



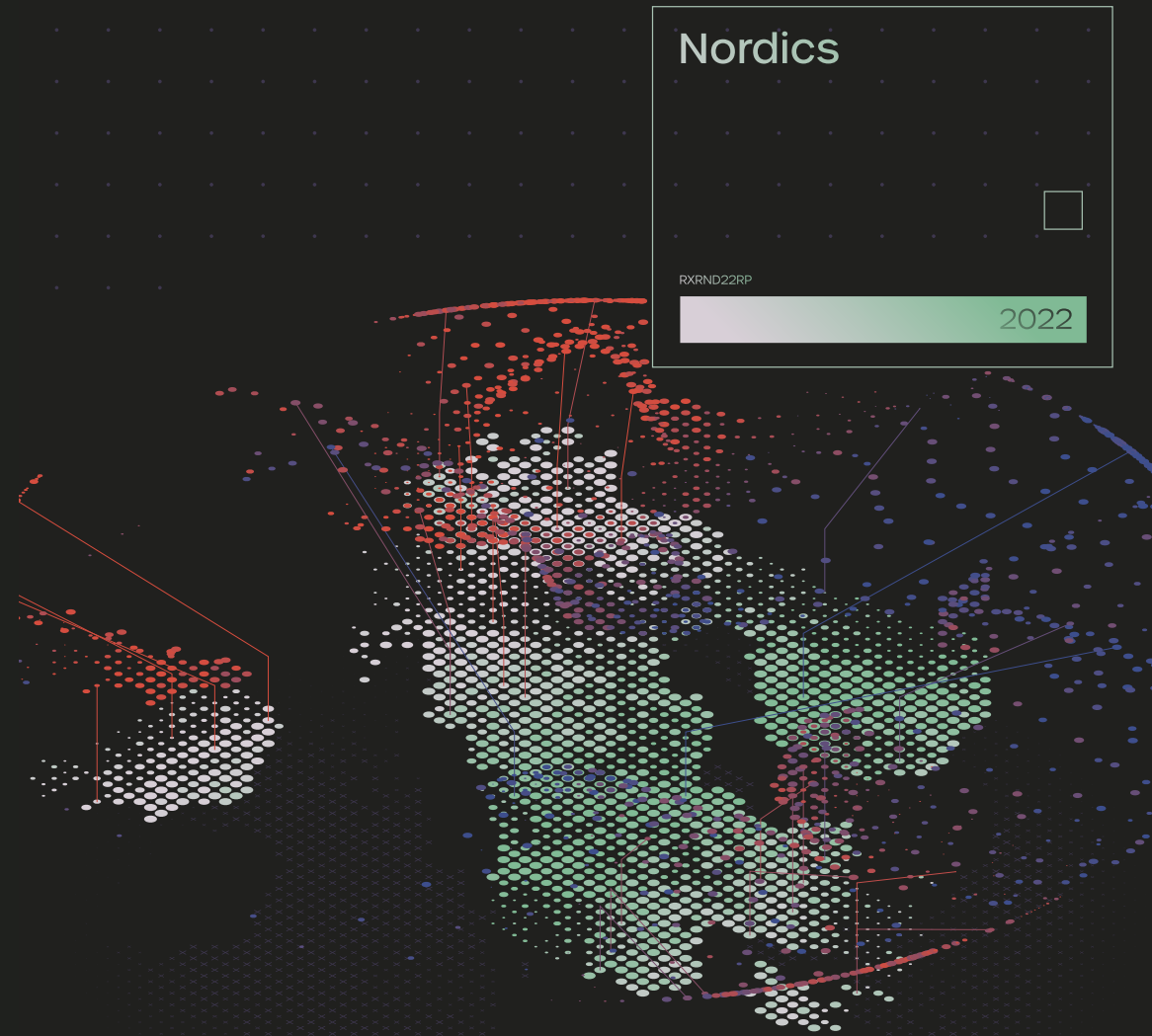
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NORDICS 2022

ECOMMERCE REGION REPORT

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Introduction



Welcome to the latest RetailX Nordics Regional Report, in which we analyse the economies of Denmark, Finland, Iceland, Norway and Sweden from an ecommerce and multichannel retail perspective.

These are countries with highly developed economies and which have embraced digital technologies. Each broadly operates under its own version of the Nordic model – a market economy where high taxes pay for high social welfare standards.

Understandably, international retailers often choose to launch into the Nordics, especially the biggest market, Sweden, which in many key respects is culturally close to Germany. Not that retailers should assume that what works in other territories will work in the Nordics. **Consumers in the Nordics have a strong bias towards home-grown companies.** Nevertheless, there are opportunities for retailers that are prepared to tailor their offerings to local markets.

When I introduced our 2021 report, I remarked on how vaccination programmes meant the threat of Covid-19 was receding. Happily, it seems that, **in Europe at least, while it may be unwise to become too confident, we appear**

to be entering a post-pandemic era. While consumers have returned to stores surprisingly quickly, ecommerce has received a lasting boost.

Less happily, there is still plenty to be concerned about and the war in Ukraine is reshaping the world. In the Nordics in particular, Finland and Sweden, worried by their near-neighbour's aggression, have applied to join NATO. Food supplies are being disrupted by the conflict. The global supply chain, which had yet to re-set itself in the wake of Covid-19, is being further disrupted. The looming threat of climate change is ever present.

Whatever comes next, good and bad, our experience of researching the Nordics suggests it is a good place to look for hints as to what the future may hold. This is primarily because **the Nordics represent a region where there is a combination of underlying wealth and a strong commitment to investment.** Taken together, these factors drive innovation.

As ever, we welcome your feedback and comments on this report. What areas have we seen clearly and where should we be looking at the market more closely?

Ian Jindal, CEO, RetailX

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Regional profile

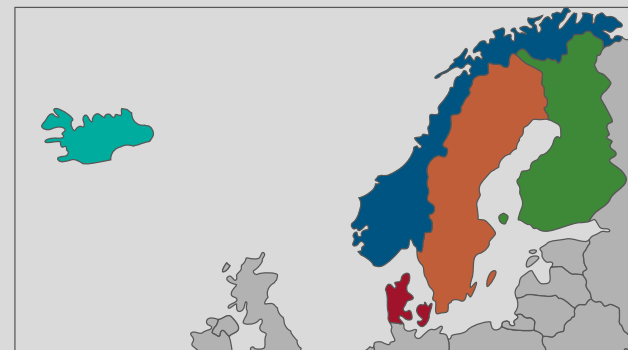
The Nordic nations are highly developed and wealthy, with their economies recovering quickly from the pandemic

The five sovereign states that make up the Nordics – Denmark, Finland, Iceland, Norway and Sweden – represent some of the most advanced economies in the world. **These are countries that are open to foreign investment, where the average income of citizens is high, and which trade high-value goods and services.** Each of the Nordic nations is a member of the European Economic Area (EEA) and/or the European Union (EU).

While the individual countries of the Nordics are not as similar as outsiders sometimes imagine, each is nevertheless organised according to the so-called ‘Nordic model’. This is characterised by high taxes and a comprehensive welfare state, but also a commitment to building a dynamic, market-based mixed economy.

Evidence of the Nordics’ success can be seen in the GDP per capita figure for the region. At \$66,235 in 2021, it is around double that for the equivalent figure of the European countries that RetailX tracks. To give further context, the equivalent figure for the countries RetailX tracks globally was \$14,413.

Nordic country profiles



Norway

Area: 385,207 km² | **Capital:** Oslo | **Currency:** Norwegian krone, NOK | **Official language:** Norwegian | **Nationality:** Norwegian
Government: Unitary parliamentary constitutional monarchy | **VAT:** 25%

Sweden

Area: 450,295 km² | **Capital:** Stockholm | **Currency:** Swedish krona, SEK | **Official language:** Swedish | **Nationality:** Swedish
Government: Unitary parliamentary constitutional monarchy | **VAT:** 25%

Finland

Area: 338,440 km² | **Capital:** Helsinki | **Currency:** euro, EUR | **Official language:** Finnish | **Nationality:** Finnish
Government: Unitary parliamentary republic | **VAT:** 24%

Denmark

Area: 42,933 km² | **Capital:** Copenhagen | **Currency:** Danish krone, DKK | **Official language:** Danish | **Nationality:** Danish
Government: Unitary parliamentary constitutional monarchy | **VAT:** 25%

Iceland

Area: 103,000 km² | **Capital:** Reykjavík | **Currency:** Icelandic krona, ISK | **Official language:** Icelandic | **Nationality:** Icelandic
Government: Unitary parliamentary republic | **VAT:** 24%

In line with the rest of the world, the Covid-19 pandemic led to a sharp contraction in GDP in the Nordics. In Finland, for example, GDP declined by 2.8% in 2020^[1]. In Sweden, the figure was -2.9%. Denmark and Norway did better, with respective figures of -2.1% and 0.7%. Iceland, a small nation heavily reliant on tourism, was an outlier here because its GDP dropped by 6.5%. To put those figures in perspective, the figure for the drop in GDP for the European Union was 6%. **In addition, the economies of the Nordics have bounced back quickly from the pandemic, an indication of their underlying strength.**

This robustness may be needed in what look likely to be economically difficult months ahead. For all the relative wealth of the Nordic countries, the cost of living crisis is an international phenomenon. **In Sweden, the strain on household finances has led the government to set aside 6bn krona (£473m) to soften the impact of soaring electricity prices for domestic consumers.**^[2]

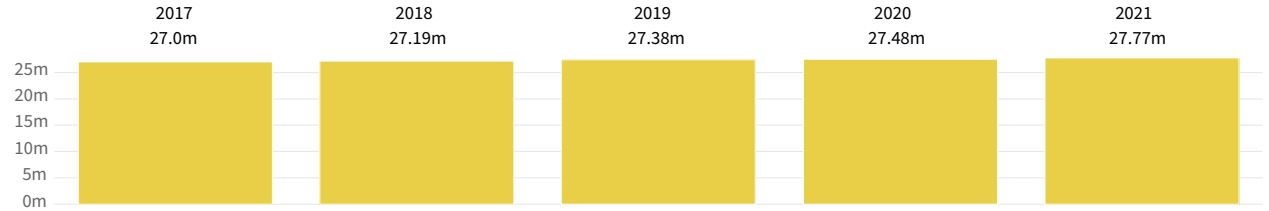
The conflict in Ukraine is another variable here, for while Denmark, Iceland and Norway were founding members of NATO, Finland and Sweden have, until now, chosen to remain outside the alliance. Since Russia's invasion of Ukraine, public opinion has swung behind NATO membership, with both countries applying to join in May.^[3]

[1] <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>

[2] www.theguardian.com/business/2022/jan/31/as-uk-households-feel-pressure-how-are-other-european-countries-tackling-energy-crisis

[3] www.realcleardefense.com/articles/2022/04/18/going_nordic_what_nato_membership_would_mean_for_finland_and_sweden_827561.html

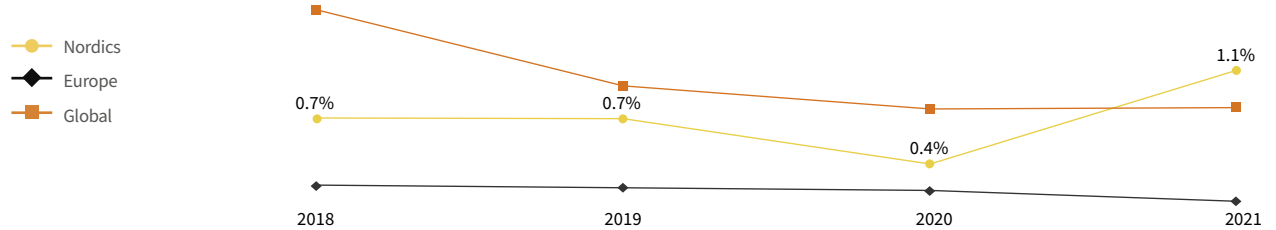
Population structure



Source: RetailX, drawing on data from the International Monetary Fund

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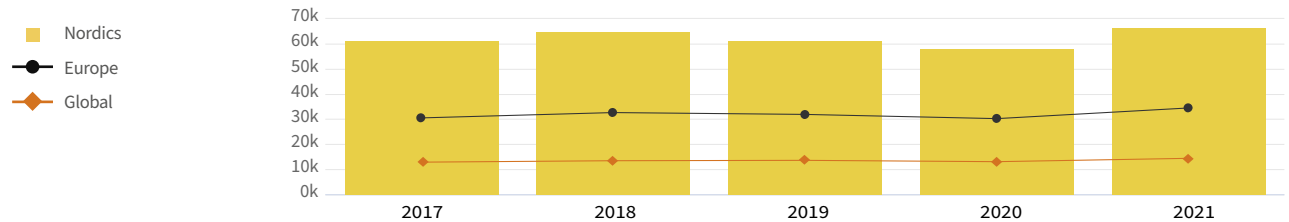
Population Growth



Source: RetailX, drawing on data from the International Monetary Fund

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GDP per capita (USD)



Source: RetailX, drawing on data from the International Monetary Fund

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Market context

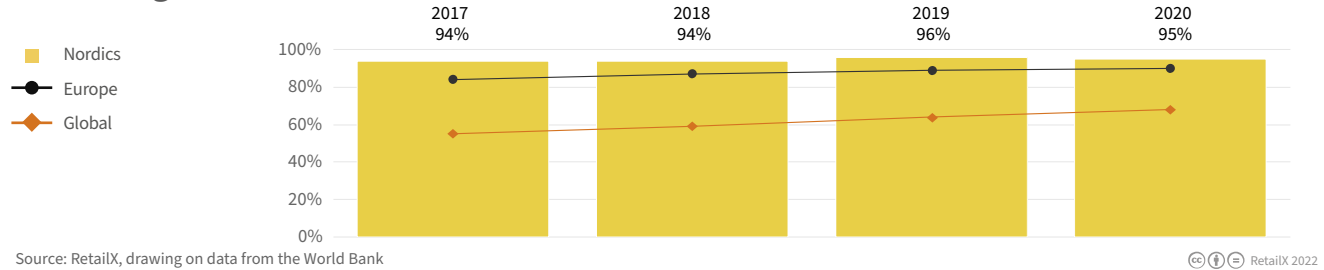
High internet usage combined with the potential for ecommerce growth make the Nordics a good prospect for retailers

To make an observation that we will return to more than once in this report, the five countries that make up the Nordics represent some of the most highly developed economies in the world. **The take-up of digital services reflects this: 95% of citizens in the Nordics use the internet**, when, for the European countries that RetailX researches, the equivalent figure is 90%. This in turn drops to 68% for the countries RetailX tracks across the globe.

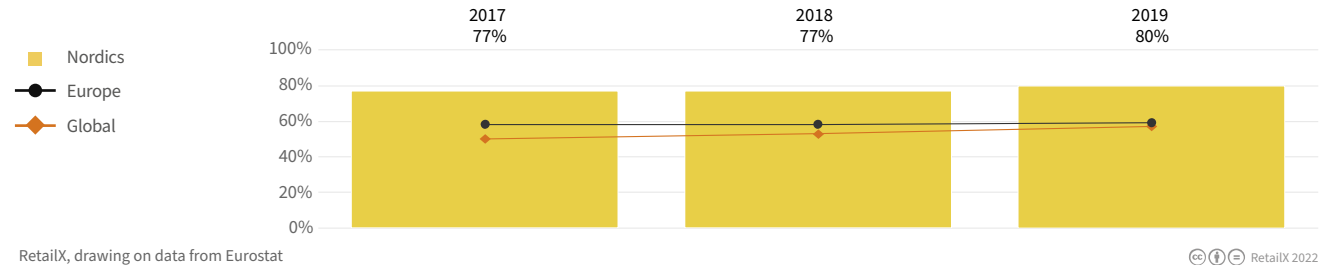
In the Nordics, the basics of a digital infrastructure – broadband to the home and high-speed mobile – have long been in place, even in many remote regions. Partly as a result, the rate of ecommerce adoption is also high in global terms. By 2019, it had reached 80% of internet users. This figure will now be even higher in the wake of the Covid-19 pandemic, which drove many to try ecommerce for the first time. The equivalent European and global figures are, respectively, 59% and 57%.

Research suggests ecommerce revenues will climb steadily in the 2020s, from €25.5bn in 2020 to €30.7bn in 2025 (see chart overleaf). Yet once you factor in

Percentage of internet users



Percentage of internet users who shop online



the effect of the pandemic, the latter figure may be conservative. While the fashion sector will drive these increases, other parts of the market, notably retailers of electronics & media, along with toys, hobby & DIY, will also be likely to perform strongly.

For retailers considering launching into the Nordics, the relative size of the markets is a key consideration. Sweden is by far the largest ecommerce market, for all

that its consumers are often conservative in their use of ecommerce. **One way to think about Sweden is to look at similarities with the German market.** Swedish consumers may be thrifty and cautious but if retailers and brands can successfully tailor their offering, opportunities to sell to Sweden’s 10m population are plenty.^[1]

Other factors to consider when deciding whether to into the Nordics are their choices over membership of the

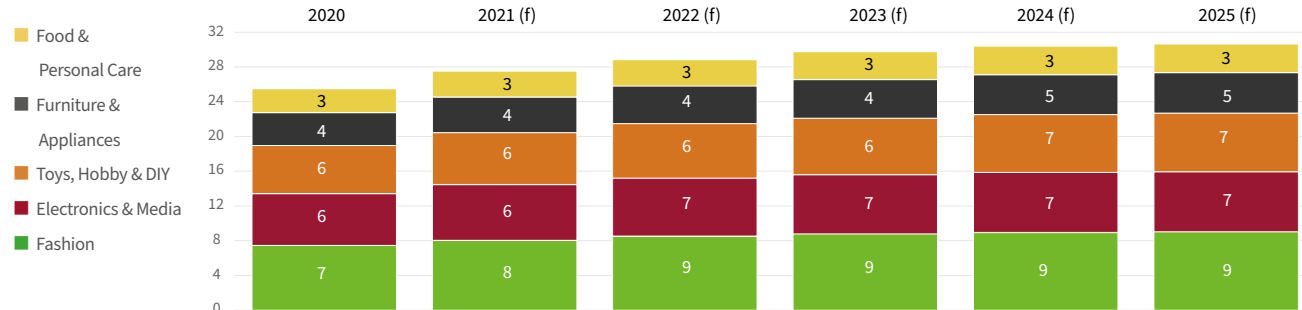
European Union and their use of the euro. Norway, for example, uses the Norwegian krone and is part of the European Economic Area but not its Customs Union. Finland is a member of the EU and it has adopted the euro. **While none of these arrangements make selling into the Nordics especially difficult, it is important to think through the practicalities of trading in each country.**

Finally here, it is worth noting that development in the digital market is, of course, not just a matter of business-to-consumer ecommerce. **Factors such as the development of B2B marketplaces, e-government and the digital skillsets of workforces are important indicators of how countries will develop in the years ahead.**

There is evidence that countries in the Nordics will continue to lead the way for years to come. In particular, **research for the European Commission’s Digital Economy and Society Index 2021 ranks Denmark, Finland and Sweden as the three EU states that have made the biggest progress** “in digital competitiveness in the areas of human capital, broadband connectivity, the integration of digital technologies by businesses and digital public services”.^[2] In short, the Nordic nations have first-mover advantage and offer stable markets in which to do business.

[1] <https://worldpopulationreview.com/country-rankings/nordic-countries>
 [2] https://ec.europa.eu/commission/presscorner/detail/en/ip_21_5481

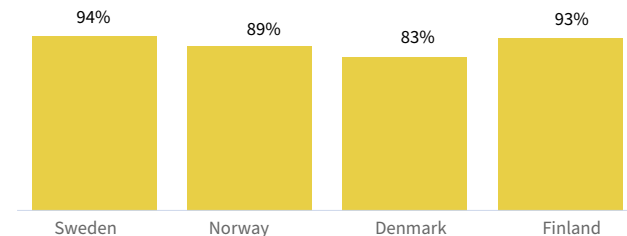
Ecommerce revenue forecast in Nordic countries, 2020–2025 (in billion EUR)



Note: Research conducted in 2020
 Data includes the following Nordic countries: Denmark, Finland, Norway and Sweden
 Original research in US\$, conversion applied according to 31 December 2020 prices
 Source: Statista Digital Market Outlook. Accessed via ecommerceDB

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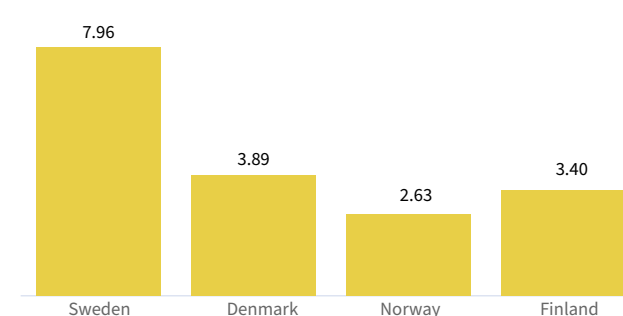
Share of the Nordic consumers who purchased goods online in 2020, by country



Note: Survey conducted in Q2 of 2020. Results gathered from 1,000 respondents aged 18–79 in each country (Denmark, Finland, Norway, Sweden) who purchased goods online in the previous 12 months
 Source: Nepa. Accessed via Statista

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Value of ecommerce turnover in Nordic countries in 2020, by country (in billion euros)



Source: Kantar Sifo, HUI Research, PostNord. Accessed via Statista

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Expert insight

Ludvig Lindh



Ludvig is focused on business development in the Nordics region for ACI, helping merchants find the right payment strategy that delivers improved conversion and reduced costs

How have the expectations of the Nordics customer now changed and how are retailers and brands adapting to meet those expectations? What practical advice can you offer to new and existing traders?

The shopper experience is what drives success in all forms of retail and an easy, frictionless payment is a key part of the customer journey. Convenience and ease are the most important factors among consumers, more than price. Logistics is still a key factor and people expect quick and flexible delivery options, along with easy ways to return goods. The most competitive merchants who see most success are the ones adding logistic partners and delivery options, sometimes as many as five or six different ways, in order to cater for customer demands.

What challenges, both existing and new, do you see coming up for ecommerce and multichannel retailers and brands in the year ahead? How should retailers and direct-selling brands approach them?

Again, the customer experience needs to be at the centre of any merchant's focus. Making it easy to return goods is a key part of this. Currently, we are seeing a trend to offer a no-cost returns policy. At face value, this looks like a good deal for the consumer but at the same time, it is causing logistics costs to skyrocket for many merchants. In some cases, the free returns services is being abused by some consumers, causing the cost of logistics to rise even further.

Regarding consumer behaviour and preferences across the region, the Nordics is a harmonised market with similar behaviours across the different countries. One difference that does stand out – and should be considered when building customer journeys – is the fact that consumers in Finland, much like those in Poland, prefer to pick up their goods at a 'collection point', whereas shoppers in the other Nordic countries prefer to have their goods delivered to their residence.

What are the opportunities that these businesses should be making the most of and how can both leading and growing retailers best tackle these?

Since consumers value convenience and ease, the focus for merchants needs to be on the checkout experience being fast, simple and seamless. And of course, they need to offer the payment options that their consumers want to use. The shift to the implementation and usage of alternative payment methods is ushering in a much simpler payment experience when compared to traditional cards.

Focusing on payment orchestration – that is, managing the entire payment process from checkout, acceptance, authorisation, transaction routing, right through to settlement – is a way for merchants to get the edge against the competition. Even a 0.1% increase in conversion can make a big difference.

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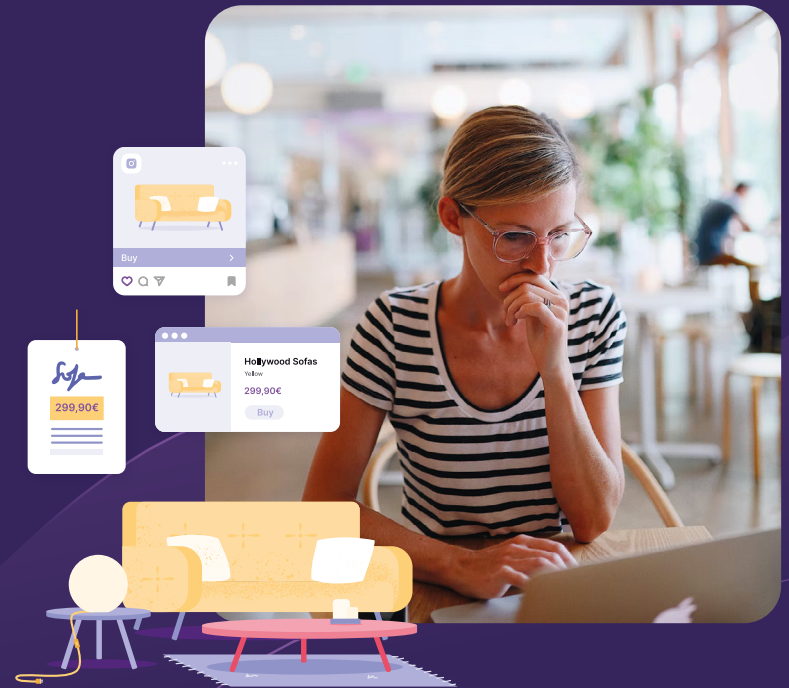
Brandy Melville

PROOVE

Finlayson

flying tiger
copenhagen

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Expert insight

Tanguy Meriadec



Akeneo's VP EMEA Sales explains the role of a PIM solution in replatforming

A keystone for commerce

Hindsight is a great teacher. If we look back at the last couple of years, we have learned how important it was for brands and retailers to have been ready for the huge pivot they were forced to make because of Covid. Those businesses are now dealing with everything from supply chain issues to getting onto new the channels their customers are using. For some, their legacy ecommerce platforms just weren't ready to keep up with these changes. As a result, we at Akeneo have seen huge interest in the Nordic market in moving to new commerce technology architectures that bring agility and flexibility to those brands and retailers.

A composable commerce architecture, including headless commerce, is a path that promises to bring that agility and flexibility to commerce businesses. These solutions take a modular, best-of-breed approach to commerce technology. By decoupling and then orchestrating front-facing capabilities and experiences from back-office

business applications and integrations, brands and retailers can implement new features across all their owned and unowned channels within a matter of weeks, while supporting new shopping experiences, all upgrading the entire back-end infrastructure (hence 'headless'). Composable commerce promises to bring greater control back to those businesses for the experiences they provide.

Is composable commerce only for mature businesses?

Composable and headless commerce sounds really promising, right? We agree. But these new approaches can be mystifying to many in both business and IT roles. So much so that Forrester found that 84% of firms are at a beginner or intermediate level of digital maturity. Many modern composable commerce solutions are only suitable for the most digitally advanced clients, yet delaying also carries risks. So what should be tackled first to smooth the migration to composable commerce architecture?

The first step to take

A first step to take before or when starting to replatform to a composable commerce architecture is to get the underlying product data and content in order and ready for migration. That's where a PIM solution comes into play. Why is that? Firstly, everything that constitutes product information is a critical foundation to how you deliver product experiences, irrespective of the architecture used or the channel it appears on. The first touchpoint we typically have with a brand or retailer is through the

product experience we have with them, and getting the product information right will determine success.

Secondly, a headless, composable commerce architecture by its nature is made up of individual, best-of-breed applications, each handling an aspect of the shopping experience. Product data and content flows through and is processed by those applications, all of which are orchestrated via standardised APIs. Therefore, the product information needs to be well-structured, consistent, complete, accurate (and compelling), in order to be handled reliably across those applications.

Hopefully, you will now understand why we think PIM is key to implementing composable commerce architecture.



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Expert insight

Ijaz Bhattee



Amplience Director for Northern Europe, Ijaz Bhattee works with leading retail brands in the region to help them deliver digital experiences without limits

Expectations are changing

Nordic consumers are looking for a better experience. Used to shopping through major international ecommerce sites, they have high expectations for user experience, quality of choice and well-targeted offers and product sets.

Nordic retailers need to consider providing a more personalised service, with the same kind of experiences offered by the big international sites. But as local suppliers, they have the advantage of being able to offer further benefits. They can offer something more personalised that competes with international retailers by exceeding expectations with their local knowledge, insightful data and flexible delivery options.

The challenges ahead

Since hyper-personalisation is one of the most important ways retailers can compete today, what's stopping them from doing it?

Hyper-personalisation is the ability to produce, deliver and automate hyper-personalised content to the consumer, wherever they are, whatever the device is and regardless of the language the customer is speaking. Delivering such a tailored experience is one of the biggest challenges for retailers, a challenge that can be broken down into two main steps:

- Capturing accurate consumer data to use for hyper-personalisation
- Knowing how to use that data to deliver relevant ecommerce experiences

Ecommerce retailers need a flexible environment that enables them to pull in data from the right sources, along with a dynamic platform that can use that data to compose the right experience for a customer based on their current circumstances.

What we've found with Nordics consumers is that they're generally quite conservative in the way they spend. They typically prefer to spend money they have rather than relying on the credit cards that are commonly used in places such as the UK.

Therefore, growth opportunities may be lacking if you only look locally, since once you start looking across Europe, you will find customers more ready to buy things on credit and, potentially, spend that little bit more.

Why brands need to adapt now

For the last four or five years, we've seen a period of continuous, fast change. Since customer expectations are increasing, retailers must constantly adapt and refresh their digital experiences. This cycle of always producing something more engaging and interesting in order to grab the attention of shoppers is getting harder and harder.

We're finding that those companies who don't repeatedly adjust their approach are shrinking in terms of market share and growth. By comparison, those that adapt quickly typically get ahead of the curve, with higher customer satisfaction and a better chance of increasing revenue.

If you look at which brands are doing well and which aren't, the former are those who are adapting to change faster and delivering that hyper-personalised approach.



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Expert insight

Seb Reeve



Nuance Communications' Intelligent Engagement expert, Seb Reeve explains how data will underpin a transformed retail experience in the Nordics

As we look back on the Covid-19 lockdowns, we start to see how significant their impact has been. What started with an overnight shift towards digital sales and marketing has led to an evolution in ecommerce. What does this mean? Nordic buyers, like others globally, are increasingly leaning towards digital customer experiences, yet they also want to benefit from the same levels of personalisation and best-in-class customer services they find in-store. It's this personalisation that can make the difference between continued customer loyalty and churn.

The rise of hyper-personalisation

Hyper-personalisation goes way beyond saying, "We know you bought this t-shirt, so we think you'll like this jumper." It uses contextual data to anticipate customer needs and enable timely – and time-saving – interactions that can drive sales as well as create loyal customers. When your

customer returns to your online store and starts a chat, your virtual assistant can say, "Hi Peter, do you like the shirt you bought? Let me know if you need to exchange it." This matters when just a 5% increase in customer retention produces more than a 25% increase in profit.

The power of context

By having an understanding of a customer's history that goes beyond purchases, a retailer can activate an extra layer of personalisation. Managing the entire customer journey across different channels – and understanding it from pre-sale through to post-sale and beyond – is vital to providing a better all-round retail experience.

A lot of this can be handled by offering self-service options. Another option is adding a fully connected contact centre when human interaction is needed. For instance, when a customer opens a live chat window, or calls your customer service line, they expect your employees to have access to information about previous purchases and conversations. Yet this requires integrations that many organisations lack.

By being agile and offering multichannel experiences, both new and existing retailers can address such challenges. For instance, in the cloud, it's much easier to give your employees access to all the context they need in order for them to quickly offer targeted support. Cloud-based contact centres can link up to your CRM, billing tools, sales database and any other systems that hold useful data.

Addressing the growing fraud threat

While the shift to digital has resulted in many customer benefits, there are of course risks here. During the pandemic, ecommerce fraud surged. As a result, customers now place an even higher value on trust. But until recently, the friction introduced by security checks into shopping journeys was an issue for retailers.

Yet as we get deeper into 2022, the strongest methods of customer authentication and fraud prevention can now be applied in friction-free ways. By layering advanced biometrics with other risk factors, a retailer can identify a trusted customer – or a known fraudster – in the background of an interaction with an agent, through the voice channel or virtual assistant. Since biometrics-based authentication can also remove the need for passwords and security questions, handle times are being cut.



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Expert insight

Lindsay McEwan



Privacy, personalisation and preparing for the future. Tealium's RVP and GM EMEA, Lindsay McEwan, explains how brands should approach selling in the region

More than 27m people live in five countries that make up the Nordic region. While the overarching idea of the Nordic model, a combination of a market economy, high taxes and comprehensive social benefits, suggests these countries have much in common, retailers nevertheless need to be aware of the subtle differences between these nations.

To take just one example, think about the way brands serve their customers in Sweden and Denmark. If you are selling in Sweden, for example, you have bigger transport challenges than in Denmark, just based on the fact Sweden is a bigger country, with large rural areas, including territory that lies within the Arctic Circle. So when customers order things online in Sweden, it might take brands longer to get the goods to where they need to be.

Then there is the fact that consumers in Denmark spend more time online via mobile devices – time you can think

of as equating to potential ecommerce purchase time – than in neighbouring Sweden.

Managing risk

Having said that, there are two major themes that cut across all five Nordic nations. Firstly, managing risk is becoming a big issue in boardrooms. The pandemic proved how quickly geopolitical events can impact business. The conflict in Ukraine has only underlined this lesson.

This has made brands look anew at ideas around being prepared for the unexpected – not just in an abstract way but in terms of, for example, looking at the robustness of logistics and supply chains. There is an opportunity to do this while thinking about sustainability issues, which brands need to do anyway, because sustainability is important to Nordic consumers.

Privacy and personalisation

Secondly, with ongoing changes in legislation surrounding data privacy and attitudes towards privacy, Nordic brands are looking closely at this area. This work has taken on a new urgency. In June 2021, Google announced it would phase out third-party cookies in 2023.

Companies should see this as a massive opportunity to take control of their own data collection. We could be talking, for instance, about customer IDs where people have opted in to services, or locational data from apps.

You can use this data to the benefit of your brand. The better job you do, the better you can serve your customers and their needs. In turn, this kind of personalisation will therefore give you a competitive advantage. However, you need to be careful. Like German consumers, Nordic consumers take the security of their personal data very seriously. They want the advantages of personalisation – such as fast checkout, great offers and location-specific product recommendations – but they want to be sure brands treat data security seriously.

We don't live in a data wild west anymore and leading brands in the Nordics are leading the way when it comes to adjusting to this new reality.



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Benchmarking the Nordics

Nordic nations perform strongly in indices that measure countries' digital, economic and social performance

Nordic countries score highly in the indices used to measure digital sophistication. Sweden is top of the Overall Internet Inclusive Index.^[1] Compiled by The Economist Intelligence Unit, this, “seeks to measure the extent to which the internet is not only accessible and affordable, but also relevant to all”. Denmark is ninth in this index, while Finland is 18th. In great part, this performance – Iceland and Norway were not among the 120 countries assessed for this index – is **a reflection of the Scandinavian model, in part the idea that all members of society should be able to share in success.**

For the same kinds of reasons, **the five Nordic countries all feature in the upper reaches of the E-Government Development Index,**^[2] “which incorporates the access characteristics, such as the infrastructure and educational levels, to reflect how a country is using information technologies to promote access and inclusion of its

	LOGISTICS PERFORMANCE INDEX, 2018 (OUT OF 160)	EASE OF DOING BUSINESS, 2020 (OUT OF 190)	E-GOVERNMENT DEVELOPMENT INDEX, 2020 (OUT OF 193)	INTEGRATED INDEX FOR POSTAL DEVELOPMENT (2IPD), 2021 (OUT OF 170)	INTERNET INCLUSIVE INDEX, 2021 (OUT OF 120)				OVERALL INTERNET INCLUSIVE INDEX (OUT OF 120)
					AVAILABILITY (OUT OF 120)	AFFORDABILITY (OUT OF 120)	RELEVANCE (OUT OF 120)	READINESS (OUT OF 120)	
NORDICS									
DENMARK	8	4	1	45	5	24	6	28	9
FINLAND	10	20	4	34	26	18	24	27	18
ICELAND	40	26	12	83					
NORWAY	21	9	13	51					
SWEDEN	2	10	6	26	6	7	10	4	1

KEY: ■ Top quartile ■ Second quartile ■ Third quartile ■ Fourth quartile

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people”. The index represents “**a composite measure of three important dimensions of e-government, namely: provision of online services, telecommunication connectivity and human capacity**”. Denmark leads the way here globally, while Finland and Sweden feature in the top 10 of the index, Iceland and Norway the top 20.

At first glance, there would seem to be some contradictions when comparing Nordic nations’ performance in the Logistics Performance Index (LPI)^[3] and the Integrated Index for Postal Development (2IPD).^[4] This can be explained by the purpose of each index. Where the LPI is concerned with trade logistics, the 2IPD focuses on postal development. It seems likely those Nordic countries in the second quartile of this list – Denmark, Iceland and Norway – each has its own challenges here. **Denmark and Norway**

both have extensive rural and sparsely populated areas. So does Iceland, which is of course located in the middle of the North Atlantic.

Finally, a note about the status of the Ease of Doing Business Index.^[5] This report was discontinued in September 2021 following an independent audit of data irregularities. We have included it here, if only as a way to illustrate how the economies of the Nordic nations are open to the world. **The World Bank is currently developing a new Business Enabling Environment (BEE) project** that will “measure the business enabling environment in economies worldwide”.

[1] <https://theinclusiveinternet.eiu.com>
 [2] <https://publicadministration.un.org/egovkb/en-us/About/Overview/-/E-Government-Development-Index>
 [3] <https://lpi.worldbank.org>
 [4] www.upu.int/en/Universal-Postal-Union/Activities/Research-Publications/Integrated-Index-for-Postal-Development#postal-development-report-2021-
 [5] www.doingbusiness.org/en/doingbusiness

The Nordic consumer

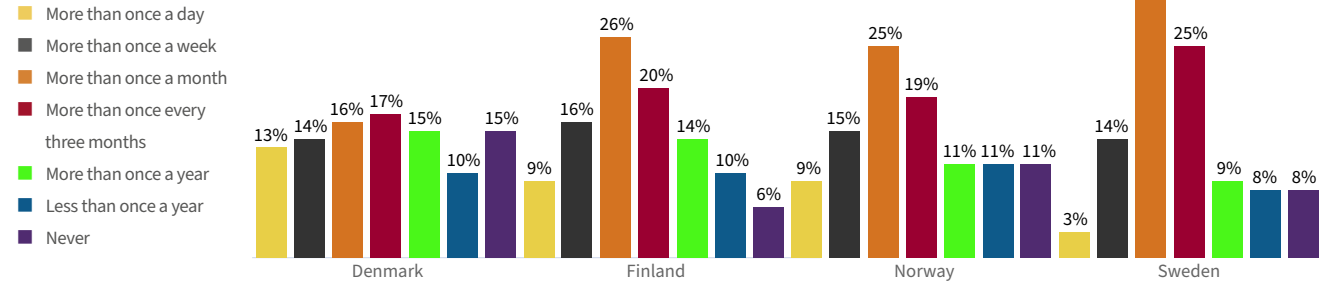
We analyse the results of RetailX research that tracks consumer behaviour and shopping patterns

Using the internet is part of day-to-day life in the Nordics. Some 95% of the population is online and around four out of five consumers uses ecommerce. These are nations where citizens have a high degree of digital sophistication.

Nevertheless, as RetailX consumer research from November 2021 demonstrates, there are differences in people's attitudes to ecommerce across the Nordics. For example, **in Denmark, 13% of respondents say they shop online more than once a day. Yet the equivalent figure for Finland and Norway is 9% and in Sweden, the same figure is just 3%.** This can perhaps be partly explained by Denmark being a country where so many live in greater Copenhagen, where companies can build services at scale around customers. Danish consumers' fondness for mobile devices may also affect these rates.

More generally, many Swedish consumers seem to be relatively conservative in their use of ecommerce: **32% of respondents in Sweden say they shop online more than once a month** while in Denmark, the equivalent figure is 16%. It's worth emphasising that this doesn't

How often do you shop online?

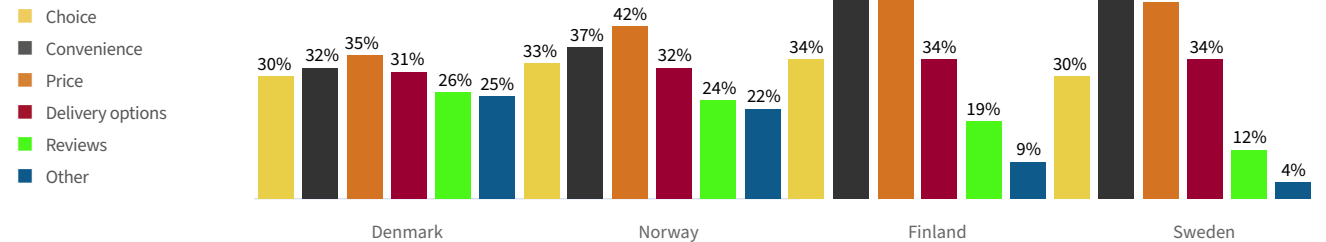


Note: Survey conducted in November 2021
Results include 1,700 respondents aged 16+ from the Nordic countries: Denmark (400 respondents), Finland (400 respondents), Norway (400 respondents) and Sweden (500 respondents)

Source: RetailX

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Why do you shop online?



Note: Survey conducted in November 2021
Results include 1,530 respondents aged 16+ (90% of total respondents) from the Nordic countries who said they shop online: Denmark (339 respondents), Finland (375 respondents), Norway (358 respondents) and Sweden (458 respondents)
Respondents could select multiple answers

Source: RetailX

© RetailX 2022

make Swedish consumers digital laggards. They're fully aware of the advantages of ecommerce: **60% of the 90% of respondents who shop online say they do so because it's convenient, while 48% cite price as a factor.**

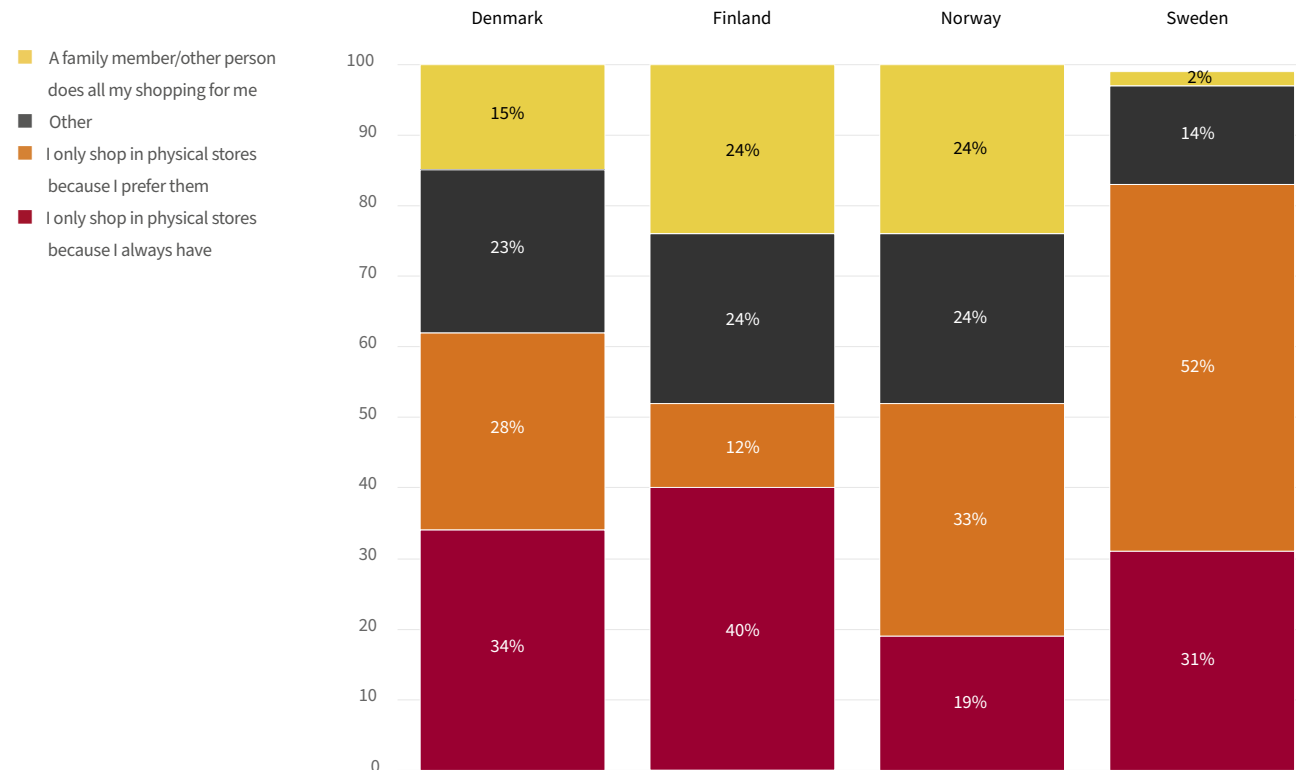
One way to think about these figures is to overlay them against RetailX research into why consumers choose not to shop online. **In Sweden, 52% of those who do not shop online say it is because they prefer shopping in physical stores.** The equivalent figures in Norway, Denmark and Denmark are 33%, 28% and 12%. Again, some Swedes behave more conservatively than their near-neighbours.

We wondered whether rural Swedes, some of whom live in the Arctic Circle, particularly value the personal contact of a store visit. But more subtle cultural factors are likely at play because **roughly as many Danes (11.9%) live in rural areas as Swedes (12%),** while more Finns (14.5%) and Norwegians (17%) live in rural areas than in either of their neighbouring countries.^[1]

Finally, a reminder that developments in cross-channel retail are rarely straightforward to track. In Sweden, the Lifvs chain has been opening stores in remote rural areas since 2018. These are unstaffed mini-supermarkets, each around the size of a mobile home that customers gain access to, and pay for products, via an app.^[2]

[1] <https://data.worldbank.org/indicator/SP.RUR.TOTL.ZS>
 [2] www.bbc.co.uk/news/business-56237988

Why do you not shop online?



Note: Survey conducted in November 2021
 Results include 170 respondents aged 16+ (10% of total respondents) from the Nordic countries who said they never shop online: Denmark (61 respondents), Finland (25 respondents), Norway (42 respondents) and Sweden (42 respondents)

Source: PostNord, Nepa. Accessed via Statista

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Contented consumers and the Nordic model

People in the Nordic nations rank highly in international studies of well-being. What does such satisfaction mean for those selling in the region?

The Nordic region offers a fascinating prism through which to view some of the deeper trends that will shape retail and ecommerce in the years ahead. In part, that's simply because **the Nordics represent sophisticated developed markets where digital technologies have become intrinsic to everyday life**. As elsewhere in the developed world, winning market share in the Nordics is most often a case of making incremental gains.

It's important to recognise this is not the same as saying these are countries that have accepted what we might call the 'Silicon Valley view of ecommerce', one driven by the underlying idea of using digital technologies to disrupt markets and then reshape them. Instead, these are countries where the tradition of the so-called Nordic model – in the broadest terms, a highly taxed market economy with a strong emphasis on individual rights,

work-life balance and a strong welfare provision to protect citizens – still exerts a powerful influence, both culturally and economically.

Looking beyond the economic success of the Nordics, it's an approach that appears to work. In the latest *World Happiness Report*^[1], which measures countries based on “three main well-being indicators: life evaluations, positive emotions, and negative emotions”, **Finland (leading the index for the fifth year running), Denmark and Iceland are judged to be the happiest places in the world to live**. Sweden and Norway are, respectively, placed seventh and eighth in the index.

What does this mean for those doing business in the region? One way to think about this is to start from the idea that **here is research quantifying the idea that people in the Nordics have a high degree of societal trust**. Or, to look at that from another angle, here is research that reveals the statistics behind *hygge*^[2] a word used in Denmark and Norway to convey a warm mood of contented coziness and comfortable conviviality, and which has also become much-beloved of marketers.

Combine this cultural underpinning with the Nordics being rich by international standards, and a challenge for retailers launching in the region is to reach comparatively



Well-run, well-maintained and eco-conscious cities such as Copenhagen come with the price of high taxes, yet the Nordic nations value well-being over wealth

wealthy customers who are less likely have to strictly budget than those in other countries. It is of course possible to overstate the importance of the Nordic model and be seduced by the Nordic nations' own efforts to show their best faces to the world, but **there's an underlying sense that building trust and showing you share consumers' core values are especially important in the region.**

To illustrate what we mean here, think of the Nordic emphasis on sustainability. **Nordic consumers are more likely than those in other regions to purchase products that are made and delivered in a sustainable way.**^[3] In Sweden, for example, 36% of consumers would like the opportunity to choose a low-impact delivery method, while 41% say that having packaging optimised for the size of the product is very important to them. Ally this to the idea of consumers having the buying power to pay extra because of ethical considerations, and it becomes clear how the region's culture is shaping its ecommerce sector.

There's a rich irony here in that a Nordic emphasis on slow living and ethical considerations has, arguably, helped to catapult the region into the future, giving a glimpse of what happens to consumer behaviour when economies reach the level of sophistication to which other regions aspire.

This is not to idealise the Nordic countries. The last decade has brought a slew of reports that suggest strains on the

Nordic model. In 2018, *In The Shadow Of Happiness*,^[4] a report co-authored by Copenhagen's Happiness Research Institute and commissioned by the Nordic Council of Ministers, offered, "a more nuanced picture" of well-being in the region. **One of the report's key findings was that 12.3% of the population was "struggling or suffering".** That figure rose to 13.5% among 18-23-year-olds.

This reflects a pattern of young people around the world reporting high stress levels and loneliness. The report noted that Danes, for example, worry about a culture of perfectionism, which you might see as a flip side of the Nordic model.

There is also evidence that Nordic societies have sometimes struggled to integrate newcomers, reflected in Denmark's so-called "ghetto list". One of the criteria for socially disadvantaged neighbourhoods being put on this list is that more than half of the population are first or second-generation migrants.

The government has instituted a policy-cum-social experiment of rehousing people from these estates and preventing "non-westerners" moving in. The rationale for this is that it will stop "parallel societies" developing, yet many international media outlets recently accused Denmark of enforcing racist policies when social housing denied to immigrants from majority black countries was made available to Ukrainians fleeing the war.^[5]

Against such a backdrop, and especially at a time of acute geopolitical tensions that have driven Finland and Sweden towards seeking NATO membership^[6], it seems reasonable at least to question whether the Nordic model will endure. **Much, you would guess, will depend on whether citizens consider the price of the Nordic model – high taxes and, more subtly, an underlying worry that high levels of societal trust may rest in part on a stifling conformity – is worth paying.** For now at least, there is little sign they don't.

[1] <https://happiness-report.s3.amazonaws.com/2022/WHR+22.pdf>

[2] www.visitdenmark.com/denmark/highlights/hygge/what-hygge

[3] <https://internetretailing.net/sustainablecommerce/sustainability-report-2021>

[4] <http://norden.diva-portal.org/smash/get/diva2:1236906/FULLTEXT02.pdf>

[5] www.theguardian.com/world/2022/may/02/denmark-accused-racism-anti-ghetto-law-ukraine-refugees

[6] www.theguardian.com/world/2022/may/15/finland-formally-confirms-intention-to-join-nato-russia



Sharing Nordic customers' core values seems a must for retailers selling to this region

Product categories

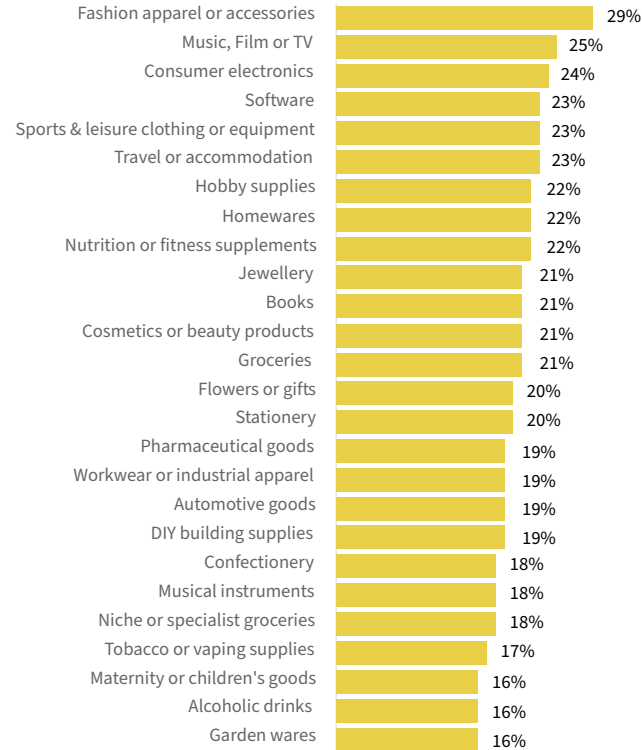
While some broader buying patterns exist across the entire Nordic region, each country has its own set of preferences

The Nordic countries represent sophisticated digital markets. It follows that any brand or retailer launching into the Nordics is unlikely to have a business proposition that revolutionises an under-developed sector. **Instead, brands and retailers will likely be looking for opportunities to become trusted among the Nordics' relatively wealthy consumers** before beginning the patient work of making incremental gains in order to win market share.

In order to do this, it helps to understand which goods consumers are most likely to buy online. Before looking at RetailX's own research here, it's worth noting that a January report from PostNord and DirectLink, *E-commerce in Europe*,^[1] reveals that **consumers in the Nordics broadly follow the same kinds of purchasing patterns when it comes to which kinds of goods they buy online.** Clothing and footwear, home electronic, cosmetics and skin care and pharmacy products all feature. (The report does not look at Iceland.)

The idea of identifying broad trends across the Nordics, while important, should not be a basis for strategic

What do you shop for online? (Denmark)

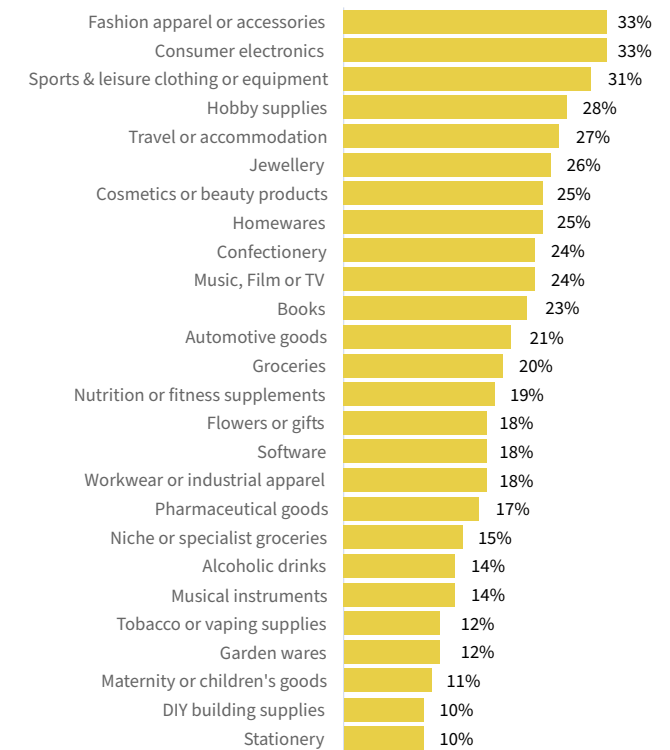


Note: Survey conducted in November 2021
Data obtained from 339 Danish respondents aged 16+ (84.8% of total Danish respondents) who said they shop online
Respondents could select multiple answers

Source: RetailX

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What do you shop for online? (Finland)



Note: Survey conducted in November 2021
Data obtained from 375 Finnish respondents aged 16+ (93.8% of total Finnish respondents) who said they shop online
Respondents could select multiple answers

Source: RetailX

© RetailX 2022

decisions, especially when looking for incremental gains. Small differences in consumer behaviour, when scaled up across an entire country, matter.

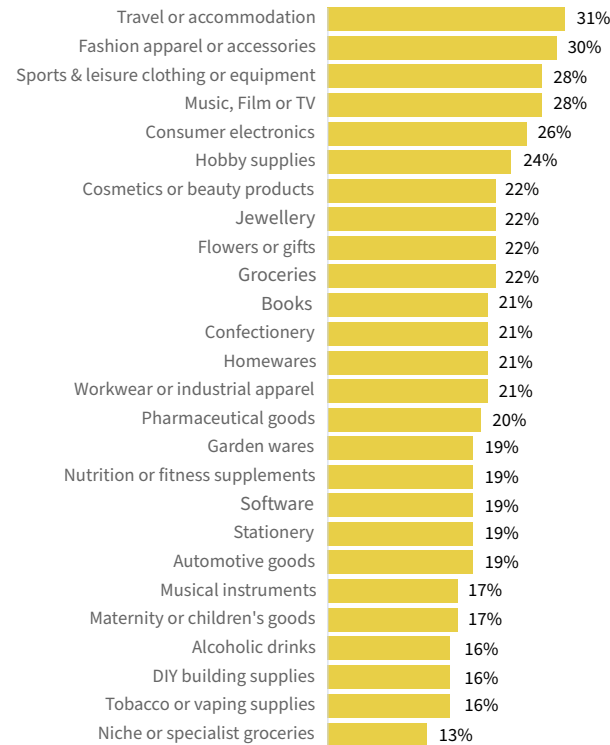
In this context, the consumer research conducted by RetailX in November 2021 is revealing in showing these small differences – as well as similarities – in detail. **In Denmark, the most popular product category is fashion apparel or accessories, with 29% of respondents saying they buy such products.** The same is true in Finland (33%) and, excluding travel and accommodation, Norway (30%). In Sweden, the most popular product category is pharmaceutical goods (51%), although buying fashion apparel or accessories is also popular (50%). Buying consumer electronics online is popular across the Nordics.

In other categories, there are wider differences in behaviour. In Denmark, 19% of consumers buy DIY building supplies online. Yet in Finland, the equivalent figure is 10%.

Next year, it will be intriguing to compare the 2021 and 2022 surveys. **Sustainability issues and price increases are leading fashion retailers across Europe to consider charging for returns,** as Zara has done in the UK.^[2] Will buying fashion online be so attractive to consumers used to ‘buying’ the same item in three sizes or colours and then returning the goods they don’t want at no extra cost?

[1] www.directlink.com/e-commerce-in-europe/
 [2] www.bbc.co.uk/news/business-61423753

What do you shop for online? (Norway)

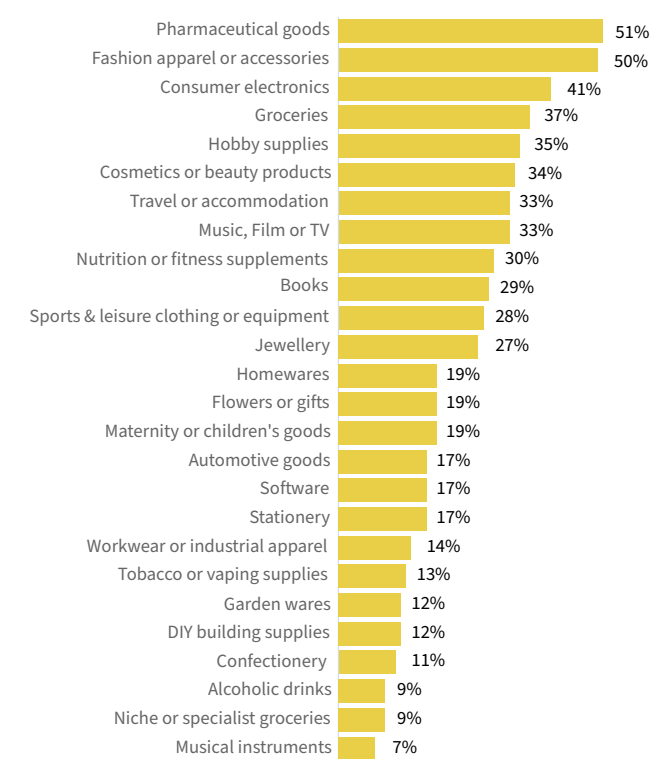


Note: Survey conducted in November 2021
 Data obtained from 358 Norwegian respondents aged 16+ (89.5% of total Norwegian respondents) who said they shop online
 Respondents could select multiple answers

Source: RetailX

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What do you shop for online? (Sweden)



Note: Survey conducted in November 2021
 Data obtained from 458 Swedish respondents aged 16+ (91.6% of total Swedish respondents) who said they shop online
 Respondents could select multiple answers

Source: RetailX

© RetailX 2022

Payments

There are significant variations in attitudes towards paying for goods across the Nordic nations

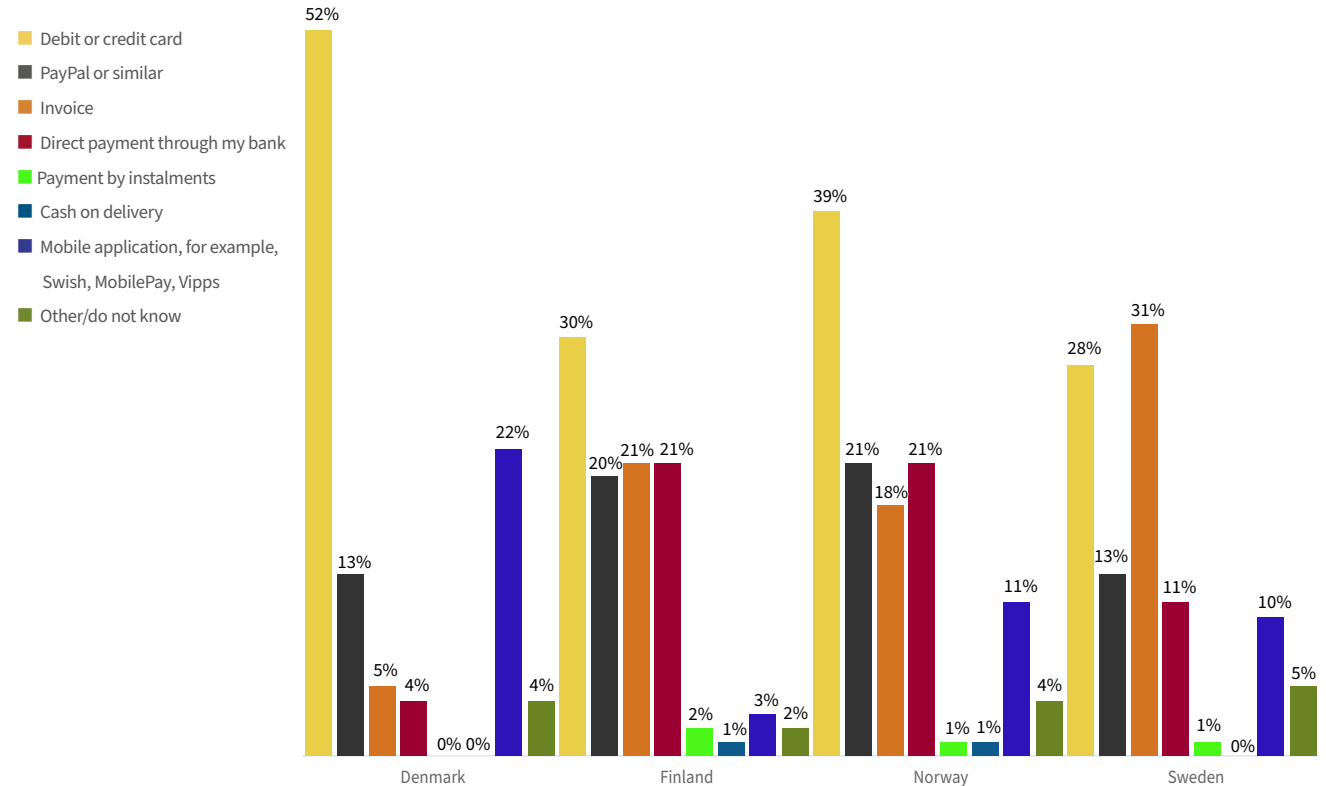
Payments are a key element in localising offerings. If brands and retailers offer inappropriate options for a territory, consumers are likely to be suspicious.

According to research, Danes, whose shopping behaviour is sometimes closer to that of Americans and Brits than other Nordic nations, are far more likely to use credit cards (52% of those surveyed) to pay for goods than those in Finland, Norway and Sweden. **Cautious Swedes, whose behaviour so often has parallels with consumers in Germany, are likely to want to receive an invoice – 31% of those surveyed, compared to 5% in Denmark.**

In terms of how the payments sector will develop in the Nordics, the P27 is worth monitoring. This is a “joint initiative by Danske Bank, Handelsbanken, Nordea, OP Financial Group, SEB and Swedbank, exploring the possibility of establishing a pan-Nordic payment infrastructure for domestic and cross-border payments in the Nordic currencies and the euro.”^[1]

[1] <https://nordicpayments.eu>

Most popular payment methods for online purchases in the Nordic countries in 2021



Note: Online survey conducted in 2021
Results include respondents aged between 15 and 79 from Denmark, Finland, Norway and Sweden

Source: PostNord. Nepa. Accessed via Statista

Deliveries

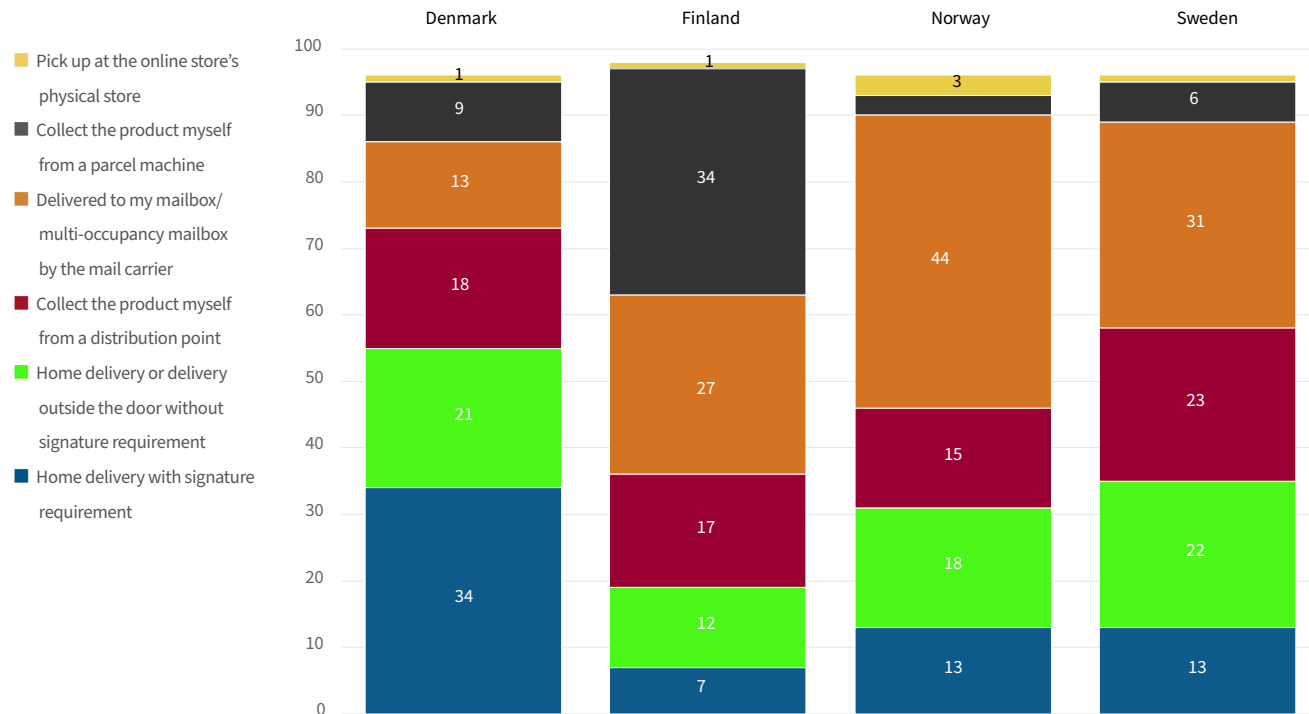
Consumers in the Nordics expect to be offered choice in how they receive their goods when they buy online

Historically, shoppers have regarded choice over deliveries as being of high importance. **In 2015, according to a PostNord report, more than a third of Danes thought it was very important to be able to choose how an item would be delivered^[1]** and today, there are few signs that Nordic consumers are any less demanding.

Across different Nordic nations, there are fascinating variations in the services favoured by consumers. **So while security-conscious Danes prefer signed-for delivery to their home (34% of respondents to a survey carried out in 2021), Finns prefer parcel machines (34%).** The latter may be partly a case of investment that goes with the grain of customer behaviour paying off, since Finnish postal operator Posti has been investing heavily in its parcel locker network.^[2]

In Norway, consumers (44%) are happy to trust the regular mail. Swedes (23%) are the consumers in the Nordics most likely to want to collect items from a distribution point.

When you order a product online, how do you prefer to have it delivered?



Note: Online survey conducted in 2021
Results include respondents aged 15-79 from Sweden, Norway, Denmark and Finland who have previously shopped online
Approximately 1,000 respondents per country

Source: PostNord. Accessed via Statista

Mobile

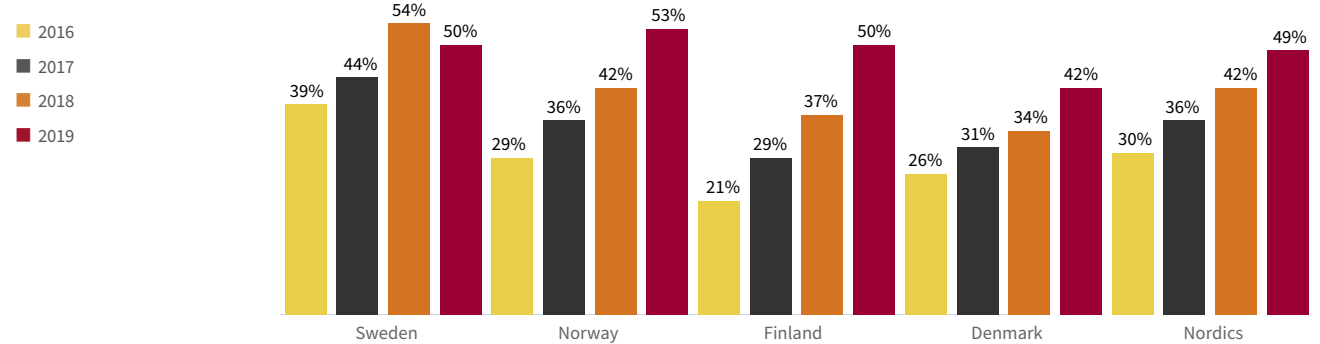
While Nordic consumers are enthusiastic about using smartphones, they are more cautious about buying things on them

Citizens in the Nordics were early adopters of mobile technology and **Finland was the first country to launch a digital network for mobile communications**. In the years before the launch of the iPhone, Nokia was the world's largest vendor of mobile phones and smartphones.

If mobile use in the Nordics is widespread, research [see graphic top right] suggests that Swedes and Norwegians were quicker to adopt mobile commerce than their counterparts in Denmark and Finland.

Over recent months, Covid-19 has skewed ecommerce usage patterns. **At the height of the pandemic in the first quarter of 2021, ecommerce via computer increased by 33% in the Nordics, as against 24% for mobile**. This probably reflects people being at home and shopping more online. By contrast, in the fourth quarter, a time when many more citizens had been vaccinated, a decline in ecommerce was more noticeable among customers using computers (-6% against -3% for mobile). This may simply suggest that people who are out and about are more likely to shop via mobile devices.

Mobile commerce usage in the Nordic countries from 2016 to 2019

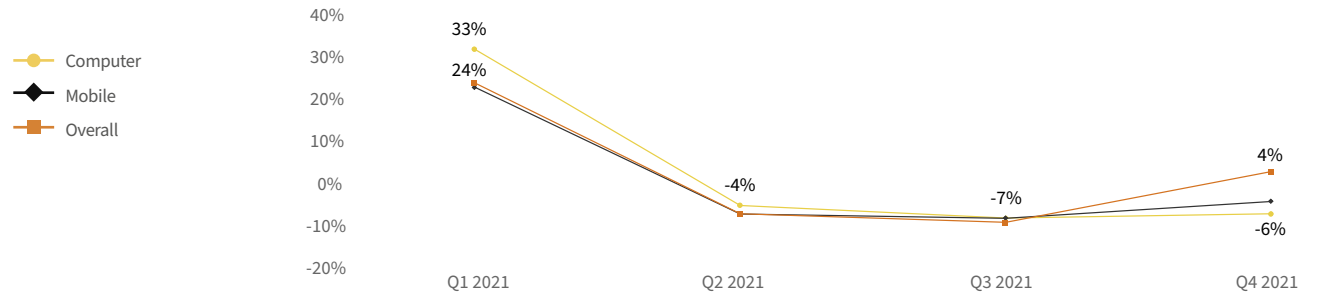


Note: Survey conducted from January to December 2019
Results include 8,5347 respondents aged 18-79 from Denmark, Finland, Norway and Sweden

Source: Kantar Sifo. HUI Research. PostNord. Accessed via Statista

© RetailX 2022

Annual percentage change in digital commerce traffic in Nordic countries, by device



Note: Survey conducted in 2021
Results include Denmark, Finland, Iceland, Norway, Sweden
This statistic depicts the change in the number of visits from each device, as a percentage

Source: Salesforce Research

© RetailX 2022

Marketplaces

Leading and local marketplaces are both important in the Nordics

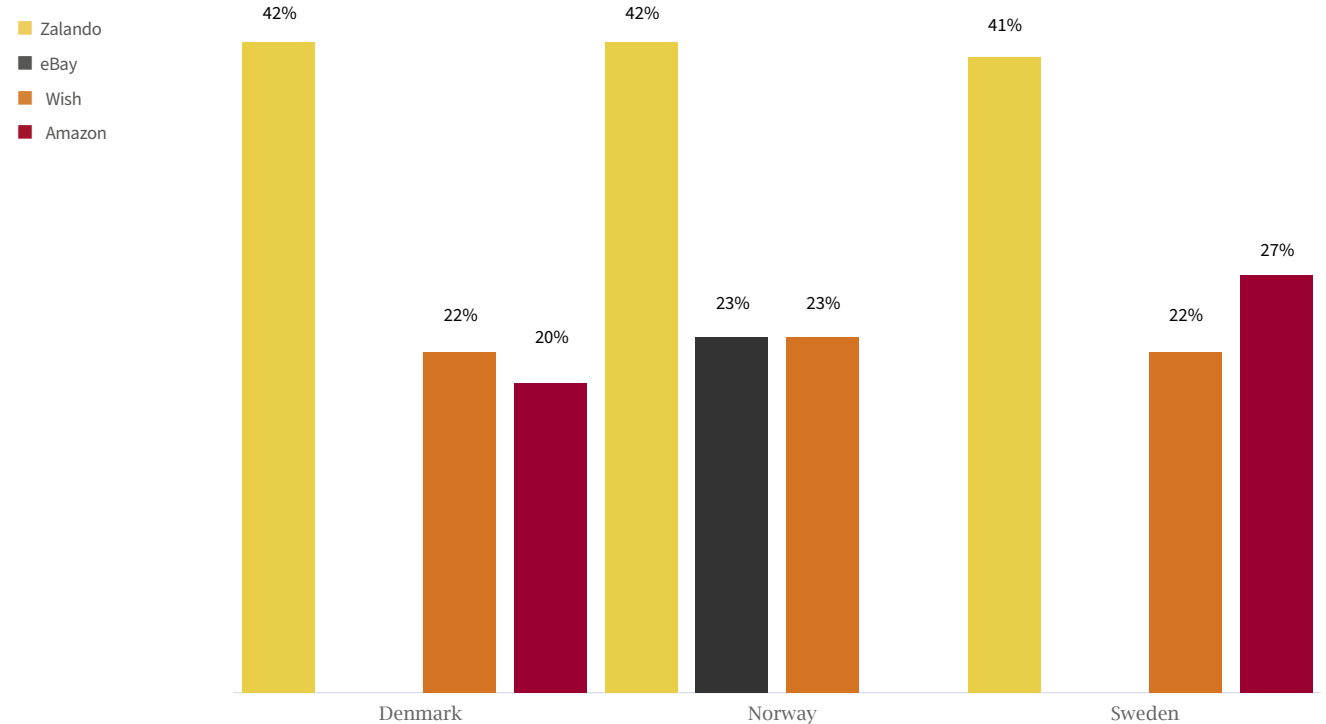
As elsewhere in the world, marketplaces are hugely important in the Nordics. These are one-stop destinations where consumers go to compare prices, to get the best bargains and just to browse. **The four most important marketplaces are Amazon, eBay, Wish and Zalando.** The relative importance of each of these sites in different Nordic countries varies. The graphic here shows the relative importance of the three most important marketplaces in each of the four biggest Nordic nations.

German fashion site Zalando has a big presence in its northern neighbours' markets. **It will be intriguing to see how such initiatives as Zalando expanding its pre-owned fashion Zircle offering to Sweden, Denmark and Finland, countries where sustainability is a live issue, will play out in the longer term.**^[1]

US-owned Wish has established a strong presence across Denmark, Finland, Norway and Sweden. Smaller companies such as Sweden's CDON also exert an influence on the market.

[1] <https://corporate.zalando.com/en/newsroom/news-stories/zalando-expands-dedicated-pre-owned-online-store-zircle-sweden-and-denmark>
 [2] <https://cdon.se>

From which of the following ecommerce sites have you shopped online in the past year?



Note: Online survey conducted in 2021
 Results include respondents aged 15-79 from Sweden, Norway and Denmark who have previously shopped online
 Approximately 1000 responses per country

Source: PostNord. Nepa. Accessed via Statista

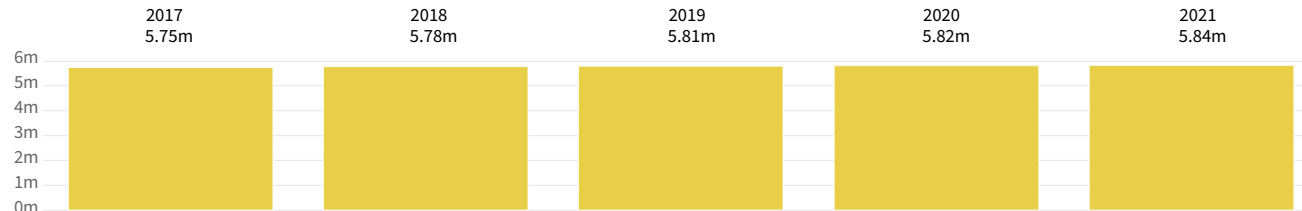
Denmark

Already recovering in the wake of the pandemic, the Danish economy is on course to grow strongly through 2022

It is a measure of the Danish economy's resilience that, in May 2022, its finance ministry revised growth forecasts upwards. **Gross Domestic Product is expected to expand 3.4% this year, against a March estimate of 1.9%.** "We came out of 2021 at a very high pace and have a good starting point for continued growth," noted Denmark's finance minister, Nicolai Wammen.^[1]

In great part, this is to be expected. Highly connected and highly developed economies in which the authorities intervened to support businesses and citizens during

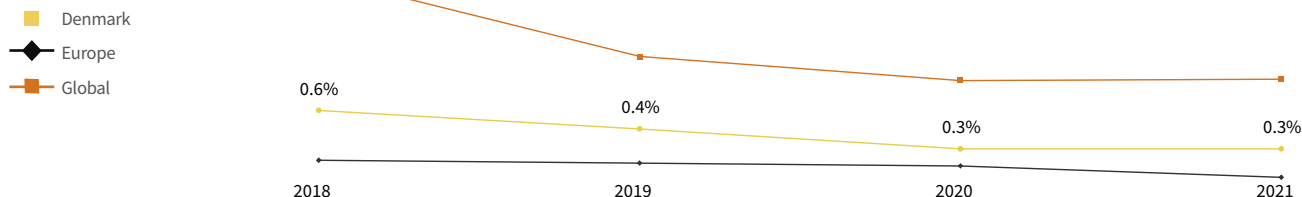
Population structure



Source: RetailX, drawing on data from the International Monetary Fund



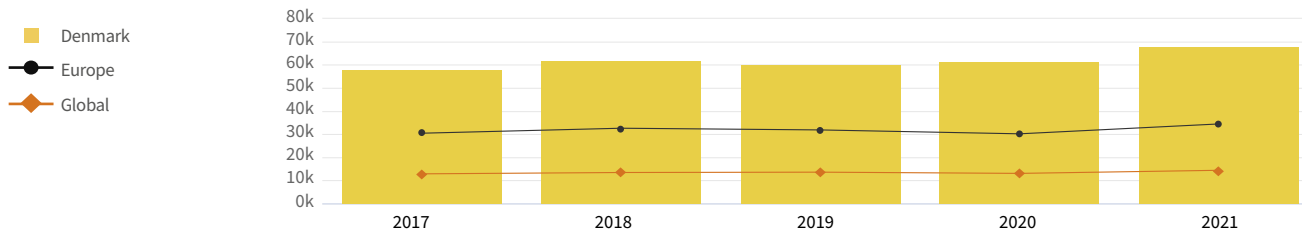
Population Growth



Source: RetailX, drawing on data from the International Monetary Fund



GDP per capita (USD)



Source: RetailX, drawing on data from the International Monetary Fund



Denmark

Area: 42,933km²

Capital: Copenhagen

Currency: Danish krone (DKK)

Official languages:
Danish, Faroese, Greenlandic

Foreign languages spoken: English, German, Swedish

Government:
Unitary parliamentary constitutional monarchy

VAT: 25% | **Reduced VAT:** 0%

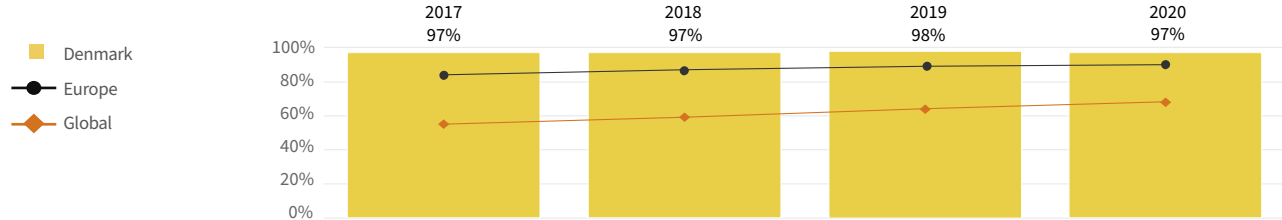
the pandemic have tended to bounce back quickly.

Unemployment in Denmark stands at just 2.5%, the lowest level for 14 years. Its authorities predict private consumption will help to drive growth, which is predicted to slow by 2023, although will still be 1.9%.

Despite this optimistic picture, there are clear risks for the Danish economy. Most of these – cost-of-living issues, the knock-on economic effects of lockdowns in China as it pursues a zero-Covid strategy, supply chain difficulties – are not specific to Denmark. However, it’s worth highlighting that Denmark is a country open to the wider world and highly connected. **If the war in Ukraine impacts Danish exports, perhaps because of near-neighbour Germany also experiencing economic difficulties, growth estimates may need to be revised one more time, this time downwards.**

Taking the longer-term view, Denmark is a stable social democracy, **internet use has reached 97% and GDP per capita is high by global standards, at \$67,922.** Its long-term economic success will likely be centred on the capital, Copenhagen. The city has close ties with southern Sweden across the Øresund strait, to the extent that the wider area is promoted as Greater Copenhagen.^[2] Here is a metropolis with a highly educated workforce, precisely the kind of area from which digital innovations arise, due to the growth of innovative companies as well as there being a market of relatively cash-rich, time-poor consumers. Any

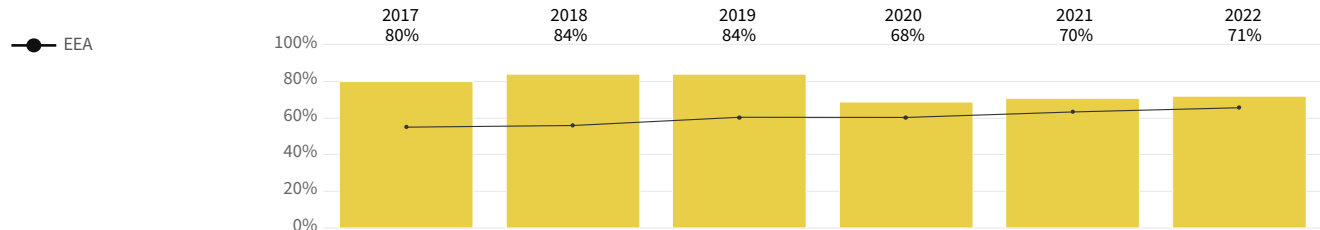
Percentage of internet users



Source: RetailX, drawing on data from the World Bank

© RetailX 2022

Percentage of internet users who shop online



Source: RetailX, drawing on data from Eurostat

© RetailX 2022

retailer that is successful in Greater Copenhagen is tapping into a market of 4.4m people.

Looking even further ahead, Denmark is already beginning to face issues around an ageing society. Population growth was just 0.3% in 2021 and, **by 2040, it is expected that a quarter of the population will be aged 65 or older.**^[3] This is of course an issue across the entire developed world but

it will be particularly intriguing to see how the authorities in Denmark cope when a declining younger population has to produce the wealth to support a large number of elderly citizens who expect high standards of social welfare.

[1] www.bloomberg.com/news/articles/2022-05-11/denmark-raises-2022-economic-forecast-on-strong-labor-market

[2] www.greatercph.com

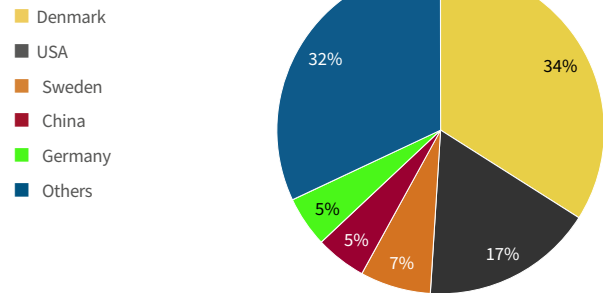
[3] https://unece.org/DAM/pau/age/country_rpts/2017/DNK_-_National_Report.pdf

The Largest 100

Danish consumers favour shopping with Denmark-based retailers

While RetailX analysis shows that Danish consumers most often buy from retailers based in Denmark, retailers based in other countries also have a strong presence in the market. **Swedish and American consumers are most likely to visit Danish-based retailers in the Largest 100.**

Countries where the Denmark Largest 100 retailers are based

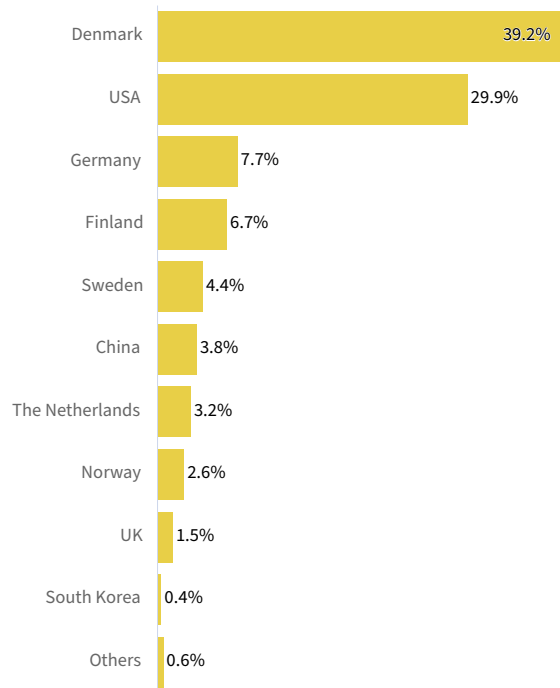


Note: Retailers in the Denmark Largest 100 are selected based on Denmark consumer web traffic, irrespective of where they are headquartered
Data based on 79.0% of the Largest 100

Source: RetailX

© RetailX 2022

Danish web traffic to the Denmark Largest 100 retailers, by country of retailer headquarters

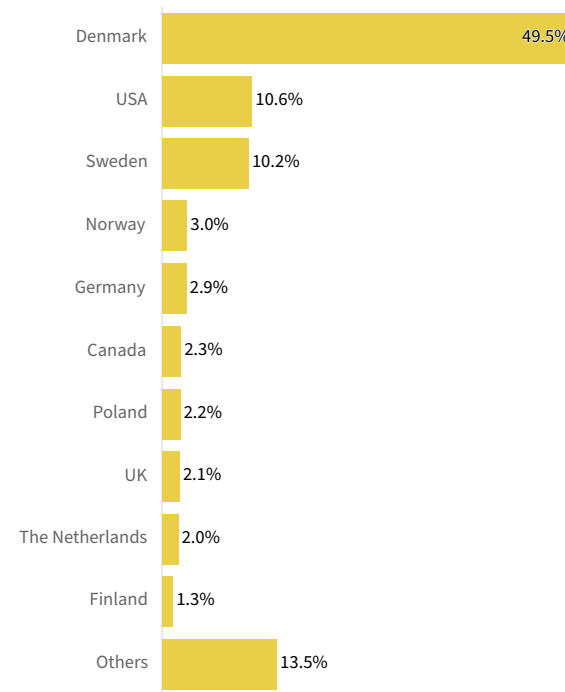


Note: Retailers in the Denmark Largest 100 are selected based on Danish consumer web traffic
Data based on 79.0% of the Largest 100

Source: RetailX, drawing on data from SimilarWeb

© RetailX 2022

Countries from which shoppers visit the Denmark-based Largest 100



Note: There are 34 Denmark-based retailers among the Denmark Largest 100
The Largest 100 are selected based on Danish consumer web traffic
Data based on 79.0% of the Largest 100

Source: RetailX, drawing on data from SimilarWeb

© RetailX 2022

Finland

2022 will reveal whether Finland’s vibrant digital economy can be a financial buffer against its troublesome neighbour, Russia

Of all the countries in the Nordics, Finland has most reason to be concerned by Russian aggression. The country has a border with Russia that runs for 1,340km, largely through taiga forests and sparsely populated rural areas. Despite the forbidding nature of much of this terrain, **Finland and the USSR fought a series of wars in the middle of the 20th century.** Although relations have subsequently been more cordial, Finland has maintained universal male military conscription. While Russia’s invasion of Ukraine has led to Finland applying for NATO membership, in truth, its armed forces have long worked closely with the alliance.

Finland

Area: 338,440 km²

Capital: Helsinki

Currency: euro (EUR)

Official languages:

Finnish, Swedish, Sámi, Karelia, Finnish Kalo

Foreign languages spoken:

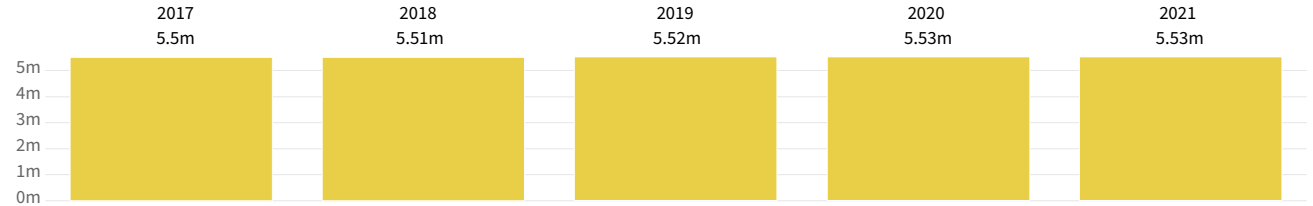
English, German, French

Government: Unitary parliamentary republic

VAT: 24% | **Reduced VAT:** 10%



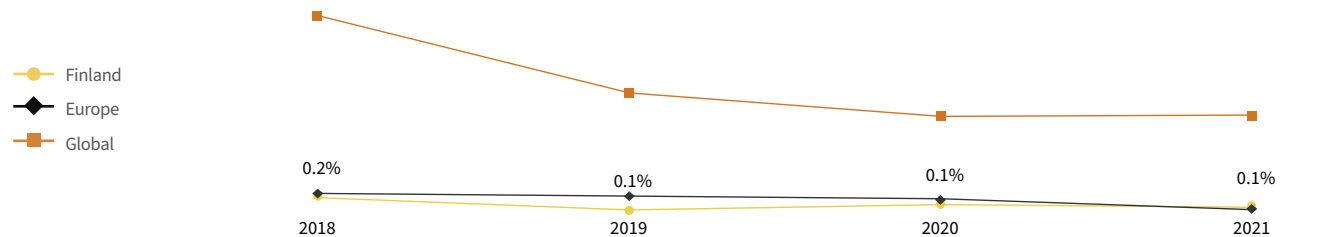
Population structure



Source: RetailX, drawing on data from the International Monetary Fund

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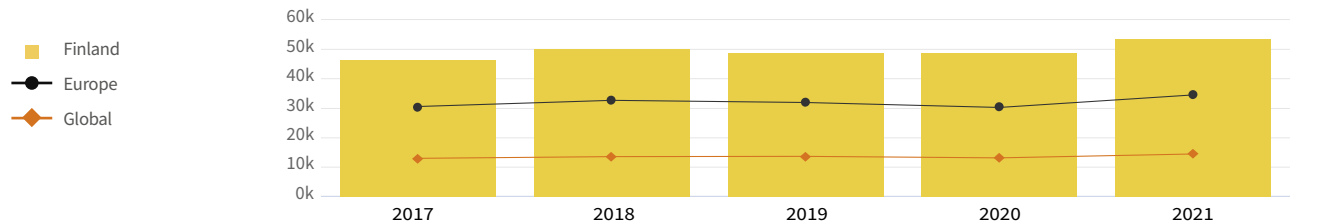
Population growth



Source: RetailX, drawing on data from the International Monetary Fund

© RetailX 2022

GDP per capita (USD)



Source: RetailX, drawing on data from the International Monetary Fund

© RetailX 2022

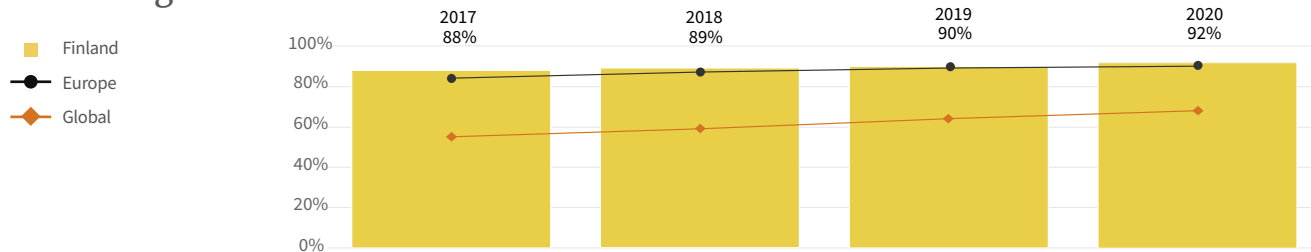
The current geopolitical situation has led to uncertainty over how Finland’s economy will perform. **In May 2022, the Russian energy supplier RAO Nordic announced it was going to suspend deliveries of electricity to Finland.**^[1] While it cited problems with payments, the move came shortly after Russia threatened “retaliatory steps” when it became clear Finland was looking to join NATO. Also in May, Norda Bank predicted that Finland’s economy would grow at 2% in 2022, rather than the 3% it had predicted in January.^[2]

For all this buffeting, the Finnish economy remains strong. A member of the European Union, it has adopted the euro as its currency. Its capital, Helsinki, consistently performs well in indices of the best cities in the world in which to live and work. Over recent decades, Finland has become highly industrialised. Its transition to a digital economy was represented by the success of Nokia, a globally recognised consumer brand that at one point supplied around 40% of the world’s mobile phones. **Finland’s GDP per capita is \$56,837 against an average in the European Economic Area of \$46,585.**

The percentage of people using the internet has reached 92%, with 73% of these consumers shopping online. While Finnish consumers are happy to buy from foreign brands and retailers, Finland-based retailers in the Largest 100 tend to attract Finnish consumers.

[1] www.bbc.co.uk/news/business-61442432
 [2] https://yle.fi/news/3-12440886

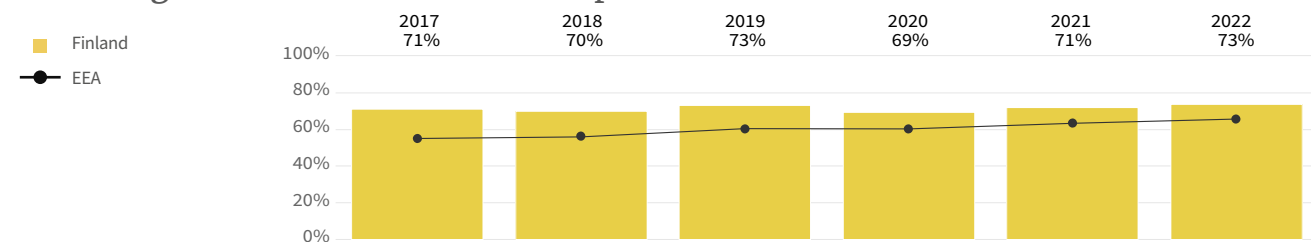
Percentage of internet users



Source: RetailX, drawing on data from the World Bank

© RetailX 2022

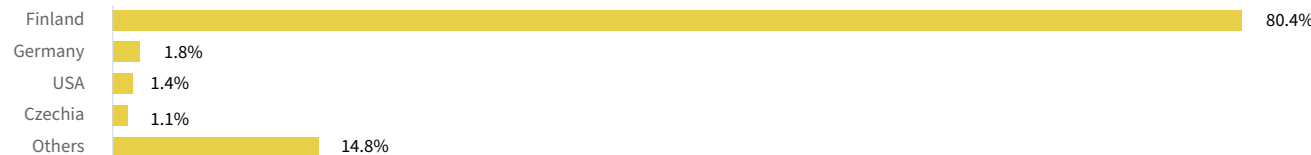
Percentage of internet users who shop online



Source: RetailX, drawing on data from Eurostat

© RetailX 2022

Countries from which shoppers visit the Finland-based Largest 100



Note: There are 27 Finland-based retailers among the Finland Largest 100. The Largest 100 are selected based on Finnish consumer web traffic. Data based on 70.0% of the Largest 100.

Source: RetailX, drawing on data from SimilarWeb

© RetailX 2022

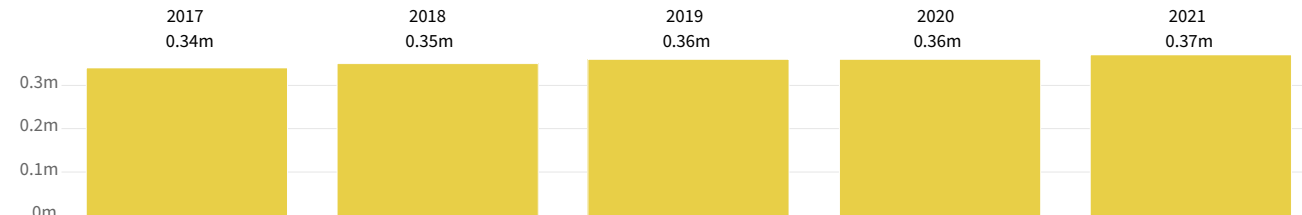
Iceland

The 2008 financial crisis continues to cast a long shadow across Iceland, whose citizens remain cautious about spending

In May 2022, the monetary policy committee in Reykjavik lifted its seven-day term deposit rate from 2.75% to 3.75%.^[1] The rise was in reaction to worries over inflation, which officials said is expected to rise to 8% in 2022. In contrast, the Bank of England increased the base rate to just 1% in the same month, despite inflation surging to 9% in the UK later in May.

That the Icelandic authorities took such prompt action can in part be explained by recent history. The 2008 global financial crisis hit Iceland hard because its financial sector

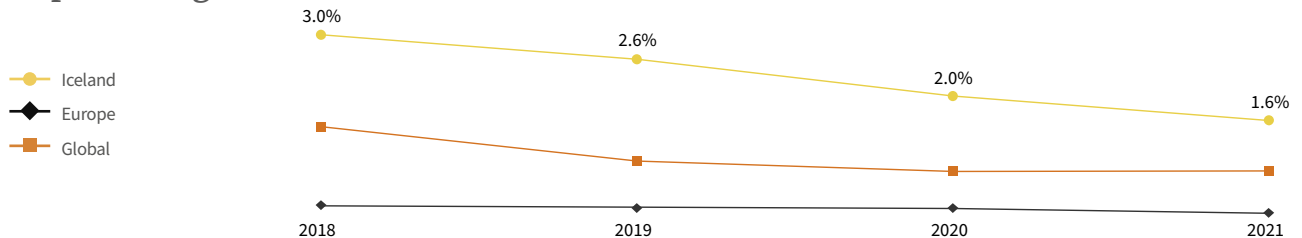
Population structure



Source: RetailX, drawing on data from the International Monetary Fund

CC BY ND RetailX 2022

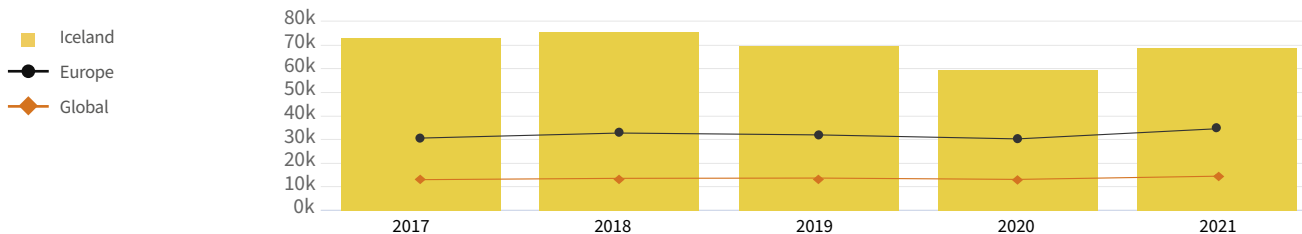
Population growth



Source: RetailX, drawing on data from the International Monetary Fund

CC BY ND RetailX 2022

GDP per capita (USD)



Source: RetailX, drawing on data from the International Monetary Fund

CC BY ND RetailX 2022

Iceland

Area: 103,000 km²

Capital: Reykjavík

Currency: Icelandic krona (ISK)

Official language:

Icelandic

Foreign languages spoken: English

Government:

Unitary parliamentary republic

VAT: 24% | **Reduced VAT:** 11%



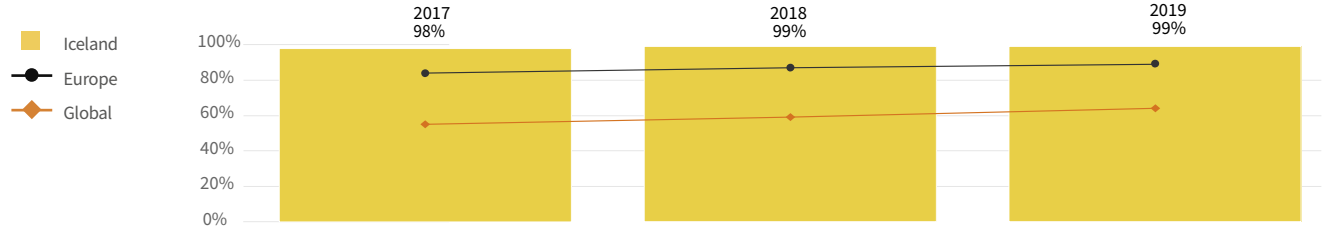
had grown to dominate an economy inevitably constrained by Iceland’s isolated geographical position in the North Atlantic and its relatively small population (366,000).

Since the darkest days of 2009 and 2010, when Iceland was forced to go to the International Monetary Fund for help and there was sometimes a real threat of civil unrest, Iceland’s economy has recovered. **A tourism boom in 2010, driven by the country being cheaper to visit, kickstarted an economic recovery.** Iceland was ranked fourth in the 2021 *World Happiness Report*,^[2] which suggests a country that is successfully moving on from its recent past.

While it remains highly dependent on tourism, so was thus hit badly by the Covid-19 pandemic, Iceland has a mixed economy organised along the Nordic model. **Iceland’s GDP per capita of \$68,854 is higher than the European average of \$34,493.** It’s population has been growing in recent years, in great part due to immigration from the European Union (Poland is part of the European Economic Area, which means EU citizens can live and work in the country). **In 2021, 1,933 Poles emigrated to Iceland, as compared to 887 who arrived from Denmark.**^[3]

In ecommerce terms, Iceland is, inevitably, a minnow. All of the Largest 100 retailers in Iceland that also have their headquarters in the country receive 100% of their traffic from domestic customers. **Revenue in the Icelandic**

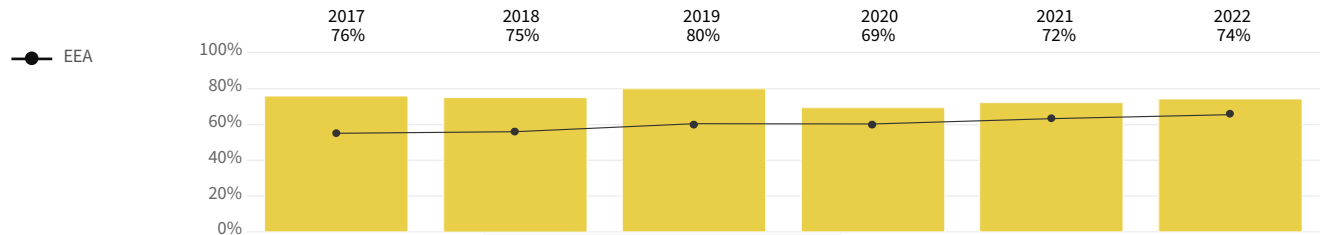
Percentage of internet users



Source: RetailX, drawing on data from the World Bank

© RetailX 2022

Percentage of internet users who shop online



Source: RetailX, drawing on data from Eurostat

© RetailX 2022

ecommerce market is projected to reach \$903m in 2022,^[4] largely taken by domestic retailers, although sites such as Asos are popular with Icelandic customers.

Away from ecommerce, Iceland has embraced the digital world, notably as an aid to rebuilding trust in the political process, which was eroded by events around the global financial crisis. The Citizens Foundation, for example, is

an NGO that has designed platforms and tools aimed at encouraging greater public participation in politics.^[5]

[1] www.bloomberg.com/news/articles/2022-05-04/iceland-ramps-up-tightening-with-biggest-rate-hike-since-2008
 [2] <https://worldhappiness.report/ed/2021/>
 [3] www.statista.com/statistics/595181/number-of-immigrants-by-country-of-origin-in-iceland/
 [4] www.statista.com/outlook/dmo/ecommerce/iceland
 [5] www.citizens.is

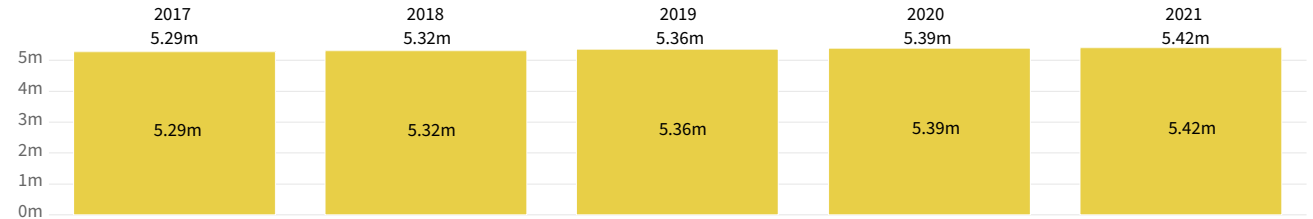
Norway

Rich from its oil reserves yet facing a post-carbon future, Norwegians are not afraid of embracing constant change

Late last year, with the arrival of the Omicron variant, Covid-19 reminded us all that it could still serve up some surprises. In Norway, where restrictions had been largely lifted in September 2021, **the economy flatlined in Q4 of 2021 and declined by 1% in Q1 of 2022**. While such factors as supply chain disruptions also played a part, an increase in the number of Covid-19 cases, even those of a milder variant, impacted on the economy.^[1]

Norway has since returned to growth, a reminder that its economy is fundamentally strong. In great part, this is

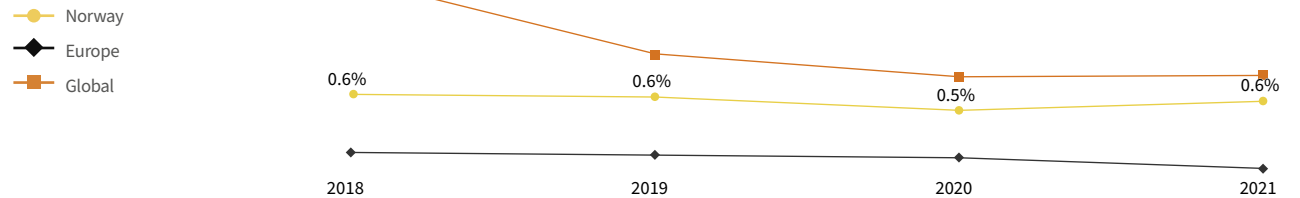
Population structure



Source: RetailX, drawing on data from the International Monetary Fund



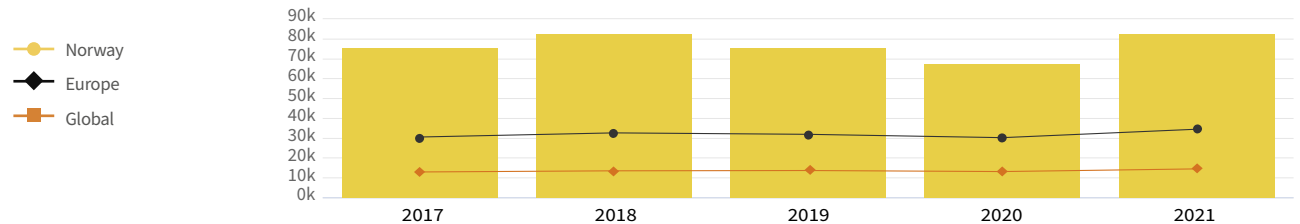
Population growth



Source: RetailX, drawing on data from the International Monetary Fund



GDP per capita (USD)



Source: RetailX, drawing on data from the International Monetary Fund



Norway

Area: 385,207 km²

Capital: Oslo

Currency: Norwegian krone (NOK)

Official languages:
Norwegian, Sámi, Kven Romani, Scandoromani

Foreign languages spoken: English

Government:
Unitary parliamentary constitutional monarchy

VAT: 25% | **Reduced VAT:** 10%

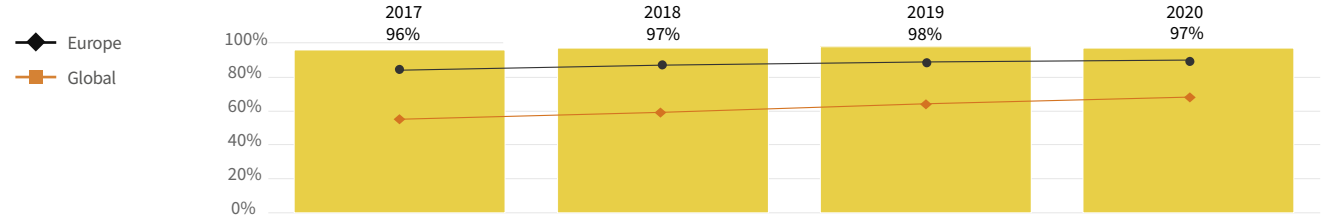
down to its energy wealth. In the 1960s, oil was found in Norwegian waters under the North Sea and the country has also benefited from its natural gas reserves. In 1990, the government established the Government Pension Fund Global, also known as the Oil Fund, a sovereign wealth fund investing surplus revenues from the petroleum sector. **The value of the Oil Fund passed \$1tn in 2017.**

Norway’s energy wealth is reflected in the country’s GDP per capita which, in 2022, is expected to reach \$84,125, compared to an EEA figure of \$46,585. In the years ahead, this wealth may be needed as Norway moves away from its reliance on fossil fuels and as the global economy shifts to a post-carbon age.

This massive transition to a greener economy is a live issue in Norway. In the general election of September 2021, the Social Democratic Labour Party won the largest number of votes. Labour’s leader, Jonas Gahr Støre, hoped to form a majority government in coalition with the agrarian Centre Party and the Socialist Left Party. But the latter, which opposes further oil and gas exploration, walked out of talks. Støre formed a minority government,^[2] but **the future of the energy sector and global heating will again be live issues when Norway next goes to the polls, in 2025.**

In terms of its digital development, 97% of Norwegians use the internet. Norwegians are happy to shop online,

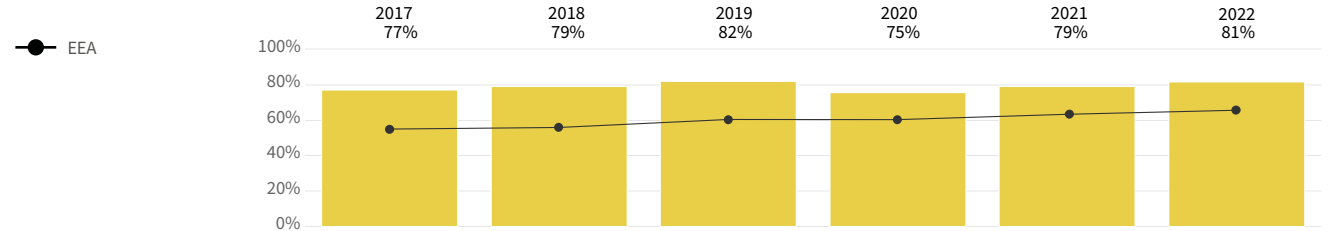
Percentage of internet users



Source: RetailX, drawing on data from the World Bank

© RetailX 2022

Percentage of internet users who shop online



Source: RetailX, drawing on data from Eurostat

© RetailX 2022

with 81% of internet users also happy to buy goods and services online.

This digital adoption is captured in a report produced as part of research towards the European Commission’s Digital Economy and Society Index (DESI) 2021.^[3] This tracks “digital competitiveness in the areas of human capital, broadband connectivity, the integration of digital technologies by businesses

and digital public services”. A mini-report on Norway^[4] reveals it to be among the most digitally sophisticated countries in Europe, broadly on a par with its Nordic neighbours and the Netherlands.

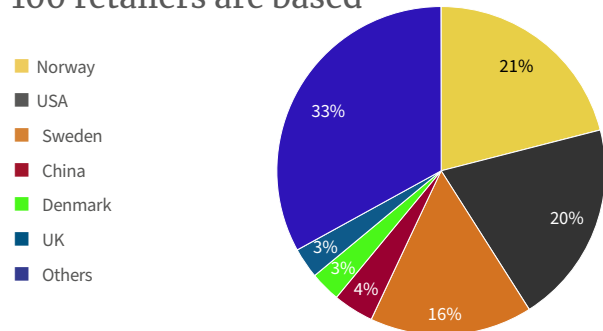
[1] <https://tradingeconomics.com/norway/gdp-growth>
 [2] www.worldoil.com/news/2021/10/8/norway-s-labor-center-agree-to-form-pro-oil-minority-coalition
 [3] <https://digital-strategy.ec.europa.eu/en/policies/desi>
 [4] <https://digital-strategy.ec.europa.eu/en/policies/desi-norway>

The Largest 100

Norwegian shoppers strongly favour multi-sector retailers

When Norwegian shoppers go online, they most often shop from multi-sector retailers. Sites selling consumer electronics also perform strongly. **Consumers from elsewhere in the Nordics are most likely to visit Norwegian-based retailers in the Largest 100.**

Countries where the Norway Largest 100 retailers are based



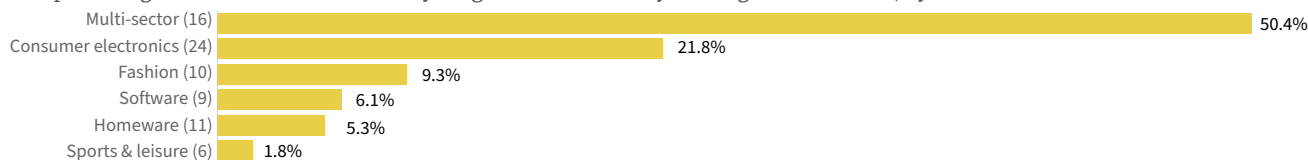
Note: Retailers in the Norway Largest 100 are selected based on Norway consumer web traffic, irrespective of where they are headquartered
Data based on 79.0% of the Largest 100

Source: RetailX

© RetailX 2022

Web traffic, by sector

The percentage of web visits to the Norway Largest 100 retailers by Norwegian consumers, by sector



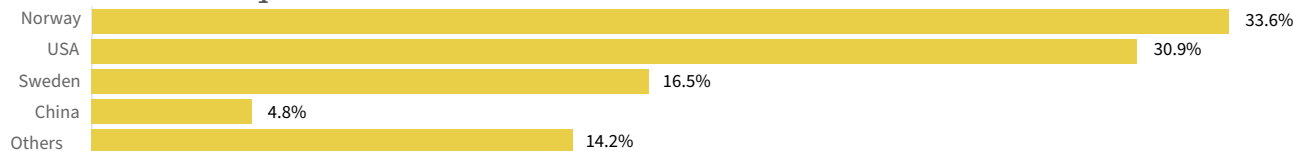
Note: The number of retailers for each category is shown in parentheses
A retailer can fall into multiple categories. Data based on 76.0% of the Largest 100

Source: RetailX, drawing on data from SimilarWeb

© RetailX 2022

© RetailX 2022

Norwegian web traffic to the Norway Largest 100 retailers, by country of retailer headquarters



Note: Retailers in the Norway Largest 100 are selected based on Norwegian consumer web traffic
Data based on 79.0% of the Largest 100

Source: RetailX, drawing on data from SimilarWeb

© RetailX 2022

Countries from which shoppers visit the Norway-based Largest 100



Note: There are 21 Norway-based retailers among the Norway Largest 100
The Largest 100 are selected based on Norwegian consumer web traffic. Data based on 79.0% of the Largest 100

Source: RetailX, drawing on data from SimilarWeb

© RetailX 2022

Sweden

Despite being home to many international brands, Sweden is being forced to adapt its economy in response to world events

Sweden's central Riksbank is preparing to raise interest rates. This is hardly unexpected at a time when inflation is rising globally but it does represent a change in policy in Sweden. **Until very recently, the Riksbank had signalled an intention to keep its policy rate at 0% until 2024,** which made the country an outlier in international terms.^[1]

Increasingly, such abrupt changes in policy are becoming commonplace across Europe. A combination of the war in Ukraine, supply chain issues and rising costs, all of which affect consumer confidence, have forced policymakers

Sweden

Area: 450,295 km²

Capital: Stockholm

Currency: Swedish krona (SEK)

Official language: Swedish

Foreign languages spoken:

English, German, French

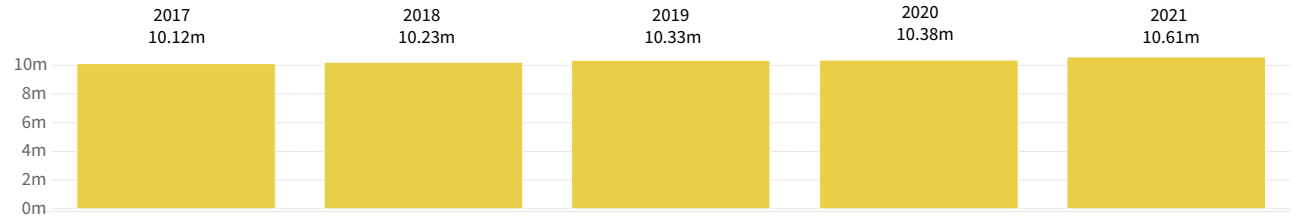
Government:

Unitary parliamentary constitutional monarchy

VAT: 25% | **Reduced VAT:** 6%



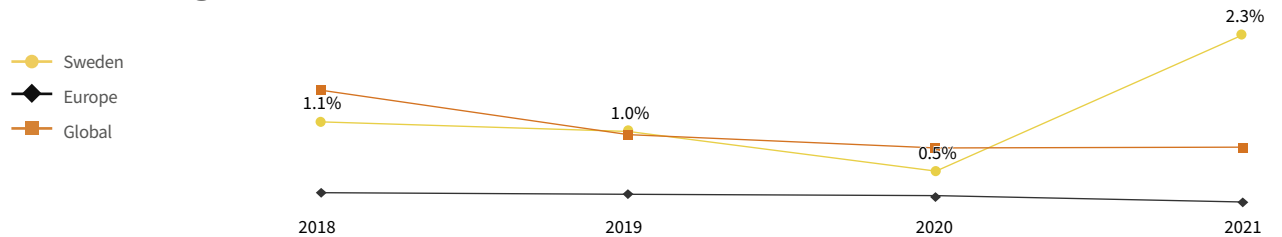
Population structure



Source: RetailX, drawing on data from the International Monetary Fund

© RetailX 2022

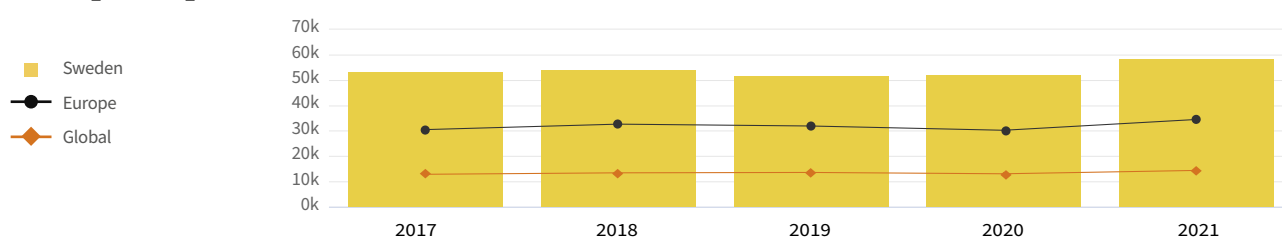
Population growth



Source: RetailX, drawing on data from the International Monetary Fund

© RetailX 2022

GDP per capita (USD)



Source: RetailX, drawing on data from the International Monetary Fund

© RetailX 2022

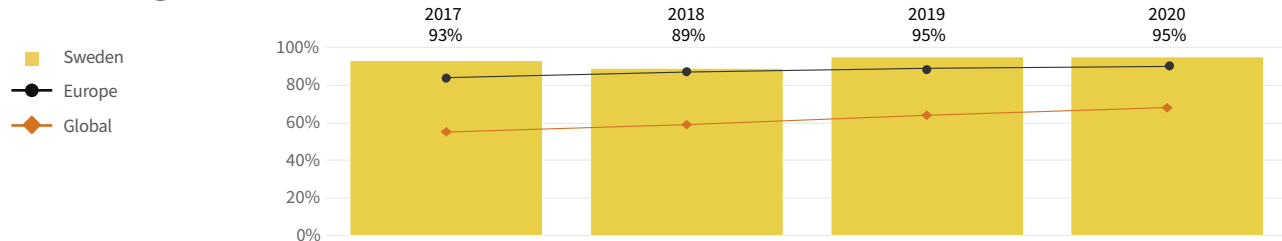
to amend macroeconomic policies. Sweden’s economy contracted in Q1, 2022 and the spectre of stagflation, not seen in Europe since the 1980s, is also looming.

Running in parallel with this economic buffeting, **Swedes are looking anew at their place in the world.** Over many decades, Sweden has remained neutral, yet Russian aggression has led to the country applying to join NATO.^[2]

The economy of Sweden is highly developed and therefore well placed to cope with the difficulties that likely lie ahead. A large number of brands, including Ericsson, H&M, IKEA, Electrolux and Spotify,^[3] are successful enough to enjoy an international recognition factor. **GDP per capita is high by international standards, expected to reach \$58,642 this year.** Sweden’s population has been growing slowly but steadily in recent years, driven largely by immigration. Around 20% of Swedes now have an immigrant background.^[4]

As elsewhere in the Nordics, **most of Sweden’s citizens (95%) use the internet.** The percentage of those online who also shop online is 76%. As we have noted elsewhere, Swedish consumers can be conservative in their attitudes to ecommerce, often preferring to shop in person. However, they are also pragmatic, far less likely than Danes to shop every day but happy, for example, to use marketplaces to compare prices and to do weekly or monthly grocery shopping online.

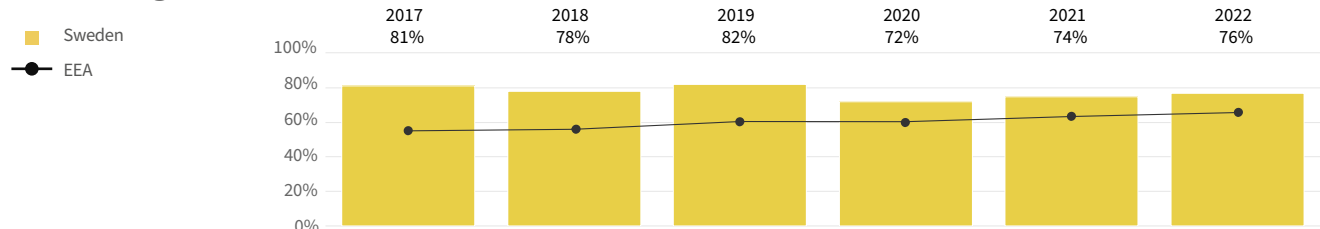
Percentage of internet users



Source: RetailX, drawing on data from the World Bank

CC BY ND RetailX 2022

Percentage of internet users who shop online



Source: RetailX, drawing on data from Eurostat

CC BY ND RetailX 2022

The latest Digital Economy and Society Index research by the European Union (2021) backs up this picture of digital sophistication, ranking Sweden third in the EU behind Denmark and Finland.^[5]

According to Statistics Sweden, the digital sector accounts for 5.8% of Sweden’s GDP^[6] – a figure that looks likely to grow in the years ahead. **Stockholm is an international centre for the digital industry, a startup hub.**

Companies such as Apple and Amazon, which launched a Sweden-specific site in 2020, have invested heavily in the country. Swedish companies such as H&M have launched successfully across multiple territories.

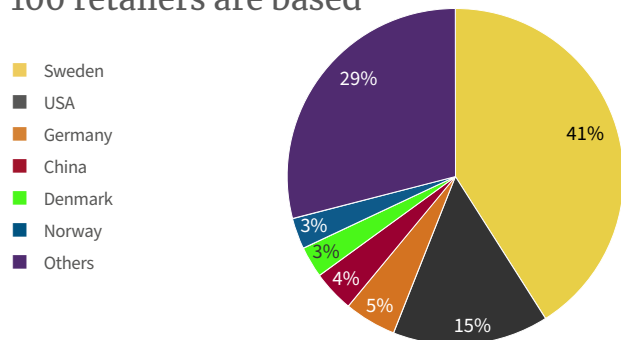
[1] www.bloomberg.com/news/articles/2022-04-28/swedish-economy-contracts-as-price-hikes-are-starting-to-bite
 [2] www.bbc.co.uk/news/av/world-europe-61491639
 [3] <https://sweden.se/work-business/business-in-sweden/10-companies-you-didnt-know-were-swedish>
 [4] www.migrationpolicy.org/article/assessing-immigrant-integration-sweden-after-may-2013-riots
 [5] <https://digital-strategy.ec.europa.eu/en/policies/desi>
 [6] www.business-sweden.com/insights/articles/swedens-digital-technologies-ecosystem/

The Largest 100

Sweden has a strong homegrown ecommerce sector

As the research here shows, the strength of Sweden's retailers is reflected in their domestic performance. **Two in five of the Largest 100 are headquartered in Sweden.** These businesses command 56.2% of web traffic to retailers in the Sweden Largest 100.

Countries where the Sweden Largest 100 retailers are based



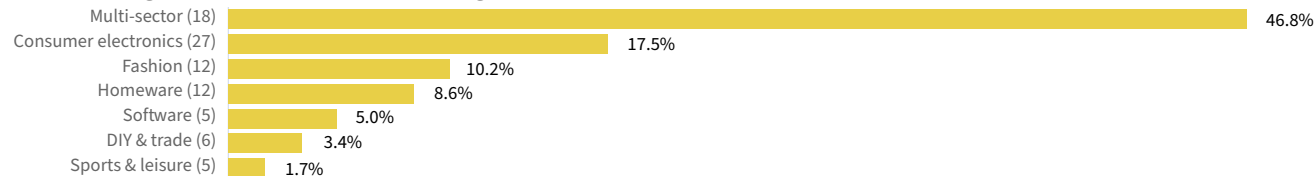
Note: Retailers in the Sweden Largest 100 are selected based on Sweden consumer web traffic, irrespective of where they are headquartered. Data based on 84.0% of the Largest 100

Source: RetailX

© RetailX 2022

Web traffic, by sector

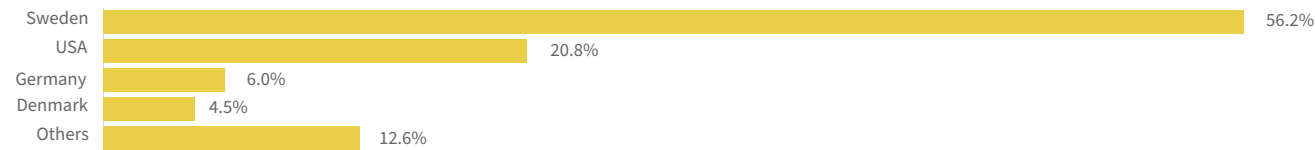
The percentage of web visits to the Sweden Largest 100 retailers from Swedish consumers, by sector



Note: The number of retailers for each category is shown in parentheses. A retailer can fall into multiple categories. Data based on 81.0% of the Largest 100. Source: RetailX, drawing on data from SimilarWeb

© RetailX 2022

Swedish web traffic to the Sweden Largest 100 retailers, by country of retailer headquarters



Note: Retailers in the Sweden Largest 100 are selected based on Swedish consumer web traffic. Data based on 84.0% of the Largest 100

Source: RetailX, drawing on data from SimilarWeb

© RetailX 2022

Countries from which shoppers visit the Sweden-based Largest 100



Note: There are 41 Sweden-based retailers among the Sweden Largest 100. The Largest 100 are selected based on Swedish consumer web traffic. Data based on 84.0% of the Largest 100

Source: RetailX, drawing on data from SimilarWeb

© RetailX 2022

Covid-19

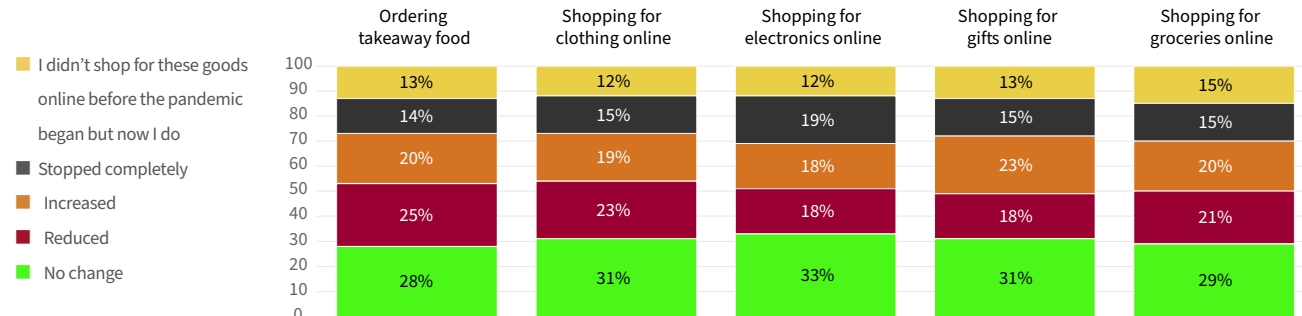
Lockdowns were imposed at different time, or not at all, in different Nordic nations. How did this affect ecommerce?

For all that Denmark, Finland, Iceland, Norway and Sweden each follow the Nordic model, the response of the authorities to the Covid-19 pandemic was different across each of these countries. **While Norway imposed strict measures to prevent the spread of the virus as early as March 2020, Sweden placed far more trust in its citizens to act responsibly.**

One outcome was that, **according to one study, Covid-19 related deaths in Sweden were 12 times higher than in Norway.**^[1] Even so, deaths in Sweden were still lower than in other parts of the world,^[2] suggesting the Nordic social model rooted in a sense of collective responsibility may have helped protect the country's citizens in some ways.

In terms of the pandemic's effect on ecommerce in the Nordics, it is a similar picture to the one we've seen across the world as we have compiled reports on other regions. **Citizens who were either prevented from going out or simply more cautious than usual turned to ecommerce.** These included consumers, notably in older demographics, who were shopping online for the first time.

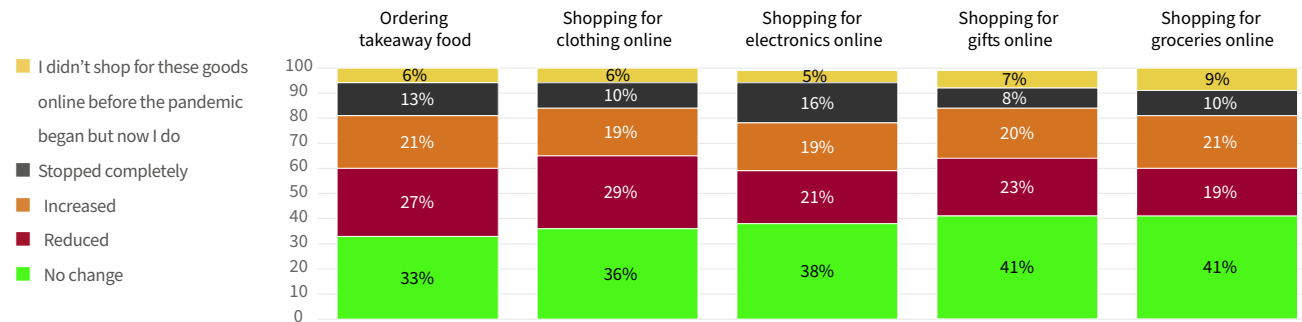
How has Covid-19 (coronavirus) affected your online shopping? (Denmark)



Note: Survey conducted in November 2021
Data obtained from 339 Danish respondents aged 16+ (84.8% of total Danish respondents) who said they shop online
Source: RetailX



How has Covid-19 (coronavirus) affected your online shopping? (Finland)



Note: Survey conducted in November 2021
Data obtained from 375 Finnish respondents aged 16+ (93.8% of total Finnish respondents) who said they shop online
Source: RetailX



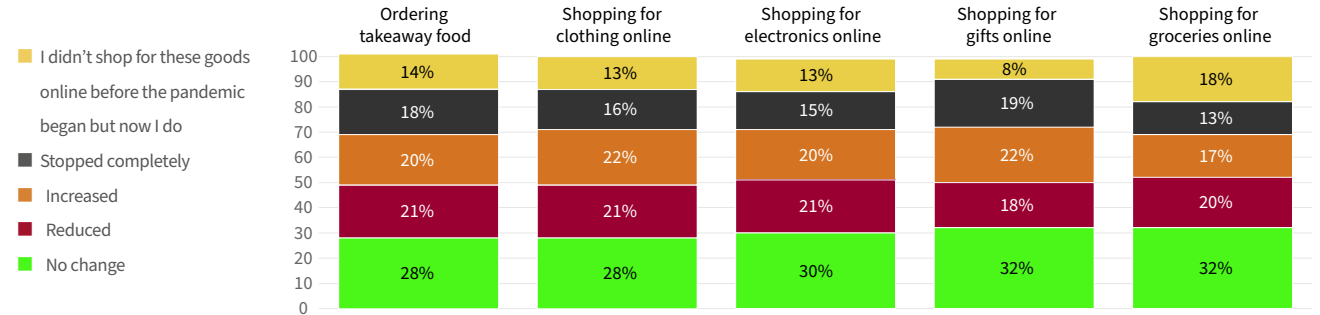
As the pandemic abated, consumers have tended to return to stores but also to do more of their shopping online.

In November 2021, RetailX conducted consumer research in Denmark, Finland, Norway and Sweden. As part of this, we asked respondents how Covid-19 had impacted on their online shopping habits. Intriguingly, there are strong similarities in the results for Denmark and Norway. For example, **13% of respondents in Norway said they began shopping for clothing and electronics online as a result of the pandemic.** The figure for Danes shopping for clothing and electronics was 12%.

The figures for Sweden are striking in revealing how many consumers did not change their behaviour at all. For example, **54% of Swedes said there was no change to their online shopping for electronics.** It may be that many Swedish consumers, whose lives were less restricted than their counterparts elsewhere in the Nordics, simply carried on shopping as they did before.

Across the Nordics, the figures for the number of people who reduced their online shopping because of the pandemic are striking. One way to interpret these figures is to see them as a reminder that many people endured hardships during the pandemic or, at the very least were worried enough to cut back on their shopping.

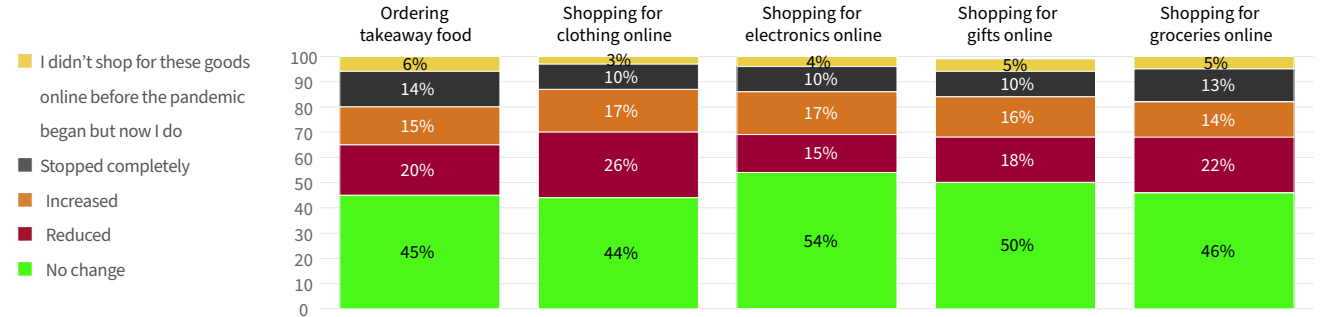
How has Covid-19 (coronavirus) affected your online shopping? (Norway)



Note: Survey conducted in November 2021
Data obtained from 358 Norwegian respondents aged 16+ (89.5% of total Norwegian respondents) who said they shop online
Source: RetailX



How has Covid-19 (coronavirus) affected your online shopping? (Sweden)



Note: Survey conducted in November 2021
Data obtained from 458 Swedish respondents aged 16+ (91.6% of total Swedish respondents) who said they shop online
Source: RetailX



[1] www.openaccessgovernment.org/norway-and-sweden/125378/
[2] www.theguardian.com/commentisfree/2022/may/08/sweden-japan-uk-debates-over-who-had-good-covid-wont-end

Company profiles

In July, we will publish the *2022 RetailX Europe Top1000*. This is an annual performance-based ranking of the largest ecommerce and multichannel retailers, each of which we have assessed by their performance across such aspects of RetailCraft as Merchandising, Operations & Logistics and Strategy & Innovation. You will be able to download the report from: <https://internetretailing.net/rxeu>

There are more than 100 retailers and brands from the Nordics included in the list and, while researchers have yet to determine their exact placing in the list, we highlight some of these companies over the following pages.

DENMARK:
AOPRO
AV XPERTEN
BANG & OLUFSEN
CALL ME
CANAL DIGITAL
DAVIDSEN
ECCO
ELGIGANTEN
FCOMPUTER
FOTEX

HIFI KLUBBEN
HUNGRY.DK
IMERCO
JACK & JONES
JYSK
KITCHENONE.DK
LEGO
MAGAZINE DU NORD
MATAS
MED 24
OISTER

PANDORA (JEWELLERY)
PROSHOP
SILVAN
SKOUSEN
SPORT MASTER
SPORT 24
STOFA
SYSTIME
TELMORE
WEBAPOTEK
10-4

FINLAND:
BUDGET SPORT
GIGANTTI
KARKKAINEN
LEVY KAUPPAX
MASKU.COM
POLAR
SOKOS
SOTKA
STARK
SUOMALAINEN
TUONTITUKKU.FI
UTILIF

VERKKOKAUPPA.COM
ZONER

ICELAND:
A4
COMPUTER.IS
DORMA
FJALLAKOFINN
GAELUDYR
KISILDALUR
ORMSSON
ORNINN
RAFHA
RÚMFATALAGERINN
TOLVULISTINN
TOLVUTEK

NORWAY:
ARK
BLIVAKKER.NO
BLUSH.NO
BOHUS
ELEKTRO IMPORTOREN
ELKJOP
KITCHN

KIWI
KOMPLETT
MILRAD
MULTICOM
NORLI
PLANETKOMPANIET
PLANTASJEN
SKEIDAR
VINMONOPOLET
VITA
XXL

SWEDEN:
ACNE STUDIOS
ADLIBRIS
AKADEMIKBOXHANDELN
APOTEKET
BILTEMA
BOXBÖRSEN
BOOZT.COM
BOXER
CDON
CHILLI
CLAS OHLSON
COS

DUSTIN
ELLOS
GANT
GUÐRÚN SJÖDÉN
GYMGROSSISTEN
H&M
ICA
JOLLYROOM.SE
JOTEX
JULA
K-RAUTA
KJELL & COMPANY
LINEX
MIO (FURNITURE)
MONKI
NA-KD
NELLY.COM
NETONNET
ROYALDESIGN
SNEAKERSNSTUFF
SPORTAMORE
TRADERA
WEBHALLEN
WEEKDAY
& OTHER STORIES

IKEA

Company: IKEA

Headquartered: The Netherlands

Founded: 1943

Online: www.ingka.com / www.ikea.com



Franchise pioneer

Although the furniture and homeware retailer has sometimes struggled with its online offering, this is now changing rapidly

It seems counter-intuitive that IKEA is not classed as a Swedish retailer but that's essentially because both the Ingka Group and Inter IKEA Systems, which between them largely oversee store operations and control IKEA's intellectual property, are both based in the Netherlands. Nevertheless, **IKEA remains the quintessential Swedish, even Nordic brand**, specialising in furniture and homeware that is simple and unfussy.

The company's success was built on its stores that typically lead customers along what IKEA dubs, "the long natural way". To put that another way, **IKEA stores have been designed to ensure that as many consumers as possible see as much of IKEA's offering as possible**. As anyone who has ever left one



Arrows guide visitors around a preset and meandering route that would seem odd in any other store

of their stores slightly confused to have purchased an office chair, some new drinking glasses, a soap holder and a standalone kitchen unit can testify, the approach works.

Yet there's an inherent problem with transferring this offering to the online world. **IKEA's real-world customer experience makes friction and delay intrinsic to the buying process**. Walk through any one of their stores – they're all virtually identical on the inside – and there is always something to grab your attention. **By contrast, the online world is built on the idea that shopping should be as quick and frictionless as possible**. This, in part, probably explains why IKEA seemed comparatively slow to develop its online offering, at least until recent years.



The IKEA website allows product presentation and setting to be perfect

When the pandemic hit, though, IKEA had no choice but to improve its online offering. As Tolga Öncü, retail operations manager at Ingka Group, has noted, the company needed to make changes “overnight”.^[1] It had two major advantages:

- The work of digital transformation was already underway, to a greater extent than was apparent at first glance.
- IKEA’s retail outlets, most of which are large and have ample parking, could also double as fulfilment centres. Indeed, one way to think of any IKEA store is as a well-dressed warehouse.

“In practical terms, we’ve approximately tripled ecommerce levels in three years,” said Barbara Martin Coppola, chief digital officer at IKEA Retail,” to the *Harvard Business Review* in 2021. **“We have transformed our stores to also act as fulfilment centres. To make that work, the flow of goods needed to change, the supply mechanisms needed to change and the store floorplans needed to change.”**^[2]

This is not to say that IKEA has simply been reactive. Look past the sudden business imperative to develop its multichannel offering and IKEA was already beginning to diversify its offering away from huge stores. In 2022, for example, the company opened a smaller-style store at Livat Hammersmith^[3] in London.

Moving forward, despite issues along the way in developing its digital offering, IKEA may turn out to be well placed. **In part, that is because it is a big retailer that operates at scale and can make large investments** and which already has an enviable presence at key retail sites. Livat Hammersmith, for example, is owned by INGKA Centres, which in turn is controlled by INGKA Holding.

More subtly, a world of digital experiential retail lies ahead, where consumers will be far more likely to go online via an interactive smartphone app and far less likely to shop by viewing a flat, digital version of a catalogue on a desktop PC. **This should suit IKEA, which will be able to find ways to duplicate the browsing experience of its stores online**, albeit one with a more friction-free journey, considering how impatient online shoppers are.

In this context, led by lifestyle photography, **the shopping experience at www.ikea.com has improved hugely in recent years**. The company has also begun investing in technology to improve its digital experience, such as the IKEA Place app,^[4] which enables customers to place items virtually in their own homes.

[1] www.retaildive.com/news/after-a-year-of-missteps-ikeas-e-commerce-business-appears-to-be-heading/608246/

[2] <https://hbr.org/2021/06/inside-ikeas-digital-transformation>

[3] www.livat.com/en/hammersmith/

[4] www.ikea.com/au/en/customer-service/mobile-apps/say-hej-to-ikea-place-pub1f8af050



Lifestyle photography is both vivid and extensively used across ikea.com



IKEA online allows real-world placings of products previously displayed in-store

H&M**Company:** H&M**Headquartered:** Sweden**Founded:** 1947**Online:** www.hm.com

Looking beyond costs

The clothes retailer faces strategic challenges in the competitive fast fashion sector

The second-largest clothes retailer in the world, H&M has a justified reputation for innovation. In 1997, the company registered the domain hm.com and began trading online the next year. In 2000, H&M launched its first store outside Europe, in New York. **It was early to understand the power of celebrity, selling a collection designed by Karl Lagerfeld in November 2004.** Famous names such as Stella McCartney, Lana Del Ray, Madonna, Jimmy Choo and Beyoncé have all since worked with H&M.

While its 21st-century rise has been associated with the boom in fast fashion, this in itself means it is more exposed than most to a changing market. Most notably:



Eco-conscious shoppers are demanding sustainability as well as the latest fashions

- Consumers around the world moving online
- Consumers paying more attention to sustainability issues
- The war in Ukraine highlighting how global supply chains are highly vulnerable to disruption

The company is clearly aware of such risks. **In March 2022, H&M announced it was set to close 240 stores across the world, a net decrease of 140, with closures focused on developed markets.** It has also withdrawn entirely from the Russian market. Instead, it will focus on expanding its ecommerce business.^[1]

It is also putting a greater emphasis on sustainability issues. Published in March 2022, **H&M's 2021 sustainability report highlights a tripling in its use of recycled materials – to**



H&M is concentrating more and more of its efforts online

17.9% with a plan to increase this to 30% by 2025. It plans to halve its carbon footprint by 2030.^[2] While the company has yet to make such eye-catching announcements in terms of supply chain innovation, **it's perhaps telling that it's investing in infrastructure and integrating sales channels** in order to make the company more robust going forward and to improve the customer's experience.

The latter will be very important. The fast fashion sector looks set to evolve rapidly over the next few years. It would be a risky strategy to focus too heavily on cost considerations, as important as these are in a sector with such slim margins.

[1] <https://internetretailing.net/strategy-and-innovation/strategy-and-innovation/hm-expands-its-ecommerce-business-while-shutting-shops-as-shoppers-shift-online-23786>

[2] <https://hmgroupp.com/news/h-m-hennes-mauritz-abs-annual-and-sustainability-report-2021-is-published/>

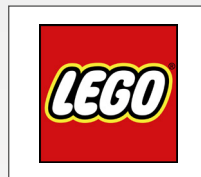
LEGO

Company: The Lego Group

Headquartered: Denmark

Founded: 1932

Online: www.lego.com



Building for the future

As a toy brand, Lego is the world's largest by revenue. Yet it's also a digital innovator

For proof that Lego is a brand in tune with the digital era, consider that **since 1995, 85 video games based around Lego have been released.** The product that many harried parents associate with pain when they step on a carelessly discarded plastic brick turns out to be a natural fit for the 21st century.

The brand works hard to maintain and extend its digital presence, primarily through engaging its customers. On the Lego Ideas platform,^[1] for example, people are encouraged to submit ideas for new sets. These are voted on and the best ideas can become official sets. So posting user-generated content can lead to a user-generated product.



No one is ever going to make the models seen in-store, yet Lego is all about dreaming big

The company also has an active YouTube channel,^[2] which has 14.5m subscribers. Here, Lego fans can find tips and tricks, previews of new products and specific channels aimed at different demographics, from young starters to mature collectors.

Lego is similarly active on social media, via Instagram, Twitter and Facebook, and active in the creation of shareable content. The company operates Digital Hubs in Billund and Copenhagen in Denmark, along with London and Shanghai.

Yet this kind of brand-building by customer engagement is fraught with dangers. This is because **Lego is akin to a media or sports franchise where fans will complain loudly if they think the**



Sets aimed at different demographics and age groups are very clearly differentiated by box style

owners of the franchise have got something wrong. Lego sparks an emotional connection that is a key part of the brand's value, yet brands can and do die when this is somehow lost.

Not that Lego is showing too many signs of making missteps. **Consumer sales grew 22% in 2021 and it continues to expand globally.** Looking to a more sustainable future, it even recently unveiled a prototype brick made from recycled plastic bottles, while it is increasing its use of bio-polyethylene, which can be made from sugar cane, sugar beet and wheat grain.^[3]

[1] <https://ideas.lego.com>

[2] www.youtube.com/c/LEGO/featured

[3] www.lego.com/en-gb/aboutus/news/2022/march/2021-annual-results/

Jack & Jones

Company: Bestseller

Headquartered: Denmark

Founded: 1975

Online: about.bestseller.com

www.jackjones.com

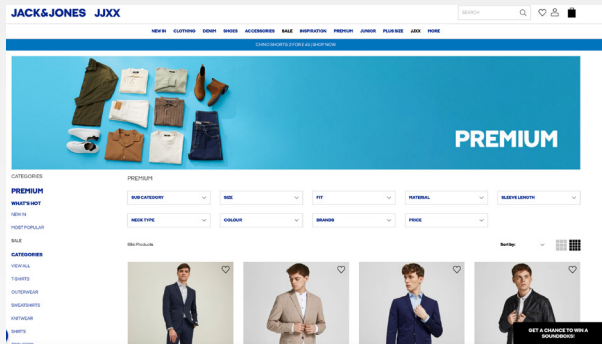


A sustainable future

It's not just older consumers who look carefully at companies' ethical commitments

Come across the branches of Jack & Jones in London, Cardiff or Glasgow and **you could be forgiven for thinking this is a British or American retail brand.** Aimed at younger men, it's a company that specialises in, to use the description employed on the website of its Danish parent company Bestseller, "jeans and jeanswear". Its direct competitors include the likes of Levi's, Bench and Diesel.

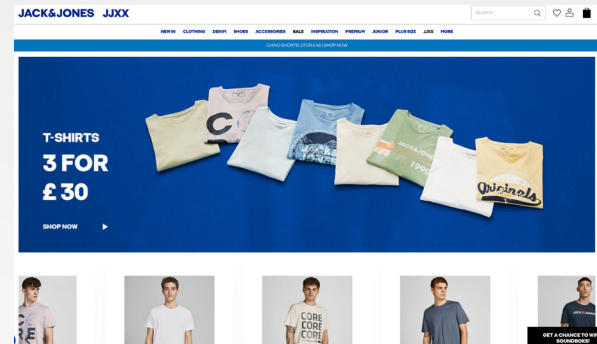
This is a competitive section of the market where working at scale is an advantage and Jack & Jones is the "largest business unit" within the Bestseller group, which owns several other brands as well.^[1] Worldwide, **Jack & Jones sells through more than 800 stores, via wholesale partners and online.**



Jack & Jones' Premium range is typically slightly more formal than its denim offering

In addition to specialising in casual wardrobe staples such as denim and t-shirts, Jack & Jones also offers a Premium range of items such as jackets, tailored trousers and shirts. **Jack & Jones also sells Plus Size items, catering to a section of the market too often under-served, and a Junior range aimed at catching the next generation.**

As with H&M, (see page 46) the company is looking closely at sustainability issues. In years ahead, demonstrating a commitment to sustainability will become a feature of this part of the market. Put simply, younger consumers are at least as concerned, and usually even more concerned, about the future of the planet than older groups.



Jack & Jones has to offer high-quality items at a competitive price

Jack & Jones details its initiatives here in the "A/Better World" section of its website.^[2] More generally, **wise boards do not allow these kinds of initiatives to become greenwashing. Not just because of ethical issues but also because customers will shop elsewhere** if they see efforts as tokenistic.

Indeed, increasingly in this part of the clothing sector, concerned shoppers won't necessarily even buy new, as the rise in vintage shops catering to consumers in this demographic proves.

[1] <https://about.bestseller.com/our-brands/jack-jones>

[2] www.jackjones.com/gb/en/ij/a-better-world/

Føtex

Company: Føtex

Headquartered: Denmark

Founded: 1960

Online: en.sallinggroup.com

www.foetex.dk

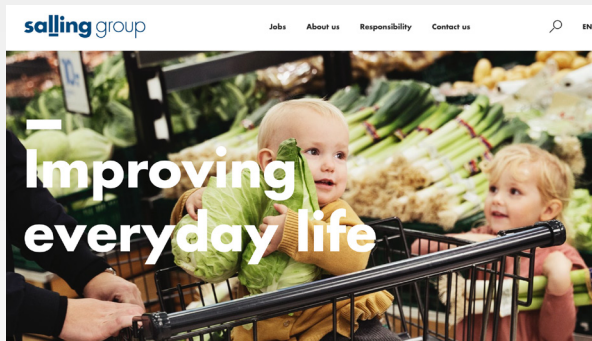


Challenges ahead

Supermarkets will need to be innovative to help consumers navigate a world of rising food costs

Danish retailer Føtex is the longest-established supermarket chain in Denmark. Retail pioneer Herman Salling was the driving force behind the opening of its first store, in Aarhus in 1960. It now has more than 100 branches in total. It is part of the Salling Group.^[1]

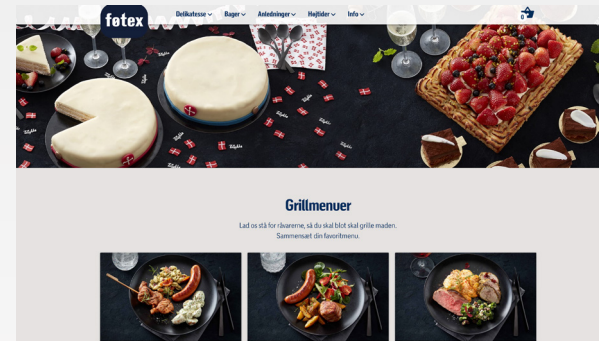
Digital is integral to the business. The retailer has an online range that includes more than 50,000 products, from food to homewares and leisure goods. It delivers to more than 40 towns and cities in Denmark and also adds in deliveries to holiday home destinations in the summer. **The retailer has a sophisticated mobile app, available on both iOS and Android, and also offers click-and-collect services.**



The Salling Group operates a number of brands

The Føtex Plus mobile app promises a personalised customer experience, remembering shopping patterns over time to send relevant offers. App users also have lower prices in-store, with automatic in-store discounts as long as customers use the debit card associated with the app. Shopping lists can be written in the app – and forwarded to someone else if it then transpires that the customer can't get to the shop themselves.

The Føtex app features a freshness guarantee: if shoppers are sent food or drink that is past its best, they can take a picture of it and submit it on the app for a refund, in the form of a discount voucher for future use.



The Føtex site makes use of attractive lifestyle photography

Like all supermarkets, the company is likely to face significant strategic challenges in the short-term and beyond. **Food prices are rising at a time when economic commentators have begun to raise concerns over the robustness of global supply chains^[2].** This isn't just because of the war in Ukraine but also because of concerns over pinch points in the system and the dominance of just a few large companies.

Føtex recently announced price freezes in reaction to cost-of-living concerns, but this is not a long-term solution to the issues faced by all supermarket chains across Europe.

[1] <https://en.sallinggroup.com/about-us/business-areas/core-business/>

[2] www.theguardian.com/commentisfree/2022/may/22/food-crisis-is-what-happens-when-global-chains-collapse-we-might-need-to-get-used-to-it

Komplett

Company: Komplett

Headquartered: Norway

Founded: 1991

Online: www.komplettgroup.com / www.komplett.no

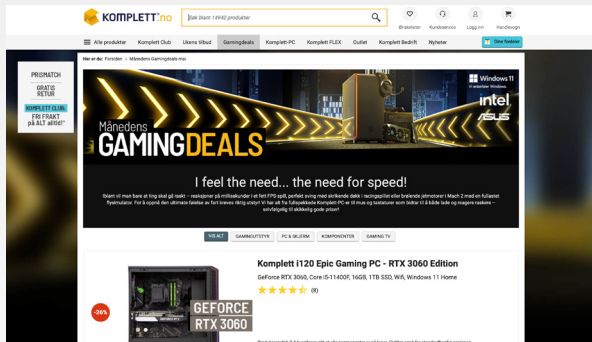


Economies of scale

Komplett has moved to consolidate its place in the Nordics consumer electronics market

Consumer electronics is one of the sectors that drives ecommerce in the Nordics. This is an area of the market where there is keen competition on price and, at times, on the ability of retailers to offer products for which there is a high demand. For example, when a new gaming console or phone is launched, many consumers choose to buy them online.

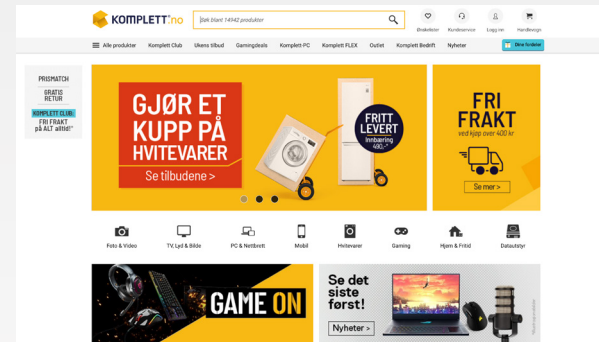
Launched in 1991 as Norek AS, Komplett operates webshops in three territories across Scandinavia: Norway, Denmark and Sweden. **The company was a pioneer within online B2C retail in the region.** Its Webhallen site is aimed at the gaming market and was purchased from Dixons for £14m in 2013.



Komplett is a major supplier of electronics in the Nordics

The company also has a B2B business, which supplies computers and IT equipment to Nordic SMEs, and has a distribution arm.

Last year, the business moved to consolidate its position in the Nordic region by agreeing to buy Swedish consumer retailer NetonNet for around \$420m.^[1] The rationale behind the deal lies in great part in enabling Komplett to operate at scale, with the combined company having a Nordics market share of around 10%. Only Elkjøp, part of Currys plc, has a larger market share. **It is anticipated the business will be able to reduce costs, particularly the prices it pays when sourcing products.**



Economies of scale allow Komplett to compete on price

Securing goods to sell is likely to be of increasing concern to retailers in this sector. Not only do businesses have to cope with supply chains that have been disrupted by Covid-19 and war in Ukraine but also **lockdowns in China, a major manufacturing nation, will likely affect the supply of goods if they continue.**^[2]

[1] www.bloomberg.com/news/articles/2022-02-09/norway-s-komplett-to-buy-sweden-s-netonnet-in-420-million-deal

[2] www.ft.com/content/41f80bad-0eca-445a-a7fb-922262611311 [paywall protected]

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Conclusion

We hope that you have found our research and analysis to be of interest and commercial value. We would be very pleased to hear from you with questions, suggestions or comments. In particular, we would like to hear about any areas you think we should cover in the 2023 report.

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