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The exception proves the rule

Innovative payment systems have limited potential

The risk aversion of e-shoppers is a major constraint on payment systems. Despite the general dissatisfaction with existing offers, the reluctance to look at new offers is very pronounced. Many e-shoppers are hesitant if they are required to divulge a large amount of personal information, if the data transmission is not visibly encoded or unfamiliar payment systems are to be used.

Innovative payment systems often fail to focus on typical business situations in B2C e-commerce. Numerous systems are only geared to settling micro-payments, but most e-shops do not ever charge such small amounts. In addition, innovative mobile payment systems advertise the advantages of their portability. However, this advantage is of no relevance in a typical bricks-and-mortar purchase situation.

Payment systems operate in an intensively regulated, complex market environment. Policy and regulatory frameworks outside the actual financial sector also have a sustained influence on the market potential of payment systems. The net effect of political decisions on payment systems is by no means clear, though. But regulation tends to impose even stronger limits on the potential of small innovative systems not least because of the substantial administrative expense involved.

Many innovative payment systems are pushing into the market. However, only a very few find their way into the payment portfolio of the e-shops. PayPal is the big exception in this respect. This system offers proof that a business model can only be successful if it takes into account the particular features of B2C e-commerce while providing for close cooperation with established companies.

Established payment systems will remain dominant in B2C e-commerce. The innovative payment systems will largely be left to scramble for narrowly limited niche segments.