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STATISTIC OF THE WEEK

RUB 800 billion
(USD 25.5 billion)

the volume of electronic payments and
online purchases in Russia by 2012

Source: Citi-Google joint research

Russian government approves e-payment bill

The Russian government has approved the text of a bill designed to regulate electronic payments, The Moscow Times reports. The National Payment System bill requires e-money operators to get a license from the Central Bank, applicable to non-banking credit organisations. In order to get the license, an electronic money operator's equity capital base should be at least 18 million rubles (USD 600,000).

Under the bill, the activity of cash payment operators and

payment system operators, as well as that of electronic money operators, among other companies involved in payment system operations, will become the subject of legal regulation, according to local business news agency Prime Tass` Russian Connection bulletin. The draft bill also establishes the procedure for monitoring in the National Payment System and the respective powers of the Bank of Russia in this sphere, the same source reports.

The bill was first introduced in April 2010 by the Finance Ministry, but was rejected by the Central Bank and e-payment association leaders. According to Viktor Dostov, chairman of the Russian E-Money Association, cited by The Moscow Times, it is unclear whether this bill will affect competition in the market as the equity amount might be a problem for some, especially the new or smaller operators. In 2009, the e-payment market in Russia reached a volume of 40 billion rubles (USD 1.33 billion). Online payments volume in the country is expected to increase by 40 percent this year, according to The E-Money Association. The main aim of the association is to encourage the development of the e-money market

to make it a popular financial facility in the interests of consumers, state and industry. WebMoney Transfer, i-Free, Yandex.Money, QIWI, the National Association of Microfinance Market Participants (NAUMIR) and National Association of E-commerce Market Participants (NAUET) are some of its members.



Jane Zavalishina, CEO of Yandex.Money, tells The Paypers in [an exclusive interview](#):

"Any industry development inevitably comes to a point when it needs to be regulated. Increasing transparency and standardizing relations is not a restraint but a driver, provided such regulations are aligned with industry needs and specifics. Foreign colleagues' experience shows that separate e-money payment systems licensing as nonbanking and noncredit organizations helps making e-money services better, more open, and user-friendly."

Exclusive interview with Yuecel Yelken, CEO & Founder of yStats.com

"We expect a growth in B2C e-Commerce for almost all Eastern European countries."

yStats.com has been committed to research up-to-date, objective and demand-based data on markets and competitors for top managers from various industries since 2005. Headquartered in Hamburg, Germany, the firm has a strong international focus and is specialized in secondary market research. In addition to offering reports on markets and competitors, yStats.com also carries out client-specific research. Clients include leading global enterprises from various industries including B2C E-Commerce, electronic payment systems, mail order and direct marketing, logistics, as well as banking and consulting.



Yuecel Yelken, CEO & Founder of yStats.com

Personal information:

German Citizen; 35 years old

Education:

Thunderbird School of Global Management; **Masters of International Management**

Arizona State University; **Bachelor of Science**; Business Administration

Experience:

CEO & Founder of yStats.com, Founded in 2005

5 years working experience in the business development and strategy department within the world's largest home-shopping company, the OTTO Group

The Paypers: yStats has recently released the "B2C E-Commerce and Internet Trends in 18 Eastern European Countries" report according to which almost all Eastern European markets are experiencing strong growth. First of all, how would you characterize the Eastern European e-commerce market, as compared to the one in the US/other regions of the world?

Yuecel Yelken: The Eastern European B2C E-Commerce Market is still relatively small in comparison to Western Europe or the US. Russia, Poland and the Czech Republic are the leading B2C E-Commerce countries in the region. Furthermore, Slovakia, Slovenia, Hungary and Ukraine are among the dynamic markets in Eastern Europe, with high growth rates

and optimistic forecasts. The Baltic States, as well as other Eastern European countries such as the former Yugoslav countries, Bulgaria, Macedonia and Romania are still underdeveloped but also represent potential growth markets.

The number of internet users in Eastern Europe reaches currently nearly 150 million, which is only one third of total Europe. Regarding the share of Internet shoppers on Internet users, the major Eastern European E-Commerce markets show rates between 15% and 25%. However, Slovakia as a small country reaches approx. 30%, which is more than big Western countries such as Spain and Italy.

While in Western European countries such as Germany and France, more than 25% of the population have DSL Internet connection, this penetration rate is still low in Eastern European countries, not even reaching 10% on the leading E-Commerce markets.

Furthermore, B2C E-Commerce sales in Eastern Europe reached approx. €10 billion in 2009, which is still very low in comparison to Western Europe (different estimates between €70 billion and €100 billion) and the USA (different estimates between €100 billion and €120 billion). However, the online market in Eastern Europe showed tremendous growth within the last couple of years. The share of B2C E-Commerce on total retail reaches more than 5% in main Western European markets, while the Eastern European markets are still lagging behind. Czech Republic is leading the region in this aspect, with a share of slightly above 3%.

Electronics and media goods are among the product categories purchased most frequently in Eastern European B2C E-Commerce. In contrast to Western European markets, fashion and groceries online shopping is still not popular.

Regarding the E-Commerce players, store-based retailers are currently dominating the market, because the retail presence is able to increase trust in the population. Furthermore, more and more international retailers are entering or expanding their activities within the region. However, main obstacles such as logistic and payment issues still exist and need to be resolved in the short-term.

The Paypers: Can you give us a brief overview of your perspective on the current trends in the online payments/e-commerce landscape in this region?

Yuecel Yelken: We expect a growth in B2C E-Commerce for almost all Eastern European countries. Provided that the economy still shows high growth rates in the future, smaller Eastern European countries such as the Baltic States will also play an important role in B2C E-Commerce.

Broadband penetration rates will increase in the future. Furthermore, the rural areas will also be increasingly able to use the Internet, as the development of high-speed access and mobile services is on the rise. Regarding the product categories, the share of clothing and accessories as well as of food and grocery will increase, following the trend of more mature markets.

There will be more and more international global players entering the region. For example, in Russia Ebay launched a Cyrillic version this year and allows buyers to pay in roubles for the first time. Moreover, Auchan, a French hypermarket group, is planning to introduce online services at its Moscow chain of stores too. Metro Cash & Carry Russia plans to launch an Internet shop. We also expect a rise in the importance of Internet pure players on the Eastern European B2C E-Commerce market. This is closely connected to the fact that more Eastern Europeans trust in Internet and Online services.

In the B2C E-Commerce markets in Western Europe and the US, M-Commerce and Social Media are projected to play a larger role in the near future. We expect this trend to flow over to Eastern Europe as well, with online retailers increasingly working on M-Commerce and Social Media strategies.

The Paypers: Companies worldwide have increasingly opened doors to transactions online and according to reports, ever more consumers are spending online world. Nevertheless, in Eastern Europe, e-commerce activity is not yet up to Western standards. What does the market in the region need to achieve that?

Yuecel Yelken: In order to reach Western standards, Eastern Europe needs to resolve three main obstacles:

1. Security of online payment transactions
2. Postal service delivery problems
3. Trust in online shopping

The Paypers: Do you believe in the idea of a single uniform European system for online payments or in interconnecting several online payment systems in different European countries?

Yuecel Yelken: Yes, I do believe in the idea of a single uniform European system for online payments. First of all, there would be an increase of efficiency within the handling of payment transactions. Both private and corporate clients would save costs. Furthermore, there would be macroeconomic benefits in the long-term. However, large corporations and government agencies need to participate. Finally, corporations with a large client base would be confronted with costs for the re-setting of the collection authorization. This matter needs to be solved, in order to speed up the process.

The Paypers: The general attitude on the potential for e-commerce in Eastern European countries ranges from vague awareness to excessive optimism. But according to the European Commission, the development of retail e-commerce is still limited in the European countries (but also globally) because online markets are still separated by multiple barriers. In your opinion, which are the necessary measures that should be taken to overcome barriers in e-commerce, and create trust and transparency to enable citizens and businesses to exploit its benefits?

Yuecel Yelken: The efforts of the European Parliament to boost consumer confidence on online shopping by creating a Europe-wide "trust mark" in 2012 are the right direction. Another measure is the further development of internet infrastructure in selected countries, for example, costs for internet connections need to be lowered in selected countries, which would allow more people to spend time on the internet. Furthermore, cultural and language differences across Europe must be taken under consideration,

especially when retailers plan their online advertising and marketing campaigns. Websites with multiple languages would promote cross-border E-Commerce. Legal issues relevant to the E-Business need to be unified, standardized and simplified among the European countries.

The Paypers: In what direction is the e-commerce market going? Russia is still struggling with regulation issues, in Romania 95 percent of online shoppers are still paying offline, either by bank transfer or cash on delivery...

Yuecel Yelken: The Eastern European E-Commerce market is on the right track towards growth. Consumers within the relatively mature markets such as Russia, Poland and the Czech Republic show increased trust in online shopping, while more and more international retailers are entering these markets. However, problems with the security of online payment transactions and delivery problems are the biggest obstacles. Furthermore, the dynamic markets such as Slovakia, Slovenia, Hungary and Ukraine are expected to play a more important role in Eastern European E-Commerce. For example, in Slovenia, 28% of the citizens bought online in 2009, up from 22% in 2008.

The Baltic States – Estonia, Latvia and Lithuania – exhibit a positive trend. In 2009, 48% of all internet users in Latvia said they have shopped online. In Lithuania this share grew rapidly from 7% in 2006 to 56% in 2009. In Albania and the former Yugoslav countries of Bosnia-Herzegovina, Croatia, Montenegro and Serbia few people make online purchases. Nonetheless, the situation has improved over the last few years and online shops and auction platforms have increasingly gained in popularity. However, in Bulgaria, Macedonia and Romania online retail is still very underdeveloped.

The Paypers: What is the role of credit cards for online payment development in Eastern Europe? Which online payment models will become widely accepted in Eastern Europe in the near future?

Yuecel Yelken: Currently, “pay on delivery” and “bank transfers” are the most popular payment methods in Eastern Europe. Credit cards usage in Eastern Europe is below what

would be expected for countries with similar levels of GDP per capita. However, the acceptance of credit cards is increasing. For example, Visa stated last month that the number of Visa cards among Russians has grown 7600 percent in course of the last ten years, having issued 70 million cards as of late June 2010. Therefore, the usage of credit cards is a crucial condition for international web retailers and will play an integral part in the development of online payment in Eastern Europe.

The Paypers: Any forecasts for 2010 in terms of e-commerce transactions volume?

Yuecel Yelken: It is estimated that online shopping will continue to grow in 2010 in Eastern Europe. For example, the online market in Russia is expected to grow by more than 30%, while the online markets in Poland and Slovakia are expected to grow by nearly 20%.

Internet Usage in Eastern Europe

Source: Internet World Stats*

Country	Population (2010 Est.)	Internet Users	Penetration (% Population)
Russia	139,390,205	59,700,000	42.8 %
Poland	38,463,689	22,450,600	58.4 %
Czech Republic	10,201,707	6,680,800	65.5 %
Slovakia	5,470,306	4,063,600	74.3 %
Slovenia	2,003,136	1,298,500	64.8 %
Hungary	9,992,339	6,176,400	61.8 %
Ukraine	45,415,596	15,300,000	33.7 %
Estonia	1,291,170	969,700	75.1 %
Latvia	2,217,969	1,503,400	67.8 %
Lithuania	3,545,319	2,103,471	59.3 %
Bulgaria	7,148,785	3,395,000	47.5 %
Romania	21,959,278	7,786,700	35.5 %

Note (*): Internet statistics were updated for June 30, 2010

Germany: credit cards rank highest among consumers' preferences for the first time - report

Credit cards are the most popular method of online payment among German consumers for the first time, a recent report has revealed. According to the findings of the research carried out by Deutsche Card Services, a subsidiary of Deutsche Bank, in preceding years, direct debits stood out as the most popular payment method, followed by giro pay, a payment method developed by the German credit institutions which is based on the online banking PIN and TAN procedure. Moreover, the results of the study have unveiled that German consumers use credit cards to pay for 38 percent of their purchases.

The same source indicates that the average online transaction value has declined from EUR 84.31 in the preceding year. On average, consumers from Germany, the UK, the rest of Europe and non-European countries spent only EUR 65.35 in European online shops during the period under review, mainly because of the economic and financial crisis.

Facebook tests "Pay Later" payment method for virtual goods purchase

Facebook is testing a new payment method for its Facebook Credits virtual currency. Dubbed "Pay Later", the payment service is set to allow users to acquire Facebook Credits and pay for their purchases later.

When users decide to purchase a virtual good, they will

see a dialogue pop-up asking if they want to pay later and have "Facebook send you a bill for (price of the good in local currency)." Further on, they will see their negative Credits balance in red with a link to "Repay" while playing games or using the Games dashboard. Users are also set to receive a receipt for the purchase via email with a link to settle their balance. By clicking the link, users will be redirected to an Unpaid Order History page showing the goods they bought, their existing balance and a "Repay" button. If users choose to repay, the only available payment methods are via credit card and PayPal. Once a user has inputted the payment details for one of these methods, future purchases only require a single click. If users decide to purchase additional virtual goods, they will be provided with the option to also pay off their debt during the transaction.



UK: Tesco and Game to sell Facebook Credits gift cards

Facebook has inked an agreement with UK supermarket chain operator Tesco and UK computer and video games retailer Game under the terms of which the retailers will sell the virtual currency of Facebook in gift card form, online news outlet uk.news.yahoo.com reports. Under the new partnership, online game players will be able to purchase Facebook Credits gift cards from the Tesco or Game UK-based outlets in order to be able to buy virtual goods and add-ons for titles such as Zynga (FarmVille, FrontierVille), CrowdStar (Happy Aquarium, HelloCity) and PopCap Games (Bejeweled Blitz) as well as Playdom (City

of Wonder) and EA's FIFA Superstars, from Playfish. Facebook's more than 200 million social game players will be able to purchase the new gift cards for amounts ranging from GBP 10 to GBP 20 at Tesco and for GBP 5, GBP 10 and GBP 25 at Game's stores.

IC3 logs 2 millionth consumer complaint

The FBI's Internet Crime Complaint Center (IC3) has logged the 2 millionth consumer complaint filed in response to online criminal activity. The IC3, which was set up in May 2000, received its 1 millionth complaint in June 2007. The second million arrived in less than half the time, illustrating the continued growth of cyber crime. Ever since its inception, IC3 has referred 757,016 criminal complaints to law enforcement agencies worldwide. Most referrals involved fraud in which the complainant suffered a financial loss. Many other complaints involved identity theft, such as loss of personally identifying data and the unauthorized use of credit cards or bank accounts. The total reported loss from these referrals reached nearly USD 1.7 billion, with a median reported loss of more than USD 500 per complaint, the FBI reports. According to figures released by IC3, in 2009 internet fraud cost businesses and consumers nearly USD 560 million, up from USD 264.6 million in total reported losses in 2008. The IC3 receives, develops and refers cyber crime complaints to local, state, federal, and international law enforcement agencies.



Visa Europe, Cornèr Bank partner to launch the CodeSure card

Visa Europe has entered a partnership with Swiss financial services provider Cornèr Bank to launch the Visa CodeSure payment card with contactless payment functionality. Swiss consumers can use the payment card in an ATM or point-of-sale device but also for Verified by Visa online transactions. Moreover, organisations can use the card in place of other online log-in systems to access, for instance, online and telephone banking and corporate virtual private networks. The new card features an embedded PIN pad designed to allow consumers to generate a passcode by typing their PIN number into the card.

Customers using the Visa CodeSure payment card can complete the process of validating an online transaction in a few steps. First, the cardholder activates the authentication process by pressing the “Verified by Visa” option button on the card’s keypad. When prompted, the consumer inputs their PIN into the keypad embedded in the card. Finally, a unique one-time-passcode will appear on the card’s display, which can be used by the cardholder to authenticate a standard Verified by Visa online transaction.



Moneybookers rebrands as Skrill

European online payment services provider Moneybookers has changed its name to Skrill. The

company operates a payment network that provides users with access to over 100 payment options in over 200 countries. More than 70,000 merchants use the company’s payments service, including global partners such as eBay.com, Skype and Thomas Cook. Moreover, the company has registered over 15 million account holders to its eWallet product. The eWallet functionality enables customers to make online payments without disclosing personal financial details, as well as send and receive money transfers by using an email address. Initially only the holding company name will change to Skrill but there are plans for the consumer-facing brand Moneybookers.com to migrate to Skrill by the end of 2011. In recent news, online forex and commodity trading broker Tadawul has closed a deal with Moneybookers to enable its clients to fund their trading accounts via this method.

PlaySpan rolls out UltimatePay m-payments app

US-based provider of monetization services for online games PlaySpan has launched UltimatePay Mobile, a virtual currency and micropayments monetization app for smartphone platforms. The newly-announced app is set to support the HTML5 format, designed to work on Android-based smartphones, as well as on Nokia phones with WebRuntime installed. In addition, UltimatePay app is expected to track virtual currency balances and provide users with the options to top-up and view their transaction history. Moreover, the service’s payment

widget is set to allow price setting with a PCI Level 1 and SAS-70 compliant service Monetization-As-A-Service (MaaS) platform. In recent news, PlaySpan has inked contracts with several companies, such as global developer of interactive entertainment products Ubisoft, US-based video game publisher Square Enix, or online game publisher NCsoft.



PayPal to be made available in Serbia, FYR Macedonia and Montenegro in 2011

The PayPal online payment system is expected to be made available for the citizens of Serbia, FYR Macedonia and Montenegro beginning with 2011, media outlet Balkans reports. According to the cited source, initially, PayPal is expected to allow users in the three countries to use the service only for internet shopping, while local merchants will not be able to charge for their services via PayPal. Nevertheless, later on, more options will be made available, as a result of cooperation with local banks, the same source has revealed. In a recent development, PayPal has revealed plans to expand its consumer protection policy for buyers across the Asia Pacific region. In addition, the company has launched a new online shopping site for PayPal users across the region, dubbed PayPal Plaza.



PayNearMe expands cash payment network, gathers USD 16 million in funding session

Online payments services provider PayNearMe has rolled out a mobile payments application for consumers who prefer to pay with cash for their e-commerce purchases, loan re-payments as well as refund their e-wallet. With the new service, consumers will be able to complete transactions using their mobile devices and the new PayNearMe card. Available at more than 6,000 7-Eleven stores across the US, the PayNearMe card is set to enable mobile cash payments in any amount from USD 0,1 to USD 1,000. PayNearMe has also gathered USD 16 million in a funding round in a bid to expand its network of payees as well as add more payment locations.

To make a payment with a PayNearMe card and a mobile phone, consumers need to provide their mobile number to a business they wish to pay with cash, get a PayNearMe card from their local 7-Eleven store and reply to a text message from PayNearMe with the card's unique number. To complete the transaction, the customer needs to hand the PayNearMe card and cash to a store associate who completes the transaction. PayNearMe is accepted across a range of industries, merchants and payment gateways, including Amazon.com, Facebook, Progreso Financiero, PaymentVision, MOL AccessPortal, m-Via, Lexicon Marketing, LLC, Adknowledge's Super Rewards, Money to Go and SteelSeries.



NEWS ONLINE BANKING

Security concerns still plague over half of global online banking users – survey

Over 50 percent of worldwide computer users have admitted to harboring concerns with regard to online banking, a recent survey has unveiled. According to the study conducted by global provider of antivirus software and IT security services Avira, one in three polled consumers has chosen not to access financial accounts online, while only one in five users currently feels secure while banking online. The research has pointed out that when asked whether they trust online banking security, 48.5 percent of interviewees have stated they currently carry out online banking activities, while still being concerned about the increase of internet crime. Moreover, 31 percent of respondents have admitted that they never engage in online banking activities due to security concerns, whereas 20.5 percent of respondents have said they feel secure about online banking, according to the survey.

USA ePay, Merchant Plus join the Secure Vault Payments network

Payment processing services provider USA ePay and MerchantPlus Enterprise Solutions (MPES), a consultative payment services provider have revealed plans to provide their clients with access to the Secure Vault Payments (SVP) network. Via the SVP payment method, developed by NACHA - the Electronic Payments Association and

global provider of online payments eWise, consumers initiate payments on a merchant or biller's website. Afterwards, they are automatically redirected to their own financial institution's online banking platform to select which account they wish to use for payment. Consumers are then returned to the merchant or biller's site, where they receive a payment confirmation.

Most recently, US-based payment processing services provider JetPay has also joined the Secure Vault Payments (SVP) network. As a pilot participant, JetPay is the first e-commerce processor to sign for the SVP payment services along with their client, US-based tour operator Apple Vacations.



Polish & Slavic Federal Credit Union opts for uMonitor's uTransfer service

US-based ethnic credit union Polish & Slavic Federal Credit Union (PSFCU) has chosen US online financial services provider uMonitor's uTransfer offering for account-to-account (A2A) money transfer service. Under the terms of the agreement, uMonitor is set to offer money transfer services in both English and Polish languages. In addition, the uMonitor A2A service is expected to enable PSFCU members to send and receive money to and from external accounts to their credit union accounts. uTransfer is set to allow registered online banking clients to access the platform and initiate money

transfers or set up recurring transfers. The single sign-on process allows customers to use existing identification credentials to log into the funds transfer service. Once the members are validated by the system, all of their accounts are visible and available for transferring funds. PSFCU counts over USD 1 billion in assets, 70,000 members and 14 locations in the US. The credit union offers online services which combine online banking with money transfer transactions.

Sri Lanka: MCB Bank partners SunGard for Ambit Online Banking platform

Sri Lanka-based financial services provider MCB Bank (MCB) has partnered US-based software and technology company SunGard for the implementation of the latter's Ambit Online Banking product suite. Through the deployment of SunGard's Ambit Online Banking platform, MCB aims to provide its retail and corporate customers with a suite of online banking services including account inquiries, fund transfer capabilities, bill payment, chequebook request as well as stop payment orders. SunGard's Ambit Online Banking platform also supports services such as online loan inquiries, loan calculations and loan payments. SunGard's Ambit is a banking platform designed for retail, commercial and private banks. It includes services that support front, middle, and back-office operations as well as functionalities for financial management, risk and performance.

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NEWS ONLINE COMMERCE

eBay upgrades mobile shopping iPhone app

eBay has rolled out a new version of its main iPhone application that features selling functionality and RedLaser barcode-scanning technology. The newly-enhanced app is set to allow users to scan and compare prices for products across a selection of merchandise including electronics, movies and videogames. Furthermore, with the newly-developed eBay mobile app, sellers can search for completed listings to see the price for which similar items have recently sold. In combination with RedLaser scanning technology, repeat sellers can scan a product and list it on eBay. If a user is listing a similar item sold or selling on eBay, users can use eBay's "Sell One Like This" feature to create a listing that is automatically populated with information like category and item condition. eBay's revenue for the Q3 2010, has increased by 1 percent to USD 2.2 billion, or 10 percent excluding Skype, compared to the same period of 2009. In addition, sold items, excluding Gmarket, have witnessed a 13 percent y-o-y increase and accelerated in the US and the UK. For the full year 2010, eBay expects net revenues in the range of USD 9.05 to USD 9.15 billion.

PayPal to roll out Shoptimist social shopping service

PayPal is preparing to launch Shoptimist, a new social shopping service that will enable group buying

functionality, in partnership with Facebook, insidefacebook.com reports. PayPal's Shoptimist Unite is expected to allow Facebook users to invite their friends to purchase group deals, which reduce in price if more buyers are added, as well as enter sweepstakes to win popular items. In addition, users can vote on the type of deals that they want to see on Shoptimist. In February 2010, Facebook and PayPal have closed an agreement according to which Facebook users and advertisers are able to pay for virtual goods and ads via the PayPal online payment service.

Visa updates online shopping service Rightcliq

Visa has introduced several enhancements to Rightcliq, an online shopping tool designed to provide consumers with a number of tools that aim to facilitate online shopping. The new features include support for the Google Chrome browser, as well as enhanced track shipment capabilities. Rightcliq enables users to compare products while browsing, perform the checkout process on merchant websites, as well as monitor their purchases until the delivery has been completed. The web application incorporates Wishspace, a visual list that allows consumers to collect and share images of products they consider to purchase. In addition, Visa's online shopping tool enables users to browse merchant offers from several brands, solicit advice for their purchases, as well as auto-fill payment information at POS using a digital wallet that can hold any credit, debit or prepaid card.

DATA IN FOCUS

Citi-Google joint research: Russians will spend RUB 600 billion online in 2010

In Russia, the overall internet spend made with bankcards will reach RUB 600 billion (USD 19.15 billion) this year and Russians will spend most of their money on air and railway tickets, as well as communications services.

These are the results of a joint study conducted by ZAO Citibank and Google Russia, covering the period between January 2008 and September 2010. According to the research, the recent economic downturn had a stimulating effect on the market. Its growth was boosted by the increasing number of users and transactions volume, the emergence of new spend categories, the growth of the number of online stores and the development of acquiring services. Furthermore, the broader access to the internet, a wider use of bankcards in Russian regions, as well as a higher average welfare level of Russians will be the main factors that will contribute to a jump in the volume of electronic payments and online purchases in Russia to RUB 800 billion (USD) by 2012, according to the same source. Nearly 88% of internet users select products and services online, but prefer to buy them offline, while 36% do both online, as Google's Commerce Barometer indicates.

The survey was based on the statistics of bank card purchases gathered by Citibank.

E-commerce in Eastern Europe: where to?

Companies worldwide have increasingly opened doors to transactions online and according to reports, ever more consumers are spending online. Nevertheless, although recent research indicates that almost all Eastern European markets are experiencing strong growth (e.g. the yStats study titled B2C E-Commerce and Internet Trends in 18 Eastern European Countries), e-commerce activity in the region is not yet up to Western standards. What does the market in the Eastern European region need to achieve that?

The industry takes a stand

How would you characterize the Eastern European e-commerce market?



Paul Coxhill, Marketing Manager, Ukash: We would characterize this market as having enormous potential.

It is a market that is growing, although more slowly than areas such as Asia and LATAM. However, it is currently a smaller market than Europe and US. Ukash sees particular potential in Russia and has invested significant resources in building up a national presence of over 100k issuing points, as well as in partnerships with several e-wallet providers.



Martin Ott, Co-CEO, Moneybookers: Eastern Europe is home to a number of leading global ecommerce brands; however its consumer market is less developed than in the west. This primarily stems from a lack of trust in online businesses, and the

methods of payment required to make purchases.

As recent surveys show, the top reasons for resigning from purchasing online are: a too complicated ordering procedure (31%), no opportunity to actually see the product (27%) and a fear that paying through Internet is unsafe (23%).

For instance, credit and debit cards are still used less for online purchases in Eastern Europe than anywhere else in the world, with many consumers preferring to use bank transfer or eWallet products relevant to their home market.

We as Skrill have seen a huge increase in the uptake of our eWallets as it allows Eastern Europeans to monitor their bank balance and pay safely via the internet both instantly and without risk.

Card usage in Eastern Europe has seen significant growth but customers consider them expensive, and banks still issue debit cards which cannot be used online. We see the main growth areas for plastic card usage in central and eastern European (CEE) with Russia and Poland being the main drivers of the growth. Russia, the Ukraine and Poland account for over 70% of all card transactions in the region.

Subscription based billing is also viewed with some degree of trepidation, with consumers in some countries preferring to pay for services on a month by month/case

by case basis rather than a recurring cycle. Since many global organisations still adopt fairly uniform billing strategies this can create challenges for them in Eastern Europe.



Matthew Silverman, CEO of PayPro Global:

Despite the recession, the e-commerce market in Eastern Europe continues to show steady growth, especially in Russia with online gaming. Russia, Poland and the Czech

Republic have great potential and should be even more involved in e-commerce activities throughout the next decade.

According to our statistics, as customers from these countries get more comfortable purchasing digital goods and services online, there is still a strong need for secure and easy-to-use payment systems. Throughout the larger cities in Russia, the majority of online payments are made with credit/debit cards, WebMoney and local payment methods such as Yandex Money. However, as long as there is not a single main player, the e-commerce market in Russia will remain fragmented, with many customers still preferring offline payment methods.

Which are the necessary measures that should be taken to overcome barriers in e-commerce, and create trust and transparency to enable citizens and businesses to exploit its benefits?

Paul Coxhill: As countries have grown up with their own individual FS and banking infrastructure, they have each

developed bespoke solutions to the problem of online payments. For example, many Russians use self-service kiosks to transfer their cash into a vehicle that can be used to pay online. In other countries such as Poland, pre and postpay solutions are popular because of the limited online functionality of bank cards and relatively low penetration of credit cards. To unify these differences is difficult, but the provision of a consistent and coordinated regulatory regime, as within the EU/EEA, certainly makes it easier for providers such as Ukash to deliver services across multiple territories. Extending some of these regulations into non-EEA countries such as Russia would further enable cross-border online trade.

Martin Ott: The development of retail ecommerce in Eastern Europe requires an increase in internet usage and greater internationalisation of domestic online businesses. This is also reliant on improvements in the logistics of delivery networks and bandwidth throughout in the region. The consumer trust issue is also one which both financial institutions and online businesses must work to address by way of educating users on consumer protection and their right to a refund.

Matthew Silverman: For e-commerce growth in Eastern Europe, especially in Russia, consumer-friendly secure payment services and efficient postal delivery in the country must be available. Some payment systems offering services to the local markets make the purchasing process complicated with too many required steps and provide limited options to upload funds for

future purchases.

In what direction is the Eastern European e-commerce market going? Russia is still struggling with regulation issues, in Romania 95 percent of online shoppers are still paying offline, either by bank transfer or cash on delivery...

Paul Coxhill: In addition to what is stated above, it's worth noting that consumers and business will always find a way to enable trade, and some of the e-wallet innovations in markets such as Russia have enabled e-commerce despite the uncertain regulatory environment. The market will undoubtedly expand and it is the job of the payments industry to work with regulators to provide the most appropriate operating framework for local market conditions.

FACT BOX Ukash in Eastern Europe

Ukash has 175,000 issuing points across Russia, Ukraine and Poland where consumers can turn their cash into a Ukash voucher

Ukash processes millions of pounds a month in these markets and its redemption value has more than doubled in the last year

Ukash is working on plans to further expand its physical footprint in several other Eastern European countries

Ukash also issues vouchers online in many other Eastern European countries

Martin Ott: It is difficult to summarise the growth of ecommerce throughout the Eastern European region, as there are differing trends to consider. On the one hand global digital players such as Facebook are making gains on more localised social networks, but on the other hand localised retail players continue to dominate - as demonstrated by allegro in Poland. As mentioned, the ecommerce industry will continue to grow at the pace allowed by a country's internet accessibility, local delivery network and general consumer attitude to the security of buying online.

Matthew Silverman: Our statistics show that the number of people buying digital goods online from Eastern Europe is growing from year to year. Evidently the situation is changing for the better when more and more home users and businesses start looking for goods and services online and prefer to pay right away. It is a slow process but the changes are positive.

Do you believe in the idea of a single uniform European system for online payments or in interconnecting several online payment systems in different European countries?

Martin Ott: Each country has its own distinct culture and preferences on how to pay for goods, whether online or not. Even in a globalised world we would not envisage this to change in the short to midterm. The accessibility of credit and debit cards is likely to improve, but local payment methods will still play their part. Therefore businesses looking to sell into Eastern Europe will need to

adapt and offer payment options and services which cater to the local market (something which payment aggregators such as Moneybookers can offer under one roof).

Moneybookers, part of Skrill Holdings, is one of Europe's largest online payments systems and among the world's leading eWallet providers with over fifteen million account holders.

Moneybookers' worldwide payment network offers businesses access to over 100 payment options in over 200 countries and territories through just one integration, and in recent years Eastern Europe has become one of its biggest growth markets.

Matthew Silverman: The e-commerce market is very different in Europe. The idea of a single European system is very attractive but the reality is that European countries have reached different stages on e-commerce penetration. A single system won't be able to take into account all the differences but interconnecting systems can be accomplished to simplify online purchasing for shoppers in the future.

The e-commerce market of Eastern Europe is growing fast and very effectively but is still far behind the leading European countries such as the UK, Germany and France.

Which online payment models will become widely accepted in Eastern Europe in the near future?

Paul Coxhill: Eastern Europe already has a number of

online payment methods – it is just that they tend not to be the same ones as Western Europe and US because of the points mentioned above – low credit card penetration and bank cards that, in some cases, cannot be used online. Therefore, alternative payment methods are likely to continue to be successful in these markets and Ukash is well placed to be at the forefront of this growth.

Martin Ott: In the near future the usage of instant banking options and cards will continue to grow in Eastern Europe. However there is also lot to do and a great potential for growth in the mobile e-commerce market.

Matthew Silverman: As the majority of international banks are successfully entering these markets, we expect credit cards for online purchases to become more popular and at the same time we expect a decline in the popularity of e-wallets.

Founded in 2006, PayPro Global, Inc. develops and hosts an eCommerce solution that allows anyone to easily sell software online. PayPro Global supports more than one hundred currencies, all major credit/debit cards, and a wide variety of payment options.

PayPro Global is headquartered in Toronto, Canada, with regional offices in Eastern Europe – Lugansk, Ukraine, and St.Petersburg, Russia. PayPro Global employs 14 highly-qualified specialists in Eastern Europe.

Alibaba.com exceeds one million paying members in Q3 2010

China's e-commerce firm Alibaba.com has surpassed the 1 million paying members milestone on its marketplaces and HiChina in the third quarter of 2010. As of September 30, 2010, the company had a total of 750,937 paying members on both international and China marketplaces, representing a 29.7 percent increase y-o-y (year-over-year) and a 5.3 percent increase q-o-q (quarter-on-quarter). Additionally, the company had 255,000 paying members from HiChina.

Alibaba.com's revenue in Q3 2010 has climbed 40.4 percent y-o-y and 6.1 percent q-o-q. Revenue from the company's international marketplace reached USD125.1 million in the period, a 32.5 percent increase y-o-y and a 7.1 percent increase q-o-q. The q-o-q growth was primarily due to the increase in revenue from the China Gold Supplier membership and VAS as well as the consolidation of revenue from newly-acquired Vendio Services ("Vendio") and Auctiva Corporation ("Auctiva"). The company's revenue from the China marketplace has reached USD 72.7 million in the period, representing a 30.1 percent increase y-o-y and a 4.6 percent increase q-o-q. During this period, registered users rose by 2 million to 41.8 million and storefronts grew by 324,314 to 6.6 million.

Alibaba.com's total operating expenses have amounted to USD122.9 million in Q3 2010, representing a 24.4

percent increase y-o-y from USD 98.8 million and a 10.5 percent increase q-o-q from USD111.2 million. The increase in operating expenses for both y-o-y and q-o-q was mainly due to the consolidation of expenses incurred by HiChina, Vendio and Auctiva, as well as due to the continuing investments in business expansion. The company's registered users total 45.27 million.



US: retail e-commerce holiday sales to jump by 14.3%-research

US retail e-commerce holiday spending is expected to jump by 14.3 percent to USD 38.5 billion, as compared to the same interval under review in 2009, according to data released by eMarketer. According to the outlook provided by the research, during the last two months of 2009 online holiday spending increased by 15.6 percent to USD 33.7 billion, compared to the same period of the previous year when it was worth USD 28.9 billion. As a result of strong online sales during the holiday season, eMarketer predicts that annual e-commerce sales will increase 12.7 percent to USD 162.4 billion. Online holiday sales will account for 23.7 percent of online retail sales in 2010. In addition, the same source has revealed that annual e-commerce sales have increased year-over-year in the US, with a 1.6 percent increase to USD 144.1 billion in 2009, compared to the same period in 2008 (USD 141.9 billion).

The "Call for Candidates" for the Florin Transaction Services Innovation Awards 2011 is now open!



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Editors: Adriana Screpnic, Monica Gaza, Edith Toth, Daniela Vicovan and John Pals

Website: For more information, please visit our websites: www.thepappers.com

Contact: For more information, you can contact us at: info@thepappers.com

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