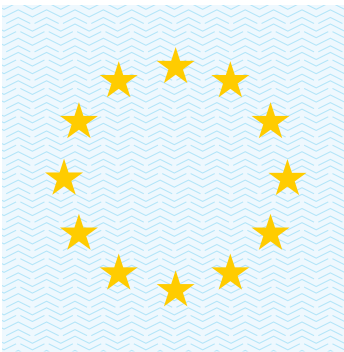


# INSIGHTS ON ASSORTMENTS AND PRICE DIFFERENCES IN EUROPE



## United in Diversity

Markets are local due to historical, cultural and socio-economic differences. They therefore differ per consumer as well as per region, within and across countries.



The very same product might have a different customer perception in one country than in other. For example, a specific type of pasta which is considered to be quite regular in Italy might be perceived as something of high quality in Slovakia.

European Central Bank, Working Paper 1742

On average, Greek and Irish consumers tend to buy smaller pack sizes (...), while German and Spanish consumers display the opposite behaviour.

European Central Bank, Economic Bulletin Issue 1/2015



Differences in store assortments are influenced by retail strategy as well as the nature of competition and store formats.

Retailers' store assortments can vary significantly within the same country, region, or even city.



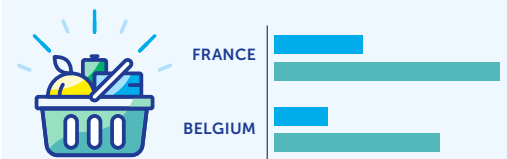
Retailers do not compete "on product range" in an isolated sense – they compete on the retail offer as a whole. (...) Competition between the differentiated retail offers (...) involves a variety of factors important to grocery customers that are key parameters of competition, including: (i) convenience of store locations locally; (ii) value for money on product quality and price (not just price); and (iii) other aspects of the in-store offer, including range or service, and other aspects of the in-store shopping experience.



Consumer prices are set by retailers depending on their business strategy and the competitive environment's intensity (number of players, respective market shares) and nature (players' positioning and formats: some retailers focus on quality value, offering services that justify higher product prices, while others focus on the lowest prices possible, and still others concentrate on creating consumer interest through various types of promotions).

§85 and §229 of Sainsbury's / Asda's joint response to the 2018 CMA's Issues Statement in Sainsbury/Asda

## Assortment per grocery store in 2019



France: the assortment per grocery store varies from 11.658 to 29.867 products

Belgium: the assortment per grocery store varies from 7.101 to 21.953 products

Differences across countries are quite significant: French stores offered an average of 19.459 products per store, against 14.366 for Luxembourg stores.

Country	Average Products per Store
France average	19.459
Luxembourg average	14.366

Etude 4 Frontières, Edition 2020



Grocery competitors do not compete for customers based on their national share: they compete for local customers through their local stores. (...)

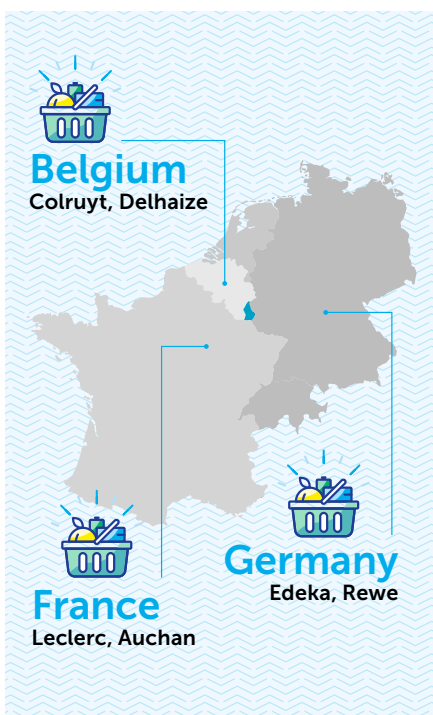
Local demand is a function of regional/local tastes, demographics and competition. (...)

There are many strong smaller and regional operators (...) which provide a strong constraint in the local areas in which they are present.

§§109, 133 and 242 of Sainsbury's / Asda's joint response to the 2018 CMA's Issues Statement in Sainsbury / Asda



Differentiation and positioning are key in retail strategy, and can vary greatly across all geographic levels. Even within cities, prices vary in the same banner stores located in different streets. Retailers' presence and importance vary per country, per region, and per city.



## FLASH SALE

Price is a marketing tool used to support retail differentiation strategies. Differentiation is essential for businesses to ensure that consumers purchase their products – and not a competitor's products – or via their (virtual or physical) store – and not via a retail competitor's channel.

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**Consumer prices are dynamic:** prices vary across the weeks because of promotions, but also because of business needs (e.g., generate cash flows by increasing sales while temporarily reducing margins). Some retail models rely on constantly monitoring competitor prices and systematically aligning product prices according to any competitor's changes. Each retailer defines the margins that it wants to make on consumer sales, but its effective profit will depend on the sales achieved, the competitive environment, and consumer demands.



Even with identical retailing costs, the same product may be sold at different prices (because of) differentiation – the same product may be perceived as not exactly identical when bought in different stores. For instance, a consumer may prefer to buy his (favorite product) at a corner store in his posh neighbourhood even if he knows that the same item is less expensive in a less fancy, more crowded, or further away superstore.

Centre for Economic Policy Research, 13 March 2018, "The price of the same product often varies across stores, but you can guess where to go shopping"



**The higher the retail concentration, the higher the consumer prices,** regardless of suppliers' and wholesalers' prices.



€ €



There is never absolute homogeneity in the commodity if we include the terms of sale within the concept of the commodity.

George J. Stigler (1982 Nobel prize in economics). June 1961, "The Economics of Information", Journal of Political Economy, 69/3, pp. 213-225



€

**Retailers' buyer power over suppliers is an important factor influencing price differences across Europe.**



Larger retailers may have more bargaining power. (...) The CC found that the four largest grocery retailers paid between 4 % and 6% less (...).

Competition and Markets authority, Sainsbury/Asda, §§2-3 of Appendix L

