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EUROPEAN PAYMENTS STUDY 2025

Is there still headroom for growth?

Deep dive into consumer payments and related fee pools in Europe

partners for change

Key findings

1. By 2027, the retail payment fee pool in the EU is projected to reach EUR 105 billion, with two-thirds of the fees being collected on the payee side.

2. Moving away from cash is still an important driver of the volume of digital payments in the European market that benefits cash-intensive countries in particular.

3. Fee income per transaction has dropped significantly below EUR 1 per payment transaction, with a continuing negative trend.

4. Banks must strengthen their position on the payee side, where other providers currently have a stronger foothold.

5. Cards are currently the leading digital payment method; however, initiatives like the EPI have a fair chance of challenging the status quo.

What's in it for you?

The European payments landscape is evolving at an unprecedented pace, driven by the accelerating shift from cash to digital payments and shaped by regulatory and technological advancements.

As consumer preferences change and digital solutions become the norm, businesses must navigate a dynamic environment where market trends, compliance requirements and innovation intersect.

This study explores the key transformation drivers in Europe's payment ecosystem, offering insights into the challenges and opportunities that lie ahead for industry stakeholders.

Market trends: the shift from cash to digital payments

The European payments market is undergoing a significant transformation as the shift from cash to digital payments accelerates. Cash usage is steadily declining, while digital methods such as cards, mobile wallets, and account-to-account (A2A) payments are becoming the norm. Younger generations are driving this trend: over 60% of Europeans aged 18–35 rely on mobile wallets for their daily transactions. While countries like Sweden and Finland are leading the change toward cashless societies, adoption rates vary across Europe due to differences in consumer preferences and technological infrastructure.

Payment methods: the rise of account-to-account solutions

A2A payments are emerging as a key driver of innovation in Europe's payment ecosystem. Across the continent, initiatives are fostering regional integration and cross-border interoperability. These efforts reflect a broader push to create more seamless and efficient payment systems while responding to consumer demand for convenience and flexibility. As A2A solutions gain traction, they are poised to complement existing payment methods and further accelerate the shift toward digital-first ecosystems and even threatening the position of incumbent banks by taking over the customer interface.

Regulation: shaping transparency and security in payments

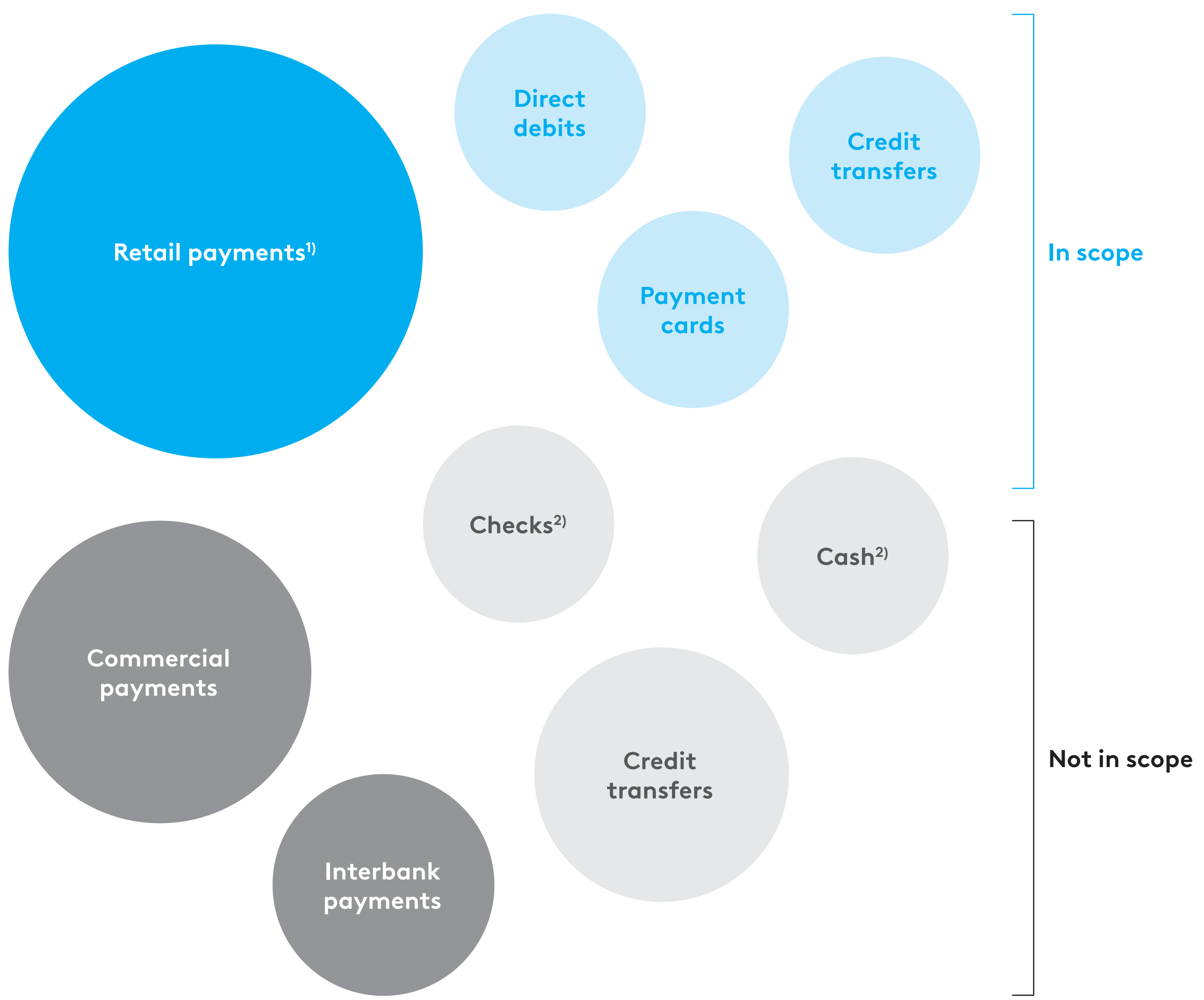
Regulatory developments continue to play a pivotal role in shaping Europe's payments landscape. Initiatives like the Payment Services Directive 3 (PSD3) and the Payment Services Regulation (PSR) aim to harmonize the ecosystem by enhancing security and transparency for consumers. Meanwhile, the European Central Bank's digital euro project represents a long-term effort to introduce a government-backed digital currency, though its impact may be less transformative than initially anticipated. Additionally, regulations mandating instant payments across the Single Euro Payments Area (SEPA) have yet to significantly boost adoption, highlighting the complexity of driving widespread change in payment behaviors.

Technology: transforming payments through innovation

Technological advancements are revolutionizing the payments industry, reshaping both consumer behavior and competitive dynamics. Cybersecurity remains a top priority as digital transactions grow, while artificial intelligence (AI) is increasingly being used for fraud detection and prevention. Businesses are also embracing embedded finance and omnichannel solutions to deliver seamless experiences across platforms, which will be further fostered by the upcoming FiDA framework. These innovations are not only enhancing operational efficiency but also redefining how consumers interact with payment systems, paving the way for a more integrated and secure future.

The scope of this study entails only retail payments done at digital or physical POS as well as account-to-account payments.

Payment scope of the study



1) Payments with cryptocurrencies are not considered in this study
2) Cash and checks are considered in the analysis of the usage of payment instruments but not for revenue pool estimation.

How Europeans pay

This study focuses on the overall fee pool generated by retail payments in key European Union markets, considering trends in domestic and cross-border non-cash payments within the EU. By focusing on credit transfers (CT), direct debits (DD) and credit/debit card transactions for retail purchases (excl. check, commercial, and wholesale payments) across eleven representative countries, the study captures insights from markets accounting for approximately 81% of the EU's GDP. This robust sample provides a solid foundation for drawing conclusions about the broader European payments landscape.

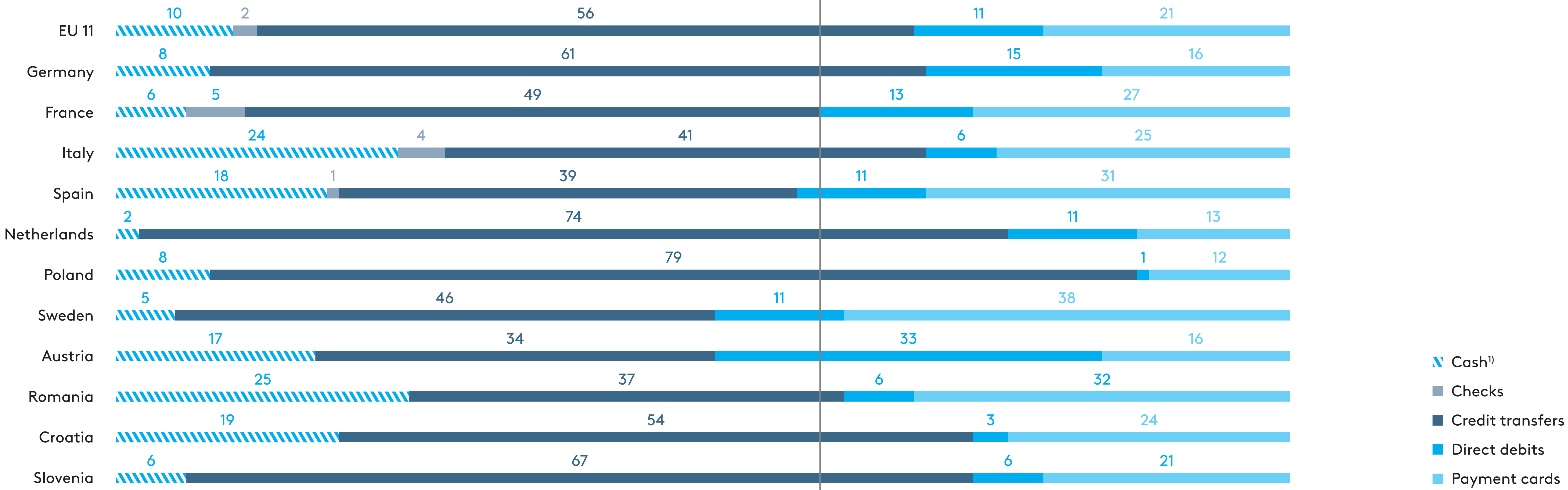
Overview of payment categories considered in the study

	GDP 2023 (in EUR bn)1)	Population (in m)	Currency	Median household income (in EUR k)	Rationale for selection
Germany	4,457	84.4	EUR	26	Top 4 EU economies
France	3,032	68.2	EUR	24	
Italy	2,256	59.0	EUR	20	
Spain	1,581	48.0	EUR	18	
Netherlands	1,117	17.8	EUR	29	High sourcing degree
Poland	808	36.8	PLN	10	CEE: high degree of banking innovation
Sweden	593	10.5	SEK	27	Example of a cashless society
Austria	520	9.1	EUR	31	Developed EU market
Romania	346	19.1	RON	7	Emerging payment markets from CEE
Croatia	82	3.9	EUR	10	
Slovenia	68	2.1	EUR	18	

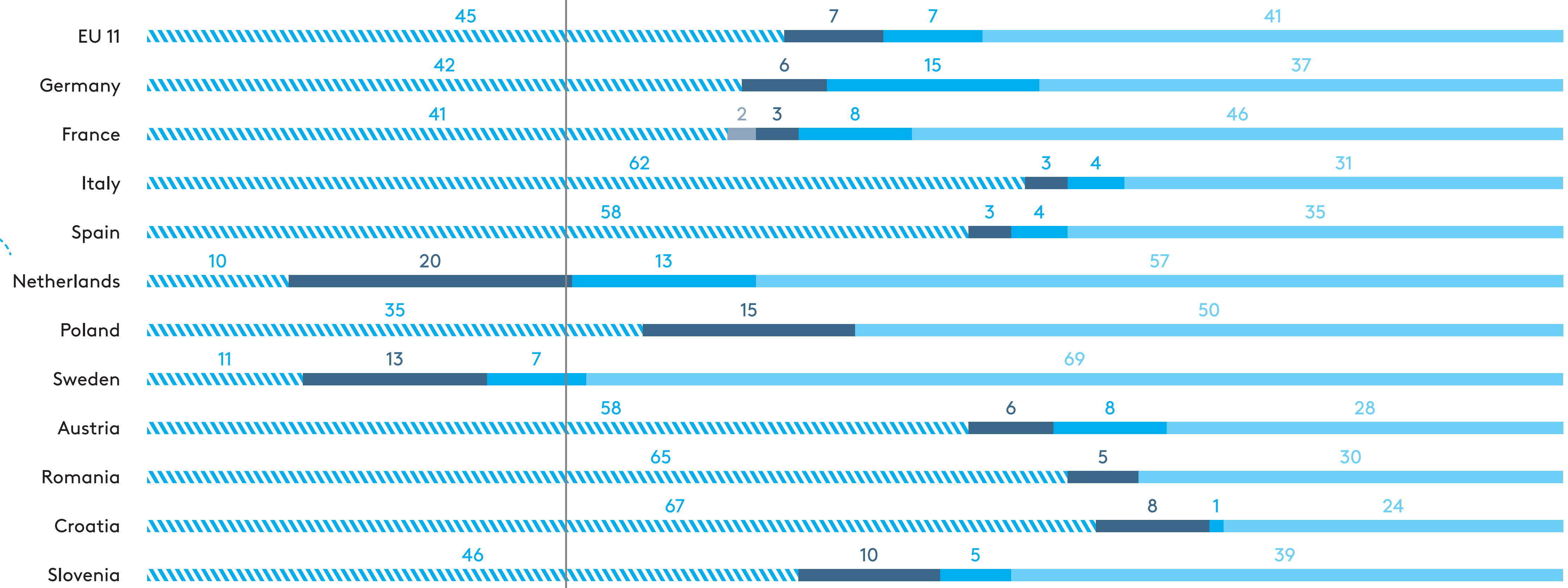
An analysis of the payment mix reveals that the selected countries exhibit diverse landscapes in terms of the payment instruments in use. These variations reflect diverging levels of digital payment adoption and local preferences.

1) Gross domestic product, current values; Sources: GlobalData, International Monetary Fund (IMF), Eurostat, zeb.research.

Percentages in value (EUR) by payment instrument, 2023



Percentages in volume (number of transactions) by payment instrument, 2023



10 %

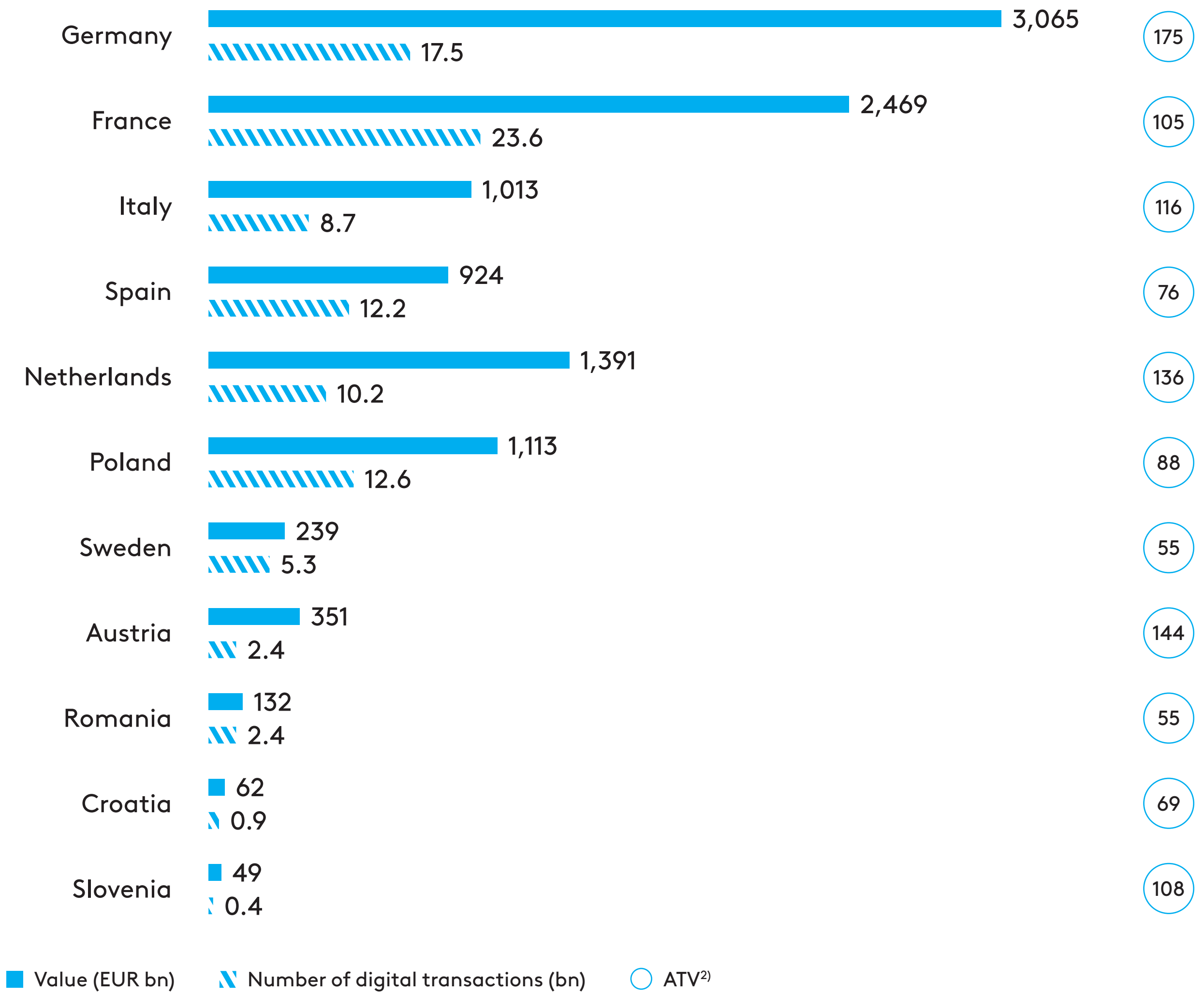
"Cashless society": only ~10% of transactions in the Netherlands and in Sweden are in cash.

1) Cash includes only transaction at the POS, but not peer-to-peer transfers; Sources: GlobalData, zeb.research.

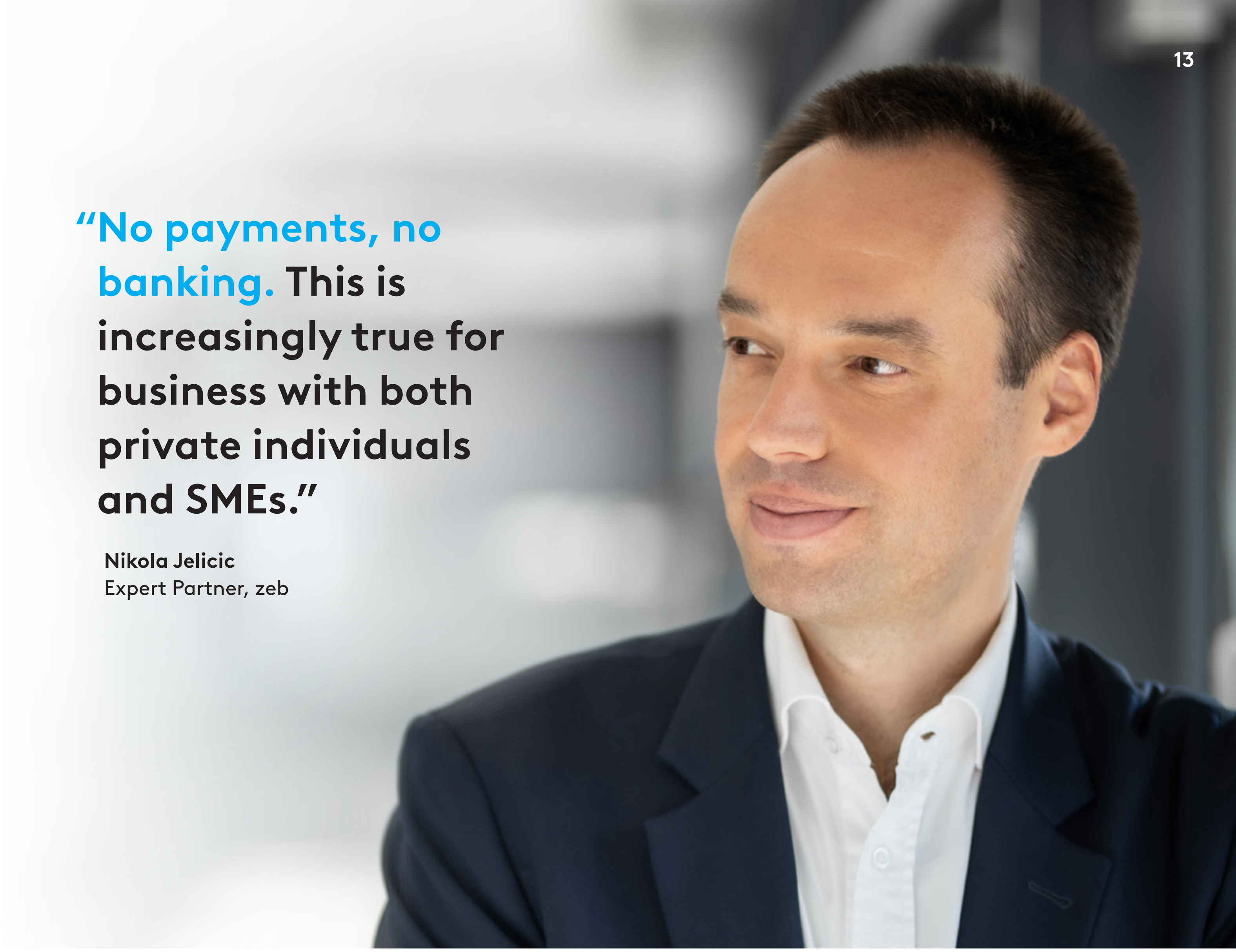
At first glance, it is evident that cash remains a significant payment instrument in retail transactions across Europe. Countries such as Romania and Croatia show relatively high shares of cash usage, reflecting slower adoption of digital payment methods. By contrast, Sweden and the Netherlands demonstrate widespread user adoption of digital payments. In these two countries, a cashless society is becoming the new norm, driven by consumer preferences and an advanced payment infrastructure.

When examining the overall value of transactions, credit transfers appear to be the dominant payment instrument, accounting for the highest transaction values across Europe. This trend is particularly pronounced in countries with well-established A2A payment systems, such as SWISH in Sweden, iDEAL in the Netherlands, and BLIK in Poland.

Value (EUR bn) and volume (bn) of digital payments[1], 2023



1) Digital payments include credit transfers (CT), direct debits (DD) and payment cards. Retail payments only.
2) Average transaction value.



"No payments, no banking. This is increasingly true for business with both private individuals and SMEs."

Nikola Jelicic
Expert Partner, zeb

The study findings revealed that the number of digital transactions does not always correspond to the overall value of digital payments. Moreover, the total value of transactions does not always align with the GDP size of a country, indicating that the prevalence of digital payments is the key driver. There is also a considerable variation in the average transaction value. In countries with a higher share of credit transfers, the average transaction value is usually higher. Conversely, some advanced economies with widespread digital transactions at the points of sale (POS) typically have smaller average transactions due to the prevalence of low-value digital payments. These insights underscore the diverse landscape of payment behaviors across Europe. While some countries are advancing rapidly toward cashless economies, others continue to rely heavily on cash. However, the growing adoption of innovative A2A solutions and digital payment platforms suggests a steady shift toward more efficient and integrated payment systems across the region.

Fee pool development

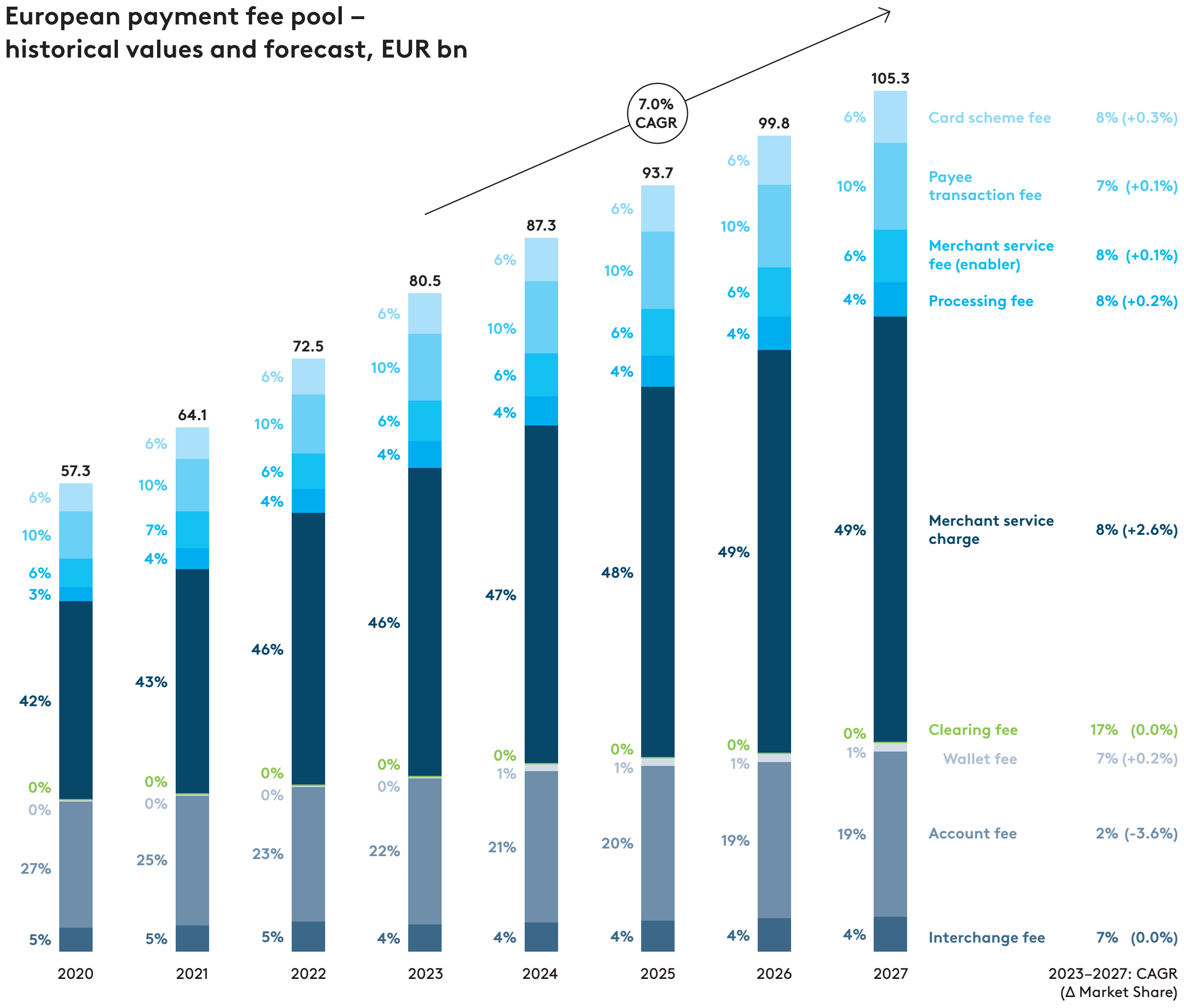
Using the methodology outlined above and the mix of projection data for the coming years provided by the European Central Bank and local national banks, we developed a forecast model to estimate the potential fee pool for each payment archetype across European countries. The payments-related fee pool in the retail sector across Europe is projected to grow at an annual rate of 7% over the next few years. When factoring in an expected annual inflation rate of 2.3% and a real GDP growth of 1.2%, the trajectory of payments fees aligns closely with nominal GDP growth. While analyzing the projections of fee pools of EU countries, we observe several trends that will significantly impact the industry in the coming years and must be taken into consideration by financial institutions to remain competitive.

The graph on the page to the right illustrates historical and projected fees associated with payment processing, segmented into payee side, payer side and intermediary fee pools.

"BLIK shows how banks can extend their value chain beyond classic retail banking and tap into other revenue sources – a blueprint for the EPI's Wero."

Adam Bujnowski
Manager, zeb

European payment fee pool – historical values and forecast, EUR bn



Payee (accepting) side: The fee pool on the payee side is experiencing significant growth, due to ongoing digitalization and a steady decline in cash usage across the EU (although at varying rates in different countries). Despite pricing pressures, this segment continues to expand due to the extension of the payee-side value chain. These factors collectively position the payee side as the primary growth driver throughout the forecasted period.

Payer (issuing) side: On the payer side, the fee pool continues to grow, largely driven by increased adoption of payment cards. Nevertheless, taking into consideration the emergence of alternative payment methods (e.g. EPI, BLIK), as well as the prospective introduction of the digital euro, combined with demographic challenges such as a shrinking EU population, this segment may approach a plateau soon and lose its relative importance for the overall payment fee pool. To sustain growth, financial institutions should explore untapped opportunities in niche markets and innovative payment solutions.

Intermediary (clearing) side: This is the smallest fee group with the lowest share of the overall fee pool. While clearing fees are charged per transaction, they grow in tandem with the overall payment volume.

Sources: GlobalData, European Payment Study 2024, zeb.research.

Growing with the market

The results of the study indicate that growth in the payment fee pool will not be evenly distributed across fee types, with the payee side – particularly merchant service charges – expected to drive much of the expansion. In light of this trend, it is essential for banks to adopt targeted strategies to secure revenues from both merchant service charges and account fees.

Merchant service charges:
As alternative providers gain prominence, banks must strengthen their position by offering seamless onboarding experiences through intuitive self-service portals. These portals enable merchants to independently complete onboarding processes, thereby reducing friction and saving time. Automated Know Your Customer (KYC) procedures – powered by AI, robotic process automation (RPA), and streamlined workflows – can further enhance efficiency in background checks.

To improve customer retention, banks should provide multi-channel real-time support, including AI-driven chatbots that are available 24/7 in local languages. Tailoring services to meet country-specific needs and offering fully customizable checkout experiences can expand merchants' global reach while reducing churn rates. Transparent pricing models, actionable e-transaction insights (e.g. peak sales times, customer preferences, regional trends), and automated chargeback management are additional levers that can help banks strengthen their merchant relationships and optimize revenue streams.

Account fees:
In terms of securing account fee-related revenues, banks can adopt several enablers. These include offering tiered account packages with features ranging from basic services to advanced tools and priority support (e.g. as modeled by Revolut), bundling financial products with preferential pricing, and "Banking-as-a-Service" (BaaS) subscription models. Through these strategies, banks can attract small businesses and start-ups, resulting in increased revenue through premium services and long-term customer relationships.

Personalization will also play a critical role in retaining customers. AI-driven solutions for financial planning and customized account packages tailored to different life stages or preferences (e.g. offering student loan discounts, travel insurance for retirees, and sustainability rewards catered to eco-conscious consumers) can boost engagement, loyalty, and perceived value.

When growing with the market is not enough

In conclusion, the digital payments market measured in fee income potential in Europe is set to continue its upward trajectory for another while, with the growing cashless payment volume offsetting the drop in prices. However, incumbents who base their business models on accounts for private individuals and commercial clients will see very limited growth potential.

To stay relevant and grow in the European payments market, players need to extend the value chain to tap into additional fee pools, e.g. by pushing into merchant acquiring, entering an A2A payment scheme (e.g. as shareholders of EPI Company) and offering value-added services beyond payments, etc.

Organic moves (such as Adyen's market entry into e-commerce) and joint industry initiatives (e.g. BLIK and iDeal as an A2A scheme) like those from the 2010s will probably not yield a new champion in any segment. The best companies that enter the market today can hope for is to "shake things up" and potentially become solid alternatives to market leaders (from international card schemes to major acquirers), at least in certain niches.

"Payment business is only profitable when backed up by highly digitalized processes and scale."

Erwin Meichenitsch
Partner, zeb

Is the EPI really a ticket back into the payments game?

Banks in Germany, France and Benelux joined forces to launch the EPI. Wero is now live and facing another wave of doubt regarding its chances for success.

Firstly, we need to define what success means for the EPI/Wero. In all markets where cards (and their digital copies on our devices) are winning by a large margin, EPI banks can only aim to close the gap somewhat. In our view, achieving a solid runner-up position will be tough enough, but it is worth fighting for.

Secondly, we need to look whether Wero stands a fair chance. Wero has all the ingredients for market success: support of major issuers and acquirers, best-in-class UX, a solid infrastructural backbone in the form of TIPS and the EPI Company, as well as (increasing) range. All ingredients? Essentially, EPI's Wero is lacking users – a powerful engine without fuel. Gaining traction with users is the next challenge, both on the consumer and on the merchant side.

Building the user base will initially be tough. No one is waiting for Wero – consumers already have their preferred means of payment: be it cash, card or a wallet solution (such as PayPal). But there are situations where consumers are forced to use cash, such as the P2Pro market segment (basically a kingdom of bills and coins), which can serve as a perfect entry point.

Looking beyond P2Pro into ecommerce and POS, there are niches which are still reluctant to accept card payments. These niches have one thing in common: invoice payments. Be it in government-issued services, classic e-commerce or medical services, there is a huge potential in niches that do not accept card payments. The EPI/Wero may be a way into these niches, bringing its supporters back into the game with the big players.

Back to our original question: "Is the EPI really a ticket back into the payments game?" The answer is yes, but. It is a ticket back to the backbench of the game and the way to the front rows will require EPI banks to pay up and flex their muscles before they can really take on existing market leaders.

"Without competitive payment solutions, traditional retail banks are doomed. Transaction data is lost, which makes it impossible for banks to provide their customers with tailor-made services."

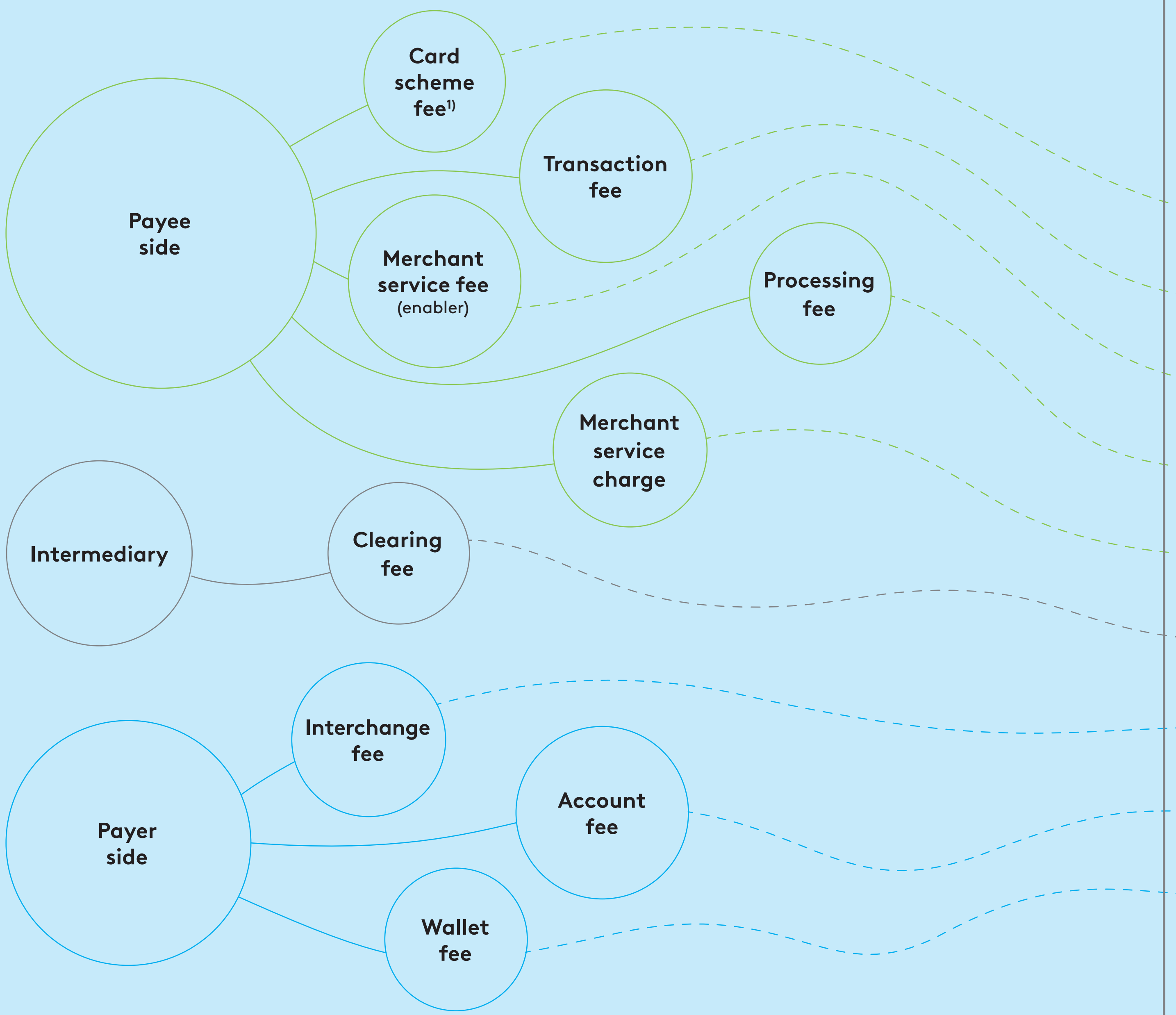
Ulrich Hoyer
Partner, zeb

Fee pool and types

The key purpose of the study is to estimate the fee pool associated with payments processing. To this end, the analysis distinguishes three core components of fee categories within the payment value chain. The first one is related to the payee (accepting) side, with the following fee types included: card scheme fees, transaction fees, merchant service fees charged by enablers, processing fees and merchant service charges. The second distinctive group is the payer (issuing) side, comprising the interchange fees, account fees and wallet fees. The last archetype includes intermediaries, mainly institutions providing clearing and settlement services and charging clearing fees.

The chart below illustrates the scheme of major categories of payment market archetypes and their associated fees within the overall payment value chain. These fees form the cornerstone for estimating the overall fee pool in our study.

Payment value chain archetypes and the associated fees



Fee definition	Example
Fee charged on payee side for using the resp. card system (usually based on transaction value)	Payee bank pays fee to Mastercard for using its scheme
Transaction fees charged by payee bank on merchant for receiving payments (volume-based)	Merchant pays their bank for the opportunity to receive customers payments
Fee charged on payee bank by the resp. payment enablers for using their network (both variable and fixed component)	Fee paid to resp. enabler, e.g. BLIK or iDEAL or PayPal
Fee related to processing of cards (volume-based)	Charged by card processors such as Elavon
Fee paid by merchant for all their acquiring-related services (value-based)	Fee paid by online shop to Stripe, per transaction
Clearing fee (volume-based)	Fee charged by local clearing house for transactions settled
Interchange fee for card payments (value-based)	Interchange fee (charged on merchant side and accrued to payer bank)
Current account fee	Account fee charged on retail customer
Wallet fee (value-based)	Fee paid by bank to Apple, for each transaction processed via Apple Pay

1) Usually, fees are charged on both the payer and the payee side, however to keep the model simple, fees are fully allocated to the payer side.

Merchant service fee

Merchant service fees range from 20 cents (iDEAL) to ~3% of the transaction value (PayPal).

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