

A properly working single market for sourcing consumer products would save consumers €14 billion

Speaking today ahead of the Commission workshop on the results of their study on Territorial Supply Constraints (TSCs), EuroCommerce Director-General Christian Verschueren said:

“We are very grateful to the Commission for following up retailers’ and wholesalers’ concerns at the fragmentation of the single market caused by large brand manufacturers simply refusing to allow them to buy their products where it makes most commercial sense. We are pleased that the study shows the facts confirming that this problem exists, and that resolving it would save consumers no less than €14 billion, and – equally important – give consumers more choice. We are therefore asking for urgent action to make the single market a reality in this area.”

Every day, large manufacturers are insisting that retailers and wholesalers buy only from their designated distributor in the country where their product is sold to the consumer. This means that retailers cannot buy centrally, nor move the products they have bought from one market they serve to branches in another. This makes no sense in a properly functioning single market, and makes no sense for consumers. It cannot be ignored any longer.

The volume of trade at stake and the potential gains from allowing sourcing at EU level are so great, that the issue can no longer be ignored. This and previous studies point in the same direction: large suppliers of certain product categories are able to use their market power to impose these restrictions, leading to significantly higher prices, and product differences which reinforce them, from one county to another. The study confirms previous findings from Benelux and the ECB that only part of the price differences between countries can be explained by cost factors such as labour, logistics and taxation. This means that consumers in one country get a much worse deal than consumers elsewhere - for no particular reason, other than bolstering the already large profit margins of global brand manufacturers.

Giving retailers and wholesalers the possibility to freely source in the single market would bring down wholesale prices and allow consumers access to a wider range of products. Choice at the best price is something retailers want to provide their customers, and what the single market is designed to deliver. Removing TSCs would also drive innovation and investment, all to the benefit of consumers. Verschueren added:

“The Commission has already done European consumers a major service with this study. We call upon the Commission now to look at action on TSCs as a core priority in supporting the retail ecosystem. In doing so, we would ask them to consider using a combination of tools, including stronger competition law enforcement, to make the single market in sourcing work as effectively for retail and therefore consumers, as it already does for the large manufacturing companies.”

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Contact:

Neil McMillan - +32 2 737 05 99 - mcmillan@eurocommerce.eu
Vincent Yhuello - +32 471 95 03 55 - yhuello@eurocommerce.eu

www.eurocommerce.eu

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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.