



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.

THE HISTORY OF PAYMENTS

A BRIEF OVERVIEW

Timestamps are approximate

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.



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.



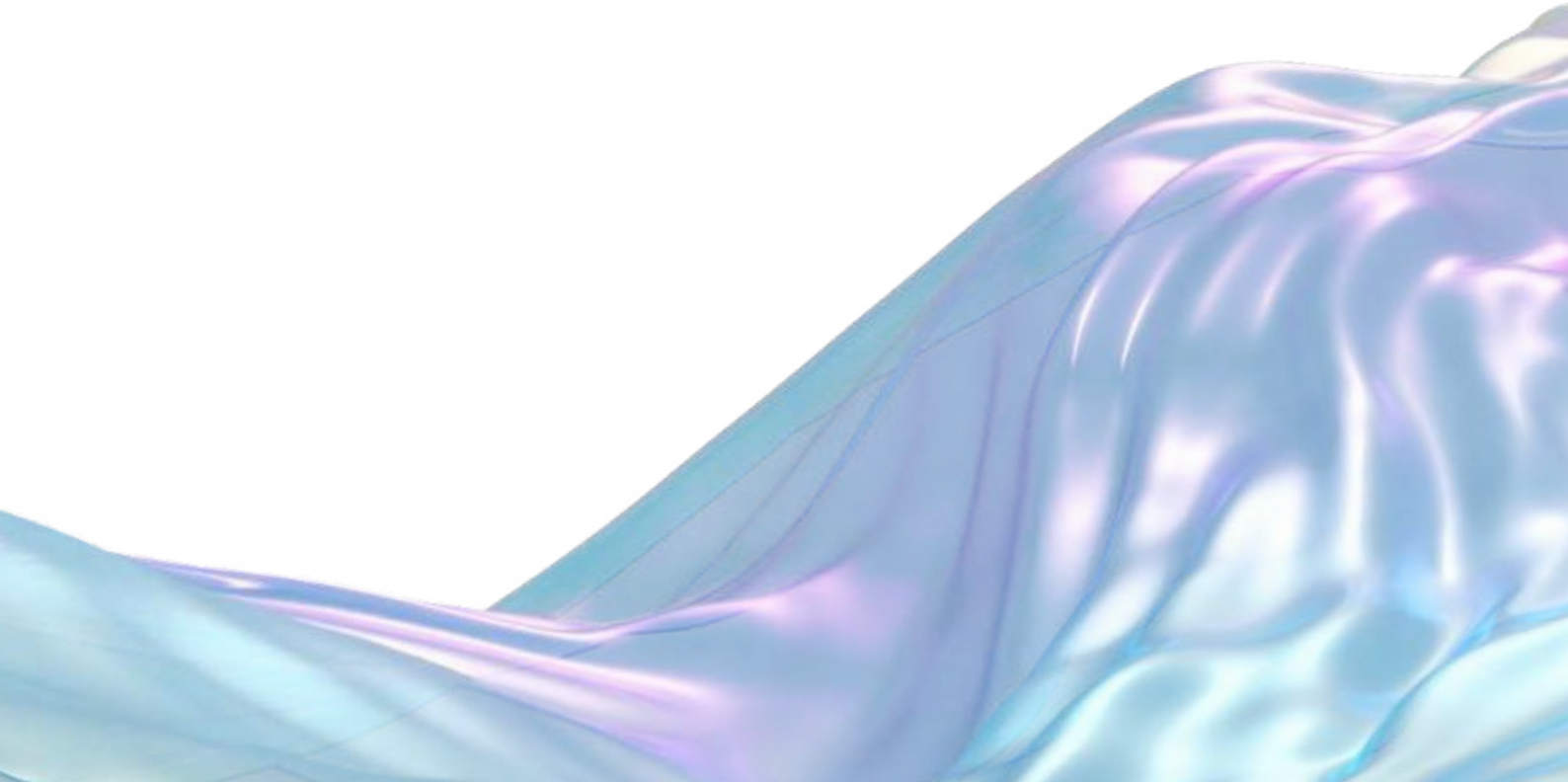
"There are a lot of innovative companies in the Nordic countries, which contributes to the fact that Nordic consumers have an openness towards trying new technology."

Oscar Berglund, Chief Business Development Officer at Trustly



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

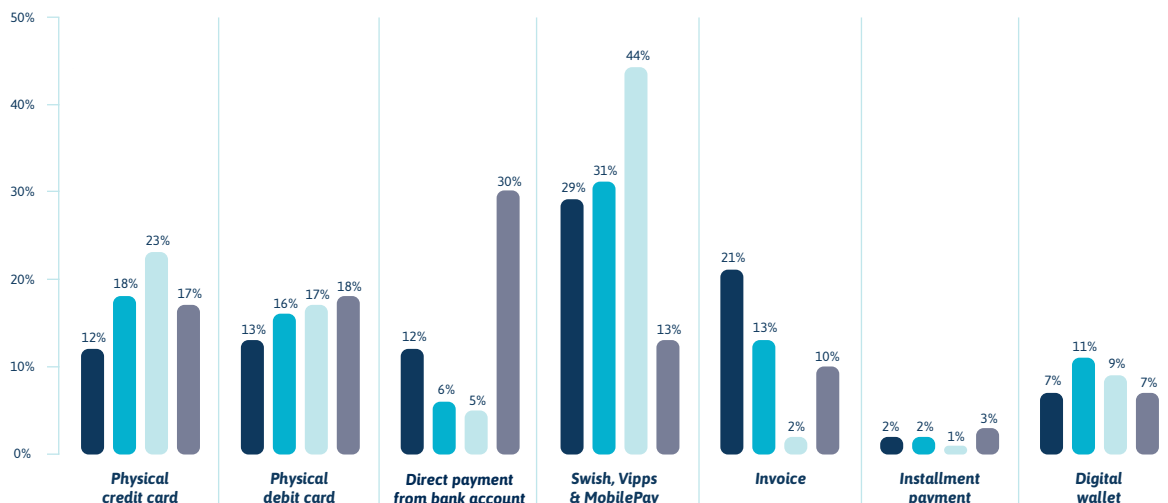
Nordic consumers are mature online shoppers – 66% say they shop online at least 1-3 times a month. This technological maturity also drives payment innovation online, and although cards are most popular option for online payments in the Nordics, more digital solutions such as mobile payments and direct 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?

- Sweden
- Norway
- Denmark
- Finland



"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

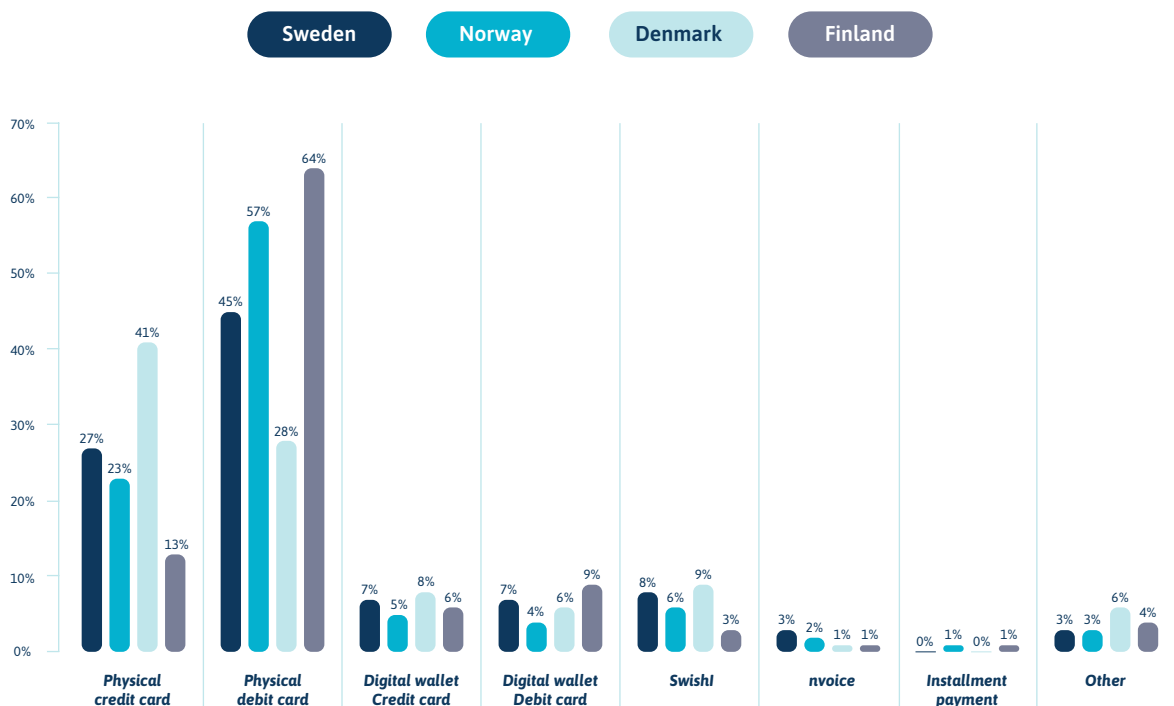
When it comes to in-store payments, cards continue to dominate as the most popular form of payment. Seventy-four percent of Nordic consumers used a physical credit or debit card to pay for their last in-store purchase. Debit cards are preferred in Sweden, Norway, and Finland, while credit cards are the 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 Rehnrona, 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.

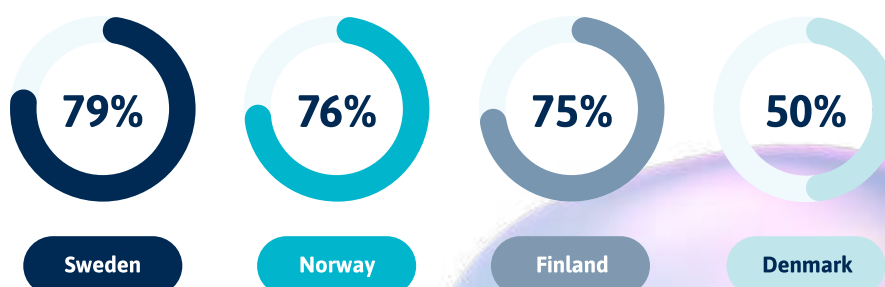
Buy now, Pay later (BNPL)

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 2030¹. 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



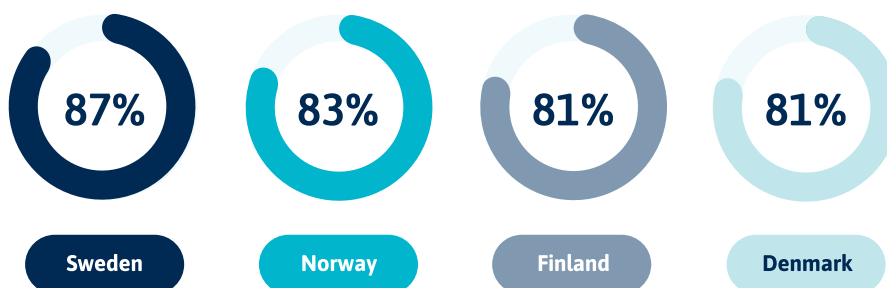
¹"Global Buy Now Pay Later Market", Straits Research, 2022

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

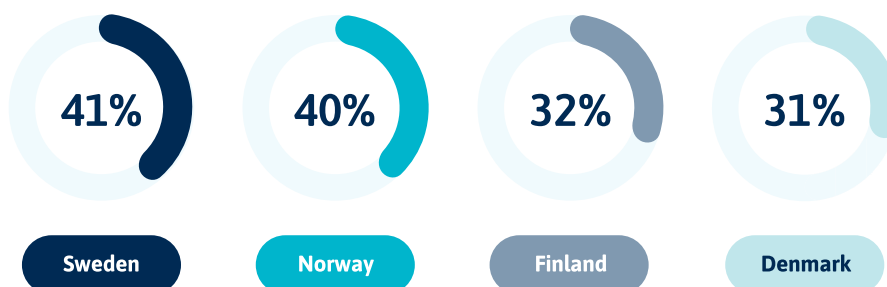


Digital wallets

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 CapGemini². 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



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

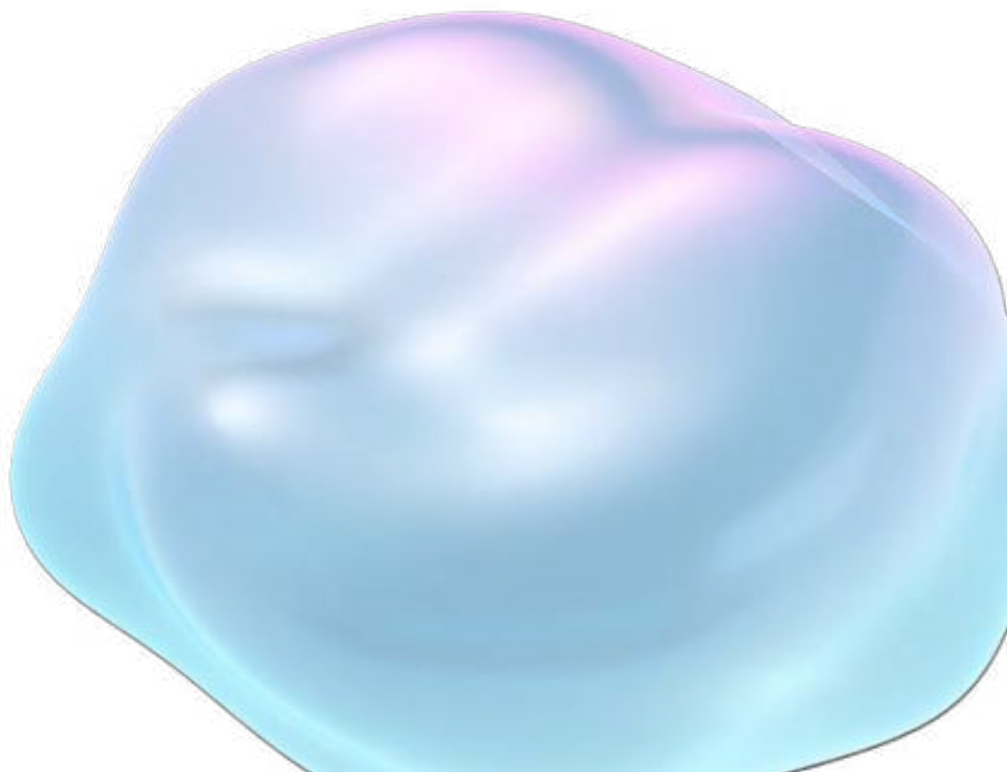
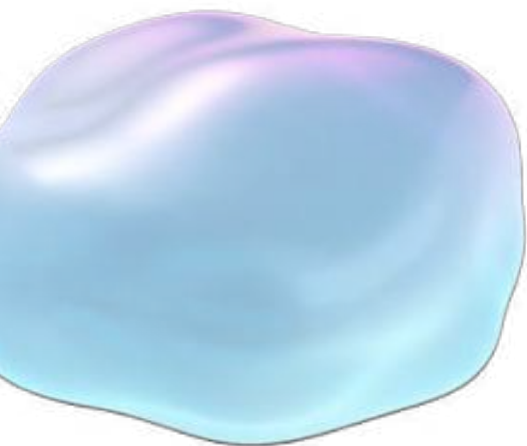
increased focus on safety, decreasing trust towards banks, or simply a more tangible way of managing finances and reining in spending when times are tough, remains to be explored. However, it is clear that the Nordic payment landscape – intertwined as it is with the rest of the world – is changing more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



Payments in the Nordics

Navigating friction, security, and ease within payments
– a deep dive into Nordic consumer behaviour

Content

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- 1.2 Payment frustrations lead to cancelled purchases
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- 2.8 Key takeaways for retailers
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Mikael Kustmark, Business Manager Mobile Payments, Svea Bank

Mikael Kustmark is the business manager within mobile payments at Svea Bank and is specialised within mobile and app payments.

The report is produced in collaboration with HUI Research.



Payment frustrations

Both consumers and companies in the Nordic countries are pioneers when it comes to payment technology. Nordic consumers are sophisticated shoppers that have high expectations when it comes to payments, both online and offline. When the payment process does not meet their expectations frustrations can occur and purchases may even be cancelled.

Nordic consumers expect a seamless payment experience

Nordic consumers expect payments to be safe, secure, and seamless, and innovation in the field of payment technology is quickly removing pain points in order to deliver on these expectations. However, frictions causing frustrations remain, and understanding them is vital to providing a payment experience that keep up with the demands and preferences of consumers. In this report, we will take a closer look at the causes of friction and how efforts related to removing them need to strike a balance between convenience and security.



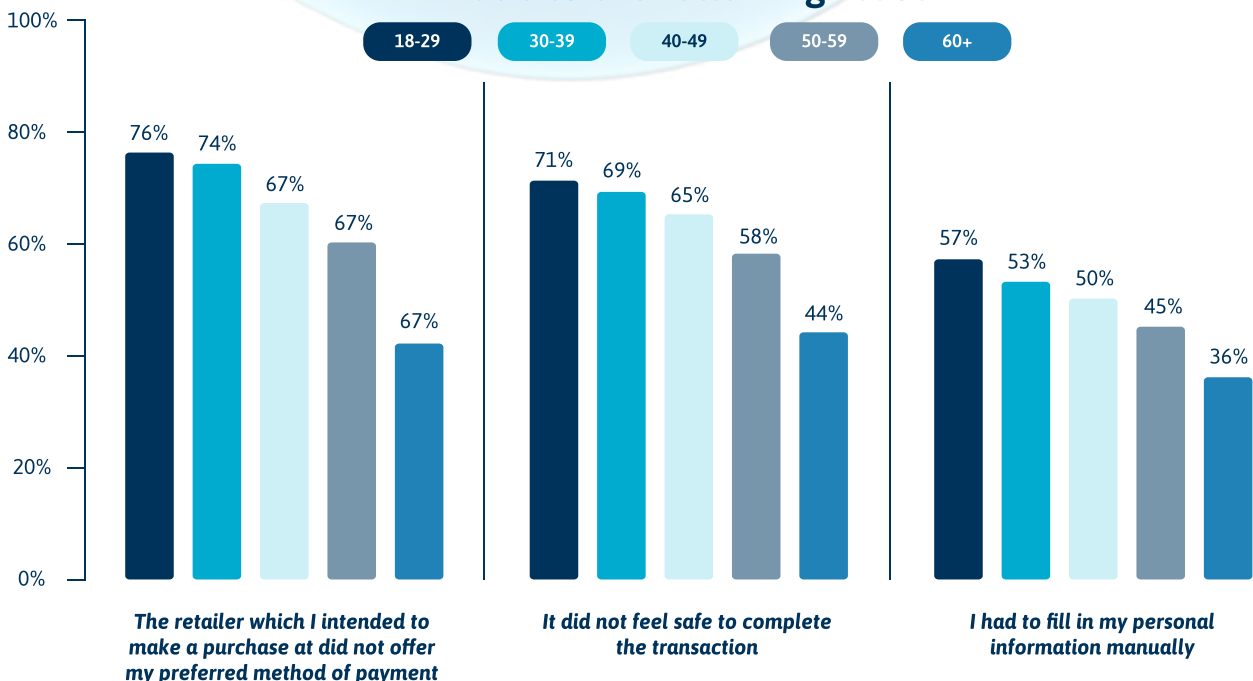
Payment frustrations lead to cancelled purchases

Payments are a vital part of the purchase journey and when payment options, or their functionality, do not match consumer expectations, it can lead to cancelled purchases. Especially young consumers expect transactions to be frictionless and are more prone to cancel purchases due to payment frustrations.

Offering a variety of options is key – 64% of Nordic consumers have cancelled a purchase due to the

retailer not offering their preferred method of payment. In Sweden and Finland, the number is even higher – 74% and 71% respectively – indicating that Nordic consumers are picky when it comes to how they choose to pay. The safety aspect of the transaction is also critical to consumers with 61% of Nordic consumers having cancelled a purchase because they did not feel safe completing the transaction.

Share of consumers who have cancelled a purchase due to the following reason



KEY INSIGHT: Nordic consumers have high expectations when it comes to payments – hence, it's important for retailers to enable effortless transactions by being aware of key triggers that may cause consumers to cancel their purchase.

“Mobile payments are becoming a vital part of the everyday life of people. For the best possible payment experience it is crucial that it is customised for mobile devices. With a flexible payment solution, retailers will be able to meet the expectations of the consumer.”

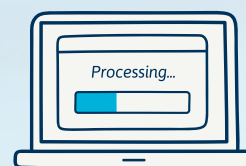
Mikael Kustmark, Business Manager Mobile Payments, Svea Bank

Online payments need to be frictionless

Nordic consumers demand frictionless payments to a greater extent online compared to in physical stores and are more frustrated when payments do not work online. Several factors may cause frustration when making an online payment, most notably a check-out page freezing or loading for too long. This causes

insecurity as it becomes unclear to the consumer whether the purchase has been completed and they may cancel the purchase. Hence, it is vital for retailers to make sure that the transaction process is easy and frictionless.

It is important to customise online payments for specific devices. Forty-four percent of Nordic consumers feel frustrated when the check-out is not customised for mobile usage. This is especially true for 18-29 year olds, who are more frequent online shoppers and who more often shop via their phones. Swedish consumers are the most frustrated when the check-out is not customised for mobile usage.



of Nordic consumers feel frustrated when the check-out page freezes or loads for too long while making an online purchase.



Percentage of Nordic consumers that get frustrated when the check-out process is not customised for mobile usage

Sweden 47%

Norway 45%

Denmark 42%

Finland 37%

Individual preference is another important aspect to consider. Thirty-seven percent of Nordic consumers feel frustrated when their preferred payment method is not available. Thus, it is important for retailers to offer a wide range of payment options to satisfy different

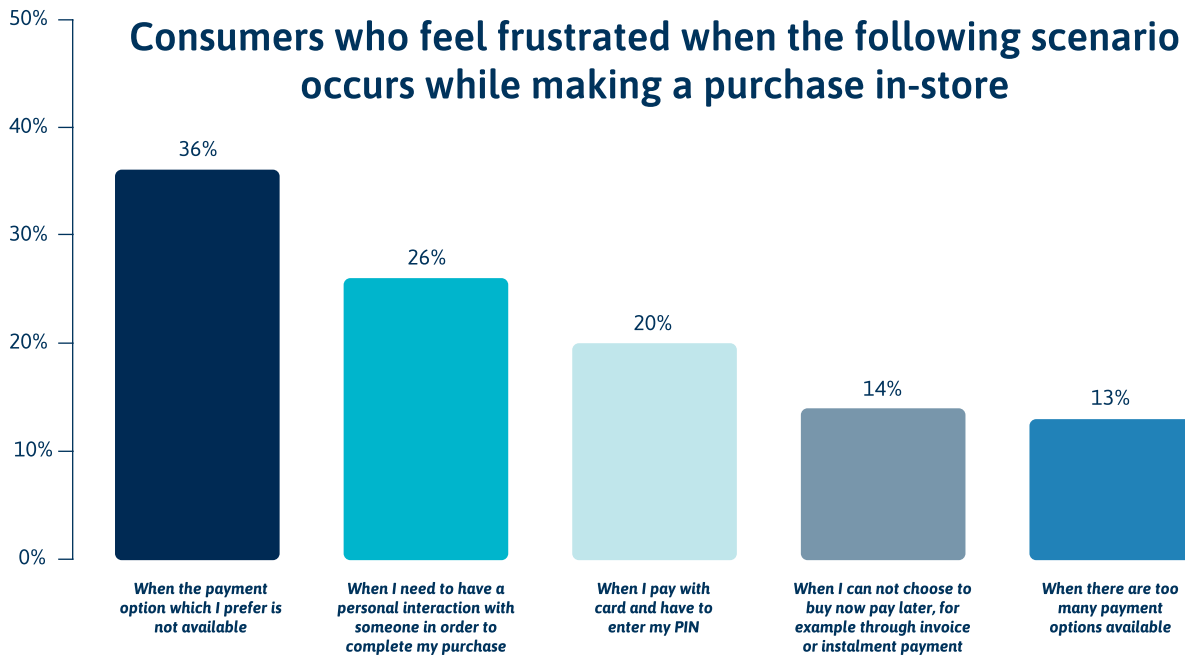
consumer needs. This is especially important in Finland, where 43% of consumers feel frustrated when not being offered their preferred method of payment.

“The payment is an important part of the purchase journey. Ideally, it should not be noticed at all by the consumer. If the consumer is aware of the transaction, it is often because there is something not working, that it is complicated to complete the transaction, or that it feels unsafe.”

Carin Rehncrona, Researcher at University of Lund

Consumers are more accepting when making purchases in-store

Consumers experience less frustration from payments in-store compared to online payments. The explanation for this may lie in the historically more homogenous character of in-store payments – most are made by card and most stores use solutions that appear similar to the customer. The room for disappointment is small.



Even though frustration is generally less common in physical stores, what consumers find frustrating offline is similar to what creates frustration online. The most common cause of frustration is that the preferred method of payment is not available. More than one in three Nordic consumers experience frustration when this occurs.

Younger consumers, who are digital natives, are used to frictionless transactions, with one in three young consumers becoming frustrated when they need to enter their PIN. Only 13% of consumers aged 60 and above get frustrated when this happens. This is probably because the younger generation has grown up with contactless payments and therefore expects it to be available as an option. A similar pattern can be seen for online payments, with younger consumers becoming more frustrated when their personal information is not pre-filled. Older generations may prefer entering their information manually because it feels safer.



35%

of Nordic consumers aged 18-29 feel frustrated by having to enter their PIN code manually in-store.

Customers are getting used to being offered several payment methods when shopping online and expectations are starting to spill over to in-store payments. It is thus becoming even more important to have customised offerings in physical stores as well."

Magdalena Caesar, Business Area Manager Payments, Svea Bank



Striking a balance between security and usability

Since friction is the enemy of payments, removing friction is a critical part of payment innovation. However, as barriers are eliminated and payments become increasingly fast and seamless, will the relationship between security and usability continue to be inversely proportional? How can a balance be struck between the two? And how do Nordic consumers navigate between easy and secure when choosing how to pay?

“There continues to be the fundamental trade-off between security and convenience, although the efficient frontier is moving in the right direction. You can always find ways to improve the customer journey, but most consumers will want to keep some kind of seat belt on.”

Oscar Berglund, Chief Business Development Officer at Trustly

Convenience is key for consumers – but not at the expense of security

Striking a balance between security and ease of use can be a challenge when adopting new payment technologies. As payments become increasingly fast and frictionless, concerns about security aspects grow, too. This is reflected in the adoption of European regulations such as the PSD2 directive that, among other things, seeks to make payments more secure.

But how do consumers navigate between security and usability? When asked what they appreciate when making a payment, convenience trumps security for Nordic consumers. Forty-nine percent say what they appreciate most is that the payment is easy and without friction, while 32% prioritise security. This does not mean consumers do not care about security, but rather that they consider it to be a basic requirement.

The value consumers place on convenience emphasises the key question of balance. When technology and payments continue to evolve in tandem, will consumers need to choose between speed and safety? Is lack of security the price that needs to be paid for ease of use, or can both be achieved simultaneously?

Payment technologies continue to develop quickly, not least via the introduction of biometric authentication such as facial recognition and fingerprint scanners. This means it is more vital than ever to understand what payment options and payment technologies Nordic consumers trust and why.



What is PSD2?

The Payment Services Directive 2, or PSD2, is an EU directive for electronic payment services that seeks to create a more integrated European payments market, to make payments in Europe more secure, and to protect consumers. The original Payment Services Directive was adopted in 2007 but as the digitalisation of the European economy has progressed, new services and players that were outside the scope of the PSD have entered the world of payments, creating a need for updating the directive. PSD2 contains a total of 117 articles, that cover different aspects of secure payments, focusing on, for example, increased security of internet payments using Strong Customer Authentication (SCA). Two or more of the following elements will need to be used for all electronic transactions: something only the user *knows* (e.g., password, PIN), something only the user *possesses* (e.g., Smartphone), and something only the user *is* (e.g., fingerprint, voice recognition).

One third of Nordic consumers worry about online fraud

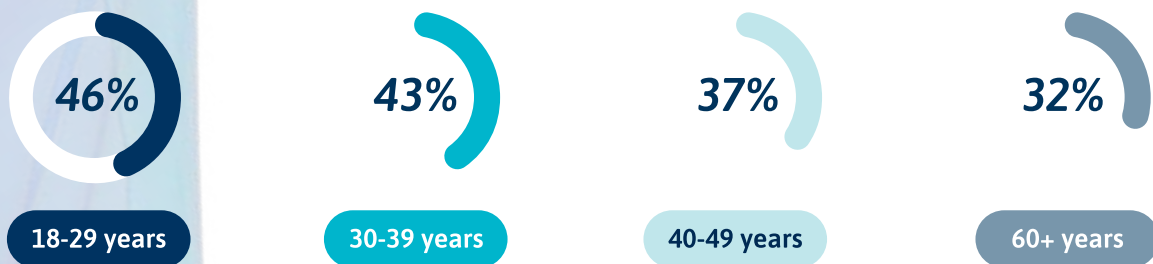
Consumers have reason to be cautious and think about how they pay. According to estimates by Juniper Research, online payment fraud losses could amount to USD 48 billion by the end of 2023, an increase of USD 7 billion from 2022¹. As payment fraud evolves, security measures will need to evolve even quicker to stay ahead.

Consumers seem to be aware of the risk of online fraud, 4 in 10 consumers in the Nordics are worried about it when shopping online. Overall, Swedish and Finnish consumers are slightly less worried than those in Denmark and Norway. Younger consumers are the most worried, perhaps due to being more

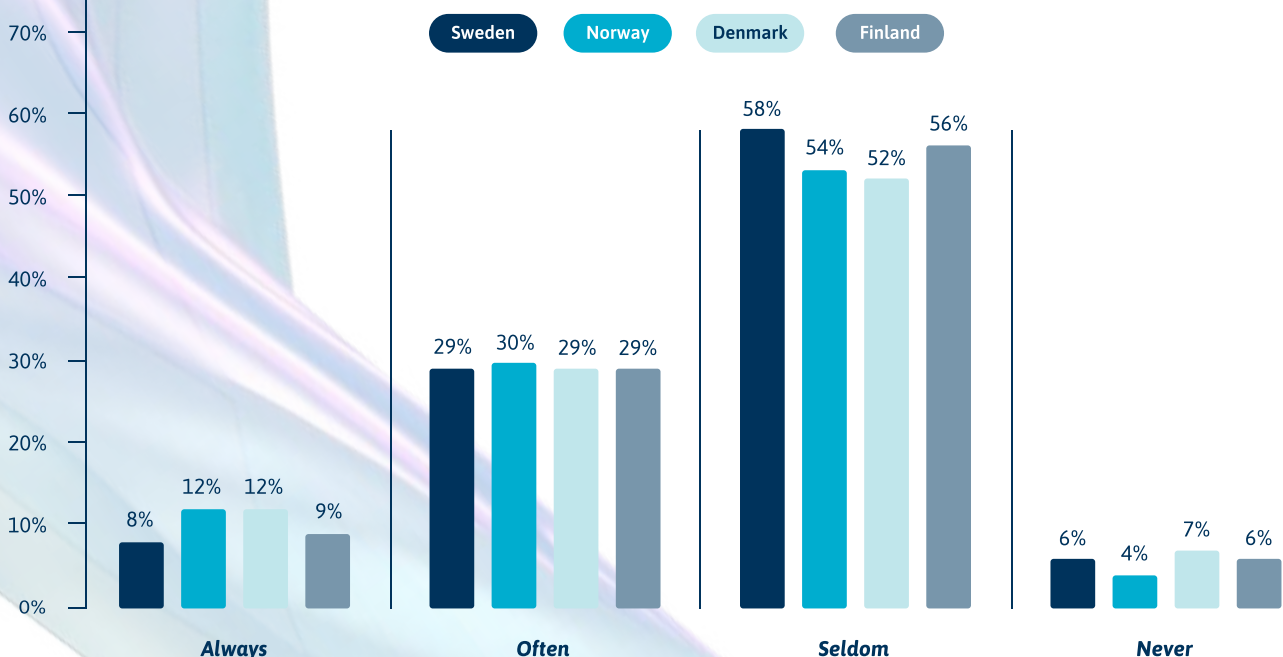
aware of, and exposed to, the risks since they are more frequent online shoppers.

Furthermore, the most and least experienced online shoppers are the ones who most regularly worry about online fraud. For the experienced group, this is probably explained by the fact that they, by definition, are more frequent online shoppers, which means there are more occasions on which they can fall victim to fraud. For the less experienced group, the reason is possibly that the lack of experience leads them to overestimate the risks associated with shopping online.

Percentage of Nordic consumers that worry about online fraud when shopping online, based on age:



Consumers who feel worried about fraud online

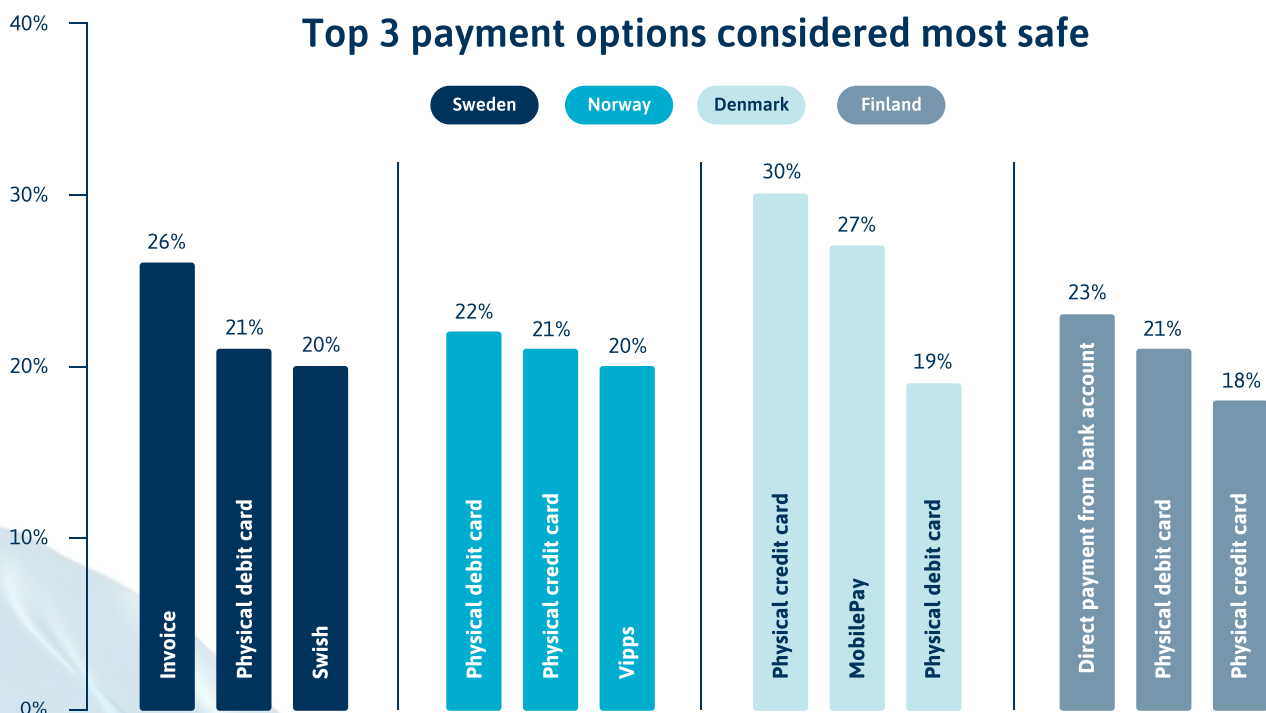


¹E-Commerce losses to online payment fraud to exceed \$48 billion globally in 2023, as fraud incursions evolve*, Juniper Research, October 2022

Most trusted payment option differs between countries

Nordic consumers are risk averse when it comes to payments, which means they are picky about which payment methods they trust. Cards are generally considered the safest option; around 20% in all four countries view physical debit cards as the safest payment method. For credit cards, the share that considers them the safest option varies from 14% in Sweden to 30% in Denmark. The high share in Denmark is likely due to the widely used Danish payment card Dankort which functions both as a credit and debit card.

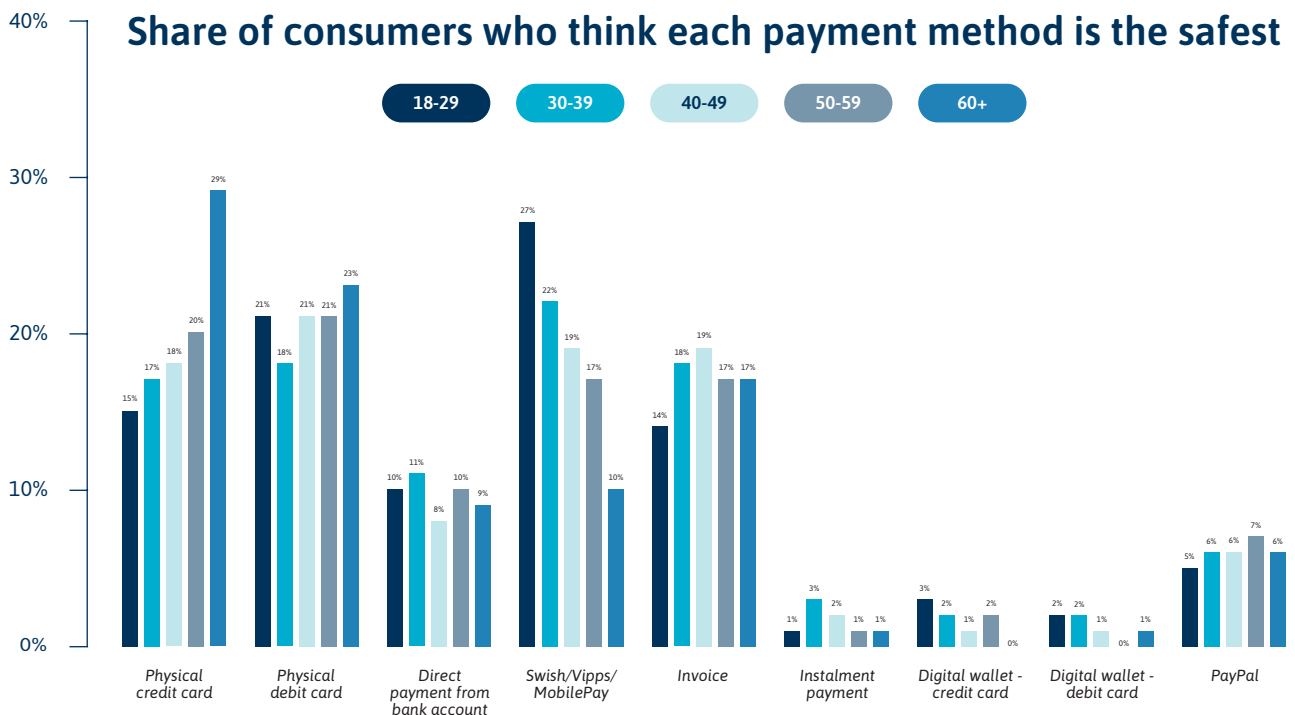
Overall, Nordic consumers seem to agree that cards are generally safe to pay with. However, there are notable local differences when it comes to some of the other payment methods. It is important to note that perception of safety seems to correlate with actual usage – that is, in countries where a specific payment method is used more, it is also generally trusted more. Determining cause and effect is difficult in this case, but the data indicates that consumers are more likely to trust an option they have used before, pointing to the need for local adjustments when it comes to what payment methods are offered.



Younger consumers consider mobile apps the safest payment method

Trust in different payment options differs considerably between generations. Among young consumers, mobile apps are considered the safest, while cards are the most trusted option among older consumers. This points to habit and recognition being of vital importance to consumers – 18-29 year olds are digital natives who have grown up with mobile payment technologies

and are thus more likely to trust them. Interestingly, young consumers view credit cards as considerably less safe than older generations, while there are almost no generational differences in the perception of debit cards. A greater fear of fraud and credit card debt among the younger generation, may be part of the explanation.



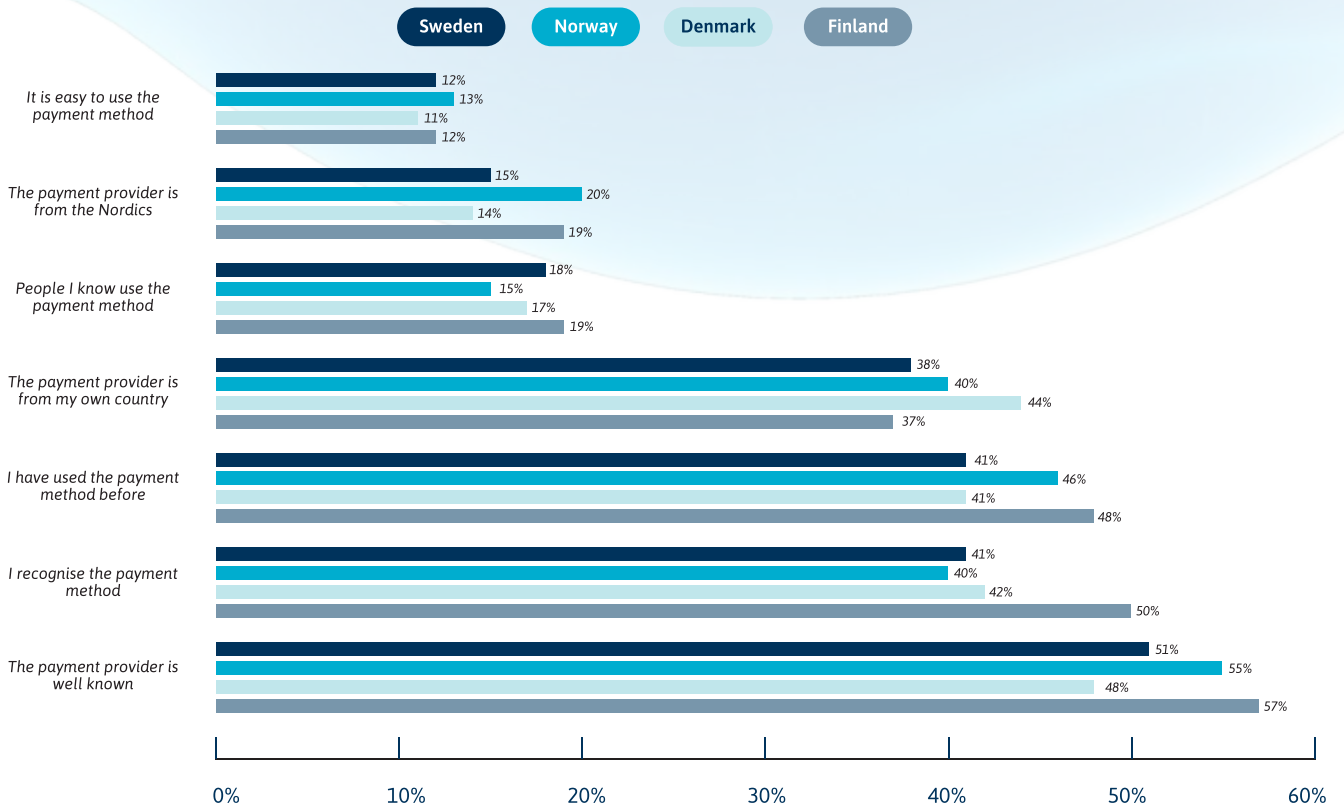
Recognition builds trust

There are significant differences between countries and generations when it comes to which payment methods are considered safe. However, in general, when consumers are asked what makes them trust a specific payment method, they point to recognition and habit. Fifty-two percent of Nordic consumers say they are likely to trust a payment provider because it is well known. In addition, 43% say they trust a payment method they recognise, and an equal share say they trust a method they have used before.

Consumers below the age of 30 are more likely to trust a payment option because friends or relatives have used it, indicating that social networks are especially important for building trust among the digital natives. Consumers above the age of 60 however, are more likely to trust a payment option based on their own experience.

The issue of trust is also tied to the issue of nationality. Domestic payment providers are trusted to a greater extent than providers that are from the Nordics in general. Thirty-nine percent say that a payment provider being from their own country makes them trust the provider, the corresponding number for a provider being from the Nordics is only 17%. Danish consumers are especially prone to base their trust on the fact that the payment provider is Danish (44%). Finnish consumers, on the other hand, are slightly more focused on recognition (50%) and the company being well known (57%). It is clear that merchants operating in the Nordics likely have much to gain in terms of consumer trust by adjusting their payment offerings, and by making sure to include local payment options.

What makes you trust a specific payment method?



KEY INSIGHT: As perceptions of safety varies significantly between countries, and as consumer trust in domestic payment options are higher than in foreign or even Nordic options, retailers will benefit from offering a wide option of payment methods, including highly local options tailored to each specific market.

“Changes in consumer behaviour can happen fast when it comes to payments. Generally, people seem to trust payment options that other people in their social network are using – if others use it, it is considered more safe.”

Carin Rehnrona, Researcher at University of Lund

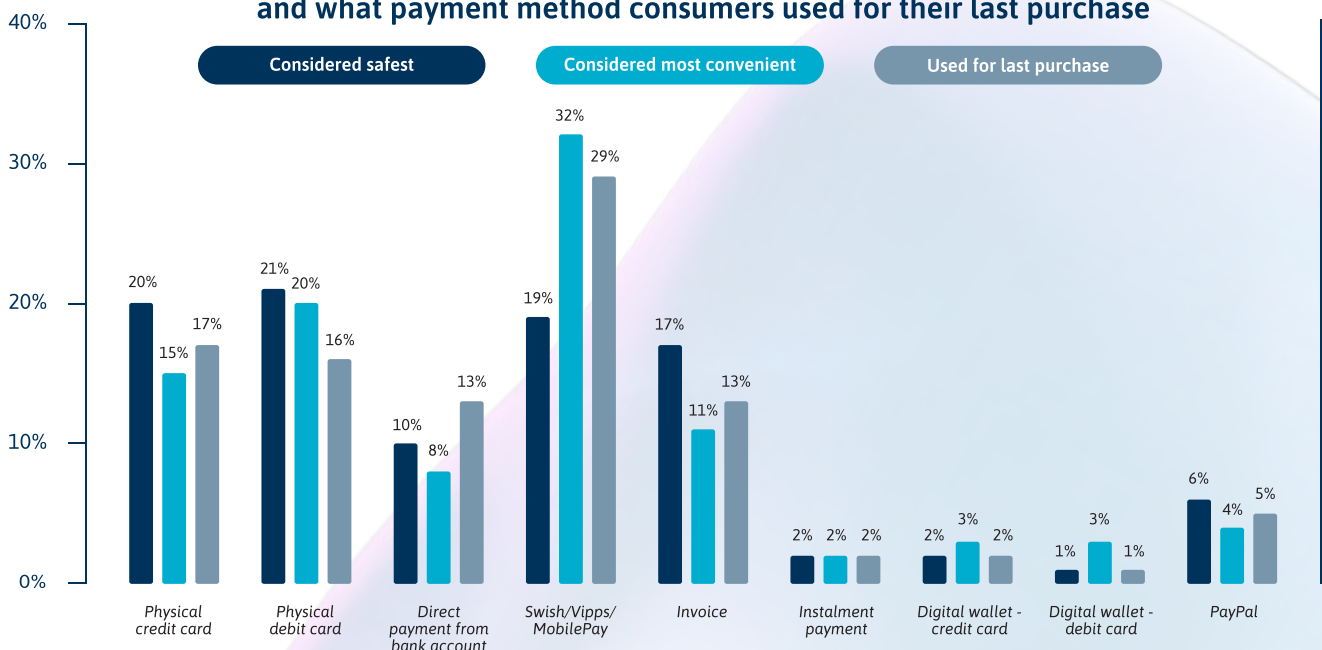
“Safe enough” can be good enough

Trusting a specific payment method is essential for consumers actually choosing to use it, and trust plays a crucial role in the adoption of new payment solutions. However, convenience is also a key driver for consumers. The same goes for speed – consumers are increasingly expecting fast payments options to fit with their digital lifestyles. So how do Nordic consumers navigate between the three demands of safety, convenience and speed – and how do they prioritise among them? The short answer is that the power of habit seems to be a strong determining factor – but also that when consumers cross the threshold of actually using a payment method for the first time, habits can quickly change.

When looking at what payment method Nordic consumers consider the safest, what payment method they consider the most convenient, and what

payment method they used for their last purchase, it is difficult to detect a clear pattern. The safest option is not necessarily considered the most convenient, and vice versa – and preferences related to safety and convenience are not automatically tied to how consumers actually choose to pay. Again, habit seems to play a vital role in determining the chosen payment option. As long as it is deemed safe enough, and convenient enough, a payment option does not have to be considered the safest or the most convenient for consumers to keep using it. An interesting example is mobile payment methods such as Swish, Vipps and MobilePay, which are considered the most convenient by Nordic consumers, but not the safest. However, almost a third (29%) used a mobile app to pay for their last purchase, indicating that a perception of “safe enough” can be sufficient for consumers, especially if it excels in other ways, such as speed and convenience.

Mis-match between what payment methods are considered safest vs. most convenient – and what payment method consumers used for their last purchase

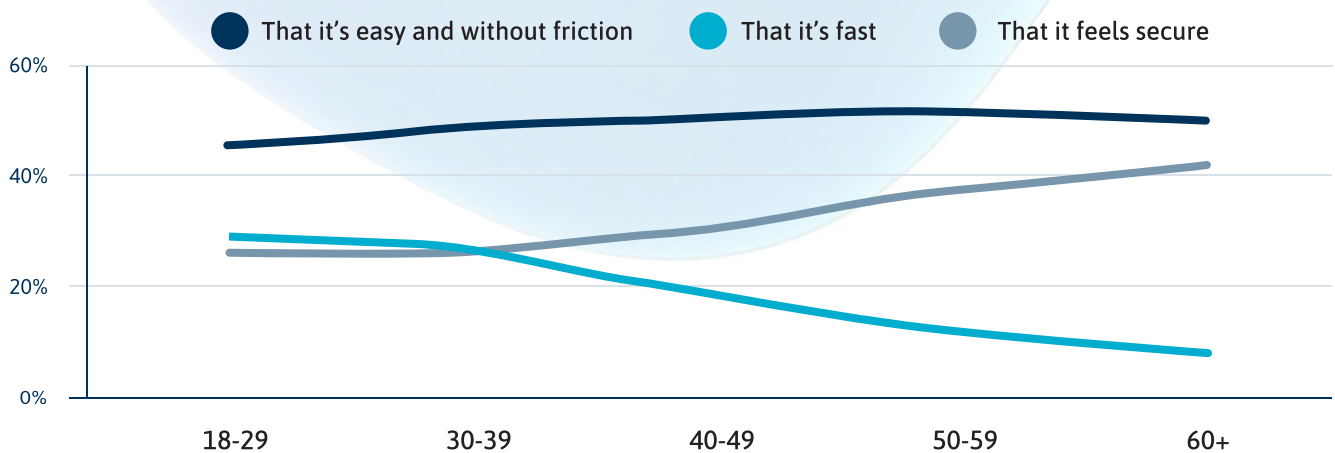


KEY INSIGHT: As long as it is deemed safe enough, and convenient enough, a payment option does not have to be considered the safest or the most convenient for consumers to keep using it.

Older consumers value safety, younger value speed

There are significant differences between generations when it comes to how consumers value speed, safety and convenience. Safety is generally valued higher by older consumers. When making payments, 41% of consumers aged 60 and above appreciate safety most, while that number is only 26% among 18-29 year olds. Younger consumers instead value speed more – only 7% of consumers aged 60 and over appreciate speed most when making a payment, while the share among 18-29 year olds is 29%. This is probably linked to trust – the fact that older generations are more concerned with safety could be a result of them having less experience in using new payment technologies, which goes back to the habitual character of payments and how important it is in creating trust among consumers.

What do you appreciate most when making a transaction?



KEY INSIGHT: Generational differences are significant when it comes to how consumers view different payment options, and what they value when making a payment. Understanding the consumer base and its core demographics is key for retailers who want to increase conversion rates and customer loyalty through an effective payment offering.

Key takeaways for retailers:

- **Payments are a vital part of the purchase journey**, a failure to offer frictionless payments may cause consumers to cancel purchases and choose other retailers.
- **Nordic consumers have high expectations when it comes to payments** and are frustrated when their favourite payment method is not available, offering several options is key.
- **The preferred payment method differs between consumer groups.** Understanding the customer base, and thus which options to provide, is vital to increase conversion rates and customer loyalty.
- **Local adaptations are necessary in the Nordic market.** Consumers across the Nordic countries differ in their views of different payment methods, and it is vital to offer locally established payment options.
- **The payment method which is perceived as most safe differs among the generations.** While cards dominate among the older consumers, the 18-29 year olds who are digital natives are more likely to trust mobile payment technologies.
- **It is essential to strike a balance between convenience and safety** – consumers reject payment methods they do not trust but they also value speed and convenience above most other factors.

In our next report:

Looking ahead – what's to come in payment innovation?

Trust is a core component in all commercial exchanges – not least payments – and distrust towards new technologies is one of the main barriers to adopting new and emerging payment methods. This means that understanding consumer sentiments is key for successful payment innovation.

What does the future hold when it comes to payments in the Nordic countries, and what role do retailers have in driving further innovation? The third release of the Payments in the Nordics report will take a closer look at how next-generation payment methods are changing the retail landscape, and what merchants are doing to prepare for and adapt to these new complexities. These are exciting times for payments – payment transformation is everywhere, and as consumers are growing accustomed to security and ease co-existing when it comes to payments, the future is likely to become increasingly frictionless.

Payments in the Nordics

Next generation payments – what does the future hold for payments in the Nordics?



Content

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About the report

The Payments in the Nordics report is a report series launched by Svea Bank, 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 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.

Pelle Pettersson, CEO and founder, Omniarch

Pelle Pettersson is the Chief Executive Officer and founder of Omniarch, an agency that helps retailers develop digital growth strategies.

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 Payments, Svea Bank

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

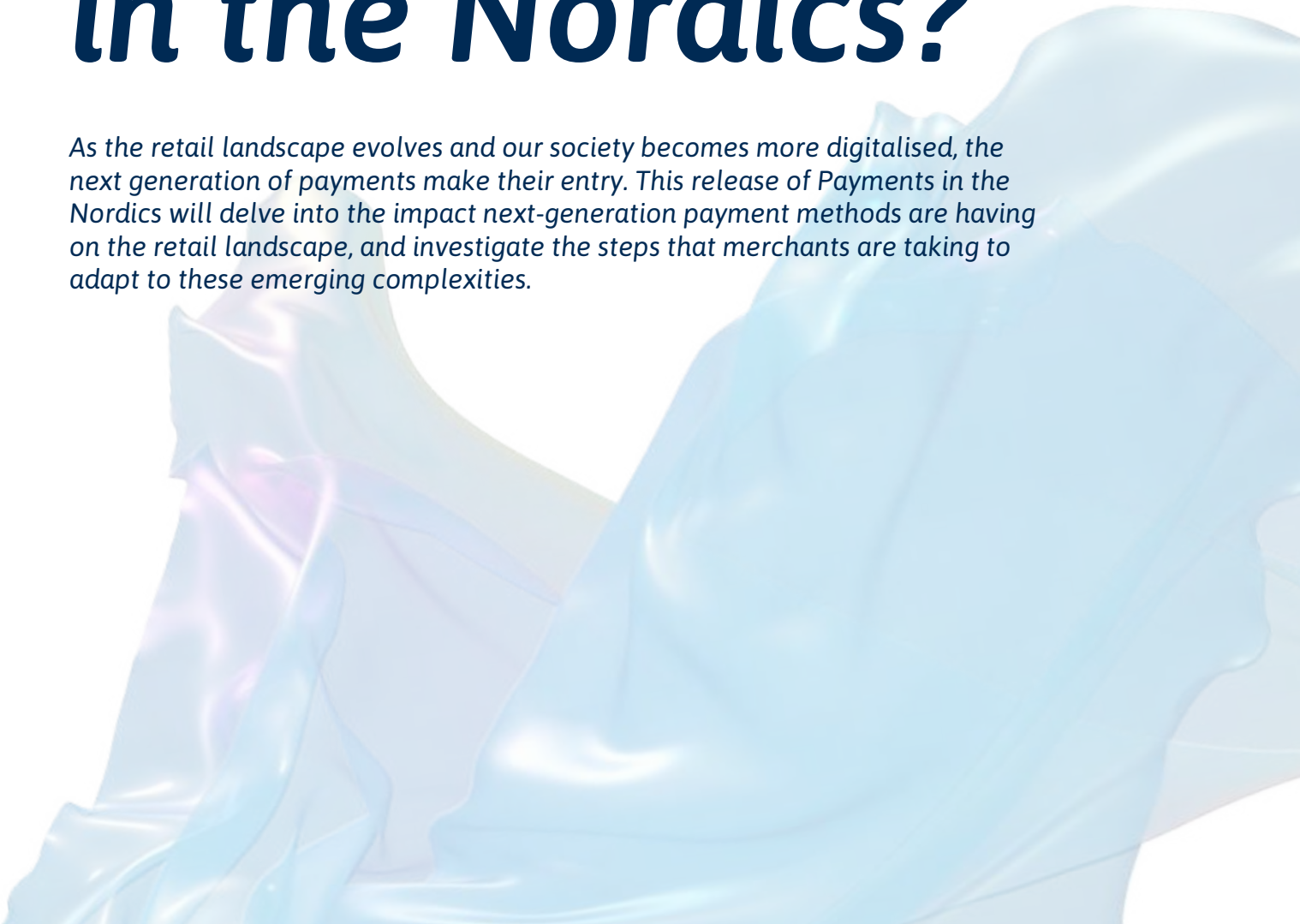
Mikael Kustmark, Business Manager Mobile Payments, Svea Bank

Mikael Kustmark is the business manager within mobile payments at Svea Bank and is specialised within mobile and app payments.

The report is produced in collaboration with HUI Research.

Next generation payments – what does the future hold for payments in the Nordics?

As the retail landscape evolves and our society becomes more digitalised, the next generation of payments make their entry. This release of Payments in the Nordics will delve into the impact next-generation payment methods are having on the retail landscape, and investigate the steps that merchants are taking to adapt to these emerging complexities.

The background of the page features abstract, flowing, translucent shapes in shades of light blue and purple, creating a sense of movement and depth. These shapes are layered and overlap, giving the impression of liquid or fabric in motion.

Contactless payments – next generation payments are already here

Today, contactless payments are the most established form of next generation payments, with it being offered in most stores. What are contactless payments and why have they become so ubiquitous? And what role does contactless technology play in furthering the digital wallet surge?



Contactless payments are already used by the vast majority of Nordic consumers

Contactless payments, that is, using a debit or credit card without having to touch the card reader, has become a ubiquitous payment method. Fully 83% of

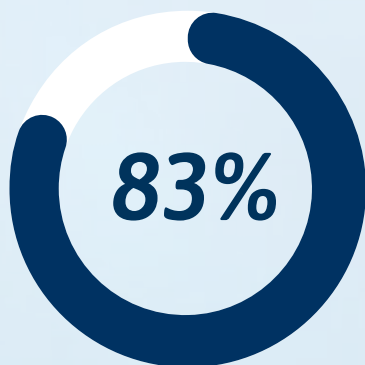
Nordic consumers attest to having made a contactless payment. Today, virtually all point of sales terminals are equipped with contactless payment technology.

The adoption of contactless payments has been driven by supply-side innovation and the appreciation of convenience

Contactless payments are well suited to meet consumer demands for quick and seamless payments. By eliminating the need for PINs and signatures, they save consumers vast amounts of time every day.

However, when contactless cards first arrived, they were met with some scepticism. In particular, there were concerns about security; many consumers felt that not using a PIN was insecure, and that the saved time and

increased convenience was not worth it. Nevertheless, since then, consumers have come to accept the contactless card as a normal part of everyday life and the security frontier has been pushed forward with ever larger transactions being eligible for contactless. Today, only 13% of Nordic consumers who have used contactless payments consider them insecure.



of Nordic consumers have used contactless payments.



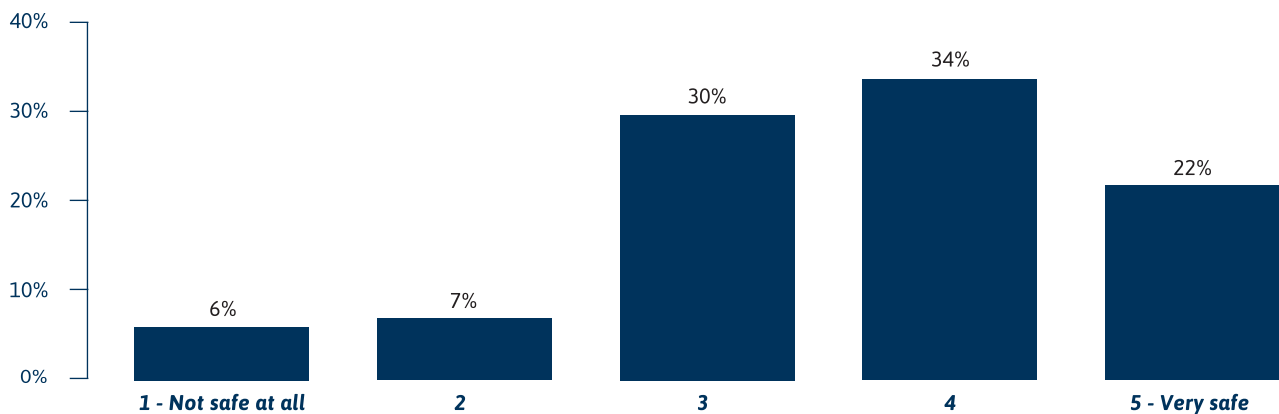
"Contactless payments are a perfect example of a technology innovation which has been adopted by consumers and which now is a ubiquitous part of their everyday life, and we will continue to see more blurred lines around what people consider secure as they adapt to new technologies."

Magdalena Caesar, Business Area Manager Payments, Svea Bank

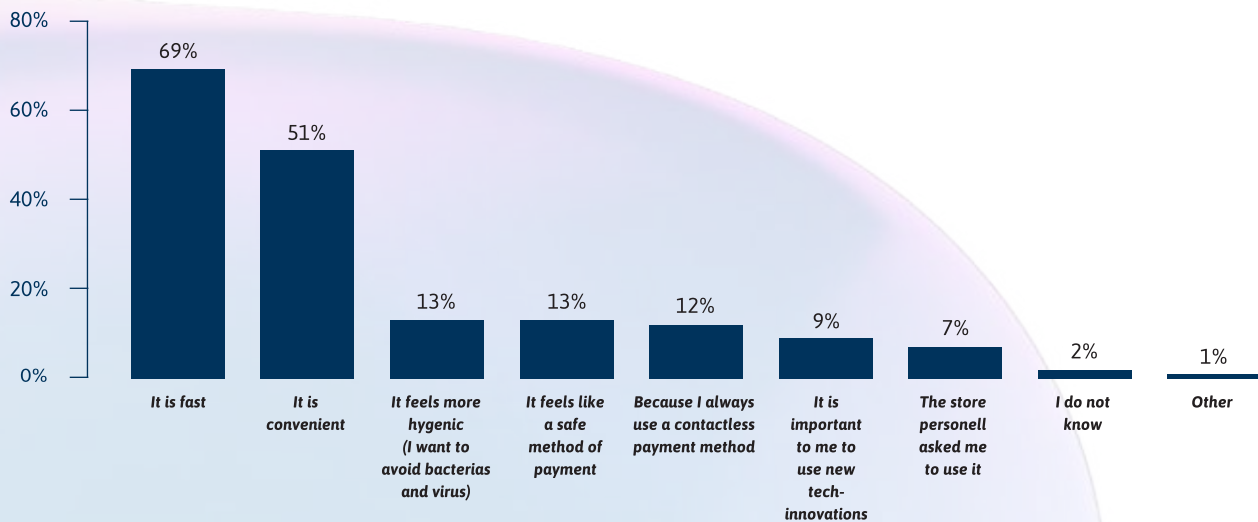
In recent years, the competitiveness of contactless payments has further increased. In addition to the benefits of speed and convenience, the act of not having to physically touch the payment terminal has

been a benefit during the Covid-19 pandemic. When asked why they have used a contactless payment, "hygiene" is the third most common answer.

How safe do you perceive contactless payments as a payment method?



Why have you used a contactless payment?

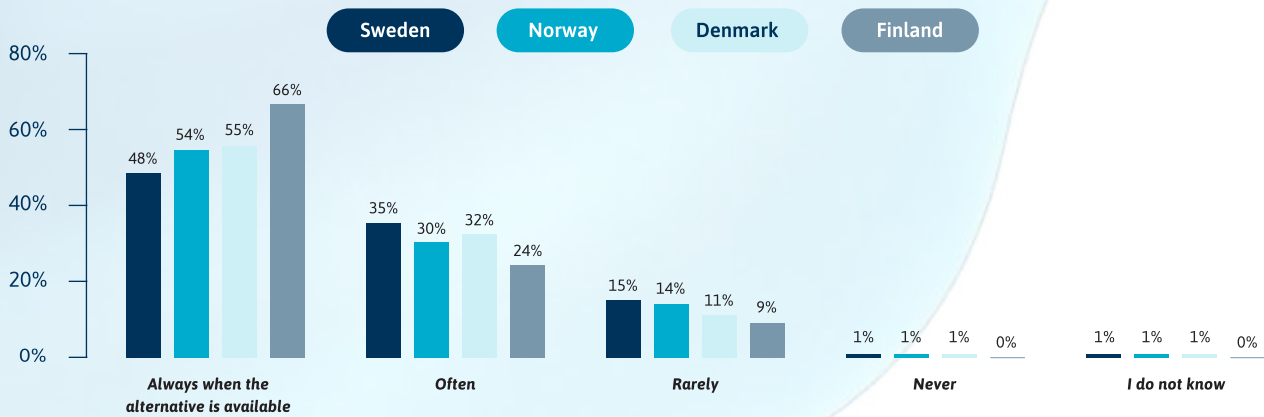


Offering contactless payments is vital for retailers

Contactless payments have become so widespread that consumers now expect them to be available when shopping. Therefore, it is crucial for retailers to provide the option of paying contactless. Fifty-four percent of Nordic consumers using contactless payments always

use it when the option is available. This is consistent across the Nordic countries. Furthermore, 43% consider it important that a store offers a contactless payment option.

How often do you use a contactless method of payment?



Contactless payments are already old news, but they have enabled the surge in digital wallets

Contactless payments have been around for years and are widespread. Their popularity is evident across geographical and generational boundaries, with older consumers being as likely to use contactless payments as young consumers and the share having used them is above 80% in each Nordic country.

43%

of Nordic consumers consider it important that a store offers contactless payments.

84%

18 - 29

84% and 82%, the share among 18-29 year olds and those above the age of 60 who use contactless payments often or always when the option is available.

82%

Above 60

Even though contactless payments may be old news, they are powering the next revolution in payments: the digitalisation of in-store payments. The use of digital wallets, having your card stored in your phone

and using it to pay, would not be possible without the technology behind contactless cards. The next section explores the rise and future of the digital wallet.



What is NFC?

Most contactless cards are based on NFC, or Near Field Contact. NFC is a protocol for electronic communication over very short distances. The point of NFC technology is the ability to use a scanner to read information from a "passive" object such as a card or a tag. The NFC technology which enables contactless cards is also what came to enable contactless payments using smartphones.

Digital wallets – the phone as an all-in-one solution?

The adoption of digital wallets is still in its infancy and is expected to increase in the Nordic countries as well as globally. What is the function of digital wallets? And will the digital wallet allow the phone to become a hub for payments, replacing the traditional physical wallet?

"Digital wallets are expected to grow in popularity, together with other digital solutions like Swish, MobilePay and Vipps."

Pelle Pettersson, CEO and founder, Omniarch

In-store payments are on their way to being digitalised

The digital wallet is a digitalised version of the physical wallet, holding the same items such as cards and tickets. Some well-known versions of digital wallets are Apple Pay, Google Pay, and Samsung Pay. Globally, there were 3.4 billion people using a digital wallet in 2022 according to Juniper Research¹, this corresponds to 42% of the world's population. This number is expected to increase to 5.2 billion in 2026.

Digital wallets often rely on the technology of NFC (near field communication), which is the same technology that is used in credit and debit cards for contactless payments. Hence, the digital wallets can be used in-store whenever the contactless function is available. However, digital wallets can also be used online where the main function is that the digital wallet prefills your card information.



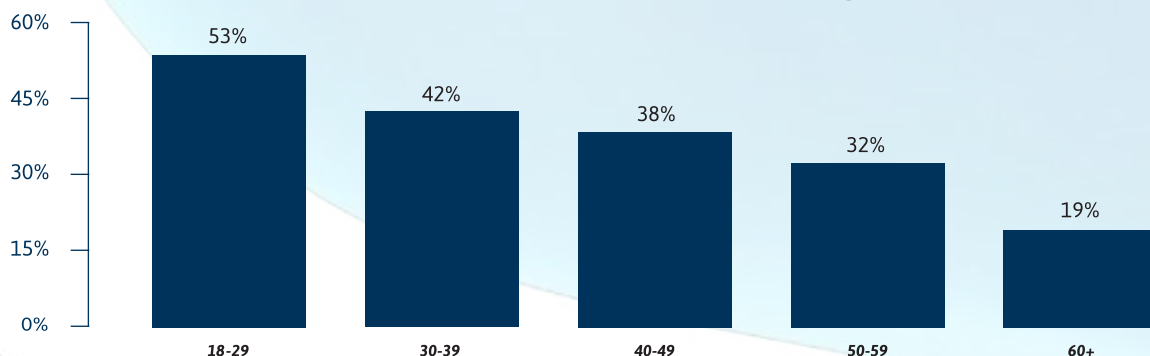
of the global population is using digital wallets



In the Nordics, 37% of consumers have used a digital wallet. This makes it the least adopted next generation payment method as both BNPL and contactless payments are more commonly used. The use of digital wallets is, in part, a metropolitan phenomenon, with people who live in large cities being more prone to use them. In addition, older consumers have adopted digital wallets to a lesser extent than younger consumers, perhaps due to the technology barrier and safety concerns. The use of digital wallets is expected to increase further as

digital natives come to make up an even larger share of the population, as the technology becomes more established, and as the power of habit contributes to digital wallets being used in a larger extent by existing users. Digital wallets are mainly used when making purchases in physical stores. Thirteen percent of Nordic consumers used a digital wallet at their last in-store purchase. In contrast, only 2% used it as payment method for their last online purchase.

Share of consumers who have used a digital wallet



¹<https://www.juniperresearch.com/press/digital-wallet-users-exceed-5bn-globally-2026>

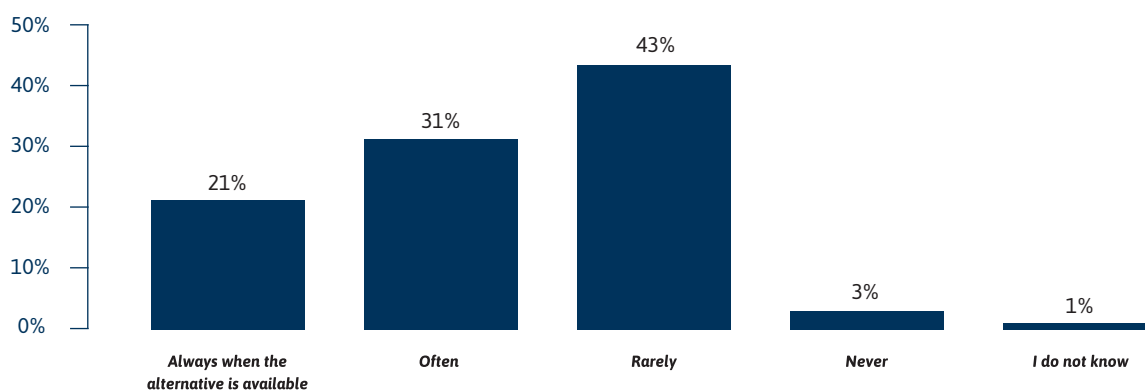
Are digital wallets a way to be tech-trendy or a convenient way to pay?

In developed countries, digital wallets have mainly replaced credit and debit cards, while developing countries have used digital wallets to leapfrog directly from cash in some instances.

In the Nordics, the main reason for using digital wallets is that they are fast and convenient. However, fully 1 in 5 consumers (21%) who have used a digital wallet did so, at least in part, because they felt that it is important to use new innovations. This probably explains why only 21% of Nordic consumers use their digital wallets as often as the alternative is available,

whereas the corresponding number for contactless payments is 54%. In conclusion, many consumers may only be using digital wallets to keep up with current trends. Alternatively, they may be using their digital wallets for other purposes than paying, such as holding digital tickets. However, there are barriers towards the digital wallet completely replacing the physical wallet, with identification documents often needed in physical form and not possible to store in digital wallets, and digital wallets being limited by the upper transaction limit for contactless payments.

How often do you use your digital wallet when making a payment?



Technology barriers the main obstacle to using digital wallets

Digital wallets are a part of a broader digitalisation trend in retail and payments in general. For instance, the most experienced online shoppers are more likely to use digital wallets. This is probably in part because these consumers have more knowledge and experience of digital tools. Thus, the main obstacle

to using digital wallets is probably the technology barrier. Forty-two percent of the Nordic consumers who have not used a digital wallet, have not done so due to a lack of familiarity with the technology.

"There is a generational technology gap which may hinder new payment methods from reaching older consumers. Not everyone in the older generation uses BankID for example, and are not as comfortable using new payment methods. However, the pandemic made it necessary for people to use more digital solutions. The older generation had to make friends with new technology and these new practices may reduce this barrier in the future."

Carin Rehn Crona, Researcher at the Department of Service Studies, Lund University

"If digital wallets fully replace physical wallets, and the phone becomes a hub for payments, it will be important for retailers to make sure any of their channels, no matter physical or online, are compatible with these."

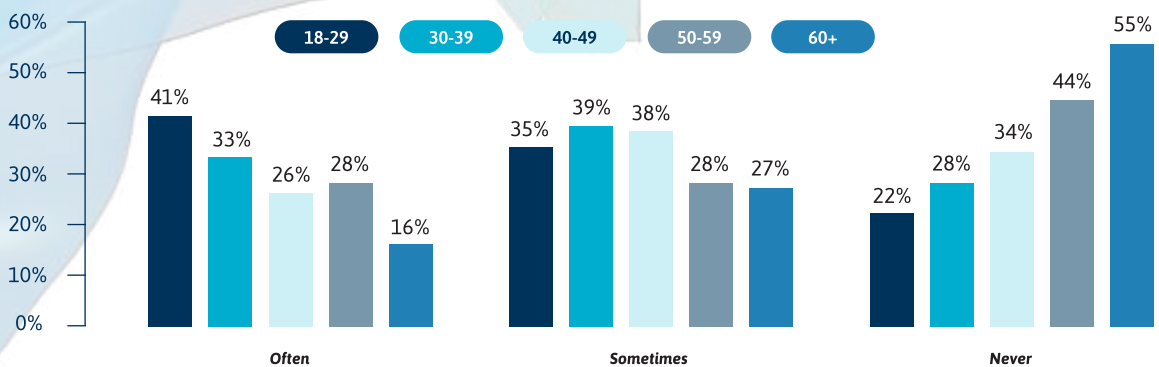
Mikael Kustmark, Business Manager, Mobile Payments, Svea Bank

The phone as a payment hub replacing the physical wallet?

Digital wallets are similar to physical wallets in many ways and are used for many of the same tasks, such as storing cards and tickets. As consumers become more used to digital wallets, is it possible that they will come to replace physical wallets altogether? Younger users have already started to substitute the physical wallet for the digital one. Forty-one percent of Nordic consumers aged 18-29 who have used a digital wallet, often leave their physical wallet at home as they have a digital one. Thirty-five percent of the same group sometimes do so. In contrast, among older users, it is less common to solely rely on

the digital wallet. However, even among consumers aged over 60 who have used a digital wallet, 43% sometimes or often leave their home without their physical wallet, relying only their digital wallet. As consumers get more used to paying with their digital wallet in-store, it will become even more important to offer this payment method online as well. In addition, retailers and card providers will have to make sure that their solutions are compatible with digital wallets. For instance, a loyalty program may lose some of its appeal if the membership card cannot be added to one's digital wallet.

How often consumers substitute their physical wallet for their digital wallet





BNPL – easy access credit in the era of e-commerce

Parallel with the developments in contactless payments, another trend in payments has emerged: the rise of 'buy now, pay later' (BNPL) solutions. What is BNPL and why is it surging right now? What will the impact of BNPL be?

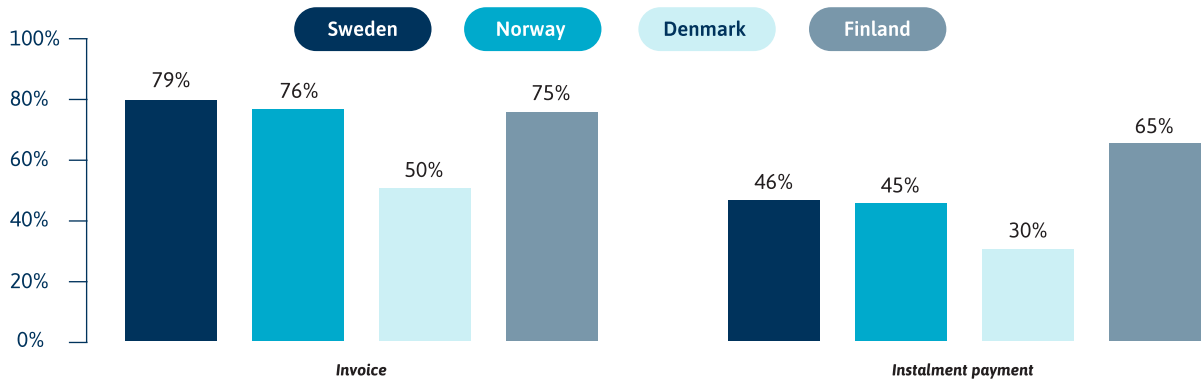
What are BNPL payments and how are they used?

Buy Now, Pay Later (BNPL) comes in two variants: invoice and instalment payments. However, credit cards, which is also a form of credit, are usually not considered a BNPL-solution. BNPL is a form of easy access credit which is accessed at the point of sale.

of payment, and 46% having used instalment payments. Denmark, however, is an outlier with usage being significantly lower than in the rest of the Nordics. In Finland, on the other hand, instalment payments are much more common than in the other countries.

BNPL payments are common in the Nordics with 71% of Nordic consumers having used invoice as a method

Share of consumers who have used the following payment method



What is an instalment payment?

Instalments are when a product is purchased and payment is split up and delayed. It varies how many payments the purchase is split into, but a common number is four and the total payment is usually significantly larger than the original price.

The reason for using BNPL varies slightly between invoice and instalment payments. Forty-eight percent of the Nordic consumers who use invoices do so because they want to see or try the product before paying. For

instalment payments, the most common reason (48%) is that it allows the consumer to make a purchase which they would not have afforded otherwise.



The most common reason for using an invoice is because the consumer wants to see or try on the product before they pay for it



The most common reason for using an instalment payment is because the consumer wants to make a purchase which they would not have afforded otherwise



What is an invoice?

Invoice payments are when a product is purchased but the payment is delayed. The method is usually free and the delay tends to be circa one month.

"Swift reimbursement upon returning a product is crucial, that is part of the appeal of BNPL. It is important for other payment alternatives to also match these expectations, as individuals are disinclined to extend credit to companies. This is crucial for enhancing the customer experience and, consequently, promoting customer loyalty."

Pelle Pettersson, CEO and founder, Omniarch

BNPL and e-commerce surge in tandem

One of the reasons for the rising popularity of BNPL is the expansion of e-commerce, as BNPL allows customers to see or try on the product before payment. This means the customer does not have to carry the risk of the transaction if, for instance, they want to return the product. Hence, BNPL solutions are a form of security for the customer when shopping online, improving the customer experience. Nevertheless, it has also become increasingly common for physical

retailers to offer BNPL payment options, providing the consumers with convenient and flexible payments in-store as well. Hence, BNPL usage is expected to increase in the future as consumers shop more online and as the line between online and offline blurs. And the expectations on convenience in terms of refunds when returning a product will spill over on other payment options as well.

BNPL: smart and seamless or dangerous and expensive

The surge in BNPL-payments is mostly linked to the consumer quest for convenience and the rising amount of e-commerce. People mostly use BNPL solutions when shopping online and as the market share of digital channels have grown, so have the quantity of BNPL payments. There are several benefits with BNPL. For instance, most consumers that use invoice as a

method of payment do so for reasons of convenience and security. But in connection with the development of BNPL usage, questions about negative side effects have been raised. In particular, there are worries that young people may take on unsustainable amounts of debt.

Next generation payments: the line between online and offline is blurred

Merchants operating in both the online and offline retail sectors will find it crucial to stay abreast of the future developments in payment methods. There are three main trends which might impact the future of payments: namely, a wider offering of payments in-store, the phone as a hub for payments, and grab-and-go payments.

"There will be an increase in the diversity of payment methods, and presently, few retailers have payments as a primary concern. Nevertheless, businesses that have a high transaction intensity stand to benefit significantly from looking over their payment solution as there exists ample opportunities to reduce associated costs"

Pelle Pettersson, CEO and founder, Omniarch

It will be increasingly important to offer a wide array of payment options in-store

With omnichannel solutions reducing the differences between online and in-store retail, the line between how consumers want to pay in the different channels

blurs as well. Hence, it will become even more important for retailers to offer classic "online" payment methods in-store and vice versa.

The phone as hub for payments and other tasks

In the short to medium-term, the most prominent trend in payments will be the continued rise of digital wallets. Many digital natives have already substituted their physical wallet for the wallet in their phone. As ever more features are added to the digital wallet, such as holding ID cards or metro cards, this trend is likely to strengthen.



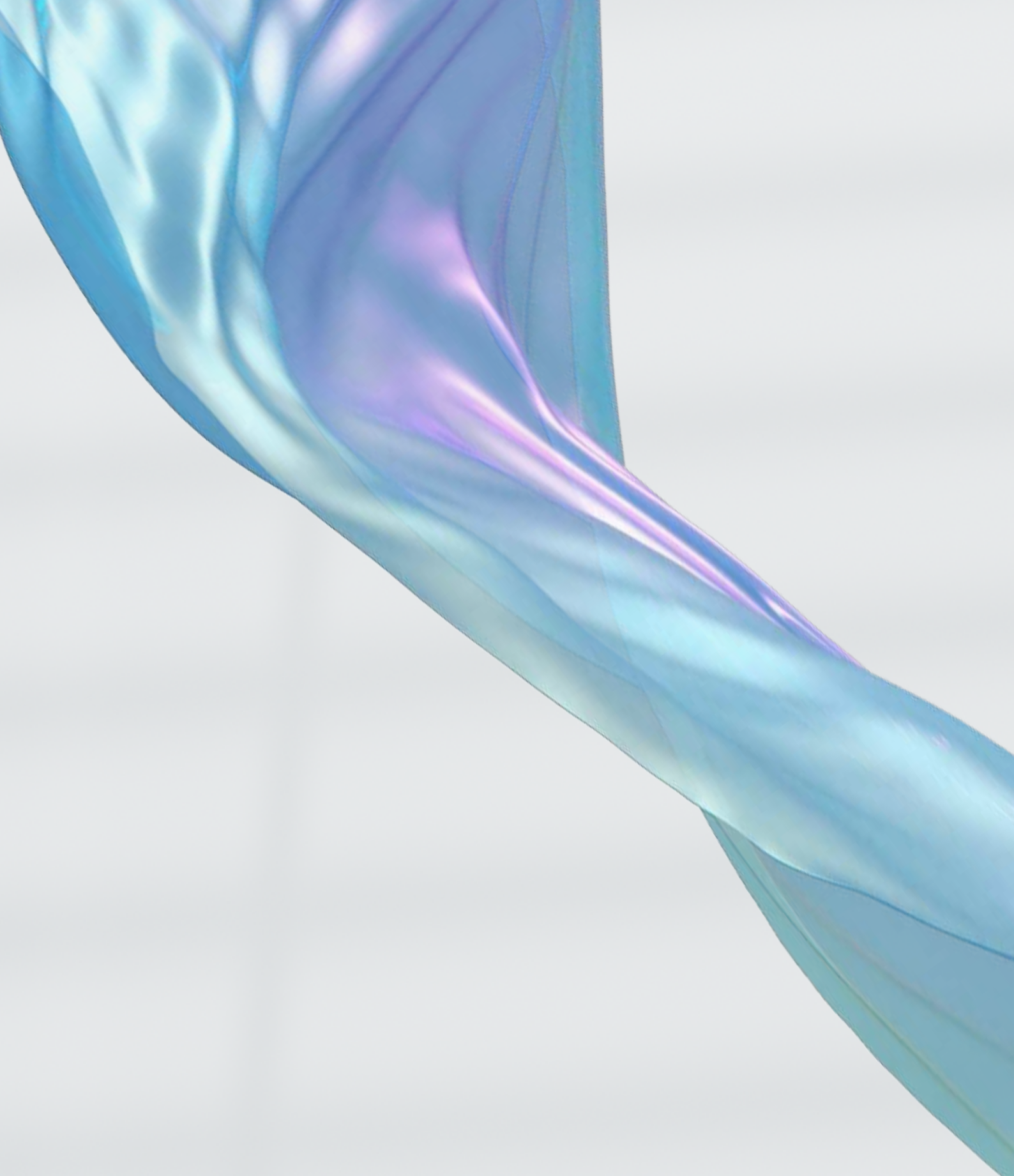
Will grab-and-go replace digital wallets?

As the current next generation payment methods become more established, one question inevitably rises, what comes next? Biometric authentication methods, such as facial recognition and fingerprint scanning, are becoming more common for payments. Some retailers are experimenting with stores in which one can enter, pick the goods one wants and then leave, without ever

having to interact with a payment terminal. The only thing certain is that the future will be determined by what lies at the intersection between what consumers want and what retailers and merchants can supply. Navigating this landscape is crucial for anyone who wants to be ready for the next generation of payments.

Key takeaways:

- **Retailers need to prioritise payments.** By integrating payments in their strategy, retailers can reduce transaction costs and, most importantly, prevent the loss of revenue from customers who choose to cancel their purchase due to the payment solution. Furthermore, effective payments, and thus returns, may increase customer loyalty.
- **Contactless payments and digital wallets may be next generation payments but are already commonly used by the Nordic consumers,** offering these payment options is vital for today's retailers.
- **It will become more important to offer a wide range of payment methods offline and online.** Consumers have high expectations and are quickly adopting new payment methods.
- **Reduce the difference between online and offline.** As consumers get more used to omnichannel retail, they will come to expect online and offline payments to be basically indistinguishable.
- **The importance of being agile and swiftly adopting new payment methods will become clear as consumer preferences keep evolving in the coming years.**



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