

# Payments in the Nordics

by Joyrene Thomas

Card payments in the Nordics are two-and-a-half to four times higher than the European average. Local person-to-person (P2P) mobile payment apps regularly top the app download charts. And at least one government is proposing to remove the requirement to accept cash. How and why are the Nordics going out of their way to pay in a new way, and what can other countries learn from them?

**SCANDINAVIANS LOVE CARDS.** On almost every metric from card payments per capita to point-of-sale terminals per million inhabitants, the Nordics lead the way. Across the 33 countries covered in the *European Payment Cards Yearbook 2015-16*, the average number of card payments per capita per year is 88.4. In comparison, the average Dane makes 268.6 card payments each year, the average Finn 243.6, the average Icelander 375.5, the average Norwegian 353.7 and the average Swede 270.2. This makes card payments in the Nordics two-and-a-half to four times higher than the European average.

On the acquiring side, terminal deployment across the Nordics is widespread, although many merchant agreements include acceptance of domestic and international debit brands only. The number of point-of-sale (POS) terminals per million inhabitants averages 19,693 for the EU28 countries, whereas

across the Nordics the average is 29,492. “Looking at the Nordic markets in which Nets operates, new payment solutions, such as mobile wallets, contactless cards and real-time clearing have gained remarkable traction and are shifting consumer preferences to more efficient channels. Today, the share of cash in the Nordics is 27 percent, and the share among consumers aged 30-39 is just 15 percent,” comments Susanne Brønnum, group executive vice president card services, Nets.

Low levels of cash usage have prompted the Danish government to remove the requirement for businesses to accept cash payments, moving the country closer to a

**Cards make up the overwhelming majority of cashless payments in the Nordics, ranging from around 60 percent of non-cash payments in Denmark to 75 percent in Norway.**

## Total Card Payments Per Capita in Europe

Country	2010	2011	2012	2013	2014	GR 13/14	CAGR 5Y
Denmark	185.6	185.6	221.7	241.7	268.6	11.13%	8.25%
Finland	190.4	190.4	211.6	223.8	243.6	8.85%	7.09%
Iceland	317.1	317.1	338.0	351.8	375.5	6.73%	3.06%
Norway	248.0	248.0	300.1	325.6	353.7	8.61%	9.43%
Sweden	200.1	200.1	225.9	247.3	270.2	9.26%	8.16%
E33 Average	69.8	69.8	81.8	81.6	88.4	8.34%	8.21%

Source: ECB, BIS, national central banks and interbank companies.

'cashless' economy. The proposal was part of a pre-election package in May 2015 aimed at reducing costs and increasing productivity for businesses. However in Sweden, the National Bank of Sweden, has called for access to cash and basic banking services to be a legal requirement.

## DIGITAL PAYMENT ADOPTION

Consumers and merchants in the Nordics seem keen to adopt new and different digital payment methods. The reasons are partly cultural:

"There is not a lot of crime in the Nordics. We tend to trust what is served to us. There is a high standard of living and high salaries, smartphone penetration, mobile coverage and adoption of the internet," says Daniel Döderlein, founder and CEO of Auka, which developed and launched the first mobile payments platform in Norway in 2010. This is the first fully licensed and regulated financial company to be run 100 percent on Google's public cloud platform.

The GSMA reports around 1.2-1.5 mobile connections per person across the Nordics. P2P mobile payments are a practical reality with more than one way to make and accept mobile payments in

some countries. Swish in Sweden recently celebrated its third anniversary. Denmark is home to MobilePay, a P2P/P2M (person-to-merchant) mobile app, which also functions as a mobile-based proximity payment method via m-beacons in stores. More than half the Danish population has MobilePay on their phones and 40,000 m-beacons have been deployed in Denmark and Norway. Norway has no fewer than three P2P/P2M payment apps – the downloads for which regularly top the app charts – and a dynamic, competitive market has grown up around mobile payments.

Mobile payments are an everyday way to pay. "We believe that more and more payments will be carried out via a smartphone, and that about 50 percent of all payments in Denmark will be through a smartphone in 2020," says Brønnum from Nets. Döderlein agrees and feels that mobile payments are a channel to the consumer's pocket with a high frequency of use. Banks are investigating further high-frequency use cases, such as school canteen applications used by pupils and topped up by parents via P2P transfers.

Banks are also building out entire digital banking propositions around the mobile device. This includes payments (e-commerce,

in-store and P2P) as well as banking services. As in other countries, the Nordic smartphone is becoming a virtual bank, through which consumers can send and receive money instantly, pay bills, view transactions and obtain credit. Managed correctly, this could be a profitable double-whammy for banks in terms of increasing customer loyalty and lifetime value, while decreasing costs to serve.

Indeed, DNB recently used growing digitisation to justify the closure of around half of its branches in Norway. According to a media statement, almost all of DNB's customers have become digital. Nine-out-of-ten Norwegians do their banking online, and an increasing number use their mobile phones or tablets. The DNB mobile payment app Vipps was explicitly mentioned as having changed how Norwegians send money to one another. "When customers change their banking habits, we must follow suit," said Trond Bentestuen, group executive vice president, DNB.

## INTERNATIONAL AND CO-OPERATIVE BY DEFAULT

Just as people in the Nordics are willing to try innovative payment solutions, so

## ATV per Card Payment (in €)

	2010	2011	2012	2013	2014	GR 13/14	CAGR 5Y
Denmark	€45.1	€43.4	€42.4	€40.4	€38.8	-3.96%	-3.22%
Finland	€34.1	€33.1	€33.7	€32.4	€31.9	-1.54%	-0.74%
Iceland	€29.4	€30.8	€32.0	€32.1	€33.2	3.32%	4.27%
Norway	€49.1	€49.8	€51.7	€48.6	€44.9	-7.61%	-1.76%
Sweden	€42.3	€44.5	€44.5	€43.4	€41.1	-5.30%	0.75%
Euro area	€52.1	€51.6	€50.9	€49.9	€50.2	0.60%	-0.82%
EU27/EU28	€52.1	€51.5	€51.2	€49.5	€49.5	0.00%	-0.83%

Note: euro area and EU averages exclude Iceland, Norway, Serbia, Switzerland and Turkey. EU includes Croatia from 2014.

Source: ECB, BIS, national central banks and interbank companies.

# market overview

## EFTPOS Terminals Per 1m Capita

Country	2010	2011	2012	2013	2014	GR 13/14	CAGR 5Y
Denmark	19,904.0	22,526.0	23,650.1	25,843.1	24,674.8	-4.52%	5.55%
Finland	36,730.4	35,261.6	32,323.6	36,029.4	28,725.4	-20.27%	-2.72%
Iceland	47,166.0	49,625.0	49,820.0	46,157.0	44,971.1	-2.57%	-1.46%
Norway	25,257.6	25,883.4	27,284.8	27,694.3	28,774.1	3.90%	2.96%
Sweden	21,657.7	21,750.5	22,415.9	20,386.4	20,315.9	-0.35%	-2.80%
<b>Euro area</b>	<b>19,504.2</b>	<b>19,901.6</b>	<b>19,597.8</b>	<b>18,592.8</b>	<b>20,940.7</b>	<b>12.63%</b>	<b>1.35%</b>
<b>EU28</b>	<b>17,370.9</b>	<b>17,970.8</b>	<b>18,401.6</b>	<b>17,826.7</b>	<b>19,693.8</b>	<b>10.47%</b>	<b>2.75%</b>
<b>Table total</b>	<b>18,632.8</b>	<b>19,331.3</b>	<b>19,555.3</b>	<b>19,475.1</b>	<b>20,377.1</b>	<b>4.63%</b>	<b>2.45%</b>

Note: figures are statistical indicators for reported number of POS terminals per million inhabitants; Italy, Spain, Greece, Cyprus and Turkey figures reflect multiple terminals at merchant outlets.

Source: ECB, BIS, national central banks and payment companies.

they are willing to innovate themselves. Speaking to PCM, Jacob de Geer, CEO of mobile payments company, iZettle, explains:

“If you look at Sweden from an entrepreneur’s perspective, right now we have the highest degree of unicorn companies per capita in the world. We have the likes of Spotify, Klarna, King, Mojang. Some of the more prominent billion dollar companies in the world come from Sweden.”

De Geer cites the availability of talent, the welfare system, number of in-coming foreign students, especially engineers, and early technology adoption as factors driving the innovation culture in Sweden. Swedish companies also tend to be international by default.

**“Common infrastructure investments have paved the way for the development of a number of digital solutions for both citizens and businesses.”**

Susanne Brønnum, group executive vice president card services, Nets.

“Since the days of ABBA and Ericsson, we are used to starting companies from scratch and building them for global expansion, which is quite contrary to UK or US companies, where the home market is so big that you can focus only on that and make good money. Sweden is a country with only nine million inhabitants. To create a healthy business, you need to look outside the borders,” concludes de Geer.

The Nordic region can perhaps be characterised by small countries that are international and co-operative by default. Since the 1960s there has been a clear culture of co-operation between those with common interests to develop the market for payments. “In Denmark and Norway, the banks agreed many years ago to build and develop a common infrastructure platform instead of developing individual solutions. This has led to more cost-effective and efficient solutions covering the whole banking sectors in these two countries,” explains Brønnum. “In Denmark, a unique co-operation between the banking sector and the public authorities has resulted in common investments in digital infrastructure since 2008.”

## THE SECRET SAUCE

The secret to digital payment adoption and innovation in the Nordics? Card issuers, acquirers, processors and merchants do not so much wrestle with the chicken-and-egg problem: which comes first payment means or payment acceptance. Payment is seen as a two-sided market in the Nordics and an international, co-operative outlook is the default position.



Note: This article is compiled using detailed information adapted from individual country profiles and from the overview section of the European Payment Cards Statistical Yearbook 2015-16

[www.paymentcardyearbooks.com](http://www.paymentcardyearbooks.com)

## Non-Cash Payments in 2014 (in %)

(in%)	Cards	DD	CT	Cheques
Denmark	73.2	10.0	16.7	0.1
Finland	60.5	0.1	39.4	0.0
Norway	74.2	3.8	22.1	0.0
Sweden	67.2	8.3	24.5	0.0
<b>Euro area</b>	<b>42.6</b>	<b>25.7</b>	<b>26.2</b>	<b>4.4</b>
<b>EU28</b>	<b>48.5</b>	<b>21.5</b>	<b>26.4</b>	<b>3.5</b>
<b>Table average</b>	<b>50.2</b>	<b>11.1</b>	<b>34.6</b>	<b>2.5</b>

Note: DD = direct debits; CT = credit transfers; cards include e-money transactions; table average = EU28 + Norway and Switzerland; figures as published by the ECB in October 2015; – (long dash) = zero.

Source: ECB, BIS and national central banks.