



E-barometer

PostNord in association with HUI Research

2022

ANNUAL REPORT

postnord

About E-barometern

PostNord monitors the Swedish retail sector's e-commerce development in collaboration with HUI Research. E-barometern is published once a quarter and is based on four consumer surveys and a survey of companies. E-commerce is defined in E-barometern as being the online sale of goods, with subsequent delivery to the home or a distribution point, or collection by the consumer at a store, warehouse or distribution center. The following are therefore not considered to be e-commerce in E-barometern:

- In-store purchases that were initially arranged via the internet
- The online sale of services (for example, travel, hotel accommodation and concert tickets)
- Downloading of, for example, music files, movies and applications
- Business-to-business online sales
- Online sales between individuals

The E-barometern Annual Report 2022 is based on information collected from retail companies in January 2023. A total of 191 companies that sell goods online participated in the survey. The consumer results are based on 12 monthly surveys with just over 1,200 respondents in each (total of 15,000 respondents). PostNord also conducted thematic surveys every quarter, with the most recent quarterly survey taking place in December 2022. This consisted of two questionnaires with 1,996 and 2,788 respondents respectively. All the consumer surveys have been carried out using KANTAR's web panel. All the surveys are conducted with a representative sample of Sweden's population between the ages of 18–79. The online surveys are representative of the 98 percent of Sweden's population that has internet access. Contact PostNord for detailed information about each survey.

Foreword

For the first time since PostNord's E-barometern was launched in 2006, we are seeing a negative full-year trend in e-commerce net sales. The tendencies of a sector in turmoil have been apparent in the last three reports. Rising overheads and the recession we now have entered mean that companies need to act in the short term while planning for the long term, which is a challenging balance to strike but crucial when competing for customers.

There is a lot of uncertainty in the market, as many e-commerce companies have not experienced a recession before. In troubled times, consumers become more cautious and cost-conscious. E-commerce companies need to be responsive, fast-moving and maintain a close relationship with their customers to understand and act on their needs. It is important to be flexible in relation to the market situation.

Something that year after year has proven to be crucial to the purchasing experience is being able to choose the delivery method that suits the occasion and the individual. E-tailers have started to respond more to this need, with 71 percent of consumers currently able to choose their preferred delivery option for their most recent e-commerce purchase, a steady increase from 43 percent in 2017. This is an effect of expanded infrastructure with new delivery locations and more choices at the checkout.

Predicting the future is impossible, but along with HUI Research (formerly Handelsns Utredningsinstitut) we have made an attempt. The report presents three different scenarios with future projections describing e-commerce in 2023 and in the coming years, depending on how deep and prolonged the recession is likely to be. We call the positive scenario *The wind is*

changing, which means that e-commerce would actually grow this year; we call an intermediate scenario *The year on pause*, with no growth; and the final scenario is *A deeper crisis*, in which interest rates and energy prices continue to be high, we cut back on consumer durables and loan-financed consumption disappears. All we know is that the future will demand more of us.

Mathias Krümmel

CEO, PostNord Sweden



Contents

●	E-commerce development	4–5
●	External analysis	6–10
●	Sector development	11–19
●	Interview: Polarn O. Pyret	20–23
●	Trend: Social commerce, influencer marketing, D2C	24–29
●	Interview: Bubbleroom	30–33
●	Cookies	34–36
●	Consumer behavior	37–39
●	International e-commerce	40–41
●	E-commerce over time	42–52
●	Second-hand online	53–57
●	Interview: Cervera Vintage	58–60

2022 first year of negative growth in the history of E-barometern

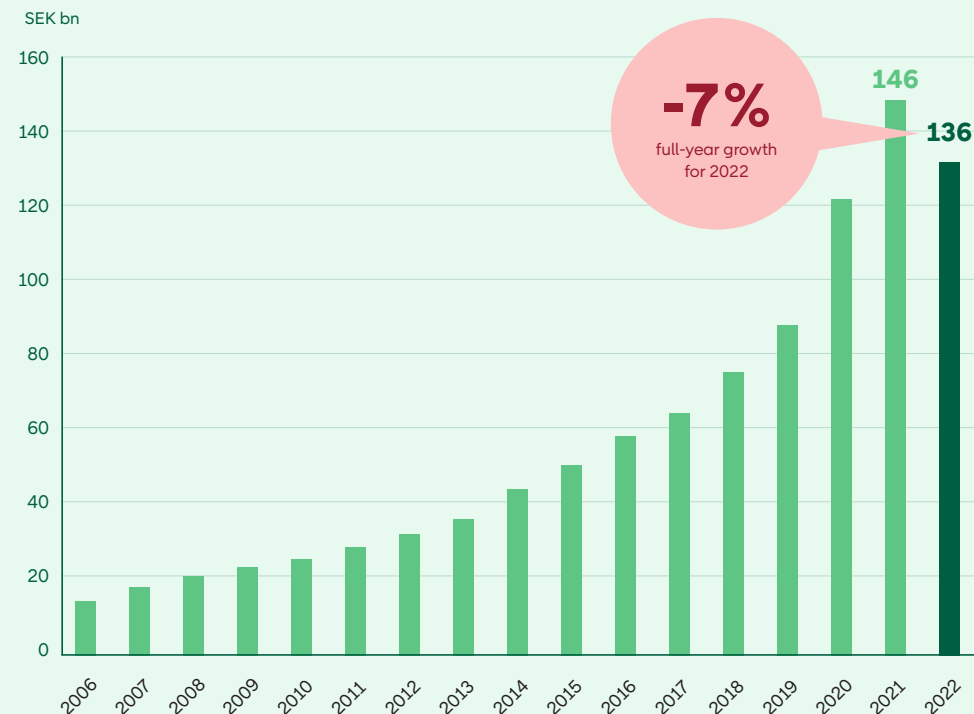
What was supposed to be a year of recovery was instead the beginning of a new period of challenges: war, inflation and recession in Europe. Challenges for society and commerce had already emerged at the beginning of the year. Shortly after Russia's invasion of Ukraine, inflation went up while expectations for the economic situation in 2022 went down. Consumers' view of their own finances fell to a record low during the year, and Handelsbarometern's e-commerce future indicator has been below normal since April.¹ These factors, combined with strong comparative figures, have taken the wind out of the sails of e-commerce in Sweden, which for the first time in E-barometern's history, showed negative annual growth, falling by 7 percent.

According to Statistics Sweden's Retail Trade Index, growth in the Swedish retail sector in 2022 amounted to 3.8 percent measured at current prices.² This growth differs markedly from that of e-commerce, but there are reasons for this. The end of the pandemic has led, among other things, to consumers returning to shopping in physical stores. Another explanation is that

the pandemic led to very high comparative figures in online retailing and very low one in physical retailing, which naturally affects this year's figures. The sharp rise in commodity prices during the year has also had a strong impact on growth, and measured in fixed prices, the trend in the retail trade is instead negative. This is also the case for e-commerce, which has seen an even greater decline in volume than the sales figures indicate.

It is a fact that the changing price landscape and high comparative figures have hit the development of e-commerce hard. According to online retailers themselves, the main challenge is to respond to the reduced purchasing power of households while navigating their business in an uncertain world. The majority of e-retailers plan to hold off on investing in their businesses in 2023. In conclusion, both society and e-commerce are facing tough times, which makes it important to look ahead. The aim of the 2022 E-barometern Annual Report is to summarize the past year, but also to reflect on how e-commerce may develop in the future.

E-commerce net sales



Source: E-barometern

¹ www.svenskhandel.se/rapporter/handelsbarometern-januari-2023

² Current prices express the nominal value, which is not adjusted for changes in value due to inflation. Fixed prices express the real value, which means that the price has been adjusted for the year's inflation rate.

How the sub-sectors fared during 2022

Most sectors had a tough year in 2022, resulting in overall e-commerce performance of minus 7 percent. It is worth bear in mind that many of the sub-sectors, as well as overall e-commerce, have presented strong growth rates for a long time. In order to gain a realistic picture of developments, the 2022 comparative figures need to be viewed in relation to the previous strong e-commerce growth during the pandemic. Otherwise, they risk being seen as more negative than they really are.

Grocery retail is the e-commerce sector that has been hit hardest in 2022*, with negative growth figures

of 17 percent. The strong comparative figures during the pandemic have been difficult to equal as consumers have returned to physical stores, resulting in significant losses for the sector.

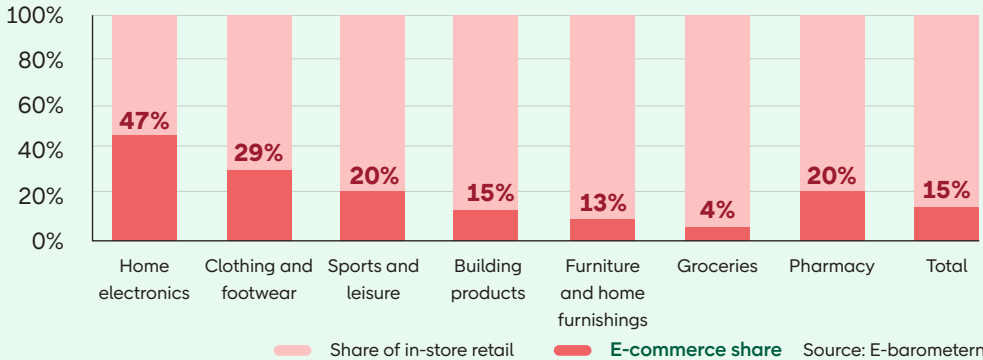
The online pharmacy retail sector has fared best, with positive quarter-on-quarter growth and total growth of 10 percent for the 2022 full year. One explanation for the success of this sector is that it has managed to retain the large number of customers that have been added during the pandemic, especially older consumers who have become accustomed to shopping for their medicines from home during the pandemic years.

Sales growth and net sales per sub-sector

	Growth rate 2022	Net sales 2022 (SEK bn)	E-commerce share 2022	E-commerce share 2021
Groceries	-17%	15	4 %	6 %
Furniture and home furnishings	-8%	8	13%	13%
Home electronics	-10%	28	47 %	51 %
Pharmacy	10%	10	20%	19%
Sports and leisure	-8%	6	20 %	20 %
Children's items and toys	-16%	3	N/A	N/A
Clothing and footwear	2 %	18	29%	31 %
Building products	-3%	8	15%	14%
Books and media	-10%	6	N/A	N/A
Total	-7 %	136	15 %	16 %

Source: E-barometer

E-commerce shares per sub-sector



* Sector performance is at current prices

How might the economic situation affect e-commerce in the future?

The future is difficult to predict. On the following pages, three future scenarios will be presented, giving an indication of what the future of Swedish e-commerce may look like. The scenarios are based on potential outcomes and consequences of current economic conditions and consumer expectations for how e-commerce will develop, which are described in more detail for each scenario. All scenarios are compared with a forecast of the expected growth rate of e-commerce in the absence of pandemic, war and recession. This is to provide a clearer picture of how these unique events may affect the development of the sector in the coming years.

Where there has been retail growth in 2022, it has almost always been price-driven. This means that there is evidence of growth in current prices, while the actual sales volume according to Statistics Sweden's Retail Trade Index has fallen by three percent in 2022. Since inflation leads to higher prices, growth measured in current prices may provide a somewhat embellished picture of the sector's performance. Inflation is thus a double-edged sword. It contributes to growth by increasing prices, but at the same time it puts pressure on consumers, as scope for consumption is reduced.

The outlook for 2023 is for inflation to continue to be high, albeit declining. According to the HUI Research Detaljhandelns konjunkturrapport (Retail Business Cycle Report), the average

inflation rate (KPI) will be 6.5 percent in 2023. One of the big questions going forward is how this will affect consumer demand and what this in turn will mean for e-commerce. Different sectors will be affected to different extents, with the Swedish National Institute of Economic Research's barometer surveys indicating that purchases of consumer durables will be severely depressed over the next twelve months. The views of households on their personal finances are also gloomy.¹

The three future scenarios show three possible outcomes for the development of e-commerce. The next page shows all the scenarios along with the evolution of e-commerce from 2006 to 2025, to provide an overall picture. Each scenario is then described in detail.

Three possible future scenarios

Scenario 1 – The wind is changing:

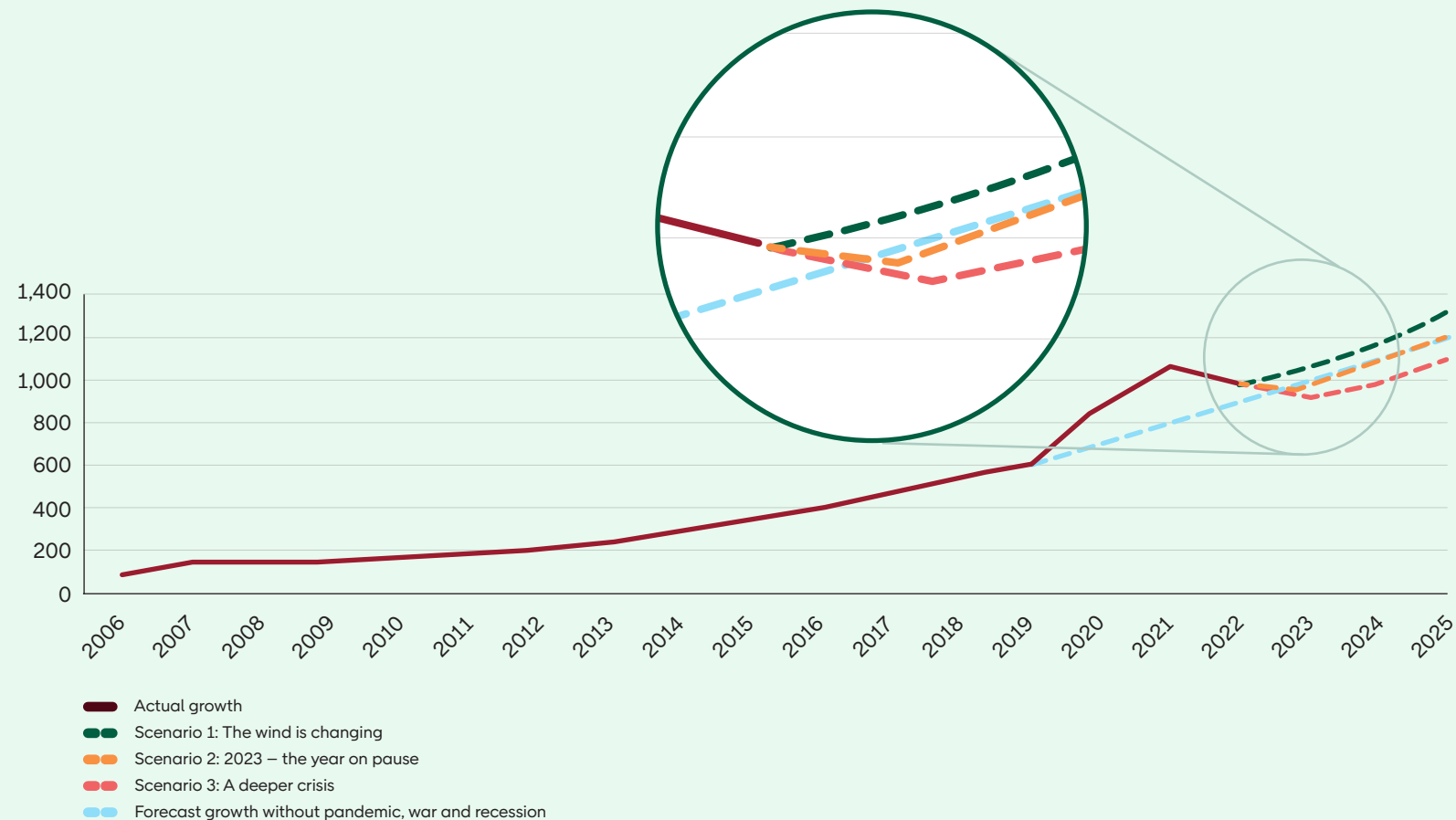
Describes a situation in which the downturn is relegated to 2022 and recovery takes place as early as 2023.

Scenario 2 – 2023 – the year on pause:

Is a slightly more cautious scenario, in which the recession is expected to persist in 2023 and recovery will only take place in 2024.

Scenario 3 – A deeper crisis:

Is the most pessimistic scenario, in which the economic downturn is expected to be protracted and consumers will tighten their purse strings for the next two years.



Source: E-barometer



Jan Jakobsson, PostNord:

"The most difficult thing is to predict the future. So HUI's analysts and we at PostNord sketched out three scenarios. Our hope is that the scenarios can provide supplementary support to all those planning and forecasting for the future."



Emma Hernell, HUI Research:

"Uncertain times make it more difficult to plan for the future. Scenarios are a good way to help companies prepare for whatever direction the future takes. What we know for sure is that consumers will continue to have less money in their wallets."

Scenario 1: The wind is changing

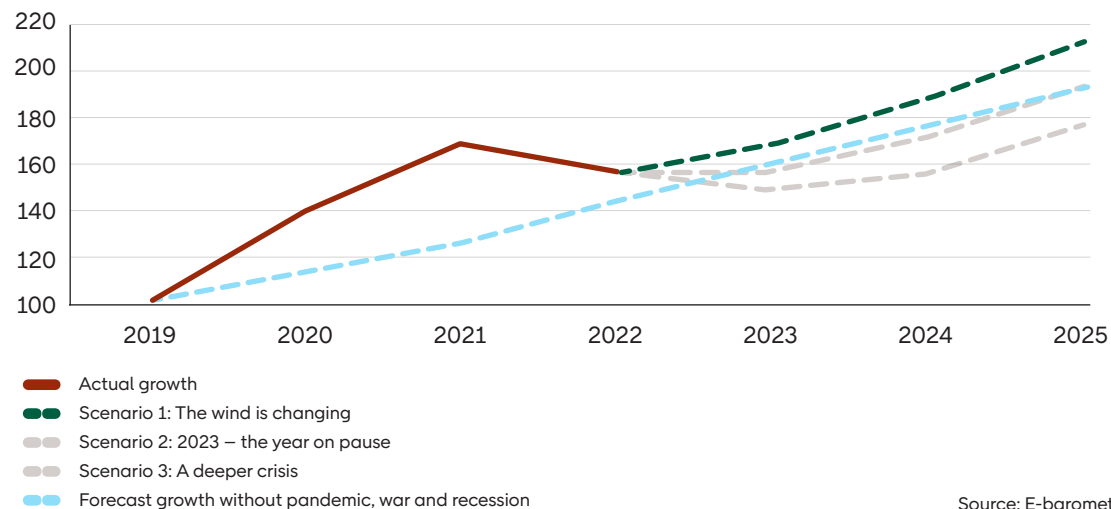
In scenario 1, e-commerce recovers from the current economic situation relatively quickly.

This scenario assumes that the negative e-commerce trend will already have bottomed out in 2022, and that a combination of recession, inflation, low comparative figures and a search for value for money will benefit e-commerce in 2023. Continued high prices are expected to drive sales growth more than it will negatively affect consumers' willingness to spend.

However, some reprioritization will take place, as purchasing power has not yet recovered. When there is no room in people's wallets for major purchases and expenses such as travel, dining out, furniture, appliances and home electronics, consumers are expected to spend more time at home and more on small-scale everyday luxuries. This in turn leads to what is known as a lipstick effect.¹

The effect gets its name from the fact that sales of goods that consumers indulge in without it costing too much, such as lipstick, increase during difficult economic periods. So consumers will indulge in everyday luxuries, such as takeaway food or comfortable lounge wear, when they forgo restaurant visits and travel.

Another factor that affects both consumers and society is redundancies. On a large scale, redundancies lead to increased unemployment and reduced consumption power. As the negative effects of the recession on e-commerce will be short-lived in this scenario, it has been assumed that redundancies will not occur to any significant extent. This means that positive growth rates can be achieved as early as 2023 if scenario 1 becomes a reality.



Jan Jakobsson

"The interest rate path flattens out during the year and the labor market stabilizes, creating confidence in the future among households and boosting consumption."



Emma Hernell

"In this scenario, e-commerce can continue to expand. New market participants establish themselves in the market, and capital-intensive sectors such as home electronics, ironmongers and building products return to normal growth levels."

¹ www.theguardian.com/business/2022/oct/14/lipstick-effect-britons--luxuries-cost-of-living-crisis

Scenario 2: 2023 – the year on pause

In scenario 2, 2023 is a year on pause during which growth stagnates.

The recession holds back growth in 2023, and consumers will have less money left in their wallets, partly due to the impact of high interest rates.

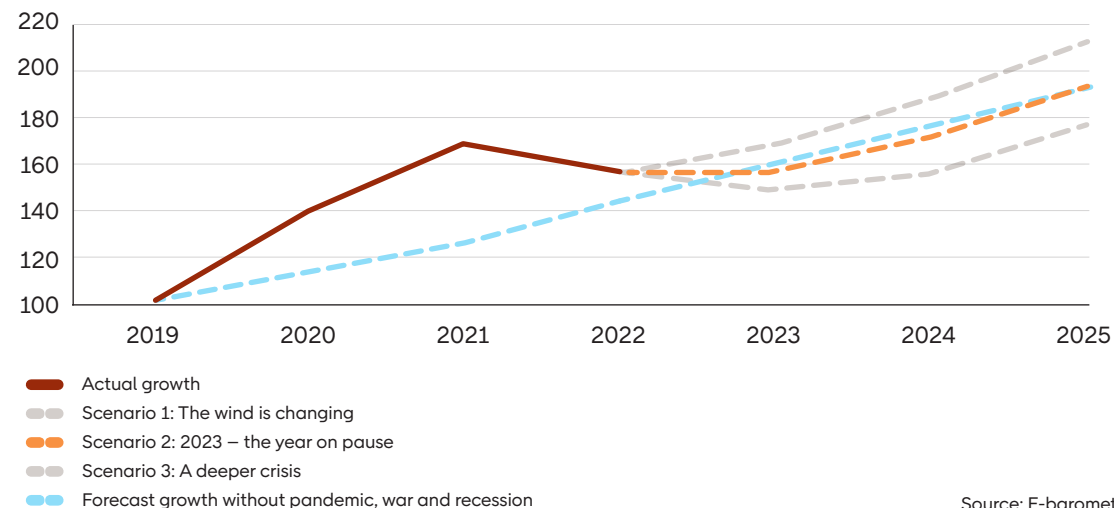
With high (but declining) inflation and lower consumer purchasing power, combined with e-commerce facing low comparative figures from 2022, growth in 2023 is forecast to be around zero percent. In real terms, this would entail negative growth, as inflation is expected to be higher than the e-commerce growth of zero percent. We therefore see sales in SEK equivalent to 2022 sales, but a reduced sales volume.

In this scenario, gas shortages in Europe are expected to continue to keep energy prices high, contributing to a strained economic situation for both businesses and consumers.

E-commerce is expected to start growing again in 2024. This is partly

due to the prevailing price situation in the Swedish economy and the low comparative figures, and partly because consumers will start to make purchases that they were holding off on in 2023. This is particularly the case for more capital-intensive goods, which often represent a major item of expenditure, such as home electronics and furniture. For example, it may be time to replace the mobile phone you bought during the pandemic.

Scenario 2 forecasts that the 2021 sales level will be reached in 2024. After that, e-commerce is expected to grow at the same pace as it would have done in the absence of pandemic, war and recession. This means that the e-commerce pandemic boom and the 2023 year on pause have canceled each other out, and e-commerce is back to square one.



Source: E-barometern



Jan Jakobsson

"Continued restraint in consumption based on the fact that energy prices and interest costs remain high and that the market has not fully absorbed its costs and must continue to increase its prices, including for food."



Emma Hernell

"In this scenario, times are still perceived as uncertain and private savings are at a high level. Large, robust companies are doing well, while smaller start-ups are having a tougher time."

Scenario 3: A deeper crisis

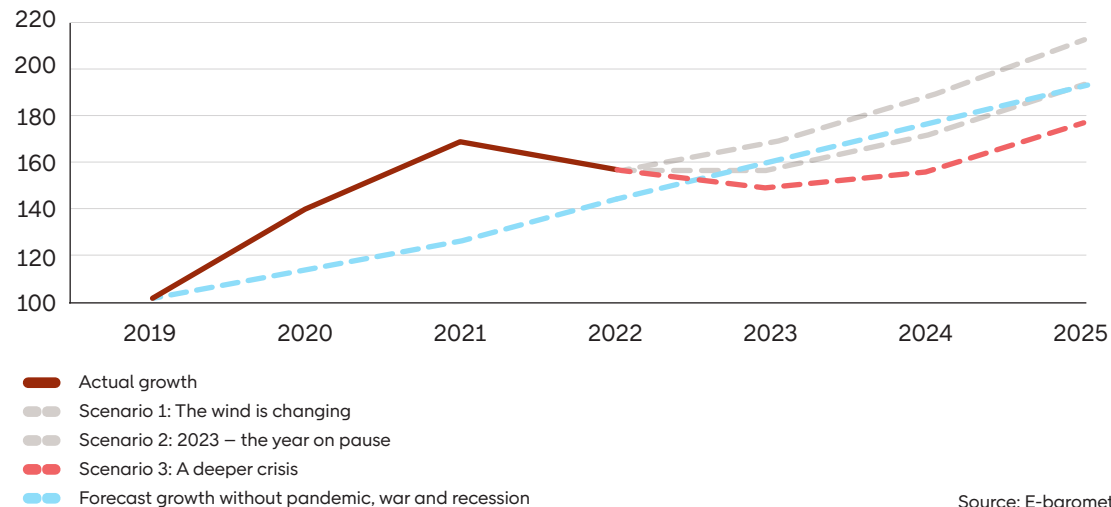
Scenario 3 is a pessimistic scenario which assumes that the energy crisis, high average inflation, the impact of higher interest rates and announcements of redundancies and bankruptcies will continue to be a reality in 2023.

The recession is deep and hits both consumers and businesses hard. Capital-intensive sectors such as home electronics, construction and home furnishings are strongly depressed, and the growth of the grocery sector is mainly benefiting physical low-price market participants. In this scenario, e-commerce sales growth is not expected to surpass the record level of 2021 until 2025.

It is not only consumer priorities that are changing as purchasing power declines – businesses will also have to make cutbacks. Investments are postponed, high inventory levels quickly become a concern and risk capital-intensive industries will find life harder.

Loan-financed consumption will be low priority, and greater segregation on the supply side is to be expected. This means that the low-price and second-hand segment will grow, while high-end brands will retain their customer base, which is generally not so cyclically sensitive. This creates a divide among both consumers and businesses, where the mid-market will face major challenges.

In scenario 3, the recession takes the wind out of the sails of growth more than the pandemic gave it momentum, and e-commerce in 2025 is below the development expected if the pandemic, war and recession had not occurred.



Jan Jakobsson

"Households are putting on the brakes, inflation remains high and labor market concerns persist. Consumers will need to prioritize the purchase of basic and essential goods."



Emma Hernell

"Consolidation and some shakeout are taking place in the market in this scenario. The focus on low prices is increasing. Capital-intensive products are taking a back seat to groceries and needs-related consumption."

Modest but positive development for fashion retail

The online clothing and footwear sector has remained relatively stable in 2022, compared to the other sub-sectors. During all quarters of the year, the sector has shown positive, albeit extremely weak, figures. The year began with the end of the coronavirus pandemic restrictions, which led consumers back to physical fashion retail. Despite this, e-commerce managed to stay in the black. The end of the restrictions also meant a return to the office, with many people updating their office wardrobes at the beginning of the year. Consumers then took the opportunity to shop for new fashion items for the summer, and the real fashionistas had time for another wardrobe update in the fall before rising interest rates and high electricity costs

hit their wallets. Growth is two percent for the 2022 full year.

Clothing and footwear need to be replaced regularly, but as wallets shrink, purchases become less frequent. Now more than ever, consumers are purposefully looking for affordable alternatives. Clothing and footwear retail is a wide-ranging sector, enabling consumers to update their wardrobes without having to pay a fortune. For example, the second-hand market is growing, and many companies are witnessing increasing customer interest in the circular business model. The final chapter of the report describes second-hand e-commerce – with fashion being the most popular category – in more detail.



2%

e-commerce growth 2022

18

billion kronor
net sales 2022

29%

percentage of total
fashion retail.

Percentage who made their most recent purchase in the category online or in store, respectively

52%
online

45%
physical store

3% don't know/other

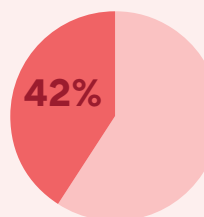
Percentage of men and women who made online purchases (fourth quarter), respectively

♂ Men
36%

♀ Women
54%

Percentage of e-commerce consumers who bought clothing and footwear

Average amount per month among those who purchased clothing and footwear



SEK 1,286

Gloomy times an opportunity for used home electronics goods

The home electronics sector has been hit hard in 2022. The sector is one of the most successful during the pandemic, and this year's performance is therefore compared with high figures. Sales have also stagnated as interest rates and energy prices have risen, and the semiconductor shortage has also been a recurring factor in the sector's negative quarterly results. It may also be added that many have returned to their workplaces during the year, which has not been beneficial to the sector. In addition, many home electronics companies have accumulated large stocks that they have had to sell off at a discount due to the slowdown in demand.¹ The growth of the home electronics sector is expected to be minus 10 percent for the 2022 full year.

Some sectors are more cyclical than

others, and home electronics is one of them. In tougher times, there is no room in people's wallets to update their tech gadgets to newer models, which is why many people keep functional mobile phones and computers for longer. Like in the fashion trade, this has led companies to create alternative ways for consumers to consume. This includes offering repairs and selling second-hand goods. One example is consumer electronics retailer Elgiganten, which sells its returned goods at a reduced prices.² There are also companies that have gone one step further and only sell second-hand products. One such company is Swappie, which sells repaired mobile phones and has been named one of Europe's fastest growing companies.³ Both of these examples highlight consumer interest in used home electronics goods.


-10%
e-commerce growth
2022

28

billion kronor
net sales 2022.

47%

percentage of total
home electronics retail

Percentage who made their most recent purchase
in the category online or in store, respectively

57%
online39%
physical store

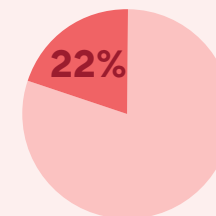
4% don't know/other

Percentage of men and women who made
online purchases (fourth quarter), respectively

♂ Men
36%♀ Women
20%

Percentage of e-commerce
consumers who bought
home electronics

Average amount per month
among those who purchased
home electronics




SEK 2,276

¹ www.market.se/alla-nyheter/nyheter/massiv-rea-att-vanta-under-borjan-av-2023-finns-bara-ett-satt-att-gora-sig-av-med-lagret

² www.mynewsdesk.com/se/elgiganten/pressreleases/elgiganten-visar-vaerdet-av-haallbar-returhantering-3229260

³ www.ft.com/ft1000-2022

Audiobook services and physical booksellers presenting a challenge

2021 was a record year for the printed book in both physical retail and e-commerce. However, 2022 has not looked as positive for the sector. The audiobook format continues to grow in popularity, with the number of Swedish households with an audiobook subscription now exceeding one million.¹ Among those who do not listen to audiobooks, physical bookstores have instead grown in popularity compared to online ones, also taking a share of the sector's e-commerce sales. According to the Swedish Publishers Association, physical sales increased by 10.6 percent in the third quarter of 2022², although the comparative figures are low due to the sharp drop in sales during the pandemic. Online booksellers have thus

had to fight on two fronts: firstly, against the streaming audiobook services, and secondly, against physical booksellers. All in all, online book sales are at minus 10 percent in 2022.

Despite the setbacks experienced by online booksellers, Adlibris is the fifth most popular e-commerce company in Sweden.³ The year has also offered various book-related trends that have boosted sales of certain books. One example is 'BookTok': a virtual forum on TikTok where users of the app share their book tips. Swedish online booksellers have caught on to the trend. For example, Adlibris, Akademibokhandeln and Bokus have special segments on their websites where they recommend books based on what is popular on 'BookTok'.⁴


-10%
e-commerce growth
2022

6

billion kronor
net sales 2022.

Percentage who made their most recent purchase in the category online or in store, respectively

59% online **36%** physical store

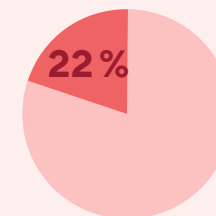
↳ **5%** don't know/other

Percentage of men and women who made online purchases (fourth quarter), respectively

♂ **Men**
25%

♀ **Women**
24%

Percentage of e-commerce consumers who bought books and media



Average amount spent per month by those who purchased books and media



SEK 529

¹ www.boktugg.se/2022/09/09/mediavision-en-miljon-hushall-har-ljudbokstjanst-men-69-procent-ar-otrogn

² forlaggare.se/bokforsalvningsstatistik

³ See page 47.

⁴ <https://www.akademibokhandeln.se/kampanj/tiktok-bocker>

Sports retail facing high comparative figures

2022 has been a tough year for sports retail. As in many other sub-sectors, rising inflation and interest rates, war and the economic situation have taken their toll. Sports retail also faces high comparative figures, as the sector has seen strong growth during the pandemic. During that period, staycations became popular, with many consumers substituting a trip abroad for Swedish outdoor activities. As a result, many consumers invested in outdoor and leisure equipment in 2021, which became difficult to match in 2022 when the restrictions were lifted.

A significant part of sports retail consists of more expensive durable goods such as skiing and golf equipment. The sector has faced several obstacles

in this area, one of which is the impact of reduced consumer purchasing power on e-commerce as a whole. In addition, the weather has not been on the side of sports retailers. The winter of 2022 started off cold, but as the turn of the year approached, parts of the country experienced record rainfall and milder weather than usual.¹ A mild winter, combined with a thinner wallet, has led to low demand for seasonal goods such as winter sports accessories. As many consumers have purchased new sports equipment during the pandemic, they will be waiting some time before it is time for an upgrade. This year's growth is therefore minus 8 percent.



6

billion kronor
net sales 2022

20%

percentage of total
sports and leisure retail

Percentage who made their most recent purchase in the category online or in store, respectively

45%
online

54%
physical store

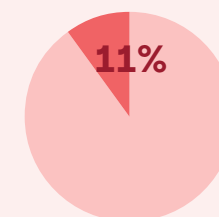
1% don't know/other

Percentage of men and women who made online purchases (fourth quarter), respectively

♂ Men
14%

♀ Women
10%

Percentage of e-commerce consumers who bought sports and leisure products



Average amount per month among those who purchased sports and leisure products



SEK 1,307

¹ www.smhi.se/klimat/klimatet-da-och-nu/manadens-vader-och-vatten-sverige/manadens-vader-i-sverige/januari-2023-mild-och-lokalt-rekordblot-i-soder-1191895

Global situation leaves its mark on furniture and home furnishings sector

The furniture and home furnishings sector is one of the sectors that is facing high comparative figures after having performed strongly during the pandemic. The sales trend has been negative in all quarters of 2022. In addition, reduced mobility in the housing market has led to a lower demand for new furnishings. Growth for the year is minus 8 percent.

Volatile commodity prices and high energy prices have contributed to pushing up consumer prices, further reducing demand. According to Statistics Sweden, the average price increase in furniture retail was twenty percent in 2022¹, which means that sales have fallen significantly more in fixed prices than in current prices.

As input prices began to stabilize in

the last quarter of 2022, some market participants who had been forced to raise their prices chose to quickly lower them again, so as not to lose market share as consumers become more restrained.

As it became clear in the fall that consumers were starting to tighten their purse strings, increasing numbers of people turned to the e-commerce second-hand/used market and low-price concepts. On the Blocket website, 'sofa' was one of the most common search terms² in 2022. This sends a clear signal that consumers are trying to find capital-intensive goods at lower prices and are thus turning to the second-hand market and low-cost operators in the sector.



-8%

e-commerce growth 2022

8

billion kronor
net sales 2022

13%

percentage of total furniture
and home furnishings retail

Percentage who made their most recent purchase
in the category online or in store, respectively

35%
online

59%
physical store

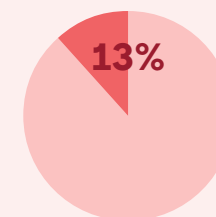
6% don't know/other

Percentage of men and women who made online
purchases (fourth quarter), respectively

♂ Men
11%

♀ Women
19%

Percentage of e-commerce
consumers who bought
furniture and home
furnishings



Average amount per
month among those who
purchased furniture
and home furnishings



SEK 1,817

¹⁾ www.scb.se/hitta-statistik/statistik-efter-amne/priser-och-konsumtion/konsumentprisindex/konsumentprisindex-kpi/pong/statistiknyhet/konsumentprisindex-kpi-november-2022

²⁾ www.mynewsdesk.com/se/blocket/pressreleases/ved-och-lyxlockor-det-haer-soekte-svenskarna-efter-paa-blocket-i-oktober-3215335

Low willingness to invest affects the construction sector

During the pandemic, online building products sales have broken records several times over. Some saturation has been observed in 2022, as major renovation projects have been completed while consumers are holding off on starting new ones. Sales growth for the year is minus 3 percent. Rising interest rates have also dampened the willingness to invest, which is clearly reflected in the building products sector. Commodity turbulence further complicates the market situation, for example wood prices soared in early 2022. At the same time, the sector was also affected by rising electricity prices, which increased the production costs of many building products. As sales fell in the second half of the year, empty shelves have been replenished, leading to a stabilization of prices.

The development of the sector has remained relatively stable due to the fact that market participants in the building products sector sell goods to both private individuals and professional operations. While individuals can quickly reduce their spending, professional trade is more stable due to construction projects already started that must be completed on schedule.

How 2023 will look for the sector remains to be seen. Like other capital-intensive sectors, the building products sector is dependent on interest rates, with many people remodeling when they move house, which does not bode well. On the other hand, it is possible that the economic situation will make more and more people refrain from travelling, which could revive various renovation projects.



8

billion kronor
net sales 2022

15%

percentage of total
building products sector

Percentage who made their most recent purchase
in the category online or in store, respectively



Children's items and toys no child's play

Children's items and toys have produced negative figures in all quarters of 2022, especially in Q3, which was characterized by a great deal of movement in the sector as major market participants identified new constellations to better face tough times.¹ The last quarter of the year usually gets a boost from Christmas sales, but growth for the year nevertheless ended up at minus 16 percent.

Swedish families with children have been hit hard by rising food prices, electricity bills and mortgages. According to a sample calculation from Stockholm Chamber of Commerce, the expenditure of a family with two children living in a newly purchased detached house

increased by SEK 92,000 in 2022.² Families across the country have had to reprioritize their consumption, which has had an impact on e-commerce regarding children's items and toys.

The sector has not only been affected by the economic downturn – human factors also play a role. The fact is that the birth rate has not been as low as in 2022 for over 15 years. Compared to 2021, births decreased by 7.7 percent.³ The natural consequence of this is that sales of baby items fall. At the same time, a prominent second-hand market for children's items and toys is emerging and is likely to grow even stronger as household purchasing power declines even further.


-16%
e-commerce growth
2022



3

billion kronor
net sales 2022

Percentage who made their most recent purchase in the category online or in store, respectively

46%
online

47%
physical store

↳ **7%** don't know/other

Percentage of men and women who made online purchases (fourth quarter), respectively

♂ **Men**
9%

♀ **Women**
13%

Percentage of e-commerce consumers who bought children's items and toys

7%

Average amount per month among those who purchased children's items and toys



SEK 998

¹ <https://www.di.se/digital/stenbeck-backade-babyshop-i-rekonstruktion/>

² <https://stockholmshandelskammare.se/nyheter/kostnadsprognosen-92-000-kronor-dyrare-familj-med-tva-barn>

³ <https://www.scb.se/pressmeddelande/lagsta-antalet-nyfodda-pa-hela-2000-talet-i-30-kommuner/>

Tough year for online groceries

The online grocery trade has had a hard year in 2022. After flourishing during the pandemic years, e-commerce was hit hard in 2022, as consumers returned to physical stores at the same time as rising inflation significantly increased prices. Grocery e-commerce was the sub-sector that declined the most in 2022, falling by 17 percent. The decline is evident in several areas, for example, in-store pick-up of groceries has fallen by around 24 percent and home delivery has fallen by around 10 percent.¹

In difficult economic periods, consumers simply return to what feels safe and familiar, which to a large extent is the physical shopping experience. Having food delivered to your home and picking up pre-packed bags of groceries from

stores served as a protective measure during the pandemic, but may now be seen to some extent as an everyday luxury and something that consumers cut back on when their purchasing power declines. The Swedish Consumer Agency has calculated that food has become at least 20 percent more expensive in 2022 and that the cost of food has increased by around SEK 1,800 per month for a family with two children aged between 6 and 13 years.² The cost increases will continue into 2023, meaning that the coming year will also present significant challenges for grocery e-commerce. However, the prevailing economic conditions can also bring opportunities, and there is, for example, growth potential for market participants focusing on low-price groceries.



15

billion kronor
net sales 2022

4%

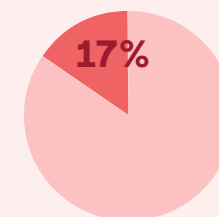
percentage of total
grocery retail

Percentage of men and women who made
online purchases (fourth quarter), respectively

♂ Men
13%

♀ Women
18%

Percentage of e-commerce
consumers who bought
groceries



Average amount per
month among those who
purchased groceries

SEK 1,729

¹⁾ <https://www.svenskdagligvaruhandel.se/fokusomraden/dagligvaruindex/>

²⁾ <https://www.konsumentverket.se/aktuellt/nyheter-och-pressemeddelanden/pressemeddelanden/2022/maten-20-procent-dyrare-visar-konsumentverkets-siffror/>

Pharmacy retail strongest online sector of the year

Among all the negative figures, one sector has stood strong: pharmacy grew by 10 percent in 2022. The sector showed strong performance during all quarters, despite high comparative figures during the pandemic. There is a clear interest in buying pharmacy goods online, with Apotea once again topping the list of consumer e-commerce favorites. An important part of the success of online pharmacies is that increasing numbers of older consumers became accustomed to ordering their goods online during the pandemic and have continued to do so ever since.

Today, goods for resale account for a fifth of the sector's net sales, and many of the major pharmacy players are focusing on broadening this part of the range. For example, the Apoteket pharmacy chain has decided to step up its online efforts in 2023 and will open a new e-commerce warehouse of more

than 2,000 square meters this summer. This gives them an opportunity to significantly expand their range.¹

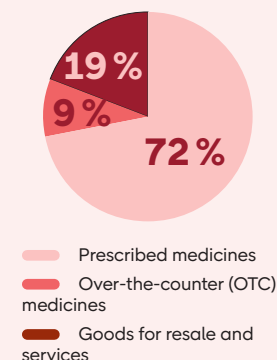
Despite strong growth figures, the future of online pharmacies is not entirely secure. The Swedish Medical Products Agency has recently proposed new rules on home delivery of medicines, with the aim of increasing security and reducing the risk of theft. For example, there are proposals for stricter requirements for ID checks at the time of delivery, as well as introducing a ban on leaving deliveries of pharmaceuticals outside the door. This type of regulation would most certainly have consequences for online pharmacies. Apotea's founder Pär Svårdson estimates that around half of the company's deliveries would be affected by the new proposals², making the issue highly relevant to the future development of online pharmacies.



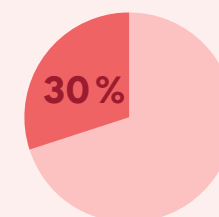
10 billion kronor
net sales 2022

20% percentage of total
pharmacy retail

Net sales of the pharmacy sector
in the outpatient market, 2022 total.
Share of total net sales.



Percentage of e-commerce
consumers who bought
pharmacy goods



¹ <https://www.market.se/handelsplatser/digitala-handelsplatser/apoteket-slar-tillbaka-med-stor-satsning-pa-e-handel-potential-ta-ledande-roll/>

² <https://www.dn.se/ekonomi/lakemedelsverket-vill-stoppa-leverans-till-brevladan/>

“We believe in the symbiosis between stores and the digital world”

Classic children's clothing brand Polarn O. Pyret was experiencing very difficult times. Its dismal figures turned from red to black thanks to reorganization and hard work, with a number of tough decisions being made.

“We switched to ‘e-commerce first’ and made a five-year plan in five months,” says CEO Johan Munck, who, despite the harsh climate prevailing in the world, is optimistic about the future.

Although many clothing companies had seen a boom in sales before the pandemic, things looked bleak for Polarn O. Pyret in the winter of 2019/2020. Or as Johan Munck puts it in slightly more cautious terms:

“Polarn had experienced a challenging period.”

He was hired as CEO in February 2020 to turn things around, at the precise moment when the coronavirus was taking over the world. Not exactly the best foundation to build on.

“When I took up my post, we had a 19-percent e-commerce share.

And when our physical stores, which were responsible for 81 percent of our net sales, suffered a brutal 80-percent drop from one day to the next, it all got a bit stressful,” says Johan Munck.

That was when Polarn O. Pyret was forced to undergo corporate reorganization, along with its fellow subsidiaries in what was then the RNB Group.

“Neither I nor anyone else on the team had been through a reorganization process before, and this period was the toughest one of my career – while perhaps being the most rewarding.



After all, successful reorganization is a potential means of launching the company into a new phase.”

In reorganization mode, the company was obliged to review the situation and address the root causes of the problems.

“We had about a hundred stores, 25 of which were unprofitable, so the first thing we had to do was close them. This was extremely tough, because we were forced to lay off a lot of our ‘buddies’ (which is what ‘polarn’ means in the company name) – our staff. That was brutal.”

Johan Munck and his colleagues reviewed the entire organizational structure and went after all unnecessary costs. Everything that could be renegotiated was renegotiated.

“We were forced to challenge all our sacred cows, which reorganization gave us the opportunity to do. But to survive any crisis, you need great products and you need to listen to your customer – while having the best team in the world by your side. At the end of the day, at Polarn O. Pyret, all these components were in place.”

“**‘The earth is inherited.** So should our clothes be.’ This strong message may have been the reason why it was possible to stop the company plummeting towards what could have been the bottom. Yes, that and us never ‘changing our spots’ (or rather stripes). It was a question of going back to basics and delivering the products that the company was known for and customers love.”

“We’re not a fashion company – that’s not what customers expect from us. We’re not selling a dream – we’re selling children’s clothes. Basic items of clothing that are sustainable – our goal is to have ‘at least three children wearing every garment’. We’ll never compromise on quality and sustainability,” says Johan Munck and continues:

“Sixty-six percent of our outdoor clothing and 58 percent of our entire collection is used by three children, which makes us very proud.”

He thinks that the company might have avoided reorganization if the pandemic hadn’t happened, but it would have taken a great deal longer to turn the business around to the extent the necessary.

In the midst of all this, the company was also up for sale.

“Obviously, it was unsellable during reorganization. But by November 2020, we had shored up the company and had a much more solid base to stand on. We had created our future.”

In spring 2021 the Swedish risk capital company Procuritas bought Polarn O. Pyret, which has paid off.

“As an owner, Procuritas has provided our company with fundamentally different conditions, enabling us to invest in brand-new IT infrastructure, for example. This was a prerequisite for creating a future-proof company. All these changes are helping us to act more like a digital player than we were ever able to before,” says Johan Munck.

And nowadays the company’s business model is much more focused on direct-to-consumer.

“We mainly focus on our own channels. We also bought back our UK master franchise partner so we could simplify and strengthen the business. We are an omnichannel player that truly believes in the symbiosis



Johan Munck’s top tips for times of crisis

1. Listen to the customer
2. Have relevant products
3. Make sure you have the best team, with the right people in the right places



between stores and the digital world. The Estonian business is proof that omnichannel works for us.”

There, Polarn O. Pyret only has physical stores and lacks a specifically Estonian website. At the same time, Estonian customers are the most frequent visitors to the .com website, which captures all customers in markets where Polarn O. Pyret does not have a local website.

“Why is Estonia big for us digitally? Well, it’s because we have stores there which in turn drive e-commerce. So omnichannel really does work.

In fact it works so well that 1½ years after the reorganization, the company had its best result in ten years.”

Polarn O. Pyret continues to focus on sustainable striped clothing and outdoor clothing.

“We work in a sector with a large carbon footprint, so sustainability needs to be at the top of the agenda and run through our entire organization. From the spring season of 2023, 100 percent of our garments will contain sustainable fibers. This target was set for 2025, but we’ve already achieved it.

And it’s not just about having the

right product,” emphasizes Johan Munck.

“It’s also important to purchase the right volumes.”

Polarn O. Pyret has no factories of its own and works with very small number of suppliers.

“Ten suppliers account for 80 percent of our net sales, and we’ve opted for them in particular because they meet our high sustainability standards. And it’s precisely in the manufacturing of our clothes that we have the greatest impact on climate. But naturally we’re also looking at other links in the chain, such as LED lighting, sustainable energy, biofuels, zero tolerance when it comes to flights ... We’re trying to take climate into consideration at all stages.”

The war in Ukraine, high electricity prices and inflation are obviously affecting Polarn O. Pyret and its customers, but Johan Munck is nevertheless optimistic about the future.

“As a company, we’re now in a completely different position with no need to panic like we did before reorganization. We’ve sold very well in 2022 and are much better equipped than we were in 2019.”



“There’s been strong growth in second-hand, and although sales have tripled in a year, there’s still huge potential there. Second-hand gives us an opportunity to offer our customers a wider range of products. We currently sell second-hand items in our physical stores, but we’re also testing online sales, with a digital concept being launched in the UK. We’re learning there so we can take this area to the next level in the Nordics, too.”

All other external channels that sell

second-hand handle a large number of products from Polarn O. Pyret. This is testament to the company’s popularity and people’s awareness of how sustainable the company’s clothing really is. The company has obviously seized upon this – 80 percent of total sales are made through its own customer club, with PO.P Second Hand also making great progress in this channel. Customers wishing to buy less expensive clothes can do so and also have the opportunity to

hand in their PO.P clothes to the company and receive a voucher in return. This voucher can be used to buy both new and second-hand items – in other words, the system is circular, sustainable and affordable. This is something that Johan Munck believes will help Polarn O. Pyret cope with the coming recession.

“We have extremely loyal customers, but they grow out of our products, so to speak. This means that we constantly need more new customers, and



even more than usual if the existing ones have less money to spend during a recession. That's why we're working hard to develop our customer club, which also provides us with valuable customer insights."

Other focal areas for 2023 include the product range.

"We feel that we have settled on a level that customers appreciate, with a fairly simple business model compared to the big fashion houses. Our 'fashion' consists of partnerships, including a collection based on the magical works of Astrid Lindgren and Ilon Wikland – Lotta på Bråkmakargatan and Barnen i Bullerbyn, which have never before been released commercially. These partnerships are important to show that new things are happening at Polarn O. Pyret, even if the basic collections consist of well-known classics."

Is this enough to focus on? No, Polarn O. Pyret will also be launching a new website in the spring of 2023.

"It will be very exciting to give our website a makeover, having also

adapted it to our new reality and business model. We want to take the next step and ensure we're even more relevant to online customers."

The company's e-commerce share has fluctuated in recent years – from just under 20 percent at the outbreak of the pandemic, to 80 percent when the vast majority of physical stores were closed, to 50 percent at the time of writing. But due to variations

between markets, the UK being one example, the figure is 70 percent.

"The UK has the most mature e-commerce market in Europe, so we can try out things there to see what works. We're learning a great deal, and our growth potential is huge."

The company's logistics are handled by third-party logistics firm Nowaste Logistics in Helsingborg, but in the UK, Polarn O. Pyret works with local partner Clipper Logistics – to have

a presence on the ground in the country and thus be closer to customers.

"British customers have such high demands for fast deliveries that we're not able to meet these demands from Helsingborg, despite well-functioning logistics flows and the best will in the world."

Germany is also seen as a future growth market for Polarn O. Pyret.

"We started out there with our own website and then approached the

best digital marketplaces. We've had a positive response to the brand in Germany, so there is potential for growth in the digital sphere. Maybe there's also potential for pop-up shops – allowing us to become an omnichannel player there, too. Only time will tell."

About Polarn O. Pyret

"Since its inception in 1976, Polarn O. Pyret has been known for its iconic stripes, but also for durable outdoor clothing that can withstand being loved, washed and worn. Clothes that allow kids to be kids. With the aim of 'at least three children wearing every garment', more sustainable collections are being encouraged in an increasingly circular business model with an expanded second-hand range. The earth is inherited. So should our clothes be. Today, we have extensive international reach thanks to our twelve different e-commerce sites and around 90 stores."



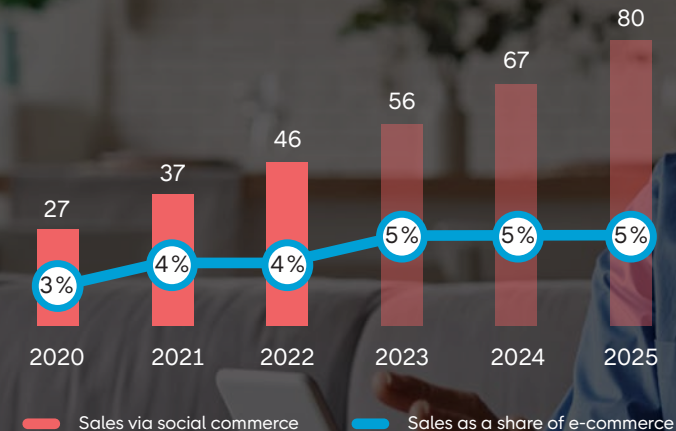
Social commerce spreading like wildfire

It is becoming increasingly common to browse and shop directly on social media platforms, presenting great opportunities for e-commerce companies. Unlike traditional e-commerce, social commerce offers something different by integrating buying and selling in the fabric of everyday life, thus creating a real sense of community and connection.

To understand the potential size of

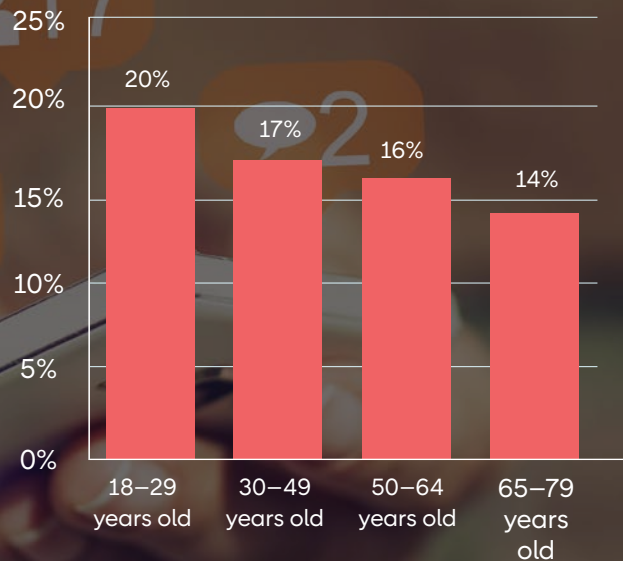
social commerce, you can take a closer look at the US e-commerce market, which often influences the Swedish market. In the US, social commerce currently accounts for around four percent of all e-commerce sales and is expected to grow by another percentage point by 2025, equivalent to around USD 80 billion. As the channels consumers use for consumption change, opportunities open up for new market participants.

Social commerce in the US: sales 2020–2022, forecast 2023–2025



Source: eMarketer, billions of USD

Percentage of consumers who have shopped via social media in the last month



Basis: Have shopped online

Social commerce provides a seamless transition between experiences and shopping

It is important for companies to stay up to date and understand the opportunities arising from social commerce. In contrast to specific e-commerce sites, social commerce is available on the social platforms where consumers already choose to spend a large part of their time. This enables a more seamless experience, with a mix of social and shopping – something that is increasingly important to consumers.

Around 17 percent of e-commerce consumers state that they have shopped online via social media in the last month. There is a difference between the age ranges, but perhaps not as big as expected. Around 20 percent of consumers

aged 18–29 have shopped online via social media, compared to 14 percent of consumers aged 65 and over.

This phenomenon also seems to have a future. As mentioned on the previous page, the social commerce market is already worth significant amounts in the US and is forecast to triple by 2026.¹ This success may be due to the fact that social shopping goes some way to meeting one of the biggest consumer needs – detailed and relevant product information. When products are marketed in a social and more inspiring context and the right products are recommended, this can help consumers feel more confident about making a purchase.

¹ <https://www.forbes.com/sites/jjawertz/2022/12/31/the-success-of-social-commerce/>

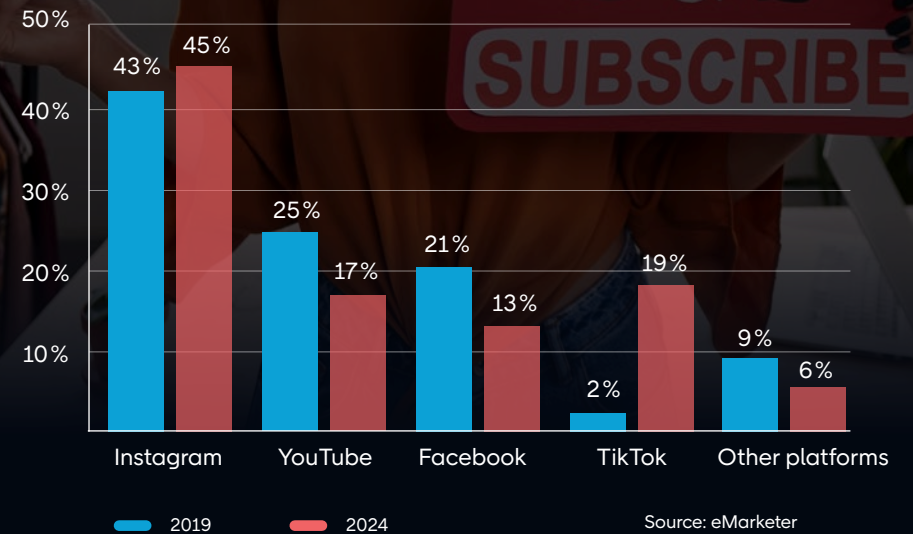
Influencers drive social commerce

We humans are constantly subject to influence, whether by our friends, family or through advertising and marketing. Our purchasing decisions are not always based on rational and logical factors but are also the result of our emotions and associations. It has therefore become commonplace for companies to market their products with the help of influencers with the aim of reaching consumers more effectively. Influencers are viewed by their followers as a source of inspiration. This, in turn, can lay the foundations for consumer purchasing decisions,

especially among young people, who are more receptive to advertising.¹

In 2022 Facebook was the social platform with the most users in the world. Despite this fact, Instagram, followed by YouTube, tops the list of the most common social marketing platforms. TikTok is the platform that has grown the most in recent years, but it is also controversial. It was banned for US government employees in late 2022 and, according to Time Magazine, had also been banned from at least 20 US universities² by January 2023.

Influencer marketing spend in the US, 2019 and forecast for 2024



¹ <https://www.konsumentverket.se/for-foretag/marknadsforing/reklam-till-born/>

² <https://time.com/6249522/public-universities-banning-tiktok/>

Influencer marketing builds brand

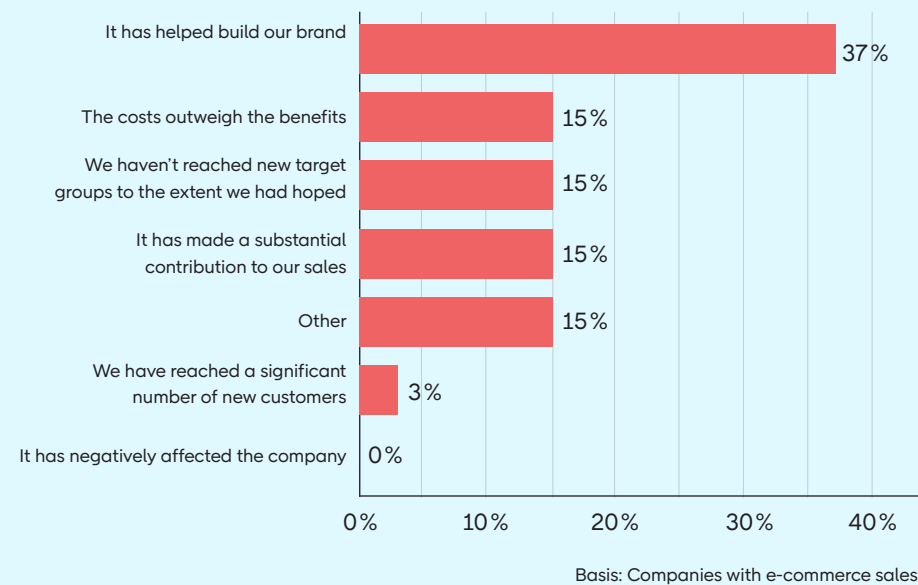
Increasing numbers of companies are opting to use influencer marketing in the hope that it will lead to increased sales. At the same time, there is a growing debate about how profitable the strategy actually is and how difficult it can be to measure the actual outcome. From the companies' perspective, the main value of working with an influencer is that it strengthens their brand, with 37 percent agreeing with this statement.

Fifteen percent of the online retailers surveyed think that influencer partnerships do not provide value for money, while fifteen percent consider they have made major contribution to sales. Influencer marketing therefore seems to be a good fit for different types of participants in the e-commerce market. Aspects that come into play are the chosen marketing strategy, but also

factors more difficult to measure such as credibility – how well an influencer fits with the brand's image, direction and values.

The evolution of influencer marketing is hard to predict. Vanessa Lindblad, manager of Swedish influencer Bianca Ingrosso, thinks that the influencer market will remain in place, but it will change. For those who want to stand out from the crowd, it is becoming increasingly important to identify a unique niche, according to Lindblad¹. This development may be positive for e-commerce companies, as it may be easier to market products through an influencer whose profile correlates well with the company's brand. For example, if an online retailer sells make-up, it will be easier to find someone who is a pure beauty influencer.

How e-commerce companies view their most recent influencer collaboration



¹ <https://influens.se/vanessa-lindblad-om-branschens-framtid-kommer-ske-ganska-stora-forandringar-nu/>

More and more people go straight to the brand

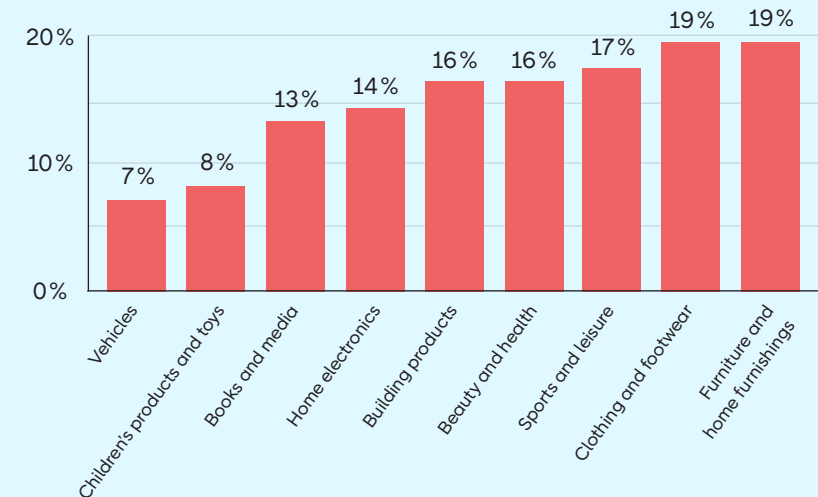
In recent years, e-commerce and technological developments have enabled greater specialization, with some manufacturers focusing more on direct-to-consumer sales, D2C.¹ The D2C model is often promoted as enabling companies to keep prices lower by not having to pay commission to intermediaries. Within a company, the D2C model is a way for the company to gain greater insight into – and control over – its brand, supply chain and customers. It is also a means of securing data collection, as customers stay on the company's own platform.

The percentage of D2C sales differs between sectors. According to consumers' own estimates of their most recent purchase, furniture and fashion retailers have the highest percentage of D2C sales (19 percent) and toy retailers the lowest (8 percent). The higher percentage of D2C sales

in some sectors is probably due to the emergence of popular market participants in recent years. Mattress company Casper, for example, was popular in the US and was listed on the New York Stock Exchange in 2020 at a value of several billions of US dollars.² Poster company Desenio is a Swedish example, as is RevolutionRace, which sells outdoor clothing directly to consumers. In sports and leisure, we have also seen that strong brands such as Nike and Adidas are increasingly focusing on selling directly to consumers via their own apps, creating a stronger community around the brand and giving the company greater control over user data.

The factors for success in D2C can be boiled down to companies managing to build a strong relationship with their customers via social media or other digital platforms in a cost-effective manner.

Percentage who made their most recent e-commerce purchase straight from a manufacturer/brand



Basis: Have shopped online

*It may be difficult for the respondent to distinguish between brand and retail operator. The question is therefore posed using a confirmatory question with an open-ended response, which makes it possible to check that the respondent has understood both the question and the response options.

¹ Also called D2C. In this study, D2C means that the company sells its products via its own website, which only includes its own branded goods.

² <https://www.reuters.com/article/us-casper-sleep-ipo-idUSKBN1ZZ1UB>

Marketplaces and D2C offer different options

Marketplaces, unlike D2C, offer products from different brands. This generates new opportunities for companies wishing to reach a wider audience. Around 40 percent of the companies in the survey encounter millions of consumers via various digital marketplaces such as CDON, Afound and Amazon.

Marketplaces and D2C are constructed around two different business concepts, but they still complement each other. It is not uncommon for a consumer journey to include them both. The wide range of products on offer in a marketplace invites consumers to explore and compare

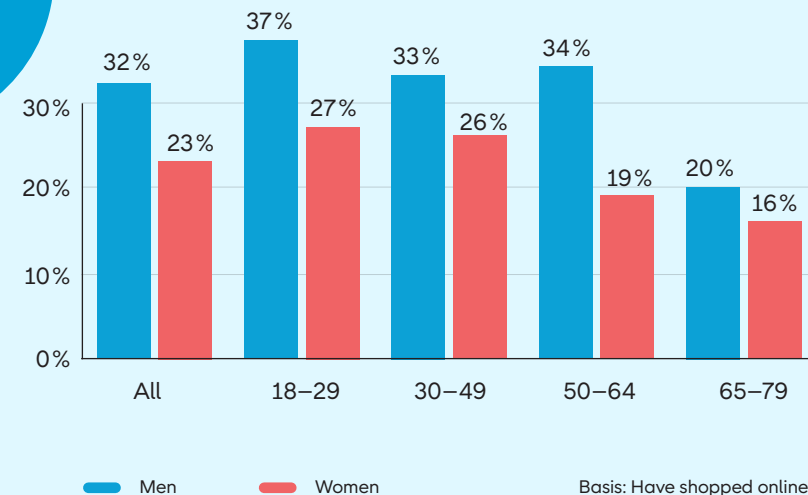
different options. Once the consumer has finished browsing and found their favorite product, it is not uncommon for them to leave the marketplace and go straight to the brand's own website instead.

Due to their broad range, marketplaces often have something for all customer groups. However, when it comes to how frequently marketplaces are used, there is a gender gap. Almost one in three men in all age groups, except 65+, say their most recent e-commerce purchase was made in a marketplace. The corresponding figure for women is one in four or one in five purchases.

Did you know that

Companies selling via digital marketplaces are more positive about how their sales will develop in 2023.

Percentage making their most recent e-commerce purchase in a marketplace



“Influencer marketing increases both brand awareness and conversion”

Some fashion operators are considering discontinuing their work with influencers, but Bubbleroom is bucking this trend – with great success.

“It continues to be a cost-effective channel for driving traffic and building a brand,” says the company’s CEO Ville Kangasmuukko Nordström.

He begins the conversation by emphasizing that the company is a ‘fashion house online’.

“Most of our sales come from our own brands. We have our own purchasing and design department that creates and produces our collections.”

Almost 65 percent of net sales come from Bubbleroom’s own brands, but both these products and the other products sold have the same ‘lifestyle destination’.

“Luxurious, glamorous and feminine fashion for women,” says Ville Kangasmuukko Nordström.

When asked whether Bubbleroom’s target group is young, he answers in the affirmative.

“But expressed as a percentage

of total customers, customers aged between 20 and 30 and those aged between 30 and 40 are equally large groups, and the customer group aged between 40 and 50 is also significant. I think that’s because Bubbleroom, along with Nelly, was one of the first e-tailers to start selling women’s fashion online in Sweden. And those women have stayed with us throughout our journey. Also, many of our competitors work with the latest trends, which have a younger target group, while we work with seasonal trends and redesign them based on our brand. This makes our fashion a little more timeless. But that said, the young customer group is very important to us.”

Svante Tegner founded BubbleRoom in 2005 to, as Ville Kangasmuukko Nordström puts it, offer party dresses to young women.

"At that time, the rules about what clothes you could wear to a bar were quite strict. Jeans weren't always acceptable, and sneakers were most definitely not." So Svante started importing smart clothes and dresses from the US and selling them online from his apartment – which was a huge success.

While his customers have remained loyal and grown with the company, a great deal has happened where BubbleRoom is concerned, particularly in terms of marketing.

"The most important part of the strategy was to first establish an effective brand platform with clear brand positioning and a strong visual identity, so that within the company, we knew exactly what we stood for and who we were. We were then able to continue work on targeting our communication with customers and driving traffic."

A non-sexist message has been crucial to the company's communication with its customers.

"Our woman' is a strong, independent woman who never strikes strange

poses. She's cheerful, spontaneous and doesn't care what others look like. And we never include men in our campaigns, because she doesn't need them to have fun.

Our communication is influenced by where the customer is at in their purchase journey," says Ville Kangasmuukko Nordström.

"Early-stage customers, known as cold customers, are often looking for inspiration, and so we build more on the brand rather than the products. The 'warmer' a customer is – where we know she might be looking for a lacy black New Year's dress – the harder we work to show her the right product, focusing on price and styling."

BubbleRoom makes online sales in its core markets in the Nordics, but since 2021 it has started to expand into new markets via the Zalando platform.

"This is a great way to gather valuable data while maintaining control over prices and products. It provides us with an understanding of what price point we can use in a market without promotions, and as of this year we will be launching our own BubbleRoom online stores – based on the data we receive from Zalando.

We see it simply as a channel for recruiting new customers."

Naturally it is hoped that, after making a purchase via Zalando, the customer will like the product so much that they google BubbleRoom's own website and find the full range there.

"And we believe in first impressions, which is why we want to provide more local offers from day one," says Ville Kangasmuukko Nordström about the decision to grow through national websites, instead of having a single website in one language to serve the whole of Europe.

"But it takes time and costs quite a lot of money to go local, so Zalando is a good initial step to allow us to get a grasp of the new markets."

BubbleRoom enters these markets with the same range and brand identity as in its older markets.

"But since we work to a large extent with a personalized website and optimized marketing channels, each market automatically experiences sub-optimization. So the products that appear at the top are different owing to personalized algorithms.

The websites in the different countries therefore look different because the data is allowed to rule."



Ville's favorite influencer

"Carolina Gynning. She's amazing in terms of both brand and reach. She's a little older so she also attracts our older audience, but we've also noticed that young people are super aware of her thanks to her podcast with Carina Berg. And after all, Carolina is incredibly luxurious and glamorous!"



Influencers are a strong marketing channel for Bubbleroom.

"Influencer marketing accounts for a significant portion of our marketing budget, where we pay for posts. And we're seeing that it's still a cost-effective channel for driving both traffic and sales. We can also see that we build more brand based on these posts than we do with a Google ad," says Ville Kangasmuukko Nordström, who also advocates for micro-influencers.

"Where they're concerned, we focus more on promotional mailings and sponsored clothing, without any obligation whatsoever. This also works very well, because they like to showcase our products."

Bubbleroom's paid influencers are selected using various tools that show how many female followers an influencer has, how much engagement they generate, what their demographic looks like and whether their followers are in the Nordic market. The influencers that Bubbleroom considers work particularly well are often tied into long-term contracts to ensure as close a collaboration as possible – the influencer may even be involved in the design journey and in developing the products.

"But we always start with smaller collaborations. We pay for a post for which we provide a code, which is required on Instagram to measure how this particular influencer is performing."

The type of influencer that works best for Bubbleroom depends on the campaign in question.

"When we want to build a brand, we never compromise on its profile – the influencer must go hand in hand with the brand. So the woman must be very feminine, glamorous and luxurious. But when we want to ensure reach and generate sales, the influencer doesn't have to be so niche, because we want to reach as wide an audience as possible."

Working with influencers has become considerably more expensive over the years, but Ville Kangasmuukko Nordström is still positive about this development.

"They're mostly young women who have understood their value and are confident enough to get paid accordingly."

And although the impact of influencer partnerships was much greater seven years ago, he still thinks it's the right way to go.

"I think there are a lot of people who don't invest enough in influencer marketing because it's not measurable. Many companies, for understandable reasons, don't want to give out discount codes, but it's the only way to be data-driven – otherwise you're fumbling around in the dark. And you can't take the direct investment on Instagram and the cost of the product minus the sales you achieved to then

come up with a return on investment. If you do so, it's easy to start to have doubts. But if you look at all paid channels during a period when we're investing heavily in influencer marketing, you can see a positive impact on Google and other channels, where we're paying per click. This will bring down the cost per click, resulting in huge savings." Greater brand awareness leads to increased conversion.

Different influencers are assigned different KPIs, with some being brand builders and others more about sales.

"Historically, we've focused too much

on transaction-based traffic, but we're working, like everyone else, to increase our organic traffic. As a result, we need to invest more in building our brand."

He believes that for many companies, the recession has meant putting this work on hold, opening up opportunities for market participants with capital.

"They could be the winners in the slightly weaker market situation we're now in. Influencer marketing is experiencing a downward trend – some even say it's dead. That's not how we see it, but we obviously can see that in the

future, we'll need to find other channels."

That's why Ville Kangasmuukko Nordström believes it is important to follow the TikTok trend.

"We're investing a great deal there, learning all the time and can see that it will be a marketing player going forward. It's a channel that performs well for us."

About Bubbleroom

"Bubbleroom is a leading fashion e-retailer with a clear ambition to become the number one lifestyle destination in Europe for luxury, glamorous and feminine fashion for women. Our business comprises the design and sale of clothing, lingerie, footwear and accessories for conscious women who live or dream of living a glamorous life. The company has a high proportion of brands by its own designers, supplemented by strong external brands. We collaborate with influencers in the Nordics through exclusive design partnerships. Our head office is in Borås, and our primary customer base is in the Nordics, with distribution to parts of Europe via the digital marketplace Zalando. Bubbleroom is listed on the Nasdaq First North Growth Market."



Phase-out of third-party cookies in full swing

The opportunities for companies to collect data on consumer purchasing behavior are becoming increasingly limited. When e-commerce was born, most information was freely available to collect, but collection has since been governed by regulations such as the General Data Protection Regulation (GDPR), which came into force in 2018. Shortly afterwards, it was decided that consumers should be able to decide for themselves whether to accept or reject the use of cookies: small text files that the website stores on a user's computer to remember selected settings and preferences.

Today there is discussion about third-party cookies, cookies collected by a domain other than the one the user is currently visiting. Third-party cookies are often used for tracking internet users and targeting advertising, but also to

improve the user experience of a website by making it more user-friendly and personalized.

The reason for the phase-out is that an increasing number of internet users have expressed concerns about tracking and other privacy violations that occur with the help of cookies. In response, major browsers have announced that they have already phased out or plan to start phasing out third-party cookies. Google plans to have phased out third-party cookies no later than 2024¹, while Safari and Firefox have already blocked many third-party cookies.

The phase-out is expected to have a significant impact on the digital advertising industry. Where e-tailers are concerned, it means that they will need to collect more first-party data in order to remain competitive and continue to offer customers a customized experience.²



The phase-out of third-party cookies has begun and is scheduled to be completed in 2024.



First-party data is becoming increasingly important.

74%

Seventy-four percent of internet users in Sweden know that cookies can be used to track people's activities online and to generate a profile for each user in order to customize advertising.³



One in three people in Sweden has changed their browser settings to prevent or restrict cookies.⁴



One in four people in Sweden currently uses software that limits the ability to track their online activities.⁵

¹ https://privacysandbox.com/intl/en_us/open-web/#the-privacy-sandbox-timeline

² <https://www.forbes.com/sites/forbesbusinesscouncil/2022/01/04/how-the-delayed-death-of-the-cookie-could-impact-advertisers-publishers-and-consumers>

^{3, 4, 5} Statistics Sweden

First-party data increasingly important

When third-party cookies are no longer used, companies will need to use other technologies to gather information, rendering first-party data increasingly important in providing a customized online experience for consumers.

To a greater extent than before, businesses will need to collect information from customers themselves, for example by requiring them to register when purchasing products. However, a majority of consumers (71 percent) dislike having to

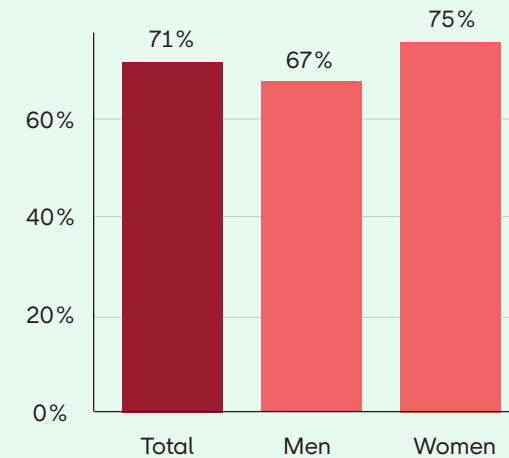
register when making online purchases.

In the case of businesses that do not already have a large number of registered members or similar data, the reluctance of consumers to register will present a major challenge. As the information requested becomes more difficult to obtain, the customer will need to be enticed to share the information in other ways, such as through exclusive offers or discounts for those who choose to register.

71%

dislike having to register when they shop online.

Percentage who do not want to have to register or become a member when they decide to buy from an online store



Basis: Has shopped online, important and very important are merged

Aggregated consumer data can provide insights without compromising customer privacy

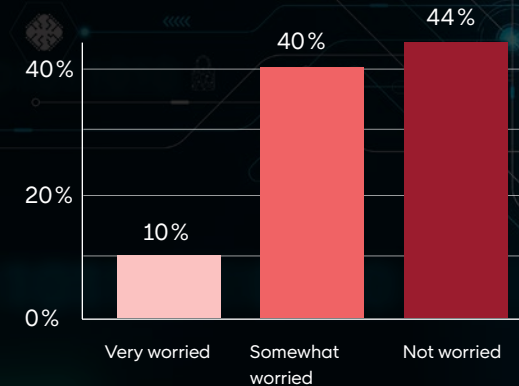
Developing strong customer relationships has always been critical to brands' ability to build a successful business, and it is even more important in a world where personal privacy is a priority. Internet users have become increasingly aware of their digital presence and how data can be used to customize their experience, which has led to divided opinions. Around half have no concerns at all, while the other half have some or strong concerns about their internet activities being recorded. In response, more and more people are using different software to reduce their digital footprint.

Each e-tailer faces unique challenges and solutions, with needs differing for different consumers and in different segments of the sector. However, the common goal is clear: to continue to collect first-party data. To gain access

to first-party data, companies in other countries have forged what are known as 'login alliances', with participating companies sharing their data as a means of continuing to gain access to customers' shopping patterns.¹ To help both businesses and consumers, companies like Google and Safari are working on alternative solutions that protect consumer privacy while allowing businesses to access information about consumers at an aggregate level. For example, Google is focusing on its new Google Chrome Privacy Sandbox² feature. This is based on companies receiving reports from Google that contain information sent in aggregated form and delayed with the intention of making it more difficult for advertisers and publishers to associate a particular behavior with a particular user.

Every
e-tailer
faces unique
challenges

How concerned are you that your online activities are being recorded in order to provide customized advertising?



Source: Statistics Sweden

¹ <https://digiday.com/media/german-publishers-joining-forces-duopoly/>

² https://privacysandbox.com/int/en_us/open-web/#the-privacy-sandbox-timeline

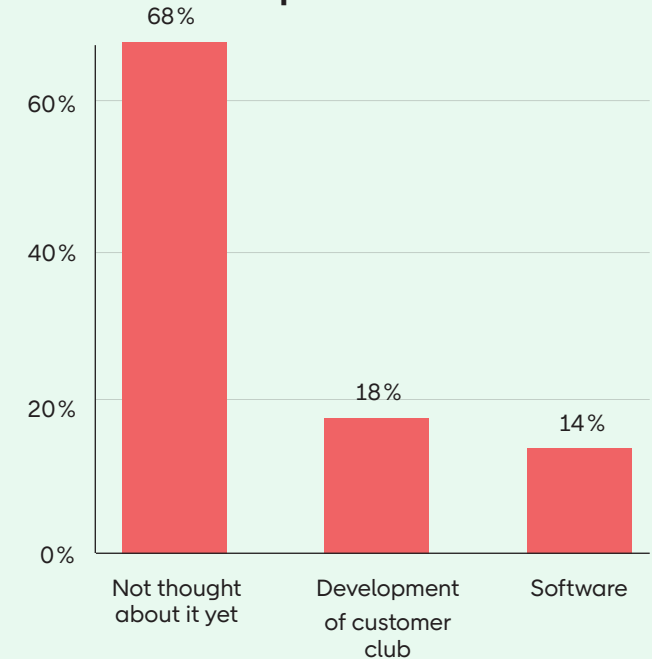
Larger companies already preparing for phase-out

Phasing out third-party cookies means that many companies need to change the way they do business in order to access the same information as before. However, it has emerged that the majority of companies surveyed by E-barometer have not begun to consider the phase-out and the potential problems that may arise when it takes place. It should also be added that preparations have been made mainly by the larger companies.

The market participants that have already started planning for the phase-

out are taking different approaches. Of the respondents to E-barometer, 18 percent said they will primarily be focusing more sharply on their customer club to increase the amount of first-party data. Companies without a customer club will mainly need to focus on using various forms of software that allow companies to study patterns from aggregated user data, thus gaining insights into visitor behavior. Fourteen percent are investing in developing their own software to gather data in new ways.

How e-commerce companies plan to address the cookie phase-out



Basis: Companies with e-commerce sales, based on open-ended responses

E-commerce appeals to all generations – but for different reasons

Swedish internet use is higher than ever, with around 94 percent of the adult population using the internet daily. Among the very oldest, those born in the 1920s and 1930s, 55 percent use the internet sometimes or daily, and among those born in the 1940s, the corresponding figure is as high as 85 percent. A clear indication of the growing importance of digital services is the greater use of digital ID. Between 2021 and 2022, the percentage of daily mobile BankID users increased from 47 percent to 71 percent.¹ This can be seen as an indication that digital payments are becoming increasingly accessible and are now used by all generations, but the different generations also exhibit differences in behavior and consumption patterns.

It is worth noting that generational divisions are broad categorizations and that differences in behavior and preferences also exist within generational groups. Dividing consumers into age ranges is a tool to help you gain a better understanding of your customer base, but it does not illustrate all the differences in drivers and behaviors. Nevertheless, a generational breakdown can be a useful way to illustrate contrasts in purchasing behavior and provide greater insight into customer needs.

¹ <https://svenskarnaochinternet.se/utvalt/vad-gor-svenskarna-pa-natet/>

² <https://www.ungdomsbarometern.se/trendrapporten-2023/>

³ Acronym for: Double Income No Kids

⁴ https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/digital/ey-rise-of-gen-z-new-challenge-for-retailers.pdf



Generation Z

The youngest consumers, Generation Z, have substantial digital influence, despite not yet having much purchasing power. They are influenced and exert influence and use different platforms to interact. Moreover, as they reach working age, their purchasing power increases, making this group even more crucial to understand.

From an e-commerce perspective, there are a few things that set Generation Z apart from other generational groups. In general, they feel less loyalty towards specific brands, identifying to a greater extent with an image or what a brand

stands for. This means that retailers have to work harder in terms of both marketing and personalized service to retain these customers. Younger consumers are greatly interested in visual impressions, using image search to navigate more than other groups, for example. The last but perhaps most characteristic trait of Generation Z is that they want things to go fast.² This means that they are more likely to make impulse purchases, but also that they are more likely to cancel a purchase because of a poor user experience, a slow website or long delivery times.

Millennials

The millennial generation is made up of 'DINKS'³, who have a great deal of purchasing power, and parents of young children who want to find affordable items and who, during the pandemic, have become aware of various Q-commerce solutions that make everyday life easier. Suddenly, a sleeping infant is not an obstacle to shopping for a few extra items.

Millennials are also the first generation to have grown up with the internet and mobile phones, and they are known to be a determined generation that is not afraid to challenge traditional retailers. Like Generation Z, they place great value on the image and values associated with a particular brand. They are more brand-loyal than Generation Z, but also expect to be rewarded for their loyalty.⁴

Generation X

Generation X is the generational group with the highest average household income right now, according to Statistics Sweden. They are generally at a stage in life when their purchasing power is at its highest, yet they are a group that is often overlooked from an e-commerce perspective.

Generation X came of age in the harsh economic climate of the 1990s and were also the hardest hit during the 2008 financial crisis, and have therefore become known for being financially prudent. They expect retailers to offer discounts and loyalty rewards and highly value a convenient payment experience and affordable products.

Generation X is also more skeptical towards advertising than other generations, but relies heavily on recommendations from others, making product reviews an important part of this generation's digital purchasing journey.¹

Generation X is known to be financially prudent



Boomers

The percentage of older people who have gone digital has increased during the pandemic, but the oldest consumer group can still be divided into two camps: those who have gone digital and become aware of digital services and those who are still outside the digital sphere. However, pandemic restrictions led to a major shift in the percentage of boomers using e-commerce and internet services. This has made this generation the group whose share of e-commerce has increased the most in recent years.

More digitized older people stand out, as trust in the internet and e-commerce is generally lower among older

consumers and e-tailer need to prove they are trustworthy. Gaining trust requires easy-to-navigate pages with familiar payment options and clear returns policies. It is also clear that boomers prefer Swedish or locally adapted websites with prices in Swedish kronor.

Boomers have different purchasing patterns compared to other groups: for example, they do not buy furniture and home furnishings to the same extent as younger consumers moving into their first home. At the same time, this is a group with a lot of purchasing power and plenty of free time, which means that they should not be discounted.



¹ <https://www.comingofage.com/blog/advertising-to-generation-x/>

Digital nativity and loyalty differentiate the generations

E-commerce companies are witnessing clear differences in how consumers from different generations navigate the internet and use e-commerce. The majority of companies surveyed agree that most people who shop online need to feel inspired, but that different age groups are inspired in different ways.

Younger consumers generally have a high level of digital maturity. They often start their purchasing journey by seeking information and inspiration somewhere other than on the website where their purchase is made. For example, 18 percent of consumers aged 18–29 used a comparison website before making their most recent e-commerce purchase. For older consumers, almost the reverse is true. This group can be difficult to reach, as they do not have as much of a digital presence, nor do they carry out research

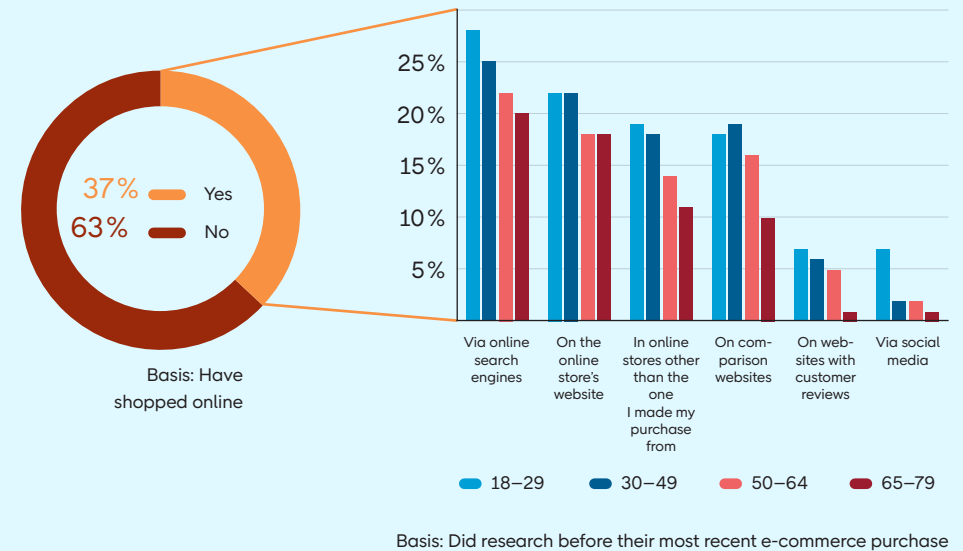
to the same extent as younger consumers. E-tailers whose main target group is older consumers report that their customers barely use the internet to do research because they do not know what to look for.¹ At the same time, companies find that capturing the attention of this target group can be worth the time it takes, as it often generates long-term customer loyalty.

The loyalty of older consumers provides a clear counterbalance to younger consumers moving around between different websites. The way young people do research means they can quickly cancel a purchase if they find an equivalent product at a better price or with a shorter delivery time. This is evident in the fashion trade, where retailers report that increased digitization has led to more young consumers ordering goods from market participants abroad.

74%

As many as 74 percent of those regularly making online purchases say they made their most recent purchase from an online store they had purchased from before.

Did you do any research before your most recent e-commerce purchase – and if so, what kind?



E-commerce is growing in several parts of Europe

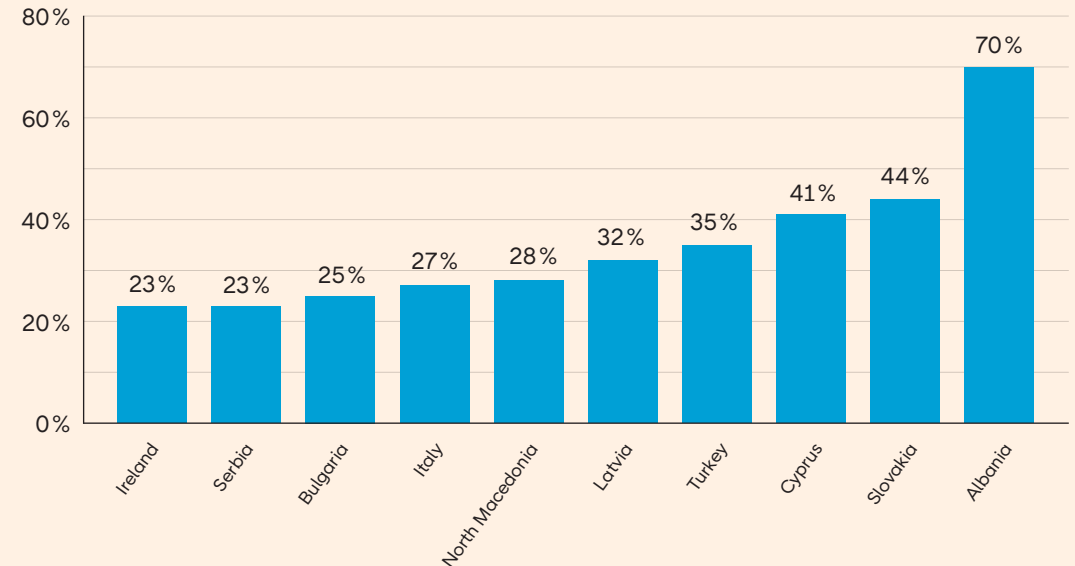
The initial pandemic year of 2020 saw strong e-commerce growth across most of Europe, and 2021 saw a continuation of this trend in several markets.

However, the trend has varied from country to country. In the 2021 E-barometer surveys, a majority in Germany, the Netherlands and Belgium said they thought they would reduce their level of online shopping compared to before, while the opposite was true in Italy, Poland and Albania, for example. In the latter three countries, e-commerce has continued to grow at a high rate.

However, it is worth pointing out that

growth is starting from a lower level in the countries with the fastest growth rates. For example, in the European Commission's Digital Economy and Society Index (DESI), Slovakia ranked below the EU average for all key metrics measured, from 5G deployment and coverage to human capital. However, we are likely to see continued strong growth in these types of countries, as the EU and the countries themselves have several projects underway to promote the digital market and ultimately create a single digital market across the EU, which is one of the European Union's long-term goals.

European countries with the highest growth in the number of e-commerce purchases, 2020 to 2021



Source: Eurostat, own calculation

Almost one in three purchases abroad is made from Germany

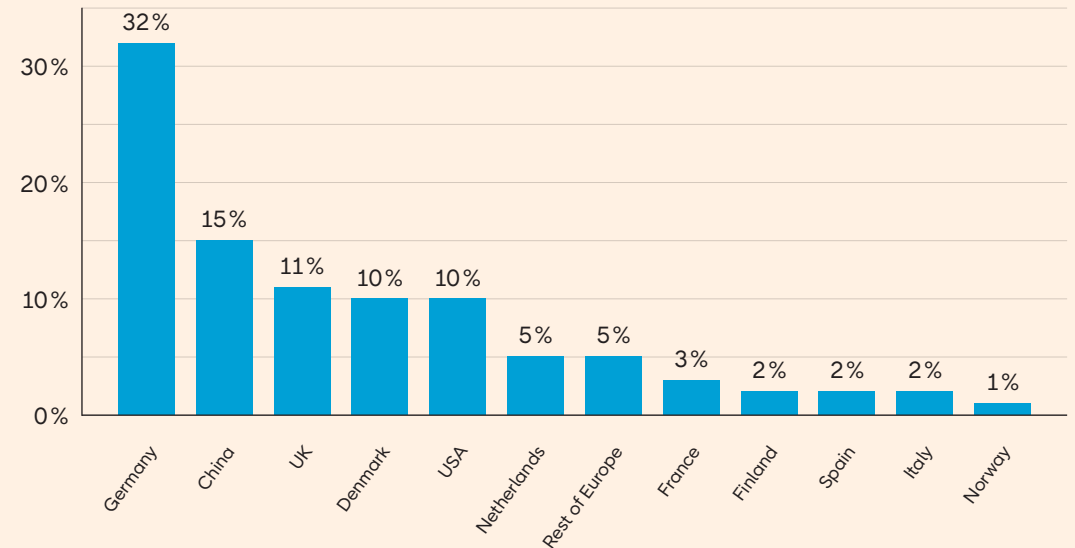
International e-commerce is important for several reasons. International trade creates growth opportunities for Swedish retailers who wish to establish themselves in new markets and a wider choice for Swedish e-commerce consumers who want to make purchases from other countries.

Around 10 percent of consumers surveyed said they had made online purchases from countries outside Sweden in the past month, and around 60 percent of these international purchases were made from Germany, China and the UK. Germany is the country that has seen

the strongest growth in recent years, while the UK and China have declined in attractiveness¹, the UK because of Brexit and China due to the coronavirus pandemic and the subsequent freight problems. Germany also benefits from its automotive industry, with affordable spare parts and vehicle accessories constituting a significant part of what Swedes choose to import from that country.

Danish e-commerce has become more attractive over the years, and Danes are strong in furniture, design products and toys.

Which countries other than Sweden have you made online purchases from in the last month?



Refers to the 2022 full year
Basis: Have shopped online

The rise of e-commerce – a revolutionary phenomenon

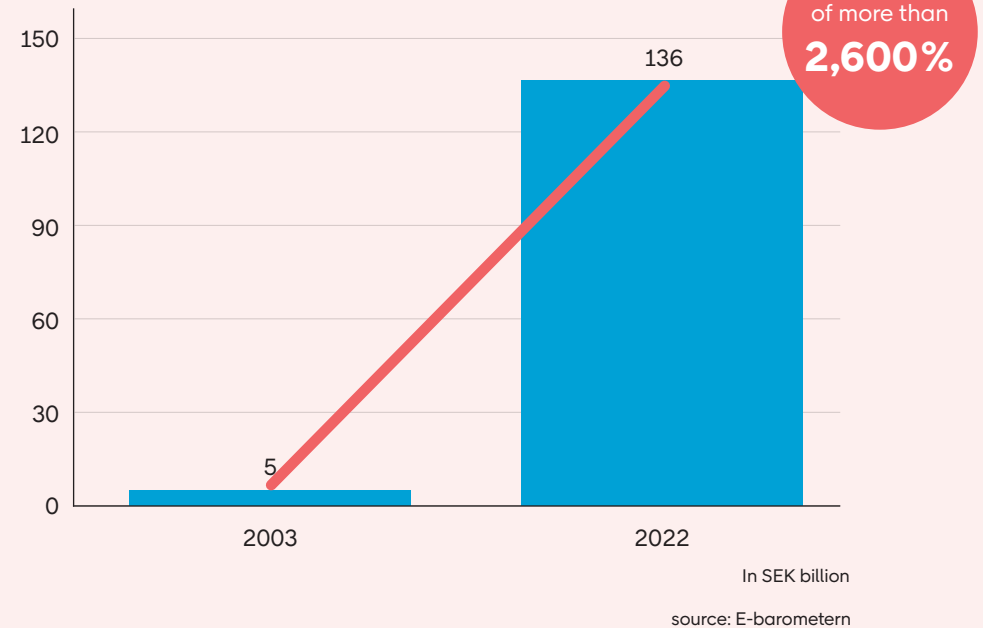
At the beginning of the report are descriptions of scenarios for the potential development of e-commerce. It is just as interesting to look back at the immense changes brought about by the rise of e-commerce. In 2003 net sales in e-commerce amounted to SEK 5 billion, accounting for around 1 percent of total retail sales. Some 20 years later, in 2022, e-commerce had net sales of SEK 136 billion. This corresponds to a growth rate of more than 2,600 percent.

Initially, the growth in e-commerce was mainly due to new consumers beginning to shop online, but in recent years it has been mainly due to an

increase in the average purchases of existing e-commerce customers and consumption broadening to encompass more product categories. Foreign market participants have also gained market share, increasing competition among e-retailers.

In 2003 the gap between the generations was very wide, but it has narrowed over time. However, it is still the younger generations who do the most shopping online. Over the years, the mobile phone has taken an increasing share as a sales channel, making e-commerce available for consumption virtually anytime and anywhere.

Net sales in e-commerce
in 2003 compared with 2022



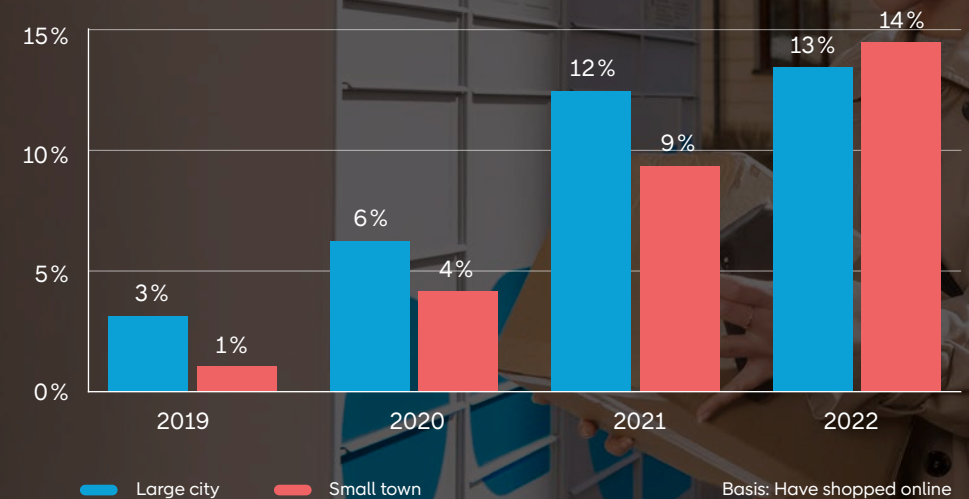
Parcel lockers gaining market share

Parcel lockers are a relatively new phenomenon in Sweden. By offering flexible collection times, proximity to the home and minimal queuing, they have quickly become one of consumers' preferred delivery methods. It is a sector in which a great deal is happening, the market has not yet stabilized and several market participants are still trying to establish their position.

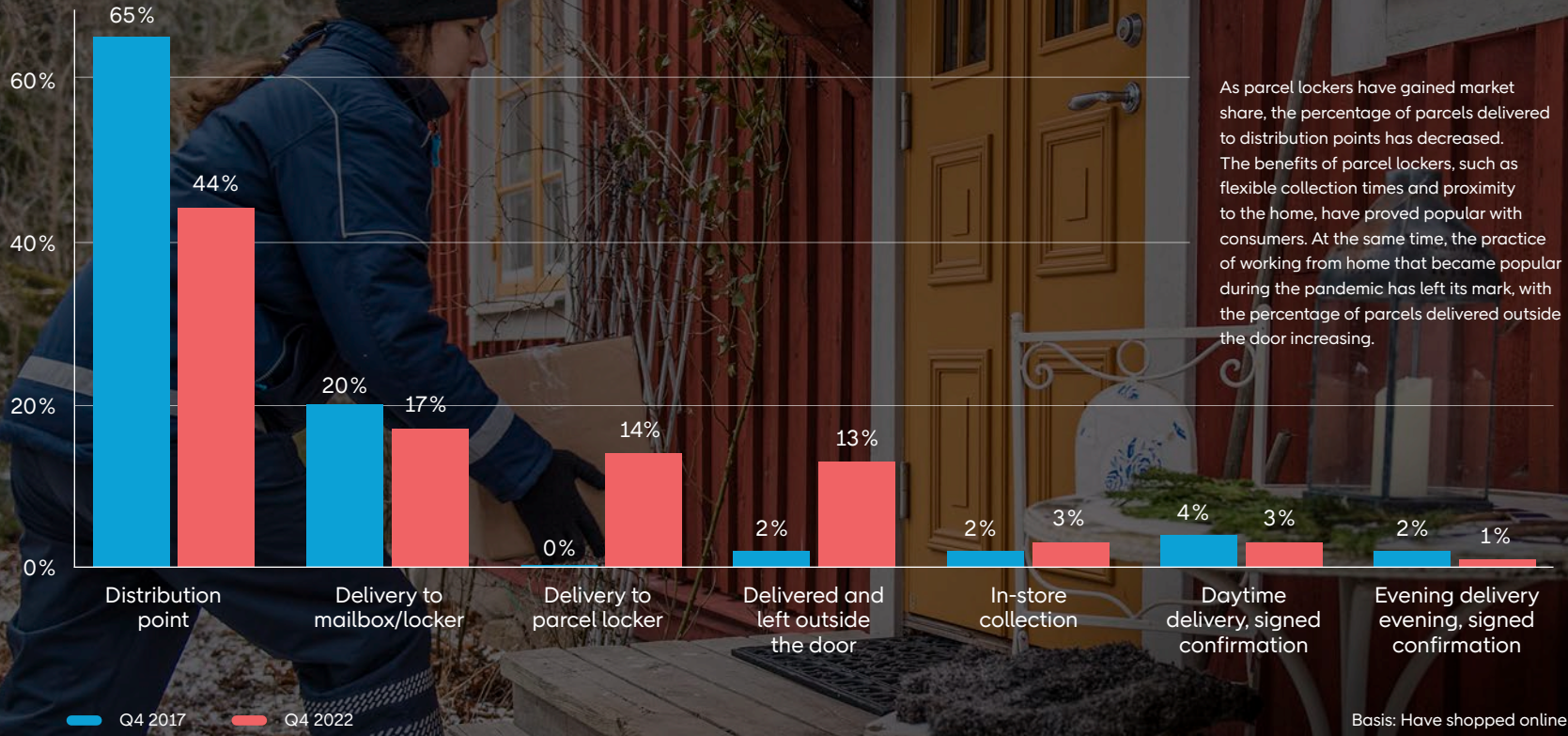
Increasing numbers of companies have invested in expanding their network of parcel lockers all over Sweden,

resulting in greater accessibility for consumers in smaller locations. As parcel lockers become more accessible, they are also becoming more popular. Historically, a higher percentage of consumers' goods have been delivered to parcel lockers in large cities than in smaller towns. That ratio changed in 2022, albeit by a small margin. Given that many logistics operators are continuing to expand their parcel locker networks, the upward trend in this area is likely to continue in 2023.

Percentage that had their most recent e-commerce purchase delivered to a parcel locker



How consumers' most recent e-commerce purchases were delivered



As parcel lockers have gained market share, the percentage of parcels delivered to distribution points has decreased. The benefits of parcel lockers, such as flexible collection times and proximity to the home, have proved popular with consumers. At the same time, the practice of working from home that became popular during the pandemic has left its mark, with the percentage of parcels delivered outside the door increasing.

Frictionless mobile shopping more important

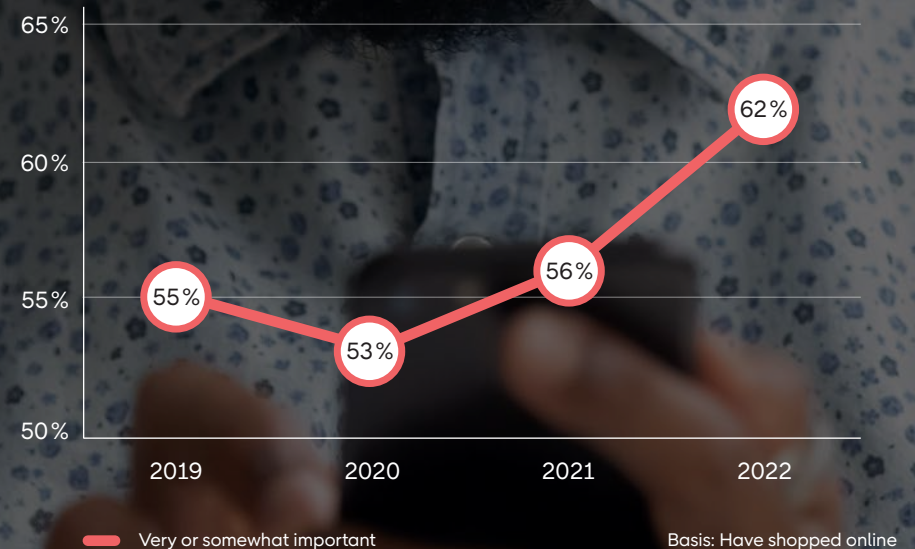
Increasing numbers of people are inspired to shop online by ads on social media websites such as Instagram and Facebook. Recently, new social ways to make online purchases have also emerged. These include the phenomenon of live shopping, where companies, often along with one or more influencers, broadcast live on different channels and share a limited-time offer with those choosing to watch. Virtual shopping also occurs, with store assistants also sharing their expertise, showing images and demonstrating products to those opting to shop online.¹

Social shopping is intimately linked

to social media and thus highly dependent on mobile devices. It is therefore crucial that retailers' websites are mobile-friendly.

Today, 62 percent of consumers say it is very or somewhat important that the online store they decide to buy from is mobile-friendly. In 2020 the corresponding figure was 53 percent. In addition to making the website mobile-friendly, 94 percent of consumers also consider it important that the website is easy to navigate, something that is sometimes difficult on websites that are not adapted to mobile phones.

Percentage of consumers who think a mobile-friendly online store is somewhat or very important



¹ <https://www.ehandel.se/klarna-rullar-ut-videolosning-fysiska-butiken-flyttar-in-i-mobilen>

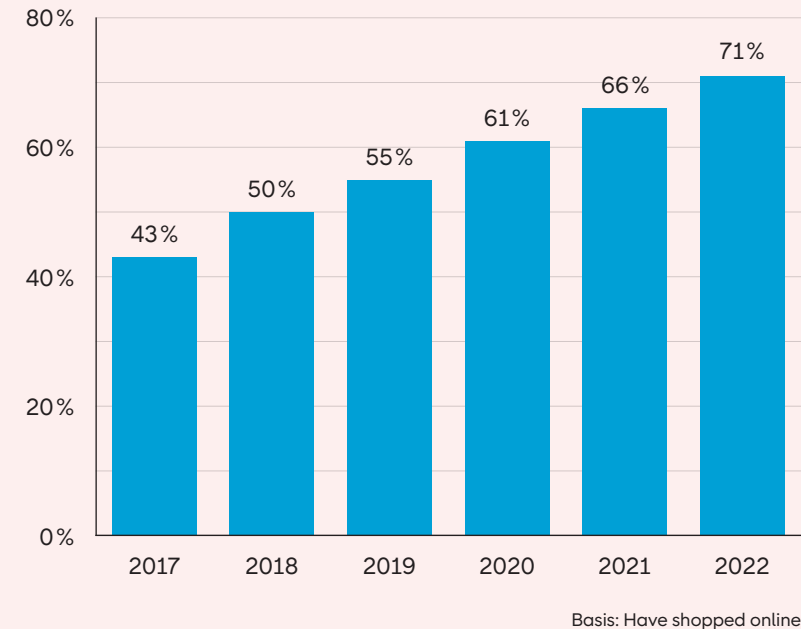
Ability to choose the delivery method becoming increasingly important for consumers

To stay relevant as a business, especially during a turbulent economic period, you need to know what your customers are looking for. Something that year after year has proven to be crucial to the purchasing experience is being able to choose the delivery method that suits the occasion and the individual. E-retailers have started to respond to this need to a greater extent, with 71 percent of consumers able to choose their preferred delivery option for their most recent e-commerce purchase, a steady increase from 43 percent in 2017. One

factor may be that the infrastructure for delivery locations and modes of delivery is expanding over time, and companies are taking advantage of opportunities to offer more variety as they arise.

One way for companies to further reduce friction, in addition to offering more delivery methods at the checkout, is to be unambiguous in their communication about the delivery. Thirty-eight percent of respondents felt that they were not adequately informed about when their goods would be delivered the last time they made an online purchase.

Percentage who could choose the delivery method for their most recent delivery



E-commerce giant Amazon is becoming increasingly popular in Sweden

Apotea maintains its position as the consumer's e-commerce favorite for the fifth consecutive year, topping the list by a wide margin. This year, however, is the first time that the American giant Amazon has made it onto the Swedes' top three list of favorite companies. With the launch of Amazon Prime, Swedes gained access to its customer club, which includes benefits such as free same-day delivery and a wide range of series and films. The concepts linked to Amazon have gained traction with consumers, and in September 2022, Amazon

Prime Video was the most downloaded entertainment app in Sweden, with over forty thousand downloads.¹ Other market participants that have grown in popularity during the year include Apoteket, Boozt and Sellpy.

There is also a clear difference between the generations. Younger people are more likely to like websites such as Inet, Sellpy and Lyko, while older people like Bokus, ICA and Engelsons. This partly reflects the fact that the groups consume different products, but also that they buy from different types of companies.

Favorite company and vote share

The arrows show how companies' rankings have changed since last year.

Ranking	Company	Vote share	Ranking	Company	Vote share
1	Apotea	15.1% →	11	Boozt	1.7% ↗
2	Zalando	5.8% →	12	Bokus	1.7% ↘
3	Amazon	4.6% ↗	13	Sellpy	1.6% ↗
4	H&M	4.1% ↘	14	Matsmart	1.5% ↗
5	Adlibris	3.1% →	15	Lyko	1.4% ↗
6	Tradera	2.5% ↗	16	Åhléns	1.3% ↗
7	Apoteket	2.0% ↗	17	Netonnet	1.2% ↘
8	Webhallen	2.0% ↘	18	ICA	1.1% ↗
9	CDON	1.9% ↘	19	Elgiganten	1.1% ↗
10	Inet	1.8% ↘	20	MatHem	1.1% ↘

→ Unchanged ↗ Risen ↘ Fell

Basis: Have shopped online

¹ <https://www.statista.com/statistics/701151/top-iphone-entertainment-apps-in-sweden-by-number-of-downloads/>

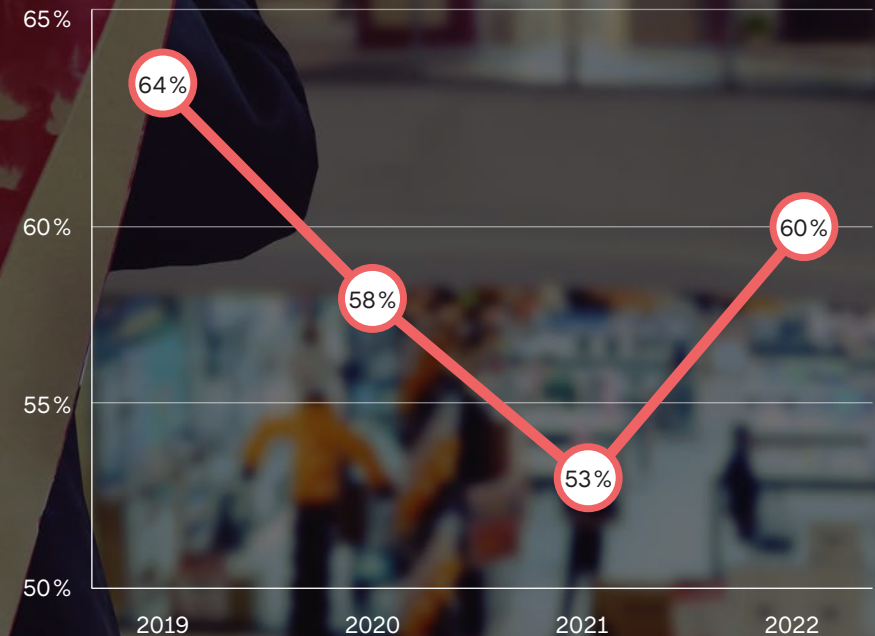
Physical experiences attractive

The short-term effects of the pandemic are well known by now, but it is even more interesting to see how long-term consumer behavior has changed. Although society has largely returned to its pre-pandemic state and stores are open to the same extent as in 2019, consumers continue to shop online. Of those who rarely shop online, a full 60 percent say it is because they prefer the experience in a physical store. This shows that the physical shopping experience is still important to consumers. Another indication that the physical retail sector is doing well is that its net sales in 2022

were 10 percent higher than in 2019. However, growth is measured in current prices and includes a significant rate of price increase.

At the same time, e-commerce has made great strides during the pandemic, particularly in consumer groups that have not previously made online purchases. As in-store retail regains sales, it is increasingly important for retailers to have a well thought-out omnichannel strategy that seamlessly meets customer demand, whether the purchase journey takes place in-store, online or in both channels.

Percentage of people who rarely shop online – because they prefer the physical experience in a store



Basis: Rarely or never shop online

Window shopping results in abandoned shopping carts

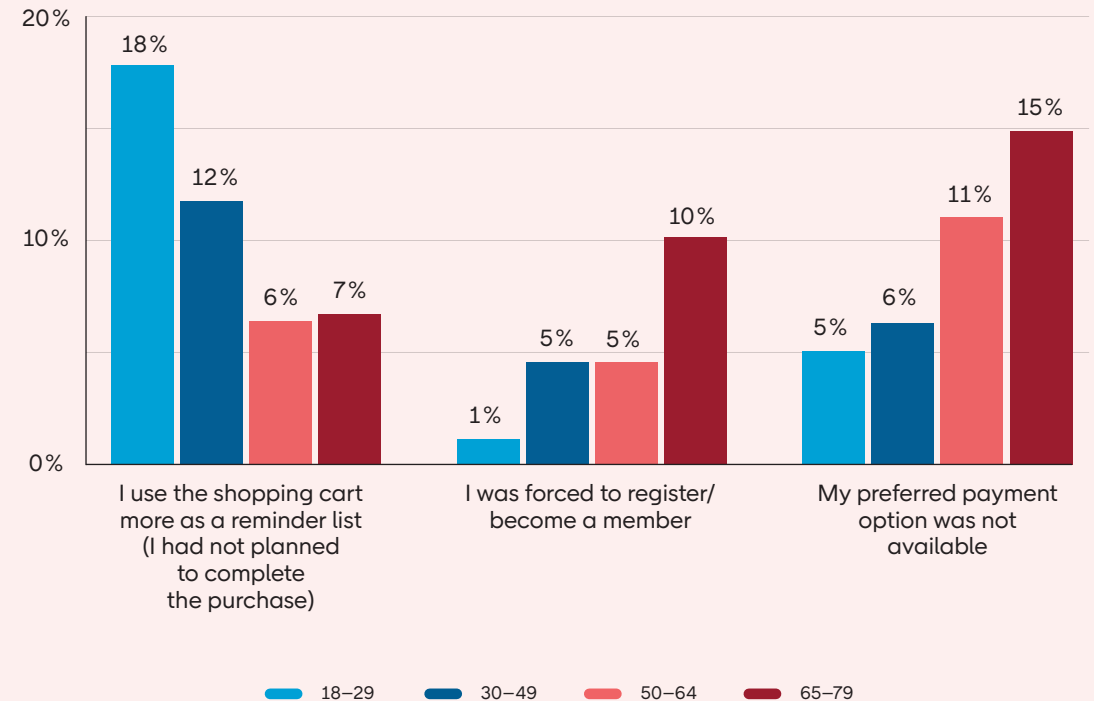
Abandoned shopping carts are a problem for many e-commerce companies. Based on data from the 500 biggest e-commerce market participants in Europe, the UK's Sales Cycle estimates that as much as 77 percent of all shopping carts are abandoned without a purchase being made¹. Despite well-planned strategies to drive consumers to the checkout, there are plenty of distractions that can cause them to cancel their purchases.

The reasons for canceling a purchase differ significantly between age groups. Window shopping online and then abandoning the shopping cart before making a purchase is most common among the youngest age group, while registration

requirements and limited payment methods lead to canceled purchases among the older age group.

It is often difficult to convince the group that primarily uses the shopping cart as a reminder list to make a purchase, while indecisive or digitally uncertain buyers can be convinced if given a nudge in the right direction. Older consumers are generally more skeptical about the security of e-commerce and dislike allowing retailers to store personal data. Enabling 'guest' shopping is therefore a good option to avoid losing these customers, but this must be balanced against the importance of data collection as third-party cookies are phased out.

The last time you canceled a purchase of an item online, what was the reason?



Basis: Make online purchases at least a couple of times a year and have canceled the purchase, top three response options

¹ https://www.salecycle.com/blog/featured/10-fascinating-stats-cart-abandonment/#Cart_Abandonment_Stats

Increasing demands on e-commerce sites

The more accustomed e-commerce consumers become to online shopping, the more they demand information, inspiration and search capabilities from e-retailers. Some features and areas have become hygiene factors that e-commerce companies must deliver on to avoid consumers moving on to a competitor. One of these areas is product information, which means everything from images/videos to detailed information on materials, origins, sizes and more. The better and more relevant the information available on products, the fewer customer regrets and returns there are likely to be.

The next major area is the navigation and search functions on the website – it must be easy to find products and to move around between the landing page, product pages, delivery information, etc.

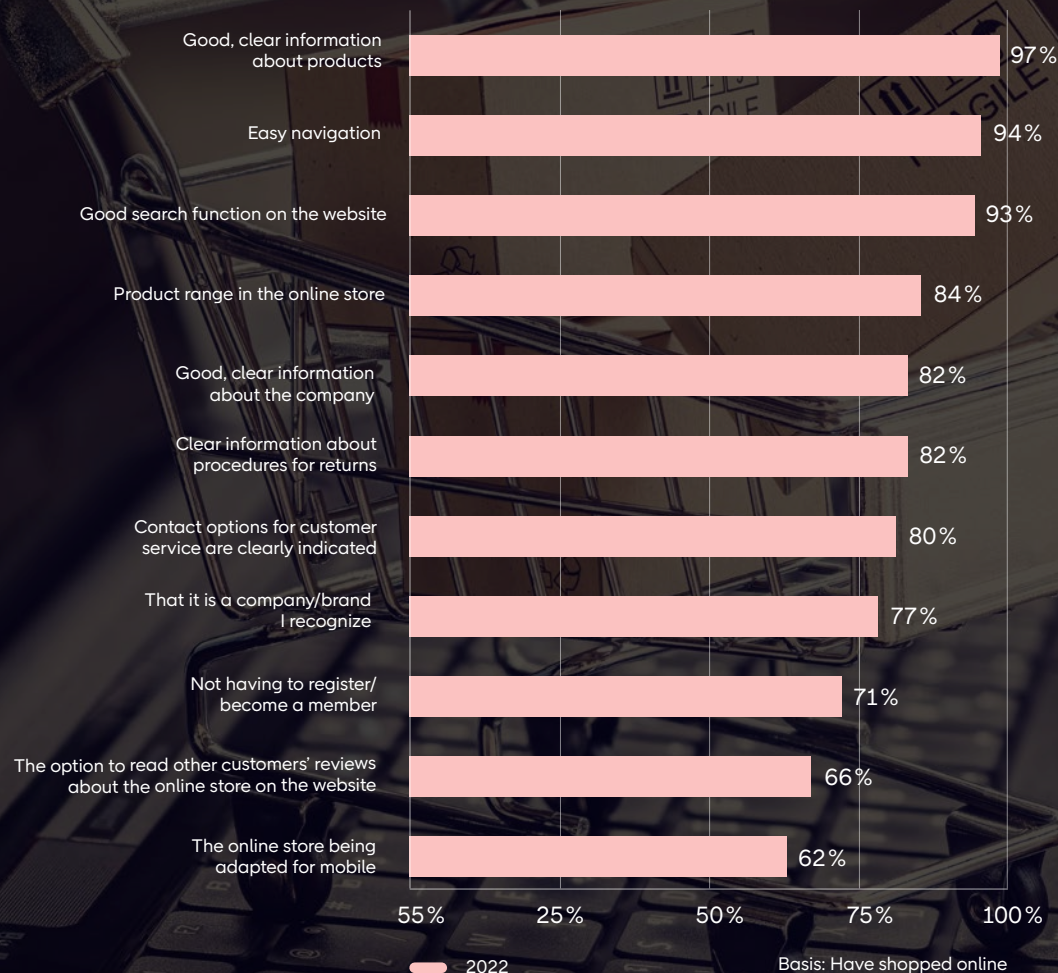
Returns is another area in which demands have recently increased. Consumers want clear information on returns procedures, and this needs to be facilitated with return slips, information on possible return costs and refunds and how long it will take to process the return.

Simplicity is a watchword, along with

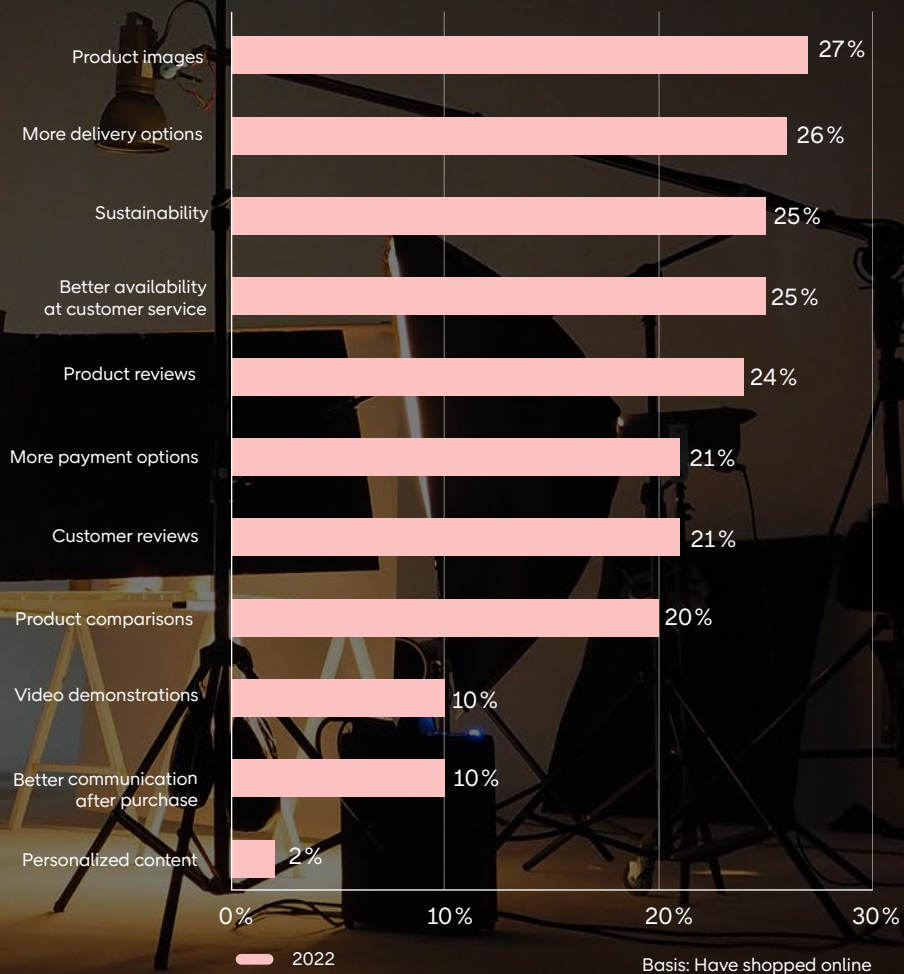
inspiration and speed. When it comes to what consumers wish e-commerce companies would do more of, product images top the list, followed by further delivery options, sustainability, better customer service availability and product reviews.

When a product is purchased in a physical store, the consumer has the opportunity to touch it and scrutinize it before buying. There are therefore no questions about the appearance or quality of the product. E-commerce is not always as simple, as the physical experience is replaced by second-hand sources such as product images and reviews. To give consumers a good idea of the appearance and condition of the item, clear and accurate images are needed. Twenty-seven percent of consumers said they would have liked to see more – and clearer – product images. Good product images can generate increased sales, while poor ones can easily make an attractive product look unattractive, or make the color and size, for example, less obvious.

How important are the following factors when you are deciding from which online store to make purchases?



What do you wish online stores worked more with?



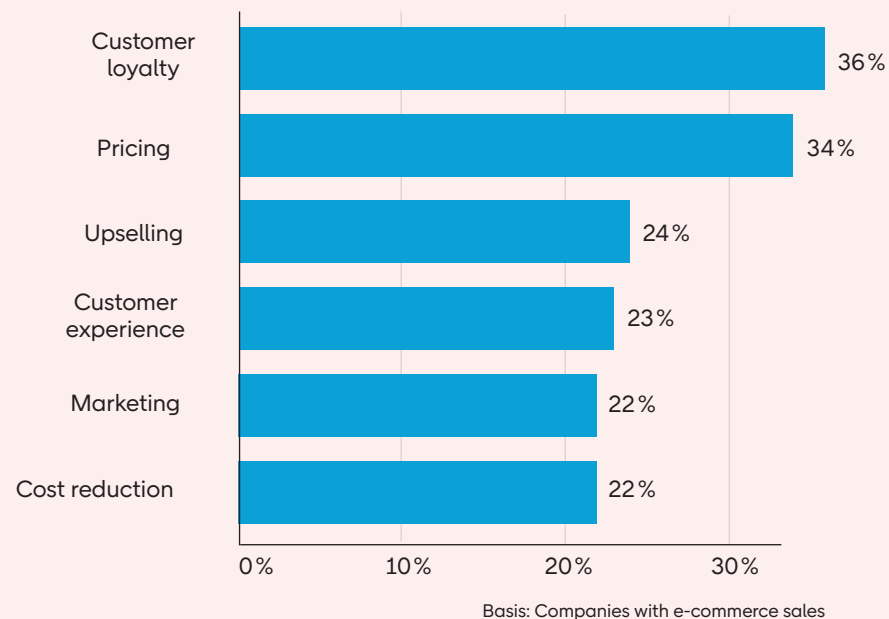
Keywords going forward are strategic pricing and customer loyalty

2022 was a turbulent year for e-commerce companies and consumers alike. Companies' main strategies to address this and increase profitability in 2023 are to offer targeted, relevant prices and strengthen customer loyalty. This reflects the two complex challenges facing e-retailers today: on the one hand, a more short-term focus on being accurate with their pricing to maintain profitability in challenging times, and on the other, a longer-term strategy to create and maintain customer loyalty – a challenge that is becoming increasingly complex as consumers become more restrained. As mentioned earlier in this report,

younger consumers are also not as brand-loyal as older ones, making customer loyalty a current and a long-term challenge.

Properly implemented, these strategies can go hand in hand. A study by researchers at Stockholm School of Economics and Stockholm University found that online market participants that build a loyal customer base also find that this base is willing to pay more. These market participants manage to add emotional value to the customer experience, such as a sense of belonging or inspiration, which makes consumers more willing to pay.¹

What companies will mainly focus on to generate greater profitability in 2023



¹ <https://www.ehandel.se/forskare-e-handlarna-maste-inspirera-mer-annars-vantar-kris>

Strong growth in online second-hand retail in 2022

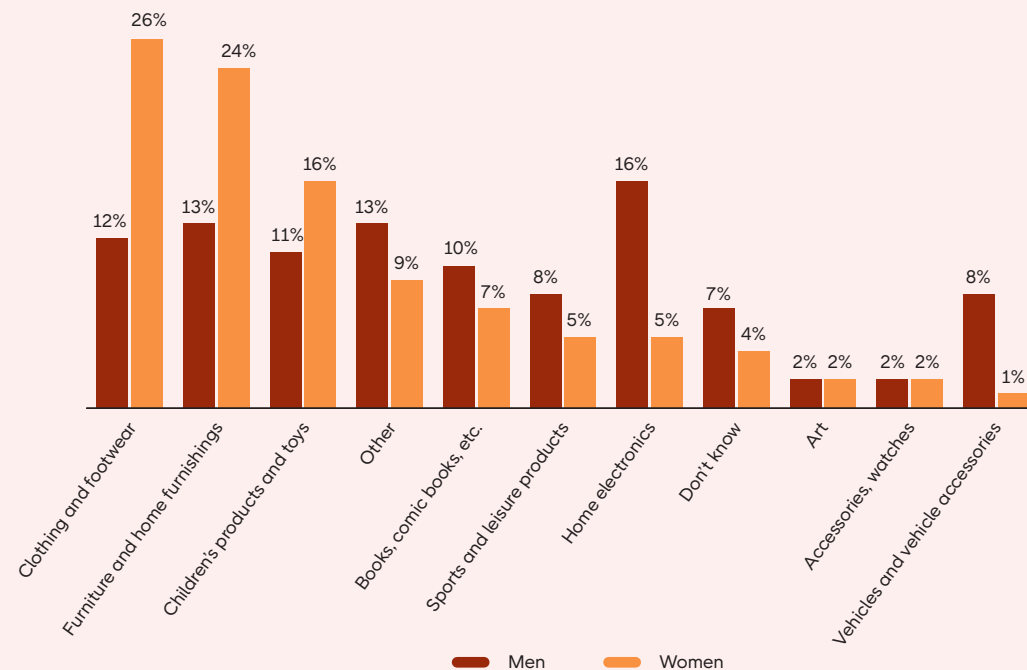
In order to provide a picture of the growth and role of second-hand/used retail in e-commerce, E-barometern started to follow the second-hand market in 2022. Second-hand has been a trend for several years, but given the economic situation, it is becoming increasingly interesting to examine how the market is evolving, as price is the factor that attracts most consumers to market participants offering second-hand items.

With factors in the surrounding world becoming increasingly challenging, there is reason to believe that 2023 will be a boom year for the second-hand sector. The growing popularity of second-hand goods is illustrated, for example, by the month-on-month sales record set by second-hand market participant Erikshjälpen¹ and by the 24 percent increase in Tradera's Christmas sales between 2021 and 2022.²

In terms of the product categories purchased, furniture and home furnishings

and clothing and footwear top the list. However, it has emerged during the year that men and women require different types of second-hand goods. Men are more likely to buy home electronics, vehicles and vehicle parts, while women purchase furniture and clothing. Thirteen percent (for men) and nine percent (for women) of recent purchases were categorized as 'other', which includes odd items such as specific hobby items or collectibles. Nowadays, you can buy almost any item second-hand, and it is particularly easy to search for and find second-hand bargains online. In E-barometern's consumer interviews throughout the year, search capabilities were highlighted as what makes the e-commerce format such a good fit for second-hand trade. In a physical second-hand store, it is hard to know if you will find what you are looking for, but online you can search for and find whatever you are looking for.

Consumers' most recent second-hand purchases made online



Basis: Have purchased second-hand/used online.

¹ <https://www.dn.se/ekonomi/allt-fler-koper-begagnat-i-tuffare-tider-vi-slar-forsaljningsrekord/>

² <https://www.svd.se/a/9zbqdE/rekordmanga-julklappar-saljs-vidare-pa-natet-lego-klader-och-konsolspel-toppar-listan>

One third buy more second-hand items in tough times

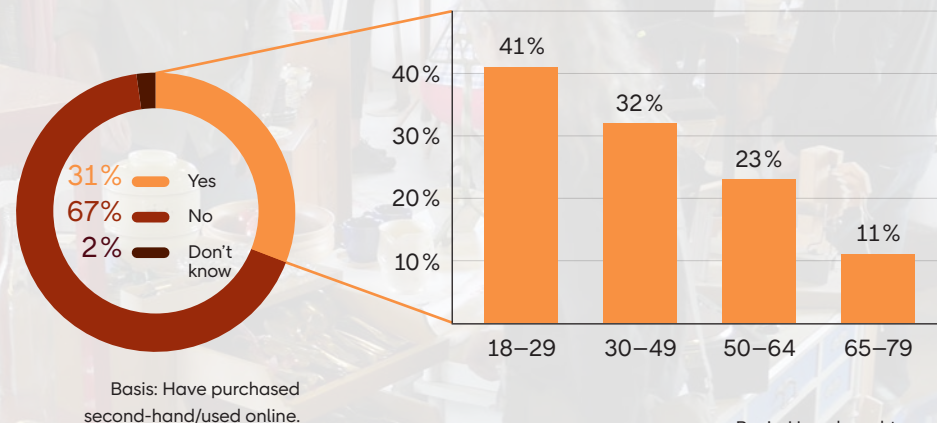
The percentage of consumers buying second-hand items is still relatively stable, but the current economic climate is starting to make an impact on the seasoned e-commerce consumer. A third of them say they buy more second-hand goods now than in the past for financial reasons.

Younger consumers in particular are attracted to shopping second-hand. Four out of ten people aged 18 to 29 have purchased more second-hand items in the last quarter due to the current economic situation. Older consumers are less likely than younger consumers to say they have turned to the second-hand market because of tough times. This is natural, as older consumers generally have greater purchasing power

than younger ones and are therefore not attracted to the second-hand market to the same extent.

To meet the growing demand for second-hand goods, increasing numbers of market participants are breaking new ground by innovating on the second-hand market. Companies like Vinted are committed to making the sales process between individuals more convenient and frictionless. Other market participants, such as Arkivet, are focusing on making the second-hand market a more glamorous experience, with open and bright premises and carefully curated content. Interest in second-hand retail as a more exclusive and convenient experience is clear – Arkivet has almost doubled its net sales since 2018.

Have you bought more second-hand items in the last quarter due to the prevailing economic situation?



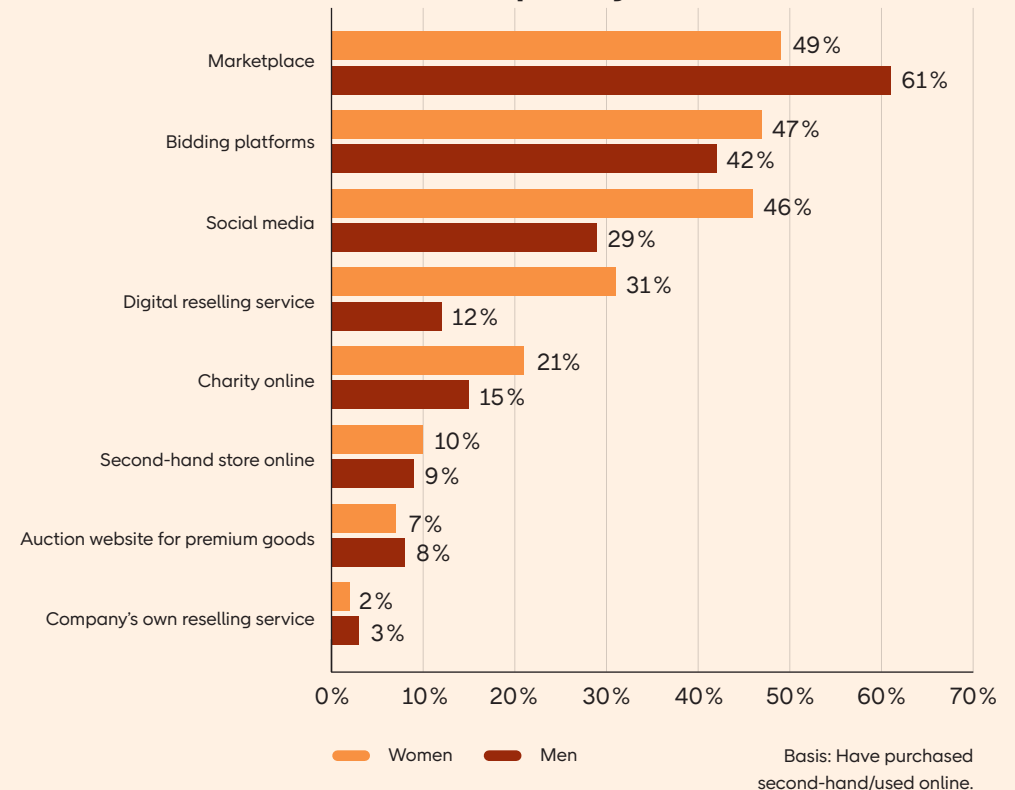
Marketplaces most popular for second-hand purchases online

Among second-hand shoppers, options where individuals can make purchases from each other are still the most popular. More than half of consumers who bought second-hand goods online in 2022 did so via a marketplace, such as Blocket. Bidding platforms such as Tradera come a close second with 45 percent, and social media, dominated by Facebook Marketplace, comes in third with 38 percent.

Given the types of second-hand items that men and women buy online, it is not surprising that they often shop on different websites. 61 percent of men used a traditional marketplace in 2022 compared to 49 percent of women. The biggest in this segment is Blocket, a large and long-established market participant that has been around since 1996 and is now focusing on increasing

the security of purchases. Today, for example, there are new ways for consumers to protect their payments, making it safer to spend large sums of money on goods such as electronics and car parts. Women mainly shop for clothing and footwear, which are generally items with lower average prices. 46 percent of women have shopped for second-hand goods via social media during the year, compared to 29 percent of men. Facebook Marketplace takes a more informal approach than traditional marketplaces, making it better suited to more frequent but smaller purchases. Facebook also has several niche groups where the buyer can be part of a community that discusses trends while shopping for bargains, which lends itself well to the fashion segment.

In what ways have you bought second-hand/used items online in the past year?



Second-hand usually cheaper, except for art and watches

The price is often the biggest driver for buying second-hand. On average, consumers estimate that they save 40 percent by buying a second-hand item compared to buying a new one.

In some product categories, such as sports and leisure equipment and vehicles and vehicle accessories, consumers estimate that they paid only about 30 percent of what an equivalent product would have cost new. Goods such as car parts and sports equipment can be expensive to buy new – for example, a pair of skis or special protective equipment. Those who bought second-hand sports equipment online said they paid around SEK 5,000 on average for the item, but estimate that they would have paid over SEK 18,000 for the same item new.

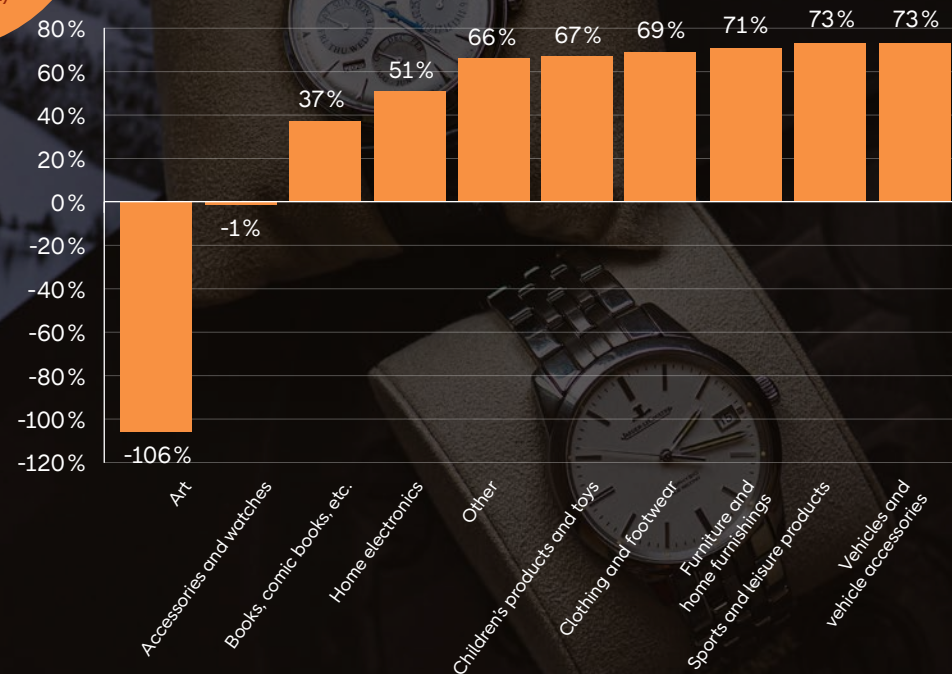
However, in other product categories, the savings may not be as great, and the value may even increase precisely because the product is older. Given that art purchased second-hand is often collectors' items, it is not uncommon for the price to rise over time. When consumers were asked to estimate what they paid for their second-hand art, they found that they paid twice as much as they would have paid for it new. In the case of watches and jewelry, consumers think there is no significant difference in price between second-hand and new products. This can be explained by the fact that watches and jewelry are often made of precious metals such as gold, which have a stable value over time.

Consumers estimate that they save

56%

by buying an item second-hand (excluding art)

How much the consumer estimates they save by purchasing a second-hand product instead of a new one



The categories of Art, Accessories and watches and Vehicles and vehicle accessories have few respondents. They are nevertheless deemed to reflect a generally perceived price difference and visible trends in the consumption landscape.

Basis: Most recent second-hand purchase, difference between "What did you pay for the item?" and "What do you think you would have paid for an equivalent item new?"

Trade-off between sustainability and affordability getting more complex

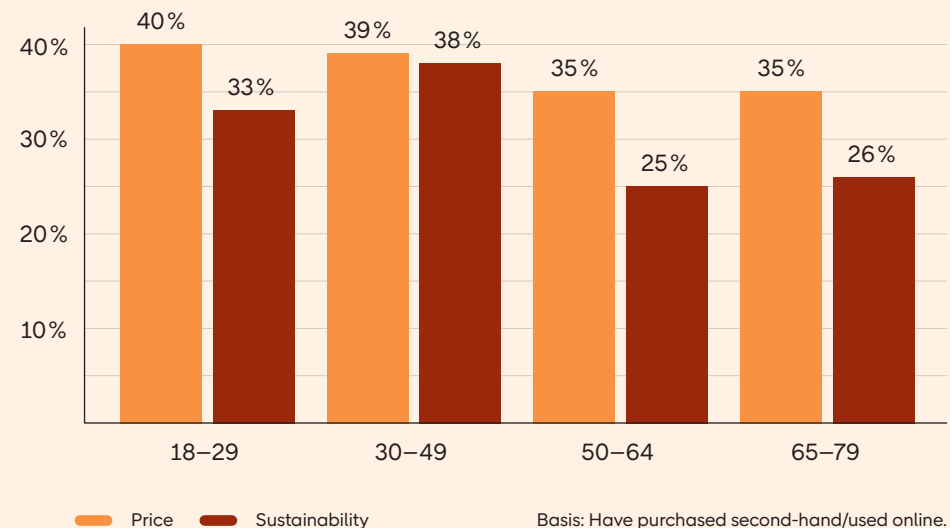
The past year has been an interesting one for the second-hand market, and all the signs indicate that there is more to come. 2023 could thus be the year that C2C and second-hand market participants start to take on the traditional business models in earnest. Robin Suwe, CEO of Blocket, commented on marketing and communications website Resumé that they want to “show that it is possible to make it as simple, safe and convenient to purchase something second-hand online as it is for something new”.¹

Generation Z, which in many ways will drive the future of consumption, is a change-oriented and individualistic generation that has already started to latch on to the second-hand trend. Storage company Elfa conducted a survey which showed that one in four Gen Z women

choose second-hand or vintage when it comes to updating their wardrobe. The corresponding figure for the entire population is one in seven.

However, it is not a given that consumers automatically turn to second-hand retail in difficult times. Fast fashion sites like Shein are becoming increasingly popular in Sweden.² These e-commerce companies with very fast fashion cycles and cheap products attract the younger generation in particular. This is despite the fact that this group also often claims to have a strong interest in sustainability. The new fast fashion consumption is also driven by apps like TikTok and Instagram, which present a constant flow of new information and increasingly rapid trends that companies are quick to pick up on.

What is the main reason you choose to buy second-hand/used items online instead of buying equivalent items new?



Basis: Have purchased second-hand/used online.
Refers to the 2022 full year

¹ <https://www.resume.se/alla-nyheter/nyheter/blocket-tar-bort-annonsavgifter-for-privatpersoner/>

² <https://www.radron.se/vardagkunskap/trots-miljokritiken-shein-vaxer-rekordsnabbt/>



“We target the customer who wants to live a circular life – that’s the future”

Second-hand online. Some market participants are wary of entering this field, thinking it is both unprofitable and complicated. But Cervera Vintage is bucking the trend, with successful results.

“Consumers can shop circular with us while we build and generate interest in our brand and regular range,” says Erika Dalle, Cervera’s COO.

She has been with Cervera for more than ten years, holding various positions during that time as an e-commerce manager and marketing manager, and is now Chief Operating Officer responsible for marketing, e-commerce and customer service.

Erika Dalle is simply extremely knowledgeable about Cervera’s digital offering and its brand communication with customers.

Cervera is a major omnichannel player. How large a share of your sales does e-commerce represent?

“Total online sales are close to 40 percent, and that includes second-hand. We had huge growth during the pandemic, 500 percent in two years. We’re in a category that was in great demand – after all, interest in the home and kitchen was huge at the time – and we carried out digital transformation throughout the company. We completely re-evaluated the way we saw ourselves, going from a physical retailer to an e-commerce player first and foremost, which meant we didn’t have to think about physical constraints, but instead about what



our customer offer should be. So the first thing we did was to broaden our range and then work with dynamic pricing – all driven by the data. We also honed our data-driven communication – our performance marketing but also our all-important customer club!”

Yes, you have a huge customer club – 1.6 million members.

“It accounts for about 65 percent of our sales and gives us an opportunity to learn a great deal, because we have a lot of data linked to it. We have test and control groups so we can see the exact impact, and we always work with A/B testing, segmentation and personalization. We mainly contact members by email but also by text message, contacting them more frequently while improving how our mailings are targeted. We have started using membership levels so that we can communicate with customers in different ways, with a more exclusive tone, and this has produced excellent results.”

Who are your customers?

“Our members are mostly women. The average age in the customer club is 49, but the strongest customer groups are 18–35 and over 45. Our growth in the younger target

group has gone hand in hand with better online performance.”

Does Cervera have the same customer group as Cervera Vintage?

“Yes, it’s the same. We’ve started our own Instagram account where we can nerd out a bit more, enabling us to reach those particularly interested in vintage. Of course, we’ve created a segment in the customer club that we notice is more interested in our vintage business.”

Cervera Vintage started in 2020, and we talked about its launch in E-barometern that year. How have things developed since then?

“Vintage has been very well received, and by far the biggest benefit is in terms of branding. There is huge interest in vintage products, and we pass on a lot of knowledge about brands and products. We can see that searches for vintage on the website have increased, as have clicks in our newsletters. We’re also driving more organic traffic, because we can pick up brands that we don’t normally sell. So vintage builds a lot of value, both image-wise and traffic-wise. Sales are going well, but the challenge is profitability, because there are so many different tasks in the business.”

What is your vision?

“We want to offer our customers the opportunity to shop circular with us and mix vintage with what they already have at home, or with new favorites from our existing range. Our ambition is to continue to grow Cervera Vintage in parallel with our core business.”

What challenges have you faced in your vintage venture?

“Handling items.” Filling in a valuation form on the website works very well, and we get a lot of enquiries. After two years in business, we’ve also learned what sells – we can be more selective. We then come to an agreement about the product with the seller and enter it in our system, and the seller goes into one of our stores and gives them the product and receives payment immediately. That’s the big advantage for the seller: you don’t have to keep track of whether the product is sold or not and you don’t have any direct contact with the buyer – which is the major difference compared to second-hand platforms such as Tradera and Blocket.”

“The store then packs the product and ships it to our warehouse in our store on Sveavägen in Stockholm



Erika’s top three vintage products

1. Teacups in the Grön Anna series from Rörstrand
2. Clown champagne glass from Orrefors
3. The Berså series from Gustavsberg

Rising stars: Blå flaskpost Moomin mug – it always sells very well.



– and we then have to mark it up with a PLU (Price Look-up) code, take a photograph of it, ‘pim’ it and put it on the website for sale. And when it’s sold, it’s sent out again from Sveavägen. At the moment we only have online sales, but we will actually be launching vintage sales at the store on Sveavägen. And our vision is for us to really focus on this area, but for it to work in more stores, we need a sufficiently large vintage range and for the items each store receives to also fit in with the rest.”

How many people are on the Cervera Vintage team?

“One and a half people. There were many more at the beginning, but I think we were being a bit too ambitious. We’ve shrunk the team and reduced costs so we can achieve profitability. But we gain so much from having a circular offer for our customers, which is particularly in demand among the younger audience we’re now attracting. We also sell quality items, which is proof that our products have a very long life and a second-hand value – this helps us build our DNA.”

Which brands do best at Cervera Vintage?

“Gustavsberg and Upsala-Ekeby. Gamla Rörstrand and Iittala products also sell well. Usually they’re items

linked to décor and serving and less to cooking, but at the same time we’ve sold a Le Creuset pot for the same price as a new one, because a customer wanted that particular version with a specific knob.”

“In the beginning, we sold large tableware sets, but we’ve found that in terms of both sales and handling, this is very difficult – so we’ve cut back on that.”

Has your vintage venture helped you sell new products?

“Vintage definitely generates interest for our regular range. For example, we see that vintage customers stay longer on cervera.se than regular visitors.”

Do you work with influencers for Cervera Vintage?

“Yes, a few of them who, for example, have highlighted their favorites or inspired people to create table settings mixing old with new. We’ve done this to increase our reach and raise awareness of our vintage range.”

Is it possible to return a Vintage item?

“We don’t have a purchase on approval policy for these products, but since we sell them online, the buyer has a 14-day right of cancellation for their purchase. They then contact customer service and send the

product back to our warehouse on Sveavägen.”

What opportunities do you see for the second-hand segment in the future?

“I think it will be challenging for us to grow the vintage business during a recession, but in the long run, I really believe it will be a winning concept. We cater to the customer who is looking for a curated selection of premium products and who wants to live a circular life, taking care of what has once been produced – that’s the future.”

Is there a risk that profitability requirements will make it difficult to continue with vintage?

“Everything we do has to have a clear purpose and goal, but so far we see such clear benefits in our Vintage offer that it’s an obvious part of our overall customer offer.”

What are the biggest lessons you’ve learned since the launch of Cervera Vintage in 2020?

“Although we understood that there would be a lot of goods handling, that there were many steps between initial contact and sale, the goods handling was probably even more complex than we imagined. We have, of course, streamlined the process, but it’s hard to remove any of its components. It takes a lot of manual labor.”



About Cervera Vintage

“We launched Cervera Vintage in fall 2020, and the interest has been huge, which is of course great. Currently, there are 1½ full-time positions dedicated to Vintage, but the area is well integrated with other functions, such as marketing and customer service. Sustainability, reuse and the circular economy are all very timely – and fashionable. During the year, we’ve seen a broader interest in unique items and how customers are choosing to match and combine such items from Cervera Vintage with what they already have at home. Everyday plates take on a whole new life paired with a bunch of vintage glasses when you’re hosting a dinner party at home, for example. That’s exactly how we see our Vintage business – we want to offer conscious consumers the opportunity to shop circularly with us and mix vintage with what they already have at home, or with new favorites from our existing range. This year we also awarded the Cervera Craft Scholarship for the second year running, with the aim of promoting local Swedish artisans and helping them reach a wider audience through our Cervera Craft initiative. This year’s winner was glass artist Tone Linghult, whose unique glass art pieces can also be found on Cervera.se – as a further step in offering our design-minded customers a curated and unique range.”

E-barometern is published by PostNord in cooperation with HUI Research

postnord

About PostNord

PostNord is a leader in parcels and logistics services to, from, and within the Nordics. Our business and private customers must be able to reach their recipients at the right time, reliably and efficiently – whether the task involves a global logistics solution, an advertising campaign or a birthday greeting.

With around 28,000 employees, PostNord is one of the largest employers in the Nordic region and bears a considerable measure of social responsibility. PostNord aims to offer an attractive, stimulating workplace. Visit us at www.postnord.com

hui.

About HUI Research

HUI Research AB provides, via its consultancy and research activities, professional decision-making material and advice to businesses and the public sector in the areas of retail, tourism, consumption and economics. The company was founded in 1968 and is an independent subsidiary of the trade association Svensk Handel.

If you have any questions about E-barometern, please contact:

PostNord media relations, press@postnord.com, +46 (0)10-436 10 10, Emma Gutestam, HUI Research, emma.gutestam@hui.se, +46 (0)73-054 76 79