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Round Table on:

"Enforcement of competition policy in the food retail sector"

Contribution

By

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The views expressed are those of the author(s) and do not necessarily reflect the views of UNCTAD
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

**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
- 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?
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


