

Commerce 99 —

Proceedings of the seminar

on distributive trades

in Europe

Brussels, 22-23 November 1999



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Industry,
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






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ME 4
trade and
services



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Yves Franchet
Director-General

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Preface

Everyone is a consumer, every day. The distributive trades, or 'commerce', make sure that consumers can access the widest possible range of goods wherever and whenever they want, and at the same time have access to more and better services.

In terms of figures, distributive trades account for some 30% of businesses, 16 % of total employment - some 22 million people - and more than 13% of the GDP of the European Union; this makes them an important sector of the EU economy.

However, it is a sector which faces numerous challenges: the Internal Market, Monetary Union and globalisation are speeding up international competition, and traders are forced to adapt quickly. More and more goods and services are needed, particularly in the new information technologies, and Internet shopping or 'e-commerce' is developing rapidly.

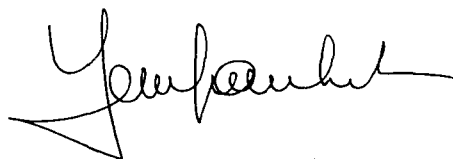
Effective policy measures in commerce to improve the market environment, strengthen competitiveness or promote entrepreneurship need reliable and up-to-date statistics. Obtaining the relevant data is often a difficult task, as the business environment is developing rapidly.

In order to stimulate a debate on information on the distributive trades sector, Eurostat - together with the Commission's Enterprise DG - organised the "Seminar on distributive trades in Europe", held in Brussels on 22-23 November 1999.

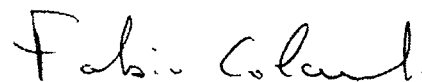
Statisticians, researchers and analysts, representatives of trade associations and public authorities representing a range of interests and specialisations were brought together to exchange views on important issues related to statistical information and its use in the distributive trades sector. Data users were able to give direct feedback to data producers, providing important input for improving the strategic work to be done on the increasing amount of available information.

This publication is a compilation of the proceedings of that seminar, bringing together 22 speeches and articles on topics such as employment and competitiveness, concentration and co-operation in distributive trades, product innovation and electronic commerce in the European Union.

It is hoped that this publication will both motivate data producers and also highlight users' needs as regards information on distributive trades in a rapidly changing environment.



Yves FRANCHET
Director-General
Eurostat



Fabio COLASANTI
Director-General
Enterprise DG

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SESSION 1
**The needs for statistics on trade
and the way to meet them**

**Political and economic importance of trade
for the European Community**



Needs of the European Commission

Mr. Guy Crauser

Director General, European Commission – Enterprise DG

Abstract

The White Paper on Commerce, adopted by the Commission on 27 January 1999, lays the foundation for a new policy promoting the distributive trade sector, emphasising competitiveness and job creation.

Faced with new developments such as concentration, globalisation and the growing importance of the IT sector, the traditional subdivision into wholesalers, intermediaries and retailers may become unstable and have to adapt quickly to the market situation.

Both the Commission and policymakers at national or regional level need meaningful and reliable data to enable them to set priorities for market strategies, anticipate future trends and create the market conditions for enhanced development of this sector.

The Regulation concerning Structural Business Statistics is a first step to getting these data. However, a considerable amount of work still needs to be done – but there is nothing to prevent us from being ambitious and achieving this goal.

Our meeting here today provides a forum to pool our knowledge of the current situation regarding the distributive trades, to consider the impact of the European Statistical System and to reflect on what remains to be done to ensure that the statistics convey more and better information.

The overall figures speak for themselves: the distributive trades account for almost one third of European enterprises, more than 15% of jobs and 13% of GDP. This sector, the second largest of the European economy, deserves to be a permanent focus of attention. But these significant yet abstract figures conceal a complex reality whose outline cannot readily be grasped - like the societies we live in, it is in a constant state of flux.

In the White Paper on Commerce, adopted on 27 January 1999, the Commission laid the foundations for a new policy promoting this sector, the key words being competitiveness and job creation.

The measures set out in the action plan annexed to the White Paper are geared to three priority objectives:

- to gain and pass on knowledge on the make-up and needs of the sector in all its component parts by means of our professional and institutional

consultative bodies, and to mount a large-scale information campaign spanning the 15 Member States;

- to take appropriate action in the field of Community policies with a bearing on the distributive trades, such as the introduction of the euro, competition policy, regional policy and the GATS;
- to lend impetus to, follow up and coordinate commerce-focused activities in the areas of new technologies, training, local development or EU enlargement.

It goes without saying that these projects must be underpinned by continuous detailed analysis of the sector and its future prospects.

What do our observations tell us about the sector today?

Three common threads characterise current developments in the distributive trades sector: an intense process of concentration. internationalisation and the growing importance of technology.

Nevertheless, the broad thrust of development varies across the different countries and regions, and the impact at corporate level depends on the size,



operational set-up and organisation of the companies concerned.

1. Description of the sector

It is easy in theory to describe the **distributive trades sector**, but well-nigh impossible to encapsulate its complexity. Yet this is what we must strive to do.

The **common function** of all distributive trades is to **supply consumers** with the products they desire in the quantities required at convenient and easily accessible locations.

Increased competition means that "knowing how to sell" is not enough. Purchasing and product-flow-management expertise is also of the essence.

Key importance attaches nowadays to the **logistics function**. Thanks to new technologies, stock levels and ordering can be adjusted in real time according to consumer demand. The bottom line is a major cost saving and enhanced efficiency.

The traditional division into three functions (intermediate, wholesale and retail) is being eroded under the pressure of competition. Major retailers and large purchasing associations are increasingly acting as wholesalers not only for their own stores but also for smaller-scale traders. Some large industrial undertakings have set up distribution subsidiaries, while some wholesalers have branched out into retail distribution.

In this setting, it is becoming increasingly difficult to find one's bearings, but these changes are a fact of life and we have to come to terms with them.

The **types of distributive trades** have likewise become many and varied. For each sales strategy there is a particular **type of outlet**. Retail formats run the full gamut: from corner shops to hypermarkets with more than 15 000 m² of floor space, from distance selling to factory store outlets, from edge-of-town malls to historic city-centre shopping precincts, from independent shops to associated commerce; the upshot for us is a plethora of turnover and profitability data, employee rolls and other key data - all of which reflect developments in the sector and its component parts. These are figures which we need to know.

2. Our role, our needs

The changes to which I have just referred point to the future shape of the distributive trades and the kinds of jobs they will create.

The underlying shifts and trends can only be divined, not pinned down. As they gather pace, enterprises engaged

in this sector will have to make major efforts to adapt; but there will also be opportunities to seize.

Against this backdrop of massive restructuring, what will become of today's companies? How will they adapt, and at what price? What kind of jobs will new enterprises create? Where do the paths to success lie?

Training is a prerequisite for enhanced competitiveness. Targeted qualifications will be an essential factor for SME managers and employees alike. Investment in training and the degree of training given to managers and staff are elements which statistics should highlight.

One of the keys to survival for SMEs in the distributive trades sector lies in *associative links*. SMEs in all Member States are rediscovering the fact that unity is strength.

Such arrangements - whether in the form of cooperatives, franchising, purchasing associations or voluntary chains - offer SMEs the flexibility and service of small units coupled with the logistic advantages of large-scale structures. We are well aware of the existence and importance of these links - what we do not know is how to measure them.

The mosaic of activities making up the commercial sector must be scrutinised, not so much in the form of a general snapshot as in terms of detailed trends. This process begins with a precise **stocktake of the situation on the ground**, providing an essential platform for subsequent observation of the changing situation and, ideally, allowing us to **anticipate the shape of future trends**.

And this is where statistics come into their own - by pointing the way forward.

To **enable the sector to adapt its development strategy**, we need to identify as accurately as possible the structural forms adopted by some 22 million people engaged in the business of selling goods.

Investment in this area will be high and operators, public authorities and credit institutions will all want to keep abreast of developments by referring to statistical data.

It is important to know the breakdown of outlets and points of sale, as shifting patterns will have a key bearing on the drive to adapt to consumer requirements, and hence on competitiveness. However, meaningful statistics can only be produced if the various Member States apply common definitions. This appears not to be easy, however, and no doubt you will be addressing the issue in your discussions.

Similarly, to **enable public-sector decision-makers to map out their policies effectively**, in-depth knowledge is required - not only of the sector and its common



requirements but also of the specific needs arising out of its heterogeneous structures.

Drawing on such knowledge, national public administrations and chambers of commerce will be able to compare their set-ups in the distributive trades sector with those of other Member States and to forecast transnational trends.

Finally, if they have an overview of the sector along with trends in other branches of economic activity, the European authorities will be able to take better account of the distributive trades when drawing up their policies.

3. Conclusion

These two days will, I hope, highlight exactly what the users of statistics require.

In the near future, we should be able, for example, to recognise that a particular type of commerce in a particular branch of activity is steadily increasing its market share by x%, or to determine the respective share of associated commerce in each EU Member State.

In this regard the Regulation on structural business statistics presents us with new opportunities.

Given the vast scale of the work ahead, however, we need to set priorities for research, jointly determine the role we can all play, and gauge the potential contribution that each of us can make.

I know that this is a huge task and that progress is bound to be slow, but there is no law against being ambitious!



Needs of the professionals

Mr. Igino Sogaro
President of Eurocommerce

Abstract

We need to obtain a clearer picture of the web of commercial activities making up the commerce sector in the European Union, as well as in the European Economic Area and in the Central European countries.

The economic importance of our sector is self-evident. The structural changes which have taken place in the past and which still lie ahead of us are tremendous.

If we want better statistics and new data in the near future, we have to make decisions soon.

Ladies and Gentlemen,

Last Thursday, Eurostat may have surprised many of you with the headline: "Distributive Trades in Europe" and "Rising share of total employment"

What does this mean to the many independent retailers who have had to shut down and what about the family members who also worked for these companies? You must understand that we need to take a much closer look to know what is really happening. But do we have enough data available yet? I doubt it.

Let me continue quoting from their news release:

"Technological innovation and competitive pressure are pushing companies active in commerce to find a future either as larger enterprises, as joint ventures or as member of alliances in order to improve economies of scale".

"The other main findings are:

- the increasing share, although at a slow pace, of commerce in total employment over the last 20 years, accounting for more than 15 % across the EU in 1996 or more than 22.5 million people,*
- distributive trade accounting for just under 13 % of total EU value added,*
- a North/South divide with regard to market structure, performance and labour issues,*

- the importance of part-time employment for women as they take up more than 60 % of such jobs across all EU countries in 1998, reaching a high 91 % in Austria.*

These are impressive figures!

The economic importance of our sector is self-evident. The structural changes which have taken place in the past and which still lie ahead of us are tremendous.

The question is: are we able to measure what is going on?

The quality of a policy to accompany the commerce sector's obvious structural changes firstly depends on the quality of the tools the political and economic decision-makers have at their disposal.

One of these tools is, of course, statistics.

For the European Union, the Common Market means harmonised, up-to-date, short and long-term detailed statistics to measure:

- employment and competitiveness of different formats in food, non-food, in wholesale and international trade, and new trading formats
- the influence of new technologies like electronic commerce on our sector
- concentration and cooperation
- the relationship of commerce with other sectors



- the importance of commerce in foreign trade, export, import and transit business.
- and so on...

Unfortunately, however, as my predecessor already said, we know what is happening, but we don't have the appropriate tools to measure the exact situation as it is today and future trends, so as to be able to take the right decision as an entrepreneur.

Big companies can afford extensive market research studies. A small or medium-sized retailer, wholesaler, international trader or commercial agent has to rely on the information he gets from official statistics.

The same goes for the associations representing the commerce sector.

Let me say this very clearly: a fruitful dialogue between those who defend the interests of our sector and the political decision-makers at the regional, national and European level will only be possible on the basis of sound statistics.

A better understanding of our sector is the number one priority mentioned in the White Paper on commerce, which was published almost a year ago now, in January of this year.

As President of *EUROCOMMERCE*, I only need to underline what the first speaker said and what is written in the White Paper.

We need to obtain a clearer picture of the web of commercial activities making up the commerce sector in the European Union, as well as in the European Economic Area and in the central European countries who will soon join the European Union. One of the elements of their "acquis communautaire" should include better structural statistics.

Businessmen and lobbyists alike need many statistics reflecting :

- sales
 - by product categories, of which there is a wide variety

- by sales format
- pricing
- consumer spending figures
- enterprises by store format
- labour force
- and not forgetting much better international trade statistics, making it possible to measure the importance of, and trends in, the activities of wholesalers, international traders and commercial agents.

I am aware, of course, that everything has a price.

Cost must be reasonable for enterprises, which means that output must be targeted to the needs of our business.

The cost for statistical offices has to be seen in relation to the value added by our sector. In this, Ladies and Gentlemen, we have nothing to fear from being compared with many other sectors, because our economic importance is very high and, by comparison, the statistical data we are able to use are very poor.

Good statistics have nothing to do with government planning.

Free entrepreneurship within a sound legislative framework which does not discriminate between one form of commerce and another, and which gives every enterprise the chance to compete under fair conditions, is all that we want. However, this freedom can only be fruitful if every decision-maker at their respective level has the necessary reliable and up-to-date economic data available.

I know that much has already been done in the recent past to improve the statistics for our sector. We will hear more about it today.

If we want better statistics and new data in the near future, we have to make decisions soon.

The seminar today will hopefully help us to define what we need at the beginning of next millennium

Thank you, Ladies and Gentlemen, for your attention.



Eurostat's programme for meeting the needs

Mr. Yves Franchet
Director General, European Commission - Eurostat

Abstract

Free trade requires a level playing field with rules laid down by the Member States and the European Commission. These rules must be based on a precise statistical and economic overview of the commercial environment and its main structures. It is Eurostat's task to provide this overview.

Since 1989, when a resolution by the Council of Ministers asked the Commission to continue its work on improving distributive trade statistics at European level, several steps have been taken:

- a legal framework, including the Structural Business Statistics (SBS) and Short-term Statistics (STS) Regulations, is being constructed;
- the data received are being made available to users via:
 - Eurostat's New Cronos database;
 - an increasing number of publications such as *Statistics in Focus*, pocket books and yearbooks, CD-ROMs etc.

Eurostat hopes that this two-day seminar will enable it to draw conclusions on user requirements for statistical data and to make informed choices on the statistical studies and research on distributive trade to be carried out.

I have just listened carefully to the speeches given by Guy Crauser and Iginio Sogaro. One of the aims of this seminar – and one that has already been attained – is to encourage Eurostat's key partners to describe frankly and unsparingly their requirements for economic and statistical data on trade. The Commission and the trade organisations are of course two such key partners and I would like to extend my warmest thanks to the two speakers who have just spoken on their behalf.

Iginio Sogaro has spoken of the importance of the distribution sector both in terms of its size – the number of businesses involved, the number of persons employed and the amount of value added generated – and in terms of its role in distributing products to different users. This sector can only flourish in an atmosphere of freedom: entrepreneurial freedom, i.e. the freedom to set up business where and when one likes, and freedom to manage and organise buying and selling both to provide a better service to clients and to generate a net profit, the driving force behind progress

and further investment. But such freedom cannot exist without reliable, up-to-date economic and statistical data which, during our first seminar last year in this same venue, I likened to a radar system.

Guy Crauser brought home the fact that free trade requires a level playing field, and that it is up to the Member States and the European Commission to lay down the rules and ensure compliance with them. But we cannot work out those rules or ensure that they are complied with without first having a precise statistical and economic overview of the trading environment and its main structures. For example, it is impossible to take informed decisions on support measures for small and medium-sized enterprises without having an accurate picture of their place in commerce overall and in each of its main constituent sectors.

The last two speakers have provided a clearer picture of the role of statistics, both as an aid to short- and long-



term economic decision-making by businesses and as an aid to the establishment of the legal and administrative framework that the public authorities are expected to provide.

The question "What statistics do we need and for what purpose?" will be answered in two stages. As Director-General of Eurostat, I will be speaking in a moment about our task of providing economic and statistical data on distribution. I will retrace the background to our work since the Council of Ministers gave us our remit ten years ago, in 1989. And then, tomorrow afternoon, after the four thematic round tables on the key issues for the development of distribution as we approach the new millennium, future guidelines and possible responses to the needs identified in the round table analyses will be worked out. Tomorrow afternoon's session will be a very important one and not to be missed.

So what is Eurostat's current plan of action for the distribution sector?

Almost exactly ten years ago, on 14 November 1989, the Commission received an instruction from the Council of Ministers, the highest authority of the European Union, in the form of a Resolution on internal trade in the context of the internal market. The Council asked the Commission to continue its work on statistics in greater detail, to improve trade statistics by making them compatible with Community definitions, to increase, as far as necessary, the supply of such statistics to Eurostat, and to rapidly embark on the sectoral programme for commerce without increasing the administrative burden on undertakings.

In the intervening ten years, the following steps have been taken to comply fully with this resolution:

- production of a European methodological manual for trade statistics;
- drafting and adoption of a Regulation making it compulsory for the national statistical institutes to supply a sizeable set of basic uniform trade statistics on an annual basis (incorporated as Annex 3 to the Regulation on structural business statistics);
- drafting and adoption of a Regulation on short-term statistics making it compulsory for the national statistical institutes to supply data on turnover and employment in commercial undertakings on a monthly or quarterly basis;
- pending the implementation of this Regulation, the collection and publication of existing data, including

non-homogeneous data, and the production of a number of publications on the retail and wholesale trade in the Europe of Fifteen, the European Economic Area and the countries of eastern Europe. A good number of these green-covered publications have been printed.

And now for a rundown of the current situation.

First, the two Regulations are now in force. With regard to the Regulation on structural business statistics, Member States have supplied data for 1995, 1996 and part of 1997. They are now in the process of collecting data for 1998. The definitions of the variables were definitively adopted in May 1998 and published in a Regulation in December 1998. In this way data comparability is ensured. Furthermore, the supply of short-term data on turnover and employment is progressing at a steady pace. It is already possible to assess the state of EU retailing six to twelve weeks after the reference month.

The data are made available through two channels: through Eurostat's New Cronos database and through an increasing number of publications, including Statistics in Focus, pocket books, yearbooks, CD-Roms and the Monthly Panorama. Several of these publications have been produced specifically with this seminar in mind. You will find them either in your information pack or on sale at the conference room entrance.

Many other types of data are also disseminated by Eurostat. In this regard I should mention the results of the labour force surveys, the programme for small and medium-sized enterprises, and the national accounts, which assign high priority to distribution and provide a coherent description of the sector and of the main aggregates such as gross domestic product. Using the detailed tables by branch available in New Cronos, it is possible to monitor trade developments over the past twenty or thirty years in most of the fifteen EU countries and in Europe as a whole, the United States and Japan.

In addition, work has been done on methodology which should culminate in the production of satellite accounts for trade. These have been compiled in France for almost thirty years and have been welcomed by government bodies, trade organisations and universities alike.

The significant advances in EU trade statistics are an important step forward. But we must not be complacent: the world is changing fast. Like a heavy industry, the



statistical machine requires investment over a three- to five-year period if it is to produce results. So to be able to meet user needs in 2003 or 2005, we have to start right here and now to gauge their future needs as best we can. This is why we are so reliant on you, the users. But users must also realise that not everything is technically feasible and that everything has its price, both for businesses and the national and EU budgets.

So not everything is possible. We, the users and producers, must make choices together to meet the need to monitor and understand trends as they unfold. This is the objective of today's and tomorrow morning's discussions, from which conclusions will be drawn during tomorrow afternoon's session. Eurostat has high expectations of this session as a way of mapping out the road ahead.

SESSION 2

The revolution of trade business statistics

**Report on trends and structures of
distributive trades in Europe**



Some elements of business statistics methodology

Mr. Emmanuel Raulin
European Commission - Eurostat

Abstract

A legal framework for business statistics began to be constructed in 1990. Three of the most important instruments in this framework are:

- the Statistical Classification Regulation, adopted in October 1990
- the SBS (Structural Business Statistics) Regulation, adopted in December 1996
- the STS (Short-term Statistics) Regulation, adopted in May 1998

Since implementing the SBS Regulation placed a heavy workload on Member States, a derogation for data delivery was granted. A full set of data by country is due for the first time in July 2001, with 1999 as the reference period.

However, some issues such as

- the availability of EU aggregates (confidentiality problems)
- the comparability of SBS and STS data
- the economic units (particularly data collection on complex and multi-activity units)

will need more in-depth examination.

Three main business statistics tools have been developed since 1990. The Statistical Classification Regulation was adopted in October 1990, the SBS Regulation in December 1996 and the STS Regulation in May 1998. These Regulations allow harmonised data to be collected by the 15 Member States. In addition, they have strongly increased the amount of information which is now provided to users at European level.

Others important tools should be mentioned: the Statistical Units Regulation, the Business Register Regulation and the Charter on Confidentiality, which was approved by the Member States in 1998. It is therefore fair to say that the infrastructure for providing users with high-quality business statistics is now fully in place. It should, however, be stressed that this is a long-term process which will require considerable further effort by the Member States and Eurostat.

1. The SBS Regulation

This Council Regulation, which came into force at the beginning of 1997 (for the reference year 1995), introduced a common annex that covers the entire economy, and some specific annexes each covering a part of the economy. Among these is a specific annex for Distributive Trade (Section G of Nace Rev.1). The entire population of enterprises is covered by this Regulation in terms of size classes. Before the Regulation was adopted, only enterprises employing more than 20 persons were taken into account via structural statistics at European level and for most Member States. Member States are required to adopt harmonised definitions for variables and statistical units. One of the major improvements introduced by the Regulation is that Member States are now obliged to transmit confidential data to Eurostat, so that the European aggregates can be calculated, whatever the status of the national data (i.e. confidential or otherwise). Two major deadlines for data transmission



are laid down in the SBS Regulation: T+10 months for the preliminary results and T+18 months for the final results, where T is the end of the reference year. The first reference year was 1995. Statistics by country have to be transmitted on a yearly or multi-year basis, depending on the data series.

Two series are of great interest for Distributive Trade. Series 3c has two different breakdowns by size class; the first by number of persons employed and the second by annual turnover. It should be noted that many variables within Annex 3 (Distributive Trade Annex) are specific to this activity, for example "gross margin on goods for resale", "number of retail stores", "sales space".

2. Transition period, 1995-1998

Because many Member States have had to make a major effort to meet the requirements of the SBS regulation (for example, by extending the annual survey coverage from industry to include services), it was decided to consider the first four years as a transition period. During this period, some derogations were granted to Member States relating to variables, series, deadlines, activities covered, etc., according to the position from which each country began implementing the Regulation. The first reference year without any derogation will therefore be 1999 (final results available in July 2001).

Up until the 1999 reference year, EU aggregates for Section G of the NACE will remain difficult to obtain, although their availability will increase in the coming years. In order to meet user needs during the transition period, Eurostat has decided to estimate as many missing data as possible. These estimates will, however, only be published at EU level, in order to guarantee a high level of quality.

Three years after adoption of the SBS Regulation, Eurostat has to provide the Council and the Parliament with a report on the current state of implementation. Eurostat is now working on this task with the Member States. In this framework, Eurostat and the Member States have started a new stage of implementation, entailing an assessment of the quality of structural statistics. A new Commission Regulation on the criteria for measuring quality was adopted in July 1998. The work is expected to yield considerable improvements in terms of quality (accuracy, relevance, reliability, timeliness, etc.).

3. The STS Regulation

This Regulation, which was adopted in May 1998, is still in the first stage of implementation. Time series are already available for a number of variables, however.

Within the domain of Distributive Trade, two main variables are published on a monthly basis: turnover and the number of persons employed. Unfortunately, there are still many gaps in the STS database, mainly because of the transition period. Once the availability of these short-term indicators for Distributive Trade has reached a satisfactory level, Eurostat will use them to increase the volume of SBS estimates published via the NewCronos database three months after the end of the reference year.

4. The statistical classification: Nace Rev.1

This European classification, which was adopted in October 1990, is the core of the European business statistics system. It must be stressed that it is an activity classification rather than a product classification. This basic characteristic means that each enterprise is attributed to a specific item of Nace Rev.1 according to its principal activity. In other words, where an enterprise carries out more than one activity, all of these activities (not only the principal one) are taken into account. A given Nace Rev.1 industry (for example, a group or a division) could therefore be more or less heterogeneous in terms of activity, according to the amount of secondary activities of enterprises classified in this industry.

Within Nace Rev.1 Distributive Trade, there is a description of one section (section G) and three divisions (50, 51 and 52) and several groups and classes.

- Division 50: Sale, maintenance and repair of motor vehicles and motorcycles
- Division 51: Wholesale trade and commission trade
- Division 52: Retail trade, repair of personal and household goods

5. Main improvements to be made

Although the SBS Regulation has been successfully implemented in every Member State, many improvements have still to be carried out over the coming months or years.

Among the issues which need to be examined in depth, three are very problematic.

5.1 Availability of EU aggregates

1999 will be the first reference year without any derogations. Nevertheless, it is unlikely that all EU aggregates will be available for this reference year (i.e. by June 2001). The main reason is that confidentiality can affect the publication of some EU aggregates. Eurostat is working with the Member States to find a solution to this problem and improve the amount of published EU aggregates.



5.2 Comparability of STS and SBS statistics

Consistency between short-term indicators and structural business statistics has to be examined very carefully, even if each source has its own purpose and perspective. Because short-term indicators are used to provide initial SBS estimates, consistency between these two sources is of great importance.

5.3 Economic units

The definition and use of statistical units is fundamental to the quality of structural business statistics, as it is in other statistical fields. A great deal of progress has been made in this area during the last 10 years. The system that has emerged is not entirely consistent, however, and reflects the conflict between the desire to produce harmonised, meaningful data and the availability of data within enterprises themselves. Complex and multi-activity units are the most problematic ones to which data collection methods need to be adapted. The problem of economic units will have to be solved in the coming years in order to improve the comparability and reliability of European business statistics and hence of the SBS data.

6. The need for Distributive Trade satellite accounts

There are many reasons why structural business statistics alone cannot respond to all the issues involved in Distributive Trade. One is related to hidden labour and under-reporting. Another is that SBS data are statistics by industry. Thus, SBS data could be considered as imprecise in terms of activity. In other words, many enterprises carry out some trade activities without being classified under Section G of Nace Rev.1 on the basis of their principal activity. At the same time, many of the activities carried out by enterprises in Section G are not trade activities.

Satellite accounts are thus needed in order to describe in greater depth the activity of Distributive Trade. Through such satellite accounts, statistics will be compiled as "branch" figures as opposed to "sector" figures in the case of SBS data, by removing non-trade activities from the sector figures and adding commercial activities by non-trade sectors. Eurostat is currently working with Member States to analyse the feasibility of implementing such satellite accounts at European level.



Structural aspect of distributive trade in Europe

Mr. Jan Stensrud
European Commission - Eurostat

Abstract

This presentation gives a brief overview of some structural aspects of distributive trades in Europe, using statistics from various sources, such as national accounts, structural business statistics, statistics on small and medium-sized enterprises and data from labour force surveys. In addition to statistics for the European Union, some comparable data for other European countries, plus the USA and Japan, are also provided.

1. Importance of distributive trades in the economy

Distributive trade is one of the major sectors of the EU economy, covering almost 5 million enterprises and employing more than 22 million persons. According to the National Accounts, distributive trades accounted for almost 13% of gross value added and more than 15% of persons employed in the EU in 1996.

The distribution industry is even more dominant in the USA, with the value added share exceeding 14% and the employment share over 18%. The industry also plays an important role as an employer in Japan, covering more than 17% of the working population.

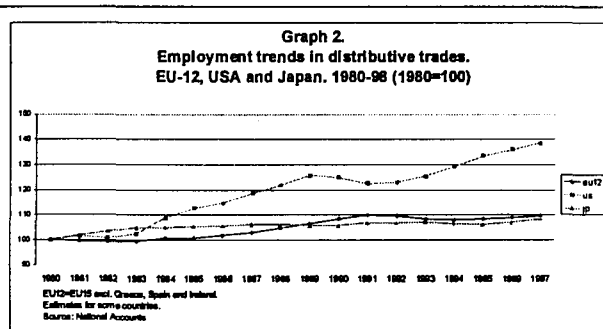
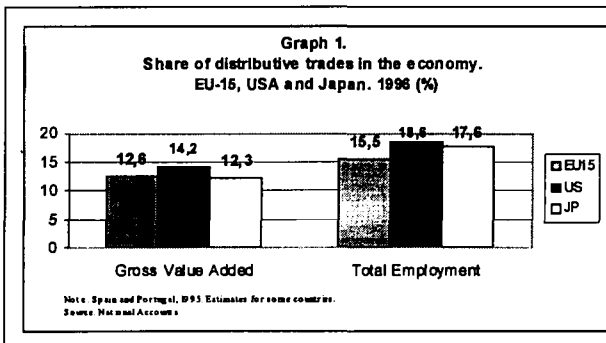
There was marked growth in trade employment from 1980 to 1997. By the end of this period the number of persons employed in the EU had risen to a level about 10% higher than in 1980. The growth was most

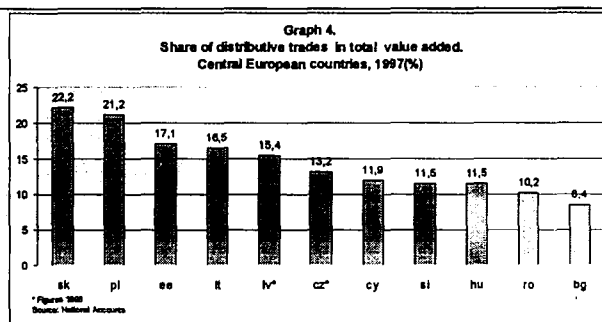
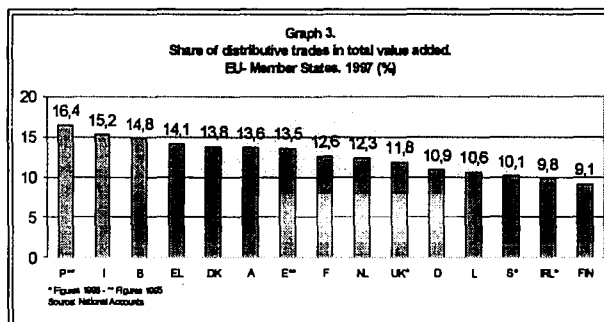
pronounced over the period 1983-1991.

The USA recorded much stronger growth than the EU. In 1997 the number of persons employed was almost 40% higher than in 1980. In Japan the growth was not very different from that in the EU.

Looking at the importance of trade in the various EU Member States, we see that the share of value added varied quite a lot from one country to another. The highest shares were recorded in Portugal with over 16% and Italy with 15%. The lowest shares were found in Ireland and Finland with less than 10%.

In Central Europe, including also the Baltic States and Cyprus, there were even more pronounced differences. Distribution accounted for more than 20% of gross value added in the Slovak Republic and Poland, while in Bulgaria the figure was as low as 8%.





2. Characteristics of distributive trade enterprises, by country and activity

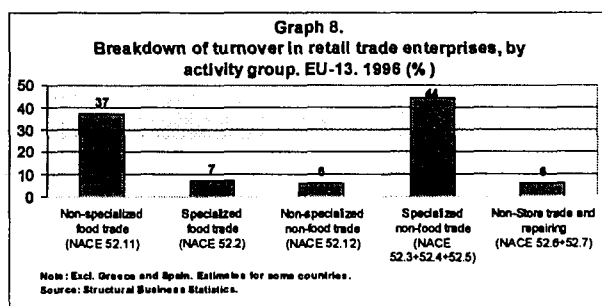
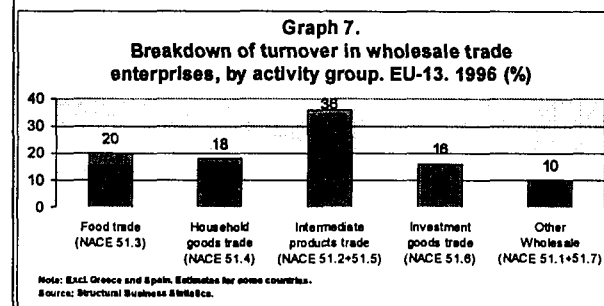
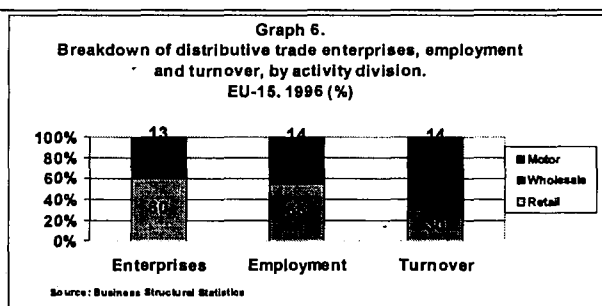
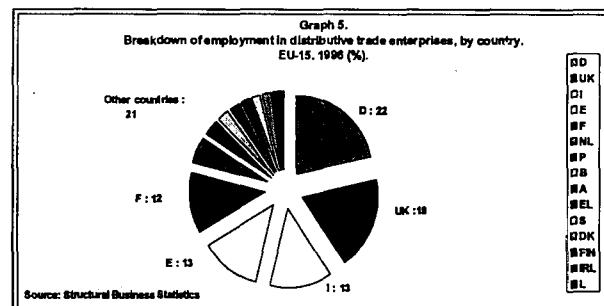
Turning to structural business statistics, we see that Germany accounted for 22% of total EU employment in distributive trades in 1996, followed by the UK with 19%. The five largest countries together accounted for almost 80% of total EU trade employment. As for enterprises, the largest number (1.2 million) was recorded in Italy, followed by Spain.

A breakdown of EU trade enterprises by division of activity, shows that most of them were active in retail trade: 60% in 1996. Retailing was also the major employer, providing jobs for 55% of those employed in trade. On the other hand, wholesale trade generated the largest share of turnover: 55%. Motor trade was the smallest division with shares for the three variables mentioned at around 13-14%.

Concentrating on wholesale trade enterprises, the bulk of total turnover in 1996 concerned goods for end use in

production activities. 36% of total turnover was generated by wholesalers of raw materials and intermediate products, while 16% was generated by wholesalers of investment goods. Food wholesalers accounted for 20% of total turnover, while wholesalers of household goods made up 18%.

In retail trade there was a marked difference between the importance of specialised and non-specialised enterprises. In food retailing, the non-specialised enterprises (supermarkets, hypermarkets etc.) generated 37% of total turnover in the retail trade sector, while the specialists generated only 7% of total turnover. In the case of non-food trade the situation was reversed, with the specialists playing the major role and generating 44% of total turnover, while the non-specialised sector accounted for only 6%. Almost all turnover was channelled through retailers operating stores. Only 6% came from non-store retailers (operating in markets, mail order etc.) and repair businesses.





3. Average employment and turnover in distributive trade enterprises

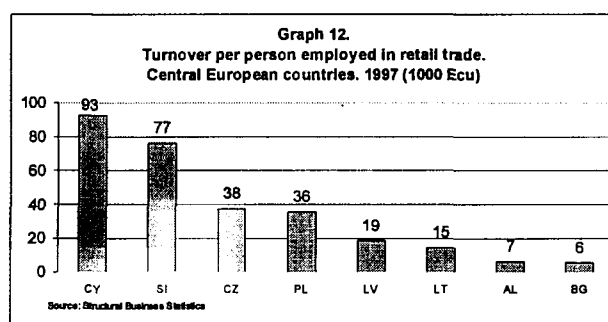
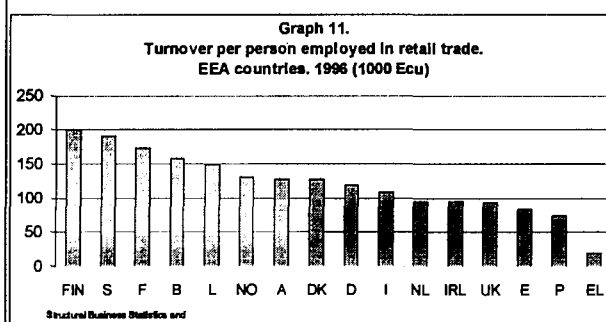
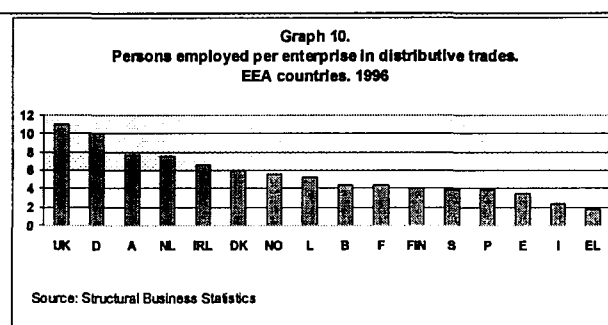
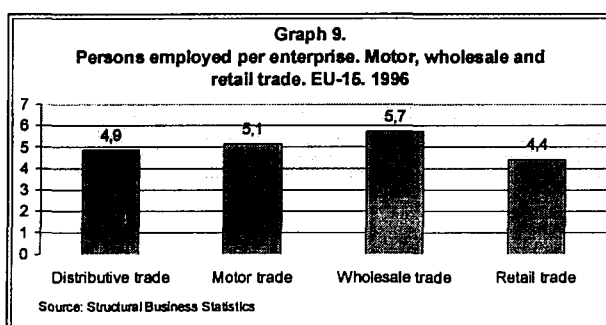
EU trade enterprises employed 5 persons on average in 1996. The enterprises were largest in wholesale trade with 5.7 persons on average, while the smallest were found in retail trade (4.4 persons).

The average size of enterprises varied quite significantly between the Member States. The largest enterprises were in the UK and Germany with more than 10 persons employed on average, while the smallest were in the Mediterranean countries. In Italy and Greece there were fewer than 3 persons employed per enterprise.

Graph 11 provides information on average turnover generated per person employed in retail trade, giving

some idea of the differences in productivity between the countries. At the top we find Finland, generating turnover of more than ECU 200 000 per person employed in 1996, while Spain, Portugal and Greece reported the lowest figures. On a more appropriate measure of productivity, based on value added instead of turnover, Finland also comes out top among the countries that have provided information.

In Central Europe, average per capita turnover was normally far below that of the EEA countries. Among the countries for which data were available, Cyprus and Slovenia generated turnover of more than ECU 70 000 per person employed in retail trade in 1997, while Albania and Bulgaria recorded figures below ECU 10 000.



4. Distributive trade enterprises by size category

The vast majority of distribution enterprises in Europe are very small. 95% of the EU enterprises had fewer than 10 employees in 1996. These enterprises also play an important role employing nearly half of the trade workforce and generating almost 30% of the turnover in distributive trades.

The largest enterprises, with more than 250 employees, are very few but account for around one quarter of total trade employment and turnover.

A breakdown for the three activity divisions of distributive trades shows that the very small enterprises with fewer than 10 employees account for around half of

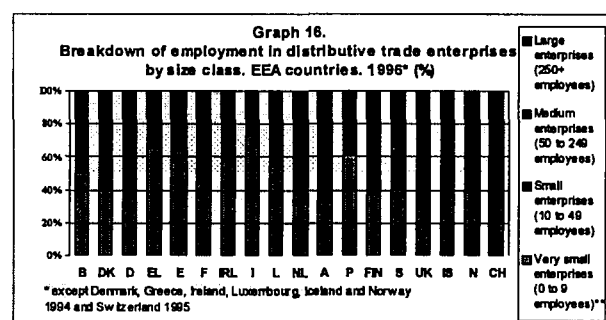
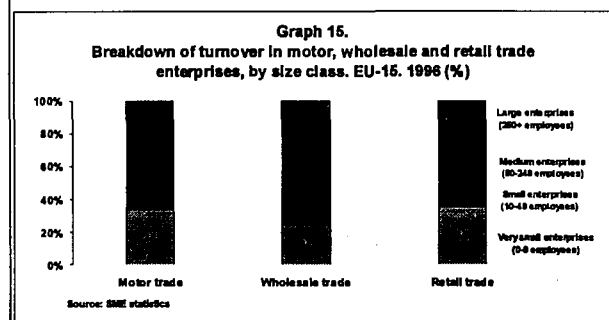
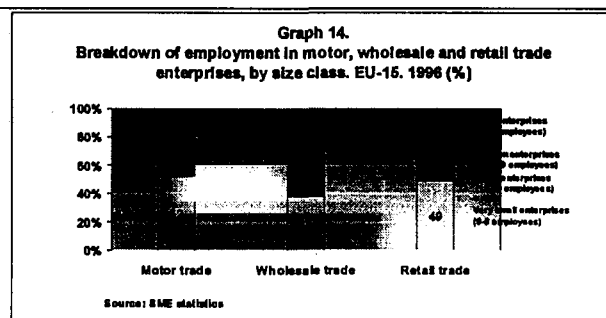
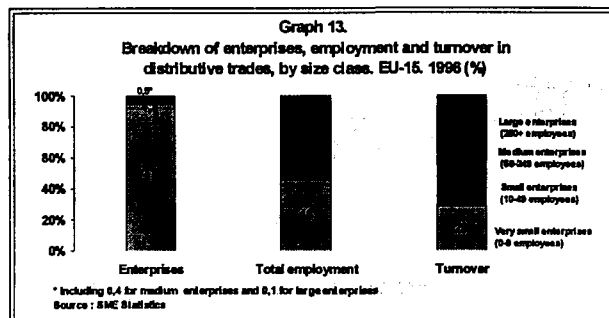
the work force both in the motor and retail trades, and a somewhat lower share in wholesale trade. The largest enterprises (250 employees and more) are the main employer in the retailing sector, providing jobs to one-third of those employed in this division. Concentrating on turnover rather than employment, these enterprises increased their market share to more than 40%.

Looking at the breakdown by size category in the different countries of the EEA (and Switzerland) we again find evidence of the importance of small enterprises, especially in the Mediterranean countries. In Italy, Greece, Spain and Portugal, the enterprises with under 10 employees accounted for more than 60% of total trade employment.



The largest enterprises with 250 employees or more are especially important in the UK, employing almost half of the work force in the distributive trades. Germany is

next, with these enterprises providing jobs for one-third of those employed in trade.



5. Women and employees in distributive trades

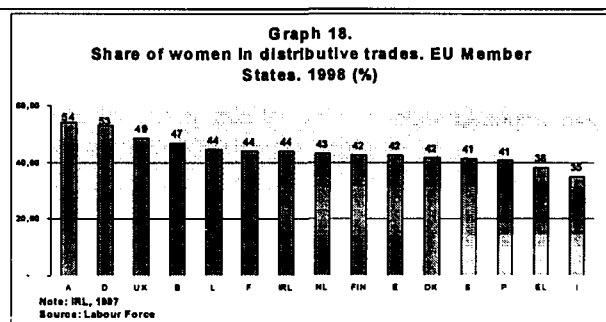
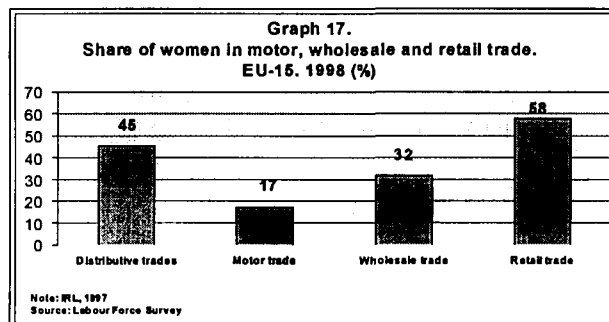
Women play an important role in distributive trades, according to labour force statistics (based on household surveys). In 1998 almost half of those employed (45%) were women. Women were most numerous in retail trade, making up 58% of the labour force. In the motor trade, however, only 17% of the persons employed were women.

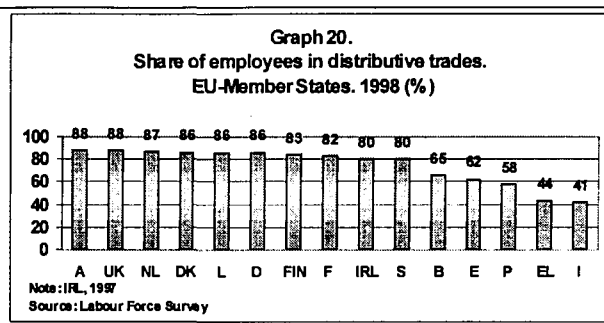
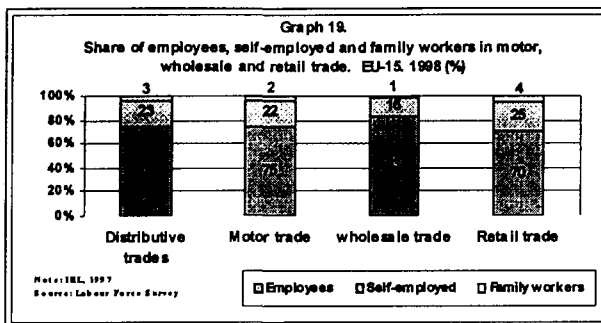
The proportion of women in distributive trades was highest in Austria and Germany (over 50%), and lowest in Greece and Italy (below 40%).

As much as three-quarters of those working in

distributive trades in the EU were employees (i.e. having an employment contract and receiving wages and salaries) while one-quarter were self-employed or working in family businesses. The proportion of employees was highest in wholesale trade (83%), and lowest in retail trade (70%)

Among the Member States the percentage of employees in distribution was highest in Austria and the UK (88%). It was over 80% in most countries, except for the four Mediterranean countries and Belgium where it was under 66%. Self-employment was most widespread in Greece and Italy where less than half of the trade labour force were employees.





6. Part-time and temporary work in distributive trades

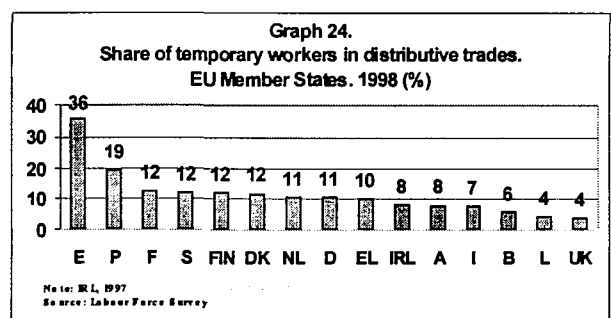
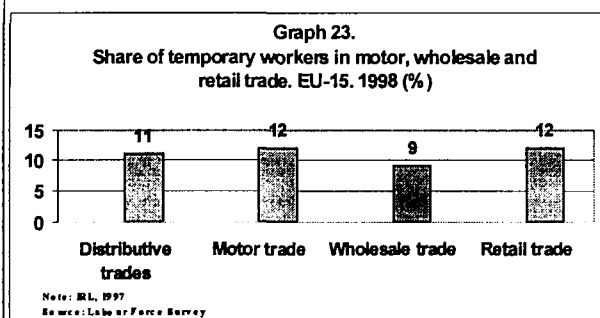
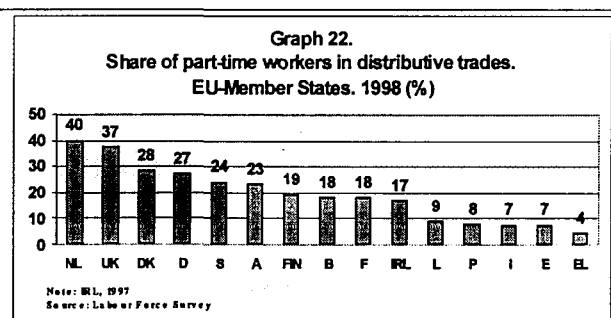
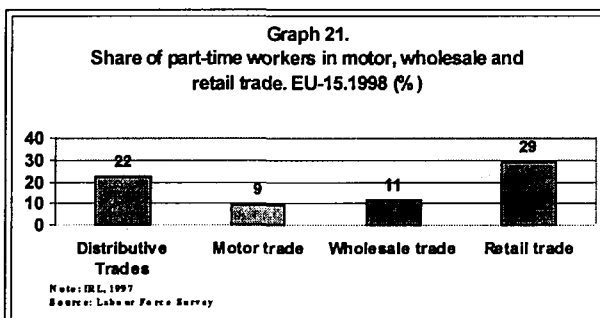
Part-time employment is most widespread in retail trade where almost 30% of the labour force reported to have worked part-time. In the wholesale and motor trades only around 1 out of 10 persons worked part-time.

The degree of part-time work varies considerably between the EU Member States. The Netherlands and the UK reported the highest shares: 40 and 37% respectively. On the other hand, part-time work was quite rare in Luxembourg and in the four Mediterranean countries, with less than 10% of the labour force working

part-time.

Temporary work is not very widespread in the EU, accounting for only one-tenth of all jobs for employees in the distributive trade sector, and with only small differences between the three trade divisions.

Among the Member States, we see that temporary contracts play an important role in Spain where they account for more than one-third of employees. They also play a role in Portugal, where almost 20% of employees have temporary jobs. Temporary work is less common in the other countries.



7. Evening and Sunday work in distributive trades

The incidence of evening work, on a regular basis, is not very frequent in distributive trades. In 1998 only 15% of the trade labour force reported to have usually worked in the evening (i.e. after normal working hours for at least

half of a reference period of 4 weeks). The incidence was most widespread in retail trade (18%).

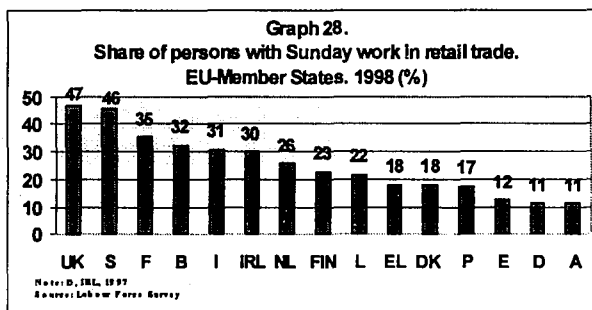
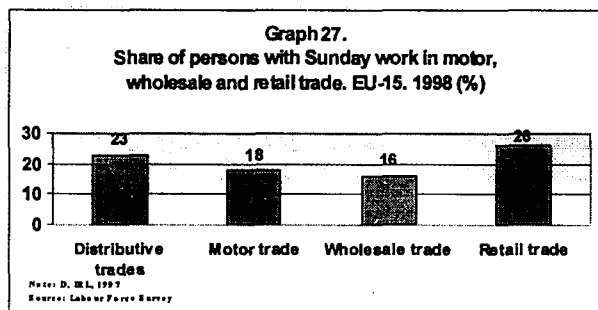
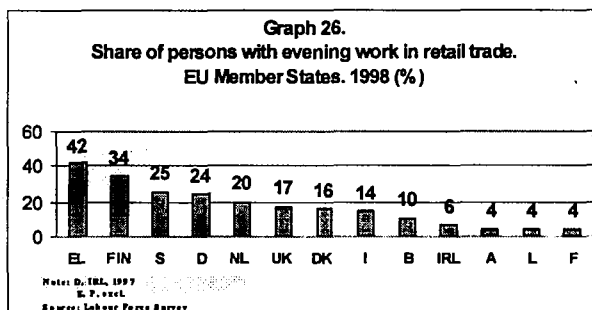
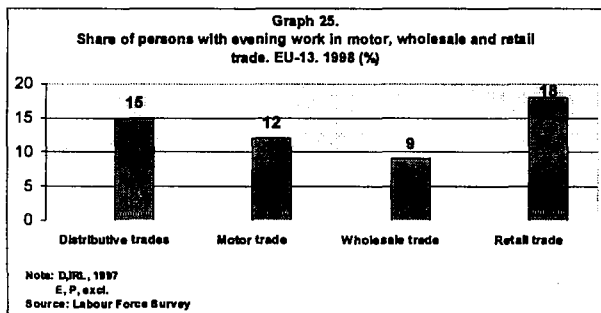
It was in Greece and Finland that the retail trade labour force reported to have worked most frequently in the evening (42% and 34% respectively). Very few people, on the other hand, worked in the evening in Austria,



Luxembourg and France.

Sunday working was also most common in retail trade, where around one-quarter of the labour force reported having worked at least one Sunday in a reference period of 4 weeks in 1998.

The countries with the highest shares of Sunday work in retail trade were the UK and Sweden, where over 40% of the labour force had worked on a Sunday. The share was lowest in Spain, Germany and Austria, where just over 10% worked on a Sunday.





Glossary		Sunday work	Persons working at least one Sunday in a reference period of 4 weeks.
Activity groups		Country codes	
Distributive trades	Wholesale and retail trade; repair of motor vehicles, motor cycles and personal and household goods (NACE Rev.1 Section G)	<i>European Economic Area (etc.)</i>	
Motor trade	Sale, maintenance and repair of motor vehicles and motorcycles; retail sale of automotive fuel (NACE Rev.1 Division 50)	B	Belgium
Wholesale trade	Wholesale trade and commission trade, except motor vehicles and motor cycles (NACE Rev.1 Division 51)	DK	Denmark
Retail trade	Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods (NACE Rev.1 Division 52)	D	Germany
Variables		EL	Greece
Value added	Value added at market prices	E	Spain
Enterprises, turnover, persons employed	See Distributive trades in Europe-Pocketbook, page 115	F	France
Part-time work	The distinction part-time/full-time is made on the basis of a spontaneous answer given by the respondents to the Labour Force Survey.	IRL	Ireland
Temporary worker	Employees for whom the termination of the job is determined by objective conditions (e.g. a certain date, completion of an assignment, return of the replaced employee).	I	Italy
Evening work	Persons usually working in the evening (after the usual working hours, at least half of the days in a reference period of 4 weeks).	L	Luxembourg
		NL	Netherlands
		A	Austria
		P	Portugal
		FIN	Finland
		S	Sweden
		UK	United Kingdom
		IS	Iceland
		NO	Norway
		CH	Switzerland
		<i>Central European countries (etc.)</i>	
		AL	Albania
		BG	Bulgaria
		CY	Cyprus
		CZ	Czech Republic
		EE	Estonia
		HU	Hungary
		LV	Latvia
		LT	Lithuania
		PL	Poland
		RO	Romania
		SK	Slovak Republic
		SI	Slovenia



Distributive trades in Short-term statistics

Mr. Gunter Schäfer
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Abstract

The European Regulation concerning short-term statistics (STS) came into force in June 1998.

It is currently being implemented in the Member States. Part of the STS Regulation deals with the retail trade, the wholesale trade and sales of motor vehicles.

Although the data available today are far from providing the coverage required by the full implementation of the Regulation, they already provide useful input for European monetary policy.

The paper describes the distributive trades section of the Regulation and indicates some significant developments in distributive trades in Europe that emerge from the available STS data.

1. Introduction

Council Regulation No 1165/98 concerning short-term statistics, which came into force in June 1998, has been an important step forward in providing the legal basis for the statistics that are essential for observing the business cycle.

The indicators concerned with distributive trades, namely retail trade, wholesale trade and motor vehicle trade, are important indicators of economic demand. The retail trade indicator in particular has received much attention from economists. It is, for example, included in the list of indicators published on a monthly basis by the European Central Bank. This fact reflects its important role for business cycle analysis and monetary policy.

2. The STS Regulation

The STS Regulation has four main parts, described in Annexes A to D. It is based on the NACE Rev.1 classification of economic activities. Distributive trades are covered in Section G of NACE Rev.1.

- Division 50 covers the sale, maintenance and repair of motor vehicles and motor cycles and the retail sale of automotive fuel;
- Division 51 covers wholesale trade and commission trade, except of motor vehicles and motor-cycles;

- Division 52 covers retail trade, except of motor vehicles and motor-cycles, and the repair of personal and household goods.

The wholesale and retail trades are thus at the 2-digit or Division level of NACE, together with services related to distribution, such as repair and maintenance. Pure distributive trade activities are to be found at the 3-digit or Group level.

For this reason, the STS Regulation has made its own provisions to group the NACE Rev.1 activities into meaningful categories such as:

- total retail sale excluding related services;
- retail sale of food, beverages and tobacco;
- retail sale of textiles, clothing, footwear and leather goods;
- retail sale of household equipment;
- retail sale of books, newspapers and other publications.

The obligatory part of the STS Regulation therefore covers only a subset of the activities appearing in NACE Rev.1, even for large countries.

Within the STS Regulation, Annex C covers retail trade and repairs in terms of:

- turnover on a monthly basis;



- number of persons employed on a quarterly basis;
- deflator of sales on a monthly basis.

Thus, in principle, the STS Regulation requires information on actual values of turnover and, via the deflator of sales, also volumes in terms of values in the base year. By convention, the base year in current use is 1995. The permitted deadlines for data transmission are two and three months after the end of the reference period for turnover and the deflator respectively. Please note that, with a few exceptions, the STS Regulation deals only with index figures and not with absolute values. The latter appear in national accounts and structural business surveys. The short-term statistics complement statistical systems that came into force earlier than the STS Regulation.

Annex D of the STS Regulation covers the automotive trade and the wholesale trade in the context of "other services". Only actual-value turnover figures and the number of persons employed are required on a quarterly basis, with a transmission deadline of three months.

For all indices in the STS Regulation, there are some exceptions for small countries below a threshold of 3% or 5% of total European volume. The exceptions concern the level of detail, allowable approximations and extra time to transmit the required data.

3. Theory and practice

The STS Regulation provides for a five-year implementation period, with some exceptions in detail. Until this period ends in June 2003, Member States have the right to request derogations from the Regulation. All Member States have, in fact, done so in one way or another for aspects concerning distributive trades. There are huge differences in the degree to which the Member States already satisfy the requirements of the STS Regulation. Moreover, Member States differ considerably in their statistical coverage of the various parts of the Regulation and in the time taken to transmit their data.

Eurostat's task is to create a European view of the economic situation. This is done by aggregating national data to European indices on the basis of a weighting system derived from economic data from national accounts and structural business surveys. The weightings were defined in cooperation with the Member States and are subject to periodic review.

Eurostat calculates two different European aggregates:

- the European Union (EU-15) aggregate reflects the economic situation of the entire Union of 15 Member States;
- the Monetary Union (EUR-11) aggregate for those Member States which now share the euro as their

common currency. The Monetary Union is often called the euro zone.

European aggregates are calculated if at least 60 % of the total weight value is available. Missing countries are estimated for the purpose of aggregation using ARIMA methods.

As the data available from Member States differ widely, it is not always possible to compile European aggregates.

Retail trade statistics (for goods except automobiles) are reasonably well developed within the STS statistics. European aggregates for actual value and deflated turnover can be calculated in the following areas:

- total retail sales, which cover Division 52 except the repair activities of Group 52.7;
- retail trade for some specific aggregates that combine activities according to types of product: (1) food, beverages and tobacco, (2) non-food products, (3) textiles, clothing, footwear and leather goods, (4) household equipment, (5) books, newspapers and other stationery;
- retail trade for some 3-digit groups in Division 52, namely 52.1 (retail sales in non-specialised stores), 52.2 (retail sale of food, beverages and tobacco in specialised stores), 52.3 (retail sale of pharmaceutical and medical goods, cosmetic and toilet articles);
- retail sale via mail order houses (NACE 52.61).

In principle, the European aggregates are calculated on working-day-adjusted indices to be supplied by Member States in addition to gross indices. Because of the progressive liberalisation of shopping hours in Europe, the working-day adjustment is becoming an increasingly difficult methodological issue. Eurostat relies on the Member States to apply the method best suited to their specific working-day situation.

The available employment figures are less detailed. European aggregates are possible only for the whole of Division 52, which includes repair activities.

In terms of trade in automobiles, the STS database currently shows gaps which are too wide for the reliable calculation of European aggregates. For the purpose of analysing the economic cycle this situation is not too serious, because very timely and accurate car registration figures are available.

The wholesale part of the STS database is currently too weak for reliable European aggregates to be calculated. The wholesale part will be a priority for progress in implementing the STS Regulation.



4. Some results from the STS database

Some interesting developments, mainly concerning retail sales appearing in the STS database, are briefly outlined below.

The European aggregate (EU-15) for total retail sales (Chart 1) shows a very regular seasonal pattern. The total EU figures are, in fact, far more regular than those for each individual Member State. As a result, the seasonal adjustment almost produces a straight line. Technically speaking, the seasonally-adjusted series has a very small irregular component. The seasonally-adjusted time series is therefore almost identical to the trend/cycle series that eliminates the small irregularities that still persist in a seasonally-adjusted time series.

Chart 1 also shows the longer-term trend in retail sales in Europe: a steady, slow rise over the last five years depicted in the chart.

This general trend for the entire European Union can be analysed in terms of the developments in the individual Member States. Chart 2 shows the larger Member States and Charts 3 and 4 the smaller ones. It is obvious that very different national trends are compensating for each other in order to form the regular European pattern. Among the large Member States, retail sales in Germany declined between 1995 and 1997 before increasing slightly. Italy's retail sales rose slightly, but were still well below the European level. France, Spain and the UK showed a higher rate of growth.

Among the smaller Member States, Ireland, Greece and Portugal showed a steep rise, followed by Finland and the Netherlands. Trends in the other countries were similar to the European aggregate.

If total retail sales are broken down by product group (Chart 5), the aggregate for food, beverages and tobacco shows a similar pattern to that of total retail sales, but with a slightly lower growth rate. Textiles, clothing, footwear and leather goods showed rather slow growth in the first part of the period displayed, but accelerated later. Sales of books, newspapers and other publications and household equipment were stronger than total retail sales, but both product groups showed a less regular pattern.

Chart 6 shows the trend in mail-order services as a specific part of retail trade. This is particularly important in view of new technological developments such as Internet sales, although most of it is undoubtedly still based on manual ordering via catalogues. Mail-order developed very dynamically in the UK, moderately in France, and remained stable or even declined in Germany and Italy. The STS database does not contain information on the other countries.

Chart 7 shows the trends in retail-trade employment in the Member States that supply data on this short-term indicator. When this is compared with Charts 2 to 5, the analogy with turnover is obvious and logical. Countries with increasing retail sales generally also exhibit growing employment in this area. The STS database will in future be used increasingly to generate derived indicators such as employment productivity in the retail trade. Further data quality and consistency checks will, however, be required before such data can be used for economic analysis.

Finally, Chart 8 compares the trends in European industrial production and retail trade. The similarities in the degree of growth are quite obvious. However, industrial production is more volatile and dependent on the economic cycle than is the retail trade.



Chart 1.

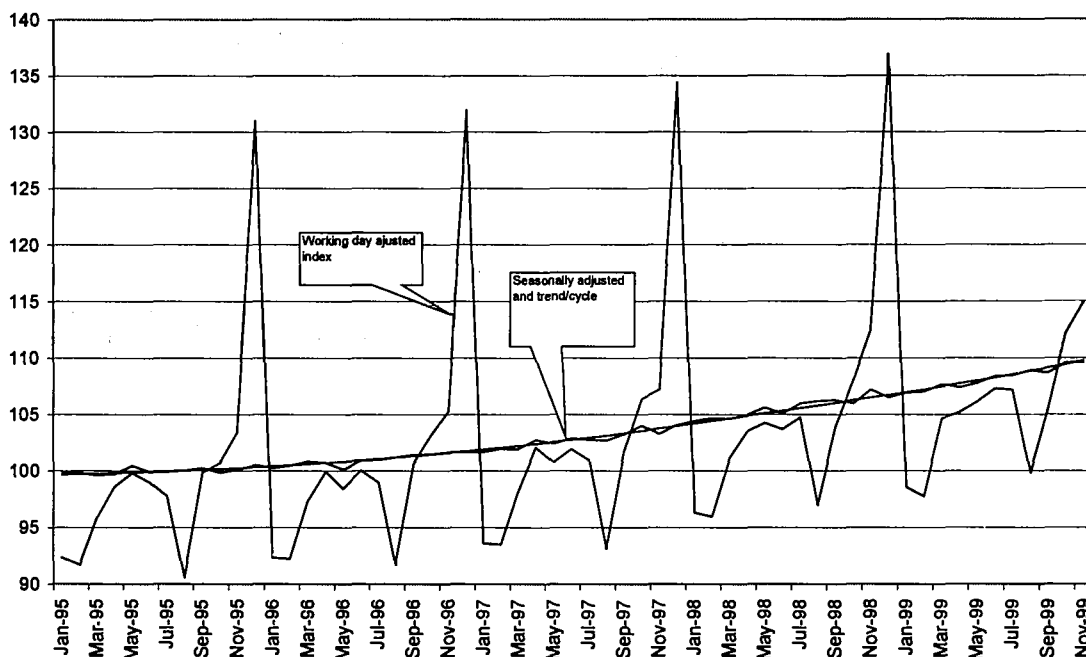


Chart 2.

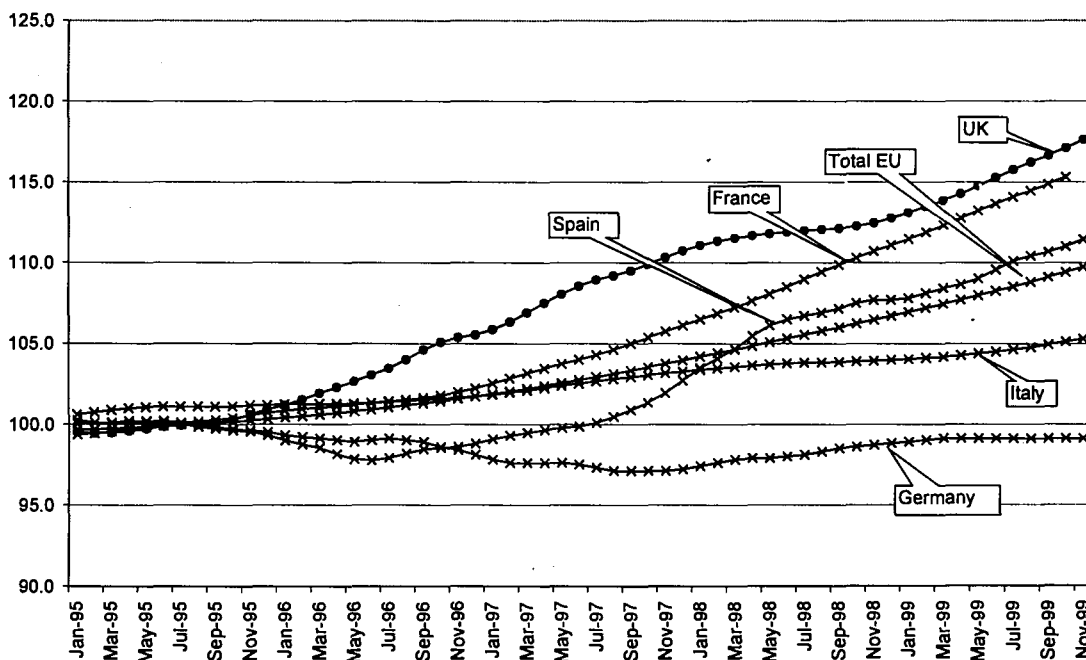




Chart 3.

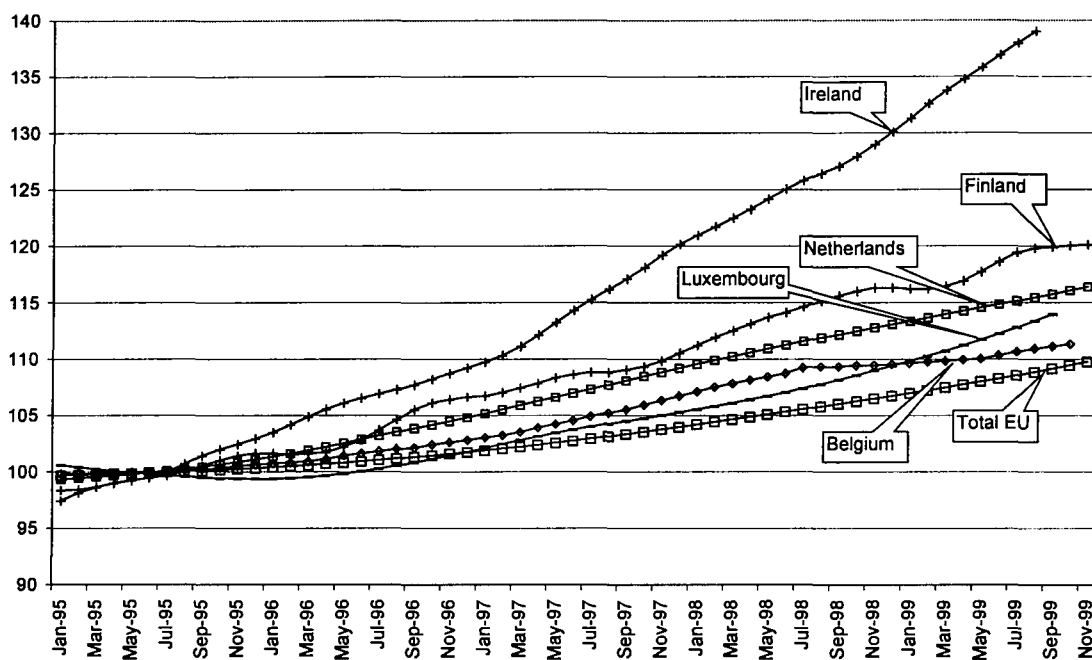


Chart 4.

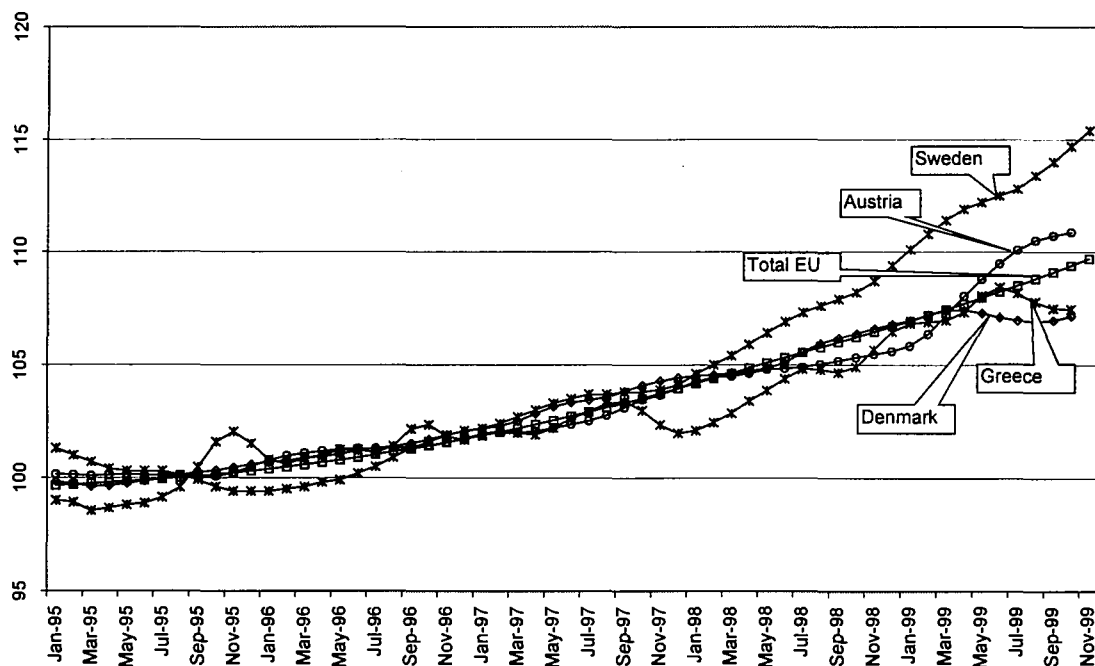




Chart 5.

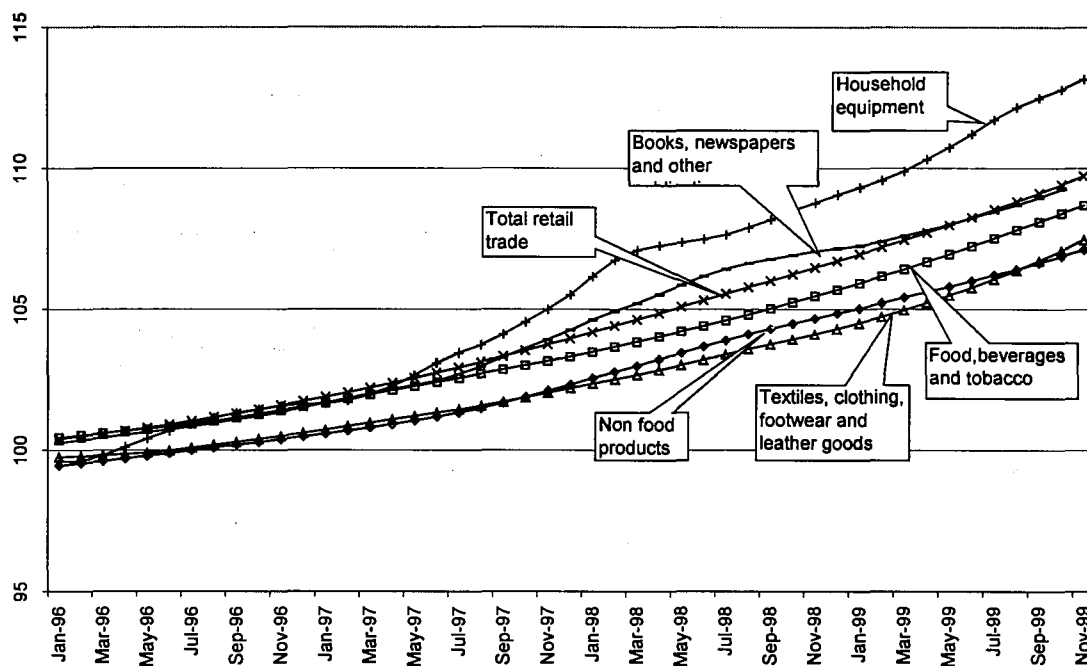


Chart 6.

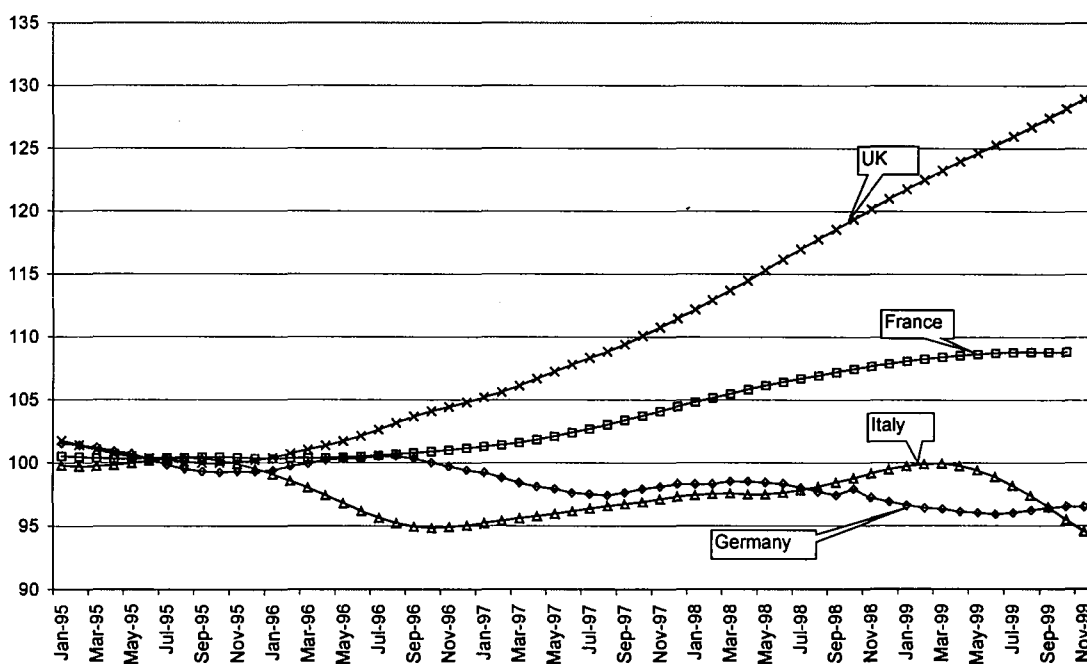




Chart 7.

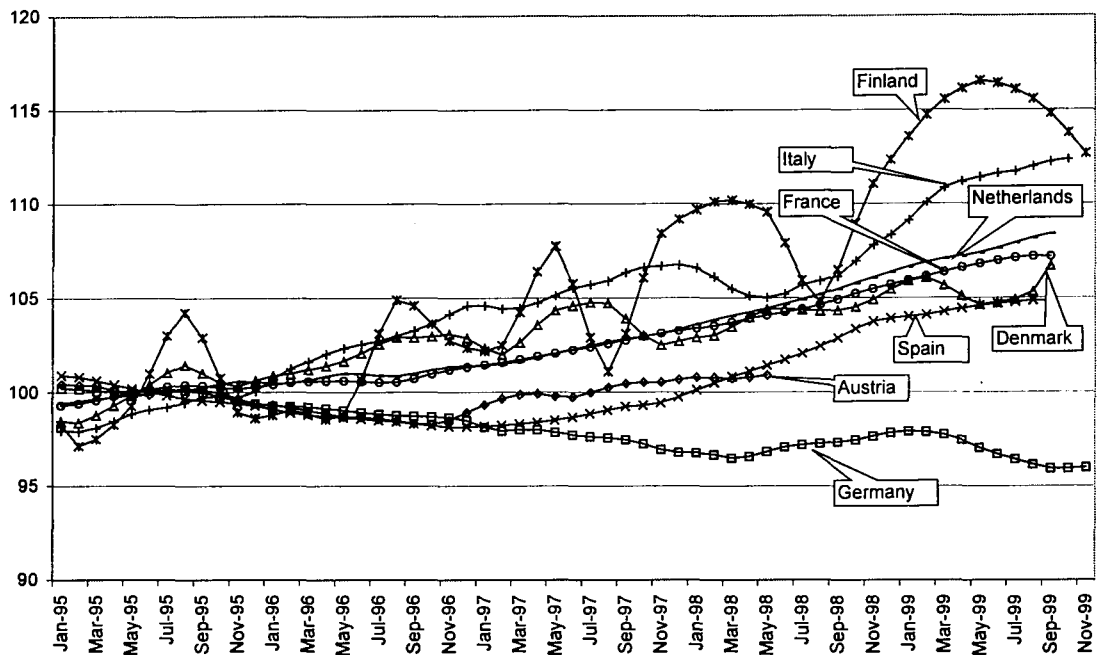
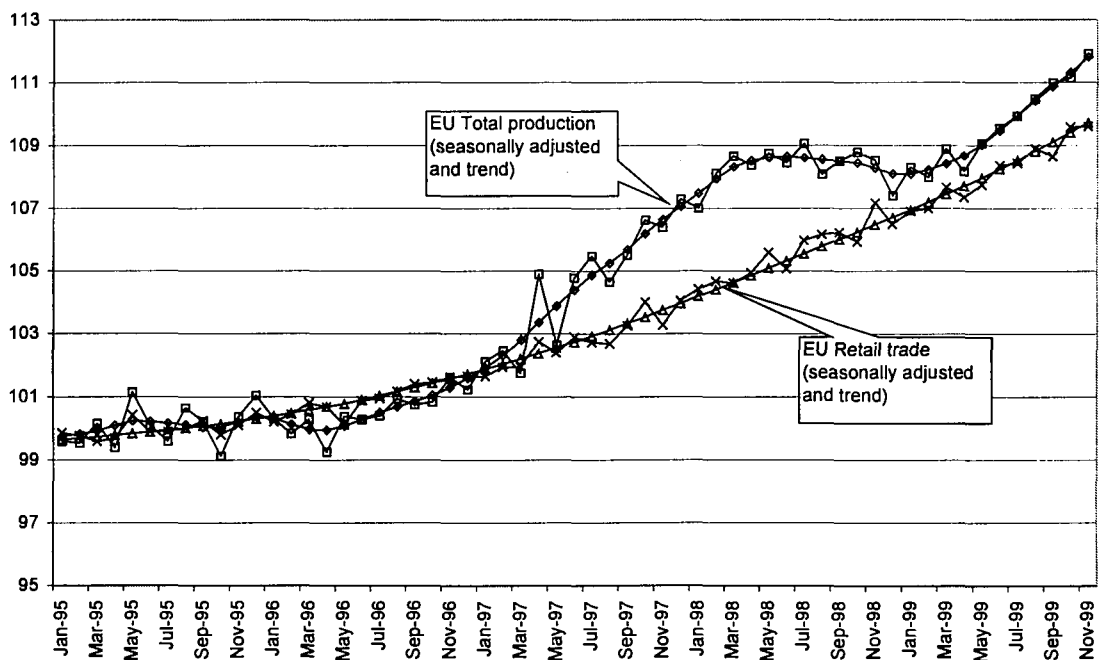


Chart 8.



SESSION 3

The Round Tables

ROUND TABLE A

Employment and competitiveness

**How is increased productivity
and competitiveness in trade impacting on
employment?**



Summary report

Mr. Roberto Gismondi
National Statistical Institute, ISTAT - Italy

Abstract

The purpose of the session was to discuss competitiveness in the distributive trade and its possible links with employment. It was pointed out that competitiveness is measured differently in a retailing and wholesaling context than at company level and some empirical evidence of measuring problems was produced.

In practice there was no substantive analysis of competitiveness in the wholesale and retail sector in Europe due to a basic lack of data.

The SBS Regulation data request does not entirely satisfy data needs – the problem needed to be considered since adding new questionnaires and thus placing an even heavier burden on replying enterprises was considered critical.

Some of the questions raised during the discussion were:

- Are the statistical data currently available sufficient to adequately depict employment trends in the distributive trade?
- What will be the role of women employed in the distributive trade in the forthcoming years?
- Does development in the distributive trade produce new jobs and if so, in all EU Member States?
- What is a realistic scenario in the short term if only the firms offering the right product at the right price are to survive in the distributive trade?

Presentation by Prof. Dawson

Prof. Dawson (University of Edinburgh) presented his paper, which dealt with some of the issues associated with competitiveness in commerce and its possible relationships with employment. The paper was in three sections: definition of competitiveness in retailing and wholesaling, relationship between different ways of improving competitiveness and changes in employment, problems of measuring competitiveness and its employment relationships.

For definitions, in a retailing and wholesaling context competitiveness could be defined in two ways:

- competitiveness in retailing and wholesaling is a condition of relative efficiency identified by relative performance measured in terms of productivity and profitability;
- competitiveness at firm level is reflected in relative trading performance measured by market shares and the ability to take the retail or wholesale concept to other countries.

For methods for improving competitiveness, in a retailing and wholesaling context opportunities to increase competitiveness exist in four major areas: 1) improvements and changes in the external operating environment; 2) increased innovation; 3) increased knowledge; 4) increased trust.

There are employment implications associated with the various ways that competitiveness changes. The relationships are complex. Competitiveness affects employment, and vice-versa.

Regarding measurement, direct measurement of competitiveness can be derived from data on the performance of firms and their various operating units. Profitability and productivity of the several inputs can be measured at enterprise level.

A second approach to the direct measurement of competitiveness, at firm level, is market share. The main difficulty with this measure is defining the market.



Measurement of competitiveness as sustainability of foreign activity may be measured directly as the proportion of sales from non-domestic store operations.

The impact of competitiveness on employment may be reviewed for measurement purposes under the following headings: amount of employment; composition of employment; costs; organisation; location; dynamics.

The relationship between competitiveness and employment in retailing and wholesaling is complex. There is a general belief that competitiveness within commerce in Europe is increasing but firm statistical evidence is difficult to obtain.

General comment

Going beyond these considerations, there is in fact no substantive analysis of competitiveness in the wholesale and retail sector in Europe. This is due to a basic lack of data able to guarantee this measurement.

Competitiveness in commerce is a very complex item. So far we have no clear definition even though the word "competitiveness" occurs several times in the Structural Business Statistics Regulation.

We also do not know whether an increase in competitiveness leads to an increase in employment.

When we speak about competitiveness we can mean productivity, prices, market shares, profitability, or level of customer satisfaction. These concepts are relatively independent of each other and should be analysed separately using different statistical tools. In this case we face the problem of how and from which statistical source we can get the information necessary to analyse competitiveness in depth.

It is difficult to obtain confirmation that the only method available to enterprises to increase profitability (i.e. a possible measure of competitiveness) is to reduce employment.

Finally, we can say that the actual statistical data are not sufficient to have a complete view of the problems of measurement both of employment and competitiveness.

Presentation by Mrs. Linkert

After Prof. Dawson's presentation, Mrs. Linkert (German Statistical Institute) presented a more practical and "statistical" paper giving an empirical analysis of the topic: "Does increased productivity and competitiveness in trade mean loss of employment?"

Figures for Germany showed that during the period 1993-1997 profitability in trade decreased, while in industry rose.

In particular, in retail trade there was a slight fall in employment (except for part-time workers) and a sharp fall in gross margins. Moreover, in the same period turnover per equivalent full-time job showed a slight increase and gross margins per full-time equivalent were characterised by a strong decrease.

As far as wholesale trade is concerned, decreases were evident in both employment and gross margins.

In fact, therefore, there is no significant inverse correlation between a fall in employment and an increase in margins or, in other words, firms' efficiency.

This evidence could depend, firstly, on the fact that the extent to which people can be replaced by machines has an objective limit in commerce. This is because very often clients want to receive a personal service when shopping, and many qualitative features concerning employees should be measured and taken into account in order to better evaluate performance differences in trade enterprises. *Future competition in trade may be more about personal service than about the prices. Maybe turnover in trade will increase as a result of more personal service within trade.*

This need for additional qualitative information cannot be completely satisfied by SBS Regulation data, and we should reflect on this problem, also because it could be dangerous to add new questionnaires, placing a yet heavier burden of response on enterprises.

Questions and observations

Mr. Grollet, of the French Ministry of Commerce, after having underlined the strong role played by commerce in Europe (about 20 million persons employed in commerce, the second sector of activity in Europe as far as employment is concerned), questioned the accuracy of some figures published by Eurostat relating to employment trend in French commerce over recent years. In practice, compared with an increase in employment of 25% for Spain in the period 1995-1998, France recorded an increase of only 1%. Could this be true, since from other sources utilised by the Ministry the increase in the same period seemed to be 15%? The problem of quality of data had been raised and stressed several times, with a strong accent on the role played by France in the world employment level in commerce.

Eurostat replied that it produced no data itself but gathered and published data obtained directly from the NSIs.

Mr. Hendriksen (Danish Trade Association) stressed several points, including:



- Were the statistical data on commerce actually available sufficient to describe in a satisfactory way trends of employment in commerce?
- In any case, were those data reliable?
- What was going to be the role played by women in commerce in the next years, since at present more than the half of the persons employed in commerce are female and women aim at jobs considered more attractive than commerce?
- Would the development of commerce guarantee the creation of new jobs or not? In any case, was it possible in every EU country?
- If we accept the idea that in trade only the enterprises offering the right product at the right price will survive, what is the most realistic scenario for the short-term?
- What are the effects on concentration of the expansion in many Southern European countries of big chains such as Wal-Mart?

Mr. Hendriksen ended his speech optimistically, stressing again the relevance of data.

Mr. Gismondi (ISTAT) pointed out the need to not add too many new questions to the questionnaires currently used to meet EU Directives and Regulations. This would imply a social and economical cost which was probably not tolerable, given the still high response costs for enterprises.

Mr. Colla (Eurostat consultant) stressed the relevance of the qualitative problem raised by the French Ministry, observing that similar problems might also arise with other countries, e.g. Germany.

Mr. Roussel (INSEE) responded to the French Ministry, explaining the possible reasons for the partial lack of correspondence between data published by Eurostat and compiled by INSEE. It depended on different definitions of employment and the purpose of the data themselves. In any case it could be shown that in France new jobs in commerce had been created only during the past three years. Moreover, it was essential to provide more accurate data on employment, in order to allow the possibility of making comparisons between

countries, e.g. between the levels of competitiveness in the USA and France.

Here, Mr. Hendriksen disagreed and underlined the limited usefulness of such comparisons, due to the deep structural differences between the USA and France.

Mr. Albert (Eurostat consultant) replied in support of Mr. Roussel, underlining that the word "competitiveness" is used eight times in the Structural Business Statistics Regulation, meaning that the variables requested in the Regulation were thought sufficient to satisfy the need to measure and compare competitiveness. Moreover, he observed that with Mr. Colla he had written a document some 165 pages on competitiveness, not yet published but probably to be made public shortly. In particular, he recalled the definition of competitiveness in that work, where it was defined as "...The capacity to raise productivity to a higher level than competitors". The problem could be transferred to the identification of real competitors. The previous definition was more precise than the list of possible definitions given by Prof. Dawson in his paper.

Mr. Raulin (Eurostat) again stressed that Eurostat processes data obtained directly from the Member States, so problems with employment data for France should be addressed to INSEE only.

Mr. Carvounis (Enterprise DG) closed the session with a short summary, thanking all the speakers for their presentations.

In conclusion, we can say that the current state of the art does not allow us the possibility to analyse in depth all the different aspects of competitiveness and its interaction with employment in commerce. On the other hand, the general discussion raised by the presentations and the following useful exchange of opinions are significant premises for a challenge that the European Union must take up for the next future, namely the possibility to use data obtained by the various Regulations in order to measure and analyse competitiveness in trade better.



Mr. John Dawson

Professor of Marketing, University of Edinburgh, and Adjunct Professor, ESADE Barcelona

Abstract

The paper considers issues related to competitiveness and employment in retailing and wholesaling in Europe. Definitions of competitiveness in commerce are discussed. It is argued that at firm level there are four main approaches to increasing competitiveness: improvements, attributed to organisations outside the firm, in the external environment of the firm; increased innovation, increased knowledge and increased trust. The potential impact on quantitative and qualitative aspects of employment, of each of these approaches to increased competitiveness is explored. Direct and indirect measures of competitiveness are indicated. It is concluded that competitiveness in commerce has notable differences from competitiveness in manufacturing, there have been few studies of competitiveness in retailing and wholesaling, the relationship between competitiveness and employment is complex, and current statistical measures do not address the four main components of competitiveness.

1. Introduction

The purpose of this paper is to consider some of the issues associated with competitiveness in commerce and its possible relationships with employment. The paper is in three sections. First, there is discussion of competitiveness in retailing and wholesaling and consideration of the mechanisms by which it can be improved. Secondly, the relationship between these methods of improving competitiveness and changes in employment are considered. Thirdly, some of the issues associated with the measurement of competitiveness and its employment relationships are explored.

2. Competitiveness in commerce

From a managerial perspective, most senior managers in retailing and wholesaling would claim that competition in commerce is more intense now than some years ago. It is claimed, by managers and trade associations, that retailing and wholesaling are becoming more competitive. It is argued that competitive pressures are increasing and that the firms in the sector are competing more effectively. Standards of living of consumers as delivered by retailers are rising. Retailers are able to respond faster to competitor activity and to consumer demands. Large retailers are increasing their international activity both in store operation and product

sourcing. It might be assumed therefore that, in retailing at least, competitiveness is increasing.

But, across Europe, there are fewer retailers, fewer merchant wholesalers and fewer shops (Eurostat 1998a,b, 1999). This might imply a reduction in competition. Other evidence can be used to support such a view. There is widespread debate over increasing levels of concentration reducing competition in the retail sector. M+M Eurodata (1999) calculate for Western Europe that the top 10 retailers in 1997 accounted for 36.2% of food and grocery sales. This had increased from 27.8% in 1992 when the Single Market came into effect¹. The reduction in shop numbers and the increase in market concentration, at national and regional levels at least, has resulted in the EU Competition Authorities making landmark decisions on Kesko-Tuko Oy (European Commission 1997a) and Rewe-Meinl (European Commission 1999) to ensure competition is not reduced. Although there is great variation across European countries and broad product sectors, nonetheless, in several countries and in several sectors the distribution margin, as measured by the gap between producer and retailer prices, showed increases in the early 1990s. (European Commission 1997b). The largest retail firms are growing, in terms of sales, at a faster rate than the total market. This can be seen in table 1 which shows the sales performance, through the



1990s, of Europe's largest retailers. Market concentration and the growth of the large firms might suggest a reduction in competition and the creation of local, even regional, monopoly practices. Dodson and Waterson (1999) go so far as to write, 'It is common, but incorrect, to view retailing as a highly competitive activity.' (p134). The suggestion from competition authorities is that retailing is in danger of becoming less competitive (London Economics 1997, Dobson and Waterson 1996, Dobson, Waterson and Chu 1998, Smith 1999). Whilst this view does not always appear to

fully accommodate the organisational and structural changes taking place in retailing, it nonetheless seems to be influential in policy making bodies. From this perspective it can be argued that competitiveness is decreasing.

Is this seeming contradiction the result simply of managers and economists perceiving competitiveness differently or is there something fundamentally different about the concept of competitiveness, as applied to retailing and wholesaling, which requires a different approach from that presently taken by economists?

Table 1. Change in sales, market value and operations of large European based retail firms

	Sales - \$US Mil.			Year-end Market Value - \$US Mil.			Number of shops		Number of countries
	1990	1998	% change	1991	1998	% change	1990	1998	1998
Metro	18,810	54,700	191		26,633			2,085	20
ITM Entreprises*	16,030	40,860	155	N/A	N/A	N/A	2,320	3,148	6
Ahold	9,305	38,930	318		21,153		789	3,927	17
Carrefour	13,675	37,797	171	4,074	29,150	616	369	1,661	20
Rewe*	16,810	33,823	101	N/A	N/A	N/A	7,800	11,509	9
Tengelmann*	18,600	32,090	73	N/A	N/A	N/A	5,022	7,853	11
Edeka	13,920	31,020	123	N/A	N/A	N/A	11,598	11,746	2
Aldi*	14,750	30,440	106	N/A	N/A	N/A	2,600	4,020	9
Tesco	9,720	28,380	192	8,597	19,103	122	384	821	8
Sainsbury*	12,005	26,850	124	9,183	14,790	61	439	823	2
Auchan	11,925	26,325	121	N/A	N/A	N/A	269	1,527	11
Centres Leclerc	14,940	25,790	73	N/A	N/A	N/A	576	823	4
Promodès	10,560	22,890	117	1,105	13,770	1146	2,738	4,711	12

Currency conversions of sales are at financial year end. Conversion of market value is at calendar year end.

* tax included

N/A Not Applicable

Sources: Annual reports of companies, specialist trade press, stockbroker reports

Competitiveness is a concept that is widely but not consistently used and that can be analysed at various levels - by groups of countries, country, industry, and firm.' (Hughes p1.) In the first report to US Congress of the United States Competitiveness Policy Council in 1992 competitiveness was defined as the ability to produce goods and services that meet the test of national and international markets while citizens earn a standard of living that is both rising and sustainable over the long run. Alternative definitions involve the ability of a country to attract inward investment from large and multinational companies or for a firm to succeed in non-domestic markets. More recent emphases have been on the success of and innovation in small and medium sized business. Irrespective of the structure of the industry the consensus of those involved in definition

and measurement is summarised in Aiginger's (1995) view that competitiveness is the ability to maintain market shares while at the same time sustaining high incomes and providing improved social and environmental standards. Usually, competitiveness in this context is applied to countries rather than to sectors or firms.

Porter (1990) has questioned the idea of national competitiveness suggesting that considering competitiveness and comparative advantage at a sectoral level has much more meaning. Krugman (1994) holds the even stronger view that, 'Competitiveness is a meaningless word when applied to national economies and the obsession with competitiveness is both wrong and dangerous' (p44). We should therefore limit the



concept to application at firm level and possibly at sectoral level.

Retailing and wholesaling are rarely mentioned in these wider discussions of competitiveness or in attempts to measure the concept (Marsh and Tokarick 1994). Competitiveness is seen almost exclusively in industrial terms as can be seen in the essays in Hughes (1993), Francis and Thrarakan (1989) and in recent EU reports on competitiveness (European Commission 1997c, 1998).

At one level this is unsurprising as most definitions and discussions have been framed in terms of manufacturing. Nonetheless it is surprising that the association between country of origin, domestic market conditions and extent of internationalisation of retail operations has not been the subject of some considerations of comparative advantage. Firms in some, but certainly not all, of the smaller European countries have been notably successful in internationalising their operations. Is this due to some Porterian comparative advantages in retail sector competitiveness of these economies or is it related to successful managerial decision making? The absence of debate and consideration of competitiveness in retailing and wholesaling also is surprising given the large size of the sector in terms of employment, contribution to GDP and its role in delivering European standards of living.

In a retailing and wholesaling context we can define competitiveness in two related ways.

First, competitiveness in retailing and wholesaling is a condition of relative efficiency identified by relative performance measured in terms of productivity and profitability. This may be considered at either sectoral or firm level.

Secondly, competitiveness at firm level is reflected in relative trading performance measured by shares of a market and the ability to take the retail or wholesale concept to other countries.

Whilst the two concepts may be coincident they need not be. Thus it is feasible to have a retailer who is highly productive and profitable, [and thus has high competitiveness] but does not have a large share of the market. We also see retailers with large domestic market shares who do not attempt to internationalise their operations. Nonetheless these two conditions provide a useful working definition of competitiveness in retailing and wholesaling.

Competitiveness also must be considered as a relative concept, as Krugman (1994) argues. This may be relative in time with comparisons being made over a period or relative across structure with comparisons

being made across sectors, sub-sectors, types of trading and firms. By taking a comparative view it is possible to evaluate competitiveness in both horizontal and vertical markets. This view of competitiveness in commerce does not fall comfortably into the traditional economic view of competitiveness being associated mainly with export success². Considering competitiveness in retailing and wholesaling in this way does allow us to rationalise, in part, the seeming conflict between the managerial and economic perspectives of competitiveness. This is possible particularly if the 'competition' issues of concentration and acquisition are considered more as issues of consumer welfare and channel power rather than ones strictly of competitiveness; although it is difficult to divorce issues of channel power and vertical restraints from those of horizontal competitiveness.

Given this definition of competitiveness then it is possible to consider and assess how competitiveness can change in retailing and wholesaling. Adopting a resource based approach to considering the nature of the firm (Grant 1996, Hunt 1997), there are four major areas where opportunities exist to increase competitiveness:

- Improvements and change in the external operating environment: This encompasses physical infrastructure and public policy. The shifts in the social values and beliefs of consumers in Europe also influence the opportunities to gain or lose competitiveness.
- Increased innovation: Innovation is related to the presence of national and sub-national institutions, both private and public, which encourage and support innovation. Within Europe there is great variety of such institutions and in consequence a diversity in approaches to innovation (Nelson 1993).
- Increased knowledge: This is integral to the management of firms and is both learnt within the firms and introduced from outside. It goes beyond traditional ideas of Research and Development and involves an understanding of the nature and functioning of the organisation.
- Increased trust: This provides security and confidence in decision making. The management of trust provides opportunities for increased competitiveness (Kramer and Tyler 1996).

It is useful to consider each of these four areas in more detail:

Improvements and change in the external operating environment

- through improvements in transport, communications and energy supply³, for example improved road networks which improve logistical efficiencies,



improved data communication facilities, removal of delays at national border crossings, improved energy transmission, etc.

- changes in public policy which alter the relative performance of types of business for example limiting entry of particular formats, providing financial support for some types of investment, limiting the extent to which firms can merge to achieve organisational scale economies, limitation of store opening hours, etc.
- social change affecting household consumption, for example changes in housing tenure in favour of home ownership, changes in consumer mobility through higher levels of car ownership, changes in family structures [e.g. more one person households], attitudinal changes of consumers on food product safety, changes in social values of consumers [e.g. environmental awareness, vegetarianism], etc.

Increased innovation

- format innovation, for example the creation of large floor-space specialist retailers [e.g. category killers], new formats [e.g. meal centres] for new customer segments, etc.
- technological innovation, for example through the application of information technologies to analyses of customer behaviour and item movement [e.g. basket analysis], use of automated warehouses, informational management based improvements in buying and procurement practices, improved vehicle scheduling and load planning, data warehousing, etc.
- process innovation, for example through stronger branding of the firm, new approaches to customer service provision [e.g. customer loyalty schemes], administrative control of channel relationships without asset ownership, use of ECR practices, fundamental changes in supply processes resulting from e-commerce, etc.
- item or product innovation, for example through the expansion of distributor brand product activity, the faster introduction of new retail brand food and non-food products, extension of product portfolios into new areas [e.g. financial services and travel services], use of new ingredients and components, etc.

Increased knowledge

- more understanding of organisational structures, for example better exploitation of scale and scope economies [e.g. Table 2 illustrates the range of competitiveness benefits which can result from increases in organisational scale], improved store location procedures, etc.
- more understanding of market conduct, for example improved knowledge of competitors, more effective merger and acquisition activity, improved ability to internationalise operations, etc.
- increased productivity, for example more efficient use of space in store or warehouse, more flexible use of labour, more effective use of capital both fixed capital and capital allocated to inventory, etc.
- improved learning ability of the organisation, for example extent of feedback on consumer issues from store to head office, extent to which domestic operations become more competitive with feedback from international operations, gaining benefit from joint activity [e.g. membership of buying groups, joint ventures for store development], etc.

Higher levels of trust

- trust relationships with consumers, for example, a reputation established for fair prices, high and appropriate levels of service, exclusivity of products, ethical sales policies, etc.
- trust relationships with suppliers, for example, developing ECR and category management activities, meeting agreed payment conditions, not exploiting power differentials in the channel, joint agreement on QC procedures, etc.

These various potential approaches to improved competitiveness interact to a considerable extent. Many relate strongly to the benefits which accrue to larger organisations and this, to a large extent, accounts for the strong movement to larger firms in Europe. This requirement, placed on large firms, to continue to grow carries with it the necessity of moving into new geographical markets and so internationalise the retail operations of the firm (Dawson 1999a). The ability to succeed in international markets has been a key feature in considerations of competitiveness in studies of manufacturing sectors. It is also an aspect of retailer competitiveness.



Table 2. Some sources of scale related benefits in retail organisations

Functional area	Activity	Selected benefits accruing to larger organisations
Sourcing	Discounts from suppliers	Volume related purchasing discounts Additional discounts negotiated Spread over more products More buyers with specialist knowledge
	Search costs	Volume related reductions
	Buyer expertise	Foreign buying offices become cost effective
	Transaction costs	Better terms –Volume related
	Buying organisation	Reduced unit cost with larger volumes
	Logistics costs	Lower unit development costs with more products
Product Development	Quality management	
Procurement	Retail brand products	Volume discounts
	IT equipment	Volume discounts
	Advertising rates	Volume discounts
Marketing	Professional services	Promotions with better terms New store opening Special packaging due to volume
	Support from suppliers	Wider exposure
	Advertising effectiveness	More public relations
	Corporate branding	Larger customer base
	Market research	More flexibility over the range
	Pricing	More information on market response
R&D	NPD	More experience
	Site evaluation	Economies of replication
	New format design	Capital projects from revenue
Finance	Cash-flow	Lower cost
	Loan capital	Hardware costs shared
Operations	IT	Bespoke software More responsive support
	Maintenance, security, etc.	Volume discounts
HRM	Training and development	Volume related costs
	Labour scheduling	More flexibility
	Management development	More flexibility and internal transfers of know-how
Logistics	RDCs	Lower unit cost logistics
	Outsourcing	Open book accounting

The very many ways, possibly increasing in number, of improving competitiveness is partly the cause of the perceptions of senior management that competitiveness is increasing. Awareness of the variety and also awareness of competitor activity across this variety, engenders in managers a perception that retailing and wholesaling are subject to a period of intense change which is generating additional competitive pressures. The change in the basis of competition, from price to a mixture of price and service, increases the complexity of competitive processes and the range of ways that competitiveness can be achieved. In addition competitive processes are becoming more complex because retailers now compete throughout the whole supply chain not only through their retailing operations. Thus logistics systems are in competition as are the

product development processes related to retailer branded items. This increase in complexity at a managerial level in European retailing and wholesaling (Dawson 1999b, c) can easily be mistaken for increased intensity of competitiveness. Whilst there is scope for debate on whether the sector is getting more or less competitive, there is little doubt that the complexity of competitive processes is increasing. Because of this managers perceive greater competitiveness in the sector.

It is important to appreciate that competitiveness varies across Europe. Competitiveness changes in different ways across Europe. The various sectors of retailing and wholesaling also show different levels and dynamics of competitiveness. In all of the four groups of factors discussed above, the opportunities for increasing



competitiveness vary across the different countries and regions of Europe. Within Central Europe the idea of competitiveness in retailing is at an early stage of development and generally the sector exhibits relatively low levels of competitiveness. The food sector, however, can be seen to be more competitive than non-foods. In France and Germany competitiveness is related strongly to price and the bases of competition are relatively narrow. Competitiveness focuses on price and in consequence competitive actions focus on ways to reduce costs. In comparative terms price competitiveness is higher than in some other countries. When distribution margins have increased, for example in furniture distribution in Germany, it has been to the benefit of manufacturers not the retailers (European Commission 1997b). This, however, raises questions over the competitiveness of the retail sector if measured in terms only of price competition. In the UK the range of competitive tools used, particularly by retailers, is wider and competitiveness has to be considered in non-price terms as well as price terms. France and Germany show some signs of moving towards this model in recent years. In Italy a rather interventionist approach to retail competition has resulted in the protection of forms of retailing with low productivity but a high local-service element. The result, in comparison with elsewhere, is a low level of apparent competitiveness.

From these considerations we can see that competitiveness in retailing and wholesaling is a complex concept. It is influenced by environmental factors external to the firm, by innovation in the firm and sector, by the knowledge in firms and its diffusion through the sector, and by trust in relationships. Competitiveness is a relative concept. It is the outcome of rivalry between firms that is seen both in competitive and co-operative actions.

3. Employment implications of changes in competitiveness in commerce

There are implications for different aspects of employment associated with the various ways that competitiveness changes. The relationships are complex. Competitiveness effects employment and employment effects competitiveness. Relationships are ones of interdependency. Employment effects include the costs of labour, employment skills, structure of the labour force, employee mobility and working conditions. Table 3 illustrates some of the relationships between the drivers of competitiveness and some related changes in employment. The table is not intended to list all implications for employment but is illustrative of the interactions that are present. In reading the table it must be remembered that the relationships are interdependent.

The table indicates the several aspects of employment that interact with competitiveness. The framework in the first two columns is that identified in the first part of this paper. This shows the main ways in which competitiveness can be increased in commerce. The employment implications are related to the competitiveness factors. In several cases different factors generate similar responses in employment. There is a general tendency for employment inputs to be reduced and to become more flexible in their use. This is both a cause and consequence of increased competitiveness. Flexibility in this context encompasses functional flexibility associated with multi-skilling, wage flexibility associated with bonus and incentive schemes, and numerical flexibility associated with adjusting the quantity and type of employment to meet need (Harrison and Kelley 1993).

In all the illustrations in table 3 more detail could be added to give a fuller picture. For example the use of public policy constraints on the construction of large food and grocery stores is widespread in Europe. This policy affects competitive behaviour and competitiveness. There are many reasons for decisions to enact such a policy and the policy can be justified on several grounds. The policy however has an effect on competitiveness and has implications for employment:

- change in the portfolio of formats at sector and firm level which has an effect on retail labour costs and effects employment structures in the logistics sector;
- reduces the incentives for innovation in large store formats and so reduces the need for workforce flexibility associated with such innovation;
- attempts to protect small firms which have higher levels of low paid family and casual workers;
- larger firms can only grow through acquisition and so market concentration increases with more employees accounted for by larger firms;
- competitive small chains sell to larger firms, including foreign firms, reducing the range of employers and reducing the geographical spread of senior management employment opportunities.

The different conditions in the different countries of Europe, particularly in the factors external to the firm, will also have an effect of the impacts of this type of policy on employment.

It is possible to deconstruct any of the many policy interventions in this way to show their effect on employment and competitiveness.

Table 3 is a framework to facilitate consideration of employment implications both at a broad level, as is illustrated, and at a more detailed level, as shown in the paragraph above. The framework allows for consideration of sectoral and national differences.



Table 3. Some relationships between the factors influencing competitiveness and employment in retailing and wholesaling

Potential ways to improve competitiveness in retailing and wholesaling		Employment implications
Improvements in the operating environment	Communications infrastructure	Reduced operating costs with less labour input to perform tasks Faster responses in supply chain reduces wholesaling labour input
	Public policy	Impacts on costs due to market interventions, eg less efficient use of capacity due to limited opening hours, restrictions on particular formats, labour legislation etc.
	Social change	Demands for higher service increase costs New consumer demands create new job opportunities
Increased innovation	Format innovation	New locations for jobs and changed journey to work patterns New store based working patterns Wide variety of labour cost structures across formats
	Technological innovation	Information and technology uses reduce labour inputs New technology related jobs created Technology related skills needed at all levels
	Process innovation	Changes in mix of jobs due to disintermediation, eg in e-commerce Change in externalisation and internalisation of functions and jobs
	Product innovation	New specialist skills required, eg product technologists, packaging design, etc Labour costs spread through supply/demand chain Increased in labour in quality management
Increased knowledge	Understanding organisational structures	Larger organisations with more specialist managerial workforce Spatial concentration of head-office functions and jobs Large firms spatially decentralise head-office functions Retail control of channel with employment sub-contracting Diversification into financial services etc. creates non-retail jobs in retail firms Sectoral level reduction in owner-workers and family workers
	Market conduct	Workforce polarisation with more sales staff and fewer managers Increase in managerial specialisation Increase in multi-skilling in sales staff Internationalisation of managerial workforce International diffusion of work practices More inter-firm and spatial job mobility
	Cost structures	Fewer hours but more employees Flexible job descriptions and working hours
	Learning ability of organisations	Labour forces organised in teams Improved intra-firm communication skills of labourforce
Increased trust	Trust with consumer	Store based staff trained to be customer responsive Empowerment of employees at store level
	Trust with suppliers	Retail buyers with specialist skills Management development to implement ECR type programmes



4. The measurement of competitiveness and employment

Finally in this paper it is useful to consider, in the light of the discussion on competitiveness and employment, some issues of measurement. First, there will be consideration of direct measurement of competitiveness. Secondly, there is discussion of the dimensions of employment which relate to competitiveness in retailing and wholesaling.

Direct measurement of competitiveness can be derived from data on the performance of firms and of their

various operating units. Profitability and productivity of the several inputs can be measured at the firm level. The BACH database, using national accounts data, provides some information of this type but it is not broken down by retail sector. Using these data there are substantial differences amongst countries due to accounting differences, differences in statistical treatments and economic differences so a clear picture even of profitability, as shown in table 4, is difficult to establish. Nonetheless some measures of change in profitability by country can be obtained from this source.

Table 4. Profit as percentage of sales by sector and sales size of enterprise -1997

	Wholesale sector			Retail sector		
	< 7 m ECU	7-40 m ECU	> 40 m ECU	< 7 m ECU	7-40 m ECU	> 40 m ECU
Austria	1.42	1.00	0.53	0.89	1.68	-0.41
Belgium	1.09	1.51	1.44	0.57	0.42	1.12
Denmark	6.18	1.58	1.19
Finland ¹	5.48	3.37	1.88	5.63	4.39	1.88
France	1.32	1.43	1.62	1.41	1.23	2.39
Germany ¹	0.22	0.34	0.54	-0.01	0.36	-0.13
Italy	0.22	0.62	0.87	-0.66	0.56	1.23
Netherlands	3.77	4.72	2.96	3.46	3.00	5.72
Portugal	1.15	1.84	4.34
Spain	3.26	2.54	2.63	1.28	1.86	2.68
Sweden ²	2.79	2.82	1.28	1.53	1.24	1.76

¹ 1996

² 1995

Source: BACH database

Productivity of input factors can again be measured directly, for example sales per square metre. Again, however, comparisons have to be treated with care to ensure similar definitions are used, for example whether sales space or total space, whether sales are those through the space or total sales including non-store sales, whether sales include or exclude tax, etc. Such figures of productivity, whether of space, employees, or capital, exhibit great inter-firm variability. Table 5 shows the UK firms with the highest sales per square metre. What these figures clearly illustrate is that competitiveness is a multivariate concept and is not measured satisfactorily by simple ratios.

A second approach to direct measurement of competitiveness, at firm level, is market share. The main difficulty with this measure is the definition of the market. Retailers extend their product ranges into new markets as part of the normal process of firm growth. Thus food retailers have moved into non-food groceries, into

alcohol, into pharmaceutical items, into basic clothing, and into sales of petrol. What constitutes the market of the 'food and grocery retailer'? As retailers diversify into the retailing of prepared foods and into financial services the measurement of market shares becomes even more difficult.

Measurement of competitiveness as sustainability of foreign activity may be measured directly as the proportion of sales from non-domestic store operations. This might seem a good measure of competitiveness in respect of sales activity but retailer competitiveness comes only partly from efficiency in selling. Competitiveness also results from effectiveness in buying. On this criterion of foreign activity we should therefore be considering, as part of competitiveness, the extent of purchasing from non-domestic suppliers and the amount of profit made on these purchases. This, however, would have implications for measures of competitiveness of the manufacturing sector. The logic



of Krugman's view of competitiveness being a zero-sum game then becomes very apparent.

Table 5. UK companies ranked by sales per sq. m.- top 20 firms 1998

Rank	Firm	Sector	£/sq.m.
1	Richer Sounds	Electrical goods	427.6
2	The Perfume Shop	Chemists & drugstores	171.9
3	Wyevale	Garden centres	166.5
4	Thomas Pink	Clothing	134.7
5	Tesco	Grocers	94.9
6	Sainsbury	Grocers	94.8
7	Karen Millen	Clothing	92.0
8	The Link	Electrical goods	91.1
9	Peel Street Pharmacy	Chemists & drugstores	82.9
10	Tie Rack	Clothing	81.7
11	Waitrose	Grocers	80.5
12	Oddbins	Off-licences	79.0
13	ASDA	Grocers	78.9
14	Victoria Wine	Off-licences	76.5
15	Dixons (chain)	Electrical goods	75.7
16=	Thresher	Off-licences	73.8
16=	Morrisons	Grocers	73.8
18	Electronics Boutique	Toys	73.4
19	Ted Baker	Clothing	71.7
20	Tecno	Photographic goods	71.1

Source: Corporate Intelligence, Retail Rankings 1999

Finally in respect of direct measurement we can survey price competitiveness and price differentials. European surveys of comparative retail prices are notoriously difficult to undertake given the inter-shop price differences within a company, determination of identical items to price, promotions on products, construction of a meaningful basket of products and different VAT policies within Europe.

The impacts of competitiveness on employment may be reviewed for measurement purposes under the following headings:

- amount of employment
- composition of employment
- costs
- organisation
- location
- dynamics

The amount of employment is generally reported by number of people employed. Within a competitiveness framework this measure, whilst useful, is of limited value. With the wide variety of contractual arrangements and the use of part-time workers then a more useful approach is through numbers of hours worked. The

growth of sub-contracting within retailing and wholesaling presents a further difficulty in measuring the amount of employment. In the search for higher levels of competitiveness, firms evaluate very thoroughly whether to employ people themselves or to make contracts with other firms for the supply of services. There is considerable variety of practice in this respect but in general there is a tendency for retailers and wholesalers increasingly to make contracts with service providers. Typical examples are for store security and maintenance, for catering services for employees, for parts if not all of the logistics support, and for a range of strategic reviews where management consultancy firms are used when previously an in-company research group would have been used. At store level it is also common in some types of store for some sales staff to be employed by a manufacturer or distributor and not by the retailer. The pattern of increased sub-contracting is not consistent, however, as there are groups of employees now employed directly by retailers in substitution of functions previously bought in from other firms. The increase in the market of retail brand product items has resulted in large retailers having in-company product design, development and quality monitoring



staff undertaking functions which previously would have been undertaken by the manufacturers of the product. Measuring the amount of employment has to be related to various aspects of the structure of the firm for the measure to be of value in assessing competitiveness.

Measurement of the composition of the employed work force also has relevance for competitiveness. Whilst demographic structure has limited relationships to competitiveness the occupational structure and skill base is a key measurement variable. The balance between store [establishment] based staff and regional/head office staff is likely to be related to competitiveness but will vary considerably across different formats of retailing and wholesaling and across different branches of the sector. The extent of division of labour may also be related to size of firm.

The cost of employment is a third major area requiring measurement. Identifying where the costs fall is difficult. The measure is also complicated by the issues of contracted services mentioned earlier. Employee costs have been switched, in recent years, from being direct costs of the retailer to being a payment to another firm for services provided. It is also increasingly common for employee remuneration to contain an incentive based element. This can be through many occupations from store level, where it can be related to sales targets, to senior executive level, where it can be related to profit performance or share price. The variety of payment mechanisms introduces some difficulties in establishing labour costs. In retailing the issue is made more complex in firms with many shops each with sales targets and each of which may be incentivised separately.

The organisation of employment is seen from Table 3 to be in important relationships with competitiveness. There are some difficult variables to measure in this relationship. Whilst the presence or absence of franchise type organisation is easily measured it is much more difficult to measure the extent of team working, knowledge levels of employees, employee mobility, effectiveness of customer-service delivery, and effectiveness of training and staff development. It is these 'soft' areas of employee relationships where significant measurement difficulties are present but wherein lie some of the most important relationships between employment and competitiveness. The diversity across the retail and wholesale sector through different formats, different types of retailing, different sales methods and different types of firm adds further complexity to an already complex set of relationships.

The location of employment, in comparison with some of the other dimensions, is a relatively easy dimension of measurement. Retailers generally operate from multiple

locations. Even relatively small firms often have more than one sales unit but usually these are discrete trading locations. It is in the very large firms where more difficulties reside in the operation of multiple sales and non-sales units in several countries. A large firm may have buying staff in a buying office in East Asia, staff in a European buying centre and staff buying at regional or local levels for some products. Some of these buyers are buying for stores in several countries, others are buying locally for a single store. The balance amongst these various buying functions can have an important influence on the competitiveness of the firm.

In order to be able to measure the relationships between employment and competitiveness it is essential to measure the dynamics of the processes involved. Competitiveness is a process. It is also relative over time. Retailing and wholesaling are strongly influenced by cycles. In Europe there is a weekly and monthly cycle of customer purchasing habits, a seasonal cycle of product styles and product availability, and an annual cycle of Christmas and Easter trading peaks. Some regions may have other cycles related to local economic activities, for example in tourist regions. Employment and competitiveness therefore are not cross-sectional issues but need to be considered as dynamic aspects of retailing and wholesaling. Year on year comparisons are also needed if we are to attempt to make the connections between employment and competitiveness.

Despite the many problems in attempting measurement it is important to undertake such measurement. Some of the debate which has taken place on the issue has suffered from a lack of sound measurement of the variables being analysed. For policy makers, politicians and academics to take a view on the links between employment and competitiveness a sound framework of measurement of competitiveness and employment is essential.

5. Conclusion

The relationship between competitiveness and employment in retailing and wholesaling is complex. There is a general belief that competitiveness within commerce in Europe is increasing but firm statistical evidence to support this view is difficult to obtain. The increase in competitiveness is unlikely to be either at the same rate or for the same reasons across all the different branches of commerce. There are many different relationships. For example, whilst in discount food retailing one set of links may be particularly important, in department stores it may be a different set of links which are critical. It is also unlikely that there is unanimity across Europe where we can expect not only differences between Central Europe and Western Europe but also within Western Europe where



considerable variety of retail and wholesale structure are still present.

Moves towards higher levels of competitiveness have many sources. They generally are moves towards greater efficiency and effectiveness. The trends in employment in commercial distribution are:

- towards lower costs with more flexible working hours and occupations;
- towards greater division of labour with more variety of occupations and skills although some may be contracted to specialist providers;
- towards more polarisation in sales-force skills between the poles of customer service and transaction processing;
- towards more employee mobility, both structural or functional and geographical.

Retailing and wholesaling comprises a very large and diverse sector. It is the sector where most young people not only have their first experiences of employer-employee relationships but also their first experiences of commercial competition. It is important that employees at all levels have an understanding of the relationship between their job and the competitiveness of the firm and sector.

For employees, employers, owners and policy-makers an understanding of the nature of competitiveness is important. This understanding of the nature of competitiveness in retailing and wholesaling is hindered by a singular lack of research and publication. The reports on European Competitiveness (European Commission 1997c, 1998) now provide a solid basis on which to benchmark developments in Europe. The absence from these reports of considerations of wholesaling and retailing is a major gap in our knowledge of European competitiveness. The retail and wholesale sector is a large business sector in Europe, irrespective of the way it is measured. It is a sector undergoing very rapid structural change and transformation, which will be even more acute with EU enlargement. But, there is no substantive analysis of competitiveness in the wholesale and retail sector in Europe.

Notes

¹ Whilst the extent to which the M+M data measure the total market may be open for debate nonetheless the market of the large firms, which they focus on, has shown a considerable increase in market concentration over the 5 years.

² It is nonetheless interesting to note from table 1 the extent to which major firms have extended their retail operations to other countries. The data refer to 1998

since when further international moves have been made by many of these companies. Mergers and acquisitions since 1998, notably that between Carrefour and Promodès in 1999, continue to indicate the strong growth of these large firms.

³ The 1998 Competitiveness Report for Europe (European Commission 1998) points out that in respect of energy, transportation and communication, 'Despite the Single Market programme and its positive effects on competition and liberalisation, Europe still has more restrictions and distortions of competition in these service industries than the USA' (p.2)

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Abstract

The report reflects the trends in employment and productivity in the period 1993-1997 in German wholesale and retail trade compared with the figures in the mining and production industries, where there was a marked increase in labour productivity at the expense of jobs. No such dynamic increase in productivity or such drastic job losses could be measured in distributive trade, even though there is definitely no less competition in the sector. There are some arguments which point rather to an increasing demand for the productivity factor "labour". Two of these are:

- the "labour" factor provides services which are appreciated by customers and can hardly be replaced by machines;
- today, the tough competition in distributive trade is based on pricing, but in the near future it will focus on offering additional services.

Considering the employment problems in Germany, and indeed throughout Europe, the main issue we are addressing in this round of discussions is one to which we must attach major importance in economic and social policy terms, and that issue is: "Are increased productivity and competitiveness in trade leading to job losses?"

Trade has an important employer function in most Member States. In Germany, in 1998, some 4 million employed persons, or 15% of the total of 27 million persons employed in the entire business sector, worked in distributive trades. Particular attention should be paid to trade in relation to its employer function, because about 60% of those working in this sector are women. Among sales personnel, women account for as much as 80%. Especially in retail trade, there are plentiful opportunities for part-time working, and more than half of the employees in retail trade have taken up these opportunities. In terms of employment policy, the trade sector is important because it can integrate people into the production process who have undergone training other than formal training as wholesalers or retailers. This is an aspect which should not be underestimated in a situation of structural unemployment. Analysis of the impact of "increased productivity and competitiveness in trade" on the number of employed persons is based on data for Germany. First of all, a brief presentation is given of developments in production industries, because

what has happened in that sector is something we may also have to face in future with regard to trade.



Industry: 1993 - 1997

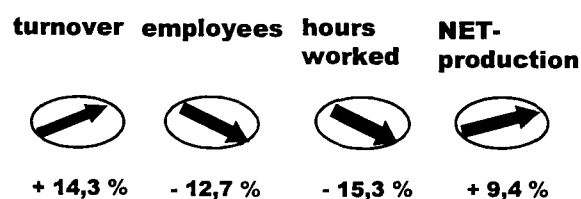


Figure 1

In Germany, the number of persons employed in mining and production industries fell by 13% between 1993 and 1997 and the decrease in the number of hours worked was even steeper. However, turnover in 1997 was 14,3% higher than in 1993. This means that labour productivity increased considerably at the expense of the number of jobs.



Retail trade: 1993 - 1997

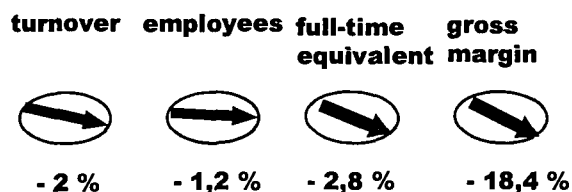


Figure 2.1



Retail trade: 1993 - 1997

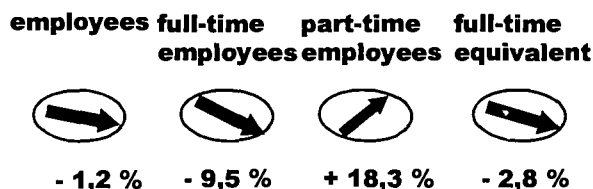


Figure 2.2



Retail trade: 1993 - 1997

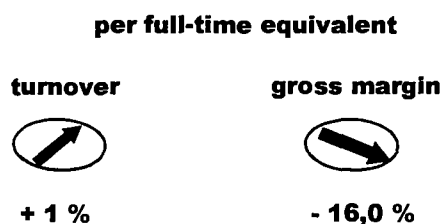


Figure 2.3

This kind of dynamic trend in labour productivity at the expense of jobs has not been observed in recent years in the trade sector, even though competitive pressures are certainly no lower there.

In retail trade, the number of employees in 1997 was only slightly below that of 1993, but the share of part-time jobs rose from 35% to almost 50% over the same period; this means that the number of hours worked in retail trade decreased. The turnover achieved in 1997 was 2% below the 1993 level - but profits declined much

more drastically. The gross margin fell by 18% in that period. However, if we convert all employees in the retail trade to full-time employees, this improves the overall picture for retail trade. Labour productivity measured by gross margin per full-time employee shows a smaller decrease, and turnover per full-time employee even shows an increase.



Wholesale trade: 1993 - 1997

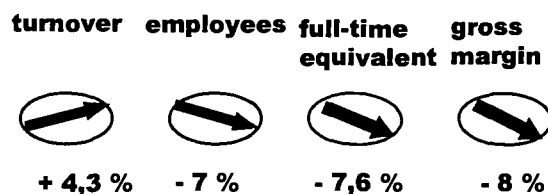


Figure 3.1



Wholesale trade: 1993 - 1997

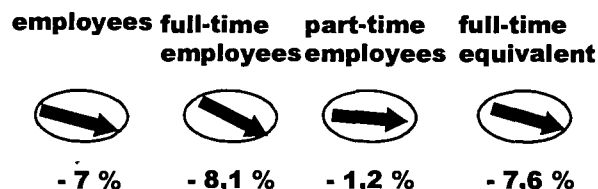


Figure 3.2



Wholesale trade: 1993 - 1997

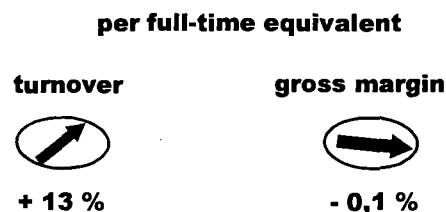


Figure 3.3

In wholesale trade, however, the 1993 employment level of just over 1 345 million fell steadily at annual



rates of nearly 2%, to reach 1 250 million in 1997. In that period, wholesale trade increased its turnover by about 4%, while – just as in retail trade – the gross margin ratio showed a steady decline, probably as a result of growing competitive pressure. So, turnover expansion was accompanied by an 8% shrinkage in gross margin. Although turnover per employee - converted to full-time equivalents - has been showing slight annual increases in productivity since 1993, and within the period 1993 to 1997 an overall rise of 13%, the gross margin per employee has not changed much in recent years.

This means that, more recently, no drastic loss of jobs has been recorded in trade.

Productivity has grown when measured in terms of the turnover per employee in full-time equivalents, but it has decreased when measured in terms of the gross margin per employee, because gross margin ratios have fallen sharply, probably as a result of growing competitive pressure.

How much further can gross margin ratios decline before distributive trades have to resort to shedding jobs?

Are there any special characteristics in trade which would militate against the assumption that "increased productivity and competitiveness in trade" are linked to a reduction in jobs?

A characteristic of trade is that the labour factor has a key function in many respects:

A sales transaction is the result of a service interaction where the customer's requirements – in individual cases or according to the specific product – relate nowadays not only to the price and/or quality of the product but also to the quality of the accompanying service; in the final analysis, the customer will critically weigh up the various factors before the sales agreement can be concluded. Customers do realise the considerable labour input in specific services.

Arguments for future development

- Unlike the production sector, the scope in distributive trades for replacing the production factor "labour" by the production factor "machines" is extremely limited.
- Today, competition in trade is still very much concentrated on pricing, whereas in future it will focus more on offering additional services, which will require greater input in terms of personnel.
- As a result of growing product diversity, there will be higher quality requirements to be met by the personnel.
- There are clear limits to the scope for achieving staff reductions by expanding self-service offers.
- Traditional trade will have a chance in competition with e-commerce only if it provides enough sales and service personnel for its customers.



Mr. Olivier Grollet
Attaché principal, Ministry of Economy, Finance and Industry - France

Abstract

The most recent Eurostat figures on the distributive trade illustrate the importance of the sector, particularly for employment.

In the mid-1990s, the distributive trade sector accounted for 30% of businesses, 16% of employment and 13% of GDP, the employment/share of GDP ratio thus being higher than for industry.

As French national and EU figures differ considerably, we need to improve the quality of data in this sector

The purpose of this paper is to point out the importance of commerce and in particular the relationship between commerce and employment in France, from the point of view of the non-specialist user.

1. The importance of the sector in Europe and possible ways to improve statistics

1.1 The importance of the sector

Firstly, commerce is the second most important sector in the European Union. According to Eurostat's figures published in the White Paper on Commerce adopted by the European Commission on 27 January, commerce accounted for 30% of businesses, 16% of employment and more than 13% of GDP in the European Union in the mid-1990s; around five million businesses were generating 7 Ecu billion and 21.5 million jobs.

Secondly, commerce has a major social impact on the lives of the citizens of Europe because of its effects on the quality of life in towns and cities and in the countryside.

The statistics on commerce in France are quite similar: at the beginning of 1998, commerce accounted for 28 % of enterprises, 13.1% of jobs and 10.2% of Added Value.

1.2 Some proposals for improving statistics

There are a number of improvements which would facilitate the use of European statistics by non-specialist users.

It would be helpful to users

- if data were consistent, e.g. in particular regarding the importance of the sector;
- if the different Commission departments adopted the same reference period in their documents, and
- if the share of inputs in B to B trade was given.

2. Employment and commerce

The purpose here is not to speak about competitiveness in European commerce. I shall use the definition given by professor John DAWSON in his paper for this seminar (pages 4 and 5).

Thus, I shall adopt his approach, considering that "there are four major areas where opportunities exist for firms to increase competitiveness, i.e. improvement and change in the external operating environment, increased innovation, increased knowledge and increased trust".

Regarding the relationship between competitiveness and employment in Europe, it appears that competitiveness and employment have both increased in the sector:

- increase in employment: the ratio Employment/share of GDP is higher in commerce than in industrial firms: commerce accounts for 16% of employment, but only 13 % of GDP in the European Union;
- between 1982-1992, employment in the sector increased significantly (12%), more than for total employment (7%).



However, the level of employment growth varied greatly between the Member States: 25% in Spain, 15% in Austria, 15% in Germany, 14% in the United Kingdom, and 1% in France (Green Paper on Commerce).

We need to explain the causes of these differences, particularly the figures published by INSEE, the French Statistics Institute, which show on the contrary that employment in commerce in France increased by almost 15% between 1980 and 1997.

ROUND TABLE B

Electronic commerce

What will be the impact of electronic commerce in five years time? Will Internet selling still play a minor role compared to traditional forms of trade?



Summary report

Mrs. Ritva Wuoristo

Head of Services Statistics Business Structures - Statistics Finland

Abstract

Round Table B was entitled "Electronic commerce". There were five speakers for the session, with Mr Grebe from Karstadt AG as the Chairman. This report presents the main topics of the discussion. Mr Reynolds of the Oxford Institute of Retail Management explored aspects of the European use of electronic marketing channels. He considered trends in European Internet infrastructure and use. Mr Bøegh-Nielsen of Statistics Denmark considered the issue from the statistical point of view. The main handicap in measuring e-commerce is the lack of a harmonised definition. Mr Filopoulos of DG Enterprise stated the viewpoint of the European Commission. Mr Kröner of Eurocommerce examined the issue from the user standpoint. The report also brings out the main comments of the audience.

Round Table B was entitled **Electronic Commerce** with the following subheadings: *What will be the impact of electronic commerce in five years' time? Will Internet selling still play a minor role compared with traditional forms of trade?*

There were five speakers for the session:

Chairman: Mr G. Grebe (Director, Karstadt AG)

Academic: Mr J. Reynolds (Director of the Oxford Institute of Retail Management)

Statistician: Mr P. Bøegh-Nielsen (Head of Division, Statistics Denmark)

EU Official: Mr A. Filopoulos (Enterprise DG, European Commission)

Professional: Mr H. Kröner (Secretary-General of Eurocommerce)

In his introduction, **Mr Grebe** remarked that the use of the Internet has increased so rapidly that electronic commerce is already a reality. The number of businesses offering their services through the Internet has risen sharply. Internet services used to be available mainly through company homepages, which contained databases such as price lists or catalogues. But businesses are now increasingly offering a variety of products for sale online: books, computers, flights, flowers and even cars. Many companies sell their traditional products by Internet as well, but completely new companies specialising in Internet selling have also

been set up. Mr Grebe pointed out that some products sell better online than others. Despite its rapid growth, electronic commerce is still a complement to traditional forms of trade, whereas Internet selling may take over part of the mail-order market.

Mr Reynolds explored aspects of the use in Europe of electronic marketing channels, specifically by Internet. He considered the trends in European Internet infrastructure and use as well as the factors affecting the pace of change. He also reviewed the new kinds of market and new kinds of intermediary made possible by the Internet.

Discussing European Internet infrastructure and use, Mr Reynolds said that part of the difficulty in assessing the opportunities and risks of the Internet for retailers rests in its very intangibility and placelessness. The size, scope and characteristics of the market cannot be measured. Estimates of the relative usage of the Internet fluctuate considerably. However, it is very clear that the Internet has grown faster in some places than in others. The USA has the most highly-developed market, but if usage rates are related to population, three smaller Nordic countries dominate the ranking.

The other main aspect is the potential revenue growth to be expected from the phenomenon. These growth possibilities fall into business-to-business and business-to-consumer categories. The former provides the



greatest immediate opportunities for cost savings and productivity improvements through rationalisation and re-engineering of the supply chain. The greater unknown is the speed with which business-to-consumer electronic commerce will transform consumer markets and the nature of mediation within these markets. Factors affecting the pace of change are related to consumer acceptance, technology progress and competition.

Mr Reynolds then highlighted the ability of the Internet to create new kinds of market and new kinds of intermediary. Technology will inevitably play a powerful role in determining the future scale and character of the distributive trades. The Internet is capable of linking and aggregating information and knowledge related to certain kinds of activities in a way which is not possible (or more difficult) conventionally. Mr Reynolds also summarised the range of features exhibited by contemporary websites, which offer new or complementary opportunities for enriching relationships between retailers and customers.

Finally Mr Reynolds described some of the barriers to the globalisation of electronic commerce. Most are the same as the competitive challenges facing physical retail globalisation: multilingual culture and the cost of logistics and communications are major obstacles at present.

Mr Bøegh-Nielsen drew the attention to the fact that, although electronic commerce was one of the most hotly-debated issues of the late 1990s, official statistics do not yet have a harmonised definition of e-commerce. Policymakers and other professional users of statistics express an urgent need for an international, comparable and harmonised definition of the concept of e-commerce.

In his paper Mr Bøegh-Nielsen suggested a definition of electronic commerce, based on the findings of the Nordic cooperation on establishing guidelines for measuring ICT usage by enterprises and the discussions of the OECD Working Party on Information Society Indicators and the Voorburg Group on Service Statistics. The definition includes issues relating to the supporting infrastructure and the transactions involved in the process:

Electronic commerce is the sale of goods or services over open networks (Internet), at any stage in the supply chain, whether between businesses, between businesses and consumers, or between the public and private sectors. The sale is transacted electronically, but ultimate delivery of the good or service may be

conducted on-line or off-line. (E-commerce appears when there is a transfer of ownership.)

The question remains as to whether the definition has to be limited to open networks, as this limitation would make it possible to apply the same definition to business and household surveys. On the other hand, e-commerce on closed networks represents huge amounts in monetary terms and also reflects established and proven ways of conducting commercial relations between enterprises.

Mr Bøegh-Nielsen further proposed a set of indicators for measuring e-commerce and its importance at different levels of development. Three stages of development related to different user requirements can be identified:

- 1) Readiness – measuring the infrastructure in place to allow e-commerce activities to occur;
- 2) Intensity – measuring the extent to which users are utilising e-commerce for normal business and social processes;
- 3) Impacts – measuring the impact of e-commerce on the economy and society.

Finally Mr Bøegh-Nielsen presented a model questionnaire to be used for collecting statistical data on e-commerce and ICT usage by businesses. He also suggested elements of a model questionnaire for surveying e-commerce by households.

In conclusion, Mr Bøegh-Nielsen stressed that the internationally harmonised definition is needed urgently, that relevant internationally harmonised indicators need to be compiled, and finally that we need pilot surveys for testing the model questionnaires.

Mr Filopoulos pointed out that electronic commerce is not just transactions; it is also a tool that impacts on the organisational structure of a company, the commercial sector and the public authorities.

He viewed electronic commerce as a new factor in strengthening competitiveness, if properly developed, benefiting all commercial enterprises. Electronic commerce is also a major opportunity to foster new activities, in particular new intermediaries, on-line business and logistic services.

Mr Filopoulos explained that electronic commerce covers any form of business, administrative transaction or information exchange carried out using any information and communication technology. From the point of view of businesses, it encompasses simple shopping systems and complex solutions that incorporate the whole commerce cycle. From an organisational perspective, electronic commerce



enables the seamless operation of existing flows between enterprises and consumers, business-to-business and between enterprises and the public sector. Moreover, electronic commerce encourages the emergence of new, innovative methods of cooperation among enterprises that will help them to face the challenges of globalisation successfully.

Electronic commerce can make companies more competitive. It enhances the contacts between producers/suppliers and consumers. It enables enterprises to federate in order to pool their purchasing power, reach new and distant markets at low cost, obtain access to market information, improve their logistics and develop cooperative R&D facilities.

Mr Kröner drew attention to the growing use of the Internet as a tool for communication as well as financial transactions. A legal framework is needed.

He pointed out that businesses, too, need new detailed data: harmonised data on usage intensity, volume and value which are comparable at both European and global level would be particularly useful.

Beyond the traditional statistical data there is a need for new information. There is a conflict of interest: users need detailed statistics, but collecting information costs money and the response burden must be kept within limits. The right balance between these factors has to be found.

Finally, **Mr Kröner** pointed out that the Internet, including e-commerce, changes working conditions. Geographical differences get smaller: for example, an order is received in Germany, packed in the USA and delivered to the customer in Britain. Thus the Internet is creating

new jobs with completely new skill requirements. However, we are not yet able to measure them adequately – the statistics need updating.

During the discussion several comments were made on the importance of creating a definition of e-commerce: where does it begin and where does it end, for example?

Mr. Dawson asked **Mr. Bøegh-Nielsen** to specify the definition. At what stage does an e-commerce transaction appear? Is it at the ordering stage, during the payment process or on delivery of the product? Any of these stages or any combination is possible. **Mr. Bøegh-Nielsen** answered that, according to his proposal, e-commerce transactions appear when ownership is transferred. Payment and the delivery process are not taken into account.

Mrs Linkert from Federal Statistical Office wanted to know if the Nordic ICT survey concentrated on the commercial sector only or if it was aimed at the whole economy. The answer was that the survey concerned enterprises in the manufacturing, distributive trades and business services sectors.

Further statements expressed the growing interest in the phenomenon. E-commerce is widely debated by the OECD working groups and the Voorburg Group, and several studies are in progress. Private research institutes also have a keen interest in studying this issue.

Mr Roussel of INSEE pointed out that concepts and indicators could be standardised only by cooperation between Eurostat, national statistical institutes and public authorities.



Mr. Jonathan Reynolds
Director of Oxford Institute of Retail Management

Abstract

This discussion paper explores aspects of European use of electronic channels to market, specifically the Internet. It considers trends in European Internet infrastructure and use and factors affecting the pace of change, before reviewing the new kinds of markets and new kinds of intermediaries, which the Internet appears to facilitate. It concludes with some speculative comments on the implications for conventional distributive trades businesses.

1. Introduction

Amidst the rhetoric and hyperbole created around electronic commerce, it is often suggested that the European distributive trades have been slow to recognise the potential of the phenomenon to transform aspects of their operations, those of other stakeholders in conventional supply chains and therefore European consumer markets. In a recent (1998) survey by industry group CIES, for example, home shopping was ranked 9th of the priorities on European retail CEOs agendas¹. There are a number of consequences to this neglect, not least in terms of the potential growth of new intermediaries within the supply chain by-passing conventional structures.

2. Breaking through the rhetoric

2.1 European Internet infrastructure and use

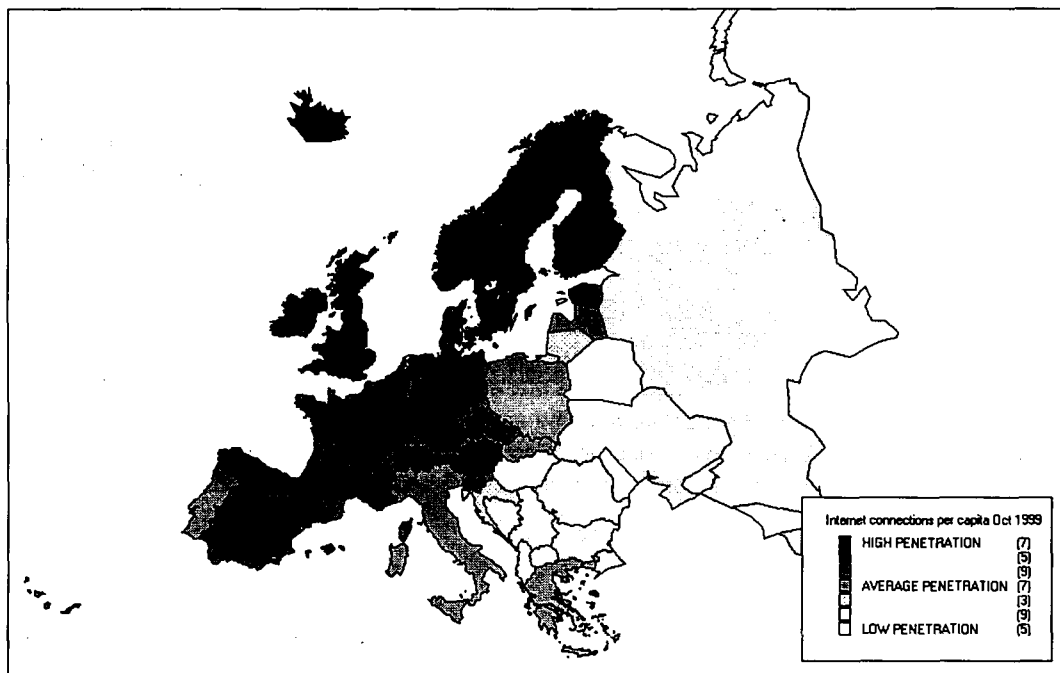
Part of the difficulty in assessing the opportunities and risks of the Internet for retailers rests in its very intangibility. One of the ground rules of the marketer is to be able to fully enumerate the size, scope and

characteristics of the market within which the business seeks to operate. Within the US – the most developed market in which the Internet is widely used – even market size is open to argument. When the practitioner seeks to develop an understanding of the nature of that usage, it is to be confronted with a wide range of methodologies developed by market research companies and academic commentators seeking to set the rules of engagement.

A further consistently overplayed aspect of the Internet is its placelessness. Placelessness also tends to assume ubiquity of access. However, it is very clear that the Internet has grown up faster in some places than in others. For example, Europe as a whole witnessed some 28% growth in Internet connections over a single year to the beginning of October 1999 (according to the Réseaux IP Européens Network Co-ordination Centre <http://www.ripe.net> - see end note) and is forecast to reach some 11mn hosts by 2001. Recent growth has been faster than the rest of the world and brings Europe as a whole to represent nearly one-third of global connections.

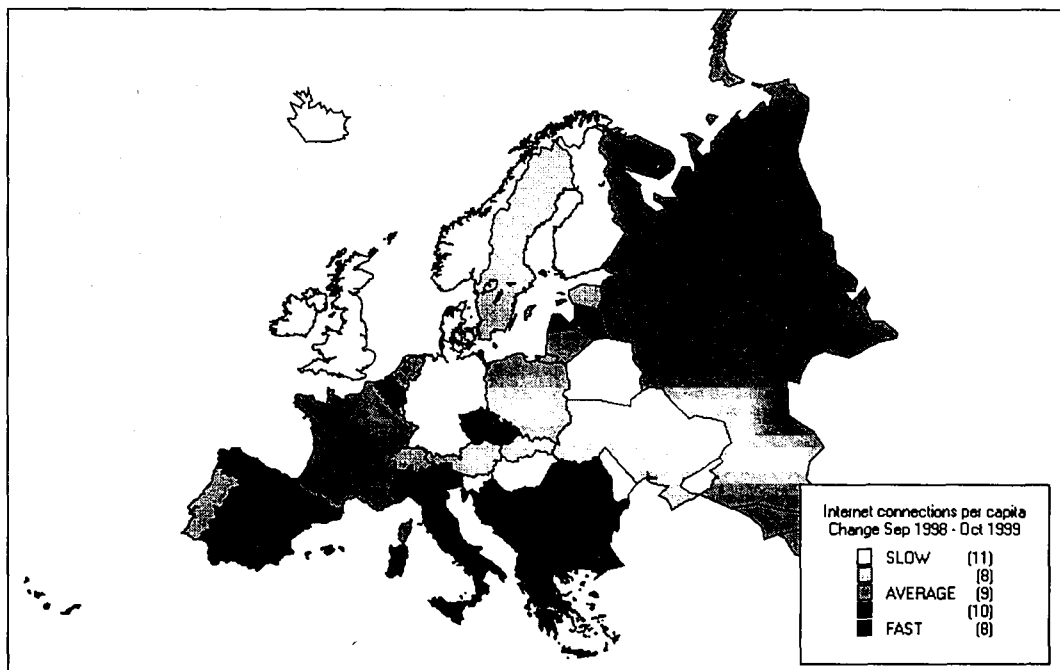


Figure 1. Internet host density per capita, October 1999



Sources: RIPE Network Coordination Centre (<http://www.ripe.net>), US Bureau of the Census, International Data Base, 1999

Figure 2. Change in Internet host density per capita, September 1998-October 1999



Sources: RIPE Network Coordination Centre (<http://www.ripe.net>), US Bureau of the Census, International Data Base, 1999



By this measure of 'connectivity', the availability of the Internet within Europe to both businesses and consumers is also extremely variable, however. Figure 1 shows that central and northern European economies offered the highest per capita penetration of Internet connectivity in October 1999. Despite the two largest markets, Germany and the UK, offering the highest number of Internet connections to the market, per capita it is the smaller Scandinavian and central European markets that maintain the higher densities.

Figure 2 suggests that 1999 has witnessed a considerable degree of 'catching up' by southern Europe and Table 1 confirms that countries such as Turkey, Spain, Greece and Italy have indeed experienced growth in connectivity significantly ahead of the 48% European average for the reporting period.

Table 1. Top and Bottom Ten European Countries by Growth in Internet Connectivity per capita, September 1998-October 1999

Rank	Country	% change
1	Turkey	195.3
2	Espana	96.5
3	Liechtenstein	84.6
4	Monaco	81.0
5	Croatia	76.8
6	Greece	64.6
7	Belgique-Belgie	59.2
8	Italia	58.4
9	Albania	58.2
10	Czech Republic	54.2
37	Iceland	19.5
38	Norway	16.4
39	Belarus	15.9
40	United Kingdom	14.4
42	Hungary	13.4
42	Moldova	12.4
43	Br Deutschland	10.2
44	Danmark	10.0
45	Finland	3.2
46	Slovenia	1.5

Sources: RIPE Network Coordination Centre (<http://www.ripe.net>), US Bureau of the Census, International Data Base, 1999

This high variation in connectivity is also reflected in actual Internet usage. Whilst estimates fluctuate considerably, statistics on relative usage suggest that just 15 countries account for nearly 90% of Internet users worldwide (Table 2). The 8 European countries in

the top 15 account for 36mn weekly Internet users (around 24% of the global total).

Examining these usage rates by reference to population shows that - far from the US possessing the highest penetration per capita of internet usage (both work and residential-based) - it is three smaller Nordic countries which dominate the rankings. The penetration figures for Europe's three largest markets - UK, Germany and France - languish between 25 and 15 percentage points behind US levels. Internet user penetration country-by-country varies by as much as 5% in Italy to 38% in Norway.² It is this 'lag' to which retailers have historically alluded when de-emphasising the importance of alternative channels on their strategic agendas, and which so much concerns commentators.

Table 2. 'Most wired' countries, end-1998

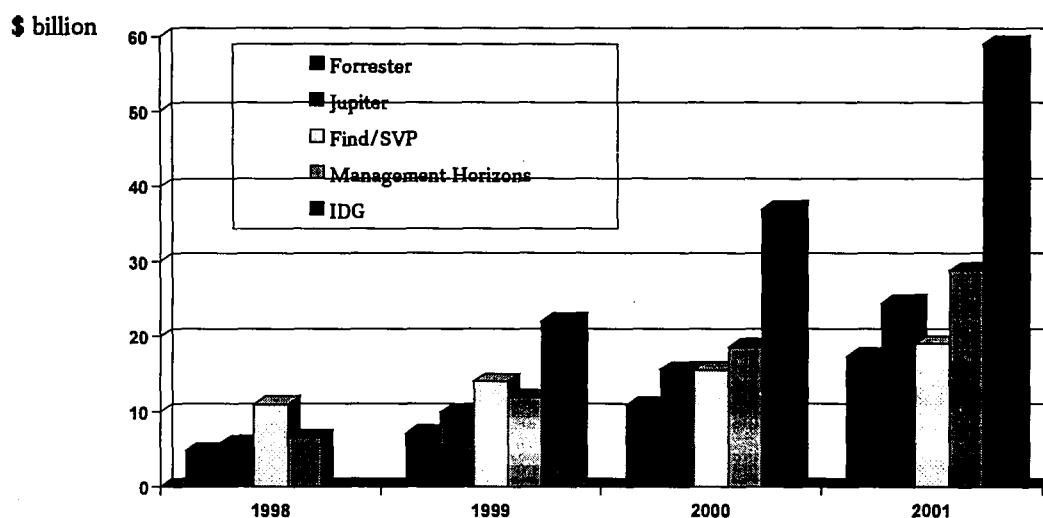
Rank	Country	Weekly Internet users in mn	Population 1998	Internet penetration (%)
1	Finland	1570000	5158372	30.43
2	Norway	1340000	4438547	30.19
3	Sweden	2580000	8911296	28.95
4	US	76500000	272639608	28.05
5	Australia	4360000	18783551	23.21
6	Canada	6490000	31006347	20.93
7	UK	8100000	58113439	13.93
8	Netherlands	1960000	15807641	12.39
9	Germany	7140000	82087361	8.69
10	Japan	9750000	126182077	7.72
11	Taiwan	1650000	22113250	7.46
12	Spain	1980000	39167744	5.05
13	France	2790000	58978172	4.73
14	Italy	2140000	56735130	3.77
15	China	1580000	1246871951	0.12

Sources: Computer Industry Almanac, 1999; US Bureau of the Census, International Data Base, 1999. [Note: represents unduplicated residential/workplace usage]

The other main aspect of channel growth of interest to the distributive trades is the potential revenue growth to be expected from the phenomenon. These growth possibilities fall into business-to-business and business-to-consumer categories. Whilst most commentators are convinced that so-called B2B eCommerce is likely to experience the fastest global growth (\$1.4 trillion by 2003, compared with \$250 billion for B2C eCommerce, according to Forrester Research in 1999) revenue forecasts fluctuate wildly, as does potential channel share. (Figure 3) It is unsurprising that retailers and other stakeholders have a degree of ambivalence towards the extent to which eCommerce is a transformational phenomenon.



Figure 3. Global business-to-consumer eCommerce revenue forecasts, 1998



Sources: As chart

Whilst both these categories of eCommerce are of substantial interest to the distributive trades, the former provides the greatest immediate opportunities for cost savings and productivity improvements through rationalisation and re-engineering of the supply chain. Current estimates suggest that up to 60% of existing business-to-business transactions within conventional supply chains are capable of being transferred to internet-type protocols, providing for greater standardisation and potentially new forms of business, (although this represents in many instances a continuation of existing streamlining and enterprise integration processes.) The greater unknown is the speed which business-to-consumer eCommerce will transform consumer markets and the nature of mediation within these markets. It is to this aspect that we now

turn.

2.2 Factors affecting the pace of change

The speed with which consumer markets may be transformed as a result of the introduction of electronic marketing channels, such as the Internet, digital television and convergent interactive media solutions, is heavily dependent upon the interaction of a broad series of forces, the chief of which are summarised in Table 3. This synthesis of factors is derived from unpublished research undertaken by OXIRM with a number of European retailers during the early part of 1999. In combination they provide an understanding of the size of the window of opportunity for business-to-consumer eCommerce in terms of both the barriers and facilitators to the development of the phenomenon.

Table 3. Factors affecting the pace of change

Area	Factor	Elaboration
Consumer acceptance	Ease of access	Fall in price, extent of availability of technical means and reliability of access to electronic channels
	Time poverty	Extent of perceived time poverty amongst target consumer segments and consequent attractiveness of direct channels to market
	Fashionability	Extent to which electronic channels to market become a 'fashion accessory' amongst consumers
Technological progress	Convergence/standardisation	Speed of hardware and software standardisation
	Interactivity	Extent to which software developments are able to increasingly mimic conventional retail experiences
	Capacity	Speed with which improvements in bandwidth and compression technology will enhance the speed and reliability of the online experience
Competition	Non-traditional competition	Ability of new entrants to stimulate consumer demand and prompt a competitive response by conventional retailers
	Global competition	Extent to which conventional retail internationalisation will further complicate choices for conventional retailers seeking growth
	Internal competition	Extent to which eCommerce investment wins out internally in competition with other ways of allocating a company's resources to achieve growth



Area	Factor	Elaboration
<i>Legislative and institutional</i>	Free trade	Extent to which harmonisation between triad regions exists in respect of electronic commerce transactions
	Infrastructure	Speed of provision of competitive infrastructure, through telecoms deregulation, strategic alliances and partnerships, etc
	Consumer protection	Existence of uncomplicated, but and trusted and effective pan-regional consumer protection legislation.

Source: OXIRM, 1999

3. New relationships with customers

3.1 New kinds of markets, new kinds of intermediaries

We know that technology will play an inevitably powerful role in determining the future scale and character of the distributive trades. On the one hand, technological innovation has already work to improve the effectiveness of the strategic frameworks, which the largest retailers already employ across much of Europe. Dawson identifies three distinct approaches (Dawson, 1996)³:

- Knowledge-based
(Finding more creative ways to run the business)
- Alliance-based
(Co-operative initiatives between firms seek to generate new or reinforce existing competitive positions)
- Productivity-based
(Assets and resources are focussed on key business areas to achieve cost substitutions)

For example, IT used in connection with sales-based ordering (SBO) or efficient consumer response (ECR) already allows traditional retail intermediaries to accrue significant cost reductions and raise barriers to entry. For the purposes of this discussion, the restructuring of marketing channels to the consumer by means of such phenomena as the Internet certainly offers opportunities for conventional retailers to progress by means of all three of Dawson's approaches. However, it also holds the threat of new entrants to conventional markets challenging traditional intermediary niches (Reynolds, 1997)⁴. This has often been termed 'disintermediation'. In practice, the reality of channel proliferation and new opportunities for different kinds of organisation to add digital value (Rayport & Sviokla, 1995)⁵ may result in an effective 'reintermediation' of channels with new players and new configurations and networks of actors (Sarker, Butler & Seinfeld, 1996)⁶.

A classic example of such 'reintermediation' is the notion of the metamediary, or cybermediary, developed by Sawhney and others⁷. Such new intermediaries take advantage of the Internet's more effective capability for linking and aggregating information and knowledge related to certain kinds of activities in a way which is not possible (or is more difficult) conventionally. Sawhney's metamediaries:

- Offer a rich set of related activities that can be clustered together
- Are important in terms of their demands on customers' time and their economic impact
- Require customers to deal with many product and service providers across several industries
- Are in markets containing integrated middlemen who currently provide channel flows inefficiently and where the buying experience is unpleasant

New intermediaries of this kind can be found servicing a range of 'new' consumer markets: childbirth (www.babycenter.com); car-buying (www.edmonds.com); weddings (www.weddingchannel.com) and gardening (www.garden.com). They may be able to capture the totality of consumer behaviour in respect of one broad market sector and act as gatekeepers within the channel in relation to the activities of contributory players.

It is important to say that although new entrants are well placed to obtain first mover advantage from such forms of intermediation, there are a number of examples of conventional businesses in the distributive trades within Europe which have demonstrated significant innovation and strategic development. In its 1998 survey of Electronic Commerce⁸, KPMG called these companies 'leading users'. They were characterised as having:

- Board level support for e-commerce activities;
- Integrated e-commerce into their supply chain;
- Already undertaken Internet transactions; and
- A higher marketing budget (+80%) devoted to Internet marketing than most

Not accidentally, these characteristics echo many of the preconditions suggested by the existing information management literature for the effective strategic exploitation of information technology. In some cases this higher commitment has been achieved through incremental experimentation (such as in the case of La Redoute or Kingfisher). In some cases it has been achieved through bold in-company developments (such as Karstadt's *my-world* or Dixons Stores Group *Freemove* or Tesco's Internet Superstore). In other cases, retail businesses have acquired the expertise to develop their thinking on alternative channels (as in the case of the W H Smith purchase of the Internet Bookshop in 1998).



Both new entrants and pioneering existing operators are creating the possibilities of new kinds of relationships with customers, mediated via technology. Table 4 summarises the kinds of features being exhibited by contemporary web sites, which offer new or complementary opportunities for enriching relationships between retailers and customers (and sometimes between customers and customers).

Table 4. New kinds of customer relationships

Category	Example
Notification	Lastminute.com
Recommendation	Internet Bookshop
Merchant brokering	BestBookBuys.com
Negotiation	Priceline.com, Kasbah
One-to-one intermediation	EBay.de

Source: OXIRM

The increasing acceptance of email as a means of interpersonal communication signifies real direct marketing opportunities. Companies such as www.amazon.com, www.lastminute.com and conventional goods and service suppliers are using the medium extensively as a *notification* channel. More sophisticated intermediaries use software applications to track user behaviour and store user preferences, in order to make relevant *recommendations* to customers. New intermediaries have become established with the sole purpose of *brokering online retailers* to the end customer. www.BestBookBuys.com, for example, has won several awards for its pioneering price comparison service. It is also possible to envisage software development which permits consumers, or groups of consumers, to *negotiate* with suppliers direct. The experimental *Kasbah* service at MIT Media Labs derives haggling rules from north African markets and souhks to generate negotiating profiles, sticking points and haggling styles for individual consumers, who send off their avatars to discuss prices with similarly virtual retail agents. Priceline.com already offers consumers power to propose offer prices for airline seats, hotel rooms and groceries. Finally, and more practically, we have witnessed real growth in the number of services facilitating one-to-one intermediation. Auction sites, such

as *eBay* and consumer-originated sites, such as *Carseekers.co.uk* have been remarkably successful through the new medium.

4. New rules of engagement

The evidence to date suggests that distinctions between business-to-business and business-to-consumer eCommerce are not entirely satisfactory. We can already see new configurations of buyers and sellers becoming established and new marketing and transactional possibilities becoming feasible, by means of new forms of intermediation into newly re-configured markets. How mainstream these sorts of activities will become in the context of the conventional channel activities of the distributive trades provides the real challenge to practitioners, commentators, regulators, statisticians and academics.

The kinds of factors identified as affecting the pace of change become important here. One specific instance of this is the extent to which some sort of 'back door' globalisation is presently underway, courtesy of the new entrants to the US market seeking economies of scale and new market opportunities. For example, many of the Internet gateway brands in the US also feature in the Top 20 of most western European online consumers' brand portfolios⁹, although recent evidence seems to suggest that many online European consumers tend to prefer 'local' brands¹⁰.

We can examine the threat posed by eCommerce globalisation using many of the same yardsticks, which are available to evaluate the competitive challenge of physical retail globalisation (Table 5). The merits of European eCommerce operations are presently by no means clear-cut for new entrants. In particular, obstacles created by a multi-lingual culture and by the cost of logistics and communications are presently high. Equally, physical distance inhibitors are high (although perceived 'virtual' distance may be lower) and the risk of overseas losses supplementing loss-making activities of US operations is also high. Lack of expertise in the domestic market of the new entrant may not be a problem - but lack of expertise in trading internationally may well be as significant a problem for a virtual retailer as for a retailer entering an overseas market in a more conventional sense.



Table 5. Evaluating the European barriers to US e-commerce

Obstacles (Organisational sphere)	Channel- specific relevance	Change	Inhibitors (Environmental sphere)	Channel- specific Relevance	Change
<i>Cultures and languages</i>	High	Little change	<i>Costs of start-up</i>	Low marketing/ High Fulfilment	Little change
<i>Tariffs, quotas, development laws</i>	Low	Diminishing	<i>Risk of losses</i>	High	Diminishing slowly
<i>Cost of logistics and comms</i>	High	Diminishing	<i>Fear of shareholder reaction</i>	High	Diminishing
<i>Reaction of local competition</i>	Low	Increasing	<i>Lack of expertise</i>	High	Diminishing
			<i>Physical distance</i>	High	Little change

Source: Reynolds, (forthcoming)¹¹ Adapted from McGoldrick, 1995¹².

Established retailers have been increasingly preoccupied with the likely effects of business-to-consumer eCommerce upon their conventional channels to market. This concern has most often been expressed in terms of impact on market share. OXIRM's conclusion is, paradoxically, that eCommerce will generate more, if different, opportunities for the distributive trades and for online consumers than is commonly realised.

Unsurprisingly, a relatively simplistic division of opinion exists amongst the majority of analysts and commentators over eCommerce impact. The incrementalist view is that eCommerce will have little impact upon established retailers' requirements:

"Retailers trading out of stores have successfully met the challenge of previous high growth formats. Mail order companies, telephone sales and television shopping channels have all done little more than chip away at the market share of property-based retailers." (Donaldsons, cited in Estates Gazette, 1999)¹³

This 'more of the same' view is unsurprising not least because of the importance of confidence in maintaining and enhancing the value of 'bricks and mortar' in the minds of all stakeholders.

However, a more radical view of circumstances is equally possible. The argument runs that economies favouring overly restrictive planning regulation give rise to congested and overtrading retail space, which, in turn, commands artificially high rental levels. A recent survey by Management Horizons Europe suggests that US consumers have access to some eight times as much shopping space per capita than, for example, UK shoppers.¹⁴ Partly as a consequence, they observe,

average rental per square foot of speciality retailing tends to be twice as high in the UK as compared to the US.

The role of eCommerce in circumventing some of these barriers should not be discounted. A wider potential impact on confidence should not be ignored:

"The Internet tends to disperse and de-centralize human activity, while the value of real estate stems from the economy's need to concentrate and centralize human activity. That suggests that the internet will tend to "cannibalize" retail sales away from store-based retailers, thereby reducing the underlying value of retail real estate." (Merrill Lynch, 1999)¹⁵

It may be that the truth lies somewhere in between, suggesting more opportunities – but equally more potential risks – for the distributive trades. At the moment, many of these are just that: potential. Nevertheless, retail businesses and investors will want to think very seriously through the implications of these possible futures.

Note

The RIPE DNS hostcount is done by transferring every possible Domain Name System zones under the mentioned top level domains. Inside these zones, the number of A records is counted, but this is also checked against the machine name, so that machines with the same name, but multiple A records are only counted once. Also, machines with different names but the same A record are only counted once. The above checks are done per top level, not across top levels.



- 1 CIES, (1998), 'Top of Mind 1999', *Food Business News*, December.
- 2 Source: Cybersc@n, 1999 (<http://www.imcyberscan.com/>)
- 3 Dawson, J.A. (1996) 'Retail change in the European Community', in Davies, R.L. (ed.), *Retail Planning Policies in Western Europe*, (London: Routledge).
- 4 Reynolds, J. (1997) *Home Shopping across Europe*, (London: KPMG)
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- 6 Sarkar, M.B. Butler, B. and Steinfeld, C. (1996) 'Intermediaries and Cybermediaries: A Continuing Role for Mediating Players in the Electronic Marketplace', *Journal of Computer-Mediated Communication*. (<http://shum.huji.ac.il/jcmc/vol1/issue3/vol1no3.html>)
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- 9 according to MMXI Europe b.v
- 10 Jupiter Communications, (1999), *Electronic Commerce in Europe*, Jupiter Communications Inc./Europay International, October.
- 11 Reynolds, J., (2000), 'Who will dominate European eCommerce? Threats and Opportunities for European Retailers', *International Journal of Retail and Distribution Management* 28(1).
- 12 McGoldrick, P.J., (1995), 'Introduction to International Retailing', in McGoldrick, P. J. & Davies, G. (eds), *International Retailing: Trends and Strategies*, Pitman, London
- 13 Estates Gazette, (1999), 'Agents' reports split over the Net's impact on retail', *Estates Gazette*, 12th June, p.40
- 14 Management Horizons Europe, (1999), *Comparative Retail Costs*, A report sponsored by the British Brands Group, MHE/Horizon Retail Design and Strategy.
- 15 Merrill Lynch, (1999), 'Real Estate. Minding the Store: Retailing will influence Real Estate' in *eCommerce*, Global Securities Research and Economics Group, Merrill Lynch & Co.



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Abstract

The paper proposes firstly, a definition of e-commerce for use in statistical surveys, secondly, a set of indicators for measuring e-commerce and its importance at different stages of e-commerce development, thirdly, a model questionnaire for use in collecting statistical data on e-commerce and on ICT usage in general by enterprises and fourthly, variables for a model questionnaire to conduct a survey of e-commerce use by households.

1. Introduction

Although "electronic commerce" is one of the most debated issues of the late nineties, there is no single harmonised definition of e-commerce for use in official statistics. However, policy-makers and other professional statistics users have called urgently for an internationally comparable, harmonised definition of the concept of e-commerce.

This discussion paper presents the state of the art at the end of 1999 regarding progress made by the international statistical community on agreeing to a harmonised definition of e-commerce and to a set of indicators for analysing e-commerce between countries¹.

The paper presents firstly, a proposal for a definition of e-commerce for use in statistical surveys, secondly, a set of indicators for measuring e-commerce and its importance at different stages of e-commerce development, thirdly, a model questionnaire to be used for collecting statistical data on e-commerce and on ICT usage in general by enterprises, and fourthly, it proposes variables for a model questionnaire to conduct a survey of e-commerce use by households.

2. Definition of e-commerce

Depending on the purpose, there are several definitions of electronic commerce and these can differ significantly. Some include all financial and commercial transactions that take place electronically, including electronic data interchange (EDI), electronic fund transfers (EFT), and all credit/debit card activity. Others limit electronic commerce to retail sales to consumers where the

transaction and payment take place on open networks such as the Internet. The OECD is currently working on a set of definitions for different measurement objectives.²

The statistical offices' concern is to arrive at an operational definition which can be used to measure the phenomenon "electronic commerce". This implies a relatively focused and narrow definition. The result of the above-mentioned discussions indicates that most of the surveys carried out by official statistical institutes focus on Internet commerce, e.g. Australian Bureau of Statistics, Statistics Canada³, INSEE (France), CBS (Netherlands) and the Nordic statistical institutes. The reason is that this narrow definition of e-commerce is considered feasible for respondent enterprises, enabling them to quantify their Internet sales without burdening them excessively.

Based on the experience of Nordic cooperation in establishing guidelines for measuring ICT usage by enterprises, on the discussions in the OECD's Working Party on Information Society Indicators and in the Voorburg Group on Services Statistics, I shall propose the following definition where the focus is on Internet commerce:

"Electronic commerce is the sale of goods or services over the Internet, at any stage in the supply chain, whether between businesses, between businesses and consumers, or between the public and private sectors. The sale is based upon on-line ordering, but ultimate delivery of the good or service and the payment may be conducted on or off-line."

The question remains whether the definition should be



limited to the Internet, which would make it possible to use the same definition in surveys of both enterprises and households. E-commerce conducted via Extranets or EDI is very substantial in monetary terms, while also reflecting established and elaborate ways of conducting commercial transactions between enterprises. However, it can be debated whether this form of e-commerce reflects the inherent innovative character of e-commerce as a force in globalising business markets and changing the relationship between suppliers and customers.

3. Indicators for statistical measurement of e-commerce

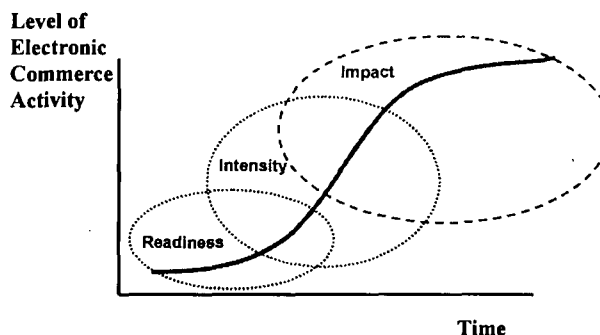
Since users' needs and accordingly the required indicators change according to the stage of e-commerce implementation, the OECD has compiled a list of current indicators collected by statistical institutes (see Annex 1)⁴. Three stages of development have been identified in terms of users' statistical requirements, i.e.⁵:

- 1) **Readiness** - measuring the infrastructure in place for e-commerce activities,
- 2) **Intensity** - measuring the extent to which users are using e-commerce for their normal business transactions and social contacts,
- 3) **Impact** - measuring the impact of e-commerce on the economy and society.

As shown in the simplified diagram, information requirements cannot be broken down into three separate areas – there is considerable overlap between them. The same indicators can be used to measure aspects relevant to more than one stage. It is also likely that policy-makers may want to know about more than one stage at any one point in time.

The model does not depict any specific institutional sector. However, it is likely that different institutional sectors in the same country will have different information priorities; thus, the data model will need to cope with each of the sectors and not just the economy as a whole.

Figure 1. Maturity of electronic commerce markets and the need for statistical indicators⁶



4. General design principles of the model questionnaire

A number of indicators on e-commerce and ICT usage in general have been identified and included in a data collection model drawn up by the Nordic statistical offices.⁷ The model questionnaire on ICT use in enterprises has been divided into four different modules, cf. Annex 2 for a detailed presentation. Annex 3 gives preliminary references to the OECD framework mentioned in Chapter 3. The model includes the following four modules:

- A. *use of ICT*
- B. *use of Internet*
- C. *use of e-commerce (Internet commerce)*
- D. *barriers to use of ICT in general, and to Internet and e-commerce in particular.*

The original Nordic approach did not include e-commerce as a separate module due to problems with definitions and measurement (cf. Annex 4 for background information on the surveys actually carried out in Denmark and Finland). However, the need for information on e-commerce has been growing constantly and it was decided to devote a module solely to measuring e-commerce. The module has not yet been finalised and a revision is likely after the current version has been tested by Statistics Denmark and Statistics Norway at the end of 1999 and by Statistics Finland at the beginning of 2000. In addition, it should be noted that elements which relate to e-commerce, e.g. barriers, have been included in other modules.

4.1 Use of ICT

The first section includes general questions on access to and possible use of ICT and of the Internet and e-mail in particular. There is a question on the percentage of employees with access to PC's, e-mail or Internet, providing a kind of proxy for IT-intensity in the enterprise

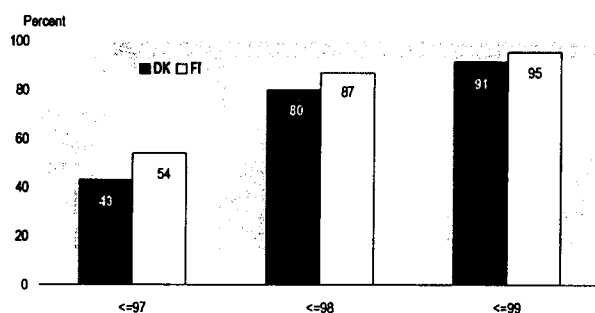


or by activity. Another core question relates to different IT-functions in use in the enterprise, i.e. e-mail, Internet, intranet, extranet and EDI. In the Danish and Finnish surveys these questions were answered without major difficulties, as respondents appear to have found them easy to understand.

However, convergence of ICT is a problem when measuring ICT usage. As the technology is evolving rapidly, e.g. new emerging ICT-related services such as mobile data communication services related to cellular phones (WAP) and personal digital assistants (PDA), readiness cannot only be measured by the number of PCs available in the enterprises. The module on infrastructure needs to be revised continuously.

Figure 2 illustrates the Internet access in Denmark and Finland in enterprises employing 20 or more persons. Growth has been very rapid in both countries; in Denmark and Finland it has risen from 43% and 54% respectively in enterprises with 20 or more employees using ICT in 1997 or before 1997, to an estimated share of more than 90% of enterprises with 20 or more employees with Internet connection by the end of 1999. An even greater number of enterprises, i.e. 92% in Denmark and 97% in Finland, use E-mail.

Figure 2. Internet access 1997-1999 in Denmark and Finland, enterprises with 20 or more employees using ICT. (Percentage)

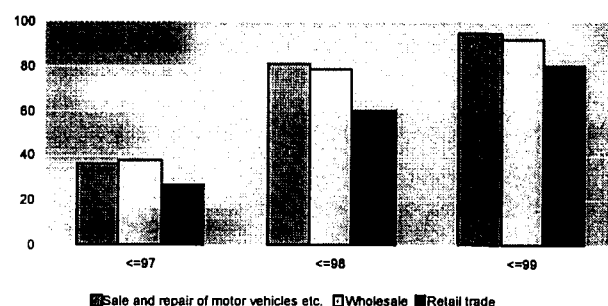


Source: Statistics Denmark and Statistics Finland. ICT surveys 1998 and 1999. 1999 figures based on respondents' estimates.

The comparison also shows that Denmark has been catching up on Finland in the last two years, indicating that in both countries, such questions on ICT readiness are becoming less relevant for the larger enterprises. Future surveys may have to include smaller enterprises in the sample as well, see below. The ICT readiness questions should be supplemented with questions on the intensity and quality of ICT usage by enterprises.

Figure 3 gives a more detailed breakdown by activity of the enterprises surveyed in Denmark, focusing on the distributive trades. It is interesting that even if there is considerable growth in the number of enterprises with access to the Internet in retailing, this sector still lags considerably behind the other trade sectors, and also behind average use by larger enterprises in general in Denmark. These figures indicate that enterprises engaged in business-to-business trading demonstrate a higher readiness than enterprises engaged in retailing to private households.

Figure 3. Internet access 1997-1999 in distributive trades in Denmark, enterprises with 20 or more employees using ICT. (Percentage)



Source: Statistics Denmark. ICT survey 1998. 1999 figures based on by the respondents' estimates.

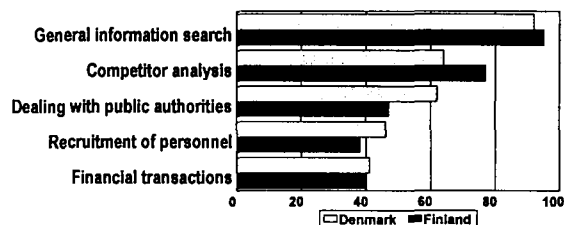
4.2 Use of Internet

This module focuses only on Internet use and elements related to e-commerce. The section is divided into three questions. One covers the general areas of Internet use. In addition, it was considered important from an analytical point of view to monitor the enterprises separately from the supply and from the demand side, i.e. the enterprises as providers of goods and services and customer transactions via the Internet. The questions on the enterprise's role as a customer or supplier in the markets have been designed in a hierarchical fashion according to the transactions of the supply chain, so that the questions would yield information on the purposes for which enterprises use electronic commerce.

Figure 4 below illustrates the pattern of Internet use in Denmark and Finland. General information search and competitor analysis appeared to be most commonly used in both countries. The most significant difference between the two countries in Internet use is that Danish enterprises use the Internet more frequently than Finnish enterprises to deal with public authorities.



Figure 4. Enterprises using Internet for specific purposes in Denmark and Finland, enterprises with 20 or more employees using Internet. (Percentage)



Source: Statistics Denmark and Statistics Finland. ICT surveys 1998 and 1999. 1999 figures based on respondents' estimates.

The Danish-Finnish experience also shows that up until now enterprises have mainly operated as a customer on the Internet, but in 1999 they are expecting a breakthrough in introducing their own home pages as a tool for receiving orders, sales of digital products and after-sales support via the Internet.

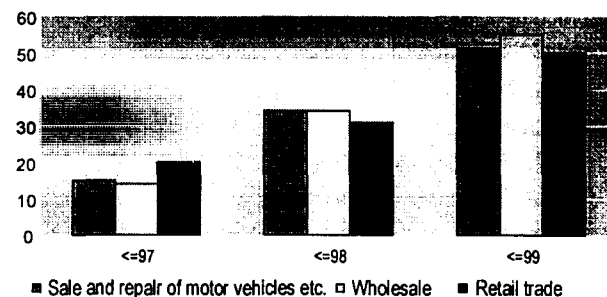
4.3 Use of E-commerce

The questions in this module are new and have not been tested in the above-mentioned Danish and Finnish surveys. The Nordic approach voluntarily avoided measuring e-commerce volume in the first phase of testing. However, statistical institutes are increasingly facing demand for e-commerce measurement in quantitative terms. This will call for a harmonised definition which is also recognised by the enterprises, i.e. they will be able to provide the requested information from their accounting systems.

The definition proposed in this paper focuses on the fact that the transaction implies a decision about sales or purchases, i.e. a transfer of ownership or rights to use goods or services. It is the general opinion of the statistical institutes that it is feasible for enterprises to identify sales based on orders received or placed via the Internet.

The survey carried out by Statistics Denmark and Statistics Finland included a question on transactions actually conducted via the Internet without defining the transactions or set of transactions as e-commerce or asking for quantitative data on the volume of purchases or sales. The results for the distributive trades in Denmark are shown below.

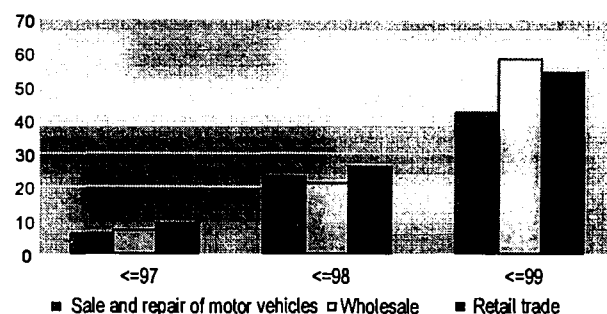
Figure 5. Enterprises purchasing via Internet 1997-1999 in distributive trades in Denmark, enterprises with 20 or more employees using ICT. (Percentage)



Source: Statistics Denmark. ICT survey 1998. 1999 figures based on respondents' estimates.

The share of enterprises within the different distributive trade sectors which have purchased via the Internet is relatively high even in Denmark, but growth over the period in question has been especially high in wholesale trade, cf. figure 5.

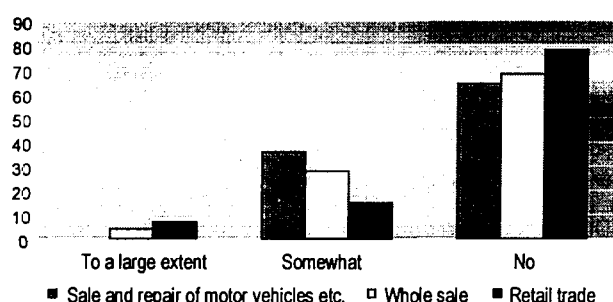
Figure 6. Enterprises receiving orders via Internet 1997-1999 in distributive trades in Denmark, enterprises with 20 or more employees using ICT. (Percentage)



Source: Statistics Denmark. ICT survey 1998. 1999 figures based on respondents' estimates.

Figure 6 shows that Danish enterprises within the distributive trades have conducted e-commerce more frequently as customers than as suppliers. In total distributive trades' sectors the share receiving orders via the Internet was less than 10 per cent in 1997. This is not surprising, as business-to-business e-commerce is the predominant form of e-commerce.

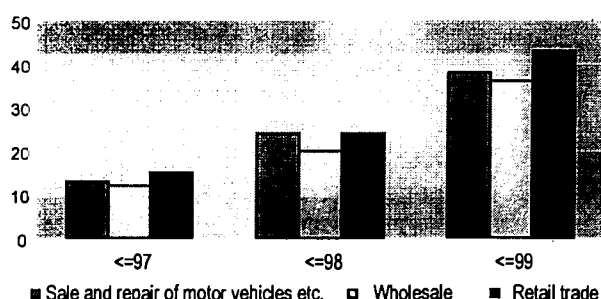
Figure 7. Newly established enterprises within distributive trades purchasing or receiving orders via Internet in Denmark in 1999. (Percentage)



Source: Statistics Denmark.

As mentioned earlier, the Danish and Finnish surveys covered large enterprises and there is a need to cover smaller enterprises also. In a survey conducted during summer 1999, amongst other questions Statistics Denmark asked newly-established enterprises, i.e. predominantly very small enterprises with a maximum of 2 employees, about their Internet use. As shown in figure 7 the majority of the newly-established enterprises in the distributive trades have not conducted e-commerce on the Internet. Again we find the pattern where the retail trade is least active in e-commerce.

Figure 8. Enterprises making electronic payments for purchases via Internet 1997-1999 in the distributive trades in Denmark, enterprises with 20 or more employees using ICT. (Percentage)



Source: Statistics Denmark. ICT survey 1998. 1999 figures based on respondents' estimates.

Even if many Danish enterprises consider uncertainty with regard to payment via the Internet as a major obstacle, (cf. 4.4), more than 40% of enterprises in retailing expect to have made electronic payments via the Internet in 1999, cf. figure 8.

The revised module includes three questions focusing on e-commerce. Firstly a measurement of sales via the Internet in quantitative terms. The module does not

include questions concerning a further breakdown of the sales by destination (domestic/export markets), products or type of client as it is regarded as crucial to first test the feasibility of collecting sales figures alone.

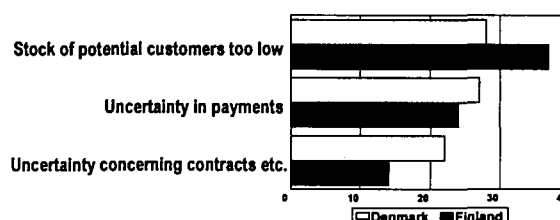
The motivation module included here is important in the first round of surveys where e-commerce is still a new feature. What kind of factors can be found influencing the attitude of businesses towards e-commerce, i.e. is it mainly 'pull factors' such as growing market possibilities or 'push factors' such as concern about losing markets if businesses are not investing in e-commerce on the same scale as their competitors.

One issue which was discussed was whether the model should also cover the real benefits of e-commerce use by putting this question directly to the enterprises. This could include policy relevant variables such as increased productivity and competitiveness. However, the implications of e-commerce are rather complex, causing dramatic changes in the components of the supply chain and in the organisation of businesses. For this reason, at this stage we have been somewhat hesitant about simplifying this complex phenomenon by adding such questions to the module.

4.4 Barriers to the use of Internet and ICT

The Danish and Finnish surveys included questions on barriers to the use of Internet and ICT in three different areas: Internet in general, e-commerce in particular and general barriers to ICT use. The results of the Danish-Finnish pilot surveys show that the risk of viruses and hackers is considered by far the most severe problem with the Internet in both countries.

Figure 9. Enterprises in Denmark and Finland which regard e-commerce related barriers as significant, enterprises with 20 or more employees using ICT. (Percentage)



Source: Statistics Denmark and Statistics Finland. ICT surveys 1998 and 1999.

The greatest barrier to e-commerce was that the stock of potential customers was too low. As the survey covered a wide range of activities this result should be interpreted



with caution as not all types of business are suitable for e-commerce. The Finnish enterprises in particular (37%) considered this a significant barrier. The difference in the level between the two countries probably reflects the fact that Denmark traditionally has a very open economy, where even small enterprises operate on the international market. About one-fourth of the respondents in each country regarded uncertainty in payments as a severe problem hampering e-commerce. Uncertainty in contracts, terms of delivery etc. was more often seen as a significant problem in Denmark

5. E-commerce by households

The focus of the statistical institutes has been on measuring ICT usage by enterprises and on elaborating a definition of e-commerce suitable for statistical surveys. Surveys of households have enjoyed less priority and as a result there have been no attempts at harmonisation. It is the intention of the Nordic statistical institutes to draw up a model questionnaire on Internet use by households in order to compile a set of internationally comparable data.

Taking the household survey carried out by the Australian statistical institute⁸ as a model, such a

questionnaire can be expected to include questions on e-commerce such as number of households purchasing via Internet, value of ordering, frequency of ordering, location from which order made, destination of purchase (domestic/foreign supplier), online payment, purchases broken down by product. This information should be broken down by personal characteristics of the persons purchasing.

6. Concluding remarks

Due to the growing demands of users, there is an urgent need for the elaboration and approval of an internationally harmonised definition for use in official statistics. This paper proposes to define electronic commerce as Internet commerce, since this definition is regarded as the most feasible and practical at this stage. The statistical institutes need to come to a decision within the coming months, and then proceed to test the draft model questionnaire presented in this paper and to prepare a draft model questionnaire on Internet use by households. National surveys may well serve the national needs, but international comparisons are needed to analyse trends in the global markets, and e-commerce development can only be fully analysed in a global context.



Annex 1. List of statistical indicators related to e-commerce

Indicator	Description	BUSINESS	GOVERNMENT	HOUSEHOLD
E-Commerce readiness	Number of telecoms carriers	ALL	ALL	not app
	Number of ISPs	AUS	not app	not app
	Number of telephone fixed access lines	ALL*	ALL*	ALL*
	Number of digital fixed access lines	ALL*	ALL*	ALL*
	Number of mobile telephone subscribers	ALL*	ALL*	ALL*
	Number and proportion of persons with:			
	- computer skills	AUS, NLD, DNK, SWE, AUS NOR		
	- experience in using computers			AUS, FIN, FRA
	Number and proportion of economic units with:			
	- computers	AUS, NLD, SWE, DNK, AUS FIN, FRA (manuf.), ITA(SME's)		AUS, CAN, FIN, FRA, KOR, NLD, NOR, USA, JPN, SWE, ITA, DNK
	- modems	FIN, ITA (SME's)		AUS, CAN, FIN, NOR
	- Internet access	AUS, NLD, FIN, DNK, AUS SWE, FRA (manuf.)		AUS, CAN, FRA, FIN, NOR, US, SWE, USA, ITA, DNK
	- Other extranets	AUS, FIN, DNK	AUS	not app
	- Intranets	AUS, FIN, DNK	AUS	not app
	- web-sites	AUS	AUS	not app
	- digital TV	not app	not app	AUS
	- other peripheral computer equipment			AUS, FIN, FRA
	Benefits of e-commerce	AUS, NLD	AUS	
	Barriers to e-commerce	AUS, FIN, NLD	AUS	AUS, FIN
E-Commerce Intensity	Number/proportion of economic units (<u>frequently</u>) using:			
	- computers	FIN		AUS, US, CAN
	- Internet	FIN		AUS, US, CAN
	Time spent by economic units using:			
	- computers			AUS
	- Internet			AUS
	Frequency of use by economic units on:			
	- computers			AUS, FIN, FRA, KOR, NOR, SWE
	- Internet			AUS, FIN, KOR, NOR, SWE, CAN
	Number/proportion of persons in economic units frequently using:			
	- computers	AUS, DNK, SWE, FIN	AUS	AUS, FIN
	- Internet	AUS, DNK, SWE, FIN	AUS	FIN
	Number/proportion of economic units expecting to use:			
	- computers	FIN, DNK		AUS, CAN, FIN, DNK
	- Internet	AUS, FIN, DNK	AUS	AUS, CAN, FIN, DNK
	Number/proportion intending to set up web-sites	AUS, CAN(manuf.), SWE	AUS	not app
	Internet transactions			
	- Type of transaction	AUS, FIN, NLD, CAN(manuf.), DNK	AUS	
	- Value of sales/purchases	AUS		AUS, US, FIN
	- Value/proportion of sales/purchases	AUS		AUS
	- End use of transaction			
	- Location of transactor			
	Number/proportion of economic units making transactions:			
	- sales	AUS, DNK, FIN, NLD	AUS	not app
	- purchases	AUS, DNK, FIN, NLD	AUS	AUS, USA
	Share of transactions made electronically			
	- sales			
	- purchases			
	Proportion of economic units			
	- satisfied with the results of e-commerce	CAN		
	- where customer service issues have been impacted	CAN		
	Expenditure on e-commerce	CAN		
	Effects on performance	AUS		

* = Residential/Business split available for some countries.

(Source: B. Pattinson: The measurement of electronic commerce. Paper presented at Voorburg Group meeting 1999)



Annex 2: A draft proposal for a model questionnaire

1. Module A: Use of ICT

A1. Does the enterprise use personal computers, workstations or terminals?

A2. The percentage of the total employees who have access to...

- a) personal computer, workstation or terminal
- b) e-mail
- c) Internet (www)

A3. Does the enterprise use or plan to use ICT in the following areas?

- a) external e-mail
- b) internal e-mail
- c) Internet (www)
- d) intranet
- e) extranet
- f) EDI

2. Module B: Use of Internet

B1. Does the enterprise use or plan to use Internet?

B2. For what purposes does the enterprise use or plan to use Internet?

B3. General areas of Internet use

- a) general information search
- b) transmitting and receiving data files
- c) competitor analysis
- d) financial transactions
- e) recruitment of personnel

B4. Use in link with suppliers (the surveyed enterprise as a customer)

- a) information search on suppliers' homepages
- b) use of commercial databases and similar sources
- c) ordering goods and services
- d) electronic payment
- e) receiving digital products

B5. Use in link with customers (the surveyed enterprise as a supplier)

- a) marketing through homepages
- b) access to databases
- c) receiving orders
- d) receiving electronic payments
- e) sale of products in digital form
- f) after sales support

3. Module C: E-commerce (Internet commerce)

C1. Motives for using e-commerce

- a) to reduce costs
- b) to expand relations with existing suppliers
- c) to reach new suppliers
- d) to expand relations with existing customers
- e) to reach new/more customers
- f) to expand the market geographically
- g) to improve service quality
- h) to launch new products
- i) to avoid losing market shares to companies already using e-commerce
- j) other motives, please specify

C2. E-commerce purchases

- a) If you order goods and services on-line, what proportion of your total purchases does this represent?
- b) If you pay for goods and services on-line directly to the supplier, what proportion of your total expenditure on goods and services does this represent?

C3. E-commerce sales

- a) If you receive orders on-line, what proportion of your total turnover does this represent?
- b) If you receive electronic payments on-line directly from the customer, what proportion of your total turnover does this represent?

4. Module D: Barriers to the use of Internet and ICT in general

How significant are the following barriers for the use of Internet in the enterprise?

D.1 Barriers to use of Internet

- a) risk of viruses or hackers accessing confidential company information
- b) technically too complicated
- c) lack of perceived benefit
- d) cost of developing and maintaining an internet system
- e) lost working time because of irrelevant surfing
- f) data communication is too slow or unstable

D.2 Barriers to use of e-commerce

- a) stock of potential customers too small
- b) uncertainty in payments
- c) uncertainty concerning contracts, terms of delivery and guarantees
- d) cost of developing and maintaining an e-commerce system
- e) logistical problems

**D.3 Barriers to the use of ICT in general**

- a) ICT expenditure higher than expected
- b) new versions of existing software are introduced too often
- c) demand for ICT services is not met by the suppliers
- d) the level of ICT skills is too low among the employed personnel
- e) difficult to find qualified ICT personnel
- f) existing personnel reluctant to use ICT
- g) lack of management time to address the issues
- h) no significant benefits for the enterprise
- i) other barriers, please specify

Annex 3: Questionnaire with reference to OECD framework

		ICT/e-commerce		
Module A: Use of ICT		Readiness	Intensity	Impacts
A1	Does your enterprise use personal computers, workstations or terminals	x		
A2	The percentage of your total employees who have access to . . .		x	
A3	Does your enterprise use or plan to use ICT in the following areas?	x		
Module B: Use of Internet				
B1	Does your enterprise use or plan to use Internet?	x		
	For what purposes does your enterprise use or plan to use Internet?			
B2	General areas of Internet use		x	
B3	Use in link with your suppliers		x	
B4	Use in link with your customers		x	
Module C: E-commerce (Internet commerce)				
C1	Motives for using e-commerce		x	x
C2	E-commerce purchases		x	x
C3	E-commerce sales		x	x
Module D: Barriers on the use of Internet and ICT in general				
D1	Barriers to the use of Internet		x	x
D2	Barriers to use of E-commerce		x	x
D3	Barriers to the use of ICT in general		x	x

Annex 4: background information of the surveys carried out in Denmark and Finland

The data on ICT use were collected in the form of postal surveys on a voluntary basis, with one reminder in both countries, in Denmark in October 1998 and in Finland at the beginning of 1999.

The original samples differed somewhat in terms of

activities and size classes covered due to preferences specific to each country. In order to make country comparisons, both countries provided a sub-sample in accordance with agreed criteria. The industries excluded were Construction, Transport and a minor part of Business services. It should be noted that Construction and Transport in both countries were the industries with the lowest levels of ICT-usage. Thus the data presented in this paper should be considered as indicative and cannot be compared with the statistical



results presented nationally.

The exclusion resulted in two sub-samples consisting of the following activities:

Activity	Nace rev. 1
Manufacturing	15-36
Trade, hotels, rest.	50-55
Business activities, etc.	70-74

The final result reduced the Danish sample from 1 832 to 1 416 responses and the Finnish from 1 300 to 813 responses. The distribution across industries and size classes is shown below.

Number of responses, Denmark

Industry	Size class (full-time empl.)				Total
	20-49	50-99	100-199	200+	
Manufacturing	178	176	210	178	742
Trade, hotels, rest.	165	117	96	59	437
Business activities, etc.	69	67	56	45	237
Total	412	360	362	282	1416

Number of responses, Finland

Industry	Size class (full-time empl.)				Total
	20-49	50-99	100-199	200+	
Manufacturing	86	86	88	154	414
Trade, hotels, rest.	72	58	44	53	227
Business activities, etc.	84	35	34	19	172
Total	242	179	166	226	813

1 This paper benefits from the discussions in the OECD Working Party on Indicators for the Information Society and the OECD Expert group on e-commerce, see especially OECD: DSTI/ICCP/IIS(99)4/FINAL: Defining and measuring e-commerce: A status report, and in the Voorburg Group on Services Statistics, see especially P. Bøegh Nielsen et al.: ICT Usage in Enterprises. A draft proposal for a model questionnaire, presented at the Voorburg Group meeting 1999 in Christchurch, New Zealand.

2 OECD: DSTI/ICCP/IIS(99)4/FINAL: Defining and measuring e-commerce: A status report.

3 It should be noted that the survey "Technology Diffusion in Services Industries" by Statistics Canada lists up to 13 different e-commerce technologies.

4 OECD: DSTI/ICCP/IIS(99)4/FINAL: Defining and measuring e-commerce: A status report.

5 This data model was presented at the OECD workshop on Defining and Measuring e-commerce in April 1999 by R. Simpson, Industry Canada

6 Industry Canada, presented at the OECD workshop on Defining and Measuring E-commerce (April 1999)

7 This model questionnaire was first presented by the Nordic statistical offices in 1998, cf. Nordic Council of Ministers, Guidelines for Measuring use of Information and Communication Technology (ICT) in Enterprises – a first step towards harmonised Nordic Surveys, Copenhagen 1998. As a consequence of actual data collection in Denmark and Finland, see annexed description, a revised version of a model questionnaire was presented at the Voorburg Group meeting in Christchurch, New Zealand 1999, cf. Peter Bøegh Nielsen et al.: ICT Usage in Enterprises. A draft proposal for a model questionnaire.

8 Australian Bureau of Statistics. Use of the Internet by householders. May 1999



Mr. Anestis Filopoulos
Official, European Commission - Enterprise DG

Abstract

Electronic commerce is not a clearly defined term. It covers any form of business and administrative transaction using information and communication technology.

Recent studies, reports and research papers have stated that the use of information technology for business purposes is well established and growing very rapidly.

Some publications and studies by the European Commission in key areas of the domain have for several years been providing companies, policymakers, consultants etc. with valuable information.

The European Commission will continue its efforts in this area, since it is committed to being the main provider of high-quality statistical information on electronic commerce and the use of information technology.

According to the Commission's definition in its communication "A European Initiative on Electronic Commerce" (16 April 1997), electronic commerce is not only about transactions, but about all uses of electronic media for business purposes. It includes software, hardware, training, organisation development, etc. Electronic commerce covers any form of business, administrative transaction or information exchange carried out using any information and communications technology. From the point of view of businesses, it encompasses all systems and solutions used in an enterprise. From an organisational perspective, electronic commerce permits the seamless operation of existing flows between enterprises and consumers, business-to-business and between enterprises and the public sector. Moreover, electronic commerce encourages new, innovative methods of cooperation among enterprises that will help them to face the challenges of globalisation successfully.

If properly developed, electronic commerce is a new factor in strengthening competitiveness, benefiting all commercial businesses. It can make companies more competitive. It also provides an ideal opportunity to foster new activities, in particular new intermediaries, on-line business and logistic services. It enhances the contacts between producers/suppliers and consumers and enables enterprises to federate in order to pool their

purchasing power, reach new and distant markets at low cost, obtain access to market information, improve their logistics and develop cooperative R&D facilities.

The strategic importance of electronic commerce is fast becoming a significant statistical entity. The hype surrounding the introduction of new information technologies is confirmed here by significant but incomplete quantitative evidence. Reports, studies and research papers on samples of businesses indicate that electronic commerce or, more precisely, the use of information technology for business purposes is already well established and is growing very rapidly.

Businesses, professional organisations and governments at regional, national and European level require a clearer and more accurate picture of all the quantitative parameters that describe electronic commerce. They need to assess past growth accurately in order to forecast future trends, take informed investment decisions and formulate valid business strategies.

The European Commission identified this urgent need at an early stage and has been working intensively towards a comprehensive, high-quality statistical assessment of electronic commerce. Annual publications such as the European Information Technology Observatory (see <http://www.eito.com/> for more information) and the



Eurobarometer studies on "Measuring the Information Society" (see http://www.ispo.cec.be/basics/measuring/i_mesurin.html) have for several years been providing companies, policymakers, academic researchers, consultants etc. with valuable information. A number of other, parallel publications and studies provide more insight into specific issues such as investment in IT, the uptake of electronic commerce by small businesses, statistics on the best business sites, etc. These studies provide valuable evidence in certain key areas; they also pave the way towards significant, long-term and viable indicators in an area where rapid technological

change is constantly creating new demands for statistical information while making other indicators obsolete or less strategic. In this context, the Commission intends to continue to supply IT-related business statistics at European level. New initiatives, currently at the drawing board stage, include surveys of representative samples of businesses, the aim being to supply Europe with the evidence it needs at this level. The European Commission is committed to being the main provider of high-quality, reliable, comprehensive statistical information on businesses in the area of information technology and electronic commerce.



Mr. Henrik Kröner
Secretary General, Eurocommerce

Abstract

Electronic commerce is paper-free trade. Once the legal framework has been created and the psychological barriers overcome, the massive paper workload so familiar to the commercial sector will be a thing of the past.

A vital question here is whether the traditional statistical data required for market research will be available in future and/or to what extent and on what scale new data collection systems will have to be put in place.

As electronic commerce reaches beyond traditional borders, it will be crucial to harmonise the data at European and world level. These data will allow us to measure the impact of electronic commerce on the commercial sector and on society in general. The cost of collecting the data must, however, be in proportion to the likely results: an issue which will have to be the subject of negotiation between Eurostat, the national statistical offices and the trade associations concerned.

First of all, E-commerce is trade – paperfree trade, using various EDI systems as a tool to communicate different data, such as advertising material, legal contracts, signatures, financial instructions, instructions for shipments, transport data, etc...

Thus, once the right legal framework has been created and the psychological barriers have been overcome, the massive paperwork load will become a thing of the past.

However, a vital question is whether the traditional statistical data for market research will be available in the future and/or to what extent and on what scale new data collection systems will need to be installed.

As the representative body of our sector it is our duty to defend the interests of those businesses which use e-commerce and of those who have to compete with e-commerce business, and we therefore need to know what we are talking about. This is not possible without proper statistics.

- 1) We need to clarify what is involved in e-commerce
 - a) in business-to-business trade, the fastest growing area of e-commerce, and
 - b) in trade with individual consumers.

The OECD definition covers these areas and appears adequate.

It is crucial to harmonise the data, in particular at European level, but also globally, because e-commerce goes beyond traditional borders.

- 2) We need to measure the existing infrastructure.
- 3) We need to measure the level of usage in terms of number, volume and value and to identify the barriers which exist:
 - for companies
 - for their staff, and
 - for consumers.

Such data will allow us to measure the impact of e-commerce on our sector of activity and on society in general.

Good detailed statistics depend on the quality and quantity of the data collected. Here we face a conflict of interests.

On the one hand, business and policy-makers need statistics which are as up-to-date, detailed and accurate as possible.

On the other hand, however, the costs of collecting data have to be reasonably proportionate to the results.

We have to find the right balance. This has to be negotiated and agreed between Eurostat, the national



offices and the relevant trade associations.

EuroCommerce is actively monitoring developments in the e-commerce sector.

First of all, I would like to mention our lobbying activities on the legal front:

We are lobbying at WTO, OECD and European level to find the right balance between consumer protection, fair competition between businesses and e-commerce promotion in Europe.

Up-to-date reliable statistical data are crucial to help us to back up our legal and political arguments.

A further example is a joint study being conducted with our social partner, EuroFiet, on the impact of e-commerce on employment and training needs in commerce.

The aim is to get a grip on development in this rapidly-moving sector.

It is crucial for us as social partners and for the regulatory authorities to be prepared for the changes that these innovations are likely to bring about, particularly in relation to changes in working conditions and the need for retraining.

Likely trends can only be guessed at:

- 1) Some of the more traditional roles may disappear and new jobs will emerge.
- 2) There is an urgent need to upgrade skills.
- 3) Changes are likely in the geographical location of the workplace and in working time arrangements.

Businesses which are unprepared for the new challenges will suffer negative consequences.

They have to know what is coming.

At the same time there is significant potential for job creation in new areas, i.e. the new role of "web promotion".

Demand for highly skilled staff is increasing in this sector.

We are aware of these trends, but we cannot yet measure them correctly.

It is very clear that, to be prepared, Business as a whole, *EuroCommerce* as an Employers' Organisation, and all other decision-making bodies will need reliable, regularly updated statistics to be able to reach the right conclusions and to make the right decisions.

ROUND TABLE C

Concentration and cooperation

Is it possible for small and medium-sized enterprises to survive in the ever stronger competitive environment? What are the successful forms of co-operation among SMEs?



Summary report

Mr. Henrik Romanov
National Statistical Institute, SCB - Statistics Sweden

Abstract

The four speakers making presentations during the session agreed on the major need for information about concentrations and the various forms of cooperation between enterprises in distributive trade.

Some forms of concentration may affect competition, thus producing higher consumer prices or impacting on the supply of goods and services, with the result that consumer needs are not always met.

In order to take appropriate decisions, policymakers need reliable and up-to-date statistics. They need to know whether concentration and cooperation might be harmful to the market, bearing in mind the need to maintain enterprises' options for independent action.

Presentation by Professor Colla

Professor Colla (Negocia) presented his paper on "Concentration and cooperation in commerce", which was subtitled "Is it possible for small and medium-sized enterprises to survive the ever-stronger competition of large corporations? What successful forms of cooperation between SMEs are there?"

Three ways of measuring concentration were described:

- the concentration ratio
- the Herfindahl index
- measures of inequality in the sizes of firms.

Increased concentration

Concentration has increased in all national distributive systems in recent years, as large integrated enterprises have increased their market shares. Different forms of cooperation between independent enterprises such as voluntary groups and mixed networks are also more common.

Concentration has increased not only in national markets: large enterprises have expanded internationally and cooperation has increased over national borders. This makes it difficult for small, independent enterprises to survive.

Different forms of cooperation

There are various forms of concentration and

cooperation in distributive trade. As noted above, this includes not only major independent enterprises with large market shares. The most common form of concentration is close cooperation between retail enterprises. This form of concentration has increased, particularly in the last few years. Cooperation takes different forms; the most common of which are:

- consumer cooperatives
- voluntary chains (wholesaler- or retailer-owned cooperatives)
- franchising
- joint purchasing
- joint sales
- joint management
- various kinds of network.

Cooperation is a prerequisite for competitiveness

To be competitive, it is often necessary for small and medium-sized enterprises to cooperate with other enterprises. Together, they can reduce their purchasing costs. They can reduce transport costs by coordination with other enterprises, and there are opportunities for joint marketing, etc.

Small enterprises understand the consumer better

One way of staying competitive is to be close to the



consumer. Small enterprises at local market level often have a better understanding of consumer needs and are able to adjust to them. There is always a place for small enterprises that can provide consumers with a service that large enterprises cannot, such as long opening hours. In the non-food sector, where service is important, small independent enterprises are often able to compete very effectively with larger enterprises by maintaining a high level of service.

Cooperation vs. concentration

A high level of cooperation between enterprises does not necessarily mean a high level of concentration. Usually, cooperation takes place between independent enterprises. Each enterprise competes in a local market where decisions affecting the enterprise are taken by the retailer. Cooperation does, however, place some constraints on freedom to control the enterprise.

Presentation by Mr R. Duijkers, Head of Division, Statistics Netherlands

Mr R. Duijkers presented a paper entitled "Concentration and cooperation in the Dutch retail trade".

Concentration by means of expansion

A Dutch study has shown that, over the period from 1987 to 1997, the market share of large and medium-sized enterprises in the Netherlands increased at the expense of small enterprises. It is primarily the large enterprises which increased their market shares.

Concentration by means of stocking a broad range of goods

The Dutch study also shows specialised stores losing market share to the benefit of general stores. Non-specialised enterprises have increased their market share for many retail products. Mr. Duijkers gave two examples. In the food and clothing retail sectors, non-specialised stores increased their market share by 10% or more between 1987 and 1997.

Cooperation as a factor in competitiveness

The Dutch study also confirms a growing tendency for small enterprises to cooperate in order to compete with large enterprises. The market share for enterprises which cooperate with other enterprises has increased considerably.

The interest in statistical observation

Finally, Mr. Duijkers raised the issue of whether data on concentration and cooperation were of interest to the users of retail trade statistics. In the Netherlands, certainly, they are. Some of the user needs are described below:

Retail trade enterprises should be divided into:

- chains
- cooperating enterprises
- fully independent enterprises.

The structure of and developments in the costs and revenues of cooperating enterprises should be compared with those of chain enterprises.

Professional: Mr D. Labatut

Mr Labatut, Secretary General of UGAL, stressed that cooperation is a necessity for small and medium-sized enterprises. The current trend in cooperation is a move away from joint purchasing to joint sales. Groups of enterprises are competing with other groups, rather than single enterprises competing against each other. Some factors which have contributed to this are:

- the need for group communication
- the need to adapt to new technologies
- new forms of vertical relationships
- the need for knowledge and the ability to adapt to future market developments.

There is a vital need for structural data on commerce. The needs of UGAL include:

- statistics on size, economic developments and various forms of cooperation between independent enterprises
- a measurement of competition between groups
- indications of turnover for high performing retailers.

Official: Mrs. C. Argoyti

Mrs. Argoyti, of the European Commission's Enterprise DG, raised the question of whether there was an interest in statistics on concentration.

Policymakers need information about concentration and forms of cooperation between enterprises in distributive trade. They need to know whether certain forms of concentration affect competition and produce higher consumer prices, or if they affect the supply of goods and services, so that consumer needs are not met.

It is important to focus on consumer needs. Small enterprises are often better at adjusting to the needs of the consumer. The Commission's role is to preserve various type of distribution in order to safeguard freedom of choice for the consumer. The idea is to promote small-scale and competitive distributive trade.

Some points raised in the discussion

During the discussion, several people referred to the lack of data or data quality regarding cooperation and



concentration in distributive trade, despite the constant demand for these data (particularly on concentration).

Keith Perry (ONS, United Kingdom) noted that additional exercises would be needed to fill the data gaps at some stage.

Mr Boegh-Nielson (Statistics Denmark) agreed that user requirements had to be taken into account more effectively and that statisticians needed to adapt more quickly.

He felt that the Commission should first find out to what extent the existing Regulation on Structural Business Statistics had to be modified in order to satisfy user needs before the Member States took new measures relating to data collection.

Mr Dawson (Professor of Marketing, University of Edinburgh) thought that too many data were available in the form of average figures, and that insufficient attention was being given to "distribution" in the statistical sense of the word, which would mean more detailed figures and breakdowns across Member States, in order to be able to examine the various retail structures.

He also pointed out that retailing and wholesaling had,

in various ways, become international activities, and that this was posing a threat: as far as he was aware, data on cooperation were not available at international level, as they were collected nationally. The availability of these data would be particularly important in the context of EU enlargement.

Mr Demesmaere, representing perfume retailers, stated that bigger companies (e.g. Yves Saint Laurent), in addition to engaging in horizontal concentration (which had been referred to previously by Professor Colla), were involved in vertical concentration, which was making it very difficult for micro-companies to compete.

Bernard Langevin and Jan Stensrud (Eurostat) stated that a pilot study involving nine Member States was currently being undertaken on cooperation agreements and associations.

An important objective of the study was to compile a breakdown by type of cooperation or association, and to create a link to size classes, thus obtaining a meaningful set of data as a starting point.

However, as certain problems had been encountered in the course of the study (i.e. the Member States were unable to provide the necessary data), it was still at an exploratory stage.



Mr. Enrico Colla
Professor of Marketing and International Distribution, Négocia - Paris

Abstract

Concentration has increased in all national distributive systems and in recent years has reached an impressive level, in particular in the main non-specialised grocery formats (discount, supermarkets, hypermarkets) and non-grocery (departments stores and variety stores, large specialised stores). It has also increased at international level.

This growing concentration is due to stronger competition in the distributive trades, the dissemination of new management and communication technologies, and changing relationships between manufacturers and retailers. Globalisation of companies also encourages concentration at national level.

SMEs in commercial distribution can gain competitive advantages over large companies by differentiating and developing the services they offer to consumers, taking a more professional approach to management, developing new technologies, specialising and expanding in new sectors, and opening up branches in shopping centres.

But since competition is becoming ever fiercer for small independent companies, they may have to form voluntary unions, centralised buying groups, retail cooperatives or franchises before they can hope to compete with the large chains.

If SMEs are prepared to make savings by giving up part of their independence and introducing joint management of central functions, they may be able to achieve scale economies similar to those of larger chains.

1. How to measure concentration

1.1 The concentration ratio

The concentration indexes most frequently used in empirical work are drawn directly from the concentration curve. Both measures refer to only one point of the line. The first is the proportion of output (turnover, value added or other) attributable to the top "n" firms in the industry: the concentration ratio, CR_n. A second measure is the number of firms that account for a given percentage of industrial output (e.g. 70%).

In the distributive trades sector, percentages of market shares held by a small number of firms are often used. These are very simple ratios which allow comparisons between various countries and sectors.

For example, in 1996 the top three groups accounted for 43% of the food market shares in France (CR 3=43%) and 95% in Finland (CR3=95%, see Table 1).

Table 1. Grocery market shares of the first three groups per country

Country	Groups	Market share
Sweden	Ica , KF, D Group	95%
Denmark	FDB, Dansk Supermarket, Dagrofa	63%
Belgium	Gib, Delhaize, Aldi	58%
Austria	BML, Spar, Adeg	56%
Germany	Rewe, Edeka, Aldi	47%
The Netherlands	A. Heyn, Super Unie, Vendex	47%
United Kingdom	Tesco, Sainsbury, Asda	45%
Ireland	Dunnes, Power Super, Super Quinn	43%
France	Intermarché, Leclerc, Carrefour	43%
Spain	Pryca , Continente, Alcampo	20%
Greece	Marinopoulos, Sklavenitis, Veropoulos	17%
Italy	Coop, Végé, GS	11%

Source: Nielsen/L.S.A. N°1495 6 June 1996



These ratios can be criticised on two counts. Firstly, they both measure only one point on the concentration curve, so the ranking of industries (sectors) depends critically on the point chosen; secondly, the measure takes no direct account of the total number of firms in the sector. Two sectors could both have a CR10 of 50% but one with 200 small enterprises and another with 2 000, and they would not be distinguished. This is, moreover, precisely the case in the distribution sector, unlike almost all the other sectors, since it has a very large number of small and medium-sized enterprises.

1.2 The Herfindahl index

A very frequent index, which takes into account the number of companies in a sector and their relative size, is defined as follows:

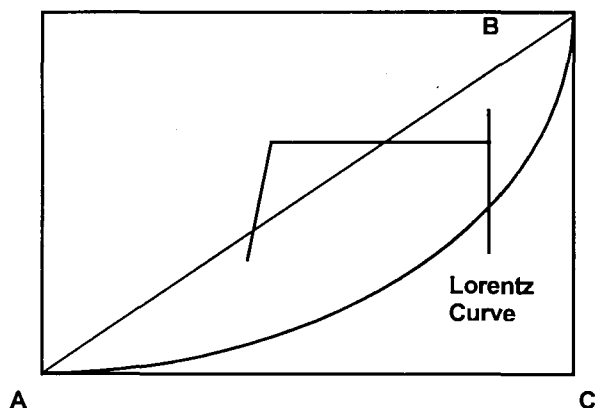
$H = (\text{the sum of the squared market shares of all firms})$

A duopoly with two firms of the same size would therefore have $H = 0.5$

It can be said intuitively that the steeper the segment of the concentration curve, *ceteris paribus*, the greater the concentration index should be.

1.3 Measurements of inequality in the sizes of firms

The best known of these measures is the Gini coefficient, drawn from the Lorentz curve. The Lorentz curve plots cumulative percentages of industry size starting from the smallest firm (as in the figure below).



The coefficient gives the stippled area in the diagram as a proportion of the area of the triangle ABC. But this ratio is not very useful since the inequality in itself has no bearing on the behaviour of companies.

1.4 Concentration and persons employed

European Community publications include very interesting statistics on the number of firms, the average number of staff per company, and the distribution of

companies by classes of manpower. These statistics demonstrate the very large number of companies in the sector and the very large number of SMEs.

It is therefore a paradox of trade to present a high concentration of an area where SMEs are very numerous.

2. At what level must concentration be measured?

The concentration of companies can be measured in terms of the entire distribution sector, or in terms of a sub-sector (food/non-food), or in terms of the distribution format (supermarket, hypermarket, department store).

It can be measured with regard to a given trade area, on a national or an international level. It can take into consideration the companies, but also the groups and holdings and the various forms of associated trade (voluntary groups, franchising, etc.).

2.1 Concentration in the various sectors

The sector (food/non-food), the specialisation of the formula and the degree of concentration of the companies are all closely linked.

Concentration levels vary in the food/non-food sectors: the nature of the products and their consumption and the behaviour of consumers, who prefer to group their food purchases, will largely explain the difference.

In grocery retailing, the level of concentration in market shares is very high, but small and medium-sized enterprises are very numerous, both as independent companies and as associated trades.

In the non-food distribution sectors, small and medium-sized enterprises still hold a very high market share, and associated trade plays an increasingly important role, which often even becomes predominant.

In these sectors, concentration has not reached, and will not reach, the level of the grocery distributive trades. This is due primarily to predominant specialisation in the general goods sector, following the extreme differentiation of brands, products, styles and colours of items. The variety, which is expressed by the impressive and increasing differentiation of products, is advantageous to SMEs, which can pursue niche strategies.

The purchasing behaviour of consumers varies according to the type of products bought. A distinction can be made between convenience, durable and speciality goods. Convenience goods comprise staples, impulse goods and emergency goods. Durable goods are consumer goods that the customer usually compares on the basis of certain criteria such as quality, price and



style (e.g. furniture, clothing, major appliances). Speciality goods are consumer goods with unique characteristics or brand identification (e.g. perfumes, video equipment, jewellery, etc.).

For convenience goods, consumers primarily tend to minimise the total cost of their purchasing activity.

The elements of this cost are as follows:

- the (subjective) cost of the shopping expedition. The proximity of the store to the potential purchasers and the breadth of the assortment are then very important factors. They make it possible to concentrate the purchases and therefore to reduce the number of shopping trips;
- the cost of transport;
- the capital cost invested in buying in bulk;
- the price of the goods.

The latter is evaluated on the basis of a basket of products, which constitutes a term of reference. The customer knows this through the frequency of purchase.

Price and proximity are therefore the two main factors that determine the choice of store for convenience goods.

If the proximity is the same, the price becomes the more important factor and, if proximity and price are the same, other elements of the offer gain in importance.

2.2 Concentration and format

The principal selection criteria of the main non-specialised formats (selling mainly convenience goods), are proximity, price and breadth of assortment, which allow the concentration of purchases. On the other hand, in small and specialised stores (durable goods and specialised products) consumer information, selection and services during and after sale become more important parameters.

The purchasing behaviour of consumers who concentrate their food purchases encourages the development of very large variety stores, while the search for a wider choice and more services in non-food products encourages the large specialised stores. Both formats, by their size and their need for high investments, are less accessible to small firms.

But the purchasing behaviour of consumers seeking to compare several offers within a product category rather than to concentrate their purchases encourages specialised SMEs. Product specialisation is greater in the non-food sector, where the consumer may encounter difficulties in choosing and using products: hence the importance of service for the specialised formats.

Buying durable goods and speciality products requires the consumer to search for detailed information. This

partly explains the success of small specialised stores. These are generally located near other shops selling similar products, in order to encourage comparisons between them.

The same comparison is possible in large specialised stores, which offer a very large selection of items within a single product category.

2.3 Concentration and trade area

Since the consumer tends to concentrate his purchases and to minimise supply costs, especially for food and consumer products, it is important to measure the concentration in terms of the trade area. For the formats selling durable goods, the consumer chooses shops within a 30-minute journey. And it is within that zone that he will normally make his purchases, while considering inter- and intra-format competition.

2.4 National and international concentration

Since the internationalisation of companies is increasing, we can calculate concentration at supranational level. This is particularly useful if some firms can obtain economies of scale or other competitive advantages through international expansion.

Saving money at the buying level has been the main objective of distributors: two types of buying centres exist and they became international under the impetus of a few multinational distributors and even of many companies less active abroad.

The "integrated" buying centres were created by a few multinational retailers. The buying centres of Promodès (Promodès World Trade – PWT) and Aldi are examples, as well as ITM International (Intermarché) and Carrefour (Carrefour Marchandises Internationales – CMI).

Their goal was to develop joint purchases for their subsidiary companies. But thanks to the integration of the companies, they can also assume other functions such as the search for logistical synergies or the exchange of human resources and know-how.

Purchasing alliances (AMS, Bigs, RMS Eurogroup, Europartners, Naf, Sedd) include many companies or national purchasing centres; and in the latter case they are often referred to as "super purchasing centres".

Their goal is above all to develop joint purchases for goods and services, both within and outside Europe.

They may also have the responsibility of seeking opportunities for trade-offs between various countries, for example buying goods on the best possible conditions in order to resell them afterwards. Joint purchasing may involve branded industrial products or merchandise sold under the brand of the distributor, which would thus be sold on any market where a



member would have a purchasing centre. These structures also have a marketing role in terms of the definition and introduction into the product range of certain categories of products that are particularly problematic, as in the case of low-priced products or own brands. They can also coordinate the advertising and sales campaigns launched in many European countries. Within the framework of these activities, local sourcing prevails for both products and services. Purchasing centres also permit exchanges of information and know-how relative to any activity aimed at improving members' competitiveness.

2.5 Concentration, firms and associated trade

In addition, a considerable number of the groups mentioned in concentration statistics are not integrated companies but many associated forms of trade (voluntary unions, retailers' cooperatives, concessions, mixed networks). These groups are made up of small and medium-sized enterprises which came together to obtain the same competitive advantages as the truly integrated groups without having to give up their autonomy.

3. Why is concentration increasing? What are the consequences?

Concentration has increased in all national distributive systems and in recent years has reached an impressive level, in particular in the main non-specialised grocery formats (discount, supermarkets, hypermarkets) and non-grocery (departments stores and variety stores). It has also increased at the international level.

This rise is derived from the development of competition in the distributive trades, from the dissemination of new management and communication technologies, and from the relations between manufacturers and distributors. Competition between distributors pushes companies towards the acquisition of competitive advantages: in order to apply low prices, economies of scale, standardisation and variety are determining factors. These savings are achieved through concentration.

3.1 The pursuit of growth and economies of scale

One can identify economies of scale at the levels of shops, shop signs, companies and groups.

Economies of scale at store level:

Economies of scale are made by increasing the average size of both outlets and companies, and by widening and diversifying the offer.

In the short run, a shop can normally ensure slightly higher sales volumes without proportionally increasing staff as long as the latter is flexible

Increasing the size of the different types of shops that previously did not have sufficient space to offer a wide enough selection is one way of achieving economies of scale. For example, if one compares a hypermarket of approximately 10 000 sq. metres of selling space to another of 5 000 to 7 000 m² (all other parameters being equal), it can be noted that the management costs for the former account for a lower percentage of turnover than those of the latter.

It is data of this type that led many companies to modify the size of their outlets, insofar as the market allowed it, and as long as they were not subject to any other constraints. Thus the main French independent retailers (Leclerc and Intermarché) systematically increased the size of their outlets. Groups like Carrefour and Auchan, which from the beginning have managed very large formats, have been way ahead in this area (see Table 3.1)

For shops, however, possible economies of scale cannot exceed a certain limit, as beyond this level there would be a decrease in output.

Indeed, the increase in the size of shops – especially in large grocery retailing – is mostly due to the concentration of purchases rather than economies of scale.



Table 3.1. Productivity in supermarkets and hypermarkets according to shop size in France

Average size (in sq. m)	Ranking	Name of shop	Ranking	Turnover per sq. m) in FF
HYPERMARKETS				
10 365	1	Auchan	1	85 000
9 750	2	Carrefour	2	75 000
8 420	3	Cora	5	48 000
6 410	4	Continent	3	60 000
6 324	5	Casino Hyper	6	44 000
6 105	6	Mammoth	7	43 000
3 504	7	Leclerc	3	60 000
SUPERMARKETS				
1 308	1	Champion	1	45 000
1 307	2	Match	3	42 000
1 280	3	Intermarché	2	44 000
1 238	4	ATAC	5	34 000
1 170	5	Système U	6	30 000
1 158	6	Comptoirs Modernes	4	41 000
1 096	7	Casino Super	7	17 000

Economies of scale for store networks:

The centralised management of the shop network leads to "standardisation" savings. These concern costs for shop design, layout and merchandising systems, methods of payment and scanning techniques (processing of orders, planning of activities, stock control).

"Standardisation" savings are brought about by the reproduction of a distribution model and are possible thanks to the reduction of certain fixed overheads connected with development.

These "standardisation" savings have become ever greater as distribution systems become more sophisticated and costly. The positive repercussions of standardisation have encouraged its spread and the centralisation of retailers.

Economies of scale at company level:

Economies of scale can also be achieved at company level by centrally managing marketing, communication, the financing of human resources and senior management, since the cost of these functions does not increase proportionally to the volume of the companies' activities.

Other kinds of savings are derived from the increasing volume of purchases in that they make it possible to obtain better conditions from suppliers. It is known that they depend on the greatest contractual power of businesses and of external economies for industry. The

latter are derived from reductions in selling costs, in physical distribution and in the management of the manufacturer's stocks.

Other savings are derived from the integration and centralisation of logistics. Large business entities can thus obtain advantages from suppliers, limit the costs of this activity and better control customer service.

At administrative level, even more savings can be made by using new systems to communicate with the suppliers (EDI).

Generally, the use of information technology in business brings about a reduction in management costs, especially in logistics. It also improves customer service.

Other types of savings come from the expansion of the commercial offer to include new goods and services. This is the case, for example, with the arrival of new products – of which some are non-food – on the shelves of supermarkets, of UK superstores and French hypermarkets (like Leclerc, Carrefour and Auchan). These innovations allow for economies of scale for fixed overheads, whose increase is therefore proportionally lower than that of the marginal contributions coming from the introduction of new products.

By diversifying their activities into varied distribution formats, companies have managed to achieve other economies of scale: they benefit in particular from diversification within the same business sector.

These savings have not only involved purchases but also other activities such as logistics, communication, human resources and management. For all these activities, centralised management makes it possible to reduce costs.

Finally, companies have been better able to spread out their material resources (logistics) and intangible resources (marketing and merchandising, management and human resources, corporate image) and have taken advantage of fuller synergies between their different business concepts.

If the relation between the size of companies and economies of scale is so clear, it then becomes very important to have data on the first of the two elements in this combination.

The size of companies can be measured by means of turnover and by their regional, national and possibly European and multinational market share.

3.2 Cost-leadership strategy

Economies of scale are fundamental for companies that adopt cost-leadership strategies and which need to keep costs at the lowest levels in all the phases of the value chain.



Cost-leadership strategy

Economies of scale at network level	Enlarging shops
	Expanding the offer
	Standardising formats
	Developing networks

Concentration and internationalisation of purchasing	Concentration of associated trade at national level
	Creation of international purchasing centres

Rationalisation of logistics	Centralisation
	Optimising the choice between integration and outsourcing

Reduction of administrative and management costs	EDI
	ECR

3.3 Differentiation strategies

The principal means to obtain differentiation of the offer are, inter alia, distributors' private labels and intense advertising activity, which also encourage the concentration of decisions about purchases and marketing, since major savings are also derived from bringing these activities together.

The widening of the offer and distributors' brands:

The most frequent differentiation methods consist in adding to the existing offer new goods and services, possibly complementary, aimed at the same customers. But these forms of differentiation are easy to imitate and companies therefore have had to find other forms.

The most important of these is the development of **own brands**, i.e. products bearing the exclusive brand of a shop or company.

Especially in the beginning, own brands were launched because their cost price was lower than the price of the big industrial brands, so the price does not include certain selling and other costs such as advertising, research and development.

Using the name of the shop also makes it possible to concentrate advertising on the shop itself, and to have synergies at this level. In conclusion, own brands not

only fulfil a tactical function but also, because of their exclusivity, have played an increasingly strategic role of differentiation.

Differentiation by creating an identity and corporate image:

Faced with always similar commercial offers in terms of product range and characteristics of the retail outlets, an increasing number of distributors adopt marketing strategies geared to the more symbolic aspects tied in with the image of the company and the shops.

Specialists have come to understand the influence of the consumers' lifestyle on their buying habits. Consequently the intangible elements of the commercial offer now pay an increasingly important role.

It is the brand in all its forms that is receiving more and more attention. It can be the brand of the products sold and that of the company (Auchan, Carrefour, Intermarché) or that of the shop sign and the outlets (Auchan's Décathlon, Carrefour's Europa Discount and Intermarché's CDM).

For example, the images of the shop signs of French hypermarkets are regularly analysed in terms of price, product range, service, how customers are welcomed, the atmosphere and the modern surroundings of the shops, etc.

In non-food products the differentiation strategies by segmentation and positioning are even clearer. As they approach their phase of maturity, the large specialised stores also make choices in positioning and bank on the differentiation of their image. This phenomenon is even more obvious in the chains of small and medium-sized specialist retailers, especially in textiles and ready-to-wear. In such cases the narrow range of products imposes precise choices in positioning and segmentation. The offer must be perfectly coherent and the product and service are closely linked. Moreover, segmentation depends more on an analysis of the customer's lifestyle and sensitivity to fashion than on purely demographic factors. Having grasped the importance of these intangible factors (the image of the shop and of the company and the development of own brands), distribution companies have been led to increase their communication costs considerably in order to modify the perception that the consumers have of them.

Investment in communication has therefore increased at all levels (for both outlets and shop signs) and in all the media. And television advertising has played a more and more important role in this regard (except in France, where it is prohibited).



In the food sector, shops have to bear high costs in billboard campaigns, in the regional daily press and in the distribution of leaflets. In the non-food sector, advertisers mainly use billboards, radio and television, the specialised press and the sponsorship of sporting and cultural events.

Thus certain distributors are the largest investors in advertising, especially in France, where advertising expenditure has increased sharply over the past three years. The main food and non-food retailers have thereby acquired a public profile that rivals any of the

well-known manufacturers.

The following table provides an example of the high advertising expenditure in retailing. This data concerns the total volume of expenditure in communication and its distribution across the various media. They are the basic parameters of a study of traditional communication, to which the amount and distribution of promotional expenditure incurred by the main distributors should also be added (reductions, games and competitions, bonuses, sample testing, etc.).

Table 3.2. Advertising investment in UK retailing

Top 10 investments and use of the media by the various advertisers						
Ranking	Advertiser	Total	Press	Cinema	Radio	Billboards
96/97			(%)	(%)	(%)	(%)
1	Boots Company	35 607 496	32.2	2.3	0.5	2.8
2	Currys	33 182 422	89.7	0	0.3	0
3	McDonald's	32 849 835	1.2	0.7	13.6	12.5
4	Sainsbury	28 939 303	45.7	0	2.8	5.8
5	Safeway	25 165 140	19.3	0	0.7	0.9
6	Dixons	24 732 276	86.1	0	13.9	0
7	DFS	22 841 556	35.8	0	0.8	0.1
8	Asda	21 119 620	21.8	0.5	10.8	0.6
9	Comet	21 024 453	75.3	0.1	2.3	0.9
10	Tesco	20 914 864	38.5	0	4.7	5.2

Source : Retail Week

3.4 The globalisation of distribution

The globalisation of companies also encourages concentration at national level. Wal-Mart and Promodès Carrefour are examples: the acquisitions of Wal-Mart in Europe in 1998-1999 triggered a competitive reaction, of which the merger between the two French giants only constitutes the most impressive event.

The saturation of certain markets, the opening of borders, the control of the competitive advantages of certain formula, the progressive globalisation of markets and certain changes in commercial legislation, are all factors which favour the process of globalisation of companies.

Large specialist retailers have been able to overcome the operational and cultural difficulties which jeopardised direct initiatives abroad, with the result that such initiatives have been on the increase over the past few years.

As for small specialist retailers, they have achieved even greater growth abroad owing to their narrow product range, which allows them easier access to international

markets, since the identification of the product, the brand and the store is even more evident. Moreover, it is easy to open small retail outlets in town centres and in suburban shopping centres.

Distributors have policies for entering foreign markets which are geared to their objectives and their competitive positioning. The differences in strategy relate to the following factors:

- the level of the company's financial and functional investment (financial investment, acquisition or participation, internal development);
- the means of (possible) collaboration with other companies (joint venture, franchise);
- the degree of uniformity of activities and the adaptation at national level of the commercial offer (multinational or global strategy);
- the degree of decentralisation of the various national activities in relation to the holding company.

Acquisitions have become the main means of growth to gain access to countries with restrictive legislation – in particular, France, Italy and Germany – and mature forms of distribution. Moreover, the commercial fabric of



these countries has always been made up of a number of small and medium-sized family-run or independent businesses, or those belonging to purchasing groups or voluntary chains. These companies are the preferred targets of the large chains, which try to buy them out, especially whenever there is a succession. Throughout the current decade, major acquisitions have taken place among the large food retailers. The statistical analysis of acquisitions is an important element in the knowledge of the sector and of its level of competition.

Large business enterprises are also able to obtain stock on the international market ("international sourcing"), either directly or through international purchasing centres. **These purchases** may involve both industrial brands and distributors' brands, which facilitates the globalisation of certain national manufacturers.

The globalisation of large business entities thus becomes a factor of rationalisation of local production and contributes to the globalisation of small and medium-sized production companies.

The competitiveness of companies on international markets is linked to their competitiveness at national level. A company which obtains profits from abroad that are greater than its investment needs can use part of those profits on its domestic market.

From its international experience, a company can also gain competitive advantages in the areas of know-how and management: better knowledge of consumers, discovering new manufacturers, etc.

3.5 The competitive consequences of concentration

The concentration of the market on a limited number of companies enables them to exercise certain control over the price level: higher or lower prices depending on the relative market share and on the differentiation of the offer. Concentration also allows companies to monitor the behaviour of their competitors on a short-term basis.

Concentration can be a barrier to penetration, in that the leading companies, because of the large market share they possess, have managed to achieve large economies of scale. Owing to their geographical expansion, they also occupy the best sites possible for their own stores and therefore have unique resources at their disposal locally.

Competition is not limited, however, as there are various trading formats and many different shops for each format, on a national level and in each trading area, and none of them holds large enough market shares to exceed the limit which would give them a monopoly.

Commercial distribution remains a sector characterised by a relatively high degree of competition in almost the

whole of Europe and in the great majority of trading areas. The variety in formats and trade names and the constant pressure from consumers and suppliers prevent any move by companies towards monopoly or oligopoly.

4. How can small companies survive?

4.1 Definition of an SME

There are several ways of measuring and comparing the size of companies. Among the most frequently used, we can note the following parameters: turnover, number of staff, value added, and number of shops.

If we adopt the definition of small and medium-sized enterprises (SMEs) proposed by the European Commission, we can observe a certain link between the size of a company and the number and size of its shops.

A micro-company ("fewer than 10 employees") can only comprise a small shop. That is the realm of small shopkeepers, independent or not.

A small company ("fewer than 50 employees and either an annual turnover not exceeding ECU 7 million or a total sales volume of no more than ECU 5 million") can include many small or medium-sized shops (a supermarket, for example)

A medium-sized company ("fewer than 250 employees or an annual turnover of less than ECU 40 million or a total volume of no more than ECU 27 million") can include a large store or many small shops, or a few medium-sized shops.

But this definition is insufficient and does not permit companies which are larger than average to be defined. So it is not very relevant in terms of competitive behaviour.

Examples: a chain of five bookstores like Extrapole in France is, according to this definition, a large company, whereas it is only a medium-sized company compared with the Fnac chain.

Franchised by Promodès with 11 large shops, Arlaud remains a small company compared with Carrefour and Auchan.

4.2 Differentiation and the development of services

SMEs in commercial distribution can gain competitive advantages over large companies through the services they offer to consumers: longer opening hours, home delivery, adapting their offer to the specific needs of the trading area, tailoring of the offer to the customers, etc.

All these services are well known and large retailers try to include them in their offer. They succeed sometimes,



but often they cannot offer them as widely as they would like for many reasons: the cost, the centralised organisation of the company, or the lack of flexibility in the management of human resources.

Small companies can more easily adapt to the local market and its variations and incorporate their services into their offer without excessive added cost.

4.3 The professionalisation of management and the development of new technologies

One of the disadvantages of SMEs compared with large companies has for a long time been the fact that it was impossible to introduce efficient computerised stock control systems. The hardware and software for stock control meant heavy investments which were impossible to absorb on the small scale of an SME. But this handicap is disappearing and there are now computerised management systems available to SMEs at very low prices. With a simple PC and a computer connection to the manufacturer, a SME (for example a bookstore) can – if it does not have a book in stock – have access to the supplier's stocks, find the desired title and organise delivery within a certain period. All they need is to install a PC and train the staff.

4.4 Specialisation and development

The specialisation or even overspecialisation of the offer allows a small company to become extremely competent in a single product category, which would be very segmented.

Large non-food, non-specialist retailers (department stores, variety stores) certainly cannot offer the widest choice possible, and with the multiplicity of product references, this is becoming more and more out of the reach of even large specialist retailers.

In the toy sector, for example, and in books and records, many opportunities for specialisation are available and the large specialised retailers cannot provide them all.

In new sectors and expanding sectors (leisure, communications), the existing large distributors are still not flexible enough to satisfy the fast-growing demand, while SMEs manage to adapt rapidly and take advantage of market opportunities.

4.5 Location in shopping centres

The creation of shopping centres is still a growing trend all over Europe, so SMEs can have prime locations for their shops.

Since non-food consumers always seek to compare the various offers and like to do so without too much travelling, the presence of many shops of the same product category in one location is a possibility. The

sales figures of each store are higher in shopping centres than in isolated locations.

Some pedestrian streets in town centres and busy high streets have the same effect as shopping centres, without always having been planned as such.

5. The association of SMEs and company networks

Small shops will continue to exist since proximity plays an important role in food retailing. But many independently run convenience stores will find it difficult to survive, even if they manage to put into practice the strategies mentioned in the previous chapter.

Since small independent companies are facing increasingly stiff competition, they will have to form voluntary unions, centralised buying groups, retail cooperatives or franchises in order to compete with the large chains. Greater concentration therefore does not necessarily mean more branch chains.

5.1 Associations, economies of scale and network economies

Economies of scale, the decrease in purchasing costs and logistic integration are not only for large companies. They are also accessible to networks of small companies subscribing to centralised purchasing groups, voluntary unions, cooperatives and franchise networks. The members of these structures make savings by giving up part of their individual autonomy and by the joint management of central functions.

Joint operations allow SMEs to gain economic advantages from bulk buying and pooling logistical structures (warehouses, platforms), thus reducing the costs of warehousing and transport.

As for retail outlets, individual small companies are rather at a disadvantage because of their low level of flexibility in terms of human resources management. This can be particularly difficult in the case of extending opening hours.

5.2 Association, differentiation and focusing

When SMEs form associations, they are able to set up central management structures which can make collective strategic decisions concerning the development of own brands, launching advertising and promotional campaigns, defining policies on product range and merchandising, etc. These strategies of differentiation necessitate a unity of action, a concentration of decision-making and common behaviour that only an association can bring to all its members.



5.3 Voluntary unions, "independent centralised purchasing" and concessions

In many European countries there are leaders belonging to associated trade groups in the food sector. These can be seen especially in northern Europe, with Sweden (Ica) and Denmark (FDB), but also with Germany (Edeka, Rewe), France (Leclerc, Intermarché, Système D) and Italy (Végé, Selex, Conad, Crai).

In associated trade – especially with centralised purchasing – shops are autonomous and belong to independent shopkeepers who deal with ownership and management of the common facilities, such as storage platforms and warehouses.

Consumer cooperatives also occupy an important position in European food retailing, especially in Italy. Although they are large companies and have centralised management systems, they are sometimes treated as small companies because of the division of the property rights.

There is a difference between the food and non-food sectors. In the food sector there is a tendency for associated trade to develop into more integrated structures.

In many countries, in fact, when almost all the large non-specialised food and non-food retailers reach maturity, the advantages of associated trading diminish. In order to have efficient management systems and to differentiate the retail offer by launching own brands, companies must ensure that outlets behave uniformly. This will prove easier for branches whose ownership is concentrated and for groups with relatively strong contractual ties.

On the other hand, in the specialised non-food sector, large stores continue to expand in most of Europe, which indicates that associated trade is likely to continue growing steadily. The rise of branches has indeed been

considerable, but it encounters difficulties and sparks competitive reactions from independent stores, thus encouraging the creation of associations.

Especially with small shops, franchising will continue to develop alongside branching.

5.4 Mixed networks

The different forms of associated trade can be combined: companies belonging to centralised purchasing groups can become cooperatives, for example in the management of distribution centres.

Branch stores also use franchising, especially for the running of small shops, where a certain independence is a condition of profitability and therefore of the survival of the small company. Branch stores also use strategies of affiliation to increase the number of outlets on marginal markets, on markets which are difficult to penetrate otherwise, on markets where direct management costs are too high or on markets which require the shops to modify the offer to meet local requirements. Local and foreign markets where franchising is often adopted are typical examples of this phenomenon.

5.5 The SME as a place for innovation and entrepreneurship

SMEs also constitute the first sign of commercial innovation. The large companies of today are the small companies of yesterday. Wal-Mart, the biggest retailer in the world, started in 1962 as an SME and its founder, Sam Walton, had run a "variety store" franchise for about fifteen years.

Carrefour, Auchan and Leclerc were not originally large companies belonging to other sectors. They developed through innovation in distribution. They were all small innovative companies which went through all the phases of development to become multinationals with shops on three continents and in 24 countries, as in the case of Carrefour today.



Mr. Ron Duijkers
Head of Division, CBS - Statistics Netherlands

Abstract

This paper informs briefly about the developments of concentration and co-operation in the Dutch retail trade during the last ten years. It shows the growing importance of large enterprises and their growing share in total turnover on the one hand and the use of the co-operation tool by small enterprises in their struggle for survival on the other hand.

I have been asked as a statistician to tell you about concentration and cooperation in the retail trade. Owing to a lack of figures for Europe as a whole, I have limited this short presentation to the situation in the Netherlands. I do think, however, that the developments over the last ten years which I will be presenting broadly reflect the trends in the other Member States of the European Union. As a statistician it is my primary task to show you the facts; it will be for you to interpret these trends and the background to them.

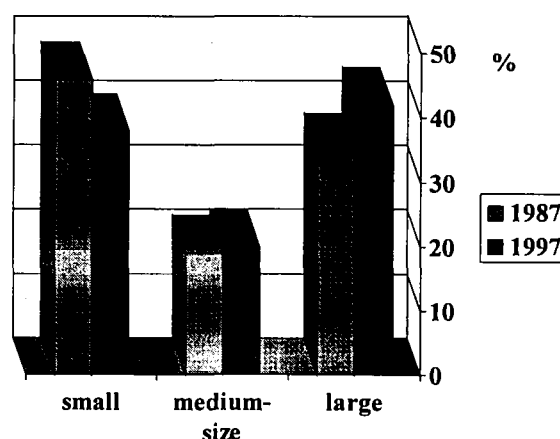
Concentration and cooperation in retail trade in the Netherlands

- Importance of large enterprises
- Concentration with non-specialised enterprises
- Cooperation as a competitive edge for small enterprises

In this presentation I will be illustrating

- the growing importance of large enterprises,
- the increasing concentration of non-specialised enterprises into clusters of sectors in the retail trade;
- how small enterprises use cooperation in their struggle for survival

Retail trade, share of turnover (%)



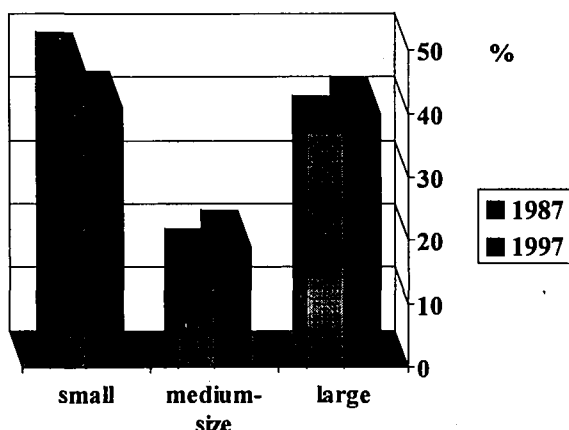
This slide shows how the structure of trade has developed in the Netherlands over the past ten years.

Of the total of about 90 000 enterprises in the retail trade in the Netherlands, 97% belong to the category known as small enterprises, i.e. those employing fewer than ten persons, 2.7% are medium-sized enterprises (employing between ten to one hundred persons) and only 0.3 % percent are large enterprises (employing more than one hundred persons). Small enterprises typically have only one store and large enterprises may have hundreds of stores.

In the last ten years, small enterprises have seen their share of turnover in retail trade fall sharply, losing almost 10 percent of share to the large enterprises in particular. Medium-sized enterprises have remained steady or have even seen a slight increase in turnover



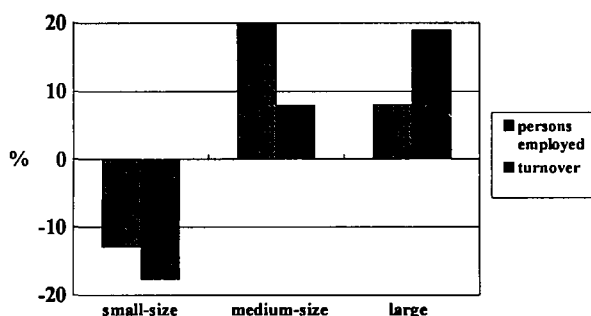
Retail trade, share of employment (%)



The trend in employment is almost the same as in turnover share.

I say "almost" because there are also differences which are typical to this area. Over the last ten years the employment share of small enterprises has fallen steeply, not only in the favour of large enterprises but also, latterly, in favour of the medium-sized enterprises.

Trends 1987 – 1997 (%)

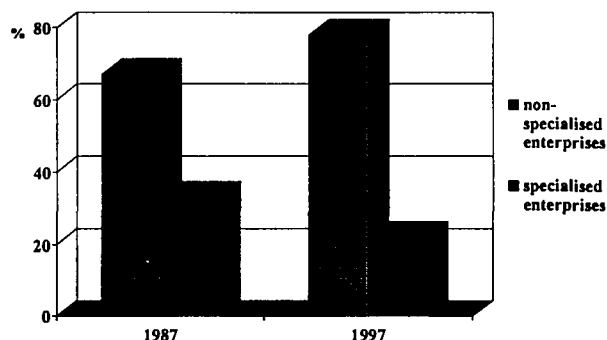


What can we learn from these developments? The facts show us that the fall in turnover share of small enterprises has been more severe than the fall in the numbers they employ. Almost the mirror image of this trend (i.e. offering more service for less turnover) can be seen in the case of medium-sized enterprises. Their employment share has risen more in the last ten years than their share of turnover. Thus, for the medium-sized enterprises a slightly upward trend in turnover share is accompanied by a far greater increase in their share of employment.

It seems that the level of services provided by both small and medium-sized enterprises is growing in relative terms. The opposite is the case with the large enterprises. Here the figures show a sharp increase in

turnover, while growth in numbers of employees remains relatively small.

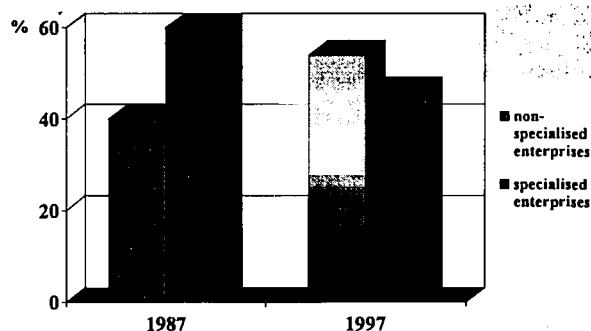
Retail trade in food, share of turnover (%)



Let us look now at some specific sectors of the retail trade and try to find out how large enterprises achieve their increased turnover share. These figures demonstrate that offering consumers the convenience of one-stop shopping, with a broad range of articles at often relatively cheap prices, has worked well in the past.

First, the retail trade in foodstuffs. In the Netherlands, this sector accounts for almost 40% of retail trade turnover. In the last ten years the share of turnover of the non-specialised food stores (such as supermarkets) has risen sharply; the opposite is the case with specialised food stores. Butchers, greengrocers and so on have lost much of their turnover share. Nowadays, in the Netherlands almost 60% of meat and vegetables, for instance, is sold in supermarkets.

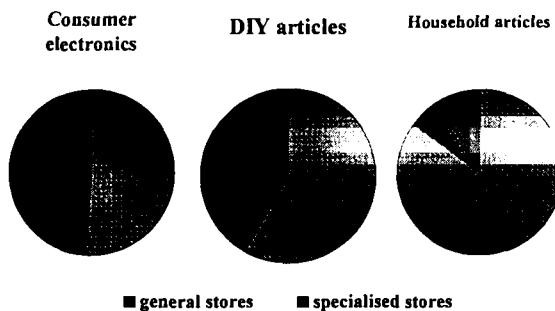
Retail trade in clothing, share of turnover (%)



The same situation is found in the consumer market for clothing.

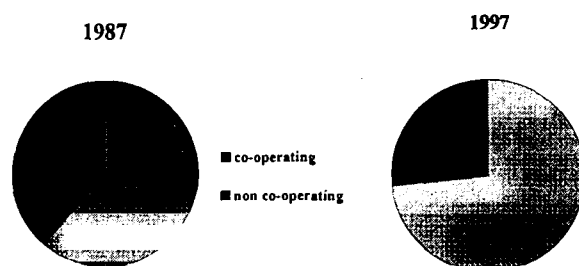
General clothing stores selling clothes for the whole family have gained 15% of market share over the last ten years. They now account for over half of the clothing purchased in the Netherlands, from only 40% in 1987. So this is another area where the (often) small enterprises, specialising in selling children's clothing or women's or men's clothing, have lost ground.

Share of turnover (%)



Further examples of sectors where general outlets now account for more than half of the consumption. General consumer electronics outlets now have 51% of the market; the often very large stores, in terms of sales surface area, with a wide range of items, have more than 60% of the DIY market in the Netherlands and, in the household goods sector, specialised outlets make up only 15 % of market share.

Share of turnover in small and medium-sized enterprises



What must the small and medium-sized enterprises do to survive?

The earlier slides showed the huge threat posed to small and medium-sized enterprises by large enterprises.

Large enterprises have the benefits of size in a number of areas:

- purchasing power
- marketing power
- administrative power
- labour market power

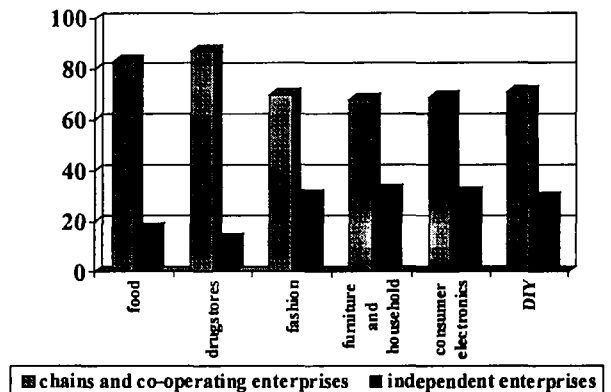
and so on

As a individual enterprise it has become almost impossible to compete with the large enterprises.

In order to survive, therefore, small and the medium-sized enterprises are obliged to co-operate more and more as a means of defending themselves and perhaps even as a means of going on the attack. Together they can also have purchasing power, marketing power etc.

This trend of cooperation has produced the following results. The share of turnover of the small and medium-sized enterprises achieved by cooperating enterprises rose from 61% in 1987 to 74% in 1997. The totally independent enterprises who do not cooperate are an endangered species and account for barely 26% of the turnover of the small enterprises.

Share of turnover (%), 1997



By introducing franchising-systems, for instance, small and medium-sized enterprises often operate on the consumer market using the same trade-name, the same range of articles and the same marketing tools. This means that, to the consumer these enterprises do not differ from large chains. People even assume that they belong to the large enterprises.

As the consumer sees it, and taking the turnover shares of the large enterprises together with those of the co-operating smaller enterprises, the picture is as follows:

- In foodstuffs the market share of large enterprises is 83%
- In drugstores 87%
- In fashion 70%
- and in furniture 68%

Are users of retail trade statistics interested in having data on concentration and cooperation?

This brings me to the end of my short presentation.

The issue of how to inform the various users about developments in concentration and co-operation in the distributive trades was recently discussed in a working group of European statisticians. I know that in my country there is a great deal of interest in these developments, as there also is in France, for example. I was therefore very surprised to hear from a number of my statistician colleagues during the discussions that there was no interest at all in statistical information about this subject in their countries. That is the reason for ending my presentation with this question...



Mrs. Catherine Argoyti
Official, European Commission – Enterprise DG

Abstract

To preserve the harmonious coexistence of the various types of distribution, we must foster cooperation between small and medium sized firms.

For that, we need the most detailed possible picture of national and European distribution mechanisms. In practice this means that we need to know how the different forms of trade break down by size, numbers of employees, turnover and profitability per head or per m², enabling these factors to be compared across Member States.

The obvious approach seems to be a far more sustained collaboration between the Commission and the Member States on this issue. It would be a good idea to think about more carefully harmonised definitions of commercial structures: types of establishment and classification by size and mode of distribution.

Where cooperation is concerned, work needs to continue on a tailored methodology enabling the links between commercial firms to be identified and measured.

Lastly, the sector itself can make a useful contribution to supplying these specific data.

However, we must take into consideration administrative burden for enterprises and public administrations in order to try to reconcile what is desirable with what is possible.

The European Commission has for many years been monitoring trends in the concentration of the distributive trade sector and the emergence of mechanisms for cooperation between commercial SMEs.

In its White Paper on commerce the Commission stressed the danger inherent in excessive concentration of this sector: if the retail market in Europe were reduced to a handful of large and dominant chains, small and medium-sized firms would become extinct and the number of sales outlets would dwindle. Such a concentration in the distribution sector might reduce the choice of available products, the variety of sales systems and the number of shops – particularly in town centres and rural areas.

The Commission's role here, I feel, is to preserve the harmonious coexistence of the various types of distribution in order to safeguard freedom of choice for the consumer, diversity in the goods on offer and healthy competition.

To achieve this we must foster cooperation between

SMEs.

Organised trading offers not merely the flexibility and service which are characteristic of small shops, but also the logistics of large-scale structures, and can enable small traders to modernise by expanding their sales areas, using new technologies and training their managers. It is clear that commercial SMEs have little chance of becoming or remaining competitive without pooling some or even all of their activities. In order to buy and sell under optimum conditions they need to have knowhow.

The idea is not to safeguard small, unprofitable local shops at any price, but to promote small-scale distributive trade which is highly competitive, offering both attractive prices and high-quality service to consumers. Small shops which are competitive are also a rich source of jobs.

What is true of distributive trade policies in general is even more true of policies designed to support balanced development in the sector: we need the most detailed



possible picture of national and European distribution mechanisms. In practice this means knowing how the different forms of trade break down by size, numbers of employees, turnover and profitability per head or per m², enabling these factors to be compared between one Member State and another. The data must, of course, be recent for the analysis to be relevant to a sector which is constantly and rapidly changing.

I can reassure our statistician colleagues that I am only too well aware that this is pie in the sky at present. But there is nothing to stop us trying to improve the situation. The obvious approach seems to me to be far more sustained collaboration between the Commission and the Member States on this issue. We should begin with a detailed inventory of what the statistical institutes in the Member States are able to produce, the improvements aimed at and the help the Commission is able to offer.

It would also be a good idea to think about more carefully harmonised definitions of commercial structures: types of establishment and classification by size and mode of distribution. This is the main stumbling-block to data comparability between the countries of the European Union.

Lastly, where cooperation is concerned, work needs to

continue on a tailored methodology enabling the links between commercial firms to be identified and measured. Here, too, the situation is a complex one: new types of link are constantly emerging, ranging from almost total integration to simple pooling of a commercial activity such as purchasing or an area of logistics, not to mention two-way cooperation mechanisms.

Lastly, the sector itself – the firms themselves, professional organisations and chambers of commerce – can make a useful contribution to supplying these specific data. Here, too, the subject needs to be discussed more thoroughly, because we must not forget that data collection is an added administrative burden for those in charge in the sector.

Identifying requirements, perfecting suitable methodologies and collecting and processing data in a sector as complex as this one demands a sustained effort from all concerned and it is clear, when we consider the budget and staff restrictions and administrative workloads facing the businesses concerned, that not everything will be possible. This is why meetings like this one are so useful, not merely for pinpointing needs and constraints but also for making choices and fixing priorities in an attempt to reconcile what is desirable with what is possible.



Mr. D. Labatut
Secretary General, UGAL

Abstract

Mr Labatut of AROW (Association of Retailer-Owned Wholesalers in Foodstuffs) pointed out that the public debate on competition law at the Commission in recent years clearly showed that the Commission's own departments did not possess the type of statistics which would enable them to assess the size and economic significance of the various groupings of SMEs in the distributive trades, and which would above all enable them to treat these groupings consistently on the basis of their market impact, and not on the basis of their legal structures.

The lack of these crucial statistics has made it extremely difficult for operators to express the specificities and advantages of trade groupings in particular, and has prevented the real situation from being fully understood.

1. Thoughts on cooperation, commerce and vertical restrictions

Very good document by Professor Colla, bringing into focus both the economic arguments for cooperation in the distributive trades sector and the resultant objective factors underlying the compelling need for SMEs to cooperate.

One regret: when UGAL endeavoured in 1989 to secure non-discriminatory treatment for cooperative ventures, i.e. to obtain for them the right - enjoyed by competitors - to choose the organisational forms best suited to their own particular activities, no such analyses were available at the time. Studies first had to be carried out, particularly in collaboration with the Munich-based IFO Institute, to underpin these efforts.

Lack of structural data on forms of commerce in 1989/90

Needs: statistics on the size, economic development, sectors of activity, structures and economic importance, within the retail sector and compared with wholesaling, of the *various forms of cooperation between independent traders* - and even *between other forms of commerce*.

Obstacles: do the effects of creativity and continual modification make it impossible to gauge, codify and analyse a form of cooperation before change occurs?

The Council Resolution in 1994, but above all the 1996 Green Paper on Commerce and the 1996 Green Paper

on Vertical Restraints in Community Competition Policy brought about a real change in mentality.

Then came the Opinions of the European Parliament and the Economic and Social Committee in 1997, followed in 1999 by those on the draft Regulation on Vertical Agreements, not forgetting the White Paper on Commerce, in which it is stated that *"the Commission welcomes cooperation between small and medium size enterprises when this cooperation allows them to increase their efficiency and expand their productivity and competitiveness ... and to guarantee competition on fair terms with other economic entities such as the integrated commerce sector"*.

As far as UGAL is concerned, the economic situation makes cooperation in the distributive trades essential, as the absence of a **cooperative framework** would not only lead to the disappearance of **commercial SMEs** but would also diminish the variety of goods and services on offer to consumers and the range of outlets available to producers. The bottom line would be **reduced competition**.

Professor Colla also stresses that successful purchasing management nowadays depends on mastery of the sales side - hence the development of some cooperative ventures from a straightforward purchasing setup into an out-and-out marketing organisation.



"Against a backdrop of vigorous concentration efforts on the distribution and supply side, business groupings are in keen competition with chains. Nevertheless, it would be too simplistic to explain the competitive advantages of chains purely in terms of purchasing power. Branches of industry fix their purchasing terms and conditions not only on the basis of volumes purchased but also, and to an ever increasing extent, on the basis of the specific distribution and outlet services provided by the distributive trades. This also explains why the nature of business groupings in this sector is developing away from straightforward purchasing cooperatives towards marketing groups, with the aim of increasing member enterprises' contributions to value added,"

UGAL entirely agrees with this analysis by Mr Dieter Wolf, President of Germany's Federal Cartel Office ¹.

It is in this setting that cooperative groupings have devised marketing schemes as conceptually free-standing products and made them available to some of their members. **These systems** are designed and developed centrally along mainly vertical lines without any anti-competitive intentions. Indeed, they are put in place with the aim of **guaranteeing and safeguarding free competition**. It is the lack of such systems that is worrying and dangerous as far as competition is concerned, as they are a key factor in maintaining a large number of operators on the market!

In loyalty-promoting systems operated as part of a trade-name policy and brought into play in case of a member leaving the network ²: "...each operator ... retains his competitive strength on the market by virtue of a membership loyalty scheme, the objective thus defined being a contributory factor towards improving competition and not restricting it, as it enables a plurality of operators to be maintained in terms of both number and organisational diversity; a converse situation would entail the risk of a monopoly arising, to the benefit of one operator only, or of restrictive agreements coming about among a small and restricted group of operators, which would put consumers at a disadvantage and be contrary to the objective pursued..."

Numerous elements have contributed to this progressive and irreversible trend towards carefully designed marketing groups in the distributive trades sector. The most notable of these factors have been ³:

The need for group communication: SMEs grouped together for the purpose of commercial cooperation have to project a uniform image of their products and services in the marketplace. At all events, group advertising based on price and product information is only possible if there is a homogeneous corporate

identity.

The need to adapt to new technologies: the use of JIT (just-in-time) delivery and advanced ECR (efficient customer response) techniques makes intensive coordination structures essential.

The information society: only by way of commercial cooperation will small traders be able to adapt in line with future market developments.

The development of policies on site safeguards and succession arrangements: this sometimes involves the direct management of outlets to prevent them from disappearing altogether or being taken over by competing groups. It is against this background that numerous groupings have centrally developed and tested their own marketing schemes and made them available to certain categories of group member.

New forms of vertical relations: features of this marketing setup include, for example, the use and development of own-brand products, promotions and policies on prices, ranges and product positioning.

Greater account being taken of **specific distribution services offered by the distributive trades to manufacturers**, resulting in commensurate remuneration.

In its Green Paper on Vertical Restraints, the Commission notes "...a movement towards the replacement of conventional supply-driven distribution channels by planned, professionally managed, demand-driven supply chains in which suppliers, manufacturers, wholesalers and retailers act as an integrated system and compete against other integrated systems..." ⁴. **This competition between groups exemplifies the new commercial battle being fought out on the markets.**

It is precisely because inter-group competition is currently the dominant feature of the commercial battle in the marketplace that UGAL has asked the Commission to ensure that **competition rules applicable to new forms of cooperation be designed not so much to gauge competition between members as to guarantee genuine scope for fair competition with other commercial groups.**

There has to be an appropriate "balance between cooperating SMEs and integrated retailers" ⁵. This is of the essence because "any assessment of groupings in terms of competition law must be made against the background of increasingly dynamic systematic competition" ⁶.

The emergence of the information society and electronic commerce could result in a weakening of inter-brand competition. The presence of independent operators on the market therefore needs to be safeguarded by way of



up-to-date marketing systems underpinning their commercial cooperation.

UGAL has requested that the rules governing vertical agreements stipulate the same rights and obligations for all forms of commercial cooperation and that the **Commission take into account the economic impact of commercial cooperation on the market** and no longer merely make a negative presumption based only on an incomplete reading of their legal status.

Lack of structural data on forms of commerce in 1996/97
Needs: a measure of competition between groups, structures, economic impact of inter-brand competition on the retail trade, but also that of intra-brand competition on the various forms of cooperation between independent traders.
Needs vis-à-vis the Commission, the European Parliament and the Economic and Social Committee!
Obstacles: see above.

2. draft regulation on vertical agreements

There is no justification from the economic point of view for fixing a turnover figure applicable only to members of distributors' associations. The size of certain individual member enterprises reflects the dynamism of the association as a whole, and the **"big" retailers are an essential factor** in maintaining the balance and assuring the further development of a distributors' association. Moreover, the introduction of such a limit is particularly unsuitable for the distribution sector. Nor is the limit justified from the legal viewpoint, as the Commission already has numerous specific control instruments at its disposal. **This specific limit goes against the grain of the Commission's declared objectives.** What is more, the limit is discriminatory, as it spells the end of equality between retail associations and other forms of commerce on the one hand, and within the retail associations themselves on the other. Finally, this limit is liable to promote **artificial economic behaviour**.

This restriction of the Regulation's scope is not justified, as the size of certain member enterprises of such associations also reflects the economic dynamism of the association as a whole.

- Most enterprises belonging to distributors' associations generate a turnover of less than EUR 50 million. In areas such as food and DIY, however, the more dynamic members are already achieving figures in excess of EUR 50 million as their operations reach hypermarket scale. This will soon be the case in other product areas too, e.g. sports equipment.
- It is now increasingly the case that certain association members are at the head of an

enterprise group comprising several medium-size outlets whose aggregate turnover in more and more cases exceeds EUR 50 million.

- The abrupt nature and sheer irrelevance of a EUR 50 million threshold will be detrimental not only to the economic dynamism of leading association members but also to the development of the group as a whole. From the economic point of view, it can be stated that, within such groupings, it is the members with a turnover in excess of EUR 50 million who are the driving force of the particular association. Very often, these members are "small" retailers who have crossed the threshold by gradually building up their figures but who, in turn, provide other "small" traders with the critical volumes they need in order continually to develop their techniques and business approaches. The upshot is a guaranteed evolutionary cycle for the association. "Big" retailers play a vital role in maintaining the balance and assuring the further development of a retail association. A mode of treatment ultimately restricting their growth and limiting their presence in an association would deal a devastating blow to the association's dynamic development and inevitably lead to its demise.
- It is regrettable, finally, that the size of "big" members is never taken into consideration in a positive sense. For it is precisely the "small" members of a distributors' association, especially in regions with a low population density, who benefit most from being associated with larger retailers. Thanks to the negotiating power wielded by the association, they are able in particular to secure attractive purchasing prices which they can subsequently pass on to the end-consumer.

Applying a limit of EUR 50 million is particularly inappropriate when it comes to gauging the situation of companies in the distribution sector. This figure makes a meaningful assessment of each retailer's market power impossible. Moreover, if the motor vehicle distribution sector were to be governed as of tomorrow by the common legislation on vertical agreements, the EUR 50 million threshold would be even more inappropriate.

This limit also runs counter to the objectives set out by the Commission⁷, in whose view the Regulation *"treats different forms of vertical agreements having similar effects in a similar way, preventing unjustified differentiation in policy between forms or sectors and avoiding a policy bias in the choice companies make concerning their formats of distribution."* This limit is also discriminatory, as it is brought into play not by an examination of the economic impact - market power - resulting from a system of vertical agreements but by



the mere existence of a legal structure, namely an association of distributors!

The fixing of a maximum turnover figure, as proposed by the Commission and intended for automatic application independently of market analysis/assessment or of any examination of the competitive impact of the association, fails from both the economic and legal points of view to observe the principle of equal treatment recognised as a general principle of Community law. In the view of UGAL-IVE, this represents above all an end to the necessary equality of treatment between retail associations and other forms of commerce.

- It should be emphasised that, for several years now, some integrated enterprises (and not the least significant ones) in the retailing and distribution sector have been operating a franchise system in which there are franchisees who regularly generate turnover figures well above the maximum envisaged in the draft Regulation.
- The networks set up by these integrated enterprises and organised in the form of a franchise setup will unquestionably receive preferential treatment compared with distributors' associations, although these two categories of networks are clearly in competition with each other. All integrated companies will have to do is comply with the exemption provisions contained in the Regulation and they will escape from any obligation to file a notification in order to obtain individual exemption on the basis of Article 81(3) of the EC Treaty. By contrast, distributors' associations will have to ensure that no member exceeds an annual turnover figure of EUR 50 million if they are to avoid having to file a notification of their vertical agreements.
- This discrimination is all the more unacceptable because some franchise networks put in place by integrated enterprises tend to resemble retail groupings in both form and structure. Thus, several of these networks have established regional or national purchasing centres whose franchisees are shareholders, the idea being to tie these franchisees into the network as it grows and thereby bolster its coherence and homogeneity.
- In this context, it is difficult to understand why the Commission insists on singling out distributors' associations and subjecting them to discriminatory and ineffective restrictions causing competitive distortions to their detriment.

This limit also ends equality between retail associations, as can be illustrated by a few examples:

- If, within a small association of distributors, the majority of retailers are within the limit while a minority generate a turnover in excess of EUR 50

million, the association will be obliged to file a notification.

- By contrast, another association with an appreciably higher number of retailers, may post a higher turnover figure overall and accordingly achieve much higher percentage market shares. This association will not be required to make a notification as long as its members, although more numerous, each remain individually below the EUR 50 million threshold set by the Commission.
- There is no doubt that this situation will encourage artificial modes of economic behaviour. Some associations will feel compelled to require their members not to exceed the thresholds specified in the Community Regulation, so as to avoid having to apply for individual exemption - a major cost factor involving protracted administrative procedures of uncertain outcome. Such competition-restricting behaviour will fly in the very face of the Regulation's objective set out above.

Lack of statistical data in 1999

Needs: data on the economic significance of this EUR 50 million threshold. What are the turnover figures of high-performing retailers involved in cooperative ventures, what input - e.g. in terms of purchasing volumes - do these mass distribution outlets provide for the cooperation setup? Economic relationship between the turnover figures of the various outlets and the market power of a cooperative venture, etc.

Needs vis-à-vis the Commission, the European Parliament and the Economic and Social Committee!

At all events, if such a limit were nevertheless maintained, the figure should not be frozen within a regulatory framework that is difficult to alter. Given the need for regular revision of the threshold amount in order to take due account of economic developments, the principle of such revision should be included in the guidelines if it cannot be directly introduced into the draft Regulation.

Future statistical data requirements

Needs: data on development of sales area and turnover figures by type of outlet, size - market shares - of other cooperative networks on a particular market, market shares of major groups, economic significance and relationship between a 30% market share threshold and market power, all statistical elements contributing to market-share calculations.

3. Finally: is an independent trader nowadays less independent within a cooperative setup?

Being independent no longer means standing alone. Independence can exist within inter-dependence. By joining a cooperative venture or, more often, a trade-



name arrangement, the independent operator can break free from certain constraints and from certain functions which he is no longer able to master properly alone and at his level. A cooperation arrangement provides the

independent trader with the back-up needed to enhance the services offered to his customers. He remains the master of his own destiny but can avail himself of instruments delivering higher performance capability.

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- 1 Speech by Mr Dieter Wolf at the colloquium entitled "Increasing the room for manoeuvre enjoyed by business alliances - Scope of Article 5c of the Law prohibiting restraints on competition (*Gesetz gegen Wettbewerbsbeschränkungen* - GWB)", 19 September 1997, ZGV publication series, vol. 5, p 43.
 - 2 Judgement by the Court of Appeal in Versailles dated 27 March 1997 in the case of GALEC/Sac. So Bouliac Distribution/SA: validity of the protection system put in place by the Leclerc group on the basis of a penalty clause designed to discourage a member from leaving the group and joining the competition.
 - 3 Concerning all the factors cited, see UGAL's commentary on the Commission's Green Paper on Commerce.
 - 4 Cf. Article 50 of the Commission's Green Paper on Vertical Restraints.
 - 5 "Manifesto of European Commerce", EuroCommerce, Brussels, November 1996, p. 20.
 - 6 Cf. Mr Dieter Wolf, note (7) to the speech cited above.
 - 7 See Communication from the Commission on the application of the Community competition rules to vertical restraints (Follow-up to the Green Paper on Vertical Restraints) – OJ C 365, 26.11.1998. p. 22. See also the "Guidelines on vertical restraints", point 22.

ROUND TABLE D

Innovation

What are the commercial innovations in trade? Are new distribution channels and trading formats emerging?



Summary report

Mr. Joseph Madden
Central Statistical Office, CSO - Ireland

Abstract

Innovation in trade is largely **driven by** the needs of consumers and the requirement to improve the satisfaction levels of consumers.

Innovation in trade can broadly be **classified** into the main headings of:

e-commerce, other new channels and formats (including new players, new locations and new assortments), technological innovation, process innovation, item or product innovation, cross border retailing and fun shopping.

Factors **influencing** innovation in trade include the imposition of open markets, respect for competition rules, increased mobility of consumers (cheaper flights, more cars etc.) and the entry of young people to retailing.

The discussions also covered the types of **commercial innovations** in trade and also referred to new distribution channels and trading formats.

In conclusion, the **implications** of new data demands for future statistical developments were considered.

Introduction

In his introductory comments, the chairman, Mr. L. Ricci-Risso referred to earlier comments by Mr. Carvounis regarding Commission interest in the topic of innovation. These were that the Commission was particularly interested in two aspects of innovation, namely, '**legislative aspects**' (regulations, directives etc) but also '**flanking measures**' based on the use of structural funds, research funds etc., and that both of these aspects involved a statistical dimension in order to understand the innovation phenomena and that both needed to be measured both 'upstream' and 'downstream'.

The chairman suggested that since innovation led to change, that this underlined the importance of the topic 'innovation'. He referred to the various forms of innovation e.g. new services, new formats, new locations and new internal structures, the impact of innovation and the fact that innovation also arose from other developments already discussed, such as 'concentration' (the formation of voluntary unions, cooperatives, mixed networks etc.).

Presentation by Prof. Zentes

The presentation of Prof. Zentes referred to new innovations in retail trade and pointed to forecasts to the year 2005. His paper was based on empirical studies on the situation in Germany, Austria and Switzerland carried out in 1988 and 1989 at his institute. His basic message was that commerce could expand beyond four boundaries in the future. These expansion areas could be:

- *new players* not active at present,
- *new range/assortments* of goods and services,
- *new channels and new formats* and
- *new locations*.

Examples of **new players** were:- producers selling directly to end users, a concept sometimes referred to 'verticalisation of manufacturing' (this was already happening e.g. AVON), producers having more retail 'own brand' shops (e.g. NIKE, LEVI, ADIDAS etc.), producers having 'factory outlets' as in Germany and finally 'direct sales' to consumers via various e-commerce modes.

Examples of **new assortments** were:- food shops now



in competition with the catering area having to react accordingly with new ranges of goods and services e.g. consumer catering goods and services such as home meal replacements, restaurant services etc., electronic goods in department stores and consumer goods in service stations.

Examples of **new channels/formats** were:- remote ordering through the use of telephone, fax, internet, e-mail with goods being delivered or per some pick-up location. What was happening was that increasingly goods were going to the consumer rather than the traditional situation where the customer went to the goods.

Examples of **new locations** were:- train stations, post offices, military sites, airports etc. being renovated and converted to large shopping areas.

Prof. Zentes suggested that in the future we could expect 'sales surface areas' to increase and that this would impact on traditional locations. He also referred to another development where existing institutions/enterprises were becoming involved in retail commerce and that this was resulting in greater convenience for the shopper e.g. canteens in offices, the availability of consumer goods and services in service stations etc. He predicted, that in the future, about 35% of existing trade would go to other/new players and other/new locations.

Statistician view

Mr. P. Roussel from INSEE contributed a view of a producer of statistics in relation to the innovation phenomena. In his opening comments, he clarified that since innovation by its nature was a current and future phenomena, that statistics relating to it were necessarily not readily available. He however concluded that it was necessary to produce some statistics on what was happening. In that regard he expected to see a Community study/proposal on the topic 'innovation in commerce' by the year 2001 but he hoped that any requirements for statistics arising from these actions would not be too demanding of statistical providers.

He suggested that innovation in trade could be categorized into three main areas.

These were:

- *innovations in client relations.*
- *new trade formats and*
- *new forms of cooperation/association*

The first category would include for example the reorganization of sales space to suit peoples needs and also had a 'location aspect', the second category varied by country whereas some of the new forms of

cooperation/association resulted from new communications developments.

In acknowledging that these new phenomena needed to be better understood, Mr. Roussel felt that there would be diverse and difficult statistical problems to be faced in endeavoring to produce comparable country by country statistics on aspects of innovation.

Presentation by Mr. P. Wilhelm

In his presentation, Mr. P. Wilhelm made reference to four main areas of innovation affecting retail activity in recent times, all of which had helped to improve the lot of the consumer. These four areas were:

- e-commerce,
- factory outlets,
- cross border retailing and
- fun shopping

He suggested that these innovations resulted from the imposition of open markets, respect for competition rules, increased mobility (because of cheaper flights, more cars etc.), the entry on young people to retailing. It was also helpful, he noted, that developers were listening to the wishes and reactions of consumers.

Mr. Wilhelm suggested that innovation at retail locations included the following three aspects:- the extensive or diverse range of products being made available at the one location, the environmental appeal (comfort) but also the availability of leisure facilities etc. and the common promotional approach by retail units.

With regard to the requirement for statistical information on innovation phenomena, Mr. Wilhelm's paper outlined a clear need for additional statistical information in the area of innovation to include at least the four principal areas of:

- consumer expenditure calculated both by zone and by retail format (shopping centres, local shops, factory outlets, hypermarkets, city centre shops, etc.),
- turnover figures per square meter per zone, by retailing sector and by retail format,
- the impact of factory outlets and
- the impact of multiplexes

Presentation by Mr. C. Nossent

In the introduction to his presentation, Mr. C. Nossent clarified that the views he would be expressing were his own views and not those of the public authorities sector. He referred to developments in the last decade, to causes and effects of structural change in retail commerce. He referred to innovations in retail commerce such as the diversity and quality of products



now offered, services rendered, the location of establishments and the availability of 'discount' outlets. He also referred to some of the reasons behind the expansion of commerce including the lowering of prices and the introduction of special offers.

He expressed a word of caution regarding the implications of continuing development of mega commercial centres on the periphery of towns and cities which could disrupt the functional equilibrium of long standing town/city structures.

He also referred to the saturation of the food sector and the scope for development in the other non-food sectors where *diversity of products* would play a large role. He also suggested that the *specialisation of products* e.g. *second hand stores* activated the interest of consumers.

On the issues relating to statistical requirements, he suggested that the harmonisation of definitions in the retail sector was of major importance and that aspects of innovation such as the multi-national dimension (cross border), modes of Cupertino, types of outlet by category of products sold and e-commerce needed to be quantified.

Conclusions

In summary therefore, innovation in trade is largely **driven by** the needs of consumers and the requirement to improve the satisfaction levels of consumers.

On the basis of the papers presented and subsequent discussions, I consider that innovation in trade can broadly be **classified** into the main headings of:-

- *e-commerce*,
- *other new channels and formats* (including *new players, new locations and new assortments*),
- *technological innovation*,
- *item or product innovation*
- *cross border retailing and*,
- *fun shopping*.

The factors influencing innovation in trade include:-

- the imposition of open markets,
- respect for competition rules,
- the increased mobility of consumers (cheaper flights, more cars etc.) and
- the entry of young people to retailing.

What are the **commercial innovations** in trade including the new distribution channels and trading formats ?

- *use of e-commerce or e-business* ,
- the availability of extensive and diverse ranges of

products at the same location (*new assortments*)

- a common promotional approach by retail units in the same location,
- use of factory outlets (*new players*). Reference was made to producers taking an ever increasing retailing role. This is already happening by means of 'direct selling' and 'proprietary sales' outlets but also by maintaining selling space in factory outlet centres.
- other *format innovations* e.g. meal centres, catalogue shopping.
- the environmental appeal (comfort) of the shopping locations but also the availability of leisure facilities such as car parks , banking facilities etc. at the location.
- use of other '*new locations*' such as petrol service stations and converted properties (eg military barracks, industrial premises, railway stations, post offices etc)
- application of *information technologies* to monitor customer behaviour, use of automated warehouses etc.
- *process innovation* such as the use of customer loyalty schemes, stronger branding of the firm.
- *product innovation* such as the introduction of new brand food and non food products, home meal replacements and other catering aspects.

Implications for future statistical developments.

It was clear that there was a need for new statistics on the increasingly important phenomena of innovation in trade. It is clear in the first instance that a catalogue of definitions will be required. Requirements suggested included:

- consumer expenditure calculated by zone and by retail format (shopping centres, local shops, factory outlets, hypermarkets, city centre shops etc.),
- turnover per sq. metre , per zone by retailing sector and by retail format (market share data).
- statistics on e-commerce variables
- statistics on 'concentration'

A **word of caution** was articulated ¹, namely, that the need for these and other additional statistics needed to be clearly ascertained and articulated by users before any increase in the **administrative burden** on survey respondents was contemplated.

It seemed to be agreed generally, that if new statistics were required, that there needed to be some 'trade-off' between those new requirements and existing statistics while at the same time maintaining some important 'core' set of existing statistics. It was also suggested that consideration be given to the usefulness of adhoc surveys and studies.



¹ Speakers at the seminar articulating the need to be mindful of not increasing the administrative burden on enterprises included Mr. J. Madden (IRL), Mr. P. Boegh-Nielsen (DK), Mr. K. Perry (UK), Mr. P. Carvounis and Mr. P. Diaz Muñoz

Dr. Joachim Zentes*Director of the Institute for Commerce and International Marketing - Saarland University*

Abstract

The retail landscape of tomorrow will be shaped by four general developments:

- new players
- new assortments
- new locations and
- new channels/new formats

It is fair to assume that the retail sector will be forced to relinquish between 33 and 38 per cent of its market share to other locations, other providers, different selling forms or new locations.

1. General Developments in Commerce

According to the HandelsMonitor I/98 and II/98 studies undertaken by the Institute for Commerce and International Marketing at Saarland University, the retail landscape of tomorrow will basically be shaped by four general developments: new players, new assortments, new locations and new channels/new formats.

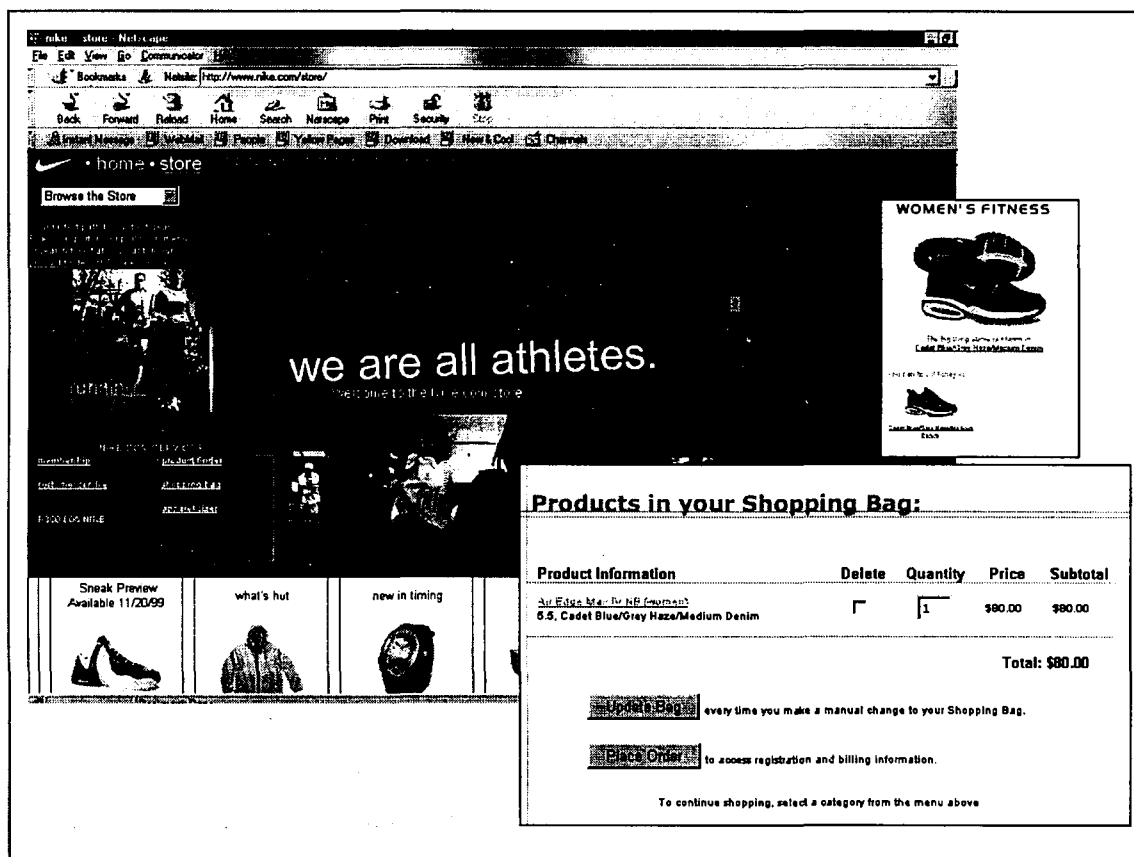
Figure 1. General Developments in Commerce

**2. New Players****2.1 Controlled Distribution**

Suppliers – in other words producers – can be expected to emerge more strongly as the "external" competitors of the retail sector. Alongside traditional forms such as direct selling and proprietary sales outlets, the industry is certain – despite the heated discussion this currently provokes – to adopt aggressive-price marketing strategies by establishing factory outlet centres. As developments in the USA have already shown, producers from non-fashion or non-seasonal sectors (e.g. in the building or DIY branches) will also maintain selling space in these centres. Producers will additionally engage in direct selling using "electronic channels" such as Internet-based e-commerce (see Figure 2).



Figure 2. Internet-based direct selling



2.2 Retailing without Retailers

However, it will not only be producers that establish a commercial presence on the Internet: retail companies will undoubtedly join in themselves. The Internet also provides a platform for new, potentially international, strategic alliances between service providers, e.g. media companies functioning as "brokers", producers, logistics service providers that take care of physical distribution and clearing institutes responsible for payment flows (see Figure 3). The first signs of retailing across global networks which bypasses "the retail sector" in the usual sense of the term are already apparent (see Figure 4).

Figure 3. New Players: Electronic Commerce

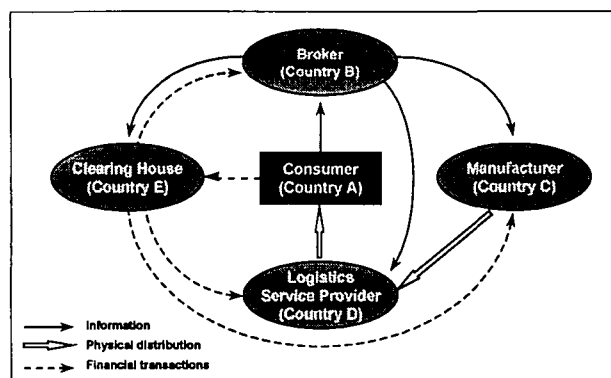


Figure 4. e-Christmas and NIFTY as Virtual Organizations



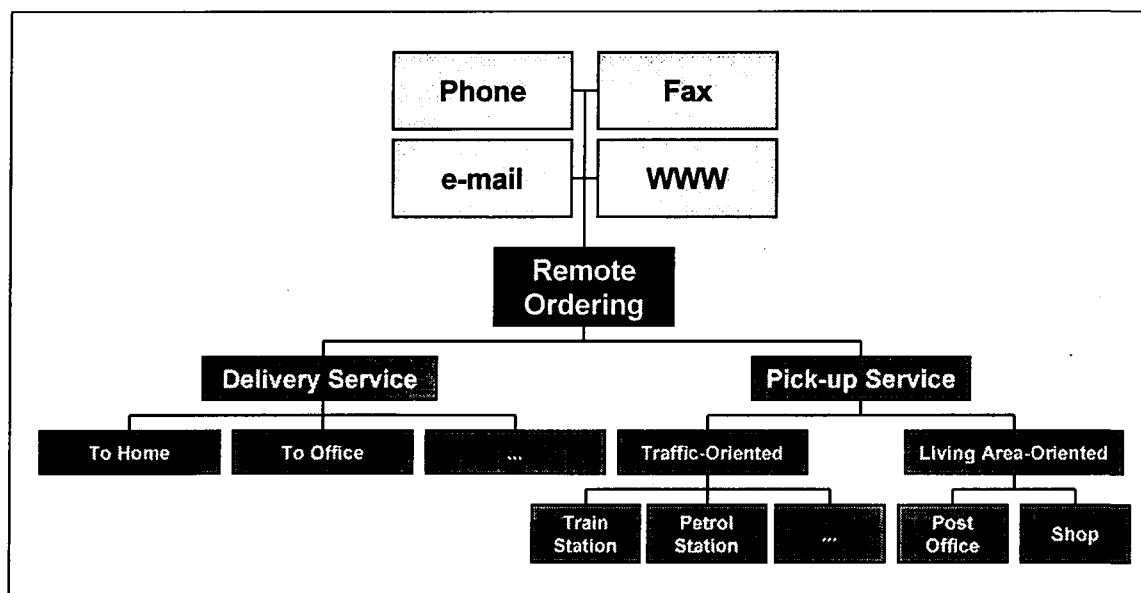


Figure 5. New Channels: Remote Ordering

3. New Channels and Formats

3.1 Remote Ordering

However, ordering over the Internet (WWW) is just one form of remote ordering, whereby the latter is a sure candidate for growth given the increasing importance attached to consumer convenience. Conventional forms of ordering – over the phone, by fax or even by e-mail – also need to be borne in mind. All these ordering methods will need to be linked with a range of different order and pick-up forms to generate the highest level of convenience for the consumer.



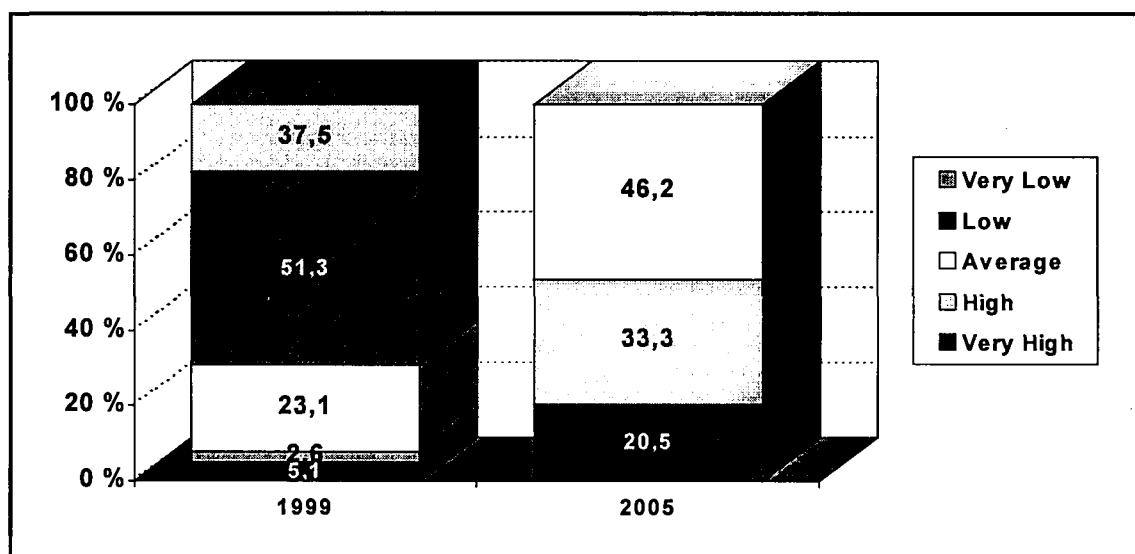
The logistical demands involved in this area are complex, and give rise to particularly pressing questions concerning the appropriate strategies and means of implementing services.

Figure 6 shows the future relevance attributed to the area of remote ordering by the companies surveyed in a

current study of the Institute for Commerce and International Marketing at Saarland University. The interviews revealed marked differences with regard to the importance of remote ordering in the markets of individual countries: the topic was considered very interesting in France, the United Kingdom and the USA.



Figure 6. Importance of Remote Ordering



Source: Institute for Commerce and International Marketing at Saarland University, 1999.

Although it may at first sight appear surprising, there was no significant difference in the future importance attached to remote ordering by grocery retailers and representatives of other sectors.

This is surprising in so far as offering this service for a complete range of goods is likely to be very cost-intensive, at least as far as the grocery sector is concerned. This notwithstanding, grocery sector companies are showing interest in remote ordering. This is, to a certain extent, attributable to increasingly intense market competition between companies, and their concern regarding growth during the coming years. Another factor is that regular items purchased as part of weekly grocery shopping, canned tomatoes or toothpaste for example, lend themselves particularly well to remote ordering. Since this type of shopping is extremely time-consuming and not particularly pleasurable for consumers, there is considerable potential for home delivery in this area.

Remote ordering will certainly not replace in-store shopping. Retailers in all sectors are faced, therefore,

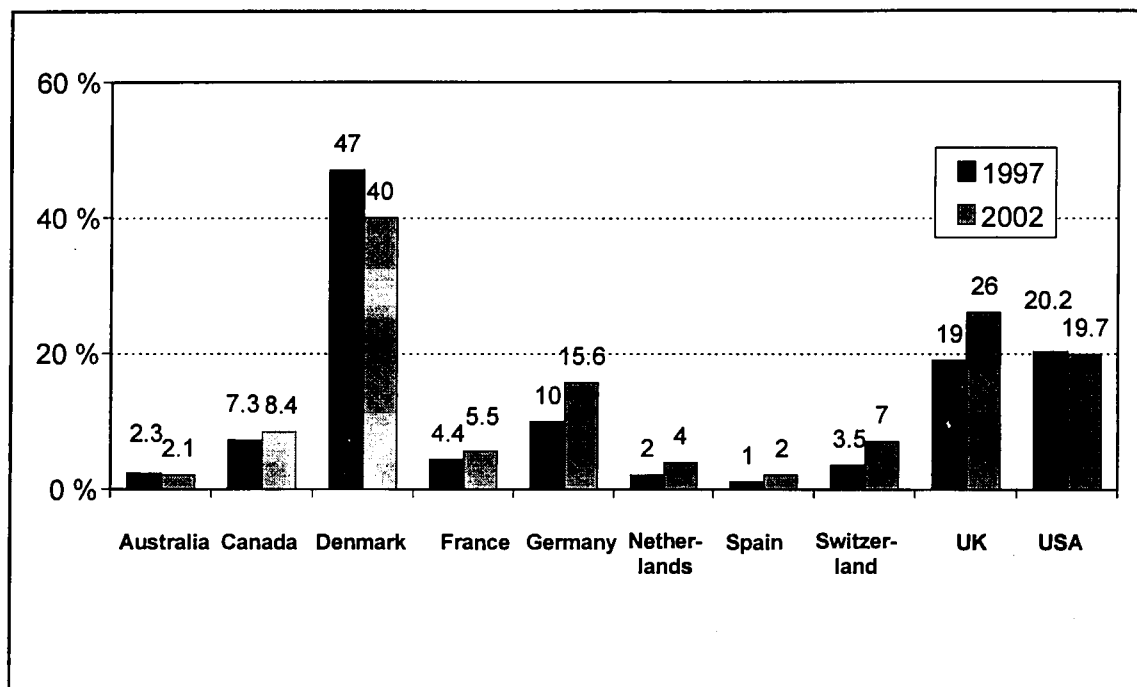
with the question of how best to integrate the provision of remote ordering services in their existing fields of business. For this reason, the strategy of many of the retailers is not to keep consumers away from the store, but to radically cut down the time needed in the store by speeding up the process of buying in items that have run out. Consumers can then use the time they gain to purchase important products that they want to buy themselves, and that have to be carefully selected by touch and sight (for example, fruit and vegetables). Consumers would, moreover, have more time for other things, such as visiting idea centers, trying out products, and so on.

3.2 C-Stores

The increasing importance of convenience shopping will also be matched by stationary retail formats, such as new C-stores and the expansion of existing C-stores at petrol stations.

Experts expect this sector to expand rapidly, especially in the mature economies (see Figure 7). The overall trend here is towards convergence of market shares.

Figure 7. Development of the Market Share of Convenience Stores in the Grocery Sector



Source: Groupe Ebeltoft/LSA 1998.

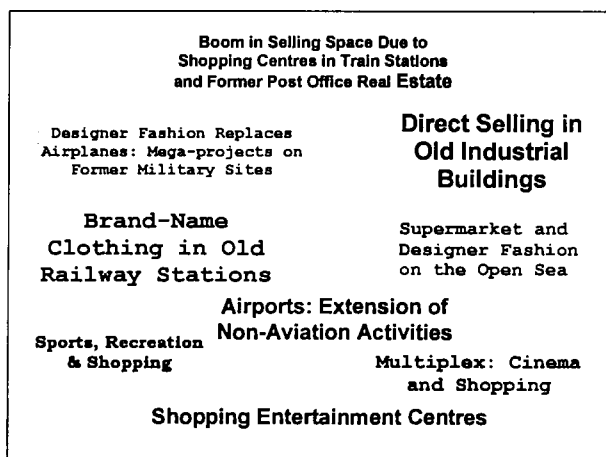
At the same time, convenience stores can still be found in a wide variety of forms. In the USA, 7-Eleven is the "neighborhood store"; in (Continental) Europe, service station shops are still the main providers of convenience services. In the United Kingdom, the large retailers have also developed convenience store concepts for the inner cities.

The size of convenience stores also varies. The fact that large-scale retailers in the USA are testing convenience concepts that cover several thousand square meters shows that convenience stores do not have to be small. Wal-Mart is trying out a new concept for smaller purchases, the Neighborhood Market, to bridge the long distances between its supercenters.

4. New Locations

New locations for conventional and/or new retail formats will become available as both urban and suburban railway, post office, industrial/manufacturing and military properties are converted for new forms of use. Their place will be taken by completely new types of urban entertainment centres, namely combinations of leisure facilities (e.g. fitness/wellness clubs, multiplex cinemas, eating out) and retail companies. This process is likely to find even large self-service department stores, speciality stores and shopping centres moving into inner-city areas.

Figure 8. New Locations: Erosion of Traditional Market Places



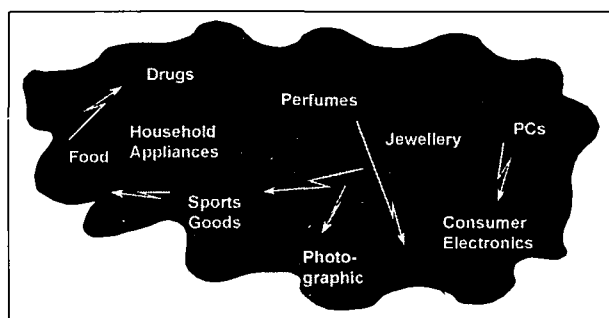
The anticipated boom in selling space will also come about as train stations are turned into shopping and entertainment centres, as has already happened in Leipzig (Germany) for example. Yet new retailing capacity will not only be created on old station sites; commercial activities will also find their way into airports, leisure parks and even sports clubs (e.g. golf, riding or tennis clubs).



5. New Assortments

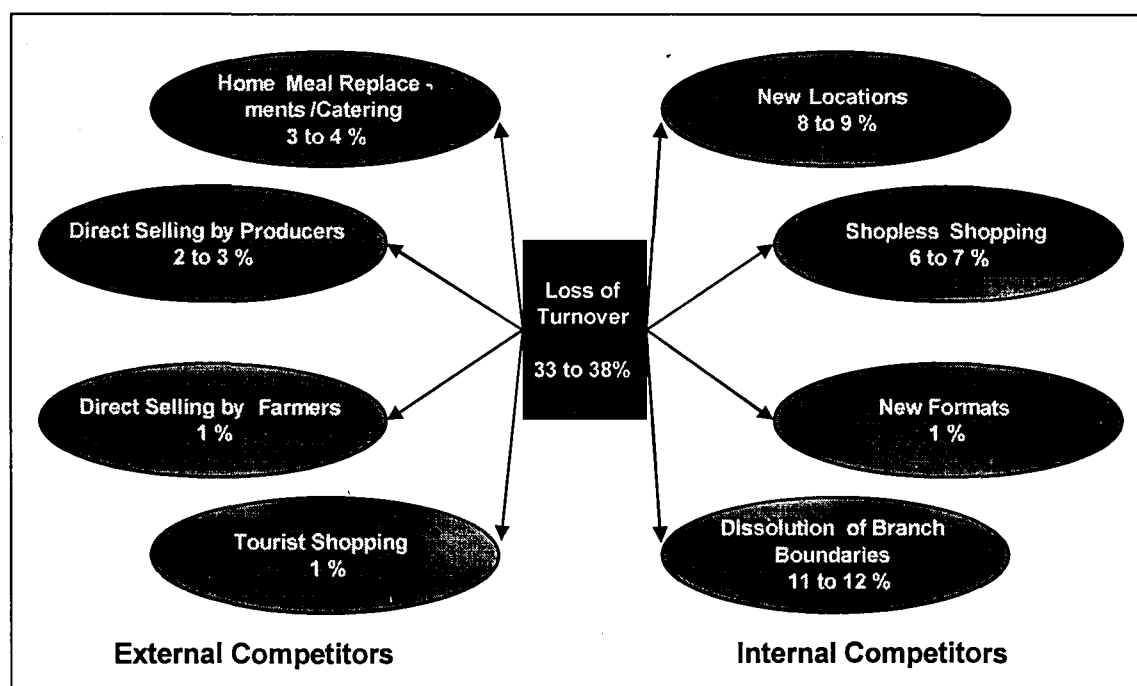
The dividing lines between traditional retailing sectors are becoming more and more blurred: retailing companies have turned into poachers. This is true not only of the discounters – primarily the hard discounters operating in the food retailing sector – but also of textile chain store operators and even automobile manufacturers. Mercedes-Benz (Daimler Chrysler), for example, sells scarves and shoes in Italy in its own "spot boutiques"; the Mercedes cars displayed in the showroom simply serve as "decoration".

Figure 9. New Assortments: Dissolution of Boundaries



The blurring of the distinctions between one sector and the next is also apparent in the food industry. Food retailers' "share of stomach" is falling. The winners are the diverse forms of eating out, such as consumer catering and home meal replacements, which in the USA already account for a "share of stomach" of 60%.

Figure 11. HandelsMonitor '98: Shifting of Market Share

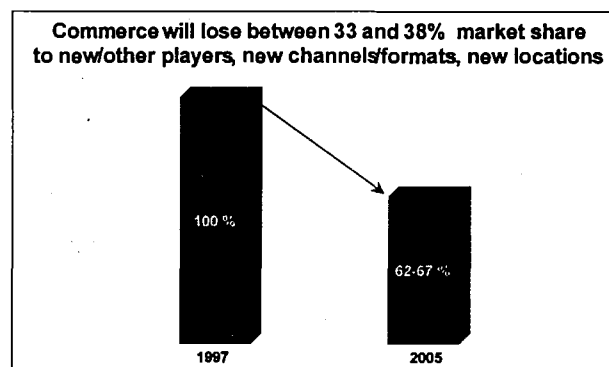


Source: HandelsMonitor 1998.

6. Dramatic Shifts in Turnover

If we take a look at all the various factors simultaneously impacting on the retail sector as a whole, it is fair to assume that this sector will be forced to relinquish between 33 and 38 per cent of its market share to other locations, other providers or different selling forms.

Figure 10. HandelsMonitor '98: Main Thesis



Source: HandelsMonitor 1998.

These, the quantifiable core results contained in HandelsMonitor II/98, can be "broken down" into internal and external competitors: external competitors are likely to pick up 7 to 9 percentage points, and the shift of commerce within the retail sector will account for 26 to 29 percentage points, of which approximately 11 to 12 percentage points are attributable to the breakdown of barriers between different sectors.



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Abstract

The concept of innovation is by no means limited to the technological aspects of economic activity or manufacturing industries.

The growing demand for ways of measuring innovation in the service and commercial sectors, however, is a very recent phenomenon.

Statistics on innovation in the commercial sector are therefore still confined to research activities.

The paper focuses on statistics which may be appropriate to the following categories of innovation:

- innovation through NITC
 - new selling formats and concepts
 - new methods of cooperation
 - innovation in customer relations
-

Until fairly recently, the concept of innovation was confined solely to the technological aspects of economic activity - process and product innovations - and industry was the only field of activity really affected.

However, the growing importance of services within the economy and the recognition of their impact on the competitiveness of industrial enterprises led Eurostat to include computer, telecommunication and engineering services in the 1997 Community Innovation Survey.

But why should innovation be limited to technology alone? Surely services, although not physical entities as such, are also innovative in many respects? And surely commerce plays a role in service innovations?

In France at least, it is only very recently that the demand for a statistical measure of innovation in the service and commercial sectors has come to light. Following a discussion on this issue by the National Statistical Information Council, it was decided to set up a working party on this subject in 2000. Indeed, the French National Economic Studies and Statistical Institute still has very few statistics on innovation in the commercial sector.

This paper will therefore be confined to considering the

methodology used in statistical techniques to take account of the various forms of innovation which might be encountered in the commercial field. The paper will distinguish four categories of innovation:

1. Innovation through the implementation of new information and communication technologies

- adopting bar codes for optical scanning at cash registers;
- creating databases containing information on customers when recording their purchases in order to respond efficiently to their needs (Efficient Customer Response (ECR));

Both of these innovations involve renewing equipment; part of this renewal could be classed as investment and the rest as straightforward purchases. The questions relating to investments and purchases in the standard structural surveys are not detailed enough. Specific surveys should therefore be conducted.

- electronic data interchange (EDI) with suppliers, purchasing groups and sales points;

EDIs should be included under the heading "new



cooperation methods" (see 3 below).

- Internet sales.

Although selling through the Internet could be regarded as a new sales concept, it is first and foremost a new service making use of selling methods which already exist (see 4 below).

2. New selling formats and concepts

Most recent innovations:

- factory shops;
- hard discounts;
- convenience stores.

These terms are not included in the classification of activities. To define them, it would be necessary to include a criterion based on a variable which had already been collected, such as area, legal form or composition of turnover. None of these three new selling formats is easy to categorise using the variables collected. One option might be to use the trade name. Collection of data on this category is not yet widespread in France.

3. New methods of cooperation

3.1 With suppliers

The increase in the number of own brands is the most obvious sign of the significant change in the relationship between retailers and their suppliers.

In recent years, there has been a marked increase in the number of purchasing groups as well as other innovations which are difficult to take account of other than by conducting studies which combine both qualitative and quantitative indicators. Studies of this kind have been carried out in France in recent years in the clothing and DIY sectors. These studies necessarily include a section on EDI.

3.2 Between traders

- trade groups;
- buying associations.

These are the best known examples. Forms of cooperation between traders, trade group headquarters and sales points, are constantly being renewed. The French studies mentioned above deal with this. At the beginning of 2000, a wide-ranging study will be conducted across all retail sectors to look at the way in which networks and EDIs are organised.

There appears to be an increasing need to be able to distinguish between "independent" and "associated" retailers in statistical results; however, the key to this breakdown has still to be defined.

4. Innovation in customer relations

Selling via the Internet, or more generally, electronic commerce is a new form of distance selling which is presented either as a new service for customers of a particular company or as a means of gaining direct access to manufacturers. By introducing a specific question on the breakdown of turnover – whether or not it is itemised according to the category of products sold – it should be possible to track the development of this new service.

Other commercial innovations:

- location;
- organisation of departments;
- opening times;
- loyalty cards;
- ancillary services (packing, parking, delivery, etc.);
- proximity to other services (banking, insurance, rentals, tourism, nurseries, etc.).

There is a need for a specific study to be conducted in every case where a service does not readily match the definition of a variable which is already available.



Mr. Christian Nossent

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Abstract

Over the past few decades we have seen several major transformations of commercial structure: the proliferation of 'discount shops' in which price is the key factor, a tendency towards bigger outlets, relative despecialisation of product ranges and internationalisation of ensigns.

The functional balance in towns has been upset by out-of-town retail developments.

Distribution channels are getting shorter: disappearing wholesalers, direct ex-factory selling, electronic shopping etc. are cutting out the middlemen. The food supply seems to be close to saturation point.

The determining factor with non-food will be the type of demand behaviour which replaces that of the highly consumption-oriented "baby boomer" generations. The non-food supply is already increasingly dependent on extra-European products.

The statistical definitions and concepts used in the distributive trade sector need to be harmonised at European level. Regular reports should be issued on Europe-wide groups and chains.

1. Introduction

The subject being dealt with by this Round Table is particularly tricky. First, because the **concept of innovation** is bandied about to such an extent nowadays that it is necessary to separate the true from the false, the structural from the cyclical, and the statistically useful from the non-quantifiable. Second, because the public authorities are involved in distributive trade as **indirect players**, at the centre of the magic triangle formed by consumers, producers and traders. Lastly, because there is no **European consumer** prototype, and hence no standard model of European distributive trade.

I would also like to state that I have no remit to express myself on behalf of the "public authorities" of my country or, *a fortiori*, of the 15 Member States of the European Union, as might perhaps be suggested by the title "public authorities" which identifies me on this panel. It is my personal views that I am expressing today. Since I had long been familiar with the quality and seriousness of what Mr Ricci Risso has to say on distributive trade, I was pleased to accept his invitation. I hope that he will not have cause to regret our last professional encounter.

This paper consists of two sections. I shall start by looking into a few **structural trends** which I have pinpointed in distributive trade (in Belgium) and for which I shall venture to state the causes and effects. Then I shall set out a brief **list of statistics** on distributive trade which might be of some use to the public authorities at European level.

2. Remarks

I like to quote the following saying, attributed to the Fulanis of West Africa, which roughly means "*if you want to know where you are going, turn around to see where you have come from*".

We are perhaps emerging from what a French economist called the "Thirty Lean Years" to distinguish them from the three exceptional post-war decades which Fourastie appropriately called the "Thirty Glorious Years". But we shall feel the effects of these years for a long time to come. For part of the population, **crisis consumption**, whereby the price element often outweighs other aspects of distributive trade (range and



quality of the products and services on offer, proximity of shops, etc.), has become the norm. The "discount store" format has spread extremely rapidly throughout the commercial landscape.

There is still a danger of a geographical **split** between consumption and the distribution system becoming a permanent feature of the commercial landscape.

The low-price objective and the increase in the range of products on offer due to the internationalisation of trade are two factors which have contributed to a steady and gradual increase in the **average size** of businesses. It is also noticeable that some medium-sized and large businesses have **shifted away from specialisation**, as if the profits made on their basic assortments were no longer enough to ensure their profitability. It does not make life easier for specialists in consumer affairs when PCs are sold in discount food shops, and this makes it much more difficult for statisticians responsible for classifying types of shop. On the other hand, the **internationalisation** of distributive trade in Europe makes the distribution systems more comparable and product ranges more uniform.

Towns, which are much more specific to European civilisation than to the United States, have suffered greatly during these "Thirty Lean Years". Housing, administration, commerce, politics, culture, law, religion etc. have developed side by side in towns for centuries. Obviously there are different sizes of town, and this results in a hierarchy in the shopping facilities they possess. Many cities have neglected this fragile **functional balance**, whether as a result of culpable political abandonment or because the supply of public funds has dried up.

Some distributors have also developed bad habits by dislocating retail trade: in some cases by developing medium-sized roadside shopping centres and in others by setting up oversized shops, which dry up the available purchasing power of over-large catchment areas. The loser is always the consumer, who must go towards the shopping facilities, while fundamentally shopping facilities are consumer-led, i.e. they neither precede the consumer nor make him come to them, but follow him.

It should, however, be noted that towns are increasingly adopting a **coherent management** of their shopping facilities, both by means of major renovation and by installing "city-centre managers". But let us make no mistake about it: a manager can do nothing to change structural imbalances between shopping facilities concentrated in inner cities and certain facilities situated on the far outskirts.

Since traffic to and in towns is becoming increasingly congested, some people plan to create out-of-town towns! This has given rise to the concept of **bigger shopping centres**: built up from scratch in the middle of a vast catchment area of several million potential consumers, they include mainly shopping facilities, cafés and restaurants, and leisure and cultural facilities. Given the density of housing in Europe, it is not very difficult to find cross-border sites for such developments – at least in the central regions, which in any case already have many economic advantages over the more peripheral areas. In my view, this approach is out of line both with the efforts of inner cities to become more attractive and with the needs of consumers, who will be called upon to cover increasingly long distances.

Although nothing is for ever in the field of distributive trade, the basic question is obviously whether the **range of products on offer** matches consumer demand.

In this context, it must be borne in mind that the generations of consumers who grew up during the "Thirty Glorious Years" have continued to benefit to a scandalous degree from their privileged status, even during the recent "Thirty Lean Years"! In short, the range of goods on offer has increased to meet their demand. Unfortunately, in less than ten years these generations will have completely disappeared and will not be replaced by equally heavy consumers. To quote my country as an example, since 1995, when a law was passed requiring prior authorisation for opening medium-sized and large shopping centres, the area of new shopping centres opened has never fallen below 200,000 m² per year! After our generation has seen disused industrial sites, it is perfectly possible that our children will inherit disused retailing sites if we abandon all forms of regulating the supply of trading premises. Is it possible to regulate in order to achieve sustainable development? I do think so, since distributive trade is not subject to international competition: an inhabitant of Brussels could not care less about the prices charged in Perpignan. It is reported that in the United States there are now more than 3,800 abandoned shopping centres. Will Eurostat soon have to record a similar state of affairs here?

In any case, the range of food on offer seems to me to have reached its saturation point in several European countries. Fortunately, the end of the Cold War offers new markets to the main European food-retailing concerns.

The most striking development during the last decade of the century was of course the proliferation of **supermarkets specialising in non-food products**. Product ranges covering textiles, leather, sports



equipment, DIY, perfumes, interior decoration, pets etc. are now proposed by commercial chains in increasingly large shops. The expansion of such specialised shops has obviously meant direct competition for conventional hypermarkets. I should like to make the following three points on this subject:

- Apart from a few genuinely independent assortments (furniture, general DIY), many of the articles on offer in such shops need to be compared. It is in the consumer's interest to find these shops in shopping centres rather than in isolated locations.
- The effects of concentration affect the food sector differently from the non-food sector. The increase in shop size and concentration in the food sector have gone hand in hand with production and the *European* agri-food industry. In the food-producing sector, international competition is limited. This is not the case for consumer durables and semi-durables. It would seem that the growth and concentration of the range of non-food products on offer is based less and less on the European manufacturing industry and increasingly on imports from outside Europe. According to Eurostat, which has compared the European, American and Japanese manufacturing systems, the industrial structure in Europe is based more on SMEs. While these SMEs offer a more diverse product range, they are less able to cope with the demands of large-scale trading and are thus becoming gradually weakened. What is left today of the European clothing and footwear industries?
- The factors responsible for the growth in the range of non-food products are worrying. Sub-sectors are reaching the saturation point more and more quickly, e.g. DIY, interior decoration and textiles. This is mainly because the average shop area is greater and because economic information on business opportunities circulates much more quickly than before. But I think it also comes from the growing influence of finance and real estate on distributive trade. It is less and less the retailers themselves who choose a location and an assortment in the light of an identified potential demand: it is considerations of financial growth or return on investment in real estate which increasingly underlie the decisions. Since more and more mistakes are made in siting shopping premises, there is greater rotation of shop names and assortments. Is the consumer any better off as a result of this headlong rush for profit?

With regard to the state of distribution channels, I would draw your attention to four particular trends.

- I began my address by referring to the crisis consumption which gives priority to the price criterion

in purchasing. One of the consequences of this priority has been an overall shortening of distribution channels, leading in some sub-sectors to a drastic decline in the number of **wholesalers**.

- There is the emergence of **second-hand and discount shops and shops specialising in consignment sales**. This can be explained both by a worsening social or economic climate and by the fact that products are more durable, or simply by the fact that people accumulate too many goods and wish to get rid of some of them. So shops of this kind obtain their stocks without going via manufacturers! In my view, this channel, which is obviously not at the up-market end of distributive trade, will become a permanent feature of the commercial landscape – in particular as the result of a professionalism which is reflected in franchise chains.
- I must say a few words about these mysterious "factory outlets". If their generic name reflects what they are, then it means a further defeat for shopkeepers! Manufacturers who address themselves directly to consumers indeed constitute the shortest channel imaginable. It is true that we are already familiar with factory sales on the manufacturer's premises and for very limited periods, but that is not what I am referring to, since the catchment area seems to be disproportionately large and, again, does not serve the consumer's interest. Lastly, since such sales mostly involve comparative articles, consumers must be able to compare them with products and prices proposed in the "normal" circuit. I think that such outlets should be located in towns.
- There is an even shorter channel: **electronic commerce**, which is virtual. This also spells relative defeat for physical distribution, since the price variable seems to be the determining factor in this new development. In any case, it has already shown that, on certain high-tech markets for expensive products such as micro-computers, manufacturers are able to make considerable inroads into the market share of mail-order selling. American consumers have, of course, long been accustomed to buying via mail-order catalogues, partly owing to the size of the United States. Here, mail-order or home shopping have fairly small, stable market shares.

I should also like to point out that the international factor is not neutral in the current relative success of electronic commerce. We need to look at the competitive situation of certain world-wide operators. If, as I have read, Amazon can save VAT by selling its products to Europeans, this more than offsets transport costs. In short, the US Government subsidises Amazon's sales to a number of areas of the world. And then Amazon



accumulates colossal deficits and already feels the need to diversify in a headlong rush which might lead to bankruptcy.

In Europe, I think that a combined system (established retailing + web site) offers consumers greater security and more guarantees than completely virtual e-commerce.

3. A few statistical suggestions

The intention is not to ask Europe to do what the Member States do not do themselves, but to examine what statistical information would provide added value for the Community.

In terms of quality, first of all, it seems to me that the Member States would benefit from having a harmonised set of definitions used in distributive trade. The various types of commercial cooperation and associated businesses, the various types of shop by category of assortment and by the status of the managers (self-employed or employees) are concepts which are regularly used in the literature but which have not been given firm definitions. Nowadays you can read articles which quote many figures from circumstantial studies or private or sectoral databanks without really being able to rely on them for a comparative study.

Now that retail businesses and chains are increasingly becoming Europe-wide, we should know more about them. A monograph of European groups and chains in distributive trade might be useful.

As regards the quantitative aspect of pure statistics, it would be interesting to update and record in detail the

consumer behaviour of Europeans and in particular to have harmonised data on the average consumer expenditure of households by uniform product assortments and even by the shopping sites visited.

It would obviously be very useful to have data on the market shares of the various types of multinational shop in the food sector and especially in the non-food sector, which will be the one most affected by future structural changes.

There are mathematical methods for assessing the degree of concentration of an economic sector. It would be an advantage to have such indices for European distributive trade, and this would perhaps avoid high bidding which is sometimes unjustified.

Similarly, new forms of distributive trade, particularly electronic commerce, which does not concern itself with the geography of countries, should be quantified.

Lastly, it would be interesting to have statistics which record and monitor the production of durable and semi-durable consumer goods and trends in the sectors of manufacturing industry which supply European distributive trade.

The basic statistics on services recently published by Eurostat for the reference year 1995 contain data on employment, turnover, value added and, lastly, the number of retail establishments. However, it would seem that the employment rate by size of business is not correctly reflected, mainly because of part-time working. More detailed data are required on this aspect in view of the important implications of job creation and job losses in distributive trade. Furthermore, it would seem that the variable "turnover" should be treated with caution, given the presence of duplications in the distribution circuit.

**Mr. Peter Wilhelm**

Administrateur délégué, Wilhelm & Co, and Member of the Committee on Commerce and Distribution

Abstract

What have been the major evolutionary developments in retailing over the past twenty years?

Supermarkets, hypermarkets, factory outlets, multiplexes, megaplexes: these are the new retailing concepts which have developed, mainly over the last three decades. Who was behind them? How were traditional city centres able to respond? What statistical systems need to be developed so that we can track the evolution of these new concepts?

These are the key points which Mr Peter Wilhelm developed in his talk.

Ladies and Gentlemen,

I have both the honour and the responsibility of taking part today as a representative of the category known as 'professionals', that is to say the people within the industry. I am the managing director of a company which develops major urban projects with a retail aspect, and more specifically I have been elected to the CCD as a representative of the ICSC (International Council of Shopping Centres), the professional association which brings together the owners, developers and retail operators of shopping centres and integrated commercial sites, that is to say responding to a certain number of criteria such as the application of a merchandising mix and common management; the fact that the centre might perhaps have a glass-covered roof, or whatever, is a mere detail.

In preparation for my participation today, I asked some of my colleagues within the ICSC what they felt to be the major innovations to appear over the past few years in the world of retailing. I almost invariably received the same four responses: E-commerce, Factory Outlets, Cross-border retailing – especially the growing trend for major trans-national retailers to take a larger share of the market, and lastly 'Fun Shopping', a subject to which I shall return a little later.

I do not believe that these new concepts – with the exception of E-commerce – represent a revolution. They are part of an evolutionary trend in retailing techniques which has been going on since the end of the sixties,

and which I would like to sum up in one phrase: **Victory for the consumers.**

I feel that three factors, amongst others, have shown themselves to be of prime importance in ensuring the primacy of the consumer and the opening-up of markets:

- 1) European construction together with its corollary, the imposition of open markets and compliance with competition regulations
- 2) The exponential growth in mobility over the past few years: the vast majority of families today possesses one or more cars; consumers can move about easily, and are able nowadays to make comparisons, a factor which obliges retailers to observe new rules where competition is concerned.

And of course travel is no longer the reserve of the elite few, but is on the contrary available to a wide spectrum of society. People travel, they see new shops and new ways of shopping – in a word, they compare, and they force competition.

- 3) May 1968: the revolutionary cry of the young in Paris, Brussels, Frankfurt and elsewhere was the starting point for a trend which has not stopped since. The young became liberated from a certain type of parental or social imposition; they became consumers in their entirety and now account for a large part of retailing activity.

Economic leaders rapidly understood that they had to



adapt to this new situation, and since the end of the sixties, in response to the new expectations of consumers, new retailing concepts have emerged: shopping centres, the first cross-border clothing retail chains, supermarkets, then hypermarkets...

Developers of these new concepts, largely motivated by the need to make a profit from their investments, started to listen to the wishes and reactions of consumers.

From this, three basic principles emerged, which still today form the foundations of a successful retail project:

- 1) **The consumer wants to be able to find the variety of goods meeting his different needs, in the same place. What is more, within each category he expects to find a choice of goods, allowing him to make comparisons.**

Developers have responded to this fundamental principle by imposing a 'merchandise mix', which brings with it the acceptance that within the same street or shopping mall rents may vary from 1 to 10 in order to allow the diversity of goods the consumer requires to be represented. Small shops have to be able to exist alongside the big names which bring the people in, to the benefit of all.

Developers have responded to the need to ensure a sufficiently diverse choice of products by developing projects of sufficient size to create what is known as the 'threshold effect'. Too many small shops situated in a shopping area which is itself too small often leads to general failure.

- 2) **The consumer demands comfort:**

This wish has been catered for by developers providing large car parks within easy reach of the shops, and by a whole series of other measures designed to make the shopping experience more agreeable for the target market – the availability of trolleys, and the provision of security services, in supermarkets, for example.

- 3) **In a competitive market, consumers are more and more subjected to innumerable offers.**

This new factor has led to developers coordinating their marketing effort, by imposing common promotional and management budgets on their tenants.

The political world has been slower to recognise and to take on board these new commercial rules. By going beyond the imposition of some restrictive town planning regulations, the need for which no one would question, some countries have adopted legislation to organise competition in order to try to give small retailers an advantage by curbing the dynamism of certain larger retailers.

Since the beginning of the nineties, however, there has been a general change in attitudes. Nobody seriously believes that the will of the consumer can be opposed by over-intricate planning or meddlesome regulations. Our leaders are now understanding that it is by being as creative as the developers of shopping centres, and by adopting their management methods, that the attraction and growth of these urban retail hubs will be recreated.

Two examples of this new thinking:

- The function of TCM (Town Centre Manager), now to be found in a large number of European cities, constitutes a welcome transfer of shopping centre management techniques to city-centre shopping areas.
- Rather than opposing the development of shopping centres, a good number of French, British and Dutch cities have understood that, on the contrary, it is by 'putting the bad apple into the barrel' and looking favourably upon the development of shopping centres in city centres, that a dynamism is set in motion which will beneficially influence the development of the whole shopping scene within the city centre, even if this is at the expense of some of the weakest and least suitable shops losing out to more dynamic concerns.

In response to this new more pragmatic – and therefore more effective – attitude shown by the public authorities, owners of structured developments are reacting with new concepts:

'Fun Shopping'. What does this mean? Quite simply copying in a shopping centre all the factors which make a city centre attractive – that is to say the availability of leisure activities (cinemas, restaurants, theatres, ten-pin bowling etc.), with the aim of persuading the consumer to remain four hours rather than 80 minutes in a shopping centre.

Factory Outlets: this concept, an import from the United States, is now very well known. A lot has already been said about the concept this morning, and so I do not propose to add any more here.

What relation does all of this have to commercial statistics?

If the political world has been slow to take heed of the appearance of these new retailing formats, the public institutions responsible for producing statistics have not adapted their figures to these new economic factors either. I asked a number of eminent members of the ICSC study group what type of statistics they would like to see, and the following is a summary of their replies:

- 1) As far as retailing in general is concerned, the principal areas in which we would like more



statistical information to be available are the following:

- **Consumer expenditure calculated both by zone and by type of retailing (shopping centres, local shops, factory outlets, hypermarkets, city-centre shops etc.).** Indeed, how can we evaluate a retail format if we do not know the turnover achieved by type of retailer?
 - **Turnover figures per square metre per zone, by retailing sector and by type of outlet.** For managers of shopping centres, the turnover figure per square metre constitutes the most important figure with which to compare the performance of a shop in relation to its own sector.
- 2) As far as new retailing concepts are concerned, two of these are now sufficiently well established to allow

reliable statistical data to be produced:

- **Factory outlets:** as far as I am aware, there is practically no research on the impact this type of retailing has had. The only study which I personally know of was commissioned from an independent bureau by the factory outlets established in the city of Troyes. This study revealed that the appearance in Troyes of several factory outlets had the effect of diminishing the number of shops in the city centre by 5% whilst increasing the total turnover in the city centre by 17% over the same period.
- **Multiplexes:** Most new leisure and shopping centres have an 8 to 15-screen multiplex cinema complex as an anchor, or even a 15 to 25-screen 'megaplex'. We have very little information on the impact of these multiplexes on the turnover figures of neighbouring shops and leisure facilities.

SESSION 4
Concluding session:
Measuring trade, the challenges

**Evaluation of the global feasibility of better
adaptation of the trade statistics to user's needs**



Minutes of the concluding session

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Abstract

The two-day seminar on commerce afforded an opportunity for suppliers and users of statistics and representatives from the public authorities to discuss the following topics:

- Employment and Competitiveness
- Electronic Commerce
- Concentration and Cooperation
- Innovation

These topics highlighted the rapid developments taking place in commerce. These posed severe problems for statisticians whose job it is to define, measure and provide timely harmonised data on commercial activity to a wide variety of users at all levels. Despite the considerable efforts of statisticians over the past ten years, there was still a gap between users' needs and the available range of statistics on the distributive trades.

A key objective of the seminar was therefore to better identify users' needs and to consider the extent to which they can be realistically satisfied.

The users expressed the need for better statistics, in terms of quantity, quality and timeliness, whilst recognising there was a constraint due to the burden on basic data suppliers, particularly small and medium sized enterprises.

Subject to budget constraints and limited human resources, the public authorities emphasised their need for reliable and meaningful data in order to be able to give guidance to policy-makers in commerce.

The data producers explained that it was clearly impossible to satisfy all demands, but nevertheless made several constructive proposals about how to better meet users' needs.

The concluding session of the seminar was entitled "Measuring trade, the challenges".

There were four speakers on the table for this concluding session:

Chairman, Mr. P. Diaz Muñoz (Director, Eurostat, European Commission);

Statistician: Mr. K. Perry (Director, Office for National Statistics, UK);

Official: Mr. P. Carvounis (Director, Enterprise DG, European Commission);

Professional: Mr. G. Regaldo (Vice-President of Eurocommerce and a member of ECOSOC).

The Chairman, Mr. Diaz Muñoz, provided a brief résumé

of the earlier sessions. He pointed to a frustration on the part of both users and suppliers of statistics on commerce. On the one hand, users felt that they were not getting information sufficient for their needs. And on the other hand, the producers of commerce statistics were often frustrated because their data was either not used or evidently insufficient for users' requirements. There was a gap between users' needs and the available range of statistics, despite the efforts of the statisticians over the past ten years. The key objective of the concluding session was to better identify users' needs and to consider the extent to which they can be realistically satisfied. The Chairman invited the speakers on the table to suggest how the gap between users and producers of statistics could be closed, and in considering the feasibility of satisfying users' needs, to



make recommendations.

Mr. G. Regaldo, Vice-President of Eurocommerce, was invited by the Chairman to give his views as a user. He attempted to draw together the issues that had emerged from the four round tables, A, B, C & D. In general these had emphasised the need for better statistics, in terms of quantity and quality, and in a more timely way. He stressed, however, that it was important to avoid placing an excessive burden on basic data suppliers, particularly small & medium sized enterprises (SMEs).

Mr. Regaldo said that the round table A, concerning **Employment and Competitiveness**, had shown how complicated it was to measure employment and competitiveness in commerce. There was no one single measure. One had to dissect the problem and make use of a range of measures. It was also not easy to measure a direct link between competitiveness and jobs. Indeed, there might well be an interactive link between the two, one being a possible cause of the other. Given this correlation, current statistical data was inadequate for the purpose of having a more profound understanding of the link between competitiveness and employment.

Mr. Regaldo said that the round table B, concerning **Electronic Commerce**, had pointed to the difficulties that lay ahead and needed to be tackled. Where did e-commerce begin and end? The definitional issues were immense. The e-commerce trend was already marked in northern Europe, but the situation and character of e-commerce probably varies between Continents. Harmonised European statistics are required. E-commerce is clearly exploding in certain areas. One aspect of e-commerce relates to the associated financial transactions, i.e. the flows of electronic money. This too ought to be given attention because, for instance, it impacts on consumer prices.

Round table C, concerning **Concentration and Cooperation**, had highlighted that the world of commerce is undergoing continuous change. Concentration was occurring between large groups and cooperation was occurring among smaller groups of companies, in order to obtain economies of scale and cope with growing market competition. Such changes require a knowledge of the ways in which companies group together, and a knowledge of new types of commerce – like franchising and other concessions. Statisticians should be also aware of the different sectors or "strands", e.g. how distribution occurs in the garment industry. Statistical knowledge of the various types of concentration and cooperation are becoming increasingly important. Ad hoc statistics were needed, at the European, national and regional levels for the various sectors involved in distribution. This will enable SMEs to act compatibly with the general competition

legislation.

With regard to round table D, concerning **Innovation**, various factors that influence innovation had been previously mentioned. These were: e-commerce, the new commercial formats, the city as a unit in living space along with the need to retain dynamism in city centres not just in shopping centres, and the placement of shopping centres. All of these require statistical data. The turnover per square metre is needed by zone, by sector, by type and format of distribution. Data on consumer spending is also needed on the basis of zones/localities, shopping centres and factory outlets. It was recognised that such statistical sophistication would necessarily have to be cost feasible and harmonised at the European level.

In summing up the issues that had emerged from the four round tables, Mr. Regaldo said that a fundamental theme is the need to be informed about the trend in SMEs that are cooperating and the large companies that are converging.

The Chairman next invited Mr. P. Carvounis (Director, Enterprise DG, European Commission) to present his views, also as a user of commerce statistics. Mr. Carvounis said he would summarise the needs of public authorities in this area. Clearly, public authorities needed to know where they were going in order to give guidance to policy in commerce. This underlined the importance of statistics on the distributive trades. He took each of the round table topics in turn.

As far as **Employment and Competitiveness** is concerned, public authorities had fairly complete and comparable data, even though technical errors occasionally intruded. Employment was a well-researched area. But whereas data existed for jobs created, figures for jobs lost seemed to be more difficult to evaluate.

Turning to **Electronic Commerce**, Mr. Carvounis recognised that the statistical task was formidable. E-commerce was not just transactions, it was also a tool that impacts on the organisational structure of a company. The commercial sector, the public authorities and the statisticians were going to have to work together intensively in order to come up with a common set of definitions.

Moving on to the third round table topic, **Concentration and Cooperation**, he emphasised that commerce and public authorities have huge needs for statistical data to be able to give guidance to SMEs in the distributive trades so enable them to better deal with competition. Constructive cooperation was required between the public authorities, the national authorities, the institutes and the professionals so that the structure of commerce



can be adequately covered. There was a lack of harmonised data on the types of outlets, types of sales and association links between SMEs.

With regard to **Innovation**, a harmonised set of definitions was needed among the Member States to identify the market shares of the different formats and types of distribution – that covers the types of shop, hard discounts, surface area, large shops and new types like e-commerce and factory outlets. It was also necessary to update and refine information about consumer habits, to ascertain their preferences for types of products and types of sale.

By way of summary, Mr. Carvounis said that, given all these demands in the face of budget constraints and limited human resources, the public authorities, statistical offices and professional organisations needed to work closely together to make some hard choices and set priorities. Some data, now obsolete or less relevant, may need to be abandoned, while other data should be given more urgent attention. The seminar had drawn attention to many of the priorities. Mr. Carvounis proposed that another meeting should be held next year to review what has been achieved over the twelve months in meeting these priorities.

The Chairman then invited Mr. K. Perry (Director, Office for National Statistics, UK) to give a presentation, as a producer of statistics, about the feasibility of meeting the needs expressed during the seminar. There were several issues involved: the resources and flexibility of the statistical systems, the burden on respondents, the definitional issues, and the harmonisation aspects.

Mr. Perry said he had listened carefully to the range of requests made during the seminar. While daunted, as a producer of statistics, by the prospect of being able to satisfy all these needs, he nevertheless remained reasonably optimistic. In moving forward and trying to meet the challenges ahead, he felt that it was realistic to give two clear messages. These were:

- Given the variety of users and uses, it was clearly impossible to meet all needs;
- Given the pace of change, it was also impossible for any national statistical agency to keep up with new demands.

As an example of the latter, Mr. Perry said that definitional issues often took several years to clarify and agree. Clearly, it was important to agree definitions and nomenclature. However, as statisticians try to provide time series to customers without discontinuities, this was made more difficult in the absence of agreed definitions.

So the question arose: how do we proceed to satisfy users? Mr. Perry said that it should not be forgotten that there was a lot of existing data about which is capable of

meeting a wide range of needs. He had been pleased to see the imaginative use of existing data in two of the earlier presentations.

It was also important to combine sources, wherever possible. This might involve very different sources. He felt that many measures are capable of being compiled by combining sources. There was perhaps scope for the Commission to study the range of available sources in order to assess what could be done in this respect.

Another theme concerned the collaboration between providers of data and those asking the questions; this collaboration should be 'innovative'. Mr. Perry felt it was important for users and suppliers of data to meet to define needs and to be innovative in the framing of questions in order to answer the right questions.

Mr. Perry next turned to the challenges associated with the constraints on national statistical agencies. It had to be recognised that there were 'zero-sums' relevant to such agencies. One was the compliance cost of businesses in supplying data, there being great political interest in keeping the figure low and in protecting SMEs from excessive demands. In this context, the ONS made use of sub-samples, long and short forms, and forms specifically tailored for different industries. Such innovations enabled ONS to stay within the compliance constraints while better meeting users' needs. Another zero-sum related to the money available for human resources in national statistical agencies, for which there was a limit on what one could extract from the existing professional staff. In this context, it was not always possible to accept extra funding from Eurostat for project work simply because the experienced staff were already overstretched.

In meeting the challenges facing the ONS, Mr. Perry said that a good way of identifying and meeting users' needs was to look at the sales of data and publications by a national statistical agency. The needs of businesses were particularly important here.

Another challenge related to the timing and content of transactions. When did a transaction begin and when did it end? For example, is the conclusion of a transaction when the customer takes possession of a good (e.g. a car), or later, when the customer finishes taking after-sales service (e.g. 'free' technical control tests) which is part of the same transaction? This is relevant for the price one puts on the commodity. It is also relevant for the accurate measurement of the rate of change of the commodity, the nature of which may be shifting over time because of such quality changes. The service element of transactions was becoming increasingly important.

In meeting all these challenges, Mr. Perry felt that it was



perhaps necessary to distinguish between (a) a core set of data for which time series are required, and (b) 'snapshots' based on one-off surveys, which enabled one to keep up-to-date which changes in organisational methods and changes in the process of delivering transactions.

Mr. Perry recognised that national statistical agencies will have to react to such changes as e-commerce. He felt that the approach being taken by the Nordic and Voorburg groups are the right way forward. He hoped that Eurostat would support and contribute to the work of such groups as a model way of finding suitable definitions and solutions to the challenges presented by e-commerce.

Mr. Perry warned against Eurostat being too active, too ambitious in the meeting the fresh challenges ahead. It was necessary to be highly selective in determining what should be collected. He hoped that Eurostat would concentrate on the common and important data requirements.

By way of summary, in meeting users' needs, Mr. Perry said that there was a role for the Commission and Eurostat, for the national statistical institutes (NSIs) and for others. In particular, the private sector has a role where the needs have a very specific or local dimension. NSIs were rather better at producing representative data covering a wide range of industries, than analysing the data in depth. There was therefore a need for partnerships arrangements where the NSI provides a 'data block' and the private sector firm undertakes the detailed analyses required. The way forward, Mr. Perry felt, was for Eurostat and the NSIs to identify the data subsets that they should be dealing with, and the extent to which outside contractors are used.

The Chairman thanked Mr. Perry for his presentation about how the gap between the available data and users' needs might be closed. The Chairman then invited comments from the floor.

Mr P. Bøegh-Nielsen (Statistics Denmark) commented that it was necessary to address the following problem. In an ever-changing and dynamic world, new data was required. At the same time there was already a body of established statistics, some of which were becoming less relevant or needed to be reviewed. In this context, before listing new requirements, he felt that the Commission should carefully look at what is in the existing Statistical Regulations. As an example, he said that Statistics Denmark were already of the opinion that some of the data requirements in the SBS Regulation should be revised. He therefore made a plea for the review of existing requirements at the same time as new data needs were identified. Mr Bøegh-Nielsen said that

he welcomed and wished to support the comment made earlier by the Commission representative that revisions might be made to the existing Regulations.

Mr J. Dawson (University of Edinburgh), as a user of statistics, raised three issues. The first issue concerned the need for more data giving statistical distributions, rather than averages. He asked whether such distributions were available. The second issue related to the nature of wholesaling and retailing which were increasingly international as opposed to strictly national activities. Yet, there were virtually no statistics on the extent, form and nature of the international activity. This gap needed to be filled. The third issue arose from a figure given earlier by Professor Zentes that there was likely to be an increase of 20% in retail space in Germany over the next five years. Mr Dawson felt this trend would probably occur elsewhere in Europe. If so, this would have major implications for the wholesale & retail sector: sales per square metre would fall, gross margins would have to rise or profits would have to fall, or there would have to be cost reductions. Mr. Dawson therefore asked that consideration should be given to the inclusion of a measure of space (in square metres) in the existing statistical sources.

Mr. J. Demesmacre (CECODE/ FEPD) made representations on behalf of perfume retailers. In particular, he posed the problem of the communication of turnover by country achieved by producers like St Laurent, Givenchy & Dior. The reply was evidently negative on the grounds of statistical confidentiality.

Mr. J. Albert confined his remarks to the following three issues. He had noted that many of the most pressing requirements related to the need for local knowledge. He felt that the existing statistical apparatus would not be able to satisfy such specific needs. He therefore suggested that consumer studies would help here, for example to obtain data on purchasing patterns. The second issue concerned innovation. Given that innovation was initially 'invisible', only subsequently becoming significant, he proposed that cooperation was needed between statistical institutes and universities in order to detect innovation. University 'observatories' would have the role of detecting innovation and advise the public sector when to take action e.g. to monitor the situation and to collect data. The third issue raised by Mr. Albert related to measures of concentration. He felt that the existing measures of concentration were not entirely suitable because the error margin depended on size of business. This was particularly relevant for SMEs because the margins of error were higher by virtue of their greater tendency to understate turnover. This had an impact on the concentration measures and graphs produced and resulted in an understatement of the role played by SMEs.



Mr. B. Langevin (Eurostat, Directorate D) was able to respond to Mr. Dawson's interest in data on statistical distributions. Eurostat has a considerable amount of distributional information on their databases at the country level. This information was available, subject to the constraints of confidentiality in a limited number of cases.

As a separate topic, Mr. Langevin then referred back to the session on concentration and cooperation and the idea floated by Mr. Perry of pilot studies. He said that one such pilot study was currently being undertaken by Eurostat. Mr. J. Stensrud (Eurostat, Directorate D) was invited to briefly talk about this study. He described the pilot study work with eight Member States, which related to the feasibility of establishing a set of characteristics for measuring aspects of cooperation and association between enterprises, trading forms and links with customers and suppliers. An important objective of the study was to elaborate a breakdown according to the type of cooperation or association.

Mr. Perry (ONS, UK) commented on the need for statistical distributions raised by Mr. Dawson. He agreed that averages were not always very illuminating. Medians and quartiles were useful measures. ONS also made use of ratios (e.g. productivity ratios) and hence ratio distributions to monitor variables and businesses over time.

The final speaker from the floor was Mr. L. Ricci-Risso (Enterprise DG, Commission) who reminded everybody of the existence of eight pilot studies engaged by Eurostat at the request of the Commission to look at the links of association, at internationalisation, analyses of turnover by sector of activity, etc.

Before concluding, the Chairman, Mr. Diaz Muñoz, said he wanted to answer Mr. Demesmacre by making it clear that Eurostat acted like an independent body that made the statistical information at its disposal available to all parties. There was no distinction between the Commission and other users in the dissemination of the information available. The information was available to everybody and could be extracted from databases or from publications.

The Chairman then concluded. The needs, he said, were clear. More information was required, more breakdowns, and some studies should be further

developed. There is a lack of harmonised information. The definition of the e-commerce sector was a case in point. Work was required here to better define e-commerce and to attempt to measure this growing activity. Overall, it was necessary to take into account all the perceived needs and to reflect upon them.

The Chairman then turned to the restrictions, the constraints. These too had to be taken into account and would clearly influence the amount of additional work that could be undertaken.

The Chairman concurred with Mr. Perry that there was already a substantial variety of existing information from different sources, both at the European and national level. These could be more fully exploited and perhaps made more accessible.

Any significant expansion of data collection would inevitably be inhibited by the zero-sum balances, in particular the burden on enterprises. One possible way forward was to make provision for new data demands by closing down requests for some existing data that now had lower priority.

Being more innovative, more imaginative in the use of existing data was another theme that was explored. Mr. Perry had particularly stressed this approach.

Mr. Diaz Muñoz recognised that Eurostat had to try to keep abreast of changes in the commerce environment, in the forms of cooperation, and so on. He agreed with Mr. Perry that it was useful to distinguish between a 'core' set of data which would be collected in a regular way and one-off or ad hoc studies that would furnish information about specific areas or special forms of activity.

The Chairman said that there were many actors involved – at the European level, the national level and outside the public sector. It was necessary to try to find a harmonised approach. Eurostat would be giving this attention. This would be important in order to ensure the comparability of data.

The Chairman brought the seminar to a close by thanking all concerned for their presentations and their contributions. A special note of thanks and good wishes were extended to Mr. Ricci-Risso who was retiring at the end of 1999.

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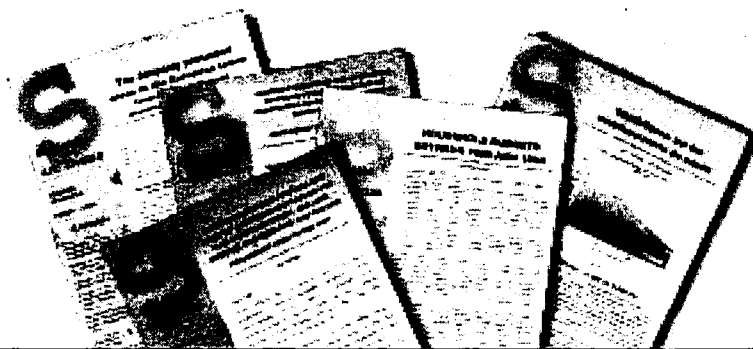
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