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DEREGULATION SECURES THE COMPETITIVE ABILITY OF DOMESTIC TRADE

RISTO PYYKÖNEN, *the Chairperson of the Finnish Grocery Trade Association*



The duty of trade is to create a wide variety of goods and to offer new products that the consumers want as well as maintain an efficient service network in this sparsely populated country. In addition to these functions, trade must ensure market efficiency and the growth of productivity by utilising free competition and various procurement channels, not forgetting responsible operations.

The regulation of trade in Finland is among the strictest in the OECD countries. Limiting the innovative operations and the development of the domestic market reduces the wellbeing of the consumer and has a negative effect on the productivity and competitive ability of the Finnish economy. Deregulation would create the prerequisite for the growth of the competitive ability and trade's ability to serve the private consumption efficiently.

The Finnish Grocery Trade Association proposes that the new Finnish government formed in 2011 would allow the sales of non-prescription medicine in grocery stores just like in the other Nordic countries – safely and with a limited selection. This would increase competition, lower prices, and cut down consumer expenditure on medicine. This would benefit elderly people, families with children, and people living in remote areas the most.

The regulation of store construction hinders domestic competition, prevents foreign competition in the market, and slows down store construction. Thus, the FGTA wants the new Finnish government to increase the definition of a large-scale retail unit from the current 2,000 square metres to 3,500 square metres in the following term of office.

THE FGTA IS COMMITTED TO RESPONSIBLE OPERATIONS

The FGTA has numerous active responsibility plans also in 2010 – with the member company experts in a key role.

Customers appreciate the store's recycling services and the effortless use of the recycling point on the shopping trip. At the moment, there are approximately 900 recycling points in stores. The trade sector, producer communities, and the Finnish Solid Waste Association are now creating common courses of action for these recycling points.

Monitoring the sales of age-restricted products is an important part of responsible operations. The goal of having 40,000 store employees with the age limit passport was reached in February 2010.

The FGTA also concentrates on quality strategy work. The most important competitive advantage of domestic groceries is consumer trust. For this reason, the FGTA has been involved in national quality strategy work regarding groceries since 1997. The grocery trade sector would like to ensure consumer trust in domestic groceries also in the future – using a primary production-specific quality system based on external auditing, such as the GlobalGAP quality standard.



GROCERY TRADE MARKET IN FINLAND

The Finnish grocery trade market is usually evaluated based on the retail sales of groceries. However, market sales are just a part of a wide field characterised by constant change and internal competition.

GROCERY TRADE AS PART OF SOCIETY

Finland has a versatile store network. Migration together with changes in the age structure and consumption habits present great challenges to the Finnish grocery trade. Retail chains meet these challenges by developing their services in big cities, smaller population hubs, and sparsely populated areas.

VERSATILE EMPLOYMENT OPPORTUNITIES

In Finland, the most common educational backgrounds in the trade sector are the business college degree (merkonomi), the polytechnic business degree (tradenomi), and the master's degree in business economics. As store selections grow and customer demands increase, a broader, more comprehensive skill set will also be required.

In 2009, the trade sector employed approximately 257,000 people. The retail trade employed 143,000, wholesales 80,000, and car sales 34,000. The trade sector has been a steady employer even during the recession.

THE CONSUMER GETS BETTER SERVICE THAN EVER BEFORE

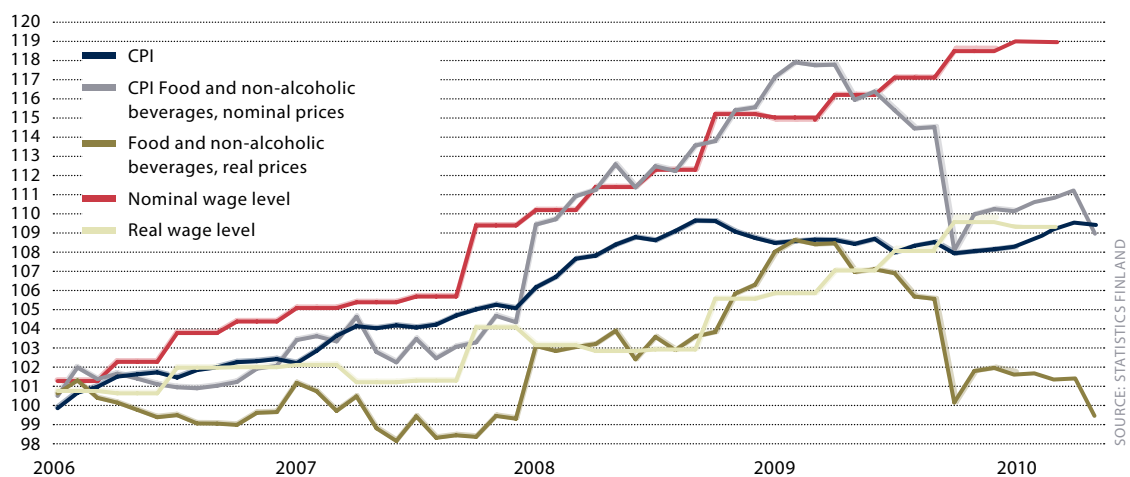
Since December 2009, retail stores have had the possibility of keeping their doors open on Sundays all year round. Since the beginning of December, grocery stores not exceeding 400 square metres have been allowed to stay open all year round except on public holidays. According to the estimate by the Federation of Finnish Commerce, the deregulation of Sunday trade will create approximately 2,000 person-years more for the trade sector. The expansion of the Sunday opening hours has also already boosted the sales of consumer goods.

THE FEDERATION OF FINNISH COMMERCE LAUNCHED A YOUTH PROGRAMME

The Federation of Finnish Commerce has created a youth programme for the trade sector. It helps the sector to educate young people and integrate them into working life, and prevent their social exclusion. This youth programme will be one of the objectives of the Federation of Finnish Commerce regarding the 2011–2015 government programme. The key question of the programme is how to secure young people's employment using the wage subsidy scheme. In this program, the Federation of Finnish Commerce will also propose a start-up program designed for the trade sector, in which young people will learn various basic tasks of the trade while working in a company.

FOOD PRICE TREND IN COMPARISON TO INFLATION AND INCOME LEVEL CHANGES IN 2006–2010

Consumer price index and wage-level index in 2005 = 100



The real price level of food has remained at the same level as it was when Finland joined the EU, even though, at the same time, the selections have tripled and the quality grade of the products has clearly increased.

KEY INDICATORS FOR 2009



Most important criteria for selecting the main grocery store in % (2-3 most important factors)

	2009	2008	2007	2006
Proximity	56	57	56	59
Selection	35	41	40	41
Key customer benefits	35	40	40	37
Price/quality ratio	37	39	35	36
Price level	27	33	31	29
Ease/speed of shopping	32	29	30	26
Freshness of products	17	15	15	15
Opening hours	13	13	12	11
Parking facilities	10	11	10	10
Service-minded staff	11	9	9	10
Service counters	8	7	6	8

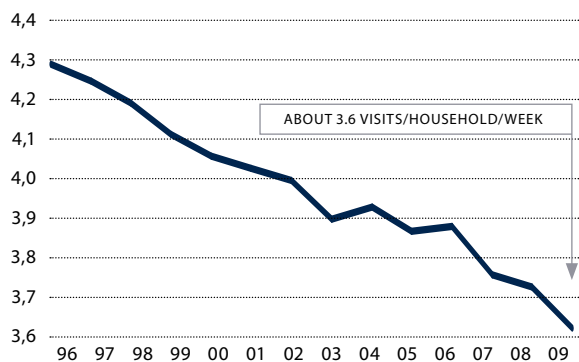
SOURCE: A.C. NIELSEN FINLAND OY CONSUMER PANEL

Grocery retail sales 2009 €14,529 million

Sales value growth	3,1 %
Sales volume growth	-0,5 %
Sales/inhabitant	€2,700
Retail sales of groceries €/household (number of households in 2009)	€5,850
Number of stores (markets)	3,351
plus speciality product grocery stores	541
Total sales area of grocery trade	2,0 mill. m ²
Average sales/m ²	€6,900/m ²
Inhabitants/grocery store	1,360

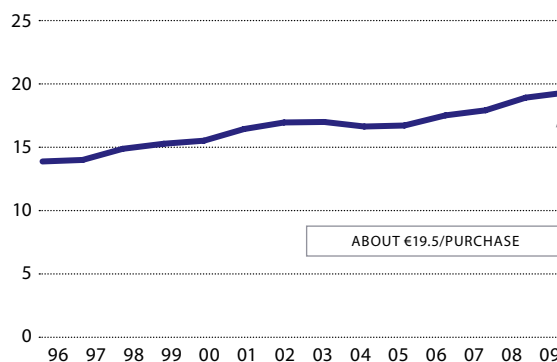
SOURCE: A.C. NIELSEN FINLAND OY, STATISTICS FINLAND

Grocery store visits/household/week 1996-2009

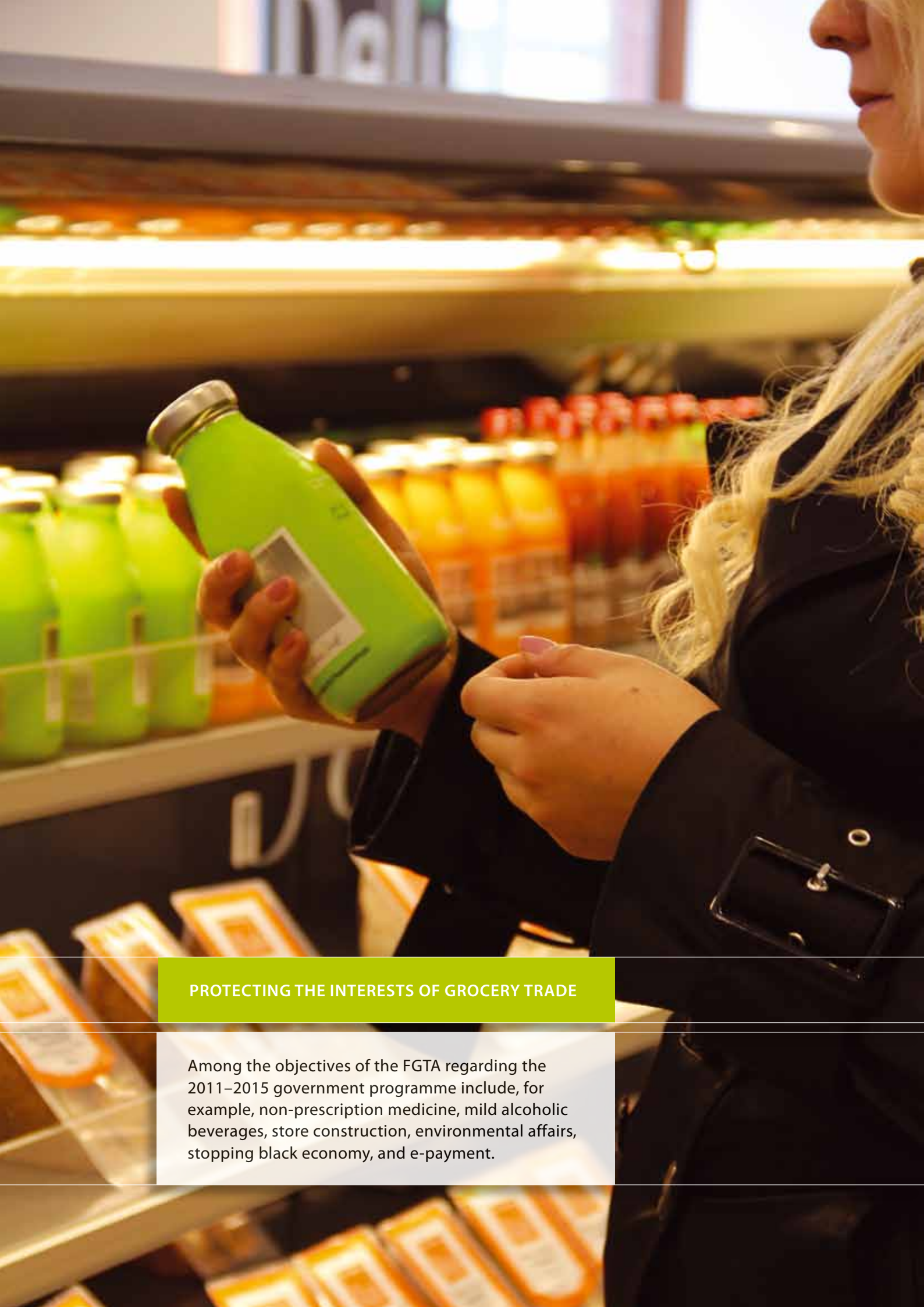


SOURCE: A.C. NIELSEN FINLAND OY CONSUMER PANEL

Average purchase (euros/purchase) 1996-2009



SOURCE: A.C. NIELSEN FINLAND OY CONSUMER PANEL

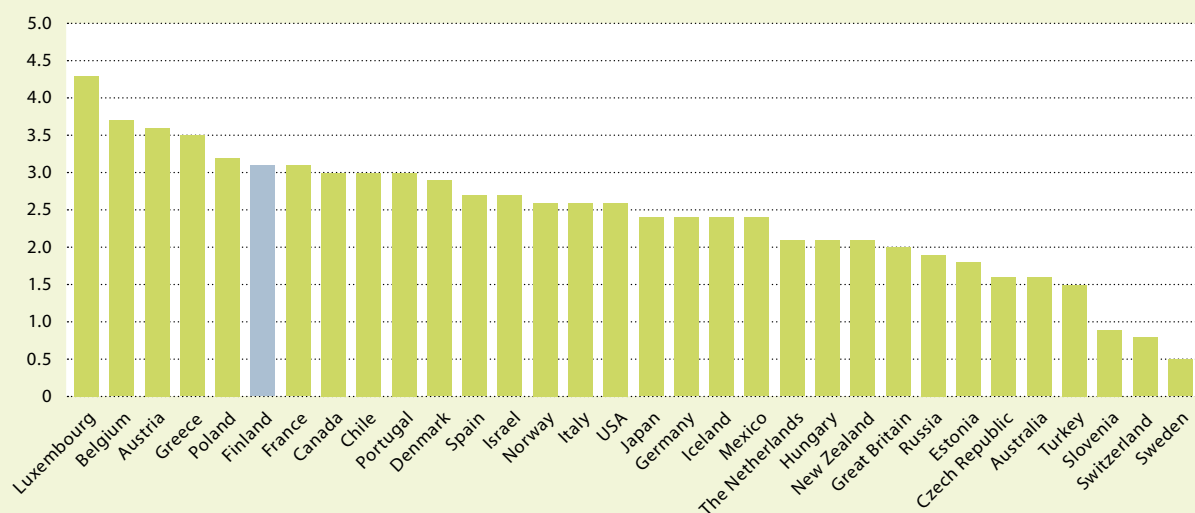


PROTECTING THE INTERESTS OF GROCERY TRADE

Among the objectives of the FGTA regarding the 2011–2015 government programme include, for example, non-prescription medicine, mild alcoholic beverages, store construction, environmental affairs, stopping black economy, and e-payment.

FGTA'S OBJECTIVES REGARDING THE GOVERNMENT PROGRAMME 2011–2015

IN 2008, FINNISH TRADE REGULATIONS WERE THE SIXTH STRICTEST IN THE OECD COUNTRIES.



SOURCE: "INDICATORS OF REGULATORY CONDITIONS IN THE RETAIL DISTRIBUTION SECTOR", OECD

Finnish trade regulations are among the strictest in the OECD countries. This slows down the growth of economic productivity. However, private consumption's share (43%) of the Finnish economy is among the smallest in the OECD countries. During the next term of office, the FGTA will focus on deregulating trade, improving productivity, and increasing private consumption.

Deregulation of trade

NON-PRESCRIPTION MEDICINE

- Allowing the sales of non-prescription medicine in grocery stores, just like in the other Nordic countries – safely and with a limited selection.

ALCOHOLIC BEVERAGES

Alcohol monopoly distorts competition, weakens the grocery retailing structure, and endangers future corner shop services.

- Allowing the licensed sales of mild (less than 22% by volume) alcoholic beverages in grocery stores
- Allowing alcohol wholesales to companies, so that they can serve it to their clients

STORE CONSTRUCTION AND LOCATION

- Increasing the large-scale retail unit definition in the Land Use and Building Act from the current 2,000 square metres to at least 3,500 square metres
- Launching a collaboration project between various administrative branches and ministries to improve the operating conditions of the trade sector in city centres
- Ensuring the survival of grocery trade services in declining population centres and village grocery stores by collaborating on the placement of public and grocery trade services
- Continuing and expanding the efficient investment aid for village grocery stores and drafting to make it permanent



Increasing private consumption and purchasing power

TAXATION

- Increasing the consumer's purchasing power by lowering the income tax rate
- Lowering the VAT rate of groceries to 7 percent, which is the EU average, so that the consumer would gain the total EU food price benefit
- Preventing the introduction of new excise duties and the increase of the existing ones

IMPORT TRADE

- Removing import quotas on consumer goods and eliminating import levies on products from outside the EU.

Other goals

TRADE ADMINISTRATION

Trade administration has been distributed among various ministries, but none of them is responsible for the productivity of the domestic market.

- Establishing collaboration between the administrative branches of various ministries to coordinate domestic market trade and appointing a ministry in charge of improving the productivity and operating conditions of trade

TRADE POLICY

In the Finnish economy, exports create economic conditions to meet the consumer needs, which are satisfied with the offering of the domestic and foreign markets. The efficient realisation of imports is important for the welfare of the consumers and the Finnish economy.

- Working in the intra-community trade in the EU to increase the efficiency of the standardisation that removes obstacles to competition in the trade sector
- Improving production conditions and product safety in developing countries by developing contracting and monitoring related to international standardisation

BLACK ECONOMY

- Making it easier for the authorities to stop the black economy and creating means to improve product safety and secure the operating conditions and competitive position of responsible companies

FOOD POLICY

- Introducing a primary production-specific quality system based on external auditing, such as GlobalGAP and ensuring consumer trust in domestic grocery production
- Developing self-monitoring procedures for food and the risk-based adjustment of food control

ENVIRONMENT

- Promoting the development of global and EU-specific standards and notations for environmental effects and the use of the EU Ecolabel scheme with other consumer goods
- Enhancing the recycling of packaging waste using the efficient systems and recycling points created in collaboration with the packaging chain and municipalities

STORE SAFETY

- Expanding the restraining order also to companies, so that the stores can even more efficiently prevent crime against their customers, staff, and property
- Restoring the conversion imprisonment in shoplifting cases

PAYMENT

- Speeding up the utilisation of the new e-payment applications, such as contactless payment
- Ensuring that payment costs are visible to the consumer and that the competition between different banks works

SMALL AND MEDIUM-SIZED SUPPLIERS OF THE TRADE SECTOR

- Increasing the competitive ability of small and medium-sized companies in the food industry by securing resources for training the companies' key personnel and improving nationwide collaboration

CHEAP AND SAFE MEDICINE FROM NEXT DOOR

OSMO LAINE *the Managing Director of the Finnish Grocery Trade*



The Finnish Grocery Trade Association sees that the pharmacy monopoly is outdated. Therefore the sales of non-prescription medicine should be allowed in grocery stores.

The deregulation of non-prescription medicine in grocery trade must be included in the next government programme 2011–2015. The duty of trade is to provide ideal selections for customers all over Finland, to compete with each other, and use competitive tendering to select the supplier. The actions of trade play an important role in the welfare of the consumers.

ON BEHALF OF THE CONSUMER

Deregulating the sales of non-prescription medicine would save consumers' time. This way, the most frequently used and safe non-prescription medicine could be purchased in connection with food shopping. This would also make the everyday life of families with children significantly easier. Another benefit for the consumers would be the price reductions due to increased competition. Consumer prices would go down and the real purchasing power would increase.

However, the deregulation of non-prescription medicine would especially benefit the elderly people – because they spend more money on medicine than others – and people living in remote areas, because they could buy non-prescription medicine from corner shops in population centres or village grocery stores in sparsely populated areas.

RESPONSIBLE FREEDOM OF TRADE

Retail trade wants to expand their services to cover non-prescription medicine. Sweden, Norway, and Denmark have considered it safe to allow the sales of non-prescription medicine in retail stores. So, why not do the same in Finland?

SAFELY – A WORKING SELF-MONITORING SYSTEM FOR GROCERY TRADE

Grocery trade is preparing for the responsible sales of non-prescription medicine with the help of a self-monitoring system and the age limit passport training introduced in 2009.

NO SIGNIFICANT EFFECT ON THE TURNOVER

Deregulating the sales of self-care medicine would not have a significant effect on the grocery trade turnover except in small corner shops. What the trade sector really wants from deregulation is to improve the availability and to secure the competitive position of small stores.

“Making medicine distribution more efficient is important for improving the service aspect of domestic trade.”

SMALL AND MEDIUM-SIZED COMPANIES FROM FOOD INDUSTRY AS GROCERY TRADE PARTNERS

ILKKA ALAROTU *Director, Assortments and Pricing, SOK Corporation*



Stores are highly capable of working with suppliers of all sizes both locally and nationally. It is important for good collaboration that both parties know the best operations models that advance business operations. By collaborating we ensure that a good product that stands out from the competitors will find its place in the consumers' shopping basket and on their dinner table.

The majority of Finnish grocery trade companies are very small. Approximately 75 per cent of the places of business in the food industry employ less than ten people. The places of business are distributed all over Finland, so regional and local offerings are available in nearly all product groups.

In June 2009, the FGTA made a proposal to the Finnish Food and Drink Industries' Federation, the aim of which was to help small and medium-sized suppliers get their products in store selections. In December 2009, the FGTA and the ETL set up a working group in which they also invited representatives from the Central Union of Agricultural Producers and Forest Owners, Food Finland theme group, and ECR Finland.

In the spring of 2010, the working group decided to prepare regional seminars for small and medium-sized companies in the food industry. At these seminars, companies can network with the key persons of the trade sector. A new tool, product card, will be introduced at the same time. It can be utilized when establishing new business relations. With the help of the product card, suppliers can carefully plan everything related to the product and its logistics before offering it to the store. The card improves the communications between the supplier and the store. The product card will be designed by ECR Finland together with trade sector experts.

The collaboration between small and medium-sized companies in the food industry is natural for the trade sector. At the same time, the trade sector and small and medium-sized companies do their part in the implementation of the national quality strategy for the food industry. With the help of small and medium-sized companies, we can preserve the versatility of Finnish food production, and the Finnish consumer can enjoy local specialities and the richness of our cuisine.

"The versatility of Finnish food production and the rich food culture created by local products will be preserved with the help of small and medium-sized suppliers."

STORE-BASED RECYCLING POINT NETWORK IS IMPROVED EVEN FURTHER

TIMO JÄSKE *Environmental Manager, Kesko Food*



Customers appreciate the store's high-quality recycling services and the possibility to use the recycling point effortlessly on their shopping trip. Having the recycling point at the store is a good, cost-efficient, and environmentally friendly solution. At the moment, there are about 900 recycling points at stores.

These recycling points are meant for reusable waste produced by households. Customers can use them to return e.g. recyclable paper, cardboard, glass, small metal, and waste from electric and electronic equipment – depending on the reception point. The collected waste will be transported from each recycling point for utilization as material or energy.

COMMON COURSES OF ACTION FOR RECYCLING POINTS

The trade sector, producer communities, and the Finnish Solid Waste Association are collaborating to develop store-based recycling points. They play a significant role in organising the collection of reusable waste and form a part of the collection point network of waste treatment centres.

The goal is to create guidelines for the recycling points in 2010. With their help, it is possible to achieve a national recycling point network and offer homogenous service to consumers all over Finland. The guidelines also contain a model contract, which can be used as a starting point for negotiations regarding a new recycling point.

THE GOAL IS TO INCREASE THE UTILISATION RATE

An important goal is to make the store-based recycling points easy to approach and understand, so that their utilisation rate can be increased even further among the consumers. For this reason, the consumer communications regarding the store-based recycling points will be developed in 2010 – by creating a uniform look for the points and improving their signs.

Having the recycling point at the store is a cost-efficient and environmentally friendly solution. Experiences point out that this provides ideal volume accumulations, which is important for cost- and environmentally efficient logistics.

“Having the recycling point at the store is a cost-efficient and environmentally friendly solution. Experiences point out that this provides ideal volume accumulations.”

GlobalGAP AS PART OF HIGH-QUALITY NATIONAL FOOD PRODUCTION

PEKKA ANTTILA *Product Quality Manager, Inex Partners Oy*



The FGTA has proposed that the active players of the food supply chain should start discussions on introducing the international GlobalGAP quality management system in Finland. GlobalGAP is a standard for the primary production of food. It is used in more than 100 countries and on more than 99,000 farms.

This standard sets the primary production criteria for food safety, environmental issues, wellbeing at work, as well as animal welfare. In Europe, several retail chains only do business with producers that comply with this standard. Most of the fruits and vegetables imported in Finland are produced in compliance with this standard. The main benefit of the utilisation of GlobalGAP in Finland is that the consumer would be assured of a certain basic level of quality regarding both domestic and imported products.

Domestic food production has a strong image of quality. In the long run, this positive image is on shaky ground unless the consumer can be clearly explained the uniform food quality criteria controlled by an independent party.

MORE THAN THE EU LEGISLATION REQUIRES

Consumers were once again concerned about animal welfare when purchasing Christmas hams in 2009. Both the legislation and food control got chewed up by the media. If we still want the consumer to favour Finnish products in the future, those in the food supply chain must be willing to do more for the quality than the EU legislation requires and to monitor that the agreed level is maintained.

The goal of the national quality strategy for food economy is a verifiable, watertight, and traceable quality chain – from the field to the table. GlobalGAP would be an excellent tool for this. It could be utilised either by fully adopting its criteria or by creating new criteria for Finnish conditions and sending them for acceptance by the international secretariat of GlobalGAP.

THE WHOLE FOOD SUPPLY CHAIN MUST WORK TOGETHER

The utilisation of GlobalGAP in Finland requires the participation of various parties in the food supply chain. At least the primary producers, food industry, trade sector, and advisor organisations are needed in this collaboration project.

Domestic food quality is highly appreciated by the consumer. However, good quality requires uniform tools and systematic work in order for it to be reliably realized throughout the wide field of primary production. Otherwise, exceptions might become rules in the eyes of the consumer, and the weakest performance might define the public image of the whole sector.

“The goal is to have a verifiable, watertight, and traceable quality chain – from the field to the table.”

SELF-MONITORING AS PART OF RESPONSIBLE OPERATIONS OF THE STORE

MARKUS LUHTALA *Quality Manager, Stockmann Group*



The self-monitoring of food means ensuring food safety in the whole supply chain, providing the consumer with the correct information, and assuring the quality. The collaboration for the development of the self-monitoring system is part of the responsible operations of trade. It serves the consumers, the store personnel, and the whole surrounding community.

The FGTA members use common self-monitoring guidelines that collect together the best self-monitoring practices. They were created in a working group that contained representatives from member companies, the Finnish Food Safety Authority, and municipal food control. The guidelines will be updated regularly by the FGTA together with the member company representatives and authorities.

Furthermore, the member companies have created a common self-monitoring data bank for information gathering and ensuring that self-monitoring actually happens. In the autumn of 2009, grocery trade groups made significant progress in the utilisation of the data bank. At the moment, 25 per cent of the stores use the data bank for monitoring the temperature.

Since 2009, municipal supervisory authorities have had access rights to the data bank, which means that they can read the self-monitoring data created by the stores in their area and utilise various reports in their work. Authorities have been happy about this opportunity, and local administration has also shown interest in acquiring the access rights.

Good collaboration with food control authorities that began during the self-monitoring projects has continued. It will create new innovations for self-monitoring follow-up and for finding common courses of action. The most effective way to make the data systems of stores, municipalities, and central authorities work together and produce reliable and up-to-date information for both food control authorities and stores is currently being outlined.

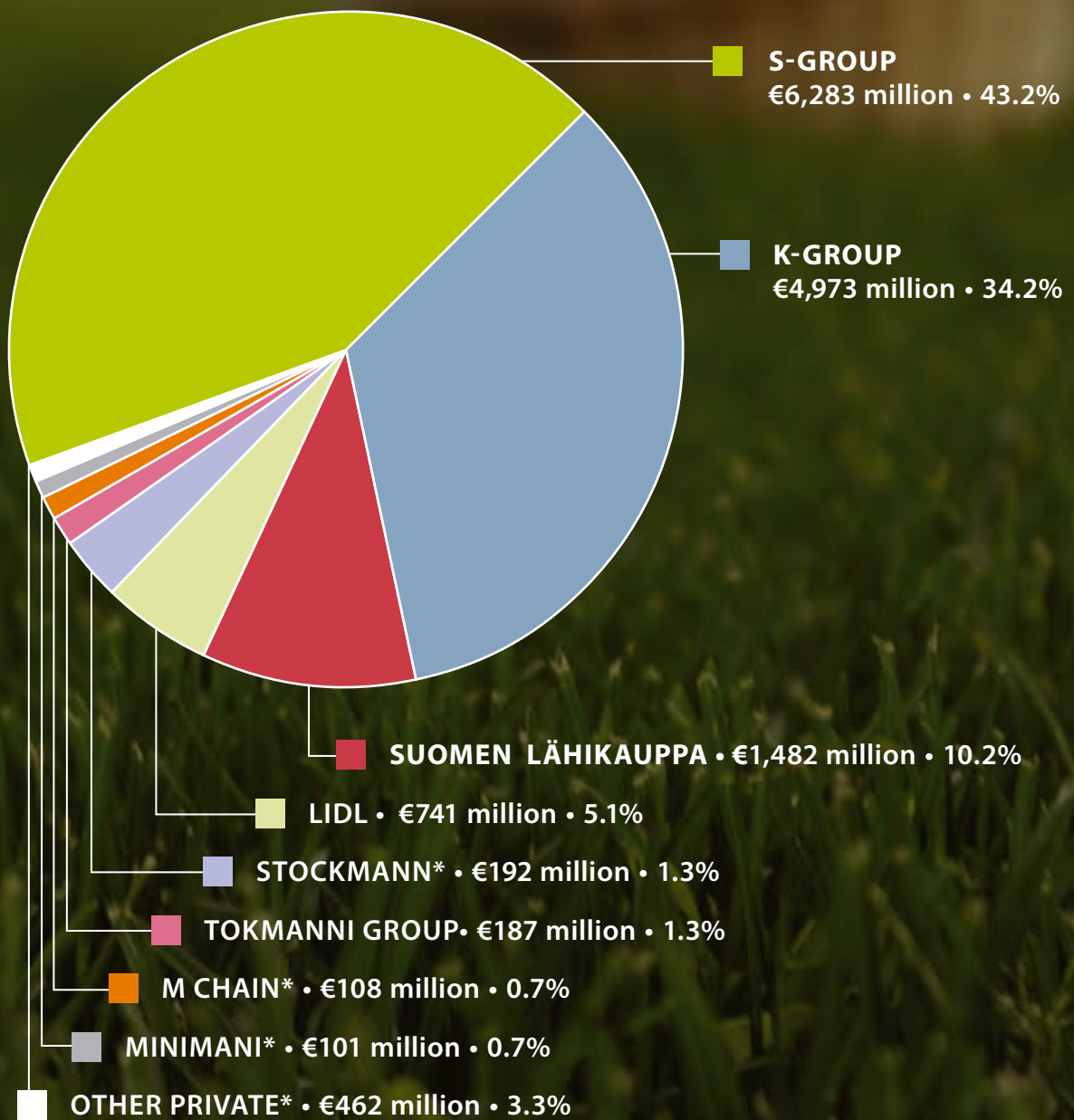
Consensus regarding deregulation that reduces unnecessary costs has grown during the dialogue between various authorities. In the future, spontaneous work for ensuring food safety together with the minor food safety risk of store operations will be better taken into account.

The self-monitoring working group operating under the product safety group that consists of the FGTA member company experts will be responsible for updating the self-monitoring guidelines. The product safety group can have an impact on the grocery and consumer good safety. It collaborates with various interest groups on these issues.

GROCERY TRADE GROUPS

MARKET SHARES OF THE FINNISH GROCERY TRADE GROUPS IN 2009

Total sales €14,529 million



SOURCE: AC NIELSEN FINLAND OY AND FGTA*

GROCERY TRADE GROUPS

**The FGTA comprises ten member companies and one member organization.
Member companies account for about 92 per cent of the Finnish grocery trade market.**



The Finnish grocery trade is characterised by the formation of chain retailers, as well as by the centralisation of procurements and logistics. The three largest chains account for 87.6 per cent of the retail grocery market. The situation is similar in the other Nordic countries; because without large volumes it is impossible to be as efficient as necessary in vast, sparsely populated countries. Without sufficient cost-efficiency, prices would escalate, selections would shrink, and customers would have poorer service and reduced accessibility.

Foreign competition and the expansion of the EU to the Baltic countries have connected the Finnish retail market to EU's internal markets. Thus in the future, the centralisation of Finnish grocery trade must be evaluated as part of the markets in the Baltic Sea region and Western Russia.

The S-Group consists of the co-operative enterprises and the SOK Corporation along with its subsidiaries. It provides supermarket, department store, speciality store, hotel and restaurant, agricultural trade, and car accessory trade services as well as convenience store and petrol sales services at petrol stations. Additionally, it provides supermarket and hotel and restaurant services in St. Petersburg and the Baltic region. S-Pankki Oy, which began its operations in 2008, expanded the group's offering to include banking services. At the end of 2009, the S-Group had 1,581 operating points, out of which ten were in the Baltic and seven in Russia.

A subsidiary of SOK Corporation, Inex Partners Oy, is a procurement and logistics company handling groceries and consumer goods. Meira Nova Oy provides grocery procurement and logistics services for HoReCa's operating locations. North European Oil Trade Oy is a liquid fuel procurement company jointly owned by the SOK Corporation and Greeni Oy.

Management

SOK Chairman and CEO **Kuisma Niemelä**

Chain management and procurement of the S-Group business

Chain Director, Chain Management and Procurement,

Commercial Counsellor **Risto Pyykönen**

Grocery trade **Jukka Ojapelto**

Consumer goods **Leena Laitinen**

Convenience store and petrol sales **Heikki Strandén**

Hotels and restaurants **Sari Palokangas**

Customer owner and marketing services **Risto Niemelä**

Procurement companies

Inex Partners Oy **Jorma Vehviläinen**

Meira Nova Oy **Jouni Nurmi**

Neot Oy **Henrikki Talvitie**

National chain brands

Prisma, S-market, Sale and Alepa, Kodin Terra, ABC, Sokos and Emotion, Sokos Hotels, Radisson Blu Hotels & Resorts, Holiday Club Spa Hotels, Rosso, Rosso Express, Fransmanni, Amarillo, Sevilla, Torero, Buffa, Memphis, Night, Public Corner, Coffee House and Presso, S-Rautamarket, Agrimarket, and Multasormi.

Breakdown of the S-Group consumer goods sales by chain in 2009 • €6,283 million



Kesko is a leading retail trade service provider and an esteemed exchange-listed company. Through its stores, Kesko brings quality to consumers' everyday lives. The Kesko chain comprises about 2,000 stores in the Nordic and Baltic countries as well as in Russia and Belarus.

Kesko manages the retail chains valued by the customers and efficiently produces all the purchasing, logistics, network development, and information management services for the chain. Kesko is actively involved in food, consumer goods, hardware, car, and machinery trade. Its divisions and chains collaborate closely with retail entrepreneurs and other partners. In 2009, Kesko's net sales were 8,447 million euros and its operating profit without one-off items was 155 million euros.

At the end of 2009, Kesko Group employed in total 22,200 people; 12,959 in Finland and 9,241 in other countries. K-Group, which consists of Kesko and the retail entrepreneurs of its chains, employed about 45,000 people.

Kesko Food

Kesko Food is an active player in the Finnish grocery trade. K Storekeepers are responsible for customer satisfaction at over 1,000 K food stores. Kesko Food manages the food sales at K-citymarket, K-supermarket, K-market, and K-extra chains. A subsidiary of Kesko Food, Kespro Oy, is the leading Hotel, restaurant, and catering trade (HoReCa) wholesaler in Finland. It provides its customers the best procurement solutions in the whole industry.

K food stores are daily visited by nearly 900,000 customers. Each customer encounter must be a success in order for the store to prosper. This is guaranteed by e.g. the broadest and most awe-inspiring selections, the best fruit, vegetable, meat, fish and bread departments, the best culinary expertise and versatile recipe selection, K-Plussa key customer program that rewards centralized shopping, special K-Plussa card offers, customer programmes as well as safe and permanently affordable Pirkka products. Pirkka products are the strength of K food stores. At the end of the year, there were 1,826 Pirkka products available.

Management

Kesko Food

President **Terho Kalliokoski**

Vice President, K-citymarket, food **Mika Rautiainen**

Vice President, K-supermarket **Jaana Hertsberg**

Vice President, K-market and K-extra **Ari Svensk**

Vice President, Commerce **Minna Kurunsaari**

Vice President, K-Plus Oy **Niina Ryynänen**

Vice President, Retail Services **Kari Heiskanen**

Vice President, Logistics and IT **Petteri Niemi**

Vice President, Finances **Jukka Erlund**

Breakdown of the K-Group grocery sales by chain in 2009 • €4,973 million



SOURCE: FGTA



The K Retailer Federation promotes cooperation among and looks after the interests of its members. Its main mission is to develop and enhance entrepreneurship among K retailers. K retailers (about 1,300 of them) are members of the K Retailer Federation through their sector-specific associations. Each chain has its own Board composed of K retailers. Through the Board, members can participate in the development of their chain.

www.k-kauppiasliitto.fi

K Retailer Federation

Board of Directors

Chairman **Esa Kiiskinen**

Vice Chairman **Tomi Korpisaari**

Chairman, K food store association **Toni Pokela**

Vice Chairman, K food store association **Timo Könttä**

Vice Chairman, K food store association **Olli Runokangas**

Managing Director, K Retailer Federation **Matti Mettälä**

Suomen Lähikauppa Oy



www.lahikauppa.fi

Suomen Lähikauppa Oy has three retail chains: Siwa, Valintatalo, and Euromarket. In total, there are 730 stores across Finland. Suomen Lähikauppa Oy purchases the imported and industrial food procurement and logistics services from Tuko Logistics Oy.

Executive Officers

President and CEO **Ralf Holmlund**

Senior Vice President, CFO **Petri Kansil**

Senior Vice President, HR **Anneli Lindeman**

Senior Vice President, Marketing **Kari Luoto**

Senior Vice President, Category Management, Logistics

Esko Sutelainen

Senior Vice President, Product Management Processes

Anu Ora

Vice President, Store Operations (Siwa and Valintatalo)

Jonas Stjernberg

Vice President, Store Operations (Euromarket) **Sami Määttä**

Vice President, Store Network **Seppo Hämäläinen**

Vice President, ICT **Janne Jakola**

Breakdown of the Suomen Lähikauppa grocery sales by chain in 2009 • €1,482 million



SOURCE: FGTA

Stockmann is a Finnish publicly traded company that operates in several retail sectors and is engaged in grocery retailing through its department stores in Finland, Russia, Estonia, and Latvia. The grocery department of Stockmann department stores is known as Stockmann Delicatessen. Stockmann's food purchasing channels include the company's own channel and Tuko Logistics Oy.

Stockmann group CEO **Hannu Penttilä**

Executive officers of the department store division

Executive Vice President with responsibility for the Department Store Division **Maisa Romanainen**

Marketing Director **Maaret Kuisma**

Director, Finnish and Baltic department stores **Juha Oksanen**

Director, Russian department stores **Tove Westermarck**

Director of Purchases, fashion **Tiina Railio**

Director of Purchases, food (Finland, the Baltic, Russia)

Pirjo Pyykkö-Tuominen

Director of Purchases, home, electronics, and books **Satu Nysten**

Director of Purchases, international operations **Kirsti Manninen**

Director of Logistics **Björn Höglund**

Director of Administration **Tuija Pesonen**

Director of Distance Retail **Raija-Leena Söderholm**

HR Director **Heini Pirttijärvi**

Executive assistant, Management Committee's secretary

Mari Lindström

Net sales of Stockmann Group's department store division in Finland in 2009 • €793 million



OTHER SALES • €601 million • 75.8%
GROCERY SALES • €192 million • 24.2%

SOURCE: FGTA

Rautakirja Oy



Rautakirja Oy practices grocery retailing through its R-Kiosk chain. R-Kiosks form a nationwide chain, which, offers its customers entertainment, excitement, and enjoyment as well as basic everyday consumer items and services – quickly and easily from morning until late evening.

There are approximately 700 R-Kiosks in Finland; more than 40 per cent of them operate under the franchising concept and less than 60 per cent are run by the company. Additionally, Rautakirja has a subsidiary in Estonia (170 R-Kiosks), Lithuania (320 kiosks), Russia (100 kiosks), and Romania (about 20 kiosks) as well as a joint venture in Latvia (250 kiosks).

In addition to the R-Kiosks, the major Finnish Rautakirja branches are Lehtipiste, Suomalainen Kirjakauppa, and Finnino.

Executive Officers

President and CEO **Timo Mänty**

Senior Vice President, Kiosks **Jari Heino**

Senior Vice President, Store Services **Raimo Kurri**

Senior Vice President, Bookstores **Jarmo Oksaharju**

Senior Vice President, Movies **Liisi Jauho**

Senior Vice President, Administration **Hellevi Kekäläinen**

Senior Vice President, Development **Jukka Nikkinen**

Net sales of R-kiosks in 2009 • €1,014 million



OTHER SALES • €735 million • 72.5%
GROCERY SALES • €279 million • 27.5%

SOURCE: FGTA

Wihuri Group



www.wihuri.fi | www.metrotukku.com

Wihuri Group is an internationally operating Finnish multi-branch company engaged in industry and trade. Its four divisions are Packaging, Wihuri Oy Aarnio, Technical Trade, and Specialty Products and Services. Out of these divisions, Wihuri Oy Aarnio provides comprehensive grocery supply and alcohol wholesales to HoReCa customers, large-scale kitchens, and distributors nationwide through the Metro chain.

Metro's mission is to be a nationwide chain that is locally available. This is made possible by the network of 32 Metro cash-and-carry outlets, which is the largest of its kind in Finland, as well the customer-oriented and nationwide sales organisation. Tuko Logistics Oy is Metro's procurement and logistics partner. Moreover, Wihuri Oy Aarnio manages and develops the Tarmo neighbourhood store concept, which is a chain run by retail entrepreneurs.

Executive Officers

Director of Division **Juha Mattila**
Director, Sales **Riku Nykänen**
Director, Commerce **Tiina Ahveninen**
Director of Finance **Juha Karttunen**
Chain Director **Ari Maijanen**
Development Manager
Mervi Herranen

Tokmanni Group



www.tokmanni-konserni.fi

The Tokmanni Group is Finland's largest discount store chain. At the end of 2009, it consisted of 139 stores under seven different brands: Tokmanni, Tarjoustalo, Robinhood, Vapaa Valinta, Maxi-Makasiini, Maxi-Kodintukku, and Säästöporssi. The store network encompasses all of Finland. In 2009, the chain's net sales were 601 million euros. At present, the company employs over 2,800 people.

The Group's mission is to sell a wide selection of high-quality products at inexpensive prices. Thanks to its competent, knowledgeable staff, a well-functioning purchasing organisation, and efficient logistics, the store chain is capable of providing both domestic and international quality brands to its customers.

Executive Officers

President and CEO **Heikki Väänänen**
Senior Vice President, Administration, Deputy CEO
Sixten Hjort
Senior Vice President, HR **Saara Korpelainen**
Senior Vice President, Commerce **Hannele Palmroth**
Senior Vice President, Chains **Pirjo Ruokonen**
Senior Vice President, Information Management
Pasi Karhapää
Marketing Manager **Timo Koskelin**
Logistics Manager **Sami Vilkki**

Minimani



www.minimani.fi

Minimani is a Finnish family-owned company engaged in grocery and consumer goods trade. The Minimani chain has 6 hypermarkets. Minimani is renowned for its affordable prices and versatile selections. Its competitive edge is based on cost-efficiency, multi-channelled procurement and logistics operations model, and innovative operations.

Executive Group

Managing Director **Kalle Lähdesmäki**
Branch Manager, Daily Consumer Goods Sales **Tapani Rintamäki**
Branch Manager Hardware/Living **Taina Kinnari**
Financial Director **Sinikka Ylilammi**
Information Director **Ari Jaatinen**
Development Director **Pekka Sadeharju**
Director, Minimani Chain **Markus Anttila**

M Itsenäiset Kauppiat



www.m-ketju.fi

Constituted in 2006, M Itsenäiset Kauppiat Oy is a nationwide chain owned by independent grocers. The M chain consists of 55 stores (May 7, 2010). Wihuri Oy Aarnio Metro is M chain's main operating partner in imported and industrial food, while most of its logistics services are provided by Tuko Logistics Oy.

Board of Directors

Chairman **Timo Pyrhönen**
Vice Chairman **Jan-Mikael Ekholm**
Markku Kontturi
Pia Moisala
Marketing Manager **Veli-Matti Sirkiä**



HORECA WHOLESALERS, PROCUREMENT AND LOGISTICS

In 2009, the total sales of the FGTA's member companies' HoReCa wholesales were 1,626.7 million euros. The 2.3% drop in the turnover when compared to the previous year resulted from the general recession that troubled the whole trade, reduced alcohol sales due to higher taxes as well as reduced tobacco sales in the restaurant business.

HORECA WHOLESALERS

HoReCa wholesalers constitute an important element of the comprehensive everyday services provided by the grocery and consumer goods trade. The sector is also responsible for supplying non-retail goods. Its diversified service concept helps the customers focus on their own operations.

HoReCa is an abbreviation of Hotels, Restaurants, and Catering. It is a growing segment of the modern food and beverage selection targeted at consumers. The 22,000 professional kitchens in Finland a.k.a. HoReCa operating locations provide their customers with approximately 800 million meals per year. The majority of the ingredients is purchased from HoReCa wholesale stores.

In 2009, the total sales (turnover) of the FGTA's member companies' HoReCa wholesalers were 1,626.7 million euros. There was a 2.3% decrease in turnover when compared to the previous year.

The largest customer groups were hotels, cafés, restaurants, and public administration offices. The largest commodity groups were fresh food products and industrial food.

Heinon Tukku Oy



www.heinontukku.fi

Heinon Tukku Oy's customers consist of restaurants, industrial kitchens, and distributors. Heinon Tukku provides companies with a full range of nationwide services through the delivery wholesale units in Greater Helsinki, Turku, Tampere, Oulu, and Kuopio as well as the cash-and-carry outlets in Helsinki and Vantaa. Their selections are designed for food and drink industry professionals. In addition to their own fish and meat products, their selections include other groceries, alcohol products, professional tableware as well as everything that dining halls and professional kitchens need in their daily operations.

Kespro Oy



www.kespro.com

Kespro Oy, a subsidiary of Kesko Food, is a wholesales provider and partner for its Finnish B-to-B clients. Kespro provides delivery and collection services for HoReCa customers and distributors – nationwide, on six sales areas and with 16 wholesale units. Kespro's product selection contains food, alcohol, tableware, table setting products, and cooking utensils. Kespro's own trademark, Menu, has been developed for HoReCa customers.

Meira Nova Oy



www.meiranova.fi

Meira Nova Oy, a subsidiary of SOK Corporation, specialises in procurement, customer service, and logistics in the field of HoReCa groceries and consumer goods. Meira Nova's customers include hotels, restaurants, staff cafeterias, and industrial kitchens in the public sector as well as convenience stores and restaurants at petrol stations. Meira Nova's logistics centre and central warehouse are located in Tuusula. Nationwide service and distribution is ensured with the help of three sales offices and 11 terminals. Meira Nova's selection includes e.g. fruits, vegetables, meat, meat products, dairy products, industrial food, frozen goods, tobacco products, alcohol, as well as non-food items and consumer goods.

Metro



www.metrotukku.com

Wihuri Oy Aarnio offers comprehensive grocery supply and alcohol wholesales all over Finland through Metro-tukku. Metro's mission is to be a nationwide chain that is locally available. Wihuri Oy Aarnio has a network of 31 cash-and-carry outlets as well as a customer-specific and nationwide sales organisation. Tuko Logistics Oy is Metro's procurement and logistics partner.

BLACK ECONOMY CASTS SHADOW ON HORECA WHOLESALERS

PETRI HEINO *Heinon Tukku Oy*



Responsible companies' possibilities to compete in the HoReCa wholesales sector are weakened by black market companies. At the same time, the product safety of food and consumer goods is endangered when there are products on the market that don't meet the requirements of national or EU legislation.

It is essential for the HoReCa sector's operations that the authorities work more closely together to stop the black market sales. The authorities must create control systems and develop means to ensure product safety. This way, we can secure the operating conditions and competitive position of responsible companies.

In 2009, the turnover of the FGTA's member companies' HoReCa wholesales was 1,626.7 million euros.

It decreased by 2.3 per cent compared to the previous year. In addition to the black market sales, this was also caused by the general recession that troubled the whole HoReCa sector, reduced alcohol sales due to higher taxes as well as reduced tobacco sales in the restaurant business.

EVERY FIFTH EURO IS BLACK

According to the National Supervisory Authority for Welfare and Health (Valvira), every fifth euro in the restaurant business goes to black economy without appearing in the official accounts. The unreported income from sales will end up as salaries paid under the table or unreported income for the entrepreneur.

During 2010, Valvira will implement a national supervisor program together with Regional State Administrative Agencies, Tax Administration, the execution measure, and the centre for collaboration between authorities (VIRKE). The goal of the program is to reduce black market operations in the restaurant business and help troubled companies.

The HoReCa wholesaler group also wants to invite the authorities responsible for food safety in the battle against black economy. There are insufficiently labelled and otherwise illegal food products on the market.

They weaken the operating conditions of responsible companies and can cause serious food safety risks.

PRIVATE LABELS

The most common goals regarding private labels are: increasing customer loyalty, enhancing and diversifying the chain brand, distinguishing oneself from the competitors, strengthening the market position, increasing retail margins, improving product quality, and ensuring the control of the supply chain. Another important aim is to offer the consumers optional high-quality products for their everyday lives at an affordable price.

The recession has, for its part, boosted private label sales. In the future, the private label sales and their market share are expected to continue their positive development trend.

AFFORDABLE LABELS MORE POPULAR IN FINLAND THAN IN OTHER NORDIC COUNTRIES

In Nielsen's Global Consumer Confidence Index of April 2010, 60 per cent of the Finnish respondents listed switching to more affordable grocery labels as one of their cost-saving measures. In October 2009, the corresponding figure was 65 per cent. In Finland, the percentage is distinctly higher than in other Nordic countries.

The FGTA's member companies' private label share of grocery trade (retail trade)

	2008	2009
Total sales (€million)	13,079.50	13,530.30
Private labels (€million)	1,130.70	1,253.90
OsShare of value of sales, %	8.6	9.3

The statistics include the sales figures of the following FGTA member companies' private labels: Rautakirja Oy, Kesko Food, SOK Corporation, Stockmann Group, and Suomen Lähikauppa Oy. SOURCE: FINNISH GROCERY TRADE ASSOCIATION

Kesko Food



SOK Corporation



Tuko Group

Wihuri Group



Stockmann Group



Suomen Lähikauppa Oy



M Chain



International purchasing organisations of grocery procurement

In Europe, there are several joint purchasing organisations that collaborate with Finnish companies. The FGTA's member companies are involved in the following purchasing organisations:

AMS-Sourcing

www.ams-sourcing.com

Holland-based AMS was founded in 1988. Kesko Food is the Finnish trade representative in the AMS consortium. Fruits of this collaboration include, for example, the Euro Shopper products.

Coop Trading

www.cooptrading.com

Coop Trading is a joint Nordic procurement company owned by Coop Denmark, Coop Norway, Coop Sweden, and the Finnish SOK Corporation. The goal of the company is to acquire branded products at competitive prices as well as to develop and maintain a comprehensive selection of PLBs. Coop Trading buys for more than 13 million Nordic consumers.

United Nordic

www.unitednordic.com

United Nordic is the leading Nordic procurement company, whose customers include major wholesales and retailing companies in Norway, Sweden, Finland, and Denmark. Their aim is to optimise the procurement terms and conditions of their members with the help of Nordic collaboration. Tuko Logistics has been a member of United Nordic since 1968. Nowadays, most of Tuko's Eldorado and First Price products are procured through United Nordic.

EMD

www.emd-ag.com

EMD is the leading European procurement company that was founded in 1989. It has over 1,100 members, who operate independently in grocery trade in 22 European countries – covering 50,000 grocery stores and 40,000 local stores, kiosks, and petrol stations. EMD's task is to ensure the best purchasing and procurement terms and conditions for their members. Their headquarters are located in Switzerland. Tuko Logistics joined EMD in 2002.





STORES AND SALES

For a long time, large stores have played a significant role in the Finnish grocery trade. According to Nielsen, the market share of stores larger than 1,000 square metres is approximately 64 per cent. And small stores have an important job of providing food and groceries locally, thus ensuring the habitability of the area.

STRUCTURAL CHANGE IN GROCERY TRADE

Whereas big stores have the main responsibility for supplying food to consumers in population centres nationwide, smaller stores provide food and groceries locally, thus ensuring the habitability of sparsely populated areas.

For a long time, large stores have played a significant role on the Finnish grocery trade market. According to Nielsen, the market share of stores larger than 1,000 square metres is approximately 64 per cent. And 10 per cent of all the stores are responsible for 50 per cent of the value of grocery trade.

A change in customer needs together with the competitive situation in grocery trade have led to an increase in store size. Bigger stores can better meet the customer expectations regarding versatile selections and more affordable prices; since these are only possible at bigger and more efficient stores.

The key competitive strategy of the grocery trade sector is its efficiency. Large stores are clearly more cost efficient than smaller stores. The structural change is influenced by the migration to growth centres and the increased use of cars as well as the change in consumer demand that leads to a more extensive selection of goods. Developmental leaps in IT make it possible to manage such growth.

The number of market-size stores has gone down from 9,398 in 1978 to 3,351 in 2009.

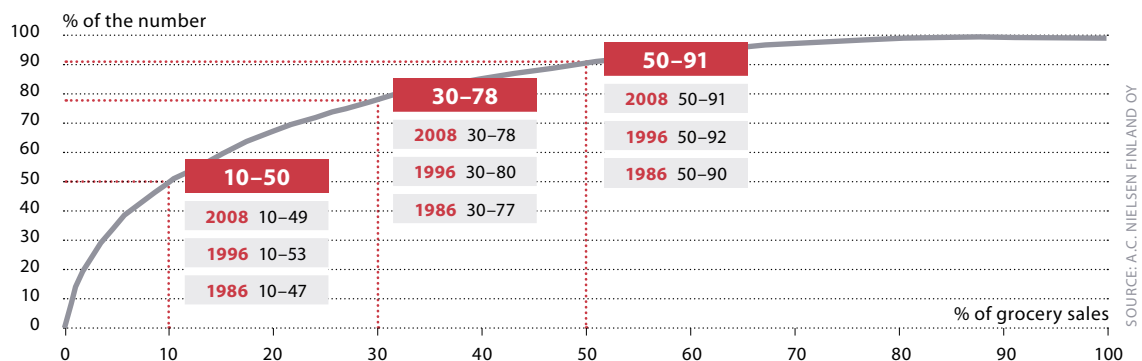
Whereas big stores have the main responsibility for supplying food to consumers in population centres nationwide, smaller stores provide food and groceries locally, thus ensuring the habitability of sparsely populated areas.

Numerically, half of the smallest stores only handle 9 per cent of the total sales. However, as local service providers, they are a lot more important than their volume might indicate. The efficiency ratio has remained the same for two decades, which indicates that the service network of grocery trade meets the changing needs very well.

Traditional corner shops lose purchasing power to large markets that have Alko stores and pharmacies operating in the same premises. In the future, allowing the grocery stores to sell mild alcoholic beverages and self-care medicine will be vital for keeping the small corner stores alive.

The sales efficiency curve shows that the sales concentrate in large stores. The largest stores, in other words, 30 per cent of the stores account for 78 per cent of all grocery sales.

EFFICIENCY CURVE OF GROCERY STORES



SOURCE: A. C. NIELSEN FINLAND OY

Grocery store sales, change in value and volume in 1993–2009

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Number of markets	5,195	4,818	4,597	4,351	4,184	4,026	3,858	3,697	3,555	3,533	3,529	3,584	3,532	3,364	3,361	3,365	3,351
Total number	6,013	5,661	5,384	4,966	4,714	4,678	4,511	4,325	4,165	4,163	4,129	4,192	4,109	3,942	3,922	3,904	3,917
Sales, € million	8,372	8,520	8,388	8,599	8,904	9,277	9,466	9,681	10,364	10,948	11,265	11,529	11,601	12,028	12,842	13,934	14,339
Change in value, %	0.2,%	1.8,%	-1.6,%	2.5,%	3.5,%	4.2,%	2.0,%	2.3,%	7.1,%	5.1,%	3.3,%	1.7,%	2.3,%	4.2%	5.2,%	8.1,%	3.1,%
Change in volume, %	-1.0,%	1.5,%	4.3,%	2.6,%	2.0,%	2.0,%	2.0,%	1.2,%	2.6,%	2.4,%	2.7,%	3.3,%	2.4,%	3.0%	3.5,%	0.8,%	-0.5,%

SOURCE: A.C. NIELSEN FINLAND OY

Number of stores according to type and group in 2009

Store type	Total 1.1.2010
Hypermarkets	143
Department stores	126
Supermarkets, large	557
Supermarkets, small	442
Self-service markets, large	1,084
Self-service markets, small	523
Small stores	476
Speciality stores	541
Indoor markets	25
Total 1.1.2010	3,917
Shops on wheels and boats	29
Closed stores	162

SOURCE: A.C. NIELSEN FINLAND OY

Grocery sales by store type in 2000–2009 (€ million)

Store type	2000	2001*	2002	2003	2004	2005**	2006	2007	2008	2009
Hypermarkets	2,092	2,338	2,534	2,618	2,692	2,772	2,984	3,150	3,460	3,706
Department stores	691	443	509	549	585	611	615	632	654	662
Supermarkets, large	2,661	3,118	3,275	3,458	3,718	3,789	3,984	4,347	4,704	4,827
Supermarkets, small	2,006	1,944	1,913	1,838	1,665	1,648	1,615	1,686	1,826	1,850
Self-service markets, large	1,410	1,693	1,879	1,921	1,986	1,916	1,950	2,102	2,301	2,295
Self-service markets, small	485	512	513	536	515	490	481	492	514	492
Small stores	191	172	173	194	212	216	238	271	308	332
Speciality stores and indoor markets	145	144	152	151	155	158	160	163	167	175
Total	9,681	10,364	10,948	11,265	11,528	11,600	12,027	12,843	13,934	14,339
Shops on wheels and boats	33	31	27	23	20	18	16	14	12	12
Closed stores	141	119	72	120	90	289	359	190	151	178
Total	9,855	10,514	11,047	11,408	11,638	11,907	12,402	13,047	14,097	14,529

SOURCE: A.C. NIELSEN FINLAND OY

* Not comparable with previous year

** Store type classification of hypermarkets has been changed to be based on chains, including K-Citymarket, Prisma, and Euromarket. The criteria of other types have not been altered. The changes in the table have been made retroactively.

Grocery sales by chain in 2009

Total sales €14,529 million, 3,917 stores (including closed stores)

Group	Chain	Number of stores	Grocery sales (%)	Grocery sales (€ million)	Average sales/store (€ million)
S-Group	Prisma	55	13.1%	1,906	35
	S-market	426	22.9%	3,326	8
	Alepa + Sale	330	5.7%	825	3
	Others	132	1.5%	226	2
S-Group, total		943	43.2%	* 6,283	7
K-Group	K-citymarket	69	10.9%	1,586	23
	K-supermarket	170	11.3%	1,426	3
	K-market	487	9.8%	1,644	10
	Others	304	2.2%	317	1
K-Group, total		1,030	34.2%	* 4,973	5
Suomen Lähikauppa Oy	Euromarket	25	1.9%	275	11
	Siwa	553	4.9%	705	1
	Valintatalo	190	3.4%	502	3
Suomen Lähikauppa, total		768	10.2%	* 1,482	2
Lidl		133	* 5.1%	* 741	6
Stockmann	Grocery sales, dpt stores	7	1.3%	192	29
M-ketju		53	0.7%	108	2
Tokmanni		139	1.3%	187	1
Minimani		7	0.7%	101	14
Muut		837	3.3%	462	1
ALL RECORDED IN STORE REGISTER, TOTAL		* 3,917	100.0%	* 14,529	* 4

Group	Chain	Number of stores	Grocery sales (€ million)	Average sales/store (€ million)
Rautakirja	R-kiosks	703	279	0.4

SOURCES: A.C. NIELSEN FINLAND OY (*) AND FGTA

STORE TYPES AND DEFINITIONS

Defining the sales area of the store

As the change in legal opening hour regulations came into force in 2001, the following definition was ratified: the sales area includes the premises in which sales operations are conducted. The sales area is calculated along the walls of the store, which means that it includes service counters and the space behind them. However, it does not include the area behind the cashier line or the draught lobby area at the entrance, nor the areas accessible to store personnel only, such as staff locker rooms as well as storage and warehouse areas.

Definitions according to the Land Use and Building Act

According to the Land Use and Building Act, a large-scale retail unit is a store larger than 2,000 square metres, which in practice equals a store with a sales area of about 1,300 square metres. The construction of a large-scale unit in accordance with the Land Use and Building Act calls for a special clause in the town plan. An exception to this is a speciality store that requires a lot of retail space, such as a furniture store or a car shop. At the moment, the Ministry of the Environment is preparing to renew the Land Use and Building Act. The Ministry proposes that the current regulations on large-scale retail unit sizing be retained.

Whereas the FGTA has for years proposed that the large-scale unit size be increased to 3,500 square metres because the selections have tripled during the EU membership, and the increase would improve the competition in Finland and abroad.

Department store

A department store is a retail store that sells a variety of articles in different categories, with a minimum sales area of 2,500 square metres. In a department store, not a single category of items accounts for over 50 per cent of the total sales area. Each department carries a selection matching that of a speciality store in that particular sector. A department store offers a high level of service, and cashiers are located at each department. Department stores can be found in city centres, in their outlying business centres or in shopping centres located elsewhere. So-called discount stores are usually either department stores or hypermarkets.



Hypermarket

A hypermarket is a retail store selling a variety of goods in different categories and operating largely in a self-service format. The sales area exceeds 2,500 square metres. Food accounts for less than half of the total area. However, the focus of the retail business is on groceries. A hypermarket can be located in or near city centres, in shopping centres, or in other easily accessible places.



Supermarket and market

A supermarket is primarily a self-service-oriented grocery store whose retail activity focuses on food. The sales area of a super market is at least 400 square metres, and food items account for more than half of it. According to sector statistics, the supermarket stores are divided into large supermarkets whose size exceeds 1,000 square metres and small ones whose size is 400–1,000 square metres. These smaller supermarkets are often simply called markets.



Corner shops

A corner shop or neighbourhood store is any grocery store close to the consumers. A corner shop is normally a self-service store smaller than 400 square metres. Large self-service stores are usually 200–399 and small ones 100–199 square metres.

A corner shop can also be described as a grocery store located in a residential area, close to consumers and easily accessible on foot. In population centres, supermarkets also act as corner shops.

Another form of a corner shop is a village grocery store. For the investment aid of the village grocery store, it is defined as a grocery store located in sparsely populated areas or small population centres, whose area is less than 400 square metres and annual sales less than 2 million euros.



Discounters

The discounter stores, which carry a more limited selection, are often located in industrial and business areas, along good traffic connections.

Small stores and kiosks

Pienmyymälä ja kioski on myyntipinta-alaltaan alle 100 m²:n päivittäistavaramyymälä. Elintarvikekioskin myynti voi tapahtua luukun kautta tai itsepalvelu- tai palvelumyymälän tapaan. Kioskin myyntivalikoima on kioskiasetuksella rajoitettu.



Convenience stores and service stations

Ever increasingly, convenience stores form a business concept that brings together several service providers and resembles a commercial centre. In addition to grocery trade, restaurant services, and petrol sales, they also provide other services. Previously, the service station offering mainly consisted of petrol sales and restaurant services.



Product-specific speciality shops

Product-specific speciality shops, indoor markets, direct sales, outdoor markets, as well as shops on wheels or in boats have been losing their share of the total market in recent years.

SOURCES: FINNISH GROCERY TRADE ASSOCIATION AND KAUPPA 2010

KIOSK TRADE

R-KIOSKS

R-Kiosks form Finland's leading kiosk chain that spearheads kiosk-based convenience store operations.

A strong competitive advantage of the chain is the versatility of the product and service selection with which it also wishes to differentiate from the competitors. According to a survey made by A.C. Nielsen, R-Kiosks account for almost 40 per cent of the total number of kiosks, while their sales account for over 60 per cent of the total sales in the sector. Based on customer visits, this chain is Finland's busiest store chain in its size category.

Rautakirja's kiosk operations have also expanded into the Baltic countries, Russia, and Romania. Furthermore, Rautakirja is currently the market leader in Estonia, Latvia, and Lithuania.

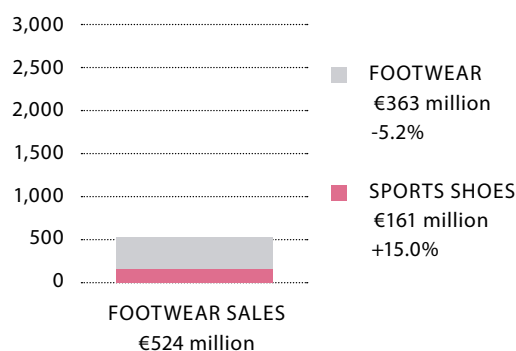
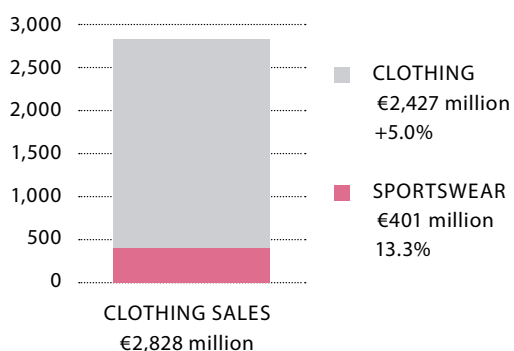
In the beginning of 2010, there were 703 Rautakirja kiosks in Finland. The total number of kiosks in all the countries was 1,566. Rautakirja's kiosk trade in total employed 4,235 individuals.



CLOTHING SALES

In 2009, clothing sales grew by 5.0 per cent. The sportswear sales represented 14 per cent of the total clothing sales. Shoe sales decreased by 5.2 per cent in comparison to last year. Sports shoe sales represented roughly 31 per cent of the total shoe sales. In 2009, the department stores owned by the FGTA member companies saw a decrease of 2.8 per cent in clothing sales. (Source: Association of Textile and Footwear Importers and Wholesalers)

Clothing and footwear sales in 2009 (€million)



DEPARTMENT STORE SALES

Department stores account for a significant share of the total consumer goods market, especially in clothing as well as home and leisure products.

Department stores compete both with commercial centres and speciality stores. In recent years, the number of international speciality store chains has been on the increase especially in clothing business. In the rapidly changing competitive situation, department stores keep on renewing their concepts.

Finnish department stores have been able to evolve and retain their competitive edge, unlike European department store trade in general. The growth of the department store and hypermarket sales of the FGTA member companies was 5.1 per cent in 2009. Clothing sales decreased by 2.8 per cent, home and leisure product sales increased by 1.1 per cent, and groceries by 9.7 per cent.



Total sales (in € million), number, and sales trend of department stores owned by the FGTA's member companies in 2008 and 2009 (VAT 0%)

	Number in 2008	Number in 2009	Sales in 2008	Sales in 2009	Change, %
KESKO					
Anttila	38	40	469	433	-7.7
Citymarket	66	69	1,602	1,780	11.1
S-GROUP					
Sokos	21	22	473	479	1.3
Prisma	51	55	1,935	2,150	11.1
SUOMEN LÄHIKAUPPA OY					
Euromarket	25	19	316	277	-12.6
STOCKMANN Finnish dpt stores	7	7	572	523	-8.6
TOKMANNI	137	139	574	601	6.5
MINIMANI	6	7	131	132	0.8
TOTAL	351	358	6,072	6,375	5.1

LÄHDE: PTY

VILLAGE GROCERY STORES

It is impossible to live in scattered settlements without village grocery stores. They have evolved into versatile service centres that often provide hardware and agricultural products as well as travel and restaurant services in addition to groceries.

In recent years, the number of village grocery stores has decreased by 20–30 stores per year. At the moment, the total number of stores is about 500. At the same time, their total sales have increased in recent years.

The investment aid for village grocery stores, which the Ministry of Employment and the Economy has given for several years, has strengthened the competitive ability of the stores located in areas where population is large enough for the stores to survive. The average sales of the village grocery stores receiving the aid have clearly increased.

For the future of village grocery trade, it is important to recognise its possibilities when developing services in sparsely populated areas in connection with the 'Lähi-logistikkayrittäjyys' (local logistics entrepreneurship) project by the Association of Finnish Local and Regional Authorities.

To maintain the purchasing power, it would be vital to allow the sales of mild alcoholic beverages and non-prescription medicine in village grocery stores as well as develop a medicine cabinet system for the prescription medicine.

Village grocery stores want to increase the collaboration with local producers regarding the distribution of locally grown food.





FGTA ORGANISATION AND MEMBERS

In 2010, the members of the Finnish Grocery Trade Association were Heinon Tukku Oy, K Retailer Federation, Minimani, M Itsenäiset Kauppiaat Oy, Rautakirja Oy, Kesko Food, Suomen Lähikauppa Oy, SOK Corporation, Stockmann Group, Tokmanni Group, and Wihuri Group.

THE FINNISH GROCERY TRADE ASSOCIATION

The Finnish Grocery Trade Association (FGTA) is an association for grocery trade communities and entrepreneurs. The FGTA protects the interests of its member companies and the grocery trade sector in business and socio-political decision-making. It enhances and develops the general operating conditions of its members and the whole sector.

Staff of the Finnish Grocery Trade Association in 2010

BUSINESS POLICY



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Osmo Laine

RETAIL, SUPPLY CHAIN DEVELOPMENT PROJECTS



Manager
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FOOD SAFETY, PRODUCT SAFETY, HORECA WHOLESALERS



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FINANCES



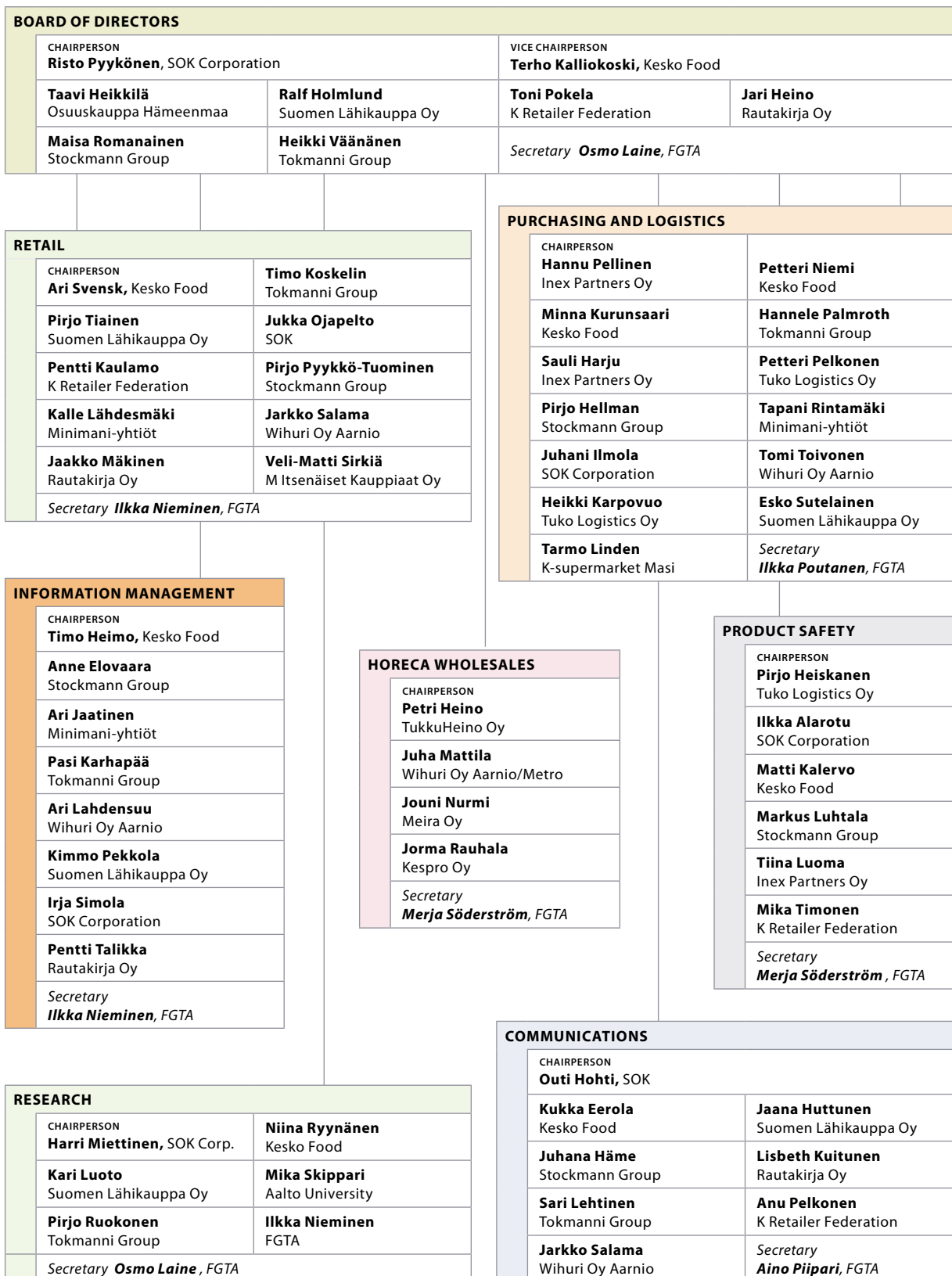
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ORGANISATION OF FGTA IN 2010



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