



flow

No. 3

Issue
Winter 2015/2016

Payment innovation drives us

SUCCESS STORY
Onlineprinters:
Simple Checkout –
Simply Perfect

BITCOINS

Just a Fad, or the Future of
Payment Transactions?

WHO IS BUYING AND HOW?

Payment Methods
in Fashion & Electronics

DIGITAL WALLETS

Credit Cards in Change



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THERE'S LIFE IN THE OLD DOG YET

Bricks and mortar is dead...

long live bricks and mortar! This is a summary of reporting on the development and growth of e-commerce in the last 15 years. 'The expansion of the internet is clear competition for the retail sector,' said Sandra Gillissen in 2000 in her term paper 'The change in consumer behaviour caused by auctions/malls/online shops', which is now available online as an e-book. However, this early publication also outlines the fact that '[...] 16.6% of those surveyed [...] named impersonality and the fact that you can't view the goods as reasons not to buy online'.

Lots has happened since then. While both small and large retailers have opened up one or even several online shops in parallel to their high street outlets, retailers who were previously based solely online are opening their first shops in city centres. And bricks and mortar shops continue to be very important to Germans. Eighty-two percent will continue to buy from bricks and mortar shops in the future according to a representative study of the location-based service provider Gettings, carried out in May 2015 by the market research institution Goldmedia Research. In general, Germans would like more convenience in bricks and mortar shops – 52% would like to be able to order products that are not available to be sent to their homes and 39% would like to avoid queuing for the checkout by paying electronically.

You can read about the innovative solutions Computop has developed for this in the past 15 years on the following pages. Stay curious!

Frank Arnoldt, Managing Director and shareholder

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FULL SPEED AHEAD ON POLE POSITION

Just fitting to Computop UK and its customer's meeting place: The Payment People treated their customers and partners to a high speed race at the Formula 1 circuit at Silverstone last May 1st. Like the daily business grind, it a day filled with adrenalin and speed.



START

The entry into the UK market was a steep learning curve for Computop. As Stephen Berry, Managing Director of Computop Ltd. recalls: 'First thing I realised, even though I had previous experience of the UK payments market, was that international payment processing and the preference of overseas consumers of using a multitude of alternative payment methods was very different to that of UK consumers who used cards 90% of the time. It was a big learning curve.'

Added to that was the competition, with the UK being one of the leading & mature ecommerce markets globally. Competition for online payment processing was fierce – with over 100 Payment Service Providers located in the UK, with most being focused on local UK domestic payment processing. However, when it came to true international processing, including the ability to connect to multiple overseas international and local domestic acquirers, plus support for many alternative payment methods preferred by international consumers, there was really only a handful of competitors to Computop.

Fast forward to 4 years later and things are very different. Computop Ltd. is now a team of three and growing. The UK team now manages numerous customers, including well-known companies such as Joules, MedicAnimal, Samsung, Stokke, Wargaming, and other very large globally recognised clothing brands. In 2014, our processing volumes grew by over 100% and will grow by the same amount in 2015.

Global Payments with Personal Service

Behind the wheel of success is Computop's local expertise: Amapola Staude-Lopez looks after sales-to advising new customers and partners. Also the technical support coming from the UK: Nick Sonnex coordinates the integration and support for English customers, together with our English-speaking support team in Germany. The combination of global payments with personal customer service from England is a success of our UK team.

In addition to the personal commitment of the UK team Stephen Berry sees other reasons for the success of the UK Computop racing team: 'We see ourselves more as consultants rather than sellers because while we want to understand our customers' needs and goals, our and their success depends essentially on the payment methods that our customers need in order to grow. In addition, we go the extra mile to develop our solution to what the customer really needs. Brazil was a good example: two of our customers had a rejection rate of almost 70% for card payments. This was be-



On the racetrack with Computop: Sam Suder (Sceneric), Jason O'Shaughnessy (Yodlee), Tim Stainthorpe (Eclipse), Anthony Young (ACI), Amapola Lopez Stuade (Computop), Gill Wells (Badoo), Allan Robinson (Chasepaymentech), Nick Sonnex (Computop), (left to right)

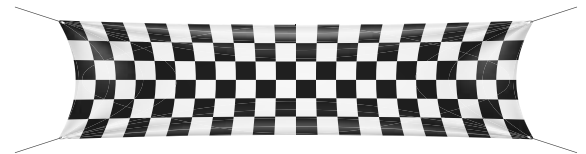




Perhaps the best way to further highlight our customer-centric approach, is a quote from our customer, Stokke, an internationally recognisable baby-gear retailer and customer since 2013.

'We are using the Computop service in 29 countries with support for many payment options and multiple currencies. It's been 1 single integration with many options and payment methods available with very little effort. We are adding more local payment methods relevant to each new market as we grow our international business, set-up has been relatively easy. All in all—very happy with Computop.' Christian Ovregaard, Digital Director, Stokke

cause the cards could not be used cross-border. As a solution, Computop provided the customer with interfaces to local banks in Brazil so that the card rejection significantly decreased. These developments has both customers and their enthusiastic Brazil business significantly improved.'



Neck-and-neck: Ian Menzies (Joules), Anup Vora (hybris), Alan Nielson (VerseOne), Henry Pooley (American Express), Wayne Docherty (American Express), Matt Chappelle (Wargaming), David Reidy (American Express), Steve Berry (Computop), Michael Wall (MedicAnimal), Silverstone test driver, Andrew McLean (MedicAnimal), Marc Lombardo (Joules), (left to right)



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Please specify your acquirer, your payment service provider and your current shop system.

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DIGITAL WALLETS – THE FUTURE OF CREDIT CARDS?

For 65 years, credit cards have been one of the most popular means of payment around the world. Within just a few years, what was originally intended as a club card for a select few New York restaurants turned into a leading method of payment.

Increasing new expansions and innovations paved the way for this success. The eWallet by MasterCard is the latest development, consolidating the credit card as a popular method of payment in e-commerce and especially in mobile commerce.



Foiling wolves in sheep's clothing!

We are constantly seeing new and innovative payment methods that make payment at the Point of Sale (PoS) or online easier, faster and more secure. But existing methods of payment are also undergoing a similar change. Since its introduction, the classic credit card has continuously been improved and adapted to users' needs. With the growth in e-commerce, consumers are placing new demands on credit cards. Most frequently, people are calling for faster checkouts, simpler payment processes and payment solutions that can easily be used across Europe.

This development is nothing new to the credit card company MasterCard. With its own digital wallet MasterPass, the credit card provider is working with cooperating banks and Computop to offer a new, customer-oriented online payment option. With Computop, retailers have the opportunity to prepare for the future use of credit cards by integrating the eWallet and to meet their customers' needs with the right solutions. In the US, Visa also uses a wallet solution for credit card transactions – Visa Checkout. In some EU-countries, also V.me by Visa is provided.

Secure use in online shops that increases sales

The focus of MasterPass is clearly on a concept with an eye on future consumer needs. As a result, the eWallet has been designed to guide customers securely and simply through the checkout. This also has a positive impact on the retailers' sales: retailers who integrate the eWallet into their online shop see higher conversion rates and fewer terminations during the ordering process. Online retailers receive the new payment method for low implementation costs and transaction costs, which are roughly the same as the costs of payment by credit card. The integration of MasterPass also requires existing retailer contracts with acquirers and banks. If infrastructure already exists with a network of banks and acquirers, the eWallet uses the existing networks for payment transactions.

In order to give customers the greatest protection possible for the credit card data they have to enter, the eWallet only sends the retailer a card number token. This means that retailers do not need to be PCI DSS certified, saving them time and certification costs. The fact that the wallet is being rolled out by banks and savings banks in countries such as Germany, Great Britain, Italy and France also increases consumer trust in the digital wallets.



Integrating credit checks into your checkout process lets you control your offered payment methods individually, fully automatically and in a matter of seconds. In this way, bad debts will fall by the wayside by foiling wolves in sheep's clothing. Most customers can even be offered purchase on account – which will generally boost conversion. We'd be glad to advise you!

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SIMPLE CHECKOUT – SIMPLY PERFECT

'For us, Computop excels primarily as a result of its solution-based working method. Through the existing interface with our partner WEBSALE, integration into existing systems was surprisingly straightforward. Through this, we were able to offer the reliable payment methods our customers want in our international online shops. This is a cornerstone of our success.'

**Martin Betz, Director of
Workflow & Processes**

 **diedruckerei.de**

It's one of those success stories, as written by the internet. Still a medium-sized, traditional offset printing company twenty years ago, an ambitiously rapid expansion programme has seen the company Onlineprinters GmbH from Neustadt an der Aisch grow into one of the largest online printing companies in Europe. The company relies on the Payment People from Computop for smooth payment processing.

Business cards, stationery, flyers, postcards, posters, catalogues, brochures, calendars and large-scale advertising systems: in a diverse range of services such as this, offered in 13 online shops and in 30 countries across Europe, payment processing assumes a pivotal role. Customers' high demands in terms of user friendliness and rapid

delivery times also apply in terms of the desire for a straightforward checkout procedure. 'We sketched out our requirements for an ideal payment process, clarified technical requirements and gave Computop free rein to design a technical solution,' says Martin Betz, Director of Workflow & Processes for Onlineprinters GmbH, describing the start

of the collaboration. And he's very pleased with the outcome: 'The result was fantastic: a seamless checkout process, a reduction in payment terminations and improved functionality for our customers.'

Another requirement was for the payment system to be integrated into the existing system infrastructure with an online shop from WEBSALE and the company's own inventory control system from D&G Software. Paygate, the payment platform developed by Computop, proved to be ideal for this. The platform enables a range of shop and ERP systems to be connected quickly and in a resource-efficient manner.

Focus on local payment types

When integrating payment methods, Onlineprinters wanted to focus more specifically on local options in their target markets in addition to the credit card payment type already used. For the Netherlands, for example, online transfer using

iDEAL was integrated, as this covers 60% of all e-commerce payments. In Germany, too, they decided to build up their portfolio: with giropay they can reach 35 million online banking customers from more than 1500 banks. The greatest strength of Computop Paygate is the ability to provide this diversity in such a way that it can be used by merchants as a modular system while simultaneously creating a clear checkout process for the buyer.

And with a high conversion rate and an increasing number of transactions reflecting the partnership's success, it seems as if the customers approve.



While others are still investigating, we already know the score.

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BITCOINS

JUST A FAD, OR THE FUTURE OF PAYMENT TRANSACTIONS?



Cryptocurrencies: we've all heard of them, but in the real world digital currencies are still not particularly widespread. That is – until now.

Litecoin, Dash, Peercoin, Dogecoin, Primecoin – just some of the many digital currencies that are currently available. And the largest and most talked about of all is Bitcoin: a decentralised, global, digital currency that works on a peer-to-peer basis. Bitcoin uses encryption technology to generate the currency units, called 'bitcoins', and to verify the transfer of funds without any need for a bank. This means that merchants using bitcoins to make payments do not have to pay any cross-border transaction fees, and payment is guaranteed. From the customer's perspective, payments can be made more quickly and information can be kept private.

The light in which you currently view bitcoins is likely to depend largely on whereabouts in the world you live. In Great Britain, for example, bitcoins have already achieved substantial market penetration and have received relatively positive press. In the USA, the currency remains highly controversial, but is slowly starting to gain a foothold. In the Netherlands, bitcoins are widely accepted, whereas they are the subject of heated debate in Germany.

Despite varying national standpoints and degrees of acceptance, bitcoins are starting to gain momentum. When considering whether bitcoins might be a potential method of payment for your customers, you should bear the following four points in mind:

1 Bitcoins know no borders. This means that it is possible to open, access and use an account anywhere in the world, which is an excellent opportunity for merchants and consumers in emer-

ging markets—especially if banks, cash machines and card-reading devices for debit and credit cards are hard to access or scarce. Furthermore, no one authority has power of disposal over bitcoin accounts.

Without centralised governance, however, it is only possible to protect and safeguard users to a limited extent. Payments cannot be reimbursed without the agreement of the recipient. Although this may not necessarily have an effect on merchants themselves, their reputation among consumers may be tarnished if transactions are subject to fraud. This can have a negative impact on the overall perception of bitcoins.

The German government, alongside certain state financial supervision bodies, have now issued consumer protection guidelines in order to counteract the lack of regulation.

2 Bitcoins are not managed by individual companies. This breeds greater competition, which may in turn mean lower transaction fees. When it comes to targeting end users, this could result in a certain degree of inconsistency, as there is no underlying communication and brand management strategy.

3 Using bitcoins is extremely easy, both for merchants and consumers. Using a computer to execute and verify a transaction takes only a few minutes. In addition, the customer does not need to carry cash or credit and debit cards with them, making purchases easier. In many places, however, bitcoins are not widely accepted as a form of payment, especially at stationary retailers. Many customers in the USA and other industrialised countries enjoy extremely easy access to credit cards, meaning that a general behavioural shift is required in order for customers to come round to the Bitcoin mentality.



Bitnet

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4 Bitcoin accounts are anonymous. This makes them attractive to consumers who prefer to keep their purchases private. The drawback, however, is that the digital currency attracts criminals wishing to exploit the anonymity of bitcoins for their illegal activities.

Digital currencies are still uncharted territory for most. The European Banking Authority (EBA) recently published a report on digital currencies that confirms their importance to the future of banking. It does, however, also advise caution given the risks involved. As the old adage goes: nothing ventured, nothing gained. It is still down to each individual merchant and financial institution to assess the potential of a new technology. Those banks and payment service providers who are already addressing and overcoming the potential risks linked to currencies such as Bitcoin are now starting to reap the benefits of their trailblazing. Can retailers really afford to turn a blind eye to these social and digital developments? Inaction can be just as dangerous as diving in head first.

In short, using bitcoins to make payments presents significant advantages for merchants and consumers alike, even if this payment method is still a work in progress. Increasing demand for digital currencies will benefit those open-minded merchants who meet their customers' need for a simple, digital currency.

Computop, number one European partner of the Bitcoin specialist Bitnet, has already opened the door to the digital currency for its retail customers.



RESPONSIVE FORMS AT THE CHECKOUT

Fit for mobile commerce with Computop

In 2014, mobile commerce brought in more than seven billion euros in revenue for online retail – 17% of the total e-commerce turnover. Experts believe that this will double in 2015, soaring to 14 billion euros. With the new responsive checkout forms (paySSL templates) for credit card payments, however, Computop offers a mobile commerce solution for mobile end devices that increases turnover.

Now, responsive paySSL templates can also be integrated into online retail without changing the look and feel of the online shop. This means buyers experience the checkout as part of a continuous

sales process. The multi-device enabled design also promotes mobile purchasing behaviour and sustainably increases the conversion rate. Combined with the use of pseudo card numbers, this is a clear plus in terms of flexibility and security.

The new forms can be used already without having to set an individual template. Computop's Payment People will be happy to answer any questions you may have about the use of responsive paySSL templates at any time.



Twelve months of payment innovation

New features in Computop Paygate:



SecurePay fraud prevention in Computop Paygate: together with our partners ACI and Cardinal Commerce, we are optimising 3D Secure on mobile devices.



The ideal payment method for every target market: We have introduced new payment methods to Computop Paygate so you can reach your customers wherever they are.



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**13 - 14
April,
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TWO DAYS ON MULTI-CHANNEL TRADING

Computop devised a revamped version of the international conference 'Planet Trade', held in Bamberg from 21 to 22 April 2015: and its plan was a resounding success. Both vendors and partners were in good spirits, and numerous new discoveries were made during the several first-class workshops and presentations. The following are some of the conclusions Computop can draw from its participant survey.

Under the slogan 'Trade 3.0: global presence across all channels', over 140 guests from the world of e- and m-commerce came to find out more about a range of subjects, including mobile payment, fraud prevention, bitcoins and international expansion in Turkey or China.

What the numerous visitors from the world of trade found particularly interesting were the specific, practical examples: a presentation about the use of innovative iBeacon technology by our partner Favendo, the establishment of multi-channel distribution for consultation-intensive luxury products as illustrated by stilwerk and our partner Rakuten's presentation on payment as entertainment brought real added value for the participa-

ting retail experts. 'A great opportunity to gain expertise and forge contacts at the same time. I would recommend Planet Trade,' said Lukas Bosina (REWE Group) in an interview with Computop.

The social events programme made room for a little relaxation between the working sessions: coffee breaks for networking, a guided tour of the world heritage town of Bamberg and an entertaining dinner were the perfect accompaniment to two intensive days focused on payment and trading. After so much positive feedback, the Payment People are already looking forward to welcoming experts from across the industry to next year's Planet Trade in April 2016, which will be held in Hamburg by Computop.



'At this year's Planet Trade, I learned about trends in the e-commerce market, and it is always a great place for networking.'

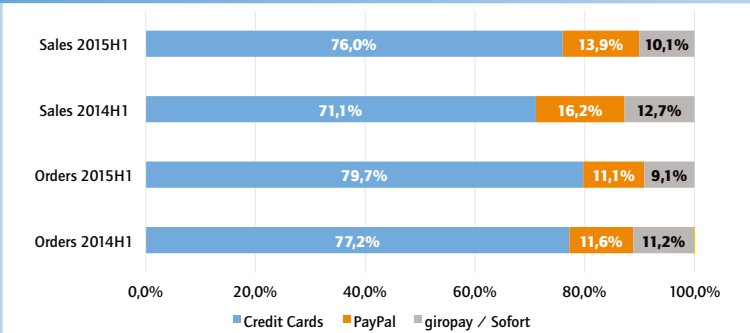
Mark Leske, Head of Sales Commerce, Boniversum GmbH

Information & Videos on
www.planet-trade.com



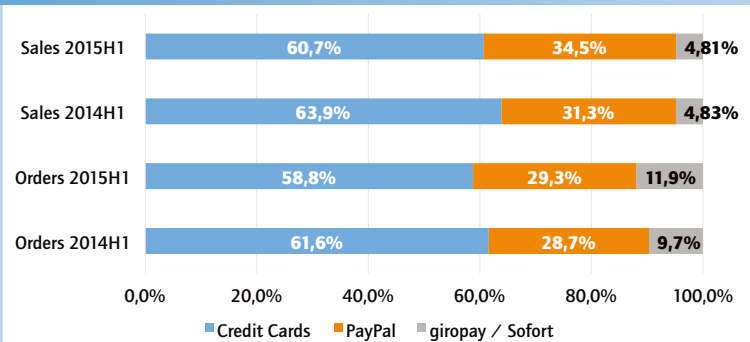
FASHION AND ELECTRONICS: WHO IS BUYING AND HOW?

How customers pay for electronics



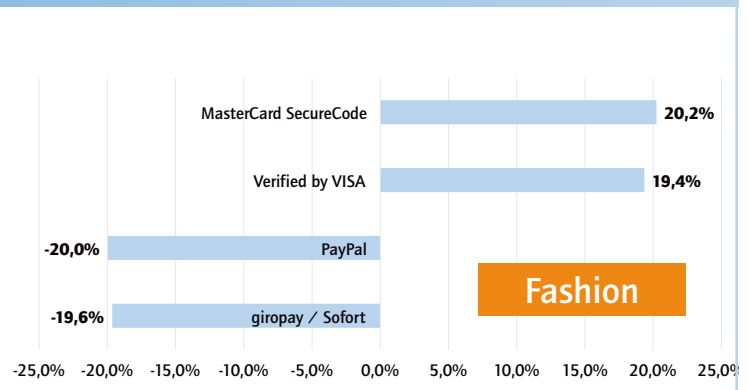
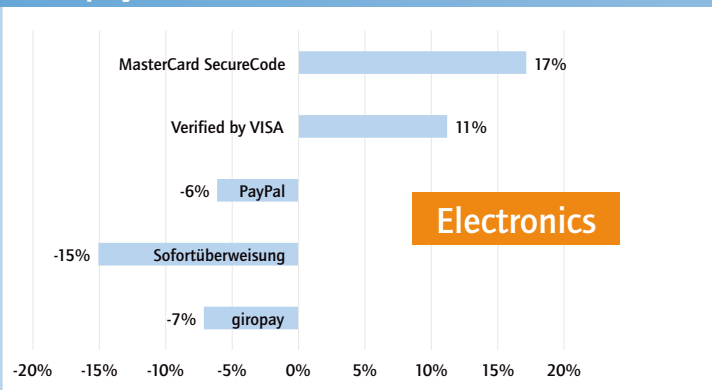
Those who choose the right payment methods for their target markets can significantly increase their conversion rate and therefore their turnover. This much we know, but it does get more complicated than that. This is because payment methods particularly appreciated by customers in one industry (and those they trust to process high-value goods from their shopping cart) may not be so popular in another. Computop has analysed current transaction data and in this issue will examine the characteristics of two strong sectors.

How customers pay for fashion



Based on almost 8 million transactions from the eurozone, in a comparison between the first half of 2014 and 2015, an interesting picture emerges with regard to customer preferences and trends. The credit card retained its dominance, particularly in the electronics sector, where it was even able to further build upon its leading position, with the proportion of credit card payments to electronics retailers increasing to 76% in the first half of 2015 (previous year: 71%).

How payment methods affect order values



PayPal proved somewhat less popular amongst electronics customers, with a clear decline in sales, sinking from 16.2% in the first half of 2014 to 13.9% in 2015. With regard to these retailers, the sales share for online transfers via giro pay or instant transfer dropped by almost a quarter from 12.8% in 2014 to 10% in 2015.

Most electronics retailers include 3D Secure technology in their portfolio of payment methods. The analysis shows this to be a wise move from a customer's perspective, as this added layer of security has led to increased sales: the respective order values for MasterCard SecureCode and Verified by VISA are 17% and 11% above the average shopping cart amongst the payment methods analysed. Conversely, with PayPal and giro pay customers, shopping carts were 6% and 7% below the average order value respectively. For instant transfers, the order value is as low as 15% below the average.

PayPal top for fashion customers

Different industry, different preferences: in comparison to the high-value electronics products, shopping carts in the fashion sector were only around half the value amongst the retailers analysed. The proportion of credit card sales is in slight decline here, falling from 64% to 61% overall. PayPal is benefiting from this shift, with the former eBay subsidiary recording a growth in sales of around three percentage points.

Online transfers like giro pay or instant transfers continue to make up 5% of overall sales within the eurozone, but represent 12% of orders in the online fashion industry (2015). These payment methods are appreciated to greatly varying degrees in different countries – while they are widely used in Germany and the Netherlands, as can be presumed from the overall figures, they are of little significance in other markets.

These figures also show the impact that the payment method has on the average shopping cart value. While credit cards, particularly those safeguarded by 3D Secure, provide impetus for sales around 20% above average, PayPal and online transfers are being used to make much smaller fashion purchases. Along with other factors, it stands to reason that customers may also be more inclined to reach a little deeper into their pockets when paying by credit card, thanks to the deferred payments they offer.

Statistical basis: 8 million payments made to various fashion and electronics retailers in Europe and the eurozone. This data relates exclusively to online payment methods actually used by all retailers analysed in 2014 and 2015.



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SOFTWARE DEVELOPMENT AT COMPUTOP



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Head of Development



Christian Beck
Software Developer



Lukas Biskup
Software Developer



Marco Schmitt
Software Developer



Fabian Lepie
Software Developer



Online payment systems serve a fast-moving market with ever-changing and ever-growing needs. The complex market and environmental influences create new tasks and place new requirements on software development at Computop, which has always been managed within the company.

But who or what actually are the developers at Computop? A bunch of nerds with cups of coffee hidden behind code tables? Thankfully, preconceptions such as these are now outdated, but at least one cliché has survived the change—the bit about the coffee is true. It's one of the staples foods available in one of the largest departments at Computop which is home to a young and constantly expanding team led by Norman Krieghoff and Nicole Schmich. Together, they work to ensure that the transaction platform Paygate, developed in-house, will continue to be one hundred percent 'Made in Germany'.

'Life-long' support

At Computop, development means much more than just software development. It comprises com-

plex processes over the entire life cycle of each individual component in Paygate. This starts with the development of ideas and the drafting of concepts, continues via the practical implementation of software components and intensive testing of new products, right through to the implementation as part of regular software updates. The provision of training on the new products and the documentation is also one of the department's core tasks.

There is a constant supply of new ideas, aiming to anticipate the next step in overall market development. But where do these ideas come from? The close collaboration between the individual departments at Computop comes into play here. New developments could be the result of market observations and trends, ideas and management

projects in collaboration with the Business Development department, or even direct customer requests which are passed on via the sales or support teams. Feasibility analyses are carried out and specific requirements set out in close collaboration with the product management team. Software development, in the narrow sense, is then carried out in a process-controlled manner on the basis of Microsoft.NET.

Updates in the early hours of the morning

The regular updates are particularly exciting for the developers. Together with the colleagues from system administration introduced in the previous edition of flow magazine, the developers are also involved in the Paygate update until all hours of the morning. While the admins are more responsible for the technical side, the developers import new products into the system and check that everything is functioning properly. The productive operation of Paygate is largely unaffected by this. The key word for this is 'load balancing', which is the basis for interruption-free updates during operation—the customer doesn't notice a thing. Developers and admins not only work very closely together on the update, they also share standby duties around the clock (and the coffee machine, of course!).

Various collaborations with other departments are also important; they do, however, make the range of tasks carried out very complex. The flow of new developments is shaped in particular by the collaboration with the project management team on the right strategic decisions, and these are then designed and implemented. On the other hand, the developers are also a strong source of help to the support team, as the responsible developers in the adjacent office are able to help with tricky and deeply technical questions.



Everything that is created is worth documenting. Because what is the point of the most flexible interface if the user is not aware of its functions or possible uses? There are handbooks in both German and English. In close consultation with the responsible developer, a critically evaluated second opinion ensures that the documentation is as plausible, understandable and accurate as possible.

Football-playing developers

Despite, or perhaps because of, the great diversity in software development, colleagues work in teams, who even enjoy spending their free time together. During breaks, there is regular contact between the various departments. A breakfast provided by management has become a tradition after every update. Table football provides a welcome distraction during breaks and colleagues sometimes meet up to play the real thing in the evening too. Bamberg is also the beer capital of Franconia, so it's no surprise that meeting for a cold beverage is a popular way for employees to unwind after a day's work. But they don't stay out too late: the developers are back to work on Paygate the next working day ensuring that 'progress through development' is maintained.



Norman Krieghoff
Head of Development



Andreas Mock
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BITCOINS: GOODS, A CURRENCY, OR A GOOD CURRENCY?



Europe is currently faced with a very important question: should transactions in bitcoins be seen as a service which is subject to VAT? And if so, should bitcoins be classified as a means of payment in the sense of a currency and therefore exempt from tax?

These very questions are currently the focus of proceedings before the ECJ. This article will examine the Opinion of the Advocate General and the underlying issues and lines of argument.

The fact remains that bitcoins are not currently recognised as a legal currency in any country, and no such recognition appears likely to be forthcoming. Citizens are also not able to use them to pay taxes and duties or to make any other payments to authorities. Bitcoins are, however, attracting increasing attention in the world of commerce. As well as being speculated on and traded on special stock markets, bitcoins are also more and more frequently being accepted in online transactions and are becoming increasingly significant as a means of payment in a number of countries – and not exclusively those with less well developed banking systems.

'Private money' in Great Britain

The further development of bitcoins depends to a major extent on what the commercial exchange in bitcoins will look like in the future and above all on whether VAT will be collected on the revenue from this exchange. Efforts to establish uniform European regulation on this issue have thus far been in vain. Germany's Federal Ministry of Finance has not yet been presented with a basis to grant VAT exemption. The situation is different in Great Britain, where bitcoins are classified as 'private money' and are not subject to VAT. Some European governments do not classify bitcoins as a currency, but rather as a commodity, meaning that trading them is subject to VAT. Others consider them a

type of 'private' currency, so any fees incurred are subject to VAT.

In the upcoming proceedings, the European Court of Justice will decide whether the turnover received from exchanging a virtual currency to a conventional currency (and vice versa) for a fee is subject to VAT. A similar issue has already been decided in another case, which related to the exchange of foreign currencies with different rates being offered for purchase and sale. In this case, the taxable service was deemed to be the activity of the exchange: it was decided that it was the activity of 'exchange' which was to be taxed, the difference between the purchase price and the sale price being the fee. This case, however, was concerned with the transfer of legal currencies, the purpose of which – unlike payment with/exchange of natural produce – were solely to be used as currencies.

Bitcoins do not have an end use

The criterion for something to be considered a 'currency' is not state recognition, but rather that its single potential purpose is its use as a currency. VAT is a tax on the end use of goods, and a currency has no end use: instead, it continues to be used as a means of payment. If this argument were to be transferred to bitcoins, it could be inferred that bitcoins should also be considered to be a currency as they cannot be used for any other purpose. Based on this argument, therefore, purely transferring these is not a taxable event. Since, however, the exchange is a service which is generally paid for with a surcharge on the exchange rate – in other words, is not a simple transfer – the service itself is likely to be subject to VAT in accordance with Article 2(1)(c) of Directive 2006/112/EC of 28 November 2006 on the common system of value added tax. Should this be deemed to be the case, as it was in the proceedings with the Advocate General, it is necessary to decide whether these exchange transactions are exempt from tax in accordance with Article 135(1)



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of the VAT Directive. Article 135 aims to ensure that, in the interests of smooth payment transactions, the conversion of all currencies is as unimpeded as possible.

In the interests of payment transactions?

If bitcoins are assumed purely to be a currency, it could be argued that the exchange of legal currencies into bitcoins is every bit as in the interests of payment transactions as the exchange of these into other (legally recognised) currencies. Germany in particular have posed arguments against this, citing the lack of value stability and susceptibility to fraud, yet value stability varies even in the case of legally recognised currencies. Moreover, the underlying consideration does not relate to state monitoring of financial markets (for fraud), it is simply a consideration in terms of VAT. Both arguments are, therefore, invalid here.

As a result, the recommendation of the Advocate General is to make the revenue received from the exchange of a pure currency (including bitcoins) into a legally recognised currency (and vice versa) exempt from VAT in accordance with Article 135(1) of the VAT Directive. And while this result does not yet tell us anything about regulation through financial supervisory authorities, it is certain to lead to an increase in trade and the further spread of bitcoins.

What does the current situation mean for retailers? At present, financial authorities view the subsequent sale of bitcoins collected through trade as a normal transaction which is subject to VAT. The decision of the ECJ which is discussed above addresses whether or not this approach is correct.

Computop currently offers a solution through which bitcoins can be accepted by retailers, with retailers receiving the price for the goods in real time in the currency of their choice. The retailers themselves, therefore, do not trade with bitcoins.



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International press coverage

Computop and ACI Worldwide offer new route to CNP authentication

Global payment service provider Computop has teamed up with ACI Worldwide to provide a new service that promises merchants a unique insight into their fraud risk and online customer activity.(...) By using Computop Paygate integrated with ReD Shield, merchants are apparently given the option of making an informed choice about whether or not to refer a transaction to 3D Secure.(...)

essentialretail.com

Apple Watch will be a Mobile Payments Game-changer

The long-awaited Apple Watch was unveiled on Monday, and Apple hopes wearers of the luxury time-piece will use it, among other things, as a mobile wallet. Ralf Gladis, CEO of payment services provider Computop, tells Multichannel Merchant what sort of impact Apple Watch will have on mobile payments. (...)

multichannelmerchant.com

Bitcoin Processor Bitnet Finalizes Partnership with Computop

(...) Now companies who work with and trust Computop, which are largely European countries, will be able to implement Bitcoin payments with ease. Computop is the first European payment services provider to choose Bitnet as their Bitcoin rail. (...)

CryptoCoinsNews.com

Computop selected by MedicAnimal to process ecommerce payments

Computop, a payment service provider, has been selected by MedicAnimal, a UK-based online pet healthcare retailer to support its ecommerce business. The Computop Paygate 6.0 platform will underpin the payments for its business in Europe, supporting payments in the UK, France, Germany, The Netherlands and Spain. In addition to this MedicAnimal required a payment provider which could handle a variety of payments, including cards, PayPal, differing types of bank transfers and eWallets. (...)

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