

# “The US-situation is quite unique”

Interview mit Walt Macnee, Peter Ehmke und Andrea Scerch



Mit der Regulierung der Kartenindustrie durch US-Präsident Barack Obama werden sich die Rahmenbedingungen für die dortige Branche stark verändern. Auf weitere Märkte habe die Initiative jedoch kaum Einfluss, da die Situation in den USA doch sehr speziell sei, so die Gesprächspartner. Im Hinblick auf die Limitierung der Interchange in Europa durch die EU-Kommission geben sie sich gelassen. Letztlich sei deren Existenzberechtigung durch die Interimslösung bestätigt worden, über eine angemessene Höhe entscheiden nun die Gerichte. Red.

**Karten** Mastercard provides services in more than 210 countries and territories all around the world. From your point of view, Mr. Macnee, which markets are especially interesting at the moment?

**Macnee:** All the global markets are of course interesting to us. But in terms of their actual development you can divide them into several categories.

■ The US is very interesting, because the changes over there are seismic. In the same category I would put the UK, the Republic of Ireland and Spain. Those countries have had a real estate bubble

as well as a reduction in consumer spendings. They had an incredible increase in consumption along with increases in leverage. And in most of those cases with enlargements in asset values, housing and others. They are the ones who had that great contraction.

■ Then there is the category of those markets who had these huge societal changes, especially urbanisation and a rise in the middle class. Countries like Brazil, Russia and India. They have a much different dynamic.

■ Other countries are unique like Korea or China with a population of 1,3 billion, a low consumption rate and a high export rate.

■ And then there are few markets like Australia, Canada or Germany. They are of course affected by the global downturn but have a little more resilience. The dif-

## Zu den Gesprächspartnern

**Walt Macnee**, President International Markets, Mastercard Worldwide, New York, **Peter Ehmke**, General Manager Germany, Mastercard Europe, Frankfurt am Main, und **Andrea Scerch**, General Manager Central Continental Europe Market, Mastercard Europe, Rom.

ferences from market to market are unbelievable.

**Karten** Do you pursue different strategies in those categories of markets? What is the difference between Mastercard's strategy in Germany and Spain for example?

**Macnee:** Our strategy does not differ so much but we of course adapt to the different needs of customers in these markets. Customer focus and customer needs lead to segmentation. As a result the development of segmentation products is part of our strategy. Germans for example travel a lot, are very focused on reliability, security and safety and thus expect the products to reflect this both on debit and credit. In Spain, prepaid products that address the needs of families and merchants, are an example. In particular we are putting our efforts in Spain strongly into commercial programs for small and medium companies, professionals and entrepreneurs; as well as affluent programs.

**Karten** With president Obamas new regulation, the US credit card business seems to get less attractive for the banks. Do you see a similar trend in other markets to come?

**Macnee:** The US situation is quite unique and so president Obamas response was

unique to that circumstance. Of course governments and regulators around the world are looking at all aspects of their economy in different ways now – pushed by this crisis. And they are looking, what each other does.

At his meeting with the industry in the White House, Obama said that he acknowledges the value of the credit and debit card industry. He told us that we needed a better balance in terms of disclosure for example and he asked the banking-community to act with openness and responsibility. But he is asking individuals to do the same. All this doesn't translate in the German context. You only have a few real credit cards, you have mainly charge cards. Some other regulators, especially in the developing countries, told us that they want to encourage our business. Electronic commerce is valuable to them: By growing it, they can raise an informal cash economy up into a light of day. There they can measure commerce and they can tax it. In some of the developing nations there are huge hidden economies. In those countries the governments want us to show the consumers the simple utility value of the cards (see also page 45).

**Karten** **So you do not expect any influence of Obamas initiative on other markets?**

**Macnee:** We had a conversation with a finance minister of one of the developed countries some weeks ago. He said that they were going to look at the US legislation and at any areas from which they could import rules. But at the first look, those initiative did not appear to be of a big value to them. They are all going to analyse it, but there won't be much of relevance for the other countries.

**Karten** **Even if Mastercard does not feel the cash losses directly. How do you feel the ongoing financial crisis?**

**Macnee:** We don't lend money to consumers. We get paid in simple terms from transaction and volumes. What we feel painfully is when consumers spend less. When they go less frequently to stores and buy things and when they travel less. Those are the big impacts on our business. But the incredible thing for us is, that our company has went very well through this downturn. Although the dimension of the global crisis is unbelievable, we had a pretty good last quarter. It is concerning but a little less than painful, we feel pretty good in comparative terms to some others.

**Karten** **Don't you expect consumers to spend less?**

**Macnee:** We do absolutely for now. You see evidence for that. But we're still growing the number of transactions. And we're growing volumes, but at lower rates than before. Consumers are cutting back, are travelling a little less or changing their destination a little closer to home. That's a global phenomenon. But we have a kind of a resilience, because people do not really stop buying things, they buy different things.

**Ehmke:** Especially in countries like Germany, where we still have 60 percent cash-use, we can still grow. People do not have to spend more, but to spend it differently.

**Karten** **Do you have markets where you see a reduction in transactions or volumes?**

**Macnee:** The US has reduced its volumes and there are some other markets that are flat such as the category of the resilient markets. They have flat volumes but increasing transactions. They still buy, but they buy things that are a little less expensive or they are shifting their categories of spendings.

**Karten** **When do you expect a boost in number of transactions again?**

**Macnee:** In terms of the economists we talk to, today it is still getting worse in the most affected economies. Their prognosis shows a negative 2009 and then a slight recovery to positive growth globally in 2010. You can say that the beginnings of the improving will begin the end of this year.

**Karten** **Where do you see growth opportunity in the German market?**

**Macnee:** The German market is one of the more complicated markets when you look at the savings banks, the cooperatives, the private banks and the direct banks. Germany is unlike some countries such as Canada or Australia: there you end up with three or four large banks with a branch infrastructure and a high competitive market. There the fees and the spreads and the marges get pushed down, but the consumers do well. From a distance that looks quite simple to me.

From where I sit, the German banking system looks complicated, but the German society and the way Germans use this banking system looks very simple. They don't seem to have taken on the incredible leverage that other parts of the world have. There seems to be a sort of natural conservatism in terms of consumer behaviour.

**Karten** **Which future do you see for Maestro?**

**Macnee:** Maestro is a great proposition to provide Sepa-compliance for an issuer. It is a fully functioning debit program that has international acceptance, it is there, it

**"What we feel painfully is when consumers spend less."**

is available and well utilised by German banks. Today of course it is mainly used cross-border.

**Ehmke:** Sepa will happen slowly but surely. When we looked at Sepa in the years 2000/2001, everybody thought that there was soon going to be one big market. We know today that this was a fairly simplistic view. Sepa is a revolutionary process. But with Maestro we have a product that covers the whole region. We offer it to everybody, who wants to be Sepa-compliant. Our domestic market share is small, but there are changes happening. Since May 2009 Payback for example is issuing a maestro card. This is then the first big load for Maestro in the sense that somebody said, we are going to use it domestically.

**Scerch:** Sixty percent of the German payments are still done by cash and this is the point where adding an efficient payment system could be beneficial for all the stakeholders. Cash is the place that could drive faster growth in our business.

**Karten** **But how are you going to win this "war on cash"?**

**Macnee:** It is just a secular shift from cash to electronic commerce all around the world. This is a basic shift and it is driving our success. We have got the historical models in the US, in the UK and in Canada, where there was the beginnings of credit cards and there have been debit cards for years to years. A slow shift from branch-based banking (cash and cheque) to ATM, than from ATM to point of sale has happened. This migration will just continue in each country. Over time, people start using their cards at the point of sale. Our task is to create acceptance and issuance, they feed on each other and grow the potential for our business.

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**Ehmke:** Think of something very small for a bank: if this bank has a customer with money on his current account but at the beginning of the week, he gets 500 Euro and he spends the cash, then the money is gone. If the customer was to pay with his credit card at the point of sale, that money would stay in his account longer. Of course that would do something to the profitability of the bank. The bank has an interest to keep the money in the system.

Why should the consumer do that, you might ask. It is for convenience, innovations like Paypass or because he gets bonus points. This works very well to educate the consumer to use the card. There is not one answer to this question.

**Karten** **Does the new decision of the European Commission concerning the Cross-border-interchange make Europe an uninteresting market?**

**Macnee:** No, it is very interesting. That is a temporary situation while we walk through the bigger interchange question, which is in the courts and will be decided in 18 months.

**Karten** **Which final solution do you see in this case?**

**Macnee:** Even in this temporary decision, the EU Commission is validating interchange. It has just been a question of the appropriate level. We think, interchange needs to be higher to build innovation and create progress in electronic commerce. But that is for the court to decide.

**Karten** **Who will motivate the issuing banks to continue investing in infrastructures if the regulatory instances keep on limiting interchanges or even are prohibiting them in the future?**

**Macnee:** It is an expensive proposition building an electronic commerce. We see interchange as a way to build value in the system. It pays for innovation and for development in the system. In Australia for example the regulator limited the interchange. This ended up in the way that the banks reduced the value-proposition to consumers. Loyalty programs were cut down and there was an increase in fees.

There hasn't been an evidence yet of good things coming when interchange has been regulated. It just has been a decrease in innovation and development.

**Karten** **Will the Interchange-debate have an impact on possible third players like Monnet or Berlin Group?**

**Macnee:** Monnet is a lovely idea. But you need some value to create something. And it is a difficult time to create something new when it already exists. To build another debit card system and to use either shareholder funds or government funds or a combination is a tougher proposition now in this financial crisis.

In my mind, they will need interchange to work. Without some sort of value in the system, I don't know how this is going to work.

**Karten** **You don't seem to be too concerned about those initiatives even though those banks now are your clients and they probably won't be your clients anymore if they succeed with Monnet.**

**Macnee:** If they want to create a global capability and you want to be able to use the Monnet-card any time at any place in the world, this is a tough and very expensive proposition. Especially if it were a branded network. In fact we think, that cash is our main competitor, not the new schemes.