



Retail

- Opportunities in a market with strong growth



INVEST:SWEDEN



Sweden - ideal market for international retailers

Sweden's appeal for retail investment is reinforced when looking at Sweden's dominance in the Scandinavian marketplace of 25 million people. Sweden has the largest population and the largest retail market, and receives as much foreign direct investment as Denmark, Finland, Norway, Estonia, Latvia and Lithuania together.

The Swedish retail market has enjoyed positive annual growth for more than a decade, fuelled by steady population growth and rising disposable incomes. Private consumption has risen faster in Sweden than in most other European countries and the consumers have high spending power. The developments reflect good consumer confidence and a strong Swedish economy, with solid GDP growth and stable public finances. The apparel segment has benefitted most from consumer spending patterns.

Sweden is a country well suited to new retail concepts and there are opportunities in most market segments. There is

also a good supply of retail space, due to major on-going and planned expansion of shopping centers and retail parks throughout the country as well as a number of city center renewal projects. Property owners and developers welcome international concepts, as it serves to differentiate their retail offering.

Swedish consumers are demanding buyers, they value function and quality as much as design and branding in their buying decisions. As a result, Sweden is often used as a test market for global brands.

Strong retail sales growth

The Swedish retail market has been growing for 14 consecutive years. Despite the financial downturn and a GDP decline of almost 5 percent in 2009, the retail sales measured in current prices increased by 3.7 percent in 2009 to 602 billion SEK (€60 billion). Until 2020 the retail sales is expected to grow by 30 percent according to the Swedish Trade Federation.

Why Sweden?

- Well-performing and growing economy
- Steady population growth, solid rises in disposable income
- Strong retail sales growth for more than a decade
- Appetite for new retail concepts
- Recognized as a trend-setting country
- Availability of attractive retail space

Key facts

◦ Population	9.4 million
◦ GDP growth	4,6 percent
◦ Inflation, Consumer price index	1.4 percent
◦ GDP per capita	SEK 334,200
◦ Currency: Swedish krona (SEK)	SEK 100 = € 10.85

Source: Statistics Sweden, 2010





Consumption and disposable income is growing

The increasing demand on the retail market is driven by a strong economy, steady population growth and rising disposable incomes. Over the past decade disposable household income has increased with 32 percent, and out of all household expenditures, almost 50 percent was spent on retail. In 2009 grew private consumption by 3.6 percent and the outlook for consumption growth is good.

The consumption has risen faster in Sweden than most other European countries. Most inhabitants live in the southern part of Sweden which is the most urbanized area with the capital Stockholm, Gothenburg and Malmö being the largest cities. The population is expected to grow to 10 million people in 2020.

Florishing tourism shopping

Another driver of retail sales growth is tourism shopping. 2010 was a record year for tourism in Sweden with foreign tourists spending more money in Sweden than Swedish tourists spent overseas. 30 percent of the total spending from visitors was on retail, 80 billion SEK (€8 billion), a 100 percent growth since 2005. Despite the sector seeing a global decline, Sweden recorded an increase in tourist overnight stays by 3 percent.

Cross-border shopping by neighboring countries Norway, Denmark and Finland represented 50 percent of the total tourism export during the first six months of 2010. Almost 60% of Norwegians from the south part of the country visited Sweden at least once during this period, where four out of five had gone to Sweden for shopping.

Opportunity for new international retail concepts

Among both consumers and property owners there is a welcoming attitude to new international concepts that add diversity to the retail market structure. The Swedish well-travelled and trend-sensitive consumers embrace new international brands and shopping experiences. There is today some 130 international retail chains present Sweden, majority originating from Scandinavia, Germany and UK. More than 30 percent of the foreign retailers have at least 20 outlets in Sweden.

An ideal test market

Sweden is recognized both for setting new trends and rapidly adopting them from abroad. Attractions include demanding, widely traveled and technologically advanced consumers eager to explore and find use for new products and technology. The consumers are considered demanding buyers that value new technology, function and quality as much as

GDP growth in selected countries

1997-2010, average annual change, percent

Finland	2,7
US	2,6
Sweden	2,4
Netherlands	2,1
UK	2,1
Norway	1,9
France	1,8
Euro area	1,6
Denmark	1,3
Germany	1,2

Source: National Institute of Economic Research
Eurostat, OECD

Swedish retail sales 2009

	Consumption, SEK billion	Change over 2008, %
Total everyday commodities	251	4.3
Food and beverages	191	4.1
Healthcare and cosmetics	35	5.7
Tobacco	22	7.2
Newspapers, magazines	3	1.6
Total specialty retail	249	1.9
Fashion	86	1.2
Household goods	95	1.8
Leisure goods	68	3.0
Total retail sales	500	3.1

Data excludes sales of alcohol and pharmaceuticals.

Source: Statistics Sweden, 2010

design - that makes it interesting for testing new products. This goes for fashion as well as technology products – Diesel, Microsoft and Ericsson test their new products. Calvin Klein, Coca-Cola, Samsung and McDonalds have all used Sweden for early commercialization.

Swedes like to shop from home

E-commerce and distance selling is firmly established in Sweden – more than two-thirds of Swedish households use mail order or e-shopping at least once a year and 20 percent at least once a month. E-commerce grew by 15 percent in 2009 to 22 billion SEK (€2.2 billion) and its share of total specialty retail sales was 10 percent (4 percent of total retail sales). During second quarter 2010 sales grew by 11 percent. 40 percent of the Swedish consumer's purchase from e-commerce sites abroad, mostly from USA, Germany and UK. Clothes, electronics, CD's and DVD's top the list. Increasingly, traditional store retailers complement store sales with online sales.

The world's most advanced Internet users

High levels of advanced Internet usage not only means consumers are well-informed but also that they embrace shopping over the Internet. Over 90 percent of Swedes have access to the Internet at home, and buying decisions are increasingly formed online. Swedish consumers have used the Internet as a shopping guide for a long time – the international price comparison web site Pricerunner was founded in Sweden in 1999, for instance. Sweden and its Scandinavian neighbors are ranked in top of having the best IT infrastructure and the highest e-readiness in the world.

Good supply of retail space

Extensive construction in the retail sector is underway, comprising of new and extended shopping centers, retail parks and city center renewal projects. Sweden has a well-developed external trade and is one of the pioneering countries for shopping centers in Europe with the first ones in early 1950's. Shopping center retail sales account for more than 33 percent of total retail sales in the country. When it comes to number of shopping centers per capita, Sweden lies far above the European average. There are today some 350 shopping centers and retail parks, an increase of over 100 in ten years.



The strong private consumption and growth in retail sales has quickened the pace of renovation and new constructions. Up until 2014, ten new shopping centers are in the building pipeline. Much of Sweden's retail space is under institutional ownership and many owners specialize solely on retail property.

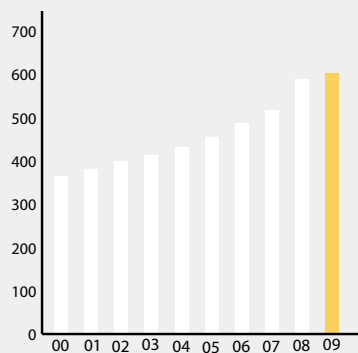
Favorable rental conditions

Standard lease terms are 3–5 years for shopping centers and high street units. Longer terms, usually 7–10 years, apply for retail parks and anchor tenants. Rents are normally constructed as a minimum base rent with a turnover element if sales exceed the base rent. Rents are annually indexed to the development of consumer prices, and the tenant has the right to renew the contract for three years.

Companies are free to set their own opening hours, as long as this is not in conflict with the rental contract. It is common for the retail trade in a specific city to coordinate opening hours and Sunday trading is almost a rule. Compared to other countries, tenants have a strong legal position and right to the rented premises. Rental costs for a fashion store typically amount to 8–10 percent of sales.

Retail sales growth

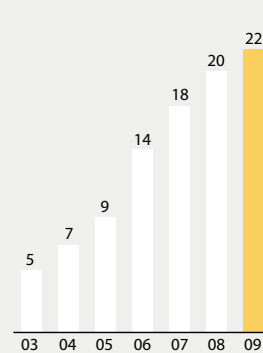
Total annual sales, SEK billion



Source: Statistics Sweden, 2009

E-commerce sales growth

Total annual sales, SEK billion



Source: HUI, 2010

Foreign owned retail companies in Sweden

Examples

American Apparel, US - Fashion
Mediamarkt, Germany - Home electronics
Deichmann, Germany - Footwear
Desigual, Spain - Fashion
Illum Bolighus, Denmark - Home furnishing
Lidl, Germany - Supermarket
Specsavers, UK - Eyewear
XXXLutz, Austria - Furniture
Urban Outfitters, US - Fashion
Zara, Spain - Fashion

Source: Invest Sweden, 2010

Good supply of staff

Vocational training for the retail sector is available on all educational levels. Post-high school training covers subjects like business development, international store management, sales and logistics. Swedes also possess excellent language skills – 85 percent of the population speaks English. The average salary for a sales clerk in specialty retail was SEK 20,800 (€ 2,190) in 2008, excluding social charges. Typically, salary costs for a fashion store amount to 17–19 percent of sales.

Acceptance across market segments

To date, most of the international retail establishments have been made in the apparel, daily goods, home improvement and home electronics segments.

The foreign presence is in different formats like large multi-store concepts (Bauhaus, Hornbach, K-rauta, Lidl, Media Markt, Silvan), middle segment chains (Zara, New Yorker, Desigual, Vero Moda), niche or luxury players with up to three stores. Many international clothing brands are found in the latter category (Gucci, Louis Vuitton, Marc Jacobs, Polo Ralph Lauren).

Franchising well established

Sweden's franchising industry, which is dominated by domestic concepts, presents ample opportunities for international franchisors. The industry recorded turnover growth of 180 percent in since 2002. The retail trade accounts for a large share of franchising concepts presently on the market.

Excellent base for Northern Europe

Sweden ranks as the third most trade-friendly and logistics efficient nation in the world, moving goods and connecting manufacturers and consumers with intentional markets. Sweden is the preferred choice when companies consolidate distribution and warehousing activities in Northern Europe to one central location. From Sweden, all major cities in Sweden, Denmark and Norway are accessible by road transport in less than 12 hours, while Estonia, Finland, Latvia, Lithuania and western Russia are accessible within 24 hours.

Some ten Swedish locations are used by foreign companies for centralized distribution in Northern Europe.

Case – Media Markt

Market entry experiences

“The Swedish population is very technology-savvy they are always interested in the latest products and innovations.”



The German home electronics retail chain Media Markt has opened 19 stores in Sweden since 2006 and is continuing its rapid expansion. For the last two consecutive years Media Markt has been voted as the most attractive brand. Erwin Rauh, former chief operating officer for Media Markt in Sweden, comments on the company's experiences from Sweden.

– Sweden is a very interesting market for Media Markt. It is the largest country in the Nordic region and also has the biggest market potential. What makes it even more interesting is that the Swedish population is very technology savvy – they are always interested in the latest products and innovations. We have been very well received by the Swedish retail community, for example local municipalities and property owners. We often find that local authorities are proactive, approaching us with site proposals. Our overall experiences from entering Sweden are very positive, not least because of the positive feedback we receive from our customers.

Profile: One of Europe's largest consumer electronics retailers with more than 500 stores in 15 countries. **Sales in Sweden (2009):** 5,385 MSEK. **Stores in Sweden:** Stockholm-Kungens Kurva, Stockholm-Barkarby, Stockholm-Nacka, Göteborg-Högsbo, Göteborg-Bäckebol, Jönköping, Lund, Norrköping, Västerås, Sundsvall, Växjö, Kalmar, Malmö, Borås, Gävle, Skövde, Umeå, Uppsala and Örebro.

Sweden's largest city regions

City region	Population 2009	Population growth 2005–2009, %
Stockholm (greater region)	2,019,182	9.1
Göteborg	916,178	4.3
Malmö/Lund/Trelleborg	585,895	6.9
Norrköping/Linköping	337,839	3.2
Helsingborg/Landskrona	253,217	4.6
Uppsala	230,619	5.4
Borås	198,546	1.9
Örebro	193,671	3.3
Gävle/Sandviken	176,297	1.1
Karlstad	174,111	0.6
Västerås	161,043	2.5
Borlänge/Falun	158,313	1.0

Source: Statistics Sweden, 2010



Our services

Let us help you conduct successful business in Sweden

Invest Sweden is the government investment promotion agency of Sweden. We connect international companies and investors with the best business opportunities in Sweden. We do this by offering our clients one-stop comprehensive investment consultancy services and match-making support, free of charge and in full confidentiality.

Your business facilitator

Whether you are interested in getting access to new markets or technologies, setting up new operations, expanding your existing business, or finding companies for acquisition or partnership – Invest Sweden will assist you in every step of the way. Our job is to see to that your business in Sweden becomes as successful as possible!

Experienced staff

Since 1996, our team has supported over 2,000 international companies doing business in Sweden. Our strength lies in the experienced business professionals working within the different industry sectors of the organization. We also work closely with Swedish embassies, other business promotion organizations around the world as well as local partners in Sweden, giving us a unique spectrum of contact entry points.

Invest Sweden has been ranked as the World Leading Investment Promotion Agency (IPA) and the Top IPA Overall in IPA performance benchmarking studies executed by the World Bank.

"Of all the international investment promotion agencies that we met, Invest Sweden is by far the most professional and forthcoming"

A Vishwanath, Tata Sons Ltd

For more information about how we can help, contact Anna Hammarberg, Investment Advisor.
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Our services through the entire investment process

- **Information sharing** - general and tailor-made information collection and analysis of business sectors, market intelligence, the Swedish economy and business climate, business costs, benchmarking, etc.
- **Business and investment opportunity search and analysis** – we help you find the best opportunities according to your needs.
- **Establishment information** - how to establish and run a business in Sweden including types of legal entities, taxes, rules and regulations.
- **Location search** - support in finding the best locations and premises in Sweden.
- **Market visit** - arranging visiting and meeting programs.
- **Match-making support** - help in finding potential business partners.
- **Facilitating network access** – introduction to public and private service providers, authorities and institutions.



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Invest Sweden is the official investment promotion agency of Sweden. We connect international companies with the best business opportunities in Sweden and offer one-stop comprehensive investment consultancy services, free of charge and in full confidentiality.

Our services range from data collection, opportunity search, entry planning, networking and establishment support everything to make your business successful in Sweden. Since the inception in 1996, our experts have

supported over 2,000 international companies in doing business in Sweden. Invest Sweden has offices in China, India, Japan, North America and Brasil.

We also work through Swedish embassies and consulates around the world, as well as with an extensive regional network in Sweden.

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