



# Åtgärder för att förbättra förutsättningarna för etablering av dagligvarubutiker

English summary

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## Summary

Consumers in Sweden largely prefer to purchase groceries in physical stores. According to a report by the Swedish Food Retailers' Federation, in-store sales accounted for approximately 96 per cent of the total grocery sales in 2024. Online sales show no increasing trend. Competition is therefore ultimately determined by the stores that consumers have within reach for their daily purchases. The possibility for grocery wholesale operators to establish new stores and develop their store networks is central to reaching consumers and competing for them. Good access to grocery store premises is therefore a necessary condition for a well-functioning competition.

There have long been significant barriers to the establishment of new grocery stores in Sweden. The Swedish Competition Authority has previously found that the number of available retail premises is limited due to municipalities' application of the Swedish Planning and Building Act (2010:900). In addition, certain contractual arrangements and contract terms are used in the sector that imply lock-in effects, constitute barriers to new entry, and make it more difficult for individual retailers to switch to another grocery wholesale operator.

Competition in the grocery market takes place at both a national and local levels. At the national level, grocery wholesale operators compete not only through wholesale supply, but also by providing services such as concept design, marketing and, in some cases, pricing, as well as loyalty and discount schemes (customer clubs) to their chain-owned stores and to affiliated stores operated by independent retailers under the operators' brands. At the national level, the market is highly concentrated. The four grocery wholesale operators ICA, Axfood, Coop and Lidl together account for a market share of 98.5 per cent at the store level.

At the local level, stores compete, in addition to location, on factors such as product range, prices and service (opening hours, staffing levels, service counters etc.). Well-functioning local competition requires that operators are able to challenge the market-leading store. Where grocery wholesale operators are unable to establish stores in proximity to the market leader, the incentives for that store to offer consumers a competitive proposition—such as a wide product range and low prices—are reduced. The absence of competition or potential competition limits consumers' possibility to choose between different stores and thereby their access to favourable offers.

As part of its assignment, the Swedish Competition Authority has assessed measures to reduce the use of contractual barriers affecting grocery wholesale operators' access to, transfer of, and use of grocery store premises. Such barriers may reduce market mobility and thereby hinder effective competition. To this end, the Swedish Competition Authority has gathered information from grocery wholesale operators regarding current contractual relationships, particularly those

governing relations between retailers at the store level and the national grocery operators acting as their wholesalers.

The study shows that agreements restricting external property owners' use and control of specific grocery store premises are rare and not perceived as a barrier to entry by market participants. This distinguishes Sweden from countries such as Norway and the United Kingdom, where such restrictions have been more common and have led to regulatory intervention.

However, the study also shows that most retailer-owned stores are subject to arrangements and agreements that enable the grocery wholesale operator to prevent the retailer from switching to a competing grocery wholesale operator or from granting access to the premises to such an operator.

This may occur where the grocery wholesale operator exercises direct control over the premises through ownership of the property or through holding a primary lease. It may also occur through contractual arrangements involving transfer restrictions such as right of first refusal clauses, pre-emption rights and options, which allow the grocery wholesale operator to acquire the retailer's company if the retailer intends to switch to a competing operator. The study shows that a large majority of retailers—corresponding to 90 percent of the turnover of retailer-owned stores—are subject to such arrangements. Those not subject to such arrangements are generally smaller and older stores that are of less strategic importance to grocery wholesale operators.

These arrangements may therefore constitute a barrier to entry arising from agreements between grocery wholesale operators and retailers. As regards whether such arrangements should and can be addressed through regulatory changes or new legislation aimed at facilitating retailer switching, the Swedish Competition Authority has made the following assessment.

*First*, such arrangements can serve to protect investments made by grocery wholesale operators in connection with store establishment and may therefore, in some cases, promote competition. *Second*, there is a risk that measures aimed at removing such arrangements could lead to increased market concentration, as retailers may choose to affiliate with the market-leading operator. *Third*, stakeholder contacts in the course of the inquiry have not clearly indicated a strong demand for such measures among operators likely to challenge market leaders in many local markets. *Fourth*, less restrictive physical planning at the municipal level could reduce the competitive concerns associated with these arrangements, as the primary barrier to entry is the lack of suitable premises. Improved access to viable grocery store premises would likely reduce the significance of such arrangements. *Finally*, such measures would be legally complex and would increase the regulatory burden and likely also uncertainty to a non-negligible extent, which must be considered in a proportionality assessment.

Against this background, the Swedish Competition Authority concludes that there are currently insufficient grounds to propose legislative amendments aimed at reducing the use of contractual barriers affecting grocery wholesale operators' access to, transfer of, and use of grocery store premises.

In addition to contractual arrangements, there are several other barriers to the establishment of grocery stores, many of which relate to the role of municipalities and their application of the Swedish Planning and Building Act. Municipalities are responsible for spatial planning and play a key role in creating conditions for store establishment. While municipalities must promote housing development and the sustainable use of land, water, energy and raw materials, they are also required under the Act to promote economic growth and effective competition. However, previous inquiries have shown that municipalities perceive the requirement to promote effective competition as unclear, creating uncertainty as to its practical implications. There is therefore reason to assume that competition considerations are not taken into account to the extent required.

The Authority has identified several barriers linked to municipalities' role and planning practices. Grocery wholesale operators consider that municipalities often lack sufficient knowledge of the key conditions necessary for economically viable grocery stores, particularly regarding store size, customer base and logistics requirements. Communication between municipalities and grocery operators is often insufficient, and retail analyses conducted by municipalities vary in quality and are not always based on adequate information. Grocery operators also report being involved too late in the planning process.

In some cases, municipalities show reluctance to allow new grocery store establishments, for example in less central locations, due to concerns that existing stores or city centre retail may be negatively affected. At the same time, many municipalities point to traffic-related concerns, noting that grocery stores generates transport flows that may conflict with policy objectives to reduce car traffic.

Municipal retail policies may also be restrictive, for example by limiting the amount of store space or the number of stores. Such measures may restrict competition and, in some cases, prevent new establishments.

Regarding land allocation, municipalities that own suitable land may allocate it through competitive tender procedures. However, both grocery wholesale operators and municipalities consider that such procedures may hinder competition, as they favour the highest bidder rather than allowing consideration of market concentration. Direct allocation is often viewed as a more suitable method to ensure that new retail sites are not awarded to already dominant operators.

The Swedish Competition Authority also notes that, unlike in housing supply, there is no requirement for municipalities to adopt a strategy for grocery retail or competition in the sector, nor to assess the impact of their planning decisions on

competition. This, combined with limited knowledge of the sector, increases the risk that planning does not facilitate store establishment.

Furthermore, in areas with existing development, it may be difficult and time-consuming to amend zoning plans, making it harder to convert existing buildings into grocery stores.

The Swedish Competition Authority proposes an amendment to the Planning and Building Act requiring municipalities to indicate in their comprehensive plans how they intend to promote effective competition, particularly in grocery retail. Identifying suitable retail locations at an early stage, with due consideration of competition aspects, would improve the conditions for effective competition and ultimately benefit consumers through greater choice and lower prices.

The Authority also considers that a clearer focus on the importance of a diverse store structure and effective competition in national strategies, such as the Food Strategy, would strengthen incentives for municipalities to take these aspects into account.

As part of the assignment, the Swedish Competition Authority has also developed guidance for municipalities, including recommendations on how to facilitate grocery store establishment and promote competition. These include conducting initial competition analyses, maintaining early and continuous dialogue with grocery operators, and engaging with citizens to understand local needs. It is important that municipalities understand the operational requirements of grocery operators, and that operators understand the regulatory framework within which municipalities operate.

Finally, the report comments on other recent and proposed amendments to the Swedish Planning and Building Act to the extent that they may affect store establishment.



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