

Opportunities and barriers for alternative food distribution and sales in Sweden

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Division of Packaging logistics • Department of Design Sciences • LTH • 2010

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Foreword

The work with this thesis started back in late 2009, when I went to a social dinner at the Division of Package Logistics at Ingvar Kamprad Design Center in Lund where the staff presented their available theses. During the dinner I meet Catherine Erickson, whom I had previously worked with during the course Packaging Logistic, and we decided to do our thesis together.

After the winter holidays we started to look for a suitable thesis and in late February 2010 we talked to Ingegerd Sjöholm at the division of food technology and she came up with an idea for us. Together we decided that Catherine and I should do two separate theses, but still helping each other out during the process. The work started in early March 2010.

Since my background is in mechanical engineering with the specialization towards product development, the task given to me became to look upon the opportunities and barriers for alternative food distribution and sales in Sweden from a general and product development point of view.

During my thesis work I have had an always present and helpful hand from my supervisor Märith Beckeman and my co-supervisor Ingegerd Sjöholm, whom I would like to thank immensely! The thesis has been partially co-written with Catherine Erickson from the United States, whom has lightened up the days down in the dungeon at Kemi Centrum, Institute of Technology, Lund University, and whom I also would like to thank!

We also had the opportunity to work with another master student Hannah Andersson, who helped us with the work doing the interviews in an early stage of this thesis. Grateful thanks for this Hannah! Another important person I would like to thank is Annika Olsson who has been kind enough to be my examiner!

I have enjoyed doing this thesis and learned a lot about different companies and persons and their way of working with innovation etc. At last I would like to thank my family and all of my friends for supporting me during the time!

Lund, July 2010

Dick Andersson

Abstract

The grocery market in Sweden is mainly divided between six different retailers who together have some 95% market share. The rest of the market is divided between thousands of different actors, selling groceries in other ways than the main retailers. This 5% market is interesting to investigate and the purpose is to identify the opportunities and barriers for those alternative food distributors.

By identifying a variety of smaller actors on the market and conduct interviews with them and collecting information about them, certain areas of interest can be compared between them and the major retailers. The five areas of interest focused on are origin and traceability, shelf-life and safety, suppliers, logistics and packaging. To give a fair comparison, a short summary of the four major competitors on the market is presented and used for comparison with the smaller retailers. This along with consumer aspects and product development knowledge helps to draw conclusions around the selected actors and their advantages respectively disadvantages on the market.

Keywords:

“alternative food distribution”, innovation, origin, logistics, packaging

Summary - in Swedish

Den svenska livsmedelsmarknaden kontrolleras till 95% av sex större handelskedjor vilka är ICA, Axfood, Coop, Bergendahls Gruppen, Lidl och Netto. De övriga 5% av marknaden tillhör en mängd olika företag och mindre aktörer som tillhandahåller livsmedel till konsumenter. Efter en överblick av marknaden identifierades tre olika grupper av företag som intressanta att undersöka. De tre grupperna var traditionell torghandel, hemleverans av matvaror med tillhörande recept, samt små till medelstora företag. Inom varje grupp valdes ett företag ut, som representativt företag för branchen.

En undersökning och identifiering av fem intresseområden gjordes för att kunna jämföra de mindre företagens produkter och arbete mot de fyra största kedjorna på marknaden. De fem intresseområdena valdes till ursprung och spårbarhet, hållbarhet och säkerhet, leverantörer, distribution samt emballage och förpackningar.

För att kunna jämföra de utvalda företagen på marknaden inom de fem intresseområdena presenteras först en historiedel och informationsdel om de fyra största företagen. Slutbilden av dessa är att där finns många likheter mellan sortimenten och utbudet av produkter, samt sättet att arbeta på. Alla av de fyra stora detaljhandelskedjorna har aktiva program inom företagen för arbete för bättre miljömedvetenhet gällande både transporter och utsläpp, som för ett ansvarsfullt utnyttjande av jordens resurser i produkter.

De tre utvalda aktörerna som är aktiva på livsmedelsmarknaden blev Bondens egna marknad, som är ett samarbete mellan lokala bönder för att sälja och marknadsföra sina egentillverkade produkter, Family Food som tillhandahåller en service som levererar hem matvaror tillsammans med recept för fem middagar och fyra personer en gång i veckan, och företaget Österlenkryddor som utvecklar och säljer kryddor från Österlen i Sverige.

Aktörerna valdes då de var representativa för sin nisch och mängden tillgänglig information om dem var god samt även för att företagen ställde upp på personliga intervjuer.

Dessa mindre företag tillgodoser ett behov hos konsumenterna med sina produkter, men inget av företagen kan tillhandahålla ett fullt livsmedelssortiment så som de sex stora företagen på marknaden gör. Fördelarna med de mindre företagen är enkelheten, spårbarheten och den personliga kontakten med företagen och producenterna, som ibland kan vara en och samma person.

Trenden som identifierats är att de mindre företagen ofta bygger sin verksamhet på närproduktion, ekologiska produkter och god service. Dessa punkter är inte unikt för

de mindre företagen, utan går även att finna hos de större aktörerna, men kräver oftast större ansträngning från konsumenten själv.

Produktutveckling är viktig i alla företag och kan oftast identifieras enklare i de mindre företagen, då en ny produkt eller innovation oftast märks tydligare och har större betydelse för framgång i dessa företag. De större företagen på marknaden satsar allt mer på egna varumärken och lägger stor kraft på att marknadsföra dessa.

Slutsatserna är att även om mycket skiljer aktörerna åt, så är det även mycket som är lika. Den största skillnaden är i hur mycket tid och personligt engagemang som konsumenten vill lägga ner på införskaffandet av livsmedel.

Summary – in English

95% of the Swedish food market is controlled by six major retailers which are ICA, Axfood, Coop, Bergendahls Group, Lidl and Netto. The other 5% of the market belongs to a variety of companies and smaller suppliers of food to consumers. After an overview of the market three different groups of actors were identified as interesting to investigate. The three groups were traditional open-air markets, home delivery of food with recipes, and small to medium sized businesses. Within each group one company was picked out as a representative company for the business.

An examination and identification of five areas of interest were made to compare the smaller companies' products and work towards the four largest retailers in the market. The five areas of interest were: origin and traceability, shelf-life and safety, suppliers, logistics and packaging.

To be able to compare the selected companies on the market according to the five areas of interest, a history and information part are presented for the four largest retailers on the market. The picture emerging is that there are many similarities between the range of products and the method of working for these companies. All of the four major retailers have active programs to work for better environmental awareness of both current emissions and transport, as for the sustainable exploitation of the earth's resources in products.

The three selected companies active in the 5% market are Farmer's Market, Family Food and Österlenkryddor. Farmer's Market is collaboration between local farmers to sell and market their own products. Family Food is a company which provides a service with home delivery of groceries with recipes for five dinners and four persons on a weekly basis. Österlenkryddor, a company which develops and sells herbs from the Österlen region in Sweden.

The companies were chosen since they were representative of their niche and the amount of available information on them was good. The three chosen companies also agreed to give personal interviews.

These smaller companies satisfy a need among consumers with their products, but none of them can provide a full range of foods the way the six major retailers in the market can. The advantages of the smaller companies are simplicity, traceability and the personal contact between the customer and the company and producer, who often is the same person.

The trend identified is that small companies often build their business on local production, organic products and quality service. These keywords are not unique to the smaller companies and can also be found among the major competitors, but this

usually require more effort from the consumer himself.

Product development is important in all businesses and can usually be identified more easily in smaller companies, where a new product or innovation often is more noticeable and is more depending upon success for the company. The larger companies in the market are placing increasing emphasis on private labels and put great effort into promoting them.

The conclusions are that although there are many things that separate the major companies from the smaller ones, there are many components shared as well. The main difference is in how much time and personal commitment the consumer want to spend on the acquisition of food.

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1 Introduction

In today's society consumers are exposed to magazine articles, new food products from companies, recipes, television shows and homepages on the internet, all filled with information about food every day. There is a growing interest in food and what one is supposed to eat, and it is getting trendier to be aware and healthy regarding food. This happens at the same time as the time to collect and prepare food in the industrialized world is decreasing for the individual and fast food and eating on the go is more popular than ever.

During the last 100 years the Swedish grocery market has evolved towards today's picture of it, mainly consisting of four large competitors, ICA, Axfood, Coop and Bergendahls Group. These four retailers have according to the leading Swedish retailer newspaper *Fri-Köpenkap* [1] a 90% market share today and together with the relatively new retailers on the Swedish market, Lidl and Netto, they have some 95% market share. The other 5% of the market is all the other companies and actors selling groceries to consumers and it is on this market the thesis focuses.

The reasons behind choosing to investigate and look at the 5 % market are that it is a small market share divided between hundreds or thousands of companies trying to compete against well-known and well established companies and under harder conditions. As far as our knowledge goes, no one had investigated the Swedish grocery market and divided it into these two different competitors, 95 % against 5 % market, and tried to identify key factors that make the smaller companies successful. For example: Why does the consumer choose an alternative company? What makes the smaller companies successful? Are there specific differences in the range of goods?

By identifying different companies and actors on the 5% market, a selective group of interesting companies has been chosen and investigated further. These companies has been interviewed, researched and also compared with their direct competitors, the large retailers who have the same or similar business idea, to get a fair picture of the ideas and conditions that applies for companies on the 5% market. Due to the limitation in time available, the price aspect of the choices available on the market has not been taken into consideration.

To understand these smaller companies and their situation, a background for the four largest competitors on the Swedish grocery market is presented. This also makes it possible to make comparisons and draw some conclusions about what is different or not for all the different companies. What is attracting the consumers to the specific businesses and why? There are a lot of different questions to be asked in this area and

for instance is it due to innovations, information, local production or something else that attracts the consumers to a certain company?

This thesis investigates different kinds of companies with different kinds of products, reaching from full range retailers to single product service companies. The smaller actors are limited in numbers due to time limitation and that many did not accept to be interviewed. The aim with this is to give an overview of the actors on the market, and what it is that seems to attract the consumers, entrepreneurs and investors behind the companies, using different areas of interest to compare them.

1.1 Aim

This thesis aims to investigate businesses in a 5% section of the Swedish grocery market. The general food procurement is made in well-established grocery stores, but along with these stores other smaller competitors are present with 5 % of the market. The purpose is to identify the opportunities and barriers for these alternative food distribution systems and sales, and why these companies are seemingly successful against the larger actors on the market. In order to understand what is attracting the consumers some key factors will be investigated in different areas like origin, logistics, and packaging. Along with these areas the concentration was aimed to find out the amount of development work within different companies and also what is appealing the consumer to buy from these companies. In addition the respondents were asked about their companies following the guidelines viewable in the appendix section.

2 Background

This chapter starts by presenting some general background on product development in order to illustrate what it takes to develop successfully, which might be a major obstacle for smaller actors. On the other hand smaller actors are often entrepreneurs learning their business in a successful niche and developing from this niche with a defined focus.

Then follows some definitions and background from literature in the five areas this thesis focuses in:

- Origin and Traceability
- Shelf-life and Safety
- Suppliers and supply chain
- Logistics and packaging

2.1 Product Development theory

Source: Ulrich and Eppinger, 2008 [29]

For a for-profit enterprise and its investors, a successful product development process results in products that can be produced and sold profitably. Profitability is often difficult to assess quickly and directly, and within product development theory it is common to use five more specific dimensions, all of which ultimately relate to profit, to assess the performance of a product development effort. These are product quality, product cost, development time, development cost and development capability.

The first one, product quality, reflects how good the product is, if it satisfies customer needs and if it is reliable. These expectations show how good the quality is and is reflected in the market share and the price the customers are willing to pay for the product.

Product cost contains the cost for manufacturing the product. Both the cost for any machinery used, as well as incremental costs for producing the product. This dimension determines the profit for a particular sales volume. When it comes to development time, the actual time it took to develop the product, it determines how responsive the firm can be to competitive forces and to technological development. It also gives the time it takes to return the economic efforts of the product development project.

Development cost is the amounts of money spend developing the product and is usually a significant fraction of the investment required to achieve the profits. The last dimension is the development capability. When a company has developed a product they have gained knowledge and experience during the project. Development

capability is an asset the firm can use to develop products more effectively and economically in the future.

Product development is an interdisciplinary activity requiring contribution from different functions of a company, but there are especially three functions that are almost always central to a product development project. Marketing, design and manufacturing are all vital when developing a product. The marketing section within a company mediates the interactions between the company and its customers. Identifying product opportunities, making definitions of market segments and the identification of customer needs are all handled by the marketing section. Marketing also handles the target prices, overviews the launch of the product and the promotion of it. The design function has a lead role in defining the physical form of the product to best meet customer needs. In the design function both the mechanical-, electrical design etc., as well as the industrial design, (aesthetics, ergonomics, etc.) are included. The last of the most common functions involved in a product development project is the manufacturing branch. This branch is primarily responsible for designing, operating and/or coordinating the production system in order to produce the product. Manufacturing are also responsible for the supply chain of the product.

In all these different areas, there are often persons with different educations and experiences, which all together makes up the project team. Together with expertise from other fields, like economics, legal department, etc. and specific competences depending on the particular characteristics of the product, the product development project is carried out. Only a few products are developed by a single individual.

There are different amounts of time and costs associated with product development, depending of the nature and lifetime of the product. Most people without any experience in product development are astounded by how much time and money are required to develop a new product. In reality there are very few products developed in less than a year. Many products require three to five years, and some take as long as 10 years. The cost of product development is roughly proportional to the number of people on the project team and to the duration of the project. In addition to the costs for development efforts, there are almost always investments made in machinery and equipment for the new product. This investment is often as large as the budget for the development project, but can be seen as fixed costs of production later. To give a general view of how different parts of the development process effects different products table 1 is presented below.

Table 1. Overview of development process and different products

	Stanley Tools Jobmaster Screwdriver	Rollerblade In-Line Skate	Hewlett- Packard DeskJet Printer	Volkswagen New Beetle Automobile	Boeing 777 Airplane
Annual production volume	100,000 Units/ year	100,000 Units/year	4 million Units/year	100,000 Units/ year	50 Units/year
Sales lifetime	40 years	3 years	2 years	6 years	30 years
Sales price	\$6	\$200	\$130	\$20,000	\$ 200 million
Number of unique parts	3 parts	35 parts	200 parts	10,000 parts	130,000 parts
Development time	1 year	2 years	1.5 years	3.5 years	4.5 years
Internal development team	3 people	5 people	100 people	800 people	6,800 people
External development team	3 people	10 people	75 people	800 people	10,000 people
Development cost	\$ 150,000	\$ 750,000	\$ 50 million	\$ 400 million	\$ 3 billion
Production Investment	\$ 150,000	\$ 1 million	\$25 million	\$ 500 million	\$ 3 billion

Source: Ulrich and Eppinger, 2008, Product design and development, pp 5.

It is hard to develop successful products and few companies are highly successful more than half the time. With these odds it is a significant challenge for a product development team and some characteristics that make product development challenging are listed below. (Adapted after Ulrich and Eppinger, 2008)

- Trade-offs: A product, like a shipping container, can be made lighter, but this action will probably increase the manufacturing costs. Recognizing, understanding and managing trade-offs like this to maximize the success of the product, is one of the most difficult aspects of product development.
- Dynamics: Evolving customer preferences, technologies improve, competitors introduce new products and the macroeconomic environment shifts. All this makes the development process a formidable task.
- Details: The choice between using salt extracted from the Mediterranean or from a cave in a product can have economic implications of millions of dollars. Even a product of modest complexity may require thousands of such decisions.
- Time pressure: A development team can probably manage these difficulties given plenty of time. But in a product development project decisions must usually be made quickly and without complete information.
- Economics: Developing, producing, and marketing a new product requires a large investment. This investment requires a finished product that is both appealing to customers and relatively inexpensive to produce, to earn a reasonable return of the investment.

Product development is interesting for many people because it is challenging, and for those participating attributes like creation, satisfaction of societal and individual needs, team diversity and team spirit are important. The process, beginning with an idea and ending with a physical artifact, and aimed at satisfying needs of some kind, appeal to entrepreneurs and a variety of other people.

2.2 Product development within the food industry

There is numerous literature written about the food industry regarding innovations and history. The problem with this literature, in view of our area of interest, is that they are often specific to one particular product and do not cover the common development process. The literature found describes the history and process of one specific product and a particular brand, and is often limited to the process in one country. One of the more important innovations within the food industry worth mentioning is the freezing technique developed during the 20th century [30].

2.3 Some definitions

In the subchapters below follows some useful definitions and clarifications of concepts mentioned in this thesis.

2.3.1 Definition of locally produced

The term “locally produced” has different connotations depending on who is asked to define the phrase. Some companies choose a loose definition of within a day’s drive while others have a clear description of a given distance in any direction. No legal authorities in Sweden or the United States have established a governing definition. For the purpose of this thesis we have therefore chosen to define the term as 250 kilometers in any direction based on the definition used by Farmers’ Market in Sweden, see below.

There is much debate about whether products that are produced in one region and then processed in another can claim local production. If this is allowed, large food processors would theoretically be able to label the majority of their products as local. Wholesale distribution systems can further complicate the phrase, as some products must travel hundreds of miles away from the production site only to be purchased by stores very near to the growing site. Local food advocates propose that labels should show consumers exactly how far each food product has traveled before purchasing.

2.3.2 Definition of organic

Unlike the phrase “locally produced” the term “organic” is clearly defined by numerous legal authorities. The European Union has regulations on which products can be labeled organic and within Sweden the KRAV [4] organization that has further stringent rules. KRAV is a member of the International Federation of Organic Agriculture Movements (IFOAM) [5] which is an umbrella organization that promotes organic food. IFOAM defines organic agriculture as:

“...a production system that sustains the health of soils, ecosystems and people. It relies on ecological processes, biodiversity and cycles adapted to local conditions, rather than the use of inputs with adverse effects. Organic agriculture combines tradition, innovation and science to benefit the shared environment and promote fair relationships and a good quality of life for all involved.”

KRAV and IFOAM work together to influence EU standards such as regulations (EC) no. 834/2007, (EC) no. 889/2008 and (EC) no. 967/2008 [6]. All products labeled and sold in the United States as organic must follow the Organic Foods Production Act (OFPA) passed in 1990 and the National Organic Program (NOP) established by the United States Department of Agriculture (USDA) [7]. These state that products

labeled as organic must originate from farms or handling operations certified by a State or private entity that has been accredited by the USDA.

All organic processors are subjected to certain legal requirements if the product is to be labeled and marketed as organic. The important principles a processor must follow are the limited use of additives and processing aids, the strict restriction of chemically synthetic compounds, and the prohibition of genetically modified organisms (GMOs). Yearly inspections are carried out at each processing plant to ensure that they are abiding all legal requirements.

Products that are labeled organic must include the name of the last operator who handled the product as well as the name or code number of the inspection body which ensured its organic authenticity within the EU. Although retailers and government agencies take steps to ensure that organic products are indeed organic a recent investigation in Great Britain revealed that approximately 10% of all organic products are mislabeled [8].

2.3.3 Definition of a grocery store

According to Wikipedia, 2010 [9] a grocery store is a store that sells different food products from assorted places to customers. These retailers typically supply a range of dry groceries, canned goods and some perishable items. Stores that only stock perishables like fruits and vegetables are called produce markets while convenient stores sell snack goods. Today's grocery stores are self-service, where customers fill their own orders, stemming from the idea of Clarence Saunders' Piggly Wiggly self-service store in 1916.

According to the US Food Marketing Institute [39] the definition of a grocery store is: "Any retail store selling a line of dry grocery, canned goods or nonfood items plus some perishable items."

2.3.4 Definition of a supermarket

According to Wikipedia 2010 [10] a supermarket are large grocery stores that stock additional items besides food like clothing and household goods are called supermarkets. The wider selection of goods at supermarkets is organized into departments, for example meat, produce, dairy and baked goods. The appeal of supermarkets is the broad selection of goods under one roof at relatively low prices. They are able to advertise lower prices than traditional grocery stores due to higher overall volume of sales.

According to the US Food Marketing Institute [39] the definition of a supermarket is: "Any full-line self-service grocery store generating a sales volume of \$2 million (US-dollars) or more annually."

2.3.5 Definition of a hypermarket

According to Wikipedia, 2010 [11] hypermarkets are even larger than supermarkets, occupying over 150,000 square feet (14,000 m²) or more. This large footprint requires stores to be located in suburban or out-of-town locations that are accessible by automobile. These stores combine both a full-service supermarket and a department store, carrying full lines of groceries and general merchandise. Hypermarkets also focus on high-volume and low-margin sales, allowing customers to fulfill all of their weekly shopping needs into one trip.

2.4 Origin and traceability

“Traceability refers to the completeness of the information about every step in a process chain.” (Wikipedia, 2010 [12])

The International Standards Organization (ISO) defines traceability in ISO 8402:1994 as “the ability to trace the history, application or location of an entity by means of recorded information” (FSA, 2002, p. 6; Furness & Osman, 2003, p. 473) [41-42]

2.5 Shelf-life and Safety

Source: GlobalGAP, 2010 [36]

GlobalGAP, before 2007 EurepGAP, is a common standard for farm management practice created in the late 1990s by several European Supermarket chains and their major suppliers. The standard was developed using the Hazard Analysis and Critical Control Points, HACCP, guidelines published by the United Nations Food and Agriculture Organization, and is governed according to the ISO Guide 65.

2.5.1 Definition of HACCP

According to the business dictionary [37] HACCP is defined as “Hazard analysis and critical control point. Food production, storage, and distribution monitoring system for identification and control of associated health hazards. It is aimed at prevention of contamination, instead of end-product evaluation. In place of relying on food inspectors to detect food safety problems, HACCP shifts the responsibility to the food producer to ensure that the product is safely consumable. Proposed by the Codex Alimentarius Commission for the food industry in general, and meat, poultry, and seafood industry in particular, it has been adopted by some 150 countries.”

2.6 Suppliers and supply chain

When investigating suppliers and supply chains the supplier may serve the manufacturer and the retailer with products, packaging, services, new ideas etc. In this thesis all of the above categories are considered suppliers and part of the supply chain.

2.7 Logistics and Packaging

According to Logistics World (2010) [46] there are several different definitions of logistics. The one used in this thesis is defined as a business planning framework for the management of material, service and information.

Packaging is defined as “wrapping material around a consumer item that serves to contain, identify, describe, protect, display, promote and otherwise make the product marketable and keep it clean.” [47].

3 Methodology

In order to achieve the purpose of this thesis a thorough literature search was performed along with interviews of companies and personal observations. All gathered information was analyzed and compared with existing theories and the definitions stated in chapter 2.

3.1 Literature

Numerous databases were searched as well as ELIN, the Electronic Library Information Navigator at Lund University. Assorted books were also used and referenced in this work.

There are two different methods of gathering data, quantitative or qualitative method. According to Nationalencyklopedin (2010) [43] the quantitative method uses a systematic approach where the researcher collects empirical and quantifiable data, summarize them in statistical terms as well as analyze the result in testable hypotheses. The other method, which is used in this thesis, is the qualitative method. According to Nationalencyklopedin (2010) [44] this method works by collecting and analyzing data at the same time, and the researcher also tries to catch human behavior and the meaning of these actions. In the qualitative methods the observed population is often smaller than in the quantitative method.

3.2 Interviews

Interviews were conducted in order to gain insight into each of the various branches of alternative food distribution systems according to Yin [2] and Kvale [3] interview theories. The person in charge at each company was first asked to describe their company and its history to start a natural conversation that would be carried throughout the interview. They were then asked a series of open-ended questions regarding the five areas of focus: origin and traceability, shelf life and safety, suppliers, logistics and packaging. A framework for the interviews can be seen in the Appendix section. The interviews were performed over the phone or in-person depending on the physical location of the company. In total four interviews were carried out. All interviews were tape-recorded and lasted approximately 20 minutes. Additional interviews of each identified alternative category would have been preferred but due to the limited amount of time and the uncooperativeness of some companies this was unachievable.

The Farmers' Market in Malmö was also visited to give a hand on experience.

3.3 Internet

Internet searches were carried out to gather information about actors within each branch.

4 Opportunities and barriers for alternative food distribution and sales in Sweden

In this chapter the conceptual framework is described and followed by information and facts of the four major retailers in Sweden, and following how they approach our five areas of interest. The information about the four major retailers is collected from their own homepages and their annual reports. Then follows information and facts about the smaller selected actors on the market, following the same structure.

4.1 Market analysis

4.1.1 Conceptual framework

In today's industrialized food system there are two conflicting trends that are emerging. One is the concentrated food retail sector where the retailers now dictate what food products should be produced and at what cost [12]. The second trend is from alternative food economies that allow consumers to reconnect to the original producer.

These alternative food networks are raising in popularity as the numerous recent food crises prompt consumers to reexamine their trust in large industrialized agriculture [13]. This crisis of confidence in mass produced food is typical of higher income consumers who have the ability to deviate from mainstream food provisioning. The appeal of supermarket convenience still applies to these affluent consumers although they are encouraging the growth of alternatives. Short food supply chains, such as Farmers' Markets and community supported agriculture (CSA) are examples of such alternatives. These shorter food chains tend to focus on organic products but after an article in TIME Magazine [14] the spotlight is now directed on local foods. This because of the fact that local production always has a short distribution chain which in many aspects is advantageous and that organic production does not necessarily mean a short distribution chain.

Alternative food provisioning networks provide opportunities for more diversified farm livelihoods since premium prices can be requested. These networks offer relief from the tyrannical cost-price pressures farmers' face that is exerted by the combination of diminishing direct, production-related subsidies and the market power of retailers, with their callous, exploitative techniques of supply chain management [15].

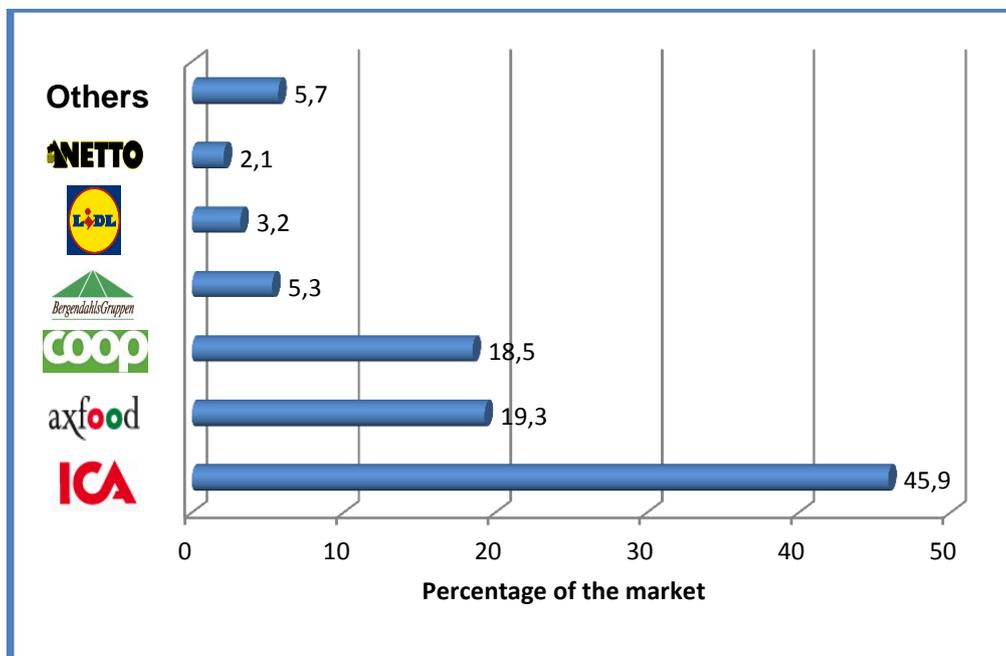
This paper examines three different categories of alternative food networks: Farmers' Markets, home delivery services, and other small and medium sized enterprises.

Although these services offer assistance in procuring food, none are able to offer all food products. Therefore the major food retailers are still of importance.

4.1.2 General food retail market in Sweden

In the Swedish grocery market there are four main competitors: ICA, Axfood, Coop and Bergendahls. Together they compose approximately 90 % [1] of the market, and by including the relatively new competitors Lidl [16] and Netto [17] the total market owned by these companies is 95% [1]. To be able to compare and evaluate companies in the remaining 5% market it is important to understand the history of the four major ones and how they work within our areas of interest. From a development point of view, a company needs to have a constant renewal of work within certain areas to succeed.

Table 2. Food retailers and their market shares [1]



4.1.3 Background and choices for alternative companies

Various alternatives have been discussed throughout the project. These extend from large nut producing companies to one person businesses within the same market. Three main branches of interest were recognized and identified for this thesis. Farmers' market, home delivery service, and small and medium sized enterprises were chosen since there are several companies within each field.

The companies described in this thesis were chosen since they were available for interviews and well established within their expertise. To ensure a wide and accurate view of the business area, other companies within each discipline were investigated and taken into account.

4.2 History of ICA

Source: ICA, 2010 [18]

Co-written together with Catherine Erickson, *Food trends: Opportunities and barriers for alternative food procurement systems*. 2010. [45]



Figure 1. Logo of ICA

ICA Sverige AB, which is a subsidiary of the ICA Group, is Sweden's largest food retailer with 45.9% of the market. Although the structure of the company has changed over the years, the foundation of ICA was established by Hakon Swenson in 1917 in Västerås in central Sweden. Swenson believed that he could achieve economies of scale if he was able to form purchasing centers by joining individual retailers together, thus constructing stores and sharing their marketing costs. ICA's business concept is to be Sweden's leading retail company with a focus on food and meals. To ensure that all demographics of food retailing were met, ICA developed four store concepts. ICA Nära is the smallest store concept that focuses on a convenient streamlined product range. ICA Supermarket's are larger stores where customers can find most of their groceries. Larger supermarkets are called ICA Kvantum and contain more specialty products. Maxi ICA Stormarknad is classified as hypermarkets where consumers can find a wide range of food and household products. As of 2009, there were 1,359 ICA stores that were owned and managed as independent businesses even though operations are coordinated within the group.

4.2.1 Origin and traceability

Purchasing products as close to the stores as possible and when they are in season is ICA's overall philosophy regarding fruits and vegetables. ICA aims to expand their eco-friendly products and more regional and local alternatives. All organic products must meet the European Union's regulations as well as KRAV's rules. ICA also encourages integrated production, where all usage of artificial fertilizers and pesticides is documented and properly supervised. All non-organic produce must be grown according to GlobalGAP.

Currently sustainable fishing is an important issue. ICA determines which seafood to sell based on information from the WWF [19], the International Council for the Exploration of the Sea (ICES), fishermen's organizations and other environmental organizations.

ICA has introduced new shelf labels to provide customers with clear information regarding the product's origin, taste or how it can be used. In addition, an E-number

search based on text message service for mobile phones was introduced. Food additives that have been approved for usage within the European Union are assigned a specific E-number which must be listed on the label on ingredients. Customers can now find out what specific E-numbers are and why they have been added while still in the store.

4.2.2 Shelf life and safety

ICA monitors product safety throughout the entire chain, from primary producer to customer. ICA participates in the Global Food Safety Initiative which has created a benchmark process for food safety management schemes for suppliers. To further ensure safety and quality, ICA developed a new internal standard that has now been adopted as an industry standard by Svensk Dagligvaruhandel. The new standard is the world's first third-party standard for food safety in retail stores.

All private label products are tested at ICA's own lab. Products are evaluated on taste, smell, appearance and consistency. The contents of every product are analyzed to ensure that the list of ingredients and other packaging information meet legal requirements.

ICA also takes responsibility for what the company imports. For instance, there are sourcing offices in China and Vietnam with ICA's own quality departments. This results in a greater chance of following a product's route from producer to store and verifies that the suppliers are living up to ICA's requirements in terms of social responsibility, the environment and quality.

4.2.3 Suppliers

ICA places stringent requirements on all products sold in its stores therefore they place strict requirements on their suppliers and subcontractors. All of ICA's suppliers must be certified according to a third party standard. Private label products must also be certified either according to one of the Global Food Safety Initiative's approved standards for food production or ISO 22000. In addition, suppliers must meet ICA's requirements on animal welfare, environmental work and social responsibility.

To be an approved supplier, a potential contractor is required to meet the demands on quality, product safety and responsibility stated by ICA. This means that they have to work actively with environmental issues based on clearly stated goals that are followed up continuously. Furthermore, every factory or production location must be certified according to international standards. Inspections are routinely carried out to ensure that responsibilities are met throughout the product process.

4.2.4 Logistics

Although ICA receives goods mainly by rail or sea, trucks are needed to deliver goods to the individual stores. To optimize logistics flows, trucks are filled to

capacity and routes planned with as few stops as possible. A reduction in empty driving has occurred in part to acquiring the rights to deliver goods from the supplier to ICA's warehouse. The trucking contractors used by ICA operate with energy-efficient engines and renewable fuels. All drivers also receive eco-driving training.

4.2.5 Packaging

Together with their private labels, ICA is working to develop packaging materials that promote sustainability and facilitate materials handling. For example, all organic produce is packaged in renewable materials that are biodegradable and meet the EU's composting requirements. ICA has also launched an "Eat soon" label for products that will soon expire. This label is sold at discounted prices to help minimize the waste. ICA has invested in a new vacuum packaging method for meat to ensure that meat stays fresh. This new skin pack is unique in the fact that two sheets of plastic are used. One sheet is placed around the meat to keep it fresher longer, while the second sheet is vacuum sealed once the meat is on a tray. The second sheet also allows for the product to be displayed on its edge without affecting the meat, thus increasing shelf visibility.

Besides new packaging systems, ICA tries to minimize all waste from their warehouses and stores. 97 percent of all waste at the warehouses is recycled. The plastic packaging received at the warehouse is reused in new shopping bags, which produce less CO₂ emissions when incinerated.

4.3 History of Coop

Source: Coop, 2010 [20]

Co-written together with Catherine Erickson, *Food trends: Opportunities and barriers for alternative food procurement systems*. 2010. [45]



Figure 2. Logo of COOP

Coop Sverige is the wholly owned grocery retail subsidiary of the Swedish Cooperative Union, KF Group. KF was created by 41 local consumer cooperatives in 1899 in order to assist with information and education. It was a natural progression of KF to become responsible for the procurement of goods for these cooperatives. Throughout several reconfigurations, Coop has remained the core of KF's grocery retail although other companies such as Daglivs store and the online based Mataffären.se have recently join KF's overall grocery division. There are four different store models that Coop employs: Coop Nära, Coop Extra, Coop Konsum, and Coop Forum. Smaller local convenient stores are called Coop Nära while Coop Extras are slightly larger stores. Coop Konsum consists of larger stores that carry the broadest range of organic products in Sweden. Coop Forum is Sweden's leading hypermarket chain with an extensive range of goods. KF group now accounts for over half of all grocery stores in Sweden with 720 Coop stores. The market share is 18.5% of the whole Swedish grocery market.

The mission of the Swedish consumer cooperative movement is to create economic benefits, and enable its members through their consumption to contribute towards sustainable development for people and the environment. Coop's fundamental values, influence, concern, honesty and innovation, governs the company. Sustainable development including financial, social and environmental, is therefore a central concept.

4.3.1 Origin and traceability

Trends towards more sustainable consumption, together with a trend for genuine, authentic food created greater consumer pressure for more locally produced food. Recently, LRF (The Federation of Swedish Farmers) and Coop partnered to create the major initiative, "Mat från Regionen" (Food from the Region), in order to meet members' requirements to be able to buy more locally produced goods in stores and hypermarkets. For a number of years, LRF and some of the retail stores have already had success cooperating on a regional basis. For example, the initiatives such as Kaprifolkött meat in western Sweden, as well as the program in Värmland where Konsum Värmland is now the market leader in regard to selling food of local and

regional origin. Coop's aim is for the company to have the biggest ranges of locally produced food.

4.3.2 Shelf life and safety

1978 KF introduced "open date labeling" on all everyday commodities and were the first ones to do this in Sweden.

4.3.3 Suppliers

Coop Sverige strives to have suppliers that are both environmentally and socially responsible, therefore all suppliers must sign a code of conduct based on guidelines provided by the United Nations and International Labor Organization. For instance, it includes prohibition of child labor and requires compliance with local laws on minimum wages and overtime. Coop also demands that suppliers review the code of conduct with their own suppliers. Coop coordinates inspections of suppliers in the Far East with Intercoop, a member of the BSCI (Business Social Compliance Initiative).

4.3.4 Logistics

Purchasing and logistics is provided by Cilab, Coop Inköp och Logistik AB, while Coop Trading is responsible for international procurement and private label development.

The majority of goods are transported to Coop by truck. Coop requires their suppliers to follow all environmental requirements when transporting products. Coop's own drivers are trained to drive economically and as an incentive receive part of the savings involved with this type of driving. Co-loading and more efficient transportation have allowed Coop's emissions from transportation to fall more than 10 % in 2008.

A partnership was initiated with Green Cargo to move transportation from the roads to the railways within Sweden. This change of transport method means that a reduction of 120 truck deliveries per working day has occurred. As the shift of transporting to Coop terminals has moved away from suppliers, Coop now has a better overview and control of the entire transport chain.

4.3.5 Packaging

Each Coop store handles considerable quantities of fresh food in the form of produce, bread, meat and dairy products. All foods must be physically destroyed once their sell-by date expires, this results in both a financial and environmental expense. Coop has implemented initiatives for developing procedures to reduce physical destruction without impairing food safety, in addition to initiatives for less or more resource-efficient packaging, and more recycling.

4.4 History of Axfood Group

Source: Axfood, 2010 [21]



Figure 3. Logo of Axfood

Axfood AB is one of the largest companies within the grocery retail business in Sweden. Although the company was recently founded in 2000 with the merger of Hemköpskedjan and D&D Dagligvaror, they already possess 19.3% of the market. Axfood operates within both the wholesale and retail sales arenas. The main owner in Axfood is Axel Johnson AB with some 46%, and the second largest is the Norwegian Reitangroup with some 10 %, and the remaining 34% is owned chiefly by investment funds. The roughly 32 billion kronor in turnover company in 2009 is registered on Nasdaq OMX Stockholm Exchange.

Axfood operates within the retail sales in Sweden with the private and/or franchised names: Willys, Hemköp and PrisXtra. In addition they cooperate with retailer owned stores through legal agreements under the brands Handlar'n and Tempo. In total, Axfood own some 230 stores, and cooperate in addition with some 840 stores. Axfood also has a store called NetXtra, which is an internet based grocery shop. The business concept for Axfood is to develop and run successful food concept in the northern regions of the country, relying on clear and attractive customer offers. Axfood's vision is to become one of the leading companies in the North within the grocery store business thru profitable growth.

The wholesale division is under the companies Dagab and Axfood Närlivs AB, within the Axfood group.

Dagab is the logistics partner to the Axfoodgroup's own grocery stores with the task to supply roughly 400 stores. This is made through two full range warehouses and two fresh produce warehouses in Sweden. Dagab's business concept is to help the stores increase their sales and profit by supplying efficient adapted logistic solutions.

Axfood Närlivs Ab is the market leader in Sweden when it comes to wholesales service stores and is divided into two companies, Axfood Närlivs and Axfood Snabbgross. Axfood Närlivs concentrates on sales, distribution and an active sales- and market processing. The main customers are corner shops, kiosks, road stores, gas stations and seasonal stores. These customers are served with a complete food selection including perishables goods, fruits and vegetables. The company also provides services for marketing and concept development to the partners. This includes the strong brands like Tempo, Handlar'n and Direkten.

Axfood Snabbgross is the leading self-service wholesale company in Sweden, supplying restaurants, catering businesses and convenience stores. The company is represented nationwide in nineteen districts within Sweden.

Axfood has a strategy built upon five cornerstones, each developing the company and providing innovations. These cornerstones are viability, growth, customer, environment and responsibility and also coworkers and organization. The viability strategy is to become the most profitable company in Sweden on the grocery retail market. This is achieved by improving the chain- and store businesses, aim at the best purchase price, implement efficient logistic systems and to do cost controls in all channels. Growth is important and the aim is to strengthen its position as the number two contributor in the Swedish market by increasing the market share. Axfood is planning to do this by developing the different concepts within the Axfood group. This includes increasing delivery to external customers and being proactive in regards to establishments and acquisitions. Regarding customer strategy, it is important to have satisfied and loyal customers. This is achieved through an attractive line of goods combined with customer offers. Number four in the strategy is the environment and responsibility cornerstone. Axfood wants to increase the awareness of social responsibility and environmental impact. This is also important to highlight for the suppliers and make sure they take their share of responsibilities. Axfood is also working to decrease the environmental footprint according to ISO 14001 and aims to reduce its climate impact by 70% by year 2020.

A strategic and important goal for Axfood is to have private labels in their stores. Today they have the highest rate, 21.4%, of private labels of any stores in Sweden and the aim is to increase this rate to 25% in the year 2010. The purpose with some of the products of this kind is to maintain quality equal to the market leading brands but with a price saving between 10-15% for the customer. Among Axfood's own brands there is one called Garant Ekologiska, which is an ecological choice, and one called Aware, which is a fair trade product line. These two brands fulfill the certifications that are needed within Sweden and the European Union.

4.4.1 Origin and traceability

All private labels within Axfood will, besides meeting the demands stated in the law, also be labeled with country of origin as far as possible, extended nutrition declaration and quality guarantee. Axfood has a special fish policy which states that fish and shellfish from endangered populations are not to be sold in their stores. The populations to which this is applied are based on information from the WWF. This labeling, along with highlighting sustainable alternatives in the stores, gives the customer a good service. Due to this work Axfood was in May 2008 rewarded with a high place ranking on Greenpeace's list of grocery stores with an environmental

adaptation of their fish line. Axfood's fish and shellfish policy states that all fish sold in their stores are to be traceable to population, fishing zone/farm and time of fishing.

As a company Axfood, in general, avoids to take positions on political issues. Axfood follows the United Nations or the Swedish Government's advice in critical situations outside of Sweden. Some actions can be interpreted as political without the intention behind it. For example, purchases of food or fruits and vegetables from countries that may be perceived as controversial. By labeling the vegetable and fruit sections with country of origin and also the food sold in the stores, the customer can decide whether she / he wants to purchase the product or not.

4.4.2 Shelf life and safety

To maintain high safety and standard on Axfood's private labels, all producers supplying the products must be certified by any of the applicable international standards. In addition to certification, Axfood has their own spot-check controls. Axfood have a yearly extensive food safety program to ensure the quality of their private label products. This food safety program involves microbiological and chemical analyses based upon the specific risks attached to each product.

When it comes to vegetables, root vegetables and fruit, Axfood only deals with suppliers that fulfill the EurepGAP certification. The EurepGAP certification means that the farmer minimizes the use of chemicals and fertilizers, and the product is then controlled for residues. Also, their packaging facilities are to fulfill the standards for Global Food Safety Initiative or ISO 22000.

Axfood has a self-monitoring program within whole sales and retail sales to meet their customers' right to safe food. This control program is approved by the Swedish Food Agency. The program means that there are clear routines for storing, labeling, temperature control, handling of packages and unpacked food to maintain good food hygiene.

4.4.3 Suppliers

Axfood believes it is important to do business using good business practices and high business ethics in their relationships with suppliers and other business associates. It is also important to make sure that the suppliers live up to the national laws and that international conventions are respected. The fundamental factors that are supervised are child labor, workers' rights, work environment and living conditions. Checking the suppliers is based upon the international recognized standard for social audits SA 8000.

4.4.4 Logistics

The logistic work made by Axfood is mainly concentrated towards environmental issues. Axfood takes responsibility for a sustainable development of the company due

to confidence of its company stakeholders and its ability to run a successful business. This means that during daily work the climate- and environmental aspects are integrated within purchase and selection of products like logistics, transportation and commodity flow, store operations and waste handling. Axfood works towards the United Nations definition on a sustainable development, “development that meets our needs without compromising those of future generations to meet their”.

The company strives to make their transports as sustainable as possible in the long-term. From a logistic point of view this means that the trucks should have well planned routes and be as fully loaded as possible. When renewing the truck fleet, the most environmental friendly and commercial viable alternatives are chosen. The aim is to have alcohol interlocks in all vehicles. Dagab uses eco-driving and a similar way of driving was introduced to Axfood Närlivs. With these measures Axfood wants to decrease the fuel consumption by 10 %.

4.4.5 Packaging

Source separation of waste is used in all of Axfood’s offices, stores and warehouses to improve the waste sorting in all areas. Since year 2002 all of Axfood’s own brands are labeled with instructions for source separation on the package. Axfood Group also has appointed a committee to reduce the fresh food waste, so that less food has to be thrown away. The aim is to recycle as much as possible of the waste that is generated.

4.5 History of Bergendahls Gruppen AB

Source: *Bergendahls Group, 2010* [22]



Figure 4. Logo of Bergendahls Group

Bergendahls Gruppen AB is the fourth largest company in Sweden within the grocery store business with some 5.2% of the market share. The company is a subsidiary to Bergendahl & Son AB which was founded in 1922 by Mikael Bergendahl. Bergendahls Gruppen operates in both the wholesale and the retail sales area. The parent company is a family owned group run by the Bergendahl-Mylonopoulos family. The gross sales for 2009 was roughly 7.8 billion kronor.

The history of Bergendahls starts in 1922 with a small agency for the margarine company Svea. In a few years this company grew to also include cheese, flour, coffee, canned food, sweets and spices. In the 1940s Mikael's son entered the company and the name was changed to Bergendahls & Son, the same name that the parent company has today. In the 1950's the company emphasis went from special wholesale towards a full range wholesale company. During the 1960's and 1970's Bergendahl & Son started to cooperate with independent retailers, which resulted in perishable goods being introduced. Since then Bergendahls & Son has engaged in both wholesales and retailer sales. The company grew during the 1980's and 1990's and became a leader for the emerging low price stores in Sweden. Bergendahls principal low price store is City Gross which first opened in 1993. In 2001 the subsidiary company Bergendahls Gruppen AB was founded including the brands AG's, City Gross, Eko and all the independent retailers.

The company is active in the retail sale area with stores both owned by Bergendahls Gruppen AB and stores owned by independent store owners. Their own stores are listed under the names City Gross and Eko. Bergendahls Gruppen AB has a full grocery line and delivers goods to their own stores and some 200 independent stores. As a compliment to the grocery goods Bergendahls Gruppen AB also supplies other services as store layouts, range selection, marketing, media services and education.

According to Bergendahls Gruppen AB, they are the only everyday grocery store player in Sweden today that allows totally independent store owners. Thus they explicitly preserve the free dealers. Among the roughly 200 independent store owners, 80 of them operate under the brand Matöppet. These stores have the local

shop concept which aims to deliver high quality, good service and a close relationship with the customer.

The company brand City Gross is a hypermarket chain with a wide assortment of goods at low prices. This attracts both the private consumer and the smaller traders like restaurants, snack bars and pizzerias. Since City Gross handles large amount of goods, the prices can be lowered on well-known brands. Lesser known brands of high quality are also stocked.

Some of the other brands cooperating with Bergendahls Gruppen AB are AG's, Matrebellerna, MaxiMat, Östenssons and Vi.

Compared to the other three major companies on the market there is limited information available regarding Bergendahls Gruppen AB. Bergendahls Gruppen AB takes the environmental and quality work very seriously due to their desire to become a significant player on the market. Their policy is to make their customers feel safe, happy and aware of the range of goods and services available in their stores. Customers should want to shop with them today, tomorrow and next year.

Bergendahls has traditionally had their main market in the south of Sweden, but in the last couple of years they have expanded towards the northern markets as well.

4.5.1 Origin and traceability

Going against the current trend towards private labels in a more and more extensive scale, Bergendahls Gruppen AB invests in locally produced Swedish meat that is processed in the store.

4.5.2 Shelf life and safety

Since 1999 Bergendahls Gruppen AB follows the policy made within the Swedish grocery business regarding AZO-colors. These colors can lead to hypersensitivity in children. This policy states that they should avoid these colorants even though they have been approved for use by the EU.

The company also takes an active role against GMO, gene modified organism, and avoids products using this technology.

4.5.3 Suppliers

Bergendahls Gruppen AB works with their suppliers through documents, certifications and controls to avoid products that do not fulfill the company policies.

4.5.4 Logistics

Logistically Bergendahls Gruppen AB aims to maintain the vehicle fleet in the highest environmentally friendly class and all drivers are educated in Eco-driving.

The trucks are run on environmentally friendly diesel and the cargo capacity is to be 100%.

4.5.5 Packaging

Bergendahls Gruppen AB are working with source separation and recycling to the maximum extent which municipalities can handle.

4.6 General summary of the major companies on the Swedish food retail market

The four major companies of food retailers in Sweden have been competing for several years and during this time have grown larger and stronger, while trying to hold onto or expand their market shares. These companies have a continuous ongoing development process within different areas to achieve successes in the market.

According to all four companies they are concerned about the quality of the products they sell, stating numerous different strategies in environmental, safety, origin and human aspects considerations. The competition for the customers, whom are becoming more and more knowledgeable, forces the major companies to continue to improve their work and invest money within important consumer areas. Although the four companies share different information with the public, many facts are similar.

4.6.1 Origin and traceability

The origin, together with its history, is becoming more and more important for the conscious consumer. For the Swedish food retail market this means that the actors need to adapt and all four companies have ongoing development work within these fields. More locally produced products are important as well as labels stating environmental friendly, ecological, origin etc.

A common statement is to work according to WWFs list for endangered fish species, and sustainable seafood.

None of the companies state their definition of locally produced foods.

4.6.2 Shelf life and safety

Working with their own labs for continuous testing in the whole logistic chain is common. Selective testing is outsourced. There are some standards followed by some of the companies, besides the ones stated in the law, like the ISO 22000, GlobalGAP (former EurepGAP), and Global Food Safety Initiative.

4.6.3 Suppliers

All major competitors rely on suppliers to help maintain their businesses. Therefore, it is an important aspect of the company to make sure that all goods are of a high quality. The suppliers are controlled according to different agreements, documents and laws. In addition, routine inspections are made to check the quality and content. Although there are conflicts around the world, the majority of the companies trade with any country and lets the consumer decide whether to buy or not buy an item from a particular country.

4.6.4 Logistics

Ica is the only one of the four companies that states they run their logistics mainly by train or sea. Coop has recently started cooperation with Green Cargo in order to move more of the distribution onto trains instead of trucks. None of the companies can survive without trucks, since there are no railroads or ships reaching every store. The companies are trying to reduce their pollution and be as environmental friendly as possible. These demands are achieved by planning the routes as efficient as possible, driving the right kind of trucks and educate the drivers in eco-driving.

4.6.5 Packaging

The environmental side of the package is important for the major companies. All of the four companies recycle their waste and try to minimize the amount of products thrown away unsold or unused.

Table 3. Overview of the four major retailers in Sweden [18, 20-22]

Area of interest	Specification	Ica	Coop	Axfood	Bergendahls Group
Market	Existing need or created need	Existing	Existing	Existing	Existing
Owner	Who owns the store	Private owned stores, controlled by ICA	Coop owns the stores	Both owned by Axfood and owned by private retailers	Both owned by Bergendahls Group and owned by private retailers
Mission	Aim	Leading grocery retailer chain in Scandinavia	Leading Hypermarket chain. Cooperative	Strengthen their position in Sweden. Leader within private brands	Alternative wholesaler with completely private owned stores
Main Marketing	Television commercial, Newspapers, internet, direct mail, other	Television (national), Newspaper and direct mail (regional)	Television (national), Newspaper and direct mail (regional)	Newspaper and direct mail (regional)	Television (national), Newspaper and direct mail (regional)
Origin	Locally produced	Yes, some products	Yes, some products	Yes, some products	Yes, some products
	Organic	Yes, some products	Yes, some products	Yes, some products	Yes, some products
	Important with origin	Yes	Yes	Yes	Yes
Innovations	Innovative products/services	Yes	Yes	Yes	Yes
	Believe in the importance of innovations for success	High	High	High	High

Shelf life and safety	Food safety assurance	High, follows the demands stated in the law. External analysis	High, follows the demands stated in the law. External analysis	High, follows the demands stated in the law. External analysis	High, follows the demands stated in the law. External analysis
Logistics	Cooperation or own distribution	Own	Own	Own, Dagab	Own
Suppliers	External suppliers	Yes	Yes	Yes	Yes
Package	On the market existing package or own developed	Own product development	N/A	N/A	N/A
	Return system for package	Yes	Yes	Yes	Yes
Future	Growth	Stable	Stable	Expanding	Expanding
	Opportunities	The largest company in food retailing in Sweden	Cooperative	Leader within Private labeling in Sweden	Smaller competitor with another approach than the three other ones
	Barriers	Growing too large and strong. Hard to become an Ica store owner	Cooperative	Increasing the amount of private labels decreases the variety	Smaller market share, and recently started working with private labels

4.7 Farmers' Market

Source: *Farmers' Market, 2010* [23] and

Norrman-Oredsson, C. Market Manager Malmö, personal interview 22th of May 2010 [24]

Bondens *eigen* Marknad

Figure 5. Logo of Farmers Market

The Swedish Farmers' Market is not a traditional market place, because it is only the farmers themselves that are allowed to sell their own produced products at the market and many of the products sold here are local. A recent released recipe book about the farmers and their recipes at Farmers' Market starts with the description [23]:

“They are all over Sweden. They operate large farms, or have started a business in the outhouse. All grows and produces the things that we want to eat or enjoy, and they do so in the immediate vicinity. A bike ride, train ride or car ride away. With irregular intervals, we can meet them at Farmers Market in the town center.”

The first Farmers' Market in Sweden was founded in Stockholm in the year 2000. It started with local farmers, within a 250 kilometer radius, who came into the city and sold their products. In 2010 there are fourteen Farmers' Markets from the north to the south of Sweden that are producer only markets.

Farmers' Markets have grown to become a natural meeting place for food lovers and a place to meet the producers [23]. The producers claim that the food is simply more natural and better tasting, and the farmer can guide the customer and give him/her suggestions. Some of the foods available are organic but there are also products that are grown with the use of chemicals.

There is an ever growing curiosity about the Farmers' Market regarding preparation and background. The clientele purchasing their produce is growing. Due to the limited space on the marketplace, the organizers of Farmers' Market are trying to choose producers with items not already on the market. The trend seems to go towards a growing interest in locally produced products, close contact with the farmer, traceability, freshness, new and different tastes, small scale production and smaller local brands. There is also an emerging interest in organic food, food without additives and sourdough bread etc. Also the word “farmer” is rising in status as it is becoming an acceptable occupation.

4.7.1 Origin and traceability

The products sold at Farmers' Market are always from Sweden and grown or produced within a 250 kilometer radius from the market. The limit of 250 kilometer seems quite generous in some parts of the country but the rule was developed to deal with the great distances in the north of Sweden. Since it is the producers themselves that is standing on the market selling the products, the customer can always ask about the origin and traceability.

4.7.2 Shelf life and safety

There are many different kinds of products sold at the market. Everything from fruits, vegetables, jams, herbs, eggs, fish, meat, nuts, dried fruits, dairy products, products from bees, plants, to prepared foods are sold in the same market place. Of course the shelf life depends on the product. One of the requirements to be able to participate at the Farmers' Market is that the producer meets the demands regarding food handling and production in the legislation.

4.7.3 Suppliers

All products at the Farmers' Market are produced by the farmers themselves. Depending on the kind of product, some ingredients can be "imported", see the Österlenkryddor Company.

4.7.4 Logistics

Each farmer on Farmers' Market is responsible for their own transportation and logistics. The only demand is that it is legal due to legislation regarding food safety.

4.7.5 Packaging

There are a variety of companies in the Farmers Market and the packaging of products is as varied as the products sold.

4.8 Family Food- Home delivery services

Source: *Family Food, 2010* [25] and

Alberius, L. Co-founder of Family Food, phone interview 5th of May 2010 [26]



Figure 6. Logo of Family Food

Family Food is a company with a relatively new kind of service on the Swedish grocery market. The concept of the company is marketing weekly or biweekly delivery of groceries together with matching recipes for five dinners for four persons. There are several competitors on the market, for instance Middagsfrid and Linas Matkasse, but the companies are scattered in various cities in Sweden. Family Food was founded in 2007 by two ladies, Karin Ahlqvist and Lotta Alberius, after they recognized of a need for the service. It works as a subscription where the customer signs up for home delivery of groceries with recipes every week or every second week. The meals are varied and consist of dishes from fish, bird, pasta, rice etc. and cost 765 kronor a week. Each delivery consists of a mixture of locally produced products and organic products in various quantities. The meat and bird are almost always Swedish, but the fish delivered has to be on WWF's list of approved species. Since Family Food cooperates with different retailers in different parts of the country, the content of the delivery differs depending on the region in Sweden where it is delivered. Family Food is marketing the service in newspapers, mouth to mouth, Facebook and direct mail etc.

Family Food believes their business to be an innovation because they were one of the first to deliver this service on the market. Otherwise Family Food does not think innovation is important for the customer, but more important for the company. Family Food is growing and thinks that the business and its competitors are growing towards becoming an industry and not a random small service company on the market. This development will probably make room for more niche companies satisfying more specific food demands from the customers.

4.8.1 Origin and traceability

A delivery from Family Food contains around twenty-five to thirty items. Their aim is to deliver a large amount of organic products like dairy products, pasta, egg, meat, fruits and vegetables. When possible the origin of the meat and fowl are Swedish, but sometimes the meat comes from other countries. Since Family Food cooperate with local stores in different parts of the country, the traceability of the products

depends on the company delivering the products for the service. The store owners try to deliver as much locally produced as possible. These items would be potatoes, vegetables, and fruits.

4.8.2 Shelf life and safety

The products delivered should be of high quality and have a sufficient shelf life. If there is anything missing or damaged the customer will be given compensation for it, but it is the customers' responsibility to make sure that the delivered bag with groceries is taken care of and chilled within the assigned time.

4.8.3 Suppliers

Family Food cooperates with a range of suppliers around the country to make sure they deliver a good service for the customer. In total, the company has seven different suppliers with the two largest ones being ICA and Coop.

4.8.4 Logistics

By using local logistics the company is more flexible and can choose the best alternative.

4.8.5 Packaging

Each delivery comes in a standard paper bag with Family Foods' logotype on it. The paper bags contain all the items with their own original packages intact. To reduce the use of unnecessary packaging Family Food tries to use as much fresh food as possible, in form of vegetables and fruits etc.

4.9 Österlenkryddor - Small and medium sized enterprises

Source: Österlenkryddor, 2010 [27] and

Olsson E. Founder of Österlenkryddor, personal interview 29th of April 2010 [28]



Figure 7. Logo of Österlenkryddor

In southern Sweden is an area called Österlen, which is famous for its beautiful nature and surroundings. The area consists mainly of farmland and is surrounded in the east and south by the Baltic Sea. This region is the location of the company Österlenkryddor, which was founded in its current form nine years ago. The company is owned and run by Mr. and Mrs. Olsson and consists of 8 hectares of farmed land.

Mrs. Olsson comes from a family of farmers in Österlen and started her career as a tour guide for eleven years, only to discover she had a growing interest for farming. She went to school for three years, studying farming and then began to help out her father on their farm on Österlen. When her father later retired, she took over the farm, which consisted of traditional southern Swedish farming such as wheat, rye, sugar beets, potatoes and pigs. She then had the opportunity to buy some land from the Swedish Army, which she did, only to find out that they had not joined the European Union Farmer Treaty. Therefore, she was not able to receive financial support from the European Union, and this made the growing of traditional agricultural products financially impossible. Looking at other possibilities, the farming couple found a local joint venture called Österlenkryddor which they joined. This consisted of local farmers trying to sell their products together. After only being a part of Österlenkryddor for a year, the other farmers wanted out, since it was hard to cope with both traditional farming and local private labels at the same time. This meant that Mr. and Mrs. Olsson bought the brand Österlenkryddor and together with one of the other farmers (producing mustard) started to grow herbs under the brand Österlenkryddor. By renting out their land, only keeping eight hectares for themselves to grow herbs the company was up and running. Now Mr. Olsson, who had a background in economics and marketing, started to build up the company together with his wife Mrs. Olsson.

By starting with what they had, they renovated the old sheep stable to match the requirements regarding food manufacture. Mr. and Mrs. Olsson also rebuilt the wheat dryer into an herb dryer to keep costs low. Österlenkryddor has kept this spirit of innovations and have successfully managed to grow and have a loyal customer base.

Today they grow herbs on eight hectares of land, and produce a range of different products based on their yearly harvest. This combined with a café and guided tours on the farm, helps Österlenkryddor to have year round business.

4.9.1 Origin and traceability

For Österlenkryddor the origin of the product is very important as well as the raw materials. Since they only use raw materials which have been grown on their on farm with three exceptions, sugar, sea salt and vinegar, they claim locally produced products. Österlenkryddor shows this information on both their homepage and in their brochures.

4.9.2 Shelf life and safety

Österlenkryddor does not have any fresh products or frozen ones, they only have dried based products. The company also grows all products outside, not in greenhouses, and this makes the season fairly short, from end of May till mid-September. The harvest is made by machines and it is crucial that it does not take more than twenty minutes from harvest to drying, so that the herbs do not wilt and lose quality and taste.

The drying process was developed with Ingegerd Sjöholm from Lund Institute of Technology, Lund University, and consists of twenty-five hours of blowing cool air, followed by a blast of warm air. Because the essential oils that contain the aroma compounds is fragile, the heat is a critical stage in the process. After drying the herbs, the product is cleaned in a machine and depending on the end product different leaves and other compounds are discarded.

To make sure that the products are safe, they send samples to a company for analysis, which are tested for bacteria, yeast and molds. The typical shelf life expectancy is four years since it is a dried low risk product. The local municipality also regulates Österlenkryddor's HACCP [37] certification.

4.9.3 Suppliers

The company has three different suppliers, otherwise they produce everything themselves.

4.9.4 Logistics

The distribution to the retailers is carried out by the logistic company DHL, as a part of an agreement with the association "Svensk Lantmat" which Österlenkryddor is a member of. For retailers in close proximity to area, Österlenkryddor handles the distribution themselves.

4.9.5 Packaging

Österlenkryddor uses glass jars and plastic refill packages as the primary packaging. The secondary packaging is made from cardboard and all packages are standard packages. In the beginning it was difficult to find the right package, but during the growth of the company securing new packaging became easier. When they buy the packages they pay a fee to ensure the recycling costs are covered for the end consumer.

4.10 Table overviewing the areas of interest for alternative companies

Table 4. Overview of companies on the five percent market [23-28]

Area of interest	Specification	Farmers Market	Österlenkryddor	Family Food
Market	Existing need or created need	Created	Created	Existing need
Owner	Who owns the company	Cooperative	Private company	Private company
Mission	Aim	Provide locally produced food to customers	Provide spices and feel good products	Provide a time saving service for families
Main Marketing	Television commercial, Newspapers, internet, direct mail, other	Mouth to mouth	Mouth to mouth, tourist offices	Direct mail
Origin	Locally produced	Yes, within 250 km	Yes, except sea salt and vinegar	As much as possible
	Organic	Some producers	N / A	As much as possible
	Important with origin	Yes	Yes	Yes
Innovations	Innovative products/services	No	Yes, first one in Sweden	Yes, one of the first established
	Belief in the importance of innovations for success	High	High	Not that necessary right now
Shelf life and safety	Food safety assurance	High, follows the demands stated in the law.	High, follows the demands stated in the law. External analysis	Cold chain from retailer to the customer. Then the customer has the responsibility

Logistics	Cooperation or own distribution	Each producer is responsible for their own logistics	Own delivery in the area close by. Cooperation with DHL	Cooperation with local distributors
Suppliers	External suppliers	None	3 external for salt, sugar and vinegar	7 suppliers in total, e.g. ICA and Coop
Package	On the market existing package or own developed	N/A	Existing	Existing
	Return system for package	N/A	No	No
Future	Growth	Expanding with new producers with new products for the market	Expanding fast	Expanding to new cities
	Opportunities	Emerging trend for local foods and direct contact with producers	New products for the Swedish market. New events for customers and direct contact with the producer	New and growing market. Adaptable service
	Barriers	Limited in space and opening hours. Inadequate marketing	Growing too large and losing their close customer relationship	Not full service and limited distribution

4.11 Consumer perspective

To be able to draw conclusions and understand what is influencing the grocery market, it is necessary to do research about the consumers' perspective on food and grocery shopping. Due to the amount of interviews and selection of persons needed to fulfill a statistic correct survey, this thesis only rely on literature data collected in research within the food and consumer area, made by others, and specifically by Lareke (2007) on the Swedish market.

In "Tyrannical consumers – initiate value creation in the food value chain" A. Lareke (2007) has made consumer interviews and research about food behavior. The result of this research is that the main part of the consumers put the main trust, when it comes to food, in the retail store and food manufacturer's brands. Besides this main part there are five more parts that is crucial to the consumer when doing grocery shopping, these are:

1. Degree of self-confidence in their own food preparation
2. Degree of food refinement and processing by the producer
3. Ethical and environmental concerns
4. Hygiene in production and handling of products
5. Taste as a mark of quality

(source: Lareke 2007, pp 14-15)

The research also shows that the consumers, for instance, trusts the employee in the meat department and prefer manually minced meat packaged on the premises to industrially packaged minced meat. In addition to this consumers enjoy personal contact with the staff, which allows them to ask questions and understand how they should prepare and cook the meat they plan to purchase. (Lareke, 2007)

An survey made by Giovanna Martelli [38], investigating the consumers' perspective of farm animal welfare in Italy and Europe, shows that from a general standpoint that consumers perception and knowledge of animal welfare varies among European countries and it is mainly affected by their economical and education level.

According to Lareke (2007) Consumers' thinks and acts different when doing their grocery shopping depending on how refined the products are. The consumer tends to trust the well-known brands more and thinking that they are more controlled. Also the origin of the product seems to be more important in some cases than others. The origin of processed food is often less important than for fresh food. As an example the following statement was given by a woman, age 32:

“When you buy something like fresh broccoli you look at where it’s from, but not if it’s frozen” (Lareke, 2007, pp 17)

Depending on which kind of product purchased there are different kinds of relationships between the consumer and the product/service. For vegetables the trust lies in the origin of the product, but when it comes to meat it is more important to fulfill the right environmental and ethical terms. (Lareke, 2007). There are different motivations for consumers to buy local or organic produced products depending on national debate and values established in a particular country and according to Schifferstein and Ophius [32] the motivation to buy organic is primarily based on the consumer’s interest in personal health. There is also a need for tasty food among the consumers and a good taste is often associated or equal to high quality products.

In the Swedish newspaper *Sydsvenskan* (2010) [33], there were an article about the Swedish grocery companies and their new trend, private labels. As stated earlier in this thesis, Bergendahls Gruppen went against the trend and did not invest in private labels. This decision has during this thesis been changed and Bergendahls Gruppen is launching their own private brand “Favorit”. According to Johan Anselmsson [33], assistant professor in marketing at the department for economics at Lund University, the primary reason for private labels is that the grocery chains make more money on these products, due to better margins. He also claims that only a small share of the profit gained on private labels, benefits the customer.

In the above mentioned article (*Sydsvenskan*, 2010 [33]) four persons were asked about their opinion on grocery shopping and if the brand is important. One of the interviewees a 29 years old woman says that it depends on what kind of product it is. For instance she would not buy private labeled mozzarella, because she knows which brand she prefers and tastes best. But when it is products like pasta etc., she does not care, because the quality is roughly the same regardless the brand. A 31 year old male answers “of course” to the same question. He explains in the article that he lives close to Lidl, but he would not buy his turkey breast there, because the ones at Ica are juicier, but for instance milk does not matter where it is bought. He is unsure about low price brands, and the only reason he can think of why to buy it is when it is significant cheaper like frozen vegetables. The article also mentions two older persons, a 63 year old male and a 48 year old woman. The male says that it kind of matters, and that he knows that Swedish well-known brands like Felix and Findus gives a certain quality guarantee. But that low prices stores like Netto and Lidl has other brands, with equal quality but lower price. The woman agrees that the brand matters as well, and in the beginning of the month she purchases well-known brands like SCAN etc. and in the weeks before salary it often becomes more and more low price products in the shopping cart. (*Sydsvenskan*, 2010).

During our own interviews we also conducted an interview with a customer to the grocery home delivery company Linas Matkasse. The interviewee was a woman in her 30s with family and children. Her first contact with the service was from a friend and she got interested and tried it. She had the every second week delivery, and it was perfect when having small children, because they still liked to be served food like macaroni, meat balls and Bolognese etc. every now and then. The best things with the service was not that it was in some ways organic food and environmentally friendlier, but that it saved time by not doing shopping lists, planning meals etc.

5 Discussion and comparison between our interest companies

Several conclusions and trends can be summarized from the research made and presented in this thesis. This thesis has investigated three different categories of alternative food distribution and sales: Home delivery service, Farmers' Market and small and medium-sized companies.

5.1 Five percent against ninety-five percent market share

95% of the grocery market in Sweden is divided between six large retailers and the remaining 5% of the grocery market is divided between hundreds of small actors in different areas with different products. The large retailers offer the consumer a large variety of products and of different brands, which makes it a full range store chain. This kind of stores has developed in our society during the last century and has changed during the evolution. The trend in Sweden and abroad has been in the recent years towards larger and larger stores in the outlines of the cities, competing against the smaller corner shops close to the residents. But in larger cities and world metropolis the trend is changing towards smaller stores again, due to rising land value and thereby rising costs for the store owners. As mentioned in the history sections these companies are the product of a long time development towards better service and better prices for the consumer and also better profitability for the owners, and was often started as a small one person business years ago. Probably these larger companies and their store brands offer the consumer the best choice in a full range and a convenience point of view.

On the other side of the market are the small competitors with a 5 % market share in total, divided on hundreds of actors. The turn-over for the total grocery market in Sweden 2009 was 190 billion Swedish kronor [34], making the 5 % market share worth 9.5 billion Swedish kronor. This section includes a variety of different companies and this thesis has investigated three different categories.

Looking at the relative new kind of companies offering a home delivery service of groceries with recipes to complete meals, there are more than twenty different companies in Sweden offering this service. The first ones started around year 2007 and the market is growing. Even though some of these companies deliver meals for a week, offering the customer a varied diet with new taste experiences, and claim that they deliver a certain amount of organic food and unthreatened fish species, the products are, in all cases investigated, from the local store. The companies cooperate with one or more of the larger retailers, already controlling 95% of the market, and the products delivered are the same as the ones the consumer can collect themselves when doing their weekly shopping. Despite this the home delivery service actors seem to be successful on the market, and it is probably an effect due to the modern

society, where time is rare and people are willing to pay for convenience. Compared to the history of mankind where food always has been one of the important priorities each day, and still are in some parts of the world for basic survival, the modern society has created a need in the industrialized countries for a service like this, where the customer knows the food is varied, relatively good for the environment and ready to cook, following the recipe. A drawback in these kinds of services is that the consumer still needs to go to the grocery store each week for the basic ingredients needed in the recipes. The researched companies are also quite limited in their services, only offering a basic package for a standard family.

A similar kind of service is companies offering home delivery of vegetables and fruits each week. The main differences between these two services, is that the vegetable and fruit delivery service does not come with recipes, and is in most cases a cooperation with local farmers or grown on own owned farmland. In other words the products are not from one of the large retailers already having a 95% market share.

One of the other kinds of actors investigated in this thesis is the Farmers Market. This is also a relative new business in Sweden, but is growing each year. The benefit with this kind of service is that the customer talks directly with the producer when purchasing groceries. It is locally produced products offered and the origin and process with which the products are produced is easy to get hold of. The drawbacks for these markets in Sweden is the limited times they are opened, and therefore limits the consumers choice to make regular purchases. The limited days available and exposed also makes it less well-known in the public. Another disadvantage against the large well established stores, Farmers Market can only offer the consumer a small variety of products. Even though the consumer is not able to visit the Farmers Market that often, most of the companies attending Farmers Market have their own farm stores and internet based stores available year around.

The last kind of companies we looked into was the small and medium sized enterprises. It is here the majority of the 5 % market share is. But it is also a very wide definition, including a range of different kind of companies, dealing with everything from spices to strawberries to all kinds of food, reaching from companies with only one employee to companies with up to hundreds of employees. The one company we focused on was Österlenkryddor, a fairly young company but a very appreciated and successful one, located in southern Sweden. A company like this has a thin line to balance on, they need to be large enough to be profitable, but at the same time not larger than that they still can produce locally products, keep the value in the company and not become one of the big producers whose products only sold through the large grocery chains.

To summarize the general information collected and make conclusions between the 5% and the 95% companies, the fact is that there are not that many things that differ. Of course it is a matter of trusting the information and keeping in mind that all companies want to look as good as possible and make a profit. The large retailers have the same responsibility as the smaller actors, and both parts can be affected by mistakes or if they mislead the consumer. From this aspect, the larger retailers and their suppliers have a whole different economic power to survive and recover a scandal, but no one wants to pay for the damages if you can avoid them in the first place. The retailers on the market claim different things to attract the consumer to make their purchases there. But after doing this survey I want to draw the conclusion that there is not really a huge difference between the products sold. If you want you can find organic-, ecological- and locally produced products at your local store or supermarket. Reminding ourselves about the claims made by the companies offering grocery delivery services with recipes, that each delivery consist of at least a couple of products that are organic, and that the fish is approved by, among others, WWF, is a direct consequence of the work made by the larger retailers, offering products for the services. Trusting the information given by the larger retailers, it would be hard for the small actors to compete when it comes to environmental work and recycling. This point towards the fact that it is rather a question about time and effort for the individual. It is probably also a way of satisfying the need for inner wellness and a feeling of being healthy. This is supported in papers by Mascarenhas et al, that the consumer wants excitement now and in the future.

5.2 Opportunities and barriers

Innovations are something that most companies need to do and be successful in to remain on the market. When comparing the smaller companies against the larger ones it seems that the level of innovation is higher among the smaller companies. If this is a true fact or just an illusion is hard to tell. The larger retailers like ICA, Coop, etc. and their suppliers probably introduce innovations many times a year, but due to the company sizes it is easier to miss them. Smaller companies are more depending on whether a product fails or leads to success.

Even though the larger food manufacturers have more financial power to make innovations, larger companies also has longer chains of command and it is harder for ideas to make it through to an actual product or service. Smaller companies are often more depending on their single products and the limited financials give rise to innovations in production to save money. The 5% market companies investigated in this thesis are all innovative companies offering the consumer something they want. The short chain of command and the urge to survive is an opportunity for the smaller companies, since this drives them to become better and attract new consumers.

This thesis was mainly concentrated to the five areas of origin and traceability, shelf-life and safety, suppliers, logistics and packaging. Below is a table showing the main opportunities and barriers for alternative food distributions and sales identified in this thesis.

Table 1. Overview of opportunities and barriers for 5% market companies

	Opportunity	Barrier
Origin and traceability	Smaller range of products makes it easier to fulfill the customer demands on readable and easy accessed information around origin. Local production allows for curious consumers to visit the factory or farmer.	Might be trend sensitive and right for the moment with origin and traceability. Can be costly to maintain with increasing company size and product range.
Shelf-life and safety	The Swedish law states a range of demands on food production and food providing, making it trustable for the consumer. Does not need to be labeled with the different environmental and organic labels to convince and attract consumers in the same amount.	Meet the demands for the product to be sold according to the law. Outside validation of quality can be costly. Small companies cannot afford mistakes and scandals even for single products.
Suppliers	Supplement their range of products with outsourced products to increase profit.	To claim local production and maintain the quality the suppliers need to be few.
Logistics	Cooperation with other small enterprises to lower costs. Alternative distribution chains.	Small amount of goods make the companies unattractive to logistic companies.
Packaging	Optimize the package and work with the layout to attract more consumers. Attract a larger public by sticking out and dare to be innovative.	Expensive and the return of investment rate might be too long. Uncertain knowledge about packaging in the companies.
Product Development	New innovative products inspired through the close contact with the customers	Expensive and might be hard to protect against other companies trying to copy the product

6 Conclusions

We found only small differences in the products or services offered to the consumer by the major retailers or the alternatives, where ever the consumer chooses to do their grocery shopping, either it is from one of the regular larger stores or if it is from one of the small enterprises. The difference lies mainly in how much effort and work the individual wants to put in to it. Also the consumers' personal feelings and demands play a big role in the companies' games to attract the consumers. Smaller companies attract people with an interest in food and cooking that knows what products and quality they want. The consumer also needs to have the time and economics to fulfill this life style.

This is shown by Jens Bleiel [40] who concludes there is a trend called income complexity. It is this picture of a Porsche driver, doing his basic shopping at for instance Lidl and then goes to a specialty shop next door to buy an extra virgin oil from Italy for 10€/Bottle. This means that the consumers are looking for basic foods which must have simple, good quality at best price and then they buy what they fancy.

The origin and traceability is often easier in smaller companies and is a strong advantage against the larger ones. Shelf-life and safety is mainly depending on the laws in Sweden and in the European Union, making the differences in this area too small to draw any conclusions. Also the amount of products available to compare makes it hard to do a fair comparison.

Suppliers are necessary in all companies and during the interviews with the different companies, the answer to these questions was mainly connected to the suppliers delivering components to the actual product, and not to suppliers delivering package, logistic services etc.

In future research it would be interesting to take into consideration the effect of the price on the product and its corresponding competitors.

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9 Appendix

9.1 Questions and framework for interviews

Introduce the interview person to the thesis and the aim of the interview.

- Ask the interview person for permission to use the answers connected to the person's name and the company name in the thesis.
- Ask the interview person to tell us about their company and themselves.

Questions according to areas of interests

Origin:

- Where do you get your products from?
- Is the origin of your raw material important?
- How is that information readily available for the consumer?
- Do you claim local production?
- What do you mean by locally produced?

Product categories:

- Do you have fresh, frozen, preserved products?
- If fresh, how fresh is fresh? Limits?
- How do you keep it fresh? Cooling systems? Packaging?

Processing technologies:

- What kind of processing technology do you use?

Innovations:

- How do you define innovations? Give examples
- Do you believe your service/product is innovations?
- How did you develop this concept?
- Do you think innovations are necessary to be competitive?

Shelf life and safety:

- How do you ensure your food is safe?
- What is your typical shelf-life expectancy?
- HACCP and certification required?

Economic considerations regarding establishment:

- Is your company private owned/cooperative?
- What was the purpose in starting the company?
- Was there a need for the product/service or was the need created?

Supplies:

- Who are your suppliers if any?
- If suppliers, how many do you have?

Packaging, including distribution package:

- What do you use?
- Is it standard packaging or did you develop the package?
- Return systems?
- What is your general opinion on packaging? (waste/expensive)
- Do you know that the right package can minimize waste?

Distribution chain:

- Describe your distribution chain / system
- What are possible options for distributing? I.e. using other companies/own trucks

Growth:

- What are your future plans?
- How large do you want to grow as a company?
- What do you see as future problems?
- How do you cooperate with other companies of similar sizes?

General questions:

- Definition of locally produced, how do you define it?
- Are there any trends that you can see?
- Is it an increasing/decreasing market of steady flow?
- Do you see any special opportunities in the near future regarding your company?
- Do you see any special barriers in the near future regarding your company?
- How you protect your brand?
- What makes your company unique?

- Why do people come to you?