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TOWARDS A SINGLE MARKET IN DISTRIBUTION

Internal trade in the Community, the Commercial sector, and the Completion of the internal market.

(Communication from the Commission)

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Internal Trade in the Community, the commercial sector and the completion of the internal market.

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SUMMARY

TOWARDS A SINGLE MARKET IN DISTRIBUTION

Introduction - The Distributive Trades in Europe at the Threshold of the Internal Market.

I This Communication has been prepared in response to a Resolution of the Council dated 14th November 1989.

II Commerce is indispensable to the efficient working of the market. Sustained economic prosperity depends on a balanced development of productive and commercial activity.

III Important changes in commercial methods, and in the structure of the commercial sector (which accounts for about 17% of output and employment), are now gathering pace throughout the EC. The last forty years have been seen first the emergence of very large vertically integrated retailers, especially in Northern Europe, and profound changes in the structure and role of the wholesale trade. The pace of change has been much less rapid in Southern Europe than in the North, and there are important differences in commercial structure between countries.

IV Modern commercial methods, which are developing rapidly in response to the new technologies, place as much emphasis on the management of information within supply channels as on the management of goods. The approach of the single internal market has prompted an increase in cross-frontier initiatives by leading commercial firms.

V Nevertheless, European commerce is still strongly partitioned on national lines; very few commercial firms hold significant market share outside their country of origin, and the failure rate of international initiatives by trading firms is high. The evolution of a single market in distribution, in which traders learn to do business across frontiers as readily as they do now within their country of origin, is crucial to the success of the Single Market. Small and medium sized firms in particular cannot penetrate new markets in the absence of a genuinely international distribution system. To some extent the obstacles to internationalisation are the natural consequence of the local character of service at the point of sale. But there are other obstacles arising from differences in regulation, in the structure of commerce, and in commercial methods which need to be identified and overcome.

VI The programme of work presented in this Communication is design to improve understanding and awareness of these obstacles, and, so far as possible to remove them.

SUMMARY

THE PROGRAMME OF WORK

1. Working methods - consultation and dialogue

The Committee for Commerce and Distribution (CCD) , created by the Commission in 1978 (provisionally - definitively in 1981) is increasingly recognised as a valuable source of expert advice on technical issues in the preparation of proposals for Community legislation in such fields as the environment, consumer protection, means of payment and external trade. With the completion of the 1985 White Paper programme, the focus of attention within the Community is shifting to broader social, economic and environmental objectives. This will imply an increasing role for the CCD and for the trade federations which undertake much of the detailed work on which its deliberations depend.

Because of the predominant role of national and regional authorities in determining the business environment for Distribution there is a need for improved arrangements for consultation with and between member states.

The Commission is encouraging a process of social dialogue between trade federations representing the retail and wholesale trades on one side, and trade unions representing employees in these sectors on the other. This consultative mechanism is particularly valuable as a forum for the examination of the impact of Community social policies on employment, training and other aspects of distribution.

2. Transparency and understanding of commercial activity

The Commission is planning a series of measures to raise awareness, in the commercial professions, in industry, and in national authorities, of the importance of commercial activity in the economy as a whole. Lines of action include :

- A programme of action led by the Statistical Office of the EC to provide for the first time a reliable and comparable series of quantitative data on the commercial sector in the Community;

- The creation of reliable sources of reference on national and community laws and regulations affecting commerce;

- Improving the level of understanding and debate on distributive issues, both by means of the Commission's in-house research, and within University and other research centres specialising in commercial subjects.

- Improving the quality of information supplied to the business community, both through the Commission's information activities and via the specialist press, on the commercial implications of Community policies;

SUMMARY

3. The legal framework for Distribution at Community Level

Differences in national systems of regulation of trade may constitute potential obstacles to the internationalisation of the commercial sector. Any such difficulties are likely to increase as the process of integration proceeds. The Commission's aim is to anticipate problems before they arise and to encourage self regulation. Formal proposals for Directives and Regulations to eliminate such difficulties will be made only as a last resort.

The newly emerging Community wide market in mail order and telemarketing may require particular attention.

Competition law, particularly as it relates to agreements between undertakings, may be a constraining factor in a situation where the nature of relationships is being transformed by the information revolution, and by the growth of knowledge-based business services. The Commission recognises the importance of ensuring that Community law in this field is clear, and clearly understood.

4. Application to the distributive trades of Community policies for economic cohesion and development.

The commercial sector is a major employer of labour, much of it unskilled and/or part-time. Commercial change, coupled with demographic pressures, require new efforts in the field of vocational training. Community programmes provide many opportunities open to commercial firms. At the same time these programmes have in general been designed with the needs of the productive sector particularly in mind, and there is some evidence that existing opportunities are not sufficiently appreciated within the commercial sector. The Commission has decided that the retail trade will be the first sector to be examined within the context of its new programme for the development of vocational training within firms (FORCE), and preparatory work in this context will provide the basis for the development of future Community policy in this area.

The structural funds, which exist to promote economic and social cohesion, have a limited role to play in assisting the process of commercial development, particularly in regions where the development of the productive base may be constrained by the inadequacy of existing distribution channels.

Technology is driving a radical process of change in the nature of relations between firms. It is essential that this revolution in commercial methods should spread as rapidly as possible from large firms to the business community as a whole, and from the prosperous regions of Northern Europe to the countries of Southern Europe, to the Eastern part of Germany and to rural areas. Differences in management styles and levels of development within the EC give rise to particular difficulties in developing the intimate links between firms that are characteristic of the most advanced commercial methods. The Commission is undertaking new work to identify these difficulties, with particular attention to the situation of small and medium sized firms, and to links across frontiers.

"TOWARDS A SINGLE MARKET IN DISTRIBUTION"

INTRODUCTION - THE DISTRIBUTIVE TRADES IN EUROPE AT THE THRESHOLD OF THE SINGLE INTERNAL MARKET.

I - Purpose of the Communication

This Communication responds to a Resolution of the Council of Ministers dated 14th November 1989.

Recognising the important role which this sector will play in making a reality of the internal market, ministers invited the Commission to make suggestions for an approach to distribution which would fit into existing Community policies and would avoid creating new institutional structures.

The structure of the Communication is determined by the guidelines established by the Council. This introduction considers the role of the distributive trades in the economy as a whole, and in particular within the context of the completion of the Internal Market. This analysis provides the background for a programme of work designed to ensure that the importance of distribution is properly reflected in the full range of community policies - for information, education, training, competition, innovation, structural funds as well as enterprise policy.

II - The role of Commerce in modern economies and the need for balanced development of commerce and industry.

Trade is an indispensable aspect of economic activity. Almost all goods, and many services, pass from producer to consumer via some sort of process of trade and/or distribution. In the EC economy about 17% of output and employment arises in the trade and distribution sector (retail, wholesale and associated trades), and these trading activities constitute about one half of the "service" sector of the economy - (much of which is also engaged in facilitating trade). A succinct statistical overview of the Distributive Trades is at Annexe 1.

Even these statistical measures do not take account of the sales, marketing and distribution activity of the productive sector. Trade needs to be considered not only as a sector but as a process or function within the economy. Neither commercial activity, nor productive activity are of economic value in themselves. It is only through the association of production with trade that the whole process of supply gives rise to value in the hands of the final user.

Sustained economic prosperity depends on balanced and simultaneous development of the productive and trading functions. The success of the European and American economies in the 19th century, and the relative success of the economies of the Far East in more recent times both illustrate the importance of this balance. In contrast, the recent changes in Eastern Europe illustrate strikingly the failure of any productive system which is divorced from the discipline of the market, which alone ensures that the productive sector is responsive to the needs of the customer.

The role of the commercial sector in encouraging this cooperation between suppliers and traders is especially important to the process of internationalisation of the European economy stemming from the completion of the internal market. This Communication emphasises in particular the importance of fostering links between firms in prosperous and less developed regions, between larger and smaller firms, and across frontiers.

III - The Commercial Revolution in Europe (1950 - 1990)

Forty years ago the commercial sector, like much of industry, was highly fragmented, with very few large firms. There were clearly defined frontiers between the productive and distributive sectors and between wholesaling and retailing. In these circumstances commerce was generally regarded as a "passive" element in the economy, which responded to decisions taken by suppliers, and which had little decisive influence in determining the direction of economic development.

During the last 40 years, the structure of commerce and commercial methods have undergone profound changes, a process which matches and complements the emergence of mass production industries. This process is continuing and even accelerating. The most visible development was the emergence of multiple general retailers operating through chains of shops, which are frequently large (supermarkets) and sometimes very large (hypermarkets). This process of concentration is frequently associated with a process of vertical integration in which the distinction between manufacturers, wholesalers and retailers becomes less easy to define. Many manufacturers developed extensive sales and distribution networks which took the place of conventional wholesalers, and in some cases including their own retail network. Similarly some retailers have acquired or created their own manufacturing capacity; more commonly they have created very close vertical links with suppliers involving close collaboration betwen suppliers and distributors but falling short of complete integration through common ownership of the entire supply chain.

However, the pattern of commercial development differs markedly between product sectors and between different countries of the Community.

So far as the **retail trade** is concerned, it is possible to distinguish three types of different retail structure in different areas of the Community.

- Concentration in retailing, especially in food and other household goods is particularly strong in Germany, France and the United Kingdom, where the retail structure resembles that of North America.

- In Denmark, Benelux and the industrial regions of Italy the same general trends can be observed, but the process of concentration and organisation has tended to occur further upstream. In these countries the development of very large supermarkets and hypermarkets has been relatively constrained, especially in the non-food sector, and the market share held by small firms is relatively high.

- In Spain, Portugal, Greece, Ireland and rural areas of Italy the Commercial Revolution arrived later. Only in the late 1980's has there been a rapid development in large scale retailing in parts of these countries; and there are signs of continuing resistance to supermarket and hypermarket development. Although there has been steady growth in the market share of large and very large scale retail outlets, especially in Spain, some features of commercial development in these countries suggest that it may take a form more like that of the Netherlands and Denmark, rather than of the UK or France; that is to say that retailing may continue to operate through large numbers of small shops, and the process of concentration and organisation will occur further upstream.

The wholesale trade shows the same markedly uneven pattern of development. Indeed specialisation and diversification in distribution upstream of the retailer is so complex that it is increasingly difficult to consider the wholesale trade as a single sub-sector. The traditional functions of warehousing and transportation of bulk goods have been overtaken everywhere by the commercial revolution, and it becomes increasingly difficult to distinguish "wholesalers" from such related businesses as :

- Retail-like activities such as mail order houses, "cash and carry" wholesalers, and discount stores;

- The upstream purchasing and logistics activities of major retailers;

- The marketing, sales and distribution activities of manufacturing firms;

- Suppliers of other commercial services such as physical distribution, marketing services, brokers, and commercial agents who facilitate and even generate trade, but without taking title to the merchandise traded.

There are also substantial differences in structure within the wholesale sector depending on the type of goods traded:

- Geographical variations in the structure of **wholesaling in food and household goods** are evidently closely related to the development of the retail sector described above. The wholesalers' traditional intermediary role has been severely squeezed wherever large-scale retailing has become the norm. In their place, new types of wholesaler-like commercial firms have emerged, including buying groups owned and operated in association by small retailers, wholesaler owned "voluntary chains", other types of "associated trade" - including franchising and exclusive dealerships -, and various forms of commercial agency.

- Similar pressures have affected **wholesalers of bulk raw materials and other inter-industry bulk goods** as improvements in transport and communications have encouraged firms to trade directly with each other rather than through intermediaries. In many cases commercial aspects of such links are handled by supplier and customer firms, but the physical handling of merchandise is subcontracted to other operators. There is therefore an important developing role for physical distributors engaged in the sophisticated management of warehousing, transport and logistics.

- Information on the **distribution of inter-industry manufactured goods**, such as machinery, is very sparse. Most manufacturers in these product categories continue to rely chiefly on direct sales to the customer, either using their own sales force, or subcontracting to exclusive distributors or commercial agents. In the distribution of manufactured capital goods, especially goods incorporating advanced technology and requiring sophisticated after-sales support, the role of independent commercial firms appears to be significantly less important in Europe than in North America or in Japan.

Because the retail trade is more clearly defined and more homogeneous than other types of distribution operating further upstream its workings are more visible and more widely understood. But the activities relating to consultation, communication, and study referred to in the work programme below will give as much attention to developments upstream of the point of sale for consumer goods, and to the distribution of intermediate and inter-industry goods as to the retail trade.

IV - Towards a European market-place driven by commercial innovation

In the last few years commerce has begun to harness technology to ensure that firms at every stage in the supply chain work in harmony so as to ensure that the productive process responds rapidly and flexibly to customer needs. Some leading retailers are now close to achieving a situation in which sales are registered automatically at electronic check-outs (EPOS), sales data is analyzed and communicated in real-time to central warehouses and manufacturers, and revised production and delivery schedules generated automatically at each level of the supply chain.

One consequence of the automation of much of the traditional routine of relations between suppliers and traders is that managers recognise that cooperation between suppliers and distributors will allow a better flow of information on consumer requirements, and of new products to satisfy those requirements. Increasingly, commercial activity is concerned as much with the management of information within supply channels as with the management of goods. This applies to design and marketing knowhow as much as to information technology. The rapid growth of business format franchising, perhaps the most successful formula for transferring commercial know-how across frontiers, is a striking example of the growing importance of firms who specialise in coordinating all the activities necessary to successful trade - design, marketing, purchasing, physical distribution, training etc - without themselves actually engaging in trade in the traditional sense.

The business environment in this situation depends to an increasing extent on the links that are established between each firm and its suppliers and customers. Effective development of the internal market requires too that such links assume an international character; the approach of 1992 has indeed stimulated a growing interest in internationalisation in distribution, and the following approaches are all worthy of note:

- Wholesaler owned voluntary chains include some of the largest and most international trading firms in the Community;

- Many larger firms engaged in distribution have acquired holdings in, and in some cases control of companies in other countries.

- A number of leading retailers have developed formal or informal alliances with retailers in other countries, with a view in particular to pooling expertise in the field of marketing and procurement;

- Distance selling - mail order, television and telephone marketing and selling in the home - is for the time being relatively small (perhaps 2% of total retail sales with important differences between countries), but it is the first aspect of commerce that is developing into a truly international, cross-frontier market place, assisted by multilingual publishing and broadcasting, and other advances in technology.

These various forms of internationalisation in distribution have the common feature that they are not in general available to small and medium sized commercial firms, whose main involvement in cross-border activities occurs within the context of rapid growth in business format franchising. This is only partly compensated for by the fact that physical distribution is increasingly separated from the process of trade, and supplied by specialist contractors not themselves involved in trade.

V - Obstacles to Internationalisation in Distribution

These international initiatives in distribution represent as yet only the leading edge in commercial innovation, and are not representative of distribution in Europe as a whole. Not only are there important differences in the structure of Commerce between member states, but the distributive trades are also strongly partitioned on national lines. Success in the commercial sector depends on a firm's ability to provide reliable and flexible service at the point of sale; it is therefore not surprising that commercial firms have often found it difficult to achieve significant turnover, in terms of purchases as well as sales, outside their own country. Nearly all the leading commercial companies in Europe conduct most of their business within one, or at most two, member states; no commercial enterprise has established significant market share throughout the Community; the failure rate of international initiatives by trading firms is high. There are numerous examples of retail firms who have entered a foreign market, for example by buying a chain of shops, but who have subsequently discovered that their commercial methods and/or formats are not able to prosper in an environment - structural, cultural, and legal - different from that of their native country. The level of understanding of the process of completing the internal market appears to be lower in the commercial sector than in industry, especially among small and medium sized firms.

The challenge for traders in the European economy of the 1990's will be to maintain their local roots, but at the same time to develop new marketing and procurement skills that will enable them to reach out and seize the opportunities represented by the expanding range of merchandise, at increasingly convergent prices, which will become available as the Single Market grows towards maturity.

There is therefore a need to identify the obstacles to internationalisation in distribution as a first step to considering what role the Community may have in removing them.

- Many obstacles to the free movement of goods and services, arising from **differences in national laws and other regulations**, are already being removed in the context of the programme for the completion of the internal market. In the work programme presented below the Commission proposes an approach to comparable obstacles that may persist in the distributive sector.

- The existence of significantly different **commercial structures within the Community** may also constitute obstacles to internationalisation. For example countries with a fragmented retail structure may be less open to penetration by imported commercial formats and methods than where there is a more concentrated structure. Structural obstacles of this kind will diminish in time to the extent that the completion of the internal market encourages a process of convergence. But in the meantime suppliers and distributors can be encouraged to overcome these obstacles through improved information and training as to the realities of operating within the large European market.

- Differences between **the commercial methods** of firms in different countries may also create obstacles to internationalisation, especially in establishing new links and networks across frontiers, which need to take account ofa wide variety of cultural, commercial and linguistic traditions.

In this context, attention needs to be focused on the rapid change in commercial methods resulting from application of the new information and communications technologies. In the longer term these techniques have the capacity to bring about a transformation in relations between suppliers and distributors, and so by extension between the productive economy and the consumer. State of the art Electronic Point of Sale (EPOS) systems generate an item by item record, of all transactions and communicates this data to suppliers, transporters and intermediate distributors at every point in the supply chain. Expert systems interpret the data and translate it into useful information to provide the basis for management decisions. Orders, invoices, dispatch notes and other commercial paperwork can be generated automatically by computer and transmitted by electronic data interchange (EDI).

But although the pace of change is rapid, and accelerating, among retailers in Northern Europe there are some indications that the pace of innovation is relatively slow in the wholesale trade, in small and medium sized firms, and in the commercial sector in Southern Europe. In other important respects the European retail trade is perhaps the most innovative and sophisticated in the world; by comparison, the retail trade in North America offers a narrower product range, and less flexible standards of service. Japanese retailing is still dominated by local family shopkeepers; indeed the Japanese authorities themselves recognise that the structure and behaviour of large commercial firms in Japan is a source of difficulty for exporters to Japan and has the effect of depriving the Japanese consumer of the range of choice available to consumers in other developed countries.

But in the field of technical innovation there are signs that European distribution may not be keeping pace with developments elsewhere. In both the United States and Japan, inter-industry distribution is increasingly geared to automated logistics planned and operated on a continental basis. US manufacturers and retailers are ahead of European competitors in developing "quick response" systems that adjust production schedules in the light of real time data on sales. And despite the backward structure of retailing, Japanese retailers are beginning to achieve, in small local shops, standards of "just in time" logistics comparable to those which are confined in Europe to large vertically integrated mass retailers.

In this limited sense, therefore, technical change is reinforcing the internal markets of our main industrial competitors in a manner which European efforts have not so far succeeded in matching. This problem does not appear to be related to the availability of systems or software, or to any failure in the process of technical harmonisation within the Community. On the contrary the Community has already played a key role in the worldwide development of commercial technology, for example by securing the adoption worldwide of the EAN standard for computer readable barcode numbering. This standard now forms the basis for the international development of Electronic Data Interchange (EDI) within the context of the TEDIS programme approved by the Council in 1987. Difficulties in implementing systems which are already widely available seem to be related to the existence of specifically European problems related to the nature of relations between firms.

It is a paradox of the information revolution that by automating routine commercial communications between firms it creates a situation in which relationships between firms become increasingly sensitive to differences in culture and management style. By liberating management from routine, these methods give a competitive edge to firms with the commitment and skill to develop links of a synergetic character between supplier and customer firms. If American and Japanese firms appear to be more successful in this respect than their European competitors one explanation is related to the wide diversity of management style within European business deriving from linguistic and cultural differences, and from the markedly uneven level of economic development between different regions and countries of the Community.

Once again small and medium sized firms are in a relatively less favourable position to cope with such obstacles, and there may be scope for action to overcome them within the context of community programmes for innovation and training.

VI The role of the Community

The programme of work outlined below is designed to improve awareness and understanding of the role of distribution in the European economy and of the process of internationalisation associated with the completion of the internal market; to identify obstacles to this process, and, where possible, to make proposals for their removal.

- Obstacles that may arise as a result of differences in regulations between Member States will be studied in consultation with the Distributive trades and Member States, with a view to finding ways of overcoming them;

- Some convergence in commercial structures is a probable natural consequence of the evolution of the internal market. To assist this process the Commission is undertaking a series of studies and various information activities with a view to improving awareness of commercial structures and of the difficulties which may arise as a result of their variety;

- As for commercial methods, Community policies and programmes for vocational training, structural funds, enterprise policy and innovation already provide a framework within which the Commission is examining ways to ensure that the sector is properly prepared for the challenge of the internal market.

The role of the Community in the evolution of the commercial system is limited by the principle of the subsidiary character of Community action. The process of commercial development and internationalisation will to a significant extent be carried forward naturally as businesses respond to the completion of the internal market. The Community does however have a role to play in improving the quality of information available to firms on international aspects of distribution, in ensuring that the regulatory environment - both at Community level and within individual countries - does not inhibit the process, and by encouraging the involvement of commercial firms in initiatives taken within the context of Community policies for training, economic cohesion and innovation.

THE PROGRAMME OF WORK

1. WORKING METHODS - CONSULTATION AND DIALOGUE

By virtue of their intimate involvement in activity at all levels of the economy, manufacturing as well as commercial, traders have a potential interest in a very wide range of Community policies, by no means limited to issues directly affecting the operation of trade itself. Community rules in the field of competition, the environment, consumer protection, transport, financial institutions and taxation are all examples of policies which have already aroused considerable interest in commercial firms. Looking to the future, such issues as Economic and Monetary Union, Community wide banking, new means of payment, and rapid advances in telecommunications will all have important consequences for Distribution. There is a need for the Commission to ensure that the needs of commerce are properly reflected in all areas of the Commission's work.

1.1 Consulting the commercial professions

The Committee for Commerce and Distribution (CCD) was established by the Commission in 1978 (provisionally - definitively in 1981) as a means of ensuring improved consultation with the wide diversity of interests represented within the Commercial sector.

The CCD includes representatives of the hotel, catering, advertising, and leasing sectors as well as franchisers, mail order houses, associated traders, wholesalers and retailers. Recently it has developed increasingly flexible and efficient working methods. The work of the Committee is organised into specialist groups, including external trade, economic affairs, means of payment, consumer affairs and the environment. Members of the CCD and their federations can call on extensive expertise on a wide range of topics.

In some fields, such as consumer protection and the environment, and in response to the Council Resolution of 14 November 1989, a close and constructive relationship has been established between the specialist groups of the CCD and the responsible Commission services in such a way that Commercial firms are now actively involved in consultation leading to policy development - environmental issues such as waste management and packaging constitute one particularly constructive example.

1.2 Cooperation with Member States

Large areas of legislation affecting the commercial sector remain wholly or partly within the competence of national or regional authorities. As the internationalisation of the Community economy proceeds in response to the completion of the internal market, these divergences in local and national policies are likely to be more acutely felt. This suggests a need to strengthen cooperation between the Community Institutions and Member States as well as between Member States themselves within the framework of the Group of Directors General responsible for internal trade, who should be encouraged to discuss with their colleagues and Commission staff any difficulties arising from differences in national regulation and to attempt some measure of coordination. This framework will also be used to support the programme of quantitative and qualitative studies described below, including the exchange of studies conducted at national level.

1.3 Dialogue between social partners

Within the framework of the Commission's activities designed to encourage social dialogue, the Confédération Européenne du Commerce du Détail (CECD) and the European Regional Organisation of the International Federation of Commercial, Clerical, Professional and Technical Employees (EUROFIET), adopted in 1988 a memorandum on vocational training.

Following this agreement and the desire expressed by both organisations to pursue the dialogue, the Commission organised in 1990 a European Forum on Social Aspects of the Retail Trade. Among the conclusions of this forum, mention should be made of the creation of a structure for dialogue on certain aspects of the the social dialogue established for the industrial sector.

Within this context further work is now in hand on vocational training, and has been extended to a general examination of the implications for retailing of demographic and employment developments. A Steering Group has been formed which will play an important consultative role in relation to Commission proposals relating to employment and working conditions in retailing.

A similar process has been launched for the wholesale trade, and the social partners - the Federation of European Wholesale and International Trade Associations (FEWITA) and EUROFIET - are also focusing initially on issues related to vocational training.

2 TRANSPARENCY AND UNDERSTANDING OF COMMERCIAL ACTIVITY

2.1 The quantitative basis for understanding distribution.

The proper understanding of the role of distribution in the European economy is complicated by the poor quality of international statistics on distribution. Economic statistics are invariably collected at present by reference to product sector. But there are no statistics at international level collected by reference to the type of supply channel through which goods are distributed; nor are there, indeed, any internationally accepted definitions of the various types of commercial outlet - ("hypermarket", "supermarket", "voluntary chain"). An entirely new type of data, collected by reference to supply channel definitions - for which no agreed international classifications yet exist - will be required before it will be possible to make reliable statistical comparisons of distribution in different countries.

The Commission has already adopted and transmitted to the Council a programme for the development of statistics for the service sector (COM(90)578 dated 17th December 1990); within this context it is now setting in hand a work programme on commercial statistics with the aim of setting up an integrated system for the collection, processing and distribution of statistics comparable to the Community statistical system in other fields. Such a system will require close cooperation between the Statistical Office of the European Communities (SOEC) and national statistical Institutes, and arrangements for involving users in the development of the system.

The Commission envisages that this system, when complete - a process which will take some years - will provide a comprehensive picture of the structure of and trends in distribution on an annual basis, supplemented by key indicators relevant to short term economic analysis, to be collected monthly or quarterly. It is intended that the collection of this data will include research data based on sampling methods as well as aggregate data from official sources. The aim will be to improve understanding of commercial behaviour and strategy as well as the measurement of economic aggregates. A proposal for a Council Directive setting out the legal basis for the first stage of this programme - the annual series - will be presented in the course of 1991. Further proposals may follow as the system develops.

2.2 Understanding the regulatory framework

In its resolution of 14 November 1989 the Council called on the Commission to prepare and maintain a database covering the extensive volume of national and community laws and other measures affecting commercial activity. A contract has been placed with consultants for the first stage of work on this project, which is being carried out with the cooperation of National Administrations, and the results will be published in the first half of 1991. As requested by the Council these results will be made available to all users, in particular to national administrations and firms, and will provide the basis for discussions to be held in the framework of the Group of Directors General. The next step will be to investigate the extent to which divergences in national regulations may have the effect of slowing down the internationalisation of distribution.

2.3 Understanding the structural development of distribution

The Commission already has in hand a programme of studies designed to improve understanding of commercial activity and the commercial sector in Europe. with particular reference to the themes developed in this communication. Priority topics for study include:

- The changing role of the wholesale trade especially in relation to the distribution of inter industry goods;

- The impact of technology on commercial methods, on management development, on relations between distributors and producers and on the development of the new international market in distance selling;

- The role and nature of "associated trade" (franchising, buying groups and voluntary chains), and other issues related to the situation of small and medium sized commercial firms;

- Building on a study already completed on the retail trade in Eastern Europe further work to identify practical measures that could be taken, to encourage the efforts of EC commercial enterprises in relation to investment and training, and to support the efforts of new enterprises, and networks and federations of enterprises in Central Europe. (Technical assistance for distribution in Poland and Hungary is already envisaged within the PHARE programme).

It is satisfactory to note that the increasing importance of commercial activity for the European economy as a whole has already led to the emergence of a number of "centres of excellence" with expert knowledge of the distributive sector, at universities, business schools, and research centres throughout the Community. A number of initiatives have been set in hand to improve contact between these centres. The Commission is establishing contact with these emerging networks, and is examining how to encourage them within the context of programmes such as ERASMUS. The Commission also proposes to make the fullest possible use of these contacts in developing and executing the planned programme of work.

2.4 Raising the awareness of commercial firms.

The aim is to raise awareness on the part of Commerce as to the stakes involved in completing the internal market, and of the vital relationship between the accelerating revolution in commercial methods and the internationalisation of the market place .

In addition to the Commission's offices and antenna in the Member States, which, among other roles, give global information on the Community and its policies, the Commission has established a network of information offices (Euro-Info-Centres) throughout the Community to ensure that businesses, and in particular small and medium sized firms, have reliable sources of information about Community and national markets, and about the process of completing the internal market. In the first phase of the development of this service, the emphasis has been placed on providing help for manufacturing firms. Experience shows that problems of distribution figure prominently in the preoccupations of manufacturing SME's who seek guidance at EIC's, and the Commission intends to improve the expertise of EIC staff in this domain.

There is also a need to raise awareness at all levels of the Distributive Trades with respect to the international dimension of the commerce sector. The Commission has conducted a preliminary study of methods to achieve this objective and is considering the provision of an information service direct to the extensive professional press serving the Distributive Trades, so as to ensure a regular supply of news and ideas on Community developments for the non-specialist reader engaged in distribution.

3 THE LEGAL FRAMEWORK FOR DISTRIBUTION AT COMMUNITY LEVEL

3.1 Improving conditions of access to the European market

The legislative programme contained in the White Paper on completing the Internal Market focuses in particular on situations where differences in regulation at national level have the effect of creating obstacles to trade. Although most of these will directly affect the process of trade, only two proposals (relating to payment cards and to access to electronic networks), deal directly with distributive sector issues, and neither of these have been pursued in the form originally envisaged. National and local regulations affecting commercial activity are extensive and reflect the predominantly national or local character of the commercial sector.

It follows that that there is no case for community legislation except in certain very limited cases where differences between national rules threatens to inhibit the internationalisation of the sector - and in particular where the marketing method is intrinsically transnational in character.

Even in these cases the Commission considers that the process of trade should be subject to as few regulatory constraints as possible. The best approach may therefore be to use consultative mechanisms to explore the scope for solutions based on self regulation. This approach seems likely to prove particularly appropriate in dealing with new problems, where rapid changes in commercial methods and technology may give rise to a demand for regulation.

A successful system of self regulation agreed at Community level requires the general acceptance by all practitioners of a generally accepted code of conduct and an effective mechanism for enforcement; this in turn requires the establishment and recognition of appropriate decision making authorities within the national and international federations concerned, and appropriate mechanisms for appeal; it also requires that such systems should be compatible with Community law including competition law. But self regulation is an approach that does not exclude action by the public authorities in cases where there is a clear public interest in ensuring agreed standards of conduct. Action may still be required if and when voluntary codes prove unable to resolve the problems.

The Council Resolution of 14th November 1989 referred specifically to two such issues. The problem of pre-contractual preliminaries to the conclusion of franchise agreements has been addressed in a code of conduct which was adopted by the European Franchise Association in 1990. A similar approach is being adopted in relation to electronic payments; Trade Federations representing financial institutions and retailers are working on codes of conduct governing the relations between card issues distributors and card holders in line with Commission Recommendations 87/598/EEC and 88/590/EEC.

3.2 Providing a set of rules for new forms of distribution without frontiers

An area of obvious potential importance is the small but growing multinational market in distance selling based on new techniques of multilingual publishing, broadcasting and advertising. The Commission's aim in this area is to ensure that potential new barriers within the internal market are identified and dealt with. Because of the multinational character of the market the principle of subsidiarity may lead to the conclusion that if some sort of regulatory framework is needed, then it should from the outset be at Community level. Whether or not such regulation is required is open to debate. The Commission has already announced in its Action Plan for consumer protection policy (May 1990) that it is examining the desirability of extending the terms of Council Directive 85/577 on contracts negotiated away from business premises - the so-called "doorstep-selling directive" - to telemarketing in general. Looking further ahead there may be a need to look at different possible approaches for licensing and for laying down standards of behaviour for sellers through telephone and television. Such standards are already envisaged in voluntary codes of conduct applicable in some member states, and focus in particular on the protection of individual privacy.

In the same way, cross border payments raise issues on which any action required should obviously be taken at Community level. The Commission has identified in its Discussion Paper "Making payments in the Internal Market" a number of problems which are of particular concern to small firms making payments which are either made at irregular intervals or are small in amount or both. In such cases the cost of making and/or receiving the payment is often so large as to reduce or eliminate the profit margin on the transaction. In its efforts to promote the integration of Europe's payment systems, the Commission will continue to take into account the interests of the sector.

3.3 Clarifying the legal framework for cooperation between firms

Commercial activity provides the essential mechanism for ensuring rapid and flexible response by suppliers to the development of customer needs. Competitivity at all levels of the supply chain is coming to depend more and more on the nature of links between firms. Furthermore, as a result of the new technologies, these links between firms depend increasingly on shared access to detailed management information. This transformation in commercial relationships may have implications for the application of Community rules on competition.

Article 85 of the Treaty provides that agreements between undertakings which are designed to restrict competition are prohibited, but numerous agreements which do not have a restrictive object or effect fall outside the scope of Article 85(1); moreover exceptions to the general principle may be allowed in the case of any arrangement "which contributes to improving the production or distribution of goods or to promoting technical or economic progress, while allowing consumers a full share of the resulting benefit", and which fulfils the other conditions of Article 85(3).

As the process of internationalisation in distribution gathers pace in response to the completion of the internal market, an increasing number of firms - especially small and medium sized businesses -, in both the commercial and the productive sectors, seem likely to find that the most effective way in which they can adjust their procurement and marketing strategies to the larger market will be by participating in some form of joint activity with other firms. Some such joint activities - for example exclusive distribution (Commission Regulation 1983/83), and franchising (Regulation 4087/88) - are covered by block exemptions within the terms of Article 85(3); but others are not - for example, purchasing groups operated by wholesalers or on a cooperative basis for the benefit of small independent retailers, usually at a local level, which in many respects, particularly their use of retail brand names, resemble franchise agreements.

Of course such agreements have an impact on competition, but they may at the same time be an essential precondition for the development of new distributive channels, which may be regarded as a source of economic benefit in the sense referred to in the text of Article 85(3) quoted above. In particular the further development of cross-frontier distribution possibilities is essential to creating a favourable economic environment for SME's. A manufacturing firm may well feel that it cannot undertake the risk of establishing multi-national distribution channels without the protection of an exclusive distribution agreement; a small shopkeeper may have no access to potential new sources of supply outside his home country except by deploying management resources in cooperation with fellow shopkeepers; small firms may be quite unable to mount promotional activities on a national or international scale except in cooperation with other firms.

Large commercial firms, too, may have an interest, especially in view of the wider range of merchandise likely to become available within the single market, in pooling their expertise in procurement, marketing, and other fields; various types of alliance across frontiers have recently emerged, and some of the larger wholesaler organised "voluntary chains" have been particularly successful at a multinational level. Although this type of association may also have the effect of opening up new supply channels, there is a need for particular vigilance in the application of competition rules in cases where the firms involved have substantial purchasing power.

To enable businesses, and especially small and medium sized businesses, to develop sound strategies for extending their activities within the wider European market it is essential both that Community law should be clear, and widely understood, and that national competition authorities should work in accordance with principles that are consistent with those agreed at Community level. This issue is of growing importance. The Commission is therefore considering further clarification of its position on the compatibility with the competition rules of the arrangements mentioned above.

4. APPLICATION TO THE DISTRIBUTIVE TRADES OF COMMUNITY POLICIES FOR ECONOMIC COHESION AND DEVELOPMENT

Distribution impinges on all aspects of economic activity, and policies for distribution therefore need to focus not on commercial activity considered in isolation, but rather on the way in which distribution affects the economy as a whole. The Commission considers that the importance of distribution needs to be properly recognised in the context of the full range of Community policies to encourage harmonious development, innovation, growth, and the reduction in disparities between regions within the Community.

4.1 <u>Vocational Training.</u>

The commercial revolution has had important - and in some ways unsatisfactory - implications for the structure and pattern of employment in distribution. On the one hand the process of automation affecting the basic tasks of accounting and stockkeeping is increasingly liberating management, especially in the larger firms, from exclusive concentration on short-term issues and improving the returns from innovative approaches to management, marketing, design and strategic planning.

On the other hand, while there has been an increase in the range and depth of skills at management level, the process of automation has also had the effect of reducing the skill content of jobs at entry level. Large scale distribution has come to rely increasingly on a relatively low-skilled workforce, much of it part-time or seasonal. Demographic developments, especially in Northern Europe, are already creating recruitment difficulties at this level. At the same time there is a growing need for larger numbers of trained personnel in junior management positions. Large companies are experiencing difficulty in attracting the right recruits.

In the retail trade a high proportion of the workforce (70-80%) is female, and women are increasingly progressing from entry level to the lower levels of management, particularly in departments concerned with procurement, marketing and design. It is however disappointing to note that women appear in general to be no better represented at senior levels of management in distribution than in other sectors of the economy.

Three separate factors - the completion of the internal market, the employment conditions in distribution noted above, and the accelerating pace of change in commercial methods resulting from technical progress - lead together to the conclusion that the distributive trades represent a particularly important target for the development of Community policies for vocational training. A rapid improvement in skills, knowledge and management techniques in distribution is a necessary condition for an adequate response to the new opportunities arising from the 1992 programme.

Since 1986, when the Council adopted the COMETT programme to promote advanced training for technological change, there has been a rapid growth in Community efforts to promote training as an essential element in the economic development policies of the Community, with particular reference to technology (COMETT, EUROTECNET), languages (LINGUA), improved links and exchanges between Universities (ERASMUS), initial vocational training and international experience for young workers (PETRA) and training for women (IRIS). The DELTA programme investigates the application of information and communications technology to learning and investigates the conditions necessary to encourage retraining and management development in support of technical innovation. More recently the FORCE programme, adopted by the Council on 29th May 1990, opens the way to the development of a systematic policy for continuing education and training in firms.

All these programmes have significant potential for the distributive trades, although most of them were designed with the needs of the productive sector principally in mind. But they have not in practice succeeded in attracting a sufficient level of interest and participation from the distributive trades. It is significant in this context that in September 1990 CECD and EUROFIET agreed, with the Commission's blessing, to undertake certain activities relating to training in the retail sector. A major priority for the consultation and information activities proposed above must be to raise awareness in firms, in their federation training bodies and in public authorities (who are closely concerned with the detailed implementation of some Community and national training programmes) as to the importance of Community efforts in this field. The particular needs of small and medium sized firms also require special attention, an issue that was examined in the Commission's Communication of January 1990 on "Preparing SMES for 1992 - Experimental Training Schemes".

The Commission has in any case decided that the retail trade is to be the first sector to be considered within the framework of the FORCE programme. In the first stage of work on FORCE the Commission, in partnership with CEDEFOP, is conducting an exhaustive survey of skills, skills needs, and continuing training plans within undertakings at all levels of the retail trade. This work, which will be completed in the course of 1991, will provide a firm basis for ensuring that the situation of the distributive sector is properly taken into account in developing policies and programmes for training.

4.2 The structural funds

The purpose of the Community structural funds (the Agricultural Guidance and Guarantee Fund - guidance section - the Social Fund and the Regional Development Fund) is to promote economic and social cohesion, in particular by programmes defined and approved jointly by national authorities and the Community, in support of disadvantaged regions or groups.

The funds have a role to play in the modernisation of distribution, particularly in regions and sectors where the productive base is constrained by the inadequacy of distribution channels. For example the funds support action:

- to ensure the continuity of basic services in remote rural areas;

- to support the better integration of SME's in assisted regions into distribution and marketing networks, using, as an illustration, advanced services linked to telecommunications;

- by supporting vocational training.

Recent Community initiatives of interest in this context include TELEMATIQUE for advanced services linked to telecommunications, LEADER for rural development, the NOW initiative for women, and EUROFORM for transnational training.

In December 1990 the Commission approved a proposal by the Portuguese Government to allocate funds within FEDER for the modernisation of the Portugues distributive system, with particular emphasis on investment in technology and the development of frameworks for association between small firms.

The existing budgetary framework governing the structural funds expires at the end of 1993, and the Commission is undertaking a review of their operation.

4.3 <u>Technological innovation in Commercial firms.</u>

The new information and communication technologies are bringing about profound changes in commercial methods, and, to ensure balanced and harmonious development of the European commercial system, it is essential that this process of innovation should be available to small and medium sized firms as well as large, and in the disadvantaged regions as well as in the more prosperous parts of the Community.

There are significant elements, both within the Community's range of programmes for vocational training described above, and within programmes for the promotion of research, development and innovation, which impinge on these issues. At Community level the following initiatives are of particular interest:

- The Strategic Programme for Innovation and Technology Transfer (SPRINT) focusses particularly on the need to make a commercial success out of technical opportunities. It is particularly concerned with the need to develop new products, processes and services in marketing terms, and so with the general issue of relations between firms. SPRINT is currently financing several projects dealing with user-supplier relations, just in time logistics and management development. A feasibility study is in hand for a large scale project for introduction of new technologies to support "rapid response" in the footwear sector. The same issues are under examination within the textile sector, in the context of a study launched at the initiative of the Commission's Directorate General for Industry and the Internal Market.

- Within the IMPACT programme for information marketing, projects are under way relating to the application of advanced technology to logistical aspects of road haulage.

- Within the context of the TEDIS programme, which promotes Electronic Data Interchange, a legal advisory board is examining the changes in commercial law and procedures that will be necessary as a consequence of the move from conventional commercial paperwork to electronic communications, and in this context work is in hand on the development of a "model EDI agreement", a form of contract which could form the legal basis for electronic relations between firms; experimental initiatives have been launched on the effect of EDI on the relations between firms.

- By its decision of 22 January 1990 the Council instructed the Commission to prepare policy proposals on the development of trans-European networks, including telecommunications and training networks, with particular reference to intercommunication and interoperability. In December 1990 the Commission approved a communication to the Council which lays emphasis on the importance for the internal market of developing truly transnational networks, with particular reference to transport, telecommunications, energy and vocational training.

In developing an approach to innovation in the commercial sector, the Commission may also be able to draw on experience gained in the private sector and at national level. For example:

- In commercial firms, a major issue in developing information in management systems is how to process and interpret the very large volume of data generated by point of sale systems so as to provide useful information in support of decision-making. This process of interpretation must of its nature incorporate assumptions of a subjective character; suppliers and distributors will each tend to interpret data from their own particular point of view, and the resulting differences in management outlook may be particularly difficult to manage where suppliers and distributors are working across frontiers, and in different languages. An interesting example is the system known as "Direct Product Profitability" (DPP) which analyses turnover and profit for each individual item handled. Some degree of convergence in approaches to analysis of this kind is necessary in order to create an environment favourable to the development of new commercial relationships, especially across frontiers. It is for this reason that there is a public and Community interest, and not merely a private commercial interest, in developing common approaches to advanced data-handling systems of this kind.

- Within individual countries, initiatives are being launched by trade federations, and by publicly sponsored Chambers of Commerce to assist smaller firms in the commercial sector, and the associations within which they work, to match the progress in technical advance and management development being achieved by larger firms. A particularly interesting example is the programme developed by the Italian Trades Confederations, Confcommercio, which is developing practical programmes for technical development and management training (including distance training), and including arrangements for technical and financial assistance to participating firms.

It is now becoming urgent to bring these different strands together and address the problem directly. The Commission therefore proposes to set in hand an examination of these and other related developments using the consultative mechanisms for commerce described above and the management committees for the Community programmes principally concerned (particularly SPRINT and TEDIS). The object will be to identify the obstacles to the penetration of commercial technology. Particular attention will be focused on the use of technology by small and medium sized commercial firms, to the technical links between commercial firms and smaller manufacturing firms, and to commercial links between firms across frontiers. The aim will be to arrive at concrete proposals for action such as:

- public sector initiatives to encourage investment in management development in commercial SME's aiming at overcoming the psychological and other obstacles to innovation.

- public sector support of efforts within firms to encourage consistency in commercial procedures, including technical standards, at an international level.

Conclusion

This Communication has provided an overview of issues for the distributive trades which arise in the context of the completion of the internal market, and of developments in hand, in the context of a wide range of Community policies, to ensure that distribution in the 1990's assumes an increasingly transnational character. Further proposals will be brought forward in due course as the programme of work develops, particularly as regards the legal framework, vocational training and technology.

STATISTICAL ANNEXE

The quality of statistical information on the Distributive Trades is not at present sufficient to provide more than a general overview of the situation of and trends in distribution. Statistical difficulties arise in particular because economic data is normally collected in accordance with product category definitions (NACE); reliable distribution statistics will require the collection of date according to supply channel definitions, for which no internationally recognised classifications exist.

The picture is further complicated by the rapid changes in commercial structure and methods described in the Communication (Sections 1.2 and 1.3) which make it increasingly difficult to define clear frontiers (for example between wholesaling and retailing) within distribution, and between distribution and industry (for example between wholesaling and the commercial and distribution functions of manufacturing firms).

The situation is still further confused by the existence of many small owner-managed firms, of self-employment, and of casual and seasonal employment.

Table 1 provides an estimate of the importance of the distributive trades in the Economy as a whole. Tables 2 and 3 provides estimates of employment. Table 2 is limited to wage and salary earners only, and table 3, taken from a recent academic study, illustrates, for a few countries only, the relative importance of the self-employed, who are not included in table 2.

Table 1
Share of value-added for the distributive trades (1) in total output/

Part de la valeur ajoutée du commerce dans la production totale

	Wholesale and retail trade services (2)/ Commerce de gros et de détail		Lodging and catering services/ Cafés, hotels, restaurants		Total	
(%)	1980	1986	1980	1986	1980	1986
Belgique	15.02	16.92	3.03	3.28	18.05	20.20
Danmarke	14.28	15.31	1.28	1.47	15.56	16.78
BR Deutschland	12.18	11.24	1.52	1.63	13.70	12.87
Hellas	12.88	13.73	N/A	N/A	15.47	16.30
Espana	14.72	14.25	4.15	6.68	18.87	20.93
France	13.43	13.34	2.42	2.89	15.85	16.23
Ireland	10.87	11.49	2.33	2.32	13.20	13.81
Italia	17.08	17.19	2.83	3.59	19.91	20.78
Luxembourg	15.51	15.79	2.55	1.99	18.06	17.78
Nederland	13.37	13.21	1.86	1.92	15.23	15.13
Portugal	18.00	16.82	3.16	3.61	21.16	20.43
United Kingdom	11.59	13.32	1.72	1.98	13.31	15.30
EC	13.54	13.59	2.59	2.57	16.13	16.16

(1) At factor cost. Ensemble des facteurs
(2) Including recovery and repairs. Y compris la récupération et la réparation
Source : Eurostat.

Table 2

Number of wage and salary earners in the distributive trades, 1988

Nombre de personnes occupées dans le commerce en 1988

	Wholesale/ Commerce de gros	Scrap and waste materials/ Matériaux de récupération	Agents/ Agents commerciaux	Retail/ Commerce de détail	Hotels and catering/ Cafés, hotels, restaurants	Repairs/ Réparation	Total distributive trades/ Total distribution	Total economy employment/ Total des emplois dans l'économie	Distribution as share of total/ Part de la distribution
Belgique (1)	164 112	4 045	3 123	164 992	65 524	35 000	436 796	3 046 797	14.34
Danmarke (1)	152 675	2 004	5 410	174 742	52 587	15 050	402 468	2 412 200	16.68
BR Deutschland	953 192	25 379	188 508	1 757 340	458 795	310 200	3 693 414	23 348 000	15.82
Hellas (1)	89 362	1 564	15 517	325 193	160 143	69 557	661 336	3 587 662	18.43
Espana (1)	262 200	5 400	141 600	527 400	318 600	128 100	1 256 200	7 896 699	15.91
France	837 000	18 700	54 300	1 386 500	460 700	123 000	2 881 000	18 097 000	15.92
Ireland	37 800	0	0 700	67 100	35 000	6 600	147 200	823 600	17.87
Italia (2)	673 412	N/A	N/A	656 816	N/A	N/A	2 292 400 (E)	22 924 000	10.00
Luxembourg	8 600	0 200	0 500	14 200	6 400	0 500	30 400	154 100	19.73
Portugal	62 750	1 000 N/A	1 000 N/A	197 871	86 000	167 812	516 433	3 649 000	14.15
Nederland (1)	276 700	6 500	6 500	361 100	85 200	54 600	790 700	4 631 500	17.07
United Kingdom (1)	928 201	21 702	28 478	2 110 490	1 036 982	244 235	4 370 086	21 574 926	20.26
EC (12)	4 446 004	100 494 (E)	485 636 (E)	7 743 744	3 365 431 (E)	1 336 624 (E)	17 478 433 (E)	112 145 484	15.58
Share of the Total Economy/Part dans toute l'économie	3.96	0.09	0.43	6.90	3.00	1.19	15.58	100	

Sources : Eurostat except for Italy/Eurostat à l'exception de l'Italie
1) Data for 1987/Données pour 1987
2) Data prepared by Centro di Studi sul Commercio (CESCOM), Bocconi University, Italy
E) Approximate estimate./Donnée approximative.

Table 3						
Employees and self-employed in Distributive Trades/ Salariés et travailleurs indépendants dans la distribution						
1987						
	Retail/Commerce de détail			**Wholesale/Commerce de gros**		
	Self-employed/ Indépendants	**Employees/ Salariés**	**Total**	**Self-employed Indépendants**	**Employees Salariés**	**Total**
Belgique	93 935	164 992	263 927	28 807	164 112	192 819
France	476 400	1 149 900	1 626 300	15 400	876 500	951 900
Italia	1 614 714	656 816	2 271 530	478 958	673 412	1 152 370
Nederland	11 900	381 402	493 302	25 600	297 999	322 189
UK (1)	2 990 000	470 000	3 460 000	N/A	N/A	N/A

1) Figures for total of distributive trades only/Total distribution tous secteurs confondus.
2) Source CESCOM (Milan, I), IRS (Stirling, UK) and EIM (Zoetemeer, NL).

The following tables illustrate some other important features of Distribution referred to in the Memorandum.

Table 4		
RETAIL SALES VALUE AS A PERCENTAGE OF CONSUMER EXPENDITURE 1982/1987 % DES VENTES AU DETAIL DANS LA CONSOMMATION DES MENAGES		
	1982	**1987**
Hellas	62.0	62.0
Portugal	59.0	55.5
Italia	58.5	53.5
Espana	55.0	52.0
Belgique	44.8	44.0
France	44.6	43.0
BR Deutschland	41.9	41.6
Nederland	44.4	40.7
UK	41.4	40.5
Danmarke	40.0	38.0

Source : Euromonitor.

Table 5			
NUMBER OF RETAIL OUTLETS AND SHOP DENSITY 1987/ NOMBRE DE POINTS DE VENTE ET DENSITE			
	YEAR/ANNEE	OUTLETS (000s)/ POINTS DE VENTE (en milliers)	DENSITY
Espana	1985	739.9	19.2
Hellas	1984	185.0	18.7
Belgique	1987	114.0	11.5
Nederland	1988	158.0	10.8
France	1988	590.0	10.5
Danmarke	1985	48.7	9.5
Italia	1987	533.4	9.3
Ireland	1977	31.3	9.2
Portugal	1976	81.0	9.0
UK	1984	343.2	6.1
BR Deutschland	1986	310.0	5.1

Source : Euromonitor.
Notes: Density: outlets per thousand head of population.
Densité: nombre de magasins pour 1000 habitants

Table 6		
FOOD RETAILING 1987/COMMERCE DE DETAIL ALIMENTAIRE		
	Share of hypermarkets (%)/ % des hypermarchés	**Share of supermarkets (%)/ % des supermarchés**
Countries with high concentration in food retailing/ Pays à forte concentration dans le commerce de détail alimentaire		
France	39	41
Belgique	18	58
Nederlandss	4	54
UK	24	31
BR Deutschland	18	35
Countries with low concentration in food retailing/ Pays à faible concentration dans le commerce de détail alimentaire		
Espana	16	20
Italia	2	23
Danmarke	0	N/A
Portugal	3	N/A
Hellas	0	N/A
Ireland	0	N/A

Source : AC Nielsen Company.

Table 7

RETAIL TRADE BY ORGANIZATION (1)/FORMES DE COMMERCE DE DETAIL

	Year/Année	Cooperatives	Department and variety stores and mail order/ Grands magasins et magasins populaires et vente par correspondance	Multiples/ Commerces à succursales multiples	Affiliations/ Commerce affiliés	Independents/ Indépendants	Total
Belgique	1983	N/A	7	15	9	69	100
Danmarke	1984	16	N/A	28	56	56	100
Espana	1984	3	5	10	8	74	100
France	1983	3	8	25	16	48	100
Ireland	1984	1	8	34	7	50	100
Nederland	1985	N/A	2	27	34	37	100
Portugal	1984	4	40	40	4	52	100
UK	1984	5	18	47	5	25	100

(1) Cooperatives - cooperative societies; multiples - including hypermarket chains; Affiliations - voluntary chains and buying group members; Independents - non-affiliated retailers.
Source: Euromonitor.
Coopératives - succursales multiples y compris les hypermarchés; commerces affiliés - chaînes volontaires et groupements d'achats; indépendants - commerces non-affiliés.

Table 8

MAIL ORDER MARKET SHARE OF TOTAL RETAILING 1982 - 1987/

PART DE LA VENTE PAR CORRESPONDANCE DANS LE TOTAL DU COMMERCE DE DETAIL

%	1982	1987
Belgique	1.3	1.4
Danmarke	1.6	2.0
France	2.4	2.7
Italia	0.4	0.4
Nederland	1.3	1.7
Espana	N/A	0.2
UK	3.5	3.4
BR Deutschland	5.7	5.7

Source : Euromonitor.

Table 9

MARKET SHARE OF BUYING GROUPS AND VOLUNTARY CHAINS/

% DES GROUPEMENTS D'ACHATS ET DES CHAÎNES VOLONTAIRES

	1982	1988
Belgique	N/A	11
Danmarke	33	33
Finland	N/A	40
Nederland	33	32
Norway	27	24
Espana	2	4
Sweden	35	36
BR Deutschland	40	39

Source: Euromonitor

TABLE 10

BUSINESS FORMAT FRANCHISING/

FRANCHISE

	Number of franchising/Nbre de franchiseurs		Number of franchised outlets/Nbre de franchisés		Value of sales (Billion ECU)/ Valeur des ventes (en millions d'ECUs)	
	1985	1988	1985	1988	1985	1988
Belgique	72	77	3035	4045	2.48	2.85
Danmarke	N/A	8	N/A	25	N/A	N/A
France	456	675	19 687	29.698	12.17	13.15
Italia	79	197	8024	11.500	2.11	2.93
Nederland	216	248	6747	8332	4.3	5.4
UK	N/A	270	N/A	20 000	N/A	5.63
BR Deutschland	N/A	180	N/A	9000	N/A	4.8

Source : European Franchising Federations.

Table 11

MAJOR RETAIL-BASED ORGANIZATIONS IN EUROPE/

CLASSEMENT DES PLUS GRANDES ENTREPRISES DU COMMERCE DE DETAIL EN EUROPE

Company	Turnover 1988/89 (million ECU)	Domestic base
Metro	17 108	Germany
Tengelmann	16 873	Germany
Leclerc	10 159	France
Intermarché	9 522	France
Carrefour	8 900	France
J. Sainsbury	8 885	UK
Albrecht	8 584 (1)	Germany
Rewe-Leibbrand	7 857	Germany
Marks & Spencer	7 714	UK
Vendex International	7 497	Netherlands
Tesco	7 105	UK
Asko-Massa Group	7 039	Germany
Karstadt	6 895	Germany
Migros	6 875	Switzerland
Gateway	6 807	UK
Promodès	6 563	France
Ahold	6 544	Netherlands
Otto Versand	6 411	Germany
ICA	6 331	Sweden
Co-op AG	6 026	Germany
Au Printemps Groupe	5 795	France
Schickedanz-Quelle	5 708	Germany
Argyll	5 566	UK
Kesko	5 467	Finland
KF Konsum	5 090	Sweden
Co-op Schweitz	5 021	Switzerland
Auchan	4 899 (2)	France
Casino	4 854	France
Delhaize le Lion	4 854	Belgium
Euromarché Groupe	4 410	France
Sears	4 075	UK
Boots	4 072	UK
ASDA	4 066	UK
Kingfisher	4 066	UK
Gus	3 955	UK
GIB	3 916	Belgium
C&A Brenninkmeyer	3 836 (2)	Germany
FDB/Brugsen	3 748 (2)	Denmark
Co-op Italia	3 708	Italy
Cora	3 553 (1)	France
System U	3 521 (2)	France

(1) Estimate/Donnée estimée.
(2) 1987
Source : Institute for Retail Studies, Stirling University.

FINANCIAL STATEMENT

1 BUDGET HEADINGS CONCERNED

B 5-320 Business promotion (SME's) (Formerly B 7770)
B 5-322 Operations relating to the Distributive Trades (Formerly B 7772)

2 EXPENDITURE DERIVING FROM THE DECISIONS LAID BEFORE THE COMMISSION (indicative figures depending on budget funds available)

1991	1992	1993
1 450 000	1 250 000	1 250 000

These figures cover all activities mentioned in sections 1, 2 and 3 of the work programme including work on statistics that is already in hand, but excluding additional expenditure that may be required in the context of the forthcoming proposal for a Council Directive relating to Commerce statistics (Para 2.1). They do not cover additional actions that may be required as a result of the development of the work programme, which will be the subject of separate proposals, as necessary.

3 OTHER FINANCIAL REPERCUSSIONS

Measures to encourage vocational training already authorised within appropriate budget lines, and especially the FORCE programme. Any additional expenditure required will be the subject of separate proposals. The initial phase of work in support of innovation and technical change (para 4.3) will involve initial expenditure on studies whose cost is not expected to exceed 500 000 ECU's. The source of funding for this initial phase has not yet been decided, but could be accommodated within the budget lines for Enterprise Policy mentioned at 1 above. Any further expenditure which may prove necessary will be the subject of separate proposals.