

Capgemini



# The Nordics:

## Leading the World Towards a Cashless Society

Market Commentary



“Clearly banks need to take a consultative approach and guide corporates into the next generation of treasury operations. The key is for banks is to ensure that they have a solid payments platform and data-driven approach towards decision-making, funding and risk management. The banks need to strategically leverage the upcoming ISO-migration and use this opportunity to transform their payment back office technology”

**Anders Olofsson,  
Head of Payments  
Finastra**

## The Nordic region has become the global benchmark for the cashless society—helping to inspire banks and other payments players worldwide to innovate and transform their payments offerings for customers.

According to the **World Payments Report 2018<sup>1</sup>(WPR)**, the Nordic countries (Sweden, Norway, Finland and Denmark) and the US continue to battle for global leadership in terms of cashless transactions per inhabitant—with Sweden now ahead for the first time, recording 461.5 transactions per person per year compared to the US's 459.6. Sweden's success is underlined by the fact that 6.33 million of the country's 10 million total population use Swish, a mobile payments service backed by leading Swedish banks. And those numbers are just the start: It has been **estimated<sup>2</sup>** that Sweden will become the world's first fully cashless society by March 2023.

The situation in Sweden is mirrored in the other three Nordic countries. Of the four Nordic nations' total population of 27 million, approximately 13 million now use mobile payments apps like **Swish** in Sweden, **Siirto** in Finland, **Vipps** in Norway, and **MobilePay** in Denmark. These countries' rapid adoption of cashless transactions brings clear benefits to consumers in terms of ease and convenience, with more than 80% of retail transactions across the Nordics now conducted electronically. But it is not just the end-consumer driving this shift towards a more personal, contextual or instant payments. Innovation in payments is also evidenced across P2P, B2C, B2B and B2B2B areas i.e. the advantages it brings for businesses are every bit as compelling. These include minimizing the costs and risks of accepting and/or handling cash, streamlining the payments experience, and creating innovative payment options that better satisfy the ever-evolving needs of their customers.

The Nordics' cashless revolution which continues to accelerate, is also driven by collaborative innovation among Swedish, Finnish and Danish banks. This is evidenced by the P27 project, which aims to establish a single pan-Nordic payment infrastructure for the 27 million inhabitants of the region. For banks across and beyond the Nordics, the message is clear. Those that are already innovating in digital and mobile payments should press ahead as a matter of urgency. Those that have not started the journey must catch up quickly or will be left behind.

<sup>1</sup> Source: <https://worldpaymentsreport.com/wp-content/uploads/sites/5/2018/10/World-Payments-Report-WPR18-2018.pdf>

<sup>2</sup> Source: <https://knowledge.wharton.upenn.edu/article/going-cashless-can-learn-swedens-experience/>

## Driving forces

The progressive mindset of the Nordic population has largely spearheaded the move to a cashless society, adopting card usage in higher numbers than other regions. But in this global race to the cashless society of the future, there are several main drivers and characteristics that also set the Nordics apart:

### Government involvement

The Government is highly supportive of any initiatives that promote higher living standards of its citizens, such as the facilitation of efficient payments processing. For example, BankID, which is owned by major Swedish banks and integrated with key government institutions, provides security for the market over the internet and is used by banks as well as non-bank organizations to identify citizens.

### Progressive Nordic Banks

Nordic banks stand out from those in Europe and the US with their appetite for innovation, collaboration and shared sense of regional identity and purpose, supported by proactive regulators eager to support the advance of digital payments.

This is helped by the market itself, which is concentrated with three or four leading banks per country covering the majority of the market. Therefore, collectively agreeing on a way forward in payments is easier than elsewhere.

### Advanced infrastructure in a concentrated market

The comparatively small Nordic market also benefits from a strong foundation that includes highly advanced communications and IT infrastructure, as well as extensive adoption of smartphones, which are now more widespread in the region than laptops. The collective effects of these factors are manifesting themselves through several themes that are evident across the region and have together created an environment of collaboration where all stakeholders are willing to work together to drive growth.

### Domestic and regional consolidation

The mantra of the Nordic banks in driving payments innovation is “collaboration rather than competition”—a mindset that fosters consolidation and partnering within Nordic countries and the region as a whole. **Swish**, for example, was created by a consortium of Swedish banks. Now, at a regional level, the collaborative P27 project is aiming to establish a single pan-Nordic payment infrastructure, except for Norway’s recent opt-out. P27 will be the world’s first real-time cross-currency infrastructure, with payments transformed instantly into the other currency, and the accompanying foreign exchange transaction and screening executed in real-time. The current plan is for P27 to go live in 2020.



**Lars Sjogren, CEO at P27 explains:**

“There is a real need for the leading banks to replace aging infrastructure with new, future-proofed solutions. By processing mostly application (a2a) transactions, we have a unique opportunity to build other complementary solutions on top, for example effective transaction monitoring. This is one of the reasons why the P27 initiative is so unique. It is sector-driven and aims to replace existing rails and not just build additional/ new parallel tracks as seen in similar initiatives. We have a real ambition to move fast. The opportunity is here, and if we don't do this now, we will be in a poor place to compete in the future.”

## Innovative approaches to collaboration

Nordic banks' strong focus on collaboration around payments services has made the region a world leader in structuring and running collaborations that deliver payments innovations. For example, P27 involves seven of the biggest banks in the Nordics, so it was clear from the beginning that the competition aspects of the project would be extremely sensitive and would require careful management.

To achieve this, the participating banks set up a three-layer model for P27:

- Layer one relates solely to the clearing platform, which is non-competitive and has existed for years for the whole market.
- Layer two adds the next level of services, such as direct debits and proxy services to link a bank account and phone number.
- Layer three relates to the elements that are clearly competitive between the banks, such as the actual mobile payments service.

This structure clearly separates out the areas where the P27 partners collaborate from those where they will compete, avoiding anti-competition issues.

## New business models

The Nordics' position as a leader in digital and mobile payments has also seen it become a pioneer in new payments business models. One example of business model innovation is the widespread availability of Request to Pay (R2P) schemes as part of mobile payment solutions across the region. These schemes essentially trigger an instant transfer from a bank account following a request sent from a requestor to an approver, and they include **MobilePay Invoice** in Denmark, **Vipps Faktura** in Norway and **Swish Faktura** in Sweden.

The Nordic region has also spawned many other innovations in payments business models, which have a great customer experience and gone beyond payments to stay relevant and competitive. Sweden's **iZettle**—now part of PayPal—pioneered chip card readers and apps for smartphone-based mobile commerce and is a global leader in card payments. Another innovative player is **Klarna**, whose e-commerce sale offerings include a “pay later” option, allowing customers to receive goods and pay within 30 days. This is one of the reasons why Klarna has built up such a strong following outside the Nordics, including in the UK and US.

Another area of ongoing innovation in Swedish payments and banking is the region's move to embrace Open Banking, with more and more banks opening up their systems to third-parties by exposing open application programming interfaces (APIs). Sweden is widely seen as a pioneer in Open Banking, with Finland also now making the transition from follower to leader.



Nordic banks can, by building on previous history of collaborative success, collectively fend off global competition and manifest their role in the payments value chain through a strong eco-system of new products and services on top of the powerful rails developed by P27 benefitting both corporates and consumers in the quest for new business opportunities”

**Jeanette Jäger, CEO,  
Bankgirot**

## The benefits of going cashless for Nordic corporates

The Nordics’ pioneering approach to cashless transactions generates major benefits for businesses across the region. These benefits are exemplified by Swish in Sweden, which has become an indispensable tool not just for consumers but for businesses too.

While Swish brings Swedish consumers an easy way to make purchases on the go, businesses benefit from advanced Swish features such as the real-time processing of funds, with Swish transactions arriving in the receiver’s account almost immediately. This means the business can manage its cashflow more effectively in a multi-currency transaction, with both the seller and buyer benefitting from certainty around currency conversion rates.

Additional capabilities are also available to enable businesses to make the most of Swish. For example, **Nordea**—one of six banks that cooperated with the Swedish clearing house **Bankgirot** to launch the Swish mobile app in 2012—offers a specialized set of Swish tools for its corporate customers, enabling them to monitor and administer their Swish transactions more effectively.

These tools show only a company’s Swish payments rather than its underlying bank account transactions, meaning it can allow any of its employees to see Swish payments in real-time. Further capabilities offered by the corporate tools include the ability to create Swish QR-codes and refund customers’ Swish payments when necessary.



Banks need to take a holistic approach to payments transformation. They should consider building a new future-proof payment landscape which enables them to achieve cost efficiencies and deliver innovative value-added propositions for the customers”

**Jeroen Holscher,**  
Global Cards & Payments Practice lead,  
Capgemini Financial Services

## How should banks respond?

With the Nordics established as a global hotspot for cashless payments innovation and adoption, it’s clear that banks whose offerings don’t keep pace will find themselves getting left behind, and potentially start to lose customers and revenue.

As market forces collide across the Nordics and beyond, it’s also clear that banks and financial institutions that still rely on siloed, legacy systems face a number of challenges—including increasing regulatory and compliance pressures, an inability to respond rapidly to end users’ changing expectations, and a growing need to embrace open ecosystems to thrive. This means they need to shift their focus in three ways:

1. Centralize payments processing to support growth today and tomorrow.
2. Become adaptable and change-ready to provide value-added services quickly.
3. Future-proof the payments business through open and agile innovation, underpinned by collaborative ecosystems.

The Nordics’ momentum towards the cashless society is unstoppable and it can also become an example for other regions to follow. Banks must either join the move to digital payments—or face becoming marginalized and increasingly irrelevant to the needs of their customers, both consumers and businesses.

## Unsure where to start?

Assess your current payment services and define where you want to be, including your current capabilities, shortcomings and gaps.

If you need any assistance doing so, you are welcome to reach out to our experts:



**Anders Olofsson**  
Head of Payments, Finastra

*Anders is Payments Leader at Finastra. His professional career includes similar leadership roles at D+H and Fundtech as well as sales and solution roles with IBM and LogicaCMG. He has over 20 years’ international business experience with deep technology, transformation and outsourcing experience, delivering successes for customers across their retail, wholesale, cash management and payments businesses.*

*With meeting customers and speaking engagements across EMEA – European Central Bank 2019, Seamless Payments*

*2019 and Efma 2018 – he is always on the move. He is a passionate people leader who encourages his team to think differently. He holds a master’s degree in economics from Lund University as well as a master’s degree in business administration from Umea University. Follow Anders on [Twitter](#).*

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**Jeroen Holscher**  
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*Jeroen Holscher is leading Capgemini’s Global Cards & Payments Practice within Financial Services Strategic Business Unit. He is responsible for all cards and payment resources and offerings (payment hub implementation, cash management solutions, Open Banking platform and cards processing transformations.*

*Jeroen is a thought leader in payments and cards with a strong background in business consulting, project management and large-scale delivery. He has extensive experience acting as a lead in feasibility studies for international operating banks in the area of Payment Back-Office Transformation, Open API/PSD2, Clearing & Settlement and outsourcing / offshoring.*

*Jeroen is co-author and lead presenter of Capgemini’s yearly World Payments Reports.*

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## About Finastra's Payment Solutions

Finastra powers payments for banks and financial institutions globally. We centralize, integrate and optimize payments on multiple rails – high value, mass and immediate payments – and provide channel management, message transformation and intelligent routing with our order management capability. While intra-day liquidity management is designed to meet the real-time needs of corporates, access to APIs enables you to deliver corporate value in an open world. The breadth and depth of our technology and global business experience empowers your business for rapid innovation in response to clearing, market and regulatory changes to improve customer experience and monetize new opportunities.

Visit us at [www.finastra.com/payments](http://www.finastra.com/payments)

## About Capgemini

A global leader in consulting, technology services and digital transformation, Capgemini is at the forefront of innovation to address the entire breadth of clients' opportunities in the evolving world of cloud, digital and platforms. Building on its strong 50-year heritage and deep industry-specific expertise, Capgemini enables organizations to realize their business ambitions through an array of services from strategy to operations. Capgemini is driven by the conviction that the business value of technology comes from and through people. It is a multicultural company of over 200,000 team members in more than 40 countries. The Group reported 2018 global revenues of EUR **13.2** billion.

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