

Credit cards

Acceptance and surcharging by retailers

A Pilot Study

June 2010

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1. SUMMARY

Credit card usage is limited, but acceptance is growing

Credit cards are being used only to a limited extent in the Netherlands. In 2009, about 3% of all non-cash payments at the point of sale was made by credit card. Growth of the number of credit card payments came to a halt in 2009, with overall credit card revenues going down. However, an increasing number of conventional retail stores and online stores started to accept credit cards, despite the fact that the use of credit cards entails relatively high cost as compared with alternative payment instruments.

Study into retailers' reasons and barriers

In 2007, the National Forum on the Payment System (*Maatschappelijk Overleg Betalingsverkeer / "the Forum"*) commissioned the Working Group on Social Efficiency (*Werkgroep Maatschappelijke Efficiency*) to investigate the feasibility of introducing direct surcharges on credit card payments at the point of sale and its impact on consumers' payment behaviour. The objective of this study was to gain insight into the possibilities to raise consumers' awareness of the cost of their chosen payment instrument and possibly to steer them towards the use of relatively cheaper payment instruments. As a supplement to existing studies, the Forum's Core Group decided in the autumn of 2009 to conduct a pilot study among a limited group of retailers. The objective was to gain a broad view of the underlying reasons for and barriers to accepting and surcharging credit card payments and, on that basis, to recommend whether or not a representative follow-up study would be useful. Accordingly, the Forum's Secretariat, in consultation with the Dutch retail trade umbrella organisation (*Detailhandel Nederland*), the Netherlands Petroleum Industry Association (*Vereniging Nederlandse Petroleum Industrie / VNPI*), the Dutch organisation for the hospitality and catering industry (*Koninklijke Horeca Nederland*) and the home shopping organisation (*Thuiswinkel.org*) sent out a questionnaire to 30 retailers in 8 different lines of business.

Service, competition, revenues, cost and security are important factors for retailers

As appeared from the results of the pilot study, it is of great significance to retailers, from a viewpoint of customer friendliness as well as for reasons of competitiveness and revenues, that customers can pay by credit card. Security and cost are seen as the most important drawbacks. Virtually all credit card acceptors prefer customers to use their debit card or to pay by iDEAL. Therefore, they often try to actively influence customers in their choice of payment instrument, especially through non-financial incentives. The most important reasons why little use has so far been made of a transaction surcharge correspond with the reasons why retailers accept credit cards in the first place: they do not want to interfere in the customer's payment choice and do not want to create competitive disadvantages or shopping barriers. Only a small group of retailers imposes a surcharge on customers using a credit card, both to cover credit card cost and to raise customers' awareness of the cost attached to their choice of payment instrument.

Credit card acceptance and surcharging is retailer's choice

This pilot study gives a good overview of retailers' underlying reasons for and barriers to accepting and surcharging credit card payments. It is therefore expected that a major representative follow-up study would not provide any different or new insights. The results show that it is the retailer's choice whether or not to accept and surcharge payments by credit card. The acceptance and surcharging of credit card payments provides certain advantages to retailers, but it also entails cost. It is up to the retailer to weigh up the pros and cons. Virtually no signals have been received that retailers would feel restricted in this respect. Retailers do regard the cost and relatively high insecurity as the most important drawbacks to credit cards. A reduction in credit card fees and security risks would therefore lead to a rise in card acceptance.

2. BACKGROUND: CREDIT CARDS IN THE NETHERLANDS

2.1. Use of credit cards

Possession of credit cards

5.8 million credit cards in circulation

At the end of 2009, slightly over 5.8 million credit cards had been issued in the Netherlands, i.e. 1.5% more than at end-2008, but still 4% – 6% less than in 2005 – 2007 (see Chart I-1 in Appendix I). Every Dutch card was used, on average, 9.6 times for payments abroad and 5.8 times to pay at a point of sale in the Netherlands. In addition, every card was used, on average, 1.1 times to withdraw money abroad, as against 0.4 times at home (see Chart I-2 in Appendix I).

Payment by credit card

Credit card usage is levelling off

In 2009, the number of credit card payments in the Netherlands increased further, although year-on-year growth was lower than in previous years. In terms of revenues, there was even a decline in 2009 (see Charts I-3 and I-4 in Appendix I). The decline in growth of the number of transactions and the decline in total revenues are entirely attributable to a diminishing use of credit cards by Dutch people in the Netherlands. In 2009, foreign card holders made more frequent and greater use of their credit cards in the Netherlands. As a result, 2009 is the first year that foreign card holders made even more credit card payments in the Netherlands than Dutch people themselves did. Dutch consumers used their credit cards less frequently in other countries as well. However, they still use their credit cards more often abroad than in the Netherlands. More often even than foreign card holders do in the Netherlands.

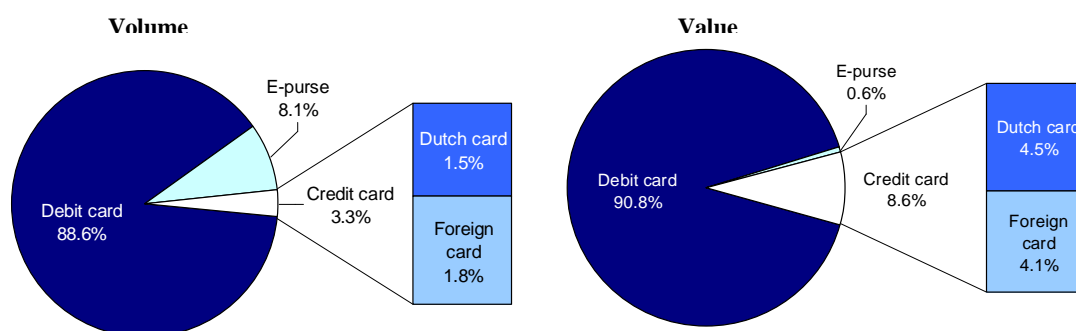
Limited role of credit cards at point of sale

In terms of both number of payments and revenues, credit cards are of limited importance in the Netherlands. In 2009, only 3.3% of all non-cash payments at the point of sale was made by credit card. In terms of revenues, the share of credit card payments at the point of sale amounted to 8.6% (see Chart 1). Even if compared with other countries, the Netherlands is by no means a credit card country (see Chart I-6 in Appendix I).

2.2. Acceptance of credit cards

In the Netherlands, credit card payments can be made at about 100,000 locations¹. The degree to which retailers accept credit card payments differs strongly by sector and by business line (see Table I-1 in Appendix I). Across the board, however, a slight increase has been noted. In 2009, more than 96% of all petrol stations accepted at least one type of credit card. Among established retail businesses, card acceptance rose from 36% in 2008 to nearly 40% in 2009 (see

Chart 1. Breakdown of non-cash point-of-sale payments in the Netherlands (2009)



Source: DNB. Note 1: Excluding Maestro payments by foreign card holders in the Netherlands.

Note 2: Remote payments are included under “credit card”. Unfortunately, these cannot be filtered out of the figures. Thus, the share of credit cards in point-of-sale payments is in fact lower than the chart indicates.

¹ At end-2009, payments by debit card could be made at 205,000 locations (Source: Currence).

Credit card acceptance is rising

Chart I-7 in Appendix I). Customers can use their credit cards relatively often in the clothing (67%), personal care (60%) and beverages and tobacco (50%) sectors. Credit cards are also a readily accepted payment instrument in online stores. In 2009, over 45% of all online stores in the Netherlands accepted at least one type of credit card. In 2008, this figure was about 43%. Also, credit card payments are frequently accepted in the hospitality and catering industry, especially in restaurants and hotels. Between 2003 and 2006, acceptance in this sector rose from 28% to 33%.

2.3. Cost of credit card payments

Credit card is relatively expensive payment instrument

Over the past few years, several studies into the cost of different payment instruments have been conducted in the Netherlands. Although differing in scope and survey year, these studies all show that compared with other point-of-sale payment instruments, credit cards are relatively the most costly for banks, retailers and society as a whole (see Table 1). According to the Forum report, “*Betalen kost geld*” (The cost of payments) from 2004, a single average credit card payment costs society EUR 1.09. That is about 6 times as much as a cash or a debit card payment. According to the cost survey conducted by the Economic Institute for Medium-sized and Small Businesses (EIM) in 2007, the cost of a credit card payment for a retailer or restaurateur appears to be even higher: EUR 2.78 and EUR 3.42, respectively, which is more than 16 times the cost of a payment in cash or by debit card.

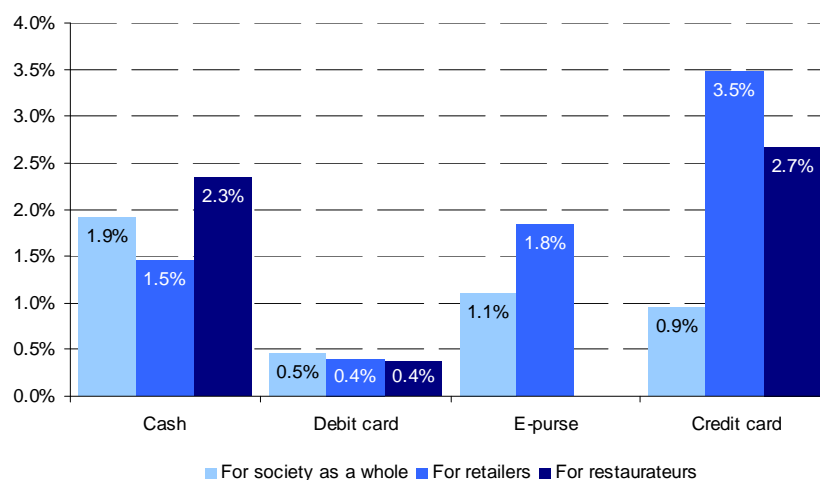
In addition to the cost per payment, it is also useful to look at the cost per euro spent, i.e. the relative cost burden. This is because credit cards are often used for relatively expensive purchases. The total cost per payment may therefore weigh relatively less heavily. While the cost of a cash or a debit card payment are lower, these payment instruments are often used for smaller purchases. Broken down by payment instrument, Chart 2 depicts the cost of one additional payment as a percentage of the average purchase amount. The chart shows that, despite their high transaction amounts, credit cards are relatively the most costly for the acceptor. For instance, the cost of a credit card payment for a retailer averages 3.5% of the purchase amount. Every cash payment, however, costs the retailer on average 1.5% of the purchase amount. The cost per debit card payment amounts to only 0.4% of the average purchase amount.

Table 1. Cost of one additional payment of average transaction size (EUR)

	<i>Cash</i>	<i>Debit card</i>	<i>E-purse</i>	<i>Credit card</i>
For society as a whole ¹	0.18	0.20	0.03	1.09
For retailers ²	0.14	0.16	0.12	2.78
For restaurateurs ³	0.22	0.20	0.00	3.42

¹ Source: “Payments are no free lunch”. Brits and Winder 2005. ² Source: “*Het toonbankbetalingsverkeer in Nederland*” (Point-of-sale payments in the Netherlands) EIM 2007 and DNB calculations. ³ Source: “*Het toonbankbetalingsverkeer in Nederland*” (Point-of-sale payments in the Netherlands) EIM 2007 and DNB calculations.

Chart 2. Cost of one additional payment as a percentage of average purchase amount



3. INTRODUCTION TO PILOT STUDY

3.1. Background and rationale

Credit card cost passed on in various ways

The use of credit cards as a payment instrument entails relatively high cost. These cost are associated, among other things, with the extra functionalities of the card, such as its credit facility and purchase protection insurance and with the cost of prefinancing. Banks pass on these cost, especially to retailers that accept credit cards, through a variable transaction fee. Card holders only pay an annual fee for the card to their banks. Furthermore, since the abolition of the so-termed “no-discrimination-rule”, retailers are no longer faced with any legal impediments to imposing a surcharge on credit card payments by their customers. In actual practice, however, surcharging does not happen very often, and then only in “card-not-present” situations. This leads to the assumption that the cost incurred by a retailer for a credit card transaction are passed on –mostly indirectly through selling prices – to all consumers, including those that do not use a credit card.

Forum commissioned major study into surcharges

In its spring meeting of 2007, the National Forum on the Payment System (*Maatschappelijk Overleg Betalingsverkeer* / “the Forum”) commissioned the Working Group on Social Efficiency (*Werkgroep Maatschappelijke Efficiency*) to investigate the feasibility of introducing direct surcharges on credit card payments and its impact on consumers’ payment behaviour. Such surcharges would be levied by the retailer on the credit card user, both in point-of-sale and “card-not-present” situations. Through a survey among both consumers and retailers, the Forum wished to gain insight into the possibilities to raise consumers’ awareness of the cost of their chosen payment instrument and possibly to steer them towards using more efficient payment instruments. Besides, a transaction surcharge is a method by which the cost are charged solely to the credit card user according to the so-termed “polluter-pays” principle.

A great deal of material is already available...

...hence a pilot study is conducted...

The survey among consumers has meanwhile been completed. Its results were presented at the Forum’s autumn meeting of 2009². As for the survey among retailers, the Forum’s Secretariat submitted a proposal to the spring meeting of 2009. After the Forum had given its approval, a tendering procedure was started. However, the bids received exceeded the available budget substantially, especially because of the high cost of organising a representative sample survey of credit card acceptors. The Forum’s Secretariat thereupon assessed whether, given the availability of existing studies and the importance of the credit card in the Dutch payments system, conducting a representative study would indeed warrant the investment in time and money. The conclusion was that all survey questions had already been sufficiently answered in existing studies, save for the question as to retailers’ underlying reasons for and barriers to accepting and surcharging credit card payments. As this question was deemed important by the Forum’s Core Group meeting in the autumn of 2009, it was decided to conduct a pilot study, in consultation with the Dutch retail trade umbrella organisation (*Detailhandel Nederland*), among a limited group of retailers and to present its results, along with a recommendation as to whether a representative study would be advisable, at the Forum’s spring meeting of 2010.

... into credit card acceptance and surcharging

3.2. Objective and scope

The figures reveal that whereas credit cards entail relatively more cost than other payment instruments, in some sectors credit card acceptance is growing. It further appears that few credit card acceptors ask their customers to pay a surcharge for using a credit card. Therefore, the objective of this pilot study is to gain a broad insight into the underlying reasons and barriers which retailers experience in determining their acceptance and surcharging policy with regard to credit cards.

² Report “*Creditcardgebruik in Nederland, een onderzoek naar de beleving en het gedrag van Nederlandse consumenten*” (Credit card usage in the Netherlands, a study into the perception and behaviour of Dutch consumers), DNB, October 2009.

The pilot study should answer the following question:

What are retailers' underlying reasons for and barriers to accepting and surcharging credit card payments?

Scope:

Pilot provides qualitative and broad insight

- The impact of surcharges on consumers' payment behaviour falls outside the scope of the study. DNB's consumer survey of 2009 provides sufficient insight into this matter.
- The pilot study seeks to obtain a broad and qualitative insight and hence does not provide a representative view of the current situation.
- It is important for the pilot study that a sufficient number of credit card acceptors are included in the sample. Therefore, the pilot study is aimed exclusively at those sectors where credit cards are being used.
- The study will encompass both conventional retailers and online retailers.

3.3. Organisation

The pilot study has been conducted by the Forum's Secretariat in consultation with the Dutch retail trade umbrella organisation (*Detailhandel Nederland*), the Dutch organisation for the hospitality and catering industry (*Koninklijke Horeca Nederland*), the Netherlands Petroleum Industry Association (*Vereniging Nederlandse Petroleum Industrie / VNPI*) and the home shopping organisation (*Thuiswinkel.org*). Furthermore, the Dutch organisation of small and medium-sized enterprises (*MKB Nederland*) and the Netherlands Bankers' Association (NVB) have been kept informed during the process.

4. SURVEY METHOD

4.1. Method of data collection

Questionnaires distributed through trade associations

In consultation with *Detailhandel Nederland*, VNPI, *Koninklijke Horeca Nederland* and *Thuiswinkel.org*, questionnaires were sent out between 1 and 5 March to 30 retailers from 8 different lines of business where credit cards are being used. To reduce the non-response rate, retailers had been contacted beforehand by their trade associations. The questionnaire contained up to 20 questions. To prevent that retailers would be influenced in their responses, the questionnaire contained a many open questions. See Appendix II for a sample of the questionnaire.

4.2. Selection of the sample

Sample: 27 retailers

A total of 27 retailers have fully completed the questionnaire: 8 online retailers, 1 supermarket, 2 DIY stores, 4 petrol stations, 2 restaurants, 3 hotels, 4 fashion stores and 3 home furnishing and electrical retailers. Together, they represent more than 2,500 points of sale in the Netherlands. Of the 27 respondents, 23 accepted credit cards. Four of them ask for a surcharge if the customer wishes to pay by credit card. As a deliberate choice was made to select retailers from within the lines of business where credit cards are being used, the sample is not representative for the total retail market. Hence, figures should be interpreted with some caution. See Table 2 for the most important characteristics of the sample.

Table 2. Characteristics of sample

	<i>Respon-</i> <i>dents</i>	<i>Points of</i> <i>sale</i>	<i>Average</i> <i>revenues</i>	<i>Average</i> <i>purchase</i>	<i>Credit card</i> <i>acceptance</i>		<i>Credit card</i> <i>surcharging</i>	
	Number	Number	EUR million	EUR	Number	%	Number	%
Online retailers	8	8	1.5 – 3	100 – 200	5	63%	2	40%
Conventional retailers	19	2503	1.5 – 3	50 – 100	18	95%	2	11%
Total	27	2511	1.5 – 3	50 – 100	23	85%	4	17%

5. RESULTS OF PILOT STUDY

5.1. Acceptance of payment instruments

Differences in acceptance of payment instruments

The 27 participating retailers accept a mix of payment instruments (see Table III-1 in Appendix III). Large differences can be seen between the different lines of business. All 19 conventional retailers accept cash and debit cards. 18 of them also accept credit cards. The acceptance of e-purse cards (*chipknip*), in-store cards and fuel cards (*tankpas*) is confined to specific sectors. Furthermore, at various locations, payments can be made by inpayment transfer (*acceptgiro*), credit transfer, cash-on-delivery or through a direct debit. The 8 online retailers in the sample mostly accept payment by credit card, iDEAL, inpayment transfer and credit transfer. Cash-on-delivery, payment by direct debit or account debit is possible at a number of online retailers.

Visa and MasterCard are the most accepted credit cards

Virtually all credit card accepting retailers in the sample accept credit cards from Visa and Euro/MasterCard (see Table III-2 in Appendix III). Of these, 75% has also signed a contract with American Express. Only a small number of retailers accept payment by a Diners Card or a JCB Card. In addition, in-store cards are often used in some sectors, e.g. at petrol stations, DIY stores and at some fashion or home furnishing businesses.

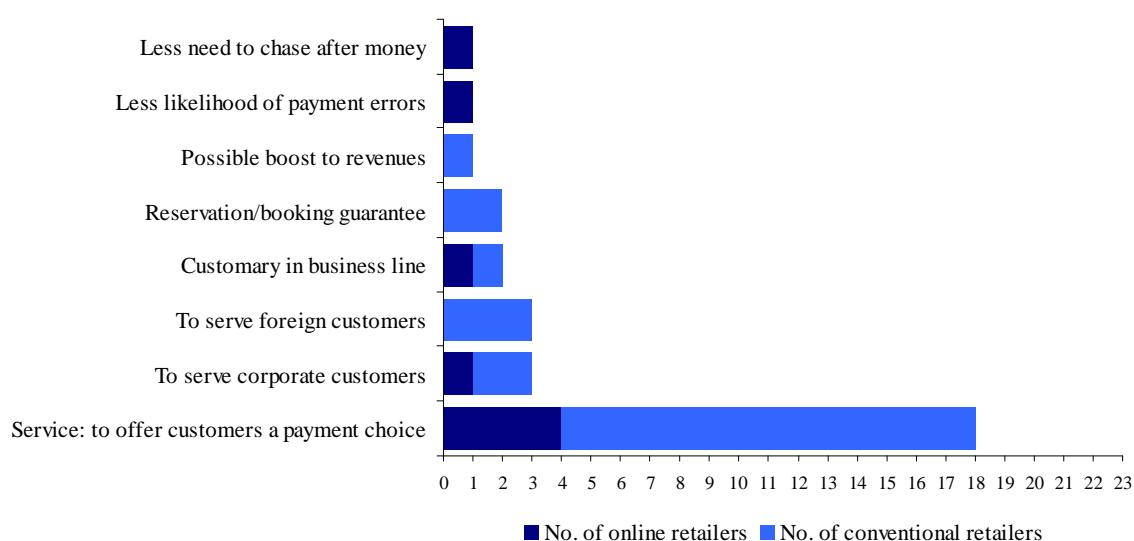
5.2. Reasons for acceptance of credit cards

Credit card acceptance: service, guarantee, competition, revenues and convenience

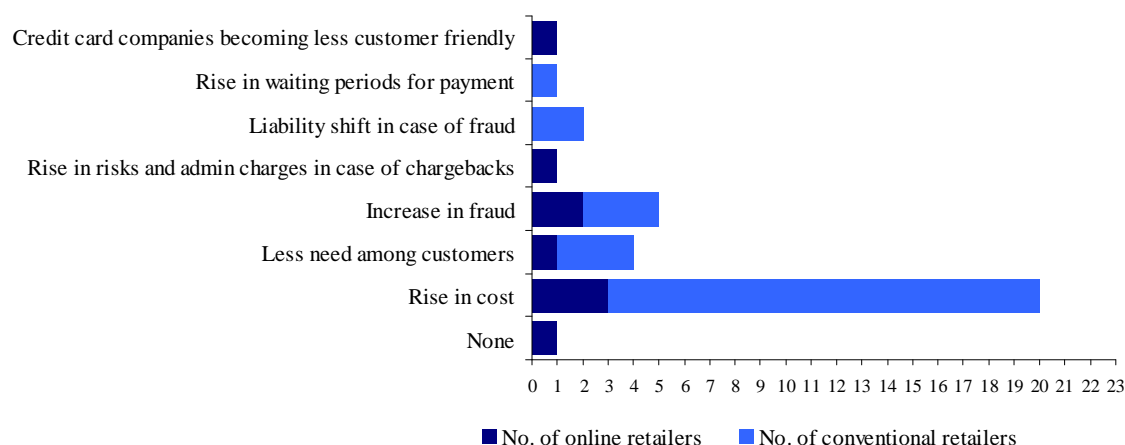
23 of the 27 participating retailers accept payment by credit card. By far the most cited reason by both online retailers and conventional retailers is that, from a viewpoint of service and customer friendliness, they would gladly offer their customers the opportunity to pay by credit card (see Chart 3). A number of retailers also cite the capability of serving foreign and corporate customers as a reason to accept credit cards. In addition, credit cards play an important role in reservations and bookings in the hospitality and catering industry. Credit card details are often requested to guarantee reservations and bookings in case of late cancellation or no-show. For some retailers, competitive considerations also play an important role; they accept payment by credit card purely because it is customary in their line of business. Other reasons mentioned were a possible boost to revenues, less likelihood of errors and not having to chase after their money. In short, the arguments in favour of accepting credit cards can roughly be summarised in 5 words: service, guarantee, competition, revenues and convenience.

All credit card acceptors were asked what would be the reasons for them not to accept credit cards any longer. “Cost” was by far the most cited answer by both online retailers and conventional retailers (see Chart 4). Many acceptors find the fees they are now paying per transaction

Chart 3. Why do you accept credit cards (No. of credit card acceptors)



**Chart 4. Considerations not to accept credit cards any longer
(No. of credit card acceptors)**



Reasons to stop: cost, security and demand

prohibitively high and are considering to stop accepting credit cards as soon as fees would be raised any further. Second, safety and security play an important role. A considerable share of respondents stated that they would no longer accept credit cards if credit card fraud increases, the liability shift applies or the number of chargebacks increases. Third, various retailers will stop accepting credit cards if customers no longer ask for it. This confirms once again that many retailers only accept credit cards as a service to their customers.

5.3. Reasons for non-acceptance of credit cards

“Cost” most important barrier...

Only 4 of the 27 retailers surveyed do not accept credit cards. In most cases this is because of the high transaction cost (see Chart III-1 in Appendix III). Furthermore, the limited degree of security and reliability are cited as reason not to accept credit cards, as well as the inconvenience of the payment process and the technical implementation. Another factor at play here is service: a retailer providing customers with the opportunity to pay in instalments indicates that he/she will not accept credit cards as it is not possible to spread credit card payments. In short, the most important considerations not to accept credit cards are: cost, inconvenience, security and service.

...followed by insecurity and inconvenience

3 of the 4 retailers that currently do not accept credit cards, stated that they would consider doing so as soon as credit card fees would decline (see Chart III-2 in Appendix III). Other, less frequently cited considerations to accept credit cards are the desire to tap new target groups, growing demand among customers, increased security of credit card payments, the desire to curb the use of cash and a smoother payment process. This may lead to the conclusion that, also here, the predominant consideration is cost, followed by a possible rise in revenues, convenience, service and security.

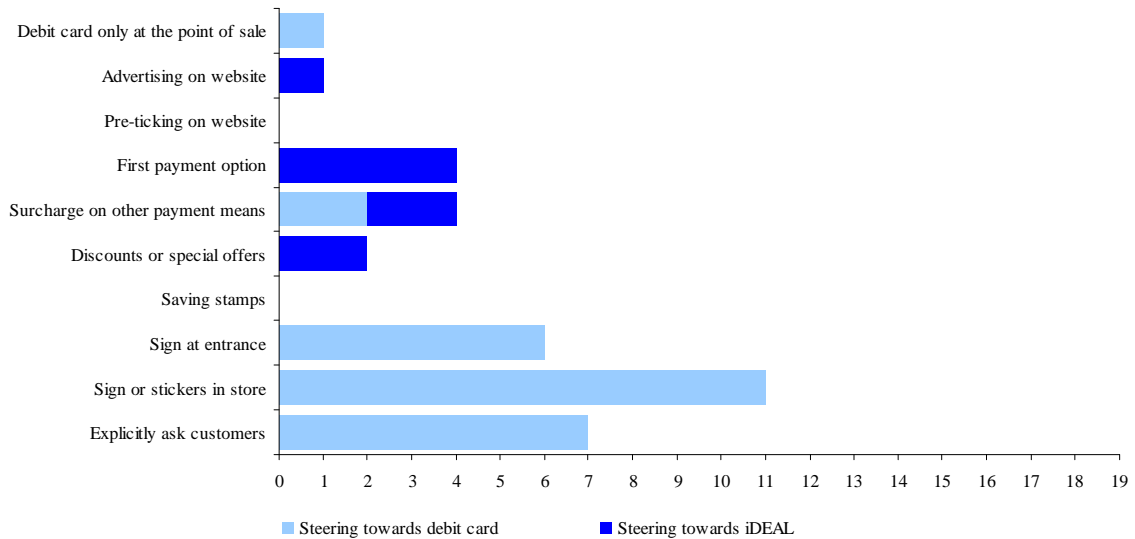
5.4. Preferred payment instruments

Preference for debit card and iDEAL

All retailers were asked which payment instrument they would prefer their customers to be using. The results reflect a manifest preference for debit card payments among conventional retailers: 18 of the 19 retailers prefer payment by debit card. Of the online retailers surveyed, 75% prefers payment through iDEAL, whilst 25% prefers their customers to use inpayment transfer (see Table III-3 in Appendix III).

Most of the retailers actively promote their preferred method of payment. More than half of the online retailers tries to stimulate payment through iDEAL, especially by offering iDEAL as the first payment option, but also by charging extra fees for the use of other payment instruments, by

Chart 5. Promotion of preferred payment instrument



Most retailers promote their preference

advertising on their websites or by offering discounts or making special offers (see Chart 5). About 75% of the conventional retailers in the sample tries to steer customers towards paying by debit card, in particular by putting up signs or stickers in their stores or by asking their customers explicitly to pay by debit card. Also, some retailers deliberately demand a surcharge on other payment instruments.

5.5. Surcharges on credit card payments

Limited use of credit card surcharges

Only 4 (17%) of the 23 credit card acceptors in the sample impose a surcharge on customers wishing to settle their bill by credit card (see Table III-4 in Appendix III). Although the sample is not sufficiently representative for the Dutch retail market, the results suggest that online retailers sooner tend to impose a surcharge on credit card payments than conventional retailers: 2 of the 5 credit card accepting online retailers charge a transaction fee, compared with 2 of the 18 conventional retailers.

Surcharges come in several forms

The manner in which surcharges are imposed differs from retailer to retailer; some charge a fixed amount per transaction, e.g. EUR 1.50 or EUR 7.50, whereas others charge a percentage of the purchase amount, e.g. 0.8% or 1.5%. All of them stated that they determined the amount of the surcharge on the basis of the fees they themselves have to pay on average for each credit card transaction. Also, the 4 retailers all pursue a different policy as regards the credit card payments on which they charge a fee. Where one retailer imposes a surcharge on all credit card payments, others only impose a surcharge on lower rate categories, on specific credit card brands or to non-regular customers only.

5.6. Reasons to surcharge credit card payments

Major reasons for surcharge: to cover cost and to influence customers

Virtually all reasons cited for imposing a surcharge on the use of a credit card have arisen from cost considerations (see Chart 6). On the one hand, retailers impose a surcharge to cover credit card cost and, on the other, they hope to raise customers’ awareness of the cost of their payment choice and stimulate them to use another payment instrument. All retailers therefore state that they would consider abolishing the surcharge as soon as the cost of credit card payments would go down (see Chart III-3 in Appendix III). Security is also cited as a reason by one online retailer: because of the absence of 3D-S security, the use of credit cards is being discouraged by imposing a surcharge. Reduction of the chargeback risk would, in that case, constitute a reason to stop imposing a surcharge on credit card usage.

**Chart 6. Why do you surcharge credit card payments?
(No. of credit card acceptors imposing a surcharge)**



5.7. Reasons not to surcharge credit card payments

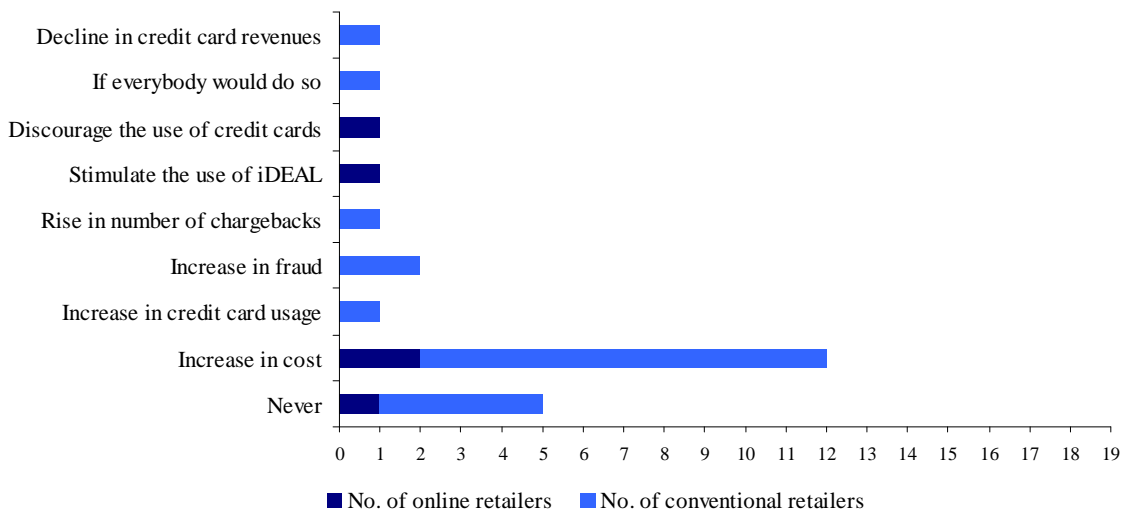
19 (83%) of the 23 credit card acceptors do not charge a fee to their customers for the use of a credit card. By far the most cited reason is customer friendliness and service to customers (see Chart III-4 in Appendix III). Most acceptors find it customer unfriendly to distinguish between payment instruments and to let customers pay for a choice provided to them. About 25% of retailers therefore states never to impose any surcharges (see Chart 7). For some retailers, competition and revenues play a role: they do not wish to create shopping barriers or competitive disadvantages. Also, surprisingly, an individual retailer still assumes that it is not permitted to ask customers to pay a surcharge for using a credit card.

Reason not to impose a surcharge: service, competition and revenues...

... provided that cost and fraud do not increase

Although cost is the most cited reason for imposing a surcharge, some retailers do not find it necessary yet because credit card usage is still limited, because cost have already gone down or because other payment instruments also entail high cost. However, a vast majority will consider imposing a surcharge if the cost of credit cards would rise. This is followed at some distance by an increase in fraud and chargebacks. Also, some retailers will be imposing a surcharge if credit cards would be used more frequently and they would want to discourage their use (see Chart 7).

**Chart 7. Considerations to surcharge credit card payments
(No. of credit card acceptors currently not imposing a surcharge)**



6. CONCLUSIONS

Use of credit cards is limited, but acceptance is growing

Credit cards only have limited importance in the Netherlands, in terms of both the volume and value of payments. In 2009, less than 1 out of 30 non-cash point-of-sale payments was made by credit card. Nonetheless, credit cards can be used for payments at about 100,000 locations in the Netherlands, especially in specific sectors such as petrol stations, clothing stores and restaurants. Online retailers also provide their customers more often with the opportunity to pay by credit card.

Service and revenues...

Retailers in the Netherlands are free to decide whether or not to accept credit cards. The survey results show that they mostly make a trade-off between service, revenues and guaranteeing reservations, on the one hand, and cost, safety and security, on the other. It is of great significance to many retailers, from a viewpoint of customer friendliness as well as for reasons of competitiveness and revenues, that customers can pay by credit card. However, security and cost are seen as the most important drawbacks. Most credit card acceptors are considering to stop accepting credit cards as soon as fees would be raised any further and security risks would increase. Also, it is especially factors such as cost and relatively high insecurity and unsafety that currently keep many retailers from accepting credit cards.

...versus...

...cost, safety and security

Payment behaviour influenced mostly through non-financial incentives

Virtually all credit card acceptors prefer customers to use their debit card or to pay by iDEAL, in particular because of the relatively high cost and insecurity of credit cards. They often try to actively influence customers in their choice of payment instrument, especially through non-financial incentives, such as signs and promotion material. The most important reasons why little use has so far been made of financial incentives such as a transaction surcharge correspond with the reasons why retailers accept credit cards in the first place: customer friendliness, competition and revenues. They do not want to interfere in the customer's payment choice and do not want to create competitive disadvantages or shopping barriers. That is, as long as cost and security risks do not increase any further. Only a small group of retailers imposes a surcharge on customers using a credit card, both to cover the credit card cost and to raise customers' awareness of the cost attached to their choice of payment instrument.

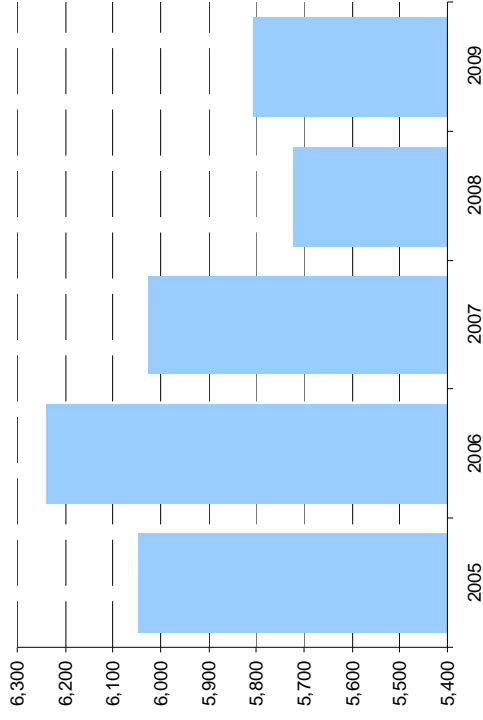
Credit card policy is retailer's choice

This pilot study gives a good overview of retailers' underlying reasons for and barriers to accepting and surcharging credit card payments. It is therefore expected that a new representative study would not provide any different insights. The results show that it is the retailer's choice whether or not to accept and surcharge credit card payments. The acceptance of credit cards provides certain advantages to retailers, but it also entails cost. It is up to the retailer to weigh up service, competition and revenues against cost and security and, on that basis, to determine whether or not to accept credit cards. During the survey, virtually no signals were received that retailers would feel restricted in their acceptance policy. Retailers do regard the cost and relatively high insecurity as the most important drawbacks to credit cards. A reduction in credit card fees and security risks would therefore lead to a rise in card acceptance.

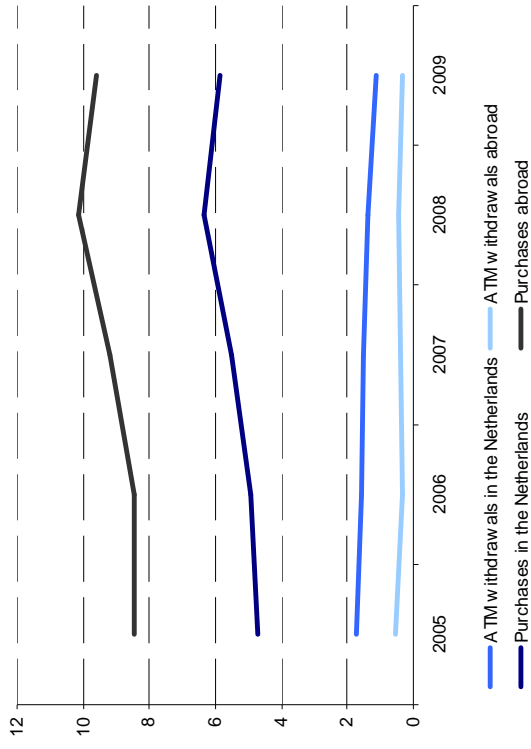
APPENDIX I

THE DUTCH CREDIT CARD MARKET IN FACTS AND FIGURES

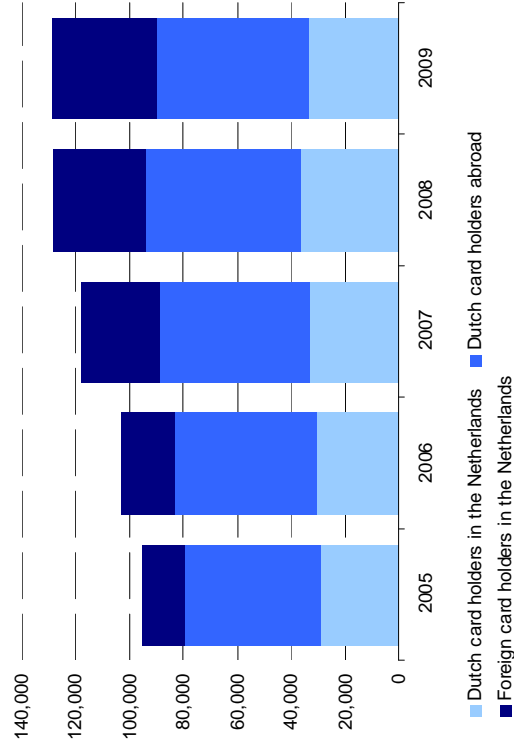
**Chart I-1. Number of credit cards issued in the Netherlands
In thousands, at year-end (Source: DNB)**



**Chart I-2. Average number of credit card transactions per Dutch
credit card (Source: DNB)**



**Chart I-3. Number of purchases by credit card
In thousands (Source: DNB)**



**Chart I-4. Revenues from credit card purchases
EUR million (Source: DNB)**

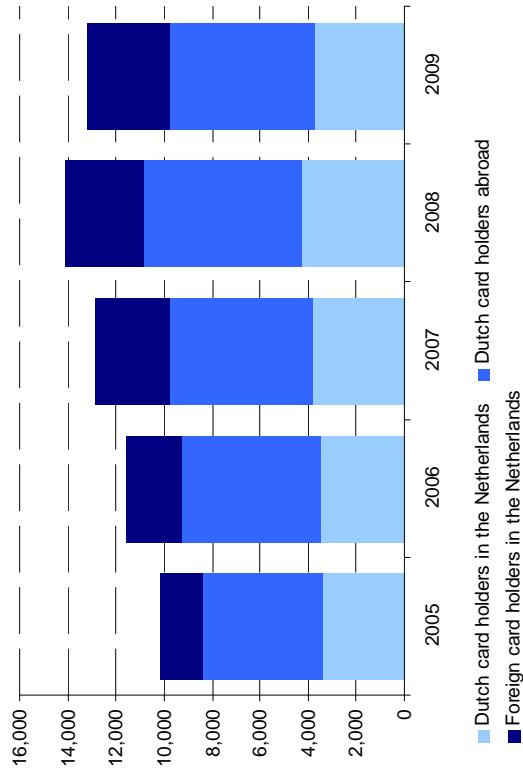
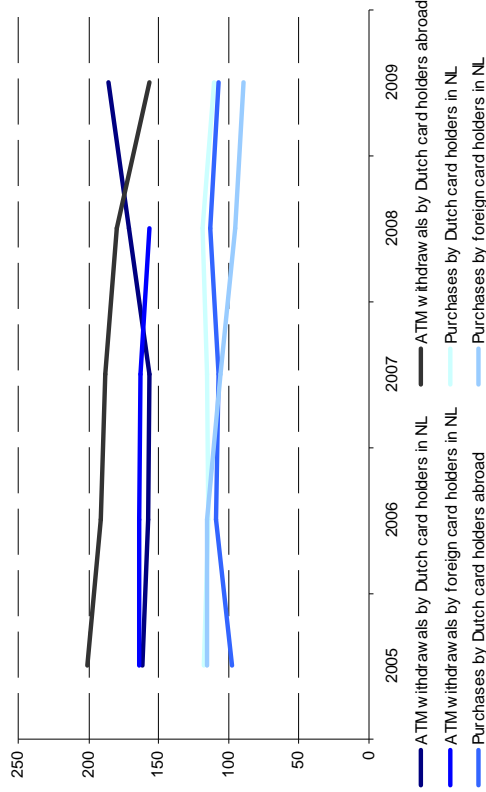


Chart I-5. Average amount per credit card transaction EUR (Source: DNB)



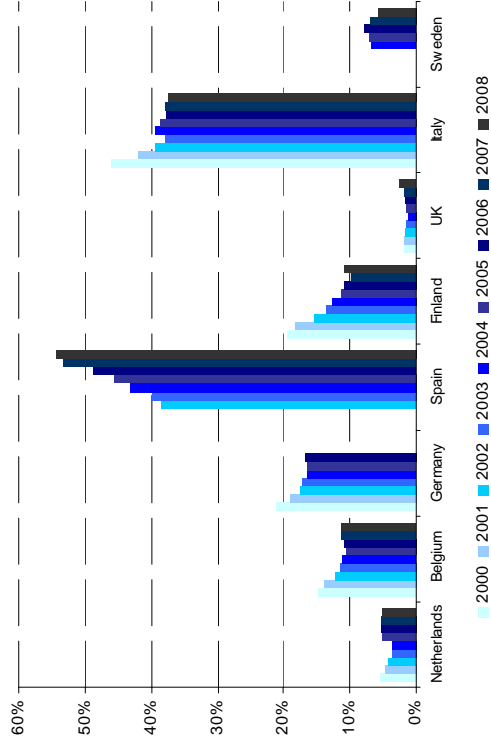
Note: NL stands for the Netherlands

Table I-1. Acceptance of payment instruments by established retail stores, itinerant traders and petrol stations in 2009

Line of business	% of retailers
Total of established retail stores	39%
Food specialist	10%
Supermarkets (5 or more employees)	19%
Beverages and tobacco	50%
Clothing, shoes and leather ware	67%
Personal care products	60%
Home furnishing and lighting	24%
Consumer electronics	42%
Media	35%
Other non food	20%
Itinerant traders and mobile stores	5%
Petrol stations	96%

Sources: "HBD Monitor Betalingsverkeer 2009" (Retail Payments Monitor, 2009) and "Tankstations in cijfers 2009-2010" (Petrol stations in figures, 2009-2010).

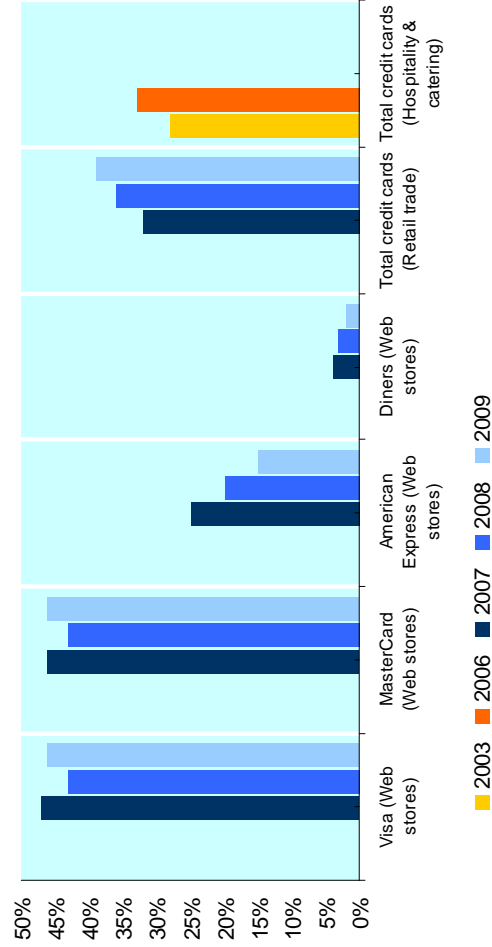
Chart I-6. Share of credit card payments in total card payments Per cent (Source: ECB Datawarehouse)



Note 1: credit card payments = credit + delayed debit card payments

Note 2: exclusively payments by card holders in their own country

Chart I-7. Acceptance of credit cards in established retail stores, hospitality & catering businesses and web stores



Source: "HBD Monitor Betalingsverkeer 2009" (Retail Payments Monitor 2009), EIM (Economic Institute for Medium-sized and Small Businesses), 2007 and "Betaal mogelijkheden webwinkels 2009" (Payment options at web stores, 2009), Currency.

APPENDIX II
SAMPLE OF QUESTIONNAIRE

Background data:

Name of contact	
Telephone number	
E-mail address	
Name of company	

1. What line of business is your Company in (please tick one box only)
- Supermarkets
 - Fashion
 - DIY stores
 - Home furnishing and electricals
 - Petrol stations
 - Online shopping
 - Restaurants
 - Don't know / no answer
 - Hotels

2. What is your average gross annual revenue? (you may give an estimation)
- Less than € 50,000
 - € 50,000 - € 150,000
 - € 150,000 - € 300,000
 - € 300,000 - € 500,000
 - € 500,000 - € 750,000
 - € 750,000 - € 1,000,000
 - € 1,000,000 - € 1,500,000
 - € 1,500,000 - € 3,000,000
 - More than € 3,000,000
 - Don't know / no answer

3. What is the average amount your customers spend per purchase (please tick one box only)
- Less than € 10
 - € 10 - € 25
 - € 25 - € 50
 - € 50 - € 100
 - € 100 - € 200
 - € 200 - € 500
 - More than € 500
 - Don't know / no answer

4. Which payment instruments do you accept? (please tick all boxes that apply)
- Cash
 - Fuel card
 - Debit card
 - iDEAL
 - E-purse
 - Impayment transfer
 - Credit card
 - Credit transfer
 - In-store card
 - Direct debit
 - PayPal
 - Other, please specify.....

5. Which payment instrument do you prefer your customers to use (please tick one box only)

- Cash
- Fuel card
- Debit card
- iDEAL
- E-purse
- Impayment transfer
- Credit card
- Credit transfer
- In-store card
- Direct debit
- PayPal
- Other, please specify.....

6. Does your Company actively promote this payment instrument (please tick one box only)

- Yes
- No - If you do accept credit cards, please continue with question 8. If not, please continue with question 11.

7. How do you stimulate the use of this payment instrument? (please tick all boxes that apply)

- Explicitly ask customer
- First payment option
- Sign or sticker at point of sale
- Pre-ticking on website
- Sign at entrance
- Advertising on website
- Saving stamps
- Other, please specify.....
- Discounts or special offers
- Don't know / no answer
- Surcharge on other payment instruments

- If you do not accept credit cards, please continue with question 11.

8. Which credit card brands do you accept? (please tick all boxes that apply)

- Euro/MasterCard
- JCB
- Visa
- Our in-store card
- American Express
- Other, please specify.....
- Diners
- Don't know / no answer

9. What are your most important reasons to accept credit cards?

10. What would be your most important considerations no longer to accept credit cards?

If you do accept credit cards, please continue with question 13.

11. What are your most important reasons not to accept credit cards?

12. What would be your most important considerations to accept credit cards?

4

If you do not accept credit cards, please proceed to the end of the questionnaire where, in the Comments box, you may provide any comments you would like to make about this survey or subject.

13. Do you ask your customers for a surcharge on their payments by credit card? (please tick one box only)

- Yes
- No – please continue with question 19
- Don't know – please proceed to the end of the questionnaire

14. When do you ask for a surcharge on credit card payments? (please tick all boxes that apply)

- Always
- From non-regular customers
- From foreign customers
- During sales and clearances
- Below an amount of EUR.....
- In excess of an amount of EUR.....
- Other, please specify.....

15. How do you charge this surcharge? (please tick one box only)

- As a fixed amount, viz. EUR....per payment
- As a percentage of the purchase price, viz.% of the purchase amount
- Other, please specify.....

16. How did you determine this surcharge?

17. What are your most important reasons to surcharge credit card payments?

5

18. What would be your most important considerations no longer to surcharge credit card payments?

If you do impose a surcharge on credit card payments, please proceed to the end of the questionnaire where, in the Comments box, you may provide any comments you would like to make about this survey or subject.

19. What are your most important reasons not to surcharge credit card payments?

20. What would be your most important considerations to surcharge credit card payments?

Comments

End of questionnaire

We thank you very much for your cooperation!

APPENDIX III

**RESULTS OF PILOT STUDY:
ADDITIONAL CHARTS AND TABLES**

Table III-1. Acceptance of payment instruments (% of participating retailers)

<i>Line of business (No. of participating retailers)</i>	<i>Cash</i>	<i>Debit card</i>	<i>E-purse</i>	<i>Credit card</i>	<i>In-store card</i>	<i>Fuel card</i>	<i>iDEAL</i>	<i>Impayment transfer</i>	<i>Credit transfer</i>	<i>Cash-on-delivery</i>	<i>Direct debit</i>	<i>Other</i>
Online retailers (8)	0%	0%	0%	63%	0%	0%	75%	88%	88%	38%	50%	13% ¹
Conventional retailers (19)	100%	100%	32%	95%	42%	21%	0%	16%	16%	5%	11%	5%
<i>Supermarkets (1)</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>
<i>DIY stores (2)</i>	<i>100%</i>	<i>100%</i>	<i>0%</i>	<i>100%</i>	<i>50%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>
<i>Petrol stations (4)</i>	<i>100%</i>	<i>100%</i>	<i>0%</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>25%</i>	<i>0%</i>
<i>Restaurants (2)</i>	<i>100%</i>	<i>100%</i>	<i>0%</i>	<i>100%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>50%</i>	<i>0%</i>	<i>0%</i>	<i>50%</i> ²
<i>Hotels (3)</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>67%</i>	<i>67%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>
<i>Fashion (4)</i>	<i>100%</i>	<i>100%</i>	<i>0%</i>	<i>100%</i>	<i>25%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>25%</i>	<i>0%</i>
<i>Home furnishing/electricals (3)</i>	<i>100%</i>	<i>100%</i>	<i>67%</i>	<i>100%</i>	<i>67%</i>	<i>0%</i>	<i>0%</i>	<i>33%</i>	<i>0%</i>	<i>33%</i>	<i>0%</i>	<i>0%</i>
Total retailers (27)	70%	70%	22%	85%	30%	15%	22%	37%	37%	15%	22%	7%

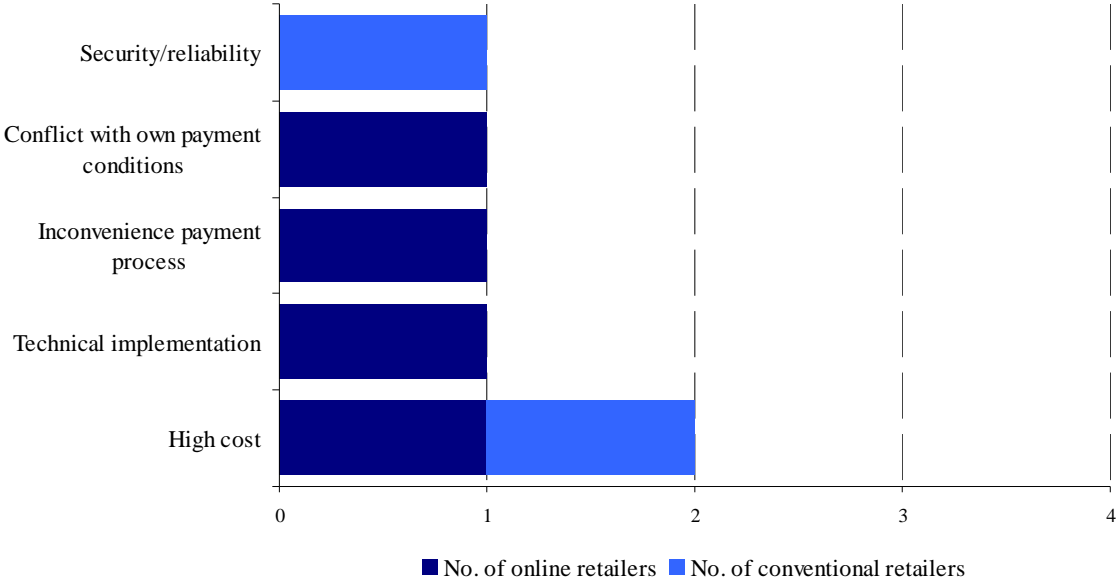
¹ Account debit

² Payment in advance

Table III-2. Acceptance of credit cards (% of participating credit card acceptors)

<i>Line of business (No. of credit card acceptors)</i>	<i>Euro/Mastercard</i>	<i>Visa</i>	<i>Amex</i>	<i>Diners</i>	<i>JCB</i>	<i>In-store card</i>
Online retailers (5)	100%	100%	60%	20%	20%	0%
Conventional retailers (18)	94%	100%	78%	39%	11%	44%
<i>Supermarkets</i>	.	.	.	.	.	.
<i>DIY stores (2)</i>	<i>100%</i>	<i>100%</i>	<i>50%</i>	<i>0%</i>	<i>0%</i>	<i>50%</i>
<i>Petrol stations (4)</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>75%</i>	<i>0%</i>	<i>100%</i>
<i>Restaurants (2)</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>
<i>Hotels (3)</i>	<i>100%</i>	<i>100%</i>	<i>67%</i>	<i>67%</i>	<i>33%</i>	<i>0%</i>
<i>Fashion (4)</i>	<i>100%</i>	<i>100%</i>	<i>75%</i>	<i>25%</i>	<i>25%</i>	<i>25%</i>
<i>Home furnishing/electricals (3)</i>	<i>67%</i>	<i>100%</i>	<i>67%</i>	<i>33%</i>	<i>0%</i>	<i>67%</i>
Total retailers (23)	96%	100%	74%	35%	13%	35%

**Chart III-1. Why do you not accept credit cards?
(No. of retailers not accepting credit cards)**



**Chart III-2. Considerations to accept credit cards
(No. of retailers not accepting credit cards)**

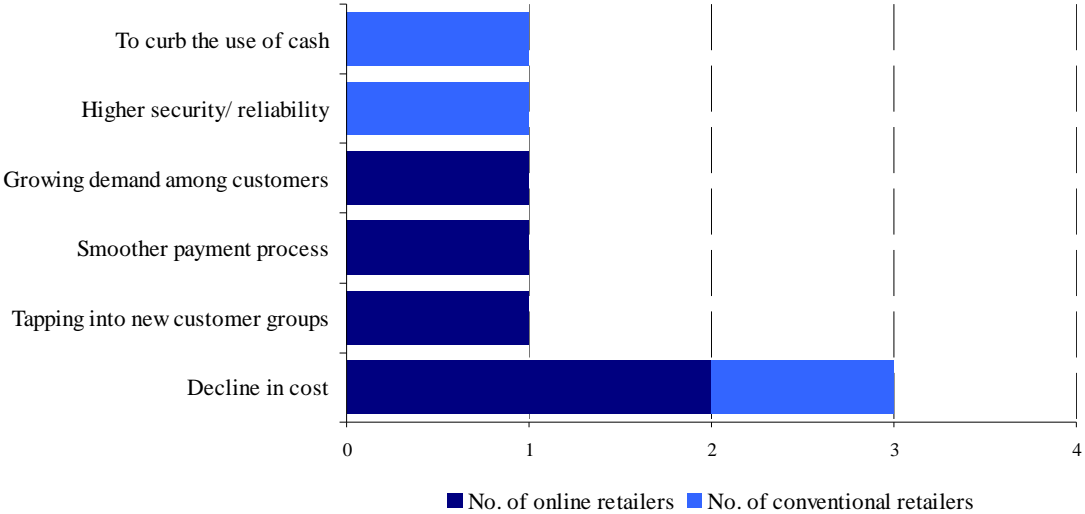


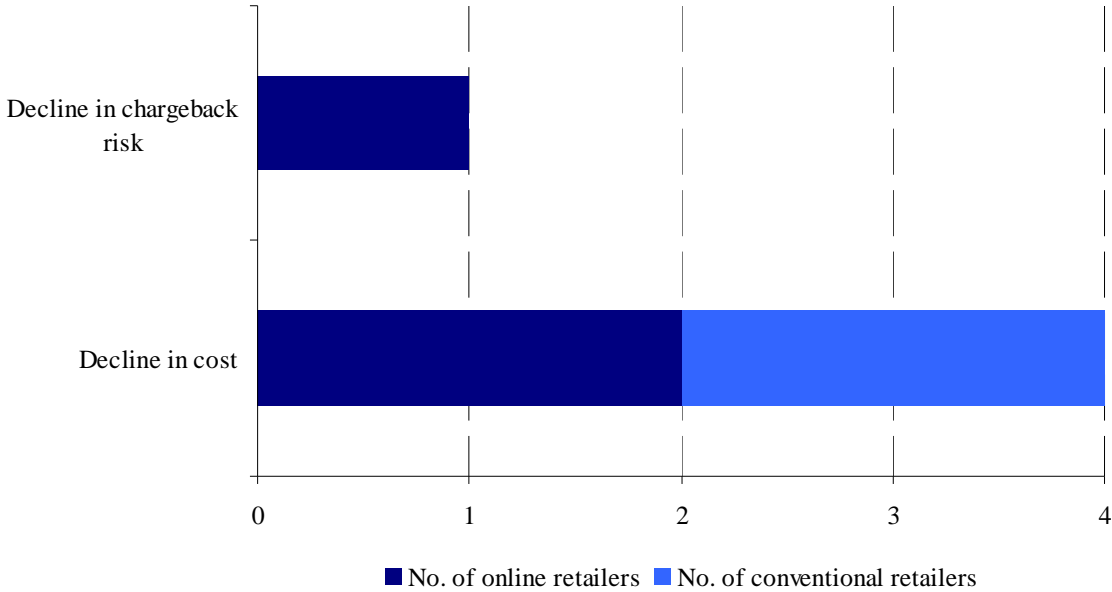
Table III-3. Preferred payment instruments (% of participating retailers)

<i>Line of business (No. of participating retailers)</i>	<i>Cash</i>	<i>Debit card</i>	<i>iDEAL</i>	<i>Impayment transfer</i>	<i>Do you promote your favourite payment instrument?</i>	
					Number	%
Online retailers (8)			75%	25%	5	63%
Conventional retailers (19)	5%	95%			14	74%
<i>Supermarkets (1)</i>		100%			1	100%
<i>DIY stores (2)</i>		100%			2	100%
<i>Petrol stations (4)</i>		100%			4	100%
<i>Restaurants (2)</i>	50%	50%			1	50%
<i>Hotels (3)</i>		100%			3	100%
<i>Fashion (4)</i>		100%			2	50%
<i>Home furnishing/electricals (3)</i>		100%			1	33%
Total retailers (27)	4%	67%	22%	7%	19	70%

Table III-4. Surcharging credit card payments (No. of credit card acceptors)

<i>Line of business (No. of credit card acceptors)</i>	<i>Do you surcharge credit card payments?</i>		<i>Method of surcharging</i>	
			<i>Fixed amount per transaction</i>	<i>% of purchase amount</i>
	Number "yes"	% "yes"	Number	Number
Online retailers (5)	2	40%	1	1
Conventional retailers (18)	2	11%	1	1
<i>Supermarkets</i>	.	.	.	.
<i>DIY stores (2)</i>	0	0%	.	.
<i>Petrol stations (4)</i>	1	25%	1	0
<i>Restaurants (2)</i>	0	0%	.	.
<i>Hotels (3)</i>	1	33%	0	1
<i>Fashion (4)</i>	0	0%	.	.
<i>Home furnishing/electricals (3)</i>	0	0%	.	.
Total retailers (23)	4	17%	2	2

**Chart III-3. Considerations not to surcharge credit card payments any longer
(No. of credit card acceptors imposing a surcharge)**



**Chart III-4. Why do you not surcharge credit card payments?
(No. of credit card acceptors not imposing a surcharge)**

