

SUCCESSFULLY ENTERING THE DANISH RETAIL MARKET
AN UNDERSTANDING OF PRICE MARGINS AND SUPPLY CHAIN MECHANICS
Copenhagen, August 2010



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1 Preface

Denmark is the second largest retail market in the Nordic region and has its own characteristics in terms of individual retailers and supply mechanics. Denmark is quite harmonized when it comes to demands and requirements and the retailers are using more or less the same set-up towards suppliers that want to enter the market. Despite this there still exist differences between each retailer.

Danish Retailers are characterized by having strict rules and by the same time showing flexibility towards new suppliers as long as the rules and requirements are followed. It is an advantage to prepare things into detail before setting things into practice.

The market is dominated by a few retail groups and the 2 largest retail groups have nearly 70% of the market.

This report enables the exporter to be acquainted with all the specific Danish market conditions in terms of being able to trade with the retailers.

If the exporter demonstrates knowledge and proves to have investigated things properly already, it automatically gives a closer relationship to the buyers.

Danish retailers tend to immediately go straight to the point as they assume that suppliers are already familiar with procedures and supply mechanics. This report clearly explains these aspects, thereby enabling the exporter to successfully make this first approach into the Danish food and drink retail market.

Green Seed Nordic

**“No Loss should hit us that can
not be avoided by due diligence”**

A.P.Møller Maersk

2 Methodology

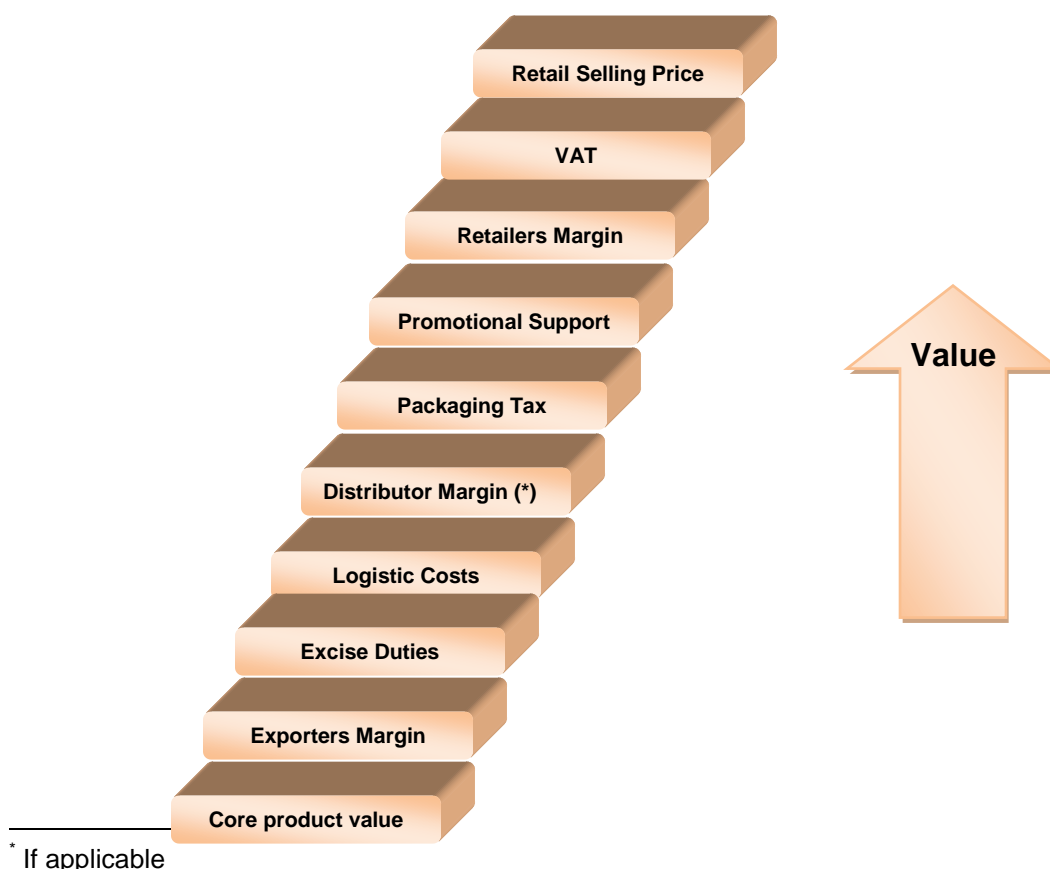
In this report the value chain will be followed from the exporter towards the end-user. All requirements of each layer are described, enabling the exporter to examine the requirements to successfully enter the Danish market.

The input for this report originates from the expertise and experience Green Seed Nordic have in assisting food and drink manufacturers in establishing listings in the Danish retail trade.

Input is provided by the retailers themselves, through manuals, documents or other publications they provide to suppliers as well as knowledge from meetings with retailers at all levels from buyers, warehouse people, logistics and many more contacts.

External resources are utilized in the case of specific information concerning tax regulations, packaging requirements and legal aspects. In the case of very complex detail, a referral is made towards the source of information, enabling the reader to gain further knowledge.

The value build-up;



3 Value chain mechanics

In this chapter, all *value chain layers* are explained and *cost indications* are indicated. Costs are obviously always a function of what level of information or result is required. Much of the information is specific to the Danish market; others are in most cases familiar to the exporter, as they are valid throughout most of the EU as well as are common practice as a result of harmonisations made by Trade related organizations.

3.1 Consumer research

It is a must in one way or another to investigate if there is a need for a product or concept ahead of launching products into the Danish retail market, as many products do not become successful and this is a result of that no consumer research was made prior to launching into the market.

Whether it is qualitative or quantitative consumer research this is an important step to ensure that there are founded reasons to enter the Danish market. Despite European habits there are many country specific consumption patterns and differences in taste that only native understands.

It is well spent money to make sure that consumer or trade investments are wisely spend. This includes changes in packaging and communication as well as eating occasions that can differ a lot from the exporter's home market.

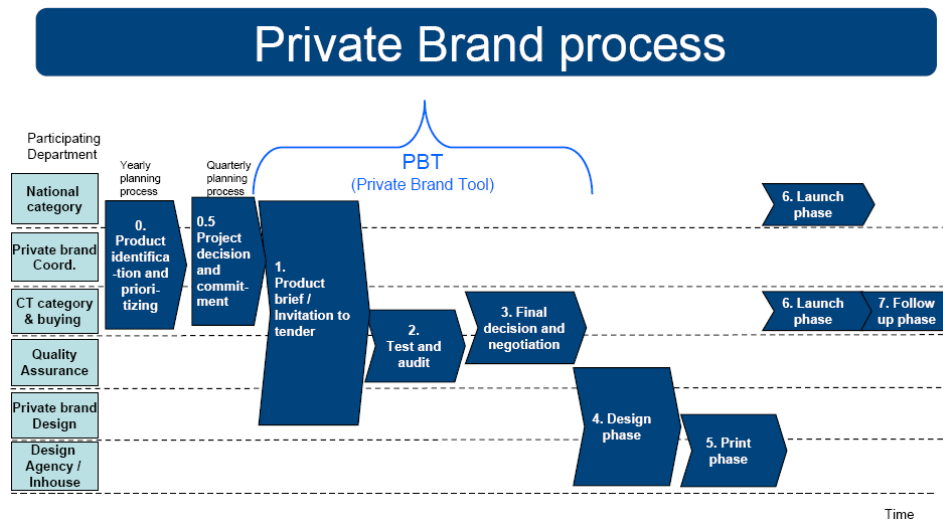
It is often expensive to liaise with professional research companies and to a certain degree the exporter who wants to investigate things themselves can often via local contacts and in-country visits get a picture of the existence of a demand, which often can be used towards the retailers. It is not recommended to ask the retailers about the existence of a market potential as they expect the exporter to have investigated the opportunity thoroughly prior to enter the Danish market.

Obviously the professional research is often more convincing than self-made research, but it is recommended to be able to present a combination of both.

In many occasions, just qualitative research can be sufficient before seeking commitment from potential retail partners. In some occasions, as a second phase, the more expensive research (taste panel) is recommended, following a first sense check with retailers.

Depending on the proposition, *qualitative research* by means focus groups is a *minimal requirement*. In these groups, amongst others, the competitive field, usages and attitudes, price levels and USP will be explored. Costs of focus groups of 6-8 respondents start from a level of 5.000 € and upwards. If a decision is taken to do qualitative research it is recommended to attract a minimum of 3-4 different focus groups.

All Danish retailers have private labels in their assortment and they often decide to undertake consumer panel research themselves to ensure customer acceptance. Or they do continuous qualitative testing of their products internally or externally (often in connection with changing to a new supplier).



coop Trading

Coop is having an advanced research process prior of selecting a new product or a new supplier.

In addition to the above, it is recommended to investing in *scanning data* to understand *the category dynamics*. This way, an analysis can be made to establish potential (total market and per retailer), the competitive situation, distribution levels, and many more details. In order to break into a certain category, *data analysis* is crucial in preparing a business offer to a retailer. When listed, a periodic purchase of scanning data is recommended to follow performance and category developments. Top line Nielsen scanning data starts at a rate of Euro 3.000 and increases when more in-depth data is required. The *more detailed* information to the individual retailer is bought in the *more precise* the presentation can be and the discussion will automatically be more actionable. If entering more than 1 Scandinavian country discounts can be obtained. There also exist pan-Scandinavian reports that can help in identifying the country with the highest potential so that the exporter can rank it's country approach. For more information on pricing see Appendix B.

3.2 Taxes and duties

3.2.1 VAT

In Denmark Value Added Tax applies to all products and services sold in supermarket retail. VAT is a general tax on consumption and is levied on more or less all products and services. The VAT rate is 25% across all retail products apart from i.e. Newspapers and a few other products.



The VAT rate on food and drink in Denmark is 25%

In discussing or negotiating prices with retailers or other chain operators, reference to prices are always VAT excluded.

Example calculation taking out the VAT (25 %) on a Retailer Selling Price;

RSP	DKR 125,00	
VAT	DKR 25,00	–
RSP-VAT	DKR 100,00	(1€ = 7,45 DKR)

Example calculation adding VAT (25 %) on a Manufacturers Selling Price

MSP	DKR 100,00	
VAT	DKR 25,00	
MSP+VAT	DKR 125,00	(1€ = 7,45 DKR)

If an enterprise is established in EU, it is not required to register for VAT in Denmark. There are new EU rules in place from 1. January 2010 and it is important that on each invoice sent to a Danish retailer that both the VAT no of the exporter as well as the VAT no. of the retailer is mentioned on the invoice sent, despite the invoice is being without VAT.

For more details it is recommended to contact your local Tax office as well as the Danish Tax authorities. See more on www.skat.dk.

3.2.2 Packaging Tax

Return bottle system:



Bottles and cans also must be marked so that it clearly shows into which return system they belong, together with an information on the bottle of which amount is payable when the packaging is returned (“pant”).

The recycling deposit system in Denmark is operated by Dansk Retursystem A/S, a private non-profit organisation that has been granted the exclusive right to operate the Danish deposit and return system through to 2013, as approved by the Danish Ministry of the Environment.

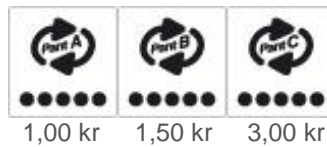
The company focuses on two main business areas:

1. Refillable bottles – payment of a handling fee to more than 5,000 grocery stores and support for improving the efficiency of receiving the bottles on the premises of around 2,000 grocery stores.
2. One-way packaging – collection of cans and non-refillable bottles, which are sent for recycling after collection and counting.

Dansk Retursystem A/S also administrates the refunding of deposits paid for one-way packaging on behalf of the importers, producers and stores.

Importers and producers as well as products must be registered at Dansk Retursystem A/S if they wish to sell drink products that are included in the deposit and return system.

Importers and producers are also responsible for *marking* their one-way packaging with the appropriate deposit label. This means that each bottle or can has to have the “pant” label printed on or added on by a sticker.



The “pant” labels have to be accompanied by the amount redeemable as well as an EAN-code.

Importers and producers must pay the deposit and fee applicable to each type of packaging that they sell on the Danish market.

Every importer and producer must also declare the volume sold to allow Dansk Retursystem A/S to invoice the correct fees.

Packaging (environmental) Tax

In Denmark it is the municipalities that are responsible for waste management, including collection and recycling of packaging waste. This is different than in Sweden where the companies are responsible and the system is paid for via and managed via the Swedish Repa system, which does not exist in Denmark.

Packaging fees:

The Danish packaging rules follows largely the EU's packaging directive. Denmark has prepared a notice which describes the Danish implementation of the directive.

The Danish packaging's rules apply to anyone who produces, provides, distributes, or introduce a packaging distributor in Denmark.

It has to be agreed who shall pay packaging fees during the negotiations with the retailers-The retailers are mostly interested in that the suppliers take care of these things, however they are able and often willing to do this.

In any case the retailers expect the suppliers to have incorporated any such costs in the prices offered, so it is important that this work is done prior to meeting the retailers.

There are 2 areas (VOLUMEN and WEIGHT) of fee covered in the Danish “Emballageafgiftsloven” (“Packaging fee law”)

1. Packaging covered by VOLUMEN based packaging fee:

Products covered:

- Spirits, wine or fruit wine
- Beer or mineral water, lemonade or other products containing carbon dioxide (referred to as soft drinks, etc.) And alcopops, cider, etc., Mineral Water, Lemonade, Iced tea etc.

Spirits, wine or fruit wine	2010	2010
	Carton/Laminate	Others(i.e. Glass, Plastic, Metal)
<u>Capacity:</u>	DKR/Unit	DKR/Unit
Under 10cl	0,15	0,25
Not under 10cl - Not over 40cl	0,30	0,50
Over 40cl-But not over 60cl	0,50	0,80
Over 60cl-But not over 110cl	1,00	1,60
Over 110cl-But not over 160cl	1,50	2,40
Over 160cl	2,00	3,20

Beer, soda, alcopops or cider, mineral, mineral water, lemonade, Iced tea etc.	2010
	All materials, both cardboard and glass, plastic or metal
<u>Capacity:</u>	DKR/Unit
Under 10cl	0,05
Not under 10cl - Not over 40cl	0,10
Over 40cl-But not over 60cl	0,16
Over 60cl-But not over 110cl	0,32
Over 110cl-But not over 160cl	0,48
Over 160cl	0,64

2. Packaging covered by WEIGHT based packaging fee

Products covered:

- Other products which are non-carbonated and juice, must and concentrates
- Vinegar and edible oils
- Milk and dairy products, except liquefied sweet, light, skimmed and buttermilk
- Margarine, etc. and spreads products consisting of a mixture of milk fat and vegetable fat

- Dog and cat food
- Sauces, mustard etc. and tomato paste and tomato juice

The taxable weight encompasses all parts of the packaging. If the packaging is comprised of several materials, the tax is calculated as the sum of the taxes on each individual material. If one material comprises more than 90 percent of the packaging by weight, the tax can be calculated on the basis of the tax for that material and the total weight of the packaging.

Weight based Packaging Fee	2010
<u>Type of packaging:</u>	DKR/Kilo
Cardboard and paper fresh new produced materials and textiles	0,95
Cardboard and paper re-cycled* materials	0,55
Plastics (excluding eps6** and PVC),fresh new produced materials	12,95
Plastics (excluding eps6** and PVC),re-cycled* materials	7,75
Plastics (excluding eps6** and PVC),Plastic partly replaced	7,75
Plastics (excluding eps6** and PVC), UN approved	10,35
eps6** og pvc	20,35
Aluminium(is non magnetic)	33,30
Thin tinned steel/steel	9,25
Thin tinned steel/steel(UN approved)	7,40
Glass and ceramics	1,85
Tree	0,55

The law was originally started in 1977, it has however been changed and products have been added, other products have received a lower packaging fee, so in any case the latest development has to be checked before calculating the final price of a product. Above are direct translations of the Danish Law that is not available in English.

It is recommended that each product should be checked with the Danish Tax authorities so that there is 100% guarantee that fee aspects are covered. This can be done by contacting www.skat.dk.

3.2.3 Excise duties

Despite the goal of a free European market for all 27 EU countries Excise duties apply to various areas. In Denmark there are several Excise duties on food and drink. In fact Denmark has among the highest Excise duties in EU. *Excise rates* apply at the moment that products have *customs clearance* in the destination market and have a large impact on the actual RSP level. Excise duties are managed by the *Danish Tax Authorities*. www.skat.dk

Duties (excise duties in Danish “punktafgifter”) are a type of consumption tax or environmental tax imposed on certain products. When a business produces or if it is a wholesaler with dutiable goods or buys, the company must collect and pay duties to SKAT on behalf of the state. SKAT can be contacted on tel. +45 72 22 18 18 to hear whether your business is liable to pay duties.

Excise Duties are to be paid on:

- Soft drinks (Sodavandsafgiftsloven) = (“Law of duty on soft drinks”)
- Spirits (Spiritusafgiftsloven) = (“Law of duty on spirits”)
- Beer and wine (Øl- & Vinafgiftsloven) = (“Law of duty on Beer and Wine”)
- Sweets, chocolate, Sugar (Chokoladeafgiftsloven) = (“Law of duty on chocolate, sugar”)
- Tea and coffee (Forbrugsafgiftsloven) = (“Law of duty on Coffee and Tea”)
- Ice Cream(Isafgiftsloven) = (“Law of duty on Ice Cream”)
- Saturated Fat (Lov om afgift af mættet fedt) = (“Law of duty on Fat”)

Denmark is the only country in Europe that has a tax on Sweets, Chocolate and is first in Europe to implement a tax on saturated fat from Mid 2010.

Below find an overview of the content of each of the above laws. In any case the exporter should double check any information with Danish Tax (SKAT).The below Laws have been translated directly from Danish as the Laws do not exist in English.

Soft drink:

Law:”Lovbekendtgørelse nr. 109 af 22. januar 2007 om afgift af mineralvand mv.”

Soft Drinks	2010/DKR per Liter
Mineral water, soft drinks and the like. with or without waters, including ice tea (ice tea) and mineral citrus *	1.08 DKR of goods if added sugar content Exceeds 0.5 grams per liter. 100 ml
Fruit and vegetable juices, musts and the like.	1.08 DKR of goods if added sugar content

That is immediately drinkable and aerated	Exceeds 0.5 grams per liter. 100 ml
Nectar distilled from fruit juices that are immediately drinkable	1.08 DKR of goods if added sugar content Exceeds 0.5 grams per liter. 100 ml
Soft drink concentrates, intended for commercial production of Carbonated soft drinks in soft drink vending machines and the like.	0.57 DKR of goods if added sugar content Exceeds 0.5 grams per liter. 100 ml

* However, apart from wine and fruit wine with an alcohol content exceeding 1.2 per cent. volumen Unsweetened and non-flavored mineral water, for example. Spring water and Danish water is (however) exempt.

Spirits:

Law: "Lovbekendtgørelse nr. 1239 af 22. oktober 2007 om afgift af spiritus m.m."

Spirits	2010
The tax rate for spirits: Spirits with an ethanol content exceeding 1.2 per cent. volume, and wine And fruit wine etc with an ethanol content exceeding 22 percent. Volume	150.00 kr. / l 100% ethanol strength
Additional Rate for spirit-based alcopops *:	3,15 kr./l
Interest rate: Late payment of tax	0,90%
*Additional charge added to the drink tax. ** For additional levy on malt and wine-based alcopops see Beer and Wine	

Beer and wine:

Law: "Lovbekendtgørelse nr. 890 af 17. august 2006 om afgift af øl, vin og frugtvin m.m."

Beer and Wine	2010
Duty on Beer:	50.90 kr. l 100 per cent. pure alcohol
Duty on Wine:	Wine&fruit wine:CN codes 2204to2206:
Ethanol content exceeding 1.2 per cent. vol but not exceeding six per cent. vol	3,90 kr./l
Ethanol content of over 6 per cent. vol but not exceeding 15 per cent. vol (wine)	6,14 kr./l
Ethanol content exceeding 15 percent. vol but not exceeding 22 per cent. vol (liqueur) **	9,20 kr./l
Goods covered by CN codes 2204 to 2206 and which have an excess of at least 3 bar at	

20 degrees, levied a surcharge (sparkling wines and champagne)	3,06 kr./l
<u>Additional rates for sparkling wine and fruit wine ***:</u>	
Goods covered by CN codes 2204 to 2206 and which have an excess of at least 3 bar at	
20 degrees, levied a surcharge (sparkling wines and champagne)	3,06 kr./l
<u>Additional Rates of malt and wine-based alcopops ****:</u>	
Goods covered by CN code 2206, which is a mixture of non-alcoholic beverages	
with malt-based beverages (malt-based alcoholic drinks):*****	
- If the mixture of alcohol content is 10 percent. vol or less	8,60 kr./l
- If the mixture of alcohol content exceeds 10 percent. vol	15,05 kr./l
Goods covered by CN code 2206, which is a mixture of non-alcoholic beverages	
with wine-based drinks (wine-based alcopops):*****	
- If the mixture of alcohol content is 10 percent. vol or less	7,50 kr./l
- If the mixture of alcohol content exceeds 10 percent. vol	15,00 kr./l
Interest rates: For too late payment of duties	0,90%

Notes:
* Beer with an ethanol content of less than 2.8 percent. vol exempt. The fee is calculated from the first October 2004 on a sliding scale based on alcohol beer content of 100 percent. pure alcohol (ethanol content). Example of calculating Beer duty of a 33 cl's 4.6 percent. vol beer: $0.33 \text{ l} \times (4.6 \text{ per cent. vol}) / 100 \times 50.90 \text{ kr. liters of pure alcohol} = 77.27 \text{ ore (excluding VAT)}$.
** Products more than 22 per cent. Vol fall under spirits Tax Law
*** Additional charges will be added to Wine tax.
**** Additional charges added to the beer-Wine tax respectively.
***** For additional levy on spirits-based alcopops see spirits Tax Law.

Sweets, chocolate, Sugar:

Law: "Lovbekendtgørelse nr. 567 af 3. august 1998 om afgift af chokolade- og sukkervarer m.m."

	2010
Duty on chocolate and sugar confectionery:	Kr. per Kg
Chocolate and chocolate products, cocoa mass,	
cocoa powder, cocoa butter and cocoa preparations of any kind	
Liquorice extract, liquorice and liquorice goods of all kinds. Powdered	

liquorice root and a mixture of ammonia and liquorice root and the like.	
Lots wholly or partly made of almonds, nuts or other seeds of all kinds and products of such mass.	
Sweets, sweets, kite products, foam mass, foam products, fondant, compounded grain and the like. containing essences or color as well as other sugar confectionery of all kinds.	
Tyggegummi	
Candied fruit and peel and other candied products except peel of citrus fruits.	
Sukkade, marmalades and similar products when they are molded into sheets, rods, shapes and the like.	17.75 for goods if the added sugar content exceed
Wafers that are imposed or otherwise in connection with chocolate foam mass or mass in whole or in part, of almonds, nuts or grains - with some exceptions	0.5 grams per 100 g
Cakes, biscuits and the like. partly consisting of foam mass of pastry do not constitute at least two thirds of product volume.	14.20 for products whose content of added sugars do not exceed 0,5 grams
Other products by an overall rating of their nature and use, and the way they are marketed, can be regarded as imitations of or substitutes for the above	per 100g

	2010
Raw material Tax of almonds, nuts, grains and the like. (Kr. Kg.):	Kr. per Kg
Raw cashew nuts, raw almond kernels raw apricot and peach kernels and cocoa beans.	26,65
Processed cashew nuts, treated almond kernels and processed apricot and peach kernels.	31,90
Untreated and treated paranut kernels, untreated and treated walnut kernels, pistachio nut kernels, nut kernel, pecan nut kernels, cocoa shells, cocoa waste and residues from the extraction of oils from taxable stone fruit and nut kernels, unless the product is deemed unfit for human consumption.	17,75
Processed Hazelnuts	21,30
Almonds in shell	13,40
Hazelnuts in shell and shelled peanuts	8,90
Processed peanuts	10,60
Untreated and treated Coconut kernels and peanuts in shell	5,30

	2010
Cover duty* (Kr. per kg. Taxable components)	Kr. per Kg
Coconut	5,30
Processed peanuts	10,60
Other taxable components	Same as the duty above 17.75/14.20

Interest rates (Late payment of tax)	0,90 %
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*Cover duty is added on goods not in themselves taxable, but which contain taxable components - which are imported.

Tea and Coffee:

Law: "Lovbekendtgørelse nr. 56 af 29. januar 2008 om forskellige forbrugsafgifter".

	2010
Coffee and Tea	Kr. per Kg
Raw Coffee	5.45
Roasted Coffee	6.54
Coffee extracts	14.17
Coffee substituents etc.	0,64
Tea	6.25
Tea extracts	15.60
	2010
Interest Rates (too late payment)	0,90 %

Ice Cream:

Law: "Lovbekendtgørelse nr. 888 af 17. august 2006 om afgift af konsum is".

	2010
	4.25 DKK / l. when products added sugar content exceeds 0.5 grams per. 100 ml
Ice Cream	
Ice Cream mix	3.40 DKK / l. when products added sugar content do not exceed 0.5 grams per. 100 ml

Saturated Fat:

The tax covers meat (chicken, meat, pork), cheese, butter, margarine and edible vegetable oil, and in certain other foods, i.e. Crisps, digestives plus more.

The tax base is the weight of the saturated fat in these foods.

The basis of the cover fee is the weight of the saturated fat in the cheese, butter, margarine or vegetable edible oil, etc., which are used to produce food.

The duty is 13,50 kr. kg saturated fat(Excluding milk).The levy is to be imposed on producers and importers of food. As the Law is just decided it is

recommended to take contact to www.skat.dk – The Danish Tax Authorities can inform how the tax will influence products. The purpose of the tax is to reduce the amount of saturated fat in food thereby getting consumers to substitute these with less fat alternatives.

General:

All above laws have been translated by GS Nordic. Contact www.skat.dk to get the latest updates by the Danish Tax authorities (SKAT).. SKAT can be contacted as well on tel. +45 72 22 18 18

The above laws have been identified and we have not found any other laws. As the Danish tax and duty system is a jungle we cannot guarantee that all products are covered by the above, so contact the Danish Tax (SKAT) Authorities that can inform on the latest duties as well as which products are covered.

3.3 Labels and packaging

3.3.1 Labels (Consumer packages)

Labelling legislation

Food should generally be labelled with a declaration, while the nutrition information is often voluntary. If the Nutrition is already on the pack in English it will have to appear in Danish as well. The marking of the packaging is regulated in the "Marking directive for food products" ("Bekendtgørelse om mærkning m.v. af fødevarer i medfør af lov nr. 526 af 24. juni 2005 om fødevarer")

Ingredients

There is a number of different rules governing what information you might find on a food when you buy it. These rules apply specifically to the so-called pre-packaged foods.

A pre-packaged food is a food before it is sold to the consumer embraced in a packaging that is designed to be opened by the consumer. The information you find on the kind of goods is called a declaration. These include product name, ingredient list and indicating the quantities of ingredients. Ingredients must be on the side of the product or on an attached label.

Product Name

A pre-packaged food is always provided with a product name i.e. name of the product. It may be "tomato paste" or "wheat flour". It must be the correct description of the products it is about - it should therefore not be a fancy name.

Ingredient List

Pre-packaged foods contain more than one ingredient, as a rule bear a list of which you can see what ingredients are in the product. The ingredient that is most of shall appear first, and then the ingredient which is second best, etc. The latter ingredient is then the ingredient with the least content of the goods. For small packages of less than 10 cm² there is not a requirement of a list of ingredients.

Quantities of ingredients

Ingredients must include information on how much the food contains of the main ingredients. It gives opportunity to assess the food quality and to compare the contents with the contents of other goods.

It is generally a requirement that the amount of an ingredient is indicated if:

- The ingredient is included in the product name. For instance, should the "shrimp salad" indicate the amount of shrimp i.e. 50g shrimps.
- The ingredient is shown in a picture or otherwise highlighted. Is there such a picture of an asparagus in a chicken salad, the amount of asparagus shall be indicated.
- The consumer generally expects that the ingredient is in the product. I.e. include the amount of meat in salami.
- The ingredient is essential to characterize a product and distinguish it from similar products. These could include marzipan, which can be made of varying amounts of almonds. Here, the quantity of almonds has to be given. The quantities are indicated by the percentage of product which ingredient was at the time of manufacture.



Shrimp salad has to mention the amount of shrimp as %.

Additives

If a pre-packaged food contains additives, it should in principle appear on the ingredient list, which additives are in food. It is helpful if consumers want to avoid certain additives. It should be apparent from the ingredient list which category the

additive belongs to and its name or E-number. If there is added flavour to the product, it shall be mentioned "flavour" in the ingredient list and possibly the name.



Danish Food authorities are checking products and stores regularly.
If products are not in line with regulations products will be withdrawn.

Nutrition information

A nutrition information indicates how much there is of each nutrient in the product and how much energy you get from the product. The information may be helpful to choose right when planning the composition of food.

Own Labels

For *own label propositions*, the retailer will be responsible for the *development, design and contents* of labels and will request detailed information from manufacturers.

Retailers cooperate with various design agencies for *own label designs*. Cutter guides, technical drawings and measurements will have to be exchanged with these agencies first before final approval by the retailers.



Suppliers are responsible for *stocking* labels and packaging and reordering is normally stated in the agreement so that enough supply is ready and not too much is printed which opens the door for the retailer to end the contract. It is recommended to very carefully write into an agreement what the ongoing rules are.

Overview of information needed

The following information is required to be stated in Danish.

- Ingredient declaration including quantities in falling order (=QUID) (Quantitative Ingredients Declaration)
- If additives are used it shall be stated that “Additives have been used” and also mentioned what sort of additives they are: i.e. preservatives, colourings etc.
- Nett total weight
- Nutritional information
- Use by date (in Danish “Mindst Holdbar Til” or “MHT”)
- Guidelines on storage and usage
- Way of how the products has been treated: frozen, smoked etc.
- Information on manufacturer, co-packer or retailer
- Origin
- Other marking i.e frozen, organic
- Alcohol percentage (if applicable)
- Batch code
- Gas flushed (if applicable)
- Statement of ingredients that can cause allergies or intolerants
- If the package contains goods that are hazardous to health or the environment, separate labeling is also required.

Furthermore the following should be checked:

Claims:

- Correctness of nutrition and health claims under EU regulations
- Is keyhole marking applicable

Risk of misleading the consumer

- Assessment, whether illustrations and text might be perceived as misleading
In relation to what the list of ingredients says

Traceability:

- Do the marking live up to specific demands for traceability

Others:

- Are there any specific Danish rules ?
- Are there any new EU regulation underway that could/should be incorporated?

It is the supplier that is responsible for correct marking and it can be recommended to use a professional agency to make sure that everything is in order (www.varefakta.dk)



Furthermore the labeling on the consumer package must include GS1 bar code. GS1 labels (EAN 13) on consumer packaging is mandatory and subject to specific regulations concerning size, color, contrast etc. EAN codes are currently referred to as *GTIN's* (Global Trade Identification Number). For further input on this pls. refer to chapter 3.5.


The bar code label must be legible all the way from manufacturer to store checkout. It must be possible to read other labeling throughout the lifetime of the package, i.e. at least as long as that stipulated by the best-before date. If the package is on a tray, the labeling must be clearly visible above the edge of the tray. The edge of the tray must be sufficiently high that the consumer packages are securely held, but not so high that it conceals information about the product in the package

Solsikkerugbrød

Med 57% rug

Kan indeholde spor af sesamfrø, havre og spelt.

VAREFAKT.



Nettovægt: 1000 g

Antal: Ca. 35 skiver

Ingredienser:

Halvsiglet rugmel, vand, surdej (groft rugmel, vand, sukkerroefibre), 7% solsikkekermer, rugkermer, lys bygmaltekstrakt, salt tilsat jod, tørret surdej (rugmel, surdejskultur, mørk bygmaltekstrakt, rugmel, gær, hvedegluten, hvedemel).

Drys: Solsikkekermer.

Saltindhold: 1,5 g pr. 100 g.

Næringsindhold pr. 100 g	Energifordeling	
	I varen	Anbefalet i dagskost
Energi	940 kJ	
	220 kcal	
Protein	6,5 g	12%
Kulhydrat	38 g	68%
heraf sukkerarter	3,5 g	
Fedt	5 g	20%
heraf mættede fedtsyrer	0,5 g	
- enkeltumættede fedtsyrer	0,8 g	
- flerumættede fedtsyrer	2,4 g	
Kostfibre	7 g	25 - 35 g
Natrium	0,58 g	

Opbevaring: Tørt, ved stuetemperatur (ca. 20°C).

Pakket: 7 dage før "mindst holdbar til".

Mindst holdbar til:

Uåbnet: Se lukkeclips.

Åbnet: I tætlukket pose, som i uåbnet stand.

Brødfabrikken A/S

DK-9999 Brødby

Example of marking of a fresh bread product

Note that above lists of information are general statements. There are many *exceptions and additional rules* that apply to different products or product groups. For specific information on product level, please check Fødevarestyrelsen under the Ministry of Food, Agriculture and (www.fvst.dk).

3.3.2 Packaging

Packaging directly in contact with food items are subject to specific *EU regulations*. Packaging requirements and regulations are initiated for *food safety* and *environmental* purposes

Shelf space in Denmark is limited. Retailers look more and more after packaging that is as efficient as possible to utilize shelf space in the best possible way.

The consumer package must promote sales of the product through an attractive design and décor, as well as protecting and preserving the product as well as being easy to handle for the consumer. Examples of other factors to take into consideration when designing a consumer package include product information, size of the package and whether it is easy to open and reseal.



Example of packaging that is easy to handle for the consumer and is reseal-able.
Clear communication with combined English/Danish text.
Few adjustments made still being able to maintain an efficient production flow.

Health issues

Documentation of the substances on health effects must be based primarily on risk assessments from the European Food Safety Authority, EFSA, website: www.efsa.europa.eu

Several substances in materials and articles are covered by “positive lists”, for example in the rules on plastics. If a material contains additives which are assessed by EFSA, but not covered by specific rules, given as evidence EFSA report number. If the Authority has not assessed a substance, the documentation include an assessment after EFSA's guidelines or assessments of the substance of authorities in other countries, such as FDA (Food and Drug Administration in the U.S.) and BfR (German recommendations). There must be an assessment of substance use for the concrete material. The relevant provisions must be accompanied by documentation.

Requirements for comprehensive documentation

When the industrial, commercial and retail enterprises establish requirements for suppliers, it is important that the requirements are comprehensive. Companies must assess whether the received statements of compliance is a wide documentation. More on these issues to be found under the Danish Ministry of Food, Agriculture and Fisheries: www.fvst.dk

The starting point is that all links in the chain must:

- Have some knowledge of Danish rules and cooperating partners legislative framework.
- Have some knowledge of the materials used.
- Be conscious of its responsibility for compliance with relevant laws and regulations.

Details of materials can be with each supplier but do not always passed on to the customer.

(www.fvst.dk)

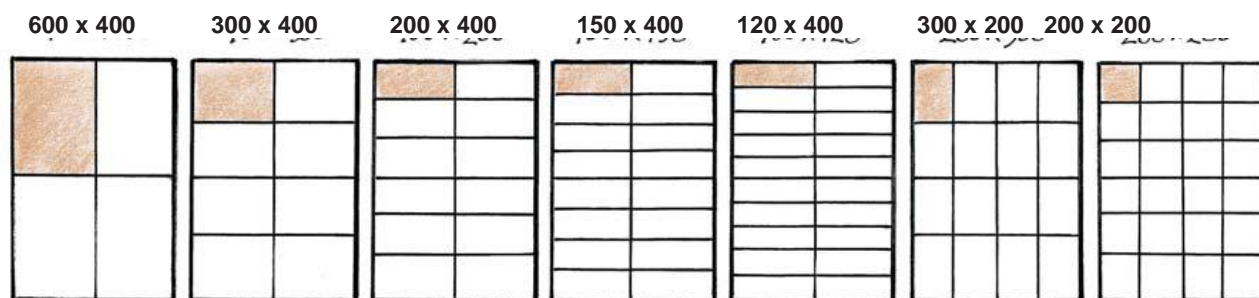
Even though Danish retailers are not yet placing demands on their suppliers to adjust their packaging to the shelf dimensions and into modular systems yet, it will be more and more dominant in the negotiations with the suppliers in the future as standardization takes place.

The consumer package's outer dimensions are important. Along with the outer package, these must be adapted to the Modular system (see chapter 6, Modular system).

Consideration must be given to the material thickness of the outer package. If the outer packages do not fill the loading pallets bottom surface, the degree of filling is reduced and the logistical efficiency is impaired.

A reduced degree of filling affects the risk of damage to goods when pallets are placed on top of one another. The store's fixtures and fittings are another important factor to take into consideration. Store shelves are often adapted to the basic module, which measures 600 x 400 mm.

In order effectively to utilize the production equipment, transport and warehouse resources, in-store systems, etc., it is important to adapt all units to the Modular system 600 x 400 mm. This applies to consumer packages, outer packages and multiunit packages. This measurement standard is suitable both for 800 x 1200 mm loading pallets = Euro pallets that are commonly used in Denmark.



Examples of ideal modules that are used in the grocery industry.

Things to consider (According to ECR1 (Sweden) in their guidelines for FMCG):

- Adapt the outer package to the dimensions of the loading pallet.
- Adapt the consumer package to the inner dimensions of the outer package to achieve the highest possible degree of filling. The calculation must be performed with consideration for the thickness of the outer package.
- Always perform test packing before establishing final dimensions.

A large number of ideal modules are based on the 600 x 400 mm basic module. When consumer packages and outer packages are produced, it is important to utilize these ideal modules. The consumer package's outer dimensions must fit inside the outer package's internal dimensions. It is therefore also important to consider the thickness of the packaging material.

The package must be able to cope with normal loads during transport, storage and handling. The packaging material must be correctly adapted, neither too thick nor too thin



Tear-off packaging ready to present on the shelves is positively received.

Limited shelf space also has an impact on *outer cases*. Most products just have one facing, and therefore limited in-store stockholding. This requires a very strict *replenishment system* and small outer cases. On outer cases, please also check *chapter 3.4* on logistics.

In the future, grocery market retailers will to a large extent set the agenda, and the suppliers will have to comply with their demands.

- The retailers will become even more international and work to international standards
- It is crucial for the suppliers that the retail chains can agree on common solutions regarding the utilization of packaging and transportation systems.

It is important for the supplier to focus internally in their own company, on:

- The inter-dependence in the total supply chain
- Establishment of shared packaging systems
- Establishment of common standards in its production
- Focus on working environment aspects
- Establishment of communication between logistics of the retailers and the suppliers own organization

The relationship with the retailers will future wise no doubt cover more aspects than today and to be able to comply with these it is important to establish communication at all levels.

3.4 Logistics

Logistics are of key importance in developing exports to Denmark and options and best practice examples should be evaluated *prior to approaching* potential retail customers.

Logistic costs have a large impact on the actual offer and determine if a proposition is feasible or not. It is recommended to be open minded about different ways into the retailer depots as well as to be open when discussing these issues with the retailers.

It is often experienced that suppliers might say yes we can deliver anytime and any quantity in their eagerness to get the business. However often the costs come as a surprise. Therefore calculate with different options and have investigated what distribution is needed and requested.













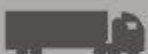



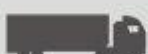

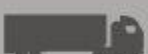












In general, for frozen, chilled and ambient, retailers do want to keep as little stock as possible and by the same time they require a *high service level*, with deliveries to depots several times a week for fast rotating chilled products with a short shelf life.

In other cases, 1 delivery weekly is accepted. It is also to be considered what lead time to be given to a retailer as this will be the future working model for deliveries into the retailer. The retailer wants as short a lead time (the time from the retailer places an order till the product is in their warehouse) as possible.

In general for longer shelf life products a typical lead time could be order received to supplier Wednesday, delivery into retailer depot Tuesday the following week. Such routines can be agreed as long as the supplier is willing to compromise if there are out of stock situations.

Normal delivery terms are CIF, FCA, DDP, but in many cases the retailers are open to discuss the possibility of that they collect the products Ex. Works.

So in any case it is recommended to have calculated Ex. Works as well as delivered prices. Normally the retailer in the case of branded products wants to start with having the products delivered, whereas with private label the Ex Works solution is more used.

Incoterm		Named place	Sharing of costs and risk between buyer and seller in international traffic.			
EXW	Ex works	Loading location				
FCA	Free Carrier	Loading location				
FAS	Free Alongside Ship	Port of loading				
FOB	Free On Board	Port of loading				
CFR	Cost And Freight	Port of destination				
CIF	Cost, Insurance And Freight	Port of destination				
CIP	Freight And Insurance Paid	Delivery location				
DDU	Delivered Duty Unpaid	Delivery location				
DDP	Delivered Duty Paid	Delivery location				
			<div> <div>Seller's cost / risk</div> <div>Buyer's cost / risk</div> </div>			

DDU, CIF are most common in Danish retail.

To integrate logistic cost in a cost calculation, *optimal pallet loads* needs to be determined, in Chep pallets or in Euro pallets. Hauliers with access to retailer's depots will quote shipments costs per pallet from the manufacturers' site to the retailers' depot, based on expected volumes.

It is normally not a problem to find several hauliers who can supply into the Danish retailers so it is recommended to get minimum 2 quotations.

In general the retailer prefers quality of delivery rather than low service levels by the transporting companies. It is an advantage if the truck driver speaks Danish or at least English as any issues will be dealt with upon the delivery which often could take place during the night.

Further information on logistic requirement are specified in the retailers section of this report (*see chapter 4*)

Terms of payment

The common terms of payment are “45 days” or “current month + 30 days” or “30 days net”.

The trading currency is local currency DKR or EUR. This can be negotiated. However it is always a good idea to present the prices in DKR (Danske Kroner) mentioning that the prices will be invoiced in Euro.

Pallet requirements

Only approved EUR-pallets (80 x 120 cm)
Chep pallets are among most retailers also accepted.

Maximum height with goods (inclusive pallet):
Denmark 180 cm

Disposable pallets made of wood are unacceptable.

½ -pallet solutions must be made to fit on 1/1-pallet.



2 ½ pallets on top of a Euro pallet

¼-pallet and display solutions has to be agreed in advance. Each retailer has clear instructions to these.



4 ¼ pallets on top of a Euro pallet

The pallet must be made of a type of cardboard material that can be recycled together with the stores' other cardboard/corrugated cardboard.

The height from the floor to the underside of the pallet must be 10 cm, as with the current Euro pallet. This is to allow forklifts reach trucks to get under the pallet, even with a maximum load.



The pallet must withstand a load of 250 kg, and withstand being subjected to lateral stresses. It must withstand heavier goods being stored for a while without “sagging”.

The underside of the pallet runner must be resistant to being scraped onto Lorries, and it must withstand moisture.

A disposable pallet made from cardboard is expected to be an activity pallet where pallet truck use from the end can be avoided.

The surface of the pallet must not be so smooth that the goods slide off. The pallet must be designed in such a way that it can be wrapped in stretch film right down to the runner.

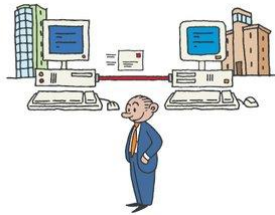
Please be aware of that there are differences between the various retailer especially when it comes to using $\frac{1}{4}$ and $\frac{1}{2}$ pallets. These pack configurations are used during campaigns or when there are exhibitions of products in stores.

3.5 Electronic Data exchange requirements

More and more, retailers are using the internet and automated systems to exchange information.

Please note that even though these systems are set-up to be uniform for all (international) retailers, *slight differences* do exist per retailer or even per market causing systems not to be entirely *compatible*. It is recommended to allow sufficient *specialist time* to meet these requirements once a listing is agreed.

The retailers have departments that can help guide new supplier into their systems. If this is not the case the retailers will direct the suppliers into companies that will be able to assist on an hourly payment.



It is still possible to do business with all retailers without using Electronic Data exchange systems. It is often a longer process to get 2 systems set-up against another, so if the decision is to start using such systems it is recommended to involve all experts from the supplier from the beginning to ensure a safe start-up.

3.5.1 EDI

EDI = Electronic Data Interchange.

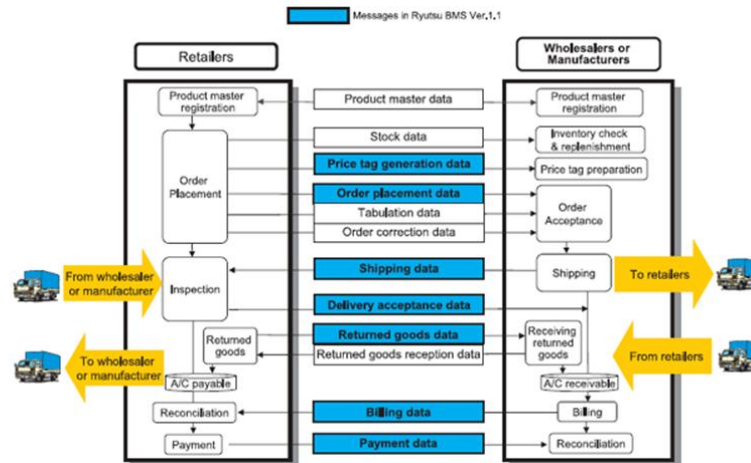
Electronic data exchange of standardized and structured messages between different computer systems. Two independent systems can communicate in a standardized manner. This means that EDI documents are handled electronically between the retailers and supplier systems with the purpose of optimizing information flow as well as logistic flow.

EDI standardizes the electronic data communication between parties.

GS1 Sweden (www.gs1.se) has with its clients, has developed a common approach, a business process (ESAP), to send electronic business information between companies. It's faster and easier to set up a system for electronic trading of all follow the same approach and that is what the Danish retailers have agreed to.

In Denmark the following activities are exchanged and communicated by EDI;

- Ordering
- Delivery
- Stock management
- Invoicing
- Controls
- Cash Balances
- Payment



Business process between suppliers and retailers using EDI

EDI frees time to focus on selling products

"Our goal is that as much as possible contacts with suppliers, bankers and transporters must be through EDI, and that data should only be typed in once," says Lars Jepsen. Dansk Supermarket who sends or receives annually nearly 10 million electronic mails in the form of orders, invoices, controls, shipping advice, cash balances, payment specifications, etc., and it goes without saying that the company saves huge amounts of work and reduces the risk of errors by running it through automatic electronic communication from machine to machine.

Lars Jepsen: "At Dansk Supermarket we do everything we can to liberate time to sales and customer focus. The more we can turn our backs on all the administrative and technical and concentrate on serving customers, the better business we get. EDI is one of the actions that frees a lot of time to sales and customer focus. "

The GS1 system in Denmark

Everything speaks for that GS1 will have an expanded role in the supply chain. In order that companies can act quickly and accurately, it becomes increasingly important to collect and record data about the events that a product comes out

for on its way through the supply chain - transfer time of the product and the product temperature is automatically measured at selected locations in order to detect whether the cold chain has been broken or not. And not least it is about to get 'washed' and converted these 'raw' transaction data into insights that companies, public authorities, etc. can act upon. Consumers want easy access to more and several types of information, and they demand documentation on the goods they buy and the consumers want the information immediately which is expected to be available in 4-5 years time according to GS1.



An Example of the Gloval perspective of the GS1 standard:

The GS1 Global Standards and Solutions in Waste Management

Especially in three areas, consumers will want to know more in future:

- The products nutritional content
- The products authenticity
- The products CO2 accounts.

This places greater demands on that all supply chain parties must register and provide access to such information (=product master data) - for example, gluten content in flour and CO2 load at transportation.



Coca Cola Research Group expects that where today on average there are approx. 66 registered information available for each product, in future there will be up to 250 information recorded, shared, maintained and otherwise made accessible.

It is still a problem according to GS1 that many smaller companies do not supply their company and product information into the central data pools. It is often seen as something they shall pay for and the retailers will take the benefit. According to GS1 this is not the case as it could according to GS1 on the contrary helps the small suppliers:

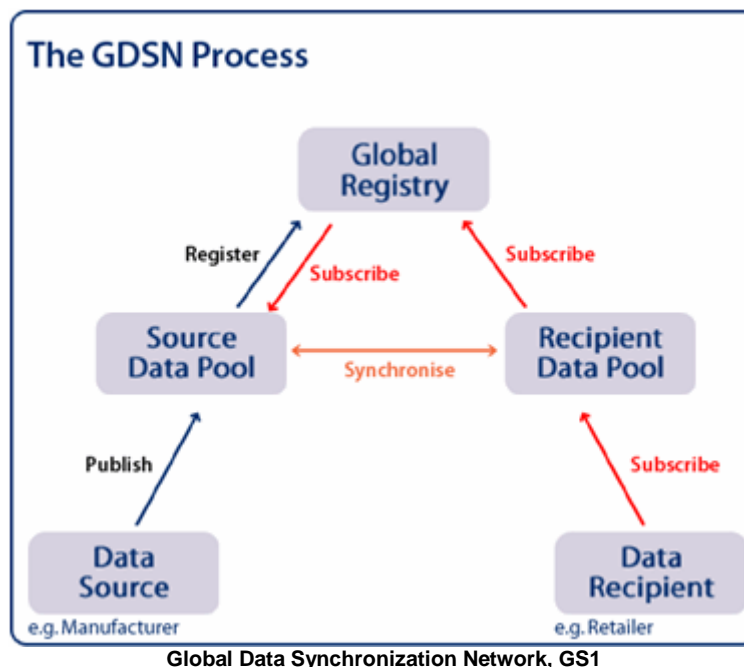
- To become more effective
- Over time they will be able to get their “points of difference” directly into the consumer mobile phones, computers at no cost, so in fact information is given free and the consumers will be able to make buying decision on real fact from the supplier rather than via mass marketing
- Less man-hours spend as the information is the same to all
- Changes made in one data pool is immediately implemented throughout the system
- Easier to export as there is only one set of information available for all markets

Obviously the GS1 system is at different levels in different countries and ideally it should be the same throughout all countries. The best advice is to check at GS1 in your home market to see at what level of development they are and see if there are already established ways of communication going into the Danish retailers that can be used. If not the local GS1 office should have an interest in helping exporters to set-up the communication into GS1 Denmark as it no doubt will be one of their future services.

3.5.2 GDSN

Global Data Synchronisation Network makes it possible to synchronize data between databases in a secure and automated manner.

This means that when one trading partner change master data in the data pool, which he is assigned to, then these changes automatically and immediately are available for all the companies in the system - regardless of the GDSN data pool the parties are using. GDSN should enable trading partners to always have the newest and fully (checked) correct information in its systems and cooperation can proceed smoother, faster and cheaper.



Since last year, it has been possible for Foreign suppliers to place products into the DADAS system run by GS1 Denmark. Contact should be made with the Ireland GS1 office to see whether this is possible yet and how information can be transferred. This should mean that the Danish retailers can extract the master data they want. This simplifies the process of exchanging master data while it saves the suppliers the cost of being a member of a data pool in Denmark.

The exchange of product data with foreign markets is possible because DADAS associated with the global networks for data synchronization (GDSN).

DADAS (Danish Data Alignment Service) is a Danish product database that makes it easy and safe for industrial and commercial exchange of quality controlled product information. Exchange of product master data via DADAS makes it possible to optimize the electronic data exchange and product flow.

Suppliers send their product master data to DADAS in a standardized format. Then review the data submitted a thorough quality check before they are included in the product database. Suppliers must therefore join only its products in one place, and retailers have access at all times to date and verified product information.

DADAS related product database SA2 World Sync is a certified product database within the Global Data synchronisation Network (GDSN). It provides opportunity to exchange data through the global network of certified product databases. For more information: www.gs1.dk

Not all retailers are set up against DADAS; Dansk Supermarked is right now implementing SAP and has therefore no time to join DADAS right now.

3.6 Accreditations and certifications

Danish Retailers have the same demands as other European retailers with regard to audits and accreditations. For own label products audits take place. All suppliers should have a risk management system in place for product withdraw or other unforeseen scenarios. Suppliers will be asked to mention the people involved in the risk management system.



A respected Accreditation among Danish retailers

Internal traceability for suppliers and producers

In general the Danish retailers expect that all suppliers are able to trace which production facility produced the product and the batch to which the product

belongs. It should also be possible to trace the origin of the raw materials that are included in the product. The level or precision of a traceability system is determined by a few different factors, including batch size, batch control systems, and batch labeling on packaging and pallets.

EU rules

EU is already regulating traceability of food products in EU law 178/2002 of 28. January 2002. It is the responsibility of suppliers to have full traceability

Danish National Rules

- 1. Central Livestock Register (CHR)** provides information on crew's cattle, pigs, sheep, goats, deer, foxes, mink, poultry and aquaculture. CHR is used in particular for the application of Council Regulation (EC) nr.1760/2000 on beef labelling. CHR is the national and centralized database for registration and identification of live animals - including during the movement of animals. Most of the information in the CHR is available to the public (www.glr-chr.dk) as a part in preventing the spread of diseases. Information not available is analysis results disease data from slaughterhouses and personal information covered by the Privacy Act.
- 2. Labelling Order**
Decree No. 530 of 18 June 2003 marking expenses etc. of food. Provisions the labelling of pre-packaged foods ensures among other things, that the consumer has the opportunity to track purchases food back to the dealer or manufacturer. Thus, food which obtains and packaged foods, or the dealer which only sells the food required to carry out a demarcation of a food consignment and make an identity marking (Lot Marking) of the lot. The requirement lot-marking applies to all levels of trade (non-prepacked or wholesale packaged food and pre-packaged foods) except for non-prepackaged goods for retail.



3. Origin labelling of beef

Order No. 18 of 17.01.2001 on traceability and origin labelling, etc. of

beef, as amended by Decree No. 65 of the first February 2001. The notice refers the labelling provisions of the European Parliament and Council Regulation (EC) No 1760/2000. The notice also includes requirements for voluntary labelling, the specifications are including must contain self-monitoring program to ensure traceability and correct labelling of the covered trade.

Apart from these 3 areas there are a number of other regulations, i.e. concerning feed for animals and it is an area where a lot of new initiatives are expected to be implemented.

This will apply to areas such as the labeling of outer packaging, where suppliers can choose between EAN 128, EAN 13, and ITF 14 for barcode labeling.

3.6.1 Organic

The red “Ø-label” is a Danish organic control label. The mark tells that it is the Danish authorities, who supervises the farms and companies that lately has processed, packed or labelled organic foods, etc.



The label can be attached on organic food from abroad, when, after import to Denmark the products are being prepared or in other ways “reworked”. The application of the label must always be in Denmark since *the Danish* authorities do not apply controls in other countries

From 1 July 2010, the new green EU organic logo shown below is used on the labelling of organic foods packaged / labelled within the EU.



The New EU logo

For labelling with the new logo products must also be labelled with the control code number and geographical origin. The Exporter shall get in contact with the local national veterinarian authorities to get the control number. This is being controlled by all Danish retailers and companies who are not adding control code number and origin will be asked to add the information in the form of stickers. If a delivery is received by a retailer without the control number it will be rejected. All details shall also appear on the delivery notes that obviously shall have the same information as printed on the packagings.

According to Regulation No 271/2010, the control code number to be reproduced in the same visual field as the new logo, include the words "eco". The new Danish control code numbers are as follows:

Regional Food West: IL-ECO-100

Food Region East: DK-ECO-200

Meat inspection: EN-ECO-300

The new EU logo can already be used by companies, if any of the above code numbers are used, and also reported on geographic origin according to ecological rules.



The Old EU-eco

There will be a long period before commissioning of the new logo. Packaging, which is consistent with the current rules (for example with or without "the old EU logo without origin labelling and with" old "code number) could be reprinted and used in products placed on the market until July 1, 2012. This is not a guarantee that some retailers might have decided that they will only accept the new EU logo. This should be checked before entering into a business relationship.

Keyhole

The Green Keyhole Brand (coming from Sweden) makes it easier for consumers to choose healthier foods in selected product groups in a simple and quick manner.

"With the introduction of keyhole labelling, we give consumers a tool to quickly assess whether a food has a good mix in terms of, for example, fat, sugar, whole grains and salt. Keyhole label is voluntary for manufacturers to use, but to get it on a packaging the product must meet certain criteria with regard to content," said former Minister for Food, Fish & Agriculture Eva Kjer Hansen at the launch

last year..

Only foods that contribute to a good and varied diet can be labelled. Therefore, candy, ice cream and soft drinks will not be marked with the keyhole.



Foods with the keyhole symbol

The keyhole is a voluntary label. Food producers are themselves responsible for ensuring that foods with the keyhole symbol conform to The Danish Veterinary and Food Administrations regulations on use of the keyhole.

Foods that comply with the specified criteria can be labelled with the Keyhole. There are 25 categories within the following 9 product groups:

- Dairy products
- Low fat spread, margarine and oils
- Meat and processed meat products
- Fish and shellfish
- Vegetarian products
- Bread, pasta, breakfast cereals, flour and whole meal
- Ready meals, pies, pizza, soups, sandwiches and wraps
- Potatoes and vegetables
- Fruits and berries

For further information see www.noeglehullet.dk

3.6.2 Environmental issues

The environmental influence related to suppliers is so far mostly influenced with regards to logistic. COOP was the first retailer to adapt to new organic and environmental issues. In 2009 COOP launched a “Be responsible report” that clearly defines a set of working ethics and set-up goals for its responsibility in the society. Every 6 months COOP publish how far it has come in obtaining it’s goals that are also published on its homepage www.coop.dk .

The goals are impressive and actions are stated for each of the goals:

1. COOP will build Denmark's leading care brand “Änglamark”
2. COOP will ensure the widest range of organic products on the Danish market
3. COOP will double sales of eco-labeled products by the end of 2011
4. COOP will help to reduce the environmental impact of plastic bags by offering and sell reusable bags in stores
5. COOP will stop the sale of concentrated herbicides, and offer less environmentally damaging alternatives by the end of 2011.
6. COOP will ensure the widest range of MSC-labeled seafood products in Danish food retailing
7. COOP will work to develop and market new FSC-labeled products (Forest Stewardship Council(not related to food))
8. COOP will reduce packaging consumption for its own brands
9. COOP will establish at least two Eco-Environmental labeled stores by the end of 2011
10. COOP will increase information on ecology and environment to consumers, as well as information on the ecological and eco-labeled products offered in stores

The importance of environmental issues is expected to increase and COOP has taken the first steps and will no doubt be leading the way over the coming years that eventually will end up with changes, new demands in logistics, packaging, marketing, ingredients, marketing etc.



Coop Denmark is leading the way in environmental issues.

The Coop owned chain Irma has market itself very much on organic and is today the leading retailer when it comes to penetration of organic products even on a world-wide basis..

Many times Coop Denmark has taken the lead ahead of Danish or EU legislation. An example on this is the reduction of saturated fat that Coop started demanding lower levels of/total removal of to its suppliers 20 years ago.

4 Retailers

The Danish daily food retail market increased by 5.1% from 2008 to 2009 to a total of 103 billion DKR. (€ 13.8 billion).

A total of 3.160 stores for a population of 5.5 million. Inhabitants (Source: Stockmann-gruppen 2009). Private Label penetration has passed 20% for all retail groups and is expected to grow further now that basic food and drink products have own label versions, private label is now moving into premium products and more specialized areas “free from” etc.

Denmark is the second largest retail market in the Nordic region and the Danish market is dominated by 3 buying groups of which the largest has nearly 40% of the market. The hard discounters have a significant share of the market and all 3 retail groups have hard discount store formats.

Danish retailers;	Market share 2009 <i>(Stockmann-gruppen 2009)</i>
• COOP	36.6 %
• Dansk Supermarked	31.5 %
• Supergros	22.9 %
• Rema1000	4.3 %
• Lidl	1.4 %
• Aldi	3,3 %

KPI's (Key performance indicators) are not different in Danish in retail in comparison to other markets. Below is a ranking after importance.

Most important KPI's are;

- The best price
- Marketing
- Overall rotation with weighted distribution
- Margin percentage
- Nominal net margin contribution
- Service level of deliveries to depots

Price negotiations

Open book pricing is more and more used in general and often in PL propositions where buyers use internal knowledge on ingredient price levels and price fluctuations as well as logistic costs to break down prices of products.

It is advice able to be able to “defend” the price setting in detail as well as in connection with price changes being able to fully document any price increase. Retailers are reluctant to accept price increases and are often well informed about the general pricing in the market



Price changes have to be advised well in advance and Coop only accepts 2 annual price windows: July and January. Any price increase must be accompanied by a set of arguments that incorporates all possible arguments to justify the price change.

Over many years it is our experience that if a price change is unavoidable actions must be taken immediately to carry these through as it is often a long proces. It is often a good idea to outline the total business proposal as the buyer internally often has difficulty to present price increases in the organisation.

As a rule of thumb retailers expects 35% margin. This is obviously different from category to category and from segment to segment.

	CIF Denmark	Rate DKK	Invoice price	RSP DKK	VAT	RSP Excl.VAT	Margin %
Product A	€ 1,55	7,45	11.55	19.95	25%	15.96	27,6%
Product B	€ 1.28	7,45	9.54	19.95	25%	15.96	40,2%
Product C	€ 0.80	7,45	5,96	13.95	25%	11.16	46,6%

This is an example of a calculation.

It is important that there is a set “price list” from which the retailers are offered different “discounts” before the net price is achieved.

Another aspect for the supplier is to have given consideration to whether it want to offer private label to the retailer next to its brand or only brand. This can be used tactically in price negotiations.

Despite any tactical considerations there is an ongoing price pressure on both branded as well as private label products.

Annual Meeting

Each retailer invites its suppliers for an annual meeting in which the previous year is reviewed and in which commercials are discussed for the next year.



This is the most important meeting of the year. Ahead of the annual meeting most retailers invites their suppliers to an Annual presentation where the aim is to present next year's plans. For 2011 this takes place in September month. Following this overall presentation the suppliers are expected to build their 2011 proposals and incorporate every aspect of the business including new products, marketing ideas.

The annual meeting is often followed by follow-up discussions and new meetings will be scheduled to come to an agreement. It is advice able that the supplier attends these meetings with 2 representatives and obviously is prepared for all possible scenarios.

What retailers expect from suppliers

One of the larger Danish retailers have outlined what they expect from their suppliers for the annual meeting:

- Arrive prepared and positive to meetings
- Clarify internal authority to make decisions before the first meeting
- Limit the "argumentation phase"
- Focus on solutions instead of products and thinking outside of the box
- Do not expect the retailers to provide solutions
- Focus on value creation, not only for own products, but for the category

- Deal with “problem products” proactively – do not wait for a decision
- Do not postpone proposals or decisions until later meetings – there may not be any more meetings

Common way of working for new items presentation

The supplier must provide information before you can book a personal meeting.

The information should be sent to the respective Category Manager/Buyer.

The product announcement should include:

- Presentation of the company/products
- What can the products add to the category
- Reference to other markets
- Planned marketing activities (general)
- Involvement of external merchandising/sales force

In connection with the product announcement at least two samples should be provided.

After the product announcement and samples have been delivered, the customer can be contacted to book a personal meeting.



At the meeting:

- Follow up on the product announcement (Presentation)
- Market situation (total market/trends) – Consumer Research
- Proposed marketing activities with company/chain
- Price and trading terms negotiations
- Discussion ⇒ Next step for decision making

It is always as stated in chapter 3.1 a must to have examined the Danish market situation and be able to present sales solutions for the market that gives the buyer reason to list – remember that the buyer has to present your ideas as his internally and the more details and planning has been made the easier it is for the buyer to implement it throughout the organisation. Place focus on how you want to launch and how you plan to secure trial and repeat buy from the consumers.

Despite the buyer being reluctant initially, a proper sales plan and detailed launch program often can secure listings.

Listing timings

So far there are no common fixed listings windows agreed for the Danish retail trade that covers all retailers. Most retailers have however periods where they 1 year ahead plan when to look at i.e. new frozen bread products, but still it is possible to launch products fast if the products are of interest.

Retailer's promotional activities

The main promotional activities implemented by all Danish chains are the individual chain's Brochures distributed to households within their stores' area of customers.

In Denmark these are sent out 52 weeks a year.

Coop Denmark issues a monthly magazine for the members of the cooperative Societies called "Samvirke".

Netto issues a monthly magazine called "Lime" that can be collected in each store.

Irma issues 6-8 times a year a magazine called "Krydderiet".

From time to time the larger chains have periodical TV spots – usually industry financed. (Special Offers)

Coop has since many years a Customer loyalty Card.

Bilka has recently launched a customer card, whereas cards are not seen so far among the other chains on the Danish market.

Experiences from Danish retail launches

Each year several thousands of new retail food and drink products are launched into Danish retailers. In many cases the suppliers invest a lot initially in the hope of a major sales boom that then shall pay for further future investments. From experience many suppliers after 12-18 months come in a position where the initial New interest has disappeared and sales start to fall.

Here it is often seen that price decreases are implemented by suppliers in order to adjust the falling sales curve or new products are being considered to replace what initially looked like a great idea.

In many case it is believed that a main reason for the lack of success is that not enough detailed consumer research has taken place and likewise not enough core consumer communication has taken place. This is not to say that not

enough money has been spend, on the contrary it is often so that the money has not been spend to build a core consumer base from which weekly sales will be generated.

Mostly it ends with that the suppliers have lost a lot of money and the retailers likewise. Therefore preparation and long term planning is important.

4.1 Coop





COOP centrally coordinates central functions and concepts for purchasing, communication, marketing, business development, etc.

On the Group's purchases, estimated 15-20% is negotiated on a Pan Nordic basis under the umbrella of COOP Trading that coordinates buying for the Nordic countries. The head office of COOP Trading is based at COOPs Denmark's head office.



At the same time that it uses its scale to coordinate and take advantage of synergies, Coop has different store formats ranging from discount format into premium format.

Coop Denmark			
Store concepts	Description	Assortment	Pricing
 (LokalBrugsen included)	Small convenience Food stores	Narrow product range. Fresh food	Higher prices
	Supermarkets	Wide range of food products and fresh foods	Normal to higher prices

Kvickly	Large super-/hypermarkets	Wide range Fresh food Family	Moderate prices
fakta <small>Det ta'r kun 5 minutter</small>	Discounters	Everyday food items	Low prices
Irma	Premium Supermarkets	Organic products Variety of premium foods High Own Label share	Moderate to high prices



COOP	Number of stores	Market shares	
Total	1180	36.6%	
Dagli' & LokalBrugsen	388	5.3%	
SuperBrugsen	269	12.4%	
Kvickly	80	9.0%	
Fakta	360	6.8%	
Irma	83	2.2%	

Buying & Marketing procedure

The Central buying organisation looks after the assortment for the above 5 individual formats. Fakta negotiates in/out promotions. Irma negotiate their own assortments and marketing as well as their joint supplier marketing on an ongoing basis. Central COOP negotiates all marketing for all Brugsen and Fakta more and more as well.



4.1.1 COOP pricing policy

As a full service retail group, pricing within most of COOP's chains are higher for its smaller store types and lower than average for its Kvikky hypermarkets. COOP is by far the market leader overall and has been doing very well over the last 2 years. Overall COOP is more known to have a comprehensive assortment rather than low prices. COOP is monitoring the competition very skillfully and has managed to change the competition into other areas than just "low pricing". COOP does not accept any strong differences within key A brands in destination products.

COOPs mid range of products are sold under the **COOP** brand:



COOP, low priced products are sold under the **X-tra** brand:

X-tra products



coop Trading

COOP's organic, allergy friendly, environmentally friendly line of products is sold under its **Änglamark** brand

Änglamark products



coop Trading

Margin requirements of COOP are overall 35%. However there are differences per category and for chilled products the Margin requirements are normally higher than for i.e. coffee. Also for own label products it differs per category and range from over 50% on some chilled and frozen products to 25 to 35 % for high rotating ambient products. Mostly COOP is having higher margins on their own labels than on branded products.

4.1.2 COOP's promotional requirements and demands

COOP has marketing tools that are offered to branded suppliers. These tools are negotiated individually with COOP's HQ apart from Irma that negotiates itself and the tool is a mixture of a discounted price and a 1 week running period. Next to negotiating prices, also the joint trade support mechanics is part of commercial proposition and must be integrated in a commercial offer. As a branded supplier, it is expected that the supplier undertakes promotional activities in the chains where products are listed. Ahead of listing a new product centrally the supplier must in writing confirm the will to invest.

The uplift in sales during the 1 week promotions are between 200 to 800%.

As a rule of thumb the annual costs to these chain activities are around 15% of the net invoiced prices.



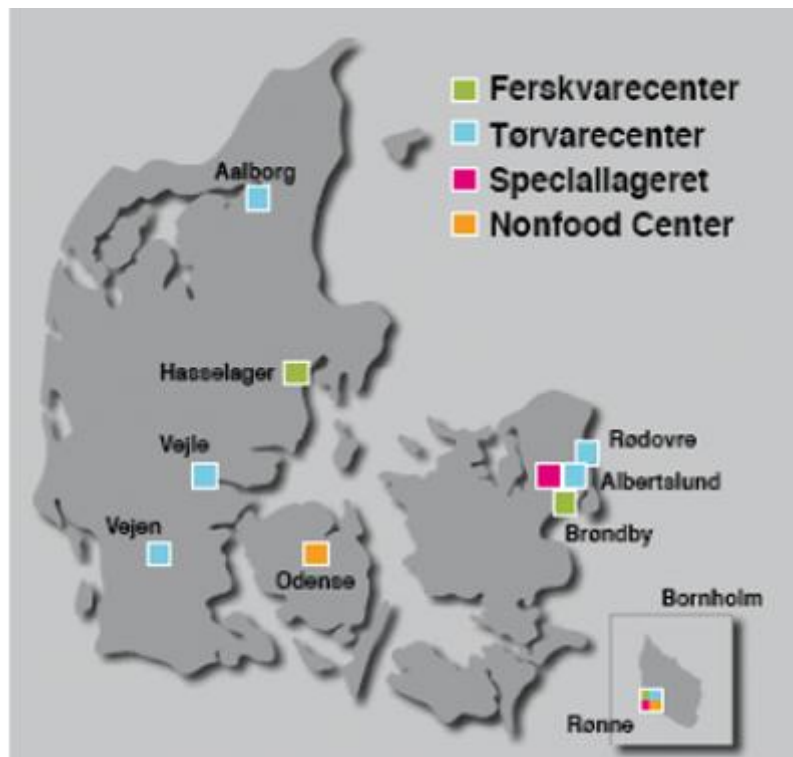
Earlier there was a fixed price set for each of these promotions. But from 2009 a sum of total investments was set up replacing the earlier price list for activities. This means that the investments are set up during the negotiations between the supplier and COOP overall. On basis of an agreed sum a number of activities is then spread over a period of 12 months. If the promotions are not working to expectations COOP will contact the supplier in order to negotiate new promotions or ask the supplier to adjust everyday and/or promotional pricing in order to lift sales.

Kvickly and SuperBrugsen are active with TV advertising and the products selected here are mainly destinations products like meat and beer. Even Fakta is using TV advertising.

In Appendix A please find estimated overall costs for participating in COOP's chain promotions.

4.1.3 COOP logistic structure

Logistics (and replenishment) at COOP Denmark is well organized. COOP is having 2 main depots to which most suppliers deliver and utilizes 5 regional depots all depending on which categories. COOP has the ambition to cut in the number of depots or outsource (as it has already done with ARLA on dairy products). The 2 main depots are based on Sjælland near Copenhagen and in Jylland near Århus (Hasselager).



Coop Denmark: 2 fresh/frozen food terminals (green) 5 grocery terminals (blue)

Suppliers can receive forecasts for their products and COOP has since many years a very well working forecast planning with its suppliers for campaigns.

In connection with receiving an order the supplier will also know what time of the day the products must be delivered. COOP has some flexibility in meeting the given times but if the supplier is not able to meet the advised delivery time, the supplier must immediately inform COOP to agree on a new slot.

Any delivery that does not arrive at stores may result in customers being dissatisfied and choosing other goods, or no goods at all, this can result in that COOP worst case will ask the supplier to pay for the lost profit on top of paying a fee for not living up to deliver for a campaign. Logistics are formalized through a master agreement between COOP and the supplier

4.1.4 COOP, from introduction to launch

After doing the homework and research as recommended in the previous chapters, COOP can be approached. First contact is the category manager of the specific product group.

He she will ask the supplier to forward products with a description and presentation of the company per email (“what is it you want ?” is a typical question) and next step is to follow-up this initial approach with a further phone call to get an appointment.

- What makes you as a supplier believe that there is a real demand
- What investments will be made to attract consumers
- Who is your exact goal group
- Where do you fit into COOP’s assortment
- What pricing and why(positioning)

Both, buyers and category managers are very time conscious and will only allow an one hour timeslot if they are convinced that this is worth the investment. Providing well developed information, preferably by e-mail in advance, will help them responding positively towards agreeing to a meeting. This pre-information should include company background as well as answering in detail the questions above.

When in a meeting and pitching for business, most time should be spent on the actual proposition and the potential it offers to COOP (No social meetings). It is often seen that suppliers tend to tell about their companies for 90% of the time, this is not a successful strategy normally. Rather the discussion must be around convincing the buyer about the consumer need and how to create consumer behavior. It requires a dedicated PowerPoint presentation preferably on a laptop.

The more the discussion can be taken away from the PowerPoint presentation and directed into a direct business potential discussion the better.

It is important to listen carefully and respect the views of the category manager. The buyer will often have experience herself/himself from similar launches and it is vital to be able to place ones products into new frames so that the supplier shows knowledge about the past experiences but also has been able to analyze what went wrong or what was/could be successful.



If successful, a second meeting might take place in which the final negotiations and adjustments will take place on pricing and conditions.

Ahead of having agreed a listing, a set of activities will have to be gone through all that is specified in previous chapters (logistics, packaging, labeling, promotional activities, etc.) This period takes at least 2-3 months and generates a lot of specific information exchanges.

It can often be useful to meet the buyer in a short meeting to discuss a certain object around i.e. logistics when the negotiation goes on or even when the listing has been achieved. Often the buyer is opening up more after the first meeting and often gives good advice and clear directions.



Consumer demand




During the *launch*, the agreed activities will take place in the form of presentation in the weekly sales folders of the different COOP formats. If products are not performing or moving discussions must be taken to tackle the situation rather than to sit and wait. COOP has become very proactive and will address and call for action if sales are under performing.

4.2 Dansk Supermarked



Dansk Supermarked centrally coordinates central functions and concepts for purchasing, communication, business development, marketing etc.

On the Group's purchases, estimated 10-15% is negotiated on a Pan-European basis together with AMS in Holland. Dansk has lately committed itself more and more to a coordinated buying policy with other international retailers through AMS. See under www.ams-sourcing.com.

Dansk Supermarked			
Store concepts	Description	Assortment	Pricing
	Hyper markets	Widest range of FMCG.	Low prices
	Supermarkets with Non-food	Wide range of products	Moderate prices
	Discounter	Narrow range of products/In/out products	Low prices

Dansk Supermarked	Number of stores	Market shares	
Total	496	31.5%	

Føtex/Salling	82	13.5%	
Netto	400	12.4%	
Bilka	14	5.6%	

Buying & Marketing procedure

The Central buying organisation looks after the assortment and negotiates the joint supplier marketing for all above chains on an ongoing basis. Once a year the level for next year is decided.

4.2.1 Dansk Supermarked pricing policy

As a price focused retailer, pricing within Bilka and Netto are below average, whereas pricing at Føtex is moderate.

The tough focus on pricing is illustrated by the founders wording: “Any supplier that offers other retailers lower pricing including central discounts and over riders, will be excluded for lifetime in dealing with Dansk Supermarked” (Herman Salling, founder).

Dansk Supermarked is the most profitable retailer in Denmark during the last 30 years. Overall the Netto brand is the strongest retail brand in Denmark and has a low price image and an assortment that is popular among consumers. Its 2 larger formats Føtex and Bilka has after the Economic Crisis experiences lower profitability and even experienced drop in market shares, which was so far unknown to the organization. Internationally Dansk recently sold its Netto stores in UK to ASDA, whereas it has announced plans to a massive growth internationally of its Netto discounter concept.

Despite it’s well known focus on low prices, Dansk Supermarked was the first retailer to launch a premium private label brand in Denmark called “Princip”(“Principle”) a few years ago, that is only sold in Føtex and Bilka. Netto has its own private labels and is often using packer’s brand.

Overall Dansk is having a number of Own Labels:

Examples of Dansk own labels:



Bon Appetit



Cookie & Co



Store/Små Norske



Bred from the World"



Xing Fu



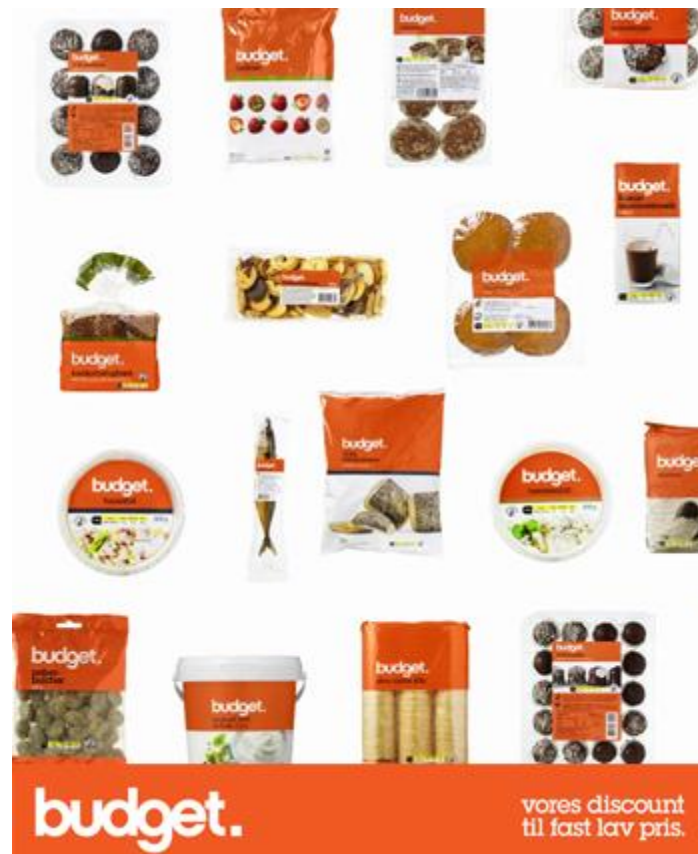
Care is Dansk label for washing powder.



The Minimum series contains a wide range of products - from cold cuts and cheese to jam and cereals. Minimum is created to make it easy for consumers to make a healthier choice of products with low fat, low sugar or high in fibre.



Princip is Bilka and Føtex own label "premium selection of products"



During 2009 Dansk Supermarked launched a new range of low priced product: “budget” is the name of a new range of discount products. The new private label has a striking orange colour to make it easy for customers to find the cheapest alternative on the shelves in the supermarket.

Margin requirements within Dansk Supermarked are overall 35-40%. However there are differences per category. Also for own label products it differs per category and range from over 50% on some chilled and frozen products to 25 to 35 % for high rotating ambient products. Netto has even lower margin on destination products and Bilka is matching Netto’s price setting on Netto’s full assortment.

4.2.2 Dansk Supermarked promotional requirements and demands

Dansk Supermarked market products through TV ads, in-store screens, internet and the weekly sales leaflets.

Each week Føtex Bilka and Netto publishes a total number of over 6 million copies of sales leaflets.

Sales leaflets are a particularly powerful advertising medium. According to Nielsen polls the weekly papers from the Danish Super Market chains, have the highest reading rates in Denmark.

Advertising Leaflets and ads are produced in close interaction between chains and purchasing departments. Purchasing Departments are also heavily involved in the presentations of the products as sold in shops and department stores.

The Category Manager is responsible for the sales out of stores as well.

The Internet is also a powerful marketing medium. The weekly sale papers can be viewed in a browse-friendly format on its website.

Approximately 100,000 customers have subscribed to the chains email offers, which is part of the reason that both føtex.dk bilka.dk each has more than half a million unique users per month. This makes the pages some of the most visited websites in the retail industry.

The uplift in sales during the 1 week promotions are between 200 to 800%.

As a rule of thumb the annual costs to these chain activities are around 10-15% of the net invoiced prices depending on the frequency.



Example of a typical double page of Bilka's weekly leaflet.

In Appendix A please find overall costs for participating in the chain promotions.

4.2.3 Dansk Supermarked logistic structure

Logistics (and replenishment) within Dansk is very well organized. Dansk has 1 main depot. Netto also has 1 depot but there are terminals in both east and west Denmark.

Dansk has a well organized system of coordinating orders and gives suppliers ahead of schedule promotional volume in good time.



Dansk Supermarked new warehouse near Århus. In background the new Distribution centre.

In connection with receiving an order the supplier will also know what time of the day the products must be delivered. There is no flexibility in terms of small delays, Dansk is very strict on service levels.

Dansk Supermarked insists that it's suppliers have 100% supply service and that products are delivered at the set time that is decided by Dansk Supermarked. If a supplier fails to deliver to campaigns or has repeatedly failed to deliver the supplier will most likely be delisted for a long period. Ahead of starting up a master agreement is made between Dansk Supermarked and its suppliers.



Netto central warehouse and distribution near Køge. Denmark's most modern.

4.2.4 Dansk Supermarked, from introduction to launch

After doing the homework and research as recommended in the previous chapters, Dansk Supermarked can be approached. First contact is the category manager of the specific product group.



He/she will ask the supplier to forward precise information of the aim of the meeting together with an email presentation that shortly describes the company and the products to be presented.

Ahead of a meeting Dansk Supermarked prefers to receive pricing and conditions but that is not always the case. Anyway ahead of any meeting the market situation, the proposition and sales promotional plan must be outlined. The buyers are normally well prepared and have all possible knowledge and experience from previous launches including latest Nielsen figures.

Both, buyers and category managers are very time effective and will only accept a meeting of one hour timeslot if they are convinced that this might be worth the investment.

Providing well developed information, preferably by e-mail, will help them responding positively towards agreeing to a meeting. This pre-information should include company background as well as good well thought ideas that demonstrate knowledge of the Danish market as well as an outline of the sales and promotional approach.



At a meeting time should be focused on what it offers to Dansk Supermarked in terms of profit and consumer acceptance (No social meetings).

It is a good idea to use the 1 hour so that all company and product and market information is done in 30 minutes and the rest of the time should be questions to the Category Manager (The more he/she talks the better).

If successful, a second meeting might take place in which the final negotiations and adjustments as well as marketing investments will take place.



Ahead of having agreed a meeting plan with 2-3 months preparation before.

During the *launch*, the agreed activities will take place and the Category Manager has the same interest in achieving success as he/she is measured on sales out of stores.

4.3 Supergros





SuperGros is as much a Wholesaler as a retailer as it does not own all the stores unlike all other Danish retail groups mentioned above. Still SuperGros centrally coordinates central functions and concepts for purchasing, communication, business development, marketing etc. for all the chains that are serviced.

On the Group's purchases, estimated 10-15% is negotiated on a Nordic basis together with United Nordic, a pan Nordic buying association buying pan Nordic private label products for among others Swedish Axfood and Norwegian Norgesgruppen. On an International level Supergros is since 2002 member of the EMD buying group.

SuperGros a/s supplies everyday goods to the following Danish chain stores: SPAR, SuperBest, KIWI, Letkøb, ABC Lavpris, Magasin, Liva, L.I.C and a large part of the independent grocers as well as grocers in Greenland, Iceland and on the Faroe Islands.

In the convenience area, SuperGros supplies the following Danish chains: Shell, Statoil, Sam-Gros (OK and DK petrol stations), DSB kiosks, Nærkøb kiosks, Nordisk Film, and others.

SuperGros cooperates with the various chain stores to create a joint foundation for continued progress; a foundation based on common goals, growth, and freedom, as well as joint responsibility and planned decisions.

Supergros			
Store concepts	Description	Assortment	Pricing
	Discountert	Narrow range of FMCG. Focus on Organic and Fruit/Vegetables	Low prices
	Supermarkets	Wide range of products .	Average prices

	Supermarkets/ Neighbourhood stores	Moderate range of products	Higher prices
Others	Supermarkets Private ownership Departements stores Grocers	Wide branded product range	High prices
Others	Neighbourhood stores/Kiosks/	Limited product range	High prices

Supergros	Number of stores	Market shares	
Total	944	22.9%	
Kiwi	40	1.3%	
SuperBest	215	11.5%	
Spar	533	6.2%	
Others	156	3.9%	

Buying & Marketing procedure

The Central buying organisation looks after the assortment and negotiates the joint supplier marketing for all above chains on an ongoing basis. Once a year the level for next year is decided at an annual meeting. The individual chains have regular “family meetings” where the assortments are decided. Joint marketing is negotiated with each individual chain.

4.3.1 Supergros pricing policy

As a wholesaler and by the same time having a full service supermarket operation, pricing within most of the chains are above average for its supermarkets and smaller store types: Kiwi is as a discounter low in pricing and has its focus on fresh fruit& vegetables as well as on organic products.

Just 5 years ago there were a lot of major independent supermarkets belonging to different store formats. Most of these large independent supermarkets have been united under the umbrella of SuperBest which was started by SuperGros and today is one of the most important chains in Danish retail trade.

SuperGros is the supplier of an extensive number of private labels in all lines of products:



Blue Ocean a range of fish and seafood



Sun Siesta: a series of canned fruits



Q a series of snack nuts

In total over 30 different private brands are supplied by SuperGros. Among the most important private labels, that covers more than one product group area are “First Price” and “Food Line”:



First Price in Denmark stands for top quality goods, always at the right price. The label is on grocery, apart from wine and spirits.



Food Line is a Low Price Series which continually is expanded. At present it consists of 81 different products, from oatmeal and flour, to chips, ketchup, and roasted onions, as well as canned corn. Food Line offers products of many kinds at competitive prices.

Margin requirements within SuperGros chains are overall 30-40%. However there are differences per category and for chilled products the Margin requirements are normally higher. Also for own label products it differs per category and range from over 50% on some chilled and frozen products to 25 to 35 % for high rotating ambient products. As a whole seller SuperGros charges a percentage fee for its services and it ranges between 5-20% depending on competitive situation as well as whether the products are branded or private labels.

4.3.2 Supergros promotional requirements and demands

The chains who are serviced by SuperGros each has its own selection of marketing instruments that are offered to branded suppliers. These tools are presented to all suppliers ahead of next year's planning and negotiated with the chains responsible marketing & sales manager.

Before the supplier gets to these negotiations it first has to speak its case towards SuperGros central Category Buyer who will then present the products at an internal "family meeting" from which there will be a decision that will be communicated via SuperGros Category Manager.

The content of the chains promotions are 1 week promotions in a one of the formats weekly Leaflets with a price discount. Good sales lifts are achieved between of 300-600%.

As a rule of thumb the annual costs to these chain activities are around 15% of the net invoiced prices depending on the frequency.



Example of a weekly promotion with the Superbest chain.

In Appendix A please find overall costs for participating in chain promotions.

4.3.3 SuperGros logistic structure

SuperGros supplies its clients from 3 terminals in Vejle, Herning, and Ringsted. Ringsted is the main terminal and where the head office is based.

To make them as efficient and proactive as possible, all the terminals are highly specialized (e.g. deep-frozen goods and refrigerated goods). The high degree of specialization secures lower costs and provides its clients with lower prices.



In connection with receiving an order the supplier will also know what time of the day the products must be delivered.

SuperGros works towards 100% supply guarantee however can accept deviations as long as these are reported in time. Ahead of starting up a new business a master agreement is made between SuperGros and the supplier.

4.3.4 SuperGros, from introduction to launch

After doing the homework and research as recommended in the previous chapters, SuperGros can be approached. First contact is the category manager of the specific product group.



He She will ask the supplier to forward precise information of the aim of the meeting together with an email presentation that shortly describes the company and the products to be presented. Ahead of meeting SuperGros can receive pricing and conditions as well as a total plan of investments, awaited volume, investments above the line as well as SuperGros reward for carrying the products in the form of a percentage.

Both, buyers and category managers are very time conscious and will only allow a meeting of one hour timeslot if they are convinced that this might be worth the investment.

Providing well developed information, preferably by e-mail, will help them responding positively towards agreeing to a meeting. This pre-information should include company background as well as good well thought ideas that demonstrate knowledge of the Danish market.



At a meeting time should be focused on what it offers to Supergros and the chains it supplies in terms of profit and consumer acceptance (No social meetings).

It is a good idea to use the 1 hour so that all company and product and market information is done in 30 minutes and the rest of the time should be questions to the category manager.

If successful, the category manager will bring forward the products to the regular “family meetings” with the chains SuperGros supplies. From this meeting there will be a decision of listing yes/no and this will be reported back to the supplier by the Category Manager. Once the green flag is shown the supplier can visit each of the chains and negotiate the joint marketing programmes. SuperGros expects also participation in its own assortment lists as well as in its New Products folder, a total investment around 3-5.000 €.



Ahead of having agreed a meeting do plan with 3 months preparation before the meeting. Also do examine the profile of each of the chains so that there is an understanding of where which product fits.


The better understanding there is ahead of the meetings the better result can be achieved in the relatively short meetings of 1 hour.

4.4 Rema1000



Rema1000 centrally coordinates central functions and concepts for purchasing, communication, business development, marketing etc.

Rema1000 is owned by Norwegian Reitan group and has a goal of having 300 stores in Denmark (today it is nearing 200 stores). In Norway Reitan have over 400 Rema1000 stores and nearly 20% of the market.

Rema1000			
Store concepts	Description	Assortment	Pricing
	Discounter franchise concept.	Limited range of FMCG. But still more than a hard discounter.	Low prices

Rema1000	Number of stores	Market shares	
Total	170	4.3%	
Rema1000	170	4.3%	

Buying & Marketing procedure

The Central buying organisation looks after the assortment and arranges the marketing for all stores on an ongoing basis. Once a year the level for next year is decided.

4.4.1 Rema1000 pricing policy

Rema1000 has been extremely successful in the Danish market and its owners have financial funds to back-up the expansion. There is only one parameter when negotiating with the buyers and that is price.

Margin requirements within Rema1000 are overall 20-35%. However, there are differences per category and for different products.

Rema1000 also has a number of private labels among which “Landlord” is also used in Norway.

4.4.2 Rema1000 promotional requirements and demands

The key mechanics is the weekly leaflet with 1 week promotion with a low price. Rema1000 has been very active in communication “everyday low prices” rather than “buy more products get a discount” and has been well received by the Danish consumers. If products are shown in the weekly paper, good sales lifts are achieved between 400-800%.

You cannot buy into Rema1000’s weekly papers. The only parameter is to offer a low price.



In Appendix A please find overall costs for participating in 2010 chain promotions.

4.4.3 Rema1000 logistic structure

Logistics within Rema1000 is very well organized. Rema1000 has 1 main depot next to its headquarter in Jylland near Horsens.

In connection with receiving an order the supplier will also know what time of the day the products must be delivered.

Rema1000 works towards 100% supply service level however accepts deviations as long as these are reported in time.

4.4.4 Rema1000 from introduction to launch

After doing the homework and research as recommended in the previous chapters, Rema1000 can be approached. First contact is the Buying manager of the specific product group.



He She will ask the supplier to forward precise information of the aim of the meeting together with an email presentation that shortly describes the company and the products to be presented.

Buyers are very time conscious and will only allow a meeting of one hour timeslot if they are convinced that this might be worth the investment.

Providing well developed information, preferably by e-mail, will help them responding positively towards agreeing to a meeting. This pre-information should include company background as well as good well thought ideas that demonstrate knowledge of the Danish market as well as an understanding of Rema1000's present assortment.

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At a meeting time should be focused on the product itself and its price as well as other conditions i.e. minimum delivery and frequency of delivery (No social meetings).

It is a good idea to use the 1 hour so that all company and product and market information is done in 30 minutes and the rest of the time should be questions to the category manager.

If successful, Rema1000 will give fast feedback and give exact reply to its further needs in terms of price needed to obtain listing or other pack sizes and similar.

Ahead of having agreed a meeting plan with 2 months preparation.

Depending on the interest Rema1000 will be able to react fast and list the products within a few months. If the buyer is not 100% certain but still interested he/she might start with testing the products during a 1 week promotion, where sales potential can be evaluated.



4.5 Lidl



Lidl holds 1.4% of the Danish market share in 2010 with 66 stores. The product range is small and narrow but they follow a “value for money” strategy. In Denmark Lidl is aiming at elder couples with money and TV marketing is part of the communication. It is remarkable that Lidl in Denmark has had to launch a wider range of Danish origin products to become successful



4.5.1 Lidl pricing policy

Lidl pricing policy is utilizing its international economies of scale and its low cost operation to offer low prices to its customers. Margins differ strongly per product group and vary from 20 to 35 percent. Quotations to Lidl are always net and based on specifications as stated in tender documents.



4.5.2 Lidl promotional requirements and demands

Lidl advertises once a week in national newspapers using non food offers as triggers to generate traffic. TV is used as well. No involvement required for suppliers.



4.5.3 Lidl logistic structure

Lidl operates 1 depot in Denmark.

4.5.4 Lidl, from introduction to launch

Lidl is more approachable now than when they initially started their operation in Denmark. Potential suppliers from other markets than Denmark can start to contact their local Lidl organization (Lidl Ireland) and discuss export potential.

4.6 Aldi



Aldi holds 3.3% of the Danish market share in 2010 with 239 stores and positions itself as a hard discounter. The product range is small and limited but they have a lot of weekly Non-food offerings used to attract consumers.

Aldi is difficult to approach and is mostly using telefax as the contact to suppliers. Aldi is not using email.

Each year when renegotiating a new contract a fax is sent out to various suppliers being able to supply the same product. A deadline is given and an internal tender is held that then decides 'which products is cheapest, everything else equal.

4.6.1 Aldi pricing policy

Aldi pricing policy is to be the lowest in the market for matching products: they do often set their prices lower than the market as they work with lower than average margins. It is estimated that their margins vary from 15 to 35 percent.



4.6.2 Aldi promotional requirements and demands

Aldi advertises once a week in their own weekly sent-out leaflet using in/out Non-food products as triggers to generate traffic. No involvement required for suppliers.



4.6.3 Aldi logistic structure

Aldi operates 2 depots in Denmark. One east and one west of Denmark.

4.6.4 Aldi from introduction to launch

Aldi is a closed organization and is difficult to approach. It takes many calls just to maybe get in contact with the buyers. Mostly they ask a supplier to send a telefax with a message on what the supplier can offer. If Aldi then finds it interesting they will come back, otherwise the supplier hears nothing. If there is an interest, the supplier is asked to forward samples, not a meeting yet.



It is often seen that Aldi wants to test the potential of a new products by first starting with an in/out promotions (1 week duration) and then on basis of this list the products into the everyday assortment.

5 Additional sources of information and references

5.1 Research

The Nielsen Company
Strandvejen 70
2900 Hellerup
Phone: +45 7788 2300
<http://dk.nielsen.com>



TNS Gallup A/S
Masnedøgade 22-26
2100 København Ø
Phone: +45 3927 2727
www.gallup.dk



5.2 Taxes and duties

Skatte Center København
Sluseholmen 8 B
2450 København SV
Phone: +45 7222 1818
www.skat.dk



5.3 Packaging and labelling

Varefakta
Byleddet 7
4000 Roskilde
Phone: +45 4630 4500
www.varefakta.dk



5.4 Logistics

Frode Laursen
Vittenvej 90
8382 Hinnerup
Phone: +45 8764 6464
www.frode-laursen.dk



5.5 Electronic Data Exchange

GS1 Ireland
The Nutley Building
Merrion Road
4 Dublin
Phone: + 353 1 208 0660
<http://www.gs1ie.org>



For Denmark please contact;

GS1 Danmark
Hammershusgade 17
2100 Copenhagen
Phone: + 45 3927 8527
<http://www.gs1.dk>



5.6 Retailers

Aldi K/S
Rørgangen 1
2690 Karlslunde
Phone: +45 4614 2000
www.aldi.dk



AMS Sourcing
WTC Schiphol airport D-5
Schipholboulevard 245
1118 BH Schiphol Airport
Phone: +31 20 406 70 58
www.ams-sourcing.com



Coop Danmark A/S

Roskildevej 65
2620 Albertslund
Phone. +45 4386 4386

www.coop.dk

**Dansk Supermarked**

Bjødstrupvej 18
8270 Højbjerg
Phone; +45 8930 3030

www.dsg.dk

**EMD European Marketing Distribution**

Churerstrasse 166
CH 8808 Pfaffikon
Switzerland
Phone: +41 55 415 3939

www.emd-ag.com

**LIDL Danmark K/S**

Profilvej 9
DK - 6000 Kolding
Phone: +45 7635 0000

www.lidl.dk

**SuperGros A/S**

Knud Højgaards Vej 19
7100 Vejle
Phone: +45 7010 0203

www.supergros.dk



United Nordic

Hemvärnsgatan 9

171 78 Solna

Phone: +46 8 553 99 657

www.unitednordic.com

(Coordinated Nordic buying for Supergros Denmark)



5.7 Food law/rules/marketing/Return

Ministeriet for Fødevarer, Landbrug og Fiskeri

Mørkhøj Bygade 19

2860 Søborg

Phone: +45 33 95 60 00

www.fvst.dk



Dansk retursystem A/S

Baldersbuen 1

2640 Hedehusene

Phone: +45 4332 3232

www.dansk-retursystem.dk



5.8 Statistics

Danmarks Statistik

Sejrøgade 11

2100 København Ø

Phone: +45 39 17 39 17

www.dst.dk



5.8 Organic

Ministeriet for Fødevarer, Landbrug og Fiskeri

Mørkhøj Bygade 19

2860 Søborg

Phone: +45 33 95 60 00

www.fvst.dk



Appendix A - Retailer promotional costs 2010

Costs of Chain promotion activities - Denmark 2010			
Chain	1 week Promotion*	No. of activities	
	excl. Discount**	An example	Yours
Coop			
Kvickly	150.000	3	
SuperBrugsen	200.000	2	
DagliBrugsen	75.000	1	
Irma	40.000	4	
Fakta	No fixed payment	2	
Total Coop			
Dansk Supermarked			
Bilka	50.000	4	
Føtex	85.000	3	
Netto	No fixed payment	2	
Total Dansk			
Supergros			
Superbest	250.000	2	
Kiwi	25.000	3	
Spar	50.000	2	
Others	7.500	2	
Lidl	No fixed payment	2	
Aldi	No fixed payment	2	
Rema	No fixed payment	4	
*The activities last for one week.			
**Example of a discount during an activity: Normal RSP DKR 19.95. Discount to the Consumer DKR 5.00. The supplier pays DKR 2.50 towards the rebate.			

All prices above are negotiable, not officially but in practice.

The Fixed price above is the price for each individual promotion

Appendix B - Nielsen Market Trends and Shopper Trends

Prices 2010 - Market Trends and Shopper Trends

Below you can find prices of both Market Trends and Shopper Trends. If you buy more than one report - for example all four Nordic reports or one Market Trends and one Shopper Trends - we offer a discount. Please see the discounts below.

Market Trends will be delivered in pdf format. A printed report can be ordered in addition for extra 3.200 DKK.

Shopper Trends will be delivered in a Power Point file and includes a personal presentation. A printed version of the report can be ordered in addition for extra 3.200 DKK.

All prices are in DKK exclusive VAT.

Priser på rapporter

Market Trends Denmark	25.900 DKK
Market Trends Norway	25.450 DKK
Market Trends Finland	36.250 DKK
Market Trends Sweden	28.050 DKK
Shopper Trends Denmark	34.500 DKK
Shopper Trends Norway - Total market	42.800 DKK
- Shopper Trends Norway - The Grocery Trade	33.050 DKK
- Shopper Trends Norway - The Service Trade	17.850 DKK
Shopper Trends Finland	27.200 DKK
Shopper Trends Sweden	25.550 DKK

Discounts

1 report	0%
2 reports	10%
3 reports	15%
4 reports	20%
5 reports or more	25%

For more information, please contact your Nielsen consultant or Susanne Rosborg/Marie Louise Schwartz on +45 77 88 22 00, or you can visit us on www.dk.nielsen.com

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Appendix C – Major retailers central terminals

Major Retailers Logistic centres in Denmark		
Coop Denmark	2 central warehouses 5 terminals	Albertslund(Near København) Hasselager(Århus)
Dansk Supermarked Netto	1 main terminal frozen/Chilled 1 grocery terminal 1 central depot east 1 Main terminal east 1 depot west	Vejle(Mid-Jylland) Holme(Århus) Ishøj(near København) Køge(Mid-Sjælland) Nørre Snede(North-Jylland)
Supergros	1 Main Warehouse 2 depots	Rinsted(Sjælland) Herning, Vejle(Both Mid-Jylland)
Rema1000	1 main terminal	Horsens(near Århus)
Lidl	1 main terminal	Kolding(Mid-Jylland)
Aldi	2 main terminal	West Denmark: Kolding(Mid-Jylland) East Denmark:Karlsunde(Near Copenhagen)



Appendix D – Other information

Lead Times

	Working Days
Coop	5
Dansk Supermarked	5
Supergros	5
Others	5

This can be negotiated and depends on category.

EDI

All retailers use EDI and it is expected to be a demand in the future.

Minimum drop loads

One 1/1-pallet (Other to be negotiated)

Pallet requirements

Only approved 1/1 EUR-pallets (1200 x 800 mm)

Maximum height with goods (inclusive pallet): 125 cm
Important that product fit within the pallet.

½ -pallet: 800 x 600 mm

Shall always be loaded on an approved 1/1 EUR pallet.

Pallet labelling as per EAN standards.

The labelling shall be positioned alongside the barcode on two of the pallets short or long sides. Dansk Supermarked Including Netto demands a pallet label on top of the pallet as their warehouses are highly automated and reads the pallet labels from the top.

Currency

The trading currency is local currency (DKR) or EUR.
This can be negotiated.

Appendix E - Used abbreviations

MOMS	Danish word for VAT, (see also VAT)
BRC	British Retail Consortium, trade organization for the UK retail industry
CHEP	Commonwealth Handling Equipment Pool
DADAS	Dansk Data Alignment Service for GTIN
DKR	Danish Kroner (Currency)
EAN	European Article Numbering (see also GTIN)
EANCOM	EAN Communication
EDI	Electronic Data Interchange
EU	European Union
GDSN	Global Data Synchronization Network
GFSI	Global Food Safety Initiative
GLN	Global Location Number
GTIN	Global Trade Identification Number, formerly known as EAN, (see also EAN)

GS1	Most used Global Standard for supply chain."1" stands for the consolidation of the US UCC system and the European EAN system since 2005
KPI	Key Performance Indicators
MSP	Manufacturers Selling Price
RSP	Retailers Selling Price
SKU	Store Keeping Unit
VAT	Value Added Tax