

Retail and wholesale eco-system – contribution to establishing a transition pathway

The retail and wholesale ecosystem is one of the most important linchpins for the European economy. Over 5 million businesses are active in retail and wholesale, provide employment to 26 million Europeans, and are an anchor for local communities. The sector has played a key role during the pandemic, providing an essential service to consumers, while parts of the sector have been hit particularly hard by restrictive measures. Most retail and wholesale jobs are local, and the combined impact of store closures on the character and life of town centres and rural communities and consequent loss of jobs for local people could be dramatic. The sector is undergoing a massive transformation, driven by technology and changing consumer behaviour, and is actively embracing the sustainability transformation. Private consumption makes up 50% of EU GDP, and our sector is closely connected to, and feeds numerous other ecosystems.

The renewed industry strategy represents an important framework for recovery in which retail and wholesale can be a central force. This document provides suggestions from the retail and wholesale eco-system on how to support resilience and the transformation process under way in our eco-system.

To stay relevant and drive the significant transformation under way, European retailers and wholesalers would need to double their investment capacity. We ask that public authorities recognise the essential contribution of the eco-system to the European, national and local economies, and contribute to the much-needed effort to support the digital and sustainability transformation.

This means:

- support measures to get back to normal as soon as possible, ensuring targeted measures supporting future consumer confidence and progressive phase out of current support mechanisms and shift towards recovery;
- developing an ambitious programme for the revitalisation of city centres, in particular smaller towns and villages, in coordination with other services and eco-systems (e.g. tourism);
- establishing a Europe-wide dedicated fund for the digitalisation of SMEs and micro companies with a 500 million euro annual budget over the next 5 years to support awareness raising, advisory services in establishing an online presence to reach their customer base and support to entrepreneurs;
- creating a harmonised framework for waste management, including infrastructure for the collection, sorting, recycling and reuse of material and standardised criteria for more sustainable design of products;
- policy measures supporting the recovery, resilience, competitiveness, and transformation of the retail ecosystem and through this, of the European economy overall; this includes a well-functioning single market and competition framework as well as open borders externally; legal certainty, better regulation, reflecting the cumulative impact of legislation on the eco-system and addressing unnecessary administrative burden will contribute to a business-friendly environment stimulating economic investment;
- establishing a dedicated governance structure whose role would be to align on key priorities, monitor progress and adjust the execution of the transition pathways as and when necessary;
- strong coordination with other eco-systems so that the contribution of retailers and wholesalers to efficient, competitive and cost-effective distribution is properly understood and reflected in these.

1. Introduction

1.1 The Retail and wholesale eco-system in the EU

The retail and wholesale sector¹ is **one of the most important linchpins for the European economy**. It comprises more than 5 million companies, or one in four businesses in the EU. It also provides employment to 26 million Europeans; that is, one in seven jobs. It represents 10% of EU's added value and generates €7,6 tn turnover (30% of the overall non-financial economy). The sector invests on average 1-2% of its turnover and, in 2018, investment in retail and wholesale reached €129 bn (EU-27), some 9% of total EU investment. The retail and wholesale sector is one of the largest contributors to government budgets paying around €183 bn in corporate, VAT and other taxes annually.

Retail is a very diverse eco-system encompassing a wide variety of formats (brick and mortar, ecommerce, omnichannel, large, small businesses, etc.), products, legal structures (integrated, groups, groups of independents, franchises, etc.), and locations. Wholesale covers a wide variety of goods and services supporting businesses in all parts of the economy e.g., retail, craftsmen, industrial production, pharmacies and health care services, catering and hospitality and farmers. Retail and wholesale is an eco-system that connects closely to many other eco-systems by providing efficient and cost effective mechanisms and solutions to their customers. The pandemic is significantly reshaping the retail and wholesale landscape (see examples annex 1).

The sector is undergoing a massive transformation, driven by two major factors that are interlinked and mutually reinforcing: **technology and changing consumer behaviour**. Retailers and wholesalers, small and large, are embracing digital technology and multi-channel retailing, combining traditional brick-and-mortar shops with online services, and offering new delivery solutions, such as click-and-collect. Wholesalers are also transforming in the digital age and, for a successful transition, need greater access to data, standardisation of product master data and a push for better acceptance of electronic transferable records in international trade. Digital empowers consumers by offering greater price transparency and product information, making it much easier to find the best deal. Productivity acceleration expected in retail of up to 2.4% per year reflects the growth of e-commerce, warehouse automation and advanced analytics.

In parallel, the sector is actively embracing the **sustainability** transformation as a key priority. Retailers and wholesalers are in the vanguard of change with individual and/or collective initiatives, pledges and codes of conduct. A McKinsey study² shows that 50% of consumers plan to buy more healthy, local or environmentally friendly products in 2021, but 26% of consumers want also to save money on groceries while shifting their spend towards sustainable lifestyles. As the main interface between producers and private and business customers, retailers and wholesalers play a key role in nudging their customers towards more sustainable products and services.

Retail and wholesale is the largest private-sector employer in the EU. Technology will, however, have a significant impact on the sector's employment capacity: a McKinsey study highlights that the **impact of technology could displace a third of retail tasks by 2030** (see annex 2). The speed and impact of the transition on employment needs urgent attention, and a new focus given to supporting businesses in up and re-skilling their present employees and to help them access the skills needed in what will be a very different retail and wholesale environment.

1.2 The impact of the Covid 19 pandemic

The retail and wholesale sector has been **hit particularly hard** by restrictive measures imposed during the pandemic. The Commission identified it as the one showing greatest equity losses and liquidity shortfalls and the second highest in investment needs after tourism, with an investment gap amounting to €115bn³.

The retail and wholesale sector was hit in very diverse ways. Food retailers have seen their activity increase significantly as a result of restrictions affecting hospitality and catering and people staying at

¹ Nace codes G46 and 47

² "The Disruption and Uncertainty – State of Grocery Retail 2021 report", see [here](#)

³ European Commission, "Europe's moment: Repair and Prepare for the Next Generation", SWD (2020) 98 final

home. Segments supporting the “home nesting” economy have recorded strong activity rates in areas such as home improvement, gardening and electronics. Other segments, such as **wholesalers supplying the hospitality and catering sector (HORECA)** with food and non-food products, and **clothing, shoes and accessories retailers**, have experienced dramatic falls. The crisis also benefited **ecommerce** which saw double-digit growth and is likely to continue to increase as consumers having had more experience of online shopping will continue to use this option more frequently.

Retailers and wholesalers in certain member states have been facing constantly changing and sometimes disproportionate lockdowns and other measures. Despite the very welcome efforts by the European Commission to ensure a coordinated approach, in many member states, the authorities have imposed **widely differing requirements on retail and wholesale operators** during the crisis. This patchwork of requirements, often imposed at short notice, made it extremely difficult and resource consuming for businesses to plan and conduct their operations, creating huge uncertainty over future prospects and disrupting consumers.

Disruption and uncertainty have had a very large impact; online sales have helped, but not enough to compensate for the losses incurred in physical stores:

- in some member states, non-food retail stores were closed by government order; in others shops remained open, but customers stayed at home due to restrictions on mobility, teleworking and/or fear of catching the virus, resulting in significant lost turnover. Wholesalers were often not closed by government order, but if their customers were, particularly in the HORECA sector, this had dramatic knock-on effects, leading to significant reductions in turnover, putting many jobs at risk;
- retailers and wholesalers operate with high turnover, high fixed costs and low margins (1-3%) meaning that they are particularly vulnerable to current liquidity shortages. Online sales have increased, often double digit (see digitalisation) but they have by no means compensated for the losses. Online sales remain less profitable than store-based sales;
- rising energy costs: in Spain, electricity price increases account for about a third of the average increase in prices⁴ between December 2020 and June 2021, while their contribution to the headline inflation of the euro area main economies would have been much lower (Bank of Spain).

We expect a dramatic impact of Covid on **shop vacancies and employment** after all Covid support measures are lifted. This could have a dramatic **knock-on effect on local communities** as retailers and wholesalers are key providers of employment and attractiveness at the local level. As an example, occupation rates in France and Belgium are decreasing⁵; in the Netherlands, retail associations expect one third of SME retailers are at risk, and in Germany, some 50% of businesses in non-food and town centres – overall 120,000 businesses - are at risk (HDE, 2021).

2. Vision 2030: pathway for the transition

To stay relevant and drive the significant transformation under way, European retailers and wholesalers would need to double their investment capacity. We ask that public authorities recognise the essential contribution of the eco-system to the European, national and local economies, and contribute to the much-needed effort to support the digital and sustainability transformation.

Retailers and wholesalers are undergoing a huge transformation, accelerated during the Covid pandemic, to anticipate and adapt to new consumer behaviour, competitive pressure, a more digital and omnichannel environment and sustainability concerns. They operate on the basis of high fixed costs and low margins and invest on average 1 to 2% of their turnover. To remain relevant and competitive in this transition, they are faced with the imperative of making huge investments in:

- **technology**
 - to capture the benefits/efficiencies of digitalisation, robotics, data, automation, AI, blockchain, etc.;
 - to ensure that they can deliver a fully omnichannel service.

⁴ interannual rate HICP

⁵ “le blog de codata”, see [here](#)

- **stores and operations**
 - to adapt stores to omnichannel operations (different/smaller assortment, delivery and pick up facilities);
 - to develop the USP of the store (competing vs online shopping) even further (curation, advice, entertainment, hybridisation with other functions/services such as café, postal, fuel, etc.);
 - to provide access to repair services and spare parts in line with the Circular Economy strategy;
 - to make buildings energy-efficient and improve resource efficiency (e.g., investment in building infrastructure efficient, renewable energy sources, in heating, ventilation and air conditioning);
 - to make stores suitable for the collection of post-consumer waste.
- **people/skills**
 - to upskill for omnichannel environment (digital skills, soft service skills, product knowledge skills, ...);
 - to upskill for new circular services (e.g. repair) and sustainable use of products / equipment;
 - to reskill for other sectors.

Supporting retail and wholesale in undertaking the green and digital transition and adopting resilient sourcing methods can provide an effective fast lane to change within and beyond the ecosystem. It is essential that access to recovery funds and support mechanisms is made available to both large and small players in the sector and that rules on access to public support are adapted.

2.1 Recovery steps

Stock taking and gap analysis

- The Covid 19 crisis created a **consumption shock**, and recovery will in part depend on the extent to which an effective vaccine roll out will help restore consumer demand to pre-pandemic levels fuelled by rising consumer confidence, pent-up demand and accumulated savings⁶. Continued economic uncertainty and inflation may dampen consumer confidence after an initial bounce-back, and offset some of this potentially positive impact.
- Retailers and wholesalers are closely linked to their macro-economic environment, overall private consumption (about 50% of GDP) and general trends affecting society (such as age, urbanisation, nesting economy, teleworking, sustainability, health and wellness concerns, etc.).
- Spending restrictions boosted savings in 2020, but particularly among high income households able to continue working during the pandemic. A study by McKinsey⁷ shows that the strength of consumer recovery will depend on the **willingness to spend by high income segments, income constraints on low-income segments and what happens to savings**.
- **Price has again become a key determining** factor for consumers, whose confidence remains low and who have been trading down in their purchasing⁸: 37% of consumers plan to save more money while grocery shopping in 2021 than in 2020; 43% of respondents to a consumer survey reported having decreased their clothing and apparel spend in 2020 with basic, casual and home-wear the winning categories while business and special occasion wear recorded the sharpest decline.
- Limitations on movement, teleworking and health concerns have had an impact on consumer behaviour, with a number of trends likely to remain in place post-pandemic⁹.
- With restrictions imposed during the pandemic, **consumers gained more experience of digital and are expected to continue to use this channel**. Stores continue to play a key role but **reinventing the role of the store in an omnichannel environment** has become a key priority, with hypermarkets and superstores increasingly under pressure e.g., from digital, discounters developing their value proposition beyond price, and rapidly growing formats such as fast delivery options.
- The sector will be facing **inflationary pressures** arising from rising commodity prices and very substantial supply chain disruption caused by a shortage of shipping capacity and containers in the face of post-COVID disruption, and the inability of manufacturers of certain key components such as electronic chips to gear up production again to meet a sudden upsurge in global demand.

⁶ “The consumer demand recovery and lasting effects of COVID-19”, McKinsey, March 2021 see [here](#)

⁷ “The consumer demand recovery and lasting effects of COVID-19”, McKinsey, March 2021 see [here](#)

⁸ “Disruption & uncertainty: The state of European grocery retail 2021”, McKinsey, March 2021 see [here](#)

⁹ “The consumer demand recovery and lasting effects of COVID-19”, McKinsey, March 2021 see [here](#)

With already historically low retail and wholesale margins, but continued strong competition, the sector will face real pressures, and in some cases real threats, in the coming months.

Priorities for recovery 2030

- measures to support **future consumer confidence**, including effective vaccine roll-out programmes, targeted and progressive phasing out of government support mechanisms and a shift of support towards transformational change (e.g. digitalisation, sustainability, resilience); addressing costs associated with measures introduced during the pandemic¹⁰;
- government decisions to be **coordinated and based on science**: the Commission could play a leading role in ensuring further coordination and communication between member states regarding the practical imposition of (health/safety) requirements on businesses in any future crisis;
- **removing protectionist legislation** put in place during the Covid-19 pandemic and taking action against barriers to the single market;
- encouraging measures at national level to **revitalise city centres**, in particular smaller towns and villages, in coordination with other services and eco-systems (e.g. tourism);
- providing support to **store remodelling**, to adapt them to new consumer ways of interacting with their stores;
- measures to support **supply chain resilience and ensure security of sourcing**, including encouraging operators to diversify their procurement globally.

We ask for an ambitious programme for the revitalisation of city centres. In Germany, the retail association HDE is calling for 500 million euros of annual investment over a period of 5 years to help stabilise inner cities. HDE further proposed the idea of a consumption voucher be developed for consumers to spend in brick-and-mortar stores severely affected by government restrictions.

2.2 Greener retail & wholesale

Stocktaking and gap analysis

Sustainability is a major priority and challenge facing retailers and wholesalers who will need to **invest heavily in the sustainability transition**. 50% of consumers plan to shift their spend towards lifestyle agendas in 2021, 17% of respondents to a pan European consumer survey report they are shaping buying decisions around sustainable and eco-friendly products compared to pre-covid 19, while 26% of consumers also want to focus on both price and sustainability aspects (McKinsey).

Retailers and wholesalers can help make more sustainable products accessible to all e.g. by increasing organic ranges, offering repair services, collection of used products, providing advice to their customers. They are **showing leadership** through individual commitments and pledges and/or sector charters or codes of conduct (e.g. on responsible food business and marketing practices, greenhouse gas emissions, plastic reduction; etc.). They have customer and supply chain expertise and are able to leverage volumes to promote sustainability goals.

Retailers and wholesalers will equally need to **anticipate regulatory pressure** arising from the Green Deal and changing market developments. **Transition costs will be particularly high for SMEs**, whilst many have become particularly vulnerable as a result of Covid. **Awareness measures, good practice sharing, access to funding** will be key priorities for supporting SMEs to adapt and meet the high costs of the transition.

Key gaps in achieving circularity often lie with the **lack of infrastructure** in particular in relation to the collection, sorting and treatment of materials, the need for harmonised standards and definitions, support for innovation and to create awareness in the sector and among customers. Digitalisation may

¹⁰ “Nuevos costes soportados por el sector comercial en España”, CEOE March 2021: this study by the Spanish employers organisation estimates that the cost of additional regulation /measures in 2020 reached €1774 million euros in Spain, of which €514 million were directly linked with the pandemic, €1475 related to newly introduced regulatory measures and €299 million were borne by consumers.

support sustainability goals. Access to skills and training (e.g. on the efficient/sustainable use of equipment and products) will be also be key priority for both retailers and wholesalers.

Examples of investment needs for recovery 2030

- create a harmonised market for **waste management**, so that materials can be collected, sorted and recycled, reused or refurbished more easily: this means developing and scaling-up infrastructure for collecting, sorting and recycling/reuse of post-use textile and garments, enforce/change legislation to enable cross-border markets for secondary raw materials and products;
- support innovation for the development of **circular models** that are economically feasible;
- create **standardised criteria** for more sustainable design of products, as a means to support greater share of recycled material in new products and to use materials more efficient;
- **consumer awareness**: staff training and information to support sustainable choice for consumers;
- ensure that retailers and wholesalers are eligible for financial support under the **renovation wave**; enable more eco-efficient commercial buildings; improve energy efficiency of installations and operations (e.g. renewable energy installation, LED technology lighting; lighting control systems, energy efficiency refurbishment etc.);
- **digital technology supporting sustainability** goals: technology to prevent food waste by digitalising control of best before dates; optimisation of orders; use of electronic devices to reduce use of paper (e.g. electronic tickets); remote management systems for refrigeration, heating and lighting;
- more **sustainable mobility systems** for logistics and home delivery solutions: fleet renewal, efficient urban management systems and last mile delivery, optimisation of routes and service frequency, investment in efficient alternative fuels and infrastructure especially for Heavy Duty vehicles (hydrogen etc.);
- **digital product passport** and sustainable product initiative e.g. through a pilot project such as textiles, electronics, etc.;
- support **training for upskilling and reskilling** staff to respond to new circular business models: repair, refurbishment, Heating Ventilation and Cooling installation systems.

2.3 Digitalisation

Stock taking and gap analysis

Digitalisation is a core priority and key to the survival for companies. Digital represents on average 11% of total retail sales; yet it influences a much greater share of the consumer journey (up to 50% or more) which nowadays includes elements of physical and online interactions. **Prior to the pandemic, 70% of retailers, especially micro-businesses, had no online operations** and during the crisis investments planned over several years were accelerated within a few months. In Germany, 40% of retailers have made no investment plans for 2021, while over 70% of retailers consider that investing in their future viability is important. **Achieving profitability for digital operations remains a challenge**, all the more as ecommerce is growing strongly and is expected to continue.

Online platforms have emerged as a useful mechanism for SMEs to reach customers online, without having to invest in a web-shop or branding; yet restrictions by suppliers on trading on third party marketplaces may restrict retailers, especially SMEs, trading on these platforms. Developing a regulatory environment creating a level playing field in relation to marketplaces should therefore be a priority.

Our eco-system is already sharing large amounts of data for multiple purposes e.g., operations improvement, traceability purposes, customer service and consumer experience enhancement. Key priorities include **encouraging more data sharing** based on **voluntary contractual terms** and ensuring **policy coherence** with other pieces of legislation so as to avoid overburdening the operations of businesses and impeding already well functioning models of data sharing in the retail and wholesale sector.

The German retail association HDE has asked for establishment of a 100 million euro digital fund to help retailers, especially those dramatically affected by the crisis, to invest in modernising their model.

We call for a similar fund to be established Europe-wide for retail and wholesale companies with a 500 million euro annual budget over the next 5 years.

Examples of investment needs for recovery 2030

- develop schemes to help SMEs in retail and wholesale to digitalise and operate omnichannel; this means **supporting SMEs locally with their digital presence** (e.g. showing where they are located, click and collect, etc.);
- support municipalities (small towns and villages in particular) that help maintain viable local retailers and help them to convert to omnichannel retailing (website, local platforms, delivery options, etc.);
- support **investment in digitalisation** – logistics platforms, point of sale, consumer interaction, click & collect, efficient delivery solutions, electronic labels at point of sale, electronic ticketing; process automation (e.g. traceability, security, digital payments, robotics, optimisation of work shifts, transition to cloud solutions, management software -ERP systems); modernisation of information systems (e.g. machine learning, big data, Internet of Things, voice recognition, RFID, Artificial Intelligence);
- support a **European payment infrastructure based on instant payments**;
- further develop **training** for digital literacy: access to skills; upskilling and re-skilling.

Supporting SME digitalisation

Retailer and wholesaler organisations play a key role in supporting their members' digitisation efforts. Awareness raising, advisory services in establishing an online presence to reach their customer base and support to entrepreneurs come as key priorities for the digitalisation of oftentimes very small to micro companies.

In Germany, the retail association HDE is managing Mittelstand 4.0. Kompetenzzentrum Handel (centre of expertise for the digitalisation of SME retail) as consortium leader on behalf of the Federal Ministry of Economics, with a total funding capacity of 100 million euros. The competence centre provides comprehensive information about the opportunities of digitization in retail, through events, webinars and a digital mobile to raise awareness among entrepreneurs. The competence centre also provides consultants who identify suitable measures for digitization in individual cases and in a last stage, funding applications can be made to finance the corresponding digitization measures of SME from the Ministry of Economics.

In France, the retail association, Conseil du Commerce de France, issued a guide for the digitalisation of small retailers which puts forward the essential role that local retailers' associations play to help their local members' digitisation efforts.

Experience from the Netherlands through the Retailagenda shows that neither the Government nor the private sector can transform the retail sector alone and the sector needs alliances based on a common vision and, even more important, local authorities that want to work together with local entrepreneurs (and vice versa).

3. Supporting the ecosystem in transition and long-term horizontal challenges

3.1 An enabling regulatory framework

Next to the necessary public and private investments, there are a number of important policy measures that are essential to ensure the recovery, resilience, competitiveness, and transformation of the retail ecosystem and through this, of the European economy overall.

These include horizontal measures not specific to the retail ecosystem, but which would help the sector to transform and be more resilient, and retail-specific measures of crucial importance to the sector (see annex 3 for more details of the specific policy measures to support resilience and the digital and sustainability transformation):

- single market barriers, services directive and discrimination against retail
- strengthening the digital single market
- fair competition in a digital environment and which supports sustainability efforts
- reduce energy transition costs and taxes
- a balanced approach to open strategic autonomy
- labour market measures, including a blueprint for skills
- create the right environment for the circular economy
- better regulation and reduced unnecessary administrative burden

Ensuring legal certainty for businesses is essential: a predictable, coherent and future-proof legal framework will contribute to a business-friendly environment stimulating economic investment. This means making future legislation as easy as possible for businesses to implement, preventing unnecessary huge investments by businesses who are already confronted with the need to invest in the digital and green transition. Furthermore, we ask that the cumulative impact of legislation affecting the competitiveness of the retail and wholesale eco-system is properly taken into account in future policy making.

All measures were already mentioned in our call for a European Pact for Commerce in 2020 (see infographic in annex 4).

3.2 Governance

We would recommend establishing a **dedicated governance structure** whose role would be to align on **key priorities, monitor progress** and **adjust the execution** of the transition pathways as and when necessary. To be effective, this structure should be small in size and involve the core stakeholders and meet on a regular basis.

Ideally, the governance structure would benefit from **academic support** -e.g. through retail 2030 foresight exercise to better understand the key trends and challenges facing the eco-system (based on models developed within other eco-systems).

The governance structure would ensure **strong coordination** with other eco-systems so that the contribution of retailers and wholesalers to efficient, competitive and cost-effective distribution is properly understood and reflected in these. As an example, pharmaceutical wholesalers play a key role in the efficient and cost-effective distribution of medicines to pharmacies and patients and thus should be considered a key partner for the pharmaceutical ecosystem. Likewise, as an example, food retailers and wholesalers are key partners in the food supply chain ensuring effective distribution of daily essentials to consumers; electrical wholesalers are key partners in a sustainable construction eco-system as well as retailers who are large users of buildings; chemical wholesalers are key partners of the chemical and pharmaceutical industries

We would further suggest:

- an annual event to raise awareness and communicate on key challenges facing retailers and wholesalers, available support mechanisms and horizontal flanking measures;
- thematic workstreams bringing together key stakeholders on key priorities and providing a structure for dialogue;
- establishing a screening and monitoring mechanism to ensure that retailers and wholesalers

benefit from support programmes and other mechanisms at EU and national level (e.g. digital hubs, clusters, Europe Enterprise Network, etc.);

The governance structure would act as a support mechanism for

- the development and financing of projects
- the promotion of awareness measures (e.g. support to SME digitalisation, possibilities offered by B2B data sharing, sustainability impact, etc.)
- the promotion of good practice (e.g. revitalisation of city centers support mechanisms, etc)
- the development of guidance (e.g. territorial supply constraints) or training (e.g. training and support schemes for SME digitalisation)
- the identification of indicators to measure progress

We would also recommend that other eco-systems build strong links with the retail and wholesale eco-system and ensure that the retail and wholesale dimension is fully embedded in their transition pathway. The Commission could play a coordinating role ensuring consistency between eco-systems.

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Annex 1 – how the pandemic is reshaping the retail and wholesale landscape - examples

the pandemic further reshaped the retail landscape with grocery spending through 5 key forces

- grocery spending at an all-time high (vol increased by around 8% and value by around 10%);
- further polarized demand with consumers trading up or down;
- continued online-grocery sales growth (55% growth in 2020 compared to 10% in 2019);
- a shock to customer loyalty:
 - >60% of consumers have changed their behaviour
 - 31% have changed store/banner;
- an acceleration of consciousness about health and environment:
 - Shift to healthy, environmentally friendly, and local products
 - 60% consumers willing to pay more for sustainable alternatives
 - 30% plan to focus on healthy eating more in 2021 vs 2020.

McKinsey – disruption and uncertainty - the state of grocery retail

Fashion: The pandemic will accelerate trends that were in motion prior to the crisis, as shopping shifts to digital and consumers continue to champion fairness and social justice.

- the industry suffered its worst year on record with almost three quarters of listed companies losing money and expectations remaining cautious for 2021; a majority of fashion executives in the mid-market segment (55%) expect conditions to be worse in 2021; fashion executives expecting Covid 19 to be the biggest challenge in 2021 and digitalisation the biggest opportunity;
- Consumer behaviour shifted; restriction on movement have influenced consumer choice on what to wear and with digital consumption growing fast; “the primary driver of growth in the coming year will continue to be digital channels, reflecting the fact that people in many countries remain reluctant to gather in crowded environments”;
- issues around worker welfare and ethical business practices (due diligence) as well as sustainability high on the agenda.

McKinsey – the state of fashion 2021

Ecommerce continues to grow fast

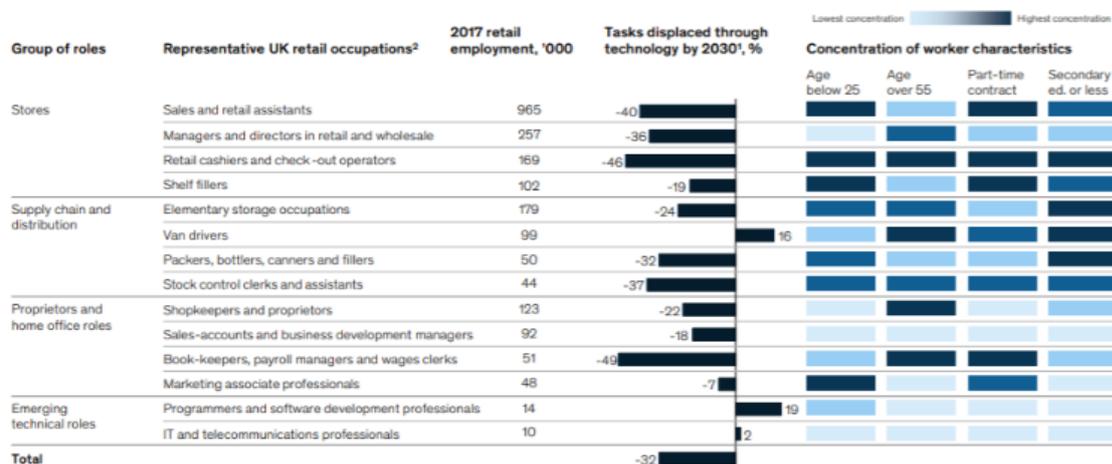
- over a 10 year period, Ecommerce has grown faster than physical retail (+2% annual growth) but only represents 11% of total retail sales in 2019 (v. 4% in 2010);
- ecommerce represented 50% of retail sales growth between 2010 and 2019; growing 15% annually;
- there are wide country differences and wide variation across categories, with higher rates in leisure, electronics and fashion;
- omnichannel plays a key role in driving sales growth.

Impact du e-commerce: une étude dévoile de nombreuses surprises! LSA 12/04/2021 , based on a study by O. Wyman

Annex 2 – Technology has a significant impact on jobs in retail and wholesale

Impacts of technology could displace a third of retail tasks by 2030

Includes impacts of channel shift in the UK and likely task automation¹



¹ Tasks displaced through technology include likely (note: what is technically possible is higher) impacts of channel shift and task automation by 2030, midpoint adoption scenario (reflecting likely adoption of technology relative to cost of workers)
² Represents the top sub-occupations in each group of roles
 Source: ONS, Forrester, IGD, McKinsey Global Institute Analysis 2019

Source: McKinsey

Annex 3 – An enabling horizontal policy framework

Horizontal policy measures supporting the resilience, digital and sustainability transformation of the retail and wholesale ecosystem:

Single market barriers, services directive and discrimination against retail

1. remove restrictions and discrimination against food retailers based on business model, size, establishment;
2. execute the recommendations of Commission’s Communication on Retail Fit for the 21st Century, including updating the Retail Restrictiveness Index and providing guidance on the proportionality of retail establishment authorisations taking into account the CJEU Visser case (CASE C-31/16);
3. improve notification by member states under the Services Directive;
4. more stringent assessment of TRIS notifications, particularly those that may undermine or pre-empt future harmonisation e.g. on circular economy, packaging, waste, digital. i.e. the Commission should provide more guidance to member states regarding national rules where EU harmonisation is expected in the near future to ensure a smooth transition to and coherent future EU legal framework;
5. more effective assessment and stronger enforcement powers to the Commission on Single Market and Rule of Law through the semester process (including power of injunction for the Commission when there is a clear breach of the four freedoms);
6. ensure that all actors in the product supply chain have balanced and proportionate roles and responsibilities based on their activities and position in the supply chain;
7. improve enforcement of EU product law ensuring all products placed on the EU market are safe and EU compliant; ensure rapid, complete and effective communication to businesses when there are product recalls;
8. consumer law: the basis for a new framework for consumer information should carefully assess the necessity of new information requirements and prevent an information overload for consumers; ensure full harmonisation of consumer rights across the EU to create a true single market for consumers and businesses.

Strengthening the digital single market

1. ensure a level playing field for all type of business models, regardless of establishment, with a legal framework that is channel neutral while avoiding overlaps with other pieces of legislation;
2. all different digital pieces of legislation need to be aligned and properly enforced, with a clear scope, in order to avoid overlaps and confusion for businesses;
3. create a clear framework that will incentivise B2B data sharing on a voluntary or contractual basis fit for purpose. Supporting initiatives for the creation of data pools like the future digital product passport, which should remain technology neutral and compatible with existing standardised systems of businesses to prevent unnecessary costs and investments;
4. create a legal framework that would ensure a safe, ethical and trustworthy use of Artificial Intelligence without creating unnecessary obligations and impeding innovation and adaptation to the fast technological developments. Supporting businesses and in particular SMEs in creating a secure and robust operations systems able to quickly identify and tackle cyberthreats based on incentives and collaboration. VAT – action plan for fair and simple taxation – VAT One stop shop and VAT rules for the platform economy.

Fair competition in a digital environment and which supports sustainability efforts

1. maintain an effective competition framework: strong competition in the Single Market is the best way of achieving global competitiveness and ensuring that both business customers and consumers continue to have a wide choice of innovative and affordable products and services;
2. provide a clear and balanced framework for vertical relations in a digital environment, addressing unjustified prohibitions of selling on online platforms, increased use of selective distribution and fragmentation of the single market by brand suppliers;
3. support the creation of a Single Market for sourcing including by developing guidelines to facilitate the sourcing of goods within the single market (to prevent the current imposition of territorial supply constraints by brand suppliers);
4. maintain flexible rules allowing retailers and wholesalers to build synergies in procurement through purchasing alliances as a means to mitigate the power of large brands;
5. develop guidelines and encourage a dialogue to foster cooperation for sustainability in a way that is compliant with competition law.

Reduce energy transition costs and taxes

1. fiscal incentives to use sustainable/renewable energy: the rise in the electricity invoice strains the margins of the companies and can absorb half of the profit: in Spain the cost of electricity represents on average about 1% of the invoice, being one of the most important headings of the operating expenses;
2. specific taxes on the sector like Large Retail Outlets taxes result in discriminatory and selective measure which directly affect retailers' freedom of establishment and ability to do business.

A balanced approach to open strategic autonomy

1. retail and wholesale depend on diverse, global supply chains. The present disruption caused by shortage of shipping containers and sea freight has shown how dependent Europe is on sourcing components and finished products from around the world;
2. this is compatible with the concept of strategic autonomy if the important qualification in the term – of it being open – is not forgotten. It is simply impracticable to onshore production of all the goods we need, and protectionist measures to enforce this would be harmful to Europe's competitiveness both domestically and as a major export power;
3. we therefore ask that open strategic autonomy should be pursued to work with the grain of good business sense and competitiveness: avoiding the artificial creation of unwieldy champions whose efficiency could be impaired by unwarranted protectionism; encouraging diversified sourcing both in and outside Europe to diminish dependence on one supplier and politically hostile or unstable partners.

Labour market measures, including a blueprint for skills

1. whilst considerable progress has been made, a number of member states need to further reform their labour market to enable economic operators and workers to react with agility to rapidly changing consumer and market demand;
2. further develop apprenticeship schemes across Europe and further incentives to up- and reskilling employees by companies;
3. develop a blueprint or a coalition for skills in retail;
4. address the urgent need for digital skills for employees and entrepreneurs across sectors.

Create the right environment for the circular economy

1. strengthen and enforce common rules and definitions for waste, secondary material, Extended Producer Responsibility (EPR) schemes;
2. ensure consistency between pieces of legislation on product eco-design (Sustainable Products Initiative, product-specific legislation, technical criteria for taxonomy);
3. develop standardised criteria and definitions for key circular concepts;
4. adapt legislation to new business models and consumption patterns (address liability of repaired products, clarifying ownership of products and waste);
5. support new business models by building capacities and creating incentives.

Better regulation and reduced unnecessary administrative burden

1. achieve simpler, more harmonised, and less costly regulation taking into account the cumulative impact of legislation on the retail and wholesale eco-system and based on proper impact assessment, including on amendments through the co-legislative process;
2. apply zero tolerance of protectionism, gold-plating, non-compliance, and discrimination;
3. fully implement the SME Test in all legislation, ensuring that the impact of the proposal on small businesses least able to carry major regulatory burdens has been fully assessed, and the legislation adjusted to meet the SME Test;
4. continue to improve the quality of stakeholder consultation, including quality of questionnaires, a phased approach and workable deadlines;
5. use the Fit for the Future platform more ambitiously to tackle high-profile legislation which can be improved to reduce unnecessary administrative burdens, taking on board the important contribution from SME Envoys.

A European Pact for Commerce

Driving Europe's recovery with retailers and wholesalers

With adequate investments and the right policies, retailers and wholesalers will be main actors in the digital and green transformation of the European economy. These investments and policies should achieve the following 4 goals :



Digitalisation

Converting all retail and wholesale to omnichannel



Sustainability

Making the Green Deal a reality in retail & wholesale



Local employment

Supporting local employment & communities



Open markets

Keeping markets open and fostering European ecosystems

INVESTMENT NEEDS

Grants, loans, and fiscal incentives to:

- Digitalise all retail and wholesale companies**
 - Websites, platforms, payments, delivery solutions, robots, digital tools for sales associates
- Support and digitalise municipalities to anchor retailers in town centres**
 - Local online and delivery platform, digitalise local administration, local skills development schemes
- Develop digital and data infrastructure**
 - 5G, broadband, cloud (GAIA-X), digital public administrations and customs operations
- Boost digital, green, and soft skills**
 - Adapt primary and secondary schools curriculum for digitalisation and entrepreneurship
 - Produce higher number of data scientists and engineers at universities
- Renovate commercial buildings**
 - Energy efficiency, on-site energy generation, natural cooling gases, LED lighting
- Accelerate conversion to green mobility**
 - Hydrogen (heavy vehicles for long-haul transport/delivery)
 - Electrical mobility (light vehicles for short-haul delivery, e-bikes)
- Accelerate conversion to organic farming**
- Develop reusable, recyclable, renewable, repairable materials and final products for textile/garment, toys, electronics, packaging**
 - Eco-design and material research programmes
- Strengthen waste collection and recycling infrastructure**
- Revitalise town centres and stimulate urban regeneration**

POLICY NEEDS

Better and simpler regulation, more harmonised legislation, guidelines and standards to:

- Remove restrictions and discrimination on retail and wholesale**
 - See Commission's communication on 'Retail fit for the 21st-century'
 - Effective notification mechanisms of the services directive
 - Address restrictions on retailers and wholesalers to buy exclusively from national suppliers (territorial supplier constraints)
 - Stronger assessment and enforcement of single market by the Commission (European Semester)
 - Make funding of national recovery plans conditional to the respect for the rule of law and single market rules
- Adapt competition rules to online commerce and have an effective data strategy**
 - Data sharing, horizontal and vertical block exemption regulations, market definition notice, merger control
 - Uniformly implement GDPR and facilitate voluntary data sharing
- Improve enforcement of EU law on online import and clarify liabilities of online sellers and platforms (level playing field between imports and domestic online sellers)**
- Implement Farm-to-Fork strategy**
 - Food waste, front-of-pack nutritional labelling, organic food production
- Have common rules and guidelines for extended producer responsibility (EPR) schemes to better manage waste and stimulate circular economy**
- Facilitate sustainability cooperation**
 - A clear competition law framework (horizontal block exemption regulation)
- Harmonise eco-design requirements to set direction for circular economy**
- Reduce energy transition costs and taxes**
 - Fiscal incentives to use sustainable energy
- Have fair and flexible working conditions (employment law)**
- Reform WTO and execute an effective new trade policy ('open strategic autonomy')**

A simple and smooth process to ensure fast delivery of the funds



* The European Commission will assess national recovery plans against:

- the country-specific recommendations in the European Semester agreed in July 2020
- how they fulfill the digitalisation, sustainability, and resilience goals of the EU
- impact of COVID-19 on the GDP of the country

Let's work together to make the European Pact for Commerce a reality



Priorities of retail and wholesale should be central to all national recovery plans