



Market snapshot

NORWAY

The currently fragile state of the oil market has been predicted to bring new economic risks to Norway, which generates almost a quarter of its GDP from oil and gas. The effects that the oil price crash will have on the country's economy are uncertain, but with oil companies' output and earnings dropping, investments will decrease and other industries and households stand to be affected.

However, Norway's weaker currency is expected to ease conditions in the labour market, slow down wage growth, and halt offshore cost inflation. Although the low oil price could cut between 1-2% from Norway's GDP over the next two years, much of that will be compensated by the rest of the economy.

Despite European growth being slow in 2014, and global interest lower than expected, Norway came in first in Legatum Institute's annual Prosperity Index, and has Europe's 2nd highest GDP/capita, indicating that it is one of the world's strongest economies.

particularly in rural areas, which would have also resulted in a lot of redundancies and unemployment.'

Coop will certainly lose some stores, because its market share will be too high in some areas, but as Jon highlights, for the time being at least, Ica's sale will create some real stability in the market. 'It's actually been very difficult

"It's true that something had to change in the sector, which had been feeling the impact of Ica's poor performance long before the company's eventual sale."

dealing with the fact that both Ica and Coop haven't been able to grow, so now that there is a solution to the issue, the situation is definitely better and will help suppliers'. He went on to state that a stable situation was 'not the worst thing in the world.'

As we go to press it was confirmed that NorgesGruppen have signed an agreement to take over the stores Coop will have to rescind as part of the shakeup. If Rema had acquired those stores, the competitive environment may have been more equal between the three. Commentators don't believe that any further major changes will take place during the next year, at least, as the sector adjusts.

During this imminent period of market stability, commentators will be able to take the time to assess how the sector will evolve.

Some, like Kenneth, believe that the real price battle will now begin, as Coop will be able to better compete with NorgesGruppen and Rema 100. Jon largely agreed with this, but suggested the perhaps the most notable change in the short term would be an increase in competition with regards to service; 'I think it will make life better for the consumer because each of the players will have to become better

at how they serve the customer. There may also be some new categories enter the market that will further benefit the consumer.'

Ica's inability to compete, although partly due to net-prices and cost efficiency, was also related to what many believe was the historically poor guidance passed on to franchise owners. Jon argued that there was clearly a lack of adoption of creative ways to drive sales at Ica stores; '...these problems were inherent from the start and gradually contributed to its failing.' Both Jon and Kenneth agreed, however, that Coop was far better suited to managing the franchise operation, as it fits well with Coop's current

business model. Ica is also a good match for Coop in terms of demographic coverage.

Suppliers like Kenneth and Jon are wary of the fact that, moving forward, there may be increased pressure on net-prices and narrower assortments as the number of soft discounters increases, making supermarkets less relevant. As Kenneth noted, there is also an increased risk in the sense that '... if we were to lose another customer, then we would be in a really difficult situation.' Generally though, there is a sense within the sector, as shared by both Kenneth and Jon, that people are looking forward to see how the situation will evolve now the deadlock has been broken.