



Strengthening the competitiveness of the European retail sector

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Why is the Commission proposing best practices on retail?

Retail is a key sector in the EU economy – there are about 3.6 million companies active in the retail sector, representing 4.5% of value added and accounting for almost 9% of EU jobs. Retail is also essential for consumers - EU households spend up to one-third of their budgets in retail shops.

With the rapid development of e-commerce, the sector is currently undergoing a dramatic transformation. Multi-channel retail, combining offline and online, brings both new opportunities and challenges for the sector. Still, in many countries the regulatory framework put in place decades ago has not been adapted to the digital age.

In the [2015 Single Market Strategy](#) the Commission announced it would look at the restrictions in the retail sector and identify best practices for facilitating retail establishment and reducing operational restrictions.

The task of regulating the retail sector lies primarily with Member States. However, Member States should assess their existing regulatory frameworks to make sure they are non-discriminatory, duly justified and proportionate and are effective for the public objectives pursued. They should apply the same principles when they set new rules.

The set of best practices the Commission published today provide guidance for Member States in their efforts to create a more open, integrated and competitive retail market. They help them identify less restrictive measures without risk to the public policy objectives at stake. This will contribute to a better performing retail sector, benefit consumers, and have positive spill-over effects on manufacturing and other sectors.

At the same time, the Commission is publishing a [practical guide](#) for revitalising and modernising the small retail sector so that public authorities can help small retailers embrace technological changes and modernise to meet the challenges of the future.

Can you share some examples of best practices?

- **When applying location-specific rules**, including with the objective of keeping city centres vibrant, in accordance with the Services Directive, public authorities need to assess the proportionality of these rules, in particular to ascertain whether less restrictive rules would be equally effective.
Example: In France, the rules concerning retail establishment allows retailers to select the optimal location for their shop without consideration granted to the shop format and products assortment.
- **New approaches to promote vitality of city centres:** Public authorities are encouraged to consider a wide range of actions and measures to attract consumers to city centres which do not rely exclusively on restrictions on retail establishment.
Example: In a part of Amsterdam (Netherlands), known as the '9 streets', retailers came together to create a thriving community, building on the identity and cultural heritage of the area. Using a community manager, retailers are encouraged to coordinate common marketing and promotional activities linked to this heritage that can attract tourists or other consumers to the area, promoted via a website. This, together with other initiatives led by the competent authority such as the introduction of a car-free zone, has bolstered retail activity and demand for retail space in the '9 streets'.
- **Simplified procedures** are less time and resource intensive. In accordance with the Services Directive, public authorities must facilitate brick-and-mortar retailers' access to the market through simplified retail establishment procedures with fewer permits which can be applied for through a single on-line point of contact.
Example: In Belgium, to simplify the administrative process, the Regions introduced integrated procedures and one-stop-shops for retail establishment. These changes enable retailers to apply for a single integrated permit in one place.

- **Shop opening hours** an important factor influencing consumers' accessibility to a retail shop. E-commerce is significantly changing consumers' shopping habits and brick-and-mortar retailers may have difficulties keeping up with competition by on-line retailers. Public authorities are encouraged to provide for flexibility to adapt to consumers' changing preferences and aim at a level playing field with e-commerce.

Example: In Finland, the shop opening hours have recently been fully liberalised, with a significant positive impact on competition and employment.

- **Sales promotions and discounts** can be part of a retailer's strategy in a multi-channel environment or for entering a new market. Public authorities must comply inter alia with the principle of non-discrimination, justification and proportionality when setting rules on sales promotions and discounts; this would also contribute to ensuring a level playing field with e-commerce.

Example: A recent reform in Luxembourg aimed at facilitating end of business sales and authorising sales below cost. Greece extended the end-of-season sales periods in 2014.

Should establishment conditions for all kinds of shops be the same?

In many Member States, different rules apply to retail establishment projects depending on the size of the planned shop. This seems logical as large shops are likely to have a greater impact on town and country planning and the environment. But size thresholds affect the formats and sizes of the shops opened and may artificially shape the retail landscape. They may also prevent innovative business concepts from being brought to the market. This can have a negative impact on the sector's productivity. When setting size thresholds for retail establishment, public authorities must assess the consistency of such thresholds with the public policy objectives they want to pursue. Moreover, they should consider the effects of threshold sizes on the overall market structure and on competition.

Should shop opening hours be regulated at EU level?

No. The Commission does not suggest that shop opening hours should be regulated at EU level. This is an issue for Member States. In some Member States, shop opening hours are not regulated. E-commerce has fundamentally changed consumer shopping habits and brick-and-mortar retailers may have difficulties keeping up with competition by on-line retailers. Through these best practices, the Commission encourages Member States to consider the changes brought by e-commerce while making sure employees as well as SMEs are protected. The Commission invites Member States to assess whether their regulatory frameworks are still fit for the new reality and encourages them to allow flexibility to adapt to consumers' changing preferences and create a level playing field with e-commerce.

How can this initiative help bring life back to city centres?

As the number of vacant shops is growing, keeping city centres vibrant is a legitimate concern for national, regional or local authorities. The economic crisis, the development of e-commerce and changes in consumer shopping habits have had a significant impact on retail in many city centres. To counter this trend, some public authorities apply restrictions to retail establishment on the periphery of towns. The efficiency and sometimes the compatibility of such rules with the Services Directive may be questioned. Across the EU there are already numerous examples of public authorities designing and testing strategies going beyond retail to attract people and small and large retailers back to city centres. Clearly, there is no one-size-fits-all solution for such strategies. In the Guide for revitalising and modernising the small retail sector the Commission is identifying positive examples throughout the EU. These can serve as inspiration for authorities pursuing their urban development objectives.

What does this initiative offer to small retailers?

SMEs generate 66% of the retail sector's value added and 70% of its employment. Running a shop is one of the most common types of a family business. The best practices proposed by the Commission should help offline retailers, including SMEs, compete with e-commerce. For example, simplifying administrative procedures would make it easier for SMEs to do business. In addition, the Guide published by the Commission provides practical suggestions on how to help small retailers embrace technological change and attract consumers back to the high streets.

Some suppliers try to prevent goods from crossing borders; they insist that national

retailers buy from their national distributor. How can these best practices contribute to removing such territorial supply constraints?

Territorial supply constraints artificially partition the Single Market. They can hamper EU consumers' access to a variation of branded products from other Member States. They can also lead to significant differences in prices of these products across the EU. The best practices clarify that such behaviour should be prevented. Retailers should be able to buy products from whom they want and from where they want, to offer consumers access to a wide choice of products, including different versions of the same product, at potentially lower prices.

How did you come up with the ranking of Member States according to their restrictiveness?

We have developed the Retail Restrictiveness Indicator (RRI) to provide a useful snapshot of the impact of retail regulation in Member States. We have built on the OECD methodology for the Product Market Regulation index. Information underpinning the RRI has been gathered through studies and research and verified with Member States. The RRI methodology has also been discussed with Member States. The indicator is a dynamic monitoring tool to measure Member States' efforts in reducing retail restrictions and the impact of such reforms on market performance. The indicator constitutes a factual overview of restrictions in Member States. Rules on distribution channels for specific products, such as alcohol, tobacco and non-prescription medicines are included for the sake of completeness of the restrictiveness picture. This is without prejudice to the health and societal policy objectives pursued by Member States. The Commission shares these objectives and has developed dedicated policies and legislation, particularly on restriction of tobacco sales and advertising, safe use and distribution of medicinal products and reduction of alcohol related harm.

The Commission has repeatedly addressed Country Specific Recommendations with respect to retail to Member States in the framework of the European Semester. How are these best practices different?

[Country Specific Recommendations](#) under the European Semester address particular issues in particular Member States, taking into account the overall economic situation of a Member State and pointing to areas where reforms are needed. The best practices are meant to serve as guidance for Member States when reforming their retail sector. They could serve as a toolbox helping Member States that received Country Specific Recommendations shape their future retail policies.

What are the next steps? Will you consider legislative action in the future?

At this stage, the Commission will continue to monitor how the regulatory frameworks for retail evolve. The retail restrictiveness indicator will be used to assess Member States' performance and to measure their efforts in reducing retail restrictions. Trends in the retail sector will remain an important part of this monitoring. The results will feed the Commission's analysis within the framework of the European Semester. It will also provide a basis for priority-setting in the framework of the Commission's enforcement policy in the retail sector. The Commission envisages a series of follow-up actions, including a [high level conference on 19 June](#) with the participation of policy makers, representatives of the sector, civil society and academia. It will focus on the opportunities and challenges the sector is currently facing and regulatory responses to these challenges.

For More Information

- [Press release](#)
- [Communication on a European retail sector fit for the 21st century](#)
- [Staff Working Document](#)
- [Small Retailers Guide](#)
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