A product range in transition

“There’s no point in looking backwards if you want to go forwards,” might be the right approach to take when you want to progress. But taking a brief look back at where you have come from can also be a good idea, from time to time. The passage of time is not a series of isolated islands, and history repeats itself more often than you might think.

In our launch plan, we attempt to look in both the rear-view mirror and through the windscreen. We look back to find explanations for what we are now seeing and in an attempt to use what we find to see what awaits us in the future. The picture we paint is sometimes clear, sometimes a little fuzzy, and we are occasionally surprised by something completely new that we never saw coming.

Systembolaget celebrates its 60th anniversary this year. In the rear-view mirror, we see a winding path that stretches from ration books and “banned lists”, to the “Promillekoll” app and web launches. Through the windscreen, we see an increasingly customer-friendly product range and, in the far distance, we can catch a glimpse of our vision – of a society in which alcoholic drinks can be enjoyed with due regard for health considerations so that no one is harmed.

Fasten your seatbelts and let’s hit the road!

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Our vision:
A society in which alcoholic drinks can be enjoyed with due regard for health considerations so that no one is harmed.

Our mandate:
To sell alcohol, offering a high quality service and providing information about the risks associated with alcohol.

Our business concept:
To sell alcoholic beverages responsibly while offering a first class standard of service and sharing our knowledge of alcohol and health.
Let’s take a look back in our rear-view mirror. All the way back to 1984 – a year when Systembolaget trialled turning a store in Karlstad into a full-range store for beer. The reception was overwhelmingly positive and the people of Karlstad now had a whole 39 different types of beer from which to choose! At last! They had the same opportunities as Stockholmers, and the test attracted substantial media coverage. Nowadays, a full-range store for beer would need to squeeze in over 2,000 different types of beer and a mere 39 types of beer on our shelves would result in our customer service department being flooded with calls from angry customers trying in vain to find their IPA, APA or wheat beer. Customers’ expectations are very different nowadays from what they were back then.

And it’s good that people’s expectations are high, because that’s the only way we can improve and understand that there are still things we need to do. In May, we will be changing the platform on which systembolaget.se runs and are taking the opportunity to repackage the site and improve its functionality. Later this autumn, meanwhile, we will be establishing a function that allows our customers who buy from our agents to place their own orders via the website, and we will also be improving the search function.

We are also working hard on developing a new store concept. The existing store concept is now getting a bit long in the tooth and we are keen to identify a new expression that addresses the way in which customers’ purchasing patterns have changed and which reflects our core values: consideration, know-how, and inspiration. A pilot store will open in the autumn of 2015.

The new product range model has increased levels of customer satisfaction with the range, but there is still more that we can do to boost this figure, not least within the beer category, and the product range model is a flexible tool that will help us achieve this goal. We have made a point of actively listening to our suppliers’ comments on the range’s future during the year and have noted three points that come up time and time again. The first, and most common, is a concern about breadth and diversity: that some segments include too many similar items. We are doing our best to generate diversity through our launches, but this is another area where it is worth taking another look in our rear-view mirror and keeping our cool. Customers get bored and find new favourites, and in the last 20 years alone, we have seen a steady stream of different countries of origin and flavour types replace each other in the best seller charts.

Other commonly mentioned concerns include short guaranteed listing times and short periods from evaluation to product range changes, and this is an area in which we are looking to make adjustments that will entail a 9-month guaranteed listing time for new items and almost three months from evaluation to change. This will offer greater stability and certainty in conjunction with new launches and make forecasting easier for existing listings.

Longer listing times will, unfortunately also mean that poorly performing items will remain on our shelves, occupying space there, for longer periods. This, in turn, means that we need to reduce the scope for other items slightly, which is why you will find slightly fewer items in this Launch Plan than in last year’s one and why we have reduced the number of launches per launch occasion from 75 to 65. On the plus side, however, this approach also gives us the scope to focus more on each launch, not least in terms of our quality work, which we are pursuing and promoting with the same energy as before.

We will also be continuing to work actively with responsibility issues, and all of us here at Systembolaget would like to thank you, our suppliers, who ensured that our shelves carried items that were responsible for a sudden increase in customer interest in organic products and for an increase in sales of organic wines of almost 100 per cent. Handling this sort of switch demands speed in the supply chain and we are now working in partnership with breweries to ensure that the same trend comes into view through our windscreen in the beer category.
Trends and the outside world

Systembolaget monitors the outside world continuously in order to ensure that our range is adapted in line with current trends and changes in customer demand. We consequently monitor both overall changes in consumption patterns and, more specifically, developments in customer demand. The overall changes in society in terms of demographics, technology and the economy – the macro trends – have an impact on the trends which, in turn, bring about changes in our customers’ behaviour.

Macro trends

Demographic
Sweden’s population is continuing to age. Almost half of the section of the population that is aged 20 or above is aged 50 or more, and over one in four are over 65 years of age. There are, however, also 2.2 million Swedes who are under the age of 20, and over 120,000 of them will reach 20 this year. The most common household type in Sweden is single-person households with no children (almost 38%). This distinguishes Sweden from the majority of other countries.

Geography
We live in a world in which information, capital, goods, services and people are moving with increasing ease between countries. This trend means that things that happen outside of our national borders impact us more quickly than ever before, whether we are talking about economic fluctuations, news or competition. We are also seeing a parallel and relatively rapid relocation of people from rural areas to towns and cities. But even if the population is aging in many local authority areas, and many young people are moving to the big cities, immigration means that two out of three local authority areas in Sweden are now growing. The corresponding figure in year 2000 was one out of three.

Technology
Over 90 per cent of the population has access to internet at home, over two thirds have access to a smart phone, and more than three out of four people use the Internet every day. The emergence of smart phones has affected the purchasing patterns of many people in that wherever they may be, they can now either research a purchase or even make one.

This trend has, in turn, increased people’s expectations when it comes to interactions, whatever the channel they choose.

More and more of people’s total media usage per day – 6 hours and 18 minutes – is being spent in digital channels, and this has resulted in an increasingly rapid shift in advertising investments from print media to digital media. This will, in turn, probably impact customer behaviour and may possibly give rise to new purchasing patterns.

Retail
More and more people are increasingly opting to shop online and the consumers feel secure buying goods from websites. Companies are also developing their offering in the form of more flexible payment solutions and greater freedom of choice when it comes to deliveries. The percentage of people who buy groceries online is still very modest, but 2015 will see a number of new e-commerce solutions trialled, so this may well change.

Economy
Sweden is currently in the midst of a recession. The splintered international economic climate has resulted in a slower than normal growth in Swedish exports which are consequently not acting as the driving force for recovery as has previously been the case. As a result, growth is failing to pick up and domestic demand is becoming increasingly important. Private and public sector consumption have been maintained in recent years by means of an expansive financial policy and low interest rates.

Continued growth in private consumption is expected to continue, due to non-existent inflation, low interest rates, and an improved labour market. The latter will mean both increased employment and that the record-high savings quotas could well fall.
Trends
It is clear that several of this year’s trends are actually an extension of those in previous years. A couple of them have become stronger, while others have levelled off. Several of the trends have become interlinked and been boosted by each other, and should be regarded as a single trend, rather than individual phenomena. We focus on driving forces and trends that affect Sweden and Swedes, although several of them are also prevalent elsewhere in the world.

Enhanced, easier living
Convenience
Time pressure and the need to constantly juggle commitments are a common aspect of everyday living nowadays for many people. And as a result, more and more people are looking for the sort of services that can make their lives easier – everything from home deliveries of groceries, to tax deductions for household services, streaming TV, and takeaway food, to eating out.

Accessibility
The increasing use of digital technology is creating new opportunities to reach out to people. More and more companies are investing in interacting with their customers via a combination of physical and digital interfaces, and even if there are restrictions on when the goods people order can be delivered, the e-commerce channel is open 24/7, and this coupled with the fact that much of the retail sector has expanded its opening hours, has resulted in a change in customers’ expectations of accessibility.

Health & well-being
Health
The health trend is definitely strong. 70 per cent of Swedes say that they exercise at least once a week, entries to competitions that form part of classic Swedish sporting events are breaking new records, and books on health and well-being top the best-seller lists. At the same time, however, many do no exercise at all. Sweden’s obesity levels are rising and many are consuming alcohol at levels that put them in the danger zone for abuse.

Pleasure
The pleasure-seeking trend has also continued and many people are keen to treat themselves to something that makes them feel good about themselves and about life, whether it is time spent alone with a book, an experience in the form of a visit to the theatre, or the pleasure gained from good food and drink. We watch chefs cooking delicious dishes and we buy colourful cookery books. Many people are looking for something that gives them a feeling of something extra in their lives. Whether that happens to be something local, exotic, exclusive, new or “hot” is a matter of taste and preference.

Environment & Ethics
Pure and genuine
In an increasingly complex world, in which we are exposed on a daily basis to a seemingly endless variety of choices, more and more people are looking for something local – something that feels more genuine. They are looking for “the real thing”, something that has local roots, products that tell you how and where they were produced. The increasing availability and sales of locally produced food and drink is a clear example of this desire. Discussions of food quality in both the media and privately have helped bring about an explosive increase in demand for organic foodstuffs, and this trend is expected to continue.

Transparency
“Something somebody doesn’t want printed,” is a classic definition of news. The use of new technology and new channels has resulted in news spreading more quickly, primarily through social media. Companies are subjected to ever more stringent examination and the increase in corporate transparency is offering consumers greater potential for “voting with their wallets”. And as a result, it is becoming increasingly important that companies act responsibly, that there are no internal improprieties in their conduct, and that they work towards the creation of a better, more sustainable world.
Individual & image

Guidance

As product ranges grow, as media noise increases, as we make more and more choices on a daily basis and are confronted by more and more complex offerings, the need for guidance increases and interactions become increasingly important. Customers do not want to feel like a face in the crowd: they want a personal interaction and easy access to guidance whenever and wherever they need it. The corporate winners will be the ones that have the courage to be personal and offer guidance in a way that matches their customers’ expectations.

Belonging

Many people view their consumption and their consumer behaviour as a means of creating or strengthening an identity and of creating a sense of belonging. They want to show who they are by the things with which they populate their lives. Food and drink habits are one tool that people commonly use to mark the grouping to which they feel they belong, as a way of showing that they are active and health conscious, that they are traditionalists, or that they are gourmats who yearn for exclusivity.

What do these trends mean for our range?

They mean, amongst other things, that we need to offer…

... products in all price classes in order to meet the needs of every grouping within our customer base. We have customers who demand value for money, basic items and customers who demand exclusive beverages.

... products with a lower alcohol content and alcohol-free products in order to meet the demand from customers who want a healthier option or who want to be a good host for their entire gathering.

... organic and ethically certified products, in order to meet the growing demand for the ability to choose something that makes the purchaser feel good about themselves, to “do good”, and to help other people.

... locally produced and small-scale products, in order to meet the demand for things that are local and “real”.

... smaller packagings, in order to meet the demand from some of the country’s numerous single-person households.

... different packaging types, such as PET, cardboard packaging, and lightweight glass, in order to reduce our environmental impact and that of our customers, without jeopardising future generations’ ability to meet their own needs.

... new product types, new countries of origin, and new styles, in order to meet the demand for increasingly unique experiences.
Our customers

Not only must we only monitor the overall consumer trends and developments in customer demand, we also need to understand why consumption patterns change. To this end, Systembolaget implemented a customer segmentation in 2012 and 2013, which helps us develop our offerings in a way that corresponds and lives up to the needs and expectations of our customers.

Our customer segmentation comprises seven different customer groups, and one group of people who do not drink alcohol at all – teetotallers – who make up approximately 12 per cent of the adult population. We monitor the various customer segments in a variety of ways:

- A nationally representative online panel, held four times a year (a total of ca. 4,000 interviews per year). This panel shows us the customer groups’ shares of the total population and any changes in the size of the groups.
- Customer Satisfaction Index, CSI, conducted four times a year (see page 9 for further information on CSI). CSI enables us to track the groups’ share of our customer base, their purchasing patterns, and the way they see Systembolaget and our offering.
- Qualitative studies, in which we study specific issues in greater depth, producing testable hypotheses.

A brief description of the customer groups follows. The figures in parentheses show the segment’s share of the population in 2014 and that segment’s share of our customer visits in 2014, based on the Customer Satisfaction Index. There are substantial differences, for some of the groups, between their share of the population and their share of customer visits. The Traditionalists are clearly underrepresented amongst our customers relative to their share of the population. The group’s consumption is generally tied to tradition and they are the customer group that consumes the least alcohol. By contrast, the Bon Viveurs, who are interested in wine and new products, visit us considerably more often and are, therefore, over-represented amongst our customers.

The Bon Viveurs
(12 per cent of the population, 20 per cent of our customer visits)
Wine is a key interest for almost 2 per cent of our customers, while a further 7 per cent say that they are very interested in wine. These customers come under the Bon Viveurs heading. This group includes the customers who are most knowledgeable about wine, but it should be remembered that knowledge levels do vary within the– everything from the extremely knowledgeable ones who really like learning more about flavour, character, manufacturing, producers and raw materials, in order to discover nuances and develop their palates, to those who are happy with more generalised know-how.

The Bon Viveurs are sensitive to drinks trends and they, together with the beer-interested Social Beer drinkers customer group, make up the portion of our customers who are most open to trying something new. When they buy wine, it is not necessarily for immediate consumption, and their purchases can equally well be made with a view of laying down for consumption at a later date. The customer group comprises both men and women, often couples, with the majority aged 60 or above. Many have college or university level education, have an above-average income, and live in and around our biggest towns and cities. They are relatively digitally aware and are far more likely than the majority of customers to have downloaded Systembolaget’s “Search & Find” app, to have visited Systembolaget’s website from their smart phone and to have ordered items from our online available for order range.
The Social Beer drinkers
(18 per cent of the population, 18 per cent of our customer visits)
The customers with the biggest interest in beer are to be found almost exclusively in the Social Beer drinkers group, which was the fastest growing group in terms of share of customer visits in the last two years. 8 per cent of our customers state that they are very interested in beer, just over 2 per cent of whom say that it is one of their main hobbies. The Social Beer drinkers’ interest and consumption is naturally mainly about taste, but the strongest reason for their interest in beer is a social one. Beer is seen as a way of getting together, socialising and strengthening bonds. Knowledge levels vary from those with in-depth knowledge to those who are mainly interested in finding something new, about which they can talk. The Social Beer drinkers are, along with the Bon Viveurs with their interest in wine, the customer that is most interested in trying something new. In the Social Beer drinkers’ case, this interest may also extend to spirituous drinks, which they also tend, on average, to consume more extensively than our average customer.

The Social Beer drinkers customer group consumes more alcohol than any other, and is also the group that most frequently drinks beer and spirits in bars and restaurants. The group is mainly made up of men, most of whom are young or middle-aged and live in Stockholm or medium-sized towns and cities across Sweden. It is also the group most likely, after the Bon Viveurs, to order goods from systembolaget.

The Party drinkers
(14 per cent of the population, almost 19 per cent of our customer visits)
The “party group” comprises men and women of all ages, but the majority are aged 30 or below. They consume alcohol for social reasons, or, more specifically, “Because it’s a party!” They drink to get drunk, to relax, to get in the mood and to escape reality for a while. They consume above average amounts of all product groups, but mainly drink beer and cider, or mixed drinks. When they buy alcohol, it is usually for immediate consumption and for over half of them, the alcohol they buy at the end of the week is gone by Monday.

They have the strongest habitual behaviour of all our customer groups, which means that once they have found something they like – which can be down to taste, price or image – they continue buying their favourites. When the Party drinker buys a new product, it is because his or her friends have recommended it, to try something new, or because the look of the bottle or the label appeals to them. This group is largely made up of “digital natives”, so they are also the most digitally aware of all of our customer groups, and hence are more extensive users of both the Internet in general and social media.

The Traditionalists
(15 per cent of the population, 8 per cent of our customer visits)
The Traditionalists group comprises both men and women, usually couples, and is evenly spread over all age groups, although there is a slight majority who are aged 50 or above. They think that too much alcohol is drunk in Sweden. They generally do not keep alcohol at home. When they do consume alcohol, it is usually in conjunction with specific, traditional occasions. Tradition tends, therefore, to determine what and when they drink – sparkling wine on New Year’s Eve and birthdays, schnapps on Midsummer’s Eve and with crayfish, and wine for a special celebratory dinner. Otherwise, they drink alcohol-free products, and the Traditionalists group consequently has the lowest alcohol consumption.

The Regulars
(9 per cent of the population, 11 per cent of our customer visits)
The Regulars group comprises both men and women, usually couples, and the majority of them are aged 50 or above. They are not particularly interested in wine or beer, and think there’s a little too much snobbery associated with wine. They drink more than the average customer, particularly when they’re not working, and they tend to spend these times in their summer cottage, on their boat, or going on holiday somewhere. They usually keep wine, spirits or some other type of alcoholic drink at home, and enjoy a glass or two, particularly with a meal or to relax.

Regulars very seldom buy new products, but when they do, it is because a friend has recommended it or because they have tried it while visiting a friend.
The Independent
(8 per cent of the population, 16 per cent of our customer visits)
The Independents group enjoys wine with a good meal, and many of them like having their first glass as they stand over the kitchen stove. Unlike the Bon Viveurs, who are also looking for taste experiences, the Independents’ interest in drinks is not such that they are keen to increase their knowledge, as the Bon Viveurs do, and they consequently tend to need more advice before making a purchase. They seek this advice in a number of ways, not least in-store, where they can find out what goes with the food they intend to eat. Because they don’t just drink any old thing: it has to be the right wine.

The Independents group comprises both men and women, often couples, mainly aged 50 and above, and seldom aged below 30. They often live in major cities, such as Gothenburg, Malmö and Uppsala. They generally have a more independent view of society and alcohol consumption. Many are dubious about the “dry month” concept, and one fifth of the group believes that alcohol can be beneficial to one’s health.

The Ambitious
(13 per cent of the population, 8 per cent of our customer visits)
The Ambitious group comprises people who, for a variety of reasons, often choose not to drink alcohol, because they see alcohol consumption as potentially posing a hindrance for them – something that would prevent them from achieving a goal. This goal might relate to their health, their appearance, to “getting their lives together”, or to their career.

The Ambitious customer group mainly comprises women, most of whom are aged 40 or below, and who are spread pretty much evenly across the country. Alcoholic drinks are not one of their interests, and they tend, as a result, to have little knowledge in this sphere. When they find a product they like, they often continue to buy it. At the same time, however, they are interested in new things and may, for example, choose a new drink on the basis of its bottle or label design. They don’t consume alcohol very often, but when they do, they do it in order to enjoy a bit of luxury, or during a party with friends. They are more likely to visit bars and restaurants than the average customer. The most popular drink in this group is wine, but they also drink cider and mixed drinks.
Increased customer satisfaction

Customer Satisfaction Index (CSI)
We have been conducting surveys of how satisfied our customers are since 2001 and the data we obtain from these surveys forms the basis for, amongst other things, our Customer Satisfaction Index (CSI) key ratio. Data collection for the CSI takes place in all stores four times a year, and in 2014, just over 30,000 such interviews were carried out. Customers are surveyed at random in our stores and the questionnaire covers questions about quality areas such as the product range, the selection, the store experience, attitudes towards Systembolaget, the staff-customer interaction and the staff expertise.

Systembolaget’s customers have never been more satisfied, and the CSI for 2014 rose by one point to a new record high of 82.6. The ratings for all three of the areas with the biggest impact on the CSI trend rose from 2013 levels. Attitudes towards Systembolaget’s social responsibility improved by almost 2 points to 78 in response to the same questions as last year, while the Store Staff rating improved by one point to 89, using the same metric. The Range and Selection rating improved slightly to 78.

The CSI for Range and Selection is one of the areas with the greatest potential for further boosting the overall CSI rating. The majority of the categories are showing slight improvements, with Cider & mixed drinks and Other wines both rising by one point to (78), while Spirits, Red Wine, White wine, Beer and the alcohol-free range have remained static at (80), (80), (79), (76), and (80), respectively. Customers’ perceptions of how well the range meets their requirements in terms of organic (74) and ethical products (71) are still at a level far below that of the rest of the range, and our analysis shows that both demand for and customers’ expectations of our organic and ethical ranges have risen during the year.

Historically speaking, Systembolaget has often faced a challenge in persuading customers that the range of new products meets their requirements, so in 2013, we introduced a new way of launching new products, and this may have contributed to the CSI for new products rising by one point to 74 in the following year, and to this increase continuing in 2014 (74.4). In conclusion it is clear that our customers gave the new question this year about whether the range is characterised by high quality a very high rating (86).

The Value for Money index – which is one of the areas with the least impact on the overall CSI figure – remained on a par with the level in 2013 (72), which is also the case for perceptions of general price levels. Customers’ perceptions of quality relative to price improved by one point for beer (74), while the levels for wine and spirits remained on a par with previous levels at (78) and (70), respectively.

Quality Supplier Index (QSI) – increased customer value key ratio
Since March 2012, all of Systembolaget’s suppliers have received performance-related information, based on a number of key ratios with a direct or indirect effect on customer value. The key ratios measured include delivery date precision, product availability and quality complaints. Every supplier can now monitor their key ratios and the factors behind each ratio via a control card in the Supplier Portal. The system is designed to enable and incentivise the improvement both of the supplier’s internal processes, and here at Systembolaget when it comes to identifying smarter solutions in the common interfaces – all with the overall aim of generating increased customer value. Every supplier also receives a weighted total key ratio that summarises the component elements.

The Quality Supplier Index (QSI) is a strategic key ratio for Systembolaget. The QSI comprises the average of the weighted total key ratios of the 100 suppliers who account for the biggest share of sales at Systembolaget.

In 2014, these suppliers collectively accounted for 98.3 per cent of Systembolaget’s total sales. The QSI in 2014 was 94.1, corresponding to a clear improvement since 2013, when the QSI was 92.8. Systembolaget’s objective in making the QSI a strategic key ratio that is monitored continuously is to generate better preconditions for increased customer value in partnership with our suppliers.
Our range

Systembolaget shall develop and deliver a sustainable offering that inspires a healthy enjoyment of our products for everyone in Sweden. The ability to offer a customer-orientated product range and a high quality offering are important factors for success. We must select the right product, at the right price, and of the right quality for every customer segment and must distribute it in the right quantity to the right channel at the right time. And we must do this in a manner that is both sustainable and responsible.

Product range strategy
Systembolaget’s product range strategy is an internal steering document. The product range strategy, which is revised annually, defines guidelines, goals and activities for the entire product range. The range shall be brand-neutral, quality assured and profitable. It shall also be permeated by our core key words: consideration, expertise and inspiration. Systembolaget’s product range strategy shall, first and foremost, endeavour to realise our vision: a society in which alcoholic drinks can be enjoyed with due regard for health considerations so that no one is harmed. But not only one in which no one who consumes the products is harmed; one in which we ensure decent conditions for the people and the environment in the supply chain as well.

The product range and product range structuring shall be adapted in line with changes in the world in which we operate and shall be developed in a way that improves our ability to interact with our customers and live up to their expectations. Our aim is to inspire a pleasurable experience when it comes to food and drink. It is important to us that the range reflects the fact that we show extra concern for sustainability issues, both in the form of additional organic products and through the fact that our range is a responsible one that includes items with low or zero alcohol content. We are also keen to satisfy the potential product preferences of our customers in line, for example, with their religious (kosher) or dietary (gluten-free beer) requirements. Our customers should always feel welcome at Systembolaget and should feel that we are happy to share our expertise with regard to our product range. We shall, from the starting point of customer benefit, act transparently and shall work in partnership with our suppliers to generate the preconditions for mutual success.

Positioning in the product range strategy
We shall continue to build a range that is perceived as unique in terms of its width and depth, as being of high quality, and as one that is rapidly adapted in line with customer demand. This means that we are keen to expand the breadth of our range, to strengthen the exclusive range of special beers, ciders and mixed drinks, and to develop our range of local and small-scale items. We shall monitor and develop the range mixes to ensure that each store carries an optimum range.

We are keen to create a leading range of sustainable products and a range that makes it easy for our customers to make informed choices. This means that we shall continue to promote the development of a sustainable drinks production chain in partnership with our suppliers, and that we shall introduce a maximum weight in some parts of the range in order to achieve our reduced environmental impact goal. We are keen to exceed our customers’ expectations by developing our alcohol-free range.

Innovations
We endeavour to progress development within our field and we test innovations that may help improve the customer offering. Our aim is to be amongst the first in the world to sell innovations. All innovations are tested on the basis of their quality and shall comply with Systembolaget’s basic requirements and support the product range strategy and operational goals. Please contact the Category Managers if you would like to present something that may be regarded as innovative. You will find their contact information on page 36.
Three types of product range
Systembolaget's product range is divided into three different sections, each of which has different terms and preconditions, namely the Fixed range, the Available-for-order range, and the Temporary range.

Fixed range
The fixed range shall satisfy the demands of the majority of Systembolaget's customers and account for the majority of Systembolaget's sales. The range composition offers security, continuity and a long-term approach, and also ensures both breadth and depth. The allocation of the product range to every single store is carried out in a brand-neutral way and is based on customer demand. The range's six different mixes enable Systembolaget to ensure that every individual store meets this objective. The fixed range is renewed four times a year, in March, June, September and December.

Available-for-order range
The Available-for-order range includes items that can be ordered from the drinks suppliers' stocks. The items can be ordered in stores, from agents, and from our website – systembolaget.se. Items in the available-for-order range that prove to be very popular with the customers may qualify for the fixed range. Tenders for the available-for-order range are submitted on a rolling basis and new products are released every month.

Temporary range
Temporary range – Exclusive
The items in the Temporary range – Exclusive are exclusive in nature and the target group comprises customers with a substantial interest in new items. These launches take place in selected stores (as volumes are small) and are primarily announced to customers on systembolaget.se.

Temporary range – Seasonal
The items in the Temporary Range – Seasonal comprises the items that we buy in for a very limited period of time because these products are linked to a particular festive season or tradition. We carry them for the duration of the season and if customer demand is high, they may return the following year. Examples include seasonal beer for Easter and Christmas, Oktoberfest beer and mulled wine.

Temporary range – Local and Small-scale
The items in the Temporary range – Local and Small-scale are craft products and are carried in up to 10 stores within a radius of 150 km of the producer. The items are available in limited volumes and can also, depending on availability, also be ordered from the systembolaget.se website.

A Private import service is offered for customers who require help with ordering an item not listed in any of Systembolaget’s regular ranges.
# Categories and segments

## Our categories
Systembolaget's product range is divided into four category groups:

- **Wines**
- **Spirits**
- **Beer, Ciders & mixed drinks**
- **Alcohol-free.**

These groups are, in turn, divided into different categories, sub-categories and segments. The segmentation is based on, amongst other things, price intervals, product types, and packaging types. Items largely regarded by customers as interchangeable are grouped within the same segment. Systembolaget currently has a total of approximately 160 segments.

### Wine

<table>
<thead>
<tr>
<th>Red wine</th>
<th>White wine</th>
<th>Rosé wine</th>
<th>Apéritif and Dessert wine</th>
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</thead>
<tbody>
<tr>
<td>Red wine bottle at least 50 cl</td>
<td>White wine bottle at least 50 cl</td>
<td>Rosé wine bottle at least 50 cl</td>
<td>Apéritif</td>
</tr>
<tr>
<td>Red wine (0 – 59)</td>
<td>White wine (0 – 59)</td>
<td>Rosé wine (0 – 79)</td>
<td>Sherry/Montilla</td>
</tr>
<tr>
<td>Red wine (60 – 69)</td>
<td>White wine (60 – 69)</td>
<td>Rosé wine (80 – 99)</td>
<td>Extra dry Vermouth</td>
</tr>
<tr>
<td>Red wine (70 – 79)</td>
<td>White wine (70 – 79)</td>
<td>Rosé wine (100 – ..)</td>
<td>Vermouth</td>
</tr>
<tr>
<td>Red wine (80 – 89)</td>
<td>White wine (80 – 89)</td>
<td>Rosé wine not box or bottle</td>
<td>Apéritif</td>
</tr>
<tr>
<td>Red wine (90 – 99)</td>
<td>White wine (90 – 99)</td>
<td>Rosé wine small packaging</td>
<td>Dry fruit wine</td>
</tr>
<tr>
<td>Red wine (100 – 119)</td>
<td>White wine (100 – 119)</td>
<td>Rosé wine small bottles</td>
<td>Other wine, segment</td>
</tr>
<tr>
<td>Red wine (120 – 149)</td>
<td>White wine (120 – 149)</td>
<td>Rosé wine small bottles</td>
<td>Dessert wine</td>
</tr>
<tr>
<td>Red wine (150 – 199)</td>
<td>White wine (150 – 199)</td>
<td>Rosé wine small bottles</td>
<td>Sweet white wine</td>
</tr>
<tr>
<td>Red wine (200 – 299)</td>
<td>White wine (200 – 299)</td>
<td>Rosé wine small bottles</td>
<td>Sweet white wine bottles</td>
</tr>
<tr>
<td>Red wine (300 – 499)</td>
<td>White wine (300 – 499)</td>
<td>Rosé wine small bottles</td>
<td>Red port</td>
</tr>
<tr>
<td>Red wine (500 – ..)</td>
<td>White wine (500 – ..)</td>
<td>Rosé wine small bottles</td>
<td>White port</td>
</tr>
<tr>
<td>Red wine large bottles</td>
<td>White wine large bottles</td>
<td>Rosé wine small bottles</td>
<td>Other dessert wine</td>
</tr>
<tr>
<td>Red wine carton at least 50 cl</td>
<td>White wine carton at least 50 cl</td>
<td>Rosé wine small bottles</td>
<td>Mulled wine</td>
</tr>
<tr>
<td>Red wine not box or bottle &gt;=500ml</td>
<td>White wine not box or bottle &gt;=500ml</td>
<td>Rosé wine small bottles</td>
<td>Mulled wine small bottles</td>
</tr>
<tr>
<td>Red wine box &gt;= 3L (0 – 66.6 SEK/l)</td>
<td>White wine box &gt;= 3L (0 – 66.6 SEK/l)</td>
<td>Rosé wine small bottles</td>
<td></td>
</tr>
<tr>
<td>Red wine box 1.5 – 2L</td>
<td>White wine box 1.5 – 2L</td>
<td>Rosé wine small bottles</td>
<td></td>
</tr>
<tr>
<td>Red wine small packaging</td>
<td>White wine small packaging</td>
<td>Rosé wine small bottles</td>
<td></td>
</tr>
<tr>
<td>Red wine small bottles (0 – 186.7 – .. SEK/l)</td>
<td>White wine small bottles (0 – 186.7 – .. SEK/l)</td>
<td>Rosé wine small bottles</td>
<td></td>
</tr>
<tr>
<td>Red wine not box or bottle &lt;500ml</td>
<td>White wine not box or bottle &lt;500ml</td>
<td>Rosé wine small bottles</td>
<td></td>
</tr>
<tr>
<td>Red wine bottle at least 50 cl</td>
<td>White wine bottle at least 50 cl</td>
<td>Rosé wine bottle at least 50 cl</td>
<td></td>
</tr>
<tr>
<td>Red wine (0 – 59)</td>
<td>White wine (0 – 59)</td>
<td>Rosé wine (0 – 79)</td>
<td></td>
</tr>
<tr>
<td>Red wine (60 – 69)</td>
<td>White wine (60 – 69)</td>
<td>Rosé wine (80 – 99)</td>
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<td>Red wine (70 – 79)</td>
<td>White wine (70 – 79)</td>
<td>Rosé wine (100 – ..)</td>
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</tr>
<tr>
<td>Red wine (80 – 89)</td>
<td>White wine (80 – 89)</td>
<td>Rosé wine not box or bottle</td>
<td></td>
</tr>
<tr>
<td>Red wine (90 – 99)</td>
<td>White wine (90 – 99)</td>
<td>Rosé wine small packaging</td>
<td></td>
</tr>
<tr>
<td>Red wine (100 – 119)</td>
<td>White wine (100 – 119)</td>
<td>Rosé wine small bottles</td>
<td></td>
</tr>
<tr>
<td>Red wine (120 – 149)</td>
<td>White wine (120 – 149)</td>
<td>Rosé wine small bottles</td>
<td></td>
</tr>
<tr>
<td>Red wine (150 – 199)</td>
<td>White wine (150 – 199)</td>
<td>Rosé wine small bottles</td>
<td></td>
</tr>
<tr>
<td>Red wine (200 – 299)</td>
<td>White wine (200 – 299)</td>
<td>Rosé wine small bottles</td>
<td></td>
</tr>
<tr>
<td>Red wine (300 – 499)</td>
<td>White wine (300 – 499)</td>
<td>Rosé wine small bottles</td>
<td></td>
</tr>
<tr>
<td>Red wine (500 – ..)</td>
<td>White wine (500 – ..)</td>
<td>Rosé wine small bottles</td>
<td></td>
</tr>
<tr>
<td>Red wine large bottles</td>
<td>White wine large bottles</td>
<td>Rosé wine small bottles</td>
<td></td>
</tr>
<tr>
<td>Red wine carton at least 50 cl</td>
<td>White wine carton at least 50 cl</td>
<td>Rosé wine small bottles</td>
<td></td>
</tr>
<tr>
<td>Red wine not box or bottle &gt;=500ml</td>
<td>White wine not box or bottle &gt;=500ml</td>
<td>Rosé wine small bottles</td>
<td></td>
</tr>
<tr>
<td>Red wine box &gt;= 3L (0 – 66.6 SEK/l)</td>
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<td>Rosé wine small bottles</td>
<td></td>
</tr>
<tr>
<td>Red wine box 1.5 – 2L</td>
<td>White wine box 1.5 – 2L</td>
<td>Rosé wine small bottles</td>
<td></td>
</tr>
<tr>
<td>Red wine small packaging</td>
<td>White wine small packaging</td>
<td>Rosé wine small bottles</td>
<td></td>
</tr>
<tr>
<td>Red wine small bottles (0 – 186.7 – .. SEK/l)</td>
<td>White wine small bottles (0 – 186.7 – .. SEK/l)</td>
<td>Rosé wine small bottles</td>
<td></td>
</tr>
<tr>
<td>Red wine not box or bottle &lt;500ml</td>
<td>White wine not box or bottle &lt;500ml</td>
<td>Rosé wine small bottles</td>
<td></td>
</tr>
</tbody>
</table>
**Categories and Segments**

**Beer, cider & mixed drinks**

### Lager
- **Pale lager**
  - Lager can <= 355 ml (<6.0 %)
  - Lager can > 355 ml (<6.0 %)
  - Lager extra strong can (6.0 % –..)
- **Lager btl**
  - Lager btl <=355 ml & <17 >/355 ml & >=20 (<6.0 %)
  - Lager btl <=355 ml & >=17 >/355 ml & >=20 (<6.0 %)
  - Lager extra strong bottle (6.0 % –..)
- **Other lager**
  - Other lager can
  - Other lager bottle

### Dark lager
- **Dark lager**
  - Dark lager can
  - Dark lager bottle

### Ale
- **Ale**
  - Ale buncanl (<5.9 %)
  - Ale bottle (<5.9 %)
  - Ale extra strong (6.0 % –..)

### Porter & stout
- Porter & stout bottle (<=5.9 %)
- Porter/stout bottle/can (<=5.9 %)
- Porter/stout extra strong (6.0 % –..)

### Wheat beer
- Wheat beer bottle/can

### Other beer
- Other beer
  - Other ale/porter/stout
  - Beer bottle 750 ml >= 49 SEK
  - Spontaneous fermentation beer

### Cider & mixed drinks
- **Dry cider**
  - Dry/medium-dry cider bottle
  - Dry/medium-dry cider can
- **Sweet cider & mixed drinks**
  - Medium-sweet/sweet cider bottle
  - Medium-sweet/sweet cider can
  - Sweet cider bottle/can

### Seasonal cider & mixed drinks
- Christmas cider & mixed drinks

### Whisky
- **Blended whisky**
  - Blended Scotch whisky
  - Blended Scotch whisky small bottles
  - Canadian whisky
  - Canadian whisky small bottles
  - American whisky
  - American whisky small bottles
  - Irish whisky
  - Irish whisky small bottles
  - Other whisky
  - Scotch malt whisky <= 18 years old
  - Scotch malt whisky <= 18 years old small bottles
  - Scotch malt whisky > 18 years old

### Digestif
- **Cognac**
  - Cognac
  - Other brandy
  - Other brandy small bottles
  - Calvados
  - Calvados
  - Grappa/marc
  - Dark rum
dark rum small bottles
  - Bitters
  - Bitters
  - Other spirits
  - Other spirits, segment

### Liqueur
- **Chocolate, coffee & nut liqueur**
  - Chocolate, coffee & nut liqueur
  - Cream & egg liqueur
  - Fruit & berry liqueur
  - Fruit & berry liqueur
  - Swedish punch
  - Swedish punch
  - Other liqueur
  - Other liqueurs
  - Other liqueurs small bottles

### Schnapps
- **Spiced distilled spirits**
  - Spiced distilled spirits
  - Spiced distilled spirits small bottles

### Alcohol-free
- **Alcohol-free wine**
- **Alcohol-free beer**
- **Alcohol-free cider & must**
- **Water**
- **Alcohol-free other**
Roles
We have divided the range into different product range roles in order to ensure that we meet our customers’ requirements. The roles are Profile, Cutting Edge, Volume, Service and Seasonal. The strategies for the product categories in general are complemented by a variety of strategies for the respective roles, and the product range's structure, launch level, pricing, subsidy limit, and product placement will, for example, be adapted in line with the segments’ respective roles.

Volume product range role
The Volume product role represents the majority of Systembolaget’s sales, in terms of both number of litres and value. Most of our customers buy from the volume role, and the quality/price ratio is the most important parameter for them. Systembolaget wishes, therefore, to offer a wide Volume range that is perceived as offering value for money. The Volume product range role includes pale lager in cans, boxed wine costing less than SEK 200, and white spirits. In this product range role, we endeavour to include as many flavour types as possible and focus strongly on responsibility issues, in that it is not possible to make a positive impact if parts of our biggest volume range are not ethically certified or organic.

Profile product range role
The Profile product range role shall represent both breadth and depth, and the customer should perceive it as both inspirational and responsible. The range should also encourage customers who want to learn more about our products and this is an area in which we are keen to show off different manufacturing methods, raw materials, and the importance of countries of origin to the drinks’ flavour profiles. We want to be the best in the world in this sphere. The Profile product range role includes ale, pale lager in bottles, malt whiskies, and wine priced between SEK 80 and SEK 120. We are looking for both breadth and depth in the Profile product range role and it is in this role that we usually launch the unusual countries of origin and the uncommon flavour profiles, but also where we launch the famous grape types from the world’s best known wine-producing areas.

Cutting Edge product range role
We offer a Cutting Edge range to satisfy the most demanding customers. This role shall generate depth and primarily represent classic and recognised countries or regions of origin and product types. The Cutting Edge product range role also includes the exclusive ranges of beer, spirits and wines that are renewed continuously through frequent launches of small, limited offerings on Systembolaget’s website and in selected stores. The vast majority of our launches occur within the Cutting Edge product range role. The Cutting Edge product range role is the narrowest of our roles and one where the focus is on expertise and depth, rather than on breadth.

Service product range role
The categories within the Service product role ensure that our customers are offered a wide selection of products in relatively low demand. This means that the range is, in most cases, narrow and shallow. The segments within the Service product range role are, at the same time, very important to those customers who want them and the demand for breadth is considerable in that the drinks included in this role are usually difficult to replace with other items. We will continue to have a low launch level in this role, and the new launches will primarily be designed to enable access to the market for producers not represented elsewhere in the range.

Seasonal product range role
The Seasonal product range role is designed to ensure that Systembolaget can offer its customers an up-to-date and seasonally adjusted range of products. The range shall be broad, and shall generate excitement and inspiration in stores.
The stores’ product ranges

Systembolaget has a nationwide retail network comprising approximately 430 stores and just under 500 agents. The entire range can, furthermore, be ordered via systembolaget.se for delivery to stores, and in some areas, for home delivery.

Product range distribution
Our product range is based on individual stores’ customer demand in order to ensure that we provide the right products for the right customers. There are six different store groupings and the store groupings are based on similar customer demand. Each store grouping receives a product range mix tailored to customer demand in these specific stores, irrespective of the size of the store or its geographic location.

The product range mixes differ with regard to composition in terms both of volume, profile and cutting edge products, and of the number of wine, spirits and beer categories. Each store grouping contains different sized stores. The smaller stores will receive fewer items than the larger ones, but the product range mix is the same.

<table>
<thead>
<tr>
<th>Store size</th>
<th>Number of items</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>approx 500</td>
</tr>
<tr>
<td>B</td>
<td>approx 940</td>
</tr>
<tr>
<td>C</td>
<td>approx 1,480</td>
</tr>
<tr>
<td>D</td>
<td>approx 1,930</td>
</tr>
<tr>
<td>E</td>
<td>approx 2,130</td>
</tr>
<tr>
<td>Specialist wine stores</td>
<td>approx 3,200</td>
</tr>
</tbody>
</table>

Product range mix 1
The customers who shop in store grouping 1 outlets demand more beer than the average, and primarily pale lager in cans. Wine is mainly sold in boxes and tetra packaging, and white spirits dominate spirit sales. The product range mix comprises all product groups and product range roles, but emphasises beer and the product range role, volume. Approximately 130 stores receive Product range mix 1 and they account for 17 per cent of sales. The stores are largely small or medium-sized ones and are located in smaller towns nationwide such as Vimmerby, Bromölla, Orsa, Arvidsjaur and Söderhamn. Some of the suburbs of Stockholm and Gothenburg are also represented in this grouping, as are a number of stores on the Norwegian border.

The product range mix is adapted in line with the size of the store. Smaller store = fewer items. We call the smallest store size “A” and the largest, “E”.

![Store sizes A to E]
Product range mix 2
The customers who shop in store grouping 2 outlets have an average demand for wine, spirits and beer. The 160 or so stores with this product range mix account for 45 per cent of sales. The stores are located in small and medium-sized towns and in the suburbs of Stockholm and Gothenburg, and the majority of these stores are in the southern and central areas of Sweden. Jakobsberg, Köping, A6 in Jönköping, Ronneby, Örnsköldsvik, Eslöv and Hudiksvall are all examples of this type of store.

Product range mix 3
The customers at outlets in store grouping 3 buy more wine than customers in the average stores. The main demand is for boxed, tetra packaged and bottled wine priced up to SEK 79. Just under 40 stores have this product range mix and they account for 11 per cent of sales. The stores are located in Skåne, along the west coast, and in the area around Stockholm. Vallentuna, Trosa, Landskrona, Varberg, Ystad and Jägersro in Malmö are all examples of this type of store.

Product range mix 4
The product range mix contains an average breakdown of beer, wine and spirits, with the emphasis on items from ranges that are part of the Profile and Cutting Edge product range roles. The customers in these stores buy more expensive and more exclusive items. There is a higher level of customer demand for specialist beers, champagne, other sparkling wines and bottled wine, irrespective of price band. Demand for the spirits product group is slightly lower than the average but higher when it comes to digestifs, malt whisky and drinks and cocktails.

Just under 20 stores have product range mix 4 and they account for 7 per cent of sales. The stores are primarily located in larger towns and some medium-sized ones. Globen and Rotebro in Stockholm, Karl Johansgatan in Gothenburg, Wasagallerian in Umeå and Åre are all examples of this type of store.

Product range mix 5
Demand for wine is higher amongst customers in store grouping 5 outlets than in the average store and demand for products from segments in the product range roles Profile and Cutting Edge is high. The customers buy more than the average amount of champagne, other sparkling wines and bottled wine priced at over SEK 80. Demand for beer is lower than average but higher in the specialist beer and pale bottled beer segments. This product range mix meets a customer requirement for more expensive and more exclusive products and the focus is on wine.

The product range mix can be found in just over 70 stores that account for 19 per cent of sales. The stores are located in and around Stockholm, Malmö and Gothenburg, but can also be found in smaller towns in southern Sweden.

Regeringsgatan, Brommaplan and Lidingö in Stockholm, Nova in Lund, Hansacompagniet in Malmö and Båstad and Grebbestad are all examples of this type of store.
Product range mix 6
Our two food halls in Stockholm have product range mix 6 and their customers buy wine, first and foremost. The stores are in a setting in which food is sold and breadth is consequently important in order to be able to offer drinks to go with all types of food. The special circumstances generated by very small stores with over the counter sales also affect the composition of the range. The spirits sold are, by and large, exclusive.

The stores’ locally popular range
In addition to the range determined by the product range mixes, every store also carries a local range, that is unique to each individual store. These items are chosen to complement and broaden the store’s range in light of local demand.

Product range changes
Systembolaget has four product range changes per year in the stores: on 1st March, 1st June, 1st September and 1st December. The updating of the range is based on an evaluation of the items’ sales over a 3-month period. The evaluation includes all items from the fixed range and the available-for-order range. The category managers draw up a product mix plan for each store grouping, based on customer demand and Systembolaget’s product range strategy ahead of each evaluation period. The product mix plan describes the number of items in each segment to be carried in a given store size and store grouping. Product range mixes 1–3 and 4–6 are evaluated separately, resulting in two ranking lists per segment. This breakdown improves our ability to meet differences in customer demand within the various store groupings.

The evaluation for each item is based on the volume of sales for the item and on Systembolaget’s trading margin. All items are also assigned a volume correction and a weighting factor for market coverage that yields the item’s points total. A ranking list per segment is then drawn up, comparing items in the same segment with one another. The item with the highest points total receives the most widespread distribution within that segment.

New items in the fixed product range are also launched in conjunction with every product range change. The new items to be launched are presented in the launch plan, which is published twice yearly.
Sustainability

Parliament and the Government impose stringent demands on state-owned companies and expect them to act as a role model in the context of their sustainability work. In 2014, Systembolaget introduced a new sustainability strategy that covers the period until 2020. The strategy comprises our mandate, working conditions, human rights, the environment, anti-corruption work, and equal opportunities.

A tripartite sustainability strategy
Systembolaget exists in order to help reduce the harmful effects of alcohol, but we don’t just care about the health of our customers and their friends and family – we are also keen to take responsibility for and to promote decent conditions for both people and the environment throughout the chain. Our sustainability strategy is based on our mandate – to reduce the harmful effects of alcohol – and comprises three discrete areas.

Sustainable choices for the customer
We shall create awareness on the part of the customer of the risks associated with alcohol and shall offer expertise, information and inspiration that enables the customer to make informed choices.

Sustainable supplier chain
Our products, together with the materials and services we buy in, shall be manufactured under conditions that are favourable for both people and the environment.

Sustainable operations
We shall conduct operations that use resources in an intelligent way, that enable personal development for our employees, and in which everyone is afforded the same opportunities for development at work with regard both to their conditions of employment and their other working conditions.

Strength through unity
Systembolaget has been working with the alcohol monopolies in Finland, Norway, Iceland and the Faeroes since 2009 with the aim of ensuring a socially and environmentally sustainable supplier chain. The core of this work is provided by the BSCI (Business for Social Compliance Initiatives) Code of Conduct, which has been a distinct and important component of both Systembolaget’s and the other Nordic monopolies’ purchasing agreements since 2012. The Code of Conduct states that all of the suppliers that make up Systembolaget’s beverages supplier chain are responsible for ensuring that both they, and any subcontractors, comply with the requirements of the Code of Conduct. Systembolaget offers both suppliers and producers training courses and provides tools and support via our supplier portal. We also organise complementary third party audits of the producers.
Updated Code of Conduct

BSCI updated its Code of Conduct in January 2014 and the past year has seen the development of monitoring tools and supporting documentation. The new Code will be implemented in May 2015 and Systembolaget’s general purchasing Terms & Conditions (T&Cs) will comply with the updated Code of Conduct, as of 15 May 2015.

The biggest changes in the updated Code of Conduct entail clearer requirements that:

- the Code of Conduct’s content is disseminated by BSCI members to subcontractors at every stage in the chain;
- systematic work is conducted to ensure that the Code’s principles govern the structure of the operations;
- the requisite resources are secured to map, monitor and improve in accordance with the Code of Conduct;
- risks of an inability to comply with the Code’s requirements are mapped;
- every single operation and activity is conducted with due regard for human rights and labour law throughout the supply chain;
- systematic work is conducted in order to register and work with action plans with regard to the Code’s requirements, e.g. with regard to zero tolerance for child labour, forced labour, and life-threatening situations at work;
- complaint systems that not only incorporate employees’ ability to submit complaints to employers anonymously, but also include communities in the locations in which the operations are based, be set up.

For further information on the updated Code of Conduct, please see the Supplier portal.

Producer audits

Systembolaget carried out 14 follow-up audits of producers in South Africa, Chile and Bulgaria in 2014. All of the producers demonstrated improvements and, overall, the audit results improved by 10 percentage points to an average of 95 per cent.

The goal is, however, for all producers to have actioned so-called critical discrepancies in conjunction with a follow-up audit. This was not the case and after the follow-up audits, several of the producers were found to have what were deemed to be critical discrepancies in areas such as working hours, health and safety. A second follow-up audit of the producers who have failed to achieve fully satisfactory results will be carried out in 2015.

New audits in accordance with the BSCI’s updated Code of Conduct will be carried out in the latter half of 2015 and will mainly be conducted in Mexico and Italy, although other countries may also be considered for audits.
Lighter weight bottles

Systembolaget is introducing a general requirement with regard to the bottle weight for bottles of still wine (75cl) such that the weight of any such bottle (75cl) may not exceed 420g. This requirement will apply as of the 2016 harvest for wines with vintages dating from 1 January 2017. The requirement was announced in June 2014 and applies to all still wines, irrespective of product range. Systembolaget’s goal here is to reduce our climate impact and single use glass bottles have a substantial impact on the environment during both manufacture and transport.

Those producers who are either unable or unwilling to deliver wine in bottles that comply with this requirement will be given the opportunity to pay a fee proportional to the amount by which their bottle exceeds 420g instead. The fee is SEK 0.005 per gram per bottle sold, and is calculated using the following model:

\[ \text{fee (SEK)} = 0.005 \times (\text{current weight (g)} - 420) \]

The fee will be donated to some form of sustainability project in order to compensate for the environmental impact of the heavier bottles.

We will be working on drawing up requirements for beers, ciders, mixed drinks, aperitifs, dessert wines and mulled wine in the spring of 2015. We plan to publish the requirement before the summer of 2015 and the requirement will come into force 18 months after publication at the earliest. Our aim is for the bottle weight requirement to apply to all products in glass bottles, in order to reduce the environmental impact of our products’ packaging.

### Things for suppliers to bear in mind

- Familiarise yourself with the updated Code of Conduct that forms part of Systembolaget’s purchasing terms and conditions, as of 15 May 2015, and with the requirements for your operations. Information is available via the Supplier Portal.
- Check the weight of your bottles for still wine. If the bottle weight exceeds 420 grams, the above-mentioned charge will be levied. One alternative you might like to investigate is whether the product can be tapped into a lighter weight bottle.

<table>
<thead>
<tr>
<th>Bottle weight (g)</th>
<th>Bottles sold per year</th>
<th>Systembolaget’s fee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Fee per bottle (SEK)</td>
</tr>
<tr>
<td>500</td>
<td>200,000</td>
<td>0:40</td>
</tr>
<tr>
<td>600</td>
<td>200,000</td>
<td>0:90</td>
</tr>
<tr>
<td>800</td>
<td>200,000</td>
<td>1:90</td>
</tr>
</tbody>
</table>
Quality assurance

Quality assurance of Systembolaget’s products is one of the fundamentals of our operations when it comes to ensuring that we offer our customers the best possible products. The quality assurance work includes sensoric analyses and laboratory analyses of both our existing range and new launches. The complaints team monitors products regularly returned by customers and provides feedback to you, our suppliers, offering the scope for remedial action and improvement. We place considerable focus on ensuring that the product that ends up on the shelf in conjunction with new launches in our fixed range corresponds to the product tendered. But it is equally important that you, the supplier, can rest assured that the product that won the request for tender tasting is the product that ends up on the shelves in our stores. This work is described below.

Request for tender in the fixed range
When the requests for tender are issued, we grade risk on a scale from A (greatest risk) to C (lowest risk). Experience has shown us that the biggest risk of quality discrepancies occurs in conjunction with requests for large volumes and with the requests that are prioritised from a CSR perspective.

Sample testing
The product that wins the blind tasting is sent to our laboratory for analysis and the remaining tender samples are saved for subsequent comparative checks. For tenders A-risk rated requests for tender, the winner is asked to submit additional tender samples. The second and third place tender samples from the blind tasting are also saved to ensure we can carry out the same checks if the winning tender proves unable to deliver the agreed quality.

Quality follow-ups on site at producers
We sometimes conduct quality follow-up checks on site at producers in conjunction with A-risk rated requests for tender, when we visit the stated producer of the product that won the blind tasting, often within a couple of days of the tasting having been carried out. During the visit, we check the information submitted in the tender to ensure its accuracy. We often require a Guarantee of Supply to be appended to the tender in conjunction with the launch of A-risk rated products. The party identified in the Guarantee of Supply document as the producer shall be the same party as the producer specified in the tender. The company that submits the tender to Systembolaget must also be identified in the document as the supplier. During the visit, we also check that the volumes specified in the Guarantee of Supply document exist and that they correspond, quality-wise, with the sample purchased. Any inconsistencies in relation to the tender discovered in conjunction with this visit may result in the cancellation of the launch.

Launch sampling
The launch samples are primarily used to generate taste descriptions and to present the product to journalists, but are also used as a checkpoint en route to the launch. During launch sampling, we check that the labelling complies with applicable requirements and send samples to the laboratory for chemical analysis. The extra tender samples submitted for A-risk rated launches are used for comparison testing purposes. The supplier will be contacted at this stage if the sampling or the chemical analysis reveals inconsistencies in relation to the tender samples.
Sampling when sales begin
Sampling when sales begin constitutes the formal approval of the launch and involves comparing the tender samples saved with samples taken directly from our stores. Triangle testing is always conducted for A-risk rated launches. If the triangle test indicates inconsistencies, a comparative quality test is carried out. If this testing yields a negative result, the wines are sent for chemical analysis. Triangle tests and comparative quality tests are also conducted for B- and C-risk rated launches when the comparison tasting indicates inconsistencies.

If an inconsistency is identified, we contact the supplier. If the inconsistency is judged to be significant, we return the product. The supplier is then, in accordance with the purchasing terms, given the opportunity to deliver a product with the agreed quality. If this is not possible, Systembolaget will cancel the purchasing agreement for the product in question.

Post-launch controls
Post-launch controls take place after 3 months and entail comparing the product most recently delivered to the stores against the products taken from the stores in conjunction with sampling when sales begin. The A-risk rated items are checked in this way every four weeks in a test that includes chemical analyses.

Time to tender?

Remember that:
...the persons or person who own(s) the wine at the time when the tender is submitted must be specified as the producer and/or subcontractor in the tender;
...the volumes and the quality that you specify in the tender must be checked by the specified producer or producers (either in that they own it themselves or in that they have an agreement that gives them control over volumes);
...the tender sample shall be physically, chemically and biologically stable and shall be treated in the same way as the end product will be treated, e.g. the filtration must be the same;
...the tender sample must be mixed in the same proportions and with the same components/ingredients as the end product. The product delivered in conjunction with the launch must correspond, both chemically and sensorically, to the tender sample.
Alcohol sales in Sweden

The alcoholic drinks market in Sweden
Systembolaget’s sales in 2014 totalled 470 million litres with a total retail value of SEK 32.8 billion. These figures correspond to a year on year increase of 0.5 per cent in terms of volume, but of 2.8 per cent in value. The figures suggest a premiumisation trend, but the tax on alcohol was raised during the year and this is the principal explanation for the difference between the increases in volume and value. Customers can, in other words, generally not be said to have shifted to more expensive products during the year and to have stuck to the products that they usually buy, even after the price rise.

Beer was, with the exception of alcohol-free, the only product group to show growth during the year. Cider and mixed drinks and spirits declined, while sales of wine remained largely unchanged from 2013 in terms of volume. The long-term trend appears to be stable, but there are clear differences within the category groups, with individual categories deviating strongly from the overall trend.

Sales patterns seldom change rapidly, but 2014 saw a sea change in customers’ preferences for organic products. A number of products have, furthermore, converted from conventional one to organic ones, and sales of organic products increased by 83 per cent by volume to 26.3 million litres, corresponding to 5.6 per cent of total sales. We will, of course, be requesting more organic products in future and would like both to thank our suppliers for all the suggestions they have submitted during the year and to encourage them to keep them coming!

After several years of stable sales, beer sales increased by volume in 2013 and this increase continued in 2014 when sales rose by 1.1 per cent to 234 million litres. The increase occurred primarily in the specialist and seasonal beers, but lager in cans also noted some growth. The increase in sales is occurring in parallel with a growing interest in beer on the part of the media and it is largely bloggers and social media that are responsible for the majority of the spread of expertise on the subject, although the traditional media have also increased their coverage of beer in the past year. The growing interest is also signalled by the opening of new breweries nationwide, with the number of active breweries rising from 85 to 138 in 2014.

Beer now accounts for almost exactly half of Systembolaget’s total sales by volume, but for only one quarter of the total retail value, at SEK 7.84 billion, corresponding to a year on year increase of 5.4 per cent. If the effects of the tax increase are excluded, this reflects more or less the same value trend as in the previous year and it is, therefore, safe to conclude that customers have not switched to cheaper products as a result of the tax increase. The volume of beer sold through the temporary exclusive range totalled 743,000 litres in 2014, corresponding to an 11 per cent increase. This is a small increase in comparison with previous years, but it is reasonable to assume that some of the sales also went to the local and small scale range, where sales totalled just over 1 million litres, corresponding to an increase of over 60 per cent. There is a degree of customer overlap between these segments and examining them as a single entity is, therefore, reasonable.
Sales of organic beer increased by 31 per cent to 3.7 million litres during the year. The increase was largely an organic one, with no significant additional volumes in the form of new products. A number of organic beer launches are planned for 2015 and we are already, after the first launches, seeing a pent up interest in organic products amongst our beer customers. We will be specifically focusing our information for store and customers on organic beer as a result of new information obtained from the focus discussions with beer stakeholders in 2014.

We held focus discussions on the subject of beer in 2014, from which it emerged that the groups were pretty much unanimous, and that although interest levels have, to date, been modest, all groups agreed that organic beer will form part of the general increase in interest in organic products.

“We will be running an organic campaign in the store this summer where we talk about our organic products. We will also continue to launch organic beers to show off the range and to make organic beer a natural part of the range.”

Märta Kuylenstierna works as the Category Manager for Beer, Cider and mixed drinks, the Local and Small scale range, Alcohol-free, and Gift items.

Lager beers lost market shares during the year, but continue to dominate with a market share of 91.4 per cent. Sales by volume did, however, increase – as was the case last year – rising by 0.2 per cent. Canned lager sales increased by 0.7 per cent by volume, while bottled lager sales continued to drop, falling this year by 3.8 per cent. The biggest decrease was seen in extra strong bottled lager, but this is balanced out by an increase in corresponding canned beers, so it is safe to assume this is actually a shift between packaging types.

Sales of pale bottled lager in higher price bands fell by 9.6 per cent which might, at first glance, seem strange, given the clear premiumisation trend. The reduction is illusory, however and is due to the fact that the segment has acquired new members in the form of items that have moved up into the more expensive segment after the price rise, bringing with them a negative trend. Those articles that have been part of the segment throughout the year have, by contrast, shown a 10 per cent growth in sales by volume during the year. Shopping basket analyses show, however, that some of the sales have shifted to specialist beers in the same or higher price bands, so sales do not appear to have shifted to lager beers in lower price bands. We will consequently be looking to complement our range with new launches of lager beers in styles where we have fewer items, such as German- or Czech-style pilsners, in order to meet customer demand in this area.

We are seeing a clear shift in canned beer volumes, with sales of small cans increasing by 8.8 per cent at the same time as sales of large cans have fallen by 3 per cent. Approximately 3 million litres have moved between these segments, which is positive, in that it probably indicates a trend towards smaller packaging and may also, in the longer term, result in lower levels of consumption per instance. We are also seeing an increase in sales by volume of medium-strength beer – a beer with a maximum alcohol content of 4.5 per cent – is, appropriately enough, 4.5 per cent higher than the overall increase!
Sales of specialist beer are continuing to increase, albeit by less than last year, with a 20.6 per cent increase in 2014 and a total volume of 16.2 million litres. This bears comparison with the position five years ago, when the total volume of sales was 7.5 million litres – less than half of today’s volumes, in other words. Big city regions are showing higher sales growth levels than the rest of the country and there are, therefore, grounds to believe that the increase is a long-term one and one that will continue in the next few years.

Ale is still the biggest seller in this segment, and we are seeing continued high levels of interest in both IPA and APA. The USA accounts for approximately 20 per cent of net sales and sales of US ales have risen by 25 per cent, but sales of Swedish ales are rising even more sharply, with a 41 per cent increase during the year, and now account for 30 per cent of all sales of ale. Our launch level for these styles has been relatively high in the last few years and we will, therefore, be focusing slightly more on other ale styles in order to establish a balance between new launches and recognition.

Interest in locally produced and craft beers continues to increase, as is apparent, not least, in the Local and Small scale range. The rate of growth in new products in this segment shows no signs of waning and we will continue to seek beers with low distribution levels to ensure that smaller breweries can also be part of our tendering process.
The strategy for new launches remains the same as last year. Taste is key for the customers when choosing a product and we can see from our surveys that cider and mixed drinks purchasers have definite views on the various products and are, in that sense, more expert than customers in other drinks categories. We will, therefore, be looking for some new flavour compositions, but will also continue to look for new versions of known flavours.

Cider sales fell slightly by volume (-2 per cent), but increased by 4 per cent by value, and a total of 11.3 million litres were sold. Sales of sweet cider fell by 1 per cent, while sales of dry and medium dry ciders rose by 4.8 per cent. Sweet cider still accounts for the biggest share of sales, however, at 9.8 million litres.

Bottled sweet cider sales fell by 22.2 per cent by volume during the year at the same time as sales of canned sweet cider rose by 5 per cent, so we are seeing a shift in volumes between the segments within the cider category. Our stores have launched relatively few bottled ciders in the standard range and we will, therefore, be focusing more on this customer grouping in 2016.

Sales in the mixed drinks segment fell by 3 per cent by volume to 6 million litres, suggesting the stabilisation of a category that has previously experienced substantial falls in volume. It is interesting to note that the number of bottles sold has increased, which suggests that customers are choosing smaller bottle sizes when they shop. The unit price appears to be more important than the litre price in this category, and we view this as supporting a continuation of our focus on smaller packaging units.

Sales of cider & mixed drinks by packaging

PET bottles are popular in the aged 20-30 customer group – a customer group that also regards organic products as important – and we will, therefore, also continue to make new launches in this area.

Spirit

Spirit sales in 2014 totalled 18.3 million litres, corresponding to a retail value of SEK 6.6 billion, in what is the lowest sales figure ever for this category group. Spirits account for just under 4 per cent of Systembolaget’s sales by volume but for over 20 per cent of the retail value. Volumes fell, year on year, by 3.0 per cent, while the retail value fell by 1.4 per cent which, taking into account the tax increase, suggests no major changes in customers’ preferences during the year.

The long-term trend for spirits has been downwards for many years now and all categories have seen falling volumes, although some types of spirit did report increases in 2014. Gin, American whiskies, and dark rum were among the few types of spirits where sales increased during the year, but the launch level for spirits will be lower in 2016 in the light of the reduced interest on the part of customers.

New launches have found it hard to establish a market and many international brands are already represented in the range. Demand is greatest for the more specialist items, so some of the customer demand will, instead, be met through the temporary exclusive range.
Customers are not necessarily willing to pay more despite the tax increase, which may suggest that per cent actually exceeded the decline in volume, about this category is that the decline in value (14.8 per cent) for the years ahead. One unique thing there are, therefore, grounds for reviewing the range of sales of ready-mixed drinks fell by 3 per cent during the year, repeating the falls seen in previous years. The decline was spread over the majority of segments in the category and is greatest in the flavoured vodkas segment, which noted a 7.6 per cent fall during the year. Unspiced distilled spirits sales fell by 4 per cent to 4.5 million litres and this fall, too, was a repeat of the downturn seen in previous years. The decline in sales of traditional, national brands mirrors an international trend, but we differ from other markets in that the major international premium brands are finding no consumer demand in Sweden, resulting in a continuation of the low launch level.

Gin is one exception to the overall negative trend, with sales increasing by 1.6 per cent during the year. There is a global growing interest in gin which has also reached Sweden, where it is particularly apparent for the more expensive types of gin that cost over SEK 260 a bottle – a segment that saw a 9 per cent increase in sales during the year. We believe that this trend will continue and that demand for the more explicitly craft types of gin will grow even further in future.

Sales of ready-mixed drinks fell by 13.7 per cent to 172,000 litres during the year with the decline due to a few items that have lost substantial volumes, and there are, therefore, grounds for reviewing the range composition for the years ahead. One unique thing about this category is that the decline in value (14.8 per cent) actually exceeded the decline in volume, despite the tax increase, which may suggest that customers are not necessarily willing to pay more for the convenience of a ready-mixed drink.

<table>
<thead>
<tr>
<th>Drinks &amp; cocktails</th>
<th>Value (SEK mln, incl. VAT)</th>
<th>Full-year % change</th>
<th>Volume (000s of litres)</th>
<th>Full-year % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arise</td>
<td>16.4</td>
<td>1.5 %</td>
<td>39.8</td>
<td>-0.6 %</td>
</tr>
<tr>
<td>Ready-mixed drinks</td>
<td>21.9</td>
<td>-18.7 %</td>
<td>116.0</td>
<td>-20.1 %</td>
</tr>
<tr>
<td>Ready-mixed drinks small packaging</td>
<td>5.8</td>
<td>-4.4 %</td>
<td>56.0</td>
<td>3.5 %</td>
</tr>
<tr>
<td>Gin</td>
<td>324.5</td>
<td>2.6 %</td>
<td>1,000.2</td>
<td>1.8 %</td>
</tr>
<tr>
<td>Gin small bottles</td>
<td>75.8</td>
<td>1.7 %</td>
<td>216.1</td>
<td>1.0 %</td>
</tr>
<tr>
<td>White rum</td>
<td>67.2</td>
<td>5.5 %</td>
<td>193.9</td>
<td>2.2 %</td>
</tr>
<tr>
<td>White rum small bottles</td>
<td>21.1</td>
<td>-4.5 %</td>
<td>57.8</td>
<td>-6.9 %</td>
</tr>
<tr>
<td>Unspiced distilled spirits</td>
<td>392.8</td>
<td>-3.4 %</td>
<td>3,373.0</td>
<td>-4.1 %</td>
</tr>
<tr>
<td>Unspiced distilled spirits small bottles</td>
<td>355.0</td>
<td>-3.4 %</td>
<td>1,134.9</td>
<td>-3.5 %</td>
</tr>
<tr>
<td>Flavoured rum</td>
<td>157.6</td>
<td>0.7 %</td>
<td>447.5</td>
<td>-0.5 %</td>
</tr>
<tr>
<td>Flavoured vodka</td>
<td>78.4</td>
<td>-4.7 %</td>
<td>216.3</td>
<td>-7.6 %</td>
</tr>
<tr>
<td>Tequila</td>
<td>28.5</td>
<td>-0.5 %</td>
<td>68.2</td>
<td>-1.3 %</td>
</tr>
<tr>
<td>Drinks &amp; cocktails, total</td>
<td>2,135.1</td>
<td>-2.0 %</td>
<td>6,919.3</td>
<td>-3.0 %</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Schnapps</th>
<th>Value (SEK mln, incl. VAT)</th>
<th>Full-year % change</th>
<th>Volume (000s of litres)</th>
<th>Full-year % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spiced distilled spirits</td>
<td>306.5</td>
<td>-6.4 %</td>
<td>791.2</td>
<td>-7.6 %</td>
</tr>
<tr>
<td>Spiced distilled spirits small bottles</td>
<td>113.1</td>
<td>0.8 %</td>
<td>289.7</td>
<td>-0.1 %</td>
</tr>
<tr>
<td>Schnapps total</td>
<td>419.6</td>
<td>-4.6 %</td>
<td>1,080.9</td>
<td>-5.7 %</td>
</tr>
</tbody>
</table>

Spiced distilled spirits are continuing to experience a negative sales trend, falling by 5.7 per cent in 2014. The segment is heavily seasonal and approximately half of all volumes are sold around Easter, Midsummer and Christmas. Sales of half bottles have remained stable on a par with last year. Packagings containing miniature bottles account for just over 17 per cent of total sales in this category, while 70cl bottles account for no more than 42 per cent, reinforcing the pattern that has seen purchases in this category largely being made for specific occasions and increasingly seldom bought to have in stock at home.

<table>
<thead>
<tr>
<th>Whisky</th>
<th>Value (SEK mln, incl. VAT)</th>
<th>Full-year % change</th>
<th>Volume (000s of litres)</th>
<th>Full-year % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blended scotch whisky</td>
<td>953.4</td>
<td>-2.2 %</td>
<td>2,723.3</td>
<td>-2.8 %</td>
</tr>
<tr>
<td>Blended scotch whisky small bottles</td>
<td>275.6</td>
<td>-3.1 %</td>
<td>740.8</td>
<td>-3.8 %</td>
</tr>
<tr>
<td>Canadian whisky</td>
<td>328.4</td>
<td>-4.8 %</td>
<td>1,073.2</td>
<td>-5.6 %</td>
</tr>
<tr>
<td>Canadian whisky small bottles</td>
<td>119.3</td>
<td>-7.5 %</td>
<td>368.9</td>
<td>-2.4 %</td>
</tr>
<tr>
<td>American whiskey</td>
<td>93.8</td>
<td>5.5 %</td>
<td>218.8</td>
<td>1.0 %</td>
</tr>
<tr>
<td>American whisky small bottles</td>
<td>18.6</td>
<td>6.2 %</td>
<td>38.3</td>
<td>3.5 %</td>
</tr>
<tr>
<td>Irish whiskey</td>
<td>222.7</td>
<td>0.0 %</td>
<td>547.9</td>
<td>-1.0 %</td>
</tr>
<tr>
<td>Irish whiskey small bottles</td>
<td>67.1</td>
<td>-13.5 %</td>
<td>153.0</td>
<td>-16.8 %</td>
</tr>
<tr>
<td>Other whisky</td>
<td>12.5</td>
<td>-10.5 %</td>
<td>25.4</td>
<td>-13.9 %</td>
</tr>
<tr>
<td>Scotch malt whisky &lt;= 18 years old</td>
<td>597.2</td>
<td>1.6 %</td>
<td>1,036.6</td>
<td>0.3 %</td>
</tr>
<tr>
<td>Scotch malt whisky &lt;= 18 years old small bottles</td>
<td>47.9</td>
<td>-9.5 %</td>
<td>64.1</td>
<td>-14.1 %</td>
</tr>
<tr>
<td>Scotch malt whisky &gt; 18 years old</td>
<td>28.7</td>
<td>23.4 %</td>
<td>15.7</td>
<td>10.2 %</td>
</tr>
<tr>
<td>Other malt whisky</td>
<td>93.2</td>
<td>7.8 %</td>
<td>119.2</td>
<td>-0.8 %</td>
</tr>
<tr>
<td>Whisky total</td>
<td>2,858.5</td>
<td>-1.3 %</td>
<td>7,123.2</td>
<td>-3.1 %</td>
</tr>
</tbody>
</table>

Whisky and whiskey, excluding malt whisky, accounts for 5.9 million litres in sales, corresponding to 32.2 per cent of the total volume of spirits sold. The category declined by 3.6 per cent last year, but this decline was not evenly spread over the various countries of origin. Canadian whisky and Scottish blended whiskies account for the biggest falls, as, this year, does Irish whiskey which, due to substantial declines in the half bottle segment, reported falls of 5 per cent during the year.

American whiskies are the exception in this category, reporting an increase in volumes of 1.3 per cent, but it is also by far the smallest of the four big countries of origin so its effect on the overall figures is not particularly significant. What is, however, clear is that we are seeing a premiumisation trend in the segment and that even whisky that costs more than the market leader has gained in popularity with our customers.
Malt whisky continues to enjoy a strong position in Sweden, although volumes did fall by 0.6 per cent during the year. The retail value increased by 2.2 per cent, but this was due more to price increases than to any premiumisation trend amongst customers. A total of 1.24 million litres of malt whisky were sold in 2014 with a total retail value of SEK 767 million. This corresponded to 6.8 per cent of the total volume of spirits sold and 11.6 per cent of the total retail value of spirit sales as a whole.

Malt whisky is, in other words, a category which is experiencing its own premiumisation and we have to look back at the volumes from 1990 – a modest 76,000 litres – to understand fully just how much has happened in this category over the past 25 years. Malt whisky accounts for 24 per cent of sales of Scotch whisky as a whole and for 35 per cent of the retail value, which is a uniquely high share if one compares with other markets.

The Swedish malt whisky customer is knowledgeable and is not as brand loyal as other customers in the spirits category, and malt whisky new launches have historically performed better than those in other spirit categories. We will continue to launch within this category, and will be carefully monitoring developments in Scotland where there are more and more indications of abandoning “age statements” on whiskies in favour of “no-age statement” versions. The extent to which customers will accept this transition is still unclear, however, and we will proceed carefully in order to balance customer benefit with availability.

**Digestif**

<table>
<thead>
<tr>
<th>Digestif</th>
<th>Value (SEK mil., incl. VAT)</th>
<th>Full-year % change</th>
<th>Volume (000s of litres)</th>
<th>Full-year % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bitters</td>
<td>67.6</td>
<td>2.1%</td>
<td>181.1</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Other brandy</td>
<td>23.9</td>
<td>-5.1%</td>
<td>62.2</td>
<td>-8.5%</td>
</tr>
<tr>
<td>Other brandy small bottles</td>
<td>17.7</td>
<td>-9.2%</td>
<td>51.7</td>
<td>-11.2%</td>
</tr>
<tr>
<td>Calvados</td>
<td>33.0</td>
<td>2.1%</td>
<td>71.9</td>
<td>0.5%</td>
</tr>
<tr>
<td>Cognac</td>
<td>153.8</td>
<td>-0.7%</td>
<td>303.9</td>
<td>-4.4%</td>
</tr>
<tr>
<td>Cognac small bottles</td>
<td>38.2</td>
<td>-6.6%</td>
<td>75.3</td>
<td>-9.0%</td>
</tr>
<tr>
<td>Grappa/marc</td>
<td>7.2</td>
<td>6.6%</td>
<td>14.4</td>
<td>2.7%</td>
</tr>
<tr>
<td>Dark rum</td>
<td>140.1</td>
<td>11.8%</td>
<td>325.0</td>
<td>5.0%</td>
</tr>
<tr>
<td>Dark rum small bottles</td>
<td>23.3</td>
<td>18.1%</td>
<td>67.0</td>
<td>16.8%</td>
</tr>
<tr>
<td>Other spirits, segment</td>
<td>4.6</td>
<td>17.1%</td>
<td>8.0</td>
<td>13.2%</td>
</tr>
<tr>
<td>Digestif total</td>
<td>518.4</td>
<td>3.1%</td>
<td>1,144.4</td>
<td>-0.8%</td>
</tr>
</tbody>
</table>

Sales of digestifs fell by 0.8 per cent to 978,000 litres in 2014, which is a smaller decline than that seen in previous years. At the same time, however, the retail value increased by 3.1 per cent, indicating a premiumisation over and above the tax increase.

Sales of cognac and brandy fell by 5.4 per cent and 9.7 per cent, respectively, and it is clear that these spirit types are finding it hard to hold their own in the face of the growth of malt whisky. Cognac sales are still dominated by the local, Nordic brands and it is possible that the trend towards a “craft” approach and local roots is of greater benefit to malt whisky than cognac, in that the malt whisky brands have more pronounced geographical connections. In terms of quality, the breakdown has been reasonably constant over the past five years, with approximately 2/3 of sales being of VS quality and 1/3 of VSOP or XO quality.

Dark rum is an exception in this category and in the spirits category group, with an increase in sales by volume of 6.8 per cent in 2014. A total of 392,000 litres of dark rum were sold during the year and, for the first time ever, the sales volume exceeded that of cognac, which stayed at 379,000 litres last year. Dark rum also noted an increase in retail value of 12.6 per cent, indicating that the increase in demand primarily relates to higher quality dark rums.

**Liqueur**

<table>
<thead>
<tr>
<th>Liqueur</th>
<th>Value (SEK mil., incl. VAT)</th>
<th>Full-year % change</th>
<th>Volume (000s of litres)</th>
<th>Full-year % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chocolate, coffee and nut liqueurs</td>
<td>37.2</td>
<td>-1.1%</td>
<td>112.7</td>
<td>-3.1%</td>
</tr>
<tr>
<td>Cream and egg liqueurs</td>
<td>122.3</td>
<td>-1.7%</td>
<td>435.9</td>
<td>-2.5%</td>
</tr>
<tr>
<td>Fruit and berry liqueurs</td>
<td>144.3</td>
<td>-3.4%</td>
<td>398.3</td>
<td>-4.2%</td>
</tr>
<tr>
<td>Swedish punch</td>
<td>38.7</td>
<td>-4.6%</td>
<td>127.0</td>
<td>-7.2%</td>
</tr>
<tr>
<td>Other liqueurs</td>
<td>146.4</td>
<td>-3.5%</td>
<td>405.7</td>
<td>-3.4%</td>
</tr>
<tr>
<td>Other liqueurs small bottles</td>
<td>189.6</td>
<td>-2.3%</td>
<td>469.9</td>
<td>-3.3%</td>
</tr>
<tr>
<td>Liqueur total</td>
<td>678.5</td>
<td>-2.3%</td>
<td>1,949.4</td>
<td>-3.5%</td>
</tr>
</tbody>
</table>

Liqueurs are a difficult category with a number of wildly different products in terms both of flavours and areas of use. The category noted a fall of 3.5 per cent to 1.95 million litres in 2014 and, unlike in previous years, the fall was fairly similar for different types of liqueur. This is a category with numerous different flavour types that are not completely mutually interchangeable, so we will continue to conduct a certain amount of new launches for liqueurs.
Wine sales decreased by less than one part per thousand in 2014 to 197.8 million litres, corresponding to 42 per cent of Systembolaget’s total sales by volume. The retail value increased during the same period by 3.2 per cent to SEK 17.4 billion, which comprises 53 per cent of sales. It was already clear, last year, that wine sales had levelled off and that we have a mature market for wine in Sweden, and there will probably be no increase in volumes over the next few years – simply a certain amount of redistribution between types, countries of origin, and brands.

Wine accounts for over half our net sales in stores, but also completely dominates media coverage. Wine is, furthermore, the category group that is massively driven by new products and the number of launches in 2015 will, therefore, be greatest in the wine category group, even if the number of new launches has declined slightly.

**Organic wine**

Sales of organic wine fell at the beginning of 2013 but then picked up in a way that persuaded a number of major international players to take a closer look at the Swedish market. Sales of organic wine by volume increased in 2014 by 99 per cent to 21.3 million litres.

This growth demonstrates an unparalleled change in the way in which customers view organic products. Given that the total wine volume was constant, this figure means that 10.6 million litres of conventionally cultivated wine disappeared from our shelves and was replaced by the same quantity of organic wine. Which makes it easy to understand the considerable interest we are now seeing in the producer stage of the chain. This massive increase in sales meant that in 2014, organic wines accounted for 10.8 per cent of total wine sales.

Sales of ethically certified wine increased by 54 per cent in 2014, reaching 7.6 million litres, which corresponds to 4.4 per cent of all wine sales and 15 per cent of all wine from the countries of origin where ethical labelling is a possibility. The increase is largely a knock-on effect of the act that organic items from these countries are also often ethically certified, but we believe that ethical certification is an important road in which to go down if we are to improve conditions in “at risk” countries, and we will continue to look for ethically labelled products in future.

The consideration aspect of our core values primarily applies to our customers, of course, which is why it is important that we are able to offer lower alcohol content alternatives, for example. We will, therefore, continue to ask for dry wines with an alcohol content of less than 10 per cent, but we realise that the supply is limited and would encourage input from our suppliers, as we are still looking for high quality products with a lot of flavour, despite the low alcohol content.
Boxed wines continue to dominate wine sales in Sweden, although sales did fall by 0.8 per cent in 2014 in what was a break in the trend in recent years and one that suggests that the breakdown between packaging types may now have stabilised after 18 years of market availability for boxed wines. Sales of boxed wines by volume totalled 103.6 million litres, corresponding to 52.4 per cent of the total volume of wine sold. The retail value was SEK 6.8 billion, or 39.1 per cent of the total retail value of wines.

We are seeing a clear flow of volumes to the higher price bands. Sales by volume of boxes costing less than SEK 200 are decreasing, while sales of those costing over SEK 200 are increasing – and the differences are fairly dramatic. Bottled wines have also seen a substantial decline in volumes in the lowest price bands, but this drop is recovered in the price bands just under SEK 100, which is where the growth is occurring. The increase in alcohol tax is, of course, a partial explanation, but it is interesting to note that price points that were previously clear watersheds no longer seem to act as a barrier to customers who want to increase their wine experience. The new product placement in our stores will, to some extent, probably have contributed to the premiumisation effect we are seeing, but the continued strong interest in wine amongst our customers will also have played a part.

Red wine accounts, with 103.6 million litres sold, for 52.4 per cent of total wine sales. Volumes decreased by 2.2 per cent in 2014 – a reduction that seems largely to have entailed a shift to the rosé wine category. Red wine’s market share in recent years has achieved historically high levels and it is, therefore, not inconceivable that the category will continue to show a slight decline in future.

The retail value of red wine sales totalled just over SEK 9 billion, corresponding to an increase of 0.3 per cent from the previous year, and red wine accordingly accounts for 28 per cent of the value of Systembolaget’s sales and 22 per cent of its sales by volume. This is the most important wine category for our customers and has the greatest impact on customer satisfaction levels in terms of the range as a whole. Boxed and tetra packaging both lost market shares in favour of bottles during the year, and bottled wines now account for 38 per cent of red wine sales.

The percentage drop in sales in the under SEK 70 price band reached double figures, while sales in the SEK 80–99 price band increased. Sales in the latter segment totalled 57.6 million litres, making it by far the largest segment in this category.
Italy dominates in terms of country of origin, with just under 40 per cent of the market share by volume and a similar share by value. Sales of Italian wines increased by 10 per cent on the previous year and are strongly dominant in certain segments. Amarone continues to enjoy a very high share of sales in the over SEK 120 price band, but its market share has now fallen for two years in succession. Sales of Italian table wine have, by contrast, increased markedly, from 1 million litres in 2010 to 10 million litres in 2014.

South Africa, Spain and Australia are the highest ranking countries of origin, after Italy, but all of these countries lost market shares in 2014. Chile, Argentina, Portugal and New Zealand, by contrast, all showed growth. Many of these shifts can be explained by access to organic wine, and countries with low shares of organically certified production have lost a massive business opportunity.

New Zealand, France and the USA are the three countries of origin with the highest average price per litre, while South Africa, Chile and Spain are ranked lowest on the top 10 countries of origin in terms of price per litre.

Grape variety is important to many of our customers and a new leader has emerged amongst the single varietal wines in our range during the year, namely Zinfandel, which has gone from a 3 per cent market share to a 14 per cent one in just five years and is now slightly ahead of Cabernet Sauvignon and Syrah on the favourite varietal list. Residual sugar contents in red wines have been a hot discussion topic during the year and it is evident that the average sugar content has increased slightly, year on year. There is clearly a customer group that prefers slightly sweeter wines, but we are also seeing constant market shares for completely dry red wines in recent years, suggesting that what is actually happening is that the customers are sticking to their existing preferences, and that their opinions have simply become more entrenched.

Sales of organic wine totalled 13.1 million litres during the year, corresponding to 12.7 per cent of total red wine sales – figures that should be seen in the light of the 6.2 per cent of total red wine sales achieved by organic wines in 2013. It is clear, as in the previous year, that the range of organic wines varies strongly from one country to another and we would welcome input in this area from our suppliers, in that it is difficult to obtain recent statistics showing the situation on the cultivation front.

Wine with an alcohol content of less than 10 per cent has found it incredibly difficult to establish itself in the red wine range and a mere 58,000 litres of this type of wine was sold in 2014, corresponding to 0.06 per cent of total red wine sales. We would be extremely grateful for input on high quality red wines with a low alcohol content from our suppliers, but until then, the launch level will be low.

**White wine**

![White wine sales chart](image)

White wine sales totalled 61.4 million litres in 2014, accounting for 31 per cent of total wine sales.

The change from last year was a modest one – an increase of 0.2 per cent, and it seems as though white wine is following its own path with very little flow between other categories. The market share largely corresponds to the average in western Europe, according to Euromonitor, and has remained constant, despite the strong growth by rosé wines.

Sales of white wine are spread relatively evenly over the year and the category is distinguished by the fact that bottles only account for 30 per cent of sales. There is a clear premiumisation trend in white wine, with the retail value of sales rising by 4.5 per cent to a total of SEK 4.7 billion. All bottle segments in the SEK 90 or above price band reported positive growth, as did the boxed wines in the SEK 200 and above price band.

![White wine sales table](image)
South Africa continues to be the biggest country of origin for white wine, with a 22.7 market share by volume. Sales are, however, concentrated on the lower price bands and if we look at share of value instead, France is almost on a par with South Africa, despite a more modest share of sales by volume at 12.4 per cent. France enjoys a high market share in the most expensive price bands – as high as 75 per cent in the over SEK 150 bottled white wines segment, although this figure does entail a downturn from last year when the corresponding share was 79 per cent.

The market share for organic white wine was 12.2 per cent, corresponding to a clear upturn from last year when the share was 5 per cent. A number of new launches have helped bring about this increase in volume, but it has largely occurred organically within existing listings or through the conversion of existing listings. A total of 7.5 million litres of organic white wine were sold in 2014.

**Rosé wine**

<table>
<thead>
<tr>
<th>Rosé wine</th>
<th>Value (SEK mil., excl. VAT)</th>
<th>Full-year % change</th>
<th>Volume (000s of litres)</th>
<th>Full-year % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rosé wine (0–79)</td>
<td>342.2</td>
<td>-0.1%</td>
<td>3,841.9</td>
<td>-1.5%</td>
</tr>
<tr>
<td>Rosé wine (80–99)</td>
<td>166.0</td>
<td>38.1%</td>
<td>1,486.8</td>
<td>37.6%</td>
</tr>
<tr>
<td>Rosé wine (100–)</td>
<td>75.9</td>
<td>34.4%</td>
<td>526.3</td>
<td>30.0%</td>
</tr>
<tr>
<td>Rosé wine small bottles</td>
<td>12.9</td>
<td>18.3%</td>
<td>123.3</td>
<td>10.5%</td>
</tr>
<tr>
<td>Rosé wine box (0–66.6 SEK/l)</td>
<td>329.5</td>
<td>6.0%</td>
<td>5,330.9</td>
<td>3.6%</td>
</tr>
<tr>
<td>Rosé wine box (66.7–SEK/l)</td>
<td>176.7</td>
<td>42.2%</td>
<td>2,431.9</td>
<td>35.0%</td>
</tr>
<tr>
<td>Rosé wine not box or bottle</td>
<td>101.0</td>
<td>3.3%</td>
<td>1,695.5</td>
<td>1.4%</td>
</tr>
<tr>
<td>Rosé wine total</td>
<td>1,204.3</td>
<td>13.3%</td>
<td>15,436.5</td>
<td>9.4%</td>
</tr>
</tbody>
</table>

Rosé wines accounted for 7.8 per cent, or 15.4 million litres, of total wine sales in 2014, corresponding to a year on year increase of 9.4 per cent. This is, admittedly, a lower growth figure than in the previous year, but it is still in line with the average for the two preceding years. It is not unreasonable to think that two-digit growth figures may well become rarer in the future, as rosé wines have now taken such a large share of the product range. Rosé wines now account for just over 10 per cent of total sales in western Europe, however, so it is conceivable that room for growth still exists.

The category is still immature, with relatively large changes in sales patterns from one season to another, and the difference in share from peak season to low season has, unlike in other European markets, actually strengthened in recent years. The market share in July was 18.6 per cent, while in December, it was 2.2 per cent and rosé wines will henceforth, therefore, only be launched in March and June.

“As a Category Manager, my work is based on the customers’ requirements and purchasing patterns, and we draw up the launch plan and manage the range composition in the stores through range mix plans. When it comes to boxed white wines, for example, where we can see both that the type of packaging is important to the category and that customers are keen to try new boxed wine products, my job involves establishing the framework for future launches and the existing range. Lower alcohol wines are another example and they have been well received, primarily in the rosé wines category, so we will continue to launch in this category in the summer of 2016.”

Anna Rosenberg works as a Category Manager for white wine, rosé wine, sparkling wine, and the exclusive range.
The high sales figures have necessitated a re-segmentation of the category, which now includes segments for both more expensive bottled wines and more expensive boxed wines, thereby paving the way for future launches. We have also introduced flavour types for rosé in order to make it easier for customers to choose the right drink. This is particularly important now that we are seeing two dominant and, to some extent, opposing flavour trends, namely rosé wines with a clear sweetness, and very dry, Provençale–style rosé wines.

Organic wines account for 6 per cent of the category, corresponding to an increase of just 1.8 per cent during last year. Low alcohol wines, however, seem to be gaining acceptance amongst rosé wine customers, with sales of rose wines with a maximum alcohol content of 10 per cent rising by 8.2 per cent.

Sales of sparkling wines increased by 10.9 per cent to 11.1 million litres, corresponding to 5.6 per cent of total wine sales by volume and 9.4 per cent of the category group’s retail value. A degree of premiumisation was apparent, other than for champagne where it is the lowest price band that reported the greatest growth while the highest price band noted a slight fall in sales.

Sparkling rosé wines showed greater growth than last year, but did not manage to achieve quite the same growth levels as the category as a whole, or even as the rosé win category. It is clear that it is not possible to add two strong trends in a way that is entirely natural if one includes two properties that are reporting high growth levels.

Italy is the biggest country of origin by volume, while France dominates in terms of retail value, with a share of the retail value that is almost twice that of Italy. Three countries of origin dominate overall, namely Italy, France and Spain, although a few strong brands from other countries of origin have established a strong presence within the range.

There is a growing interest in exclusive sparkling wines that are not champagne, from countries such as Spain, Italy and the UK. Sales are modest to date, but this may signal the start of a new trend. Low price wines are continuing to lose market shares and the focus for new launches will largely be on price bands other than the lowest. The category has recently been re-segmented in order to provide scope for items in all price bands.

Organic wines accounted for 12.1 per cent of sales and the category is unique in that the market leader is an organic wine and accounts for over half of the organic contribution to sales. There is still scope for additional organic sparkling wines and we are looking for input in this area, particularly from the most well-established countries of origin.

### Sparkling Wine Sales in Sweden

<table>
<thead>
<tr>
<th>Sparkling Wine</th>
<th>Volume (000s of litres)</th>
<th>Full-year % change</th>
<th>Value (SEK mil., incl. VAT)</th>
<th>Full-year % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Champagne (0 – 249)</td>
<td>373.6</td>
<td>7.7 %</td>
<td>99.7</td>
<td>8.8 %</td>
</tr>
<tr>
<td>Champagne (250 – 399)</td>
<td>579.7</td>
<td>5.9 %</td>
<td>248.8</td>
<td>9.0 %</td>
</tr>
<tr>
<td>Champagne (400 – 1,000)</td>
<td>170.1</td>
<td>1.9 %</td>
<td>113.6</td>
<td>5.9 %</td>
</tr>
<tr>
<td>Champagne small bottles</td>
<td>115.7</td>
<td>4.3 %</td>
<td>57.0</td>
<td>7.8 %</td>
</tr>
<tr>
<td>Champagne large bottles</td>
<td>48.7</td>
<td>2.3 %</td>
<td>23.2</td>
<td>6.2 %</td>
</tr>
<tr>
<td>Rosé champagne</td>
<td>52.1</td>
<td>2.3 %</td>
<td>24.3</td>
<td>-0.6 %</td>
</tr>
<tr>
<td>Rosé champagne small bottles</td>
<td>9.4</td>
<td>27.0 %</td>
<td>4.6</td>
<td>28.2 %</td>
</tr>
<tr>
<td>Sparkling wine (0 – 79)</td>
<td>3,049.3</td>
<td>12.0 %</td>
<td>283.9</td>
<td>15.2 %</td>
</tr>
<tr>
<td>Sparkling wine (80 – 119)</td>
<td>3,373.8</td>
<td>21.2 %</td>
<td>409.8</td>
<td>23.0 %</td>
</tr>
<tr>
<td>Sparkling wine (120 – 159)</td>
<td>296.1</td>
<td>4.4 %</td>
<td>51.0</td>
<td>8.4 %</td>
</tr>
<tr>
<td>Sparkling wine small bottles</td>
<td>399.3</td>
<td>7.6 %</td>
<td>52.3</td>
<td>10.6 %</td>
</tr>
<tr>
<td>Sparkling wine large bottles</td>
<td>108.0</td>
<td>-8.7 %</td>
<td>13.6</td>
<td>-1.6 %</td>
</tr>
<tr>
<td>Sweet sparkling wine</td>
<td>709.1</td>
<td>-2.0 %</td>
<td>62.0</td>
<td>1.3 %</td>
</tr>
<tr>
<td>Sweet sparkling wine small bottles</td>
<td>71.1</td>
<td>10.3 %</td>
<td>9.6</td>
<td>12.3 %</td>
</tr>
<tr>
<td>Sparkling rosé (0 – 79)</td>
<td>914.6</td>
<td>21.4 %</td>
<td>73.5</td>
<td>17.3 %</td>
</tr>
<tr>
<td>Sparkling rosé (80 – 119)</td>
<td>462.3</td>
<td>-10.4 %</td>
<td>62.9</td>
<td>-4.4 %</td>
</tr>
<tr>
<td>Sparkling rosé small bottles</td>
<td>41.8</td>
<td>0.8 %</td>
<td>5.1</td>
<td>1.2 %</td>
</tr>
<tr>
<td>Other sparkling wine</td>
<td>342.7</td>
<td>-5.7 %</td>
<td>31.4</td>
<td>0.0 %</td>
</tr>
<tr>
<td>Sparkling wine total</td>
<td>11,177.6</td>
<td>10.9 %</td>
<td>1,628.2</td>
<td>12.0 %</td>
</tr>
</tbody>
</table>
Sales of dessert wines fell by 7.9 per cent to 1.9 million litres in 2014. This is part of a long-term trend and one that is affecting all wine types in this category. A re-segmentation has recently taken place, merging full and half bottles in some cases to enable the long-term handling of these segments. The weighting factor for volume enables comparisons between the different sizes and we are seeing from shopping basket analyses that the unit price is more important than the litre price for many of this category’s customers. All segments are regarded as service segments and renewal rates will be modest.

Aperitifs are a sub-category that includes numerous different types of wine and one in which sales decreased by 6.8 per cent to 1.48 million litres. This decline is a trend that is being repeated in many countries where dry wines with a relatively high alcohol content are moving in the opposite direction to the majority of trends we are seeing in the outside world. The category has undergone a re-segmentation, similar to that carried out for dessert wines, and here too, the launch level will continue to be low.

Sales of mulled wine fell by 0.5 per cent by volume, totalling 2.79 million litres. The big change in comparison with previous years was that we saw a substantial increase in sales of organic mulled wines – an increase that could have been even greater if more products were available. New flavourings were less successful and Systembolaget’s purchases will, in future, focus on organically labelled more traditional flavours.
Sales of alcohol-free beverages increased by 13.9 per cent in 2014, totalling 2.76 million litres, which corresponds to 0.6 per cent of Systembolaget’s total sales. The retail value was SEK 144 million, which is a respectable amount in itself, but is even more impressive if one bears in mind that there is no alcohol tax to increase the retail value of this category. An increase in retail value of 16.5 per cent shows an ongoing, clear premiumisation of alcohol-free drinks. Sales of alcohol-free beer increased by 30 per cent during the year and was the category that showed the biggest growth, followed by alcohol-free cider and “must” (unfermented seasonal sodas), where sales increased by 21 per cent. The biggest category, however, was alcohol-free wine, where sales increased by 15.6 per cent to 1.1 million litres in what was a very pleasing recovery by a category that actually reported a 7 per cent downturn in the previous year.

Our aim, through our alcohol-free range, is to help bring about a more informed consumption of alcohol in society and the range is chosen to allow us to offer good drinks with an adult taste that constitute a clear alternative to our alcoholic drinks.

We have noticed a growing interest in alcohol-free products amongst our suppliers during the year and have engaged in a number of positive discussions with them, which is very pleasing. We are keen to receive further input in this area but will maintain a slightly lower launch level in future to ensure that our existing range has time to establish itself. We are also keen to encourage innovation and are looking, in particular, for alternatives to red wine that are not necessarily based on grapes.

The launch plan does not specify what we will be looking for and suppliers should visit the Supplier portal for further information. There you will find details of the relevant dates for the respective requests for tender, of approximately how many products we intend to buy in, and a short description of the main type of products for which we are looking. When evaluating the products Systembolaget takes into account not only the sensoric quality, but anticipated customer demand, the look of the packaging, the brand, and the price.
Contact information

**Purchasing Director**
Sara Norell
+46 8 503 325 60
sara.norell@systembolaget.se

**Category Managers**
The Category Managers should be contacted in connection with enquiries relating to categories, segments, product range mix plans, and evaluation. See the Supplier portal for the latest category breakdown.
For general questions not related to an individual category, please contact the Category Managers at the following Group email address:
kategoriansvariga@systembolaget.se

**Group Manager**
Ulf Sjödin
+46 8 503 303 76
ulf.sjodin@systembolaget.se

Märta Kuylenstierna
+46 8 503 302 92
marta.kuylenstierna@systembolaget.se

Mats Olauson
+46 8 503 325 71
mats.olauson@systembolaget.se

Anna Rosenberg
+46 8 503 325 56
anna.rosenberg@systembolaget.se

**Assistant Category Manager**
Maria Staf
+46 8 503 303 70
maria.staf@systembolaget.se

Emelie Westrup
+46 8 503 327 16
emelie.westrup@systembolaget.se
Purchasers
Questions relating to the Purchasers’ areas of responsibility should be addressed to the Purchaser in question, while general issues relating to tenders, purchasing and launches are best addressed to the Assistant Purchaser in question.

See the Supplier portal for the latest breakdown of areas of responsibility.

Group Manager
Fredrik Arenander
+46 8 503 301 27
fredrik.arenander@systembolaget.se

Johan Larsson
+46 8 503 305 66
johan.larsson@systembolaget.se

Staffan Adin (locum)
+46 8 503 303 71
staffan.adin@systembolaget.se

Göran Klintberg
+46 8 503 325 61
goran.klintberg@systembolaget.se

Magnus Lindblom
+46 8 503 325 85
magnus.lindblom@systembolaget.se

Johan Ahlstedt
+46 8 503 303 47
johan.ahlstedt@systembolaget.se

Gad Pettersson
+46 8 503 325 68
gad.pettersson@systembolaget.se

Anders Barrén
+46 8 503 311 25
anders.barren@systembolaget.se

Per Malmring (locum)
+46 8 503 306 39
per.malmring@systembolaget.se

David Benge
+46 8 503 303 87
david.benge@systembolaget.se

Nikita Nordström (locum)
+46 8 503 304 57
nikita.nordstrom@systembolaget.se

Sebastian Braun
+46 8 503 325 82
sebastian.braun@systembolaget.se

Mimi Rosenström (locum)
+46 8 503 302 91
mimi.rosenstrom@systembolaget.se

David Jean
+46 8 503 303 95
david.jean@systembolaget.se