



# *Payments in the Nordics*

An overview of the Nordic Payment Landscape.

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## About the report

The Payments in the Nordics report is a report series launched by Svea Bank in 2022, exploring the Nordic payment landscape.

The report is based on consumer surveys, extensive desktop research and expert interviews. The surveys were fielded in October 2022, surveying 1,000 consumers in Sweden, Denmark, Norway and Finland respectively. The survey explored needs, behaviours and attitudes connected to payments. Extensive desktop research was done, specifically looking into academic research on payments as well as what is currently happening with the Nordic payment sphere. Expert interviews were done with the following persons:

**Niklas Arvidsson, Professor at Unit of Sustainability, Industrial Dynamic and Entrepreneurship, KTH Royal Institute of Technology**

Niklas Arvidsson was one of the first to predict the cashless society, and has done extensive research on why the Nordics are at the forefront of payment innovation.

**Carin Rehncrona, Researcher at the Department of Service Management and Service Studies, Lund University**

Carin Rehncrona focuses her research on what mechanisms determine why specific payment methods are picked up by merchants and consumers, and why some are not. She has also done substantial research on the merchant perspective when it comes to payment innovation.

**Oscar Berglund, Chief Business Development Officer, Trustly**

Oscar Berglund is the Chief Business Development Officer at Trustly. Trustly is one of the biggest actors within open banking in the Nordic countries. A Swedish 'unicorn', they are a strong representative of Fintech success in the Nordics.

**Magdalena Caesar, Business Area Manager within payments, Svea Bank**

Magdalena Caesar is the business area manager within payments at Svea Bank, and is specialized in the area of e-commerce payments.

The report is produced in collaboration with HUI Research.

# Payments at a glance

Ever since the 17th century when the first real European paper banknotes were issued in Sweden, the Nordic countries have in many ways led the way within payments. The payment industry has always evolved along with technology – and today, it is happening at a quicker pace than ever before.



# Technological innovations have always transformed the way we pay

A payment is the voluntary transfer of an asset from one party (the payer) to another party (the payee), in exchange for goods or services. People have engaged in financial transactions throughout the ages, and the history of payments is almost as old as the history of humanity itself. Although it is difficult to pinpoint exactly when certain payment methods were invented, the evolution of money follows a fascinating timeline starting with bartering and evolving along with technological advances. Today, financial transactions are possible virtually any time and any place, and digital payment systems are increasingly becoming an integral part of people's lives.

Being able to pay safely and with ease is essential for all of us, and payments systems continue to undergo important changes, not least because of technological innovations. It is too early to tell what the next big shift within payments will entail, but it is clear that innovation moves quicker than ever, fueled by the advent of the smartphone and the effects of the Covid-19 pandemic. The journey from paper money to plastic took about 1,000 years, while the journey from the digital to mobile only took about 10. Thus, major disruptions continue to be expected within payments – and they are likely to happen fast.

## THE HISTORY OF PAYMENTS

### A BRIEF OVERVIEW

*Timestamps are approximate*



In the beginning  
**the Bartering system**



1000 BC  
**the First coins**



11th century  
**the First paper money**  
(China)

17th century  
**the First paper payments**  
(first European paper banknotes issued  
by Stockholm Banco in 1661)



19th century  
**Credit cards**

2000s  
**Online payments  
and e-commerce**



2010s - **Mobile payments**



*"The Nordic countries are characterised by technologically advanced consumers that are generally open to new innovations, as well as a high level of trust towards financial institutions."*

Niklas Arvidsson, Professor at KTH Royal Institute of Technology



## Nordic countries are leading the way within payments

The Nordic countries are at the forefront of banking innovation, and are clear outliers when it comes to the use of cash, which has steadily declined throughout the past years. It has long been predicted that the Nordic countries would be among the first in the world to make the "cashless society" a reality, and with the continuous simplification of digital payments it seems like they are well on their way. The rise of mobile payment apps Swish, Vipps and MobilePay are just one example of technologies that have made cashless payments a natural part of life in the Nordics.

But why are the Nordic countries such frontrunners when it comes to going cashless? The answer lies in part in a

high trust in financial institutions such as banks, as well as a general openness to technology. Banks in the Nordics have been collaborating when it comes to payment infrastructure for many years, driving innovation by joining forces. The development towards a cashless society is also driven by a number of local, innovative fintech companies that have launched new ways of paying both online and offline, for example through buy now pay later (BNPL) solutions or card payment terminals connected to a mobile app. This means that understanding the Nordic payment landscape, and keeping a close eye on innovations within it, is an important part of forecasting the future of payments not only in the Nordics, but globally as well.



*"There are a lot of innovative companies in the Nordic countries, which contributes to the fact that Nordic consumers have an openness towards trying new technology."*

Oscar Berglund, Chief Business Development Officer at Trustly

The background of the slide features abstract, flowing, liquid-like shapes in shades of blue and purple. These shapes are positioned at the top and bottom corners, creating a sense of movement and depth. The top shape is a solid blue, while the bottom shape is a mix of blue and purple, with a more complex, wavy texture.

# Payments in the Nordics **today**

Nordic consumers have many things in common – most of all, they are sophisticated users of new technology, and mature online shoppers. This means that when it comes to payments, consumers in the Nordics have increasingly come to expect fully frictionless payment experiences. But while there are many similarities between the Nordic countries, it is also clear that there are significant variations between the markets, indicating that local insights are of vital importance in order to fully understand the payment landscape.



*"People are creatures of habit, and this goes for payments as well. However, we have seen that behaviours can be changed relatively easily – once consumers try a new method of payment a few times and realise that it works well, new habits can quickly be established."*

Oscar Berglund, Chief Business Development Officer at Trustly

## ***Ease of use is a top priority for Nordic consumers***

With the rise of increasingly effortless payment methods, ease is quickly becoming a hygiene factor for payments – and for Nordic consumers, it is an absolute must. In fact, that the payment is easy and frictionless is what consumers in the Nordics appreciate the most when making a payment – 49% say that it is the most important factor. When friction arises, it can ultimately lead to the planned purchase being cancelled.

Overall, Swedish and Finnish consumers are most prone to cancelling a purchase, and the most common reason for doing so is that the retailer did not offer their preferred payment method. This means that in the mind of the consumer, friction is not always about the payment not being easy enough – it may also stem from not being able to pay in the way that they find most convenient. Hence, diversity of payment methods is increasingly being demanded by Nordic consumers, both online and offline.





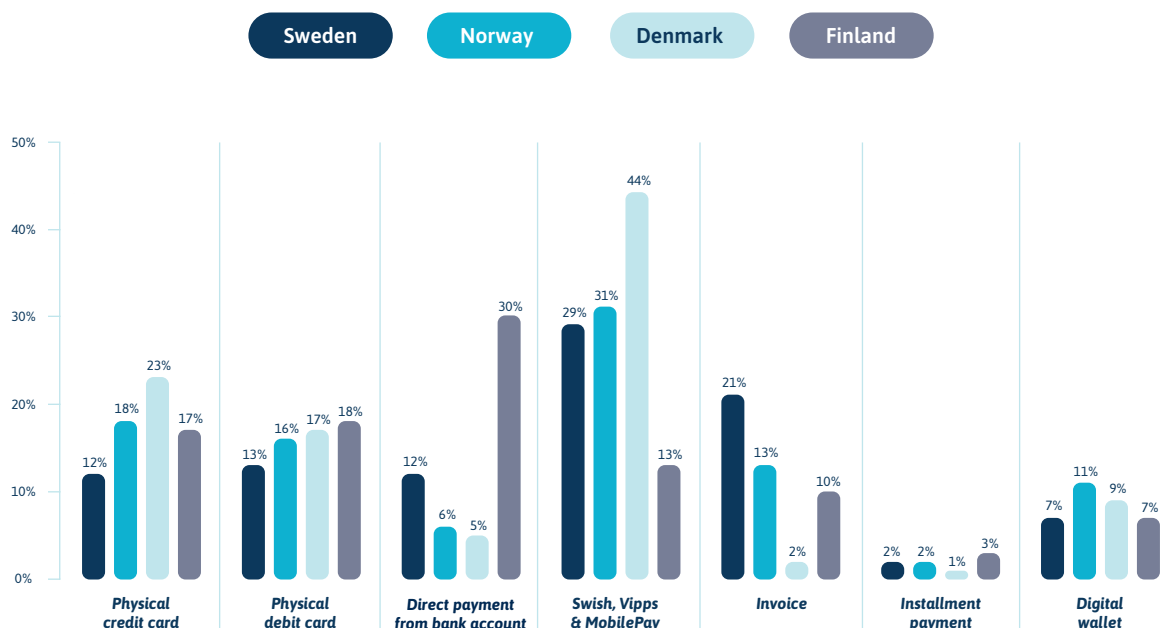
## Online payments in the Nordics are becoming increasingly digital

Nordic consumers are mature online shoppers – 66% say they shop online at least 1-3 times a month. This technological maturity also drives payment innovation online, and although cards are most popular option for online payments in the Nordics, more digital solutions such as mobile payments and direct payments from bank accounts are quickly becoming a popular option. The adoption of mobile payments has been fueled by Nordic banks working closely together; for example, in 2021, three mobile payment services in Norway, Denmark and Finland declared that they would merge, thus significantly growing in size. Twenty-nine percent of Nordic consumers say that they used a payment app such as Swish, Vipps or MobilePay to pay for their last online purchase. However, there are significant local variations. The use of mobile apps to pay for online purchases is especially

high in Denmark, where 44% say they used it for their last purchase, likely in part due to the fact that the MobilePay option in Denmark has a vast number of different payment functions integrated in the app. In Finland, however, only 13% used a payment app when paying for their last online purchase. Instead, Finnish consumers are heavy users of direct payments from bank accounts when it comes to online shopping.

Cards remain a very popular payment method for online purchases in all Nordic countries, while invoice payments are especially popular in Sweden. Thus, although there are similarities between the different countries, it is clear that merchants need to pay close attention to differences in local preferences and make sure that they offer payment options adapted to the specific markets.

### The last time you made a purchase online, what was your method of payment?



*"As consumers are expecting easy and frictionless payments no matter where they pay – online or offline – online retailers will increasingly have to provide a unified payment experience across all channels."*

Magdalena Caesar, Business Area Manager within payments, Svea Bank

## Cards dominate in-store payments

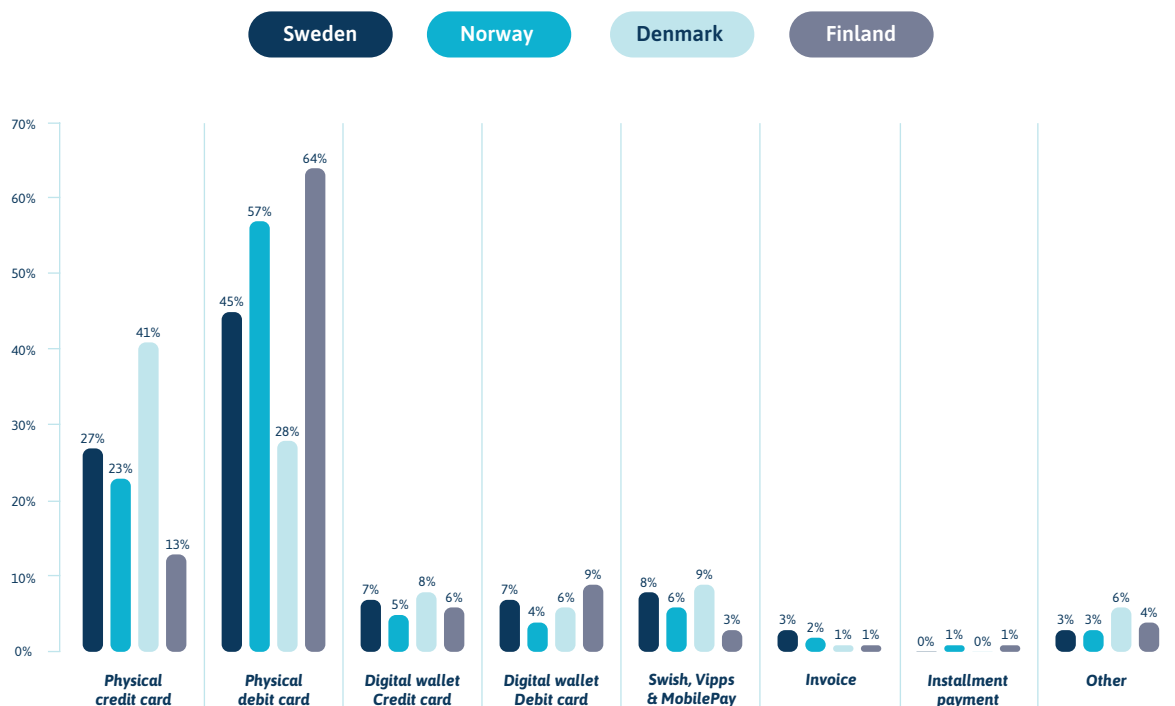
When it comes to in-store payments, cards continue to dominate as the most popular form of payment. Seventy-four percent of Nordic consumers used a physical credit or debit card to pay for their last in-store purchase. Debit cards are preferred in Sweden, Norway, and Finland, while credit cards are the top option in Denmark. This likely reflects the high usage of the Dankort in Denmark; the national debit card that is usually combined with a Visa card, thus functioning as a credit card as well.

Digital wallets are used significantly less than cards for in-store payments, with 13% of consumers saying they

used that option for their last purchase. When it comes to choosing mobile apps for in-store payments, Denmark and Sweden have the highest share of users, followed by Norway, while it is less popular in Finland.

Although there are differences between how Nordic consumers pay for their online purchases compared to in-store purchases, the line between online and offline shopping is becoming increasingly blurred and, moving forward, merchants will have to make sure that their omnichannel strategies extend to payments as well.

### The last time you made a purchase in a physical store, what was your method of payment?



*"A very important factor when it comes to the success of a specific payment option is volume – you need to reach a critical mass of users, which will then enable further growth. One way of doing so is to use different types of incentives in order to encourage people to start using the platform."*

Carin Rehn Crona, Researcher at University of Lund

## Local market insights are essential for understanding the adoption of different payment methods

Habit seems to play a significant role in how consumers choose to pay. When consumers were asked how they would prefer to pay when shopping online as well as offline, the results to a large extent mirrors how they are already paying. This illustrates the habitual character of payments, and how the adoption of a specific payment option can depend upon a number of different factors, such as its perceived safety, user friendliness and – not least – if other people in one's social network are already using it.

Consumers and merchants both have access to a growing number of payment options, but they can only be used if both parties adopt and accept it. Identifying behavioural

barriers as well as technology and infrastructure issues is key in order to motivate and encourage the adoption of a new payment method. Once those are pinpointed and worked out, behavioural changes can happen fast. Although the Nordic countries have many similarities, the survey results indicate that an in-depth understanding of the local markets is vital when it comes to understanding how adoption of different payment methods can be facilitated in each specific context.

*"Although there are many similarities between the Nordic countries, there are clear local preferences when it comes to payments. Offering a range of different payment options, including local ones, is key for online retailers."*

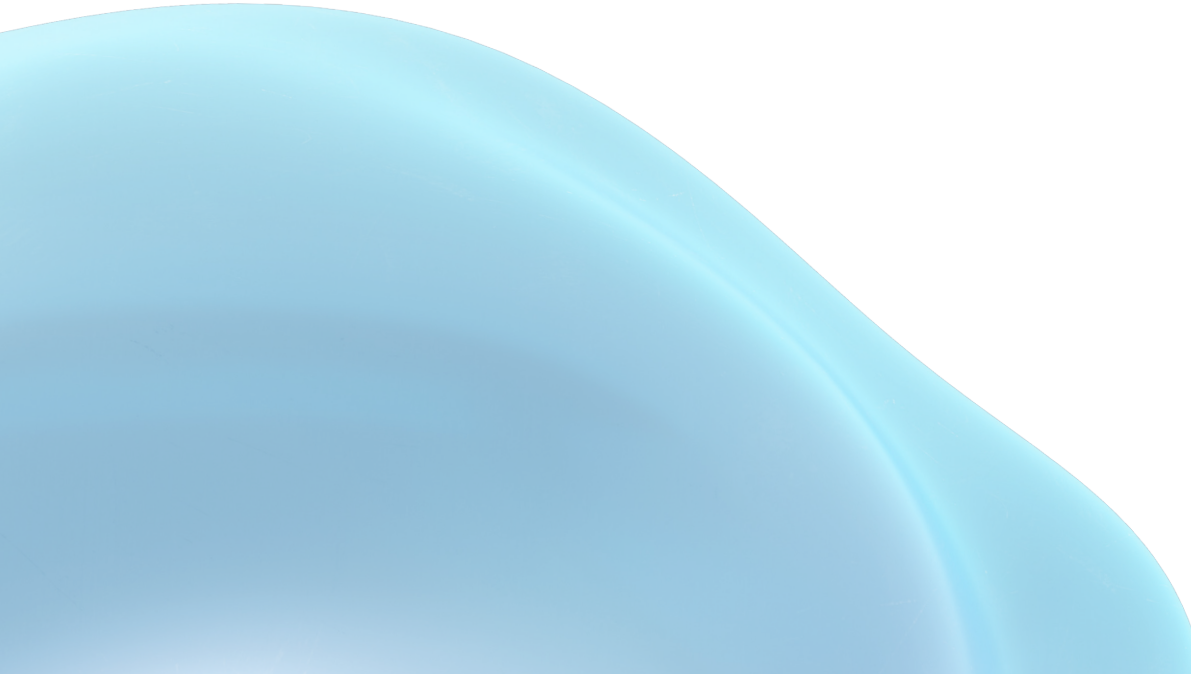
Magdalena Caesar, Business Area Manager within payments, Svea Bank





# Looking ahead – *the future* of payments in the Nordics

*The Nordic payment sphere is more innovative than ever and is undergoing major changes. Rapid transformation is happening within next-generation payment methods such as Buy now, Pay later (BNPL), contactless payments, and digital wallets – but also in the more conservative field of B2B payments.*



*"Innovation within payments is primarily driven by banks and other financial institutions, rather than consumers themselves. However, if a payment option is very user friendly leading to a high level of adoption, it can change consumers' behaviours and expectations around payments, which can radically alter the payment landscape. Mobile payment apps are one example of that."*

Niklas Arvidsson, Professor at KTH Royal Institute of Technology

## The pace of innovation is accelerating

Innovation within the payments landscape is moving faster than ever before, particularly in the Nordics. The accelerated pace of innovation has been driven by the adoption of emerging technologies, and – in the past few years – by the pandemic which led to a subsequent surge in e-commerce. And there are no signs that the innovation speed is slowing down, indicating that the payments industry will continue to be a rapidly changing scene for the foreseeable future. New fintech players are likely to move into the Nordic payments landscape, with banks and other traditional players merging with technology companies in order to provide new types of payment services to their customers.

This fusion of banking and technology is likely to drive innovation within the next couple of years. But of course, the success of any new payment method will depend on people's willingness to actually use it. Thus, although innovation isn't driven by consumers per se, they are an extremely important stakeholder and a key to understanding the payment landscape of tomorrow.

Buy now, Pay later (BNPL), contactless payments, digital wallets and B2B payments are four areas that are particularly interesting to look at when it comes to payment innovation, not least because they are fields wherein change and transformation is happening so quickly – or, in the case of B2B payments, is likely to speed up significantly within the next few years.

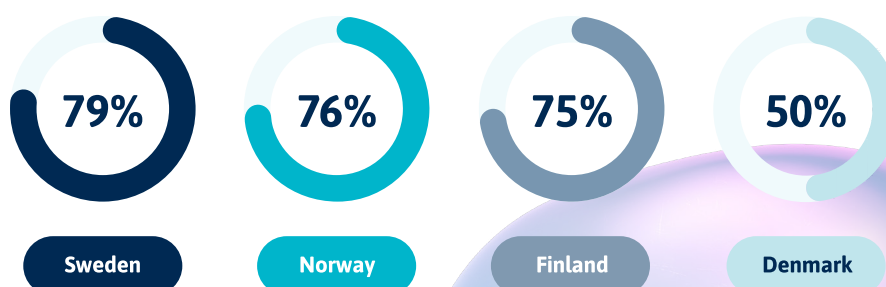
## Buy now, Pay later (BNPL)

Over the past few years, there has been a global boom in the BNPL sector. Valued at USD 132 billion in 2021, the global BNPL market is projected by Straits Research to reach an expected value of USD 3680 billion by 2030<sup>1</sup>. Bringing the traditional concept of installment payments into the digital world, the BNPL model allows consumers to both pay later, and to split the payment in smaller parts, usually with no interest. For consumers, it offers greater flexibility and – when shopping online – a potential sense of security and control since the goods can be safely received before the payment is made. The trend is largely driven by young consumers – top users of the BNPL option are Millennials and Gen Z consumers. Inflation may further fuel the popularity of BNPL options, especially for young consumers, which points to the importance of strong consumer protection with BNPL providers continuously informing consumers about terms and conditions in order

to prevent consumers from accumulating debt. Further regulations are also underway to protect consumers against fraud; for example, payment service providers in Sweden will soon be required to implement two-factor authentication for BNPL payments.

The development within BNPL has largely been driven from the Nordic countries, where a number of innovative fintech players have made a name for themselves internationally with their BNPL solutions. This has led to the Nordic BNPL market being more mature than in many other countries, and it will probably continue to thrive. Further major financial players, like traditional banks, are likely to enter the space in order to protect their market shares. Regulatory aspects will, however, continue to be of key importance for the future of BNPL moving forward.

### Nordic consumers that have used invoice



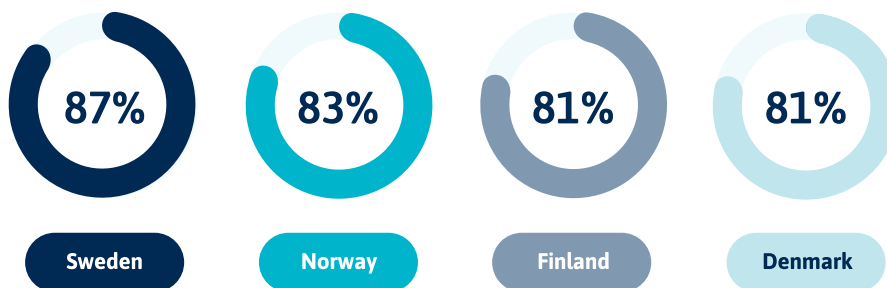
<sup>1</sup>"Global Buy Now Pay Later Market", Straits Research, 2022

# Contactless payments

Contactless payments let consumers tap a card, smartphone or wearable device over a payment terminal in order to make a secure payment. It allows for fast, low-value payments where no PIN code is necessary. The development of contactless payment methods has been significantly accelerated by the pandemic, where quick and hygienic payments became a priority for many consumers. And again, the Nordics is leading the way. An estimated 8 out of 10 card payments are now contactless in the Nordic countries, representing a huge leap from previous years.

Contactless fuels overall innovation within payments since it opens up for a range of different payment options. For example, contactless payment solutions could potentially be added to vehicles which would in turn allow consumers to automatically check out when they pass through, for example, a curbside pick-up station.

## Nordic consumers that have used contactless payments

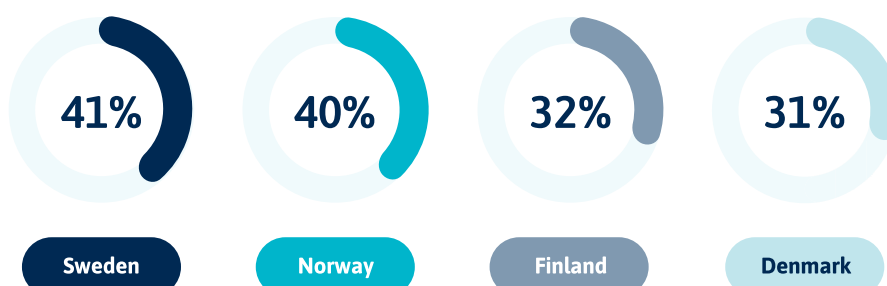


# Digital wallets

Globally, 4.8 billion digital wallets are expected to be in use in 2025, compared to 2.8 billion in 2020, according to a study by CapGemini<sup>2</sup>. This represents almost 60% of the world's population. Digital wallets allow consumers to securely store digital versions of payment methods, such as credit or debit cards. Digital wallets are becoming increasingly integrated into our smart devices, and are majorly challenging physical wallets by extending their

functionality to not only payments but also, for example, travel documents, tickets and loyalty cards as well. One such example is ApplePay, which is transforming deeply rooted practices among many consumers. The development has also been spurred by big online marketplaces including wallets in their offerings, such as Amazon Pay and Alipay.

## Nordic consumers that have used a digital wallet



<sup>2</sup>"Payments: Top Trends 2022", CapGemini, 2022



## B2B payments

B2B payments are the exchange of currency for goods or services between two businesses. Historically, B2B payments have been paper-based. This is in large part due to the complexity of B2B payments, which are characterised by high amounts and many cross-border transactions. This means that there are higher risks involved which in turn leads to slower transaction processes, often using manual and very time-consuming invoicing and billing processes. However, B2B payments are now starting to evolve towards cloud-based solutions and automation, and digitalisation within B2B payments is likely to speed up moving forward. Some also predict that BNPL solutions will be increasingly applied to the B2B context as well. As B2C payments are becoming increasingly digital, business buyers will likely expect the same frictionless experience when making payments in

their business roles that they are accustomed to in their roles as consumers.

It is estimated by Visa that the B2B payment market is worth USD 120 trillion worldwide (four times the volume of consumer-to-business payments), representing a huge market opportunity. Thus, digital disruptors entering this space could potentially grow very quickly, not least because there is an apparent need for increased efficiency within B2B payments. In the Nordics, several promising fintech startups are focusing on this largely untapped market, working on digital conversion, payments and finance automation, such as simplifying payments between companies by streamlining payment processes. However, legacy systems and infrastructure will need to catch up in order for innovation to truly take off.



*"B2B payments are more complex which has slowed down the speed of digitalisation, but we will probably see interesting innovations within that sector moving forward."*

Oscar Berglund, Chief Business Development Officer at Trustly

## A crisis-fueled comeback for cash?

Cash use in the Nordics has steadily been declining during the past years. However, there are signs that cash is making a surprising comeback. Nineteen percent of Nordic consumers say they have more cash at home today in comparison to last year. The share is specifically high among Finnish consumers (28%), indicating that Finland's geopolitical position could have a significant impact. Whether the increase in cash use is a reflection of an

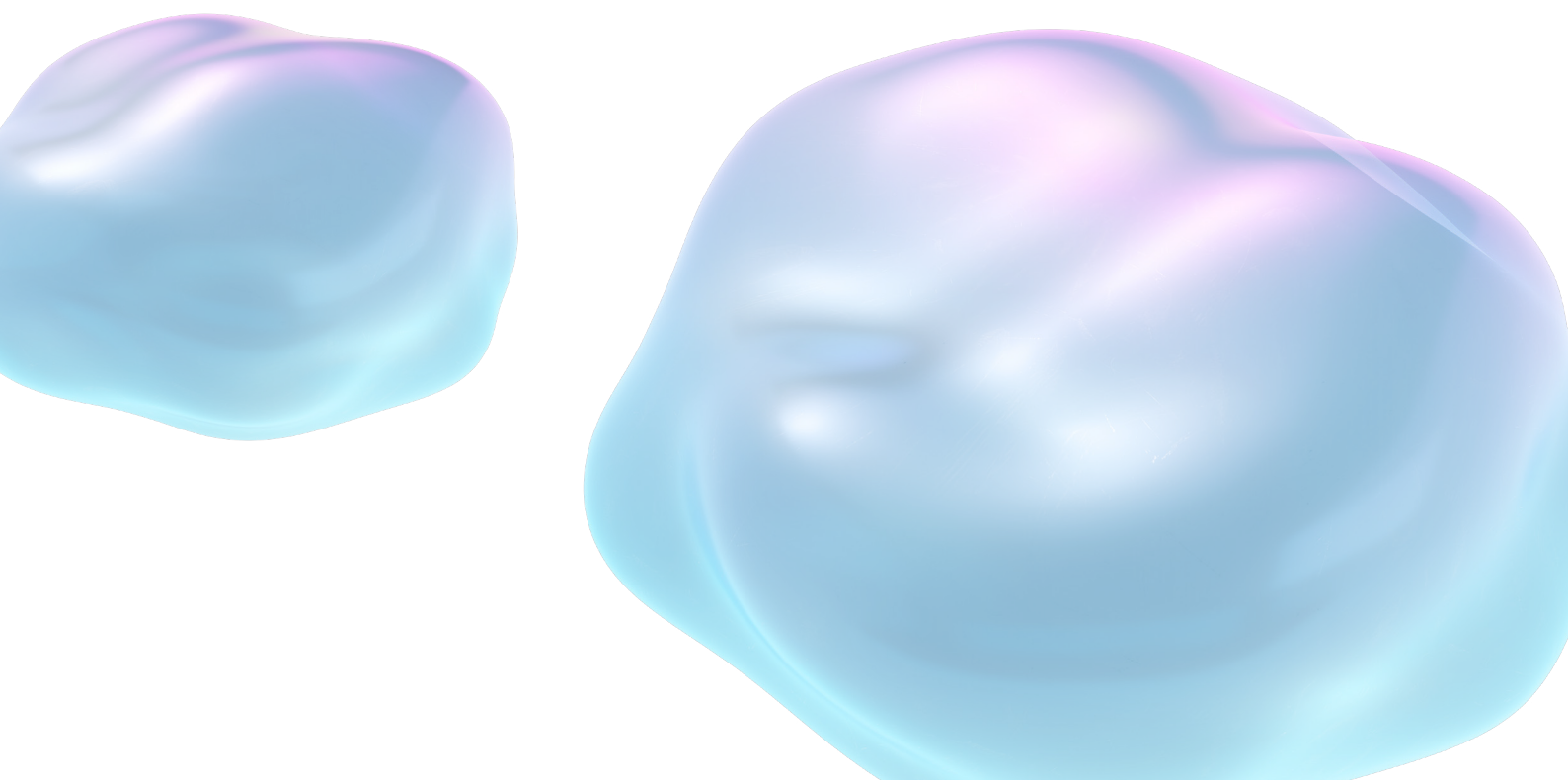
increased focus on safety, decreasing trust towards banks, or simply a more tangible way of managing finances and reining in spending when times are tough, remains to be explored. However, it is clear that the Nordic payment landscape – intertwined as it is with the rest of the world – is changing more quickly than ever, in ways that are sometimes unexpected.



# ***In our next report:***

## ***Consumer insights are vital for understanding the future Nordic payment landscape***

At the center of the future Nordic payment landscape are the consumers. In the second release of this report, which will be published in early 2023, we will take a closer look at how consumer behaviours and attitudes differ between the Nordic markets, but also between different types of consumers. Age, for example, plays a major role in how consumers view and use different payment options. In order to understand what's ahead for Nordic payments, a deeper understanding of these variations will be of key importance.





[svea.com/payments](https://svea.com/payments)

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