



VISA

Digital Payments

A wave of innovation in the Nordics

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An evolving digital payments landscape

The world as we know it is changing – and everywhere you look, industries are being enhanced by newfound digital possibilities.

The digital age has penetrated the payments industry too. Traditional methods that were engrained into daily consumer habits are now being challenged by new solutions, particularly in the Nordics.

But what's facilitating this?

At the heart of it is a rise in consumer expectations. Many expect to be able to make seamless payments, no matter where or how they pay.

The impact of this has been seen and answered in the Card Present (CP) space, as mobile wallets have met the demand and overtaken cash as the Nordics' second favourite¹ payment method.

Why? Because they often provide a frictionless experience, without the need for a physical wallet.

What we're now seeing is the impact on Card Not Present (CNP) payments. The continued growth of ecommerce brings an array of competition from incumbents and new providers, in a market rife with opportunity.







1. Nets, Nordic Payments Report, 2023

Drivers of the ecommerce boom

Ecommerce is growing and looks set to continue this trajectory.

In 2023, 96% of consumers in the Nordics bought something online at least once a month, a jump from 81% back in 2021.² When looking at CNP spend, it has grown 37% during the same time frame.³

Projected ecommerce market growth (2022-2026):⁴

	Sweden 51% from \$39 bn to \$59 bn
	Norway 57% from \$23 bn to \$36 bn
	Denmark 45% from \$31 bn to \$45 bn
	Finland 38% from \$16 bn to \$22 bn

With many options available and ecommerce growing, consumers have now become accustomed to buying their favourite items online. Travel, clothing, and electronics are popular for online purchases.

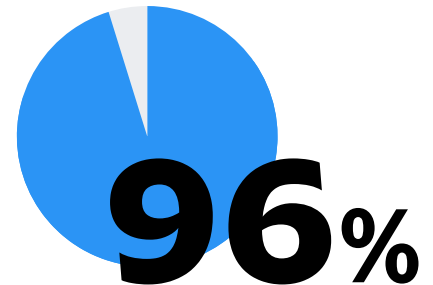
What do Nordic consumers buy online?

- ~70% say travel²
- ~65% say clothing²
- ~55% say event tickets²
- ~50% say electronics²

But some areas of ecommerce have now become over-saturated. A key example of this is subscriptions, which have begun to plateau after years of growth.

The payment value of subscriptions have declined 10.2% year-on-year.³ Streaming services and professional services are largely behind the decline, with spend down 11% and 24.3% year-on-year.³

Despite this, the overall growth of ecommerce is set to continue, as new solutions bring opportunity for providers in the digital payment space. This will be powered by consumers using their phones to complete purchases, with the mobile commerce industry set to make up 82% of global ecommerce by 2027.⁴



of Nordic consumers make at least one online purchase in a typical month.



2. Research commissioned by Visa and conducted by Ipsos, with 2000 nationally representative Nordic adults between June 2023 and August 2023.

3. VisaNet data, 2021-2023

4. FIS Global Payment Report 2023

The payment methods making this possible

The growth of ecommerce has resulted in a digital payments industry filled with innovation and competition.

An array of solutions have emerged and whilst physical cards continue to play a major role in the payments landscape, digital wallets that can be linked to a card are making an impression and are taking increasing market share each year.

The evolution of digital wallets

The Nordics have particularly embraced them and hold some of the highest usage rates in the world.

19% of Nordic consumers said they used digital wallets for ecommerce payments.²

They're used for more than 25% of CP payments.^{3&5} What's more, xPay spend as a share of total CP spend has risen 205% from January 2021 to May 2023.³

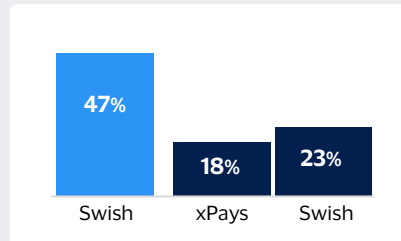
Why? They provide a convenient experience, they reduce the need to carry physical wallets, and consumers can easily track their finances and budgeting capabilities.

This growth in popularity has created a race for market share and usage, with competition predominantly between: Domestic incumbents (Swish, Pivo/MobilePay/Vipps) and international powerhouses (Apple Pay, Samsung Pay, Google Pay).

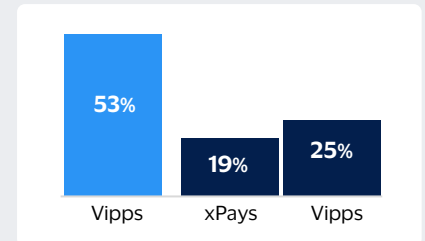
Account-to-account (A2A) payments are also growing in prominence within some Nordic markets, which together with cards, are the backbone behind these wallets.

Digital wallets are set to make up 32% of CNP transaction value by 2026, up from 29% in 2022.^{4&6} They're also expected to make up 20% of CP transaction value by 2026, up from 10% in 2022.^{4&6}

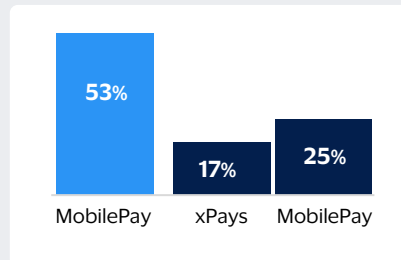
Sweden



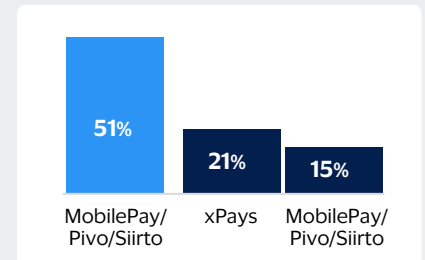
Norway



Denmark

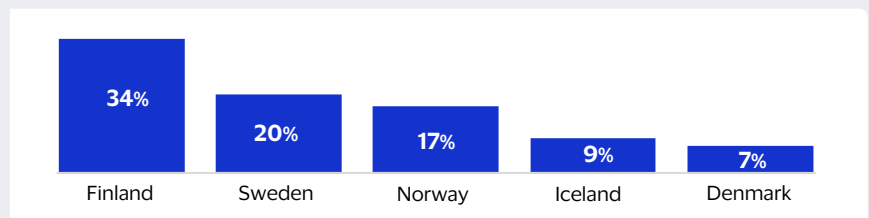


Finland



● Used to send to a friend ● Used for all kinds of goods

A2A share of e-commerce payments based on 2023 spend:^{4&7}



5. Nets Nordic Payment Report, 2022
 6. Statista, Mobile Payments with Digital Wallets – Statistics & Facts 2023
 7. Rapyd: 'Ecommerce and Payment Trends in Iceland', 2023

The rise of instalments

Instalments have been steadily growing in influence throughout the past few years and are expected to continue that trajectory, with the Nordics being a particular hotspot for this.

Sweden has the highest instalment payment share in the world:⁴ Instalments were 24% of total ecommerce spend in 2023.⁴ Across the Nordics, 49% of residents have used an instalments service in the last 6 months.⁴

But why are they proving so popular?

Consumers no longer need to pay upfront and can even pay after receiving the product. This has resonated, particularly with younger consumers, and it's now seen as a simple way to utilise credit.

This has been driven by the wealth of options, such as Klarna, which is the most popular non-primary banking service provider in Sweden and featured in the top 5 in Norway and Finland.

So, in a payments market that once told consumers how to pay, the script has flipped, and consumer demands are dictating the new features being introduced.

Players now need to be ready to provide a solution that offers the best experience, rather than simply an account to use.



The visible part of invisible payments



Whilst innovation has allowed payment solutions to become invisible during the purchase, the experience around it is still highly visible and equally as important.

Prior to making a purchase, consumers expect to be able to engage with digital features, whether that's receiving offers and discounts or sending and receiving money from wallets of different brands.

After making a purchase, consumers' desires remain consistent - they seek straightforward insights into their expenditure and wish to feel valued for their spending. They are also on the lookout for solutions that empower them to take charge of their personal finances through budgeting and savings tools, want to efficiently manage their recurring payments, and even monitor their environmental impact by tracking their carbon footprint.

These features are key in winning over consumers.

What new features would you like to see implemented within the digital wallet of your choice?²



Discounts

Wanted by at least 25% of consumers in every Nordic country



Loyalty points

Nearly half of Icelandic consumers want this



Budgeting and saving tools

Most desired in Iceland, but less popular in Denmark



Manage recurring payments subscriptions

Mentioned by at least 10% in every Nordic country



Carbon footprint

The least popular choice, but still asked for by some consumers.

An unintended consequence

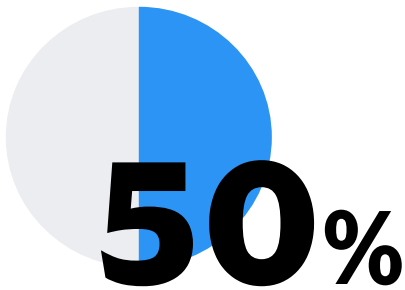
The digitalisation of the Nordic society in recent years has been evident, and with the help of new solutions, payments have become increasingly frictionless.

But whilst a highly digitalised society is generally seen as a very good thing, there is also a challenge, as another player is present in the field - **fraudsters**.

More than 16% of people in the Nordics have been a victim of financial fraud over the last 3 years.⁸ And 80% of value lost to fraud was through CNP transactions.^{1&3}

Fraud comes in many forms, but examples include:

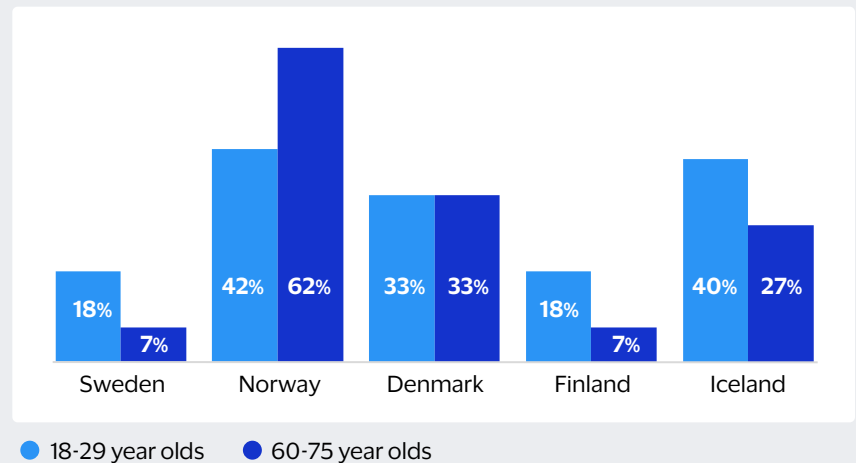
- ✓ Phishing
- ✓ Clean fraud
- ✓ Botnets.
- ✓ First-party fraud
- ✓ Third-party fraud
- ✓ Re-shipping



of Norwegians have been a victim of phishing.²

Phishing has been prevalent across the Nordics and is having a mixed impact across the different countries.

% of people who had been a victim of phishing via SMS, email or call in the last year:²



Norway is the only country with a higher phishing rate for older populations, whilst Denmark's young and old appear to be equally affected. Elsewhere in the Nordics though, it's the younger, more digitalised consumers that are feeling the impact of phishing.

Sweden and Finland's phishing rates are significantly lower than the Nordic average, suggesting they may have created a blueprint for other countries to follow, or that we have not yet seen fraudsters actively targeting these countries as frequently as others.

8. Global Data - Financial Fraud Analytics 2023

In this fraud susceptible digital environment, the more transactions shift to ecommerce, the more shoppers are likely to become vulnerable to CNP fraud, underlining the need for a safer payment landscape - security in digital payments is critically important.

Fortunately, the industry is responding to the threat, using a combination of digital innovation and industry solutions, including:



Tokenization

A growing agent in the payments industry that allows every transaction to be hidden, such that any scammers trying to access credentials will be met with a token instead.



AI

Detecting fraud through the processing of mass amounts of data. AI has already provided an extra layer of protection to many transactions and is on track to further enhance payment security.



Biometrics

Already highly prevalent across the landscape, and evolving considerably with the introduction of new technology.

These solutions are already being implemented and, in some countries, the effect of this is beginning to show, as Sweden and Denmark begin to fight back against the rising tide of fraudsters.

Sweden's total value lost to fraud was down 6% in 2022⁹ and Denmark's total value lost to fraud was down 2.9% in 2022.⁹ Across the Nordics, 25% of CP payments are tokenized, up from 20% in 2022, whilst 36% of CNP payments are tokenized, compared to 29% in 2022.³

There remains significant work to be done, and tapping into the array of technologies and solutions available will help providers retain customer trust and maintain reputation.



9. Euromonitor Fraud Data 2022

Succeeding in a competitive market



In this new era of digital payments, big tech, fintech's and retail giants are all active.

The result is that competition is now fierce; players in the industry are left with no option but to continually evolve to win the hearts and minds of today's consumers.

The question is, what does evolution look like? We believe a successful digital payments strategy must:

- ✓ Span the entire customer journey
- ✓ Fix the gaps in the existing proposition
- ✓ Involve collaboration with partners

Span the entire customer journey

Making payments an engaging journey is paramount to winning over customers.

Today, some players may view payments like a process, and the consequence is that their digital strategy reflects this.

The key is to see them as an experience, where the moments before and after the customer pays are highly visible, and the moment when they pay is invisible. What this means is that the banks need to provide world-class features that are helpful to customers before and after they pay. This might include budgeting controls, money management features, geo-location/merchant blocking and much more.

During the payment itself, banks need to ensure there is minimal disruption to the journey, and therefore their visibility disappears.

Fix the gaps in your proposition

Of course, every bank has different challenges, but we believe there are five general areas which need to be considered when constructing a world-class digital proposition.

Different ways to pay

This is all about the optionality you provide to customers. While it may not be possible to offer every payment method described previously, it's vital that customer behaviour and trends are understood such that the latest innovations are incorporated into your proposition.

Servicing features

For today's customers, everything happens at their fingertips. So, when it comes to servicing, it's not just about the availability of certain features, but also the channel through which they are offered. Alerts, blocks, and in-app chat functionality, to name a few, are all hygiene.

Involve collaboration with partners

To compete successfully, in such a fast-changing market, you cannot do everything by yourself – and there are some great technologies that can be leveraged from partners.

For instance, merchants are now a key reason behind the rapid growth in payment innovation and have the benefit of first-hand customer engagement.

Partnering with them will not only help drive the success of payment solutions but enable banks to better cater for the needs of customers.

Protecting the customer

We have mentioned some of the key innovations in the fight against fraud, and for a bank, multi-factor authentication is central to any strategy. This might involve a combination of biometrics, one-time passcodes, and token solutions.

Negative payment experiences

It's well-established that the customers who contact you are also the ones who are most active with you – there is very little reason for an inactive customer to get in touch with their bank. This means that providing a world-class process for dealing with declines, fraud, and unrecognised transactions is vital as part of a retention strategy.

How customers manage finances

Another crucial aspect, and one where the bank needs to be highly visible. Whether that's leveraging Open Banking to link accounts and provide a consolidated financial overview, or in-app features that analyse customer spending.



About Visa Consulting & Analytics

We are a global team of hundreds of payments consultants, digital marketing specialists, data scientists and economists across 6 continents.

The combination of our deep payments consulting expertise, our economic intelligence and our breadth of data allows us to identify actionable insights and recommendations that drive better business decisions.

Our consultants are experts in strategy, product, portfolio management, risk, digital and more with decades of experience in the payments industry.

Our data scientists are experts in statistics, advanced analytics, and machine learning, with exclusive access to insights from VisaNet, one of the largest payment networks in the world.

Our economists understand economic conditions impacting consumer spending and provide unique and timely insights into global spending trends.



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