• Denmark: Analysis of Danish Grocery Market

In June 2011, the Danish Competition and Consumer Authority (DCCA) completed a competition analysis of the Danish Grocery market. The objective of this exercise was to study the competition among the retailers and the suppliers in the Danish grocery market and to see if the dominant suppliers used their dominant position to restrict their competitors’ actions.

The analysis showed that the existing players (both among the retailers and the suppliers) on the grocery market in Denmark actively compete for consumers. The analysis didn’t either uncover any signs of suppliers abusing their dominant position to oust their competitors. Regulatory barriers, particularly the Planning Act (regulating the size and location of shops), however, impede the development of retail structures. This implies that competitive pressures and productivity is lower and grocery prices are higher than they otherwise might be.

The Danish grocery market is a big and important market for the Danish consumers, and it is characterized by having a high market concentration both amongst retailers and suppliers. The three largest supermarket chains (Dansk Supermarket, COOP and Dagrofa/SuperGros) have a combined market share of approximately 89%. Among the retailers, there are usually one or two big players and a few smaller suppliers in each product category. While the concentration is high so are the Danish grocery prices, which are the highest among the EU7 countries (Belgium, Denmark, Finland, France, Germany, Italy and The Netherlands: those countries were chosen because they are Northern European EU Member States using the € and because of their similarities to Denmark in terms of BNP per capita, socioeconomic structure etc.), and productivity in the sector is lower than in other Nordic countries.

The analysis shows that the high concentration among the retailers provides them with significant bargaining power over suppliers. This market power plays a big role in alleviating the adverse effects that could stem from situations where the big suppliers try to limit competition in the market by, for instance, imposing restrictions on the retailers’ ability to do business with other suppliers.

Danish retailers have, in some areas, extensive knowledge of their competitors’ daily operations due to the fact that they buy sales data from the Nielsen Company. Although the information allows for a higher degree of transparency between competing retailers, there is, according to the study, no sign that it would lead to competition limiting behaviour in the grocery market.

There is a widespread use of special offers with significant price reductions on the Danish grocery market, which indicates that the market players compete actively for consumers. The study, however, shows that the widespread use of special offers is not unambiguously good for consumers – even though such offers give the active consumer an opportunity to buy the goods at low prices. One reason is that regular prices are set relatively high in order to finance the expenses incurred by the retailers and the suppliers when giving special offers, and to make the price reductions seem bigger.

The structure of the Danish grocery market has gradually transformed over the last couple of decades towards fewer and larger supermarkets. The transformation towards larger and fewer supermarkets has, however, not been as fast as in many other comparable countries. This is, to a large extent, due to regulatory barriers resulting namely from the Planning Act. Those barriers lead to a lower pressure on competition than would otherwise exist. Both the market structure – with many small supermarkets – and the lack of competitive pressure results in a lower productivity and productivity growth.

An amendment to the Planning Act, which would permit the establishment of several large stores in Denmark, could improve productivity by replacing many of the smaller and medium sized supermarkets and by attracting foreign and more productive supermarket chains to enter the Danish market.

See Press communication (in English)