Country report: Sweden

1. Introduction

This report offers a brief overview of the Swedish food retail sector. First, it outlines the supply side highlighting the concentration of the food retail market. Second, it summarizes developments in Swedish food consumption patterns underscoring changes in expenditure and shifts in values and understandings of food and cooking. Third the report offers an outline of the recent increase in e-groceries. We end the report by summarizing our main findings.

The report builds mainly on statistics and reports by Swedish authorities and Swedish professional organizations. This report serves as a summative overview of previously published quantitative analysis of the food retail and food consumption in Sweden. Its ambition is to offer a macro level map of the Swedish food retail domain. Any references to statistics mentioned in this report should be made using the original reports as a source. In addition, as the report centres on previous quantitative analysis we would like to underline that the report misses out on nuances and detail that is well documented in qualitative scholarly research on food in Sweden and other countries.

2. The food distribution sector: the supply side

In 2017 the sales of the six largest wholesale and retail actors (ICA, Coop, Axfood, Bergendahls, Lidl and Netto) made up approximately 89% of the total sales of foods in Sweden (Dagligvarukartan 2018). In monetary terms the combined sales of these corporations were worth approximately 263 billion Swedish krona or almost 26 billion euros (Dagligvarukartan 2018). Ica dominated the market holding a 50.4 % market share followed by Coop 18.2, Axfood 17.2, Bergendahls 7.5, Lidl 11.6 and Netto 2.2.

Ica, Axfood, Coop and Lidl operate across Sweden while Bergendahls and Netto are present in all parts of the country except the very north (Norra Norrland). Hence, the leading market actors operate over a large geographical area, something that is made possible through substantial investments in logistics systems and store network.

To meet service demand from consumers and create competitive advantages, most of the actors operate though a retail strategy built around a set of store formats of various sizes and with varying supply. For example, Ica-stores come in four different formats: Ica Maxi, Ica kvantum, Ica supermarket and Ica nära differing in size and supply (www.ica.se). Ica Maxi are their largest stores often found in the outskirts of municipalities, while Ica super market and Ica nära ("nära" means "close") are much smaller and generally found in city centres of smaller municipalities (www.ica.se). It is evident that retailers build their strategies to optimize the quality of service in terms of opening hours and convenience by establishing stores that cater to a local customer base or a larger perhaps regional customer base traveling by car.

According to the Swedish National Competition Authority, the market concentration in Sweden is higher than many other European countries but equal to other Nordic countries (Konkurrensverket 2018). The high market concentration is mainly explained as a result of:

1) The geographical characteristics of Sweden with a rather small population scattered over a large geographical area. It is argued that in a sparsely populated country the development of efficient and cost-effective logistics has been crucial and companies successful in this area have gained advantages (Jörgensen 2011).

2) The importance of economies of scale. Most of the developments and innovations in food retailing during the last 100 years have required large scale investments and economies of scale (Ellickson, 2007 in Jörgensen (2011). The early 20th century saw the developments of large whole sale chains like ICA and COOP, which have dominated the market to this day (Jörgensen 2011). During the 1950's the supermarket format was introduced in Sweden and new requirements of extensive transport of goods made an effective distribution system a key business factor. Additionally, marketing strategies developed during this period. Specifically, the introduction of mass marketing involved higher costs for the retail business. Ellickson (2006 and 2007 in Jörgensen 2011) describe these and other "sunk costs" linked to the development of service quality in terms of supply and service quality as structuring or shaping the retail market in a manner that make the dominance of a few large across appear as a "natural concentration" (Jörgensen 2011, s. 4). Ellickson also notes that in the American context, the investments in, for example, information technology to supply and service quality correlate with the retail chains growing larger and according to the Swedish competition authority the same development characterises the Swedish market.

3) Lastly the Swedish competition authority also mentions the long-term presence of actors like Ica and Coop as a competitive advantage. This long-time presence has allowed them to secure attractive locations for their retail outlets.

So, all in all, the Swedish food distribution sector is dominated by a few larger actors of which at least two have been central to the development of food distribution since the 19th century. But there are also smaller independent businesses and other initiatives for selling food. In urban areas you find corner shops catering to a local market, competing mainly through location rather than supply or price (Jörgensen 2011). Corner shops are either local independent businesses selling foods and other consumables or, as is more common in larger cities and city centres, retail chains like 7eleven or Pressbyrån.

During the last 20 year there has also been an increased interest in food halls and food markets. To date, there are however no reliable numbers on turnover in this sector. Nor is there any available data on how much these businesses and initiatives are worth in monetary terms or how large a portion of household expenditure on food they claim. Food halls gathering various specialized suppliers of foods like cheese, fish, meat or breads and delicacies are predominantly found in the city centres of Stockholm and Gothenburg but they can also be found in slightly smaller municipalities like Lund and Uppsala. In these smaller but urban cities food halls have often been closed (or offered limited service) during the late 20th century and been reopened in the 21st century as a way of making the city centres more attractive. Food markets are also common features of larger as well as smaller cities in Sweden. But while the Food halls often focus on quality, experience and food events such as “Bondens egen marknad” (farmers market) organized in 14 cities in Sweden, is marketed as a mode of provisioning that reconnects producers and consumers.

In the countryside you also find farm shops where farmers sell their own produce in combination with locally sourced produce from neighbouring farms sometimes combined with imported delicacies. These channels of food distribution have also received increased attention in public discourse on food and, perhaps even more so, discourses on regional development and rural entrepreneurship. Food halls, food markets, farmers shops and other examples like these add to the way food distribution and food is shaped and understood in Sweden. However, their actually share of sales remains marginal.

3. Food consumption patterns: the demand side

In 2017 Swedish households spent 12.4 % of their disposable income on foods and non-alcoholic beverages (Konsumtionsrapporten 2018) making foods the third largest expenditure item after housing (26.2%) and transport (12.9%). Household spending on foods has increased by 14% since 2007. However, the increase rate is significantly lower than other consumption areas like clothes and shoes (21% increase) communication (49% increase), furniture and interior decoration (40% increase) during the same period (Konsumtionsrapporten 2018). And, if we look at the development over a longer period of time, relative expenditure on foods has actually decreased. For example, in 1980’s Swedish households spent 18% of their income on foods and non-alcoholic beverages (Jordbruksverket 2015).

Furthermore, studies of food habits in Sweden indicate that the population eat healthier today, at least on an aggregate level. Swedes now eat generally more fruit and vegetables, fibers and wholegrain and less sugar and fat (Jordbruksverket). But there are also strong indications that food habits vary in relation to, for example, age, gender, and whether you live in an urban or rural area. If we take young Swedish consumers as an example, this group eats less fruits and consume more soda and pasta compared to the “average Swedish consumer” (Jordbruksverket 2015). Swedes living in urban areas consume more fruits and vegetables and less meat compared to consumers living in rural areas. They do however also consume more alcohol.

In a report published in 2015 the Swedish Board of Agriculture give insights into the developments of changes in Swedish food habits over the last 50 years

(Jordbruksverket 2015). The report mentions globalization, urbanization and technical development as important forces reshaping Swedish food habits. All three forces have had a part to play in changing Swedish agricultural and food policy as well as in the restructuring of the Swedish retail market and food production (Jordbruksverket 2015). Based on the analysis of national statistics from the last 50 years the Swedish national board of agriculture concluded that: 1) the relative cost of food has decreased 2) Swedish consumers buy more food today 3) the supply of foods is much more varied, and 4) food products are increasingly processed. Many of these developments are depicted as directly linked to Sweden joining the EU in 1995. Food imports grew, resulting in a more varied supply of foods and pushing down prices on for example meats.

National statistics from the last 50 years also show changes in consumption patterns of specific produce. While there is an increase in the consumption of meat, vegetables, fruits and berries, acidified products, cream, eggs, cheese, soda, snacks, pasta and fries, swedes consume less flour, sugar, milk and potatoes. As mentioned earlier food products tend today to be more processed or refined. Instead of buying flour to bake bread consumers buy baked bread. Lastly Swedes spend more money on restaurants and cafés (Jordbruksverket 2015).

The Swedish board of agriculture links changes in food consumption patterns to changes in the way swedes organize their lives, what meanings and values they ascribe to food and food related practices like cooking. The board of agriculture frames these changes as changes in “lifestyle”. Factors mentioned are:

1) The high employment rate for women (during the 60’s around 50% and the last 20 years around 70%) leading to an increased demand for convenient products easily prepared and consumed.

2) An increasing interest in health and sustainability. Swedish consumers are increasingly aware of the health effects of diets and report an increased interest in eating healthy. At the same time an increasing share of the population are overweight and suffer from obesity which might be an indication that consumer interest in healthy eating is not necessarily translated into healthier eating patterns. Consumers also claim to be increasingly interested in sustainability. Although the sales of organic foods still make up only a small share of total sales (in 2017 organic produce made up 9.3% of total sales of foods), the sales of organic foods are steadily increasing (Ecoweb 2018). It is also interesting to note that the Swedish public discourse on foods frames the consumption of locally produced food as a way to to be sustainable (and the board of agriculture is no exception, see for example Jordbruksverket 2015). In studies of consumers we see a similar tendency to equate sustainable consumption with consuming food produced locally and sometimes also foods produced in Sweden (Fuentes & Brembeck, in review). As illustrated by previous studies, food provenance is a more complex issue than it might appear at first glance, as consumers understanding of for example “local” varies (Meah and Watson, 2013).

3) Lastly, the Swedish board of agriculture mentions the increased interest and status awarded to cooking as a factor that shapes contemporary food consumption patterns. It highlights two contradictory trends in Swedish food consumption. On

the one hand, there is an increased demand for convenient and easy to cook food. On the other hand, consumers increasingly engage in time-consuming cooking (see also, Ulver 2017). The latter development is linked to the increased attention given to food and cooking in the popular media (Jordbruksverket 2015).

To summarize, Swedish food consumption patterns have changed significantly over the last 50 years. These changes are linked to developments in Swedish public agriculture and food policy, structural developments within the food retail sector, a greater variety of foods available, increased awareness and interest in health and sustainability and a changing view of the status of food and cooking. And as will be evident in the next section digitalization have also started to impact on how Swedes buy foods, what they buy and how they cook, eat and understand food.

4. Online food retail and shopping

Sweden is one of the leading countries in terms of access and use of Internet. In 2017 94% of the population used the Internet (almost everyone between ages 12 and 65 use the Internet) and 98% of the population had access to internet at home (Svenskarna och Internet 2018). The same year 93% of swedes had access to a computer and nine of ten own a smartphone (Svenskarna och Internet 2018). The high degree of access to and use of Internet provide beneficial conditions for e-commerce and 88% of the total population buy products online. In the age groups between 16 and 65 almost everyone shops via the Internet (Svenskarna och internet 2018). Together with the other Nordic counties, Great Britain and Germany, Sweden is described as fully part of a digital market shift. The amount of money spent on online shopping is also increasing. These markets are more mature and competition is fierceHowever, a robust consume base that spends increasingly more money online provides amply of business opportunities for new actors (E-handeln I Europa 2018). Looking at the statistics on e-commerce in Sweden it is evident that consumers are more likely to shop on-line in some categories than others. For example, 37% of all Swedish consumers have bought clothes and shoes online, 30% of consumers have shopped beauty products and cosmetics, 26% books and media and 12% sports and leisure products (E-barometern Q3 2018).

In comparison to other product categories, food retail is a relatively immature digital market. The development of the digital food retail market in Sweden could be described as characterised by three waves. The first wave took place around the millennia. At the time, the general digital retail market was immature, the developments of Web 2.0 were still to come and companies had trouble recruiting customers to their food retail services. Most actors had to closed down or dropped their digital service offers. The second wave started around 2009 when a number of food box scheme companies were started. In the following years this service grew substantially. Web 2.0 was not fully in place but the digital retail market had now matured. In addition, the food box scheme service offered consumers a convenient way to appropriate food that helped consumers materialise a number of ideals linked to food and cooking. Food bow schemes offered a way to conveniently materialise varied, healthy and in some cases sustainable diet and allow consumers to “cook from scratch” (Jackson et al 2018). By latching on to these ideal in their marketing and solving everyday dilemmas of consumers, the food box schemes were able to recruit consumers from the physical food retail. Hence, the second wave of digital food retail in Sweden and the food box schemes paved the way for the third wave we are seeing today where the market for food box schemes is in decline while the market for online grocery stores with home delivery services is growing fast (Digital mathandel 2018).

In the third wave of digital food retail, that we see today, the development is driven by “open orders” of food rather than food box schemes. Today foods is still described as a small but growing digital retail category. Compared to other product categories, the digital market for foods is still immature in Sweden and is expected to expand in the coming years (Digital mathandel 2018). In 2017 the digital sales of food comprised only 1.6 % of the total sales of food (Digital mathandel 2018). However, the digital sales of food grew 19 % that year and was estimated to grow by 25% in 2018 (the numbers for 2018 are not yet available) (Digital mathandel 2018). Hence, the “pure” online food retailers like Mat.se and Mathem.se continue to expand their operations and in 2018 large actors dominating the physical food retail like Ica, Coop, Bergendhals and Axfood launched e-channels. Building on their well-developed logistics systems, strong brands and knowledge of their consumers, these new digital services have has been well received (Digital mathandel 2018). As these large actors enter the digital food retail market more consumers will get access to a digital food retail service.

In 2017 31% of Swedes had shopped for food on-line. More consumers shop for food online regularly and the typical digital food retail customer is of age 26-45, cohabiting with children and live in one of the larger cities (Digital mathandel 2018). However, digital food shopping is increasing in all age groups and there is potential for development as people living outside the larger cities get access to digital food shopping (Digital mathandel 2018). Consumers with high income are more prone to shop for food online and women shop more than men (and this is particularly evident for women living in a relationship) (Digital mathandel 2018). In 2017 26% of men had purchased food online and 38% of women. Computers were used in 43 % of the purchases online, 38% of purchases were made using a smartphone (either via an app or a website) and 19 % of purchases were done though tablets. The number of consumers stating that the smartphone is the easiest tool for e-shopping for food is growing. Today almost one in four consumers state that they prefer to use the smartphone (Digital mathandel 2018). The smartphone adds flexibility and enable multitasking and placing orders while for example traveling by buss or during a lunch break (Digital mathandel 2018, see also Fuentes et. al 2017).

When consumers who do shop on-line are asked what benefits they experience, 47% respond that they save time. Consumers that shop for food online estimate that they spend around 42 minutes per week to do their shooing. Consumers that buy food in physical stores estimate their time-use to be 84 minutes per week. But there are also other benefits. 34% of the consumers who shop for food online state that they do so to avoid shopping in a physical store, 30% state that they do not have to carry the groceries. 25% of the consumers value the ability to do their shopping at any time of the day, 24% that e-shopping makes them are less prone to impulse buying, 14% that prices are lower compared to the physical store and 12%

report that the there is a greater variety of products online compared to a physical store. 3% state that there is a larger supply of organic foods and 2% that e-shopping makes it easier to follow a diet (Digital mathandel 2018). When asked about the downsides of e-shopping for food, 49% of consumers respond delivery costs, 36% state that they want to see the food products before they buy them, 29% that the products are more expensive compared to a physical store, 18% state that it is fun to shop in a physical store and 14% that they get better service.

Lastly, and returning to the issue of sustainability and supply of organic goods, it is interesting to note that there are clear indications that online food retailers sell more organic products. According to news article published in Dagens nyheter in 2017, 8.7% of food retail sales were organic in 2016. In the same year Mat.se had a 16% of sales that were organic and Mat.se 25% (Kihlberg 2017). According to Ecoweb, an independent market analyst covering the “eco market”, this could be explained as a result of the design of the websites where organic products are equally visible, or even more so if klicks makes the product end up in categories like “popular products” or other frontline positions on the website (Ekologisk livsmedelsmarknad 2018, Kihlberg 2017).

In our mapping of the online platforms and pipelines for food in Sweden it soon became clear that the market was dominated by what we labelled pipelines, i.e. food box schemes, the larger commercial actors specialising in online food retail, and the giants of the Swedish food markets that just launched their digital retail channels. There were smaller commercial actors often specializing in either health food and/or imports of foreign food delivering products to all parts of Sweden or mono-product sales fresh produce of for example meats or vegetables with local or regional coverage. Many of these companies used sustainability as a selling argument in their marketing. The number of actual platforms were very small but, in this group, there were some interesting cases, for example the 107 REKO-rings, a non-commercial initiative spreading over the county using Facebook as an infrastructure to create a platform where local producers and consumers are connected. Another non-commercial example were Local food nodes. In this case the platform was built around a website with functions that linked consumers and producers in local food nodes. Yet another, in this case highly commercial example, Karma, is an app-based platform connecting consumers with producers that offers left over products for a reduced price. This is yet another business model where commercial companies like food retailers, restaurants and cafes are the customers and the consumers part of the product package for sale.

In summary there are alternative platforms in place in Sweden today but they are still too small in size and number to challenge the larger food retailers. It is evident that the technical development has enabled new possibilities to reach a large number of consumers but at the same time actors are still bound by the logistical challenges that characterise the Swedish food market.

5. Summary

This report offers a brief overview of the Swedish food retail sector. Its key findings can be summarized as follows:

- The Swedish food retail sector is characterised by high market concentration with a few leading actors.
- These dominating actors gain their competitive advantage through well-developed and costly logistics systems and store infrastructure covering most parts of Sweden. The two largest actors, Ica and Coop, also benefits from their longstanding presence on the Swedish market.
- The Swedish food consumption is characterised by changes in consumptions patterns of individual produce like fruits and vegetables, meats etc. A general trend is also an increased demand for processed goods and convenient food solutions.
- Food is increasingly linked to health and sustainability and the status ascribed to cooking has increased.
- Compared to other product categories food retail is a relatively immature market and the online sales of food is still only a fraction of total food sales. Digital food retail is however described as a growing market with good potential for further developments in terms of size and service concepts.
- Consumers value digital food retail because it amongst other things enables them to save time, to get products delivered to their home, avoid impulse buying and make the shopping more flexible in terms of time and place.
- Smartphones are increasingly used for shopping food online.
- A larger portion of digital sales are organic compared to physical stores.

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