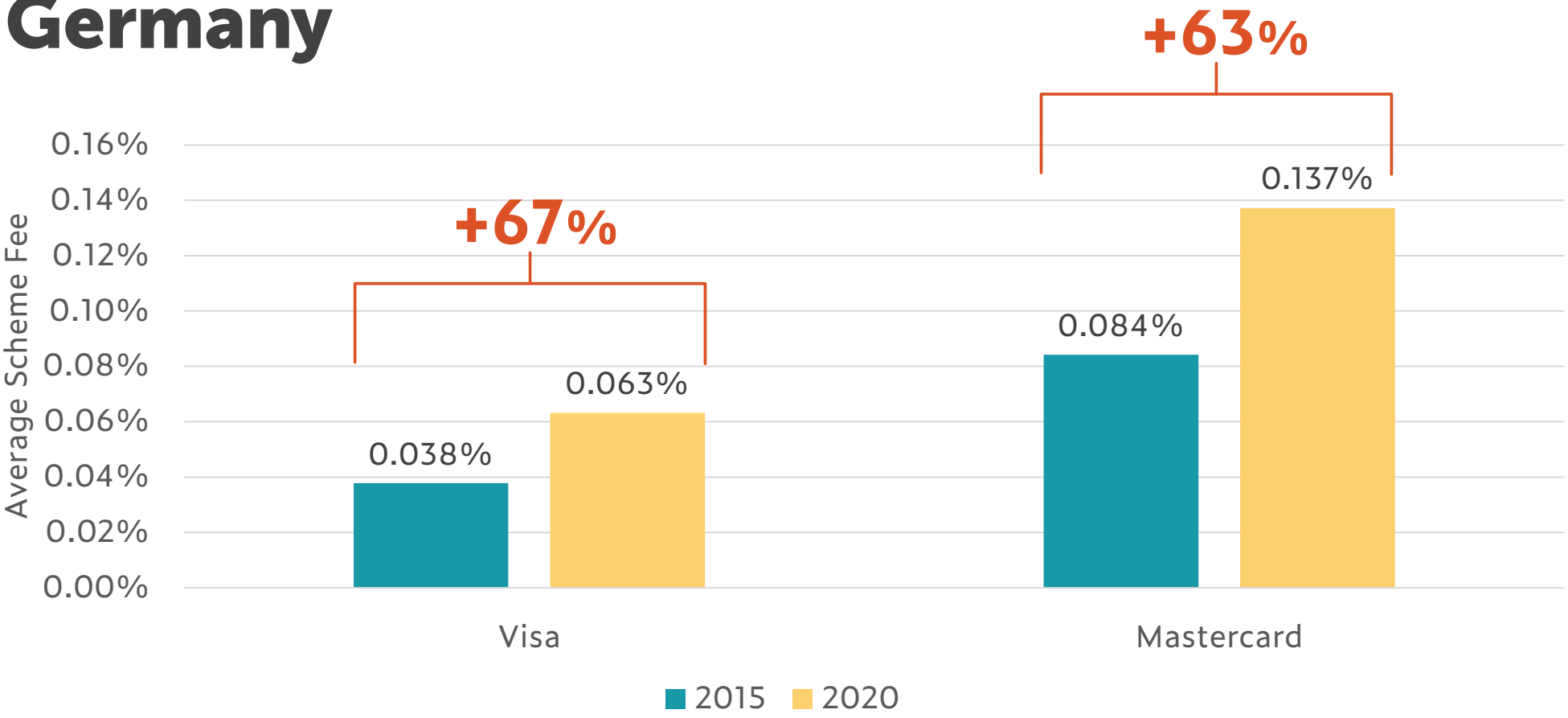
## Germany's Scheme Fee Higher on Average and with Faster Increase Than Europe as a Whole



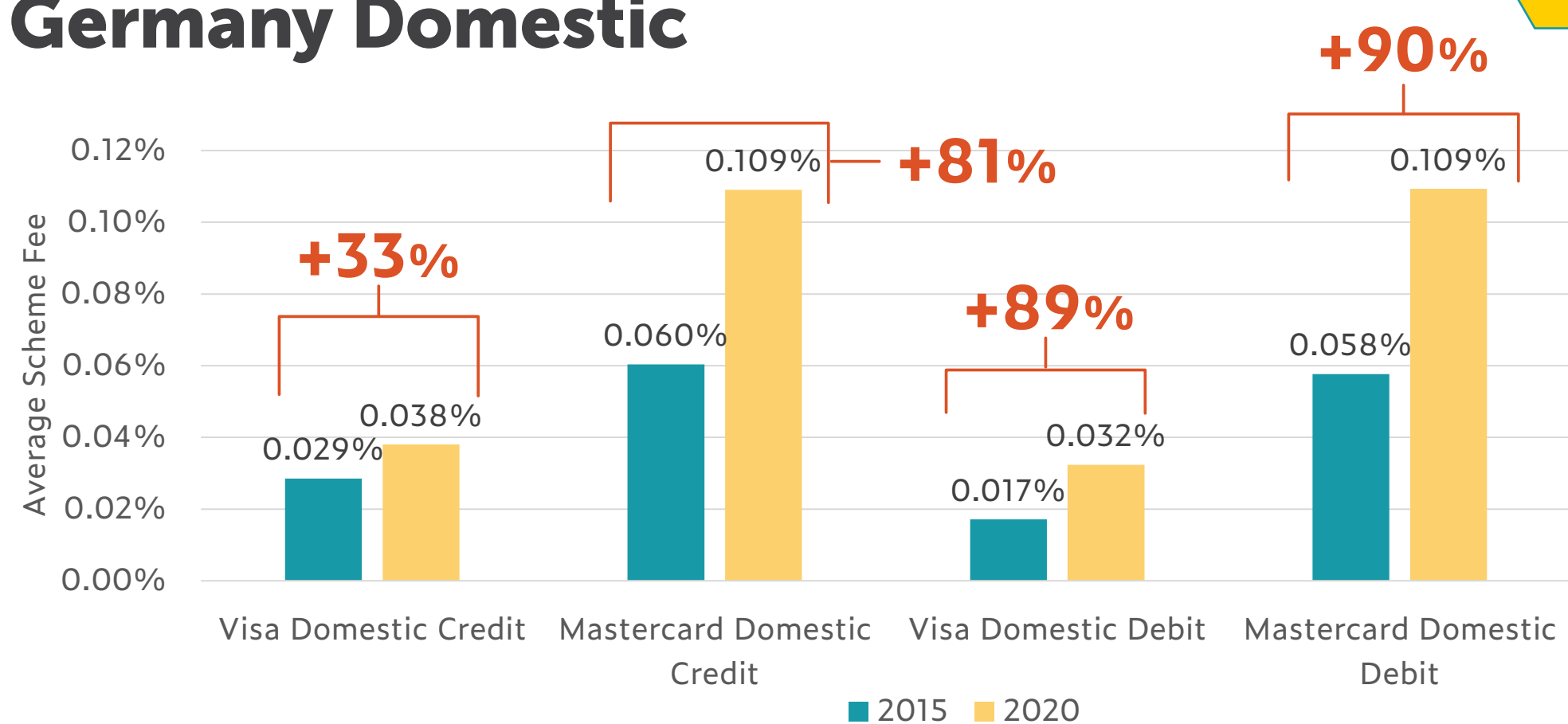
# GERMAN SCHEME FEE DEVELOPMENT



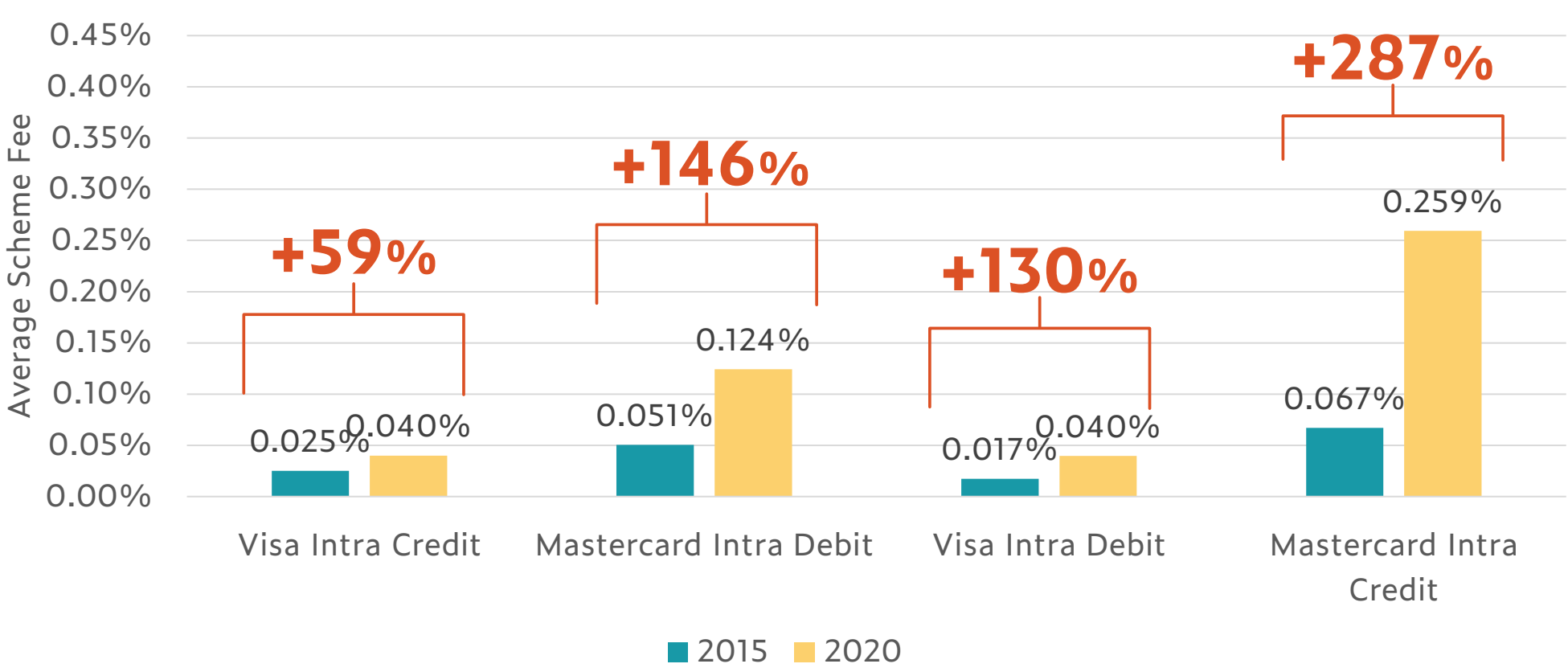
## Germany



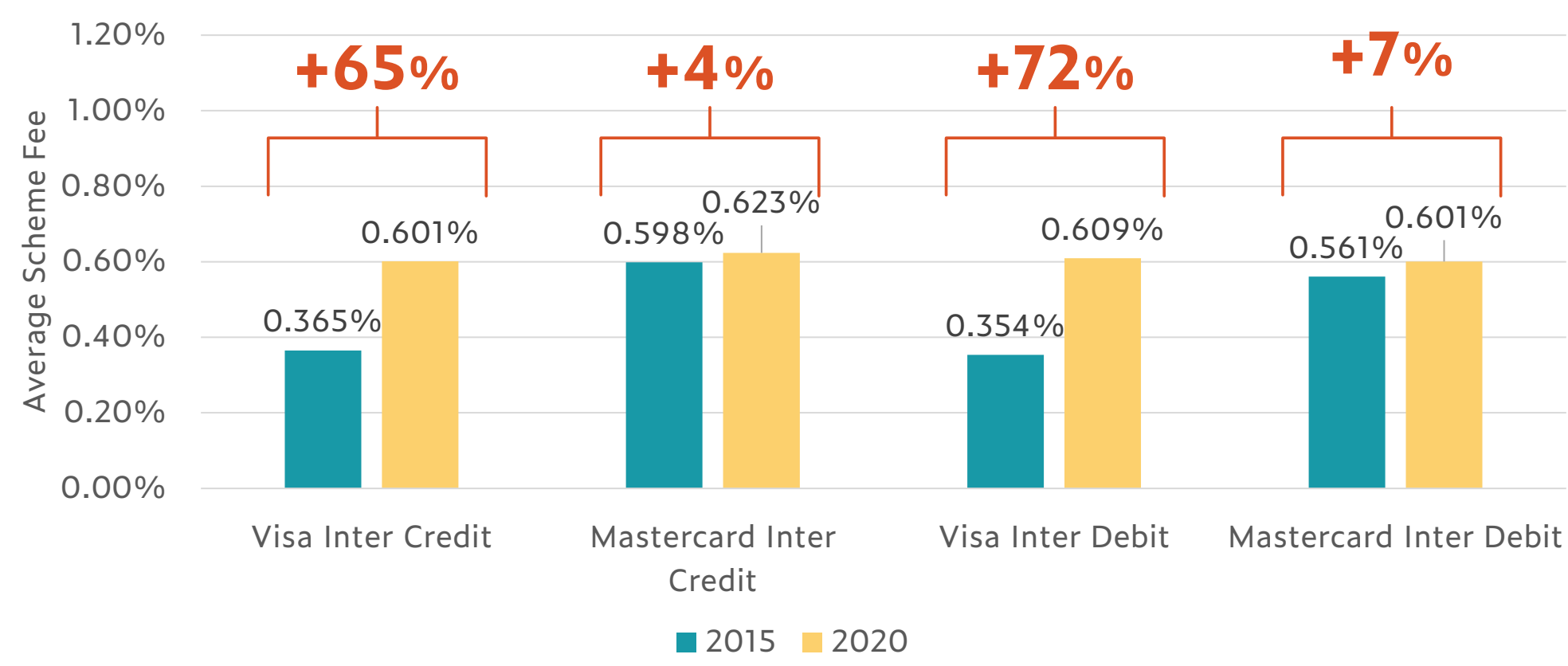
## Germany Domestic



## Germany Intra



## Germany Inter



Source: CMSPI analysis and estimates based on retail data

# JANUARY 2021 SCHEME FEE INCREASES



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19 countries

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Changes from 1st January 2021

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Affecting all Mastercard declined transactions

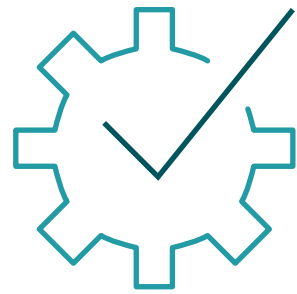
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Introduction of Strong Customer Authentication will lead to more declined transactions online



**Ongoing precedent of scheme fee increases in Germany and the rest of Europe**

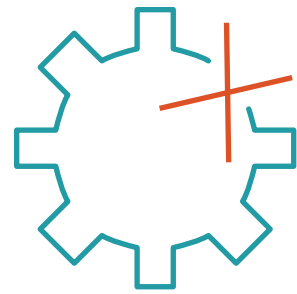
# MERCHANT ONLINE FEE APPLICATION



**3DS**



Service Fee
Authorisation Fee
3DS Fee



**3DS  
(Failed)**



Service Fee
Authorisation Fee
3DS Fee



**Direct to  
Authorisation**



Authorisation Fee
Exemption Fee



**Direct to  
Authorisation  
(Failed)**



Authorisation Fee
Service Fee
Authorisation Fee
3DS Fee

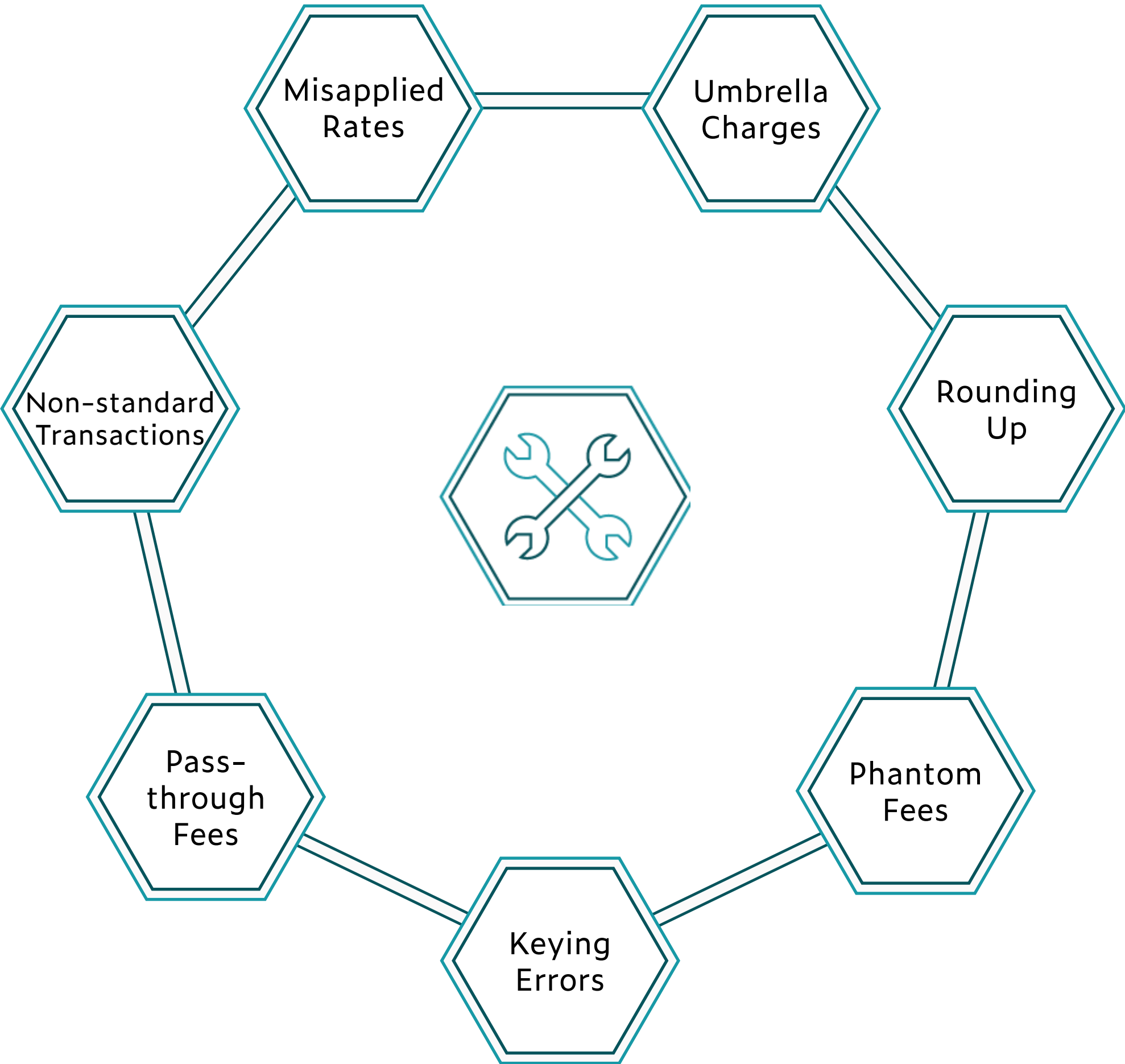




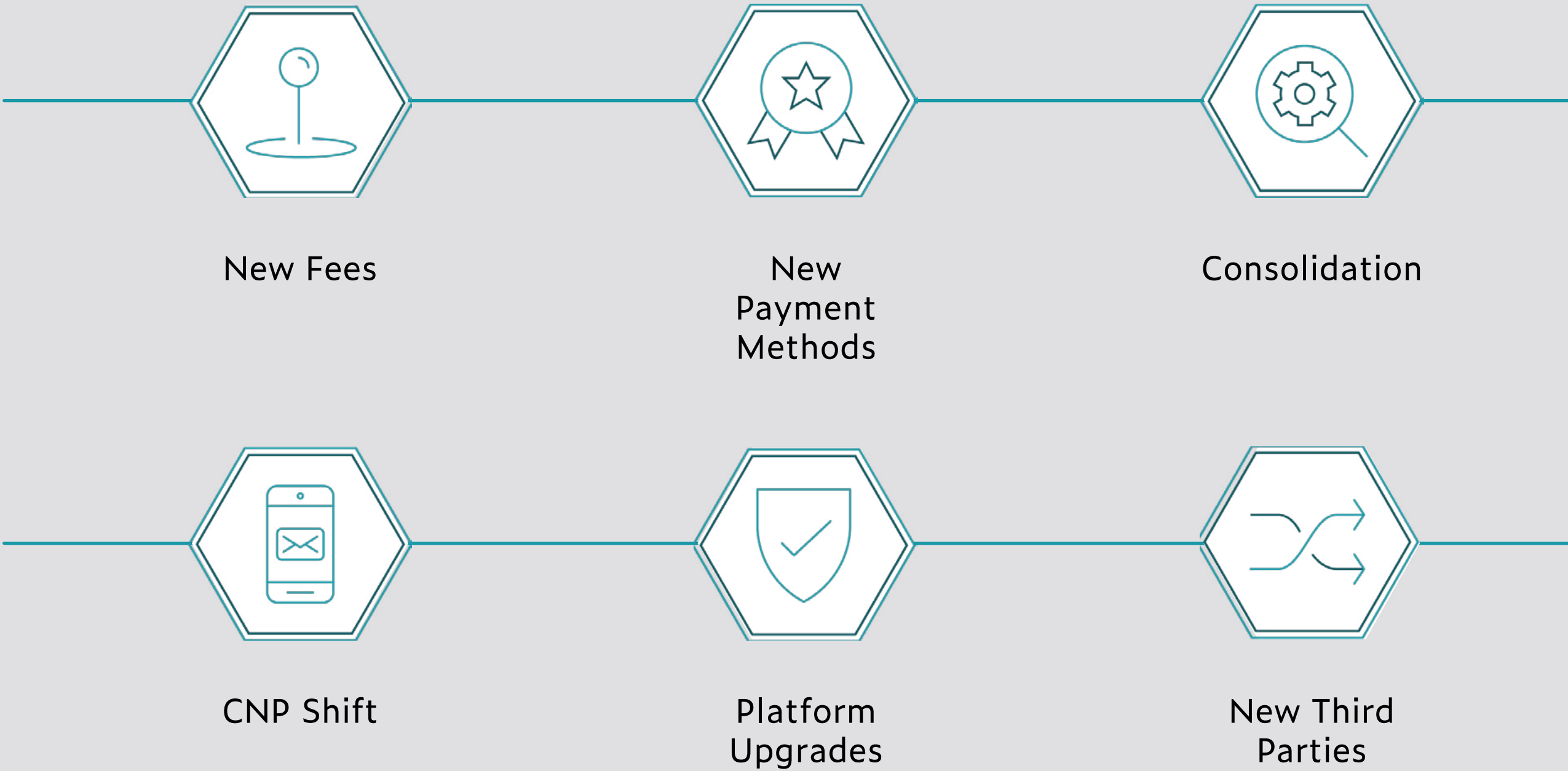
# Challenges with Scheme Fees

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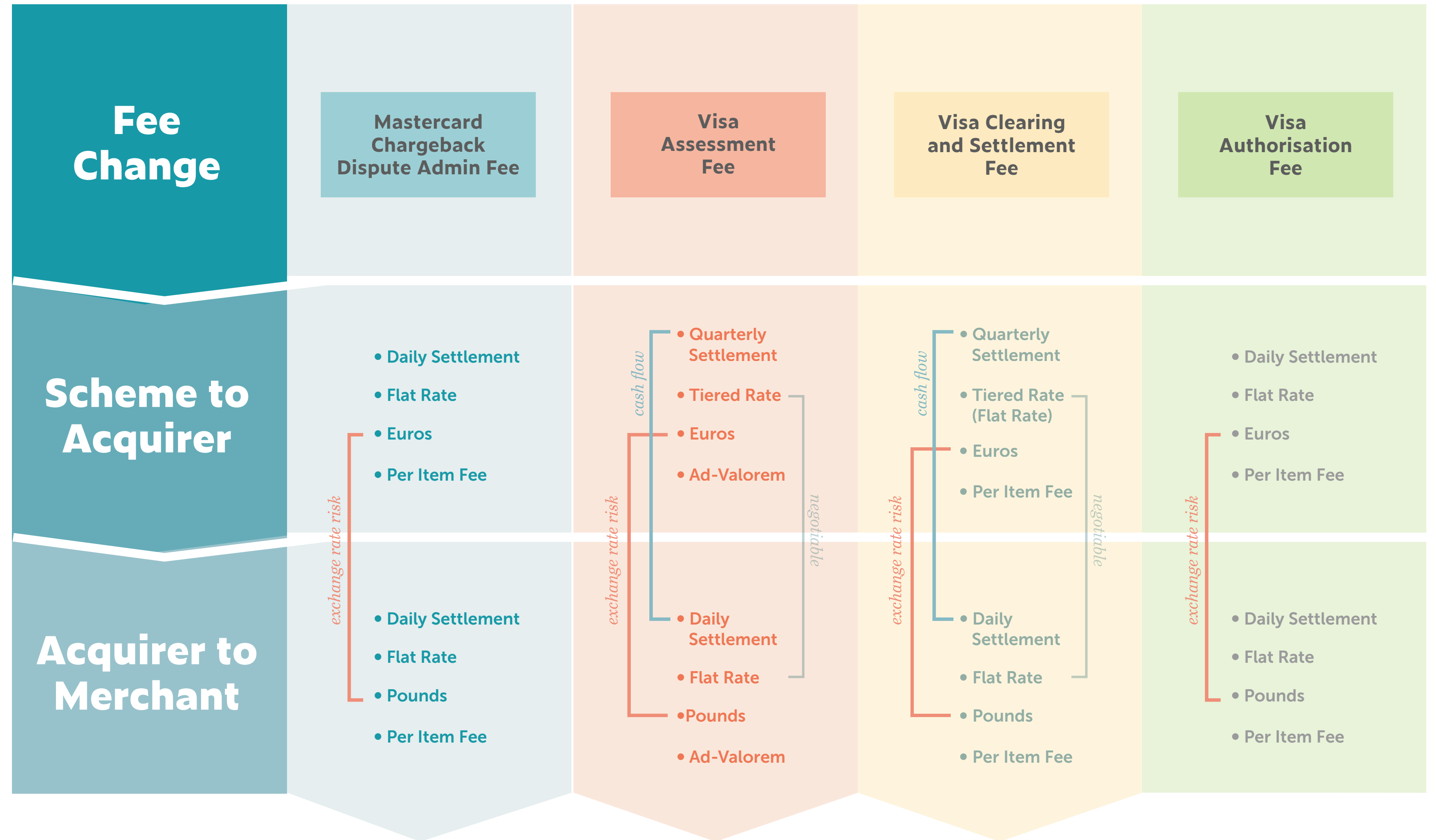




## 2020 - THE YEAR OF CHANGE ADDING NEW CAUSES OF ERRORS



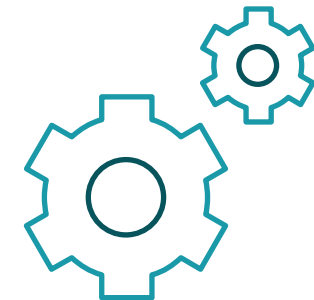
# SCHEME FEES CAN NEVER, AND WILL NEVER, BE A TRUE PASS-THROUGH



# THE COMPLEXITY OF SCHEME FEES



Cardholder/  
Merchant Region



Card Schemes



Data Capture  
and Security



Card Type



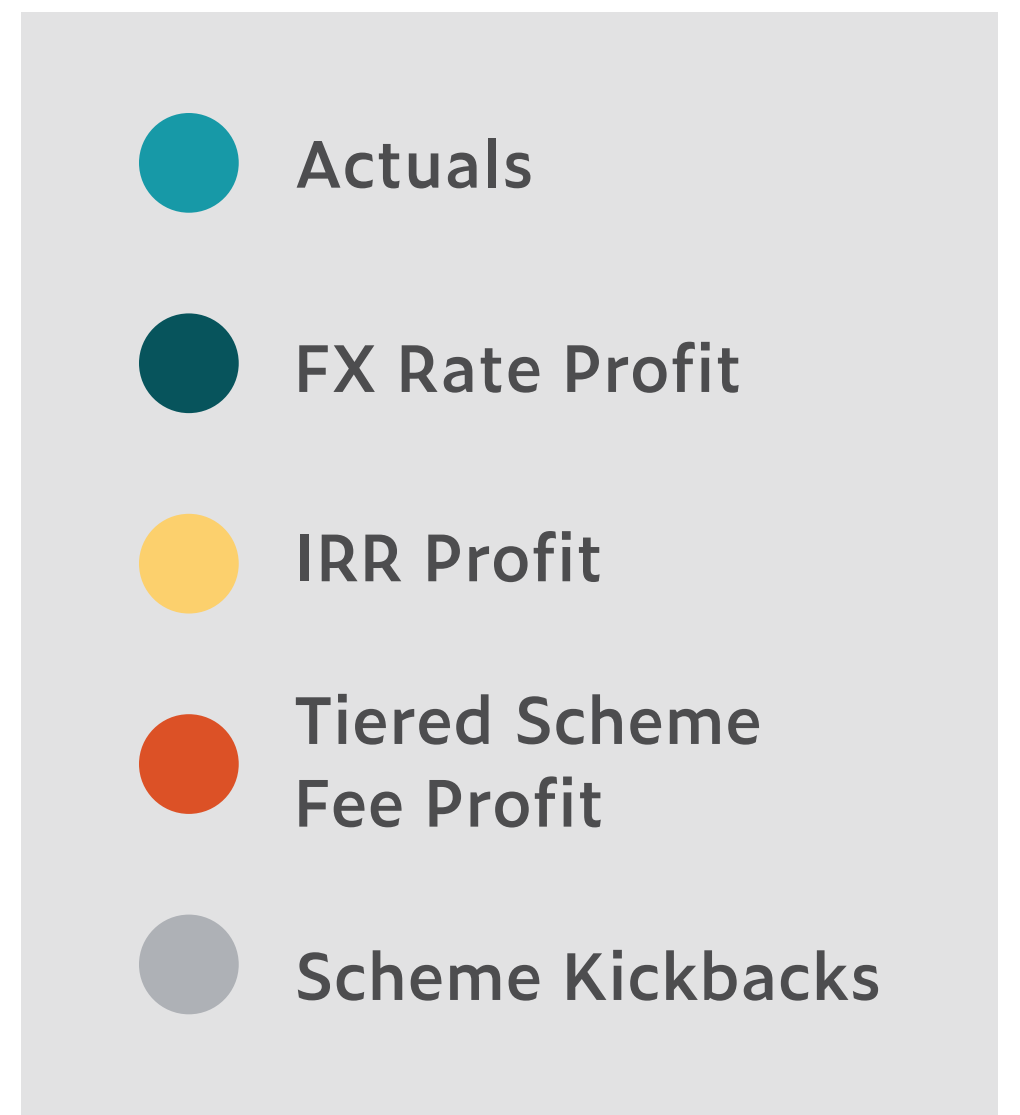
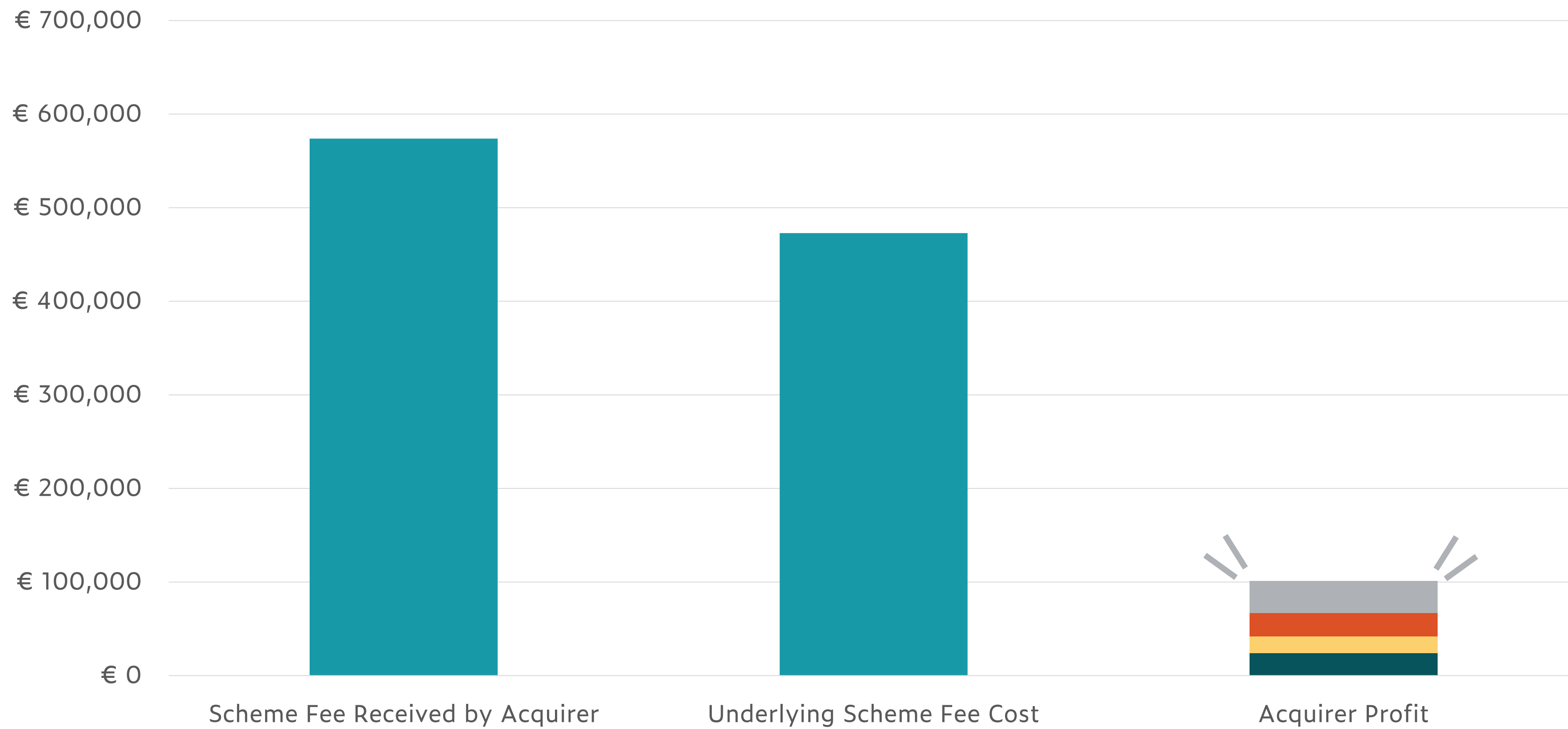
Sales Channel



Merchant Sector

Scheme Fee Description
Maestro Secure Code Authentication
Visa Acquiring Clearing & Settlement Fee
Clearing Maestro Acquirer POS
Global Wholesale Travel Transaction Program Fee
Mastercard Freight Program – Acquirer Switch Fee
Visa Non EMV Terminal Fee
Non-Txn Based Card Scheme Fees
Maestro Non-EMV
Mastercard/ Maestro Authorisation Integrity Fee
Visa Electronic Commerce Development Fee
Mastercard/ Maestro Non-EMV/ Contactless Acquirer Fee
Maestro Card Payment Promotion Fund

# UNRAVELLING THE UNDERLYING COMPLEXITY IS IMPOSSIBLE





# Solution for Scheme Fee Challenges

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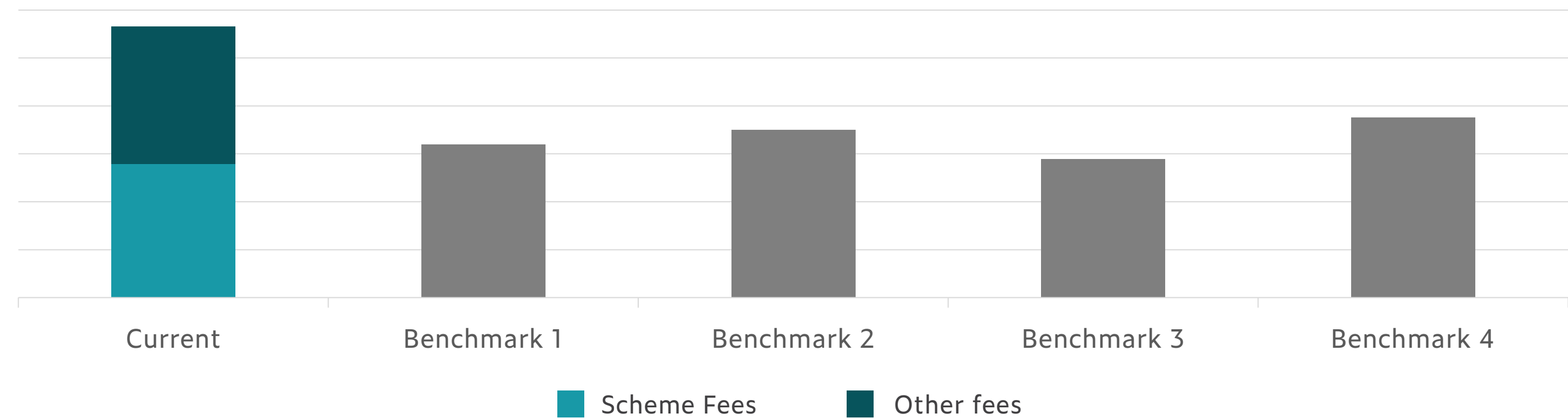


# THE CMSPI METHOD

## 1 Build specific payments profile



## 2 Benchmark against vast database



## 3 Fact-based negotiation/RFP

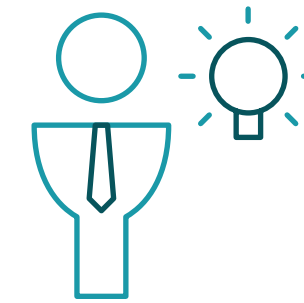


# ADVOCATE THE REGULATION OF SCHEME FEES

“

“Evolving, complex, opaque, and ever-increasing scheme fees are a global issue, and a purposeful global strategy.”

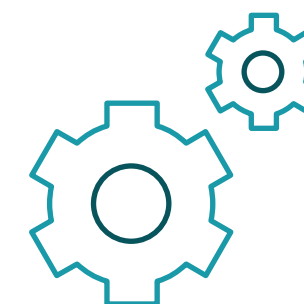
Alex Ellwood  
Head of Merchant Advocacy, CMSPI



Regulators respond to hard facts and data



Support CMSPI, EuroCommerce and many large retailers in submitting evidence to the European Commission



The best solutions have provided ongoing competition



# Get in Touch

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GODWIN**

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# Handelsverband Deutschland

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