

Exclusive Interview with Roelant Prins, Adyen's Chief Commercial Officer

- Part I -

Adyen is a leading provider of global internet payment and e-commerce solutions for mid, large and enterprise e-commerce merchants. With its payment platform now accepting local payment methods across four continents, Adyen is on a mission to expanded its global reach in the USA, Canada, Latin America, Russia and China. The Paypers sat down with Roelant Prins, Adyen's Chief Commercial Officer, to discuss the company's vision, its expansion into emerging markets in Asia and Latin America as well as its online and mobile offerings.

The vision behind Adyen's internet payment platform



Adyen was founded by a team with a significant background in internet payments. Our founders previously founded Bibit, one of the first outsourced payments providers in Europe. That was what we could call the first generation of internet payment services, helping larger merchants accept online payments. It was a very successful company developed at a time when there was a growing need to have a secure payment system for merchants, a payment system that addressed the right payment methods internationally and a system that was

always stable and viable – at the time, those were the core requirements.

This system was especially created to serve the needs that existed in the market at the time, this was the beginning of 2000. That company was sold to RBS in 2004 and integrated into RBS and that fitted very well. A few years later, end of 2006, beginning of 2007 we had founded Adyen. This was founded with people that have been working in the industry by now for well over 10 years. We founded the company as a next-generation internet payments system. The reason why we look at it as a *next-generation* initiative is that the needs of e-commerce merchants have in turn shifted and developed.

The truth is that many of the existing payment systems are based on being first-generation systems addressing the needs that I've just talked about. However, at the moment it is still equally important for e-commerce merchants to have a secure and stable system, but this is no longer the sole requirement. E-commerce merchants today all have a lot of experience and are continually looking to optimise their processes and the way they do business—consequently, there are a number of significant developments that have emerged.

On the one hand there is of course PCI compliance, which has come around the corner a few years ago, and which now has major impacts on businesses handling their sensitive card data. So this is one thing that has changed and really drives merchants towards fully outsourcing payments acceptance—since that way they can really get

rid of PCI compliance. So that is one big change. But, at the same time, people are all looking at optimizing conversion and optimizing their processes. There is however a conflict here, due to the fact that traditionally, outsourcing the payment acceptance and also PCI compliance through our hosted payment page environment typically had a lot of disadvantages for merchants, as it implies having less control over the payment page, little to no insight into what's happening on the payment page. That conflicts with trying to improve your conversion, as conversion optimization involves having a higher degree of control.

Adyen is essentially a technology company: we master the technology in the payments processing field, which makes us very flexible and fast in adding new functionalities.

Our view involves using the most modern technology to bring those two together into a payment system that on the one hand allows merchants to fully outsource PCI compliance, and at the same time provides them with the tools that enable them to really maximize conversion and address those needs. And that's really what our vision is, what we focus on and we're actually being quite successful. And the third element we can add is that the channels are shifting as well; the focus so far has been on e-commerce, internet, and we now believe that the mobile channel and also internet TV are channels that will become very important over the next few years.

Adyen's payment platform at a glance

Adyen has a fully PCI compliant solution. A redirect

solution like that has been on the market for the past ten years. We had the same type of solution with Bibit and traditionally, those redirect page solutions have the great benefit of not having to deal with PCI compliance – but for many bigger merchants that we have typically worked for, it also had a lot of disadvantages. First of all, it was a black box: you send a customer to an external webpage and have no idea on what happens on that site. Secondly, another disadvantage was that typically the customer / shopper had to work through three or four screens. Another disadvantage was that it was very difficult to control the look and feel of those payment pages and, finally, and there was the limitation of things like walk-in payments which are now very important and which the platform didn't support.

What's quite unique about our system is that our redirect-based solution covers all those requirements: we use very innovative skin technology, which allows merchants to adjust everything related to the look and feel of the payment page – logos, colours, but also the fields into which customer data is inputted, everything can be adjusted so that the payment screen can be completely fitted into the customer experience as the merchant wants to do it. That's very powerful, at the same time we use Ajax technology to have the payment processed on a single screen, instead of loading the traditional three or four pages to run through the payment acceptance. For bigger merchants we can also even adjust the URL of the payment page, so that it's not immediately obvious that see that it's coming from our system.

We also support single-click payments on our hosted

payment page, again a feature this is very much in-demand at the moment – for example, companies like Groupon (that we work for) bill their process around it and Adyen fully supports it on its hosted payment pages. Finally, what's very interesting is that where traditionally the hosted payment page was a black box, Adyen has developed in partnership with the Technical University of Delft a payment analytics tool, which means that we provide full insights into the conversion statistics of the payment page. This means that our customers that use the payment page can see per country or per payment page or per product exactly how many people abandoned the payment page and at what stage. So this gives the real insight you need, which then helps you to improve the payment process - that way you can start experimenting say with either a green payment button or an orange payment button and then see which one has higher results.

Maximizing conversion strategies for merchants

There are a few things we continue to do. On the one hand, we have a conversion analytics tool, which gives our merchants very valuable insight into their actual conversion rates. So, we start with giving the insight: on the basis on having that insight, we provide merchants with the tools to carry out A/B-type testing of different payment pages. That means that every merchant can experiment with having two different payment pages at the same time where they can, for example, change the order of appearance of payment methods or else they can add a surcharge to certain payment methods. Subsequently, they can measure what the conversion rate

is for each individual payment page, thus being able to measure exactly which payment page performs better and, of course, that's the ideal way to maximize conversion and work towards having the most effective payment page.

We also do other things to maximize conversion, which include working with a very international platform, via which we process payment for our customers in the US, but also in Latin America, in Europe, in Asia. Also, a big element in maximizing conversion is supporting the right payment methods, so that every customer is enabled to make a payment; secondly, specifically in what concerns credit card payments, at the European level there's a wide range of acquiring banks.

For example, in the US and Latin America we connect directly to American acquirers and Brazilian acquiring banks; what you see is that if you process cards with local banks compared to processing with European banks, so if you go local you'll have much higher success rates and therefore higher conversion. So, that's the other thing that we do at the back-end our system/platform: we structure the most effective acquiring network at the back-end, which in the end provides the highest success rates. These are the various approaches that we have to really optimise conversion rates for our customers.

Top 3 arguments to bring customers on board for Adyen

Full international coverage, the best technology that provides the highest conversion rates and everything provided at a very cost-competitive price

Payment methods supported?

Our philosophy is NOT to have the highest number of payment methods – typically, you see a lot of e-commerce payment companies that all claim “we have the highest number of payment methods”. For Adyen, it’s very important to only support those methods that actually matter. So we very critically look at every payment method to see whether it actually adds value and has substantial market share.

Typically, we know that if you, for example, offer ten payment methods to customers, they get distracted and select the wrong payment method, which in turn leads to lower conversion. There has to be a balance between having the right number of payment methods and maximizing conversion.

Adyen thus looks at which are the most relevant payment methods – we currently support around 75 internationally; these include local payment methods all over Europe, in Finland, in the Netherlands, Belgium, France, Spain - we support all the relevant payment methods across Europe; also in Asia, we have just gone live with Tenpay and Alipay in China. We support local payment methods in Russia as well as local payment methods in the US where there is the added factor of ACH, and we are Interac-compliant in Canada. Finally, we support a wide range of local payment methods in Latin America.



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- Part II -

Emergence of the mobile channel for merchants

What we've seen is that mobile has evolved from a niche market for actually selling into a real sales platform. We see specific industries that are very successful now in actually selling over the mobile platform, of course helped by the iPhone and the other smartphones.

And selling means selling for example tickets for airlines – that's not big now but it will be bigger in the next couple of years; tickets for movie theatres on the other hand are already big now: there's already real volume going over for those types of merchants. The same is true for a deal-of-the-day kind of customers: we can imagine that when you walk in the street and there is a deal coming in from an auction site or a deal-of-the-day type of site, you want to act immediately, you want to pay and you want to have that deal, that's also a real application.

A third example to mention would be sending postcards – you take a picture, select an address from your address book and then you send your postcard and you pay EUR 2 for it over your mobile. Because of PCI compliance, it's not very easy for merchants to write their own payment pages for the mobile. Besides, you've got a lot of different models and the payment page has to be optimized for every model.

The Adyen mobile offering

What Adyen has done has been to use its' existing skin technology to optimise payment pages for different mobile phones – the iPhone, the BlackBerry, the Android-powered devices, basically for all the important smartphones models. Of course, you can also downgrade for example to the five year-old models from Nokia where you have very simple screens – but the real smartphone payment screens are the ones that really look well and therefore drive conversion and ensure the best experience possible for the buyer.

With respect to payment methods support, an increasing number of payment methods will be made available for the mobile – which of course means they will be optimized for a small screen. Obviously, it's always possible to use credit cards, it's possible to use direct debits in many countries; in the Netherlands we have iDeal, which is an important payment method and which we are planning to make available for the mobile as well. This is very good news for our merchants, which can accept payments as easily via the mobile as via the web.

Successful mobile implementations by Adyen

One of the merchants that I can mention is Pathé, a large Dutch – French conglomerate of movie theatres. They are already selling tickets over the iPhone now and expect smartphone-based ticket sales to boost this year already. Another customers which will go live with our services really soon is Greetz, the leading Dutch online postcards company. Adyen handles all the online payments traffic for them and will soon go live with a mobile channel, which they expect will further drive their sales volume.

How are merchants' pages optimized for mobile use?

In addition to using advanced skin technology and making the mobile payment page look like a native app which "moves" smoothly on the iPhone, another important feature is the possibility to support one-click payments. This means that once a customer has registered previously either via his mobile phone or online, he can log into the app, which automatically knows who he is and allows him to pay with his CVC code or password, without having to enter all the credit card details on the mobile. This is also a very important driver for conversion.

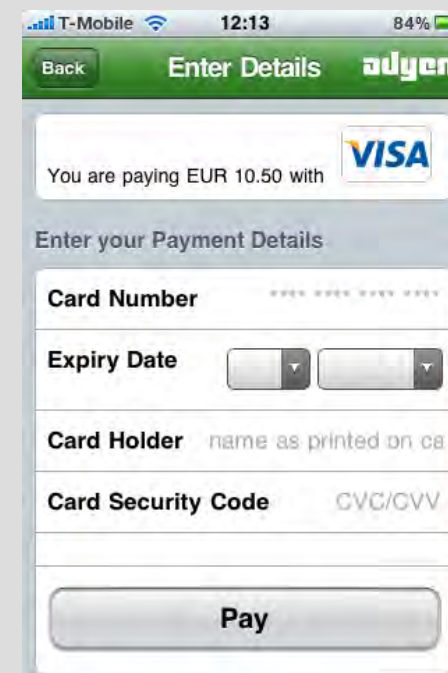


Image 1: Recurring mobile-based credit card payment screen with Adyen

What we see is a lot of demand from our merchants that use a combination of different channels, for example the web and mobile. Let's take for example the Groupon-type

business model; with it, customers carry out their first registration via the web – they register their payment details and then start receiving offers by email – emails which of course can also be accessed via a mobile device.

A great thing – and also one of the aspects on which we're focusing with regard to the mobile channel – is that if you receive a great special offer on your mobile while you're travelling, the Adyen platform allows you to use the payment details stored on your mobile (which you've already registered on the web) via the single-click methodology to make the purchase. The barrier for making a payment within such a scenario is very low and convenience is very high. We feel that convenience is a critical success factor for the mobile channel.

Within this scenario – would the single-click internet-based payment made via the customer's mobile phone qualify as an online payment or as a mobile payment?

That's a very good question. I think it would be a mobile payment, because the payment of course initiates on the mobile – using the web as the major infrastructure. It's really difficult to answer – and we've had this discussion before. For instance, on the iPhone if you do a payment via the Adyen platform, obviously that's a mobile payment, and if you do it via the web, then it's an online payment.

But what about a payment initiated via an iPad or another tablet that you carry around with you and that might have a 3G card? What we see happening is – to use an older term - a process of convergence. We see convergence

development to mention at this point is Connected TV. We work with merchants for instance in the travel and traffic business that want to offer their customers for instance traffic information on the Connected TV in the morning for EUR 1 per day and allow customers to then take that information with them on their navigation devices during the day; then maybe for an additional EUR 1 consumers can opt to receive additional traffic information which they can also access via their mobiles and online.

So, as a consumer, you develop a relationship with a content provider, and the paid contents – paid via the Adyen platform, that is – can be used on different devices; also, you can actually pay for that content using different devices via the one-click payment option: you can pay on the web, which is the easiest (mostly because you can use a full keyboard and a big screen) but you can also pay via your iPhone or even via your navigation device and certainly you can pay via the Connected TV. This is a very good example of converging channels for our merchants – which are all internet connected and which can benefit from our payment pages, all of which work on all the different platforms.

Fraud prevention – how does Adyen ensure it?

Given that all our payment pages are hosted, security is ensured the same way as on the web. The credit card details are always entered on our servers and we are PCI-compliant, so that makes it a closed loop. For the mobile and Connected TV we have some additional security measures in place – namely, we have a unique identifier



Image 2: Successive mobile payment screens with Adyen

now happening with our merchants – and perhaps a nice

per device; this means that on the internet, we can look at the type of browser used and the operating system and say whether it's the same person we had yesterday or the same person who has been trying in vain to make a purchase for the past three days; for mobiles, this is even easier, as there are a number of additional IDs specific to each individual device. We therefore expect to have tighter fraud control on the mobile platform.

Where is Adyen now in terms of market coverage?

I think it's always interesting to look at market coverage and how exactly we can define a market. When we look at a market, we at Adyen especially focus on the truly international e-commerce merchants, companies that are trading all over Europe and beyond and that have true global focus.

Looking at Adyen's background, we started the company in 2007 so we have been around for 4 years now and 2010 has been a major breakthrough year for us. Before 2010, many people had heard about us, they liked the general idea of what we were doing – but in 2010, Adyen experienced a major breakthrough and we are now working with many of the large, leading international e-commerce companies.

In 2010 we therefore became equal to the large players in the market in terms of being known and being regarded in turn as a major player. 2011 is about moving on and taking the next step.

The unique thing about our company is that we are

essentially a technology company, we master the technology in the payments processing field, which makes

We see all the other players on the market struggle with that - typically other players in the market have a new release twice every new year. Looking at the pace at which the industry is moving right now, with all the new business models emerging on the market and the extreme growth of mobile as a channel, there is a lot of pressure to keep up with this rhythm of development and continually enhance our platform – and I feel we are one of the few players that is realistically capable of doing that.

us very flexible and fast when it comes to adding new functionalities and implementing innovation into our platform.

For all of us at Adyen, this is a very good place to be in and we are all extremely excited about this opportunity. It's therefore difficult to talk about our market share in definitive terms – but we are really a top of the list payment processing provider at the moment.

Some top directions of development for Adyen

One would be true global reach – that's a key thing. The second direction is mobile, which is a very important channel for us.

What will happen in the European mobile payments space within a year, let's say?

First of all, an increase in the uptake of web-like

transactions of the type we previously discussed. If we look at near-field communications, NFC, I think that this is much further away – just look at the fact that Apple has announced that it will not include NFC into its next version of the iPhone due to lack of standardization.

As for Square-like solutions, since in Europe we don't rely on swipe anymore, so it's difficult to see that happening in Europe.

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