

Nordic region becoming Europe's testing ground for mobile payments



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The Nordic region's traditional strength in the mobile telecommunications industry has put its markets – along with France – at the head of the pack for European mobile payments roll-outs in 2010. Mobile payment programmes are being tested in Sweden and Norway, while Finland's Nokia and Sweden's Ericsson continue to lead development of payment-enabled mobile handsets and technology. Denmark's national payments system acquirer, PBS Holding A/S, is the most recent entrant into the mobile payments arena.

DENMARK'S PBS JOINS THE RANKS OF NORDIC MOBILE PAYMENTS INNOVATORS

PBS became the latest Nordic player to announce development of mobile payments applications in late 2009, falling into line with the regional trend toward leading innovation in the field. PBS, the Danish national payments acquirer founded in the 1960's by the country's banks, is working toward an SMS text message remote mobile payment system that directly debits a purchaser's bank account instead of charging their mobile phone account. Additionally, experts expect PBS' mobile NFC payment technology to be in widespread use within the next three to five years.

While this means that PBS will be going up against the likes of Sweden's PayEx AS, whose unique mobile payment platform is already successfully in use in the Swedish town of Visby and is being prepared for national and regional launches, PBS' recent expansion will help its anticipated technology to gain traction outside Denmark. It is currently merging with Norway's Nordito AS, the parent company of the leading Norwegian acquirer/processors BBS and Teller. Together, the new company will have acquiring or other service operations throughout the Nordic region and as far afield as Ireland and Poland, providing it with a solid, international customer base to successfully launch its mobile programmes and compete against PayEx and Nokia's 'Mobile Money', soon to be launched with Obopay.

NORDIC REGION IS PRIMED FOR DEVELOPMENT OF REGIONAL-LEVEL PAYMENTS PLAYERS

Despite the presence of multiple national currencies, the Nordic region is one of the ripest areas within Europe for further integration of payment systems and expansion of payments players at the regional level. Prior to the current merger between PBS and Nordito, PBS and Norway's BBS had already joined forces in 2007 to form the Northern European Transaction Services (NETS) joint processing venture. The current merger is a natural outflow from the integration of the two acquirer/processors, whose first client was regional banking powerhouse Nordea Bank AB. Nordea held significant share of total card transaction value in Denmark (32%), Sweden (14%) and Norway (10%) in 2008, serving as a driver of regional consolidation in payment acquiring, processing and other back-end services.

In addition, intra-regional travel in the Nordic markets of Sweden, Norway, Denmark and Finland reached almost 11 mn arrivals in 2008, accounting for 35% of all arrivals to these markets. This is significantly higher than in the Benelux region, for instance, where only 18% of total travel arrivals in 2008 were intra-regional. Daily traffic across the Öresund bridge linking Copenhagen with the Swedish city of Malmö also continues to rise despite the economic downturn, with passengers on the Öresund Railway growing 25% in 2008.

This is clearly reflected in the fact that Danish, Norwegian and Swedish debit cardholders also rank among the top foreign debit card transactors in the world. Denmark leads in foreign debit spend, with some 20% of the value of transactions on Danish-issued debit cards generated in foreign markets in 2009. Over 6% of the value of transactions on Swedish debit cards was generated abroad last year, while Norwegians spent around 9% of the total value of their debit transactions abroad. It can be safely assumed that much of this spending takes place in the neighbouring Nordic markets that one in two Nordic consumers will visit in 2010.

Table 1 Nordic Markets Domestic vs Foreign Debit Spend

Retail Value RSP - % breakdown	2007	2008	2009
Denmark - Debit Transactions			
Domestic	81	80	80
Foreign	19	20	20
Norway - Debit Transactions			
Domestic	92	92	91
Foreign	8	8	9
Sweden - Debit Transactions			
Domestic	92	93	93.5
Foreign	8	7	6.5

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These factors strongly suggest that Nordic innovators in the mobile payments space are well positioned to develop and spread efficient multi-country, multi-currency mobile payment platforms, using their own backyard as a fitting testing ground this year. While France's Payez Mobile initiative is expected to stimulate mobile payments innovation in that market, potentially creating European mobile payments technology players out of companies such as INSIDE Contactless and Oberthur Technologies, PBS and PayEx, as well as Nokia and Ericsson, are likely to prove that Nordic leadership in European telecommunications will spill over into mobile and NFC payments.

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