

## Get the facts right about retail alliances and power in the food supply chain

EuroCommerce Director-General Christian Verschuere, reacting to the latest statement from the multinational brand lobby group AIM on retail alliances, said:

*“Retail alliances have been recognised in Commission reports and by Executive Vice-President Margrethe Vestager as pro-competitive and acting to the benefit of Europe’s consumers. Retail alliances help powerful global brand manufacturers in promoting their products and help retailers mitigate the impact of brand manufacturers’ active fragmentation of the single market, which is costing consumers at least €14 billion a year<sup>1</sup>.”*

Last year, in response to a call from the European Parliament, the Commission’s Joint Research Centre (JRC) produced a report with very clear findings – that retail alliances can help competition by generating efficiencies and providing a countervailing force against large brand manufacturers, thus leading to better consumer prices<sup>2</sup>. The JRC report also concluded that the necessary regulatory tools are in place and effective to ensure compliance with EU and national regulation. In November 2019, Ms Vestager unequivocally recognised the pro-competitive effects of European retail alliances: *“Alliances between retailers have become a key component of grocery supply chains. They can bring lower prices to consumers for food and personal care brands that they purchase daily<sup>3</sup>.”* She repeated this message publicly last month<sup>4</sup>.

### A few facts:

- Europe’s retailers and wholesalers operate in a limited number of countries, with high fixed costs and low margins of 1-3%. A recent report showed that retailer margins have been falling consistently over a number of years<sup>5</sup>. The global manufacturers claiming to suffer from alliances, on the other hand, still enjoy net margins of 15-30% - ten times those of retailers - and their margins continue to increase<sup>6</sup>. These suppliers are constantly presenting retailers with price increases bearing little connection to the cost of production.
- Individually, retailers’ purchases from a global brand supplier make up no more than a tiny fraction of that large brand’s global sales (normally well below 5%).
- Retailers operate in a highly competitive market. Consumers have a wide set of competing options when they do their shopping; a retailer who does not have what they want on its shelf, particularly ‘must-have’ products, risks the customer simply going to one of its many competitors. Suppliers also have a variety of choice for the distribution of their products and are increasingly selling directly to consumers. Any reference to the Digital Markets Act (DMA), which seeks to cover the practices of very large online ‘gatekeeper’ platforms, is therefore misleading.
- In many product categories, an individual manufacturer may have 80% of the relevant market, and this should be the criterion for judging relative bargaining power.
- Retail alliances create efficiencies and synergies in sourcing in the single market when dealing with powerful multinational brand suppliers who operate across the globe.

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<sup>1</sup> See European Commission [Final Report on Study on territorial supply constraints in the EU retail sector](#) 2020.

<sup>2</sup> Joint Research Centre [Retail alliances in the agricultural and food supply chain](#) 2020

<sup>3</sup> [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_19\\_6216](https://ec.europa.eu/commission/presscorner/detail/en/IP_19_6216)

<sup>4</sup> <https://www.youtube.com/watch?v=mgxKbLkq8FM>

<sup>5</sup> Bain & Co [Growing the Joint Profit Pool of Retailers and Manufacturers in Europe](#) 2021

<sup>6</sup> OC&C [Ready for the storm: The world’s FMCG giants are ideally positioned to thrive in the ‘new normal’](#) 2020.

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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.*