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Media Release

Merchant acquiring the new battleground for transaction bankers

(14 July 2004 – Australia) Credit card transactions paid via merchant terminals and the internet will increase dramatically over the next 12 to 18 months at the expense of cash and cheque payments, according to new research by East & Partners.

Together with debit cards/EFTPOS, card based payments received by merchants across all channels is forecast to account for 44.5 percent of all payments for all market segments in 2005 compared with 40.4 percent currently.

East's first Merchant Acquiring & Cards Market report reveals that payments to large corporates via terminals is set to jump to 22.3 percent from just under 19 percent currently, while website based payments will increase from 5.7 percent now to 7.5 percent in 2005.

In the case of commercial customers (A$20 to 340 million turnover per annum), terminal payments will grow to 12.5 percent in 2005 from 11.9 percent now, while internet payments will rise to 4.5 percent from 3.3 percent currently.

Terminal payments for SME customers (A$5 to 20 million) will increase from the current figure of 9.8 percent to 12.3 percent in 2005.

The report shows that the five leading players in terms of primary merchant relationships across the three segments are:

% of Primary Merchant Relationships

CBA	23.3
NAB	20.5
ANZ	19.8
Westpac	17.0
AMEX	9.4

NB. The above figures vary dramatically by customer segment.

"The major domestic banks have been successful at cross selling merchant services to their transaction banking customers, particularly in the SME market," East & Partners principal analyst Paul Dowling said.

“The challenge for these banks is to continue marketing their merchant acquiring offerings to clients which are not currently part of their installed transactions services base and transforming SME customers into wider transaction banking relationships,” he said.

“But there is currently a disparity between the level of service merchants report receiving from their banks and what clients consider important in the service proposition.”

For example, the report found that Settlements to Merchant Accounts was rated number one for importance, but received the fourth worst rating; Value for Money was rated second most important factor but was ranked seventh worst for satisfaction; and interviewees rated Loyalty to the Merchant Account third in terms of importance yet it received a poor customer satisfaction rating, finishing eighth worst in the rankings.

“This presents both a challenge and major opportunity for Australia’s transaction bankers as they strive to successfully manage their clients’ income platforms,” Mr Dowling said.

“East’s research shows that more than a third of interviewees have experienced competitive pitches for their receivables business over the past six months with just under 15 percent saying they intend shifting service providers.

“Customers across the three market segments are demonstrating an increased willingness to move to another provider if they do not receive the service they demand,” Mr Dowling said.

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