How to successfully enter Sweden

Green Seed Nordic
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May 23rd , 2013

"Wherever you see a successful business, someone once made a courageous decision."

Peter Drucker

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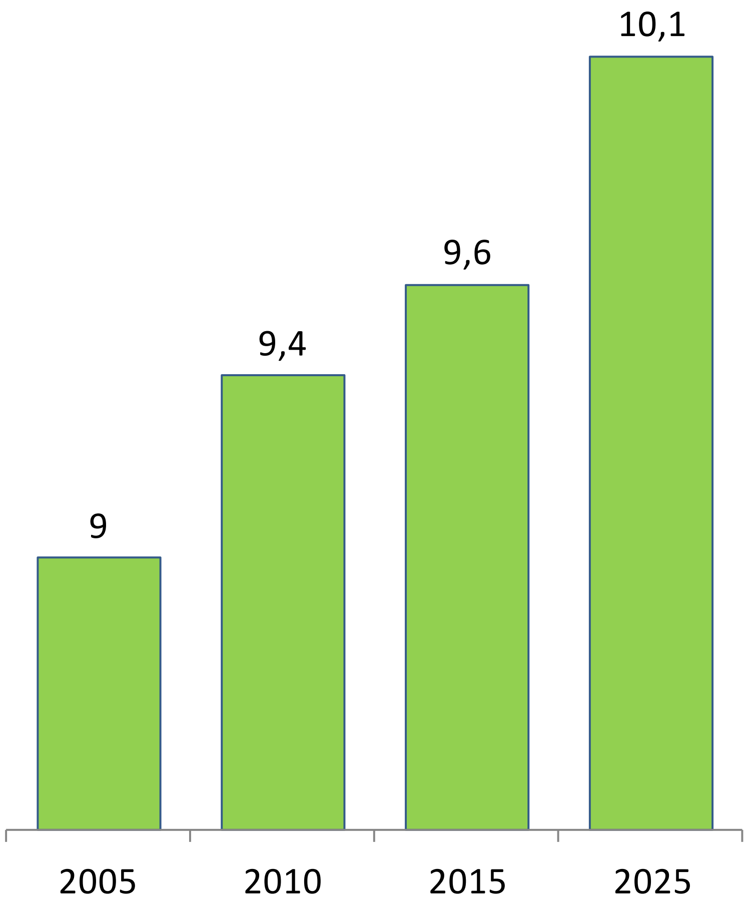
Country overview

- Capital: Stockholm
- Currency: SEK / Belgium: Euro
- Population: 9.6mio /Belgium: 10.5mio
- Size: 450.290sqkm / Belgium:30.528sqkm
- Coastline 3.218km / Belgium: 66,5km
- Population density: 21,0 people sq. km
- Head of State: King Karl XVI Gustaf
- Ruling party: Conservative Coalition
- Prime Minister: Fredrik Reinfeldt
- Several Raw Materials
- International Food: IKEA, Meatballs, Smörgåsbord
- EU member since 1995

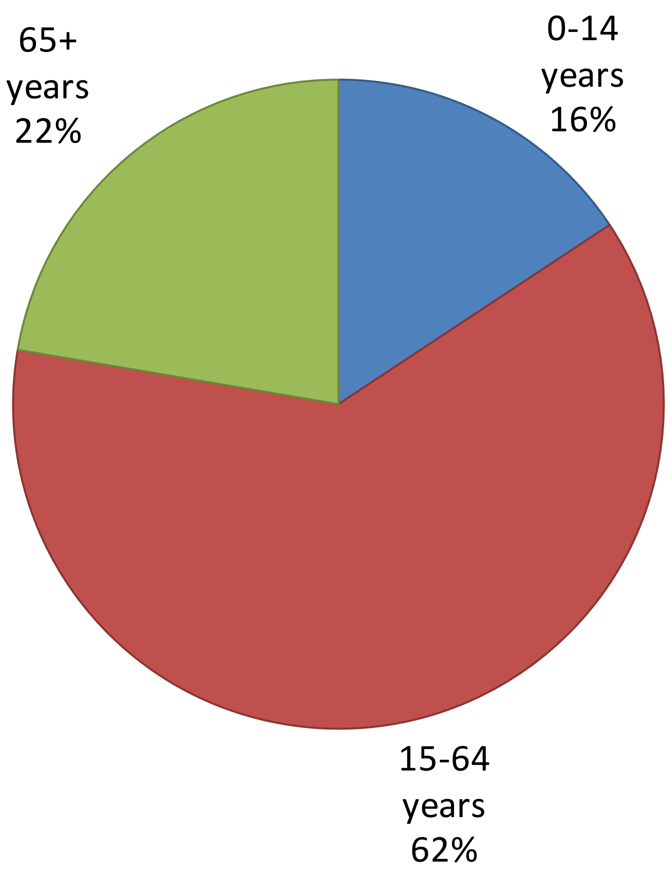
CIA FACTBOOK 2013

Demographics

Population forecast (millions)



Population split by age, 2011



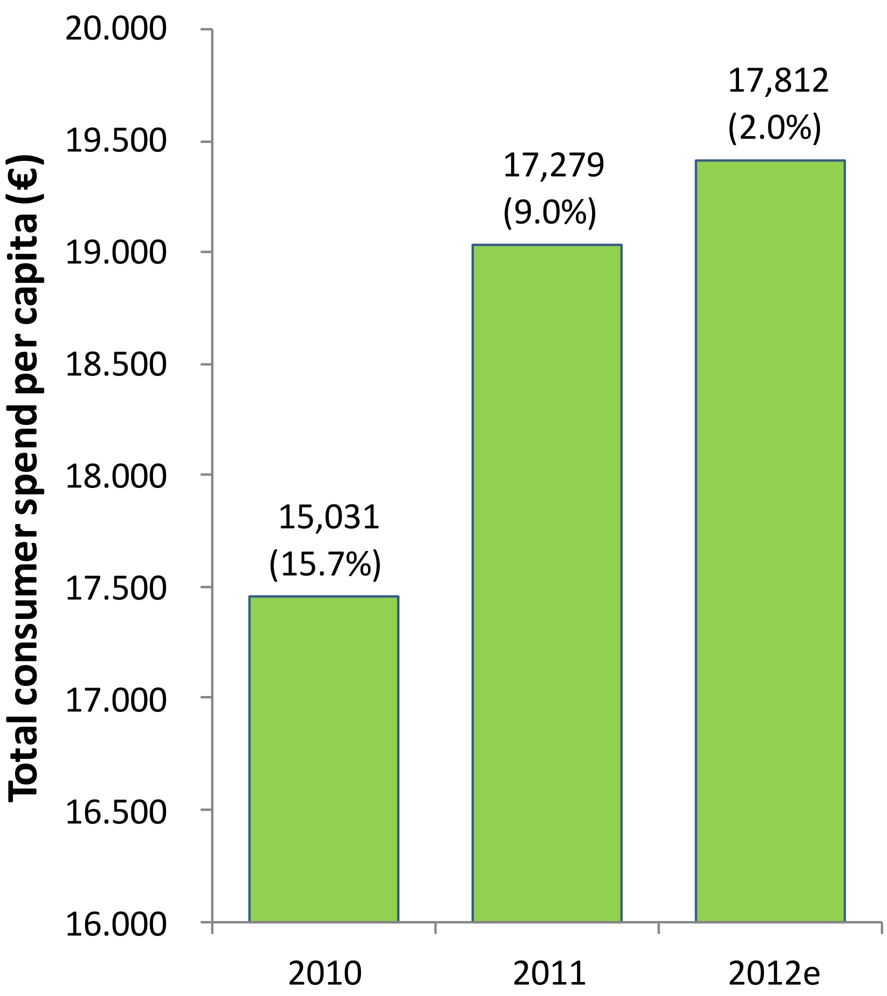
UN Population Division

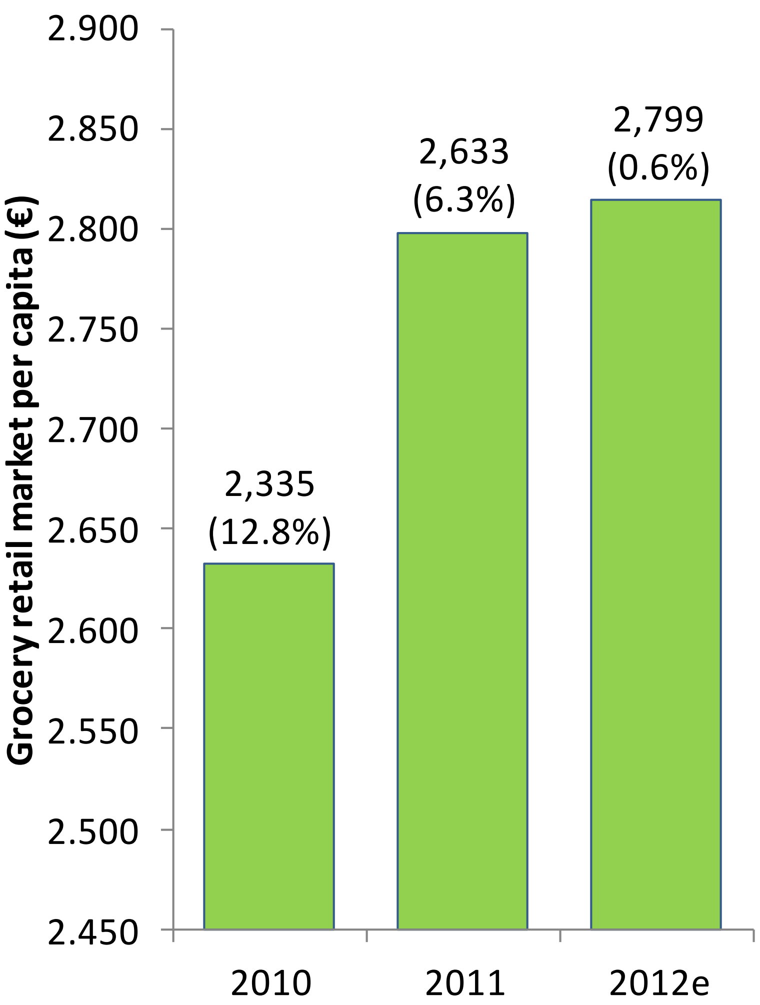
Economic overview

	2008	2009	2010	2011	2012e
GDP (nominal €bn)	333.35	291.43	346.35	385.95	395.43
Real GDP growth	-0.61%	-5.33%	5.69%	4.39%	3.85%
Nominal GDP per capita (€)	36,077	31,303	26,924	40,885	41,668

IGD data Center

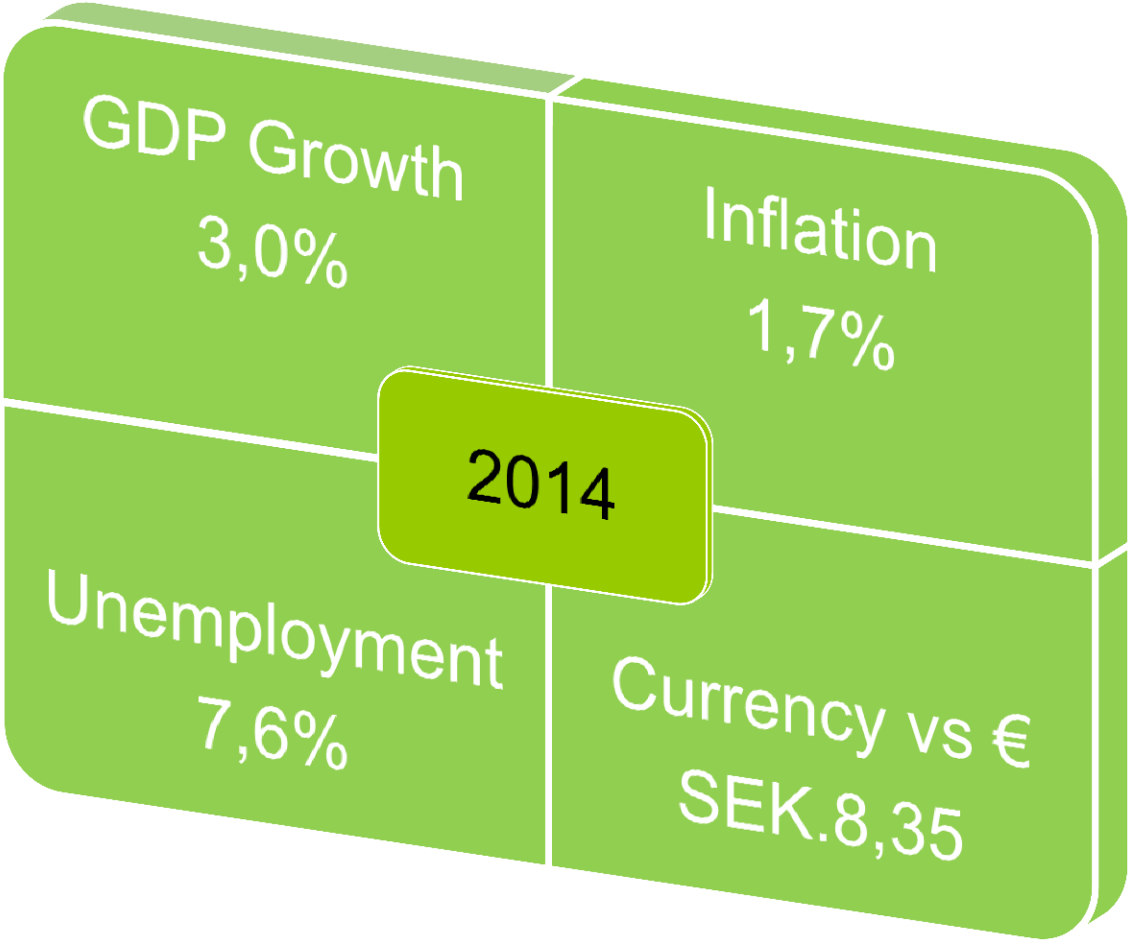
Spending power





IGD data Center

Economic Growth Indicators



OECD. Currency fluctuating vs Euro.

Outlook

Structural

- The major Swedish banks are end of 2012 and early 2013 in a financial strong position and have good access to extra financial means if needed.
- Swedens industry is structurally well geared to benefit from a low valued Swedish Krona.
- Key markets are within the European Union
- Swedish chains like H&M, IKEA awaits continued future growth in Asia and in the New large Economies
- Due to late entrance into EU the Swedish food industry is still dominated by a few large players like Orkla, Findus, Dafgaard
- Goverment has historically prioritised to support the major companies, often in a closer cooperation.

Economic

- The debt crisis within the Euro-zone has been and is the single largest risk to financial stability in Sweden.
- Sweden has had a very strong economic development for almost 10 years.(The Socialistic government did implement structural labour force changes coupled with less salary gains from which Sweden is benefiting today)
- Sweden represents a stable and sound economy and for 2013 the picture is foreseen to remain unchanged unless major changes occur in the Euro-zone.

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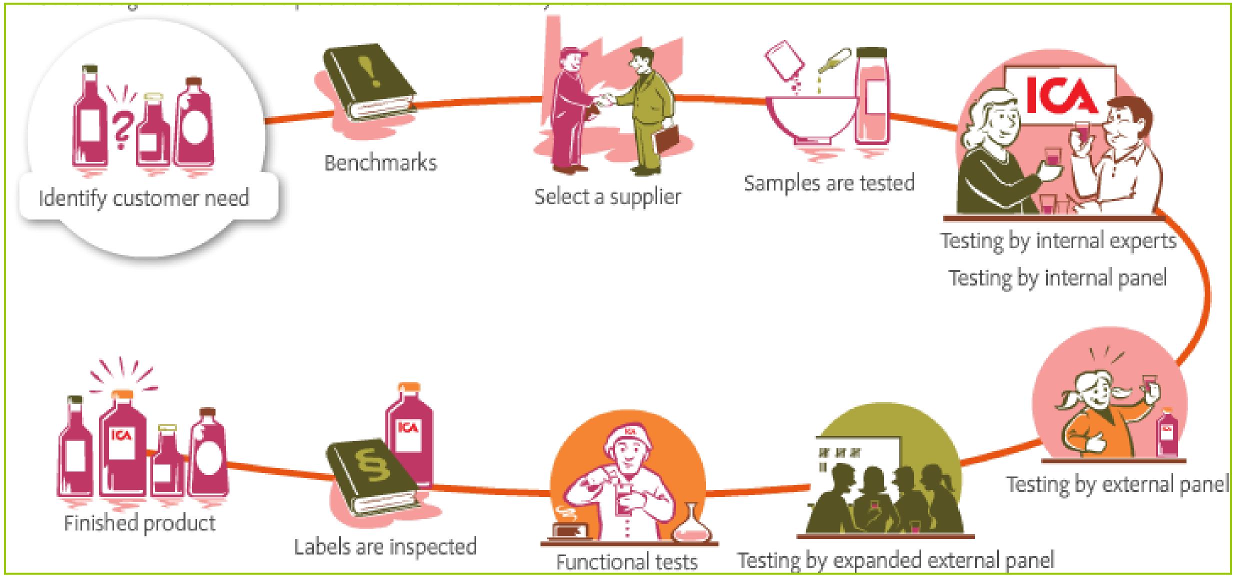
What you have to take into account for the Swedish market

- Research (Is there a need for your product?)
- VAT rate of 12% (same for everybody, so not a cost for you)
- Labelling and legal aspects (must be checked)
- Local language is a must (develop Pan Nordic packaging)
- Marking (i.e. Keyhole)
- Logistics and Customer requirements
- Pallet standards (EUR)
- Accreditations (BRC or similar)
- Shelf life
- Detailed Product information (Inside and Outside)
- Incoterms

Retailers have a clear proces for all they do

Private Label proces



Easy steps to prepare yourselves

- Visit the market
- Check the Competitive situation
- Find out if your focus is Brand or Private Label
- Find out if you Do It Yourself or if you need Business facilitation
- Find out if there is a gap in the market for your products

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International context

Top 10 European markets 2011		
Rank	**Country**	**Grocery retail market (€bn)**
1	Russia	227.0
2	France	214.6
3	Germany	166.0
4	United Kingdom	164.6
5	Italy	129.4
6	Spain	96.0
7	Turkey	61.6
8	Switzerland	44.6
9	Poland	37.9
10	Netherlands	35.1
12	**Sweden**	**26.4**

Top 10 global markets 2011		
Rank	**Country**	**Grocery retail market (€bn)**
1	China	697.6
2	USA	657.4
3	Japan	292.5
4	India	280.1
5	Brazil	243.7
6	Russia	227.0
7	France	214.6
8	Germany	166.0
9	United Kingdom	164.6
10	Italy	129.4
33	**Sweden**	**26.4**

Retail Analysis Datacentre

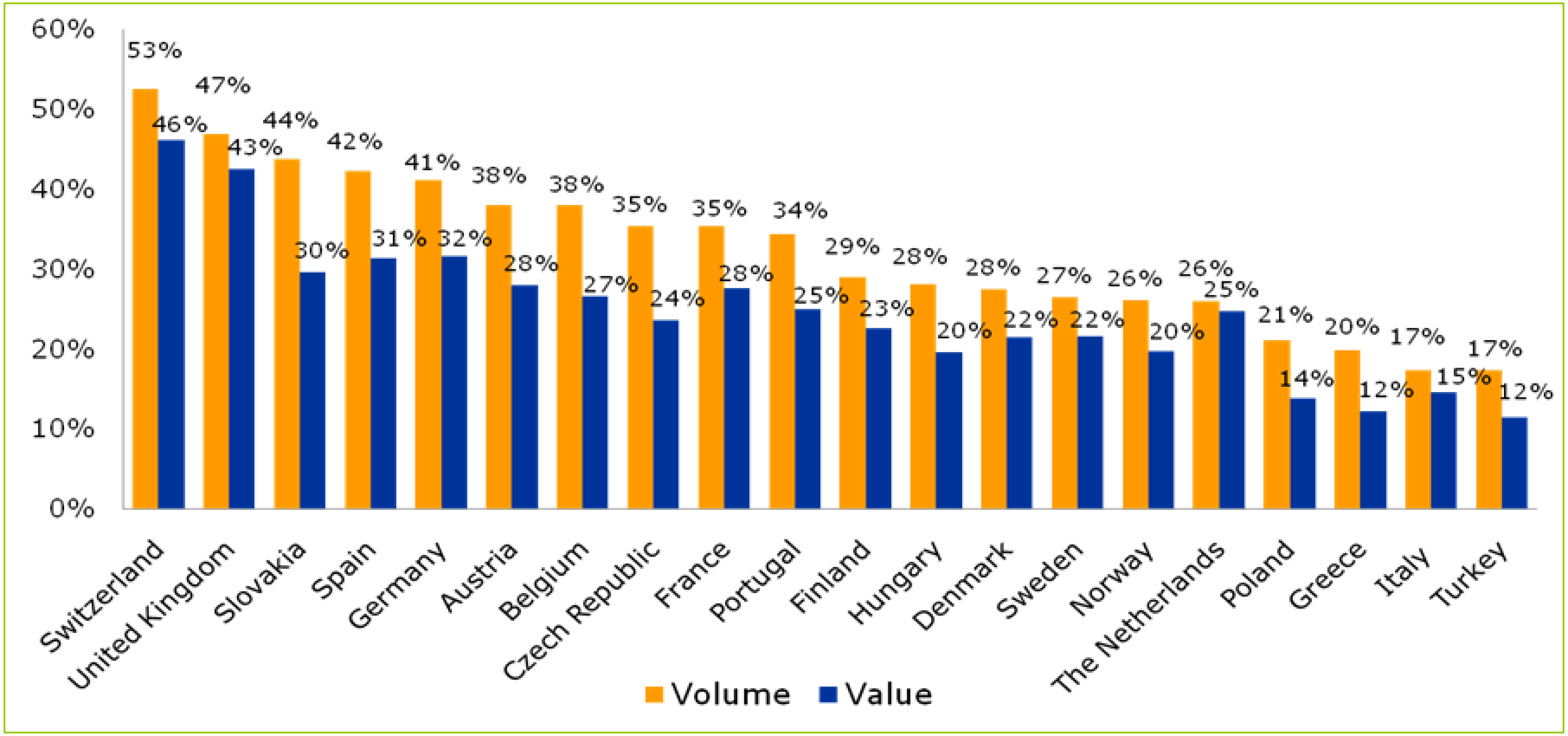
The retail market

	2008	2009	2010	2011	2012e
Consumer spend (€bn)	152.34	140.47	163.82	179.62	184.16
Total retail market (€bn)	57.08	52.91	61.04	64.82	65.38
Grocery retail market (€bn)	22.88	21.74	24.69	26.41	26.70
Grocery retail market/capita (€)	2,476.18	2,334.71	2,632.51	2,798.00	2,813.93
Grocery as a % of total retail	40.1%	41.1%	40.4%	40.7%	40.8%

IGD Grocery Retail Market corresponds to the total annual turnover (excluding VAT) of retail outlets predominantly selling food. It includes the sales of non-food articles (i.e. health & beauty, pet care, clothing, DIY etc) sold by hypermarkets, supermarkets, discounters, neighborhood stores, specialised food stores (bakeries, butchers, etc) and open markets. It excludes all cash & carry, delivered wholesale, foodservice and drugstores/chemists.

IGD Retail centre

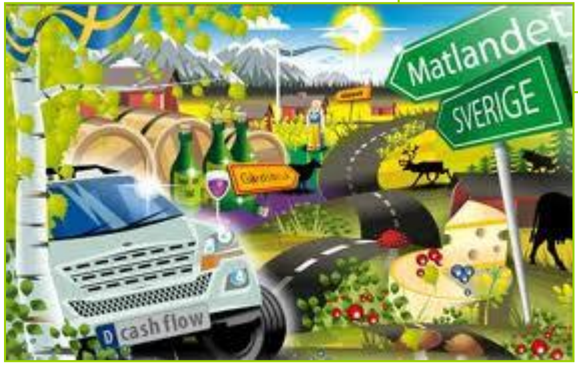
Private Label



PLMA data

Trends

- Chilled is growing
- LCHF
- Local
- Private Label
- Trading up



Factors affecting the Swedish market

- One-person households, more travelling and less time to cook during the week
- People are urbanizing into major cities
- Less time to cook
- One new cookbook is published every day in Sweden
- Strong TV influence via Cooking programms
- Changed demographics i.e. Increased older population is creating new consumers
- Multicultural consumer base is starting to influence assortments
- Health awareness still important in Sweden

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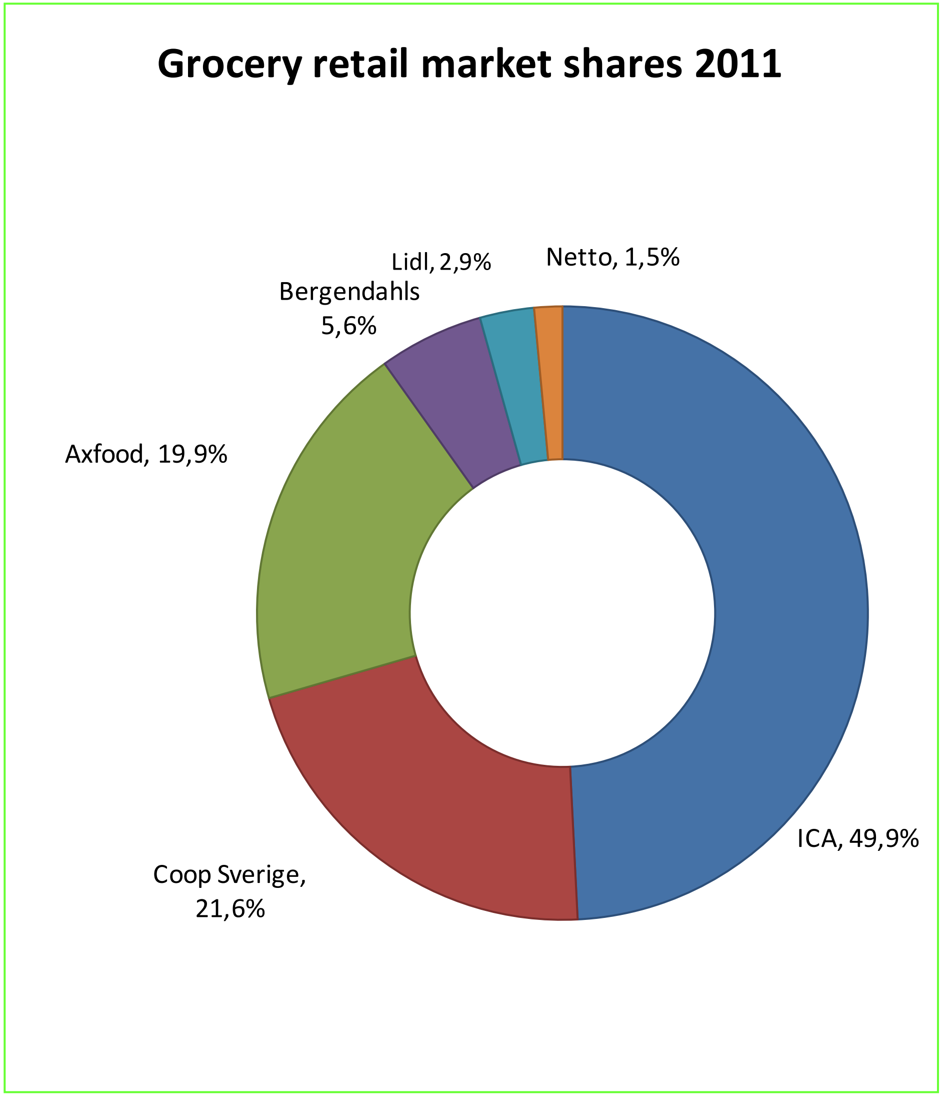
Market shares



ICA Nyheter, Leading Retail Trade publication

ICA

- ICA centrally coordinates central functions and concepts for purchasing, communication, business development, etc.
- At the same time that it uses its scale to coordinate and take advantage of synergies, ICA adapts its local offering to customers wishes.
- These local adjustments can be made by the individual formats, the individual store concepts or through concepts designed for various geographic markets.

ICA Sverige			
Store concepts	Description	Assortment	Pricing
ICA nära	Small convenience Food stores	Narrow product range. Fresh food	Higher prices
ICA Supermarket	Supermarkets	Wide range of fresh foods, deli counter	Normal to higher prices
ICA KVANTUM	Large supermarkets	Everyday food items Eco labelled products	Moderate prices
MAXI ICA STORMARKNAD	Hypermarkets Extended open hours	Wide variety of foods Also non-food	Moderate to lower prices

ICA

Banner	Total sales 2011 (€m)	Format	Number of stores 2011	Sales area (sqm)	Average sales area (sqm)
ICA Kvantum ICA Supermarket	5,800	Superstores / Supermarkets	559	1,118,000	2,000
Maxi ICA Stormarknad	2,951	Hypermarket	73	511,000	7,000
ICA Nära ICA To Go	1,606	Convenience & Forecourt	716	415,280	580

ICA

- ICA is the clear market leader in Sweden
- Controlling a variety of store formats under the ICA banner
- Extending operation in line with Tesco UK to have it´s own bank.
- Stores are owned by each store manager
- Central control of buying,marketing and logisctis
- Necessecary to work with formats and stores
- Advanced Retail promotional tools

Coop

- COOP centrally coordinates central functions and concepts for purchasing, communication, business development, marketing etc.
- On the Group's purchases, estimated 5-10% is negotiated on a Nordic basis together with COOP Trading, a pan Nordic buying association buying all pan Nordic private label products for among other the Swedish market. Swedish Coop decided from January 2012 to do more of it´s buying of value added private label and let Coop Trading continue doing the buying of commodities.

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COOP Sverige			
Store concepts	Description	Assortment	Pricing
coop FORUM	Hyper markets	Widest range of FMCG.	Low prices
coop EXTRA	Supermarkets	Wide range of products	Keen prices
coop KONSUM	Supermarkets	Wide range of organic products	Moderate to higher prices
coop nära	Neighbourhood stores	Limited product range	High prices

Coop

Banner	Total sales 2011 (€m)	Format	Number of stores 2011	Sales area (sqm)	Average sales area (sqm)
Coop Forum	2,345	Hypermarkets	70	759,500	10,850
Coop Konsum	898	Superstores / Supermarkets	384	628,608	1,637
Coop Extra	168	Hard & Soft Discount	71	45,440	640
Coop Nära	77	Convenience & Forecourt	177	53,100	300

Coop

- Cooperative ownership.
- Centrally controlled.
- Focus on soft values
- Coop MedMera loyalty card is used with suppliers.
- Focus on developing Coop Extra
- Consolidating it´s Forum chain
- Focus on developing it´s private label

Axfood

- Axfood centrally coordinates central functions and concepts for purchasing, communication, business development, marketing etc.
- On the Group's purchases, estimated 10% is negotiated on a Nordic basis together with United Nordic, a pan Nordic buying association buying pan Nordic private label products. On an International level Axfood is member of the EMD buying group.

Axfood Sverige			
Store concepts	Description	Assortment	Pricing
WiLLY:S	Soft discount concept	Wide range of FMCG.	Low prices
Hemköp	Supermarkets	Wide range of products and organic products	Average to higher prices
PrisXTRA	Supermarkets	Wide range of products	Low prices
tempo	Neighbourhood stores	Limited product range	High prices

Axfood

- Also involved in Convenience sector and Foodservice

Banner	Total sales 2011 (€m)	Format	Number of stores 2011	Sales area (sqm)	Average sales area (sqm)
Willys, Willys hemma	2,092	Hard & Soft Discount	170	321,980	1,894
Hemköp, PrisXtra	1,073	Superstores / Supermarkets	188	291,974	1,552
NetXtra	11	Online	n/a	n/a	n/a
Axfood, Närlivs	1,149	Other – Non grocery	n/a	n/a	n/a

Axfood

- The Willys discount chain is the key growth driver
- Hemköp has a more upscaled proposition and has been struggling.
- Development of online grocery
- Vi chain of 50 stores was integrated into Hemköp format during 2012
- Strong financial background
- Expected to further strengthen it´s private label offer across all formats

Bergendahls

- Bergendahls centrally coordinates central functions and concepts for purchasing, communication, business development, marketing etc.
- Bergendahls is an independent retailer and has only last year made the decission of launching their own private label products.

Bergendahls			
Store concepts	Description	Assortment	Pricing
CITY GROSS	Hyper markets	Wide range of FMCG.	Low prices
	Supermarkets	Wide range of products	Average to lower prices

Bergendahls

- Focus on developing it´s City Gross hypermarket format
- Expanding radpidly into Private Label

Banner	Total sales 2011 (€m)	Format	Number of stores 2011	Sales area (sqm)	Average sales area (sqm)
City Gross	1,030	Hypermarkets	31	310,000	10,000
Matoppet	89	Convenience & Forecourt	84	21,000	250
EKO, East Import, Glitter	91	Other – Non grocery	59	574,000	9,729

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Foodservice - Nationwide Wholesalers

- The Swedish foodservice reached 25 billion SEK. (2,6 billion €) during 2011.
- Key customers to the leading Foodservice Wholesalers are the Public Sector(schools, state etc.), Out-of-home sector(restaurants, bars etc.) and leading chains supplying food service(Eurest, Compass, Gate Gourmet, Sodexo, among others).
- Sweden is the largest foodservice market in the Nordic region and the Swedish market is dominated by 4 major buying groups of which the largest has nearly 30% of the market.

Swedish Foodservice	Market shares 2011
Servera	28.0 %
Menigo	12.0 %
Martin Olsson	9.0 %
Svensk Cater	9.0 %
Others(between 0,1-4%)	42.0 %

Servera 2012

- During 2012 Servera acquired Martin Olsson and now has close to 40% of the market
- The Swedish foodservice market is fragmented and there are important wholesalers outside the above groups ie. covering the bakery market

Foodservice – Key Wholesalers

- **Servera** is owned by Axel Johnson AB who is the major shareholder of Axfood.

  Customers include staff and hospital canteens, school dining rooms, hotels, restaurants and fast-food outlets throughout Sweden.Main distribution center is Halmstad others are Umeå, Västerås,Norrköping.

  Turnover is around 7,4 bio SEK and 28% Market share.40% of customers are

  in public sector i.e. schools, 30-35% is privately owned restaurants and 25% are

  the big chains: Eurest, Compass.This latter is the fastest growing area.40-45% of business

  goes via internet ordering.

- Menigo customers include the Public sector, restaurants, chains as well as the service trade.Menigo services the same customers as Servera and is the closest alternative to Servera.Owned by UK company: Brakes.

- Martin Olsson is a private family business established in 1897.

  The customer base is mainly commercial restaurants and staff canteens.

  Product portfolio includes dry grocery, meat, dairy, fish and seafood, fruit and vegetables.

  Annual turnover is 2,8 bio SEK.Martin Olsson buys via importers and traders as well as direct

- Owned by Euro Cater A/S.Linked to Danish Dansk Cater och Pol Cater. The customer base is mainly out-of-home market including restaurants and chains as well as smaller local grill bars.Product portfolio includes dry grocery, meat, dairy, fish and seafood, fruit and vegetables.Annual turnover is 2,8 bio SEK.

Foodservice trends

- Dining out as a natural part of lifestyle

- Free from

- Strong growth in private label

- Interest for premium products

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Case study: Discovery Foods

- **Situation**: Discovery Foods, a UK based manufacturer of Mexican Food, wanted to launch a branded range “Discovery Foods” into Sweden

- **Action**: Green Seed Nordic was appointed to do the job from scratch and develop the market. First focus was one retailer in Denmark

- **Result**: National distribution at the largest retailer within Mexican Food.From 0 to 1 mio €(RSP).

Case Study: LambWeston

- **Situation**: LambWeston, a Dutch manufacturer of frozen potatoes, wanted to launch a branded range "Supreme" into the Swedish markets in 2008. (
- **Action**: Green Seed Nordic was appointed to do the job from scratch and develop the market
- **Result**: National distribution.From 0 to 2,3 mio €(RSP) and creation of a premium range of potatoes. Full national distribution and fastest growing branded player in a PL category.

Case Study: Quorn

- **Situation**: Marlow Foods, a UK manufacturer of frozen potatoes, wanted to launch a branded range “Supreme” into the Swedish markets in 1997.

- **Action**: Green Seed Nordic was appointed to do the job from scratch and develop the market

- **Result**: National distribution.From 0 to 16 mio € (RSP).

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Promotional investments are necessecary

- No direct listing fees
- Expectations (retail and foodservice) that investmensts are made in central promotional weekly leaflets

Retailer Joint tools	Sweden
Listing fees	**None**
Marketing tools /€	**Joint TV €60.000**
Instore Demos/Day rate	**€ 250**
1 week Promotions/£	**€ 12.500**
Launch costs	**€ 20.000**
Source: Retailers input/Experience	

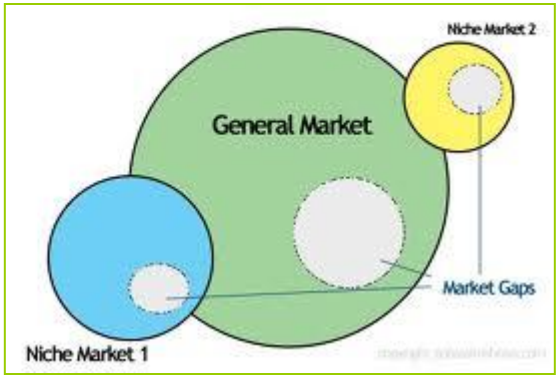
If you consider a branded approach….

Retailer Marketing Tools /see costs below	ICA	Axfood	Coop	B-dahls
Promo leaflets	52 x year	52 x year	52 x year	52 x year
Retailer magazine advertising	Buffé		Mersmak	
Customer card promotions	Yes, advanced	Hemköp, new	Yes	
Demonstrations	Centrally organized	Centrally organized	Yes allowed	Yes allowed
National TV	Yes		Yes	Yes
In-store TV	New	Hemköp	No	Yes
Advertise on retailers www.com.se	Yes	No	Yes	No

- The Promo leaflets that have a lenght of 1 week remains the strongest marketing tool to increase sales increase and distribution.The cost of the promotions are an investment in the future sales and seldomly there is a direct short term revenue on this investment.

Start with the beginning

- **Be objective and honest with yourself at the score of the "Hole in the market"**
  - Is there a true gap in the market
    - Do you offer something new
    - Is it a me-too product
    - Is it a line extension

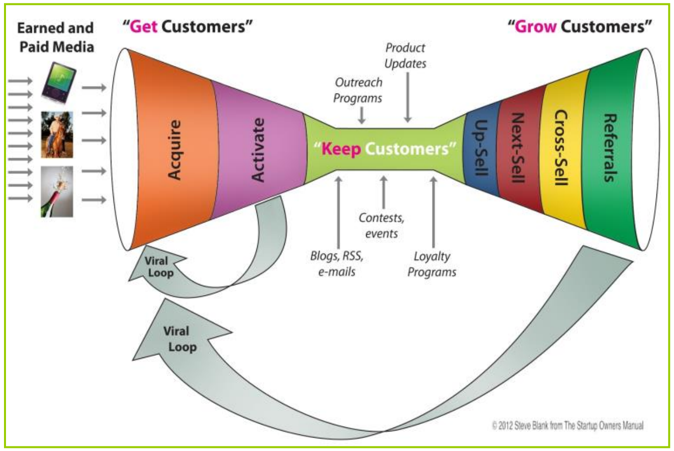


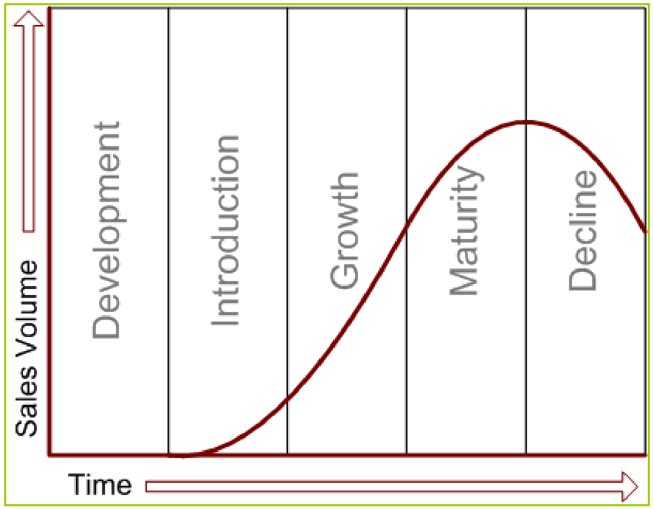
- **You must balance value on 3 levels:**
  - for the consumer
  - for the trade
  - for yourself

Plan, develop

- **Plan an optimal time horizon**
  - It takes perspective, patience and overview to ensure a successful launch into the Nordic market scene

- **Develop a clear marketing and channel strategy**
  - Decide what types of customers which outlets, how many and which products will be sold to make it a success.





Market Access requirements

Market Access Requirements	Sweden
VAT rates	12%
Incoterms	CIF/DDP
Trade Currencies	SEK/€
Pallet standards	Europallet. Max height 125cm
Duties/Agri Elem.	EU – so none
Certificates	Eu common
Salmonella	Documents needed
Approval Processes	EU approved facility
Technical Accreditations	Eu common
Hygiene Requirements	Eu approved
Source: National Agri information/Local and, EU legislation.	.

Prepare for the opportunity

- Start with finding out if you really want and what it takes
- Plan a market visit within the next 3 months: we are more than happy to show you the markets
- Based on visit decide if /how you want to proceed
- Make a time schedule
- Define all elements necessecary to get into business in the Nordic region
- (Re)Search the opportunity
- Prepare the details ahead of making a listing proposal
- Meet the potential new customers/partners
- Prepare the launch
- Action

There are no low-hanging fruits….

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KPI’s (Key performance indicators) in practice

- KPI’s (Key performance indicators) are not different in Sweden in retail in comparison to other markets. Below is a ranking after importance.
- Most important KPI’s are;
  - Overall rotation with weighted distribution
  - Overall distribution
  - Margin percentage
  - Nominal net margin contribution (per cm^2 shelf space)
  - Wastage
  - Service level of deliveries to depots

Price negotiations in practice

- Open book pricing is used more often in PL propositions where retailer´s buyers utilize internal knowledge on ingredient price levels and price fluctuations as well as logistic costs to break down prices of added value products.
- In case of unexplainable differences, the manufacturer is prompted to explain.

- As a rule of thumb retailers expects 35% margin. This is obviously different from category to category and from segment to segment.
- It is important that there is a set “price list” from which the retailers are offered different “discounts” before the net price is achieved.
- What has been significant over the last 6 months is that retailers have experienced a growing demand for “premium products” at the top end of the market. Continuous pressure exists obviously on leading brands and commodities.

Annual Meeting

- Each retailer invites its suppliers for a year end meeting in which the previous year is reviewed and in which commercials are discussed for the next year.

- This is the most important meeting of the year.

- Ahead of the annual meeting all retailers invites their suppliers to an Annual presentation where the aim is to present next year´s plans. For 2013 this takes place in September month.

- Following this overall presentation the suppliers are expected to build their 2014 proposals and incorporate every aspect of the business including new products, marketing ideas.

Common way of working for new items presentation

- The supplier must provide information before you can book a personal meeting.
  - Presentation of the company/products
  - What can the products add to the category
  - Reference to other markets
  - Planned marketing activities (general)
  - Involvement of external merchandising/sales force
- **At the meeting**:
  - Follow up on the product announcement (Presentation)
  - Market situation (total market/trends) – Consumer Research
  - Proposed marketing activities with company/chain
  - Price and trading terms negotiations
  - Discussion $\Rightarrow$ Next step for decision making

It is a must to have examined the Swedish market and found gaps in the market that gives the buyer reason to list.

More importantly it is to be able to present what plans will be started to launch the products and especially how repeat purchases can be ensured.

The buyer is very dependent on that the supplier does support their products and proves to be perseverant in doing so.

We are at your disposal

Jakob True

Managing Director

Green Seed Nordic

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Your gateway into business in the Nordic region

Book a market visit today to see the Danish and Swedish retailmarkets in one day.

Your investment is a flight ticket

Contents

Services of Green Seed Nordic in Sweden

Services are geared up to the needs of each company

Where we come from

Green Seed Group

- Unique International Network
- Focus on Food & Drink
- Strong partnerships through trust, accountability and results
- Approach is Openminded, Proactive, Flexible

Green Seed Nordic

– We cover the Nordic region of Sweden, Denmark, Norway, Finland and Iceland
– We strive to grow with our partners across the region
– We are an Experienced team and want to be seen as being Positive, Openminded and Reactive
– We work in partnership to grow your business to become an important arm of your total business
– To achieve success it is important to be Focused, to be Dedicated and to be Perseverant
– To our experience, if you remain perseverant over time you will be successful in our markets

Our team

Jakob True, Managing Director

With over 20 years of experience in FMCG in the Nordic region Jakob leads Green Seed Nordic as owner of the business. After graduating as Msc. Economics in Strategic Retail Planning Jakob worked as a buyer in 5 different categories for Irma retail chian with 200 central steered stores. He started his own business in the 1990s and won the SIAL D´or Gold for best marketed new product into the Danish retail market. Originally Jakob worked with US companies that he brought into Europe: ConAgra owned Golden Valley Microwave Foods, LambWeston and Schwan's Sales Enterprises. In 1995 Jakob took over FFB Scandinavia and joined Green Seed 3 years ago. Jakob has focus on the Nordic region.

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Anette Stenebrant, Senior Consultant / Key Account Manager

Before joining Green Seed Nordic, Anette developed one of Sweden's largest Conference Centres at Stockholm Arlanda Airport. For several years she has also been working as a project manager in marketing agencies and as a teacher for middle school students. Anette is educated as a teacher and has a business education from IHM business school in Stockholm and has worked as Key Account Manager for the last 8 years. Anette has focus on the Swedish market.

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Halvor Ildstad, Senior Consultant / Key Account Manager

Before working with Green Seed Nordic, Halvor worked as Sales and Marketing Director for Orkla Foods and has wide experience since over 20 years from various food businesses where his focus has been on sales/marketing and acquisitions/restructuring. Halvor is educated from Oslo business school. Halvor has focus on the Norwegian market. Halvor is Chairman of Sweden's largest bakery chain and board member of several companies.

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Why use us

Green Seed is the right fit for you if:

- You have a food and drink company ready to be expanded into a market.
- You are a local food and drink company that is ready to scale up to the national market.
- You have new product ideas ready for incubation in the international market.
- You need market research in your overseas market.
- You want to accelerate your market growth.
- You need to find an in-market sales organization to speed your growth.
- You need effective marketing management of your product.
- You need an experienced importer or distributor