



Unlocking unique payment
opportunities for smaller
businesses in Sweden



Swedish small and medium businesses (SMBs) are unlike any other.

They have a unique set of needs and expectations that aren't fully met by existing payment propositions, representing both a threat and an opportunity for Swedish banks.

In this paper, Visa Consulting & Analytics (VCA) investigates the needs and expectations of Swedish SMBs, analyses their existing payment behaviours, and identifies four opportunity spaces that could be key to future value propositions.

With over 1.19 million SMBs, Sweden's thriving business landscape offers a significant opportunity for payment solution providers.

1.19m SMBs



In some ways, Sweden's SMBs are just like any other

Everywhere in the world, SMBs are the heartbeat of the economy. Sweden is no exception.

With more than 1.19m SMBs, the sector accounts for 99.9% of all Sweden's businesses, generates SEK6.3t in annual revenues, provides 65% of all jobs, and contributes 60% of the country's GDP. The sector continues to grow, notching up a 1.5% annual increase in the number of companies and a 1.2% increase in the number of employees. Spending SEK3t each year on business supplies, Sweden's SMBs are also responsible for significant payment flows.¹

Clearly, SMBs represent a large, growing, and potentially lucrative market for Sweden's financial institutions and payment providers.



In many other ways, Sweden's SMBs are unique

It would be a mistake to equate Swedish SMBs with those in other countries, or to assume that the financial products used elsewhere in the world would be directly relevant here in Sweden.

For example, just like Sweden's wider population, the country's SMBs tend to be highly digitalised. According to the European Commission, 86% of Swedish SMBs have at least a basic level of digital intensity, which is the highest level in the EU, and far ahead of the regional average of 55%.² Similarly, in Microsoft's Digital Futures Index, Sweden achieves a rating of 159 for digital development compared to a European average of 100.³

Swedish SMBs also operate in an environment that's highly conducive to entrepreneurialism. In the IMD World Competitiveness Ranking, the country ranks in the global top ten, with a stand-out performance on business efficiency and infrastructure, good integration into international markets and good access to investment capital.⁴ And, in the Global Startup Ecosystem Index, Sweden ranks second in Europe and sixth worldwide.⁵

Meanwhile, environmental sustainability is already deeply embedded into the way Swedish SMBs work and think. As the European Commission puts it, "Swedish SMBs have already undertaken substantive measures to transition their business operations towards environmental sustainability. They perform well above the EU average in terms of actions undertaken."⁶

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Identifying the specific needs, expectations and frustrations of Swedish SMBs

Given that Swedish SMBs are so unusual in their levels of digitalisation and sophistication, what do they need from their business bank accounts and payment products? What influences their adoption of digital payment methods? And what are the related implications and opportunities for Swedish banks?

To get authoritative answers, VCA designed and commissioned an in-depth research programme among Swedish SMBs.⁷ A year's worth of Swedish payment data was also analysed to identify the millions of SMB purchases that are currently made with personal payment cards. This data provided unique insights into where, when and why existing business payment products fail to meet the needs of Swedish SMBs.⁸ The conclusions and recommendations below were drawn largely from this programme of research.

To be successful, SMB business accounts and payment products must be highly capable

It's perhaps no surprise that Swedish SMBs have high expectations of their banks and financial products. As is the case with larger corporate clients, SMBs expect business accounts to deliver far beyond simple banking services. To meet SMB needs, banking and payment products need to deliver across five core dimensions:

1	One thing that Swedish SMBs have in common with their counterparts across the world is that they have few people or resources, if any, dedicated to banking and payments, and no specialist knowledge. They therefore demand super-simple products, that are easy to understand, onboard and use.	Simple
2	Swedish SMBs have gone further than their European counterparts in the adoption of digital and mobile technology. ⁹ They therefore need their banks to provide seamless, ubiquitous digital services. And they expect their banking products and services to perform as easily and intuitively as those provided by the likes of Apple or Google.	Digital
3	Swedish SMBs expect to have services that fit in with the way they work, and they get frustrated if they must adapt their routines to fit in with the rigid way products work. Again, their familiarity with other digital brands and services means that they expect all products and services to be infinitely flexible and configurable.	Personalised
4	Swedish SMBs want to be able to mix-and-match many different digital products and services and they expect them to complement each other. They therefore expect banking and payment services to integrate with the other technologies, like their enterprise resource planning (ERP) systems and cloud-based accounting platforms.	Integrated
5	Swedish SMBs tend to be outward-looking, routinely drawing on international supply chains and often targeting international markets. As a matter of course, they expect support from their bank. They are surprised and frustrated if they don't get routine access to cross-currency or multicurrency accounts and payment options.	International





Swedish SMBs tend to be loyal to their primary bank, but are actively experimenting with alternative products and solutions.

Typically, Swedish SMBs are very loyal to their existing bank.

Almost two-thirds (63%) have relationships with the country's largest and best-known banks and tend to regard them highly for their efficient financial management, robust security standards and commitment to customer service. Typically, they also regard their existing online banking services as easy and convenient.

But their loyalty can't be taken for granted.

More than half of SMBs (55%) also use other banks or service providers to access specific products, facilities, or rewards. They are always open to trying new propositions and will not hesitate to switch their primary relationship if they believe another provider can offer them demonstrably better value, services or rewards.

Swedish SMBs draw on a wide repertoire of payment methods – some of which have no link to their business banking products or relationships.

The tendency to pick-and-mix from different financial products and providers is accentuated when it comes to payments.

From a card payments perspective, the good news is that business cards do hold a dominant position among Swedish SMBs. Today, business cards are regarded as the preferred method of payment for almost one-fifth (19%) of monthly spending and there are five key drivers for SMBs to use business cards:

Key driver 1

Business cards are quick and easy to use.



Key driver 2

Business cards provide valuable purchase protection.



Key driver 3

Business cards make it easy to track and reconcile spending.



Key driver 4

Business cards benefit from well-understood safety and security.



Key driver 5

Business cards are often mandated as a company's preferred way to pay.

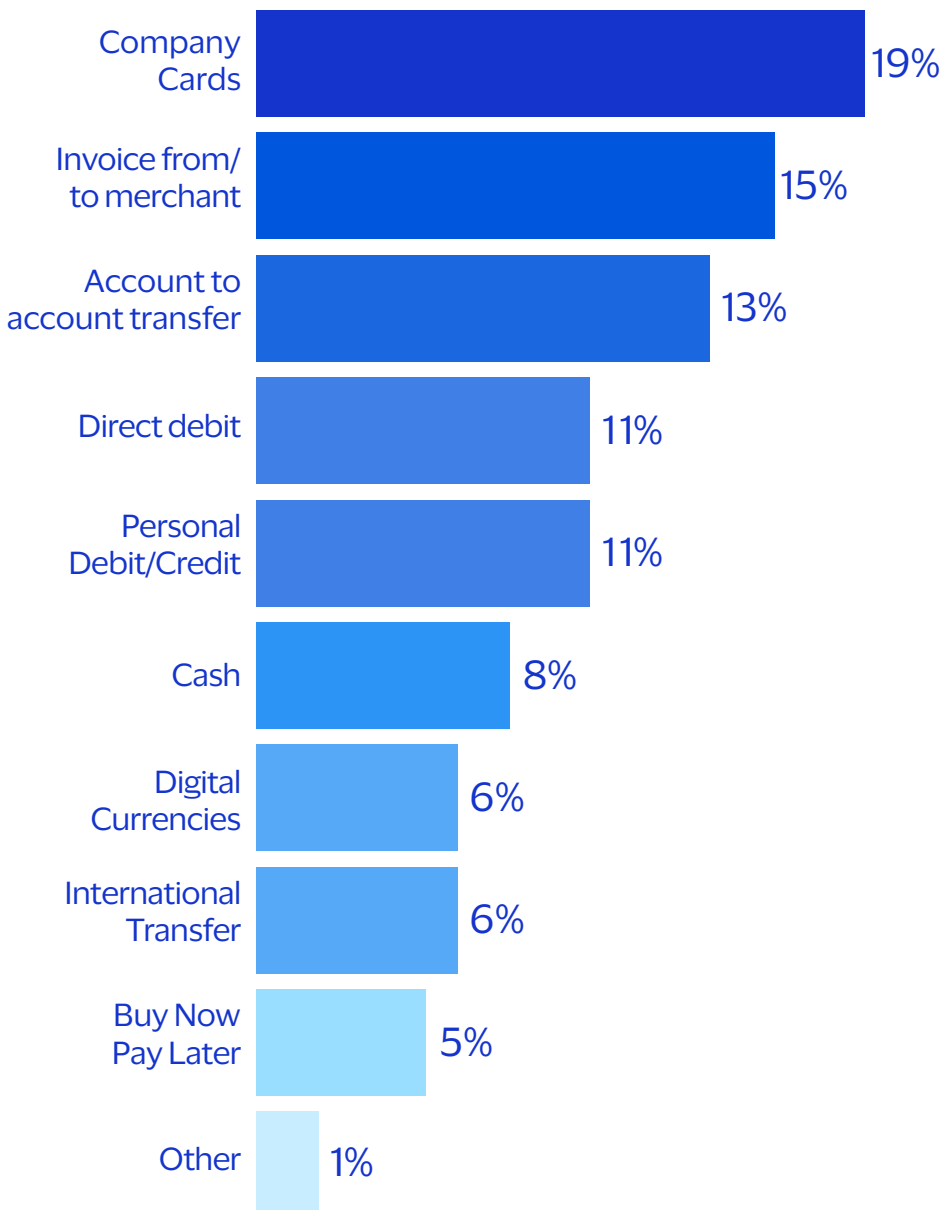




But the use of business cards is far from universal

Spending is heavily concentrated in the fuel and travel segments. Cards are also followed quite closely by invoices (at 15% of monthly spending) and account-to-account payments (13%). A relatively large proportion of SMB spending still “leaks” into payment methods that have no direct link to any business banking products, namely personal cards and cash, which, together, still account for 19% of monthly spending.

Average Preferred SMB payments
All Areas





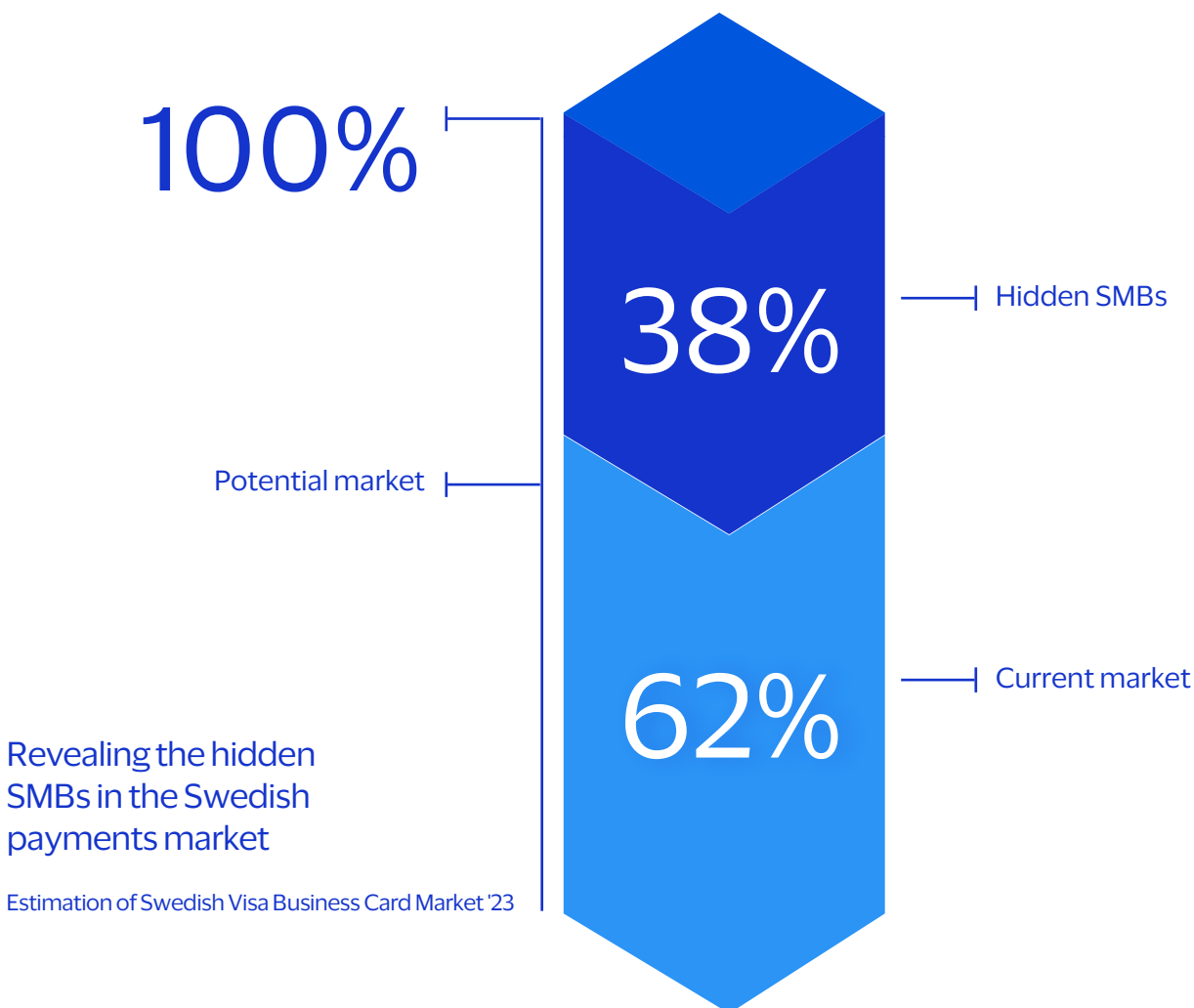
Identifying and quantifying untapped potential in the SMB space – revealing large pockets of “hidden” business spending

As indicated in our survey, a large proportion of SMB spending still takes place on personal cards.

By definition, this suggests that the Swedish financial services community fails to provide business payment products that fully meet the needs of today’s SMBs. Conversely, it also represents an untapped opportunity for banks to extend their reach within the SMB space.

To identify and quantify the opportunity, VCA conducted a deep analysis of Swedish VisaNet data. First, SMB spending patterns, trends, and preferences in Sweden were analysed based on one year’s worth of transaction data. Using machine learning, VCA then developed a bespoke SMB lookalike model to reveal where and when SMBs are using personal cards for business-related spend.

From a Visa perspective, the analysis suggests that the untapped opportunity equates to around 38% of the existing potential business card market. Across the country’s entire payment card market, the potential is likely to be significantly larger. This situation can be strategically leveraged to craft a top-tier, fit-for-purpose value proposition that incentivises many more SMBs to transition to business card use.





Creating a new generation of payment products specifically for Swedish SMBs

To tap into this potential, banks should address the challenges outlined in this paper and develop a new generation of payment products that are more closely integrated with their other business products, and better suited to the needs and expectations of Swedish SMBs.

Based on the findings of the VCA research programme and the wider analysis of the market, four primary opportunity spaces are revealed:



Opportunity space 1 Applications & onboarding

Swedish SMBs are used to quick, slick sign-up and onboarding processes. They need to know how long things will take, what's involved, and whether it's worth their while initiating an application. If they hit any hurdles, they want access to integrated support and they generally expect an immediate, fully functioning account or virtual card from the get-go.

Opportunity space 2 FX management & transactions

Swedish SMBs tend to be internationally integrated. Many are looking for easier ways to make, receive and manage international payments, hold multiple currencies, and mitigate their related FX risks. The more sophisticated players may also want ways to automate FX trades, chat to a personal FX advisor, and get access to crypto capabilities.

Opportunity space 3 Financial & cashflow management

Swedish SMBs tend not to think of a payment as a discrete activity. Instead, it is part-and-parcel of the wider task of financial management. There is good potential for banks to bundle or integrate payment products with a wider suite of solutions that help SMBs understand and forecast their liquidity position, smooth their cashflow, and access additional funds as and when necessary.

Opportunity space 4 Expense management & reporting

Our study showed that Swedish SMBs saw expense reporting and reconciliation as one of the big benefits of business cards. With this in mind, what more can be done to enhance and augment this capability? Maybe AI-powered smart limits or alerts and recommendations? Maybe instant one-time virtual cards? Because spend management is such a big pain-point for SMBs, there is huge potential to add a layer of innovation on top of the core banking services.



How Visa can help

VCA can help in several ways by connecting our strategy, digital, marketing, SMB, and data science experts with your internal teams. A range of data-driven, customer-focused solutions are also available to help you optimise your approach to the SMB sector:



Sizing and scoping the wider SMB opportunity

Use our data and market insights to analyse the size and dynamics of the market, your competitive strengths and vulnerabilities within it, the headroom within the SMB space, and your opportunities for growth.

Revealing your “hidden” wealth of SMB spending

Use our data and our analytics expertise to identify those customers who are using their personal cards for business expenses, and who may therefore be receptive to a new SMB-relevant proposition.

Enhancing and/or designing the SMB propositions

Co-create new propositions tailored specifically for the Swedish SMB market and your place within it, including strategic planning, proposition development, UX design, customer service model and implementation support.

Optimising the onboarding process

Conduct a current state review and gap analysis, designing a new digital onboarding journey, mocking up screens and interfaces, identifying vendors, and providing implementation support and analysis.

Drawing on our own Visa-branded solutions, those available through the Visa Ready partner programme, and our knowledge of the wider Swedish ecosystem, VCA can also work with you to select and assemble the components for new SMB-relevant propositions. In this regard, it's important to note that Visa benefits from high levels of brand recognition among Swedish SMBs.⁹





About Visa Consulting & Analytics

VCA is a team of 1,300+ payment consultants, digital marketing specialists, data scientists, and economists across six 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.

Experts

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

VisaNet

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.

Unique

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

For help addressing any of the ideas or imperatives above, please reach out to your Visa Account Executive to schedule time with our VCA team or send an email to VCA@Visa.com.

You can also visit us at Visa.com/VCA



Notes

The Visa-commissioned research referred to in this paper was conducted by Ipsos in Sweden in March 2024. The target participants were employees or owners in SMEs who make or manage business payments. The sample comprised 369 interviews, 200 of which were SMEs with fewer than 50 employees, and 169 were SMEs with 50-249 employees.

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- 1 These figures are from Visa Consulting & Analytics' own analysis, and are sourced from a combination of Tillväxtverket, Basfakta om företag (Basic facts about companies) 2023: <https://tillvaxtverket.se/tillvaxtverket.2940.html>, SCB, Statistikmyndigheten (Statistics Authority) 2023: <https://www.scb.se/>, Ekonomifakta, Ekonomifakta presenterar fakta och statistik från offentliga primärkällor, framför allt från SCB, OECD och Eurostat (Ekonomifakta presents facts and statistics from public primary sources, above all from Statistics Sweden, OECD and Eurostat), 2023/2024: <https://www.ekonomifakta.se/>
- 2 European Commission, SME Country Fact Sheet, Sweden, 2023: <https://ec.europa.eu/docsroom/documents/54983>
- 3 Microsoft, Digital Futures Index, accessed in June 2024: <https://msit.powerbi.com/view?r=eyJrJoiODQyY2JhOTMtMzAwMCOOWE0LWFmOTAtOGRmNDdiZDkIMDczliwidCI6JyJyZk40GJmLTg2ZjEtNDZhZi05MWFILTJkN2NmMDExZGI0NyIsImMiOjV9>
- 4 IMD Business School, World Competitiveness Ranking, 2024: https://www.imd.org/entity-profile/sweden-wcr/#.yearbook_Economic%20Performance
- 5 StartupBlink, Global Startup Ecosystem Index, 2024: <https://www.startupblink.com/startup-ecosystem/sweden>
- 6 European Commission, European Economy Country Report, Sweden, 2023: https://economy-finance.ec.europa.eu/system/files/2023-06/ip251_en.pdf
- 7 The research programme was designed by Visa Consulting & Analytics and conducted by Ipsos. It comprised 369 interviews with SME owners or employers who are responsible for making payments, conducted in March 2024.
- 8 Swedish VisaNet data for January-December 2023 was analysed, which used a bespoke SME lookalike model to identify transactions where personal cards are used to conduct SME business expenses
- 9 In the same Ipsos survey (see note 7), when asked about the business payment methods they are aware of, one third of Swedish SMEs spontaneously mentioned Visa – several percentage points ahead of the nearest competitor