

Qonto

Europe's SME spending habits: A Qonto report

2022-2023



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Summary

01

Introduction:
A spotlight on SME
& freelancer business
spending habits

p.1-6

02

Overview of
European SME
spending

p.7-12

03

Spending habits
by country

p.13-22

04

Specific spending
habits at a glance

Conclusion: European
businesses continue
to digitalize

p.23-31

Introduction

A spotlight on SME & freelancer business spending habits

There's plenty of data out there about the spending habits of consumers, on one hand, and large corporations on the other. But there's much less information available about the 25 million European Small- and Medium-sized Enterprises (SMEs) that fill the gap between those two categories.

SMEs make up 99% of all Europe's businesses, account for half of the GDP of the European Union and employ more than two thirds of the EU workforce (source: [European Commission](#)). They deserve our attention and can teach us valuable insights into current and future economic trends.

This report quantifies the growing digitalization of SMEs and freelancers across Europe, highlights potential changes in their spending habits in response to external events, and identifies specific spending behavior by country and by industry.



Qonto has analyzed the spending of 350,000 small and medium-sized businesses, revealing patterns on both a European and a national scale.

2022 study flashback

In 2022, Qonto published a similar study, focusing on SMEs' and Freelancers' spendings over 2021 and the beginning of 2022. Our data showed:



A 10.8% Year-on-Year rise in the payment card usage of SMEs and freelancers.



A growing adoption of digital payment solutions, including among businesses in “traditional” sectors such as Construction.



Companies were increasingly turning to virtual cards, especially in Spain and Italy, even if physical payment card usage remained more prevalent.



Offline payments (i.e. payments made directly in-store) were more common than online payments among SMEs and freelancers, although some sectors were already trending towards online payment operations.

2023 key findings



Online & dematerialized payments boom

Even though offline payments and physical cards still remain the most common payment methods, European businesses are paying online more often, and the popularity of virtual cards is on the rise.



Demand for digital services in top 4 most recurring spendings

The largest proportion of European small-business spending still goes on basic needs such as food, fuel and transport costs, but they are now closely followed by online services and IT equipment.



Business trips done by train

When it comes to business trips, European SMEs and freelancers take the train more often than the plane. Train bookings represent between 55% and 60% of business trips depending on the market.



Inflation effects are stabilizing

In a context of high inflation, European business spending on food increased in 2022, although the inflationary situation has shown signs of stabilizing in 2023.



$\frac{3}{4}$ Digital marketing transactions done on TikTok

TikTok seems to be a well-established platform as it accounts for at least 75% of transactions done by SMEs and freelancers for their communication and marketing needs, when compared to other channels like Meta, Twitter and Google.

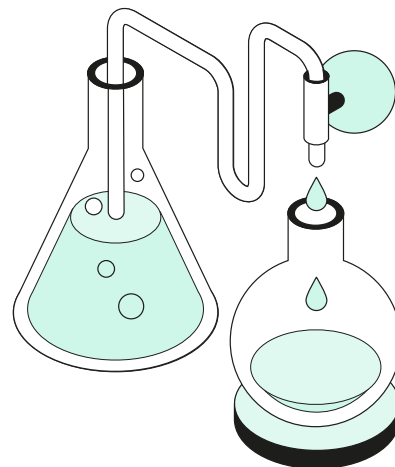
Methodology

This Qonto data study was conducted between January 2022 and May 2023, among +350,000 SMEs (with up to 250 employees) and freelancers in Germany, Spain, France and Italy. The classification of sectors is based on [Eurostat NACE Classification values.](#)

To find out more about the different sectors mentioned in the report, readers can refer to the following pages:

- [Public Administration, Defence & Compulsory Social Security](#)
- [Construction](#)
- [Mining & Quarrying](#)
- [Electricity, Gas, Steam & Air Conditioning](#)
- [Transportation & Storage](#)
- [Manufacturing](#)
- [Real estate Activities](#)
- [Education](#)
- [Agriculture, Forestry & Fishing](#)
- [Water Supply, Sewerage, Waste Management & Remediation](#)

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.



Overview of European SME spending

On average, payment card usage among European businesses continued to increase over the course of 2022 (+18%) and during Q1 2023.

This section focuses on spending habits across all 4 Qonto markets, and gives an overview of the payment methods businesses use, the biggest-spending industries and the most recurrent spending items.

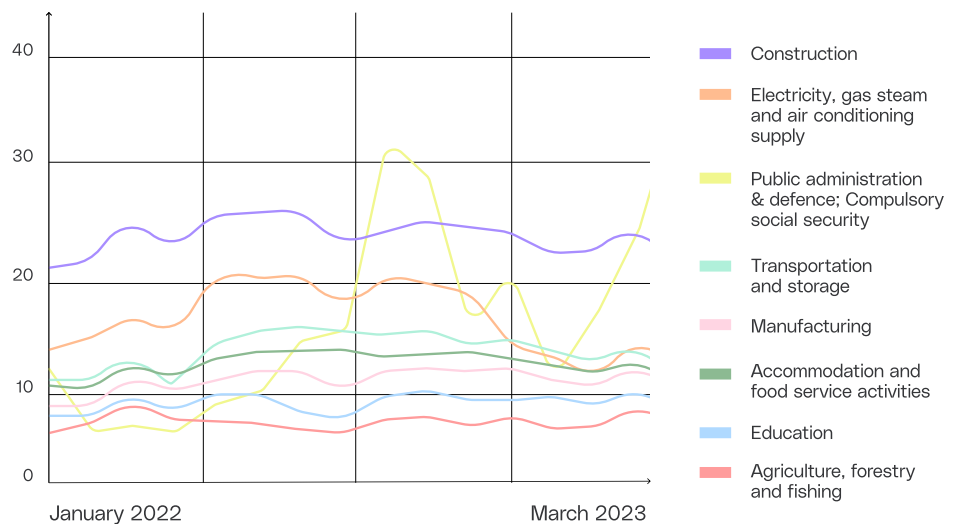
Spending habits are sector-specific

Among European SMEs and freelancers, the biggest users of payment cards work in the Construction, Electricity, Gas, Steam & Air Conditioning Supply, and Public Administration, Defence & Compulsory Social Security sectors.

While Construction companies generally maintained a stable trend, Public Admin & Defence companies increased their average card usage by 60% Year-on-Year in Q1 2023.

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Industries with the biggest card usage
 Jan 2022 – Mar 2023

Average number of transactions per organization



Secondary Sector SMEs are the biggest spenders

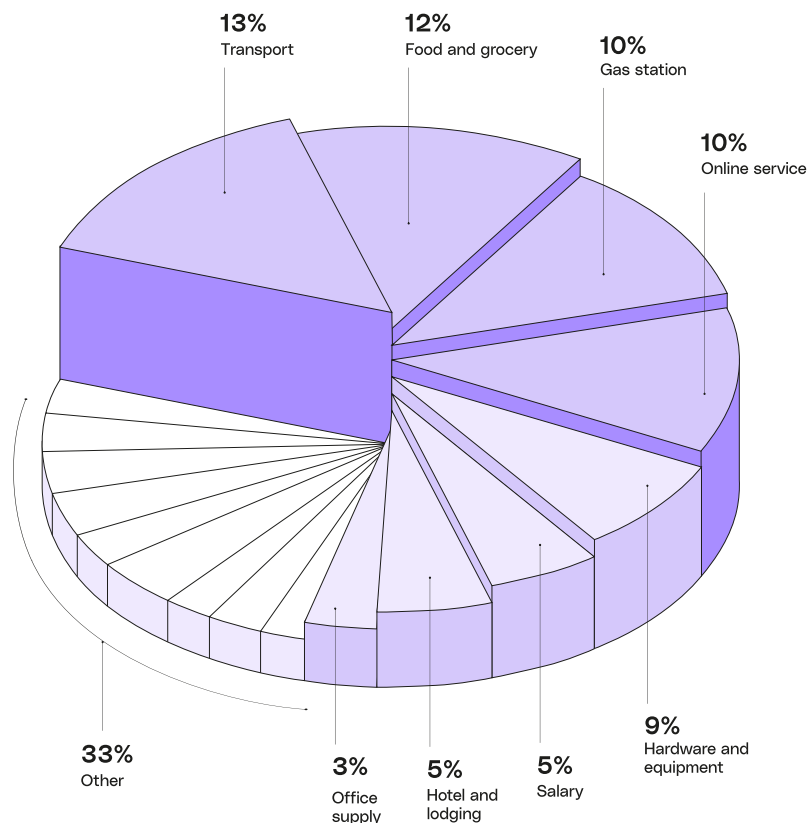
Secondary Sector SMEs and freelancers (i.e. those involved in the processing of raw materials) are the biggest spenders in absolute terms. For example, the spending of companies in Construction, Mining & Quarrying or Electricity, Gas, Steam & Air Conditioning are typically up to up to two times greater in volume than in other sectors such as Transportation & Storage.

Not only did Secondary Sector companies spend more since the start of 2022, their spending is also growing at a faster rate, sometimes 2 or 3 times higher than companies in other sectors.

What do European SMEs and freelancers spend the most on?

The most frequent purchases made by SMEs and freelancers relate to food, transport, and fuel for vehicles. Together, these spending items represented more than 35% of all transactions made by companies during Q1 2023. However, in terms of average amount spent, these items represent just 11% of total SME and freelancer spend.

→
**Most common
 expense categories**
 Jan 2023 - March 2023



Between Q1 2022 and Q1 2023, there has been a +18% Y-o-Y increase in the average number of transactions made for online services (e.g. online subscriptions, cloud solutions, password online management tools, editing software, online advertising platforms).

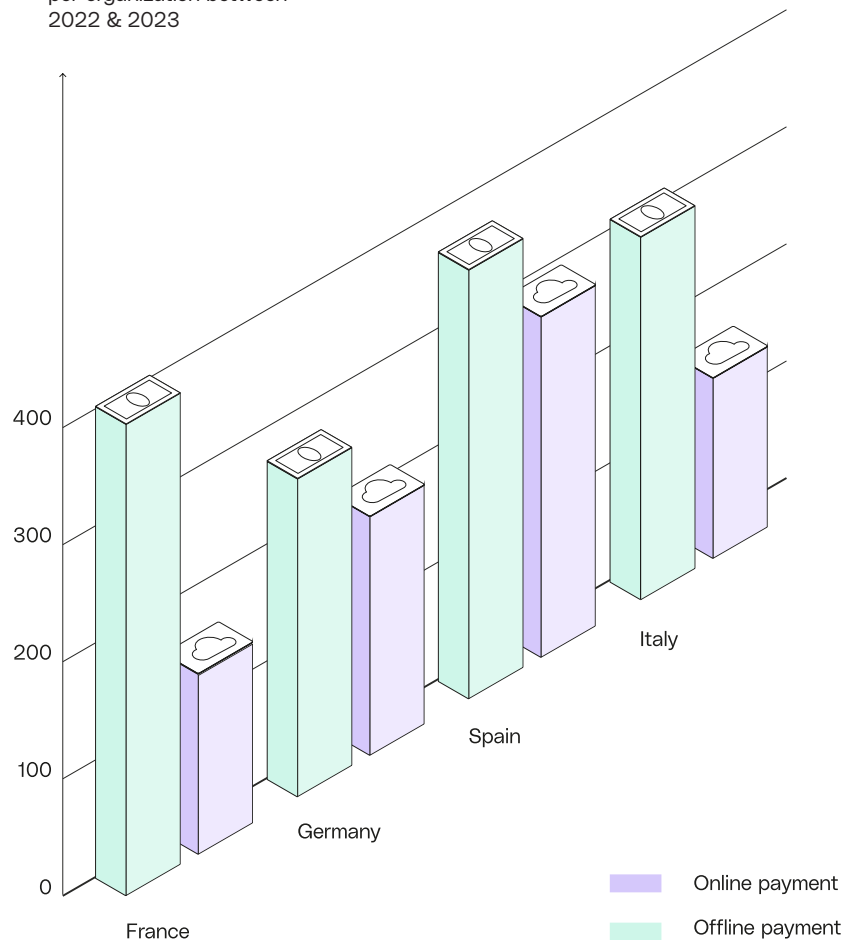
On average, the highest amounts are spent on salaries, manufacturing and IT & electronics, with salaries being the category that accounted for the highest company spend in 2022 as well as Q1 2023.

Online payments catching up with offline payments

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 and showed 40% growth Y-o-Y in Q1 2023, compared to 5% growth for offline payments.

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Online payments Vs. offline payments per country
 Jan 2022 – Apr 2023

Total average transactions per organization between 2022 & 2023



Offline vs online payments

Offline payments are transactions processed directly in shops and merchants through a payment terminal. Online payments are processed through a merchant website.

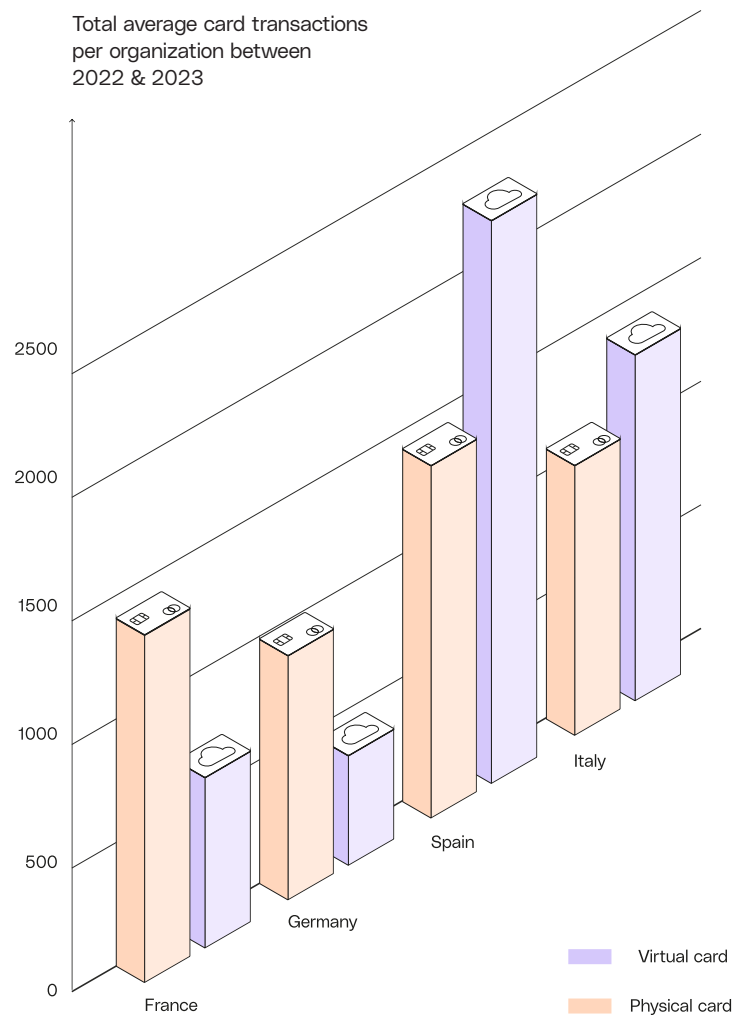
Industries often considered “traditional”, such as Construction or Transportation & Storage, are no exceptions to this trend; online payments grew by 34% Y-o-Y and 51% Y-o-Y respectively in Q1 2023, whereas offline payments remained stable or grew at a much slower rate according to the Qonto data.

Virtual cards on the rise since 2022

The data shows similar growth with virtual payment cards, whose usage, in terms of average number of payments by organization, grew 3 times faster Y-o-Y than physical cards during Q1 2023.

In terms of the average number of virtual card transactions made per organization, there has been a 50% increase over the course of 2022 and a 12% Y-o-Y increase in the first quarter of 2023. They are still yet to catch up with physical cards, however, which remain the most widely used among European SMEs and freelancers, with 60% of physical cards usage on average.

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**Virtual Vs. Physical
 card transactions per
 country**
 Jan 2022 – Apr 2023

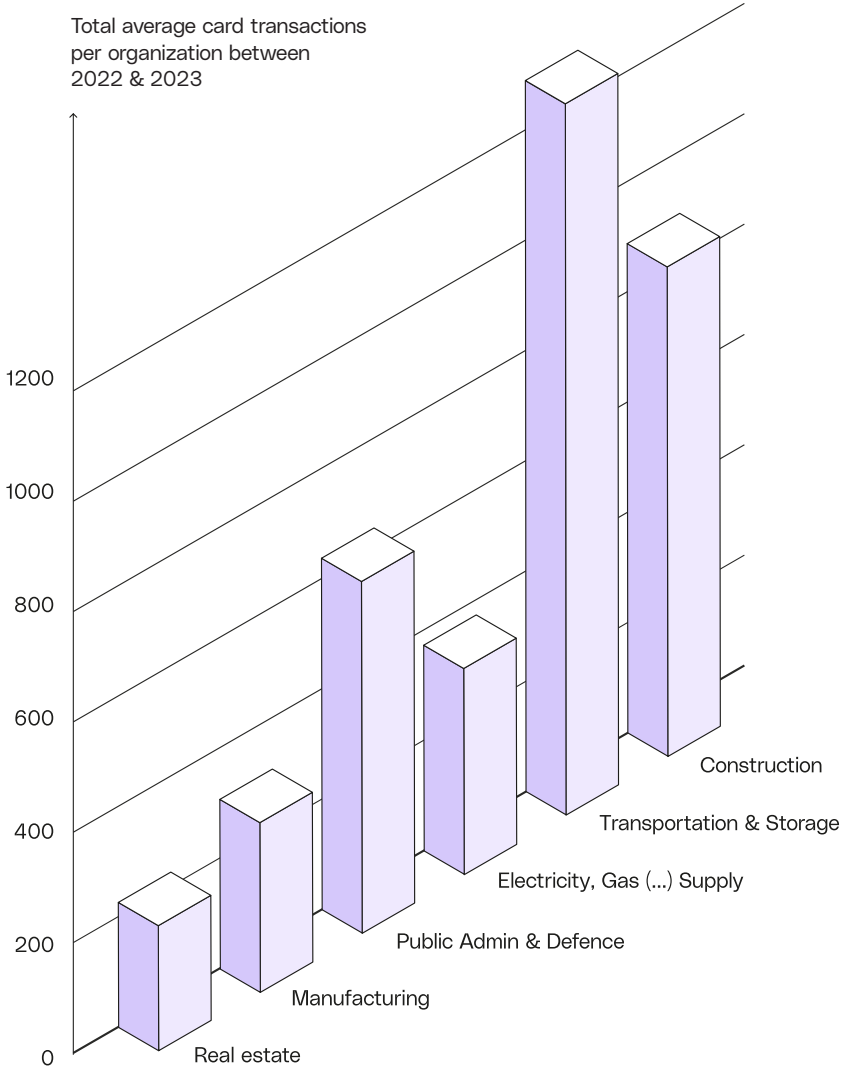


Sectors with the biggest increase in virtual card adoption

Transportation & Storage companies proved themselves leaders in virtual card adoption, showing a 190% increase in virtual card usage in Q1 2023 compared to the same period a year before. Companies from this industry have even been using more virtual cards than physical ones since the beginning of the year, a major sign of the sector’s shift towards digitalization.

Between January 1 and December 31, 2022, Construction companies saw their usage of virtual cards rocket by 132%, although the average volume of transactions remained lower than that of physical cards.

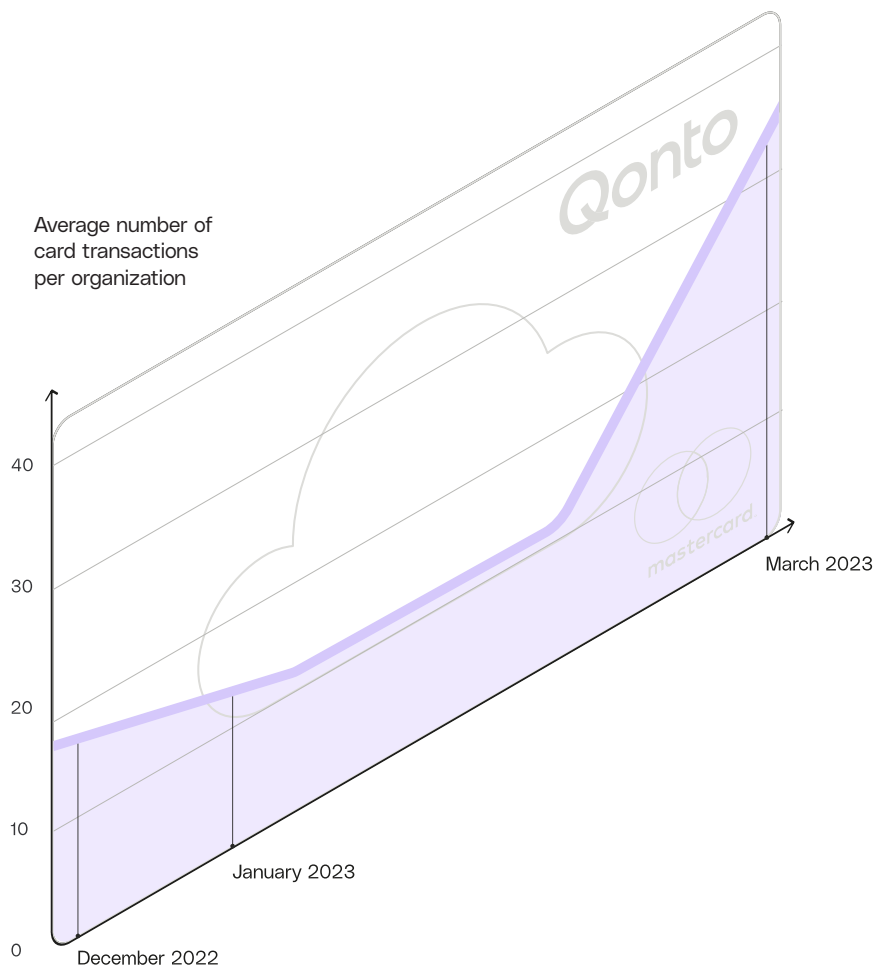
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Top industries in terms of virtual card usage



SMEs and freelancers from the Manufacturing sector have also shown a growing willingness to embrace virtual cards, even if the physical card still rules supreme in their spending behavior. Virtual card usage among Manufacturing businesses grew by 112% Y-o-Y in Q1 2023; physical card usage increased by 11% in the same period.

Real Estate is another industry where companies appear to be shifting towards virtual cards, witnessing an 88% Y-o-Y growth in virtual card usage by Q1 2023, compared to a 9% increase for physical cards.

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**Virtual card usage
 from Real Estate
 businesses**
 Dec 2022 – Mar 2023



Spending habits by country

This part of the report examines each national market’s spending habits. It includes the most recurring spending items as well as card and payment preferences.

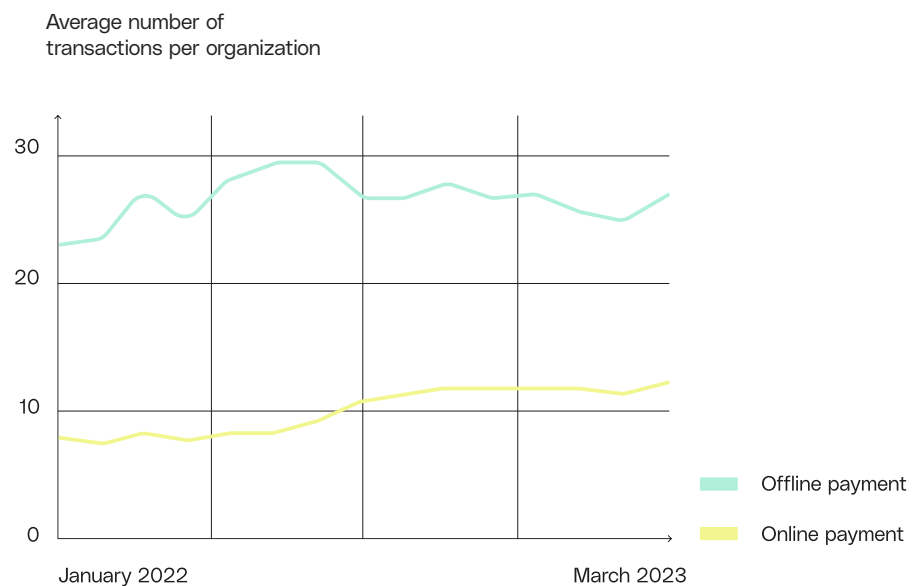
The data points to a general growth in the adoption of digital payments, either in the form of virtual card usage or direct online transactions.

France

The increasing popularity of digital channels

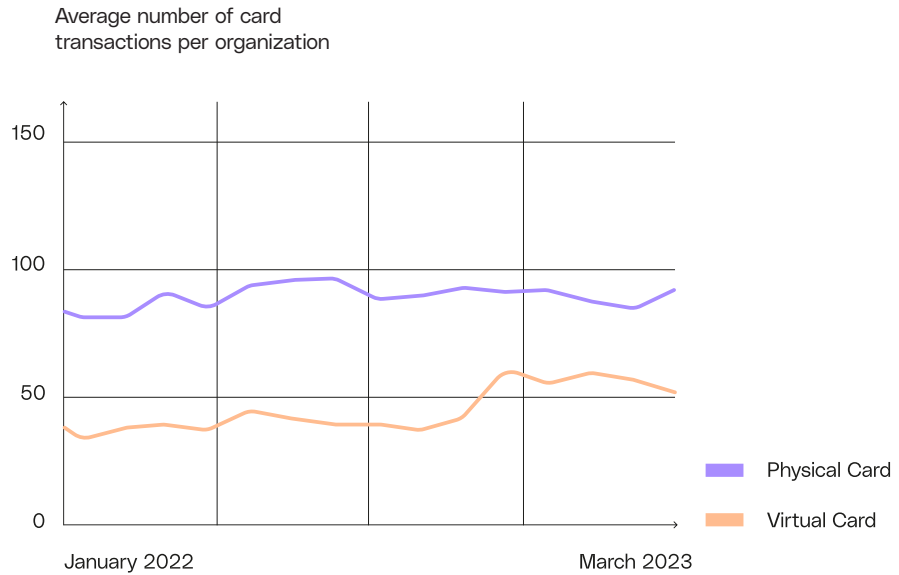
More and more French SMEs and freelancers are turning to online payments, which increased by 41% Y-o-Y in Q1 2023. Online payment volumes are growing 9 times faster than offline payment volumes, even if offline remains the prevalent form of payment for now.

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Online payments Vs. offline payments in France
 Jan 2022 – Mar 2023



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**Virtual & physical
 card usage in France**
 Jan 2022 – Mar 2023

French SMEs and freelancers continue to make more purchases with physical payment cards which represent 75% of all card transactions, even if virtual card usage increased by 54% Y-o-Y in Q1 2023, compared to 5% for physical cards.



The average number of transactions related to online services (e.g. on-line subscriptions, cloud solutions, password online management tools, editing software, online advertising platforms) grew by 17% Y-o-Y in Q1 2023, further evidence of French SMEs’ and freelancers’ continued trend towards digitalization.

Share of spend on primary needs & online services: France

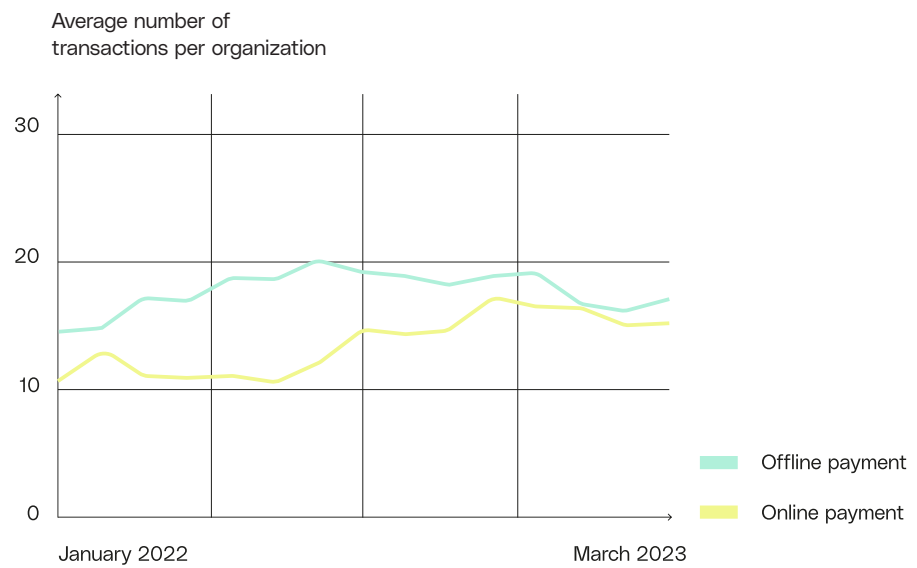
French SMEs and Freelancers spend most frequently on food, fuel, transport and online services, which together represent more than 45% of the number of transactions they made. However, these items only account for 15% of the average total amounts they spent.

Germany

A landmark moment for online payments

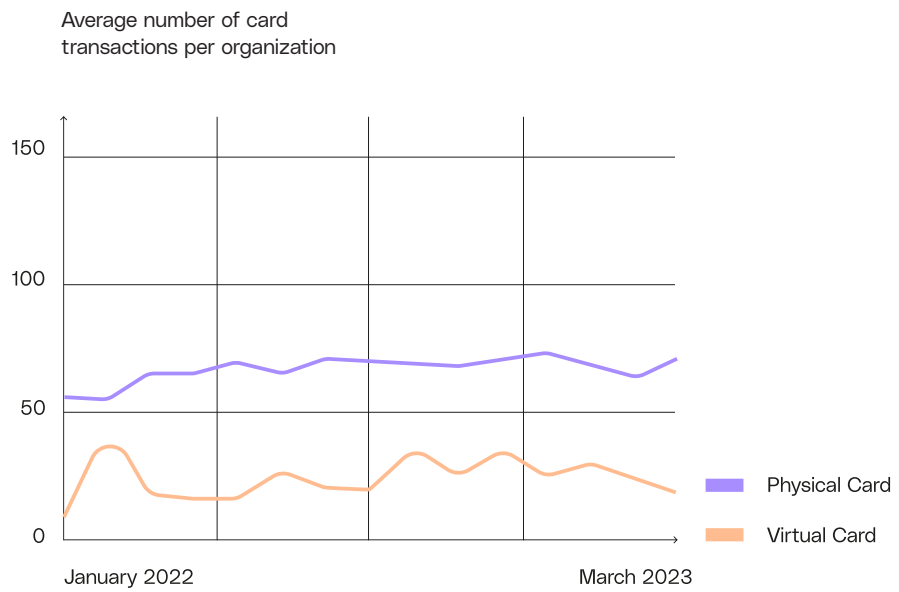
Online transactions are catching up in a country where offline payments have been largely dominant. The average number of online transactions made by German businesses grew 5 times faster than offline payments (34% Y-o-Y Q1 2023), and even exceeded offline payments in April. A landmark moment indeed for digital payments in Germany.

→
Online payments Vs. offline payments in Germany
 Jan 2022 – Mar 2023



But if German companies are paying online more frequently, they're mostly doing so with physical, rather than virtual payment cards. Physical card usage is growing faster than virtual cards, and they remain German SMEs' and freelancers' solution of choice when making purchases, with 70% of card transactions processed using physical ones. SMEs and Freelancers in Germany also show a growing adoption of online services (e.g. online subscriptions, cloud solutions, password online management tools, editing software, online advertising platforms), a sector in which the average number of transactions grew by 14% Y-o-Y in Q1 2023.

→
**Virtual & physical
 card usage in
 Germany**
 Jan 2022 – Mar 2023



Share of spend on primary needs & online services: Germany

Half of the number of transactions carried out by German SMEs and freelancers are for purchases of food, fuel, transport or online services, combining elementary needs with new digital tools as their most recurring purchases. The data shows a 14% Y-o-Y increase in transactions for online services, and a stable trend for primary goods.

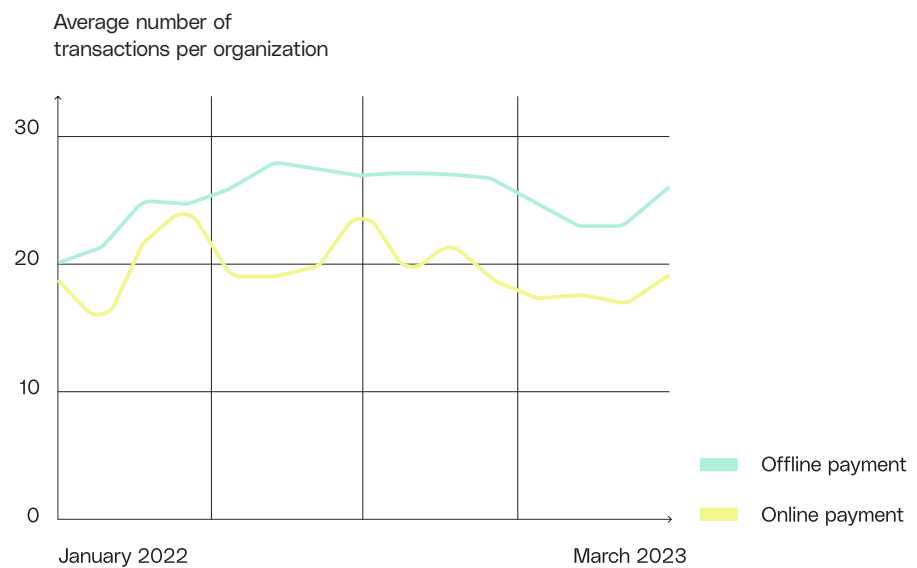
Although almost one transaction in two processed by German SMEs and freelancers is related to one of these spending items, this represents just 17% of the total amounts they spent on average.

Spain

A preference for virtual cards but in physical settings

Despite a 7% growth in online transactions between January 2023 and March 2023, Spanish SMEs and freelancers still pay offline more often. Compared to Q1 2022, the volume of online payments slowed at the beginning of 2023, whereas offline transactions increased by 8%. However, Spanish SMEs and freelancers account for the highest level of online transactions across the four markets studied.

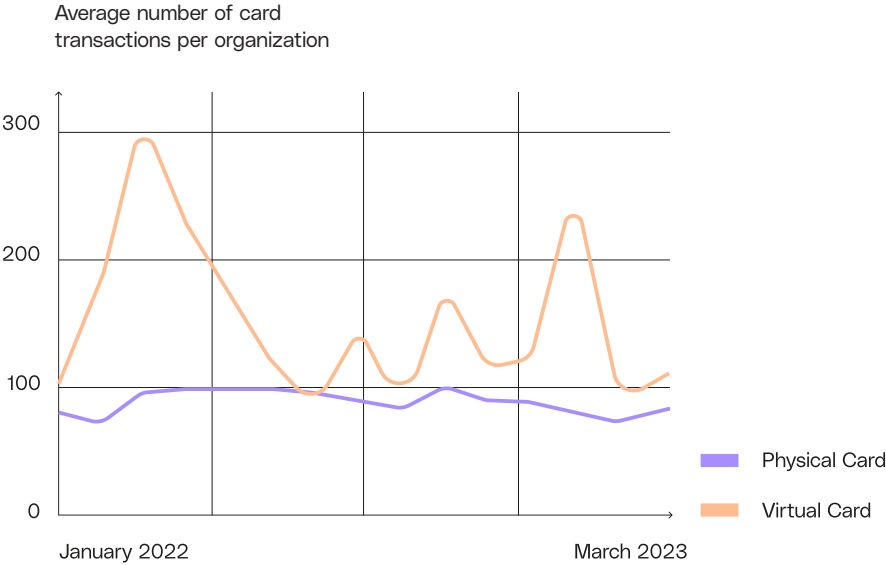
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Online payments Vs. offline payments in Spain
 Jan 2022 – Mar 2023



Since the beginning of 2022, Spanish SMEs and freelancers have shown a strong preference for virtual cards: the average number of virtual card transactions is sometimes more than twice as high as for physical cards like in January 2023 for instance, and virtual cards represent more than 60% of their card transactions. However, they seem to be using these virtual cards offline most of the time, thanks to solutions such as Apple Pay and Google Pay.

The average number of transactions for online services has also increased in Spain, with an 8% Y-o-Y growth in Q1 2023.

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**Virtual & physical
card usage in Spain**
Jan 2022 – Mar 2023



Share of spend on primary needs & online services: Spain

Food, transport, fuel and online service purchases collectively represent 40% of transactions carried out by Spanish SMEs and freelancers. These items account for 18% of the average total amount spent by Spanish businesses.

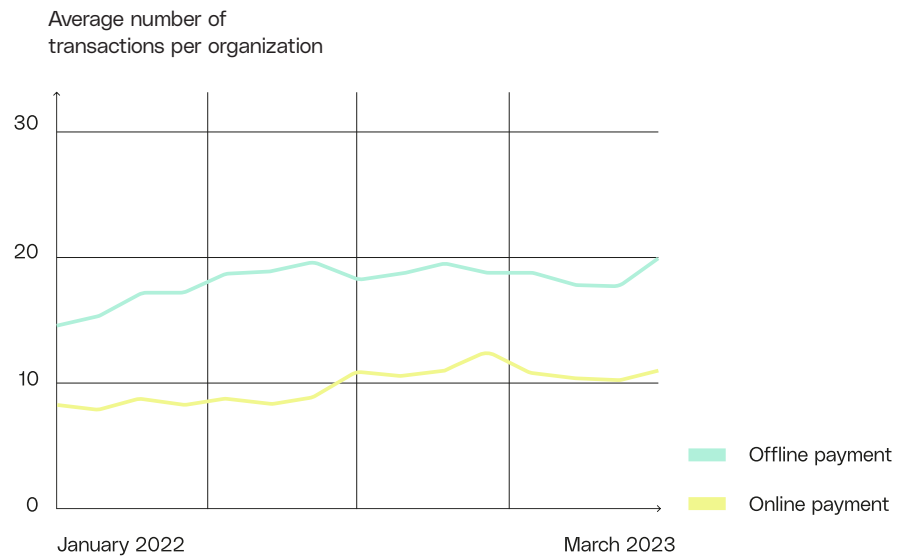
Italy

Italian SMEs and freelancers saw their average card usage increase faster than in the other markets, with a 21% Y-o-Y rise in Q1 2023.

Online and virtual payments take the lead

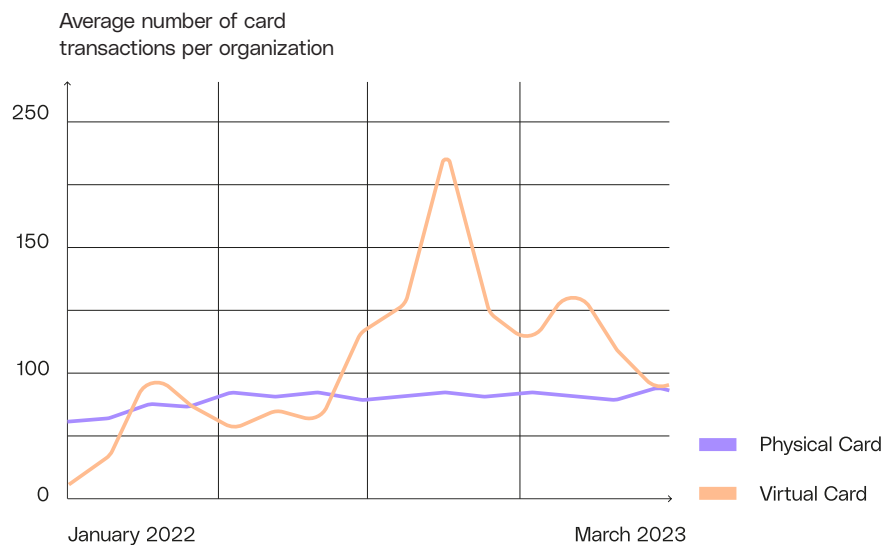
In Q1 2023 in Italy, both online and offline payments showed strong growth compared to the previous year. This was led by online payments, which are growing at a faster rate with a 34% Y-o-Y increase.

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Online payments Vs. offline payments in Italy
 Jan 2022 – Mar 2023



Italian businesses increased their usage of virtual cards by 117% during Q1 2023 compared to the same period the previous year. Since the summer of 2022, virtual cards have even overtaken physical cards, and represented more than 60% of all card transactions in Q4 2022 and Q1 2023.

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Virtual & physical card usage in Italy
 Jan 2022 – Mar 2023



Online services are attracting more and more SMEs and freelancers in Italy, too, with a 22% Y-o-Y increase in Q1 2023.

Share of spend on primary needs & online services: Italy

The most frequent spending items for Italian SMEs and freelancers are food, transport, fuel, and online services, which together represent more than 44% of all their card transactions. When looking at the amount they spend on these items on average, they represent 13% of the average overall.

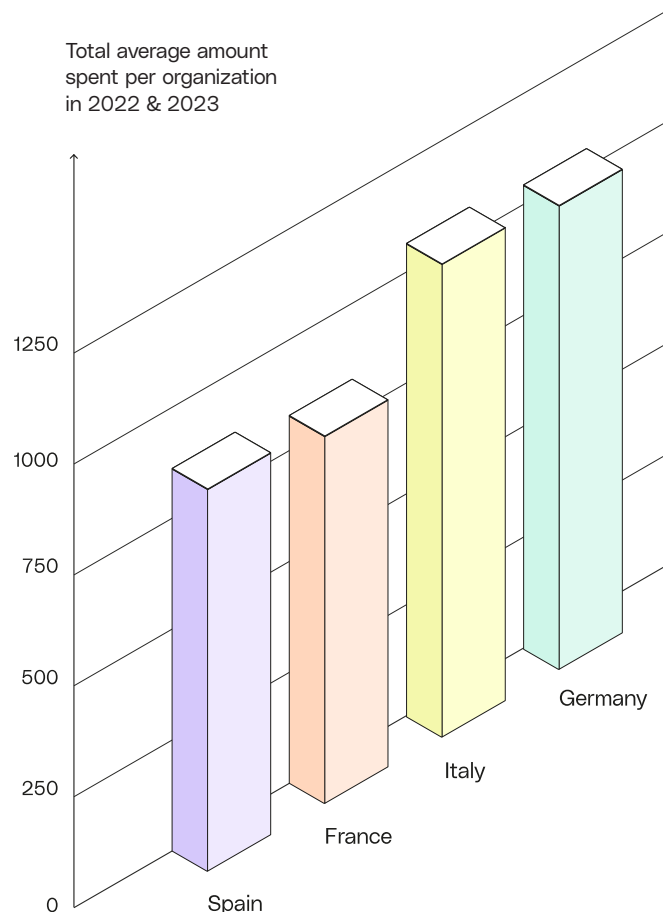
Specific spending habits at a glance

This section seeks to analyze specific spending habits potentially linked to external factors such as inflation, climate change or the on-going digitalization of SMEs and freelancers.

Food price inflation is a notable factor

The prices of food and groceries were volatile throughout 2022 and continued to rise in the first three months of 2023. The average amounts spent on comestibles by SMEs and freelancers have evolved just as fast, with a notably sharp Month-on-Month increase in food and grocery spend recorded in December 2022. The lowest December 2022 increase was in France (+15% M-on-M) while Germany (+27.5%), Spain (+27.5%) and Italy (+32.5%) showed stronger M-o-M increases in the average amounts spent.

→
Amount spent on food & groceries per country
 Jan 2022 – Apr 2023



Despite a slight M-o-M drop for all markets in January 2023, French SMEs and freelancers' food and grocery spend increased overall during Q1 2023 when compared to the same period the previous year. Germany, Spain and Italy recorded more stable prices, on average.

A shift from workplace ownership to workplace rental

Over the past few years, the working life of Europeans has undergone many changes, not least the multiplication of working locations or the expansion of remote work.

When looking at the average amounts spent on workspace rental, there is a strong growth in Germany and Spain in Q1 2023, compared to the same period last year (32% and 40% respectively). This increase is much more moderate in Italy (11%), while France shows a stable progression Y-o-Y.

The average number of transactions for workspace rental increased across all markets over the course of 2022, with companies in both Spain and Italy making 12% more purchases (vs +6% in Germany and +4% in France).

The average number of transactions increased sharply at the end of summer 2022, which likely reflects lower levels of activity during the summer holidays.

These trends prompt several questions: have companies sold the facilities they owned to raise capital and optimize costs through renting workspaces? Have they started to rent in different locations outside of their historical catchment area in order to recruit from all over the country, or from across Europe?

Rail prevails over air travel for business trips

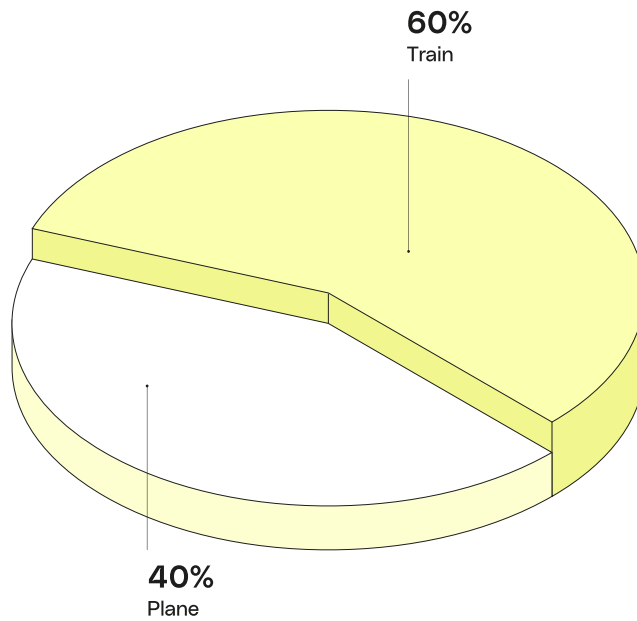
When it comes to transportation, European SMEs and freelancers travel much more often by train than plane.

Train travel prevails over air travel in all markets according to the Qonto data, in terms of average number of transactions. This trend began well before 2022 and had become even more defined by the beginning of 2023.

In France, the average number of transactions for planes and trains remained stable throughout 2022 and the first quarter of 2023.

Rail travel represents, on average, 60% of combined transactions for plane and train tickets.

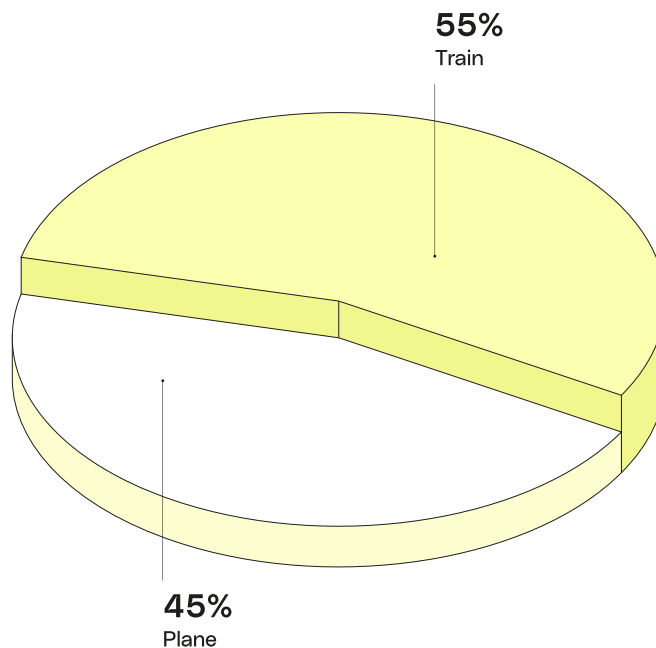
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Share of train bookings Vs. plane bookings in France
 Jan 2022 – Apr 2023



In Italy, plane bookings also remained stable over the course of 2022 (-4%) and at the beginning of 2023 (+7% Y-o-Y in Q1).

Meanwhile, for the traditionally dominant rail travel option, the data shows a slight 11% increase in train bookings over 2022, and the same variation Y-o-Y in Q1 2023. On average, train tickets represent 55% of Italian SMEs and freelancers' combined transactions for train and plane travel.

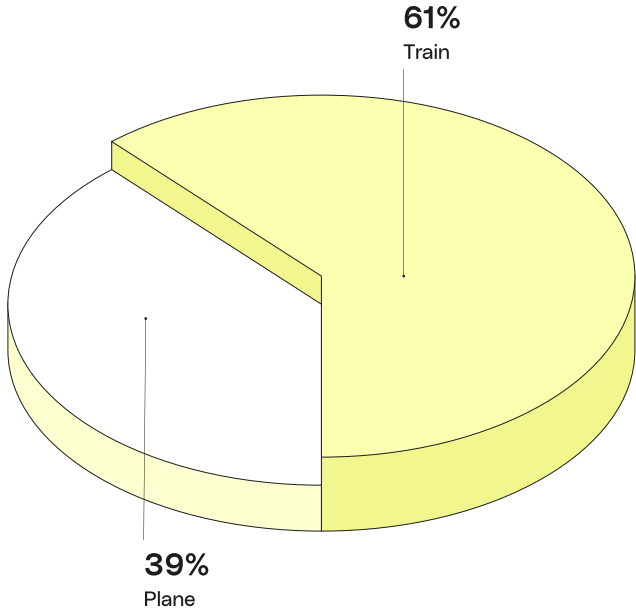
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Share of train bookings Vs. plane bookings in Italy
 Jan 2022 – Apr 2023



In Germany, the average number of train travel transactions represents 61% of all combined train and airplane bookings. Train travel transactions increased by 18.5% during 2022, then stabilized at the beginning of 2023 (+3% Y-o-Y growth in Q1).

The volume of plane booking transactions, on the other hand, remained stable throughout 2022 and early 2023.

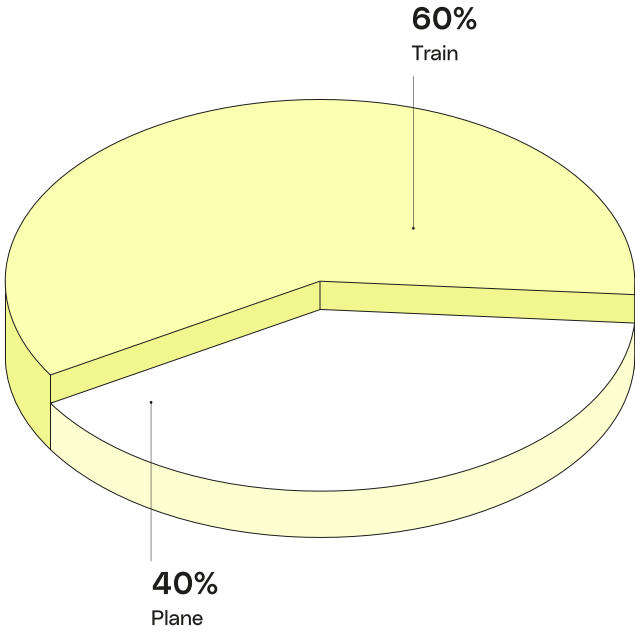
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Share of train bookings Vs. plane bookings in Germany
Jan 2022 – Apr 2023



Spain recorded the largest number of transactions for train bookings relative to plane reservations. However, the average number of train bookings per organization were pretty stable in 2022 (+3.8%).

Despite strong increases in air travel over 2022 (+36%) and in Q1 2023 Y-o-Y (+62%), the ratio of train-plane booking transactions made by Spanish businesses is 60%-40%.

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Share of train bookings Vs. plane bookings in Spain
Jan 2022 – Apr 2023



Social Media: TikTok is the most frequently used platform

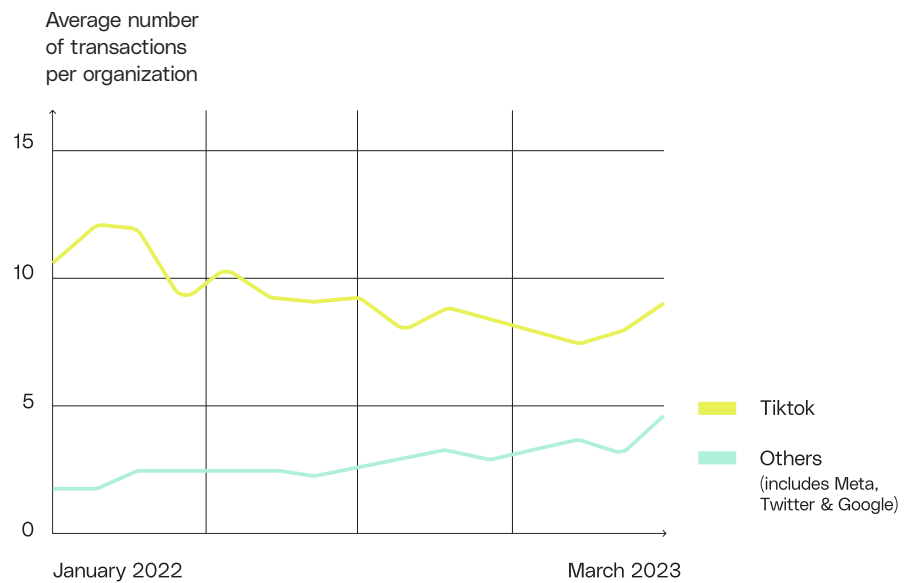
European SMEs and freelancers rely increasingly on social media and digital platforms for their communications and marketing strategies.

If the majority use Google, Facebook, Instagram and/or Twitter, starting from 2022 the average number of transactions by organization was higher for TikTok than the other channels mentioned above.

When looking at the average number of transactions carried out by SMEs and freelancers for their social media marketing, the data shows that they spend more frequently on TikTok than they do on the other channels: compared to transactions for Google, Facebook, Instagram and Twitter, TikTok accounts for 65% in Germany, 70% in France and Italy, and 81% in Spain. The average amounts spent, however, haven't exceeded the ones spent on other channels.

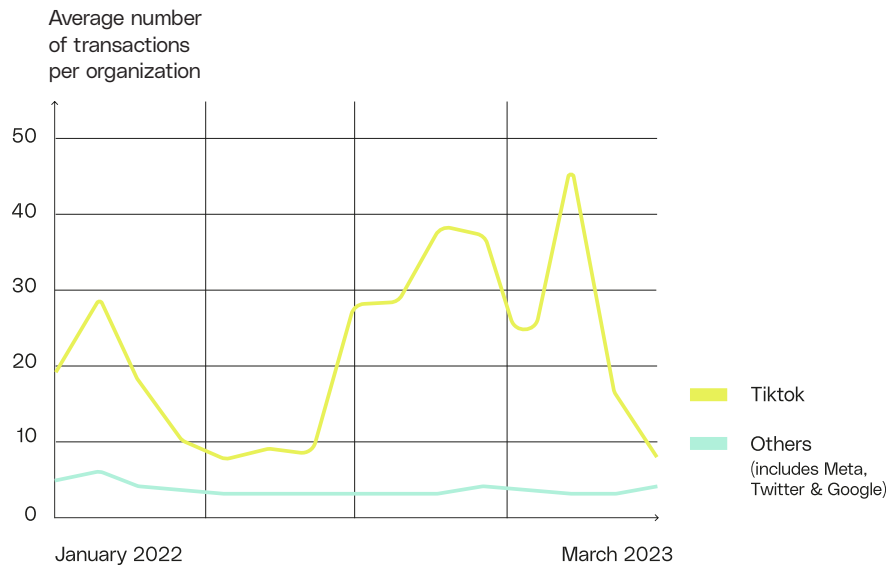
Such trends suggest that businesses are ready to embrace newly-emerging social networks in order to keep up with global trends and adapt to their customers' life changes.

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**TikTok transactions
 Vs other digital
 channels in France**
 Jan 2022 – Mar 2023



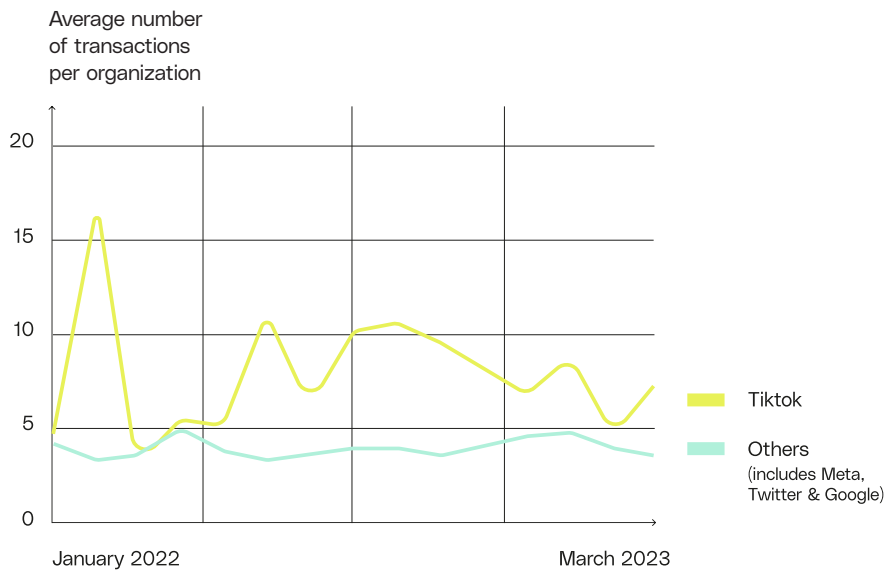
**TikTok transactions
Vs other digital
channels in Spain**

Jan 2022 – Mar 2023



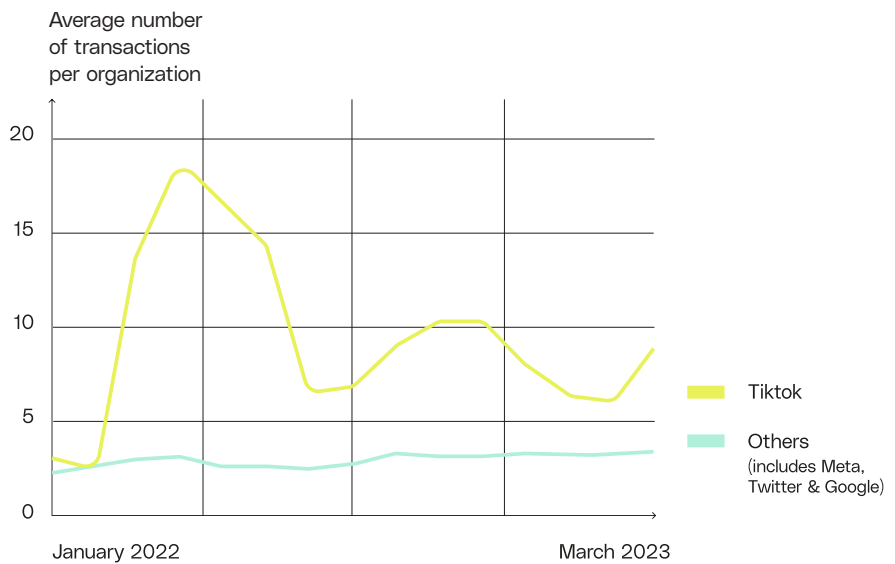
**TikTok transactions
Vs other digital
channels in Germany**

Jan 2022 – Mar 2023



**TikTok transactions
Vs other digital
channels in Italy**

Jan 2022 – Mar 2023



Conclusion: a growing demand for digital payment solutions among European businesses

Qonto data show that European businesses still have a preference for offline payments and physical cards. However, at the same time, all markets show an acceleration in the adoption of online payments and virtual cards. This trend can be illustrated by the growing preference among German SMEs and freelancers for online payments, and the growing usage of virtual payment cards as an alternative to physical ones in Spain.

Transportation & Storage companies across all markets are ahead of the curve in this respect, as they're now paying more with virtual cards than with physical ones. Real Estate businesses' strong surge in virtual card adoption also suggests the digital transition is still ongoing.

Finally, European SMEs and Freelancers generally opt for train over air travel. This at a time when businesses of all sizes are becoming increasingly conscious of their environmental footprint.

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