Qonto

Qonto analysis:
European SMEs embrace digital payments

Paris, June 27, 2023 - European SMEs are increasingly making online and virtual payments, according to research by Qonto, the leading European business finance solution for SMEs.

Analysis published today looked at the spending habits of 350,000 SMEs and freelancers. The data shows increased card usage as well as growing adoption of online and virtual payments from European SMEs.

The report also highlights marked local and sectoral differences in spending habits, as well as a prevalence in the average number of transactions on TikTok.

European SMEs pay more and more online

Since 2022, the average number of payments per organization has significantly increased for both offline and online purchases. However, online payments are being made with increasing frequency, with 40% growth year-on-year in Q1 2023, compared to 5% for offline payments (i.e. transactions processed directly in shops and merchants through a payment terminal).

French SMEs, with a 41% year-on-year growth in online payments in Q1 2023, show the strongest increase in online payments adoption in Europe. Italy and Germany are just behind at 34%.

In Spain, online payments remain stable year-on-year, but Spanish SMEs and Freelancers have the highest average number of online transactions per organization in the EU.

Virtual cards on the rise across Europe since 2022

European businesses show increased adoption of virtual card payments. In Q1 2023, the average number of virtual card usage per organization grew three times faster year-on-year than for physical cards, at 50% over the course of 2022.

Physical cards remain the preferred payment option for European SMEs and Freelancers at 60%, except in Spain where the number of virtual card transactions is sometimes more than twice as high as physical cards, with a marked peak in January 2023.

Huge growth in online and virtual payments in 'traditional' sectors

Businesses in traditional sectors show the highest growth of adoption in both virtual card usage and online payments across all markets.

For example, Construction and Transportation & Storage, recorded a year-on-year growth of 34% and 51% respectively in online payments in Q1 2023.

Construction companies increased their use of virtual cards by a huge 132% between January 1 and December 31, 2022, although the average volume of transactions remained lower than that of physical cards.

Transportation & Storage companies proved themselves leaders in virtual card adoption, showing a spectacular 190% increase in virtual card usage in Q1 2023.

Highest spend for European SMEs and freelancers is on primary goods and online services

Across all Qonto markets, the biggest part of business spending is dedicated to primary goods and needs, such as food, fuel, and transportation. Together, these spending items represented 35% of all transactions made by companies during Q1 2023.

However, between 2022 and 2023, there was a huge increase in the average number of transactions made for online services (+18% year-on-year in Q1), with Italian SMEs and freelancers in the lead at 22%.

Together, primary goods and online services make up 44% of payments realized by SMEs and freelancers in this market.

Train is the most used mean of transportation for business trips

When it comes to business trips, European SMEs travel more often by train than by plane. This trend has become even more apparent at the beginning of 2023. Across all markets, train bookings exceed plane bookings with at least 55%.

Unequal impact of food price inflation across markets

In a context of high inflation, food and grocery prices went through several variations in 2022 and kept increasing during Q1 2023, leading to a rapid increase in spending, notably at the end of 2022.
Italy showed the highest month-on-month increase in the average amount spent on food in December 2022 with a 32.5% increase.

In Germany and Spain it went up by 27.5% in December 2022, before decreasing again in January 2023. It has since stabilized.

In France, food inflation was lower, but was nevertheless significant. (+15% month-on-month in December 2022).

TikTok is the social media marketing platform with the most transactions

If the majority of European SMEs and freelancers use Google, Meta and Twitter to promote their offers, European SMEs and freelancers made more transactions on TikTok on average in 2022.

In each of Qonto's four markets (France, Germany, Italy and Spain), they are spending more frequently on TikTok than on any other platform. Spanish SMEs were significantly in the lead, with 80% of their digital channels transactions on TikTok.
The average amounts spent, however, haven't exceeded the ones spent on other channels.

"Deep-diving into European SMEs and freelancers' spending habits - from payment methods to most recurring spendings - helps us to better understand their needs, preferences and changing ways of working," **says Albertine Lecointe, VP Strategy at Qonto***.*
"The increasing presence and adoption of digital payment solutions suggests that we're on the right track when it comes to supporting their daily life and business operations.
With European SMEs and freelancers being at the core of Qonto's activities since day one, we are able to get a pulse of how they progress and which challenges they face."

About Qonto

Qonto is the leading European business finance solution for SMEs, with over 350,000 clients. The company empowers its clients to manage their daily banking and all their business finances in one central solution.

Created in 2016 by Alexandre Prot and Steve Anavi, Qonto now operates in 4 European markets (France, Germany, Italy, and Spain), and employs more than 1,000 people.

Since its creation, Qonto has raised €622 million from well-established investors. Qonto is one of France's most highly valued scale-ups and has been listed in the Next40 index, bringing together future global tech leaders, since 2021.

More information on Qonto.com

Methodology
This Qonto data study was conducted between January 2022 and May 2023, among +350,000 SMEs (with up to 150 employees) and freelancers in Germany, Spain, France and Italy. The classification of sectors is based on [Eurostat NACE Classification values](#).
The data analysis focuses on the average number of card transactions by organization, as well as the average amounts spent by organization, by card and transfers.