

The impact of modern retail on innovation and choice

EUROCOMMERCE COMMENTS ON THE DG COMPETITION STUDY

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INTRODUCTION

1. EuroCommerce welcomes the publication of study entitled “The economic impact of choice and innovation in the EU food sector” (hereafter referred to as the “modern retail study”). The study provides a robust analysis of the sector and the drivers of choice and innovation with the support of strong data sets (11 million data sets) covering 9 countries over a long period (8 year) down to local shopping areas. EuroCommerce also welcomes the holistic approach to the supply chain developed through the analysis of both procurement and consumer markets. The study provides strong objective data on the drivers of choice and innovation and in this regard should be considered as a key contribution to the current discussions over the alleged impact of unfair trading practices in the food supply chain.
2. The data analysis, statistical and econometric analysis support a more informed picture and better understanding of the contribution of the modern retail sector to consumer welfare. As the link between manufacturing and consumers, retail is the most visible link in the supply chain. Yet, retailers are increasingly dependent on sophisticated operations, transport and logistics solutions that remain largely unseen to the public.
3. Key conclusions for the retail sector are:
 - Concentration in modern retail has increased but the sector remains competitive.
 - Choice and innovation have increased though to a lower extent since the crisis.
 - The opening of a new shop in local consumer shopping areas, the expansion of modern retail outlets, the size of the product category and an increase in the relative concentration of retailers vis-à-vis their suppliers results in higher choice and/or innovation.
 - The economic environment since 2008 and higher levels of supplier concentration (at national level) have had a negative impact on choice and innovation.
 - A further analysis tends to show a non-linear relationship between private labels and innovation though this does not fully capture the role played by private labels in supporting innovation on a product category level.
4. By showing that retail developments have supported choice and innovation, the modern retail study helps refuting a number of unproven allegations that retail developments would undermine choice and that unfair trading practices would hinder manufacturers’ capability to innovate.
5. In this contribution we will seek to bring perception from the retail sector on key aspects of the study.

TOWARDS A MORE INFORMED PICTURE OF MODERN RETAIL DYNAMICS

6. The modern retail study focuses on modern retail, which represents today a large proportion of the grocery retail market in most EU Member States¹, though it recognizes that situations and operators differ from country to country. In fact, as demonstrated in a recent study², retail is a highly diversified sector, in which companies, large and small, compete hard every day to provide the range of good and services that consumers will want to buy, and offer them in the right way, in the right location and time and at the right price.
7. By highlighting that the top 10 European retailers only represent 30% of the modern groceries retail market in 2011 and the biggest retailer has less than 5% market share of the EU modern groceries retail market, the modern retail study confirms that **there is not one retail operator that dominates across Europe**. Similar conclusions are drawn in a recent study of the retail and wholesale sectors and their contribution to the European economy³. Indeed, retailing reflects the wide variety of consumer needs and expectations across countries. As a result, retailers constantly adapt to the relevant social, cultural, legal environments specific to each country in which they operate. This explains why with very few exceptions, retailers remain to a large extent anchored in domestic markets responding to local consumer demand as well as to current trends towards “local” or “regional” products. Other explanatory factors include relatively high transportation costs but also the obligation upon retailers to purchase brand products on a country per country basis (territorial supply restrictions). This is particularly apparent in the food retail sector, where 70-80% of food products are sourced nationally.
8. In contrast, manufacturers are more able to develop economies of scale across Europe and large manufacturers tend to have a bigger share of the European market in their own product category.
9. Consumers drive competition and innovation in the retail market. Unlike other sectors, retailers have no “permanent contracts” with consumers; they choose where to go every time they shop. In fact, consumer loyalty is never guaranteed and retailers compete to attract a share of the potential consumer expenditure. Competition does not only occur within the modern retail sector but **also with all other forms of retail on-line or off-line**, such as convenience stores, independent shops or stall markets which can also be popular formats for consumers. It is overall estimated that consumers visit on average 3.3 different

¹ The study covers all EU countries except Croatia, which was not an EU member state when the study was launched

² “Retail& wholesale: key sectors for the European economy” Institute of retail management, University of Oxford, April 2014

³ “Retail& wholesale: key sectors for the European economy” Institute of retail management, University of Oxford, April 2014

shops over a 4 week period⁴. According to Nielsen, even loyal consumers spend less than half of their budget with their preferred retailer. In Germany, in addition to shopping in food retail outlets, 36 percent of consumers occasionally make use of specialist food retailers, while 28 per cent occasionally buy food in weekly markets and 14 per cent buy food from smaller local shops⁵.

10. The modern retail study confirms that **competition prevails in the retail sector** with companies gaining market share and others losing market share at country level over a long period of time. Shops that experienced the opening of a new shop in their local area tended themselves to offer somewhat more choice and innovation. Indeed, to face a new competitor, established retailers will seek to retain customer loyalty by including new and innovative products to match competitors or better satisfy their customers. In fact, retailers will look to establish in shopping areas that offer a vibrant competitive environment and benefit from the presence of competitors in the same shopping area.
11. Consolidation in the retail sector, through greater concentration⁶, reflects the drive for efficiency gains in highly competitive markets. However, overall and as compared to other sectors, including manufacturing (see chapter 2), **modern retail remains overall a fairly moderately concentrated market**⁷.
12. As a result of high competition, retail net profit margins are usually very small compared with other sectors (on average 2-3% in retail)⁸. In fact, because of intensive competition, retailers pass on a high proportion of their savings and efficiency gains to consumers through reduced prices throughout their entire assortment⁹.
13. The study shows that the **opening of new shops (+25%)** and an **overall increase in selling space** in modern retail (+44%) has further promoted competition and has generated further consumer benefits through more choice and innovation. Modern retail has generated more **benefits to consumers than just product choice and innovation**. These will include will include for example lower prices, services, new formats or channels, marketing innovation, and many efficiency gains, though these many not always be visible.

⁴ AC Nielsen

⁵ HDE Handelsverband Deutschland (2009), *Some facts about the bargaining power of commerce and industry*

⁶ Market concentration should only be considered as one indicator to measure competition on a given market amongst others. In fact, a market with low concentration is not necessarily more competitive than a market with higher concentration and factors such as efficiency gains, economies of scale, population density and geographic constraints should also be taken into account when assessing the degree of competition on a given market. ECB retail study (tbc)

⁷ All countries except AT, DK, FIN, NLs, CY, Baltic countries, IRL, SK, LU show moderate concentration levels (ie. HHI below 2.000)

⁸ In contrast, profit margins in the FMCG manufacturing sector will tend to be higher –e.g. the average net profit for food drink and tobacco amongst the top 250 consumer goods players reaches 9.1% (Global powers of consumer products 2014, Deloitte)

⁹ This is widely recognized by competition authorities as a pro-competitive effect in merger cases.

In its retail market monitoring report, the Commission acknowledged the role of retail developments in combatting inflation: “the modernization of the retail sector since the 1960s, with the dawn of retail groups, has contributed significantly to combatting inflation. It has offered consumers, including during periods of economic downturns; greater choice at competitive prices allowing them to reallocate a growing share of their income, traditionally used for satisfying basic needs, to the consumption of an ever broader range of goods and services, which in turn has stimulated innovation and economic growth”¹⁰.

14. The study also clearly identifies that **store size and format have an impact on choice and innovation**. By offering a larger selling space, larger shops¹¹ provide more choice (product variety, product size variety, supplier variety) and more innovation than supermarket who in turn provide more choice than discounters. Indeed, in practice, the role of **brick and mortar shops provide a fixed space and retailers seek to optimize sales and market shares they can achieve from that space whilst minimizing the costs of running the store operation**.
15. However, retail development including assortment and store formats **remains also largely driven by consumers and changing consumption patterns and this is a dynamic process**. Today, in town supermarket stores and convenience are getting more popular in many countries, reflecting trends such as greater urbanization, mobility issues in city centers, time constrained consumers, etc. The development of on-line retail will further increase competition in the sector.
16. Consumer expectation and retail competition are a key driver for innovation and as a result, retail “never stops moving”. Retail innovation is key to differentiate from the competition. “Innovation is crucial in a world in which grocery and mass retailers generally offer the same product range as their competitors, and store density makes store switching easy”¹².
17. We support the **definition of innovation** (new EAN numbers) that is used for the purpose of the modern retail study. The wide definition of product innovation makes it possible to measure market dynamics, which is the end purpose of the modern retail study. In practice, competitive pressures force retailers to constantly innovate and adapt to changing consumer demand. Retailers pass on this market information upstream in their supply chain. Retailers engage in the process of product innovation with their suppliers through e.g. collaboration with their suppliers, joint product development, exchange of sales data feedback testing, advertising, etc. Furthermore, retailers compete on the basis

¹⁰ European Commission (2010) Com (2010 355 final “retail market monitoring report “towards more efficient and fairer retail services in the internal market for 2020”.

¹¹ Hypermarket is defined as being over 2,500 sqm and offering up to 20,000 Stock Keeping Units; supermarkets as being 400-2,900 sqm and offering 5,000-10,000 SKUs and discounters offer a more limited assortment of 1,000 to 2,000 SKUs.

¹² “Continuous innovation, the key to retail success”, AC Nielsen 2014

of price, assortment, format or service, not only on specific product categories. The presence of non-food products in supermarkets, also has a huge impact on the overall food assortment policy.

18. **Retail innovation is however much wider than product innovation**¹³. Being so close to consumers, retailers receive daily feedback on how they well they perform and this puts pressure on retailers to constantly innovate. Retail innovation aims to improve the shopping experience and achieve efficiency gains by increasing productivity and speeding up administrative processes. The nature of retail innovation differs in comparison with industry sectors and traditional measures of innovation fail to capture the real innovation effort and investment made¹⁴. Retailers are both product (through private labels) and process innovators (e.g. efficiency of the chain, store experience). They also innovate in marketing, organization and technology. They tend to engage more in open collaborative innovation, and develop collaborative strategies across sectors within the supply chain (eg. joint product development –see private labels). Retailers also tend to innovate incrementally (i.e. start small then expand through the network of stores).
19. **Successful innovation will meet consumer demand**: “no matter how innovative a change, without sales, the product is worthless”¹⁵. Because shelf-space is limited, new product introductions are almost always linked to the discontinuation of another product. In practice, the rotation rate for new products varies according to product category and product lifecycle. Several aspects are taken into account when analyzing product range within a category (assortment competence) such as productivity of the shelf space, expected profits, ability of the product to enable differentiation from competing retailers, fast and slow selling products, etc. The role of the retailer is to define the assortment / range that will attract consumers and set his business apart from competitors.
20. The measurement of product innovation over a two year cycle in the modern retail study **may however underestimate the number of product innovations** as many products and product variations have a fairly limited lifespan –eg. responding to seasonality. As an illustration, Nielsen estimates that out of 62.000 new SKU introductions in Western Europe¹⁶, only 24% remained after one year of sales and about 50% after 6 months. GfK assesses that in Germany, out of 1 million products on the market, about 120,000 new articles are introduced yearly. 90-95% of newly introduced products are changed within

¹³ 5 dimensions are considered: new products (new EANs codes), new variety / range extension, new packaging, new formulation and relaunch.

¹⁴ See the [report from the expert group on retail sector innovation](#), European Commission, DG Research and Innovation, Innovation Union 2013 and “[retail & wholesale: key sectors for the European economy](#)”, Institute of retail management, SAID business school, University of Oxford

¹⁵ Winger, R. & Wall, G. (2006), *Agricultural and Food Engineering working document - Food product innovation – A background paper*, p. 5, Rome, Italy Food and Agriculture Organization of the United Nations

¹⁶ Western Europe is defined as FR, IT SP, UK; the period covered is 2011-13. Source: Nielsen, breakthrough innovation report 2014

the first one-two years. This effect is also supported by the fact that on average a single consumer only buys 350 different products per year.

21. International expansion: Over the past decade, a number of retailers have sought **expansion outside their domestic markets**. This is driven by the relative size of markets in the EU and the long term growth opportunities offered by other markets¹⁷. Benefits from internationalization include transfers of know-how, new sources of procurement, efficiency gains, etc. According to Deloitte¹⁸, in 2013, 38.6% of revenue generated by European retailers amongst the top 250 global players was generated outside their country of origin. This explains the decreasing importance of EU retailers' home market in their global turnover.
22. We acknowledge that the development of e-commerce was still in its infancy during the study period. Today, **the retail sector is in the midst of a global digital transformation** bringing fundamental changes in the way consumers shop. Both large and small operators are adapting, changing their business models and offering. **By improving access to information**, the digital transformation brings more transparency and makes it even easier for consumers to compare prices, products and services, thereby increasing competitive pressure even further. E-commerce extends the choice of retailers so that even if there is only one supermarket locally, effectively there are several on-line. In the UK, more than 10% of retail sales were on-line in 2013¹⁹ and on-line sales are growing rapidly. Furthermore, many companies are integrating their on-line and off-line offer, giving access to their full range on-line to consumers, thus increasing choice.

BALANCE INTO SUPPLIER RELATIONS

23. **Modern retailing relies on a continuous relationship, coordination and communication between retailers and their suppliers. Retailers and suppliers work in an increasingly integrated or inter-related way** (with some retailers even integrating vertically up to production level). The key drivers for this are the need to build efficiency gains, avoid supply chain disruption, adapt to constantly changing consumer demand and thus to deliver consumers the products that they expect at the right location, at the right time and at the best price for all possible quality ranges. Experience within the Efficient Consumer Response (ECR) shows that the benefits of voluntary collaboration (within the respect of competition law) outweigh by far those of conflicts²⁰ in terms of sales and profits for both manufacturers and retailers. ECR, the Supply Chain Initiative and the development of supply chain dialogues show that there is added value in dialogue.

¹⁷ "Retail& wholesale: key sectors for the European economy" Institute of retail management, University of Oxford, April 2014

¹⁸ Deloitte (2013) Global powers of retailing 2015

¹⁹ Euromonitor, 2013

²⁰ "ECR 2022 – setting the stage for the next generation", Results from the joint survey on the status of collaboration, McKinsey & Company, ECR Europe Annual Conference 2012

24. The study confirms that a **product category analysis is the right approach to understand market dynamics**. Suppliers are often specialized in certain product categories and therefore only compete directly on a product category basis. Both the modern retail study and its statistical annex highlight inter alia that manufacturer concentration in certain consumer goods markets is still very high when comparing with retail market concentration.
25. Overall, the study confirms that **there is not a strong case of imbalance** (i.e. ratio of retailer to supplier concentration) in favour of one sector or the other one (across the 23 product categories identified, in 50% of cases retail is more concentrated and in 50% suppliers are more concentrated). **In practice the division of bargaining power between manufacturers and retailers varies from product to product and is a dynamic phenomenon which changes over time**. The modern retail study confirms the outcome of a previous study undertaken in Germany in 2009²¹ which concluded that relationships between manufacturers and retailers are overall balanced. However, the **imbalance of concentration on a product category level needs proper consideration** as it can reflect the higher level of supplier concentration in certain must stock categories or a relatively less consolidated industry in other sub-sectors therefore offering greater scope for retailers to drive innovation. This may be an area for further research.
26. Product categories with **greatest supplier concentration** are also categories in which brands are powerful and a high degree of brand loyalty is apparent among consumers. For the retail sector, such a trend results frequently in a “**must-stock**” situation: due to customer expectations, retailers are obliged to include certain products in their product range. A survey conducted by a retail research institute in Germany shows that consumers expect the retailers’ assortment to be composed of up to 50% must-stock or must-have products²².
27. Market concentration and bargaining power are two different concepts that should not be confused. Retailers, big or small, have only limited bargaining power with the manufacturers of “must-have” products²³. A recent study of the Düsseldorf Institute for Competition Economics examines the case of two regional beer breweries having stopped delivering a specific full-assortment retailer within a short notice following unsuccessful negotiations for further supply of beer. These strategies of local suppliers clearly had significant negative effects on the retailer’s revenues. This example also shows that

²¹ HDE Handelsverband Deutschland (2009), *Some facts about the bargaining power of commerce and industry*

²² HDE Handelsverband Deutschland (2009), *Some facts about the bargaining power of commerce and industry*

²³ Heimeshoff, U. & Klein, G.J. (2013), [*Discussion Paper – Bargaining power and local heroes*](#), Düsseldorf, Germany, Düsseldorf Institute for Competition Economics (DICE), n° 87

bargaining power is not primarily determined by size. Bargaining power derives from the competitiveness of a product on the market.

28. The development of certain product categories has been the result of modern retailers offering a platform for specialty producers, be they big or small companies –eg. cheese. Local heroes support retailer differentiation and contribute to increasing consumer choice.
29. The modern retail study remains silent over the importance SMEs play in a retailer's assortment and the supporting role that modern retailers play for SME suppliers. Typically, only 20% of the assortment will generate 80% of the supermarket's turnover. In practice, if a large share of a retailers' turnover is achieved with national brands (typically, only 20% of the assortment will generate 80% of the supermarket's turnover), SMEs suppliers play a strong role supporting retailer differentiation. On the other hand, modern retailers support SMEs suppliers expand to other markets by giving them access to their network of regional, national and international stores. In open markets, this in turn contributes to increasing consumer choice.
30. The modern retail study shows the positive role that retailers play in promoting choice and innovation. In this regard, it is a crucial fact based contribution to the alleged impact of unfair trading practices. Because of its scope, the modern retail study does not look at other sales channels available to manufacturers outside the retail sector –including, for example, further processing, catering, hospitality or exports. Furthermore, it should be noted that the food manufacturing industry has overall shown resilience throughout the crisis period²⁴ and is even faced in cases with overcapacity resulting from over production and/or stagnating consumer demand²⁵.

PRIVATE LABELS

31. Private labels are products manufactured and sold under a **retailer brand name**. In a highly competitive market, they are a means for retailers to complement their brands assortment and differentiate²⁶. Through private labels, retailers broaden consumer choice, have developed new markets or seek to cater for new consumer needs. Private labels also contribute to a more **efficient value chain**. They cost less to bring to market: both the retailer and the manufacturer work more closely together through long term partnerships and sometimes joint investments and private label manufacturers do not incur some of the marketing costs borne by national brands.

²⁴ FoodDrinkEurope competitiveness report 2013-2014

²⁵ –eg. German milk, beer or pig meat

²⁶ EuroCommerce (2010), *Own brands: Increasing consumer choice and driving innovation*, http://www.eurocommerce.be/media/21196/brochure-own_brands-01.12.2011.pdf

32. The new findings on private labels show that there would be a non-linear relationship between private label and consumer choice and innovation. The study however does not shed light on the dynamics per product category and the role of private labels in supporting innovation within a given product category.
33. In practice, private labels **are not a single formula** as through private labels, retailers introduce several alternatives responding to different market positioning or demand for specific products with each retailer having their own option and often a series of options for one product. For instance, retailers develop products which offer good / better / best quality and price options and respond to emerging consumer request for healthy eating, allergen free products, reformulated products, organic, locally sourced products, etc. Therefore, in a single product category, different private label options could be displayed.
34. Private labels **respond to consumer demand**: 60% of European consumers responded they had increased their purchase of private labels as a result of the crisis in 2010 and 92% saying they would continue to do so as they retain a “value mindset”²⁷. According to a more recent study²⁸ of over 10,000 consumers in 14 countries in 2014, 46% of consumers purchase private labels “frequently” and one in four believe that they will buy more than currently. Eight in ten said that after the economy improves they would not stop purchasing private labels.
35. Private labels can be developed either by suppliers on their own or by retailers or through collaboration between the two. According to the Private Labels Manufacturers Association, there are **three main categories of private label manufacturers**: 1) **large manufacturers** who produce both their own brands and private label products, 2) **SMEs** that specialise in particular product lines and concentrate on producing private label almost exclusively and 3) by **major retailers and wholesalers that operate their own manufacturing** plants and provide private label products for their own stores.
36. Many SMEs produce own brands, though consolidation is taking place and an increasing number of SMEs specializing in private labels have become big companies. Through private labels, **SMEs benefit from access to a network and opportunities of scale**, including access to international markets. Retailers benefit from the **flexibility and innovation provided by SMEs**. The LEI study of private labels²⁹ conducted for the European Commission concluded that own brands do not undermine the profitability or the capacity to innovate by SMEs in the food supply chain.

²⁷ Nielsen (2011) the rise of the value-conscious shopper; a Nielsen global private label report

²⁸ “Today's European Shoppers”, PLMA

²⁹ Bunte, F., Bolhuis, J., de Bont, C., Jukema G. & Kuiper, E. (2009), *Pricing of food products*, The Hague, Netherlands, LEI Wageningen UR

37. Private labels are a vibrant and dynamic segment. Today, they account for at least 30% of all products sold in 15 European countries³⁰. The PLMA annual trade show demonstrates the **vitality in the private label manufacturing sector**³¹. According to Oxford Saïd business school, *“their growth is closely linked to the level of market share amongst each country’s leading retailers, as firms reach the scale required for investment in insight and analysis of likely demand and perhaps, more importantly, can achieve economically viable production levels”*. This is confirmed in the modern retail study which shows **greater private label penetration in mature retail markets** and greater growth in markets where initial values were low and where retail has grown most. In Italy, a country with relatively lower private label penetration, growth in private label today surpasses that of national brands (4% in 2012 and 2.9% in 2013 for private labels against 1.3% and 1.6% for national brands³²). .
38. A number of **innovations** have taken place through private labels such as packaging reduction initiatives, prominent sell by dates, sustainable sourcing, animal welfare, etc. As compared to manufacturing, these **innovations are more consumer-driven, more flexible and faster to bring to market**. In cases, through private labels, retailers have developed entirely new categories such as ready-made meals or fresh packaged salad. The concept of ready-made meals was developed jointly by manufacturers and retailers understanding the changing lifestyles (more time constrained consumers). In other cases, retailers have responded to government pressure for healthier foods through product reformulation (eg. salt reduction) and innovative packaging (e.g. nutrition labelling).
39. Introducing a new product entails a risk that is usually shared by the supplier and the retailer who both have an interest in a successful launch. In a highly competitive environment and because shelf space is limited, consumers drive the assortment policy – i.e. what is on shelf or not. Brands associate with a product and create an emotional link with the consumers. For retailers that engage in multi-brand retailing, consumers expect to see these products otherwise known as “must stock” on shelves when visiting supermarkets. The absence of these products can affect customer loyalty. In this context, some categories remain dominated by strong brands. Categories that allow more differentiation or no branding are more likely to show a higher share of private labels.

³⁰ Nielsen, 2014

³¹ for their 2015 trade show, they expect 4,000 exhibit stands including more than 50 national and regional pavilions

³² Source: IRI

CONCLUSIONS

40. The modern retail study provides a solid data driven analysis of modern retail developments. It confirms that modern retail developments have played an overall positive role in generating consumer welfare through vivid choice and innovation across European countries. We encourage the European Commission and Member States **to use its finding in particular with respect to the current debates over the alleged impact of unfair trading practices.**
41. Due to the chosen methodology, the study could not assess the high degree of competition in modern retail. Modern retailers also compete with other formats both off-line and on-line and various other distribution channels (food service, catering, delivery services, etc.). Retail is also constantly adapting to ever changing consumer demand and today. The sector is in the midst of a profound transformation resulting from digitalization and vertical integration to shorten the supply chain; **these trends further increase the competitive nature of retail to the benefit of consumers.**
42. The study shows that retail is very responsive to changes in consumer behaviour. To do this, retailers need suppliers that have the flexibility to adapt to these changes. The case studies but also experience from the Efficient Consumer Response, The Supply Chain Initiative and other forms of supply chain dialogues confirm the **benefits and importance of supply chain dialogue in generating efficiency gains.**
43. Private labels respond to consumer demand and drive innovation also within product categories though the study does not seem to capture this fully. Neither the modern retail study nor the LEI study of private labels³³ conclude that there would be harm to innovation or industry's competitiveness following the development of private labels. On this basis, **we see no need for any further investigation of private labels.**
44. The study confirms that (food) retail is still largely operating on a national level responding to local consumer habits and that the scope for developing economies of scale across countries remains limited. In addition, territorial supply restrictions imposed by manufacturers force retailers to purchase similar products on a country by country basis, thereby reducing their ability to benefit from economies of scale from central purchasing. **This confirms the importance to pursue the work to complete the single market for retail, focusing both on product and services barriers.**
45. The study confirms the positive role played by modern retail in generating consumer welfare through more choice and innovation. However, its development is being hindered beyond proportion in a number of countries that have passed laws with a de facto

³³ The impact of private labels on the competitiveness of the European food supply chain, LEI Wagenigen, 2011

discriminatory impact on the sector. **We call on the Commission to properly assess the impact of these laws and take the necessary measures.**

46. The study infers that regulatory changes affecting licenses and authorizations to establish has, together with other factors an impact on the development of specific formats. In light of this, **we recommend the Commission to pursue its work on retail establishment as part of the European Retail Action Plan with a view to exchanging good practice and providing guidance on the proportionality of restrictions to retail establishment on all government levels.**
47. We recommend the Commission and other public authorities to **build a better understanding of the wider dimension of retail innovation and to support retail innovation as a means to support the competitiveness of the sector.**

EuroCommerce and the commerce sector

EuroCommerce represents the retail, wholesale and international trade sectors in Europe. Its membership includes commerce federations and companies in 31 European countries.

Commerce plays a unique role in the European economy, acting as the link between manufacturers and the nearly 500 million consumers across Europe over a billion times a day. It is a dynamic and labour-intensive sector, generating 11% of the EU's GDP. One company out of three in Europe is active in the commerce sector. Over 99% of the 5.5 million companies in commerce are small and medium-sized enterprises. It also includes some of Europe's most successful companies. The sector is a major source of employment creation: 29 million Europeans work in commerce, which is one of the few remaining job-creating activities in Europe. It also supports millions of dependent jobs throughout the supply chain from small local suppliers to international businesses.