

**Intergovernmental Group of Experts on Competition Law and  
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**Round Table on:**

***"Enforcement of competition policy in the food retail sector"***

**Contribution**

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# Competition policy in the food retail sector in the EU

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# 1. Buyer power retailers vis-à-vis brand manufacturers

- Increase in overall retail concentration in the EU
- Increasing presence of buying alliances on the national and international scene
- Increasing market share and success of private label products

⇒ ***Are these trends damaging for competition (measured by prices and innovation) in the food sector?***

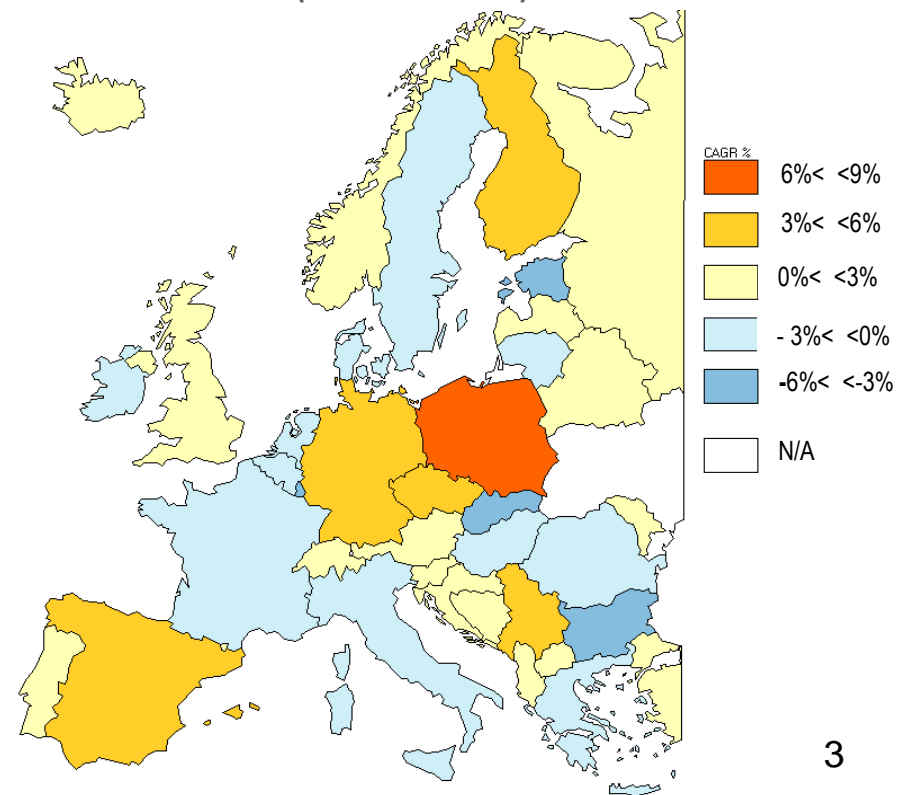
\* *Commission's modern retail study about choice and innovation in the food sector in Europe in the period 2004-2012*

\* *European Central Bank study on price differences in the euro area in the period 2009-2011*

# Increased retail concentration (2004-2012): mixed picture in Europe

- **Retail concentration** (modern retail and traditional retail shops):
  - ⇒ Overall **↑** in Europe
  - ⇒ Because: share of modern retail **↑**
- Concentration of **modern retail**:
  - ⇒ Mixed picture: **↓** in a majority of EU Member States (16 out of 26 reviewed).
- **Findings Commission study**:
  - ⇒ An increase in the relative concentration of retailers vis-à-vis their suppliers has a positive effect on innovation

Evolution of modern retail concentration across Europe  
(at national level)



**Caveat!**

The Commission study did not cover highly concentrated retail markets and some markets became more concentrated after 2012

# Retail buying alliances

- **Buying alliances are wide-spread and varied**
  - They exist at the EU level, at national level
  - They negotiate procurement conditions
- Buying alliances can create efficiencies (lower wholesale/transaction costs) that are passed on to consumers – provided that the downstream retail market is competitive

## Findings Commission study:

More bargaining power for retailers (higher concentration) associated with more innovation

## Findings ECB study:

Higher retail concentration in the procurement market (including buyer groups) is associated with lower prices for the end consumer (welfare-enhancing)

**Caveat!**  
Increased presence of buying alliances (e.g. in France) made concentration at the wholesale demand level increase after 2012

**Caveat!**  
The Commission study did not cover highly concentrated retail markets



# Private label products



- **Private label products = retailers' own brands**
  - Retailers have become competitors of big brand manufacturers
  - Private labels have become very popular in Europe over the last decade: consumers like them and their market share increased
  - Brand manufacturers are concerned about excessive information requests by retailers, the production of copy-cats and reduced incentives to innovate

## Findings Commission study:

- The proportion of private labels in the product assortment in a shop and by product category appears to have a negative relationship with innovation



# Follow-up on the Modern Retail Study

The study raised a lot of questions and the Commission is gathering further information on several topics:

- Is higher **retail concentration** also unproblematic in highly concentrated retail markets (e.g. Nordic countries)?
- **Buying alliances** have changed a lot in recent years, with retailers more easily and frequently changing membership, being part of several alliances, etc.
  - ⇒ too much transparency about buying conditions among retailers?
- **Private labels** seem to be also innovative
  - ⇒ what explains the study result that private label share increases would lead to less innovation?

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## 2. Buyer power retailers vis-à-vis farmers

- **Challenges of the EU agricultural sector:**
  - Consumers' increased demands regarding quality, choice, traceability,...
  - Atomisation and often unequal bargaining power
  - Competition from non-EU imports
- **Solutions -> sustainability and efficiency-enhancing rules:**
  - Long term solutions to increase sustainability and revenues of farmers
  - Increased competitiveness through vertical and horizontal integration in the food supply chain
  - Cooperation to increase bargaining power
- **Negative trend: increased protectionism in the EU**



## Useful links

- **ECN report on competition enforcement in the food supply chain** (2012): [http://ec.europa.eu/competition/ecn/food\\_report\\_en.pdf](http://ec.europa.eu/competition/ecn/food_report_en.pdf)
- **DG Competition study**, *"The economic impact of modern retail on choice and innovation in the EU food sector"* (October 2014):  
[http://ec.europa.eu/competition/sectors/agriculture/retail\\_study\\_report\\_en.pdf](http://ec.europa.eu/competition/sectors/agriculture/retail_study_report_en.pdf)
- **European Central Bank**, *"Retail market structure and consumer prices in the Euro Area"* (December 2014):  
<http://www.ecb.europa.eu/pub/pdf/scpwps/ecbwp1744.en.pdf>
- See also **European Central Bank**, *"Within- and cross-country price dispersion in the Euro Area"* (November 2014):  
<http://www.ecb.europa.eu/pub/pdf/scpwps/ecbwp1742.en.pdf>