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Nordic Powers of Retailing 2008

Standing out from the crowd

Contents

Standing out from the crowd

For the second year in a row Deloitte is proud to present the Nordic Powers of Retailing (NPoR), a report that analyses the state of retail market in the Nordic region by focusing on the key players as well as the main trends and challenges within this industry.

For the past 11 years the Deloitte Touche Tohmatsu member firms have published the Global Powers of Retailing, a study that examines the world's 250 top retailers and presents the global economic outlook for retail. We have expanded on this global study to provide further insights into the Nordic retail industry by conducting research into the top 100 retailers in the region. The NPoR study presents the challenges facing the industry and highlights the changes that have occurred during the past year. Our ambition is to identify future trends and challenges, as well as to raise awareness about the Nordic retail sector.

Thus the main part of the NPoR report focuses on mapping the top 100 retailers within the Nordic region (Denmark, Finland, Iceland, Sweden and Norway). One key criterion is that these companies have to have been founded in one of the Nordic countries. Data in the report was compiled during the summer of 2008 and is based on calender year 2007 and in some cases the fiscal year ending no later than June 2008. This year's report also provides a forecast of the market conditions that are expected to prevail during 2009 and beyond, as well as a separate chapter on the main challenges that lie ahead.

Consumer Business at Deloitte

Deloitte's objective for the Consumer Business Industry Group practice is to strengthen and retain specialist industry knowledge. This enables us to provide meaningful insights to our clients. Consumer Business is one of Deloitte's largest and fastest growing industry groups.

Acknowledgments

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Summary

This report focuses on the 100 largest retailers in the Nordic region (Denmark, Finland, Iceland, Norway and Sweden), based on non-auto retail sales excluding sales tax for the calender year 2007 and in some cases the fiscal year ending no later than June 2008. The NPoR provides an economic outlook for the region and identifies the opportunities and challenges within Nordic retail. All the companies within the top 100 companies have an annual turnover of 161 million US dollars or more. Although some may be considered to be relatively small, the combined retail sales of the 100 largest Nordic retailers add up to a staggering 211.8 billion US dollars.

The survey reveals that 44 of the companies on the top 100 list were founded in Sweden. Norway is next with 26 companies, followed by Denmark with 16, Finland with 12 and Iceland with just two companies.

Looking at the top 10 largest retailers, we see that their share of the total top 100 sales revenue has decreased from 62.9 per cent to 58.9 per cent in comparison to last year. There are two new retailers within the top 10: the Reitan Group and KF which now stands independently having previously made up a third of Coop Norden. The other companies in the top 10 are IKEA, Baugur, ICA, Hennes & Mauritz, Kesko, Dansk Supermarked, S Group and Norgesgruppen.

As in last year's report Hardware and Leisure is the most common product sector with 50 companies among the top 100. Looking at retail sales, the Fast Moving Consumer Goods sector tops the ranking for total retail sales accounting for almost 50 per cent.

In recent years Nordic retail has produced good results with high growth figures since 2000. In 2007 total Nordic retail sales amounted to 218 billion dollars. That said, 2007 can be seen as something of a peak year for several of the Nordic retail markets. The economic downturn has not as yet had a serious impact on Nordic retail, but forecasts are pessimistic and retailers themselves have quite a negative view of the future with consolidated markets and stiffening competition.

Retailers struggle in a climate of increased competition and their hopes and expectations for the future have been dashed. This in itself poses grave challenges to retailers. Moreover, increased competition from e-commerce, both regionally and globally, is becoming ever greater. The future presents a number of serious challenges for retailers: to manage economic deceleration, a world in change, changes in the supply chain, multi-channel strategy, and corporate social responsibility (CSR).

Top 100 highlights

2007 – Another record year for Nordic retailing

In 2007 total retail sales for the top 100 largest Nordic retailers reached 211.8 billion USD – an increase of 31 per cent in comparison to last year. Only four of the top 100 companies reported reduced sales in 2007 compared to 2006[1], indicating that most retail businesses have grown.

The average net result for the 100 top retailers was 197 million USD and only five of the companies[2] reported a negative result for 2007[3].

Retailers in the top 100 had a turnover of at least 161 million USD in 2007, and average turnover was 2.1 billion USD.

Concentration in the market less pronounced among the big retailers

Despite widespread market concentration of many industries, the top 10 Nordic retailers actually held a combined share of 58.9 per cent in 2007 compared to 62.9 per cent in 2006. There are two new retailers within the top 10 this year: the Reitan Group and KF, which now stands independently having previously made up a third of Coop Norden[4].

The other top 10 retailers are the same as last year, though there has been a change in the rankings. Iceland's Baugur has been one of the fastest-growing retailers of the decade and has pushed ICA down to third place on this year's ranking. Hennes & Mauritz (H&M) has climbed two places having outperformed Kesko and gained from the dissolution of Coop Norden. Whilst Dansk Supermarked has made the biggest advance on the top list, having climbed three places since 2006, IKEA still remains a convincing number one.

Table 1: Economic concentration of top 10 retailers

	Company	Origin	Retail sales* (USD mil.)	%**
1 (1)	The Ikea Group	Sweden	27 123	14.0%
2 (3)	Baugur Group hf.	Iceland	18 001	5.5%
3 (2)	ICA AB	Sweden	16 897	22.2%
4 (6)	H&M Hennes & Mauritz AB	Sweden	11 627	0.5%
5 (5)	Kesko Corporation	Finland	10 400	9.0%
6 (9)	Dansk Supermarked A/S	Denmark	10 172	5.7%
7 (7)	S Group	Finland	8 881	-9.3%
8 (11)	Reitan Group	Norway	7 829	37.4%
9 (8)	Norgesgruppen	Norge	7 133	0%
10 (–)	KF (incl. Coop Sverige, Konsumentföreningarna & others)	Sweden	6 827	2.4%
	Top 10		124 891	8.7%
	Top 100		211 728	14.0% ***
	Top 10 Share of total			58.9% ***

Number in parentheses indicate rank in previous publication.
* = Retail sales 2007.
** = 2006/2007 group sales growth.
*** = Average 2006/2007 group sales growth.

[1] S Group, Matas, Europris and Hemmabutikerna reported reduced sales in 2007.

[2] KF, Tradeka-yhtymä, Matas, Stadium and Mio reported negative result for 2007.

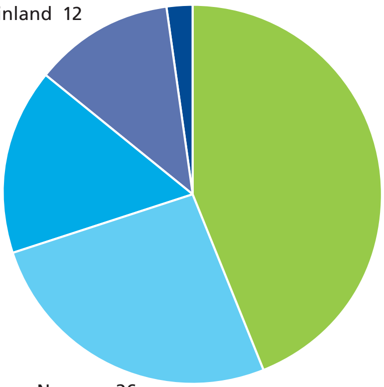
[3] Many of the 100 companies are privately owned or voluntary/franchises so these results are based on 77 companies. The information is taken from the annual accounts and from information supplied by the companies.

[4] Coop Norden, which comprised the Cooperatives in Sweden, Denmark and Norway, was formally dissolved on 31 December 2007. In fact Coop Norden ceased to act as a group before that, and hence these three Cooperatives are listed as separate retailers this year.

Norway is losing to Sweden whilst Iceland is bigger than it appears

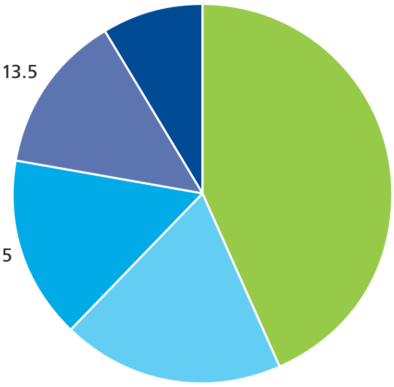
There are 44 Swedish companies on the top 100 list, representing an increase of 8 per cent from last year. This growth has primarily been at the expense of Norwegian retailers who now have 26 companies on the top 100 list, down from 31 in 2006.

Figure 1: Share of top 100 retailers by country



Focusing instead on retail sales paints a different picture. Although Iceland is only represented by two companies (Baugur and Norvik) these in fact account for an impressive 9 per cent of total retail sales among the top 100. By comparison, the 44 Swedish companies only account for 44 per cent of total sales, and similarly, Norway's 26 retailers among the top 100 generate 19 per cent of total sales.

Figure 2: Share of top 100 retail sales by country 2007, in per cent



Average turnover for the top 100 retailers was 2.1 billion USD in 2007. However, there are considerable differences between the individual countries. Iceland has a very high average turnover of 9.1 billion USD for its two companies in the top 100. Average sales of top Norwegian retailers are lower in comparison to the other Nordic countries, with 1.5 billion USD. However, looking at the average group sales growth, shows that the Norwegian companies achieved the highest average by growth between 2006 and 2007. This might be explained by the fact that the Norwegian companies start off with lower levels of turnover.

Table 2: Country profiles

	No. of companies	Retail sales* (USD mil.)	%**
Top 100		2 118	14.1%
Sweden	44	2 097	14.2%
Norway	26	1 530	22.2%
Denmark	16	2 057	8.4%
Finland	12	2 375	6.6%
Iceland	2	9 150	10.0%

* = Average retail sales 2007.
** = Average group sales growth 2006/2007.

New arrivals

There are 16 new companies on the top 100 list this year. The dissolution of Coop created three separate companies (KF, Coop Danmark and Coop Norge), which now appear as separate new entries on the list. The deregulation of the Norwegian pharmacy market explains the arrival of two other newcomers: Medisinaldepot and Syjkehusapotekene. Retail & Brands, which is listed on the Swedish Stock Exchange, has gone straight into the top 100 ranked 54th thanks to its acquisition of Swedish clothing retailer JC. The only new Finnish company on the list was the family-owned company Veljekset Keskinen (Keskinen Brothers). This hugely popular department store located in the remote village of Tuuri (Western Finland) has become one of Finland's best-known tourist attractions with over six million visitors each year. Another interesting newcomer is NetOnNet, which is the only company on the list that primarily focuses on e-commerce. The other new companies on the list are all Swedish and include Hemmabutikerna, a white goods and appliances goods retailer, as well as the hardware retailers ByggMax and Byggtrygg.

Table 3: New arrivals on Nordic Powers of Retailing top 100 list

	Company	Origin	Retail sales* (USD mil.)	%**
1 (10)	KF (incl. Coop Sverige, Konsumentföreningarna & others)	Sweden	6 827	2.4%
2 (11)	Coop Danmark A/S	Denmark	6 518	3.6%
3 (13)	Coop Norge A/S	Norway	4 014	9.1%
4 (32)	Norsk Medisinaldepot	Norway	1 244	n/a
5 (54)	Retail & Brands	Sweden	514	125.2%
6 (75)	Sykehusapotekene ANS	Norway	279	7.5%
7 (82)	ByggMax	Sweden	262	30.9%
8 (84)	Hemmabutikerna	Sweden	260	-8.3%
9 (85)	Jula	Sweden	254	28.3%
10 (88)	Hemtex	Sweden	238	9.3%
11 (89)	Veljekset Keskinen Oy	Finland	229	2.5%
12 (92)	MQ Retail AB	Sweden	221	13.5%
13 (95)	Byggtrygg	Sweden	189	23.8%
14 (97)	Audio Video AB	Sweden	177	n/a
15 (99)	NetOnNet AB	Sweden	163	25.0%
16(100)	EM Home Interior AB	Sweden	161	5.6%

Number in parentheses indicate rank on top 100 list.
* = Retail sales 2007.
** = 2006/2007 group sales growth.

Few changes among the top 5 retailers of each country

There are only minor changes to the top retail businesses in each respective Nordic country in comparison to last year. As mentioned previously, the dissolution of Coop Norden means that the cooperatives in Denmark, Norway and Sweden are now reported as separate companies and consequently appear among the top five in each respective country.

The only other difference in Sweden is that H&M has been able to climb to third place compared to last years when it was rated 6th. In Norway Coop Norge has replaced Expert Norge and the same has occured in Denmark where Coop Denmark has replaced Bestseller Group. Another change for Denmark is that Ditas has replaced the DT Group. There are no changes to the top five in Finland or Iceland.

Table 4: Top 5 Swedish Retailers, 2007

	Company	Retail sales* (USD mil.)	%**
1 (1)	The Ikea Group	27 123	14.0%
2 (3)	ICA AB	16 897	22.2%
3 (4)	H&M Hennes & Mauritz AB	11 627	0.5%
4 (10)	KF (incl. Coop Sverige, Konsumentföreningarna & others)	6 827	2.4%
5 (12)	Apoteket AB	5 842	15.7%

Number in parentheses indicate rank on top 100 list.
* = Retail sales 2007.
** = 2006/2007 group sales growth.

Table 5: Top 5 Norwegian Retailers, 2007

	Company	Retail sales* (USD mil.)	%**
1 (8)	Reitan Group	7 829	37.4%
2 (9)	Norgesgruppen	7 133	0.0%
3 (13)	Coop Norge A/S	4 014	9.1%
4 (15)	Statoil ASA	3 742	n/a
5 (16)	Elkjøp	3 166	4.8%

Number in parentheses indicate rank on top 100 list.
* = Retail sales 2007.
** = 2006/2007 group sales growth.

Table 6: Top 5 Danish Retailers, 2007

	Company	Retail sales* (USD mil.)	%**
1 (6)	Dansk Supermarked A/S	10 172	5.7%
2 (11)	Coop Danmark A/S	6 518	3.6%
3 (17)	Ditas	3 099	7.6%
4 (19)	Dagrofa	2 701	5.6%
5 (20)	Jysk	2 312	16.8%

Number in parentheses indicate rank on top 100 list.
* = Retail sales 2007.
** = 2006/2007 group sales growth.

Table 7: Top 5 Finnish Retailers, 2007

	Company	Retail sales* (USD mil.)	%**
1 (5)	Kesko Corporation	10 400	9.0%
2 (7)	S Group	8 881	-9.3%
3 (23)	Stockmann	1 913	7.5%
4 (24)	Tradeka-yhtymä	1 898	4.1%
5 (28)	Alko	1 460	4.0%

Number in parentheses indicate rank on top 100 list.
* = Retail sales 2007.
** = 2006/2007 group sales growth.

Table 8: Top 2 Icelandic Retailers, 2007

	Company	Retail sales* (USD mil.)	%**
1 (2)	Baugur Group hf.	18 001	5.5%
2 (73)	Norvik	299	15.1%

Number in parentheses indicate rank on top 100 list.
* = Retail sales 2007.
** = 2006/2007 group sales growth.

Continued growth without Danish elements

The hunt for sustainable growth is one of the the retail industry's biggest challenges. One possible way of identifying retailers that have succeeded in achieving sustainable growth is to look at the Compound Annual Growth Rate (CAGR) over the past five years. The Icelandic retailer Baugur has achieved the highest levels of annual growth. Baugur has in fact reported strong growth figures for a number of years and its success in doing so is notable both on a Nordic and global level. Moreover, the Icelandic giant is the only one that has managed to retain a spot on the top 10 list of retailers with the highest five year CAGR. Companies such as Norwegian Komplett and the Swedish fashion chain H&M, which have enjoyed long term growth, have been overtaken by a number of companies including the three Swedish newcomers Byggmax, Jula and Hemtex. These companies have been extremely successful in achieving sustainable growth.

It is noticeably harder to gain a place among the 10 retailers with the highest five year CAGR figure this year in comparison to 2007. Last year an average annual growth of "only" 15 per cent was enough to ensure a place among the top 10, as compared to 22 per cent this year. Interestingly, not one of the top 10 fastest-growing companies is Danish. The first Danish entry on the list is the DIY (Do-It-Yourself) retailer Harald Nyborg in 25th place with an average annual growth of 9.3 per cent.

What the top 10 list does not show is that there are very significant differences between the highest and lowest CAGRs. Whilst Icelandic Baugur enjoys a growth of 97.4 per cent, Denmark's NaerKøp has a negative average annual growth of 3 per cent. This proves that sustainable growth is an issue that must be prioritised on the list of strategic challenges facing many of the largest retailers on the Nordic market.

Many of the retailers that have been successful in achieving sustainable growth have focused on acquisitions and new store openings. It is also interesting to note that the companies that have grown the most in 2007 are not the same companies that have managed to sustain a high growth rate over time. Looking at the ten fastest-growing retailers 2006 to 2007, we find that only three of the companies are represented on the top 10 (CAGR).

Table 9: Ten fastest-growing retailers CAGR 2003–2007

	Company	Origin	%*	Retail sales** (USD mil.)	%***
1 (2)	Baugur Group hf.	Iceland	97.4%	18 001	5.5%
2 (42)	Tokmanni	Finland	87.0%	709	16.3%
3 (78)	Validus	Norway	30.7%	270	14.3%
4 (7)	S Group	Finland	27.6%	8 881	-9.3%
5 (82)	ByggMax	Sweden	25.8%	262	30.9%
6 (70)	Jernia	Sweden	23.3%	333	19.3%
7 (85)	Jula	Sweden	23.2%	254	28.3%
8 (25)	Expert Norge	Norway	22.9%	1 787	15.9%
9 (93)	Nokian Tyres	Finland	22.8%	217	29.1%
10 (88)	Hemtex	Sweden	22.1%	238	9.3%

* = Compound annual growth rate 2003–2007
** = Average retail sales 2007.
*** = 2006/2007 group sales growth.

Fast-growing contenders

An alternative method of identifying the fastest-growing retailers is to focus on short-term growth and total increases in revenue during the financial year. The average increase in group sales for the ten fastest-growing companies was 50.1 per cent in 2007, compared to the more moderate average growth in sales of 14 per cent for the top 100. Those companies that ended up in the top 10 achieved an average sales growth of 28 per cent between 2006 and 2007. Retail & Brands had the fastest growing turnover, which can be attributed to its acquisition of JC. It is interesting to see so many Norwegian Fast Moving Consumer Goods (FMCG) retailers among the fastest-growing companies considering that many of them started out at relatively low levels of turnover. Half of the companies in the top 10 were from Norway and include the Reitan Group, Euro Sko and Mestergruppen. Danish retailers are noticeably absent from this list. The Danish company with the strongest sales development from 2006 to 2007 was the DT Group, the largest retailer and distributor of building materials in the Nordic region. Group sales in the DT Group increased by 23.1 per cent during the period putting it in 17th place on the list.

Table 10: Ten fastest-growing retailers, group sales growth 2006–2007

	Company	Origin	Retail sales* (USD mil.)	%**
1 (54)	Retail & Brands	Sweden	514	125.2%
2 (72)	Euro Sko	Norway	302	67.7%
3 (63)	Komplett ASA	Norway	404	66.5%
4 (59)	E:A Smith AS	Norway	447	46.0%
5 (64)	Mestergruppen	Norway	399	38.5%
6 (8)	Reitan Group	Norway	7 829	37.4%
7 (27)	Oriflame	Sweden	1 481	31.8%
8 (82)	ByggMax	Sweden	262	30.9%
9 (93)	Nokian Tyres	Finland	217	29.1%
10 (85)	Jula	Sweden	254	28.3%

* = Average retail sales 2007.
** = 2006/2007 group sales growth.

Retailers by product sector

Categorising 100 companies into different product sectors is not a simple task due to the enormous diversity of the companies, but we have decided to group the retailers into four categories: Fast Moving Consumer Goods (FMCG), Hardware and Leisure, Fashion and Diversified.

- Fast Moving Consumer Goods (FMCG): The product sector includes a wide range of frequently purchased consumer products such as food, drinks, toiletries, soap, pharmaceuticals, cosmetics, teeth cleaning products, shaving products and detergents. Yet some non-durables such as glassware, bulbs, batteries, paper products and plastic goods are also included within this category – e.g. ICA, Dansk Supermarked and S-Group.
- Hardware and Leisure Goods: This product sector consists of retailers primarily providing durables such as furniture, home electronics, home improvement and sporting goods – e.g. IKEA, Jysk and Ditas.
- Fashion Goods: This category consists of companies with at least 50 per cent of retail sales from clothing including dresses, coats, suits, shoes and sportswear – e.g. H&M, Bestseller Group and Varner-Gruppen.
- Diversified: This label is applied to companies if none of the preceding three product sectors account for more than 50 per cent of a company's total retail sales. Eight companies have been categorised as being part of this product sector – e.g. Baugur Group, Kesko Corporation and Stockmann.

Looking at the top 100 list we can see that 50 of the companies are within the Hardware and Leisure sector, an increase of five companies compared to last year. The other sector that has grown since last year is Diversified with nine companies compared to eight in 2006. These increases have been at the expense of Fashion and FMCG which have both decreased by four companies.

Although almost half the companies on the list are in the Hardware and Leisure sector they only account for about a quarter of the total sales in the top 100. Looking at the Diversified sector – including Kesko, Stockmann and the Åhléns Group – we see that there is a much higher concentration of revenue in few companies with nine companies are accounting for 15.5 per cent of total sales. Companies that primarily trade in FMCG products stand for about half of the total retail sales. This comes as no great surprise since 50 per cent of household incomes are spent on food items. Another explanation is the increasing shift in sectors.

Figure 3: Share of top 100 retailers by product sector 2007

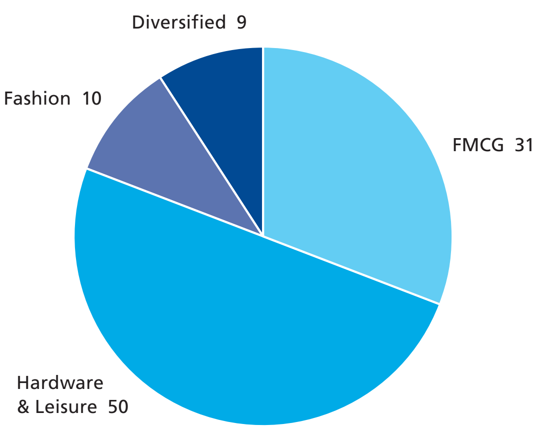
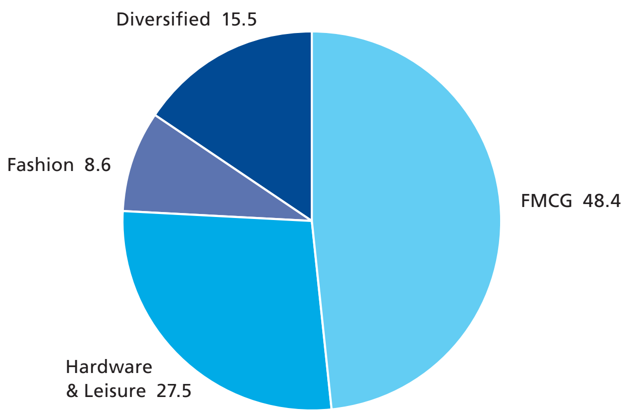


Figure 4: Share of top 100 retail sales by product sector 2007, in per cent



Top 100 Nordic retailers

Rank FY-07	Company	Origin	Retail sales-07 (USD mil.)	Group sales*-07 (USD mil.)	Group income /loss*-07 (USD mil.)	2006–07 group sales % (local currency)	Formats	Example of concepts	Countries of operation	5 year retail sales CAGR % (local currency)
1 (1)	The IKEA Group	Sweden	27123	27123	n/a	14.0	Furniture	IKEA	Australia, Austria, Belgium, Canada, China, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Japan, Kuwait, Netherlands, Norway, Poland, Portugal, Romania, Russia, Saudi Arabia, Slovakia, Spain, Sweden, Switzerland, Taiwan, Turkey, United Arab Emirates, UK, USA	11.9
2 (3)	Baugur Group hf.	Iceland	18001	18001	n/a	5.5	Department Stores, Supermarket, Clothing	House of Fraser, Illum, Magasin du Nord, Souk	Bahrain, Belgium, Cyprys, Denmark, France, Germany, Greece, Iceland, Rep of Ireland, Kuwait, Lebanon, Monaco, Netherlands, Norway, Qatar, Russia, Saudi Arabia, Singapore, Spain, Sweden, Switzerland, Taiwan, United Arab Emirates, UK, USA	97.4
3 (2)	ICA AB	Sweden	16897	12177	385	22.2	Convenience Stores, Hypermarkets, Supermarkets	Maxi ICA Stormarknad, ICA Kvantum, ICA Supermarket, ICA Nära, Rimi	Estonia, Latvia, Lithuania, Norway, Sweden	10.1
4 (6)	H&M	Sweden	11627	11588	2010	0.5	Clothing/ footwear	H&M	Austria, Belgium, Canada, China, Czech Republic, Denmark, Dubai, Finland, France, Germany, Greece, Hungary, Rep of Ireland, Italy, Kuwait, Luxembourg, Netherlands, Norway, Poland, Portugal, Qatar, Slovakia, Slovenia, Spain, Sweden, Switzerland, UK, USA	10.2
5 (5)	Kesko Corporation	Finland	10400	13060	421	9.0	Convenience Stores, Department Stores, home Improvement, Supermarkets	Kesko Livs, K-rauta, Asko, K market	Belarus, Estonia, Finland, Latvia, Lithuania,Norway, Russia, Sweden	5.6
6 (9)	Dansk Supermarked A/S	Denmark	10172	10172	330	5.7	Department stores, Dis-count Stores, Hypermarkets, Supermarkets	Bilka, Fötex, Føtex Food, Netto, Salling, Töj & Sko, A-Z, Storcenter Nord	Denmark, Germany, Poland, Sweden, UK	3.9
7 (7)	S Group	Finland	8881	14423	434	-9.3	Convenience Stores, Department stores, supermarkets	BAC, Smarket, Prisma, Sokos, Sale, aplepa, S automaa, emotion, S-Pankki, Multa Sormi, Agri Market, S Rauta market, Kodin terra	Estonia, Finland	27.6
8 (11)	Reitan Gruppen	Norway	7829	7829	272	37.4	Convenience Stores, Discount Stores	Rema 100, 7-eleven, Narvesen, Pressbyrån	Denmark, Norway, Sweden	n/a

Number in parentheses indicate rank in previous publication.
*Group sales and Income/Loss may include results from non retail operations
CAGR = Compound Annual Growth Rate

Rank FY-07	Company	Origin	Retail sales-07 (USD mil.)	Group sales*-07 (USD mil.)	Group income /loss*-07 (USD mil.)	2006–07 group sales % (local currency)	Formats	Example of concepts	Countries of operation	5 year retail sales CAGR % (local currency)
9 (8)	Norges-gruppen	Norway	7133e	7836	205	0.0	Convenience Stores, Discount Stores, Supermarkets	Kiwi mini pris, Joker, Spar, Eurospar, Ultra matvarehuset, Meny	Norway	16.2
10 (new)	KF (incl. Coop Sverige, Konsument-föreningarna & others)	Sweden	6827	6827	-14	2.4	Convenience Stores, Hypermarkets, Supermarkets	Akademibok-handeln, Coop, Konsum	Sweden	n/a
11 (new)	Coop Danmark A/S	Denmark	6518	6518	50	3.6	Convenience Stores, Hypermarkets, Supermarkets	Super Brugsen, Kvickly,Irma	Denmark	n/a
12 (10)	Apoteket AB	Sweden	5842	5842	366	15.7	Pharmacies	Apoteket	Sweden	3.9
13 (new)	Coop Norge AS	Norway	4014	4014	443	9.1	Convenience Stores, Hypermarkets, Supermarkets	Coop Obs!, Coop Mega, Coop Prix	Norway	1.8
14 (12)	Axfood AB	Sweden	3944	4317	116	1.3	Convenience Stores, Discount Stores, Hypermarkets, Supermarkets	Willys, Hemköp	Sweden	0.4
15 (13)	Statoil ASA	Norway	3742e	89284	n/a	n/a	Forecourt Stores/ Convenience Stores	Statoil	Denmark, Estonia, Rep of Ireland, Latvia, Lithuania, Norway, Poland, Russia, Sweden	n/a
16 (17)	Elkjøp	Norway	3166	3166	176	4.8	Home electronics	Elkjöp, Elgiganten	Denmark, Faroe Islands, Finland, Greenland, Iceland, Norway, Sweden	n/a
17 (34)	Ditas	Denmark	3099e	1551	3	7.6	Home improvement	XL Byg	Denmark	6.9
18 (14)	Systembolaget	Sweden	2989	2989	44	6.2	State-owned alcohol stores	Systembolaget	Sweden	1.0
19 (16)	Dagrofa	Denmark	2701e	4234	17	5.6	Supermarkets, Hypermarkets	Superbest, Kiwi, Pisifikk, Alta Discount	Denmark, Greenland	4.8
20 (19)	Jysk	Denmark	2312e	1246	n/a	16.8	Furniture	Jysk, Dänisches Bettlager	Albania, Austria, Bulgaria, Canada, Czech Republic, Denmark, Dubai, Estonia, Faroe Islands, Finland, France, Germany, Georgia, Greenland, Hungary, Iceland, Kazakhstan, Kosovo, Latvia, Lithuania, Netherlands, Norway, Poland, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, UK, Ukraine	n/a
21 (28)	DT Group	Denmark	2058e	3743	269	23.1	Home-improvment	Beijer Byggmaterial, Silvan, Starkki, Stark, Cheapy, Neumann Byg A/S	Denmark, Finland, Norway, Sweden	5.7

n/a = not available
ne= not in existence (created by merger or divestiture since 1999)
e = estimate

Rank FY-07	Company	Origin	Retail sales-07 (USD mil.)	Group sales*-07 (USD mil.)	Group income /loss*-07 (USD mil.)	2006–07 group sales % (local currency)	Formats	Example of concepts	Countries of operation	5 year retail sales CAGR % (local currency)
22 (24)	Bestseller Group	Denmark	2033	2033	264	16.2	Clothing/ footwear	Vera Moda, Selected, Jack & Jones, Only, Vila, Name it, Pieces, Mama Licious	Austria, Bahrain, Belgium, China, Czech Republic, Croatia, Cyprus, Denmark, Egypt, Estonia, Faroe Islands, Finland, Germany, Iceland, Israel, Kuwait, Latvia, Lithuania, Lebanon, Luxembourg, Netherlands, Norway, Poland, Qatar, Russia, Saudi Arabia, Slovenia, Slovakia, Spain, Sweden, Switzerland, Turkey, United Arab Emirates, UK	n/a
23 (18)	Stockmann	Finland	1913	1913	121	7.5	Department Stores	Hobby Hall, Lindex, Seppälä, Stockmann	Czech Republic, Estonia, Finland, Latvia, Lithuania, Norway, Russia, Sweden	-0.2
24 (20)	Tradeka-yhtymä	Finland	1898	1898	-25	4.1	Convenience Stores, Supermarkets	Siwa, Valintatalo, Euromarket	Finland, Russia	ne
25 (21)	Expert Norge	Norway	1787	1787	66	15.9	Home electronics	Expert	Denmark, Estonia, Finland, Norway, Sweden	22.9
26 (22)	Vinmonopolet	Norway	1662	1662	22	6.3	State-owned alcohol stores	Vinmonopolet	Norway	4.9
27 (29)	Oriflame	Sweden	1481	1518	126	31.8	Cosmetics	Oriflame	Global	13.2
28 (23)	Alko	Finland	1460	1460	75	4.0	State-owned alcohol stores	Alko	Finland, Russia	n/a
29 (25)	Tamro	Finland	1449	7667	121	2.6	Pharmacies	Apotek 1, Apoteek1	Estonia, Latvia, Lithuania, Norway	n/a
30 (27)	Varner-Gruppen AS	Norway	1332	1359	238	0.1	Clothing/ footwear	Bik Bok, Urban, Dressmann, Solo, Volt, Carlings, Wow, Vivikes, Cubus, Wearhouse, Saks	Denmark, Finland, Germany, Latvia, Norway, Sweden, UK	6.5
31 (26)	Nobia	Sweden	1250^{e}	2459	142	16.3	Kitchen/ Bathroom	HTH, Myresjökök, Marbodal	Austria, Denmark, Finland, France, Germany, Rep of Ireland, Norway, Sweden, UK, USA	n/a
32	Norsk medisinal-depot	Norway	1244	1244	59	n/a	Pharmacies	Vitusapotek, Ditt apotek	Norway	n/a
33 (35)	Nordek AS	Norway	939	372	3	19.8	Home improvement	Blink, Byggkjøp, Hellvik Hus, Farve Glede	Norway	ne
34 (44)	Gresvig ASA	Norway	939	583	52	24.1	Sport/Leisure	G-sport, Intersport, Super-G, Voice of Europé, Boys of Europé, Match, Vic, Popin	Norway	6.1
35 (41)	Optimera AS	Norway	928	928	32	26.0	Home improvment	Montér	Denmark, Estlonia, Iceland, Latvia, Lithuania, Norway, Sweden	n/a
36 (36)	Vi-butikerna	Sweden	884	884	n/a	n/a	Supermarkets	Vi	Sweden	n/a
37 (33)	Åhléns-gruppen	Sweden	841	841	39	4.3	Department Stores, Health & Beauty, Fashion	Åhléns, Kicks, Lagerhaus	Finland, Norway, Sweden	4.7
38 (37)	Bergendahls	Sweden	801	801	5	14.2	Hypermarkets, Supermarkets	Bergendahls, City Gross, Glitter	Sweden	18.7
39 (31)	Lindex	Sweden	754^{e}	754	65	4.1	Clothing	Lindex	Czech Republic, Finland, Estonia, Latvia, Lithuania, Norway, Sweden	n/a

Number in parentheses indicate rank in previous publication.
*Group sales and Income/Loss may include results from non retail operations
CAGR = Compound Annual Growth Rate

Rank FY-07	Company	Origin	Retail sales-07 (USD mil.)	Group sales*-07 (USD mil.)	Group income /loss*-07 (USD mil.)	2006–07 group sales % (local currency)	Formats	Example of concepts	Countries of operation	5 year retail sales CAGR % (local currency)
40 (38)	Sanoma WSOY	Finland	719	4003	337	6.7	Convenience Stores	R-kioski, Suomalainen, Kirjakauppa	Estonia, Finland, Latvia, Lithuania, Russia	n/a
41 (32)	Bang & Olufsen	Denmark	710	763	92	3.6	Home electronics	Bang & Olufsen	Global	1.8
42 (94)	Tokmanni	Finland	709	709	59	16.3	Supermarkets	Robinhodd, Tarjoustalo, Tokmanni, Säästöpörssi, Vapaa Valinta,	Finland	87.0
43 (46)	Clas Ohlson	Sweden	690	690	62	15.0	Hardware	Clas Ohlson	Finland, Norway, Sweden	13.2
44 (42)	Biltema	Sweden	685[e]	685	n/a	16.4	Car accessories	Biltema	Denmark, Finland, Norway, Sweden	n/a
45 (40)	KappAhl	Sweden	641	641	94	6.1	Clothing/ footwear	KappAhl	Finland, Norway, Poland, Sweden	3.5
46 (30)	Løvenskiold Handel	Norway	638	591	28	24.3	Home improvment	Maxbo	Norway	7.0
47 (50)	Harald Nyborg	Denmark	583	583	194	14.3	Hardware	Harald Nyborg, Daells Bolighus, Jem & Fix	Denmark, Sweden	9.2
48 (59)	ECCO	Denmark	565[e]	958	191	17.0	Clothing/ footwear	Ecco	Australia, Belgium, Canada, Czech Republic, Denmark, France, Germany, Hong Kong, Italy, Japan, Latvia, Netherlands, New Zeeland, Norway, Poland, Portugal, Russia, Slovakia, Spain, Sweden, UK, USA	n/a
49 (48)	Matas	Denmark	541[e]	541	-3	-27.2	Health & Beauty	Matas	Denmark	n/a
50 (47)	Siba	Sweden	533	533	4	12.7	Home Electronics	Siba, Computer City	Denmark, Norway, Sweden	4.3
51 (39)	Stadium AB	Sweden	523	523	-5	7.4	Sport/leisure	Stadium, Red Devil, Edins, Sport Outlet	Denmark, Finland, Sweden	n/a
52 (72)	Interpares AB	Sweden	518	961	0	13.5	Home improvement	Woody	Sweden	n/a
53 (51)	ONOFF	Sweden	515	515	0	n/a	Home electronics	ONOFF	Estonia, Finland, Sweden	n/a
54 (new)	Retail and Brands	Sweden	514	514	51	125.2	Department Stores, Clothing	J-store, JC, Polarn o. Pyret	Denmark, Estonia, Finland, Iceland, Latvia, Lituania, Norway, Russia, Sweden, UK	n/a
55 (53)	Interflora AB	Sweden	508	508	n/a	n/a	Florist chain	Interflora	Sweden	n/a
56 (69)	Plantasjen	Norway	505[e]	505	n/a	28.0	Flower/plants	Plantasjen, Plantagen	Finland, Norway, Sweden	n/a
57 (58)	Top toy	Denmark	470	470	107	10.0	Toy Stores	BR, Toys"R"Us	Denmark, Finland, Norway, Sweden	n/a
58 (56)	Runsven Gruppen	Sweden	469	469	4	5.2	Hardware Clothing/ Footwear	ÖoB, Bonus, Storcks, Storckens, Engelbrekts-boden	Sweden	4.3
59 (65)	E:A Smith AS	Norway	447[e]	447	27	46.0	Home Improvement	Bygger'n	Norway	18.3
60 (64)	OK-Q8 AB	Sweden	428[e]	3179	5749	6.0	Forecourt Stores	OKQ8	Sweden	2.1
61 (45)	Ellos/ Josefssons	Sweden	414	414	n/a	5.3	Fashion	Ellos, Josefsson, Jotex, Cataluge	Denmark, Finland, Norway, Sweden	-0.7
62 (68)	F-Group	Denmark	411	411	77	3.0	Electronics	Fona, Electric City	Denmark	n/a

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ne= not in existence (created by merger or divestiture since 1999)
e = estimate

Rank FY-07	Company	Origin	Retail sales-07 (USD mil.)	Group sales*-07 (USD mil.)	Group income /loss*-07 (USD mil.)	2006–07 group sales % (local currency)	Formats	Example of concepts	Countries of operation	5 year retail sales CAGR % (local currency)
63 (67)	Komplett ASA	Norway	404	582	9	66.5	Computers, Internet	Komplett	Austria, Belgium, Denmark, France, Germany, Rep of Ireland, Netherlands, Norway, Sweden, UK	18.6
64 (54)	Mester-gruppen	Norway	399	436	18	38.5	Home improvment	Bryggeriet	Norway	15.4
65 (71)	Bohus	Norway	395	n/a	n/a	n/a	Furniture	Bohus	Norway	n/a
66 (63)	Yliopiston Apteekki	Finland	377	377	21	2.4	Pharmacies	Yliopiston Apteekki, YA Ülikooli Apteek, YA Universitetskaja Apteka	Estonia, Finland, Russia	4.4
67 (73)	Euroflorist Sverige AB	Sweden	363	363	0	n/a	Florists voluntary chain	Euroflorist	Sweden	n/a
68 (61)	Europris	Norway	338	338	n/a	-2.7	Furniture, Home Improvement	Europris	Iceland, Norway, Sweden	n/a
69 (70)	Ge-Kås i Ullared	Sweden	335	338	18	14.7	Department store	Gekås	Sweden	5.8
70 (88)	Jernia	Norway	333	537	8	19.3	Hardware	Jernia, Järnia Sverige	Norway	23.3
71 (77)	Nilson group	Sweden	313	313	14	3.7	Clothing/ footwear	DinSko, Nilson, Skopunkten, Jerns, Radical Sports	Denmark, Finland, Norway, Sweden	6.9
72 (69)	Euro Sko	Norway	302	302	13	67.7	Footware	Euro Sko, Økonomisko, dna och Skokanonen	Denmark, Estonia, Iceland, Latvia, Lithuania, Norway, Sweden	n/a
73 (74)	Norvik	Iceland	299[e]	598	n/a	15.1	Hypermarkets, Supermarkets, Home Electronics, Home improvement, Furniture, Sport/leisure	Noatan, Elko, Intersport	Iceland	n/a
74 (76)	Synoptik Holding	Denmark	295	295	201	6.0	Optical goods	Synoptik	Denmark, Greenland, Norway, Sweden	n/a
75 (new)	Sykehus-apotekene ANS	Norway	279	297	0	7.5	Pharmacies	Sykehusapoteket	Norway	10.6
76 (100)	Smart Club	Norway	273[e]	n/a	n/a	n/a	Hardware	Smart Club	Norway	n/a
77 (82)	Elon Svenska AB	Sweden	272	272	n/a	0.0	Home electronics	Elon	Sweden	7.7
78 (49)	Validus	Norway	270	507	26	14.7	Cosmetics, Health & Beauty	Cosmeta, Estetique, Life, Parfymelle, Vita	Denmark, Estonia, Latvia, Norway, Sweden	30.7
79 (75)	Skeidar	Norway	267[e]	267	n/a	18.0	Furniture	Skeidar	Norway	n/a
80 (80)	Mio	Sweden	266	266	-2	n/a	Furniture	Mio	Sweden	n/a
81 (79)	Indeks Retail	Denmark	266	376	n/a	20.6	Book stores	Bog & idé, Boger & papir, Boghandleren	Denmark	n/a
82 (new)	ByggMax	Sweden	262	262	3	30.9	Home improvement, DIY	Byggmax	Finland, Norway, Sweden	25.8
83 (92)	Team Sportia AB	Sweden	260	260	n/a	n/a	Sport/leisure	Team Sportia	Sweden	3.5
84 (new)	Hemma-butikerna	Sweden	260	260	n/a	-8.3	Home Appliance	Hemma	Sweden	ne
85 (new)	Jula	Sweden	254	254	24	28.3	Hardware	Jula	Norway, Sweden	23.2

Number in parentheses indicate rank in previous publication.
*Group sales and Income/Loss may include results from non retail operations
CAGR = Compound Annual Growth Rate

Rank FY-07	Company	Origin	Retail sales-07 (USD mil.)	Group sales*-07 (USD mil.)	Group income /loss*-07 (USD mil.)	2006–07 group sales % (local currency)	Formats	Example of concepts	Countries of operation	5 year retail sales CAGR % (local currency)
86 (85)	Halpa-Halli	Finland	252	252	4	3.8	Department Stores	Halpa-Halli	Finland	3.6
87 (95)	Rusta	Sweden	245	248	n/a	16.5	Hardware	Rusta	Sweden	n/a
88 (new)	Hemtex	Sweden	238	238	14	9.3	Textiles, Home accessories	Hemtex	Denmark, Estonia, Finland, Norway, Poland, Sweden	22.1
89 (new)	Veljekset Keskinen Oy	Finland	229[e]	229	2	2.5	Departement Store	Veljekset Keskinen	Finland	3.9
90 (97)	Sport 1	Norway	225	225	11	16.3	Sport , Leisure	Sport 1	Norway	1.9
91 (55)	Colorama	Sweden	222	339	29	-7.5	Home improvment	Colorama	Sweden	15.8
92 (new)	MQ Retail AB	Sweden	221	222	n/a	13.5	Clothing/ footwear	MQ	Sweden	10.2
93 (91)	Nokian Tyres	Finland	217[e]	1402	231	29.1	Tyres	Vianor	Czech Republic, Germany, Kazakhstan, Norway, Russia, Switzerland, Sweden, Ukraine, USA	22.8
94 (84)	Lantmännen	Sweden	205	5324	87	11.6	Garden products	Granngården	Sweden	5.1
95 (new)	Byggtrygg	Sweden	189	238	1	23.8	Home Improvement	Bygg Ole, Fresks	Sweden	n/a
96 (89)	NaerKØB	Denmark	184	184	n/a	n/a	Convenience Stores	NaerKØB	Denmark	-2.6
97 (new)	Audio Video AB	Sweden	177[e]	5	n/a	n/a	Electronics	Audio Video	Sweden	n/a
98 (90)	Synsam	Sweden	166	166	n/a	n/a	Optical goods	Synsam	Denmark, Finland, Norway, Sweden	n/a
99 (new)	NetOnNet AB	Sweden	163	163	2	25.0	Online/home electronics	Net on net, Net on net Lagershop	Norway, Sweden	12.9
100 (new)	EM Home Interior AB	Sweden	161	152	n/a	5.6	Furniture	EM	Sweden	n/a

n/a = not available
ne= not in existence (created by merger or divestiture since 1999)
e = estimate

Top 100 Nordic retailers alphabetical list

Alko	28
Apoteket AB	12
Audio Video AB	97
Axfood AB	14
Bang & Olufsen	41
Baugur Group hf.	2
Bergendahls	38
Bestseller Group	22
Biltema	44
Bohus	65
ByggMax	82
Byggtrygg	95
Clas Ohlson	43
Colorama	91
Coop Danmark A/S	11
Coop Norge AS	13
Dagrofa	19
Dansk Supermarked A/S	6
Ditas	17
DT Group	21
E:A Smith AS	59
ECCO	48
Elkjøp	16
Ellos/Josefssons	61
Elon Svenska AB	77
EM Home Interior AB	100
Euro Sko	72
Euroflorist Sverige AB	67
Europris	68
Expert Norge	25
F-Group	62
Ge-Kås i Ullared	69
Gresvig ASA	34
H&M Hennes & Mauritz AB	4
Halpa-Halli	86
Harald Nyborg	47
Hemmabutikerna	84
Hemtex	88
ICA AB	3
Indeks Retail	81
Interflora AB	55
Interpares AB	52
Jernia	70
Jula	85
Jysk	20
KappAhl	45
Kesko Corporation	5
KF (Incl. Coop Sverige, Konsumtentföreningarna & others)	10
Komplett ASA	63
Lantmännen	94

Quick facts

Table 11: Ten largest retailers in the Fast Moving Consumer Goods (FMCG) sector

	Company	Origin	Retail sales* (USD mil.)
1 (3)	ICA AB	Sweden	16 897
2 (6)	Dansk Supermarked	Denmark	10 172
3 (7)	S Group	Finland	8 881
4 (8)	Reitan Group	Norway	7 829
5 (9)	Norgesgruppen	Norway	7 133
6 (10)	KF (incl. Coop Sverige, Konsumentföreningarna & others)	Sweden	6 827
7 (11)	Coop Danmark A/S	Denmark	6 518
8 (12)	Apoteket AB	Sweden	5 842
9 (13)	Coop Norge AS	Norway	4 014
10 (14)	Axfood AB	Sweden	3 944
		Total	**78 056**

* = Average retail sales 2007.

Table 12: Ten largest retailers in the Fashion Goods sector

	Company	Origin	Retail sales* (USD mil.)
1 (4)	H&M	Sweden	11 627
2 (22)	Bestseller Group	Denmark	2 033
3 (30)	Varnergruppen AS	Finland	1 332
4 (39)	Lindex	Sweden	754
5 (45)	KappAhl	Sweden	641
6 (48)	ECCO	Denmark	565
7 (61)	Ellos/Josefsson	Sweden	414
8 (71)	Nilson Group	Sweden	313
9 (72)	Euro Sko	Norway	302
10 (92)	MQ Retail	Sweden	221
		Total	**18 202**

* = Average retail sales 2007.

Table 13: Ten largest retailers in the Hardlines and Leisure Goods sector

	Company	Origin	Retail sales* (USD mil.)
1 (1)	The IKEA Group	Sweden	27 123
2 (16)	Elkjøp	Norway	3 166
3 (17)	Ditas	Denmark	3 099
4 (20)	Jysk	Denmark	2 312
5 (21)	DT Group	Denmark	2 058
6 (25)	Expert Norge	Norway	1 787
7 (31)	Nobia	Sweden	1 250
8 (33)	Nordek AS	Norway	939
9 (34)	Gresvig ASA	Norway	939
10 (35)	Optimera AS	Norway	928
		Total	**43 602**

* = Average retail sales 2007.

Table 14: Ten largest retailers in the Diversified sector

	Company	Origin	Retail sales* (USD mil.)
1 (2)	Baugur Group hf.	Iceland	18 001
2 (5)	Kesko Corporation	Finland	10 400
3 (23)	Stockmann	Finland	1 913
4 (37)	Åhlénsgruppen	Sweden	841
5 (54)	Retail and Brands	Sweden	514
6 (69)	Ge-Kås i Ullared	Sweden	335
7 (73)	Norvik	Iceland	299
8 (86)	Halpa-Halli	Finland	252
9 (89)	Veljekset Keskinen Oy	Finland	229
10	–	–	–
		Total	**32 783**

* = Average retail sales 2007.

Methodology and data sources

Companies are included in the Top 100 Nordic Powers of Retailing based on their non-auto retail sales excluding sales tax for the calendar year 2007 and in some cases the fiscal year ending no later than June 2008. The Top 100 companies listed all originate from one of the Nordic countries. A company is regarded as being Nordic even if a non-Nordic entity has become a majority shareholder or if the company has moved to a non-Nordic country. Moreover, if a non-Nordic entity has a subsidiary in a Nordic country, the subsidiary is not regarded as being a Nordic company. When determining the top 100 list, a number of sources were consulted. The principal data sources were annual reports and information found in company press releases, fact sheets and websites, as well as direct contact with the companies. If company-issued information was unavailable, other public domain sources were used, including trade journals and various business information databases.

Group sales reflect the consolidated net sales of a retailer's parent company, regardless of whether that company is primarily a retailer or not. Similarly, the income/loss figure also reflects the results of the parent company on a consolidated level.

For retailers that are part of a larger conglomerate, retail sales only reflect the retail portion of the company's consolidated net sales. Retail sales exclude separate food service/restaurant operations and wholesale or other business-to-business revenue (except where such sales are derived from retail stores), where it was possible to separate these sources of revenue.

Sales figures include the retail banner sales of franchised, licensed, or independent cooperative member stores. Retail sales have excluded royalties and franchising or licensing fees, as far as possible. Sales figures do not include operations in which a company has only a minority interest. In order to provide a common base from which to rank companies by their retail sales results, fiscal year 2007 sales (and profits) for Nordic companies were converted into US dollars. Exchange rates therefore have an impact on the results. The Swedish Central Bank (Riksbanken) was used as the source for the exchange rates. The average daily exchange rate corresponding to each company's fiscal year was used to convert that company's results into US dollars. However, the 2003 to 2007 compound annual growth rate (CAGR) for retail sales and 2006 to 2007 group sales growth, were calculated in local currencies.

Economic outlook 2008

The present financial crisis continues to affect the global economy, whilst more restrictive credit terms and falling housing prices hamper growth. The financial crisis combined with galloping raw materials prices resulted in a global recession. For the US economy, which still makes up a quarter of the world economy, further deceleration is forecast due to increased unemployment, decreasing core inflation and ongoing problems on the financial markets. In spite of the global economic situation it seems that several of the world's fastest growing economies continue to prosper. In India the boom is past its peak, but its economy continues to expand. In China too, growth is slowing down slightly but at the same time consumption is of increasing importance to the economy, and this is an important driving force. Looking at the growth economies in Europe it can be seen that the Baltic states are in a very vulnerable position and may soon face serious problems.

Even if the full force of the economic crisis has not yet been felt by the Nordic economies, signs of a downward trend are now evident. Falling property prices, shrinking employment and rising inflation are among the key terms that can be used to describe the situation in the Nordic countries. The state of the Swedish market is worsening as the international deceleration speeds up and domestic demand weakens. The Danish economy, which is the Nordic economy most affected by the international developments, is expecting deceleration to continue. The bank crisis has strongly affected the Icelandic economy, which is now cooling down. The Norwegian economy, which had been relatively unaffected, is now slowing down as exports are decreasing and increases in interest rates are beginning to have a significant impact on consumer spending. Even the Finnish economy, which has also done quite well until now, is experiencing a substantial decrease in GNP growth. Finland's strong growth figures are bolstered by increasing exports of goods and services, with Russia being a particularly important market.

Denmark

The effects of the global economic slowdown are most evident in Denmark, and they were also felt here first. The deceleration is chiefly due to the shaky property market which dampens both private consumption and investments in property. Property prices and real estate investments are falling whilst there are a record number of vacant properties. After several years of strong growth, GNP dropped to 2 per cent last year. Next year's growth is forecast to be less than 1 per cent.

The effects of the global economic slowdown are most evident in Denmark, and they were also felt there first.

Private consumption, largely financed by loans, is decreasing due to the failing property market and the rising interest rates. A strong labour market and increased salaries have meant, however, that the downturn has not been too marked, even if a number of factors would now indicate a lower growth in consumption. Disposable consumer income is weakened by inflation whilst interest rates are expected to rise in the short-term. This is confirmed by the continued decline of the consumer confidence indicator. In fact, consumer confidence has now reached its lowest point since early 2003.

Unemployment has decreased over a number of years and has now reached a record-low of 1.6 per cent. A lack of qualified manpower has also been reported. This is expected to level off during the second half of the year with an upward trend forecast for the end of 2008 and next year, thus diminishing the risk of high salary increases.

Inflation has increased by more than 2 per cent in the past year, primarily due to rising food and energy prices but also as a result of rising prices of services. The rise in the price of goods produced in Denmark has reached its highest point in 25 years. A marked increase in the number of consumers expecting inflation has been apparent during the last financial year, first leading to large increases in salaries and then to even higher inflation. Forecasts show that inflation will be about 4 per cent this year and that it will then sink a little next year as a result of increasing unemployment and more stable food and oil prices.

In 2007 the export industry shrunk after several years of high growth. Concurrently with growth and demand declining in many of Denmark's most important export markets, the industry continues to decrease. Growth is also slowing in Germany and Sweden and this has serious implications on the Danish export industry. Exports to the US have also declined as a result of the slump. The export industry is further impacted by salary increases and a strong currency.

Finland

2006 was a strong year for the Finnish economy with very high growth figures and this trend continued into the first half of 2007. During the second half of the year growth slowed from over 5 per cent to around 3.5 per cent. The overall result for 2007 was 4.4 per cent. The forecast for the coming years is that the GNP will increase more slowly than it has in recent years. However, the drop is expected to be fairly moderate with forecasts of just over 2 per cent for 2008 and just below 2 per cent for 2009.

A result of the strong economic growth in the last few years unemployment has now declined for the third consecutive year. During 2007 unemployment shrunk by one percentage point to 7 per cent. The number of vacant positions is at an all-time high even though 50 000 more people were employed during the previous financial year. A further decline in unemployment is expected during 2008. In spite of the high employment there are challenges for the Finnish labour market – many companies report problems in recruiting suitable personnel.

In spite of the high employment there are numerous challenges for the Finnish labour market – many companies report problems in recruiting suitable personnel.

Inflation was only 1.6 per cent last year, which is considerably lower than the average for the Euro-region. The rate of inflation has increased during 2008 and now averages 3.9 per cent. Rising food and energy prices, as well as increased indirect taxation of alcohol and energy, explain the rising price-levels. However, inflationary pressures have been somewhat eased by the strong Euro and the rate of inflation is expected to decrease later this year as the price of raw materials is not expected to exceed previous record levels.

Consumption has been stimulated by increased employment and higher salaries during the last few years. The rise in disposable incomes is largely explained by the positive developments on the labour market and the general increases in salaries. As it is expected that disposable incomes will increase more this year than in 2007 the outlook for private consumption is positive, notwithstanding the fact that inflation will weaken purchasing power. Consumers are spending more and more of their disposable incomes, pushing savings rates to record lows. In early 2008 Finnish consumers' expectations of the national economy were at their lowest since 2001, whilst their views on their own financial situation dropped to the lowest levels since 1997. A strong world economy has aided to the impressive growth in Finnish exports in recent years. The telecom and manufacturing sectors were particularly successful last year. In total Finnish exports grew by 2 percentage points in 2007 as compared to world trade figures. This is largely due to the substantial increase in Russian imports. Russia alone accounts for 10 per cent of Finland's total exports. That said, growth in exports is expected to decrease in the coming years, due to the weak international climate.

Iceland

Iceland's economy has enjoyed a period of strong growth during the last few years with an average increase in GNP of 4.5 per cent (3.8 per cent in 2007). This intense economic expansion, mainly led by banks, financial institutions, the construction of power stations and substantial investments in industry, came to a halt in early 2008, and this was followed by a period of rapid deceleration. The key reasons for this decline were the international banking crisis, as well as rising food and oil prices. The Icelandic crown has weakened considerably during 2008 and at the time of going to press it was 70 per cent weaker against the Euro compared to the beginning of the year. Iceland's economy is facing serious challenges with negative growth forecast for the coming year.

The Icelandic crown has weakened considerably during 2008 and at the time of going to press it was 70 per cent weaker against the Euro compared to the beginning of the year.

During 2007 inflation lay at 5 per cent due to rising housing prices. However, by March 2008 it had risen to 8 per cent, mainly as a result of rising prices for raw materials, a weakened currency and salary increases due to low unemployment. In response, Iceland's central bank raised the key interest rate to 15 per cent, which makes it higher than that of any other European country. It would appear that this had a positive effect on both the currency and the stock exchange earlier in the year, but the situation worsened considerably during September 2008.

In 2007 disposable incomes rose by 3 per cent thanks to lower income tax rates and reduced sales tax on food and household consumption increased by 4 per cent. However, this is expected to decline in 2008 and 2009 due to the deceleration of the Icelandic economy caused by rising interest rates, impaired purchasing power, a plummeting currency and growing consumer pessimism.

Imports increased more than exports in 2007 as a result of reduced exportation of aluminium and increased importation to satisfy domestic demand. The new aluminium smelter in Helguvík will reach full capacity during 2008 and this is expected to lead to increased exportation. It has been predicted that exports of aluminium will be twice those of last year due to rising global aluminum prices and the weakness of the crown. Aluminium exports make up approximately 10 per cent of GNP.

Employment increased by 4.5 per cent during 2007 resulting in an unemployment rate of just 1 per cent. Importation of labour is considerable and never before have there been so many foreigners in the Icelandic workforce. There are no signs of diminishing employment rates, even if the slowing economy will probably be followed by reduced demand for personnel.

Norway

2007 was a very positive year for Norway, with a GNP growth of 6 per cent. Average growth from 2004 to 2007 was 5 per cent, making it the strongest increase in trade since the mid-1980s. However, this represents a peak since figures for 2008 show that growth is on the decline in comparison to previous years. GNP is expected to be 3 per cent with a further decline expected during 2009.

Rising oil prices have had positive effects on the "mainland economy" and are thus extremely important for growth. Thanks to this and higher salaries, high employment and low interest rates household purchasing power has grown, leading to an increase in consumption of 6.4 per cent during 2007. However, consumption is expected to shrink next year as a result of slower growth of disposable incomes, reduced consumer optimism and lower employment. Consumer demand for durable goods and non-food items in particular has been declining and it is expected that growth will only reach approximately 2 per cent this year. There was a negative savings ratio last year, but it is expected that consumers now will be saving more due to the end of the property market boom.

During 2006 and 2007 employment reached the highest growth rate for over 40 years. Whilst the rate of growth is set to decline, employment is still expected to increase. The supply of manpower has grown thanks to a larger working population and an increase in the number of foreign workers. Unemployment is still decreasing and has now reached the lowest level since the boom of the late 1980s. Nonetheless, the latest figures show that employment growth is not as strong as before suggesting that a moderate slowdown in the labour market can be expected this year.

Despite low unemployment, salaries have not increased a great deal thus keeping inflation at bay. However, due to a number of issues including larger increases in salaries and internationally higher prices for raw materials, including foodstuffs this situation is likely to change. Higher prices of electricity and agricultural products have also generated inflationary pressure.

Norwegian exports have grown considerably in recent years. The international economic downturn, increased costs for the export industries and the strong Norwegian currency would now appear to partly explain the drop in export growth. Oil prices continue to have an enormous impact on Norwegian exports. Continued rises in the price of oil and gas at the beginning of the year led to increased exportation of these products whilst the opposite is true of industrial products and metals.

Unemployment is still decreasing and has now reached the lowest level since the boom of the late 1980s.

Sweden

The global economic slowdown has had a dampening effect on the Swedish economy. At the peak of the boom in 2006 Sweden's GNP grew by 4.1 per cent. In 2008, however, GNP growth is expected to be approximately 1.5 per cent. The main explanations for this are that exports remain weak due to a decrease in global demand whilst rising prices weaken consumer growth. That said, the downturn is expected to culminate in 2009.

Inflation continues to rise in Sweden and has now reached the highest rate for 15 years, partly due to increased interest rates, but mainly as a result of the rising oil and food prices. It is thus a combination of domestic and imported inflation. Whilst food prices are expected to level off towards the end of 2008, it is much harder to predict the future of oil prices. It is hoped that any rises in petrol or food prices will not be as extreme as those seen at the beginning of 2008, which in turn will translate into lower inflation in the coming years.

Private consumption increased by over 3 per cent in 2007. However, increasing inflation, rising interest rates and higher unemployment will have a dampening effect on consumption this year. Levels of consumer optimism are at their lowest in over a decade. Worries about downward economic trends combined with reduced wealth due to considerable drops on the stock exchange and further unemployment have encouraged more and more consumers to save. This will have a further dampening effect on consumption. However, the outlook for the disposable household income remains good for both 2008 and 2009. Non-financed reductions in tax are options available to the government and reductions in private taxes are expected in both 2009 and 2010.

Reduced national demand has also led to a decline in imports yet the balance of trade remains negative. The international economic downturn keeps exports far below the level of imports. This can partly be explained by a weak US dollar and falling demand in the US and the UK. This weakens competitiveness and puts further pressure on the Swedish export industry.

The labour market also appears to have been affected by the recession. The number of vacancies has decreased concurrently with an increase in the number of redundancies. Although more people are expected to be in employment in 2008 as compared to 2007, the level of employment is expected to decrease during 2009. In fact a smaller working population is keeping unemployment figures low. However, the working population is expected to rise again towards the end of 2008, thus increasing the rate of unemployment.

Inflation continues to rise in Sweden and has now reached the highest rate for 15 years.

Even if the full force of the economic crisis has not yet been felt by the Nordic economies, signs of a downward trend are now evident.

Retailing in the Nordic countries

The Nordic retail market can be described as a diverse group of markets (Denmark, Finland, Iceland, Norway and Sweden), all with different circumstances concerning laws, institutions, geography and consumer preferences. Despite these differences there are also many similarities, such as the culture and structure of the populations, as well as the maturity of the markets, the trends and the challenges that lie in the future.

As a whole the Nordic retail sector has produced good results and growth figures have been high since 2000. Growth in Iceland, which with 300 000 inhabitants is the smallest market, has been particularly strong with a total increase of 67 per cent (measured in fixed prices) from 2000 to 2007. The equivalent figure for the other Nordic countries is approximately 30 per cent. Sweden's retail market is the largest one in the region with a total turnover of 70 billion USD and a growth rate of 48 per cent.

In 2007 the total turnover for the Nordic retail market was 218 billion USD and for several of the Nordic markets 2007 can be seen as a peak year. However, the deteriorating economic climate is expected result in lower growth in the coming years. This trend is already evident in Denmark, which reported lower growth figures in 2006 and 2007.

The non-food sector has generally been doing well, increasing by 7.5 per cent from 2006 to 2007. Looking at the sector in more detail one can see that DIY has been particularly successful with retailers enjoying an average increase in turnover of approximately 9 per cent from 2006 to 2007. This trend is especially strong in Finland and Iceland where each country reports an increase of 12 per cent.

The chapter below provides a more detailed description of each Nordic market. The information has been gathered in cooperation with the Swedish Retail Institute (HUI), ICP Denmark (Institut for Central Planlægning), the Federation of Norwegian Commercial and Service Enterprises (HSH), the Icelandic Centre for Retailing Studies (RSV) and the Federation of Finnish Commerce (Suomen Kaupan Liitto) who have each provided information on their respective markets.

Figure 5: Retail sales 2003–2008. Index 2000=100, fixed prices

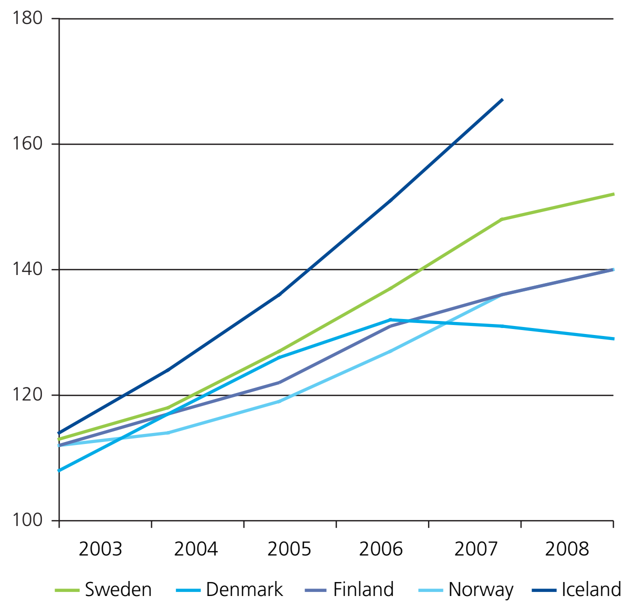
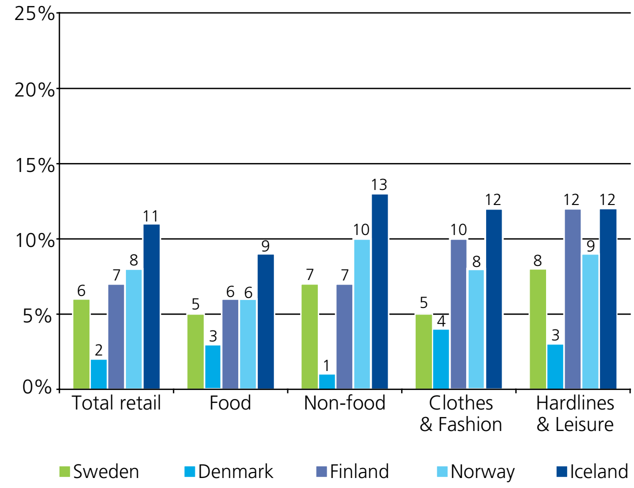


Figure 6: Increase in retail sales by product sector 2006–2007



Denmark – centre for shopping centres

The Danish retail market continues to grow although at a lower rate than during 2004 to 2007. During 2006 to 2007 the retail sales volume index (turnover reported in fixed prices) increased by 1.4 per cent as compared to 2004 to 2005 when the equivalent figure was 6.3 per cent. Whilst consumer prices have remained stable during the period, statistics now indicate general price increases of 4 per cent over the past year (with the exception of prices for home electronics).

The Danish food sector is highly concentrated with Coop Danmark, Dansk Supermarked and Dagrofa accounting for 87 per cent of the market. Another clear trend is the growth of the hard discount concept which has increased its market share to 28 per cent. In Denmark hard discount stores are more common than any other type of retailer. In fact 1250 of the 2800 larger retail stores are hard discount stores. Larger supermarkets[1] and hypermarkets[2] account for approximately 27 per cent and 19 per cent of the market respectively. The German chain Lidl has been a key driver of this trend and now has about 50 stores in Denmark. During 2008 the fight for market shares will intensify with Norway's budget grocery chain Kiwi establishing itself on the Danish market. Dansk Supermarked is fighting to maintain its position and as a consequence will in 2009 launch a new hard discount chain called Føtex Food. It is estimated that the hard discount chains will account for 34 per cent of the retail market by 2014 if growth continues at the same pace.

Sales have increased considerably in the non-food sector over the past few years. During 2007 the annual turnover of Denmark's 100 largest shopping centres increased by 6.2 per cent to 9.2 billion USD during 2007. The sectors that are performing best are fashion, white goods and appliances, DIY and sport and leisure. Most non-food retailing occurs at shopping centres in Denmark's city centres. Shopping centres account for almost a quarter of Denmark's annual retail sales. Major renovations of shopping centres and the influx of new chains from overseas are main explanations for this.

An important reason for the concentration of retailers in inner-city shopping centres is the restrictive legislation of the Planning Act concerning spatial planning in Denmark. The act has existed for several years but was revised in 2007. This act stipulates that all stores must be located within city centres and that trade in the form of larger out-of-town shopping centres, such as the big box concept, is not permitted. The law also restricts the store size. Previously new food stores and hypermarkets were permitted 3000 square meters (including stock rooms) whilst stores for non-food items were permitted a maximum of 1500 square meters. The respective maximums have been increased to 3500 square meters for food stores and 2000 for non-food stores.

Another key development in Danish retail is the rise of e-commerce. The wide use of the internet is a major reason for this - around eight out of ten Danes have access to the internet from their homes. The internet is mainly used for financial transactions and travel bookings, but over the past few years it has been noted that the volume of sales for clothes and sundries is increasing, particularly among women.

Finland – up for discussion

The Finnish retail sector has until now been performing well as has the rest of the economy. In 2007 retail turnover increased by 7 per cent.

The retail sector in Finland is in fact relatively small and is dominated by two Finnish companies – market leader Kesko and the cooperative organisation S-Group. The few foreign companies that have established themselves in Finland are primarily Nordic companies. There are about 50 foreign chains on the Finnish market and only one of these trades in the food sector. These chains have a combined turnover of approximately 2.7 billion USD, which is a relatively small part of the retail sector as a whole.

There are 58 shopping centres in Finland, which have a combined turnover of approximately 6.2 billion USD. This accounts for roughly 15 per cent of the country's total retail sales. E-commerce accounts for about 0.4 per cent. Whilst it is not yet an important consumer channel it is used as a complement to traditional sales channels and as a way of obtaining information about products and services.

The Finnish market has witnessed a number of mergers and acquisitions in recent years resulting in fewer but stronger national actors. This has included both the food and non-food sectors and has led to further consolidation of the Finnish market. The consolidation in combination with the small size of the Finnish

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[3] Supermarkets are defined as a retail store where about 80 per cent of the range is food and about 20 per cent non food.

[4] Hypermarkets are defined as large retail stores with a very large range of products all under one roof. The products are sold with a lower margin than in smaller stores.

market has meant that several Finnish retailers are looking to expand abroad. Most retailers are in fact turning their attentions eastward, focusing on Russia and the Baltic states in particular.

There has been a great deal of discussion about retail in Finland this year. The central theme was the rise in food prices which many believe to be a consequence of increased consolidation that has inhibited competition. Another issue has centred on the strict legislation concerning opening hours. A deregulation of opening hours is now in progress to enable stores to extend their trading hours. Further, the government has promised to lower the sales tax on food from 17 per cent to 12 per cent in 2009.

Iceland – peaks and valleys

Like its landscape, the Icelandic economy is characterised by peaks and valleys. 2007 was the year in which the Icelandic economy reached new heights. This is reflected in retail sales which outdid the strong growth of recent years with a rate of 10.9 per cent for 2007. However, the great economic expansion started to decline rapidly during the end of 2007. Inflation reared its head again and purchasing power weakened substantially.

Today purchasing power is quite strong in spite of the economic rollercoaster. The geographical position of Iceland combined with the relatively high prices of consumer goods such as electronics have spurred Icelandic consumers to shop overseas, either by travelling or by online shopping.

Like in other Nordic countries, Icelandic consumers have bought into the hard discount store concept. Nevertheless, chains such as Lidl or Aldi have been unable to establish themselves in Iceland. One explanation for this is believed to be the high import tax on agricultural products which hinders the importation of cheaper products. It is likely that this will change as a result of new trade agreements with the EU and regulations from the WTO.

According to the Icelandic Competition Authority the Icelandic retail sector is characterised by intense concentration, just like the other Nordic countries. There are three big Icelandic companies that dominate the market of which Hagar, until recently a member of the Baugur Group, is the biggest. The second largest player on the market is Norvik, which includes a food-retailer (Kaupas), a retailer of building materials (Byko) and an electronics chain (Elko). The third largest company is Samkaup, which originated from the Icelandic cooperative movement.

E-commerce is becoming an increasingly important shopping channel for Icelandic consumers. However, most e-commerce retailers are in fact based overseas (e.g. the US and other Nordic countries) with Icelandic retailers unable to keep up. With consumers choosing to shop online from other countries Iceland's own e-commerce business has been shrinking. Those domestic retailers that have grown most are the ones that have managed to expand overseas to reach new markets.

The franchise concept has proved to be successful on the Icelandic market. An estimated 150 – 200 franchises operate in Iceland and most of them are food retailers. However, most of them come from the US or the other Nordic countries. This is largely due to the relatively small market on Iceland. This also limits the possibility of developing the franchise concept within the country since a key factor in successful franchising is reaching a larger market.

Norway – looking for uniqueness

High oil prices together with high salary increases, high employment and low interest rates have created great successes in the Norwegian retail sector. From 2003 to 2008 the annual retail turnover of the retail business increased by 6.2 per cent in current prices. This can be compared with the boom in the 1980's, which reached about 3 per cent per year. A study of price developments during the same period shows that retail prices in Norway dropped about 0.3 per cent, whilst it grew by over 7 per cent during the 1980's. As in the other Nordic countries, 2007 was the year that Norwegian growth peaked. Sales increased by 8.1 per cent in current prices. The non-foods sector grew most, reaching 9.1 per cent whilst the food sector reached 6.1 per cent.

The hypermarket concept has been a great success in Norway with a wide range of products at good prices combined with cost-effective operations, efficient logistics, good purchasing systems and low purchase prices. The food sector was the first to establish hypermarkets, but the concept has spread to non-food retailers where even more traditional chains have adopted one-stop-shopping in order to satisfy consumer demand.

In recent years the standardisation of the Norwegian retail business has become more obvious. Norwegian consumers are increasingly negative to this trend and a growing number of Norwegians put personal experiences and bespoke solutions high on their list of requirements with respect to consumption. Because of this situation it is expected that development on the Norwegian market will be characterised by a growth in niche-companies. This would occur at the expense of growth in the more general concepts that characterise the market today. This trend for individualisation requires manufacturers, retail chains and stores to start thinking outside the box.

Another trend seen on the Norwegian market is that consumption is dividing in two – one either buys unique products at high prices or products of acceptable quality at low prices. It has become harder for those retailers who sell a range of private labels without any unique qualities to maintain their profit margins in times when prices are an increasing part of the competition. Therefore one way of creating acceptable margins has become to introduce private labels so that the business has control of the entire value chain from prduction to distribution. This trend also means that the purchasing function in most Norwegian retail businesses has become one of their most important when it comes to prices and maintaining profit margins.

It is expected that the biggest challenges facing Norwegian retailers over the next few years are the lack of skilled personnel, access to optimal sites for stores and increasingly strong competition, not least from foreign retailers attracted by the strong buying-power of Norwegian consumers.

Sweden – shifting sector

The Swedish retail sector is one of the strongest in Europe in terms of growth. 2007 was another good year for Swedish retail with positive growth for the eleventh year in a row. It is also the largest retail sector within the Nordic region with a turnover of over 70 billion USD. The number of stores and personnel is increasing in line with the general expansion. The strong and continuing growth has woken the interest of foreign retailers, more and more of whom are opening stores in Sweden. The German electronics chain Media Markt opened its first Swedish store during autumn 2006 and in 2007 German fashion retailer New Yorker began trading in Sweden. Plantagen, a Norwegian chain of garden centres has been established for a number of years.

The Swedish retail market is also very concentrated with a small number of large companies. This concentration is particularly evident in the food sector where the three largest actors (ICA, KF and Axfood) account for 87 per cent of total sales. The trend of fewer yet larger stores is also set to continue. The top 10 companies account for over a quarter of the turnover in the non-food sector.

Another trend seen in Swedish retail over the past years is the shift between sectors, meaning that retailers now sell goods which were not previously part of their traditional product ranges. This phenomenon can be seen in both the food and the non-food sectors. IKEA, for example, sells food and ICA sells televisions and clothes. The main factor driving this shift can be attributed to decreasing margins. One way for retailers to address this issue is to include products with larger margins from other sectors into their product ranges. Exploiting the customer base and offering a wider range of products provides important competitive leverage whilst at the same time ensuring that they receive a larger share of consumers' disposable incomes.

Out-of-town shopping centres have become increasingly important in Sweden and now account for a third of annual retail sales. International ownership has also increased over the past few years and considerable investments have been made into reconstruction and renovation.

E-commerce in Sweden is a phenomenon worth noting. Sales continue to increase and account for about 4 per cent of total retail sales. E-commerce increased by 24 per cent during 2007 and sales have doubled within three years. The book, home electronics and clothes sectors have had the greatest successes online. At the beginning of the twenty-first century retailers failed in their attempts to utilise e-commerce but they have regained their confidence and are now making a fresh attempt to attract consumers. Swedish e-commerce is expected to continue to grow steadily in line with this sales channel's increasingly natural role for both retailers and consumers.

Six challenges facing Nordic retailing

No doubt remains over the fact that Nordic retail has peaked. A serious decline in retail sales is now expected and the extent of this has not yet been fully understood. Although it has been impossible to ignore the trends that have evolved in recent months. The full scale of the global financial crisis has only really come to light in the last month. This has quickly translated into global consumer pessimism and major concerns among homeowners over increasing mortgage payments and declining house prices. This has resulted in a more cautious approach to spending in many parts of the world including the Nordic region. Retailers struggle in a climate of increased competition and their hopes and expectations for the future have been dashed. This in itself poses grave challenges to retailers. Moreover, increased competition from e-commerce, both regionally and globally, is becoming ever greater. The future presents a number of serious challenges for retailers: to manage economic deceleration, a world in change, changes in the supply chain, multi-channel strategy and corporate social responsibility (CSR). These themes will be addressed in more detail below.

1. Managing economic deceleration

Nordic retail has been suffering from lower growth rates, something that stands in stark contrast to successive increases seen in the last 10 to 11 years. The financial turbulences in the US have spread around the world like wildfire, at a rate much faster than anyone could have anticipated previously. As a result a "shadow of recession" looms over Europe. Within the Nordic region the concerns over the financial markets (including powerful turbulences on the stock markets), combined with the highest mortgage rates in decades, have had a serious impact on consumer purchasing power. In light of these developments it is fully understandable that retail sales are headed for a period of lower growth. In fact it can be considered quite a feat that retailers have experienced growth as far as August 2008. From now on it can be expected that retail sales are headed for decline.

Turnover within the food sector has so far increased somewhat faster than the non-food sector during 2008. This can largely be attributed to the considerable increases in food prices, which have essentially forced up turnover. However, it is also a recurring pattern that the food sector tends to outdo the non-food sector in periods of decline. The non-food sector is much more exposed when it comes to changes in the economic climate than the food sector. This is of course not surprising when one considers people's fundamental need for food.

Simply increasing prices is seldom the right way for retailers to respond in a period of decline. It is often more important for them to focus on maintaining their margins by reviewing their cost structures, optimising stock levels, and sharpening their concepts. This is of course a very serious challenge, since a large proportion of the costs borne by retailers are relatively rigid, which (all else unchanged) gives way to margins in periods of economic decline.

A slowing economy places much greater demands on retailers to be competitive than during a boom. In short, a recession tends to separate the grain from the chaff. Somewhat cynically one could remark that tougher economic times can translate into opportunities for certain actors. Whilst some can take an offensive approach, others are pushed into a more defensive position. Financially stable companies may choose to expand their organisation at this time since it may now be easier and less costly to move to attractive office solutions. A less financially secure company will instead need to focus on costs and cut-backs. However, all companies must try to find a balance between sales volumes and profit margins.

2. A world of changes

There have been significant changes in the world economy over the past three years. Retailers no longer view Western Europe and the US as the obvious choice when looking for consumer markets. Demand is growing in Africa, Asia and South America, and India is set to become the world's fifth largest consumer economy within the next 20 years. It is primarily the expansion of the middle classes in countries such as Africa, South America, China and India that will fuel the rise in the number of consumers from 50 million to 583 million people. Demands for raw materials will increase throughout the world as the market strives to satisfy the growing middle classes' consumer needs. The food industry has already changed its perspective to a more global one. Foreign actors are slowly breaking into new markets and several low-price chains are claiming market shares.

At the same time, the market is demanding more of the retailer. Nowadays products have short, intensive life-cycles placing new demands on logistics. Whereas product ranges used to be replaced once a year, companies have had to adapt to the market's fast changing requirements and now introduce new products several times per year. Good relationships with all parts of the supply chain are crucial in this regard.

At the same time, brands are under threat as a result of diminishing consumer loyalty. Consumers are more focused on having the latest products rather than specific brands. Companies must adapt their ranges and improve logistics to ensure that production can handle the rapid life-cycle of a product whilst simultaneously innovating and designing new products to stay one step ahead of the competition. Retailers are facing up to many challenges such as cutting down on planning processes by moving production closer and ensuring that communication with suppliers is as fast and easy as possible.

3. Changes in the supply-chain

Most of the products offered by retailers are in fact imported. Globalisation has meant a breakthrough for the manufacturing of various consumer goods in low-wage countries, most obviously exemplified by China. In later years, however, higher transport costs and raw material prices have increased the need for both retailers and importers to find effective production and logistics solutions to secure their profitability. Higher wage costs in countries with traditionally cheap labour such as China has been another issue for Nordic retailers to take into account. However, the main part of these additional costs has been absorbed by an increasingly weakened dollar. In this respect we have been protected from a great deal of additional costs than may otherwise have been the case.

However, we now face a situation in which the dollar has probably bottomed out versus the Nordic currencies. This forces us take a different approach to managing logistical production issues. At the same time it can be worth pointing out that the rapid slowdown of the world economy has already resulted in lower prices of raw materials. This in turn will mean that production resources will be freed up, resulting in reduced wage demands in low-wage countries (as long as all variables remain the same). Transport costs should also become cheaper due to reduced demand for cargo transportation. The question remains, however, which effect will outweigh the other: a stronger dollar or reduced global prices for raw materials, labour and transport?

Whatever the outcome, retailers have all to gain from reviewing their supply chains. Ensuring that production is located in the most suitable countries in combination with effective logistical solutions provides the best prerequisites for maintaining competitive prices.

In contrast to this ever increasing intensity of production, largely occurring in Asian countries, it is possible that we will see more and more consumer goods being manufactured much closer to home. This opens up the opportunity for retailers to be more responsive to changes in consumer demand. In other words one can say that this is about achieving a lean supply chain in which one can optimise production based on demand for a product. Those close to the production resources are in the best position to bring this about. In the short to medium term, however, retailers will continue to focus on optimising logistics and pressing down prices in the supply chain.

4. Multi-channel strategy

A multi-channel strategy is vital for retailers wanting to keep consumers interested in their company and increase their willingness to purchase from them. This requires a conscious decision about whether multi-channel retail is to become part of the company's overall brand image. Further, it requires support from the whole company. Customers are well aware that there are numerous companies they can buy from, as and when they like. Retailers must therefore continue to strive to be one step ahead at all times in this changing environment. Consumers engaging with retailers want this experience to be efficient and value-orientated. Moreover, the many choices facing the consumers concerning products, prices, formats, brands and so on, means that they have increased expectations of accessible multi-channel services.

The development of multi-channel strategies has principally been driven by the internet and e-commerce. Call-centres and mail order catalogues are now facing competition from e-commerce and other sales channels. Today companies must have clear strategies for their tools. Online shopping has come a long way in the last decade and is growing much faster than traditional in-store retail models. Unlike other retail channels, e-commerce has not been noticeably affected by the economic downturn. Even though retailers are not quite as optimistic as consumers regarding the growth of e-commerce in the future, the Nordic region has witnessed rapid expansion in this area. There is very widespread usage of internet in all Nordic countries and the strong IT infrastructure greatly facilitates growth of online services.

However, e-commerce also presents retailers with new challenges, primarily with respect to delivery times. Another factor is enormous competition that retailers face on the internet. Research shows that a company has just a few seconds in which to capture the interest of consumers visiting their homepage. Further, the consumer must actually be persuaded to make a purchase, rather than just using the site as a way of learning more about the products available, to then go off and buy the product somewhere else, either in-store or via another online sales channel with lower prices.

5. Recruiting and maintaining the right competence – shopping for talent

The hunt for skilled personnel is on. Talent management is increasingly important to retailers for whom the shortage of manpower is a real problem. Many companies in the Nordic countries are now focusing on competency-based talent management. A successful company knows who its key people are, how to recruit talented employees, and most of all how to retain them.

Working in the retail sector is not regarded as high-status and many young people only regard it as a source of income to support their studies. To make matters worse, a whole generation of baby boomers is now in process of retiring and this has led to serious staff shortages. A joint study by Deloitte and the Economist Intelligence Unit shows that senior business executives in large companies from a wide range of sectors regard people and talent as crucial to the company's performance. However, a mere 8 per cent of survey respondents believe that their company manages talent effectively. The importance of talent is underlined by the fact that those companies that take talent management seriously are also those with better financial results. A company focusing on the future should already have asked itself the following questions: Are we recruiting the right people? Who are our key people, and how do we get them to stay within the company?

In-store personnel can be crucial in this sector. Retailers who manage to provide their customers with unique and consistent high-quality service will of grow in popularity. Contact with a competent and attentive salesperson can be decisive for customers. More than just recruitment, it is vital that retailers ensure that they provide their staff with attractive career plans. Many companies have faced up to the fact that effective resource allocation is fundamental for success, and have therefore initiated career programmes. Such programmes can facilitate the possibilities for employees to work in other departments or even overseas, as a way of providing them with exciting and challenging career options. To compensate for shortages in manpower, retailers need to push talent management high up onto their agendas.

"The strongest principle of growth lies in human choice."

George Eliot, English novelist (1819–1880)

6. Corporate Social Responsibility

Just a few decades ago it was commonly accepted that business was all about the maximisation of profit and growth. However, nowadays most companies would modify this statement to the ethical maximisation of profits or organic growth. Within the last few years, Corporate Social Responsibility (CSR) has really taken root as an important business concept. In 2006, 25 per cent of the Fortune 500 companies issued CSR-reports, and this figure is on the up.

CSR has become a well-established term and companies are working hard to ensure that their codes of conduct reflect a commitment to responsible business. Nowadays it is much easier for consumers to obtain information about a company's commitment to CSR. Moreover, there is much greater public awareness of child labour, pollution and other forms of social and environmental issues.

For many retailers, working with the company's supply chain goes hand in hand with taking greater responsibility for the environment. Large companies are often the ones that set the standards, an example of which is Walmart's "packing scorecard" which was launched in 2006. The aim is to reduce the amount of packaging in the company's global supply chain with 5 per cent by 2013. Walmart's initiative created the 7 R's of packing: Remove, Reduce, Reuse, Renew, Revenue and Read.

Nordic retailers have incorporated CSR strategies on many levels, including delivery chains, end-users, employees and transport. CSR is increasingly prioritised by many companies and they are setting aside more resources to manage the issue. Several companies have created specific roles to manage projects that are directly related to CSR. Working for the environment can be expensive but there are many ways to save money by becoming more environmentally friendly. Retailers endeavour to transport more and more of their produce via rail, since this is both cost-effective and environmentally friendly. By ensuring that pack boxes are filled as much as possible, retailers will reduce packaging, which again is both good news for their profit margins and the environment.

There are numerous ways in which companies can incorporate CSR into their operations and individual companies must decide what works best for them. Once a particular CSR strategy is in place, it must be well-communicated to ensure that everyone strives to reach the goals that have been established. Nordic companies are in agreement over the importance of CSR, but also feel that there is much more to be done.

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