

REQUEST-TO-PAY

Request-to-Pay: Why we need a change in the payment market now

At a time when digital innovations, limitless networking and real-time communication are the order of the day, the question arises as to why the area of digital banking is still lagging behind. This is despite the fact that solutions such as request-to-pay can bring about lasting changes in the payments market. We want to take a look at how request-to-pay can serve as a powerful tool to sustainably change the way we move money.

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When it comes to payment processing for online purchases, third-party providers such as Klarna and PayPal are the most popular payment methods. One reason for this is that companies are often reluctant to invest resources in the area of digital payment methods in order to test and implement new payment methods as a payment option. This is despite the fact that costs can be saved by offering customers greater security and a simpler payment process. This is where request-to-pay clearly shows its advantages:

- 1. The house bank as a payment option:** Customers do not need an account with a third-party provider. Payment is simply processed via the house bank.
- 2. Reduce costs:** The high transaction fees charged by PayPal or other third-party providers are significantly lower with request-to-pay. This is despite the fact that the underlying system and user experience are comparable. Costs can simply be saved here.
- 3. Sustainability:** SEPA request-to-pay makes efficient use of resources, as there are no inefficient cash flows as with third-party providers who have to serve additional payment actors.



Users would have confidence in paying with their bank

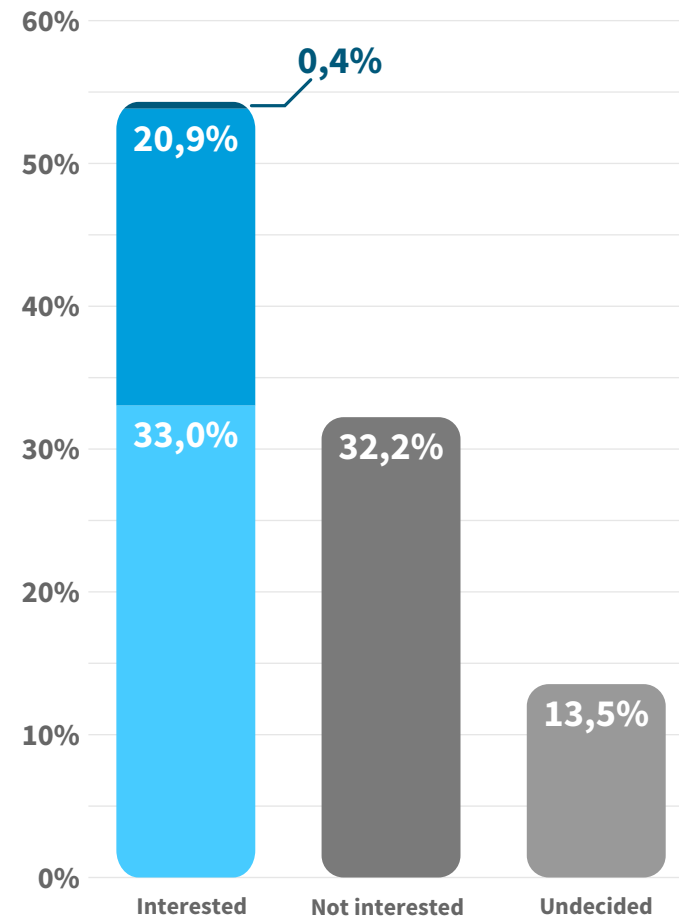
Consumers are clearly willing to do this: In a YouGov study conducted in June 2022, people in Germany and Austria were asked about request-to-pay. According to the study, 39% of German respondents could imagine paying in stores via request-to-pay, while the figure for online purchases was as high as 48%.* If the service is offered by their own bank, 72% of respondents consider this payment method to be trustworthy. In the worst case, the lack of this service could even lead to a change of bank. Among 18- to 24-year-old respondents in Germany, 39% would consider switching banks if their current bank did not offer the service.

This shows that users would definitely rely on paying with the banking app with request-to-pay as soon as they realize during the first payment process that the user-friendliness and speed are at least as good as with third-party providers. The service is therefore perceived as a fast, trustworthy and secure payment method.

And a few problems can also be solved in e-commerce:

- Reduce costs for the payment methods that guarantee the highest conversion rates
- No more problems with low-cost payment options that are based on SEPA and perform comparatively poorly in terms of conversion rates (direct debit mandate, open banking)
- The effort required to integrate new payment methods and expand their use is reduced

In summary, paying with the banking app with request-to-pay clearly has all the necessary points to replace third-party providers. A recent study commissioned by YouGov on behalf of Gini even shows that over 54% of consumers would pay via request-to-pay if the function were available in online banking. It is therefore very likely that request-to-pay will be preferred to other third-party providers as soon as it is available as a payment option.



- I would start using the banking app to pay for online purchases with the banking app.
- I would start replacing my preferred payment method/payment provider with the banking app.
- I would use the banking app for online purchases, but I would also use other payment methods/payment providers.

So a good bank also feels good digitally.

Banking has changed. Because technology has evolved. And so have people's expectations. To ensure that the bank of today is still the number one in terms of money for its customers tomorrow, it not only needs good products. But also smart innovation for long-term customer loyalty. At Gini, we understand what banking needs today - after all, we are in almost all banking apps in Germany for a reason.

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