



# FOOD FOR THOUGHT

NHH  
INTERNATIONAL  
CASE  
COMPETITION

COOP NORWAY CASE FOR THE NHH INTERNATIONAL CASE COMPETITION 2019

coop





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Photo: John Terje Pedersen



# THE BACKDROP

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It is said that while twice is a happy coincidence, a third regular occurrence marks the manifestation of a tradition. This autumn, you are a part of the select few that have been chosen to compete in the 3rd edition of the NHH International Case Competition. Along with Coop Norway, the organizing committee are thrilled to have you here. We look forward to seeing you build on and continue the legacy of hard work and great memories from years past, while turning your eyes towards the future of the grocery market.

The retail market has long been faced with the implications of the “retail apocalypse”, and the underlying factors having contributed to the demise are relevant also for grocery retail. If the grocery chains are not able to adapt quickly enough, a bleak road may lie ahead.

Norway is among the countries in Europe with the most grocery stores per resident. Coop’s large network of physical stores, in 2018 totalling over twelve hundred and

spanning from the northernmost to the southernmost of Norway, has until now provided the main meeting point between Coop and the customers, including its more than 1.7 million co-owners.

The Norwegian grocery market is highly concentrated around the three major players, notably NorgesGruppen, Coop, and Reitangruppen, with Bunnpris in the place as fourth largest. The focus in the past has been placed on efficient operations and competitive prices. However, consumer preferences are shifting, with customers placing more value on convenience and sustainable products and operations. The Norwegian consumers are always online and nearly everyone owns a smartphone. Over the last couple of years a few new entrants and traditional players have launched online concepts. The overhanging possibility of digital disruption adds to the already strong market competition. The traditional grocery chain is under pressure to transform.

Will the future population be more interested in sustainable, locally sourced food or having a bountiful selection of goods to choose from? Is the outlook of a hassle-free shopping affair enough to change our habits into ordering all our food online? Are there other factors influencing our behaviour that may play a much greater role?

The one thing that is certain is that the wind of change is close to be felt, and Coop is ready to tackle it head-on. They believe that the physical experience of grocery shopping can be transformed and adapted to suit the needs of the future customer, retaining focus on the group that serves as the roots for their foundation – the consumer.

The next twenty-four hours will see you adapting the strategic rationale behind Coop’s physical stores in Norway to match the demands of generation X, Y, Z and beyond.



# ABOUT THE COMPANY

## A proud history spanning 150 years

Coop Norway has a long and proud history. In 1867, Arne Consumer Association was established in the outskirts of Bergen, in order to secure the members goods at reasonable prices. The consumer association was founded on many of the same values and principles that Coop lives by more than 150 years later. The consumer association in Norway was inspired by the Rochdale Society of Equitable Pioneers in Rochdale, England, founded in 1844. Today, retail cooperatives operate in many countries around the world, but there are limited formal ties between the different national retail cooperatives.



Photo: Østland/Oslo Museum

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**The consumer association was founded on many of the same values and principles that Coop lives by more than 150 years later.**



	<b>1860</b>
<b>1867</b> Norway's first Consumer Association is established in Norway (outside Bergen)	
	<b>1900</b>
	<b>1907</b> Norway's Cooperative National Association, NKL, is established (today known as Coop)
	<b>1910</b>
<b>1911</b> NKL's first warehouse is opened, and during the years to come NKL opens a number of warehouses around the country	
<b>1911</b> NKL commences production of own goods (margarine and later on also non-food items)	
	<b>1940</b>
	<b>1947</b> Oslo Cooperative opens Norway's first self-service grocery store
	<b>1950</b>
<b>1951</b> The government allows the cooperatives to sell goods also to non-members	
	<b>1960</b>
	<b>1968</b> The first hypermarket opens
	<b>1980</b>
<b>1980</b> Blue&White product line is successfully launched – the precursor of Coop's private brand	
	<b>1990</b>
	<b>1992</b> The membership program is launched
	<b>2000</b>
<b>2005</b> Coop reaches 1 million members (co-owners)	
	<b>2010</b>
	<b>2011</b> Coop enters a joint venture with customer insight company dunnhumby (dunnhumby Norway)
	<b>2014</b> Coop opens a modern automated logistics center
	<b>2015</b> Coop acquires ICA Norway (over 500 stores) and becomes the second largest player
	<b>2019</b> Coop opens Norway's first 24-hour grocery store in Oslo. The store is unmanned by night
	<b>2019</b> Coop launches mobile payment solution Coopay
	<b>2019</b> Coop has over 1.7 million co-owners and over 1,200 stores across the country
	<b>2020</b>



## ABOUT THE COMPANY

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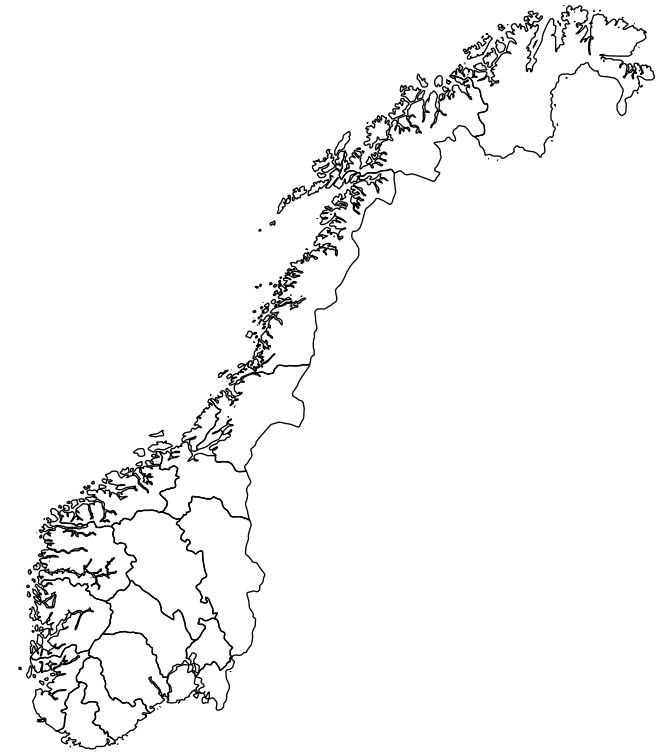
### The 12<sup>th</sup> largest company in Norway today

Today, Coop has more than 1.7 million co-owners, through membership in one of the local cooperatives. There are more than 1,250 Coop stores around the country. In total, Coop employs around 28,000 people in stores, distribution and administration. Most of the stores are owned and run by the local cooperatives. However, a few hundred stores, which were acquired from the competitor ICA Norway a few years back, are run by a subsidiary of Coop Norway.

Coop Norway SA is a company owned by the local cooperatives and handles joint functions on their behalf such as purchasing, logistics, chain operations and marketing of the six grocery chains and two DIY-home improvement chains. Coop Norway also has various subsidiaries focusing on food production, property development and transportation.

Coop operates in both the grocery market and the DIY-home improvement market. The latter group of stores is not in scope in this case. The grocery stores sell both food items (dry goods, fresh goods, produce, etc.) and non-food items. Coop's own brands represent around 20–21% of the total sales. Non-food and DIY-goods are also available today through the Coop e-commerce solution for the Obs-chain.

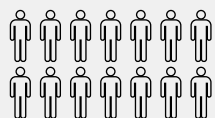
In 2018, Coop had a total revenue above NOK 60 billion, of which the six grocery chains represented NOK 51.5 billion. The grocery market is a low-margin business, typically around 1–3% after cost margin on sales, due to high costs related to purchasing, logistics (including distribution) and marketing. For the stores, the largest cost drivers are labor and rent. In the Norwegian grocery market, store labour cost typically represents around 8–12% and store rental cost 3–7% of total store revenue.







## THIS IS COOP



# 1.7 million

### CO-OWNERS

More than 1.7 million people own Coop through membership in one of the local cooperatives.

# 76

### LOCAL COOPERATIVES

The local cooperatives own and operate Coop's stores throughout Norway.



# 1,221

### STORES

Distributed across six grocery chains and two DIY home improvement chains covering the whole country.



# 28,000

### EMPLOYEES

5,216 of whom work in Coop Norge SA.

The local cooperatives own **Coop Norge SA**, which handles central joint tasks for the local cooperatives such as purchasing, logistics, chain operations and marketing of both grocery and DIY home improvement chains.



*Matkroken*



### COOP NORGE INDUSTRI AS



is a fully owned subsidiary of Coop Norway. The company produces baked goods, juice and jam through own subsidiaries.

### NORSK BUTIKKDRIFT AS



is a fully owned subsidiary of Coop Norway. The company operates the stores that were acquired from ICA Norway in 2015.

### COOP NORGE EIENDOM AS



is a fully owned subsidiary of Coop Norway. The company focuses on property development and contributes to establishing Coop stores.

### COOP NORGE TRANSPORT AS



is a fully owned subsidiary of Coop Norway. The company contributes to transportation from warehouse to stores (Coop also uses third party transportation services).



## ABOUT THE COMPANY

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### Owned by the customers

As a consumer-owned organization, Coop stands out from its competitors. This is reflected in Coop's mission to create value and benefits for the co-owners, through financially efficient and professional operations. Co-ownership provides an opportunity to influence and to participate in the profits generated. This also entails voting rights through the co-owner democracy. The value creation is not about making a few people rich but creating value for many. The uniqueness of the cooperative model is seen by the company as a sustainable competitive advantage that can be further leveraged.

Coop's loyalty program provides advantages and benefits to its co-owners. Normally, a fixed 1% purchase-dividend is disbursed, though some cooperatives pay a higher fixed

percentage. In all cases, the percentage is fixed regardless of the amount the co-owner spends in Coop throughout the year. Co-owners are also eligible for other advantages. This entails various financial benefits, such as coupons and discounts, as well as bonus in connection with purchases from selected partners in Coop's partner program. Total benefits for the co-owners amounted to NOK 1.83 billion in 2018.

Recently, co-ownership seems to be resonating stronger than before also with the younger customer groups, and over 35% of the 100,000 new co-owners in 2018 were under 30 years old. At the same time, almost 60% of these were under 40, marking a clear tendency towards younger customer engagement.



**The value creation is not about making a few people rich but creating value for many.**

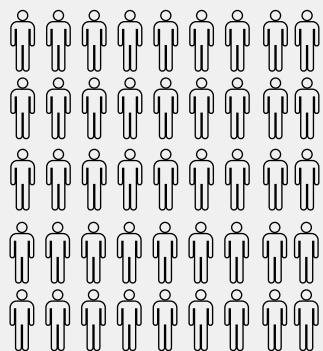


## COOP'S OWNERSHIP MODEL AND CO-OWNER DEMOCRACY

# 1.7 mill

### CO-OWNERS

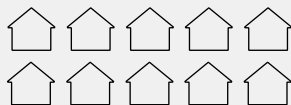
Co-owners, also known as members



# 76

### LOCAL COOPERATIVES

76 different cooperatives across the nation



# 2,000

### MEMBER REPRESENTATIVES

This is how the co-owner democracy is structured:

Each co-owner is a member of one of the 76 \*cooperatives in Norway.

The co-owners choose their representatives in local elections held in each cooperative, and the Boards of the local cooperatives nominate representatives to the Annual Meeting of Coop Norway.



### THE ANNUAL MEETING

The Annual Meeting is the highest decision-making forum in Coop Norway. This is an open meeting which means that all cooperatives have the right to attend with 1 representative voting on their behalf. The Annual Meeting appoints the Board of Coop Norway and the representatives also vote on important issues such as decisions or investments of great importance to Coop.

# 11

### MEMBERS

The Board of Coop Norway SA consists of 11 board members (and 3 deputy board members). 7 of these are appointed by the Annual Meeting, while 4 are appointed among and by the employees.

COOP NORGE SA



Photo: Coop





# PURPOSE, VISION AND CORPORATE STRATEGY

Coop Norway's corporate strategy is based on the company's history and tradition and shaped by trends and thoughts about the future. The company's ambition is to create sustainable value for our stakeholders going forward, while staying true to the company roots and using the uniqueness of the ownership model as a competitive advantage.

## Purpose

**Coop's purpose as a member-owned organization is, and has always been, to create utility and benefits for its members – the now 1.7 million co-owners.**

Coop's purpose is still an important foundation for the business today, and creating value for the co-owners is also a central part of Coop's vision and strategy.

## Vision

**Coop's vision is "Det skal lønne seg å velge Coop" – loosely translated that choosing Coop should pay off.**

This means that all key stakeholders should benefit from interacting with Coop. Coop should strive every day to create value for their co-owners, their customers, their employees and society they are a part of, as well as creating greater value together with partners and collaborators.

Choosing Coop should benefit consumers that choose to shop at Coop rather than the competitors – in form of quality, assortment, value-for-money, location (accessibility) etc. Being loyal to Coop should especially benefit the co-owners, in form of rewards, benefits, bonuses and exclusive offers.

Coop should have a positive impact on society, being a responsible market player and employer, minimizing environmental footprint, and playing an important social role nationwide and in local communities. Coop employees should feel valued, and they should have the opportunity to learn and develop. External parties should benefit from engaging or partnering with Coop, to create greater value together, because of Coop's competencies, capabilities,

culture, and customer and co-owner network. All our stakeholders should feel that they are able to influence and make an impact together with Coop – meaning that Coop should listen to the consumers' wishes, secure the members' interests, and actively listen to and engage the employees.

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**Coop's purpose as a member-owned organization is, and has always been, to create utility and benefits for its members – the now 1.7 million co-owners.**





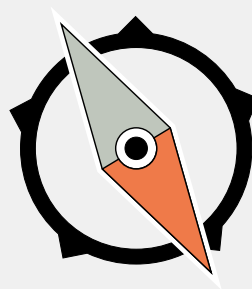
## PURPOSE, VISION AND CORPORATE STRATEGY

### Company values

**Coop is a value-based company and believes that the core values are vital in order to realize the company's vision and stay true to the company's purpose.**

The values guide the company in being honest, caring and making sure that the co-owners and employees are heard and have influence. The values encourage Coop to strive to be innovative and forward-thinking, to better meet the requirements of the future and capture new opportunities to create value for our co-owners and stakeholders.

However, the key value is the belief and pride in Coop's distinctiveness as a member-owned business. Collectively, the values play an important part in enabling the company to realize its vision and strategy, and the values play the role of a "moral compass" in everyday working life for all employees.



### COOP VALUES

#### ◆ CONFIDENCE IN OUR DISTINCTIVENESS

At Coop we have confidence in our distinctive character as a member-owned business that through financially efficient and professional operations, is seeking to maximize the benefit of both members (co-owners) and consumers.

#### ◆ INFLUENCE

At Coop, the members' influence, the employee's views and an active dialogue with the outside world, will help form our business.

#### ◆ CARING

Coop cares and shows compassion for people, animals and the environment. We work for sustainable social development.

#### ◆ HONESTY

At Coop we keep our promises. Consumers should feel safe shopping from products from our stores, and they should trust that they receive the necessary information about our goods and our business that might impact their choices.

#### ◆ INNOVATIVE

Coop shall benefit from advanced knowledge and technology, and will influence development in alignment with consumer interests.



Photo: John Torje Pedersen



## PURPOSE, VISION AND CORPORATE STRATEGY

### Corporate strategy

**“Putting the Customer First” is the backbone of Coop’s corporate strategy, and is an important part of the mentality in Coop.**

“Putting the Customer First” requires a customer-centric organization, where the entire value chain must collaborate together, in order to meet the needs of the customer.

Coop Norway and the local cooperatives have established three common goals for the current strategy period towards 2020; strengthening the market position in the Norwegian retail market, achieving the most satisfied grocery customers and maintaining the best reputation in the market. To achieve these ambitions, Coop Norway focuses on four key areas:

**1. Building upon Coop’s distinctiveness as a member-owned business.**



Photo: Espen Solli

**2. Creating exceptional customer experiences.**



Photo: John Terje Pedersen

**3. Ensuring the most efficient business processes.**



Photo: Espen Solli

**4. Cultivating a strong culture with the right competencies for the future.**



Photo: Coop



## PURPOSE, VISION AND CORPORATE STRATEGY

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**Building upon Coop's distinctiveness as a cooperative** means securing greater influence for the co-owners, while continuing to create greater benefits and rewards through developing the membership program and related services and offerings exclusive to co-owners.

The "4P's" product, price, promotion and place, form an important foundation for the shopping experience. Coop customers should find the goods they expect to find, and the goods should be of high quality, with good promotions and prices. Co-owners should be rewarded for their loyalty for each time they shop at Coop. However, **in order to create exceptional customer experiences**, Coop's strategy focuses on the entire customer journey – before, during and after the moment of purchase. An exceptional experience should be customized, personal, and cohesive, across relevant channels, brands and concepts. Customer communication must be individualized and based on insights from customer data. Coop and the various chain concepts must provide an offering which meets the ever-changing customer demands, heavily influenced by consumer trends such as convenience and sustainability among others.

Service, information and guidance are vital factors in delivering an exceptional customer experience, especially in physical stores, supported by use of digital tools.

**Ensuring the most efficient business processes** involves efficient processes for assortment, pricing, campaigns and (multi-channel) supply chain, as well as support processes for stores and HQ. These processes must be focused on putting the customer first, and at the same time be cost-efficient. Digitization and data insights play important roles in achieving this.

**Cultivating a strong culture with the right competencies for the future** is vital for achieving Coop's vision and strategic goals. All employees are trained in putting the customer first, and they are offered opportunities for further professional development. New ways of thinking and innovation are encouraged. At Coop, the employees – in stores, administrations and at HQ – are the key to success.

Sustainability plays an important role in both the customer experience and the supporting value chain and

back-end processes. Sustainability is engrained in our identity as a co-operative. Some of the most important topics for Coop are minimizing food waste and use of plastics, and in addition enabling a healthy lifestyle for consumers and co-owners.

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**Co-owners should be rewarded for their loyalty each time they shop at Coop.**





Photo: Coop







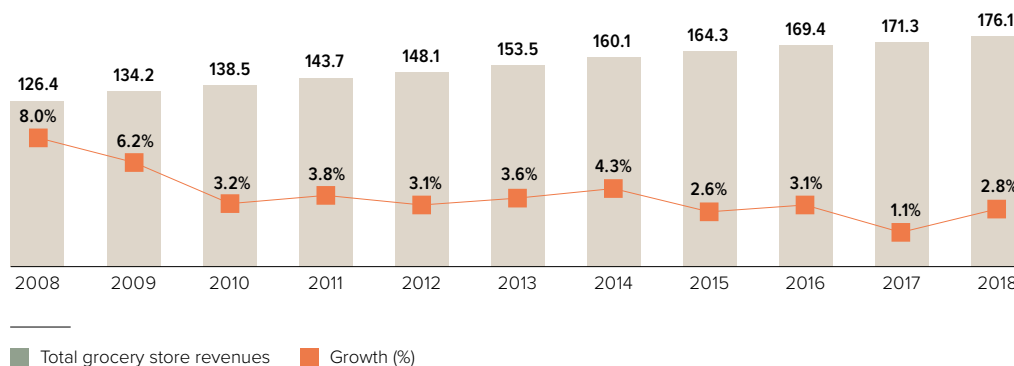
# THE NORWEGIAN GROCERY RETAIL MARKET

In 2017, the total market for food and beverage in Norway amounted to NOK 286.2 billion, which is a 2.6% growth from 2016. Grocery stores make up the largest sales channel, representing 60.7% of the total market (NOK 173.7 billion in sales). HORECA is the second largest with 27.5% of the market, followed by kiosk and service stations with 4.4%. Online makes up 1.0%, border shopping 3.4%, and other sales channels account for the rest.

In 2018, the Norwegian grocery market amounted to a whopping NOK 176.1 billion, according to Nielsen's report on the traditional grocery market. Nielsen's definition covers the brick and mortar chains of NorgesGruppen, Coop, Reitangruppen, Bunnpris and others (with some online sales included for NorgesGruppens chains). The Nielsen definition does not include other e-commerce players, cross-border shopping or dollar stores. With a population of 5.3 million, this amounts to approximately NOK 34,000 per Norwegian.

## TOTAL STORE REVENUE (NOK BILLION)

Total store revenue in the Norwegian grocery retail market, from 2008 to 2018.





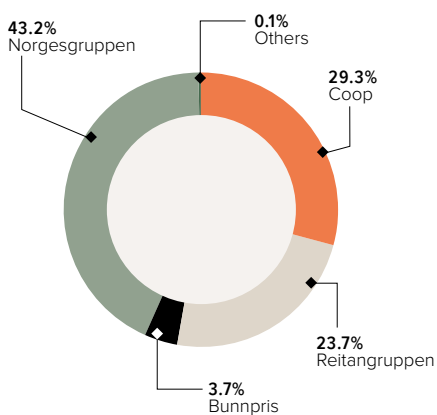
## THE NORWEGIAN GROCERY RETAIL MARKET

The domestic Norwegian grocery market is concentrated around three major players, NorgesGruppen, Coop, and Reitangruppen. Additionally, there is a significantly smaller chain without its own distribution, Bunnpris. Both

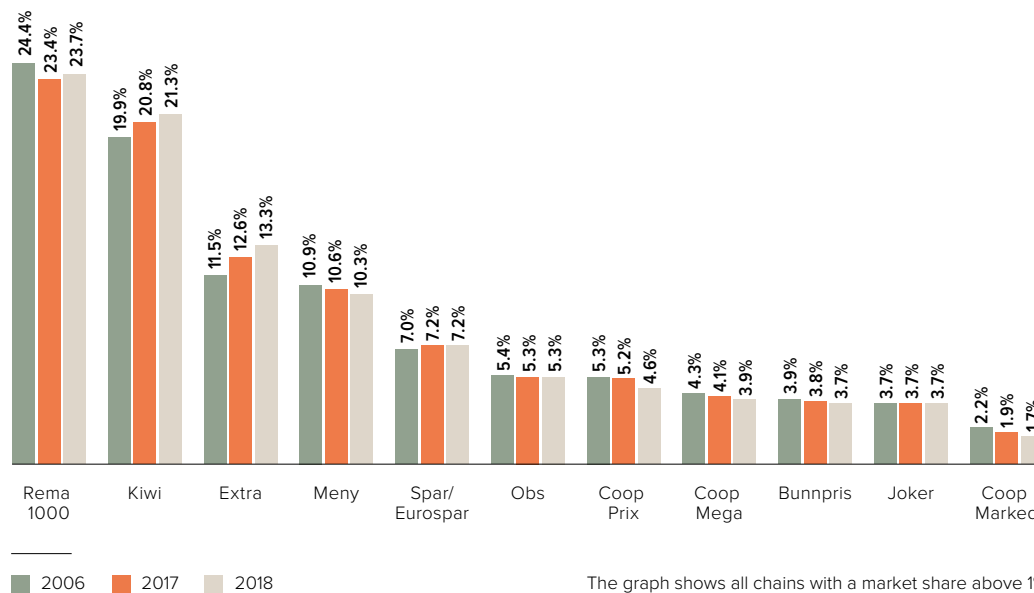
NorgesGruppen and Coop have several chain formats, while Reitangruppen and Bunnpris only have one brand for their grocery stores. All the three major players also operate as grocery wholesalers. ASKO is Norway's largest

grocery wholesaler and a part of NorgesGruppen. In 2017, Bunnpris changed their purchasing partnership from Reitangruppen to ASKO and NorgesGruppen.

**GROCERY RETAIL MARKET SHARES 2018**



**MARKET SHARES FOR THE LARGEST CHAINS**



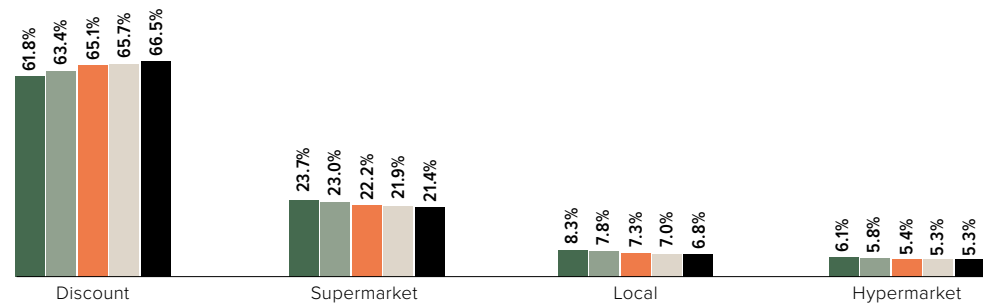


## THE NORWEGIAN GROCERY RETAIL MARKET

The Norwegian grocery market and chain concepts are also divided into four different segments; Discount, Supermarket, Local stores and Hypermarket. Discount is the largest segment with a 66.5% share of the total grocery market and has been growing steadily the last years. Supermarket is the second largest with a 21.4% share, Local Stores with a 6.8% share and Hypermarket with a 5.3% share.

Since 2008, the number of physical stores has decreased from 4,047 to 3,840. From 2017 to 2018 the number of physical stores has decreased from 3,847 to 3,840. Where Supermarkets decreased with 8, Discount stores increased with 31, Convenience stores decreased by 30 and Hypermarket stores remained the same.

MARKET SHARE PER SEGMENT 2014–2018



NUMBER OF STORES PER SEGMENT 2014–2018

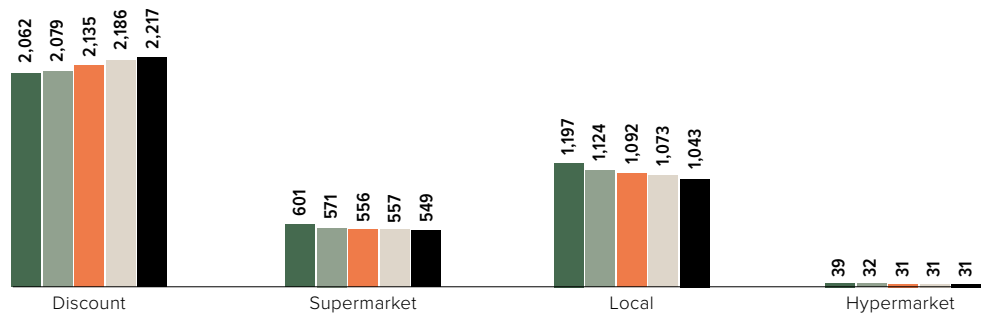




Photo: John Tarja Pedersen



## THE NORWEGIAN GROCERY RETAIL MARKET

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Competition among the grocery players has always been strong, and entry into the sector has over the course of later years proven to be a hard nut to crack. Exemplifying this, Lidl tried to establish a position in the Norwegian grocery market but ended up selling their stores to Reitangruppen. On the same note, Smart Club and Ica both sold theirs to Coop.

The barriers for building a traditional chain may be hard to overcome, but the current situation has however seen some smaller new entrants in the form of new types of concepts, e.g. niche frozen-food store Iceland and online pure-player Kolonial.no.

The estimated revenue through online grocery shopping was approximately NOK 2 billion in 2018. Kolonial.no is the largest player in this market, with a total revenue of NOK 919 million in 2018. Kolonial.no has a partnership with Rema 1000, giving them access to Rema 1000 assortment. Online competitor Marked.no shut down operations in early 2018, after few years of operation.

To create a new strong player within food-subscriptions, Adams Matkasse and Godt Levert decided to merge in the spring of 2017, after a slight decline leaving them with a total revenue of 581 million NOK in 2018. These numbers combined, with both Kolonial.no and the new Godt Levert, still only account for less than a percent compared to the total grocery market. One of the traditional players has also entered the online grocery market. NorgesGruppen has a click-and-collect solution for selected stores within some of their brick-and-mortar chains.

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**Competition among the grocery players has always been strong, and entry into the sector has over the course of later years proven to be a hard nut to crack.**





## THE NORWEGIAN GROCERY RETAIL MARKET

### KEY MARKET FIGURES



**286.2 billion**  
NOK

#### NORWEGIAN MARKET

The total Norwegian market for food and beverage in 2017.

**176.1 billion**  
NOK

#### GROCERY RETAIL MARKET

The Norwegian grocery retail market in 2018.

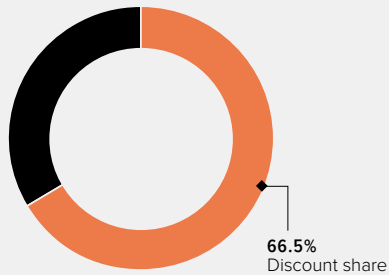


**2 billion**  
NOK

#### ONLINE GROCERY RETAIL

The total Norwegian market for online grocery retail.

### DISCOUNT SHARE OF TOTAL GROCERY MARKET 2018

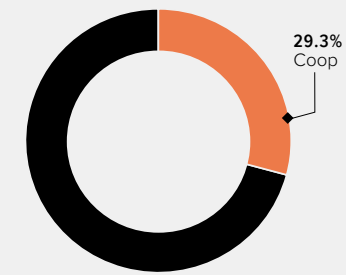


**3,840**

#### STORES






Number of grocery stores in 2018.

### COOP'S MARKET SHARE 2018





KEY FIGURES FOR THE FOUR LARGEST GROCERY RETAIL PLAYERS 2018

2018 FIGURES	COOP					
Chain						<i>Matkroken</i>
Segment	Discount	Hypermarket	Supermarket	Local	Local	Local
Avg. sq.m.	901	5,010	1,280	493	324	358
# SKUs	6,405	10,874	8,292	4,268	2,654	2,275
# Stores	427	31	74	251	233	99
Turnover (bNOK)	23.3	9.3	6.8	8.1	3.1	0.9
Market Share	13.3%	5.3%	3.9%	4.6%	1.7%	0.5%

2018 FIGURES	NORGESGRUPPEN					REITANGRUPPEN	I.K. LYKKE
Chain	Kiwi	Meny	Spar/Eurospar	Joker	Nærbutikken	Rema 1000	Bunnpris
Segment	Discount	Supermarket	Supermarket	Local	Local	Discount	Local
Avg. sq.m.	713	1,368	679	263	204	969	598
# SKUs	4,873	8,067	5,229	2,627	1,617	4,947	4,200
# Stores	665	186	289	458	162	633	241
Turnover (bNOK)	37.4	18.2	12.6	6.5	1.0	41.8	6.5
Market Share	21.3%	10.3%	7.2%	3.7%	0.6%	23.7%	3.7%



Photo: Ole Martin Wold / Coop





# SELECTED TRENDS

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Our activities both affect development and are affected by developments around us. In the following sections some of the major trends are outlined from three perspectives: Consumers, market and technology.

## Consumer trends

Norway has among the highest costs of living in the world and grocery prices are perceived to be high compared to the neighbouring countries. At the same time, the Norwegian wage level is very high, so Norwegians spend a relatively small portion of their wages on groceries. Groceries only represented 11% of total household spend in 2018. Standards of living are equally generally high. The trend among Norwegian consumers is an increased amount of money to spend, but less available time to spend it.

While consumers were historically traditional in their approaches to grocery shopping and price conscious, daily life where time is a limited resource has led to a shift towards easy solutions. Consumers are shopping more

often as hectic and unpredictable lifestyles get in the way of planning. 46% of Norwegians visit a grocery store three times or more per week! The battle to win the customer must therefore be fought every day. Convenience seems to be doing the trick as consumers crave instant fulfilment of their current demands.

At the same time, awareness and focus on sustainability is growing, and consumers request traceability. Responsible means of production are gaining traction. Locally sourced, animal cruelty free and climate neutral products are increasingly popular. In 2016, total revenue from local food and drinks amounted to NOK 4.8 billion, the growth rate almost three times higher here than in the traditional grocery market.

In August 2019, a report from the IPCC stated the need to cut meat-consumption. Alternate dietary choices with less or no meat or other animal-based products are gaining popularity. Still, only around 2–4% of the Norwegian population identify as vegetarians or vegans. In compari-

son, around 33% of the British population have a meat-free diet.

The app “Too good to go” went from zero to 750,000 users in three years and has to date saved around 20 million portions of food from bins around Europe. The importance of this is underlined by the trade agreement signed by representatives of the domestic food industry and the Norwegian government, committing to reducing food waste by 50% within 2030.

With Greta Thunberg at the helm, also children and younger generations are marking their stance on the subject. The “school-strike for the climate” held in Oslo in March had close to nine thousand people mark “attend” on Facebook!



## SELECTED TRENDS

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### Market trends

The fight for the Norwegian consumer is not one to be taken lightly. With the highest store density in Europe, not even including cafés, restaurants or kiosks, grocery stores are going to great lengths to win our attention. Convenience stores are widening their reach, increasing in numbers over the last few years.

On average 3.5 different store-concepts are visited per capita every month, and accessibility is trumping loyalty. Heightened competition in the Norwegian grocery market has led to a clearer concept of development and differentiation between the different players. Building on this, self-owned brands provide the fastest growing product lines in the industry. Consumers can choose from a variety of soft discount stores, supermarkets, online channels and local- and convenience-stores. At the same time, in-store and back-end operations are increasingly being digitized.

E-commerce activity is intensifying, although online penetration for groceries is low compared to in other

sectors. Barriers in form of geographical challenges related to freshness and last-mile distribution have until now reduced the incentives of the major chains to encourage this shift. Having already penetrated other markets as a prevailing means of shopping, development for online groceries in Norway has been comparably slow. Still in a starting phase, online groceries have as of yet got a limited geographical reach, concentrated mainly in eastern Norway. 4 out of 10 Norwegians want to utilize the internet for grocery shopping to a higher degree than they do today. According to their 2017/2018 report, Virke projects the online grocery market to approximately NOK 16 billion in 2030 (vs. about NOK 2 billion in 2016). However, Norwegian opinion shapers are diverged in their opinions about the prospects of online grocery retail going forward.

In the report “Shopper trends 2019”, ten percent of the respondents have stated that they have bought products like fresh groceries, packaged food & beverages, home care products, beauty & personal care, baby supplies online within the last month, a stable total share compared to

previous years. The report also found that there has been an increase in ‘everyday’ online grocery shopping. Fresh produce is the most popular category of food that is bought. Outside Norway we also find e-commerce actors specializing in commodity groups that recently have become more expensive as a result of changes in VAT fees.

Another prevailing trend is the use of loyalty programs. Coop, NorgesGruppen and Rema 1000 all have loyalty programs with discounts and other benefits for their consumers, named as listed Coop Medlem, Trumf and Æ. Big data from these programs and other sources can be used to tailor the perks to fit the interests and profile of individual users. Personalization as a result of gained customer insight is still in the starting pit.

Taxes, fees and prices in general have incurred a perhaps slightly distinctive characteristic for Norwegian consumers. According to Shopper Trends 2019, 58% of all Norwegians have border shopped the past 12 months, which involves leaving Norway to buy groceries. Fresh produce and soda are the most popular food items to bring back.





## SELECTED TRENDS

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A noticeable tendency within groceries is also that the traditional industry lines are getting blurred. According to Shopper Trends 2019, 54% have bought food and groceries in a “dollar store” the past 6 months. Europris is currently Norway’s largest player in this segment and has had a good development in 2018 with a total growth of 7.3% compared to last year.

Nille and Normal are other examples of shops with new business models providing customers with access to goods within categories previously dominated by the grocery chains. Healthcare and personal hygiene products have been particularly subject to this so far. This kind of industry fragmentation emphasizes the importance of adaptability going forward. Evolving platforms and systems also enable further kinds of new business models, and where players manage to deliver customer value across industries, there are market shares to be won.

### Technology trends

The ever-increasing spectre of available technology is another factor making itself noticed in multiple areas within the grocery market, and trending in the implementation of the solutions they offer is strong customer orientation.

Simple tech-solutions aim to save shoppers time, and chains money, e.g. with self-checkouts, automated pricing systems, mobile payment, etc. Enabling this is Norway’s overall relatively tech-savvy population, whereof 95% of people between 9 and 79 years of age have use of a smartphone. Digital maturity is high, and the hyper-connected society is helped further by one of the world’s best 4G-coverages.

Staying connected also enables customers and stores to follow up on their relationships more closely, underpinned by an increasing use of loyalty programs. These can serve as a means of personalization. Pricing models, offers, inspiration, and forms of payment, can through data be tailored to fit the preferences of the specific customer.

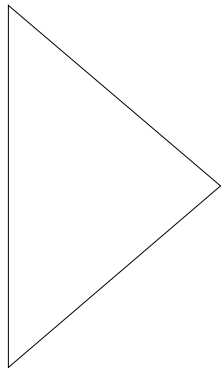
Data is of essence also for more back-office functions. Knowing the extent of estimated sales and purchase patterns enables improvement in logistics systems for transport, stocks and inventory management, and more. One already sees the use of this in endless-shelf systems. Furthermore, automating deliveries and other aspects through voice activation or even robots will potentially mean an even smoother grocery shopping experience.

Is the slick, clean, human-less grocery store really what the consumers want? Is the end of shops as we know them near, or will the chains be able to modify their concepts to accommodate what is coming? What is certain is that with change comes possibilities for those willing and able to grasp them, and on that note, it is time to get ahead with the task at hand.



# YOUR TASK

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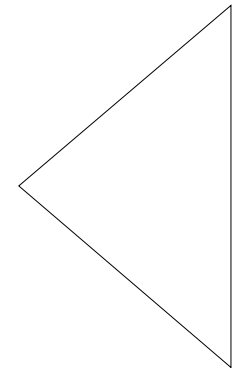


The choices made by consumers regarding their expenditure are as plentiful and varied as the consumers themselves. Whatever trends we stand ahead of, retailers must fulfil evolving customer needs and expectations. At the same time, retailers must figure out how to best leverage the vast network of physical grocery stores.

Catering to these needs in the face of relentlessly changing preferences and continuous technological innovation will not be easy, but Coop is ready to tackle this head on. As, we hope, are you.

**Your task for the next twenty-four hours is to prepare Coop for the future. You will present your version of the winning strategy for Coop in order to provide an optimal customer experience for the Norwegian consumer in 2030. Value will be placed on solutions that leverage Coop's ownership model, vast amounts of data, strong brand equity and their current physical store network, to provide a holistic customer experience.**

This is your chance to be the grocery market's eye into the future, and we and the panel of judges look very much forward to hear and see your solutions and presentations. With that, we wish you the best of luck with the competition!





2030



Photo front cover: Shutterstock/Denis Belitsky. Photo back cover: Espen Soll.

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**Case Writer** / Ingvild V. S. Stautland (NHH). **Mentors** / Joakim W. Severinsen (Coop Norway) Caroline B. Skaarer (Coop Norway). **Disclaimer** / This case has been prepared for the NHH International Case Competition 2019. The information in this case is the responsibility of the case writers, and Coop is not responsible for any statements or information given in the case. As such, the case is not intended to serve as a source of primary data, or an assessment, of the Norwegian grocery retail market outside of the NHH international Case Competition 2019, and it is not to be quoted, shown or otherwise distributed without the permission of the organizing committee. **Design** / fetetyper.no © 2019