

NETMANAGEMENT®

Whitepaper

The Differences Between Credit Card Acceptance and Alternative Payment Methods (APMs)

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English

Introduction

As global commerce continues its shift toward digitalization, the landscape of payment processing is undergoing a major transformation. While credit cards have long been the standard for electronic payments, alternative payment methods (APMs) are rapidly gaining popularity among consumers and businesses alike.

Choosing between accepting credit cards and offering APMs is not merely a matter of preference—it's a strategic decision that affects cost structures, risk exposure, compliance obligations, and operational efficiency for both merchants and acquirers.

This whitepaper provides an in-depth analysis of the core differences between credit card acceptance and APMs, examines the implications for all stakeholders, and concludes with a clear summary of pros and cons for customers, merchants, and acquirers.

Cost Structure and Regulatory Burden of Credit Card Acceptance

Credit card transactions are governed by complex frameworks defined by international card schemes such as Visa, Mastercard, and American Express. Merchants typically incur several types of fees: interchange fees (paid to the card-issuing bank), scheme fees (paid to the card network), and processing fees (charged by the acquirer). Additionally, merchants must comply with technical regulations such as PCI DSS (Payment Card Industry Data Security Standard), which mandates the secure handling of cardholder data.

These requirements make credit card acceptance an expensive service for acquirers, who in turn pass these costs on to merchants. For merchants operating on low margins or with high transaction volumes, the cumulative cost of card acceptance can significantly impact profitability.

Chargeback Risk: A One-Sided Burden

One of the most significant operational risks in credit card transactions is the chargeback process. Cardholders can dispute a charge and initiate a reversal even after a transaction has been authorized—due to suspected fraud, dissatisfaction, or undelivered goods. This puts the merchant at risk of financial loss, even when acting in good faith.

By contrast, most APMs—particularly bank-based systems like SEPA transfers, iDEAL (NL), Swish (SE), Twint (CH) or real-time payments—either do not support chargebacks at all or restrict them to exceptional cases. This greatly reduces the financial uncertainty merchants face and improves cash flow predictability.

Reduced Need for Expensive Risk Assessment

The chargeback risks inherent to credit cards often require merchants and acquirers to implement elaborate risk management systems. These include fraud scoring, transaction monitoring, and customer verification procedures—all of which add to operational complexity and cost.

Since many APMs eliminate or minimize the risk of chargebacks, merchants can simplify their onboarding processes and reduce the need for costly risk evaluations. This is especially advantageous in sectors like digital services, gaming, or subscriptions, where chargeback rates are typically higher.

Lower Security Compliance Burden (No PCI DSS)

Credit card acceptance necessitates strict adherence to PCI DSS standards to ensure the secure handling of card data. Achieving and maintaining compliance requires investments in secure infrastructure, employee training, periodic audits, and specialized IT staff.

Most APMs, however, do not involve sensitive card data and instead utilize secure channels like bank APIs, mobile apps, or tokenized credentials. As a result, merchants and acquirers avoid the high costs and complexity associated with PCI DSS compliance, while maintaining a secure transaction environment.

Streamlined Infrastructure and Lower Operational Costs

The underlying architecture of APMs is typically leaner than that of credit card systems. Transactions often flow directly from the customer's bank account to the merchant's account, bypassing card issuers, acquirers, and global networks.

This streamlined approach offers several cost-saving and operational benefits:

- ✓ **Fewer intermediaries mean fewer fees:** Costs otherwise distributed across multiple players are eliminated.
- ✓ **Simplified integration:** Many APMs offer fast and easy API-based integration into e-commerce platforms or point-of-sale systems.
- ✓ **Less reconciliation overhead:** Fewer stakeholders result in more straightforward financial settlement and reconciliation.

Local Preference and Higher Customer Acceptance

APMs are often tailored to the cultural, regulatory, and technological contexts of local markets. As a result, they tend to be the preferred payment option for consumers in many regions:

- In Germany, methods like SEPA Direct Debit, Sofort, and Paypal are widely used.
- In the Netherlands, iDEAL accounts for the majority of online transactions.
- In Sweden, Swish dominates the peer-to-peer and e-commerce space.
- In Switzerland, Twint is mostly used, while in Austria eps and Bluecode are used.

Merchants who support local APMs see higher checkout conversion rates, lower cart abandonment, and greater customer trust.

Flexible, Amount-Independent Fee Structures

Credit card fees are typically charged as a percentage of the transaction amount, making them disproportionately expensive for high-value transactions. In contrast, many APMs—especially bank-to-bank payment systems—allow for fixed transaction fees. This offers merchants and acquirers much-needed flexibility:

- **High-value purchases:** Fixed fees reduce the effective cost per transaction.
- **Microtransactions:** APMs such as MobilePay, Twint, or Bluecode enable profitable processing of transactions under €1.

Additional Benefits of APMs

Beyond the points already covered, APMs offer several structural advantages:

- ✓ **Faster settlement:** Many APMs offer near-instantaneous fund availability.
- ✓ **Higher innovation rate:** APM providers are often more agile and responsive to market needs.
- ✓ **Reduced regulatory exposure:** Since they do not involve card networks, APMs are often not subject to PSD2 SCA (Strong Customer Authentication) requirements, or manage them more flexibly.

Summary: Advantages and Disadvantages for Stakeholders

Criteria	Credit Cards	Alternative Payment Methods (APMs)
Cost structure	High, multi-party system	Low, lean infrastructure
Chargeback risk	High	Very low to none
Need for risk scoring	Yes, often complex	Mostly unnecessary
Security compliance (PCI DSS)	Mandatory	Not required
Technical integration	Complex, time-consuming	Often simple via API
Fee model	Percentage-based	Fixed or flexible
Customer acceptance	Varies by region	Very high, locally adapted
Microtransaction suitability	Limited	Excellent
Settlement speed	Delayed	Instant or near-instant
Pace of innovation	Slower, regulated	Fast, responsive

Conclusion: The Future Is Diversification—But APMs Are Leading the Way

Credit cards will likely remain a fixture in global payments for the foreseeable future, particularly in cross-border commerce and high-trust sectors. However, the rise of APMs represents a shift toward more efficient, localized, and user-friendly payment ecosystems.

Merchants and acquirers benefit from lower costs, reduced risk, and faster settlement. Customers enjoy frictionless, familiar payment experiences tailored to their region. As digital commerce matures, the strategic implementation of APMs—either alongside or in place of credit cards—will be a key differentiator in staying competitive.

Recommendation

Businesses should not view APMs merely as a backup to card payments, but rather as a strategic priority. Especially in markets with strong local payment cultures, embracing APMs can boost conversion, streamline operations, and drive sustainable growth.