

Nordic Payment Report 2020



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Nordic Payment Report 2020

About the report

Nets Nordic Payment Report is an annual report on payments and related topics for merchants. The content is based on a consumer survey conducted in all four Nordic countries, Nets' own data from card transactions and knowledge from Nets' experts. The main focus is on payments in physical stores, as Nets publishes a separate comprehensive report on Nordic e-commerce. Nordic Payment Report is published by Nets' Merchant Services business unit.

Data

Consumer survey

The consumer survey is conducted annually in all four Nordic countries by market researchers Sifo/Kantar, commissioned by Nets. 1,000 consumers have responded in each country. The survey is conducted at the end of the year.

Nets' own data

Nets' own data is based on card transactions in physical stores, which makes it possible to establish the percentage of contactless card payments and growth. The data has been obtained using a statistically assured method, with a representative sample of active merchants and points of sales in both years that are being compared. This data is therefore unaffected by Nets' own performance and provides an accurate picture of annual changes in the different industry categories.

About Nets

At Nets we believe that simpler payment solutions lay the foundation for development and growth – both in commerce and society. The Nets Group has more than 4,000 employees in a number of European countries, and now includes DIBS, Concordis from Germany and Dotpay/eCard from Poland. We help hundreds of thousands of companies and merchants as well as hundreds of financial institutions to make life easier for their customers, while delivering unparalleled security and stability. Creating an easier tomorrow; that is what drives us.

A year of change for physical stores, and accelerated development in payment solutions

The coronavirus pandemic radically changed the landscape for transactions in physical stores in 2020. The pandemic was a major blow and changed not only where consumers spent their money, but also how they made their purchases. It also accelerated the development that has been taking place in payments. Patrick Höijer from Nets summarises the year.

Welcome to the Nordic Payment Report – a report on transactions in physical stores and the behaviour of Nordic consumers. This year we have produced a complete report that includes four Nordic countries. We aim to provide merchants in the Nordic region with a greater understanding of how the market changed during the year. The focus is on consumer behaviour, payments and other important related topics for merchants in physical environments (see our separate report on e-commerce for more in-depth information about online shopping).

The pandemic had disastrous consequences for transactions in physical stores

Covid-19 has made the year difficult for all of us in one way or another. Of course, most sectors lost out because of the pandemic, but as with all crises there were some financial winners. In terms of physical stores, all merchant categories have reported negative growth, with some sectors being very badly affected. The exception is food stores. The service sector, in particular restaurants, travel and transport,

were hit the hardest. Social isolation and lockdowns had substantial economic consequences for these sectors.

However, some sectors with physical transactions fared well, and some better than ever before. It was food stores in particular that experienced a very good year in all Nordic countries, except for Sweden. Some other physical stores, for example, interior design, DIY and plants, also reported strong growth. This was because consumers were spending most of their time at home. Merchants who supplemented their physical presence with e-commerce were also able to report growth, or at least figures that were not as bad, as the purchasing behaviour of consumers changed significantly in 2020.

E-commerce decreased, while the pressure on physical stores increased

Despite everything, online sales reported a lower turnover throughout the Nordic region for the first time since our measurements began. The reason for this is that travel, which had traditionally been the largest e-commerce category, fell dramatically due to the pandemic. At the same time there was a substantial increase in the sale of products, which in general can be seen as bad news for many physical stores.

As a result of the pandemic and the change in consumer behaviour, we have seen an increase in the number of physical stores that have shown interest in starting to sell online and adopt user-friendly omnichannel solutions. Payments as a whole are becoming more and more integrated into the total customer experience. For example, consumers are starting to use 'Click & Collect' to a greater extent than ever before; this is when they buy a product online and simply pick it up from the physical store, or return it. They might try the product in store and use a payment screen to organise home delivery. The payment methods must therefore create value for the consumers by supporting convenience, speed and simplicity, as well as offering personal service.

Of course, the pandemic and its effects will not last forever. But even after the pandemic, some new ingrained consumer behaviours will remain. This is why e-commerce and omnichannel solutions have become increasingly important for the merchants' success. Transactions in stores are predicted to continue to change, focusing on the consumer experience. Many shopping centres and stores are therefore focusing on this by creating shopping experiences, which include food courts, entertainment, etc. We know that a clear

majority of Nordic consumers – and this has also been the same during the pandemic – still prefer to shop in physical stores. The main reasons for this are that they can see, touch and test products before they buy, they can browse the products properly and they can receive personal service.

Payments in physical environments have progressed

The change in payments in physical stores accelerated in 2020. Digital payments were given another boost. Payment options are growing – except for cash – and consumers expect to be able to pay using the method they prefer. As digital payments increase, so does the data that is available. Insights into the shopping patterns of customers enable merchants to target personal offers and adapt the service in their stores – a win-win situation for both parties.

The Nordic region is the global leader in terms of potentially becoming a cashless society. We are constantly seeing an increase in the number of cashless points of sale, while the belief that Nordic consumers have in a cashless society is getting stronger. Payment cards also consolidated their position in 2020. In the wake of the pandemic, people do not want to handle cash, which has resulted in a substantial increase in contactless card payments. This is also true for mobile payments, which continue to increase slowly but surely. In both Denmark and Norway, consumers now prefer mobile payments over cash, which is a historic moment. Although we do not believe that this payment method will change the payment landscape to any major extent, it will definitely continue to increase.

We are going to look at this and many other topics in more detail in this report. Nets' main aim is to help merchants navigate the payment landscape to enable them to simplify the complexity of payments. This will create better growth for our customers.

In terms of Nets as a company, we are continuing to expand. After merging with the German payment company Concardis, we are also in the process of merging with the Italian company Nexi. This will make us a leader in payment solutions in Europe. These mergers create economies of scale both in our operations and in our research and development. This enhances Nets' long-term position as a leader in payments in both the Nordic region and Europe.

Patrick Höijer
CEO Nets Sweden



"In the Nordic region, we are getting closer to potentially becoming a cashless society than anywhere else in the world. We are seeing an increase in the number of contactless points of sale, while the belief that Nordic consumers have in a cashless society is getting stronger."

Stores

This category covers physical stores that sell all kinds of products, excluding food. By far the highest percentage of total sales still takes place in physical stores, but this category is under enormous pressure from e-commerce and has been hit hard by the coronavirus pandemic. Growth was negative in 2020 in all Nordic countries.

Retail and fast-moving consumer goods account for a high proportion of household consumption. Although e-commerce is increasing rapidly, by far the majority of sales takes place in physical stores. However, the digital transition is accelerating and growth in FMCG has been negative in several countries. Many physical stores have therefore been forced to close in recent years, while the coronavirus pandemic has had a major impact on physical stores due to restrictions and requests not to visit shopping centres, for example. Growth in this category was negative in all Nordic countries in 2020; affecting Finland the most and Sweden the least.

However, a clear majority of Nordic consumers prefer to shop in physical stores than online, according to Nets' survey. Consumers want to go to towns, cities and shopping centres to do something they enjoy and to see and touch the products. The experience in physical stores is something that e-commerce cannot compete with, particularly in

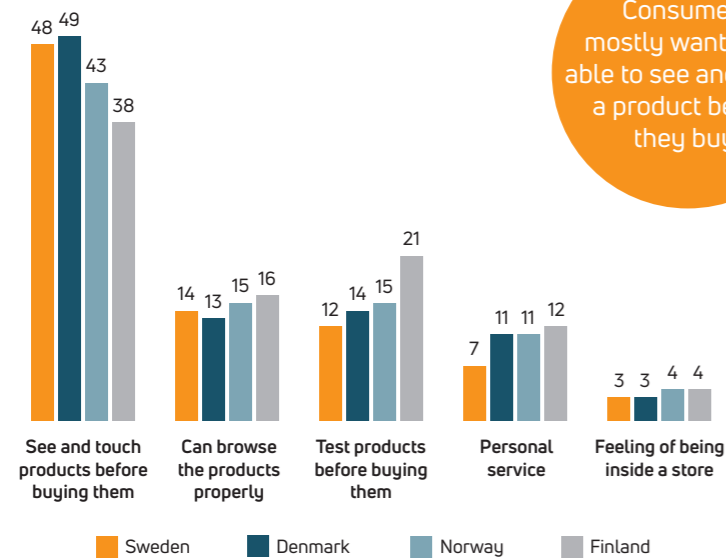
terms of convenience, price and range. Most shopping will continue to take place in physical stores for many years to come. But geographic location, the consumers' shopping experience and niche stores will become even more important, as will omnichannel solutions that provide consumers with flexibility across both sales channels.

In terms of payments in physical stores, practical experiences are important. Cash tills are disappearing all the time and being replaced with terminals for mobile devices, known as 'SoftPos' solutions. This will allow sales teams to focus their time in store with their customers and will strengthen their role as advisors working closely with the customers. Apps are going to be used to a greater extent to help customers who prefer to navigate the store themselves. Loyalty apps are also increasing rapidly, particularly for major fashion companies. Seamless and convenient omnichannel solutions can also give merchants a competitive edge.



Country	Growth (%)
Sweden	-5.3%
Denmark	-6.0%
Norway	-10.9%
Finland	-14.8%

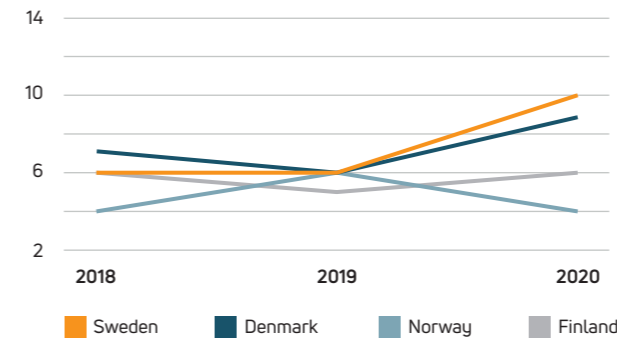
Consumers mostly want to be able to see and touch a product before they buy.



Reasons to shop in physical stores (%)

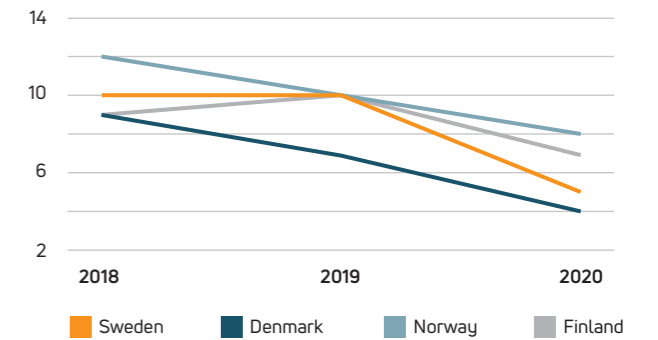
Being able to see and touch a product before buying it is a clear advantage for physical stores. This is the reason why consumers in all Nordic countries shop primarily in physical stores. Other important reasons for consumers is that they can browse the range properly and test the product before they buy. Personal service is also important. Physical stores meet these consumer needs and e-commerce finds it difficult to compete with them in these areas.

Never shops (%)



On the whole there is an upward trend in the number of Nordic consumers who never shop in physical stores. Sweden has the highest proportion – 1 in 10 people never shopped in physical stores in 2020. This was due not only to e-commerce, but also the pandemic. However, there is certainly a pent-up need among consumers to visit physical stores, and the percentage of them who never shop in this category will probably fall next year.

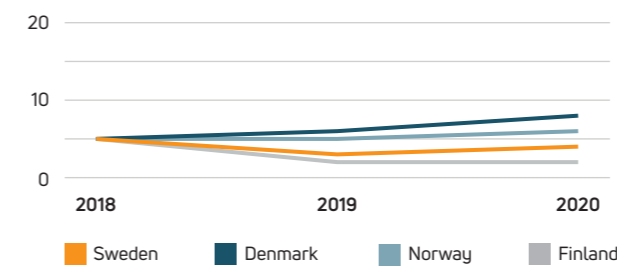
Shops 7–10 times (%)



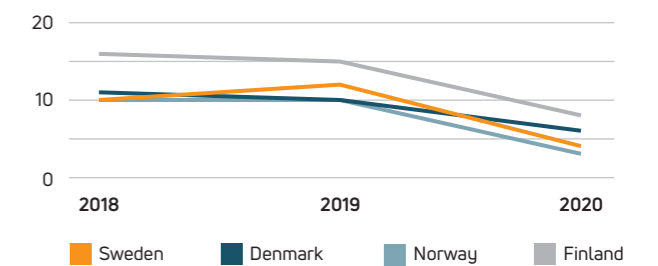
There is also a downward trend among frequent customers, i.e. people who shop 7–10 times a month in this category. Sweden notes the largest reduction, with the number halving compared with the previous year; paradoxically, as this was the country with the least strict restrictions. However, Sweden shows the least amount of negative growth. In Norway, the percentage of frequent customers has fallen only slightly, but still shows substantial negative growth.

Preferred payment method (%)

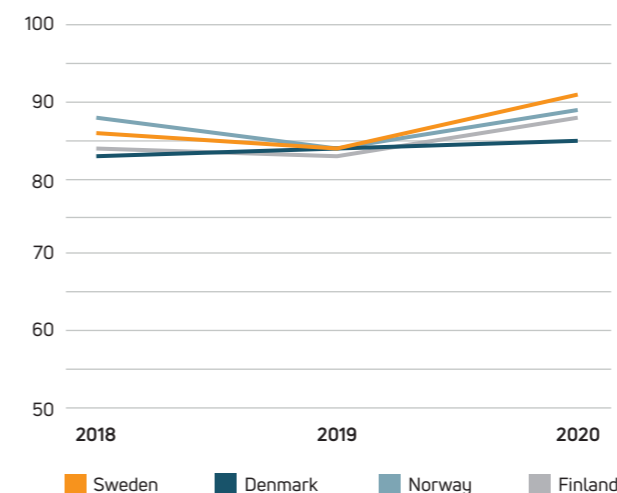
Mobile payments



Cash



Cards



Cards remain the leading payment method in the retail trade in all Nordic countries. Around 9 out of 10 consumers prefer cards when shopping in this category and there has actually been a slight upward trend. Swedes prefer cards the most, and Danes the least, but the differences are relatively small.

The use of cash in stores continues to show a downward trend in all Nordic countries. No country has more than 10% of consumers who prefer cash – this is historically low. In Norway and Sweden only a few percent prefer cash in this category. The figure is slightly higher in Denmark and Finland.

Mobile payments, which are still a relatively new payment method, have increased slightly in this category in Denmark and Norway. The figure is relatively stable in Sweden, but is falling in Finland. It is worth noting that a higher percentage of Danish consumers now prefer mobile payments to cash, which is also a historic moment.

Food stores

In this report food stores are defined as superstores, supermarkets and other physical stores that sell FMCG and food. This category has benefitted from many people spending most of their time at home due to the coronavirus pandemic, and therefore eating out less. However, competition from e-commerce has never been stronger.

Physical food stores have benefited from the pandemic and had a very good year, as consumers were eating at home to an unprecedented extent. The growth figures are extremely positive in all countries, except for Sweden, which reports a slight negative figure. Sweden was impacted by the closure of its important border trade with Norway for a period of time. Food stores also faced competition from e-commerce, but not to the same extent as retail trade. However, the pandemic still resulted in food being among the largest e-commerce categories in all Nordic countries in 2020 – particularly in Sweden.

Shopping for FMCG online has increased steadily in recent years and the biggest companies in the Nordic region have been investing heavily in online shopping. According to Nets' e-commerce report, Nordic consumers shopped online for

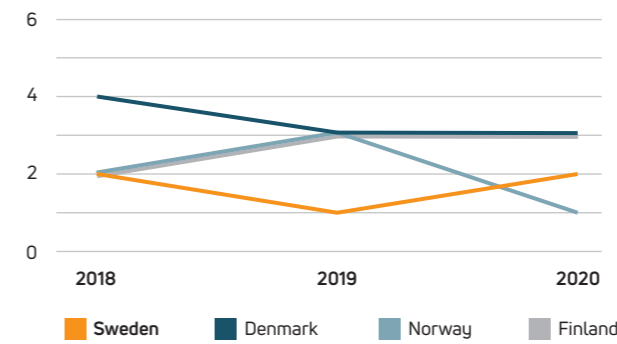
food more than ever before in 2020. Although the physical stores reported strong figures during the year, the slight change in consumer behaviour in this category represents a milestone. However, it is unlikely that e-commerce will replace physical food stores – people forget to go shopping, they need to shop spontaneously, and, once again, consumers prefer to go to physical stores to actually see the products they are going to buy. Omnichannel solutions also increased in this category in 2020, which included shopping online and collecting in store.

In terms of payments, it is all about hands-off experiences. There are increasing levels of self-service, particularly at checkouts. Mobile solutions such as 'scan and shop' are increasing rapidly, particularly in large stores. The same is true for self-service terminals in smaller shops, and the option to have products delivered to the consumers' home, i.e. omnichannel solutions. This category also saw the strongest trend in contactless payments. As biometric recognition becomes more widely available, it will enable merchants to adapt their offers more effectively and will therefore make the consumer shopping experience quicker and more convenient.

Physical food stores have benefited from the pandemic and had a very good year.

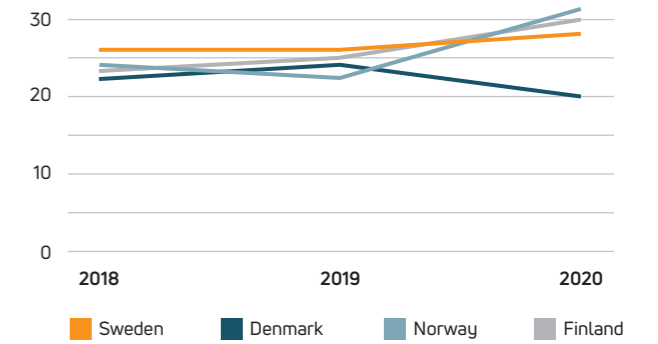
Sweden	Denmark	Norway	Finland
-0.4%	+7.2%	+5.8%	+12%

Never shops (%)



The percentage of Nordic consumers who never shop in physical food stores has hardly changed in recent years. It was only in Sweden where the figure increased compared with 2019, but these levels are low. There are actually fewer people in Norway who never shop in this category. Although online food shopping increased significantly in 2020, consumers went to physical food stores more than in 2019 according to Nets' card statistics; this was mostly due to the pandemic and consumers spending more time at home.

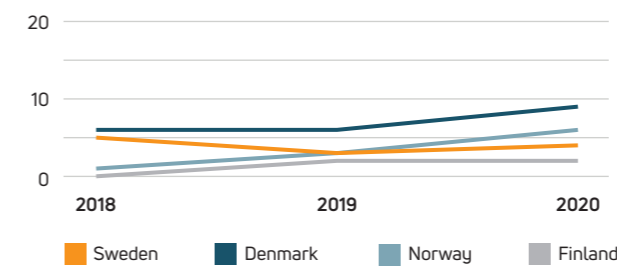
Shops 7-10 times (%)



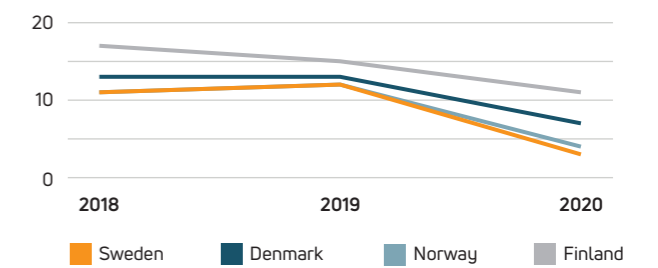
There is an upward trend among frequent customers, i.e. those who shop 7-10 times a month. The percentage has increased in every country, except for Denmark, which has the lowest proportion of frequent customers. In Norway the percentage has increased significantly. This category will benefit for as long as 'work-from-home' remains in place.

Preferred payment method (%)

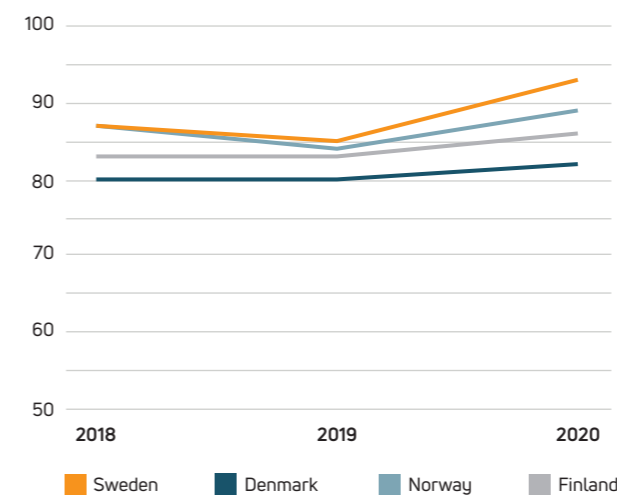
Mobile payments



Cash



Cards



Cards also remain the leading payment method in physical food stores in every Nordic country. They have actually seen an upward trend, mostly because less cash is being used. Around 9 out of 10 consumers prefer cards when shopping in physical food stores. In this category too, Swedes prefer cards the most, and Danes the least, but the differences are small.

There has been a significant decrease in cash as a payment method in all Nordic countries. Only Finland now has more than 10% who prefer cash in this category, which is still half the figure from 2018. In Sweden and Norway, the percentage of those who prefer cash has fallen from just over 10% to only a few percent. The figure has almost halved in Denmark.

Mobile payments have increased slightly in all Nordic countries, except for Finland, where the number remains the same. In Denmark almost 1 in 10 consumers prefer this payment method – a higher percentage than those who prefer cash. Norway has seen a strong upward trend, but the levels remain low.

Restaurants and cafes had a very difficult year due to the coronavirus pandemic.

Restaurants & cafes

This category includes all kinds of restaurants, fast food restaurants, bars and cafes, which found it very difficult due to the coronavirus pandemic as people mostly stayed at home. The growth figures are extremely negative in all Nordic countries. However, there is a pent-up demand among people to go out, and there will probably be a major boost when the pandemic is over.

In recent years restaurants and cafes have benefitted from population increases in towns and cities, a higher number of tourists and changes in consumption trends, such as eating out more. However, the pandemic turned everything on its head, which had a major impact on this category; every Nordic country reported negative growth figures that were in double figures. There were far fewer customers and reduced opening times because of the restrictions. In several Nordic countries turnover in this category was between 40% and 70% lower in

March and April 2020, but there was a slight recovery during the summer. Norway actually reports -47% in this category for the year as whole. Many restaurants at travel hubs fought to survive as people were hardly travelling at all.

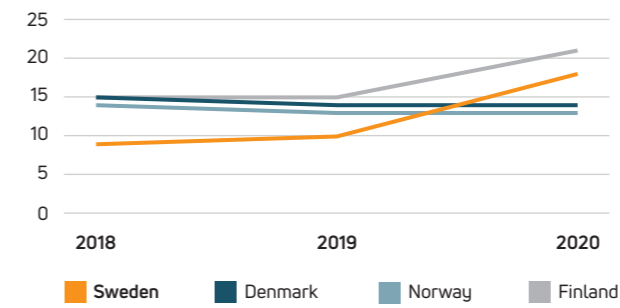
However, some restaurants made it through by selling food online. Companies such as Foodora and Über Eats have established themselves, and they have both benefited from and helped out this category. The actual purchase of the food takes place online, before being prepared at the restaurant and then delivered to the customer – a good example of an omnichannel solution.

In terms of payments, some restaurants have introduced 'contactless food'. Customers use tablets on the table or apps to order and pay. They are simple to clean and minimise the amount of contact between people. In this category, person-to-person transfers are also common when sharing the bill at a bar or restaurant.

Sweden	Denmark	Norway	Finland
-27.4%	-25.3%	-47%	-25.6%

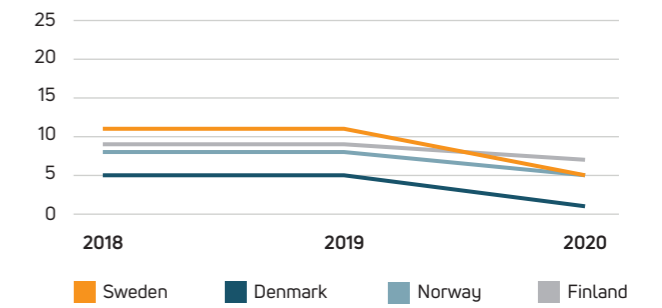


Never shops (%)



The percentage of Nordic consumers who never shop in this category increased significantly in Sweden and Finland, while the figure remained unchanged in Norway and Denmark. However, the survey was conducted around the turn of the year, when slightly more moderate restrictions were in place. Paradoxically Sweden, whose lockdown was not as strict as in the other countries, had the second highest percentage after Finland. Approximately one fifth of consumers in these two countries never shopped in this category.

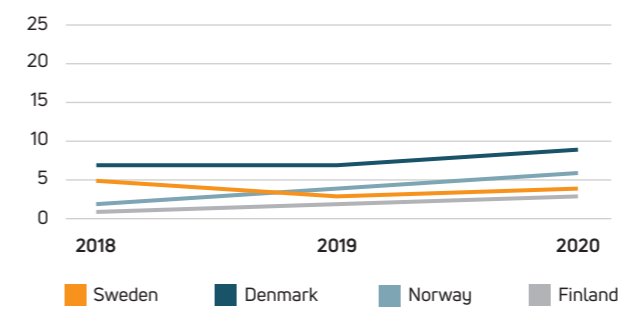
Shops 7-10 times (%)



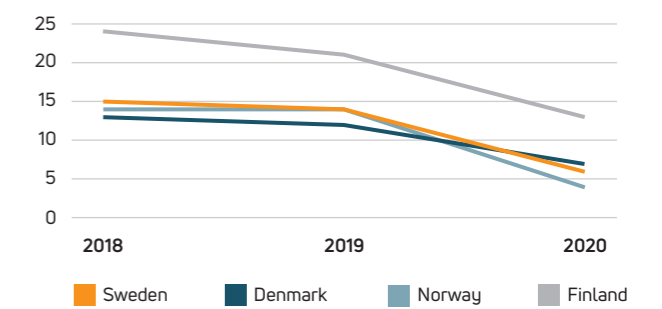
There is a strong downward trend among frequent customers in all Nordic countries. The highest reduction is in Sweden and Denmark, with only 1% of Danes who shop frequently in this category. Finland is now the country with the highest proportion of frequent consumers, even though the differences are small. However, there is likely to be a high pent-up demand in all countries to go out and eat together or meet up for a coffee.

Preferred payment method (%)

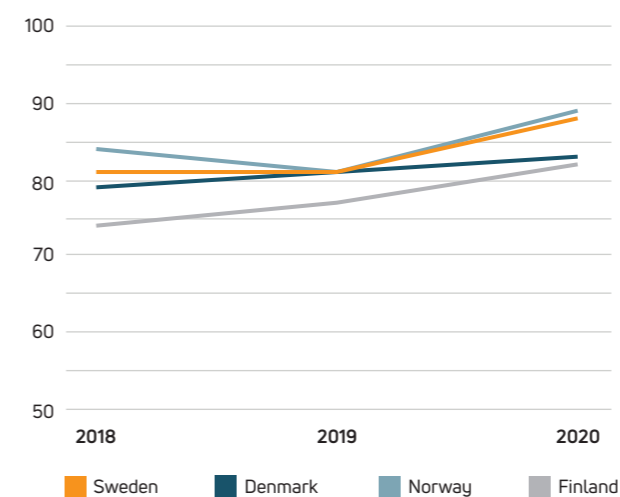
Mobile payments



Cash



Cards



Cards dominate as a payment method in this category too in every Nordic country. They have also seen an upward trend, once again because less cash is being used. Around 9 out of 10 consumers prefer cards when shopping in physical food stores. In Finland, consumers prefer cards the least, but there is a strong upward trend there.

This category is no longer the classic cash environment that it used to be. The percentage of consumers who prefer cash is falling dramatically in all Nordic countries. Even in Finland where people prefer cash, the figure has almost halved. The situation is the same in Sweden and Denmark. In Norway the percentage has fallen significantly from 14% to 4%.

However, mobile payments are increasing in all Nordic countries. Denmark is where the highest proportion of consumers prefer this payment method – around 1 in 10 – and in this category too, the percentage is higher than those who prefer cash. Norway has doubled its percentage every year over the last three years, but the levels remain low. Levels remain low in both Sweden and Finland as well.

Transport

People's travelling was at its lowest level for many years – perhaps ever in modern times.

The transport category covers public transport, taxis, buses, trains and fuel. Growing populations, healthy economies and increasing tourism have benefitted this category in the Nordic region in recent years – but everything came to an abrupt halt in 2020 because of the coronavirus pandemic. Growth was negative in all Nordic countries.

In 2020 travel and transport reported its worst year so far. People's travelling was at its lowest level for many years – perhaps ever in modern times. This included travelling to other countries, as well as in the consumers' own country or even their own city. Transporting people was the sector that faced the toughest situation of all merchant groups. Nets' e-commerce report showed that online travel bookings fell by hundreds of billions in 2020 in the Nordic region. All other travel within the Nordic countries, including public transport, taxis, trains and buses, fell just as dramatically – Nets' card figures from Sweden showed, for example, a reduction of almost 70% between March and August 2020. As a whole the

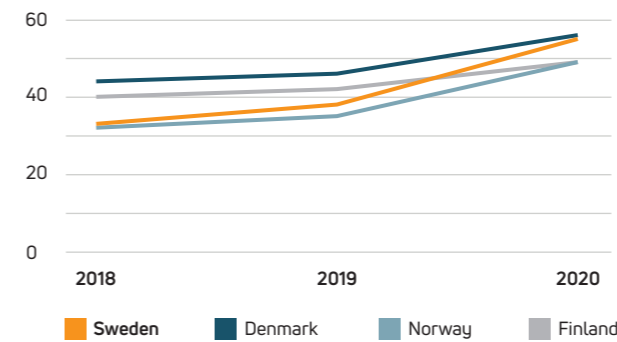
category shows negative growth of between 5% and 24% in the Nordic countries. However, passenger transport reported much worse figures than, for example, petrol stations.

All passenger transport suffered during the period of time when basically no consumers were being transported. Driving a taxi or having any other kind of transport company was very difficult in 2020. It was not only domestic consumers who were not using transport – the lack of tourists also dealt a very hard blow. However, there is also a strong pent-up demand among consumers in this category. Travelling will increase again – perhaps more than ever before – when the pandemic is over.

In terms of payments, people are mostly using travel apps. Virtually every consumer has some kind of travel app – primarily for public transport – but they are also using apps more frequently to pay for taxis and trains. The use of separate pay-as-you-go cards for public transport remains high, and some travel companies now have integrated solutions that use the payment card preferred by the consumer.

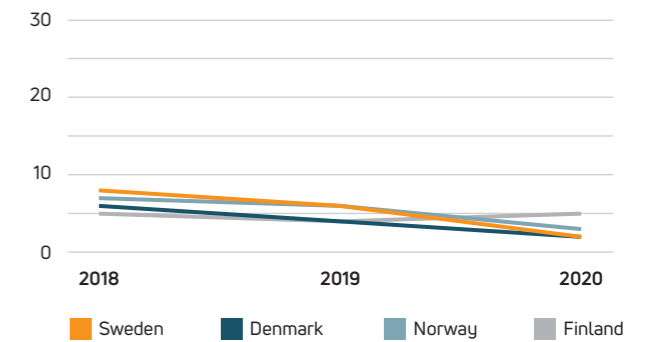
Sweden	Denmark	Norway	Finland
-10.3%	-11.6%	-24.4%	-5.2%

Never shops (%)



It is clear that there has been a dramatic reduction; the percentage of Nordic consumers who never shop in this category increased by a very significant amount in all countries. Approximately half of all Nordic consumers did not buy anything in this category in 2020 – this is completely unprecedented. The percentage was highest in Denmark and Sweden, but the levels were around the same in every country – a very substantial increase compared with previous years.

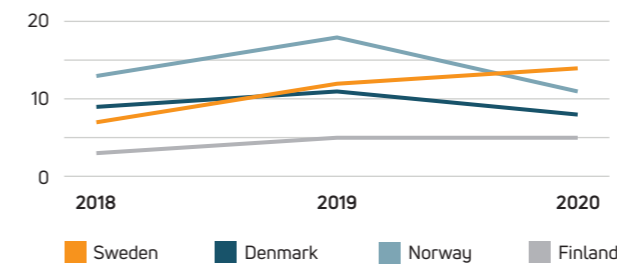
Shops 7–10 times (%)



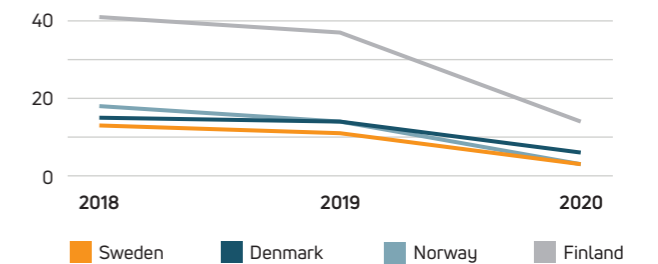
Travelling among frequent customers also fell sharply – by at least a half in Sweden, Denmark and Norway. Although there was a slight increase in Finland, the levels are low. Only a few percent of consumers shopped 7–10 times per month in this category. It is worth noting that in Sweden the figure for those who shop frequently in this category fell from 8% to 2% from 2018 to 2020.

Preferred payment method (%)

Mobile payments

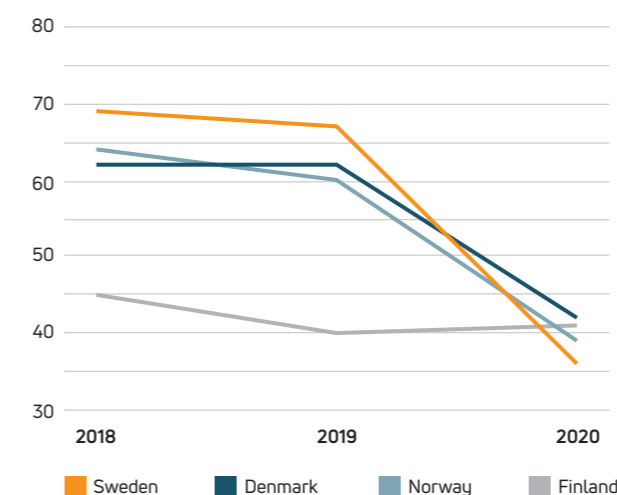


Cash



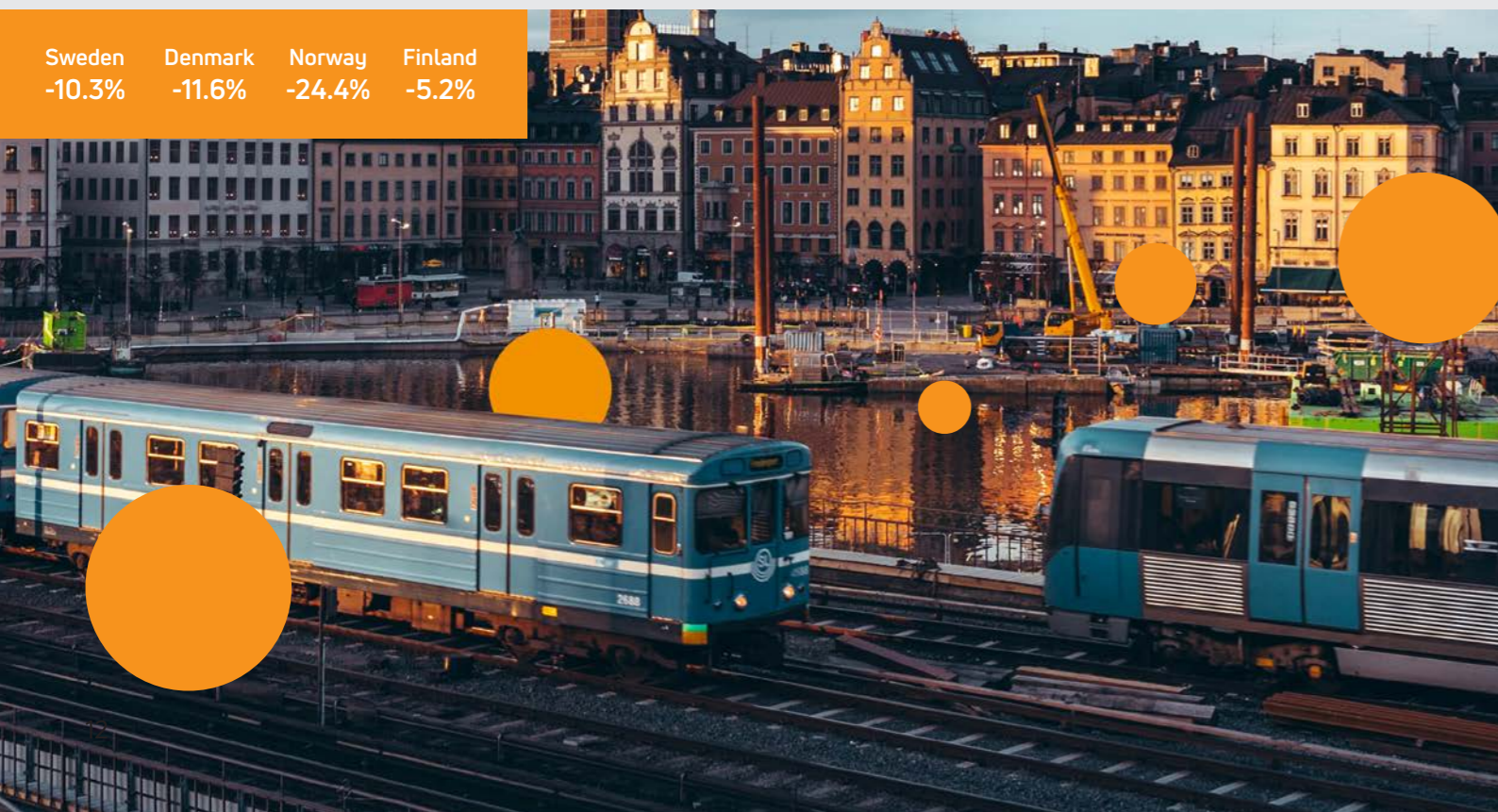
Cards have the highest figures in transport as well – but to a much lesser extent than in the other categories. They have also seen a substantial decrease from the previous year, but this is mostly due to the travel app option being added to the survey. A high percentage of consumers now use travel apps for their local travel. This is particularly the case in Norway, where 36% prefer it. This can be compared with Sweden at 24%, Denmark at 16% and Finland at 11%.

Cards



The transport category has been a strong cash environment to a large extent, partly because of taxis. However, it is now virtually impossible to use cash to pay for public transport. The percentage of consumers who prefer cash in this category is falling dramatically in every Nordic country. In Finland, the figure has decreased from 37% to 14%, in Norway from 14% to 3%, in Sweden from 11% to 3% and in Denmark from 14% to 6%.

However, mobile payments for this category have remained relatively constant. But, as mentioned earlier, the new travel app option being added to the survey has had an effect, as this had been seen as a mobile payment for many consumers in surveys in past years. It is tricky for consumers to know how they actually pay when using mobile payments – is it via an app, their mobile or a payment card? This is discussed in more detail in the section on mobile payments on page 24.



Service sector

The pandemic has been a strong driving factor in digitalised guest experiences and contactless technology.

Service sector locations are defined as physical locations that provide different kinds of services, including hotels, beauty services, money transfer, tourist attractions, dry cleaning, etc. This category contains many different service sector locations, most of whom were under significant pressure because of the pandemic, with extremely negative growth figures in all Nordic countries.

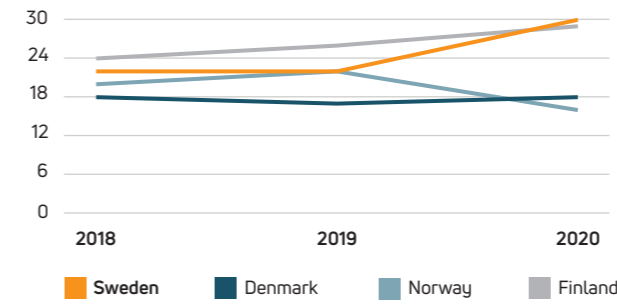
Many sectors in this category also came under a lot of pressure from e-commerce, as an increasing number of services are moving online. However, some services will not move online – as they are bought and consumed in the real world – such as hairdressers, etc. But many of these were also under a lot of pressure as a result of the pandemic. These include, for example, hotels, tourist attractions, entertainment, etc. Growth in this category as a whole was extremely negative in 2020 – for example, the figure was -44% in Norway.

The subcategory that has been hit hardest is definitely the hospitality sector, i.e. hotels, tourist attractions, etc. While there was a noticeable lack of international tourists in 2020, Nordic consumers went on staycations much more than ever before. Some hotels in the Nordic region were actually relatively well-booked in the summer of 2020. However, hotels reported extremely negative growth on the whole.

In terms of payments, the mobile trend is strong for the hospitality sector. Mobile devices are used to an increasing extent in several stages along the customer journey: customers prebook and change their order when necessary and pay wherever they are. The pandemic has been a strong driving factor in digitalised guest experiences and contactless technology. 'Convenience at your fingertips', such as self-service, is managed through mobile solutions, such as freestanding self-service terminals. Many hotels now have automated check-in as well.

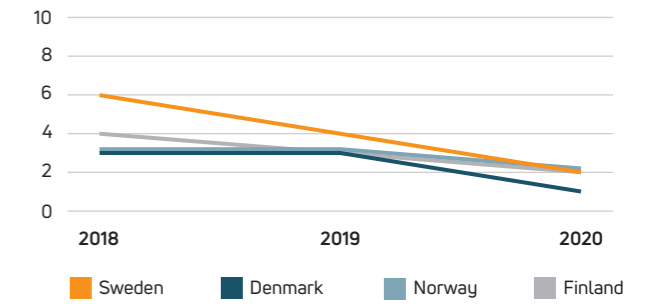
Sweden	Denmark	Norway	Finland
-35.6%	-17.4%	-44.4%	-19.1%

Never shops (%)



The percentage of Nordic consumers who never shop at service sector locations increased significantly in 2020, particularly in Sweden and Finland; but fell slightly in Denmark and Norway. This category contains many different service sector locations, so it is difficult to draw any conclusions. It is clear that some subcategories, such as entertainment and hotels, have had a very difficult time, while others have basically continued as normal – for example, everyone needs to have their hair cut.

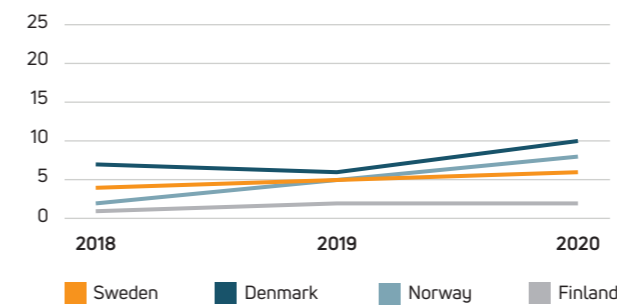
Shops 7–10 times (%)



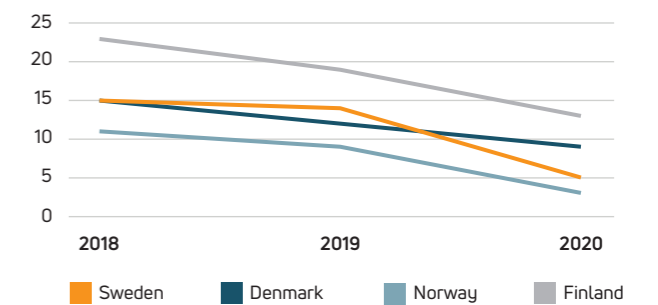
There has been a downward trend among frequent customers; more in Sweden and Denmark than in Norway and Finland, but the levels are low. The figures show that only a few percent of consumers shopped frequently in this category – this was definitely a major blow for the various sectors.

Preferred payment method (%)

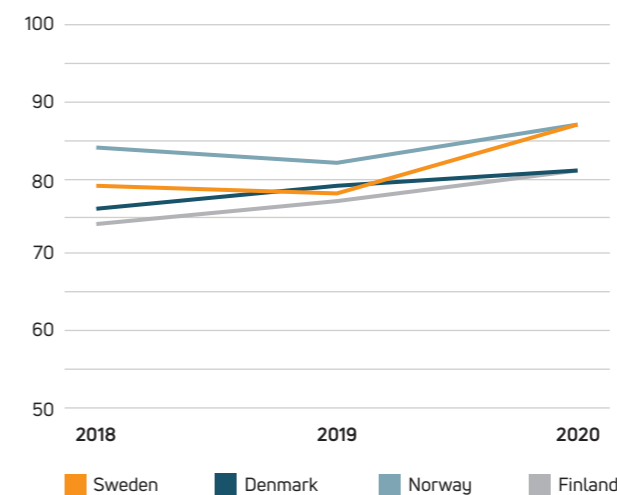
Mobile payments



Cash



Cards



It does not come as any surprise to see that cards were the payment method that came out on top in this category as well – once again reporting an upward trend. More than 8 out of 10 consumers prefer cards at service sector locations; most in Sweden and Norway, and least in Finland and Denmark, but the differences are again small.

Service sector locations also report the same downward trend for cash. In Norway and Sweden the percentage of consumers who prefer paying with cash fell by two thirds, and there was a steep fall in Denmark and Finland. However, Finland is the only country that has more than 10% of consumers who prefer cash in this category.

Mobile payments at service sector locations are increasing in all countries, except in Finland where the figure has remained constant. There is a high increase in both Denmark and Norway, and the proportion of Danish consumers who prefer mobile payments is now 1 in 10 – this is another historically high figure. Mobile payments are preferred more than cash in this category in 3 out of 4 countries.



E-commerce

E-commerce is defined as all commerce that takes place online: products, services and travel. This sales channel has grown very strongly for many years, but fell for the first time in all Nordic countries in 2020. See Nets' separate report on e-commerce for more detailed information.

The Nordic e-commerce market reported both decreases and increases in 2020. Total consumer spending online fell dramatically, mostly because consumers were basically not buying any trips. However, there was a significant increase in the quantity of products being bought.

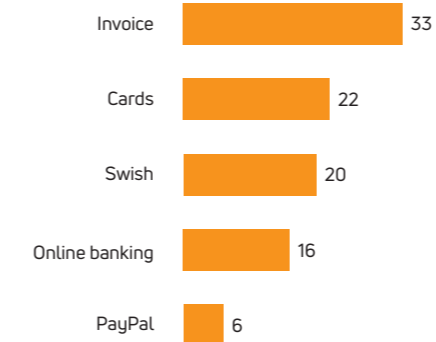
Total online consumption in the Nordic region fell by as much as SEK 218 billion compared with last year, from SEK 856 billion to SEK 638 billion. Sweden remains by far the country with the highest figures in the Nordic e-commerce market and has the most consumers who shop online – more than 7 million. Although consumption amounted to approximately SEK 215 billion in this country in 2020, this did represent a fall of almost SEK 100 billion. Norway took over second place with SEK 168 billion, followed by Denmark with SEK 133 billion and Finland with SEK 120 billion. Products were the largest category in all countries, as travel had fallen so significantly and consumers were shopping for products online much more than ever before.

Despite the total reduction, e-commerce has been given a major boost for the future in all countries. Digitalisation, which was already strong, has gained a lot of momentum, which will benefit e-commerce. This stronger trend for buying products online will continue and represents a major challenge for many physical merchants. However, consumers will always want to go to physical stores to shop; they are simply not doing it as often as they did before. Omnichannels will also become more important.

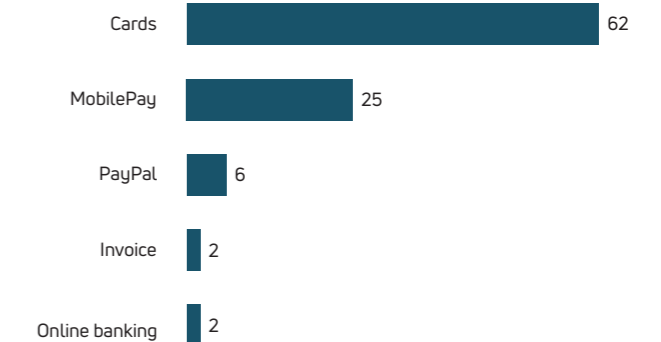


Preferred payment method (%)

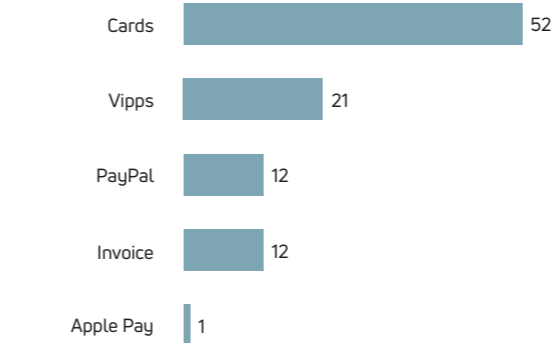
Sweden



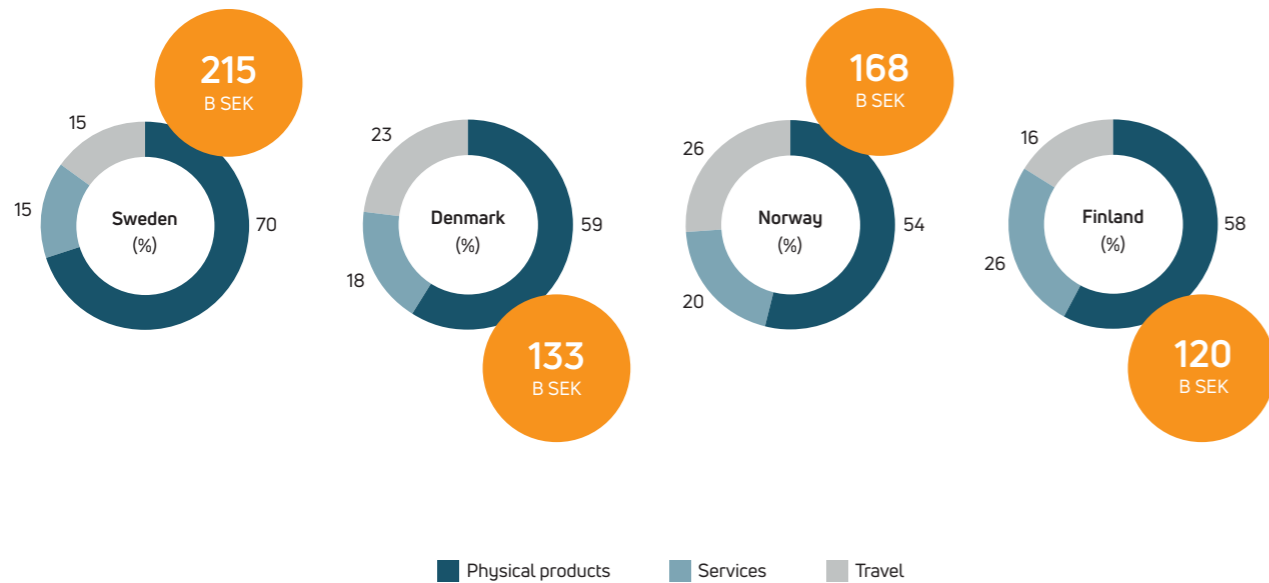
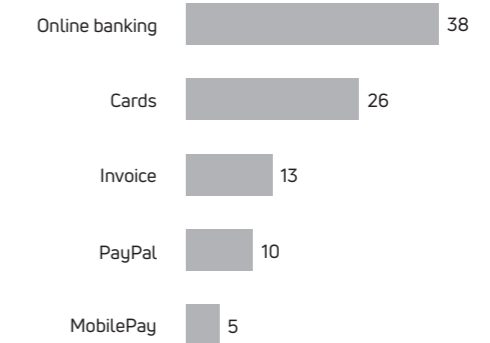
Denmark



Norway



Finland



There are major variations in the way consumers in Nordic countries prefer to pay when shopping online.

Cards clearly dominate in both Denmark and Norway. More than half of their consumers prefer cards in this category. Mobile payments are the second most popular in both of these countries, with PayPal third. 1 in 10 consumers in Norway prefer invoice payments, while the figure is only 2% in Denmark.

Both Sweden and Finland are different. Invoice payments have emerged as the most popular payment method in Sweden for the first time; this is something unique. In Finland consumers still prefer direct payments through online banking. Cards are the second most popular in both of these countries, with around a quarter of consumers preferring this payment method. Mobile payments come in third place in Sweden and fifth place in Finland. PayPal is preferred by around 1 in 10 consumers.

There are major variations in the way consumers prefer to pay when shopping online.

Payments

The methods we use to pay for goods and services in-store are deeply ingrained habits that are difficult to change. However, change has happened in payments, more than it has ever done before. There has been a sharp drop in the use of cash and a new payment method, mobile payments, has emerged.

Card payments are still very dominant in physical stores transactions. One driving factor for this is the fact that the infrastructure for card payments in the Nordic region is among the most widespread in the world. This is helped by bonus points or other value-added services linked to payment cards becoming more and more common. Cards are preferred by up to 90% of Nordic consumers, and merchants who accept cards manage extremely well. The reasons why consumers prefer cards are that they find them the simplest and quickest method to use, and they have become second nature.

Cash continues its downward trend, which was accelerated by the coronavirus pandemic as well. This payment method is also becoming relatively more expensive for merchants to accept because of the fixed costs related to handling cash. In some merchant categories, cash is no longer the second highest payment method, with mobile payments being used more often. Only a small percentage of Nordic consumers now prefer cash.

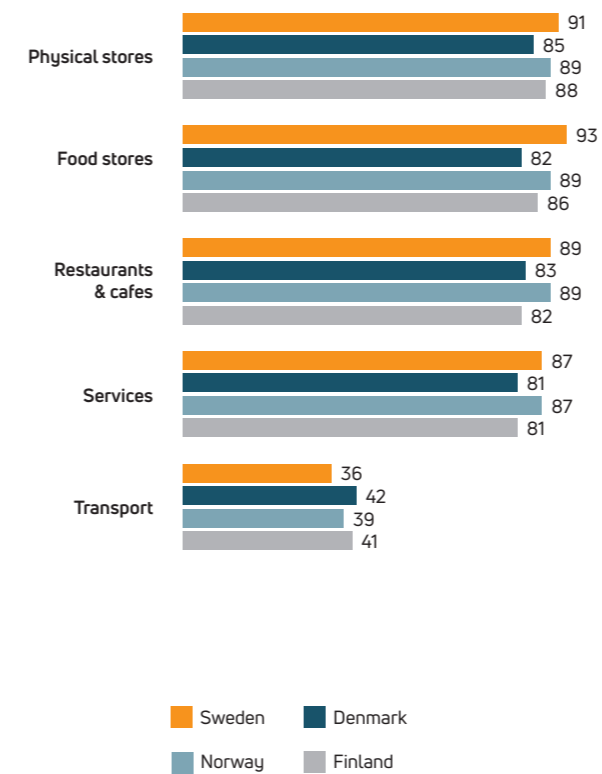
Mobile payments are the relative newcomer to payment methods and represent the most exciting development in recent years. There is an upward trend for this payment method among consumers, but this change is slow. At the moment there is no widespread acceptance of mobile payments among physical merchants. With the advent of mobile payments in physical stores, new payment brands are competing to become the favourite among consumers. Mobile payments are preferred by between 2% and 14% of Nordic consumers in the various merchant categories.

Cards are by far the most popular payment method in the whole of the Nordic region.

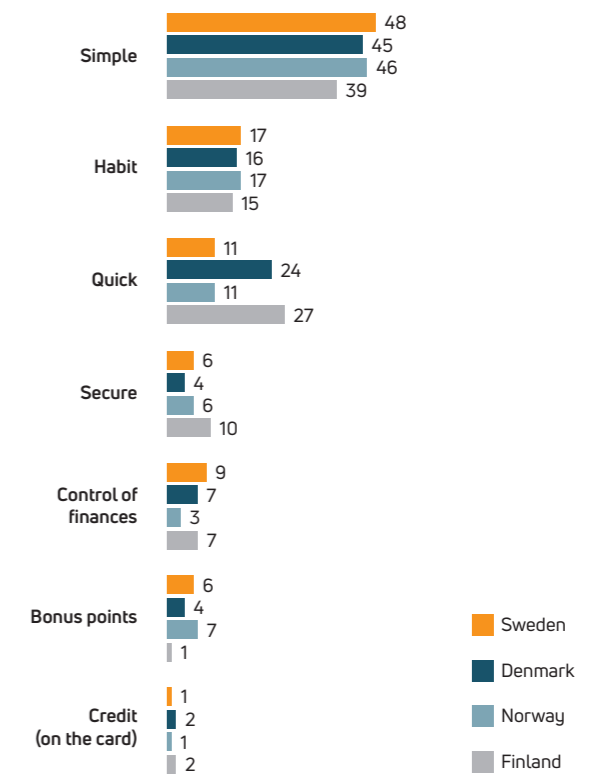


Cards

Percentage who prefer card payments (%)



Reasons for preferring card payments (%)



Cards are still by far the most popular payment method in the whole of the Nordic region. They dominate in all merchant categories and countries, and up to 90% of consumers prefer cards as a payment method in physical stores. In the transport category, cards are preferred the least, as travel apps are commonplace.

This is an upward trend, primarily driven by the reduction in the use of cash. The increase in the success of mobile payments has not managed to break this trend. It should be pointed out that several mobile payment solutions are linked to one card and use the card infrastructure, but consumers tend to see mobile payments in store as a separate payment method.

Consumers prefer their payment cards as this is the simplest and quickest method – and due to habit. Cards linked to bonus points and other loyalty solutions are also driving the use of cards to a greater extent, particularly in the food stores category.

However, consumers do not think that cards are the most secure payment method, even though few have actually been a victim of card fraud and there is strong consumer protection for card fraud. The fact that consumers do not think that card payments are completely secure can partly be explained by the fact that card fraud is covered in the media relatively often, and that card issuers do not actively market the consumer protection that is in place for card payments.

Contactless payments

Contactless card payments are quick and simple. Their use has increased substantially throughout the Nordic region in recent years, as the technology has become widely available and spending limits have been raised. The coronavirus pandemic was also a strong driving force in 2020.

For contactless payments, the cardholder simply holds the card over the payment terminal to complete their transaction without having to use their PIN code for amounts under around SEK 500. It is quick and convenient, and avoids physical contact with the payment terminal.

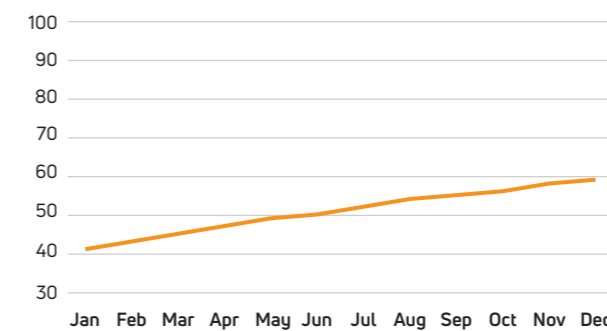
In general, all banks in the Nordic region have supplied consumers with cards that have a contactless function. At the same time, a very high proportion of the merchants' payment terminals can now accept contactless payments. The technology is called NFC, which is the same used for some mobile payments. The Nordic region is far ahead in the use of contactless payments, but the proportion of these payments is now relatively high in other European countries too. The pandemic, in particular, has been a strong driving force in consumers making contactless payments and may have contributed to keeping the transmission of the virus down to some extent. The development in the Nordic region – and the rest of the world – will probably mirror what has happened in Denmark. Use has increased gradually to a level of more than 80%.



The pandemic has definitely been a strong driving force for consumers to use contactless payments and this may have contributed to keeping down the transmission of the virus.

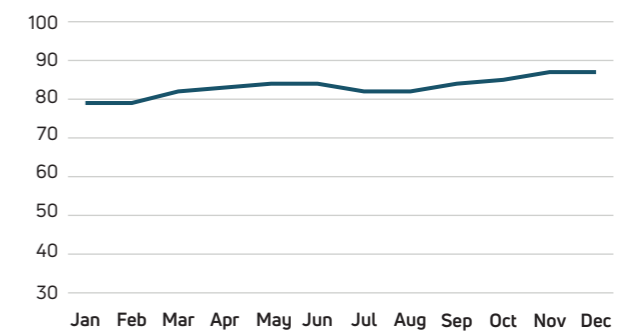
The percentage of contactless payments in relation to all card payments (%)

Sweden



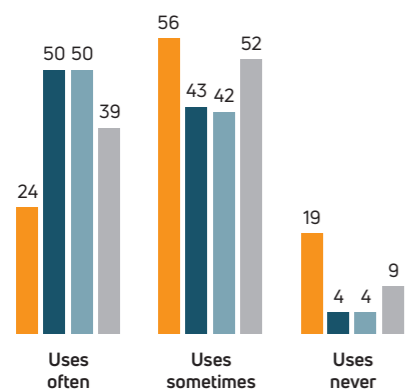
From a Nordic perspective, Sweden was quite late to have a generally widespread use of contactless payments and is still marginally behind its neighbours. However, the use has increased dramatically in Sweden over the past two years, according to Nets' own card statistics. In 2020 the percentage of contactless payments in relation to all card payments increased from 44% to 62%.

Denmark



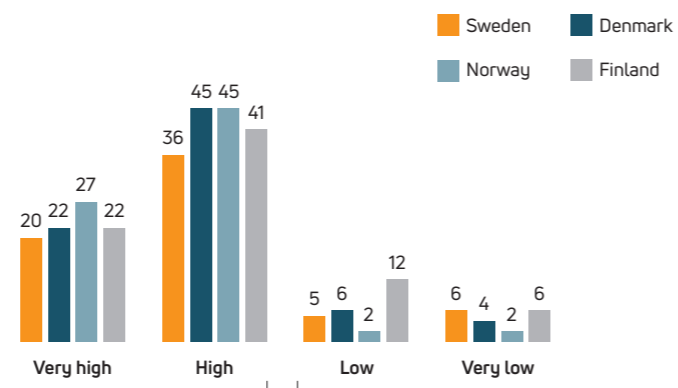
Denmark is the Nordic champion in contactless payments; probably also the world champion. The technology has been widely available here longer than anywhere else in the Nordic region, and the percentage of contactless payments in relation to all card payments was an incredible 87% at the end of 2020.

Use of contactless (%)



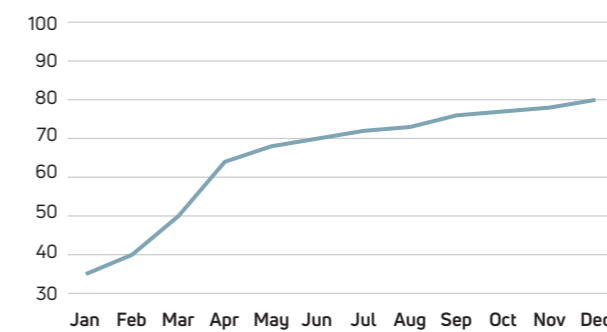
Virtually all consumers in both Denmark and Norway use contactless payments: the figure is as high as 95%, with half of the population using it often. In Finland the proportion is 9 out of 10. In last place is Sweden, but even here 8 out of 10 consumers use this payment method. The percentage of frequent users is also the lowest in this country.

Values contactless (%)



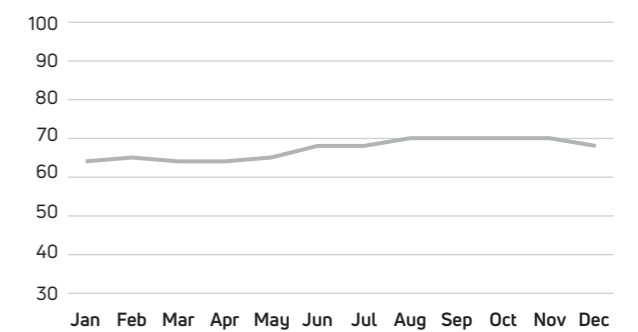
Consumers rate contactless payments more highly every year. A majority of consumers in every Nordic country now rate this payment method highly or very highly. The figure is as much as 72% in Norway, compared with 2018, when the figure stood at just 14%. In Sweden consumers have also rated this payment method more highly since 2018, with a significant increase from 21% to 56%.

Norway



Just like Sweden, the widespread use of contactless payments came late to Norway. But now there has now been a remarkable increase – the percentage of contactless payments more than doubled in 2020: from 35% to 85%.

Finland



In Finland, contactless payments have been widely available for as long as in Denmark and the proportion is now at about the same level as the other countries – but for a long time it was far ahead of both Norway and Sweden. However, the increase in 2020 was relatively modest – from 64% to 68%.

Cash

Cash has been used for such a long time and for many years it was the payment method we used in our communities. But digitalisation has led to a significant decrease in the use of cash throughout the Nordic region in recent years. The coronavirus pandemic also accelerated this trend.

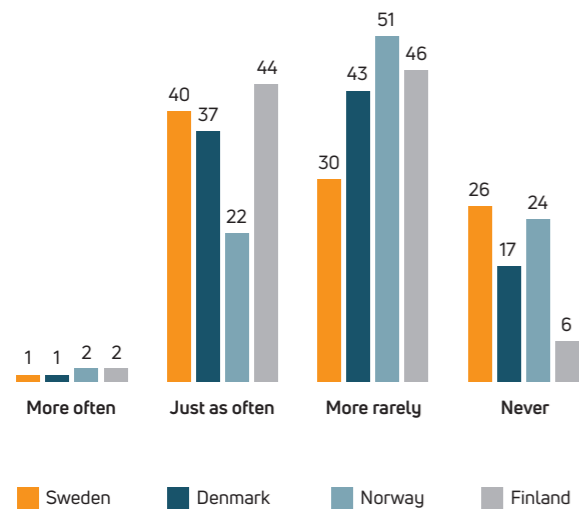
The amount of cash in circulation is lower than ever before in all Nordic countries. Consumers hardly ever pay with cash anymore, with Finland as an exception to some extent. For merchants, the relative cost of handling cash is increasing all the time as it has a high proportion of fixed costs. As cash is used less often among customers, the costs are becoming relatively higher. For many merchants, it is no longer worth their while to accept cash and this is reflected in the rise in the number of cashless points of sale.

In Sweden the amount of cash has fallen dramatically since 2010 and it is the lowest in the world. Sweden's Riksbank (Swedish Central Bank) predicts that Sweden will be a cashless society by around 2030. This could make it the first country in the world. Consumer belief in a cashless society is stronger in both Norway and Denmark, but weaker in Finland. In Finland the use of cash has traditionally been strong, but it has seen a significant reduction recently.

However, there is some resistance to a cashless society, including in Sweden. This is natural as this is the country where the most amount of progress has been made and the fact that it is a complex issue – many questions remained unanswered at this point in time. Central banks in many countries around the world also have far-reaching plans to introduce a digital currency in order to counter this trend. This is a fascinating development to follow and it could potentially have major consequences.



Cash use before and after coronavirus (%)

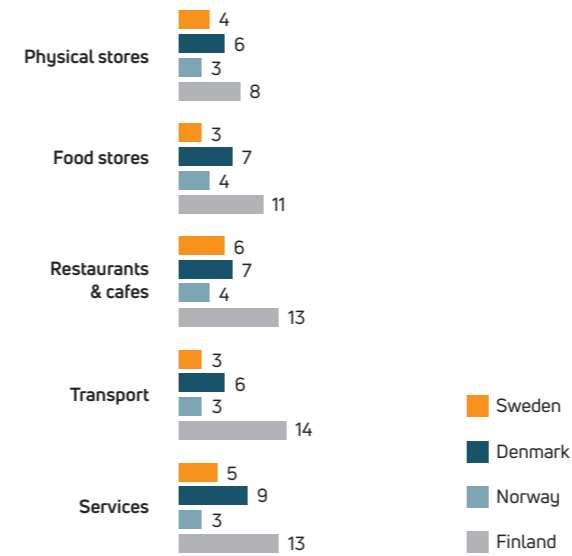


The pandemic has accelerated the trend of using cash less often in all Nordic countries – particularly in Finland. One reason for this has been to avoid the potential transmission of the virus when handling cash, while another is that consumers have not been to the shops as often or visited traditional environments where cash is used most regularly, such as restaurants and cafes.

For many merchants, it is no longer worth their while to accept cash.

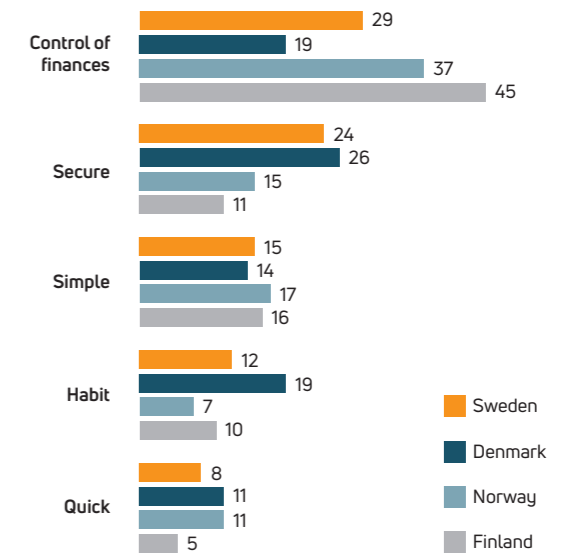
This change has been greatest in Norway and Finland. Approximately half of consumers in these countries use cash less often than before the pandemic. In Denmark this figure is 43%, while in Sweden it is only 30%. However, Sweden has the highest proportion of consumers who never use cash, more than one quarter. Norway comes immediately after at 24%, followed by Denmark at 17%. Only 6% of consumers in Finland never use cash, but it is seeing the biggest downward trend. Finland is a country that has traditionally used cash a lot, but it is now following the development seen in the other Nordic countries.

Percentage that prefers cash (%)



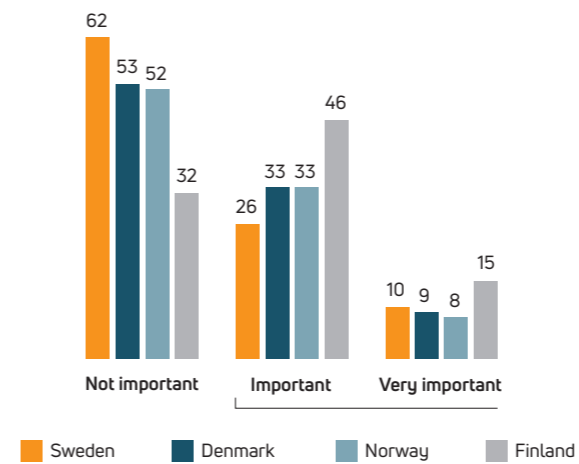
Cash is no longer even the second highest payment method. Finland is the exception, but this country has also seen a significant downward trend for cash. In both Denmark and Norway, consumers now prefer mobile payments much more than cash in all merchant categories. In Sweden consumers now prefer the two different payment methods to more or less the same extent.

Reason for preferring cash (%)



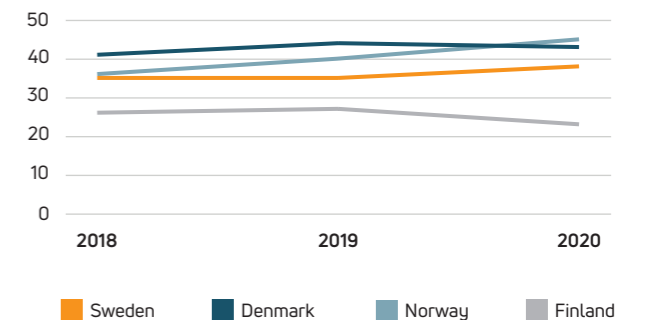
Consumers who still prefer cash – who can be found in all countries and age groups – explain that it is because they want control of their finances. They also believe that it is the most secure payment method, and to a certain extent it is due to habit.

Values cash (%)



A majority of Nordic consumers – again with Finland as the exception – now think that cash is not important. This situation was the other way around in 2018. Sweden leads the way, with as much as 62% of consumers who do not think that cash is important. This figure is just over 50% in Denmark and Norway, and just under one third in Finland. This is the country that has the highest proportion of consumers who think that cash is very important.

Believes in a cashless society (%)



In terms of attitudes towards a cashless society, there is still a majority of Nordic consumers who do not believe in it. This is understandable as there is still no clear picture of what a cashless society would look like. However, belief in such a society has been increasing steadily compared with 2018, with the biggest rise seen in Norway. In Denmark and Sweden, the increase has only been a few percent, while the number has actually fallen slightly in Finland. Although Finland is marginally behind its neighbours, the use of cash has reduced the most in this country.

Mobile payments

Mobile payments are a relative newcomer to payment methods and they are slowly but surely on the rise. Consumer use is highest in Denmark, where mobile payments are now preferred to cash.

In 2017 global companies started to launch their mobile payments in several Nordic markets, and national brands also started to be used more frequently by consumers. Since then the use of this payment method has increased to a degree, but progress is slow. There are several factors that affect consumer use of mobile payments in physical environments. These include the technology; the fact that contactless payment cards are hard to beat; and the battle between various mobile payment brands, both global and national.

It is an interesting battle being fought for mobile payments: global giants like Apple and Samsung in partnership with Mastercard and Visa on one side; and national companies backed by banks on the other. One reason why mobile payments are not being widely used is partly due to the technology: the global companies use NFC – contactless payments – while local companies use Bluetooth or QR codes. QR codes are more cumbersome than NFC, while NFC

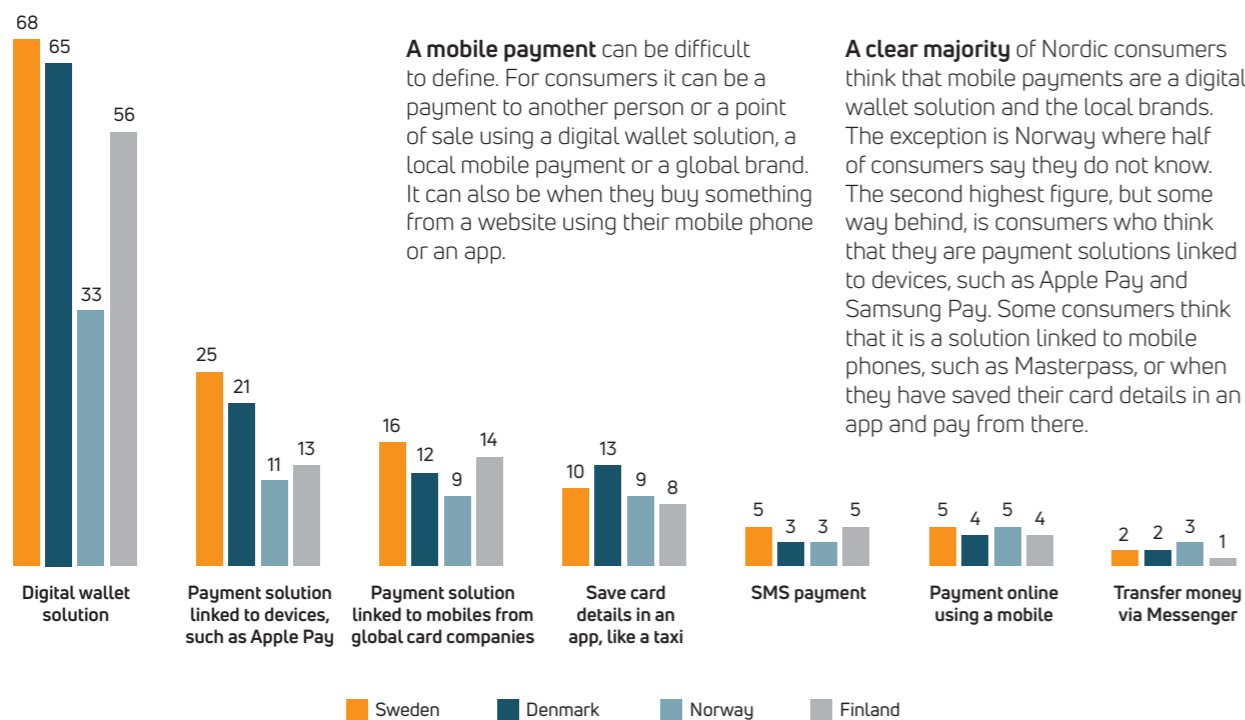
in mobiles is more inconvenient than contactless card payments.

Some merchants think that this is a complicated change and it can be difficult for them to keep on top of mobile payments and the technology. But both ApplePay and SamsungPay use the same technology as contactless cards, so new equipment is not needed for the payment terminals. However, local companies, such as MobilePay, Swish and Vipps, etc., require additional equipment or new terminals that have this technology built-in. Technological advances are being made, though, which will support these mobile payments.

Given their strong brand positions among consumers, the local mobile payments are in a relatively good position to establish themselves as a payment method in physical environments. Having said that, it is unlikely that mobile payments will change the payment landscape to any great extent.



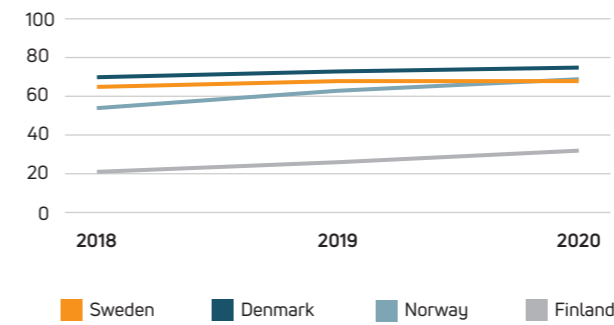
What do consumers think is a mobile payment? (%)



A mobile payment can be difficult to define. For consumers it can be a payment to another person or a point of sale using a digital wallet solution, a local mobile payment or a global brand. It can also be when they buy something from a website using their mobile phone or an app.

A clear majority of Nordic consumers think that mobile payments are a digital wallet solution and the local brands. The exception is Norway where half of consumers say they do not know. The second highest figure, but some way behind, is consumers who think that they are payment solutions linked to devices, such as Apple Pay and Samsung Pay. Some consumers think that it is a solution linked to mobile phones, such as Masterpass, or when they have saved their card details in an app and pay from there.

Use of mobile payments in physical environments (%)



The use of mobile payments in physical environments has increased steadily among Nordic consumers in recent years. Norway and Finland have reported a significant increase since 2018, while it has been more modest in Denmark and Sweden. However, in Denmark as high as three-quarters of consumers now use mobile payments in physical environments. MobilePay has been successful, as this app is independent and several different solutions have been created for it, such as MobilePay Checkout. Danish banks have also promoted Apple Pay. The lowest use is in Finland – only 1 in 3 consumers – but there has been a significant increase.

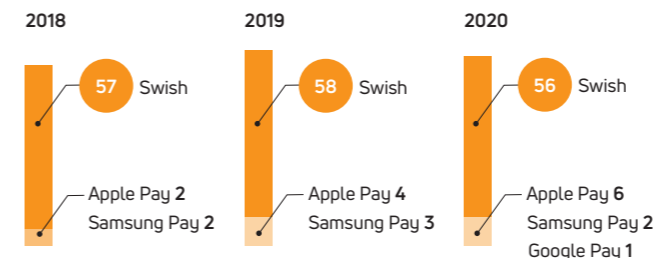
Percentage who prefer mobile payments (%)



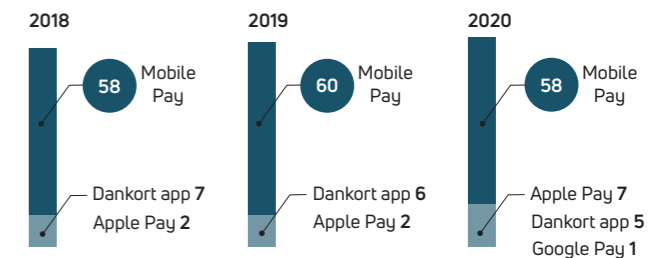
Preference for mobile payments among consumers in the merchant categories has increased in recent years, but it is still low: between 2% and 14%. However, it is historic for a different payment method to cash to be the second highest in every merchant category in Denmark and Norway. In Sweden, it is only the highest in the transport category, and it is not the highest in any category in Finland.

Preferred mobile payment brands

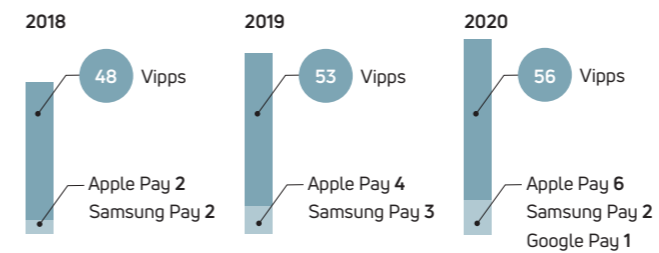
Sweden (%)



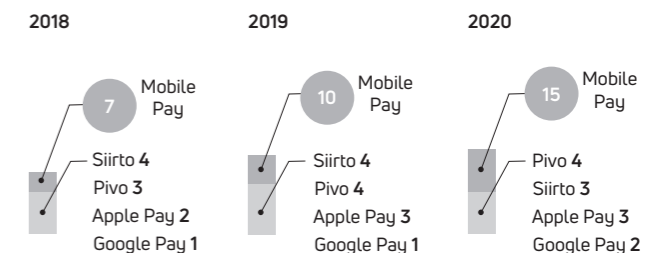
Denmark (%)



Norway (%)



Finland (%)

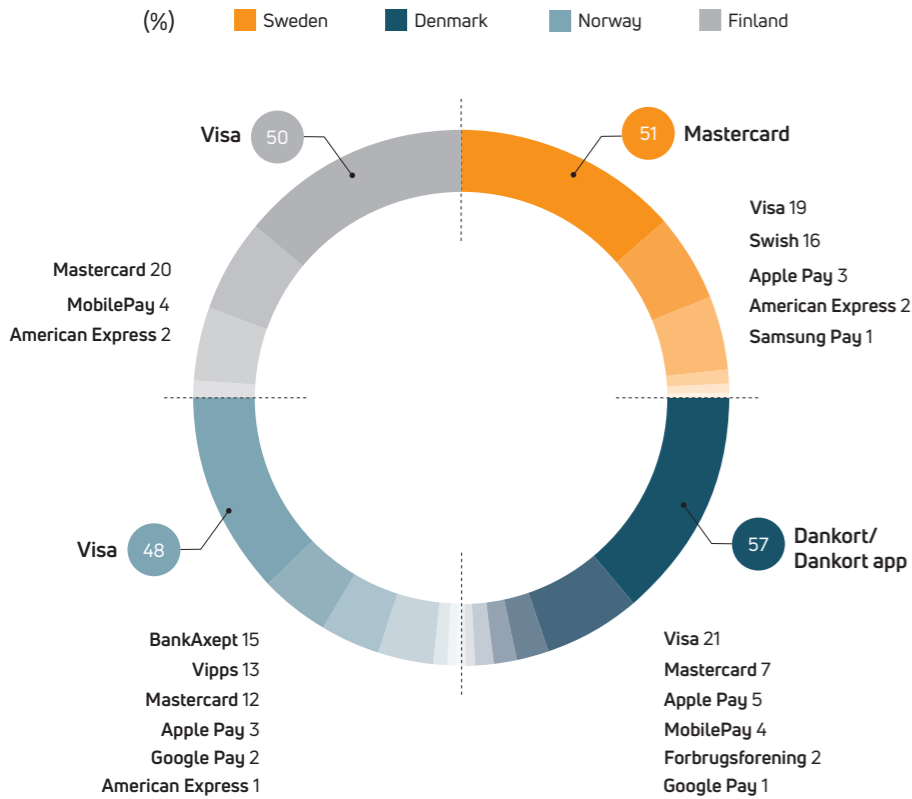


National brands are by far the most popular among Nordic consumers. More than half of consumers prefer these mobile payments. However, the picture is more divided in Finland, as it has several different brands. Unlike its neighbours, there is no agreement in Finland among all the banks to invest in one brand. It is therefore tricky for consumers to choose between several brands and get into the routine of using this method.

Danske Bank is in a strong position in Finland and promotes MobilePay, which has produced results and is used much more than the national brands.

Global brands, such as Apple Pay and Samsung Pay, are still only preferred by a few percent of Nordic consumers. However, Apple Pay is seeing an upward trend.

Payment brands



The Nordic region has a number of strong brands and 'less strong' brands when consumers pay in physical environments. Global brands dominate, mostly because of card payments. However, there are some strong local brands as well.

Visa and MasterCard are clearly dominant as payment brands for Nordic consumers in physical environments. However, national cards are also in a very strong position in both Denmark and Norway. Dankort has shown a strong increase since 2018 – consumer preference for this payment method increased from 47% to 57% in 2020. In Norway, Bankaxept is strong, but consumers do not view this brand in the same way that Danes view Dankort.

However, global brands are being challenged more and more by local mobile payments. Visa, for example, has seen a decrease in every country since 2018. It has lost ground not only to MasterCard, but also local payment methods, primarily in Norway and Sweden. In Sweden, Swish has increased strongly since 2018, from 6% to 16%. Vipps in Norway also saw a significant rise. Preference among Nordic consumers for other brands remains largely unchanged.

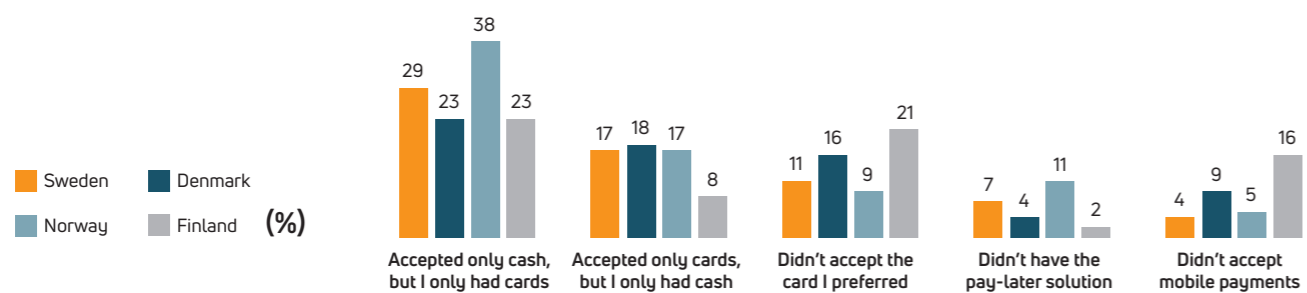
Cancelled purchases

Many consumers cancel their purchases during face-to-face (in-store) transactions because of the payment method. This should not happen to merchants – as they know that consumers who need the product or service will simply go somewhere else. No matter whether this is something that happens rarely or sometimes, merchants miss out on a very high number of purchases every year.

There is still room for improvement among retailers when it comes to payment methods. It is somewhat surprising that in the current digital era, most Nordic consumers – around one

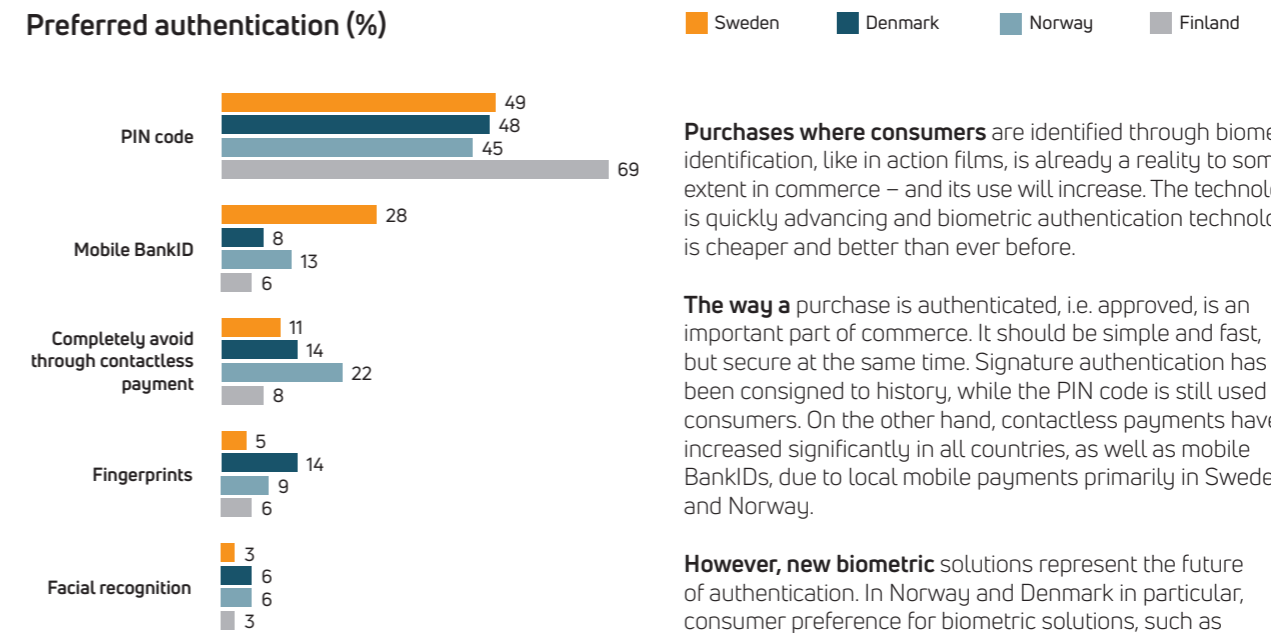
third – cancelled a purchase because the point of sale only accepted cash. The second biggest reason is that only cards were accepted when the consumers only had cash. There is still a battle being fought between cards and cash, which the latter is clearly losing.

Other reasons for cancelling purchases included the point of sale not accepting the card the consumer wanted to pay with; mobile payment was not accepted; or the point of sale did not have a 'pay later' solution.



Authentication

Preferred authentication (%)

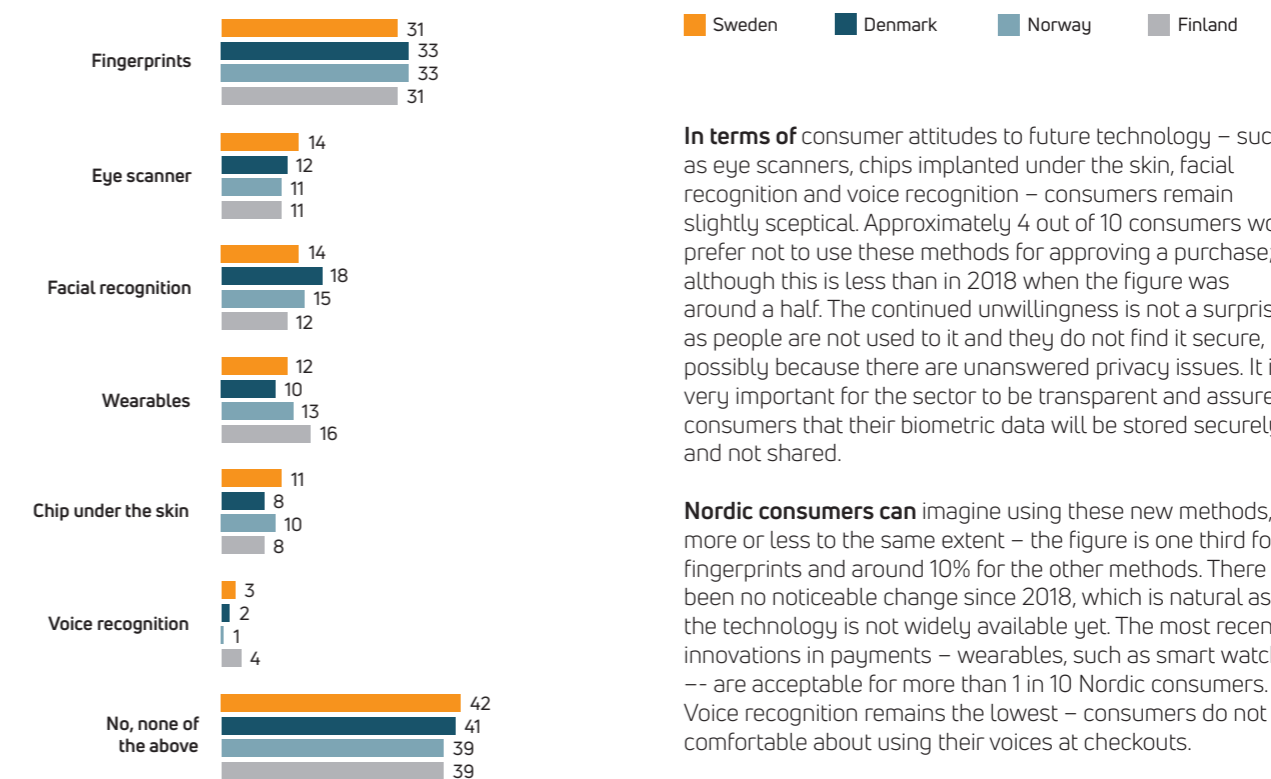


Purchases where consumers are identified through biometric identification, like in action films, is already a reality to some extent in commerce – and its use will increase. The technology is quickly advancing and biometric authentication technology is cheaper and better than ever before.

The way a purchase is authenticated, i.e. approved, is an important part of commerce. It should be simple and fast, but secure at the same time. Signature authentication has been consigned to history, while the PIN code is still used by consumers. On the other hand, contactless payments have increased significantly in all countries, as well as mobile BankIDs, due to local mobile payments primarily in Sweden and Norway.

However, new biometric solutions represent the future of authentication. In Norway and Denmark in particular, consumer preference for biometric solutions, such as fingerprints and facial recognition, is increasing.

Authentication that the consumer can imagine using (%)



In terms of consumer attitudes to future technology – such as eye scanners, chips implanted under the skin, facial recognition and voice recognition – consumers remain slightly sceptical. Approximately 4 out of 10 consumers would prefer not to use these methods for approving a purchase; although this is less than in 2018 when the figure was around a half. The continued unwillingness is not a surprise, as people are not used to it and they do not find it secure, possibly because there are unanswered privacy issues. It is very important for the sector to be transparent and assure consumers that their biometric data will be stored securely and not shared.

Nordic consumers can imagine using these new methods, more or less to the same extent – the figure is one third for fingerprints and around 10% for the other methods. There has been no noticeable change since 2018, which is natural as the technology is not widely available yet. The most recent innovations in payments – wearables, such as smart watches – are acceptable for more than 1 in 10 Nordic consumers. Voice recognition remains the lowest – consumers do not feel comfortable about using their voices at checkouts.

A lot of trees and energy can also be saved if consumers use digital receipts.

Digital receipts

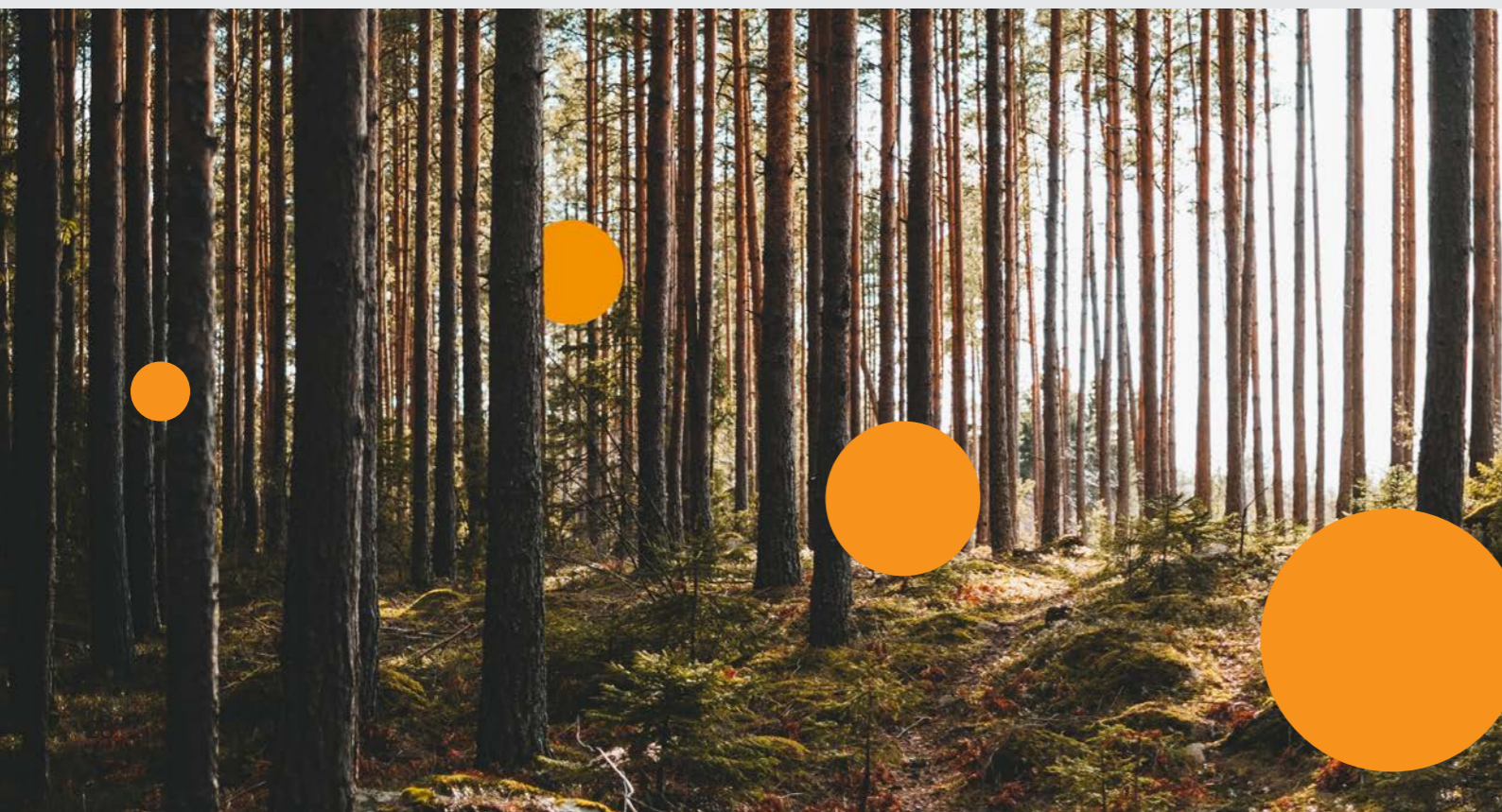
Receipts are an important part of the payment process. Nordic consumers are digitalised and environmentally-conscious and increasingly value digital receipts. This benefits the customers, stores and the environment.

Receipts have traditionally been on paper from the cash register, which people sometimes save for different reasons. But normally consumers do not want the receipt and it is either thrown away immediately by the cashier or moments later by the customer. Some consumers fill their wallets with them.

Consumers now expect the same digital simplicity for their receipts in physical stores as when they are shopping online. Customers always have access to digital receipts so they

cannot lose them. A lot of trees and energy can also be saved if consumers use digital receipts instead of paper receipts. It creates a better communication channel with customers as well: a relevant digital message can be sent to the customer with each receipt.

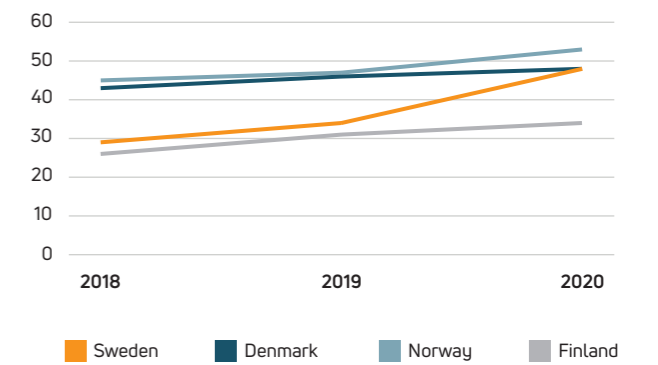
In real terms the use of digital receipts will continue to increase gradually, but slowly. This is quite a significant change for both merchants and consumers. A lot has to fall into place – both on the technical side and in terms of consumer behaviour.



Digital receipts have increased strongly in the Nordic region

Both the use of and preference for digital receipts have risen significantly in the Nordic region in recent years. But there are differences. Norway is ahead of the others, with a majority of consumers now preferring digital receipts to paper receipts. Sweden has also seen a substantial increase recently and is now on a par with Denmark, where just under half of consumers prefer digital receipts. Finland comes last, but it has seen a steady increase since 2018.

Prefers to receive receipts digitally (%)



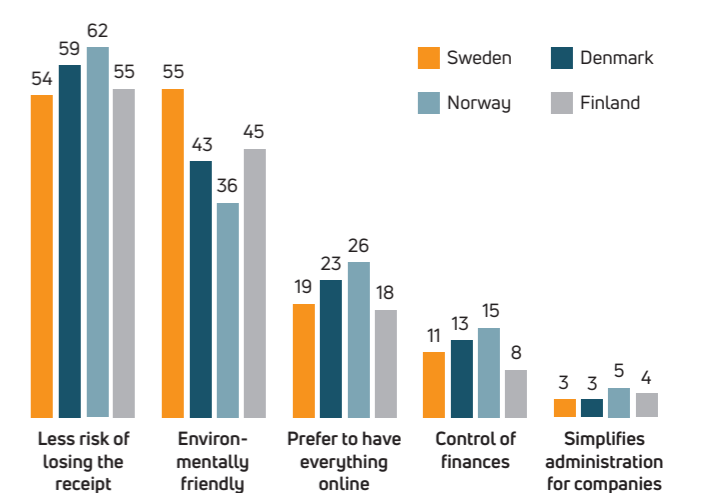
Yes or no to digital receipts

The main reason why Nordic consumers prefer digital receipts is that there is no risk of losing them. This opinion is shared by a majority of consumers in all of the countries. This is closely followed by the environmental aspect, which just under half mention. However, the figure is slightly lower in Norway.

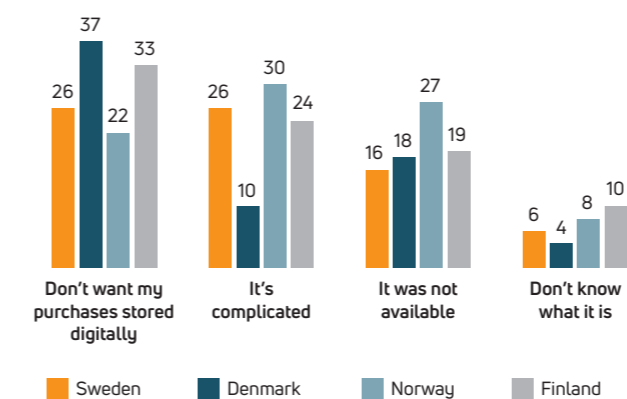
Other reasons given in favour of digital receipts include consumers preferring to have everything conveniently stored online; or that it gives them better control of their personal finances. A few percent also prefer digital receipts as it makes business administration simple – digital invoices can easily be sent to the accountant.

However, there are reasons why Nordic consumers do not prefer digital receipts. The main reason is that they do not want their purchases to be stored digitally – an important privacy issue. It is true that the suppliers store the receipt information securely and do not use the information for any other purposes – otherwise it would not have worked in the long term due to consumer confidence. Another reason is that consumers find digital receipts to be complicated, which is natural as it is something they are not used to. Availability at merchants also has an impact, and some consumers still do not even know what digital receipts are.

Reasons why people prefer digital receipts (%)



Reasons for not preferring digital receipts (%)



Easy to organise digital receipts with Storebox

It is easy to implement digital receipts with Storebox, which is the only supplier of digital receipts that operates in all of the Nordic countries. Storebox's digital receipt solution is easy to integrate into payment systems. Customers are identified at the store through their payment card, which is registered in the system. This solves the most important problem with digital receipts – knowing who the receipt should be sent to without having to spend time asking the customers for their email address.

Both identification and the delivery of the receipt take place seamlessly in the system's background without the cashier having to do anything. The customer receives the receipt in real time, delivered to an app. Attachments such as warranty documents or instructions for use for the product are possible as well. The store can also add messages to the receipt, including graphics.

As competition gets tougher and tougher, loyal customers are worth their weight in gold. Loyalty programmes have therefore become an important strategic issue.

Loyalty solutions

Almost all Nordic consumers currently have some kind of loyalty solution, i.e. memberships and customer clubs, from their favourite places. There is also a clear upward trend for this. It benefits both merchants and customers – consumers are given discounts and they will come back to shop again.

As competition gets tougher and tougher, loyal customers are worth their weight in gold. Loyalty programmes have therefore become an important strategic issue and senior management often become involved. An increasing number of companies are implementing some kind of loyalty solution and virtually every consumer is included in at least one solution.

Physical points of sale offer different kinds of loyalty systems for their customers. This includes memberships with bonus points, where consumers, for example, can get their 10th cup

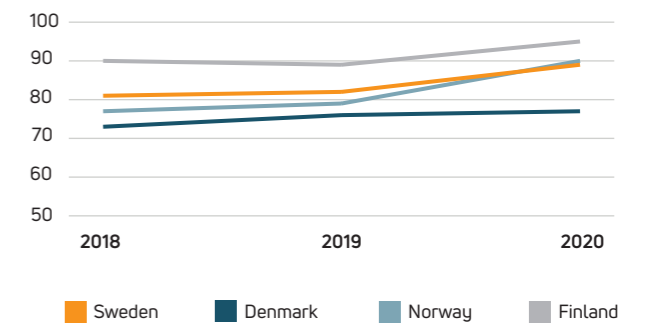
of coffee for free, points that can be converted into discounts, special offers, etc. However, these solutions are still normally old-fashioned and expensive for merchants. They involve, for example, separate systems with cards or apps issued by the merchant; consumers having to give a long number to the cashier; having to hand over identification for the barcode to be read; and even handing over paper cards to be stamped. These kinds of solution are neither convenient for the customers nor cost effective for the merchants.

Using an app or the payment card preferred by the consumer and having bonuses registered directly with the purchase are convenient payment experiences and examples of modern loyalty solutions.

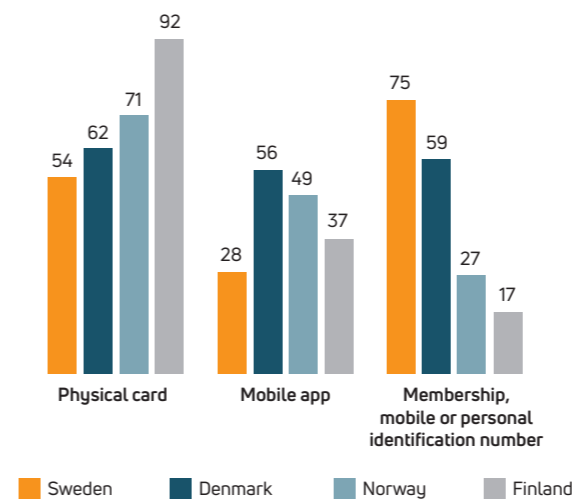
Almost every Nordic consumer has a loyalty solution

Loyalty solutions have increased in recent years and are now extremely well-established and popular among Nordic consumers. Almost 9 out of 10 Nordic consumers have at least one loyalty solution and two thirds have more than one. This represents millions of consumers throughout the Nordic region. Solutions that can increase the number of loyal customers and therefore increase sales.

Is part of a loyalty solution (%)



Type of loyalty solution (%)



Traditional solutions, such as having separate physical cards or situations where you need to give a number to the cashier, still dominate. This is quite an inconvenient shopping experience. However, mobile apps have increased – in both Denmark and Norway a majority of consumers have them. It can be difficult and costly, though, for merchants to produce their own app.

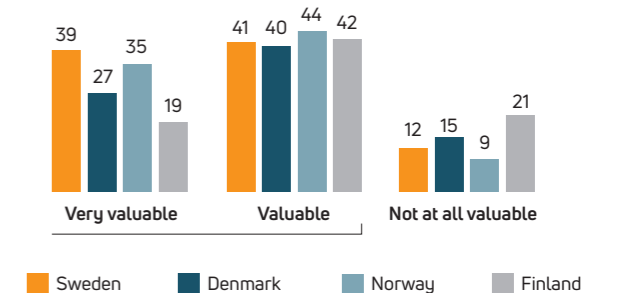
Simple solution with immediate registration of bonuses is appreciated

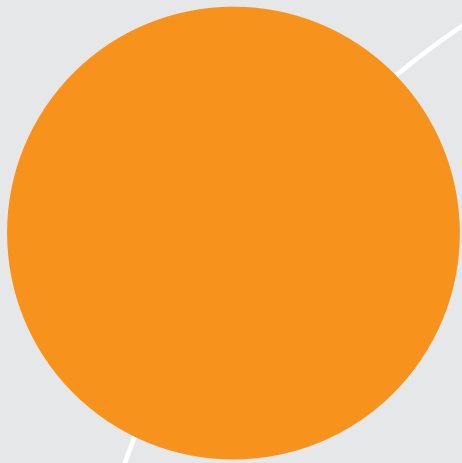
The vast majority of Nordic consumers appreciate solutions where bonus points are registered directly with the payment, regardless of the payment method. About a third appreciate it very much, which is a clear increase from 2018.

For stores that offer a more modern solution, there are good opportunities to create more loyal customers and save money from not using expensive solutions. Although progress is slow, it is moving in the right direction. Several large food chains now have solutions where the payment card is integrated and the customer receives bonus points as soon as they buy something.

There is also a steady increase in the use of apps. These solutions are becoming more convenient for the customers, and stores can track visits and offer loyalty benefits. It also reduces costs by removing the need to distribute and handle separate membership cards or other expensive solutions that they have to develop themselves. Another major benefit of a modern solution is that it can be used in both physical stores and online – making it a seamless loyalty solution.

Values immediate registration of bonus points irrespective of payment method (%)





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