



Unlocking credit in the Nordics

Market insights and strategies for success

September 2023

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The credit market has a lot of opportunity

Usually, when people talk about the credit market they immediately think “credit cards”. But in reality it encompasses much more:



Revolving credit solutions, such as overdrafts and credit cards.



Instalment solutions, such as Buy Now Pay Later (BNPL), and Point-of-Sale (POS) financing.



Unsecured consumer lending, including quick and personal bank loans.

And it's a very big market – worth €501bn¹ across Europe.

However, challenging economic conditions in recent years have led to a contraction, with the pandemic playing a key role in this. During lockdown, high ticket purchases and travel activity fell dramatically, and consumer spending focused mainly on essential items.²

Global spending fell by 12%³ in this period, leading to fears of a widespread recession. To ease the pressure, central banks around the world adopted a policy of quantitative easing, creating inflationary pressures that have been further fueled by rising energy and food prices.

On the face of it, this poses a problem for the credit market, but it's not all doom and gloom. To help them deal with the cost-of-living crisis, consumers need greater flexibility in how and when they pay for their purchases, sometimes

spreading the cost over a few months. They also need greater control over their finances.

If credit providers can deliver this and position their products in a way that reassures and satisfies these consumer needs, then there is a clear opportunity for accelerated growth.

New credit propositions, such as BNPL, are already doing this, and continue to grow in popularity, especially in the Nordics. The forecast for credit card growth across Europe is also positive over the next few years.⁴

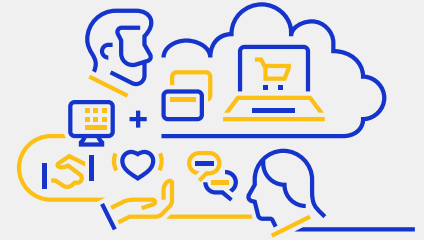


Consumer perceptions about credit are changing

When drawing up plans about how to capitalise on this opportunity, the logical place to start is to understand how consumers feel about credit.

Visa's latest research identifies that nearly half of Nordic consumers hold a negative perception of credit, with the main reasons being:²

Many would see this as reinforcing the widely held opinion that Nordic consumers are credit averse. However, when we dig deeper, the research reveals a different perspective.



They can easily get into debt by using credit.



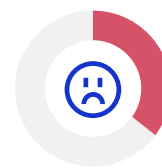
The interest rates and fees charged are high and expensive.



Providers do not always have their best interests at heart.



>50% of consumers view loans negatively.



33% of consumers view POS finance negatively.



51% of consumers saw BNPL positively, increasing to 68% when excluding Denmark.

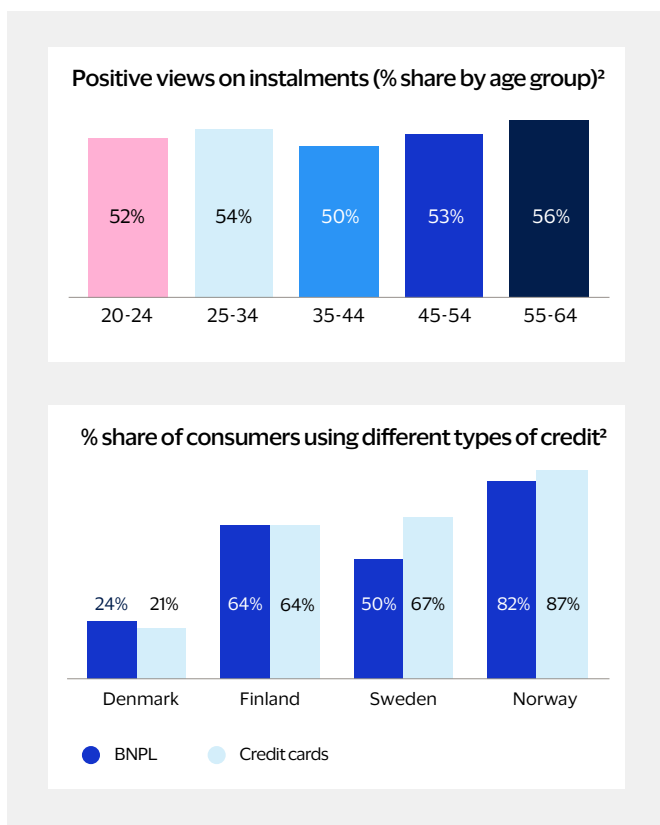


39% view credit cards positively, reaching 52% when excluding Denmark.



BNPL is quickly being embraced

An obvious assumption would be to think that the popularity of BNPL solutions is being driven by the younger demographics. However, as the chart below shows, consumers across all age groups view it in a positive light.



BNPL is fast becoming one of the most widely used forms of credit across the Nordics, rivalling credit cards.

In Denmark, BNPL is already the most popular form of credit, while in Finland, it's the joint highest. The Swedish and Norwegian markets are not far behind, where it's the second most popular option.

So, what's driving this success?

When discussing this question with our clients across Europe, many explanations have been proposed, but they all point to the same thing – **the use of innovation.**²

BNPL providers have taken a fresh, innovative approach to the delivery of credit across the whole customer value proposition. This is even reflected in the name 'buy now, pay later'.

Ironically, the industry has, for years, used this phrase internally to describe credit – in the same way they still use 'buy now, pay now' to describe debit. Yet, when communicating with customers, they have consistently used the term 'credit' – despite knowing that for most customers the term triggers a negative emotion.

Of course, there are many good reasons for why they have, but arguing this will miss the point. The BNPL industry didn't use it, and it's worked. Instead, they positioned the solution as an innovative budgeting tool that helped consumers easily understand what they owe and gave them the choice of how and when they could pay. The way BNPL is positioned has also helped shape a positive consumer perception. By using phrases such as 'budget your money', 'save money' and 'only pay once you have your item'.

Even though many of the features are the same as credit, BNPL players have changed the game by positioning them as new benefits.

For example, Visa's research confirms that consumers place high value to the fact they only pay if they decide to keep the item they have purchased.²

Whilst this is a common feature of all credit card agreements, BNPL marketing has taken it to another level. But it's not just in marketing where BNPL providers are innovating – they have also used technology to make great advances with user experience and product delivery.

Visa's research confirms that convenience, flexibility, and availability rank as the main reasons for adopting BNPL. Applying for credit can often be a long, drawn-out process, yet the BNPL experience isn't. It's designed to deliver an instant, positive decision, with onboarding taking place at the point of purchase. This is all made possible by technology and by integrating the customer journey into merchant eCommerce platforms.

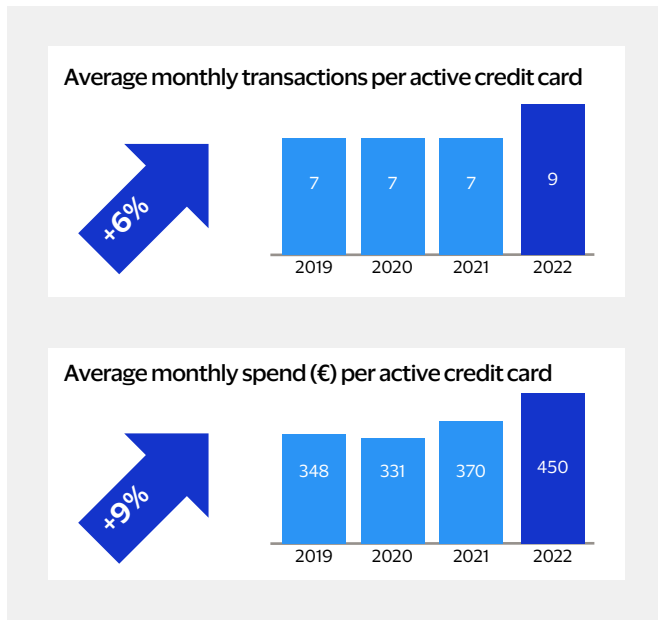
It's this innovative combination of transformative marketing, instant decisioning and onboarding, alongside a seamless, integrated user experience that will ensure the continued success of BNPL solutions.



Globally, the industry is forecasting a 16% CAGR between 2022 to 2026 for BNPL transaction volumes,⁵ a growth we expect to be matched across the Nordics.

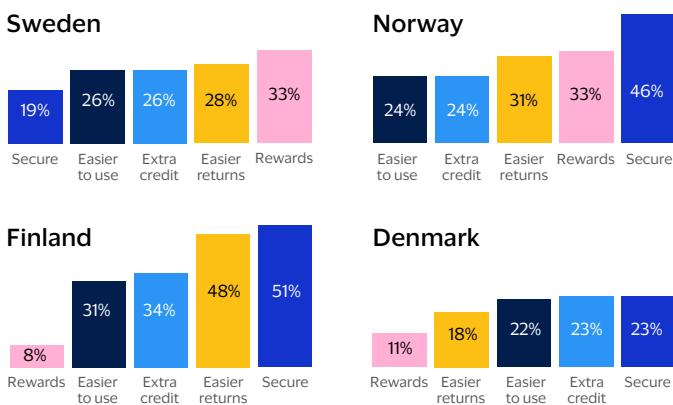
The credit card market continues to grow

Following the pandemic, overall credit card usage across the Nordics has enjoyed a steady year-on-year increase. Since 2019, transactions and spend per active card have risen by 6% and 9%, respectively.²



But what's driving this growth?

Across the Nordic countries, we asked consumers what they view as the main advantages of using a credit card*.²



* Full answers below. Note: for Sweden, there are two reasons which rank as joint third, hence the inclusion of 'It is secure' as a top four advantage.

- You get rewards on your purchases
- You get credit to pay for some purchases
- It is secure
- Easily return things, money not gone from the account
- Easy to pay with a credit card compared to other credit

Across all countries, consumers had a similar view on the main benefits to them of using credit cards.

Security is one of the most important value features for consumers. They feel that it's safe and secure to use credit cards – a benefit that is often communicated in literature. Another is the high value they place on the ability to return items before they've been paid for – a benefit that also features strongly in BNPL research. Consumers also highly value that they have a line of credit, and therefore time, to pay for certain purchases. This benefit has a similar value to the fact it's very easy to pay with a credit card.²

Then of course, there are the reward schemes which offer a compelling usage incentive, especially at a time when consumers are looking for ways to generate more value from their spending. Consumers know the more they use their card, the more value they will earn, whether that is cashback at certain retailers, discounts on specific purchases, or travel benefits such as air miles and more.²

Looking forward

There is every reason to believe that credit card usage will continue to grow across the Nordics, especially if the industry takes inspiration and insight from the BNPL market. In particular, in identifying new approaches to proposition development and marketing in order to attract new customers.



Building a successful credit card proposition

To accelerate their growth, credit card issuers need to go back to basics and look closely at their customer proposition, at each stage of the value chain.

Equally important is the realisation that success is not about finding one big idea – in this regard, there is rarely a “silver bullet”. From our extensive work with credit issuers across Europe, we have identified **five golden rules** to creating a successful and growing credit proposition.



Design an engaging customer proposition

This is the focus area – ensuring the customer proposition attracts and engages the customer throughout – not just at launch, but throughout its lifecycle. It means designing and maintaining the best features, daily engagement services, value offers, and pricing. It also means communicating this with simple, easy to understand messaging.

Easy application and servicing of the account

Once the proposition is designed, the next key step is to ensure it is easy to get and service, using whatever channel they prefer. In today’s market, customers will expect to be able to apply in a few minutes. Also, if for any reason they have to pause the application, they will expect to be able to save and return. Once submitted, they will want an instant decision. The same goes for servicing – easy, hassle-free, and instant – with a high digital, self-serve emphasis.

Allow them to buy what they need, when they need it

In our experience, this is a weak link in most credit card propositions. If the intention is for the cardholder to be a regular spender, then it is important they have a credit limit that’s large enough for them to do so. Even though the logic is hard to argue against, we continually find that limits are very low, restricting regular spending behaviour. There are many ‘great and convincing’ reasons for this – but it doesn’t change the issue. If the customer has a low limit, they are unlikely to use their card. Addressing this is key to success.

Onboarding only ends when the customer is a regular user

Most issuers have an onboarding process. But for most, this ends after the card has been delivered and activated. Onboarding needs to go much further than this. Its purpose is to ensure customers start using the product, not just once but regularly each month. Designing an onboarding journey that ensures this happens will maximise card usage and minimise account dormancy.

Stay ahead with innovation and product development

Innovation today will likely be hygiene tomorrow – such is the pace of change in the current digital market. So it’s vital to continually innovate – introduce small changes regularly, giving you something to talk about and excite the customer. Whether it’s a new digital capability, a new value offer, or service enhancement is less of an issue – what’s important is you continue to innovate, grow, and change.

By following these golden rules and continuously striving for improvement, credit providers in the Nordics can accelerate their growth and deliver a world-class experience and proposition.

The road ahead

As a result of improving customer perceptions and changing needs, there is every reason for credit providers to be excited about the growth opportunities ahead.

For many, this will mean a new and very different credit card strategy – achieving this will demand a new mindset and fresh way of thinking. Visa is a global leader and expert in credit cards and we are already working with many of the fastest growing issuers across Europe. We understand the market and know what consumers want. We know how to design and execute growth strategies.

Our expert team, tools, and resources can help you unlock your growth opportunity.



Visa has the highest global share of credit purchase volumes





About Visa Consulting & Analytics

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

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

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

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

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

Get in touch today to discover how VC&A can help enhance your credit portfolio.
 Email VCA@Visa.com or visit us at Visa.com/VCA

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Acknowledgements

Unlocking Nordic Credit: Insights and Strategies for Success

Visa have produced a report about the Nordics (Norway, Sweden, Denmark, Finland) identifying the latest trends in the credit landscape. The report was conducted in March 2023 by doing qualitative and quantitative research in every country. 2000 respondents were a part of the survey and 48 people attended the focus groups. Additionally, as a part of the report Visa analysed the payment data from Visa to understand spending behaviour in the respective markets.

1 Eurofinas, 2022 "European Consumer Credit Market Saw Positive Results in 2022"
 2 Visa, Unlocking Nordic Credit, 2023
 3 Global payments card spending reaches \$42 trillion, Payments Cards & Mobile, 2022
 4 Visa Nordic Digital Payment Study, 2022
 5 Worldpay from FIS, 2023