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### Are we able to align in European retail payments?

The pandemic has led to a strong increase for contactless and e-commerce transactions in Europe, including through cross-border e-commerce. Europe seems more than ever ready for digitization. Besides this push, we witness since a couple of years the development of strong international wallet solutions and constantly evolving new technologies as the main market drivers. All these solutions are continuously enriched and numerous value-added services appear including now also financing. But none of these solutions is European or even co-owned by Europeans. At the same time, the European regulator has created the basis for instant payments, but no major development took place in the retail payments space because the alignment of critical mass on one solution necessary for the rapid successful roll out in the market, did not happen.

While this situation clearly offers some potential opportunities, it is important to understand that Europe has to catch up in terms of payments solutions. The reason why many international solutions from different players develop so strongly in Europe is because we have no European reply, but only national or local solutions lost in more or less relevant specificities. This situation entails consequences: payments innovation is always a long-term investment and will require a substantial shift of parameters known until now, meaning that Europe will have to deliver its own innovation, investing more into technologies, and achieving efficiency which are in line with our overall European market size. Ultimately “catching up” with the payment giants will require massive investments and an outstanding persistence in the implementation efforts. In the current economic environment and given the progress of competitor solutions, this looks more than ever challenging and requires a strong concertation between the public and private sector in Europe.

Priorities have to be set out in line with market expectations, so that the private sector can deliver, but the support of the public sector will be needed since the effort will be anyhow immense. A collective effort appears as the only way how to turn around the continuous shift of Europe into increasing dependency in cards, wallets, payment standards and related technologies, while being internationally inexistent. This support seems not only necessary for the overarching principles or long-lasting objectives but should reflect also in the detailed lay out and set-up of a European solution. In

exchange of his support, the European regulator should have control over the realization of these objectives in order to obtain clear benefits for the European consumers, market players and its economy in terms of digitization, innovation and efficiency. Creating only a **level playing field and regulated approaches** which we usually deploy in Europe, **will very unlikely suffice** to create the needed conditions for success.

The longer we wait, the more difficult it will become, if not impossible. Lack of support, nationalism, or believing in vain that solutions at the national level could be more efficient and competitive in the long run compared to European-wide innovation and leveraging collectively our scale, are the biggest enemies to this evolution.