Your World First

C/M/S/
Law . Tax

Defining consumer choice and measuring performance in grocery

Dr Michael Bauer

Oxford, 22 May 2015

EU Study: concept

Definitions	Product choice per shop	Product assortment (EAN codes)
		Variety of packaging sizes
		Variety of prices
		Variety of alternative suppliers
	Shop choice	No. of "modern retail shops" per shopping area
Methodology	Econometric analysis	2004/12: 296 shops in 5 Member States (France, Italy, Poland, Portugal, Spain)
		2008/12: 337 shops in 7 Member States (Belgium, France, Hungary, Italy, Poland, Portugal, Spain)
	Six case studies	Selected products in selected Member States

EU Study: key findings

Choice increased (2004/12)	Measured by "alternative products":	5.1% p/a	(08/12: 2.4%)
	Measured by "variety of sizes":	3.5% p/a	(08/12: 2%)
	Measured by "no. of brand suppliers":	3.9% p/a	(08/12: 2%)
	Measured by "no. of modern retail shops":	1.6% p/a	(08/12: 1.3%)
But Increase slows down	For all criteria increase was much higher in period 1 (04/08) than in period 2 (08/12)		
Choice decreased	Measured by "range of prices"		
Driving factors (behind increasing choice)	High evidence:	Type of shop, size of shop, economic prosperity, product category turnover	
		Market entries	
	Little evidence:	Imbalance of powers between suppliers and retailers	
	No evidence:	Retail concentration (but case study "Belgian tomatoes" suggests positive relationship)	
		Supplier concentration	
		Private labels	

EU Study: choice / concentration relationship

Positive relationship in some sample states

(Poland / Portugal / Spain)

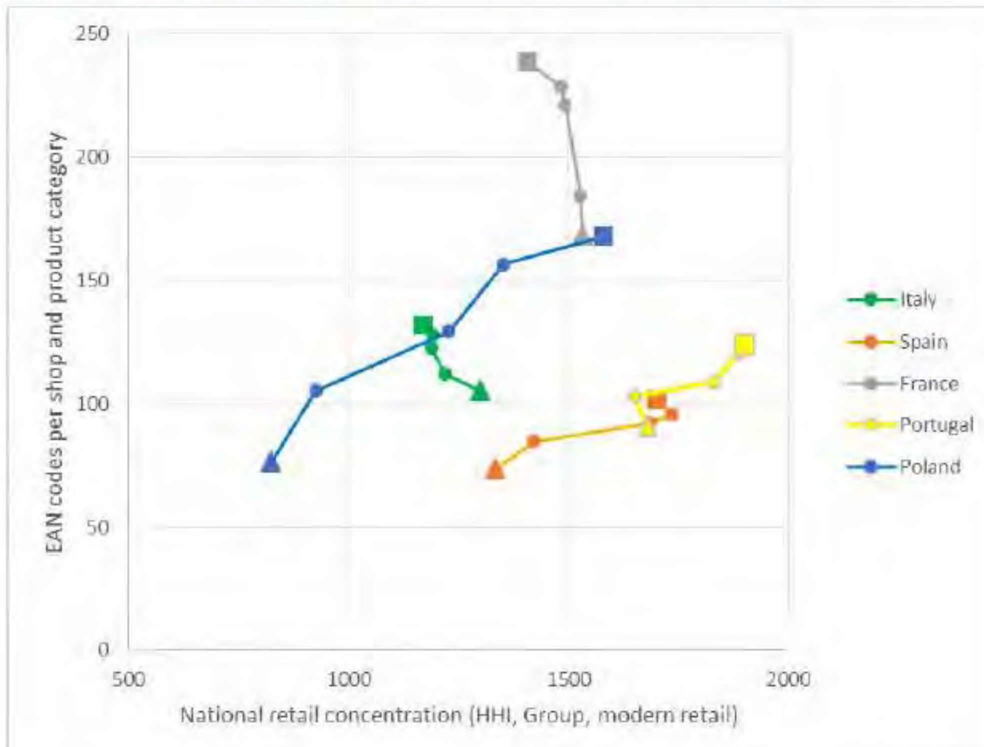
	Poland	Portugal	Spain
Share m/r	low	high	high
CR m/r	low	med	low

Negative relationship in other sample states

(France / Italy)

	France	Italy
Share m/r	high	low
CR m/r	low	low

Figure 145: Choice in variety of EAN codes in the sampled shops versus national retail concentration (source: analysis based on © Nielsen Opus and © Planet Retail. Data are for first period in each year 2004, 2006, 2008, 2010 and 2012)



Note: Note: ▲ denotes 2004 and ■ denotes 2012.

Comments

Study only assessed *quantitative* criteria …	no. of shops, products etc
… but not *qualitative* criteria	e.g.: type and source of ingredients, production process, convenience
	A sausage is a sausage is a sausage?
FCO Sector inquiry	"*It needs to be taken into account that there is an information asymmetry between sellers and end-customers which provides for the possibility to reduce quality without necessarily jeopardizing reputation and/or sales*"

Comments

Study only looks at "*modern retail shops*" (>400sqm)

Increase in no. of modern retail shops reflects decrease of traditional type grocery
(= less choice)

Increase in products per shopping area may result from concentration
(= less competition)

EAN counting does not allow for exact measuring of choice

Does not reflect lessening of choice if branded product is replaced by a private label

Customer may no longer decide on source
(= less choice)

Increase in EAN numbers = more choice?

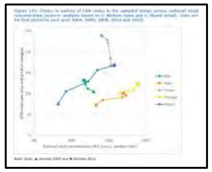
Increase may result from repositioning by retailers

Discounters increasing product range

Substitution of product categories

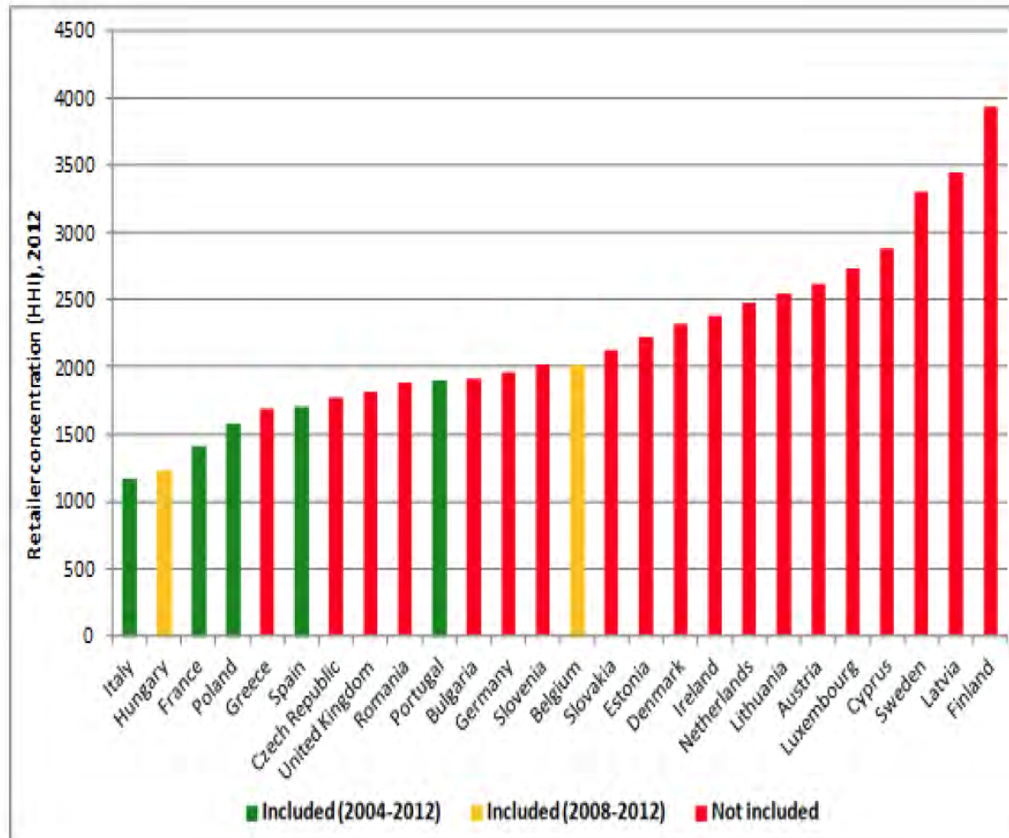
Comments

Study did not undertake complete choice/ concentration analysis (would need to control for various additional elements) and found no evidence

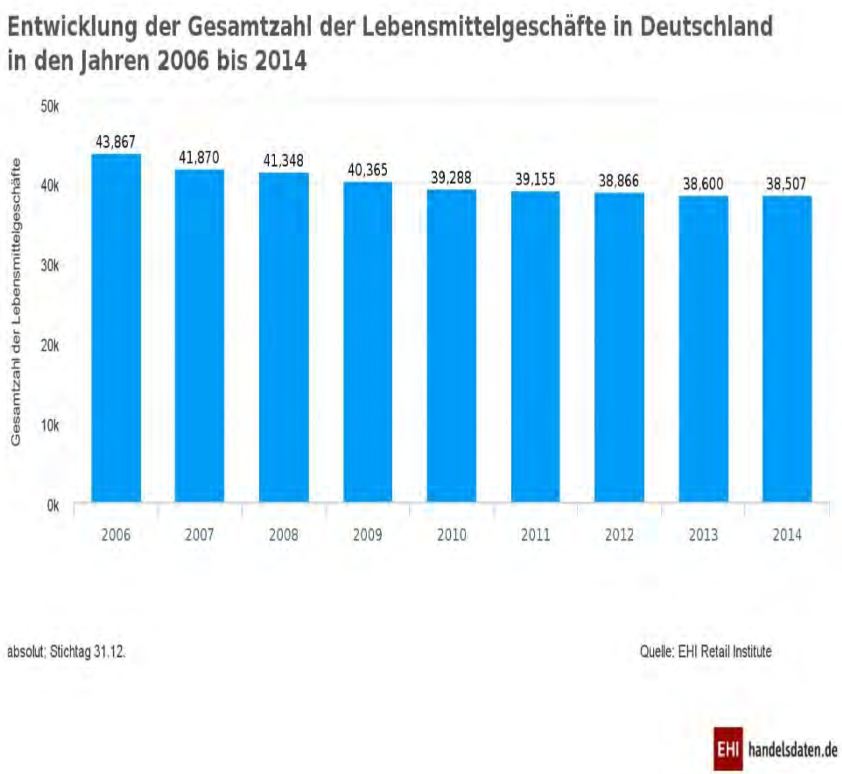


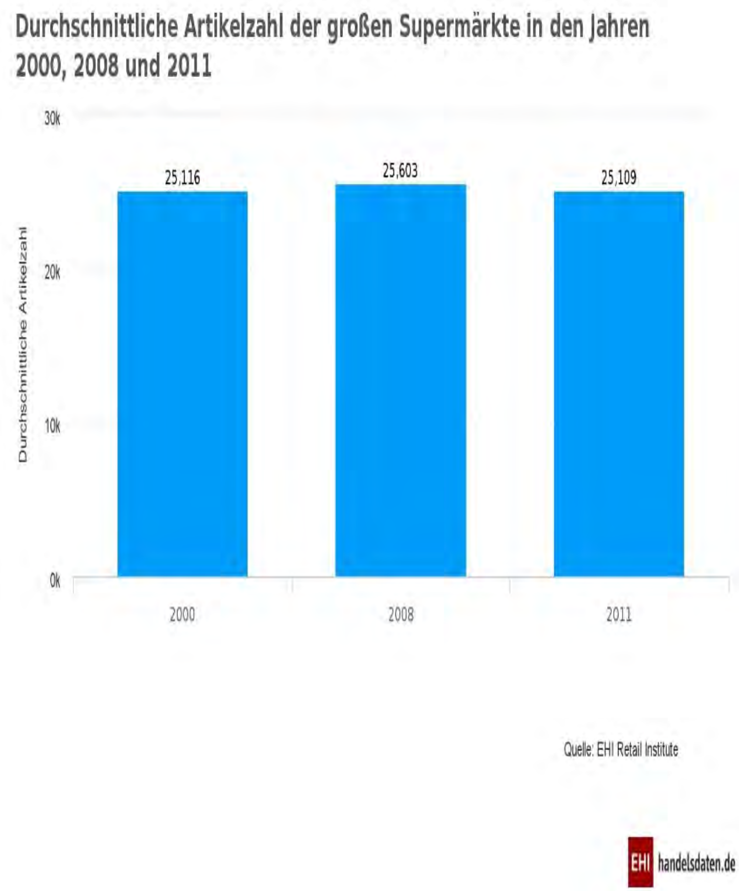
Study did not investigate markets with high concentration

The effect that an increase in concentration has on choice for a Member State where retail concentration is at lower levels may not be comparable to the effect on choice in a Member State where retailers are highly concentrated.

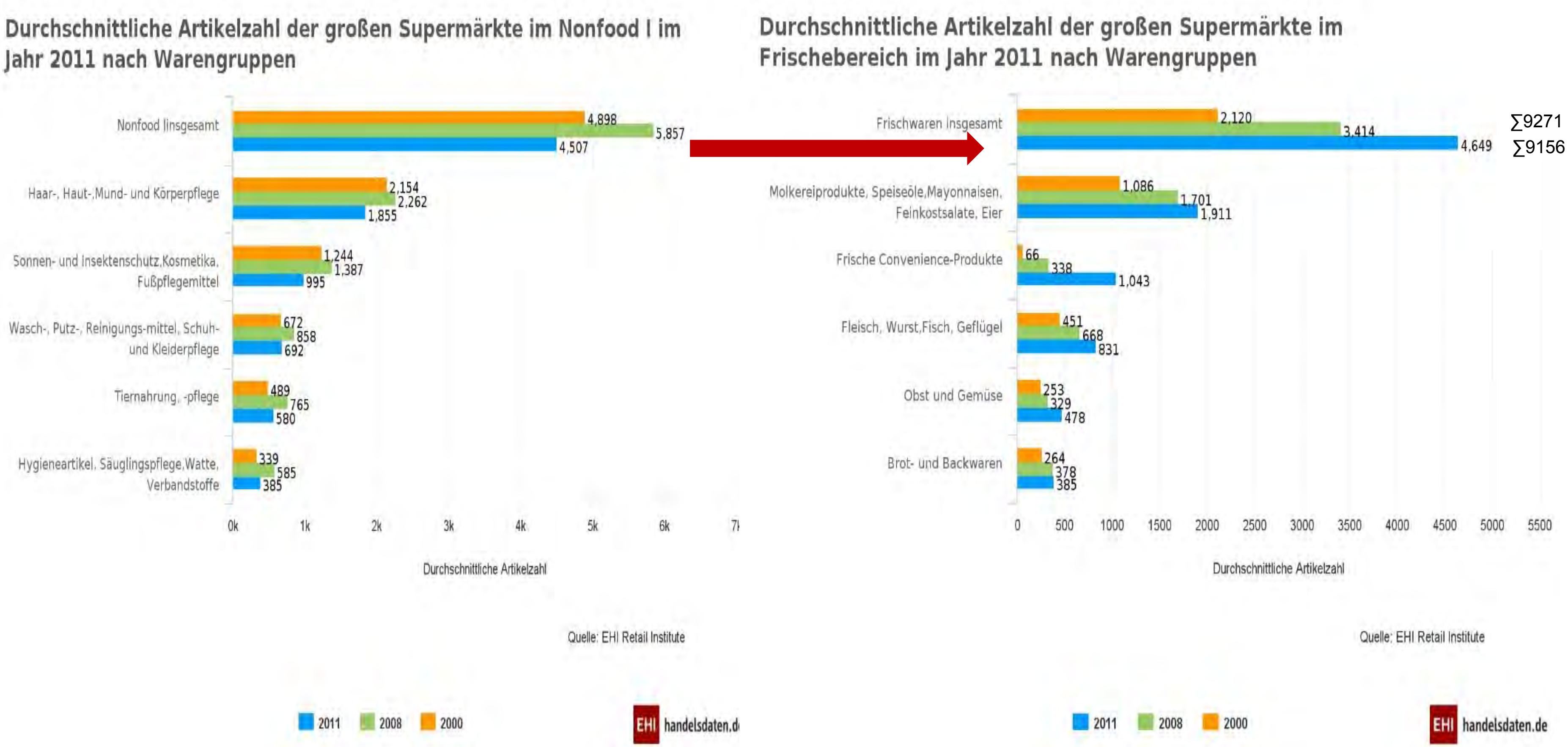


Evidence from Germany demonstrates decline in choice





Evidence from Germany demonstrates repositioning



Conclusions

EU Study demonstrates substantial decline in growth of choice (but still …)

Outcome of study must be considered with care

- Markets with high concentration not assessed
- Various important elements not reflected
- Choice/concentration analysis would need to control for additional elements (in-country)

Outcome may and should be used as starting point for further discussions

Assessment of customer choice will also need to take into account growing importance of retail alliances

- Any teaming up on procurement side will most likely lead to more alignment in offering

Dr Michael Bauer

CMS EU Law Office
Brussels

T +32 2 6500 421

M +49 173 28 31 322

E michael.bauer@cms-hs.com