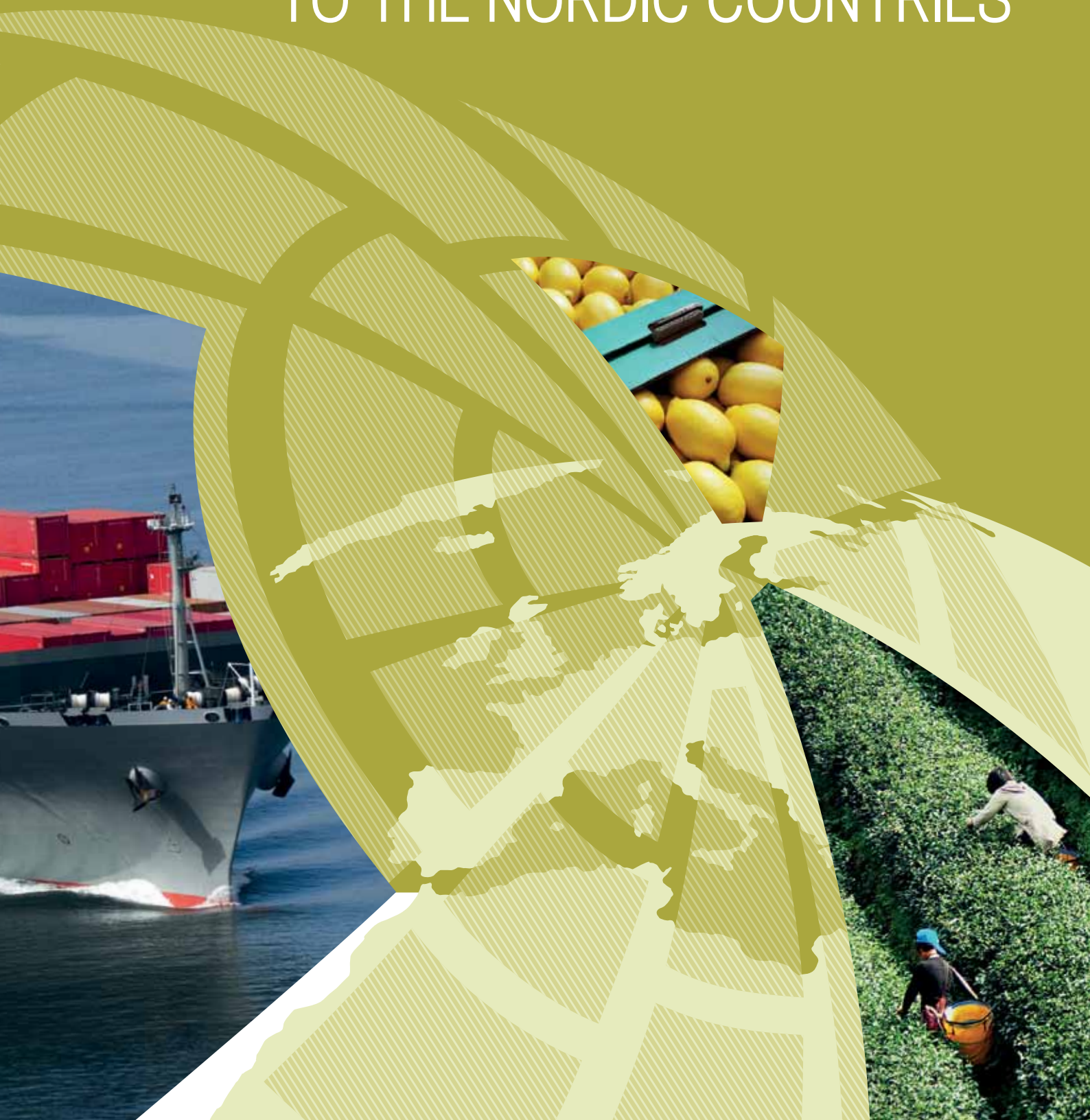


Exporting

TO THE NORDIC COUNTRIES



Foreword

The Millennium Development Goals, which were agreed upon by the 176 Heads of State and Government during the United Nations' Development Summit in New York in September 2000, have established a global agenda to reduce poverty.

As members of the UN, the Nordic countries have committed themselves to striving to achieve the goal of halving poverty in the developing countries by the year 2015.

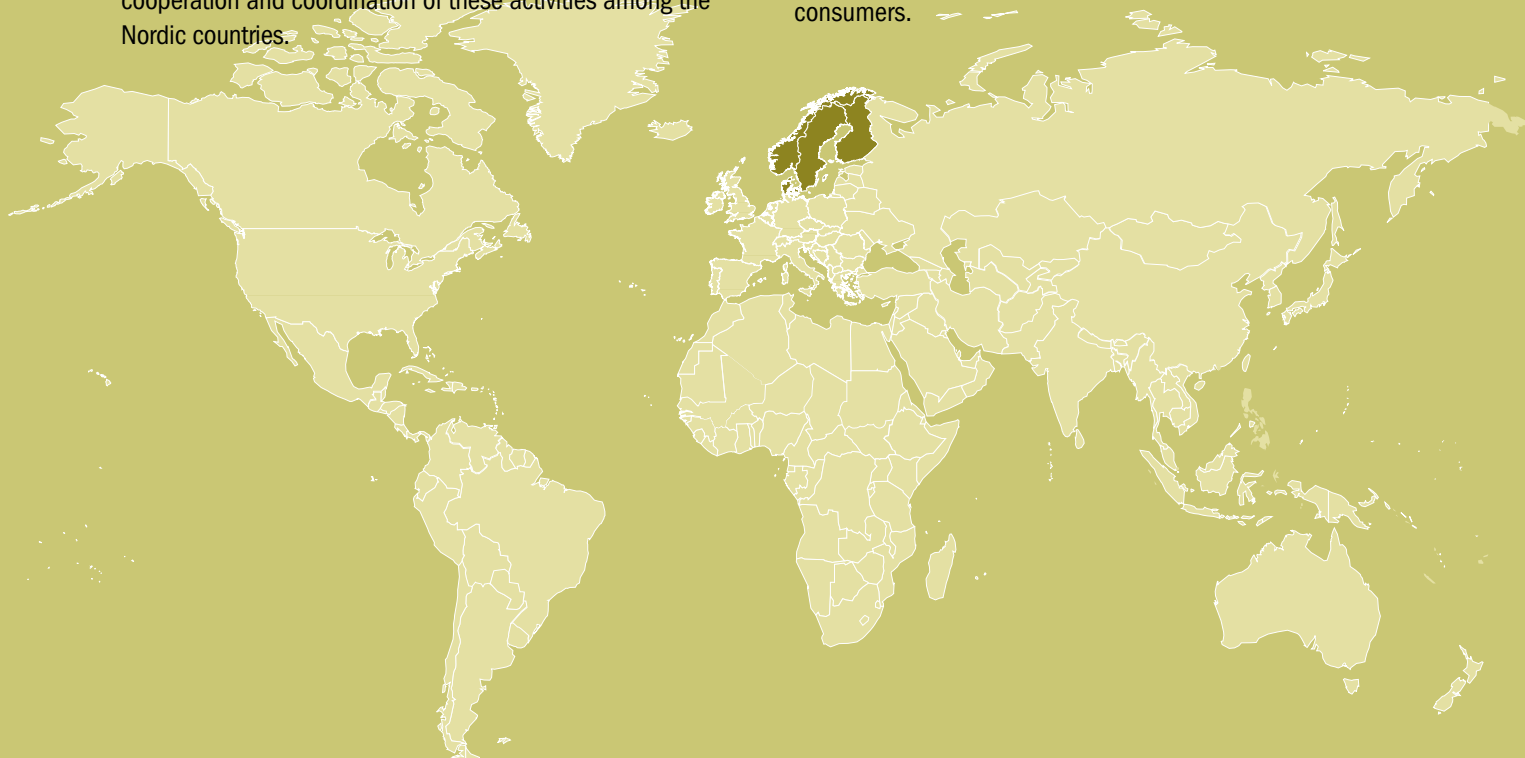
Development of the private sector in the developing countries, and growth in their trade, are of paramount importance for poverty reduction in the third world countries. The industrialised countries are working on several levels to facilitate developing countries' access to their markets. However, obstacles for developing countries are numerous. Rules and regulations are complicated, hence many developing countries are not yet in a position to profit from their competitive advantages, for instance through the preferential customs schemes.

The Nordic countries have a long tradition of promoting trade development in developing countries and involving their own business community in the process. For many years, Denmark, Finland, Norway, and Sweden have directed import promotion activities towards exporters from developing countries looking to enter the Nordic market. This has resulted in an ongoing cooperation and coordination of these activities among the Nordic countries.

This cooperation makes sense as the Nordic countries – if looked upon individually – are small markets, but share many similarities. Apart from the many linguistic, cultural, and historical similarities, the social welfare development in each country makes it relevant to talk about a Nordic model of society, which is unique at the international level. Business culture, consumption patterns, and consumer preferences are basically similar. Although Norway is not a member of the European Union – unlike Denmark, Finland, and Sweden – Norwegian legislation is to a great extent harmonised with EU legislation, thus facilitating one Nordic market.

The Nordic countries offer a large consistent market for exporters. The Nordic partners are also reliable: if you manage to create a partnership with a Nordic company, it will most likely last for many years to come.

The purpose of this guide is to provide exporters in developing countries with an overview of the various issues that they will most likely encounter when setting up an export business to the Nordic countries. The guide provides basic information about the Nordic countries and the Nordic market, as well as reference to numerous sources for in-depth information. It is the hope of the authors that this guide will pave the way for exporters in developing countries wishing to enter the Nordic market with its over 25 million consumers.



Content Overview

1. INTRODUCTION TO THE NORDIC COUNTRIES	4	5. LEGAL REQUIREMENTS	21
A Region of Similarities	4	Product Safety	21
Life and Consumption Patterns	4	Product Liability	23
Geography and Climate	6	Packaging and Labelling	23
■ Denmark	6	Demonstration of Compliance	24
■ Finland	6	Food Safety	24
■ Norway	6	Packaging Waste	25
■ Sweden	7	Plant Health – Phytosanitary Requirements	26
Business Culture	7	Endangered Species	26
2. THE NORDIC ECONOMY	9	6. MARKET REQUIREMENTS: PRIVATE SECTOR STANDARDS AND CODES	27
■ Denmark	9	Corporate Responsibility	27
■ Finland	11	Standards and Codes	28
■ Sweden	12	Quality Management	29
3. HOW TO ACCESS THE NORDIC MARKET	13	Environmental Management	29
Contacting Potential Business Partners	13	Working Conditions	30
The Retail Market in the Nordic Countries	15	7. FROM EXPORT PRICE TO RETAIL PRICE	31
■ Denmark	15	Terms of Delivery and Transportation	31
■ Finland	16	Pricing and Trade Margins	31
■ Sweden	17	Customs Duties, Value Added Tax (VAT), Surtaxes	32
4. CUSTOMS DUTIES, PREFERENCES, AND RULES OF ORIGIN	18	Terms of Payment	33
EU Customs Duties	18	8. ASSISTANCE TO EXPORTERS	34
Preferential Treatment For DCs and LDCs	18	■ Denmark	34
Which Countries Benefit from Preferences?	19	■ Finland	34
Rules of Origin	20	■ Norway	35
Proof of Origin	20	■ Sweden	35
		■ Other actors	36
		ANNEXES 1-9	37

INTRODUCTION TO THE NORDIC COUNTRIES

A Region of Similarities

In this guide, the Nordic countries refer to four countries: Denmark, Finland, Norway and Sweden. These countries have an inter-linked historical background and many cultural similarities. In Denmark, Norway and Sweden, the languages are similar enough to allow people to communicate cross-border with each other using their own mother tongue. Swedish is also one of the official languages in Finland. Despite the cultural similarities, the economic and political situation differs among the countries. Denmark, Finland and Sweden are members of the European Union, while Norway remains a non-member state, having, however, established extensive cooperation agreements with the EU. As for currency, only Finland has adopted Euro; while other Nordic countries each have its own respective currency (e.g. the Swedish krone). In business, few borders are known. Many of the large multinational Nordic companies operate in all four countries. Foreign businessmen approaching the countries will notice the similarities in demand, consumption patterns and business cultures. It is therefore natural to view the four national markets as one.

Life and Consumption Patterns

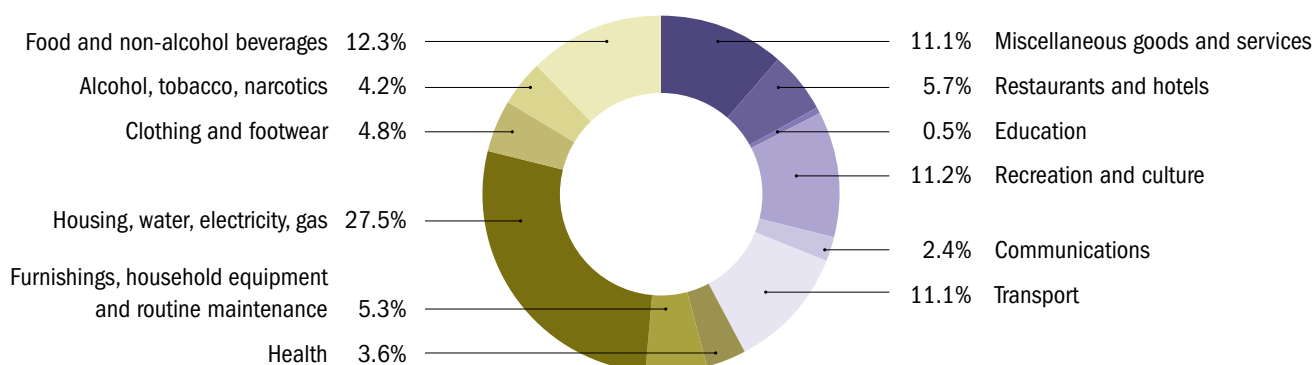
Some basic facts should be observed when analysing the Nordic market:

- The average income is high in international comparison; the nominal gross domestic product per capita is on average over € 40,000 per year, whereas the European Union average is € 24,500.¹ But the cost of living is also high and affects purchasing power, see table on page 9.
- The Nordic welfare societies are maintained by tax revenues. This is why the Nordic countries have some of the highest tax levels in the world. The tax systems are progressive, higher incomes pay more. It is quite common that people pay more than 40% of their gross income in tax.²
- In comparison with many other European inhabitants, Nordic people tend to use a relatively large part of their income on housing and relatively less on other areas. Housing (excluding water, gas and electricity) accounts for over 25% of household expenditure in the four countries, whereas foodstuffs and non-alcoholic beverages only represent 12–15% of the average household expenditure. (2010 statistics)
- Nordic people live, to an increasing extent, in single person households. On average, this represents

1 Source: Eurostat

2 Source: OECD report "Taxing Wages 2009/2010"

FIGURE 1: Consumption expenditure of households on goods and services, in the Nordic countries, 2009
(% of total household consumption expenditure).



HOUSEHOLD CONSUMPTION IN 2009: NORDIC COUNTRIES* AND EU-27 AVERAGE

	Denmark	Finland	Sweden	Nordic countries	EU-27 average
Food and non-alcohol beverages	11.3	12.9	12.6	12.3	12.6
Alcohol, tobacco, narcotics	3.5	5.3	3.7	4.2	3.5
Clothing and footwear	4.5	5	5	4.8	5.4
Housing, water, electricity, gas	29	26.7	26.9	27.5	22.9
Furnishings, household equipment and routine maintenance	5.5	5.2	5.3	5.3	5.9
Health	2.9	4.5	3.4	3.6	3.7
Transport	11	10.2	12.2	11.1	13.2
Communications	1.8	2.2	3.2	2.4	2.7
Recreation and culture	10.7	11.5	11.5	11.2	9.1
Education	0.8	0.5	0.3	0.5	1.1
Restaurants and hotels	4.9	6.5	5.3	5.7	8.5
Miscellaneous goods and services	13.7	9.2	10.5	11.1	11

Source: Eurostat

* The latest comparable figures available are from 2009. The figures of Norway are not included (not available).

44.7% of the households (22% of the population)³. University students move away from home, people get married later in life, and the divorce rate is high. Elderly people also tend to live by themselves.

- 68–75% of Nordic women between the ages of 15 and 64 years work outside the home: the high frequency of women working reflects a highly-developed public sector with adequate day care institutions for children.

- In Nordic countries⁴, over 80% of all citizens between the ages of 25–64 have a high school or other upper secondary education degree, and over 30% a degree from university or other higher level education⁵. Education is equally distributed between the genders.

⁴ Includes the figures of Norway.

⁵ Source: OECD (2011), *Education at a Glance 2011: OECD Indicators*, OECD Publishing. <http://dx.doi.org/10.1787/eag-2011-en>

³ Norway is not included in the figures.



Geography and Climate

Despite its semi-arctic latitude, the Nordic countries have a relatively mild climate due to the warm coastal Gulf Stream. However, there are large differences between the south and the north.

DENMARK

By area, Denmark is the smallest of the four countries. It consists of the peninsula of Jutland and the major islands of Funen and Zealand – on which the capital, Copenhagen, is situated. Denmark shares a border with Germany, and is connected to Sweden by a bridge in the East. The rest of the country is bordered by the Baltic Sea, the North Sea and the Skagerrak Strait.

Denmark covers an area of 43,095 km². Land used for farming accounts for 66% of the total area, forests and farmland account for 16% and 10% of the area is covered by towns, roads and constructions.

In addition to Denmark itself, the kingdom also includes the Faeroe Islands and Greenland in the North Atlantic. Both the Faeroe Islands and Greenland have home rule with an elected council and are represented in the Danish parliament. The Faeroe Islands and Greenland are not members of the EU.

FINLAND

Finland is the most northern country in the European Union. Its neighbours are Sweden and Norway in the west, Russia in the east and Estonia – across the Gulf of Finland – in the south.

The size of the country is similar to that of Norway, 338,424 km². The population is about 5.4 million, of which two thirds live in the urban areas. The capital, Helsinki, lies on the south coast. Around one million people live in the Helsinki metropolitan area. Other bigger cities are Turku, Tampere, Jyväskylä, Kuopio and Oulu. Over 70% of Finland's land area is forests, arable land accounts for 8% and lakes and rivers 9%. Typical Finnish landscape varies from archipelago and plain coastal areas to the inland lake district with literally thousands of lakes surrounded by vast forests. The northernmost part of the country is partly above the Arctic Circle and timberline. The major factor influencing the climate in Finland is the country's geographical position, resulting in a combination of maritime and a continental climate, depending on the direction of air flow.

NORWAY

Norway shares borders with Sweden, Finland and Russia. It is a mountainous country with half of the area above the timberline. Of the total land area



of 385,155 km², 25% is covered by forest, leaving only 3% for arable land. The distance from north to south is more than 2000 km. Only 4.6 million people live in Norway, primarily along the coast and in the southern part of the country. Nearly 60% of the population lives in urban areas, including the four largest cities: Oslo, Bergen, Trondheim and Stavanger.

The northernmost part of Norway, the Svalbard archipelago, covers an additional 61,020 km² and sitsuate in between mainland Norway and the North Pole.

SWEDEN

Sweden is the largest of the Nordic countries by size and population and with a total area of 449,664 km² it is similar in size to the state of California or Thailand, but has only 9.4 million inhabitants. 85% of the population lives in the southern half of the country, and the most densely populated areas are around the three major cities, Stockholm, Gothenburg and Malmö. The capital of Sweden, Stockholm, is located on the east coast. The second biggest city is Gothenburg, which is located on the west coast. West of Sweden has close bounds to Norway. The third biggest city is located in the south of Sweden only 30 minutes by train from the capital of Denmark, Copenhagen. Sweden is characterised by its long coastline, dense

forests and numerous lakes. The forests cover about 55% of the total land area, whilst farmland covers only 9%. Coniferous forests, such as pine, dominate the Swedish forests, but there are also deciduous trees, e.g. birch and aspen. Thanks to the Gulf Stream, Sweden has a milder climate than other areas on the same latitude, but due to the length of the country, the climate is quite varied. Sweden has four distinct seasons.

The north of Norway, the north of Sweden and the north of Finland have long and cold winters and sunny summers with moderate temperatures; in June and July the sun never sets and daylight lasts 24 hours. The temperatures in the summertime are higher in the southern parts, but occasionally exceed 25 degrees. In wintertime, temperatures often fall below zero in all Nordic countries.

Business Culture

Each of the Nordic countries has their own national culture, but there are so many similarities that it makes sense to talk about a Nordic culture and a corresponding Nordic business culture. Here are a number of key points that are worth studying when starting co-operation with a Nordic partner:

Rules Before Relations

In business, Nordic people put rules before relations and normally there is a clear distinction between personal and professional relations. The Nordic partner may not seem very interested in getting to know his trade partners personally, but this does not mean that he is not interested in doing business with them.

Punctuality

Being punctual is not only regarded as a sign of respect but also of efficiency. Being late for an appointment is regarded as lack of respect for the person you are meeting. Nordic businessmen will have little understanding for the cultural variations on this subject. Punctuality in arriving at meetings will be looked upon as an indicator of the punctuality on supplying the goods. Should a delay occur, it is important to give notice as soon as possible. If an exporter is late for a meeting without having given notice, the Nordic partner is likely to consider him unprofessional.

The stressing factor of time can also be seen in everyday business contacts; it is common practice to set a deadline for something to be done or a decision to be made and deadlines are expected to be kept.

Power Distance

Nordic people are very keen on equality. Compared to many other countries, the business hierarchy is fairly 'flat', and the power distance relatively small between persons at different company levels. It is important to be polite and to respect staff members irrespective of their level in the hierarchy.

Negotiating Business Terms

The Nordic business partner is likely to be totally frank regarding what he expects from you and what he himself can contribute. It is important to be very precise when negotiating terms. Exporters should not accept any terms that they are unable to fulfil. Being appropriately assertive by saying "No" in some situations is perfectly acceptable in Nordic countries. Nobody will be offended by an explanation that delivery according to a certain specification is not possible as long as the specification has not been agreed on. In many cases it is possible to make allowances from the Nordic side to make the deal go through anyway.



It is of paramount importance, however, not to make promises that cannot be kept a 100%. Delivery time is crucial in many sectors. If the importer knows that the delivery time is 3 months, he is often able to work with that, but if the promise was 3 weeks and the delivery arrives after 2 months, the cooperation is likely to end immediately. No further orders will be placed as the importer will find that this exporter cannot be relied upon.

The Contract

Nordic people prefer written contracts. In some cultures a contract is a letter of intent, and the business partner is satisfied if the exporter does his best to live up to the terms. This is not the case in Nordic countries where the business contract is considered irrevocable and a partner will expect the contract to be fulfilled to the letter. If the trade partner does not comply, he will be considered unprofessional or even dishonest. Do not sign a contract unless you are 100% sure that you can live up to all terms for as long as the contract stands.

Dress Code and Communication Style

Nordic people are often more informally dressed than people of other cultures. This is not to be taken as a sign of disrespect; rather it should be kept in mind when approaching new connections that a casually dressed person may be the CEO. Nordic people are very straightforward and informal and prefer to go straight to the point. At a business meeting there is not likely to be a lot of small talk. Feedback and criticism is given openly in negotiations and business discussions. Such feedback should be considered as a sign of serious interest, not disrespect.

Women in Business

Nordic countries have the world's highest rate of women in the workforce. Exporters are likely to meet women at any level of the companies and exporters should be prepared to work with women as with men at all levels.

Gifts

It is not common for business associates to give each other gifts, and legislation against bribes is severe. In order not to embarrass your Nordic business partner the best choice is to only present gifts of low value.

THE NORDIC ECONOMY

The Nordic countries have all experienced rapid economic growth since World War II and are among the wealthiest in the world. The countries are now post-industrial societies with around two thirds of the workforce employed in the service sector.

All four countries have highly developed foreign trade. Over the last 20 years, European integration has increased through the development of the European Single Market. Until 1 May 2004 this comprised the 15 Western European member countries of the European Union, plus Norway, Iceland and Liechtenstein (members of EEA)⁶. The enlargement in 2004 expanded the EU with another 10 states, most of them in Central and Eastern Europe. In 2007 two more states entered the EU, which now has a total of 27 members, forming the EU-27⁷, the world's largest market area.

The table illustrates the GDP of the four countries compared with the average of the European Union.

6 *The agreement creating the European Economic Area covers Norway, Iceland and Liechtenstein in addition to the EU. It allows Iceland, Liechtenstein and Norway to participate in the EU's Internal Market without a conventional EU membership.*

7 *EU-27 includes the following countries: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxemburg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.*

DENMARK

Service, Knowledge and Information Society

The industrial development in Denmark has not been linked to the occurrence of raw materials. Subsequently the Danish industry is largely made up of small and medium sized companies focusing on light manufacturing and reprocessing. The industry is diversified and almost all sectors are represented. The individual sectors are often characterised by a high degree of specialisation.

Danish companies are small in international comparison. 92% of all Danish enterprises have less than 10 employees. Only 2% of the enterprises have more than 50 employees, and these 2% account for 68% of the total workforce.

From the 1960s to the late 2000s, the traditional industries, such as agriculture, fishing, and manufacturing, experienced a decline in the number of employees from 57% to 22% of the total workforce most predominantly in the textile and leather industry. The number of farms has declined with more than two thirds in the same period, leading to much fewer large and highly industrialised, specialised farms with relatively few employees.

GROSS DOMESTIC PRODUCT (2010)

	Denmark	Finland	Norway	Sweden	EU
Gross domestic product at market prices (current prices), € m	234,005	180,295	311,855	346,667	12,268,387
GDP per capita in Purchasing Power Standards, €	30,400	28,300	43,700	30,100	24,500
GDP per capita in Purchasing Power Standards, index	124	116	179	123	100

Source: Eurostat



The decline in the number of employees in the traditional sectors is due to industrialisation and rationalisation of the production as well as outsourcing of labor intensive production to countries with more competitive wages. It is significant that the traditional sectors, despite having halved the number of employees, have maintained their level of contribution to the industrial turnover. The industrial turnover from the traditional sectors was € 82 billion in 2009 with manufacturing of food stuffs, beverages and tobacco constituting the largest industrial group with ¼ of the total industrial turnover. Today the majority of the labor force, more than 70%, is employed in the service sector including the retail and wholesale sector, tourism, education, health care, etc.

The so called knowledge intensive industries within the service sector are technical testing and analysis, ICT, consultancy services, advertising, temporary employment agencies, consulting engineer, architects and designers, market research, accounting, lawyers, etc. These knowledge intensive industries have in particular grown intensively, measured both in terms of number of employees and industrial turnover reaching almost € 20 billion in 2009.

In total approx. 311.000 enterprises (2010) are registered as companies that must adhere to the value added tax (VAT) laws. Approximately 70% are service enterprises with trade and transport as the largest sector and 30% are enterprises within the traditional sectors agriculture, forestry, fishery and building and construction.

Foreign Trade

With a small open economy, Denmark is completely dependent on foreign trade. Denmark has had a surplus on the trade balance with goods since the late 1980s. In 2010 the total export and import amounted to approximately € 73 billion and € 64 billion respectively.

Manufactured and semi-manufactured products account for more than 70% of the value of the total export, and for some sectors, i.e. the pharmaceutical industry, export accounts for more than 90% of the total turnover. Export is diversified and important export sectors are: machinery and industrial instruments (25% of total exports), pharmaceutical products (9% of total exports), textile and garments (5% of total exports), and industrially processed agricultural products (4% of total exports). Since the 1990s, Denmark has been a net-exporter of oil and natural gas from the North Sea and the export constitutes 8% of the total exports. The occurrence of oil and gas is, however, expected to be exhausted within the next decade.

Trade with services has gained increasing importance. From 1990 to 2010, the export of services increased fourfold and in 2010, the export of services, with the transport sector as the most dominant, reached € 45 billion while the import of services reached € 39 billion.

Danish import is diversified. As a general rule, Denmark imports raw materials or semi-manufactured goods which are further processed before being re-exported. In some sectors, however, Denmark relies heavily on import of readymade products. Denmark has no production of vehicles and relies 100% on import of cars. Telecommunication, iron and steel, and paper mass are other major import products, and although textile and garments constitutes an important export sector, the imports to the sector exceed the exports.

Denmark's main trading partners are countries that are geographically close. Trade with European countries accounts for 83% of the total export and 79% of the total import⁸. Germany and Sweden are the leading trading partners both in terms of import and export. Other important export markets are Great Britain, Norway and the United States. China is the third largest import country after Germany and Sweden, followed by the Netherlands and Great Britain.

⁸ *Import statistics from EU countries are often overestimated due to statistic measuring methods. The imports are measured by the country of despatch and not country of origin. Hence, imports from countries outside the EU that make intermediate landing and are cleared by the customs in another EU country before continuing to the Nordic country in question, are not registered as imports from a third country.*

Denmark has very limited trade with the developing countries. Less than 1% of the total import comes from Africa, import from Central and South America amounts to 1.8% of the total import and Asia accounts for 6.35%, of which China accounts for more than half.

FINLAND

Advanced Industrial Economy Driven by High-Technology and Specialisation

For a long time, Finland specialised in the forest industry and the processing of metals. A new sector that developed during the past 15 years was electronics and especially the manufacturing of communications devices. Economy changed more dramatically in Finland than in any other OECD country over the same period of time. Industrial production and exports grew faster than the rest of the economy in the 1990s, and the structure of exports diversified. Industries became technology-intensive and production was strongly characterised by specialisation. Finland became the most specialised country in the world in information and communication technology, and the same trend of specialisation is continuing. The forest industry and other traditional industries rely more and more on the new technologies and state-of-the-art knowledge.

The largest sector of the Finnish economy is services at 65%, followed by manufacturing and refining at 31%. Primary production represents 3% of the economy. Finland's main industrial products are paper and board, electronics and metal products. The engineering and high technology industries, led by Nokia, have long been the leading branches of manufacturing.

Foreign Trade

As in most small countries, foreign trade plays a significant role in the Finnish national economy. Traditionally this has applied to energy and raw materials in particular, but as the structure of production industries has changed, there are hardly any economic sectors where imported goods or services would not play a significant role.

The value of exports in 2010 was € 52.4 billion, the major groups being forest products, machines and appliances, electronics and metal. The EU countries represent 55% of the exports, and the biggest export countries outside the European Economic Area are Russia, USA, China, Japan and South Korea. The



value of imports was € 51.5 billion, of which 55% came from the EU area. The major import countries outside the European Economic Area were Russia, China, the United States, Japan and Peru.

In 2010, the value of imports from developing countries was € 8.1 billion, i.e. 15.8% of all imports. The growth rate of imports from developing countries was 16% from 2009 to 2010. The average growth rate of total imports was 18%, while imports from the EU grew by 15% during the same period. In the coming years, the potential for growth is similar, giving particularly the developing countries' highly promising opportunities for increasing their business with Finland.

SWEDEN

An Industrial Country Moving Away from Industry to a Large Knowledge-based Service Sector

Natural resources such as timber, hydropower, and iron are used to constitute the resource base of the Swedish economy. The manufacturing industries still have a strong position due to the availability of raw materials; they constitute about 13% of total employment. At the same time, historically important sectors, such as agriculture and forestry, now only account for approximately 2% of the employment in Sweden.



Thanks to a deliberate transformation of industry, Sweden is now one of the leading nations in terms of knowledge-based industry and technology development. Information and communication technology (ICT), life science, and environmental engineering are examples of prominent sectors in Sweden.

Another area that has become increasingly important in recent years is the service sector. The service sector is the largest employer in Sweden and accounts for approximately 75% of total employment. Notably, a substantial increase in growth is occurring in the creative and knowledge-intensive industries. The major service areas are retail and wholesale, business services, and real estate. Moreover, it is more and more common that Swedish companies outsource parts of their operation, which has spurred the growth of staffing companies and the consulting business. The service sector is also growing in terms of exports and accounts for about 33% of total export value.

The concept *servicification* is gaining ground in trade analysis and the Swedish economy. Servicification refers to integration of manufacturing goods and services. The manufacturing is servicified, not only on the production level but also on the sales level, in terms of development, research, and additional services such as maintenance.

The Swedish economy is also characterised by a significantly higher tax incidence than equivalent countries. In 2009, the Swedish tax incidence was more than 47% of GDP despite the downward trend that Sweden has experienced in recent years.

Foreign Trade

Globalisation is a key-concept in the Swedish economy. Internationalisation has made Sweden successful in attracting foreign investment, and the country houses a large number of multinational corporations. The vast majority of export commodities constitute machinery, electronics and telecommunication, paper, pharmaceuticals, petroleum products, iron and steel, and foodstuffs. Most exports go to countries within the EU (58%), but other important export destinations are Norway (10.6%), the United States (6.4%), China (3.1%), Russia (1.4%), and Japan (1.3%).

In terms of imports, the Swedish industry is to a great extent an assembly industry, depending on imported raw materials and components. The major imports are machinery, electronics and telecommunication, chemicals, pharmaceuticals and petroleum products, foodstuffs, crude oil, textile, and footwear. Sweden imports mainly from the EU (68%), Norway (9%), China (3.8%), the United States (3.8%), and Russia (3.76%).

HOW TO ACCESS THE NORDIC MARKET

Nordic countries are highly developed countries with saturated markets. Before entering the Nordic market, long-term planning and substantial efforts are required. The competition is fierce and Nordic companies get plenty of business enquiries from hopeful suppliers. Therefore, it is wise to be well prepared in order to stand out in the competition. Besides learning about the business culture and commercial practices, analysing the market characteristics, major players and opportunities is crucial.

Newcomers also have to make sustained effort to keep up with market demand. It is advisable to learn what the Nordic buyer values when doing business: efficient negotiations, explicit offers and terms, high quality, punctuality, compliance with the law, etc. However, once the Nordic company finds a reliable partner and a functioning customer relationship is established, there are good chances of long-term commitment from the Nordic side. When entering the Nordic market, the exporter needs to identify its objectives in relation to production capacity and sustainable business practices.

Imports from developing countries to the Nordic consumer market consist mainly of foodstuffs and textiles. If you wish to enter the Nordic market for either of these sectors, please see sector specific information in factsheets attached to the guide.

Contacting Potential Business Partners

Internet

Today, the Internet is the major source of information on new markets. It is an easy and cheap tool to screen the

market, find potential gateways, etc. You can use either a search engine or any available business and market database. Despite the benefits of the Internet, it can be time-consuming and difficult to identify relevant facts due to the infinite amount of information. To find the right information or potential business partner, you need to specify your search and define the keywords.

Most Nordic companies also have an English version of their website and they publish information on their product range and distribution network. However, they tend to be less open with details on their purchasing practises. Contact details are often found more accessible on online databases. Examples are www.compass.com and www.europages.com.

Trade Fairs and Missions

Taking part in and visiting trade fairs is an efficient way of getting acquainted with a new market. The main actors in the sector will be present at the leading fairs. Before exhibiting it is often advisable to participate in the fair as a visitor – there can even be requirements that must be met in order to be allowed to participate. A thoroughly prepared and well-executed visit to a trade fair can be cost-efficient market research. At the Nordic fairs, many exhibitors are wholesalers and importers and their target group is retailers. Approaching the exhibitors with information on new products is a very efficient way of getting in contact with the buyer.

Visiting a trade fair will also provide the exporter with information on the latest development, trends, and fashions of the sector. This will enable the exporter to compare their offer with the competitor's, and thus adapt their offer in order to make it relevant for Nordic importers.

To get more information on Nordic fairs, visit Fairlink, the Nordic Trade Fair Council at www.fairlink.se.

- To get more information on **Swedish fairs**, visit the Swedish Exhibition & Congress Centre at www.svenskamassan.se and the Stockholm Exhibition and Congress Centre, www.stockholmsmassan.se. Pages are also available in English.
- To get more information on **Finnish fairs**, visit the Helsinki Exhibition & Congress Centre at www.finnexpo.fi. Pages are also available in English.
- For more information on the most important **Danish trade fairs** visit www.bellacenter.dk, www.mch.dk and www.aalborg-portalen.dk. Information is available in English.

Business Trips

Once the market opportunity has been examined, the exporter needs to approach the buyer, preferably for a personal meeting. The importer will expect the

exporter to be prepared for the meeting on a level where he can answer all relevant questions regarding price, quality, terms of delivery, etc. An exporter may have to meet the potential buyer several times before a deal is concluded. Before the business trip, the exporter should investigate the relevant legislation and market requirements applying to his products.

Exporters from most developing countries will need a visa to enter the Nordic countries. Visas should be applied for at Danish, Finnish, Norwegian, and Swedish embassies several months before departure. Before issuing a visa, many embassies require substantial documentation, and sometimes an invitation from the business partner. The procedure needs to be initiated in due time. Arranging business delegations to the Nordic countries between the middle of June and the middle of August is not advisable, as this is the summer holiday season.

There is a growing trend that Nordic importers visit producers in developing countries before starting a new co-operation. Many import promotion offices are active in organising group tours for interested business people.

The trade promotion services in Denmark, Finland, Norway, and Sweden offer useful services; find contact information in Chapter 8, "Assistance to Exporters".

Practical Advice Given by Nordic Buyers

- Nordic consumers are quality conscious and familiar with high technology
- English is widely spoken in all Nordic countries
- The information supplied in respect of consumer products and services shall be in the local official language (in Finland both Finnish and Swedish), or – when applicable – conveyed by universally known instructive or cautionary signs or symbols.
- All documents requested by the buyer shall be appended to the invoices and shipments
- Products shall be equipped with stickers or labels requested by the buyer
- Bar codes are used in all retail products
- Regarding clothing and shoes, the country specific sizes/units of measurement should be used*
- Packages need to comply with environmental requirements
- Transport and wholesale packages need to comply with the standard dimensions
- Due to the small population, the quantities ordered are smaller than for many other countries in the EU
- Social responsibility in the supply chain is highly esteemed and favoured
- With small volumes, it is advisable to cooperate with other small exporters, or work with a trading house or an agent
- International exhibitions can serve as a useful contact point

* Tables of measurement vary slightly from one Nordic country to another.



The Retail Market in the Nordic Countries

DENMARK

The turnover of the Danish retail market is approximately € 38 billion (2010). Foodstuffs and everyday necessities along with other household commodities, i.e. interior decoration and leisure products, are the most important product groups, each accounting for approximately 45% of the total turnover. Garments are the third most important product group accounting for 10% of the total turnover.

The number of retail outlets has decreased and the large supermarket chains are totally dominant, accounting for almost 50% of the total turnover in the retail sector. In comparison, the turnover from the small food stuff specialty shops accounts for less than 3%.

There is a tendency that the supermarkets whose main products have traditionally been daily necessities, move into product groups which previously were the core business for speciality shops and chains e.g. computers, digital cameras, and televisions. The supermarkets due to large volumes can offer competitive prices.

Major Players in the Danish Retail Market

The supermarket group Dansk Supermarked operates four major supermarket chains and two department stores covering foodstuffs, daily necessities and, in varying degree, textiles and garments. The group has almost 1,400 outlets and employs 43,000 employees, of which the majority (33,000) is employed in Denmark. The largest chain, the discount-chain Netto has expanded internationally and is represented in Sweden, Germany, Poland, and the UK with over 800 outlets.

Coop Danmark A/S is a major group in the foodstuff sector operating three chains and two subsidiaries with approximately 35,000 employees and an annual turnover of almost € 7 billion. Coop Denmark is owned by the cooperative FDB, which has 1.6 million members. Coop has sister groups in Norway and Sweden, Coop

Norway and Coop Sweden with a similar cooperative ownership structure.

Jysk is a prominent retail chain in the non-food sector, supplying household commodities, textile, linen, and, to a minor degree, furniture. The chain has a total of 16,000 employees in 1,800 stores in 35 countries, including also other Nordic countries.

Also the remaining retail sectors, e.g. the sector for furniture, electronic devices, and garments are dominated by large retail chains. Some of the large Danish garment producers primarily sell on the home market through own shops or franchise shops.

The Swedish concern IKEA is represented in Denmark with five outlets and dominates the Danish market for low medium market furniture and household and interior decoration items. The Swedish garment chain H&M is represented in all larger Danish cities with a total of 72 stores and has a high share of the market for low and medium price garments.

Import

The large retail chains import directly and in some cases develop their own product lines in cooperation with the producers. The number of companies, which exclusively function as importers and/or whole sellers, is decreasing; often the companies are smaller and focusing on highly specialised product or market niches.

The fierce international competition has lead not only to direct import but also to the founding of international procurement co-operations. Dansk Supermarked co-operates with the international procurement association AMS, Associated Marketing Services, Agentrics, and Maersk Procurement. Coop Denmark in cooperation with Coop Sweden, Coop Norway, and Finnish Inex/SOK operates Coop Trading, which is the largest Nordic procurement company represented with offices in China, Indonesia, Vietnam, India, and Spain.

Relevant information and contact details for potential suppliers can be found at the relevant web-pages: www.dsg.dk, www.cooptrading.com, www.jysk.com.

FINLAND

Efficiently Organised Retail Market

The total value of the Finnish retail market is approximately € 35 billion (2010), which is shared by 29,000 retail stores. The big chains dominate most retail sectors. In the food sector, self-service stores account for almost 100% of business in the field, the amount of specialised food service stores being limited. The biggest groups are expanding their businesses also to the other Nordic countries, the Baltic countries and Russia, which means that dealing successfully with such retail groups can lead to sales to a much wider market than only the Finnish market.

Major Players in Finnish Retail Trade

In food products, the big players are S-Group, Kesko, and Suomen Lähikauppa Oy. The S-Group is a consumer co-operative with a market share of 44.1% in 2010, whose buying and logistics company is called Inex Partners. Kesko and the K-retailers are together the second biggest group (35.0%). Suomen Lähikauppa served by Tuko Logistics holds a share of 9.0% and the German discounter chain Lidl of 5.0%. About 7% of the market is held by smaller companies outside of the big chains.

The three biggest department stores are the S-Group (Sokos department stores and Prisma hypermarkets), Kesko (K-Citymarket hypermarkets, Anttila department stores, Kodin Ykkönen for home and interior decoration), and Stockmann.

In the clothing sector, the market previously dominated by department stores, is now lead by chains of clothing stores. Of companies specialising in clothing, the biggest are H&M, Texmoda Fashion Group, Seppälä, and Lindex (the two latter are owned by Stockmann).

In sports products, Kesko with its Intersport dealers and department stores, dominates the market.

Connections to European Alliances

Buying is centralised within each chain, not only nationally, but in many cases also at the European level. Kesko Food is a member of Associated Marketing Services (AMS), a strategic buying alliance based in the Netherlands. The S-Group has its own channels through Coop Trading, Tuko Logistics is a member of United Nordic and EMD, Intersport Finland is linked with Intersport International, etc. This means that some purchasing decisions are made in such buying alliances, and there are also European-wide own brands, such as Euroshopper for the AMS members.

Import Companies Serving Retail Groups and Individual Retailers

The big retail groups normally buy at least half of the imported goods directly from their foreign suppliers, and take care of the forwarding of goods and all import bureaucracy. They can also buy from foreign trading houses, which represent various small and medium size suppliers.

In addition to such foreign partners, there are also many import companies and agents based in Finland and specialising in certain sectors which import and sell the products to retail groups and other clients. Most of them are relatively small family enterprises, and are used to working both with smaller suppliers and with smaller retail clients. Practically all these agents are members of the Finnish Foreign Trade Agents' Federation, an association of commercial agents, distributors, and importers. On its website (www.agenttiliitto.fi), you can find the members classified by product groups. The biggest of the 18 groups represent clothing and footwear; fabrics, leather and accessories to garment industry; and home furnishing and household articles.



SWEDEN

The turnover of the Swedish retail market is approximately € 61.7 billion (2010) with a growth rate of 10% (2007–2010). E-trading is growing fast and the total turnover in 2010 was € 2.5 billion, which translates to 4.6% of the total retail market, and the growth rate was at 13.1% for 2010. Food stuffs, textile, furniture and interior decorating, and electrical appliances were amongst the top imports to Sweden in regard to the retailing industry.

Trends in retail show that the retail chains are growing in the market, which makes it hard for smaller actors to succeed. A trend is also that the larger chains diversify their goods to include products of all kind. The retail chains are taking over the role of large department stores.

Major Players in the Swedish Retail Market

The Swedish food-retailing sector is highly concentrated. Four trade groups, with both integrated retail and wholesale activities, dominate the market. ICA, Sweden's largest food retailer, has 1,350 stores and a market share of about 38%. ICA AB is a joint venture 40 percent owned by Hakon Invest AB of

Sweden and 60 percent by Royal Ahold N.V. of the Netherlands. Coop Group has 720 stores and approx. 16% of the whole food market. Axfood has about 340 general grocery stores and approx. 700 convenience stores. The market share is around 16%. Bergendahls Food has 180 stores and a market share of 5%.

These four groups account for about 75% of the total retail market for foodstuffs and other everyday commodities. However, if only the sales of ordinary grocery stores are counted (excluding small convenience stores and speciality food stores), their combined market share is even higher, about 95%. These four major players are integrated with retailing and wholesaling activities as well as cooperating with retailing groups in other Scandinavian or European countries, especially regarding imports.

In recent years, two foreign-based discount chains have been established in Sweden, Lidl of Germany and Netto of Denmark. Even though these chains have built up their own supply system in Sweden, all imports are coordinated with their headquarters in Germany and Denmark respectively. Their combined market share is still rather insignificant, about 4%, but it is expected to rise substantially within the next few years.

Another large food retailer is Reitan Servicehandel (with headquarters in Norway), which runs 7-Eleven and other convenience stores. In addition there are several petrol store chains as well as smaller independent stores and so called ethnic food stores (usually run by immigrants).

The Swedish imports for clothing and home textile supply well to the Swedish domestic market. This is possibly due to large re-exporters. In recent years, several companies have more than doubled their exports. The largest retail chain for clothing is H&M with over 150 shops in Sweden. Other large retailers are Kapp-Ahl and Lindex. They, as well as H&M, are all active in several countries. In interior decorating, IKEA is by far the largest actor with a market share of about 45%.

Import

Most of import to Sweden comes from within the EU. The largest import sources outside of the EU market are the United States, China, and Russia. Several of the largest retail chains are also their own importers. In Sweden, the Saba Group (owned by Dole) is one of the largest importers of food stuffs outside of the retailers.

Clothing and home textile products are imported into the Swedish market mainly by retailers and wholesalers (traditional, brand suppliers, and sourcing companies). In most cases the initiatives to trade are coming from the importers' side. It is very common for the garment importers to have direct communication with the manufacturers. The large retailers have efficient purchasing operations involving designers and buyers.



CUSTOMS DUTIES, PREFERENCES, AND RULES OF ORIGIN

EU Customs Duties

Importing products to the EU from a country outside the EU may be subject to customs duties and, in some cases, also to import quotas⁹. In some cases there are free trade arrangements between non-EU countries and the EU, as well as autonomous preferences given by the EU. The duties are often applied as a percentage of the customs' value of the products. For agricultural products, specific duties based on quantity or weight or a combination of percentage and weight-based duties may be applied. Once products originating from outside the EU have arrived to the EU area and the customs formalities have been completed, the products are released into free circulation in the single market area. Norway is not a member of the European Union, and the customs duties of Norway should be checked from the Norwegian authorities.

Preferential Treatment for DCs and LDCs

The Generalised System of Preferences (GSP) Scheme of the European Union is a core part of EU's trading strategy towards developing countries. It is aimed at encouraging

exports to support developing countries in their efforts to reduce poverty, promote good governance, and achieve sustainable development. The system is currently under review, and a revised scheme is expected to be in place by 2014.

All Nordic countries apply the GSP Scheme, although there are slight differences between the Norwegian and the EU GSP. Under the GSP regime, products imported to Nordic countries from developing countries are granted tariff reductions. Products within the regime are divided into a sensitive and a non-sensitive category. Industrial goods – with the exception of textiles – are primarily non-sensitive products and subject to zero duty. Most agricultural products belong to the sensitive category, where limited tariff reductions are applied.

In addition, countries that are beneficiaries of the special incentive arrangement for sustainable development and good governance (GSP+), enjoy a better treatment through extended duty free access for additional products, including sensitive products.

The best terms are granted for the Least Developed Countries (LDCs), which receive duty and quota free access for all products with exception of arms under the EU's Everything But Arms agreement.¹⁰

9 *European Commission, Taxation and Customs Union: http://ec.europa.eu/taxation_customs/customs/customs_duties/rules_origin/preferential/article_781_en.htm*

10 *The only exception is sugar. For the period from 1 October 2009 to 30 September 2012 the importer of sugar shall undertake to purchase such products at a minimum price not lower than 90% of the reference price.*



In addition to these, the EU gives autonomous preferences also to the Overseas Countries and Territories (OCTs)¹¹ and the Republic of Moldova. This means preferential or duty free access to the EU market.

There are also free trade arrangements between the EU and the ACP countries (ACP = Africa, Caribbean, Pacific) that are based on the Economic Partnership Agreements (EPAs) or temporary market access arrangements preceding EPAs, earlier known as the Cotonou Agreement. In addition, there are preferential duty regimes under the Free Trade Agreements (FTAs) for example with Mexico, Chile, South Africa, and some Mediterranean countries (Euro Mediterranean agreements).

Classification of Goods

Correct and accurate classification of goods is of utmost importance for obtaining the preferences. All products that are being traded globally are classified according to an international classification system called the Harmonized Commodity Description and Coding System (HS codes). When the correct HS code is known, the preferences and duties can be checked at the EU Export Helpdesk, <http://exporthelp.europa.eu>. The database can also be searched by product name.

¹¹ The 21 overseas countries and territories (OCTs) belong to four EU member states: Denmark, France, the Netherlands and the United Kingdom.

Exporters of food products are also advised to make themselves familiar with the rules on import licenses and securities in the country in question. Relevant authorities:

- Denmark: *The Danish Veterinary and Food Administration*
www.uk.foedevarestyrelsen.dk/forside.htm
- Finland: *Finnish Food Safety Authority Evira*,
www.evira.fi
- Sweden: *The Swedish Board of Agriculture (Jordbruksverket)*, www.jordbruksverket.se
- Norway: *Norwegian Food Safety Authority NFSA (Mattilsynet)* www.mattilsynet.no/

For certain agricultural products may enjoy duty free quotas, while full or reduced duty applies if the quotas are exceeded. There are also seasonal regulations and defined procedures (such as auctions) for allocating the quotas to importers.

Which Countries Benefit from Preferences?

In total, the EU GSP covers 176 developing countries and territories. Within the GSP, developing countries are

divided into three groups: LDCs, Ordinary GSP Countries and GSP+ countries. As mentioned, the LDCs are given more favourable conditions than the other GSP countries.

In order for a country to obtain the GSP, it is not enough to be entitled to the preferences. GSP preferences can only be applied on exports which fulfil certain criteria and have the necessary documentation. The administration of the relevant requirements must be ensured by the country for which the preferential rules apply. **Annex 1** indicates which countries qualify at present under the EU GSP schemes.

Rules of Origin

To benefit from preferential treatment, the export product must originate from a country covered by a free trade arrangement or a preferential arrangement. A product is generally considered as originating from a beneficiary country if it is *wholly obtained or sufficiently processed* in that country. If it contains elements from other countries or is processed partially elsewhere, the rules of origin define the origin of the product.

Countries belonging to certain groups: ASEAN (South East Asia), SAARC (South Asia), and the Andean



Community (in South America), have the right to use materials from other countries in their group without losing the country of origin status. This is called accumulation. In some cases, exports from LDCs, EPA countries or OCTs to the EU can be granted relaxation of the rules of origin.

The concept of *wholly obtained* often refers to an agricultural product grown in the country and not further processed. For manufactured goods, with inputs from other countries, it is necessary to check the so called list rules that are available for each product/HS code and to determine whether the product has undergone sufficient processing.

Proof of Origin

To prove that the rules of origin are fulfilled, the exporter must provide the necessary documentation. A GSP proof of origin must be issued by the exporter in the developing country and certified by the customs authorities of the exporting country. The following documents of origin are valid:

- Certificate of Origin Form A
- Invoice declaration

For other preferential treatment regimes, mainly EUR.1 certificate or an invoice declaration is valid.

The Internet addresses to Form A and instructions on how to complete the certificate can be found here: Rules of Origin and Form A.¹²

The most recent and case specific information on customs duties, preferential arrangements, and rules of origin can be found at the Export Helpdesk, <http://exporthelp.europa.eu>.

Checklist: How to Benefit from Lower Customs Duties

- The importer must request (claim) preferential treatment at the time of customs clearance
- The product must originate from a developing country for which the EU GSP scheme has been implemented
- The product must be covered by the scope of products contained in the relevant GSP scheme
- The product must satisfy the Rules of Origin criteria
- The product must be covered by satisfactory documentation (proof of origin)
- Transportation must go directly from the country of origin to the Nordic country in question (or via another EU country or Switzerland)

¹² http://ec.europa.eu/taxation_customs/customs/customs_duties/rules_origin/preferential/article_839_en.htm

LEGAL REQUIREMENTS

Export to the Nordic countries is subject to not only each country's local but also in the case of Denmark, Finland, and Sweden, EU legislation, which can make things rather complicated¹³. However, obstacles can be overcome after you have found a client, who is seriously interested in your products, trusts your quality and delivery capacity, and finds your prices competitive. As your client is in most cases considered as the importer of your products, he or she will tell you what is required.

The EU legislation has laid down elaborate provisions concerning the standards of protecting consumers, labour, and environment. Food is the most demanding product group, whereas sector-specific legislation on many specialty goods is much more flexible. Of course, the better the European standards are met at the beginning of the export efforts, the easier it will be to sell to the Nordic and other European clients. And when the business finally begins, there is no other choice – the requirements have to be met.

The EU legislation is enacted in the form of regulations and directives. Regulations are directly in force as such in the EU Member States, whereas directives must be transposed in the form of binding national legislation in each Member State. It is impossible to describe in this guide all legislation concerning exports to the Nordic countries. Therefore, only the essential regulations are mentioned here together with the respective websites for more detailed information on the issues. In any case, the relevant legal rights and obligations should be checked from the official legislative acts.

Product Safety

The EU has general legislation on product safety: Directive 2001/95/EC¹⁴ prohibits the placing on the market of products that pose a risk to consumers' health, caused by dangerous substances or by unsafe construction. The Directive applies to all products on the consumer market. As it can be seen as a framework directive, it is supplemented by product-specific safety directives, such as those covering safety of food products, toys, children's articles, electric appliances, etc. The CE (or new Approach) Directives¹⁵ cover more than 20 different product groups, which represent a potential risk for the consumer. The importer is responsible for having such products marked with the CE mark. The CE-mark is regulated by the EU (see regulation No 765/2008/EC of the European Parliament and the Council setting out the requirements for accreditation and market surveillance relating to the marketing of products and decision No 768/2008/EC of the European Parliament and the Council on a common framework for the marketing of products).



¹³ Norway is not a member of EU; however, the Norwegian legislation is in harmony with the EU legislation.

¹⁴ http://ec.europa.eu/consumers/safety/prod_legis/index_en.htm

¹⁵ http://ec.europa.eu/enterprise/policies/single-market-goods/regulatory-policies-common-rules-for-products/index_en.htm



There are also plenty of technical standards on product requirements. Each EU Member State has national standards bodies, but since all national standards have the same origin, the standard text obtained in any Nordic country belonging to the EU is valid in other EU countries and vice versa.

If the production includes chemicals, it is necessary to study the EU regulation on chemicals and their safe use. The Regulation (EC 1907/2006) is called REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals¹⁶) and its aim is to improve the protection of human health and the environment. Manufacturers and importers will have greater responsibility to manage the risks from chemicals and to register required information in a central database run by the European Chemicals Agency (ECHA) in Helsinki, Finland.

Manufacturers, importers, and distributors must cooperate to provide consumers with the necessary information on product safety, either by labelling the product or giving clear instructions. Importers and distributors need to monitor the safety of the products they are selling and take the necessary measures to avoid threats. This can mean withdrawing the product from the market, informing consumers, recalling products that have already been supplied to consumers, etc.

The national market surveillance authorities in the EU have established a European network RAPEX¹⁷, the EU rapid alert system for all dangerous products except for food, pharmaceuticals, and medical devices. The EU Commission publishes a weekly overview on RAPEX notifications. When unsafe products are discovered, alerts go out across the EU.

Hazardous Substances

To protect human health and environment from hazardous substances, the use of several substances in mixtures and products is restricted. The already mentioned EU REACH Regulation (EC) No 1907/2006¹⁸ regulates the manufacture, placing on the market, and use of chemicals, and sets requirements for specific substances. The use of some substances is restricted and must be authorised and notified, while the use of certain other substances is restricted in specific applications. Examples of restrictions that are often the reason for product recalls are azo-dyes in textile and leather products and phthalates in children's products.

16 http://ec.europa.eu/enterprise/sectors/chemicals/documents/reach/index_en.htm

17 <http://ec.europa.eu/consumers/safety/rapex/>

18 <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2006R1907:20100402:EN:PDF>

Recall of T-shirts Containing Hazardous Substances

At the end of 2010, several children's t-shirts were recalled from the Nordic market. The prints on the t-shirts contained phthalates as plasticisers. Phthalates can be hazardous and are restricted according to the REACH regulation.

The classification of chemical substances is done according to the EU CLP Regulation (EC) 1272/2008 on classification, labelling, and packaging of substances and mixtures.

Product Liability

According to EU Directive 85/374/EC¹⁹, your Nordic buyer (importer) can be held responsible by consumers if a product is defective and the defect causes damage. This is called product liability. Claims for financial compensation for injuries caused by defective products may be passed on to you by your buyer if he expected a certain level of product safety (often established in the agreed contracts) and these expectations were not met.

Product safety shall always be controlled before the product enters the market in order to avoid product liability cases. If a consumer can prove that a defective product has caused him/her personal injury or property damage, he/she can seek financial compensation in the first place from the distributor under the above mentioned EU Product Liability Directive²⁰. The distributor is then entitled to pass the claim on to the importer, manufacturer or whoever comes earlier in the distribution chain. The Directive covers all industrial products; hence e.g. agriculture is not included and is covered by separate legislation.

19 <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:1985L0374:19990604:EN:PDF>

20 http://ec.europa.eu/enterprise/regulation/goods/liability_en.htm

Packaging and Labelling

The main aim of packaging is to ensure that the original quality and hygiene of the product will last until it reaches the consumer. There are also a number of legal requirements for packaging and labelling for different goods and depending on whether they are destined for industrial or consumer use. Again, the purpose is to protect consumer health and safety and provide them with relevant information about the products.

A group of EU Directives (framework regulation EC 1935/2004)²¹ specify which materials, types of plastic, and cardboard can be used in packaging in direct contact with foodstuffs. Another one, Packaging Directive²², contains provisions on the prevention of packaging waste, on the re-use of packaging and on the recovery and recycling of packaging waste – the importer is responsible for implementing this directive. There is also a Directive on Textile Names²³ laying down rules for the compulsory labelling of textiles as well as numerous directives on food labelling, country-of-origin labelling, etc.

21 http://ec.europa.eu/food/food/chemicalsafety/foodcontact/eu_legisl_en.htm

22 <http://ec.europa.eu/environment/waste>

23 <http://ec.europa.eu/enterprise/textile>

General Rules for Labelling

- Consumer products must be labelled in the national language(s) of the market country, or – when applicable – by universally known instructive or cautionary signs or symbols
- Labels and markings must accurately describe the contents of the package
- Weight and measurements must be stated in the metric system
- Information on safe use must be included, if applicable
- CE marking is mandatory for many products

Demonstration of Compliance

Importers have to document compliance with legal requirements. For low-risk products, there are not always specific requirements, and a Supplier's Declaration of Conformity is often sufficient. For higher-risk products, product properties may have to be verified by means of producing laboratory test reports or inspection reports. In some cases (e.g. organic products), an independent certification is necessary. The requirements regarding demonstration of compliance are laid down in directives and other legislation, but the practical procedures may vary from country to country.

For test reports and certificates, recognised European laboratories and certification bodies shall be used. Accreditation by an internationally recognised accreditation body confirms the competence of the organisation in question and enhances the value of their test report or certificate. If the European authorities do not recognise a given documentation, additional testing or inspection may be required when the product arrives in Europe, which leads to delays and extra costs. In certain cases, the EU may send inspectors to the country of origin.

Food Safety

As food safety is a very important issue in Europe, food products are governed by an extensive set of regulations. The latest general framework, which has been implemented in all EU Member States and led to a complete harmonisation, is the Food Law Regulation EC178/2002²⁴. The food law aims at ensuring a high level of protection of human life and health, and it applies to all stages of production, processing, and distribution of food and feed. This integrated "from-farm-to-fork" approach is considered a general principle for the EU food safety policy.

The legislation is continuously developed. Product requirements cover such areas as additives, contaminants, maximum residue levels, hygiene (EU Food Hygiene Regulations EC852, 853 and 854/2004 and Hazard Analysis and Critical Control Point (HACCP) systems), irradiation, labelling, and much more, depending on the product. For example, food products of animal origin must come from an establishment approved by the EU, in some cases special health certificates are required, and many products, such as fresh meat and fish, are inspected and tested upon arrival and need to be approved before being released.

The traceability principle of the food law regulation implies that all imported food and feed and their ingredients are traceable at all stages of production, processing, and distribution. Food business operators are responsible for providing detailed information about the origin of feed and food ingredients to authorities and customers. When food products are placed in the market, they are required to be labelled or identified in a way that facilitates their traceability.

Organic Food

The demand for organic food products is growing annually in the EU. In 2008, over 51% of global sales of organic food took place in Western Europe, and Nordic countries are among the forerunners. 'Organic' is a labelling term used for products that are produced using methods and materials that respect or contribute to nature and animal welfare and make responsible use of energy and natural resources. Prices for organic products are in general higher, so marketing your products as organic may therefore be an opportunity, but you should be aware that you may only sell your products as organic when they meet the strict requirements. Your products should be:

- Produced according to methods that are at least equivalent to the production methods agreed upon and anchored in the EU (and thus Danish, Finnish, and Swedish) legislation;
- Certified organic by an independent state or private control body that is recognised by the EU authorities;
- Labelled as prescribed by EU legislation



24 http://ec.europa.eu/food/food/foodlaw/index_en.htm



Foodstuffs sold as "organic" must comply with EU regulations on organic production and labelling of organic products (EC No 834/2007)²⁵ and be certified by an independent body and labelled accordingly. The special requirements to exports of organic products from developing countries are laid down in Council Regulation EC1235/2008²⁶.

Food Packaging and Labelling

The most important requirements on the materials used for food packaging are laid down in the legislation on so-called food contact materials. The legislation covers materials (e.g. ceramics and plastics) as well as specific substances (e.g. Vinyl chloride monomer, Nitrosamines, BADGE, BFDGE and NOGE, and Bisphenol A). Please note that this legislation, in addition to packaging, also applies to articles that are intended to come in contact with food, such as: bottles (plastic and glass), containers, cutlery, dishes, domestic appliances (e.g. coffee makers), and adhesives and inks for printing labels.

Labelling rules are established to enable consumers to get comprehensive information on the contents and the composition of food products. The general provisions on food labelling are laid down in Directive 2000/13/EC²⁷. The Directive sets requirements for, among others, the name of the food, the ingredients (including food allergens), the amount of an ingredient that is named or associated with the food, an appropriate durability indication (e.g. 'best

before' or 'use by'), any special storage conditions or instructions for use (if necessary), the name and address of the manufacturer, packer or retailer and the place of origin (if necessary). In any case, labelling information must be easy to understand (in the language of the country in question), clearly legible, visible, and inerasable.

Furthermore, the legislation on specific food products often lays down specific labelling requirements, and there are also specific labelling requirements for specific ingredients or treatments (e.g. GMOs or irradiated food).

Unsafe Food

In case of non-compliance with the food safety requirements, food products can be withdrawn from the market at any stage of the supply chain. Food business operators are responsible for taking action immediately if they consider that the food they import, produce, process, manufacture or distribute, is unsafe and to inform their customers and authorities about the possible risk without delay.

Sweden, Denmark, and Finland operate through the EU's rapid alert system for food and feed (RASFF) to act rapidly in response to a detected health threat to consumers. When a threat is spotted in any EU country, alerts go out across the other countries, including the Nordic countries.

Packaging Waste

In order to protect the environment from the waste of packaging of products placed on the Nordic market, the Nordic countries have laid down requirements on packaging. Those requirements are based on EU

25 <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2007:189:0001:0023:EN:PDF>

26 <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:334:0025:0052:EN:pdf>

27 <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2000:109:0029:0042:EN:PDF>

Directive 94/62/EC²⁸ and cover the following: the manufacturing and composition of packaging and its reusable and recoverable nature (recycling, energy recovering, composting, and biodegradable packaging). Most of the requirements involve obligations for your Nordic importer (which may be indirectly passed on to you). However, the legislation also restricts the use of several heavy metals in packaging, which is a direct requirement. Please note that packaging of food must also meet the requirements on food contact materials while wooden packaging materials must also meet phytosanitary requirements.

Plant Health – Phytosanitary Requirements

To protect the Nordic environment from organisms that are harmful to plants (e.g. insects, mites, bacteria, fungi, or viruses), national legislations (based on EU Directive 2000/29/EC²⁹) sets requirements for plants (and plant products) imported into Nordic countries. Wood used as packaging material must be treated and marked according to ISPM 15 (International Standard for Phytosanitary Measures No. 15).

Endangered Species

In an attempt to ensure that no species of wild fauna and flora become or remain subject to unsustainable

28 <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CO NSLEG:1994L0062:20090420:EN:PDF>

29 <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CO NSLEG:2000L0029:20100113:EN:PDF>

For More Information

The Export Helpdesk is a free and user-friendly online service provided by the European Commission. This one-stop-shop service provides relevant information for developing country exporters interested in supplying the EU market.
<http://exporthelp.europa.eu/>



exploitation, the EU implemented the Convention on International Trade in Endangered Species (CITES, Regulation (EC) No. 338/97³⁰). This means that endangered plants and animals, or products made from them, are strictly restricted in Europe and thus also in the Nordic countries. Import of endangered species always requires permits.

More information on wildlife trade regulations:
http://ec.europa.eu/environment/cites/legis_refguide_en.htm

30 <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CO NSLEG:1997R0338:20100815:EN:PDF>

MARKET REQUIREMENTS: PRIVATE SECTOR STANDARDS AND CODES

In addition to legal requirements, the market itself has developed a number of standards and requirements. Although their specific nature can differ from sector to sector, an exporter targeting the Nordic market must live up to a set of standard expectations from buyers in order to enter the market successfully.

The competition is likely to be fierce, no matter which market you are targeting in the Nordic markets. A new business relationship with a Nordic importer often means that the importer will be switching from an existing supplier to a new one. If the exporter, in the importer's view, represents a more distant and potentially risky supplier, a professional and well-prepared approach will do much to enhance buyer confidence.

Nordic retail groups, as well as similar groups all around the European Union, are currently very keen on safeguarding their reputation. Stakeholders want to know every detail of companies' behaviour in different situations and put a lot of pressure on legislators to produce more and more rules and regulations to control companies. Media is active and keeps these issues in the spotlight, especially if they find non-compliance with the rules or other unethical behaviour. In addition, consumers pay more and more attention to the conditions in the supply chain, especially to the

effects of production on the environment and labour. Even if compliance with private-sector standards is not required by law, private companies often set it as a precondition of business in practice.

Corporate Responsibility

The growing consumer awareness in the Nordic countries has led to the emergence of the concept of corporate responsibility (CR)³¹. CR is a strategic tool for businesses to take responsibility, but also to make profit through sustainable business practises. CR lies on three pillars: economic, environmental, and social responsibility. It has become a strategic investment for companies, rather than a norm. CR involves taking more responsibility for sustainable development and the use of resources than required by law.

³¹ *In many cases, CR is referred to as Corporate Social Responsibility (CSR), and often the terms are used interchangeably. The term CR is becoming increasingly common. The reason for this is that contributing to sustainable development involves much more than only the social dimension, i.e. the CSR concept is too narrow to reflect companies' actual work and efforts in the social, environmental, and economic areas.*

Nordic companies are to a large extent adopting CR as a part of their strategic business plan and demanding their partners and suppliers to do the same. Therefore, businesses from developing countries and emerging markets can gain financial benefits by adopting CR. There is great potential for your company if you manage to meet the social and environmental business requirements of Nordic companies, as it not only provides access to the

UN Global Compact

Global Compact was initiated in 2000 by the UN. With over 8,700 corporate participants and other stakeholders from over 130 countries, it is today the largest voluntary corporate responsibility initiative.

Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment, and anti-corruption. The members must contribute through voluntary initiatives within their organisation, in relation to their suppliers or in co-operation with the UN or other governmental organisations or NGOs.

The Global Compact has 460 Nordic companies and organisations as members.

Nordic members of the initiatives have formed the Global Compact Nordic Network open for companies and business organisations in Denmark, Sweden, Norway, Finland, and Iceland. The network currently has approximately 80 members.

Visit <http://www.unglobalcompact.org> for more information

Nordic market but also to the world's largest market area – the EU-27. The reason for this is that Nordic business practises in CR are in accordance with EU regulations.

In general, CR is based on three major global frameworks: UN Global Compact, OECD's Guidelines for Multinational Enterprises, and ILO's eight core conventions. In 2003–2004, the EU Commission set up a working group, called EU Multi-stakeholder (EMS) Forum on Corporate Responsibility³², in order to get all relevant stakeholders together to tackle the social, environmental, and ethical issues. The outcome of these discussions was a statement that all necessary rules already exist: national laws, EU Directives, international environmental agreements, conventions of the International Labour Organisation ILO, Universal Declaration of Human Rights, Convention on the Rights of the Child, etc. The basic problem is that many of the internationally agreed upon conventions and agreements aimed at protecting the environment and employees have not been implemented efficiently enough in the national legislation of many developing countries. As a result, the EMS working group decided to motivate businesses to strengthen the existing voluntary efforts and to create new ones. Typical voluntary efforts include participation in global, national or sectoral CR initiatives and the use of quality, environmental, and social standards.

CR is not a new phenomenon. It has been discussed ever since industrialisation started. However, the information on how companies behave is much easier to get in the era of globalisation. From time to time the major newspapers have published scandalous articles about working conditions in the supply chain of textile and apparel, electronics and electrical appliances, and cocoa-based products in the developing world. Nordic consumers are quite conscious about these issues, and Nordic businesses are therefore forced to revise their routines and comply with these rules and norms. Hence, an exporter to the Nordic countries is advised to have a socially, environmentally, and ethically sound production in order to stand out in the competition.

Standards and Codes

In many cases, buyers use standards as part of their basic requirements to the suppliers. Even if not officially required, a certified supplier is always favoured compared to a non-certified supplier.

³² EMS Forum has had follow-up meetings in 2006, 2008 and 2010, and the EU commission published on October 25, 2011 a Communication "A renewed EU strategy 2011-14 for Corporate Social Responsibility", see http://ec.europa.eu/enterprise/newsroom/cf/_getdocument.cfm?doc_id=7010

Certification is always carried out by specialised, trained auditors of a neutral standard certification body. As concerns ISO standards, you can find the standards bodies at www.iso.org.

Product certification confirms that a product complies with specified requirements, or that process requirements are met. A certification mark or label is often attached to the product. In Europe, a large number of certification and labelling schemes are in operation. In addition to, for instance, the CE mark which is mandatory for many products, the market has developed a large number of different certifications and Ecolabels. These certifications and Ecolabels are in principle voluntary, but may in reality be mandatory. The certifications can refer to different aspects of a product or to procedures and standards in the company. Normally, the importer will convey his/her wishes in terms of certification.

Many companies with experience in international trade have started to publish **Codes of Conduct**. These documents normally include the company's requirements for the suppliers on labour laws and certain environmental issues, and they also express the ethical rules the buyers need to follow when dealing with the suppliers. Very often the Codes are based on standards, since companies do not want to deviate from such internationally accepted principles. Codes are also auditable; often the buyer company audits the suppliers, but these audits can also be given to an independent body.

Standards and codes are useful tools, because they bring a common language and common requirements into the negotiations and there is no need to establish any own rules. For the suppliers, it also makes sense to avoid excess monitoring by going through one single certification audit which is then valid for all customers.

Quality Management

The most common quality management system is the international ISO 9000 standard – currently there are more than one million issued certificates world-wide. In ISO 9000, there are requirements on management and organisation, documentation, resource management, process control, and improvement. Successful implementation of the standard improves product and process quality, efficiency, and reliability.

Especially in the food sector, product safety is an extremely important issue throughout the chain. Organisations involved in the food chain often apply food safety management systems based on the ISO 2000:2005 standard in order to demonstrate their ability to control food safety hazards and thus ensure that food is safe at the time of consumption. Food suppliers are also advised to make themselves familiar with the principles and standards of the Global Food Safety

The Nordic Countries

have long experience in environmental labelling. The Nordic Ecolabel (also known as the Swan label) is a voluntary ecolabelling scheme that evaluates a product's impact on the environment throughout the whole lifecycle. The Swan label is well known all over the Nordic countries and it covers 63 product groups. A company can apply for the label within any of these product areas. The product groups range from stationery to detergents, furniture, and hotels. The requirements concern the manufacturing, use, and disposal of the product.



Initiative run by The Consumer Goods Forum. The Global Food Safety Initiative is a global cooperation of experts from food retail groups and food industry. More information on www.mygfsi.com.

Environmental Management

The second best known ISO standard is the environmental management standard ISO 14000, with over 200,000 issued certificates. In accordance with ISO 14000, organisations must identify and monitor their relevant environmental aspects, develop an environmental policy and programme, and improve performance. However, specific targets are not required, for example pollution levels.

Environmentally Sound Production (ESP) may be a part of an environmental management system, or it may be a separate system. Regardless, it is necessary for a producer from a developing country to use ESP in order to be able to gain market access in the Nordic countries or any other countries in the EU.

In the foodstuffs sector, GLOBALG.A.P. (see fact box below) is the major certification protocol regarding agricultural production. Besides GLOBALG.A.P. and

Fair Trade certification (variety of products, not limited to food), you will find smaller certification schemes in some food products, such as Rainforest Alliance (mainly coffee and fruit) and UTZ CERTIFIED coffee, etc. The EU and most other countries also have detailed criteria for organic production, specifying the preconditions under which the producer can be granted the organic label (see Food Safety in Chapter 5).

Working Conditions

An increasingly important part of corporate responsibility and supply chain management is social

GLOBALG.A.P. – An Integrated Management System for Foodstuffs

The GLOBALG.A.P. (formerly known as EUREPG.A.P) initiative has been developed by the main European retailers, based on the concepts of *Good Agricultural Practice* (GAP). GAP has evolved as a result of the concerns and commitments of a wide range of stakeholders about foodstuffs production and security, food safety and quality, and the environmental sustainability of agriculture. GAP applies recommendations and available knowledge to addressing environmental, economic and social sustainability for on-farm production and post-production processes. GLOBALG.A.P. includes specific standards for the production of fruits and vegetables, combinable crops, livestock, feed, flowers, and coffee. The system specifically targets producers outside Europe. Most major Nordic fruit and vegetable retailers apply the GLOBALG.A.P. certification protocol as a precondition for purchasing foodstuff imported from outside the EU, either themselves or through their wholesaler or importer in another EU country.

quality control of suppliers. This is especially true in developing countries. Social quality refers to decent working conditions, including health and safety, and fair terms of employment.

At the international level, the minimum labour standards have been agreed upon by the United Nations and the International Labour Organisation (ILO) to be implemented in the national legislation. The Nordic retail groups and their European counterparts want to make sure that suppliers comply with the ILO standards, applicable national laws and regulations, and other statutory requirements, whichever are most stringent. Such requirements are a typical basis for company codes, social quality initiatives, and social standards. The list of issues to be monitored consists of freedom of association, child labour, forced labour, working hours, compensation, discrimination as well as health and safety. The most important and internationally recognised sustainability-reporting framework is *Global Report Initiative* (GRI).

The biggest European initiative on social quality is *Business Social Compliance Initiative* (BSCI) with close to 800 retail chains as members, among them the major Nordic retail groups. The BSCI has a very thorough handbook – both for processing industry and primary production – that the BSCI members distribute to the suppliers who want to cooperate with the scheme. The process starts with filling in a self-assessment form, which is almost similar to the audit questionnaire and helps the supplier implement necessary adjustments before inviting the auditor. BSCI audits are always carried out by international certification bodies, and the audit reports are fed into a common database on the BSCI website, letting all members interested in the supplier see the audit results and thus avoiding multiple audits.

BSCI audits do not lead to a certification, because they do not cover management systems and documentation as thoroughly as ISO standards do. If a supplier wants to become certified, the next step after BSCI approval is to build the required management system and ask the same auditor to carry out a *Social Accountability SA 8000* audit. SA 8000 is a global social standard, developed by a U.S. organisation called *Social Accountability International*.

In the food sector, Fair Trade certification consists mostly of the same social issues as the SA 8000 and the BSCI, with the difference that Fair Trade includes environmental requirements and guarantees the producers both a steady minimum price and a certain premium to be used for social development projects. In addition to foodstuffs, the Fair Trade assortment now consists of flowers, cosmetics, gold, and cotton.

FROM EXPORT PRICE TO RETAIL PRICE

Terms of Delivery and Transportation

The importance of fast and reliable delivery as a competitive parameter has increased steadily over the last decades. There is often zero tolerance of delays. Therefore, it is of utmost importance that the exporter states a realistic delivery time from the start of a new cooperation. Importers often plan a long time ahead, and it may not be a problem that the delivery time is long, when this is made clear from the outset.

The transportation of goods from developing countries to the Nordic countries represents a considerable cost. The costs and the importance of safe and reliable transport make research necessary in order to find the best possible means of transport.

In the negotiations with suppliers, not only the export price but also the terms of delivery, transport, and payment are discussed. The decisions made then will determine, which party carries responsibility for the costs arising from loading and unloading, transport, duty payments, insurance, etc., and which costs the supplier needs to add to the export price. Incoterms 2010, developed by the International Chamber of Commerce (ICC), is an internationally recognised tool for clarifying the responsibilities. Different terms of delivery, such as FOB, CIF, EX-WORKS and FAS, are commonly applied. For more information on Incoterms see www.iccwbo.org/incoterms.

The importer often pays for the transport and, if new on the market, may want information and advice from the supplier on existing options. Alternatively, all charges on the way to the final

destination may be borne by the seller. Whichever party takes responsibility for the transport, it is advisable to use the services of a forwarding agent or a shipping agency. Most international freight forwarders have offices in each Nordic country and are able to provide a range of different services. The use of local post services for international transport of goods tends to be slow and unreliable and should be avoided, unless specifically agreed upon with the importer.

As concerns payment, the importer is interested in getting the best possible terms of credit, whereas the exporter wants fast and reliable payment. The most common international terms of payment and their risks to sellers and buyers can be studied e.g. at www.foreign-trade.com/reference/payment.cfm.

Pricing and Trade Margins

In calculating the export price, a number of factors apart from your own costs and profit must be taken into account. Some of the most important are:

The Type of Product and Market

The price will vary depending on the supply situation and whether there is a shortage of the product. Regardless of the supply situation, products in different categories tend to have very different price structures. On consumer products, such as garments or accessories, the retailer margin can be up to 40–70% depending on the type of garments. Basic consumer products such as daily necessities have much lower margins.

The Competitive Situation in the Market

Pricing cannot only be based on cost levels and mark-ups. In the end, the price has to be competitive compared to other products in the market. Market research should include the price level of competing products in your target market.

The Number of Intermediaries

All intermediaries in the distribution chain are in business to deliver a service and earn a profit. The final retail price paid by the consumers depends on the amount of intermediaries in the product chain, the type of product and market, and the competitive situation.

In recent years, the tendency has been to reduce the number of intermediaries in order to keep prices down. Therefore, many large retailer groups skip the wholesalers and buy directly from the importers, or skip also the separate importers and instead import themselves directly from the suppliers. As explained in Chapter 3, the Nordic market has developed very much towards the integration of the wholesale and retail trade, which lowers costs and improves competitiveness.

Typical retail margins are 40–50% of the sales price in specialty goods, such as clothing, home textiles, shoes, sporting goods, etc., and 20–40% (average 30%) in foodstuffs and other daily consumer goods.

Quantity discounts and cash discounts come out of the wholesaler's gross margin. Retailers traditionally have

two big sales every year, in January and in the summer, when they sell off slow-moving articles but also lots of specially purchased discounted goods. These discounts make the average margins in the trade considerably lower than what they appear to be in the given pricing example (the table below).

Customs Duties, Value Added Tax (VAT), Surtaxes

As explained in Chapter 4, exports to the EU Member States are subject to customs duties, with some exceptions, especially for the LDCs. The rate of duty usually ranges from 5 to 14% for industrial products. For agricultural products, the system is somewhat more complicated. The duty is collected when the product enters the country. When counting the duty, the transport costs to the EU are counted in the import price. Another cost at the border is the Value Added Tax (VAT), which in the Nordic countries varies from 6 to 25%.³³ Before counting the VAT of an imported product, the duty,

³³ Country-specific VAT rates: Finland: 13% on food, 9% on public transport services, books, minor repairs, medicines, and hairdresser services, and 23% on other products; Sweden: 12% on food, 6% on books and domestic transportation, 25% on other products; Denmark: 25% on all products; Norway: 14% on food, 25% on other products.

Table: A Pricing Example

Supplier's export price (FOB)	100,00
■ freight, insurance etc. 7% (5–7%)	7,00
CIF price at the Nordic border	107,00
■ duty 13 % (normally 5–14%)	13,91
Landed cost	120,91
VAT 23 % (charged by the customs, deductible for the buyer)	27,81
Retail group's margin (own importing)	
■ margin 40% of retail price	80,61
Retail price (excl. VAT)	201,52
VAT 23%*	46,35
Selling price to consumer (not rounded)	247,87

* Finnish general VAT 23% (other than foodstuff, public transport services, books, minor repairs, medicines, and hairdresser services) used as an example.



possible surtaxes and transport to the destination are added to the import price. The importers, wholesalers, and retailers pay VAT on the respective value they add to the price. There are also surtaxes on some products, such as alcohol and tobacco. These taxes can be even higher than the VAT.

Terms of Payment

Terms of payment are normally an issue of negotiation between the importer and exporter. The importer will be interested in getting the best possible conditions in terms of credit, whereas the exporter will be interested in fast and reliable payment. The most commonly used terms of payment are: Cash in Advance, Letter of Credit, Documentary Collections, and Open Account.

Cash in Advance

Cash in Advance provides 100% reliability for the payment, and the cash flow is positive. This term is, however, rarely used if the co-operation is new, since it requires complete trust from the importer without prior experience of the supplier's dependability. Cash in Advance is sometimes used when the exporter produces an exclusive range of products based on the importer's specification. However, if the co-operation continues, the importer will normally require a Letter of Credit.

Letter of Credit

Letter of Credit (L/C) is a frequently used term of payment. The importer instructs his bank to issue an L/C in favour of the exporter. The L/C is advised through the exporter's bank. Payment is made to the exporter against the presentation of documents that comply with the L/C. An L/C favours both parties in the sense that the exporter is sure to receive his payment after having met his obligations, while the importer avoids the risk of paying in advance. An L/C is, however, quite costly in terms of high banking fees for the importer. Normally the importer will accept a request for an L/C for the first few shipments but will subsequently wish to negotiate smoother, cheaper, and less bureaucratic terms of payment.

Documentary Collections

When using the term Documentary Collections, the exporter, after shipping the goods, presents a set of documents (invoices, transport documents, etc.) to his bank. The bank forwards the documents to a bank in the importer's country. The documents are released to the importer against his acceptance of



a Bill of Exchange (Documents against Acceptance) or his payment (Documents against Payment / Cash against Documents). Using Documentary Collections can represent a risk for the exporter if the importer for one reason or another chooses not to receive the documents and the products. In this case the exporter could find his goods stranded in the import country.

Open Account

The least bureaucratic, but also the most risky term from the exporter's point of view, is an Open Account. After shipping the goods, the exporter sends a set of documents (invoices, transport documents, etc.) directly to the importer. The importer makes payment when it is due, as specified in the invoice.

ASSISTANCE TO EXPORTERS

DENMARK

DANIDA

MINISTRY OF FOREIGN AFFAIRS OF DENMARK
DANIDA | INTERNATIONAL DEVELOPMENT COOPERATION

The Danish

International Development Assistance Danida operates as an integrated part of the Ministry of Foreign Affairs.

Growth and employment is one of five main priorities for the Danish development assistance defined in the latest development strategy, and Danida operates a number of different programmes aimed at improving private sector development in developing countries.

Danida Business Finance offers Danish companies low or interest free loans to finance the procurement of equipment and related services in connection with private sector development projects

**DANIDA
BUSINESS**

Danida Business Partnerships

**DANIDA
BUSINESS PARTNERSHIPS**

supports establishment of commercial partnerships between Danish companies and companies and other relevant partners in the developing countries. The partnerships must be sustainable and increase employment and have a positive effect on the local society. In addition to these two criteria, applications for support under the programme are appraised according to a set of additional development criteria.

For more information about Danida's private sector development programmes visit: www.um.dk, information in English.

FINLAND

Ministry for Foreign Affairs

The Ministry for Foreign Affairs promotes imports to Finland in accordance with the Finnish Government's Development

Policy Programme (2007) and the Government's Trade Policy Programme (2005). This happens by taking measures with a view to removing obstacles to trade and by providing information services. Developing countries' trade capacity is strengthened by means of allocating development cooperation resources to various ends. The Ministry welcomes reports on barriers to trade encountered by importers and exporters.

E-mail: tradebarrier@formin.fi

Website: <http://formin.finland.fi/tradepolicy> (access to an electronic form for notifications on barriers to trade)

You can also contact the Finnish Embassy in your country. A list of all embassies is available at: <http://formin.finland.fi/embassies>

Finnpartnership – Finnish Business Partnership Programme



Finnpartnership

Finnpartnership's mission is to increase commercial cooperation and promote business partnerships



between companies in Finland and in developing countries and hence help to achieve positive developmental effects in developing countries.

In addition to advisory services and financial support targeted for Finnish companies, Finnpartnership helps companies from developing countries to find business partners from Finland. Finnpartnership's Matchmaking Service helps companies and organisations in developing countries and in Finland in finding new cooperation opportunities and business partners. Finnpartnership channels business partnership initiatives from developing countries to companies in Finland and vice versa.

Website: www.finnpartnership.fi
Contact: fp@finnpartnership.fi

NORWAY

Norad

Norad is the Norwegian Agency for International Development, an agency under the Ministry of Foreign Affairs. Norad provides the aid administration with technical advice, finances Norwegian and international aid organisations, and provides quality assurance and evaluation of poor countries.

Norad supports the development of trade in many ways, mainly by developing the supply side and the infrastructure in developing countries and by facilitating imports to Norway and the international market. More information about Norad is available on the website www.norad.no.

SWEDEN

Sida

The Swedish Agency for International Development

Cooperation (Sida) is a government agency under the Ministry for Foreign Affairs. The goal of the Swedish development co-operation is to help create conditions that will enable poor people improve their lives. Therefore, Sida's trade support aims to assist developing countries to integrate into the world economy in a way that makes it possible for them to benefit from trade, promoting sustainable, poverty-reducing growth. In this work, Sida supports trade development, including the capacity to fulfil quality requirements of export markets and export promotion, which is closely related to the activities in terms of private sector development. It



also includes establishing regulations and structures to ensure that imports meet national consumer health and safety standards.

Website: www.sida.se

Trade Promotion Programme of the Swedish Chambers of Commerce



The Swedish Chambers of Commerce have a specific programme to support exporters from developing countries. The programme is funded by Sida, and the basic services are open to all developing countries in Africa, Asia, Latin America, and Eastern and Central Europe. The programme assists business support organisations in developing countries and the embassies based in Sweden with trade promotion. Sector and product development projects are also carried out in a number of developing countries.

Website: www.swedishchambers.se

Market Information. *The Swedish Chambers of Commerce produce market information for a large number of sectors and product groups. The market briefs provide information on import patterns, product descriptions, distribution channels, and business opportunities and can be downloaded at www.swedishchambers.se.*

Business Contacts. *Chamber Trade is an internet-based meeting point for companies all over the world. Exporters can register their business offers and search for partners and customers. Registration is free of charge, and the database is promoted towards Swedish and international business communities. Visit www.chambertrade.com e-mail tradeoffice@chambertrade.com.*

Incoming Delegations. *The Chambers can assist in coordinating programmes for incoming business delegations from a number of developing countries. Special matchmaking with Swedish importers can be arranged as well as specific training arrangements.*

Open Trade Gate Sweden

Open Trade Gate Sweden is a special facility set up by the Government of Sweden to strengthen the capacity of developing countries to trade and export to Sweden. Open Trade Gate Sweden provides exporters

in developing countries with free information on trade rules and regulations applicable to the Swedish and the EU market. Exporters will also get assistance to interpret trade rules and regulations that exporters need to comply with.

Open Trade Gate Sweden will also investigate and help overcoming any trade barriers in the Swedish trade regulations, if applicable.

Website www.opentradegate.se

Contact: info@opentradegate.se

OTHER ACTORS

The Export Helpdesk

The Export Helpdesk is an online service with information on how to export to the European Union.

This free and user-friendly service provides all necessary information concerning EU import requirements, tariffs, trade preferential agreements and statistics in a tailor-made way: *product by product, country by country*.

The Export Helpdesk belongs to the European Commission's DG Trade and provides official updated information on legal requirements and EU law, certificates, rule of origin and preferential agreements, current import tariffs, quotas, anti-dumping measures, and the official EU statistics on trade flows. All information is available in English, French, Spanish, Portuguese, Arabic, and Russian.

Website: <http://exporthelp.europa.eu/>

E-mail: exporthelp@ec.europa.eu

Or contact the EU office closest to you:

www.eeas.europa.eu/delegations

The Centre for the Promotion of Imports from Developing Countries (CBI)

This agency of the Dutch Ministry of Foreign Affairs was established in 1971 and promotes import to the European market through a range of activities that support SME exporters and Business Support Organizations (BSOs) in developing countries.

CBI Support Services:

Market Intelligence (Database and surveys, see below)

Coaching and training on:

- Product and production improvement
- Quality control
- Export marketing and management
- Market entry

Market Intelligence

This module consists of surveys that provide BSOs and exporters with valuable insight on key aspects of the EU market for a specific sector. Available for approximately thirty sectors – which consist of more than one hundred subsectors – these surveys describe the most promising export markets, the latest price information, sector trends, and trade channels. Furthermore, the surveys also include practical information on how to properly market your product.

Market Intelligence surveys also include detailed information on European **Market Access Requirements**, consisting of (a) legislation laid down by the EU, the EU Member States, or Norway, and (b) non-legislative private sector requirements.

To get access on the market surveys, please use the following link: <http://www.cbi.eu/marketinfo>. For more information, visit the CBI website www.cbi.eu.

International Trade Centre (ITC)

ITC is the technical cooperation agency of the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organisation (WTO) for the operational, enterprise oriented aspects of trade development. ITC supports developing and transition economies, and particularly their business sectors, and works in six areas: Product and market development; development of trade support services; trade information (including market surveys); human resource development; international purchasing and supply management; needs assessment; programme design for trade promotion.

ITC regularly issues a *World Directory of Trade Promotion Organisations and other Foreign Trade Bodies*. More information is available on ITC's website www.intracen.org.

Least Developed Countries and Countries of Preferences

Name of Country	The EU GSP system is applicable	GSP +
Afghanistan	X	
Angola	X	
Armenien		X
Azerbaidjan		X
Bangladesh	X	
Benin	X	
Bhutan	X	
Bolivia		X
Burkina Faso	X	
Burundi	X	
Cambodia	X	
Cape Verde Islands		X
Central African Republic	X	
Chad	X	
Colombia		X
Comoros	X	
Congo, Democratic Republic of	X	
Costa Rica		X
Djibouti	X	
East Timor	X	
Ecuador		X
El Salvador		X
Equatorial Guinea	X	
Eritrea	X	
Ethiopia	X	
Gambia	X	
Georgien		X
Guatemala		X
Guinea	X	
Guinea-Bissau	X	
Haiti	X	
Honduras		X
Kiribati	X	
Laos	X	

Name of Country	The EU GSP system is applicable	GSP +
Lesotho	X	
Liberia	X	
Madagascar	X	
Malawi	X	
Maldives	X	
Mali	X	
Mauritania	X	
Mongolia		X
Mozambique	X	
Myanmar	X	
Nepal	X	
Nicaragua		X
Niger	X	
Panama		X
Paraguay		X
Peru		X
Rwanda	X	
Samoa	X	
Sao Tomé and Príncipe	X	
Senegal	X	
Sierra Leone	X	
Solomon Islands	X	
Somalia	X	
Sri Lanka	X	
Sudan	X	
Tanzania	X	
Togo	X	
Tuvalu	X	
Uganda	X	
Vanuatu	X	
Venezuela	X	
Yemen	X	
Zambia	X	

Source: <http://ec.europa.eu/trade/wider-agenda/development/generalised-system-of-preferences/>

The Nordic Countries at Glance

	Denmark	Finland	Norway	Sweden
Government	Liberal-conservative coalition. Parliamentary election in 2011	Majority coalition formed by the National Coalition Party, the Social Democratic Party, the Left Alliance, the Swedish People's Party in Finland, the Green League and the Christian Democratic Party.		The Moderate Party
Constitution	Monarchy with multi-party parliamentary democracy. Queen Margrete II	Republic with a multi-party, parliamentary democracy. President Ms Tarja Halonen	Monarchy with a multi-party, parliamentary democracy. King Harald V	Monarchy with a multi-party, parliamentary democracy. King Carl XVI Gustav
Population	5.5 million	5.4 million	4.6 million	9.4 million
Number of households	2.9 million	2.5 million (2009)		4.6 million (2008)
Population density	126 inhabitants per km ²	15.8 inhabitants per km ²		22.8 inhabitants per km ²
Area	43,095 km ²	338,424 km ²	385,155 km ² , incl. Svalbard 61,020 km ²	449,664 km ²
Climate	Temperate climate. Four distinct seasons: Spring: March, April, May Summer: June, July, August Autumn: September, October, November, Winter: December, January, February	Four distinct seasons. Great contrasts – cold winters and fairly warm summers. Average temperature and precipitations: Helsinki: January -4.2°C and 47mm, July 17.2°C and 62mm. Jyväskylä: January -8.5°C and 43mm, July 16.0°C and 79mm. Sodankylä: January -14.1°C and 35mm, July 14.3°C and 63 mm	Four distinct seasons and large local variations	Four distinct seasons with large variations between south and north. Average temperature and precipitations: Stockholm: January -3°C and 30–40mm, July 18°C and 80mm. Malmö: January 0°C and 50mm, July 18°C and 70mm. Kiruna: January -16°C and 30mm, July 14°C and 80mm.
Language	Danish	Finnish and Swedish	Norwegian	Swedish
Business language	English	English	English	Swedish and English
Weight and measures	The metric system	The metric system	The metric system	The metric system
Currency	Danish krone (DKK) (linked to the Euro)	Euro (EUR)	Norwegian krone (NOK)	Swedish krona (SEK)
Capital	Copenhagen	Helsinki	Oslo	Stockholm
Time zone	Central European Time zone: One hour ahead of GMT. From the end of March to the end of October two hours ahead of GMT.	Eastern European Time zone: Two hours ahead of GMT. From the end of March to the end of October three hours ahead of GMT.	Central European Time zone (see Denmark)	Central European Time zone (see Denmark)
Business hours	Monday to Friday 9 a.m. to 5 p.m.	Monday to Friday 8 a.m. to 4 p.m.	Monday to Friday 8 a.m. to 4 p.m.	Monday to Friday 8 or 9 am to 5 p.m.
Banking hours	Monday to Friday 10 a.m. to 4 p.m.	Monday to Friday 9.15 am to 4.15 p.m.	Monday to Friday 9 a.m. to 3 p.m., Thursday until 4.30 p.m. except in the summer	Monday to Friday 10 a.m. to 3 or 4/5.30 p.m. (banks close at 6 p.m. in the bigger cities)
Public holidays	New Year's Day: January 1st , Easter: (Maundy Thursday, Good Friday, Easter Monday) Great Praying Day Ascension Day Whitsun: Sunday and Monday Constitution Day 5 June (half-day holiday) Christmas: 24 (half-day), 25 and 26 December	New Year's Day January 1st , Epiphany: 6 January, Easter: (Maundy Thursday, Good Friday, Easter Monday) Labour Day: 1 May Ascension Day Midsummer's Eve: Friday between 19–25 June Independence Day: 6 December Christmas: 24–26 December New Year's Eve: 31 December	New Year's Day: January 1st , Easter: (Maundy Thursday, Good Friday, Easter Monday) Labour Day: 1 May Constitution Day: 17 May Ascension Day Whitsun: Sunday and Monday Christmas: 25 and 26 December	New Year's Day January 1st , Twelfth night: 5 January, Twelfth day: 6 January, Easter: (Maundy Thursday, Good Friday, Easter Monday) Walpurgis Night: 30 April Labour Day: 1 May Ascension Day National Day: 6 June Midsummer's Eve: Friday between 20–26 June Christmas: 24–26 December New Year's Eve: 31 December

The Finnish Market for Foodstuff

The northern location and climate conditions limit the growing season and the type of agricultural production in Finland. This makes Finland into a large extent dependent on imported foodstuffs, e.g. fresh fruit and vegetables. Main fruit imports from developing countries are apples and citrus fruits. However, there are very limited possibilities to export fresh vegetables from developing countries directly to Finland. In some cases, this is due to the structure of purchasing, where the purchasing cooperative, wholesaler or agent is situated in another EU country. Most of importation in this product category originates from other EU countries.

The current European trend in the foodstuffs retail trade is towards fewer but larger players. Volumes and centralization of procurements and logistics are the only way to be efficient in vast, sparsely populated countries such as Finland. The three largest retail chains supply almost 90% of the retail grocery market¹. Additionally, pan-Nordic cooperative agreements seek to achieve more efficiency and economies of scale to face the European competition.

Consumption and Market Characteristics

The consumption tendency in Finland, as in other Nordic countries, is towards fresher, more convenient and more nutritious food. Also the socio-demographic changes, such as busier life styles and growing number of single-person households, have their influence on the food retail sector. Changes in demand have resulted in a growing number of healthier, ready-to-eat foods and home meal replacements on the market. There is also growing demand for foreign cuisine, such as Italian, Indian or Thai food, and exotic spices and ingredients have found their way on the store shelves.

Affordable labels, such as private labels, are more popular in Finland than in other Nordic countries according to a recent study conducted by A.C. Nielsen. The majority, 60%, of the Finnish respondents told they are switching to more affordable grocery labels.

Although consumers are becoming more and more price conscious, they are also concerned on food quality, origin and environmental issues. Hence the growing interest towards organic food. Nutrition and health awareness are the key factors with the popularity of functional food. It has been an ongoing trend for some time already and Finland is a forerunner in both the development and the use of functional food. This product group includes a variety of products from low-fat food to food products with added fiber, vitamins or other ingredients with perceived disease-preventative qualities. Consumers are willing to pay higher prices for products that fall in either of these two special categories.

Market Structure

The three largest groups (S-group, K-group and Suomen Lähikauppa) together take an 88.1% share of the market. These conglomerates manage both wholesale and retail trade, and they also have hotel and restaurant chains and catering services.

As already mentioned, international competition has pushed the Nordic food retail sector to apply volume dynamics. All major players take advantage of economies of scale through centralized purchasing and logistics. The major event in the Finnish food retail market was the entry of German hard discounter, Lidl, in 2002. Starting with 10 outlets, the chain grew to 136 outlets in 2010, taking a market share of 5%. The arrival of Lidl pushed other retailers to a price competition and resulted in a growing number of products sold under their own label, as well as lowering prices of these private label brands. The major retail chains also expanded or focused their offering to services such as in-house bakeries, cafeterias, fresh take-away food service counters, as well as fresh meat and fish service counters that are not offered by discount stores.

Store Types

The structural change of the grocery retail market has affected the store sizes as larger stores offer a more efficient logistics and business solution. Characteristically, 10% of stores account for 50% of total grocery sales.

Grocery stores can be divided into the following categories: Department stores with grocery

¹ As described by FGTA (The Finnish Grocery Trade Association), the Nordic term for groceries literally translates to "daily goods". In addition to food, it also refers to other daily consumer goods, such as beverages, technological products, household paper and tissue products, tobacco products and daily cosmetics. Grocery store is most often a self-service market that offers the complete selection of goods mentioned above. Food accounts for about 80% of all grocery store sales.

departments, hypermarkets, supermarkets, discount stores, small stores, service (petrol) stations with a convenience store and kiosks. The latter offer a very limited range of items such as snacks, sweets, cigarettes and magazines. The dominating actor in this sector is Rautakirja (R-kiosks), with a 40% share of the total kiosk sales. Although the kiosks have about 3% of total grocery sales, this is mainly due to above mentioned type of products, foodstuffs being a marginal item group. Legal regulation strictly limits the range of products sold by kiosks.

Major Importers/Wholesalers:

- **Inex Partners Oy:** the S-Group’s sourcing and logistics company, subsidiary of SOK. www.s-kanava.fi
- **Kesko Food:** centralized purchasing, logistics and chain management of the K-Group’s food stores. www.kesko.fi
- **Tuko Logistics:** a purchasing and logistics company in charge of grocery purchasing for Suomen Lähikauppa and Stockmann. www.tuko.fi

More importers may be found at Finnish Foreign Trade Agents’ Federation website: <http://www.agenttiliitto.fi>. Pages are available also in English.

HoReCa Wholesalers

HoReCa (Hotels, Restaurants and Catering) is an important foodstuffs segment, as one third of Finns² eat one of their daily meals outside home, for instance at school, office cafeteria or lunch restaurant. The largest customer groups within the HoReCa sector are hotels, cafés, restaurants and public administration offices. The majority of the 22,000 professional kitchens in Finland purchase their ingredients from HoReCa wholesale stores.

Major HoReCa Wholesalers:

- Heinon Tukku Oy: www.heinontukku.fi
- Kespro Oy (a subsidiary of Kesko Food): www.kespro.com
- Meira Nova Oy (a subsidiary of SOK corporation): www.meiranova.fi
- Metro (Wihuri Oy Aarnio): www.metrotukku.com. Metro’s procurement and logistics partner is Tuko Logistics.

2 A.C. Nielsen study in 2008

Sources: FGTA (Finnish Grocery Trade Association), <http://www.ptv.fi>
CBI Market Information Database, <http://www.cbi.eu>

MAJOR FOOD RETAILER PROFILES (2010)

Retailer	Sales (2010) €Million	Market share	Importer / wholesaler	Strategic Buying Alliance or Procurement company
S-Group				
<ul style="list-style-type: none"> ▪ department stores (Sokos, S-Market as grocery department) ▪ hypermarkets (Prisma) ▪ supermarkets (S-market) ▪ corner shops (Alepa, Sale) ▪ service stations with convenience store (ABC) 	6,412	44.1%	Inex Partners Oy	AMS Sourcing www.ams-sourcing.com
K-Group (Kesko)				
<ul style="list-style-type: none"> ▪ hypermarkets (K-Citymarket) ▪ supermarkets (K-market, K-Supermarket) ▪ corner shops (K-market, K-extra) 	5,081	35.0%	Kesko Food	Coop Trading www.cooptrading.com
Suomen Lähikauppa Oy				
<ul style="list-style-type: none"> ▪ hypermarkets (Euromarket) ▪ supermarkets (Valintatalo) ▪ corner shops (Valintatalo, Siwa) 	1,308	9.0%	Tuko Logistics	United Nordic (through Tuko) www.unitednordic.com EMD (through Tuko), www.emd-ag.com
Lidl				
<ul style="list-style-type: none"> ▪ discounters (Lidl) 	732	5%	- (Lidl)	
Stockmann Group				
<ul style="list-style-type: none"> ▪ department stores (Stockmann, grocery department Delikatessen) 	202	1.4%	Tuko Logistics	United Nordic (through Tuko) www.unitednordic.com EMD (through Tuko), www.emd-ag.com

The Swedish Market for Foodstuff

Sweden's geography limits agricultural production and makes food products a key and necessary import. Thus, a large part of imports consists of products that cannot be grown economically in Sweden, or products that are not produced at all, such as wine, certain vegetables and fruits, sweet corn, rice, oils, raw coffee, tea and cocoa, as well as a range of seafood.

Consumption and Market Characteristics

Swedish consumers spent about 16% of their household budget on food and beverages in 2009. Of the total expenditure, purchases in food stores accounted for 70% and meals out of home for 30%.

Consumption of fish and seafood, meat products, coffee, fresh fruit and vegetables, and cereal products has increased considerably in recent years. On the other hand, dairy products and fats have experienced a negative trend.

Swedish food consumption consists of 90% processed foods. This is internationally a very high figure. The remaining 10% is composed of non-processed products, such as fresh fruit and vegetables, fresh fish, fresh meat and eggs.

The food market has for a number of years been influenced by consumer awareness of health, environmental, and social issues. A major development is the introduction of certified organic (also called ecological or biodynamic) foods, as well as Fair Trade labelled products, especially within "natural" product groups such as fresh fruit and vegetables, cereals and coffee.

At the same time increased interest in healthy foodstuffs has expanded sales of products that are regarded as nutritious, e.g. nuts, cereal grains, and health bars.

There is also a high interest for food products from other countries, especially for so called ethnic foods, such as Italian, Chinese, Indian, and Mexican style products. This has led to significant sale increases especially of ethnic products such as oils and vinegar, condiments, spicy sauces and dressings.

The Industrial Market

The majority of foodstuffs imported from developing countries to Sweden are raw materials and food ingredients that are meant for the processing industry, where the products are further processed before being exported or sold locally.

In general, Sweden's foodstuffs sector is currently experiencing a process of internationalisation where the tendency is fewer and larger players, a tendency that is very significant on the industrial market. The import of foodstuffs to the foodstuffs processing industry is often handled by specialised buying companies and to a lesser degree by the industry itself. Non-stocking sales agents are also common in this sector. The purchasing is dominated by a very high degree of professionalism. The buyers are specialised and therefore have in-depth knowledge of the products.

The Reseller Market

Internationalisation affects both the structure and range of goods on offer in the foodstuffs sector. There is a strong trend towards fewer and larger players, with growing integration between wholesaling and retailing.

Distribution Channels

Four trade groups, ICA, Coop, Axfood and Bergendahls, with both retail and wholesale activities, dominate the Swedish distribution of food and beverages to the retail sector. All four groups have also built up their own buying and import departments.

These trade groups import some of their general food supplies by themselves, especially items bought in high volumes, and some through independent wholesalers acting as importers or agents.

There are also wholesalers for different segments of the food sector. Thus, the convenience store segment is mainly supplied by specialised wholesalers, of which the leading ones are Axfood Närlivs, Menigo and Privab.

The food service sector (hotels, restaurants and catering establishments) is supplied by several wholesalers, of which four dominate the market; Servera, Menigo, Svensk Cater and Martin Olsson.

Besides these groups, imports are also conducted by importing wholesalers specialised in certain food items such as fresh fruit & vegetables, cheese & egg, fish, meat products, health foods, confectionary or alcoholic beverages.

Specialised wholesalers may distribute their goods either via the large retail groups, catering or convenience store wholesalers, or directly to independent chains, large food stores, or catering chains and large units.

There are also some importers specialised in selling to the food industry, including bakeries.

However, large food manufacturers often conduct their own buying.

Specialised Wholesalers

The distribution of foodstuffs to certain segments is carried out through specialised wholesalers, of which some are integrated with the large retail groups and some independent. As a rule, these wholesalers also act as importers.

Food Importers/ Wholesalers

A selection of the largest importers and wholesalers within the Swedish food wholesale trade

Retail Groups with integrated retailing and wholesaling activities

- ICA Group
- Coop Group
- Axfood
- Bergendahls Group

Convenience Store Wholesalers

- Axfood Närlivs
- Menigo
- Privab

Food Service Wholesalers

- Servera (Axel Johnson)
- Menigo
- Svensk Cater
- Martin Olsson

Fresh Fruit & Vegetables Wholesalers

- Saba Trading (Dole)
- Everfresh (Total/Fyffes)
- ICA Frukt & Grönt (ICA)
- Ewerman

Bakery Ingredients Wholesalers

- KåKå (Orkla Group)
- Kobia

Several of the larger retail chains are also their own importers. The imports of fresh fruit and vegetables from outside Europe is dominated by three large importers: Lembcke in Denmark, Bama in Norway and the Saba Group (owned by Dole) in Sweden. Other large importers are DSG and NAF International in Denmark, and the ICA Group in Sweden and Norway. The hotel, restaurant and institution foodstuffs service sector has grown considerably over the past decade. This is attributed to a changing lifestyle and reflects an increasingly convenience-oriented and time-conscious population.

Today, it is estimated that more than 20% of meals are eaten outside of the home. Moreover, sales in this sector are expected to increase by 10% per year in the next five years. Supply of groceries to this sector is dominated by Axfood/Servera and the ICA Group in Sweden.

In addition, there is a flourishing group of medium-sized wholesalers that import and trade foodstuffs and beverages. Some of these independent wholesalers are focused on products to the growing market for ethnic and certified organic food products.

Trade Fairs	Place	Time
GastroNord	Stockholm, Sweden	April, every 2nd year
International Food Fair of Scandinavia	Copenhagen, Denmark	Feb/Mars, every 2nd year

Consumer Trends and Business Prospects

Swedish consumers have a taste for new food styles, which has increased the demand for ethnic food products from around the world as well as exotic fruits and vegetables, especially those that can be supplied all year round.

Swedish consumers are also health conscious, with a strong concern for the environment, which has translated into a growing demand for organic foodstuffs and health foodstuffs. Ethical values are also high on the agenda, not the least in the media; resulting in increased consumer awareness and a growing pressure on trade to implement Code of Conduct programmes and to introduce Fair Trade labelled products.

Furthermore, Sweden possesses one of the highest food safety standards in Europe, with regulations sometimes stricter than EU requirements (chapter 5). In addition, all large wholesalers have introduced quality programmes covering the products from raw material requirements, through processing and handling, to packaging demands.

The best prospects for exporters are in areas where domestic production is not sufficient or non-existent. Additionally, there is a growing demand for ethnic foodstuffs that are uniquely associated with different parts of the world.

The Danish Market for Foodstuff

The Danish foodstuff sector has developed dramatically during the last 50 years. The sector has been centralized and the production industrialized leading to a highly effective and productive sector. Denmark produces foodstuffs adequate to feed the Danish population three times. The sector is characterized by a very elaborate foodstuff processing industry with intense research and development.

In an interaction with the foodstuff production, a sector producing agro industrial machinery, enzymes, fishing equipment etc. has developed. Today the two sectors in all constitute one of the most important export sectors accounting for approximately 11% of the total export. The foodstuff export is dominated by dairy products and pork and the export goes to more than 100 countries.

Although Denmark is a large foodstuff exporter it is simultaneously the fourth largest foodstuff importer in the EU with fish, fruit and vegetables and meat as the most important types of import products.

Market Distribution

Approximately two thirds of the Danish consumers purchase their everyday necessities in a supermarket and/or a discount foodstuff supermarket chain characterized by low prices and a limited assortment. The non-discount supermarkets increasingly introduce private discount labels in order to attract and keep price conscious customers.

The smaller foodstuff retailers and specialty shops are decreasing in numbers, and they largely focus on niche products and other ways of offering special services in order to diversify from the large supermarkets.

Purchase of foodstuffs through the internet is becoming increasingly popular, a number of web based companies offer regular deliveries of special foodstuffs. i.e. organic produce, etc. Most ordinary supermarkets offer customers the possibility of ordering through a web based catalogue and having the products delivered at home. The cost of the delivery however is still relatively high, which holds back the expansion of the internet trade of everyday necessities.

Consumer Preferences and Market Trends

Price is obviously an important factor for many customers but it is not the only parameter of

importance. Product quality is very important as well, products which do not live up to expectations have no chance no matter how low the price is, customers will not buy products with defect packaging, inadequate labeling or incorrect language etc.

The consumption of organic products is steadily increasing and the trend is expected to continue although the price of organic products is considerable higher than similar non organic produce. The increase in the interest for organic produce reflects a general increase in the interest for the environment as well as an interest for the work environment and for ethics. Most supermarkets including the discount supermarkets carry both organic products as well as fair trade labeled products in their assortment.

Approximately 6% of the land used for farming in Denmark is being cultivated organically, the main Danish organic produce being milk and eggs which have become standard daily necessities in many households. The relative limited range of products being organically produced in Denmark leaves room for a considerable import of organic produce. The value of the imported organic products is higher than the value of the export with the main organic import products being: Fruit, vegetables, sugar, coffee and the, rice corn and maize.

The Danish cooking tradition has been completely transformed during the last 50 years. Today the traditional Danish cooking tradition is on the retreat and the Italian, South American, Indian and Thai cooking traditions have become a natural part of everyday cooking in Danish families. New products are regularly introduced and many are integrated into the cooking traditions where there is openness to new flavors and dishes.

Like everywhere else in the Western world lifestyle diseases such as overweight and diabetes are increasing. Simultaneously the interest for developing a healthy lifestyle is growing, which has created a niche for natural grains, beans, vegetables etc. with natural qualities beneficial for the health.

In the majority of Danish families both parents work full time, and as servants and domestic help are not common, the lack of time is an issue for many families especially with smaller children. Therefore foodstuff products with a short preparation time are expected to be increasingly in demand.

Import

Despite a very large Danish foodstuff production, Denmark is one of the largest foodstuff importers in the EU. The most important import products are fish, fruit and vegetables, meat, coffee and cacao. During the last ten years a very large number of new imported products have been introduced and incorporated into the Danish cooking tradition.

The market is organized in a limited number of conglomerates covering a larger number of different supermarket chains with very elaborate buying organizations. The conglomerates normally work through their own buying or alternatively external buying agents, sometimes they are represented with buying offices on the most important markets.

Importers and whole sellers are becoming less; they represent an extra expense which, due to the fierce

competition, is spared if possible. Often importers and whole sellers serve market niches, for instant the catering market, which has a slightly different demand structure compared with the consumer market.

The foodstuff industry is also relying on import and often they import very large quantities over a longer period. When dealing with the industrial market it is of utmost importance for the importer that the supplier can guarantee a uniform product quality living up to both Danish and EU standards, as well as to importer's individual standards. Ability to deliver agreed quality on time is however essential in every aspect of the foodstuff import.

*Sources: Statistics Denmark
The Ministry of Foreign Affairs
The Danish Agriculture and Food Council*

The Danish Market for Garments

Market Structure

The Danish garment sector is the largest in the Nordic countries. It is an important export sector with export accounting for 90% of its industrial turnover.

The most important export markets are: Germany, Sweden, Holland, Norway, Finland, Spain, Great Britain, France, Belgium and Italy, accounting for 86% of the exports.

The sector is characterized by a high degree of centralization. 75% of the total exports are generated by three large concerns: Bestseller A/S, BTX-Group and IC Company which each represents a large number of brands. The centralization allows the concerns to obtain large scale advantages, sharing of knowledge of export markets and suppliers, sharing of administration costs, low prices due to buying of large volume etc. In addition to the concerns the sector is characterized by a large number of smaller companies often with a very strong design profile.

Hardly any garment production takes place in Denmark. The design and product development as well as the sales and marketing functions remain in Denmark but the production has been moved to low cost production countries. The main import/out-sourcing countries are: EU27, China, Turkey, Bangladesh, India, Tunisia and Morocco and to a lesser degree: Vietnam, Sri Lanka, Indonesia, Pakistan.

In recent years the importance of the garment sector in terms of export and the branding of Denmark as a design nation, has been increasingly recognized and a number of initiatives has been launched in order to strengthen the sector. In 2005 60 of the most prominent garment producers formed the Danish Fashion Institute with the aim of stimulating innovation and progress in the sector. In 2008 the Danish fashion Award was launched. The fashion awards gives out 16 prestigious prizes each year to the best designer, the company with the best ethical profile etc. The Danish fashion fair, Copenhagen Fashion week www.copenhagenfashionweek.com is the largest and most important fashion fair in the Nordic countries and attracts many international buyers.

Many companies in the sector produce up to eight collections a year. The collections are normally not produced before they have been sold. This means that a short production time is essential. The collections are designed to fit certain seasons, and the retailers are unable to sell garments which are not right in relation to season, climate and trends. So this leaves hardly any time for delays in deliveries.

Fundamentally, garments fit into one of two categories, either they are sold as standard bulk goods e.g. classic t-shirts, jeans etc. which are not branded and are sold relatively cheap along with daily commodities in the larger supermarkets. The design of the bulk garments is often standardized and the goods are imported as readymade garments in some cases with a slight adjustment of quality or design. In the case of standard bulk goods price is often the most important parameter as there is little else to diversify the product.

Alternatively garments are sold under a brand in a retail garment shop, a retail chain, a department store, or via the internet. Branded garments vary from the most exclusive and expensive brands to more modest medium or low price brands. In any case a strong element of design is involved, and the importer will normally provide the exporter with the design, product specification etc. to work from. Garments marketed and sold under a brand will normally fetch a much higher price than non-branded garments, and the tendency is that even supermarkets with a garment department will develop their own brand.

Trends and Tendencies, Unique Selling Points

As the Danish importers will look for producers and exporters able to manufacture specific designs using specific techniques, it is important for the exporter to clearly demonstrate the technical knowhow. The importers receive lots of business offers and the exporter must try to diversify and present a unique business offer. It is very important that brochures and sales material appeal to the Danish buyer who will be used to a high standard. Language wise the brochures must be in English and correct in terms of grammar etc. Samples in sales collections must be of good quality and it can be a help if the samples appeal to a European taste. When elaborating sales and marketing material as well as samples for the sales collection, it is often advisable to seek professional help from an advertising agency or a designer used to working with clients in Europe.

The Danish market only constitutes 10% of the total market for the Danish importers and producers, so the designs although they might have a certain Danish style are developed to appeal to the taste on the export markets.

The importers spend vast resources trying to predict the coming international trends in fashion.

For an exporter outside of Europe it can be difficult to obtain information about trends and fashion. Visiting

the trade fair catalogues available on the website of the individual trade fairs might prove helpful. The website of the Dutch import promotion office the CBI (www.cbi.eu) includes a trend section worth visiting.

In recent years there has been increasing focus on ethics, and sustainable design and production in the garment sector. The end users are increasingly holding the importers accountable for the way the products are produced. If a Danish garment producer is exposed in the press as being involved in child labor or other forms of unacceptable working environment in one of their supply countries it can cost the company a fortune in loss of turnover and good will and might even lead to the bankruptcy of the company.

Difficulties in controlling the ethical standards of the production on distant markets have, along with increasing wages in i.e. China, and high transport costs led importers to move production to the new EU countries.

So it is extremely important to be able to guarantee that the production lives up to the Code of Conduct defined by the importer.

Taking a pro-active attitude to the topic of corporate social responsibility, elaboration of own standards and control routines might greatly diversify the exporter in a positive way and enhance the possibility of obtaining export orders and establishing long term co-operations with Danish importers.

The increase in the focus on sustainable design has created a demand for ecological cotton which has proven stable although the products are more expensive than similar non ecological products. At the same time there is an increase in the interest for fair

trade products and a willingness to pay extra as long as the consumer feels certain that the extra payment benefits the poor.

The fashion industry is always on the lookout for something new and there is increasing interest for using nontraditional natural fibers such as bamboo, rattan and jute for garments.

Getting in Touch with the Importers

The largest concerns have several local offices placed in the most important import and export countries. The easiest for a potential supplier is to contact the nearest local office in order to set up a sales meeting, the addresses and the contact details can be found at the concern website.

Smaller companies sometimes have their own purchasing department placed in Denmark and/or work through agents placed in the supply countries.

The companies are all represented at Scandinavia Fashion Fair and at the important fashion fairs in Frankfurt in Germany. Often it is not possible to arrange a meeting during the fair, as the company is focusing on sales and not on purchase, but it will most often be possible to make the initial contact in order to set up a later meeting. In any case the trade fair catalogues available on the trade fair website can provide the supplier with an overview of the potential clients.

*Sources: Statistics Denmark
Deloitte clients and markets*

The Finnish Market for Garments

Finland is very similar to other Nordic countries regarding the garment sector and textile trade. Nordic companies in this sector are to a large extent integrated and their purchasing policies follow the same model.

There is relatively little garment industry based in Finland, and Finnish brands and resellers' own brands outsource a lot of their production. The major change in the domestic textile and garment industry was experienced with the opening of the market with the EU and decline of the exports to Russia. The competitive situation became more challenging in the new open economy with cheaper European products coming to the market.

Finnish production costs are high, so in order to be competitive in the global market most of garment production is outsourced and originates from 3rd countries. In several cases only design, marketing and sales remain in Finland. However, there are growing and competitive companies in the garment industry and production has also been created to Finland. To succeed in Finnish markets, it is important to choose the sector and know one's strengths. Although a few in number, the Finnish clothing brands have been very successful in the global market. Marimekko and Nanso are examples of such companies. Both rely on unique design and high quality, and although they are traditional companies with a long history, they have successfully re-invented themselves and adjusted to new trends and market changes. Brands from other Nordic countries have a slightly different approach: they are more concentrated on medium-priced clothing business with bigger volumes.

Import and Export

Import and export statistics give some idea of the significance of importation in the garment sector: Finland imports worth € 1.3 billion of garments per year, whereas garments are exported only worth € 247 million per year (2010).

Imports are dominated by China, with a share of almost 40% of total imports. However, a lot of garments are imported through other EU countries, so the real figure of Chinese clothing is close to 60% of all garments sold in Finland. Second biggest importer is Sweden (7.6%), import consisting mainly of brands, and the real origin is often in the 3rd countries. Turkey has a share of 6% of the total of garment imports, which is mainly due to production outsourcing.

Finland's main garment export country is Russia; exports totaling € 67 million (share of 27%). Russia is a big market, but access to market is very difficult, mainly due to strict customs policy. Through a long history of bilateral trade with Russia, and serving as an important transit-country of Russian import and export, Finns have the knowledge on the Russian trade, and exporting to Finland might in some cases be a gateway to the Russian market.

Structure of the Market

From a garment manufacturer's point of view there are two customer segments in the market: Brand houses and retailers that purchase outsourced production (reseller's own brands and collections).

Clothing market has become more diversified in terms of categories than before. Supermarkets have extended their selection in to higher quality products and created their own brands, which has raised the quality in general, as the desired image gives the branded garments more technical and design criteria to be fulfilled.

Specialized clothing stores often belong to chains, which have made it possible for them to stay alive and remain competitive. Garment store chains account for 31,7% of all garment trade, whereas department stores and large supermarkets take a 26,7% share of the total yearly sales of € 3 050 million.

Some of the biggest chains originate from and operate also in other Nordic countries, for example H&M, Dressmann, KappAhl, VILA, Zara, Mango Jack&Jones and Vero Moda. Clothing store chains with Finnish ownership include Alekski 13, Halonen, Seppälä (Stockmann Group) and Lindex (Stockmann Group).

Department stores include Stockmann, Sokos (part of the S-group), Anttila (K-group) and Tokmanni (Tokmanni-group). Citymarket (K-group) and Prisma (S-group) share the large supermarket segment, and are often situated next to each other in commercial centers in the outskirts of cities and towns.

Due to the strong centralization of the retail trade, two of the major players of the garment sector are the same as for perishables trade: S-group and K-group. In addition to these, Stockmann covers the high-end department store category and Tokmanni the discount store sector. Specialized clothing store chains offer generally mid-priced range of clothing targeted at different consumer segments.

Trends and Tendencies

Timing is essential in the fast changing trends and collections. There are more and more ad hoc orders due to tight timelines in companies and a growing number of collections and items within. A week's delay in delivery is definitely too late, a delay of two weeks is a catastrophe, and with three weeks of delay, products have already become out of season.

Individuality is another key word in the garment sector at the moment. What it means in terms of production, is a much larger amount of articles within a collection, and thus smaller volumes of production of each article.

There is a strong interest towards organic production and materials, which paves the way for the evolving market of organic cotton. So far there is no common standard in use, but discussions are ongoing in the EU level to create such standard.

How to Access the Market

Probably the most challenging way to access the market is to look for importing manufacturer's own production and brands. Becoming a supplier for brand houses or for retail chains' own brands is the most straightforward and used model in the Finnish garment trade.

If you wish to export garments in Finland, or any other Nordic country, the following issues are of utmost importance and therefore require special attention:

- All agreements should be followed to the smallest detail. This applies as much to the product itself as to the amounts provided, given delivery times, etc.
- Production has to be in line with Corporate Responsibility; social responsibility should be taken care of, and there should be no threat or violations against environment.
- BSCI auditing is the first step towards exporting to the Nordic countries. One of the first things an exporter to the Nordic countries from the developing countries should take care of is to present themselves to a BSCI member retailer and negotiate on access to the BSCI database, in order to get audited. Also references should be in order.
- The exporter should be aware of the customs formalities, tariffs and GSP rules, and follow related guidance and use tariff classification numbers in the documentation.

Although Nordic sizes are very close to each other, measures vary slightly across the Nordic countries, so the measures of the country in question should be used. Measurement tables can generally be acquired from the standardization organizations or the industry association. In Finland, tables of measurement are published by Finatex, The Federation of Finnish Textile and Clothing Industries, www.finatex.fi.

Contacting Buyers

The best way to acquire business contacts for the garment sector is to contact suppliers and agents directly. There is no single model of purchasing, the same companies can use agents, but also work directly with suppliers. There are several hundreds of garments importers in Finland, but the majority of imports is handled by the 100 biggest companies.

In addition to the websites of the already mentioned Finnish groups and chains (S-group, K-group (Kesko), Stockmann, Tokmanni, Aleksi 13, Halonen), contacts may be found at Finnish Foreign Trade Agents' Federation website: www.agenttiliitto.fi

The trade fairs are a good way to contact different brand houses. Finnish purchasers visit European trade fairs such as CDP in Köln.

Source: *Tekstiili- ja Muotialat TMA (Textile and Fashion Industries – a representation and co-operation organization)*, www.textile.fi

The Danish Sector for Home Textiles

Market Structure

Due to the relative long winter season Danes tends to spend a lot of time indoors in their homes. Subsequently the home and the interior decoration of the home are of high priority for most Danes.

Home textiles are both used as functional items and for decorative purposes, often the two in combination. Although the families tend to be more informal when it comes to dining etc. today than previously, most households utilize a large number of home textiles. The category covers: Carpets and blankets, curtains and cushions, bed linen, towels, table cloths, mats, napkins etc.

The sector includes both highly industrialized products as well as hand woven and hand embroidered textiles. Bed linen, towels, curtains, and wall to wall carpets will normally be industrially produced, but carpets, cushions, bed covers etc. often have a handmade touch.

Except for a very limited production of very exclusive handmade designer products and a highly industrialized and technically advanced production of carpets, hardly any production of home textiles takes place in Denmark. The production has with few exceptions been moved to low cost production countries, the main import or outsourcing countries being: EU27, China, Turkey, India, Pakistan, USA, Switzerland, South Korea, Japan, Taiwan and Indonesia, with China as the fastest growing supplier.

Export accounts for 60% of the industrial turnover in the sector. Most important export markets are: Germany, Sweden, Great Britain, Norway, Poland, Holland, France, Italy, Belgium and Lithuania which accounts for 75% of the total export.

Home textiles are sold in a variety of different retail outlets. Supermarkets with a textile department offer low price standard products e.g. bed linen, towels etc.

Department stores, gift shops and specialty shops offer exclusive table linen, cushions and blankets. There is a tendency towards the high profiled designer brands in garments starting their own home textile brands. The large furniture retail chains carry their own collections of household textiles including most types of products in the category.

The large retailers including the supermarkets, the department stores, and the furniture retail chains will normally handle their own import as a combination of readymade products and productions and import of their own design collections. The largest chains have their own purchase offices in the most important supply countries which they use in combination with Danish or local purchasing agents.

A relatively small number of producers develop and import their own textile collections and function as

whole sellers supplying mainly the department stores, gift shops and specialty shops.

Smaller Danish retailers do their main purchases at the trade fair The Formland Fair which covers handicraft and gift articles and takes place biannually in Herning, Jutland, and/or the large fairs Tendence and Ambiente which takes place biannually in Frankfurt in Germany.

Most producers, importers and retailers will visit the fairs for inspiration and in order to meet with business associates.

Trends and Tendencies

The production of conventional cotton has proven to be one of the most damaging production methods for the environment. The sale of organic cotton has experienced very significant growth and with the focus on climate changes and the strain conventional cotton production places on the environment the trend is expected to last.

There is a tendency that household textiles are developed and sold in collections; normally there will be two collections a year.

In addition to this all outlets will normally carry special collections aimed at the two most important holidays in Denmark: Christmas in December and Easter in April.

As household textiles cover a wide range of products which are distributed through a large variety of very different outlets it is difficult to identify trends and themes which will cover the whole market. It is evident however that the high end market products follow the international trends for interior decoration.

Household textiles sold as gift articles a highly sensitive to the international trends but in addition to the trends, the market is always on the lookout for new materials and techniques. Many producers and exporters outside Europe come from countries with a very strong local handicraft tradition including textiles. Exporters are wise in looking further into their own traditions developing them and refining the designs to fit the Western export markets.

Exporters can gain some information from visiting the www.cbi.eu website of the Dutch import promotion office CBI, where the most important trends are shown.

If possible a visit to a European trade fair can prove enormously helpful, preferable the Tendence or the Ambiente in Frankfurt, which are the largest and most important European fairs. They will not only show the present trends, but also give indications of the trends to come.

Source: *Analysis of the Textile sector*
Deloitte March 2010

The Swedish Market for Garments and Home Textile

Sweden has 9.4 million inhabitants who need bed linen, towels and other home furnishing textiles. In general, the domestic production is very small or non-existing. The garment and home textile market in Sweden are similar to all Nordic markets.

The Swedish market is characterised by seasonal changes of climate. The changing of seasons influences the home decoration. Some people change curtains, kitchen linen and cushion covers etc. according to the season. Lighter fabrics and sparkling colours are more popular during spring and summer than during autumn and winter.

The market also experiences quick changes due to trend-sensitivity. Information on Scandinavian fashion trends can be obtained at the *Swedish Fashion Council* (Moderådet), www.moderadet.se

Consumption

The sector for interior decoration in Sweden is expanding and there has been a great interest in home styling for several years now. The spending on home furnishing articles has increased for ten years in a row, except for a small dip in 2008.

Trend analysts foresee an increased demand for environmental-friendly materials. Some consumers are willing to pay extra to protect the environment, while many are not. Swedish consumers are both demanding and aware. Their knowledge of materials, care and the environmental impact is generally good. There is for example an increased interest in buying products of organic cotton. The manufacture and the dyeing should be as compatible as possible with nature and the environment.

Handloom fabrics are also in fashion again, and hand-made products in general are appreciated.

Distribution Channels

Clothing and home textile products are imported into the Swedish markets mainly by retailers and

wholesalers (traditional, brand suppliers and sourcing companies). In most cases the initiative to trade is coming from the import side.

Another way to enter the market is to sell directly to an importer. This method could work well for an exporter selling made-ups. The importers that need to be visited and sold to would be retail chain stores, importing wholesalers or mail order companies. Made-up home furnishing textiles are retailed through home furnishing stores, department stores, mail order companies and IKEA, the furniture and home furnishing hypermarket chain. Specialist home furnishing stores and IKEA have taken a growing share of the market from the traditional department stores.

The institutional markets, such as hospitals, hotels, restaurants and laundry service companies are best covered by an importer/wholesaler that is specialised in this trade.

Some of the important actors in the home textile sector are IKEA, Jysk, Hansen & Dysvik. International chains are steadily increasing their presence but still represent a small share.

Trade Fairs

The most important trade fair, which Swedish importers and agents regularly visit, is Heimtextil in Frankfurt in January every year. Two other important international trade fairs that also take place in Frankfurt are Ambiente and Tendence. Furthermore, Maison & Objet in Paris is frequently visited.

In Sweden, there is a trade fair for home furnishing articles called Formex, held twice a year in January and August in Stockholm. There is also the Nordic Fabric Fair, a Swedish trade fair for fabrics, which is held in Borås, Sweden, twice a year in March and October. An exporter must have an agent or representative in Sweden to exhibit at the Swedish fairs.

For more information on the Swedish market for garments and home textile, download the market reports "Home textiles" or "garments" on the Swedish Chambers' website www.swedishchambers.se.

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