

Special Report FT 1000: Europe's Fastest Growing Companies

Stockholm

Swedish tech know-how aids Stockholm's start-ups

Despite success, business leaders fret that the city could lose its edge



Stockholm syndrome: Jacob de Geer wants the Swedish capital to be made more alluring to business

APRIL 24, 2017 by: **Richard Milne**, Nordic Correspondent

When Jacob de Geer's ex-wife went to a trade fair seven years ago, she had a problem. More than half the potential customers for her glasses wanted to pay with credit and debit cards but as a small entrepreneur she could not afford to accept them. Most customers did not carry cash so went away empty-handed.

In response, Mr de Geer founded iZettle, a Swedish company that is not just one of the fastest-growing in the Nordics but in the top 25 of the [FT 1000 \(https://ig.ft.com/ft-1000/\)](https://ig.ft.com/ft-1000/). iZettle provides card readers that can be plugged into smartphones or tablets to help small merchants with payments.

It is just one of several fast-growing companies born in Stockholm in recent years. Out of the top 500 in Europe, 10 were founded in the Swedish capital. Paris, Rome and London may attract more tourists but [Stockholm \(https://www.ft.com/topics/places/Stockholm\)](https://www.ft.com/topics/places/Stockholm) is one of Europe's most active start-up hubs.

According to a report by venture capital firm Atomico, Stockholm stands behind only Silicon Valley in terms of producing unicorns — companies valued at more than \$1bn — when measured on a per capita basis.

[Spotify \(https://www.ft.com/topics/organisations/Spotify_Ltd\)](https://www.ft.com/topics/organisations/Spotify_Ltd), the music streaming company, as well as Mojang and King Digital Entertainment were all founded there. The latter two are the gaming companies responsible for *Minecraft* and *Candy Crush Saga*, respectively.

So what has Sweden done right? And can it keep up the pace?



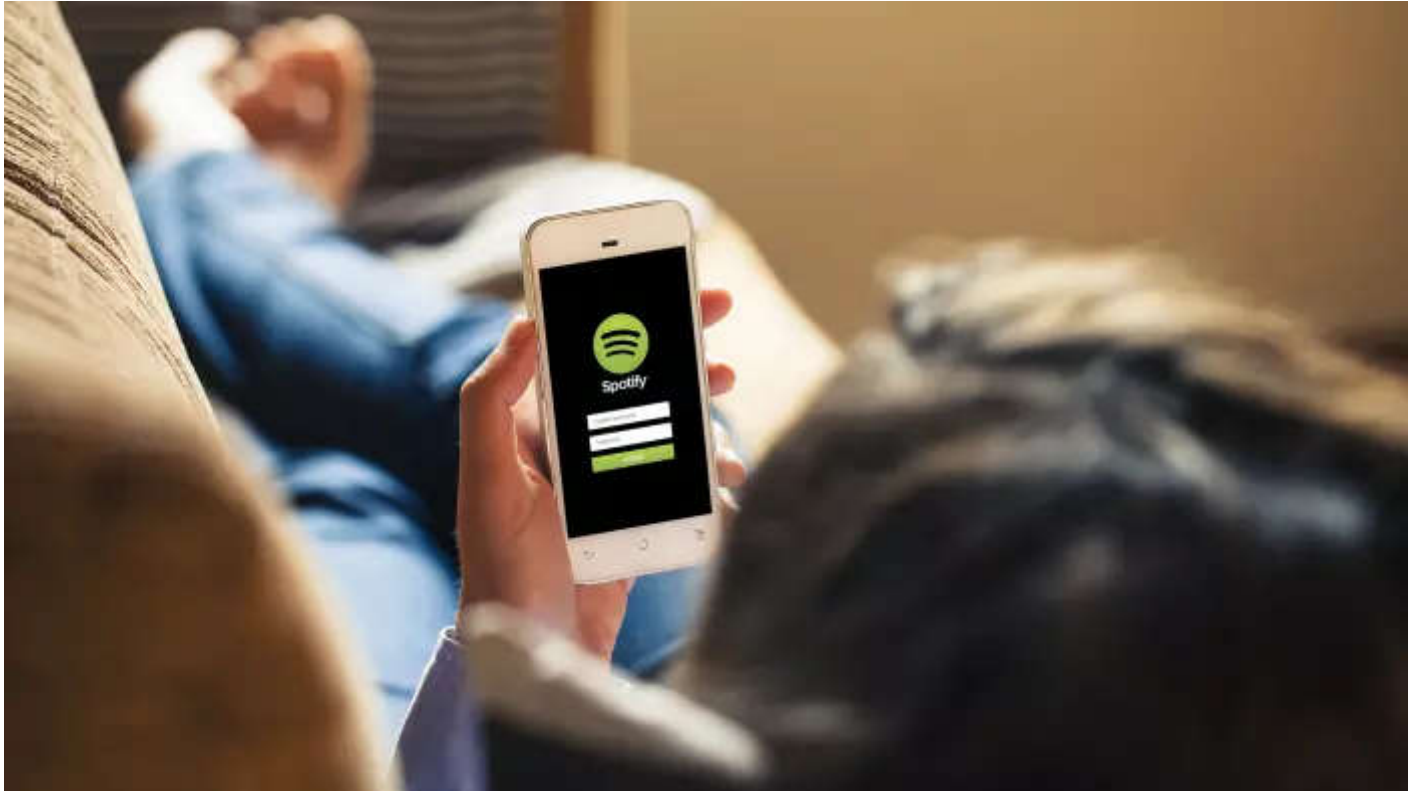
Many of the entrepreneurs date Sweden's success to the so-called home PC reform of the 1990s, which allowed citizens to buy cheap computers. That, together with relatively quick broadband by European standards, turned Swedes into digitally savvy consumers as well as producing a cohort of IT specialists as entrepreneurs and engineers. "That really created a good foundation for what we see today," says Mr de Geer. "With the combination of good broadband and high computer literacy, you get sophisticated services."

Trustly is another Swedish start-up in the top 500 that is working to improve payments, in its case online. Its average annual growth rate from 2012-15 was more than 80 per cent, and it now handles about €4bn in online payments a year in 29 European countries.

Oscar Berglund, chief executive of Trustly, says Stockholm is reaping the benefits from having older technology companies — such as [Skype \(https://www.ft.com/stream/organisationsId/NDlkNmU5MGYtMzA4YiooNDRiLTljNzAtNzFlNjY5NDMzN2Mx-To4=\)](https://www.ft.com/stream/organisationsId/NDlkNmU5MGYtMzA4YiooNDRiLTljNzAtNzFlNjY5NDMzN2Mx-To4=), the telephony group — based in the city. “The people that invested in those companies are now investing in new companies. There is a real ecosystem,” he adds.

Stockholm has become a [centre for both fintech \(https://www.ft.com/content/2e3f4042-9065-11e6-8df8-d3778b55a923\)](https://www.ft.com/content/2e3f4042-9065-11e6-8df8-d3778b55a923) companies — such as Trustly, iZettle and Klarna, which deals with online invoicing — and also gaming ventures (FEO Media, G5 Games). Mr Berglund credits the more modern and sophisticated banking infrastructure in Sweden where there is a long-established mobile identification system.

Swedes are also quick adopters of technology. A few years ago, they were one of the leading users of cash in Europe. Soon they may well be the first country to become cashless as everyone from pensioners to the young embraces digital payments. Even homeless sellers of magazines use [iZettle \(https://www.ft.com/stream/organisationsId/ZDA2NzUoY2MtMGVjNSooOTUoLTkyMjYtMjRiYzFiNjM1ZjVm-To4=\)](https://www.ft.com/stream/organisationsId/ZDA2NzUoY2MtMGVjNSooOTUoLTkyMjYtMjRiYzFiNjM1ZjVm-To4=) to take card payments.



The presence of bigger trailblazers such as Spotify and Skype has also helped energise Stockholm. “It has put Sweden in the spotlight. We have managed to stay at the forefront

of technology for more than a decade. It brings venture capital to Sweden in a way that you couldn't really find 10 years ago," says Mr de Geer.

But many entrepreneurs are worried about whether Stockholm will be able to keep its place at the top table. They fret about everything from housing to the treatment of stock options. Spotify's co-founders [wrote an open letter \(https://www.ft.com/content/938dfe-de-00be-11e6-99cb-83242733f755\)](https://www.ft.com/content/938dfe-de-00be-11e6-99cb-83242733f755) last year warning that they could turn their backs on Sweden if certain problems were not solved. Top of the list was the difficulty of finding rental property in Stockholm. Mr Berglund says Trustly, which with only 160 employees already has offices in London, Barcelona and Malta, has recruited people who have then not been able to find somewhere to live.

"I don't think Swedish politicians understand the long-term challenges they are up against. They are trying to defend the kind of society we have lived in for the last 100 years. That is changing and it's going to be a painful transformation," says Mr de Geer. He points to other European countries trying to lure business with lower tax and better treatment of stock options.

There remain questions about funding for the bigger fast-growing companies. The founders of Mojang, King and Skype all sold out before the companies become really big. A lot rests on Spotify, which is expected to list soon. "In Sweden, we have had the luxury of just sitting back and enjoying the ride of great companies being created. But nothing is being done to lay the foundations for the future," says Mr de Geer.

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