

Retail alliances continue to play vital role for consumers

Commenting today on the creation of the new Epic Partners retail alliance, EuroCommerce Director-General Christian Verschuere said:

“This new development demonstrates the important role retail alliances play in supporting competition and providing better prices and more choice to consumers. The efficiencies and synergies in sourcing in the EU single market can help balance the significant market power of multinational brand suppliers who operate across the globe. As we have seen recently, these large manufacturers are again piling on pressure, sometimes even collectively, for unreasonable price increases. Alliances are consumers’ best allies at a time when many families are still feeling the impact of the COVID pandemic. These alliances help address the impact of manufacturers’ active fragmentation of the single market, which is costing consumers at least €14 billion a year¹.”

The new alliance will negotiate contractual arrangements for complementary international services and marketing activities with the largest international brand manufacturers, with a focus on packaged processed products. Vegetables, fruits and unprocessed foods are not part of these activities, and the alliance will have no dealings with SME suppliers or farmers. The Commission has on numerous occasions recognised the pro-competitive role that retail alliances play within the strict boundaries set in competition rules, including a recent report by the European’s Joint Research Centre which underlined their positive role in increasing consumer welfare².

A few facts to provide context behind retail alliances:

- Europe’s retailers and wholesalers operate in a limited number of countries, with high fixed costs and low and decreasing net margins, typically around 1-3%. The global manufacturers seeking to undermine the role of alliances, on the other hand, still enjoy net margins of 15-30% - ten times those of retailers - and their margins continue to increase.
- 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%).
- In many product categories, an individual manufacturer holds a significant position on the relevant market, and this should be the criterion for judging relative bargaining power.
- The imbalance in negotiating power is directly reflected in large manufacturers’ repeated and unreasonable demands to retailers for often double-digit price increases, and the suspension of deliveries if these demands are not met, along with restrictions on the free movement of goods. The Commission is currently conducting investigations of abuse of market power and breach of other competition rules by a number of manufacturers in relation to retailers and distribution.
- The new Epic Partners alliance brings together Edeka (Germany), ICA (Sweden), Jeronimo Martins (Portugal), Magnit (Russia), Migros (Switzerland) and Picnic (Netherlands). The partners involved are represented with their stores in a total of 10 European countries.

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

² Joint Research Centre [Retail alliances in the agricultural and food supply chain](#) 2020.

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EuroCommerce is the principal European organisation representing the retail and wholesale sector. It embraces national associations in 28 countries and 5 million companies, both leading global players such as Carrefour, Ikea, Metro and Tesco, and many small businesses. Retail and wholesale is the link between producers and consumers. Over a billion times a day, retailers and wholesalers distribute goods and provide an essential service to millions of business and individual customers. The sector generates 1 in 7 jobs, offering a varied career to 26 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.