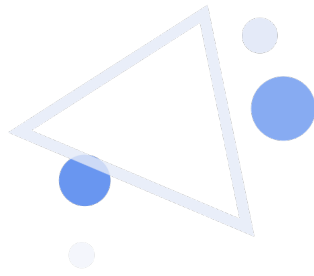




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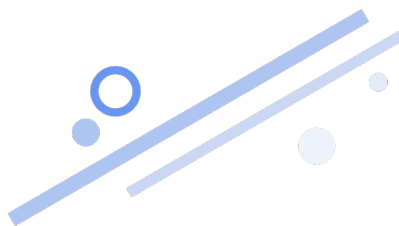
# European Payments Predictions 2019

9 industry experts share  
their latest and greatest insights



*EU approved the Brexit bill, GDPR caused industry-wide panic, and the Bitcoin crashed. We're still reeling from the whirlwind that was 2018; but amidst the challenges and uncertainties, the payments industry continued to grow and thrive. New, innovative FinTechs were launched, landmark deals were struck and millions of Euros poured into industry.*

*There's much to look forward to, and as we jump both feet first into 2019, let's peer into the proverbial crystal ball and gear up for what's to come. We've rounded up predictions from some of the payments industry's heavyweights - each of whom are thought-leaders in their respective areas of expertise. Their insights portend many interesting developments for the payments landscape; and cover everything from PSD2 and Open Banking to APMs, Omni-channel and beyond.*



# Our line-up of experts



**Claus Methmann Christensen**  
**CEO and Co-founder, Clearhaus**

An innovator at heart, Claus has an M.Sc. in Informatics and has been working with internet technologies and digitalisation since the 90's. He started specialising in online payments in the mid 00's; gaining work experience at companies like Nets and various other startups.

His deep understanding of the online payment industry has given him the skills to take Clearhaus from a small startup to becoming a competitive player in the merchant acquiring space with over 8,000 customers across 33 European countries.



**Evgen Sopin**  
**CEO, CommerceGate**

Evgen has extensive experience in e-Commerce and payment processing. Under his leadership, CommerceGate has transformed into a company at the cutting edge of technology, service and data-driven success. He has two university degrees in physics and finance.



**Hans Henrik Hoffmeyer**  
**Co-founder, board member and COO, Coinify**

Hans has a background in the global payments industry from roles at Nets Group, IBM, Pandora and more. He is also a founding member of the Blockchain and Virtual Currency Working Group (BVC WG) supporting the EU Commission, European Parliament, European Central Bank, and other related bodies on understanding blockchain and virtual currency technology.



**Jens Bader**  
**Co-founder, MIR Limited**

Jens has a rich management background with more than 20 years of experience in the online and mobile payments industry; holding leadership positions at payment companies like Secure Trading, Paysafe Group, GlobalCollect and many others. A seasoned commercial leader, Jens recently co-founded MIR Limited, an FCA-licensed FinTech group that develops and operates second-generation electronic money services servicing on- and offline merchants.



**Milan Bartik**  
**Managing Partner, Corestar Partners**

With over 21 years experience in Corporate Finance and Investment Banking, Milan provides independent corporate finance advice to the payment services sector. He has a Master in Finance and has worked at companies like NIBC Bank, Deutsche Bank and Arthur Andersen.



**Robert Mygind**  
**CEO, Reepay**

Robert Mygind is the CEO and Co-founder of Reepay. He has 14 years of experience in the software industry and 5 years of experience within the e-Commerce and payment industry. Robert founded Reepay in 2015 for providing e-Commerce with a better payment solution and subscription platform.



**Susan Kaae**  
**Founder, Expert Eye**

An industry veteran, Susan has been working with e-Commerce and online payments since the early 00's. She has held leadership positions at payment companies like Nets, Ekspres Bank, AltaPay and DIBS, giving her a multifaceted understanding of the payments landscape and industry. She works as an independent consultant, advising payment businesses on “how things work” and “what things should cost”.



**Thomas Jensen**  
**CEO, QuickPay**

With over 25 years' experience in building payment solutions, Thomas knows the ins and outs of payment technology and infrastructure. He founded QuickPay in 1998 and today serves over 30,000 merchants secure, reliable and dynamic payment services. A self-proclaimed “corporate generalist”, Thomas has a hands-on approach and leads a team of highly skilled and dedicated individuals that thrive on both solving problems and exploring uncharted territories.



**Tony Craddock**  
**Director General, The EPA**

An enthusiastic business leader of the UK's most influential trade association in payments, a lively public speaker and avid networker, Tony is passionate about payments and the difference emerging payments can make to lives everywhere. A serial entrepreneur; Tony launched the Emerging Payments Association (EPA) in 2012, and also invests in many early stage payments and PayTech companies.

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## PSD2 will be a catalyst for change

RTS, SCA, API and MPI; these 3 letter words have been uttered at every conference, boardroom and watercooler debate in our acronym-loving industry. Whether you see it as an opportunity or a challenge, the new Payment Service Directive (PSD2) has, and will continue to impact everyone in payments.

One of the payments topics, Strong Customer Authentication (SCA), will become mandatory in September 2019 - forcing all entities involved in a transaction to implement 2-factor authentication. Read more about SCA, its requirements and exemptions in our ebook, [“PSD2 Explained”](#).

Payment service providers will turn to 3-D Secure features such as Verified by Visa and Mastercard SecureCode, as they are the easiest ways to fulfil the new requirements. The implementation of these technologies, however, is another story.

*“Back in early 2013 - long before PSD2 - we foresaw the sharp growth in e-Commerce, and therefore also anticipated an increase in fraud. To mitigate the negative effects of fraud on our merchants, we developed a 3-D Secure solution, which we have recently opened up as a SaaS product. We did this to save resources for PSPs who don’t have the time and manpower to develop their own solution. Our plug-n-play 3-D Secure MPI, [3dsecure.io](#), is open for all PSPs to use, no matter who their acquiring partner is.”* says Claus Christensen, CEO, Clearhaus.

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*Just like we opened up our solution for other service providers to use, we expect more collaboration in the payments industry the closer we get to the PSD2 deadline. There will be more funding and partnerships between FinTechs and traditional banks - creating better, more competitive solutions for consumers.”*

| Claus Christensen, CEO of Clearhaus







## Open Banking: Those taking the long view will be rewarded

Many expected 2018 to be “the year of open banking”, but that didn’t quite happen. *“Last year, the banking community displayed varying levels of enthusiasm in embracing open banking, with some being described as striving to meet the letter, rather than the spirit of open banking.”* says Tony Craddock, Director General for the Emerging Payments Association.

As the RTS deadline of September 2019 looms closer, incumbent banks will have to comply with the new regulations and grant third-party operators access to account information - levelling the playing field for new FinTechs.

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*We expect that a year on from when PSD2 became law in January 2018, and banks started to give access to payment service providers and their customers, a stream of new innovative products and services will be coming to market. We expect investors to pour in cash, new partnerships to be created, and new channels to open up to for innovations that solve real problems.”*

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*However, whether or not consumers will actually adopt those new innovations and change how they pay and manage their finances remains to be seen.”*

Tony Craddock, Director General  
for the Emerging Payments Association



In comparison to most European countries, the Nordics have shown stronger support in favour of Open Banking and the many opportunities it brings. The attitude towards the new financial service providers has been positive, and Nordic banks are embracing Open Banking, trying to make it a success. In fact, just recently Danske Bank (Denmark), and DNB (Norway) announced their investments in the Nordic API Gateway which is developed by the Danish FinTech, Spiir.

Spiir's app, which automatically retrieves data across multiple banks on behalf of users, helps over 250,000 Danish citizens keep track of their finances. Backed by investments from the banks, Spiir has developed the Nordic API Gateway - a solution that consolidates data from all Nordic banks in one place. Once customer consent has been received, the platform gives banks, retailers, FinTechs and others access to a customer's bank data from multiple banks. It is thanks to the Nordic API Gateway, that Danske Bank customers are able to view accounts from other banks in their Danske Mobile Banking app.

Not all banks are proactively taking steps towards Open Banking and it's a long road ahead. *“Take the long-term view and focus on the destination: a world in which consumers benefit from an open, integrated, partner-enhanced ecosystem”* concludes Tony Craddock.



## More money will pour into European FinTechs

There was no shortage of M&A news last year. According to a report by Hambleton Partners, 114 M&A transactions were disclosed in 1H2018 alone. Among the top 5 Fintech M&A deals, were the acquisitions of SIX Group by Worldline SA, and iZettle by PayPal Holdings - for \$2.75 billion and \$2.20 billion respectively.

2019 will be marked by further consolidation. Large players will continue to scoop up strong and disruptive payment technologies in efforts to counter competitive threats from industry peers. PayPal is a prime example; as their acquisition of iZettle strengthens their position against competitors, Square and Stripe.

The European M&A scene in payments will maintain a steady pace in 2019. *“In General, the consolidation in the European payment market is expected to continue through 2019 and onwards with DACH being the most important and active region in 2019 and 2020”* says Milan Bartik, Managing Partner at Corestar Partners - an investment banking boutique focused on the Financial Technology & Payments Services sector.

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*There have always been a lot of young companies who try to revolutionise the payments space; let's see who stands out from the pack in 2019. The key factors investors will be looking for are access to merchants, agile platforms, state of the art technology and omni-channel solutions for the merchant.”*

Milan Bartik, Managing Partner  
at Corestar Partners



Another driver for M&A activity in Europe is PSD2. The regulations open up new possibilities for FinTech startups, and just like Danske Bank's investment in Spiir's Nordic API gateway, more PSD2-driven deals will be made all across Europe. 2019 will also see a renewed focus on IT security and risk-mitigation, and more investments are expected in these areas.



# #4

## The fight against fraud will heat up

A study by Bromium reveals that cybercrime revenue in 2018 totalled up to a whopping \$1.5 trillion globally; and CommerceGate CEO, Evgen Sopin doesn't expect things to slow down. *"Fraud will continue to grow for all players in the payments industry. This would happen due to market growth and also in response to increased regulatory challenges."*

Although the new SCA requirements set by PSD2 will make it extremely hard for fraudsters to misuse stolen cards or card information, we shouldn't expect fraudsters to hang up their boots anytime soon.

*“Fraudsters will simply find new ways to make money. We will see them resort to other tactics like AML, tax fraud, sanctions evasion fraud - like Mastercard's MATCH list -, regulation and law enforcement. As cyber-criminals expand their modus operandi, financial institutions and payment service providers will need to amp up their fraud-prevention efforts.”*

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*There is clearly a shortage of specialists with the technical skills and knowledge to make quick decisions in the face of highly complex fraud patterns - while also ensuring that merchants are not negatively impacted by falsely declined transactions. The ability to make retrospective and deep analysis of blocked legal entities in the KYC process will also have a substantial impact on businesses.”*



■ Evgen Sopin, CommerceGate CEO

Payment Institutions & PSPs will have to have sophisticated BI systems in place as a standard offering going forward, to remain competitive in the marketplace. Clearhaus CEO, Claus Methmann Christensen says *“as a merchant acquirer, we’re doing everything in our power to protect our customers against fraud. Our recently developed in-house real-time risk scoring system ‘Riskr’ has saved our merchants 2.3M EUR in fraud-related losses, by blocking cards associated with a history of fraudulent behaviour.”*

An encouraging development is the recent implementation of the Visa Claim Resolution service which makes Visa chargeback ratios more controllable and predictable. Visa limited a maximum of 35 fraudulent chargebacks on the same merchant account number within a timeframe of 120 days for card-not-present transactions. As of today, Visa automatically rejects over 35 chargebacks for each individual card number irrespective of the number of merchants involved.

*“These measures enable chargeback ratios to be managed easier allowing chargeback forecasting a more precise science”* concludes Mr. Sopin.

2019 will also see the emergence of new forms of cybercrime - especially in fraud through recurring payments and cryptocurrencies. Fraudsters are taking to crypto-mining because it's easy to get started with and hard to trace. It also gives them a steady income for a longer period of time, as it often takes victims a long time to realise that they are being attacked.

While fraud dons this new hat, Coinify co-founder, Chief Operating Officer and board member, Hans Henrik Hoffmeyer expects stronger regulations to quell this trend.

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*On the regulation side, I anticipate the continuation of the steady growth we have experienced this year. We have seen the virtual currency ecosystem evolve and mature, bringing more clarity to the regulatory environment surrounding the legality of virtual currencies. This coupled with a positive inclination towards elements such as digital assets and stablecoins are casting a line to bridge the banking and crypto worlds, thus preparing the scene for bigger players in the banking and financial industry to explore the various and viable benefits that virtual currencies can offer in combination with regulatory compliance.”*

Hans Henrik Hoffmeyer,  
Coinify co-founder



#5

## Payments through cryptocurrencies: growth will depend on infrastructure improvements

2018 was a bear year for the bitcoin, and the crypto community is still buzzing with heated debates on the prediction of its value. There's talk of a slow and steady price increase from 2019 through 2023, and the continual growth in the number of blockchain wallet users is encouraging.

Hans Henrik Hoffmeyer is optimistic about the future of cryptocurrencies in payments.

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*2019 will be an exciting year for virtual currencies. I foresee more broad-based adoption with a focus on the sustainability of the virtual and cryptocurrency ecosystem with more viable usage options.”*



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*This won't happen overnight, but the foundations have already been laid, the interest is there, and there have been logical use cases for them to become a legitimate medium of exchange. All we need is to continue the improvement of the infrastructure - the Lightning network and other virtual currency-focused updates on payments will provide for these even more scalable, efficient payments. With this, we sense a boom in payments on the horizon.”*



Hans Henrik Hoffmeyer,  
Coinify co-founder

*“Disruptive payment instruments are constantly being introduced and readily embraced because the needs of users are consistent: they just want things faster, cheaper, easier, more accessible and more secure. With the rate that technology is moving at, companies must be ready to adapt. And we (Coinify) are ready to support this rising need and are constantly developing our technology with these factors in mind to challenge and improve the payments industry,” he added.*

*“What we can predict, and even promise with certainty is the growth of our payment offerings. We support over 65 global payment service providers their merchant estate on a daily basis and many large-scale merchants with direct integrations, and we cannot wait for them to experience the benefits of this growth. They can look forward to upcoming benefits such as a stronger business model, flexible fees, improved integrations and more.”*



## Card scheme wars: international brands vs. local incumbents vs. APMs

European markets have always been fragmented; there's one group of countries where the international brands (Visa and Mastercard) are dominant and the other, where consumer still use local card schemes.

Countries like Belgium (Bancontact), Bulgaria (Borica-BankService), Denmark (Dankort), France (Cartes Bancaires), Italy (BANCOMAT), Norway (BankAxept), Portugal (MultiBanco) and Spain (ServiRed) still use local brands. On the other hand, UK, Ireland, Luxembourg, the Netherlands, and Finland phased out local card schemes a long time ago; and experts question whether other markets will follow suit.

Susan Kaae - an industry veteran who has worked in the payments space since the early 2000's - sees a potential shift as local incumbents face increasing pressure from the big international brands. *"Dankort (the Danish card scheme) is playing a smaller role in Denmark as a payment form, as we are moving towards cross border payment forms."*

Having worked with companies like Nets, Ekspres Bank, AltaPay & DIBS, Susan has a finger on the pulse of payment technologies and pricing.

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*The competition in the card acquiring market has grown and the prices have fallen, leading to merchants choosing to just accept Visa and Mastercard.”*

Susan Kaae, Independent  
Payment Expert Advisor



*“I foresee a shift - not just online, but also for POS. For instance, McDonalds in Denmark has already taken the first steps, by being one of the first in Denmark to not accept Dankort in their restaurants. This trend will continue in 2019, and will also be supported by wallets like Apple Pay and Google Pay, that do not support Dankort. This means that the customer will also get used to seeing Visa/Mastercard transactions and not Dankort.”*

*“Another trend to keep an eye out for in 2019 is the growing adoption of Alternative Payment Methods (APMs) like digital wallet solutions, peer-to-peer money transfer services, payment platforms, e-invoices and digital currencies. The proliferation of these APMs will be driven by changes in consumer demands for new forms of payments that are mobile friendly (like Apple Pay), flexible (like Klarna) or completely independent of central banking systems (like the bitcoin).”*

Jens Bader, Co-founder of the FinTech software development company, MIR Limited also expects growth for APMs.

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*Open APIs and SEPA technologies now allow traditional domestic payment instruments like bank accounts to enter the cross-border payments market. Another competitive turf between banks and card schemes will be the B2B payments space. Open APIs in the banking networks will allow direct payment services and rails being built into invoicing and procurement applications.”*

Jens Bader, Co-founder  
of MIR Limited





## Mobile will take over

Consumers' back-pockets are getting lighter, as they continue to replace physical cards with digital wallets. Mobile payments aren't just another fleeting fad, they're growing in usership and are here to stay.

The European mobile payments landscape is characterised by two distinct groups of competing solutions; the bank-led vs. the non-bank-led solutions. Certain markets have shown a clear dominance of local bank-led mobile payment technologies that made quick wins on account of being first-movers and/or a superior understanding of local cultural nuances.

iDEAL in Netherlands, MobilePay in Denmark, Swish in Sweden, Vipps in Norway; these are all prime examples of mobile payment technologies - driven by local banks - that show no signs of slowing down.

On the other end of the spectrum we have a mix of challenger mobile payment solutions from international card schemes, mobile network operators, global technology companies and startups. Big tech companies like Apple, Google, Samsung and Amazon have already dipped their toes in the (European mobile payments) pool with Apple Pay, Google Pay, Samsung Pay and Amazon Pay.

Whether these international players will succeed in finding their way into European wallets or not, is yet to be seen. So far, the outlook looks promising as these big tech players have already penetrated the European market in other facets of the consumers' daily life. For instance, Nordic consumers are known for their

fondness of slick Apple products like the iPhone, iPad, iWatch and Macbook - which now come pre-installed with Apple Pay.

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*Last year, we saw a sharp growth in MobilePay online transactions of close to 60% as compared to the previous year. We expect this trend to continue in 2019, as other mobile payment solutions [in the Nordics] like Apple Pay, Swish, Vipps and the Dankort eCommerce app will forge ahead.”*

Thomas Jensen, CEO of Danish payment gateway, QuickPay





## Online retailers go the Netflix way

Companies like the Dollar Shave Club - that offer price savings, and spare customers regular trips to the store - have already proven that the subscription-based business model works. Whether it's shaving kits, socks or champagne; consumables of every kind have jumped on the subscription economy bandwagon.

Subscriptions provide a steady stream of income and help bolster customer loyalty. Payment Service Provider, Reepay, specialises in providing subscription-based payments. Robert Mygind, CEO, Reepay shares his predictions for Europe's growing subscription economy.

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*What we see for the future, is a new tailored type of subscription. Daily goods - that we all need on a high or low frequency - will be available as subscriptions. A typical flow looks like this: the customer fills her basket and has the option to subscribe. When it's time for a delivery, she automatically receives a notification - with the option to postpone, add or edit the order.”*

| Robert Mygind, CEO, Reepay

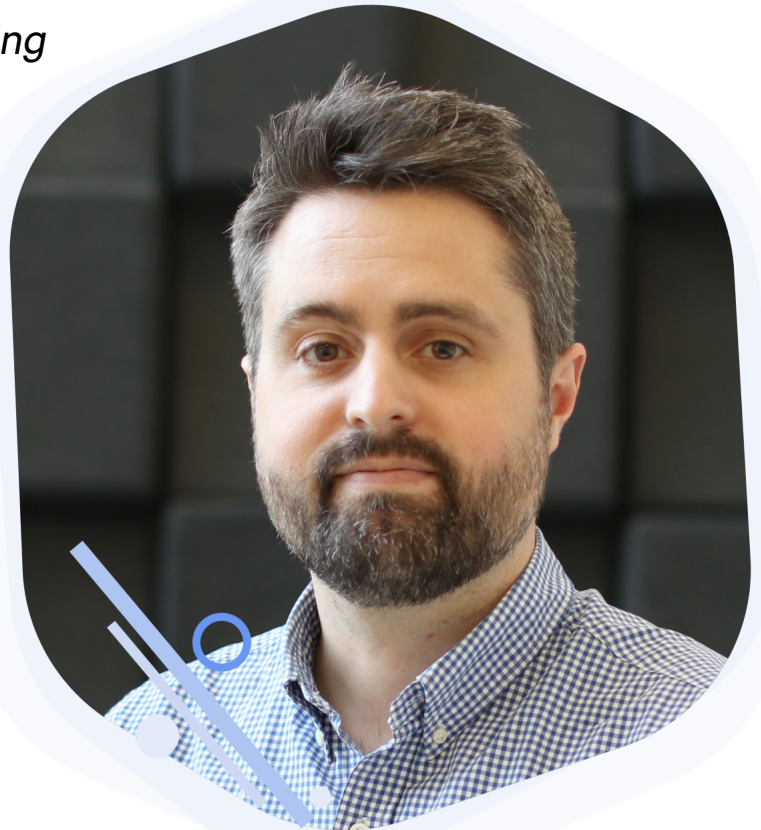
*“Furthermore, we continue to see an increase in leasing- and membership-based business models. The membership model gives the customer various benefits such as lower shipping prices or discounts in exchange for becoming a member,” he adds.*

A classic example of the membership model is Amazon Prime - a service that offers members free two-day delivery, streaming music and video, and other benefits for a monthly or yearly fee.

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*They [Amazon Prime] have had great success with this model; boosting conversion rates by 73% for visiting members and 14% for non-members. You have open memberships - like Amazon Prime - and then you have the closed memberships at speciality shops - like wine, perfume, groceries or take away - that are more exclusive.”*

| Robert Mygind, CEO of Reepay



Another prominent trend Mygind sees is the recognition of customers or members across channels. *“Whether it’s online or in brick-and-mortar stores, retailers are starting to utilise the subscription models in all of their sales channels.”*

*“For Reepay it’s important that we support all new models and tailor-make solutions for our merchants. We want to help them offer well-timed, intuitive subscription services to their customers.”*





## Customer-centricity is the new black

You walk into your favourite high-street store. A facial recognition camera at the entrance alerts the staff of your arrival and gives them a full profile of your previous purchases and preferences. A shop assistant greets you - tablet-in-hand - and guides you to products that she thinks would be to your taste. You find the perfect pair of pants, and see a screen next to it that recommends the perfectly matching shirt. You place your order, pay with your smartphone and proceed to the collection point to pick up your purchases, along with gift-wrapped presents that you ordered for your mum last week.

This is the omni-channel experience, and it's already happening. Brands like Amazon and Alibaba started experimenting with the concept last year, and the trend is expected to gain traction in 2019 as more brands jump on the omni-channel bandwagon.

Last year, Mastercard created the UK's first Smart Mirror with payment function, which several retailers including Levi's have started using. Mastercard says the Smart Mirror will reduce time in the changing room by 40%, eliminates queuing time, as well as personalising the shopping experience for the consumer.

The mirror recognises products as they enter the fitting room, creating a virtual shopping basket and a multi-sensory shopping experience. It allows shoppers to change lighting and language, view/request size and colour variations, seek

out further recommended items, request garments to be brought directly to the fitting room and finally, pay seamlessly and instantly by tapping the mirror with a card, payment device or through the app.

Traditional shopping as we know it is going to be turned on its head, and 2019 will bring more innovations and investments into the omni-channel space. But beyond the hype is a need for businesses to rethink how they interact with the consumer.

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*Call it omni-channel or just customer-centricity; businesses will have to adapt to the needs of today's hyper-connected consumer. Whether it's wearables, voice assistants or smart refrigerators, the kinds of touchpoints people have with businesses is constantly changing and growing - and payments will [need to] be everywhere, as a seamless part of the customer journey.“*

| Claus Christensen, CEO, Clearhaus

*“Businesses will need to sync with the consumer's behaviour and habits - making for more intuitive experiences that consumers will actually appreciate.*

*Take for instance the family of four that's on it's way to their favourite fast-food joint. Everyone knows what they want - so why not make it easy for people to pre-order, or re-order their favourite dishes? We've seen a few brands start such initiatives, but there's still some way to go. I believe that 2019 will see further alignment of the payment experience with the consumer's mindset - driving innovation and strengthened security measures in the industry.”*



## 2019 and beyond

There's no doubt that consumer interests will take center stage this year. Whether it's heightened data security or more competitive financial products, the many improvements that 2019 promises will make life better for the end consumer.

It will be a year of collaboration, innovation and growth - brought on not just by regulations, but also by ever-evolving consumer demands. At Clearhaus, we're rooting for our peers in the payments industry as well as banks and merchants to make the best of this year of transformation.

### Have your own predictions to share?

Join the debate on social media:



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