Strategies in Swedish banks: Swish to handle bank transfers and payments

André Jakobsson
Halmstad University, Sweden
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Abstract

In a world where online services are developing fast, industries must constantly seek new kinds of strategies if they want to stay competitive and satisfy the needs of the market. Previous research shows that technical advances in the banking industry have led to new modern ways for the banks’ customers to managing financial functions. Swish, a highly popular app launched by the biggest banks in Sweden, are a prime example of the banks’ effort to remain competitive. In this paper the usage of Internet banking, mobile banking and Swish among the Swedish people will be researched and the aim is to investigate the market’s willingness to adopt new apps that provides financial services. An online survey have been conducted and answered by 203 Swedish respondents. The results show that mobile banking seem to be a way popular way to handle bank errands than Internet banking. Another finding is that the vast majority of the Swedes prefer to use Swish rather than either Internet bank or mobile bank, in the matter of managing transfers to other people’s bank accounts. The indications that Sweden might be going towards a nearly cashless society is discussed and analyzed.

Keywords:
Swish
Sweden
Cashless society
Mobile banking
Swedish banks

1. Introduction

The introduction of electronic banking, which made it possible for people to manage financial services via the Internet (Poustchi & Schurig, 2004), changed the business of retail banks heavily. The transmission to banking applications in mobile devices was a natural development of electronic banking thanks to the great spread of Internet-enabled mobile phones among people around the world. To remain competitive and keep customers committed, providing Internet banking to the customers has become a vital strategy for banks and financial institutions (Clemes, Gan & Du, 2012). According to Poutchti and Schurig (2004), electronic banking is one of the most successful business-to-costumer applications in electronic commerce. Laukkanen (2007) mean that the banking industry has been one of the leading sectors in adopting and using Internet and mobile technology on the consumer market. Low fees, time efficiency and the possibility to utilize the service anywhere and anytime
have been proved to be the most important benefits of Internet banking (Karjaluoto, Mattila & Pento, 2002a). Lee (2009) divides the perceived benefits into two categories, direct and indirect advantages. Direct benefits is described as immediate benefits that customers would enjoy by using internet banking, for example faster transaction speed and increased access to information. Indirect benefits on the other hand, are those benefits that are less obvious and more difficult to measure. For example, Internet banking allows customers to utilize bank services anywhere in the world 24 hours a day, and also offering customers more investment opportunities such as stock quotations and services such as updated news (Lee, 2009). Although Internet banking has been widely adopted with joy in many of the world’s developed countries, there are still customers resisting these services offered by the banks due to uncertainty and security concerns (Kuisma, Laukkanen & Hiltunen, 2007). Clemes et al. (2012) have found that inter alia marketing communications, a user-friendly website, perceived risk and Internet access are factors that have an impact on customers’ decision whether to adopt Internet banking or not.

The popularity of mobile electronic devices such as smartphones and tablets has increased significantly during the recent years (Vitello, Sciacca, Becciani, Costa, Massimino, Takács & Szakál, 2015). Vitello et al. (2015) claim that these devices are not free from problems due to processing power limitations, low battery life and a constrained storage space, which have a disadvantageous impact on the operability. However, as the worldwide usage of smartphones has been explosively increased in the recent years, mobile application software (apps) has had the same considerably growth in popularity (Hsiao, Chang & Tang, 2016). One industry that pre-eminently is utilizing this growing market is the banking industry. Bharti (2016) claim that technical advances in the banking industry have resulted in new business models, processes and revolutionized distribution channels. Modern financial functions such as micropayments to merchants, bill-payments to utilities and easy transfers between individuals are a few examples of the most popular outcomes (Bharti, 2016).

During 2012, a co-operation between six of the biggest banks in Sweden led to the launching of a new mobile app that were offering easy and fast transferring between different individuals’ bank accounts (Gutswish, 2016). Danske Bank, Handelsbanken, Länsförsäkringar, Nordea, SEB, Swedbank and Sparbankerna were the original banks that offered this service to their customers and also the owners of the company Getswish AB. Later also Skandia, Ica Banken, Sparbanken Syd och Sparbanken Öresund joined the group. The app has been developed further and today it is also possible for companies, associations and other organizations to receive payments from their customers or members. The service that Swish provides has been a huge success among the Swedish people. All that is needed to be able to use the app is a smartphone and a mobile banking identification, which the customers can order from their bank’s webpage. In December 2015, 4,1 million Swedes were using the app and the number keeps growing (Gustavsson, 2016).

The purpose with this paper is to investigate the Swedes willingness to adopt new kinds of financial mobile apps. The use of Internet banking, mobile banking and Swish will be analyzed. In section 2, the questionnaire that the respondents have been answering in the survey and the used methodology for collecting empirical data will be presented. Section 3 consists of the empirical data that was found through the survey. In section 4 I will present an analysis and findings.
2. Methodology

2.1 Questionnaire
In order to investigate how often people are using Internet banking, mobile banking and Swish, a questionnaire of 10 different questions has been conducted. The first two questions were asked in order to get a view of the respondents’ representativeness of the whole population in Sweden, in the aspects of gender and age. Since this paper seeks to analyze the usage of online services, I wanted to find out how many of the respondents that owns a computer, smartphone or similar device. The possibility to use mobile banking and Swish also requires that these apps are downloaded and installed on the individual’s device and connected to a bank (mobile banking) or a specific bank account (Swish). Therefore I found it interesting to ask if the respondents have mobile banking and/or Swish installed on any of their devices to see the degree of adoption of these mobile apps among the respondents. In questions number 4, 7 and 9 the respondent have to ask how often they are using Internet banking on the bank’s webpage, mobile banking and Swish. The different channels for using Internet banking were separated in different questions to get a more comparable view of the situation. Yet identical response options were used in order to avoid confusion, since all 3 questions are measuring the extent of usage. 7 different alternatives were formed in a way that eliminates any gaps. After sending the survey to the respondents I came to realize that it is possible that individuals are using Internet banking or mobile banking more than once a day, therefore it may have been even more accurate to leave another alternative saying “more than once a day” for example. In the last question, the respondents had to choose in which way they preferred to do transfers to other people’s bank accounts. In the actual survey, the questions were formed in Swedish to make it as easy as possible for the respondents to give a correct answer. So the reader of this paper will gain a full understanding, the questions in Table 1 will be presented in English.

2.2. Data collection
In order to collect enough answers I chose to share the survey on Facebook. Evans and Marthur (2005) conclude that time-efficiency is a major strength in the use of online surveys as a method to collect data. Online surveys can be administrated fast and the time it takes to get a survey in the hands of the respondents is minimal. Scholl, Mulders and Drent (2002) say that when most of a society has access to Internet, online surveys is a highly valuable and tool to gather information from respondents living in different regions of the country and also the world. Based on the limitations of time and resources in this paper, I considered Facebook to be the best choice in order to collect a high number of answers in a relatively short time and involve respondents from different cities in Sweden. 203 respondents participated and answered all the questions in the survey. The results show that 64% of the respondents were between 18-27 years old. The distribution between men and women also shows that women are slightly overrepresented among the respondents, with 57% of the answers. The overrepresentation of these groups means that the representativeness of this paper is not optimal, which should be should be taken into consideration when analyzing the results.
3. Empirical findings

In this section the results of the survey will be presented.

Figure 1. Gender of the respondents

Figure 1 shows that 57% of the respondents were women and 43% were men. This indicates that women are slightly overrepresented in the survey. This could have an impact on the results, but since differences in men and women’s usage of Internet banking and Swish are not in focus in this paper, it will be left out of consideration.

Figure 2. Age of the respondents

Of the total 203 respondents that participated in the survey, there is a clear overrepresentation of individuals in the age between 18-27, which can be seen in
Figure 2. 129 people (64%) are in this category, followed by 33 people (16%) in the age between 28-37. Only 12 people (6%) are in the ages under 18 or over 57.

Figure 3. How often people are using Internet banking on the computer

Figure 3 illustrates how often people are using Internet banking on the computer. 39% of the respondents answered 1-3 times month. One person was using Internet banking every day and almost 6% did never use Internet banking on the computer at all.

Figure 3. How often people are using mobile banking

How often people are using mobile banking is presented in Figure 3. As can be seen from the graphs, people seem to use mobile banking much more often than Internet banking today. 45% of the respondents answered that they were using mobile banking
1-3 times per month and 34% answered 1-3 times per week. 7% are never using mobile banking.

In figure 4 the user patterns of Swish are presented. 8% seem to never use Swish at all, while 2 people are using the app less than once per year. As much as 42% of the respondents answered that they are using Swish 1-3 times per week and 13% use it 4-6 times per week. None of the respondents are using Swish every day.

Figure 5 illustrates how people prefer to do transfers to other people’s bank accounts. The vast majority of the respondents thought Swish was the best alternative.
4. Analysis and findings

The biggest difference in the usage of mobile banking compared to Internet banking is that 46% of the respondents were using mobile banking somewhere between 1 time per week and every day, while only 16% were using Internet banking at least one time per week. 73 people are using the mobile bank 1-3 times per week, compared with 29 people that are using the Internet bank that often. 18 of the respondents answered that they use mobile banking 4-6 times per week, but only 3 respondents are using Internet banking 4-6 times per week.

According to Vitello et al. (2015) this differences in the usage of Internet banking and mobile banking should be the result of the significant increased popularity of mobile devices such as smartphones and tablets during the recent years. If Internet banking is considered to be an easy way to handle bank errands due to the fact that the service can be used in the home in front of the computer, mobile banking is the next step in the evolution. Of course today’s laptops are easy to bear in a bag, but smartphones is a type of device that the vast majority of the people in a modern society as Sweden is carrying around all the time. When going shopping, working, studying or taking a walk, the smartphone will always be in the pocket. And today the customers have the possibility to use most of the functions in the mobile bank that is offered by the Internet bank on the computer. Hsiao et al. (2016) mean that mobile application software (apps) has had the same considerably growth in popularity as the smartphones. They have also concluded that the banking industry has been utilizing the growing market of apps in a most successful way. The collected data from the survey, which reflects the Swedes’ use of these bank related apps, shows that Sweden is a great example of the conclusions that Hsiao et al. have brought.

When looking at the respondents’ extent of using mobile banking compared with Swish, we can see that Swish is being the most used app. 46% were using mobile banking somewhere between once per week and everyday, while 55% of the respondents were using Swish at least once per week. 86 people are using Swish 1-3 times per week, while 73 people are using mobile banking 1-3 times per week. 26 of the respondents answered that they were using Swish as much as 4-6 times per week, but only 18 people answered that they were using mobile banking 4-6 times per week. This is a very interesting outcome. While mobile banking includes multiple functions such as bank transfers, bill-payments, checking balance, putting money into saving accounts and controlling investments, Swish is yet mainly used for the transferring function and partly for payments. On the contrary, none of the respondents were using Swish every day, while 3 people answered that they were using mobile banking every day. The reason that some people obviously are using mobile banking every day could be explained by the multiple functions in mobile banking apps. People that are heavily interested in controlling their financial status every day can for example easily check their daily spending or keep track of their investments in their smartphone thanks to the independency of place and time. Concerning that no one is using Swish every day could be explained by the relatively few functions that is possible to use in the app. While there are a few people who might check their financial status every day in the mobile bank, none of the respondents seem to do transfers to other people’s accounts through Swish or use the app as a payment tool as much as every day.
When looking at how the respondents preferred to transfer money to other people’s bank accounts, as much as 85% of the respondents answered that they would rather use Swish than either Internet bank or the mobile bank. 6% answered that they would prefer the Internet bank and 9% would use the mobile bank. The 6% that choose to use Internet bank equals approximately the same amount of respondents that never uses mobile banking or Swish, therefore this number does not come as a big surprise. 85% that prefer Swish before the mobile bank is however a very large number. When transferring money through Swish or the mobile bank, a mobile identification is needed in both cases. But the fact that transferring money through Swish only requires an individual’s phone number instead of an account number, which can be harder to remember, could be one explanation to this result. Another fact is that a transfer between one bank account to another, no matter if the accounts are from the same bank or not, only takes a few seconds with Swish. This can be another explanation to the major popularity of the app. Transfers in the mobile bank between accounts that is not in the same bank often takes several hours and the transfer is only managed in the weekdays. That means that if a transfer is being made on a Friday night, it will not be approved until after the weekend.

Bharti (2016) have claimed that technical advances in the banking industry have resulted in new business models, processes and revolutionized distribution channels. Modern financial functions such as micropayments to merchants, bill-payments to utilities and easy transfers between individuals are described as a few examples of the most popular outcomes. In Sweden Danske Bank, Handelsbanken, Länsförsäkringar, Nordea, SEB, Swedbank and Sparbankerna went together and created Swish, and since the start have also Skandia, Ica Banken, Sparbanken Syd and Sparbanken Öresund joined the group. This co-operation is a great example of the bank industry’s effort to satisfy the needs on the market. Bharti’s conclusion that modern financial functions are the results of developed technical solutions is very suitable to the new system that seem to have been implemented in Sweden.

There have been several national and international reports that Sweden is the world leading country on the way to a cashless society. In 2003, Arvidsson reported that Sweden could be a completely cashless society, but not until at least 2030. There are still several groups that are still dependent on cash and these segments would be the biggest loser if cash were about to disappear. For example parts of the older generation that cannot keep up with the technical development and small retailers with business models in which cash payments are vital. Arvidsson said that the Swedish government and the consumers should have the potential to decide how the cash will be handled in the future, but also questioned this due to the government’s passivity and the different needs among the consumers. Instead he predicted that it was the banks that would be the leader in the matter of changing the cash handling. In 2016, Arvidsson (referred in Henley, 2016) said that Sweden could be a nearly cashless society within five years.

According to Arvidsson (2016), the launching of Swish is a huge factor to the Swedish society’s independency of cash handling. “It has the same features as a cash payment – real-time clearing, the same as handling over a banknote”. Transfers through Swish have been a new successful substitute to classic cash payments between individuals. And now when the app also has been introduced as an alternative payment method between individuals and businesses, the dependency of
cash might sink further. Many factors are pointing in that direction. According to Sweden’s central bank the Riksbank, last year’s value of all payments were only represented by 2% cash transactions and the total transactions in shops were made by less than 20% cash. Plastic cards have been the major payment method for a time now, which have resulted in many operators that will not even accept payments with cash. For example there is not possible to buy tickets on Swedish buses with cash. Instead, the development toward a society where cash is no longer required has led to the permission for retailers to refuse this physical money. Operators that earlier only accepted cash have now the ability to take card payments via a cheap system in form of a mini card-reader that is plugged into the smartphone, or transfers through Swish. Street markets, homeless magazine sellers and ice-cream salesmen are a few examples of operators that earlier maybe only could handle payments by cash, but today many of them are accepting electronic payments. According to Henley (2016), many of these operators have increased their sales, in some cases up to 30%, much thanks to that a larger amount of people now have the ability to pay for their products regardless of wearing cash or not. Even churches prefer card or Swish when receiving alms from their visitors.

So who else would benefit from a society where digital currency completely puts cash out of business? One group of winners is the banks that would be able to reduce all costs that are associated with cash handling (Arvidsson, 2013). Today banks do not have any incomes related to cash handling, as they have through fees when companies receive payments with card from their customers. But when it comes to swish, every bank is free to set their own level of fees from the companies, often in form of a specific rate per transaction. (Getswish, 2016). This means that as long as Swish succeeds to stay established as the most popular mobile app for payments between consumers and companies, the banks will have a great source of income since they are the owner of the app. Especially since Swish is now introducing the ability to pay through the app when shopping online, competing with existing companies in the market such as Klarna and PayPal. Google Wallet and PayPal have also introduced their own apps for transferring between people’s bank accounts. However, Swish has the great advantage in already being established as the leading mobile app for bank transfers in the market. Another factor that speaks for Swish as the continuing leader in Sweden is that in order for a person to transfer money to another person’s bank account, this requires that both of them are connected to Swish. If some customers would be changing to Google Wallet for example, they would be dependent on others to do the same. It is interesting how Swish can be seen as a highly social app in that matter, since the people have to come together in order for the system to work. As long as Swish keeps providing free transfers and payments for the customers, the app will probably be hard to compete against. The banks are for sure aware of their potential competitors thought, and must keep offering the best service in order to maintain the leader of the market.

The market’s ever-growing demand for time-efficient and free services that is possible to use no matter of time and place is highly reflected in the products and services provided by the industries in general and the bank industry in particular. The result of the survey indicates that mobile apps such as mobile banking and Swish, which allows people to handle their bank errands where- and whenever they want, are superior to more classic types of banking. The Swedish banks’ strong will to offer smart solutions and service to their customers, combined with the market’s apparent
willingness to adopt these kinds of services, also indicates that we might lead the way towards a cashless society. In such a society, there will probably be winners and losers. Owners of apps like Swish will increase their income, operators that today must handle cash will lower the costs and payments and transfers will be managed easier and more efficient. Even if the consumers that are not demanding cash would be benefited of such a development, there are still groups of people that are dependent on the access to cash and would have a hard time adapting to the advanced technical system. The central bank’s release of new coins and banknotes during 2016 indicates that the society is not yet entirely ready for a complete transmission to digital currency. However, in the future we might be.

5. Future research

In this paper, the adoption of financial apps among the Swedish people has been the main focus. But since many people are travelling and moving across borders due to the great globalization in the world, it would be very interesting to analyze how apps like Swish could be integrated internationally. If there is a possibility that banks from different countries could co-operate and create a similar app as Swish to ease for travellers et cetera. Another interesting subject would be to investigate what impact a more cashless society would have on immigrants’ and visitors’ ability to pay for themselves.

6. References


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