

## **RESPONSE TO THE STUDY – The economic impact of modern retail on choice and innovation in the EU food sector**

### **I. General comments**

One of the main objectives of the study was to measure the evolution of innovation and to identify the main drivers of innovation and evaluation of the development in relation to the other indicators of retail market. The definition of innovation from a perspective of the study was the introduction of a new EAN code that appeared in the assortment. In our opinion, this definition of innovation is too wide and thus distorts the conclusions of the study, because the new EAN code is assigned to a product for example in situations unrelated either to its actual innovation in terms of qualitative improvements or even a new product in the assortment. EAN code is assigned to a product for example in following situations: a discount is promoted to the product and labelled on the packaging, new language alternation; or newly stated manufacturer's recommended price. As a result of such wide definition of innovation the final increase in innovation might be overestimated. Moreover despite such wide definition of innovation, partial conclusion of the study implied that as from 2008 there is a permanent decline in the total number of innovations (according to the number of new EAN codes). Even though there has been an increase in the total number of all products (according to the total number of EAN codes), the share of innovative products in their overall numbers has been continuously declining. One of the partial conclusions of the study in question admits; that the trend in evolution of innovation is towards new packaging innovations and on the other hand innovations in terms of new product introduction on the market have gradually been losing importance. At the same time the study concluded an increase in retail concentration together with increase in supplier concentration. Since the total number of products grows, the study of an increase in concentration does not draw a negative impact on choice and innovation. Due to the wide definition of innovation used in the study and in addition the observed decline in the number of innovations and a small share of truly qualitative innovations, general conclusions about the insignificant impact of retail concentration on choice and innovation can be considered as inconclusive.

### **II. Unrepresentative sample of data related to the Czech Republic**

Conclusions of descriptive statistics related to the Czech Republic are based on an examination of single consumer shopping area in South Moravian Region (out of 105 examined consumer shopping areas within the examined sample) and only 2 shops (the whole sample covered in total 343 shops), which is absolutely negligible number as for the data sample which does not reflect the actual situation in the Czech Republic, not even in the examined region. Due to a lack of sufficient data the Czech Republic was not even included in the econometric analysis, which was to identify the correlation between the observed evolution of choice and innovation and their drivers, therefore we do not deem appropriate; that the Czech Republic should be included in the general conclusions of this study.