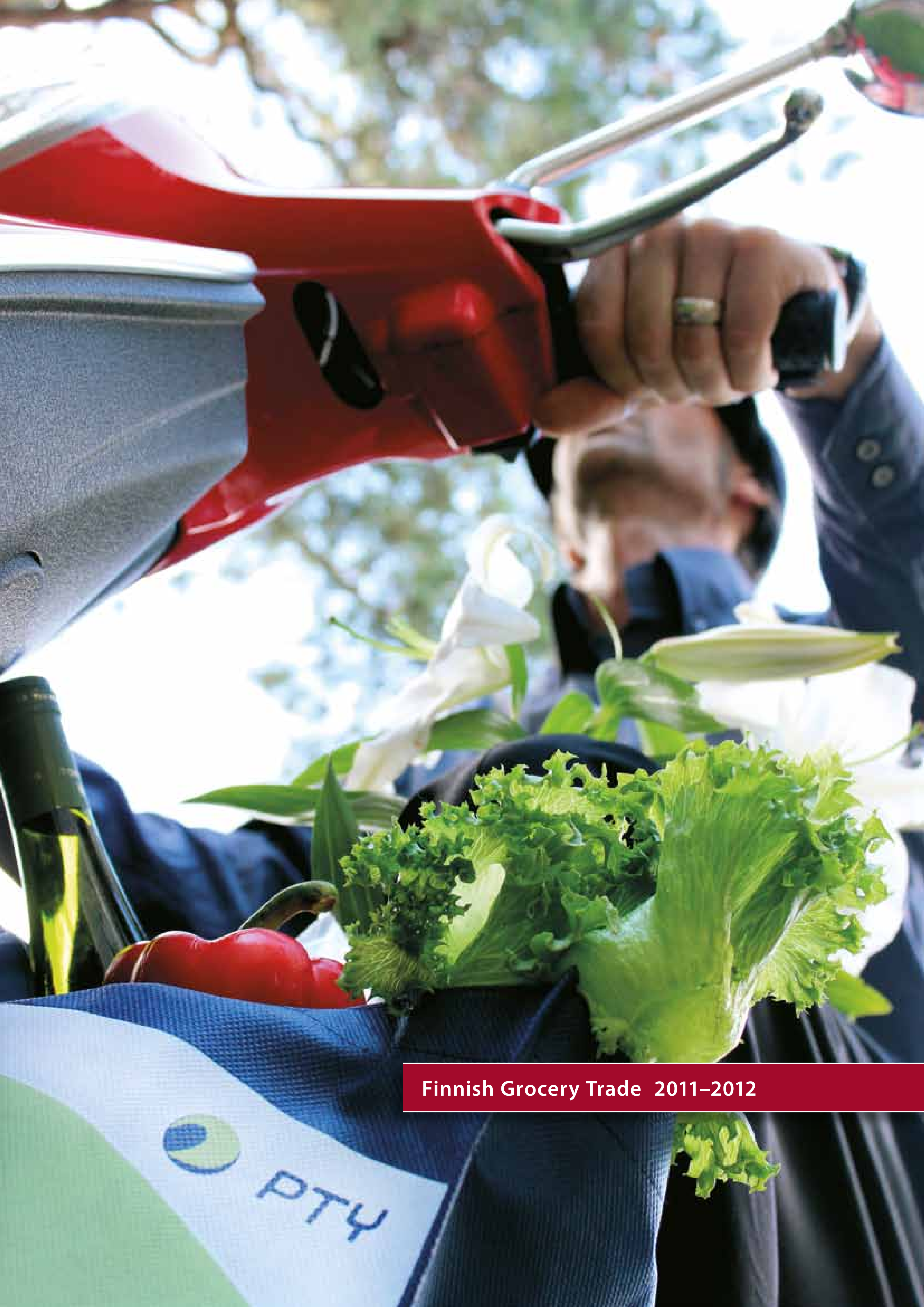
Finnish Grocery Trade 2011–2012



CONTENTS

TEXTS Finnish Grocery Trade Association
PHOTOS p. 1, 2, 4, 8, 16, 17, 22, 27, 34, 36 Tiina Aaltonen; p. 3, 13 SOK; p.9 Jaanis Kerkis; p. 11, 14, 15, 37 Rhinoceros Oy / Mari Hohtari; p. 12 Suomen Lähikauppa Oy; p. 24 Wihuri Oy Aarnio; p. 26 Port of Helsinki
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ROLE AND DUTIES OF GROCERY TRADE IN THE FOOD CHAIN MUST NOT BE FORGOTTEN

TAAVI HEIKKILÄ *the Chairperson of the Finnish Grocery Trade Association*

The trade sector has a central role in developing the domestic market and sustaining employment. It is important to know the sector's duties in the food chain. The government programme emphasises the significance of the domestic service industry on the growth of the Finnish economy. It also expects the Government to understand the duties and the significance of the grocery trade sector.

The duty of the grocery trade sector is to create the wide selections the consumers want, offer new products, and maintain a working service network all over Finland. The sector must also ensure market efficiency and the growth of productivity by utilising free competition and various procurement channels. All these duties must comply with the principles of responsible operations.

Usually, the industrial sector negotiates their raw material purchases with the primary producers. The trade sector, however, negotiates the acquisitions with the industrial sector. Therefore it is not usually involved in the agreements made with the primary producers. Finland is involved in the EU's free internal market trade, where food importing creates new conditions for pricing.

The centralised structure of trade has been created as a result of tough competition. This development has been affected, for its part, by Finland's large geographical size and low density of population. The structural development of trade follows the same pattern as in Sweden, where operating conditions are similar.

DEREGULATION WOULD SECURE THE COMPETITIVE ABILITY OF TRADE

The discussions often ignore the increased role of the trade sector in steering the entire food chain. Because of it, the real consumer prices of food have decreased, even though selections have at least tripled and their quality grade has clearly increased. The duty of the trade sector is to serve the consumer by providing good selections and ensuring high quality, responsible operations, and affordable prices. It has succeeded in these goals.

The regulation of trade is a significant factor in the creation of the current centralised structure of trade. For example, the regulation of construction prevents the domestic and foreign competition from entering the market. The retail units of the alcohol monopoly are rarely located in small localities or close to small-scale retail units. This, in its part, makes it more difficult for any store services to remain in small localities. Improving the distribution of medicine, the way it has been done in the other Nordic countries, would improve customer service and help local services survive.

The trade sector's role in the development of the domestic market is so significant that the sector's administration should be coordinated more efficiently. The grocery trade sector is therefore hopeful of the statement in the government programme about investigating the amendment needs of the central government.

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 MARKET IN FINLAND IN 2010 AND 2011

The Nordic term for groceries (dagligvara) literally translates to "daily goods." It does not refer to just food. It also refers to other daily consumer goods that are generally purchased alongside food items. Thus the term 'groceries' includes food, beverages, techno-chemical products, household paper and tissue products, tobacco products, newspapers and magazines, and daily cosmetics.

The term 'grocery store' usually refers to a self-service market that offers the complete selection of goods listed above. Food accounts for about 80 per cent of all grocery store sales.

In Finland, consumer goods other than groceries are either called speciality goods or consumer goods. 'Speciality goods' is a term used by specialised retailers, while hypermarkets, department stores, and large retail chains use the term 'consumer goods'.

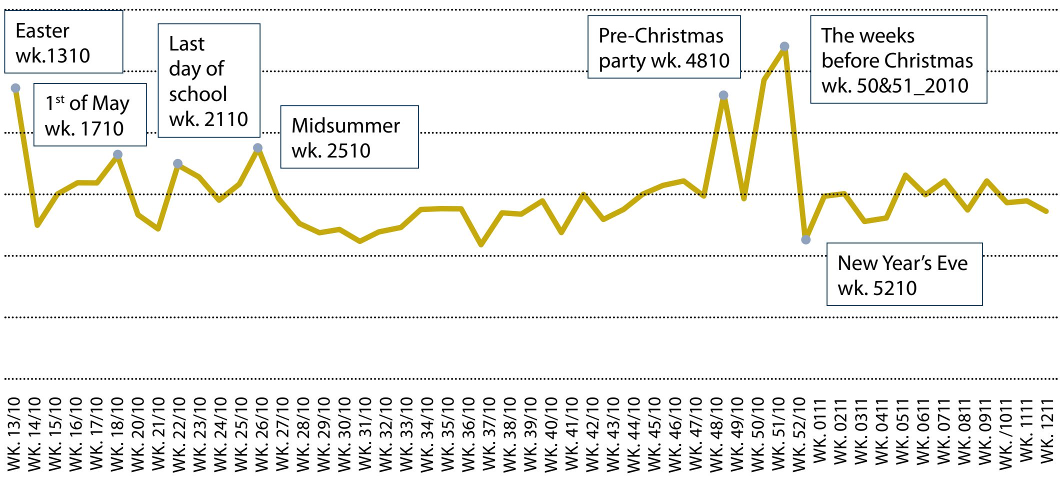
FINNISH GROCERY TRADE MARKET

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.

At the EU level, the grocery market also includes sales by catering wholesaler (HoReCa) customers, such as daily meal services of public institutions as well as restaurant, café, and staff cafeteria sales in the private sector. Furthermore, the EU statistics also list retail sales of alcoholic beverages under grocery trade.

In addition to supermarkets, the retail grocery trade (14.5 billion euros in 2010) includes specialised food retail store, kiosk, petrol station, discount store, and open-air marketplace sales.

The weekly trend of the purchase costs of groceries | Sliding year wk. 13/2010 – wk. 12/2011



SOURCE: NIELSEN HOME SCAN CONSUMER PANEL

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 the changes by developing their services in big cities, smaller population centres, 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 2010, the trade sector employed, on the average, 300,000 people. Thus it is the largest private employer in Finland. 55 per cent of the trade sector employees worked in retail, 31 per cent in wholesale trade and 14 per cent in car sales. Thus, the trade sector has borne a special responsibility for employment during the recession.

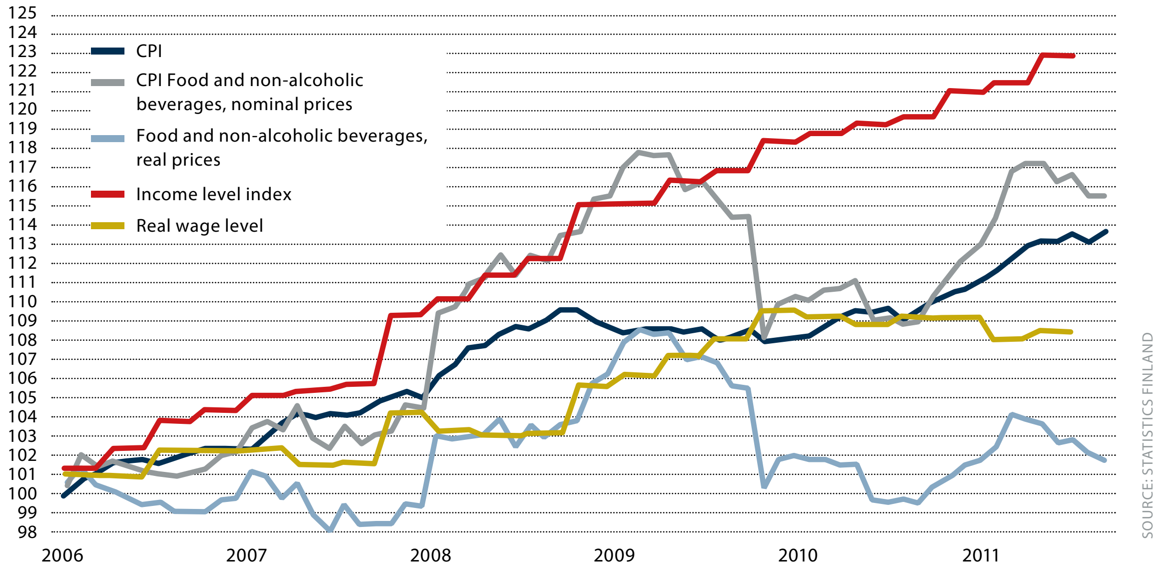
THE CONSUMER GETS BETTER SERVICE THAN EVER BEFORE

Since December 2009, retail stores have been able to keep their doors open on Sundays all year round. Since then, the grocery stores not exceeding 400 square metres have been allowed to stay open all year round except on public holidays. The experiences of both the consumers and the retailers regarding wider opening hours have been positive.

FEDERATION OF FINNISH COMMERCE LAUNCHED A YOUTH PROGRAM

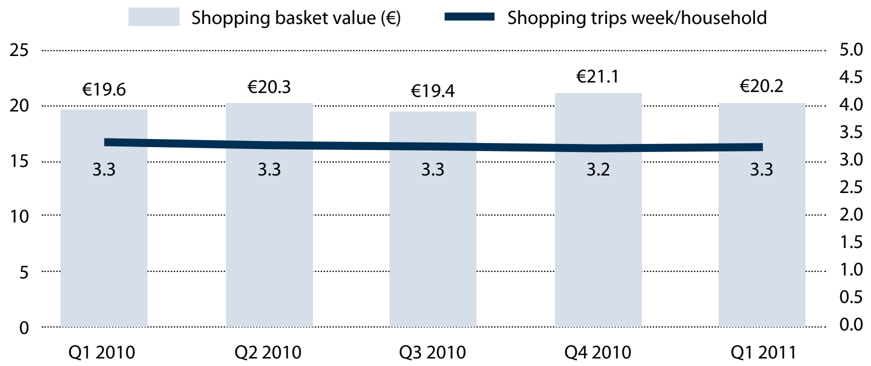
The Federation of Finnish Commerce has created a youth programme for the trade sector. This helps the sector to educate young people and integrate them into working life, and prevent their social exclusion. This youth programme will be one of the federation's goals for the government programme 2011–2015.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

FOOD PRICE TREND IN COMPARISON TO INFLATION AND INCOME LEVEL CHANGES IN 2006–2011
Consumer price index and wage-level index in 2005 = 100



KEY INDICATORS FOR 2010

Shopping basket value (€) and shopping trips week/household



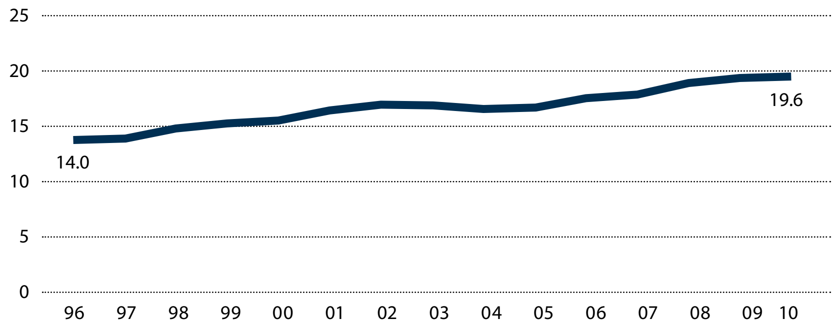
SOURCE: NIELSEN HOME SCAN CONSUMER PANEL

Grocery retail sales 2010
€14,526 million

Sales value growth	0.0%
Sales volume growth	0.0%
Sales per inhabitant	€2,700
Retail sales of groceries €/household (number of households in 2009)	€5,740
Number of stores (markets)	3,283
Plus speciality grocery stores	640
Total sales area of grocery trade	2.1 million m²
Average sales per m²	€6,800/m²
Inhabitants/grocery store	1,364

SOURCE: NIELSEN, STATISTICS FINLAND

Shopping basket value development (€) 1996–2010



SOURCE: NIELSEN HOME SCAN CONSUMER PANEL
Note! The method for collecting information changed in the beginning of 2010.

PROTECTING THE INTERESTS OF GROCERY TRADE

The goal of the grocery trade sector is to secure a comprehensive service network and selections that the consumers want. The areas of interest protection include, among other things, non-prescription medicine, mild alcoholic beverages, construction, and environmental affairs.

GOVERNMENT MUST TAKE THE TRADE SECTOR INTO ACCOUNT IN THE BUSINESS POLICY

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

For a long time, the Finnish Grocery Trade Association has proposed that the Finnish domestic market policy should improve the operating conditions of trade, productivity, and employment opportunities. Jyrki Katainen's government programme promises to make the Finnish economic structure stronger and more versatile.

The government programme states that in the future, Finland's success will more and more depend on the service industries in addition to the industrial sector. Furthermore, the service providers will have a more significant effect on the Finnish economy. For this reason, the Government promises to take the increasing role of service operation into account in their business policy.

The first step in the creation of the domestic market policy has been taken, and the significance of the service industry on the Finnish economy recognized. In their business policy, the Government promises to put enough emphasis on research, development, and innovation to improve employment, productivity and the export opportunities of the service industries. Directing research and development resources to the service sector is also important, provided that the trade sector's views are taken into consideration.

The domestic market policy would also have needed a section that states that the growth of productivity in the trade sector and other service industries is best supported by measures that promote free competition. Finnish trade regulations are among the strictest in the OECD countries. The Ministry of Employment and the Economy has great responsibility to create the actual content of the Government's business policy.

DEVELOPMENT OF MEDICINE SUPPLY SHOWS WHAT'S INSIDE THE GOVERNMENT'S BUSINESS POLICY

The domestic market is small, divided, and protected by various monopolies and barriers to competition. This slows down the growth of the service sector and productivity. There is plenty of information available since this issue has been discussed in the reports created by the working group set up by the Finnish Government to study growth.

The other Nordic countries have carried out a significant reform of medicine retail distribution and, at the same time, allowed the sales of non-prescription medicine in grocery stores. This reform has been carried out responsibly, and thus the fears, such as drug safety being compromised, have not been realized. In Finland, the Ministry of Social Affairs and Health and its working group on medicine strategy have not monitored the international development. However, thanks to the reform in the Nordic countries, there are now excellent opportunities for comparison.

The government programme states that the key objective of medicine supply is to ensure efficient, safe, appropriate, and affordable medicine supply for everybody who needs it. The citizens must be guaranteed a professional supply and good availability of medicine in all conditions.

The pharmacy reforms in Norway and Sweden multiply the number of places that sell non-prescription medicine and ensure an adequate number of pharmacies in remote locations. By renewing the medicine distribution, also Finland could save 100 million euros of taxpayers' money every year. Therefore it is a high time to launch the broad re-evaluation of the field in Finland.

"By making the medicine distribution more efficient, also Finland could save 100 million euros every year."

FGTA'S OBJECTIVES AND THE GOVERNMENT PROGRAMME IN 2011–2015

NON-PRESCRIPTION MEDICINE

- The main objective of medicine supply is to ensure efficient, safe, appropriate, and affordable medicine supply for everybody who needs it. This statement in the government programme illustrates the FGTA's objective to make it possible to sell non-prescription medicine in grocery stores.

ALCOHOLIC BEVERAGES

- The promotion of healthy living, i.e. enlightenment, has been raised on a par with availability and price when talking about preventing the detrimental effects of alcohol, just like the FGTA has proposed.
- There is still no desire to allow the wholesales of alcohol to companies. Neither is the development of Alko's shop in shop operations mentioned in the government programme.

STORE CONSTRUCTION AND LOCATION

- Apart from developing the total evaluation and the zoning process in the Land Use and Building Act, the government programme does not contain a special mention of store construction.

TRADE ADMINISTRATION

- A project on the renewal needs of Finland's central government is promised to be launched. However, there are no special mentions of boosting the administration of trade.

TAXATION

- The Government promises to prevent the increase of labour taxation and to maintain the VAT rate mostly unchanged. However, the Government will raise the taxation of products they consider harmful to either the environment or health, such as alcohol and tobacco. The taxation of sweets and ice cream will be expanded, and the possibility to replace it with the sugar tax will be investigated. However, the idea in the National Food Strategy 2020 about having a lower VAT rate for healthy food, such as fruits, vegetables, and fish is not mentioned.

BLACK ECONOMY

- The FGTA thinks that the governmental programme for fighting the black economy is an important issue and wants to participate in it actively.

STORE SAFETY

- The Government promises to investigate the need to reform the commutation of fines. The reinstatement of the commutation of fines would be an important improvement welcomed by the whole trade sector.

ENVIRONMENT

- The Government monitors the organization of waste management in accordance with the Waste Act that comes into force in 2012. The FGTA supports the realization of the Waste Act's objectives by developing the recycling network.

FOOD POLICY

- The consumer's right to know the origin, production method, and composition of food, and the confidence-building improvement of traceability stated in the government programme are completely in accordance with the aims of the FGTA. The FGTA is involved in the improvement of the GlobalGAP quality system, which is based on external auditing. It can also be used for monitoring animal welfare and the environmental effects of agriculture.
- The trade sector is actively involved in the development of organic agriculture within the Pro Luomu organisation, as mentioned in the programme. The FGTA also actively improves the status of local food – which is also mentioned in the programme – within the micro company training project.
- The FGTA also wants to ensure that food control supervision works and the officials are treated as equals by unifying all food safety control under the Finnish Food Safety Authority Evira.

SMALL AND MEDIUM-SIZED SUPPLIERS FOR THE TRADE SECTOR

- The Government promises to make it easier for products to find their way in stores and evaluates the defining role of trade and processing. The FGTA continues its micro company project and develops other means to improve the position of local food and to meet the changes in consumer demand.

MICRO COMPANY PROJECT IMPROVES THE AVAILABILITY AND COMPETITIVE ABILITY OF LOCAL FOOD

HARRI HELLMAN *the Development Director of Kesko Food*

The trade sector wants to collaborate more and more with small suppliers both locally and nationally. The aim of the micro company project is to make it easier for small and medium-sized companies in the food industry to get their products in stores and prosper in the store selections. This way, the Finnish consumer can enjoy local specialities and organic products, and the multiplicity of Finnish food production is maintained.

The trade sector thinks highly of small local suppliers. With their help, the stores can make their selection uniquely suited for the local clientele. Local options are already available in nearly all product groups throughout Finland. With good products and professional approach, the micro companies in the food industry can have a lucrative partnership with the stores, the scope and scale of which they can define themselves – from supplying to a few stores to providing selections for the whole chain.

Ending up in the grocery store selections requires above all a good product, right logistics, and reliable delivery. The resources of small companies are often spent on the production of the product. Therefore they cannot always invest enough in e.g. marketing or logistics. The majority, in other words approximately three thirds, of Finnish food producers are micro companies that employ less than ten people. The trade sector does not have the means to coach each of them individually. Therefore the success of the suppliers' products in store selections depends on their business expertise.

BUSINESS EXPERTISE DEFINES THE SUCCESS IN THE SELECTIONS

At the instigation of the Finnish Grocery Trade Association, the FGTA, Finnish Food and Drink Industries´ Federation Central Union of Agricultural Producers and Forest Owners, Food Finland theme group, and ECR Finland set up a working group to prepare actions to improve the competitive ability of small companies in the food industry. As a result of this collaboration project, 15 local seminars were organised for micro companies in the spring 2011. Additionally, a new tool, the product card, was created to make it easier to start a business relationship and develop operations. Micro companies were trained to use the product card in workshops, five of which were organized in the spring 2011. More workshops will be organised in the autumn 2011 and the spring 2012. The funding for the project came from the European Agricultural Fund for Rural Development.

The results of the project will be measured in the spring 2012. We trust that the project will improve the expertise in micro companies. This will increase the sales of their products and enable them to prosper in partnership with the stores. For the store customers, this will mean an improved selection that will better meet their needs especially when it comes to local and organic food.

"The European Agricultural Fund for Rural Development: Europe invests in rural areas."

STORES SELL AGE-RESTRICTED PRODUCTS RESPONSIBLY

JARMO LAIHO *the Regional Sales Director of Suomen Lähikauppa Oy*

The FGTA is responsible for controlling that its stores do not sell age-restricted products to minors. The FGTA implemented an operational programme in collaboration with the alcoholic beverage programme of the previous Government, which improved the sector's ability to monitor age limits. The new Government has stated that the alcoholic beverage programme will be continued. The FGTA also wants to continue collaborating with government officials in the control of age-restricted products.

The FGTA member companies are important for preventing and reducing the age-restricted product-related problems. The FGTA's self-monitoring programme in 2008–2011 developed the stores' self-monitoring practices regarding all age-restricted products: alcoholic beverages, tobacco and nicotine products, adult entertainment, gambling, computer and console games, as well as DVDs and Blu-rays. The usability of the stores' self-monitoring guidelines was improved and the self-monitoring of age-restricted products standardised. A self-monitoring data bank was opened for official use. Furthermore, the FGTA introduced a training programme for their member company cashiers, the age limit passport.

MORE TOOLS TO THE FRONTLINE OF SOCIAL RESPONSIBILITY, THE CASHIER DESK

The self-monitoring guidelines maintained by the FGTA give the employees the correct and concrete tools for selling age-restricted products. The cashiers of the FGTA member companies have been instructed to check the ID of all those who buy products meant for adults and who appear to be under 23 years of age. The FGTA member companies do not even sell alcoholic beverages that contain less than 1.2 per cent alcohol to people who are below 18, even though the law allows this.

All cashiers working at the FGTA member companies are expected to complete the age limit passport training. The FGTA member companies arrange most of the training on their own. Additionally, the FGTA has an agreement with 31 schools and 29 human resource companies concerning age limit passport test supervision. This way, the students graduating to work at stores have the possibility to acquire the passport already when studying, and also the temporary workers can receive passport training from their own employers. By June 2011, nearly 54,000 people had acquired the age limit passport.

SELF-MONITORING OF AGE-RESTRICTED PRODUCTS CONTINUES TO DEVELOP

The self-monitoring of age-restricted products is never perfect, which is why the development work will continue. The FGTA considers the continuation of the Government's alcoholic beverage programme to be a very positive phenomenon and has started discussing new projects with the Ministry of Social Affairs and Health as well as the governing officials. Next we could, for example, improve the local collaboration between stores and the government officials. By working together with municipal preventive substance abuse work, the stores could also better deal with those suspected of selling alcohol to minors. Company-specific collaboration with the alcoholic beverage control would ensure even better communications on local subjects between the store and the government officials. The trade sector is open to new suggestions!

TRADE SECTOR ACTIVELY PROMOTES THE ORGANIC INDUSTRY

ILKKA ALAROTU *the Director, Assortments and Pricing at SOK, Chairperson of Pro Luomu*

Increasing the organic product offering requires new operations models and genuine efforts. The need to develop the industry has even been recognized in the government programme. The FGTA is actively involved in this development, for example, through the Pro Luomu organization. For the trade sector, the largest challenge is the lack of a versatile selection and adequately large volume of organic products in many central sectors of demand.

Ever increasingly, the consumers value the lack of food additives, transparent production chain, and environmental production methods. Organic food combines these points of view very well. In 2010, the Finns spent more than 80 million euros on organic products. 22 per cent of households purchased organic products regularly, whereas in 2008 the share was 17 per cent. In the first half of 2011, the stores have even seen a growth of over 40 per cent in the sales of organic products.

Expanding the organic product offering requires new operations models and collaboration between different parties. The FGTA is prepared to allocate time and effort for the collaboration with all parties. The FGTA's micro company project promotes the competitive ability of small companies in the food industry and makes it easier for their products to find their way in the store selections. The products of many local micro companies that produce food are also organic.

The FGTA is also a member of the Pro Luomu organisation founded in March 22, 2011. The aim of the organisation is to help supply meet demand, and to tackle the major bottlenecks in the organic chain. The development of organic agriculture is also emphasised in the government programme.

SALES OF ORGANIC PRODUCTS ARE EXPECTED TO GROW

The government programme has listed boosting the sales of organic and local food as the strategic objective of the Finnish agricultural policy. It also states that a development programme for the organic industry needs to be implemented. This will result in concrete measures to promote the organic industry. The Pro Luomu organisation has prepared a development programme that brings the industry together, and they will start actively implementing it in the autumn 2011.

The trade sector wants to add more organic products in their offering – both in nationwide selections and as local specialities found in individual stores. It is possible and also desirable to create growth paths. A producer can first do business with an individual store. When the operational capacity and demand allow it, the producer can do business locally with several stores or with nationwide chains.

Organic sales can be clearly boosted in many product groups by introducing new options in the selections. Organic options are needed in basic ingredients, such as fresh bread, meat, meat products, and in the vegetable department. However, an organic product is not automatically a hit if the price is too high or the product otherwise does not meet the customer needs. The best products and results are achieved in close collaboration between the producers, industry, and trade sector.

TRADE SECTOR CONTINUES DEVELOPING THE RECYCLING POINT NETWORK

TIMO JÄSKE *the Environmental Manager of Kesko Food*

Providing high-quality recycling services for consumers is an essential part of the responsible operations of grocery trade. The store-based recycling point is a service that the customers also appreciate. The grocery trade sector wants to develop the container recycling systems and their communications even further together with other operators. This way, the trade sector also supports the realization of the new Waste Act.

The new Waste Act and its statutes increase recycling, waste utilization, and the producers' responsibility for waste management. Another objective is to improve the consumers' recycling services especially in rural areas. The aim is to ensure that less and less waste ends up in dumps. The recycling points at stores already now play a significant role in organising the collection of reusable waste. The Finnish Grocery Trade Association, the producer communities, and the Finnish Solid Waste Association have been collaborating to develop the store-based recycling point network even further to support the realization of the new Waste Act.

RECYCLING POINTS ARE COST-EFFICIENT AND ENVIRONMENTALLY FRIENDLY

At the moment, there are approximately 800 recycling points for reusable household waste at stores owned by the FGTA member companies. There customers can return e.g. recyclable paper, cardboard, glass, small metal, and waste from electric and electronic equipment – depending on the reception point. From each recycling point, the collected waste will travel for utilization as material or energy.

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. Depending on the location, a store yard-based recycling point can be 5–10 times more efficient than a single point in a population centre. The customers also appreciate the store-based recycling service.

HOMOGENOUS SERVICE FOR CONSUMERS ALL OVER FINLAND

The store-based recycling points will be developed further in the next few years. In 2011–2012, the recycling point concept will be piloted in selected localities, and common guidelines will also be created. The objective is to develop gradually an environmentally-efficient and cost-effective recycling point network in accordance with the waste legislation, which provides homogenous service for consumers throughout Finland. This efficient network could, for example, consist of store-based recycling points and services acquired from municipal waste management institutions and other service providers.

A key objective is to increase the utilization rate of the store-based recycling points even further. It is important that the consumers feel that the recycling points are easy to use. In the future, the consumer communications regarding the store-based recycling points will be developed, for example, by creating a uniform look for the points and improving the signs.

PRODUCT SAFETY IS IMPORTANT FOR THE TRADE SECTOR

PIRJO HEISKANEN *the Quality Manager of Tuko Logistics Cooperative*

The Finnish Grocery Trade Association makes it safer to sell food and consumer goods that are part of the grocery trade industry. The FGTA's Product safety group has a central role in monitoring the safety of food and reacting to its changes and possible crises, with the emphasis on always maintaining food safety. The group collaborates regularly with, for example, the Finnish Food Safety Authority Evira, Finnish Safety and Chemicals Agency (Tukes), and Finnish Customs Laboratory.

The validity of product information, the role of label texts, and product traceability are emphasized when consumers look for durable, ethical, and ecological products and production methods, and are interested in the welfare of production animals. In Finland, the traceability required by the EU regulations is properly enforced. However, we wish to offer consumers even better traceability data. In addition to this, the food chain wants to utilize the benefits of traceability using state-of-the-art technology.

TRADE SECTOR PROMOTES PRODUCT SAFETY AND THE TRANSPARENCY OF INFORMATION

For example, the traceability requirement of fish and fishing products covers the whole processing and sales chain. However, it can be difficult to monitor the identification data of a fish shipment because the shipment can be divided or combined during the monitoring process. In Finland, the processing and sales chain consists of numerous independent operators who do not possess compatible information systems. In this respect, the FGTA strives to create and distribute appropriate and transparent information with reasonable costs.

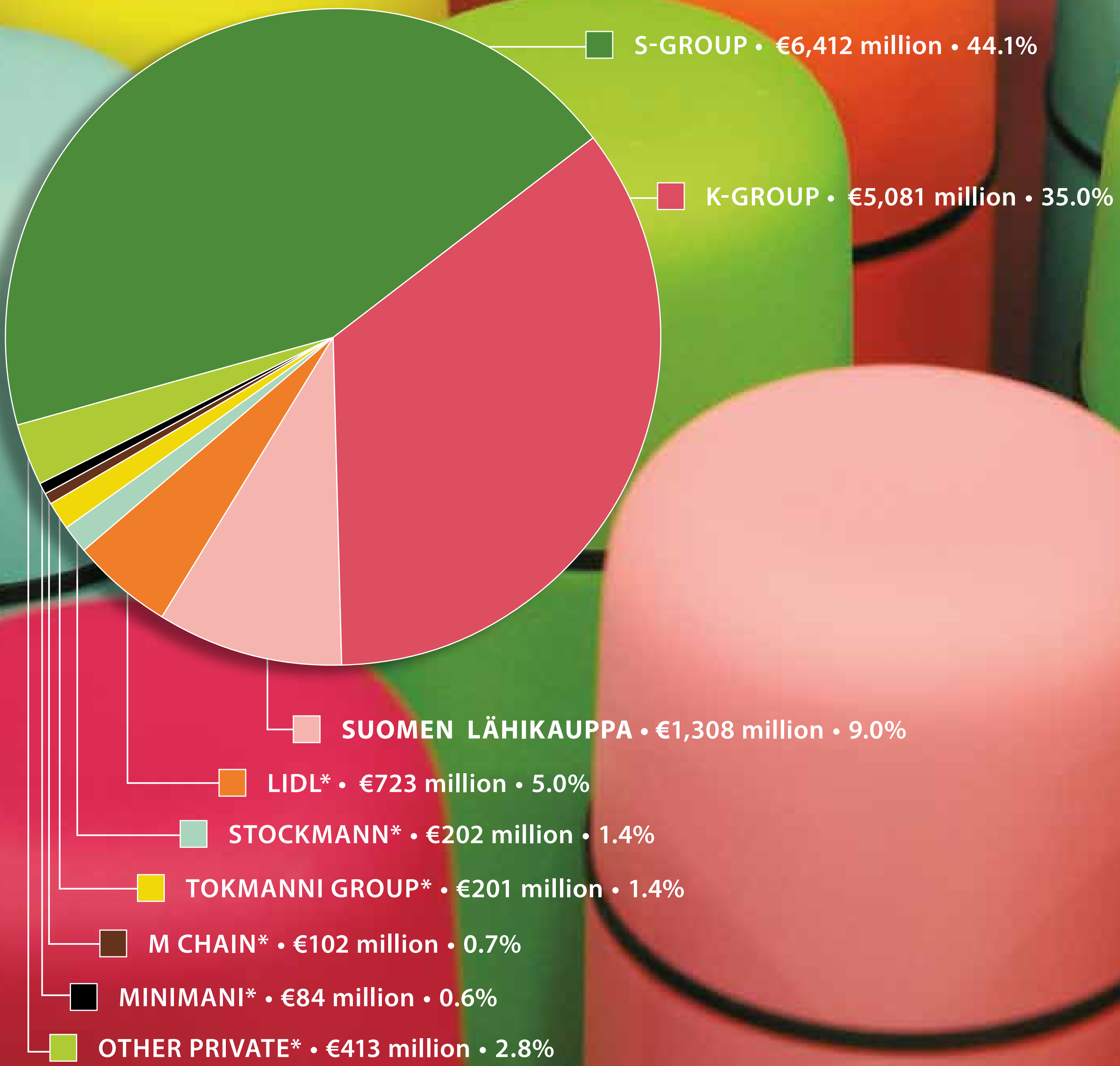
Ensuring the safety of the products on the market is important for the FGTA. The association actively monitors legislation, regulations, and recommendations. Furthermore, it develops and updates the self-monitoring guidelines and other self-monitoring instruments. For example, the hygienic quality of the fish on the market appears in public every now and then. The quality and the sales conditions of fish are closely monitored. Furthermore, the stores are taught to evaluate the fish quality and regularly check the sales and storage temperatures of fish.

UNIFIED FOOD CONTROL AS A GOAL

Unified food control is the common goal of the government officials and the active players of the industry. The active players are not treated even-handedly in different parts of Finland. On the contrary, the regulations have been interpreted differently by different control units, and Evira has not been able to rectify the situation. However, municipal food control is now becoming the responsibility of larger regional units, in addition to which the monitoring results have been made public. The FGTA considers that food control must be implemented and the results published in a unified and reliable way throughout Finland. Entrepreneurs have a lot at stake. Therefore it is important to establish the common rules of the game.

MARKET SHARES OF THE FINNISH GROCERY TRADE GROUPS IN 2010

Total sales €14,526 million



SOURCE: NIELSEN AND FGTA*

GROCERY TRADE GROUPS

The FGTA comprises 11 member companies and one member organization. The member companies account for about 97 per cent of the Finnish grocery trade market.

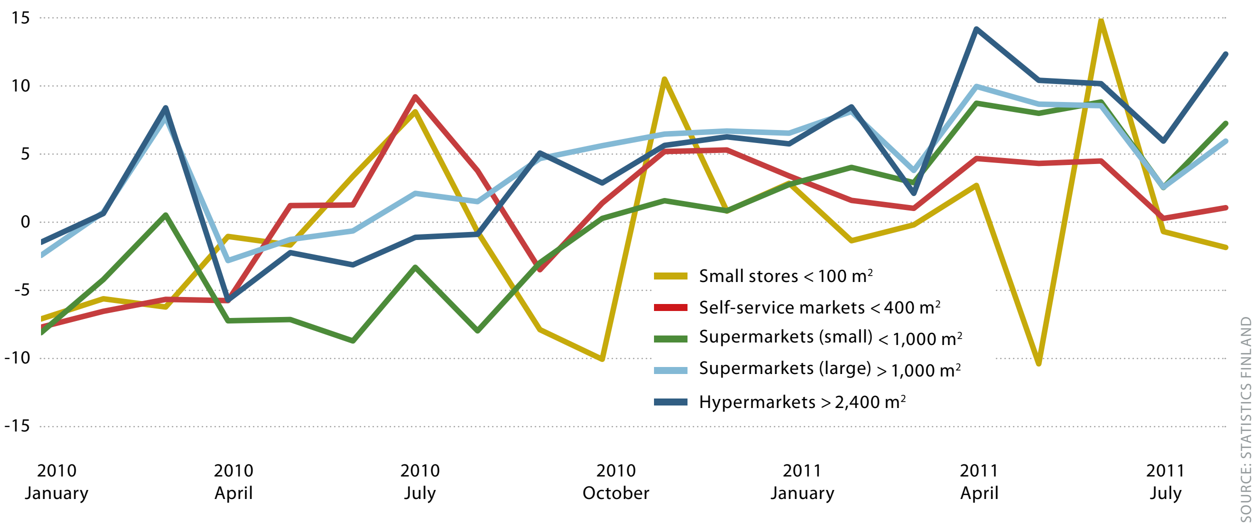
The Finnish grocery trade is characterised by the formation of chain retailers and the centralisation of procurements and logistics. The three largest chains account for 88.1 per cent of the retail grocery market. The situation is similar in the other Nordic countries; because without large volumes it is impossible to be as logistically 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.

In practice, the grocery trade market competes locally at store-level. Important criteria for selecting the grocery store are proximity, selection, product price and quality, as well as the ease of shopping and opening hours. Different store types utilize their own strengths in the competition. A grocery trade group can also consist of several store types that compete with each other locally.

The Finnish grocery trade has numerous procurement channels. Retailers, store managers, and chain directors also participate in procurement and the creation of store-specific selections at the five Finnish grocery supply chains (Inex Partners Oy, Kesko Food Oy, Tuko Logistics Cooperative, Lidl Suomi Ky, and Tokmanni Oy).

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

Annual changes in grocery sales according to store types, %



Read more about the store types and sales on p. 28–32.

S-Group

www.s-kanava.fi

S-Group is a significant Finnish retailing cooperative organization. It consists of the SOK Corporation and its subsidiaries along with 22 regional and nine local cooperatives.

S-group 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-Group has also provided banking services since S-Pankki opened in 2007. By the end of 2010, the bank already had 2.3 million customers.

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. By the end of 2010, the S-Group had 1,636 operating points, out of which 13 were in the Baltic and nine in Russia. S-Group employed 39,646 people.

Management

SOK Chairman and CEO **Kuisma Niemelä**
Director, grocery trade, hospitality business, fuel sales **Vesa Kyllönen**
Director, consumer goods **Leena Laitinen**
Director, human resources management **Leena Olkkonen**
Director, economy and financing **Jari Annala**
Director, customer relationships and information **Harri Miettinen**
Director, travel industry, automotive trade **Antti Sippola**
Director, reputation and responsibility **Suso Kolesnik**

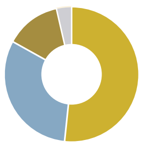
Procurement companies

Inex Partners Oy, Managing Director **Jorma Vehviläinen**
Meira Nova Oy, Managing Director **Jouni Nurmi**
Neot Oy, Managing Director **Henrikki Talvitie**

International chain brands

Market sales: Prisma, S-market, Sale, and Alepa; Department store and speciality store sales: Sokos, Emotion, Pukumies; Convenience store and petrol sales: ABC, ABC-Deli; Travel industry: Sokos Hotels and Radisson Blu Hotels & Resorts; Hospitality business: Rosso and Rosso Express, Fransmanni, Amarillo, Sevilla, Torero, Buffa, Memphis, Night, Public Corner, Coffee House, and Presso; Agricultural trade: S-Rautamarket, Agrimarket, and Multasormi; Others: Kodin Terra

Breakdown of the S-Group consumer goods sales by chain in 2010 • €6,412 million



S-MARKET • €3,320 million • 51.8%
PRISMA • €2,009 million • 31.3%
ALEPA AND SALE • €866 million • 13.5%
OTHERS • €216 million • 3.4%

SOURCE: FGTA

K-Group

KESKO www.kesko.fi

Kesko is a leading retail trade service provider and an esteemed exchange-listed company. It is actively involved in food, consumer goods, hardware, car, and machinery trade.

The Kesko chain comprises about 2,000 stores in the Nordic and Baltic countries as well as in Russia and Belarus. In 2010, Kesko's net sales were 8,777 million euros, and its operating profit without one-off items was 268.1 million euros. At the end of 2010, Kesko Group employed in total 22,124 people: 12,720 in Finland and 9,404 in other countries. K-Group, which consists of Kesko and the retail entrepreneurs of its chains, employed about 45,000 people.

Kesko Food

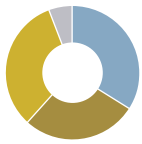
Kesko Food is a leading player in the Finnish grocery trade. K Storekeepers, with whom Kesko Food operates using a chain business model, are responsible for customer satisfaction at over 1,000 K food stores.

Kesko Food manages K food store chains, which include K-citymarket, K-supermarket, K-market, and K-extra. The key duties of Kesko Food include the centralised procurement of products, selection management, logistics, as well as the development of chain concepts and trading centre network. Chain operations ensure the operational efficiency and competitive ability. A subsidiary of Kesko Food, Kespro, is the leading hotel, restaurant, and catering trade wholesaler in Finland. It provides its customers the best procurement solutions in the whole industry.

Management

President and CEO, Kesko Corporation **Matti Halmesmäki**
Kesko Food
President **Terho Kalliokoski**
Vice President, K-citymarket, food **Mika Rautianen**
Vice President, K-supermarket **Jaana Hertsberg**
Vice President, K-market and K-extra **Timo Lavikainen**
Vice President, Commerce **Minna Kurunsaari**
Vice President, K-Plus Oy **Niina Ryynänen**
Vice President, Retail Services **Kari Heiskanen**
Vice President, Logistics and IT Management **Petteri Niemi**
Vice President, Finance and Human Resources **Jukka Erlund**

Breakdown of the K-Group grocery sales by chain in 2010 • €5,081 million



K-SUPERMARKET • €1,726 million • 34.0%
K-MARKET • €1,416 million • 27.9%
K-CITYMARKET • €1,653 million • 32.5%
OTHERS • €285 million • 5.6%
SOURCE: FGTA

K-KAUPPIASLIITTO

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) are members of 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

Managing Director **Matti Mettälä**

Board of Directors

Chairman, Retailer **Esa Kiiskinen**
Vice Chairman, Retailer (Diploma) **Tomi Korpisaari**
Chairman, K Food Store Association, Retailer **Toni Pokela**
Vice Chairman, K Food Store Association, Retailer **Timo Könttä**
Vice Chairman, K Food Store Association, Retailer **Juha Haroma**
Chairman, K Speciality Store Association, Retailer **Risto Niklas-Salminen**
Vice Chairman, K Speciality Store Association, Retailer **Jyrki Aalto**
Chairman, K Agriculture and Hardware Store Association, Retailer (Diploma) **Matti Naumanen**
Vice Chairman, K Agriculture and Hardware Store Association, Retailer **Jussi Perälä**

Suomen Lähikauppa Oy

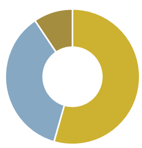
www.lahikauppa.fi

Suomen Lähikauppa Oy has two national chains: Siwa and Valintatalo. In total, there are 692 stores across Finland. Suomen Lähikauppa Oy purchases the imported and industrial food procurement and logistics services from Tuko Logistics Oy. The largest owner of the company is IK Investment Partners.

Executive Officers

President and CEO **Ralf Holmlund**
Vice President, Store Operations (Siwa and Valintatalo) **Jonas Stjernberg**
Senior Vice President, Product Management **Anu Ora**
Senior Vice President, Logistics **Esko Sutelainen**
Vice President, Store Network **Seppo Hämäläinen**
Senior Vice President, Marketing **Kari Luoto**
Senior Vice President, CFO **Kaisa Arovaara**
Senior Vice President, HR **Anneli Lindeman**
Vice President, Store Operations (Euromarket) **Sami Määttä**
Vice President, ICT **Janne Jakola**

Breakdown of the Suomen Lähikauppa grocery sales by chain in 2010 • €1,308 million



SIWA • €714.4 million • 54.6%
VALINTATALO • €471.8 million • 36.1%
EUROMARKET • €121.8 million • 9.3%
SOURCE: FGTA

Stockmann Group

www.stockmann.com

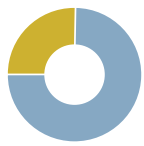
Stockmann is a Finnish publicly traded retailing company whose business units consist of the department store group and the fashion store chains Seppälä and Lindex. Stockmann is engaged in grocery retailing through its 16 department stores in Finland, Russia, Estonia, and Latvia. The grocery department of the 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**
Director, Finnish and Baltic department stores **Juha Oksanen**
Director, Russian department stores **Tove Westermarck**
Marketing Director **Maaret Kuisma**
Director of Purchases **Tiina Railio**
Director of Purchases, Food **Pirjo Pyykkö-Tuominen**
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 **Lisa Levio**

2010 net sales of Stockmann Group's department store division in Finland • €796.9 million



Rautakirja Oy

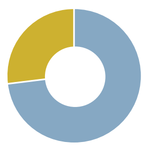
www.rautakirja.fi

Rautakirja Oy practices grocery retailing through its R-Kiosk chain. R-Kiosks form a nationwide chain that 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) and Lithuania (320 kiosks), as well as a joint venture in Latvia (250 kiosks). In addition to the R-Kiosks, the major Finnish Rautakirja branches are Lehtipiste and Suomalainen Kirjakauppa.

Executive officers

President and CEO **Hellevi Kekäläinen**
Senior Vice President, Kiosks **Jari Heino**
Senior Vice President, Store Services **Raimo Kurri**
Senior Vice President, Bookstores **Jarmo Oksaharju**
Senior Vice President, Development **Jukka Nikkinen**

Net sales of R-kiosks in 2010 • 1,022 million



Lidl Finland Ky

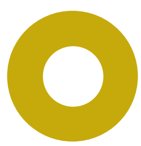
www.lidl.fi

Lidl is one of Europe's largest retail store chains. It operates in more than 20 countries. Its business idea is to offer high-quality groceries and consumer goods at an affordable price. The excellent price-quality ratio of the versatile selection is based on Lidl's own carefully monitored trademarks and exceptionally efficient concept. Lidl began its operations in Finland in 2002. Nowadays, it forms a nationwide store chain that reaches from Hanko in the south to Sodankylä in the north. Lidl Finland Ky employs about 2,700 people. It has two distribution centres and two property offices. The headquarters are located in Vantaa.

Executive officers

CEO **Lauri Sipponen**
Director, Administration **Sami Pyykkönen**
Director, Purchases **Timo Hansio**
Development Director **Mathias Kivikoski**

Net sales of Lidl Finland Ky in 2010 • €723 million



Wihuri Group

www.wihuri.fi | www.metrotukku.com

Wihuri Group is an international 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 Cooperative is Metro's procurement and logistics partner. Wihuri Oy Aarnio also manages and develops the Tarmo neighbourhood store concept, which is a chain run by retail entrepreneurs.

The CEO of Wihuri Group
Juha Hellgrén

Executive Officers
Director of Division **Juha Mattila**
Director, Sales **Riku Nykänen**
Director, Commerce **Tiina Hildre**
Director of Finance **Juha Karttunen**
Chain Director Ari Maijanen
Development Manager **s**

Tokmanni Group

www.tokmanni-konserni.fi

Tokmanni Group is Finland's largest discount store chain. At the end of 2010, it consisted of 142 stores under seven different brands: Tokmanni, Tarjoustalo, Robinhood, Vapaa Valinta, Maxi-Makasiini, Maxi-Kodintukku, and Säästöpörssi. The store network encompasses all of Finland.

In 2010, the chain's net sales were 634 million euros. At present, the company employs over 2,900 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 **Seppo Saastamoinen**
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.

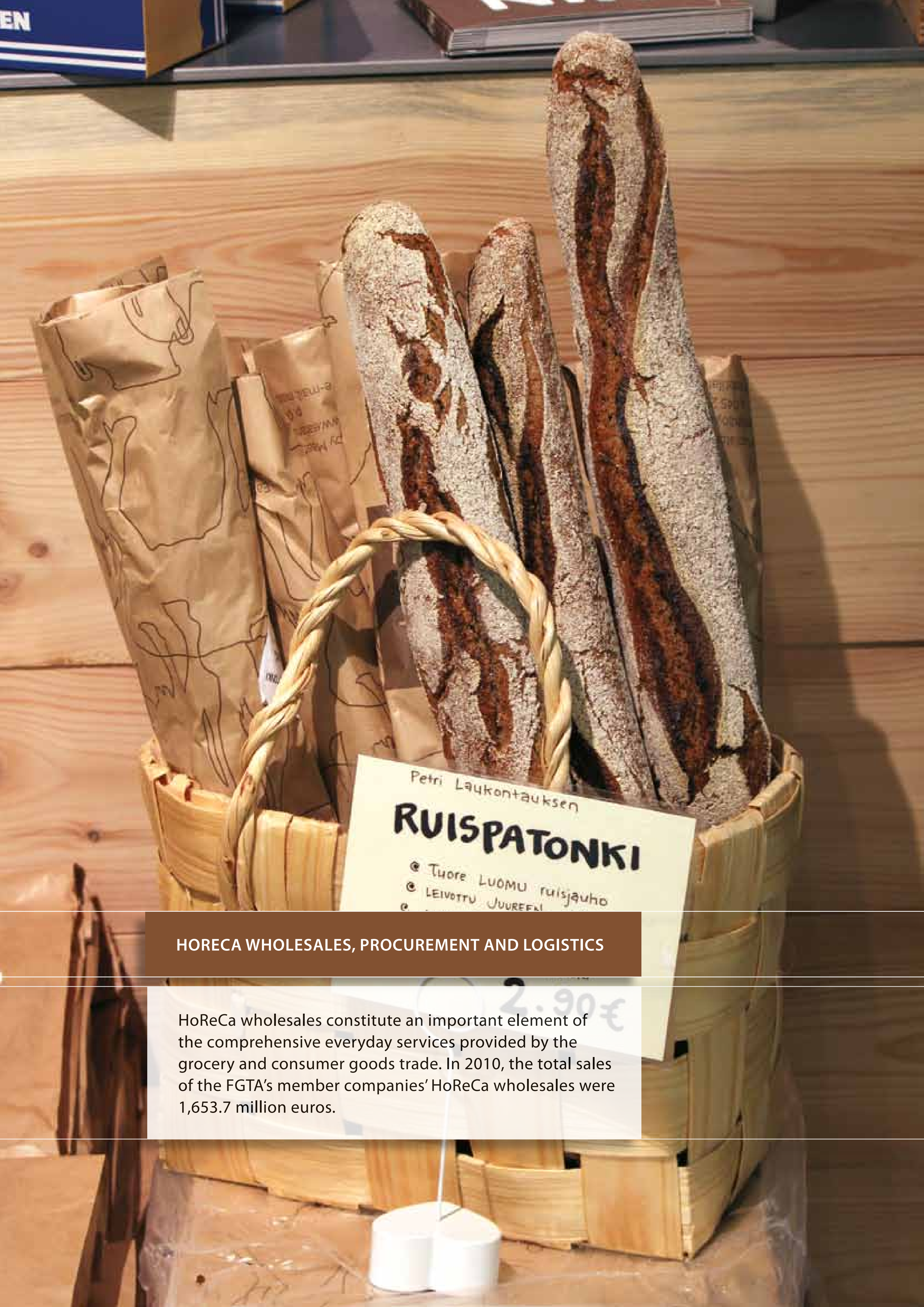
Executive Officers
Managing Director Kalle Sourcesmäki
Branch Manager, Daily Consumer Goods Sales **Tapani Rintamäki**
Branch Manager, Hardware/Living **Taina Kinnari**
Branch Manager, Home/Seasonal **Jaana Metsäranta**
Financial Director **Markku Koski**
Information Director **Ari Jaatinen**
Director, Branch Premises **Seppo Yli-Renko**
Director, Minimani Chain, Kokkola **Markus Anttila**

M Itsenäiset Kauppiaat

www.m-ketju.fi

Constituted in 2006, M Itsenäiset Kauppiaat Oy is a nationwide chain owned by independent grocers. The M chain consists of 58 stores. 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 Cooperative.

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



HORECA WHOLESALES, PROCUREMENT AND LOGISTICS

HoReCa wholesales constitute an important element of the comprehensive everyday services provided by the grocery and consumer goods trade. In 2010, the total sales of the FGTA's member companies' HoReCa wholesales were 1,653.7 million euros.

HORECA WHOLESALES

HoReCa wholesales 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 21,000 professional kitchens in Finland a.k.a. HoReCa operating locations provide their customers with approximately 850 million meals per year. The majority of the ingredients are purchased from HoReCa wholesale stores.

In 2010, the total sales (turnover) of the FGTA's member companies' HoReCa wholesales were 1,653.7 million euros. There was a 1.6 per cent increase in turnover when compared to the previous year.

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

Heinon Tukku Oy

Heino

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 Espoo, 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. Their selections include groceries, alcohol products, professional tableware, as well as everything that dining halls and professional kitchens need in their daily operations. Their own fish and meat processing provides tailored services for HoReCa customers.

Kespro Oy

KESPRO

www.kespro.com

Kespro Oy, a subsidiary of Kesko Food, provides HoReCa professionals with the best procurement solutions in the whole industry. Kespro's wide HoReCa selection comprises fresh food products, industrial food, frozen goods, alcohol and brewery products, tableware, and table setting products. Flexible distribution solutions tailored according to customer needs make it easier for kitchens to succeed in their business. The HoReCa professionals of Kespro's field and phone sales help the customers find the best solutions for their business. Kespro's own trademark, Menu, has been developed for HoReCa professionals. Kespro's wide service network encompasses all of Finland.

Meira Nova Oy

MEIRA NOVA

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

Metro

www.metrotukku.com

Wihuri Oy Aarnio offers comprehensive grocery supply and alcohol product wholesales all over Finland through Metrotukku. Metro's mission is to be a nationwide chain that is locally available. Wihuri Oy Aarnio has a network of 32 cash-and-carry outlets as well as a customer-specific and nationwide sales organisation. Tuko Logistics Cooperative is Metro's procurement and logistics partner.

DEVELOPING PUBLIC PROCUREMENT IN COLLABORATION BETWEEN THE PUBLIC SECTOR AND WHOLESALE TRADE

JUHA MATTILA *Director of Division, Wihuri Oy Aarnio, Metro*

The HoReCa sector finds it important to develop public procurement and to have good communications between the customers and the trade sector. The public sector's procurement expertise is increasing. Furthermore, when procurement units become bigger, also procurement measures become more effective, electronic information systems are used more, and expertise increases on both sides.

Public sector food procurement forms a significant part of the wholesale firms' business operations. The need to meet the requirements of the Finnish Public Procurement Act and the plethora of municipal policies and procurement systems have forced the wholesale firms to invest in the procurement method, required information system, and contract procedure expertise. This way, they have developed into procurement professionals.

On the customer side, procurement has so far been very decentralized, especially in municipalities, and the benefits of joint procurement have been minor. In periodic food tendering, it has been a common practice for approximately 300–500 public administration officials to send individualised invitations for tenders. A unified template has not been created, which means that individual offers are tailored in each invitation for tenders. Therefore the tendering process has been and still is rather arduous for both parties.

PROFESSIONAL PROCUREMENT ORGANISATION IS USEFUL TO BOTH THE CUSTOMER AND THE SUPPLIER

There has also been a lot of positive development in recent years. Food procurement has increased in value due to procurement units centralising their tendering procedures. This has also had an effect on the centralisation of suppliers. This development has been positive for the wholesale trade because a professional procurement organisation benefits both the customer and the supplier. The main benefits include cost savings, the reduction of tendering work, and a larger number of experts. Centralisation is also often connected to an increased use of electronic procurement systems, unified invitations for tenders, clear processes, and, on the whole, more interaction.

The FGTA supports the centralisation of public procurement procedures under joint procurement organizations and the expansion of the centralised procurement units' responsibility to other areas besides price negotiations, purchase volume centralisation, and the use of more advanced procurement tools. The FGTA finds it important to establish and maintain good communications with the customers and suppliers of the food industry regarding the development of public procurement. It is good that the public administration participates in the development of public procurement, for example, by improving the procurement expertise of professional kitchens.

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.

In recent years, the sales of private labels have increased more than before. According to Nielsen's Homescan consumer panel, the private labels' share of consumer purchases was about 18 per cent in the first quarter of 2011. In the future, the private label sales and their market share are expected to continue their positive development trend.

In the March 2011 Nielsen Global Online Survey, 58 per cent of the Finnish respondents answered that they had purchased more private label products during the recession. In 2010, 60 per cent of the Finnish respondents named switching to more affordable grocery labels as one of their saving measures.

Even if private labels are selected as a saving measure, people often continue buying them after the recession. In Nielsen's autumn 2010 survey, nearly all respondents (95 per cent) announced that they will continue buying private labels even after the economic situation improves.

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

	2009	2010
Total sales (€ million)	13,530.30	13,529.60
Private labels (€ million)	1,253.90	1,422.70
Share of value of sales	9.3%	10.5%

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

SOURCE: FINNISH GROCERY TRADE ASSOCIATION

Kesko Food

SOK

Tuko Group

Wihuri Group

Stockmann Group

Suomen Lähikauppa Oy

M Chain

Lidl

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. Its headquarters are located in Switzerland. The company has 13 shareholders, 15 members, and 500 indirect, independently operating members. They have 150,000 sales offices in 16 countries. EMD's mission is to ensure the best purchasing and procurement terms and conditions for their members. Tuko Logistics joined EMD in 2002.

STORES AND SALES

For a long time, large stores have had a significant role in the Finnish grocery trade. The market share of stores larger than 1,000 square metres is approximately 65 per cent. However, small stores have an important job to provide 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 in the Finnish grocery trade market. According to Nielsen, the market share of stores larger than 1,000 square metres is approximately 65 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 almost a third of it, 3,283 in 2010.

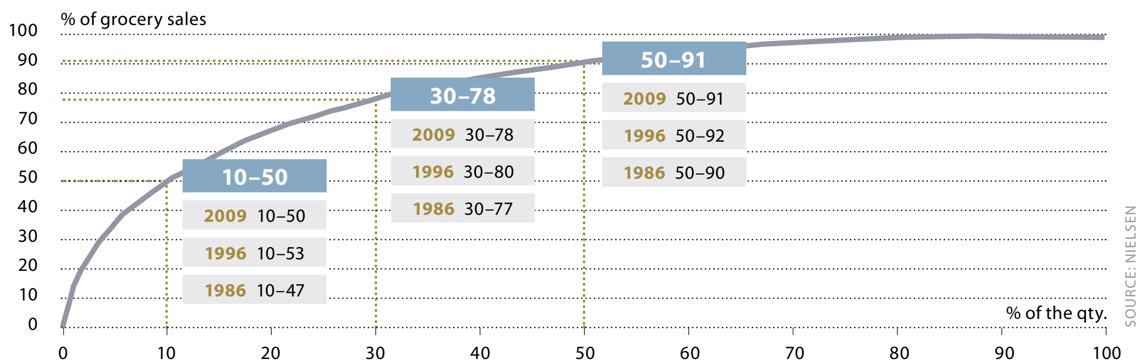
Whereas big stores have the main responsibility for supplying food to consumers in population centres nationwide, smaller stores provide food and groceries locally, thus ensuring the habitability of sparsely populated areas.

Numerically, half of the stores only handle nine per cent of the total sales. However, as local service providers, these small stores 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



Grocery store sales, change in value and volume in 1993–2010

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
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	3,283
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	3,923
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	14,331
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%	0.0%
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%	0.0%

SOURCE: NIELSEN

Number of stores according to type in 2010

Store type	Total 1.1.2011
Hypermarkets	141
Department stores	120
Supermarkets, large	585
Supermarkets, small	441
Self-service markets, large	1,070
Self-service markets, small	479
Small stores	447
Speciality stores	614
Indoor markets	26
Total 1.1.2011	**3,923**
Shops on wheels and boats	26
Closed stores	203

SOURCE: NIELSEN

Grocery sales by store type in 2000–2010 (€ million)

Store type	2000	2001*	2002	2003	2004	2005**	2006	2007	2008	2009	2010
Hypermarkets	2,092	2,338	2,534	2,618	2,692	2,772	2,984	3,150	3,460	3,706	3,802
Department stores	691	443	509	549	585	611	615	632	654	662	558
Supermarkets, large	2,661	3,118	3,275	3,458	3,718	3,789	3,984	4,347	4,704	4,827	4,913
Supermarkets, small	2,006	1,944	1,913	1,838	1,665	1,648	1,615	1,686	1,826	1,850	1,776
Self-service markets, large	1,410	1,693	1,879	1,921	1,986	1,916	1,950	2,102	2,301	2,295	2,306
Self-service markets, small	485	512	513	536	515	490	481	492	514	492	473
Small stores	191	172	173	194	212	216	238	271	308	332	317
Spec. stores, indoor markets	145	144	152	151	155	158	160	163	167	175	185
Total	**9,681**	**10,364**	**10,948**	**11,265**	**11,528**	**11,600**	**12,027**	**12,843**	**13,934**	**14,339**	**14,331**
Shops on wheels and boats	33	31	27	23	20	18	16	14	12	12	10
Closed stores	141	119	72	120	90	289	359	190	151	178	185
Total	**9,855**	**10,514**	**11,047**	**11,408**	**11,638**	**11,907**	**12,402**	**13,047**	**14,097**	**14,529**	**14,526**

SOURCE: NIELSEN

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

Grocery sales by chain in 2010

Total sales €14,526 million, 3,923 stores (including closed stores)

Group	Chain	Number of stores	Grocery sales (%)	Grocery sales (€ million)	Average sales/ store (€ million)
K Group	K-citymarket	69	11.4%	1,653	24
	K-supermarket	181	11.9%	1,726	10
	K-market	474	9.7%	1,416	3
	Others	284	2.0%	285	1
K Group total		**1,008**	**35.0%**	*** 5,081**	**5**
S Group	Prisma	60	13.8%	2,009	34
	S-market	438	22.8%	3,320	8
	Alepa + Sale	340	6.0%	866	3
	Others	137	1.5%	216	2
S Group total		**975**	**44.1%**	*** 6,412**	**7**
Suomen Lähikauppa Oy	Euromarket	6	0.8%	121.8	20
	Siwa	511	4.9%	714.4	1
	Valintatalo	175	3.2%	471.8	3
Suomen Lähikauppa Oy total		**692**	**9.0%**	*** 1,308**	**2**
Lidl		**136**	**5.0%**	**723**	**6**
Stockmann	Crocery sales, dept. stores	**7**	**1.4%**	**202**	**29**
M Chain		**56**	**0.7%**	**102**	**2**
Tokmanni		**142**	**1.4%**	**201**	**1**
Minimani		**6**	**0.6%**	**84**	**14**
Others		**901**	**2.8%**	**413**	**0,5**
ALL RECORDED IN STORE REGISTER, TOTAL		*** 3,923**	**100.0%**	*** 14,526**	*** 4**

Group	Chain	Number of stores	Grocery sales (%)	Grocery sales (€ million)
Rautakirja	R-kiosks	**673**	**269**	**0.4**

SOURCES: NIELSEN (*) 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, or 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, which allows it. 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 should 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 ones 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 market smaller than 400 square metres. The size of a large self-service store is 200–399 and small 100–199 square metres.

A corner shop can 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

Discounter store operations are based on the rapid circulation of products and efficient operations models. In most cases, the store selection covers all product groups, such as fruits and vegetables, fresh food products, and cosmetics. Size wise, the stores are equal to supermarkets, and they are often located in industrial and business areas. However, they can be ever increasingly found in population centres along good traffic connections. Lidl is an example of a discounter operating in Finland.

Small stores and kiosks

A small store or a kiosk is a grocery store with less than 100 square metres of sales area. A food kiosk can conduct its sales transactions through a window or in a manner similar to a self-service or service store. The kiosk item selection is limited by the Kiosk Statute.

Convenience stores and service stations

Ever increasingly, convenience stores form a business concept that brings together several service providers and resembles a shopping 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, direct sales at indoor markets, 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. The strong competitive edge of the chain, which also sets it apart from its competitors, is the versatility of its products and services. According to Nielsen's kiosk register, R-Kiosks accounted for almost 40 per cent of the total number of kiosks in 2008, and their sales accounted for over 60 per cent of the total sales in the sector.

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

In the beginning of 2011, there were 664 Rautakirja kiosks in Finland. The total number of kiosks in all the countries was 1,454. In total, Rautakirja's kiosk trade employed 2,942 individuals.

CLOTHING SALES

In 2010, clothing sales grew by 7.9 per cent. The sportswear sales represented 16.5 per cent of the total clothing sales. Shoe sales increased by 1.5 per cent in comparison to last year. Sports shoe sales represented roughly 29 per cent of the total shoe sales. (Source: Association of Textile and Footwear Importers and Wholesalers.

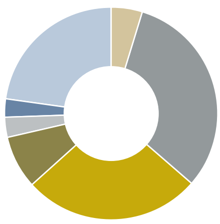
Clothing retail market in 2010 (€3,050 million)

OTHER CLOTHING SALES €690 million, 22.6% (38%)

OTHER SPORTS STORE SALES €86 million, 2.8% (7.5%)

SPORTSWEAR SALES IN DEPARTMENT STORES €95 million, 3.1% (3.3%)
Budget Sport, Elmo-Sport, Intersport, Kesport, Partiokaupat, SGN Sportia, Stadium, Top-Sport

SPORTS STORE CHAINS €242 million, 7.9% (5.7%)
Budget Sport, Elmo-Sport, Intersport, Kesport, Partiokaupat, SGN Sportia, Stadium, Top-Sport



MAIL ORDER AND ONLINE SALES €150 million, 4.9% (37.6%)

CHAINS €967 million, 31.7% (13.1%)
Aleksi 13, Dressmann, H&M, Halonen , JC, KappAhl, Lindex, Marimekko, Nanso, Seppälä, Moda, Jim& Jill, VILA, Vero Moda, Jack&Jones, Only, Name it , Selected

DEPARTMENT STORES €820 million, 26.9% (2.8%)
Anttila, Citymarket, Prisma, Sokos, Stockmann, Tokmanni

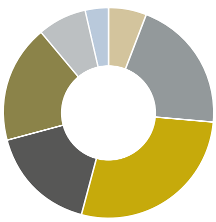
Shoe sales in 2010 (€537 million)

OTHER SPORTS STORES €18 million, 3.4% (0%)

DEPARTMENT STORES, SPORTS SHOES €41 million, 7.6% (2.5%)

SPORTS STORE CHAINS • €97 million • 18.1% (-5.8%)
Budget Sport, Elmo-Sport, Intersport, Kesport, Partiokaupat, SGN Sportia, Stadium, Top-Sport

SHOE STORES €90 million, 16.8% (5.9%)



MAIL ORDER AND ONLINE SALES €32 million, 6% (6.7%)

CHAINS • €110 million, 20.5% (5.8%)
Aleksi 13, Andiamo, Din Sko, Halonen, K-Kenkä

DEPARTMENT STORES €149 million, 27.7% (3.5%)
Anttila, Citymarket, Prisma, Sokos, Stockmann, Tokmanni

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 the 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 the European department store trade in general. In 2010, the turnover of the department stores and hypermarkets of the FGTA member companies grew by 2.7 per cent in comparison to 2009.

The product group that saw the biggest growth in turnover was food. In 2010, the sales of food grew by 3.0 per cent, home and leisure products by 2.4 per cent, clothing by 2.1 per cent and consumer goods by 2.3 per cent in comparison to last year.

Total sales (in € million), number, and sales trend of department stores owned by the FGTA's member companies in 2009 and 2010 (VAT 0%)

	Qty. 2009	Sales 2009	Qty. 2010	Sales 2010	Change (%)
KESKO					
Anttila	40	39	433	425	-2.1
Citymarket	69	69	1,780	1,886	6.0
S GROUP					
Sokos	22	22	479	473	-1.0
Prisma	55	60	2,150	2,429	13.0
SUOMEN LÄHIKAUPPA OY					
Euromarket	19	6	277	124	-55.1
STOCKMANN Finnish dept. stores	7	7	626	663	6.0
TOKMANNI	139	142	601	633	5.4
MINIMANI	7	6	117	102	-13.1
TOTAL	**358**	**351**	**6,463**	**6,735**	**4.20**

SOURCE: PTY

VILLAGE GROCERY STORES

Without village grocery stores, it is impossible to live in scattered settlements. 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 approximately 40 stores per year. At the moment, the total number of stores is a bit over 400.

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 'Lähilogistiikkayrittäjyys' (local logistics entrepreneurship) project by the Association of Finnish Local and Regional Authorities.

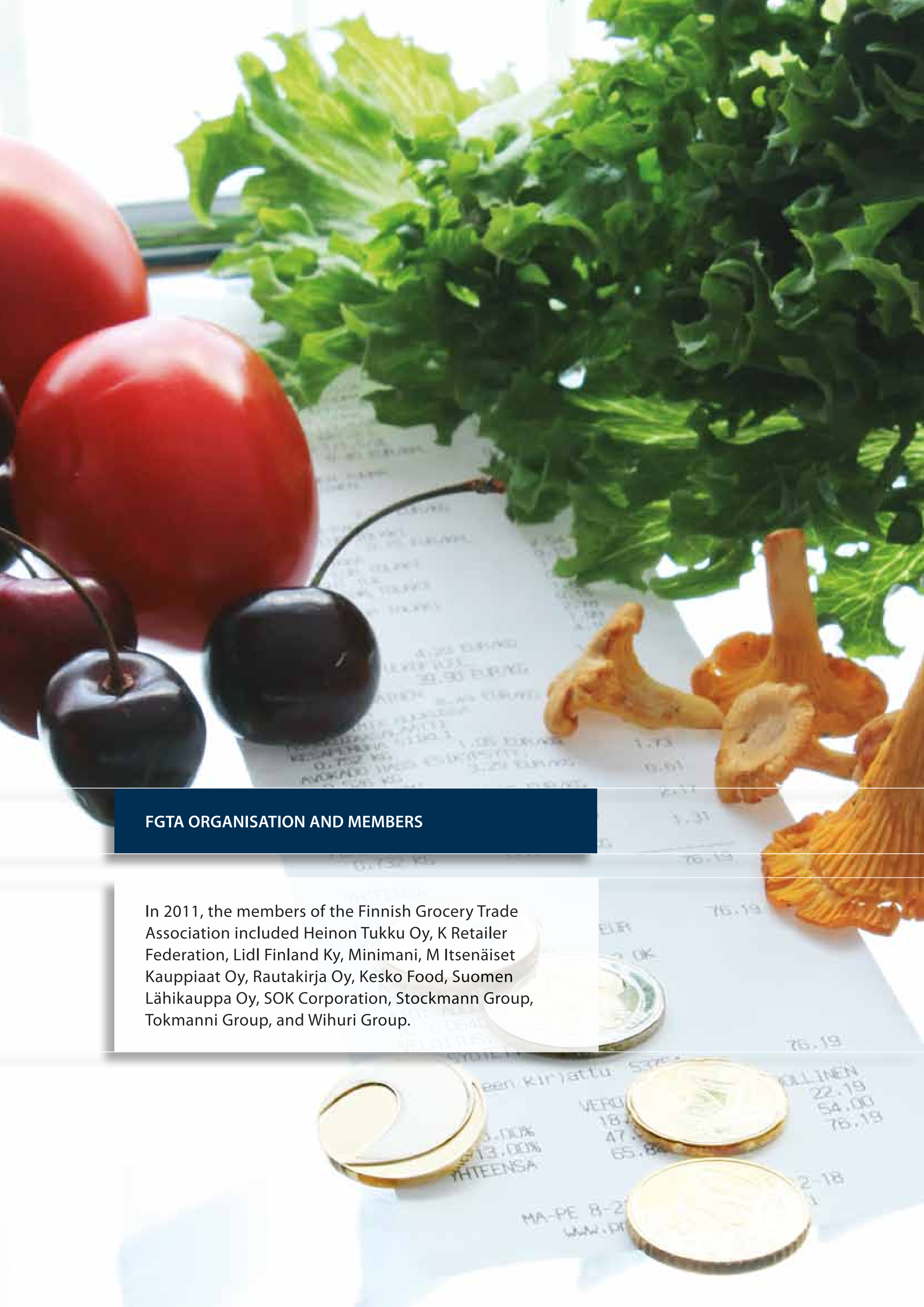
To maintain purchasing power, it would be vital to allow the sales of mild alcoholic beverages and non-prescription medicine in village grocery stores as well as develop a medicine cabinet system for prescription medicine.

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

Village grocery stores in 2010 (excluding closed stores)

Region		Qty.	Grocery sales (€ million)	Percentage
1	Uusimaa	29	15.5	8.4%
2	Finland Proper	36	11.8	6.4%
3	Satakunta	19	6.3	3.4%
4	Tavastia Proper	12	3.8	2.1%
5	Pirkanmaa	31	12.6	6.8%
6	Päijänne Tavastia	12	5.2	2.8%
7	Kymenlaakso	13	5.5	3.0%
8	South Karelia	14	7.5	4.1%
9	Southern Savonia	24	7.4	4.0%
10	Northern Savonia	26	8.4	4.6%
11	North Karelia	20	7.2	3.9%
12	Central Finland	16	5.9	3.2%
13	Southern Ostrobothnia	24	7.8	4.2%
14	Ostrobothnia	37	21.6	11.7%
15	Central Ostrobothnia	10	7.5	4.0%
16	Northern Ostrobothnia	30	19.1	10.3%
17	Kainuu	13	4.0	2.2%
18	Lapland	35	20.2	10.9%
19	Aland Islands	16	7.4	4.0%
Total		**417**	**184.7**	**100.0%**

SOURCE: NIELSEN STORE REGISTER 2010



FGTA ORGANISATION AND MEMBERS

In 2011, the members of the Finnish Grocery Trade Association included Heinon Tukku Oy, K Retailer Federation, Lidl Finland Ky, Minimani, M Itsenäiset Kauppiaat Oy, Rautakirja Oy, Kesko Food, Suomen Lähikauppa Oy, SOK Corporation, Stockmann Group, Tokmanni Group, and Wihuri Group.

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 social political decision-making. It improves and develops the general operating conditions of its members and the whole sector.

The FGTA's board of directors wields the supreme executive power in the association. It concentrates on governing the association and securing the general operating conditions of grocery trade. The FGTAs working groups prepare the key issues of grocery trade in collaboration with the office of the association.

Retail group handles projects that improve the operating conditions and competitive ability of trade and the whole food chain. They do this from a store-specific viewpoint. The Village grocery store working group improves the operating conditions of village grocery stores in sparsely populated areas.

Purchasing and logistics group concentrates on improving the efficiency and competitive ability of the whole grocery trade sector in a long chain of transactions, from primary production to the consumers.

Research group provides a background for business political interest protection by researching the regulation of trade.

Information management group monitors the development of information technology and helps the other FGTA groups in their information technology-related projects. The group also participates in projects that deal with the management of the joint product data bank of trade and industry, XML messages, and the RFID technology.

HoReCa wholesaler group is responsible for affairs related to the wholesale distribution of groceries for industrial kitchens and institutions, as well as cash & carry operations.

Product safety group deals with food and product safety legislation-related affairs and is responsible for influencing them. Additionally, the group develops store-specific self-monitoring practices within various projects.

Communications group is an expert group that monitors and aligns communications.

Staff of the Finnish Grocery Trade Association in 2011

ORGANISATION OF FGTA IN 2011

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Esko Sutelainen, Suomen Lähikauppa Oy
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Sami Vilkki, Tokmanni Group
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