

REQUEST-TO-PAY

## SEPA Request-to-pay for E-Commerce

Progressive and intuitive: SEPA Request-to-pay promises to be the future of digital payment transactions. It creates a clear advantage over traditional credit transfers and will also replace third-party providers in online payment transactions in the future with the SEPA Request-to-pay payment initiation scheme.

We take a closer look at why modern banking needs new payment initiation schemes such as SEPA Request-to-pay and how e-commerce can benefit from them in the future.

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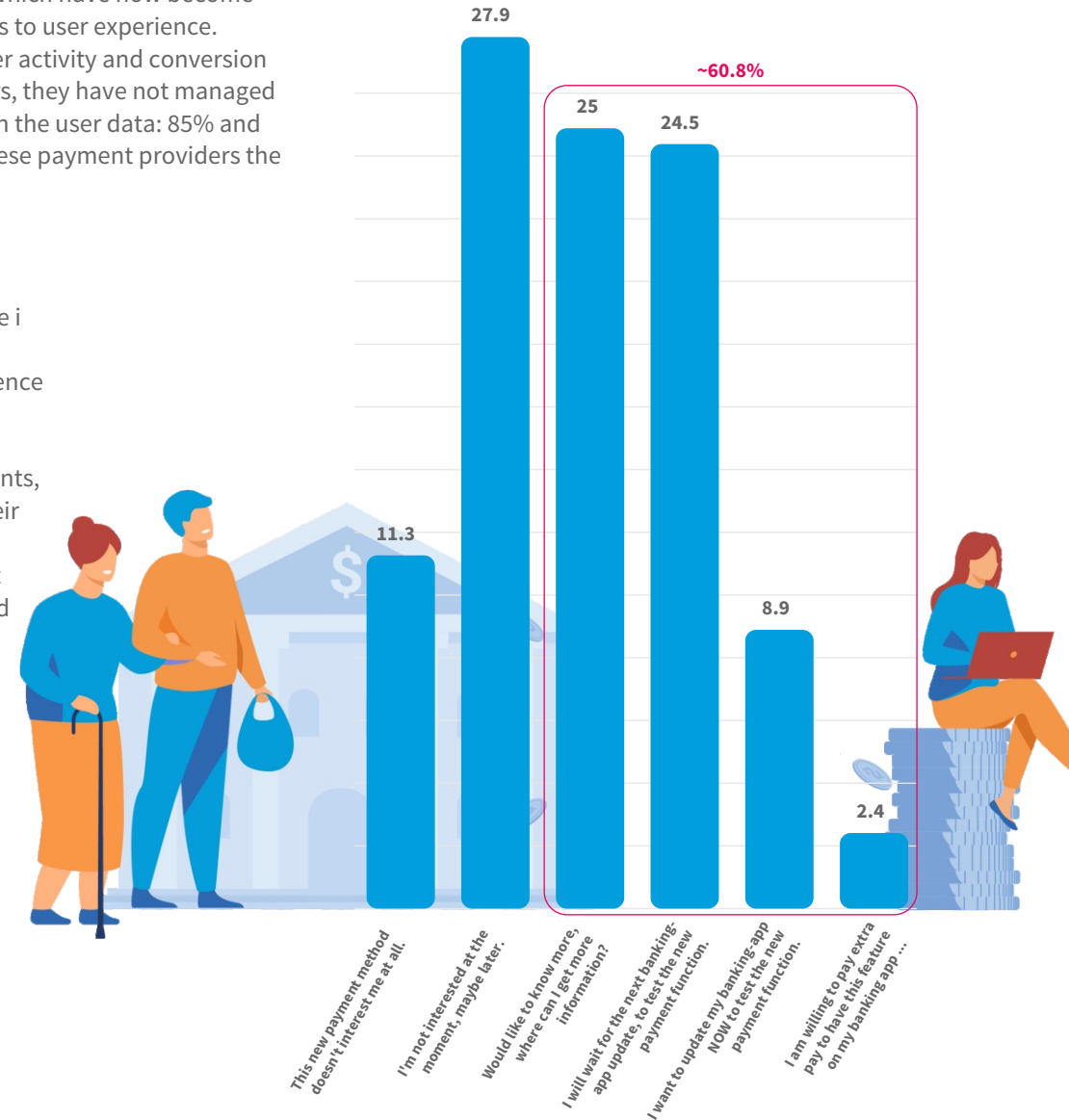
## Status quo: Why are we lagging behind when it comes to user-friendly payment methods?

Payments in Europe have evolved considerably since the introduction of SEPA payments, which have now become the standard for many transactions. However, there is a notable discrepancy when it comes to user experience. Alternative market players have introduced first-class, user-friendly solutions with high user activity and conversion rates. Traditional banks, on the other hand, are lagging behind. Unlike third-party providers, they have not managed to introduce intuitive and user-friendly payment methods over the years. This is reflected in the user data: 85% and 95% of German consumers are familiar with Klarna and PayPal respectively. This makes these payment providers the most important online payment methods on the market.\*

This user behavior is all the more astonishing when you consider which payment method users would theoretically prefer if the user interface and user-friendliness were set up in parallel to PayPal. In a survey, users were asked which payment method they would choose if they had to choose one solution for all online checkout processes. Here, 60.6% opted for PayPal. However, this result changed significantly when we presented the payment experience with SEPA Request-to-pay from Gini with the banking app as part of the survey. This gives users the option to pay directly via their banking app. 38.6% of respondents who originally preferred PayPal changed their mind and now preferred their banking app. Of all respondents, 60.8% showed varying levels of interest, from "willing to pay to enable such a feature in their banking app immediately" to "interested in testing the feature in the next app version". Finally, 66.9% of respondents stated that they would replace one or more current payment solutions and apps with the solution we presented as a video prototype. solution presented as a video prototype. \*\*

This presents a clear opportunity for house banks to poach users from payment providers such as PayPal and the like. To understand this in more detail, let's take a closer look at the SEPA request-to-pay scheme itself.

\*<https://www.europeanpaymentscouncil.eu/what-we-do/other-schemes/sepa-request-pay/sepa-request-pay-referenced-technical-solution-providers>  
 \*\*Gini & Appinio Survey Dic 2022; N=1000



# What's behind SEPA Request-to-pay

SEPA Request-to-pay is a payment initiation system valid throughout the SEPA area, in which service providers such as tradesmen or merchants (payees) send payment requests to their customers (payees), who can authorize and pay them. The payment request is sent to the customer directly in the preferred mobile banking app; it can then be paid directly, paid at a later date or rejected, depending on the merchant's wishes. In short: an already formatted, completed and digital payment order is sent to customers, which triggers payment by the customer as soon as they confirm the order.

In summary, the following functions stand out in particular:

1. payments can be requested quickly and seamlessly with SEPA Request-to-pay. The user can view progress at any time and has full transparency in payment processing. Payments can be made in real time, making the payment process itself much smoother than a traditional bank transfer.
2. the invoice is transmitted with the payment request and thus shared directly with the customer, i.e. the payer. This is part of the SEPA request-to-pay scheme. This significantly increases the efficiency of invoicing.
3. the payment history can now be tracked in one central location: the house bank. Users do not have to jump from payment service provider to payment service provider to view and check payments. All data can be found in the banking app. This significantly increases the transparency of payments for the user.

SEPA Request-to-pay has many advantages. It makes sense to look at the aspects from different perspectives.



### Who benefits from SEPA request-to-pay?

In contrast to established options, SEPA request-to-pay benefits several parties at the same time. One point that particularly stands out in terms of e-commerce is the reconciliation rate. With SEPA request-to-pay, this is 100%. This is because R2P establishes a connection even before the payment is made so that the invoice can then be assigned directly. No errors can occur here, as the customer is not responsible for entering the data.

**But retailers and end customers also benefit from the solution:**

#### SEPA Request-to-pay solves these problems for merchants:

- Cheaper payment options, which are also based on SEPA, generally perform worse in terms of conversion rates compared to third-party providers. This is partly due to a less attractive user experience. Here, users have to enter their online banking username and password or register in some other way, as it is usually based on the Open Banking Standard (PSD2/3). SEPA Request-to-pay also offers an alternative here, as the user experience is much more intuitive and simpler. The user is automatically redirected to their own banking app and only has to confirm the payment there. This makes payment intuitive: the user pays in the way they are already used to and with the payment method they already trust - their bank. They are then redirected back to the store.
- The effort required to integrate a new payment method and the effort required to expand its use is significantly reduced. On the e-commerce side, integration can take place via APIs or Gini's plugin for native apps (SDK), for example. This keeps the entire integration process simple and cost-effective.

#### And there are also advantages for end customers:

- It is no longer necessary to open new accounts with different payment providers, as payment can be made via the house bank. This significantly reduces the risk of losing track of different accounts and the associated finances. And the number of different apps required for online payments is also significantly reduced.
- Users generally prefer to use their own bank for financial matters. This is because they already have experience, a high standard of security and a high level of trust - a particularly important factor compared to non-EU services.
- SEPA request-to-pay can save resources. Unlike third-party providers, they do not contribute to payment ecosystems with inefficient cash flows that consume unnecessary resources to meet the needs of each additional payment actor.





## Just do it, do it with Gini.

SEPA request-to-pay offers many opportunities to make online payments more convenient, cheaper and less resource-intensive for merchants, banks and end customers alike. Banks are already working on the integration, and e-commerce players should act now and develop a strategy for integrating account-to-account payments into the payment mix. We at Gini are happy to support you. You can find more information at: <https://gini.net/loesungen/e-commerce/>

**Gini GmbH**  
Ridlerstraße 57  
80339 Munich  
[www.gini.net](http://www.gini.net)

