

Chapter 1: Doing Business In Sweden

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Market Overview

Sweden is one of the world's leading free-trading nations, with more than half the economy dependent on trade and business operating largely free of political influences. A new government elected in September 2006 styles itself as pro-business and trade oriented. In their first year, the new government has managed to pass significant tax reduction and some employment reform, reducing the costs to new business of hiring initial employees. They have eliminated the wealth tax, encouraging a return of investment, and decreased property taxes.

Sweden exports more than three times as much as it imports from the U.S. There are signs that this imbalance may have peaked, with the lower value of the dollar attracting increased interest in U.S. products. The U.S. is the number two purchaser of Swedish products whereas imports from the U.S. to Sweden rank number 8. The U.S. Embassy, under the leadership of the Ambassador, has focused on redressing this imbalance and is working with the Swedish Government to promote U.S. products in key areas such as energy, auto parts and consumer products. Of special interest to potential importers should be the Cleantech Mission the Embassy will host in May 2008 to respond to the high demand for alternative energy and energy saving products in Sweden (see more below).

Growth rates in Sweden (3rd quarter 2007: 2,5 %) still lead Europe's average. Compared to most major economies, Sweden's economic house is in good order with low deficits and well-funded pension programs. Sweden's main economic challenges are creating jobs, especially for youth and new entrants to the market, maintaining a high-cost social welfare system without increasing taxes, and managing military restructuring costs. Sweden declined to adopt the Euro in a national referendum in 2003, which will leave them outside the Euro-zone until at least 2012.

The most exciting sector in Swedish American trade and investment is in alternative Energy. Given the US and Swedish leadership in developing technological solutions to the threat posed by Global Warming, the US Embassy, under the leadership of Ambassador Wood, has focused on the opportunities in this sector as priority number one, making it the "One Big Thing" of our activities. Opportunities exist in Solar, wind, battery technology and bio energy. For more details on prospects in Renewables please see the Renewable energies description under Best Prospects. The Embassy One Big Thing program is described in detail in the White Paper Document. As a key part of the Embassy action plan, the Commercial Section is involved in identifying good partnership opportunities for startups and Venture Capital. In May 2008, we will host the first

Cleantech mission to Scandinavia. For details see:
<http://www.buyusa.gov/sweden/en/renewableenergymission.html>

Market Challenges

Prices are high in Sweden, with Stockholm listed as the number 16th most expensive city according to the Economist Intelligence Unit. This offers both an opportunity in terms of the potential to price products higher, and challenges in terms of the cost of doing business. About 80% of working Swedes belong to a union. Swedish law requires that union members be represented on the board of any company with over 25 employees. Generally speaking, labor laws create an expensive market for low cost labor, making operations like franchising a challenge. On the other hand, Sweden is one of the most cost-efficient countries in the world for design, research and development because of the relatively low cost of scientists and engineers and top-notch research facilities. Individual tax rates are among the highest in the world (the highest by some calculations), but corporate taxes are medium for Europe at about 28 %. VAT taxes of 25% apply for the import or sale of products anytime products change hands. Taxes have been reduced under the new government.

Market Opportunities

A world leader in telecom, computers, electronics, robotics, pharmaceutical and medical products and biotech, Sweden is regularly listed as top in the world in terms of high-tech readiness and receptivity. Swedes are leaders in implementing E-government, and high-tech sectors like security ID systems, fossil free alternative energy and nano-technology are flourishing fields in Sweden. Sweden has one of the most open and competitive markets in the world, ranking only behind the U.S. and Finland in the International Competitiveness Ranking. The U.S. has few substantial trade issues with Sweden and there is virtually no corruption and a venerable legal system. Sweden is sometimes described as the most Americanized of countries. By one count, there are 12 million Americans of Swedish ancestry living in the U.S., with only 9 million Swedes living in Sweden. Many Swedes have lived in or visited the U.S. and colloquial English is widely spoken. Swedes are receptive to U.S. products.

Sweden boasts both a domestic auto and aviation industry with substantial foreign investment and partnering – primarily with the U.S.

Sweden is considered an ideal test market, though an expensive one, because of the high regard for U.S. products coupled with fact that Swedes are “early adapters”; being quick to start or follow trends. A frequent strategy is to “waterfall” products through Sweden to the rest of Europe.

http://bear.cba.ufl.edu/centers/mks/articles/3e82434384_article.pdf²

Sweden is home to more multinational corporations per capita than any other country in the world. Selling to Sweden is selling to the world. They have a high per capita income and the combined Nordic market of 24 million is the 8th largest economy in the world.

Sweden is at the economic center of the Nordic and Baltic world, a market of over 27 million consumers. Most U.S. corporations in the region choose Stockholm as their Nordic headquarters.

Sweden has high environmental standards, high renewable energy utilization, and a preference for “clean” solutions, which fit well with U.S. capabilities.

Market Entry Strategy

Sweden is a sophisticated market with savvy consumers and buyers that demand value in their product choices. Flexibility in the distribution channels and in consumer habits allows for almost any entry path to the market. As remarked above, Sweden likes to be a trend leader. The most effective entry strategies will vary by product and sector.

Swedes are sensitive about wasting valuable business time. They do not like to agree to meetings without a clear objective and a reasonable likelihood of return on the investment of their time. Whereas Stockholm is the most frequent stop for visitors, the business value of the other Swedish cities, depending on the sector, can be as high or higher. Gothenburg, the business center on the west coast, for example, should not be neglected in any business plan.

Agents and distributors are commonly used in the initial stage of market entry. First-hand visits are important because Swedes often rely on business honesty and “handshake” deals and therefore need to be assured of whom they are dealing with.

Swedes are known for their consensus decision-making and prefer to stick to carefully considered plans, rather than make “on-the-fly” changes. This generally leads to a longer up-front sales cycle than in the U.S.