

SWEDISH REVOLUTION



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There are changes afoot within the world of wine distribution in Sweden.

The state-run Systembolaget still enjoys a theoretical monopoly over sales, but an EU ruling has allowed consumers to buy wine online. But life for would-be online retailers is far from straightforward.

A tiny but significant crack is opening in Systembolaget the Swedish alcohol monopoly. According to the January 2010 report by the Centre for Social Research of Alcohol and Drugs at Stockholm University (SORAD) the amount of alcohol legally sold to Sweden by e-commerce companies almost tripled to 0.5% market share. This figure was sufficiently significant to feature in the annual SORAD report for the first time.

The Systembolaget is still the only company permitted to distribute alcohol of 3.5% and above, and Swedish grocery stores may only offer beer and cider/perry with less than that strength. The loophole that allows consumers to privately import alcohol across EU borders was created by a 2007 EU Court of Justice case won by Klaus Rosengren against the Swedish Government. The Rosengren decision forced the Government to allow third party transport of alcohol to its citizens for private use as long as all relevant taxes were paid to its treasury.

Swedish wine enthusiasts have always been able to order specific wines from a 7,000-product catalogue, but most Swedes' wine drinking is restricted to the 2,258 products within the standard range in the monopoly's 411 stores, and 'temporary product launches'. Most consumption is focused on the three-litre bag in box and Tetrapack wines that now make up over 60% of all wine sold.

Filling the gap

A handful of wine entrepreneurs have been quick to fill the hole in the market, including Mark Majzner, a Stockholm-based Australian, through Antipodes Premium Wines, a Malta registered company.

"In 2009 we increased sales to Sweden of medium to upper priced wine by 350%," says Majzner who established the business in 2004 and now operates a number of e-commerce websites including Sweden's largest www.australianwineclub.se, and www.finewinesociety.se.

The Antipodes business is similar to other direct sales wine businesses such as Direct Wines in the UK or HAWESKO in Germany, but with the essential difference that the alcohol can not legally be stored in Sweden. The warehouse is in Hamburg in Germany and wines are shipped directly from there to Swedish customers' homes.

Even though the business is legally protected under EU and Swedish law, Majzner's story is a warning to would-be challenges to the monopoly. "Systembolaget no longer has a 100% monopoly on alcohol sales in Sweden but they still act like a

monopoly," said Majzner. And they are supported by other monopolies.

"Swedish Post refused to transport our wine," said Majzner. "They approved our packaging and business but in the end their CEO decided it was not a business they wanted to do."

It took Antipodes 16 months of using a number of small and expensive transport companies to cover the whole of Sweden before Norwegian Post's Swedish logistics company, Bring, stepped in to take up what has become a large contract.

Change of mind

In 2008 Antipodes signed a much publicised marketing partnership agreement with the giant Swedish retail cooperative, Kooperativa Förbundet (KF), one of the country's largest grocers.

The two year contract called for Antipodes to establish an own-brand wine club for KF's home delivery grocery operation. Just days before the launch Majzner was notified by KF director Per Jansson that the decision had been taken to terminate the agreement immediately, without compensation or explanation. This left Antipodes not only significantly out of pocket but also without a delivery partner for Stockholm (its largest market) as KF had already been delivering its wine orders for several months.

According to Swedish media reports on this and the Swedish Post problem, Antipodes was subject to a concerted effort by pro-monopoly supporters to defend the status quo.

In an article in the *Financial Times*, Maria Rankka, the head of Timbro, a right-leaning Swedish think-tank said, "there are very strong power structures in place, as we can see in this case."

When contacted for comment, Systembolaget's press spokesman Lennart Agén said "the former CEO of Systembolaget Mrs. Anitra Steen has pointed out... that the business venture considered by KF potentially would lead to an increased availability of alcohol on the Swedish market."

For wine producers, the opening of the market provides new alternatives to the Systembolaget tender process. "Since 2004 we have become used to being David vs Systembolaget's Goliath, it helps drive us," said Majzner, who now employs 25 people. "We now sell a significant amount of wine in the over €10 per bottle price point, a sector in which the monopoly is very weak," he said, noting that Antipodes stands apart from Swedish mainstream by selling only bottled wine, and offering no bag in box, beer or spirits. ■