

Cards and Payments in Norway

The Norwegian payment card market is mature, with each individual holding more than two cards

MarketLine Case Study

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1. Overview

1.1. Catalyst

Payment cards reign supreme in Norway, with individuals possessing an average of 2.4 payment cards. This is the result of an efficient domestic debit card scheme (BankAxept) and a high banked population (99.7%). Ready access to formal financial services has resulted in a population that is highly comfortable with payment cards both in-store and online. Electronic payments have also gained ground due to the government's substantial investments in building long-term infrastructure for cashless transactions. Contactless card numbers and usage have seen healthy growth in the past few years, with the vast majority of contactless users in the country seeing these cards as helpful. Affordable and widely available financial products, the growing presence of digital-only banks, the consumer preference for instant payments, a competitive marketplace, and a transparent business environment will aid the move towards a cashless society. Amid the COVID-19 pandemic, the payment market is undergoing a major change and Norwegians are increasingly opting for options such as contactless, further reducing the use of cash. Although COVID-19 hampered ecommerce in the short-term due to reduced consumer spending, it has made online purchasing more appealing, as wary consumers are staying at home and using online platforms to purchase goods.

1.2. Summary

Contactless technology is gaining prominence in Norway, with banks and scheme providers increasingly promoting this technology. The number of contactless cards in the country was estimated at 12.1 million in 2021, up significantly from 774,000 in 2017. The figure is anticipated to reach 14.8 million by 2025f at a CAGR of 5.1% over 2021e–25f. The declining use of cash and the near daily use of payment cards means the scope for contactless payments in Norway is significant. The number of contactless payments is likely to grow further as more contactless cards are issued and merchants increasingly adopt contactless POS terminals.

The merchant acquiring space saw a series of mergers and acquisitions during the review period. In November 2017, Ingenico acquired payment services provider Bambora to offer integrated and omnichannel solutions. Ingenico was later acquired by Worldline in November 2020. In January 2019, the merger of Nets and Concardis Payment Group (a leading merchant payment services provider in the DACH region) was completed. The combined entity created a business with nearly EUR1.3 billion (\$1.6 billion) of revenue and EUR500 million (\$611.4 million) of EBITA. In June 2021, Italian payment processor Nexi acquired Nets for EUR7.8 billion (\$9.5 billion). The deal made Nexi one of the leading acquirers in the Nordics.

The proliferation of digital-only banks will further support payment card market growth. Launched in 2000, digital-only bank Sbanken has emerged as a leading player in the debit card space. Norway-based digital bank Instabank offers a range of products including current accounts, payment cards, savings accounts, time deposit accounts, and consumer loans. Meanwhile, Norway-based digital-only bank Aprila Bank serves small businesses. In addition, international digital-only banks such as N26 and Revolut also operate in the country. N26 offers its flagship premium account, N26 Metal, which includes a debit card that provides unlimited free foreign currency exchanges and withdrawals worldwide.

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Published: April 2022

Table of Contents

1.	OVERVIEW	1
1.1.	Catalyst	1
1.2.	Summary	1
2.	ELECTRONIC PAYMENTS DOMINATE THE NORWEGIAN PAYMENTS LANDSCAPE	5
2.1.	Cards account for a share of 71%	5
2.2.	The launch of Straks 2.0 has boosted the Norwegian instant payments space	5
2.3.	The Norwegian payment card market is mature, with each individual holding more than two cards	6
2.4.	Debit cards account for 57.5% of cards in circulation	6
2.5.	The Norwegian payment card market is mature, with each individual holding more than two cards	8
2.6.	Norwegian consumers are avid users of debit cards	8
2.7.	BankAxept has a stronghold over the Norwegian debit card market	8
3.	THE NORWEGIAN MERCHANT ACQUIRING SPACE HAS WITNESSED CONSOLIDATION	10
3.1.	Acquiring and Processing	10
3.2.	Retail product sales observed a marginal decline in 2021e due to reduced consumer demand	10
3.3.	COVID-19 disrupted growth in the Norwegian retail services market	11
3.4.	Rising ecommerce is supporting electronic payments growth	11
3.5.	Daily essentials emerged as leading online categories amid the pandemic	11
4.	APPENDIX	12
4.1.	Further reading	12
	Global - Mobile Payments (2021) MarketLine Industry Profile	12
	Open Banking: Open banking will drive profound business model change (2021) MarketLine ThemeReport	12
5.	ASK THE ANALYST	12
6.	ABOUT MARKETLINE	12

Cards and Payments in Norway: Norwegian payment card market is mature, with each individual holding more than two cards

Published: April 2022

List of Figures

Figure 1: Payment preferences: Payment cards and mobile wallets

6

Cards and Payments in Norway: Norwegian payment card market is mature, with each individual holding more than two cards

Published: April 2022

List of Tables

No table of figures entries found.

Cards and Payments in Norway: Norwegian payment card market is mature, with each individual holding more than two cards

Published: April 2022

2. Electronic payments dominate the Norwegian payments landscape

Payment cards are widely used in Norway. The growth in card payments has been due to domestic card scheme BankAxept, the country's well-developed payment infrastructure, high consumer awareness, and affordable and widely available financial products. Norway is a card-dominated society, with cards accounting for 71.0% of overall payment transaction volume in 2021e. Card penetration in Norway is the highest among its peers, with each individual holding an average of 2.4 cards.

2.1. Cards account for a share of 71%

Payment cards are widely used in Norway. The growth in card payments has been due to domestic card scheme BankAxept, the country's well-developed payment infrastructure, high consumer awareness, and affordable and widely available financial products. The COVID-19 pandemic has also aided the growth of card payments, especially contactless card payments. The emergence of digital-only banks and rising ecommerce will support card payment market growth. Credit transfers, also known as giro transfers, are mostly used for large-value payments such as salaries, pension funds, tax, and insurance. The Norwegian Interbank Clearing System (NICS) processes both bulk and high-value transactions. From April 2020, Norwegian banks started using a new infrastructure for real-time payments, Straks 2.0. AvtaleGiro and Autogiro are two of the direct debit services available in Norway. BankAxept is another direct debit service available for retail customers. The number of cash transactions recorded a CAGR of -9.8% during 2017–21e. With the growing preference for card-based payments and the availability of various alternative payment solutions, the share of cash is expected to decline further. The pandemic is also driving consumers to avoid cash. Due to the availability of low-cost and secure electronic payment instruments such as payment cards, credit transfers, and direct debits, cheque usage decreased significantly during 2017–21e.

2.2. The launch of Straks 2.0 has boosted the Norwegian instant payments space

Straksbetaling is a real-time instant payment platform. It was launched by a consortium of banks in 2013 Norges Bank, banking and finance infrastructure company Bits, and other Norwegian banks rolled out an updated version called Straks 2.0. From May 2020, Norwegian banks and retail payment solutions such as Vipps started using this new infrastructure for real-time payments. It is available 24 hours a day, seven days a week, 365 days a year. The payee's bank credits their account within seconds of the payment's initiation. The service allows peer-to-peer, consumer-to-business, and business-to-business payments. There is no payment limit. 124 banks support Straksbetaling. Mobile payment app Vipps is also widely used for instant payments in Norway. The service was launched by DNB in May 2015. It enables users to make peer-to-peer payments as well as online, in-store, and bill payments using a linked mobile phone number. Fund transfers can only be made between Vipps users. Users can fund their payments using their bank account or debit/credit card. To receive a payment, users must link their bank account with Vipps. If the fund is transferred from the bank account, it is credited to the recipient's account instantly. However, in cases where the card is used as the payment source, the transfer can take up to three business days. Over 100 banks – including Nordea, SpareBank 1 SMN, Sbanken, Handelsbanken, Savings Bank 1, Balder, and Eika – support Vipps.

Cards and Payments in Norway: Norwegian payment card market is mature, with each individual holding more than two cards

Published: April 2022

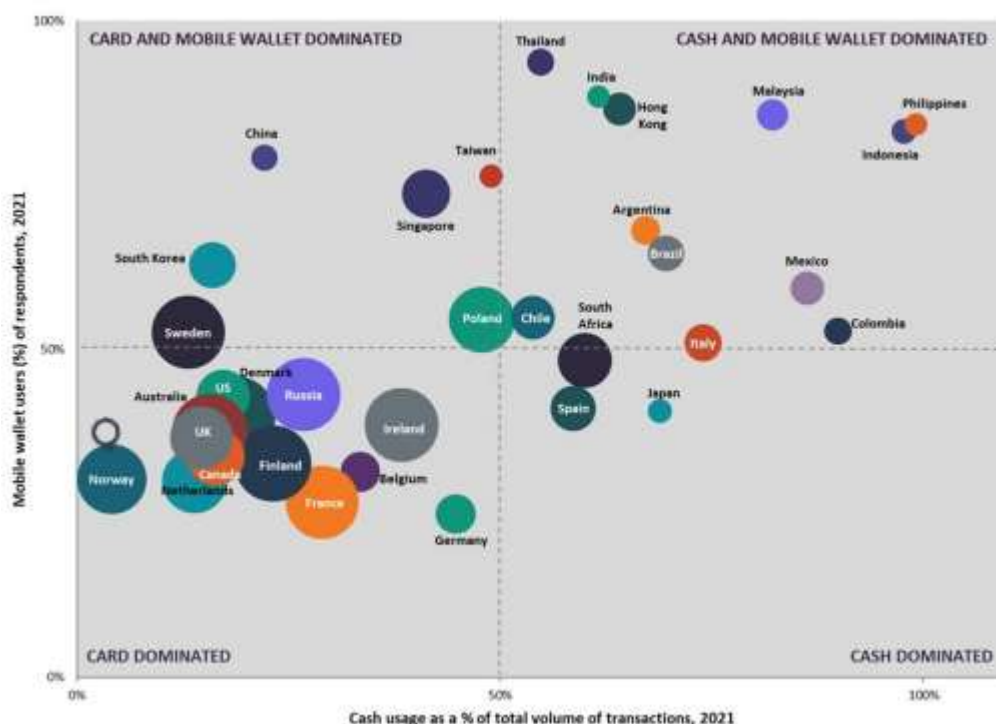
2.3. The Norwegian payment card market is mature, with each individual holding more than two cards

Norway is a card-dominated society, with cards accounting for 71.0% of overall payment transaction volume in 2021e. Card penetration in Norway is the highest among its peers, with each individual holding an average of 2.4 cards. And while frequency of use is relatively low compared to its peers, the figure is still higher than many developed markets (including the US and the UK). During 2017–21e, card payments registered CAGRs of 2.4% and 2.1% in terms of payment transaction volume and value respectively. With the growing consumer preference for card payments and digital banking, the adoption of mobile wallets, expanding payment infrastructure, increasing digitalization of payments, and the growing ecommerce market, electronic payments are anticipated to further displace cash transactions over the coming years.

2.4. Debit cards account for 57.5% of cards in circulation

Debit cards remain the preferred card type in Norway, supported by the country's strong banked population. The market registered healthy growth in terms of card payment volume and value at respective CAGRs of 2.2% and 2.7% during 2017–21e. This was due to the gradual migration of low-value cash transactions to cards as well as the increasing number of contactless payments. COVID-19 has further accelerated the shift from cash to card-based payments. The number of credit cards in circulation decreased from 6.2 million in 2017 to 5.3 million in 2021e at a CAGR of 3.6%. However, with banks offering credit cards as part of bundled account packages, the number of credit cards in circulation is set to record a CAGR of 3.9% over 2021e–25f. Due to reduced consumer spending amid COVID-19, credit card payment value declined by 17.6% in 2020, before recording 8.1% growth in 2021e due to the country's economic recovery.

Figure 1: Payment preferences: Payment cards and mobile wallets



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2.5. The Norwegian payment card market is mature, with each individual holding more than two cards

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The proliferation of digital-only banks will further support payment card market growth. Launched in 2000, digital-only bank Sbanken has emerged as a leading player in the debit card space. Norway-based digital bank Instabank offers a range of products including current accounts, payment cards, savings accounts, time deposit accounts, and consumer loans. Meanwhile, Norway-based digital-only bank Aprila Bank serves small businesses. In addition, international digital-only banks such as N26 and Revolut also operate in the country. N26 offers its flagship premium account, N26 Metal, which includes a debit card that provides unlimited free foreign currency exchanges and withdrawals worldwide.

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2.6. Norwegian consumers are avid users of debit cards

Debit Cards are mostly used for payments rather than ATM cash withdrawals, with debit card payments accounting for 95.0% of total debit card transaction value in 2021e. The frequency of debit card payments in Norway is among the highest in the world. This is mainly due to the rising preference among Norwegians for cashless payments, supported by contactless payment growth. Meanwhile, average debit card payment transaction value increased from NOK328.50 (\$38.30) in 2017 to NOK335.35 (\$39.09) in 2021e at a CAGR of 0.5%. This can be attributed to the increased contactless payment limit, which enables consumers to make payments of up to NOK500 (\$58.29) without needing to enter their PIN. Average transaction value is set to record a CAGR of -0.9% over 2021e–25f, which reflects that Norwegians are increasingly using their debit cards for everyday spending.

2.7. BankAxept has a stronghold over the Norwegian debit card market

BankAxept is Norway's domestic debit card scheme. It operates a no interchange fee model and has a strong acceptance network in Norway. However, BankAxept cards cannot be used for ecommerce and international transactions. This has led banks to offer co-badged debit cards in partnership with international schemes Visa and Mastercard. All domestic debit card transactions made via co-badged cards are carried out by BankAxept, whereas international transactions are carried out by the respective international schemes. "Others" includes co-badged BankAxept debit card transactions processed using the international scheme, not BankAxept. Transaction volume and value data should be read as covering transactions processed under the given scheme brand (i.e. 23.7% of debit card transactions are processed under Visa or Mastercard as of 2021).

Cards and Payments in Norway: Norwegian payment card market is mature, with each individual holding more than two cards

Published: April 2022

BankAxept's transaction value share is declining mainly because of a rise in online card transactions and mobile transactions linked to cards, as these are not processed by BankAxept; instead, international schemes are used. BankAxept has offered debit cards with contactless technology since June 2017, enabling card holders to make contactless payments. Amid the COVID-19 pandemic, the payment limit for BankAxept domestic contactless debit cards was increased from NOK400 (\$46.63) to NOK500 (\$58.29) in March 2020. In July 2018, BankAxept, Vipps, and BankID were merged to operate under a single entity called Vipps AS. Meanwhile, in December 2021, Eika Group (a banking alliance of over 50 banks) renewed its partnership with Visa to exclusively offer Visa-BankAxept co-badged debit cards.

Cards and Payments in Norway: Norwegian payment card market is mature, with each individual holding more than two cards

Published: April 2022

3. The Norwegian merchant acquiring space has witnessed consolidation

DNB dominates the merchant acquiring space in Norway. The bank has a partnership with Nets to offer mobile and desktop POS terminals. Despite the outbreak of COVID-19, retail product sales in Norway increased 9.5% in 2020 to reach NOK647.8 billion (\$75.5 billion). This was a result of increased sales in the food and groceries, electricals, and home categories. Panic buying drove sales in food and groceries amid COVID-19, while the need to work and study from home drove sales in electricals.

3.1. Acquiring and Processing

DNB dominates the merchant acquiring space in Norway. The bank has a partnership with Nets to offer mobile and desktop POS terminals. The bank's business customers can also opt to rent terminals. In February 2019, DNB renewed its agreement with Nets for card processing and payment services. Nordea offers merchant acquiring services in collaboration with Worldline. It offers both online and ecommerce acquiring services in Norway. The merchant acquiring space saw a series of mergers and acquisitions during the review period. In November 2017, Ingenico acquired payment services provider Bambora to offer integrated and omnichannel solutions. Ingenico was later acquired by Worldline in November 2020. In January 2019, the merger of Nets and Concardis Payment Group (a leading merchant payment services provider in the DACH region) was completed. Following the merger, both companies retained their respective brands. The combined entity created a business with nearly EUR 1.3 billion (\$1.6 billion) of revenue and EUR500 million (\$611.4 million) of EBITA. In June 2021, Italian payment processor Nexi acquired Nets for EUR 7.8 billion (\$9.5 billion). The deal made Nexi one of the leading acquirers in the Nordics. Following the acquisition, Nets continues to offer its services as a separate brand in Norway under Nexi Group. SpareBank 1 SMN offers both standard and mobile POS terminals to customers in partnership with Nets. It also offers rental POS terminals that can be replaced every three years. The bank represents an alliance of 14 banks. Merchant acquirers are offering various payment methods for their merchants. In November 2021, Nets partnered with China UnionPay to enable UnionPay contactless acceptance at its merchants in Nordic countries (including Norway). In June 2021, JCB expanded its partnership with Nets for JCB contactless acceptance in the Nordic region (including Norway).

3.2. Retail product sales observed a marginal decline in 2021e due to reduced consumer demand

Despite the outbreak of COVID-19, retail product sales in Norway increased 9.5% in 2020 to reach NOK647.8 billion (\$75.5 billion). This was a result of increased sales in the food and groceries, electricals, and home categories. Panic buying drove sales in food and groceries amid COVID-19, while the need to work and study from home drove sales in electricals. However, the market observed a marginal decrease of 1.3% in 2021e. This was mainly due to a fall in demand for electricals. Following the gradual revival in travel and recreational events, clothing and footwear registered the highest growth of 5.5% in 2021e after recording a significant decline in 2020. Food and groceries continues to dominate overall retail product sales, accounting for 45.0% in 2021e.

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3.3. COVID-19 disrupted growth in the Norwegian retail services market

The Norwegian retail services market was on the rise before 2020. Rising disposable income and improved employment encouraged consumer spending in the country. However, the market observed a significant decline in 2020 due to uncertain economic conditions, which deterred consumers from spending on non-essentials and prompted them to focus on saving. As a result, sectors such as recreation and culture, restaurants and hotels, and transport observed significant declines in 2020. Essential services such as housing, water, electricity, gas, and other fuels continue to account for a large proportion of household budgets. With the country on a path towards normality, a gradual recovery is anticipated in the retail services market.

3.4. Rising ecommerce is supporting electronic payments growth

The Norwegian ecommerce market slumped in 2020 amid the COVID-19 outbreak before recording 6.4% growth in 2021e to reach NOK174.3 billion (\$20.3 billion). Ecommerce value is set to record a CAGR of 14.0% over 2021e–25f to reach NOK294.7 billion (\$34.4 billion) by 2025f. This will be supported by rising internet and smartphone penetration, the growing consumer preference for online shopping, and improving infrastructure. In addition, online shopping events such as Halloween, Singles' Day, Black Friday, and Cyber Monday play a key role. Online retailers offer discounts during these events, driving sales. An increasing number of Norwegians are shopping online using mobile phones, encouraged by the availability of convenient payment solutions such as AfterPay, Klarna, Vipps, Apple Pay, and Google Pay. The rising ecommerce market is benefiting online payment solutions. On average, over 1.7 million Norwegian consumers used Vipps for online purchases per month in Q1 2021. This was 600,000 more than during the same period of 2020. Vipps also observed a 100% rise in the number of online merchants accepting Vipps during the period.

3.5. Daily essentials emerged as leading online categories amid the pandemic

Amid the COVID-19 pandemic, essential goods such as food and drink and clothing and footwear are the leading categories for ecommerce purchases, together accounting for nearly a third of total ecommerce transaction value. Amid growing demand for ecommerce purchases, Norwegian supermarket chain Coop Norge AS launched its online store in November 2021, enabling consumers to purchase grocery items online. Meanwhile, Denmark-based home accessories retailer Søstrene Grene launched its online store in the country in March 2021. Travel and accommodation – which were the worst hit services as a result of COVID19 and the resulting lockdowns – are now on the path to recovery, as tourism activities are gradually gathering pace.

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Published: April 2022

4. Appendix

4.1. Further reading

[Global - Mobile Payments \(2021\) MarketLine Industry Profile](#)

[Open Banking: Open banking will drive profound business model change \(2021\) MarketLine ThemeReport](#)

5. Ask the analyst

We hope that the data and analysis in this case study will help you make informed and imaginative business decisions. If you have any questions or further requirements, MarketLine's research team may be able to help you. The MarketLine Research team can be contacted at ReachUs@MarketLine.com.

6. About MarketLine

At MarketLine, we deliver accurate, up-to-date insights on over 100,000 companies, 3,500 industries, 215 countries, and 3,000 cities as well as the latest news and financial deal information from within your market and across the globe.

Established in 1997 when the Internet was in its infancy, we recognized the need for a convenient and reliable data service to help our clients understand local and global markets and the companies operating within them.

In today's information-rich world, sifting fact from fiction to pick out what's relevant and what's up to date has become the new 'holy grail' in business information provision.

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