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GREEN PAPER

ON

COMMERCE

· (presented by the Commission)

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I- INTRODUCTION

1- Every day, almost 370 million EU citizens consume and use goods - food, clothes, furniture, books, cars, computers - produced by the 58 million people employed in agriculture and manufacturing throughout the EU, as well as millions more beyond. But it is thanks to the 22 million people employed in commerce within the EU that its citizens are able to access this vast range of products where and when they want, at affordable prices and accompanied by service. Commerce is the gate through which a wealth of goods from other countries enters the domestic market and thus expands the variety of items on offer. This applies not only to goods from third countries but also to goods from other Member States which have benefited from the development of the Internal Market.

2- This vital economic sector, the second largest in the Community, approaches the millennium facing several challenges which must be addressed immediately if it is to maintain its contribution to the economic and social well-being of our citizens.

3- These challenges include the increased competition arising from opportunities to trade across the whole territory of the Single Market; the constraints on developing the full potential of the Single Market from heterogeneous regulations on a national, regional or local level; the introduction of a single currency which will provide immediate advantages but offer also several practical challenges specific to the sector; the evolving relationship between consumers and suppliers; the continuing restructuring of the sector in order to adjust to the competitive environment and its effect on communities dependant on or served by the existing structures; the need to provide an environment in which enterprises can flourish; the rapid expansion of the use of existing technology and the exploitation of new technology to streamline service and facilitate new forms of direct trading; the need to maintain a competitive European industry in the light of globalisation of commerce via the information society revolution (electronic commerce).

4- Despite its place at the heart of the economy, the sector suffers from a lack of readily available information and analytical data. Since rapid transfer of information is fundamental to maintaining competitiveness and adjusting to market trends this gap must be filled.

5- For activities which impinge so directly on the everyday lives of people, the commerce sector appears to have been taken for granted. The time is right to initiate a full consultation on the challenges facing commerce and the possible options for meeting these challenges. This Green Paper is designed to launch the consultation process.

6- The terms "commerce" and "distribution" are often used as synonyms although the former is sometimes regarded as referring more to the selling aspect and the latter more to the logistical angle. In this paper the term "commerce" is used to refer to both kinds of activities and in particular to wholesale and retail trade. The commerce sector dealt with in this paper covers all trading activity from the purchase of goods from the producer to the delivery of these goods to the final consumer. The paper does not deal specifically with the trade in services, although mention is made of some services which are directly concerned with traded products e.g. tourism/crafts.

OBJECTIVES OF THE GREEN PAPER

7- The aim of this Green Paper on Commerce is to stimulate considered discussion on the importance of this sector of the economy and the challenges that face it on the eve of the 21st century:

- it examines the structure and development of commerce .
- it describes the actions of Member States and the EU and their respective roles.
- it identifies the challenges facing the sector and raises issues which require public consultation.

8- The discussion arising from the Green Paper should lead to the identification of actions by the enterprises themselves, by public administrations in the Member States or by the EU which will assist the sector to meet the challenges while remaining competitive and contributing to employment and social cohesion.

II- STRUCTURE AND DEVELOPMENT OF COMMERCE

1- Economic and social importance of commerce

9- Commerce is the second largest area of economic activity within the European Union. It is an essential component in measuring the level and strength of a national economy and a key sector for generating employment opportunities and growth. Yet, alongside its purely economic functions, commerce has important social functions. It is a point of contact between citizens and their local community and provides the latest information on life style, cultural patterns and community activity. As a major determinant on social and cultural patterns, lifestyles and physical planning, commerce is pivotal to the European socio-economic model. The social integrating function of commerce might gain further importance in the future due to the progressive ageing of the European population:

10- The prosperity of commerce has important ramifications for jobs throughout the EU: over 22 million people in the EU work in commerce - almost 16% of total EU employment. In 10 years, between 1982 to 1992, commerce created about 2.3 millions jobs in the 15 Member states, a growth of 12 % . In the same period, total employment in the EU increased by 7 %. Commerce thus created a significantly higher proportion of jobs than the total economy. The growth of trade employment, i.e. the rate of creation of new jobs, has differed between the Member States¹: Spain, + 25%, Netherlands + 23%, Austria + 20%, Italy + 15%, Germany + 14%, United Kingdom + 10%, France + 1%. The figures vary greatly from one Member State to another, and one of the points for debate following publication of this Green Paper will

be to analyse the reasons for such variations².

11- Commerce's contribution to the GDP of the EU economy remained stable from 1982 to 1992, at about 13%. During this period, the average GDP and the value added of the commerce sector grew at the same pace, by about 25%. Productivity in commerce increased around 13%, in these ten years.

Commerce , second largest employer in the EU³ in 1994 :

- 4.5 million commercial enterprises
- one third of all EU enterprises, 95% of which contain fewer than 10 employees
- 22 million jobs
- 16% of the EU workforce
- 55% of persons employed in retail trade are women
- 3.4 million retailing enterprises employing 15 million people
- 1.1 million wholesaling enterprises providing 7 million jobs
- 13% on average of added value in the EU economy

12- Women represent a significant proportion of the labour force in the retail sector, making up 55% of those working in retail trade. This has been instrumental in providing entry to the labour market for many women. The distributive trades also contain a high number of part time jobs. However, whilst many women are willing to accept part-time work as a means of reconciling work and family responsibilities, one third of women working part-time do so because the full-time job opportunities which they would prefer are not available. It is worth noting that in recent years there has been an increase in part-time work in many Member States, in the retail sector as in others. Greater use of part-time work can be beneficial to employers and employees: it can enable employers to be more flexible, while shorter working hours suit many employees. However, it is important to ensure that those who work shorter hours are given comparable treatment to those in full-time employment. Negotiations at European level have recently begun between the social partners on flexibility of working time and security of employment. These are expected to cover part-time work.

13- Commerce also offers the opportunity to European citizens to create and run their own enterprise, usually after first gaining experience in a commercial firm. The small amount of capital necessary to set up a commercial enterprise relative to that required by other economic activities contributes greatly to this opportunity afforded by commerce.

14- Commerce covers all trading activity from the purchase of goods from the producer to the delivery of these goods to the final consumer. Traders have a crucial task of responding to consumer demand and thus enhancing their profitability. Developments in recent years have resulted in a marked increase in the influence of commerce on manufacturers, with competing

² *A 1994 Report on Employment Performance by Mc Kinsey Global Institute identifies weak performance in job creation in Europe vis-a-vis the US and concludes that the reasons are entry barriers. These conclusions merit further reflection.*

³ EUROSTAT data: see annex A

operators joining forces in order to negotiate with manufacturers from a position of strength.

15- The daily contact between traders and their clients enables the former to adapt to and better satisfy demand by keeping to a minimum unsold goods and therefore any waste of factors of production. Commerce has therefore an important contribution to make in promoting the efficient use of resources and accordingly encouraging sustainable development. In addition, through their intermediate position the commerce sector is able to influence both manufacturers and consumers. They can encourage manufacturers to develop and produce "greener" products, while they can play a significant role in providing environmental information to consumers. This involves the development of flexible partnerships with both consumers and suppliers and a constant evolution of the regulatory framework aimed at ensuring an acceptable balance between the legitimate interests of the traders and the legitimate interests of the consumers.

16- There is growing recognition of the pivotal role played by commerce in maintaining a balanced community life, be it in city centres, or local, neighbourhood shops in both urban and rural areas. A lively local commercial centre often doubles up as the cultural centre of a community, giving commerce an important socially cohesive function. Shops, be they large or small, bring life to town centres and inhibit the growing problem of urban desertification, which encourages the spread of crime.

17- Commerce also performs an important socio-economic function by serving as a medium through which people meet, communicate, socialise and interact. It serves as an interface not just between different sectors and groups within societies but between different nations, cultures and countries. At a personal level, for many people, shopping is not merely a chore but an enjoyable, social activity, not least because of the efforts made by traders to make it so and to stimulate demand. For many, especially the elderly or those living alone, shops, in particular local stores, may provide their only regular source of contact and conversation with other people and the outside world.

2- Concentration and Competition in commerce

18- With the aim of modernising, commerce has placed much emphasis on concentration and internationalisation. In its 1991 Communication "Towards a Single Market in Distribution"⁴ the Commission drew attention to concentration as one of the phenomena likely to be accelerated by the creation of the internal market and which affects wholesaling, retailing and wholesaling to industrial consumers alike. This is confirmed in the Commission recent study "Effectiveness and Impact of Internal Market Integration on the Organisation and Performance of Distribution"⁵

19- Concentration in commerce appears to be irreversible in all Member States but is much more developed in those in the North compared to those in the south, particularly as regards the food sector. For example, in 1994, the six major retail self-service food outlets in each Member State accounted for a significant market share in general food sales: 57% in Germany, 61% in Belgium, 35% in Spain, 67% in France, 39% in Greece, 28% in Italy. In Finland, the

⁴ Commission Communication "Towards a Single market in Distribution" COM (91) 41 final of 11.03.1991

⁵ "Effectiveness and Impact of Internal Market Integration on the Organisation and Performance of Distribution", European Commission, Directorate General XV, 1996.

major retail food group accounts for 40% market share, and the three big retail food groups account for 80%. These trends are also influenced by factors such as the increase in the number of women in paid employment, private car ownership and the development of infrastructure.

20- The negative effect of this development could be the possibility of establishing de facto vertical integration or the dependency of the manufacturer on retaining a single client. This in turn prevents the manufacturer seeking other clients or new distributors competing for supplies. For smaller distributors with an insignificant market share this also prevents them purchasing similar goods at similar prices. Concentration might also encourage manufacturers with market power to exploit weaker buyers by raising prices, thus diminishing their competitiveness and accelerating the process of concentration on the retail level.

21- This process of concentration is only part of the larger debate concerning relations between commerce and industry and the competition rules existing between them. This debate is now open in many Member States and will be developed at EU level. The result of this trend towards concentration has reinforced the hand of major distributors vis-a-vis their suppliers and encouraged the development of distributor own brands. Another important indication is the creation since the early 1980s of buying alliances at national, European or even global level, which have led to a growth in the power of large distribution groups, integrated or otherwise, and to sometimes rather strained relations between producers and traders.

22- Ensuring competitive markets within commerce, as in other parts of the economy, is an important tool in the battle against rising prices and benefits the consumer. On the other hand concentration of market share in the hands of a few firms can reduce the potential influence of the consumer as regards, e.g. product range, choice of outlet (location of stores), or market signals. Competition rules play an important role for commerce. Of special interest are the rules concerning franchising, exclusive purchasing and selling and on selective distribution.

3- The development of independent organised commerce

23- In order to remain competitive on the market and maintain their market share, commercial Small and Medium Sized Enterprises (SMEs) are increasingly working together in associated networks in the form of cooperation between retailers, such as buying groups and voluntary chains of one or more wholesalers and several retailers or in franchise chains. This phenomenon is more marked in the non-Mediterranean Member States. Concentration is no stranger to these forms of commercial co-operation. This form of supply, known as independent organised commerce, is becoming increasingly widespread in the EU. Organisation along these lines combines the flexibility and service of small shops whilst offering the benefits of efficient logistics associated with larger structures. However the form in which such concentrations arise may give rise to questions about their compatibility with competition rules inside the Union.

24- Co-operation enables heads of a small firm to enter a decision-making forum, to have contacts with other sole traders confronted by the same issues, to benefit from training and the support of similar professionals based on a real common interest, notably within a common buying structure and sales and marketing policy which allows them to attain a sufficient critical mass. These competitive advantages compensate for the partial loss of autonomy by the head of a small firm, in particular as regards the upstream part of the distribution chain, that is their suppliers.

25- It would be wrong to believe that independent commerce is condemned to disappear in the face of competition from large integrated firms. Certainly, the commercial revolution unleashed in the Northern Member States has been accompanied by a trend towards concentration and the development of large integrated firms, but the overall trend is not that of the disappearance of independent traders who are often associated to them through various forms of contracts such as franchising.

26- The emergence of independent organised commerce is arguably the most important development to have taken place in the commercial world since the advent of large scale distribution. Today, this kind of commerce represents 22% of retail sales in Germany and 40% in the Netherlands. Franchise networks alone account for 8% of retail turnover in France (30% in the United States).

4- The development of the Single Market and internationalisation

4.1- Cross-border trading in the Single Market

27- The most obvious characteristic of the retail trade is its dependence on local outlets and its need to take account of local preferences and prejudices. This explains the very important part played in maintaining a healthy enterprise environment of national, regional or local regulations. It also explains to a large extent the mechanisms used by commerce to supply customers directly in other Member States.

28- The principle mechanism for establishing a presence in other Member States used by retail companies is by becoming majority share holders in local distribution companies. This has been especially prevalent during the last ten years in the Southern Member States: by 1994, virtually all Spanish hypermarkets were in the hands of companies mainly or partially controlled by capital based in other Member States. A similar situation prevails in Portugal and Greece and takeover and merger activity is continuing. Some large retail enterprises have also established a direct presence by opening stores but this is still relatively rare. Another mechanism is by the establishment of voluntary chains supported by wholesalers, franchise chains and buying groups, uniting large numbers of commercial SMEs.

29- On the wholesale side the picture is different because wholesalers are not so tightly linked to local outlets. A study undertaken by the Commission⁶ in 1993 demonstrated this and underlined that a distinction must be made between the internationalisation of wholesaling and that of retailing. As regards wholesaling, the cross-border dimension is an integral part of strategies implemented in response to structural changes in distribution channels. Internationalisation of wholesaling is occurring in all sectors (food, non-food, inter-industry) and has important consequences for producers, acting as a counterweight to the trend towards concentration in production brought about by the need to supply larger markets, and enabling SMEs involved in production to access markets beyond their national frontiers.

30- The internationalisation of retailing as far as the establishment of shops is concerned is currently more limited to certain large retail groups which are big enough, and possess the

⁶ "Foreign investments in retailing and wholesaling in the EC", 1993: Commerce and Distribution Series, DG XXIII

techniques necessary, to take advantage of international markets and adapt to their particular characteristics. Indeed one of the spin-off developments is the acquisition of know-how on servicing different consumption patterns. This move is likely to continue given that the attainment of a critical mass achieved as a result of cooperation of SMEs or concentration, the globalisation of markets and the relative saturation of domestic markets encourage operators to internationalise. Opportunities should remain available for smaller companies looking for niche markets through interactive websites on the Internet.

31- Though some retailers have expanded outside their home market to other Member States, the large majority stays within the home market as far as Europe is concerned. Cultural differences are likely to persist and will continue to restrict the organic expansion of firms and retail formats outside national territories. Franchise chains, however, which link local traders to an international concept continue to develop and are certainly an important element in the Europeanisation of commerce. Nevertheless, significant price differences continue to exist between the Member States which implies that the internationalisation of brand names does not necessarily lead to internationalisation of supply, nor does it produce convergence in prices for the consumer.

31a- The localisation of retail outlets will become less important to cross-border trading when transport across frontiers becomes a significantly smaller element in the cost of products. The Commission proposals on improving transport infrastructure particularly as regards the Trans-European-Network is important in this respect⁷.

4.2- Cross-border trading with countries outside the EU

32- The same general trends as can be observed in cross-border trading inside the EU can be observed for selling outside the Union. In effect wholesaling has shown an immediate move into establishing a presence in European non-Member States and even into the US and Asia whereas export of the retail function has not followed this expansion. On the other hand easier access to information and the availability of goods on the international market via audio visual and information networks is stimulating local demand which often can only be supplied from outside the consumers home territory. This is a challenge for electronic commerce which must be faced urgently by the EU.

33- The modernisation of commerce in the Central and Eastern European Countries (CEEC), is important for promoting the economic integration of the countries. On the proposal of the Committee on Commerce and Distribution, three panels of professionals were created in 1995 and visited Russia, Ukraine and Hungary, to identify the main problems facing commerce in these countries and to determine the areas in which the professionals and their federations could help them. New missions will be set up in 1996, as far as possible in liaison with the Phare and Tacis programmes, in particular, to co-finance management training and technical assistance to develop logistical distribution structures adapted to local needs.

34- A similar method could be used in order to reinforce historical links between the distribution systems of the Mediterranean littoral states. Such actions for training and technical assistance could be inserted into the framework of the "Barcelona Declaration" adopted at the

⁷ See Annex D - "Transport policy"

35- A number of questions arise about the consequences of internationalisation for commercial enterprises. It is notably the case of the influence of national regulations on commerce, guarantee and after sales service. Commercial enterprises established within the Community will be subject to them and their differences might lead to Internal Market barriers that will hamper the development of these European based commercial enterprises when compared with their international competitors. On the other hand the dynamics of internationalisation may force revision of these national rules particularly when suppliers are situated outside the European Union. This is also the case for equal access by enterprises to communication networks.

36- Here it is essential to allow firms of all sizes access to communications and sales networks, by ensuring that the principle of the freedom of establishment and competition policy are effectively applied. Cross border commerce will require both retailers and wholesalers to adjust to competition from non traditional sources. The Internal Market principle of the free circulation of services could give rise to conflict between local enterprises subject to local regulations and non-domestic suppliers subject to less restrictive regulations in their home countries. Clearly the possibility that Internal Market barriers will appear to prevent such conflicts is significant and therefore such regulatory differences need to be thoroughly examined and will form an aspect of the consultation arising from the Green Paper. In particular, the reasons why commerce remains relatively under-europeanised should be further examined and solutions should be sought to enable the Internal Market to work for the benefit of the consumer, notably as far as price variations are concerned.

III- THE ROLE OF AND ACTION UNDERTAKEN BY THE MEMBER STATES AND THE EU RELATING TO COMMERCE

37- The flexibility and competitiveness of commerce can not be maintained if the sector is too firmly constrained by regulation. It works best on local knowledge of markets and individual initiative not on centralised regulation. Nevertheless, as with other economic sectors, the global market place sometimes requires a global response and global standards just as the internal market offers special challenges for EU enterprises which require to be dealt with at the European level.

1- Actions undertaken by the Member States

38- Commerce within the EU is characterised by disparate national economic, demographic, legal, fiscal, structural and cultural characteristics of each Member State. The market, although part of a larger entity, is, above all, local. Commerce is very flexible in adapting to socio-economic structures and the differences between commercial structures in the EU reinforce varying consumption and behaviour patterns.

39- The Single Market provides new opportunities for traders to enter new markets with products universally in demand and to introduce new products from regional markets into other localities of the Union. What is important is that the opportunities for entering local markets are not inhibited by regulations which unfairly restrict competition and that the retail trade is

not discouraged from sourcing from non-traditional suppliers or subjected to restrictive trading conditions by dominant local enterprises.

40-The regulation of commercial activities is a competence of the Member States, subject to the respect of Community law as set out in the Treaties, in particular as concerns competition, freedom of establishment, free movement of goods and services.

41- There are differing national rules relating to the creation of enterprises (such as registration and various fiscal and social obligations), the siting and rental of commercial premises, opening hours, consumer protection (such as lotteries, discounts, special reductions and sales, as well as the involvement of consumers in product distribution, such as pyramid sales, home parties and sponsorship gift) and unfair practices (such as refusal to sell, conditions of sale and purchase, imposed, recommended or maximum prices). Some of the practices, e.g. opening hours are deemed by the Court of Justice to be the competence of the Member States; some, e.g. consumer protection, are subject to EU directives as well as national regulations. Annex B provides more information on the differences in national regulations.

2- Role and actions of the EU

42- Aware of the importance the creation of the internal market has for distribution, the Council of Ministers of 14 November 1989 adopted a Resolution⁸ inviting the Commission to present concrete proposals. On 11 March 1991 the Commission then adopted a Communication entitled "Towards a Single Market in Distribution"⁹, supported by the Council of Ministers in its Conclusions of 30 June 1992¹⁰, which underlines the fact that the success of the internal market is dependent upon the creation of a single market in distribution.

43- Many EU legislative measures have an impact upon commerce¹¹. It is also vital to ensure that conditions for fair competition between economic actors exist, whilst guaranteeing the same market opportunities. The Commission will continue to examine how to allow different forms of co-operation, and in particular groups of traders, free access to the forms of organisation and operation which appear best suited for the market situation. How these developments should best be reconciled with the need to respect the principals of open access and non-discrimination at the heart of competition policy is being examined by Commission services at present.

2.1- Actions in support of commerce

44- The Commission encourages the modernisation of commercial enterprises through COMMERCE 2000 pilot action. These actions, supported directly by the Commission, seek to promote commercial co-operation through the use of new technology, give prominence to good practices and provide help in choosing the right technology, taking account of each situation. The results already obtained have shown the impact of new technologies on the

⁸ Council Resolution on commerce in the context of the internal market (89/C 297/02)

⁹ Commission Communication "Towards a Single Market in Distribution" COM (91) 41 final of 11.03.91

¹⁰ Council Conclusions of 30.06.1992, Bull. CE 6-1992, point 1.3.58

¹¹ See Annex C - Detailed list of community legislative measures

process of commercial co-operation, and the importance of training to accompany the changes.

45- Commercial enterprises also benefit from general measures taken in favour of enterprises within the framework of the Multi-annual Programme for Community actions to reinforce priority areas and to ensure the continuity and consolidation of enterprise policy, especially SMEs given their importance for creating employment and stimulating growth.¹² Given that one in three SMEs is involved in commerce, actions taken in favour of SMEs will normally include actions in favour of enterprises in the commerce sector.

46- Specific actions aimed at improving information increasing transparency and raising the awareness of the professionals active in commerce have been carried out. The Commission also uses the Euro-Info-Centres (EIC) network to distribute targeted information about businesses.

47- In addition to support from specific enterprise policy initiatives other Community policies directly assist the commerce sector in particular via structural policies and training support. These and other relevant Community actions are explained more fully in Annex D.

2.2- The consultative framework

48- Given the importance of legislation in the area of commerce it is essential that the Commission consults closely with the parties concerned. In response to the Council's request in its Resolution of 14 November 1989 to reinforce "co-operation between the Commission and the Member States by high level meetings of those responsible for internal commerce", the Commission set up and meets regularly with a panel of governmental experts on internal commerce, as well as with the Directors General of internal commerce from the administrations of the different Member States. The meetings help to promote exchanges of information between the Member States and the Commission.

49- It is equally necessary to ensure that commerce is consulted as far up the distribution chain as possible and, accordingly, the Commission regularly consults and informs professional associations representing commercial enterprises at European level. Commerce is thus represented in a certain number of specific consultative committees, e.g. the Consultative Committee for Food Products.

50- Above all, the Commission consults the Committee on Commerce and Distribution (CCD), composed of entrepreneurs from commerce, on all Community legislation or questions concerning commerce. The CCD has working groups on the internal market, external trade, economic and financial questions, the environment, consumer affairs, tourism and leisure, social affairs, lifelong learning and the information society. There are also several sub-groups dealing with issues of specific interest to commerce, such as company law, distance selling, competition and SMEs. The CCD helps the Commission to identify the impact of its draft legislation on commerce and therefore the best means of achieving its objectives.

51- The Commission intends to promote a dialogue between consumers and traders and to give it a strong impetus. This objective will be pursued within an operational framework, with a view to encouraging both parties to reflect on how to improve cooperation.

¹² Decision 93/379/EEC of 14.06.1993, OJ L 161 of 02.07.1993 and Council Decision on a third Multiannual Programme for SMEs (1997-2000)

52- Sector-based social dialogue on commerce has taken place between the European federation representing wholesaling and retailing (EuroCommerce) and the European trade union representing those employed in the area (Eurofiet). These two organisations have been pursuing social dialogue since 1983. In 1993, EuroCommerce and Eurofiet recognised each other as social partners within the meaning of Articles 3 and 4 of the Agreement on social policy. This social dialogue led to the signature in 1988 of a memorandum on training in retailing. Various projects have been pursued by the social partners and supported by Community grants on the basis of a transnational partnership: for example, a project under the FORCE programme concerning the long-distance training of employers and employees in commerce and another project called ASSIST relating to the training of business leaders of SMEs and new employees. On September 18 1996 the Commission adopted a communication concerning the development of the social dialogue at community level¹³.

IV- NEW CHALLENGES FACING COMMERCE

53- On the eve of the 21st century, commerce is confronted with a broad range of challenges. How commerce reacts and adapts to them will impact not only on commerce itself but also have repercussions throughout the economy and society of the European Union. The importance of commerce as a source of jobs will need to be kept constantly under review as new forms of trading are introduced. The evolution of the information society, while providing the tools for a more efficient management of the logistics and planning of the sector also provides the means for direct and distance selling into the home. While these trends are not likely to replace traditional trading methods completely they will have a direct impact on the kind of employment available in the sector, the training requirements and the competitiveness.

1- Ensuring the effectiveness of the Single Market

54- The Single Market will stimulate commerce and Economic Monetary Union (EMU) will further facilitate cross border trade. The impact on local enterprises and communities of this development will need to be observed to ensure that consumers as well as entrepreneurs derive a benefit. The expected benefits include a wider variety of products from a bigger range of sources at more competitive prices. The need to maintain a viable commerce sector will bring pressures to improve competitiveness which in turn may precipitate further changes in the social, physical and technical infrastructures of commerce.

1.1- Barriers to the Single Market

55- From the existing evidence it is already apparent that differing laws affecting the establishment of retail operations can severely hamper existing retail groups from expanding their operations across Europe since the differing regulations may imply that they have to totally alter the shop formats which they have successfully developed in their national home markets. These regulations extend from planning regulations to regulations on unfair competition, franchising, solvency, pricing etc. They can be general or sector specific (e.g. pharmacies). Such differences can undermine the viability of investment seeking to establish new retail operations in neighbouring European markets. This issue requires urgent attention.

56- Similarly, the application of differing national laws on the cross-border use of promotions

¹³ COM (96) 448 final of 18.09.96

(affecting the cross-border use of relatively new concepts such as customer loyalty cards as well as more traditional sales promotions) and on cross-border commercial communications in general can restrict the possibility for commerce to expand and benefit from the area without frontiers. This affects direct marketing and mail order operators who have to alter the content (not just language) of their marketing material when operating across borders. It also affects business to business commercial enterprises who rely heavily on direct marketing and catalogues. Finally, it can also restrict those retailers near to borders who wish to advertise their services to neighbouring non-domestic regions. The Commission is currently considering the fragmented regulatory regime in the Internal Market that currently hampers cost effective cross-border commercial communication services. It published a Green Paper on this issue in May.¹⁴

1.2- Consumers' concerns

57- The europeanisation of consumer attitudes has also affected the development of the sector in the Single Market. Consumers are showing a change in their behaviour, thus establishing new challenges to which the commerce sector must adapt, in the same way as that of the production sector. Increasingly, consumers are concerned by production methods, together with preoccupations about the environment, conditions surrounding production in certain less developed countries, or the welfare of animals.

58- A point of particular concern is food consumption; the concern about BSE, chemical residues, genetic modifications, irradiation of food, all contribute to a general unease about food quality and relevant controls and responsibilities. Also, the development of Community legislation concerning labelling¹⁵ has led to a surfeit of information on labels. There are many consumers who are unable to understand or to use these details; on the other hand, some information which the consumers would appreciate, such as those concerning safety in the use of the product, or its nutritional value, are lacking. Labels must provide a clear message to consumers, such as in the case of the European eco-label. An alternative to excessive labelling is for shops to give greater information on their policies as regards consumer concerns such as the environment, e.g. by identifying "green" products or encouraging recycling.

59- From a consumer perspective, growing international sourcing expands the variety of products that are available in local shops. EU-wide sourcing and more efficient distribution methods also make those products available at lower prices. Any trend towards price convergence will mean that fewer consumers will pay the kind of unreasonably high prices that are typical for an environment with segmented markets.

60- Consumers and traders do not always share a common interest but the pursuit of their differing objectives should not give rise to confrontation. It pays both sides to maintain a dialogue to ensure that any major differences can be resolved. Both the Consumer Council and the Committee on Commerce and Distribution have expressed a wish to have joint consultations on some issues. The Commission will take steps to organize such consultation.

¹⁴ "Commercial Communications in the Internal Market" COM(96) 192 final.

¹⁵ See Annex C - Detailed list of community legislative measures

A number of issues should be addressed to ensure the benefits of the Internal Market are fully shared by the commerce sector: e.g.

- ◆ What can be done to encourage or facilitate greater access for wholesalers and retailers across frontiers?
- ◆ What kind of cooperation will permit smaller commercial operators to ensure their competitiveness in the Single Market?

1.3- The introduction of the Euro

61- The dynamic effect of the Single Market will be greatly enhanced by the introduction of the single currency which will ease the burdens of instability of fluctuating exchange rates and the associated administrative costs especially on traders involved directly in cross-border trading. The Madrid Council of December 1995 endorsed a three-phase scenario for the introduction of the single currency. EMU will be launched on 1 January 1999, when the exchange rates will be locked and the euro will become the single currency of the monetary union. Euro notes and coins will enter circulation by the end of 2001 at the latest.

62- The introduction of the single currency is of great importance to the distribution chain since it will be one of the most affected areas in the economy. The role of traders will be essential for it is they who will be asked to "sell" the euro to consumers to familiarize citizens with the euro. For many EU citizens, their first practical experience of the euro will be when they are shopping.

63- Preparations for the EMU are gathering pace. The Commission on 16 October 1996 adopted draft regulation on the introduction of the euro¹⁶ with a view to giving economic operators legal security. Inter alia, the proposed legislation defines the legal status of the euro and ensures full legal equivalence between the euro and national currency units during the transitional period. Moreover, it reaffirms the principle of the continuity of contracts and specifies a general rounding rule. It is hoped that agreement on these proposals can be reached at the forthcoming Dublin European Council meeting in December 1996.

64- Retailers will have to convert prices from national currency to the euro. Establishing a price list in euros is not just a matter of multiplying through the fixed conversion rate. Prices will be set at convenient levels which are effective from a marketing standpoint and, inevitably, some prices may need to be adjusted in real terms. Shops will need to assist their customers to cope with a new and unfamiliar price structure in euros. Particular attention must be given to those citizens who will face most difficulties in making conversions, such as the elderly and visually impaired. One possibility to familiarise customers would be to display prices in dual form. Other possibilities would be displaying conversion tables, distributing information leaflets or placing simple calculators at the disposal of clients. The Commission will shortly propose appropriate measures in this specific field.

65- There will be a new demand for the training of personnel and staff dealing with the general public. They will also need to be trained to deal with the change in accounts and use of new equipment, particularly during the transitional period. The arrangements for the introduction of euro notes and coins and the withdrawal of national notes and coins from circulation will

¹⁶ COM(96) 499 of 16.10.1996

present logistical challenges. This phase will last a maximum of six months and must be completed by 1 July 2002. Cash handling devices such as vending machines and cash registers will need to be adjusted to the technical specifications of euro notes and coins.

66- EMU will lead to greater price transparency between countries as consumers can more easily compare prices in euro. This could result in increased cross-border shopping, especially if there are high price differentials between Member States. It could present an immediate advantage to commerce and specially to distance sellers and encourage a more rapid development of electronic commerce.

67- The commerce sector needs to prepare for the potential opportunities which the improved functioning of the internal market entails. Information and assistance to customers should be seen as an important marketing tool to attract a greater market share.

68- Public authorities have a key role to play in assisting private economic agents to introduce the euro, in particular via the provision of precise timely information. For its part, the Commission working together with the European Parliament has launched an information campaign on EMU. The involvement of all groups of currency users, such as business associations, is critical to the success of the programme. Given their central role in assisting citizens make the change to the euro, associations representing commerce must be associated with this initiative. The Commission is examining how best to achieve this objective.

National authorities and the Commission are under an obligation themselves to reflect how the ongoing communication campaign can address the information needs of this sector and how they can facilitate the necessary adjustment process.

In particular they may wish to address the issues of whether there is a special role for Member States, the banks, the large store groups, the professional organisations, other specific groups and which of the sector's adjustment problems are specific to the sector.

2- Enterprise environment

2.1- Administrative burdens and simplification of legislation

69- As has been mentioned¹⁷, since one in three SMEs is involved in commerce actions taken in favour of SMEs will benefit the commerce sector directly. The Commission has recently issued a number of communications and recommendations in this area which have no legally binding effect but act as signals and indications to encourage Member States to be inspired by each others' best practices. The Commission has hitherto intervened on the themes of improvement of the tax laws and the transfer of SMEs, payment deadlines in commercial transactions and the definition of SMEs.

70- One of the most important issues is administrative and legislative simplification and deregulation. Parallel to the report of the Molitor Group, and in the context of the White Paper on "Competitiveness, Employment and Growth", the Commission's strategic programme for the completion of the Single Market and the Integrated Program for SMEs, a Committee on the simplification of the business environment has also been established, with the objective of

¹⁷ *Supra II- 2.1- actions in support of commerce*

exchanging best practices, and focusing on the possibilities of easing the burden on business, especially small and medium sized enterprises (SMEs), through legislative and administrative simplification.

71- The Commission has also recently adopted a communication containing a report on the first actions in the SLIM initiative aimed at simplified Community and national legislation. The reduction of administrative burdens associated with over-regulation and, hence, the reduction of costs should be of immediate benefit to the consumers. The complexity of national legislation surrounding the sector and its potential constraint on a rapid achievement of the objectives of the Single Market together with specific legislation on labelling merit special attention. The Commission will consider which aspects of legislation affecting this sector would benefit from future SLIM initiatives.

2.2- Training

72- The evolution in organisation, infrastructure, know-how and methodologies of the sector is creating a demand for new or more refined skills. This means that commerce must be prepared to invest in training of personnel from the shop floor to senior managers in order to take advantage of the new opportunities especially those associated with the introduction of the euro and the new information technologies. The Commission already offers support for such training within the framework of the Leonardo da Vinci Community programme¹⁸, which gives significant support to a certain number of transnational pilot-projects in this domain. This must be reinforced, principally as far as SMEs are concerned.

73- In addition to the need to train employees in the new techniques and the new environment which is emerging from the innovations by traditional means, firms can engage in distance training by means of computer networks which can be used for teaching and motivating entrepreneurs and their staff on business related subjects. Distance training is extremely flexible because it enables training to be carried out without people having to leave their place of work.

2.3- Statistical information

74- Without reliable information, economic operators can only take decisions on the basis of hypotheses or estimates, a process which itself leads to inequalities between operators as SMEs lack the means to conduct large scale research. It is therefore important for those involved in commerce, be they economic operators or public authorities, to have at their disposal statistics and economic analyses in order to facilitate taking the necessary decisions and to respond promptly to the need to adapt.

75- Accordingly, to improve statistical information¹⁹ an annex on "commerce" was integrated into the proposed rules on structural statistics on business presented by the Commission on 3 April 1995²⁰, and which is now awaiting adoption by the Council. Professionals have supported this initiative within the CCD: if business charges are to be reduced as much as possible, some reliable and detailed statistics are indispensable to the economic players. Some

¹⁸ See Annex D - "training support"

¹⁹ See Annex D - "statistics"

²⁰ OJ C-146 of 13.6.95

statistical studies have been prepared and published by Eurostat in collaboration with DG XXIII²¹. Methodological manuals have been drawn up and are available to national statisticians in order to have accurate and comparable statistics in the different countries of the European Union.

76- We must nevertheless examine in the context of this Paper whether more needs to be done to enable decision makers both private and in public administrations to have a clear up to date picture of the current situation and the trends. The sector itself should consider setting up a system (i.e. database) to help increase commercial awareness on the possibilities within the Union to meet demand on new products. Any such action would need to take into account the additional administrative burden which may be placed on enterprises as a result of providing additional statistics. Without such information the increasing globalisation of supply and point-of-sale marketing could leave EU entrepreneurs at a disadvantage.

The commerce sector will benefit from the energetic application of the Commission enterprise policy and should immediately tackle with the Commission the problems of overregulation, notably in labelling, and the needs for properly structured training for both traditional and new skills. It must also examine how the information flow can be improved so that i) decision makers in the smaller enterprises are constantly up-to-date with the market, and ii) public administrations have the data to understand and to address the problems of the sector.

3- Employment, competitiveness and cohesion

3.1- The rural environment

77- Our society depends on trade without which it would lose its dynamism and its cohesion. This feature is very apparent in rural areas which cover 80% of Community territory and they are very diverse in character. Many rural communities today face a shortage of commercial enterprises or primary services, notably in sparsely populated areas with a loose urban framework. This phenomenon is not new but it has worsened in the last 15 years with changes in lifestyles, patterns of consumption and the distribution chain itself.

78- The decline of the neighbourhood shop is a symptom of the trend of economic flight from rural areas (exodus of the local community, serious reduction in primary activities, especially employment in agriculture,) and is a cause for serious concern. When the last shop closes the future of the village itself is threatened because commerce is a facility unlike others.

79- Local commerce is an efficient way of trying to reduce the risk of marginalisation of rural populations who must be able to benefit from a wide range of locally-provided services. It is sometimes vital to retaining other activities such as providing the natural outlet for local craftsmen, especially in tourist areas where trade is highly seasonal. Commerce performs a variety of roles: the function of livening up the local community and creating social bonds is largely fulfilled by local shops. They are an attraction for the local inhabitants and the surrounding area and often become the only meeting place. Commerce performs an irreplaceable social function.

²¹ "Retailing in the European single market 1993" and "Retailing in the European economic area", 1993 and 1995, EUROSTAT and DG XXIII

80- Local rural shops are usually characterised by limited sales areas, with a reduced selection of goods on offer, mostly food items. They are also restricted to customers who live nearby. Yet commercial SMEs must be able to offer competitive prices, allowing the local population to defend their spending power and to raise their standard of living, especially for elderly people.

81- Ensuring the delivery of products to less-populated areas is one of the most important problems facing them. In fact, a price gap between rural shops and the closest medium to large sized stores may well be inevitable. Studies examining the establishment of this type of shop conclude that the price gap need not exceed 15-20%. Commerce must examine the logistical structure (franchise, voluntary chain, purchasing group, electronic ordering) as a means of achieving the necessary competitiveness.

82- Modern sales outlets in rural areas can become multiservice businesses through being a medium for postal or banking operations, the orders and delivery department for distance selling groups or the contact point for telecommunications networks. The creation of such mini-service centres in sparsely populated areas can play a part in the development of networks for the provision of services to the elderly. Pilot projects undertaken in this area, e.g. in Germany (Nachbarschaftsladen 2000), France (1000 villages) and the United Kingdom have shown interest in this approach.

83- The structure of sales patterns in rural and less populated areas can prompt suppliers to set themselves up in proximity, along with all the related services they use. Thus, the maintenance of commercially viable shops in rural areas has local effects on employment and economic activity. This is accentuated in sparsely populated areas, such as islands or peripheral zones. Local shops are part of the 17 areas identified by the Commission in its research on Local Development and Employment Initiatives (LDEI) and taken up again in the Commission Communication on "A European strategy encouraging LDEIs".

3.2- The urban environment

84- On the threshold of the 21st century, European cities are still the main economic, innovative and cultural centres: 80% of the EU population lives in urban zones. In the era of mass consumption, new forms of distribution have changed urban land use with the appearance of large out-of-town shopping centres, as well as the widespread establishment of specialised shops along arterial routes sparking off or contributing to the economic decline of city centres. Inner city planning and the commercial equilibrium in urban areas are a major political issue in many countries.

85- The development of city centres as locations for the service industries (offices, financial services, cinemas, theatres, public administration,) and the consequent rise in the cost of space has, in the recent past, put pressure on city centres residence and choice of jobs. A paradox of high rents, high prices and high unemployment being organically linked in city centres has its effects on commerce.

86- Some areas face difficulties of supply. These areas normally have other social problems not directly related to commerce other than a low effective demand. In some cases the hard discount or the supermarket is the only local shop. Nevertheless their requirements for access to supplies must be met. In the absence or reluctance of external investors the endogenous development of neighbourhood shops in these urban areas seems to be, by its very nature, the rational response. It would create employment and also the feeling of safety, as shops are

meeting places and centres of exchange that further the revitalisation of local communities. There is scope for examining the possibility of extrapolating the experience of the large retailers who have developed local co-operation in city centres and commercial areas.

87- An integrated policy in favour of the city seems increasingly necessary. It is a question of achieving a balance that takes into account the interests and needs of all inhabitants living in urban areas and indeed of society as a whole as well as ensuring that access to the market place is kept open and that active competition is maintained.

88- Commercial development in suburbs, in most cases supermarkets, is already an established phenomenon in the northern Member States and in full expansion in southern Member States. It is important not only to examine the competition between small traders in city centres and suburban supermarkets but also that between big suburban shopping centres and large city centre shops, non-food specialised supermarkets, small traders, etc. and to look at competition between commercial poles rather than between forms of commerce.

89- The impact on the environment of passenger journeys undertaken by consumers - usually in a car - on their way to and from shopping centres on the urban periphery or green field sites has an impact on sustainable long term development of cities. Equally, growing congestion, in particular in city centres, has repercussions for commerce, such as difficulty of deliveries and rising logistical costs. The environmental impact of the changing infrastructure of commerce should be tackled by the different interests working together and the Commission can give a lead by stimulating the debate.

A number of questions should be asked about enhancing competitiveness and ensuring stability and social cohesion during the structural adjustments affecting commerce:

- ◆ How can the continuing operation of local small scale commerce despite short term economic and market trends be ensured?
- ◆ How can the conflicting interests between environmental objectives, the increasing use of the private car as a shopping vehicle and the needs of non-mobile sections of the population be reconciled?
- ◆ How can the traditional synergy between commerce and the community as regards employment and service be maintained?

4- The Information Society and Commerce

90- The use of information technologies makes it possible to enhance existing services and to create new multi-media services and applications which combine sound, text and visual images. The development of these modes of communication provides an opportunity for strengthening the competitiveness of enterprises and opening new perspectives regarding organisation of work and job creation. The application of new technologies to everyday life is transforming our world into an Information Society. The Commission has recently published several documents on this theme²².

²² Green Paper "Living and working in the Information Society", COM(96) 389 final of 24.07.96, and Commission Communications "The Information Society: from Corfu to Dublin - The new emerging priorities" and "The implications of the Information Society for European Union Policy - Preparing the next steps", COM(96) 395 final of 24.07.96. *Commission Communication on "Europe at the forefront*

91- The use of these technologies has provided important opportunities for new commercial activities which range from advertising on the Internet to conducting trade transactions electronically. Commercial enterprises have to re-examine their strategy and organisation, an activity which will have implications as regards training of heads of enterprises and employees with an eye to preparing and motivating them for the constant changes which will be necessary. The entire distribution chain from the producer to the consumer will have to reorganise itself and adapt its structures and strategies accordingly. Relationships with consumers will similarly be transformed. It is essential to increase awareness among our citizens, consumers and entrepreneurs and to analyze not only the positive effects and new opportunities offered to commerce and to consumers, but to examine the risks and negative side-effects which the Information Society could engender.

92- Apart from direct sales to final consumers, enterprises are also interested in examining business to business opportunities. These may include catalogues or company brochures which enable commercial enterprises to expand their range of potential suppliers and partners, financial and solvency information on competitors or suppliers, as well as information on markets and on regulatory issues, especially relating to local markets. Commercial enterprises may also wish to provide information themselves, mainly to consumers, with the aim of raising the company's profile by putting on line information and commercial communications which stand a reasonable chance of being seen and the presentation of products via electronic catalogues.

93- All these possibilities are available on systems with a world wide application. Electronic commerce increases opportunities for participation in the global market place. It is possible for sellers to expand their geographical range without any physical movement. Cross-border sales, particularly of SMEs, will accelerate faster through the use of electronic trading than through traditional means. It will also increase market opportunities for SMEs in peripheral regions. Recognising this global aspect and the strategic importance to involve SMEs as the foundation of economic activity and key to innovation, the G7 Pilot Project "Global Marketplace for SMEs" offers the opportunity to spread internationally activities and projects launched on a regional basis and to allow participation of European SMEs in the global trade market.

94- Clearly, the changes which companies need to effect to take account of new technologies will have an impact upon employment within the distributive trades. The exact nature of these repercussions will depend on the share of the market accruing to "virtual" sales. Electronic commerce looks likely to acquire an important part of the market, in which case a new division of the market will occur possibly to the detriment of traditional forms of selling, such as that in shops, with a risk of large scale redundancies, especially in large stores. It is, however, premature to exclude the possibility that the stimulus to participate in a larger global market will still leave enough room in the new infrastructure for traditional forms of selling to maintain their volume even with a smaller share. At the same time, new jobs will be created by, for example, new operators on the market or the development of branches specialised in electronic commerce, and in packaging and delivery services. It is difficult, however, to estimate with any accuracy what the direct effects will be on overall employment or on existing commercial enterprises.

Enabling technologies for Electronic Commerce

Electronic Commerce encompasses a wide range of communication technologies including email, fax, EDI, EFT multi-media, shared databases, electronic catalogues and directories. Any of these technologies can be used to support electronic commerce, the choice will be governed by the context of their use (each is highly appropriate for some contexts and inappropriate for others).

EDI (Electronic Data Interchange) provides an application-to-application communication technology which facilitates the electronic exchange of orders, faster delivery, better time management and improved customer satisfaction.

Internet, email and home pages offers different possibilities of connection and usages and seek to reach the widest potential of users at low communication cost.

Application of EDI has been one of the subjects dealt with in the framework of the COMMERCE 2000 action. Though it is well established in European countries, it has been perceived by many SMEs to be too complex and too costly in view of their business requirements and developments of Internet tools may be easier to access and may better fit their needs.

On the positive side, Internet tools allow companies to strengthen their brand image, to expand their distribution channels and to achieve savings on long distance communications. However the current disadvantages are a variable quality of service and limited security, especially with regard to payment.

95- The development of electronic commerce, along with the creation of "virtual" shopping centres, could lead to the emergence of new operators in the distribution chain, for example, producers of physical goods for whom new technologies could simplify distribution, producers of information (computer software, books, films etc.), electronic retailers, specialised in various areas, who today use traditional distance selling and new specialised companies which operate on the market by using market makers (organisers of electronic markets). There will also be new kinds of distributor using systems for the physical distribution of goods adapted to deliver directly from the producer to the consumer or in co-operation with an electronic trader or the market maker. Such delivery systems have already been developed by enterprises involved in distance selling which, in certain cases, guarantee delivery the day after an order has been placed.

96- Other new operators are electronic networks or telecommunications companies, such as cable operators, telephone companies or private networks which can provide access to the consumer's home and those using market choice boxes (servers designed to facilitate consumer use of interactive programmes) through which a vast choice of electronic traders can be reached. In effect, these servers help to designate how the telephone, television and computer will be combined to link the home to the market place.

97- Information technologies can contribute to reduce distribution costs to a minimum, for example, the sale and distribution of computer software via a communication network. It may be possible to reduce distribution costs along the entire length of the distribution chain. Electronic links between producers and retailers make it possible to lower costs by reducing paper transactions or replacing them entirely by electronic transactions.

ECR (Efficient Consumer Response)

ECR involves the setting up of a close partnership between suppliers and distributors with the installation of the required technologies, especially the EDI: "just-in-time" deliveries by planning orders and automatic replenishing of stocks by sharing sales data; management of sales and promotional areas and the joint development of new products.

A study presented at the "Congress on ECR in Europe" on 25 and 26 January 1996 indicated that ECR represents total savings of 250 MECU within the EU, equivalent to a possible reduction of 5.7% of the retail price. But ECR implies a total re-examination of commercial relations between producers and distributors. What is required is a move away from flows within the distribution chain pushed by producers to flows pulled by demand.

Development of ECR must be monitored to ensure that both manufacturers and consumers continue to benefit from this substantial shift in economic power towards retailers. In particular it is important to prevent dependence of the manufacturing industry, notably SMEs, on single outlets and consumers choice being dictated by internal management decisions geared to company financial considerations rather than consumer need (e.g. lowering quality for cost reasons).

98- In the framework of home shopping teleshopping has become an important activity of distance selling. The legal framework for trans-european teleshopping (Directive 89/552/EEC "Television without frontiers") is currently under revision. The draft directive concerning the protection of consumers in respect of distance contracts (distance selling) is at the conciliation stage. The future directives will contain among other measures more specific provisions on teleshopping. Home shopping can become more attractive by offering on-line information. The development of "virtual shopping centres" is already under way. Home shopping will still require the physical delivery of the goods to the purchaser, who no longer has to go shopping to get what he/she wants. This will lead to a change in transport pattern - less shopping trips but more deliveries, opening up potential employment opportunities.

99- The potential changes in consumer behaviour, mainly to the degree consumers can put confidence in the new systems, will depend on the extent to which they are left safely and conveniently able to exploit the facilities offered by new technologies in terms of price, product quality, available choice and time savings.

100- The problem of the security of electronic transactions is already a major subject of discussion, the importance of which is growing daily with the development of shopping by computer. Electronic commerce needs security for its operations, especially at the payment stage, which requires the use of a specific encrypting system, yet it is clear that the current lack of any regulation in this area is causing a distortion of the internal market and constitutes an impediment to its smooth operation²³. The Commission indicated in its Communication on the Confidence Pact for Employment presented to the Florence European Council in June 1996, that proposals for regulations in the field of electronic commerce are necessary.

²³ Green paper on the legal protection of encrypted services in the Single Market, COM (96)76 of 06.03.1996

In addition to meeting the most immediate challenge of providing an appropriate regulatory framework for the development of electronic commerce a number of other challenges need to be tackled, e.g.:

- ◆ What will be the role of the Union, the Member States and the trade itself in ensuring a secure transparent, integrated and competitive market in the new environment?
- ◆ What will be the effect on employment in the sector as a whole as well as distinct parts of it?
- ◆ What can be done to enhance the awareness of the sector to the new opportunities?

V- OPTIONS FOR THE FUTURE

101- The analysis of commerce outlined above, while not exhaustive, provides an overview of a number of problem areas which are of concern to many sectors but in which the future health of commerce plays a pivotal role. Although these problem areas are extremely complex and will be affected by political decisions at many levels involving society at large, there will be no lasting solutions to these problems unless we can guarantee a healthy development of commerce.

102- From areas as diverse as town planning and rural development to transactions payment security in an environment more and more influenced by information technology, legislators can either assist or obstruct the initiatives taken by entrepreneurs to establish a viable commerce. Most of these decisions will continue to be taken at national, regional or even local level, but the evolution of the internal market will increasingly involve decisions at the EU level. The debate on these issues must take place now if the EU is to adapt as painlessly as possible to the evolution in progress.

103- This debate will be in keeping with the subsidiarity principle, if it takes into account the three lines of action at Community level:

- consultation or co-ordination between public authorities through an organised exchange of best practices, with the aim of identifying benchmarks for successful solutions,
- co-ordination of Community policies which can have an impact on these problem areas,
- action at Community level to the extent necessary to contribute to solving the problems.

104- These different modalities of action have been successfully applied in the field of enterprise policy and can therefore serve as useful instruments to indicate the options under discussion.

105- Responses to this Green Paper are invited both to provide information and to suggest possible answers or directions to follow. The Commission is conscious of the fact that so many daily activities affect the commercial environment or are affected by it that no paper could

cover all aspects. It firmly believes that without an open public debate on the various issues identified in the paper Community enterprises will be disadvantaged in the rapidly evolving global market place and may be unprepared for the social adjustments which are taking place in the Member States. The Commission believes that by launching a debate now the EU will be in a position to supply decision-makers at all levels with a set of options which will allow for the necessary initiatives to be taken in time to meet the challenges of the next few decades. In the context of the consultations arising from this Green Paper and in the course of 1997 the Commission will propose specific measures to deal with the most immediate challenges.

Accordingly,

- the European Parliament
 - the Council of Ministers
 - the Member States
 - the Economic and Social Committee
 - the Committee of the Regions
 - representative organisations, the social partners and other bodies active in commerce at European or Member State or regional level
 - individuals with experience or knowledge of the sectors
- are requested to give their reactions to this Green Paper on the role of commerce in the European Union.

no later than 31 May 1997

to

European Commission

Directorate General XXIII

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ANNEX A: STATISTICS

Introduction

The purpose of the tables and figures in this annex is to present a general panorama of European commerce at the beginning of the 1990s. They are based on the most recent data available, which explains why the dates are not always uniform within the same table. Originally these data come from the National Statistical Institutes, Eurostat databases (Mercure for statistics on services and New Cronos for the harmonised national accounts) and sometimes from university or private sources. For the most part they are lifted from recent or forthcoming Eurostat publications (cf. following bibliography). In general, the statistics reproduced cover macro-economic values (number of enterprises and local units, number of persons employed, turnover, valued added, etc.). However, the last three tables relate to the main retailing groups (turnover, involvement in international trade) and the main buying syndicates operating at European Union level.

For further information:

'Retailing in the European single market 1993', DG XXIII and Eurostat 1993, Office for Official Publications of the European Communities.

'Retailing in the European Economic Area' (Supplement to the former publication dealing with the EFTA countries), DG XXIII and Eurostat 1995, Office for Official Publications of the European Communities.

Retailing, services, transport, Monthly Bulletin, Eurostat.

Forthcoming publications:

'Retailing in the European Economic Area'. Update of the two previous publications, Publication planned for 1997 (first half of year).

'Wholesaling in the European Economic Area. Publication planned for 1997 (first half of year).

'Retailing in the Central and Eastern European Countries (CEECs)'. Publication planned for 1997 (first quarter).

1. Importance of commerce in the European Union

Commerce accounts for almost 13% of the total Gross Domestic Product of the 15 countries of the Union, employing more than 15% (15.6) of the active population and encompassing almost 30% of enterprises. In terms of these three yardsticks countries display substantial differences, which are the result of national characteristics, for example the importance of tourism or the predominance of small enterprises. They may also arise from the statistical sources and methods used. For this reason any differences should be interpreted with caution as long as the Commission's policy of standardising commerce statistics has not been implemented.

Table 1: Share of commerce¹(1991) in the European economy

	% of Gross Domestic Product ²	% of total employment	% of the total number of enterprises ³
Belgium	15.2	16.3	20.3
Denmark	12.3	12.1	19.4
Germany ⁴	10.5	14.8	28.0
Greece ⁵	11.2	12.3	40.0
Spain	15.4	16.0	33.3
France	12.6	14.3	27.6
Ireland	8.7	13.5	30.0
Italy	15.5	17.3	34.0
Luxembourg	13.9	15.7	28.1
Netherlands	12.8	17.9	26.7
Austria	13.0	14.9	30.5
Portugal	17.1	14.4	29.8
Finland	8.9	13.5	24.4
Sweden	12.0	17.7	23.7
United Kingdom	11.5	16.5	27.3
EU 15	12.7	15.6	29.4
Iceland	11.0	12.0	12.4
Norway	12.3	14.9	26.1
EEA	12.7	15.6	29.3
United States ⁶	14.5	18.3	17.9
Japan	13.4	18.1	:

¹ Wholesale and retail trade including recovery and repair.

² Gross Domestic Product at market prices.

³ Share of wholesale and retail trade, data for 1987-1994.

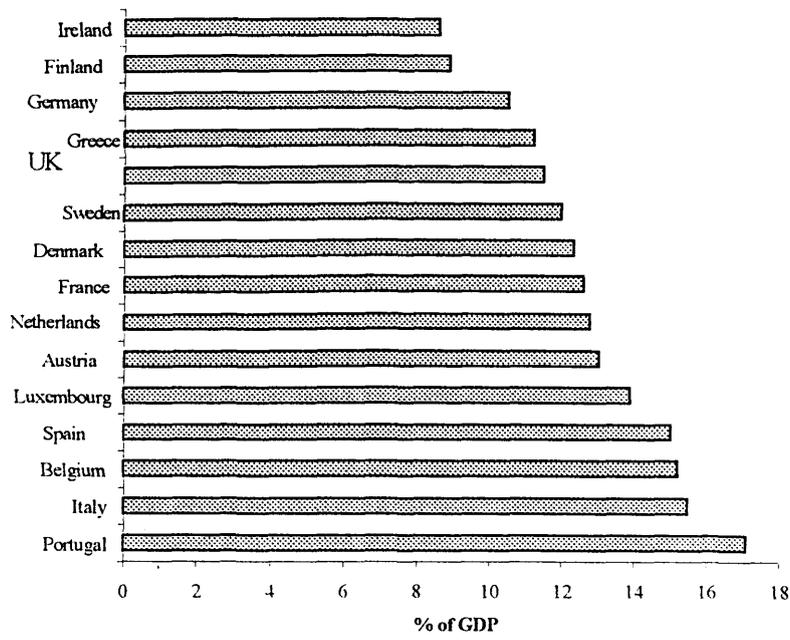
⁴ West Germany.

⁵ Excluding recovery and repair.

⁶ Gross Domestic Product : 1992.

Source: Eurostat.

Figure 1: Share of commerce in GDP (1991) of countries of the European Union



2- Enterprises and employment in European commerce

2.1- Absolute figures on numbers of enterprises and numbers of persons employed confirm the quantitative significance of commerce. At the beginning of the 1990s there were more than 4.5 million enterprises and more than 22 million persons employed in commerce. The vast majority of enterprises are small, since the average number of gainfully employed persons per enterprise is 4.9 for commerce as a whole, of which 6.3 in wholesaling and 4.4 in retailing.

Table 2.1: Enterprises and employment in commerce. Absolute values (in '000)

	Number of enterprises			Year	Number of persons employed			Year
	Wholesale trade	Retail	Total		Wholesale trade	Retail	Total	
Belgium	72.9	123.8	196.8	1991	234	275	509	1992
Denmark	37.8	47.6	85.4	1992	166	199	365	1992
Germany	186.1	435.5	621.6	1993	1692	3285	4978	1993
Greece	46.8	198.6	245.4	1993	108	471	579	1993
Spain	73.1	569.7	642.8	1992	485	1537	2022	1992
France	106.1	417.2	523.3	1994	975	2040	3015	1994
Ireland	3.4	29.3	32.7	1993	45	151	196	1993
Italy ¹	235.6	888.3	1124.0	1991	1078	2389	3467	1990
Luxembourg	2.1	3.4	5.5	1993	12	20	32	1993
Netherlands	75.8	102.9	178.7	1994	403	637	1040	1994
Austria	18.0	40.0	58.1	1994	196	290	486	1994
Portugal	28.4	132.1	160.5	1993	197	364	561	1993
Finland ¹	18.3	28.3	46.6	1993	89	116	205	1993
Sweden	39.7	61.4	101.1	1993	191	288	479	1993
United Kingdom ²	142.7	348.2	490.9	1991	921	3030	3951	1991
EU 15	1086.9	3426.5	4513.4		6897	15215	22112	
Iceland ^{1,3}	1.4	1.6	3.1	1992	7	8	15	1992
Norway ^{1,4}	20.2	38.3	58.4	1993	107	123	230	1993
EEA	1108.5	3466.4	4574.9		7011	15346	22357	
United States	363.9	1589.1	1953.0	1987	5609	12820	18429	1987
Japan	300.0	1300.0	1600.0	1988	4332	6851	11183	1991

¹ Persons employed: full-time equivalent.

² Persons employed in retailing : 1989

³ Wholesale trade: including motor vehicles

⁴ Data on local units

Source: Eurostat.

2.2- Five countries account for the major share of enterprises in the European Community: Italy (almost 25%), Germany (14 %), Spain (14 %), France (12 %) and the United Kingdom (11%). These countries also have the largest shares in terms of employment, but in a different order: Germany (23 %), United kingdom (18.%), Italy (16 %), France (14.%) and Spain (10.%).

Table 2.2: Breakdown of commerce in the European Union

	Number of enterprises			Number of persons employed		
	<i>Wholesale trade</i>	<i>Retail</i>	<i>Total</i>	<i>Wholesale trades</i>	<i>Retail</i>	<i>Total</i>
	Shares (%)					
Belgium	6.7	3.6	4.4	3.4	1.8	2.3
Denmark	3.5	1.4	1.9	2.4	1.3	1.6
Germany	17.1	12.7	13.8	24.5	21.6	22.5
Greece	4.3	5.8	5.4	1.6	3.1	2.6
Spain	6.7	16.6	14.2	8.6	10.9	10.2
France	9.8	12.2	11.6	14.1	13.4	13.6
Ireland	0.3	0.9	0.7	0.7	1.0	0.9
Italy	21.7	25.9	24.9	15.6	15.7	15.7
Luxembourg	0.2	0.1	0.1	0.2	0.1	0.1
Netherlands	7.0	3.0	4.0	5.8	4.2	4.7
Austria	1.7	1.2	1.3	2.8	1.9	2.2
Portugal	2.6	3.9	3.6	2.8	2.4	2.5
Finland	1.7	0.8	1.0	1.3	0.8	0.9
Sweden	3.7	1.8	2.2	2.8	1.9	2.2
United Kingdom	13.1	10.2	10.9	13.4	19.9	17.9
EU 15	100.0	100.0	100.0	100.0	100.0	100.0

3- Retail outlets in the European Union

The number of retail shops in the countries of the European Union is estimated at almost 4 million. They are situated primarily in Italy, France, Germany, Spain and the United Kingdom. The ratio of the numbers of shops to enterprises is 15, a measure of the predominance of enterprises with one shop. The number of shops per 1 000 inhabitants is obviously very high in countries with a strong tourist industry such as Portugal, Greece, Italy, but this is not the only relevant factor, as demonstrated by the number of persons employed per shop. The United Kingdom has the highest number of persons employed per shop and one of the lowest number of shops per 1 000 inhabitants. Greece and Italy have the shops with the smallest number of persons employed.

Table 3: Retail outlets in the European Union (1990)

	Number of outlets 1 (1000)	Outlets per 1000 inhabitants	Employees per outlet
Belgium ²	140.0	14.1	2.0
Denmark	51.5	10.0	3.9
Germany ³	533.7	8.5	4.4
Greece ²	184.9	18.4	1.8
Spain	523.2	13.4	2.7
France	546.1	9.7	3.8
Ireland	31.7	9.0	4.1
Italy	983.0	17.1	2.4
Luxembourg	4.4	11.6	4.1
Netherlands	119.4	8.0	3.4
Austria	52.5	6.9	4.8
Portugal ²	190.0	19.2	3.1
Finland	39.7	7.9	4.6
Sweden	72.2	8.5	4.2
United Kingdom ²	466.6	8.1	6.5
EU 15	3939.0	11.3	3.5
Iceland	1.7	6.7	4.7
Norway	39.5	9.3	3.1
EEA	3980.2	11.2	3.6
United States	1929.3	8.3	6.6
Japan	1619.8	13.3	4.2

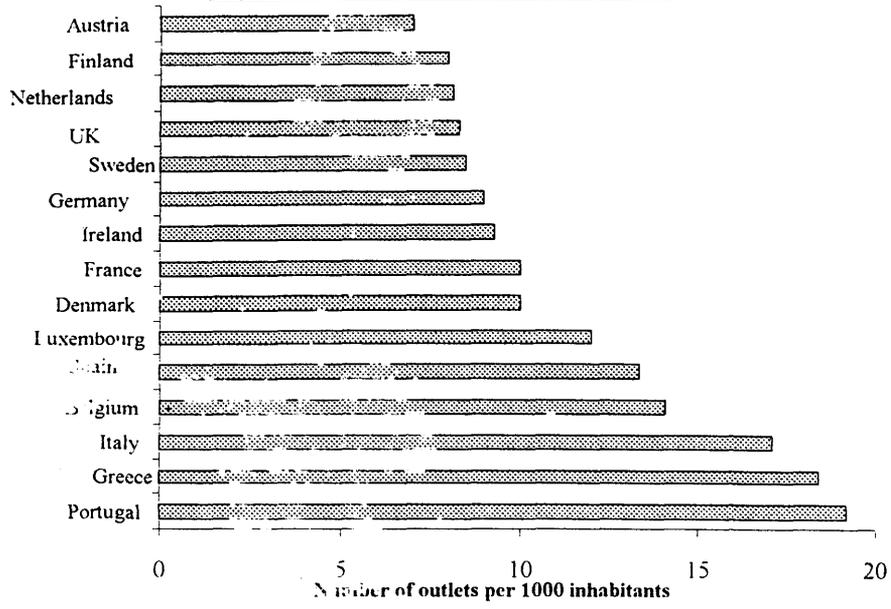
¹ Data for 1986-1990.

² Eurostat estimate.

³ West Germany.

Source: Eurostat.

Figure 2: Density of retail outlets (1990)



4- Breakdown of retail enterprises by activity

Taking the European Union as a whole, almost 31% of enterprises primarily sell food and beverages, 18.5% clothing and footwear, 13.4% household appliances. These percentages vary considerably from country to country. For example, food retailing is particularly highly developed in the Mediterranean countries, but also in Ireland and in the United Kingdom. However, it should not be forgotten that some of the divergences may arise from difficulties in classifying enterprises by activity.

Table 4: Breakdown of retail enterprises by main sector of activity (%)

	Food, beverages, tobacco	Textiles, clothing, footwear	Household appliances	Motor vehicles, including fuel	Miscell- aneous	Total	Year
Belgium	28.0	18.2	12.7	10.0	31.1	100.0	1988
Denmark	24.5	16.4	16.8	13.9	28.5	100.0	1992
Germany	20.8	15.6	16.9	12.5	34.2	100.0	1992
Greece ¹	29.5	19.5	14.8	7.7	28.5	100.0	1988
Spain	39.7	20.3	13.4	3.2	23.4	100.0	1988
France	26.1	19.0	11.2	15.3	28.4	100.0	1992
Ireland ²	54.0	9.0	4.4	11.5	21.0	100.0	1988
Italy	33.3	22.8	11.7	6.1	26.0	100.0	1991
Luxembourg	23.8	18.8	15.6	15.5	26.4	100.0	1993
Netherlands	20.0	18.3	21.1	8.3	32.4	100.0	1994
Austria ¹	27.2	17.3	7.4	12.6	35.5	100.0	1994
Portugal	39.7	18.8	7.4	5.5	28.6	100.0	1993
Finland	24.3	13.4	10.2	13.1	39.1	100.0	1993
Sweden	23.1	17.1	18.2	12.4	30.6	100.0	1993
United Kingdom	36.7	16.6	15.7	24.6	14.4	100.0	1992
EU 15	30.8	18.5	13.4	10.2	27.1	100.0	
Iceland ^{3,4}	30.7	19.0	11.1	1.0	41.2	100.0	1992
Norway ¹	29.2	16.3	10.3	12.1	34.1	100.0	1993
EEA	30.8	18.5	13.3	10.2	27.2	100.0	

¹ Data relating to local unit.

² Food, beverages, tobacco: including cafés where more than 50 % of alcoholic drinks are consumed on the premises

³ Data for retail outlets

⁴ Excluding motor vehicle distribution..

Source: Eurostat.

5- Employment in retail distribution

At the beginning of the 1990s, slightly more than 70% of the active population in commerce were employees, of which just over 55% were women, while part-time working was particularly prevalent (almost 28% of total employment). The Mediterranean countries, Greece and Italy, are those which have fewest employees: in these countries independent traders predominate. In contrast, in the countries of northern Europe, the percentage of employees is 80% or higher. In the case of female employment, the average level (55%) is exceeded in most countries of northern Europe and Austria while Greece, Spain, France and Italy record female employment levels below the average. The frequency of part-time work appears linked to that of female employment and is particularly high in northern European countries.

Table 5: Employment characteristics in retail distribution

	Share of total employment (%)			Year
	Employees	Women	Part-time workers	
Belgium ¹	54.1	58.1	17.4	1989
Denmark	84.9	52.5	35.0	1992
Germany	84.8	64.8	39.0	1993
Greece ²	28.9	43.6	3.3	1988
Spain	55.4	51.9	6.4	1992
France ³	78.0	50.3	19.3	1993
Ireland ⁴	72.9	45.6	23.2	1991
Italy	33.6	44.4	:	1991
Luxembourg ⁵	87.4	51.6	11.5	1993
Netherlands ⁶	80.0	56.7	34.6	1990
Austria ⁷	84.9	62.4	13.0	1991
Portugal	75.8	43.4	5.1	1993
Finland ⁸	81.0	68.8	:	1993
Sweden	79.8	60.8	38.2	1993
United Kingdom ⁸	84.4	58.4	38.4	1991
EU 15 ⁹	70.5	55.2	27.9	
Iceland	85.8	:	:	1992
Norway	89.0	63.0	47.0	1993
EEA ^{10,11}	70.8	55.3	28.2	

¹ Part-time workers: Eurostat estimate.

² Employees and part-time workers: Eurostat estimate.

³ Women: 1989.

⁴ Women: Eurostat estimate 1988.

⁵ Women and part-time workers: Eurostat estimate 1989.

⁶ Women: Eurostat estimate.

⁷ Part-time workers: 1988.

⁸ Excluding motor vehicle distribution.

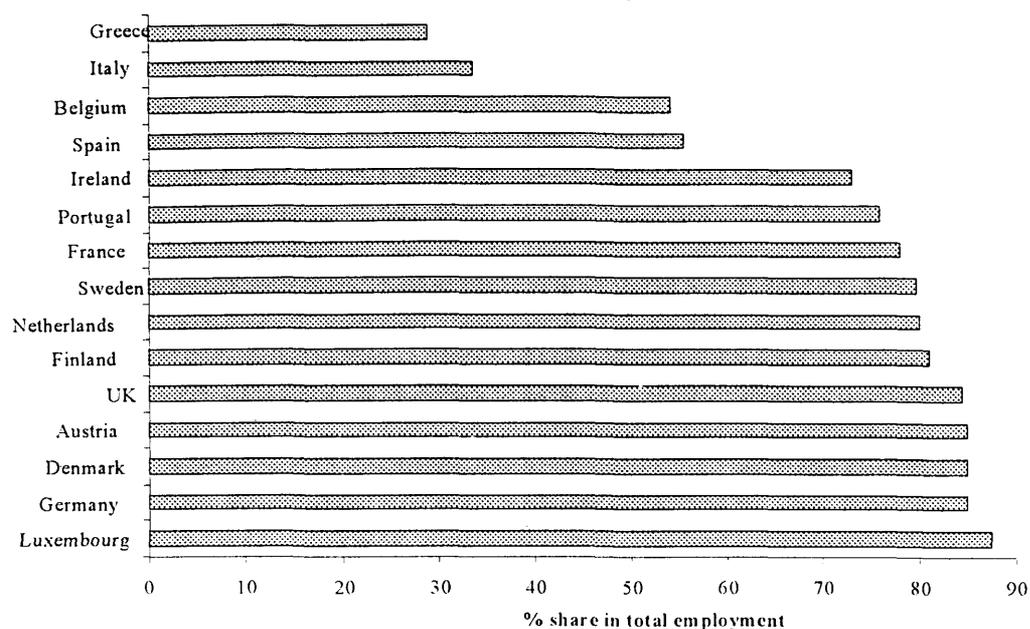
⁹ Share of part-time workers: excluding Italy and Finland.

¹⁰ Share of women: excluding Iceland.

¹¹ Share of part-time workers: excluding Italy, Finland et Iceland.

Source: Eurostat.

Figure 3: Share of employees in total employment (1988-1993)



6- Turnover in commerce

At the beginning of the 1990s total turnover in retail distribution in the 15 countries of the European Union was about ECU 1600 billion. By comparison, it should be borne in mind that the Gross Domestic Product, which is the sum of the final uses of goods and services, was estimated at ECU 5400 billion in 1992. Four countries, Germany, the United Kingdom, France and Italy accounted for 74% of this total. The average turnover per enterprise (ECU 471 000) and per persons employed (ECU 110 000) varies greatly between countries. These disparities are a clear reflection of the very great diversity of European countries.

Table 6: Characteristics of turnover in retail distribution

	Turnover		Average turnover per :		Year ¹
	Total (billion ECU)	(%)	entreprise (1000 ecu)	persons employed (1000 ecu)	
Belgium	51.4	3.2	402	187	1990
Denmark	24.8	1.5	522	125	1992
Germany	430.3	26.5	859	131	1992
Greece ²	20.0	1.2	114	59	1990
Spain ³	119.8	7.4	234	86	1992
France	260.0	16.0	563	124	1990
Ireland	12.2	0.7	415	92	1991
Italy	230.0	14.1	259	96	1990
Luxembourg	3.8	0.2	1106	193	1993
Netherlands	69.3	4.3	693	113	1992
Austria	38.1	2.3	951	131	1994
Portugal	26.5	1.6	200	73	1993
Finland	17.6	1.1	622	151	1993
Sweden	39.6	2.4	645	138	1993
United Kingdom ⁴	283.2	17.4	813	93	1992
EU 15	1626.5	100.0	471	110	
Iceland	1.1	.	645	135	1992
Norway	24.0	.	628	195	1993
EEA	1651.6	.	473	111	

¹ Reference year for turnover. May differ for enterprises and persons employed.

² Eurostat estimate.

³ Excluding enterprises in motor vehicle distribution.

⁴ Turnover including VAT.

Source: Eurostat

7- Sales formats

During the past thirty years the general food sector has experienced a rapid development of new sales structures (discount stores, supermarkets, hypermarkets). These new formats, which are not always initiated by large enterprises, have substantially reduced the proportion of traditional sales formats. Table 7 shows that in Germany, Spain and the United Kingdom, they account for 75% or more of food distribution.

Table 7 : Market share of sales formats in the food sector (%) (1994)

	Germany	France ¹	Italy ¹	Spain ²	United Kingdom ²
"Discount" store	27.6	4.0	5.7	9.0	9.0
Supermarket	29.7	24.6	27.2	36.5	66.0
Hypermarket (superstores in the United Kingdom)	24.3	30.5	11.4	30.5	
Sub-total	81.6	59.1	44.3	76.0	75.0
Others (mini-markets, traditional stores, convenience stores)	18.4	40.9	55.7	24.0	25.0
Total	100.0	100.0	100.0	100.0	100.0

¹ Of total food distribution.

² Of grocery distribution.

Source: EHI, INSEE, S&P, NIELSEN, IGD.

8- The main distribution groups in the world

Table 8: The top 15 distribution groups in the world

Ranking	Company	Country	1992 turnover (billion dollars)
1°	Wal Mart	USA	51
2°	Sears Rebouck	USA	48
3°	Metro-Kaufhof-Asko	D	43 (1)
4°	K Mart	USA	35
5°	Tengelmann	D	30
6°	Ito Yokado	J	24,5
7°	Carrefour	F	24
8°	The Daiei	J	19
9°	Edeka	D	18
10°	American Stores	USA	17,5
11°	Promodés	F	17
12°	Safeway	USA	15
13°	Jusco	J	14
14°	Super Valu	USA	12,7
15°	A & P	USA	12 (1)

(1) Estimate

Source: N. D. Basile & R. Garosci "Commercio e Grande Distribuzione: La sfida del 2000" - 1995

9- Main European retail distribution groups

The market presence of the major European retailing groups, which operate mainly in the food sector, is also an indication that concentration has advanced more rapidly in northern Europe. Within the leading European retailing groups, the first sixteen, classified by turnover, are German, French and British. The other groups come from the Netherlands, Belgium, Sweden and Switzerland. There is just one Spanish group in the top twenty-five. Some of these groups have speeded up growth by acquiring corporations engaged in other forms of retail distribution. One name, originally active in the wholesale and cash and carry market, has substantially increased the retailing share of its total sales by purchasing large chain stores and acquiring holdings in food distribution. Large mail order companies have been acquired by large chain store operators for the same reason.

Table 9 : Main retailing groups

Turnover 1991-1992			
Group	Country	Main activity	(billion ECU)
Tengelmann	Germany	Food	22.8
Metro ¹	Germany	Food, non-food, inter-industry, cash-and-carry	22.6
Rewe	Germany	Food	18.5
Carrefour ²	France	Food	16.2
Intermarché	France	Food	15.4
Leclerc	France	Food	15.3
Albrecht (Aldi)	Germany	Food	13.4
Edeka	Germany	Food	13.2
J. Sainsbury	United Kingdom	Food	13.1
Promodès	France	Food	11.0
Tesco	United Kingdom	Food	10.8
Pinault-Printemps	France	Chain stores	10.7
Otto Versand	Germany	Mail order	10.2
Spar	Germany	Food	10.1
Casino-Rallye	France	Food	10.0
Asko ³	Germany	Food	9.9
Ahold	Netherlands	Food	9.8
Karstadt ⁴	Germany	Large chain stores, mail order	9.3
Marks & Spencer	United Kingdom	Large chain stores, food, clothing	8.6
Schickedanz ⁵	Germany	Mail order, food	8.4
ICA	Sweden	Food	7.5
Delhaize Le Lion	Belgium	Food	7.3
El Corte Inglés	Spain	Large chain stores, food	7.1
Argyll	United Kingdom	Food	7.0
Vendex	Netherlands	Non-food, inter-industry	7.0
International			

¹ Owns Kaufhof and shareholdings in Asko

² Owns Euromarché.

³ Owns Coop AG.

⁴ Owns Neckermann.

⁵ Owns Quelle.

Sources : Eurostat; Institute of Retail Studies (IRS), University of Sterling.

10- International turnover of main European retailing groups

During the last ten years, wholesale and retail distribution enterprises have stepped up initiatives aimed at internationalisation. In the case of food distribution, initiatives to expand internationally have been taken mainly by the following countries: France, Germany, United Kingdom, Belgium and the Netherlands. Among the sales formats most frequently adopted outside national frontiers have been the hypermarket (by French corporations) and the discount stores (by German companies).

Table 10 : International turnover of European retailers (1990-91)

Corporation	Country	Main activity	International turnover	
			Amount (Million ECU)	% of total turnover of the group
Tengelmann	Germany	Food	12 656.4	55.7
Metro	Germany	Food, non-food, inter- industry, C&C	6 036.1	35.0
Promodès	France	Food	5 506.2	34.4
Delhaize Le Lion	Belgium	Food	5 283.0	72.4
Ahold	Netherlands	Food	4 548.3	50.6
Otto Versand	Germany	Mail order	3 602.2	45.9
Carrefour	France	Food	3 414.7	31.1
Vendex International	Netherlands	Non-food, inter-industry	2 808.7	35.3
Aldi	Germany	Food	2 520.0	20.0
Ikea	Sweden	Furniture	2 138.2	76.2
Auchan	France	Food	1 413.2	15.3
J. Sainsbury	United Kingdom	Food	1 356.3	11.8
Marks & Spencer	United Kingdom	Large chain stores, food, clothing	1 055.5	12.7
GUS	United Kingdom	Mail order	1 013.6	26.9
Au Printemps	France	Large chain stores	986.0	20.2
La Redoute	France	Mail order	879.3	35.0
Quelle	Germany	Mail order	759.9	10.6
Dixons	United Kingdom	Electrical goods	726.2	30.6
Docks de France	France	Food	508.4	13.3
Casino	France	Food	449.3	6.1
Ratners	United Kingdom	Jewellery and related articles	348.2	27.6

Sources : Eurostat, Institute for Retail Studies (IRS), Sterling University.

Table 11: Main European buying and distribution groups(1993)

Group	Corporation members	Creation date	Base	Turnover 1991 (billion ECU)
EMD (European Marketing Distribution AG)	Markant (D) NISA Today's (UK) Selex (E,I) Zev-Markant (A) Superkob (DK) Musgrave (IRL) Uniarne (P)	1988	Switzerland	63.3
Deuro/MIAG (Deuro Buying AG/Metro International AG)	Metro (D,F,I,A,DK) Carrefour (F,E,P) Makro (NL)	1990	Switzerland	52.2
AMS (Associated Marketing Services)	ICA (S) Kesko (SF) Allkauf (D) Rinascente (I) Hakon (N) Mercadona (E) JMR (P) Superquinn (IRL)	1990	Switzerland	46.8
ERA (European Retail Alliance)	Ahold (NL) Argyll (UK) Casino (F)	1989	Luxembourg	21.9
Eurogroup	Rewe (D) Coop (CH) Paridoc (F) GIB Group (B) Vendex Food (NL)	1988	Germany	43.0
CEM (Cooperation Européenne de Marketing)	Edeka (D, DK) CRAI (I) Conad (I) Booker (UK) UDA (E)	1989	Belgium	41.6
NAF (Nordisk Andelsforbund)	KF-group (S) Coop (DK, I) SOK (SF) EKA (SF) NKL (N) CWS (UK)	1918	Denmark	36.9
BIGS (BIGS Buying International Group SPAR)	Spar (D,UK,A) Axel Dagab (S) Unil (N) TukoSpar (SF) Despar (I) Unigro (NL) Dagrofa (DK) Unigrobel (B) BWG (IRL) Bernag Ovag (CH) Hellaspar (GR)	1990	Netherlands	31.5

Sources : Eurostat; Cescom - Bocconi University, Milan.

ANNEX B
AREAS DIRECTLY CONCERNING COMMERCE SUBJECT TO NATIONAL REGULATIONS

Rules on the creation of enterprises

Italy and Belgium regulate commercial activities by requiring the possession of a diploma or professional experience in order to open a shop. In contrast, in France, Germany, Portugal and the United Kingdom, only some activities, such as the sale of arms and munitions and that of alcoholic beverages, are regulated. As regards itinerant trade an authorization or licence is generally required but the precise means and conditions vary from one country to another. Furthermore, it is the local authorities which regulate the conditions for the exercising of a profession in a particular area (local permits, permitted or prohibited zones).

Regulation of the siting and rental of commercial premises

As regards the construction of commercial premises, in Italy, France and Belgium specific regulations requiring the authorization of stores above a certain size threshold have been in force since the 1970s. At the beginning of 1996, Spain introduced similar legislation. In other Member States, such as the Netherlands and Germany, it is urban planning laws which determine the use of building. In effect, each country has its own particular set of regulations. The same applies to regulations governing the rental of commercial premises with precise and relatively protective regulations existing in France, freedom of negotiation between the parties in the United Kingdom and a variety of other situations in between in the other Member States.

Opening Hours

One of the most representative examples of differentiation between "national policies" are regulations relating to shop opening hours, legislation which can have an important impact in border areas. As a result of cultural and historical differences, such legislation varies enormously from one Member State to the other. In certain countries, France, for example, opening hours are not regulated directly but by labour laws. As regards Sunday trading, the situation is even more complex ranging from complete freedom to total closure: in Scotland and Sweden, freedom to open is the rule; in France numerous exceptions exist permitting the employment of staff, while the owner may also open on his own if he so wishes; in Italy and Greece derogations exist for tourist regions; in Germany virtually all shops are closed.

There is no secondary Community legislation in this field and the Court of justice has had the opportunity on numerous occasions to give its opinion on the divergences between national legislation. The court's position has always been the same: it considers that these regulations are the competence of the Member States and that Article 30 does not apply if the regulation applies in the same way to all economic operators selling national products and those originating in other Member States, both in law and in practice.¹

¹ See cases: Torfaen Borough Council, 23.11.1989, C-145/88, Rec. p.3851; Conforama, 28.02.1991, C-312/89, Rec. p.997; Norwich City Council, 16.12.1992, C-169/91; Punto Casa SpA, 02.06.1994, C-69/93 and C-258/93.

Consumer Protection and Unfair Practices

There are many EU directives relating to consumer protection and unfair practices (especially as concerns misleading advertising, general product safety, doorstep selling, indication of prices and labelling, and unfair contract terms), but national regulations are still important. The EU directives in question may constitute for many Member States a reference base on top of which they have imposed stricter obligations on commercial enterprises. In areas such as guarantees of consumer goods, regulation continues to be at national level even though there is Community initiatives².

Major differences also exist between regulations relating to promotional activities. Accordingly, in Belgium there is a detailed and complete regulation on the subject (law of 14 July 1991) covering special promotions, sales, closing down sales, discounts and free gifts. Selling at below cost price in Belgium is not allowed. In Italy, on the other hand, it is permitted (law 80 of 19 March 1980) whereas closing down sales and sales in general are strictly regulated. Similarly, in the United Kingdom and France it is obligatory to indicate both the original price and the new price in the case of price reductions but in Germany there is no obligation in this area.

² Proposal for a directive on the sell of consumer goods and associated garanties, COM(95) 520 final of 18.06.96

ANNEX C - A DETAILED LIST OF COMMUNITY LEGISLATIVE MEASURES

EU legislation directly concerning commerce

There are a number of directives concerning the implementation of freedom of establishment and freedom to provide services:

- i. wholesaling (Directive 64/223/EEC),
- ii. retailing (Directive 68/363/EEC),
- iii. commercial intermediaries, industry and crafts (Directive 64/224/EEC),
- iv. commercial agents (Directive 86/653/EEC),
- v. ambulant trade (Directive 75/369/EEC),
- vi. teleshopping (Directive 89/552/EEC "Television without frontiers").

Technical harmonization and the removal of barriers caused by differences in national product legislation (main regulations)

A first set of (horizontal) directives on product composition deals with *product ingredients*:

- i. directive on authorised food additives (89/107/EEC)
- ii. directive on colouring (62/2645/EEC - 94/36/EC)
- iii. directive on sweeteners (94/36/EEC)
- iv. directive on additives other than colouring or sweeteners (81/712/EEC - 95/2/EC)
- v. directive on flavourings (88/388/EEC)
- vi. directive on the inventory of the source materials and substances used in the preparation of flavourings (88/389/EEC)
- vii. directive on preservatives (64/54/EEC)
- viii. directive on specific purity criteria for preservatives (65/66/EEC)
- ix. directive on emulsifiers, stabilisers, thickeners and gelling agents (74/329/EEC)
- x. directive on specific purity criteria for emulsifiers, stabilisers, thickeners and gelling agents (78/663/EEC)
- xi. directive on purity criteria for antioxidants (78/664/EEC)
- xii. directive on erucic acid (76/621/EEC)

The Directives on *manufacturing methods* regulate various aspects of the production process.

- i. directives on methods for the quantitative analysis of binary textile fibre mixtures (72/276/EEC)
- ii. directives on methods for the quantitative analysis of ternary fibre mixtures (73/44/EEC)

A different set of directives contain (vertical) *product legislation for specific food products*:

- i. directive on cocoa and chocolate (73/241/EEC)
- ii. directive on sugar (73/437/EEC)
- iii. directive on honey (74/409/EEC)
- iv. directive on fruit juices and similar products (93/77/EEC)
- v. directive on fruit jams, jellies, marmalades and chestnut puree (79/693/EEC)
- vi. directive on preserved milk (76/118/EEC)
- vii. directive on edible caseins and caseinates (85/503/EEC)
- viii. directive on natural mineral waters (80/777/EEC)
- ix. directive on other water for human consumption (80/778/EEC)

- x. directive on coffee and chicory extracts (85/59/EEC)

The internal market program lays down the following *packaging* directives for the composition of materials and articles intending to come into contact with foodstuffs:

- i. directive on vinyl chloride monomer (78/142/EEC)
- ii. directive on testing migration of constituents of plastic materials and articles (82/711/EEC)
- iii. directive on ceramics (84/500/EEC)
- iv. directive on plastics (82/711/EEC)
- v. directive on regenerated cellulose film (93/10/EEC)

Several legislative measures relate to *product safety and hygiene*:

- i. directive on hygiene and foodstuffs (93/43/EEC)
- ii. regulation on contaminants in food (93/315/EEC)
- iii. directive on airborne noise emitted by household appliances (86/594/EEC)
- iv. directive on toy safety (88/378/EEC)

The following directives and regulations with *labelling*:

- i. directive on the identification of foodstuffs by lots (89/396/EEC)
- ii. directive on nutrition labelling rules (90/496/EEC)
- iii. regulation on spirit drinks (1576/89)
- iv. directive on labelling of foodstuff prices (79/581/EEC)
- v. directive on and resolution on the labelling of non-food product prices (88/314/EEC - Resol. of 07.06.88)
- vi. directive on the indication by labelling of the energy consumption of household appliances (92/75/EEC)
- vii. directive on labelling and standard product information of the consumption of energy and other resources by household appliances (92/75/EEC)
- viii. directive on textile names (71/307/EEC)
- ix. regulation on geographical indications and designation of origin (Reg. (EEC) n°2081/92)

The following legislation deals with *testing, certification and enforcement*:

- i. directive on the verification procedure of purity criteria for certain additives (87/712/EEC)
- ii. directive on the certification of the specific character of foodstuffs with a particular nutritional purpose (89/398/EEC)
- iii. decision on the standing committee for foodstuffs (85/7/EEC)
- iv. decision on the advisory committee for foodstuffs (80/1073/EEC)
- v. directive on the official inspection of foodstuffs (93/99/EEC)
- vi. directive on additional measures concerning the control of foodstuffs (89/397/EEC)
- vii. directives on methods of analysis necessary for checking the composition of cosmetic products (80/1335/EEC, 82/434/EEC, 83/514/EEC, 85/490/EEC, 93/73/EEC)

Elimination of border controls and abolition of border formalities

Several regulations and directives achieve the elimination of frontier controls:

- i. regulation on Community Transit (3648/91)
- ii. regulation on the use of TIR and ATA carnets in Community Transit (3237/96)
- iii. regulation on the abolition of customs formalities at internal frontier crossings (3648/91)
- iv. regulation on the elimination of transport checks at frontiers (4060/89)
- v. regulation on the abolition of certain internal frontier controls into the field of road and inland waterway transport and their transfer to the Community's external frontier (4060/89)
- vi. directives on exemption from VAT for the final importation of goods (83/181/EEC)
- xi. directive on the refund of VAT for taxable persons not established in the country (79/1072/EEC)

Indirect taxation (VAT and Excises) - Main directives

- i. Sixth Council directive on the uniform basis of assessment (77/388/EEC, last amended 94/42/EC)
- ii. Eighth Council directive relating to turnover taxes-refund of value added tax to taxable persons not established in the territory of the country (79/1072/EEC)
- iii. Thirteenth Council directive relating to turnover tax-refund of value added tax to taxable persons not established in Community territory (86/560/EEC)
- iv. directive on excise duties : general arrangements, holding and movement of excise duty products (92/12/EEC, amended by 92/108/EEC and 94/74/EC)
- v. directive on the approximation of taxes on cigarettes (92/79/EEC)
- vi. directive on the approximation of taxes on manufactured tobacco other than cigarettes (92/80/EEC)
- vii. directive on the harmonization of structures of excise duty on mineral oils (92/81/EEC)
- viii. directive on the approximation of excise duty rates on mineral oils (92/82/EEC)
- ix. directive on the harmonisation of the structures of excise duties on alcohol and alcoholic beverages (92/83/EEC)
- x. directive on the approximation of the rates of excise duty on alcohol and alcoholic beverages (92/84/EEC)
- xi. directive on taxes other than turnover taxes which affect the consumption of manufactured tobacco (95/59/EC)

The liberalization of road transport

A quite extensive legislative framework underlies the creation of the internal market in road transport by trucks.

- i. regulation on road carriage between member states (881/92/EEC)
- ii. regulation on inland cabotage for carriage of goods by road (3921/91)

- iii. proposal for a directive on the admission of the occupation of road transport operator and mutual recognition of diplomas (74/562/EEC).

Relevant Environment Legislation

- i. regulation on a Community eco-label award scheme (880/92/EEC)
- ii. directive on packaging and packaging waste (94/62/EC)
- iii. directive on batteries and accumulators containing certain dangerous substances (91/157/EEC).

ANNEX D
VARIOUS ACTIONS AT COMMUNITY LEVEL AFFECTING COMMERCE

a. Consumer protection legislation

It is traders who are in daily contact with consumers - their customers - and, accordingly, commerce and distribution are very much involved in consumer protection. Consumer protection regulations are currently being developed, especially as regards the safety and quality of goods, the security of transactions (in particular as regards indication of prices, unit pricing, advertising, consumer credit and unfair terms), as well as guarantees and access to justice. Faced with these changes, which have a particular effect on the daily life of EU citizens, commerce attaches a great deal of importance to providing consumers with adequate information and products and service in conformity with the law, a process which begins at the point of sale. The Community has adopted Directive 84/450/EEC on misleading advertising and a proposal on comparative advertising (modification to the existing misleading advertising directive) . Under Council Directive 85/374 concerning liability for defective products, liability is extended to importers of products into the Community and to suppliers when the producer cannot be identified.

b. Competition legislation

The Council Resolution of 10 October 1994³ on policy favouring SMEs invited Member States and the Commission to examine, via mutual consultation, to what extent legislative measures in the Member States or from the Commission could result in an extra burden specifically for SMEs, in particular by "examining the possibilities of co-operation between SMEs (e.g. co-operation networks for joint purchases and sales) in the framework of EU competition law".

The principles set out in Articles 85 and 86 of the Treaty are the basis of the system of individual and categorical exemptions, franchising in particular has benefited from an exemption since 1988. The Commission is preparing a Green Paper on Vertical Restrictions which will give an overview of past Commission policy, examine how and to what extent agreements and exemptions have been implemented and will set out the options for future EU action. It will show the need to analyse relations between the producers, wholesalers and retailers.

It is vital to ensure that conditions for fair competition between economic actors exist, whilst guaranteeing the same market opportunities. The Commission will continue to examine how to allow different forms of co-operation, and in particular groups of traders, free access to the forms of organisation and operation which appear best suited for the market situation. How these developments should best be reconciled with the need to respect the principals of open access and non-discrimination at the heart of competition policy is being examined by Commission services at present.

c. Food legislation

There is a substantial body of Community legislation relating to foodstuffs, in particular

³ OJ C-294 of 22.10.94, p.6

measures concerning labelling, food additives, materials in contact with foodstuffs and food hygiene. Such legislation aims at a high level of health and safety, consumer protection, fair conditions of competition and ensuring the free movement of goods within the Internal Market. The Commission intends to present a green Paper on the General Principles of Food legislation at EU level.

d. Self-regulation

Discussions on the regulation of commerce led the Commission in its Communication of 1991 to recommend the self-regulation of commercial professions, a notion supported by the Council, in its Conclusions of 30 June 1992. As they are worked out by the professionals and therefore rely on civil law provisions between economic operators, codes of conduct obtain the support of those to whom they apply. Commerce is keen on European codes of good conduct between businesses or between businesses and consumers because they provide a flexible legal framework whilst respecting the principle of judicial security in complementing the body of Community legislation. They favour the smooth running of the internal market and of competition by reducing trade barriers between Member States through the harmonisation of commercial practices. Furthermore, they favour economic efficiency by reducing conflicts with clients, notably by allowing the quick settlement of international lawsuits by way of mediation and arbitration. The Commission has already indicated that out-of-court procedures may play an important role in settling consumer disputes whenever certain minimum criteria have been established to ensure the transparency of the procedure and the independence of the body responsible for dealing with the disputes⁴. Within this framework, professional organisations represented in the CCD have drawn up and presented to the CCD for discussion and approval professional codes of conduct relating to franchising, distance selling and in 1995 direct selling.

e. Transport policy

Efficient and reasonably priced transport is vitally important to the present and future success of commerce and distribution especially taking into account trends in locational manufacturing and population shifts, the dispersal of economic activities, and increasing shipment frequency of decreasing size. Current Community Transport policy will affect the shape and to a certain extent the options available in transport in the coming decade. The Trans-European Transport Network will provide transport corridors from one end of Europe to the other. The Commission is furthermore actively seeking to promote the continued development of environmental friendly multi-modal transport. This requires a balance of policies favouring the development of coherent, integrated transport systems for the Community as a whole. Several policy initiatives adopted recently by the Commission promote the development of efficient, sustainable and smooth transport flow, both for passengers and freight. These will affect future transport planning and costs and will affect the operators of distribution networks and commerce itself.

f. Energy policy

The wheels of commerce are literally, ciled by energy, be it as electricity to run the business

⁴ Commission Communication "Action Plan on consumer access to justice and the settlement of consumer disputes in the internal market", COM(96) 13 final of 14.02.96.

or as transportation fuel to bring goods to market. The Community energy legislation, which aims at integration of the energy markets, security of supply and environmental protection, is therefore important for the development of commerce.

In particular, the current initiatives for liberalising the internal market for electricity and natural gas will contribute to more competitively priced energy supplies for the development of commerce. In addition, this integration process will increase the total volume of commercial activity by gradually turning gas and electricity into competitively traded commodities.

g. Environment policy

The achievement of a high level of environmental protection throughout the European Union constitutes an important element which trade needs to take into consideration with a view to contributing to sustainable development. The Commerce represents a major link in the product chain which has consequences for the environment, as in the case of transport and packaging. Operators in the Commerce sector are companies in their own right and should aim to use more sustainable means of transport and to reduce their energy use and waste output. One way to achieve this would be to establish an environmental management system.

The Commerce sector does not only have effects on its own stage in the product chain, but due to its intermediate position this sector is able to influence both manufacturers as well as consumers. This sector can encourage manufacturers to develop and produce greener products. The Commerce sector also has an important role to play in achieving waste management objectives, such as in the packaging area, the promotion of recycling and the creation of markets for recycled products as well as the collection of data in the waste area. In addition, they can play a significant role in providing environmental information to consumers.

h. Social dialogue

Sector-based social dialogue on commerce has taken place between the European federation representing wholesaling and retailing (EuroCommerce) and the European trade union representing those employed in the area (Eurofiet). These two organisations have been pursuing social dialogue since 1983. In 1993, EuroCommerce and Eurofiet recognised each other as social partners within the meaning of Articles 3 and 4 of the Agreement on social policy. This social dialogue led to the signature in 1988 of a memorandum on training in retailing. Various projects have been pursued by the social partners and supported by Community grants on the basis of a transnational partnership: for example, a project under the FORCE programme concerning the long-distance training of employers and employees in commerce and another project called ASSIST relating to the training of business leaders of SMEs and new employees. On September 18 1996 the Commission approved a communication concerning the development of the social dialogue at community level.

i. Statistics

Without reliable information, economic operators can only take decisions on the basis of hypotheses or estimates, a process which itself leads to inequalities between operators as SMEs lack the means to conduct large scale research. It is therefore important for those involved in commerce, be they economic operators or public authorities, to have at their disposal statistics and economic analyses in order to facilitate taking the necessary decisions

and to respond promptly to the need to adapt.

The quality of the statistical information on distributive trades is not at present sufficient to provide more than a general overview of the situation and trends in distribution. The development, in co-operation with Eurostat, of a real European system of statistics on commerce will make it possible to analyse the economic facts at Community, national or regional level. It is necessary to improve the availability of reliable, comparable and up-to-date statistics by making them a priority and by putting statistical information at the disposal of users, especially enterprises, by means of European institutional and electronic networks.

Accordingly, to improve statistical information an annex on "commerce" was integrated into the proposed rules on structural statistics on business presented by the Commission on 3 April 1995⁵, and which is now awaiting adoption by the Council. In parallel, an annex to the draft regulation on short term statistics is currently being discussed with the Member States, and should shortly be proposed to the Council. Professionals have supported this initiative within the CCD: if business charges are to be reduced as much as possible, some reliable and detailed statistics are indispensable to the economic players. Some statistical studies have been prepared and published by Eurostat in collaboration with DG XXIII⁶. Methodological manuals have been drawn up and are available to national statisticians in order to have accurate and comparable statistics in the different countries of the European Union.

j. Pilot programmes

The Commission encourages the modernisation of commercial enterprises through COMMERCE 2000 pilot programmes. These actions, supported directly by the Commission, seek to promote commercial co-operation through the use of new technology, give prominence to good practices and provide help in choosing the right technology, taking account of each situation. The results already received have shown the impact of new technologies on the process of commercial co-operation, and the importance of training to accompany the changes.

k. Structural policies

EU Structural Funds allotted to different objectives and different regions do not exclude the possibility of intervention to commerce if the Member State or region believes that commerce is vital to the revitalisation of an area. It should be recalled that within the framework of the Structural Funds, the Commission's goal is of territorial development: these interventions in favour of commerce must therefore be placed amongst the elements of a more global development or reconversion strategy which implies integrated and programmed actions. Portugal, for example, envisaged that, from the first phase of programming of the Structural Funds in 1988, but especially for the programming period 1994-1999, a part of the operational programme relating to the modernisation of the economic tissu deal with commerce and services.

⁵ OJ C-146 of 13.6.95

⁶ "Retailing in the European single market 1993" and "Retailing in the European economic area", 1993 and 1995, EUROSTAT and DG XXIII

Community initiatives, which complement the programmes adopted by the Member States, are programmes for a precise area or theme which will bring about 14 Mrd.ECU to the Member States from 1994-1999. Several initiatives are particularly concerned with commerce: the Community initiative in favour of SMEs (in particular the national programme submitted by Spain includes specific actions aimed at commerce and distribution), ADAPT, URBAN, LEADER and INTERREG.

Another example, for the new programming of Objective 2 (economic conversion of declining industrial areas) for the period 1997-1999, the Commission provided Member States with guidelines and details concerning ways of taking into account retail trade within the framework of a more global policy of urban renewal and the redevelopment of run-down areas. Installations and collective services geared to the development of neighbourhood shops could benefit from aid from the Structural Funds in areas in crisis, characterised notably by high levels of unemployment and high insecurity. The refurbishment of buildings and run-down commercial centres could also be taken into account.

As a result of participating in local development, commerce can use Structural Funds to aid its modernisation. It is a matter of raising the awareness of business leaders in order to prepare them for the changes to come: technical assistance, presentation of "model" businesses, etc, creating co-operation and partnership networks of small enterprises whatever the legal form, of which none is preferred over and above the others (Buying groups, voluntary chains or franchise networks), and modernising and bringing up to date outlets promoting the concept of high performance distribution managed within the framework of independent organised commerce.

Moreover, the development of the use of new technologies for communication infrastructures and point of sale management, and training programmes, relying on innovative support, adapted to the needs of traders can be aided via Structural Funds, as can the implementation of financial engineering. Commercial enterprises offer, as far as finance is concerned, little in the way of real guarantees, and to favour investment, it is necessary to support financial engineering techniques such as the development of guarantee funds and mutual security funds. The recent decision of the EIB to finance commerce is a positive step to promote the development of commercial SMEs. It is up to the Member States, however, to propose operational programmes and to accept any local or regional proposals including commerce.

1. Training support

As far as training is concerned, a significant number of pilot projects which have received Community support under the LEONARDO DA VINCI programme⁷ are of direct benefit to SMEs in the commerce and distribution sector. This programme has as a particular aim the encouragement of access for small and medium-sized enterprises and their employees. Within the framework of the first call for proposals launched in 1995, numerous vocational training pilot projects involving SMEs from the trade and distribution sector were initiated: for example, a transnational project aiming to anticipate the effects of the changes which occur in the trade and distribution sector for employees in less qualified jobs. Another pilot project attempted to develop a vocational training system for the benefit of SMEs' managers in the craft bakery sector.

⁷ OJ L-340 of 29.12.94 p.8

*m. Relations with Central and Eastern Europe and
non-European Mediterranean third countries*

The modernisation of commerce in the Central and Eastern European Countries (CEEC), is important for promoting the economic integration of the countries. On the proposal of the Committee on Commerce and Distribution, three panels of professionals were created in 1995 and visited Russia, Ukraine and Hungary, to identify the main problems facing commerce and distribution in these countries and to determine the areas in which the professionals and their federations could help them. New missions will be set up in 1996, as far as possible in liaison with the Phare and Tacis programmes, in particular, to co-finance management training and technical assistance to develop logistical distribution structures adapted to local needs.

A similar formula could be used in order to reinforce historical links between the distribution systems of the Mediterranean littoral states. Such actions for training and technical assistance could be inserted into the framework of the principles set out in the "Barcelona Declaration" adopted at the Euro-Mediterranean Conference of 17-18 November 1995.

ANNEX E - INSTITUTIONAL ADDRESSES

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