

High time for Europe's consumers to benefit from the single market

Speaking today on the publication of a study by the European Commission on supply restrictions imposed by manufacturers which prevent retailers buying products in one country and selling them in another, EuroCommerce Director-General Christian Verschueren said:

"The study shows that consumers could save some € 14bn on their food bills if retailers were not constrained by these restrictions, known as Territorial Supply Constraints (TSCs). We are grateful to the Commission for having carried out this independent investigation. It sets out the facts and provides empirical evidence that TSCs are a widespread practice. It is now time for the Single Market to work for consumers in this area, and to put a hard stop to these restrictions which prevent retailers providing their customers with the full range of branded goods at the best price."

TSCs are restrictions imposed by manufacturers that make it impossible for retailers to choose where to source products. While manufacturers can source inputs globally and focus production on a limited number of sites, retailers have no choice but to accept the manufacturer's conditions preventing them from sourcing in one country and selling in another, forcing them to use only the manufacturers' designated national distributor. These large manufacturers supply essential must-have products which consumers expect to find in a shop, and which retailers therefore have to stock. These are one of the main reasons why consumers pay significantly different prices across Europe for the same branded goods, with no other justification.

The study finds TSCs most prevalent where suppliers have stronger bargaining power and where brand loyalty is higher. Practices fragmenting the single market can take many forms, such as refusal to supply certain products (this was highlighted by 46% of responses), different packaging and language labels (30%), limiting supply to a market chosen by the manufacturer (29%), different recipes (27%) and limiting quantities supplied (24%). As a result, manufacturers can charge significantly different prices across Europe, with little relation to costs of production or distribution. The Commission has recognised the practice. It imposed a fine last year of €200 million on AB InBev for preventing the free circulation of beer from the Netherlands to Belgium. It also mentioned TSCs in their reports on retail and on the single market¹. Since, typically, 80% of the final retail price of a product is made up of the wholesale cost, and retailers' net margins are no more than 1-3%, the widely varying wholesale prices resulting from these practices across Europe feed directly into the price to the consumer.

Verschueren added:

"Removing TSCs would enable retailers to choose freely where they source in the Single Market, arrange their own, more efficient, logistics, negotiate better supply conditions, transfer products to their shops in other countries, and access the range their customers want. Consumers, in particular in smaller countries, but also in larger ones, could benefit significantly from the resulting competition, with wider choice and lower prices."

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¹ [A European retail sector fit for the 21st century](#) (April 2018); [Identifying and addressing barriers in the single market](#) (March 2020)

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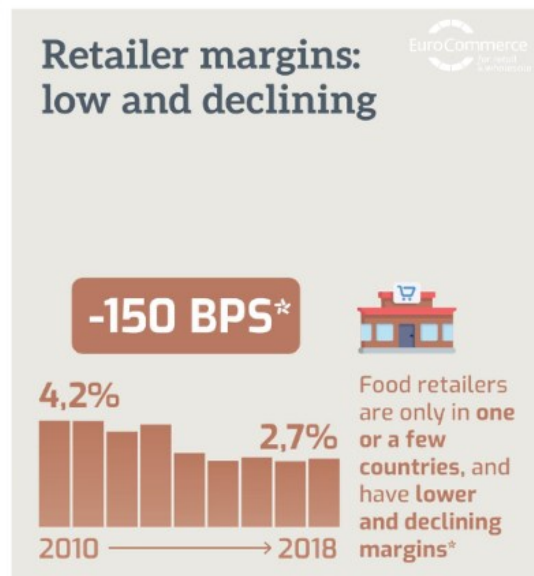
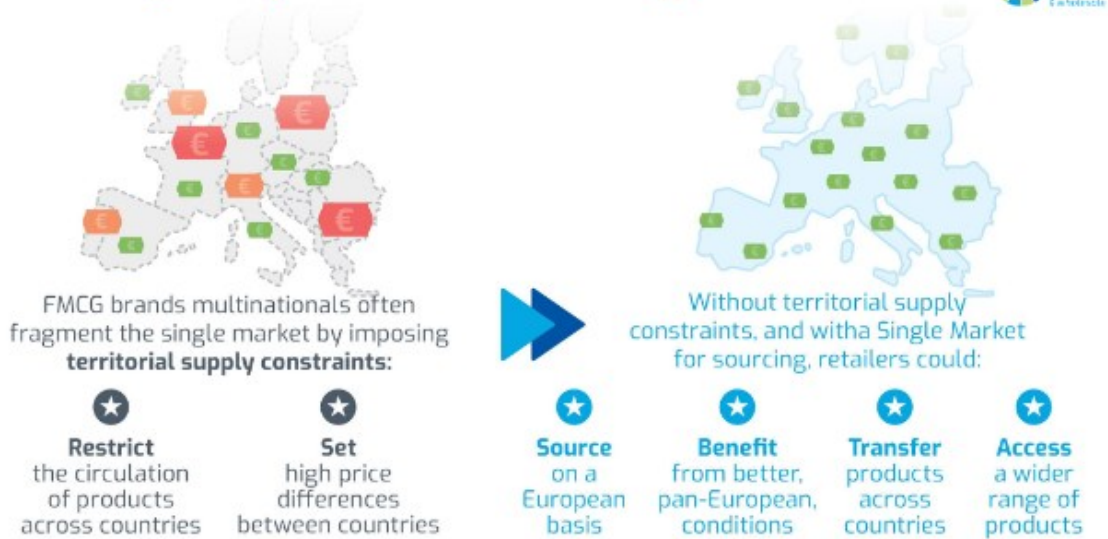
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EuroCommerce is the principal European organisation representing the retail and wholesale sector. It embraces national associations in 31 countries and 5.4 million companies, both leading global players such as Carrefour, Ikea, Metro and Tesco, and many small businesses. Retail and wholesale provide a link between producers and 500 million European consumers over a billion times a day. It generates 1 in 7 jobs, providing a varied career for 29 million Europeans, many of them young people. It also supports millions of further jobs throughout the supply chain, from small local suppliers to international businesses. EuroCommerce is the recognised European social partner for the retail and wholesale sector.

Annex:

Below are a set of infographics illustrating how lifting TSCs would help consumers, retailers and wholesalers benefit from the Single Market.

Creating a Single Market for sourcing



*net margins (EBIT as a percentage of sales) BPS = basis points (1 basis point=0,01%). Source: Bernstein Research, OC&C, 2019

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