



Country Fiche

FINLAND

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Introduction

The *Team Hub!* project is a two-year project supported by the European Commission, Directorate-General for Employment, Social Affairs, and Inclusion, receiving funding under the call for proposals SOCPL-2021-IND-REL aimed at improving expertise in the field of industrial relations. Running for 24 months (August 2022 – July 2024), *Team Hub!* combines desk and empirical research, as well as mutual learning and networking activities, in order to analyse features and challenges of the e-commerce supply chain in a set of selected countries, namely Belgium, Estonia, France, Finland, Germany, Greece, Italy, Poland, Spain.

The *Team Hub!* project brings together a consortium of universities, research institutes and trade unions from nine EU countries to jointly address the complexities and challenges of e-commerce supply chains, especially with regard to storage and delivery activities. The aim of *Team Hub!* is to analyse the implications of the e-commerce boom, following the COVID-19 pandemic, and to equip trade unions with the knowledge and skills necessary to propose a sustainable reshaping of business models and work organization in the supply chain, also in view of the digital revolution and environmental sustainability objectives.

The first phase (Study) of the *Team Hub!* project consists of a preliminary literature review aimed at producing country-level analysis of the e-commerce and logistics national panorama. The goal is to identify and assess existing information and data about key trends and features in the e-commerce supply chains at national level, with a particular focus on key market players and dominant business models, working and employment conditions, social partners activities, and the geography of the supply chains in the covered countries.

The present Country Fiche, part of a series of nine similar papers, contains the results of the national-level analysis. The Country Fiches are aimed at feeding an EU-level comparative analysis to be included in the Background Report, which will equip the consortium with adequate background information for the following phases of the project.

Country Fiches are based on a common methodology agreed and shared in advance with the project's consortium. The research was realised by national experts appointed by the project partners. Experts developed their research on the basis of a common template, whose structure shapes the Country Fiche below. With a view to guaranteeing homogeneity and comparability of results, guidelines were shared with regard to sources and references to be used for the completion of the country fiches' template. In particular, the following categories were designated: scientific literature, administrative data, surveys, general press, interviews with relevant stakeholders.

Macro-analysis on trends and developments in the e-commerce sector

Sales, use of online channels by consumers and shops, market shares and presence of dominant players, employment and wage trends in the supply chain

Increase of e-commerce: Finnish e-commerce has increased rapidly, particularly during the two first years of Covid-19 pandemic, but it started to increase already before it. The B2C e-commerce growth rate in Finland was 22%, whereas e-GDP was 2,43% (194€ million) in the year 2020 (Lone, Harboul and Weltevreden 2021). According to EcommerceDB, the worth of ecommerce in Finland was EUR 6,8 billion in 2021 and its annual growth is estimated to be 12.30% (e-commerce news). The share of **online sales in the total** turnover of companies in Finland was 7% and about two-thirds of the total turnover of online sales in Finland consisted of sales to companies and the public sector in the year 2019 (VNS 2022). Since the year 2018, domestic and international **online retail purchases** increased with 12% totalling EUR 4.5 billion (Finnish Commerce Federation 2020). The share of online shopping in retail sales in Finland is estimated to be around 6% in the year 2021. (VNS 12/2022). During 2020, online domestic and international purchases of **daily consumer goods**, including online purchases of alcohol beverages, make up approximately 0.8% of the turnover for daily consumer goods trade. Online purchases not including alcohol orders increased by almost 60% and by 40% including alcohol order (Finnish Commerce Federation 2020). In the year 2021, the share of online sale of daily consumer goods increased almost with 3% from the previous year (Kurjenoja 2021). The **online grocery store** increased also rapidly from a total of EUR 110 million in 2019 to EUR 395 million in 2020. In 2019, online sales made up 0.6% of grocery sales, while in 2020 the corresponding share was already 2%. (VNS 2022).

Use of digitalisation in commerce: According to Statistics Finland, 25% of companies sold through web sales in 2021. The size and pursuit to growth are the main reasons influencing the digitalization of Finnish companies (Finnish Commerce Federation 2020). For example, digitalization has been used by more than a half (55%) of bigger companies, the respective number for SME was only 30%. Bigger companies find digitalization as a necessity to expand its services and operations, whereas smaller companies see it more as an opportunity than as a necessity (Yrittäjät 2016). In Finland, 21% of e-commerce companies sold through platforms in 2020. The share is one of the smallest in Europe, and in comparison, only Estonia and the Czech Republic had a smaller share of using platforms than Finland (VNS 2022). Finnish online **retail sale** to other EU member states was only 6% in comparison to the average level of sales 14% in EU. This can partly be explained by challenges with logistics and transport because long distances in the country. (Piipari, Puttonen and Terho 2021: 24)

Market shares and presence of dominant players: In 2021, the top **online stores** in Finland comprised of the following (e-commerce revenue in million Euros) including NACE codes: verkkokauppa.com (315€)(G47.4), gigantti (245€)(G47.4), K-ruoka.fi (173€)(G47.1.1), motonet (150€)(G34.3), zalando.fi (144€), apple.com (133€), karkkainen.com (129€)(G47.1), alko.com (124€)(G47.1.1), ikea.com (109€)(G47.5.9), puuilo.com (103€)(G47.5.2) (Statista 2020). The leading online marketplaces in Finland in 2021, by share

of online shoppers were Zalando (36%)(G47.8.2), eBay (18%) (G471) and Amazon (15%) (G47.1) (Statista 2021). In Finland, the five biggest retail sectors in e-commerce comprise 'electronics and media' accounting for 27% of the e-commerce revenue, followed by 'fashion' (24%), 'toys, hobby & DIY' (19%), 'furniture & appliances' with 15%, and 'food & personal care' (15%). (E-commerce market analytics 2021) However, approximately 30% market share is in foreign ownership and with foreign online stores, whereas, grocery retail is dominated by domestic operators with around 90%market share (VNS 2022).

Use of online channels by consumers/shops: In Finland, 78 percent of Finns used e-commerce in 2020. However, the biggest increase took place between the years 2016 and 2017 with 4.38% increase from 72% to 75%, whereas the increase during the pandemic era has been modest. The frequency of online purchases is slightly higher than the average rate in EU member states: during the last three months in 2020, 22 % of Finns who purchased online 1 or 2 times (20% among citizens of EU member states); 25% 3 to 5 times (21% EU) and 16% who purchased 6 times or more (18% EU). (Lone, Harboul and Weltevredden 2021). In the year 2020, the share of domestic e-commerce purchases increased to 64 percent of all purchases, while in 2017 the share was 54 percent (Kurjenoja 2021). During the years 2019 and 2020, the biggest international online stores used by Finns has been Zalando, other well-known global marketplaces are, for example, Alibaba, Amazon, eBay and Rakuten. (VNS2020). Domestic online stores have also received excellent ratings by their customers, for example on a scale of 1 to 10, the average rating of online stores was 8.5, and the majority of these were domestic online stores. Among the winners were Levykauppa Äx (retail music store) and Vaurustelega (an army and outdoor store) (Finnish Commerce Federation. 2020). The majority of international e-commerce purchases come from China, (13%) (Piipari, Puttonen & Terho 2021:24).

Employment and wage trends: It is difficult to give any exact numbers of workplaces, and employees' wages within Finnish e-commerce, because several companies engage in a multi-channel approach where also e-commerce is incorporated (IDEA Consult 2017). In 2020, the Finnish **trade sector** employed 270,000 people, and the sector employed a little more than 10 % of all the combined employees of the industries. Among the employees in the trade sector, the **retail trade** had the largest share, employing approximately 50% of the employees in the trade sector. In retail, part-time employees account for up to 60% of all employees. The prevalence of part-time work in the trade sector is due to varying customer demand, which is why the trade sector requires different amounts of labor at different times. (VNS 2022). The majority (85%) of working contracts in retail are permanent, whereas the use of temporary agency work is fairly unusual despite recent rise from 2.2% to 3.2% in retail (OSF 2016). Despite the recommendation from trade unions not to use zero-hour contracts, there were approximately 15,000 zero-hour contracts in commercial sector (OSF 2016).

Qualitative analysis on the different types of existing business models

Overview of the existing types, in particular concerning the relationships with workers and in the supply chain

E-commerce is based on a multistage supply chain process comprising everything from order, packing, carrier network to delivery. The majority of Finnish companies have incorporated e-commerce as part of their business, which makes difficult to report any statistic data from reliable sources to measure the actual size of the phenomenon.

Although there is no comprehensive model representing e-commerce in Finland, there is one dominant company with a leading position also in e-commerce solutions, namely the Finnish Posti Group. It is a good example of how business can be strategically developed by incorporating digital solutions not only to package delivery stage but to the entire supply chain process. Posti Group's recent success is based on efficient package delivery and logistics services in Finland and beyond, including also Sweden and the Baltic region. The company claims to have a four pillar strategy: 1. continuous improvement of the customer experience, 2. industry leadership in efficiency, 3. employee experience based on appreciative management and 4. zero emissions by 2030. Online retailers can benefit from the extensive services of Posti's supply chain comprising of storage and transportation to direct and store deliveries. The company has largest and among the most efficient transport network in Finland: the majority (90%) of freight services can be delivered by the next working day. However, increased efficiency of working hours has also caused friction between employers and employees. The latter went to strike in 2019 because of disagreement of working time.

Currently, several companies who either have or are planning to develop e-commerce face challenges with logistic and transport. Long distances in Finland are a challenge for companies (VNS 2022). Finnish companies are becoming aware of the importance of sustainability as part of their business and focus on ethical labor standards throughout their supply chains (Lone, Harboul and Weltevreden 2021). Some companies are improving their storage with automation and remote monitoring. According to Kardex Co. (13.10.2022) online sale and storing of retail products could be improved by investing in: 1. Flexible employment strategy (number of employees is scaled on needs basis); 2. automation-based warehouses (e.g., storage is based on automation); 3. Automated Storage and Retrieval Systems (also referred to as ASRS systems).

Labour market and working conditions

Emerging issues in terms of employment, working conditions, and health and safety of workers involved in storage and delivery activities for e-commerce major players

In Finland, more than the 400,000 different work tasks can be affected by digitalization followed by 34 percent decrease of jobs. The OECD has estimated a polarization of jobs in trade sector, particularly between mechanical and low-paid jobs at the performing level, (e.g., online store warehouse workers and collectors), and specialist jobs that require a high level of expertise, (e.g., business development and data management). Nevertheless, the work done by customer service, marketing and warehouse workers will remain important despite possible changes of work tasks. (VNS 2022). During the years 2015-2016, the employees in retail sector had experienced **deterioration of working conditions**, particularly concerning involuntary part-time work and irregular working hours, further fear was expressed about working alone as a consequence of extended working hours. There is also a concern among trade unions about possible weaker employees' negotiating position as a consequence of the increased local bargaining. (IDEA Consult 2017).

Geography of the e-commerce supply chain and presence of nodal points

The Finnish e-commerce retail sale is focused mainly on the domestic market. One reason for the slow international expansion of Finnish e-commerce providers has to do with logistical challenges, such as operation of deliveries over long distance (VNS 2022). However, the logistic and transport network in Finland is extensive and covers the entire country. The biggest logistics companies are: Schenker Oy, DHL Freight (Finland) Oy, DSV Road Oy, Nurminen Logistics Services Oy, Oy Kuehne + Nagel Ltd, y, United Parcel Service Finland Oy (UPS), PostNord Oy. Beneath are some examples of recent (or forthcoming) logistic centres in Finland:

- Inex logistics in Sipoo was built in 2018, approx. 200 000 square-meter.
- DHL Supply Chain will build a new carbon-neutral logistics centre in Sipoo in 2023; approx. 44,000-square-meter facility will offer capabilities for various types of warehousing.
- Verkkokauppa.com opened an automated urban logistics hub in Helsinki in 2022.

Social partners positions and main actions

In their joint report 'Dialogue on the use of digitalisation in workplaces and industries' (2022) the biggest Finnish trade unions¹ express the following focal points: 1) digitalisation should be stronger connected to industries and all workplaces; 2) management and staff should look together for new skills and also develop these together. Furthermore, they should point out how these can be achieved and incorporated to the daily work; 3) more attention to employee's rest and leisure time should be given, particularly when work is done in form of telework by following the Working Hours Act, the Co-operation Act and health and safety regulations. These acts and regulations help to guide the length of telework and to follow the norm; finally, more attention must be paid to the reliability of artificial intelligence (e.g., ethics, legality and security) as well as to digital security in general at all stages. Similarly, the union representative (19.12.2022) from Trade Union PRO stressed for a stronger and transparent cooperation of all levels of actors working in companies, i.e., between CEOs, mid-level management and employees. The representative (02.12.2022) of Service Union United PAM highlighted also how digitalization and in particular automatization are big challenges for workers working in retail sector, more attention should be given to who is in charge of identification of competence needs.

¹ Akava ry; Confederation of Finnish Industries EK; Church Labour Market Office; Local Government and County Employers KT; Confederation of Finnish Trade Unions SAK; The Federation of Finnish Enterprises; The Finnish Confederation of Professionals STTK; The Office for the Government as Employer

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