

# **The Swedish Monopoly – Fulfilling its purpose or just the remains of old tradition?**

**Abstract by Susanne Tormalm for Weinakademie Österreich**

## **Motivation for Choosing the Topic**

With a background as an employee for one of the largest wine importers in Sweden and later as an individual entrepreneur with my own importing agency, I've seen many sides of the Swedish beverage industry. Currently living abroad, I often get many questions about the Swedish beverage market. Why do you have a monopoly? Why do you still have a monopoly? How does it work? I get the sense that there is both respect, curiosity but also a lack of knowledge as to why the Swedish monopoly, Systembolaget, exists. When trying to explain it all, I came to the conclusion that I really didn't know enough about the history and business model myself. It is both truly quite complex and confusing, even to a Swede. Therefore, I decided to investigate the subject further.

## **Objective of the Thesis**

I aim to explore and explain what led to the creation of the Swedish monopoly, to investigate pros and cons of it historically and today, to discover what obstacles exist for a monopoly on the EU market, and to find out why Sweden still has a monopoly. My objective of the thesis is to find out if the monopoly is still in business because of tradition and "nostalgia" or if it actually does limit the amount of drinking and provide a better public health. Or, can it be the case that it has simply become too large of a cash-cow for the government to let go of?

## **Methodology**

For the history I've mainly used books and online historical documents to ferret out the story from where the monopoly started and to see where it is today. Then, through reports, statistics, laws and regulations, legal judgements and online media, I try to find an objective way between two very strong groupings with clear, and very different, opinions: Systembolaget versus the entities that want a deregulation. I have investigated Swedish and international importers as their approach to the market is very different. During the writing process of this thesis, I have interviewed professional writers, importers and customers.

## **Content**

- The history from 1400s until 1955 that led to the foundation of Systembolaget
- The history from 1955 until today
- Systembolaget's business model
- Importers
- Statistics about public health and alcohol drinking

To fully understand why Sweden has a monopoly today, it is necessary to go way back in time to where it all started and to understand how distilling and the use of spirits led to such an overconsumption that it was considered a threat to society. So many factors have set the foundations to what Systembolaget is today. From here, I explain how the business model of Systembolaget is designed and how the importing business, both in- and outside Sweden, is connected to the business model.

According to the WHO, the amount of drinking is based on culture, religion, tradition, economy and regulations. They have identified three main tools to use for limiting the harmful effects of alcohol:

- The price
- The availability
- Regulated marketing

The Swedish state owns Systembolaget and has given it the exclusive right to sell beer, wine and spirits with restrictions based on these tools. Systembolaget's purpose for business is to limit the availability of alcohol on the Swedish market and to promote public health. According to Systembolaget, this is done by selling alcoholic beverages with exclusive rights, with responsibility and good service, as well as the responsibility to inform the public about the harmful effects of alcohol.

Based on the above, I have looked into numerous reports and statistics trying to find out what the true factors really are for regulating alcohol drinking.

## **Conclusion**

Price, availability and regulated marketing are the key factors for controlling the alcohol beverage market and promoting public health. A monopoly by definition is not the way to accomplish this. I can only see that Sweden is on its way to a deregulated market.

Drinking in Sweden has increased in the last 50 years. In 2019, Sweden was ranked number 17 in the world when it comes to alcohol drinking measured in liters of pure alcohol per capita per year in individuals over the age of 15. Sweden became a member of the EU in 1995, but the laws and regulations for the beverage industry are still very unclear to most. There seems to be no perfect path for a monopoly to navigate on an EU market of free movement of goods, something that can clearly be seen in the lawsuits between Systembolaget and importers.

Public health must be protected. If the framework, taxes, minimum price per unit, laws and regulations, could be decided on an EU level rather than nationally, it would make an even greater impact. The tobacco industry managed to do this on an EU level, why can't the beverage industry do the same?