RETAIL MARKET IN SWEDEN

SECTOR OVERVIEW

Business opportunities in a competitive and progressive nation
IDEAL MARKET FOR INTERNATIONAL RETAILERS

SECTOR OVERVIEW

HIGHLY COMPETITIVE AND PROGRESSIVE NATION

International companies are attracted to Sweden for numerous reasons. The country is a global leader of innovation with a highly skilled labour force, sophisticated consumers, smooth business procedures, openness to international ownership and a stable economy. Despite the relatively small population, Sweden consistently ranks as one of the most competitive, productive and globalised countries in the world. Sweden's business community continues to demonstrate the ability to take on new ideas and innovation, adapt to changing business conditions and compete in an international setting. The fact is that Sweden is the birthplace of Alfred Nobel, one of history's most successful entrepreneurs, and home to many large multinationals such as IKEA, H&M, Ericsson and Volvo, but also the new innovative start-ups earning global success, such as Skype, Spotify and Klarna.

International companies are attracted to Sweden for numerous reasons. The country is a global leader of innovation with a highly skilled labour force, sophisticated business procedures, openness to international ownership and a stable economy. The attractiveness of retail investments is reinforced when looking at Sweden's dominance in the Nordic marketplace. Sweden has the largest population and the largest retail market, and receives as much foreign direct investment as the Nordic and Baltic countries together. Of all the Nordic countries, Sweden has the highest retail attractiveness when it comes to establishing new business ventures, and international retailers continue to selectively expand in the Nordic region, at a slightly faster rate than Europe’s key cities at an aggregated level. Sweden's central location and strategic gateway to Northern Europe have also made it a natural logistics hub and place for consolidated business in the region.

WHY SWEDEN?

▸ Top-performing and growing economy
▸ Steady population growth and wealthy inhabitants
▸ Sophisticated consumers with high purchasing power
▸ Strong retail sales growth for 18 consecutive years
▸ Appetite and demand for new retail concepts
▸ Early adopters and well established test market
▸ Recognized as a trend-setting country
▸ Largely unregulated market open to international competition
▸ Availability of attractive retail space
▸ Transparent market, easy to do business
▸ Advanced IT nation with top internet penetration

Key facts 2015

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
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<tbody>
<tr>
<td>Population</td>
<td>9.8 million</td>
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<tr>
<td>GDP growth</td>
<td>3.9 percent</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>SEK 404,100</td>
</tr>
<tr>
<td>Inflation rate</td>
<td>0.1 percent</td>
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<tr>
<td>Currency</td>
<td>Swedish krona (SEK)</td>
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<tr>
<td>Rate of exchange</td>
<td>~€9.27</td>
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</table>

Source: Statistics Sweden 2015
**STRONG RETAIL SALES GROWTH**
The Swedish retail market has enjoyed positive annual growth for 18 consecutive years fuelled by both the steady growing population growth and rising disposable income. The 2nd quarter of 2015 was also the strongest seen to the last 16 quarters. In 2015 retail sales grew by 2.2 percent to SEK 678 billion and is expected to grow to 3.5 percent in 2016. Sales are also strongest in the largest city regions. Growth in both private consumption and retail sales is stronger in Sweden than in almost any other European country and is forecast to outperform most other countries. Swedish consumers have increased retail spending for more than a decade and retail sales account for some 40 percent of total household expenditure.

**GROWING POPULATION**
Sweden’s population is 9.8 million and the country has enjoyed steady population growth over the past 20 years, especially in urban areas, due to net immigration, increasing birth rates and lower mortality. And the trend is expected to continue. The annual population growth today is 1.1 percent, compared to the EU 27 average of just 0.3 percent. The majority of the population lives in the middle and southern parts where the largest cities – Stockholm, Gothenburg and Malmö – are situated.

**HIGHEST PURCHASING POWER IN EUROPE**
Disposable income and private consumption growth are stronger than in most other European countries. There is a large middle-class segment with high spending power and the difference between high and low-income households is low. Put simply, Swedes are wealthy and 80 percent of the population receives 75 percent of total income.

**Best Performing Economies in the World**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Sweden</td>
</tr>
<tr>
<td>2</td>
<td>Switzerland</td>
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<tr>
<td>3</td>
<td>Singapore</td>
</tr>
<tr>
<td>4</td>
<td>Netherlands</td>
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<td>5</td>
<td>Finland</td>
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<td>6</td>
<td>Denmark</td>
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<td>7</td>
<td>Australia</td>
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<td>8</td>
<td>New Zealand</td>
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<td>9</td>
<td>Germany</td>
</tr>
<tr>
<td>10</td>
<td>South Korea</td>
</tr>
</tbody>
</table>

Source: 2016

**Sweden Demography - Age Structure, 2015%**

![Age Structure Chart]

Source: SCB, 2016

**Retail Sales Per Segment, Total = SEK 678 BN**

- Daily goods: 45%
- Construction and building: 5%
- Electronics: 7%
- Clothing: 8%
- Sport: 3%
- Home furniture: 4%
- Other: 28%

Source: RetailGuiden, 2016

Swedes are recognized both for setting new trends and rapidly adopting them from abroad. They travel widely and thus expand their minds culturally.
FLORISHING SHOPPING TOURISM
With the fashionable lifestyle in the largest cities and five-star culinary adventures, Sweden is gaining the attention of travellers from around the world. A new record was set in 2014 when 57 million commercial overnights were registered, the largest increase originating from non-European countries like China, Japan and Russia. The capital Stockholm attracted most visitors with 12 million overnight stays.

The fact that tourism is the fastest growing industry in Sweden has had a significant impact on retail and shopping culture. Revenues from international visitors have more than doubled in the last five-year period, and visitor volumes have increased faster than the European average. This trend can be observed in the capital city, where luxury brands compete for the affluent traveller’s attention on Stockholm’s high streets. Shopping was the largest single expenditure for international visitors in 2014 – SEK 44 billion.

AN IDEAL TEST MARKET
Sweden is recognized both for setting new trends and rapidly adopting them from abroad. They travel widely and thus expand their minds culturally, exposing themselves to many different cultures and developing a taste for new brands and experiences, which they love to test against their own high standards. Swedes are also demanding buyers who value function and quality as much as design and branding in purchasing decisions. As consumers, these globalised and curious Swedes with urban lifestyles embrace newness, are eager to try new concepts—both setting new trends and rapidly adopting them from abroad. This national mindset has led many players to use Sweden as a testing ground for new products and services. For example, Mikael Kors, Coca-Cola, Diesel, Microsoft and Apple have all used Sweden for early commercialisation projects.

OPPORTUNITIES IN MOST RETAIL SEGMENTS
Sweden is well suited to new retail concepts and there are opportunities in most segments. The market is largely unregulated and open to international retailers. However, as the global retail industry has expanded rapidly into new markets, the Swedish and Nordic markets have been relatively untapped by international retailers. Traditionally, the country has been dominated by domestic and Scandinavian brands, but in recent years new brands have entered the market with further expansion plans. There have been a number of new openings during the last five years. Examples are Chanel, Pull & Bear, Aesop, Superdry, The Lego shop, Disney store, and Claire’s. There is also an increasing interest from premium brands like Prada, Stella McCartney, Ralph Lauren and more, in establishing themselves in the exclusive Bibliotekstan in Stockholm. In addition to that, food and beverage players are also entering the market. For example, the US coffee giant Starbucks is to expand in Stockholm and opens its second coffee shop in Stockholm. Jamie Oliver’s Italian, KFC and Dunkin Donuts are also about to enter.

STRONG GROWTH IN E-TAILING
The strong growth in e-commerce of goods continues with total sales of SEK 43 billion in 2014, an increase of 19 percent. Online sales amount to 6 percent of the total retail sales and about one third of the Swedish population makes at least one purchase online every month. Consumer electronics, clothes and books top the list. Increasingly, traditional store retailers complement store sales with online sales. The consumers shop from international sites to a greater extent, preferably fashion.
**THE WORLD’S MOST ADVANCED INTERNET USERS**
The use of social media and mobile communication is high and Sweden has the highest penetration of internet users in the world. The consumption patterns mirror both equality and individuality. Alternative lifestyles and relationship patterns are tolerated and welcomed. New movements within fashion, music or design is often communicated through media, blogs and personalities. According to the World Value Survey, Sweden is one of the most individualised and secularised countries in the world. This makes its consumers different from any other country – while at the same time staying a homogenous group.

**GOOD SUPPLY OF RETAIL SPACE**
There is a considerable supply of retail space in the Swedish market and the total retail stock amounts to approximately 18 million sq m, including shopping centres, retail parks and high street premises. Sweden has some 400 sq m GLA per 1,000 people.

Some 30 percent of the non-daily goods market occurs in shopping centres. In the Stockholm area, this figure is close to 50 percent. The retail sales in shopping centres account for more than 33 percent of total retail sales in the country.

There is a healthy nationwide supply due to major ongoing and planned expansions of shopping centres and retail parks throughout the country, as well as a number of city-centre renewal projects. Much of Sweden’s retail space is under institutional ownership and many owners specialise solely in retail property. Developers and property owners are working constantly to increase attractive retail space due to strong private consumption and growth in retail sales.

Most major Swedish cities have at least one retail park, with IKEA dominating the out-of-town market. The factory outlet centre market is immature and only a few schemes have opened, including Arlandastad Outlet Village and Freeport Designer Factory Outlet.

Some 15 new shopping centres located all over Sweden are in the pipeline stretching to 2017 and some have recently opened. One example is Mall of Scandinavia – the largest shopping centre in Scandinavia that opened in November 2015.

### Retail rents 2015

<table>
<thead>
<tr>
<th>City</th>
<th>AA Location</th>
<th>Location A</th>
<th>Location B</th>
<th>Location C</th>
<th>Location D</th>
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<tbody>
<tr>
<td>Stockholm</td>
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<td>Malmö</td>
<td>2925-4225</td>
<td>1800-2500</td>
<td>800-1517</td>
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</tbody>
</table>

Source: Naveus

### FAVOURABLE RENTAL CONDITIONS
There are no restrictions on foreign companies either buying or renting property in Sweden. It is generally believed that the Swedish lease structure is more orientated toward tenant than landlord. The tenancy security is strong and the tenant has the right to renew at the lease end. Standard lease terms are 3-5 years for shopping centres and high street units. Longer terms, usually 7-10 years, apply for retail parks and anchor tenants. They are normally constructed as a minimum base rent with a turnover element if sales exceed the base rent. Rents are annually indexed to the development of consumer prices, and the tenant has the right to renew the contract for three years.

### COMMERCIAL LEASES AND RENTS
Compared to other countries, tenants have a strong legal position and right to the rented premises. Generally, landlords bear a higher proportion of operating costs than in other countries.

Rent usually includes heating and water but not electricity or telecommunications. Rent also often includes cleaning of common areas and snow removal. Costs for renting a fashion store typically amount to 8-10 percent of sales.
OPENING HOURS
Companies are free to set their own opening hours, as long as this is not in conflict with the rental contract. It is common for the retail trade in the specific city to coordinate opening hours. Typical opening hours for high streets are 10.00-19.00 Mon-Fri, 10.00-17.00 Sat, 11.00-16.00 Sun. For shopping malls opening hours are longer, until 20.00/21.00 weekdays and 17.00-18.00 weekends. Opening hours for grocery stores hours are longer.

SALARY COSTS
The median monthly salary for a full-time sales clerk in retail is 24,300 SEK, excluding social fees. Typically, salary costs for a fashion store amount to 17-19 percent of sales. There is no statutory minimum wage in Sweden; wage issues are instead left to employers and employees and their representatives. In the retail sector the trade union stipulates in the collective agreement a minimum monthly and hourly wage depending on age and experience.

STARTING A BUSINESS – FAST AND EASY
Setting up a business in Sweden is a straightforward process. Procedures are simple and efficient, based on a transparent system that seeks to facilitate establishment of new enterprises without bureaucracy. Swedes also have excellent language skills, 85 percent of the population speaks English.

DEMAND WITHIN MANY SEGMENTS
There is a welcoming attitude in Sweden, both among consumers and property owners, to concepts that add diversity to the retail market structure. The fact that Sweden has four distinct seasons, for example, creates a demand for a wide range of products and services related to the home and leisure activities. Swedes are also characterised by a love of outdoor activities, sports and other healthy pursuits. Showing off your perfectly decorated home with a newly renovated kitchen and bathroom and invite your friends over for dinner is equally important. But simultaneously Swedes spend an increasing amount of money on eating and drinking out.

EXCELLENT LOGISTICS HUB FOR NORTHERN EUROPE
Sweden ranks top as the most trade-friendly and logistics efficient nation in the world, moving goods and connecting manufacturers and consumers with international markets. Sweden is the preferred choice when companies consolidate distribution and warehousing activities in Northern Europe to one central location. From Sweden, all major cities in Sweden, Denmark and Norway are accessible by road transport in less than 12 hours, while Estonia, Finland, Latvia, Lithuania and western Russia are accessible within 24 hours. Some ten Swedish locations are used by foreign companies for centralised distribution in Northern Europe.

Infrastructure investments have provided Sweden with an outstanding capacity to assure fast, frequent and timely deliveries. Road and rail capacity to and from Sweden is supported by several high frequency ferry connections and an extensive port network. The Swedish distribution network comprises a large number of freight-forwarding and full-service third-party logistics (3PL) providers. Driven by demands from diversified and multinational industries, Sweden's logistics sector has become one of the most capable in Europe.
SERVICES TO INTERNATIONAL COMPANIES

WE HELP YOU EXPAND YOUR BUSINESS IN SWEDEN

Business Sweden is the official Swedish trade and invest council. We facilitate foreign investment in Sweden and make it easier for Swedish companies to grow internationally.

Business Sweden supports international companies to connect with investment opportunities in Sweden – whether the interest is to gain access to the market or world-class R&D competence and innovation. We provide you with the information, guidance, solutions and network required to invest in Sweden.

EXPERIENCED STAFF

Business Sweden’s industry specialists facilitate for international companies in the process of establishing in Sweden and finding partners for collaboration or investment. Our strength lies in an experienced team of international trade and investment professionals in sectors where Sweden enjoys competitive advantages such as environmental technologies, ICT, life sciences, material technologies and transportation systems. A network of regional partners across Sweden ensures local support.

STEPS TO SUCCESS

Business Sweden has a simple process for supporting your future business with Sweden and our offer is based on your company’s specific needs. Our working process consists of a number of steps, including the following services:

▸ Market and industry insights. To build your business case and prove the value of an establishment or investment, we provide you customised information and benchmarking services on the Swedish market, business climate, industry sectors, operating costs, legal framework and more.

▸ Business opportunity identification. Based on your sector priorities, our industry specialists identify and present market and industry opportunities in Sweden. We identify key industry stakeholders, establishment strategies and next steps.

▸ Partner search and matchmaking support. We act as a link to Swedish companies and introduce you to opportunities of strategic partnerships, R&D collaborations and other types of cooperation.

▸ Establishment information. We provide you with information on how to set up and run a business in Sweden including rules and regulations, legal entities, employment matters, taxes and more.

▸ Network access. We introduce you to all necessary service providers, authorities and organisations.

▸ Location management. To help you find the right location, we co-ordinate site selection processes based on your requirements. Our regional and local network enables us to conduct site screening throughout Sweden and access detailed data.

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