

October 31 2022

Nordic e-commerce under the magnifying glass

The Nordic countries, in this text defined as Denmark, Finland, Norway and Sweden, share a common heritage dating back at least to the Viking Age, with several unions in the past and close cooperation today. At 470 000 square miles, the Nordic countries form one of the largest regions in Europe, but are home to around 26 million people, accounting for a mere 5% of Europe's population. The countries are, with the exception of Denmark, among the most sparsely populated in the world. A fact that has meant that the region has a long history of distance and mail order trading.

The Nordic countries were out early when it came to building an internet infrastructure, even in thinly populated areas. So when online access became possible for almost everyone, and e-commerce gradually developed, the conditions for and the willingness for online shopping was already there.

Nordic consumers have thus been relatively mature in their behavior when it comes to e-commerce for quite some time. But rest assured, the development has been amazing here too. If we, for example, look at the proportion of residents in the Nordic countries who shopped online once a quarter in 2015, it was 23%. In 2021, the proportion who shopped online three times a month was 24%.

The Nordic online consumers have a lot in common when it comes to shopping behavior and preferences. However, e-tailers wishing to establish operations in the Nordic region should beware of treating the four countries as one single market. There are significant differences in some respects.

Therefore, the best is to take a look at the four different markets one by one:



Sweden

With 10 million inhabitants, the largest country in the region, and obviously also the largest market. Sweden's e-commerce market is one of the most developed in Europe. Prior to the outbreak of the coronavirus pandemic, e-commerce accounted for 11% of the total retail market. By the end of 2020 this figure was 15%. A characteristic feature of Swedish consumers is their high propensity to try new technological solutions. The pandemic certainly accelerated the process of e-commerce taking larger and larger market shares. Most e-retailers in Sweden feel that the coronavirus pandemic has been positive for their sales. Only nine percent state it has been very negative.

The product categories that Swedes prefer to buy online

Back in 2013, books was the category that was number one to buy online in Sweden, followed by clothing & footwear and home electronics. Nine years later, in 2021, clothing & footwear and home electronics maintained its positions as number two and three. The number one product category was pharmacy products. And of course, the pandemic has led to some changes in which products were purchased online. In 2018, interest in buying groceries online was quite limited, 10% of the consumers stated that they had bought food online. In 2020, the worst covid period, 35% shopped food online, and in 2021 it was 32%. This clearly shows that buying habits that are more or less forced upon people, have a tendency to stay when they discover that it actually works. Other categories which are growing year by year in Sweden are cosmetics & skin care and home furnishings. When Swedish online consumers buy products from other countries they prefer China, the UK and Germany.

Marketplaces

At the end of the year 2020, Amazon launched it's Swedish e-commerce website. Initially it was widely criticized for inaccurate translations and a relatively small product range. Despite the criticism, four out of ten Swedes were interested in shopping from the website, and a few months after the launch, twelve percent had purchased something from Amazon. However, the German fashion giant Zalando is by far the most popular international marketplace among Swedish online consumers with 41% buying from it in 2021. Amazon is now number two in Sweden with 27%, followed by Wish with 22%.

Preferred delivery methods

When it comes to how the Swedes prefer to get their online items delivered, home delivery without signature is the number one alternative stated by 31%, followed by delivery to mailbox with 23% and collect the product myself from a service point at 23%. When it comes to requirements for delivery time, Nordic consumers in general have long been among those who have been most patient, but there we can now see a tendency towards the demands for faster deliveries starting to apply here as well.



Denmark

With almost 6 million inhabitants, Denmark is the second largest country in the Nordic region in terms of number of people, but clearly the smallest in terms of land area. Transport distances are relatively short which means that Danish domestic e-commerce has fairly fast delivery times compared with the other Nordic neighbours. The e-commerce market is well established since quite long ago, and according to several studies the Danish online consumers spends the most money per capita among the Nordic markets. Almost 90% of Danes between 18 – 79 years state that they have shopped online. According to DESI, the European Commission's Digital Economy and Society Index, Denmark is in second place, behind the UK, in terms of the percentage of the population who make purchases online. Moreover, consumers are not alone in being digital savvy in Denmark. A total of 54% of the Danish companies state that they are highly digitalized – the highest level in the EU, where the average is 28%.

The product categories that Danes prefer to buy online

The top three physical products to buy in Denmark are the classic online categories clothing & footwear, bought by more than 50% of the online consumers, followed by home electronics and cosmetics & skincare. As in Sweden, the coronavirus pandemic gave a boost to the food/groceries category also in Denmark. In 2018, 11% of the Danish consumers stated that they bought food online, in 2021 the number was 24%. The pandemic also affected online sales of pharmacy products. In 2018, the category was not among the top ten, in 2021, 27% stated that they had bought pharmacy products. When buying cross-border, the Danes tend to favor China, the UK and Germany.

Marketplaces

The German fashion retailer Zalando is a popular market participant also in Denmark, and the company launched its second-hand service Zircle on the Danish market during last year. Another new player is the online platform The Founded, started by the Danish fashion company Bestseller Group. The platform offers sales of several fashion brands, including clothing from Jack & Jones, Vero Moda and only. However, the top three dominants are still Zalando at 42%, followed by Wish with 22% and Zalando at 20%.

Preferred delivery methods

Concerning preferred delivery methods among Danish consumers, the pandemic has been involved and affected here as well. If we go back to 2018, the most preferred alternative was to pick up the purchased item myself from a service point. During and after the pandemic, by far the most popular option has been home delivery with signature at 34% followed by home delivery without signature at 21%, and only thirdly to pick up at a service point at 18%.



Finland

With a population of a bit more than 5,5 million, Finland is the third country in the Nordic region in terms of population. As in the case of Sweden, the country is rather sparsely populated outside the metropolitan areas. This is most likely the reason why the Finnish e-commerce consumers are among those in Europe who are most likely to accept longer delivery times, in contrast to consumers in densely populated Denmark. Finnish e-commerce has historically lagged somewhat behind the other countries, despite the country's high level of digitalization. Finnish consumers in the older age categories have been more skeptical about e-commerce than comparable age groups in Sweden, Denmark and Norway. However, during the coronavirus pandemic, the online share of total retail sales has increased in Finland and new consumer groups have hit the market. The percentage of people who state they shop online at least once a month has increased from 49% in 2020 to 59% in 2021, and also 30% of the consumers said that they spent more money than usual during the pandemic.

The product categories that Finns prefer to buy online

Just as in the case of Sweden and Denmark, the top three most commonly products bought online are clothing & footwear at 55%, followed by home electronics at 40% and cosmetics and skin care at 33%. Groceries, pharmacy products and home furnishing has also gained shares the last few years. If we compare with the situation in 2016, those product categories were not even in top eight. The Finnish consumers are quite keen cross-border buyers. This can probably be linked to the fact that historically there have been comparatively few domestic strong brands. When making cross-border purchases, the Finns prefer to shop from China, Germany and the UK.

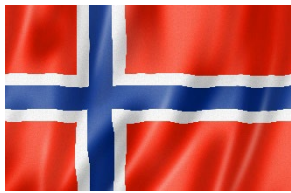
Marketplaces

Finnish consumers are least likely to have purchased products from marketplaces if we compare to the Nordic neighbours. As much as 39% of the Finns state that they have not bought from any platform during 2021. As mentioned earlier, they are fond of shopping from Germany so the total dominant among the marketplaces is

Zalando, with 36% of the consumers having made purchases, followed by eBay with 18% and Amazon at 15%.

Preferred delivery methods

In most of the markets studied in the Direct Link/PostNord report “E-commerce in Europe 2021”, home delivery is clearly the most preferred option when it comes to delivery alternatives. This is not the case in Finland. Consumers here are the only ones in the survey who hold collect myself from a parcel machine as their number one preference with 34% preferring this option, followed by delivery to mailbox at 27%, and collect the item myself from a service point at 17%. Further more, compared to most other European online consumers, the Finns do not consider fast deliveries to be that important. They are more interested in being able to choose the place for the delivery.



Norway

Having a population of 5,3 million, Norway is the smallest country in the Nordics in terms of number of inhabitants. It is also the only country in the region that is not a member of the EU. This fact places some special demands on foreign e-retailers who want to do business here – more about that further down in a separate text*. Consumers in Norway, as in the rest of the region, are digitally mature and internet use is among the highest in Europe. The pandemic has given many Norwegian e-commerce companies a major boost. In its annual report for 2020, the sports chain XXL reported growth of 43%. As a result of the tough restrictions during the pandemic, many companies have been forced to rethink. When DIY chain Clas Ohlson had to keep their stores closed, they offered the “curbside pick-up” delivery option – an option which has become very popular. Home delivery of food did also become very appreciated during the restrictions.

The product categories that Norwegians prefer to buy online

The Norwegian online consumers favors more or less the same products as consumers in their neighboring countries. The top products has virtually been the same over the last seven, eight years. The difference is that they now buy more of them, and more often. In 2016, 28% bought clothing & footwear, 16% purchased cosmetics and skin care. while 16% purchased cosmetics and skin care. In 2021, the

equivalent numbers were 56% for clothing & footwear and 31% for cosmetics and skin care. When buying online from other countries, they favor China, the US and the UK.

Marketplaces

Norwegian consumers have a strong interest in cross-border shopping. The German fashion giant Zalando tops the list of favorites also in Norway. Consumers here also buy more from the US than do their Nordic neighbors, which may be related to the fact that Norway is not a member of the EU. In addition to the foreign market places, Norway has quite a number of domestic companies with large market shares such as Komplet.no, which sells electronics, and the grocery chain Kolonial.no.

Preferred delivery methods

In 2016, the most preferred delivery option for Norwegian online consumers were collect the item myself from a service point. This alternative were favored by 52%. The second most popular was delivered to my mailbox by the mail carrier at 25%, and the third delivered to my home during daytime at 8%. In 2021, these positions were more or less the same but at other levels, with collect myself from a service point at 44%, delivery to mailbox at 18% and home delivery at 15%.

*Shipping e-commerce items to Norway – then you need to comply with the VOEC scheme.

As from July 1st 2021, the EU introduced new rules on VAT that apply to all member states. The Import One-Stop Shop (IOSS). According to the VAT rules applicable up until July 21st, no import VAT had to be paid for commercial goods of a value up to EUR 22. After that date, all commercial goods imported into the EU from a third country or third territory is subjected to VAT, irrespective of their value.

Norway, which is not a member of the EU, has its own system called VOEC, VAT On Electronic Commerce. The purpose is to simplify customs procedure, with no customs declaration. The main element of the scheme is that foreign sellers with a total turnover in Norway exceeding 50 000 NOK during a twelve months period, will be liable to pay Norwegian VAT when selling low value goods, valued at less than 3,000 NOK to consumers in Norway. If you are sending goods with a value above that limit, no VOEC registration is possible, all items exceeding that value will be customs cleared into Norway.

Thus, as a foreign e-commerce provider selling to Norwegian consumers, and qualified as above, you need to register for VOEC. Please find more information following the link below:

<https://www.skatteetaten.no/en/business-and-organisation/vat-and-duties/vat/foreign/e-commerce-voec/>

*Olof Källgren,
Direct Link Market Information Manager*