Minutes
Commissioner Breton VC with retail ecosystem
21.04.2020

Participants:

- Commissioner Thierry Breton
- Eurocommerce
- of Independent Retail Europe (IRE) and of REWE
- of INGKA Group (IKEA)
- of Decathlon
- of Euronics
- of Gemini Holding

Observers:

- CAB Breton:
- GROW: Hubert Gambs (Director E),

Main takeaways:

- The sector experiences significant losses and calls on the Commission to help solve liquidity problems and maintain employment. Solving the issue of commercial rents is crucial.
- The sector calls for a quick reopening of shops in a coordinated manner and counts on Commission guidance in that respect
- The Single Market is crucial for the retail ecosystem – the free movement of goods and people have to be ensured
- The sector expects long terms changes to the economy and consumer behaviour.
  o E-commerce is likely to remain the trend. Fair conditions for retailers will be needed to compete with online pure players. SMEs need urgent help in digital transformation.
  o Help to boost demand is also needed. Member States should be encouraged to apply regulatory flexibility to allow the sector rebound after the crisis.

Initial remarks by Commissioner Thierry Breton

Commissioner Breton acknowledged the efforts of the food retail to supply consumer with essential products during the crisis and expressed concern about the difficulties experienced by non-food retail facing shop closures or significant limitations of their operations. He
recognised the importance of the retail sector for the EU economy and stressed that the Commission is making sure the Single Market works properly and that the sector gets the help needed in these difficult times. This is particularly important for SMEs which need immediate help to be able to survive. Member States are encouraged to apply regulatory flexibility to allow the sector rebound, following established best practices.

The Commissioner mentioned Commission actions taken to date including economic support, guidelines and direct contacts with Member States. He explained the on-going work on a recovery plan and the additional financial aid of €110 bn.

Containment measures in Member States will be gradually lifted, but this needs to happen slowly, in a coordinated manner, taking into account national and regional specificities.

The Commissioner structured the discussion around four questions:
- the impact of the crisis on the different business models in the retail ecosystem,
- the assessment of measures taken so far and the need for any other short-term measures;
- the post-crisis situation and related expectations

Eurocommerce, representing 6 mn retail and wholesale companies in 31 countries, stressed that food and non-food retail are in very different situations. While food retail has been able to continue operations, non-food retail is experiencing 40-80% turnover reduction, depending on the type of activity.

He highlighted the following issues:

Survival liquidity
- Issues with credit flows
- Short-time work schemes will help, but COM help needed to make sure this is applied in all Member States,
- Cooperation and solidarity crucial to find solutions to the issue of rents (some Member States have found agreements with landlords, some not)

Reopening
- Every Member State has to do it at its own pace depending on the situation, but a coordination mechanism is needed because supply chains cross the borders
- Eurocommerce offers help with guidelines on such a coordinated approach to the reopening of retail (safety measures in shops, use of protective equipment etc)
- Green Lanes will remain important for the free movement of goods.
- Free movement of people has to apply to frontier workers in retail and seasonal workers in agriculture

Single Market
- The Single Market is key for the sector. There are issues with certain Central and Eastern European Member States adopting anti-Single Market legislation (taxes or obligations to buy food locally).

Proper recovery

- It will be crucial to stimulate demand (50% of EU GDP is private consumption).
- Regulatory flexibility applied by member States will be needed (on sales and opening hours)
- It will also be important to keep employment at stable level for the liveability of stores in town centres and villages. This message should be spread to Member States.

____________________ of Independent Retail Europe and __________________ of REWE outlined the challenges faced by groups of independent food and non-food retailers.

He expects:

- A long-term economic downturn with 59 mn jobs at risk
- A long-term shift of consumer habits to online shopping, also in grocery
- A shift toward discounters given consumers increased sensitivity about price
- An increase of operational cost to retailers because of measures to protect consumers and employees

He calls for:

- A rapid reopening of shops (for non-food online sales offset the losses only marginally)
- Availability and tax waivers on personnel protective equipment (PPE) (equipment used in retail should also benefit from tax exemptions like in the health sector - this should be clarified to Member States)
- Increase in EU stockpiles of PPE to be prepared for a possible second wave of the virus
- Lifting restrictions to the free movement of people – a detailed set of criteria should be developed – important for tourism but also retail
- Using the best practices in the 2018 Commission Communication on retail as a blueprint for Member States to give the sector a boost after the crisis

____________________, __ of INGKA Group (IKEA) explained the difficulties the company is experiencing in the EU and around the worlds. More than 3 out of 4 IKEA stores remain closed which, despite e-commerce operations, brings the turnover down to only 30% of forecasts for this period. IKEA is preparing for difficult years.

He underlined:
- His satisfaction about the collaboration with MS regarding the safety measures
- The holistic approach IKEA took to protect the ecosystem (guaranteeing salaries to employees, supporting vulnerable suppliers, organising donations to society)
- The need to plan the phase after and harmonise safety measures, agree on the right standards
- The need to keep jobs
- The need for fair conditions in e-commerce
- The fact that IKEA remains committed to digital transformation and SDG 2040

Mr., Mr. of Decathlon outlined issues faced by his company (80% of shops close are closed with a huge impact on Decathlon’s 100 000 direct employees and 1 mn persons employed indirectly). He sees the

He called for:

- A safe reopening of shops
- Help to boost the consumption (eg. VAT reduction, extended opening hours and making work on Sundays possible also in view of the competition from pure players who can deliver on Sundays)
- Facilitated work conditions for employees

In the long term, he sees his company initiatives useful in the context of healthy lifestyle, greening

Mr., Mr. of Euronics echoed the other speakers in painting the current situation of his company, operating in the consumer electronics and home appliances sector across the EU. He stressed that, while 80% of Euronics shops are closed, IT equipment, consumer electronics and home appliances have become essential to consumers during lockdowns, providing entertainment, enabling them to work and learn remotely and even stock the food.

He stressed:

- The importance of reopening of physical shops
- The fact that the “last mile” for e-commerce is not functioning (lack of delivery capacity of posts and couriers, transportation costs have increased by 15% while the average online sales price of products is down by more than 20%). However “click & collect” is a strong competitive point in comparison to pure players as it ensures proximity.
- Issues with credit insurers revising negatively the credit rating of stores

He called for:

- COM and ECB to put pressure on credit insurers to support retailers
- help to SMEs in the digital transformation
- help in coordinating the approach to commercial rents across Member States and issuing guidance to landlords
- A delay in the implementation of electronic labelling scheme foreseen for November. Otherwise retailers may find themselves with unsold obsolete products.

Mr. of Gemini Holding, owner of shopping centres in Poland, representing also the Association of Polish Landlords, highlighted the main issues faced by the real estate sector. Shopping centres in Poland remained open only partially because of grocery shops and pharmacies, but 90% of the surface dedicated to non-food retail has not been bringing any income. This has reduced the income to 4-5% with remaining fixed costs related to investment. Many operators struggle with severe liquidity problems. While shopping centres had to

He outlined the current situation of the retail surfaces owners in Poland:

- All rents for closed retail shops had been initially waived by the Polish government
- Many operators struggle with severe liquidity problems, having heavily invested in their properties (banks postpone instalments, but still charge interests)
- Shopping centres remained open only partially because of grocery shops and pharmacies, but 90% of the surface dedicated to non-food retail has not been bringing any income. This has reduced the income to 4-5% with remaining fixed costs related to investment

He called for:

- Help to solve liquidity problems
- Coordinated measures for the reopening of shops
- More regulatory flexibility for retailers (many restrictions have been recently imposed on the retail sector in Poland, such as taxes and bans on Sunday opening of shops).

Next steps: closing the meeting, Commissioner Breton underlined the importance of signalling any issues or disruptions directly to COM services, to allow him to react quickly and directly with Member States.

A follow-up videoconference will be organised in a 2-3 weeks’ time to take stock and continue the exchange on the recovery.