

Video call with Commissioner Breton on retail – 21 April 2020

Impact on your business:

How are your different business models impacted by the crisis? Have you been able to carry on with your business? If yes, what kind of organisational changes or additional costs did it require?

Retailers and wholesalers impacted by the crisis in diverse ways:

- Food retailers all “hands on deck” to face unprecedented challenge of delivering an essential service to consumers, whilst preserving the safety of employees and customers under difficult circumstances
- Food wholesalers serving catering and hospitality (closed everywhere and for longer) facing major disruption
- Non-food in disaster mode.
 - Most member states have forced closures, and where shops still open, sales down as much as 80%. Clothes and textiles, footwear, jewelry and accessories hit particularly hard. Consumer electronics and household equipment resisted in the early days as consumers looked for equipment.
 - has redirected some transactions to digital and forced some to switch to digital; online sales good in some sectors but this has often not been enough to compensate for the losses through physical shops and on-line is also down 20-30%.
 - Despite national relief measures, members telling us that they expect up to 40% of shops shut will not open again.

What are the most urgent problems you have to face today?

Key issue is lack of liquidity. An extension of the confinement measures means that many retailers will not be able to open again after the crisis (risk as high as 40% of shops in DE and 30% in FR).

What are the outlooks for your business in the coming months (the exit phase)?

The impact is severe on the vast number of companies in retail (and wholesale) that have had to close down or severely limit their activities. In France: 91% of non-food retailers have had no business since the closure of their stores was imposed and 30% of independent boutiques fear that they will not be able to start their business again after one month of confinement; 50% consider that it will take up to 6 months to go back to normal (source: conseil du commerce de France). In Germany up to 40% of shops shut will not open again in Germany.

Assessment of measures :

Short-term

In addition to the horizontal support measures put forward by the Commission and Member States, are there any additional, immediate support measures needed for the sectors?

- pursue support through tax deferrals or waivers, labour costs compensation schemes, state guaranteed loans and direct support (state aid); immediate support needed to help companies deal with their lack of liquidity; issues particularly with rental agreements and energy bills
- ensure that the liquidity released by the ECB and EIB reaches businesses affected via the banking system
- provide flexibility in terms of labour law

What are your needs in terms of financial support? Have you received support by national governments?

- Governments have taken action to support through various measures including compensation of labour costs, tax deferral mechanisms and state guaranteed loans but this is not enough. Sometimes access to such schemes has been slow or difficult for companies especially smaller ones.
- Issues are emerging with rental costs and renegotiation of rental agreements as well as with energy bills.
- Need also to ensure that the liquidity released by ECB and EIB reaches businesses affected by the crisis through the banking system.

Do you see a need for further national policy coordination and in which direction?

- Exit strategy needs to be coordinated across member states, and based on same principles, while taking into account that not all countries are at the same stage of development in tackling the pandemic.
- rapid and coordinated principles for the exit strategy:
 - allow a gradual re-opening of retail and wholesale businesses with appropriate safeguards for the health of customers and staff as adopted for example in food retail and in a non-discriminatory manner – the key principle being the ability of shops to apply the necessary sanitary measures;
 - ensure clear and transparent communication for businesses and consumers to provide certainty as to when activity can start again;
 - ensure coordination and communication between member states as they lift some of the restrictions: complex cross-border supply chains mean that disruption caused by closure of suppliers in one country affects the supply chain in another.
- regulatory activity: all consultations and new proposals should be delayed 6 months until sectors are once more able to focus on other issues than keeping their business running and alive; we ask for enforcement of some (non-safety related) measures coming into force now to be handled flexibly and recognising the difficulty facing businesses at this time and in the months to come.

Recovery Strategy /Long-term

How will your sector change/adapt after the crisis?

- people will have got used to buying more online during the crisis, and physical shops, particularly SMEs, will need urgent help to embrace the digital economy and go online to maintain their existence offline

What kind of measures do you consider necessary to relaunch the provision of services and consumer demand once the health pandemic is over?

- 1) make the single market a top priority and work on opening up international borders again; this means rapid dismantling of all restrictive measures suspending the single market immediately after the pandemic; could unleash 750 billion euro; dedicate resources to enforce; consider linking massive help to member states to countries removing discriminatory treatment of foreign retailers and other barrier
- 2) maintain financial support after the exit until the economy is back to pre-crisis level as it will take time for businesses to recover
- 3) stimulate demand and consumption as a driver of stability in the whole economy (private consumption is 50% of EU GDP); consider temporary relaxation of rules depressing demand – opening hours/annual sales/Sunday opening; take measures to support purchasing power: tax reliefs, introducing vouchers for the most vulnerable (e.g. IT, DE); support massive investment strategy to accelerate the digital and green transition: people will have got used to buying more online during the crisis, and physical shops, particularly SMEs, will need urgent help to embrace the digital economy and go online to maintain their existence offline; the current shut down has also revealed the impact of human activity on the environment; support should also be focused on the green transition;
- 4) adopt measures to support town centers and local communities; including support schemes such as a town center rescue fund to finance such initiatives.

What kind of (medium and long-term) changes in consumer habits do you expect (e.g. e-commerce)?

- people will have got used to buying more online during the crisis, and physical shops, particularly SMEs, will need urgent help to embrace the digital economy and go online to maintain their existence offline
- consumer confidence has gone down as consumers fear for their future; this will impact their future purchasing patterns and they may be trading down or deferring some of the higher value purchases; this will have an impact across the sector

What kind of ecosystem could be built to help the EU retail sector's competitiveness?

Key principles include:

- free and open markets – repair the single market as a key driver for growth in Europe and address restrictive measures limiting foreign direct investment within the EU and abroad;
- support digitalization and data sharing – support the development of data driven eco-systems able to compete with non-EU based digital eco-systems; encourage further data sharing, while holding on to clear rules to avoid collusion on markets; support the development of competitive markets in the Single Market and avoid consolidation of already strong global operators.
- support the ecological transition, develop access to green technologies and support investment in these technologies

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