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# Defining consumer choice and measuring performance in grocery

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# 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

<b>Choice increased (2004/12)</b>	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)		
<b>Choice decreased</b>	Measured by "range of prices"		
<b>Driving factors (behind increasing choice)</b>	<b>High evidence:</b>	Type of shop, size of shop, economic prosperity, product category turnover	
		Market entries	
	<b>Little evidence:</b>	Imbalance of powers between suppliers and retailers	
	<b>No evidence:</b>	Retail concentration (but case study "Belgian tomatoes" suggests positive relationship)	
		Supplier concentration	
		Private labels	

# EU Study: choice / concentration relationship

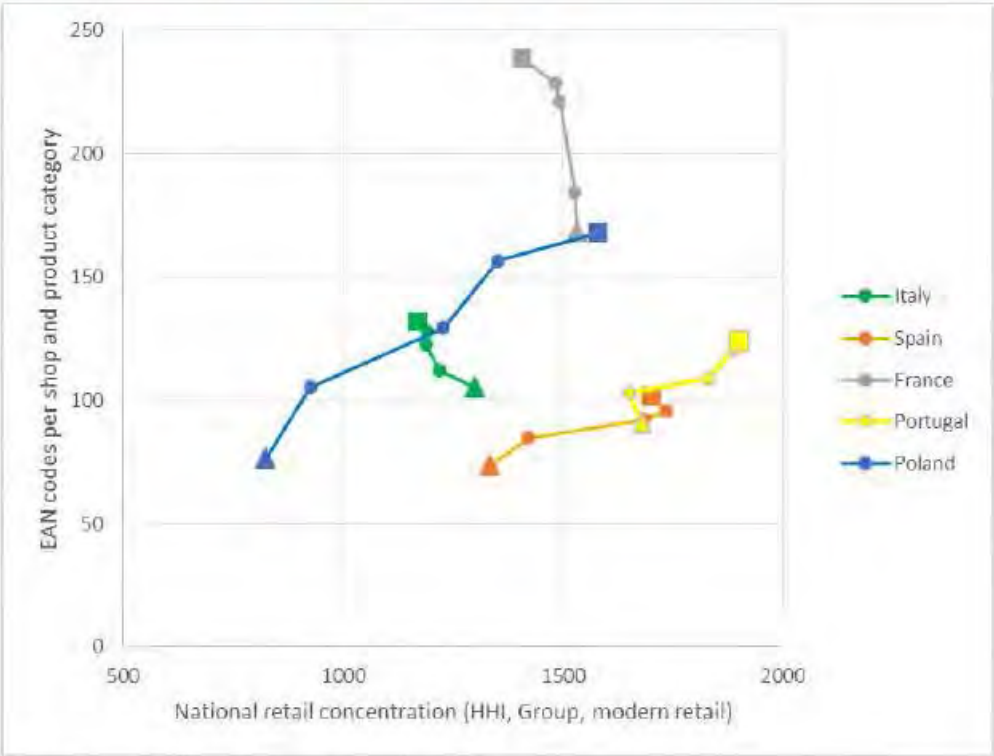
Positive relationship in some sample states  
(Poland / Portugal / Spain)

Share m/r	low	high	high
CR m/r	low	med	low

Negative relationship in other sample states  
(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

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Study only assessed  
*quantitative* criteria ...

no. of shops,  
products etc

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... but not  
*qualitative* criteria

e.g.: type and source of  
ingredients, production process,  
convenience

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A sausage  
is a sausage  
is a sausage?

FCO  
Sector  
inquiry

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*"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"*

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# 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?

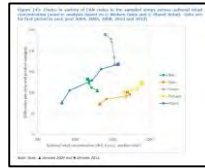
Increase may result from repositioning  
by retailers

Discounters increasing product  
range

Substitution of product  
categories

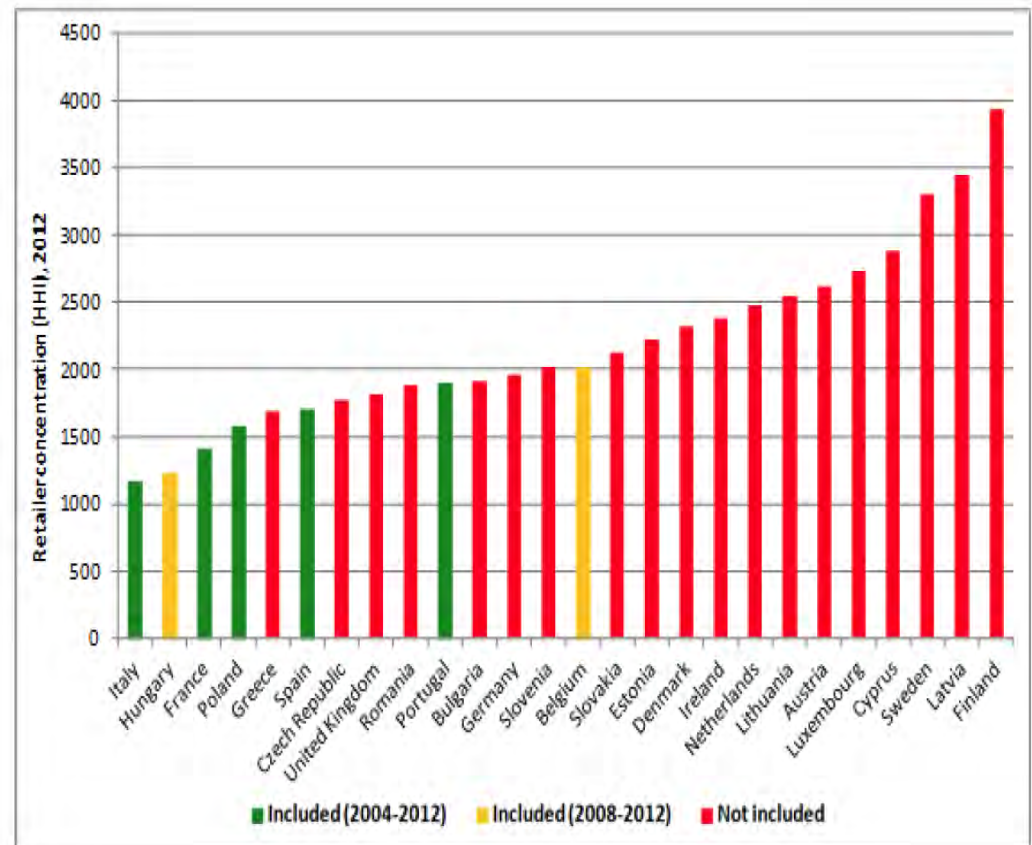
# Comments

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



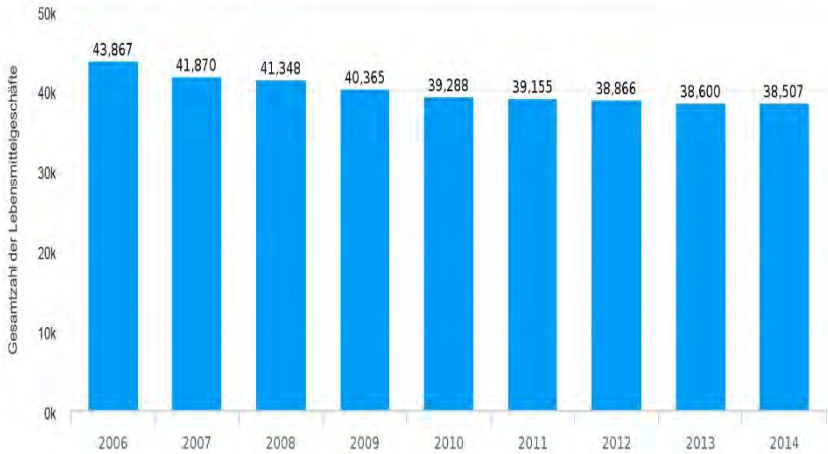
Study did not investigate markets with high concentration

*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

**Entwicklung der Gesamtzahl der Lebensmittelgeschäfte in Deutschland in den Jahren 2006 bis 2014**

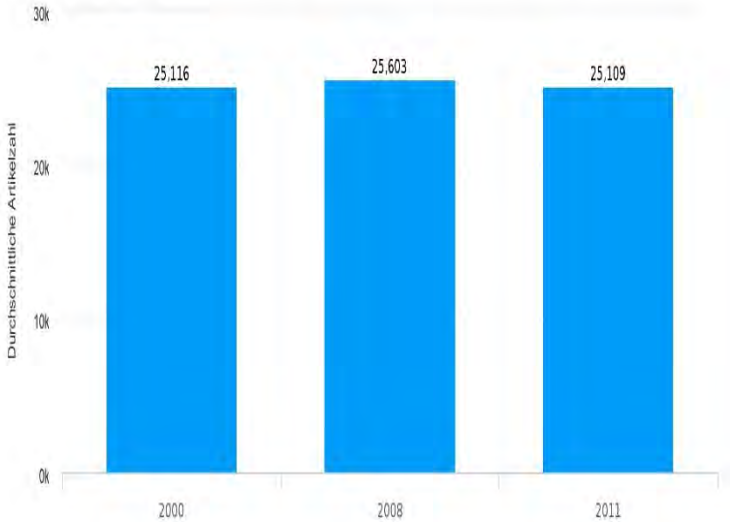


absolut; Stichtag 31.12.

Quelle: EHI Retail Institute



**Durchschnittliche Artikelzahl der großen Supermärkte in den Jahren 2000, 2008 und 2011**



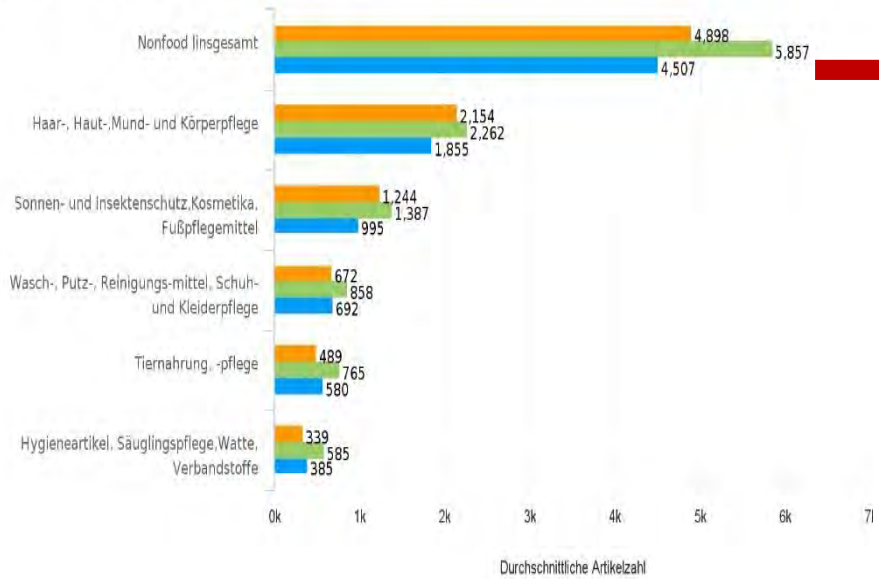
Quelle: EHI Retail Institute





# Evidence from Germany demonstrates repositioning

Durchschnittliche Artikelzahl der großen Supermärkte im Nonfood I im Jahr 2011 nach Warengruppen

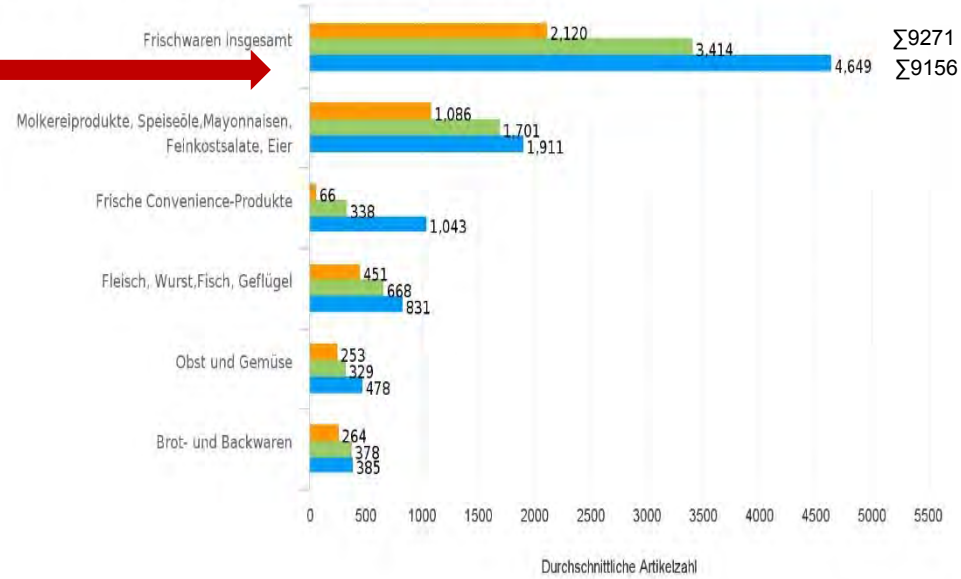


Quelle: EHI Retail Institute

■ 2011 ■ 2008 ■ 2000

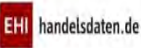


Durchschnittliche Artikelzahl der großen Supermärkte im Frischebereich im Jahr 2011 nach Warengruppen



Quelle: EHI Retail Institute

■ 2011 ■ 2008 ■ 2000



# Conclusions

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

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Outcome of study must be considered with care

Markets with high concentration not assessed

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Various important elements not reflected

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Choice/concentration analysis would need to control for additional elements (in-country)

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

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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

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