

**Speech joint EPFSF and EIF dinner, 1 April 2008**  
**Innovative e-payment systems: A European Perspective**  
**Mark Buitenhek, ING Group**

Ladies and Gentlemen,

Before I start my short introduction, let me ask you a simple and straightforward question: Would you please raise your hand now if you think that cash will disappear in 10 years' time?

*(Result on 1 April: none of the attendees thinks cash will disappear before 2018. Remarkable result!).*

In a recent study by MasterCard it turned out that **52%** of the total European population think that cash will disappear in less than 10 years. Being replaced by cards or mobile payments.

Both this survey and the little survey we just did in this room, clearly show how divided people think about the future of payment methods. However, one thing is clear: the landscape will change.

My name is Mark Buitenhek and I am a General Manager at ING, one of the largest financial institutions in Europe. ING is present in almost all countries in the EU, offering banking, insurance and asset mgt services to consumers, sme's, (mid) corporates, public authorities and to other banks.

My job is to coordinate and guide all payment activities, aimed at consumers and sme's for ING in Europe. That includes the development of new payment methods or better said, adapting ourselves to the new circumstances.

Being in payments for quite a while now – more than a decade – I'd like to share with you briefly some of my experience with 2 the introduction of new payment methods. One very succesful, the other a disaster. I will end with what I think are the key principles for setting up a succesful payment method.

Let's start with the disaster: this is the notorious introduction of our chip based purse in the Netherlands, called Chipper in the nineties. Despite a joint banking initiative, ING decided to create a purse on their own, together with the biggest telecom provider in the Netherlands. The remaining banks kept working on the so called Chipknip. In principle the same product, by the way.

The basic reasons for introducing a purse on our own were:

- replacing expensive cash by introducing an off-line purse on a card
- use the technical capability of a chip and the partnership with a telecom operator for introducing other services, like loyalty schemes for merchants, identification of consumers, authentication for internet banking applications, etcetera, etcetera

It failed and cost us – estimated – about 250 to 300 mln euro. We had to replace all our 7 million cards and joined the banking consortium again after 5 years of 'war'. The market

didn't accept the product, except for niches like parking and catering. But we came nowhere near the 1 bln transactions, we set as a goal.

The second example, is the succesful one. It is called iDeal, a standard created by the largest Dutch banks to easily pay on the internet.

How does it work? When you are shopping online, ready to pay, you'll find a button, with the iDeal logo on it. You click on it and it takes you immediately to the internetbanking application of your own bank. The payment you wanted to do, is ready and filled in for you and the only thing you need to do, is to authorize the payment. With the method you use at your bank. After that you return to the website you were shopping on.

Behind the scene (or should I say *screen*) your bank almost at the same time sends a message to the merchant, stating that it guarantees the payment, that has just been made. The merchant now is sure he will receive the money and is able to release the goods or services you just bought.

In October 2005 this product was launched in the market. It started with a few thousand transactions per month but has been growing with double digit growth numbers ever since. It is now the most frequently used payment method when customers shop on the internet. It is 25 times more often used than equivalent products in larger markets like Germany (Giropay) or Austria. It has won innovation awards and is praised by both merchant and consumer organisations as the safest way to pay on the internet.

Why is iDeal so succesful where Chipper (and Chipknip) failed? Let me give you my 5 basic lessons:

1. Always start with the customer: what are you trying to solve for him or her?
2. Do not use technology as a starting point to develop solutions
3. Payments is a 'two sided market': if you are not able to convince at least 80 to 90% of both sides (the payer and payee) to join, you will fail
4. the offering has to be easy to understand, simple to use, available everywhere, at a reasonable price
5. start with a very small number of people (3) to design the product from a customers' perspective – do not compromise!

And as for research? In the seventies of last century ING did a survey on the need for ATM's. People told us they would never use them. Standing outside, in the cold, queing, feeling unsafe, were the arguments brought up.

So, always listen to people, but keep making your own mind up.

Thank you for your attention.

Mark Buitenhek  
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