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Sweden

HRI Food Service Sector

Report

2001

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Report Highlights:
Sweden's hotel, restaurant and institution (HRI) food service sector has grown considerably in the past decade. The HRI sector has become more diverse over the years and holds considerable potential for U.S. food products. Ready-to-go/take away food has become increasingly popular and ready-made meals have enjoyed a high growth rate for many years. Today, more than 20 per cent of meals are eaten outside of the home in Sweden. It is estimated that the number of such meals will increase by close to 11 per cent by 2004, of which fast food meals are expected to enjoy the greatest percentage increase with more than 25 per cent growth by 2004. Moreover, traditional restaurant sales are expected to increase by about 18-19 per cent in the next 3 years. This growth is expected to occur despite the recent economic slowdown in Sweden. It is attributable to a changing lifestyle in the Viking country, and is reflective of an increasingly convenience - oriented and time-conscious population. Changes in menu offerings are catering to a growing taste for international and ethnic foods and health-conscious consumers.

Includes PSD changes: No
Includes Trade Matrix: No
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SECTION I. Market Summary

Sweden is a relatively sparsely populated country housing approximately 9 million citizens. The country's largest city is Stockholm with a population of 1.9 million and growing. Living standards are very high in Sweden, and its infrastructure is highly developed with first rate communication at hand.

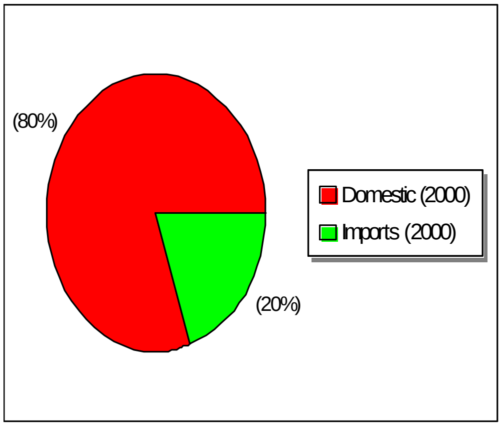
The number of meals eaten outside the home in Sweden and the amount of money spent on dining out has increased greatly in the past decade. In 1999, a total of 1,438 million meals were served outside the home in Sweden, which was an increase of 28 million compared with the pervious year. The number of fast food meals increased from 311 million to more than 326 million in 1999, which is close to 23 per cent of the total number of meals eaten outside the home.

Total sales for the hotel, restaurant and institution (HRI) food service sector amounted to approximately USD 5.7 billion, excluding VAT (value-added tax), of which restaurant sales account for some USD 3.1 billion, hotel food sales for some USD 1.9 billion, and institutional food sales for some USD 720 million. HRI sector sales increase by USD 1.3 billion since the mid 1990s. The share of Swedes'disposable income spent on food and drinks in grocery markets and on restaurant visits increased from 18.8 per cent to 23.2 per cent between the years of 1995 and 2000. It should be mentioned that the VAT is 25 per cent in restaurants in Sweden, which makes dining out more expensive when compared with the US, for example.

Also, the supply of ready-to-eat/take away food has grown along with the increased value placed on convenience and time. An increasing stream of home meal replacements (HMR) and ready-to-eat meals and products are entering the Swedish market, and a clear broadening of the assortment range can be noted in both supermarkets and restaurants. Grocery stores are beginning to take advantage of this trend and are starting to provide ready-prepared home meal replacements. This development provides good opportunities for manufacturers with the capacity to supply products that fit the current trends.

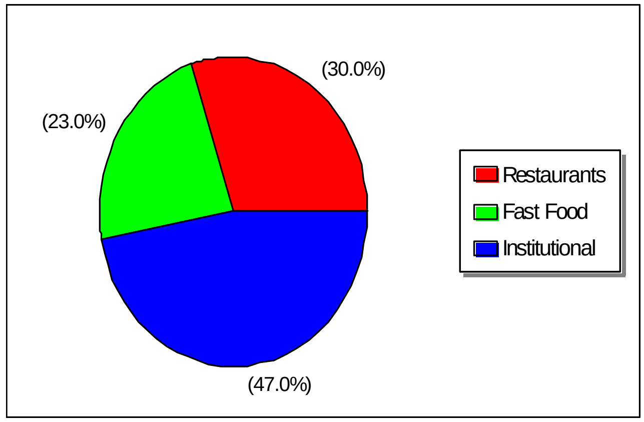
The market for catering has also grown considerably in the past few years. In 1999, the ten largest catering companies increased their turnover to USD 570 million, up by almost 6 per cent from the previous year. Sweden's expanding and diverse food service industry could thus hold potential for U.S. exporters of food and fast food items as well as beverages.

HRI market (total)



Import share projected to increase to 30% by 2002

Distribution of meals served in the HRI industry



Swedish Food Service sales totaled USD 5.7 billion in 2000

It should be mentioned that there is a cyclical nature to food imports as sales potential for some products, depend on seasonal factors and current trends.

The increase in consumer spending on dining out is caused by some demographic and economic factors, which are briefly mentioned below:

- Income distribution - As income is widely distributed among the Swedish population, consumption patterns are not as skewed as in many other countries where the gap between the rich and poor is, in general, much wider. Thus, the general population dines out in Sweden, not just those with higher incomes. Also, disposable income increased by 3.6 per cent in fixed monetary value.
- High presence of smaller and more single person households – The size of the average Swedish family is generally small with an average of 1-2 children per household. Moreover, Sweden has one of the highest numbers of single person households in Europe. The market in Sweden is highly segmented, as larger cities account for 60 per cent of consumption. These factors relate to a more career-oriented and time-conscious consumer in search of fast and convenient foods.
- High number of women in the workforce - The percentage of women active in the workforce in Sweden is higher than in most countries. This contributes to the change in consumption patterns and the increased demand for HMR foods.
- Menu diversification – The increased influx of ethnic foods from all over the world, caused by greater ethnic diversity and increased travel abroad, reflects changed demand. Swedish consumption patterns are much different today, as Swedes are moving away from their own culinary traditions and acquiring a taste for a variety of ethnic foods.

There are great opportunities for U.S. suppliers with products that fit the current trends. An estimated 4 million meals are eaten outside of the home daily in Sweden. The increase in restaurant visits as well as demand for ready-made meals and take-away reflects the change in

Swedish restaurant and café culture, which has become more "Europeanized". Following EU integration, more and more Swedes have traveled abroad on a regular basis and the HRI market is adapting to the resulting demand for food from foreign cultures. The food service industry is therefore becoming more and more important for the Swedish economy.

Advantages and Challenges Facing U.S. Products in Sweden

Advantages	**Challenges**
Popularity of American culture carries over to American food products	Exchange rate makes U.S. products more expensive
U.S. fast food and restaurant chains are popular and familiar to Swedes	U.S. products are at a price disadvantage compared with competitors based in the EU
U.S. Suppliers can supply reliably large volumes and consistent quality to large chains	U.S. meat products face prohibitive regulations.
The U.S. has a well-developed production and variety of ethnic foods, and foods catering to the health-conscious and those with special dietary needs.	Resistance to genetically modified food content

SECTION II. Road Map for Market Entry

A. Entry Strategy

To successfully enter the Swedish market it is, in general, recommended that the exporter contact an importer or wholesaler directly. This facilitates product entry. Products destined for Sweden should entirely conform with Sweden's food safety, quality and labeling rules and regulations. Moreover, the EU Commission has recently proposed to more stringently regulate ready-made food products. As is the case for the food an agricultural product import market in general, the Swedish HRI sector is dominated by a few large import/wholesale/retail groups. This makes it relatively easy for U.S. exporters to locate potential buyers. Wholesalers are very helpful in providing information and guidance on business practices, import regulations, sales contacts with existing and potential buyers, along with market development expertise. Most buyers in the HRI market use wholesalers for their supply as wholesalers provide a wide assortment range, great storage capacity and on-time delivery. Also, wholesalers cater to the individual and collective demands of their HRI clients. A US exporter may, for example, contact a hotel or restaurant in Sweden to see if there is any demand for their product, and if interested, the hotel and/or restaurant would then request that their wholesaler import the product. The best way to enter the Swedish HRI market is to find out specifics of demand and to get on a wholesaler's list.

B. Market Structure

A handful of companies operate on the wholesale market and account for about 60 per cent of sales in Sweden, totaling about SEK 20 billion (about USD 2 billion) in 1999. These wholesalers have a wide product assortment and excellent distribution capacity. The national distribution systems of wholesalers make it relatively easy for suppliers to gain access to the entire Swedish market. The Swedish food service market is very specialized, and wholesalers have a strong position in this market. Restaurants and hotels have tight relationships with wholesalers and have much say regarding the importation of products. Local conditions and trends determine what is imported by wholesalers. Servera is now the largest wholesaler on the market and its sales to customers within the fast food sector increased by about 35 per cent in 2000. Martin Olsson may soon pass Service Grossisterna to become the third largest wholesaler in the HRI market.

Wholesalers

Company name	Food Sales ($Mil.)	Share of Sales to HRI industry
Servera	$300	Fast Food: 8%, Other Rest.: 42%, Inst.Rest: 50%
ICA Menyföretagen	$270	Fast Food:4%, Other Rest: 44%, Inst.Rest:52%
Service Grossisterna	$200	Fast Food:30%, Other Rest: 60%, Inst.Rest:10%
Martin Olsson	$175	Fast Food:6%, Other Rest: 88%, Inst.Rest:6%
Svensk Snabbmat	$93	Fast Food: 40%, Other Rest: 60%

C. Sub- Sector Profiles

1. Hotels and Resorts

Company name	Food Sales ($Mil.)	Number of Outlets	Location	Purchasing Agent(s)
Scandic Hotels	not available	68	Throughout Sweden	Direct or through Wholesaler
Choice Hotels	$100	39	Throughout Sweden	Local Wholesalers
Elite Hotels	$30	17	in 13 Cities	Local Wholesalers
Radisson SAS*	$14	16	Major Cities	Local Wholesalers

[* It should be noted that Radisson SAS hotels have private restaurants operating their dining rooms. Therefore, restaurant sales are not included in Radisson sales figures. The above-noted sales figure represents breakfasts, beverages and snacks.]

Tourism accounts for 3.3 per cent of GDP, and hotel and restaurant sales account for 23 per cent of tourism revenues. There has been a substantial increase in tourism in Sweden, partly as a result of the favorable exchange rate. The hotel sector thus continues to be a major player in the food service industry, accounting for 30 per cent of total food service sales in 2000.

The year 2000 was a good one for the hotel and restaurant business. The 100 largest companies enjoyed a turnover of some USD 2.7 billion. This is an increase of 8 per cent among the 100 largest companies in this sector. It is mainly increased demand in the large cities, such as Gothenburg and Stockholm, which fueled this development. Since the mid 1990s, mergers and acquisitions have been re-shaping the hotel and restaurant business in Sweden and in Europe. Increased globalization has resulted in increased foreign ownership in the hotel sector in Sweden. Hilton International purchased Scandic Hotels in the summer of 2001. Leading international hotel and restaurant companies have established a strong position in the Swedish market. These include French Sodexho, English Compass or Hilton, American McDonald's, Tricon (Pizza Hut) and Starwood (Sheraton). The major hotels dominate with more than 60 per cent of the market in Sweden. Scandic Hotels tops the list of hotels in Sweden with turnover in Sweden exceeding USD 400 million. Moreover, turnover has almost doubled among the 20 largest hotels in Sweden over the past decade. Some new players in the restaurant market include Dinners and Sandys owned by Norwegian NRG.

2. Restaurants: traditional, fast food and sandwich shops

Company name	Food Sales ($Mil.)	Number of Outlets	Nationality	Purchasing Agent(s)
TGIF	$6	2	US	Local Wholesaler
Applebee's	$0.4	1	US	Local Wholesalers
McDonalds	$300	218	US	Own Local Wholesaler
Burger King	$48	45	US	Local Wholesalers
Pizza Hut	$10	12	US	Local Wholesaler
Hard Rock Cafe	$3	1	US	Local Wholesaler
Subway	$1.5	10	US	Direct Importer
Sibylla	$75	232	Finland	Local Wholesaler
Max	$27	24	Sweden	Local Wholesaler
Pressbyran	$22*	314	Norway	Local Wholesaler

* estimated sales for in store fast food outlets at Pressbyran.

The growth of fast food restaurants has been significant in Sweden during the past ten years. Fast food restaurants, such as McDonald's, Burger King, Pizza Hut and Subway, have been multiplying. The fast food trend continued to strengthen last year with sales of the 38 largest players in the market totaling some USD 8000 million.. McDonald's has experienced major expansion in the past ten years. With to 218 locations, 5,000 employees and a turnover of about USD 300 million, McDonald's tops the list of fast food restaurants. Subway plans to open 8 more shops within the next year.

Coffee shops have firmly established themselves in Sweden, enjoying increase in sales of about 40 per cent in 2000. Coffee shops and others with a "coffee shop concept" were the major winners in the fast food market in Sweden in 2000. Wayne's Coffee is currently the largest in the Swedish market and increased sales by 50 per cent to enjoy a turnover of USD 6.1 million in 2000. All together, the six coffee shop chains in Sweden included 57 shops with total sales of USD 18.6 million, a 40 per cent increase over 1999 sales. Scandinavian Service Partner, SSP, operates Café Select at airports and train stations. Coffee also makes up a significant portion of fast food sales in shops such as Pressbyrån and 7-Eleven.

Fast food restaurants and coffee shops are promising targets for U.S. exporters as they are major consumers of imported products such as french fries, mozzarella sticks, poppers, nachos, bread sticks, coffee, coffee syrups, frozen deserts and cakes (such as cheese cake and brownies). Also, many new alternatives for the health conscious are being offered at food restaurants. For example, Pizza Hut recently introduced its "Green Line", of menu selections. A new American fast food chain called Chester Fried Chicken plans to open in Sweden next spring and more establishments are planned for the Nordic market within a period of four years. The sandwich concept is also becoming increasingly popular. Sandwich speciality shops such as Subway and Sandys are expanding here. Together, coffee and sandwich shops enjoyed a turnover of USD 41 million.

Hamburger chains accounted for 50.5 per cent, small local fast food stands for 25.5 per cent, in store fast food outlets for 14 per cent, sandwich and coffee shops for 5 per cent and others for 5 per cent of total fast food sales in 2000..

As with the retail food sector, Nordic and foreign concentration and integration is occurring in the convenience sector. Small Shops Sweden, is the largest player in the convenience sector in Sweden (includes chains such as 7-eleven and Pressbyran), was purchased by Narvesen, a Norwegian company in 1999. ICA (a food wholesaling and retailing chain) and Statoil (gas stations) formed a joint-venture company in 1999.

3. Institutional

Company name	Food Sales ($Mil.)	Type and Number of Outlets	Ownership	Purchasing Agent(s)
Sodexho	$130	Facility Management Schools, hospitals, etc. 300	French	Direct Wholesaler

Eurest	$70	Business and Industry Cafes, Universities, etc. 110	British Compass Group	Local Wholesalers
Medirest	$70	Schools, Hospitals, Universities, etc. 90	British Compass Group	Local Wholesalers
Amica	$100	Hotels, Conferences, Hospitals, etc. 360	Finnish	Local Wholesalers
Scandinavian Service Partner	Not available	Airports,Train stations, Sports & Events, etc. 200	British Compass Group	Local Wholesaler

The institutional market is dominated by a few large companies, including Sodexho, Amica and Compass Group (in which Eurest, Medirest and SSP and Scandinavian Service Partner are included). Gate Gourmet is a company that specifically caters to airlines and enjoyed a turnover of USD 85 million in 2000. These large companies are indirectly involved in the importation of consumer-ready food products via wholesalers and also have agreements with local producers/manufacturers. Institutional contractors mostly import processed/high value food products via wholesalers rather than import directly. The largest segment of the institutional food service market, and the one that offers the greatest export opportunities for US suppliers, is the business/school/healthcare segment of the HRI industry. During interviews with institutional contractors it was emphasized that there was a shortage of certain products, including fish and seafood products, which are demanded in large volumes for this category of the HRI market. Specific opportunities for US exporters include the following kinds of products: fish and seafood products, frozen and canned vegetables, condiments, sauces, and beverages such as fruit juices, flavored water, and soda.

SECTION III. Competition

The main competition for U.S. suppliers comes from local producers and manufacturers. Nevertheless, imported food products for the food service industry are considerable and are expected to increase by some 10 per cent over the next few years. Major import competition for the U.S. comes from other EU countries patricularly Germany, Denmark, Finland and Norway. EU member countries have price advantages of duty-free imports and lower shipping costs.

SECTION IV. Best Product Prospects

Below is a brief discussion of best product prospects for U.S. suppliers by specific consumer product categories. Other products with good potential pertaining to a specific sub-sector of the food service market have also been mentioned previously in the various sub-sector profile section of this report.

A. Products Present in the Market which have Good Sales Potential

1. Soft drinks/water and beer

The market for beverages is expanding in Sweden. In 2000, Swedes drank more soft drinks and water and less beer. Increased sales are noted in non-carbonated drinks and flavored water. Swedes consumed slightly more than 56 liters of beer per person and 98.5 liters of soft drinks/water per person last year.

2. Wine and spirits

Wine and spirits consumption has increased steadily in the past few years. Wine consumption is forecast to continue to grow. Government-owned Systembolaget, which retains a monopoly on retail sales of all wine, spirits, and strong beer and reports an overall increase in sales of alcohol in general (not including direct sales of alcohol to restaurants). An increase in sales of 0.6 per cent for spirits and 3.7 per cent for wine was reported in 1999. The upward trend in alcohol sales can be explained in part by the increase in disposable household income. Other European countries such as France, Italy and Spain enjoy a competitive advantage in the market for wine. American wines have become increasingly popular in recent years, along with other New World wines. There is a good opportunity in this market for quality bottled wines. However, US wines have a hard time competing in price with the increasingly popular bag-in-a-box wine purchased by cost-conscious consumers.

3. Fish and seafood products

There has been a considerable increase in the consumption of fish in Sweden in recent years and fish and seafood products thus have good potential. Notable opportunities for fish and all types of shellfish (including fresh, frozen, canned and processed) exist on this market. Restaurants and wholesalers report increased demand for imported fish and seafood products as there is a shortage of these products in Sweden at present. Norway is currently the largest supplier of fish to the Swedish market.

4. Condiments and sauces

Due to the great increase in ethnic goods and especially Tex Mex foods, there is considerable potential for items in this category. Pickled products are also in demand in connection with the increased popularity of different sandwich concepts. US suppliers of condiments could find a niche here with the growing taste for sandwiches and submarines.

5. Frozen deserts and cakes

Due to the growth in the number of coffee shops, American style deserts and baked goods offer good opportunities for US exporters. Cheesecake, brownies, muffins and American cookies are popular items offered in coffee shops, convenience stores and fast food restaurants.

B. Products not Present in Significant Quantities but which have Good Sales Potential

Products not currently present on the market in significant quantities but which have good sales potential for the food service sector include products that fit into the functional foods category. Swedish food manufacturers do supply the market at present, but there is increasing potential for imported functional foods as the market is expanding. Catering companies especially note increased demand for healthier foods in connection with conferences and special events.

C. Products not Present Because they Face Significant Barriers

1. Beef/Pork/Poultry

Sweden continues to present barriers which preclude the import of certain products such as beeft (hormone ban), pork and poultry (sanitary restrictions). While consumption of pork was estimated at 35.9 kg per person in 1999, non-tariff barriers prevent US suppliers from entering this attractive market. Consumption of beef and veal increased by more than 5 per cent and is calculated to amount to 21.6 kg per person. Consumption of poultry continued to rise and is calculated at 11.2 kg per person. Although meat and poultry products from the U.S. face restrictions, it is possible to play on the demand for meat substitutes such as fish and quorn – a high protein mushroom. The food retailer KF reported sales of quorn totaling approximately USD 4 million in 1999.

SECTION V. Post Contact

If you have any questions or comments regarding this report or need assistance exporting to Sweden, please contact us at:

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